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The Gambia: Enhanced Heavily Indebted Poor Countries Initiative—Completion Point Document and Multilateral Debt Relief Initiative

This paper was prepared by staff of the International Monetary Fund and the World Bank in connection with Executive Board's consideration of The Gambia's completion point under the enhanced Initiative for Heavily Indebted Poor Countries and debt relief under the Multilateral Debt Relief Initiative. It is based on the information available at the time it was completed on November 30, 2007. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of The Gambia or the Executive Board of the IMF.

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INTERNATIONAL DEVELOPMENT ASSOCIATION AND
THE INTERNATIONAL MONETARY FUND

THE GAMBIA

Enhanced Heavily Indebted Poor Countries Initiative Completion Point Document and Multilateral Debt Relief Initiative

Prepared by the Staffs of the International Monetary Fund and
the International Development Association

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November 30, 2007

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Executive Summary

- **The staffs of the International Development Association (IDA) and the International Monetary Fund (IMF) are of the view that The Gambia has met the requirements for reaching the completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.** The Gambia has made satisfactory progress in implementing its first Poverty Reduction Strategy Paper (PRSP), and has recently prepared its second PRSP which was discussed by the Boards of IDA and IMF in July and August 2007, respectively. After a period of uneven macroeconomic performance following the decision point in 2000, macroeconomic stability has been maintained since 2004. Of the eleven triggers for reaching the floating completion point, nine have been fully achieved while two have been partially achieved, for which the staffs recommend that waivers be granted. The Gambia is now well placed to consolidate and deepen its poverty reduction strategy while maintaining strong real GDP growth.

- **At the decision point in December 2000, the Executive Directors agreed that The Gambia qualified for debt relief under the Enhanced HIPC Initiative.** The decision point analysis indicated that HIPC assistance in the amount of US$66.6 million in 1999 NPV terms was required to lower The Gambia's NPV of debt-to-exports ratio to the HIPC threshold of 150 percent. IDA and IMF commitments to this debt relief were US$22.3 million and US$2.3 million respectively in NPV terms. Of these total commitments, US$8.0 million and US$0.6 million, respectively have already been delivered as interim assistance as of November 2007. Total interim HIPC debt relief delivered by multilateral and bilateral creditors in 2001–07 amounted to US$17.5 million in NPV terms.

- **The NPV of debt-to-exports ratio has substantially increased with respect to projections at the time of the decision point.** This is primarily attributable to substantially larger than projected new borrowing, lower than projected export volumes, and changes in the discount rates and exchange rates. At the decision point, the NPV of debt-to-exports ratio at end-2006 was projected to be 139.8 percent assuming full delivery of the assistance committed under the HIPC Initiative at decision point, while the completion point analysis shows the actual outturn to be 242.5 percent.

- **The staffs are of the view that The Gambia does not meet the requirements for additional debt relief, or exceptional "topping-up," under the Enhanced HIPC Initiative.** Exceptional topping-up would be justified if the deterioration of the debt burden indicators could be primarily attributed to fundamental changes in a country's economic circumstances due to exogenous factors. Adverse changes in the international price of exports and in the discount and exchange rates are considered exogenous factors, but these accounted for only approximately one-third of the unanticipated deterioration of the NPV of debt-to-exports ratio. Lower than projected export volumes and higher than anticipated new borrowing had a much greater impact on the deterioration of the debt-burden ratios, and these factors are not considered to be exogenous changes to the country's economic circumstances, according to a detailed assessment (Section III.C).

- **The Gambia will qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI) upon reaching the completion point under the Enhanced HIPC Initiative.** Debt relief under the MDRI would cover all remaining debt service obligations on eligible credit balances to IDA, the IMF and the African Development Fund (AfDF), after debt service relief available under the HIPC Initiative. MDRI debt relief, net of HIPC assistance, would lead to nominal debt service savings on debt owed to IDA, the IMF and the AfDF of US$373.5 million.

- **While full delivery of debt relief under the HIPC Initiative and the MDRI would significantly reduce external public debt, The Gambia will remain at high risk of debt distress.** The country's stock of external debt will remain large post-completion point primarily due to outstanding debt owed to multilateral creditors that do not participate in MDRI and non-Paris Club bilateral creditors, much of which was contracted since the decision point. The updated debt sustainability analysis (DSA), based on the joint debt sustainability framework for low-income countries, estimates that the NPV of debt-to-exports ratio will fall only to 107 percent after the full delivery of HIPC and MDRI assistance, a level which is above the policy-dependent threshold of 100 percent (Appendix I), although the NPV of external debt-to-GDP ratio and all debt service indicators are expected to fall substantially and remain below their respective thresholds. In addition, the sensitivity analysis shows that the country's external public debt indicators would substantially worsen in the presence of adverse shocks.

- **The decision not to recommend exceptional topping-up and the high risk of debt distress in the future are consistent** given the policy-based causes for The Gambia's level of indebtedness post HIPC and additional bilateral assistance, which rule out topping-up, combined with the forward looking nature of the DSA, which highlights vulnerabilities stemming from the likely future debt profile and macroeconomic volatility. The continuing risk of debt distress underscores the importance of continued fiscal prudence, policies to support broad-based growth and export diversification, sustained donor support, and improved debt management. In addition, the government has increased the minimum grant element in new external borrowing to 45 percent, and plans to limit the volume of new concessional borrowing for the foreseeable future.

- **The staffs of IDA and the IMF recommend that the Executive Directors of IDA and the IMF approve the completion point for The Gambia under the Enhanced HIPC Initiative.**

I. INTRODUCTION

1. **This paper discusses progress by The Gambia under the Enhanced Heavily Indebted Poor Countries Initiative, and recommends that the Executive Directors of the International Development Association and the International Monetary Fund approve the completion point for The Gambia under the Enhanced HIPC initiative.** In the opinion of the staffs, The Gambia has made satisfactory progress in achieving the completion point triggers, notably preparing and implementing a Poverty Reduction Strategy Paper (PRSP), maintaining a stable macroeconomic environment, setting up mechanisms to ensure efficient and transparent use of HIPC interim debt relief, implementing reforms in the education and health sectors, and promoting private sector development by strengthening regulatory capacity and restructuring the groundnut sector.

2. **In December 2000, the Board of Executive Directors of IDA and the IMF agreed that The Gambia had met the requirements for reaching the decision point under the Enhanced HIPC Initiative.**[1] The amount of debt relief committed at the decision point was US$66.6 million in NPV terms, calculated to reduce the NPV of debt to 150 percent of exports on the basis of end-1999 data. This relief represents a reduction of 27.2 percent of the NPV of debt as of end-1999 after traditional debt relief. At the same time, the Boards of IDA and IMF agreed to provide The Gambia with interim debt relief until the country reached the floating completion point. Interim assistance under the Enhanced HIPC Initiative was also granted by the African Development Bank Group (AfDB), the European Union, and the Paris Club group of creditors. Executive Directors had determined that completion point would be reached when The Gambia had complied with the triggers set out in Box 7 of the decision point document (see Box 7 in the HIPC Decision Point Document on page 20).

3. **This paper is organized as follows:** Section II provides an assessment of The Gambia's performance in meeting the requirements for reaching the completion point under the Enhanced HIPC Initiative. Section III reviews the status of creditor participation and presents an updated debt sustainability analysis (DSA). Section IV contains a summary of the main conclusions and Section V lists a number of issues for discussion by the Boards of IDA and the IMF.

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[1] See "The Gambia: Decision Point Document for the Enhanced Heavily Indebted Poor Countries Initiative" (November 28, 2000). Available via the Internet: http://www.imf.org/external/np/hipc/2000/gmb/gambiadp.pdf and http://siteresources.worldbank.org/INTDEBTDEPT/DecisionPointDocuments/20250132/The%20Gambia-E-DP.pdf.

II. Assessment of Requirements for Reaching the Completion Point

4. The **conditions for reaching the floating completion point,** set out in Box 7 of the decision point document, consist of: (i) **PRSP and poverty monitoring**—preparation of a full PRSP and satisfactory implementation for at least one year, and improvement of the poverty database and monitoring capacity; (ii) **macroeconomic performance**—continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF supported program; (iii) **governance**—progress in strengthening public expenditure management; (iv) **HIPC interim relief and social sector reforms**—use of HIPC interim relief in accordance with annual budgets, and education and health sector reform programs; and (v) **structural reforms**—establishment of a multi-sector regulatory agency and privatization of the public groundnut processing plants.

5. **In the view of the staffs, The Gambia has made satisfactory progress in meeting the conditions for reaching the floating completion point.** Of the eleven triggers for reaching the floating completion point, nine have been fully met and two were partially met, for which the staffs recommend that waivers be granted for nonobservance (see box 1 below). This section reviews performance of each of the triggers.

6. **Earlier slippages in macroeconomic policies and slow structural reforms have delayed the completion point, but adjustments were successfully implemented in recent years.** After the decision point in 2000, expansionary fiscal and monetary policies and poor governance at the Central Bank of the Gambia (CBG) caused the program supported by the Fund's PRGF to go off track. Successful policy adjustments and reform of the CBG led to a new PRGF-supported program in February 2007, and the first review was successfully concluded in August 2007. Earlier attempts to restructure the groundnut sector were unsuccessful. However, in 2007 the government prepared and started implementing a sector reform "roadmap" to fully liberalize the sector. As part of the roadmap, the government has allowed the free entry of operators at all levels of the value chain and intends to privatize the management of the public groundnut processing plants by 2008.

A. PRSP and Poverty Monitoring

7. **The Gambia has produced two full PRSPs since the decision point.** The first PRSP, covering the years 2002 to 2005, was presented to the Boards of IDA and IMF in July 2002, along with the Joint Staff Assessment (JSA). The second PRSP and the accompanying Joint Staff Advisory Note (JSAN), for the years 2007 to 2011, were discussed by the Boards of IDA and IMF in July and August 2007, respectively. In the interim years, the country produced two Annual Progress Reports (APRs) which were presented to the IDA and IMF Boards along with the JSANs.

8. **The Boards concluded that the PRSPs provide a credible framework for poverty reduction.** The 2002 JSA noted that the first PRSP was an important step forward in the

fight against poverty and provided a sound basis for concessional assistance. The 2007 JSAN provided key recommendations for improving implementation of reform programs, and the Boards underscored their support for the second PRSP's strategic focus. IDA is currently preparing a new Joint Assistance Strategy (JAS) with the African Development Bank, which will be aligned with the second PRSP.

9. **The second PRSP applies lessons learned from implementing the first PRSP.** As in the first PRSP, the second PRSP used a comprehensive participatory and consultative process in preparing the strategy. Stakeholder consultative workshops and focus group discussions were held with representatives of the public and private sectors and civil society, and consultations reached down to the level of local communities. Unlike the first strategy, the second PRSP included an implementation action plan which outlined costed priority activities, which would allow for improved monitoring and results orientation. The previous strategy's strengths in the social sectors were retained, while civil service reform and strengthening of public financial management (PFM) now receive greater attention. The JSAN recommended that the PRSP be further integrated into the government budgeting process, and noted that improving governance remains a priority.

10. **Progress in implementing the PRSPs provides a satisfactory basis for the completion point.** Implementation of reforms in education and health has been satisfactory, as reflected in improved outcomes. Significant progress has been made in strengthening PFM. The economy has been stable and growing at an annual average rate of 6.5 percent in the past five years and inflation has been reduced, thanks in large part to substantially improved macroeconomic policy implementation. Structural reforms to promote private sector development have been slower than initially expected, but progress has been made recently in reforming the groundnut sector, the National Agricultural Development Agency (NADA) has been established, and assessments of the investment climate are being conducted which will pave the way for further reforms. Implementation of the second PRSP is expected to benefit from the lessons learned from the first PRSP. In particular, the newly created National Planning Commission (NPC) is expected to improve coordination among sectors.

11. **The poverty data base and monitoring capacity has been improved.** Official statistics have been strengthened over time through institutional restructuring, training and technical assistance. The new Statistics Act (2005) and a sector reform Master Plan outline a comprehensive strategy for strengthening official statistics. The Central Statistics Department (CSD) has been restructured into the semiautonomous Gambia Bureau of Statistics (GBOS) and the Statistics Council established to provide oversight and strategic guidance to GBOS. The poverty database has been strengthened through the 2003 household expenditure survey, the 2003 population census and the 2005/6 economic census. GBOS has benefited significantly from training and technical assistance provided under an IDA project. IDA is also currently working with GBOS in preparing a Poverty Assessment.

Box 1. Status of Triggers for Reaching the Floating Completion Point

Triggers	Assessment
1. **Poverty reduction**	
(i) A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the Joint Staff Assessment of the country's annual progress report.	**Implemented.** The country's first full PRSP (2003–2005) was presented to the Boards of IDA and IMF in July 2002. Annual Progress Reports (APR) have been produced as required. The second PRSP and the accompanying JSAN were presented to the Boards of IDA and IMF on July and August 2007, respectively. Both PRSPs were prepared through a participatory process. Progress in implementing the PRSP provides a satisfactory basis for the completion point.
(ii) Improvement of the poverty database and monitoring capacity, as evidenced by progress in restructuring the Central Statistics Department or developing its capacity.	**Implemented.** Good progress has been made in restructuring the Central Statistics Department (CSD) and in developing its capacity. A new Statistics Act (2005) and a sector reform Master Plan outline the strategy for organizational restructuring of CSD and strengthening official statistics. The poverty database has been improved through household expenditure (2003), and population (2003) and economic (2005-06) censuses.
2. **Macroeconomic stability** Continued maintenance of macro-economic stability as evidenced by satisfactory implementation of the PRGF-supported program.	**Implemented.** After some initial difficulties, the country has maintained a stable macroeconomic environment. The country's previous PRGF program, approved by the IMF Board in July 2002, went off-track shortly thereafter. However, the authorities successfully implemented a Staff Monitored Program (SMP) from October 2005 to March 2006, which laid the foundation for a new PRGF program approved by the IMF Board in February 2007. The first review, completed in August 2007, concluded that overall performance under the program has been strong. Fund staffs recommend the completion of the second review.
3. **Governance** Progress in strengthening public expenditure management as evidenced by (i) the issuance of annual public reports on budget execution; and (ii) semiannual reports on the use of interim HIPC Initiative debt relief, the latter to be reviewed by the Task Force and the High-Level Economic Committee (HILEC).	**Implemented.** The authorities have consistently produced annual public reports on budget execution, as well as reports on the utilization of interim HIPC debt relief. Instead of the Task Force and HILEC (a Cabinet subcommittee) as originally envisioned in the decision point, currently the entire Cabinet directly reviews and approves the annual budgets and the annual Poverty Reducing Expenditure Reports (PRERs).
4. **Social sector reforms**	
(i) Budgetary savings from HIPC interim debt service will be used in accordance with the annual budgets approved by the Task Force and the HILEC.	**Implemented.** The use of interim HIPC relief is explicitly identified in the annual budget as part of poverty-reducing expenditures. The Cabinet-approved budgets clearly identify poverty-reducing expenditures, a portion of which is funded by interim HIPC relief.
(ii) Measures and targets regarding progress in implementing education and health reform programs include:	
(a) Increase by at least 45 percent (from 192 graduates in the base academic	**Implemented.** The number of graduates from The Gambia College with a Primary Teacher's Certificate has increased every year. In 2005,

Box 1. Status of Triggers for Reaching the Floating Completion Point

Triggers	Assessment
year 2000/01) the number of teachers for lower basic education graduating from The Gambia College; this measure will help The Gambia raise the quality of teaching in the most important grades.	the number of graduates reached 331, representing a 72 percent increase over the base year.
(b) Ensure appropriate funding of a trust fund for girls' scholarships in the poorest regions and make progress in raising such rates by expanding this scholarship scheme to no less than 2,000 girls annually in at least 3 regions.	**Implemented.** The number of girls that received a scholarship has been greater than 2,000 every year, and it has increased every year to 41,939 in 2005-06. The scholarship program covers regions 1 to 6, which are among the poorest in the country.
(c) Increase by at least 5 percent each year (from 44 percent in the base year of 1998) the number of births attended by a person trained in antenatal care. This should reduce the relatively high maternal death rate; monitoring mechanisms for this indicator have also been defined in the Participatory Health, Population, and Nutrition Project (PHPNP).	**Partially Implemented.** The country has increased the share of births attended by skilled personnel from 44 percent in 1998 to 56.3 percent in 2005, the most recent data available. This is a significant increase from the baseline, and compares favorably in the region. While the increase is less than the decision point target, which would imply 61.9 percent in 2005 and 68.3 percent in 2007, staffs observe that the target percentages are unrealistically high due to the long delays in reaching the completion point, leading to a situation where the indicator would need to have continuously increased for an unreasonably long period, and to levels significantly greater than in comparable Sub-Saharan countries.
(d) Increase the share of primary and secondary health care within the recurrent budget for health. The recurrent budget for primary and secondary health care is understood to comprise health centers; dispensaries and sub-dispensaries; health promotion and protection; family health; disease control; and nurses' training. These are covered by budget lines 06 to 11 under heading 21 of the budget; they do not include expenditures incurred directly or indirectly on (i) foreign personnel; and (ii) all the referral hospitals. The base year for measurement is 1999.	**Implemented.** The share of primary and secondary health care increased from 42 percent in the baseline year (1999) to 50 percent in 2003, and averaged 48 percent in the four years since then.
5. **Structural reforms**	
Measures to promote private sector development:	
(i) Establish a functional multisector regulatory agency.	**Implemented.** The Gambia Public Utilities Regulatory Authority (PURA) Act was enacted in 2001, endowing PURA with the mandate to regulate the energy, communication, and telecommunication sectors. The Board has been established and staffs recruited. PURA collaborates with DOSFEA (Ministry of Finance) and the relevant line

Box 1. Status of Triggers for Reaching the Floating Completion Point

Triggers	Assessment
	ministries on licensing, tariffs and competition related policies.
(ii) Bring to the point of sale The Gambia's two major public groundnut processing plants.	**Partially implemented.** The government attempted to privatize the groundnut plants between 2005 and 2006. It advertised requests for bids but there was only one bidder, which the government decided to reject on the grounds that it was not sufficiently qualified and it would be detrimental to the sector and the economy. In 2007, the government, in consultation with IDA and the EU, prepared a comprehensive sector reform "roadmap" which liberalizes the groundnut sector and outlines plans for privatizing the public groundnut plants by 2008. As part of the roadmap, the government has allowed free entry of operators and transferred management of the sector to an association of public and private stakeholders.

B. Macroeconomic Performance

12. **Macroeconomic policies and performance have passed through two phases since the decision point** (Table 1 and Box 2):

- **Fiscal slippages, accommodating monetary policy, and falling international reserves during 2001–03 fueled a sharp depreciation of the dalasi and inflation.** The dalasi depreciated by 55 percent in nominal effective terms between end-2001 and end-2003, and inflation reached 17 percent in 2003 (the highest level in nearly two decades). The second PRGF arrangement went off-track soon after it was approved in 2002, and it expired in 2005 without completion of a review. As a result, The Gambia was unable to reach completion point as originally envisaged.

- **Policy adjustments restored macroeconomic stability during 2004–07.** Macroeconomic policy improved in 2004 but the PRGF program remained off-track due to delays in implementing structural measures for improving governance of the CBG. Subsequently, a staff monitored program (SMP) was successfully implemented from October 2005 to March 2006, and a new PRGF-supported program was approved by the IMF's Board in February 2007. The first review, which was completed in August 2007, concluded that overall performance under the program has been strong, with all but one of the quantitative performance criteria and indicative targets met. Six out of eight structural performance criteria were observed; waivers were granted for the other two. Performance under the program has remained strong, and Fund staff are recommending completion of the second review.

13. **A marked deterioration in public finances in 2001 was driven by unbudgeted expenditures and a decline in tax revenues**. The overall deficit including grants increased from 1.4 percent of GDP in 2000 to 13.9 percent in 2001. A combination of unbudgeted

Table 1. The Gambia: Selected Economic and Financial Indicators, 1999-2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007 Proj.
	(Annual percent changes, unless otherwise indicated)								
National income and prices									
GDP at constant prices	6.4	5.5	5.8	-3.2	6.9	7.0	5.1	6.5	7.0
Consumer price index (period average)	3.8	0.9	4.5	8.6	17.0	14.3	5.0	2.1	5.0
Consumer price index (end of period)	1.7	0.2	8.1	13.0	17.6	8.1	4.8	0.4	5.0
External sector									
Exports, f.o.b. (in US$)	-7.8	5.3	-19.4	7.1	-7.1	10.5	-16.5	3.9	4.5
Imports, f.o.b. (in US$)	-9.7	0.5	-19.9	12.8	-6.2	46.2	10.2	-0.6	21.5
Terms of trade 1/	-18.0	-3.5	0.7	8.3	17.9	-10.2	-13.8	-3.0	-0.3
Nominal effective exchange rate (period average)	-4.8	-3.7	-14.1	-22.6	-37.4	-11.3	4.2	3.0	...
Real effective exchange rate (period average)	-2.2	-4.9	-12.2	-17.6	-28.5	-1.2	4.5	1.3	...
	(Percent change; in beginning-of-year broad money)								
Money and credit									
Broad money	12.1	34.8	19.4	35.3	43.4	18.3	13.1	26.2	8.6
Net foreign assets	4.3	22.5	-33.8	13.0	28.2	28.8	0.3	17.8	-3.6
Net domestic assets	7.8	12.3	53.2	22.3	15.2	-10.5	12.8	8.5	12.2
Of which:									
Credit to the government (net)	3.4	3.1	25.5	1.0	12.5	-10.6	6.3	3.8	-3.8
Credit to the private sector and public enterprises	7.8	4.4	4.4	23.7	20.0	-6.5	5.5	8.4	2.8
Claims on foreign exchange bureaus	0.0	0.0	8.8	4.0	-1.0	-1.2	0.0	0.0	0.0
Other items net	-3.8	4.9	-9.9	-6.4	-16.3	7.7	1.0	-3.7	13.2
Velocity (GDP/end-of-period broad money)	3.3	2.7	2.8	2.3	2.2	2.4	2.3	1.9	2.0
Treasury bill rate (in percent; end of period)	12.5	12.0	15.0	20.0	31.0	28.0	12.5	10.4	11.6
	(Percent of GDP, unless otherwise indicated)								
Central government budget									
Domestic revenue	17.9	18.5	15.1	16.3	15.7	20.9	19.7	21.2	22.1
Total expenditure and net lending	22.7	22.1	31.1	25.4	22.9	31.1	30.0	29.2	25.4
Balance, including grants	-3.5	-1.4	-13.9	-4.6	-4.7	-6.2	-9.2	-6.8	2.9
Basic primary balance 2/	4.7	4.6	-1.3	2.7	3.6	9.6	8.5	8.4	9.0
Net foreign financing	0.6	-0.8	-0.4	1.9	0.6	5.7	5.5	5.2	0.8
Net domestic financing	2.9	2.2	14.3	2.7	4.1	0.5	3.7	1.6	-3.3
Stock of domestic debt	27.0	31.5	38.1	36.6	25.2	32.9	35.5	32.2	29.6
Gross domestic investment and savings									
Gross domestic investment	17.8	17.3	17.4	21.2	19.5	29.0	26.8	27.9	23.6
Gross national savings	14.9	14.1	14.8	18.4	14.4	22.8	11.7	16.4	12.8
External sector									
Current account balance									
Excluding official transfers 3/	-9.8	-10.6	-10.1	-13.4	-13.6	-14.7	-20.2	-14.7	-16.1
Including official transfers 3/	-2.8	-3.1	-2.6	-2.8	-5.1	-6.1	-15.1	-11.5	-10.8
Gross official reserves (in millions of US$)	98.0	111.4	63.3	67.2	61.5	84.0	96.6	118.6	120.0
In months of imports, c.i.f.	6.2	7.0	5.0	4.5	4.4	4.3	4.5	5.5	4.8
External debt service 4/	11.8	15.4	16.4	16.9	8.5	17.7	17.7	16.5	18.5

Sources: Gambian authorities; and IMF staff estimates.

1/ Excluding reexports and imports for reexport.

2/ Basic primary balance is defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditures. It measures the Government's domestic fiscal adjustment effort.

3/ Official transfers also includes an assumption for technical assistance.

4/ Percent of exports of GNFS.

expenditures (amounting to 6.8 percent of GDP) and a decline in tax revenues (by 3.2 percent of GDP) led to large government borrowing from the CBG and a sharp rise in domestic debt.

Box 2. The Gambia: Performance Under the Fund-Supported Programs, 1998–2007 [2]

A three-year arrangement under the ESAF, approved in 1998, was converted to an arrangement under the PRGF and expired at end-2001. A new PRGF arrangement was approved July 2002. After one drawing upon approval, the program soon went off track and expired in mid-2005 without completion of a single review. Strengthened macroeconomic policies from 2004 and successful implementation of a staff monitored program paved the way for a new PRGF arrangement in February 2007.

ESAF/PRGF, June 1998 – December 2001. All but one of the reviews were completed, though often accompanied by requests for waivers on nonobservance of Performance Criteria (PCs). While quantitative PCs on external payments arrears and external debt were generally observed, targets on fiscal performance (e.g., revenue and limits on public sector wages) and on the level of net foreign assets of the CBG were often not met. Prior actions and about 2/3 of total benchmarks were met on time.

Later, in 2003, unrecorded public expenditure financed by loans from the CBG in 2001 and illicit foreign exchange transactions by CBG officials were uncovered. This resulted in misreporting of end-March and end-September 2001 PCs; the associated noncomplying disbursements were repaid in 2004.

2nd PRGF, July 2002 – July 2005 (IMF Country Report No. 04/42). Implementation difficulties became acute under the arrangement approved in 2002. As a result of severe policy slippages and the economic consequences of lack of accountability in public expenditure management, the first review under the arrangement was not completed when the program expired. A majority of structural benchmarks under the first year of the second PRGF arrangement were not met on time.

SMP, October 2005 – March 2006 (IMF Country Report No. 06/38). Revenue shortfalls meant fiscal targets for December 2005 were missed, however implementation improved in the second half of the program and the fiscal targets met cumulatively through March 2006. Further, performance against structural benchmarks was strong through strengthened internal controls and the operational independence of the CBG, enhanced public financial management and accountability, and progress toward fiscal sustainability.

3rd PRGF. On February 21, 2007 the IMF Executive Board approved a new three-year PRGF arrangement for the period 2007–09 (IMF Country Report No. 07/116). Consistent with the PRSP and the Fund's ex-post assessment of its earlier programs, key elements of the program are fiscal adjustment designed to support a reduction in domestic interest rates; measures to enhance CBG internal controls and operational independence to sustain macroeconomic stability; a strengthening of public financial management to ensure that aid and domestic resources are used effectively in line with national priorities; and creation of a credit reference bureau to deepen financial intermediation. Strong performance led to the completion of the first review in August 2007. Fund staff recommend completion of the second review.

