INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

THE GAMBIA

Joint World Bank-IMF Debt Sustainability Analysis

March 2020

Prepared jointly by the staffs of the International Development Association (IDA)

and the International Monetary Fund (IMF)

Approved by Marcello Estevão (IDA), Annalisa Fedelino and Mary B. Goodman (IMF)

The Gambia: 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	Yes:

Relative to the previous DSA conducted in April 2019, The Gambia's overall and external debt distress risk rating has improved from "In debt distress" to "High". In the case of external debt distress risk, since under the baseline there is only a short-lived and marginal breach of one external debt burden indicator, this would mechanically result in a "Moderate" risk rating. However, in staff's judgment, given the elevated probability of external arrears' re-emerging due to the weak financial position of some state-owned enterprises (SOEs), at present, The Gambia's risk of external debt distress is "High." Following the restructuring of The Gambia's bilateral and plurilateral debt, the external debt service-to-exports ratio stays below its indicative threshold both in the near and the medium term. The external debt service-to-revenue ratio marginally breaches its indicative threshold in 2020 and remains below the threshold thereafter. Through a combined effect of debt restructuring, reduced reliance on non-concessional borrowing, fiscal consolidation, greater availability of grants for budget support, and an on-going reform of SOE, the PV of total public debt would be brought below its benchmark in 2023, three years sooner than projected in the April 2019 DSA. Downside risks mainly relate to the political environment and fiscal discipline, the unravelling of which could destabilize the economy and worsen the public debt outlook.

PUBLIC DEBT COVERAGE

1. The DSA covers all known central government and central government-guaranteed (PPG) external debt at end-2019 (Text Table 1).[1] External debt is treated on a currency basis.[2] The government's external debt stock also includes a portion of the short-term debt in the form of trade credit owed by SOEs to the International Islamic Trade Financing Corporation (ITFC) (Box 1). The portion reflected in the external PPG debt corresponds to government's potential servicing obligations to ITFC, based on the recent track record. SOEs' domestic and unguaranteed external debt is not included in the DSA baseline, except where the government has already agreed to service the debt, as is the case for NAWEC.[3] Although reliable end-2019 data on the amount of SOE debt is not available, the recently completed special audits of the six largest SOEs did not reveal any heretofore unknown information regarding their debt.

Text Table 1. The Gambia: Coverage of Public- and Publicly-Guaranteed Debt and Parameters for Contingent Liability Shocks for the Tailored Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	3.7	
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)		8.7	

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. All known SOE debt not guaranteed by the government is included in the contingent liability (CL) stress test. Estimates of SOE liabilities have been updated drawing on special audit reports. SOEs (unguaranteed) external debts at end-2019 are estimated at 1.1 percent of GDP, with a

[1] This includes loans which were contracted by the government and on-lent to SOEs, such as GAMTEL's ECOWAN and GNBN projects.

[2] The currency basis is chosen because: (i) there is no reliable information on claims denominated in domestic currency that are held by non-residents, which in any event is deemed to be insignificant; and (ii) this extends the coverage to claims denominated in foreign currency which are held by creditors whose residency cannot be unambiguously established (e.g., debt owed to M.A. Kharafi & Sons).

[3] The government signed an MOU agreeing to assume the majority of NAWEC's debts in 2018.

further 0.7 percent owed to non-public sector domestic entities. There are also significant contingent liabilities relating to the Social Security and Housing Finance Corporation (SSHFC), including both (i) debts owed by other SOEs (estimated at 0.8 percent of GDP); and (ii) the actuarial financing gap (most recently estimated at 0.6 percent of GDP), which could be addressed through reform of SSHFC over the medium-term, and without which government transfers might ultimately be required. It is expected that the introduction of the Meridian debt management system would improve the reliability of data on the non-guaranteed external SOE debt (see ¶6).

BACKGROUND ON DEBT AND FINANCING

Debt

3. External PPG debt stood at about US$796 million at end-2019 (46 percent of GDP). Nearly two-thirds of The Gambia's medium- and long-term (MLT) external debt is owed, in equal proportions, to multilateral and so-called 'plurilateral' creditors, with the Islamic Development Bank (IsDB) accounting for half of the debt owed to the latter (Text Table 2). Non-Paris Club creditors hold the bulk of the debt owed to bilateral official creditors (about one quarter of total external debt), while the Paris Club debt represents only 0.1 percent of The Gambia's external debt and will be amortized in full by end-2020. The remainder of the MLT debt (5 percent) is mostly owed to one external private creditor, namely M.A. Kharafi and Sons. The stock also includes short-term debt to the ITFC amounting to US$17.4 million or 2 percent of total external debt.

Text Table 2. The Gambia: Structure of PPG External Public Debt at end-2019

	Nominal Value			Present Value[1]		
		Percent of			Percent of	
	US$ millions	GDP	External Debt	US$ millions	GDP	External Debt
Total PPG External Debt	**796.3**	**45.9**	**100.0**	**587.9**	**33.9**	**100.0**
Medium and Long-term External Debt	**778.8**	**44.9**	**97.8**	**570.5**	**32.9**	**97.0**
Multilateral creditors	**235.8**	**13.6**	**29.6**	**155.5**	**9.0**	**26.5**
International Development Association	115.6	6.7	14.5	70.3	4.0	12.0
African Development Bank Group	55.7	3.2	7.0	29.7	1.7	5.0
International Monetary Fund	36.0	2.1	4.5	29.5	1.7	5.0
International Fund for Agricultural Development	28.5	1.6	3.6	26.1	1.5	4.4
Plurilateral creditors	**284.6**	**16.4**	**35.7**	**230.4**	**13.3**	**39.2**
Islamic Development Bank	152.4	8.8	19.1	132.9	7.7	22.6
Arab Bank for Economic Development in Africa	55.9	3.2	7.0	37.5	2.2	6.4
OPEC Fund for International Development	53.5	3.1	6.7	38.9	2.2	6.6
ECOWAS Bank for International Development	22.8	1.3	2.9	21.1	1.2	3.6
Bilateral Official creditors	**217.6**	**12.5**	**27.3**	**149.4**	**8.6**	**25.4**
Paris Club	1.1	0.1	0.1	1.0	0.1	0.2
Non-Paris Club	216.6	12.5	27.2	148.3	8.5	25.2
Of which: Kuwait Fund for Arab Economic Development	*50.8*	*2.9*	*6.4*	*36.7*	*2.1*	*6.2*
Of which: Saudi Fund for Development	*52.3*	*3.0*	*6.6*	*32.1*	*1.9*	*5.5*
Of which: Export-Import Bank of India	*41.7*	*2.4*	*5.2*	*27.2*	*1.6*	*4.6*
Private creditors	**40.8**	**2.4**	**5.1**	**35.2**	**2.0**	**6.0**
ST External Debt	**17.4**	**1.0**	**2.2**	**17.4**	**1.0**	**3.0**
Of which: Islamic Trade Financing Corporation	*17.4*	*1.0*	*2.2*	*17.4*	*1.0*	*3.0*

Sources: Gambian authorities, major creditors, and IMF staff calculations

[1] Calculated at a discount rate of 5 percent, see IMF (2013) "Unification of Discount Rates Used in External Debt Analysis for Low-Income Countries".

4. Central government domestic debt stood at GMD 32 billion at end-2019 (37 percent of GDP), the majority of it in the form of short-term debt. More than 60 percent of domestic debt is marketable, more than half in the form of T-bills with a maturity of one year or less, creating substantial rollover risks, and exposure to interest rate risk (Text Table 3). Average T-bill rates fell from a peak of 18.9 percent (weighted average across maturities) in October 2016 to 6.2 percent in December 2019, as increased donor support and a pick-up in domestic revenues helped reduce domestic borrowing. In 2017 the authorities issued 3-year and 5-year domestic bonds for the first time, an important step in their strategy to extend the maturity of domestic debt. Most recently, a 2-year domestic bond was issued in November 2019 to build the yield curve.

Text Table 3. The Gambia: Structure of Domestic Debt at end-2019

	GMD millions	Percent of Total Domestic Debt	Percent of GDP
Total	**32,453**	**100.0**	**36.6**
Marketable debt	**20,909**	**64.4**	**23.6**
T-bills	17,978	55.4	20.3
Bonds	2,930	9.0	3.3
Non-marketable debt	**11,544**	**35.6**	**13.0**
CBG Bond (30-Year)	9,701	29.9	10.9
Restructured NAWEC bond	1,084	3.3	1.2
SSHFC Loan (from NAWEC)	758	2.3	0.9

Sources: The Gambian authorities; and IMF staff calculations.

5. Significant progress has been made on the restructuring of the external debt since the roundtable discussions held in Washington D.C. in April 2019 (Box 2 and Text Table 1 in March 2020 Staff Report). The Gambia has secured credible and specific commitments to alleviate its debt service burden, mostly through deferrals on debt service payments falling within 5–7 years to IsDB, the Arab Bank for Economic Development in Africa (BADEA), Saudi Fund for Development (SFD), Kuwait Fund for Arab Economic Development (KFAED), Export-Import Bank of India (EXIM Bank), and Abu Dhabi Fund for Arab Economic Development (ADFD). Furthermore, OPEC Fund for International Development (OFID) and ECOWAS Bank for International Development (EBID) expressed their willingness to offer similar deferrals, pending approval by their governing bodies. The impact of debt service deferrals from these creditors, most of which had already been secured, amounts to US$158 million in reduction on debt service falling due between 2020 and 2024. This is equivalent to nearly 75 percent of the eligible debt service and 9 percent of 2019 GDP.

