INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/128

THE GAMBIA

REQUEST FOR A STAFF–MONITORED PROGRAM—PRESS RELEASE AND STAFF REPORT

May 2019

In the context of the request for a Staff-Monitored Program, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended on March 8, 2019 with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 19, 2019.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of The Gambia
Memorandum of Economic and Financial Policies by the authorities of The Gambia
Technical Memorandum of Understanding

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 19/150
FOR IMMEDIATE RELEASE
May 7, 2019

International Monetary Fund
700th Street, N.W.
Washington, D.C. 20431 USA

IMF Management Approves a Staff-Monitored Program with The Gambia

- The Staff-Monitored Program (SMP) will help build an adequate track record of performance for a potential Fund-supported program.
- Enhanced domestic revenue mobilization and expenditure control will help create room for much needed public investment and poverty-reducing social spending.
- Restoring debt sustainability will require a combination of debt relief, prudent fiscal policy supported by reforms of state-owned enterprises (SOEs) and predominantly grant financing for The Gambia's development program.

On April 24, 2019, the Management of the International Monetary Fund (IMF) approved a Staff-Monitored Program (SMP) with The Gambia covering the period from January to December 2019. An SMP is an informal and flexible instrument for dialogue between the Fund staff and a member country on its economic policies. SMPs are not accompanied by financial assistance nor endorsed by the IMF Executive Board.

In the two years that have elapsed since the peaceful political transition, The Gambia's economy rebounded, with growth exceeding 6½ percent in 2018, giving rise to good prospects for sustained growth over the medium term. Inflation eased to 6½ percent at end-2018 and gross official reserves more than doubled, reaching 2.7 months of prospective imports. However, debt sustainability continues to pose a major challenge, given the high public debt and debt service, with the latter absorbing more than half of domestic revenue.

The 2019 SMP builds on the previous SMP that covered April 2017 to September 2018. The earlier SMP helped improve public financial management, increase domestic revenue, and strengthen the monetary policy framework. The main objectives of the 2019 SMP are to consolidate these gains and help anchor debt sustainability. The program focuses on enhancing further domestic revenue mobilization and public financial management, including via

Washington, D.C. 20431 • Telephone 202-623-7100 • Fax 202-623-6772 • www.imf.org

improvements in SOE governance, while stepping up the pace of structural reforms to stimulate private investment, with a view to sustaining growth and making it more inclusive. Under the SMP, the authorities commit to tightening external debt contracting and to pursuing mainly grant financing. To support this, they are developing a Medium-Term Debt Strategy (MTDS) and strengthening debt management, including by enhanced monitoring of fiscal risks stemming from SOEs. Monetary policy will remain focused on controlling inflation and ensuring financial stability.

The Gambia is assessed to be in external debt distress and restoring debt sustainability remains a primary concern. The authorities are continuing discussions with their external creditors to seek debt relief, also needed to catalyze additional donor support.

Satisfactory performance under the SMP is expected to pave the way to a possible Extended Credit Facility (ECF) arrangement with the IMF, once debt sustainability is restored.

INTERNATIONAL MONETARY FUND

THE GAMBIA

REQUEST FOR A STAFF-MONITORED PROGRAM

April 29, 2019

EXECUTIVE SUMMARY

The Gambia is enjoying a strong economic recovery, with good prospects of sustained growth over the medium term. In the two years since the government of President Barrow took office, The Gambia's economy has rebounded, with growth exceeding 6½ percent in 2018. Inflation dropped to 6½ percent at end-2018 and gross official reserves reached 2.7 months of prospective imports. These early gains have been enabled by more effective monetary policy and steps to increase domestic revenue and improve public financial management in the context of a Staff-Monitored Program (SMP) that ran from April 2017 through September 2018. To consolidate these gains and establish a track record for a possible arrangement under the Extended Credit Facility (ECF), the authorities are requesting a new SMP covering 2019. Discussions on a possible ECF arrangement are at present held back by the need to reach understandings with The Gambia's external creditors on the ways to alleviate excessive liquidity pressures associated with external debt service.

Since the peaceful democratic transition of 2017, the political situation has remained stable. Parliamentary elections were held in April 2017 and local government elections a year later. President Barrow has recently affirmed his intention to remain in power for a full constitutional five-year term. Meanwhile, public opinion is increasingly vocal in seeking redress for the human rights violations and expropriations committed under the previous regime.

Performance under the SMP. Quantitative targets for end-September 2018 were met with two notable exceptions. The ceiling on net domestic borrowing was missed by a large margin mainly due to the difficulties in re-phasing discretionary spending, as a sizeable share of the expected budget support got suspended once The Gambia's public debt was declared unsustainable at the second SMP review. The floor on poverty reducing spending was also missed as budget execution slowed in the third quarter, given financing constraints. On the positive side, structural benchmarks related to central bank's governance as well as Treasury and SOE management were implemented. Nonetheless, political pressures and capacity shortfalls frustrated observance of structural benchmarks on the Medium-Term Economic and Fiscal Framework, the vehicle policy reform, and debt reconciliation with external creditors.

Exiting from external debt distress remains a primary concern. With debt service absorbing more than half of domestic revenue, The Gambia's public debt, estimated at 87 percent of GDP at end-2018, poses significant challenges. The attached Debt Sustainability Analysis (DSA) demonstrates that The Gambia is in external debt distress, but its public debt is sustainable on a forward-looking basis. A combination of debt relief, prudent fiscal policy supported by SOE reforms, and reliance on predominantly grant financing for The Gambia's development program would help The Gambia exit from external debt distress and help secure the sustainability of public debt. The authorities held a roundtable discussion with their key external creditors on the sidelines of the 2019 Spring Meetings, to facilitate progress toward debt relief. The indications are that most creditors would be willing to provide some form of debt relief, and some creditors called for a comparable and coordinated treatment. Creditors agreed to continue discussions on a bilateral basis, which will be facilitated by the authorities' financial advisors. Under the proposed SMP, the authorities commit to tightening external debt contracting and to pursuing mainly grant financing. To support this, they are developing a Medium-Term Debt Strategy (MTDS) and strengthening debt management, including by enhanced monitoring of fiscal risks stemming from SOEs.

Program strategy. Fiscal policy will be focused on domestic revenue mobilization, improved treasury management and spending prioritization. A prudent borrowing strategy and strengthened oversight of SOEs, with the focus on containing contingent liabilities, will contribute to anchoring debt sustainability. Monetary policy will remain active to curb inflation pressures and banking supervision vigilant to foster financial stability. Stepping up the overall structural agenda will be geared toward enhancing governance and improving the business environment for private sector development. Program implementation will be supported by capacity building, including with the help of resident advisors posted at the Gambia Revenue Authority (GRA) and Ministry of Finance and Economic Affairs (MoFEA).

Staff supports the authorities' request for an SMP. The program would provide the authorities more time to consolidate the macroeconomic gains so far made, strengthen program ownership, and step up the pace of structural reforms including in debt and SOE management, to pave the way for a possible ECF arrangement.

Approved By
Annalisa Fedelino (AFR) and Zuzana Murgasova (SPR)

Discussions took place in Banjul during November 22–December 12, 2018 and February 25–March 8, 2019. The staff team comprised Messrs. Wieczorek (head), Kumah, and Wocken, and Ms. Devine (all AFR), Mr. Best (SPR), and Ms. Randall (resident representative). Mr. Bernard Jappah (OED) participated in the former discussions. Mr. Mendy and Ms. Njie (res. rep. office in Banjul) assisted the mission, and Mr. Norat (AFR) supported the team from the headquarters. The team met with Finance Minister Njie, Central Bank Governor Jammeh, other senior government officials and SOE managers, parliamentarians, representatives of the private sector, civil society organizations, and the diplomatic community. Naa-Kwaakai Quartey and Jacques Treilly assisted in the preparation of this report.

CONTENTS

BOXES

FIGURES

TABLES

ANNEXES

APPENDICES

Acronyms

BOP	Balance of Payments
CBG	Central Bank of The Gambia
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
GDP	Gross Domestic Product
GMD	The Gambian Dalasi
GNPC	The Gambia National Petroleum Corporation
GRA	The Gambia Revenue Authority
IsDB	Islamic Development Bank
ITCF	Islamic Trade Credit Facility
ITFC	Islamic Trade Finance Corporation
MEFP	Memorandum of Economic and Financial Policies
MoFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
MTEFF	Medium-Term Economic and Fiscal Framework
MTDS	Medium-Term Debt Strategy
NAWEC	National Water and Electricity Corporation
NDB	Net Domestic Borrowing
NDP	National Development Program
NFSPMC	National Food Security, Processing, and Marketing Corporation
NPL	Non-Performing Loans
OIC	Organization of Islamic Countries
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PPP	Public-Private Partnership
RAM	Risk Assessment Matrix
SB	Structural Benchmark
SMP	Staff-Monitored Program
SOE	State-Owned Enterprises
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Tool
TMU	Technical Memorandum of Understanding
TRRC	Truth, Reconciliation and Reparations Commission
TSA	Treasury Single Account
UNDP	United Nations Development Program

BACKGROUND

1. **The political situation remains stable, despite underlying tensions and anticipations**. Presidential elections appear unlikely in 2019. While some members of the coalition that nominated Barrow for the 2016 elections seek adherence to the 2016 agreement to hold new presidential elections in December 2019, President Barrow and his supporters draw on the constitution to justify a five-year term. In a cabinet reshuffle on March 15, President Barrow replaced his vice president and trade minister. Expectations of the citizens remain high as Gambians seek a share of the economic gains and a voice in the deliberations of commissions set up with specific mandates, including the Commission of Inquiry (the Janneh Commission), the Constitutional Review Commission and the Truth, Reconciliation and Reparations Commission (TRRC).

2. **Exiting external debt distress is a key step for The Gambia to gain access to IMF resources and substantial financial support from other development partners**. The updated DSA shows that external debt service deferrals from bilateral, plurilateral, and private creditors would help effectively alleviate the excessive liquidity pressures associated with the external debt service. In a roundtable discussion on the sidelines of the 2019 Spring Meetings, The Gambia's main creditors discussed the steps needed to secure a five-year deferral of the country's external debt service payments, which the authorities requested. The indications are that most creditors would be willing to provide some form of debt relief, while some creditors called for a comparable and coordinated treatment. Creditors agreed to continue discussions on a bilateral basis.

3. **Structural reforms have progressed but remain unfinished**. While political constraints have prevented the implementation of some measures, including the vehicle policy reform, good progress has been made in strengthening central bank governance. In parallel, the MoFEA established a treasury single account (TSA) and commissioned a special audit of six fiscally most important SOEs. Nevertheless, further progress is needed in public financial management, domestic revenue mobilization and governance of SOEs.

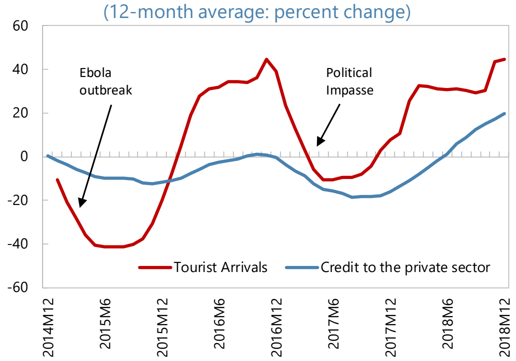
4. **The authorities are requesting an SMP covering 2019, to consolidate macroeconomic gains and pave the way for a possible ECF arrangement**. In the attached memorandum of economic and financial policies (MEFP) (Attachment I), the authorities express their policy intentions aiming to use the period of the SMP to consolidate the gains in macroeconomic stability and advance the structural reform agenda to promote efficient public service delivery and create a business environment conducive for private sector development and inclusive growth.

RECENT ECONOMIC DEVELOPMENTS

5. **Growth accelerated in 2018, as confidence in the economy strengthened** (Tables 1–6 and 8, and Figure 1). A more reliable supply of electricity, lower interest rates, and a rebound in agriculture, tourism, and other services spurred private sector activity, complementing the impetus from the public investment program under the National Development Plan (NDP). Reflecting these developments, private credit expanded by 33 percent in 2018, mainly to finance commerce and real

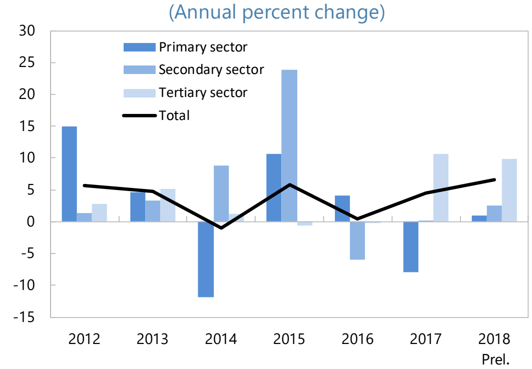
estate developments (Text Figure 1). GDP growth is estimated to have exceeded 6½ percent in 2018, above the level projected at the second SMP review in June 2018, partly reflecting revisions in the GDP structure (Text Figure 2 and Box 1).

Text Figure 1. The Gambia: Tourist Arrivals and Private Credit
(12-month average: percent change)



Sources: The Gambian Authorities; and IMF staff calculations.

Text Figure 2. The Gambia: Real GDP Growth by Sector
(Annual percent change)



Sources: The Gambian authorities; and IMF staff calculations.

6. Inflation has subsided, enabling monetary easing (Figure 1). Reflecting relative stability in the dalasi, abundant food supply, and a softening of oil prices in international markets, headline inflation declined from a recent peak of 8.8 percent in January 2017 to 6.2 percent in February 2019. Weakening of inflation pressures prompted the CBG to reduce its policy rate by 100 basis points to 12.5 percent at the monetary policy committee meeting on February 28, 2019. The CBG kept the lending facility rate at 100 basis points above the monetary policy rate and the deposit facility rate at 2 percent, while increasing the reserve maintenance period from one week to two weeks with full averaging. To support its liquidity management, the CBG introduced in October 2018 its own bills at the short end of the market (14, 28 and 56 days) for monetary policy purposes, effectively separating the policy instrument from the Treasury financing instrument (T-Bills).

7. The balance of payments improved in 2018, with a positive overall balance enabling significant gross reserves accumulation (Figure 2). The current account deficit narrowed from 11 percent of GDP in 2017 to an estimated 10.4 percent in 2018, due to an improvement in net services. The deficit was fully financed by strong capital and financial inflows, including from the diaspora investing in real estate, resulting in a positive overall balance of 1.3 percent of GDP. As a result, gross official reserves increased to US$195 million in January 2019, over three months of prospective imports, following the disbursement of US$30 million in delayed budget support from the EU. However, continuing financial pressures on SOEs resulted in the accrual of external arrears on NFSPMC's trade-credit facility with the ITFC, which were resolved following the disbursement of EU budget support, and on a government-guaranteed bilateral loan to NAWEC.[1]

8. **Political challenges and capacity shortcomings in the context of a shortfall in budget support grants led to a widening of the fiscal deficit in 2018** (Text Table 1). Domestic revenue in 2018 was ¼ percent of GDP lower than projected at the second SMP review. At the same time, financing pressures developed in the second half of the year, reflecting non-disbursement of anticipated budget support and spending overruns on vehicle and travel expenses, foreign embassy staff, and SOE subsidies. As a result, the overall fiscal deficit appears to have exceeded 6 percent of GDP; financing from a consolidation of the TSA equivalent to 0.7 percent of GDP created a discrepancy. Central government's net domestic borrowing (NDB), excluding the discrepancy, reached 3.4 percent of GDP. The primary balance (excluding budget support grants) widened by 0.3 percent of GDP relative to the projection, indicating a relatively low underlying fiscal slippage. This, however, came at the expense of lower capital and poverty-reducing spending. The recorded public debt at end-2018 was by 6 billion dalasi (7.7 percent of 2018 GDP) higher than a year before, while the nominal public debt-to-GDP ratio dropped from 87.9 percent at end-2017 to 87 percent at end-2018.

Text Table 1: Fiscal Performance, 2018
(Percent GDP)

	2018 estimates		
	Proj. [1]	Prel.	Deviation
Revenue	**21.4**	**15.5**	**-5.9**
Tax	11.1	10.4	-0.6
Non-tax	1.3	1.7	0.4
Grants	9.0	3.4	-5.6
Of which : budget support	4.5	1.0	-3.5
Expenditure	**24.0**	**21.8**	**-2.2**
Primary expenditure	9.9	10.6	0.6
Compensation of employees	4.0	3.9	-0.1
Goods and services	3.4	3.9	0.5
Subsidies and transfers	2.5	2.7	0.2
Interest	3.3	3.2	-0.1
Capital expenditure	10.8	8.0	-2.8
Net lending (+)/borrowing (–)	**-2.6**	**-6.3**	**-3.7**
Net acquisition of financial assets	**0.0**	**0.1**	**0.1**
Net incurrence of liabilities	**2.6**	**5.6**	**3.0**
Discrepancy	**0.0**	**0.7**	**0.7**
Memorandum items:			
Net domestic borrowing (NDB)	-0.8	3.4	4.1
Primary balance	0.7	-3.1	-3.9
Primary balance (excl. budget support grants)	-3.8	-4.2	-0.3

Sources: Gambian authorities; and IMF staff calculations.
[1] Based on projections at the second review of the previous SMP and revised GDP estimates following the GDP rebasing in July 2018.

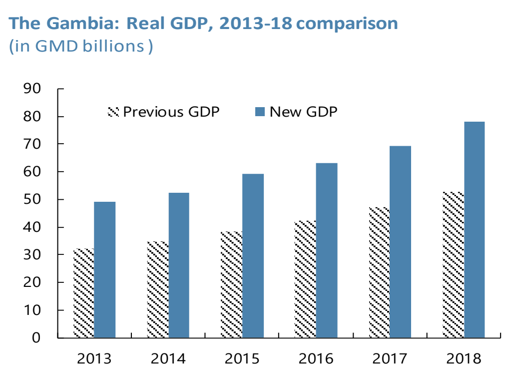
9. **Financial intermediation has picked up significantly, with banks increasingly looking for retail business as Treasury bill rates have softened**. Credit to the private sector expanded despite still elevated average lending rates around 21 percent. Banks' capitalization remains high, despite a decline in the past two years due to high provisioning. Profitability indicators have improved, and average NPLs have declined from 7.2 percent of gross loans at end-2017 to 3.3 percent at end-2018, despite somewhat higher levels in a few small banks (Figure 1 and Table 8).

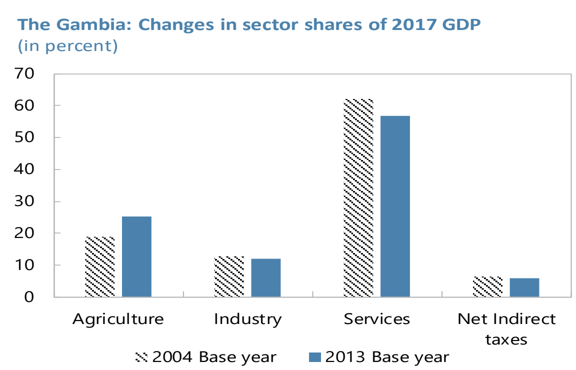
[1] In addition, the authorities continue to experience difficulties in effecting payment on external obligations to Libya and Venezuela.

10. Performance under the previous SMP was fraught with challenges (MEFP Tables 1 and 3). The indicative quantitative target on the NDB was missed as the authorities did not adjust expenditure when the disbursement of a substantial share of budget support grants did not materialize. Structural benchmarks were generally observed. The authorities aim to address in the new SMP all the SBs that were not observed in 2018, except for the vehicle policy reform, which needs to be redesigned.

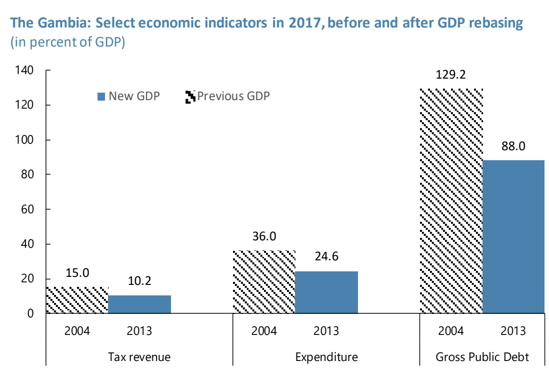
Box 1. Impact of the 2018 GDP Rebasing

With the help from AFRITAC West 2, The Gambia rebased its national accounts, which yielded an upward revision of the GDP and captured a change in the structure of the economy since 2004. The exercise, which covered data for 2013–17, with the base year revised from 2004 to 2013, resulted in a 47-percent increase in 2017 GDP estimates. In the context of the rebasing, The Gambia Bureau of Statistics reviewed concepts and methodology, improved data sources, and updated statistical classifications, which enabled it to better capture the contribution of the informal sector activity to the GDP and document a change in the relative importance of its constituent sectors. As a result, the contributions of agriculture and services increased by 6½ percentage points and dropped by 5 percentage points, respectively, while the contributions of industry and net indirect taxes remained virtually unchanged.





The rebasing also affected fiscal performance indicators, notably by revealing the extent of weaknesses in domestic revenue mobilization, while improving fiscal deficit- and debt-to-GDP ratios. The revised series reduced the tax-to-GDP ratio in 2017 by 5 percentage points of GDP to 10.2 percent, placing The Gambia's tax mobilization well below average performance in sub-Saharan Africa. In parallel, the overall fiscal deficit-to-GDP ratio in 2017 was revised downward by 2½ percentage points to 5.4 percent, the primary balance almost halved to ½ percent of GDP, and the debt-to-GDP ratio at end-2017 was revised downward from 129 percent estimated in June 2018 to 87.9 percent. This, however, does not alter the conclusion regarding The Gambia's being in external debt distress, as the elevated debt service-to-revenue and debt service-to-exports ratios were not affected by the GDP rebasing.



From the policy perspective, the results of the GDP rebasing underscore primarily the need for strengthening revenue mobilization. Going forward, the policy dialogue with the Gambian authorities in this area will be on strenghtening tax and customs administration (drawing on the recent TADAT assessment), broadening the revenue base, and increasing the efficiency of The Gambia's tax system.

ECONOMIC OUTLOOK AND RISKS

11. Medium-term prospects are premised on continued rebound in confidence supported by prudent policies and a benign external outlook. Under the baseline scenario, growth is expected to reach close to 6 percent in 2019, boosted among others by the recent opening of the Trans-Gambia bridge, and to taper off to about 5 percent in 2020–24. The economic impetus following the absorption of externally-financed investment, notably in the energy and road sectors, and implementation of reforms to support private sector expansion will support the growth path. Inflation is expected to moderate to just under 6 percent (year-on-year) in 2019 and further to average 5 percent (the CBG's target) in the medium term. The current account deficit is expected to remain high (averaging about 14 percent of GDP over the medium term) reflecting large public investment projects. The fiscal primary balance is expected to improve gradually from a deficit of 0.8 percent of GDP in 2020 to a surplus of 0.2 percent of GDP in 2024, as the interest bill declines.

12. Over the medium term, a financing gap will persist, though declining (from 3.1 percent of GDP in 2020 to 1.5 percent of GDP in 2024). On the external side, the projected gap reflects the objective of maintaining official reserves above 3 months of prospective imports. On the fiscal side, the gap captures the objective of keeping the domestic borrowing as close to zero as possible, to ensure a steady decline in the domestic public debt-to-GDP ratio (standing at 39.3 percent of GDP at end-2018) and an associated reduction in the heavy domestic interest burden. The gap could be closed by a combination of debt relief and budget grants that could become available once the creditors provide credible and specific assurances of debt relief.

13. The balance of risks appears tilted to the downside (Annex I, RAM Matrix). In the near term, probable delays in budget support pose the main risk to the outlook. Although the improved business climate and stronger-than-expected private foreign exchange inflows have lowered the probability of an immediate BOP crisis, disbursement of planned budget support is essential for containing government domestic borrowing. Risks to the medium-term outlook stem mainly from: (i) fiscal discipline unraveling in an adverse political economy climate; (ii) deterioration of the political environment negatively affecting private sector confidence and disbursements of pledged development assistance; and (iii) exogenous factors, such as further increase in global oil prices.

14. Nonetheless, there are considerable upside risks, both in the near and medium term. Notably, new commitments of external support exceed the pledges made at the May 2018 International Conference for The Gambia, as new partners (e.g., China) are joining in to support The Gambia's development. Further, a confirmed discovery of economically viable oil reserves by the ongoing test drilling could strengthen medium-term growth prospects.

POLICY ISSUES

15. Consolidating the early gains in macroeconomic stability and advancing the structural agenda would enhance policy credibility and strengthen prospects for a possible ECF

arrangement (MEFP ¶10). To this end, policy discussions focused on: (i) fiscal policies to strengthen budget execution and enhance domestic revenue mobilization; (ii) fostering debt sustainability by adhering to the medium-term debt strategy (MTDS), while seeking debt relief from bilateral, plurilateral, and private creditors; (iii) proactive monetary policy drawing on enhanced operational independence and instrument set; (iv) improving the business environment, including by modernizing tax administration and fostering financial inclusion; (v) strengthening governance of SOEs for efficient public service delivery; (vi) improving the quality of economic statistics and the timeliness of data dissemination; and (vii) capacity development.