14. **A tightening of fiscal and monetary policies from late 2003 lowered inflation and contributed to sustained growth.** The basic primary balance[3] moved from a deficit of over

[2] A good review of macroeconomic performance and a history of engagement with the Fund though 2004 is contained in "The Gambia: Ex Post Assessment of Longer-Term Program Engagement" (IMF Country Report No. 06/11).

1 percent of GDP in 2001 to an average surplus of 8.8 percent of GDP during 2004–06, and is expected to reach 9 percent in 2007. Yields on treasury bills rose from 15 percent at end-2001 to 31 percent at end-2003 before declining to 10–15 percent since mid-2005. Inflation fell from 17.6 percent at end-2003 to 1.4 percent at end-2006. A spike in the prices of some imported food items pushed the annual rate of inflation to over 6 percent in the second quarter of 2007, but there has since been an easing of inflationary pressures and the rate is expected to fall to about 5 percent at the end of the year.

15. **Economic growth has been robust during most of the period since decision point.** After growing by nearly 6 percent in 2001, real GDP fell by about 3 percent in 2002 reflecting macroeconomic instability and the impact of adverse weather on agriculture. Subsequently, growth has averaged 6.5 percent a year, driven by the tourism, telecommunication, and construction sectors. Tourism has been a major beneficiary of foreign direct investment (FDI), which has expanded the supply of hotels and allowed the sector to grow by an annual average of 11.6 percent. A new competitor entered the mobile telephone market in 2007, increasing the total to three. A construction boom has been financed by FDI and also remittances. Agriculture has been the laggard, particularly the groundnut sector, in which a majority of the poor make their livelihood. However, the government recently initiated concrete measures to revitalize the sector as part of the implementation of the sector reform roadmap, based on full liberalization of the sector (see Section II.E). Liberal trade polices and an efficient port infrastructure allow the country to act as a regional re-export hub. Continued macroeconomic stability and strengthened public financing management provide the foundations for sustained growth and poverty reduction.

16. **External developments have been broadly favorable over the period.** In 2001 and the first year under the second PRGF arrangement, the external current account deficits, including official transfers, remained below the program projections. During most of this period, The Gambia accumulated gross international reserves which were equivalent to six to seven months of import cover and above the program targets except for 2001. Over the period 2001–03, the level of reserves fell in response to macroeconomic instability and uncertainty. With renewed macroeconomic stabilization and an associated increase in FDI inflows, the current account deficit has widened, but reserve coverage has increased to approximately five months of import cover despite increasing imports.

17. **Macroeconomic performance under the third PRGF-supported program has been strong.** The first review of the program was completed August 2007, and Fund staff are recommending completion of the second review. Under the program, robust growth and low inflation have been sustained through good policy implementation—in particular, strong

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[3] Basic primary balance is defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditures. It measures the Government's domestic fiscal adjustment effort.

fiscal performance. The second review included discussion of the authorities' proposed budget for 2008 which aims at ensuring that past fiscal success will be continued, and translate into lower domestic debt looking forward. The authorities also agreed to indicative limits on new borrowing under the program, to prevent debt ratios quickly returning to pre-decision point levels.

18. **The staffs of IDA and the IMF conclude that The Gambia has met the trigger on the maintenance of macroeconomic stability, as evidenced by satisfactory implementation of the PRGF-supported program.** After an initial period of uneven performance, a stable macroeconomic environment has been maintained through fiscal and monetary discipline. The Fund's Board approved the first review of a new PRGF program in August 2007, and Fund staff recommend completion of the second review.

C. Governance

19. **The government has successfully introduced a number of significant reforms on public financial management and Central Bank operations.** These reforms have improved transparency and accountability in the use of public resources and reduced the opportunities for corruption. They addressed critical deficiencies in governance, such as a significant backlog of unaudited public accounts and internal control failures at the Central Bank. In particular, the government has had to rely on preliminary and sometimes incomplete expenditure data for monitoring poverty reducing expenditures, such as in 2004 (see Table 6 below).

- **Budget Management and Accountability Act (2004).** Legislation on budgeting and accounting had been based on an outdated framework. The Budget Management and Accountability Act (2004) updated the legal framework to international standards. It provides for a fuller integration of the recurrent and development budgets, a closer linkage between budget preparation and execution, and consolidation of public funds. It includes good practices on limiting and publicizing government borrowings and guarantees, and timely preparation of annual public accounts.

- **Central Bank reforms.** A new Central Bank Act (2005) provides increased operational independence of the CBG, including setting limits on lending to the government by the CBG. The arrangements for external audits were improved, and the capacity of internal audits and supervision departments were strengthened through new recruits and training. Important steps have been taken to strengthen internal controls, in line with the recommendations of the IMF's Safeguards Assessment and external audits: (i) an action plan for improving internal controls was approved by the CBG's Board in July 2005 and is being implemented; (ii) formal guidelines for foreign exchange reserves management were approved by the Board in December 2005 and are being implemented; (iii) an audit committee, comprising the independent members of the Board, has been formed to oversee the external audit process and the internal control structure of the CBG; and (iv) new operating manuals for the internal audit, finance, and foreign exchange departments have been prepared.

- **Public procurement reforms.** The Gambia Public Procurement Act (2001) provides the framework for an open, nondiscriminatory and transparent procurement system. The new legislation supports national anti-corruption initiatives and harmonizes public procurement policies and tools. The Gambia Public Procurement Authority (GPPA) was created in 2002 with the responsibility for implementing the new legal framework and reviewing all large contract awards. The central tender board was replaced by decentralized procurement committees and units.

- **Gambia Revenue Authority (GRA).** The GRA Act (2004) created the semiautonomous GRA which consolidated administration of income and sales tax with customs. The establishment of the GRA contributes to the enhancement of the legitimacy and professionalism of tax administration, the improvement of taxpayer services, and the promotion of uniform application of tax laws. The newly created GRA Board, comprising both public and private sector representatives, has been actively engaged in the reform process. Tax administration capacity has been strengthened through organizational restructuring, training and technical assistance and this has had a positive effect on revenues.

- **Integrated Financial Management Information System (IFMIS).** The authorities are introducing the IFMIS, which is a comprehensive public expenditure management IT system for all stages of the budgeting and accounting process. IFMIS began operations in January 2007 and covers the entire central Government. It is being developed and implemented through two phases, with completion of phase one expected in the first quarter of 2008. The system is currently processing all payments and the payroll, and producing fiscal accounts. It incorporates commitment controls which facilitate fiscal discipline. The budgeting module and the full complement of fiscal reports are expected to be completed by the end of phase one. Staffs of the Treasury and the Department of State for Finance and Economic Affairs (DOSFEA) have received extensive training on the system as well as on basic IT and accounting skills. A key challenge for the authorities will be to ensure the sustainability of this system, particularly in terms of retaining trained staffs and adequately preparing for staff turnover.

- **Preparation of public accounts.** At the decision point, the government's public accounts had not been prepared since 1992, undermining fiscal transparency and accountability. The accounts have now been updated to 2006. The IFMIS is expected to produce the 2007 accounts by end-March 2008.

20. **The Government has issued annual public reports on the overall budget execution and semi-annual reports on the use of interim HIPC Initiative debt relief.**

The government's annual budgets report on actual public expenditures with a two year lag. In addition, a series of annual Public Expenditures Reviews (PERs) were conducted by the authorities, IDA and other development partners. These PERs analyzed the effective use of public expenditures, particularly with respect to PRSP priority spending, and also improvements in public financial management. The use of interim HIPC debt relief has been analyzed through semiannual and annual Poverty Reducing Expenditure Reports (PRERs). These reports cover all poverty-reducing expenditures, not just expenditures funded by interim HIPC relief. The staffs endorse this approach given that funds are fungible. The Cabinet reviews and approves the annual budgets and the PRERs.

D. Social Sector Reforms

21. **Resources in the budget freed by interim HIPC debt relief have been used in accordance with the annual budgets approved by the Cabinet.** The use of interim HIPC relief is explicitly specified in the annual budgets as part of poverty-reducing expenditures. The budgets identify all poverty-reducing expenditures, parts of which were funded by interim debt relief and the rest through the government's own local revenue. IDA and the AfDB Group suspended their interim relief in March 2005 and end-2003, respectively. IMF relief was suspended in 2002 when the PRGF went off-track, and it resumed in 2007 with the approval of a new PRGF. The government continued to track poverty-reducing expenditures even after the cessation of interim HIPC relief. Instead of the Task Force and HILEC as originally envisioned in the decision point, currently the entire Cabinet directly reviews and approves the annual budgets and the allocations to poverty-reducing expenditures. HILEC is a Cabinet subcommittee.

22. **There have been important gains in education.** The government has a new comprehensive Education Policy (2006–2015) which focuses on expanding and improving the quality of education. Education benefits from: (i) the largest government budget among all ministries; (ii) support from donors, including IDA's recently approved second phase of its education project; and (iii) funding from the EFA FTI Catalytic Grant. The education sector has benefited from an extensive government program of expanding infrastructure, teacher training and school materials. Over 1,000 classrooms were built with the support of the World Bank education project. Access to education has expanded, particularly in rural areas, with a gross enrollment rate of 77 percent which increases to more than 90 percent if Madrassa enrollments are included.[4] The government has programs to recruit and retain qualified staff, including hardship allowances and improved working conditions for teachers assigned to rural areas. The key next challenge is to improve the quality of education programs.

23. **The annual increase in the number of graduating lower basic education teachers has significantly exceeded the decision point target of 45 percent.** Starting from

[4] Madrassas are Islamic religious schools.

192 graduates in the base academic year 2000/01, the number of graduates from The Gambia College with a Primary Teacher's Certificate has increased every year, reaching 331 in 2005. This represents an increase of 72 percent from the base year, which will help the country improve the quality of teaching in the grades considered to have the greatest impact on poverty.

Table 2. Gambia College Primary Teacher's Certificate (PTC) Graduates

	2001	2002	2003	2004	2005
PTC Graduates	192	221	227	311	331

24. **The scholarship scheme for girls has increased far beyond the annual target of 2,000 girls in at least three regions.** The number of girls that have benefited from a scholarship has increased every year, reaching 41,939 in 2005–06. There are two scholarship programs for girls. The Scholarship Trust Fund for Girls under the Department of State for Education covers regions three to six out of a total of six regions, while the President's Empowerment of Girls Education Project is a more recent program initiated in the 2005/6 school year, covering regions one and two. Together, the two girls scholarship programs cover the poorest regions of the country.

Table 3 Scholarship Funds for Girls

Year	STF [1]	PEGEF [2]	Total
2000/01	5,979	-	5,979
2001/02	6,042	-	6,042
2002/03	9,800	-	9,800
2003/04	11,390	-	11,390
2004/05	12,711	28,337	41,048
2005/06	13,217	28,722	41,939
2006/07	14,006	N/A	N/A

[1] Scholarship Trust Fund.
[2] President's Empowerment of Girls Education Project.

25. **Health care has expanded significantly.** The country has a comprehensive set of health policies, including the National Health Policy, a National Drug Policy, and a National Nutrition Policy. Health has the third largest budget among government ministries. Primary and secondary health care have expanded significantly, particularly the construction of health centers through donor financing. Moreover, investments in health centers have mostly been made in poorer regions. Physical access to basic health services is generally good, with 85 percent of the population living within one-hour travel time, or 7.5 km, of a health facility. Hospital beds, at 1.21 beds per 1,000, compare favorably with other Sub-Saharan Africa (SSA) countries. The challenge now is to ensure that the health centers are properly equipped and staffed.

Table 4. Share of Births Attended by Skilled Health Staffs

	The Gambia			Senegal	Ghana	SSA Avg
	1998	2000	2005	2002	2006	2005
Percentage of Births	44 [1]	54.7	56.3	58	49	45

Source: 2000 and 2005 MICS for The Gambia, and WHO for Senegal and Ghana.

[1] Although the decision point document indicates that the baseline of 44 percent was estimated for 1998, it was actually estimated in 1990 (World Bank, PHPNP, ICR, May 2006).

26. **The country has substantially increased the share of births attended by a person trained in antenatal care, but not to the extent envisioned at decision point.** At the decision point, this indicator was targeted to increase annually by at least 5 percent, from 44 percent in the base year of 1998. The most recent estimate available is from the 2005 Multiple Indicator Cluster Survey (MICS), which indicates that 56.3 percent of births were attended by skilled health personnel. This is a significant increase from the baseline, but it is less than the decision point target of 61.9 percent in 2005.

27. **The staffs observe that the target percentages are unrealistically high, and similar or better than other Sub-Saharan African countries.** The high percentages are due to the long delays in reaching the completion point, resulting in a situation where the indicator would have continuously increased for an unreasonably long period. As a result of the substantial gains made since the decision point, the share of assisted births in The Gambia is now significantly greater than the SSA average (Table 4). In general, the government has increased the supply of antenatal care services with skilled attendants.[5]

Table 5. Share of Primary and Secondary Health Care in Health Recurrent Budget

(Percentage)

	1999	2000	2001 [1]	2002	2003	2004	2005	2006
Share of Primary and Secondary Health	42	41	39	42	50	51	48	44

[1] The percentage for 2001 is based on the budget allocations, while the other years are based on actual expenditures.

[5] World Bank, "Participatory Health Population and Nutrition Project, Implementation Completion Report" (May 2006). Available via the Internet: http://www-wds.worldbank.org/external/default/main?menuPK=64187510&pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64154159&searchMenuPK=64258544&theSitePK=523679&entityID=000090341_20060607104525&searchMenuPK=64258544&theSitePK=523679

28. **The share of primary and secondary health care within the recurrent budget for health has increased.** The recurrent budget for primary and secondary health care is understood to comprise health centers, dispensaries and sub-dispensaries, health promotion and protection, family health, disease control, and nurses' training. It does not include expenditures incurred directly or indirectly on foreign personnel and referral hospitals. The share of primary and secondary health care was 42 percent in 1999, the baseline year. In 2001, this share remained relatively stable up to 2002, but subsequently it increased to 50 percent in 2003 and has generally maintained this higher level. The share has averaged 48 percent since 2003, which is greater than the baseline of 42 percent as required by the decision point trigger.

E. Structural Reforms

29. **A functional multi-sector regulatory agency has been established.** The Gambia Public Utilities Regulatory Authority (PURA) Act was enacted in 2001. The Act provides PURA the mandate to regulate the water, electricity, and telecommunication sectors. The Board has been established and staffs recruited. At present, PURA's activities are mainly focused on the electricity and telecommunication sectors. It collaborates with the Department of State for Finance and Economic Affairs (DOSFEA) and the relevant line ministries on licensing, tariffs, and competition (antitrust) related policy decisions.

30. **The Government unsuccessfully attempted to privatize the public groundnut processing plants.** The Gambia Groundnut Corporation (GGC), which owns the groundnut plants as well as transportation and storage facilities, was formerly a foreign-owned private company which was nationalized in 1999. From 2005 to 2006, the authorities attempted to privatize GGC. A due diligence was conducted, the bidding document was prepared and requests for bids advertised. There was only one bidder, a local firm, and the authorities decided to reject the bid on the grounds that it was not sufficiently qualified and that it would be detrimental to the sector and the economy.

31. **Groundnut exports fell sharply in 2005 due to poor marketing.** In 2005, a public-private joint enterprise, the Gambian Agricultural Marketing Corporation (GAMCO), was established. A change in licensing regulations left GAMCO as the sole operator for processing and marketing groundnuts in 2005/06. GAMCO was undercapitalized and lacked market experience. As a result, groundnut exports decreased to US$2 million in 2005 from US$16.9 million in the previous year, and GAMCO is now bankrupt. In 2006, the Government reopened the groundnut market to multiple operators. Also, GGC was given a license to export groundnuts, whereas previously it focused exclusively on processing, transport and storage activities.

32. **The government has prepared a comprehensive sector reform strategy to revitalize the groundnut sector and attract established international investors.** A sector reform "roadmap" was prepared in consultation with key public and private sector

stakeholders, including the World Bank, the IMF and the EU. This roadmap outlines the government's plans to fully liberalize the sector and to privatize the management of the publicly-owned groundnut facilities. The government has already implemented the following actions from the roadmap: (i) allowing immediate free entry of operators at all levels of the value chain; (ii) transferring management responsibility for the sector to an association of the sector's public and private stakeholders, the Agribusiness Service Plan Association (ASPA), which will inter alia determine the producer price; (iii) putting GAMCO under a receivership as part of the liquidation process; and (iv) dissolving the Board of Directors of GGC, and initiating steps to reconstitute a new Board which will no longer intervene in the daily operations of the company. In 2008, the government plans to introduce private management to GGC under a performance-based contract, in preparation for eventual complete privatization. The only direct cost to the budget from the implementation of the roadmap relate to the government's assumption of nonperforming bank loans, equivalent to one percent of GDP, that were guaranteed by the Social Security and Housing Finance Corporation, a public enterprise. The loans will be repaid over three years beginning in 2008. IDA and the EU plan to support the implementation of the roadmap through investment projects and budget support operations.

33. **The groundnut sector reform roadmap was endorsed by the Cabinet in June 2007.** In July 2007, the government made a public announcement to inform all interested parties of its commitment to the implementation of the roadmap, and to full liberalization and open competition in the sector. The government also formally communicated to IDA and IMF its commitment to the roadmap. The staffs broadly support the roadmap's strategic focus on liberalizing the sector.

F. Use of HIPC Interim Relief

34. **The Gambia has benefited from the full amount of the interim HIPC debt relief from IDA, AfDB and the EU.** Interim assistance from IDA reached the ceiling of one third of expected total HIPC relief in December 2004.[6] IMF interim relief was suspended in 2002 when the PRGF went off-track, and it resumed in 2007 with the approval of a new PRGF. IDA has delivered interim assistance in the amount US$8.0 million in NPV terms and the IMF has delivered interim debt relief of US$0.6 million (SDR 0.4 million) in NPV terms as of end-November 2007. Interim assistance from the AfDB Group was provided during 2001–2003. It came to an end in end-2003 when the 40 percent ceiling of total AfDB HIPC relief provided as interim relief was reached. Total assistance during the interim period amounted to US$17.5 million in NPV terms (US$21.2 million in nominal terms), of which

[6] Interim relief for The Gambia was terminated in March 2005. All interim relief delivered counts towards the total amount of HIPC relief in NPV terms and this is reflected in the new IDA HIPC debt relief delivery schedule.

US$17.0 million in NPV terms came from multilateral creditors and US$0.5 million in NPV terms from bilateral creditors.

35. **The government allocates between one quarter to one third of total locally funded expenditures to poverty-reducing spending.** Locally funded expenditures are recurrent expenditures and parts of development expenditures that are directly funded by the government's own resources. The share of poverty-reducing spending comprises approximately half of total expenditures when interest payments are excluded. The PRSP priority sectors account for approximately a fifth of all expenditures, and approximately a third if interest payments are excluded. As an indication of their prioritization, the Departments of State for Education and Health have the largest and third largest budgets, respectively. The Department of State for Finance and Economic Affairs (DOSFEA) has the second largest budget, mainly due to transfers to economic management agencies such as the Gambia Revenue Authority (GRA) and the Gambia Bureau of Statistics (GBOS). The PRSP defines this type of spending as poverty reducing given that these agencies are responsible for strengthening public financial management and official statistics. Other poverty reducing expenditures cover agriculture, governance and civil service reform, decentralization and local government capacity building, and cross-cutting programs on nutrition, population, gender and HIV/AIDS.

Table 6. Budget Outturns of Locally Funded Poverty Reducing Expenditures (PREs)

	2001	2002	2003	2004 [1]	2005	2006	2007 [2]
Total expenditures (mil. dalasis)	1,298	1,408	1,842	2,252	2,528	2,661	3,238
HIPC interim relief (mil. dalasis)	30.3	39.2	57.9	63.7	20.6	0.0	0.0
Total expenditures (US$ millions)	82.7	70.7	67.5	75.0	88.5	94.8	116.6
Percent of total expenditures							
PRE	35.2	37.0	30.0	-	24.3	26.2	33.6
Non-PRE, noninterest payment	42.2	36.7	37.0	-	31.0	39.2	40.3
Interest payment	22.6	26.3	33.0	38.5	44.7	34.6	26.1
Percentage increase wrt 2001							
PRE	-	14.2	21.0	-	34.3	52.6	137.9
Non-PRE, noninterest payment	-	-5.7	24.7	-	43.1	90.6	138.6
Interest payment	-	26.1	106.8	195.4	285.0	213.5	188.1
Memorandum items:							
PRE of total exp w/o int. payment [3]	45.5	50.3	44.7	-	43.9	40.1	45.4
PRSP priority sectors [4]	22.9	23.9	18.3	-	18.7	20.2	18.9
PRSP priority sectors w/o international	29.6	32.4	27.3	-	33.8	30.8	25.6

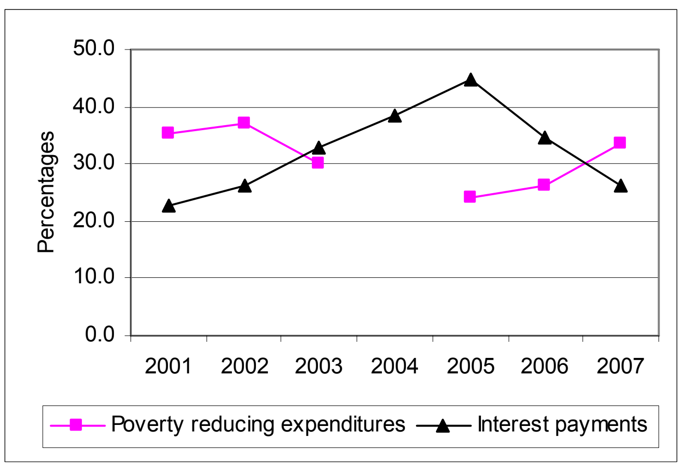
Source: Government budget reports and draft public accounts, IMF reports and staffs' own calculations.
[1] Detailed budget outturn data for 2004 are unavailable.
[2] 2007 figures are budget allocations, whereas the other years are budget outturns.
[3] The denominator is total locally funded expenditures excluding interest payments.
[4] PRSP priority sectors are education, health and agriculture.

36. **The share of poverty-reducing expenditures declined from 2002 to 2005 due to rising domestic interest payments and efforts to restore fiscal discipline.** Poverty-reducing expenditures as a share of total locally funded expenditures increased to 37 percent in 2002, but then declined to 24 percent in 2005.[7] Poverty-reducing expenditures were essentially crowded out by domestic interest payments which increased from 23 percent of total recurrent expenditures in 2000 to 45 percent in 2005 (Figure 1). Rising interest payments were a legacy of earlier fiscal and monetary slippages which significantly increased the domestic debt and interest rates. Subsequent efforts to restore fiscal discipline meant that the growth of recurrent expenditures was further constrained.

37. **The share of poverty-related expenditures has increased since 2005.** Domestic interest rates eventually declined as a result of improved fiscal and monetary discipline, leading to a decrease in the share of interest payments in total recurrent expenditures from 45 percent in 2005 to 35 percent in 2006. Its share is expected to decline further to 26 percent in 2007. In response to the expanded fiscal space, PRSP priority spending increased from 24 percent in 2005 to 26 percent in 2006, and is expected to increase to 34 percent in 2007. Compared to 2001, poverty-reducing spending was larger by 34 percent in 2005 and by 138 percent in 2007, while the corresponding percentages for interest payments decreased from 285 percent to 188 percent in the same years.

Figure 1. Poverty Reducing Expenditures and Interest Payments

(Percent of total locally funded expenditures)



Source: See table 2.
Note: Budget outturn of poverty-reducing expenditures in 2004 is unavailable.

38. **Social development funds have been used to target support to local communities.** Most of these social development funds were established with support from development partners. In particular, the Board of IDA approved in August 2007 a Community Driven

[7] Note that the budget outturn has been difficult to track due to the lack of reliable data, and therefore these findings should be considered preliminary.

Development (CDD) project which will support rural communities. The PRSP outlined plans for a Poverty Reduction Fund (PRF) as an accounting framework for monitoring pro-poor spending. It has now evolved into an overall framework for tracking spending from social development funds. Once operationalized, it is expected that the PRF will facilitate the coordination and monitoring of spending from the CDD project and other social development funds.

G. Staff Assessment

39. **The staffs are of the view that the Government has fully implemented nine out of eleven completion point triggers.** Two triggers were partially completed: (i) annual increase by five percent of the share of births attended by a person trained in antenatal care; and (ii) bringing to the point of sale the publicly-owned groundnut processing plants. The staffs recommend that waivers be granted for nonobservance of these two triggers. These waivers are sought because, as discussed above: (i) substantial progress was made towards implementation of each trigger; (ii) regarding the trigger on assisted births, the target percentages are unrealistically high due to the long delays in reaching the completion point, and moreover progress on this front has been such that the situation is now similar or better than in other comparable Sub-Saharan African countries; and (iii) with respect to groundnut processing plants, a previous attempt by the government to privatize them was unsuccessful and corrective actions are now being implemented.

III. Updated Debt Relief and Sustainability Analysis

A. Updated Data Reconciliation for the Decision Point

40. **The staffs of IDA and the IMF, together with the Gambian authorities, have reviewed the stock of debt at end-December 1999 presented in the decision point document against creditor statements.** As a result of this exercise, the NPV of the debt owed to some creditors as presented in the decision point document was revised. The revisions arose primarily from data discrepancies discovered during consultations with creditors. The revisions are as follows:

41. **Multilateral creditors:** As a result of this exercise, the nominal stock of debt owed to multilaterals has decreased by US$0.6 million to US$355.6 million, and the NPV of debt was reduced by US$0.5 million to US$180.3 million. The NPV of debt to IDA was revised upwards by US$0.1 million. Moreover, European Union (EU) loans administered by IDA—amounting to US$0.3 million in NPV terms after traditional debt relief—were not included at decision point (see paragraph 42 below). The NPV of debt owed to the African Development Bank Group was revised downwards by US$0.6 million, mainly due to corrections in the loan database, while the NPV of debt to the Arab Bank for Economic Development in Africa (BADEA) and the EU was revised upwards, respectively, by US$0.2 million and US$0.1 million to account for higher nominal stocks of debt than considered at decision

point. The NPV of debt owed to the Islamic Development Bank (IsDB) and the International Fund for Agricultural Development (IFAD) was revised downwards by US$0.3 million and US$0.02 million, respectively, due to overstated nominal stock, while the NPV of debt owed to the OPEC Fund for International Development (OFID) was revised upwards by US$0.1 million due to understated nominal stock at decision point.

