INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

THE GAMBIA

Joint World Bank-IMF Debt Sustainability Analysis[1]

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and the International Monetary Fund (IMF)

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The Gambia: Joint Bank-Fund Debt Sustainability Analysis

Risk of external debt distress:	In debt distress
Overall risk of debt distress:	In debt distress
Granularity in the risk rating	Sustainable
Application of judgement:	No

An updated DSA indicates that The Gambia is in external debt distress, though its public debt is deemed sustainable on a forward-looking basis. The external debt service-to-exports and -to-revenue ratios breach their indicative thresholds by large margins in the near term and signal major liquidity pressures. However, once these pressures are addressed by the prospective debt relief and the authorities' fiscal consolidation and state-owned enterprise (SOE) reform program, the PV of total public debt would be brought below its threshold over the medium term. On the upside, debt relief discussions with external creditors are progressing and could unlock additional budget support. Downside risks mainly relate to the political environment and fiscal discipline, the unravelling of which could destabilize the economy and worsen the outlook for public debt.

[1] The DSA was prepared by IMF and World Bank staffs in collaboration with the authorities of The Gambia, based on the updated Bank-Fund Debt Sustainability Framework for Low-Income Countries (LIC-DSF).

PUBLIC DEBT COVERAGE

1. **The DSA covers all known central government and central government guaranteed external debt at end-December 2018** (Text Table 1).[2] External debt is treated on a residency basis. The government's external debt stock also includes short-term debt in the form of trade credit owed to the Islamic Trade Financing Corporation (Box 1), a government facility which is accessed by state-owned enterprises (SOEs), which was not incorporated in past DSAs. SOEs domestic and unguaranteed external debts are not included in the DSA baseline, except where the government has already agreed to service the debt, as is the case for NAWEC.[3] Other SOE debts are not yet included in the DSA baseline, given that reliable end-2018 data on their amounts are not available. Special financial audits of the six-largest SOEs will be finalized in the coming months, with the objective of firmly establishing their financial positions at end-2017, and will produce recommendations for strengthening their financial reporting going forward.

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/	3.7	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 other known SOE debts not guaranteed by the State are included in the contingent liability stress test**. Estimates of SOE liabilities have been updated drawing on preliminary findings of the special audits. SOEs (unguaranteed) external debts are estimated at 1.3 percent of GDP, with a further 0.8 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 debts owed by other SOEs (estimated at around 1.0 percent

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

[3] The government signed an MOU agreeing to assume the majority of NAWEC's debts in 2018, although the full repayment terms for some of these facilities have not yet been agreed. As a simplifying assumption, the repayment terms for those debts are modeled on those adopted for the restructured NAWEC bond.

of GDP), and 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, without which government transfers might ultimately be required.

BACKGROUND ON DEBT AND FINANCING

A. Debt

Text Table 2. The Gambia: Structure of PPG External Public Debt at end-2018

	Nominal Value			Present Value[1]		
	US$ millions	Percent of GDP	Percent of External Debt	US$ millions	Percent of GDP	Percent of External Debt
Total PPG External Debt	**756.6**	**47.7**	**100.0**	**549.1**	**34.6**	**100.0**
Medium and Long-term External Debt	**724.8**	**45.7**	**95.8**	**517.4**	**32.6**	**94.2**
Multilateral creditors	**238.2**	**15.0**	**31.5**	**152.6**	**9.6**	**27.8**
International Development Association	111.7	7.0	14.8	65.6	4.1	11.9
African Development Bank Group	54.7	3.4	7.2	32.4	2.0	5.9
International Monetary Fund	42.5	2.7	5.6	34.3	2.2	6.2
International Fund for Agricultural Development	29.3	1.8	3.9	20.3	1.3	3.7
Plurilateral creditors	**241.8**	**15.2**	**32.0**	**182.0**	**11.5**	**33.1**
Islamic Development Bank	135.6	8.5	17.9	99.8	6.3	18.2
Arab Bank for Economic Development in Africa	42.1	2.7	5.6	32.6	2.1	5.9
OPEC Fund for International Development	46.3	2.9	6.1	34.5	2.2	6.3
ECOWAS Bank for International Development	17.8	1.1	2.4	15.1	1.0	2.8
Bilateral Official creditors	**198.9**	**12.5**	**26.3**	**147.4**	**9.3**	**26.8**
Paris Club	4.1	0.3	0.5	3.9	0.2	0.7
Non-Paris Club	194.8	12.3	25.8	143.6	9.0	26.1
Of which: Kuwait Fund for Arab Economic Developmen	*45.9*	*2.9*	*6.1*	*34.3*	*2.2*	*6.3*
Of which: Saudi Fund for Development	*48.2*	*3.0*	*6.4*	*26.7*	*1.7*	*4.9*
Of which: Export-Import Bank of India	*27.5*	*1.7*	*3.6*	*22.1*	*1.4*	*4.0*
Private creditors	**45.9**	**2.9**	**6.1**	**35.4**	**2.2**	**6.4**
ST External Debt	**31.8**	**2.0**	**4.2**	**31.8**	**2.0**	**5.8**
Of which: Islamic Trade Financing Corporation	*31.8*	*2.0*	*4.2*	*31.8*	*2.0*	*5.8*

Sources: The 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".

3. **External PPG debt stood at about US$760 million at end-2018 (48 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 members of the Paris Club hold less than 0.5 percent of The Gambia's external debt, all of it falling due before end-2020.[4] The remainder of the MLT debt (6 percent) is

[4] The Paris Club reports an additional US$460,000 claim from Belgium with a final maturity of 2037, which is not captured in the current debt figures.

mostly owed to one external private creditor, M.A. Kharafi and Sons. The stock also includes short-term debt to the Islamic Trade Financing Corporation amounting to US$32 million or 4 percent of total external debt.

4. **Central government domestic debt stood at GMD 31 billion at end-2018 (39 percent of GDP), most of it in the form of short-term debt**. Sixty percent of domestic debt is marketable, more than half in the form of T-bills with a maturity of 1 year or less, creating substantial rollover requirements, and exposure to interest rate risk. (Text Table 3). Average T-bill rates were broadly stable in 2018, having fallen from a weighted average (across maturities) of 18.9 percent in October 2016 to an average of 8.3 percent in December 2018, as increased donor support, and a pick-up in 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. They were also able to repay some domestic debt with the support from donors.

Text Table 3. The Gambia: Structure of Domestic Debt at end-2018

	GMD millions	Percent of Total Domestic Debt	Percent of GDP
Total	**30,781**	**100.0**	**39.3**
Marketable debt	**18,578**	**60.4**	**23.7**
T-bills	16,148	52.5	20.6
Bonds	2,430	7.9	3.1
Non-marketable debt	**12,202**	**39.6**	**15.6**
CBG Bond (30-Year)	10,061	32.7	12.9
Restructured NAWEC bond	1,325	4.3	1.7
SSHFC Loan (originally incurred by NAWEC)	817	2.7	1.0

Sources: The Gambian authorities; and IMF Staff calculations.

5. **At end-2018, the PPG external debt-to-GDP and total public debt-to-GDP ratios were much lower than projected in the June 2018 DSA, largely reflecting a rebasing of GDP** (Text Figure 1). The level of 2017 nominal GDP was revised up by 47 percent in the GDP rebasing exercise,[5] while 2018 real GDP growth surprised on the upside by 1.2 percentage points. Set against this, adjustments to broaden the coverage of public debt to include the ITFC trade credits and additional NAWEC debts, contributed positively to the forecast error, alongside larger than expected recourse to domestic borrowing in 2018 (3½ percent of GDP compared with 1 percent

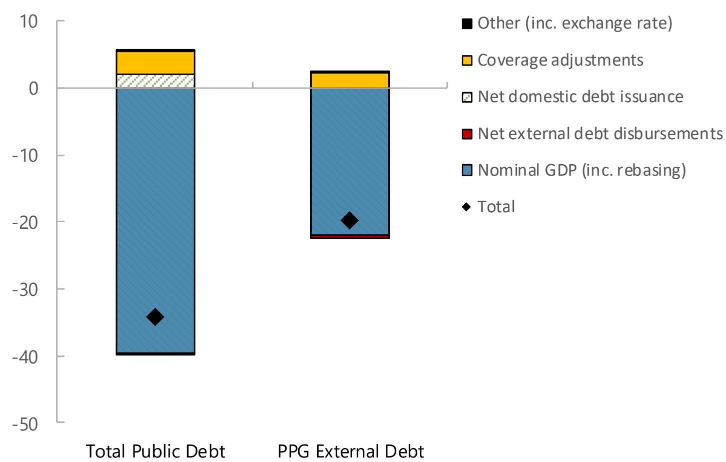
[5] A switch from the 1993 to the 2008 system of national accounts, and adoption of 2013 as the new base year. Nominal exports and imports, which are derived from the Balance of Payments data, were unaffected.

of GDP projected in the 2018 budget), mostly to compensate for shortfalls in the disbursement of budget grants.