6. Debt management, monitoring, and recording capacity are weak. Developing the capacity to monitor project disbursements more reliably and conducting timely and accurate debt recording will be critical if The Gambia is to successfully manage and mitigate its debt vulnerabilities going forward. Given the importance of up-to-date recording of external debt transactions, the 2019 Staff-Monitored Program included structural benchmarks calling for timely reconciliation of debt data with external creditors and production of quarterly reports on external debt commitments, agreements, and disbursements. This now has become an established practice and is expected to continue. The authorities have received technical assistance on debt recording from the Commonwealth Secretariat to support the migration of their existing debt database to the new Meridian debt management system, which is being implemented in The Gambia on a pilot basis. They need to ensure that this system becomes operational in a timely manner due to the enhanced data reporting requirement under a prospective ECF arrangement.

Financing

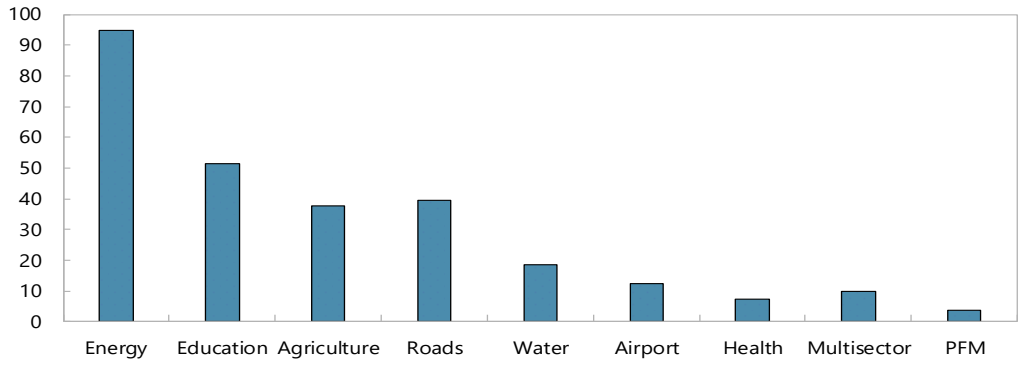
7. There is a large pipeline of already-contracted debt, which is expected to constitute the main source of new debt disbursements over the medium term. At end-2019, The Gambia's contracted but not yet disbursed debt stood at US$301 million (17 percent of GDP, Text Table 4). Around half of this pipeline has a grant element of 35 percent or higher and around 18 percent is carrying a grant element of 50 percent or higher. The non-concessional component mainly relates to loans from plurilateral and bilateral creditors. Under the prospective ECF arrangement, the authorities commit to not contracting any new non-concessional external debt. At the sectoral level, the pipeline includes projects in electricity generation and distribution, education, agriculture and roads (Text Figure 1). About 70 percent of projected external disbursements during 2020–21, estimated at US$155 million, would come from this pipeline of loans.

Text Table 4. The Gambia: Pipeline of Already-Contracted Debt
(Millions of U.S. dollars)

	Total undisbursed at end-2019	Projected disbursements for 2020–21
Multilateral and plurilateral creditors	**182.7**	**72.8**
International Development Association	41.1	11.2
African Development Bank Group	11.9	2.9
International Fund for Agricultural Development	4.1	1.4
Islamic Development Bank	30.7	16.2
Arab Bank for Economic Development in Africa	14.3	4.7
OPEC Fund for International Development	19.0	12.0
ECOWAS Bank for International Development	0.4	0.4
European Investment Bank	61.2	24.0
Bilateral Official creditors	**105.2**	**41.7**
Abu Dhabi Fund for Arab Economic Development	3.1	3.1
Kuwait Fund for Arab Economic Development	47.7	16.1
Export Import Bank of India	30.9	11.2
Saudi Fund for Development	23.6	11.3
Export Import Bank of China	0.0	0.0
Total	**287.9**	**114.5**

Sources: Gambian authorities and IMF Staff calculations

Text Figure 1. Sectoral Distribution of pipeline loans at end–2019
(Millions of U.S. dollars)



Sources: The Gambian authorities; and IMF staff calculations

MACRO-FISCAL ASSUMPTIONS

8. The peaceful political transition has strengthened confidence in the economy, boosting private sector activity and foreign exchange inflows. Real GDP growth rebounded since the trough of 1.9 percent in 2016 to an estimated 6.0 percent in 2019, buoyed by the expansion in tourism and private sector credit growth. In 2019, tourism activity reached all-time high levels and private sector credit expanded by 35 percent, on the back of strong growth in construction and services. Due to one-off factors, inflation in 2019 slightly exceeded 7.0 percent but is expected to resume a downward trend in 2020 toward the Central Bank of The Gambia (CBG)'s medium-term objective of 5 percent.[4] Meanwhile, gross official reserves increased by US$68 million to US$225 million at year's end, equivalent of 3.4 months of prospective imports.

9. The DSA is underpinned by the baseline scenario featured in the IMF staff report for the first review of the 2019 Staff-Monitored Program (SMP) and request for an ECF-supported program. This scenario foresees substantial grant-financed investment, minimal contracting of new debt (on highly-concessional terms), progressively strengthened revenue mobilization and expenditure discipline in the context of macro-stability and continued robust growth supported by rising private sector activity. Key assumptions (Text Tables 5) include:

- Increased (grant-financed) public investment and a pick-up in private credit underpin real GDP growth in the near term, with strong growth in tourism complementing the impetus from public investment. Real GDP growth is expected to moderate to 4.8 percent in the long-term, above the recent historical average (2.8 percent).

- Inflation gradually declines to just below the CBG target of 5 percent.

[4] The underlying 2019 inflation rate is likely lower; this will be confirmed through the revision of the current index, which is obsolete and in the process of being updated.

- The current account deficit is expected to remain substantial over the medium term, reflecting the high import content of public investment, much of which is expected to be financed by capital grants. In the longer-term, however, the current account balance is expected to improve, as a gradual drop in public investment rates slows import growth, while receipts from exports of goods and services, particularly in the tourism sector, continue to grow strongly.

- The primary surplus is projected to increase from 0.6 percent of GDP in 2019 to 1.8 percent of GDP in 2026, mainly due to stepped-up domestic revenue mobilization. The Gambia's Public Expenditure Review (in progress) conducted by the World Bank on 2018 revenue data finds a structural tax gap of 5–7 percent of GDP. On current projection, nearly half of this gap would be closed over 2019–25, mainly through strengthened compliance and broadening the revenue base, reflecting improvements in revenue administration based on the 2018 TADAT-driven reform agenda and a policy-driven reduced recourse to tax exemptions. The projected improvement in the primary balance paves the path to meeting a steep increase in external debt service payments at the end of the deferral period in 2025. An increase in the domestic revenue-to-GDP ratio from 13.7 percent in 2020 to about 15.2 percent by 2025 is also mirrored in the narrowing of the overall fiscal deficit from 1.7 percent of GDP in 2020 to 0.4 percent of GDP in 2025. Nevertheless, beyond the medium term, the fiscal deficit is projected to widen as debt servicing pressures subside.

10. The external financing assumptions incorporate both the pipeline loans and the pledges made at the International Conference in 2018, while annual envelopes are adapted to the country's absorption capacity (Text Table 6):

- **Project grants**. Pledges at the 2018 donor conference in Brussels yielded commitment of US$580 million in project support over the National Development Plan (NDP) period (2018–21), but given absorption constraints, disbursements of these projects are spread over 2019–25. Beyond those pledges, additional project grants are anticipated over the next few years, focused on selected sectors (most notably, on energy and road infrastructure, including in the context of the preparation for the 2022 summit of the Organization of Islamic Cooperation (OIC) to be held in The Gambia), on which the baseline assumptions are conservative. In the longer-term, project grants are projected to gradually taper off from around 6 percent of GDP during 2020–21 to around 2 percent of GDP by the end of the projection horizon.

- **External budget support**. Budget support grants over the medium-term comprise grants from the EU, AfDB, and the World Bank. EU has already pledged €100 million for 2018–21. Conditional on an adequate macro framework (including approval of an ECF-supported program) and satisfactory progress in implementing the government reform program, the World Bank is planning US$30 million of budget support grants in 2020. For 2021 and 2022, an amount of US$20 million per year is envisaged. Similarly, AfDB has pledged SDR 5 million each year from 2020 until 2022. Budget support grants are expected to be phased out over time.

- **External project lending**. Updates to the external borrowing assumptions since the April 2019 DSA reflect disbursements already received in 2019 and the authorities' updated assessment of the remaining disbursements. The execution of the pipeline loans is expected to continue in 2020–21, with US$114 million forecast to be disbursed over this period and 80 percent of the pipeline expected to be disbursed by 2024. Disbursements are incorporated based on the contractual terms (an average grant element of 43 percent from multilateral creditors, 21 percent from plurilateral creditors, and 33 percent from bilateral creditors). Additional debt contracted over the medium term is limited to a minimum deemed indispensable for the execution of high-priority projects, including the energy sector loan from the European Investment Bank (EIB), and projects for infrastructure upgrades ahead of the OIC Summit.

- **Trade credit**. The government projected obligations related to the use of ITFC facility have diminished in 2020 relative to 2019 (Box 1). These obligations are assumed to reach zero by end-2022, as progress on SOE reform, a move to explicit budgeting of SOE subsidies, and changes to the modalities of contracting and servicing of trade credits by SOEs will reduce reliance on the ITFC facility or enable its use as a genuine trade credit facility rather than a generic source of liquidity.