42. **Bilateral creditors:** The NPV of debt to Paris Club creditors after applying a traditional debt relief mechanism was revised upward from US$17.6 million to US$19.5 million (Table 10). This revision is attributable to the reclassification of European Union loans administered by IDA that are now treated as loans from Paris Club creditors (US$0.3 million in NPV terms after traditional debt relief) and to the changes of the NPV of debt owed to Norway and France.[8] The NPV of debt to Norway increased from US$2.8 million to US$5.6 million, while the NPV of debt to France was revised downward from US$5.5 million to US$4.3 million.[9] The NPV of debt to non Paris Club creditors decreased from US$46.4 million to US$40.9 million due to the revised NPV of debts to Kuwait, Taiwan Province of China, and Libya.[10]

43. **Estimates of exports of goods and services used to evaluate HIPC assistance at the decision point have also been revised** from an average of US$118.8 million per year over 1997–99 to US$119.4 million.

44. **The debt reconciliation exercise, together with revised estimates of exports, implies a decrease in the required HIPC assistance.** The nominal stock of debt at end 1999 has decreased by US$7.9 million to US$444.7 million and the NPV of debt, after the delivery of traditional debt relief, is reduced by US$4.2 million to US$240.7 million (Table 10). Revisions to debt and export data together would result in a downward revision of HIPC assistance by US$5.0 million in NPV terms, from US$66.6 at the decision point to US$61.7 million.

45. **Debt relief under the enhanced HIPC Initiative nevertheless remains that agreed at the decision point.** For countries that reached the decision point prior to the adoption of the decision on information reporting by the Boards of IDA and the Fund, the amount of enhanced HIPC assistance required at the decision point cannot be adjusted downward

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[8] European Union loans administered by IDA were classified as multilateral at the decision point. In February 2005, the Commission of the European Union, after consultation with its member states, notified staff that these loans should be reclassified as bilateral to reflect correct ownership status.

[9] The Gambia's debt vis-à-vis Norway and France was revised due to new information provided by the creditors on the nominal stock of debt.

[10] The Gambia's debt vis-à-vis Taiwan was revised down due to new information provided by the creditor on the nominal stock of debt. With respect to Kuwait and Libya, the debt was revised after correcting the interest rate used at decision point.

without consent of the country authorities. In this case, the Gambian authorities have not agreed to a revision on the grounds that, by reducing the resources available for their ongoing PRSP program, a downward adjustment in assistance would weaken poverty reduction efforts. As a result, committed debt relief under the enhanced HIPC Initiative remains US$66.6 million in NPV terms, as estimated at the decision point, and the common reduction factor remains at 27.2 percent.

B. Status of Creditor Participation in the Enhanced HIPC Initiative

46. **The Gambia has received financing assurances of participation in the Enhanced HIPC Initiative from creditors accounting for 80.7 percent of the NPV of HIPC assistance estimated at the decision point.** Multilateral creditors account for 73.5 percent of total committed assistance, while bilateral creditors account for 26.5 percent. Several multilateral creditors and all Paris Club creditors have provided interim assistance (Table 19). Most multilateral and all Paris Club creditors have confirmed their participation in the HIPC Initiative. The authorities are working toward reaching agreements with all remaining creditors (Table 19).

Multilateral creditors

47. **HIPC assistance from multilateral creditors amounts to US$49.2 million in NPV terms, or about three-quarters of total HIPC assistance (Table 19).** IDA, the IMF, the AfDB Group, and the European Union provided interim assistance in the form of debt service reduction. All but one creditor have committed to provide the required assistance once The Gambia reaches the completion point.[11]

48. **The IMF**: Enhanced HIPC assistance from the IMF amounts to SDR 1.8 million (US$2.3 million) in NPV terms at decision point. Of this amount, an estimated SDR 0.4 million (US$0.6 million) has already been disbursed as of end-November 2007 in the form of interim assistance.[12] At completion point, the IMF will provide the remaining HIPC assistance amounting to SDR 1.4 million (equivalent to US$2.0million), together with accrued interest, currently estimated at SDR 0.5 million. IMF assistance represents an average annual reduction of 13 percent in debt service over 2001-09.

49. **IDA**: Debt relief from IDA amounts to US$22.3 million in NPV terms at decision point (Table 19), equivalent to debt-service savings of US$35.9 million during 2001–16. Of this amount, IDA has delivered US$8.0 million in NPV terms (US$9.1 million in nominal terms) as interim relief in the form of a 50 percent reduction of The Gambia's debt service to

[11] ECOWAS had not confirmed its participation at the time of writing.

[12] Interim assistance was suspended in 2002 when the original PRGF arrangement went off-track, but was resumed in 2007 with the approval of a new three-year PRGF program.

IDA[13]. Upon reaching the completion point, the remaining portion of assistance from IDA amounting to US$14.3 million in NPV terms (US$26.8 million in nominal terms) will be provided in the form of a 50 percent reduction of The Gambia's debt service to IDA through February 2016.

50. **The African Development Bank Group**: HIPC debt relief from the AfDB Group amounts to US$15.8 million in NPV terms (Table 19). Of this amount, the AfDB Group has already provided US$6.3 million in end-1999 NPV terms (US$6.8 million in nominal terms) as interim relief. At completion point, the AfDB Group is assumed to provide the remaining amount of relief through an 80 percent reduction of debt service on debt outstanding at end-December 1999, applied from January 2008 through 2013.

51. **Assistance from BADEA, EU, IFAD, IsDB and OFID** amounts to US$8.6 million in end-1999 NPV terms (US$14.0 million in nominal terms). The modalities of assistance for these multilateral creditors are summarized in Table 19.

Bilateral creditors

52. **Paris Club Creditors** have agreed in principle to provide their share of assistance under the enhanced HIPC Initiative, for US$4.8 million in end-1999 NPV terms (Tables 19 and 20).[14] Interim assistance has been provided through a flow treatment under Cologne terms, agreed on January 9, 2003 and extended on June 22, 2007. Participating Paris Club creditors declared their readiness in principle to provide their full share of assistance at the completion point, provided The Gambia maintains satisfactory relations with participating creditor countries. Bilateral agreements have been signed with France and Norway. Official Development Assistance loans administered by IDA and funded by the members of the European Union are expected to be rescheduled in accordance with the terms of the Paris Club Minutes. Paris Club creditors are expected to deliver their share of HIPC Initiative assistance through a stock-of-debt reduction under Cologne terms, which should lead to the cancellation of all outstanding obligations of The Gambia towards Paris Club creditors.

53. **Non-Paris Club creditors** are expected to provide relief in terms comparable to that of Paris Club creditors. The NPV of debt to the non-Paris Club creditors is US$80.6 million (18.9 percent of the total debt stock). The largest official non-Paris Club creditor is Taiwan Province of China, followed by Kuwait. The Gambian authorities have sent letters to their

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[13] Interim relief reached the ceiling of one-third of total NPV of HIPC relief from IDA in December 2004.

[14] This is consistent with the proportional burden sharing based on the Paris Club relative exposure in NPV of total external debt at decision point after the full use of traditional debt relief mechanisms.

non-Paris Club creditors seeking debt relief agreements with them on terms at least comparable to those offered by the Paris Club.[15]

C. CONSIDERATION FOR EXCEPTIONAL TOPPING-UP OF HIPC ASSISTANCE

54. **The enhanced HIPC Initiative allows for additional debt relief, or exceptional "topping-up," at the completion point** if the deterioration of the debt burden indicators could be primarily attributed to fundamental changes in a country's economic circumstances due to exogenous factors. Additional debt relief may in this case be provided to bring the NPV of debt-to-exports ratio down to the 150 percent threshold at the completion point.[16]

Table 7. Debt and Exports Related Variables (After HIPC Assistance)

	Decision Point	Completion Point	
		DP Projections	Actual
NPV of debt-to-exports ratio	150.0	139.8	242.5
NPV of debt (US$ millions)	178.2	254.5	333.9
New borrowing (US$ millions)	-	200.3	283.8
Grant element of new borrowing	-	60.8	45.3
Exports of GNFS (US$ millions	118.8	182.0	137.7
SDR discount rate (percent)	5.6	5.6	5.1
SDR exchange rate (SDR per US$)	0.73	0.73	0.66

55. **The Gambia's NPV of debt-to-exports ratio at end-2006 was almost double its projected value at the decision point** (Table 7)**.** At decision point, the end-2006 debt-to-exports ratio was projected to be 139.8 percent of exports of goods and nonfactor services. By contrast, the actual ratio was 242.5 percent, which is 102.6 percentage points above the projection and 92.5 percentage points above the HIPC threshold of 150 percent.

56. **The main factors that explain the variation of the ratio are export performance, new borrowing, and the exchange rates and discount rates used to calculate the NPV of debt.** The contribution of these factors is illustrated in table 8 and discussed in what follows.

[15] The IMF is in the process of confirming non-Paris Club creditors who intend to provide debt relief in the context of the enhanced HIPC Initiative.

[16] To date, six countries have received topping-up assistance under the enhanced HIPC Initiative: Burkina Faso, Ethiopia, Rwanda, Malawi, Niger and Sao Tome and Principe.

Table 8. Decomposition of the Changes in the NPV of Debt-to-Exports Ratio

	Anticipated at the decision point (percentage points)	Unanticipated at the decision point (percentage points)	Percent contribution to unanticipated increase	Total change (percentage points)	Percent contribution to total increase
Total change in the ratio	**-10.2**	**102.6**	**100%**	**92.5**	**100%**
Factors contributing to the change of the ratio					
1. Due to changes in the parameters	**0.0**	**27.9**	**27%**	**27.9**	**30%**
i) Discount rates	0.0	13.2	13%	13.2	14%
ii) Exchange rates	0.0	14.6	14%	14.6	16%
2. Due to additional bilateral debt relief	0.0	0.0	0%	0.0	0%
3. Due to new borrowing	**43.1**	**55.6**	**54%**	**98.7**	**107%**
Volume	43.1	23.8	23%	66.9	72%
Concessionality	0.0	7.1	7%	7.1	8%
Other factors		24.7	24%	24.7	27%
4. Due to Exports of goods and non-factor services	**-51.4**	**38.7**	**38%**	**-12.7**	**-14%**
Volumes		33.3	32%		
Prices		5.5	5%		
5. Due to amortization & others	**-1.9**	**-19.5**	**-19%**	**-21.4**	**-23%**

Export Performance

57. **Growth in export earnings fell short of the level originally projected at the decision point.** Although the growth in export earnings lowered the NPV of debt-to-exports ratio by almost 13 percentage points between the decision and the completion point, this contribution was lower than projected. Export growth between 1999 and 2006 was projected to be 63 percent; however, actual export growth during this period was only 28 percent. This shortfall is mainly attributed to a lower than projected growth of export volumes, which accounted for 32 percent of the unanticipated increase of the debt-to-exports ratio.

58. **Government policies can explain a substantial amount of the poor performance of the main export sectors relative to the decision point projections.** The Gambia's largest contributors to export earnings are re-export earnings, groundnuts and travel income, which accounted for 30.0, 6.6 and 58.3 percent of total export earnings, respectively. Approximately half the shortfall of exports compared to decision point projections can be attributed to re-export earnings, while groundnuts and travel income accounted for a quarter each.

59. **The shortfall in re-exports was mainly a volume and not a price effect.** The quality of the data on re-exports is poor, resulting in considerable uncertainty about re-export earnings. Nevertheless, it can be shown that re-export prices, based on the world export price deflator, have grown modestly, close to the decision point projections. By contrast, re-export volumes fell short of projections during this period.

60. **There is sufficient evidence that government policies were major determinants of the lower growth of re-export volumes.** The Gambia has traditionally acted as a regional

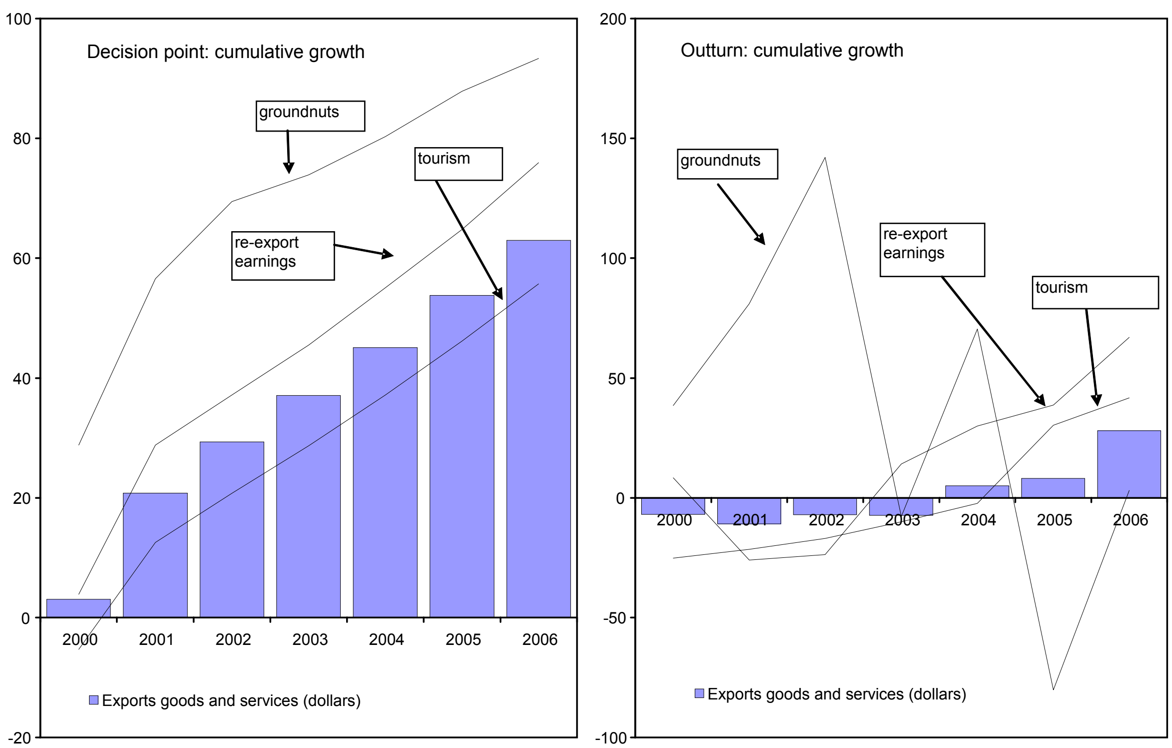
re-export hub due to liberal trade policies and relatively efficient ports and customs administration. However, policy shortcomings resulted in lower re-exports:

- Poor macroeconomic management, resulting in macroeconomic uncertainty and at times an unstable exchange rate, contributed to a stagnation of re-exports.

- The Gambia has been slow to further improve its customs clearance procedures and ports facilities, while neighboring countries such as Senegal have closed the competitiveness gap. Anecdotal evidence suggests this has materially impacted The Gambia's role as re-exporter to the region.

- In early 2006, the country adopted the ECOWAS Common External Tariff (CET) and increased its import sales tax in order to harmonize its tariff regime with the region. Although these reforms are intended to promote regional trade integration, the near-term tax increase on imports further reduced the country's competitiveness in re-export trade.

Figure 2. The Gambia: Projected and Actual Export Performance, 2000–2006



Source: Gambian authorities and staff estimates.

61. **Groundnut is the country's most significant cash crop, but poor policies have undermined performance** (see also paragraphs 30–33)**.** At the decision point, it was projected that groundnut exports would steadily increase by 50.4 percent by 2006, actual groundnut exports decreased by 25.5 percent compared to 2000. While world groundnut

prices were marginally lower than the projections, the shortfall in groundnut exports can be mostly explained by lower export volumes. The authorities implemented a series of sector reforms which had a negative impact on the domestic groundnut sector. In 2005, a change in licensing arrangements created a *de facto* monopoly, whose inexperience and undercapitalization resulted in the near collapse of groundnut exports to US$2.0 million. Groundnut exports recovered partially in 2006, but only to approximately half of the decision point projection of US$19.4 million. Finally, note that the shortfall in groundnut exports in 2006, which is the basis for the topping-up assessment, cannot be attributed to low rainfall in 2002.

62. **Finally, the tourism shortfall can be traced to the significant decline in 2000, which was policy-induced.** Tourism is the country's largest foreign exchange earner. Tourist arrivals were projected to increase to approximately 135,000 by 2006, but instead only reached 121,000. As a result, travel income fell short of the projections by 10.7 percent. The shortfall in tourist arrivals was largely due to the withdrawal of a major German tour operator. A major reason for this withdrawal was the government's ban on all-inclusive tour packages, which detrimentally affected the German market in particular.[17] German tourists decreased from 25,393 in 1999 to 12,156 in 2000. The number of German tourists decreased further to 3,065 in 2001 and has never recovered to previous levels.

63. **Overall, exports performance has largely been driven by lower than projected volumes, for which poor policies were major determinants.** For this reason, the staffs are of the view that the contribution of export underperformance to the deterioration of the NPV of debt-to-exports ratio is not due to exogenous factors. For the three main export sectors, price effects have been negligible while lower than projected export volumes accounted for 33 of the 39 percentage points shortfall.

New Borrowing

64. **At decision point, new borrowing was projected to increase the NPV of debt-to-exports ratio by 43 percentage points.** New borrowing was required to support the implementation of The Gambia's Interim PRSP through investments in health and education, agriculture, fisheries, energy, water and sanitation, public sector reforms and private sector development.

65. **However, actual new borrowing exceeded the decision point projections by US$84 million, resulting in an additional unanticipated deterioration of the NPV of debt-to-exports ratio by 56 percentage points.** Of the unanticipated increase in the new borrowing, 25 percentage points reflect the assumption at decision point that all new

[17] World Bank, "The Gambia, From Entrepot to Exporter and Eco-tourism," Diagnostic Trade Integration Study (DTIS), July 2007.

multilateral borrowing would be available on IDA terms; with hindsight, an average grant element of 45 percent would have been more realistic since considerable new borrowing was from non-IDA multilateral creditors. The correction to borrowing terms assumed at decision point is shown as "other factors" in Table 8. Such corrections are not considered an exogenous factor that fundamentally changes a country's economic circumstances. After accounting for this correction, new borrowing was on average still contracted on terms that were less concessional than the 45 percent that should have been anticipated, contributing a further 7 percentage points to the deterioration in debt-to-exports. Higher than projected volume of new borrowing, which accounted for 24 percentage points of the unanticipated deterioration, was discretionary and was not associated with natural disasters or any other types of exogenous factors.[18] Neither the lower concessionality nor the higher volume of new borrowing is considered exogenous.

Changes in Parameters

66. **Unanticipated changes in the exchange and discount rates accounted for an increase in the NPV of debt-to-exports ratio of 28 percentage points**. Lower discount rates, in line with the fall in world interest rates, contributed 13 percentage points, while unanticipated depreciation of the dollar against most major currencies, in which the country's debt is denominated, further deteriorated the debt-to-exports ratio by 15 percentage points. Changes in these parameters are determined by international markets, and thus they are considered exogenous changes to the country's economic circumstances.

67. **A decline in discount rates can be interpreted to reflect market expectations of lower world economic activities and thus worsening export outlooks.** The discount rates are based on interest rates on international bonds of industrialized countries. Insofar as the decline would reflect expectations of lower global output and demand, the corresponding reduction in The Gambia's future export earnings implies a higher than projected debt burden.

Other Factors

68. **The remaining reduction of 20 percentage points is due to revisions of the decision point debt database and amortization of existing debt.** Due to the lag between the decision point and the completion point, The Gambia has repaid much more external debt than anticipated.

Conclusion

69. **The staffs are of the view that The Gambia does not meet the requirements for exceptional topping-up under the enhanced HIPC Initiative.** Most of the factors

[18] Disbursements of US$380,000 from an IDA Africa Regional Locust Project can be considered exogenous.

explaining the deterioration in the ratio are not considered exogenous changes to the country's economic circumstances. Two factors are considered exogenous: (i) unanticipated changes in international prices of exports, which account for 5.5 percentage points of the deterioration; and (ii) unanticipated changes in the discount rate and the exchange rate, which account for 27.9 percentage points of the deterioration. These two exogenous factors explain less than a third of the unanticipated deterioration of the NPV of the debt-to-exports ratio. Lower export volumes, larger new borrowing and lower concessionality had a much greater impact on the deterioration of the debt distress ratios. By themselves, they would still have resulted in a NPV of debt-to-exports ratio of 204 percent, significantly higher than the HIPC debt distress threshold of 150 percent.

70. **At the same time, the results of the LIC DSA—that The Gambia remains at high risk of future debt distress (Appendix I)—are a concern.** While The Gambia does not meet the criterion for exceptional topping-up, the combined impact of HIPC and MDRI debt relief will significantly reduce external public debt. However, despite this debt relief The Gambia will remain at high risk of debt distress going forward. For this reason, the government has increased the minimum grant element on new external borrowing, and plans to limit the volume of new borrowing for the foreseeable future as part of an improved debt management framework.

D. Creditor Participation in the Multilateral Debt Relief Initiative

71. **Contingent upon approval by Executive Directors of the completion point under the Enhanced HIPC Initiative, The Gambia will qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI).** Three creditors would provide this debt relief under the MDRI: IDA, the AfDF and the IMF.[19] MDRI debt relief (net of HIPC assistance) would lead to debt service savings of US$373.5 million over a period of 43 years on debt owed to IDA, the IMF and the AfDF.

72. **Debt Relief from IDA:** IDA will provide debt relief under the MDRI through a debt stock cancellation of debt disbursed before end-2003 and still outstanding on December 31, 2007.[20] This would reduce The Gambia's debt stock owed to IDA by US$206.4 million, of which a reduction of US$183.4 million would be due to the implementation of MDRI and the remainder to HIPC assistance (Table 17). Debt cancellation under the MDRI from IDA would result in average annual debt service savings (net of HIPC assistance) for The Gambia

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[19] For IDA, eligible debt covers debt disbursed and outstanding as of December 31, 2003. For the IMF and AfDF, credits on debt outstanding and disbursed as of December 31, 2004 may be eligible for debt relief under the MDRI.

[20] See, International Development Association, "The Multilateral Debt Relief Initiative: Implementation Modalities for IDA" (November, 18, 2005). Available via the Internet: http://siteresources.worldbank.org/IDA/Resources/MDRI.pdf

of US$4.6 million between 2008 and 2011 and US$6.1 million over the next 30 years. Total debt service savings from MDRI would amount to US$201.8 million (or SDR134.1 million).

73. **Debt Relief from the IMF:** The IMF will provide debt relief under the MDRI amounting to SDR 9.4 million (or US$14.2 million), covering the full stock of debt owed to the IMF at end-2004 that remains outstanding at the completion point.[21] Of this amount, SDR 7.4 million (or US$11.2 million) would be financed from the MDRI-I Trust and the remainder from the HIPC Umbrella sub-account (Table 18). MDRI relief from the IMF would imply average debt service savings net of projected HIPC assistance of SDR 1.4 million (or US$2.1 million) per year over the next 5 years.

74. **Debt Relief from the AfDF:** The AfDF will provide debt relief under the MDRI through a debt stock cancellation of debt disbursed before end-2004 and still outstanding at the completion point. MDRI relief from the AfDB will yield annual debt service savings (net of HIPC assistance) averaging US$1.6 million over the next 5 years and US$3.9 million over the following 39 years. Total debt service savings under MDRI would amount to US$160.2 million in nominal terms to be delivered in full at the time of the completion point.

E. Updated Debt Sustainability Analysis

Debt Sustainability at End-2007

75. **The Debt Sustainability Analysis (DSA) included in the decision point document has been updated jointly by the authorities and the staffs of the IMF and IDA on the basis of loan-by-loan debt data, using updated exchange and interest rates** (Table 9).[22] The Gambia's nominal stock of external debt reached US$677 million at end-2006 compared with US$453 million at end-1999 (Tables 10 and 12). Multilateral creditors accounted for 84 percent of total debt, while bilateral creditors accounted for 16 percent, of which 14 percentage points are attributable to non-Paris Club creditors. IDA and African Development Fund are the Gambia's largest creditors, accounting for 39 and 26 percent of total outstanding nominal debt, respectively.

76. **The NPV of the Gambia's external debt at end-2007, after full delivery of the assistance committed under the Enhanced HIPC Initiative at the decision point, is estimated at US$347 million, equivalent to 236 percent of exports**, as compared with a decision point projection of 137 percent (Tables 13 and 15). As the delivery of full HIPC Initiative relief by Paris Club creditors will entail the cancellation of all of their claims, the Paris Club will not be in a position to provide "beyond HIPC" relief to The Gambia. As

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[21] As defined in the MDRI-I Trust Instrument.

[22] This section updates the debt sustainability analysis using the HIPC DSA methodology, while Appendix I provides a forward-looking update using the Low-Income Countries (LIC) DSA methodology.

explained in the discussion on topping-up (section III.C), the significant deterioration of the NPV of debt-to-exports ratio was mainly due to poor export performance, higher new borrowing compared with the decision point projections, and adverse changes in the discount rates and exchange rates.

Debt Sustainability Outlook, 2007–27

77. **The medium-term macroeconomic framework has been updated in conjunction with the second review of the PRGF-supported program** (Box 3 and Appendix I), and assumes a continuation of recent prudent macroeconomic management. Key macroeconomic assumptions reflect: (i) higher annual growth of 6.2 percent in the near term, in line with recent strong performance and reflecting the expected continued FDI inflows and an upsurge in donor-sponsored projects, then gradual reduction to 5 percent over the medium term, based on steady growth in the tourism, telecommunications, and agriculture; (ii) real annual growth of exports of goods and services at 7 percent over the medium term, driven by tourism, a recovery in the groundnut sector, and an expansion in other agricultural exports; (iii) larger imports and current account deficits through 2012 due to ongoing investment projects, before the current account declines as a share of GDP to 5 percent in 2025; (iv) an improved fiscal balance in the medium term, reflecting sustained strong revenue performance, fiscal discipline and lower debt service; and (v) increased external donor assistance, both loans and grants, over the period 2007–12, declining as a share of GDP over the medium term.

78. **Full delivery of debt relief under the HIPC Initiative and the MDRI would significantly reduce The Gambia's external public debt.** In NPV terms, the stock of debt would be reduced from US$439 million at end-2007 to US$347 million after HIPC relief and to US$165 million after MDRI (Table 13). However, the country's stock of external debt will remain relatively large post-completion point primarily due to outstanding debt owed to multilateral creditors that do not participate in MDRI and non-Paris Club bilateral creditors, much of which was contracted since the decision point.[23] Together these creditors will account for two-thirds of The Gambia's external debt stock in NPV terms after completion point. Nominal debt service relief would amount to US$23 million in 2008, of which MDRI relief would contribute US$9 million (Table 14).

[23] Most of the multilateral debt is owed to BADEA, IsDB, OFID and IFAD, while the EXIM Bank of Taiwan and the Kuwait Fund for Economic Development account for the majority of debt owed to non-Paris Club creditors.

