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KINGDOM OF LESOTHO

SIXTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

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Lesotho remains at moderate risk of debt distress. Though, in the near term, new nonconcessional loans to finance some key infrastructure projects are expected to temporarily raise debt ratios, most debt sustainability indicators are below the indicative thresholds. As a small open economy, Lesotho is vulnerable to adverse global or regional shocks. The risks appear manageable over the medium-term if the authorities are able to continue with fiscal adjustment in the coming years, while maintaining a sufficient international reserve buffer to protect the exchange rate peg. The results of this analysis underscore the critical need to realign spending with its sustainable level consistent with the expected long-run level of SACU revenue, while moving forward with structural reforms to boost productivity and competitiveness to accelerate medium-term growth.

INTRODUCTION

1. **This DSA has been prepared jointly by IMF and World Bank staffs.** It comprises external and domestic debt, and is based on the framework for low-income countries approved by the respective Executive Boards.[1] The framework takes into account indicative thresholds for debt burden indicators determined by the quality of the country's policies and institutions,[2] and comprises baseline and alternative scenarios. Given the importance of remittances in enhancing Lesotho's capacity to repay debt, the DSA also uses the remittance-modified debt indicators, in addition to a standard baseline scenario, to assess the risk of debt distress.[3,4]

RECENT DEBT DEVELOPMENTS

2. **Lesotho's public sector debt (in terms of GDP) rose moderately, and the concessionality portion declined since the 2012 DSA.** Public sector debt rose from 36¾ percent of GDP in 2011/12 to 38 percent at end-2012/13, largely owing to substantial depreciation of the loti/dollar exchange rate in 2012–2013 (by 34 percent in two years). Without the depreciation, the ratio would have declined to 28.2 percent. During the same period, the proportion of nonconcessional debt in total debt declined from 82.4 percent, to 78 percent, as the authorities repaid export credit and commercial borrowing. All categories of debt increased, and of the total public sector debt, US$758 million was owed to external creditors, with most to multilaterals (US$676 million).

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[1] See "Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief," (IDA/SecM2006-0564 and http://www.imf.org/external/np/pp/eng/2006/110606.pdf and "Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework for Low-Income Countries" http://www.imf.org/external/np/pp/eng/2010/012210.pdf.

[2] The World Bank Country Policy and Institutional Assessment has ranked Lesotho using the three-year moving average as a "medium performer" in terms of policy and institutions with a rating of 3.4. The applicable indicative thresholds for debt sustainability, proposed under the framework for low-income countries are: (i) 40 percent for the NPV of debt-to-GDP ratio, (ii) 150 percent for NPV of debt-to-exports ratio; (iii) 250 percent for the NPV of debt-to-fiscal revenues ratio; (iv) 20 percent for the debt service to exports ratio; and (v) 20 percent for the debt service to revenue ratio.

[3] The definition of remittances was revised in the last DSA, based on a more detailed BOP framework compared to the one that was used for the previous May 2010. The revision resulted in lower values both for past years and the projections.

[4] See "Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief," (IDA/SecM2006-0564 and SM/07/131) and "Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework for Low-Income Countries," http://www.imf.org/external/np/pp/eng/2010/012210.pdf. The past two DSAs have used remittance-modified debt indicators.

Lesotho: Public Debt Outstanding at end-2012/13

	in Millions of maloti	in Millions of USD	in Percent of GDP
Total public debt	7,849	863	38.0
Domestic debt	952	105	4.6
External debt	6,898	758	33.4
Multilateral	6,151	676	29.8
IDA	2,745	302	13.3
African Development Fund	1,849	203	9.0
IMF	494	54	2.4
Others	1,063	117	5.2
Export credit	378	42	1.8
Bilateral	300	33	1.5
Commercial	69	8	0.3

Source: Ministry of Finance.

3. **The level of debt (in U.S. dollars) increased in 2012/13, largely owing to increased financing for key infrastructure projects (e.g., Metolong Dam) and financial supports from the IMF under the ECF arrangement.** The total loans of about US$70 million from Lesotho's international partners were disbursed for the Metolong Dam project, which is expected to be completed by 2014/15. During 2012/13, in view of Lesotho's strong implementation of its economic program, three reviews under the ECF arrangements were successfully completed.

4. **Public domestic debt (held by residents) is only a small proportion of total public debt.** At end-2012/13, it comprised mainly treasury bills and treasury bonds, and amounted to US$105 million, about 4.6 percent of GDP. The government relies on domestic debt mainly for financing the budget deficit. Domestic debt increased by 0.3 percent in the period under review, mainly as a result of the issuance of treasury bonds meant to facilitate capital market development and provide the government with an alternative source of funds. Short-term debt constituted 54 percent of total domestic debt while long-term debt amounted to 46 percent. The banking system is the main holder of domestic debt instruments, amounting to about 90 percent of currently outstanding debt.

5. **Fiscal balances improved significantly in 2012/13, and the government began to accumulate deposits.** For the first time since 2008/09, the government recorded a fiscal surplus (estimated at 5.2 percent of GDP), primarily owing to a sizable improvement in Southern African Customs Union (SACU) revenue and the fiscal consolidation efforts. Having run a fiscal deficit since 2009/10, the government had drawn on deposits at the CBL (reducing the deposit of 5.8 billion maloti in July 2009 to 2.8 billion maloti in March 2012). The government deposits have since been partly recovered, reaching 4.8 billion maloti by March 2013. To achieve the authorities' medium-term international reserve target of five months of imports, further accumulation of deposits, at a slower pace, is expected in coming years on the basis of the implementation of the planned fiscal adjustment, bringing down the need for new debt.

6. The authorities have stepped up their efforts to strengthen debt management, through (i) resuscitating the Public Debt Management Committee; (ii) preparing a medium-term debt management strategy (MTDS); and (iii) preparing a new Public Debt Management Bill. Based on the Debt Management Performance Assessment undertaken by the World Bank in late 2012, the authorities have been preparing an MTDS, with assistance of the World Bank. The authorities, in collaboration with the IMF, have been working on a Public Debt Management Bill, which will consolidate and address weaknesses in the existing legal framework for public debt management. The Public Debt Management Committee, which is now charged with reviewing and recommending loans to the minister, has been fully operational since late 2012.

7. The authorities are cognizant of the need to improve the productivity of investment and have recently embarked on strategic planning as well as PFM reforms. Guided by the objectives of the National Strategic Development Plan, the Public Sector Investment Programme has recently been finalized, providing a five-year program of ongoing and new investment projects. As part of the PFM reforms, there are plans to strengthen the medium-term expenditure framework (MTEF) and enforce rigorous assessments of all public investment by the Project Appraisal Committee (PAC). To focus on priority projects with high economic rates of return and consistent with Lesotho's debt service capacity to avoid debt distress, new capital projects are appraised by the PAC before being allocated in the budget and incorporated into the MTEF.

BASELINE MACROECONOMIC ASSUMPTIONS

8. The results of this debt sustainability analysis are based on a number of important assumptions, notably sustained economic growth over the medium term; continuous fiscal consolidation; and a relatively favorable external environment.