11. Total external financing. Cumulatively, external loan disbursements (project and budget support) over 2020–25 are expected to be 19 percent of GDP. The majority of this is accounted for by the existing loan pipeline. In the near term, the average grant element of new disbursements is expected to be relatively low—partly reflecting the use of the non-concessional ITFC facility and existing non-concessional or weakly concessional financing from plurilateral and bilateral creditors—before gradually rising to over 35 percent over the medium-term, as the program requires all new external borrowing to be on concessional terms.

12. The DSA reflects the authorities' medium-term debt strategy for domestic debt assumptions. Net domestic borrowing in 2020 will be contained at 0.5 percent. The financing gaps that were projected in the April 2019 SMP baseline have now been filled with debt restructuring (on account of a temporary reduction in the external debt service), budget support grants, and increased domestic revenue mobilization. The macroeconomic framework assumes that the authorities continue to make gradual progress in extending the maturity of domestic debt, broadly in line with their medium-term debt strategy. However, as in the April 2019 DSA, T-bills account for the majority of domestic debt issuance. Over 2020–25, T-bills are projected to constitute around 85 percent of (gross) domestic debt issuance, with the remainder in two-, three- and five-year bonds. From 2026-30, the share of T-bill issuance is projected to fall to two-thirds of total domestic debt issuance and limited issuance of new seven-year bonds is incorporated. The real interest rate on T-bills stabilizes at 2 percent, with term-spreads of 2–4 percent incorporated on the three-, five- and seven-year bonds.

Text Table 5. Selected Macroeconomic Indicators (2018–25)

	2018	2019	2020	2021	2022	2023	2024	2025	15-year average[1]
Real GDP Growth (percent)									
Current DSA	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0	4.8
Previous DSA	6.6	5.8	5.2	5.0	4.8	4.8	4.8	4.8	4.6
Exports of goods and services growth (percent)[2]									
Current DSA	26.3	18.4	8.8	8.0	7.7	9.6	9.3	8.7	8.6
Previous DSA	26.3	7.8	8.6	8.4	8.5	9.1	9.6	7.8	7.5
Imports of goods and services growth (percent)[2]									
Current DSA	12.1	13.7	13.8	7.3	5.8	6.5	7.6	7.0	7.1
Previous DSA	12.1	10.5	10.8	5.2	5.7	5.3	6.1	5.3	5.7
CA deficit (percent of GDP)[3]									
Current DSA	9.7	5.3	8.7	9.9	9.6	9.0	9.1	8.8	5.8
Previous DSA	10.4	10.3	13.7	13.2	12.9	12.1	11.5	10.8	5.9
Public investment (percent of GDP)									
Current DSA	7.6	9.8	10.3	10.2	9.5	8.8	8.1	8.2	7.9
Previous DSA	8.0	8.9	9.6	10.1	10.1	9.7	9.4	9.2	7.0
Overall fiscal deficit (percent of GDP)[4]									
Current DSA	6.2	2.6	1.7	1.8	1.4	1.1	0.7	0.4	1.5
Previous DSA	6.3	3.2	4.1	3.2	2.7	2.2	1.8	1.4	1.8

Sources: The Gambian authorities; and IMF staff estimates and projections.

[1] Defined as the simple average of the last 15 years of the projection (2026-40).

[2] In current dollar terms, including re-exports.

[3] Includes worker's remittances and grants.

[4] Includes grants.

Text Table 6. External Financing Assumptions, (2020–40)

(Annual flows; Millions of U.S. dollars)

	2020	2021	2022	2023	2024	2025	2026–31	2032–40
Budget Support Loans	0	0	0	0	0	0	0	0
Project Loans	57	55	55	55	54	71	71	101
Already-contracted	57	55	47	42	38	35	9	5
New Projects	0	0	8	13	16	36	62	96
Short-term Trade Credits	10	5	0	0	0	0	0	0
Total Loans	**67**	**60**	**55**	**55**	**54**	**71**	**71**	**101**
Budget Support Grants	62	52	50	46	41	43	54	61
Pledged	62	52	50	0	0	0	0	0
Unpledged	0	0	0	46	41	43	54	61
Project Grants	116	126	125	125	125	128	130	135
Already-contracted	39	13	13	13	13	13	0	0
Pledged	77	94	93	88	88	87	16	0
Unpledged	0	20	20	25	25	29	114	135
Total Grants	**178**	**178**	**175**	**171**	**166**	**171**	**184**	**196**

Sources: The Gambian authorities; and IMF staff estimates and projections.

13. The medium-term outlook is subject to downside and upside risks. Downside risks mainly relate to the political environment, fiscal discipline and tax administration, and climatic shocks (already felt in the increasingly erratic rainfall pattern), which could destabilize the economy and weaken the balance of payments. However, there are also considerable upside risks, including, higher than expected private inflows of foreign exchange on account of tourism and related foreign investment. It is also possible that official inflows, in the form of project grants and grants for social programs, will exceed current projections in the context of the requested ECF-supported program.

14. The realism tools indicate the risks to the baseline scenario to be low (Figure 4):

- The baseline implies an improvement in public debt dynamics relative to the recent past. External and total public debt developments over the past five years have been substantially worse than forecast in the 2013 DSA (Figure 3), due to a combination of weak GDP growth outturns, loose fiscal policy, and external and domestic debt accumulation by SOEs, much of which has subsequently been assumed by the government (reflected in large residuals). However, under a combination of debt restructuring, government's fiscal consolidation, project grants pledged at the May 2018 International Donor Conference for The Gambia (reflecting large projected residuals), and the authorities' reform agenda, the DSA baseline projects a turnaround in these dynamics. Growth acceleration, tighter fiscal policies, and a shift to transparent budgeting of SOE subsidies rather than government bailouts of their debt would put external and domestic debt on a downward trajectory.

- A slight reduction in the primary balance of 0.2 percent of GDP over 2020–22 (the first three projection years) is below the median of the LICs that have requested Fund programs, indicating its realism. This reflects increased grants (+0.4 percent of GDP) and domestic revenue (+0.5 percent of GDP) covering most of the increases in primary spending (+1.1 percent of GDP), which is mostly driven by higher outlays on public investment and social sectors. The improvement in the domestic primary balance of 0.6 percent of GDP (defined as the difference between domestic revenue and domestically financed primary spending), which captures the fiscal policy effort during 2020–24, also appears realistic.

- Due to the muted fiscal adjustment path, a mechanical application of fiscal multipliers (Figure 4, top right panel) does not modify the projected growth path.

- The growth-investment tool shows that, assuming constant investment efficiency, the scaling-up of public investment would imply a growth acceleration of 0.3 percent relative to the recent past. The remaining growth pick-up (0.6 percent) is explained by other factors, notably the strong rebound in private sector activity. A possible improvement in the growth returns to public investment, including because of improved governance and the completion of key pieces of infrastructure (particularly the Senegambia bridge and the ongoing capacity upgrades in the electricity sector), is an upside risk to these projections. However, if the project grants incorporated in the baseline do not materialize or are delayed, downside implications for growth could be significant.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

Text Table 7. The Gambia: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.981	1.15	42%
Real growth rate (in percent)	2.719	4.502	0.12	5%
Import coverage of reserves (in percent)	4.052	27.871	1.13	42%
Import coverage of reserves^2 (in percent)	-3.990	7.768	-0.31	-11%
Remittances (in percent)	2.022	7.276	0.15	5%
World economic growth (in percent)	13.520	3.499	0.47	17%
CI Score			2.71	100%
CI rating			Medium	

15. The Gambia's debt carrying capacity is assessed as "medium." The updated indicator (Text Table 7) is based on the IMF's October 2019 WEO and the World Bank's 2018 Country Policy and Institutional Assessment (CPIA). The overall CI Score of 2.71 is just above the cutoff level for "weak" debt bearing capacity (2.69). The CI Score remains unchanged relative to the April 2019 DSA, with stronger remittances offsetting the decline in the 10-year average import coverage of reserves. The reserve accumulation in 2019, which was significantly higher than anticipated, and the projected buildup of official reserves to 4½ months of imports by 2023 are consistent with debt carrying capacity remaining "medium" in the next WEO round. Together, these effects will offset the recent history of negative shocks (the regionwide Ebola crisis of 2014–16 and political disturbances of 2016/17) that will continue to weigh on The Gambia's assessed debt carrying capacity.[5] None of the tailored stress tests (natural disasters, commodity prices and market financing) are triggered.

DSA RESULTS

16. The external debt stock indicators at 2019 remain largely as projected in the April 2019 DSA (Figure 1 and Table 1). The PV of debt-to-GDP and the PV of debt-to-export ratios are estimated at 33.3 percent and 158.3 percent at end-2019 (against 32.8 percent and 169.7 percent projected in the April 2019 DSA), respectively. Both ratios are expected to remain below their thresholds throughout the projection period, in the context of a sound macroeconomic framework including tighter fiscal policies and a shift to explicit budgeting of SOE subsidies (including to enable them to meet trade credit payments

[5] The applicable thresholds to public and publicly guaranteed external debt are: 40 percent for the PV of debt-to-GDP ratio; 180 percent for the PV of debt to exports ratio; 15 percent for the debt service-to-exports ratio; and 18 percent for the debt service to revenue ratio. The applicable benchmark for the PV of total public debt for medium debt carrying capacity is 55 percent of GDP.

to ITFC) rather than government bailouts of their debt.

