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REPUBLIC OF SOUTH SUDAN

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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REPUBLIC OF SOUTH SUDAN: 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

The baseline in this Debt Sustainability Analysis update (DSA) reflects several changes with respect to the previous DSA of July 2022, including updating the financing assumptions to reflect the global tightening in financing conditions, the discovery of oil pre-sale advances to the Eastern and Southern African Trade Development Bank, a pre-existing loan arrangement with the National Investment Development Bank, and updates to the debt with commercial creditors including China Exim Bank thanks to the reconciliation of debt between the authorities and creditors. South Sudan's debt remains assessed to be sustainable with a high risk of debt distress for both external and overall public debt.[1] Three of the four key indicators of public and publicly guaranteed external debt breach the threshold in the short/medium term, with debt service to revenue remaining above the threshold through 2029/30, and debt service-to-exports through FY2025/26. The present value of overall debt-to-GDP ratio decreases below the threshold starting in FY2026/27. There are several downside risks to the sustainability assessment, including global external financing conditions, decreased oil revenues from drops in production due to climate-related disasters or volatility in global oil prices, slow implementation of reforms in particular on public financial management, a breakdown in the peace process and the resumption of large-scale civil conflict.

[1] South Sudan's debt-carrying capacity remains rated "weak" with composite indicator score of 1.33 according to the October 2022 vintage of World Economic Outlook and the 2021 Country Policy and Institutional Assessment index of the World Bank.

BACKGROUND

1. **The DSA is limited to central government debt, as data access and availability remains weak.** Debt data collection and compilation presents serious weaknesses in South Sudan. SOEs are omitted from the DSA as information about SOE debt and government guarantees is incomplete or unavailable.[2] External debt is defined using the currency criterion. The analysis for the contingent liability stress test includes SOE debt, financial market shocks, and a 5 percent shock to GDP to include the potential repayment of salary arrears to embassies' staff, and other potential arrears or financing shocks.

Text Table 1: DSA Coverage of Public Debt

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)	
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

1 The country's coverage of public debt	The central government, central bank		
	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	5.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		12.0	

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%.

2. **South Sudan's total public debt was estimated at US$3,457 million (67 percent of GDP) as of December 2021 (Text Table 2).** Debt to the World Bank amounted to US$79.8 million on IDA terms, while debt to the African Development Bank (AfDB) amounted to US$19 million. Debt to the IMF includes the two disbursements under the Rapid Credit Facility (RCF) of November 2020 and April 2021, and the use of US$150 million from the SDR allocation for budget support.[3] The debt stock with Afrexim bank was US$464 million at the end of CY2021. Bilateral creditors include China Exim Bank through two different facilities with a total remaining debt estimated at US$372 million at end-December 2021.[4] Amongst commercial creditors the outstanding liability to the Qatar National Bank was amounting to US$586 million at the end of 2021. The debt stock at the end of 2021 also included an outstanding debt of US$550 million

[2] Addressing the lack of coverage of SOE will require significant efforts in terms of data gathering and possibly technical support to produce the information. There are only a few SOEs in South Sudan with significant economic activity, the largest being Nilepet—the state-owned National Oil and Gas Company of South Sudan.

[3] The authorities used US$150 million from the SDR allocation to finance spending, mostly to reduce salary arrears. This amount, consistent with the Guidance Note of August 2021 on the treatment and use of SDR allocations, has been included in the external debt stock starting in FY2021/2022 for the purposes of this DSA.

[4] One facility with a remaining debt of US$135 million was included in the previous DSA. Another facility with a remaining debt estimated at US$237 million at end-December 2021 came to light during the debt stocktaking exercise conducted by an international auditing firm.

owed to oil companies, an estimated outstanding debt of US$107 million to the National Investment Development Bank (NIDB), and an estimated outstanding debt of US$200 million to the Eastern and Southern African Trade Development Bank.[5] Domestic debt is mostly owed to the central bank but also includes a relatively small share of debt due to local commercial banks (around 20 percent).

Text Table 2. Republic of South Sudan: Decomposition of Public Debt by Creditor End CY2021[1]

	Debt Stock (end of period)			Debt Service					
	CY2021			FY21/22	FY22/23	FY23/24	FY21/22	FY22/23	FY23/24
	(In US$ million)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ million)*			*(Percent GDP)*		
Total	3457	100	67	829	644	459	17.3%	7.5%	4.2%
External	2766	80	54	813	633	450	17.0%	13.2%	9.4%
Multilateral creditors[2]	955	28	18	122	282	198	2.6%	5.9%	4.1%
IMF	377	11	7	0	165	0			
World Bank	80	2	2	1	1	1			
ADB/AfDB/IADB	19	1	0	0	2	3			
Other Multilaterals	479	14	9	121	114	194			
o/w: Afrexim	479	14	9	121	114	194			
Bilateral Creditors	367	11	7	0	24	24	0.0%	0.5%	0.5%
Paris Club	0	0	0	0	0	0	0.0%	0.0%	0.0%
		0	0						
Non-Paris Club	367	11	7	0	24	24	0.0%	0.5%	0.5%
o/w: China Exim	367	11	7						
		0	0						
Commercial creditors	1444	42	28	690	328	229	14.4%	6.9%	4.8%
o/w: QNB	586	17	11	83	50	86			
o/w: Oil Companies	550	16	11	49	69	142			
Domestic	692	20	13	17	11	9	0.3%	0.2%	0.2%
Held by residents, total	692	20	13	17	11	9	0.3%	0.2%	0.2%
Held by non-residents, total	0	0	0				0.0%	0.0%	0.0%
Memo items:									
Collateralized debt[3]	1616	47	31						
o/w: Related	0	0	0						
o/w: Unrelated	1616	47	31						
Contingent liabilities	na								
o/w: Public guarantees	na								
o/w: Other explicit contingent liabilities[4]	na								
Nominal GDP	5167								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

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/ 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. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/ 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).

3. **Domestic salary arrears have been fully cleared.** While arrears to government employees had increased during the first half of FY2021/22, the MoFP has taken steps to clear the arrears, and as of October 2022 domestic salaries are current. Arrears to foreign missions stand at about USD 150 million (about 2 percent of GDP), however the MoFP is paying salaries to foreign missions' employees and taking steps to clear the arrears.

[5] The NIDB loan was issued before the start of SMP and came to light in spring 2022. The authorities have recently supplied staff with documentation of transactions with NIDB during the period of the SMP. The Eastern and Southern African Trade Development Bank came to light recently and according to the debt stocktake by the international auditor has been repaid within FY2021/22. Reconciliation of the data is still in progress.

An additional 5 percent of GDP has been added to the contingency liability test to take into account the repayment of salary arrears to diplomats in foreign missions and other potential obligations including discovery of additional legacy debts and/or arrears on goods and services a stocktake on which is being conducted with assistance from USAID.

4. While South Sudan's Transitional Financial Arrangement (TFA) with Sudan has been completed as of February 2022, it has continued to transfer the same amount of crude oil to Sudan as before resulting in an accumulation of credit. The timing of when Sudan will pay for the accumulated credit is not yet known, and it appears that modifying the practical arrangements of crude oil transferred to Sudan (about 22 thousand barrels per day) will not be immediate. As of the end of FY2021/22, the estimated accumulated credit with Sudan amounts to about US$300 million (around 4 percent of GDP) for the value of crude oil transferred in excess of obligations under the TFA.