Macroeconomic Assumptions, 2012-2033

	2012	2013	2014	2015	2016	2017	2018	2019-2033 Average
	Actual	Estimate	Projections					
Real GDP Growth (percent)	4.3	4.0	5.3	4.5	4.1	5.0	5.4	4.8
GDP deflator in U.S. dollar terms (change, in percent)	-8.3	-0.5	4.3	3.8	1.1	1.8	5.3	2.2
Effective interest rate (percent)	0.5	0.7	1.2	1.3	1.4	1.5	1.6	1.6
Growth of exports of goods and services (U.S. dollar terms, percent)	-7.7	2.5	18.5	10.1	4.7	5.6	8.1	8.6
Growth of imports of goods and services (U.S. dollar terms, percent)	-2.6	0.5	1.4	1.6	2.3	4.9	1.5	7.3
Grant element of new public sector borrowing (percent)	…	27.8	30.0	32.2	24.7	15.6	11.6	20.0
Government revenue (excluding grants, percent of GDP)	55.8	54.3	50.7	47.8	47.1	46.7	46.3	46.3
Aid flows (millions of U.S. dollars)	825.4	852.1	761.2	756.0	747.9	729.1	698.3	495.6
of which:								
Grants	200.5	180.2	61.1	60.5	69.9	73.4	70.5	127.5
Concessioanl loans	624.9	671.9	700.1	695.5	678.0	655.7	627.8	368.1
Grant equivalent financing (percent of GDP)	…	7.6	2.6	2.3	2.7	2.6	2.3	2.4
Grant equivalent financing (percent of external financing)	…	86.7	73.5	80.2	65.4	55.0	43.7	50.2

- **Real GDP growth** reached 4.3 percent in 2012/13 and is projected to increase in coming years, driven by the recovery in agricultural production and continued expansion of mining. Between 2018/19 and 2032/33, annual growth is projected to average 4.8 percent, driven by productivity improvements from ongoing structural reforms, including business climate reforms under the National Strategic Development Plan and the construction of the Lesotho Highlands Water Project, Phase II (LHWP II), which are likely to make Lesotho an exporter of water and electricity in the region.

- **Inflation** is assumed to move from an average of 6.2 percent in the last ten years to 6.1 percent between 2013/14 and 2017/18, reflecting an expected recovery in prices of major export items and projected consumer price inflation in South Africa. In the longer term, inflation is projected to average 5 percent.

- **Fiscal balances** are assumed to remain in surplus over the medium term, on the basis of the implementation of the planned fiscal adjustment to maintain sufficient international reserve buffer. Key elements of the fiscal assumptions are phasing in a reduction in recurrent spending, in terms of GDP over the medium term, while safeguarding social spending for poor and vulnerable groups; further strengthening of public expenditure and financial management; and strengthening revenue administration. SACU revenue is projected at 25 percent of GDP in 2013/14, before stabilizing at about 17–20 percent of GDP in the medium term. Following the fiscal surplus of 5.2 percent of GDP in 2012/13, a surplus of 2–4 percent of GDP is expected over the medium term. In the longer term, this DSA assumes zero net domestic borrowing (constant rollover of existing debt, as the government envisages a fiscal balance in the medium to long term) and net external borrowing of about 1 percent of GDP a year (excluding borrowing for the hydropower project of LHWP II, amounting to about 3–4 percent of GDP annually between 2017/18 and 2021/22). Borrowing associated with the LHWP II is not assumed to be on concessional terms.

- **The current account deficit** is estimated to remain high (above 11 percent of GDP) through 2017/18, owing to strong import demand associated with projects for energy and water developments. The deficit is projected to gradually declining to 1 percent of GDP over the long term. International reserves are projected to reach five months of imports by 2016/17 and stay at or above that level over the long term.

EXTERNAL DEBT SUSTAINABILITY

A. Baseline

9. Lesotho's present value (PV) of external debt (41.5 percent of GDP at end-2012/13) is projected to decline to 30 percent by 2018/19 before increasing to 37 by 2020/21 (Table 1a). This temporary increase is driven predominantly by nonconcessional borrowing for the Metolong dam and the LHWP II. The PV of external debt is thus projected to remain below the 40 percent indicative threshold, and to decline thereafter to 21½ percent by 2033/34. The significant decline in the PV of external debt after 2021/22 is driven partly by the large swing in the grant element of external debt after the amortization of project loans for the Metolong dam and the LHWP II (which is assumed to be on commercial terms).[5]

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[5] Borrowing associated with the LHWP II is assumed to be on market terms, resulting in a decline in the overall grant element of borrowing between 2013 and 2019. Except for the loans for the LHWP II, it is assumed that Lesotho continues to receive concessional loans (no permanent shift in grant element is envisaged), not only because the authorities continue to seek concessional financing but also because

(continued)

10. The PV of external debt relative to exports and to revenue would also rise through 2020/21, but remain well below the respective indicative thresholds of 150 and 250 percent. The ratio of debt service to exports is expected to remain stable, averaging around 2.7 percent of GDP in the medium term, and rising to an average of 4.2 percent in 2020/21–2033/34. The ratio of debt service to revenue maintains a similar trend. Both ratios would remain well below the thresholds because of the highly concessional nature of existing debt. The gradual increase in the ratios of debt service is due to the assumed changes in international interest rates. The rates are projected to average 1.4 percent in the medium term, while increasing to an average of around 1¾ percent in the longer term. Taking into account remittances, the PV of external debt (in percent of GDP and remittances) would be slightly lower than the ratio without remittances.

B. Sensitivity tests

11. Sensitivity tests show that Lesotho's debt burden would increase in the event of less favorable public sector borrowing terms (Table 1b). In a scenario in which the interest rate on new public sector loans is 2 percentage points higher than the baseline assumption (scenario A2), the PV of debt-to-GDP ratio reaches 38 percent in 2022/23 and falls to 31 percent by 2033/34. In a scenario in which the key variables are set at their average of the past 10 years, Lesotho's debt ratios actually fall relative to the baseline, reflecting strong inflows of non-debt-creating FDI, and the high level of average fiscal surplus over this period owing to the sizable SACU revenue in 2006/07–2008/09. However, given the structural break, the historical scenario could be considered less relevant for the analysis.

12. Bound tests reveal that Lesotho would face the most distress in nominal exchange rate depreciation or if export growth turned out lower than the historical average. In a scenario where export value grows (B2) at one standard deviation lower than the historical average, the PV of debt-to-GDP ratio would increase to 44 percent by 2014/15 and then ease to 23 percent in 2033/34. In the event of a one-time 30 percent depreciation of the nominal exchange rate (B6) in 2014, the PV of debt-to-GDP ratio would similarly increase to 43 percent by 2014/15, but then fall to 30 percent by 2033/34. The indicative threshold of 40 percent would also temporarily be breached if the U.S. dollar GDP deflator or export value growth turned out lower than the historical average. The same holds for a combined shock including lower GDP growth and lower non-debt-creating flows (such as FDI) compared to the historical average. While a temporary adverse shock to non-debt creating flows could lead to only a temporary breach of the indicative threshold, a permanent adverse shock to SACU revenues could increase public debt further. The revenues, however, are assumed to be relatively modest, compared with their historical average (27 percent of GDP for the last ten years).

