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THE GAMBIA

December 2021

ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

In the context of the Article IV Consultation and Third Review under the Extended Credit Facility 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 November 24, 2021, following discussions that ended on September 22, 2021, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangements under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 8, 2021.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for The Gambia.

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

PR21/348

IMF Executive Board Completes Third Review Under the Extended Credit Facility (ECF), Approves US$6.97 Million Disbursement, and Concludes 2021 Article IV Consultation with The Gambia

FOR IMMEDIATE RELEASE

- Economic activity shows signs of recovery, albeit fragile. The authorities are intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of activity, including tourism.
- The ECF arrangement helps address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms. The completion of the ECF review allows a disbursement of US$6.97 million.
- The Gambian authorities recognize the need to foster sustainable development, address the infrastructure gap through improved spending efficiency and revenue mobilization, and maintain financial and external stability.

Washington, DC: On November 24, 2021, the Executive Board of the International Monetary Fund (IMF) completed the third review of the arrangement under the Extended Credit Facility (ECF).[1] The completion of the review enables the release of SDR 5.0 million (about US$6.97 million), bringing total disbursements under the arrangement to SDR 40.0 million (about US$55.75 million). The Gambia's 39-month ECF arrangement for SDR 35.0 million (56.3 percent of quota) was approved by the Executive Board on March 20, 2020 (see Press Release No. 20/99) and augmented in the context of the first review to SDR 55.0 million (88.4 percent of quota) to help meet financing needs associated with the COVID-19 pandemic (see Press Release No. 21/12). The ECF-supported program aims to address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms, including on public financial management, domestic revenue mobilization, business environment, and SOEs. The authorities are delivering on their commitment to the transparency of COVID-19 spending; they published the list of the related procurement contracts and their beneficial owners.

Following the Executive Board discussion, Mr. Bo Li, Deputy Managing Director and Acting Chair, made the following statement:

"The Gambia's performance under their economic program supported by the Extended Credit Facility has been broadly satisfactory despite the challenging pandemic context. The economy is showing some signs of recovery but the third wave of the pandemic in mid-2021 has hampered a vigorous rebound.

"Fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. The authorities are making strong

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems. For more details, see: http://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/04/Extended-Credit-Facility.

communication efforts on COVID-19 vaccination and are delivering on their commitments regarding the transparency of pandemic-related spending. In the context of a weak tax base and elevated spending needs, it would be paramount to further streamline tax exemptions, rationalize subsidies to state-owned enterprises, and enhance the prioritization of public investment projects.

"While the accommodative monetary policy stance is warranted at this stage, it should be reassessed if inflation pressures resume. It is important for the central bank to continue strengthening its financial safeguards to bolster policy credibility and to step up bank supervision.

"In view of lingering vulnerabilities, maintaining exchange rate flexibility and adequate external buffers will be critical. The authorities' decision to use part of the IMF's recent general SDR allocation while saving the remainder is commendable. Adherence to the external borrowing plan under the program and seeking grants and concessional financing will help secure debt sustainability.

"The authorities should persevere in their ambitious structural reform agenda, especially in view of the upcoming election cycle, to fully reap the benefits from the country's remarkable socio-political turnaround in recent years. Pursuing governance reforms, fighting corruption, improving public procurement processes, and enhancing the business environment are crucial for achieving inclusive and sustainable growth."

The Executive Board also concluded the 2021 Article IV consultation[2] with The Gambia.

Prior to the onset of the COVID-19 pandemic, The Gambia had shown strong macroeconomic performance during the few years following the political transition in 2016/17. Economic growth accelerated, debt vulnerabilities decreased, external stability strengthened, structural and legislative reforms advanced, and key social indicators improved. However, the COVID-19 pandemic has disrupted some of the hard-won progress and has heightened socio-economic fragility. The authorities promptly implemented strong policies starting early 2020 to contain the spread of COVID-19 and protect lives and livelihoods. They are currently intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of economic activity, including tourism.