5. The Bank of South Sudan is taking action towards developing the domestic market. The BoSS introduced a term deposit facility (TDF) in spring 2022. After some initial experimentation, and subsequent consultation with banks, it succeeded in mopping up 24 billion SSP in four consecutive auctions between early September and end-November 2022, at average annualized interest rates of below 10 percent. The uptake by banks suggests that private-sector confidence in the authorities' macroeconomic management is improving, and there appears to be significant interest in BoSS expanding the range of maturities under the TDF beyond the 14-day and 28-day maturities currently being offered. A rollout of auctions at 90-day and 180-day maturities is planned over the next years; if successful, it could mark a significant step towards the re-introduction of treasury bills as a possible source of domestic financing.

6. This DSA assumes that the financing gaps will be closed mostly with non-concessional external loans. While the proposed PMB includes a condition on no new non-concessional borrowing, this analysis includes forecasted non-concessional borrowing to cover financing needs. This represents a worse-case scenario, in which concessional financing does not materialize. A financing gap is estimated to occur starting in FY2022/23 and to persist in the medium term. This analysis projects—starting in CY2023—new disbursements by bilateral, non-Paris club lenders with 8-percent interest rate, 7-year maturity, and 2 years grace period, and also assumes that starting in FY2024/25 there will be issuance of medium-long term domestic debt (initially about 10 percent of government financing needs), predicated on sustained macroeconomic stability and improved fiscal position. As has been the case in the past, the remaining financing gaps are assumed to be closed using non-concessional loans with 8-percent interest rate, 5-year maturity, and 1-year grace period. The assumptions on the terms of non-concessional borrowing from unidentified external sources are in line with the terms of existing debt instruments and the global tightening in borrowing conditions (the average nominal interest rate on external debt is 5.9 percent in FY2021/22).

UNDERLYING ASSUMPTIONS

7. The forecasted real GDP growth shows slightly lower growth in the medium term with respect to the previous DSA (Text Table 3). Real GDP growth in FY2022/23 is forecasted at -0.4 percent, mostly reflecting the continued issues with oil production due to climate-related flooding of oil fields. Non-oil GDP is projected to recover in FY2022/23 as the harvested area has been expanding, reflecting the fact that although historic floods continued in CY2022, impacts are estimated to be less severe when compared to CY2021. Additionally, due to positive base effects, non-oil GDP grew by 6.0 percent in FY2021/22 and is forecasted to grow by 7.3 percent in FY2022/23. Overall growth is expected to recover in FY2023/24 onwards, in line with oil production and better agricultural production as domestic security conditions improve. The slightly lower growth path in the medium term reflects global headwinds and fiscal consolidation.

8. Primary expenditures are lower compared to the previous DSA. The previous analysis assumed that transit and processing fees to Sudan would significantly increase and that the financial transfer to Sudan as part of the TFA would end. The current analysis instead assumes stable transit and processing fees, and reflects the continuation of TFA payments (notwithstanding the completion of the TFA agreement) incorporating it not as an expenditure but as negative financing. As a result, expenditures decline because the TFA is now classified below the line as financing. Accordingly, the primary balance is higher in the current vintage, and remains in surplus throughout the medium term.

9. Imports are projected to be lower in percentage of GDP then previously forecasted. The continuation of payments to Sudan in excess of the TFA agreement is forecasted to reduce the government's fiscal space in the short and medium term, impacting resources available to support imports, in addition to the impact of Russia's invasion of Ukraine on international aid and the potential impact of decreased aid on food and other imports of goods. This results in a higher current account balance compared to the previous DSA vintage. Exports, after peaking in FY2021/22 and FY2022/23 thanks to an increase in the price of oil, are projected to gradually decline reflecting the assumption of lower global oil prices over the medium term and in outer years.

10. Oil price projections have been revised down slightly for the near term compared to the July 2022 DSA, to reflect the latest oil market forecasts. In the medium term, oil prices are forecast to be slightly higher to reflect the better-than-expected price for South Sudan crude oil (previous projections assumed a discount in the price of South Sudan's oil relative to international benchmarks)

11. Average inflation is expected to rise to 16.5 percent in FY2022/23. This increase is mainly due to the recent SSP depreciation, with inflation forecasted to gradually decline to single digits over the medium term on the assumption that the restoration of prudent money growth proves lasting. The assumption is that the BoSS stabilizes money growth at below 10 percent per year, in line with proposed PMB quantitative targets and stated BoSS policy. Reserve money sharply increased in the second half of FY2021/22, but authorities have since halted monetary financing and are taking steps to operationalize the reserve money targeting framework. As a result, inflation is forecasted to settle around 8-9 percent after the effects of the recent episode of monetary financing wear off. In line with historical evidence, the exchange rate is assumed to move one-for-one with the money supply in the medium term. Auctions of FX are ongoing, albeit at reduced volumes reflecting improved FX liquidity in the market and a prudent management of SSP liquidity by the BoSS.

12. The fiscal adjustment realism tool highlights the increases in the primary balance. The three-year adjustment in primary balance is higher than 2.5 percentage points of GDP, as it is forecasted to increase from 3.9 percent of GDP in FY2022/23 to 8 percent in 2023/24. This reflects mainly the rationalization of capital spending from the very high levels (nearly 12 percent of GDP) in the FY2022/23 budget. However, the improvement in the below-the-line balance is minimal, as the continued payments to Sudan and the repayment of existing debt and debt service contribute to a sizeable financing gap. The oil-for-infrastructure project (around 8 percent GDP in 2022/23) is assumed to continue for at least the next 3 years (through 2024/25). During this period, other (budgetary) capital spending is assumed to grow in proportion with nominal GDP. After the end of the oil-for-infrastructure project, budgetary capital spending is assumed to increase, to make up for the end of the road project, from 2.4 percent of GDP to around 4.5 percent in 2025/26 and 9.5 percent in 2026/27, and then forecasted to stabilize around 5 percent in the long run. The assumptions also include the disbursements related to the peace process such as for the unification of the armed forces and the constitution of the National Assembly in August 2021. However, these expenditures are not assumed to persist in future years due to their ad-hoc nature and their relation to the peace agreement which is expected to be completed in 2024. Related downside risks include the breakdown of the peace process and the resumption of large-scale conflict.

13. The fiscal multiplier realism tool flags an optimistic growth path. The growth path is assumed to be only minorly affected by the fiscal changes, as the increases in the primary balance are driven by reductions in low-multiplier spending, such as the end of excess transfers to Sudan.

Text Table 3. Republic of South Sudan: Key Macroeconomic Assumptions Comparison with the Previous Debt Sustainability Analysis

	2022/23	2023/24	2024/25	2025/26	2026/27
			Projection		
Real GDP growth (annual percent change)					
Dec 2022 DSA	-0.4	4.6	4.8	5.1	5.2
July 2022 DSA	-0.3	4.6	4.8	5.2	5.3
Real oil GDP growth (annual percent change)					
Dec 2022 DSA	-3.8	3.3	3.2	3.1	3.0
July 2022 DSA	-3.8	3.3	3.2	3.1	3.0
Current Account Balance (percent of GDP)					
Dec 2022 DSA	6.5	6.4	6.1	4.2	0.6
July 2022 DSA	1.2	0.1	-3.1	-3.2	-4.1
Exports of goods and services (percent of GDP)					
Dec 2022 DSA	65.6	63.0	61.4	58.1	55.0
July 2022 DSA	65.6	62.5	60.1	56.3	52.9
Imports of goods and services (percent of GDP)					
Dec 2022 DSA	66.5	67.0	67.1	66.3	67.0
July 2022 DSA	71.0	72.5	75.9	73.5	71.9
Primary balance (percent of GDP)					
Dec 2022 DSA	3.9	8.0	8.5	8.2	5.2
July 2022 DSA	0.3	1.1	0.9	0.6	0.1
Revenue and grants (percent of GDP)					
Dec 2022 DSA	31.5	30.8	30.5	29.4	28.3
July 2022 DSA	31.1	30.0	28.9	27.5	26.2
Primary expenditures (percent of GDP)					
Dec 2022 DSA	27.6	22.8	22.0	21.2	23.1
July 2022 DSA	30.7	29.0	28.0	26.8	26.1
SSD Oil prices (US$/ barrel)					
Dec 2022 DSA	91.9	82.9	78.2	74.8	72.1
July 2022 DSA	95.5	84.7	77.3	72.3	69.1