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there are very few projects that would attract commercial financing. Thus once the project is fully financed in 2021, new loans will likely follow past patterns in terms of concessionality. According to preliminary project documents, the total cost of the LHWP II project is estimated at M16.8 billion, or 81 percent of GDP, with a water transfer component (M9.2 billion) funded by South Africa and a hydro-power station (M7.6 billion) to be funded by the government of Lesotho through external borrowing in 2017–2021.

PUBLIC SECTOR DEBT SUSTAINABILITY

13. Public debt indicators largely mirror those of external debt, because domestic debt remains relatively low (4.6 percent of GDP at the end of 2012/13). Domestic debt is projected to fall to 2¾ percent of GDP by 2016/17, and then to gradually fall to 1 percent of GDP in 2031/32. This fall reflects the assumption of zero net domestic borrowing after 2016/17. The PV of public sector debt stood at 42.7 percent in 2012/13.

14. The standard sensitivity tests—including the scenarios with (i) an unchanged primary balance from 2012/13 and (ii) lower long-run GDP growth—do not reveal any substantial deviation of the baseline scenario, with the debt indicators below the threshold. As highlighted in the stress tests for external debt, bound tests reveal that Lesotho would face most distress in nominal exchange rate depreciation or if export growth turned out lower than the historical average.

CONCLUSION

15. Lesotho remains at moderate risk of debt distress. The PV of external debt as a ratio of GDP is projected to remain below the indicative threshold of 40 percent in the baseline scenario. The ratio is projected to decline thereafter because the fiscal balance is broadly maintained over the projection period. By the end of the projection period in 2033/34, the ratio also lies below the indicative threshold for debt distress. However, the risk of debt distress is magnified as stress tests result in a temporary breach of indicative thresholds. It increases significantly in the event of adverse shocks to exports or significant exchange rate depreciation. The risks appear manageable over the medium term if the authorities are able to move forward with the planned fiscal adjustment in coming years. The results of this analysis underscore the critical need to maintain the current fiscal adjustment efforts, while keeping fiscal space for key infrastructure projects and social spending and moving forward with structural reforms to boost productivity and competitiveness to accelerate medium-term growth. Finally, remittance enhanced analysis provides more positive outcomes, because none of the thresholds was breeched. This indicates the strong influence of remittance flows in overall debt sustainability.

16. The authorities broadly agreed with the assessment of moderate risk of debt distress. The authorities appreciated that the PV of external debt ratio comes close to breaching the indicative threshold temporarily in 2020/21, partly owing to the construction of the Metolong dam and the electricity pump storage under the LHWP II. They agreed that the risk of debt distress increases significantly with adverse shocks and with the need to maintain the current fiscal consolidation efforts, while keeping a fiscal space for key infrastructure projects and social spending and moving forward with structural reforms to boost productivity and competitiveness to accelerate medium-term growth.

