INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/102

THE GAMBIA

April 2020

THE GAMBIA—FIRST REVIEW OF THE STAFF-MONITORED PROGRAM AND REQUEST FOR A 39-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of the The Gambia's request for a 39-Month Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 23,2020, following discussions that ended on February 11, 2020, with the officials of the Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 4, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for the Gambia.

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*
*Also included in Staff Report

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.

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PRESS RELEASE

PR 20/99

IMF Executive Board Approves US$47.1 million Extended Credit Facility (ECF) Arrangement for The Gambia

FOR IMMEDIATE RELEASE

- *The Fund-supported program aims to help The Gambia to be better prepared for external shocks, pursue high and inclusive growth, lessen debt vulnerabilities, strengthen public financial management, and bolster domestic revenue mobilization.*

- *The Executive Board decision allows an immediate first disbursement of US$6.7 million to The Gambia and paves the way for additional financial support from a number of donors.*

- *The ECF arrangement is essential to help the authorities deal with the challenges posed by the coronavirus disease (COVID-19) pandemic.*

Washington, DC – March 23, 2020. The Executive Board of the International Monetary Fund (IMF) approved a thirty-nine-month Extended Credit Facility arrangement for The Gambia in the amount of SDR35 million (about US$47.1 million, or 56.3 percent of The Gambia's quota in the Fund) today. The ECF-supported program aims to anchor macroeconomic stability and progress on structural reforms achieved under the 2019 Staff Monitored Program (SMP) and would provide a framework to assist the authorities in developing and implementing effective policy responses to address the COVID-19 challenges. The program will also help catalyze much needed donor financing, particularly in the form of grants for budget support, maintain the momentum in reducing debt vulnerabilities, and deliver on key commitments in the National Development Plan 2018–2021, with the focus on inclusive growth and poverty reduction.

The IMF Executive Board decision enables an immediate disbursement of SDR 5 million, about US$6.7 million. Disbursements of the remaining amount will be phased over the duration of the program, subject to six half-yearly reviews.

Following the Executive Board discussion on The Gambia, Mr Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

1. The Gambian authorities' commitment to prudent policies and institutional improvements has supported robust economic growth, while voluntary debt service deferrals from their main external creditors have helped attain debt sustainability. However, the ongoing COVID-19 pandemic will challenge the authorities' efforts to further strengthen economic performance and resilience. The 39-month ECF arrangement, focused on advancing reforms in revenue mobilization, public financial management, and economic governance to support inclusive growth, will help anchor macroeconomic stability and meet balance-of-payments needs. Grant financing and technical assistance from development partners will be needed to support the authorities' reform efforts.

2. The authorities should remain committed to fiscal consolidation in the medium-term to ensure debt sustainability. Major projects should be financed through grants or highly

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concessional financing and public procurement and project selection should be strengthened. The governance and financial management of state-owned enterprises need to be improved to help reduce fiscal risks and enhance efficiency in public service delivery. Further strengthening of tax administration and public financial management is also needed to boost resources for priority investment and social spending.

3. The monetary policy framework needs to be enhanced, including by gradually adjusting the interest rate corridor, and enabling the SDF rate to effectively anchor the functioning of the interbank market, and the central bank's balance sheet should be strengthened.

4. The vulnerabilities identified in the 2019 Financial Sector Stability Assessment should be addressed to ensure soundness of the financial sector and improve legal and supervisory framework for banking supervision. The authorities should leverage the financial inclusion strategy, including through mobile banking, while strengthening the oversight of non-banking institutions and monitoring of risks involved in mobile banking.

5. The authorities' support for social programs and commitment to structural reforms and improvement in governance, as outlined in the authorities' National Development plan, will be necessary to help address social needs, combat corruption and promote private-sector-led inclusive growth.

Annex

Recent Economic Developments

The Gambia's program of economic policies and reforms implemented under two consecutive SMPs covering 2017–18 and 2019 helped consolidate macroeconomic stability, achieve public debt sustainability, improve domestic revenue mobilization, and strengthen public financial management (PFM). Real GDP growth is estimated to have reached 6 percent in 2019 despite erratic rainfall resulting in a 10–percent decline in agricultural production. Inflation picked up in 2019 and averaged 7.1 percent, mainly due to one-off hikes in postal charges, while the underlying trend appears benign and core inflation subdued. Monetary policy has remained appropriately neutral in the context of moderate core inflation. The renewed confidence in the Gambian economy helped support robust private sector consumption and investment on the back of a record tourist season, notwithstanding the bankruptcy of Thomas Cook (UK), formerly, a major business partner in The Gambian tourism. Strengthened balance-of-payments helped rebuild The Gambia's external buffers and helped replenish bank liquidity, contributing to credit growth. Meanwhile, The Gambia's banking system remains well capitalized, liquid and profitable, with non-performing loans at 4.5 percent of gross loans at end-2019.

Program Summary

The ECF-supported program for The Gambia aims to help the authorities attain the poverty reduction and growth objectives set in the 2018–21 National Development Plan, including with increased support for social programs drawing on the fiscal space created in part by debt service deferrals granted by The Gambia's external creditors. The program also emphasizes the need for further PFM reforms to improve governance and increase the efficiency in the use of public resources, among others by improving the performance of state-owned enterprises. Disbursements under the ECF arrangement will help to reinforce balance-of-payments buffers, including to cope with the impact of the COVID-19 outbreak.

The structural agenda under the ECF-supported program aims to strengthen The Gambia's performance in the following areas:

- **Bolstering domestic revenue mobilization** through a multi-year program of modernizing tax administration based on the roadmap drawn with the help of the Tax Administration Diagnostic Assessment Tool (TADAT).

- **Consolidating the gains in fiscal policy formulation, public financial management, and debt sustainability** by strengthening budget preparation and execution, all stages of cash management, debt management, and fiscal reporting.

- **Pursuing a multipronged strategy to improve economic governance** with emphasis on public investment, drawing on the 2019 Public Investment Management Assessment, procurement, and the reform of state-owned enterprises including by strengthening their corporate governance, financial management, and reporting.

- **Broadening the scope of reforms to sustain growth and poverty reduction,** by fostering financial inclusion, building on the recommendations of the 2019 Financial Sector Stability Review, mainstreaming gender equality, and counteracting the impact of climate change, which falls disproportionately on the poor.

The Gambia: Selected Economic and Financial Indicators, 2018–25

	2018	2019		2020	2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Proj.	Projections				
National account and prices									
GDP at constant prices	6.5	5.8	6.0	6.3	5.8	5.5	5.2	5.2	5.0
GDP deflator	5.2	5.6	6.4	6.3	5.5	4.8	4.5	4.4	4.8
Consumer prices (average)	6.5	6.1	7.1	6.7	6.0	5.5	5.1	5.0	5.0
Consumer prices (end of period)	6.4	5.9	7.7	6.2	5.8	5.2	5.0	5.0	5.0
External sector									
Exports, f.o.b (US$ values)	-0.9	6.8	25.2	6.0	7.9	7.3	10.5	10.7	10.1
Imports, f.o.b (US$ values)	11.9	11.0	14.6	13.6	8.3	6.1	7.0	7.5	7.0
Terms of trade (deterioration = -)	-1.7	-2.4	-4.1	-3.3	-2.9	-0.5	-0.2	-0.2	0.7
Real effective exchange rate (depreciation = -)	-1.5	…	4.6	…	…	…	…	…	…
Money and credit									
Broad money	20.0	15.2	27.1	15.5	11.5	…	…	…	…
Net foreign assets	14.0	8.1	18.9	9.2	9.2	…	…	…	…
Net domestic assets	6.0	7.1	8.2	6.3	2.3	…	…	…	…
Of which:									
Credit to central government (net)	7.1	4.0	3.9	1.2	0.0	…	…	…	…
Credit to the private sector (net)	5.0	4.0	6.0	3.4	2.3	…	…	…	…
Velocity (GDP/broad money)	2.3	2.2	2.1	2.0	2.0	…	…	…	…
Central government finances									
Domestic revenue (taxes and other revenues)	12.1	13.1	14.4	13.7	14.0	14.3	14.6	15.0	15.2
Grants	3.3	7.7	7.8	9.3	8.5	7.7	7.0	6.3	6.1
Total expenditures and net acquisition of financial assets	21.7	23.9	24.4	24.4	24.2	23.4	22.7	22.0	21.7
Of which: Interest (percent of government revenue)	26.1	24.3	22.3	19.9	18.1	15.3	14.9	13.2	12.6
Net lending (+)/borrowing (–)	-6.2	-3.2	-2.6	-1.7	-1.8	-1.4	-1.1	-0.7	-0.4
Net incurrence of liabilities	5.6	3.2	3.2	2.0	1.8	1.4	1.1	0.7	0.4
Foreign	2.6	1.6	2.7	2.0	1.8	1.4	1.1	0.7	0.4
Domestic	3.0	1.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	-3.0	0.0	0.6	1.0	0.8	0.8	1.1	1.3	1.5
Public debt	86.6	81.8	83.8	77.9	72.7	68.3	64.3	60.1	55.8
Domestic public debt	39.2	37.2	36.6	32.9	29.5	26.6	24.2	22.1	20.1
External public debt	47.4	44.6	47.2	45.0	43.2	41.7	40.1	38.1	35.8
External public debt (millions of US$)	756.6	774.5	796.3	836.0	876.7	915.6	949.0	967.7	979.0
External current account balance									
Excluding budget support	-10.7	-13.8	-8.5	-11.9	-12.4	-11.8	-10.9	-10.7	-10.3
Including budget support	-9.7	-10.3	-5.3	-8.7	-9.9	-9.6	-9.0	-9.1	-8.8
Gross official reserves (millions of US$)	157.0	187.0	225.0	268.0	313.4	349.5	382.4	410.5	450.1
(months of next year's imports of goods and services)	2.7	3.0	3.4	3.7	4.1	4.3	4.4	4.4	4.6

The Gambia: Selected Economic and Financial Indicators, 2018–25 (concluded)

	2018	2019		2020	2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Proj.	Projections				
Gross investment	17.9	18.3	20.8	20.5	20.0	19.4	18.7	18.4	18.8
Of which: Central government	7.6	8.9	9.8	10.3	10.2	9.5	8.8	8.1	8.2
Gross savings	8.1	8.0	15.4	11.8	10.1	9.8	9.7	9.2	10.0
Memorandum items:									
Nominal GDP (billions of dalasi)	78.6	87.4	88.7	100.2	111.9	123.7	136.0	149.3	164.3
GDP per capita (US$)	712.5	782.4	750.9	795.8	840.0	883.1	923.2	964.5	1008.5
Use of Fund resources (millions of SDRs)									
Disbursements	0.0	0.0	0.0	10.0	10.0	10.0	5.0	0.0	0.0
Repayments	-5.5	-4.3	-4.3	-3.6	-4.0	-2.8	-4.1	-3.9	-3.6

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

THE GAMBIA

March 4, 2020

FIRST REVIEW OF THE STAFF-MONITORED PROGRAM AND REQUEST FOR A 39-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The Gambia remains a fragile state, grappling with a large public debt burden and the legacy of mismanagement left by the previous regime. Considerable progress has been achieved under the transitional justice agenda and broader initiatives aimed at improving governance. Building on successful macroeconomic stabilization with financial support from the IMF, the World Bank, and other international partners, the authorities established a satisfactory performance track record through the Staff-Monitored Program (SMP) covering 2019, approved by the IMF Management in April 2019.

Extended Credit Facility (ECF) Arrangement. The Gambian authorities are requesting a thirty-nine-month financial arrangement under the ECF in an amount of SDR 35 million (56.3 percent of quota), to support their medium-term economic reform program anchored on their 2018–21 National Development Plan (NDP).

Program objectives. The proposed ECF-supported program aims at sustaining high and inclusive growth and poverty reduction in the context of the NDP. In the short term, the program will focus on strengthening public financial management and domestic revenue mobilization, while mitigating fiscal risks stemming from state-owned enterprises. These efforts will help entrench macro-stability and reduce debt vulnerabilities, in part thanks to the breathing space gained through voluntary debt service deferrals granted by most of The Gambia's bilateral and plurilateral creditors. The key medium-term goals include: (i) expanding the fiscal space for infrastructure projects and social programs; (ii) improving the business environment, by reducing perceived corruption and strengthening digital infrastructure; and (iii) expanding financial inclusion, mainstreaming gender equality, and making progress on addressing the impact of climate change.

Risks to the program. Risks emanate from building political tensions in the run-up to presidential elections next year, which could also give rise to expenditure overruns, and, more broadly, from weak management of state-owned enterprises (SOEs), vulnerability to corruption, and political capture of the public investment program. The authorities' commitment to macroeconomic stability and sound fiscal management, as demonstrated in the 2019 SMP, would help contain these risks.

Staff supports the authorities' request for IMF support. The implementation of the program would strengthen The Gambia's economic prospects and help catalyze additional donor financing, particularly in the form of grants for budget support.

Approved By
Annalisa Fedelino (AFR) and Mary B. Goodman (SPR)

The missions to Banjul during December 9–17, 2019 and February 3-11, 2020 comprised Messrs. Wieczorek (head), Kumah, Norat (all AFR), Daal (FAD, first mission), and Khan (SPR), and Ms. Devine (AFR, second mission) with support from Messrs. Barry (resident representative) and Mendy (local economist). Mr. Jappah (OEDAE) participated in the policy discussions. The team met with President Barrow, Finance Minister Njie, Central Bank Governor Jammeh, other public officials, private sector operators, and members of the diplomatic and donor community. Ms. Quartey and Mr. Treilly assisted in the preparation of this report.

CONTENTS

ANNEXES

APPENDICES

Acronyms

AfDB	African Development Bank
BoP	Balance of Payments
BRP	Banjul Rehabilitation Project
CBG	Central Bank of The Gambia
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EU	European Union
FSSR	Financial Sector Stability Review
FX	Foreign Exchange
GBoS	The Gambia Bureau of Statistics
GDP	Gross Domestic Product
GIABA	The Inter-Governmental Action Group against Money Laundering in West Africa
GMD	The Gambian dalasi
GNPC	The Gambia National Petroleum Corporation
GPPA	The Gambia Public Procurement Authority
GRA	The Gambia Revenue Authority
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IsDB	Islamic Development Bank
IT	Indicative Target
ITFC	Islamic Trade Finance Corporation
LOI	Letter of Intent
MDAs	Ministries, Departments, and Agencies
MEFP	Memorandum of Economic and Financial Policies
MoFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
MTDS	Medium-Term Debt Strategy
MTFF	Medium-Term Fiscal Framework
NAWEC	National Water and Electricity Corporation
NDB	Net Domestic Borrowing
NDP	National Development Plan
NFSPMC	National Food Security, Processing, and Marketing Corporation
NPLs	Non-Performing Loans
OIC	Organization of Islamic Cooperation
PACD	Program for Accelerated Community Development
PC	Performance Criterion
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
RAM	Risk Assessment Matrix
SB	Structural Benchmark
SDF	Standing Deposit Facility
SMP	Staff-Monitored Program
SOEs	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

CONTEXT

1. **The Gambia's newly found democracy is weathering challenges**. Until recently, President Barrow's tenure was characterized by a relative calm, although punctuated by several government reshuffles, eventually leading to a departure of his coalition partners. Beginning in late 2019, opposition groups started to launch political protests calling on the President to step down at the third anniversary of his induction in January 2020, reportedly as agreed with former coalition partners.[1] Notwithstanding these challenges, the government has advanced transitional justice initiatives to strengthen the rule of law, uproot high-level corruption, and bring to light human rights violations committed during former President Jammeh's rule (see Annex I).

2. **The Gambia is overcoming the dire economic situation inherited from the previous regime**. The political turmoil preceding the democratic transition had reduced tourism and put the government finances in a precarious position. Official reserves waned and public debt surged. In mid-2017, The Gambian authorities requested support under the IMF's shocks window of the Rapid Credit Facility (RCF) and committed to a one-year SMP (later extended by six months) to build a track record toward an ECF-supported program. The macroeconomic situation stabilized but mixed performance under that SMP and unsustainable public debt delayed the transition to an ECF-supported program. The new SMP, put in place in 2019, strengthened policy implementation and provided the framework for The Gambia to exit from external debt distress, building on the commitments of debt restructuring expressed by most of its creditors at the roundtable discussions held on the sidelines of the 2019 Spring Meetings.

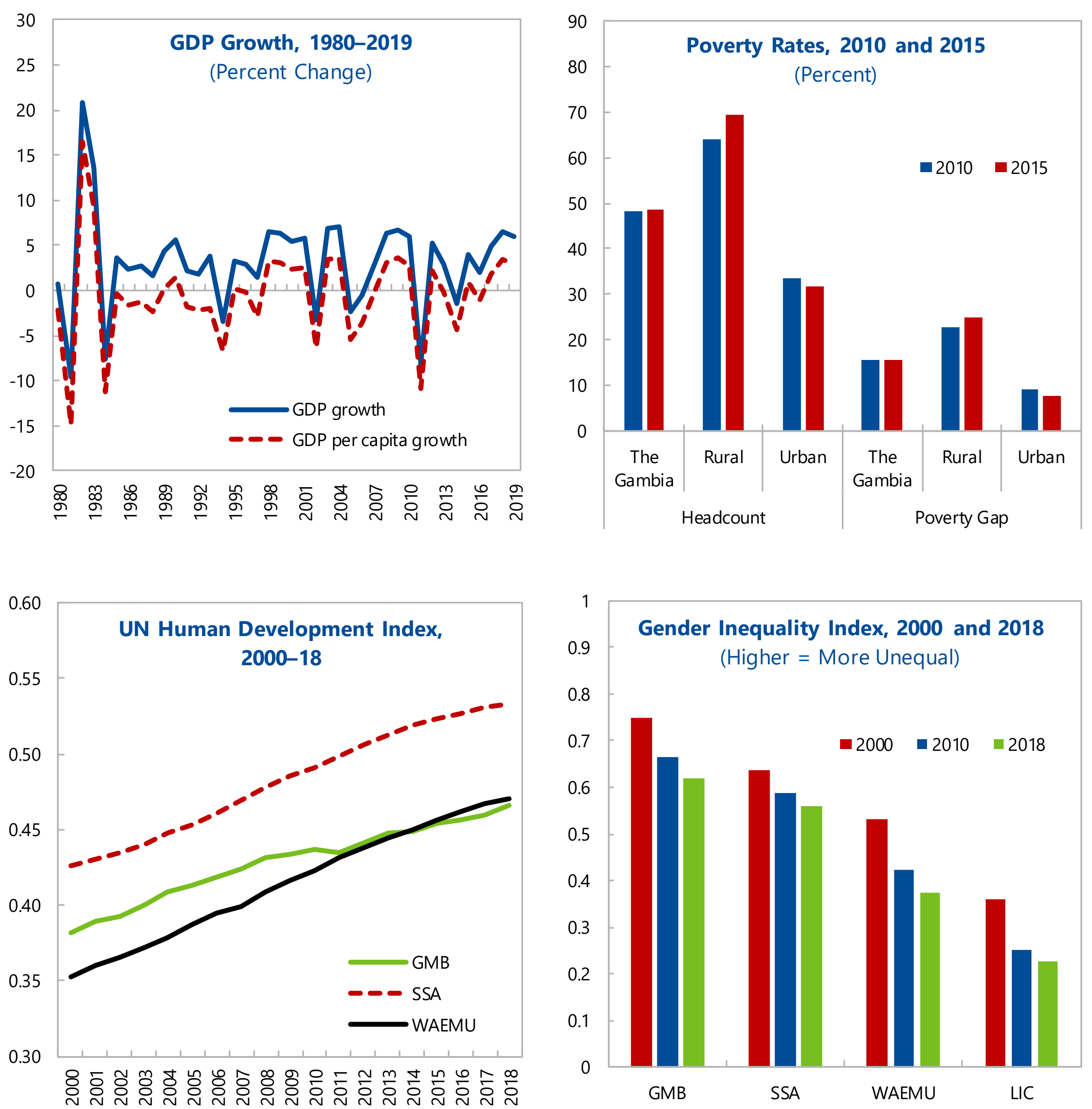
3. **Nonetheless, The Gambia's socioeconomic situation remains fragile**. According to the Integrated Household Survey (IHS, 2015/16), in 2015, the poverty rate in The Gambia was 48.6 percent (with rural poverty at 69.5 percent) placing it among the poorest and most fragile countries in Sub-Saharan Africa (Text Figure 1). In the World Bank's view, this has hardly changed in the last five years,[2] despite achievements documented in the 2019 annual performance review (APR) of the 2018–21 National Development Plan (NDP) showing satisfactory progress on nearly half of the indicators, but also notable weaknesses in agriculture and youth empowerment. The planned extension of the NDP will aim to align it better with the Sustainable Development Goals (SDGs).

4. **The Gambia has secured credible assurances of debt relief needed for transitioning to the ECF-supported program**. The total debt service deferred between 2020 and 2024 amounts to US$158 million (equivalent to 9 percent of 2019 GDP), which contributes to making the proposed ECF-supported program fully financed and The Gambia's public debt sustainable on a forward-looking basis. Binding debt restructuring offers have been made by most participating creditors,

[1] President Barrow took post in early 2017, following disputed elections that led to the departure from The Gambia of the former President Jammeh, who took power through a military coup in 1994 and was elected for four consecutive terms, starting in 1996. The presidential terms last 5 years.

[2] The World Bank, The Gambia Social Safety Net Project, Project Appraisal Document, April 26, 2019.

Text Figure 1. The Gambia: Poverty and Social Deprivation



Source: United Nations; The Gambian authorities; and IMF staff estimates and projections.

while in two cases these offers are still being finalized. A debt restructuring proposal from OPEC Fund for International Development (OFID) is currently undergoing a final review by its management and is expected to be finalized in March 2020. ECOWAS Bank for International Development (EBID) is finalizing its proposal for debt deferral in consultation with India, a source of funds on-lent by EBID. Reaching agreements will likely require more time in three cases, involving official creditors (Libya, Venezuela, and Taiwan Province of China). The authorities are disputing the claims to Libya due to a disagreement over the amount owed and they will continue to run arrears to Venezuela due to international financial sanctions (Annex II).[3] In the case of Taiwan Province of China, discussions, which got delayed pending the opinion from the Ministry of Justice, are expected to resume at a later stage and debt service obligations are being met in the meanwhile. The authorities are not expected to pursue agreement with the private claimant, M.A. Kharafi & Sons, recognizing that this debt is originating from an earlier rescheduling of payments due to the domestic subsidiary of this international construction company (Text Table 1). The non-participation of these creditors does not qualitatively affect the results of the debt sustainability analysis (DSA, see ¶19).

Text Table 1. The Gambia: Status of Debt Restructuring by Creditors as of February 2020

(Millions of U.S. dollars)

	Outstanding Debt end-2019	Debt Service Reduction 2020	2021	2020–24	Principal Deferral	Maturity Extension	Interest Deferral	Comments
Confirmed offers								
The Islamic Development Bank (IsDB)	147.8	8.2	8.7	42.5	5 years	x	x	Principal deferral on all equity-funded loans representing 45 percent of debt service due in 2020–24. Maturities of certain market-funded loans extended by up to two years. The option of accessing a grant window is being explored.
Arab Bank for Economic Development (BADEA)	55.9	2.3	2.1	9.8	5 years	5 years	x	
Saudi Fund for Development (SFD)	47.9	0.0	0.0	7.2	7 years	4 years	x	For SFD, "Debt Service Reduction" reflects only the deferral of payments due in 2022–24. This is in addition to US$5.6 million for debt service due in 2018–21 that was deferred in January 2018 and already reflected in the baseline.
Kuwait Fund for Arab Economic Development (KFAED)	48.9	1.0	3.1	17.7	5 to 7 years	x	x	
Export-Import Bank of India (EXIM Bank)	41.7	2.5	4.8	25.2	5 years	5 years	✓	Interest deferral funded by a new interest-bearing loan.
Abu Dhabi Fund for Arab Economic Development (ADFD)	14.4	1.3	1.3	6.4	5 years	5 years	x	
Pending offers								
OPEC Fund for International Development (OFID)	45.2	5.9	6.4	29.2	-	-	-	Governing body decision expected in March 2020. Principal and interest expected to be deferred until 2025.
ECOWAS Bank for International Development (EBID)	22.8	1.9	2.1	10.5	-	-	-	The proposal to defer principal and interest until 2025 is being finalized in consultation with India, a source of funds on-lent by EBID.
Technical issues/disputed claims								
Libya[1]	4.0	0.7	0.7	2.5	-	-	-	Disputed claims, not expected to be serviced.
Venezuela[1]	15.1	1.4	1.4	6.9	-	-	-	Not serviced (international sanctions).
Taiwan Province of China[2]	14.3	0.0	0.0	0.0	-	-	-	Discussions continue.
Memorandum item (private claims)								
M. A. Kharafi and Sons[2]	36.9	0.0	0.0	0.0	-	-	-	The authorities intend to service this debt, which originates from an earlier rescheduling of claims.
Total	**494.9**	**25.2**	**30.6**	**157.9**				

Source: IMF staff estimates.

[1] Payments in arrears are recorded as debt service reduction.

[2] Authorities are current on payments.

[3] In the context of this ECF request, the IMF's lending into official arrears (LIOA) policy applies to the case of Venezuela. Since, at present, the IMF does not recognize any government of Venezuela, the application of the LIOA policy leans on the fulfillment of the following criteria: (i) there is a need for prompt financial support from the Fund and the member is pursuing appropriate policies; (ii) the debtor is acting in good faith to resolve the arrears; and (iii) the decision to lend into unresolved arrears owed to an official bilateral creditor will not have an undue effect on the Fund's ability to mobilize future financing packages. Staff ascertained that in this case all three criteria are met.

5. Progress on SOE reforms has also helped reduce debt vulnerabilities (Annexes I and III, MEFP¶¶12 and 14, and 31–33). Improved monitoring of financial performance of SOEs and better understanding of their deficiencies helped contain fiscal risks, which had flared up in 2018, and reduced the government's exposure to potential external default by preventing the recurrence of arrears to the International Islamic Trade Finance Corporation (ITFC). All SOEs have now undergone forensic audits whose recommendations are forming the basis for individual action plans and broader strategic reforms. These will be reflected in the wholesale revision to the SOE law, which is proceeding in step with the ongoing constitutional revisions to eliminate executive interference in SOEs and strengthen their governance.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

6. The Gambian economy continues to perform well (Figure 1). GDP growth in 2019 reached 6 percent, despite rainfall deficit with long dry spells reducing agricultural production by 10 percent and the financial collapse of Thomas Cook, UK (TCUK) at the start of the 2019/20 tourism season requiring a rapid repositioning of the tourism sector to achieve targeted performance. Growth factors included a more reliable power supply, lower interest rates, and continued strong activity in tourism and other services, complementing the impetus from the public investment program.

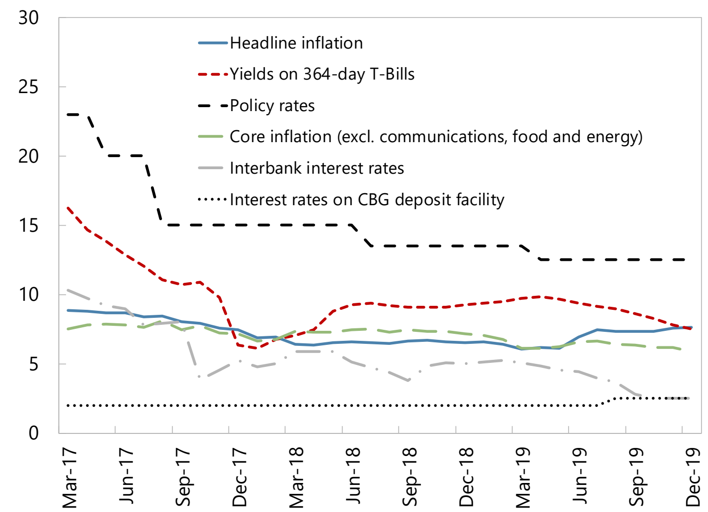
7. Fiscal performance improved in 2019, reflecting strong revenue collection and better expenditure control (Figure 2 and Tables 2–4). The authorities' efforts were supported by intensive technical assistance (TA), with the posting of resident advisors at the Gambia Revenue Authority (GRA) and the Ministry of Finance and Economic Affairs (MoFEA), which helped boost revenue collection and improve public financial management:

- Tax collections increased by 0.9 percent of GDP, mostly due to administrative improvements, drawing on the assessment conducted in 2018 with the use of the IMF's Tax Administration Diagnostic Assessment Tool (TADAT), while the receipts of nearly 0.9 percent of GDP in signature bonuses from the prospecting petroleum companies (BP and FAR Gambia Limited) helped boost nontax revenue.
- Expenditure control and treasury cash management strengthened and, unlike in 2018, major expenditure overruns and accumulation of arrears were avoided.
- As a result, the overall fiscal deficit declined from 6.2 percent of GDP in 2018 to 2.6 percent of GDP in 2019. Over the same period, the domestic primary surplus increased from 0.6 to 1.8 percent of GDP, and net domestic borrowing declined from 3.3 to 1.2 percent of GDP.

8. Inflation pressure and business sentiments remained favorable, enabling monetary easing and contributing to the build-up of official reserves (Text Figure 2). Domestic food price increases (associated with Ramadan and delayed erratic rains) and a one-time hike in postal charges pushed headline inflation from an average of 6.5 percent in 2018 to 7.1 percent in 2019. The dalasi remained stable during the year, depreciating against the U.S. dollar by 3.2 percent (y/y) in nominal terms at year's end. Core inflation (excluding food, energy, and communication) declined to 5.6 percent. Citing well-anchored inflation expectations and favorable business sentiments, the CBG reduced the policy rate from 13.5 percent to 12.5 percent effective March 2019 but kept it unchanged thereafter as reported headline inflation picked up. In order to narrow the interest corridor and improve the transmission of interest signals, the CBG raised the deposit facility rate in August 2019 from 2 percent to 2.5 percent. Drawing on the increased FX inflows from private sources, the CBG made frequent FX purchases, which helped ensure adequate liquidity in response to growing demand for the dalasi and seasonal pressures. This also helped the banking system to meet the demand for credit expansion, facilitated the build-up of official reserves, and prevented undesirable dalasi appreciation, given the need to strengthen The Gambia's competitiveness in the light of the analysis in the 2017 Article IV report.

Text Figure 2. Interest Rates and Inflation, 2017–19

(Percent, year-on-year)



Source: The Gambian authorities; and IMF staff estimates.

9. Financial intermediation picked up further, with banks increasingly looking for retail business as their FX buffers increased and T-bill rates softened. Credit to the private sector expanded by 35.8 percent (y/y) in 2019, despite still elevated average lending rates of around 21 percent, which translated into a 1.5-percentage-points increase (relative to 2018) in the credit-to-GDP ratio to 8.7 percent. At the same time, bank capitalization remained high and profitability improved. However, the share of non-performing loans (NPLs) increased from 3.3 percent at end-2018 to 4.5 percent at end-2019, due to a localized deterioration in asset quality (Figure 2 and Table 11). Going forward, the CBG is expecting the banks to exercise greater prudence with regard to demand for credit and maintain strong FX buffers to meet import-related demand for foreign exchange, and other current account transactions, including the remittance of profits.

10. The external position improved, helping further build-up of external buffers (Figure 2 and Tables 1 and 8–9).

- An increase in tourism, official transfers, and remittance inflows improved the current account balance, with the deficit of 8.5 percent of GDP more than fully financed by capital and financial inflows (including capital transfers by the diaspora investing in real estate).
- With the overall balance-of-payments (BoP) surplus exceeding 4 percent of GDP, gross official reserves reached US$225 million (3.4 months of prospective imports) at end-2019.

11. Performance under the 2019 SMP was strong overall, creating a positive track record needed to support the request for an ECF-supported program (MEFP Tables 1 and 3). The main challenge to the implementation of the SMP related to the authorities' decision to launch the Banjul Rehabilitation Project (BRP). This delayed the completion of the first review under the SMP. In the end, the issues surrounding the BRP were satisfactorily resolved (see ¶13). Program implementation was strong in most other areas, in particular with regard to domestic revenue mobilization, and all quantitative targets were met at all test dates, except the floor for poverty-reducing spending at end-September 2019 and the continuous zero ceiling on external arrears accumulation, which was breached through mid-November 2019, and all but two structural benchmarks (SBs) were met:

- The end-December 2019 ceiling on the NDB as adjusted for a minor shortfall in budget support was met with a margin of 1.0 percent of GDP, which was helped by the ringfencing of signature bonuses received from prospecting oil companies.
- The end-December 2019 ceiling on the CBG's net domestic assets and the end-December 2019 floor for net usable international reserves (the latter also adjusted for budget support shortfalls) were met with margins of 1.5 billion dalasi and US$54 million, respectively.
- The zero ceiling on new external payment arrears (a continuous target) was breached at end-April and at all subsequent quarterly test dates, as the accumulating arrears to Paris Club creditors were cleared in November 2019. The zero ceilings on (i) new non-concessional external debt contracted or guaranteed; (ii) outstanding stock of external public debt with original maturity of one year or less; and (iii) central bank credit to the central government on non-market terms were all met at all test dates through the year.
- Two SBs were missed but the overdue actions were subsequently completed: (i) the audit of domestic arrears and preparation of a strategy for their clearance (both due at end-June) were completed in stages until December 2019; and (ii) the publication of audited 2018 financial statements of the CBG (due at end-September) took place in November 2019.

Management has approved The Gambia's completion of the first review under the SMP, albeit with a delay, and staff assesses performance under the remainder of the SMP to be also satisfactory.[4] On the basis of this overall strong track record, staff supports the authorities' request for an ECF arrangement.

12. Strengthened oversight of SOEs was critical to this performance. Most notably, in 2019 the government signed a memorandum with the utility company NAWEC (the largest SOE) to resolve the nexus of arrears among NAWEC, other SOEs, the government, and the GRA. Similar steps have also been taken to improve the performance of other SOEs—all resulting in a reduction and more transparent definition of subsidy needs in the 2020 budget.

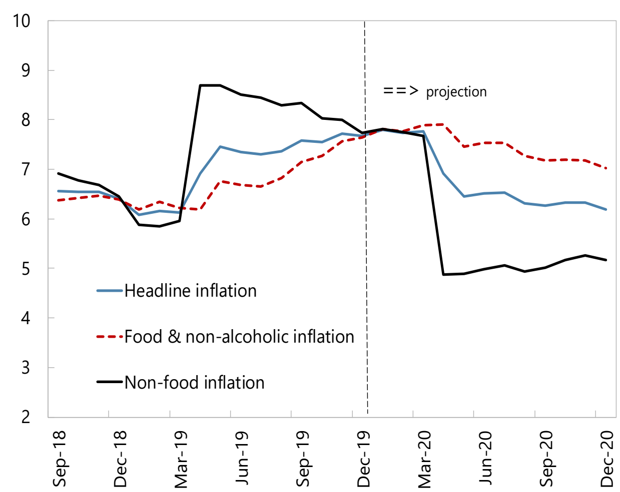
[4] The second review under the SMP was not completed due to staff's and the authorities' focus on discussions for a subsequent financing arrangement.

13. The SMP also helped lay the basis for strengthening public investment process based on the Public Investment Management Assessment (PIMA) conducted in June 2019. Concrete measures in this area helped address challenges that surfaced in the context of the BRP, given its single sourcing and potential contracting of non-concessional external debt (equivalent of 2 percent of GDP). In the event, (i) the financing arrangement was revisited to ensure that payments would be made in dalasi through annual budgets as the project is being implemented; (ii) to ensure value-for-money, the implementation of the project is being monitored by an independent consulting company; and (iii) terms of reference for project appraisal process have been revised in line with PIMA recommendations. As a prior action for this ECF request, a revised draft of The Gambia Public Procurement Authority (GPPA) Act has been submitted to the Cabinet and further steps to improve project selection are to be taken in 2020 (see ¶18).

