

INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL MONETARY FUND

**SOLOMON ISLANDS**

**Joint World Bank-IMF Debt Sustainability Analysis**

June 2020

Prepared Jointly by the staffs of the International Development Association (IDA) <sup>1/2/</sup>  
and the International Monetary Fund (IMF)

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<sup>1</sup> Debt coverage has remained unchanged compared to the 2019 DSA (IMF Country Report No. 20/49).

<sup>2</sup> The updated DSA uses the rebased GDP series with 2012 as the base year. The rebased GDP level is approximately 13 percent higher than the previous GDP series with 2004 as the base year.

<b>Solomon Islands: Joint Bank-Fund Debt Sustainability Analysis</b>	
<b>Risk of external debt distress</b>	Moderate <sup>3</sup>
<b>Overall risk of debt distress</b>	Moderate
<b>Granularity in the risk rating</b>	Substantial space to absorb shocks
<b>Application of judgment</b>	No
<b>Macroeconomic projections</b>	The updated DSA incorporates a new set of macroeconomic assumptions reflecting the impacts of COVID-19 shock. Growth is expected to fall by 5.5 percent, as a result of a decline in logging, mining and fisheries exports, a contraction in tourism, as well as the negative impact of containment measures on domestic demand. Fiscal and current account deficits are expected to widen sharply.
<b>Financing strategy<sup>4</sup></b>	The RCF/RFI will help finance balance of payment needs. The World Bank has approved the first Solomon Islands transition to sustainable growth development policy operation of US\$15 million (US\$11.8 million in grant and US\$3.2 million in loan), in addition to US\$5 million under the COVID-19 Fast Track Facility expected to be approved by end May. The Asian Development Bank (ADB) has released US\$6 million from its Pacific Disaster Resilience Program and is processing an additional US\$20 million, a policy-based operation anchored on the government's COVID-19 response plan. The financing under the World Bank's COVID-19 Fast Track Facility and ADB is expected to equally comprise grant and loan disbursements.
<b>Realism tools flagged</b>	None
<b>Mechanical risk rating under the external DSA</b>	Moderate
<b>Mechanical risk rating under the public DSA</b>	Moderate

<sup>3</sup> The Composite Indicator score is 2.72, which is based on the October 2019 WEO and the World Bank's 2018 CPIA, and the country's debt-carrying capacity is assessed to be medium.

<sup>4</sup> Solomon Islands has not requested participation in the G20 Debt Service Suspension Initiative (DSSI).

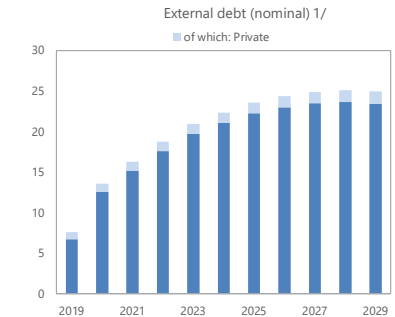
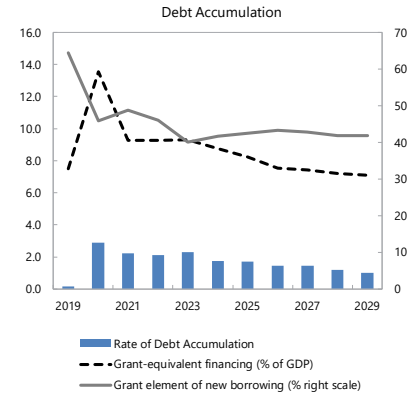
The updated DSA after the COVID-19 shock suggests Solomon Islands remains at moderate risk of debt distress for both the external and overall public debt. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario but breach thresholds under the extreme stress test scenario (combination shock for the PV of debt-to-GDP and export shock for the PV of debt-to-export and the debt services to export ratio). The PV of public debt-to-GDP ratio remains below the 55 percent benchmark under the baseline scenario, and it would remain below the benchmark under the most extreme shock (real GDP growth) till 2030. A tailored natural disaster shock of similar scale to the largest shock in Solomon Islands' history would cause a spike in debt trajectory in the aftermath of the event. While the DSA suggests there is substantial space to absorb shocks, Solomon Islands often faces fiscal liquidity challenges due to weak public financial management and the cash balance is currently low. Going forward, stronger revenue mobilization measures and expenditure rationalization are needed to rebuild fiscal buffers and to enhance resilience against shocks.