A. Fiscal Policy

16. Fiscal policy aims to strike a balance between sustainability concerns and development needs, drawing on highly concessional financing. With grants for budget support expected to reach almost US$62 million (3.5 percent of GDP),[2] the net domestic borrowing requirement would drop to about 2 percent of GDP (from 3.4 percent of GDP in 2018). With the external borrowing limited to high-priority projects from the existing pipeline, the overall deficit would be just over 3 percent of GDP, allowing the primary deficit excluding budget support (the key fiscal policy anchor) to decline below 4 percent of GDP. This adjustment would also deliver a reduction of about 5-percentage points in the public debt-to-GDP ratio (from 87 percent at end-2018 to just below 82 percent at end-2019).

17. Under the proposed SMP, revenue and spending projections are more realistic than in the 2019 budget.

- Staff projects a 1-percentage point of GDP increase in the domestic revenue-to-GDP ratio, building on the tax and nontax revenue measures (Box 2 and Text Table 2). Domestic revenue could also be increased by tightening the use of discretionary tax exemptions, which reached 2.4 percent of GDP in 2018. However, the net yield could be elusive, as these exemptions are primarily used to alleviate the subsidy needs of SOEs (notably, the utility company NAWEC) or reflect contractual arrangements for foreign-financed projects—though

Text Table 2. The Gambia: Projected Yield from Revenue Measures, 2019 (Percent of GDP)

Measures	Yield
Revenue	**1.0**
I. Tax Measures	0.6
Excises on alcohol	0.2
Income tax from 50-percent wage increase	0.2
Excises on vehicle imports	0.1
Fees on fuel imports (1 dalasi/liter)	0.1
Import surcharge	0.1
II. Non-tax Measures	0.2
User fees and charges	0.1
ECOWAS levy recovery	0.1
III. Improved Revenue Administration	0.2

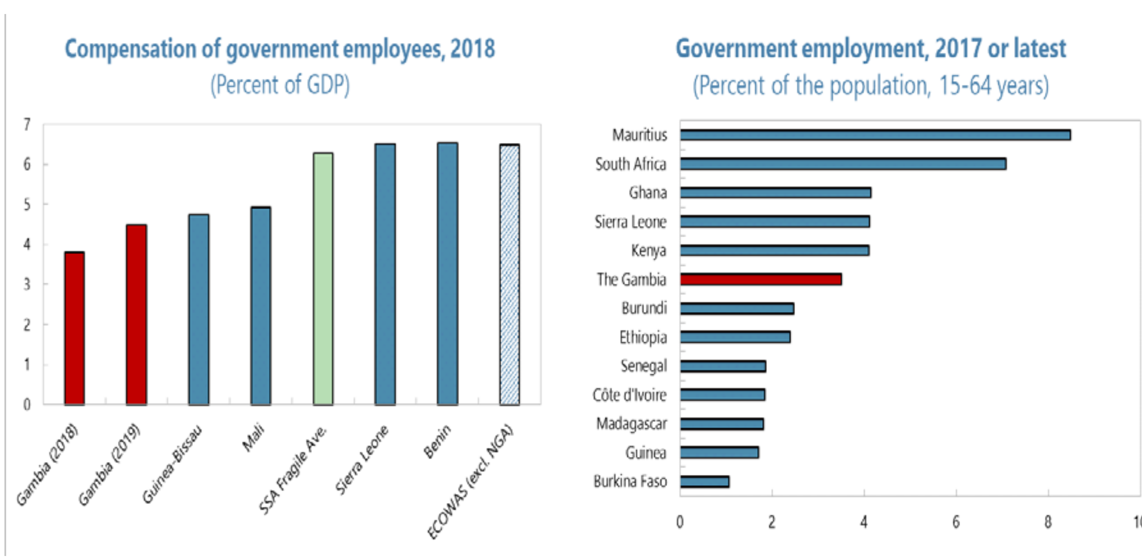
Sources: Gambian authorities; and IMF staff calculations.

[2] Of this, 1.7 percent of GDP represents budgetary grants from the EU that were disbursed in January 2019 and not included in the 2019 budget. The amount of budget support could be higher, if The Gambia receives credible and specific assurance of debt relief needed to unlock support from other multilateral donors.

in this latter case, more rigorous collection of direct taxes from local contractors engaged under foreign-financed projects could be enforced. In parallel, the authorities are pursuing nontax measures carried over from 2018, including sales of land and mobile assets (presidential planes and cars) and the recovery of stolen assets (both domestically and abroad).

- On the spending side, (recurrent) expenses are projected at 15 percent of GDP (over 1 percent of GDP higher than in 2018), mostly due to a 50-percent increase in base salaries for civil servants to correct for a decade of salary erosion. Despite this increase, the civil service wage bill would remain low by regional standards (Text Figure 3). Going forward, the wage bill will be contained through the civil service reforms that will aim at increasing the qualifications and technical efficiency of civil servants while reducing the civil service headcount. Staff projects, based on past performance, that development spending could reach about 9 percent of GDP (one half of the amount projected in the 2019 budget), though not all public capital spending, especially grant-financed, are properly captured in the budget execution data. Finally, as the budget made insufficient provisions for the realization of contingent liabilities from SOEs, which resulted in large spending overruns in 2018 and created difficulties with servicing their large trade credit exposures to the Islamic Trade Credit Facility (ITCF), the program also assumes a buffer of 1 percent of GDP for subsidy needs of SOEs, adding 0.6 percent of GDP to the contingency envisaged in the budget. This has been achieved through revenue measures (0.2 percent of GDP), including a 1 dalasi per liter fuel levy, and expenditure measures (0.4 percent of GDP), including reallocation of spending on goods and services and non-priority capital spending (MEFP ¶13).

Text Figure 3. The Gambia vs. Peer Countries: Public Sector Employment and Wage Bill



Sources: FAD Harmonized Wage Bill and Employment Dataset; and IMF staff calcuations.

Box 2. Key Elements of the 2019 Budget

The 2019 budget features an NDB of 0.7 percent of GDP and a primary deficit (excluding budget support) of 4.9 percent of GDP.[1] It includes a significant increase in domestic revenue—exceeding nominal GDP growth—and an increase of almost 2-percentage points of GDP in primary expenditures. It also anticipates high project loans and grants, in turn reflected in optimistically high foreign financed capital spending (16.7 percent of GDP, almost 2.5 times its 2018 level) and total public debt of 79.3 percent of GDP.

Domestic revenue is projected to increase by 1½ percent of GDP. Such improvement is based on an optimistic assessment of the yield from increases in (a) user fees and charges on sundry public services, and (b) excises on domestically produced and imported beer, liquor and other spirits, and on imported vehicles.

The budget also seeks to correct long-standing neglect of work incentives in the civil service. Consequently, a 50-percent increase in wages and pensions (bringing the wage bill to 4.8 percent of GDP) is the key driver of higher current expenditures. The budget also includes a 24-percent increase in goods and services. Overall, current expenditures are budgeted to increase by 1.4 percentage points of GDP, to 15.2 percent of GDP, also including a progressive clearance of audited and validated domestic arrears to suppliers (0.3 percent of GDP).

The Gambia. Summary of Central Government Operations, 2018–19
(Percent GDP)

	2018 Prel. [1]	2019 Budget
Revenue	**15.5**	**28.9**
Tax	10.4	11.9
Non-tax	1.7	1.7
Grants	3.4	15.3
Of which: Budget support	1.0	3.9
Expenditure	**21.8**	**33.1**
Primary expenditure	10.6	12.1
Compensation of employees	3.9	4.8
Goods and services	3.9	4.3
Subsidies and transfers	2.7	2.9
Interest	3.2	3.1
Capital expenditure	8.0	17.9
Net lending (+)/borrowing (–)	**-6.3**	**-4.2**
Net acquisition of financial assets	**0.0**	**0.0**
Net incurrence of liabilities	**5.6**	**4.1**
Discrepancy	**-0.7**	**-0.1**
Memorandum items:		
Net domestic borrowing (NDB)	3.4	0.7
Primary balance	-3.1	-1.0
Primary balance (excl. budget support grants)	-4.2	-4.9

Sources: Gambian authorities; and IMF staff calculations.
[1] Based on revised GDP estimates following the GDP rebasing in July 2018.

[1] Due to delays in the scheduled budget process, discussions with IMF staff on the 2019 budget, originally slated for September 2018, were not completed before its approval by the National Assembly in December 2018.

18. **The authorities also reiterated their commitment to foreign service reform**. To this effect, they are revoking the appointments of embassy staff posted in 2018 without proper budget authorization (MEFP ¶15). While related savings will not exceed 0.1 percent of GDP in 2019 (revoked staff will remain in their posts until mid-2019), the measure is expected to generate savings of about 0.3 percent of GDP per year.

19. **Improvements in revenue administration will support domestic revenue mobilization** (MEFP ¶13–14). Aiming at a gradual increase in tax revenue over the medium term, the program also envisages (i) verification and update of the large taxpayer data on the tax registry using third party data (e.g., from utility companies and customs) and analysis from the data cleansing project (SB for June 2019); (ii) implementation of a risk-based operational culture at the GRA by adopting appropriate terms for the GRA risk management committee and for the customs risk audits (SB for June 2019); and (iii) the conduct of two risk-based post clearance audits by the customs unit in accordance with the GRA's post-clearance audits manual (SB for December 2019). These measures draw on the recommendations from the IMF's TADAT mission of April 2018 and are complemented

by efforts to consolidate the tax base and address custom tax avoidance, with the support of an EU-financed long-term resident advisor based at the GRA.

20. Ongoing PFM reforms will help strengthen the medium-term expenditure framework, expenditure control, and Treasury management (MEFP ¶¶15–16). Two structural fiscal benchmarks in this area have been reset from the previous structural agenda, including the institution of monthly cash management committee meetings (on a monthly basis, starting from April 2019—SB) and revision of the draft MTEFF to incorporate the rebased GDP series and to ensure consistency with the MTDS (including debt relief outcomes) and the NDP (SB for June 2019). In parallel, the authorities will revisit the vehicle policy reform and adopt a more efficient official vehicle fleet management procedure. Measures in this area will be fleshed out by June and their key components reflected in program conditionality at the first SMP review. Efforts are also under way to expedite the audits of 2017 and 2018 public accounts, following submission of the audited 2016 accounts to the National Assembly in March.

21. The authorities are pursuing additional reforms to strengthen fiscal management on three fronts (MEFP ¶¶16–18). First, with the support of development partners, they are undertaking a comprehensive reform of the civil service and the security sector following completion of ongoing public expenditure reviews, to prevent the recurrence of ghost workers and to link public sector wage increases more tightly to productivity (MEFP ¶16). Second, the authorities are working with international experts to improve the targeting of poverty-reducing spending with the focus on assisting vulnerable households and strengthening food and nutrition security. They are also developing a Social Registry, and established a Ministry of Women, Children and Social Welfare in early 2019. Third, they are improving high frequency (monthly and quarterly) reporting across MDAs to improve Treasury management and reporting on the execution of project grants and loans and to address persistent inaccuracies and delays in reporting on budget execution that continue to frustrate budget planning and cash management. This activity is supported by Fund TA and the resident advisor at the MoFEA to help advance PFM reforms (Annex II).

B. Debt Management and Sustainability Issues

22. The authorities are reinforcing their debt management strategy while pursuing debt relief with main creditors (MEFP ¶20). Mindful of the need to ensure the sustainability of the public debt, they have committed to minimizing domestic and external borrowing and seeking primarily grant financing for priority projects. They are formulating an MTDS consistent with the MTEFF as a basis for a borrowing plan that would underpin investment and debt contracting decisions (SB for June 2019). In the run-up to the roundtable discussion on debt relief with their main creditors on the sidelines of the 2019 Spring Meetings, the authorities have approached their bilateral, plurilateral, and private creditors with a request for a five-year deferral of external debt service.

23. An updated DSA indicates that The Gambia remains in external debt distress, though its public debt is sustainable on a forward-looking basis. All debt indicators relative to GDP have improved. At the same time, the external debt service-to-exports and -to-revenue ratios continue to breach their indicative thresholds by large margins in the near term, signaling major liquidity pressures. However, once these pressures are addressed by the prospective debt relief, and the authorities' fiscal consolidation and SOE reform program, the PV of total public debt would be brought below its threshold over the medium term. In an illustrative scenario, including the authorities' request for a five-year deferral of the debt service starting in 2020, the external debt service ratios would fall promptly below their respective thresholds and the PV of public debt would drop below 55 percent of GDP in 2023, while in the baseline, the PV of total public debt would only drop below the 55 percent-of-GDP threshold in 2026. Moreover, significant vulnerabilities remain, stemming from high debt service payments, high rollover risks for domestic debt, and possible contingent liabilities from weak SOE financial management.

24. Prudent investment and debt management is required to underpin debt sustainability (MEFP ¶¶22–23). In addition to devising an appropriate borrowing plan, an important step in this direction involves a strengthening of the financial governance of the SOEs drawing on the recommendations from the first round of special audits, and a tighter monitoring of the use by SOEs of the ITFC facility. Furthermore, regular assessment of the ongoing investment projects by the Ministerial Investment Implementation Task Force which has yet to be convened, as well as frequent and timely reconciliation of debt data with external creditors (SB for June 2019) and reporting of debt commitments and agreements (SB for June, September, and December 2019) will be critical to improve budget predictability and support debt sustainability. The forthcoming TA under Public Investment Management Assessment (PIMA) will help formulate a program to enhance public investment budgeting and management.

C. Monetary Policy and Financial Sector Issues

25. Strengthening central bank governance is expected to facilitate monetary policy conduct (MEFP ¶24). The authorities implemented the key recommendation of the recently completed audit of the 2017 financial statements of the CBG (SB for September 2018), notably by raising the interest rate on the CBG-held 30-year government bond from 5 percent to 7 percent, with retroactive application to address the impairment caused by the original rate being set too low. MoFEA and the CBG reached an agreement to this effect already in August 2018 and implemented it fully before end-December 2018. The CBG will publish the audited 2017 financial statements (SB for May 2019) following its adoption by the National Assembly, and it is taking steps to address the qualifications made by the auditors. The CBG has appointed an international audit firm to partner with a local firm to audit the 2018 financial statements (prior action) and will publish the audited 2018 financial statements later in the year (SB for September 2019). The authorities have also signed a memorandum of understanding (MOU) to increase the capital of the CBG to the minimum required by the CBG Act as amended in March 2018. These actions, aimed at reinforcing the governance and operational independence of the CBG, would also facilitate monetary policy conduct by granting the CBG the resources needed for implementing and absorbing the cost of liquidity operations.

26. The introduction of new policy instruments will further strengthen the CBG's policy framework (MEFP ¶¶7 and 26). The introduction of CBG bills, as separate monetary policy instruments from T-bills, underscores the presumption that the latter will be used solely for treasury financing. Greater coordination between the CBG and MoFEA will be needed on the issuance cycles of CBG bills and T-bills to avoid pricing conflicts that could undermine the effectiveness of debt management and monetary policy. Going forward, the CBG needs to improve its liquidity forecasting framework with TA from the IMF, particularly with the re-institution of the cash management committee at MoFEA (which will supply public sector borrowing requirements, a key input for the exercise), and progressively narrow the interest rate corridor to ensure an adequate anchor for the interbank money market.

27. The CBG remains committed to a flexible exchange rate regime (MEFP ¶25). The CBG remains mindful of the need to avoid large real exchange rate deviations from equilibrium. It is committed to limiting its foreign exchange interventions to ensuring orderly market conditions and making its foreign exchange available only to finance external obligations of the government. The CBG is also committed to strengthening the payments system and its oversight (SB for June 2019) and ensuring the use of the system in all its foreign exchange transactions with banks.

28. The CBG is strengthening banking supervision, improving systems, and designing strategies to enhance stable and inclusive financial intermediation. It is strengthening its risk-based supervision to detect early warning signs of risk and enhancing its crisis management capacity to minimize the impact of realized risks. It is also expediting work on a deposit insurance scheme with TA from the IMF and other development partners, while improving the credit information register and the payments system (the latter is an SB for June 2019). With TA from the UNDP, the CBG is preparing a National Financial Inclusion Strategy for The Gambia featuring three main pillars—financial innovation, financial literacy, and consumer protection. The changing nature of correspondent banking relationships does not currently pose a threat to macroeconomic and financial stability.

D. Governance and Other Structural Reforms

29. Fostering good governance is at the core of the proposed SMP. Measures to strengthen governance are part of the structural agenda and capacity building in all institutions involved in program implementation, including CBG, GBoS, GRA, and MoFEA, through improved data reporting standards, greater transparency and accountability, improved tax administration, financial safeguards, improved expenditure control and budget process, and strengthened oversight of SOEs.

30. Improving the business environment, fighting corruption, and listening to public opinion on critical issues would support inclusive growth (MEFP ¶30). Noting the drop in the Gambia's ranking on the Ease of Doing Business, despite considerable improvements in absolute terms, the authorities are streamlining the business regulatory environment and taking steps to safeguard financial stability and promote inclusion. With the completion of the report by the Janneh Commission, the government should act swiftly and initiate the recovery of assets stolen by the former president and his associates. In parallel, the government aims to complete the constitutional review (now at its second phase) and the hearings of the TRRC and is expediting work on the establishment of an Anti-Corruption Commission. The government established a National Human Rights Commission this February and is expediting work on Media Laws and an Access to Information bill will soon be laid before the National Assembly for approval.

31. The authorities are reforming SOEs to improve public service delivery and contain fiscal risks (MEFP ¶¶28, 29, and 31). In this connection:

- The authorities are drafting an SOE bill with the support of development partners to break from abusive executive interference in these enterprises and create a new efficient legal model to support their economic and social functions. They plan to submit the bill to the National Assembly by mid-year.
- The report on the special audits of the first six fiscally most significant SOEs has been submitted to MoFEA and it will be presented to the cabinet in May, once the concerned SOEs have had the opportunity to comment on its findings. The main recommendations emanating from these findings include: (i) halting government interference through directives; (ii) better cash management through exclusive control of bank accounts; (iii) adherence to procurement regulations; (iv) stronger oversight and monitoring of SOE performance; and (v) the need for establishing clean starting balance sheets consistent with the agreed government strategy for SOE reform. The audits of the remaining seven SOEs will be launched promptly.
- The authorities have revised their PPP Law with TA from development partners and are taking steps to boost efficiency of communication services delivery.
- The Board of the public utility, NAWEC, has adopted a restructuring plan to enhance efficiency in service delivery with the support of a service contractor.
- To limit contingent liabilities, the program provides for a contingency spending of 1 percent of GDP against unforeseen subsidy needs of SOEs and calls for a vigilant monitoring of the use of the trade credit from the ITFC by the three beneficiary SOEs (GNPC, NAWEC, and NFSPMC).

E. Improving Statistics

32. The authorities have recommitted to improving the quality and timeliness of data for program monitoring and surveillance ahead of transitioning to a possible ECF arrangement (MEFP ¶17 and TMU Table 2). With help from the IMF and other development partners, The Gambia Bureau of Statistics is enhancing coverage of economic statistics and plans to complete a national accounts series by the expenditure approach and develop quarterly national accounts, following the GDP rebasing (see Box 1). There is also progress in adopting new methodologies for monetary and balance-of-payments statistics, and in enhancing cooperation among official data producers (the CBG, MoFEA, Ministry of Foreign Affairs, and the NGO Affairs Agency) to improve the timeliness in reporting of project grants and loans. The work of the resident advisors, who are funded by the

European Union, is strengthening key fiscal information and data reporting essential for the SMP and future ECF arrangement around cash and revenue forecasting, budget allocation and execution, as well as sectoral data that would feed into the authorities' work on developing medium-term macroeconomic programming. Work is also underway to improve data quality and consistency across and within different datasets while ensuring their timely dissemination. The launch of the National Summary Data Page in May 2018 was an important milestone toward this goal.

F. Capacity Building

33. Capacity building is critical for the SMP and is being refocused to better target institutional needs of The Gambia and to improve coordination among development partners (Annex II). The authorities' TA strategy for FY2020 focuses on domestic revenue mobilization, strengthening PFM, improving the quality and availability of economic statistics, and bolstering financial sector vigilance (including a financial sector stability review (FSSR) scheduled for 2019). To this end, resident advisors have been placed at the GRA and MoFEA and development partners, including the IMF, are enhancing coordination in these areas to avoid duplication and TA fatigue. The IMF and other development partners are also assisting the authorities to design a fiscal regime and related legislation to support efficient management of the natural resources of The Gambia.

G. Safeguards

34. The CBG is continuing to take steps to address safeguards recommendations from the assessment completed in January 2018. Amendments to the CBG Act to strengthen the bank's autonomy were enacted in July 2018. While the central bank has developed capacity building plans for the internal audit function, the accounting department, and foreign reserves management, these plans are yet to be implemented. An international audit firm was appointed to audit the FY 2017 financial statements, jointly with a local audit firm, and the authorities have maintained this arrangement for the audit of the 2018 financial statements in order to further strengthen the external audit mechanism (MEFP ¶24).

PROGRAM MODALITIES

35. The SMP will be monitored based on indicative quantitative targets and structural benchmarks (MEFP Tables 2 and 4). The program envisages two reviews to assess performance through June 2019 (first review test date) and end-December 2019 (second review test date). The quantitative targets (for end-April, end-June, end-September, and end-December) are subject to adjustors described in the technical memorandum of understanding (TMU) (Appendix I, Attachment II). The authorities have completed three prior actions, indicating their commitment to strengthen debt management and enhance financial governance of the CBG. The prior action on debt reconciliations was met, with the majority of external debt reconciled.[3] The structural benchmarks under the program focus on measures to (i) enhance domestic revenue mobilization; (ii) strengthen public financial management and debt management; (iii) strengthen the payments system oversight and financial governance of the CBG; and (iv) improve service delivery and financial viability of public enterprises. Performance under the program will be monitored based on data supplied to the IMF by MoFEA, the CBG, and other designated institutions as described in the TMU (Table 2 of Appendix I, Attachment II).

STAFF APPRAISAL

36. The Gambia needs to leverage the budding optimism and confidence in its economy, to consolidate the early gains, and embark on a sustainable growth path. The calm political situation and a rebound in tourism contributed to the pick-up in economic activity, helping build up gross reserves, stabilize the exchange rate, and moderate inflation. Consolidating these achievements requires commitment to fiscal discipline, prudent macroeconomic management, and progress in structural reforms. Supported by an eventual debt relief by The Gambia's main creditors, public debt would be put on a sustainable path, paving the way for a possible ECF arrangement and strengthening prospects for inclusive growth over the medium term.

37. Domestic revenue mobilization and public financial management need to be strengthened to support fiscal sustainability and contain domestic borrowing. The authorities' implementation of the broad measures in these areas will help create much needed fiscal space for priority infrastructure and social spending. In this regard, strict adherence to the net domestic borrowing ceiling, while creating a buffer for SOE support, will be critical.

38. Tight expenditure management is required in view of lax budget execution in 2018 and persistent fiscal risks. The amount of budget support grants expected in 2019 is subject to uncertainty, as it is largely linked to progress on critical reforms. There is however, a significant upside potential in this regard, if the ongoing discussions on debt relief yield tangible results in terms of helping The Gambia to exit debt distress. In any event, the implementation of the 2019 fiscal program, including limiting the NDB to 2 percent of GDP, will be challenging. To keep to the NDB target, the authorities should take advantage of the improved cash management procedures to counter incipient revenue shortfalls with offsetting measures and resist pressures for discretionary spending that undermined budget execution in 2018. In this regard, more efficient official vehicle fleet management will be critical to gain control over this spending area. Going forward, the authorities should limit monthly spending authorizations to available resources, consistent with the quarterly NDB program targets—and, preferably, maintain prudential margins against unforeseen adverse developments. Adhering to the planned foreign service reform will be a tangible sign of the authorities' commitment to budget discipline and greater accountability.

[3] Debt reconciliations covering 60 percent of external debt have been conducted since end-2017, with a further 20 percent (related to IsDB) reconciled up to mid-November 2017. The remainder mostly relates to bilateral official creditors. The ongoing end-2018 reconciliation (June SB) is expected to cover over 90 percent of external debt.

39. **Improving financial governance of SOEs will help contain contingent liabilities to the budget and enhance the reliability of public service delivery**. A revamping of the governance framework and legislation to strengthen SOE board accountability and responsibility in cost effective delivery of public services will limit contingent liabilities and support fiscal and debt sustainability. Additional fiscal buffers, which could be created with support from development partners, would be needed over the medium term to fund restructuring and right-sizing, divestment, enhanced monitoring and capacity improvements in SOEs. Funding social functions of SOEs, conforming with their public status, will need to be transparently provided for in annual budgets.

40. **The CBG needs to adopt a more proactive approach to monetary policy, in the context of recent enhancements to its operational framework**. The recent decline in inflation was driven mainly by benign weather conditions and stable dalasi, and its continuation should not be taken for granted. While current monetary policy stance is appropriate, the CBG needs to improve its securities and foreign exchange auction systems to enhance market efficiency and price discovery, which will be critical for its ability to lean against potential renewed inflation pressures. In this context, staff welcomes the CBG's commitments to narrow the interest rate corridor to enable better signaling of its rates to the interbank market. The issuance of the CBG's own bills for liquidity management is a step in the right direction, and the CBG and MoFEA should coordinate issuances of these and Treasury bills to limit competition between these securities. Staff also welcomes the recently signed MOU to increase the capital of the CBG as required by the CBG Act.