14. The medium-term economic outlook remains favorable (Text Table 2). In the medium term, growth is expected to average 5.5 percent in 2020–25, on the back of strong growth in private sector activity (construction and tourism) supported by improvements in public infrastructure and services. As the impact of the change in postal charges wanes, inflation is expected to decline to around 6.5 percent by mid-2020 and then converge gradually to the CBG's target of 5 percent (Text Figure 3).[5] With strong import growth to support expansion in tourism and private investment, the current account deficit is expected to widen; however, the capital and financial account would remain strong, reflecting disbursements of funds for public investment and private capital transfers. Gross official reserves are projected to increase to the equivalent of 4½ months of prospective imports by 2022.

Text Figure 3. Inflation Dynamics, 2018–20

(Percent, year-on-year)



Source: The Gambian authorities; and IMF staff estimates.

- **Downside risks** stem from climatic shocks, deterioration in the political environment, and possible weakening of fiscal discipline, notably, in the run-up to the 2021 elections. The macroeconomic outlook is also subject to risks stemming from weak administrative capacity and vulnerability to corruption, which could undermine the implementation of the program (see ¶34 and Annex IV) and curtail The Gambia's access to financial support from development partners.

[5] Starting in 2020, reported inflation will also be affected by the recent revisions to CPI coverage based on the 2015/16 Integrated Household Survey and methodological revisions (including better treatment of missing values and use of geometric means, an international best practice).

- **Upside risks** stem from infrastructure projects ahead of the Organization of Islamic Cooperation (OIC) summit, to be held in The Gambia in 2022, and confirmed discovery of economically viable oil reserves.

Text Table 2. The Gambia: Economic Performance and Medium-Term Projections, 2018–25

	2018	2019	2020	2021	2022	2023	2024	2025
	Act.	Prel.	Projections					
	(annual percent change, unless otherwise indicated)							
Growth and Inflation								
Real GDP growth	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0
Headline inflation (average)	6.5	7.1	6.7	6.0	5.5	5.1	5.0	5.0
	(percent of GDP, unless otherwise indicated)							
Fiscal Sector								
Total revenue (incl. grants)	15.4	22.2	22.9	22.5	22.0	21.6	21.3	21.3
Total expenditure	21.6	24.8	24.6	24.2	23.4	22.7	22.0	21.7
of which: Investment expenditure	7.6	9.8	10.3	10.2	9.5	8.8	8.1	8.2
Overall fiscal balance	-6.3	-2.6	-1.7	-1.8	-1.4	-1.1	-0.7	-0.4
Primary balance	-3.0	0.6	1.0	0.8	0.8	1.1	1.3	1.5
Net domestic borrowing	3.3	1.2	0.5	0.0	0.0	0.0	0.0	0.0
External Sector								
Current account balance	-9.7	-5.3	-8.7	-9.9	-9.6	-9.0	-9.1	-8.8
Public debt	86.6	81.4	75.8	70.8	66.6	62.7	58.5	54.4
Gross official reserves (months of imports)	2.7	3.4	3.7	4.1	4.3	4.4	4.4	4.6

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

POLICIES SUPPORTING THE PROGRAM

15. **The Gambian authorities have requested a thirty-nine-month ECF arrangement to lay a solid foundation for sustainable and inclusive growth**. They recognize that consolidating gains attained under the 2019 SMP in macroeconomic stability and advancing the structural agenda would enhance policy credibility and economic resilience. To this end, they have committed to: (i) expand the fiscal space for productive investment and priority social spending; (ii) maintain debt sustainability through adherence to their medium-term debt strategy (MTDS); (iii) advance monetary management and healthy financial inclusion; (iv) strengthen governance and financial management of SOEs for a more efficient and reliable public service delivery; and (v) improve the business environment, including by strengthening governance and combating corruption. They underscore the need to leverage TA to enhance institutional capacity and improve the quality and timeliness of economic statistics to facilitate program monitoring (Annex V).

A. Expanding the Fiscal Space

16. **The fiscal position will be strengthened further to support debt sustainability while protecting outlays on infrastructure and social needs** (MEFP ¶21). The medium-term fiscal

program features a gradual increase in the domestic primary surplus to 2.5 percent of GDP by end-2025. This, together with the temporary reduction in external debt service payments over the period would support a reduction in the public debt-to-GDP ratio from over 81 percent in 2019 to below 55 percent in 2025. The TADAT roadmap guides the increases in domestic revenue collection, while tightened PFM, rationalization of subvented agencies, and the SOE reforms would ensure greater expenditure control and a progressive reallocation of resources from subsidies to spending on social programs and maintenance of infrastructure.

17. The 2020 budget lays an adequate foundation for the program (MEFP ¶23).

- On the revenue side, measures yielding about 0.3 percent of GDP include: (i) increases in tobacco-related taxes and excises; (ii) an increase in customs processing fees by 0.5 percent to 1.5 percent and their extension to hitherto exempted imports. In addition, an increase in the VAT threshold should boost tax revenues over the medium term. Potential tax revenue gains not captured in the 2020 budget could come from the tightening of the tax exemption policy and a more rigorous monitoring of its use (the estimated amount of revenues foregone in 2019 on account of tax and duty exemptions exceeded 3 percent of GDP).
- On the expenditure side, current expenses are projected to decline as a percentage of GDP by 0.7 points on account of lower interest payments (by 0.5 percent of GDP) and a containment of growth in other categories of expenditure. To this effect, the authorities will keep outlays on compensation of employees constant in GDP terms. The reduction in spending on goods and services largely reflects a reclassification of some of the spending previously budgeted under this category as transfers and public investment.
- The government will use part of the resulting fiscal space to safeguard social and other priority spending under the program, including (i) three social initiatives (a pension fund and national health insurance scheme, a program for accelerated community development, and a social safety net project); (ii) a 25-percent increase in subsidies and transfers to the education and health sectors to finance recruitment of new teachers and medical officers; and (iii) the implementation of the BRP.
- The program foresees a progressive reduction of arrears to SOEs, a full clearance of validated arrears to domestic suppliers envisaged in the budget (0.3 percent of GDP), and at least a partial. clearance of arrears to suppliers identified in the 2019 audit (less than 0.3 percent of GDP).
- The main difference between the program and the budget pertains to the foreign-financed capital spending, which in staff’s view appear overstated in the 2020 budget, based on the historic pattern and staff’s assessment of implementation capacity.

18. In the fiscal area, program objectives will be supported by the implementation of the following structural measures (MEFP ¶¶39–45 and MEFP Table 4):

- **Revenue administration**. Key measures include: (i) the completion of the tax registry clean-up at offices in the greater Banjul area that account for over 90 percent of tax revenue (**SB for June 2020**); (ii) preparation of a tax exemptions policy for Cabinet approval (**SB for September 2020**) and better monitoring of tax exemptions; (iii) training the GRA staff in tax auditing and data matching; and (iv) building competencies in petroleum taxation.

- **Public financial management**. Key measures include:

    i. Submitting to Cabinet a revised GPPA Act (**completed as a prior action**) that makes the GPPA the sole institution responsible for public procurement, eliminates the use of executive waivers, and drastically limits the recourse to single sourcing. Independently, to foster greater fiscal transparency and budget control, the authorities are also revisiting the financing modalities for the GPPA with a view to strengthen its capacity.

    ii. Developing a monthly cashflow plan for the whole year, consistent with the 2020 budget (**SB for March 2020**), to strengthen Treasury management, and updating the cashflow plan on a monthly basis under the guidance of the cash management committee.

    iii. Adopting project selection criteria recommended by PIMA for The Gambia Strategic Review Board (**SB for June 2020**). As part of the benchmark, MoFEA will test the criteria proposed in the PIMA report on a representative sample of existing projects, to ensure an appropriate application of these criteria in preparing the 2021 budget.

    iv. Submitting an assessment report on subvented agencies to Cabinet with proposals for their rationalization (**SB for September 2020**). Furthermore, the authorities will continue to modernize the budget process and foster transparency, including by publishing an annual statement of Ministries, Departments, and Agencies' (MDAs') compliance with internal audit recommendations (**SB for December 2020**). They will also conduct a public expenditure and finance assessment (PEFA) with support from development partners, which will inform further PFM reform.

B. Debt Sustainability

19. The Gambia's debt risk profile has improved although with still elevated vulnerability to debt distress, calling for tight external debt conditionality (MEFP ¶27 and MEFP Table 2). The DSA conducted in the context of this ECF request (Supplement 1) concludes that The Gambia's debt distress risk rating has improved relative to the DSA conducted in April 2019 from being "in debt distress" to being at "a high risk of debt distress." Following the debt service deferrals, the country's debt service-to-exports ratio remains below its indicative threshold both in the near and the medium term. The external debt service-to-revenue ratio breaches its indicative threshold in 2020 but drops below it thereafter. Further, through a combined effect of debt restructuring, reduced reliance on non-concessional borrowing, fiscal consolidation, greater availability of grants for budget support, and an on-going reform of SOEs, the PV of total public debt drops below its threshold in 2023. To ensure that their debt contracting policy is consistent with this medium-term debt profile, the authorities have committed: (i) not to contract or guarantee non-concessional external debt (**continuous PC**); (ii) to adhere to a borrowing plan that limits the amount of external concessional debt (i.e., debt with a minimum grant element of 35 percent) contracted or guaranteed to US$190 million over 2020–23 (Text Table 3); and (iii) to limit the amount of such debt contracted or guaranteed in 2020 to US$60 million. This limit will constitute a **continuous PC**, which the authorities committed to monitoring in consultation with Fund staff.

Text Table 3. The Gambia: Borrowing Plan, 2020–23

(Millions of U.S. dollars)

External public debt contracted or guaranteed

	2020	2021	2022	2023	2020–23
Source of debt financing					
Concessional debt	60	40	40	50	190
Multilateral debt	40	20	20	30	110
Bilateral debt	20	20	20	20	80
Nonconcessional debt	0	0	0	0	0
Use of debt financing					
Infrastructure	60	40	40	50	190
Budget financing	0	0	0	0	0

Assumed disbursement profile

	2020	2021	2022	2023	2024	2025	2026
Source of debt financing							
Concessional debt	15	20	25	25	25	30	50
Multilateral debt	10	15	15	10	10	20	20
Bilateral debt	5	5	10	15	15	10	30
Nonconcessional debt	0	0	0	0	0	0	0

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

20. To safeguard debt sustainability, MoFEA is updating its MTDS (MEFP ¶¶28–30 and MEFP Table 4). The update will reflect the impact of debt relief commitments and articulate a detailed plan for the issuance of domestic instruments, envisaging the use of instruments with longer-term maturities to reduce rollover risks (**SB for September 2020**). The authorities are also strengthening the monitoring and controls around SOEs' use of ITFC trade credit facilities to prevent the recurrence of arrears on these claims, which are included under the **continuous PC on non-accumulation of new external arrears**. They will continue to improve debt monitoring and reporting, including through (i) the preparation of quarterly reports on external debt commitments, agreements, and disbursements; and (ii) annual reconciliations of debt stocks with their respective external creditors. The new Meridian debt recording system from the Commonwealth Secretariat will enable the authorities to monitor the public debt more accurately and ensure debt service payments on a timely basis.

C. Monetary Policy and Financial Sector Issues

21. The CBG is bolstering the effectiveness of its policy instruments (MEFP ¶¶34–35 and MEFP Table 2).

- **Improving the monetary policy framework**. The CBG will continue to rely on the interest-rate channel to achieve its inflation targets. To this effect, it will gradually narrow the interest corridor, including by raising further the SDF rate, which effectively acts as a policy rate to ensure that it provides an anchor for the interbank money market. For its liquidity forecasting and monitoring, the CBG is utilizing templates developed with TA from AFRITAC West2 and has tightened collaboration with the Gambia Bureau of Statistics (GBoS), GRA and MoFEA on inputs needed for liquidity forecasting. It is expected that the improved tracking of the CPI will help better calibrate monetary policy.
- **Continued commitment to a flexible exchange rate regime** (MEFP ¶36). Mindful of the need to avoid large real exchange rate deviations from equilibrium, the CBG is limiting FX purchases to ensure orderly operation of the market and making its FX available only for the financing of external obligations of the central government. To inform its decision on intervention purchases and liquidity forecasting, the CBG will be updating its external cashflow projection monthly.
- **Strengthening the CBG balance sheet**. The plan to increase the CBG's statutory capital to one billion dalasi (consistent with the CBG Act of 2018) is being implemented. Furthermore, the interest rate on the consolidated Treasury bonds held by the CBG were increased and the related shortfalls paid to bring the returns on these bonds in line with the 2017 audit recommendations. A zero **monthly indicative ceiling** on the CBG's credit to the central government on non-market terms is being observed.

22. Recommendations from the 2019 IMF Financial Sector Stability Review (FSSR) will guide the steps to strengthen financial sector supervision (MEFP ¶37). The CBG will develop and publish a strategic plan addressing FSSR recommendations (**SB for June 2020**) to improve the legal and regulatory framework for banking supervision, enhance crisis preparedness and management, and strengthen the supervision of non-bank financial institutions. Meanwhile, the CBG is working to improve the provision of data by the banks through an ongoing software update. It is also developing a manual for risk-based supervision with TA from AFRITAC West2. In view of the rapid private credit growth and a recent uptick in NPLs, the CBG will review continuously the underwriting standards of the banks and apply rigorously loan classification regulations. While supporting the role of deposit-taking non-bank financial institutions in fostering financial inclusion, the CBG will work to strengthen their oversight through their apex body, the National Association of Cooperative Credit Unions. Additionally, the CBG will work with telecom companies to help develop mobile banking, by tackling regulatory inefficiencies, enhancing oversight and risk monitoring, and fostering consumer awareness and confidence (MEFP ¶38).

D. Governance and Other Structural Reforms

23. Completing the transitional justice agenda is critical for strengthening governance across the public sector and reducing corruption risks (Annex I and MEFP ¶46). Achievements in this area include: (i) publication of a White Paper addressing the findings of the Janneh Commission of Enquiry; (ii) submission of a draft new Constitution, prepared through a broad consultative process, to the National Assembly; (iii) submission of an anti-corruption bill to the National Assembly to create an Anti-Corruption Commission; and (iv) establishing a Human Rights Commission. In parallel, the authorities are pressing ahead with the hearings under the Truth, Reconciliation and Reparations Commission, and work to advance transparency and freedom of information by seeking parliamentary approval for the Access to Information Bill submitted to the National Assembly in December 2019.

24. Governance is also being strengthened in key public economic and financial institutions. The most important steps include: (i) the strengthening of financial reporting at the CBG, as evidenced by the unqualified audit report of its 2018 financial statements; (ii) the ongoing measures to strengthen public procurement, project selection and appraisal; and (iii) improvements in SOE governance and financial management with the support of World Bank TA (see Annex III).

25. The authorities recognize the role of a strong business environment in promoting inclusive growth (MEFP ¶46). Noting the drop in the Gambia's ranking on the Ease of Doing Business, despite considerable improvements in absolute terms, the authorities have set up a business incubation center and are (i) streamlining the business regulatory environment; (ii) adopting systems for efficient tax declarations and payments; (iii) strengthening the AML/CFT framework and its effectiveness based on GIABA recommendations; and (iv) taking measures to address potential loss of correspondent banking relationships (CBRs).

The Growth and Social Protection Agenda

26. The Gambia's NDP (2018–21) outlines the government's plans to support growth and social protection (MEFP ¶¶15–17 and 48):

- Building infrastructure and improving energy generation and distribution is a key strategic priority in the NDP. The reforms at NAWEC aim to enhance the volume and reliability of water and electricity supply. Improved governance and the business environment will support private sector development for inclusive growth.
- Investing in people and building a caring society—also a strategic priority in the NDP—comprises initiative including the establishment of (i) a program for accelerated community development (PACD) with administrative support from UNDP; (ii) a universal health insurance scheme; and (iii) a pension fund for civil servants. The authorities have earmarked 0.5 percent of GDP for these initiatives in the 2020 budget.
- Under the social safety net project supported by the World Bank, the authorities are improving targeting of social protection to ensure that the most vulnerable get access to non-conditional

cash transfers, school feeding program, and basic health services. Spending under the social protection programs will be monitored in addition to the **indicative floor on poverty-reducing spending** under the program (MEFP Table 2).

DATA ISSUES AND CAPACITY DEVELOPMENT

27. Data issues. Data provision is adequate for the monitoring of performance relative to the proposed quantitative targets. Nevertheless, there is an urgent need to improve the quality of fiscal data, notably to enable timely and reliable reconciliation of the data reported in the Statement of Government Operations (SGO) with IFMIS records and with the CBG data on net domestic borrowing. The quality of data for banking supervision also needs to be enhanced, requiring upgraded electronic data submission. The GBoS signaled the need for additional resources to conduct the required census and surveys for improving the compilation of national accounts, CPI, and BoP data.

28. Capacity development. Ongoing support from STA and AFRITAC West2 will be key to improving data quality. The EU-funded resident advisors at MoFEA and the GRA play pivotal roles in helping sharpen institutional capacity at these institutions, while also helping the authorities meet data reporting requirements for program monitoring (Annex V).

PROGRAM MODALITIES, FINANCING ASSURANCES, AND RISKS

29. The ECF arrangement will support the authorities' efforts to achieve debt sustainability, while catalyzing much needed international financial support. The Gambia is currently at high risk of debt distress caused by the heavy debt service payments on its external debt. The ECF arrangement will play a pivotal role in addressing this long-standing issue, building on the improvements in the medium-term debt profile as a result of debt service deferrals, by anchoring continued fiscal discipline and ensuring that resources freed by debt deferrals are properly used. Also, budget support from other IFIs (AfDB, EU, and the World Bank) will depend on a Fund arrangement being in place. As a result, it is expected that this ECF-supported program will contribute markedly to growth and poverty reduction, notably by facilitating the creation of the much-needed fiscal space. To this effect, key elements of the structural reform agenda include: (i) a multi-year reform program to strengthen domestic revenue mobilization, with the emphasis on modernizing the revenue administration based on the TADAT roadmap; (ii) the ongoing reforms to public financial management, including all stages of budgeting, expenditure management, cash management, debt management, and fiscal reporting; and (iii) a multipronged engagement in support of improved economic governance, with the emphasis on public investment process and procurement (based on PIMA recommendations) and the reform of SOEs, including strengthening their corporate governance, financial management, and reporting.

Access, Phasing, and Reviews

30. Staff proposes a total access of SDR 35 million (56.3 percent of quota) phased in seven disbursements (Table 13). The arrangement is proposed for thirty-nine months, in order to allow sufficient time for the seventh disbursement to be made available upon the completion of the sixth and final review. The proposed access amounts to 17.3 percent of quota annually, well within the annual normal access limit of 100 percent of quota for PRGT instruments. The access level is based on staff's assessment of The Gambia's economic outlook, the projected external financing requirement of about US$258.6 million during the program period and the strength of the envisaged adjustment. By the end of the proposed program, outstanding Fund credit would reach 75 percent of quota (Table 12). The associated BoP need reflects the objective to increase the official reserves by about US$150 million over the program period to help prepare The Gambia meet the sharp rise in medium-term debt service payments, including from the reprofiled loans, and a projected increase in commercial banks' foreign exchange buffers to meet private sector FX demand. The projected official reserves by the end of the program will also be consistent with about 4½ months of import coverage (assessed to be adequate in the 2017 Article IV consultation).

31. Program performance will be assessed through semi-annual reviews, based on quantitative performance criteria and indicative targets (MEFP Table 2), and structural benchmarks, which have been agreed for the first year of the program (MEFP Table 4). The first and the second review test dates would be June 30, 2020 and December 31, 2020. The quantitative performance criteria would include: (i) a ceiling on net domestic borrowing by the central government; (ii) a ceiling on net domestic assets of the central bank; (iii) a floor on net usable international reserves; (iv) a continuous zero ceiling on new external payment arrears; (v) a continuous zero ceiling on contracting or guaranteeing non-concessional external debt; (vi) a continuous ceiling on outstanding stock of external public debt with original maturity of one year or less; and (vii) a continuous (annual) ceiling on nominal concessional external debt contracted or guaranteed (subject to a minimum grant element of 35 percent). The program will also feature indicative floors for (i) poverty-reducing expenditures, and (ii) tax revenue, and an indicative ceiling on CBG lending to central government at non-market terms. The number of proposed structural benchmarks is limited to four per review, considering The Gambia's fragile status. As noted above, two prior actions, on the 2020 budget and the revised GPPA Act, were met (MEFP Table 2).

Financing Assurances

32. The program is fully financed for its first 12 months, with good prospects for available financing beyond the initial 12-month period. Budget support for 2020, entirely in the form of grants, has been confirmed by AfDB, the EU, and the World Bank (Table 10).[6] Debt service deferrals, which the authorities have already obtained or are close to obtaining from relevant external creditors, have also contributed to lowering the financing requirement. The potential financial pressure due to delays in the finalization of the offers from OFID and EBID remains well within the

[6] Budget support from AfDB and World Bank is conditional on the ECF-arrangement being in place.

cash buffers built as a result of better than expected revenue performance in 2019 and is accommodated in the quarterly program. Staff will discuss with the authorities' ways to address these pressures if the finalization of the offers from OFID and EBID takes longer than expected.

Capacity to Repay the Fund

33. The Gambia's capacity to repay is assessed as adequate, based on the country's good record of Fund borrowing and repayment. Moreover, the CBG is strengthening its financial safeguards (see ¶35), further bolstering the safety of IMF lending to the country. Debt service to the Fund would decrease from 2.0 percent of exports of goods and services in 2020 to 1.8 percent in 2023 (Table 12). The updated DSA indicates that the risk of debt distress would decline considerably during the program period in the absence of major shocks.

Program Risks and Mitigation Measures

34. Weak institutional capacity could undermine the fiscal strategy and compromise debt sustainability. Capacity challenges that surfaced during the 2019 SMP resulted in external and domestic arrears as well as weaknesses in debt contracting, project selection, and procurement, calling for continued scrutiny. A failure to advance efforts to strengthen governance, including at the SOEs, and reduce vulnerability to corruption could undermine the goal of advancing inclusive growth and the efficient use of public resources. In addition, a deterioration in the political situation and related lapses in expenditure control could undermine the macroeconomic gains so far attained. To mitigate these risks, a well-tailored capacity development is proposed to support program implementation (see Annexes IV and V). The gradual fiscal adjustment (focusing on growing out of domestic debt rather than its aggressive reduction) and the pursuit of "low hanging fruits" on the reform agenda will help strengthen the political buy-in for the program, as will the new initiatives to protect the vulnerable.

Safeguards Assessment

35. An update of the safeguards assessment has been initiated and will be completed by the time of the first program review. The CBG has reappointed the joint auditors for 2019 and took steps to prevent delays encountered during the audit of the 2018 financial statements. It also implemented most of the recommendations of the 2017 safeguards assessment. The remaining issues relate to establishing a capacity building plan for the risk management function and quarterly reporting by the Legal Compliance Unit to the CBG Board on compliance with the 2018 CBG Act.

STAFF APPRAISAL

36. The Gambia deserves credit for attaining important milestones since the democratic transition in 2016/17. The authorities have advanced the transitional justice agenda and are pursuing economic policies, which have bolstered confidence in the economy and helped build external buffers. Consolidating these achievements will require further measures to strengthen fiscal and monetary management and to advance the structural agenda. In this context, the success of the

ECF-supported program will depend on the authorities' resolve to continue to implement bold institutional reforms, address capacity weaknesses, and tackle vulnerability to corruption.

37. The Gambia's NDP provides a clear pathway to improving the living conditions of the population. It identifies key strategic priorities, including investing in people and building a caring society and improvements in infrastructure and the business environment, to support private sector-led inclusive growth. Further steps are needed to ensure better alignment of the NDP with the SDGs, promote its implementation and help exit fragility.

38. The economic and financial policies under the ECF-supported program are appropriately focused, in view of capacity constraints. It is essential that the authorities adhere to the 2020 budget, on which the program is anchored, to consolidate the macroeconomic gains so far achieved and maintain the hard-won debt sustainability. Maintaining fiscal discipline in the run-up to the 2021 elections will require particular vigilance. To this effect, adhering to the fiscal targets and the borrowing plan agreed under the program will be key. The agenda to strengthen the reform momentum in PFM, public procurement, and the governance of the SOEs for transparency and efficient public service delivery is also critical, for which staff encourages the authorities to continue to seek TA as needed.

39. Improved targeting of social safety nets and increasing support for vulnerable households and unemployed youth would foster inclusion and reduce social tensions. To this effect, the authorities are encouraged to address the weaknesses in the implementation of the National Development Plan and strengthen programs in support of agriculture and youth empowerment. There is also a need to improve the tracking of the social programs that were identified with the assistance of the World Bank as particularly important for protecting the vulnerable and draw lessons from their implementation.

40. Steadfast implementation of the fiscal structural reform agenda is essential. Reforms to strengthen the PFM system are ongoing, but further work is needed including to improve cash and Treasury management. Increased transparency in budget preparation and execution, with the emphasis on containing the growth of spending by the subvented agencies, will be critical to garner broad support for reforms. Measures to strengthen the GPPA and enhance value-for-money in public projects will enhance the efficiency of public investment. The envisaged reforms to further strengthen tax administration will deliver substantial benefits in the medium term, if properly sequenced and implemented, consistent with the TADAT roadmap.

41. Monetary policy needs to leverage recent enhancements to the CBG operational framework. To this end, the CBG should implement the recommendations of related AFRITAC West 2 TA and adjust the interest rate corridor, as needed, to avoid competition between its bills and Treasury bills while helping develop the interbank market. In the current environment of ample liquidity and rapid credit growth, greater attention should be paid to the SDF rate, which effectively plays the role of a policy rate, with decisions to adjust the SDF contingent on the new inflation data. Furthermore, the CBG policy guiding FX operations should be strengthened by spelling out the policy objectives, consistent with the exchange regime and monetary policy framework.

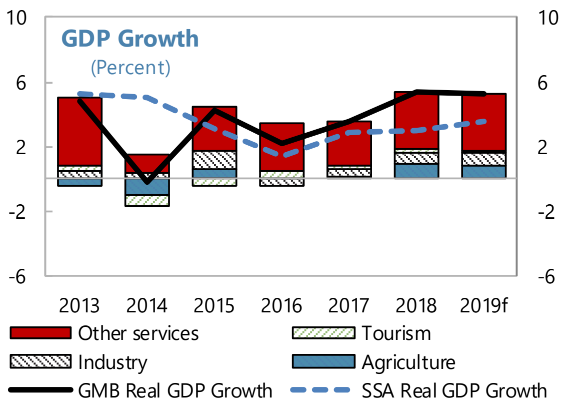
42. Strengthened vigilance is needed for a healthy financial intermediation and inclusion. A strong response to the vulnerabilities identified by the IMF FSSR is crucial to ensure the soundness of the financial sector and improve the legal and regulatory framework for banking supervision. The recent pick-up in NPLs underscores the importance of the measures proposed in the FSSR. In this context, staff welcomes the CBG's early action to formulate a strategic plan to implement the FSSR recommendations and encourages the CBG to seek TA for its implementation. Fostering financial inclusion, which is expected to yield large benefits to the population, especially in the areas where bank presence is weak, will need to be accompanied by stronger oversight of non-bank financial institutions through their apex body, the National Association of Cooperative Credit Unions, as well as by enhancing the monitoring of risks involved in the development of mobile banking.

43. Governance improvements will help sustain the optimism regarding The Gambia's economic prospects. Strengthening fiscal governance, 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.

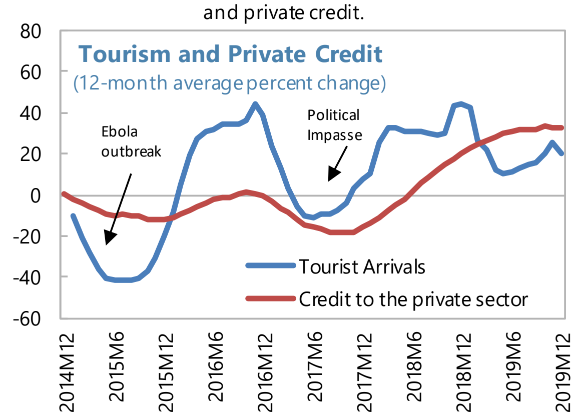
44. Staff supports the authorities' request for a thirty-nine-month arrangement under the ECF, with access equivalent to 56.3 percent of quota.

Figure 1. The Gambia: Recent Economic Developments, 2013–19

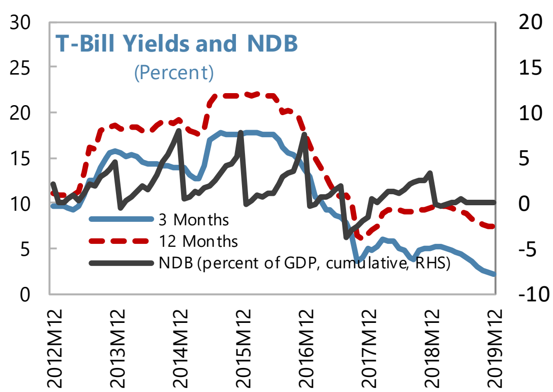
Real GDP growth has picked up starting from 2017…



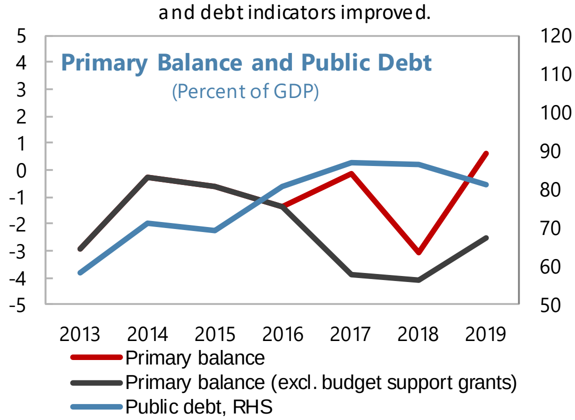
… supported by in expansion in tourism and private credit.



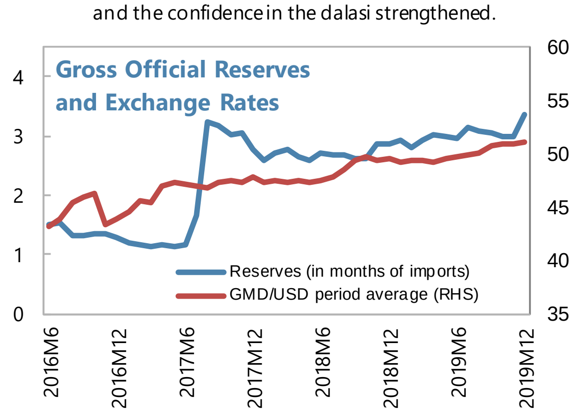
T-bill rates declined in 2019 as net domestic borrowing subsided.



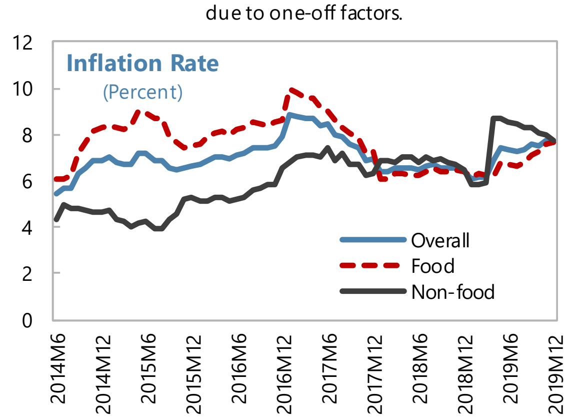
Primary balance (including and excluding budget support) and debt indicators improved.



Import coverage of reserves continued to increase, and the confidence in the dalasi strengthened.

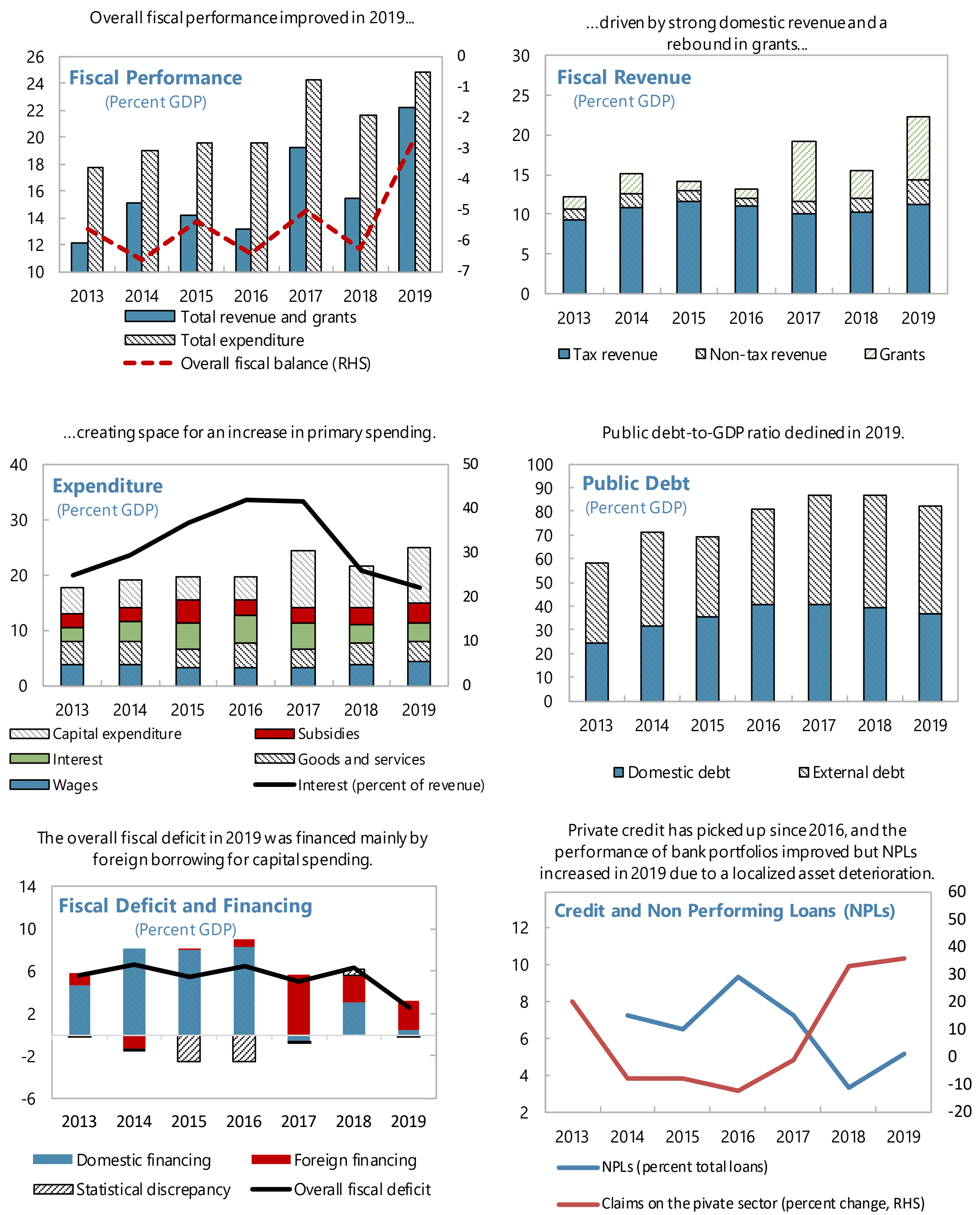


Reported inflation picked up in early 2019, mainly due to one-off factors.