6. **Discussions on external debt relief are progressing apace**. The Gambia's creditors from the Arab Coordination Group (including bilateral Arab creditors, as well as BADEA, OFID, and to some extent IsDB) have been supportive of the government's reform efforts and request for debt relief. During the roundtable discussions held in Washington D.C. in April, most of them indicated their willingness to provide some form of debt relief. India has also responded positively to the country's request for debt relief. Creditors have agreed to continue discussions on a bilateral basis, which will be facilitated by the authorities' financial advisors.

Text Figure 1. Determinants of end-2018 Public Debt-to-GDP and PPG External Debt-to-GDP Forecast Errors Relative to the June 2018 DSA

(percent of GDP)



Sources: The Gambian authorities; and IMF staff calculations.

7. **Debt management, monitoring, and recording capacity is weak**. Developing the capacity to monitor project disbursements more reliably and conduct timely and accurate debt recording will be critical if The Gambia is to successfully manage its debt vulnerabilities going forward. Given the importance of up-to-date recording of external debt transactions, the new SMP includes structural benchmarks that call for timely reconciliation of debt data with external creditors, and production of quarterly reports on external debt commitments, agreements and disbursements. The authorities are receiving technical assistance on debt recording from the Commonwealth Secretariat, to support The Gambia's migration to the new Meridian debt management system over the coming year.

B. Financing

8. 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 (Figure 1). At end-2018, The Gambia's already-contracted but not yet disbursed debt stood at US$299 million (19 percent of GDP, Text Table 4). Around half of this pipeline has a grant element of 35 percent or higher, with a smaller share (22 percent) meeting the current SMP's concessionality requirements for new debt contracting (minimum grant element of 50 percent). The non-concessional component mainly relates to loans from plurilateral and bilateral creditors. At the sectoral level, the pipeline includes projects in electricity generation and distribution, education, agriculture and roads (Text Figure 2).

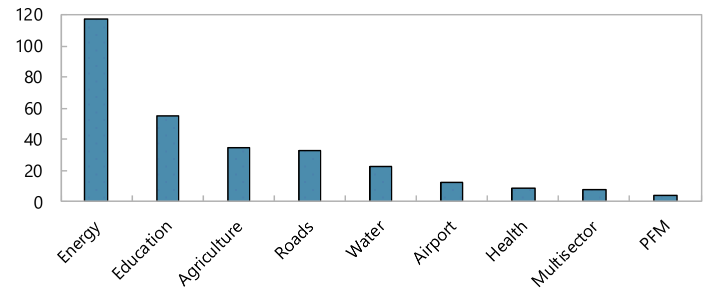
9. Funds pledged at the International Conference for The Gambia in 2018 are being translated into firm commitments. Almost US$600 million of new project support grants pledged at the donor conference are expected to be committed over the period of the National Development Plan (2018–21), although disbursements are likely to be more gradual. Several donors, notably China, Japan, and the Organization of Islamic Cooperation have subsequently made additional commitments of project grants beyond those announced at the International Conference. In addition to the pipeline loans, agreements for €106 million of highly concessional financing for the energy sector are expected to be ratified by The Gambian National Assembly in the coming months. This package includes a blend of grants from the EU and a loan from the European Investment Bank of €65 million (US$73 million). A further US$600 million in development lending, of varied concessionality, was pledged at the International Conference, and will need to be tapped gradually given high public debt and the large pipeline of approved project loans.

Text Table 4. The Gambia: Pipeline of Already-Contracted Debt

	Loan Disbursement Pipeline (US$ million)	
	Total undisbursed at end-2018	Projected disbursements for 2019-20
Multilateral and Plurilateral Creditors	**179.9**	**58.3**
International Development Association	47.1	11.8
African Development Bank Group	13.2	2.6
International Fund for Agricultural Development	4.8	1.4
Islamic Development Bank	64.3	24.1
Arab Bank for Economic Development in Africa	21.1	6.5
OPEC Fund for International Development	18.2	8.6
ECOWAS Bank for International Development	11.3	3.3
Bilateral Official Creditors	**119.2**	**38.8**
Kuwait Fund for Arab Economic Development	52.7	13.4
Export Import Bank of India	38.2	11.9
Saudi Fund for Development	23.3	8.5
Export Import Bank of China	5.0	5.0
Total	**299.1**	**97.1**

Sources: The Gambian authorities; and IMF Staff calculations.

Text Figure 2. Sectoral distribution of pipeline loans
(US$ millions)



Sources: The Gambian authorities; and IMF staff calculations.

Box 1. ITFC Trade Credits in the DSA

This DSA includes a Trade Credit Facility (TCF) with the Islamic Trade Financing Corporation, part of the Islamic Development Bank Group, in the debt stock and projections. This relatively large facility provides up to US$65 million (4 percent of GDP) in trade financing to three SOEs, the national petroleum company (GNPC), the National Water and Electricity Company (NAWEC) and the groundnut processing and marketing company (NFSPMC). In the case of GNPC and NAWEC, the facility is mainly accessed to finance fuel imports, while NFSPMC draws on the facility to finance fertilizer imports and purchases of raw groundnuts from local farmers, which are then processed for export. Trade credits under the ITFC facility are contracted by the government, but the three beneficiaries draw on the TCF, and are expected to service it, directly.

While such facilities are sometimes excluded from DSAs, due to their short-term and, theoretically, self-financing structure, such exclusion is currently not appropriate for The Gambia. First, the three SOEs concerned have weak financial positions, alongside major management and financial reporting deficiencies. These financial weaknesses have manifested in two near-default episodes by NAWEC in recent months, which required government bailouts implying an additional cost to the budget exceeding 1 percent of GDP in 2018. Furthermore, NFSMPC fell into arrears on its TCF in late 2018, which remained outstanding until the government cleared them in February 2019. Similar issues have recurred in recent years, with pervasive consequences, hindering government cashflow planning and in several cases causing external arrears and suspension of disbursements on the IsDB's project portfolio.

MACRO-FISCAL ASSUMPTIONS

10. The peaceful political transition has strengthened confidence in the economy, boosting private sector activity and foreign exchange inflows. Real GDP growth in 2018 is estimated at 6.6 percent, buoyed by the expansion in tourism and private sector credit growth. In

2018, tourism rebounded beyond its pre-2017 level and private sector credit expanded by 33 percent, on the back of strong growth in construction and services. Inflation dropped to 6.4 percent at end-2018 and gross official reserves increased by US$13 million to end the year at 2.7 months of prospective imports, despite a US$50 million shortfall in budget support disbursements relative to the original program projection.

11. The DSA is underpinned by the baseline scenario of the 2019 Staff-Monitored Program (SMP). This scenario features substantial grant-financed investment, minimal contracting of new debt (on highly-concessional terms), progressively strengthened revenue mobilization and expenditure discipline, macro-stability, and stepped-up private sector growth. Relative to the June 2018 DSA, the near-term outlook for GDP and imports growth has been revised up somewhat, but budget support grants have been revised down to adopt more conservative assumptions in light of the 2018 outcome. 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 the agriculture and tourism sectors complementing the impetus from public investment. Real GDP growth is expected to moderate to 4.6 percent in the long-term, though remaining above the recent historical average (3.6 percent).

- Inflation gradually declines to just below the Central Bank of The Gambia's 5 percent target.

- The current account deficit is expected to remain substantial in 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 fallback in the public investment rate drags on import growth, while exports, particularly in the tourism sector, continue to grow strongly.

- The primary deficit is projected to narrow from 3.1 percent of GDP in 2018 to 0.3 percent of GDP in 2021, due to stepped-up domestic revenue mobilization and an increase in grants. Thereafter, the primary deficit, excluding budget support grants, is expected to decline gradually, reflecting (i) declines in loan-financed capital expenditure (from 4.7 percent in 2018 to 2.6 percent by 2024) based on strict prioritization of disbursements from the project pipeline; and (ii) an increase in the domestic revenue-to-GDP ratio to about 14.4 percent by 2024, reflecting improvements in revenue administration based on the 2018 TADAT mission recommendations and ongoing tax policy refinements, notably with respect to the use of exemptions. The overall fiscal deficit would stabilize at just below 2 percent of GDP in the long term, equivalent to a primary balance near zero.

12. 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 donor conference are expected to result in around US$580 million of new project support committed over the 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 (including energy and road infrastructure), 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 the NDP period to around 2 percent of GDP by the end of the projection horizon.

- **External budget support**. Budget support grants over the medium-term comprise €100 million already pledged by the EU for 2018–21 (of which €25 million disbursed in January 2019, and a further €25 million is expected in 2019 Q3) and US$4 million from the AfDB in 2019, which will help reduce recourse to domestic borrowing below 2 percent of GDP in 2019. The level of budget support grants incorporated in the baseline over the medium-term is conservative, and there are substantial upside risks to these projections if the obstacles (including the need for debt relief) blocking disbursements from other development partners can be removed. In the longer-term, budget support grants are gradually declining as a percentage of GDP.