Sources: South Sudanese authorities; and IMF staff estimations and projections.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

14. **SSD's debt carrying capacity remains classified as weak (Text Table 4).** The composite indicator score (CI) of South Sudan is evaluated at 1.33, a slight decrease from the score of 1.36 of the previous vintage

DSA update. The CI score is determined by the World Bank's Country Policy and Institutional Assessment (CPIA) and other variables such as real GDP growth and import coverage of foreign exchange reserves. South Sudan's latest CI score is based on the October 2022 WEO and 2021 CPIA.

Text Table 4. Republic of South Sudan: Debt Carrying Capacity and Thresholds

Country	South Sudan
Country Code	733
Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 1.33	Weak 1.36	Weak 1.29

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

New framework			
	Cut-off values		
Weak	CI ≤	2.69	
Medium	2.69	< CI ≤	3.05
Strong	CI >	3.05	

15. **This DSA includes a tailored stress test for lower oil prices and an additional 5 percent of GDP in the contingent liability test.** The commodity price stress test features a one standard deviation decline in oil prices and a 6-year period for closing the financing gap that arises. This DSA does not include the market financing tailored test, as it is not applicable yet to South Sudan. The contingent liability stress test has been tailored to include an additional 5 percent of GDP to account for the arrears to diplomats in foreign missions, which are estimated to amount around US$150 million, and other potential obligations including discovery of additional legacy debt or confirmation of arrears on goods and services (see ¶3). The arrears to diplomats and those on goods and services do not trigger an in-debt distress assessment: although a schedule for repayment has not been confirmed yet, the government has started clearing these arrears and is paying salaries to employees in foreign missions.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

16. The risk of external debt distress for South Sudan is assessed as high given the baseline projections with the current borrowing assumptions. The PV of external-debt-to-GDP ratio under the baseline scenario breaches the threshold through FY2024/25 (Figure 1, Table 1, and Table 3). and is forecasted to remain below the threshold in the medium term. The PV of debt-to-exports ratio remains below the threshold throughout the period in the baseline analysis. The debt service-to-revenue ratio and debt service-to-exports ratio indicators breach the thresholds in the short/medium term (Figure 1, Table 1, and Table 3). In the baseline scenario, the external debt service-to-exports ratio breaches the threshold through FY2024/25. The debt service-to-revenue ratio exceeds its thresholds until FY2029/30.

17. The indicators of external debt are sensitive to the commodity price and contingent liabilities shocks. The most extreme shock within the tests is a decline in commodity prices, which in the case of South Sudan is the price of oil. This highlights downside risks posed to the South Sudanese economy by the volatility in commodity prices. The debt-service-to-exports and the debt-service-to revenue indicators are the most affected under this scenario, as the bulk of exports and revenues derive from oil. In addition, the historical scenario breaches the threshold in three out of four indicators of external debt, highlighting how debt sustainability in South Sudan is dependent on the continued enforcement of policies to safeguard macroeconomic stability to foster strong and inclusive growth.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

18. The risk of public debt distress for South Sudan is assessed as high. The PV of total public debt-to-GDP ratio is forecasted to breach the threshold until FY2026/27 in the baseline scenario (Figure 2 and Table 4). The indicator is forecasted to be above the threshold at 54 percent in FY2021/22, and to subsequently decrease to 47.2 in FY2022/23 and 46.2 in FY2023/24.

19. The results of the bound tests highlight the need to shore up and diversify revenues. The most severe scenario amongst the bound tests is the primary balance scenario, in which the PV of debt-to-GDP ratio breaches the threshold through 2030/31.

RISK RATING AND VULNERABILITIES

20. South Sudan's debt remains assessed as sustainable, however there are substantial downside risks to the baseline scenario. Under the baseline scenario, all debt indicators would decrease below the respective thresholds after FY2029/30. The external debt service-to-revenue ratio (which reaches 36.7 in FY2021/22 and remains above the threshold through FY2029/30) is in part due to the expensive debt service to be repaid in the medium term and to the conservative assumptions on financing terms to close the estimated financing needs. The country's debt financing outlook is heavily dependent on mobilizing non-concessional financing from external sources, and thus presents a major source of risk given the global backdrop of rising borrowing costs, widening risk premiums and volatility in capital flows. Efforts to improve debt management (including through an external debt stocktake) and public financial management practices, domestic revenue mobilization, and development of a domestic market are currently underway. While the stocktake of debt by an international auditor is a one-time exercise, Fund and World Bank TA is supporting the strengthening of debt management within the MoFP, with the recommendation that authorities perform and publish an internal stocktake quarterly. These reforms are of paramount importance to ensure that high-cost loans are avoided, that other (currently non-viable) financing options such as domestic borrowing become available, and that debt carrying capacity improves over time. In addition, limiting monetization of the deficit and restoring prudent money growth is necessary to ensure inflation gradually declines to single digits. Sustaining these reforms over the medium term, in conjunction with other ongoing macro-fiscal reforms to anchor fiscal discipline is critical to the debt sustainability assessment. In addition, improvements in data quality will be important, as there are continued weaknesses in data access and availability, as well as non-negligible residuals in projections.

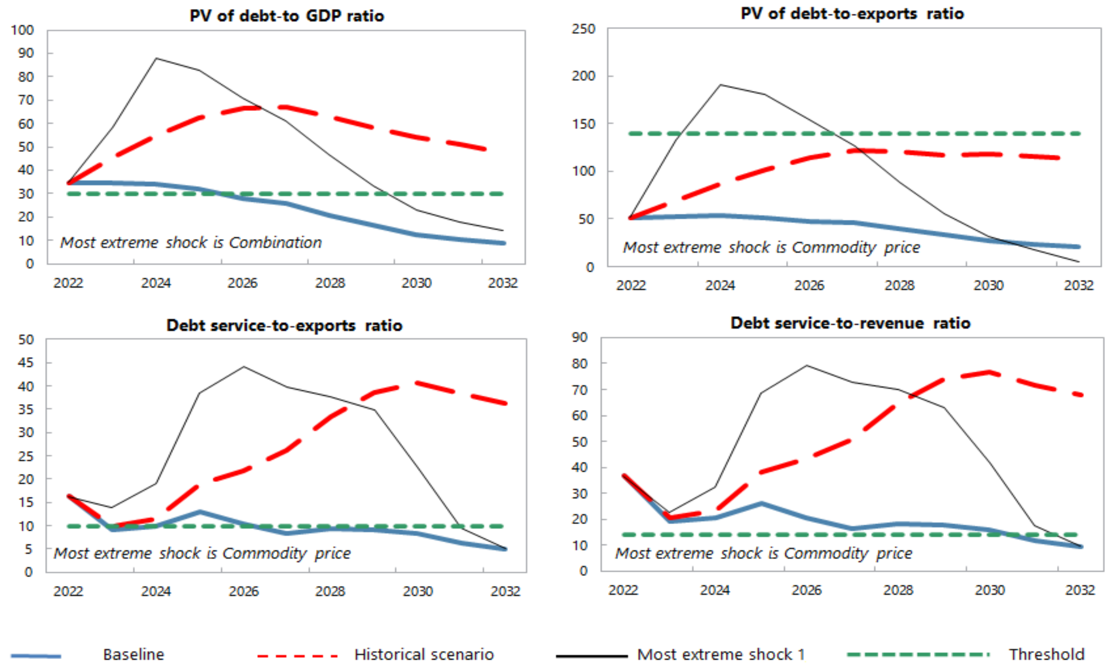
21. The bound tests and tailored test results highlight the risks to South Sudan's debt sustainability (Table 3). The present value of external debt-to GDP ratio remains above the threshold through FY2027/28 in the commodity price test and in the contingent liability test. The present value of external debt-to-exports ratio is above the threshold between FY2023/24 and FY2025/26 in the commodity price test but remains below the threshold in the contingency test. Both the debt service-to-exports ratio indicator and the debt service-to-revenue ratio for external debt breach the threshold in the medium term in the two stress test scenarios. Finally, the indicator for present value of debt-to-GDP ratio remains above the threshold through FY2024/25 in the tailored commodity price stress test, and through FY2027/28 in the combined contingency liability test. The commodity price tailored test highlights the risks posed by volatility in oil prices and the importance of investing in gradually diversifying the economy to expand the role of agriculture as main contributor to South Sudan's GDP.