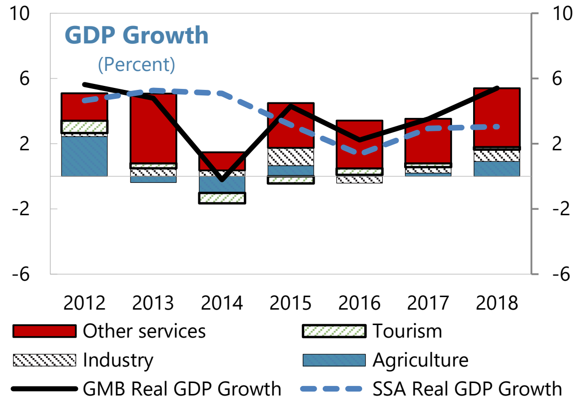
41. **Financial stability should remain a key priority, in the context of strengthening economic activity and expanding financial inclusion**. The recent growth in bank credit to the private sector, albeit from a low base, needs to be monitored for early warnings and adoption of mitigating measures, if warranted. At the same time, expanding financial inclusion, particularly in the context of the authorities' initiatives to support non-bank financial institutions, should be subject to adequate supervision. To enable stable financial intermediation, the CBG should encourage proactive use of the credit information registry by banks, improve efficiency of the payments system, and advance its plans for a limited deposit insurance. Efforts to improve the AML/CFT regime should also continue, to alleviate pressures on correspondent banking relationships.

42. **Strengthening the judiciary framework and better targeting of poverty spending will help sustain the optimism regarding The Gambia's economic prospects**. Improving the business environment, strengthening the rule of law (including contract enforcement and protection of creditor and investor rights), and expanding access to information will be key steps. Meanwhile, improved targeting of poverty-reducing spending and increasing support for vulnerable households and unemployed youth would foster inclusion and reduce social tensions.

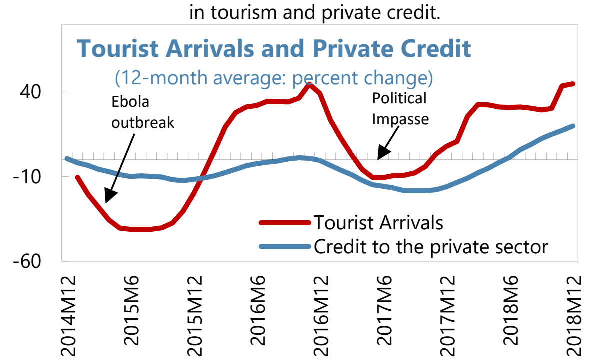
43. **Staff supports the authorities' request for an SMP**. Staff urges the authorities to reinforce their commitment to the program, improve coordination among the institutions responsible for implementing the program agenda, and strengthen their ownership of the agreed measures to ensure the success of the SMP.

Figure 1. The Gambia: Recent Economic Developments, 2012–18

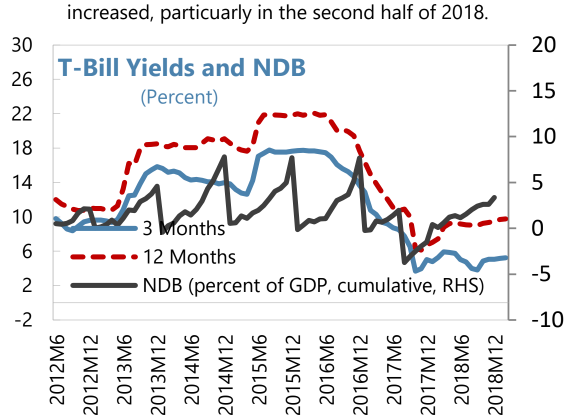
Real GDP growth has picked up starting from 2017...



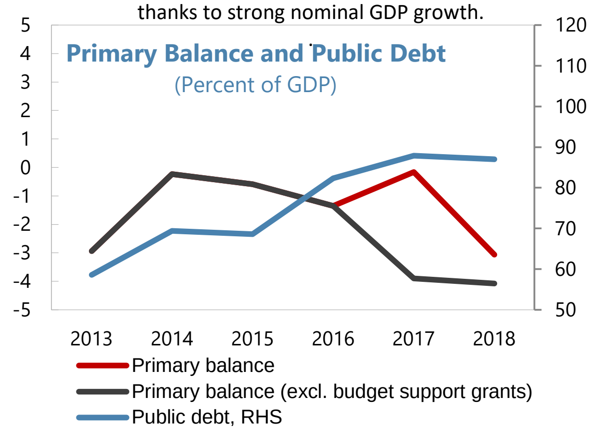
... supported by rebounding confidence, as reflected in expansion in tourism and private credit.



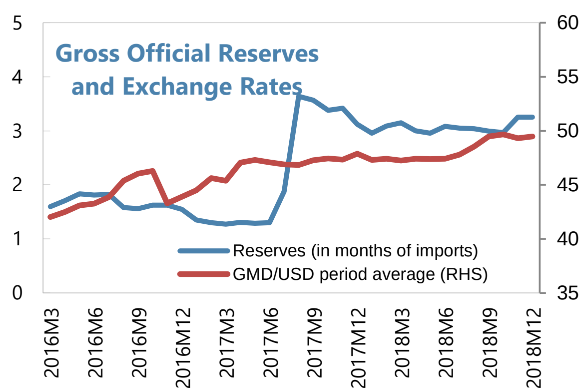
T-bill rates, which declined sharply between late 2016 and early 2018, have started to rise with spending pressures. NDB increased, particuarly in the second half of 2018.



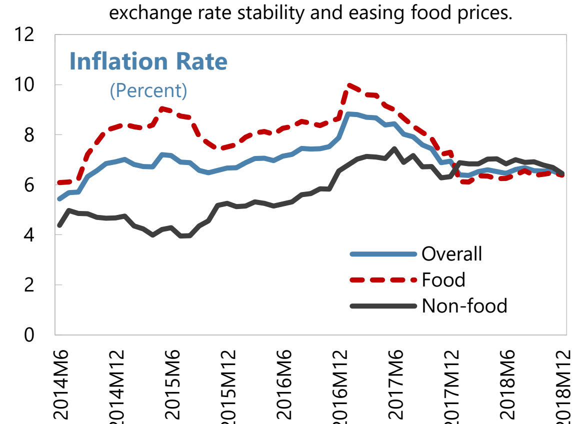
Primary balance deteriorated in 2018, as budget support declined, but the public debt-to-GDP ratio dropped, thanks to strong nominal GDP growth.



Import coverage of reserves continued to increase, supporting exchange rate stability.

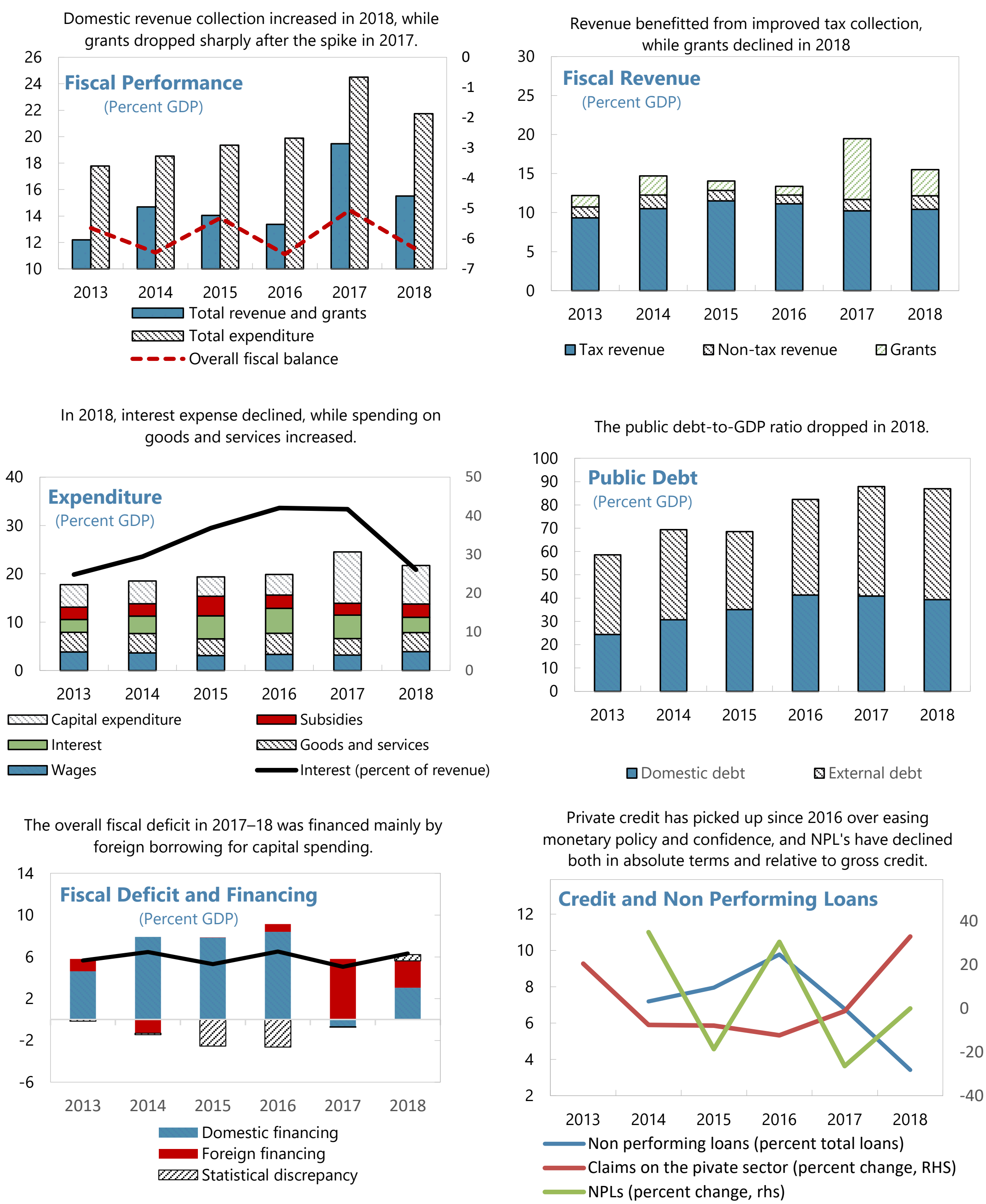


Inflation has been falling since early 2017 due to exchange rate stability and easing food prices.



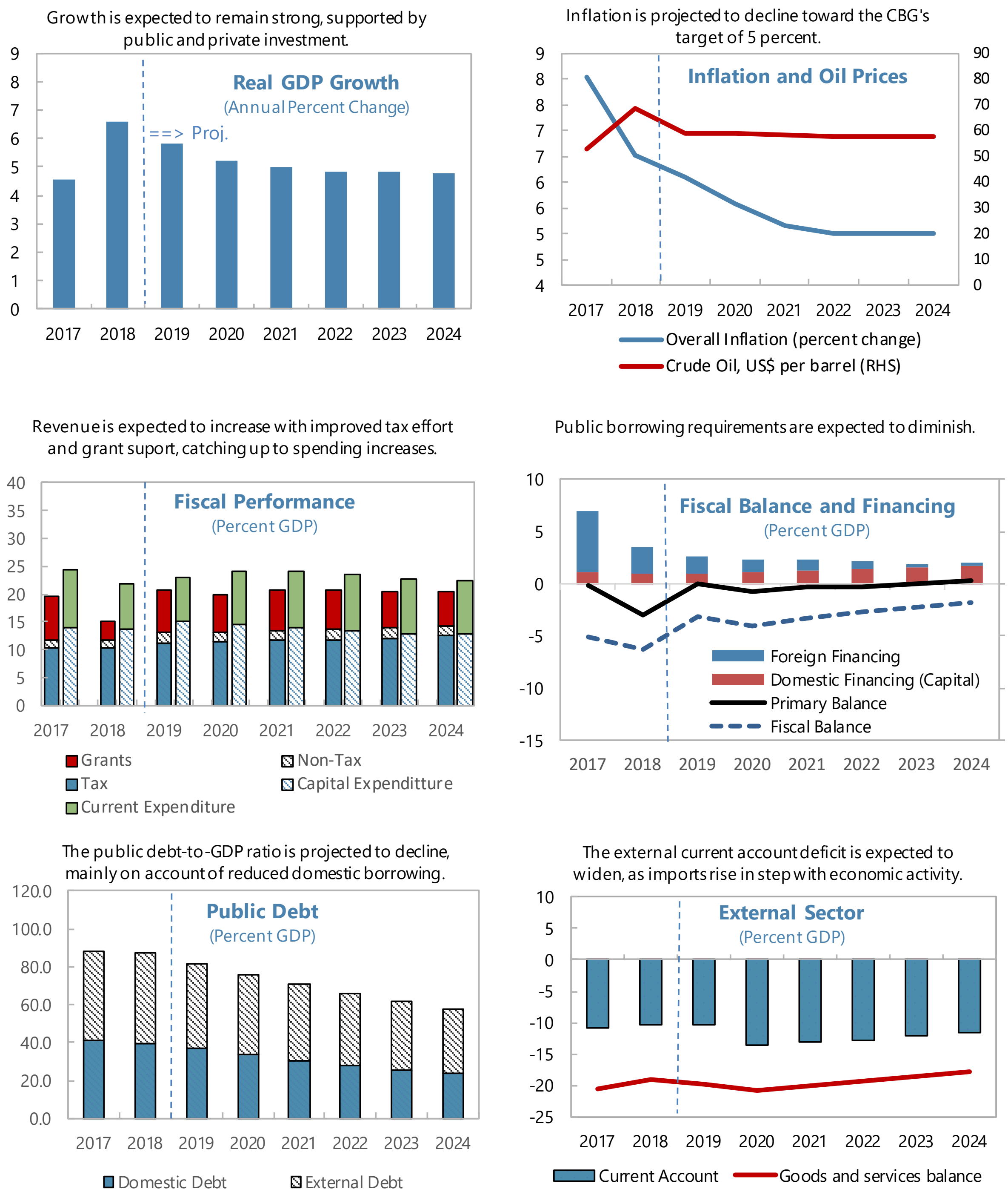
Sources: The Gambian authorities; and IMF staff calculations.

Figure 2. The Gambia: Fiscal and Financial Sector Indicators, 2013–18



Sources: The Gambian authorities; and IMF staff calculations.

Figure 3. The Gambia: Medium-Term Economic Outlook, 2017–24



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2016–24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Act.		Est.	Projections					
	(Percent change; unless otherwise indicated)								
National account and prices									
GDP at constant prices	0.4	4.6	6.6	5.8	5.2	5.0	4.8	4.8	4.8
GDP deflator	6.4	4.9	5.7	5.6	5.0	4.7	4.4	4.4	4.4
Consumer prices (average)	7.2	8.0	6.5	6.1	5.6	5.2	5.0	5.0	5.0
Consumer prices (end of period)	7.9	6.9	6.4	5.9	5.3	5.0	5.0	5.0	5.0
External sector									
Exports, f.o.b (US$ values)	-2.9	10.3	-0.9	6.8	8.3	7.3	10.1	9.5	11.9
Imports, f.o.b (US$ values)	-11.8	42.3	11.9	11.0	11.1	5.3	5.8	5.4	6.3
Terms of trade (deterioration = -)	-8.5	-1.0	-2.2	-2.4	-2.6	-1.6	0.5	0.9	0.9
Real effective exchange rate (depreciation = -)	-5.8	-6.1	…	…	…	…	…	…	…
	(Contributions to broad money growth; percent)								
Money and credit									
Broad money	15.3	20.9	20.0	15.2	…	…	…	…	…
Net foreign assets	-4.5	22.2	14.0	8.1	…	…	…	…	…
Net domestic assets	19.8	-1.4	6.0	7.1	…	…	…	…	…
of which:									
Credit to the government (net)	19.5	0.3	7.1	4.0	…	…	…	…	…
Credit to the private sector (net)	-3.0	-0.2	5.0	4.0	…	…	…	…	…
Velocity (GDP/broad money)	2.7	2.5	2.3	2.2	…	…	…	…	…
	(Percent of GDP; unless otherwise indicated)								
Central government finances									
Domestic revenue (taxes and other revenues)	12.3	11.7	12.1	13.1	13.3	13.5	13.7	14.0	14.4
Grants	1.1	7.8	3.4	7.7	6.7	7.2	7.0	6.4	6.1
Total expenditures and net acquisition of financial assets	19.9	24.5	21.9	23.9	24.1	24.0	23.4	22.6	22.3
Of which: Interest payments (percent of government revenue)	42.0	41.7	26.1	24.3	24.9	21.4	17.6	15.7	14.2
Net lending (+)/borrowing (–)	-6.5	-5.0	-6.3	-3.2	-4.1	-3.2	-2.7	-2.2	-1.8
Net incurrence of liabilities	9.1	4.8	5.6	3.2	1.0	1.1	0.8	0.5	0.3
Foreign	0.7	5.8	2.6	1.6	1.3	1.0	0.7	0.4	0.3
Domestic	8.4	-1.0	3.0	1.6	-0.2	0.0	0.0	0.0	0.0
Primary balance	-1.4	-0.2	-3.1	0.0	-0.8	-0.3	-0.3	0.0	0.2
Public debt	82.3	87.9	87.0	81.8	75.9	70.6	65.8	61.7	57.8
Domestic public debt	41.3	40.9	39.3	37.2	33.7	30.7	28.1	25.7	23.5
External public debt	41.0	47.0	47.6	44.6	42.2	39.9	37.8	36.0	34.3
External public debt (millions of US$)	591.7	685.6	756.3	774.5	782.7	788.4	791.6	801.0	808.4
External current account balance									
Excluding budget support	-9.9	-14.7	-11.4	-13.8	-15.2	-14.6	-14.0	-13.0	-12.4
Including budget support	-9.4	-11.0	-10.4	-10.3	-13.7	-13.2	-12.9	-12.1	-11.5
Gross official reserves (milions of US$)	59.8	144.0	157.0	187.0	202.0	217.0	232.0	247.0	262.0
(months of next year's imports of goods and services)	1.3	2.8	2.7	3.0	3.0	3.1	3.1	3.1	3.2
Savings and investment									
Gross investment	13.0	19.9	18.1	18.3	19.8	20.9	21.4	21.4	21.6
Of which: Central government	4.3	10.6	8.0	8.9	9.6	10.1	10.1	9.7	9.4
Gross savings	3.6	9.0	7.7	8.0	6.1	7.7	8.5	9.2	10.0
Of which: Central government	-12.0	-11.8	-11.8	-11.9	-11.8	-11.6	-11.5	-11.4	-11.3
Memorandum items:									
Nominal GDP (billions of dalasi) [1]	63.3	69.4	78.2	87.4	96.6	106.2	116.3	127.2	139.2
GDP per capita (US$)	708.9	705.0	745.2	782.4	814.2	840.0	866.9	891.0	915.6
Use of Fund resources (millions of SDRs)									
Disbursements	0.0	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-4.3	-5.2	-5.5	-4.3	-3.6	-4.0	-2.8	-4.0	-3.9
Total Public Debt incl. financing gap (DSA definition) [2]	82.3	87.9	87.0	81.8	79.0	75.8	73.0	70.5	67.9

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

[1] The Gambian authorities rebased nominal GDP figures for 2013–17, resulting in a 47-percent increase in nominal GDP in 2017 relative to earlier

[2] Finanacing gap is assumed to be filled with domestic debt.

Table 2a. The Gambia: Statement of Central Government Operations, 2016–24

(Millions of local currency)

	2016	2017	2018	2019	2019	2020	2021	2022	2023	2024
	Act.		Prel.	Proj.	Auth. Budget	Projections				
Revenue	8,466	13,515	12,135	18,144	25,285	19,289	22,027	24,066	26,001	28,546
Domestic revenue	7,759	8,110	9,502	11,411	11,893	12,829	14,343	15,932	17,832	20,045
Taxes	7,052	7,096	8,139	9,762	10,413	11,031	12,372	13,764	15,465	17,461
Taxes on income, profits, and capital gains	1,831	1,902	2,048	2,404	2,386	2,750	3,165	3,586	4,115	4,658
Domestic taxes on goods and services	3,055	3,191	3,978	4,772	5,101	5,214	5,736	6,288	6,944	7,796
Taxes on international trade and transactions	2,110	1,982	2,093	2,563	2,837	3,042	3,444	3,861	4,374	4,972
Other taxes	56	22	20	22	89	24	27	29	32	35
Non-tax	706	1,014	1,363	1,649	1,480	1,798	1,971	2,168	2,366	2,584
Grants	708	5,405	2,633	6,734	13,392	6,461	7,684	8,134	8,169	8,501
Budget support	0	2,596	794	3,065	3,409	1,475	1,524	1,310	1,127	1,233
Project grants	708	2,809	1,839	3,669	9,984	4,986	6,160	6,824	7,042	7,268
Expenditures	12,585	17,008	17,075	20,923	28,826	23,247	25,455	27,226	28,813	31,069
Expenses	9,877	9,655	10,815	13,175	13,223	13,947	14,717	15,443	16,410	17,929
Compensation of employees	2,117	2,203	3,058	4,184	4,218	4,348	4,781	5,232	5,725	6,298
Use of goods and services	2,747	2,372	3,066	3,317	3,800	3,607	3,983	4,433	4,888	5,543
Interest	3,261	3,381	2,477	2,770	2,703	3,196	3,063	2,805	2,803	2,846
External	456	241	420	448	416	507	553	591	621	652
Domestic	2,805	3,139	2,057	2,322	2,287	2,689	2,510	2,214	2,182	2,195
Subsidies and transfers	1,752	1,700	2,147	2,904	2,542	2,796	2,890	2,973	2,994	3,242
of which: Subsidies to SOEs	…	…	403	862	…	…	…	…	…	…
NAWEC	…	…	253	512	…	…	…	…	…	…
NFSPMC	…	…	150	350	…	…	…	…	…	…
Net acquisition of nonfinancial assets	2,709	7,353	6,260	7,748	15,603	9,300	10,738	11,784	12,403	13,140
Acquisitions of nonfinancial assets	2,709	7,353	6,260	7,748	15,603	9,300	10,738	11,784	12,403	13,140
Foreign financed[1]	1,954	6,562	5,535	6,863	14,545	8,212	9,391	10,155	10,478	10,821
Gambia local fund	755	791	726	885	1,057	1,088	1,347	1,629	1,926	2,318
Net lending (+)/borrowing (–)	-4,119	-3,493	-4,940	-2,779	-3,541	-3,958	-3,428	-3,161	-2,812	-2,522
Net acquisition of financial assets	6	15	68	0	-40	0	0	0	0	0
Net incurrence of liabilities	5,787	3,353	4,387	2,779	3,541	988	1,116	903	594	380
Domestic	5,315	-670	2,379	1,384	467	-232	18	46	52	-49
Net borrowing	4,808	-482	2,623	1,750	636	51	18	46	52	-49
Bank	3,931	68	1,989	1,350	236	-349	-382	-354	-348	-449
Nonbank	877	-363	634	400	400	400	400	400	400	400
Change in arrears	507	-187	-244	-367	-440	-283	0	0	0	0
Capital revenues	…	…	…	…	270	…	…	…	…	…
Foreign	471	4,022	2,008	1,395	3,075	1,220	1,098	857	542	430
Loans	471	4,022	2,008	1,395	3,075	1,220	1,098	857	542	430
Borrowing	1,246	5,225	3,696	3,194	4,562	3,227	3,231	3,331	3,435	3,553
Budget support	0	1,473	0	0	0	0	0	0	0	0
Project support	1,246	3,752	3,696	3,194	4,562	3,227	3,231	3,331	3,435	3,553
Amortization	-775	-1,203	-1,687	-1,799	-1,487	-2,007	-2,134	-2,474	-2,893	-3,124
Statistical discrepancy/Financing Gap[2]	-1,662	155	553	0	0	2,970	2,312	2,258	2,218	2,142
of which: Scope for possible debt relief	…	…	…	…	…	1,962	1,914	2,080	2,114	2,138
Memorandum items:										
Primary balance	-864	-112	-2,463	-9	-838	-762	-365	-356	-9	324
Primary balance (ex. budget support grants)	-858	-2,708	-3,257	-3,074	-4,247	-2,237	-1,889	-1,666	-1,136	-908
Total debt	52,123	61,029	68,051	71,487	70,078	73,330	74,961	76,541	78,539	80,395
of which: Domestic public debt	26,152	28,383	30,782	32,532	31,418	32,583	32,601	32,647	32,699	32,650
Interest payments as a percent of govt. revenue	42.0	41.7	26.1	24.3	22.7	24.9	21.4	17.6	15.7	14.2

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

[1] Derived as the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2020 and beyond, is the remaining financing gap.