Table 1a. External Debt Sustainability Framework, Baseline Scenario, 2010-2033

(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6] Average	Standard [6] Deviation	Projections													
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2019	2020	2021	2022	2023	2033	2019-2033 Average
External debt (nominal) [1]	**29.7**	**30.5**	**33.4**			**33.5**	**32.6**	**31.4**	**31.3**	**31.3**	**30.9**		**35.3**	**38.9**	**39.1**	**37.5**	**36.0**	**25.6**	
o/w public and publicly guaranteed (PPG)	29.7	30.5	33.4			33.5	32.6	31.4	31.3	31.3	30.9		35.3	38.9	39.1	37.5	36.0	25.6	
Change in external debt	...	0.8	2.9			0.1	-0.9	-1.2	-0.1	0.0	-0.4		4.4	3.6	0.2	-1.6	-1.5	-0.7	
Identified net debt-creating flows	...	...	3.5			2.7	1.2	2.9	3.3	3.7	-3.0		4.2	5.4	0.7	-0.7	-1.2	-6.3	
Non-interest current account deficit	**14.2**	**23.8**	**10.2**	**0.7**	**12.3**	**14.3**	**12.6**	**11.5**	**11.1**	**11.0**	**4.0**		**11.2**	**12.4**	**7.8**	**6.5**	**5.9**	**0.5**	5.1
Deficit in balance of goods and services	67.2	63.4	67.0			64.3	52.8	45.8	43.5	42.4	36.1		42.3	43.0	37.6	35.6	34.4	26.8	
Exports	42.5	44.6	43.0			42.6	46.0	46.6	46.4	45.8	44.7		45.2	45.8	46.6	49.3	50.1	55.3	
Imports	109.6	108.0	110.0			106.9	98.7	92.5	89.9	88.2	80.7		87.5	88.8	84.3	84.9	84.6	82.1	
Net current transfers (negative = inflow)	-28.9	-26.8	-39.6	-38.4	7.1	-35.7	-29.6	-26.5	-25.5	-25.4	-24.9		-25.0	-25.0	-25.0	-25.0	-25.0	-24.9	-25.0
o/w official	-21.6	-19.9	-32.9			-29.4	-23.6	-20.7	-19.7	-19.8	-19.5		-19.6	-19.6	-19.6	-19.6	-19.6	-19.6	
Other current account flows (negative = net inflow)	-24.1	-12.8	-17.2			-14.3	-10.5	-7.9	-6.9	-6.0	-7.2		-6.1	-5.6	-4.9	-4.2	-3.6	-1.3	
Net FDI (negative = inflow)	**-5.2**	**-5.4**	**-8.2**	**-5.7**	**1.2**	**-10.5**	**-10.2**	**-7.6**	**-7.0**	**-6.3**	**-6.0**		**-6.0**	**-6.0**	**-6.0**	**-6.0**	**-6.0**	**-6.0**	-6.0
Endogenous debt dynamics [2]	**...**	**...**	**1.5**			**-1.1**	**-1.2**	**-1.0**	**-0.8**	**-1.0**	**-1.0**		**-0.9**	**-1.0**	**-1.1**	**-1.1**	**-1.1**	**-0.8**	
Contribution from nominal interest rate	...	...	0.1			0.2	0.4	0.4	0.4	0.5	0.5		0.5	0.6	0.6	0.6	0.6	0.4	
Contribution from real GDP growth	0.0	0.0	-1.4			-1.3	-1.6	-1.4	-1.2	-1.5	-1.5		-1.4	-1.6	-1.7	-1.8	-1.7	-1.2	
Contribution from price and exchange rate changes	0.0	0.0	2.8			...	...	...	...	...	...		...	...	...	...	...	...	
Residual (3-4) [3]	**...**	**...**	**-0.6**			**-2.6**	**-2.1**	**-4.1**	**-3.5**	**-3.7**	**2.6**		**0.1**	**-1.8**	**-0.5**	**-0.9**	**-0.3**	**5.5**	
o/w 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	
PV of external debt [4]	...	...	41.5			38.7	35.4	33.0	31.7	31.2	29.8		33.5	36.9	36.0	33.0	30.8	21.5	
In percent of exports	...	...	96.4			90.8	77.0	70.7	68.4	68.1	66.8		74.1	80.6	77.2	67.0	61.4	38.9	
PV of PPG external debt	**...**	**...**	**41.5**			**38.7**	**35.4**	**33.0**	**31.7**	**31.2**	**29.8**		**33.5**	**36.9**	**36.0**	**33.0**	**30.8**	**21.5**	
In percent of exports	**...**	**...**	**96.4**			**90.8**	**77.0**	**70.7**	**68.4**	**68.1**	**66.8**		**74.1**	**80.6**	**77.2**	**67.0**	**61.4**	**38.9**	
In percent of government revenues	**...**	**...**	**74.3**			**71.2**	**69.9**	**69.0**	**67.4**	**66.7**	**64.5**		**72.4**	**79.8**	**77.6**	**71.3**	**66.4**	**46.5**	
Debt service-to-exports ratio (in percent)	**3.8**	**3.3**	**2.9**			**3.4**	**3.0**	**2.8**	**2.5**	**2.4**	**2.3**		**3.7**	**4.0**	**4.2**	**4.1**	**4.1**	**4.9**	
PPG debt service-to-exports ratio (in percent)	**3.8**	**3.3**	**2.9**			**3.4**	**3.0**	**2.8**	**2.5**	**2.4**	**2.3**		**3.7**	**4.0**	**4.2**	**4.1**	**4.1**	**4.9**	
PPG debt service-to-revenue ratio (in percent)	**3.6**	**3.4**	**2.3**			**2.7**	**2.7**	**2.7**	**2.4**	**2.3**	**2.2**		**3.7**	**4.0**	**4.3**	**4.4**	**4.5**	**5.8**	
Total gross financing need (Billions of U.S. dollars)	245.8	504.5	78.7			131.9	103.6	152.8	165.9	194.4	-36.1		273.9	350.9	170.8	122.0	102.5	-292.2	
Non-interest current account deficit that stabilizes debt ratio	14.2	-6.7	7.3			14.2	13.5	12.7	11.2	10.9	4.4		6.8	8.8	7.6	8.1	7.4	1.3	
Key macroeconomic assumptions																			
Real GDP growth (in percent)	6.8	5.4	4.3	4.5	1.2	4.0	5.3	4.5	4.1	5.0	5.4	4.7	5.0	4.8	4.8	4.8	4.8	4.8	4.8
GDP deflator in US dollar terms (change in percent)	13.6	3.8	-8.3	10.1	17.9	-0.5	4.3	3.8	1.1	1.8	5.3	2.6	2.0	2.2	2.2	2.2	2.2	2.2	2.2
Effective interest rate (percent) [5]	...	...	0.5	0.5	...	0.7	1.3	1.4	1.5	1.6	1.7	1.4	1.7	1.8	1.8	1.7	1.7	1.6	1.7
Growth of exports of G&S (US dollar terms, in percent)	21.1	14.8	-7.7	10.1	15.2	2.5	18.5	10.1	4.7	5.6	8.1	8.2	8.4	8.5	8.9	13.2	8.9	8.3	8.6
Growth of imports of G&S (US dollar terms, in percent)	16.5	7.8	-2.6	11.5	15.1	0.5	1.4	1.6	2.3	4.9	1.5	2.0	16.1	8.6	1.6	7.9	6.7	6.9	7.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	28.1	33.1	32.2	24.7	15.6	9.6	23.9	-7.9	-1.3	10.0	24.7	24.7	24.7	19.8
Government revenues (excluding grants, in percent of GDP)	44.1	43.3	55.8			54.3	50.7	47.8	47.1	46.7	46.3	48.8	46.3	46.3	46.3	46.3	46.3	46.3	46.3
Aid flows (in Billions of US dollars) [7]	800.3	823.2	825.4			852.1	761.2	756.0	747.9	729.1	698.3		670.6	639.2	608.5	578.6	551.4	368.7	495.6
o/w Grants	166.8	192.9	200.5			180.2	61.1	60.5	69.9	73.4	70.5		75.5	80.9	86.7	92.8	99.4	197.4	127.5
o/w Concessional loans	633.5	630.3	624.9			671.9	700.1	695.5	678.0	655.7	627.8		595.1	558.3	521.8	485.8	452.0	171.3	368.1
Grant-equivalent financing (in percent of GDP) [8]	...	...	...			7.6	2.5	2.3	2.5	2.6	2.2		1.4	1.8	2.4	2.8	2.9	2.4	2.4
Grant-equivalent financing (in percent of external financing) [8]	...	...	...			87.8	81.6	80.2	72.8	55.0	45.5		16.2	19.1	35.4	50.1	48.1	61.4	50.7
Memorandum items:																			
Nominal GDP (Billions of US dollars)	2,319	2,536	2,426			2,510	2,757	2,990	3,148	3,363	3,731		3,996	4,280	4,584	4,909	5,258	10,440	
Nominal dollar GDP growth	21.3	9.4	-4.4			3.5	9.8	8.5	5.3	6.9	10.9	7.5	7.1	7.1	7.1	7.1	7.1	7.1	7.1
PV of PPG external debt (in Billions of US dollars)			940			971	976	986	998	1,049	1,114	1,015	1,340	1,581	1,648	1,620	1,617	2,246	
(PVt-PVt-1)/GDPt-1 (in percent)						1.3	0.2	0.4	0.4	1.6	1.9	1.0	6.1	6.0	1.6	-0.6	-0.1	0.9	1.4
Gross workers' remittances (Billions of US dollars)	365.0	309.6	267.5			242.8	225.3	220.2	219.2	215.0	212.7		194.1	39.8	38.0	17.7	-2.3	-272.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	37.3			35.3	32.7	30.7	29.6	29.3	28.2		32.0	36.6	35.7	32.9	30.8	22.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	76.7			74.0	65.4	61.0	59.4	59.7	59.3		67.0	79.0	75.8	66.5	61.4	40.8	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.3			2.8	2.5	2.4	2.1	2.1	2.0		3.4	3.9	4.2	4.1	4.1	5.1	

Sources: Lesotho authorities; and IMF 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] Assumes that PV of private sector debt is equivalent to its face value.

[5] Current-year interest payments divided by previous period debt stock.

[6] Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

[7] Defined as grants, concessional loans, and debt relief.

[8] 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).

Table 1b.Lesotho: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–2033

(In percent)