Table 1. Solomon Islands: External Debt Sustainability Framework, Baseline Scenario, 2016-2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 8/		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
<b>External debt (nominal) 1/</b>	7.4	7.5	7.1	7.6	13.6	16.2	18.7	20.9	22.3	25.0	24.6	15.0	20.2
<i>of which: public and publicly guaranteed (PPG)</i>	6.7	6.7	6.3	6.7	12.5	15.1	17.6	19.7	21.0	23.4	22.8	10.5	18.5
Change in external debt	-2.0	0.1	-0.4	0.5	6.0	2.7	2.5	2.2	1.4	-0.1	0.6		
<b>Identified net debt-creating flows</b>	<b>0.5</b>	<b>1.5</b>	<b>1.4</b>	<b>7.2</b>	<b>17.2</b>	<b>11.1</b>	<b>8.3</b>	<b>7.3</b>	<b>6.6</b>	<b>5.5</b>	<b>3.2</b>	<b>0.3</b>	<b>7.2</b>
<b>Non-interest current account deficit</b>	<b>3.4</b>	<b>4.2</b>	<b>2.9</b>	<b>8.8</b>	<b>17.7</b>	<b>15.7</b>	<b>12.9</b>	<b>11.6</b>	<b>10.8</b>	<b>9.0</b>	<b>7.0</b>	<b>6.7</b>	<b>10.6</b>
Deficit in balance of goods and services	-85.5	-87.7	-90.1	-83.6	-71.5	-80.0	-87.1	-85.6	-82.6	-77.7	-60.9	-93.9	-82.6
Exports	40.2	41.0	42.9	36.8	26.3	32.2	36.6	36.4	35.0	33.5	25.2		
Imports	-45.4	-46.6	-47.2	-46.8	-45.2	-47.8	-50.5	-49.2	-47.6	-44.2	-35.7		
Net current transfers (negative = inflow)	-4.7	-3.6	-2.5	-1.9	-3.0	-1.4	-2.4	-2.5	-3.0	-3.4	-3.6	-9.8	-2.7
<i>of which: official</i>	-6.3	-5.1	-3.7	-4.0	-5.1	-2.3	-2.2	-2.2	-2.2	-2.2	-2.1		
Other current account flows (negative = net inflow)	93.6	95.5	95.6	94.4	92.2	97.2	102.4	99.7	96.3	90.1	71.6	110.4	96.0
<b>Net FDI (negative = inflow)</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-1.0</b>	<b>-1.6</b>	<b>-1.0</b>	<b>-4.1</b>	<b>-4.2</b>	<b>-3.8</b>	<b>-3.8</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-5.2</b>	<b>-3.2</b>
<b>Endogenous debt dynamics 2/</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.6</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.4</b>		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.4		
Contribution from real GDP growth	-0.5	-0.4	-0.3	-0.1	0.4	-0.7	-0.6	-0.6	-0.6	-0.7	-0.8		
Contribution from price and exchange rate changes	0.0	0.0	-0.3	...	...	...	...	...	...	...	...		
<b>Residual 3/</b>	<b>-2.4</b>	<b>-1.3</b>	<b>-1.8</b>	<b>-6.7</b>	<b>-11.3</b>	<b>-8.4</b>	<b>-5.8</b>	<b>-5.1</b>	<b>-5.2</b>	<b>-5.6</b>	<b>-2.7</b>	<b>-2.4</b>	<b>-5.4</b>
<i>of which: exceptional financing</i>	0.0	0.0	0.0	0.0	-1.9	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>													
<b>PV of PPG external debt-to-GDP ratio</b>	...	...	<b>5.7</b>	<b>5.8</b>	<b>9.1</b>	<b>10.3</b>	<b>11.8</b>	<b>13.1</b>	<b>13.9</b>	<b>15.7</b>	<b>16.2</b>		
<b>PV of PPG external debt-to-exports ratio</b>	...	...	<b>13.2</b>	<b>15.7</b>	<b>34.5</b>	<b>32.1</b>	<b>32.1</b>	<b>36.1</b>	<b>39.8</b>	<b>46.7</b>	<b>64.2</b>		
<b>PPG debt service-to-exports ratio</b>	<b>1.8</b>	<b>1.7</b>	<b>1.1</b>	<b>1.4</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.9</b>	<b>2.7</b>	<b>3.0</b>	<b>4.0</b>		
<b>PPG debt service-to-revenue ratio</b>	<b>2.6</b>	<b>2.3</b>	<b>1.6</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>	<b>2.7</b>	<b>3.7</b>	<b>4.1</b>	<b>4.6</b>		
Gross external financing need (Million of U.S. dollars)	30.9	36.5	39.3	124.7	261.5	201.2	162.4	159.4	159.6	193.3	269.5		
<b>Key macroeconomic assumptions</b>													
Real GDP growth (in percent)	5.9	5.3	3.9	1.2	-5.5	5.6	4.0	3.4	3.0	3.2	3.5	4.3	2.4
GDP deflator in US dollar terms (change in percent)	-0.5	0.2	4.6	-0.4	0.8	3.6	1.8	3.4	3.6	3.6	4.6	4.2	2.7
Effective interest rate (percent) 4/	1.3	1.5	1.2	1.5	1.5	1.2	1.2	1.2	1.3	1.5	1.7	2.1	1.3
Growth of exports of G&S (US dollar terms, in percent)	5.3	7.8	13.8	-13.6	-31.9	33.9	20.4	6.2	2.6	-2.4	5.9	11.9	4.9
Growth of imports of G&S (US dollar terms, in percent)	1.0	8.5	10.0	0.0	-8.1	15.7	11.9	4.1	3.2	4.4	9.9	8.0	4.8
Grant element of new public sector borrowing (in percent)	...	...	...	64.5	45.9	48.8	46.0	40.0	41.7	41.9	33.0	...	45.7
Government revenues (excluding grants, in percent of GDP)	28.4	30.2	30.1	26.1	21.4	25.0	25.8	25.7	25.3	24.5	21.9	28.5	24.9
Aid flows (in Million of US dollars) 5/	230.3	232.1	254.4	111.9	211.1	155.4	164.1	176.6	182.6	202.5	359.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	7.5	13.5	9.3	9.3	9.3	8.8	7.1	6.7	...	8.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	95.3	81.1	81.9	82.8	80.3	81.9	85.6	77.1	...	83.8
Nominal GDP (Million of US dollars)	1,381	1,458	1,585	1,598	1,523	1,666	1,763	1,884	2,011	2,773	5,676		
Nominal dollar GDP growth	5.3	5.5	8.8	0.8	-4.7	9.4	5.9	6.9	6.7	6.8	8.2	8.7	5.1
<b>Memorandum items:</b>													
PV of external debt 7/	...	...	6.5	6.7	10.1	11.4	12.9	14.4	15.2	17.2	17.9		
In percent of exports	...	...	15.1	18.1	38.5	35.5	35.3	39.5	43.5	51.3	71.1		
Total external debt service-to-exports ratio	3.6	1.9	1.3	1.6	1.9	1.5	1.3	2.0	2.8	3.2	4.4		
PV of PPG external debt (in Million of US dollars)	...	...	89.9	92.1	138.2	172.3	207.2	247.8	280.4	434.2	919.0		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	0.1	2.9	2.2	2.1	2.3	1.7	1.0	1.9		
Non-interest current account deficit that stabilizes debt ratio	5.4	4.1	3.4	8.3	11.7	13.1	10.4	9.4	9.4	9.2	6.5		

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  $[r - g - p(1+g) + \epsilon\alpha(1+r)] / (1+g+p+gp)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $p$  = growth rate of GDP deflator in U.S. dollar terms;  $\epsilon$  = nominal appreciation of the local currency; and  $\alpha$  = 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).