17. Following debt restructuring, the external debt service indicators improved markedly relative to the April 2019 DSA, meriting a change in external debt distress risk rating from "In debt distress" to "High." In the baseline, which includes both confirmed and pending debt restructuring offers, external debt service-to-exports ratio drops and stays below the 15 percent sustainability threshold both in the near and the medium term. External debt service-to-revenue ratio also drops but still marginally breaches the threshold of 18 percent in 2020; however, it drops below this threshold in 2021 and stays below it thereafter. In 2025, there is an increase in debt service as deferral periods end. At this point, the debt service-to-revenue ratio rises close to the applicable threshold but remains below it. This highlights the limited scope for borrowing (even on concessional terms) during the period of debt deferral. Beyond the medium term, both debt service indicators improve on the back of prudent fiscal and borrowing policies and economic growth. Since under the baseline there is only a short-lived and marginal breach of one indicator, this would mechanically result in a "moderate" risk of debt distress. However, in staff's judgment, given the large stock of undisbursed semi-concessional debt, exposure to risks emanating from SOEs and, in particular, the elevated probability of external arrears re-emerging on debt contracted by the government on SOEs' behalf, at this stage, The Gambia's risk of debt distress is "high." Subject to strong performance under the proposed ECF-arrangement and improvement in institutional capacity, this rating could be revised in the future.

18. The stress test results underscore The Gambia's high vulnerability to external shocks (Table 3). All four indicators show large breaches under the stress tests and remain above threshold levels for parts of the projection period. Export shock has the biggest effect on the PV of external public debt-to-exports and debt service-to-exports. The severity of the calibrated shock to exports growth is relatively high (-6.6 percent in 2021–22) and reflects the frequent occurrence of large export shocks in recent years. Under that scenario, the PV of debt-to-export and the debt service-to-export ratios would peak at 234 percent in 2022 and 19 percent in 2026, respectively. The combination shock has the biggest impact on debt service-to-revenue and the PV of debt-to-GDP, which peak at 26 percent in 2026 and 48 percent in 2022, respectively. The largest economic vulnerabilities stem from the low export and domestic revenue bases, and reliance on foreign aid flows, which have been volatile historically.

19. The public DSA finds that The Gambia's overall risk of debt distress is "High" (Figure 2 and Table 2). This rating reflects the breach of the benchmark for the PV of total public debt-to-GDP ratio under the baseline. The DSA also underscores vulnerabilities arising from the high level and short maturity of domestic debt. The PV of total public debt-to-GDP stood at 70 percent at end-2019. In the baseline scenario, this ratio declines over the projection period, to fall below its benchmark of 55 percent by 2023, which is three years sooner than projected in the April 2019 DSA. This improvement primarily stems from the external debt service deferrals and increased availability of grants for budget support, both contributing to the reduction in the Gambia's net domestic borrowing needs (to zero during 2020–25) and marginal improvements in growth prospects. The PV of debt-to-revenue ratio is averaging 227 percent over the next ten years (compared with 302 percent in the April 2019 DSA). The high public debt-service to revenue ratio including grants (averaging 87 percent over 2020–25) includes rollover of short-term domestic debt in debt service (which averages 75 percent of revenue over 2020–25). Gross

financing needs are projected to average 18 percent of GDP over 2020–25, above the 14-percent benchmark of market financing pressures for LICs with market access, underlining the liquidity pressures facing the government. This, however, is an improvement from an average gross financing need of 24 percent of GDP over the same period prior to debt restructuring.

20. Given their high level, public debt ratios are sensitive to all stress tests, but particularly to the GDP growth shock (Figure 2 and Table 4). In the real GDP growth shock scenario, the economy contracts by 1.7 percent in 2021 and 2022 (against average growth of 5.7 percent in the baseline scenario), and the public debt indicators shift to an upward trajectory: the PV of public debt-to-GDP, PV of public debt-to-revenue, and the debt service-to-revenue ratios reach nearly 80 percent (more than 20 percentage points above its benchmark), 361 percent, and 133 percent, respectively, in 2030. The materialization of contingent liabilities, including related to SOEs debt, would result in a further deterioration in the debt burden indicators, with the PV of public debt-to-GDP rising to 70 percent in 2021 and debt service-to-revenue reaching 108 percent by 2022, before declining thereafter. A weakening of fiscal discipline, including due to a lack of progress on SOE reform, would rapidly undermine the government's financial position.

21. The analysis shows that The Gambia's overall public debt position, while challenging, is sustainable with the help of debt restructuring. The reduced domestic financing needs that result from debt service deferrals, fiscal consolidation, and increased availability of budget support under the proposed ECF-supported program reduce the PV of public debt-to-GDP ratio to that extent that the overall public debt becomes sustainable. Vulnerabilities related to the high level and short-term maturity of domestic debt remain, and strong reform efforts are needed to strengthen government's repayment capacity during the deferral period, before the resumption of repayments on the treated loans.

22. There is currently very limited space for new borrowing, which would need to be on highly concessional terms and reserved for the very highest priority projects for which grant-financing is not available. The government should avoid compounding fiscal risks, and refrain from contracting any guarantees that would add to the already high level of public debt. The large pre-existing pipeline of loans should be reviewed and re-prioritized before contracting new debts. Furthermore, mechanisms to avoid project cost over-runs should be put in place.

23. The authorities agree with the staff's assessment of The Gambia's "High" external and overall debt distress ratings. They recognize that debt vulnerabilities remain high, reflecting the economy's still fragile situation, despite the generous contributions by the creditors who offered debt deferrals, creating conditions for The Gambia's public debt to become sustainable. The authorities recognize that while these debt deferrals alleviated debt service burden, the public debt stock remains high and further efforts are needed to entrench the hard-won debt sustainability. As the space for new borrowing is very limited, the authorities commit to implementing the existing pipeline of loans and seeking primarily grant financing to meet the urgent development needs, while the contracting and guaranteeing of concessional debt will be subject to a strict borrowing plan under the requested ECF-supported program. They also commit to transparency in the domain of public debt by improving debt recording and reporting standards. Going forward, the authorities hope that The Gambia's debt distress rating will be reviewed favorably to take account of continued progress in this area.

Box 1. Downward Revision of ITFC Trade Credits in the DSA

The reduction in the debt owed to the Islamic Trade Financing Corporation (ITFC) included in the external PPG stock from US$31.8 million at end-2018 (as reported in the April 2019 DSA) to US$17.4 million at end-2019 reflects the review of the SOEs' track record with servicing their ITFC liabilities in 2019.

The ITFC trade credit facility is used by the national petroleum company (GNPC), the National Water and Electricity Company (NAWEC), and the groundnut processing and marketing company (NFSPMC). While the debt is contracted by the government, it is expected to be serviced by the beneficiaries directly. Trade credit facilities such as the ITFC facility are usually excluded from the DSA due to their short-term and self-financing structure. The ITFC debt was included in the April 2019 DSA due to the weak financial positions of the three SOEs, in particular, in light of NFSMPC's falling into arrears on ITFC debt at the end of 2018, which prompted the government to assist it with their clearance.

Data shared by the authorities and bilateral discussions with the concerned SOEs suggest that including the entire ITFC debt contracted by these SOEs in the DSA would exaggerate the amount of debt that falls within the ambit of external PPG debt, based on the criteria listed in the LIC DSF guidance note Box AIII.1.

- **GNPC**: Historically, GNPC has serviced its liabilities to ITFC directly and is expected to continue to service it in the future, without direct support from the government. Given its profitability and no recent history of falling into arrears on ITFC debt, it appears appropriate to exclude the GNPC's exposure to ITFC (a maximum of US$10 million) from the external PPG debt stock. GNPC has access to trade credit from suppliers and its preference for using the ITFC credit reflects favorable terms offered by ITFC relative to terms offered by suppliers.
- **NAWEC** reported that of their total 2020 ITFC debt service of about US$12 million, they had already placed over US$4 million in the escrow account to service the payments that are due in January 2020. While NAWEC also expects to service the remaining ITFC debt directly, erring on the side of caution, US$7 million in debt service to ITFC in 2020 is included in the external PPG debt stock.
- **NFSPMC (GGC)** needs to effect ITFC debt payments of US$12 million in 2020. Due to NFSPMC's weak financial position and poor track record of servicing ITFC debt directly, this debt will be fully included in the DSA. NFSPMC is structurally dependent on government support due to the groundnut pricing policy and subsidization of fertilizer. It is also a company in a bad need of recapitalization.

Thus, in the DSA, the total debt servicing due to ITFC in 2020 is revised down to US$19 million (of which US$17.4 representing principal) from the previously projected US$32 million. The authorities and the management of SOEs have committed to a responsible use of the ITFC facility in the future and making proactive arrangement for the servicing of contracted trade credits to avoid the defaults experienced in 2018. On this basis, the DSA assumes that the ITFC portion included in the external PPG debt will decline to US$10 million in 2021, US$5 million in 2022, and is excluded from the PPG debt from 2022 onwards.

Box 2. Status of Debt Restructuring Discussions

Confirmed debt restructuring offers have been made by most of the participating creditors. Offers from OPEC Fund for International Development (OFID) and ECOWAS Bank for International Development (EBID) are pending approval from their governing bodies.

Confirmed offers:

- Abu Dhabi Fund for Arab Economic Development (ADFAED): Principal will be deferred until 2025.
- Arab Bank for Economic Development in Africa (BADEA): Principal will be deferred until 2024.
- Export-Import Bank of India (EXIM Bank): Principal will be deferred until 2025. Interest payments will be deferred by issuing a new instrument aggregating all interest payments due over the deferral period.
- Islamic Development Bank (IsDB): For equity-funded loans, principal payments will be deferred until 2025 by issuing a new instrument aggregating all principal payments over the deferral period. For market-funded loans, the gestation period for certain loans has been extended by up to two years. In addition, IsDB has offered to explore the possibilities of accessing grants from other windows.
- Kuwait Fund for Arab Economic Development (KFAED): Principal deferral of 5 years to 7 years.
- Saudi Fund for Development (SFD): Principal will be deferred until 2025.