22. The deterioration in global conditions poses an additional challenge to debt sustainability for South Sudan. Russia's invasion of Ukraine has led to an increase in food and refined fuel prices, and deteriorating food access in an already fragile country. In addition, the war is also expected to have a negative impact on international aid, on which South Sudan is highly reliant, as donors may divert funds and also decrease aid due to tightening domestic fiscal conditions. The tightening of global financial conditions may also pose risks by making it more difficult and expensive for South Sudan to access external financing, in turn making servicing existing debt more expensive. These factors, together with the risk of weak governance of reforms and spending and climate-related natural disasters, also heighten the risk of social unrest, civil conflict, and increased violence. Overall, South Sudan has very limited space to absorb any of these shocks, and therefore continues to be assessed at high risk of debt distress.

AUTHORITIES' VIEWS

23. The authorities agreed with the assessment of the DSA. They recognized the importance of remaining current on their debts, discontinuing oil advances, avoiding highly non-concessional borrowings, and the prudent fiscal and monetary policies discussed in the staff report to improve South Sudan's debt sustainability.

Figure 1. Republic of South Sudan: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, FY2022–2032[1]



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	Yes	No
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 for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	100%
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	7.8%	7.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	1	1

* 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.

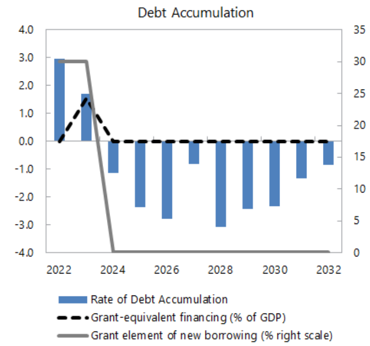
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

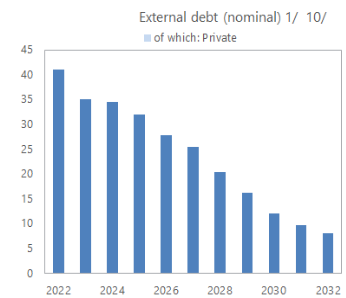
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Table 1. Republic of South Sudan: External Debt Sustainability Framework, Baseline Scenario, FY2021–2042
(In percent of GDP, unless otherwise indicated)

	Actual	Projections												Average 8/	
Fiscal Year 9/	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2042	Historical	Projections
External debt (nominal) 1/ 10/	46.3	41.1	35.0	34.6	32.0	27.8	25.5	20.4	16.2	12.0	9.7	8.0	2.2	26.3	23.8
of which: public and publicly guaranteed (PPG)	46.3	41.1	35.0	34.6	32.0	27.8	25.5	20.4	16.2	12.0	9.7	8.0	2.2	26.3	23.8
Change in external debt	1.3	-5.2	-6.1	-0.4	-2.6	-4.2	-2.3	-5.2	-4.2	-4.1	-2.3	-1.7	-0.4		
Identified net debt-creating flows	1.5	1.7	-7.4	-9.7	-10.5	-8.1	-4.6	-3.8	-4.1	-4.7	-4.0	-3.0	-1.1	-2.2	-5.3
Non-interest current account deficit	3.6	-0.5	-7.9	-7.7	-7.7	-5.7	-2.1	-1.0	-1.5	-2.5	-0.6	1.8	0.1	2.1	-3.2
Deficit in balance of goods and services	16.3	5.7	0.6	3.8	5.3	7.8	11.6	12.3	10.4	7.6	9.6	12.4	5.4	10.3	7.9
Exports	67.5	67.9	65.6	63.0	61.4	58.1	55.0	52.2	49.8	45.9	43.9	42.0	22.5		
Imports	83.8	73.6	66.3	66.8	66.7	65.9	66.5	64.6	60.2	53.5	53.5	54.4	27.9		
Net current transfers (negative = inflow)	-21.5	-17.1	-20.3	-21.7	-21.8	-21.5	-20.5	-19.3	-17.6	-15.5	-14.3	-13.2	-6.6	-22.3	-18.4
of which: official	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 current account flows (negative = net inflow)	8.8	10.9	11.8	10.1	8.8	8.0	6.9	5.9	5.7	5.4	4.2	2.6	1.3	14.0	7.3
Net FDI (negative = inflow)	-0.9	-0.7	-0.6	-1.5	-2.4	-1.9	-2.1	-2.5	-2.3	-2.1	-3.3	-4.7	-1.2	0.8	-2.2
Endogenous debt dynamics 2/	-1.2	2.9	1.1	-0.5	-0.4	-0.4	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	0.0		
Contribution from nominal interest rate	1.2	1.9	0.9	1.2	1.2	1.1	1.0	1.0	0.9	0.7	0.5	0.4	0.1		
Contribution from real GDP growth	2.1	1.0	0.1	-1.6	-1.6	-1.6	-1.4	-1.3	-1.1	-0.9	-0.6	-0.5	-0.1		
Residual 3/	-0.2	-6.9	1.3	9.3	7.9	3.9	2.3	-1.3	-0.1	0.6	1.7	1.3	0.7	9.2	1.8
of which: exceptional financing	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	46.3	34.8	34.5	34.2	31.8	27.7	25.6	20.8	16.7	12.6	10.2	8.5	2.4		
PV of PPG external debt-to-exports ratio	68.6	51.2	52.5	54.3	51.7	47.8	46.5	39.9	33.5	27.4	23.3	20.4	10.9		
PPG debt service-to-exports ratio	8.6	16.3	9.2	9.9	12.9	10.3	8.4	9.4	9.2	8.3	6.3	5.0	2.5		
PPG debt service-to-revenue ratio	16.9	36.7	19.1	20.3	26.0	20.4	16.3	18.1	17.6	15.8	11.8	9.4	4.5		
Gross external financing need (Million of U.S. dollars)	443.2	727.1	-188.9	-224.7	-160.1	-133.6	34.1	125.5	71.3	-88.6	-139.7	-109.5	-206.1		
Key macroeconomic assumptions															
Real GDP growth (in percent)	-4.9	-2.9	-0.4	4.6	4.8	5.1	5.2	5.5	5.8	5.8	5.8	6.0	5.6	5.6	4.1
GDP deflator in US dollar terms (change in percent)	11.2	46.0	6.2	-6.8	-4.3	-0.7	0.1	3.0	3.0	3.0	3.0	3.0	4.0	-9.0	5.0
Effective interest rate (percent) 4/	2.9	5.9	2.4	3.2	3.5	3.7	3.8	4.2	4.7	4.9	4.9	4.9	5.9	1.7	4.2
Growth of exports of G&S (US dollar terms, in percent)	12.1	42.5	2.3	-6.5	-2.3	-1.2	-0.3	2.6	5.1	5.1	5.0	5.0	0.0	260.7	5.2
Growth of imports of G&S (US dollar terms, in percent)	-3.1	24.5	-4.8	-1.7	0.1	3.1	6.4	4.8	2.7	1.4	9.8	11.7	0.0	4.0	5.3
Grant element of new public sector borrowing (in percent)	...	30.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	5.5
Government revenues (excluding grants, in percent of GDP)	34.5	30.1	31.5	30.8	30.5	29.4	28.3	27.1	26.0	24.3	23.4	22.5	12.2	34.1	27.6
Aid flows (in Million of US dollars) 5/	0.0	0.0	108.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	3.0
Nominal GDP (Million of US dollars)	5,185	7,350	7,773	7,574	7,593	7,926	8,351	9,014	9,932	11,341	12,439	13,669	38,071		
Nominal dollar GDP growth	5.7	41.7	5.8	-2.6	0.3	4.4	5.4	7.9	10.2	14.2	9.7	9.9	10.4	-2.4	9.7
Memorandum items:															
PV of external debt 7/	46.3	34.8	34.5	34.2	31.8	27.7	25.6	20.8	16.7	12.6	10.2	8.5	2.4		
In percent of exports	68.6	51.2	52.5	54.3	51.7	47.8	46.5	39.9	33.5	27.4	23.3	20.4	10.9		
Total external debt service-to-exports ratio	8.6	16.3	9.2	9.9	12.9	10.3	8.4	9.4	9.2	8.3	6.3	5.0	2.5		
PV of PPG external debt (in Million of US dollars)	2403.1	2556.2	2680.5	2592.3	2412.2	2199.4	2133.7	1877.4	1656.8	1425.0	1272.6	1168.0	932.0		
(PVt-PVt-1)/GDPt-1 (in percent)		3.0	1.7	-1.1	-2.4	-2.8	-0.8	-3.1	-2.4	-2.3	-1.3	-0.8	-0.2		
Non-interest current account deficit that stabilizes debt ratio	2.3	4.7	-1.8	-7.3	-5.1	-1.5	0.2	4.2	2.6	1.6	1.8	3.4	0.5		