- **External project lending**. Updates to the external borrowing assumptions since the June 2018 DSA reflect 2018 disbursements, and the authorities' updated assessment of the remaining disbursements on these facilities. The execution of the pipeline loans is expected to continue in 2019–20, with US$97 million (6 percent of GDP or about a third of the total) forecast to be disbursed over this period, and 80 percent of this pipeline is expected to be disbursed by 2024. Disbursements are incorporated based on the contractual terms (an average grant element of 54 percent from multilateral creditors, 23 percent from plurilateral creditors, and 31 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 (about 15 percent of total pledges), including the energy sector loan from the EIB. Cumulatively, project loan disbursements over 2019–24 are expected to be 17.5 percent of GDP, broadly as assumed in the June 2018 DSA.

- **Trade credit**. Public debt related to the use of the (non-concessional) ITFC facility is assumed to diminish by US$10 million per year from 2020 onwards, to reach zero by 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.

- **Total external financing**. Cumulatively, external loan disbursements (project and budget support) over 2019–24 are expected to be 21 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 TCF, before gradually rising to 35 percent over the medium-term.

13. The DSA reflects the authorities' medium-term debt management strategy for domestic debt assumptions. The baseline assumes that with the one-off spike in expected budget support in 2019 and measures to contain expenditure pressures in the SMP, net domestic borrowing this year will be contained at 2 percent. However, from 2020–24, the financing gaps in the SMP baseline are assumed to be met with new issuance of domestic debt and drawdown of foreign reserves. 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 June 2018 DSA, T-bills account for the majority of domestic debt issuance. Over 2019–24, T-bills constitute around 85 percent of (gross) domestic debt issuance, with the remainder in three- and five-year bonds. From 2025–29, the share of T-bill issuance falls to around two-thirds, 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 (2017–24)

	2017	2018	2019	2020	2021	2022	2023	2024	15-year average[1]
Real GDP Growth (percent)									
Current DSA	4.6	6.6	5.8	5.2	5.0	4.8	4.8	4.8	4.6
Previous DSA[2]	3.5	5.4	5.4	5.2	5.0	4.8	4.8	4.8	4.6
Exports of goods and services growth (percent)[3]									
Current DSA	2.9	26.3	7.8	8.6	8.4	8.5	9.1	9.6	7.5
Previous DSA[2]	-20.5	28.0	12.8	11.3	8.7	9.8	7.3	7.0	5.9
Imports of goods and services growth (percent)[3]									
Current DSA	19.2	12.1	10.5	10.8	5.2	5.7	5.3	6.1	5.7
Previous DSA[2]	28.1	17.9	8.6	5.0	2.1	4.4	4.8	4.2	5.6
CA deficit (percent of GDP)[4]									
Current DSA	11.0	10.4	10.3	13.7	13.2	12.9	12.1	11.5	5.9
Previous DSA[2]	19.3	19.2	19.1	20.4	19.3	18.4	17.1	16.3	17.3
Previous DSA (rebased GDP)[5]	13.1	13.1	13.0	13.9	13.1	12.5	11.7	11.1	11.8
Public investment (percent of GDP)									
Current DSA	10.6	8.0	8.9	9.6	10.1	10.1	9.7	9.4	7.0
Previous DSA[2]	15.8	18.5	18.3	17.9	16.4	15.8	13.3	11.9	8.8
Previous DSA (rebased GDP)[5]	10.7	12.6	12.4	12.2	11.2	10.7	9.1	8.1	6.0
Overall fiscal deficit[6]									
Current DSA	5.1	6.3	3.2	4.1	3.2	2.7	2.2	1.8	1.8
Previous DSA[2]	7.9	5.8	-0.9	1.2	1.2	0.7	-0.3	-1.2	-0.1
Previous DSA (rebased GDP)[5]	5.4	3.9	-0.6	0.8	0.8	0.5	-0.2	-0.8	-0.1

[1] Defined as the simple average of the last 15 years of the projection (2025-39).
[2] June 2018 (Debt Sustainability Analysis). Numbers refer to the "active scenario," and are based on the old GDP series.
[3] In current dollar terms, including re-exports.
[4] Includes worker's remittances and grants
[5] June 2018 (Debt Sustainability Analysis). Numbers refer to the "active scenario," denominator updated based on rebased GDP.
[6] Includes grants.

Text Table 6. External Financing Assumptions, (2019–39) (Annual flows, millions of U.S. Dollars)	2019	2020	2021	2022	2023	2024	2025–30	2031–39
Budget Support Loans	0	0	0	0	0	0	0	0
Project Loans	64	63	61	61	61	61	70	94
Already-contracted	*50*	*47*	*44*	*37*	*32*	*28*	*10*	*0*
New Projects	*14*	*16*	*17*	*24*	*29*	*33*	*60*	*94*
Short-term Trade Credits	31	30	20	10	0	0	0	0
Total Loans	**95**	**93**	**81**	**71**	**61**	**61**	**70**	**94**
Budget Support Grants	61	29	29	24	20	21	27	32
Pledged	*61*	*29*	*29*	*0*	*0*	*0*	*0*	*0*
Unpledged	*0*	*0*	*0*	*24*	*20*	*21*	*27*	*32*
Project Grants	*74*	*97*	*116*	*125*	*125*	*125*	*71*	*70*
Already-contracted	*19*	*13*	*13*	*13*	*13*	*13*	*0*	*0*
Pledged	*55*	*75*	*84*	*88*	*88*	*96*	*16*	*0*
Unpledged	*0*	*10*	*20*	*25*	*25*	*29*	*55*	*70*
Total Grants	**135**	**126**	**145**	**149**	**145**	**146**	**98**	**102**

14. **The medium-term outlook is subject to risks**. Downside risks mainly relate to the political environment, fiscal discipline and tax administration, which could spill over to destabilize the economy and weaken the balance of payments. However, there are also considerable upside risks, including that grant inflows (particularly of budget support) will exceed current projections.

15. **The new realism tools indicate some downside risks to the baseline scenario, but do not fully capture the country's circumstances and the structural break associated with the 2016–17 political transition (Figure 4)**:

- The baseline implies a sharp 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, building on the government's fiscal consolidation and reform agenda, the DSA baseline projects a turnaround in these dynamics,[6] including a growth acceleration, tighter fiscal policies, and a shift to explicit budgeting of SOE subsidies rather than government bailouts of their debt, that together would put external and domestic debt on a downward trajectory.
- The adjustment in the primary balance over the first three projection years (+2.7 percent of GDP) is just inside the top quartile of LICs that have requested Fund programs, indicating a relatively ambitious adjustment. However, this improvement is driven mainly by increased grants (+3.7 percent of GDP), which more than cover increases in

[6] The large negative residuals in the external debt decomposition over the projection period reflect (i) external financing gaps over 2020–24, assumed to be financed by reducing gross reserves; and (ii) project grants in the baseline scenario, which are captured as capital transfers in the balance-of-payments presentation. The "other debt creating flows" in the public DSA relate in 2019 to recapitalization of the CBG (assumed to be financed out of privatization revenues), and over the medium-term to amortization of government-guaranteed debts that are not expected to be serviced directly by the government, for which government payments toward debt service are already captured in subsidies (and hence the primary balance).

government spending (+2.3 percent of GDP), rather than by unrealistic increases in domestic revenue collection (+1.4 percent of GDP).

- Similarly, the slowdown in growth in 2019 implied by a mechanical application of fiscal multipliers (Figure 4, top right panel) is likely to be overly pessimistic, given that most of the fiscal balance improvement projected for 2019 stems from a one-off increase in budget support grants. Public investment rates are assumed to increase from an already-high 2017 level in the baseline scenario, mostly reflecting project grants pledged at the donor conference.

- The growth-investment tool shows that, assuming constant investment efficiency, the scaling-up of public investment would imply a growth acceleration of 0.6 percent relative to the recent past. The remaining growth pick-up (1.3 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 Trans-Gambia bridge and 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	3.006	1.16	43%
Real growth rate (In percent)	2.719	4.058	0.11	4%
Import coverage of reserves (In percent)	4.052	28.654	1.16	43%
Import coverage of reserves^2 (In percent)	-3.990	8.210	-0.33	-12%
Remittances (In percent)	2.022	6.060	0.12	5%
World economic growth (In percent)	13.520	3.579	0.48	18%
CI Score			2.71	100%
CI rating			Medium	

16. The Gambia's debt carrying capacity is assessed as "medium." The "Composite Indicator" of debt bearing capacity (Text Table 7) introduced under the new DSF is based on the IMF's October 2018 WEO and the latest Country Policy and Institutional Assessment (CPIA). The overall CI Score of 2.71 is just above the cutoff for "medium" debt bearing capacity (2.69). With this assessment and the changes in the LIC DSF methodology, The Gambia's relevant benchmark and thresholds have changed (Text Table 8). The applicable thresholds for both the present value (PV) of public external debt-to-GDP and -to-exports ratios have increased. None of the tailored stress tests (natural disasters, commodity prices and market financing) are triggered for The Gambia.

