INTERNATIONAL MONETARY FUND

THE GAMBIA

**Request for a Three-Year Arrangement Under the Extended Credit Facility**

**Debt Sustainability Analysis—Update**

Prepared by the Staff of the International Monetary Fund

May 9, 2012

Approved by Roger Nord and Jan Kees Martijn (IMF)

External debt indicators suggest that The Gambia remains at high risk of debt distress. In particular, the ratio of the present value of external debt to exports breaches its threshold over a protracted period, while other indicators are vulnerable to adverse shocks. Still, based on current projections, The Gambia's external debt is on a sustainable path. Moreover, there is scope for moderate amounts of additional external borrowing on concessional terms for productive investments. Domestic debt, which has grown substantially in recent years, is costly and poses high rollover risks. Interest on domestic debt consumes nearly one-fifth of government revenues and far exceeds the cost of interest on external debt. The staffs recommend that the authorities restrict external financing to grants and highly concessional loans with a grant element of at least 35percent and reduce new domestic borrowing.

# I. BACKGROUND

1. **This debt sustainability analysis (DSA) update is prepared by the IMF staff as an annex to the request for a three-year arrangement under the extended credit facility (ECF).** This DSA is based on debt and debt service data obtained from the authorities and reflects the macroeconomic framework discussed during the IMF's mission to negotiate a new ECF arrangement (February 22—March 6, 2012). Similar to the previous DSA prepared jointly by staffs of the IMF and the International Development Agency,[1] which was completed in December 2011 at the time of the 2011 Article IV consultation, the DSA concludes that The Gambia is at high risk of debt distress.

2. **The Gambia received extensive debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) after reaching its HIPC completion point in December 2007.** Based on full delivery of HIPC and MDRI debt relief, The Gambia's stock of nominal external public debt was reduced from US$676.7 million (133.1 percent of GDP) to US$299.4 million (41.7 percent of GDP). In present value (PV) terms, the stock of debt at end-2007 decreased from US$439 million to US$347 million following HIPC debt relief and to US$165 million after MDRI debt relief. Jointly, these reduced the external debt-to-exports ratio to about 113 percent at completion point.[2] In January 2008, Paris Club creditors agreed to cancel outstanding claims totaling US$13 million in (end-2006) PV terms.

3. **Despite receiving HIPC and MDRI debt relief, The Gambia's debt indicators have remained elevated, reflecting a number of factors.** These factors include poor export performance in recent years—particularly due to a drop in tourism receipts during the global economic crisis—and new borrowing. As of end-2011, the nominal stock amounted to US$386 million.[3] In PV terms, The Gambia's external debt amounted to US$290 million (or 217 percent of exports) as of end-2011. Also, a sharp depreciation of the Gambian dalasi in 2008 adversely affected the ratios of debt to GDP and debt service to government revenues.

4. **Increased reliance on domestic borrowing to finance larger-than-budgeted government deficits added to The Gambia's debt burden in recent years.** Although the classification of the risk of debt distress in the DSA only considers external debt, the domestic debt stock stood at just over 30 percent of GDP as of end-2011. Interest payments

[1] IMF Country Report No. 10/61.

[2] IMF Country Report No. 08/109.

[3] A recent technical assistance (TA) mission by the World Bank reconciled the authorities' external debt stock data against the African Development Bank (AfDB), IDA, and other creditors. The reconciliation focused on the end-2010 stock of debt, but it implies that small adjustments to historical data may be warranted.

on domestic debt is consuming an estimated 18 percent of government revenues in 2011, far outweighing the interest obligations on external debt.

## II. MACROFRAMEWORK ASSUMPTIONS

5. **The macroeconomic framework is based on the authorities policy framework discussed with the staff and takes into account the negative impact of recent drought on crop production.** Box 1 summarizes the key underlying macroeconomic assumptions of the current DSA. Owing to the drought, real GDP is projected to contract by about -1½ percent in 2012 and the current account deficit to widen by 4½ percentage points to 19 percent of GDP. Real GDP is then assumed to rebound to nearly 10 percent in 2013 as agriculture output bounces back and then gradually decline to its long term projected growth rate of 5½ percent by 2016. Exports are forecast to drop by 3 percent in 2012 as export volume of key cash crops such as groundnuts will declines by about 80 percent. Imports are on the other hand assumed to rise by almost 13 percent on account of additional drought-related imports and high oil imports bill. Export and import are assumed to reach their long-term projected growth rate of 7 and 8 percent, respectively, by 2021. The net domestic borrowing is expected to increase to 3.8 percent of GDP as the authorities finance a significant portion of drought-related spending domestically, but still reach 0.5 percent by 2014 in line with the policy framework discussed with the staff.

## III. EXTERNAL DEBT SUSTAINABILITY

### A. BASELINE

6. **Similar to the previous DSA, one of the key external debt indicators breaches its threshold by a substantial margin and for a protracted period (Text Table 1, Table 1, and Figure 3).** That is, the PV of external debt to exports ratio is projected to be 199 percent in 2012, well above its threshold of 100, and is only projected to fall below this mark in 2031. In contrast, all the other external debt indicators fall below their respective thresholds over the medium term and stay below these thresholds throughout the rest of the projection period. For example, the PV of external debt to GDP ratio is above its threshold in 2012, but declines gradually below its threshold over the medium and long term as economic growth remains robust. More specifically, with real GDP growth of 5½ percent a year over the long term, the external debt-to-GDP ratio declines to about 16 percent by 2032 from just over 34 percent in 2012. The external debt service ratios are below their respective thresholds and both continue to decline gradually over the medium and long term.

**Box 1: Baseline Macroeconomic Assumptions Underlying the DSA**

Real GDP growth is expected to drop sharply to about -1½ percent in 2012 on account of severe crop failure caused by recent drought. Growth in 2013-14 is assumed to strongly rebound as agriculture output recovers from its low base of 2012 and non-agricultural GDP is projected to grow at prevailing trends (about 5½ percent a year in real terms), except for a moderate setback in tourism during the 2012-13 season. Growth then declines to its long-term projected annual average rate of 5½ percent by 2016.

Despite the crop failure, CPI inflation is expected to remain moderate at about 4½ percent in 2012, reflecting continued prudent monetary policy, along with additional imports of food that mitigate the supply shock in agriculture. Inflation is projected to rise to 5½ percent in 2013 and 2014 as recovery in agriculture gains traction and the VAT is introduced as scheduled in January 2013. Over the long term, inflation is forecasted to remain stable at around 5 percent.

The overall fiscal deficit for 2012 is assumed to temporarily widen to 3½ percent of GDP due to the drought-related spending. The increase in deficit is despite a moderate increase in tax revenue of about 1 percentage point of GDP compared to 2011. Tax revenues are expected to steadily rise to 15½ percent of GDP in 2014, reflecting the effects of the introduction of a VAT, an increase in tax collection efforts, and the implementation of measures to curb tax evasion and improve tax administration. Net domestic borrowing is assumed to sharply rise in 2012 to finance the drought-related spending and then to gradually decline until 2014, in line with the authorities' medium-term debt strategy discussed with the staff.