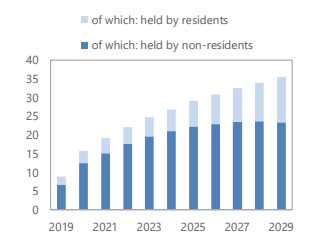
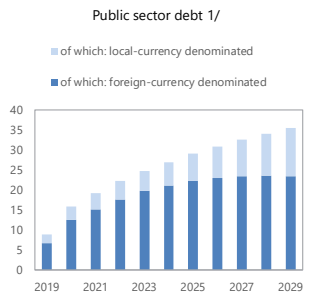
7/ Assumes that PV of private sector debt is equivalent to its face value.

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 2. Solomon Islands: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-2039  
(In percent of GDP, unless otherwise indicated)

	Actual											Projections											Average 6/												
	2016			2017			2018			2019			2020			2021			2022			2023			2024			2029			2039			Historical	Projections
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections																						
Public sector debt 1/ of which: external debt	7.1	8.4	8.2	8.9	15.8	19.2	22.2	24.7	26.8	35.4	46.3	14.1	25.4	10.5	18.9																				
Change in public sector debt	-1.9	1.3	-0.2	0.7	6.9	3.4	2.9	2.6	2.1	1.4	2.1	-3.5	3.0	-2.1	3.6																				
Identified debt-creating flows	3.2	1.4	-1.7	1.2	6.2	4.1	3.0	3.1	3.0	2.1	2.7	-3.5	3.0	-2.1	3.6																				
Primary deficit	3.4	2.0	-1.4	1.2	5.7	4.9	3.7	3.9	3.7	3.0	3.8	-2.1	3.6	-2.1	3.6																				
Revenue and grants	38.6	39.2	40.0	32.9	32.2	32.3	33.4	33.5	32.6	30.7	27.6	44.0	32.1	44.0	32.1																				
of which: grants	10.2	9.0	9.9	6.8	10.9	7.3	7.6	7.8	7.4	6.2	5.7	41.9	35.7	41.9	35.7																				
Primary (noninterest) expenditure	42.0	41.2	38.6	34.2	37.9	37.2	37.1	37.3	36.3	33.7	31.4	41.9	35.7	41.9	35.7																				
Automatic debt dynamics	-0.3	-0.6	-0.3	-0.1	0.6	-0.9	-0.7	-0.7	-0.7	-0.8	-1.1	-0.1	0.0	-0.1	0.0																				
Contribution from interest rate/growth differential	-0.5	-0.3	-0.4	-0.1	0.6	-0.9	-0.7	-0.7	-0.7	-0.8	-1.1	-0.1	0.0	-0.1	0.0																				
of which: contribution from average real interest rate	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.2	0.4	-0.1	0.0	-0.1	0.0																				
of which: contribution from real GDP growth	-0.5	-0.4	-0.3	-0.1	0.5	-0.8	-0.7	-0.7	-0.7	-1.0	-1.5	-0.1	0.0	-0.1	0.0																				
Contribution from real exchange rate depreciation	0.3	-0.2	0.1	...	...	...	...	...	...	...	...	-0.1	0.0	-0.1	0.0																				
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0																				
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0																				
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0																				
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0																				
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0																				
Residual	-5.1	-0.1	1.5	-0.5	0.7	-0.6	-0.1	-0.6	-0.9	-0.7	-0.6	1.2	-0.5	1.2	-0.5																				
Sustainability indicators																																			
PV of public debt-to-GDP ratio 2/	...	...	7.7	8.0	12.4	14.4	16.4	18.2	19.7	27.6	39.7																								
PV of public debt-to-revenue and grants ratio	...	...	19.3	24.2	38.4	44.8	49.1	54.2	60.4	90.1	143.8																								
Debt service-to-revenue and grants ratio 3/	3.0	2.8	2.2	3.4	4.0	3.8	4.0	4.7	5.5	6.5	10.6																								
Gross financing need 4/	4.5	3.0	-0.5	2.4	6.9	6.1	5.0	5.4	5.5	5.0	6.8																								
Key macroeconomic and fiscal assumptions																																			
Real GDP growth (in percent)	5.9	5.3	3.9	1.2	-5.5	5.6	4.0	3.4	3.0	3.2	3.5	4.3	2.4	4.3	2.4																				
Average nominal interest rate on external debt (in percent)	1.0	1.2	0.7	1.1	1.0	0.9	0.9	1.0	1.0	1.2	1.4	1.1	1.1	1.1	1.1																				
Average real interest rate on domestic debt (in percent)	-0.7	-0.3	-0.8	-0.5	-0.5	-0.7	-0.6	-0.6	-0.5	-0.3	-0.1	-0.3	-0.5	-0.3	-0.5																				
Real exchange rate depreciation (in percent, + indicates depreciation)	3.3	-3.9	0.8	...	...	...	...	...	...	...	...	-2.5	...	-2.5	...																				
Inflation rate (GDP deflator, in percent)	0.0	1.4	4.2	1.3	0.8	3.6	1.8	3.4	3.6	3.6	4.6	4.4	2.9	4.4	2.9																				
Growth of real primary spending (deflated by GDP deflator, in percent)	5.9	3.5	-2.7	-10.3	4.7	3.6	3.6	4.2	0.2	2.3	2.9	4.2	1.2	4.2	1.2																				
Primary deficit that stabilizes the debt-to-GDP ratio 5/	5.3	0.7	-1.2	0.5	-1.2	1.5	0.7	1.3	1.6	1.6	1.7	1.6	1.1	1.6	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	0.0	0.0																								