Table 2b. The Gambia: Statement of Central Government Operations, 2018–19

(Cumulative, millions of local currency)

	2018	2019			
		Q1	Q2	Q3	Q4
	Prel.	Projections			
Revenue	12,135	4,980	8,479	13,791	18,144
Domestic Revenue	9,502	2,887	5,725	8,305	11,411
Taxes	8,139	2,430	4,988	7,185	9,762
Taxes on income, profits, and capital gains	2,048	684	1,311	1,847	2,404
Domestic taxes on goods and services	3,978	1,089	2,347	3,443	4,772
Taxes on international trade and transactions	2,093	651	1,317	1,877	2,563
Other taxes	20	7	13	18	22
Non-tax	1,363	457	737	1,119	1,649
Grants	2,633	2,093	2,753	5,486	6,734
Budget support	794	1,433	1,433	3,065	3,065
Project grants	1,839	660	1,321	2,421	3,669
Expenditures	17,075	4,980	8,902	14,397	20,923
Expenses	10,815	3,531	6,293	9,707	13,175
Compensation of employees	3,058	1,171	2,091	3,179	4,184
Use of goods and services	3,066	763	1,360	2,322	3,317
Interest	2,477	726	1,390	2,086	2,770
External	420	146	229	345	448
Domestic	2,057	580	1,161	1,741	2,322
Subsidies and transfers	2,147	871	1,452	2,120	2,904
of which: Subsidies to SOEs	403	350	350	350	862
NAWEC	253	…	…	…	512
NFSPMC	150	350	350	350	350
Net acquisition of nonfinancial assets	6,260	1,449	2,608	4,690	7,748
Acquisitions of nonfinancial assets	6,260	1,449	2,608	4,690	7,748
Foreign financed	5,535	1,236	2,236	4,061	6,863
Gambia local fund	726	212	372	629	885
Net lending (+)/borrowing (–)	-4,940	0	-423	-606	-2,779
Net acquisition of financial assets	68	0	0	0	0
Net incurrence of liabilities	4,387	513	935	1,118	2,779
Domestic	2,379	351	740	643	1,384
Net borrowing	2,623	500	1,000	1,000	1,750
Bank	1,989	400	800	700	1,350
Central Bank	490	-300	-200	-600	-300
Commercial Banks	1,507	700	1,000	1,300	1,650
Nonbank	634	100	200	300	400
Change in arrears	-244	-149	-260	-357	-367
Foreign	2,008	162	195	475	1,395
Loans	2,008	162	195	475	1,395
Borrowing	3,696	576	916	1,640	3,194
Amortization	-1,687	-414	-720	-1,164	-1,799
Statistical discrepancy/Contingency[1]	553	-512	-512	-512	0
of which: Consolidation of TSA	499	…	…	…	…
Memorandum items:					
Primary balance	-2,463	726	967	1,480	-9
Primary balance (ex. budget support grants)	-3,257	-706	-465	-1,585	-3,074

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

[1] This reflects the end-period balances related to a contingency of 862 million dalasi (1 percent of GDP) set aside for SOE subsidies, of which 350 million dalasi was used for NFSPMC in 2019 Q1 and the remaining 512 million dalsai, is assumed to be used by end-2019.

Table 3. The Gambia: Statement of Central Government Operations, 2016–24
(Percent GDP)

	2016	2017	2018	2019		2020	2021	2022	2023	2024
	Act.	Prel.	Est.	Proj.	Auth. Budget	Projections				
Revenue	13.4	19.5	15.5	20.8	28.9	20.0	20.7	20.7	20.4	20.5
Domestic Revenues	12.3	11.7	12.1	13.1	13.6	13.3	13.5	13.7	14.0	14.4
Taxes	11.1	10.2	10.4	11.2	11.9	11.4	11.6	11.8	12.2	12.5
Taxes on income, profits, and capital gains	2.9	2.7	2.6	2.8	2.7	2.8	3.0	3.1	3.2	3.3
Domestic taxes on goods and services	4.8	4.6	5.1	5.5	5.8	5.4	5.4	5.4	5.5	5.6
Taxes on international trade and transactions	3.3	2.9	2.7	2.9	3.2	3.1	3.2	3.3	3.4	3.6
Other taxes	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Non-tax	1.1	1.5	1.7	1.9	1.7	1.9	1.9	1.9	1.9	1.9
Grants	1.1	7.8	3.4	7.7	15.3	6.7	7.2	7.0	6.4	6.1
Budget support	0.0	3.7	1.0	3.5	3.9	1.5	1.4	1.1	0.9	0.9
Project support	1.1	4.0	2.4	4.2	11.4	5.2	5.8	5.9	5.5	5.2
Expenditures	19.9	24.5	21.8	23.9	33.0	24.1	24.0	23.4	22.6	22.3
Expenses	15.6	13.9	13.8	15.1	15.1	14.4	13.9	13.3	12.9	12.9
Compensation of employees	3.3	3.2	3.9	4.8	4.8	4.5	4.5	4.5	4.5	4.5
Use of goods and services	4.3	3.4	3.9	3.8	4.3	3.7	3.7	3.8	3.8	4.0
Interest	5.2	4.9	3.2	3.2	3.1	3.3	2.9	2.4	2.2	2.0
External	0.7	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Domestic	4.4	4.5	2.6	2.7	2.6	2.8	2.4	1.9	1.7	1.6
Subsidies and transfers	2.8	2.4	2.7	3.3	2.9	2.9	2.7	2.6	2.4	2.3
of which: Subsidies to SOEs	...	...	0.5	1.0	...	...	...	...	...	....
NAWEC	...	...	0.3	0.6	...	...	...	...	...	....
NFSPMC	...	...	0.2	0.4	...	...	...	...	...	....
Net acquisition of nonfinancial assets	4.3	10.6	8.0	8.9	17.9	9.6	10.1	10.1	9.7	9.4
Acquisitions of nonfinancial assets	4.3	10.6	8.0	8.9	17.9	9.6	10.1	10.1	9.7	9.4
Foreign financed[1]	3.1	9.5	7.1	7.9	16.6	8.5	8.8	8.7	8.2	7.8
Gambia local fund	1.2	1.1	0.9	1.0	1.2	1.1	1.3	1.4	1.5	1.7
Net lending (+)/borrowing (–)	-6.5	-5.0	-6.3	-3.2	-4.1	-4.1	-3.2	-2.7	-2.2	-1.8
Net acquisition of financial assets	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	9.1	4.8	5.6	3.2	4.1	1.0	1.1	0.8	0.5	0.3
Domestic	8.4	-1.0	3.0	1.6	0.5	-0.2	0.0	0.0	0.0	0.0
Net borrowing	7.6	-0.7	3.4	2.0	0.7	0.1	0.0	0.0	0.0	0.0
Bank	6.2	0.1	2.5	1.5	0.3	-0.4	-0.4	-0.3	-0.3	-0.3
Nonbank	1.4	-0.5	0.8	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Change in arrears	0.8	-0.3	-0.3	-0.4	-0.5	-0.3	0.0	0.0	0.0	0.0
Capital revenues	...	...	...	...	0.3	...	...	...	...	...
Foreign	0.7	5.8	2.6	1.6	3.5	1.3	1.0	0.7	0.4	0.3
Loans	0.7	5.8	2.6	1.6	3.5	1.3	1.0	0.7	0.4	0.3
Borrowing	2.0	7.5	4.7	3.7	5.2	3.3	3.0	2.9	2.7	2.6
o/w budget support	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w project support	2.0	5.4	4.7	3.7	5.2	3.3	3.0	2.9	2.7	2.6
Amortization	-1.2	-1.7	-2.2	-2.1	-1.7	-2.1	-2.0	-2.1	-2.3	-2.2
Statistical discrepancy/Financing Gap[2]	-2.6	0.2	0.7	0.0	0.0	3.1	2.2	1.9	1.7	1.5
of which: Scope for possible debt relief	...	...	...	...	...	2.0	1.8	1.8	1.7	1.5
Memorandum items:										
Primary balance	-1.4	-0.2	-3.1	0.0	-1.0	-0.8	-0.3	-0.3	0.0	0.2
Primary balance (ex. budget support grants)	-1.4	-3.9	-4.2	-3.5	-4.9	-2.3	-1.8	-1.4	-0.9	-0.7
Total debt	82.3	87.9	87.0	81.8	80.2	75.9	70.6	65.8	61.7	57.8
Domestic public debt	41.3	40.9	39.3	37.2	35.9	33.7	30.7	28.1	25.7	23.5
Interest payments as a percent of govt revenue	42.0	41.7	26.1	24.3	22.7	24.9	21.4	17.6	15.7	14.2

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

[1] Derives as the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2020 and beyond, is the remaining financing gap.

Table 4a. The Gambia: Monetary Accounts, 2015–19[1]

(Millions of local currency; unless otherwise indicated)

	2015	2016	2017	2018	2019
	Act.		Prel.	Est.	Proj.
			I. Monetary Survey		
Net foreign assets	2,201	1,296	6,463	10,407	13,148
in millions of U.S. dollars	55	30	136	211	267
of which : CBG	-4	-12	59	92	116
Net domestic assets	17,978	21,963	21,648	23,338	25,733
Domestic credit	21,534	24,657	25,514	28,388	31,086
Claims on central government (net)	15,333	19,264	19,331	21,328	22,678
Claims on other financial corporations	5	5	5	5	5
Claims on other public sector[2]	1,257	1,055	1,897	1,366	1,366
Claims on private sector	4,940	4,333	4,281	5,692	7,037
Other items (net)[3]	-3,556	-2,693	-3,866	-5,052	-5,353
Broad money	20,179	23,259	28,112	33,745	38,881
Currency outside banks	3,641	4,726	5,672	6,568	7,568
Deposits	16,538	18,534	22,440	27,176	31,313
			II. Central Bank Survey		
Net foreign assets	-144	-536	2,787	4,514	5,726
Foreign assets	3,374	2,977	7,246	8,680	9,570
Foreign liabilities	-3,518	-3,514	-4,459	-4,166	-3,845
Net domestic assets	6,770	8,832	7,380	7,335	7,235
Domestic credit	6,441	7,969	7,347	7,808	7,508
Claims on central government (net)	5,409	7,871	7,236	7,726	7,426
Claims on other financial corporations	5	5	5	5	5
Claims on private sector	117	94	106	107	107
Claims on public enterprises	911	0	0	0	0
Other items (net)	328	863	33	-473	-274
Reserve money	6,626	8,295	10,167	11,849	12,960
Currency outside banks	3,641	4,726	5,672	6,568	7,568
Commercial bank deposits	2,984	3,570	4,496	5,281	5,392

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 4b. The Gambia: Monetary Accounts, 2017–19[1]

(Millions of local currency; unless otherwise indicated)

	2017	2018	2019			
			Q1	Q2	Q3	Q4
	Actual		Projections			
			I. Monetary Survey			
Net foreign assets	6,463	10,407	11,485	11,446	13,056	13,148
in millions of U.S. dollars	136	211	233	232	265	267
of which : CBG	58	91	111	107	122	116
Net domestic assets	21,648	23,340	23,544	24,866	24,541	25,733
Domestic credit	25,514	28,392	28,897	30,219	29,893	31,086
Claims on central government (net)	19,331	21,328	21,728	22,128	22,028	22,678
Claims on other financial corporations	5	5	5	5	5	5
Claims on other public sector[2]	1,897	1,366	1,366	1,366	1,366	1,366
Claims on private sector	4,281	5,692	5,798	6,720	6,495	7,037
Other items (net)[3]	-3,866	-5,052	-5,353	-5,353	-5,353	-5,353
Broad money	28,112	33,747	35,029	36,313	37,597	38,881
Currency outside banks	5,672	6,568	6,818	7,068	7,318	7,568
Deposits	22,440	27,176	28,210	29,244	30,279	31,313
			II. Central Bank Survey			
Net foreign assets	2,787	4,514	5,510	5,289	6,017	5,726
Foreign assets	7,246	8,680	9,676	9,294	10,022	9,570
Foreign liabilities	-4,459	-4,166	-4,166	-4,005	-4,005	-3,845
Net domestic assets	7,380	7,335	7,297	7,336	6,486	7,235
Domestic credit	7,347	7,810	7,508	7,608	7,208	7,508
Claims on central government (net)	7,236	7,726	7,426	7,526	7,126	7,426
Assets	11,539	11,249	11,249	11,349	11,349	11,249
Liabilities	-4,302	-3,522	-3,822	-3,822	-4,222	-3,822
Claims on other financial corporations	5	5	5	5	5	5
Claims on private sector	106	107	107	107	107	107
Claims on public enterprises	0	0	0	0	0	0
Other items (net)	33	-473	-211	-272	-722	-274
Reserve money	10,167	11,849	12,807	12,625	12,502	12,960
Currency outside banks	5,672	6,568	6,818	7,068	7,318	7,568
Commercial bank deposits	4,496	5,281	5,988	5,556	5,184	5,392
			III. Commercial Banks Balance Sheet			
Net foreign assets	3,676	5,893	5,975	6,157	7,040	7,422
Foreign assets	4,429	6,464	6,556	6,748	7,639	8,031
Foreign liabilities	-753	-571	-581	-590	-600	-609
Net domestic assets	18,764	21,283	22,235	23,087	23,239	23,891
Net domestic claims	22,663	25,833	27,347	28,137	27,839	28,940
Claims on central bank	4,496	5,281	5,988	5,556	5,184	5,392
Net claims on government	12,095	13,602	14,302	14,602	14,902	15,252
Claims	12,095	13,602	14,302	14,602	14,902	15,252
Liabilities	0	0	0	0	0	0
Claims on other sectors	6,072	6,950	7,057	7,979	7,753	8,296
Claims on public nonfinancial corporatio	1,897	1,366	1,366	1,366	1,366	1,366
Claims on private sector	4,175	5,585	5,691	6,614	6,388	6,930
Other items net	-3,899	-4,549	-5,112	-5,050	-4,601	-5,049
Liabilities	22,440	27,176	28,210	29,244	30,279	31,313
Liabilities to central bank	0	0	0	0	0	0
Deposits incl. in broad money	22,440	27,176	28,210	29,244	30,279	31,313

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 5. The Gambia: Monetary Accounts, 2015–19[1]

(Percent change; unless otherwise indicated)

	2015	2016	2017	2018	2019
	Act.		Prel.	Est.	Proj.
	I. Monetary Survey (Percent change; in beginning of period broad money)				
Broad money	-0.9	15.3	20.9	20.0	15.2
Net foreign assets	-11.6	-4.5	22.2	14.0	8.1
Net domestic assets	10.7	19.8	-1.4	6.0	7.1
	II. Central Bank Survey (Percent change; in beginning of period monetary base)				
Reserve money	10.0	25.2	22.6	16.5	9.4
Net foreign assets	-27.1	-5.9	40.1	17.0	10.2
Net domestic assets	37.1	31.1	-17.5	-0.4	-0.8
	(Percent change; unless otherwise indicated)				
Memorandum Items:					
Growth of credit to the private sector	-7.9	-12.3	-1.2	32.9	23.6
Growth of currency in circulation	3.8	29.8	20.0	15.8	15.2
Growth of demand deposits	-3.3	11.9	15.4	29.7	11.0
Growth of time and savings deposits	-0.9	12.2	25.0	15.6	18.3
Net international reserves (millions of U.S. dollai	28.9	19.8	93.2	125.5	150.7
Money velocity (levels)	1.9	2.7	2.5	2.3	2.2
Money multiplier (levels)	3.0	2.8	2.8	2.8	3.0
Broad money (percent of GDP)	52.3	36.7	40.5	43.1	44.5
Credit to the private sector (percent of GDP)	12.8	6.8	6.2	7.3	8.1
Central government financing (millions of dalasi)					
Central bank	1,002	2,461	-634	490	-300
Commercial banks	2,254	1,470	702	1,507	1,650

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

[1] End of period.

Table 6a. The Gambia: Balance of Payments, 2016–24

(Millions of U.S. dollars, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Act.	Prel.	Est.			Projections			
1. Current account									
A. Goods and services	-223.1	-305.3	-307.2	-348.0	-393.2	-401.8	-413.1	-419.0	-428.6
Goods (net)	-221.5	-348.8	-405.0	-454.1	-508.0	-532.1	-556.5	-580.0	-606.8
Exports, f.o.b.	105.2	116.0	115.0	122.8	133.0	142.7	157.2	172.1	192.5
Imports, f.o.b.	-326.7	-464.8	-520.0	-576.9	-641.0	-674.8	-713.7	-752.0	-799.3
Services (net)	-1.7	43.5	97.8	106.2	114.8	130.2	143.4	161.0	178.3
Services exports	136.0	132.2	198.6	215.3	234.2	255.4	275.0	299.2	323.9
Of which: travel income	115.0	103.0	153.8	168.6	184.0	201.4	214.9	232.5	249.2
Services imports	-137.7	-88.8	-100.8	-109.1	-119.3	-125.2	-131.6	-138.2	-145.6
B. Income (net)	-27.5	-28.3	-29.2	-30.1	-31.1	-32.1	-32.4	-31.3	-32.4
Income credits	2.1	2.2	2.3	2.3	2.4	2.5	2.5	2.4	2.5
Income debits	-29.6	-30.5	-31.4	-32.4	-33.5	-34.6	-35.0	-33.7	-35.0
C. Current transfers	114.8	171.2	167.7	198.3	166.8	169.7	171.3	176.0	184.7
Official transfers	7.7	55.4	15.0	61.4	28.7	28.7	24.0	20.0	21.2
Remittances	93.5	101.9	140.5	124.3	125.5	130.1	136.1	144.6	151.8
Other transfers	13.6	13.9	12.3	12.6	12.6	10.9	11.2	11.5	11.7
Current account (excl. budget support)	-143.5	-217.9	-183.7	-241.2	-286.1	-293.0	-298.3	-294.3	-297.5
Current account (incl. budget support)	-135.8	-162.4	-168.7	-179.8	-257.4	-264.3	-274.3	-274.3	-276.3
2. Capital and financial account									
A. Capital account	16.2	60.0	38.0	73.5	97.0	116.0	125.0	125.0	125.0
B. Financial account	45.4	165.2	134.6	142.7	123.5	125.8	127.6	131.3	135.6
Foreign direct investment	72.7	83.3	90.8	93.1	96.3	100.7	107.5	112.7	122.3
Portfolio investment	3.0	3.8	4.1	3.9	3.9	3.8	4.0	4.3	4.5
Other investment	-30.3	78.1	39.7	45.6	23.3	21.3	16.1	14.4	8.8
Capital and financial account	61.5	225.2	172.6	216.2	220.5	241.8	252.6	256.3	260.6
Errors and omissions	64.0	12.5	17.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-10.3	75.2	20.9	36.4	-37.0	-22.4	-21.7	-18.0	-15.7
Financing									
Net international reserves (increase -)	10.3	-75.2	-20.9	-36.4	-20.1	-20.6	-19.0	-20.8	-20.6
Change in gross international reserves	16.3	-84.1	-13.0	-30.0	-15.0	-15.0	-15.0	-15.0	-15.0
Use of IMF resources (net)	-5.9	8.9	-7.8	-6.4	-5.1	-5.6	-4.0	-5.8	-5.6
Disbursements	0.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-5.9	-7.3	-7.8	-6.4	-5.1	-5.6	-4.0	-5.8	-5.6
Memorandum items:									
Exports of goods and services	241.2	248.2	313.6	338.1	367.1	398.1	432.1	471.2	516.4
Imports of goods and services	-464.3	-553.6	-620.8	-686.0	-760.3	-800.0	-845.3	-890.3	-945.0
GMD per US dollar, period average	43.8	46.8	48.4	…	…	…	…	…	…
Financing gap	0.0	0.0	0.0	0.0	57.0	43.0	40.7	38.8	36.3
Gross International Reserves									
US$ millions	59.8	144.0	157.0	187.0	202.0	217.0	232.0	247.0	262.0
Months of current year's imports of goods and services	1.5	3.1	3.0	3.3	3.2	3.3	3.3	3.3	3.3
Months of next year's imports of goods and services	1.3	2.8	2.7	3.0	3.0	3.1	3.1	3.1	3.2
Net usable international reserves									
US$ millions	19.8	93.2	125.5	150.7	105.7	90.1	67.6	48.6	31.7
Months of current year's imports of goods and services	0.5	2.0	2.4	2.6	1.7	1.4	1.0	0.7	0.4
Months of next year's imports of goods and services	0.4	1.8	2.2	2.4	1.6	1.3	0.9	0.6	0.4

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

Table 6b. The Gambia: Balance of Payments, 2016–24

(Percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Act.	Prel.	Est.	Projections					
1. Current account									
A. Goods and services	-15.4	-20.6	-19.0	-19.9	-20.9	-20.1	-19.4	-18.6	-17.9
Goods (net)	-15.3	-23.5	-25.1	-25.9	-27.0	-26.6	-26.1	-25.7	-25.4
Exports, f.o.b.	7.3	7.8	7.1	7.0	7.1	7.1	7.4	7.6	8.0
Imports, f.o.b.	-22.6	-31.3	-32.2	-33.0	-34.1	-33.7	-33.5	-33.3	-33.4
Services (net)	-0.1	2.9	6.0	6.1	6.1	6.5	6.7	7.1	7.4
Services exports	9.4	8.9	12.3	12.3	12.5	12.8	12.9	13.2	13.5
Of which: travel	8.0	6.9	9.5	9.6	9.8	10.1	10.1	10.3	10.4
Services imports	-9.5	-6.0	-6.2	-6.2	-6.3	-6.3	-6.2	-6.1	-6.1
B. Income (net)	-1.9	-1.9	-1.8	-1.7	-1.7	-1.6	-1.5	-1.4	-1.4
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-2.0	-2.1	-1.9	-1.9	-1.8	-1.7	-1.6	-1.5	-1.5
Of which: interest on government debt	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
C. Current transfers	7.9	11.6	10.4	11.3	8.9	8.5	8.0	7.8	7.7
Official transfers	0.5	3.7	0.9	3.5	1.5	1.4	1.1	0.9	0.9
Remittances	6.5	6.9	8.7	7.1	6.7	6.5	6.4	6.4	6.3
Other transfers	0.9	0.9	0.8	0.7	0.7	0.5	0.5	0.5	0.5
Current account (excl. budget support)	-9.9	-14.7	-11.4	-13.8	-15.2	-14.6	-14.0	-13.0	-12.4
Current account (incl. budget support)	-9.4	-11.0	-10.4	-10.3	-13.7	-13.2	-12.9	-12.1	-11.5
2. Capital and financial account									
A. Capital account	1.1	4.0	2.4	4.2	5.2	5.8	5.9	5.5	5.2
B. Financial account	3.1	11.1	8.3	8.1	6.6	6.3	6.0	5.8	5.7
Foreign direct investment	5.0	5.6	5.6	5.3	5.1	5.0	5.0	5.0	5.1
Portfolio investment	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	-2.1	5.3	2.5	2.6	1.2	1.1	0.8	0.6	0.4
Capital and financial account	4.3	15.2	10.7	12.3	11.7	12.1	11.9	11.4	10.9
Errors and omissions	4.4	0.8	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.7	5.1	1.3	2.1	-2.0	-1.1	-1.0	-0.8	-0.7
Financing gap	0.0	0.0	0.0	0.0	3.0	2.2	1.9	1.7	1.5

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

Table 7. The Gambia: External Financing Needs, 2019–24
(In millions of U.S. dollars)

	2019	2020	2021	2022	2023	2024
	Projections					
1. Total financing requirement	-315.4	-345.7	-353.1	-361.1	-360.9	-366.2
Current account deficit (excl. budget support)	-241.2	-286.1	-293.0	-298.3	-294.3	-297.5
Public Debt amortization	-38.2	-39.5	-39.5	-43.9	-45.8	-48.2
Repayment to the Fund	-6.1	-5.1	-5.6	-4.0	-5.8	-5.6
Change in official reserves	-30.0	-15.0	-15.0	-15.0	-15.0	-15.0
Arrears repayment	…	…	…	…	…	…
2. Total financing sources	254.0	260.0	281.3	296.4	302.1	308.7
Capital transfers	73.5	97.0	116.0	125.0	125.0	125.0
Foreign direct investment (net)	93.1	96.3	100.7	107.5	112.7	122.3
Portfolio investment (net)	3.9	3.9	3.8	4.0	4.3	4.5
Public Sector debt financing	64.0	62.8	60.8	61.0	61.0	61.1
Other net capital inflows[1]	19.5	0.0	0.0	-1.1	-0.8	-4.2
Exceptional financing	…	…	…	…	…	…
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	61.4	85.7	71.7	64.7	58.8	57.5
Budget support (grants)	61.4	28.7	28.7	24.0	20.0	21.2
European Union	57.4	28.7	28.7	…	…	…
African Development Bank	4.0	…	…	…	…	…
Residual financing need/Financing Gap	0.0	57.0	43.0	40.7	38.8	36.3

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

[1] Includes changes in commercial bank NFA and private trade financing.

Table 8. The Gambia: Financial Soundness Indicators for the Banking Sector, 2014–18

	2014	2015	2016	2017	2018
	(Percent, unless otherwise indicated)				
Capital ratios					
Capital adequacy ratio	29.6	33.1	38.2	33.6	31.7
Regulatory capital ratio (i.e., T1+T2)	30.3	34.8	39.8	35.1	33.0
Primary capital ratio (i.e., T1)	28.8	31.4	35.9	31.9	30.3
Non-performing loans/Primary capital	10.6	7.9	9.8	6.8	3.4
Sectoral distribution of credit					
Agriculture and fishing	1.2	3.6	6.5	8.5	1.7
Manufacturing industries	4.3	3.4	0.7	0.7	0.4
Building and construction	7.2	8.5	9.9	13.7	19.7
Transport and communication	14.1	10.3	9.0	8.1	7.7
Commerce	34.0	39.4	31.2	31.1	31.2
Tourism	2.3	2.6	2.4	5.2	10.8
Financial Institutions and enterprise services	5.0	4.2	2.1	3.0	3.2
Other activities	31.9	27.9	38.1	29.6	25.3
Asset quality ratios					
Non-performing loan ratio	7.2	6.5	9.3	7.2	3.3
Aggregate provision level	95.6	82.2	79.1	99.1	100.2
Loan loss reserve ratio	4.7	4.6	6.8	6.6	2.9
Earnings and profitability					
Net income to average assets (ROA)	2.9	0.5	0.7	1.6	1.6
Net income to average equity (ROE)	19.0	3.5	4.2	11.0	11.3
Net interest margin	1.7	1.8	1.9	8.1	5.9
Non-interest income ratio	38.4	34.0	6.8	3.4	3.4
Liquidity ratios					
Liquid assets ratio	84.8	93.4	101.3	92.9	94.8
Dalasi liquid assets/dalasi deposits	…	88.4	97.5	89.0	93.5
Time deposits/total deposits	17.7	18.1	16.5	13.8	12.9

Source: Central Bank of The Gambia.