Text Table 8. The Gambia: Relevant Benchmark and Thresholds

	Old LIC DSF Methodology	New LIC DSF Methodology
External debt burden thresholds		
PV of debt in percent of		
Exports	100	180
GDP	30	40
Debt service in percent of		
Exports	15	15
Revenues	18	18
Total public debt benchmark		
PV of total public debt in percent of GDP	38	55

DSA RESULTS

17. The external debt stock indicators have improved markedly since the June 2018 DSA (Figure 1 and Table 1). The combination of the GDP revision and higher applicable thresholds for PV-based indicators have caused the PV of external debt to improve substantially relative to the DSA thresholds in the short and medium term. The PV of debt-to-GDP and the PV of debt-to-export ratios are estimated at 34.5 percent and 177.9 percent at end-2018 (against 48.2 percent and 224.6 percent in the previous DSA). Both ratios are now 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 rather than government bailouts of their debt.

18. However, the external debt service indicators have deteriorated in the near term and highlight substantial liquidity pressures. With the inclusion of the trade credit facility, projected debt service has risen in the near-term. External debt service-to-exports and external debt service-to-revenue peak at 26 percent and 38 percent in 2019, well above the thresholds of 15 percent and 18 percent, respectively and remain above these thresholds until 2023 and 2025. Even if the trade credit facility were to be excluded from the analysis, the debt service-to-revenue ratio would be above its threshold throughout this period.

19. The stress test results underscore The Gambia's high vulnerability to external shocks (Figure 1 and Table 3). Three out of four indicators show large breaches under the stress tests and remain above threshold levels for most (or all) of the projection period. The shock with the biggest effect on the PV of external public debt-to-exports and debt service-to-exports is the export shock. The severity of the calibrated shock to exports growth is relatively high (-7.6 percent in 2020–21) 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 223 percent in 2021 and 27 percent in 2020, respectively. The one-time depreciation shock (i.e., 30 percent in 2020) has the biggest impact on debt service-to-revenue, which peaks at 43 percent in 2020. The PV of debt-to-GDP would breach the threshold marginally under the combination shock. With the GDP rebasing, the largest economic vulnerabilities stem from the low export and domestic revenue bases, and reliance on foreign aid flows, which have been volatile historically.

20. The public DSA underscores vulnerabilities arising from the high level and short maturity of domestic debt (Figure 2 and Table 2). The PV of total public debt-to-GDP at 74.5 percent at end-2018 is substantially lower than in the June 2018 DSA (102 percent) following the GDP revision. In the baseline scenario, this ratio declines over the projection period, to fall below its benchmark of 55 percent by 2026. However, the decline of this ratio is relatively gradual, in part reflecting the assumption that financing gaps over 2020–24 will be filled by expensive domestic financing, and the decline would be more rapid with alternative (cheaper) financing. The outlook for the PV of debt-to-revenue ratio is similar to the June 2018 DSA, averaging close to 300 percent over the next ten years. The public debt-service to revenue ratio is substantially higher than under the previous DSA, largely reflecting a methodological improvement in the DSF itself to include rollover of short-term domestic debt in debt service (which averages 81 percent of revenue over 2019–24). Gross financing needs are projected to average 24.8 percent of GDP over 2019–24, well above the 14 percent benchmark of market financing pressures for LICs with market access, further underlining the liquidity pressures facing the government.

21. 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 0.3 percent in 2019 and 2020 (against average growth of 5.5 percent in the baseline scenario), and the PV of public debt and the debt service-to-revenue ratios would be on an upward trajectory reaching 82 percent and 168 percent, respectively, in 2029. The materialization of contingent liabilities of SOEs would result in a further deterioration in the debt burden indicators, with the PV of public debt-to-GDP rising to 76 percent in 2020 and debt service-to-revenue reaching 147 percent by 2020, 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. However, following the shortfall in budget support disbursements in 2018, the assumptions on budget support grants are now very conservative, and if these grants were to reach levels closer to those in the June 2018 DSA, the PV of public debt could be reduced by an additional 2–5 percentage points by 2024.

22. Based on the external debt service indicators, the current DSA finds that The Gambia is currently in external debt distress, reflecting substantial liquidity pressures. The external debt service indicators are above their thresholds in the early projection years by large margins, and these breaches are maintained for an extended period, indicating protracted difficulties in meeting these obligations. Furthermore, as explained in the accompanying IMF Staff Report for the SMP, there are large external financing gaps in this baseline scenario, implying that in the absence of debt relief or additional budget support, official reserves would have to fall well below comfortable levels to meet these obligations.

23. Consistent with this assessment, The Gambian authorities are currently seeking external public debt relief from their official bilateral, plurilateral, and private creditors. The authorities have hired legal and financial advisors and, in the run-up to the roundtable discussion with their main creditors in Washington D.C. in April, approached their bilateral, plurilateral, and private creditors with a request for a five-year deferral of external debt service.

24. Customized scenario analysis suggests that The Gambia could exit from external debt distress within the scope of the debt relief under discussion with creditors (Box 2). A first scenario features a five-year deferral of all principal due to external plurilateral, private and official bilateral creditors, complementing the implementation of a sound medium-term fiscal framework and debt strategy. The analysis shows that this would generate a significant improvement in the critical debt service-to-revenue and debt service-to-exports indicators during the deferral period, and a reduction in the PV of total public debt and gross financing needs. Such flow relief would also help address The Gambia's fiscal and external financing gaps, allowing the authorities to reduce recourse to domestic borrowing and maintain official reserves at close to three months of import cover, while creating much-needed space for social and development spending. Relative to the similar illustrative scenario shown in the June 2018 DSA, the second scenario presented in Box 2 adds a possibility that the scope of the debt relief could cover all debt service, as requested by the authorities, which could create further space relative to the DSA thresholds. Moreover, a third scenario also factors in the possibility that the assurances of debt relief would catalyze additional budget support grants, which would further reduce domestic borrowing needs and, as a consequence, permit the PV of debt to drop below the 55-percent benchmark by 2023.

25. The analysis shows that The Gambia's overall public debt position, while challenging, would be sustainable on a forward-looking basis if the envisaged debt restructuring was implemented. In the scenario with a debt service deferral complementing the strong reform and fiscal adjustment efforts in the DSA baseline, the PV of total public debt would fall below the 55-percent benchmark by 2024. The debt service relief provided by the proposed restructuring would significantly reduce gross financing needs and improve the external debt service indicators, enabling The Gambia to exit from debt distress. The PV of external debt-to-exports and -to-revenues would also remain below thresholds throughout the projection horizon. Nonetheless, even in this scenario, vulnerabilities related to the high level and short-term maturity of domestic debt would remain, and strong reform efforts would be needed to strengthen government's repayment capacity during the deferral period, before the resumption of repayments on the treated loans.

26. 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 in the context of the National Development Plan (NDP) before contracting new debts. The authorities should explore the possibility of renegotiating current loans, in consultation with the debt and legal advisors.

Furthermore, mechanisms to avoid project cost over-runs should be put in place. Upcoming IMF Technical assistance on a Public Investment Management Assessment (PIMA) will help formulate a program to enhance public investment budgeting and management.

Box 2. Illustrative Restructuring Scenarios

Illustrative scenarios show how debt relief in line with the request from the authorities, in the context of a sound medium-term fiscal framework and debt strategy, could contribute to restoring debt sustainability over the medium term, and an exit from debt distress. Two scenarios are constructed, both covering, a five-year debt service deferral on repayments to plurilateral, bilateral official and private creditors during 2020–24. The first scenario assumes that this deferral is applied only to principal payments falling due during this period, while a second scenario assumes that all debt service from these creditors are covered. These restructurings are assumed to be delivered by adding five years to the grace and maturity period of the underlying loans, in a manner similar to the debt restructuring provided by the Saudi Fund for Development in 2018.

In these scenarios, the external debt service indicators would fall well-below their thresholds during the deferral period and, while they rise thereafter, they would remain below the thresholds throughout the projection horizon, albeit only marginally in 2025 in the case of the debt service-to-revenue ratio. The PV of external debt would increase somewhat over the medium-term, but would remain below the DSA thresholds, but the outlook for overall public debt would improve markedly, with the PV of total public debt falling below the DSA benchmark by 2025 under the principal deferral and already by 2024 under the total debt service deferral. This faster reduction in public debt would be achieved through a significant reduction in the stock of short-term domestic debt during the deferral period, translating into permanent savings on the interest bill, and a marked reduction in public gross financing needs. Such a deferral could also contribute to unlocking additional budget support grants from other external partners, as depicted in a third scenario, which would reduce reliance on domestic borrowing and cause the PV of total public debt-to-GDP to fall below the benchmark by 2023.