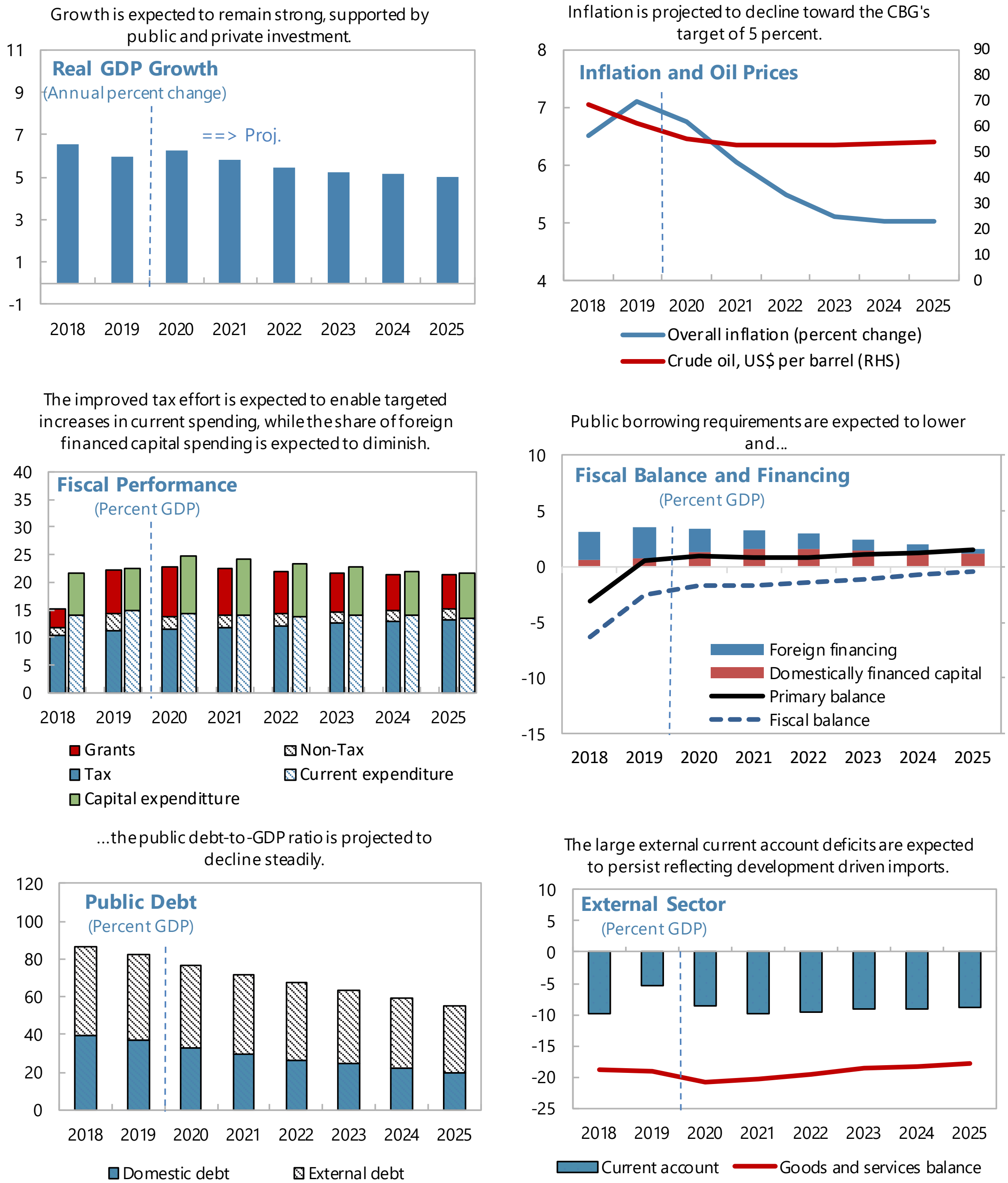
Sources: The Gambian authorities; and IMF staff calculations.

Figure 2. The Gambia: Fiscal and Financial Sector Developments, 2013–19



Sources: The Gambian authorities; and IMF staff calculations.

Figure 3. The Gambia: Medium-Term Economic Outlook, 2018–25



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2018–25

	2018	2019		2020	2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Proj.	Projections				
	(Percent change; unless otherwise indicated)								
National account and prices									
GDP at constant prices	6.5	5.8	6.0	6.3	5.8	5.5	5.2	5.2	5.0
GDP deflator	5.2	5.6	6.4	6.3	5.5	4.8	4.5	4.4	4.8
Consumer prices (average)	6.5	6.1	7.1	6.7	6.0	5.5	5.1	5.0	5.0
Consumer prices (end of period)	6.4	5.9	7.7	6.2	5.8	5.2	5.0	5.0	5.0
External sector									
Exports, f.o.b (US$ values)	-0.9	6.8	25.2	6.0	7.9	7.3	10.5	10.7	10.1
Imports, f.o.b (US$ values)	11.9	11.0	14.6	13.6	8.3	6.1	7.0	7.5	7.0
Terms of trade (deterioration = -)	-1.7	-2.4	-4.1	-3.3	-2.9	-0.5	-0.2	-0.2	0.7
Real effective exchange rate (depreciation = -)	-1.5	...	4.6	...	...	...	...	...	...
	(Contributions to broad money growth; percent)								
Money and credit									
Broad money	20.0	15.2	27.1	15.5	11.5	...	...	...	...
Net foreign assets	14.0	8.1	18.9	9.2	9.2	...	...	...	...
Net domestic assets	6.0	7.1	8.2	6.3	2.3	...	...	...	...
Of which:									
Credit to central government (net)	7.1	4.0	3.9	1.2	0.0	...	...	...	...
Credit to the private sector (net)	5.0	4.0	6.0	3.4	2.3	...	...	...	...
Velocity (GDP/broad money)	2.3	2.2	2.1	2.0	2.0	...	...	...	...
	(Percent of GDP; unless otherwise indicated)								
Central government finances									
Domestic revenue (taxes and other revenues)	12.1	13.1	14.4	13.7	14.0	14.3	14.6	15.0	15.2
Grants	3.3	7.7	7.8	9.3	8.5	7.7	7.0	6.3	6.1
Total expenditures and net acquisition of financial assets	21.7	23.9	24.4	24.4	24.2	23.4	22.7	22.0	21.7
Of which: Interest (percent of government revenue)	26.1	24.3	22.3	19.9	18.1	15.3	14.9	13.2	12.6
Net lending (+)/borrowing (–)	-6.2	-3.2	-2.6	-1.7	-1.8	-1.4	-1.1	-0.7	-0.4
Net incurrence of liabilities	5.6	3.2	3.2	2.0	1.8	1.4	1.1	0.7	0.4
Foreign	2.6	1.6	2.7	2.0	1.8	1.4	1.1	0.7	0.4
Domestic	3.0	1.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	-3.0	0.0	0.6	1.0	0.8	0.8	1.1	1.3	1.5
Public debt	86.6	81.8	82.5	76.8	71.7	67.5	63.5	59.3	55.0
Domestic public debt	39.2	37.2	36.6	32.9	29.5	26.6	24.2	22.1	20.1
External public debt	47.4	44.6	45.9	43.9	42.3	40.8	39.3	37.2	35.0
External public debt (millions of US$)	756.6	774.5	796.3	836.0	876.7	915.6	949.0	967.7	979.0
External current account balance									
Excluding budget support	-10.7	-13.8	-8.5	-11.9	-12.4	-11.8	-10.9	-10.7	-10.3
Including budget support	-9.7	-10.3	-5.3	-8.7	-9.9	-9.6	-9.0	-9.1	-8.8
Gross official reserves (millions of US$)	157.0	187.0	225.0	268.0	313.4	349.5	382.4	410.5	450.1
(months of next year's imports of goods and services)	2.7	3.0	3.4	3.7	4.1	4.3	4.4	4.4	4.6
Savings and investment									
Gross investment	17.9	18.3	20.8	20.5	20.0	19.4	18.7	18.4	18.8
Of which: Central government	7.6	8.9	9.8	10.3	10.2	9.5	8.8	8.1	8.2
Gross savings	8.1	8.0	15.4	11.8	10.1	9.8	9.7	9.2	10.0
Memorandum items:									
Nominal GDP (billions of dalasi)	78.6	87.4	88.7	100.2	111.9	123.7	136.0	149.3	164.3
GDP per capita (US$)	712.5	782.4	750.9	795.8	840.0	883.1	923.2	964.5	1008.5
Use of Fund resources (millions of SDRs)									
Disbursements	0.0	0.0	0.0	10.0	10.0	10.0	5.0	0.0	0.0
Repayments	-5.5	-4.3	-4.3	-3.6	-4.0	-2.8	-4.1	-3.9	-3.6

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

Table 2. The Gambia: Statement of Central Government Operations, 2018–25
(Millions of local currency)

	2018	2019		2020		2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Budget	Proj.	Projections				
Revenue	12,135	17,871	19,694	24,472	22,951	25,170	27,198	29,409	31,801	34,923
Domestic revenue	9,502	11,411	12,760	13,636	13,682	15,634	17,663	19,901	22,378	24,982
Taxes	8,139	9,762	9,986	11,601	11,590	13,282	15,046	17,014	19,209	21,516
Taxes on income, profits, and capital gains	2,048	2,404	2,649	2,875	2,877	3,319	3,795	4,403	5,032	5,692
Domestic taxes on goods and services	3,978	4,772	4,840	5,558	5,704	6,504	7,327	8,153	9,181	10,267
Taxes on international trade and transactions	2,093	2,563	2,482	3,151	2,992	3,440	3,902	4,435	4,970	5,529
Other taxes	20	22	15	17	17	19	21	23	25	28
Non-tax	1,363	1,649	2,775	2,035	2,092	2,352	2,617	2,887	3,169	3,465
Grants	2,633	6,460	6,933	10,836	9,269	9,536	9,535	9,508	9,423	9,942
Budget support	794	2,792	2,790	2,700	3,233	2,801	2,715	2,543	2,316	2,508
Project grants	1,839	3,669	4,143	8,136	6,036	6,735	6,820	6,965	7,107	7,434
Expenditures	17,008	20,923	22,006	28,387	24,665	27,131	28,969	30,891	32,863	35,578
Expenses	11,004	13,175	13,293	14,855	14,318	15,740	17,170	18,960	20,820	22,161
Compensation of employees	3,058	4,184	3,961	4,469	4,469	4,991	5,517	6,068	6,662	7,329
Use of goods and services	3,066	3,317	3,179	3,108	3,046	3,456	4,010	4,637	5,600	6,418
Interest	2,477	2,770	2,843	2,948	2,723	2,828	2,707	2,963	2,944	3,157
External	420	448	371	697	472	509	568	601	649	861
Domestic	2,057	2,322	2,472	2,251	2,251	2,318	2,138	2,362	2,294	2,296
Subsidies and transfers	2,403	2,904	3,310	4,330	4,080	4,465	4,936	5,292	5,614	5,257
Of which: Subsidies to SOEs	403	862	510	650	650	…	…	…	…	…
NAWEC	253	512	60	500	300	…	…	…	…	…
NFSPMC	150	350	450	150	350	…	…	…	…	…
Net acquisition of nonfinancial assets	6,004	7,748	8,713	13,532	10,347	11,392	11,799	11,931	12,043	13,416
Acquisitions of nonfinancial assets	6,004	7,748	8,713	13,532	10,347	11,392	11,799	11,931	12,043	13,416
Foreign financed[1]	5,535	6,863	8,032	12,184	9,027	9,677	9,823	10,037	10,175	11,529
Gambia local fund	469	885	681	1,348	1,320	1,715	1,976	1,895	1,868	1,887
Net lending (+)/borrowing (–)	-4,872	-3,052	-2,312	-3,915	-1,714	-1,961	-1,771	-1,483	-1,062	-654
Financing	4,455	3,053	2,537	3,864	1,713	1,961	1,771	1,483	1,063	655
Net acquisition of financial assets	68	0	-329	0	-255	0	0	0	0	0
Net incurrence of liabilities	4,387	3,053	2,866	3,864	1,968	1,961	1,771	1,483	1,063	655
Domestic	2,379	1,658	452	-219	-50	0	0	0	0	0
Net borrowing	2,623	2,024	1,063	0	500	0	0	0	0	0
Bank	1,989	1,624	1,192	…	500	0	0	0	0	0
Nonbank	634	400	-129	…	0	0	0	0	0	0
Domestic Amortization	…	…	…	-539	…	…	…	…	…	…
Change in arrears	-244	-367	-611	-300	-550	0	0	0	0	0
Capital revenues	…	…	…	620	…	…	…	…	…	…
Foreign	2,008	1,395	2,414	4,083	2,018	1,961	1,771	1,483	1,063	655
Loans	2,008	1,395	2,414	2,083	2,018	1,961	1,771	1,483	1,063	655
Borrowing	3,696	3,194	3,889	4,048	2,991	2,942	3,003	3,071	3,068	4,095
Budget support	0	0	0	0	0	0	0	0	0	0
Project support	3,696	3,194	3,889	4048	2,991	2,942	3,003	3,071	3,068	4,095
Amortization	-1,687	-1,799	-1,475	-1,965	-973	-981	-1,232	-1,589	-2,006	-3,441
Exceptional Financing	…	…	…	2000	…	…	…	…	…	…
Statistical discrepancy	417	0	-225	50	0	…	…	…	…	…
Memorandum items:										
Government revenue (excluding grants)	9,502	10,876	12,760	13,636	13,682	15,634	17,663	19,901	22,378	24,982
Primary balance	-2,396	-282	531	-966	1,010	867	936	1,480	1,882	2,503
Domestic primary balance	506	120	1,629	382	768	1,007	1,223	2,009	2,634	4,090
Primary balance (ex. budget support grants)	-3,190	-3,074	-2,259	-3,666	-2,223	-1,935	-1,779	-1,062	-435	-5
Total debt	68,066	71,487	72,148	72,148	75,904	79,211	82,389	85,271	87,405	89,307
of which: Domestic public debt	30,782	32,532	32,454	32,454	32,954	32,954	32,954	32,954	32,954	32,954
Interest payments as a percent of govt. revenue	26.1	24.3	22.3	21.6	19.9	18.1	15.3	14.9	13.2	12.6

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

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

Table 3. Statement of Central Government Operations, 2018–25

(Percent of GDP)

	2018	2019		2020		2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Budget	Proj.	Projections				
Revenue	15.4	20.8	22.2	24.4	22.9	22.5	22.0	21.6	21.3	21.3
Domestic revenues	12.1	13.1	14.4	13.6	13.7	14.0	14.3	14.6	15.0	15.2
Taxes	10.4	11.2	11.3	11.6	11.6	11.9	12.2	12.5	12.9	13.1
Taxes on income, profits, and capital gains	2.6	2.8	3.0	2.9	2.9	3.0	3.1	3.2	3.4	3.5
Domestic taxes on goods and services	5.1	5.5	5.5	5.5	5.7	5.8	5.9	6.0	6.1	6.2
Taxes on international trade and transactions	2.7	2.9	2.8	3.1	3.0	3.1	3.2	3.3	3.3	3.4
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax	1.7	1.9	3.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Grants	3.3	7.7	7.8	10.8	9.3	8.5	7.7	7.0	6.3	6.1
Budget support	1.0	3.5	3.1	2.7	3.2	2.5	2.2	1.9	1.6	1.5
Project support	2.3	4.2	4.7	8.1	6.0	6.0	5.5	5.1	4.8	4.5
Expenditures	21.6	23.9	24.8	28.3	24.6	24.2	23.4	22.7	22.0	21.7
Expenses	14.0	15.1	15.0	14.8	14.3	14.1	13.9	13.9	13.9	13.5
Compensation of employees	3.9	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Use of goods and services	3.9	3.8	3.6	3.1	3.0	3.1	3.2	3.4	3.7	3.9
Interest	3.2	3.2	3.2	2.9	2.7	2.5	2.2	2.2	2.0	1.9
External	0.5	0.5	0.4	0.7	0.5	0.5	0.5	0.4	0.4	0.5
Domestic	2.6	2.7	2.8	2.2	2.2	2.1	1.7	1.7	1.5	1.4
Subsidies and transfers	3.1	3.3	3.7	4.3	4.1	4.0	4.0	3.9	3.8	3.2
Of which: Subsidies to SOEs	0.5	1.0	0.6	0.6	0.6	…	…	…	….	….
NAWEC	0.3	0.6	0.1	0.5	0.3	…	…	…	….	….
NFSPMC	0.2	0.4	0.5	0.1	0.3	…	…	…	….	….
Net acquisition of nonfinancial assets	7.6	8.9	9.8	13.5	10.3	10.2	9.5	8.8	8.1	8.2
Acquisitions of nonfinancial assets	7.6	8.9	9.8	13.5	10.3	10.2	9.5	8.8	8.1	8.2
Foreign financed[1]	7.0	7.9	9.1	12.2	9.0	8.6	7.9	7.4	6.8	7.0
Gambia local fund	0.6	1.0	0.8	1.3	1.3	1.5	1.6	1.4	1.3	1.1
Net lending (+)/borrowing (–)	-6.2	-3.2	-2.6	-3.9	-1.7	-1.8	-1.4	-1.1	-0.7	-0.4
Financing	5.7	3.2	2.9	3.9	1.7	1.8	1.4	1.1	0.7	0.4
Net acquisition of financial assets	0.1	0.0	-0.4	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	5.6	3.2	3.2	3.9	2.0	1.8	1.4	1.1	0.7	0.4
Domestic	3.0	1.6	0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net borrowing	3.3	2.0	1.2	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Bank	2.5	1.5	1.3	…	0.5	0.0	0.0	0.0	0.0	0.0
Nonbank	0.8	0.5	-0.1	…	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Amortization	…	…	…	-0.5	…	…	…	…	…	…
Change in arrears	-0.3	-0.4	-0.7	-0.3	-0.5	0.0	0.0	0.0	0.0	0.0
Capital revenues	…	…	…	0.6	…	…	…	…	…	…
Foreign	2.6	1.6	2.7	4.1	2.0	1.8	1.4	1.1	0.7	0.4
Loans	2.6	1.6	2.7	2.1	2.0	1.8	1.4	1.1	0.7	0.4
Borrowing	4.7	3.7	4.4	4.0	3.0	2.6	2.4	2.3	2.1	2.5
Budget support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project support	4.7	3.7	4.4	4.0	3.0	2.6	2.4	2.3	2.1	2.5
Amortization	-2.1	-2.1	-1.7	-2.0	-1.0	-0.9	-1.0	-1.2	-1.3	-2.1
Exceptional Financing	…	…	…	2.0	…	…	…	…	…	…
Statistical discrepancy	0.5	0.0	-0.3	0.1	0.0	…	…	…	…	…
Memorandum items:										
Primary balance	-3.0	0.0	0.6	-1.0	1.0	0.8	0.8	1.1	1.3	1.5
Domestic Primary balance	0.6	0.1	1.8	1.0	0.8	0.9	1.0	1.5	1.8	2.5
Primary balance (ex. budget support grants)	-4.1	-3.5	-2.5	-3.7	-2.2	-1.7	-1.4	-0.8	-0.3	0.0
Total debt	86.6	81.8	81.4	72.0	75.8	70.8	66.6	62.7	58.5	54.4
of which: Domestic public debt	39.2	37.2	36.6	32.4	32.9	29.5	26.6	24.2	22.1	20.1
Interest payments as a percent of govt. revenue	26.1	24.3	22.3	21.6	19.9	18.1	15.3	14.9	13.2	12.6

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

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

Table 4. The Gambia: Statement of Central Government Operations, 2019–20

(Cumulative, millions of local currency)

	2019	2020			
		Q1	Q2	Q3	Q4
	Prel.	Projections			
Revenue	19,694	4,018	10,244	15,563	22,951
Domestic revenue	12,760	3,415	6,834	10,284	13,682
Taxes	9,986	2,866	5,878	8,705	11,590
Taxes on income, profits, and capital gains	2,649	840	1,621	2,236	2,877
Domestic taxes on goods and services	4,840	1,331	2,762	4,210	5,704
Taxes on international trade and transactions	2,482	692	1,487	2,246	2,992
Other taxes	15	3	8	13	17
Non-tax	2,775	549	956	1,579	2,092
Grants	6,933	604	3,410	5,279	9,269
Budget support	2,790	0	2,082	2,442	3,233
Project grants	4,143	604	1,328	2,837	6,036
Expenditures	22,006	5,694	11,139	17,176	24,665
Expenses	13,293	3,924	7,612	10,953	14,318
Compensation of employees	3,961	1,117	2,235	3,352	4,469
Use of goods and services	3,179	731	1,614	2,315	3,046
Interest	2,843	718	1,399	2,064	2,723
External	371	94	212	314	472
Domestic	2,472	625	1,187	1,750	2,251
Subsidies and transfers	3,310	1,357	2,365	3,222	4,080
of which: Subsidies to SOEs	510	500	650	650	650
NAWEC	60	150	300	300	300
NFSPMC	450	350	350	350	350
Net acquisition of nonfinancial assets	8,713	1,771	3,526	6,224	10,347
Acquisitions of nonfinancial assets	8,713	1,771	3,526	6,224	10,347
Foreign financed	8,032	1,262	2,674	4,991	9,027
Gambia local fund	681	509	852	1,233	1,320
Net lending (+)/borrowing (–)	-2,312	-1,676	-894	-1,613	-1,714
Financing	2,537	1,675	894	1,613	1,713
Net acquisition of financial assets	-329	-255	-255	-255	-255
Net incurrence of liabilities	2,866	1,930	1,149	1,868	1,968
Domestic	452	1,467	278	475	-50
Net borrowing	1,063	1,650	550	750	500
Bank	1,192	1,650	550	750	500
Central bank	-1,059	1,400	50	0	-500
Commercial banks	2,251	250	500	750	1,000
Nonbank	-129	0	0	0	0
Change in arrears	-611	-183	-272	-275	-550
Foreign	2,414	463	871	1,393	2,018
Loans	2,414	463	871	1,393	2,018
Borrowing	3,889	658	1,346	2,153	2,991
Amortization	-1,475	-195	-475	-760	-973
Statistical discrepancy	-225	0	0	0	0
Memorandum items:					
Government revenue (excluding grants)	12,760	3,415	6,834	10,284	13,682
Overall balance	-2,312	-1,676	-894	-1,613	-1,714
Primary balance	531	-958	505	451	1,010
Domestic primary balance	1,629	-300	-232	162	768
Primary balance (ex. budget support grants)	-2,259	-958	-1,578	-1,991	-2,223

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

Table 5. The Gambia: Monetary Accounts, 2018–21[1]

(Millions of local currency, unless otherwise indicated)

	2018	2019		2020	2021
	Act.	EBS/19/26	Prel.	Proj.	Proj.
			I. Monetary Survey		
Net foreign assets	10,407	13,148	16,784	20,728	25,269
(in millions of U.S. dollars)	211	267	341	394	468
Of which: CBG	92	116	172	205	258
Net domestic assets	23,338	25,733	26,091	28,805	29,940
Domestic credit	28,388	31,086	31,693	33,649	34,784
Claims on central government (net)	21,328	22,678	22,636	23,136	23,136
Claims on other financial corporations	5	5	0	0	0
Claims on other public sector[2]	1,366	1,366	1,328	1,328	1,328
Claims on private sector	5,692	7,037	7,729	9,185	10,320
Other items (net)[3]	-5,052	-5,353	-5,602	-4,844	-4,844
Broad money	33,745	38,881	42,875	49,533	55,209
Currency outside banks	6,568	7,568	7,844	8,806	9,816
Deposits	27,176	31,313	35,031	40,726	45,393
			II. Central Bank Survey		
Net foreign assets	4,514	5,726	8,474	10,083	12,710
Foreign assets	8,680	9,570	12,494	14,631	17,847
Foreign liabilities	-4,166	-3,845	-4,021	-4,548	-5,137
Net domestic assets	7,335	7,235	5,414	5,672	4,936
Domestic credit	7,808	7,508	6,786	6,286	6,286
Claims on central government (net)	7,726	7,426	6,668	6,168	6,168
Claims on other financial corporations	5	5	0	0	0
Claims on private sector	107	107	119	119	119
Claims on public enterprises	0	0	0	0	0
Other items (net)	-473	-274	-1,373	-614	-1,351
Reserve money	11,849	12,960	13,888	15,755	17,646
Currency outside banks	6,568	7,568	7,844	8,806	9,816
Commercial bank deposits	5,281	5,392	6,044	6,949	7,830

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation effects.

Table 6. The Gambia: Monetary Accounts, 2018–21[1]

(Percent change, unless otherwise indicated)

	2018	2019		2020	2021
	Act.	EBS/19/26	Prel.	Proj.	Proj.
	I. Monetary Survey				
	(Percent change; contribution to broad money growth)				
Broad money	20.0	15.2	27.1	15.5	11.5
Net foreign assets	14.0	8.1	18.9	9.2	9.2
Net domestic assets	6.0	7.1	8.2	6.3	2.3
	II. Central Bank Survey				
	(Percent change; contribution to reserve money growth)				
Reserve money	16.5	9.4	17.2	13.4	12.0
Net foreign assets	17.0	10.2	33.4	11.6	16.7
Net domestic assets	-0.4	-0.8	-16.2	1.9	-4.7
	(Percent change; unless otherwise indicated)				
Memorandum Items:					
Credit to the private sector	32.9	23.6	35.8	18.8	12.4
Currency in circulation	15.8	15.2	19.4	12.3	11.5
Demand deposits	29.7	11.0	44.8	12.7	11.5
Time and savings deposits	15.6	18.3	17.6	19.4	11.5
Net international reserves (millions of U.S. dollars)	125.5	150.7	188.7	220.3	259.7
Money velocity (levels)	2.3	2.2	2.1	2.0	2.0
Money multiplier (levels)	2.8	3.0	3.1	3.1	3.1
Broad money (percent of GDP)	42.9	44.5	48.4	49.4	49.3
Credit to the private sector (percent of GDP)	7.2	8.1	8.7	9.2	9.2
Central government financing (millions of dalasi)					
Central bank	490	-300	-1,059	-500	0
Commercial banks	1,507	1,650	2,367	1,000	0

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

[1] End of period.

Table 7. The Gambia: Monetary Accounts, 2019–20[1]

(Millions of local currency)

	2019		2020			
	Dec.		Mar.	Jun.	Sep.	Dec.
	EBS/19/26	Prel.	Projections			
			I. Monetary Survey			
Net foreign assets	13,148	16,784	16,724	18,846	19,436	20,728
(in millions of U.S. dollars)	267	341	325	363	372	394
Of which : CBG	116	171	175	189	194	205
Net domestic assets	25,733	26,091	27,815	27,357	28,432	28,805
Domestic credit	31,086	31,693	33,417	32,959	34,034	33,649
Claims on central government (net)	22,678	22,636	24,286	23,186	23,386	23,136
Claims on other financial corporations	5	0	0	0	0	0
Claims on other public sector[2]	1,366	1,328	1,328	1,328	1,328	1,328
Claims on private sector	7,037	7,729	7,803	8,445	9,320	9,185
Other items (net)[3]	-5,353	-5,602	-5,602	-5,602	-5,602	-4,844
Broad money	38,881	42,875	44,539	46,204	47,868	49,533
Currency outside banks	7,568	7,844	8,148	8,453	8,757	8,806
Deposits	31,313	35,031	36,391	38,184	40,068	40,726
			II. Central Bank Survey			
Net foreign assets	5,726	8,474	8,657	9,369	9,578	10,083
Foreign assets	9,570	12,494	12,678	13,654	13,862	14,631
Foreign liabilities	-3,845	-4,021	-4,021	-4,284	-4,284	-4,548
Net domestic assets	7,235	5,414	6,843	5,593	5,615	5,672
Domestic credit	7,508	6,786	8,186	6,836	6,786	6,286
Claims on central government (net)	7,426	6,668	8,068	6,718	6,668	6,168
Assets	11,249	10,924	10,924	10,924	10,924	10,924
Liabilities	-3,822	-4,256	-2,856	-4,206	-4,256	-4,756
Claims on other financial corporations	5	0	0	0	0	0
Claims on private sector	107	119	119	119	119	119
Claims on public enterprises	0	0	0	0	0	0
Other items (net, incl. liquidity management operations)	-274	-1,373	-1,344	-1,243	-1,172	-614
Reserve money	12,960	13,888	15,500	14,962	15,193	15,755
Currency outside banks	7,568	7,844	8,754	8,450	8,581	8,806
Commercial bank deposits	5,392	6,044	6,746	6,512	6,612	6,949
			III. Commercial Banks Balance Sheet			
Net foreign assets	7,422	8,310	8,067	9,477	9,858	10,645
Foreign assets	8,031	8,914	8,672	10,081	10,462	11,249
Foreign liabilities	-609	-604	-604	-604	-604	-604
Net domestic assets	23,891	26,722	28,324	28,707	30,211	30,082
Net domestic claims	28,940	30,951	31,976	32,635	33,860	34,311
Claims on central bank	5,392	6,044	6,746	6,512	6,612	6,949
Net claims on government	15,252	15,969	16,219	16,469	16,719	16,969
Claims	15,252	15,969	16,219	16,469	16,719	16,969
Liabilities	0	0	0	0	0	0
Claims on other sectors	8,296	8,939	9,012	9,654	10,529	10,394
Claims on public nonfinancial corporations	1,366	1,328	1,328	1,328	1,328	1,328
Claims on private sector	6,930	7,611	7,684	8,327	9,201	9,066
Other items net	-5,049	-4,230	-3,652	-3,928	-3,649	-4,230
Liabilities	31,313	35,031	36,391	38,184	40,068	40,726
Liabilities to central bank	0	0	0	0	0	0
Deposits incl. in broad money	31,313	35,031	36,391	38,184	40,068	40,726

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

[1] End of period.

[2] Includes public enterprises and local governments.

[3] Including valuation effects.

Table 8. The Gambia: Balance of Payments, 2018–25

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

	2018	2019		2020	2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Projections					
1. Current account									
A. Goods and services	-307.2	-348.0	-334.7	-399.4	-426.0	-442.4	-456.3	-482.1	-505.9
Goods (net)	-405.0	-454.1	-451.8	-524.4	-568.8	-601.8	-638.0	-680.0	-720.5
Exports, f.o.b.	115.0	122.8	144.0	152.6	164.7	176.7	195.3	216.1	237.9
Imports, f.o.b.	-520.0	-576.9	-595.7	-677.0	-733.5	-778.5	-833.2	-896.1	-958.5
Services (net)	97.8	106.2	117.1	125.0	142.8	159.4	181.7	197.9	214.6
Services exports	198.6	215.3	227.3	251.6	271.8	293.2	319.6	346.6	373.9
Of which: Travel income	153.8	168.6	181.3	203.4	219.6	237.3	256.5	274.8	294.3
Services imports	-100.8	-109.1	-110.3	-126.5	-129.0	-133.8	-137.9	-148.7	-159.3
B. Income (net)	-29.2	-30.1	-30.1	-31.0	-32.0	-32.3	-31.2	-32.2	-33.4
Income credits	2.3	2.3	2.3	2.4	2.5	2.5	2.4	2.5	2.6
Income debits	-31.4	-32.4	-32.4	-33.4	-34.5	-34.9	-33.6	-34.8	-36.0
C. Current transfers	178.1	198.3	270.5	262.5	251.7	257.7	266.9	274.8	290.6
Official transfers	15.0	61.4	55.8	62.1	52.4	49.8	45.6	40.7	43.2
Remittances	150.8	124.3	202.4	188.1	186.7	195.1	207.1	219.5	232.5
Other transfers	12.3	12.6	12.3	12.3	12.6	12.9	14.2	14.6	14.9
Current account (excl. budget support)	-173.3	-241.2	-150.1	-230.1	-258.7	-266.7	-266.1	-280.2	-291.9
Current account (incl. budget support)	-158.3	-179.8	-94.3	-167.9	-206.3	-217.0	-220.5	-239.5	-248.7
2. Capital and financial account									
A. Capital account	38.0	73.5	73.5	116.0	126.0	125.0	125.0	125.0	128.0
B. Financial account	134.6	142.7	110.1	86.1	117.3	118.0	127.1	148.1	165.4
Foreign direct investment	90.8	93.1	93.3	97.8	103.9	112.1	118.8	130.1	138.0
Portfolio investment	4.1	3.9	4.0	4.0	4.0	4.3	4.7	5.0	5.4
Other investment	39.7	45.6	12.8	-15.7	9.4	1.6	3.6	12.9	22.0
Capital and financial account	172.6	216.2	183.6	202.1	243.3	243.0	252.1	273.1	293.4
Errors and omissions	6.6	0.0	-15.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	20.9	36.4	74.3	34.2	37.0	26.0	31.6	33.6	44.7
Financing									
Net international reserves (increase -)	-20.9	-36.4	-74.3	-34.2	-37.0	-26.0	-31.6	-33.6	-44.7
Change in gross international reserves	-13.0	-30.0	-68.0	-43.0	-45.4	-36.0	-32.9	-28.1	-39.6
Use of IMF resources (net)	-7.8	-6.4	-6.3	8.8	8.4	10.0	1.3	-5.5	-5.1
Disbursements	0.0	0.0	0.0	13.8	13.9	14.0	7.0	0.0	0.0
Repayments	-7.8	-6.4	-6.3	-5.0	-5.5	-3.9	-5.7	-5.5	-5.1
Memorandum items:									
Exports of goods and services	313.6	338.1	371.3	404.1	436.5	469.9	514.9	562.7	611.9
Imports of goods and services	-620.8	-686.0	-706.0	-803.5	-862.4	-912.3	-971.2	-1044.8	-1117.8
GMD per U.S. dollar, period average	48.4	…	50.3	…	…	…	…	…	…
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross international reserves									
US$ millions	157.0	187.0	225.0	268.0	313.4	349.5	382.4	410.5	450.1
Months of current year's imports of goods and services	3.0	3.3	3.8	4.0	4.4	4.6	4.7	4.7	4.8
Months of next year's imports of goods and services	2.7	3.0	3.4	3.7	4.1	4.3	4.4	4.4	4.6
Net usable international reserves									
US$ millions	125.5	150.7	188.7	220.3	259.7	285.5	316.9	350.2	394.8
Months of current year's imports of goods and services	2.4	2.6	3.2	3.3	3.6	3.8	3.9	4.0	4.2
Months of next year's imports of goods and services	2.1	2.4	2.8	3.1	3.4	3.5	3.6	3.8	4.0

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

Table 9. The Gambia: Balance of Payments, 2018–25

(Percent of GDP)

	2018	2019		2020	2021	2022	2023	2024	2025
	Act.	EBS/19/26	Prel.	Projections					
1. Current account									
A. Goods and services	-18.9	-19.9	-19.0	-20.7	-20.3	-19.5	-18.7	-18.4	-17.9
Goods (net)	-24.9	-25.9	-25.6	-27.2	-27.2	-26.5	-26.1	-25.9	-25.5
Exports, f.o.b.	7.1	7.0	8.2	7.9	7.9	7.8	8.0	8.2	8.4
Imports, f.o.b.	-32.0	-33.0	-33.8	-35.2	-35.0	-34.3	-34.1	-34.1	-33.9
Services (net)	6.0	6.1	6.6	6.5	6.8	7.0	7.4	7.5	7.6
Services exports	12.2	12.3	12.9	13.1	13.0	12.9	13.1	13.2	13.2
Of which: travel	9.5	9.6	10.3	10.6	10.5	10.5	10.5	10.5	10.4
Services imports	-6.2	-6.2	-6.3	-6.6	-6.2	-5.9	-5.7	-5.7	-5.6
B. Income (net)	-1.8	-1.7	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2	-1.2
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.9	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.3
Of which: Interest on government debt	0.5	0.5	0.6	0.5	0.5	0.5	0.4	0.4	0.5
C. Current transfers	11.0	11.3	15.3	13.6	12.0	11.4	10.9	10.5	10.3
Official transfers	0.9	3.5	3.2	3.2	2.5	2.2	1.9	1.6	1.5
Remittances	9.3	7.1	11.5	9.8	8.9	8.6	8.5	8.4	8.2
Other transfers	0.8	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.5
Current account (excl. budget support)	-10.7	-13.8	-8.5	-11.9	-12.4	-11.8	-10.9	-10.7	-10.3
Current account (incl. budget support)	-9.7	-10.3	-5.3	-8.7	-9.9	-9.6	-9.0	-9.1	-8.8
2. Capital and financial account									
A. Capital account	2.3	4.2	4.2	6.0	6.0	5.5	5.1	4.8	4.5
B. Financial account	8.3	8.1	6.2	4.5	5.6	5.2	5.2	5.6	5.8
Foreign direct investment	5.6	5.3	5.3	5.1	5.0	4.9	4.9	5.0	4.9
Portfolio investment	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	2.4	2.6	0.7	-0.8	0.4	0.1	0.1	0.5	0.8
Capital and financial account	10.6	12.3	10.4	10.5	11.6	10.7	10.3	10.4	10.4
Errors and omissions	0.4	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.3	2.1	4.2	1.8	1.8	1.1	1.3	1.3	1.6
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table 10. The Gambia: External Financing Needs, 2020–25

(Millions of U.S. dollars)

	2020	2021	2022	2023	2024	2025
	Projections					
1. Total financing requirement	-297.3	-327.3	-327.8	-327.8	-343.6	-390.7
Current account deficit (excl. budget support)	-230.1	-258.7	-266.7	-266.1	-280.2	-291.9
Public debt amortization	-19.2	-17.7	-21.2	-23.1	-29.8	-54.2
Repayment to the IMF	-5.0	-5.5	-3.9	-5.7	-5.5	-5.1
Change in official reserves	-43.0	-45.4	-36.0	-32.9	-28.1	-39.6
Arrears repayment	…	…	…	…	…	…
2. Total financing sources	221.3	261.0	264.1	275.1	302.9	347.5
Capital transfers	116.0	126.0	125.0	125.0	125.0	128.0
Foreign direct investment (net)	97.8	103.9	112.1	118.8	130.1	138.0
Portfolio investment (net)	4.0	4.0	4.3	4.7	5.0	5.4
Public sector debt financing	57.5	55.0	55.0	55.1	54.0	70.5
Other net capital inflows[1]	-54.1	-27.9	-32.3	-28.5	-11.2	5.6
Exceptional financing	…	…	…	…	…	…
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	76.0	66.3	63.7	52.6	40.7	43.2
Budget support (grants)	62.1	52.4	49.8	45.6	40.7	43.2
World Bank	30.0	20.0	20.0	…	…	…
European Union	25.2	25.5	22.8	…	…	…
African Development Bank	6.9	5.0	5.0	…	…	…
Other	…	…	…	…	…	…
IMF Disbursements	13.8	13.9	14.0	7.0	…	…
Residual financing need/Financing gap	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Table 11. The Gambia: Financial Soundness Indicators for the Banking Sector, 2015–19

(End of period)

	2015	2016	2017	2018	2019
	(Percent, unless otherwise indicated)				
Capital ratios					
Capital adequacy ratio	33.1	38.2	33.6	31.7	31.4
Regulatory capital ratio (i.e., T1+T2)	34.8	39.8	35.1	33.0	32.7
Primary capital ratio (i.e., T1)	31.4	35.9	31.9	30.3	30.1
Non-performing loans/Primary capital	7.9	9.8	6.8	3.4	5.8
Sectoral distribution of credit					
Agriculture and fishing	3.6	6.5	8.5	1.7	2.0
Manufacturing industries	3.4	0.7	0.7	0.4	1.2
Building and construction	8.5	9.9	13.7	19.7	27.3
Transport and communication	10.3	9.0	8.1	7.7	7.6
Commerce	39.4	31.2	31.1	31.2	22.9
Tourism	2.6	2.4	5.2	10.8	5.6
Financial Institutions and enterprise services	4.2	2.1	3.0	3.2	1.2
Other activities	27.9	38.1	29.6	25.3	32.2
Asset quality ratios					
Non-performing loan ratio	6.5	9.3	7.2	3.3	4.5
Aggregate provision level	82.2	79.1	99.1	100.2	73.4
Loan loss reserve ratio	4.6	6.8	6.6	2.9	2.5
Earnings and profitability					
Net income to average assets (ROA)	0.5	0.7	1.6	1.6	1.9
Net income to average equity (ROE)	3.5	4.2	11.0	11.3	15.4
Net interest margin	1.8	1.9	8.1	5.9	6.5
Non-interest income ratio	33.2	27.6	31.7	40.9	40.2
Liquidity ratios					
Liquid assets ratio	93.4	101.3	92.9	94.8	92.0
Dalasi liquid assets/dalasi deposits	88.4	97.5	89.0	93.5	94.7
Time deposits/total deposits	18.1	17.3	14.3	12.9	11.2

Source: Central Bank of The Gambia.