Box 3. Debt Sustainability Analysis Macroeconomic Assumptions, 2006–27

The medium-term assumptions in the baseline scenario are consistent with the IMF PRGF supported program (see also Appendix 1). Key macroeconomic assumptions include a continuation of prudent macroeconomic management, sustained investment in infrastructure and tourism, and a near-term scaling up of donor assistance. The DSA also factors in the recent exchange rate appreciation, which is an additional source of risk.

The baseline scenario assumes sustained output growth in the near-term due to ongoing large foreign direct investments (FDI) and donor-sponsored projects. GDP growth is expected to average 6.2 percent in 2007–12, in line with recent performance, before slowing gradually to 5.0 percent over the medium-term. Significant investments are expected to continue in the tourist sector, which is a major beneficiary of FDI and a key driver of growth. FDI is projected to remain robust at 6.9 percent of GDP over 2007–12, but declining as a share of GDP over time. In addition to tourism, sustained growth is expected to come from: (i) telecommunications, particularly the mobile phones market which has three competitors; (ii) construction, financed by FDI in the hotel sector and also remittances; and (iii) groundnuts and the rest of the agricultural sector, benefiting from the implementation of the recently adopted groundnut sector reform "Roadmap" and expansion of horticulture and other nontraditional crops.[24]

In line with GDP growth, growth of exports of goods and services is expected to be largely driven by tourism, groundnuts and other agricultural exports. Re-exports are projected to grow more slowly as the country loses some of its comparative advantage in liberal trade policies due to regional tariff harmonization and improvements of neighboring countries' trade regimes. Nominal export growth is expected to increase from an average of 5.6 percent through 2012 to 7.7 percent over the medium-term, while imports are projected to grow at 5.9 percent annually. Large externally-financed investment projects together with FDI inflows would support larger current account deficits in the near-term, but they decline from 10.8 percent of GDP in 2007 to 5 percent in 2025.

The fiscal balance improves in the medium term, reflecting sustained strong revenue performance and lower debt service. Implementation of the new PRSP is expected to be supported by donor assistance in the near term. External borrowing is expected to average 5.8 percent of GDP between 2007 and 2012 before declining to 1.8 percent by 2027. External grants increased in 2007 and are expected to average about 3.6 percent of GDP through 2012 before declining to about 0.7 percent by 2027. A reversion of external assistance to traditional levels will require fiscal adjustments. Expenditures are projected to decrease from 27.3 percent of GDP in 2007–12 to 22 percent in the long run. In particular, interest payments are expected to continue their downward adjustment from 8.6 percent of GDP in 2005 to 1.4 percent in 2027, thus freeing up resources for poverty-related expenditures. Domestic revenue collection is expected to remain robust at 21 percent, in line with recent levels.

79. **The debt sustainability analysis shows that The Gambia's NPV of debt-to-exports ratio will fall beneath the debt-burden threshold after Enhanced HIPC assistance and MDRI debt relief (Table 15 and Figure 3).**

- After Enhanced HIPC relief alone, the NPV of debt-to-export ratio for The Gambia is projected to remain above the 150 percent threshold, although it falls steadily beneath the threshold by 2026. However, following MDRI relief at completion point, the NPV

[24] World Bank, "The Gambia, From Entrepot to Exporter and Eco-tourism," Diagnostic Trade Integration Study (DTIS), July 2007.

of debt-to-exports ratio drops to 113 percent at end-2007. After increasing to over 150 percent through 2012, associated with planned poverty-reducing new borrowing, it falls to 106 percent by the end of the projection period. MDRI relief also significantly reduces the NPV of debt-to-GDP and debt-to-revenue ratios.

- After both Enhanced HIPC and MDRI relief, the NPV of debt-to-GDP ratio falls from 84 percent at end-2006 to 26 percent at end-2007 and is expected to remain beneath 30 percent over the projection period.

- Finally, the NPV of debt-to-revenue ratio would decline from 397 percent in 2006 to 121 percent in 2007, and after increasing to 148 percent in 2012, fall steadily to 110 percent in 2026.

80. **The updated LIC DSA indicates that The Gambia's NPV of debt-to-exports ratio will remain above the debt burden threshold for a protracted period even after receiving HIPC and MDRI relief (Appendix I).** After the full delivery of HIPC and MDRI assistance, the NPV-of-external-debt to export ratio declines significantly but remains above the LIC DSA's policy-dependent external debt-burden threshold of 100 percent.[25] Further-more, this ratio stays above the threshold for a protracted period, indicated that the risk of debt distress is high. At 30 percent of GDP, the large domestic debt stock further supports the assessment that the risk of debt distress remains high.

81. **External debt service ratios will decline to comfortable levels in line with a significant reduction of the NPV of debt stock after the completion point.** The debt service-to-exports ratio after the HIPC and additional bilateral assistance is expected to average 13 percent in 2007–16 and to decline further to approximately 11 percent on average in 2017–26 (Table 15 and Figure 5). After MDRI, debt service to exports are projected to average 9 percent over 2007-2016 and about 7.5 percent for the rest of the projection period.

F. Sensitivity Analysis and Long-Term Debt Sustainability

82. **The Gambia's debt sustainability outlook hinges on sustained growth in the export sector (mainly tourism) and prudent debt management.** In the event of large shocks to exports and shortfall in grant financing, indicators of the stock of debt are expected

[25] The debt distress thresholds for the HIPC and LIC DSAs differ as the latter are based on policy performance. The respective DSAs are based on consistent underlying assumptions regarding the baseline macroeconomic scenario and debt data. The baseline macroeconomic scenarios, including assumptions on new borrowing, are generally identical. Debt ratios and debt service projections will, however, differ between the HIPC and LIC DSA given the different exchange rates and discount rates used. The LIC uses the same-year exports, while HIPC DSA uses a three-year backward average. The LIC DSA uses a fixed 5 percent discount rate, while the HIPC DSA uses currency-specific discount rates. Finally, the LIC DSA debt service projections use WEO exchange rates, while the HIPC DSA uses fixed exchange rates (end-2006). The results of the LIC DSA are presented in Appendix I.

to exceed HIPC thresholds through much of the projection period. Sensitivity analysis thus underscores the importance of pursuing export diversification and prudent borrowing policies, including borrowing only on highly concessional terms, to avoid potential risks for debt sustainability.

Scenario 1: Lower export growth

83. **The main assumptions in scenario 1 comprise a reduction in exports of goods and service volumes relative to the baseline scenario.** In this scenario, real exports are projected to grow at 4 percent instead of 6 percent in the baseline. Underlying this assumption is a combination of: (i) a failure of the tourist sector to sustain investment and growth; (ii) slower expansion and diversification of agricultural exports; and (iii) a failure to maintain competitiveness in re-export trade, perhaps owing to the adverse impact of the Economic Partnership Agreement (EPA) under negotiation with the EU. Associated with poorer export performance is a reduction in economic growth and government revenues.

84. **The Gambia's external debt indicators could deteriorate considerably over the medium term if such adverse external developments materialize.** A reduction in export growth would increase the NPV of debt-to-exports after MDRI to above 170 percent from 2012 where it remains through most of the projection period (Figure 4). The debt service ratio also increases to 10–11 percent of exports (Table 16 and Figure 5).

Scenario 2: Less concessionality on external financing

85. **The second scenario demonstrates the importance of borrowing on highly concessional terms to ensure debt sustainability.** This scenario assumes that new borrowing has a grant element of only 25 percent rather than 45 percent in the baseline. However, such a scenario could equally reflect an increase in new borrowing, even if on highly concessional terms, to fill the gap if disbursements of external grants fall short of projections.

86. **A less favorable grant element of new loans has substantial negative impacts on external debt sustainability** (Table 16, Figures 4 and 5)**.** This shock would increase the debt stock by approximately US$286 million in NPV terms by 2025 compared with the baseline, and the NPV of debt-to-export ratio would increase by 33 percentage points by 2012 compared with the baseline, to reach 190 percent of exports. Though it trends downward, NPV of debt-to-exports will remain high over the projection period at 160 percent, above the post-MDRI baseline debt-to-exports ratio in 2007. Borrowing on highly concessional terms or grant financing close to the baseline projections are necessary to ensure the authorities achieve their poverty reduction efforts without returning to a state of debt distress.

IV. CONCLUSIONS

87. **The staffs of IDA and the IMF consider that The Gambia's performance on the conditions established in 2000 for reaching the completion point under the Enhanced HIPC Initiative has been broadly satisfactory.**

88. **The staffs are of the view that nine out of the eleven completion point triggers have been fully implemented, while two have been partially implemented.** The poverty reduction strategy presents a broad reform agenda prepared through an extensive participatory process, and its progress has been monitored through annual progress reports. After an initial period of uneven performance, macroeconomic performance has been restored and maintained under a PRGF-supported program. The country has established mechanisms to ensure efficient and transparent use of HIPC debt relief. Poverty-related expenditures are explicitly identified and monitored through the budget process, and public financial management systems have been strengthened. A range of education and health measures specified at the decision point were successfully implemented. A multisectoral regulatory agency for the electricity, water and telecommunication sectors has been established and is operational.

89. **Implementation of two triggers is partial and ongoing.** The share of births attended by a person trained in antenatal care has significantly increased, although not to the level envisioned in the decision point. The target percentages are unrealistic due to the long delays in reaching the completion point, resulting in a situation where the indicator would have had to increase continuously for an unreasonably long period to levels above those for comparable Sub-Saharan African countries. The Government continues to implement programs to increase the supply of antenatal care services and improve maternal health. With respect to groundnut processing plants, an earlier government effort to privatize them was unsuccessful. In response, the Government has adopted a sector reform strategy to revitalize the sector and attract international investors. This strategy will fully liberalize the sector and privatize the management of the groundnut plants. Given the progress made to date, the staffs recommend that waivers be granted for nonobservance of these two triggers.

90. **The Gambia's debt situation will improve significantly after it receives Enhanced HIPC assistance and MDRI debt relief, but the country will be at a high risk of debt distress according to the LIC DSA.** Assurances have been obtained regarding participation in the Enhanced HIPC Initiative from creditors representing 80.7 percent of the relief to be provided. After full delivery of assistance of the Enhanced HIPC Initiative and additional debt relief from some Paris Club creditors and MDRI, the NPV of debt-to-exports ratio would be reduced from 236 percent to 113 percent in 2007, and it is expected to remain below the HIPC debt distress threshold of 150 percent for most of the projection period. The NPV of debt-to-GDP ratio and the debt service indicators all fall below the debt distress

thresholds immediately after receiving the debt relief. However, the LIC DSA indicates that the NPV of debt-to-exports ratio will remain above the policy-based debt distress threshold of 100 percent for a protracted period. Furthermore, sensitivity analysis indicates that the country's external debt sustainability would be jeopardized by adverse shocks to export performance and increased external financing on less concessional terms.

91. **The staffs are of the view that The Gambia does not meet the requirements for exceptional topping-up, even though the country will be at a high risk of debt distress after HIPC and MDRI relief.** It is the judgment of the staffs that the deterioration in the country's debt burden indicators during the interim period cannot be explained primarily by exogenous factors, and therefore it does not meet the requirements for exceptional topping-up approved by the IDA and IMF Boards. Given that the country will remain at high risk of debt distress, it will be critical that it implements measures to continue to strengthen debt sustainability.

92. **The Government has initiated plans to strengthen debt sustainability.** The second PRSP outlines a national development strategy that will encourage continued economic growth, particularly exports of goods and services, which will strengthen the country's capacity to service its debt. A recently completed Diagnostic Trade Integration Study (July 2007) identifies key success factors for expanding exports. The PRSP prioritizes prudent fiscal and debt management policies. The minimum grant element on new external borrowing has been raised to 45 percent. The Government plans on limiting the volume of new concessional borrowing for the foreseeable future. It will further prioritize PRSP initiatives in line with available funding. The Government has committed to developing a comprehensive debt management strategy (DMS). Its debt management capacity was assessed by IDA in March 2007 through application of the Debt Management Performance Assessment (DeMPA) tool. This assessment provides a basis for the refinement and finalization of the debt management strategy.

93. **In light of the above, the staffs of IDA and the IMF recommend that the Executive Directors determine that The Gambia has reached the completion point under the Enhanced HIPC Initiative.**

V. Issues for Discussion

94. Executive Directors may wish to focus on the following issues and questions:

- **Completion point**: Do Directors agree that The Gambia has fully met nine out of eleven floating triggers and partially implemented another two triggers for reaching the completion point under the Enhanced HIPC Initiative, and that the waivers recommended by the staffs are warranted?
- **Data correction**: Do Directors agree with staffs' recommendation, based on the paper on information reporting approved by the IMF and Bank Boards in March

2002, that the downward revision in the stock of debt in NPV terms does not warrant a revision in the amount of HIPC Initiative assistance?

- **MDRI**: Do IMF Directors agree that The Gambia qualifies for an amount of debt relief by the Fund equal to SDR 9.4 million, of which SDR 7.6 million would be financed from the MDRI-I Trust and the rest from The Gambia's HIPC Umbrella sub-account?

- **Creditor participation**: Do Directors agree that sufficient assurances have been given by The Gambia's creditors to commit HIPC assistance to The Gambia on an irrevocable basis?

- **Topping-Up**: Do the Directors agree with the staffs' assessment that The Gambia does not meet the requirements for exceptional topping-up at the completion point?

- **Debt Sustainability**: Do Directors agree with the staffs' assessment that The Gambia will remain at a high risk of debt distress after full delivery of HIPC and MDRI assistance? Do Directors share the staffs' assessment regarding possible risks that may emerge if the authorities do not actively pursue policies that encourage continued growth and prudent fiscal and debt management policies?

- **Comparable treatment**: Do Directors agree that The Gambia should continue to seek debt relief from its non-Paris Club creditors within the framework of the HIPC Initiative and that the staffs should continue to monitor the delivery of debt relief from all creditors?

Table 9. The Gambia: Discount Rate and Exchange Rate Assumptions 1/

	1999		2006	
	Discount Rates 1/ 2/ (In percent per annum)	Exchange Rates 2/ (Currency per U.S. dollar)	Discount Rates 1/ 2/ (In percent per annum)	Exchange Rates 2/ (Currency per U.S. dollar)
Currency				
AfDF/AfDB Unit of account	5.59	0.73	5.13	0.66
Austrian Schilling	5.47	13.70	4.80	10.45
Belgian Franc	5.47	40.16	4.80	30.63
Canadian Dollar	6.67	1.44	5.22	1.17
Chinese Yuan	5.59	8.28	5.13	7.81
Danish Kroner	5.32	7.40	4.81	5.66
Deutsche Mark	5.47	1.95	4.80	1.49
Domestic Currency: Dalasi	5.59	13.00	5.13	28.05
Euro	5.47	1.00	4.80	0.76
Finnish Markaa	5.47	5.92	4.80	4.51
French Franc	5.47	6.53	4.80	4.98
Great Britain Sterling	6.70	0.62	5.68	0.51
Irish Punt	5.47	0.78	4.80	0.60
Italian Lira	5.47	1927.40	4.80	1470.21
Japanese Yen	1.98	102.20	2.57	118.95
Kuwaiti Dinar	5.59	0.30	5.13	0.29
Libyan Dinar	5.59	0.46	5.13	1.28
Luxembourg Franc	5.47	40.16	4.80	30.63
Netherland Guilders	5.47	2.19	4.80	1.67
Norwegian Kroner	6.64	8.04	5.05	6.26
Portuguese Escudo	5.47	199.56	4.80	152.23
Saudi Arabia Ryal	5.59	3.75	5.13	3.75
Spanish Peseta	5.47	165.62	4.80	126.34
Special Drawing Rights	5.59	0.73	5.13	0.66
Swedish Kroner	5.80	8.53	4.73	6.86
Swiss Franc	4.27	1.60	3.51	1.22
United Arab Emirates Dirhams	5.59	3.67	5.13	3.67
United States Dollar	7.04	1.00	5.89	1.00
Memorandum Item:				
Paris Club cut-off date: July 1 1986				

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ending in December 2006 for the completion point and in December 1999 for the decision point.
2/ For all Euro area currencies, the Euro CIRR is used. For the Kuwaiti Dinar, the US dollar CIRR is used for completion point calculations (compared to the decision point calculations, when the SDR CIRR was used), in accordance to the explicit peg of the Dinar to the US dollar in the beginning of 2003. For all other currencies for which the CIRRs are not available, the SDR discount is used as a proxy.

Table 10. The Gambia: Nominal and Net Present Value of External Debt Outstanding as of End-December 1999 1/

	Nominal debt before rescheduling 2/		NPV of debt before rescheduling 2/		NPV of debt after rescheduling 3/	
	From decision point	Revised	From decision point	Revised	From decision point	Revised
	(In millions of U.S. dollars)					
Total	**452.6**	**444.7**	**258.0**	**251.1**	**244.9**	**240.7**
Multilateral institutions	**356.2**	**355.6**	**180.8**	**180.3**	**180.8**	**180.3**
African Development Bank Group						
African Development Bank	4.5	2.1	4.3	2.1	4.3	2.1
African Development Fund	117.9	117.2	53.6	52.9	53.6	52.9
Nigerian Trust Fund	0.3	2.7	0.3	2.4	0.3	2.4
International Development Association (IDA)	172.7	172.7	81.9	81.9	81.9	81.9
IMF	11.3	11.3	8.3	8.3	8.3	8.3
BADEA	3.6	3.9	3.0	3.2	3.0	3.2
Economic Community of West African States	0.8	0.8	0.8	0.8	0.8	0.8
European Union/Commision 4/	8.7	8.7	6.7	6.8	6.7	6.8
International Fund for Agricultural Development	18.0	18.0	9.2	9.2	9.2	9.2
Islamic Development Bank	14.7	14.5	9.9	9.7	9.9	9.7
OPEC Fund for International Development	3.7	3.7	2.9	2.9	2.9	2.9
Official bilateral 5/	**96.4**	**89.2**	**77.2**	**70.8**	**64.0**	**60.4**
Paris Club	**27.5**	**29.8**	**23.7**	**25.3**	**17.6**	**19.5**
Post-cutoff date	17.8	16.6	14.2	12.9	14.2	12.9
of which: ODA	-	4.4	-	3.7	-	3.7
Pre-cutoff date	9.7	13.3	9.5	12.4	3.4	6.6
of which: ODA	1.3	2.5	1.0	1.7	0.6	1.0
Austria	10.9	10.8	7.9	7.9	7.9	7.9
France	6.9	5.7	5.9	4.7	5.5	4.3
Netherlands	1.3	1.3	1.4	1.3	1.4	1.3
Norway	8.3	10.8	8.4	10.7	2.8	5.6
EU-IDA administered loans 4/	-	1.2	-	0.6	-	0.3
Non-Paris Club official bilateral	**68.9**	**59.3**	**53.5**	**45.5**	**46.4**	**40.9**
Post-cutoff date	56.1	50.7	43.1	38.2	43.1	38.2
of which: ODA	52.1	50.7	40.1	38.2	40.1	38.2
Pre-cutoff date	12.8	8.6	10.4	7.3	3.4	2.7
of which: ODA	12.8	8.6	10.4	7.3	3.4	2.7
Saudi Fund for Development	4.7	4.7	3.2	3.1	2.4	2.4
Kuwait Fund for Economic Development	6.9	6.9	5.8	5.3	4.3	3.6
Taiwan Export Import Bank	35.0	30.0	28.4	24.0	28.4	24.0
Libya	4.5	4.5	3.2	2.8	3.2	2.8
China	17.7	13.1	13.0	10.3	8.3	8.2

Sources: The Gambian authorities; and Bank-Fund staff estimates.

1/ Public and publicly guaranteed debt only.
2/ Before full use of traditional debt relief mechanisms.
3/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) and at least comparable action by other official bilateral and commercial creditors.
4/ EU loans administered by IDA amounting to US$0.3 million in NPV terms were reclassified as official bilateral claims.
5/ Data revision are due to better data availability.

Table 11. The Gambia: Estimated Assistance at Decision Point 1/

(In millions of U.S. dollars in NPV terms at end-1999, unless otherwise indicated)

	NPV of debt-to-exports-target	Total Assistance under the NPV of debt-to-exports criteria			Common Reduction Factor at the Decision Point 3/
		Total	Bilateral and commercial	Multilateral	
	(in percent)	*(In millions of U.S. dollars)*			*(In percent)*
Assistance at decision point	150.0	66.6	17.4	49.2	27.2
Assistance at decision point (revised)	150.0	61.7	15.5	46.2	25.6
Memorandum items:					
NPV of debt 2/	...	244.9	64.0	180.8	
NPV of debt (revised) 2/ 4/	...	240.7	60.4	180.3	
3-year average of exports	...	118.8			
3-year average of exports (revised)	...	119.4	...	...	
NPV of debt-to-exports 5/	...	206.1	...	...	
NPV of debt-to-exports (revised) 5/	...	201.7	...	...	

Sources: The Gambian authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (July 7, 1997).
2/ Applies a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment by other official bilateral creditors at end-December 1999.
3/ Each multilateral's NPV reduction at the decision point in percent of its exposure at the decision point.
4/ Based on latest data available at the decision point after full application of traditional debt relief mechanisms.
5/ Uses a three-year average of exports of goods and nonfactor services centered on previous year.

Table 12. The Gambia: External Public and Publicly Guaranteed Debt at End-December 2006 1/

(In millions of U.S. dollars)

	Legal Situation 2/		NPV of Debt 3/		
	Nominal Debt	NPV of Debt	After Enhanced HIPC		After Additional Bilateral Assistance
Total	**676.7**	**427.1**	**333.9**		**333.9**
Multilateral	**566.2**	**333.4**	**286.7**		**286.7**
African Development Bank	0.0	0.0	0.0		0.0
African Development Fund	174.5	97.0	84.0		84.0
BADEA	26.0	19.1	17.8		17.8
Economic Community of West African State	0.0	0.0	0.0		0.0
European Union/Commission	4.8	4.0	3.4		3.4
IDA	263.6	145.2	125.1		125.1
IMF	17.8	15.8	13.3		13.3
International Fund for Agricultural Development	29.0	16.7	12.8		12.8
Islamic Development Bank	32.6	21.4	17.3		17.3
Nigerian Trust Fund	2.8	2.2	2.2		2.2
OPEC Fund	15.2	12.0	10.8		10.8
Bilateral and commercial	**110.6**	**93.7**	**47.1**		**47.1**
Paris Club	**15.6**	**13.1**	**1.1**	**4/ 5/**	**1.1**
Austria	9.7	8.0	-		-
France	3.3	2.8	-		-
Norway	1.5	1.5	-		-
EU-IDA	1.1	0.7	-		-
Non Paris Club official creditors	**95.0**	**80.6**	**46.1**		**46.1**
Saudi Fund for Development	4.9	3.2	1.1		1.1
Kuwait Fund for Economic Development	22.9	17.4	12.0		12.0
Taiwan Province of China	49.4	43.6	30.3		30.3
Libya	1.9	1.6	0.4		0.4
China	13.9	13.5	1.0		1.0
India	2.0	1.3	1.3		1.3

Sources: The Gambian authorities; and Bank-Fund staff estimates.

1/ Figures are based on data as of end-2006.
2/ Reflects the external debt situation as of end-2006, including Cologne flow and additional assistance beyond HIPC for some creditors where applicable.
3/ Assumes full delivery of HIPC assistance as of end-2006.
4/ Paris Club creditors deliver their share of assistance as a group. Actual delivery modalities are defined on a case-by-case basis.
5/ Shows the amount of amortization and interest payment falling due before end-2007. Paris Club expected to deliver their share of HIPC Initiative assistance through a stock-of-debt reduction under Cologne terms, leading to the cancellation of all outstanding obligations.