Annex I. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
Structurally weak growth in key advanced economies	**High** Low productivity growth (U.S., Euro Area, and Japan), a failure to fully address crisis legacies and undertake structural reforms, and persistently low inflation (the Euro Area, and Japan) undermine medium-term growth.	**Medium** • Decline in Gambia's exports and tourism receipts. • Employment pressures abroad could reduce the inflow of remittance.	• Diversify the tourism base. • Promote regional trade and integration. • Promote private investment and diversify domestic production.
Deviation of energy prices from baseline	**Medium** Oil prices have been volatile, and prices could rise significantly if oil supply is tightened due to geo-political developments.	**High** • Gambia's dependence on HFO and sovereign guarantees pose a significant contingent liability risk. Increased use of ITFC facility could delay projects. • High production costs hurt growth.	• Strengthen the fiscal oversight and reform of NAWEC. • Accelerate implementation of the national energy roadmap, including use of alternative energy production methods (on- and off grid).
Reduced financial services by correspondent banks	**Medium** Significant curtailment of cross-border financial services in emerging and developing economies.	**High** • Negative impact on payment services, bank profits, trade, remittances and investors' confidence.	• Strengthen the AML/CFT framework. • Use alternative methods (regional systems or networks).
Financial instability	**Low** Banks' high exposure to sovereign and SOE debt coupled with debt reprofiling and restructuring and declining interest rates may negatively affect banks.	**High** • Reduced profitability and capital adequacy, negatively affecting financial intermediation.	• Monitor and mitigate debt risks with debt management strategy, enhance risk-focused supervision • Develop crisis management capacity and improve the bank resolution framework.
Weak fiscal management	**High** A looser fiscal policy without effective control of fiscal spending and lack of fiscal reforms. Fiscal shocks from SOEs.	**High** • Increased domestic borrowing and renewed pressure on fiscal and debt sustainability, undermining growth. • Pressure on foreign reserves. • Crowding out of private credit.	• Implement TA recommendations on PFM, strengthening cash management and budget execution • Implement SOE and governance reforms.
Political instability	**Medium** Tribal politics and tensions among the coalition parties supporting President Barrow may lead to government ineffectiveness.	**High** • Political uncertainty hurts market confidence and private investment, delays economic and policy reforms, and weakens institutions.	• Give policy priority to socio-economic stability and development. • Involve CSOs in policy decisions. • Implement findings from governance commissions.
Natural disasters	**Medium** Recurring droughts for five subsequent years.	**High** • Domestic production, especially rain-fed agriculture.	• Continue taking out insurance against crop failure. • Build up fiscal and reserve buffers. Increase economic resilience to droughts and natural disasters.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline scenario within the next three years. "Low" is meant to indicate a probability below 10 percent, "Medium" a probability between 10 percent and 30 percent, and "High" a probability of 30 percent or more. The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risk may interact and materialized jointly.

Annex II. Capacity Development Strategy for FY 2020

The authorities aspire to transition to an ECF arrangement with the IMF, dependent on the successful implementation of the staff-monitored program for 2019. Technical assistance (TA) would play a critical role in fulfilling this aspiration. The capacity building program in The Gambia and the associated TA delivery are intertwined with surveillance and program priorities.

Overall Assessment of Capacity Development

1. As a fragile low-income country, The Gambia faces challenges in capacity and institution building, which are being addressed with tailored TA. Enhancing domestic revenue mobilization (revenue administration and tax policy), improving budget preparation and execution, will be essential to underpin debt sustainability and pave the way for a possible ECF arrangement. These key priorities will also require reforms to strengthen economic governance (public finance management systems) and improve real sector statistics, government, and external sector statistics, including, oversight of public enterprises and other public entities.

2. Program engagement has contributed to building capacity in The Gambia. However, there have been highs and lows regarding TA implementation. Key achievements include the following:

- Successful piloting of fiscal stress testing in 2017, which the authorities are now working to incorporate into their regular outputs;
- Rebasing of the GDP series (by the production approach) was completed in mid-2018, the Bureau of Statistics has back casted the new GDP series to 1994, and is working on the expenditure approach to support the development of a quarterly national accounts;
- Increased capacity to formulate medium-term economic fiscal, debt and financial policies under the previous SMP, including macroeconomic forecasts (2017–18);[1]
- Initiation of reforms to enhance financial reporting and monitoring of SOEs (2017–18); and
- Progress on reforms for customs administration, including risk management (2017–18).

TA implementation is being hampered by low capacity, data gaps (lack of relevant and timely indicators), poor data management and quality, and lack of data analysis. Also, knowledge of key processes remains with key individuals such that an increase in turnover of senior officials and technical level staff could compromise absorption capacity, TA delivery, and implementation. For example, the preparation of an MTDS is an area where the authorities have received extensive TA support, including from the IMF. Much of the problems with formulating the MTDS relate to external debt reconciliation with creditors, due partly to slow responses from the creditors and a pause in the follow-up by the authorities caused by a change at the helm of MoFEA. Domestic debt management is focusing on reducing rollover risks through the issuance of longer-term (3 and 5-year) securities.

[1] As in FY2019, key development in FY2020 will be authorities' ability to build stable medium-term projections through the year to inform the budget and debt management plans, and to provide a better handle of debt sustainability over the medium term.

Forward-Looking Priorities

3. The TA strategy for The Gambia should focus on revenue and customs administration, PFM—and cash flow forecasting, budget execution and governance —debt management, national accounts, tax policy, and enhancing the quality of macroeconomic data. In particular:

- Public investment management needs to be streamlined to ensure efficiency/transparency in investment project selections and monitoring to improve project prioritization consistent with debt sustainability. Therefore, a resident PFM advisor has been placed in the MoFEA.
- Enhance the revenue administration’s capacity and support GRA to develop a risk-based approach, with assistance from a resident tax administration advisor, and strengthen basic customs function in accordance with the post TADAT roadmap.
- Develop a database on SOE financial (IFRS) reports as well as debt and contingent liabilities information for estimating fiscal risks, including on a forward-looking basis (fiscal stress tests) for SOEs based on findings of the forensic special audits on key SOES.
- Enhance the existing quality of national accounts, CPI, BOP, monetary and fiscal statistics. TA will assist the authorities to finalize the analysis of the establishment survey, last conducted in 2015, and the rebasing of the national accounts and CPI.
- Financial sector TA is focused on further developing risk-based (bank and non-bank) supervisory capacity of the Central Bank to enable prompt early action against emerging risks. Close monitoring of potential financial sector vulnerabilities associated with commercial banks’ high exposure to the government and their exposures to SOEs is important. In addition, the IMF will continue to support the CBG through TA on foreign exchange market operations, monetary operations, and reserve management, including with AFRITAC West 2 engagement.

4. For FY 2020, key priorities and objectives include:

Priorities	**Objectives**
Tax administration	Expand tax base, strengthen enforcement, and reduce tax arrears.
Customs administration	Improve management and efficiency to deliver higher customs revenue.
Public Financial Management	Cash flow forecasting, strengthen budget execution and control, improve SOE oversight and conduct PFRAM.
Debt Management	Enhance MTDS formulation, implementation, debt recording and monitoring, including through migration to the Commonwealth Meridian system.
Statistics	National Accounts: Generate re-based series to 2017 and the backward series.
Dissemination of statistics	Implement e-GDDS (Gambia launched the summary under e-GDDS in June 2018).
Financial sector stability	Maintain financial sector stability through prompt, early action.
Medium-Term Economic and Fiscal Framework (MTEFF)	Improve fiscal management, including medium-term forecasts.

The main risk to capacity development remains weak absorptive capacity, which could be mitigated by carefully selecting and designing the TA programs to tailor to the local audience's need, continuing TA delivery based around the results-based management framework and regular follow-up on implementation.

Authorities' Views

5. The authorities agree with the thrust of the capacity development strategy. They consider that the strategy and objectives are appropriately formulated for the country and in line with the strategic priorities of the 2018–21 National Development Plan.

Appendix I. Letter of Intent

Banjul, April 27, 2019

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde:

1. We thank the International Monetary Fund (IMF) for its continued support of our economic reform agenda through sound policy advice and valuable technical assistance. With The Gambia still in a fragile situation, the IMF's support has helped to catalyze much-needed financial support from the international community and remains pivotal for fostering macroeconomic stability and accelerating reforms. The Staff-Monitored Program (SMP), which started in April 2017 ran its course through September 2018, yet our commitments to macroeconomic stability have continued to be informed by the progress so far made. In this context, we are requesting a new SMP, to help consolidate earlier gains and lay a sound track record for a possible ECF arrangement.

2. The Gambia's economic recovery continues at a good pace. Tourists are returning, and private sector activity in construction and services is picking up. Foreign exchange availability has increased with substantial external financial support and private inflows. The renewed confidence in the dalasi has facilitated the accumulation of international reserves. With this palpable sense of optimism about The Gambia's economic prospects and improved policy framework, growth momentum has strengthened, and consumer price inflation is on a downward trend.

3. Our performance under the previous SMP was affected by implementation challenges. Several policy missteps caused delays in the disbursements of budget support, which compounded the difficulties with meeting our fiscal policy targets in the second and third quarters of 2018. As a result, the end-September ceiling on central government's net domestic borrowing was missed by some 1.8 percent of GDP. The floor on poverty-related spending was also missed at end-September albeit by a small margin. On the positive side, the ceiling on the domestic assets of the central bank of the Gambia (CBG) and the floor on net international reserves were met. No new external payments arrears were accumulated, and no non-concessional debt nor short-term debt was contracted. We also made progress on the structural reform agenda. We met all structural benchmarks for end-September except the politically sensitive vehicle policy reform. The impact of its non-implementation is absorbed in the 2019 budget and will be moderated through vigilant management of our vehicle fleet and transportation allowances for civil servants.

4. Our debt sustainability outlook has improved partly due to the recent GDP rebasing, which reduced our public debt-to-GDP ratio from nearly 130 percent to less than 88 percent at end-2017. Nevertheless, debt service consumes a large proportion of our fiscal revenues and export earnings.

To reduce our debt vulnerabilities, we are seeking external debt relief from our plurilateral, bilateral, and private creditors and recommit not to contract external debt with grant element of less than 50 percent, and only for essential projects for which grant financing is not available. Maintaining fiscal discipline under the requested SMP will help put our public financing on a sustainable footing. We also plan to improve cost efficiency in state-owned enterprises (SOEs), to enhance the quality of service delivery, boost their net worth, curb domestic arrears, and avoid contingent liabilities on public resources.

5. By requesting the new SMP, we seek to consolidate recent macroeconomic gains and strengthen our commitment to fiscal discipline through enhanced domestic revenue mobilization and vigilant public financial management. In parallel, we will better prioritize and synchronize our investment and overall spending plans to bolster efficiency, while protecting priority social and infrastructure spending. We will strengthen oversight in SOEs, through strict compliance with reporting requirements and implementation of recommendations from recently completed special audits of the six SOEs that were included in the first batch of special audits initiated under the previous SMP and will soon extend them to the remaining seven SOEs. Monetary policy will remain active to curb inflation pressures, and banking supervision vigilant to promote healthy and inclusive financial intermediation.

6. The attached Memorandum of Economic and Financial Policies (MEFP) describes our policy commitments for the SMP, through end-2019. We will consult with the IMF staff prior to any revisions to the policies contained therein, in accordance with the IMF's policies on such consultations. We will provide to the IMF staff on a timely basis all information required to monitor the program and fully cooperate with the IMF to achieve our policy objectives. We undertake not to introduce or increase restrictions on payments and transfers related to current international transactions or impose or intensify any import restrictions that would worsen The Gambia's protracted balance-of-payments difficulties.

7. We agree to the publication of this Letter of Intent and the attached MEFP and Technical Memorandum of Understanding, as well as the IMF staff report related to our request for a Staff-Monitored Program. We hereby authorize their publication and posting on the IMF website in accordance with IMF procedures.

Sincerely yours,

/s/	/s/
Mambury Njie	Bakary Jammeh
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Banjul, April 27, 2019

This memorandum assesses implementation of The Gambia's Staff-Monitored Program (SMP) with the International Monetary Fund (IMF) covering the period from April 2017 through end-September 2018 and sets out economic and financial policy commitments to support our request for a new SMP for 2019. The new SMP is focused at consolidating the macroeconomic gains so far attained and other policies necessary for establishing a sound track record for an ECF arrangement.

A. Background

1. **Since the transition to a democratically elected government, The Gambia has made progress in addressing its socio-economic challenges**. The political situation remains calm, but expectations are high as Gambians seek their share of socio-economic gains and call for more inclusive growth. With the civil society, unions and private sector increasingly vocal in expressing their interests and aspirations, the utmost responsibility of the Government of The Gambia is to ensure the pace of reforms in support of economic adjustment on the road to prosperity.

2. **Tackling our tenuous public debt situation remains a key economic policy challenge**. Entrenching debt sustainability is critical to give The Gambian authorities the flexibility needed to develop the economy and counteract the exogenous and weather-related shocks that The Gambia is exposed to, being largely dependent on rain-fed agriculture, tourism, and trade. Estimated at 87 percent of GDP in 2018, the public debt burden remains large. In addition, the public finances are heavily exposed to contingent liabilities, notably from SOEs, which are yet to be fully quantified.

B. Recent Economic Developments

3. **The Gambia's economic growth has strengthened, while inflation moderated**. Following a recovery from 0.4 percent in 2016 to 4.6 percent in 2017, growth reached an estimated 6.6 percent in 2018. Key drivers included a rebound in tourism and private sector activity in construction, trade and other services. Credit to the private sector, which declined by 2 percent in 2017, expanded by 33 percent in 2018. Reflecting relative stability in the dalasi, abundant food supply, and a softening of global oil prices, headline inflation, which peaked at 8.8 percent in January 2017, declined to 6.4 percent at end-2018, and further down to 6.2 percent in February 2019.

4. **The external position also benefitted from rebounding confidence and support of development partners**. The current account deficit declined from 11 percent of GDP in 2017 to an estimated 10.4 percent in 2018, despite increased imports to support the rebound in construction, agriculture, and tourism. The overall balance of payments remained in surplus in 2018, continuing the surplus attained in 2017, due to donor disbursements for project and budget support, and increases in remittances and foreign direct investment. These positive developments supported a

continued expansion in gross official reserves, which at end-2018 reached 3.0 months of fast-growing imports of goods and services.

5. **Budget execution in 2018 was affected by domestic challenges and a shortfall in budget support**. Preliminary data indicate that domestic revenue in 2018 was 0.3 percent of GDP lower than the projection made at the second SMP review, mainly because of weaker than expected tax revenue. Nontax revenue exceeded the projected level by 0.4 percent of GDP helped by the implementation of the Treasury Single Account (TSA), which enabled a better capture of nontax revenues that were not previously recorded by the treasury. At the same time, expenditure pressures developed in the second half of the year, stemming from non-disbursement of anticipated budget support (creating a revenue shortfall of 3.5 percent of GDP) and spending overruns, including due to (i) lack of progress on the vehicle policy reform; (ii) travel expenses; (iii) unanticipated increases in foreign embassy staff; and (iv) injections of support to SOEs and transfers to subvented agencies. In the last quarter of the year, we initiated measures to rein in spending, including through travel bans and other expenditure-cutting measures (such as freezing expenditure on celebration of events, except Independence Day). These measures helped contain the overall fiscal deficit to 6.3 percent of GDP (compared to the program projection of 2.6 percent of GDP). As a result, the net domestic borrowing (NDB) by the government in 2018 reached 3.4 percent of GDP, based on the program definition of NDB, or 4.1 percent of GDP, including the balances transferred to the TSA corresponding to the previously unrecorded nontax revenues collected before 2018.

6. **The bulk of the spending overruns has been regularized through a supplementary budget appropriation (SAP)**. In late December, we submitted to parliament a request in the amount of 1.1 billion dalasi (1.4 percent of GDP) to cover (i) additional personnel emoluments resulting from increases in vehicle and transport allowances (203.7 million dalasi), (ii) operational costs of newly established commissions (236.1 million dalasi), (iii) external obligations to international organizations (226.4 million dalasi), (iv) maintenance of newly opened foreign embassies and allowances to related staff (65.9 million dalasi), and (vi) transfers and subsidies to support the operations of the National Food Security Processing and Marketing Corporation (NFSPMC, formerly Gambia Groundnut Corporation, GGC) and NAWEC (for settlement of confirmed debt and arrears to MDAs) (402.6 million dalasi). Of this request, The National Assembly approved 562 million dalasi: (i) 159 million dalasi in personnel emoluments for ministries of defense, interior, and basic and secondary education; and (ii) 403 million dalasi in subsidies for the GGC and NAWEC, which in the event were used to amortize their credits outstanding to the Islamic Trade Finance Corporation (ITFC). The amounts that have not been approved in the SAP were handled through a reallocation of budget credits. Preliminary data on the 2018 budget execution indicate that no new domestic arears were accumulated in 2018.

7. **Monetary policy gained traction in the context of strong foreign exchange inflows and rapidly expanding credit**. The dalasi has remained relatively stable since September 2018, depreciating by only 3.2 percent (year-on-year) as of end-January 2019. Despite a shortfall of US$55 million in budget support, the CBG boosted its gross reserves from US$144 million at end-

2017 to US$157 million at end-2018—broadly as projected under the program—and further to US$195 million at end-January 2019, following the disbursement of budget support from the EU and bringing import coverage of prospective imports to an estimated 3.0 months. To bolster the effectiveness of its liquidity management, the CBG introduced in October 2018 its own bills at the short end of the market (14, 28 and 56 days) for monetary policy purposes, effectively separating the policy instrument from the Treasury financing instrument (T-Bills). Guidelines on the nature and operation of this new instrument were circulated to commercial banks prior to its commencement. In view of these benign developments and weakening inflation expectations in the context of softening global oil prices and positive domestic business sentiments, the CBG reduced its policy rate by 100 basis points to 12.5 percent in its recent monetary policy committee meeting on February 28, 2019. It kept the rate on its deposit facility at 2 percent and increased the reserve maintenance period from one week to two weeks, with full averaging, and maintained the lending facility rate at 100 basis points above the monetary policy rate. The CBG continues to critically assess the rapid expansion (at 33 percent, year-on-year as of end-2018) of private credit. The banking system remains well capitalized, liquid, and profitable, with non-performing loans relative to gross loans at 3.3 percent at end-2018. Meanwhile, the CBG is strengthening banking supervision, to act promptly on risks to financial intermediation, particularly in view of banks' increasing appetite for real estate lending in the face of a decline in treasury bill rates.

C. Performance under the Staff-Monitored Program

8. All but two out of eight quantitative targets for end-September were met (Table 1). The ceiling on central government net domestic borrowing (NDB) was missed by 1.8 percent of GDP mainly because of difficulties in re-phasing discretionary spending when a substantial amount of budget support (1.3 percent of GDP) was postponed. In the process, our spending on poverty-reducing activities fell short of its program floor by some 0.3 percent of GDP. In contrast, the ceiling on the CBG net domestic assets and the floor on its international stock of international reserves were met (both with comfortable margins), along with the zero-ceilings on new external payments arrears, non-concessional debt, and the stock of public short-term debt.

9. Progress on the structural agenda was challenged by political pressures and capacity shortfalls (Table 2). While all but one benchmark (submission of the Medium-Term Economic and Fiscal Framework, MTEFF) for end-September were observed, two measures earmarked for end-June were not carried out as anticipated. The missed two benchmarks for end-June, comprised (i) implementation of the vehicle policy reform, and (ii) institution of debt reconciliation with our external creditors; while implementation of the former was challenged by political pressures and weak motivation stemming from relatively low remuneration. The latter was started but not completed as the minister and other top-level personnel were changed. On the positive side, two structural benchmarks for end-June and end-September were met; an amended CBG bill was submitted to the National Assembly as anticipated and was passed at end-July, and the CBG audit was completed in September (with an interim management letter issued in October). In parallel, the ministry also implemented successfully a set of measures aimed at the establishment of a Treasury

Single Account (TSA) and launched special audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC), which were concluded in February 2018.

D. Macroeconomic Policies and Structural Reforms

10. Pursuit of macroeconomic stability supported by progress on our structural reform agenda is our key near-term objective. In this regard, building on the early gains in macroeconomic stability, we will (i) put public finances on a sustainable path, as outlined in the 2019 budget, consistent with debt sustainability, while allowing adequate spending on urgent infrastructure and poverty-reducing initiatives; (ii) pursue external debt relief from our bilateral, plurilateral, and private creditors to support our efforts to strengthen debt management; (iii) strengthen monetary policy operations and oversight of the financial sector, to mute inflation pressures and bolster healthy financial intermediation; and (iv) continue to strengthen governance (especially in SOEs) to enhance efficiency in public service delivery, while countering corruption and rent seeking and ensuring a sound business environment for private sector development.

11. The positive growth momentum is expected to continue in 2019, the external position to strengthen, and inflation to decline further toward the medium-term target of 5 percent. We expect economic growth of nearly 6 percent in 2019 driven by thriving construction and tourism sectors and supported by the implementation of public projects, and a steady improvement in the provision of electricity. Private sector growth will also be helped by a strong growth of credit, projected at about 20 percent (from a low base), enabled by comfortable bank liquidity reflecting the expected continuation of foreign exchange inflows. We also intend to capitalize on the continued strong inflows of foreign exchange and abundance of budget support to increase the CBG's gross reserves to above 3 months of prospective imports. With inflation expectations anchored on the medium-term target of 5 percent, inflation is projected to moderate further to about 5¾ percent by year's end, despite the expected temporary pressures from public wage increases.

Fiscal Policies for 2019 and Public Financial Management Reforms

12. To shore up fiscal sustainability, we intend to reduce reliance on domestic borrowing while strengthening the focus on development spending. The 2019 budget projects a domestic primary deficit (excluding budget support) of 4.9 percent of GDP, that is 0.7 percent of GDP higher relative to 2018. The projected disbursements of budget support (3.9 percent of GDP), which excludes 1.5 percent of GDP from the EU that was approved in 2018 and disbursed in early 2019 and an additional 0.3 percent of GDP in budget grants pledged by AfDB, is expected to enable a significant reduction in the domestic borrowing requirement and public debt-to-GDP ratio, if budget implementation adheres to the stated deficit objective. The budget foresees a 50-percent increase in the basic wage rate, bringing the public wage bill to a projected 4.8 percent of GDP, while other current spending is assumed at 4.3 percent of GDP (i.e., 0.5 percent of GDP higher than in 2018). Regarding investment spending, the budget assumes an increase in the implementation of foreign-financed projects from a 7.1 percent of GDP in 2018 (as estimated on a preliminary basis) to 16.6 percent of GDP in 2019, of which 70 percent grant-financed and the remainder financed from the existing project loans pipeline geared toward priority areas, with 1.2 percent of GDP in domestically-financed investment spending.

13. We are stepping up domestic revenue mobilization through revisions in excise rates, user charges and fees. To this effect, we aim to increase domestic revenue intake from GMD 9.5 billion (12.1 percent of GDP) in 2018 to GMD 11.9 billion (13.6 percent of GDP) in 2019, out of which GMD 10.4 billion (11.9 percent of GDP) from tax revenues. This is expected to build on the good revenue performance in 2018 and supported by the following measures with expected yield of some 1 billion dalasi (of which 0.7 billion in tax revenue):

- increases in excise tariffs on new cars (a 5-pp. increase to 25 percent) and income tax rates on commercial rentals (a 5-pp. increase to 15 percent);
- higher ad valorem excise taxes on domestically produced alcoholic drinks (from 10–5 percent to 60–75) and increased per liter charge on the imported equivalents (from 100–175 dalasi to 175–240);
- revisions in user fees and charges, some of which have remained unchanged since 1977, including for marriage registration, deeds, rentals of state lands, and development permits;
- full enforcement of capital gains tax on land and real estate sales, which will be paid henceforth through the banking system; and
- revenue administration measures to strengthen GRA's performance (see below).

We recognize the implementation risks associated with the revenue measures and other challenges involved in attaining the fiscal objectives enshrined in the 2019 budget. Consequently, we have strengthened the package of fiscal measures by an additional 0.6 percent of GDP. Of this amount, 0.2 percent of GDP will come from revenue measures, notably, the imposition of a fuel levy of 1 dalasi per liter and adjustment of ECOWAS contributions, which appear to have been overstated in the previous fiscal year. The remaining 0.4 percent of GDP will come from the rationalization of expenditure on goods and services and non-priority capital spending. The implementation of these measures will help ensure the maintenance of the budgetary contingency against spending that were not foreseen in the 2019 budget (e.g., subsidy needs of SOEs, see ¶29 below) while keeping to the net domestic borrowing targets under the requested SMP.