		Projections						
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	39	35	33	32	31	30	**31**	22
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	39	29	20	11	4	4	**-10**	4
A2. New public sector loans on less favorable terms in 2013-2033 [2]	39	36	33	32	32	32	**38**	31
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	39	36	34	33	32	31	**32**	22
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	39	43	53	51	50	47	**44**	23
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	39	40	42	40	40	38	**39**	27
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	39	41	38	37	36	35	**34**	22
B5. Combination of B1-B4 using one-half standard deviation shocks	39	46	52	50	49	46	**44**	25
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	39	50	46	45	44	42	**43**	30
PV of debt-to-exports ratio								
Baseline	91	77	71	68	68	67	**61**	39
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	91	63	42	24	9	9	**-20**	8
A2. New public sector loans on less favorable terms in 2013-2033 [2]	91	78	72	70	71	71	**76**	57
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	91	77	71	68	68	67	**61**	39
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	91	118	165	160	158	153	**129**	61
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	91	77	71	68	68	67	**61**	39
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	91	89	82	80	79	77	**68**	40
B5. Combination of B1-B4 using one-half standard deviation shocks	91	110	128	124	123	119	**101**	51
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	91	77	71	68	68	67	**61**	39
PV of debt-to-revenue ratio								
Baseline	71	70	69	67	67	64	**66**	46
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	71	58	41	24	9	9	**-21**	9
A2. New public sector loans on less favorable terms in 2013-2033 [2]	71	70	70	69	69	68	**83**	68
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	71	71	71	69	69	66	**68**	48
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	71	86	111	109	107	102	**96**	50
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	71	79	88	86	85	82	**85**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	71	80	80	79	78	75	**74**	47
B5. Combination of B1-B4 using one-half standard deviation shocks	71	91	108	106	105	100	**95**	53
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	71	98	97	95	94	90	**93**	65
Debt service-to-exports ratio								
Baseline	3	3	3	2	2	2	**4**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	3	2	2	1	2	1	**3**	-1
A2. New public sector loans on less favorable terms in 2013-2033 [2]	3	2	2	2	3	3	**7**	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	3	**8**	2
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	3	3	3	4	6	5	**14**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	3	**8**	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	3	2	2	2	4	3	**9**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	3	3	5	4	**12**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	3	2	2	2	3	3	**8**	2
Debt service-to-revenue ratio								
Baseline	3	3	3	2	2	2	**4**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	3	2	2	1	2	1	**3**	-1
A2. New public sector loans on less favorable terms in 2013-2033 [2]	3	2	2	2	3	3	**8**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	3	**9**	3
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	3	2	2	3	4	3	**10**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	3	2	3	3	4	3	**11**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	3	2	2	2	4	3	**10**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	3	3	4	3	**11**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	3	3	3	3	5	4	**13**	4
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) [6]	13	13	13	13	13	13	**13**	13

Sources: Lesotho authorities; and IMF staff estimates and projections.

[1] Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

[2] Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

[3] Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

[4] Includes official and private transfers and FDI.

[5] Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

[6] Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a.Lesotho: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010–2033

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate					Projections				
	2010	2011	2012	Average [5]	Standard Deviation [5]	2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt [1]	34.4	36.7	38.0			37.5	36.1	34.4	34.0	33.7	33.0		37.3	26.1	
o/w foreign-currency denominated	29.7	30.5	33.4			33.5	32.6	31.4	31.3	31.3	30.9		36.0	25.6	
Change in public sector debt	4.7	2.2	1.4			-0.5	-1.4	-1.6	-0.5	-0.3	-0.7		-1.6	-0.8	
Identified debt-creating flows	…	…	-3.3			-6.2	-6.0	-7.0	-5.9	-6.5	-8.1		-2.5	-1.7	
Primary deficit	4.4	9.5	-6.0	-4.6	8.1	-2.9	-3.1	-4.7	-4.7	-4.8	-5.3	-4.2	-0.6	-0.4	-0.5
Revenue and grants	51.3	50.9	64.1			61.5	52.9	49.8	49.3	48.9	48.2		48.2	48.2	
of which: grants	7.2	7.6	8.3			7.2	2.2	2.0	2.2	2.2	1.9		1.9	1.9	
Primary (noninterest) expenditure	55.7	60.4	58.1			58.6	49.8	45.1	44.6	44.1	42.9		47.6	47.8	
Automatic debt dynamics	…	…	2.7			-3.3	-2.9	-2.3	-1.2	-1.7	-2.8		-1.9	-1.4	
Contribution from interest rate/growth differential	…	…	-1.6			-1.9	-2.0	-1.7	-1.4	-1.7	-1.8		-1.8	-1.3	
of which: contribution from average real interest rate	…	…	-0.1			-0.4	-0.1	-0.1	0.0	-0.1	-0.1		-0.1	-0.1	
of which: contribution from real GDP growth	0.0	-0.2	-1.5			-1.5	-1.9	-1.6	-1.4	-1.6	-1.7		-1.8	-1.2	
Contribution from real exchange rate depreciation	…	…	4.3			-1.5	-0.9	-0.6	0.1	0.1	-0.9		…	…	
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	
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 implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, 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	
Residual, including asset changes	…	…	4.7			5.7	4.6	5.4	5.4	6.2	7.4		0.9	0.9	
Other Sustainability Indicators															
PV of public sector debt	…	…	46.1			42.7	38.8	36.0	34.4	33.6	32.0		32.0	22.0	
o/w foreign-currency denominated	…	…	41.5			38.7	35.4	33.0	31.7	31.2	29.8		30.8	21.5	
o/w external	…	…	41.5			38.7	35.4	33.0	31.7	31.2	29.8		30.8	21.5	
PV of contingent liabilities (not included in public sector debt)	…	…	…			…	…	…	…	…	…		…	…	
Gross financing need [2]	…	12.1	-3.6			-0.2	-0.9	-2.7	-2.9	-3.1	-3.7		1.7	2.5	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	71.9			69.4	73.4	72.3	69.8	68.7	66.3		66.5	45.6	
PV of public sector debt-to-revenue ratio (in percent)	…	…	82.5			78.6	76.7	75.3	73.1	71.9	69.0		69.2	47.5	
o/w external [3]	…	…	74.3			71.2	69.9	69.0	67.4	66.7	64.5		66.4	46.5	
Debt service-to-revenue and grants ratio (in percent) [4]	…	5.1	3.8			4.3	4.2	4.1	3.6	3.5	3.5		4.8	5.9	
Debt service-to-revenue ratio (in percent) [4]	…	5.9	4.3			4.9	4.4	4.2	3.7	3.7	3.6		5.0	6.2	
Primary deficit that stabilizes the debt-to-GDP ratio	-0.4	7.3	-7.4			-2.3	-1.7	-3.0	-4.2	-4.6	-4.6		1.0	0.4	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.8	5.4	4.3	4.5	1.2	4.0	5.3	4.5	4.1	5.0	5.4	4.7	4.8	4.8	4.8
Average nominal interest rate on forex debt (in percent)	…	…	0.5	0.5	…	0.7	1.3	1.4	1.5	1.6	1.7	1.4	1.7	1.6	1.7
Average real interest rate on domestic debt (in percent)	…	0.3	2.6	1.4	1.7	-3.0	-1.6	-1.1	1.1	0.7	-0.6	-0.8	2.7	2.7	2.7
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.4	7.4	14.7	-1.9	13.4	-4.6	…	…	…	…	…	…	…	…	…
Inflation rate (GDP deflator, in percent)	4.6	7.5	4.7	6.6	2.9	11.4	9.8	9.2	6.9	7.2	8.6	8.8	5.2	5.2	5.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	0.1	0.0	0.1	0.1	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Grant element of new external borrowing (in percent)	…	…	…	…	…	28.1	33.1	32.2	24.7	15.6	9.6	23.9	24.7	24.7	…

Sources: Lesotho authorities; and IMF staff estimates and projections.

[1] Gross debt is used. The public sector comprises the central government, the Central Bank of Lesotho and all enterprises with majority state ownership.

[2] 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.

[3] Revenue excluding grants.

[4] Debt service is defined as the sum of interest and amortization of medium and long-term debt.

