

Abstract

Debt sustainability is an important element of overall fiscal development. Its impact also spreads to overall economy of a country including monetary sector. Therefore, assessing the debt sustainability of a country is very important. This study focuses on the debt to GDP ratio in the medium term. Accordingly, a Structural Vector Auto Regression Model (SVAR) is used to project endogenous variables related to debt dynamic and to estimate the joint dynamic impact of structural shocks on the relevant variables that affect the debt level. The results were incorporated in to a debt dynamic equation to project the debt to GDP ratio and to measure the combined impact of shocks to the level of debt and the fiscal effort required to maintain the debt to GDP ratio at the projected levels.