14. We will strengthen tax and customs administration, to support our revenue mobilization efforts. In this context, we will undertake the following measures by end-June 2019: (i) verify and update our large taxpayer database, using appropriate third-party data and results from our data cleansing project; and (ii) empower a risk management committee within the GRA with appropriate terms of reference (Table 4). We will also conduct two risk-based post-clearance audits of high-risk businesses in accordance with the GRA's post-clearance audit (PCA) manual (structural benchmark for end-December 2019). Further, our broader reform agenda, which is aimed at enhancing the efficiency of our tax collection and strengthening compliance enforcement, will be guided by the recommendations of the IMF's Tax Administration Diagnostic Assessment Tool (TADAT) mission of April 2018 and subsequent follow-up TA. Regarding nontax revenue, we aim to implement measures carried over from 2018, including sales of land and mobile assets such as presidential planes and cars, the recovery of stolen assets (both domestically and abroad), and prospective divestment from commercial banks and public enterprises. We will vigorously pursue international voice gateway receipts and adjust regularly, in line with our fuel price adjustment mechanism, domestic petroleum prices to reflect changes in global fuel prices.

15. The 2019 budget features incentives and measures to foster accountability and efficiency in public service delivery. The budgetary impact of a 50-percent increase in basic wages will be moderated by re-assessing our membership in nonfinancial international organizations, and streamlining the number of our embassies and their staff abroad, which will reduce the public wage bill by 0.3 percent of GDP on a recurrent basis (of which, 0.1 percent in 2019 with the implementation envisaged starting in mid-year). To this effect, we have started to revoke the appointments of embassy staff that were posted in 2018 without proper budget authorization and will repatriate these staff before end-June 2019. We intend to revisit the vehicle policy reform (a missed structural benchmark for end-June 2018 under the previous SMP) and adopt a more efficient vehicle fleet management procedure. Concrete measures in this area will be fleshed out by June and their key components reflected in program conditionality at the first SMP review. The budget also features a progressive clearance of audited domestic arrears to suppliers of GMD 262 million that were validated by the internal audit in April 2018. To prevent a re-emergence of arrears in the future, we are strengthening internal audit, commitment controls, and accountability of officers for willful breach of appropriated allocations. Over the medium term, we will seek to launch a comprehensive reform of the civil service following completion of ongoing public expenditure reviews (including in the security sector) being undertaken with the assistance of our international partners. We recognize that our revenue objectives set out in the 2019 budget will be difficult to attain, especially if insufficient progress in discussions on debt relief holds back a large share (about 2 percent of GDP) of multilateral budget support. A resolute effort will be needed to align budgetary spending to available resources and to meet the NDB target of 2 percent of GDP under the proposed SMP.

16. We envisage further reforms in public financial management (PFM) to strengthen expenditure control and cash management, and intent to expedite the audits of the public accounts. We established a Treasury Single Account (TSA) in 2018 to help provide a unified structure of government bank accounts and ensure optimal management of government cash balances, and to smooth borrowing. We also strengthened coordination between MoFEA and the CBG, to improve the projection of our domestic borrowing needs, liquidity forecasting and cash management. To link the civil service payroll directly to government personnel records (which will allow for the addition of the Human Resources Module to IFMIS) and mitigate the risk of a recurrence of ghost-workers, the Accountant General's Department and the Personal Management Office (PMO) will migrate to EPICOR-10 by mid-2020. These institutional improvements will support our plans to institute frequent cash management meetings (i.e., at least monthly and at any time in between should unexpected pressures arise) to ensure better budget execution in line with the quarterly domestic borrowing targets (structural benchmark for April 2019). Efforts are underway to expedite the audits of the public accounts. The Auditor General completed the audit of the 2016 public accounts of The Gambia and submitted the related report to the National Assembly in March. The audits of the 2017 and 2018 public accounts are expected to be completed by the end of the year. The key adverse findings from the audit of the 2016 accounts pertained to the treatment of arrears, imprest accounts, and payment vouchers.

17. We are working to improve the timeliness and consistency of fiscal reporting. Persistent inaccuracies and delays in statement of government operations and an absence of reconciliation of government accounts hinder budget execution reporting and planning. To address these deficiencies, we are working to coordinate across MoFEA departments to ensure high frequency monthly and quarterly reporting on a timely, consistent and accurate basis. This requires increased monitoring and recording of transfers between government accounts with commercial banks (e.g. scanning fee receipts) and the TSA needed for reconciliation of revenues and financing requirements. As part of this effort we endeavor to improve timeliness in reporting of project grants and loans, are being recorded with significant delays, through more frequent engagement with project managers and donors. We also recognize the need for co-ordination between the CBG, MoFEA, Ministry of Foreign Affairs and the NGO Affairs Agency, to increase the coverage and quality of data recording on international aid flows, which would also contribute to increasing the reliability of balance-of-payments data.

18. We continue to attach high priority to poverty-reducing spending and are working with our development partners to improve their targeting. Our efforts to reduce extreme poverty as expressed in the NDP continues to be characterized by the need to adopt policies and programs to support vulnerable households, to promote efficient labor markets, and to equip households with the means to protect themselves from loss of income. We increased poverty-reducing spending, as defined under the previous SMP and reported in our IFMIS, from 3.4 billion dalasi (4.9 percent of GDP) in 2017 to 4.4 billion dalasi (5.6 percent of GDP) in the 2018 budget and implemented 93 percent of it despite expenditure adjustments in the context of lower budget support and unanticipated spending pressures. In the 2019 budget we increased this envelope to 5 billion dalasi (5.7 percent of GDP). In the coming years, we will refine our targeting of vulnerable households and monitor the implementation of a more narrowly-defined concept of poverty-reducing spending, encompassing such programs as school feeding and youth empowerment, social production services, and other initiatives to support livelihoods and strengthen food and nutrition security. We will continue to refine these initiatives, including to develop a Social Registry, to provide a common gateway for inclusion of the poor and vulnerable in programs that aim to reduce economic and social vulnerabilities. To this effect, we are following the National Social Protection Policy and Implementation Plan adopted in 2015, established a new Ministry of Women, Children and Social Welfare in early 2019, and plan to support a Social

Protection Secretariat to better coordinate our social protection interventions and improve their effectiveness.

19. We have resumed the work on a medium-term economic and fiscal framework (MTEFF), to complete it in time for the preparation of the 2020 budget. The MTEFF will be consistent with our medium-term debt strategy (MTDS) and will feature reasonable expectations on the pledges from the International Conference of May 2018 in support of our National Development Plan (NDP). We plan to submit the MTEFF to cabinet for approval by end-June 2019 (structural benchmark). The MTEFF will help in the formulation of the 2020 budget and aligning it with the implementation of the NDP. Notably, it will allow us to reduce fiscal and debt vulnerabilities in the near to medium term, while also meeting critical social and poverty-alleviating needs, and energy and infrastructure priorities. Relatedly, we recognize the need to improve the budget preparation process in line with the procedures prescribed in the Public Finance Act and accompanying regulations.

Securing Debt Sustainability

20. Our tenuous public debt position calls for broad-based improvements in debt management. To this effect, we are expediting formulation and implementation of our medium-term debt strategy (MTDS) and the associated Borrowing Plan. The MTDS is currently being updated and will encompass further maturity lengthening of domestic debt and the outcome of the ongoing discussions with our external creditors on possible debt relief. In this context, and in addition to our efforts to minimize resort to domestic borrowing, we will also refrain from contracting of non-concessional debt and seek mainly grant financing for priority projects. The resultant reduction in the public debt will create room for private sector credit expansion to support further growth. To better monitor external debt, we will reconcile with our creditors their outstanding claims as of end-2018 (structural benchmark) and prepare regular semi-annual reports on debt commitments, agreements, and disbursements (structural benchmark). We are migrating our public debt recording systems to Meridian, supported by TA from the Commonwealth Secretariat, which should support our attempts to enhance monitoring of SOE debts and other contingent liabilities.

21. We remain committed to achieving debt sustainability notwithstanding our difficult legacy position. In this regard, we commit not to contract additional external debt except a few highly concessional loans (with grant element of at least 50 percent) for projects of special importance, until the IMF–WB DSA shows that there is enough space for less concessional loans. We are pursuing debt relief from our official creditors, and we have hired financial and legal advisors that are helping to coordinate the process and to ensure it proceeds on a sound legal basis (prior action). The advisors submitted a report on their initial discussions with our creditors to MoFEA in late February, and their mandate has been subsequently extended. Saudi Arabia responded favorably in early 2018 to our appeal for debt relief with a restructuring agreement consisting of a four-year extension of both the grace and maturity of the principal, covering the period January 1, 2018 to December 31, 2021. Most other bilateral creditors (Kuwait, India, UAE and Venezuela) have also expressed their willingness to participate in a restructuring. Among our plurilateral creditors, the Islamic Development Bank (IsDB), OPEC Fund for International Development (OFID) and Arab Bank for Economic Development in Africa (BADEA) have also indicated that they would be prepared to restructure, although the IsDB is still exploring how this request can be accommodated within its policies. Preliminary indications from the roundtable discussions with our main creditors during the IMF-World Bank Spring Meetings are that most creditors would be willing to provide some form of debt relief, while some creditors called for ensuring a comparable and coordinated treatment. The creditors agreed to continue discussions with a view to reaching a decision by end-June 2019.

22. We are strengthening monitoring and controls around the trade credit facilities contracted with the Islamic Trade Financing Corporation (ITFC) on behalf of SOEs. Three revolving facilities with the ITFC provide up to US$70 million in short-term financing to NAWEC, GNPC and NFSPMC (formerly GGC) for imports of fuel and fertilizer, and purchases of groundnuts from domestic farmers. We are cognizant that the usage of this credit must be carefully monitored as defaults by SOEs on any of these facilities, as occurred in late-2018, can be highly disruptive, resulting in a suspension of the entire portfolio of IsDB Group financing in the country. The facilities also pose large fiscal risks and have contributed to weak budget discipline at the SOEs, through reliance on government subsidies for repayment. Under a potential future ECF arrangement, we recognize that these facilities would likely be included in a continuous performance criterion on external arrears. Given these risks, we intend to eliminate our reliance on these facilities once the current arrangement expires. In the near-term, reporting of all disbursements and repayments to MOFEA has been made a condition for SOEs’ continued use of these facilities, and we have introduced escrowing arrangements to ensure that resources for repayment are mobilized ahead of time.

23. Continued prudent debt management is required, in view of risks associated with the large public debt and the need to accommodate development financing requirements. We will also refrain from extending government guarantees or assuming other contingent liabilities, including for SOE operations. We are also committed to following due process and applying closer scrutiny to the selection of investment projects within the framework of the ministerial Investment Implementation Task Force which will be convened shortly. We have requested an IMF Public Investment Management Assessment (PIMA), to help guide our project planning, allocation (including appraisal and selection), and implementation, and facilitate the development of our borrowing plan, encompassing all external financing. We also intend to consult in writing with IMF staff before contracting or guaranteeing any new external loans, guaranteeing any new external or domestic loans to SOEs, or entering into contingent liabilities of any other kind such as those related to public-private partnerships (PPPs) or power purchasing agreements (PPAs).

Monetary Policy and Financial Intermediation

24. We will continue to strengthen the balance sheet of the CBG to enable appropriate use of its policy instruments. In keeping with the IMF safeguards recommendations, an audit of the CBG was conducted jointly by a local auditor and a large international audit firm with central banking experience (a structural benchmark completed at end-September 2018). The CBG will publish by end-May its audited FY2017 financial statements once adopted by the National Assembly (structural benchmark). It has appointed an international audit firm that will partner with a local firm to audit the FY2018 financial statements (prior action) in accordance with international standards. The audit of the FY2018 statements is expected to be completed significantly faster than the audit of the FY2017 statements, building on that prior experience, so that the audited FY2018 financial statements will be published by end-September 2019 (structural benchmark). Following the recommendations of the 2017 audit, particularly regarding the impairment of the CBG balance sheet, the CBG and MoFEA agreed on August 27, 2018 to increase the interest rate on the CBG-held 30-year bond from 5 percent to 7 percent. This comes on the heels of a strengthening of instrument independence and autonomy of the CBG in the context of a revision of the CBG act in early 2018. We will adhere to a continuous zero limit on new credit from the central bank to government at below-market interest rates, and any such credit will need to be repaid by the end of the year. The Ministry of Finance and Economic Affairs will increase the capital of the CBG to the minimum GMD 1 billion envisaged in the Central Bank Act, through the issuance of government securities at interest rates appropriately benchmarked on the local T-Bill market. These securities will be cashed by the CBG as they mature. A memorandum to this effect has been signed by MoFEA and the CBG on April 17, 2019. The value of these securities will be excluded from the program definition of net domestic borrowing. Proceeds from the sale of the government's stake in the intervened bank could be used to partially cover the redemption of the bonds.

25. The CBG will pursue a prudent monetary policy while remaining committed to a flexible exchange rate policy. The CBG will continue to rely on the interest rate as a policy instrument and will progressively narrow the interest corridor to ensure that CBG-bill rates provide an anchor for the interbank money market. While setting the policy rate (effectively, the 14-week CBG-bill rate, to be primarily used to ensure adequate liquidity within the reserve maintenance period) based on its inflation target, the CBG will also take into consideration its impact on the build-up of foreign assets from strong autonomous balance-of-payments inflows and the exchange rate movements. In this context, the CBG will be mindful of the need to prevent large deviations of the real exchange rate from the equilibrium level, which has likely appreciated in the wake of the optimism regarding The Gambia's economic prospects. This will be examined in consultation with Fund staff during the forthcoming Article IV discussions. In the meantime, the CBG will refrain from intervening in the foreign exchange market except to ensure orderly market conditions or purchase foreign exchange to meet its needs for external obligations.

26. The CBG is enhancing liquidity forecasting and management capabilities to support monetary policy. It is utilizing new liquidity forecasting and monitoring templates developed with Technical Assistance from AFRITAC West 2 and has dedicated a database specifically for liquidity forecasting purposes. Continued TA support from AFRITAC West 2, supported by the EU-financed resident PFM advisor at MoFEA, is expected to help refine the CBG's liquidity forecasting and operations in coordination with effective use of the monetary policy rate and other instruments for liquidity management.

27. We are strengthening banking supervision to support healthy financial intermediation. The financial sector remains well capitalized, profitable, and with low non-performing loans (at 3.3 percent of gross loans at end-2018). High bank-sovereign exposures, declining interest rates, and the prospects of rapid expansion of private sector credit (particularly for real estate activities) entail risks that merit vigilant supervision. Accordingly, the CBG is transitioning to risk-based supervision with the support of Fund TA, to focus supervisory resources on areas that are judged to be highly susceptible to risks. The CBG is strengthening its crisis management capacity and is upgrading the bank resolution framework and devising strategies to handle bank crises. Within the scope for this work, we are building adequate safety nets and a deposit insurance scheme, for which we have requested TA.

Governance and Public Service Efficiency

28. We are strengthening financial oversight of SOEs and working to improve their governance. Findings and recommendations from the special audits of SOEs, which have been referred to the concerned SOEs for their comments and will subsequently be discussed by cabinet, will inform our renewed approach to governance and financial management of these enterprises with the support of development partners. In parallel, we will complete the validation of audited domestic arrears (including cross arrears between SOEs and the government) and prepare a strategy with explicit timelines for the clearance of legitimate claims (structural benchmark for June 2019). The public utility, NAWEC, has started to implement actions detailed in the action plan adopted by the NAWEC Board on February 28, 2019. Its organizational restructuring process is also underway and will be led by NAWEC Board and supported by a service contractor. Regarding GAMTEL/GAMCEL operations, the results from an options study completed in late 2018 will inform modalities for repositioning these enterprises for more efficient communication services delivery. A cabinet decision to this effect was taken on February 21, 2019. We are working on efficient management and use of the Gambia National Broadband Network (GNBN) and related networks (such as the ECOWAN), to ensure adequate resources to meet the debt service costs associated with the China Exim-Bank loan contracted in 2018. For GNPC, we intend to progressively re-orient its operations toward representing the state in upstream activities in the oil industry and developing capacity in this area. We will also enforce the SOEs' compliance with monthly, quarterly and annual reporting requirements, compile a database of SOE financial data and document the terms of all domestic debt issued by SOEs, drawing on TA from development partners. We are cognizant of the political challenges involved in implementing a comprehensive SOE reform and intend to seek support and guidance for it from the highest executive level of the government.

29. We commit to ensuring a realistic minimum level of financial support to SOEs to help ensure reliable and adequate provision of public services. In the 2019 budget, we have provided a contingency of GMD 500 million (0.6 percent of GDP) for the clearance of domestic interagency arrears and other large fiscal pressures, notably from the SOEs. A large part of this contingency (GMD 350 million) has already been used in 2019 to clear arrears of the NFSPMC to ITFC, incurred after the 2018 groundnut campaign. Going forward, we commit to reconstituting this contingency through expenditure restraint to enable us to meet the budgeted schedule for the clearance of arrears and any additional unbudgeted subsidies to SOEs.

30. We are committed to good governance, fighting corruption and improving the environment for private sector development. Noting that The Gambia's ranking on the Ease of Doing Business has dropped in 2018 (after a remarkable improvement in 2017), we are stepping up efforts to address the key factors weighing on the business climate. To this effect, efforts are under way to address our sizable energy gap in a sustainable manner, adhering to the established energy roadmap. We will also seek to deepen the financial sector while safeguarding financial stability, streamline and improve the business regulatory environment, and strengthen our governance and anti-corruption efforts. In this regard, we fully supported the work of the Janneh Commission of Inquiry in the execution of its statutory functions and we will implement the recommendations from its report, which has been finalized in March 2019 and submitted to the Office of the President for review. It is intended that the Janneh Commission findings and recommendations will be summarized by the Ministry of Justice and published in a White Paper within three months from the issuance of the report. The closure of this process will serve as a basis for initiating the recovery of assets stolen by the former president and his close associates. The Government of The Gambia is also implementing a set of justice sector reforms to align the governance architecture with best practice, including the establishment of a Truth, Reconciliation and Reparations Commission; Constitutional Review Commission; and Human Rights Commission. We are in the process of establishing an Anti-Corruption Commission, with assistance of the UNDP. We will also enforce strict adherence to our procurement processes across MDAs and SOEs, guided by the value-for-money principle and consistent with our procurement legislation.

31. Legislative revisions are under way to enhance efficiency and good governance at the SOEs. With the private sector expected to play a significant role in financing the NDP, we have revised our PPP Law with the support of *Expertise France* and international financial institutions. Subsequently, we will submit the draft law for parliamentary approval after cabinet review expected in June 2019. We also plan to conduct an assessment using the PPP Fiscal Risk Assessment Model (PFRAM), with the focus on identifying and addressing the risks involved in PPPs. In the context of the ongoing SOE reforms, we are revising the SOE law, which we plan to submit to the National Assembly by end-June 2019. We recognize that the implementation of this critically important law, which, among others, is intended to abrogate executive prerogatives of the President in relation to

SOEs introduced under the previous regime, will require transitional arrangements until constitutional amendments are passed to align the law and the constitution in this area. In the meantime, the MoFEA, which represents the State as an owner on SOE Boards will make every effort to ringfence the SOEs' day-to-day operations from executive directives and political interference in the appointments of Board members. We recognize that this will require support from the highest political level. Further, with the prospects for the oil sector quite promising, we will seek to learn from best practice and implement a sound and transparent legal framework for the management of prospective oil revenues. Our efforts in this area are being supported by TA from the IMF and other development partners.

Table 1. The Gambia: Quantitative Targets for 2017–18

(Stocks; unless otherwise indicated)

	2017	2018									
		March			June			Sept.			Dec.
	Actual	**Prog.**	**Actual**	**Status**	**Prog.**	**Actual**	**Status**	**Prog.**	**Actual**	**Status**	**Prel.**
Indicative quantitative targets											
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	-1,097	526	466	**Met**	450	897	**Not Met**	450	1,873	**Not Met**	2,623
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,104	10,707	6,835	**Met**	8,000	7,727	**Met**	8,000	7,211	**Met**	7,335
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	91.2	78.8	112.2	**Met**	105	109	**Met**	95	108	**Met**	124
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	25	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	413	0	-597	**Met**	0	373	**Not Met**	0	-73	**Met**	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	3,356	949	992	**Met**	2,018	2,003	**Not Met**	3,163	2,920	**Not Met**	4,085
Memorandum Items:											
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	3,455		0		360	360		360	360		815
Base Money (GMD millions)	9,796		10,448		10,953	11,335		11,531	10,998		11,849
Exchange Rate (GMD/USD)	47.88	45.39	47.26		45.39	47.43		45.39	49.47		49.48

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates of GMD 45.39/US dollar and relevant cross rates.

[4] Monitored on a continuous basis.

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) on non-market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 2. The Gambia: Proposed Indicative Quantitative Targets for 2018–19

(Stocks; unless otherwise indicated)

	2018	2019			
	Dec.	April	June [6]	Sept.	Dec. [6]
	Prel.	Program			
Indicative quantitative targets					
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	2,623	500	1,000	500	1,750
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,335	7,297	7,336	6,486	7,235
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	124	130	120	140	140
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	0	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	0	0	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	0	0	0	0	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	4,085	1,000	2,000	4,000	5,000
Memorandum Items:					
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	815	1,420	1,420	3,038	3,038
Base Money (GMD millions)	11,849	12,807	12,625	12,502	12,960
Program Exchange Rate (GMD/USD)	49.48	49.48	49.48	49.48	49.48

[1] The proposed targets to be adjusted by the dalasi equivalent of the excess/shortfall of external budget support grants, subject to the limits specified in TMU ¶2.

[2] The proposed targets to be adjusted by the US dollar equivalent of the excess/shortfall of external budget support grants, subject to limits in TMU ¶9.

[3] Measured at the GMD/US dollar exchange rate and cross rates at December 31, 2018.

[4] Monitored on a continuous basis.

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

[6] Test dates for reviews of the SMP.

Table 3. The Gambia: Structural Benchmarks, 2018			
Measures	**Desired Results**	**Timing**	**Status**
Minister of Finance to authorize cancelation of the previous (local) tender for the special purpose audits of 5 key SOEs.	Enable the appointment of an auditor of international renown to perform special purpose audits of 13 SOEs.	Prior Action	Met. Audit contracts signed in early November.
TSA and Segregation of Accounts (PFM Reform and Monetary Architecture)			
MoFEA to inform Ministries and CBG about establishing TSA Implementation Committee.	TSA Implementation Committee meets on a monthly basis to review implementation of TSA action plan/roadmap.	End-June 2018	Met. TSA committee established. Meetings commenced May 11.
AGD to produce inventory of bank accounts used for the TSA.	Inventory of bank accounts allows to define the perimeter of TSA.	End-June 2018	Met.
CBG to separate and ringfence from TSA the account for operations in T-bills used for liquidity management.	Funds obtained from liquidity absorption by CBG use of T-bills not available for government financing.	End-September 2018	Met.
Adopt improved liquidity templates for liquidity forecasting purposes and use for liquidity absorption/injection operations.	Using new liquidity templates provided by Fund TA to determine size of monetary operations.	End-September 2018	Met.
Debt Monitoring and Recording			
Minister of Finance to institute a semi-annual (June and December) debt reconciliation exercise with external creditors.	Reliable and complete information on end-year starting with end-2017, and mid-year debt stocks available within 8 weeks of period end.	End-June 2018	Not Met.
Addressing fiscal risks related to SOEs			
Issue tenders for the audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC).	Audit tenders to be issued for six key SOEs. The measure aims to address fraud, uncover hidden liabilities, prevent embezzlement of funds and stop leakages through governance changes. Audit engagement letters are to be signed with a reputable international audit company.	End-July 2018	Met. Audit contracts have been signed.
Validate all cross and payment arrears between government and SOEs by Office of Internal Audit.	Audit of payment and cross arrears between SOEs and government completed, final validation required. Clearance to start and be completed over 2018–20.	End-September 2018	Met.
Safeguards			
Submit draft amendments to the CBG Act - in line with safeguards assessment recommendations - to the National Assembly.	Align the central bank law with leading practices to strengthen the bank's autonomy and governance arrangements.	End-June 2018	Met. The CBG bill, submitted on time, was enacted on July 31, 2018.

Table 3. The Gambia: Structural Benchmarks, 2018 (concluded)

Measures	Desired Results	Timing	Status
Finalize the 2017 CBG statutory joint audit.	Joint audit (external and domestic auditors) complete a draft form which highlight the key issues for safeguard purposes.	End-September 2018	Met. Draft report submitted.
Fiscal Policy and Planning			
Implement Vehicle Policy Reform.	Implementation of agreed vehicle policy in the 2018 Budget Law.	End-June 2018	Not Met. Implementation started only in a few MDAs.
MoFEA to submit to cabinet an MTEFF consistent with the MTDS, NDP and May donor conference outcomes.	MTEFF serves as a credible anchor for the medium-term reform and investment program ensuring fiscal and debt sustainability.	End-September 2018	Not Met. A revised draft will seek to incorporate rebased GDP series and debt relief details. MoFEA expects full integration in time for the 2020 budget.