Some signs of economic recovery have emerged, albeit fragile. Economic growth is projected to rebound from a contraction of 0.2 percent in 2020 to an expansion of 4.9 percent in 2021 and an annual average of 6 percent in the medium term. Inflation accelerated during the first half of 2021 but eased to about 7 percent in recent months and is expected to decline to the central bank's target of 5 percent in the medium term. The fiscal policy remains prudent despite the pandemic-induced challenges. The monetary policy remains accommodative; credit to the private sector resumed and the banking system remains broadly liquid. Foreign exchange reserves exceed 5 months of imports, bolstered by the general SDR allocation, development partners' disbursements, and record-high private remittances.

[2] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

The overall macroeconomic outlook is turning somewhat positive, but risks are tilted to the downside, including the uncertainty about the pandemic at the global level and the upcoming presidential and parliamentary elections at the national level.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' prompt and effective response to the COVID-19 pandemic, which has supported the economic recovery. They welcomed the authorities' satisfactory implementation of their ECF-supported program and their commitment to maintain macroeconomic stability and pursue reforms.

Directors noted that fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. They welcomed the authorities' efforts to reinforce domestic revenue mobilization, further fiscal discipline, and improve public spending efficiency and transparency, including in pandemic-related spending. They recommended a further streamlining of tax exemptions, reduction of subsidies to state-owned enterprises, and prioritization of public investment projects. They also urged the authorities to adhere to the external borrowing plan and focus on seeking grants and concessional financing. They recommended addressing shortcomings in debt data.

Directors agreed that the accommodative monetary policy stance remains appropriate. They supported the central bank's intention to tighten the policy stance if inflation pressures resume. They underscored the need to continually strengthen financial supervision, sharpen macroprudential tools, step up preemptive crisis preparedness, and enhance the AML/CFT framework.

Directors stressed the importance of maintaining adequate external buffers. They welcomed the authorities' balanced approach in using part of the general SDR allocation to address immediate financing needs while saving the remainder to further strengthen external buffers. Maintaining exchange rate flexibility will also support external reserves.

Directors encouraged the authorities to press ahead with their comprehensive structural reform agenda, in particular in governance, public procurement, and the business environment. Policies related to access to finance, promoting digitalization, supporting women and youth, and adopting climate resilience and adaptation will also be important. Capacity development support for policy design and data provision is also needed.

It is expected that the next Article IV consultation with The Gambia will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