Donor support, including project grants, is expected to sharply increase by 6.6 percent in 2012 compared to 4.7 percent in 2011. The relatively high increase in donor support is attributed to external budget support from IDA and AfDB amounting to about US$8 million total. Over the medium term, grant growth is expected to gradually decline to the long-term projection rate of 4½ percent of GDP. The DSA also assumes borrowing from the IMF under the ECF arrangement currently in negotiation. The size of borrowing is expected to be 60 percent of The Gambia's quota: 30 percent of quota will be disbursed up front to meet any drought-related financing needs and 30 percent of quota equally distributed over 6 reviews of the new ECF.
The external current account deficit (including budget support) is expected to rise sharply to 18 percent of GDP in 2012 from about 14 percent in 2011; over the medium term, the external current account deficit should decline to about 12 percent of GDP and then to 10 percent by 2028.

Export growth (excluding re-exports) is projected to shrink by 3 percent in 2012, reflecting the negative impact of drought on the output of key cash crops for The Gambia. In particular, the volume of groundnut exports in 2012 is assumed to be only about 20 percent of 2011; the value of exports is however expected to be slightly higher at 30 percent due to the higher international price of groundnut products. Growth in tourism is expected to slow down to about 2 percent in 2012 as compared to 19 percent in 2011. The slowdown is largely due to the projected economic downturn in the Euro area, capacity constraint in the tourism sector. Export growth is expected to sharply rebound in 2013 due to the projected recovery in agricultural exports and then to gradually decline to its long-term projection rate of 7 percent by 2019.

Imports in 2012 are expected to jump by 13 percent from 2011 on account of additional drought-related imports and the high international price of oil. The drought is assumed to generate the need for additional imports of food, fertilizer, and seeds amounting to US$ 23 million.

Partly offsetting the widening trade deficit, remittances are expected to rise about 12 percent from 2011, which is substantially higher than the projected long-term rate of 8 percent, reflecting additional effort by migrant workers overseas to help out their family members suffering from the drought.

Gross international reserves are expected to remain roughly at 5 months of imports and services in 2012 and maintain this ratio throughout the entire projection period (2012 – 2031). Nominal exchange rate vis-à-vis the U.S. dollar is projected to depreciate by 4 percent in 2012 onwards, reflecting the CPI inflation differential in the United States and The Gambia.

Text Table 1: Baseline External Debt Indicators and Debt Burden Thresholds

| | Threshold 1/ | 2012 | Medium-term (2012-17) | Long-term (2018-32) |
|---|---|---|---|---|
| **PV of external Debt** | | | | |
| In percent of GDP | 30 | 34 | 30 | 20 |
| In percent of exports 2/ | 100 | 199 | 179 | 118 |
| In percent of revenues | 200 | 217 | 176 | 115 |
| **Debt Service** | | | | |
| In percent of exports | 15 | 12 | 12 | 7 |
| In percent of revenues | 18 | 13 | 12 | 7 |

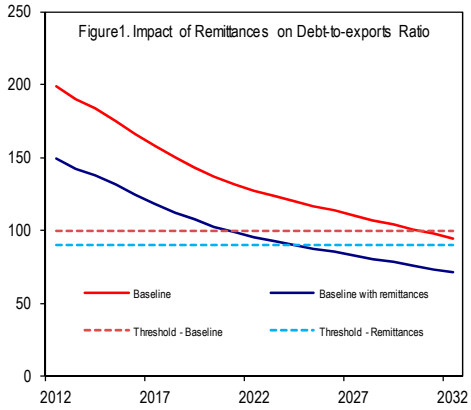
1/ Based on The Gambia's ranking as a "weak performer" with average (2008-10) CPIA rating of 3.28.
2/ The ratio drops below threshold from 2031 and onwards.

7. **The thresholds for external debt indicators are policy dependent.** Despite recent improvements, The Gambia remains in the "weak performer" category according to the three-year (2008–10) average rating of the World Bank's Country Policy and Institutional Assessment (CPIA).[4] As a result, the associated policy-dependent debt burden thresholds are at their lowest levels and are more likely to be breached.[5]

[4] The low-income country debt sustainability framework (LIC DSF) recognizes that better policies and institutions allow countries to manage higher levels of debt, and thus the threshold levels for debt indicators are policy-dependent. In the LIC-DSF, the quality of a country's policies and institutions is measured by the World Bank's Country Policy and Institutional Assessment (CPIA) index, which consists of a set of 16 criteria grouped into four equally weighted clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. Countries are classified into three categories: strong, medium, and weak performers.

[5] In 2011, The Gambia's CPIA score improved to 3.35 for 2010, up from 3.26 for 2009 and 3.23 for 2008, lifting the 3-year moving average of the CPIA above the benchmark of 3.25. Going forward, if progress on the reform agenda can be sustained and the country's CPIA score continues to improve, The Gambia could be classified as a "medium performer." In that case, higher indicative thresholds would apply, possibly leading to a revisiting of the debt distress assessment.

8. **For illustrative purposes, when remittances are taken into account, the debt-to-exports (including remittances) ratio still exceed its threshold; however, the breach is considerably smaller and lasts for a shorter period.**[6] Remittances are similar to other "measures of repayment capacity" (like exports) because they increase the foreign exchange earnings available to a country. Although there is usually under-reporting of remittances inflows, which raises concerns about the quality and the coverage of the data, in the case of The Gambia it is estimated that they exceed 30 percent of exports (excluding re-exports), equivalent to over 4½ percent of GDP in 2012. Remittances, however, also tend to be sensitive to economic conditions in the host countries, notably the United Kingdom. As expected, incorporating remittances in our analysis reduces the debt-to-exports ratio by a substantial margin even when accounting for a tightening of the threshold by 10 percent (Figure 1).[7] Nevertheless, this ratio still breaches the threshold until about 2020 with a peak of about 150 percent in 2012.




## B. Alternative Scenarios and Stress Tests

9. **The Gambia's debt sustainability outlook is susceptible to changes in the policy framework assumed in the baseline scenario (Table 2).** Most alternative scenarios show that external debt indicators would deteriorate substantially under a range of shocks.

**Alternative Scenarios:**

- Under the historical scenario, which is associated with key variables (GDP growth, external current account balance, and non-debt creating flows) being at their historical levels, all three debt burden indicators (which reflect repayment capacity measures) improve ever so slightly. Compared to the baseline, the debt to GDP ratio is lower by less than a ½ percentage point in 2022, while the debt to exports and debt to revenue ratios are below the baseline by approximately 2 and 1 percentage point, respectively. Under this scenario, debt service indicators worsen relative to the baseline but only marginally (Table 2a).

[6] A recent IMF Policy Paper titled "A Review of Some Aspects of the Low-Income Country Debt Sustainability Framework" calls for a more explicit recognition of remittances in DSAs. The paper also calls for the adjustment of the thresholds when remittances are included in the analysis, which can be seen in Figure 1. However, the framework also specifies that remittances should not be included in the assessment of the risk of debt distress, in the event of protracted breaches of the debt-to-exports threshold.

[7] Including remittances has a similar effect on the debt service to exports ratio, namely, a reduction in the ratios over the projection horizon.