Table 12. The Gambia: Indicators of Capacity to Repay the Fund, 2019–25

	2019	2020	2021	2022	2023	2024	2025
	Act.	Projections					
Fund obligations based on existing credit							
Principal (millions of SDRs)	4.6	3.6	4.0	2.8	4.0	3.9	3.1
Charges and interest (millions of SDRs)[1]	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Fund obligations, existing and prospective credit							
Principal (millions of SDRs)	4.6	3.6	4.0	2.8	4.0	3.9	3.6
Charges and interest (millions of SDRs)[1]	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Total obligations, existing and prospective credit							
In millions of SDRs	4.6	3.8	4.2	3.0	4.3	4.1	3.8
In millions of US$	6.6	5.3	5.8	4.2	5.9	5.7	5.4
In percent of Gross International Reserves	2.9	2.0	1.8	1.2	1.6	1.4	1.2
In percent of exports of goods and services	2.7	2.0	2.0	1.3	1.8	1.6	1.4
In percent of debt service[1]	17.0	21.3	26.4	15.5	20.6	16.3	8.8
In percent of GDP	0.4	0.3	0.3	0.2	0.2	0.2	0.2
In percent of quota	7.4	6.2	6.7	4.8	6.8	6.6	6.1
Outstanding Fund credit							
In millions of SDRs	26.1	32.5	38.5	45.7	46.7	42.8	39.2
In millions of US$	36.9	44.9	53.3	63.6	65.2	60.0	55.1
In percent of Gross International Reserves	16.4	16.7	17.0	18.2	17.0	14.6	12.2
In percent of exports of goods and services	15.3	16.7	18.4	20.3	19.3	16.5	14.1
In percent of debt service[1]	95.9	179.9	243.3	234.8	226.4	170.5	90.0
In percent of GDP	2.1	2.3	2.5	2.8	2.7	2.3	1.9
In percent of quota	41.9	52.2	61.9	73.5	75.0	68.8	63.0
Net use of Fund credit (millions of SDRs)	-4.6	6.4	6.0	7.2	1.0	-3.9	-3.6
Disbursements	0.0	10.0	10.0	10.0	5.0	0.0	0.0
Repayments and Repurchases	4.6	3.6	4.0	2.8	4.0	3.9	3.6
Memorandum items:							
Nominal GDP (millions of US$)	1,764	1,925	2,093	2,267	2,441	2,627	2,829
Exports of goods and services (millions of US$) [2]	241.9	268.8	290.0	312.9	337.7	362.4	389.8
Gross International Reserves (millions of US$)	225.0	268.0	313.4	349.5	382.4	410.5	450.1
Debt service (millions of US$)[1]	38.5	24.9	21.9	27.1	28.8	35.2	61.2
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2

Sources: IMF staff estimates and projections.

[1] On May 24, 2019 the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 2021 and possibly longer. The Board also decided to extend zero interest rate on ESF till end June 2021 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of SDR rate, the following interest rates are assumed beyond June 2021: 0/0/0/0 percent per annum for the ECF, SCF, RCF and ESF, respectively. The Executive Board will review the interest rates on concessional lending by end-June 2021 and every two years thereafter.

[2] Excluding re-exports.

Table 13. The Gambia: Proposed Disbursements Under the ECF Arrangement, 2020–23

Availability	Disbursements		Condition for Disbursement [1]
	In millions of SDR	In percent of Quota	
March 23, 2020	5.000	8.039	Approval of the Arrangement.
September 15, 2020	5.000	8.039	Board completion of the first review based on observance of performance criteria for June 30, 2020.
March 15, 2021	5.000	8.039	Board completion of the second review based on observance of performance criteria for December 31, 2020.
September 15, 2021	5.000	8.039	Board completion of the third review based on observance of performance criteria for June 30, 2021.
March 15, 2022	5.000	8.039	Board completion of the fourth review based on observance of performance criteria for December 31, 2021.
September 15, 2022	5.000	8.039	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.
March 15, 2023	5.000	8.039	Board completion of the sixth review based on observance of performance criteria for December 31, 2022.
Total Disbursements	**35.000**	**56.3**	

Source: IMF staff estimates.

[1] In addition to generally applicable conditions under the ECF Arrangement.

Annex I. Strengthening Governance and Tackling Corruption and Trafficking in Persons

The Gambian authorities are making appreciable progress in addressing governance deficits, taking measures to combat human trafficking, and developing an anti-corruption framework. Efforts are currently focused on five key areas: (i) documenting and acting upon past governance lapses and corruption; (ii) strengthening the legal and regulatory framework; (iii) improving PFM and procurement; (iv) enhancing revenue mobilization by reducing vulnerability to corruption; and (v) targeting prosecutions of the perpetrators of human trafficking. The Gambia will need specialized fiscal and legal expert support to consolidate the work on governance and anti-corruption framework under the ECF-supported program (see also Annex V).

I. Dealing with Past Governance Lapses

- The Government's White Paper, summarizing the findings of the Janneh Commission of Enquiry, was published in September 2019. The paper detailed the scale of stolen assets and illegally acquired proceeds by the former President and his close associates. The sale of domestic vehicles, land and property has raised 700 GMD million in 2019 and is expected to raise a further 300 million GMD in 2020 (1 percent of GDP in total). Recovery of foreign assets will take longer.
- The Truth, Reconciliation, Reparations Commission (TRRC) aims to provide an impartial historical record of abuses committed by the Jammeh regime over its 22 years in power. The authorities have provided an initial GMD 50 million seed funding for victim reparations from proceeds of the sale of stolen assets.
- A National Human Rights Commission (NHRC) was established in 2018 to investigate past complaints of human rights abuse and avoid a future repetition of the gross human rights violations. Civil society engagement with law enforcement, respect for the rights guaranteed by the constitution, such as the right to assembly, freedom of expression, and rule of law will be monitored by the NHRC.
- Key outcomes from the work of the commissions will focus on strengthening the capacity of the judiciary and the courts to accelerate the delivery of prosecutions and convictions. Further actions will be needed to accelerate the enforcement of court judgements.

II. Strengthening Legal and Regulatory Framework

- The Supreme Court declared several historically repressive legislations to be unconstitutional, including the 2013 Information and Communication Act, and the Seditions and Official Secrets Act. Legal reforms will tackle the threat of violence against women and will pursue more aggressively prosecutions of human traffickers. Several other transformative pieces of legislation have been placed before the National Assembly for approval such as the access to an information bill, a women's amendment of the discriminatory laws bill, a sexual offences bill, and a bill on mutual legal assistance in criminal matters.

- A draft Constitution is now published for comments including strengthening and clearly defining term limits of presidential powers and the President's ultimate accountability to the National Assembly. Written approval is required of any directives issued and the President is held personally liable for any losses (financial and non-financial). Secondary legislation is being strengthened to limit interference in areas of economic management.
- A draft Anti-Corruption bill includes proposals for the establishment of an Anti-Corruption Commission and has been submitted to the National Assembly in December 2019. The bill provides effective measures for the eradication, suppression and prevention of corruption and corrupt practices in both private and public life. All asset declarations by public officials will be submitted to the Anti-Corruption Commission and made public under the Access to Information bill. This adds to the provisions on asset and liability declarations for senior officials within the new Constitution. Political parties are also required to declare publicly their assets and revenues including the source of such funds.
- The current criminal code criminalizes bribery, corrupt practices related to procurement and extortion by public officials. The code is being extended to criminalize trading in influence and bribery in the private sector. The Gambia has been a party to the United Nations Convention Against Corruption since 2015 and changes to the criminal code will be aligned with it and with international best practices.
- The Gambia's commitment to international law has been strengthened, including honoring all judgment awards made against the previous administration by the ECOWAS Court.
- Efforts will need to be maintained to ensure the ambitious set of legal reforms are enacted by the National Assembly.

III. Establishing PFM and Procurement Processes

- The establishment of a single Treasury Single Account (TSA) and progressive closure of dormant government accounts is helping to strengthen budgetary control over revenue receipts and expenditure. PFM reforms more generally will improve transparency and accountability, and reduce the scope for corruption.
- The Banjul Rehabilitation Project (BRP) is now domestically financed from the budget. The Office of the President publicly acknowledged governance lapses and criticism of the procurement breaches of the project. Project execution for the BRP is monitored by an international engineering firm to ensure value for money.
- Implementation of the PIMA recommendations will strengthen GSRB and GPPA to ensure effective and efficient project appraisal, selection and approval including drastically reducing the use of executive waivers and single sourcing. The GPPA Act now limits the use of single sourcing to events resulting in a loss of life, loss of property or due to force majeure.
- New SOE and PPP laws aim at strengthening MoFEA powers on oversight to mitigate fiscal risks. A draft SOE law has been submitted to the National Assembly in October 2019 and received a provisional approval in January 2020, with the final approval pending the adoption of the new

constitution. The new PPP law, currently prepared, is urgently needed to frame relations with private partners in prospective large public investment projects.

- MoFEA will adopt a proposal to strengthen fiscal transparency and accountability through a new fiscal transparency law.
- Implementation of IFRS in public accounting, improved asset declarations and strengthening of the internal audit function including greater accountability to National Assembly on actions taken to prosecute corrupt public servants are underway. A new strengthened public service code of conduct has also now been put in place.
- Special audit reports of all SOEs are now complete and the sectoral reform work including around governance of SOEs is moving forward, led by the World Bank (Annex II). The arrear clearance strategy, including signed monthly payment plans, is in place.
- Draft performance contracts for SOEs establish clear operational independence including strengthened board governance of SOEs and improved oversight. The contracts also articulate key performance indicators to mitigate fiscal risks and call for budgetary resources to fulfil social objectives, and not from own resources.
- Further efforts will be needed to strengthen fiscal data reporting, such as enhancements to expenditure recording systems (EPICOR 10 and IFMIS upgrade) and improved classifications of fiscal transactions using GFSM 2014, in line with the Chart of Accounts.

IV. Revenue Mobilization and Reducing Scope for Corruption

- Strengthening integrity and functionality of ASYCUDA IT system to calculate and mitigate custom revenue foregone and corruption risk from: (i) weak controls at custom warehouses; (ii) inadequate physical examinations on exports; (ii) companies that are granted tax holidays; and (iv) customs officers overriding ASYCUDA intervention selections.
- Enhanced data monitoring of the revenues of large taxpayers, including with the use of sophisticated software to monitor the scale of operations of mobile telecom providers, has supported greater voluntary tax compliance.
- GRA has developed clear tax officer roles and responsibilities. Staff integrity now forms a key corporate objective of the latest GRA corporate strategic plan. Staff surveys and an integrity committee have been put in place to follow up and act on evidence of failings.
- The current tax exemptions policy will be reviewed, as it is complicated to administer by MoFEA and implement by GRA and remains vulnerable to corruption.
- The GRA will need to address the remaining backlog of weaknesses identified by the TADAT assessment including long-standing IT system enhancements, which will add to revenue transparency and accountability.

V. Trafficking in Persons

- The factors and circumstances of human trafficking in The Gambia are varied and complex, as its geography has made it a transit point for migrants en route to Europe and the United States. Furthermore, the vibrant tourism industry and the actions of a few poorly run religious schools acted as a magnet for economic migrants and exploiters of persons.
- The Gambia has adopted a zero-tolerance policy to trafficking in persons (TIP). Trafficking in persons and corruption are closely linked criminal activities—the lack of measures and actions to address corruption can lead to a growth in TIP.
- The National Agency Against Trafficking in Persons (NAATIP), supported by The Office of the President, is working on priority areas with relevant stakeholders (police, immigration, state intelligent services, courts and customs officials) building on the existing action plan to address the issues highlighted in the 2019 US Department of State TIP Report.
- The Gambian law provides a broad definition of coercion to include threats from non-physical, psychological or reputational harm. This provides greater scope by law enforcement agencies to target the perpetrators of TIP and the multiple ways that they use to coerce their victims.
- The authorities have assigned more investigators to NAATIP to fast track investigations and build criminal cases. The creation of NAATIP focal points at major border entry and exit points throughout the country will help to secure borders and facilitate identification of victims while securing arrests of traffickers.
- All TIP cases will be more extensively documented on a TIP database that enables easier linking to other related financial intelligence, customs, immigration and police data.
- Safety measures at the Bakoteh Shelter for victims have been improved, including tighter guarded security and erection of fencing. Additionally, social counselling is provided to address physical abuse and trauma suffered by victims.
- Greater capacity building efforts and training are being carried out by NAATIP for law enforcement entities and custom and border officials to improve identification of victims for protection and traffickers for arrests. A government hotline is also being set-up to facilitate public reporting.
- A draft cross-border cooperation agreement with Nigeria has been prepared and will be signed. This will add to the existing cooperation agreement with Senegal.
- Victim stigmatization and fear limit witness testimonies, reducing conviction rates. Investigations and prosecutions of cases are ongoing, but challenges remain in securing convictions. Increased resourcing for the investigative capabilities of NAATIP and its work on victim protection will be essential to pursue aggressively prosecutions and conviction of perpetrators, which remains the root cause of TIP.

VI. Next Steps

An IMF governance diagnostic mission is planned in 2020 ahead of the discussions for the 2020 Article IV consultation to help The Gambian authorities prepare for their own assessment of governance vulnerabilities and corruption risks and for the enactment of measures to reduce these vulnerabilities. The focus of the mission will be determined in consultation with the authorities, notably to identify the area of governance and corruption vulnerabilities that have not yet been subject to a diagnostic enquiry through other means and could be critical for strengthening The Gambia's performance under the ECF-supported program.

Annex II. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to The Gambia in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Venezuela. In particular:

- **Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies**. The Gambia is a long-standing fragile state, currently at high risk of debt distress caused by the heavy debt service payments on its external debt. The ECF arrangement will support the authorities' efforts to achieve debt sustainability, while catalyzing much needed international financial support. The Fund-supported program is expected to anchor macroeconomic stability and play a pivotal role in addressing this long-standing issue, building on the improvements in the medium-term debt profile as a result of debt service deferrals. The Gambia's policies in the context of the ECF-supported program covering 2020–23 will contribute markedly to growth and poverty reduction, notably by facilitating the creation of the much-needed fiscal space.

- **The authorities have been making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program**.

    - *In terms of process,* The Gambian authorities have relayed to staff that they had contacted the Venezuelan authorities bilaterally through letters and technical meetings (most recently in October 2019 in Banjul), offering to engage in substantive dialogue and start a collaborative process on resolving the outstanding arrears (which arose due to international sanctions). Relevant information has been shared with them on a timely basis. The Gambian authorities are committed to continue making their good faith efforts until all the remaining arrears are resolved.

    - *The terms offered* by the Gambian authorities to Venezuela are in line with the financing and debt objectives of the Fund-supported program and imply a contribution that is not disproportionate relative to those sought from other creditors under the official sector involvement.

- **The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases**. In staff's view, providing financing to The Gambia despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given strong support from the international community in the context of the Fund-supported program for The Gambia and The Gambian authorities' efforts to resolve this in a timely manner.

Annex III. World Bank Sectoral SOE Reform Progress

SOEs	Reforms and Outcomes	Status
NAWEC	**Effective and financially viable NAWEC**	
	Governance	
	(i) Strengthening Board mandate	(i) Board Charter approved by the Cabinet with few modifications.
	(ii) Restructuring of management structure	(ii) New organigram approved. Five of eight directors appointed, two being recruited. Board to approve on February 10.
	(iii) Performance-based incentive structure	(iii) Performance contract, including KPIs, signed with MoFEA.
	(iv) Streamlining of operations/business lines	(iv) 2019-25 Strategic Development Plan approved by the Board that stipulates a set of actions and targets for each business line.
	(v) Financial accounting and auditing	(v) 2017 accounts published. 2018 accounts under preparation.
	Economic and Financial Performance	
	(vi) Clearance of past arrears and debts	(vi) Cross-arrears MOU signed with MoFEA and arrears cleared; MOUs on restructured debt with other SOEs being signed, one pending.
	(vii) Centralization of electricity payments of critical public facilities	(vii) System established but with mixed results. Starting in 2020, a system is in place to prioritize electricity payments from monthly cash allocation to MDAs.
	(viii) Reducing commercial losses	(viii) 100% coverage on pre-paid meters for residential customers. Transition for non-critical public sector customers on-going.
	(ix) Promoting energy efficiency	(ix) LED bulbs being used for street lights.
	(x) Transparent tariff setting	(x) Tariff methodology guideline published.
GAMTEL and GAMCEL	**Divestiture of wholesale networks (ECOWAN and NBN). Divestiture or liquidation of retail networks of GAMTEL and GAMCEL.**	
	Wholesale networks	
	(i) Operationalization of an SPV	(i) SPV endorsed by the Cabinet. TOR for a consultancy to help with the establishment developed by the Ministry of Information and Communication Infrastructure (MOICI).
	(ii) Supporting transactions with private sector	(ii) Transaction Advisor RFP issued in October 2019 for market test. Shortlisting ongoing.
	Retail networks	
	(iii) Supporting transactions with private sector	(iii) Transaction Advisor RFP issued in October 2019 for market test. Shortlisting ongoing.
	(iv) Supporting social plan	(iv) Plan developed and pre-validated.
Source: World Bank.		

Annex IV. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
Weaker than expected global growth	High Weaker than expected growth (U.S (low)., Euro Area (high), and China (high), unpredictable protectionist actions imperil global trade and growth. Rising leverage, faltering confidence (U.S), delayed investment, weak foreign demand (Euro Area), trade tensions, and if coronavirus outbreak worsens (China), would undermine global growth	High • Decline in Gambia's exports and tourism receipts. • Employment pressures abroad could reduce the inflow of remittance. • Failure of large leveraged corporates (see the case of Thomas Cook UK)	• Increase outreach to new tour operators. • Diversify the tourism base. • Promote regional trade and integration. • Promote private investment and diversify domestic production.
Large swings in energy prices	High In the near term, uncertainty surrounding supply and demand shocks elevates price volatility, complicating economic management. Persistent and larger price swings including higher oil prices harm global growth...	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 with World Bank support, including use of alternative energy production methods (on- and off grid).
Lower access to correspondent bank services	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. • Complete a survey of corresponding banking relationships (CBRs) withdrawals at the domestic banks.
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. • Implement FSSR recommendations including on crisis management
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 public 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 cycles of erratic rainfall and droughts for five subsequent years.	High • Domestic production, especially rain-fed agriculture.	• Strengthen food security and rural feeding programs. • 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 V. Capacity Development Strategy for FY2021

The Gambian authorities are requesting to transition from the 2019 SMP to a thirty-nine-month ECF arrangement. Technical assistance (TA) will play a critical supportive role, to achieve program quantitative targets and to advance the structural reform agenda. The capacity building program in The Gambia and the associated TA delivery are intertwined with program and surveillance priorities.

A. Overall Assessment of Capacity Development

1. As a fragile low-income country, The Gambia faces significant challenges in capacity and institution building, due to mismanagement and governance lapses under the previous administration. In the current circumstances, capacity building is being held back by absorption and implementation gaps, which are being exacerbated by limited domestic resources.

2. Nonetheless, there have been notable successes in implementing key structural benchmarks in public financial management (PFM), revenue mobilization, debt management, financial sector supervision, and SOE governance, drawing on capacity building efforts with technical assistance from the IMF, which contributed to a satisfactory performance track record under the 2019 SMP. Notable achievements include:

- Successful piloting of fiscal stress testing in 2017, which the authorities incorporated, starting in 2019, into the regular outputs, including the MTFF and budget planning.
- A comprehensive assessment of revenue administration (using TADAT) helped formulate a capacity development strategy at the Gambia Revenue Authority (GRA), delivering a stepwise increase in domestic revenue mobilization (DRM), including through stronger enforcement and compliance enhancements.
- Revenues from the telecom sector increased as a result of TA on telecom audits that helped improve compliance by uncovering the previously unreported tax liabilities (2018–19).
- A rebasing of the GDP series for 2004–18 (by the production approach, with 2013 as base year) was completed in April 2019. Since then, the Gambia Bureau of Statistics (GBoS) has worked toward rebasing of GDP by the expenditure approach; the estimates for 2004–18, which have been used in the production of the 2020–22 MTFF and 2020 Budget. The GBoS is also working on the next GDP rebasing (with 2018 as the new base year) and the development of quarterly national accounts, which require funding for an economic census.
- The introduction of new CPI expenditure weights based on the 2015/16 Integrated Household Survey and methodological improvements (and chain-linking of the old series with the new using a referenced base year, January 2020) will remove anomalies and biases in the CPI series.
- Multipronged support for the finance ministry to formulate an MTFF, debt and financial policies under the previous SMPs, including macroeconomic forecasts (2017–19).

- Initiation of reforms to enhance financial reporting (consistent with IFRS) and monitoring of SOEs (2017–19); including establishing an SOE database of financial and performance indicators.
- Progress on reforms for customs administration, including risk management during 2017–19.

3. TA implementation is being challenged by low implementation capacity and the lack of relevant and timely indicators, due to weak data management and analysis. Support and other incentives for senior officials and technical level staff who retain knowledge of work processes are insufficient to foster greater effort and retention of qualified staff, while high turnover among key staff constrains absorption capacity (see Section D below).

B. Forward-Looking Priorities

New TA Needs

4. Continued support from development partners will remain critical to further the structural reform agenda under the ECF-supported program over the period 2020–22. Longstanding capacity weaknesses will continue to be addressed with customized and tailored TA. Several new capacity development priorities will be an important part of the TA strategy for FY2021. Specifically:

- **Governance Diagnostic Mission**. To better assess The Gambia's fragility in the areas of governance and vulnerability to corruption, a governance diagnostic mission will be conducted (Article IV surveillance). The mission will focus on a review of progress made and deficits in governance and vulnerability to corruption in PFM, Revenue Administration, public investment and procurement, Central Bank governance (oversight of financial institutions), SOEs, legal and regulatory framework, market regulation, AML/CFT and the impact of corruption on human trafficking. The report will help the authorities provide key recommendations to address gaps and better prioritize structural reforms in this area.
- **Gender Budgeting.** TA support will be provided to strengthen and further the mainstreaming of gender by the newly created Ministry of Women's Affairs, Children, and Social Welfare. The focus will be to structure revenues and expenditure that further gender equality to improve the efficiency and equity of the budget process.
- **Climate Change.** The impact of climate change is macro-critical for The Gambia. Climate stress adds to fiscal risks and weakens the agricultural sector, worsening social and poverty indicators and adding to migration. The authorities have a mission in climate change impact assessment to support their efforts on risk mitigation and carbon reduction technologies, including the need for agricultural adaptation, and storm water and flood management.

Ongoing TA Needs

5. Capacity efforts will continue to support strengthening domestic revenue mobilization (tax register and tax exemptions), improving PFM, especially in the areas of cash management, budget execution and procurement, extending domestic debt maturities, implementing the recommendations from the recently completed Financial Sector Stability Review (FSSR) and implementation of governance and transparency enhancements for government departments and agencies. These priorities will also require reforms to: (i) strengthen public accounting (IFRS), fiscal data reporting and forecasting, and public debt tracking and projection; (ii) improve the oversight of SOEs and subvented agencies; and (iii) upgrade the statistical capacity in national accounts, consumer prices (CPI), government finance (GFS) and BoP statistics critical for monitoring a future ECF arrangement. The proposed core strategy for IMF TA is as follows:

- Public investment and procurement will need to be improved by implementing the PIMA recommendations, with TA support from the IMF and the World Bank, to establish appropriate criteria for project selection and appraisal and ensure alignment with public investment needs articulated as part of National Development Plan (NDP) priorities and debt sustainability requirements. Work on improving the timeliness and accuracy of reconciled fiscal and Treasury cash forecasts is essential to ensure a closer match between budget execution and financing data, increase the control of fiscal floats and prevent the accumulation of expenditure arrears. Additional TA support is needed to rationalize subvented agencies, strengthen procurement functions and further the structural reform (e.g. tackling human trafficking) agenda. A resident PFM advisor at MoFEA is continuing to support the authorities in improving PFM work processes and help strengthen and consolidate TA provision and absorption. An updated PPP Fiscal Risk Assessment Model (PFRAM) may help provide record of progress and future prioritization needs in the PFM area.
- Revenue administration's tax and custom capacity will need to improve by implementing the post-TADAT roadmap, including cleaning up the taxpayer register and ledgers and improving the functionality of GAMTAXNET. The GRA is being supported by a resident advisor, to provide hands-on support and preserve the capacity building momentum. MoFEA will require support in drafting a new tax exemptions policy, leaning on best international practice in this area, to improve fairness and reduce the amount of foregone revenue.
- The quality of national accounts, CPI, BoP, monetary and government finance statistics (according to the framework of GFSM 2014 which is integrated in the chart of accounts) will be enhanced by: (i) strengthening administrative databases; (ii) assisting in the conduct, and enhancement of industrial production and household expenditure surveys, critical for updating the GDP and CPI data; and (iii) providing support in moving the national accounts from 2013 to 2018 as the base year.
- Financial sector TA will draw on the November 2019 FSSR to strengthen the Banking Law and in drafting new regulations for risk-based supervision and adopting a limited and proportionate move to relevant elements of Basel II/III. TA will be needed to strengthen stress testing capabilities, including a forward-looking assessment of risks. The absence of financial safety nets underscores the importance of capacity building in bank resolution to enable appropriate early intervention and prompt corrective action at the sign of stress. The need to enhance CBG's operational and forecasting ability calls for further TA on monetary operations, foreign exchange operations, and reserve management.

- Strengthening the CBG's internal audit and accounting functions will draw on the fin dings and recommendations from the safeguards assessment to be conducted in April 2020.

C. For FY 2021, key priorities and objectives are as follows:

Priorities	Objectives
Tax administration	Expand tax base, strengthen enforcement, and reduce tax arrears.
Customs administration	Improve management, transparency and efficiency to deliver higher customs revenue.
Public Financial Management	Implementation of PIMA recommendations, Treasury cash management, including forecasting and reconciliation, of cash position strengthening budget execution and control, as well as accountability and transparency, improving debt management, SOE and subvented agencies oversight, conduct an updated PFRAM.
Statistics	Further improvements to the quality and timeliness of GDP, CPI, BoP, and GFS.
Dissemination of statistics	Strengthen the timeliness of data reporting under e-GDDS.
Banking supervision (leveraging FSSR) and liquidity forecasting	(i) Implement FSSR recommendations, including to improve the quality of data for banking supervision through more efficient electronic data reporting by banks; and (ii) advance the liquidity forecasting template with input from foreign exchange cashflow projections.
Governance	Strengthen public accountability, transparency, and vulnerability to corruption including bolstering CBG corporate governance.

D. Risk and Mitigation Measures

6. Key risks that could impact TA implementation stem from: (i) unavailability or loss of key staff due to absences and turnover; (ii) inability to hire competent technical staff due to weaker public-sector compensation packages; and (iii) lack of resources for IT system development. To mitigate these risks, staff are conscious of carefully prioritizing and designing the TA programs tailored to the local audience's needs. Efforts will be needed by the authorities to ensure availability of key staff while simultaneously offering a more rigorous program of training for junior officers. The authorities are also seeking to follow up with development partners on funding for systems development which, if unfunded, could limit absorptive capacity and hinder implementation of TA. Recent efforts to improve funding for systems support are encouraging. For example, the authorities are working to improve the debt database with a new software, Meridian (supported by The Commonwealth Secretariat), and to implement a new Integrated Tax Management System (ITAS) using a Commercial Off-The Shelf (COTS) package (through World Bank support).

E. The Authorities' Views

7. 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 and its planned update.

REPUBLIC OF THE GAMBIA

Appendix I. Letter of Intent

Banjul, The Gambia
March 3, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Madame Managing Director:

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 under the Staff-Monitored Program (SMP). With The Gambia still in a fragile situation, the IMF's support has helped to catalyze much-needed financial assistance from the international community and remains pivotal for fostering macroeconomic stability and advancing the reform agenda.

2. The IMF's involvement has also been critical for addressing The Gambia's unsustainable public debt burden. The creditor roundtable held on the sidelines of the 2019 Spring Meetings helped mobilize our external creditors to provide the needed debt restructuring, which materialized in debt deferral agreements we signed in recent months with most of our bilateral and plurilateral creditors. As a result, The Gambia is no longer in debt distress and our public debt is now on a sustainable path.

3. Under the 2019 SMP, we reinstated fiscal discipline and demonstrated commitment to prudent monetary and financial management. This has boosted confidence in our economy and supported job creation. Our public financial management improved with the implementation of structural reforms to strengthen revenue administration, budget processes, cash management, and governance in state-owned enterprises. We have also been working to enhance bank supervision to support healthy financial intermediation and enable greater financial inclusion.

4. Nonetheless, much needs to be done to consolidate these gains, expand employment opportunities, and reduce poverty, as envisaged under our National Development Plan (2018–21). To help achieve these objectives, we are requesting a thirty-nine-month financial arrangement under the Extended Credit Facility (ECF) in the amount of SDR 35 million (56.3 percent of quota).

5. The attached Memorandum of Economic and Financial Policies (MEFP), which builds on our achievements under the 2019 SMP, describes our medium-term policy commitments to support our

request and sets out in detail the reform agenda for 2020. The pursuit of the ECF-supported program is expected to catalyze additional donor support that will help cover the cost of reforms and boost resources available for development and social spending.

6. The ECF-supported program will also help advance the reforms to strengthen governance in our economic and financial institutions. Our multipronged efforts in this area are already yielding results. The recently published draft Constitution seeks to define the limits of presidential powers and increase the accountability of public officials. The anti-corruption bill tabled before the National Assembly in December 2019 calls for the establishment of an Anti-Corruption Commission and work is underway to align the public procurement law with best practice and to strengthen The Gambian Public Procurement Authority. Creating safeguards against high-level corruption is also at the heart of the ongoing proceedings of the Truth, Reconciliation and Reparations Commission and other transitional justice initiatives. In this context, we look forward to working with the IMF staff on governance issues, to ensure further progress in this area, and welcome the opportunity to host an IMF diagnostic mission on governance later in the year.

7. The government believes that the policies and measures outlined in the attached MEFP are adequate to achieve the objectives of the ECF-supported program and we stand ready to take any additional measures that may become necessary for this purpose, maintain a close policy dialogue with the IMF, and seek technical assistance, as needed. 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 will cooperate fully with the IMF to achieve our policy objectives. We also undertake neither to introduce or increase restrictions on payments and transfers related to current international transactions nor impose or intensify any import restrictions that would worsen The Gambia's protracted balance-of-payments difficulties.

8. We agree to the publication of this Letter of Intent and the attached MEFP and Technical Memorandum of Understanding (TMU), as well as the IMF staff report related to our request for an ECF Arrangement. 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 (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This memorandum sets out economic and financial policy commitments to support our request for a three-year arrangement under the Extended Credit Facility (ECF) of the International Monetary Fund (IMF). It summarizes our achievements under the Staff-Monitored Program (SMP) that was approved by the IMF Management in April 2019 and outlines our policies to consolidate these gains and advance the structural reform agenda for inclusive growth.