[5] Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b.Lesotho: Sensitivity Analysis for Key Indicators of Public Debt 2013–2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	43	39	36	34	34	32	32	22
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	43	38	35	34	33	32	16	-18
A2. Primary balance is unchanged from 2013	43	39	38	38	38	39	28	1
A3. Permanently lower GDP growth [1]	43	39	37	35	35	34	38	40
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	43	41	39	39	39	38	43	39
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	43	45	49	47	45	43	41	27
B3. Combination of B1-B2 using one half standard deviation shocks	43	42	43	42	41	40	42	34
B4. One-time 30 percent real depreciation in 2014	43	55	50	48	46	43	39	29
B5. 10 percent of GDP increase in other debt-creating flows in 2014	43	48	44	42	41	39	38	25
PV of Debt-to-Revenue Ratio [2]								
Baseline	69	73	72	70	69	66	66	46
A1. Real GDP growth and primary balance are at historical averages	69	72	71	68	68	67	34	-37
A2. Primary balance is unchanged from 2013	69	74	76	76	78	80	57	3
A3. Permanently lower GDP growth [1]	69	74	73	72	71	70	78	82
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	69	77	79	79	80	79	89	81
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	69	84	97	95	93	89	84	56
B3. Combination of B1-B2 using one half standard deviation shocks	69	79	85	84	84	83	87	71
B4. One-time 30 percent real depreciation in 2014	69	103	101	97	94	89	82	60
B5. 10 percent of GDP increase in other debt-creating flows in 2014	69	90	89	86	84	81	78	52
Debt Service-to-Revenue Ratio 2/								
Baseline	4	4	4	4	4	3	5	6
A1. Real GDP growth and primary balance are at historical averages	4	4	4	3	3	3	4	3
A2. Primary balance is unchanged from 2013	4	4	4	3	3	3	5	4
A3. Permanently lower GDP growth [1]	4	4	4	3	3	3	5	7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	4	4	4	3	3	3	5	8
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	4	4	4	4	4	3	5	7
B3. Combination of B1-B2 using one half standard deviation shocks	4	4	4	3	3	3	5	7
B4. One-time 30 percent real depreciation in 2014	4	4	5	4	4	4	7	9
B5. 10 percent of GDP increase in other debt-creating flows in 2014	4	4	4	4	3	3	5	7

Sources: Lesotho authorities; and IMF staff estimates and projections.

[1] Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

[2] Revenues are defined inclusive of grants.

Table 3b.Lesotho: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–2033

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to-GDP+remittances ratio								
Baseline	35	33	31	30	29	28	**31**	22
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	35	27	18	11	4	4	**-10**	4
A2. New public sector loans on less favorable terms in 2013-2033 [2]	35	33	31	30	30	30	**38**	32
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	35	33	32	31	30	29	**32**	23
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	35	40	49	48	47	45	**45**	24
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	35	37	38	37	37	35	**39**	28
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	35	38	35	35	34	33	**34**	22
B5. Combination of B1-B4 using one-half standard deviation shocks	35	42	47	46	45	43	**44**	25
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	35	45	42	41	40	39	**43**	31
PV of debt-to-exports+remittances ratio								
Baseline	74	65	61	59	60	59	**61**	41
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	74	54	37	21	8	8	**-20**	8
A2. New public sector loans on less favorable terms in 2013-2033 [2]	74	66	62	61	62	63	**76**	59
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	74	65	61	59	60	59	**61**	41
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	74	96	134	132	132	129	**129**	65
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	74	65	61	59	60	59	**61**	41
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	74	75	69	69	69	69	**68**	42
B5. Combination of B1-B4 using one-half standard deviation shocks	74	89	102	103	103	102	**101**	54
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	74	65	61	59	60	59	**61**	41
PV of debt-to-revenue ratio								
Baseline	71	70	69	67	67	64	**66**	46
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	71	58	41	24	9	9	**-21**	9
A2. New public sector loans on less favorable terms in 2013-2033 [2]	71	70	70	69	69	68	**83**	68
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	71	71	71	69	69	66	**68**	48
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	71	86	111	109	107	102	**96**	50
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	71	79	88	86	85	82	**85**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	71	80	80	79	78	75	**74**	47
B5. Combination of B1-B4 using one-half standard deviation shocks	71	91	108	106	105	100	**95**	53
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	71	98	97	95	94	90	**93**	65

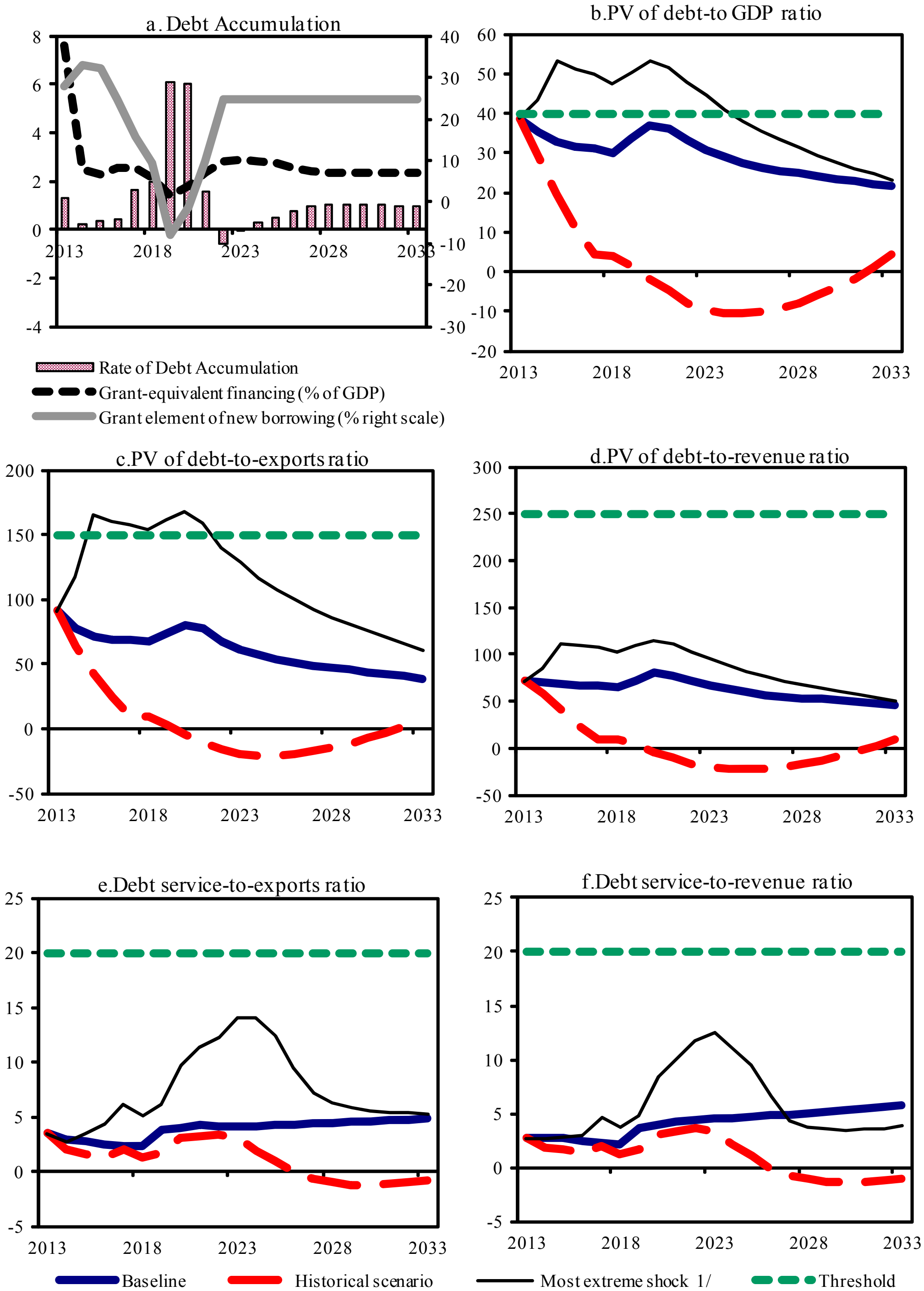
Table 3b.Lesotho: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–2033 (continued)