Pending offers:

- ECOWAS Bank for International Development (EBID): EBID is finalizing its proposal for a deferral of both principal and interest payments until 2025 in consultation with India, a source of funds on-lent by EBID.
- OPEC Fund for International Development (OFID): A debt restructuring proposal to defer both principal and interest payments until 2025 is currently undergoing a final review by OFID's management and is expected to be confirmed in March 2020.

Other: [1]

- Libya: Disputed claims, not expected to be serviced until differences are resolved.
- Taiwan Province of China: Discussions got delayed pending the opinion from the Ministry of Justice and are expected to resume at a later stage, with a view to seeking a deferral of principal and interest payments until 2025.
- Venezuela: Not serviced (international sanctions). In technical discussions with the Venezuelan Economic and Social Development Bank (BANDES), the authorities asked for a deferral of principal and interest payments until 2025.

[1] The authorities are not pursuing agreement with a private claimant (M. A. Kharafi and Sons), recognizing that this debt originates from an earlier rescheduling of payments to a domestic subsidiary of an international construction company.

Box 3. The Gambia's Debt Restructuring

The charts below illustrate the changes from the April 2019 DSA to key external debt service indicators and PV of overall debt, including the reduction in external debt service-to-exports and external debt service-to-revenue ratios due to debt service deferrals during 2020–24. Beginning in 2025, marking the conclusion of the deferral period, there is a rebound in the external debt service indicators. While the external debt service-to-exports ratio stays well below its threshold, the external debt service-to-revenue ratio is rising very close to the applicable (18-percent) threshold during 2025–27, before resuming a downward trend. The dashed red lines isolate the impact of debt deferrals from the impact of the improved macroeconomic outlook in the current scenario, including higher domestic revenue (building on current strong performance), higher exports, and lower reliance of SOEs on government subsidies to service the ITFC debt.

The profile of the PV of overall debt-to-GDP has also improved markedly, due to a combined effect of debt deferrals and other changes to the macroeconomic framework. In the current DSA, the PV of overall debt-to-GDP goes below its threshold of 55 percent by 2023, which is 3 years earlier than in the DSA of April 2019. The key change comes from the contribution of debt deferrals, improved domestic revenue, and increased availability of grants for budget support to closing the financing gap and eliminating the need for its financing by the issuance of additional domestic debt. This translates into permanent savings on the interest bill and a marked reduction in government's gross financing needs.

Text Chart: Debt Sustainability Indicators Pre- and Post-Restructuring

(In percent)

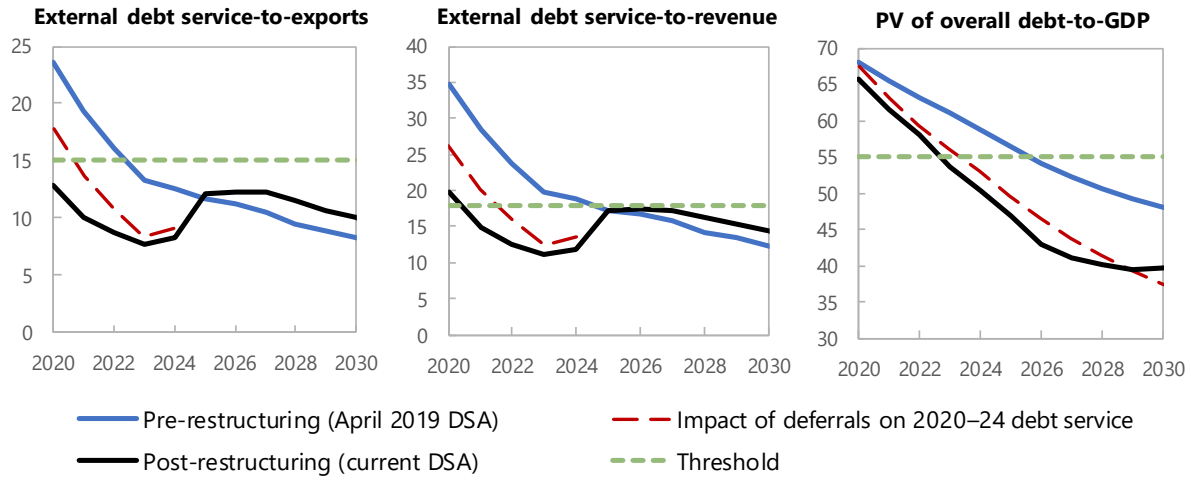
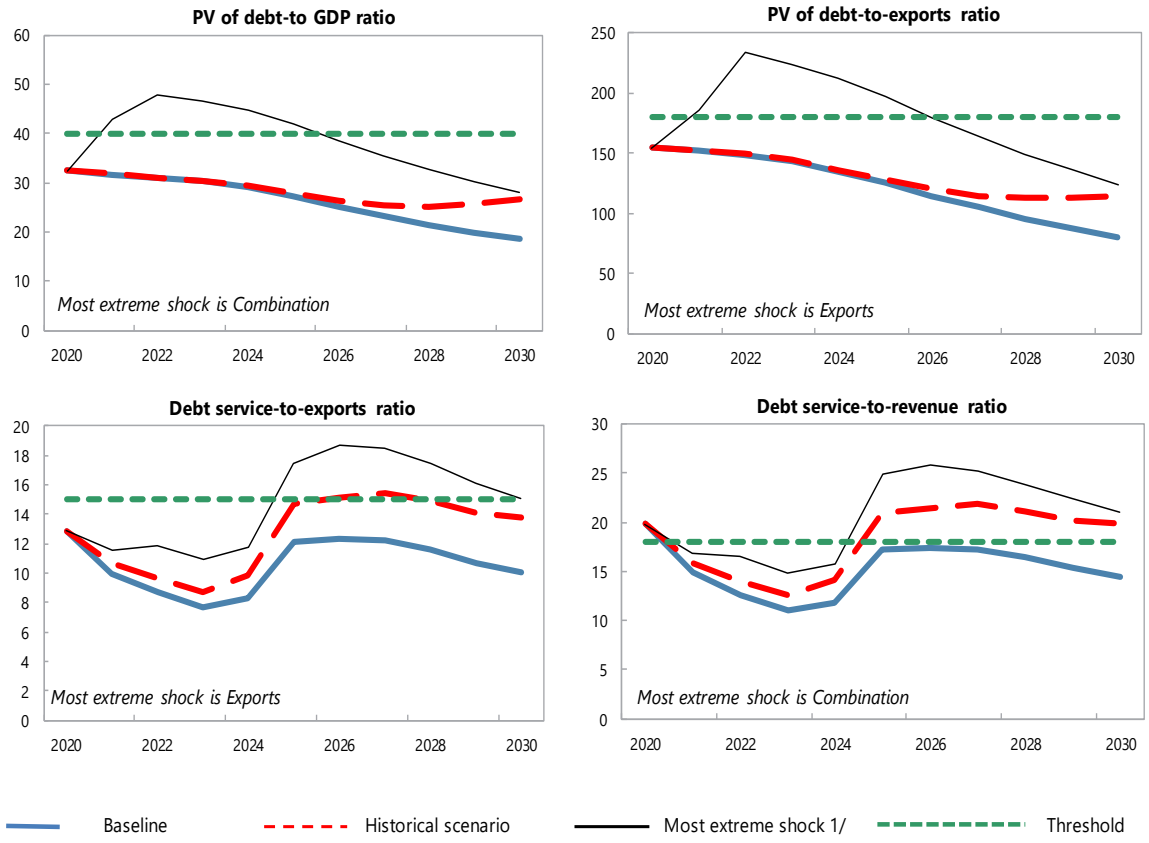


Figure 1. The Gambia: Indicators of Public- and Publicly Guaranteed External Debt under the Baseline and Alternative Scenarios, 2020–30



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	3	3

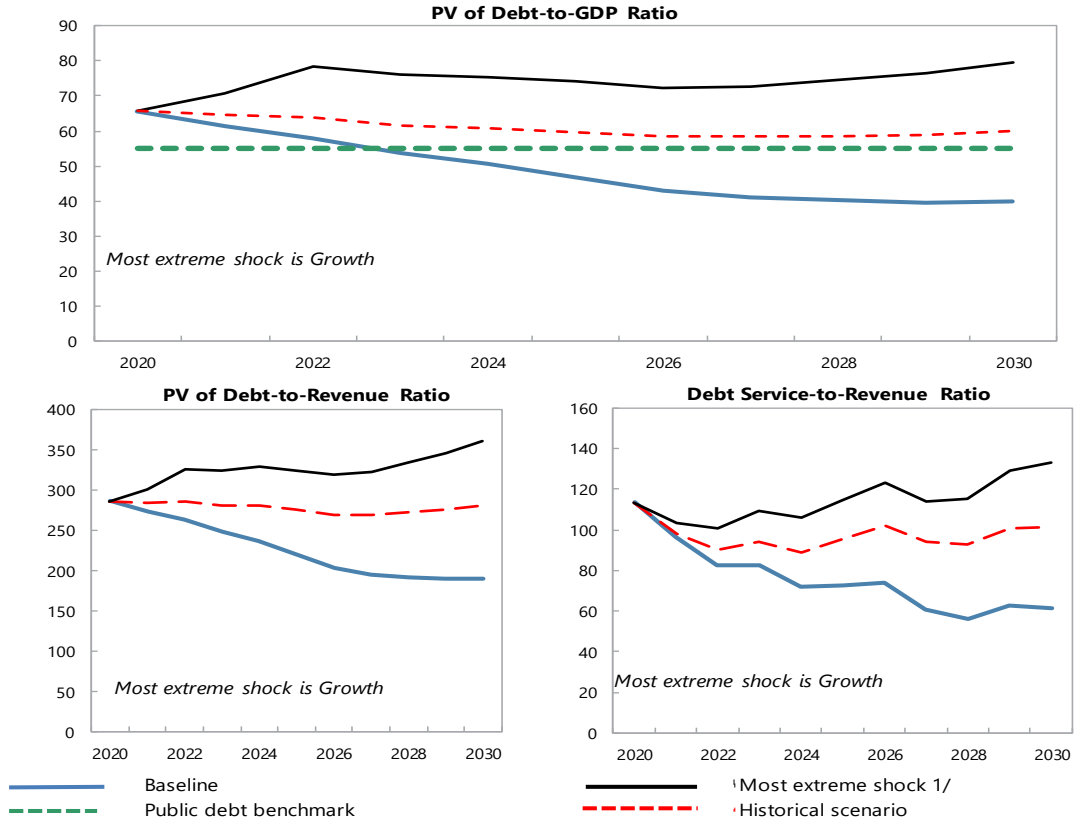
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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.