- In the scenario where new borrowing occurs on less favorable terms,[8] all the debt indicators worsen substantially with the debt stock ratios most affected. In particular, the debt to exports ratio breaches its threshold throughout all projected years with a low of about 141 percent in 2032. The debt to revenue ratio also increases, for instance, by almost 35 percentage points in 2022, but it remains under its threshold throughout the projection horizon. These results underscore the need for the authorities to seek highly concessional financing for new borrowing.[9]

- In a third scenario, customized to help assess the scope for additional external borrowing to help finance the authorities' new poverty reduction strategy—the Programme for Accelerated Growth and Employment (PAGE)—new borrowing is increased to the maximum point that is still consistent with all debt indicators falling below their respective thresholds by the end of the projection period. This scenario assumes an increase of about US$38 million in new borrowing from multilateral creditors distributed between 2012–2016, which would finance increased investment spending under the PAGE. The higher level of new borrowing is then phased out gradually up to 2021, after which it returns to baseline levels. Under this scenario, it is also assumed that there is a positive growth effect on real GDP (about 0.2 percentage point for each percentage point of GDP of investment with a one-year lag) which phases out gradually over time. Results show the debt-to-exports ratio breaching the threshold until 2031, before declining to 98 percent in 2032. That is, although the threshold is breached, the overall path suggests that debt sustainability would be maintained. The same reasoning applies to the other debt ratios: even though this elevated debt path results in a brief breaching of both the debt-to-GDP and debt-to-revenue ratios during the additional borrowing phase (2012-2016), the overall path shows a sustainable downward trend for the projection period.

**Bound Tests:**

- Most bound tests show a significant deterioration in debt indicators. Of the six bound tests, four involve "shocks" to some key variables in the second and third years of the

[8] Such less favorable terms may include higher interest rates, a reduction in grant element, or borrowing at non-concessional or less concessional terms. In the context of this DSA, however, this scenario assumes that the interest rate on new borrowing is 2 percentage points higher than in the baseline. Grace and maturity periods are the same as in the baseline.

[9] To be considered concessional in IMF arrangement, loans must have a grant element of at least 35 percent. IDA also has a minimum grant element under the Non-Concessional Borrowing Policy (NCBP) of 35 percent or higher. The policy is complementary to other policies and tools that the World Bank and IMF have in place to help countries maintain debt sustainability, such as the Low-Income Country Debt Sustainability Framework (LICDSF), the Debt Management Performance Assessment (DeMPA) tool, and the toolkit for developing Medium-Term Debt Management Strategies (MTDS).

projection period;[10] another is a combination of these four shocks while the sixth assumes a one-time 30 percent depreciation in the nominal exchange rate. The results (Table 2) are interpreted such that the most extreme shock is the one yielding the highest ratio in 2021. Depending on the indicator in question, the worst shock varies between a one-time 30 percent depreciation in the nominal exchange rate and a one-standard deviation downward shift from historical export growth, with most of the debt indicators breaching their respective thresholds. These results highlight the need for the authorities to adhere to a prudent borrowing plan associated with an approved medium-term debt management strategy (MTDS).

# IV. PUBLIC DEBT SUSTAINABILITY

## A. BASELINE

10. **Over the medium-to-long term, domestic debt is projected to fall from just over 33 percent of GDP at the end of 2012 to just over 24 percent of GDP in 2015, and to continue to fall thereafter, reflecting sustained fiscal discipline.** The authorities have expressed their intention to achieve a gradual fiscal adjustment over the medium term in order to curb new domestic borrowing. The goal is to reduce new domestic borrowing to half of a percentage point of GDP in 2014 and beyond. The authorities are also pursuing a comprehensive tax reform anchored around the introduction of a VAT in January 2013. The tax reform is projected to be moderately revenue enhancing which would improve the debt-to-revenue ratio. In addition, as anticipated for the medium term, fiscal discipline should help lower domestic interest rates and provide fiscal space to increase basic primary expenditures.[11]

11. **Under the baseline scenario, the PV of total public debt is projected to decline from about 68 percent of GDP in 2012 to just over 47 percent in 2017 and to about 23 percent in 2032 (Table 3 and Figure 3).** The largest factor contributing to this decline in the PV of public debt in the near term is the projected fall in new domestic borrowing. As a ratio of domestic revenues and grants, the PV of public debt is projected to fall from about 301 percent in 2012 to 109 percent by the end of the projection period.

## B. ALTERNATIVE SCENARIOS AND STRESS TESTS

12. **Under alternative scenarios and stress tests, the public debt ratios deteriorate significantly.** In particular, public debt and debt service ratios are mostly sensitive to lower GDP growth over the long run, persistent primary fiscal deficits, and one-time depreciation of the nominal exchange rate (Table 4). Of the three alternative scenarios, public debt ratios

[10] The variables are "shocked" by setting them one standard deviation below their historical averages.

[11] Defined as expenditures excluding interest payments and externally financed projects.

are mostly affected by a persistent fiscal deficit, suggesting that a status quo in fiscal policy results in a damaging debt path. The most extreme stress test is a temporary deceleration in real GDP growth.

**Alternative Scenarios:**

- Under a scenario where the primary balance is kept constant for the projection period (at a deficit of about 1½ percent of GDP), the PV of debt to GDP ratio would decrease from 68 percent in 2012 to only 35 percent in 2032, as compared to a decline under the baseline to 23 percent in 2032. Similarly, the PV of debt to revenue will only decrease from 301 percent in 2012 to 165 percent in 2032 as against a decline under the baseline to 109 percent in 2032.

- The present values of all public debt indicators decline over time under the scenario with reduced real GDP growth, while the primary balance at historical averages[12] shows a similar downward trend as in the baseline; this decline is not as pronounced as under the baseline scenario, however. The PV of debt to GDP ratio declines from 57 percent in 2011 to 40 percent in 2031 (as compared to 22 percent in the baseline), while the PV of debt to revenue ratio declines from 309 percent to 204 percent between the same years (as against 115 percent in the baseline).

**Bound Tests:**

- The most extreme bound test consists of real GDP growth being at one standard deviation less than its historical average. Under this circumstance, the PV of debt to GDP ratio would worsen to 55 percent in 2032 as compared to 23 percent under the baseline scenario while the PV of debt to revenue ratio would worsen to 252 percent as against 109 percent under the baseline.

- A combination of shocks (to growth and the primary balance) and a one-time 30 percent depreciation also results in a moderate worsening of debt ratios compared to the baseline. Under the former, the PV of debt-to-GDP ratio would rise to 48 percent in 2032 while under the latter it would rise to 28 percent when compared with the baseline figure of 23 percent.

## V. THE AUTHORITIES VIEW

13. **The authorities broadly agreed with the overall assessment.** The authorities noted that in their own debt sustainability exercise, they have greater room for additional borrowing in their stepping-up scenario to help finance the PAGE. This is a result of more

[12] At historical averages, real GDP growth is 4 percent while the primary deficit is 0.2 percent of GDP.

optimistic assumptions on the growth impact of investment on long-term real GDP and exports.