Debt service-to-exports+remittances ratio								
Baseline	3	3	2	2	2	2	**4**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	3	2	1	1	2	1	**3**	-1
A2. New public sector loans on less favorable terms in 2013-2033 [2]	3	2	2	2	3	2	**7**	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	2	**8**	2
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	3	2	3	4	5	4	**14**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	2	**8**	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	3	2	2	2	3	3	**9**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	2	3	4	4	**12**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	3	2	2	2	3	2	**8**	2
Debt service-to-revenue ratio								
Baseline	3	3	3	2	2	2	**4**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1]	3	2	2	1	2	1	**3**	-1
A2. New public sector loans on less favorable terms in 2013-2033 [2]	3	2	2	2	3	3	**8**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	3	2	2	2	3	3	**9**	3
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3]	3	2	2	3	4	3	**10**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	3	2	3	3	4	3	**11**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4]	3	2	2	2	4	3	**10**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	3	3	4	3	**11**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5]	3	3	3	3	5	4	**13**	4
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) [6]	13	13	13	13	13	13	**13**	13

Sources: Lesotho authorities; and staff estimates and projections.

[1] Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
[2] Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3 Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
[4] Includes official and private transfers and FDI.
[5] Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
[6] Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

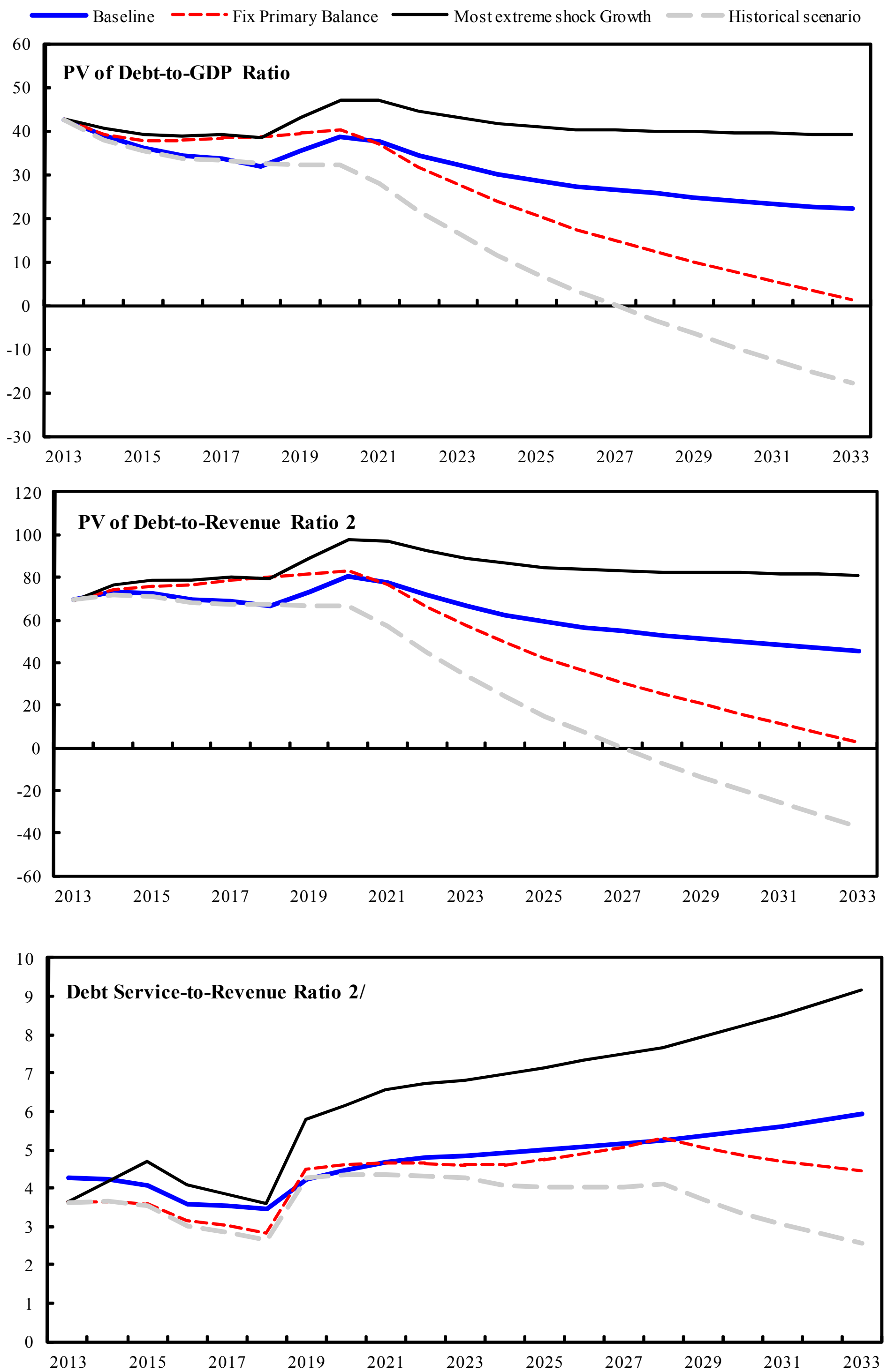
Figure 1a. Lesotho: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013–2033[1]



Sources: Lesotho authorities; and IMF staff estimates and projections.