Figure 2. The Gambia: Indicators of Public Debt Under the Baseline and Alternative Scenarios, 2020–30



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	16%	16%
Domestic medium and long-term	19%	19%
Domestic short-term	65%	65%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.5%	4.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.0%	2.0%

* 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.

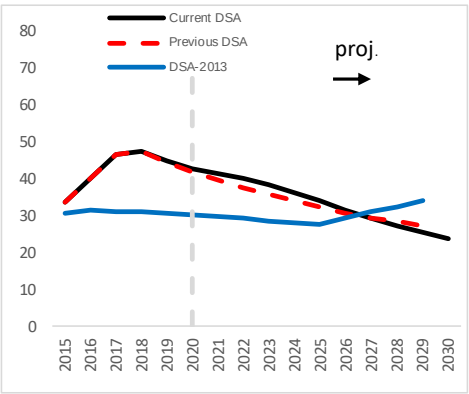
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

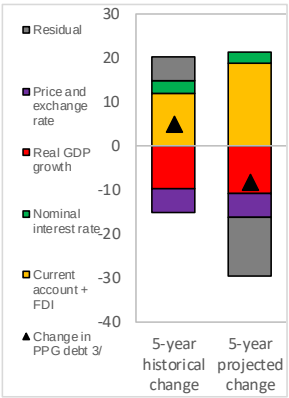
Figure 3. The Gambia: Drivers of Debt Dynamics—Baseline Scenario

External debt

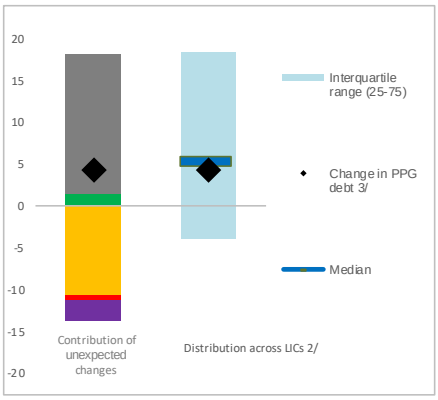
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

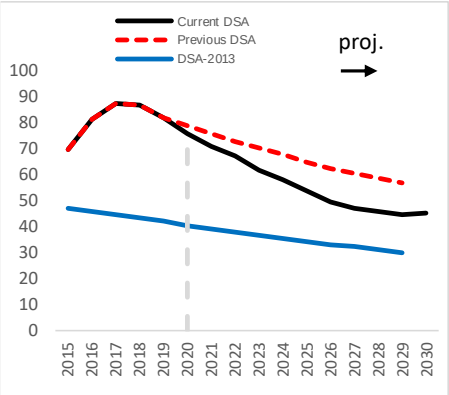


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

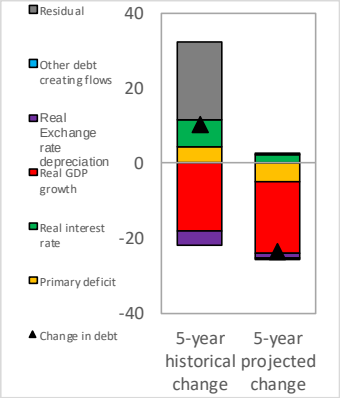


Public debt

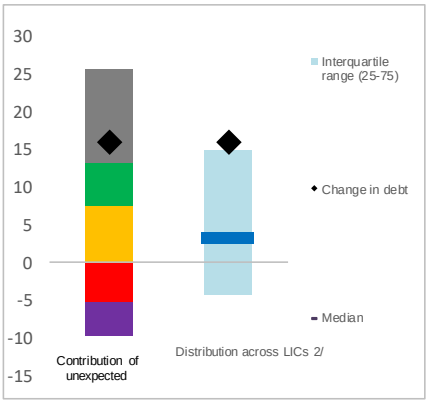
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



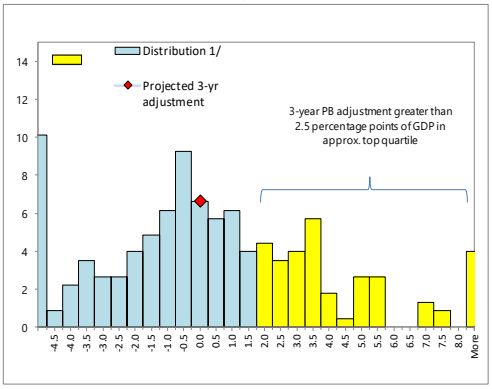
1/ Difference between anticipated and actual contributions on debt ratios.

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.

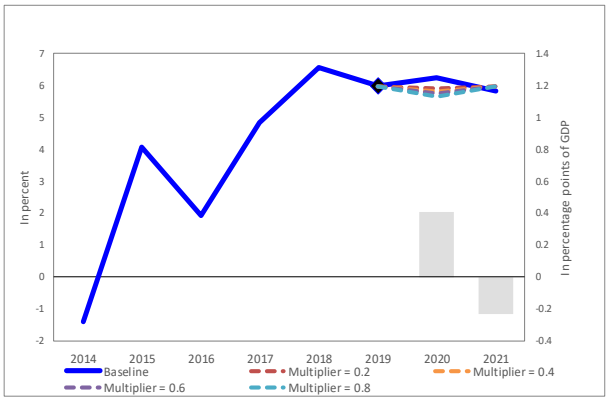
Figure 4. The Gambia: Realism Tools

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



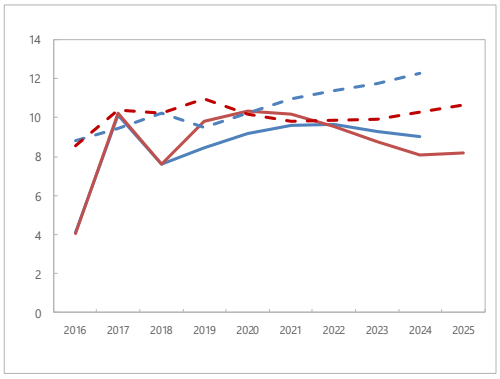
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

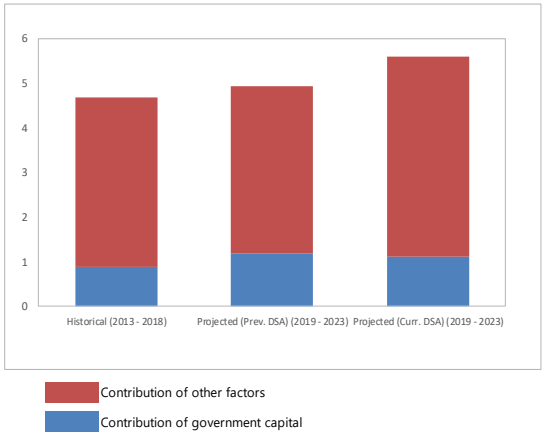
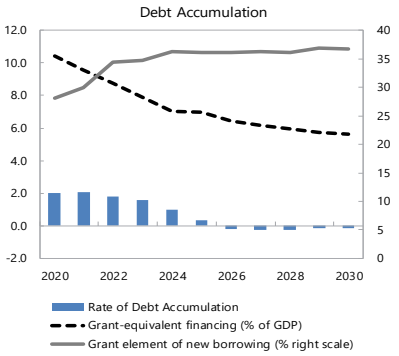