## VI. DEBT DISTRESS CLASSIFICATION AND CONCLUSIONS

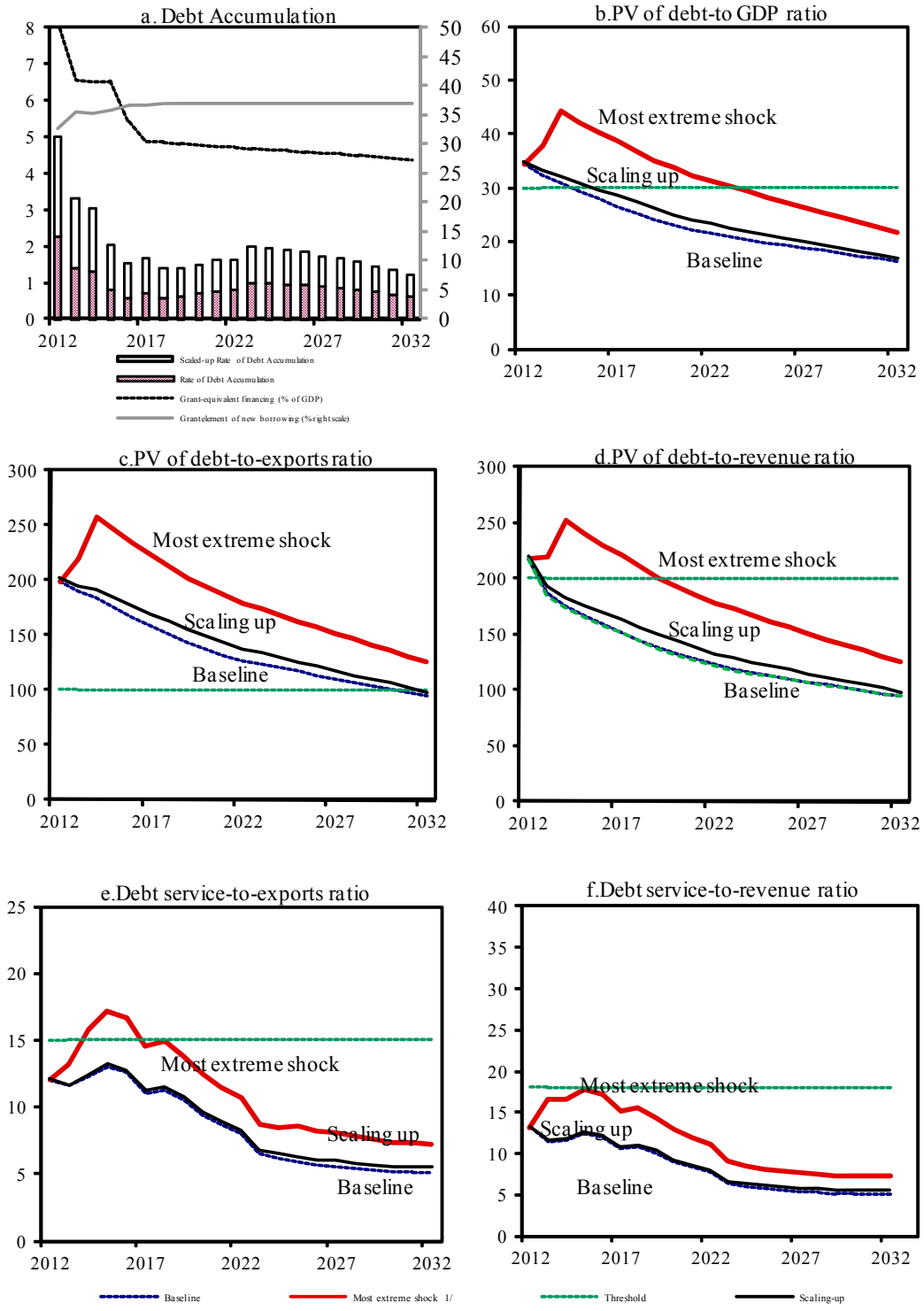
14. **In the view of the staffs, The Gambia remains at high risk of debt distress based on external debt indicators and the results of the stress tests.**[13] This assessment reflects the significant and protracted breach of the policy-dependent indicative threshold by the PV of debt to exports ratio, as well as the vulnerability of other debt indicators to alternative scenarios. In particular, the debt indicators could deteriorate significantly either if new borrowing were contracted on less favorable terms, or if the exchange rate depreciates significantly. While an assessment of domestic debt does not affect a country's classification of debt distress, The Gambia's large domestic debt stock (just over 29 percent of GDP as of end-2010) and high debt service payments on domestic debt (18 percent of government revenues in 2011) provide further evidence that the country's overall debt vulnerabilities are high. Moreover, there is considerable risk that without a lasting fiscal adjustment, a further accumulation of costly domestic debt would be likely.

15. **A number of policy recommendations emanate from this assessment and attendant risks.** The staffs urge the authorities to develop a medium-term debt management strategy that aims for a combination of grants and concessional borrowing for external financing and a borrowing policy consistent with debt sustainability. To address the high cost of domestic debt, the strategy would need to curb new domestic borrowing. Under such a strategy, as pressure on yields subsides, the authorities could also seek to refinance maturing T-bills with longer-term treasury bonds to extend the maturity profile of the debt and reduce rollover risks. The authorities could also consider efforts to raise the country's export potential through policies aimed at diversifying the economy and increasing competitiveness. The staffs also recommend that the minimum grant element on external borrowing be set at not less than 35 percent.[14] The major risks to The Gambia's debt sustainability include lower than expected economic and/or export growth, higher than expected new borrowing, and slippages in fiscal performance.

[13] Based on IMF guideline, a country is considered to be at high risk of debt distress when the baseline scenario indicates a protracted breach by one or more debt indicators, and exacerbated by stress tests, but the country does not currently face payment difficulties.

[14] The results in this DSA reflect an assumption that new external borrowing that was not subject to established terms had a grant element of 35 percent.