Table 4. The Gambia: Proposed Structural Benchmarks, 2019			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior actions			
Sign letters of engagement with financial and legal advisors that will assist in discussions with creditors on debt relief.	Debt relief is critical for achieving sustainability. Advisors are needed to coordinate the process and ensure it proceeds on a sound legal basis.	Prior to submission of SMP program to IMF Management.	Met
Establish end-December 2017 external debt data reconciled with external creditors, indicating exceptions.	Reliable and complete information on end-2017 debt stocks.	Prior to submission of SMP program to IMF Management.	Met
Appoint an international audit firm to conduct jointly with a local firm an audit of the 2018 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	Prior to submission of SMP program to IMF Management.	Met
Revenue mobilization (GRA)			
Verify and update all large taxpayer data on the tax registry using appropriate 3rd party data and analysis and results from the data cleansing project.	Large taxpayers contribute 80 percent of tax revenue.	June 2019	
Provide terms of reference for a risk management committee within the Gambia Revenue Authority (GRA).	Enhance strategic support for the risk-based approach to embed a risk-based approach to all GRA operations.	June 2019	
Conduct two risk-based post clearance audits by customs on large high-risk businesses in accordance with the GRA's post-clearance audits (PCA) manual.	Enhance customs revenue mobilization through improvement in compliance by targeting high-risk entities.	December 2019	
Public financial management (MoFEA)			
Institute monthly cash management committee meetings and report to IMF staff its deliberations and actions, to ensure attainment of the quarterly net domestic borrowing targets.	Strengthen public financial management. Weekly reports from meetings will help better monitoring of quarterly NDB targets under the SMP.	April 2019 and monthly thereafter	
Revise the draft MTEFF, incorporating the rebased GDP series, and ensuring consistency with the MTDS (including debt relief outcomes) and the National Development Plan (NDP).	The MTEFF serves as a credible anchor for medium-term reform and investment planning and debt sustainability.	June 2019	
Debt management (MoFEA)			
Prepare a report on debt relief anticipated/received from The Gambia's main creditors, as an annex to the MTDS.	Enhance debt management capacity.	June 2019	

Table 4. The Gambia: Proposed Structural Benchmarks, 2019 (concluded)			
Measures	**Macro Rationale**	**Timing**	**Status**
Prepare quarterly reports on external debt commitments, agreements and disbursements as published in the debt bulletin.	Enhance debt management and transparency.	June, September, and December 2019	
Reconcile end-December 2018 debt data with external creditors.	Reliable and complete information on end-year debt stocks at end-2018.	June 2019	
Payments system stability and financial governance (CBG)			
Set up a dedicated unit at the Banking Department of the CBG, separate from payments system operations, to oversee developments in the payments system.	To strengthen payments system oversight.	April 2019	
Publish the audited 2017 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	May 2019	
Publish the audited 2018 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	September 2019	
Governance (MoFEA & CBG)			
Complete the validation of audited domestic arrears (including to SOEs) and prepare a strategy with amounts and timeline for clearance of legitimate claims and accounting for outcomes from SOE special audits.	To improve service delivery by, and financial sustainability of, public enterprises.	June 2019	

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative indicative targets, and structural benchmarks that will be used to monitor the performance under the staff monitored program (SMP) covering the period of January 2019 to December 2019. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative targets of the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

1. **Definition: The *net domestic borrowing* of the Central Government is defined as the change in net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the change in the discounted value of domestic government securities held by the non-monetary sector.** Net domestic borrowing also covers the change in any other net claims on the Central Government by the domestic non-monetary sector, as well as the change in government arrears on domestic debt service obligations. Central Government excludes local and regional governments and public enterprises. In computing the net domestic borrowing of the Central Government, (i) on-lending of the RCF to the budget, (ii) changes in the balances of the project accounts listed in Table 1, and (iii) the face value of government securities issued to increase the CBG's capital to the value mandated in the CBG Act.

2. **Adjuster: The NDB targets will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that period relative to the program forecasts specified in the table below.** The upward adjustment of the NDB target to compensate for the shortfall in the disbursements of budget support may not exceed GMD 1 billion at end-September 2019 and GMD 0.5 billion at end-December 2019.

Program Forecasts of External Budget Support Grants and Loans in 2019[1]
(Cumulative flow in millions of US dollars)

April 2019	June 2019	September 2019	December 2019
28.7	28.7	61.4	61.4

[1]This assumes disbursements of: €25 million from the EU in Q1 and in Q3; and US$4 million from AfDB in Q3.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 26 below.

B. Net Domestic Assets of the Central Bank

4. Definition: The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing end-of-period market exchange rates prevailing at end-December 2018: 49.48 GMD/USD, 1.15 USD/EUR, 1.27 USD/GBP, 0.98 CHF/USD, 1.39 USD/SDR, 110 JPY/USD. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for end-December 2018, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

6. Supporting material: Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rates) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

C. Net Usable International Reserves of the Central Bank of The Gambia

7. Definition: The *net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities. *Usable reserve assets* are readily available claims on nonresidents denominated in convertible foreign currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities*** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF, but excluding any liabilities to the IMF's SDR Department.

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in paragraph 5 above.

9. Adjuster: The quarterly NIR targets for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table above. The downward adjustment to the NIR targets will be capped at US$20 million at end-September 2019 and at US$10 million at end-December 2019.

10. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

11. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

D. New External Debt Payment Arrears of the Central Government

12. Definition: External debt payment arrears are defined as external debt obligations of the central government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).

13. For program purposes, external arrears exclude financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment, and arrears on trade credits. Non-accumulation of new external debt payment arrears by the central government is a target, to be observed continuously.

14. Supporting material: An accounting of non-reschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the Central Government and other public sector entities to Paris Club, non-Paris-Club, private, plurilateral and multilateral creditors.

E. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

15. Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian Dalasi. It applies not only to debt as defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014), but also to commitments contracted or guaranteed for which value has not been received. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of the central government to service a debt owed by a third-party debtor (involving payments in cash or in kind). A debt will be considered contracted when conditions for its entrance into effect have been met, including approval by the National Assembly. Loans or purchases from the IMF and concessional debts as defined below, are excluded from this target as is any debt with maturity of one year or less. This performance criterion will be assessed on a continuous basis

16. For program purposes, a debt is concessional if it includes a grant element of at least 50 percent, calculated as the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[1] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

17. Supporting material: **A comprehensive record, including a loan-by-loan accounting of all new concessional and non-concessional debt contracted or guaranteed by the Central Government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.**

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

18. Definition: **This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.**[2] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Trade credits are excluded from this target.

19. Supporting material: A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

[1] For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 3.26 percent and will remain fixed for the duration of the program. The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -100 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

[2] The term "debt" has the meaning set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014. "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

G. Central Bank Credit to the Central Government at Non-Market Terms

20. Definition: **This target refers to the consolidated balance on the Treasury Main Account, the Consolidated Revenue Fund, and other revenue accounts.** It also covers all gross claims on the Central Government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for Treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Central Government securities held by the central bank. This performance criterion will be assessed at the end of each month.

21. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in paragraphs 28 and 29 below.

H. Poverty-Reducing Expenditures

22. Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Programme; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programmes; Support to Cross-Cutting Programmes; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Programme.

23. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

24. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and structural benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

I. Prices

25. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

J. Government Accounts Data

26. A monthly consolidated Central Government budget report (i.e., the analytical table) on budget execution for the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; and (vi) details of budget financing (including net domestic and net external borrowing and their components).

27. End-week data on net domestic borrowing (including data on the project accounts listed in Table 1) will be transmitted weekly within five business days of the end of each week.

K. Monetary Sector Data

28. The balance sheet of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet will explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and other claims on the government. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

29. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

30. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

L. Treasury Bill Market and Interbank Money Market

31. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills and CBG bills outstanding (both at face value and at discounted value and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

32. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

M. External Sector Data

33. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

34. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

35. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

36. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

37. The CBG will also forward monthly data on the volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasi within seven days of the end of each month.

N. Public Enterprises' Data

38. MoFEA will forward within four weeks of the end of each month, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC and NFSPMC.

39. MoFEA will forward within four weeks of the end of each month, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

O. Concessional External Debt Contracted or Guaranteed by the Central Government

40. MoFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new domestic or external loan, the loan's terms and conditions including disbursement schedule, interest rate, grace period, maturity, interest and principal payment schedule.

Table 1. The Gambia: List of Projects Accounts at the CBG Excluded from the Calculation of NDB	
ACCOUNT NUMBER	**PROJECT ACCOUNT NAME**
1101004067	NATIONAL AGRICULTURAL LAND & WATER MANAGEMENT DEV. PROJECT (NEMA)
1103002218	BUILDING RESILIENCE TO RECURRING FOOD INSECURITY IN THE GAMBIA IDB COMPONENT
1101005064	AGRICULTURAL VALUE CHAIN PROJECT (GCAV)
1101004689	BUILDING RESILIENCE AGAINST FOOD & NUTRITION INSECURITY IN THE SAHEL PROJECT.
1101004483	GAMBIA COMMERCIAL AGRICULTURE VALUE CHAIN PROJECT.
1101004201	FOOD & AGRICULTURE SECTOR DEV. PROJECT. FASDEP
1103001613	BILINGUAL EDUCATION SUPPORT PROJECT
1101003606	DEV. OF THE UNI. OF THE GAMBIA PROJECT.
1101003709	AFRICA CENTRE OF EXCELLENCE (ACE)
1101000832	RURAL WATER & SANITATION PROJECT
1103001754	TRANS GAMBIA CORRIDOR PROJ.
1103000685	GLOBAL FUND MALARIA GRANT
1101003864	GEF PROJ. IMPLEMENTATION IN THE GAMBIA UNIDO/GEF 5 PROJ. MNGMNT. OFFICE
1101004304	IFMIS ADDITIONAL FINANCING PROJ.
1101004988	INST. SUPPORT ECON/FIN GOV (ISEFG) III PROJ.
1101004902	NDEMBAN ULTRA MODERN TVET CENTRE PROJ.
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200486	IFMIS II
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV

Table 2. The Gambia: Data Reporting Requirements

Responsible Institution	Data Type	Frequency	Reporting Deadline
Central Bank of The Gambia (CBG)	T-bills auction data, Inter-banks rates & other accompanying data & tables	Weekly	7 days after week-end
	Project accounts data	Weekly	7 days after week-end
	International reserves and Foreign & Domestic Assets data (NIR, NFA & NDA)	Weekly	7 days after week-end
	Foreign exchange liquidity forecasts statement/report	Weekly	7 days after week-end
	Commercial banks' balance sheets	Monthly	30 days after month-end
	Commercial banks' Forex net open position statement/report	Monthly	30 days after month-end
	CBG balance sheet (including NDA)	Monthly	30 days after month-end
	CBG reserves statement/report	Monthly	30 days after month-end
	Statement/report on CBG credit to Gov. at non-market interest rates; and Gov.'s overdue payments to CBG	Monthly	30 days after month-end
	Statement/report of transactions in official reserves	Monthly	30 days after month-end
	Financial Soundness Indicators	Monthly	30 days after month-end
	Commercial banks' income statements	Quarterly	30 days after quarter-end
	Balance of payments (BOP)	Quarterly	30 days after quarter-end
	Stock of outstanding public debt of maturity not exceeding 1year	Quarterly	30 days after quarter-end
	Statement/report on concessional & non-concessional debts contracted or guaranteed by government	Quarterly	30 days after quarter-end
Ministry of Finance & Economic Affairs (MoFEA)	Statement of Government Operations (SGO)	Monthly	30 days after month-end
	Poverty-reducing expenditure data	Monthly	30 days after month-end
	Consolidated Central Gov. budget execution	Monthly	30 days after month-end
	SOE cash flow statements (i.e. 13 SOEs)	Monthly	30 days after month-end
	External debt reports	Monthly	30 days after month-end
	Statement of external payment arrears by Central Government & SOEs	Monthly	30 days after month-end
	Staff Monitored Program (SMP) implementation matrix	Monthly	30 days after month-end
Gambia Revenue Authority (GRA)	Monthly Revenue Report	Monthly	30 days after month-end
	Oil volumes and tax collected on oil imports	Monthly	30 days after month-end
	Revenue collection by tax type	Monthly	30 days after month-end
	Tax exceptions\duty waivers	Monthly	30 days after month-end
Gambia Bureau of Statistics (GBoS)	Consumer price index (CPI)	Monthly	30 days after month-end
	Producer price index (PPI)	Monthly	30 days after month-end
	Data on exports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Data on imports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Gross domestic product (GDP)	Quarterly	90 days after year-end
Ministry of Agriculture (MoA)	Crop field cultivation per hectare	Quarterly	90 days after year-end
	Crop yield	Quarterly	90 days after year-end
	Livestock population by region	Quarterly	90 days after year-end
Gambia Tourism Board (GTB)	Tourists arrivals by nationality	Monthly	30 days after month-end
	Out-of-pocket tourists expenditures	Monthly	30 days after month-end

THE GAMBIA

April 29, 2019

REQUEST FOR A STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
Annalisa Fedelino and Zuzana Murgasova (IMF), and Marcello Estevão (IDA)

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

Gambia, The Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Sustainable*
Application of judgment	*No*

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

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

PUBLIC DEBT COVERAGE

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

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

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

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	3.7	percent of GDP	3.7	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			8.7	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

2. **All other known SOE debts not guaranteed by the State are included in the contingent liability stress test**. Estimates of SOE liabilities have been updated drawing on preliminary findings of the special audits. SOEs (unguaranteed) external debts are estimated at 1.3 percent of GDP, with a further 0.8 percent owed to non-public sector domestic entities. There are also significant contingent liabilities relating to the Social Security and Housing Finance Corporation (SSHFC), including both debts owed by other SOEs (estimated at around 1.0 percent of GDP), and the actuarial financing gap

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

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

(most recently estimated at 0.6 percent of GDP), which could be addressed through reform of SSHFC over the medium-term, without which government transfers might ultimately be required.

BACKGROUND ON DEBT AND FINANCING

A. Debt

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

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

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

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

3. **External PPG debt stood at about US$760 million at end-2018 (48 percent of GDP)**. Nearly two-thirds of The Gambia's medium- and long-term (MLT) external debt is owed, in equal proportions, to multilateral and so-called 'plurilateral' creditors, with the Islamic Development Bank (IsDB) accounting for half of the debt owed to the latter (Text Table 2). Non-Paris Club creditors hold the bulk of the debt owed to bilateral official creditors (about one quarter of total external debt), while members of the Paris Club hold less than 0.5 percent of The Gambia's external debt, all of it falling due before end-2020.[4] The remainder of the MLT debt (6 percent) is mostly owed to one

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

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

4. **Central government domestic debt stood at GMD 31 billion at end-2018 (39 percent of GDP), most of it in the form of short-term debt**. Sixty percent of domestic debt is marketable, more than half in the form of T-bills with a maturity of 1 year or less, creating substantial rollover requirements, and exposure to interest rate risk. (Text Table 3). Average T-bill rates were broadly stable in 2018, having fallen from a weighted average (across maturities) of 18.9 percent in October 2016 to an average of 8.3 percent in December 2018, as increased donor support, and a pick-up in revenues helped reduce domestic borrowing. In 2017 the authorities issued 3-year and 5-year domestic bonds for the first time, an important step in their strategy to extend the maturity of domestic debt. They were also able to repay some domestic debt with the support from donors.

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

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

Sources: The Gambian authorities; and IMF Staff calculations.

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

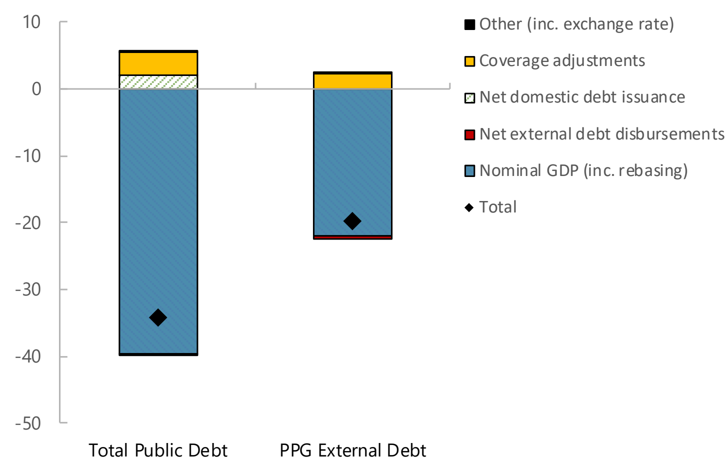
6. **Discussions on external debt relief are progressing apace**. The Gambia's creditors from the Arab Coordination Group (including bilateral Arab creditors, as well as BADEA, OFID, and to some extent IsDB) have been supportive of the government's reform efforts and request for debt relief.

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

During the roundtable discussions held in Washington D.C. in April, most of them indicated their willingness to provide some form of debt relief. India has also responded positively to the country's request for debt relief. Creditors have agreed to continue discussions on a bilateral basis, which will be facilitated by the authorities' financial advisors.

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

(percent of GDP)



Sources: The Gambian authorities; and IMF staff calculations.

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

B. Financing

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

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

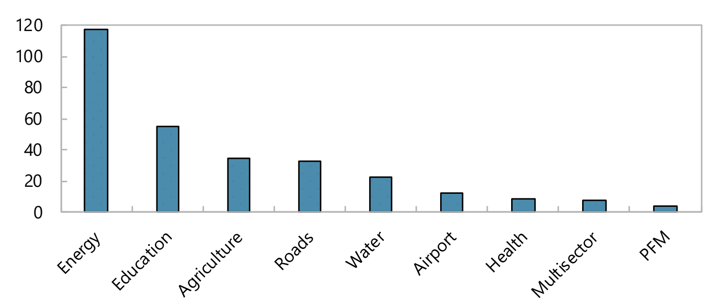
Text Table 4. The Gambia: Pipeline of Already-Contracted Debt

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

Sources: The Gambian authorities; and IMF Staff calculations.

Text Figure 2. Sectoral distribution of pipeline loans

(US$ millions)



Sources: The Gambian authorities; and IMF staff calculations.

Box 1. ITFC Trade Credits in the DSA

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

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

MACRO-FISCAL ASSUMPTIONS

10. The peaceful political transition has strengthened confidence in the economy, boosting private sector activity and foreign exchange inflows. Real GDP growth in 2018 is estimated at 6.6 percent, buoyed by the expansion in tourism and private sector credit growth. In 2018, tourism rebounded beyond its pre-2017 level and private sector credit expanded by 33 percent, on the back of strong growth in construction and services. Inflation dropped to 6.4 percent at end-2018 and gross official reserves increased by US$13 million to end the year at 2.7 months of prospective imports, despite a US$50 million shortfall in budget support disbursements relative to the original program projection.

11. The DSA is underpinned by the baseline scenario of the 2019 Staff-Monitored Program (SMP). This scenario features substantial grant-financed investment, minimal contracting of new debt (on highly-concessional terms), progressively strengthened revenue mobilization and expenditure discipline, macro-stability, and stepped-up private sector growth. Relative to the June 2018 DSA, the near-term outlook for GDP and imports growth has been revised up somewhat, but budget support grants have been revised down to adopt more conservative assumptions in light of the 2018 outcome. Key assumptions (Text Tables 5) include:

- Increased (grant-financed) public investment and a pick-up in private credit underpin real GDP growth in the near term, with strong growth in the agriculture and tourism sectors complementing the impetus from public investment. Real GDP growth is expected to moderate to 4.6 percent in the long-term, though remaining above the recent historical average (3.6 percent).

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

- The current account deficit is expected to remain substantial in the medium term, reflecting the high import content of public investment, much of which is expected to be financed by capital grants. In the longer-term, however, the current account balance is expected to improve, as a fallback in the public investment rate drags on import growth, while exports, particularly in the tourism sector, continue to grow strongly.

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

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

- **Project grants**. Pledges at the donor conference are expected to result in around US$580 million of new project support committed over the NDP period (2018–21), but given absorption constraints, disbursements of these projects are spread over 2019–25. Beyond those pledges, additional project grants are anticipated over the next few years, focused on selected sectors (including energy and road infrastructure), on which the baseline assumptions are conservative. In the longer-term, project grants are projected to gradually taper off from around 6 percent of GDP during the NDP period to around 2 percent of GDP by the end of the projection horizon.

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

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

- **Trade credit**. Public debt related to the use of the (non-concessional) ITFC facility is assumed to diminish by US$10 million per year from 2020 onwards, to reach zero by 2022, as progress on SOE reform, a move to explicit budgeting of SOE subsidies, and changes to the modalities of contracting and servicing of trade credits by SOEs, will reduce reliance on the ITFC facility or enable its use as a genuine trade credit facility rather than a generic source of liquidity.

- **Total external financing**. Cumulatively, external loan disbursements (project and budget support) over 2019–24 are expected to be 21 percent of GDP. The majority of this is accounted for by the existing loan pipeline. In the near term, the average grant element of new disbursements is expected to be relatively low, partly reflecting the use of the non-concessional TCF, before gradually rising to 35 percent over the medium-term.

13. The DSA reflects the authorities' medium-term debt management strategy for domestic debt assumptions. The baseline assumes that with the one-off spike in expected budget support in 2019 and measures to contain expenditure pressures in the SMP, net domestic borrowing this year will be contained at 2 percent. However, from 2020–24, the financing gaps in the SMP baseline are assumed to be met with new issuance of domestic debt and drawdown of foreign reserves. The macroeconomic framework assumes that the authorities continue to make gradual progress in extending the maturity of domestic debt, broadly in line with their medium-term debt strategy. However, as in the June 2018 DSA, T-bills account for the majority of domestic debt issuance. Over 2019–24, T-bills constitute around 85 percent of (gross) domestic debt issuance, with the remainder in three- and five-year bonds. From 2025–29, the share of T-bill issuance falls to around two-thirds, and limited issuance of new seven-year bonds is incorporated. The real interest rate on T-bills stabilizes at 2 percent, with term-spreads of 2–4 percent incorporated on the three-, five- and seven-year bonds.

Text Table 5. Selected Macroeconomic Indicators (2017–24)

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

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

Text Table 6. External Financing Assumptions, (2019–39)

(Annual flows, millions of U.S. Dollars)

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

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

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

- The baseline implies a sharp improvement in public debt dynamics relative to the recent past. External and total public debt developments over the past five years have been substantially worse than forecast in the 2013 DSA (Figure 3), due to a combination of weak GDP growth outturns, loose fiscal policy, and external and domestic debt accumulation by SOEs, much of which has subsequently been assumed by the government (reflected in large residuals). However, building on the government's fiscal consolidation and reform agenda, the DSA baseline projects a turnaround in these dynamics,[6] including a growth acceleration, tighter fiscal policies, and a shift to explicit budgeting of SOE subsidies rather than government bailouts of their debt, that together would put external and domestic debt on a downward trajectory.
- The adjustment in the primary balance over the first three projection years (+2.7 percent of GDP) is just inside the top quartile of LICs that have requested Fund programs, indicating a relatively ambitious adjustment. However, this improvement is driven mainly by increased grants (+3.7 percent of GDP), which more than cover increases in government spending (+2.3 percent of GDP), rather than by unrealistic increases in domestic revenue collection (+1.4 percent of GDP).
- Similarly, the slowdown in growth in 2019 implied by a mechanical application of fiscal multipliers (Figure 4, top right panel) is likely to be overly pessimistic, given that most of the fiscal balance improvement projected for 2019 stems from a one-off increase in budget support grants. Public investment rates are assumed to increase from an already-high 2017 level in the baseline scenario, mostly reflecting project grants pledged at the donor conference.
- The growth-investment tool shows that, assuming constant investment efficiency, the scaling-up of public investment would imply a growth acceleration of 0.6 percent relative to the recent past. The remaining growth pick-up (1.3 percent) is explained by other factors, notably the strong rebound in private sector activity. A possible improvement in the growth returns to public investment, including because of improved governance and the completion

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

of key pieces of infrastructure (particularly the Trans-Gambia bridge and in the electricity sector), is an upside risk to these projections. However, if the project grants incorporated in the baseline do not materialize or are delayed—downside implications for growth could be significant.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

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

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.006	1.16	43%
Real growth rate (In percent)	2.719	4.058	0.11	4%
Import coverage of reserves (In percent)	4.052	28.654	1.16	43%
Import coverage of reserves^2 (In percent)	-3.990	8.210	-0.33	-12%
Remittances (In percent)	2.022	6.060	0.12	5%
World economic growth (In percent)	13.520	3.579	0.48	18%
CI Score			2.71	100%
CI rating			Medium	

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

Text Table 8. The Gambia: Relevant Benchmark and Thresholds

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

DSA RESULTS

17. The external debt stock indicators have improved markedly since the June 2018 DSA (Figure 1 and Table 1). The combination of the GDP revision and higher applicable thresholds for PV-based indicators have caused the PV of external debt to improve substantially relative to the DSA thresholds in the short and medium term. The PV of debt-to-GDP and the PV of debt-to-export ratios are estimated at 34.5 percent and 177.9 percent at end-2018 (against 48.2 percent and 224.6 percent in the previous DSA). Both ratios are now expected to remain below their thresholds throughout the projection period, in the context of a sound macroeconomic framework including tighter fiscal policies and a shift to explicit budgeting of SOE subsidies rather than government bailouts of their debt.

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

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

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

21. Given their high level, public debt ratios are sensitive to all stress tests, but particularly to the GDP growth shock (Figure 2 and Table 4). In the real GDP growth shock scenario, the economy contracts by 0.3 percent in 2019 and 2020 (against average growth of 5.5 percent in the baseline scenario), and the PV of public debt and the debt service-to-revenue ratios would be on an upward trajectory reaching 82 percent and 168 percent, respectively, in 2029. The materialization of contingent liabilities of SOEs would result in a further deterioration in the debt burden indicators, with the PV of public debt-to-GDP rising to 76 percent in 2020 and debt service-to-revenue reaching 147 percent by 2020, before declining thereafter. A weakening of fiscal discipline, including due to a lack of progress on SOE reform, would rapidly undermine the government's financial position. However, following the shortfall in budget support disbursements in 2018, the assumptions on budget support grants are now very conservative, and if these grants were to reach levels closer to those in the June 2018 DSA, the PV of public debt could be reduced by an additional 2–5 percentage points by 2024.