Text Chart: DSA Indicators under Illustrative Restructuring Scenarios

(ratios)

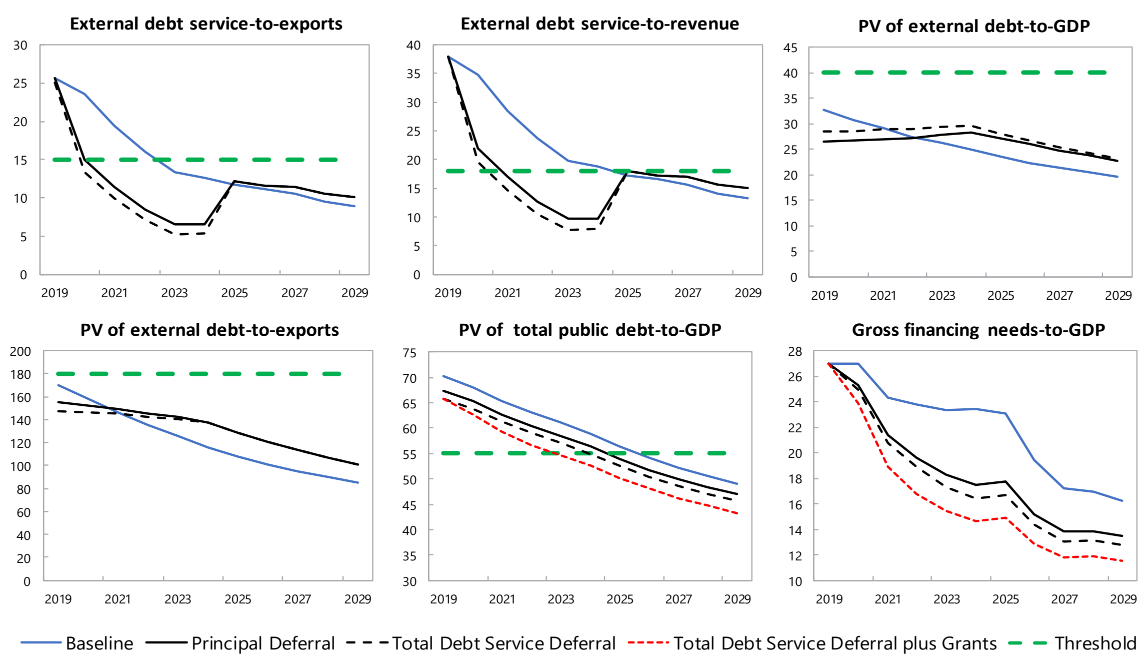
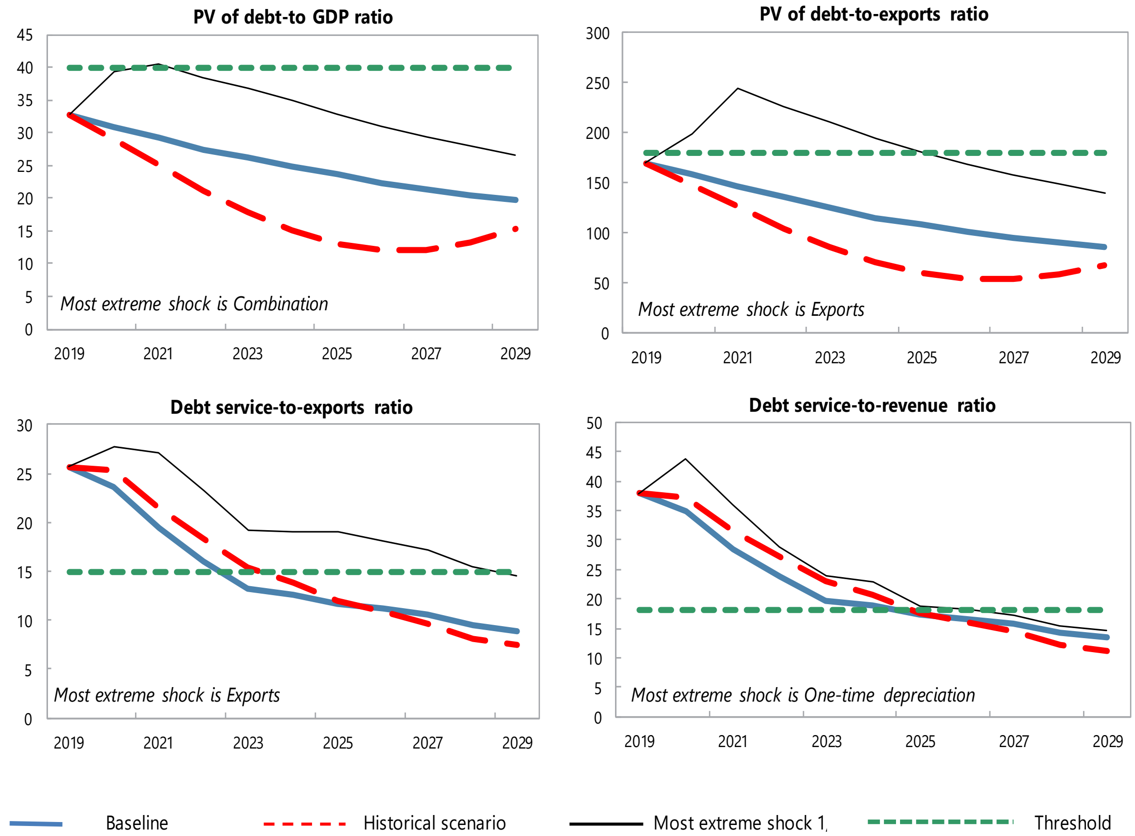


Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt under Alternative Scenarios, 2019–29



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	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	3	3

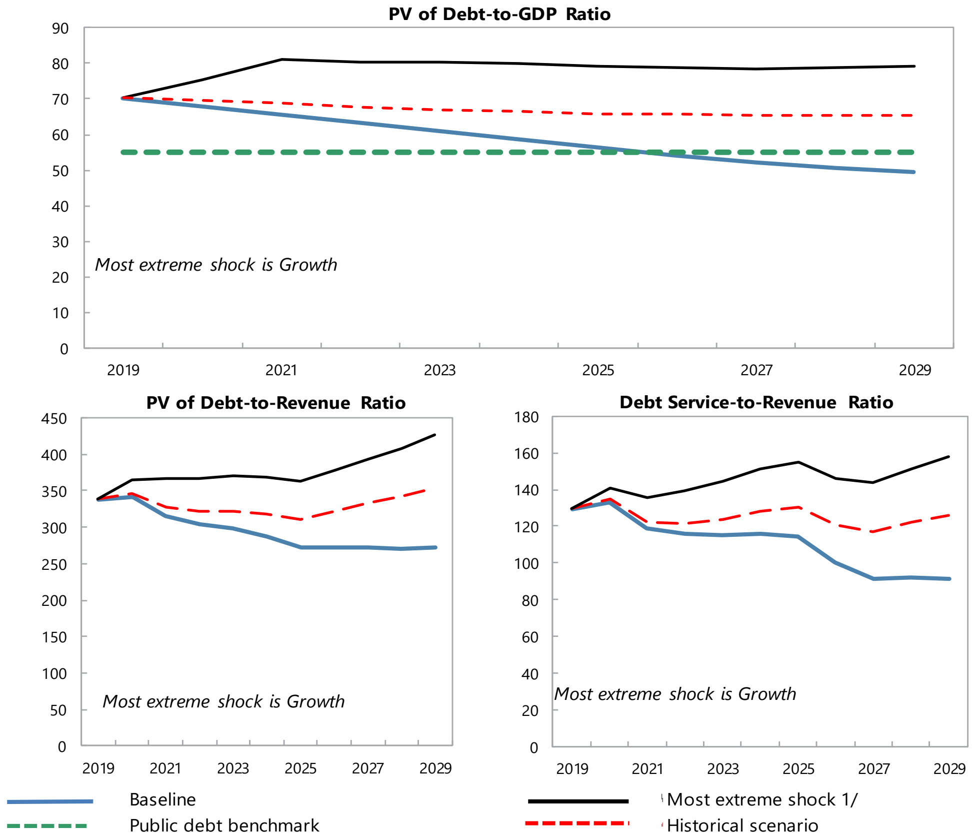
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most 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 Alternative Scenarios, 2019–29