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





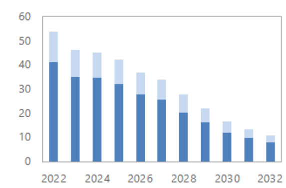
Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
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.
9/ The fiscal year runs from July to June, i.e., 2021 refers to FY20/21 ending in June 2021.
10/ The ratio of debt over GDP in FY2020/2021 is computed with end of period exchange rate to take into account the large variation in the official exchange rate

Table 2. Republic of South Sudan: Public Sector Debt Sustainability Framework, Baseline Scenario, FY2021–2042
(In percent of GDP, unless otherwise indicated)

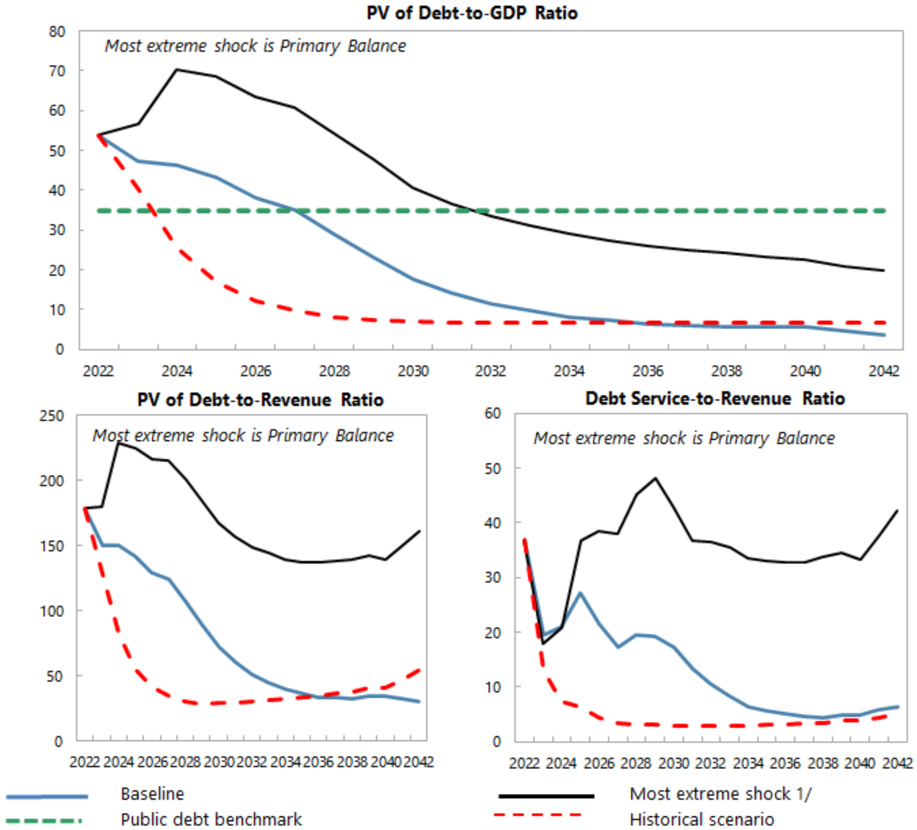
	Actual	Projections								Average 6/	
Fiscal Year 7/	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/ 9/	64.2	53.8	46.4	45.3	42.1	37.0	34.1	10.7	3.4	28.5	31.7
of which: external debt	46.3	41.1	35.0	34.6	32.0	27.8	25.5	8.0	2.2	21.6	23.8
Change in public sector debt	8.0	-10.4	-7.4	-1.1	-3.2	-5.2	-2.9	-2.5	-0.8		
Identified debt-creating flows	29.2	-28.0	-10.2	-2.0	-3.5	-5.0	-2.4	-3.1	-1.6	8.3	-6.6
Primary balance	3.6	6.3	-3.9	-8.0	-8.5	-8.2	-5.2	-2.2	-1.3	-2.6	-3.7
Revenue and grants	34.5	30.1	31.5	30.8	30.5	29.4	28.3	22.5	12.2	39.1	27.6
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	38.1	36.4	27.6	22.8	22.0	21.2	23.1	20.3	10.9	36.5	23.9
Automatic debt dynamics	25.6	-34.3	-10.7	1.4	0.5	-1.2	-1.3	-0.9	-0.3		
Contribution from interest rate/growth differential	1.2	-8.7	-4.2	-1.6	-1.7	-2.0	-1.8	-0.8	-0.2		
of which: contribution from average real interest rate	-1.7	-10.6	-4.4	0.4	0.3	0.1	0.0	0.0	0.0		
of which: contribution from real GDP growth	2.9	1.9	0.2	-2.0	-2.1	-2.0	-1.8	-0.7	-0.2		
Contribution from real exchange rate depreciation	24.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	4.4	4.6	4.5	4.4	4.1	0.0	0.0	0.0	2.0
Privatization receipts (negative)	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		
Debt relief (HIPC and other)	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	4.4	4.6	4.5	4.4	4.1	0.0	0.0		
Residual 8/	-21.2	-8.0	-3.7	4.0	2.5	0.6	0.1	0.5	0.6	-0.3	-0.7
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	64.2	53.8	47.2	46.2	43.1	38.0	35.1	11.5	3.7		
PV of public debt-to-revenue and grants ratio	185.9	178.6	149.9	150.2	141.4	129.2	123.9	51.3	30.6		
Debt service-to-revenue and grants ratio 3/	17.1	36.9	19.5	21.1	27.1	21.5	17.4	10.7	6.4		
Gross financing need 4/	5.6	21.5	5.2	4.1	4.8	2.5	3.5	0.2	-0.5		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	-4.9	-2.9	-0.4	4.6	4.8	5.1	5.2	6.0	5.6	5.6	4.1
Average nominal interest rate on external debt (in percent)	3.0	5.9	2.8	3.4	3.6	3.8	4.0	5.1	6.2	2.9	4.4
Average real interest rate on domestic debt (in percent)	2.3	4.3	0.9	1.4	1.7	1.9	1.9	3.1	6.2	0.5	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	50.4	...	...	...	...	...	...	...	...	75.8	
Inflation rate (GDP deflator, in percent)	31.8	223.7	62.7	3.3	5.8	9.8	10.7	14.6	15.5	88.6	35.7
Growth of real primary spending (deflated by GDP deflator, in percent)	-3.0	-7.3	-24.5	-13.7	1.3	1.3	14.4	2.8	-14.1	123.7	-1.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-4.5	16.7	3.5	-6.9	-5.3	-3.0	-2.4	0.3	-0.4	-4.0	1.1
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		