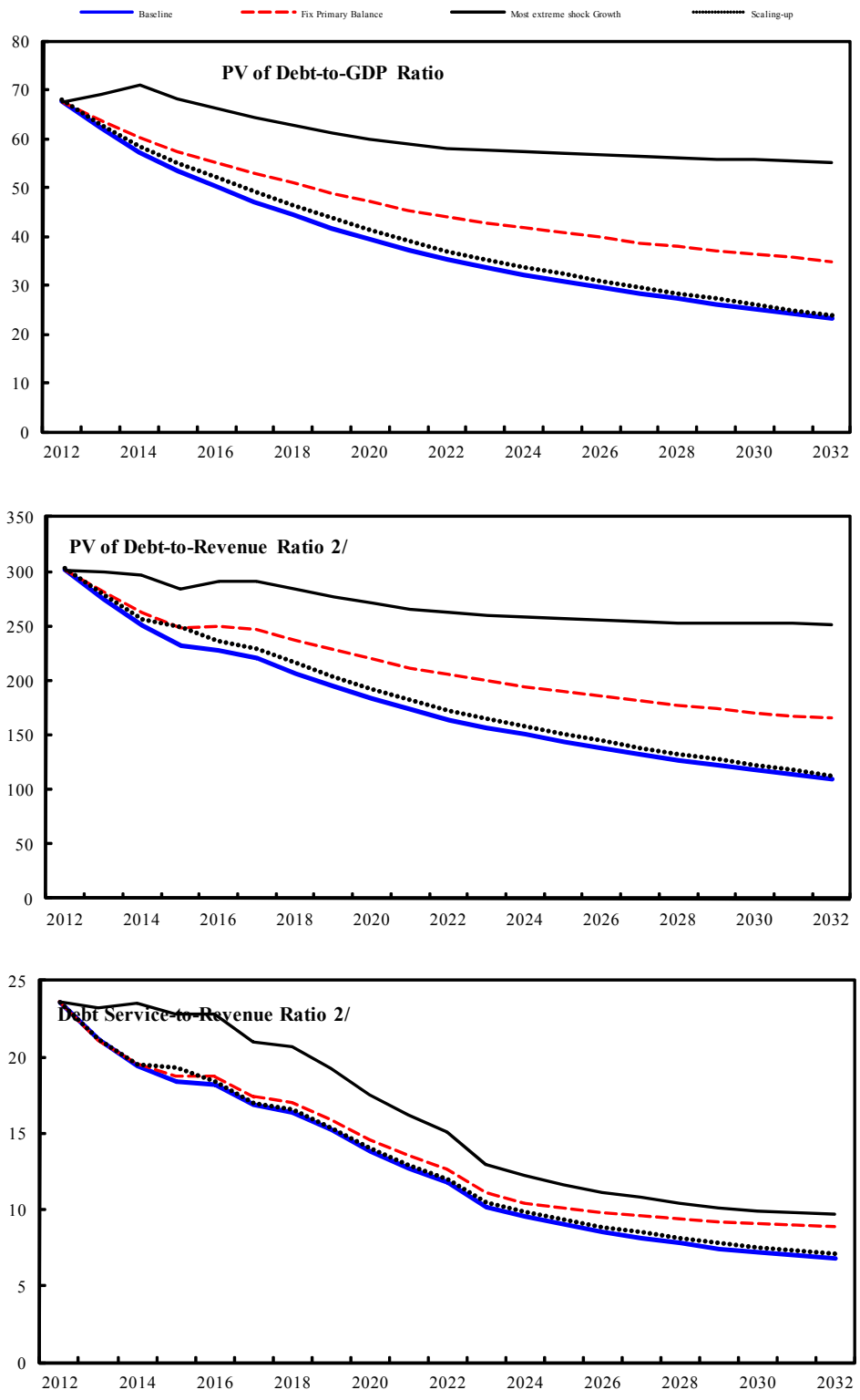
Figure 2. The Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2012-2032 1/




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 3.The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2012-2032 1/




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022.

2/ Revenues are defined inclusive of grants.