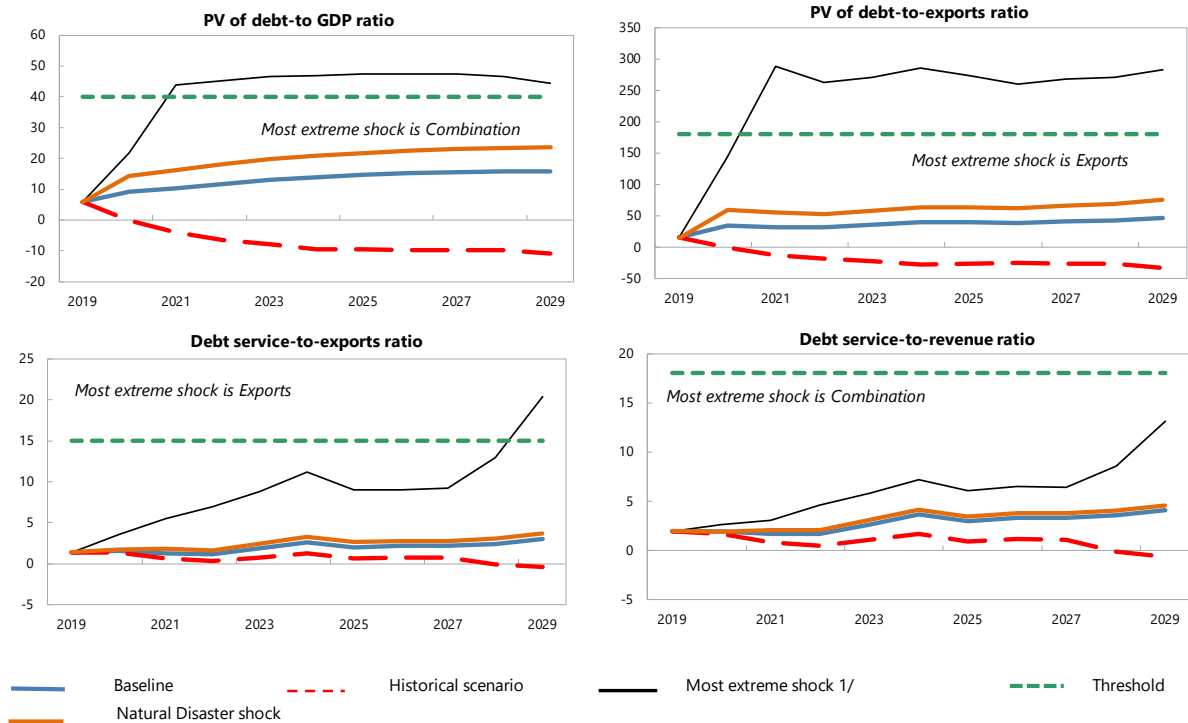
Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No



Sources: Country authorities; and staff estimates and projections.

- 1/ 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 stabilize the debt ratio only in the year in question.
- 6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Solomon Islands: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2019-2029 1/



Customization of Default Settings		
	Size	Interactions
<b>Standardized Tests</b>	Yes	
<b>Tailored Tests</b>		
Combined CLs	Yes	
Natural Disasters	Yes	Yes
Commodity Prices <sup>2/</sup>	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 for Stress Tests*		
	Default	User defined
<b>Shares of marginal debt</b>		
External PPG MLT debt	100%	
<b>Terms of marginal debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7

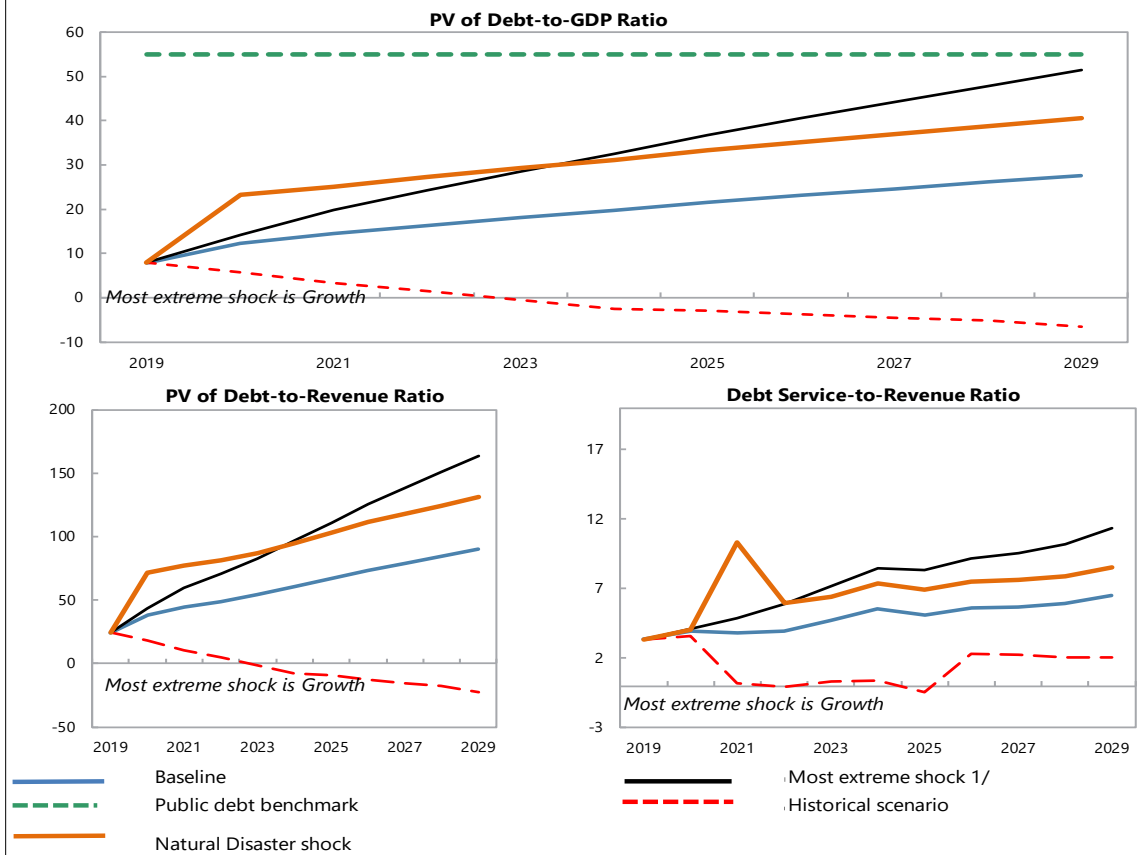
\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2029. 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 extreme shock even after disregarding the one-off breaches.