BACKGROUND

1. **The Gambia is addressing its socio-economic challenges and laying a solid foundation for democracy, good governance, and respect for the rule of law and human rights**. Key achievements toward these goals include: (i) the publication, in September 2019, of a White Paper endorsing the recommendations of the Janneh Commission for the recovery of assets stolen under former President Jammeh; (ii) the Constitutional Review Commission's (CRC's) submission to Cabinet in 2019 of a draft constitution which will be subjected to a country-wide referendum later in 2020; (iii) the operationalization of the Human Rights Commission; (iv) the submission of an anti-corruption bill to the National Assembly in December 2019; and (v) the achievement of important milestones by the Truth, Reconciliation and Reparation Commission (TRRC), including the drafting of a reparation regulation and the provision of seed capital of US$1 million to the reparation fund.

2. **We have made significant progress in tackling our public debt burden**. Discussions on the restructuring of our external debt accelerated markedly after the April 2019 roundtable meeting with our external creditors on the sidelines of the IMF/World Bank (WB) Spring Meetings in Washington DC. Following the leadership of our Saudi partners, key multilateral creditors: Arab Bank for Economic Development in Africa (BADEA) and Islamic Development Bank (IsDB) and non-Paris club bilateral partners (India, Kuwait, and Abu-Dhabi) have provided debt service deferrals on maturities falling due within the next five years (in some cases, seven years), which will help achieve debt sustainability and secure financing assurances needed to support our request for an ECF arrangement. Consultations with OPEC Fund for International Development (OFID) and ECOWAS Bank for Investment and Development (EBID) are expected to be finalized in the coming months. The implementation of these deferrals will reduce debt service payments falling due over the next five years by nearly US$158 million, of which about US$25 million in 2020, and provide room for addressing the country's priority social and infrastructure needs. This, together with our commitment to prudent domestic borrowing and lengthening of the maturity structure, will reduce debt vulnerabilities and roll-over risks. In parallel, we are strengthening the financial conditions of state-owned enterprises (SOEs) through audits, arrears' clearance, enhanced oversight, and timely settlement of outstanding government liabilities (subsidies and utility bills) to reduce the buildup of contingent liabilities.

3. The Gambia has made significant progress under the SMP, and a transition to an ECF arrangement will help to consolidate gains achieved so far. Under the two SMPs covering 2017-19, we attained relative macroeconomic stability with GDP growth averaging 5.8 percent and inflation moderating to about 7 percent. Strengthened confidence in our economy helped support private sector expansion, with tourist arrivals reaching record levels in 2019, and enabled a considerable buildup of external buffers. These achievements were supported by improved revenue mobilization and public financial management. The ECF-supported program, with its focus on growth and poverty reduction, will help consolidate these achievements, while catalyzing additional budget support and other resources for implementing priority public investment projects, consistent with our National Development Plan (NDP), and further progress toward the Sustainable Development Goals (SDGs).

RECENT ECONOMIC DEVELOPMENTS

4. The Gambian economy continues to perform well. Real GDP growth attained an estimated 6.0 percent in 2019 (compared with 6.5 percent in 2018) despite adverse shocks. First, a delay in rainfall and its erratic pattern after a prolonged dry spell, resulted in a 10-percent decline in agricultural production, reducing the GDP growth by about 2 percentage points. Second, Thomas Cook-UK's bankruptcy in late September perturbed tourism activity at the dawn of the 2019/2020 season. While its impact has proven short-lived, some operators incurred significant costs to reposition their activity. Overall, however, tourism was the main driver of growth in 2019, which spawned a pick-up in tourism-related services and private construction. Other sources of growth included the opening of new opportunities for the mining of rutile, ilmenite and zircon and improvements in water and electricity supply, which supported the expansion in private economic activity and public investment.

5. Consumer price inflation (CPI) increased but the underlying trend indicates continued moderation of price increases. The CPI index increased by 7.3 percent in 2019 (compared with 6.5 percent in 2018) due to a one-time hike in postal charges in March 2019 and increases in food prices associated with the Ramadan and low food harvest. Nevertheless, the underlying trend appears benign and core inflation remains subdued. Furthermore, the accuracy of reported inflation will improve, thanks to recent methodological enhancements to bring the CPI in line with international standards and the introduction of a new CPI basket to better reflect current patterns of households' expenditure.

6. The external position has strengthened with record-high remittances and donor support. Despite a decline in the trade balance, reflecting a rapid expansion of imports, the overall balance of payments remained positive in 2019, owing to the disbursements of donor support and strong inflows of remittances and private capital, mostly for real estate investment. The combined volume of private FX inflows, including remittances, reached US$318.5 million in 2019. The gross official reserves stood at US$225 million (equivalent to 3.4 months of prospective imports) at end-2019. The dalasi remained relatively stable, depreciating by 3.2 percent in 2019 in nominal terms.

7. Strong revenue performance and budget support in the context of tightened expenditure control helped improve budget execution and achieve fiscal targets. The overall fiscal balance improved from a deficit of 6.2 percent of GDP in 2018 to 2.6 percent in 2019, mainly due to strong increases in budget support grants and domestic revenue. The underlying fiscal performance, as measured by the change in the domestic primary balance also improved (from a surplus of 0.6 percent of GDP in 2018 to a surplus of 1.8 percent of GDP in 2019).

- **On the revenue side**. Domestic revenues increased by nearly 2 percent of GDP in 2019, exceeding the program projections by 1 percent of GDP. The increase in tax revenues contributed 0.9 percent of GDP and was by 0.1 percent of GDP stronger than expected. The bulk of the over-performance margin (0.9 percent of GDP) came from nontax sources, reflecting signature bonuses of US$10 million from British Petroleum (BP) and US$5.2 million from FAR Gambia Limited for rights to prospect for offshore oil. Customs revenue (including most of the value-added tax (VAT) receipts) benefited from a double-digit growth in imports. The increased revenue from direct taxes reflected good economic performance of large enterprises already in 2018. Strengthened audit capacity led to a significant improvement in the declarations and payments, especially by telecom companies. Similar exercises in other sectors also led to self-correcting measures by businesses, increasing declarations and payments of their tax liabilities. The recently conducted data matching exercise (covering customs importation data, supplies to government (IFMIS), tax returns, and taxpayer registration database) also helped identify importers that were not registered with the Tax Department. Finally, stepped-up enforcement efforts and legal actions contributed to a significant improvement in SOEs' tax compliance compared to 2018 as The Gambia Revenue Authority (GRA) signed binding agreements with several SOEs to recoup tax arrears.
- **On the expenditure side**. Total expenditure was slightly lower than projected while accommodating (i) a 50-percent increase in basic salaries of civil servants across the board; (ii) expenses on transitional justice initiatives, namely, the CRC and the TRRC; and (iii) higher subsidies to the social sector (mainly health and education) and to the Gambia Groundnuts Company (GGC) to meet its payment obligations to the International Islamic Trade Finance Corporation (ITFC) facility. The growth in travel expenses, which had caused significant spending overruns in 2018, was kept to 2 percent in 2019. Steps were taken to rationalize expenditure on diplomatic missions. Capital spending was under-executed by 0.3 percent of GDP due to capacity issues that generally mar project implementation. Importantly, as financial discipline at National Water and Energy Company (NAWEC) strengthened, overruns on subsidies for electricity have been avoided.

8. Monetary policy remained appropriately neutral in the context of moderate inflation, strong foreign exchange inflows, and positive business sentiments. Core inflation (i.e., headline inflation excluding changes in the food, energy, and communication indices) moved in line with non-food inflation during 2019, and below the headline inflation. Reflecting this subdued inflation pressure and positive business sentiments during the year, the CBG reduced the policy rate by 50 basis points to 12.5 percent at its monetary policy committee (MPC) meeting at end-February 2019 and the rate on the standing lending facility (SLF) was reduced by the same margin to

13.5 percent. Subsequently, at the MPC meeting at end-August, the CBG increased the rate on the standing deposit facility (SDF) from 2 percent to 2.5 percent, to narrow the interest rate corridor and minimize interest rate volatility. Money supply growth remained strong at 27.1 percent, as re-monetization continued, and the money-to-GDP ratio increased from 42.9 percent at end-2018 to 48.4 percent at end-2019. In parallel, and supported by the robust economic activity, banks' credit to the private sector expanded by 35.8 percent (year-on-year) at end-2019.

9. The banking system remains well capitalized and liquid. Capital adequacy ratios of banks averaged 31.4 percent at end-2019, and bank profitability as measured by the return on equity (ROE) reached 15.4 percent. While low, non-performing loans (NPLs) increased from 3.3 percent of gross loans at end-2018 to 4.5 percent at end-2019, due to a localized deterioration in asset quality.

PERFORMANCE UNDER THE STAFF-MONITORED PROGRAM

10. All quantitative targets at end-2019 were met, with significant margins in some cases (Table 1). The zero ceiling on new external payment arrears was breached until November. The breach occurred in early 2019, when NAWEC (the payor) missed its debt service payments to Paris Club creditors due to cashflow problems and persisted until the government (guarantor) cleared the arrears and assumed the responsibility for servicing the remaining maturities. All other targets, including the ceilings on the central government's net domestic borrowing (NDB), were observed with comfortable margins. The margin under the NDB ceiling at end-2019 reached 940 million dalasi as tight expenditure control was exercised until the disbursement of budget support (€22 million) from the EU in late December. As a result, a treasury float of about 0.6 percent of GDP had to be cleared in early 2020 on account of the 2019 expenditures authorized after the EU funds had been received. The floor on the stock of net useable international reserves (NIR) was exceeded by US$54 million, as the CBG took advantage of a strong demand for the dalasi to make regular purchases of foreign exchange at the interbank market. The indicative floor on poverty-reducing spending, which was missed at end-September, was also met.

11. All but two structural benchmarks under the SMP were met (Table 3). The two missed benchmarks related to (i) the validation of audited domestic arrears and preparation of a clearance strategy by end-June; and (ii) publication of the audited 2018 financial statements of the CBG by end-September. Both actions have subsequently been implemented.

- The CBG established a dedicated unit at the Banking Department to oversee developments in the payments system (April SB) and published its audited 2017 financial statements (May SB). The audited 2018 financial statements were published with a delay in November 2019 (September SB).
- The GRA implemented all three SBs under its purview, including two June SBs: verification and update of the large taxpayer registry using third party data and provision of TOR for a risk management committee; and a December SB on completion of two risk-based post-clearance audits in accordance with its manual.

- The Ministry of Finance and Economic Affairs (MoFEA) met 5 SBs in its domain: (i) the preparation of a report on debt relief anticipated/received from The Gambia's main creditors; (ii) the publication of quarterly debt bulletins; (iii) the reconciliation of the end-December 2018 debt data with external creditors (97 percent of claims were reconciled; the balances due to Libya and Taiwan Province of China are still subject to reconciliation); (iv) the institution of monthly cash management committee meetings and reporting to the IMF staff its deliberations; and (v) the revision of the Medium-Term Expenditure and Fiscal Framework (MTEFF) incorporating the rebased GDP series, while ensuring consistency with the Medium-Term Debt Strategy (MTDS) and the National Development Plan (NDP).
- The end-June governance-related benchmark (requiring validation of the audited domestic arrears, including to SOEs, and preparation of a strategy for their clearance) was missed. MoFEA has subsequently implemented this action in several steps. The audit of SOEs' arrears was finalized in August, the strategy for their clearance was articulated in September, and the audit of arrears of Ministries, Departments, and Agencies (MDAs) to suppliers was completed in November. The arrears to suppliers will be cleared in cash in 2020–21.

12. The SOE reform is advancing. Most notably, a draft SOE law was prepared to provide an overarching legal framework for the state enterprises, with the focus on addressing executive interference and improving efficiency in service delivery. The completion of this work will depend on the ratification of a new constitution, which is expected to include several changes regarding the governance of state-owned enterprises. Good progress was also achieved in: (i) the reform of the telecom sector, which is critical for securing budget support from the World Bank; and (ii) enhancing the financial management of NAWEC with the appointment of a new Board, the signing of the arrears clearance agreement to settle its trade credit obligations, and the adoption of a performance contract. MoFEA is also working with the National Audit Office on an action plan for seven fiscally most important SOEs to address the recommendations of the Ernst & Young (E&Y) audit report, which has been approved by Cabinet. E&Y has recently conducted the audit of the remaining seven SOEs. This phase includes the GGC, which is of systemic importance to agriculture and represents a drag on fiscal resources and economic growth.

13. The civil service reform agenda proved demanding in several respects. First, progress on reducing the expenses of the Ministry of Foreign Affairs has been slow. The government terminated the appointments of five embassy staff and delayed the closure of two embassies to mid-2020. The follow-up action plan for the redeployment of embassy staff is expected to be finalized in 2020. Second, MoFEA and the Personnel Management Office (PMO) are working on the financing arrangement for the implementation of the first phase of the civil service reform strategy. In the meantime, with TA support from the IMF, a study on wages, salaries and pensions of public servants have been conducted. Finally, the articulation of the vehicle policy is delayed. Several measures in this area have, nonetheless, been taken: (i) the use of V8 SUVs by managing directors of parastatals was banned; (ii) the provision of vehicle expenses was reduced by about 20 percent in the 2020 budget compared to the 2019 budget allocations; and (iii) the auction of more than 700 vehicles was conducted, yielding 27 million dalasi in 2019, and additional auctions are scheduled in 2020.

14. The implementation of the SMP encountered several challenges. In our efforts to improve the sanitation and traffic congestion in Banjul, we signed a dollar-denominated financing arrangement for the Banjul Rehabilitation Project (BRP). Also, given the emergency character of the work that needed to be initiated ahead of the rainy season, the procurement of the project did not follow the standard process. Subsequently, upon consultation with the IMF staff, we recognized that this arrangement, if implemented, would have been inconsistent with the zero ceiling on new non-concessional external debt contracted and that the single-sourcing of the contract put in question the governance aspects of the project and potentially compromised its value for money. To redress these problems, the financing arrangement was revisited to eliminate debt creation, with payments to be made in dalasi in step with project implementation, drawing on the allocations in the annual budgets and, to ensure value-for-money, the implementation of the project is being monitored by a consulting company (STUDI International), which was appointed based on its strong international reputation. Going forward, building on the experience of the BRP, arrangements are being made to improve project appraisal and selection, tighten the legal framework for public procurement, and increase the capacity of The Gambia Public Procurement Authority (GPPA). Monitoring the use of the trade credit facility of the ITFC by SOEs was another challenge. While pressures in this area were reduced relative to what was experienced in 2018, these exposures required heightened attention in early 2019 to clear the arrears of US$6.9 million accrued by the GGC and to avoid their recurrence.

MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

A. The National Development Plan

15. In 2017, The Gambia adopted the National Development Plan (NDP) as the reference framework for government action during 2018–21. The overarching goal of the NDP is to "*deliver good governance and accountability, social cohesion, national reconciliation, and a revitalized and transformed economy for the wellbeing of all Gambians.*" This goal is underpinned by eight strategic priorities and seven critical enablers. The strategic priorities comprise: (i) restoring good governance, respect for human rights and the rule of law, and empowering citizens through decentralization and local governance; (ii) stabilizing our economy, stimulating growth, and transforming the economy; (iii) modernizing our agriculture and fisheries for sustained economic growth, food and nutritional security, and poverty reduction; (iv) investing in our people through improved education and health services, and building a caring society; (v) building our infrastructure and restoring energy services to power our economy (energy, transport and public works); (vi) promoting an inclusive and culture-centered tourism for sustainable growth; (vii) reaping the demographic dividend through an empowered youth; and (viii) making the private sector the engine of growth, transformation, and job creation.

16. An Annual Progress Report (APR) of the NDP, which was initiated in 2019, presented a broadly satisfactory implementation record. At the donor conference in Brussels in 2018, around US$1.5 billion was pledged in grants for budget support, and grants and loans for public investment and social projects. Already in 2018, about US$180 million (nearly 12 percent of GDP) was disbursed for NDP implementation. The APR found that out of the 61 outcomes of the NDP, 49 percent registered some progress (albeit constrained) as of end-2018, while 48 percent were on track and the remaining 3 percent showed limited or no progress. Regarding the eight strategic priorities, the report noted strong progress in tourism (100 percent on track), governance (50 percent), private sector (60 percent), and infrastructure and energy supply (60 percent). Two other strategic priorities made average progress: human capital (45 percent) and macro-economy (50 percent) while progress was slowest on agriculture and fisheries (33 percent), and youth empowerment (25 percent).

17. The ongoing work to refine the government strategic priorities is geared toward aligning them better with the SDGs. To this effect, the government is working on a new strategic vision for the Gambia. The experience with the Gambia Vision 2020, which was adopted around the turn of the millennium, is being assessed. The new vision will build on the progress made in governance, reducing the vulnerabilities to corruption, transitional justice, restoring the rule of law, commitment to civil liberties, and adherence to democratic norms. The revision will also aim to set a path towards achieving the SDGs, as fiscal space allows. This process will be followed in 2021 by the preparation of a new 5-year successor plan to the current NDP.

B. Macroeconomic Framework

18. The pursuit of sound economic policies in a favorable external environment underpins The Gambia's macroeconomic outlook. Economic growth is projected to reach 6.3 percent in 2020 and average about 5½ percent per year in 2020–25. Inflation is projected to moderate from an average of 7.1 percent in 2019 to the CBG's medium-term target of 5 percent by 2023 or earlier. Growth is expected to be driven by strong tourist arrivals, expansion in private sector activity, foreign exchange inflows, prudent economic policies, and increased foreign-financed public investment. Private sector growth will also be helped by improvements in the volume and reliability of water and electricity provision, and a strong growth in credit to private sector, enabled by reduction in government's recourse to domestic borrowing. The financial support for the Organization of Islamic Cooperation (OIC) summit, now slated for 2022, will help address the country's infrastructure gaps and form the basis for upgrading our tourism infrastructure. Among others, endowed with the recently inaugurated state of the art conference center funded by the People's Republic of China, The Gambia could become an international conference hub.

19. The reserves cover of imports is expected to expand further, premised on continued strong inflows of foreign exchange and budget support. Based on continued budget support from key international partners and strong foreign exchange inflows from private sources, we project gross official reserves to reach 4½ months of next year's imports by 2023. This reserve cover will help meet external debt service needs, which are expected to rise in 4–5 years as the debt service deferrals end. It will also help reduce The Gambia's vulnerability to exogenous shocks.

20. We are mindful of the risks to the outlook. External risks emanating from a slowdown of global demand, especially in Europe, could impact our tourism sector and remittances from abroad, while increases in the international prices of oil could reignite inflation. Furthermore, given its fragile ecosystem, The Gambia is particularly exposed to the risks associated with climate change, which are already evident in the erratic rain pattern affecting agriculture. Domestic risks include the increased volatility of the political situation and implementation challenges in the course of difficult reforms, which could affect fiscal discipline. Upside risks stems from the synergies between public investment and private sector activity reflecting the expected implementation of several strategic projects in energy and infrastructure, a higher-than-anticipated development partners' support, and a confirmed discovery of economically viable oil reserves.

C. Fiscal Policy

The Medium-Term Fiscal Profile

21. Fiscal consolidation in the medium-term will ensure debt sustainability while protecting critical social and infrastructure needs. We aim to improve the primary balance by 1-1½ percent of GDP between 2019 and 2025, consistent with the need to accommodate the rising amortization of external debt starting 2025. This medium-term fiscal profile features a gradual increase in domestic revenue to around 15.2 percent of GDP by end-2025, supported by growing taxable activity and strengthened revenue administration. The bulk of the expected increase will come from taxes on income and corporate profits, and domestic taxes on goods and services, as our medium-term structural reforms support private sector activity and income growth. We are exploring refinements to our tax policy framework to increase its efficiency and equity. To this effect, MoFEA will create a Tax Advisory Committee in 2020 composed of professionals in tax, economic policy, and finance that will advise the government on tax related matters. Improved expenditure prioritization and public financial management will help contain the growth in spending on goods and services and transfers to subvented agencies, while compensation of employees is expected to grow in line with GDP. At the same time, we plan to reduce subsidies to SOEs, as they strengthen corporate governance and improve their financial balance sheets. The debt service deferrals will reduce external amortization by over 1 percent of GDP per year over the medium term, creating space for additional development and social spending including our flagship social initiatives. We will pay particular attention to the need to build buffers against fiscal shocks and increase the reliance on domestically financed capital expenditure to preserve debt sustainability.

22. This profile differs marginally from the 2020–22 MTEFF. The revisions, reflecting the 2019 outcome, implementation of debt deferrals and updates to the public investment program will inform the extension of the MTEFF to 2023, which will be used as a basis for the 2021 budget. The preparation of the 2019 APR of the NDP will start soon in sync with the revision of the MTEFF to cover 2021–23, as an integral part of our budget preparation process. In this regard, we have formed a dedicated team, supported by our EU-financed resident Public Financial Management (PFM) advisor, and plan to submit a draft MTEFF to Cabinet by July 2020. We will ensure a greater coordination with the production of the NDP progress report and the MTDS to ensure that the MTEFF reflects government priorities as laid down in the NDP and the need to meet the SDGs.

The 2020 Budget

23. To shore up fiscal sustainability, we will continue to strengthen our fiscal position through improved revenue administration informed by the Tax Administration and Diagnostic Tool (TADAT) action plan and strengthened prioritization of spending. The 2020 budget is anchored on stabilizing domestic public debt in nominal terms with the help of strong domestic revenue mobilization effort and grant support from international partners.

- **On the revenue side**. The revenue objectives in the 2020 budget of increasing tax revenue by 0.3 percent of GDP, places greater responsibility on the GRA to build on the performance registered in 2019, supported by tax policy measures and strengthened revenue administration. The 2020 budget features tax policy measures that are expected to yield about 0.2 percent of GDP, including from: (a) an increase in tobacco-related tax and excises; and (b) an increase in customs processing fees from 1–1.5 percent and its extension to formerly exempt imports. Further, an increase of the VAT threshold from 1 to 2 million dalasi is expected to yield additional revenue, but only over the medium term, as in 2020, the cash flows of all VAT contributors will be higher than the new threshold. Regarding administrative measures, the GRA will further strengthen its audit capacity through new hiring, staff training and coverage. We plan to perform joint staff (customs and domestic collectors) post-clearance audit of the operations of risky taxpayers and intensify our data matching processes to address tax evasion. Implementation of the reforms outlined in the GRA's Fourth Corporate Strategic Plan 2020–24 are expected to help further maximize its revenue mobilization capacity.

- **Grants**. We are expecting **budget grant support**, equivalent of about 3 percent of GDP from the World Bank, the European Union (EU), and the African Development Bank (AfDB), and at least twice this amount in grant for **project support** from multiple sources for our public investment program.

- **On the spending side**. In addition to the pressures emanating from debt service and personnel emoluments, the 2020 budget has registered a 25 percent growth in subsidies and transfers to cater for additional teachers and medical personnel. More generally, we will review by end September 2020 the aims and objectives and funding models for subvented agencies with a view to rationalizing those with expired mandates or overlapping roles. In contrast, we have increased the subvention earmarked for the GRA in 2020, given the strong performance in 2019, with resource availability linked to their monthly collection performance. The Government also intends to finance the implementation of new social initiatives in 2020, comprising: (a) a pension fund and National Health Insurance Scheme that will initially cover civil servants; (b) an innovative developmental model referred to as the Program for Accelerated Community Development (PACD), to be implemented with the help of UNDP to improve access to basic social services for our rural population through the establishment of socio-economic infrastructures with the participation of local actors in the economic and social development of their localities; (c) the BRP, which is designed to address the deficiencies of the drainage, sewage and road infrastructure within our capital city; and (d) a social safety net project designed to avail cash transfers to the most vulnerable.

- **Domestic Financing**. The budget includes a provision for domestic amortization in the amount of 2.8 billion dalasi, this includes a rollover of three-year maturity bonds (totaling 2.2 billion dalasi) that are maturing in 2020 and 0.3 billion reflecting the settlement of arrears owed to suppliers and vendors by various MDAs. An updated domestic debt management strategy is being prepared to cover these needs (see ¶28). In addition, 0.5 billion dalasi will be drawn from the savings accumulated in the petroleum account in 2019 to finance the PACD and to provide seed capital for the pension fund and the health insurance scheme.

24. We recognize that strong commitment to our fiscal objectives in 2020 and beyond will help rebalance our economy and enhance fiscal and debt sustainability. In this regard, building on the early gains, we will (i) put public finances on a sustainable path, as outlined in the 2020 budget, consistent with debt sustainability, while raising additional revenue and allowing adequate spending on urgent infrastructure and poverty-reducing initiatives; (ii) leverage on the debt restructuring to lengthen domestic debt maturity and strengthen debt management through better project selection and debt negotiation processes; and (iii) address the governance issues of public agencies and institutions to strengthen accountability, fiscal transparency, oversight, and to tackle corruption to ensure a sound business environment for private sector development.

D. Public Debt

25. While debt deferrals alleviated debt service burden over the medium term, our overall public debt stock remains high and further efforts are needed to entrench the hard-won debt sustainability. Through a combination of strong growth, fiscal discipline, and prudent external borrowing, our public debt decreased from 87 percent of GDP at end-2018 to 81 percent of GDP at end-2019 and is projected to decrease to just below 76 percent of GDP by end-2020. Domestic public debt (carrying an average interest of about 7.5 percent) constituted about 45 percent of the overall public debt at end-2019. The reduction in debt service spending by about 2 percent of GDP between 2018 and 2020, on account of a drop in domestic interest rates and deferrals of external debt service (mostly amortization), will increase the resources available for development and social spending, key for growth and poverty reduction. It is understood however that debt service deferrals do not by themselves reduce the debt stock and our fiscal position needs to strengthen progressively over the medium term to accommodate steeper debt amortization payments after the period of debt deferrals comes to an end.

26. Moreover, our debt vulnerabilities remain high reflecting The Gambia's still fragile economic condition and exposure to a multitude of shocks. To address these vulnerabilities, we aim to bring the public debt-to-GDP ratio below 60 percent by 2024 through prudent external debt contracting policy and fiscal policy aimed at stabilizing the domestic public debt in nominal terms. The achievement of these goals will require strong fiscal discipline and sustained financial assistance from our development partners in the form of grants for budget support and for the public investment program to ensure that living standards of the population are improving as well.

27. To reach our debt reduction targets we will favor grant financing for public investment projects and refrain from contracting non-concessional debt. Securing grant financing for most of our public investment needs will be critical for achieving targeted reduction in debt ratios without compromising our development and social objectives. For high-priority projects, for which grant financing may not be available, we will seek external debt financing on the most concessional terms. To this effect, we commit not to contract loans with a grant element below 35 percent. Furthermore, we will limit the amount of such concessional external public debt contracted or guaranteed during 2020–23 to US$190 million, of which no more than US$60 million in 2020 (**PC, Table 2**). The frontloading of this borrowing plan reflects the pressing public investment needs associated with the preparation of the OIC summit. This plan is consistent with maintaining debt sustainability and avoiding a deterioration in the risk of debt distress rating, as demonstrated by the IMF/WB LIC DSA for The Gambia conducted in the context of this ECF request. The new Meridian debt recording system from the Commonwealth Secretariat will enable us to more effectively monitor the PC on concessional borrowing on a timely basis. To ensure a continued alignment of our debt contracting policy with the IMF program, we will consult with the IMF staff in writing before contracting or guaranteeing any external loans or undertaking any contingent liability arrangements such as Public-Private Partnerships (PPPs) and Power Purchase Agreements (PPAs).

28. We will update our medium-term debt management strategy (MTDS), with a focus on managing the rollover risk of the domestic debt portfolio. We will draft and publish a new MTDS (**SB Sep-2020**), envisaging an increased use of longer-maturity instruments to lengthen the maturity of the domestic debt stock and manage rollover risk. We will aim to replace shorter-maturity securities with longer maturity-bonds over time to address this risk. To support the implementation of the debt management strategy, we will publish annual borrowing plan for each year of the program. Moreover, we will use any additional budget support and excess revenue to reduce domestic debt and arrears in the medium term.

29. We will continue to improve our debt recording and debt reporting standards. We are in the process of migrating to a new debt management software, Meridian, with a technical support from the Commonwealth Secretariat, and will use the new software to produce the annual report on public debt at end-2019 (by end-March 2020) and the subsequent quarterly bulletins. This will improve the accuracy and timeliness of debt data in the Statement of Government Operations (SGO) and help ensure timely payments of external debt service. Strengthened debt recording and forecasting will help inform policy decisions and increase its transparency. To this end, we will continue to produce and publish on the MoFEA website quarterly reports on debt contracted, debt disbursed, debt outstanding, and debt service paid and projected. We are also strengthening the recording and reporting of project grants disbursements, which is essential for tracking public investment and making informed choices between grant- and debt-financed projects.

30. We recognize that strengthening project appraisal and selection is critical for debt sustainability and public investment efficiency. To this effect, the mandate of The Gambia Strategic Review Board (GSRB) is expanded to include the responsibility for appraising all public projects (domestic and foreign-financed), including all proposals for grant-financed projects and projects involving direct government borrowing, government-guaranteed debt, and PPPs, prior to their approval at the Cabinet level. We have been refining project selection criteria drawing on the proposals included in Annex III of the PIMA report of July 2019 and further discussions with the PIMA follow-up mission. The GSRB will use these selection criteria in presenting its recommendation for Cabinet approval (**SB June 2020**). Independently of the technical criteria, we will ensure that projects selected for implementation are consistent with debt sustainability and the borrowing plan agreed with the IMF. As part of the benchmark, the GSRB will apply the selection criteria to a representative sample of ten existing domestic and foreign-financed projects to ensure preparedness ahead of the preparation of the 2021 budget. This exercise would also allow MoFEA to consolidate project data and create a comprehensive database of public investment projects, which would serve as a critical input for project appraisal and project selection decisions.

31. We are strengthening the control over the use of trade credit facilities contracted with the ITFC on behalf of SOEs. The large repayments to this short-term ITFC facility have the potential to undermine the relief obtained by the debt service deferral and pose a significant risk to debt sustainability. Thus, to progressively reduce the reliance on this facility, especially by GGC and NAWEC, we will include arrears to ITFC as part of the continuous PC on non-accumulation of new external arrears. Already, the agreement with ITFC signed in 2019 (US$50 million) was lower than the one signed in 2018 (US$70 million). We will avoid arrears to ITFC by closely monitoring the financial situation of the SOEs and timely provisions of subsidies. Regarding NAWEC, the servicing of obligations to ITFC improved in 2019 and we expect this discipline to continue. On GCC, we will continue to improve its management, while exploring alternative strategies for the groundnut sector, including different ways to assist farmers dependent on groundnut subsidies for income support, to eliminate the inefficiencies plaguing the current system.

32. To control contingent liabilities stemming from weak financial management of state-owned enterprises, we will strengthen the financial oversight of SOEs and improve their governance. Among the key government's intended reform actions includes:

- Clearly defining the commercial and socio-economic objective of each SOE;
- Establishing effective governance and leadership structure and limiting government interference;
- Establishing effective accounting functions and clear accounting policies;
- Ensuring SOEs have complete and exclusive control of their financial resources and
- bank accounts;
- Monitoring large procurement contracts and ensuring compliance with GPPA regulations; and
- Signing and enforcing of Performance Contracts and encouraging open comments on SOEs' performance.

The performance contract between NAWEC and the Government was signed in November 2019 after an extensive consultation and negotiations on the key performance indicators. The lessons learned will form the basis for the process to be undertaken with the remaining SOEs. As of end-January 2020, cross-arrear settlement agreements have been signed among seven SOEs and the negotiations are ongoing between the remaining SOEs. These agreements will be monitored by MoFEA on a semi-annual basis.

33. We commit to providing a realistic financial support to SOEs and regular payment of government utility bills to avoid the build-up of cross arrears and ensure reliable and adequate provision of public services. The 2020 budget includes realistic level of subsidies for the two most fiscally significant SOEs: 350 million dalasi for GGC and 300 million dalasi for NAWEC, notably, to ensure timely service of their ITFC obligations. We have established a system to prioritize the payment of utilities by all MDAs from their monthly cash allocations and encourage the installation of prepaid meters by NAWEC to all other public entities. Fulfilling their obligations toward the utility companies will be an integral element in assessing the performance of SOEs and the subvented agencies.

E. Monetary Policy and Financial Sector

34. We will continue to strengthen the balance sheet and governance of the CBG to support effective use of its policy instruments. We are committed to meeting the requirements of the IMF's Safeguards Assessment Policy, including implementing the recommendations of the assessment update. In line with the previous IMF safeguards recommendations, the CBG completed an audit of its 2018 financial statements, which was jointly carried out by an international firm and a domestic audit firm. The results of the audit were published on the CBG website. We will continue to use the joint audit arrangement for the audit of the 2019 financial statements of the CBG. Pursuant to section 30 of 2018 CBG Act, the authorized share of capital of the Central Bank shall be one billion dalasi, to be fully subscribed and paid-up exclusively by the Government. Prior to this authorization, CBG authorized share capital was 100 million dalasi. To initiate the increase of the share capital, 180 million dalasi was debited from the Treasury in 2019. Discussions between MoFEA and CBG are underway on the modalities of constituting the full amount of CBG statutory capital. To safeguard the balance sheet of the CBG, we observe a zero ceiling on the CBG's credit to the government on non-market terms as an indicative target under the ECF (Table 2). In parallel, the CBG is reviewing its governance structure, including for the financial stability and macroprudential frameworks, which will also be informed by the recommendations of the IMF's 2019 Financial Sector Stability Review (FSSR).

35. We will maintain our monetary policy framework and use our interest rate-based instruments to ensure adequate liquidity and contain inflation pressures. In this context, we will continue to use short-term CBG bills, the monetary policy framework with quarterly MPC meetings, and will pursue efforts to narrow the interest rate corridor to guide the interbank market and dampen the interest rate volatility. In this context, the narrowing of the corridor will depend on liquidity conditions and inflation dynamics vis-à-vis the CBG's inflation target of 5 percent. We will use prudential measures, such as shifts in the required reserves ratio and its composition as necessary. To support our policy framework, we are enhancing our liquidity forecasting and management capabilities with technical support from AFRITAC West II. For this purpose, we have developed templates for a new approach to liquidity forecasting and monitoring and have identified key stakeholders to provide specific and timely inputs to the process, comprising: (i) The Treasury (expenditure forecasts); (ii) GRA (revenue forecasts); (iii) Economic and Research Department of the CBG (projections of currency in circulation); (iv) Financial Supervision Department of the CBG (projections of banks' required reserves and cash holdings); and (v) Foreign Department of the CBG (foreign exchange interventions). To operationalize and monitor the monetary policy stance, we have set a ceiling on the stock of net domestic assets of the CBG as a quantitative performance criterion under the program (Table 2).

36. We remain committed to a flexible exchange rate regime and will continue to build up foreign exchange reserves to strengthen the resilience of our financial system. Accordingly, we will allow the exchange rate to adjust to market fundamentals and limit our intervention, in the form of FX purchases, to market demand and to support our liquidity management as needed. For this purpose, the Finance Department of the CBG has drawn up monthly external cashflow projections for 2020 to inform the CBG's FX intervention, which is also a critical input to our new liquidity forecasting regime (see above). In parallel, supported by our FX intervention policy premised on continued strong FX inflows from tourism and remittances, and inflows of grants and project loans, we will accumulate about US$43 million in gross official reserves and will bring the stock of gross official reserves to US$268 million (equivalent to 3.8 months of next year's imports) and their net useable component to US$220 million (Tables 2).

37. Strengthening financial supervision remains a key element of our reform program. While the financial sector is dominated by banks, the nonbank financial institutions, including Social Security and Housing Finance Corporation (SSHFC) and insurance companies, are expanding their asset portfolios. Nevertheless, high bank-sovereign exposures, declining interest rates, and the prospects of rapid expansion of private sector credit (particularly for real estate activities) on the back of foreign exchange inflows entail risks that require vigilant supervision, including with regard to foreign exchange net open position and observance of the minimum capital requirement. Accordingly, the CBG is transitioning to a risk-based supervision with the support of IMF TA, to focus supervisory resources on highly risk-prone areas. The CBG will develop and publish a strategic plan addressing the key recommendations of the 2019 FSSR (**SB for June 2020**). The plan will seek to address the weaknesses identified by the FSSR in (i) the legal and regulatory framework for banking supervision; (ii) crisis preparedness and management mechanisms, including a deposit insurance scheme that balances fiscal and financial stability risks; and (iii) the supervision of non-bank financial institutions, including credit unions through their apex body, the National Association of Cooperative Credit Unions.