Table 1: External Debt Sustainability Framework, Baseline Scenario, 2012-2032 1/
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Historical 0 Average | Standard 0 Deviation | Projections | | | | | | 2012-2017 | | | 2018-2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Average | 2022 | 2032 | Average |
| **External debt (nominal) 1/** | **40.9** | **40.2** | **40.8** | | | **45.9** | **43.3** | **41.3** | **39.4** | **37.7** | **36.1** | | **29.7** | **22.4** | |
| o/w public and publicly guaranteed (PPG) | 40.9 | 40.2 | 40.8 | | | 45.9 | 43.3 | 41.3 | 39.4 | 37.7 | 36.1 | | 29.7 | 22.4 | |
| Change in external debt | -3.6 | -0.7 | 0.6 | | | 5.1 | -2.6 | -2.0 | -1.9 | -1.6 | -1.6 | | -1.0 | -0.7 | |
| Identified net debt-creating flows | 7.9 | 4.4 | 7.5 | | | 10.8 | 4.4 | 4.7 | 4.7 | 4.7 | 4.3 | | 4.0 | 5.0 | |
| **Non-interest current account deficit** | **11.5** | **15.0** | **13.4** | **8.7** | **3.9** | **17.3** | **14.5** | **13.7** | **13.0** | **12.4** | **11.8** | | **10.5** | **9.8** | 10.2 |
| Deficit in balance of goods and services | -48.2 | -48.4 | -51.1 | | | -56.5 | -52.8 | -51.5 | -50.6 | -50.4 | -50.0 | | -49.3 | -50.0 | |
| Exports | 15.9 | 15.0 | 17.1 | | | 17.3 | 17.1 | 16.7 | 16.7 | 16.8 | 16.8 | | 16.9 | 17.3 | |
| Imports | -32.3 | -33.4 | -33.9 | | | -39.3 | -35.7 | -34.8 | -34.0 | -33.6 | -33.2 | | -32.4 | -32.7 | |
| Net current transfers (negative = inflow) | -7.1 | -5.7 | -5.9 | -7.8 | 2.7 | -7.7 | -7.2 | -7.1 | -7.0 | -7.0 | -7.0 | | -6.8 | -6.1 | -6.7 |
| o/w official | -1.3 | 0.0 | 0.0 | | | -0.9 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | | -0.5 | 0.0 | |
| Other current account flows (negative = net inflow) | 66.8 | 69.1 | 70.3 | | | 81.6 | 74.5 | 72.3 | 70.6 | 69.8 | 68.8 | | 66.5 | 65.9 | |
| **Net FDI (negative = inflow)** | **-8.1** | **-8.9** | **-6.1** | **-7.6** | **3.1** | **-7.8** | **-6.5** | **-6.2** | **-6.1** | **-6.1** | **-6.0** | | **-5.2** | **-3.9** | -4.8 |
| **Endogenous debt dynamics 2/** | **4.5** | **-1.7** | **0.2** | | | **1.3** | **-3.6** | **-2.8** | **-2.2** | **-1.6** | **-1.5** | | **-1.2** | **-0.9** | |
| Contribution from nominal interest rate | 1.0 | 0.8 | 0.8 | | | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | | 0.4 | 0.3 | |
| Contribution from real GDP growth | -3.2 | -2.1 | -1.3 | | | 0.7 | -4.1 | -3.3 | -2.7 | -2.1 | -2.0 | | -1.6 | -1.2 | |
| Contribution from price and exchange rate changes | 6.7 | -0.3 | 0.7 | | | … | … | … | … | … | … | | … | … | |
| **Residual (3-4) 3/** | **-11.5** | **-5.1** | **-6.9** | | | **-5.7** | **-7.0** | **-6.7** | **-6.6** | **-6.3** | **-5.9** | | **-5.1** | **-5.7** | |
| o/w exceptional financing | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | -0.1 | |
| PV of external debt 4/ | … | … | 30.6 | | | 34.4 | 32.4 | 30.7 | 29.2 | 27.8 | 26.6 | | 21.4 | 16.3 | |
| In percent of exports | … | … | 178.6 | | | 199.0 | 189.6 | 183.6 | 175.3 | 166.1 | 157.9 | | 126.7 | 94.2 | |
| **PV of PPG external debt** | **…** | **0.0** | **30.6** | | | **34.4** | **32.4** | **30.7** | **29.2** | **27.8** | **26.6** | | **21.4** | **16.3** | |
| **In percent of exports** | **…** | **0.0** | **178.6** | | | **199.0** | **189.6** | **183.6** | **175.3** | **166.1** | **157.9** | | **126.7** | **94.2** | |
| **In percent of government revenues** | **…** | **…** | **205.4** | | | **217.5** | **187.9** | **175.2** | **166.5** | **158.9** | **152.1** | | **122.4** | **94.2** | |
| **Debt service-to-exports ratio (in percent)** | **13.4** | **13.8** | **12.0** | | | **12.1** | **11.6** | **12.2** | **13.0** | **12.6** | **11.0** | | **8.1** | **5.1** | |
| **PPG debt service-to-exports ratio (in percent)** | **13.4** | **13.8** | **12.0** | | | **12.1** | **11.6** | **12.2** | **13.0** | **12.6** | **11.0** | | **8.1** | **5.1** | |
| **PPG debt service-to-revenue ratio (in percent)** | **13.2** | **13.9** | **13.8** | | | **13.2** | **11.5** | **11.6** | **12.4** | **12.0** | **10.6** | | **7.8** | **5.1** | |
| Total gross financing need (Millions of U.S. dollars) | 50.1 | 78.6 | 90.6 | | | 108.5 | 102.6 | 107.3 | 110.7 | 108.9 | 106.7 | | 131.6 | 277.8 | |
| Non-interest current account deficit that stabilizes debt ratio | 15.0 | 15.7 | 12.8 | | | 12.1 | 17.1 | 15.8 | 14.9 | 14.1 | 13.4 | | 11.5 | 10.5 | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 6.7 | 5.5 | 3.3 | 3.7 | 3.6 | -1.7 | 9.7 | 8.3 | 7.0 | 5.6 | 5.6 | 5.8 | 5.6 | 5.6 | 5.6 |
| GDP deflator in US dollar terms (change in percent) | -13.2 | 0.8 | -1.8 | 1.7 | 9.9 | -2.2 | -0.4 | 1.0 | 0.8 | 1.1 | 1.5 | 0.3 | 1.8 | 1.8 | 1.8 |
| Effective interest rate (percent) 5/ | 2.0 | 2.0 | 2.0 | 1.5 | 0.5 | 1.4 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 | 1.4 | 1.5 | 1.4 |
| Growth of exports of G&S (US dollar terms, in percent) | -4.5 | 0.0 | 15.9 | 4.3 | 9.1 | -3.1 | 8.0 | 7.3 | 7.4 | 7.5 | 7.6 | 5.8 | 7.6 | 7.8 | 7.7 |
| Growth of imports of G&S (US dollar terms, in percent) | -5.5 | 10.1 | 2.9 | 8.0 | 9.3 | 11.3 | -0.7 | 6.6 | 5.4 | 5.6 | 5.9 | 5.7 | 7.4 | 7.6 | 7.4 |
| Grant element of new public sector borrowing (in percent) | … | … | … | … | … | 32.8 | 35.5 | 35.2 | 35.8 | 36.6 | 36.7 | 35.4 | 36.9 | 36.9 | 36.9 |
| Government revenues (excluding grants, in percent of GDP) | 16.1 | 14.9 | 14.9 | | | 15.8 | 17.2 | 17.5 | 17.5 | 17.5 | 17.5 | | 17.5 | 17.3 | 17.4 |
| Aid flows (in Millions of US dollars) 7/ | 130.4 | 62.2 | 67.7 | | | 83.3 | 76.0 | 84.2 | 90.2 | 82.2 | 80.9 | | 111.6 | 203.5 | |
| o/w Grants | 38.3 | 38.5 | 46.2 | | | 63.2 | 55.0 | 60.2 | 66.3 | 57.8 | 55.0 | | 78.7 | 159.0 | |
| o/w Concessional loans | 92.1 | 23.6 | 21.4 | | | 20.0 | 21.0 | 24.0 | 23.8 | 24.4 | 25.9 | | 33.0 | 44.6 | |
| Grant-equivalent financing (in percent of GDP) 8/ | … | … | … | | | 8.3 | 6.5 | 6.5 | 6.5 | 5.4 | 4.9 | | 4.7 | 4.4 | 4.6 |
| Grant-equivalent financing (in percent of external financing) 8/ | … | … | … | | | 72.3 | 75.2 | 75.3 | 77.7 | 76.8 | 75.8 | | 78.3 | 83.6 | 79.9 |
| *Memorandum items:* | | | | | | | | | | | | | | | |
| Nominal GDP (Millions of US dollars) | 905.9 | 963.6 | 976.9 | | | 939.2 | 1025.9 | 1122.9 | 1211.7 | 1293.8 | 1387.2 | | 1990.9 | 4100.4 | |
| Nominal dollar GDP growth | -7.4 | 6.4 | 1.4 | | | -3.9 | 9.2 | 9.4 | 7.9 | 6.8 | 7.2 | 6.1 | 7.5 | 7.5 | 7.5 |
| PV of PPG external debt (in Millions of US dollars) | | | 289.7 | | | 311.7 | 325.0 | 338.2 | 347.2 | 354.0 | 363.2 | | 419.4 | 649.6 | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | | | 2.3 | 1.4 | 1.3 | 0.8 | 0.6 | 0.7 | 1.2 | 0.8 | 0.6 | 0.8 |
| Gross workers' remittances (Millions of US dollars) | 43.0 | 45.2 | 47.8 | | | 53.5 | 58.4 | 63.1 | 67.8 | 72.9 | 78.4 | | 112.6 | 232.1 | |
| PV of PPG external debt (in percent of GDP + remittances) | … | … | 29.2 | | | 32.5 | 30.6 | 29.1 | 27.6 | 26.4 | 25.1 | | 20.2 | 15.4 | |
| PV of PPG external debt (in percent of exports + remittances) | … | … | 138.9 | | | 149.6 | 142.2 | 137.5 | 131.2 | 124.3 | 118.2 | | 94.9 | 71.0 | |
| Debt service of PPG external debt (in percent of exports + remittances) | … | 0.0 | 9.3 | | | 9.1 | 8.7 | 9.1 | 9.7 | 9.4 | 8.2 | | 6.0 | 3.8 | |