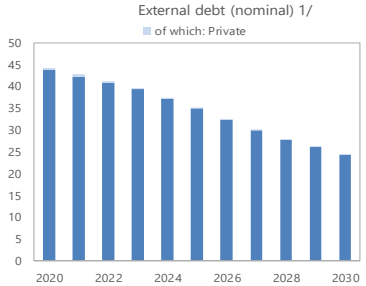
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**48.5**	**49.3**	**46.0**	**44.2**	**42.7**	**41.1**	**39.5**	**37.4**	**35.1**	**24.4**	**17.9**	**38.8**	**34.6**
of which: public and publicly guaranteed (PPG)	**46.5**	**47.4**	**45.9**	**43.9**	**42.3**	**40.8**	**39.3**	**37.2**	**35.0**	**24.3**	**17.8**	**36.9**	**34.4**
Change in external debt	5.7	0.7	-3.3	-1.8	-1.5	-1.6	-1.7	-2.1	-2.3	-1.6	-0.3		
Identified net debt-creating flows	**1.0**	**0.4**	**-3.8**	**1.0**	**2.5**	**2.5**	**2.2**	**2.3**	**2.2**	**-1.0**	**0.6**	**1.2**	**1.2**
Non-interest current account deficit	**6.9**	**9.3**	**4.6**	**8.2**	**9.4**	**9.1**	**8.6**	**8.7**	**8.3**	**4.4**	**5.8**	**7.2**	**7.4**
Deficit in balance of goods and services	20.4	18.9	19.0	20.7	20.3	19.5	18.7	18.4	17.9	13.5	13.8	**14.0**	**17.4**
Exports	16.6	19.3	21.1	21.0	20.9	20.7	21.1	21.4	21.6	23.0	28.8		
Imports	37.0	38.2	40.0	41.7	41.2	40.2	39.8	39.8	39.5	36.5	42.6		
Net current transfers (negative = inflow)	-14.9	-11.0	-15.3	-13.6	-12.0	-11.4	-10.9	-10.5	-10.3	-9.7	-8.5	**-8.1**	**-10.7**
of which: official	-3.7	-0.9	-3.2	-3.2	-2.5	-2.2	-1.9	-1.6	-1.5	-1.5	-0.8		
Other current account flows (negative = net inflow)	1.4	1.3	1.0	1.1	1.0	0.9	0.8	0.8	0.7	0.6	0.6	**1.4**	**0.8**
Net FDI (negative = inflow)	**-5.6**	**-5.6**	**-5.3**	**-5.1**	**-5.0**	**-4.9**	**-4.9**	**-5.0**	**-4.9**	**-4.6**	**-4.6**	**-5.6**	**-4.8**
Endogenous debt dynamics 2/	**-0.3**	**-3.3**	**-3.2**	**-2.1**	**-1.9**	**-1.7**	**-1.6**	**-1.5**	**-1.2**	**-0.8**	**-0.6**		
Contribution from nominal interest rate	0.5	0.5	0.7	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.2		
Contribution from real GDP growth	-2.0	-2.9	-2.7	-2.6	-2.4	-2.2	-2.0	-1.9	-1.7	-1.2	-0.8		
Contribution from price and exchange rate changes	1.2	-0.9	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	**4.7**	**0.3**	**0.6**	**-2.8**	**-4.0**	**-4.0**	**-3.8**	**-4.4**	**-4.4**	**-0.6**	**-0.9**	**0.7**	**-3.2**
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		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**33.3**	**32.4**	**31.7**	**30.9**	**30.2**	**29.0**	**27.2**	**18.5**	**13.1**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**158.3**	**154.3**	**151.9**	**149.1**	**143.1**	**135.3**	**125.9**	**80.4**	**45.3**		
PPG debt service-to-exports ratio	**31.2**	**26.2**	**14.1**	**12.9**	**10.0**	**8.7**	**7.7**	**8.3**	**12.1**	**10.0**	**3.9**		
PPG debt service-to-revenue ratio	**44.8**	**41.8**	**20.7**	**19.8**	**14.9**	**12.6**	**11.1**	**11.9**	**17.2**	**14.5**	**6.2**		
Gross external financing need (Million of U.S. dollars)	98.1	142.0	70.4	113.8	142.5	144.2	137.4	149.9	173.9	84.8	169.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0	4.7	4.7	**2.8**	**5.2**
GDP deflator in US dollar terms (change in percent)	-2.8	1.8	2.4	2.7	2.7	2.7	2.3	2.3	2.6	2.0	1.5	**-0.6**	**2.4**
Effective interest rate (percent) 4/	1.1	1.1	1.6	1.3	1.2	1.2	1.2	1.2	1.5	1.5	1.4	**1.5**	**1.4**
Growth of exports of G&S (US dollar terms, in percent)	2.9	26.3	18.4	8.8	8.0	7.7	9.6	9.3	8.7	8.4	8.9	**5.6**	**8.6**
Growth of imports of G&S (US dollar terms, in percent)	19.2	12.1	13.7	13.8	7.3	5.8	6.5	7.6	7.0	5.8	8.1	**6.8**	**6.8**
Grant element of new public sector borrowing (in percent)	...	...	...	28.1	30.0	34.5	34.8	36.2	36.1	36.8	35.7	**...**	**34.7**
Government revenues (excluding grants, in percent of GDP)	11.6	12.1	14.4	13.7	14.0	14.3	14.6	15.0	15.2	15.9	17.9	**11.6**	**15.0**
Aid flows (in Million of US dollars) 5/	115.4	54.4	137.9	189.8	189.7	186.0	179.0	174.0	178.7	202.0	237.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.4	9.6	8.8	7.9	7.1	7.0	5.6	3.8	**...**	**7.3**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	77.5	79.5	81.4	82.6	84.3	81.4	81.9	78.0	**...**	**81.8**
Nominal GDP (Million of US dollars)	1,498	1,625	1,764	1,925	2,093	2,267	2,441	2,627	2,829	3,987	7,348		
Nominal dollar GDP growth	1.9	8.4	8.6	9.2	8.7	8.3	7.7	7.6	7.7	6.8	6.3	**2.2**	**7.7**
Memorandum items:													
PV of external debt 7/	...	...	33.5	32.7	32.1	31.2	30.4	29.1	27.3	18.5	13.2		
In percent of exports	...	...	158.9	156.0	154.0	150.6	144.1	136.0	126.4	80.5	45.7		
Total external debt service-to-exports ratio	31.2	26.2	22.2	13.4	11.6	10.7	9.0	9.2	12.7	10.1	3.9		
PV of PPG external debt (in Million of US dollars)			587.9	623.6	663.2	700.8	736.8	761.4	770.5	738.1	959.1		
(PVt-PVt-1)/GDPt-1 (in percent)				2.0	2.1	1.8	1.6	1.0	0.3	-0.1	0.6		
Non-interest current account deficit that stabilizes debt ratio	1.2	8.6	7.9	9.9	10.9	10.7	10.3	10.8	10.5	6.1	6.1		

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.

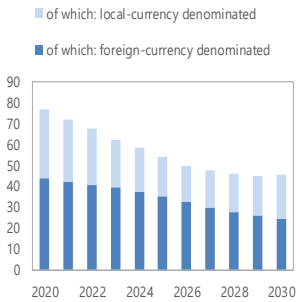
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