38. Financial inclusion is our top priority as a pivotal mechanism to spur inclusive growth. The CBG is championing the formulation and implementation of the National Financial Inclusion Strategy (NFIS) based on three pillars: (i) Financial Innovation; (ii) Consumer Protection and Empowerment; and (iii) Financial Education and Literacy. To increase its leadership capacity in this exercise, the Central Bank became a member of the financial inclusion global network, Alliance for Financial Inclusion that is providing, in collaboration with the United Nations Capital Development Fund and the World Bank, technical assistance to the CBG and key stakeholders in the public and private sectors, and the civil society. A major focus to fast track financial inclusion will be the use of innovative technology including mobile and agency banking and fintech. These are viewed as areas with enormous potential to spur growth of the financial sector provided that the challenges to digitization of the payment systems and other financial technologies are adequately addressed. Mobile banking is estimated to harbor the greatest potential. The Gambia has one of the highest mobile penetration rates in the sub-region, with about 93 percent of household having access to mobile phone; however, only 2 percent of adults are registered mobile money users (The FinScope Gambia 2019). Key issues to tackle include regulatory inefficiencies, lack of interoperability, lack of consumer awareness and confidence, and high cost of services. In this context, we also recognize the need to enhance the oversight of the mobile money providers to prevent the build-up of risks.

F. Structural Reforms

Domestic Revenue Mobilization

39. Numerous reforms implemented by the GRA with the help of TADAT roadmap and technical assistance from the Fund are now bearing fruits. The building of tax audit capacity through the support of both the AfDB (procurement of IDEA software) and the training of staff in telecom audits by AFRITAC West II, resulted in significant increase in revenues from these businesses through self-correcting measures to avoid penalties. The increased competencies of GRA staff in data matching has also assisted in increasing the revenue contribution of existing taxpayers and in registering new taxpayers. The result of the risk-based post import clearances audit showed the potential revenue gain in pursuing them. With development partners' support we will continue to prioritize these efforts and build staff competencies in international taxation (including transfer pricing and taxation of the digital economy, all-inclusive tourism, and channel tv). The GRA has also requested support from development partners to build staff competencies in taxation of oil and gas sector, telecom audits and data analytics to support risk management and evidence-based compliance management. In this regard, the December 2018 IMF TA mission on petroleum taxation was timely and the follow-up mission in this area, planned for 2020, is welcome.

40. GRA will continue to strengthen tax and customs administration, to support our revenue mobilization efforts based on the TADAT recommendation and take bold actions to address tax exemptions. As part of the post TADAT reform plan, the Authority started the cleaning of the tax registry in the greater Banjul area, representing over 90 percent of domestic tax collection. This exercise has been completed for the Large Taxpayers Office, the Banjul, Kanifing, Brusubi, Tallingding, Wellingara and it will be completed by end-June for the remaining tax offices in the greater Banjul area (Serekunda and Brikama) (**SB for June 2020**) before proceeding to the provincial offices later in the year. The completion of the ongoing work to rehabilitate GAMTAXNET, with the core modules to be ready by end-March 2020, will allow GRA to launch the cleansing of tax payer ledger as recommended by the TA. To curb the increasing usage of tax exemptions amounting about 3 percent of GDP in 2019, MoFEA jointly with the GRA will by end-September 2019 submit to cabinet approval a new tax exemption policy (**SB September 2020**). As a next step, we are exploring the possibility of moving to a tax inclusive budgeting for projects, which needs to be agreed with the donor community. Findings from the ongoing tax incidence analysis by the World Bank would partly inform this initiative. We intend to reactivate the tax exemption committee to enhance transparent application of the existing policy and conduct regular on-site verification of projects that are tax exempt to limit fraud.

41. GRA will improve services delivery and tax compliances by modernizing its system and making use of modern technology. In that regard, (i) with the World Bank support in the context of the Fiscal Management Development project, we will replace the GAMTAXNET, over the medium term, with an automated system on filing, payment, registration, tax arrears management and other business processes to be identified in a Business Process Reengineering exercise, train the audit staff to significantly increase efficiency in compliance management, and strengthen the institutional arrangements for effective tax policy at the MoFEA; (ii) the support from the AfDB and United Nations Conference on Trade and Development (UNCTAD) will help accelerate the migration from Automated System for Customs Data (ASYCUDA) from the ASYCUDA++ version to ASYCUDA World, a web based system that will bring greater transparency in customs valuation and reduce clearance time; (iii) we are also seeking support for the introduction of an Electronic Cargo Tracking System (ECTS) and a Road Cargo Tracking System (RCTS) for transit trade to enhance revenue mobilization by reducing port congestion and customs clearance time, boosting the reexport trade and ensuring the smooth transit of goods consistent with the ECOWAS protocol.

42. We will strengthen tax and non-tax revenue collection and ensure their timely sweeping to the TSA. To avoid leakages in revenue collection and move toward digitizing the economy, all government services and collections of revenue will take place through commercial banks or use of appropriate payment platforms once the TSA is fully effective. We have initiated discussion on a government payment platform that will enable electronic government revenue collections through online, mobile payments or direct bank wires. With the signed agreements to clear SOEs' tax arrears, we will ensure that SOEs regularly fulfill their tax obligations. We will also reinforce the control over SOEs and the government participation in private companies to optimize the payment of dividends. The sale of President Jammeh's assets and recovery of stolen assets identified in the White Paper of the Janneh Commission could be an important source of revenue. About 708 million dalasi has been recovered in 2018–19 and 360 million dalasi revered in the first month of 2020, part of which will be used to compensate the victims of human right abuse in line with the TRRC recommendations. The government will reinforce the collection of the broadband fees (including the international gateway fee) with 30 percent of receipts to be allocated to the youth and sport development fund with the remainder servicing the debt accrued in the broadband construction.

Public Financial Management

43. We envisage further reforms in public financial management (PFM) to strengthen expenditure control and cash management and intend to expedite the audits of public

accounts. The following measures will be taken:

- The PMO will step up the implementation of the 2018–27 civil service reform strategy in collaboration with key stakeholders. Following the national staff audit and the launching of the capacity need assessment, the PMO will introduce an Electronic Records Management Strategy that is currently piloted in certain MDAs. It will also introduce a human resource management module on the IFMIS to ensure real time data availability on staff and an improvement on personnel management. These reforms including the introduction of new pension act as well as a pension directorate under PMO in 2020 will be informed by the recently completed IMF TA mission on wages and pensions.
- We have set up a Cash Management Committee (CMC) that is meeting on a monthly basis to determine Government's cash allocation to MDAs. The CMC will be supported by the Liquidity Management Committee (LMC) that has representative from MDAs and the Cash Management Unit (CMU) under the AGD to optimize the government's cash management and define its borrowing needs. The cash management mission was timely to strengthen the linkage between these committees and better align debt issuance calendar to the Treasury cash needs. We have developed with the input of all MDAs a monthly cashflow plan consistent with the 2020 budget (**SB for March 2020**). This plan will be extended to include the annual procurement plans for the 2021 budget. We have also prepared a government securities issuance calendar (for both rollovers and new financing) based on the annual financing requirement and we will announce for every quarter the updated weekly issuance calendar. We will continue to prepare and submit to the IMF the monthly minutes/reports of the CMC meetings based on the template provided by the TA expert. As a result, the coverage of the minutes will be expanded to include: (i) the weekly securities issuance calendar updates comparing actual with projections; (ii) the outcomes of the implementation of the cashflow plan in the previous month; (iii) the updates of the cashflow plan (including revenue and expenditure and financing flows); and (iv) the attainment of the quarterly net domestic borrowing targets.
- We will engage the National Assembly for the prompt review on the 2016 and 2017 audited accounts reports. We will work with the National Audit Office (NAO) to ensure that the 2018 accounts are audited by end-June. In the meantime, the Accountant General's Department (AGD) will finalize the 2019 account for submission to the NAO by end-March 2020 (i.e., within the first quarter of the year, as required by the 2014 Public Finance Act). Responding to the adverse findings of the 2016 and 2017 audits, including on the treatment of arrears, the imprest accounts and payment vouchers, will be integral to the PFM reform agenda. We will publish on our website an annual statement (usually provided to the National Assembly) on MDA's compliance with the internal audit recommendations (**SB for end-December 2020**).
- We will review the Public Finance Act with all its supporting documents (regulations and user guides) starting in 2020 to further enhance the PFM and foster transparency and accountability. With the expiration of the PFM reform plan this year, we intend to conduct a Public Expenditure and Financial Assessment (PEFA) with the support of development partners to set a basis for a new PFM reform strategy.

44. We will continue to enhance the efficiency of public spending through better control of subvented agencies. The rapid increase in the subsidies and transfers in the last two years call for swift actions to foster fiscal transparency and budget control, as well as realizing savings from subvented agencies. In this regard, we will streamline these agencies, harmonize the agencies' pay scale with the one for the government, and consider their realized end-year saving when deciding on subsidies allocations in the following budget. We will conduct and submit to cabinet by end-September 2020 a thorough assessment of all subvented agencies (**SB for September 2020**) to determine their relevance and financial viability. This assessment will include a review of: (i) the social function of these agencies; (ii) their staffing levels and conditions of employment; and (iii) their financial situation for 2017–19, including revenue, sources of income, expenditures, account payables, account receivables, and balances of bank accounts. We aim to identify those that can be self-financed and those that will still require subventions so long as they provide a key function that is not duplicated already by a Ministry or other public agencies. This assessment will also include a strategy and an action plan.

45. Additional efficiency gains will come from strengthened public procurement. We have summitted to Cabinet the revised GPPA Act (**prior action**) with proposals aiming to clarify and tighten the application of emergency procedures to be strictly limited to events involving loss of life, damage to property or force majeure. We will radically reduce the use of single-sourcing, eliminate this possibility for large-scale investment projects, and preclude the recourse to executive waivers to circumvent standard procurement rules. The technical capacity of GPPA will be strengthened with the support of development partners. To strengthen the application of procurement rules among MDAs, we will introduce the Electronic Government Procurement (E-GP) system in all MDAs and SOEs, and operationalize the Commodity Price Reference Index to foster transparency and competitiveness, reduce executive interference, and facilitate the detection of irregularities and corruption in public procurement.

Governance, Tackling Corruption and Trafficking in Persons

46. We are committed to fostering good governance, strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework and the audit function of MoFEA and across all public institutions.

- The government continues to make good progress in transitional justice to restore good governance and transparency in the Gambia. The human rights commission has been established and the government is making headway in recovering the assets stolen by the former regime as recommended by the Janneh Commission's report. The draft constitution released by the CRC includes measures that would strengthen good governance practices and reduce The Gambia's vulnerability to corruption by providing: greater legislative oversight, rebalancing the executive powers and ensuring the independence of the central bank, creating and empowering the anti-corruption commission and making a mandatory use of the asset declaration requirement for senior and elected officials. In line with our aspiration to foster good governance and combat corruption, an anti-corruption commission bill was submitted to the National Assembly in December 2019 along with several other bills including the access to information bill, a sexual offences bill, women's (amendment of discrimination laws) bill, and a bill on mutual legal assistance in criminal cases.

- On AML/CFT, we are strengthening the Financial Intelligence Unit (FIU) to implement the recommendation of 2019 workshops organized in collaboration with the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) for harmonizing the implementation of preventive measures on money laundering for all financial institutions and non-financial reporting entities. In 2019, the CBG and the FIU conducted on-site examinations of nine commercial banks to assess their AML/CFT frameworks and ensure that preventive measures such as internal controls, customer due diligence, record keeping, and transaction monitoring are efficiently implemented. This effort will continue to cover all financial institutions in 2020 and conduct the GIABA assessment.
- We are strengthening the audit function in all MDAs, SOEs, and other public entities for more efficiency and transparency in the use of public resources. In the case of SOEs, the strengthening of the audit capacity will build on the recommendations of special audits performed by E&Y at MoFEA's request. With the technical support from the IMF, we are training the management of SOEs in the use of International Financial Reporting Standard (IFRS).
- The Gambia has adopted a zero-tolerance policy to trafficking in persons (TIP) backed by concrete actions to tackle it at source. The National Agency Against Trafficking in Persons (NAATIP) with support from the Office of The President, have already taken steps to address key weaknesses including: (i) the assigning of more investigators to NAATIP to fast track investigations; (ii) the creation of NAATIP focal points at major border entry and exit points throughout the country to secure borders against perpetrators of TIP; (iii) strengthening documentation of all TIP cases reported to support case evidence and move prosecutions to conviction; (iv) improving safety at the Bakoteh shelter for enhancing support for victims; (v) setting up a government hotline to facilitate the reporting of TIP cases. Resources will be needed to strengthen the investigative capabilities of NAATIP, strengthen victim protection and cross-border cooperation work on investigations, illicit financing and extradition to bring the criminal perpetrators of TIP to justice.

Business Climate

We recognize the role of the business climate in private sector growth and job creation and will take the necessary measures to facilitate doing business in The Gambia. The Gambia's ranking on the World Bank's Ease of Doing Business dropped from 145 in 2016 to 155 in 2019. We are stepping up efforts to improve our ranking, including by:

- The setting up of a Business Incubation Center to build capacity in entrepreneurship and leadership skills under the auspices of the Ministry of Trade and Regional Integration, the Gambia Investment and Export Promotion Agency (GIEPA), and the Chamber of Commerce.
- Improvements to the legal framework for private sector development, the preparation of a PPP Law to be sent to the National Assembly in 2020. The urgency of this measure is underscored by the situation of our Port, whose development is vital for the future of our economy and

revenue mobilization. With the support of the Legal Facility of the AfDB we are recruiting a consultant firm to identify a strategic PPP partner for the Gambia Port Authority, to expand and modernize port capacity. Since late 2019, the port congestion is delaying docking of vessels by up to 6 days, leading to additional cost. As a result, shipping companies started charging about US$300 additional fees per container coming to The Gambia, which severely affects the Port's competitiveness. In the meantime, the introduction of the cargo tracking systems, and the road cargo tracking are expected to improve efficiency and boost re-exports, which will strengthen the attractiveness of the port.

- Efforts to strengthen energy supply and modernize the public service delivery, including the liberalization of telecom sector and the modernization of the Banjul airport. The launching of the 20 MW Brikama power plant in 2020 will increase electricity supply. The extension of the national grid and its connection to regional grids will offer regional energy trade opportunities and improve access to more affordable and reliable energy supply sources. The international voice gateway has been liberalized and licenses have been granted to private telecom operators. Work is underway to attract private partners for the wholesale broadband network (GNBN), as well as its parent company GAMTEL with its mobile subsidiary GAMCEL. The ongoing renovation of the Banjul airport will make travel to Banjul less expensive and more convenient, which will facilitate tourism.
- Modernization of the budget execution, the procurement and tax payment systems notably the upgrade of IFMIS, GAMTAXNET, and ASYCUDA to enhance transparency and competition and level the playing field for the private sector dealings with the public sector.
- Implementation of regional and continental trade initiatives. Ongoing efforts with Senegal, sole border country and main trading partner, ensure that non-trade barriers are eliminated and access to other ECOWAS countries are facilitated. This deeper regional integration, in the context of The Gambia's ratification of the Africa Continental Free Trade Agreement (AfCFTA), will allow our Port to reap full benefit of the new Senegambia bridge and its strategic location in the region. We are working with United Nations Department of Economic and Social Affairs (UNDESA) to provide support to MSMEs in harnessing the benefit of the AfCFTA. With the support of development partners, we will carry out an assessment of the economic potential of the Senegambia bridge, ways to strengthen the position of The Gambia as a trade and tourism hub and expanding the role of special economic zones.
- Facilitation of mining. With ECOWAS support we will align our mining legal framework to the recently adopted ECOWAS Model Mining and Mineral Development Act (EMMDA).

Social Spending, Poverty Reduction, and Climate Change

47. We continue to attach high priority to social spending and will maintain adequate poverty-reducing spending under the program. Our efforts to reduce extreme poverty as expressed in the NDP and our commitment to meet the SDGs will require programs and policies geared toward the most vulnerable population in terms of access to employment, quality health services, and good education. We increased poverty-reducing spending from 4 billion dalasi in 2018 to 5.3 billion dalasi in 2019 and plan to increase it to 5.6 billion dalasi in 2020. This spending will be subject to a floor for poverty-reducing expenditure as an indicative target under the program (Table 2). Other poverty-reducing outlays not covered in this category include subsidies to NAWEC (to support electricity supply in remote areas), and crop financing and fertilizer subsidy to GGC. In addition, we have incorporated into the 2020 budget the following social programs financed with the savings from the debt service deferrals and savings accumulated in the petroleum fund:

- The PACD to be implemented by the UNDP to accelerate rural infrastructure development;
- The setup of a universal health insurance scheme, to ensure equitable access to health services; and
- A pension fund for civil servants.

To improve the targeting and the tracking of pro-poor spending, we will collaborate with the Office of the Vice-President on the implementation of programs targeting the most vulnerable, including the beneficiaries of the World Bank Social Safety Net Project.

48. Women's issues and matters concerning children and the youth are being given prominence. We established a Ministry of Women's Affairs, Children and Social Welfare with a mandate to promote gender-focused social equality and protect the vulnerable. To foster gender equality, we have established with EU support a Women Entrepreneurship Fund to provide a platform for productive, sustainable, and inclusive economic growth for women entrepreneurs, especially in rural areas. Going forward, we will progressively incorporate aspects of gender budgeting in our annual budgets with guidance and TA from the IMF. Further, our efforts focus on supporting youth entrepreneurship and skills development to reduce youth unemployment and curb illegal migration. Meanwhile, we continue to support the reintegration of returnees with the ongoing support of the International Organization for Migration (IOM) and the EU.

49. Adaptation to, and mitigation of, the impact of climate change represent macro-critical priorities of the government. In the past 50 years, the amount of precipitation has dwindled, and the duration and frequency of extreme weather events such as droughts and floods have become more common. Furthermore, our low topography, combined with a high dependence on rain-fed agriculture and inadequate drainage and storm water management system in the context of rapid urbanization, places The Gambia among the countries most vulnerable to climate change. The need for action is therefore urgent. To this end, The Gambia banned the use of plastic bags and in the recent conference on climate change subscribed, as one of the only two countries in the world, to limit temperature increases below 1.5 degrees Celsius by the end of the 21st Century. Our aim will be to build on the Renewable Energy Law, and further increase budgetary funding for renewable infrastructure, and research and development. To deliver on our commitment, support from our development partners will be needed to strengthen our production of renewable energy beyond what is currently expected to come on stream in 2021 (with the opening of a solar photovoltaic plant, with the capacity of 20 MW with 10 MW storage capacity, that is being built with support from the World Bank. One such initiative, with the support from EU and the European Investment Bank (EIB), is to equip 1100 schools, hospitals, and health centers across the country with solar panels. We will also be requiring donor support to restore 10,000 hectares of forests, mangroves, and the savanna belt.

Data Quality and Dissemination

50. We are working to improve the timeliness and consistency of data reporting to facilitate program monitoring. To support our efforts in this direction, we will strengthen and expand the role of the program monitoring committee, whose members comprise the GRA, the AGD and key directorates in MoFEA, CBG and the Gambia Bureau of Statistics (GBoS). The committee will hold meetings in the last week of each month to (i) reconcile the SGO of the previous month with its source data and CBG data on NDB to avoid discrepancies and strengthen the credibility of the SGO; and (ii) ensure timely reporting of data for program monitoring, consistent with the timelines specified in Table 2 of the attached TMU. Drawing on recent and ongoing IMF TA, we will pursue improvements to the national accounts and price data; fiscal, debt, and monetary statistics; and financial soundness indicators as follows:

- **National accounts and price data**. With TA support of AFRITAC West II we have published (for the first time) GDP expenditure estimates for 2004–18. This exercise confirmed close comparability with the GDP by production estimates. GBoS will need to secure funding to undertake the rebasing of the national accounts with 2018 as the new base year and to support an economic census to produce quarterly GDP data. An update of the CPI expenditure weights and item basket—currently based on 2003/04 expenditures—to 2015/16 has recently been completed with the help of IMF's Statistic Department (STA) experts. The updated index will include an enhanced aggregation and price relative methodology in line with international standards and should better account for the geographic distribution of expenditures across urban and rural households. This new index and the current series will be spliced on the 2019 data to provide a continuous series so that the full effect of the introduction of the new series would be reflected in the inflation data for 2020.
- **Fiscal and debt statistics**. Aid Coordination and the Directorate of Loan and Debt Management (DLDM) at MoFEA will expand information in the debt bulletin and will follow-up regularly with donors to ensure accurate and timely provision of data on disbursements (grants and loans) and debt service payments. We will continue to audit budget execution of all government spending agencies annually (by mid-year), including to take stock of their arrears to suppliers and ensure adequate allocations in the ensuing budget for their clearance. The AGD will prepare and communicate to the IMF at the end of each month the stock of floats (authorized expenditures for which payments are yet to be processed), to help better reconcile cash and budgetary operations and reduce statistical discrepancies.
- **Monetary statistics and financial soundness indicators**. The IMF 2019 FSSR in The Gambia identified gaps in the quality and management of financial sector data, including in key financial soundness indicators. The CBG will work with subsequent TA programs, including with the AFRITAC West II, to address these shortcomings and strengthen financial sector risk monitoring and supervision.

G. Program Monitoring

51. The government will take all measures needed to meet quantitative targets and observe structural benchmarks under the program (Tables 2 and 4). The program will be subject to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 2 and 4 of this Memorandum and defined in the attached Technical Memorandum of Understanding (which also sets out the requirements for data reporting to IMF staff). We expect the first program review, which will be based on end-June 2020 targets and benchmarks, to be completed on or after September 15, 2020, and the second review will be based on end-December 2020 targets and is expected to be completed on or after March 15, 2021.

Table 1. The Gambia: Quantitative Targets for 2019
(Stocks; unless otherwise indicated)

	2018	2019													
	Dec.	April			June			Sept.				Dec.			
	Prel.	Prog.	Actual	Status	Prog.	Actual	Status	Prog.	Adj.	Actual	Status	Prog.	Adj.	Prel.	Status
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	-243.2	**Met**	1,000	518	**Met**	500	1,500	1,090	**Met**	1,750	2,000	1,063	**Met**
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	6,302	**Met**	7,336	6,495	**Met**	6,486	…	5,847	**Met**	7,235	…	5,696	**Met**
3. Floor on the stock of net usable international reserves of the central bank (US$ millions, TMU exchange rates)[2 3]	124	130	156	**Met**	120	157	**Met**	140	120	168	**Met**	140	135	189	**Met**
4. Ceiling on new external payments arrears of the central government (US$ millions)[4]	…	0	1.0	**Not Met**	0	1.0	**Not Met**	0	…	1.9	**Not Met**	0	…	0	**Not Met**
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (US$ millions)[4]	0	0	0	**Met**	0	0	**Met**	0	…	0	**Met**	0	…	0	**Met**
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (US$ millions)[4]	0	0	0	**Met**	0	0	**Met**	0	…	0	**Met**	0	…	0	**Met**
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	0	0	0	**Met**	0	0	**Met**	0	…	0	**Met**	0	…	0	**Met**
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	4,085	1,000	1,264	**Met**	2,000	2,535	**Met**	4,000	…	3,678	**Not Met**	5,000	…	5,267	**Met**
Memorandum Items:															
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	815	1,420	1,420		1,420	1,420	…	3,038	…	1,420		3,038	…	2,788	
Base Money (GMD millions)	11,849	12,807	12,711		12,625	13,169	…	12,502	…	13,042		12,960	…	13,888	
Nominal Exchange Rate (GMD/US$)	49.48	49.48	49.28		49.48	49.80	…	49.48	…	50.28		49.48	…	51.10	

[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. External arrears to Paris Club creditors of US$2.9 million were cleared in November 2019. This included the clerance of US$1.9 million in arrears accrued in 2020 and about US$1 million of pre-existing arrears. There were no external arrears at end-2019.

[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.

Table 2. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets, 2020

(Cumulative from beginning of the calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2019	2020			
	Dec.	March	June	Sept.	Dec.
	Prel.	Program			
Performance criteria [1]					
1. Net domestic borrowing of the central government (ceiling)	1,063	1,650	550	750	500
2. Stock of net domestic assets of the central bank (ceiling)	5,696	6,843	5,593	5,615	5,672
3. Stock of net usable international reserves of the central bank (floor, US$ million)	189	170	195	200	220
4. New external payments arrears of the central government (ceiling, US$ million) [2]	…	0.0	0.0	0.0	0.0
5. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million) [2]	0.0	0.0	0.0	0.0	0.0
6. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million) [2]	0.0	0.0	0.0	0.0	0.0
7. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million) [2]	…	60.0	60.0	60.0	60.0
Indicative targets					
8. Total domestic tax revenue (floor)	9,986	2,500	5,500	8,250	11,000
9. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions) [3]	0.0	0.0	0.0	0.0	0.0
10. Poverty-reducing expenditure (floor)	5,267	1,300	2,700	4,000	5,600
Memorandum Items:					
Budget Support (grants, US$ millions)	54.6	0	40.0	46.9	62.1
Base Money (stock, GMD millions)	13,888	15,500	14,962	15,193	15,755
Nominal Exchange Rate (GMD/US$)	51.10	51.10	51.10	51.10	51.10
ECF disbursements (SDR millions, flow) [4]	…	5.0	…	…	5.0

[1] The performance criteria, indicative targets, and relevant adjustors are defined in the Technical Memorandum of Understanding (TMU). June and December 2020 are the test dates for the first and the second reviews, respectively. Targets for end-March and end-September are indicative, except for continuous targets.

[2] These apply on a continuous basis, including beyond end-December 2020.

[3] 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.

[4] First disbursement of SDR 5.0 million (8.0 percent of quota) is proposed on Executive Board approval of the ECF arrangement.

Table 3. The Gambia: Structural Benchmarks, 2019			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior actions			
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
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-year debt stocks at end-2017.	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.	End-June 2019	Met
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.	End-June 2019	Met
Conduct two risk-based post-clearance audits by customs on large high-risk businesses in accordance with the GRA post-clearance audits (PCA) manual.	Enhance customs revenue mobilization through improvement in compliance by targeting high-risk entities.	End-December 2019	Met
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. Monthly reports from meetings will help better monitoring of quarterly NDB targets under the SMP.	End-April 2019 and monthly thereafter	Met
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	End-June 2019	Met

Table 3. The Gambia: Structural Benchmarks, 2019 (concluded)

Measures	Macro Rationale	Timing	Status
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.	End-June 2019	Met
Prepare quarterly reports on external debt commitments, agreements and disbursements as published in the debt bulletin.	Enhance debt management and transparency.	End-June, End-September, and End-December 2019	Met
Reconcile end-December 2018 debt data with external creditors.	Reliable and complete information on end-year debt stocks at end-2018.	End-June 2019	Met. 97 percent of external debt stock reconciled. Pending: Taiwan Province of China and Libya.
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.	End-April 2019	Met
Publish the audited 2017 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	End-May 2019	Met
Publish the audited 2018 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	End-September 2019	Not met. Implemented in November 2019
Governance (MoFEA & CBG)			
Complete the validation of audited domestic arrears (including to SOEs) and prepare a strategy with clear 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.	End-June 2019	Not met. Validation of cross SOE arrears completed and the strategy for their clearance completed. The audit report on MDA's arrears completed.

Table 4. The Gambia: Proposed Structural Benchmarks for 2020			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior actions			
Cabinet to approve and submit the draft 2020 budget, consistent with program objectives, to the National Assembly.	To ensure that the budget is aligned with the program objectives as an anchor for macroeconomic stability.	Prior to the IMF Board discussion of program request	Met
Submit to Cabinet a revised draft of The Gambia Public Procurement Authority Act, restricting the use of executive waivers.	To foster efficiency in public investment by eliminating single sourcing, notably, for large projects.	Prior to the IMF Board discussion of program request	Met
Domestic revenue mobilization (GRA/MOFEA)			
GRA to complete tax registry clean-up at tax offices in the greater Banjul area (collecting over 90 percent of tax revenue).	To speed up payment processing and bolster enforcement actions.	End-June 2020	
MoFEA to produce a draft tax exemptions policy for Cabinet approval.	To reduce revenue leakage and better define the legitimate scope for tax exemptions.	End-September 2020	
Public financial management (MOFEA/CBG)			
Develop a monthly cashflow plan for the whole year, consistent with the 2020 Budget.	To strengthen Treasury cash management.	End-March 2020	
Prepare a set of criteria for project selection to be approved by GSRB.	PIMA recommendation to strengthen governance and reduce corruption risk.	End-June 2020	
MoFEA to submit an assessment report on subvented agencies to Cabinet with proposals for their rationalization.	To reassess the number and performance of subvented agencies in line with current policies.	End-September 2020	
Debt management (MoFEA/CBG)			
Update the MTDS and publish a new domestic debt management strategy document. The debt management strategy will envisage the use of longer-term instruments to manage rollover risk.	To reduce rollover risk, optimize issuance decisions, and strengthen benchmark pricing through extension of the yield curve.	End-September 2020	
Central bank governance and bank supervision (CBG)			
Develop and publish a strategic plan addressing the key recommendations of the 2019 Financial Sector Stability Review.	To highlight financial system development and stability needs.	End-June 2020	
Governance and transparency (MoFEA)			
Publish an annual statement (that is regularly provided to the National Assembly) on MDAs' compliance with internal audit recommendations.	To strengthen accountability to public of articulating and addressing governance failings in MDAs.	End-December 2020	

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 targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through end-2020. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under 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, the following components are excluded: (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 2018 CBG Act.

2. Adjuster: The NDB targets (ceilings) 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 targets to compensate for the shortfall in the disbursements of budget support may not exceed GMD 1.5 billion at end-June 2020 and GMD 1.0 billion at end-September and end-December 2020. The downward adjustment will not apply to budget support grants and loans provided to The Gambia for spending needs arising from the COVID-19 emergency, to the extent the latter raise the total amount of budget support and loans above the program forecasts.

Text Table 1. Program Forecasts of External Budget Support Grants in 2020[1]
(Cumulative flow in millions of US dollars)

March 2020	June 2020	September 2020	December 2020
0.0	40.0	46.9	62.1

[1]This assumes disbursements of: US$ 30 million from the World Bank and € 9 million from the EU in Q2; SDR 5 million from AfDB in Q3; and € 13.5 million from the EU in Q4.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶32 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 at end-December 2019: 51.10 GMD/USD, 1.12 USD/EUR, 1.31 USD/GBP, 0.97 CHF/USD, 1.38 USD/SDR, 109.12 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 2019, 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 ¶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$30 million at end-June 2020 and at US$20 million at end-September and end-December 2020. The upward adjustment will not apply to budget support grants and loans provided to The Gambia for spending needs arising from the COVID-19 emergency, to the extent the latter raise the total amount of budget support and loans above the program forecasts.

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 (i) financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment; (ii) arrears on claims which the government has represented as being disputed; (iii) arrears on claims that cannot be settled due to international sanctions; and (iv) arrears on trade credits, with the exception of arrears on payments due to the International Islamic Trade Finance Corporation (ITFC). 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, pluri-lateral 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 ¶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 35 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. 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 2.42 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 -250 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -150 basis points. 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.

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

F. New Concessional External Debt Contracted or Guaranteed by the Central Government

19. Definition: This target refers to new concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi. It applies to debt as defined in ¶15. Concessionality of debt is as defined in ¶16.

20. For borrowing packages comprising both loan and grant components to meet the concessionality requirement (grant element of 35 percent), only the loan components will count toward the borrowing limit.

21. Supporting material and data provision: Refer to ¶17 and ¶18.

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

22. 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.[1] 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 including the ITFC credits.

23. 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.

H. Tax Revenue

Text Table 2. Tax Revenues Collected by The Gambia Revenue Authority

Domestic Taxes		Customs and Excise	
Revenue Code	**Revenue Item**	**Revenue Code**	**Revenue Item**
111101	Personal Tax	115101	Import Duty Oil
111201	Company Tax	--	Import Excise Tax Oil
113301	Capital Gains	115102	Import Duty Non-Oil
112010	Payroll Tax	114121	Import VAT Oil
114523	Business Registration Fees	114122	Import VAT Non-Oil
114404	Entertainment	114201	Import Excise Tax
142250	Pool Betting Levy	114202	Domestic Excise Duty
--	Informal Sector	115602	Environmental Tax on Imports
114402	Air Transport Levy	115201	Export Duties
111102	Stamp Duty	111301	Miscellaneous
114111	Environmental Tax		
114123	Excise Telecom		
114521	Casino, Gaming & Machines Licences		
114533	Value Added Tax (VAT)		
142231	Road tax		
114528	Firearms and games licenses		
142205	International Certificate for Motor Vehicles		
142206	General Dealers License		
142230	Mandatory Fine for Motor Traffic Violation		
--	Cattle Tax		

[1] The term "debt" has the meaning set forth in ¶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.

24. Definition: This indicative target refers to taxes and duties collected by the Domestic Taxes Department and Customs and Excises Department of the Gambia Revenue Authority (GRA). Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 2). Nontax revenue, such as licensing fees, fines, and levies collected by the GRA are excluded from this target. Levies collected by the GRA on behalf of other organizations are also excluded (National Education & Technology Training Levy, AU Levy, ECOWAS Levy).

25. Supporting material: A monthly report on revenue collected by the GRA will be transmitted within four weeks of the end of each month.

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

26. 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.

27. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in ¶34 and ¶35 below.

J. Poverty-Reducing Expenditures

28. 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.

29. 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

30. 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:

K. Prices

31. The monthly disaggregated consumer price index, including weights for each major category, with January 2020 = 100, will be transmitted within four weeks of the end of each month.

L. Government Accounts Data

32. 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).

33. 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.

M. Monetary Sector Data

34. 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.

35. 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.

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

N. Treasury Bill Market and Interbank Money Market

37. 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.

38. 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.

O. External Sector Data

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

40. 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.

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

42. 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.

43. 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.

P. Public Enterprises' Data

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

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

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

INTERNATIONAL MONETARY FUND

THE GAMBIA

March 4, 2020

FIRST REVIEW OF THE STAFF-MONITORED PROGRAM AND REQUEST FOR A THIRTY-NINE-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS[1]

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

The Gambia Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*Yes*

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

[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 (PPG) external debt at end-2019** (Text Table 1).[2] External debt is treated on a currency basis.[3] The government's external debt stock also includes a portion of the short-term debt in the form of trade credit owed by SOEs to the International Islamic Trade Financing Corporation (ITFC) (Box 1). The portion reflected in the external PPG debt corresponds to government's potential servicing obligations to ITFC, based on the recent track record. SOEs' domestic and unguaranteed external debt is not included in the DSA baseline, except where the government has already agreed to service the debt, as is the case for NAWEC.[4] Although reliable end-2019 data on the amount of SOE debt is not available, the recently completed special audits of the six largest SOEs did not reveal any heretofore unknown information regarding their debt.

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

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

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

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

2. **All known SOE debt not guaranteed by the government is included in the contingent liability (CL) stress test**. Estimates of SOE liabilities have been updated drawing on special audit reports. SOEs (unguaranteed) external debts at end-2019 are estimated at 1.1 percent of GDP, with a further 0.7 percent owed to non-public sector domestic entities. There are also significant contingent liabilities relating to the Social Security and Housing Finance Corporation (SSHFC), including both (i) debts owed by other SOEs (estimated at 0.8 percent of GDP); and (ii) the actuarial financing gap

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

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

(most recently estimated at 0.6 percent of GDP), which could be addressed through reform of SSHFC over the medium-term, and without which government transfers might ultimately be required. It is expected that the introduction of the Meridian debt management system would improve the reliability of data on the non-guaranteed external SOE debt (see ¶6).