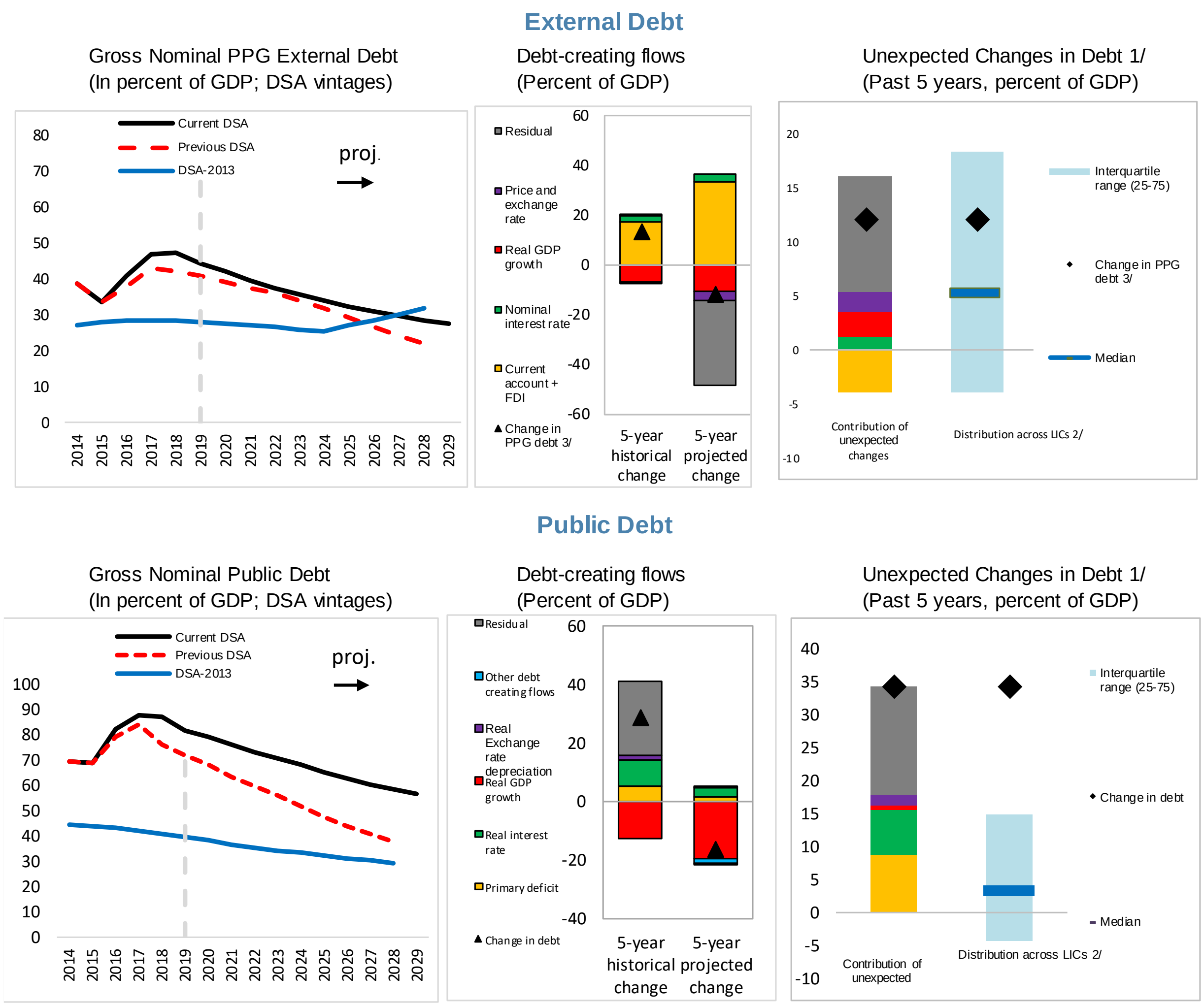
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	14%	14%
Domestic medium and long-term	20%	20%
Domestic short-term	66%	66%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
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: The Gambian authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most 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



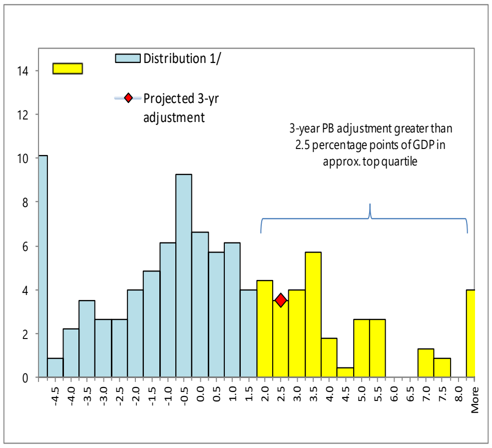
1/ Difference between anticipated and actual contributions on debt ratios.

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.

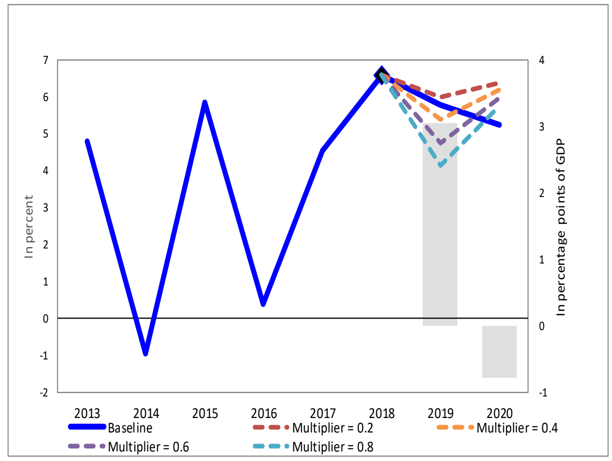
Figure 4. The Gambia: Realism Tools

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



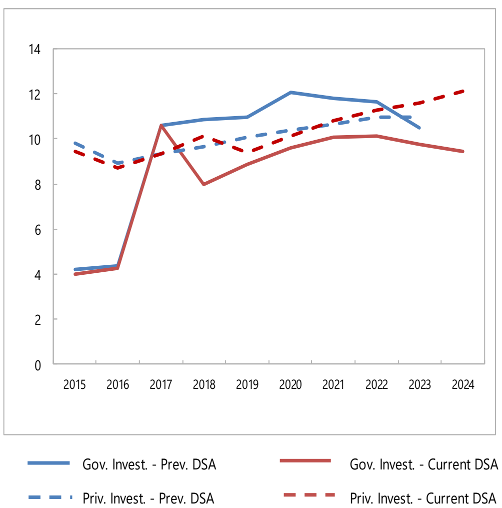
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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
(Percent of GDP)



Contribution to Real GDP Growth
(Percent, 5-year average)

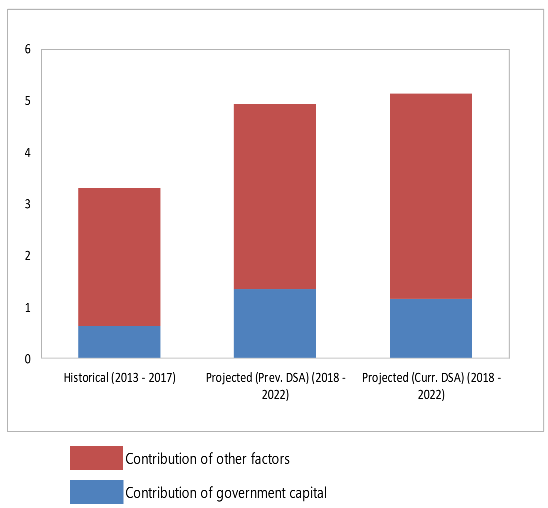
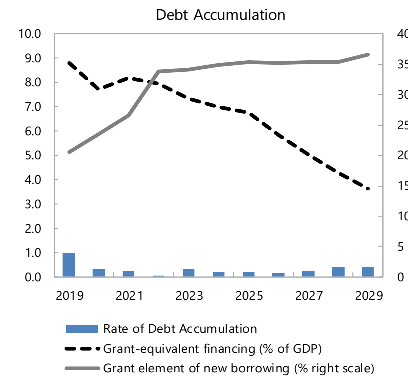