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. Solomon Islands: Indicators of Public Debt Under Alternative Scenarios, 2019-2029



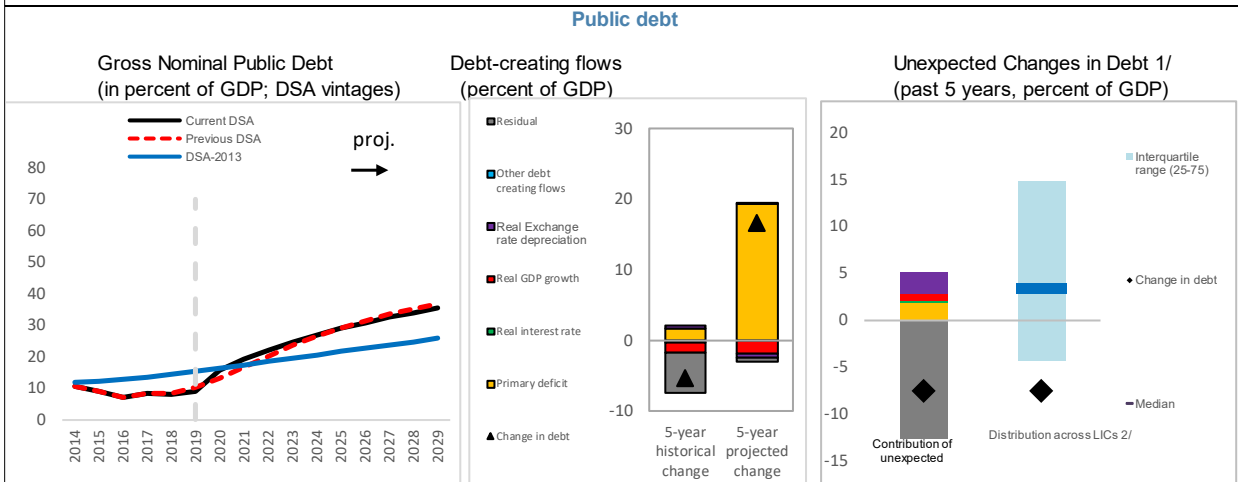
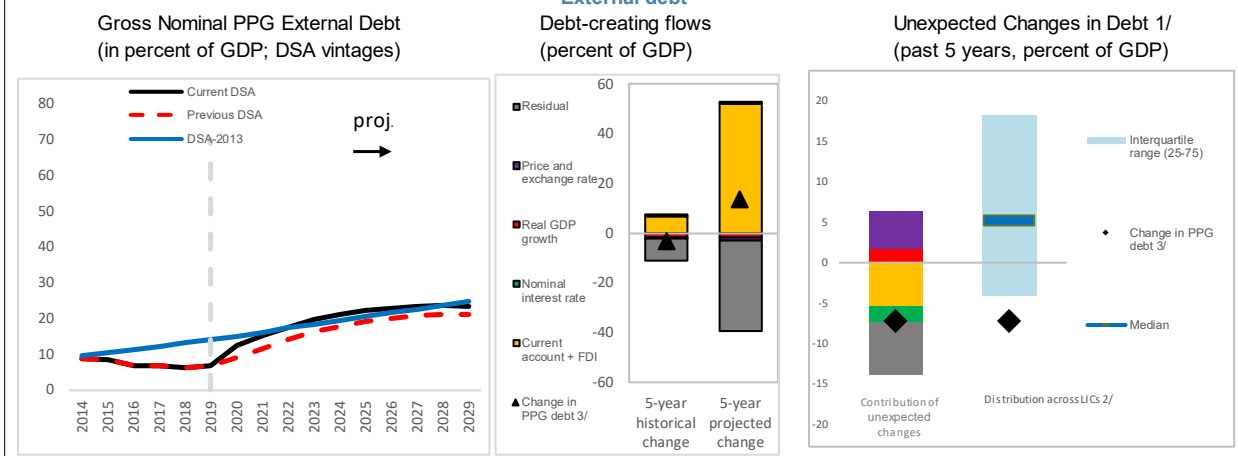
Borrowing Assumptions for Stress Tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	62%	62%
Domestic medium and long-term	26%	26%
Domestic short-term	13%	13%
<b>Terms of marginal debt</b>		
<b>External MLT debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7
<b>Domestic MLT debt</b>		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	15	15
Avg. grace period	14	14
<b>Domestic short-term debt</b>		
Avg. real interest rate	-1%	-1%