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/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2a. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2012-2032 including HIPC and MDRI
(In percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2022** | 2032 |
| **PV of debt-to GDP ratio** | | | | | | | | |
| **Baseline** | 34 | 32 | 31 | 29 | 28 | 27 | **21** | 16 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012-2032 1/ | 34 | 32 | 30 | 29 | 28 | 26 | **21** | 16 |
| A2. New public sector loans on less favorable terms in 2012-2032 2/ | 34 | 32 | 32 | 31 | 30 | 30 | **27** | 24 |
| A3. Scaling up of external borrowing in 2012-2016 | 35 | 33 | 32 | 31 | 30 | 29 | **23** | 17 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2013-2014 | 34 | 35 | 36 | 34 | 32 | 31 | **25** | 19 |
| B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/ | 34 | 33 | 34 | 32 | 31 | 29 | **24** | 17 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014 | 34 | 34 | 36 | 34 | 33 | 31 | **25** | 19 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/ | 34 | 34 | 35 | 33 | 32 | 31 | **25** | 17 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 34 | 38 | 44 | 42 | 40 | 39 | **31** | 22 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/ | 34 | 45 | 43 | 41 | 39 | 37 | **30** | 23 |
| **PV of debt-to-exports ratio** | | | | | | | | |
| **Baseline** | 199 | 190 | 184 | 175 | 166 | 158 | **127** | 94 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012-2032 1/ | 199 | 186 | 182 | 174 | 165 | 157 | **125** | 94 |
| A2. New public sector loans on less favorable terms in 2012-2032 2/ | 199 | 190 | 190 | 186 | 181 | 177 | **162** | 141 |
| A3. Scaling up of external borrowing in 2012-2016 | 202 | 195 | 191 | 185 | 177 | 170 | **137** | 98 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2013-2014 | 199 | 186 | 180 | 172 | 163 | 155 | **125** | 92 |
| B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/ | 199 | 219 | 257 | 246 | 233 | 223 | **179** | 125 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014 | 199 | 186 | 180 | 172 | 163 | 155 | **125** | 92 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/ | 199 | 201 | 209 | 200 | 190 | 181 | **146** | 100 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 199 | 216 | 250 | 239 | 227 | 217 | **174** | 119 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/ | 199 | 186 | 180 | 172 | 163 | 155 | **125** | 92 |
| **PV of debt-to-revenue ratio** | | | | | | | | |
| **Baseline** | 217 | 188 | 175 | 167 | 159 | 152 | **122** | 94 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012-2032 1/ | 217 | 185 | 173 | 165 | 158 | 151 | **121** | 94 |
| A2. New public sector loans on less favorable terms in 2012-2032 2/ | 217 | 189 | 181 | 177 | 174 | 171 | **156** | 140 |
| A3. Scaling up of external borrowing in 2012-2016 | 220 | 193 | 182 | 175 | 169 | 163 | **133** | 98 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2013-2014 | 217 | 201 | 203 | 194 | 185 | 177 | **143** | 108 |
| B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/ | 217 | 191 | 192 | 183 | 175 | 168 | **135** | 98 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014 | 217 | 200 | 205 | 195 | 187 | 179 | **144** | 109 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/ | 217 | 199 | 200 | 190 | 182 | 175 | **141** | 100 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 217 | 219 | 252 | 240 | 230 | 221 | **178** | 125 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/ | 217 | 263 | 246 | 234 | 223 | 214 | **172** | 131 |

Table 2b. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt (Continued)
(In percent)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2022** | 2032 |
|---|---|---|---|---|---|---|---|---|
| **Debt service-to-exports ratio** | | | | | | | | |
| **Baseline** | 12 | 12 | 12 | 13 | 13 | 11 | **8** | 5 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012-2032 1/ | 12 | 12 | 13 | 14 | 14 | 12 | **10** | 6 |
| A2. New public sector loans on less favorable terms in 2012-2032 2/ | 12 | 12 | 12 | 13 | 13 | 12 | **9** | 8 |
| A3. Scaling up of external borrowing in 2012-2016 | 12 | 12 | 12 | 13 | 13 | 11 | **8** | 5 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2013-2014 | 12 | 12 | 12 | 13 | 13 | 11 | **8** | 5 |
| B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/ | 12 | 13 | 16 | 17 | 17 | 15 | **11** | 7 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014 | 12 | 12 | 12 | 13 | 13 | 11 | **8** | 5 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/ | 12 | 12 | 13 | 14 | 13 | 12 | **8** | 6 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 12 | 13 | 15 | 16 | 15 | 14 | **10** | 7 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/ | 12 | 12 | 12 | 13 | 13 | 11 | **8** | 5 |
| **Debt service-to-revenue ratio** | | | | | | | | |
| **Baseline** | 13 | 12 | 12 | 12 | 12 | 11 | **8** | 5 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012-2032 1/ | 13 | 12 | 12 | 13 | 13 | 12 | **9** | 6 |
| A2. New public sector loans on less favorable terms in 2012-2032 2/ | 13 | 12 | 12 | 13 | 13 | 11 | **8** | 8 |
| A3. Scaling up of external borrowing in 2012-2016 | 13 | 12 | 12 | 13 | 12 | 11 | **8** | 5 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2013-2014 | 13 | 13 | 14 | 15 | 14 | 13 | **9** | 6 |
| B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/ | 13 | 12 | 12 | 13 | 12 | 11 | **8** | 6 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014 | 13 | 12 | 14 | 15 | 14 | 13 | **9** | 6 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/ | 13 | 12 | 12 | 13 | 13 | 11 | **8** | 6 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 13 | 13 | 15 | 16 | 16 | 14 | **10** | 7 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/ | 13 | 16 | 17 | 18 | 17 | 15 | **11** | 7 |
| *Memorandum item:* | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 6/ | 36 | 36 | 36 | 36 | 36 | 36 | **36** | 36 |