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

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

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

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

26. There is currently very limited space for new borrowing, which would need to be on highly concessional terms and reserved for the very highest priority projects for which grant-financing is not available. The government should avoid compounding fiscal risks, and refrain from contracting any guarantees that would add to the already high level of public debt. The large pre-existing pipeline of loans should be reviewed and re-prioritized in the context of the National Development Plan (NDP) before contracting new debts. The authorities should explore the possibility of renegotiating current loans, in consultation with the debt and legal advisors. Furthermore, mechanisms to avoid project cost over-runs should be put in place. Upcoming IMF Technical assistance on a Public Investment Management Assessment (PIMA) will help formulate a program to enhance public investment budgeting and management.

Box 2. Illustrative Restructuring Scenarios

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

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

Text Chart: DSA Indicators under Illustrative Restructuring Scenarios

(ratios)

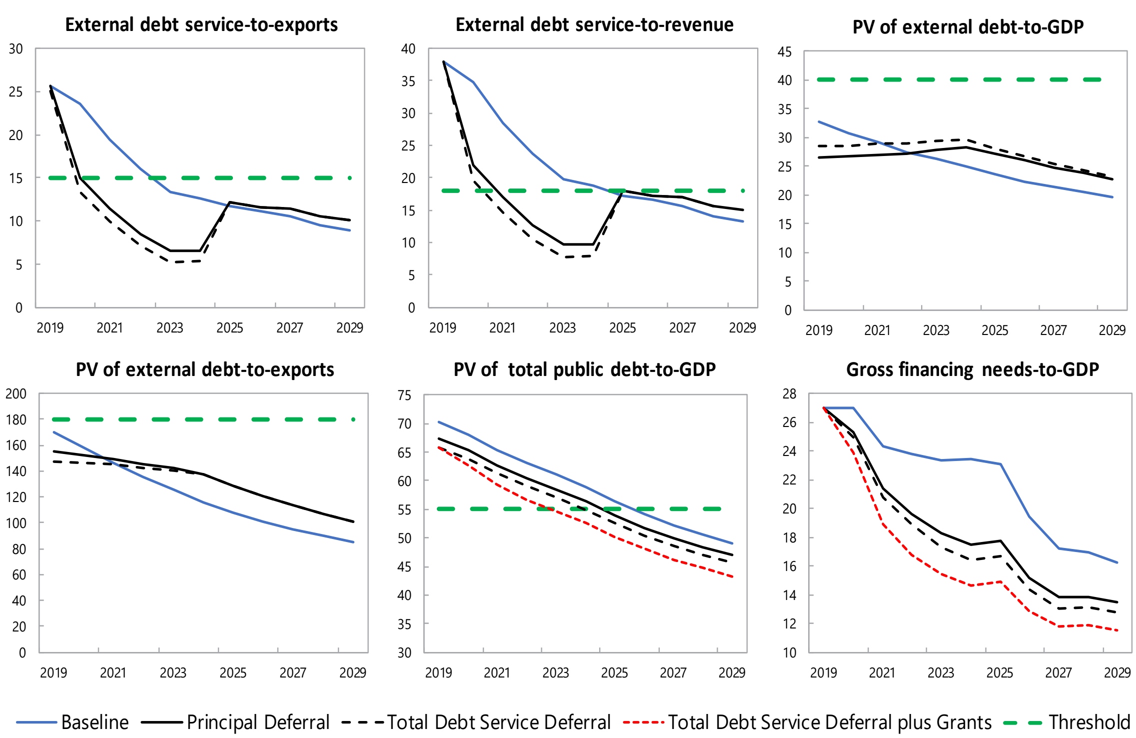
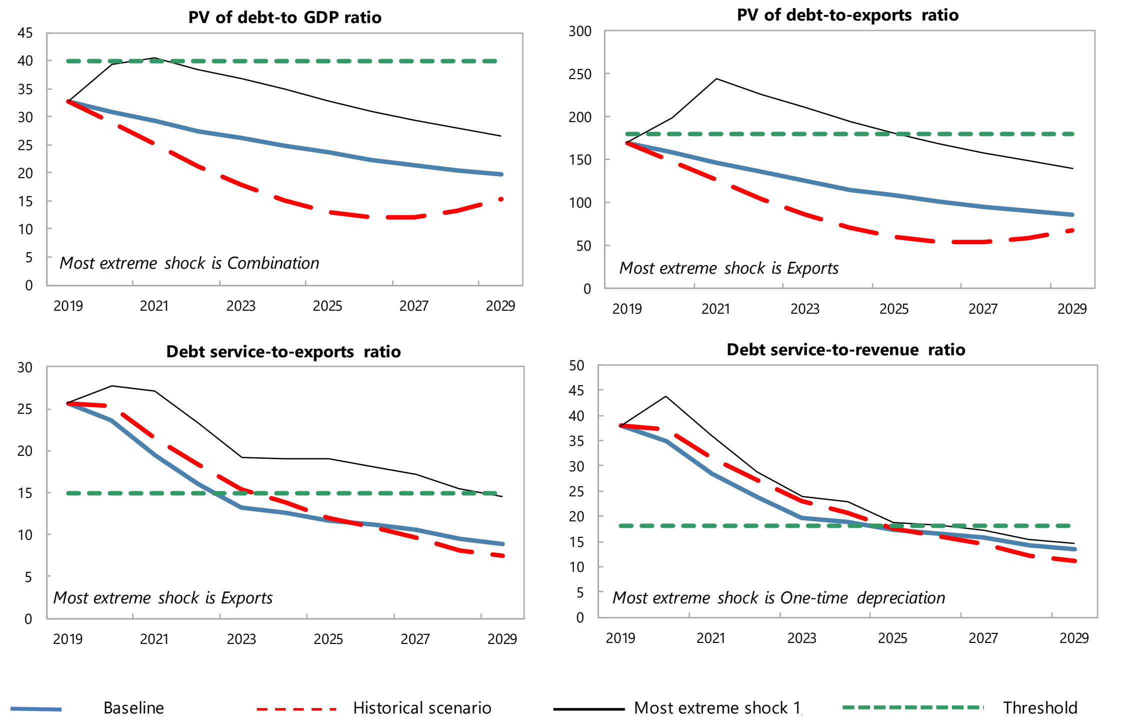


Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt under Alternative Scenarios, 2019–29



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

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	3	3

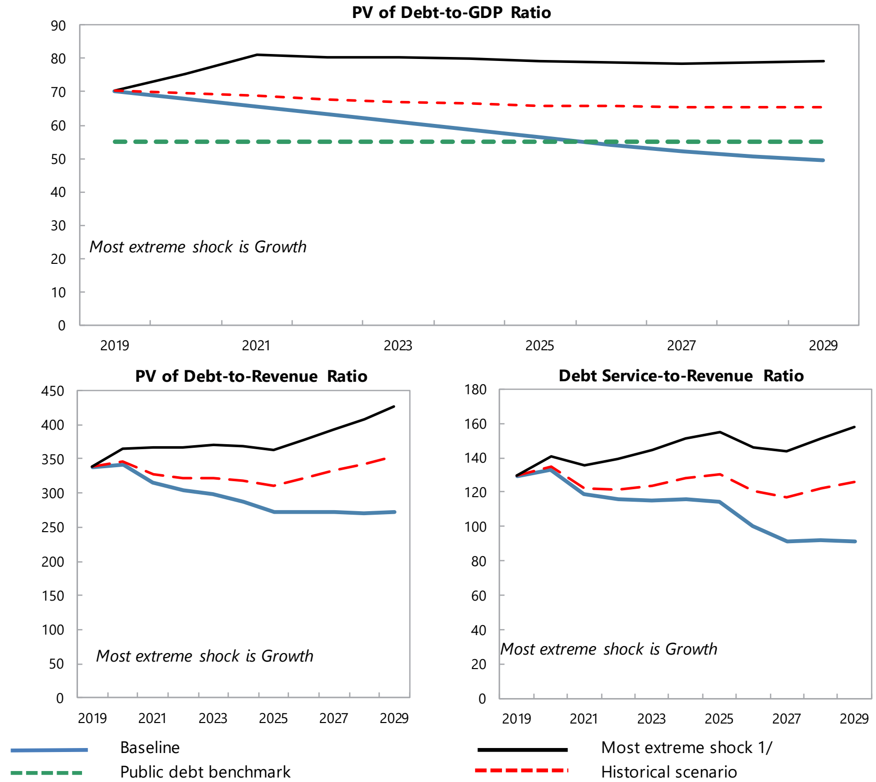
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	14%	14%
Domestic medium and long-term	20%	20%
Domestic short-term	66%	66%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.0%	2.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

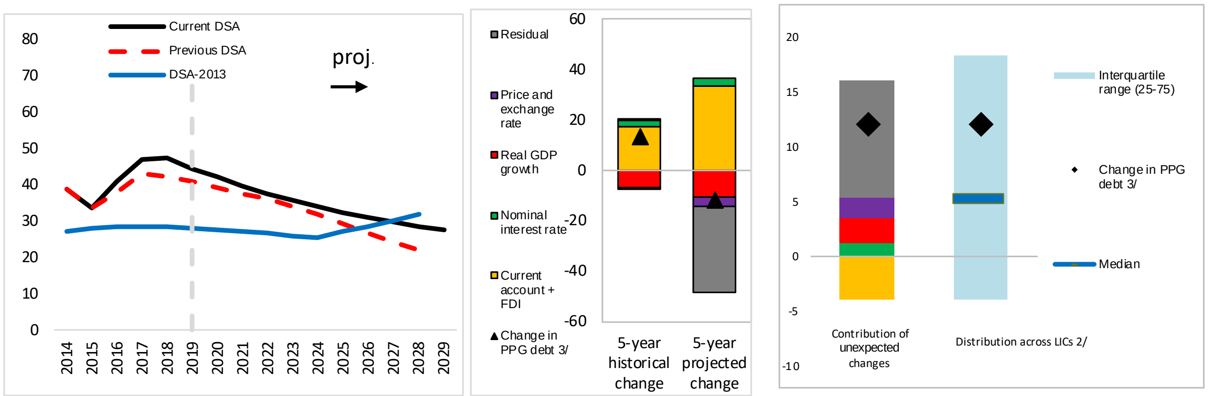
Sources: The Gambian authorities; and staff estimates and projections.

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

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

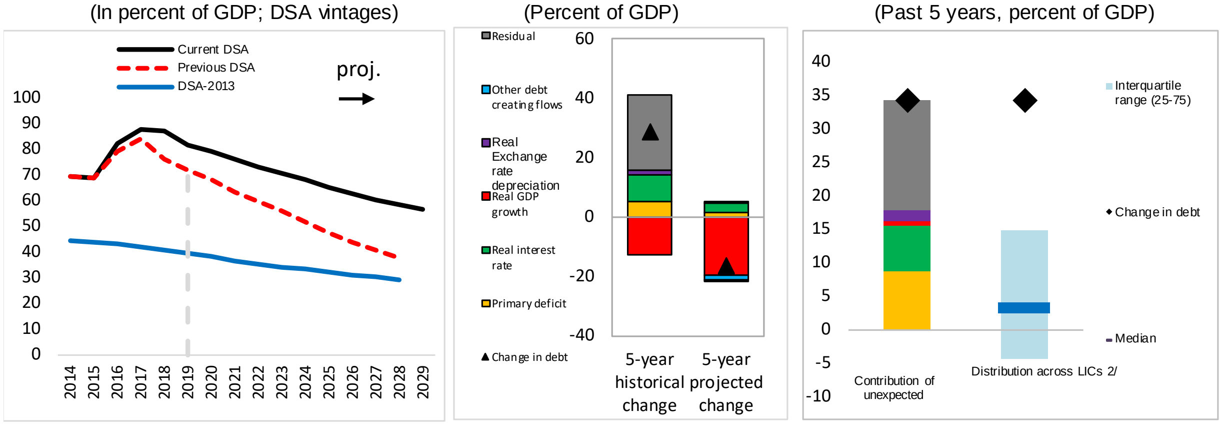
External Debt

Gross Nominal PPG External Debt (In percent of GDP; DSA vintages) | Debt-creating flows (Percent of GDP) | Unexpected Changes in Debt 1/ (Past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (In percent of GDP; DSA vintages) | Debt-creating flows (Percent of GDP) | Unexpected Changes in Debt 1/ (Past 5 years, percent of GDP)



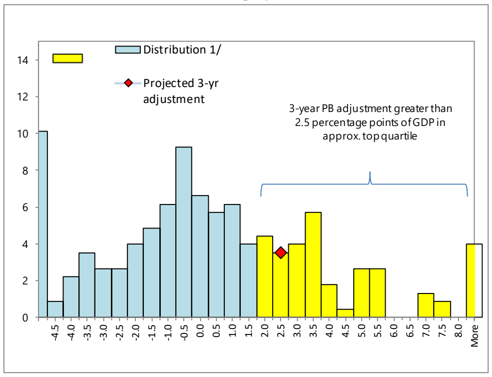
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

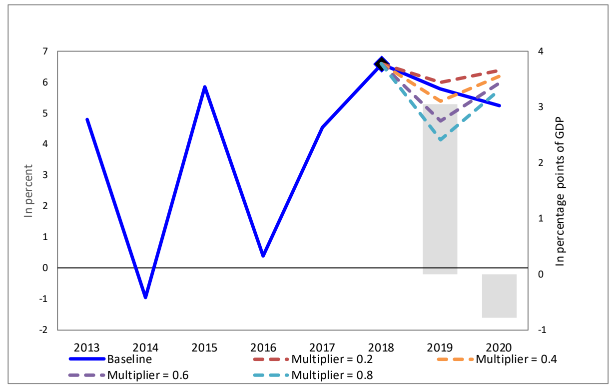
Figure 4. The Gambia: Realism Tools

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



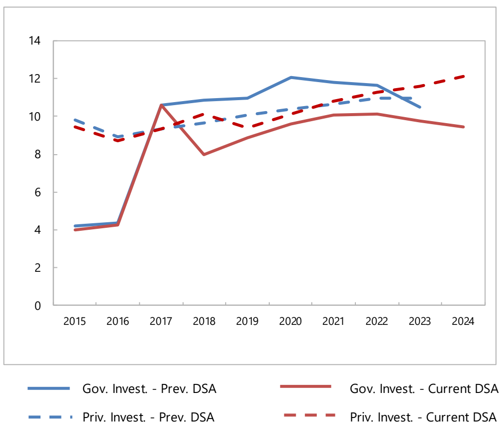
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(Percent of GDP)



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

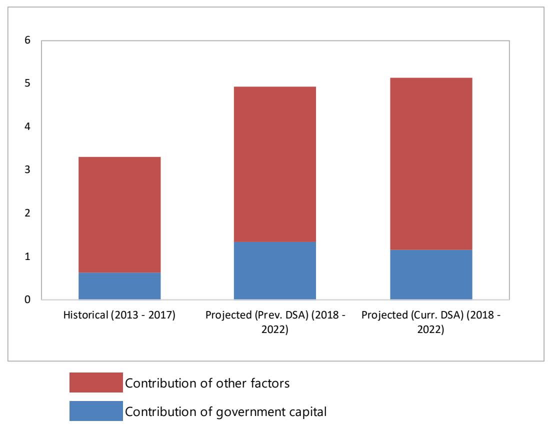


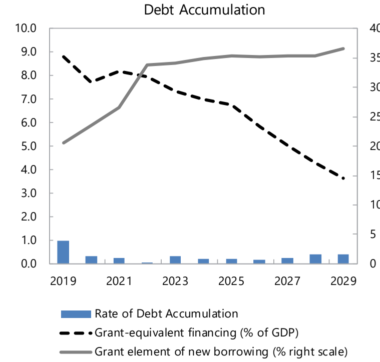
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(Percent of GDP, unless otherwise indicated)

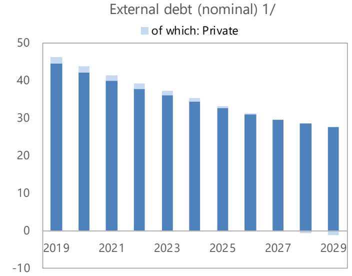
	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	43.6	49.0	49.5	46.3	43.8	41.4	39.1	37.3	35.3	26.4	15.2	36.8	35.6
of which: public and publicly guaranteed (PPG)	41.0	47.0	47.6	44.6	42.2	39.9	37.8	36.0	34.3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

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

Debt Accumulation



External debt (nominal) 1/



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

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

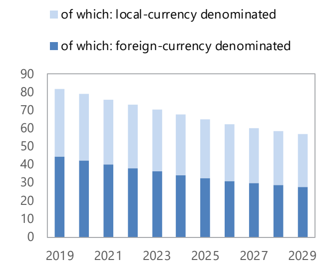
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

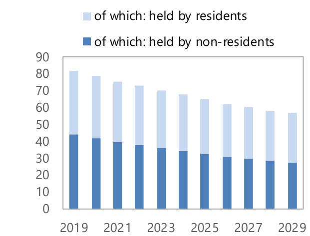
(In percent of GDP, unless otherwise indicated)

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

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

Public sector debt 1/





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

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

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

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

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

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

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

Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public- and Publicly-Guaranteed External Debt, 2019–29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	32.8	30.8	29.2	27.4	26.2	24.9	23.6	22.4	21.3	20.4	19.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	32.8	28.9	25.2	21.2	17.9	15.1	13.1	12.0	12.1	13.2	15.4
B. Bound Tests											
B1. Real GDP growth	32.8	33.6	34.6	32.5	31.0	29.5	28.0	26.5	25.2	24.2	23.3
B2. Primary balance	32.8	31.0	29.6	28.0	26.9	25.7	24.5	23.3	22.3	21.5	20.7
B3. Exports	32.8	33.3	35.9	34.0	32.6	31.1	29.3	27.6	26.1	24.9	23.7
B4. Other flows 3/	32.8	35.3	37.7	35.8	34.4	32.7	30.8	29.0	27.3	26.0	24.6
B5. One-time 30 percent nominal depreciation	32.8	38.8	31.2	29.1	27.6	26.1	24.9	23.7	22.7	22.0	21.3
B6. Combination of B1-B5	32.8	39.4	**40.5**	38.3	36.7	34.8	32.8	30.9	29.3	27.9	26.5
C. Tailored Tests											
C1. Combined contingent liabilities	32.8	31.7	30.6	29.2	28.3	27.3	26.2	25.2	24.3	23.6	22.9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	169.7	157.8	146.6	135.2	125.4	115.3	107.9	100.7	94.8	90.0	85.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	169.7	148.2	126.4	104.5	85.7	70.2	59.9	54.2	53.7	58.4	67.1
B. Bound Tests											
B1. Real GDP growth	169.7	157.8	146.6	135.2	125.4	115.3	107.9	100.7	94.8	90.0	85.4
B2. Primary balance	169.7	158.5	148.6	138.0	128.7	119.1	111.9	105.0	99.3	94.5	89.9
B3. Exports	169.7	**198.1**	**243.8**	**226.4**	**211.2**	**194.6**	**181.0**	168.1	157.3	148.0	139.2
B4. Other flows 3/	169.7	**180.7**	**189.6**	176.4	164.9	151.7	140.8	130.5	121.8	114.4	107.3
B5. One-time 30 percent nominal depreciation	169.7	157.8	124.5	114.0	105.1	96.0	90.3	84.8	80.5	77.0	73.7
B6. Combination of B1-B5	169.7	**203.1**	175.8	**199.5**	**186.1**	170.5	158.6	147.3	137.8	129.7	122.1
C. Tailored Tests											
C1. Combined contingent liabilities	169.7	162.2	153.6	143.7	135.4	126.5	119.9	113.6	108.3	104.0	99.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.6	11.7	11.2	10.5	9.5	8.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**25.7**	**25.3**	**21.5**	**18.3**	**15.5**	13.8	12.0	10.8	9.7	8.1	7.5
B. Bound Tests											
B1. Real GDP growth	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.6	11.7	11.2	10.5	9.5	8.9
B2. Primary balance	**25.7**	**23.6**	**19.4**	**16.1**	13.3	12.7	11.9	11.4	10.8	9.8	9.2
B3. Exports	**25.7**	**27.8**	**27.1**	**23.2**	**19.3**	**19.0**	**19.1**	**18.2**	**17.1**	**15.5**	14.6
B4. Other flows 3/	**25.7**	**23.6**	**19.9**	**17.1**	14.2	14.7	14.7	14.0	13.2	12.0	11.2
B5. One-time 30 percent nominal depreciation	**25.7**	**23.6**	**19.4**	**15.5**	12.8	12.1	10.1	9.7	9.2	8.2	7.7
B6. Combination of B1-B5	**25.7**	**26.2**	**24.4**	**20.5**	**17.0**	**17.7**	**16.8**	**16.0**	**15.1**	13.6	12.8
C. Tailored Tests											
C1. Combined contingent liabilities	**25.7**	**23.6**	**19.5**	**16.2**	13.5	12.8	11.9	11.5	10.8	9.8	9.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**38.0**	**34.8**	**28.5**	**23.8**	**19.8**	**18.8**	17.3	16.6	15.7	14.1	13.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**38.0**	**37.2**	**31.6**	**27.2**	**23.0**	**20.6**	17.7	16.1	14.5	12.1	11.2
B. Bound Tests											
B1. Real GDP growth	**38.0**	**37.9**	**33.8**	**28.2**	**23.4**	**22.3**	**20.5**	**19.7**	**18.6**	16.7	15.9
B2. Primary balance	**38.0**	**34.8**	**28.6**	**23.9**	**19.9**	**19.0**	17.6	17.0	16.1	14.6	13.9
B3. Exports	**38.0**	**35.2**	**29.5**	**25.4**	**21.2**	**21.1**	**20.9**	**20.0**	**18.9**	17.1	16.2
B4. Other flows 3/	**38.0**	**34.8**	**29.4**	**25.3**	**21.2**	**22.0**	**21.8**	**20.9**	**19.7**	17.8	16.9
B5. One-time 30 percent nominal depreciation	**38.0**	**43.8**	**35.9**	**28.9**	**24.0**	**22.8**	**18.8**	**18.2**	17.2	15.3	14.6
B6. Combination of B1-B5	**38.0**	**38.2**	**34.1**	**28.7**	**24.0**	**25.2**	**23.5**	**22.5**	**21.3**	**19.2**	**18.2**
C. Tailored Tests											
C1. Combined contingent liabilities	**38.0**	**34.8**	**28.7**	**24.0**	**20.1**	**19.2**	17.7	17.1	16.2	14.6	13.9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

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

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**70.2**	**68.0**	**65.5**	**63.1**	**61.0**	**58.8**	**56.3**	54.1	52.2	50.7	49.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**70**	**70**	**69**	**68**	**67**	**66**	**66**	**66**	**66**	**65**	**65**
B. Bound Tests											
B1. Real GDP growth	**70**	**75**	**81**	**80**	**80**	**80**	**79**	**79**	**79**	**79**	**79**
B2. Primary balance	**70**	**69**	**68**	**66**	**64**	**62**	**59**	**57**	55	53	52
B3. Exports	**70**	**70**	**72**	**69**	**67**	**64**	**62**	**59**	**57**	55	53
B4. Other flows 3/	**70**	**73**	**74**	**72**	**69**	**67**	**64**	**61**	**58**	**56**	54
B5. One-time 30 percent nominal depreciation	**70**	**73**	**69**	**65**	**62**	**59**	**55**	52	50	47	45
B6. Combination of B1-B5	**70**	**68**	**68**	**65**	**63**	**61**	**59**	**57**	**55**	54	52
C. Tailored Tests											
C1. Combined contingent liabilities	**70**	**76**	**73**	**71**	**68**	**66**	**63**	**61**	**59**	**57**	**55**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	338.3	340.7	315.7	305.0	298.6	286.8	272.2	271.9	271.7	271.1	272.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	338	346	327	321	322	317	311	322	333	342	353
B. Bound Tests											
B1. Real GDP growth	338	366	367	366	371	369	363	378	393	408	426
B2. Primary balance	338	347	330	319	312	300	285	285	284	284	285
B3. Exports	338	351	345	334	327	314	297	296	294	292	292
B4. Other flows 3/	338	363	357	346	339	326	308	306	304	301	301
B5. One-time 30 percent nominal depreciation	338	375	342	325	312	294	274	268	263	257	252
B6. Combination of B1-B5	338	343	327	312	306	296	282	283	285	286	289
C. Tailored Tests											
C1. Combined contingent liabilities	338	383	354	342	335	322	306	306	306	305	307
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
									1		
Debt Service-to-Revenue Ratio											
Baseline	129.3	133.4	118.7	115.6	115.0	116.0	114.2	100.1	91.7	92.1	91.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	129	135	122	122	124	128	131	121	117	123	126
B. Bound Tests											
B1. Real GDP growth	129	141	136	139	144	152	155	146	144	151	158
B2. Primary balance	129	133	123	125	122	123	121	106	98	98	97
B3. Exports	129	133	119	116	116	117	117	102	94	94	93
B4. Other flows 3/	129	133	119	117	116	118	117	103	95	95	94
B5. One-time 30 percent nominal depreciation	129	130	119	116	114	114	112	97	88	90	88
B6. Combination of B1-B5	129	133	121	118	118	119	119	105	98	99	99
C. Tailored Tests											
C1. Combined contingent liabilities	129	133	147	135	136	135	130	115	106	106	104
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

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

3/ Includes official and private transfers and FDI.