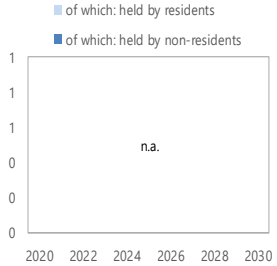
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**87.0**	**86.6**	**82.5**	**76.8**	**71.8**	**67.5**	**62.4**	**58.4**	**54.4**	**45.3**	**51.1**	**67.7**	**56.9**
of which: external debt	**46.5**	**47.4**	**45.9**	**43.9**	**42.3**	**40.8**	**39.3**	**37.2**	**35.0**	**24.3**	**17.8**	**36.9**	**34.4**
Change in public sector debt	6.1	-0.4	-4.1	-5.7	-5.0	-4.2	-5.1	-4.0	-4.0	0.2	0.8		
Identified debt-creating flows	**1.6**	**-1.8**	**-5.4**	**-5.4**	**-4.8**	**-4.1**	**-5.1**	**-4.0**	**-4.0**	**0.2**	**0.8**	**1.2**	**-3.3**
Primary deficit	**0.2**	**3.0**	**-0.6**	**-1.0**	**-0.8**	**-0.8**	**-1.1**	**-1.3**	**-1.5**	**0.1**	**0.6**	**1.0**	**-0.9**
Revenue and grants	19.3	15.4	22.2	22.9	22.5	22.0	21.6	21.3	21.3	20.8	21.0	**15.3**	**21.5**
of which: grants	7.7	3.3	7.8	9.3	8.5	7.7	7.0	6.3	6.1	4.9	3.2		
Primary (noninterest) expenditure	19.4	18.5	21.6	21.9	21.7	21.2	20.5	20.0	19.7	20.9	21.7	**16.3**	**20.6**
Automatic debt dynamics	**1.5**	**-4.8**	**-4.8**	**-5.2**	**-4.4**	**-3.3**	**-3.0**	**-2.7**	**-2.4**	**-1.3**	**-0.7**		
Contribution from interest rate/growth differential	-0.7	-4.6	-4.5	-4.8	-4.1	-3.0	-2.8	-2.5	-2.2	-1.3	-0.8		
of which: contribution from average real interest rate	3.0	0.7	0.4	0.0	0.1	0.7	0.6	0.5	0.6	0.8	1.5		
of which: contribution from real GDP growth	-3.7	-5.3	-4.9	-4.9	-4.2	-3.7	-3.4	-3.1	-2.8	-2.0	-2.3		
Contribution from real exchange rate depreciation	2.1	-0.2	-0.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.8**	**0.4**	**-0.1**	**-1.0**	**0.0**	**-0.1**	**1.3**	**0.8**	**0.0**	**0.2**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	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 debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.8	0.4	-0.1	-1.0	0.0	-0.1	1.3	0.8		
Residual	**4.4**	**1.4**	**1.3**	**-0.7**	**-0.5**	**-0.4**	**-0.3**	**-0.2**	**-0.2**	**0.0**	**0.1**	**3.1**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**70.5**	**65.6**	**61.5**	**58.0**	**53.6**	**50.5**	**46.9**	**39.7**	**46.5**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**317.3**	**286.5**	**273.3**	**263.6**	**248.0**	**237.0**	**220.8**	**191.1**	**221.4**		
Debt service-to-revenue and grants ratio 3/	**151.1**	**154.7**	**110.9**	**113.4**	**96.2**	**82.7**	**82.4**	**72.1**	**72.8**	**61.5**	**60.8**		
Gross financing need 4/	29.3	26.9	24.0	25.8	21.2	17.4	15.7	14.1	13.8	14.3	14.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0	4.7	4.7	**2.8**	**5.2**
Average nominal interest rate on external debt (in percent)	1.2	1.1	1.7	1.3	1.2	1.2	1.2	1.2	1.5	1.5	1.4	**1.6**	**1.4**
Average real interest rate on domestic debt (in percent)	7.8	1.9	1.3	1.3	1.5	3.4	3.3	3.5	3.5	4.7	5.2	**5.9**	**3.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.5	-0.6	-0.7	...	...	...	...	...	...	...	...	**2.7**	**...**
Inflation rate (GDP deflator, in percent)	3.9	5.2	6.4	6.3	5.5	4.8	4.5	4.4	4.8	4.8	4.8	**5.8**	**4.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	40.6	1.4	23.9	7.7	5.0	3.1	1.8	2.6	3.4	7.7	5.8	**9.3**	**4.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.9	3.5	3.5	4.7	4.2	3.5	4.1	2.7	2.5	0.0	-0.1	**0.4**	**2.5**
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	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public- and Publicly-Guaranteed External Debt, 2020–30 (Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	32.4	31.7	30.9	30.2	29.0	27.2	25.2	23.2	21.4	19.9	18.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	32.4	31.8	31.0	30.4	29.3	27.7	26.3	25.4	25.1	25.6	26.5
B. Bound Tests											
B1. Real GDP growth	32.4	35.7	39.0	38.1	36.6	34.4	31.8	29.3	27.0	25.1	23.4
B2. Primary balance	32.4	32.0	31.7	31.3	30.4	28.8	26.9	25.0	23.3	21.8	20.4
B3. Exports	32.4	34.0	37.0	36.1	34.7	32.6	30.1	27.7	25.5	23.6	21.9
B4. Other flows 3/	32.4	37.9	**42.7**	**41.6**	**40.0**	37.6	34.6	31.7	29.2	26.9	24.9
B5. One-time 30 percent nominal depreciation	32.4	39.8	33.9	33.1	31.7	29.7	27.5	25.4	23.5	21.9	20.5
B6. Combination of B1-B5	32.4	**42.9**	**47.6**	**46.4**	**44.7**	**41.8**	38.5	35.4	32.6	30.1	27.8
C. Tailored Tests											
C1. Combined contingent liabilities	32.4	32.6	32.4	32.0	31.2	29.7	27.9	26.0	24.4	23.0	21.7
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	154.3	151.9	149.1	143.1	135.3	125.9	115.0	105.0	95.9	87.8	80.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	154.3	152.3	149.7	144.3	136.6	128.1	120.2	115.1	112.6	112.8	115.1
B. Bound Tests											
B1. Real GDP growth	154.3	151.9	149.1	143.1	135.3	125.9	115.0	105.0	95.9	87.8	80.4
B2. Primary balance	154.3	153.5	153.1	148.5	141.7	133.1	122.7	113.1	104.1	96.1	88.6
B3. Exports	154.3	**186.4**	**233.5**	**223.8**	**211.9**	**197.5**	179.9	164.0	149.4	136.3	124.4
B4. Other flows 3/	154.3	**181.7**	**205.8**	**197.1**	**186.8**	173.8	158.0	143.7	130.6	118.8	108.0
B5. One-time 30 percent nominal depreciation	154.3	151.9	129.9	124.8	117.9	109.2	99.9	91.4	83.7	76.9	70.7
B6. Combination of B1-B5	154.3	**198.0**	**188.4**	**212.1**	**201.0**	**186.4**	169.6	154.4	140.5	128.0	116.6
C. Tailored Tests											
C1. Combined contingent liabilities	154.3	156.5	156.4	151.8	145.5	137.3	127.2	117.9	109.3	101.6	94.4
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	12.9	10.0	8.7	7.7	8.3	12.1	12.3	12.3	11.6	10.7	10.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	12.9	10.6	9.6	8.7	9.9	14.7	**15.1**	**15.5**	14.9	14.1	13.8
B. Bound Tests											
B1. Real GDP growth	12.9	10.0	8.7	7.7	8.3	12.1	12.3	12.3	11.6	10.7	10.0
B2. Primary balance	12.9	10.0	8.7	7.8	8.4	12.3	12.6	12.7	12.1	11.2	10.6
B3. Exports	12.9	11.6	11.9	10.9	11.7	**17.4**	**18.7**	**18.5**	**17.5**	**16.1**	**15.1**
B4. Other flows 3/	12.9	10.0	9.3	8.8	9.3	14.7	**16.1**	**15.8**	14.8	13.7	12.8
B5. One-time 30 percent nominal depreciation	12.9	10.0	8.7	7.3	7.9	11.8	11.0	11.0	10.4	9.6	9.0
B6. Combination of B1-B5	12.9	10.8	11.0	9.9	10.6	**16.9**	**17.5**	**17.3**	**16.2**	15.0	14.0
C. Tailored Tests											
C1. Combined contingent liabilities	12.9	10.0	8.8	7.8	8.5	12.3	12.5	12.5	11.8	10.9	10.3
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**19.8**	14.9	12.6	11.1	11.9	17.2	17.4	17.3	16.4	15.4	14.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**19.8**	15.9	13.9	12.6	14.1	**20.9**	**21.4**	**21.8**	**21.1**	**20.2**	**19.9**
B. Bound Tests											
B1. Real GDP growth	**19.8**	16.8	15.9	14.0	15.0	**21.7**	**22.0**	**21.8**	**20.7**	**19.4**	**18.3**
B2. Primary balance	**19.8**	14.9	12.7	11.2	12.0	17.5	17.9	17.9	17.1	16.1	15.3
B3. Exports	**19.8**	15.1	13.2	12.0	12.8	**18.9**	**20.3**	**20.0**	**18.9**	17.7	16.7
B4. Other flows 3/	**19.8**	14.9	13.5	12.7	13.4	**20.8**	**22.9**	**22.3**	**21.0**	**19.7**	**18.5**
B5. One-time 30 percent nominal depreciation	**19.8**	**18.7**	15.9	13.2	14.3	**21.0**	**19.6**	**19.6**	**18.6**	17.4	16.4
B6. Combination of B1-B5	**19.8**	16.8	16.5	14.9	15.7	**24.9**	**25.8**	**25.3**	**23.9**	**22.4**	**21.0**
C. Tailored Tests											
C1. Combined contingent liabilities	**19.8**	14.9	12.8	11.3	12.1	17.5	17.8	17.6	16.7	15.7	14.8
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.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

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

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**65.6**	**61.5**	**58.0**	53.6	50.5	46.9	43.0	41.1	40.2	39.4	39.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**66**	**65**	**64**	**62**	**61**	**60**	**58**	**58**	**59**	**59**	**60**
B. Bound Tests											
B1. Real GDP growth	**66**	**71**	**78**	**76**	**75**	**74**	**72**	**73**	**75**	**76**	**80**
B2. Primary balance	**66**	**64**	**63**	**59**	**55**	52	47	45	44	43	44
B3. Exports	**66**	**63**	**63**	**59**	**56**	52	47	45	44	43	43
B4. Other flows 3/	**66**	**68**	**70**	**65**	**62**	**57**	53	50	48	46	46
B5. One-time 30 percent nominal depreciation	**66**	**67**	**62**	**57**	53	48	43	40	38	37	36
B6. Combination of B1-B5	**66**	**64**	**64**	**58**	**55**	52	48	47	46	46	47
C. Tailored Tests											
C1. Combined contingent liabilities	**66**	**70**	**66**	**61**	**57**	54	49	47	46	45	45
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	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.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	286.5	273.3	263.6	248.0	237.0	220.8	203.3	194.5	191.5	189.5	191.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	287	285	285	280	280	275	270	270	272	276	280
B. Bound Tests											
B1. Real GDP growth	287	301	326	325	329	324	319	323	334	346	361
B2. Primary balance	287	286	288	272	260	243	224	215	211	209	209
B3. Exports	287	282	288	272	261	243	224	213	209	205	205
B4. Other flows 3/	287	301	318	301	289	270	248	235	229	224	222
B5. One-time 30 percent nominal depreciation	287	307	290	270	254	231	209	195	187	180	176
B6. Combination of B1-B5	287	285	284	262	254	240	225	218	218	218	221
C. Tailored Tests											
C1. Combined contingent liabilities	287	310	299	282	270	252	234	224	220	217	218
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	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	113.4	96.2	82.7	82.4	72.1	72.8	73.8	60.4	56.1	62.6	61.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	113	98	90	94	89	95	102	94	93	101	101
B. Bound Tests											
B1. Real GDP growth	113	103	101	110	106	115	123	114	115	129	133
B2. Primary balance	113	96	91	97	84	85	84	70	65	71	69
B3. Exports	113	96	83	83	73	74	76	62	58	64	63
B4. Other flows 3/	113	96	83	84	73	75	78	64	60	66	65
B5. One-time 30 percent nominal depreciation	113	93	81	79	71	72	73	61	56	62	61
B6. Combination of B1-B5	113	97	86	86	77	80	83	71	68	76	76
C. Tailored Tests											
C1. Combined contingent liabilities	113	96	108	100	90	89	88	73	67	73	70
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	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.