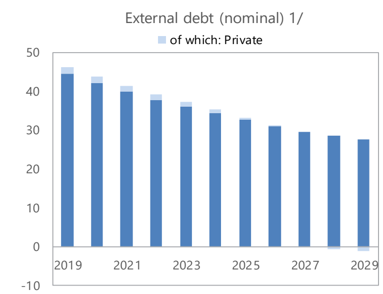
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	43.6	49.0	49.5	46.3	43.8	41.4	39.1	37.3	35.3	26.4	15.2	36.8	35.6
of which: public and publicly guaranteed (PPG)	41.0	47.0	47.6	44.6	42.2	39.9	37.8	36.0	34.3	27.5	21.9	34.7	34.9
Change in external debt	7.5	5.5	0.4	-3.2	-2.5	-2.4	-2.3	-1.8	-2.0	-1.5	-0.9		
Identified net debt-creating flows	2.5	4.2	0.8	2.3	6.3	6.1	6.0	5.4	4.8	0.3	-0.3	2.6	3.8
Non-interest current account deficit	8.9	10.5	10.0	9.6	13.0	12.6	12.3	11.7	11.1	5.9	4.6	7.9	10.1
Deficit in balance of goods and services	15.4	20.6	19.0	19.9	20.9	20.1	19.4	18.6	17.9	12.7	10.7	13.0	17.4
Exports	16.7	16.7	19.4	19.3	19.5	19.9	20.3	20.9	21.6	23.0	26.2		
Imports	32.1	37.3	38.4	39.2	40.5	40.0	39.7	39.4	39.5	35.6	36.9		
Net current transfers (negative = inflow)	-7.9	-11.6	-10.4	-11.3	-8.9	-8.5	-8.0	-7.8	-7.7	-7.6	-6.9	-6.6	-8.2
of which: official	-0.5	-3.7	-0.9	-3.5	-1.5	-1.4	-1.1	-0.9	-0.9	-0.9	-0.5		
Other current account flows (negative = net inflow)	1.4	1.4	1.3	1.1	1.0	1.0	1.0	0.9	0.9	0.8	0.8	1.4	0.9
Net FDI (negative = inflow)	-5.0	-5.6	-5.6	-5.3	-5.1	-5.0	-5.0	-5.0	-5.1	-4.8	-4.5	-5.6	-5.0
Endogenous debt dynamics 2/	-1.3	-0.6	-3.6	-2.0	-1.6	-1.5	-1.3	-1.3	-1.2	-0.8	-0.4		
Contribution from nominal interest rate	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.3		
Contribution from real GDP growth	-0.1	-1.9	-3.0	-2.7	-2.3	-2.1	-1.9	-1.8	-1.7	-1.2	-0.7		
Contribution from price and exchange rate changes	-1.7	0.8	-1.1	...	...	...	...	...	...	...	...		
Residual 3/	5.0	1.2	-0.3	-5.5	-8.8	-8.5	-8.2	-7.2	-6.7	-1.8	-0.6	-0.3	-5.9
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	...	...	34.5	32.8	30.8	29.2	27.4	26.2	24.9	19.6	15.6		
PV of PPG external debt-to-exports ratio	...	...	177.9	169.7	157.8	146.6	135.2	125.4	115.3	85.4	59.5		
PPG debt service-to-exports ratio	25.2	31.2	16.6	25.7	23.6	19.4	16.1	13.3	12.6	8.9	5.1		
PPG debt service-to-revenue ratio	34.3	44.8	26.6	38.0	34.8	28.5	23.8	19.8	18.8	13.4	7.8		
Gross external financing need (Million of U.S. dollars)	116.5	149.8	152.3	192.3	265.7	258.6	254.6	242.0	235.7	82.0	-262.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.4	4.6	6.6	5.8	5.2	5.0	4.8	4.8	4.8	4.5	4.5	3.6	4.9
GDP deflator in US dollar terms (change in percent)	5.0	-1.9	2.3	2.4	2.0	1.3	1.6	1.2	1.2	1.5	1.5	-3.2	1.6
Effective interest rate (percent) 4/	1.5	1.1	1.1	1.4	1.5	1.5	1.4	1.3	1.3	1.4	1.9	1.5	1.4
Growth of exports of G&S (US dollar terms, in percent)	9.4	2.9	26.3	7.8	8.6	8.4	8.5	9.1	9.6	7.4	7.6	3.9	8.2
Growth of imports of G&S (US dollar terms, in percent)	3.2	19.2	12.1	10.5	10.8	5.2	5.7	5.3	6.1	3.7	6.8	5.3	5.8
Grant element of new public sector borrowing (in percent)	...	...	...	20.5	23.4	26.5	33.9	34.0	34.8	36.6	35.8	...	31.9
Government revenues (excluding grants, in percent of GDP)	12.3	11.7	12.1	13.1	13.3	13.5	13.7	14.0	14.4	15.3	17.0	11.1	14.3
Aid flows (in Million of US dollars) 5/	16.2	115.4	54.4	146.4	137.2	155.6	160.1	153.8	154.9	96.6	114.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	8.8	7.7	8.2	8.0	7.3	7.0	3.6	2.6	...	6.6
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	67.4	69.6	75.9	80.8	80.5	80.8	71.5	67.1	...	76.1
Nominal GDP (Million of US dollars)	1,445	1,483	1,617	1,751	1,880	2,001	2,130	2,258	2,394	3,237	5,865		
Nominal dollar GDP growth	5.4	2.6	9.0	8.3	7.4	6.4	6.5	6.0	6.0	6.1	6.1	0.3	6.5
Memorandum items:													
PV of external debt 7/	...	...	36.4	34.5	32.4	30.7	28.8	27.4	25.9	18.5	8.9		
In percent of exports	...	...	187.4	178.5	166.0	154.2	141.9	131.4	119.9	80.6	33.8		
Total external debt service-to-exports ratio	25.2	31.2	26.2	34.5	31.8	26.9	23.0	19.4	18.0	6.3	-17.4		
PV of PPG external debt (in Million of US dollars)			557.8	573.6	579.5	583.9	584.2	591.0	595.5	635.0	914.2		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	0.3	0.2	0.0	0.3	0.2	0.4	0.7		
Non-interest current account deficit that stabilizes debt ratio	1.4	5.0	9.5	12.8	15.6	15.0	14.6	13.5	13.0	7.4	5.5		

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





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

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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

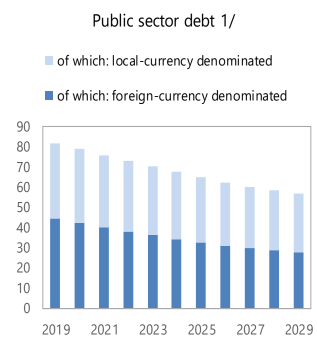
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

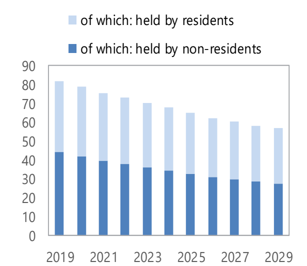
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	82.3	87.9	87.0	81.8	79.0	75.8	73.0	70.5	67.9	56.8	49.6	63.1	68.2
of which: external debt	41.0	47.0	47.6	44.6	42.2	39.9	37.8	36.0	34.3	27.5	21.9	34.7	34.9
Change in public sector debt	13.8	5.6	-0.9	-5.2	-2.8	-3.2	-2.8	-2.6	-2.6	-1.6	-0.3		
Identified debt-creating flows	5.2	1.1	-2.3	-4.8	-2.6	-3.0	-2.7	-2.6	-2.6	-1.6	-0.3	1.8	-2.7
Primary deficit	1.4	0.2	3.1	0.0	0.8	0.3	0.3	0.0	-0.2	0.0	0.6	1.0	0.0
Revenue and grants	13.4	19.5	15.5	20.8	20.0	20.7	20.7	20.4	20.5	18.1	18.9	14.3	20.0
of which: grants	1.1	7.8	3.4	7.7	6.7	7.2	7.0	6.4	6.1	2.8	1.9		
Primary (noninterest) expenditure	14.7	19.6	18.6	20.8	20.8	21.1	21.0	20.4	20.3	18.1	19.5	15.3	20.0
Automatic debt dynamics	3.8	0.9	-5.3	-4.9	-3.0	-2.7	-2.5	-2.4	-2.2	-1.6	-1.0		
Contribution from interest rate/growth differential	2.2	-0.9	-5.2	-4.5	-3.2	-2.9	-2.7	-2.6	-2.5	-1.7	-1.0		
of which: contribution from average real interest rate	2.5	2.7	0.2	0.3	0.8	0.8	0.7	0.7	0.7	0.9	1.1		
of which: contribution from real GDP growth	-0.3	-3.6	-5.4	-4.8	-4.1	-3.8	-3.5	-3.4	-3.2	-2.5	-2.2		
Contribution from real exchange rate depreciation	1.6	1.8	-0.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.1	-0.4	-0.6	-0.5	-0.2	-0.1	0.0	0.0	0.0	-0.2
Privatization receipts (negative)	0.0	0.0	0.0	-1.0	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	1.1	-0.4	-0.6	-0.5	-0.2	-0.1	0.0	0.0		
Residual	8.6	4.5	1.3	-0.8	0.1	0.0	0.2	0.2	0.3	0.1	0.1	3.1	0.0
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	74.5	70.2	68.0	65.5	63.1	61.0	58.8	49.3	43.4		
PV of public debt-to-revenue and grants ratio	...	...	480.2	338.3	340.7	315.7	305.0	298.6	286.8	272.4	230.4		
Debt service-to-revenue and grants ratio 3/	207.7	151.1	154.7	129.3	133.4	118.7	115.6	115.0	116.0	91.4	57.5		
Gross financing need 4/	29.1	29.6	27.1	27.0	27.0	24.4	23.7	23.3	23.4	16.5	11.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.4	4.6	6.6	5.8	5.2	5.0	4.8	4.8	4.78	4.5	4.5	3.6	4.9
Average nominal interest rate on external debt (in percent)	1.5	1.2	1.1	1.5	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.7	1.4
Average real interest rate on domestic debt (in percent)	6.7	6.8	1.4	1.9	3.0	2.8	2.6	2.6	2.8	3.5	4.7	8.2	2.8
Real exchange rate depreciation (in percent, + indicates depreciation)	4.9	4.6	-0.3	...	...	...	...	...	...	...	...	3.8	...
Inflation rate (GDP deflator, in percent)	6.4	4.9	5.7	5.6	5.0	4.7	4.4	4.4	4.4	4.8	4.8	4.6	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	1.1	39.3	0.9	18.3	5.2	6.7	4.5	2.0	3.9	1.4	5.4	11.1	4.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-12.4	-5.4	4.0	5.2	3.6	3.5	3.1	2.6	2.4	1.6	0.9	-4.6	2.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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