\* 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 2029. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Solomon Islands: Drivers of Debt Dynamics - Baseline Scenario



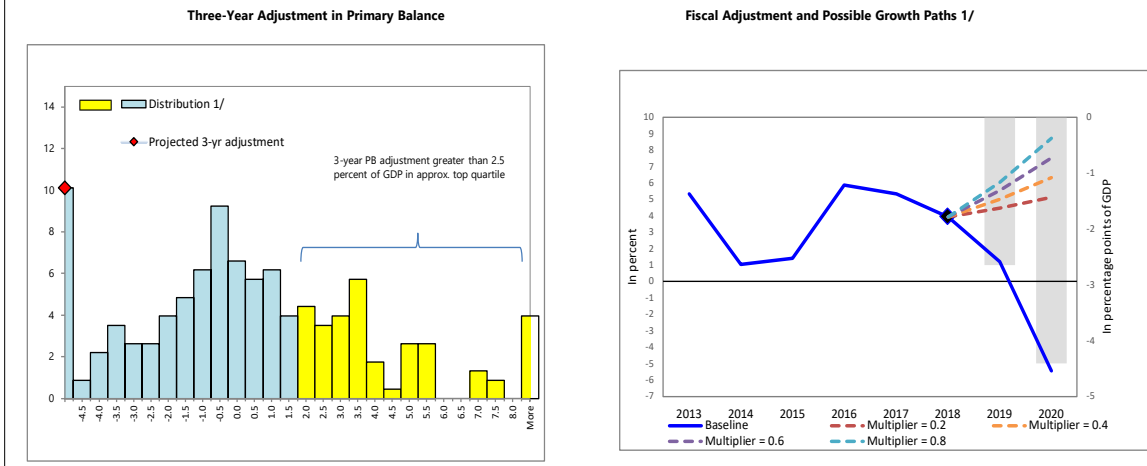
1/ Difference between anticipated and actual contributions on debt ratios.

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.



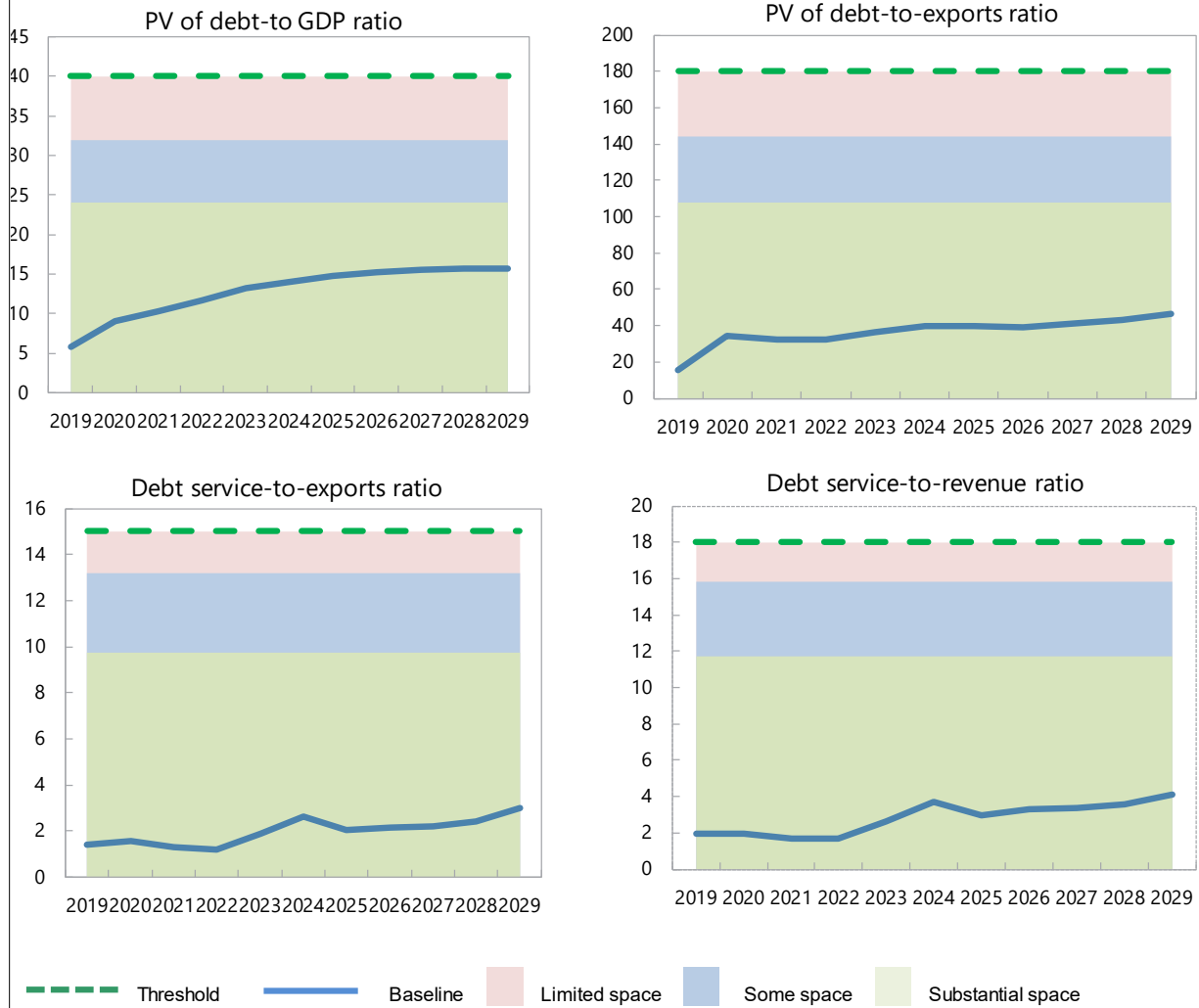
Figure 4. Solomon Islands: Realism tools



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

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).