BACKGROUND ON DEBT AND FINANCING

A. Debt

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

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

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

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

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

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

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

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

Sources: The Gambian authorities; and IMF staff calculations.

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

6. Debt management, monitoring, and recording capacity are weak. Developing the capacity to monitor project disbursements more reliably and conducting timely and accurate debt recording will be critical if The Gambia is to successfully manage and mitigate its debt vulnerabilities going forward. Given the importance of up-to-date recording of external debt transactions, the 2019

Staff-Monitored Program included structural benchmarks calling for timely reconciliation of debt data with external creditors and production of quarterly reports on external debt commitments, agreements, and disbursements. This now has become an established practice and is expected to continue. The authorities have received technical assistance on debt recording from the Commonwealth Secretariat to support the migration of their existing debt database to the new Meridian debt management system, which is being implemented in The Gambia on a pilot basis. They need to ensure that this system becomes operational in a timely manner due to the enhanced data reporting requirement under a prospective ECF arrangement.

B. Financing

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

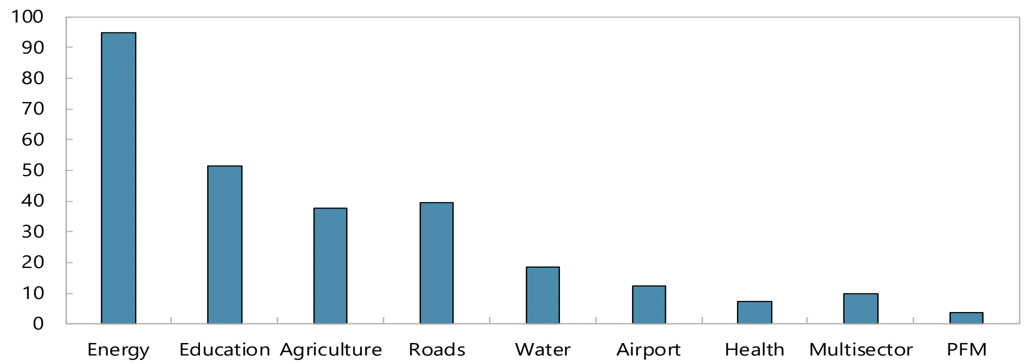
Text Table 4. The Gambia: Pipeline of Already-Contracted Debt
(Millions of U.S. dollars)

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

Sources: Gambian authorities and IMF Staff calculations

Text Figure 1. Sectoral Distribution of pipeline loans at end–2019

(Millions of U.S. dollars)



Sources: The Gambian authorities; and IMF staff calculations

MACRO-FISCAL ASSUMPTIONS

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

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

- Increased (grant-financed) public investment and a pick-up in private credit underpin real GDP growth in the near term, with strong growth in tourism complementing the impetus from public investment. Real GDP growth is expected to moderate to 4.8 percent in the long-term, above the recent historical average (2.8 percent).
- Inflation gradually declines to just below the CBG target of 5 percent.

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

- The current account deficit is expected to remain substantial over the medium term, reflecting the high import content of public investment, much of which is expected to be financed by capital grants. In the longer-term, however, the current account balance is expected to improve, as a gradual drop in public investment rates slows import growth, while receipts from exports of goods and services, particularly in the tourism sector, continue to grow strongly.
- The primary surplus is projected to increase from 0.6 percent of GDP in 2019 to 1.8 percent of GDP in 2026, mainly due to stepped-up domestic revenue mobilization. The Gambia's Public Expenditure Review (in progress) conducted by the World Bank on 2018 revenue data finds a structural tax gap of 5–7 percent of GDP. On current projection, nearly half of this gap would be closed over 2019–25, mainly through strengthened compliance and broadening the revenue base, reflecting improvements in revenue administration based on the 2018 TADAT-driven reform agenda and a policy-driven reduced recourse to tax exemptions. The projected improvement in the primary balance paves the path to meeting a steep increase in external debt service payments at the end of the deferral period in 2025. An increase in the domestic revenue-to-GDP ratio from 13.7 percent in 2020 to about 15.2 percent by 2025 is also mirrored in the narrowing of the overall fiscal deficit from 1.7 percent of GDP in 2020 to 0.4 percent of GDP in 2025. Nevertheless, beyond the medium term, the fiscal deficit is projected to widen as debt servicing pressures subside.

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

- **Project grants**. Pledges at the 2018 donor conference in Brussels yielded commitment of US$580 million in project support over the National Development Plan (NDP) period (2018–21), but given absorption constraints, disbursements of these projects are spread over 2019–25. Beyond those pledges, additional project grants are anticipated over the next few years, focused on selected sectors (most notably, on energy and road infrastructure, including in the context of the preparation for the 2022 summit of the Organization of Islamic Cooperation (OIC) to be held in The Gambia), on which the baseline assumptions are conservative. In the longer-term, project grants are projected to gradually taper off from around 6 percent of GDP during 2020–21 to around 2 percent of GDP by the end of the projection horizon.
- **External budget support**. Budget support grants over the medium-term comprise grants from the EU, AfDB, and the World Bank. EU has already pledged €100 million for 2018–21. Conditional on an adequate macro framework (including approval of an ECF-supported program) and satisfactory progress in implementing the government reform program, the World Bank is planning US$30 million of budget support grants in 2020. For 2021 and 2022, an amount of US$20 million per year is envisaged. Similarly, AfDB has pledged SDR 5 million each year from 2020 until 2022. Budget support grants are expected to be phased out over time.

- **External project lending**. Updates to the external borrowing assumptions since the April 2019 DSA reflect disbursements already received in 2019 and the authorities' updated assessment of the remaining disbursements. The execution of the pipeline loans is expected to continue in 2020–21, with US$114 million forecast to be disbursed over this period and 80 percent of the pipeline expected to be disbursed by 2024. Disbursements are incorporated based on the contractual terms (an average grant element of 43 percent from multilateral creditors, 21 percent from plurilateral creditors, and 33 percent from bilateral creditors). Additional debt contracted over the medium term is limited to a minimum deemed indispensable for the execution of high-priority projects, including the energy sector loan from the European Investment Bank (EIB), and projects for infrastructure upgrades ahead of the OIC Summit.
- **Trade credit**. The government projected obligations related to the use of ITFC facility have diminished in 2020 relative to 2019 (Box 1). These obligations are assumed to reach zero by end-2022, as progress on SOE reform, a move to explicit budgeting of SOE subsidies, and changes to the modalities of contracting and servicing of trade credits by SOEs will reduce reliance on the ITFC facility or enable its use as a genuine trade credit facility rather than a generic source of liquidity.

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

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

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

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

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

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

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

[3] Includes worker's remittances and grants.

[4] Includes grants.

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

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

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

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

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

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

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

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

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

- The growth-investment tool shows that, assuming constant investment efficiency, the scaling-up of public investment would imply a growth acceleration of 0.3 percent relative to the recent past. The remaining growth pick-up (0.6 percent) is explained by other factors, notably the strong rebound in private sector activity. A possible improvement in the growth returns to public investment, including because of improved governance and the completion of key pieces of infrastructure (particularly the Senegambia bridge and the ongoing capacity upgrades in the electricity sector), is an upside risk to these projections.

However, if the project grants incorporated in the baseline do not materialize or are delayed, downside implications for growth could be significant.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

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

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

15. The Gambia's debt carrying capacity is assessed as "medium." The updated indicator (Text Table 7) is based on the IMF's October 2019 WEO and the World Bank's 2018 Country Policy and Institutional Assessment (CPIA). The overall CI Score of 2.71 is just above the cutoff level for "weak" debt bearing capacity (2.69). The CI Score remains unchanged relative to the April 2019 DSA, with stronger remittances offsetting the decline in the 10-year average import coverage of reserves. The reserve accumulation in 2019, which was significantly higher than anticipated, and the projected buildup of official reserves to 4½ months of imports by 2023 are consistent with debt carrying capacity remaining "medium" in the next WEO round. Together, these effects will offset the recent history of negative shocks (the regionwide Ebola crisis of 2014–16 and political disturbances of 2016/17) that will continue to weigh on The Gambia's assessed debt carrying capacity.[6] None of the tailored stress tests (natural disasters, commodity prices and market financing) are triggered.

DSA RESULTS

16. The external debt stock indicators at 2019 remain largely as projected in the April 2019 DSA (Figure 1 and Table 1). The PV of debt-to-GDP and the PV of debt-to-export ratios are

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

estimated at 33.3 percent and 158.3 percent at end-2019 (against 32.8 percent and 169.7 percent projected in the April 2019 DSA), respectively. Both ratios are expected to remain below their thresholds throughout the projection period, in the context of a sound macroeconomic framework including tighter fiscal policies and a shift to explicit budgeting of SOE subsidies (including to enable them to meet trade credit payments to ITFC) rather than government bailouts of their debt.

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

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

19. The public DSA finds that The Gambia's overall risk of debt distress is "High" (Figure 2 and Table 2). This rating reflects the breach of the benchmark for the PV of total public debt-to-GDP ratio under the baseline. The DSA also underscores vulnerabilities arising from the high level and short maturity of domestic debt. The PV of total public debt-to-GDP stood at 70 percent at end-2019. In the baseline scenario, this ratio declines over the projection period, to fall below its benchmark of 55 percent by 2023, which is three years sooner than projected in the April 2019 DSA.

This improvement primarily stems from the external debt service deferrals and increased availability of grants for budget support, both contributing to the reduction in the Gambia's net domestic borrowing needs (to zero during 2020–25) and marginal improvements in growth prospects. The PV of debt-to-revenue ratio is averaging 227 percent over the next ten years (compared with 302 percent in the April 2019 DSA). The high public debt-service to revenue ratio including grants (averaging 87 percent over 2020–25) includes rollover of short-term domestic debt in debt service (which averages 75 percent of revenue over 2020–25). Gross financing needs are projected to average 18 percent of GDP over 2020–25, above the 14-percent benchmark of market financing pressures for LICs with market access, underlining the liquidity pressures facing the government. This, however, is an improvement from an average gross financing need of 24 percent of GDP over the same period prior to debt restructuring.

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

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

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

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

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

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

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

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

- **GNPC**: Historically, GNPC has serviced its liabilities to ITFC directly and is expected to continue to service it in the future, without direct support from the government. Given its profitability and no recent history of falling into arrears on ITFC debt, it appears appropriate to exclude the GNPC's exposure to ITFC (a maximum of US$10 million) from the external PPG debt stock. GNPC has access to trade credit from suppliers and its preference for using the ITFC credit reflects favorable terms offered by ITFC relative to terms offered by suppliers.

- **NAWEC** reported that of their total 2020 ITFC debt service of about US$12 million, they had already placed over US$4 million in the escrow account to service the payments that are due in January 2020. While NAWEC also expects to service the remaining ITFC debt directly, erring on the side of caution, US$7 million in debt service to ITFC in 2020 is included in the external PPG debt stock.

- **NFSPMC (GGC)** needs to effect ITFC debt payments of US$12 million in 2020. Due to NFSPMC's weak financial position and poor track record of servicing ITFC debt directly, this debt will be fully included in the DSA. NFSPMC is structurally dependent on government support due to the groundnut pricing policy and subsidization of fertilizer. It is also a company in a bad need of recapitalization.

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

Box 2. Status of Debt Restructuring Discussions

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

Confirmed offers:

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

Pending offers:

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

Other: [1]

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

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

Box 3. The Gambia's Debt Restructuring

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

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

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

(In percent)

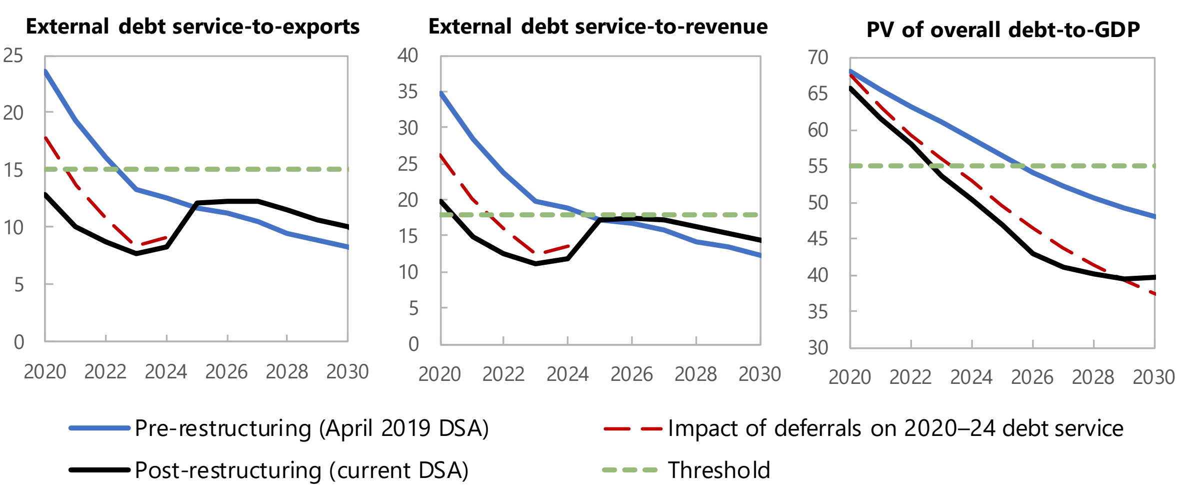
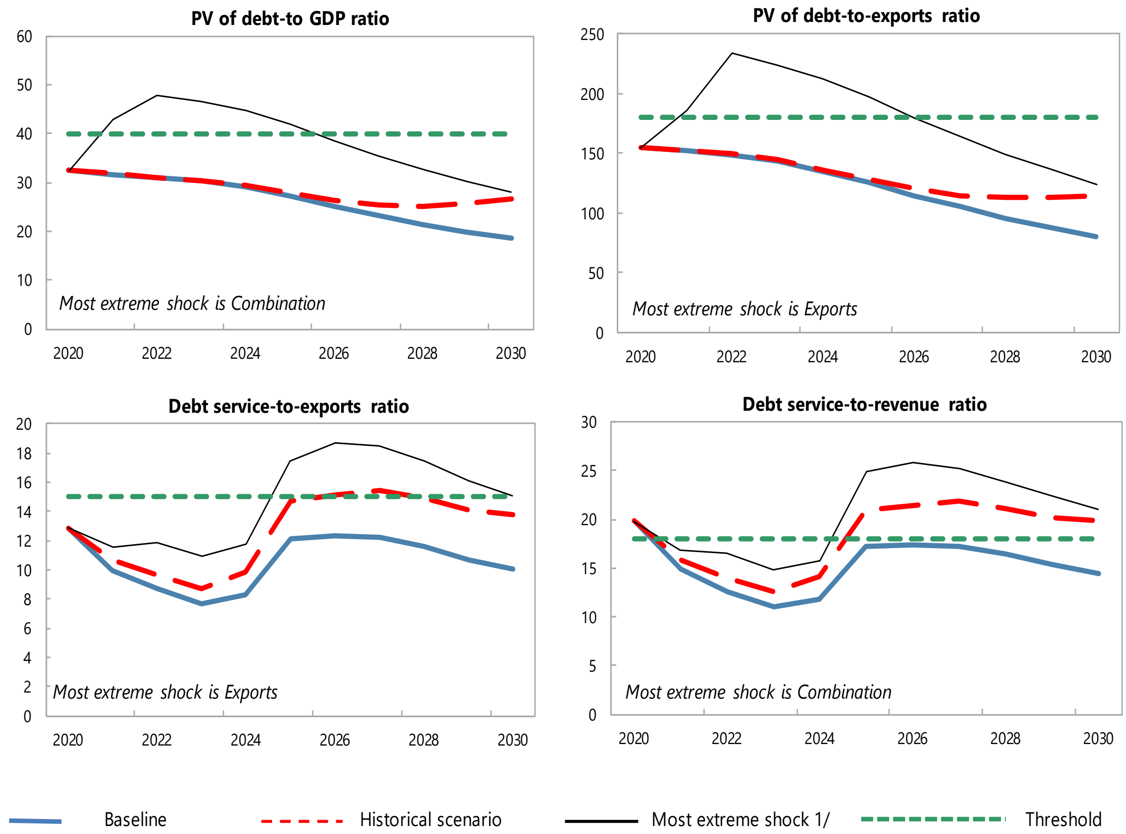


Figure 1. The Gambia: Indicators of Public- and Publicly Guaranteed External Debt under the Baseline and Alternative Scenarios, 2020–30



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

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

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

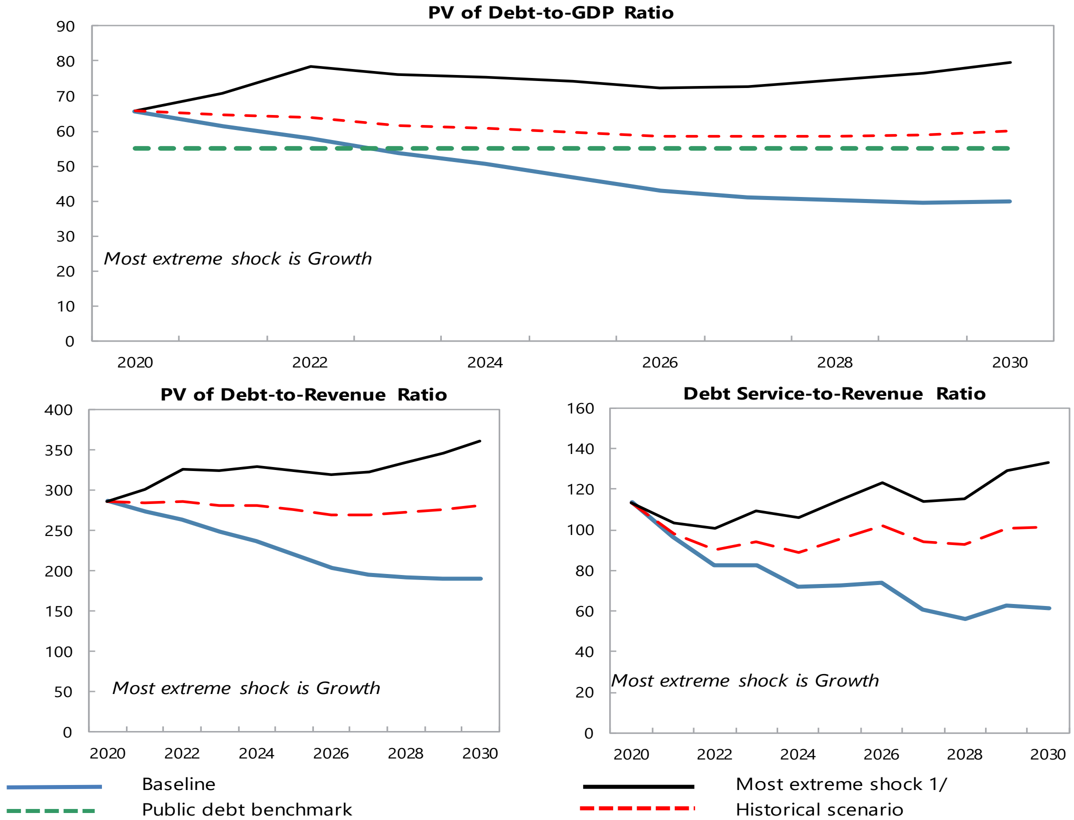
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

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

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



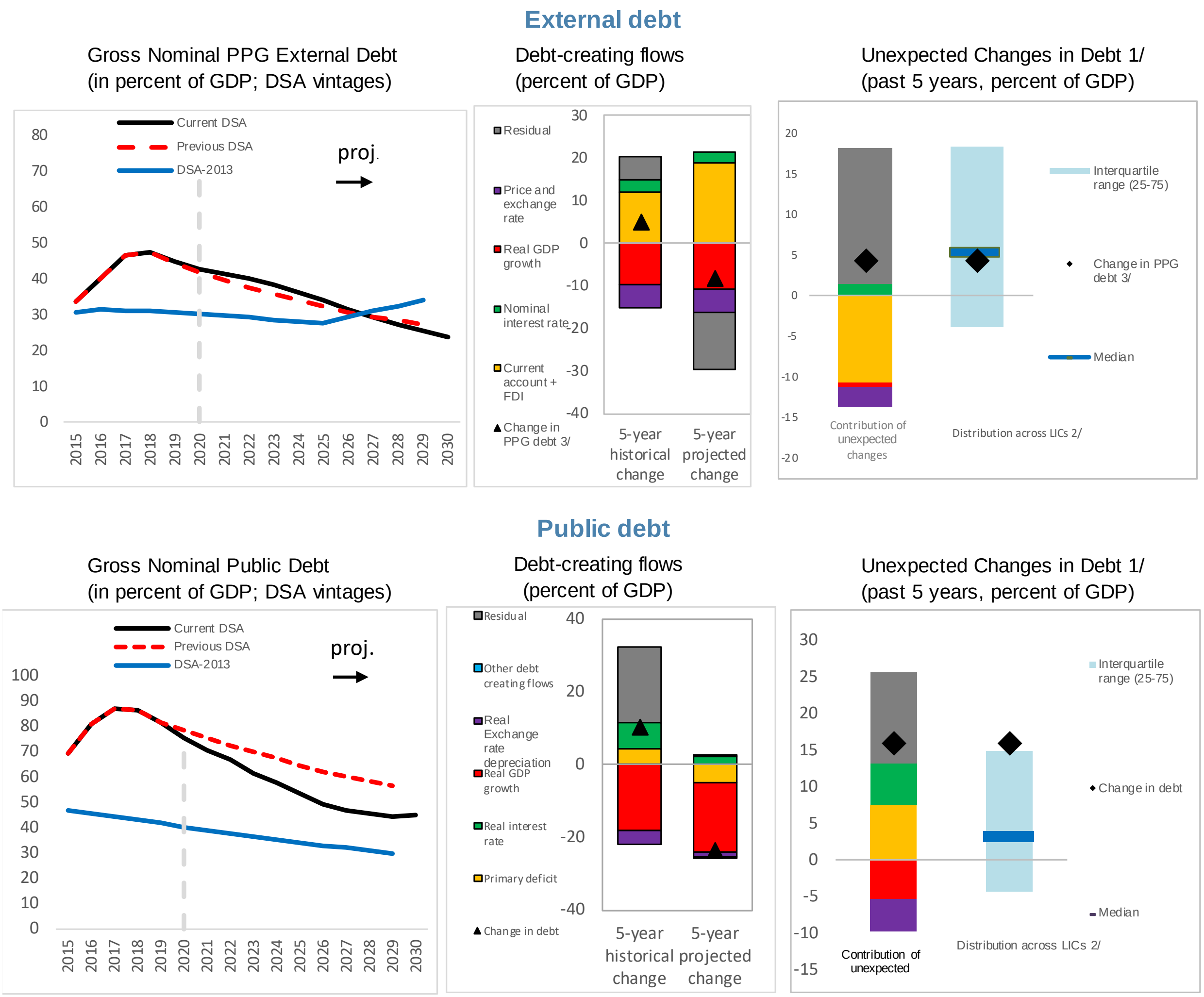
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	16%	16%
Domestic medium and long-term	19%	19%
Domestic short-term	65%	65%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%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

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

Sources: Country authorities; and staff estimates and projections.

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

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



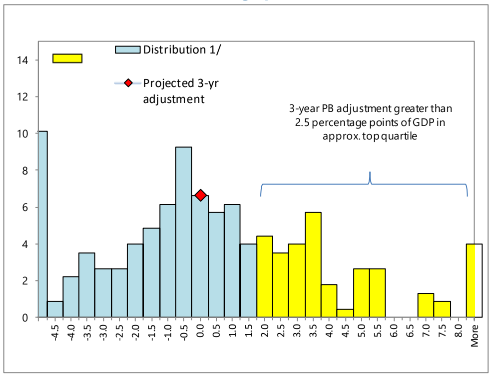
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

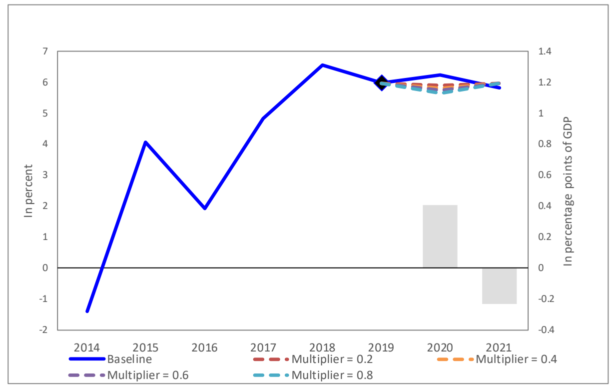
Figure 4. The Gambia: Realism Tools

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



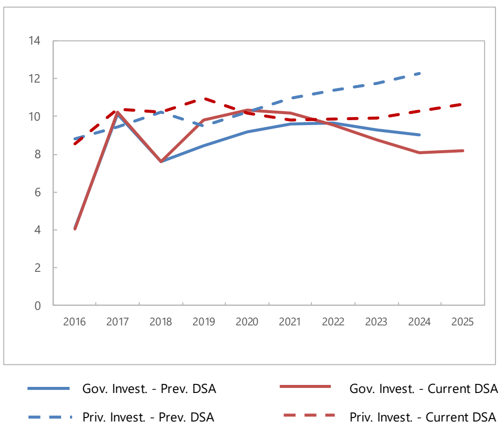
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

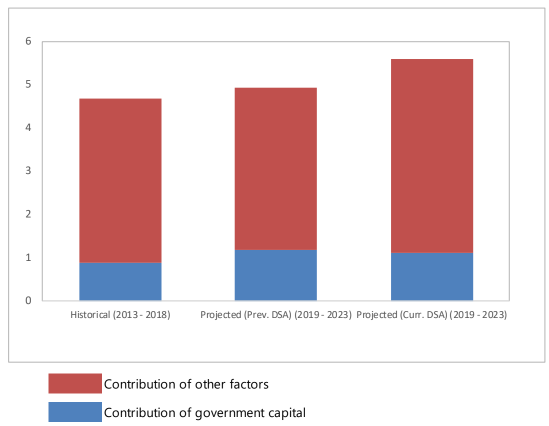
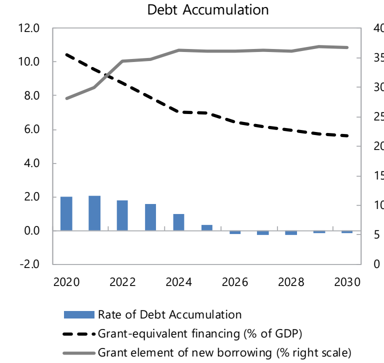


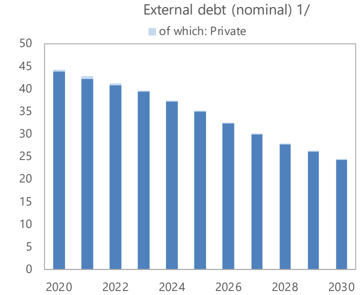
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**48.5**	**49.3**	**46.0**	**44.2**	**42.7**	**41.1**	**39.5**	**37.4**	**35.1**	**24.4**	**17.9**	**38.8**	**34.6**
of which: public and publicly guaranteed (PPG)	**46.5**	**47.4**	**45.9**	**43.9**	**42.3**	**40.8**	**39.3**	**37.2**	**35.0**	**24.3**	**17.8**	**36.9**	**34.4**
Change in external debt	5.7	0.7	-3.3	-1.8	-1.5	-1.6	-1.7	-2.1	-2.3	-1.6	-0.3		
Identified net debt-creating flows	**1.0**	**0.4**	**-3.8**	**1.0**	**2.5**	**2.5**	**2.2**	**2.3**	**2.2**	**-1.0**	**0.6**	**1.2**	**1.2**
Non-interest current account deficit	**6.9**	**9.3**	**4.6**	**8.2**	**9.4**	**9.1**	**8.6**	**8.7**	**8.3**	**4.4**	**5.8**	**7.2**	**7.4**
Deficit in balance of goods and services	20.4	18.9	19.0	20.7	20.3	19.5	18.7	18.4	17.9	13.5	13.8	**14.0**	**17.4**
Exports	16.6	19.3	21.1	21.0	20.9	20.7	21.1	21.4	21.6	23.0	28.8		
Imports	37.0	38.2	40.0	41.7	41.2	40.2	39.8	39.8	39.5	36.5	42.6		
Net current transfers (negative = inflow)	-14.9	-11.0	-15.3	-13.6	-12.0	-11.4	-10.9	-10.5	-10.3	-9.7	-8.5	**-8.1**	**-10.7**
of which: official	-3.7	-0.9	-3.2	-3.2	-2.5	-2.2	-1.9	-1.6	-1.5	-1.5	-0.8		
Other current account flows (negative = net inflow)	1.4	1.3	1.0	1.1	1.0	0.9	0.8	0.8	0.7	0.6	0.6	**1.4**	**0.8**
Net FDI (negative = inflow)	**-5.6**	**-5.6**	**-5.3**	**-5.1**	**-5.0**	**-4.9**	**-4.9**	**-5.0**	**-4.9**	**-4.6**	**-4.6**	**-5.6**	**-4.8**
Endogenous debt dynamics 2/	**-0.3**	**-3.3**	**-3.2**	**-2.1**	**-1.9**	**-1.7**	**-1.6**	**-1.5**	**-1.2**	**-0.8**	**-0.6**		
Contribution from nominal interest rate	0.5	0.5	0.7	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.2		
Contribution from real GDP growth	-2.0	-2.9	-2.7	-2.6	-2.4	-2.2	-2.0	-1.9	-1.7	-1.2	-0.8		
Contribution from price and exchange rate changes	1.2	-0.9	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	**4.7**	**0.3**	**0.6**	**-2.8**	**-4.0**	**-4.0**	**-3.8**	**-4.4**	**-4.4**	**-0.6**	**-0.9**	**0.7**	**-3.2**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**33.3**	**32.4**	**31.7**	**30.9**	**30.2**	**29.0**	**27.2**	**18.5**	**13.1**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**158.3**	**154.3**	**151.9**	**149.1**	**143.1**	**135.3**	**125.9**	**80.4**	**45.3**		
PPG debt service-to-exports ratio	**31.2**	**26.2**	**14.1**	**12.9**	**10.0**	**8.7**	**7.7**	**8.3**	**12.1**	**10.0**	**3.9**		
PPG debt service-to-revenue ratio	**44.8**	**41.8**	**20.7**	**19.8**	**14.9**	**12.6**	**11.1**	**11.9**	**17.2**	**14.5**	**6.2**		
Gross external financing need (Million of U.S. dollars)	98.1	142.0	70.4	113.8	142.5	144.2	137.4	149.9	173.9	84.8	169.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0	4.7	4.7	**2.8**	**5.2**
GDP deflator in US dollar terms (change in percent)	-2.8	1.8	2.4	2.7	2.7	2.7	2.3	2.3	2.6	2.0	1.5	**-0.6**	**2.4**
Effective interest rate (percent) 4/	1.1	1.1	1.6	1.3	1.2	1.2	1.2	1.2	1.5	1.5	1.4	**1.5**	**1.4**
Growth of exports of G&S (US dollar terms, in percent)	2.9	26.3	18.4	8.8	8.0	7.7	9.6	9.3	8.7	8.4	8.9	**5.6**	**8.6**
Growth of imports of G&S (US dollar terms, in percent)	19.2	12.1	13.7	13.8	7.3	5.8	6.5	7.6	7.0	5.8	8.1	**6.8**	**6.8**
Grant element of new public sector borrowing (in percent)	...	...	...	28.1	30.0	34.5	34.8	36.2	36.1	36.8	35.7	**...**	**34.7**
Government revenues (excluding grants, in percent of GDP)	11.6	12.1	14.4	13.7	14.0	14.3	14.6	15.0	15.2	15.9	17.9	**11.6**	**15.0**
Aid flows (in Million of US dollars) 5/	115.4	54.4	137.9	189.8	189.7	186.0	179.0	174.0	178.7	202.0	237.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.4	9.6	8.8	7.9	7.1	7.0	5.6	3.8	**...**	**7.3**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	77.5	79.5	81.4	82.6	84.3	81.4	81.9	78.0	**...**	**81.8**
Nominal GDP (Million of US dollars)	1,498	1,625	1,764	1,925	2,093	2,267	2,441	2,627	2,829	3,987	7,348		
Nominal dollar GDP growth	1.9	8.4	8.6	9.2	8.7	8.3	7.7	7.6	7.7	6.8	6.3	**2.2**	**7.7**
Memorandum items:													
PV of external debt 7/	...	...	33.5	32.7	32.1	31.2	30.4	29.1	27.3	18.5	13.2		
In percent of exports	...	...	158.9	156.0	154.0	150.6	144.1	136.0	126.4	80.5	45.7		
Total external debt service-to-exports ratio	31.2	26.2	22.2	13.4	11.6	10.7	9.0	9.2	12.7	10.1	3.9		
PV of PPG external debt (in Million of US dollars)			587.9	623.6	663.2	700.8	736.8	761.4	770.5	738.1	959.1		
(PVt-PVt-1)/GDPt-1 (in percent)				2.0	2.1	1.8	1.6	1.0	0.3	-0.1	0.6		
Non-interest current account deficit that stabilizes debt ratio	1.2	8.6	7.9	9.9	10.9	10.7	10.3	10.8	10.5	6.1	6.1		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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

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

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

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

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

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

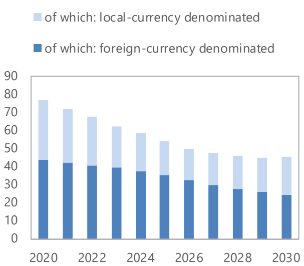
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