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



Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank. 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 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.
7/ The fiscal year runs from July to June, i.e., 2021 refers to FY20/21 ending in June 2021.
8/ The residual in 2021 is driven by the large nominal exchange rate adjustment in South Sudan.
9/ The ratio of debt over GDP in FY2020/2021 is computed with end of period exchange rate to take into account the large variation in the official exchange rate

Figure 2. Republic of South Sudan: Indicators of Public Debt Under Alternative Scenarios, FY2022–2032



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	85%	85%
Domestic medium and long-term	15%	15%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	7.8%	7.8%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	1	1
Domestic MLT debt		
Avg. real interest rate on new borrowing	-36.4%	2.0%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	0%	0%

* 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 2032. 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.

Table 3. Republic of South Sudan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY2022–2032
(in percent)

	Projections 1/																				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
PV of debt-to GDP ratio																					
Baseline	**34.8**	**34.5**	**34.2**	**31.8**	27.7	25.6	20.8	16.7	12.6	10.2	8.5	7.3	6.2	5.4	4.7	4.3	3.8	3.5	3.3	2.9	2.4
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2022-2042 2/	**34.8**	**45.5**	**54.5**	**62.3**	**66.2**	**66.9**	**63.1**	**58.3**	**54.0**	**50.8**	**47.7**	**43.9**	**39.8**	**35.7**	**31.9**	29.1	26.9	25.3	24.7	24.6	24.8
B. Bound Tests																					
B1. Real GDP growth	**34.8**	**42.5**	**49.8**	**46.2**	**40.4**	**37.2**	**30.3**	24.3	18.0	14.5	12.1	10.4	9.0	7.9	7.0	6.5	5.8	5.5	5.3	4.6	3.9
B2. Primary balance	**34.8**	**40.6**	**52.3**	**50.7**	**46.8**	**45.4**	**41.1**	**36.4**	**31.0**	28.3	26.2	24.7	23.1	21.8	20.7	19.9	19.0	17.9	17.3	16.4	15.1
B3. Exports	**34.8**	**42.7**	**60.6**	**58.0**	**50.0**	**43.7**	**34.0**	25.1	17.2	13.5	10.9	9.0	7.6	6.5	5.7	5.2	4.6	4.4	4.1	3.6	3.1
B4. Other flows 3/	**34.8**	**42.4**	**51.7**	**49.0**	**42.2**	**36.9**	28.7	21.2	14.8	11.6	9.4	7.8	6.6	5.7	5.0	4.6	4.1	3.8	3.6	3.2	2.7
B5. One-time 30 percent nominal depreciation	**34.8**	**57.6**	**56.0**	**51.8**	**45.3**	**41.8**	**34.2**	27.5	20.5	16.5	13.8	11.8	10.2	9.0	8.1	7.4	6.7	6.3	6.0	5.2	4.5
B6. Combination of B1-B5	**34.8**	**58.6**	**87.7**	**83.0**	**71.1**	**61.1**	**46.7**	**33.4**	23.1	17.9	14.3	11.8	9.8	8.4	7.3	6.6	5.9	5.5	5.3	4.5	3.9
C. Tailored Tests																					
C1. Combined contingent liabilities	**34.8**	**42.3**	**41.9**	**39.6**	**35.8**	**34.6**	**30.2**	25.8	21.3	19.0	17.3	16.0	14.7	13.7	12.9	12.3	11.6	10.9	10.4	9.8	8.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**34.8**	**59.7**	**87.6**	**86.2**	**74.1**	**61.1**	**43.1**	26.2	14.1	7.8	2.3	-2.0	-4.9	-6.6	-7.4	-7.6	-7.8	-8.1	-8.2	-8.8	-9.0
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**
PV of debt-to-exports ratio																					
Baseline	51.2	52.5	54.3	51.7	47.8	46.5	39.9	33.5	27.4	23.3	20.4	18.3	16.4	14.9	13.7	13.1	12.4	12.6	12.5	11.6	10.9
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2022-2042 2/	51.2	69.2	86.5	101.5	114.0	121.6	120.7	117.0	117.8	115.7	113.6	110.3	104.5	98.7	93.3	89.5	87.9	89.9	92.9	99.3	110.4
B. Bound Tests																					
B1. Real GDP growth	51.2	52.5	54.3	51.7	47.8	46.5	40.2	33.4	25.7	21.4	18.5	16.7	14.9	13.7	12.8	12.3	11.6	11.5	11.4	10.5	9.9
B2. Primary balance	51.2	61.9	83.0	82.5	80.6	82.5	78.6	73.0	67.6	64.5	62.5	62.0	60.7	60.2	60.5	61.3	62.1	63.7	64.9	66.1	67.1
B3. Exports	51.2	69.1	105.5	103.6	94.3	87.1	71.8	54.9	39.1	31.8	26.7	23.1	20.1	18.0	16.6	15.7	14.7	14.4	14.3	13.1	12.4
B4. Other flows 3/	51.2	64.5	82.1	79.8	72.6	67.1	55.3	42.4	30.7	25.0	21.1	18.4	16.0	14.4	13.3	12.6	11.8	11.6	11.5	10.5	9.9
B5. One-time 30 percent nominal depreciation	51.2	52.5	53.2	50.5	46.7	45.6	39.5	32.9	25.4	21.2	18.4	16.6	14.9	13.7	12.8	12.3	11.6	11.5	11.4	10.5	9.9