**Figure 5. Solomon Islands: Qualification of the Moderate Category, 2019-2029 1/**



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Table 3. Solomon Islands: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019-2029  
(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>PV of debt-to GDP ratio</b>											
<b>Baseline</b>	5.8	9.1	10.3	11.8	13.1	13.9	14.7	15.2	15.5	15.7	15.7
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	5.8	-0.2	-4.1	-6.4	-7.9	-9.5	-9.5	-9.8	-9.8	-9.7	-10.8
<b>B. Bound Tests</b>											
B1. Real GDP growth	5.8	9.7	11.7	13.3	14.9	15.8	16.7	17.2	17.6	17.8	17.7
B2. Primary balance	5.8	10.2	12.7	14.3	15.7	16.4	17.2	17.7	18.0	18.1	18.0
B3. Exports	5.8	21.9	38.7	<b>40.0</b>	<b>41.2</b>	<b>41.6</b>	<b>42.0</b>	<b>42.1</b>	<b>42.1</b>	<b>41.3</b>	39.5
B4. Other flows 3/	5.8	15.8	23.5	24.7	25.7	26.2	26.7	26.9	27.0	26.6	25.7
B6. One-time 30 percent nominal depreciation	5.8	11.5	23.2	24.8	26.3	27.0	27.8	28.2	28.4	28.5	27.7
B6. Combination of B1-B5	5.8	21.8	<b>43.9</b>	<b>45.3</b>	<b>46.5</b>	<b>46.9</b>	<b>47.3</b>	<b>47.4</b>	<b>47.3</b>	<b>46.5</b>	<b>44.4</b>
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	5.8	11.2	12.7	14.1	15.5	16.2	17.0	17.4	17.8	18.0	17.9
C2. Natural disaster	5.8	14.4	16.3	18.1	19.7	20.8	21.8	22.5	23.0	23.4	23.5
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.
<b>Threshold</b>	40	40	40	40	40	40	40	40	40	40	40
<b>PV of debt-to-exports ratio</b>											
<b>Baseline</b>	15.7	34.5	32.1	32.1	36.1	39.8	39.8	39.1	41.3	42.9	46.7
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	15.7	-0.7	-12.7	-17.4	-21.7	-27.1	-25.6	-25.3	-26.2	-26.4	-32.3
<b>B. Bound Tests</b>											
B1. Real GDP growth	15.7	34.5	32.1	32.1	36.1	39.8	39.8	39.1	41.3	42.9	46.7
B2. Primary balance	15.7	38.8	39.5	39.0	43.0	47.0	46.6	45.5	47.8	49.5	53.6
B3. Exports	15.7	144.4	<b>287.8</b>	<b>262.1</b>	<b>271.2</b>	<b>285.0</b>	<b>273.2</b>	<b>260.6</b>	<b>268.1</b>	<b>270.4</b>	<b>282.8</b>
B4. Other flows 3/	15.7	60.1	72.9	67.3	70.7	74.9	72.4	69.4	71.7	72.6	76.6
B6. One-time 30 percent nominal depreciation	15.7	34.5	56.9	53.5	57.1	61.1	59.6	57.5	59.8	61.5	65.4
B6. Combination of B1-B5	15.7	84.8	98.2	142.8	147.5	154.8	148.2	141.2	145.1	146.6	153.1
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	15.7	42.6	39.3	38.4	42.5	46.4	46.0	44.9	47.2	49.0	53.3
C2. Natural disaster	15.7	59.2	55.0	53.5	58.8	64.3	63.9	62.8	66.4	69.4	76.2
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.
<b>Threshold</b>	180	180	180	180	180	180	180	180	180	180	180
<b>Debt service-to-exports ratio</b>											
<b>Baseline</b>	1.4	1.6	1.3	1.2	1.9	2.7	2.0	2.1	2.2	2.4	3.0
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	1.4	1.4	0.7	0.3	0.7	1.2	0.6	0.7	0.7	-0.1	-0.4
<b>B. Bound Tests</b>											
B1. Real GDP growth	1.4	1.6	1.3	1.2	1.9	2.7	2.0	2.1	2.2	2.4	3.0
B2. Primary balance	1.4	1.6	1.4	1.3	2.0	2.8	2.2	2.3	2.3	2.7	3.4
B3. Exports	1.4	3.5	5.5	6.9	8.9	11.2	9.0	9.1	9.2	12.9	<b>20.4</b>
B4. Other flows 3/	1.4	1.6	1.7	1.9	2.5	3.3	2.6	2.7	2.7	3.8	5.4
B6. One-time 30 percent nominal depreciation	1.4	1.6	1.3	1.6	2.3	3.1	2.4	2.5	2.5	2.7	4.5
B6. Combination of B1-B5	1.4	2.2	2.8	3.7	4.7	6.0	4.8	4.8	4.9	6.6	11.1
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	1.4	1.6	1.4	1.3	2.0	2.8	2.1	2.2	2.3	2.5	3.1
C2. Natural disaster	1.4	1.8	1.8	1.6	2.4	3.3	2.6	2.7	2.8	3.0	3.7
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.
<b>Threshold</b>	15	15	15	15	15	15	15	15	15	15	15
<b>Debt service-to-revenue ratio</b>											
<b>Baseline</b>	2.0	1.9	1.7	1.7	2.7	3.7	3.0	3.3	3.3	3.6	4.1
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	2.0	1.7	0.9	0.5	1.0	1.7	0.9	1.1	1.1	-0.1	-0.6
<b>B. Bound Tests</b>											
B1. Real GDP growth	2.0	2.1	1.9	1.9	3.0	4.2	3.4	3.8	3.8	4.0	4.6
B2. Primary balance	2.0	1.9	1.8	1.9	2.8	3.9	3.2	3.5	3.5	3.9	4.7
B3. Exports	2.0	2.5	3.0	4.1	5.2	6.5	5.5	5.9	5.8	8.0	11.6
B4. Other flows 3/	2.0	2.0	2.2	2.7	3.6	4.6	3.9	4.1	4.1	5.6	7.4
B6. One-time 30 percent nominal depreciation	2.0	2.5	2.1	2.9	4.1	5.4	4.4	4.8	4.8	5.1	7.7
B6. Combination of B1-B5	2.0	2.7	3.1	4.6	5.8	7.2	6.1	6.5	6.4	8.5	13.1
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	2.0	1.9	1.8	1.9	2.8	3.8	3.1	3.5	3.5	3.7	4.2
C2. Natural disaster	2.0	1.9	2.1	2.1	3.1	4.1	3.4	3.8	3.8	4.0	4.6
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.
<b>Threshold</b>	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 4. Solomon Islands: Sensitivity Analysis for Key Indicators of Public Debt 2019-2029