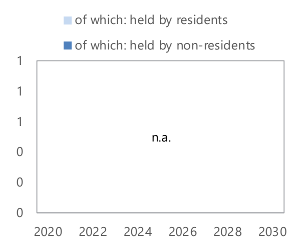
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**87.0**	**86.6**	**82.5**	**76.8**	**71.8**	**67.5**	**62.4**	**58.4**	**54.4**	**45.3**	**51.1**	**67.7**	**56.9**
of which: external debt	**46.5**	**47.4**	**45.9**	**43.9**	**42.3**	**40.8**	**39.3**	**37.2**	**35.0**	**24.3**	**17.8**	**36.9**	**34.4**
Change in public sector debt	6.1	-0.4	-4.1	-5.7	-5.0	-4.2	-5.1	-4.0	-4.0	0.2	0.8		
Identified debt-creating flows	**1.6**	**-1.8**	**-5.4**	**-5.4**	**-4.8**	**-4.1**	**-5.1**	**-4.0**	**-4.0**	**0.2**	**0.8**	**1.2**	**-3.3**
Primary deficit	**0.2**	**3.0**	**-0.6**	**-1.0**	**-0.8**	**-0.8**	**-1.1**	**-1.3**	**-1.5**	**0.1**	**0.6**	**1.0**	**-0.9**
Revenue and grants	19.3	15.4	22.2	22.9	22.5	22.0	21.6	21.3	21.3	20.8	21.0	**15.3**	**21.5**
of which: grants	7.7	3.3	7.8	9.3	8.5	7.7	7.0	6.3	6.1	4.9	3.2		
Primary (noninterest) expenditure	19.4	18.5	21.6	21.9	21.7	21.2	20.5	20.0	19.7	20.9	21.7	**16.3**	**20.6**
Automatic debt dynamics	**1.5**	**-4.8**	**-4.8**	**-5.2**	**-4.4**	**-3.3**	**-3.0**	**-2.7**	**-2.4**	**-1.3**	**-0.7**		
Contribution from interest rate/growth differential	-0.7	-4.6	-4.5	-4.8	-4.1	-3.0	-2.8	-2.5	-2.2	-1.3	-0.8		
of which: contribution from average real interest rate	3.0	0.7	0.4	0.0	0.1	0.7	0.6	0.5	0.6	0.8	1.5		
of which: contribution from real GDP growth	-3.7	-5.3	-4.9	-4.9	-4.2	-3.7	-3.4	-3.1	-2.8	-2.0	-2.3		
Contribution from real exchange rate depreciation	2.1	-0.2	-0.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.8**	**0.4**	**-0.1**	**-1.0**	**0.0**	**-0.1**	**1.3**	**0.8**	**0.0**	**0.2**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.8	0.4	-0.1	-1.0	0.0	-0.1	1.3	0.8		
Residual	**4.4**	**1.4**	**1.3**	**-0.7**	**-0.5**	**-0.4**	**-0.3**	**-0.2**	**-0.2**	**0.0**	**0.1**	**3.1**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**70.5**	**65.6**	**61.5**	**58.0**	**53.6**	**50.5**	**46.9**	**39.7**	**46.5**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**317.3**	**286.5**	**273.3**	**263.6**	**248.0**	**237.0**	**220.8**	**191.1**	**221.4**		
Debt service-to-revenue and grants ratio 3/	**151.1**	**154.7**	**110.9**	**113.4**	**96.2**	**82.7**	**82.4**	**72.1**	**72.8**	**61.5**	**60.8**		
Gross financing need 4/	29.3	26.9	24.0	25.8	21.2	17.4	15.7	14.1	13.8	14.3	14.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	5.8	5.5	5.2	5.2	5.0	4.7	4.7	**2.8**	**5.2**
Average nominal interest rate on external debt (in percent)	1.2	1.1	1.7	1.3	1.2	1.2	1.2	1.2	1.5	1.5	1.4	**1.6**	**1.4**
Average real interest rate on domestic debt (in percent)	7.8	1.9	1.3	1.3	1.5	3.4	3.3	3.5	3.5	4.7	5.2	**5.9**	**3.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.5	-0.6	-0.7	...	...	...	...	...	...	...	...	**2.7**	**...**
Inflation rate (GDP deflator, in percent)	3.9	5.2	6.4	6.3	5.5	4.8	4.5	4.4	4.8	4.8	4.8	**5.8**	**4.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	40.6	1.4	23.9	7.7	5.0	3.1	1.8	2.6	3.4	7.7	5.8	**9.3**	**4.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.9	3.5	3.5	4.7	4.2	3.5	4.1	2.7	2.5	0.0	-0.1	**0.4**	**2.5**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

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

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	32.4	31.7	30.9	30.2	29.0	27.2	25.2	23.2	21.4	19.9	18.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	32.4	31.8	31.0	30.4	29.3	27.7	26.3	25.4	25.1	25.6	26.5
B. Bound Tests											
B1. Real GDP growth	32.4	35.7	39.0	38.1	36.6	34.4	31.8	29.3	27.0	25.1	23.4
B2. Primary balance	32.4	32.0	31.7	31.3	30.4	28.8	26.9	25.0	23.3	21.8	20.4
B3. Exports	32.4	34.0	37.0	36.1	34.7	32.6	30.1	27.7	25.5	23.6	21.9
B4. Other flows 3/	32.4	37.9	**42.7**	**41.6**	**40.0**	37.6	34.6	31.7	29.2	26.9	24.9
B5. One-time 30 percent nominal depreciation	32.4	39.8	33.9	33.1	31.7	29.7	27.5	25.4	23.5	21.9	20.5
B6. Combination of B1-B5	32.4	**42.9**	**47.6**	**46.4**	**44.7**	**41.8**	38.5	35.4	32.6	30.1	27.8
C. Tailored Tests											
C1. Combined contingent liabilities	32.4	32.6	32.4	32.0	31.2	29.7	27.9	26.0	24.4	23.0	21.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	154.3	151.9	149.1	143.1	135.3	125.9	115.0	105.0	95.9	87.8	80.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	154.3	152.3	149.7	144.3	136.6	128.1	120.2	115.1	112.6	112.8	115.1
B. Bound Tests											
B1. Real GDP growth	154.3	151.9	149.1	143.1	135.3	125.9	115.0	105.0	95.9	87.8	80.4
B2. Primary balance	154.3	153.5	153.1	148.5	141.7	133.1	122.7	113.1	104.1	96.1	88.6
B3. Exports	154.3	**186.4**	**233.5**	**223.8**	**211.9**	**197.5**	179.9	164.0	149.4	136.3	124.4
B4. Other flows 3/	154.3	**181.7**	**205.8**	**197.1**	**186.8**	173.8	158.0	143.7	130.6	118.8	108.0
B5. One-time 30 percent nominal depreciation	154.3	151.9	129.9	124.8	117.9	109.2	99.9	91.4	83.7	76.9	70.7
B6. Combination of B1-B5	154.3	**198.0**	**188.4**	**212.1**	**201.0**	**186.4**	169.6	154.4	140.5	128.0	116.6
C. Tailored Tests											
C1. Combined contingent liabilities	154.3	156.5	156.4	151.8	145.5	137.3	127.2	117.9	109.3	101.6	94.4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	12.9	10.0	8.7	7.7	8.3	12.1	12.3	12.3	11.6	10.7	10.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	12.9	10.6	9.6	8.7	9.9	14.7	**15.1**	**15.5**	14.9	14.1	13.8
B. Bound Tests											
B1. Real GDP growth	12.9	10.0	8.7	7.7	8.3	12.1	12.3	12.3	11.6	10.7	10.0
B2. Primary balance	12.9	10.0	8.7	7.8	8.4	12.3	12.6	12.7	12.1	11.2	10.6
B3. Exports	12.9	11.6	11.9	10.9	11.7	**17.4**	**18.7**	**18.5**	**17.5**	**16.1**	**15.1**
B4. Other flows 3/	12.9	10.0	9.3	8.8	9.3	14.7	**16.1**	**15.8**	14.8	13.7	12.8
B5. One-time 30 percent nominal depreciation	12.9	10.0	8.7	7.3	7.9	11.8	11.0	11.0	10.4	9.6	9.0
B6. Combination of B1-B5	12.9	10.8	11.0	9.9	10.6	**16.9**	**17.5**	**17.3**	**16.2**	15.0	14.0
C. Tailored Tests											
C1. Combined contingent liabilities	12.9	10.0	8.8	7.8	8.5	12.3	12.5	12.5	11.8	10.9	10.3
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**19.8**	14.9	12.6	11.1	11.9	17.2	17.4	17.3	16.4	15.4	14.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**19.8**	15.9	13.9	12.6	14.1	**20.9**	**21.4**	**21.8**	**21.1**	**20.2**	**19.9**
B. Bound Tests											
B1. Real GDP growth	**19.8**	16.8	15.9	14.0	15.0	**21.7**	**22.0**	**21.8**	**20.7**	**19.4**	**18.3**
B2. Primary balance	**19.8**	14.9	12.7	11.2	12.0	17.5	17.9	17.9	17.1	16.1	15.3
B3. Exports	**19.8**	15.1	13.2	12.0	12.8	**18.9**	**20.3**	**20.0**	**18.9**	17.7	16.7
B4. Other flows 3/	**19.8**	14.9	13.5	12.7	13.4	**20.8**	**22.9**	**22.3**	**21.0**	**19.7**	**18.5**
B5. One-time 30 percent nominal depreciation	**19.8**	**18.7**	15.9	13.2	14.3	**21.0**	**19.6**	**19.6**	**18.6**	17.4	16.4
B6. Combination of B1-B5	**19.8**	16.8	16.5	14.9	15.7	**24.9**	**25.8**	**25.3**	**23.9**	**22.4**	**21.0**
C. Tailored Tests											
C1. Combined contingent liabilities	**19.8**	14.9	12.8	11.3	12.1	17.5	17.8	17.6	16.7	15.7	14.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

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

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

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**65.6**	**61.5**	**58.0**	53.6	50.5	46.9	43.0	41.1	40.2	39.4	39.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**66**	**65**	**64**	**62**	**61**	**60**	**58**	**58**	**59**	**59**	**60**
B. Bound Tests											
B1. Real GDP growth	**66**	**71**	**78**	**76**	**75**	**74**	**72**	**73**	**75**	**76**	**80**
B2. Primary balance	**66**	**64**	**63**	**59**	**55**	52	47	45	44	43	44
B3. Exports	**66**	**63**	**63**	**59**	**56**	52	47	45	44	43	43
B4. Other flows 3/	**66**	**68**	**70**	**65**	**62**	**57**	53	50	48	46	46
B5. One-time 30 percent nominal depreciation	**66**	**67**	**62**	**57**	53	48	43	40	38	37	36
B6. Combination of B1-B5	**66**	**64**	**64**	**58**	**55**	52	48	47	46	46	47
C. Tailored Tests											
C1. Combined contingent liabilities	**66**	**70**	**66**	**61**	**57**	54	49	47	46	45	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	286.5	273.3	263.6	248.0	237.0	220.8	203.3	194.5	191.5	189.5	191.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	287	285	285	280	280	275	270	270	272	276	280
B. Bound Tests											
B1. Real GDP growth	287	301	326	325	329	324	319	323	334	346	361
B2. Primary balance	287	286	288	272	260	243	224	215	211	209	209
B3. Exports	287	282	288	272	261	243	224	213	209	205	205
B4. Other flows 3/	287	301	318	301	289	270	248	235	229	224	222
B5. One-time 30 percent nominal depreciation	287	307	290	270	254	231	209	195	187	180	176
B6. Combination of B1-B5	287	285	284	262	254	240	225	218	218	218	221
C. Tailored Tests											
C1. Combined contingent liabilities	287	310	299	282	270	252	234	224	220	217	218
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	113.4	96.2	82.7	82.4	72.1	72.8	73.8	60.4	56.1	62.6	61.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	113	98	90	94	89	95	102	94	93	101	101
B. Bound Tests											
B1. Real GDP growth	113	103	101	110	106	115	123	114	115	129	133
B2. Primary balance	113	96	91	97	84	85	84	70	65	71	69
B3. Exports	113	96	83	83	73	74	76	62	58	64	63
B4. Other flows 3/	113	96	83	84	73	75	78	64	60	66	65
B5. One-time 30 percent nominal depreciation	113	93	81	79	71	72	73	61	56	62	61
B6. Combination of B1-B5	113	97	86	86	77	80	83	71	68	76	76
C. Tailored Tests											
C1. Combined contingent liabilities	113	96	108	100	90	89	88	73	67	73	70
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

THE GAMBIA

FIRST REVIEW OF THE STAFF-MONITORED PROGRAM AND REQUEST FOR A 39-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—SUPPLEMENTARY INFORMATION, SUPPLEMENTARY LETTER OF INTENT, AND REVISED TECHNICAL MEMORANDUM OF UNDERSTANDING

March 18 2020

Prepared by African Department

As of March 17, 2020, The Gambia had no reported cases of COVID-19. Although recent macroeconomic indicators have been in line with projections for the proposed program and end-March indicative targets remain within reach, the COVID-19 pandemic will weaken the macroeconomic outlook for 2020 and risks to the program have increased. Even if the spread of the virus to the local population remains contained, The Gambia is highly vulnerable to the economic impact of the pandemic given the country's high dependence on tourism for income and imports for government revenue. A firm assessment of economic conditions and needs is not currently feasible as the situation remains very fluid; hence this supplement provides a preliminary update on the shifting economic conditions and the authorities' initial assessment of the impact of the pandemic on the near-term economic outlook. It also reports on mitigating steps the authorities have taken, drawing on their own resources and additional donor support, and proposes to modify adjusters for net domestic borrowing and net usable international reserves to accommodate the expenditure of additional budget support that is expected to be provided for emergency budget spending needs, as requested by the authorities in the attached supplementary letter of intent and reflected in the attached revised TMU. The intention of this modification is to ensure the program facilitates the mobilization of resources to effectively address the pandemic. The current circumstances underscore the importance of the ECF-supported program to provide the authorities with a framework to facilitate the development and implementation of effective policy responses going forward, including by catalyzing financial assistance from development partners, thereby helping to mitigate economic and social costs from the pandemic, in addition to supporting the achievement of medium-term program objectives. The supplement does not alter the thrust of the staff appraisal, which focuses mostly on the structural agenda and medium-term reforms.

1. Economic performance and program implementation thus far have been strong.

- Tourist arrivals and private FX inflows in January and February 2020 (i.e., before the COVID-19 outbreak in Europe) reached record levels. Meanwhile, net usable international reserves decreased (as expected) from US$189 million at end-2019 to US$178 million as of March 6, 2020 (compared to the proposed end-March floor of US$170 million) and the dalasi remained stable relative to the US dollar.

- Consumer price index increased marginally (from 7.7 percent at end-2019 to 7.8 percent at end-February 2020).

- The Gambia Revenue Authority met monthly revenue targets in January and February. Tax revenue through February increased by 23 percent compared to the level registered in the first two months of 2019. The proposed indicative end-March floor for tax revenue is well within reach.

- Net domestic borrowing by the government up to March 10 reached 520 million dalasi, well within the proposed end-March program ceiling of 1.65 billion dalasi.

- The status of the debt deferral remains as was described in the staff report. Offers by OFID and EBID are yet to be finalized.

2. Local financial conditions have tightened.

- T-bill rates have increased since end–2019 at all maturities, in particularly in recent weeks, as the authorities are building up buffers to meet government financing needs: 91–day from 2.24 to 3.89 percent; 182–day from 4.98 to 5.35 percent; and 364–day from 7.39 to 10.23 percent as of March 11, 2020. It is expected that financial conditions will ease with the disbursement of budget support in Q2, as projected under the program.

3. The Gambia's vulnerability to the impact of the COVID-19 pandemic is high.

- No cases of COVID-19 have been reported in The Gambia so far, but COVID-19 has already surfaced in the sub-region (including Guinea and Senegal, The Gambia's closest neighbors). Moreover, risks have been elevated with thousands of people, including Gambians, intending to travel to religious festivals in March and April. The Gambian and the Senegalese authorities' decisions in mid-March to ban all public gatherings for 30 days should help mitigate these risks. If the pandemic spreads to The Gambia, its effects could be devastating, given the country's low capacity, which underscores the need for a rapid strengthening of its medical preparedness.

- Reports from hotels suggest a slowdown in new bookings with cancellation of some planned events attributable to the global COVID-19 outbreak. The authorities estimate that tourist arrivals will decline by 14 percent relative to 2019 (to a level that is 28 percent lower than initially projected for 2020) while trade disruptions and lower private FX inflows will cause delays in project implementation and construction. In a scenario assuming successful containment of

COVID-19 in The Gambia, the authorities estimate its potential economic impact on account of lower tourism and trade disruptions at about 3 percentage points of GDP. As a result, the authorities project growth in 2020 to slow to 3.3 percent (from 6.3 percent projected earlier) with an estimated 0.7 percent of GDP loss in terms of government revenues.

- The cost of immediate measures to strengthen The Gambia's preparedness to contain COVID-19, including actions to strengthen security and other logistic costs is estimated at about 1.5 percent of GDP (about US$30 million), with an estimated import component of US$20 million.

4. The authorities have eased financial conditions and strengthened COVID-19 preparedness.

- On February 27, the central bank reduced the monetary policy rate by 50 basis points (to 12 percent) and increased the deposit facility rate by 50 basis points (to 3 percent).

- Already in late January, the authorities introduced temperature screening at the Banjul Airport, while progressively tightening land border controls, and introducing more rigorous procedures for screening and sanitation. For the protection of tourists, hotels, restaurants, cafes and bars are required to provide sanitizers, tissue dispensers, and covered dustbins and to ensure that persons entering or leaving their premises disinfect their hands. Most recently, all international travel by public officials has been suspended and all public gatherings have been suspended for 30 days.

- With the help of development partners led by WHO, the government has prepared a US$9 million COVID-19 action plan to equip testing facilities, make quarantine and medical confinement arrangements, and train medical and border staff. The government is seeking donor support to fund this plan. In response: (i) the World Bank has initiated US$5 million in emergency financial support from the COVID-19 fast track facility; (ii) the People's Republic of China has mobilized a medical team and offered two ambulances and medical supplies; (iii) the WHO has also donated medical and personal protective equipment; and (iv) the International Office of Migration has stepped up support for border patrol agents to help in screening travelers. Discussions are ongoing on the mobilization of support from other donors, including possibly from EU resources dedicated to the implementation of the global WHO plan to combat COVID-19 and the envelope identified to strengthen African countries' ability to prevent and counteract the spread of the virus.

5. The ECF Arrangement is essential to help the authorities deal with the challenges posed by the COVID-19 pandemic.

- The authorities are responding to ongoing developments by re-directing domestic spending to the COVID-19 action plan and requesting grants from other development partners to support this and other emergency spending, including social protection programs for the most vulnerable that will be affected by the loss of income from tourism and other affected sources.

They are also considering options to mitigate the anticipated loss of tax revenue by taking advantage of lower international oil prices, which would also reduce NAWEC's subsidy needs.

- While the macroeconomic baseline for 2020 has certainly shifted, given the global uncertainties staff is not yet in a position to assess sufficiently accurately the magnitude of the change to the baseline to formulate a credible new scenario. This reassessment is being made in consultation with the authorities as the situation progresses. At the current juncture, staff continue to assess that meeting the conditionality set forth under the program is achievable in the near-term. To accommodate the expenditure of additional budget support to cover The Gambia's unanticipated spending needs, staff supports the authorities' request in the attached supplementary letter of intent that the downward adjustment to net domestic borrowing of the central government (TMU, ¶2) and the upward adjustment to net usable international reserves of the Central Bank of The Gambia (TMU, ¶9) would not apply to budget support grants and loans that would be provided to help The Gambia to cover spending needs arising from the COVID-19 emergency to the extent the latter raise total budget support and loans above the program baseline.

- Staff will be ready to propose further adjustments to the program once a common view crystallizes on the severity of the impact, its transmission through domestic channels, the appropriate policy response, and a potential additional call on Fund resources, including possible use of emergency financing, if needed.

- In these difficult times, the ECF arrangement would provide a framework to assist the authorities in developing and implementing effective policy responses to address the challenges The Gambia faces. The ECF-supported program will also catalyze financial assistance from other development partners (including budget support from AfDB and the World Bank) equivalent to at least 2 percent of GDP, the disbursement of which has become indispensable and urgent in the context of the pandemic.

- Staff strongly support the authorities' actions so far to mitigate the impact of COVID-19 and continue to endorse approval of the ECF arrangement. This will help underpin The Gambia's continued economic progress and support the country in fending off the impact of COVID-19.

REPUBLIC OF THE GAMBIA

Supplementary Letter of Intent

Banjul, The Gambia

March 17, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Ms. Managing Director:

1. In addition to our Letter of Intent dated March 3, 2020 and in light of the spreading of the COVID-19 outbreak, we would like to modify our request for the ECF-supported program to enable us the use of additional budget support from development partners to help cover the spending needs arising from the government's response to prevent and contain the outbreak and address its economic consequences. To this effect, we propose to modify paragraphs 2 and 9 of the Technical Memorandum of Understanding so that the disbursement of additional budget support grants or loans offered to address the COVID-19 emergency will not trigger: (i) a downward adjustment of the quarterly ceilings for the net domestic borrowing of the central government and (ii) an upward adjustment of the quarterly floors for the net usable international reserves of the Central Bank of The Gambia.

2. To safeguard macro-economic stability and ensure the observance of program targets we commit to: (i) containing the revenue loss on account of lower imports and economic activity caused by the global COVID-19 pandemic, including by adjusting the domestic petroleum pricing formula; (ii) reallocating toward the COVID-19 emergency-related priorities the budgetary resources that could be redirected from lower priority spending or saved, notably due to the suspension of travel by public officials and lower subsidy needs for electricity generation on account of lower oil prices; and (iii) adhering to the borrowing plan under the program and the minimum grant element requirement for the newly contracted government and government-guaranteed debt.

Sincerely yours,

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

Attachment: I. Revised Technical Memorandum of Understanding (TMU)

Attachment I. Revised 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 targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through end-2020. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under 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, the following components are excluded: (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 2018 CBG Act.

2. **Adjuster: The NDB targets (ceilings) 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 targets to compensate for the shortfall in the disbursements of budget support may not exceed GMD 1.5 billion at end-June 2020 and GMD 1.0 billion at end-September and end-December 2020. The downward adjustment will not apply to budget support grants and loans provided to The Gambia for spending needs arising from the COVID-19 emergency, to the extent the latter raise the total amount of budget support and loans above the program forecasts.

Text Table 1. Program Forecasts of External Budget Support Grants in 2020[1]

(Cumulative flow in millions of US dollars)

March 2020	June 2020	September 2020	December 2020
0.0	40.0	46.9	62.1

[1]This assumes disbursements of: US$ 30 million from the World Bank and € 9 million from the EU in Q2; SDR 5 million from AfDB in Q3; and € 13.5 million from the EU in Q4.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶32 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 at end-December 2019: 51.10 GMD/USD, 1.12 USD/EUR, 1.31 USD/GBP, 0.97 CHF/USD, 1.38 USD/SDR, 109.12 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 2019, 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 ¶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$30 million at end-June 2020 and at US$20 million at end-September and end-December 2020. The upward adjustment will not apply to budget support grants and loans provided to The Gambia for spending needs arising from the COVID-19 emergency, to the extent the latter raise the total amount of budget support and loans above the program forecasts.

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 (i) financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment; (ii) arrears on claims which the government has represented as being disputed; (iii) arrears on claims that cannot be settled due to international sanctions; and (iv) arrears on trade credits, with the exception of arrears on payments due to the International Islamic Trade Finance Corporation (ITFC). 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 ¶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 35 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. 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 2.42 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 -250 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -150 basis points. 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.

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

F. New Concessional External Debt Contracted or Guaranteed by the Central Government

19. Definition: This target refers to new concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi. It applies to debt as defined in ¶15. Concessionality of debt is as defined in ¶16.

20. For borrowing packages comprising both loan and grant components to meet the concessionality requirement (grant element of 35 percent), only the loan components will count toward the borrowing limit.

21. Supporting material and data provision: Refer to ¶17 and ¶18.

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

22. 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.[1] 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 including the ITFC credits.

23. 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.

Text Table 2. Tax Revenues Collected by The Gambia Revenue Authority

Domestic Taxes		Customs and Excise	
Revenue Code	**Revenue Item**	**Revenue Code**	**Revenue Item**
111101	Personal Tax	115101	Import Duty Oil
111201	Company Tax	--	Import Excise Tax Oil
113301	Capital Gains	115102	Import Duty Non-Oil
112010	Payroll Tax	114121	Import VAT Oil
114523	Business Registration Fees	114122	Import VAT Non-Oil
114404	Entertainment	114201	Import Excise Tax
142250	Pool Betting Levy	114202	Domestic Excise Duty
--	Informal Sector	115602	Environmental Tax on Imports
114402	Air Transport Levy	115201	Export Duties
111102	Stamp Duty	111301	Miscellaneous
114111	Environmental Tax		
114123	Excise Telecom		
114521	Casino, Gaming & Machines Licences		
114533	Value Added Tax (VAT)		
142231	Road tax		
114528	Firearms and games licenses		
142205	International Certificate for Motor Vehicles		
142206	General Dealers License		
142230	Mandatory Fine for Motor Traffic Violation		
--	Cattle Tax		

[1] The term "debt" has the meaning set forth in ¶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.

H. Tax Revenue

24. Definition: This indicative target refers to taxes and duties collected by the Domestic Taxes Department and Customs and Excises Department of the Gambia Revenue Authority (GRA). Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 2). Nontax revenue, such as licensing fees, fines, and levies collected by the GRA are excluded from this target. Levies collected by the GRA on behalf of other organizations are also excluded (National Education & Technology Training Levy, AU Levy, ECOWAS Levy).

25. Supporting material: A monthly report on revenue collected by the GRA will be transmitted within four weeks of the end of each month.

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

26. 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.

27. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in ¶34 and ¶35 below.

J. Poverty-Reducing Expenditures

28. 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.

29. 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

30. 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:

K. Prices

31. The monthly disaggregated consumer price index, including weights for each major category, with January 2020 = 100, will be transmitted within four weeks of the end of each month.

L. Government Accounts Data

32. 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).

33. 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.

M. Monetary Sector Data

34. 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.

35. 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.

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

N. Treasury Bill Market and Interbank Money Market

37. 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.

38. 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.

O. External Sector Data

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

40. 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.

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

42. 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.

43. 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.

P. Public Enterprises' Data

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

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

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

Statement by the Staff Representative on the Gambia

March 23, 2020

1. This statement provides information that has become available since the issuance of the staff supplement on March 18, 2020. The new information does not alter the thrust of the staff appraisal.

2. **COVID-19 is spreading in The Gambia**. There have been 2 confirmed cases so far, including one fatality. 128 people are now officially under quarantine. These are mostly travellers who returned from the hot spot countries (those with more than 100 cases). The number of confirmed cases could rise rapidly, due to the complacency of the population and the fragility of the health system. For example, the order for the closure of all bars, restuarants and clubs, is not strictly observed and enforced.

3. **New measures have been imposed**. The Gambian president has ordered the closure of all air and land borders effective today (March 23, 2020). The closure order does not affect the movement of security personnel, and transportation of foodstuff and medical supplies.

4. **End-March program targets are still within reach but domestic financial conditions have tightened further**. As of March 19, net domestic borrowing of the government stood at GMD 666.48 million (compared with the end-March program ceiling of 1.65 billion) and the net usable international reserves of the central bank stood at US$191.54 million (compared with the end-March floor of US$170 million). Domestic revenue performance in March so far has been as projected. Security yields have increased further on average. As of March 18, the average yield on the most used 364-days T-bills was 10.78 percent (365 bps higher than at end-2019).

5. **Going forward, it is expected that foreign exchange inflows will considerably drop, as tourism has stopped, and domestic revenue performance will deteriorate**. In this context, the authorities have now formally requested disbursement under the Rapid Credit Facility. They consider that a minimum of 25 percent of the quota (SDR15.55 million) will be needed at this stage and further recourse to the RCF cannot be excluded. Staff is working to expedite this request, which will be brought to the Executive Board for consideration in the coming weeks.

6. **Given The Gambia's debt situation, the authorities are seeking more concessional assistance from other sources**. To this effect, the World Bank intends to increase from US$5 million to US$10 million the emergency grant that will be provided to The Gambia as part of the COVID-19 response. The authorities are also working with providers of sector-level project support in the areas of health, social protection, agriculture, tourism, and private sector development on ways to refocus these projects on the immediate needs stemming from the COVID-19 pandemic.

DOCUMENT OF INTERNATIONAL MONETARY FUND AND FOR OFFICIAL USE ONLY

Statement by Mr. Dumisani Hebert Mahlinza, Executive Director for The Gambia and Mr. Bernard Wleh Jappah, Advisor to the Executive Director, on The Gambia
March 23, 2020

The Gambia reported the first official COVID-19 virus case on March 17, 2020. This follows earlier measures introduced in January including temperature screening at the Banjul Airport and tightening land border controls. To protect the hospitality industry, a key growth driver, the authorities have directed businesses to implement rigorous sanitation procedures. In addition, financial conditions have been eased as the Central Bank of Gambia (CBG) reduced the monetary policy rate by 50 basis points to 12 percent, while the deposit facility rate was increased to 3 percent in February 2020. Further, the authorities are re-directing domestic spending to the health emergency and will require donor support to buttress their efforts. While still at an early stage, the authorities' preliminary estimates show that COVID-19 could slow economic growth through a decline in tourism, trade and private capital flows.

I. Introduction and Background

1. Our Gambian authorities appreciate the constructive engagement with staff during the recent negotiations of the Extended Credit Facility (ECF) arrangement and broadly agree with staff's assessments and key policy recommendations.

2. The Gambian authorities have made bold strides in stabilizing macroeconomic conditions and establishing the environment for accelerated growth, following the democratic transition and the subsequent election of President Barrow in 2017. Strong reform efforts, supported by the implementation of a Rapid Credit Facility (RCF) and successive Staff Monitored Programs (SMP), laid a strong basis for economic recovery. These reform efforts have been guided by the country's **National Development Plan (NDP 2018-21)**, whose main objectives include promoting good governance and accountability, social cohesion, national reconciliation, and improving the business environment to foster private sector development and inclusive growth. As a result, macroeconomic stability

and fiscal discipline have been restored, investor confidence has been boosted and growth has begun to recover.

3. To consolidate these gains and further anchor reform efforts, the authorities are requesting a 39-month Extended Credit Facility (ECF) arrangement. The program will be instrumental in catalyzing donor financing to sustain high and inclusive growth and poverty reduction as well as facilitate an effective response to the COVID-19 virus outbreak. The program will also strengthen public financial management, domestic revenue mobilization, and safeguard debt sustainability.

II. Recent Economic Developments and Outlook

4. Overall economic performance has remained robust, with GDP growing at 6.5 percent in 2018, and 6 percent in 2019, despite a series of adverse shocks that affected the agriculture and tourism sectors. Growth has also been supported by expansion of private sector activity and investment. Looking ahead, growth prospects remain positive supported by tourism, services and construction activities including those associated with investments ahead of the Organization of Islamic Cooperation Summit. Nevertheless, downside risks to the outlook include the country's vulnerability to climate shocks, and possible effects of the COVID-9 disease outbreak. While the size and duration of the epidemic is highly uncertain at this stage, the main channels for The Gambia include the tourism, trade and capital flows channels.

5. Inflation increased modestly from 6.5 percent in 2018 to 7.7 percent in 2019, due to a once-off increase in postal charges in March 2019 and an increase in food prices associated with a low food harvest. Going forward, inflation is expected to trend downwards and converge at the CBG target of 5 percent by 2024, premised on the continued stability of the exchange rate and the well-anchored inflation expectations.

6. While the trade balance worsened in 2019, due to the rapid expansion of imports, the overall BOP position remained in surplus, owing to high private capital inflows. Against this background, gross official reserves improved from 2.7 months of import cover in 2018 to 3.4 months of imports in 2019.

III.Fiscal Policy and Debt Management

7. The authorities remain committed to fiscal consolidation in the medium term to ensure debt sustainability while creating fiscal space for critical social and infrastructure spending. In this regard, they are planning to gradually increase domestic revenue to around 15.2 percent of GDP by end-2025 from 14.4 percent of GDP in 2019, bolstered by growing taxable activity and improvements in revenue administration consistent with the TADAT recommendations. Further, the authorities are refining the tax policy framework to increase its efficiency and equity and plan to establish a Tax Advisory Committee to support this endeavor.

8. As part of expenditure control measures, the authorities plan to reduce subsidies to state-owned enterprises (SOEs), as corporate governance and public financial management improves. At the same time, current efforts aimed at expenditure prioritization will help contain growth in recurrent costs. These, along with other expenditure measures, including wage containment and fiscal space unlocked from the five-year debt re-payment deferrals, would free up resources to meet the commitment to improve social outcomes and increase public investment. On public financial management (PFM) measures, the authorities have established a Treasury Single Account (TSA) which has helped strengthen budgetary controls and are implementing the recommendations of the 2019 PIMA to inform public investment decisions. Relatedly, the GPPA Act is being revised to improve public investment management.

9. Our authorities regard debt management as central to the credibility of the medium-term policy framework. As such, they are committed to pursuing strong fiscal discipline and prudent external borrowing, consistent with the medium-term debt strategy, to bring down the public debt-to-GDP ratio below 60 percent by 2024. Following extensive engagements with key creditors, they have secured credible assurances of debt relief through 5-year restructuring and deferrals on debt re-payments, which have significantly improved the debt outlook. Going forward, they will confine new borrowings to concessional loans contracted for high return projects, informed by borrowing plans, and pursue a zero limit on new external arrears through steadfast implementation of the arrears clearance policy.

IV. Monetary and Financial Sector Policies

10. The Central Bank of Gambia (CBG) has continued to pursue an expansionary monetary policy stance since 2017, to support private sector credit growth. As a result, the MPC cut the monetary policy rate (MPR) from 23 percent in May 2017 to 12.5 percent in November 2019. In February 2020, the MPC further cut the key rate to 12.0 percent. Going forward, the CBG will deploy short term bills and pursue efforts to narrow the interest rate corridor to guide the interbank market and dampen interest rate volatility. Further, the authorities will enhance their liquidity forecasting and management capabilities with technical support from the Fund. They remain committed to a flexible exchange rate and will limit FX interventions to liquidity management as needed.

11. To strengthen the capacity of the CBG to execute its mandate, the authorities are making efforts to adequately recapitalize the central bank. To this end, an initial injection has already been made towards an increase in the bank's authorized share capital, consistent with the 2018 CBG Act, while internal arrangements are being finalized to meet the full capital requirement.

12. The banking system remains strong, profitable and adequately capitalized with ample liquidity. Non-performing loans (NPLs), though low, increased modestly from 3.3 percent of gross loans in 2018 to 4.5 percent at end- 2019. Against this backdrop, the

CBG will continue to improve its underwriting standards and loan classification regulations, alongside the transition to risk-based supervision. In addition, the CBG is preparing a strategic plan to address key weaknesses identified in the 2019 FSSR, including in the legal and regulatory framework for bank supervision and crisis preparedness. Furthermore, they are strengthening the AML/CFT framework and its effectiveness based on GIABA's recommendations. They will prioritize financial inclusion to spur inclusive growth through the formulation and implementation of a National Financial Inclusion Strategy.

V. Structural Policies and Governance Reforms

13. The authorities have taken concrete steps to address governance weaknesses. To this end, a draft Constitution is under debate in Parliament and progress is being made in transitional justice to restore good governance and transparency in The Gambia. At the same time, the human rights commission has been established and progress on the recovery of stolen assets is being made. An Anti-Corruption bill, proposing the establishment of an Anti-Corruption Commission, is currently in the National Assembly. Furthermore, other pieces of legislation, including the criminal code and a new PPP law, are being strengthened to address governance lapses and improve the business environment. The authorities have also requested Fund TA to undertake a Governance Diagnostics aimed to take stock of existing institutional arrangements, identify gaps, and proffer policy recommendations.

14. Efforts to curb human trafficking continue to rank high on the authorities' agenda. Accordingly, they have adopted a zero-tolerance policy to address human trafficking. In this respect, they are vigorously implementing the Trafficking in Persons Act, through a detailed Action Plan. They have deployed more investigators to the National Agency Against Trafficking in Persons to help fast track investigations and build criminal cases; strengthen inter-agency collaboration; increase security presence at border points; accelerate sensitization of country groups on the dangers and prevention of human trafficking; and have signed collaboration agreement with immigration authorities in Senegal, while another is planned with Nigeria. They have also engaged in high policy discussions to ramp up collaborative efforts in the fight against human trafficking with diplomatic missions, including the United States and other international agencies.

15. The Gambian authorities are committed to addressing the challenges posed by climate change to national development, given the increased duration and frequency of weather-related events such as droughts and floods. Further, vulnerability to sea level rise could severely impact tourism, as recent years have witnessed disappearances of coastal structures and local beaches. Accordingly, the authorities are increasing budgetary allocation towards renewable infrastructure and bringing on stream a solar plant by 2021. This notwithstanding, donor support would be essential to increase the production of renewable energy. In addition, the authorities are working with the UNDP and the Green Climate Fund to strengthen internal capacities and resilience to climate change.

16. To contain fiscal risks and improve the operational efficiency and viability of SOEs, the authorities are improving the overarching legal and regulatory framework. In this vein, an SOE law has been drafted with a focus on addressing executive interference and improving efficiency in service delivery. They have also improved monitoring of the financial performance of SOEs.

VI. Conclusion

17. Our authorities reiterate their steadfast commitment to implement comprehensive reforms aimed at placing the economy firmly onto an accelerated growth path and entrenching macroeconomic stability. Accordingly, they are determined to improve governance, pursue prudent financial management, and prioritize debt sustainability. Towards this end, the authorities value Fund support and look forward to Executive Directors' support for the approval of the ECF arrangement to anchor the implementation of their National Development Plan.