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

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

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would 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, 2019–29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	32.8	30.8	29.2	27.4	26.2	24.9	23.6	22.4	21.3	20.4	19.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	32.8	28.9	25.2	21.2	17.9	15.1	13.1	12.0	12.1	13.2	15.4
B. Bound Tests											
B1. Real GDP growth	32.8	33.6	34.6	32.5	31.0	29.5	28.0	26.5	25.2	24.2	23.3
B2. Primary balance	32.8	31.0	29.6	28.0	26.9	25.7	24.5	23.3	22.3	21.5	20.7
B3. Exports	32.8	33.3	35.9	34.0	32.6	31.1	29.3	27.6	26.1	24.9	23.7
B4. Other flows 3/	32.8	35.3	37.7	35.8	34.4	32.7	30.8	29.0	27.3	26.0	24.6
B5. One-time 30 percent nominal depreciation	32.8	38.8	31.2	29.1	27.6	26.1	24.9	23.7	22.7	22.0	21.3
B6. Combination of B1-B5	32.8	39.4	**40.5**	38.3	36.7	34.8	32.8	30.9	29.3	27.9	26.5
C. Tailored Tests											
C1. Combined contingent liabilities	32.8	31.7	30.6	29.2	28.3	27.3	26.2	25.2	24.3	23.6	22.9
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	169.7	157.8	146.6	135.2	125.4	115.3	107.9	100.7	94.8	90.0	85.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	169.7	148.2	126.4	104.5	85.7	70.2	59.9	54.2	53.7	58.4	67.1
B. Bound Tests											
B1. Real GDP growth	169.7	157.8	146.6	135.2	125.4	115.3	107.9	100.7	94.8	90.0	85.4
B2. Primary balance	169.7	158.5	148.6	138.0	128.7	119.1	111.9	105.0	99.3	94.5	89.9
B3. Exports	169.7	**198.1**	**243.8**	**226.4**	**211.2**	**194.6**	**181.0**	168.1	157.3	148.0	139.2
B4. Other flows 3/	169.7	**180.7**	**189.6**	176.4	164.9	151.7	140.8	130.5	121.8	114.4	107.3
B5. One-time 30 percent nominal depreciation	169.7	157.8	124.5	114.0	105.1	96.0	90.3	84.8	80.5	77.0	73.7
B6. Combination of B1-B5	169.7	**203.1**	175.8	**199.5**	**186.1**	170.5	158.6	147.3	137.8	129.7	122.1
C. Tailored Tests											
C1. Combined contingent liabilities	169.7	162.2	153.6	143.7	135.4	126.5	119.9	113.6	108.3	104.0	99.8
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	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.6	11.7	11.2	10.5	9.5	8.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**25.7**	**25.3**	**21.5**	**18.3**	**15.5**	13.8	12.0	10.8	9.7	8.1	7.5
B. Bound Tests											
B1. Real GDP growth	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.6	11.7	11.2	10.5	9.5	8.9
B2. Primary balance	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.7	11.9	11.4	10.8	9.8	9.2
B3. Exports	**25.7**	**27.8**	**27.1**	**23.2**	**19.3**	**19.0**	**19.1**	**18.2**	**17.1**	**15.5**	14.6
B4. Other flows 3/	**25.7**	**23.6**	**19.9**	**17.1**	14.2	14.7	14.7	14.0	13.2	12.0	11.2
B5. One-time 30 percent nominal depreciation	**25.7**	**23.6**	**19.4**	**15.5**	12.8	12.1	10.1	9.7	9.2	8.2	7.7
B6. Combination of B1-B5	**25.7**	**26.2**	**24.4**	**20.5**	**17.0**	**17.7**	**16.8**	**16.0**	**15.1**	13.6	12.8
C. Tailored Tests											
C1. Combined contingent liabilities	**25.7**	**23.6**	**19.5**	**16.2**	13.5	12.8	11.9	11.5	10.8	9.8	9.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	**38.0**	**34.8**	**28.5**	**23.8**	**19.8**	**18.8**	17.3	16.6	15.7	14.1	13.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**38.0**	**37.2**	**31.6**	**27.2**	**23.0**	**20.6**	17.7	16.1	14.5	12.1	11.2
B. Bound Tests											
B1. Real GDP growth	**38.0**	**37.9**	**33.8**	**28.2**	**23.4**	**22.3**	**20.5**	**19.7**	**18.6**	16.7	15.9
B2. Primary balance	**38.0**	**34.8**	**28.6**	**23.9**	**19.9**	**19.0**	17.6	17.0	16.1	14.6	13.9
B3. Exports	**38.0**	**35.2**	**29.5**	**25.4**	**21.2**	**21.1**	**20.9**	**20.0**	**18.9**	17.1	16.2
B4. Other flows 3/	**38.0**	**34.8**	**29.4**	**25.3**	**21.2**	**22.0**	**21.8**	**20.9**	**19.7**	17.8	16.9
B5. One-time 30 percent nominal depreciation	**38.0**	**43.8**	**35.9**	**28.9**	**24.0**	**22.8**	**18.8**	**18.2**	17.2	15.3	14.6
B6. Combination of B1-B5	**38.0**	**38.2**	**34.1**	**28.7**	**24.0**	**25.2**	**23.5**	**22.5**	**21.3**	**19.2**	**18.2**
C. Tailored Tests											
C1. Combined contingent liabilities	**38.0**	**34.8**	**28.7**	**24.0**	**20.1**	**19.2**	17.7	17.1	16.2	14.6	13.9
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: The Gambian 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, 2019–29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**70.2**	**68.0**	**65.5**	**63.1**	**61.0**	**58.8**	**56.3**	54.1	52.2	50.7	49.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**70**	**70**	**69**	**68**	**67**	**66**	**66**	**66**	**66**	**65**	**65**
B. Bound Tests											
B1. Real GDP growth	**70**	**75**	**81**	**80**	**80**	**80**	**79**	**79**	**79**	**79**	**79**
B2. Primary balance	**70**	**69**	**68**	**66**	**64**	**62**	**59**	**57**	55	53	52
B3. Exports	**70**	**70**	**72**	**69**	**67**	**64**	**62**	**59**	**57**	55	53
B4. Other flows 3/	**70**	**73**	**74**	**72**	**69**	**67**	**64**	**61**	**58**	**56**	54
B5. One-time 30 percent nominal depreciation	**70**	**73**	**69**	**65**	**62**	**59**	**55**	52	50	47	45
B6. Combination of B1-B5	**70**	**68**	**68**	**65**	**63**	**61**	**59**	**57**	**55**	54	52
C. Tailored Tests											
C1. Combined contingent liabilities	**70**	**76**	**73**	**71**	**68**	**66**	**63**	**61**	**59**	**57**	**55**
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	338.3	340.7	315.7	305.0	298.6	286.8	272.2	271.9	271.7	271.1	272.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	338	346	327	321	322	317	311	322	333	342	353
B. Bound Tests											
B1. Real GDP growth	338	366	367	366	371	369	363	378	393	408	426
B2. Primary balance	338	347	330	319	312	300	285	285	284	284	285
B3. Exports	338	351	345	334	327	314	297	296	294	292	292
B4. Other flows 3/	338	363	357	346	339	326	308	306	304	301	301
B5. One-time 30 percent nominal depreciation	338	375	342	325	312	294	274	268	263	257	252
B6. Combination of B1-B5	338	343	327	312	306	296	282	283	285	286	289
C. Tailored Tests											
C1. Combined contingent liabilities	338	383	354	342	335	322	306	306	306	305	307
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.
									1		
Debt Service-to-Revenue Ratio											
Baseline	129.3	133.4	118.7	115.6	115.0	116.0	114.2	100.1	91.7	92.1	91.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	129	135	122	122	124	128	131	121	117	123	126
B. Bound Tests											
B1. Real GDP growth	129	141	136	139	144	152	155	146	144	151	158
B2. Primary balance	129	133	123	125	122	123	121	106	98	98	97
B3. Exports	129	133	119	116	116	117	117	102	94	94	93
B4. Other flows 3/	129	133	119	117	116	118	117	103	95	95	94
B5. One-time 30 percent nominal depreciation	129	130	119	116	114	114	112	97	88	90	88
B6. Combination of B1-B5	129	133	121	118	118	119	119	105	98	99	99
C. Tailored Tests											
C1. Combined contingent liabilities	129	133	147	135	136	135	130	115	106	106	104
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: The Gambian authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

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

3/ Includes official and private transfers and FDI.