Table 13. The Gambia: Net Present Value of External Debt 1/

(In millions of U.S. dollars, unless otherwise indicated)

	Actuals	Projections												Averages	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2021	2026	2006-16	2017-26
I. After traditional debt-relief mechanisms 2/															
1. NPV of total debt (2+5)	422.7	439.4	463.2	490.9	514.7	533.3	546.1	556.9	565.2	572.7	583.1	641.3	710.6	517.1	650.1
2. NPV of outstanding debt (3+4)	422.7	411.7	399.0	385.5	371.3	358.2	344.6	331.2	317.3	302.9	290.8	222.1	155.6	357.8	216.6
3. Official bilateral and commercial	89.3	83.7	78.0	72.2	66.4	60.9	55.3	49.7	44.1	38.3	34.4	16.3	12.2	61.1	18.4
Paris Club	11.4	10.8	10.1	9.4	8.8	8.1	7.3	6.6	5.9	5.1	4.3	1.6	1.5	8.0	2.0
Other official bilateral and commercial	77.9	73.0	67.9	62.8	57.6	52.8	47.9	43.1	38.2	33.2	30.1	14.7	10.7	53.1	16.4
4. Multilateral	333.4	328.0	321.0	313.3	304.9	297.3	289.3	281.5	273.2	264.6	256.4	205.9	143.4	296.6	198.2
IDA	145.2	145.9	146.3	145.6	144.4	142.4	140.0	137.2	134.1	130.9	127.5	104.7	71.2	140.0	100.0
IMF	15.8	12.4	7.9	4.3	1.6	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0
AfDB Group	99.2	99.3	99.5	99.5	98.9	98.2	97.2	95.9	94.5	92.7	90.9	78.9	62.2	96.9	76.6
Others	73.2	70.4	67.2	63.8	60.0	55.9	52.2	48.3	44.6	41.0	38.0	22.3	10.1	55.9	21.7
II. After enhanced HIPC assistance															
1. NPV of total debt (2+5)	426.8	347.4	380.5	417.8	451.3	479.5	502.3	521.0	535.8	549.8	563.5	633.2	705.2	470.5	641.0
NPV of total debt after full delivery 3/	333.9	347.4	380.5	417.8	451.3	479.5	502.3	521.0	535.8	549.8	563.5	633.2	705.2	462.1	641.0
Multilateral	286.7	279.9	279.2	278.1	276.4	276.0	275.5	273.2	269.0	264.4	257.8	210.8	149.7	274.2	203.1
Bilateral	47.1	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	28.5	4.4
2. NPV of outstanding debt (3+4)	426.8	319.7	316.3	312.4	307.9	304.4	300.8	295.3	287.8	280.0	271.3	214.0	150.2	311.2	207.4
3. Official bilateral and commercial	93.5	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	32.7	4.4
Paris Club	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0
Other official bilateral and commercial	80.6	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	31.5	4.4
4. Multilateral	333.4	279.9	279.2	278.1	276.4	276.0	275.5	273.2	269.0	264.4	257.8	210.8	149.7	278.5	203.1
IDA	145.2	124.7	126.9	128.1	129.2	129.8	130.0	130.1	130.1	130.2	127.5	104.7	71.2	130.2	100.0
IMF	15.8	10.2	7.0	4.3	1.6	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0
AfDB Group	99.2	85.7	87.7	89.8	91.7	93.6	95.5	95.9	94.5	92.7	90.9	78.9	62.2	92.5	76.6
Others	73.2	59.4	57.6	55.8	53.9	51.8	50.0	47.2	44.4	41.6	39.4	27.2	16.3	52.2	26.5
III. After bilateral debt relief beyond HIPC assistance 4/															
1. NPV of total debt (2+5)	426.8	347.4	380.5	417.8	451.3	479.5	502.3	521.0	535.8	549.8	563.5	633.2	705.2	470.5	641.0
NPV of total debt after full delivery 3/	333.9	347.4	380.5	417.8	451.3	479.5	502.3	521.0	535.8	549.8	563.5	633.2	705.2	462.1	641.0
Multilateral	286.7	279.9	279.2	278.1	276.4	276.0	275.5	273.2	269.0	264.4	257.8	210.8	149.7	274.2	203.1
Bilateral	47.1	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	28.5	4.4
2. NPV of outstanding debt (3+4)	426.8	319.7	316.3	312.4	307.9	304.4	300.8	295.3	287.8	280.0	271.3	214.0	150.2	311.2	207.4
3. Official bilateral and commercial	93.5	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	32.7	4.4
Paris Club	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0
Other official bilateral and commercial	80.6	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	31.5	4.4
4. Multilateral	333.4	279.9	279.2	278.1	276.4	276.0	275.5	273.2	269.0	264.4	257.8	210.8	149.7	278.5	203.1
IV. After MDRI assistance and bilateral debt relief beyond HIPC 4/															
1. NPV of total debt (2+5)	426.8	165.3	195.7	233.1	267.0	293.9	315.5	333.7	350.0	365.7	384.0	486.6	601.9	302.8	500.0
NPV of total debt after full delivery 3/	154.2	165.3	195.7	233.1	267.0	293.9	315.5	333.7	350.0	365.7	384.0	486.6	601.9	278.0	500.0
Multilateral	107.0	97.8	94.5	93.4	92.2	90.4	88.7	85.9	83.2	80.4	78.3	64.2	46.4	90.2	62.1
Bilateral	47.1	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	28.5	4.4
2. NPV of outstanding debt (3+4)	426.8	137.6	131.5	127.8	123.6	118.8	114.0	108.0	102.0	96.0	91.8	67.4	46.9	143.5	66.4
3. Official bilateral and commercial	93.5	39.7	37.1	34.4	31.5	28.4	25.3	22.1	18.9	15.6	13.5	3.2	0.5	32.7	4.4
4. Multilateral	333.4	97.8	94.5	93.4	92.2	90.4	88.7	85.9	83.2	80.4	78.3	64.2	46.4	110.7	62.1
IDA	145.2	25.2	26.0	26.6	27.3	27.6	27.6	27.7	27.8	27.8	27.9	26.7	21.5	37.9	25.6
IMF	15.8	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0
AfDB Group	99.2	10.8	10.9	11.0	11.1	11.1	11.1	11.0	11.0	11.0	11.0	10.3	8.6	19.0	10.0
Others	73.2	59.4	57.6	55.8	53.9	51.8	50.0	47.2	44.4	41.6	39.4	27.2	16.3	52.2	26.5
Memorandum items:															
5. NPV of new borrowing	…	27.7	64.2	105.3	143.4	175.1	201.5	225.6	247.9	269.8	292.2	419.2	555.0	175.3	433.5
Official bilateral	…	7.8	18.4	30.5	42.2	52.5	61.8	71.2	80.9	91.2	101.8	150.9	198.6	55.8	155.6
Multilateral	…	20.0	45.8	74.9	101.2	122.6	139.7	154.5	167.0	178.5	190.4	268.3	356.4	119.5	278.0

Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and is discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (December 2006).

2/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) as of end-2006, and at least comparable action by other official bilateral and commercial creditors.

3/ NPV of total debt assuming the entire HIPC Initiative assistance is fully delivered as of end-2006.

4/ Includes additional debt relief provided on a voluntary basis by the Paris Club and some commercial creditors beyond the requirements of the enhanced HIPC framework.

Table 14. The Gambia: External Debt Service After Full Implementation of Debt-Relief Mechanisms

(In millions of U.S. dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2023	2027	Annual Averages 2007-16	Annual Averages 2017-27
I. Total debt service	**32.8**	**33.9**	**34.6**	**35.3**	**34.0**	**36.4**	**38.4**	**41.3**	**43.3**	**42.5**	**50.1**	**57.0**	**37.3**	**49.7**
After traditional debt-relief mechanisms 1/	**32.4**	**33.5**	**33.6**	**33.6**	**31.7**	**31.4**	**30.5**	**30.3**	**30.0**	**26.9**	**23.0**	**20.2**	**31.4**	**24.1**
Multilateral	22.2	23.5	23.8	24.1	22.9	22.8	22.2	22.3	22.2	21.3	21.7	19.8	22.7	21.4
IDA	6.9	7.1	8.3	8.8	9.5	9.8	10.0	10.2	10.2	10.1	11.5	11.0	9.1	11.1
IMF	4.2	5.1	4.0	3.0	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0
African Development Bank Group	4.3	4.3	4.4	5.1	5.2	5.4	5.6	5.8	6.0	5.9	6.6	6.4	5.2	6.4
Others	6.7	7.0	7.0	7.3	7.4	6.8	6.7	6.3	6.0	5.2	3.6	2.4	6.6	3.9
Official bilateral	10.2	10.0	9.8	9.5	8.8	8.6	8.3	8.0	7.8	5.6	1.3	0.4	8.7	2.7
Paris Club	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.0	0.1	0.1	1.1	0.4
Other official bilateral and commercial	9.0	8.8	8.7	8.4	7.7	7.5	7.2	7.0	6.8	4.6	1.2	0.3	7.6	2.3
II. Total debt service	**31.9**	**20.2**	**21.0**	**22.2**	**21.4**	**24.0**	**28.6**	**33.4**	**35.6**	**38.3**	**49.4**	**57.4**	**27.6**	**48.3**
After enhanced HIPC assistance	**31.4**	**19.7**	**19.9**	**20.5**	**19.1**	**19.0**	**20.6**	**22.3**	**22.3**	**22.7**	**22.3**	**20.5**	**21.8**	**22.7**
Multilateral	21.1	14.7	15.0	15.5	14.1	14.2	16.0	17.8	17.9	19.7	21.5	20.4	16.6	21.2
IDA	6.9	4.2	5.3	5.5	6.1	6.5	6.6	6.7	6.7	9.4	11.5	11.0	6.4	11.1
IMF	3.9	3.7	3.0	3.0	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0
African Development Bank Group	4.3	1.8	1.8	2.1	2.1	2.3	3.8	5.8	6.0	5.9	6.6	6.4	3.6	6.4
Others	6.1	5.0	4.9	5.0	5.0	4.6	5.6	5.4	5.2	4.4	3.4	3.0	5.1	3.8
Official bilateral	10.3	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.1	1.5
Paris Club	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other official bilateral and commercial	9.1	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.0	1.5
III. Total debt service	**31.9**	**20.2**	**21.0**	**22.2**	**21.4**	**24.0**	**28.6**	**33.4**	**35.6**	**38.3**	**49.4**	**57.4**	**27.6**	**48.3**
After bilateral debt relief beyond HIPC 2/	**31.4**	**19.7**	**19.9**	**20.5**	**19.1**	**19.0**	**20.6**	**22.3**	**22.3**	**22.7**	**22.3**	**20.5**	**21.8**	**22.7**
Multilateral	21.1	14.7	15.0	15.5	14.1	14.2	16.0	17.8	17.9	19.7	21.5	20.4	16.6	21.2
Official bilateral	10.3	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.1	1.5
Paris Club	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other official bilateral and commercial	9.1	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.0	1.5
IV. Total debt service	**30.5**	**11.3**	**11.9**	**12.7**	**13.8**	**16.2**	**20.0**	**22.7**	**24.8**	**24.8**	**34.3**	**43.0**	**18.9**	**33.5**
After MDRI and bilateral debt relief beyond HIPC 2/	**30.1**	**10.8**	**10.9**	**11.0**	**11.5**	**11.2**	**12.0**	**11.7**	**11.4**	**9.2**	**7.2**	**6.1**	**13.0**	**7.9**
Multilateral	19.8	5.8	6.0	6.1	6.5	6.4	7.4	7.2	7.0	6.3	6.5	6.0	7.8	6.4
IDA	6.9	0.5	0.7	0.7	1.1	1.4	1.3	1.3	1.4	1.4	2.3	2.3	1.7	2.0
IMF	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
African Development Bank Group	4.3	0.3	0.3	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.8	0.7	0.8	0.6
Others	6.1	5.0	4.9	5.0	5.0	4.6	5.6	5.4	5.2	4.4	3.4	3.0	5.1	3.8
Official bilateral	10.3	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.1	1.5
Paris Club	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other official bilateral and commercial	9.1	5.0	4.9	4.9	4.9	4.8	4.7	4.5	4.4	3.0	0.7	0.1	5.0	1.5
Memorandum items:														
Debt service of new debt	0.5	0.5	1.0	1.7	2.3	5.0	7.9	11.0	13.3	15.6	27.1	36.8	5.9	25.6
Multilateral	0.3	0.3	0.7	1.2	1.6	4.1	6.9	9.8	12.0	13.4	18.1	24.1	25.1	17.4
Official bilateral	0.1	0.1	0.3	0.5	0.7	0.9	1.0	1.2	1.3	2.2	9.1	12.7	13.1	8.2
Nominal HIPC relief														
Under the enhanced HIPC initiative	1.0	13.7	13.6	13.1	12.6	12.4	9.9	8.0	7.7	4.2	0.8	-0.4	9.6	1.4

Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

1/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) as of end of 2006, and at least comparable action by other official bilateral and commercial creditors.
2/ Includes additional debt relief provided on a voluntary basis by the Paris Club and some commercial creditors beyond the requirements of the enhanced HIPC framework.

Table 15. The Gambia: External Debt Indicators 1/
(In percent, unless otherwise indicated)

	Actuals	Projections													Averages	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2021	2026	2007-2016	2017-2026
After traditional debt relief mechanisms 2/																
NPV of debt-to-GDP ratio	83.4	67.8	58.4	57.0	55.4	53.1	50.6	48.7	46.2	43.8	41.8	39.8	33.0	26.2	52.3	32.5
NPV of debt-to-exports ratio 3/ 4/	306.9	299.1	291.7	294.4	289.1	281.1	270.8	258.0	244.0	229.7	218.0	206.6	166.0	125.6	267.6	163.5
NPV of debt-to-revenue ratio 5/	393.4	321.4	280.9	280.6	275.0	267.6	255.7	245.6	232.9	220.5	209.7	199.5	164.1	129.4	259.0	162.1
Debt service-to-exports ratio 3/	…	21.2	20.4	19.4	18.7	16.9	16.9	16.6	16.6	16.2	14.9	14.1	11.6	9.1	17.8	11.4
Debt service-to-revenue ratio 5/	…	24.0	20.6	19.8	18.9	17.1	17.0	16.9	17.0	16.7	15.3	14.6	12.3	10.2	18.3	12.2
After enhanced HIPC assistance																
NPV of debt-to-GDP ratio	84.2	53.6	47.9	48.5	48.6	47.7	46.5	45.5	43.8	42.1	40.4	38.7	32.5	26.0	46.5	32.0
NPV of debt-to-exports ratio 3/ 4/	310.0	236.4	239.6	250.6	253.5	252.7	249.1	241.4	231.3	220.5	210.7	200.8	163.9	124.7	238.6	161.0
NPV of debt-to-exports ratio (existing debt only) 3/ 4/	310.0	217.6	199.2	187.4	172.9	160.5	149.1	136.8	124.3	112.3	101.5	91.0	55.4	26.6	156.2	54.8
NPV of debt-to-exports ratio after full delivery 3/ 4/ 6/	242.5	236.4	239.6	250.6	253.5	252.7	249.1	241.4	231.3	220.5	210.7	200.8	163.9	124.7	238.6	161.0
NPV of debt-to-revenue ratio 5/	397.3	254.1	230.7	238.8	241.1	240.6	235.2	229.8	220.8	211.6	202.7	193.9	162.1	128.5	230.6	159.6
NPV of debt-to-revenue ratio after full delivery in 2006 5/ 6/	310.7	254.1	230.7	238.8	241.1	240.6	235.2	229.8	220.8	211.6	202.7	193.9	162.1	128.5	230.6	159.6
Debt service-to-exports ratio 3/	…	20.6	12.1	11.7	11.7	10.6	11.2	12.3	13.4	13.3	13.4	13.0	11.2	9.1	13.0	11.0
Debt service-to-revenue ratio 5/	…	23.3	12.2	12.0	11.8	10.7	11.2	12.6	13.7	13.7	13.8	13.5	11.9	10.1	13.5	11.7
After bilateral debt relief beyond HIPC assistance 7/																
NPV of debt-to-GDP ratio	84.2	53.6	47.9	48.5	48.6	47.7	46.5	45.5	43.8	42.1	40.4	38.7	32.5	26.0	46.5	32.0
NPV of debt-to-exports ratio 3/ 4/	310.0	236.4	239.6	250.6	253.5	252.7	249.1	241.4	231.3	220.5	210.7	200.8	163.9	124.7	238.6	161.0
NPV of debt-to-exports ratio (existing debt only) 3/ 4/	310.0	217.6	199.2	187.4	172.9	160.5	149.1	136.8	124.3	112.3	101.5	91.0	55.4	26.6	156.2	54.8
NPV of debt-to-exports ratio after full delivery 3/ 4/ 6/	242.5	236.4	239.6	250.6	253.5	252.7	249.1	241.4	231.3	220.5	210.7	200.8	163.9	124.7	238.6	161.0
NPV of debt-to-revenue ratio 5/	397.3	254.1	230.7	238.8	241.1	240.6	235.2	229.8	220.8	211.6	202.7	193.9	162.1	128.5	230.6	159.6
NPV of debt-to-revenue ratio after full delivery in 2006 5/ 6/	310.7	254.1	230.7	238.8	241.1	240.6	235.2	229.8	220.8	211.6	202.7	193.9	162.1	128.5	230.6	159.6
Debt service-to-exports ratio 3/	…	20.6	12.1	11.7	11.7	10.6	11.2	12.3	13.4	13.3	13.4	13.0	11.2	9.1	13.0	11.0
Debt service-to-revenue ratio 5/	…	23.3	12.2	12.0	11.8	10.7	11.2	12.6	13.7	13.7	13.8	13.5	11.9	10.1	13.5	11.7
After MDRI and bilateral debt relief beyond HIPC																
NPV of debt-to-GDP ratio	84.2	25.5	24.7	27.1	28.7	29.2	29.2	29.2	28.6	28.0	27.5	27.0	25.0	22.2	27.8	24.7
NPV of debt-to-exports ratio 3/ 4/	310.0	112.5	123.3	139.8	150.0	154.9	156.4	154.6	151.1	146.7	143.6	140.2	125.9	106.4	143.3	123.9
NPV of debt-to-exports ratio (existing debt only) 3/ 4/	310.0	93.6	82.8	76.7	69.4	62.6	56.5	50.0	44.1	38.5	34.3	30.4	17.4	8.3	60.9	17.6
NPV of debt-to-exports ratio after full delivery 3/ 4/ 6/	111.9	112.5	123.3	139.8	150.0	154.9	156.4	154.6	151.1	146.7	143.6	140.2	125.9	106.4	143.3	123.9
NPV of debt-to-revenue ratio 5/	397.3	120.9	118.7	133.2	142.7	147.5	147.7	147.2	144.2	140.8	138.1	135.4	124.5	109.6	138.1	123.0
NPV of debt-to-revenue ratio after full delivery in 2006 5/ 6/	143.5	120.9	118.7	133.2	142.7	147.5	147.7	147.2	144.2	140.8	138.1	135.4	124.5	109.6	138.1	123.0
Debt service-to-exports ratio 3/	…	19.7	6.8	6.7	6.7	6.8	7.5	8.6	9.1	9.3	8.7	8.4	7.6	6.7	9.0	7.5
Debt service-to-revenue ratio 5/	…	22.3	6.8	6.8	6.8	6.9	7.6	8.8	9.4	9.5	8.9	8.7	8.1	7.5	9.4	8.0
Memorandum items (in millions of U.S. dollars):																
NPV of debt after enhanced HIPC assistance	426.8	347.4	380.5	417.8	451.3	479.5	502.3	521.0	535.8	549.8	563.5	577.0	633.2	705.2	474.9	641.0
Of which: existing debt only	426.8	319.7	316.3	312.4	307.9	304.4	300.8	295.3	287.8	280.0	271.3	261.4	214.0	150.2	299.6	207.4
Debt service after enhanced HIPC assistance	…	31.9	20.2	21.0	22.2	21.4	24.0	28.6	33.4	35.6	38.3	40.1	46.6	55.7	27.6	47.4
Debt service beyond HIPC assistance	…	31.9	20.2	21.0	22.2	21.4	24.0	28.6	33.4	35.6	38.3	40.1	46.6	55.7	27.6	47.4
GDP	506.7	648.4	793.8	861.4	929.4	1,005.1	1,079.8	1,144.4	1,222.9	1,306.8	1,396.5	1,492.3	1,946.1	2,712.1	1,038.8	2,048.6
Exports of goods and services 3/	155.0	154.9	166.5	178.8	188.8	201.6	214.6	231.3	248.9	267.7	285.6	308.8	415.6	610.2	213.9	442.9
Exports of goods and services (three-year mvg. Avg.) 3/ 4/	137.7	146.9	158.8	166.7	178.0	189.7	201.7	215.9	231.6	249.3	267.4	287.4	386.4	565.6	200.6	411.3
Government Revenue 5/	107.4	136.7	164.9	175.0	187.1	199.3	213.6	226.7	242.7	259.8	278.0	297.6	390.7	549.0	208.4	412.0

Sources: The Gambian; and Bank-Fund staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed debt and are defined after rescheduling, unless otherwise indicated.
2/ Refers to public and publicly guaranteed external debt only and assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) as of end of 2005, and at least comparable action by other official bilateral and commercial creditors.
3/ Exports of goods and non-factor services as defined in IMF, *Balance of Payments Manual* , 5th edition, 1993.
4/ Based on a three-year average of exports ending in the current year (e.g., export average over 2004-2006 for NPV of debt-to-exports ratio in 2006).
5/ Revenue is defined as central government revenue, excluding grants.
6/ Assuming full delivery of HIPC assistance as of end-2006.
7/ Includes additional debt relief provided on a voluntary basis by the Paris Club and some commercial creditors beyond the requirements of the enhanced HIPC framework.

Table 16. The Gambia: Sensitivity Analysis 1/

(In percent, unless otherwise indicated)

	Projections																Annual Averages	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2019	2021	2023	2025	2026	2007-2016	2017-2026
Baseline scenario																		
NPV of debt-to-revenue ratio 2/	120.9	118.7	133.2	142.7	147.5	147.7	147.2	144.2	140.8	138.1	135.4	130.1	124.5	119.0	112.8	109.6	138.1	123.0
NPV of debt-to-exports ratio 3/	112.5	123.3	139.8	150.0	154.9	156.4	154.6	151.1	146.7	143.6	140.2	133.2	125.9	118.6	110.6	106.4	143.3	123.9
Debt service-to-exports ratio 3/	19.7	6.8	6.7	6.7	6.8	7.5	8.6	9.1	9.3	8.7	8.4	7.9	7.6	7.1	6.9	6.7	9.0	7.5
Memorandum items (in millions of U.S. dollars):																		
NPV of debt	165.3	195.7	233.1	267.0	293.9	315.5	333.7	350.0	365.7	384.0	402.9	443.7	486.6	532.6	578.8	601.9	290.4	500.0
Of which: new debt	27.7	64.2	105.3	143.4	175.1	201.5	225.6	247.9	269.8	292.2	315.6	366.1	419.2	473.0	527.6	555.0	175.3	433.5
Debt service	30.5	11.3	11.9	12.7	13.8	16.2	20.0	22.7	24.8	24.8	25.9	28.4	31.7	34.3	38.9	41.1	18.9	32.5
Of which: new debt	0.5	0.5	1.0	1.7	2.3	5.0	7.9	11.0	13.3	15.6	16.7	19.0	22.8	27.1	31.8	34.3	5.9	24.5
Exports of goods and services, three-year average	146.9	158.8	166.7	178.0	189.7	201.7	215.9	231.6	249.3	267.4	287.4	333.0	386.4	449.1	523.5	565.6	200.6	411.3
Exports of goods and services, annual	154.9	166.5	178.8	188.8	201.6	214.6	231.3	248.9	267.7	285.6	308.8	357.9	415.6	483.8	564.5	610.2	213.9	442.9
Revenues	136.7	164.9	175.0	187.1	199.3	213.6	226.7	242.7	259.8	278.0	297.6	341.0	390.7	447.6	512.9	549.0	208.4	412.0
Sensitivity analysis																		
Alternative scenario I 4/																		
NPV of debt-to-revenue ratio 2/	120.9	119.7	135.3	146.0	151.9	153.2	153.7	151.7	149.2	147.3	145.5	141.8	137.7	133.5	128.5	125.9	142.9	136.3
NPV of debt-to-exports ratio 3/	112.5	124.3	143.6	157.9	167.3	173.3	175.6	176.1	175.3	176.0	176.3	176.2	175.2	173.6	170.2	168.0	158.2	173.9
Debt service-to-exports ratio 3/	19.7	6.9	7.0	7.3	7.6	8.6	10.1	10.9	11.3	10.9	10.8	10.7	10.9	10.6	10.9	10.9	10.0	10.7
Memorandum items (in millions of U.S. dollars):																		
NPV of debt	165.3	195.7	233.1	267.0	293.9	315.5	333.7	350.0	365.7	384.0	402.9	443.7	486.6	532.6	578.8	601.9	290.4	500.0
Of which: new debt	27.7	64.2	105.3	143.4	175.1	201.5	225.6	247.9	269.8	292.2	315.6	366.1	419.2	473.0	527.6	555.0	175.3	433.5
Debt service	30.5	11.3	11.9	12.7	13.8	16.2	20.0	22.7	24.8	24.8	25.9	28.4	31.7	34.3	38.9	41.1	18.9	32.5
Of which: new debt	0.5	0.5	1.0	1.7	2.3	5.0	7.9	11.0	13.3	15.6	16.7	19.0	22.8	27.1	31.8	34.3	5.9	24.5
Exports of goods and services, three-year average	146.9	157.4	162.4	169.1	175.7	182.1	190.0	198.8	208.6	218.2	228.6	251.8	277.7	306.9	340.0	358.2	180.9	288.2
Exports of goods and services, annual	154.9	162.3	169.9	175.0	182.2	189.1	198.7	208.5	218.7	227.4	239.7	264.2	291.6	322.7	357.9	377.2	188.7	302.8
Revenues	136.7	163.6	172.3	183.0	193.5	206.0	217.0	230.6	245.1	260.7	277.0	312.8	353.3	398.9	450.2	478.2	200.9	369.7
Alternative scenario II 5/																		
NPV of debt-to-revenue ratio 2/	120.9	126.7	149.4	165.5	175.1	178.9	181.9	181.9	181.1	180.8	180.3	178.7	176.1	172.9	168.6	166.1	164.2	174.6
NPV of debt-to-exports ratio 3/	112.5	131.5	156.8	173.9	183.9	189.5	191.1	190.6	188.7	188.0	186.7	183.0	178.1	172.3	165.2	161.2	170.6	175.7
Debt service-to-exports ratio 3/	19.7	6.8	7.1	7.9	8.6	8.6	9.0	9.8	10.5	10.5	10.7	11.0	10.9	10.5	10.4	10.3	9.8	10.7
Memorandum items: (in millions of U.S. dollars):																		
NPV of debt	165.3	208.9	261.3	309.6	348.9	382.1	412.5	441.4	470.4	502.8	536.6	609.5	688.1	774.0	864.6	911.8	350.3	715.4
Of which: new debt	27.7	77.3	133.6	186.0	230.1	268.1	304.5	339.4	374.4	411.1	449.2	531.9	620.7	714.4	813.4	864.9	235.2	649.0
Debt service	30.5	11.3	12.7	14.9	17.3	18.5	20.7	24.3	28.2	29.9	33.2	39.4	45.3	50.8	58.6	62.7	20.8	47.0
Of which: new debt	0.5	0.5	1.8	3.9	5.8	7.4	8.7	12.6	16.8	20.6	24.0	30.0	36.4	43.6	51.6	55.9	7.9	38.9
Exports of goods and services, three-year average	146.9	158.8	166.7	178.0	189.7	201.7	215.9	231.6	249.3	267.4	287.4	333.0	386.4	449.1	523.5	565.6	200.6	411.3
Exports of goods and services, annual	154.9	166.5	178.8	188.8	201.6	214.6	231.3	248.9	267.7	285.6	308.8	357.9	415.6	483.8	564.5	610.2	213.9	442.9
Revenues	136.7	164.9	175.0	187.1	199.3	213.6	226.7	242.7	259.8	278.0	297.6	341.0	390.7	447.6	512.9	549.0	208.4	412.0

Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed debt and are defined after delivery of MDRI and debt relief beyond HIPC assistance offered by some Paris Club creditors on a voluntary basis.
2/ Revenues are defined as central government revenues, excluding grants.
3/ Exports of goods and services as defined in IMF, Balance of Payments Manual, 5th edition, 1993; excludes transit trade. The NPV of debt-to-exports ratio is based on the average of three consecutive years of exports of goods and non factor services ending in the current year; the debt-service ratio is based on current export year.
4/ Scenario I assumes lower expenditure and lower growth relative to the baseline scenario.
5/ Scenario II assumes lower concessionality on external debt.