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>PV of Debt-to-GDP Ratio</b>											
<b>Baseline</b>	8.0	12.4	14.4	16.4	18.2	19.7	21.5	23.1	24.6	26.1	27.6
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	8.0	5.7	3.3	1.5	-0.5	-2.4	-2.9	-3.8	-4.6	-5.2	-6.5
<b>B. Bound Tests</b>											
B1. Real GDP growth	8.0	14.2	19.8	24.3	28.6	32.5	36.7	40.5	44.2	47.9	51.5
B2. Primary balance	8.0	14.8	19.1	20.8	22.5	24.0	25.7	27.2	28.6	30.0	31.5
B3. Exports	8.0	20.4	34.3	35.9	37.2	38.3	39.7	40.9	41.9	42.7	42.8
B4. Other flows 3/	8.0	19.1	27.6	29.3	30.8	32.0	33.6	34.8	36.1	37.0	37.6
B6. One-time 30 percent nominal depreciation	8.0	12.1	12.5	12.8	13.1	13.3	13.8	14.2	14.5	15.0	15.6
B6. Combination of B1-B5	8.0	13.9	16.1	16.2	18.0	19.5	21.3	22.9	24.4	25.9	27.4
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	8.0	16.9	18.6	20.4	22.1	23.6	25.3	26.8	28.2	29.7	31.1
C2. Natural disaster	8.0	23.3	25.0	27.2	29.3	31.2	33.3	35.2	36.9	38.8	40.5
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.
<b>Public debt benchmark</b>	55	55	55	55	55	55	55	55	55	55	55
<b>PV of Debt-to-Revenue Ratio</b>											
<b>Baseline</b>	24.2	38.4	44.8	49.1	54.2	60.4	67.2	73.5	78.8	84.4	90.1
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	24.2	18.4	10.6	4.6	-1.4	-7.6	-9.4	-12.6	-15.3	-17.6	-22.5
<b>B. Bound Tests</b>											
B1. Real GDP growth	24.2	43.2	59.6	70.7	82.8	96.7	111.2	125.6	137.9	150.7	163.4
B2. Primary balance	24.2	45.8	59.1	62.3	67.1	73.4	80.1	86.6	91.7	97.1	102.5
B3. Exports	24.2	63.4	106.4	107.6	111.0	117.3	123.7	130.1	134.3	137.9	139.7
B4. Other flows 3/	24.2	59.3	85.5	87.8	91.8	98.1	104.6	110.9	115.5	119.6	122.7
B6. One-time 30 percent nominal depreciation	24.2	38.7	39.3	39.1	39.9	41.5	43.8	45.8	47.4	49.4	51.8
B6. Combination of B1-B5	24.2	43.3	49.9	48.6	53.7	59.9	66.6	72.9	78.2	83.7	89.4
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	24.2	52.4	57.5	61.1	66.0	72.2	78.9	85.4	90.4	95.9	101.5
C2. Natural disaster	24.2	71.7	77.0	81.1	87.0	95.0	103.3	111.4	117.7	124.5	131.4
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.
<b>Debt Service-to-Revenue Ratio</b>											
<b>Baseline</b>	3.4	4.0	3.8	4.0	4.7	5.5	5.1	5.6	5.7	6.0	6.5
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2019-2029 2/	3.4	3.6	0.2	-0.1	0.3	0.4	-0.4	2.3	2.3	2.1	2.1
<b>B. Bound Tests</b>											
B1. Real GDP growth	3.4	4.1	4.9	5.9	7.2	8.5	8.3	9.2	9.6	10.2	11.3
B2. Primary balance	3.4	4.0	5.3	5.8	5.5	6.2	5.7	6.2	6.3	6.7	7.5
B3. Exports	3.4	4.0	4.3	5.1	5.8	6.6	6.2	6.6	6.6	8.1	10.5
B4. Other flows 3/	3.4	4.0	4.2	4.7	5.4	6.3	5.8	6.3	6.3	7.6	9.2
B6. One-time 30 percent nominal depreciation	3.4	4.0	4.0	4.1	5.0	6.0	5.3	5.8	5.8	5.9	6.3
B6. Combination of B1-B5	3.4	3.9	3.8	3.9	4.7	5.5	5.1	5.6	5.7	6.0	6.5
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	3.4	4.0	6.6	4.7	5.2	6.1	5.6	6.1	6.2	6.4	7.0
C2. Natural disaster	3.4	4.0	10.4	6.0	6.5	7.4	7.0	7.5	7.6	7.9	8.5
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 threshold.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.