The Gambia: Selected Economic Indicators, 2019–26

	2019	2000	2021	2022	2023	2024	2025	2026
	Act.	Prel.			Projections			
National account and prices			(Percent change; unless otherwise indicated)					
GDP at constant prices	6.2	-0.2	4.9	6.0	6.5	6.5	5.8	5.6
GDP deflator	6.3	4.0	4.9	5.1	5.3	4.5	5.2	4.2
Consumer prices (average)	7.1	5.9	7.0	6.3	6.1	5.5	5.0	5.0
Consumer prices (end of period)	7.7	5.7	6.5	6.2	6.0	5.0	5.0	5.0
External sector								
Exports, f.o.b (US$ values)	23.9	-51.2	57.3	39.1	23.1	8.8	8.2	6.3
Imports, f.o.b (US$ values)	14.4	-5.0	33.6	25.6	5.0	6.1	2.1	7.8
Real effective exchange rate (depr. = -)	-4.6	11.1	…	…	…	…	…	…
Money and credit			(Contributions to broad money growth; percent)					
Broad money	27.1	22.0	11.2	6.6	7.2	9.7	9.7	5.4
Net foreign assets	18.9	17.6	2.6	-0.1	3.4	5.9	5.1	0.0
Net domestic assets	8.2	4.4	8.6	6.7	3.9	3.7	4.6	5.5
Of which:								
Credit to central govt. (net)	4.0	3.6	6.6	3.0	1.0	0.0	0.7	0.2
Credit to the private sector (net)	6.0	0.1	1.9	3.8	2.9	3.7	3.9	5.3
Velocity (GDP/broad money)	2.1	1.8	1.8	1.9	1.9	2.0	2.0	2.1
Central government finances			(Percent of GDP; unless otherwise indicated)					
Domestic revenue	14.0	14.4	14.8	15.2	13.9	14.2	14.4	14.9
Of which: Tax Revenue	11.0	11.0	10.9	11.0	11.5	11.9	12.0	12.5
Grants	7.1	8.4	6.5	10.7	8.4	7.8	6.4	5.7
Total expenditures	23.7	24.9	25.4	28.9	23.5	22.4	20.0	20.6
Of which: Interest (percent of revenue)	22.3	21.9	18.9	19.6	17.0	16.3	14.0	12.0
Net lending (+)/borrowing (–)	-2.5	-2.2	-4.0	-3.0	-1.2	-0.5	0.8	0.0
Net incurrence of liabilities	3.2	1.7	4.2	2.3	1.4	0.5	-0.8	0.0
Foreign	2.7	0.9	1.4	1.2	0.9	0.5	-1.1	-0.1
Domestic	0.5	0.8	2.8	1.1	0.5	0.0	0.3	0.1
Primary balance	0.6	1.0	-1.2	-0.1	1.2	1.8	2.8	1.8
Public debt	83.0	85.0	82.9	77.3	72.0	64.4	58.1	53.4
Domestic public debt	35.8	36.1	34.0	30.3	27.5	23.2	21.3	19.6
External public debt	47.2	49.0	48.9	47.0	44.4	41.2	36.7	33.8
External public debt (millions of US$)	837.9	893.8	951.6	987.7	1015.5	1027.7	997.6	987.8
External current account balance								
Excluding official transfers	-9.2	-7.7	-13.3	-18.2	-14.8	-13.0	-10.2	-10.3
Including official transfers	-6.1	-3.2	-12.5	-16.0	-12.3	-10.7	-8.9	-9.3
Gross official reserves (millions of US$)	225.0	352.1	496.5	472.9	484.3	488.5	490.9	486.8
(months of next year's imports)	4.0	4.7	5.4	4.9	4.7	4.6	4.3	4.0
Savings and investment								
Gross investment	19.5	20.0	25.9	27.9	23.4	23.4	22.4	23.6
Of which: Central government	9.1	7.0	10.2	13.9	10.1	9.5	7.8	8.8
Gross savings	13.4	16.9	13.4	12.0	11.1	12.7	13.4	14.3
Memorandum items:								
Nominal GDP (billions of dalasi)	90.8	94.3	103.7	115.5	129.4	144.1	160.3	176.4
GDP per capita (US$)	768.9	755.4	804.0	830.7	877.0	924.8	978.7	1023.1
Use of Fund resources (millions of SDRs)								
Disbursements	0.0	20.6	35.0	10.0	5.0	0.0	0.0	0.0
Of which: 2020 RCF	…	15.6	…	…	…	…	…	…
Of which: ECF Augmentation	…	…	20.0	…	…	…	…	…
Repayments	-4.3	-3.6	-3.0	-2.8	-4.1	-3.9	-5.2	-9.5
CCRT debt relief [1]	0.0	3.2	4.0	0.8	…	…	…	…
PV of overall debt-to-GDP ratio	70.8	73.5	71.5	66.6	62.2	55.8	50.8	46.7

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

[1] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

INTERNATIONAL MONETARY FUND

THE GAMBIA

November 8, 2021

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Prior to the onset of the pandemic, The Gambia had shown strong macroeconomic performance in the few years following the remarkable political transition in 2016-17. Economic growth accelerated, debt vulnerabilities decreased, external stability strengthened, structural and legislative reforms advanced, and key social indicators improved. However, the COVID-19 pandemic halted some of the hard-won progress, stagnating economic activity and re-igniting extreme poverty. The Gambia experienced a third wave of the pandemic in mid-2021, which has receded recently. The COVID-19 vaccination rate currently stands at about 12 percent of the adult population. Presidential and parliamentary elections are planned for December 2021 and April 2022, respectively.

Macroeconomic developments and outlook. Economic activity is showing signs of recovery, albeit fragile (growth of 4.9 percent in 2021, compared with -0.2 percent in 2020). Budget execution is facing challenges but remains prudent. Monetary policy was appropriately expansive. Inflation edged up in H1 2021 but has decelerated recently. Foreign exchange reserves strengthened further, exceeding five months of prospective imports at end-September 2021. Nonetheless, significant downside risks surround the baseline economic outlook, stemming from the unpredictable evolution of the pandemic, the global economic recovery, the resumption of tourism, and upcoming elections.