Table 17. The Gambia: Delivery of IDA Assistance Under the Enhanced HIPC Initiative and the MDRI, 2001-2020 1/

(In millions of U.S. dollars, unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average 2001-06	Average 2007-45
	Actual						Projections															
I. Relief under the Enhanced HIPC Initiative																						
Debt service before HIPC Assistance 1/	3.9	3.9	4.2	4.7	4.9	5.2	6.9	7.1	8.3	8.8	9.5	9.8	10.0	10.2	10.2	10.1	10.1	10.2	11.1	11.0	4.5	7.6
Principal	2.6	2.7	3.0	3.5	3.7	4.0	4.9	5.2	6.4	6.9	7.7	8.0	8.3	8.6	8.6	8.7	8.7	8.9	9.8	9.8	3.3	6.8
Interest	1.3	1.3	1.2	1.2	1.2	1.2	2.0	1.9	1.9	1.8	1.8	1.7	1.7	1.6	1.5	1.5	1.4	1.3	1.3	1.2	1.2	0.8
IDA HIPC assistance 2/	1.9	2.0	2.1	2.4	0.7	0.0	0.0	2.9	3.0	3.2	3.3	3.3	3.4	3.5	3.5	0.8	0.0	0.0	0.0	0.0	1.5	0.7
Debt service after HIPC assistance 1/	1.9	2.0	2.1	2.4	4.2	5.2	6.9	4.2	5.3	5.5	6.1	6.5	6.6	6.7	6.7	9.4	10.1	10.2	11.1	11.0	3.0	6.9
Principal	0.8	0.8	1.0	1.2	3.0	4.0	4.9	2.8	3.9	4.2	4.8	5.2	5.4	5.5	5.6	8.0	8.7	8.9	9.8	9.8	1.8	6.2
Interest	1.2	1.1	1.1	1.2	1.2	1.2	2.0	1.4	1.4	1.3	1.3	1.3	1.2	1.2	1.1	1.4	1.4	1.3	1.3	1.2	1.1	0.7
II. Relief under the MDRI 3/																						
Projected stock of IDA credits outstanding at implementation date 4/							258.6															
Remaining IDA credits after MDRI							52.3															
Debt stock reduction on eligible credits 3/ 5/							206.4															
Due to HIPC relief 6/							23.0															
Due to MDRI							183.4															
Debt service due after HIPC relief and the MDRI							6.9	0.5	0.7	0.7	1.1	1.4	1.3	1.3	1.4	1.4	1.4	1.5	1.7	1.7		1.7
Memorandum Item:																						
Debt service to IDA covered by HIPC assistance as approved at DP (in percent) 7/	50	50	50	50	15	0	0	40	36	37	35	34	34	34	34	7	0	0	0	0	35.8	9.1
Debt service to IDA covered by HIPC assistance and MDRI (in percent) 8/							0	93	91	92	88	86	86	87	87	86	86	86	85	85		29.5
IDA debt service relief under the MDRI (in SDR) 9/							0.0	2.0	2.9	3.0	3.2	3.2	3.3	3.4	3.4	5.3	5.8	5.8	6.3	6.2		3.4

Source: IDA staff estimates.

1/ Debt service till end 2006 is estimated on debt outstanding as of December, 1999. From January 2007 onwards, principal and interest due to IDA correspond to prorated projections on disbursed and outstanding debt as of end-December 2006, converted to U.S. dollar.

2/ Enhanced HIPC assistance till March 2005 as approved by the Board of IDA at the decision point. After December 2007, HIPC assistance based on revised schedule (document avilable via the Internet: http://go.worldbank.org/213INWCN50).

3/ Stock of debt and debt service denominated in SDRs are converted into U.S. dollar by applying the end-2006 exchange rate.

4/ Stock of debt outstanding on January 1st, 2008.

5/ Debt disbursed as of December, 31 2003 and still outstanding at the end of 2007.

6/ HIPC relief is assumed to proportionally reduce repayments of principal and charges on IDA credits disbursed as of end-December 2003 and still outstanding as of December, 31 2007.

7/ Based on debt disbursed and outstanding as of end-1999.

8/ Based on debt disbursed and outstanding as of end-2006.

9/ For SDR denominated credits, debt relief under the MDRI is estimated as debt service on SDR denominated credits minus USD-based HIPC debt relief on these credits. HIPC debt relief is converted into SDR equivalent amounts using the following exchange rates: 1) for costs during FY07 and FY08, by applying the foreign exchange rate of 1.5104 resulting from the hedging of donor contributions to cover HIPC costs during IDA 14; (ii) for costs from FY09 onwards, by applying the foreign exchange rate of 1.47738 agreed by donors under the latest regular IDA replenishment. For USD denominated creditors, debt relief under the MDRI is estimated as debt service on USD denominated credits minus USD-based HIPC debt relief on these credits. The resulting MDRI debt relief amounts are converted into SDR equivalent amounts by applying foreign exchange reference rates agreed by donors under the latest regular IDA replenishment.

Table 18. The Gambia : Delivery of IMF Assistance under the HIPC Initiative and the MDRI, 2000-2009 1/
(Millions of SDRs, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007		2008	2009
								Jan-Nov	Dec		
I. Pre-MDRI Debt relief (under the HIPC Initiative only) 2/											
HIPC-eligible Debt Service due on IMF obligations 3/	0.4	0.5	0.3	0.3	1.0	1.7	2.3	2.3	0.0	2.3	1.6
Principal	0.3	0.2	-	-	0.7	1.4	2.1	2.1	-	2.1	1.4
Interest	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.2
HIPC assistance--deposits into the HIPC Umbrella Account											
Interim assistance	0.08							0.360			
Completion point disbursement									1.8		
Completion point assistance 4/									1.4		
Completion point interest									0.5		
HIPC assistance--drawdown from the HIPC Umbrella Account	-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	-	0.9	0.7
IMF assistance without interest	-	0.0	0.0	0.0	-	-	-	0.2	-	0.9	0.6
Estimated interest earnings 5/	-	0.0	-	0.0	0.0	0.0	0.0	0.0	-	0.01	0.1
Debt service due on IMF obligations after HIPC assistance	0.4	0.5	0.3	0.3	1.0	1.7	2.3	2.1	0.0	1.4	1.0
Delivery schedule of IMF assistance (in percent of total assistance; on a flow basis)	-	1.0	1.4	2.0	-	-	-	13.4	-	49.3	32.9
Share of debt service due on IMF obligations covered by HIPC assistance (in percent)	-	3.7	9.0	13.5	0.0	0.0	0.0	10.4	-	38.8	41.0
Proportion (in percent) of each principal repayment obligation falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	-	9.6			-	-	-	11.7	-	43.1	43.1
II. Post-MDRI Debt relief (under both MDRI and HIPC Initiatives)											
Projected pre-cutoff date debt at completion point 6/									9.4		
Delivery of debt relief (on stock basis):									9.4		
from the MDRI-I Trust 7/									7.4		
from the HIPC Umbrella Account									2.0		
of which: unused interim HIPC assistance									0.1		
completion point disbursement									1.8		
III. Debt service due to the IMF after HIPC and MDRI debt relief 8/									0.0	0.2	0.2
Memorandum items:											
Debt service due on IMF obligations after HIPC and MDRI debt relief (millions of U.S. dollars)											
Debt service due on IMF obligations after HIPC and MDRI debt relief (percent of exports)											

Source: Fund staff estimates.

1/ Total IMF assistance under the HIPC Initiative is SDR 1.8 million calculated on the basis of data available at the decision point, excluding interest earned on the Gambia's account and on committed but undisbursed amounts, as described in footnote 5.

2/ Reflects the projected delivery of HIPC assistance in the absence of MDRI decision.

3/ Data prior to completion point are as of end-October 2000. Data for 2000 cover only the month of December. Interest obligations include net SDR charges and assessments which are not eligible for HIPC assistance.

4/ A final disbursement of SDR 1.4 million would be deposited into the Gambia's Umbrella Account at the completion point in December 2007.

5/ Includes estimated interest earnings on: (1) amounts held in the Gambia's account; and (2) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually increasing to 4.52 percent in 2009; actual interest earnings may be higher or lower.

6/ Associated with disbursements made prior to December 31, 2004.

7/ Credit outstanding at end-2004 that has not been repaid by the member or with HIPC assistance at the completion point and is not scheduled to be repaid by HIPC assistance, as defined in the MDRI-I Trust Instrument.

8/ As of end-September 2007; reflecting obligations associated with disbursements made after end-December 2004. Figure for 2007 covers only the month of December.

Table 19. The Gambia: Status of Creditor Participation Under Enhanced HIPC Initiative

	HIPC assistance as at the Decision Point Document			
	Debt relief in NPV terms (US$ millions)	Percentage of total assistance	Satisfactory reply	Modalities to deliver debt relief
African Development Bank Group	15.8	23.7	Yes	Interim assistance amounting to US$6.3 million in NPV terms was provided through the reduction of the debt service payments to the AfDB Group over the period 2001 to 2003. At completion point, the outstanding amount of total debt relief for the AfDB Group (US$9.5 Million in NPV terms) will be provided through an 80% reduction of the debt service payments to the African Development Fund from January 2008 through 2013.
BADEA	0.8	1.2	Yes	BADEA intends to deliver its share of relief through concenssional rescheduling of outstanding debt at completion point.
Economic Community of West African States	0.2	0.3	No	Not currently participating in debt relief to The Gambia.
European Union/Commision	1.8	2.7	Yes	The EC provided debt-service relief on identified EC loans during the interim period. Total interim assistance amounts to US$2.5 million in nominal terms (US$1.9 million in NPV terms).
International Development Association (IDA)	22.3	33.4	Yes	Interim assistance was provided equivalent to a 50 percent reduction on The Gambia's debt service to IDA, amounting to a total of US$8.0 million in NPV terms. After completion point, the remaining assistance of US$14.3 million in NPV terms will be provided through debt service reduction of 50 percent on IDA loans as of end-2000.
IMF	2.3	3.4	Yes	Assistance is being delivered from the PRGF-HIPC Trust to cover a portion of debt service falling due to the IMF. Interim assistance started in 2001 but was suspended in 2002 when the original PRGF arrangement went off-track. It resumed in 2007 with the approval of a new three-year PRGF program. IMF assistance represents an average annual reduction of 13 percent in debt service over 2001-09.
International Fund for Agricultural Development	2.5	3.8	Yes	Assistance will be delivered at completion point through reduction of debt service payments on eligible debt by up to 100% until the target is reached. Preliminary estimates show that IFAD's relief could be delivered over 5 years.
Islamic Development Bank	2.7	4.1	Yes	Assistance will be delivered at completion point through rescheduling of debt over 25 years.
OPEC Fund for International Development	0.8	1.2	Yes	Assistance is expected to be provided through a combination of debt rescheduling and interest rate reduction until the rarget in NPV terms is reached.
Total multilateral	**49.2**	**73.8**		
Paris Club Creditors	4.8	7.2	Yes	Interim assistance is provided through Cologne terms flow relief and several of the creditors have cancelled 100 percent of flow during the interim period. The Paris Club creditors will deliver the rest of the relief at the completion point.
Non-Paris Club Creditors	12.6	19.0		
Saudi Fund for Development	0.6	1.0	No	
Kuwait Fund for Economic Development	1.2	1.7	No	
Taiwan Export Import Bank	7.7	11.6	No	
Libya	0.9	1.3	No	
China	2.3	3.4	No	
Total bilateral and commercial	**17.4**	**26.2**		
TOTAL	**66.6**	**100.0**		

Sources: The Gambian authorities; and Bank-Fund staff estimates.

Table 20: Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the HIPC Initiative 1/

	Countries covered	ODA (in percent)		Non-ODA (in percent)		Provision of relief	
		Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (In percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 2/	2/	2/
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs 3/	- 4/	- 4/	100	100	100 flow	Stock
Denmark	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow 6/	Stock
Finland	HIPCs	100	- 7/	100	- 7/	-	-
Germany	HIPCs	100	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 8/	100	100 8/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 9/	100	100	-	90-100 flow 9/	Stock 9/
Norway	HIPCs	10/	10/	11/	11/	-	-
Russia	HIPCS	- 12/	- 12/	100	100	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- 13/	100	-	-	Stock
Switzerland	HIPCs	- 14/	- 14/	90-100 15/	-	90-100 flow	Stock
United Kingdom	HIPCs	100	100	100	100 16/	100 flow 16/	Stock
United States	HIPCs	100	100	100	100 17/	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.

3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-COD claims

8/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

9/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

10/ Norway has cancelled all ODA claims.

11/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

12/ Russia has no ODA claims

13/ Sweden has no ODA claims.

14/ Switzerland has cancelled all ODA claims.

15/ In some particular cases (Central African Republic, Liberia, Republic of Congo, Sierra Leone, Togo), Switzerland will write off 100 percent of the remaining debt stock at completion point; all other HIPCs will receive debt relief according to Paris Club terms.

16/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

17/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

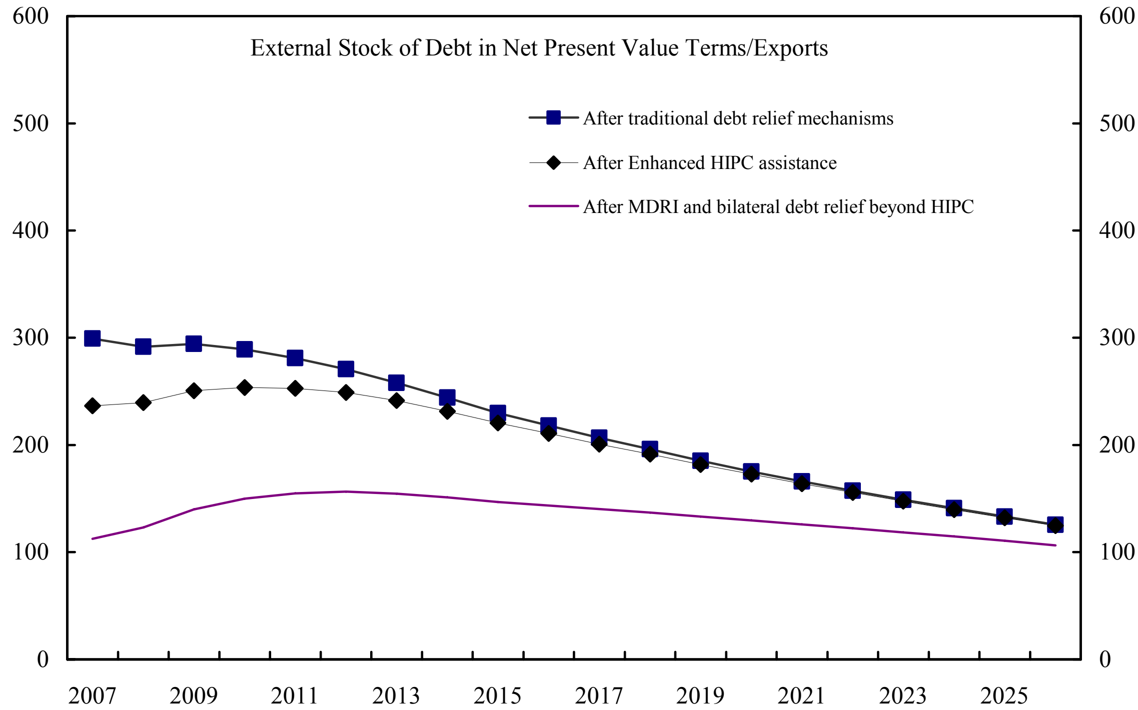
Table 21. HIPC Initiative: Status of Country Cases Considered Under the Initiative, October 4, 2007

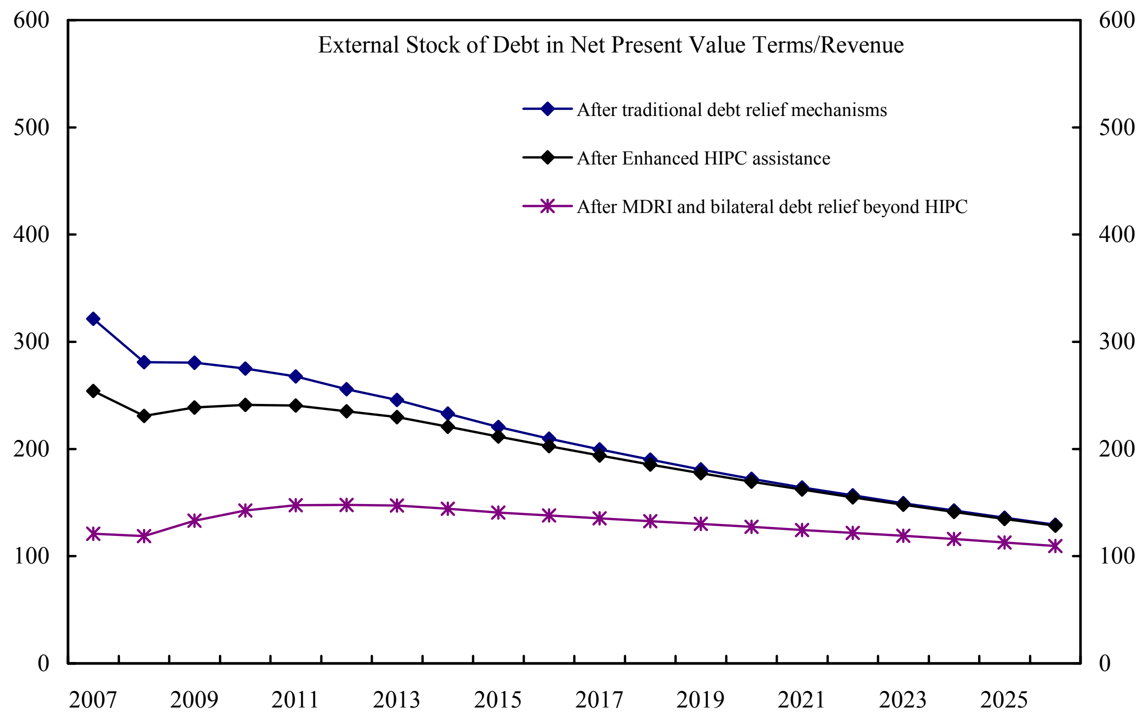
Country	Decision Point	Completion Point	Target NPV of Debt-to- Exports (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral and commercial	Multilateral Total	Multilateral IMF	Multilateral World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework (22)											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					553	83	469	57	231		930
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Apr. 02*	*150*		*195*	*35*	*161*	*22*	*79*	*30*	*300*
topping-up	*...*	*Apr. 02*	*150*		*129*	*16*	*112*	*14*	*61*	*24*	*230*
Cameroon	Oct. 00	Apr. 06	*150*		1,267	879	322	37	176	27	4,917
Ethiopia					1,982	637	1,315	60	832		3,275
enhanced framework	*Nov. 01*	*Apr. 04*	*150*		*1,275*	*482*	*763*	*34*	*463*	*47*	*1,941*
topping-up		*Apr. 04*	*150*		*707*	*155*	*552*	*26*	*369*	*31*	*1,334*
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*634*
enhanced framework	*Nov. 00*	*Dec-03*	*150*	*250*	*335*	*132*	*202*	*40*	*41*	*40*	*719*
Honduras	Jul. 00	Mar-05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	*Oct-04*	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
enhanced framework	Dec. 00	*Aug-06*	150		646	164	482	30	333	44	1,025
topping-up	...	*Aug-06*	150		411	7	404	15	289	35	603
Mali					539	169	370	59	185		895
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*43*	*9*	*220*
enhanced framework	*Sep. 00*	*Mar. 03*	*150*		*417*	*132*	*285*	*45*	*143*	*29*	*675*
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,717*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*27*	*600*
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
enhanced framework	*Dec. 00*	*Apr. 04*	*150*		521	211	309	28	170	53	944
topping-up	*...*	*Apr. 04*	*150*		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
enhanced framework	*Dec. 00*	*Apr-05*	*150*		452	56	397	44	228	71	839
topping-up	*...*	*Apr-05*	*150*		243	9	235	20	154	53	477
São Tomé and Príncipe					124	31	93	-	47	128	263
enhanced framework	Dec. 00	*Mar-07*	150		99	29	70	-	24	83	215
topping-up	…	*Mar-07*	150		25	2	23	-	23	45	49
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Zambia	Dec. 00	Apr-05	150		2,499	1,168	1,331	602	493	63	3,900
Decision point reached under enhanced framework (10)											
Afghanistan	Jul. 07	Floating	150		571	436	135	-	75	51	1,272
Burundi	Aug. 05	Floating	150		826	124	701	28	425	92	1,465
Central African Rep.	Sept. 07	Floating	150		583	217	365	27	209	68	782
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Congo Rep. of	Mar. 06	Floating		250	1,679	1,561	118	8	49	32	2,881
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Haiti	Nov. 06	Floating	150		140	20	120	3	53	15	213
Total assistance provided/committed					**35,996**	**17,618**	**18,279**	**2,635** 3/	**8,780**		**62,951**

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Equivalent to SDR 1,698 million at an SDR/USD exchange rate of 0.644524 , as of October 4, 2007.

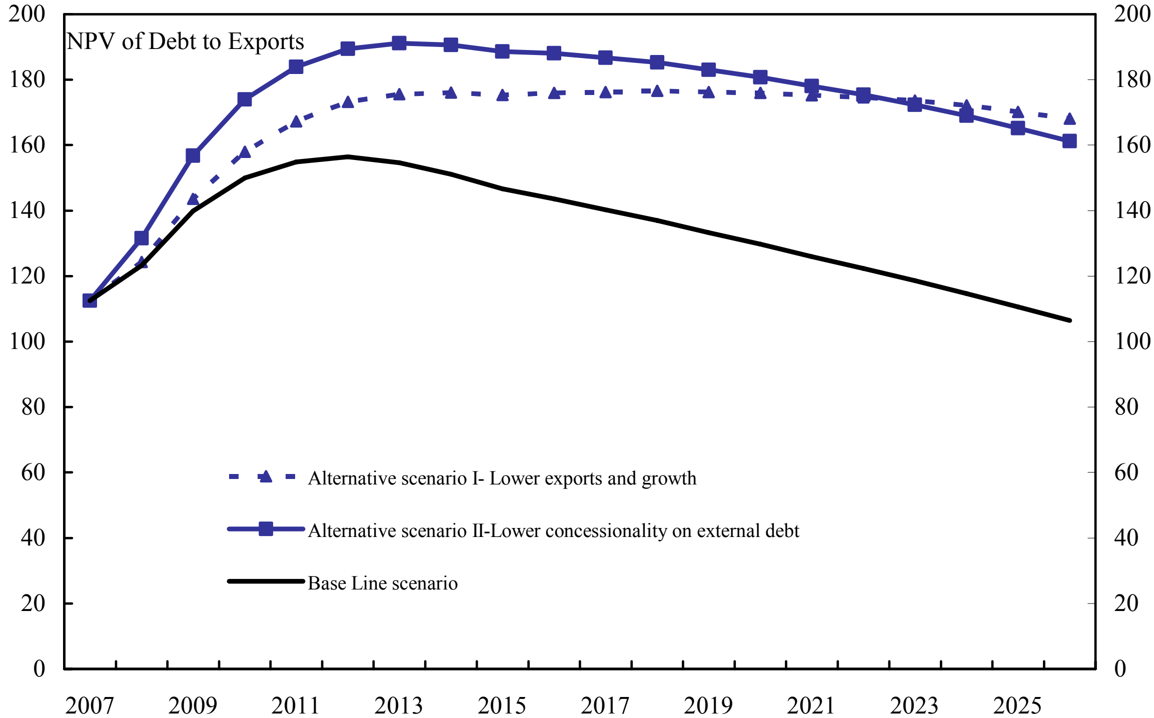
Figure 3. The Gambia: External Debt for Medium- and Long-Term Public Sector Debt, 2007-26
(In percent)

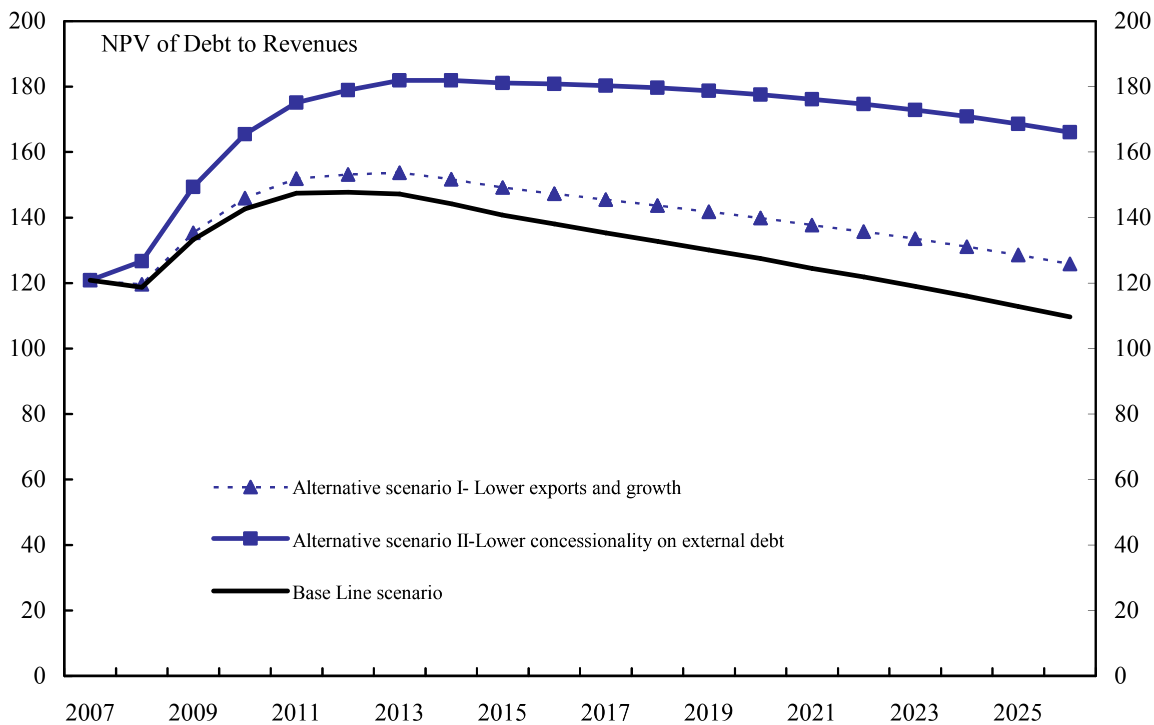




Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

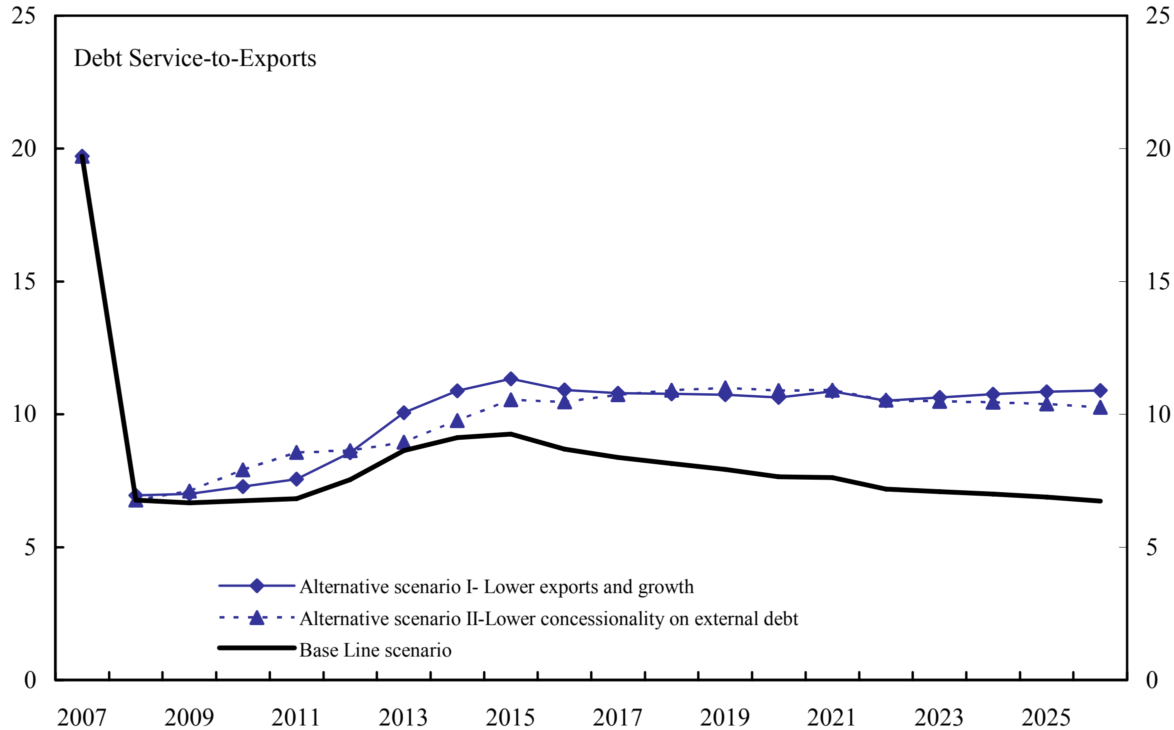
Figure 4. The Gambia: Sensitivity Analysis, 2006-2025
(In percent)