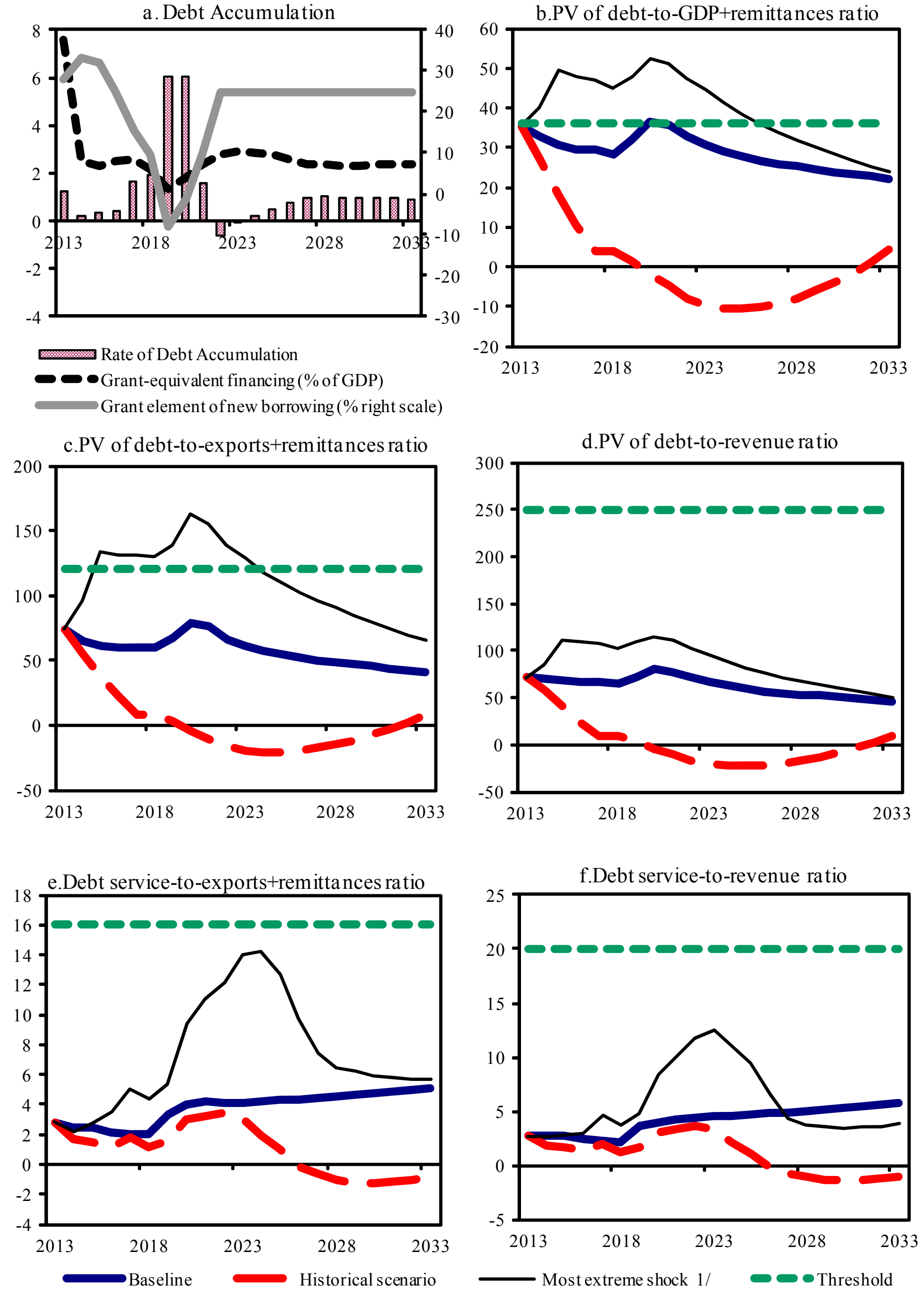
[1] The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a Exports shock; in c. to a Exports shock; in d. to a Exports shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 1b. Lesotho: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013–2033[1]



Sources: Lesotho authorities; and IMF staff estimates and projections.
[1] The most extreme stress test is the test that yields the highest ratio in 2023.
[2] Revenues are defined inclusive of grants.

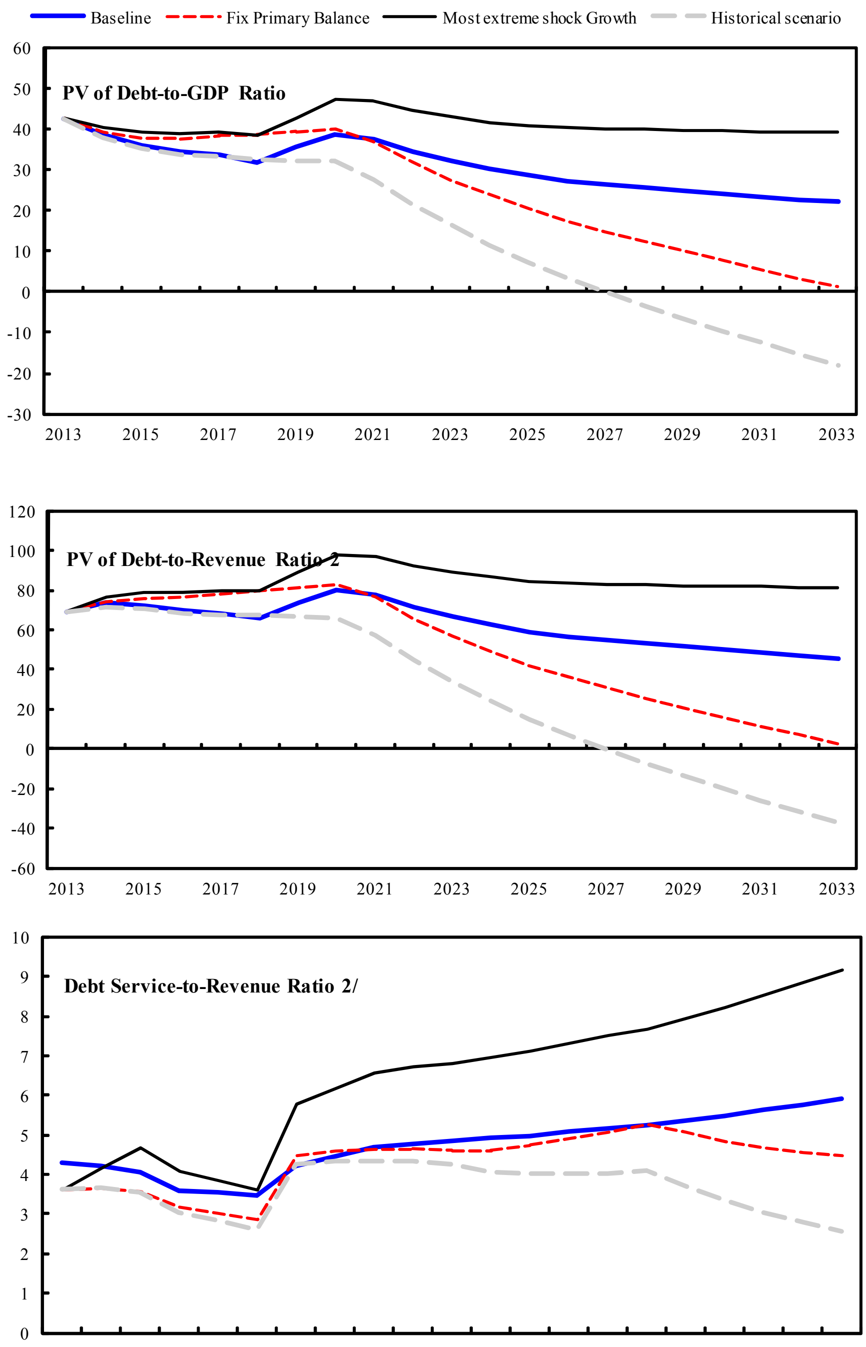
Figure 2a. Lesotho: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013–2033[1]



Sources: Lesotho authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a Exports shock; in c. to a Exports shock; in d. to a Exports shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2b. Lesotho: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013–2033[1]



Sources: Lesotho authorities; and IMF staff estimates and projections.
[1] The most extreme stress test is the test that yields the highest ratio in 2023.
[2] Revenues are defined inclusive of grants.