B6. Combination of B1-B5	51.2	81.4	96.8	116.8	105.7	96.0	77.8	57.6	41.3	33.3	27.7	23.8	20.5	18.3	16.8	15.8	14.8	14.5	14.3	13.1	12.4
C. Tailored Tests																					
C1. Combined contingent liabilities	51.2	64.4	66.5	64.6	61.6	62.9	57.9	51.7	46.5	43.2	41.1	40.1	38.7	37.9	37.7	37.8	37.9	38.7	39.2	39.4	38.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	51.2	132.3	**190.8**	**180.7**	**154.9**	127.0	88.4	55.7	31.0	17.7	5.5	-5.0	-12.5	-17.7	-20.9	-22.4	-24.1	-26.0	-27.5	-31.1	-35.2
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio																					
Baseline	**16.3**	9.2	9.9	**12.9**	**10.3**	8.4	9.4	9.2	8.3	6.3	5.0	4.2	3.3	2.9	2.7	2.4	2.3	2.3	2.3	2.4	2.5
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2022-2042 2/	**16.3**	9.8	**11.5**	**18.9**	**21.8**	**26.2**	**33.5**	**38.6**	**40.6**	**38.3**	**36.4**	**35.4**	**34.4**	**33.5**	**32.1**	**29.6**	**27.7**	**27.2**	**26.6**	**26.6**	**28.3**
B. Bound Tests																					
B1. Real GDP growth	**16.3**	9.2	9.9	**12.9**	**10.3**	8.4	9.4	9.2	8.4	6.1	4.6	3.7	2.8	2.4	2.1	2.1	2.0	2.1	2.0	2.1	2.1
B2. Primary balance	**16.3**	8.8	9.6	**17.2**	**18.4**	**17.4**	**19.9**	**22.2**	**20.2**	**17.0**	**16.9**	**16.7**	**16.0**	**16.0**	**15.9**	**16.0**	**16.5**	**16.8**	**17.1**	**17.9**	**19.1**
B3. Exports	**16.3**	**10.2**	**13.3**	**21.7**	**23.8**	**21.7**	**22.8**	**22.1**	**18.0**	**10.3**	7.8	6.2	4.5	3.7	3.1	2.9	2.7	2.7	2.6	2.7	2.7
B4. Other flows 3/	**16.3**	9.2	**10.9**	**17.7**	**18.3**	**16.5**	**17.5**	**16.9**	**13.2**	8.1	6.1	4.8	3.5	2.9	2.4	2.3	2.2	2.2	2.1	2.1	2.2
B5. One-time 30 percent nominal depreciation	**16.3**	9.2	9.9	**12.8**	10.0	8.1	9.1	8.9	8.1	6.0	4.5	3.7	2.7	2.3	2.1	2.1	2.0	2.1	2.0	2.1	2.1
B6. Combination of B1-B5	**16.3**	**10.2**	**14.5**	**25.9**	**27.9**	**25.9**	**26.9**	**25.9**	**18.9**	**11.2**	8.5	6.7	4.8	3.8	3.2	3.0	2.8	2.7	2.6	2.7	2.7
C. Tailored Tests																					
C1. Combined contingent liabilities	**16.3**	8.8	**10.9**	**13.9**	**11.3**	9.5	**10.6**	**11.6**	7.4	5.6	4.4	3.6	2.5	2.0	1.6	1.6	1.8	2.0	2.1	2.5	2.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**16.3**	**14.0**	**19.2**	**38.3**	**44.1**	**39.9**	**37.6**	**34.9**	**22.4**	9.4	5.2	1.6	-2.0	-4.6	-6.6	-8.0	-8.8	-8.9	-9.1	-9.7	-10.6
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Debt service-to-revenue ratio																					
Baseline	**36.7**	**19.1**	**20.3**	**26.0**	**20.4**	**16.3**	**18.1**	**17.6**	**15.8**	11.8	9.4	7.8	6.0	5.3	4.8	4.3	4.1	4.0	3.8	4.3	4.5
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2022-2042 2/	**36.7**	**20.4**	**23.5**	**38.0**	**43.2**	**50.9**	**64.6**	**73.9**	**76.7**	**71.8**	**67.8**	**65.5**	**63.2**	**61.0**	**57.8**	**52.9**	**48.9**	**47.2**	**43.7**	**46.9**	**52.0**
B. Bound Tests																					
B1. Real GDP growth	**36.7**	**23.6**	**29.6**	**37.8**	**29.6**	**23.7**	**26.2**	**25.9**	**24.3**	**17.7**	13.2	10.8	8.0	6.8	6.2	6.1	5.9	6.1	5.8	6.5	6.9
B2. Primary balance	**36.7**	**18.3**	**19.7**	**34.7**	**36.5**	**33.8**	**38.3**	**42.6**	**38.1**	**31.9**	**31.6**	**30.9**	**29.4**	**29.0**	**28.7**	**28.6**	**29.2**	**29.2**	**28.2**	**31.6**	**35.2**
B3. Exports	**36.7**	**20.0**	**24.9**	**39.9**	**42.9**	**38.4**	**39.9**	**38.8**	**32.7**	**18.7**	**14.2**	11.3	8.2	6.6	5.6	5.2	5.0	5.0	4.6	5.2	5.5
B4. Other flows 3/	**36.7**	**19.1**	**22.4**	**35.7**	**36.1**	**32.1**	**33.4**	**32.5**	**26.3**	**16.0**	12.1	9.6	7.0	5.7	4.9	4.6	4.3	4.4	4.1	4.6	4.8
B5. One-time 30 percent nominal depreciation	**36.7**	**32.0**	**34.0**	**43.1**	**33.0**	**26.1**	**29.0**	**28.7**	**26.9**	**20.1**	**15.0**	12.2	9.1	7.8	7.0	6.9	6.8	7.0	6.6	7.5	8.0
B6. Combination of B1-B5	**36.7**	**23.3**	**34.3**	**60.4**	**63.8**	**58.1**	**59.7**	**57.8**	**43.4**	**25.8**	**19.5**	**15.3**	11.1	8.9	7.4	6.8	6.4	6.4	5.9	6.6	7.0
C. Tailored Tests																					
C1. Combined contingent liabilities	**36.7**	**18.3**	**22.3**	**27.9**	**22.4**	**18.4**	**20.5**	**22.2**	13.9	10.4	8.2	6.7	4.6	3.7	2.9	2.9	3.1	3.4	3.5	4.4	5.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**36.7**	**22.8**	**32.6**	**68.5**	**79.5**	**72.6**	**70.2**	**63.1**	**41.9**	**17.7**	9.7	2.9	-3.8	-8.6	-12.4	-14.9	-16.4	-17.1	-16.8	-19.3	-22.3
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**