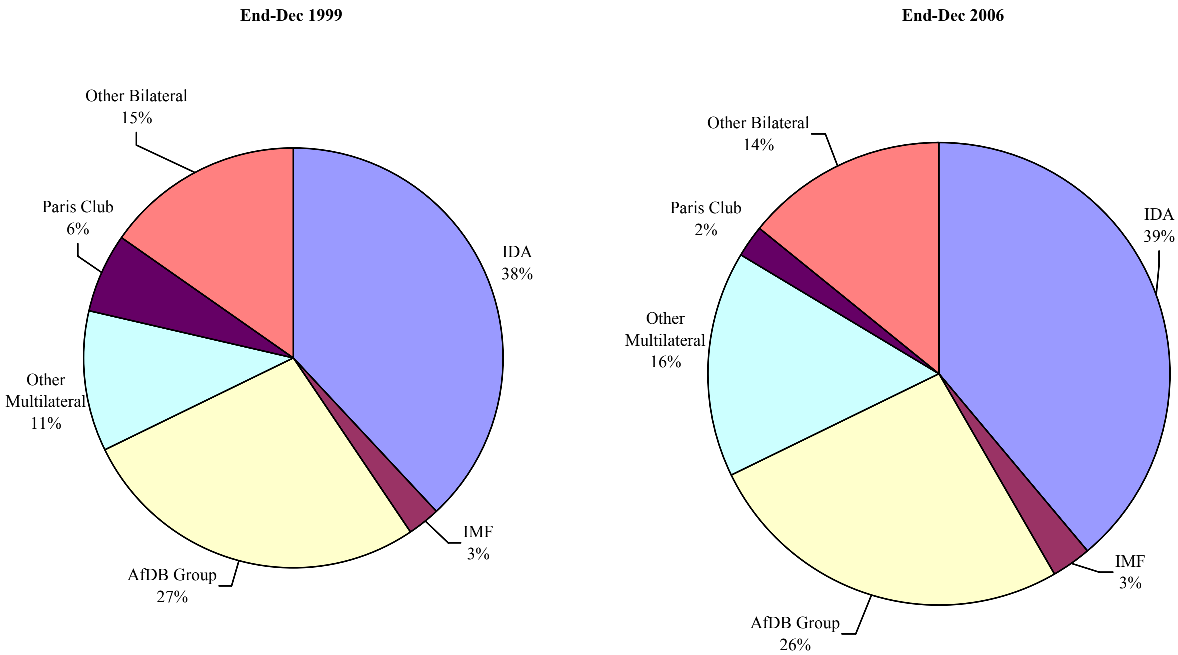
Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

Figure 5. The Gambia: Sensitivity Analysis, 2006-2025
(In percent)



Sources: The Gambian authorities; and Bank-Fund staff estimates and projections.

Figure 6. The Gambia: External Debt Structure
(In percent)



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

APPENDIX I

THE GAMBIA—DEBT SUSTAINABILITY ANALYSIS UNDER THE DEBT SUSTAINABILITY FRAMEWORK FOR LOW-INCOME COUNTRIES—AN UPDATE[26]

1. **This debt sustainability analysis (DSA) updates the last DSA presented to the Fund Board in October 2006.**[27] The DSA is consistent with the HIPC completion point DSA; both DSAs were prepared jointly by staffs of the Fund and the World Bank, and are based on reconciled external debt and debt service data. The full effect of MDRI relief, which was shown as a separate scenario in IMF Country Report No. 06/444, Appendix I is now included in the baseline scenario, as are new borrowing limits under the PRGF-supported program.

2. **The update suggests that The Gambia is at high risk of remaining in debt distress even after receiving HIPC and MDRI relief.** With the full delivery of HIPC and MDRI assistance, the NPV of external debt-to-export ratio declines significantly but remains above the policy-dependent external debt-burden threshold. By contrast, the NPV of debt-to-GDP ratio as well as all the debt service indicators fall below their respective thresholds. Standard stress tests show that The Gambia will remain vulnerable to adverse developments. In particular, the debt stock indicators deteriorate significantly and exceed their respective thresholds when subject to negative shocks. At approximately 30 percent of GDP, the large domestic debt stock further supports the assessment that the risk of debt distress remains high.

I. EVOLUTION OF PUBLIC DEBT SINCE HIPC DECISION POINT

3. **The Gambia reached the Decision Point under the Enhanced HIPC Initiative in December 2000.** Based on external debt data at the end of 1999, the Boards of the International Development Association (IDA) and the IMF approved debt relief worth US$66.6 million in NPV terms.[28] Interim relief in the form of debt service reductions was provided by IDA, the IMF, the African Development Bank (AfDB) and the EU. Reaching the HIPC completion point, originally expected around the end of 2002, was delayed by serious policy slippages which derailed the program supported by the IMF’s Poverty Reduction and Growth Facility (PRGF).

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[26] The DSA has been produced jointly by Bank and Fund staffs. The last DSA was presented to the Fund Board in October 2006 (IMF Country Report No. 06/444, Appendix I).

[27] Appendix I in IMF Country Report No. 06/444.

[28] Assuming the participation of all creditors and full delivery of traditional debt relief.

4. **At the end of 2006, the latest date for which comprehensive data are available, the stock of external public debt was US$676.7 million (133.5 percent of GDP)** (Text table 1). Multilateral creditors accounted for 84 percent of this debt, with IDA as the largest creditor (39 percent of total outstanding debt). The nominal debt has grown by US$232 million, or approximately 50 percent (or 30 percentage points of GDP) since end-1999 (point of reference for HIPC decision point in 2000). Most of this increase can be attributed to new disbursements from IDA, the AfDB, other multilateral creditors and non-Paris Club creditors. Since end-2005 (presented in the 2006 DSA), nominal debt has increased by US$49 million, or about 8 percent; most of this increase is the result of new borrowing in 2006, with the remainder due to previously unrecorded debt revealed by the data reconciliation exercise carried out for this DSA.

5. **The stock of gross domestic debt stood at 32.2 percent of GDP at end-2006, up 8 percentage points from its level at decision point.** The increase reflected large extra-budgetary spending in 2001, and the central bank's sale of government debt between 2003 and 2005 to sterilize the impact of rebuilding international reserves.

Text table 1: Evolution of Public External Debt since Decision Point 1/

	1999		2005		2006	
	US$ millions	percent	US$ millions	percent	US$ millions	percent
Total	**444.9**	**100**	**628.2**	**100**	**676.7**	**100**
Multilateral	**355.8**	**80**	**525.2**	**84**	**566.2**	**84**
of which:						
IDA	172.7	39	254.9	41	263.6	39
AfDB	119.3	27	168.4	27	174.5	26
IMF	11.3	3	14.6	2	17.8	3
Other	52.4	12	87.3	14	110.3	16
Bilateral	**89.2**	**20**	**103.1**	**16**	**110.6**	**16**
of which:						
Paris Club	29.8	7	16.0	3	15.6	2
Non-Paris Club	59.3	13	87.1	14	95.0	14
Commercial	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**
Memorandum items:						
GDP (millions US dollars)	**431.9**	...	**461.3**	...	**506.7**	...
Nominal debt-to-GDP	**103.0**	...	**136.2**	...	**133.5**	...

Source: Staff estimates and authorities.

1/ Figures for 1999 are based on reconciled completion point data, 2005 data from IMF Country Report No. 06/444.

II. Key Assumptions

6. **The baseline scenario, consistent with the HIPC completion point DSA, assumes a continuation of recent prudent macroeconomic management, and the country reaching the HIPC-completion point at end-2007.** The key macroeconomic assumptions

are presented in Text table 2. These differ only marginally from those assumptions underlying the last DSA. Notably, real growth has been revised up through 2012, inflation is also projected to be somewhat higher, while export growth over the medium term is more conservative. The revised assumptions reflect:

- Robust output growth over the near term, in line with recent experience, due to on-going large foreign direct investment and donor-sponsored projects. Growth is sustained in the medium term by continued expansion in the tourism and telecommunications sectors, as well as by growth in agriculture.

- Increased exports of goods and services from growth in the tourist sector, as well as groundnuts and other agricultural exports.

- Further growth in imports through 2012, though lower than recent experience. The associated current account deficits due to large externally-financed investment projects decline over the medium term.

- Improved fiscal balance in the medium term, reflecting sustained strong revenue performance, fiscal discipline and lower debt service.

- Increased external donor assistance (both concessional loans and grants) over the period 2007-12, declining as a share of GDP over the medium term.

    - In line with the authorities' PRSP aspirations, external borrowing is expected to average 5.8 percent of GDP between 2007 and 2012 before declining to 2 percent by 2026. New borrowing is expected to be evenly divided between multilateral and bilateral creditors, with an average grant element of 45 percent.

    - External grants increased in 2007 and are expected to average about 4 percent of GDP through 2012 before declining to about 1 percent by 2027.

Text table 2: Key macroeconomic assumptions
(Period averages: in percent, unless otherwise indicated)

	1998-2000	2001-03	2004-06	1998-06	2007-12	2013-27
Real GDP growth	6.1	3.1	6.2	5.2	6.2	5.0
Inflation					4.75	4.0
Growth exports of goods and services	1.1	-0.1	11.6	4.2	5.6	7.7
Non-interest current account (percent of GDP) 1/	-1.5	-2.1	-9.0	-4.2	-10.1	-6.8
Overall fiscal balance (percent of GDP) 1/					-2	-1.7

1/ Including official transfers and grants.

III. External Debt Sustainability

A. Baseline

7. **Under the staff baseline scenario, all but one of the NPV of debt indicators will remain below their corresponding thresholds once completion point is reached and the HIPC/MDRI relief is delivered (Table 1 and Figure 1).**[29] The NPV of debt-to-GDP ratio falls to 26 percent at the beginning of the projection period. New borrowing associated with increased investment pushes the NPV of debt-to-GDP towards the threshold through 2012 before it declines as investment levels off and growth is sustained. The NPV of debt-to-revenue and the debt service ratios fall considerably beneath their respective thresholds. While they too increase through 2012, they remain at comfortable levels throughout the projection period.

Box A1: Policy Dependent Debt-Burden Thresholds for The Gambia

The latest World Bank Country Policy and Institutional Assessment (CPIA) rates The Gambia a "poor performer." The relevant indicative thresholds for countries assessed in this category are 30 percent for the NPV of debt-to-GDP, 100 percent for NPV of debt-to-exports, 200 percent for NPV of debt-to-revenues, 15 percent for debt service–to-exports, and 25 percent for debt service-to-revenues ratio. These ratios are applicable to public and publicly guaranteed external debt.

8. **The NPV of debt-to-exports ratio breaches the debt-burden threshold for a protracted period.** The NPV of debt-to-export ratio is expected to decline significantly to 108 percent in 2007 following full impact of HIPC and MDRI, but this is still above the indicative policy-dependent threshold of 100 percent. Furthermore, this ratio increases through 2012 due to new borrowing, and it stays above the threshold for a protracted period. It gradually falls below the threshold over the medium term, due to sustained growth in receipts from tourism, re-export services, and agricultural exports. While there are country-specific factors to consider when assessing the sustainability of The Gambia's external debt (Box A2), alternative measurements of the ratio continue to indicate a protracted breach of the debt-burden threshold.

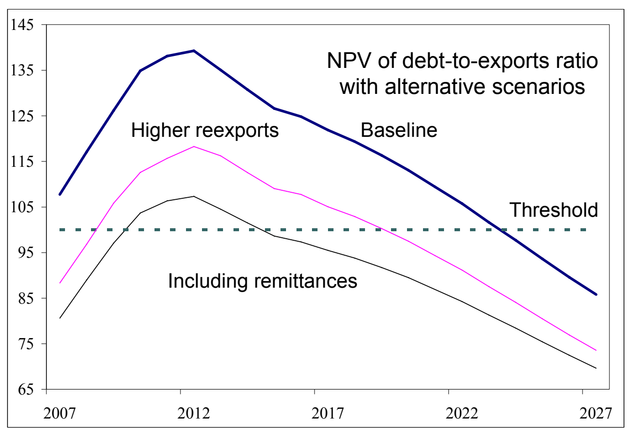
[29] As outlined in the HIPC DSA, outstanding debt at end-2007 before completion point is estimated at NPV US$439 million. Following completion point, HIPC assistance reduces the NPV of existing debt by US$92 million while MDRI results in an additional US$182.1 million reduction.

Box A2: Alternative measures of NPV of debt to exports

The NPV of debt-to-exports threshold is breached over most of the projection period despite HIPC and MDRI relief. The ratio captures the NPV of debt compared with exports of goods and nonfactor services, as an important measure of the country's capacity to sustain external debt levels through its foreign exchange earnings. However, there are country-specific issues to consider when applying this ratio to The Gambia:

- First, official statistics do not capture the full extent of reexport trade and associated service earnings, which are major components of exports. Due to the lack of reliable data, staff estimate re-exports as a fraction of imports, adding a mark-up for earnings from re-exports.
- Second, The Gambia's diaspora consistently remit significant sums (perhaps 10 percent of GDP) which reflect current and prospective foreign exchange earnings (the DSA is based on an empirical analysis that specifically excludes remittances).

The chart below offers a perspective on the possible importance of these factors when assessing the sustainability of The Gambia's external debt. In the chart, the baseline scenario discussed in the text is compared with two alternatives: (i) the case where service exports are revised upward by assuming re-exports of 50 percent of imports rather than 30 percent currently estimated; and, (ii) remittances are added to estimated baseline goods and nonfactor service earnings to reflect projected total foreign exchange earnings in the future. Both effects are seen to drive the NPV of debt to "exports" beneath the threshold in 2007, although this is still breached for an extended period due to new borrowing through 2010 before falling off in the medium term. These alternative measurements substantially improve the outlook for debt sustainability, although not enough to suggest that the country is no longer at a high risk of remaining in debt distress.



B. Alternative Scenarios and Stress Tests

9. **Alternative scenarios reveal that external debt indicators are vulnerable to substantial deterioration in the face of adverse external developments or if new borrowing is on less favorable terms than in the baseline (Table 2, Figure 1).** The scenarios in Figure 1 focus on an "extreme shock" case—reflecting a combined negative

shock to all variables based on historical performance—and if borrowing occurs on less favorable terms.[30] Emphasizing the "less favorable terms" scenario demonstrates the importance of the authorities' commitment to borrowing only on highly concessional terms. With the exception of the debt service indicators, which remain beneath their thresholds, the debt stock indicators all deteriorate significantly under these alternative scenarios. A number of points are worth noting:

- The NPV of debt-to-GDP and the debt-to-exports ratio deteriorate significantly above their respective thresholds (Figure 1 and Table 2). A combination of adverse shocks or lower grant element on debt generates a significant deterioration in debt dynamics over the projection period.
- The debt-to-revenue ratio shows a similar deterioration under the adverse shocks scenario.
- Table 2 (line B6) demonstrates the deterioration in the debt-to-GDP ratio as a result of an exchange rate depreciation. In particular, a one-time 30 percent depreciation results in the debt-to-GDP ratio breaching the 30 percent threshold for much of the projection period. This scenario serves to illustrate the importance of recent exchange rate appreciation on the baseline debt-to-GDP ratio. If this appreciation is not permanent, debt-to-GDP will rise above the indicative threshold in the near term despite HIPC and MDRI relief.

IV. Public Debt Sustainability

A. Baseline

10. **Domestic debt is expected to fall from 29.6 percent of GDP at the end of 2007 to 10.4 percent of GDP in 2012 and to 9.1 percent of GDP in 2027, reflecting sustained good fiscal performance.** Recently implemented reforms in tax administration are expected to help maintain revenues around 21 percent of GDP, while the relatively tight fiscal policy programmed for the medium term helps bring domestic interest rates close to single digits levels. Over the longer term, lower debt service, reflecting the drop in external debt after delivery of debt relief and lower interest rates on domestic debt, provides space to steadily

[30] Figure 1 does not report the standard historical scenario since this shows improved debt dynamics driven by lower historical current account deficits reducing external debt in this scenario. This scenario assumes that the interest rate on new borrowing is 2 percentage points higher than in the baseline, grace and maturity periods are unchanged, and implies a lower grant element of 25 percent on new borrowing, rather than 45 percent in the baseline.

increase basic primary expenditures[31] and to partially offset the downward trend in externally-financed projects.

11. **The NPV of public debt is projected to decline from about 54.9 percent of GDP in 2007 to 38.9 percent in 2012 and to 30.6 percent in 2027 (Table 3 and Figure 2).** The decline in the near term is driven by a drop in the domestic debt. As a ratio of domestic revenues, the NPV of public debt is projected to fall from about 247 percent in 2007 to 138 percent at the end of the projection period.

B. Alternative Scenarios and Stress Tests

12. **Stress tests indicate that the public debt would not decline significantly under some adverse shocks (Table 4 and Figure 2).** For example, under a permanently lower output growth rate (4.3 percent instead of 5 percent), the NPV of total debt-to-GDP ratio would decline from 54 percent in 2007 to 50 percent in 2027, as opposed to declining to 31 percent under the baseline scenario.

V. Conclusion

13. **It is the staffs' view that The Gambia is at high risk of debt distress based on external debt burden indicators.** The Gambia's debt situation has become more precarious since the last DSA due to the new borrowing. Given continuing risks, development of a comprehensive public debt management strategy should be a priority. High levels of concessionality in new borrowing and careful control over the volume of such borrowing for the foreseeable future are also strongly recommended. Failure to achieve sustained export diversification and growth, meanwhile, would offset any gains in debt management, thus also requiring sustained efforts to promote exports and stimulate growth.

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

Table 1. The Gambia: External Debt Sustainability Framework, HIPC and MDRI Scenario, 2007-2027 1/
(In percent of GDP, unless otherwise indicated)

	Actual											Historical	Standard	Projections									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average 6/	Deviation 6/	2007	2008	2009	2010	2011	2012	2007-12 Average	2017	2027	2013-27 Average
External debt (nominal) 1/	**...**	**101.8**	**102.5**	**103.0**	**110.6**	**117.3**	**143.0**	**157.3**	**146.5**	**134.7**	**133.6**			**49.9**	**47.5**	**50.7**	**52.7**	**52.6**	**51.7**		**45.6**	**33.9**	
o/w public and publicly guaranteed (PPG)	...	101.8	102.5	103.0	110.6	117.3	143.0	157.3	146.5	134.7	133.6			49.9	47.5	50.7	52.7	52.6	51.7		45.6	33.9	
Change in external debt	...	...	0.7	0.5	7.6	6.7	25.7	14.3	-10.8	-11.8	-1.1			-83.7	-2.4	3.2	2.0	-0.1	-0.9		-1.2	-1.1	
Identified net debt-creating flows	...	...	-4.0	0.1	2.1	0.9	15.7	8.3	-26.8	-17.3	-15.2			-5.7	2.2	1.7	0.8	-0.2	-0.3		0.0	1.9	
Non-interest current account deficit	**...**	**-0.3**	**1.0**	**1.5**	**2.0**	**1.4**	**1.6**	**3.4**	**4.1**	**13.2**	**9.8**	**3.8**	**4.3**	**9.6**	**11.8**	**10.6**	**9.4**	**8.4**	**7.9**	**9.6**	**6.6**	**7.3**	6.8
Deficit in balance of goods and services	...	5.7	7.4	5.8	8.2	5.2	8.4	7.5	21.0	22.7	17.3			19.1	20.3	16.6	15.0	13.0	11.1		9.0	10.2	
Exports	...	27.0	30.1	28.0	26.8	25.8	30.4	31.8	31.7	28.4	30.6			23.9	21.0	20.8	20.3	20.1	19.9		20.7	22.8	
Imports	...	32.7	37.5	33.8	35.0	31.0	38.8	39.3	52.7	51.1	47.9			43.0	41.3	37.3	35.4	33.0	30.9		29.7	33.0	
Net current transfers (negative = inflow)	...	-7.7	-9.3	-7.8	-9.9	-8.3	-11.6	-9.6	-23.6	-17.1	-15.2	-12.0	5.1	-14.7	-13.1	-12.3	-11.8	-11.3	-9.1		-7.9	-5.9	-7.3
o/w official	...	...	...	...	-7.4	-7.5	-10.6	-8.5	-8.5	-5.1	-3.2			-5.2	-5.3	-5.2	-4.9	-4.8	-2.8		-2.5	-1.9	
Other current account flows (negative = net inflow)	...	1.6	2.9	3.5	3.7	4.6	4.7	5.4	6.7	7.5	7.8			5.2	4.7	6.3	6.1	6.7	5.9		5.5	3.0	
Net FDI (negative = inflow)	**...**	**-3.8**	**-3.7**	**-0.1**	**-3.8**	**-2.4**	**-2.5**	**-3.6**	**-14.1**	**-13.3**	**-14.6**	**-7.8**	**5.5**	**-9.2**	**-7.4**	**-6.4**	**-6.2**	**-6.0**	**-5.9**		**-4.8**	**-4.0**	-4.6
Endogenous debt dynamics 2/	**...**	**...**	**-1.3**	**-1.3**	**3.9**	**2.0**	**16.5**	**8.5**	**-16.8**	**-17.2**	**-10.4**			**-6.1**	**-2.3**	**-2.5**	**-2.4**	**-2.5**	**-2.3**		**-1.8**	**-1.4**	
Contribution from nominal interest rate	...	...	1.4	1.4	1.2	1.2	1.2	1.7	2.0	1.9	1.7			1.2	0.4	0.4	0.4	0.4	0.4		0.4	0.3	
Contribution from real GDP growth	...	...	-6.4	-6.4	-5.8	-6.4	4.3	-10.3	-9.7	-6.4	-8.0			-7.3	-2.6	-2.8	-2.8	-2.9	-2.7		-2.2	-1.6	
Contribution from price and exchange rate changes	...	...	3.8	3.8	8.5	7.2	11.0	17.1	-9.1	-12.7	-4.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**0.0**	**...**	**4.7**	**0.4**	**5.5**	**5.8**	**10.0**	**6.0**	**16.0**	**5.5**	**14.0**			**-78.0**	**-4.6**	**1.5**	**1.2**	**0.1**	**-0.6**		**-1.3**	**-3.0**	
o/w exceptional financing	...	...	0.0	0.0	0.0	0.0	-0.1	0.0	-0.4	-0.3	-0.3			-58.4	-0.9	-0.7	-0.6	-0.4	-0.4		-0.3	-0.1	
NPV of external debt 4/	...	...	...	...	...	...	...	...	...	...	31.1			25.5	24.8	27.1	28.7	29.2	29.2		26.9	21.6	
In percent of exports	...	...	...	...	...	...	...	...	...	...	101.7			106.8	118.5	130.6	141.5	145.7	146.9		130.2	94.7	
NPV of PPG external debt	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**31.1**			**25.5**	**24.8**	**27.1**	**28.7**	**29.2**	**29.2**		**26.9**	**21.6**	
In percent of exports	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**101.7**			**106.8**	**118.5**	**130.6**	**141.5**	**145.7**	**146.9**		**130.2**	**94.7**	
In percent of government revenues	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**146.8**			**120.9**	**119.6**	**133.5**	**142.8**	**147.4**	**147.6**		**135.0**	**106.3**	
Debt service-to-exports ratio (in percent)	**...**	**18.0**	**16.0**	**...**	**19.6**	**16.8**	**23.9**	**11.1**	**17.7**	**17.7**	**16.5**			**18.5**	**7.0**	**7.0**	**6.8**	**6.9**	**7.6**		**8.3**	**6.4**	
PPG debt service-to-exports ratio (in percent)	**...**	**-14.3**	**-7.7**	**...**	**19.6**	**16.8**	**23.9**	**11.1**	**17.7**	**17.7**	**16.5**			**18.5**	**7.0**	**7.0**	**6.8**	**6.9**	**7.6**		**8.3**	**6.4**	
PPG debt service-to-revenue ratio (in percent)	**...**	**-21.0**	**-13.3**	**...**	**28.4**	**28.8**	**44.5**	**22.4**	**26.9**	**25.5**	**23.8**			**20.9**	**7.1**	**7.1**	**6.8**	**6.9**	**7.6**		**8.6**	**7.1**	
Total gross financing need (millions of U.S. dollars)	...	...	...	...	14.5	13.9	23.6	11.7	-17.6	22.8	1.2			27.3	47.2	48.1	42.5	37.1	37.4		53.2	136.8	
Non-interest current account deficit that stabilizes debt ratio	...	...	0.3	0.9	-5.7	-5.3	-24.1	-10.9	14.9	25.0	11.0			93.2	14.2	7.4	7.4	8.4	8.8		7.9	8.4	
Key macroeconomic assumptions																							
Real GDP growth (in percent)	...	...	6.5	6.4	5.5	5.8	-3.2	6.9	7.0	5.1	6.5	5.2	3.2	7.0	6.5	6.5	6.0	6.0	5.5	6.2	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	...	...	-3.6	-3.5	-7.7	-6.1	-8.6	-10.7	6.1	9.5	3.1	-2.4	7.0	19.6	15.0	1.9	1.8	2.0	1.8	7.0	1.8	1.8	1.7
Effective interest rate (percent) 5/	...	...	1.4	1.4	1.1	1.1	0.9	1.1	1.5	1.5	1.4	1.3	0.2	1.2	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Growth of exports of G&S (US dollar terms, in percent)	...	...	14.5	-4.2	-7.0	-4.3	4.3	-0.3	13.3	2.9	18.4	4.2	9.2	-0.1	7.5	7.4	5.6	6.8	6.5	5.6	8.1	8.1	7.8
Growth of imports of G&S (US dollar terms, in percent)	...	...	17.6	-7.4	0.9	-12.0	10.8	-3.3	52.3	11.6	2.9	8.1	19.1	14.9	17.5	-1.9	2.3	1.0	0.7	5.7	7.3	8.1	7.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	42.6	43.2	43.3	44.1	45.0	45.0	43.9	45.0	45.0	45.0
Aid flows (in millions of US dollars) 7/	0.0	19.7	22.4	18.5	25.5	33.3	51.4	35.1	50.6	41.5	44.2			60.8	88.0	98.9	94.8	84.2	75.0		76.0	87.0	
o/w Grants	5.5	8.2	4.8	...	10.5	16.5	12.4	...	18.2	7.7	0.3			24.2	31.6	36.2	36.1	35.4	33.8		29.8	20.5	
o/w Concessional loans	0.0	14.2	...	...	...	...	...	...	32.3	33.8	43.9			36.5	56.5	62.8	58.7	48.8	41.2		46.2	66.5	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	...	...	...	...	...	...			6.9	7.4	7.7	6.8	5.7	4.8		3.4	1.7	2.9
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...			61.8	62.2	62.9	64.7	68.1	69.8		66.6	58.0	64.3
Memorandum items:																							
Nominal GDP (millions of US dollars)	...	409.8	420.8	431.9	420.9	417.9	369.7	353.0	401.0	461.3	506.7			648.4	793.8	861.4	929.4	1005.1	1079.8		1492.3	2898.2	
(NPVt-NPVt-1)/GDPt-1 (in percent)														1.5	4.9	4.6	3.9	2.9	2.1	3.3	1.4	0.9	1.2

Source: Staff simulations.