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2012-2032
(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | Estimate | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | Average | Standard Deviation | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2012-17 Average | 2022 | 2032 | 2018-32 Average |
| **Public sector debt 1/** | 61.9 | 69.6 | 71.1 | | | 79.0 | 72.9 | 67.7 | 63.5 | 60.0 | 56.7 | | 43.4 | 29.2 | |
| o/w foreign-currency denominated | 40.9 | 40.2 | 40.8 | | | 45.9 | 43.3 | 41.3 | 39.4 | 37.7 | 36.1 | | 29.7 | 22.4 | |
| Change in public sector debt | -3.5 | 7.7 | 1.5 | | | 7.9 | -6.0 | -5.2 | -4.3 | -3.5 | -3.4 | | -2.1 | -1.2 | |
| Identified debt-creating flows | -2.7 | 2.2 | 2.0 | | | 6.1 | -6.4 | -5.3 | -4.0 | -2.8 | -2.9 | | -1.7 | -1.2 | |
| Primary deficit | 0.0 | 2.9 | 0.9 | -0.4 | 1.8 | 1.3 | -0.7 | -0.7 | -0.5 | -0.3 | -0.3 | -0.2 | 0.3 | 0.2 | 0.3 |
| Revenue and grants | 20.3 | 18.9 | 19.6 | | | 22.5 | 22.6 | 22.9 | 23.0 | 22.0 | 21.4 | | 21.4 | 21.1 | |
| *of which: grants* | 4.2 | 4.0 | 4.7 | | | 6.7 | 5.4 | 5.4 | 5.5 | 4.5 | 4.0 | | 4.0 | 3.9 | |
| Primary (noninterest) expenditure | 20.3 | 21.8 | 20.5 | | | 23.9 | 21.8 | 22.2 | 22.5 | 21.7 | 21.2 | | 21.7 | 21.3 | |
| Automatic debt dynamics | -2.6 | -0.7 | 1.2 | | | 4.8 | -5.7 | -4.6 | -3.5 | -2.5 | -2.6 | | -2.0 | -1.4 | |
| Contribution from interest rate/growth differential | -3.2 | -2.8 | -1.3 | | | 1.8 | -7.4 | -6.2 | -4.9 | -3.8 | -3.6 | | -2.9 | -2.1 | |
| *of which: contribution from average real interest rate* | 0.9 | 0.5 | 0.9 | | | 0.6 | -0.4 | -0.6 | -0.5 | -0.5 | -0.5 | | -0.4 | -0.5 | |
| *of which: contribution from real GDP growth* | -4.1 | -3.2 | -2.2 | | | 1.2 | -7.0 | -5.6 | -4.4 | -3.4 | -3.2 | | -2.4 | -1.6 | |
| Contribution from real exchange rate depreciation | 0.6 | 2.0 | 2.5 | | | 2.9 | 1.8 | 1.6 | 1.4 | 1.3 | 1.0 | | ... | ... | |
| Other identified debt-creating flows | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Other (specify, e.g. bank recapitalization) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Residual, including asset changes | -0.8 | 5.5 | -0.5 | | | 1.7 | 0.4 | 0.1 | -0.3 | -0.7 | -0.5 | | -0.4 | 0.0 | |
| **Other Sustainability Indicators** | | | | | | | | | | | | | | | |
| **PV of public sector debt** | ... | ... | 61.0 | | | 67.5 | 62.0 | 57.2 | 53.3 | 50.1 | 47.1 | | 35.1 | 23.1 | |
| o/w foreign-currency denominated | ... | ... | 30.6 | | | 34.4 | 32.4 | 30.7 | 29.2 | 27.8 | 26.6 | | 21.4 | 16.3 | |
| o/w external | ... | ... | 30.6 | | | 34.4 | 32.4 | 30.7 | 29.2 | 27.8 | 26.6 | | 21.4 | 16.3 | |
| PV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| Gross financing need 2/ | 4.5 | 7.4 | 5.7 | | | 6.6 | 4.0 | 3.7 | 3.7 | 3.8 | 3.3 | | 2.8 | 1.6 | |
| PV of public sector debt-to-revenue and grants ratio (in percent) | … | … | 310.7 | | | 299.4 | 274.6 | 249.9 | 231.7 | 228.0 | 219.7 | | 163.9 | 109.2 | |
| PV of public sector debt-to-revenue ratio (in percent) | … | … | 409.4 | | | 427.0 | 360.1 | 326.2 | 304.1 | 286.1 | 269.6 | | 200.9 | 133.7 | |
| o/w external 3/ | … | … | 205.4 | | | 217.5 | 187.9 | 175.2 | 166.5 | 158.9 | 152.1 | | 122.4 | 94.2 | |
| Debt service-to-revenue and grants ratio (in percent) 4/ | 22.4 | 23.5 | 24.4 | | | 23.5 | 21.1 | 19.4 | 18.4 | 18.2 | 16.8 | | 11.8 | 6.8 | |
| Debt service-to-revenue ratio (in percent) 4/ | 28.3 | 29.8 | 32.2 | | | 33.5 | 27.7 | 25.3 | 24.1 | 22.9 | 20.6 | | 14.5 | 8.3 | |
| Primary deficit that stabilizes the debt-to-GDP ratio | 3.5 | -4.7 | -0.7 | | | -6.5 | 5.3 | 4.5 | 3.8 | 3.2 | 3.1 | | 2.4 | 1.4 | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 6.7 | 5.5 | 3.3 | 3.7 | 3.6 | -1.7 | 9.7 | 8.3 | 7.0 | 5.6 | 5.6 | 5.8 | 5.6 | 5.6 | 5.6 |
| Average nominal interest rate on forex debt (in percent) | 2.0 | 2.0 | 2.0 | 1.5 | 0.5 | 1.4 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 | 1.4 | 1.5 | 1.4 |
| Average real interest rate on domestic debt (in percent) | 8.5 | 7.3 | 5.7 | 6.7 | 7.8 | 6.0 | 4.1 | 3.7 | 3.7 | 3.7 | 3.7 | 4.1 | 3.7 | 3.1 | 3.5 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 1.5 | 5.4 | 6.5 | 7.2 | 17.6 | 7.3 | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 4.0 | 4.7 | 4.0 | 8.0 | 8.2 | 4.6 | 5.3 | 5.3 | 4.9 | 4.8 | 4.8 | 5.0 | 4.8 | 5.1 | 4.9 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 0.4 | 0.1 | 0.0 | 0.1 | 0.2 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 |
| Grant element of new external borrowing (in percent) | ... | ... | ... | … | … | 32.8 | 35.5 | 35.2 | 35.8 | 36.6 | 36.7 | 35.4 | 36.9 | 36.9 | ... |

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

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

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt 2012-2032

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2022 | 2032 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | |
| **Baseline** | 67 | 62 | 57 | 53 | 50 | 47 | 35 | 23 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 67 | 66 | 64 | 61 | 59 | 56 | 44 | 30 |
| A2. Primary balance is unchanged from 2012 | 67 | 63 | 60 | 57 | 55 | 53 | 44 | 35 |
| A3. Permanently lower GDP growth 1/ | 67 | 63 | 58 | 55 | 52 | 50 | 42 | 41 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014 | 67 | 69 | 71 | 68 | 66 | 64 | 58 | 55 |
| B2. Primary balance is at historical average minus one standard deviations in 2013-2014 | 67 | 63 | 60 | 56 | 53 | 49 | 37 | 24 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 67 | 68 | 67 | 64 | 62 | 60 | 52 | 48 |
| B4. One-time 30 percent real depreciation in 2013 | 67 | 76 | 70 | 65 | 60 | 57 | 42 | 28 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2013 | 67 | 68 | 63 | 59 | 56 | 52 | 39 | 26 |
| **PV of Debt-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 299 | 275 | 250 | 232 | 228 | 220 | 164 | 109 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 299 | 288 | 272 | 258 | 259 | 254 | 197 | 129 |
| A2. Primary balance is unchanged from 2012 | 299 | 281 | 262 | 248 | 250 | 246 | 205 | 165 |
| A3. Permanently lower GDP growth 1/ | 299 | 276 | 254 | 238 | 237 | 232 | 193 | 190 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014 | 299 | 299 | 297 | 284 | 290 | 290 | 262 | 252 |
| B2. Primary balance is at historical average minus one standard deviations in 2013-2014 | 299 | 281 | 261 | 243 | 239 | 231 | 173 | 115 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 299 | 294 | 284 | 270 | 274 | 272 | 238 | 219 |
| B4. One-time 30 percent real depreciation in 2013 | 299 | 337 | 304 | 281 | 275 | 264 | 195 | 133 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2013 | 299 | 302 | 276 | 256 | 253 | 244 | 184 | 121 |
| **Debt Service-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 24 | 21 | 19 | 18 | 18 | 17 | 12 | 7 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 24 | 22 | 21 | 20 | 21 | 19 | 14 | 9 |
| A2. Primary balance is unchanged from 2012 | 24 | 21 | 19 | 19 | 19 | 17 | 13 | 9 |
| A3. Permanently lower GDP growth 1/ | 24 | 21 | 20 | 19 | 19 | 17 | 13 | 9 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014 | 24 | 23 | 22 | 21 | 21 | 20 | 15 | 12 |
| B2. Primary balance is at historical average minus one standard deviations in 2013-2014 | 24 | 21 | 19 | 19 | 19 | 17 | 12 | 7 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 24 | 22 | 22 | 21 | 21 | 19 | 14 | 11 |
| B4. One-time 30 percent real depreciation in 2013 | 24 | 23 | 23 | 23 | 23 | 21 | 15 | 10 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2013 | 24 | 21 | 20 | 19 | 19 | 17 | 12 | 8 |

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.