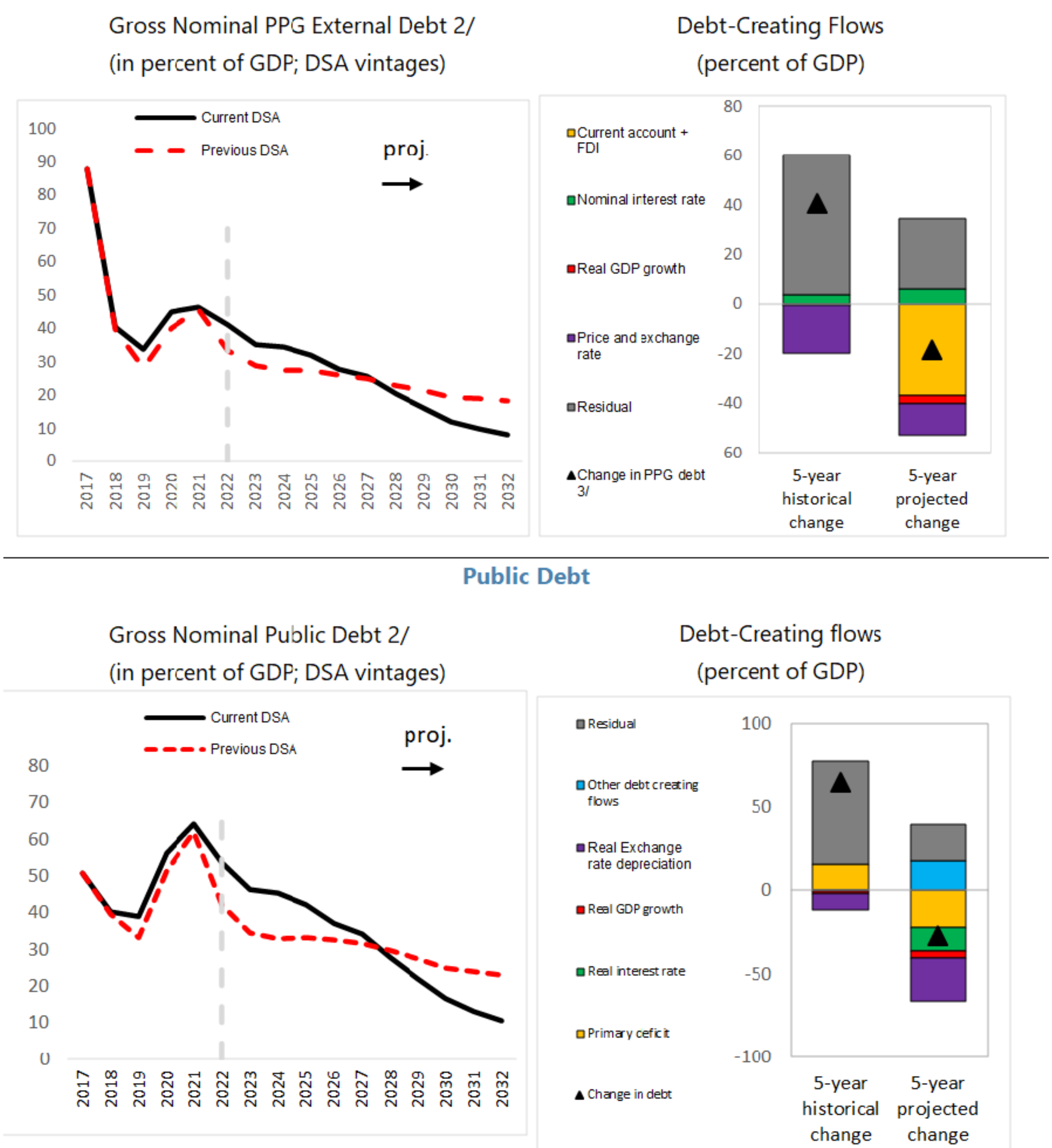
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Republic of South Sudan: Sensitivity Analysis for Key Indicators of Public Debt FY2022–2032

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	**54**	**47.2**	**46.2**	**43.1**	**38.0**	**35.1**	29.0	23.2	17.5	14.1	11.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	**54**	**40**	25	17	12	10	8	7	7	7	7
B. Bound Tests											
B1. Real GDP growth	**54**	**54**	**61**	**56**	**49**	**44**	**35**	27	19	15	11
B2. Primary balance	**54**	**57**	**70**	**69**	**64**	**61**	**54**	**48**	**41**	**37**	33
B3. Exports	**54**	**54**	**66**	**63**	**55**	**49**	**39**	29	20	15	12
B4. Other flows 3/	**54**	**55**	**64**	**61**	**53**	**47**	**37**	28	19	15	12
B5. One-time 30 percent nominal depreciation	**54**	**68**	**65**	**59**	**51**	**46**	**38**	30	22	17	13
B6. Combination of B1-B5	**54**	**62**	**69**	**57**	**52**	**49**	**41**	34	27	23	19
C. Tailored Tests											
C1. Combined contingent liabilities	**54**	**59**	**58**	**56**	**50**	**47**	**41**	34	28	24	21
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**54**	**60**	**49**	**40**	31	26	21	16	11	8	6
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.
Public debt benchmark	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**
PV of Debt-to-Revenue Ratio											
Baseline	178.6	149.9	150.2	141.4	129.2	123.9	107.2	89.3	72.3	60.3	51.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	179	128	83	56	42	34	30	29	29	29	30
B. Bound Tests											
B1. Real GDP growth	179	148	147	136	122	115	96	77	59	46	36
B2. Primary balance	179	180	229	225	217	215	201	184	168	157	149
B3. Exports	179	171	215	208	187	172	143	111	80	65	53
B4. Other flows 3/	179	176	209	200	180	165	138	107	79	64	53
B5. One-time 30 percent nominal depreciation	179	216	210	194	175	163	141	116	93	74	59
B6. Combination of B1-B5	179	196	225	188	176	171	152	132	112	97	86
C. Tailored Tests											
C1. Combined contingent liabilities	179	186	190	182	171	166	150	132	115	103	95
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	179	215	181	149	117	99	81	62	47	35	26
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	36.9	19.5	21.1	27.1	21.5	17.4	19.5	19.3	17.3	13.4	10.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	37	13	7	6	4	3	3	3	3	3	3
B. Bound Tests											
B1. Real GDP growth	37	18	18	24	17	12	14	15	12	9	6
B2. Primary balance	37	18	21	37	39	38	45	48	43	37	37
B3. Exports	37	19	23	36	39	35	37	36	29	17	13
B4. Other flows 3/	37	19	23	37	37	33	35	34	27	17	13
B5. One-time 30 percent nominal depreciation	37	22	30	39	29	23	27	30	27	22	18
B6. Combination of B1-B5	37	20	25	31	25	20	24	24	23	18	15
C. Tailored Tests											
C1. Combined contingent liabilities	37	18	23	29	23	22	24	24	16	13	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	24	20	25	18	14	15	16	13	10	7
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.

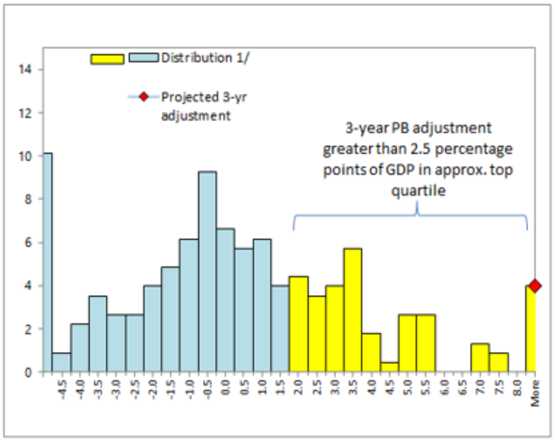
Figure 3. Republic of South Sudan: Drivers of Debt Dynamics––Baseline Scenario[1]



1/ Analyses on unexpected changes in debt are unavailable due to the lack of data.

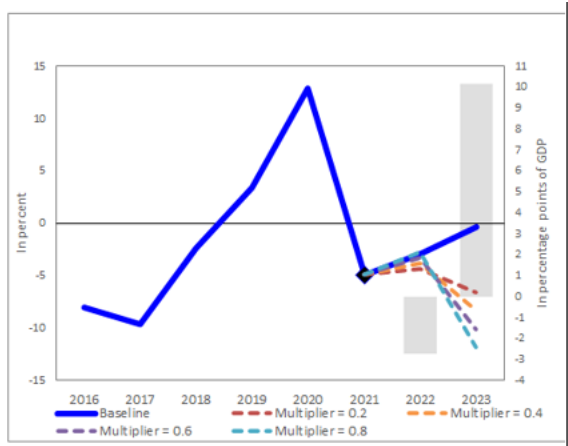
Figure 4. Republic of South Sudan: Realism tools

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 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)