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 NPV 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 NPV of new debt).

Table 2. The Gambia: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007-27
including HIPC and MDRI (In percent)

	Projections							
	2007	2008	2009	2010	2011	2012	**2017**	2027
NPV of debt-to-GDP ratio								
Baseline	25	25	27	29	29	29	**27**	22
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-27 1/	25	25	26	26	25	24	**16**	6
A2. New public sector loans on less favorable terms in 2008-27 2/	25	26	30	33	35	35	**36**	33
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	25	26	30	31	32	32	**29**	24
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	25	26	31	32	33	33	**29**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	25	32	39	41	42	42	**38**	31
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	25	32	40	41	41	41	**35**	25
B5. Combination of B1-B4 using one-half standard deviation shocks	25	36	49	51	51	51	**45**	33
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	25	34	37	39	40	39	**36**	29
NPV of debt-to-exports ratio								
Baseline	107	118	131	142	146	147	**130**	95
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 1/	107	121	123	126	124	120	**80**	25
A2. New public sector loans on less favorable terms in 2007-26 2/	107	126	146	164	173	178	**173**	146
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	107	118	131	142	146	147	**130**	95
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	107	141	191	204	209	210	**182**	126
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	107	118	131	142	146	147	**130**	95
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	107	151	191	201	204	204	**170**	108
B5. Combination of B1-B4 using one-half standard deviation shocks	107	147	198	210	214	214	**182**	120
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	107	118	131	142	146	147	**130**	95
NPV of debt-to-revenue ratio								
Baseline	121	120	133	143	147	148	**135**	106
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 1/	121	122	126	127	126	120	**83**	28
A2. New public sector loans on less favorable terms in 2007-26 2/	121	128	150	166	175	179	**180**	163
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	121	125	146	156	161	161	**147**	116
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	121	126	152	161	165	165	**148**	111
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	121	152	190	204	210	211	**193**	152
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	121	153	196	203	207	205	**176**	121
B5. Combination of B1-B4 using one-half standard deviation shocks	121	173	243	254	260	258	**226**	162
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	121	162	181	193	200	200	**183**	144

Table 2. The Gambia: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007-27 (continued)
with HIPC and MDRI (In percent)

	Projections							
	2007	2008	2009	2010	2011	2012	**2017**	2027
Debt service-to-exports ratio								
Baseline	18	7	7	7	7	8	**8**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-27 1/	19	9	9	8	8	10	**8**	4
A2. New public sector loans on less favorable terms in 2008-27 2/	19	7	8	8	9	9	**11**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	19	7	7	7	7	8	**8**	7
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	19	8	9	9	9	10	**12**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	19	7	7	7	7	8	**8**	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	19	7	8	8	8	8	**12**	8
B5. Combination of B1-B4 using one-half standard deviation shocks	19	8	9	9	9	9	**12**	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	19	7	7	7	7	8	**8**	7
Debt service-to-revenue ratio								
Baseline	21	7	7	7	7	8	**9**	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008-27 1/	21	9	9	8	9	10	**8**	4
A2. New public sector loans on less favorable terms in 2008-27 2/	21	7	8	8	9	9	**11**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008-09	21	8	8	7	8	8	**9**	8
B2. Export value growth at historical average minus one standard deviation in 2008-09 3/	21	7	7	7	7	8	**10**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09	21	9	10	10	10	11	**12**	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/	21	7	8	8	8	8	**12**	9
B5. Combination of B1-B4 using one-half standard deviation shocks	21	9	11	10	11	11	**15**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	21	10	10	9	9	10	**12**	10
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	45	45	45	45	45	45	**45**	45

Source: Staff projections and simulations.

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, 2004-2027
(In percent of GDP, unless otherwise indicated)

	Actual								Estimate	Projections								
	2001	2002	2003	2004	2005	2006	Historical Average 5/	Standard Deviation 5/	2007	2008	2009	2010	2011	2012	2007-12 Average	2017	2027	2013-27 Average
Public sector debt 1/	155.4	179.6	185.2	179.4	170.2	165.5			79.1	71.3	70.8	68.3	64.8	60.9		53.9	42.9	
o/w foreign-currency denominated	117.3	143.0	157.3	146.5	134.7	133.3			49.5	47.0	50.0	51.7	51.5	50.5		44.0	33.8	
Change in public sector debt	13.3	24.2	5.6	-5.8	-9.2	-4.7			-86.4	-7.8	-0.5	-2.5	-3.5	-3.9		-1.2	0.2	
Identified debt-creating flows	-14.0	27.4	-8.5	-30.8	-14.3	-5.3			-44.5	-6.5	-4.3	-5.4	-5.1	-5.3		-2.3	-1.1	
Primary deficit	9.4	1.5	0.0	-0.1	0.4	-0.6	0.7	3.4	-5.5	0.2	0.7	-0.4	-0.3	-0.7	-1.0	1.2	-1.1	0.3
Revenue and grants	16.1	19.1	17.0	24.2	21.3	22.9			25.5	24.8	25.2	24.8	24.5	24.0		22.9	22.7	
of which : grants	1.0	2.8	1.3	3.3	1.5	1.7			3.5	3.7	4.0	3.7	3.4	3.0		1.9	0.7	
Primary (noninterest) expenditure	25.6	20.6	17.0	24.1	21.7	22.3			20.1	25.0	25.9	24.4	24.1	23.4		24.1	21.6	
Automatic debt dynamics	-23.4	28.3	-7.1	-29.3	-14.0	-6.7			-39.2	-3.6	-3.4	-3.4	-3.5	-3.3		-2.5	0.5	
Contribution from interest rate/growth differential	-24.1	3.5	-14.3	-10.6	-4.6	-5.9			-9.1	-3.2	-3.1	-3.2	-3.4	-3.1		-2.5	-1.1	
of which : contribution from average real interest rate	-1.3	-1.7	-2.8	1.5	4.2	4.6			1.7	1.6	1.2	0.8	0.5	0.3		0.1	0.9	
of which : contribution from real GDP growth	-7.7	5.2	-11.5	-12.2	-8.7	-10.5			-10.8	-4.8	-4.3	-4.0	-3.9	-3.4		-2.6	-2.0	
Contribution from real exchange rate depreciation	0.7	24.9	7.2	-18.7	-9.4	-0.8			-30.0	-0.4	-0.3	-0.2	-0.1	-0.2		...	...	
Other identified debt-creating flows	0.0	-2.5	-1.4	-1.5	-0.7	2.0			0.2	-3.1	-1.7	-1.5	-1.3	-1.3		-1.0	-0.4	
Privatization receipts (negative)	0.0	0.0	0.0	0.0	-0.4	0.0			-2.3	-2.2	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	1.6			2.7	1.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.0	-2.0	-1.1	-1.3	-0.1	0.0			-0.6	-2.6	-2.4	-2.2	-1.7	-1.6		-1.0	-0.4	
Other (specify, e.g. bank recapitalization)	1.0	-0.4	-0.2	-0.2	-0.2	0.4			0.4	0.6	0.7	0.6	0.4	0.3		0.0	0.0	
Residual, including asset changes	27.3	-3.2	14.1	25.0	5.1	0.6			-41.9	-1.3	3.9	2.9	1.7	1.4		1.1	1.3	
NPV of public sector debt	38.1	36.6	27.9	32.9	35.5	63.3			54.9	48.9	47.5	44.8	41.9	38.9		35.9	30.6	
o/w foreign-currency denominated	0.0	0.0	0.0	0.0	0.0	31.2			25.3	24.6	26.7	28.2	28.6	28.5		26.0	21.5	
o/w external	...	...	...	...	...	31.2			25.3	24.6	26.7	28.2	28.6	28.5		26.0	21.5	
NPV 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	
Gross financing need 2/	17.1	10.4	6.5	9.3	12.3	10.1			0.6	5.2	5.3	3.7	3.0	2.3		3.8	1.5	
NPV of public sector debt-to-revenue and grants ratio (in percent)	236.0	191.5	164.0	135.8	166.6	276.8			215.0	196.9	188.9	180.3	171.2	161.8		156.7	134.3	
NPV of public sector debt-to-revenue ratio (in percent)	252.2	224.2	177.8	157.2	179.6	298.8			248.6	231.9	224.8	211.8	198.9	184.9		170.7	138.3	
o/w external 3/						147.1			114.6	116.7	126.5	133.5	135.9	135.3		123.7	97.2	
Debt service-to-revenue and grants ratio (in percent) 4/	47.5	57.9	46.4	44.6	54.9	42.9			31.5	18.5	16.2	14.4	12.5	11.8		11.5	11.6	
Debt service-to-revenue ratio (in percent) 4/	50.7	67.8	50.2	51.6	59.2	46.3			36.4	21.8	19.2	17.0	14.6	13.4		12.6	11.9	
Primary deficit that stabilizes the debt-to-GDP ratio				5.8	9.6	4.1			80.9	8.0	1.2	2.1	3.1	3.2		2.4	-1.4	
Key macroeconomic and fiscal assumptions																		
Real GDP growth (in percent)	5.8	-3.2	6.9	7.0	5.1	6.5	5.0	3.1	7.0	6.5	6.5	6.0	6.0	5.5	6.3	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	1.3	1.2	1.6	1.6	1.4	1.4	1.4	0.1	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Average real interest rate on domestic currency debt (in percent)	-2.1	-4.2	-8.7	8.9	17.3	12.9	7.4	9.2	7.4	6.3	6.7	6.9	6.7	6.8	6.8	6.5	13.9	7.7
Real exchange rate depreciation (in percent, + indicates depreciation)	0.7	20.5	5.4	-12.8	-6.8	-0.6	4.9	11.7	-24.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	15.2	16.1	27.4	12.2	4.1	1.4	8.9	8.6	5.0	5.0	5.0	4.8	4.5	4.3	4.8	4.0	-1.0	3.7
Growth of real primary spending (deflated by GDP deflator, in percent)	47.8	-22.1	-11.6	51.6	-5.5	9.3	5.3	25.5	-3.6	32.7	10.3	-0.1	4.8	2.1	7.7	3.0	6.5	4.5
Grant element of new external borrowing (in percent)	...	...	...	...	...	...			42.6	43.2	43.3	44.1	45.0	45.0	43.9	45.0	45.0	...

Sources: Country authorities; and Fund 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 2007-2027

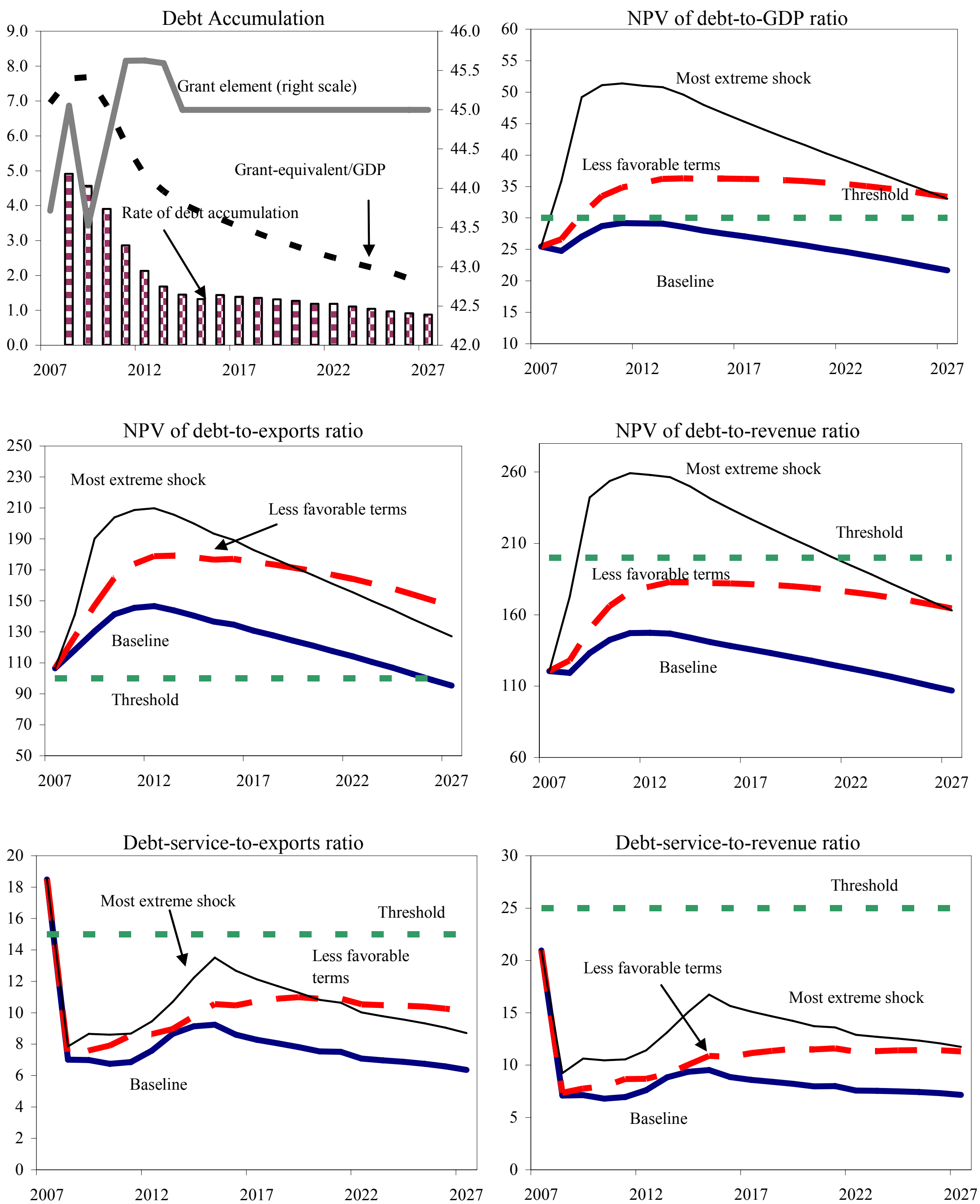
	Projections							
	2007	2008	2009	2010	2011	2012	2017	2027
NPV of Debt-to-GDP Ratio								
Baseline	55	49	48	45	42	39	36	31
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	54	49	49	48	46	44	39	37
A2. Primary balance is unchanged from 2007	54	45	40	35	30	25	8	-16
A3. Permanently lower GDP growth 1/	54	49	48	46	44	42	43	50
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	54	51	54	52	50	48	49	50
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	54	51	52	49	46	42	39	32
B3. Combination of B1-B2 using one half standard deviation shocks	54	51	52	49	46	43	39	33
B4. One-time 30 percent real depreciation in 2008	54	59	56	52	49	45	41	34
B5. 10 percent of GDP increase in other debt-creating flows in 2008	54	54	52	49	46	43	40	33
NPV of Debt-to-Revenue Ratio 2/								
Baseline	215	197	189	180	171	162	157	134
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	213	199	194	190	186	180	170	163
A2. Primary balance is unchanged from 2007	213	180	160	142	124	105	33	-71
A3. Permanently lower GDP growth 1/	213	197	191	186	179	173	186	219
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	213	205	210	206	201	196	211	217
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	213	205	205	195	186	177	171	142
B3. Combination of B1-B2 using one half standard deviation shocks	213	206	206	197	187	178	170	143
B4. One-time 30 percent real depreciation in 2008	213	239	224	211	199	188	177	148
B5. 10 percent of GDP increase in other debt-creating flows in 2008	213	219	207	198	189	180	174	144
Debt Service-to-Revenue Ratio 2/								
Baseline	31	18	16	14	13	12	12	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	31	21	17	14	14	14	11	15
A2. Primary balance is unchanged from 2007	31	21	9	4	2	1	-4	-9
A3. Permanently lower GDP growth 1/	31	21	17	15	13	12	15	21
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009	31	22	19	18	16	16	17	20
B2. Primary balance is at historical average minus one standard deviations in 2008-2009	31	21	21	20	14	12	12	12
B3. Combination of B1-B2 using one half standard deviation shocks	31	21	20	18	13	12	12	12
B4. One-time 30 percent real depreciation in 2008	31	21	17	15	13	12	13	13
B5. 10 percent of GDP increase in other debt-creating flows in 2008	31	21	29	18	13	12	12	13

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

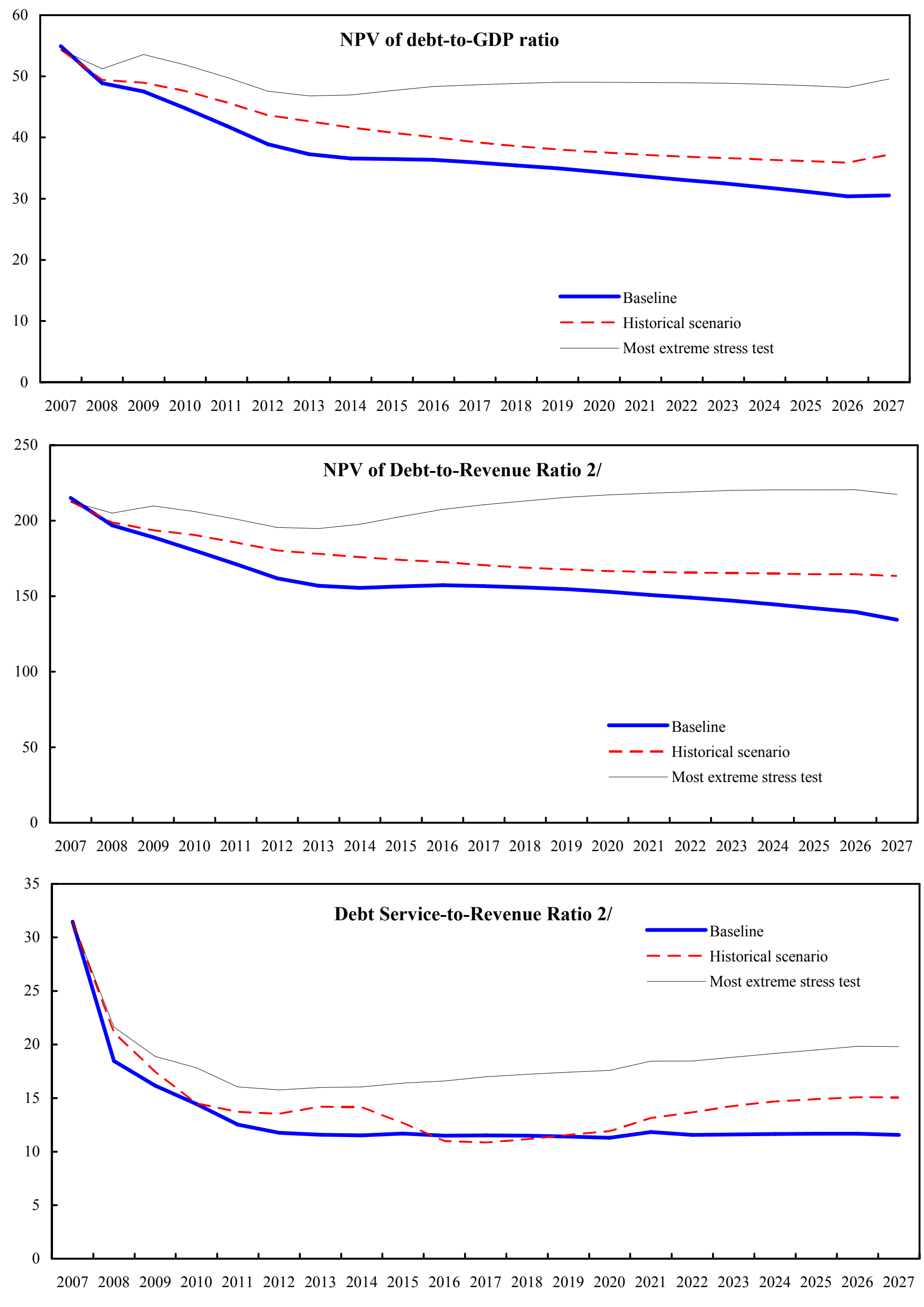
2/ Revenues are defined inclusive of grants.

Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt
Under Alternative Scenarios, 2007-2027



Source: Staff projections and simulations.

Figure 2.The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2007-2027 1/



Source: Staff projections and simulations.
1/ Most extreme stress test is test that yields highest ratio in 2017.
2/ Revenue including grants.

APPENDIX II

The Gambia: Debt Management

1. **In March 2007, the government's debt management capacity and institutions was assessed by a World Bank team using the Debt Management Performance Assessment (DeMPA) tool**.[32] The assessment revealed that, while there are a number of strengths in the government's debt management operations, many components of debt management need significant improvement.

2. **The government has requested IMF and World Bank technical assistance to improve its debt management capacity and institutions.** The government is pursuing efforts to enhance accountability in the use of public resources and, to this end the authorities have undertaken to prepare a comprehensive debt management strategy by end-July 2008. The strategy will *inter alia* set limits on the amount and terms of new borrowing. Through the ongoing Country Assistance Strategy (CAS) discussions, the World Bank is discussing with the Government possibilities for providing support for capacity building of debt management. With support from the IMF, the government intends to strengthen the capacity of the Central Bank of The Gambia (CBG) in the areas of debt management, monetary policy framework and operations, and banking supervision.

A. The Institutional Framework for Debt Management

3. **The Gambia's legal and institutional framework for debt management clearly defines roles and responsibilities.** In accordance with the Government Budget Management and Accountability Act (2004), the Secretary of State for Finance and Economic Affairs is the only authority entitled to borrow from legal entities, or to enter into a guarantee or indemnity with third parties. The Public Debt Unit (PDU) of the Department of State for Finance and Economic Affairs (DOSFEA) is responsible for managing, recording and reporting on external debt, while the CBG borrows in the domestic market by issuing Treasury Bills. The CBG is also responsible for making payments to external creditors upon receipt of instructions from DOSFEA. While the Act stipulates borrowing purposes, the government could strengthen the framework by introducing debt management objectives, strict requirements for mandatory reporting to the National Assembly and regular external audits, and by strengthening co-ordination of debt management with macroeconomic policies.

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[32] DeMPA is a methodology for assessing performance through a comprehensive set of indicators spanning the full range of government debt management (DeM) functions. The DeMPA highlights strengths and weaknesses in government DeM practices. While assessment reports do not contain specific recommendations, performance assessment facilitates the design of plans to build and augment capacity and institutions tailored to the specific needs of a country, and facilitates the monitoring of progress over time in achieving the objectives of government DeM consistent with international sound practice. The Gambia was one of five countries in which the DeMPA was field tested during 2007.

4. **It is recommended that the government develop a debt management strategy based on long-term debt management objectives and set within the context of government's fiscal policy and budget framework.** Implicitly all external borrowing is contracted on concessional terms with a minimum grant element of 45 percent. While the PDU and CBG interact to provide forecasts on central government debt and debt service as part of the annual budget process, there appears to be little formal co-ordination between the government's fiscal policy, debt management and the monetary policy authority (CBG). There are no documented procedures for external borrowing. Formal analysis of the relative costs and risks associated with the alternative financing options is not undertaken. The authorities have, however, received training in the preparation of debt sustainability analyses (DSA) and there are plans to prepare DSAs on a regular basis. The quality of cash flow forecasts is expected to improve with the implementation of the new integrated financial management information system (IFMIS).

B. Assessment of Debt Management

5. **Debt data recording capacity should be bolstered to improve the quality of debt information.** The PDU records, monitors and settles external and guaranteed debt, and validates transactions on an ad-hoc basis. Procedures for validating the completeness, consistency and accuracy of the debt records need to be strengthened, and the recording of debt relief and debt restructuring needs to be incorporated in the debt management system[33]. Weak archiving practices make data reconciliation cumbersome. However, the quality of loan administration and payments is expected to improve with the introduction of the IFMIS. The CBG records government domestic debt and reconciles Treasury bill stocks and flows with primary dealers regularly. However, no government entity is responsible for recording total nonfinancial public debt.[34] The CBG maintains an up-to-date registry system of all holders of government securities and, with technical assistance from the Commonwealth Secretariat, plans to upgrade its debt management system with electronic registry and auction features.

6. **Reporting of central government external and domestic debt meets statutory reporting requirements.** It is recommended, however, that a Debt Statistical Bulletin or equivalent covering domestic and external central government debt and loan guarantees be prepared and published annually. Procedures for securing and controlling access to sensitive debt information should also be strengthened. While external audits subject to third-party confirmation are conducted semi-annually on domestic debt activities, no internal, external or independent audit related to external debt has been carried in the past five years.

7. **Staff capacity and organizational structure need to be strengthened.** Of the PDU's limited staff, few are trained in the interpretation of loan agreements and standard debt recording and reporting procedures. The PDU also lacks analytical capabilities, although

[33] The PDU operates the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS).

[34] This consists of the central government (budgetary, extra-budgetary and social security funds), the state and local governments, and the public corporations.

the government has plans to establish such capacity. While practical training has been provided by the Commonwealth Secretariat, WAIFEM[35] and Debt Relief International, high turnover has led to loss of institutional memory and continuity.[36]

[35] West African Institute for Financial and Economic Management (WAIFEM)

[36] In addition, in early 2007 a serious auto accident took the life of one staff and sent two others, including the PDU head, out of commission for an extended period. There was no contingency for this tragic event as the government lacks a business continuity and disaster plan