Program performance. Program implementation is broadly satisfactory, notwithstanding the difficult pandemic environment. All quantitative performance criteria (QPCs) and three out of four indicative targets (ITs) at end-June 2021 were met. One out of the three structural benchmarks (SBs) at end-June 2021 was completed. The authorities are delivering on their commitment related to the transparency of COVID-19 spending.

Article IV and ECF Program: Policy Discussions

- Support the post-pandemic recovery and lay the foundations for inclusive growth: in the near term, policies will focus on expanding the COVID-19 vaccine coverage and improving the targeting of social programs. From a medium-term perspective, it will be paramount to unlock the full potential of digitalization, implement the financial inclusion strategy, improve the business environment, develop climate-related policies, and pursue the ambitious legislative reforms (including on human rights and gender equality).

- Address COVID 19-related spending and development needs, while reducing debt vulnerabilities: for 2021, the authorities will pursue strict cash management to align spending with available resources. For 2022, the fiscal framework accommodates pandemic and development spending but continues debt reduction. From a medium-term perspective, efforts will be made to close the revenue collection gap, expand investment project prioritization, accelerate SOE reforms, adhere to the agreed borrowing plan, and pursue governance measures (including on procurement and anti-corruption).

- Sustain external and financial stability: in the near term, the monetary policy stance will remain accommodative to support the fragile recovery. If inflation pressures resume, some tightening could be envisaged. From a medium-term perspective, the CBG will maintain a flexible exchange rate regime; the authorities will save part of the new SDR allocation to bolster external reserves in anticipation of the expiration of the debt service deferral period and build buffers for unanticipated shocks.

Staff's views. Staff recommends conclusion of the 2021 Article IV consultation and completion of the third ECF review, considering the satisfactory implementation of the program and the strong policy commitments going forward.

Approved By
Annalisa Fedelino (AFR) and Geremia Palomba (SPR)

The mission took place virtually during September 9–22, 2021, and comprised Messrs. Razafimahefa (head), Barry, Kemoe, Kumah, and Nachega (all AFR), Ms. Han (FAD), and Mr. Suryakumar (SPR), with support from Mr. Mendy (local economist) and Ms. Barry (local office manager). The team met with Finance Minister Njie, Central Bank Governor Saidy, National Assembly Speaker Denton, the National Assembly committees of public accounts and public enterprises, the Inter-Party Committee, other public officials, development partners, private sector operators, and NGOs. The mission held a virtual press conference. Mr. Osana Jackson Odonye (Alternate Executive Director for The Gambia) joined the opening and closing meetings, and Mr. Cham (advisor, OEDAE) participated in the mission. Ms. Singh provided research assistance and Ms. Jaghori and Mr. Treilly provided administrative assistance in the preparation of this report.

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CONTEXT: COVID-19 DISRUPTS PROGRESS AND HEIGHTENS FRAGILITY

1. **During the few years following the remarkable political transition in 2016–17 and prior to the onset of the pandemic, The Gambia had shown strong macroeconomic performance** (Annex I, Table 1, and Text Figure 1).[1] Economic growth accelerated from 2 percent in 2016 to 6 percent in 2019, which helped improve some key socio-economic indicators.[2] Foreign exchange coverage soared from about one month of imports to 4 months of imports during this period, buoyed by large private remittances and disbursements from development partners. Debt sustainability improved as the fiscal deficit narrowed by about 7 percentage points of GDP during this period and most creditors agreed to some debt deferrals. Inflation remained broadly stable.

2. **However, the COVID-19 pandemic has disrupted some of the hard-won progress** (Annex II, Text Figure 1). While the authorities have strived to maintain strong policies and macroeconomic stability, the pandemic has interrupted the growth momentum and progress in some key socio-economic areas. Tourist arrivals plummeted by 62 percent (from 235,788 in 2019 to 89,232 in 2020) and, despite some offsetting expansion in agriculture and industry, economic activity contracted by 0.2 percent in 2020. The pandemic caused budgetary spending of about 3.6 percent of GDP to address its socio-economic impact. Credit to the private sector nearly stagnated.

3. **The pandemic has heightened socio-economic fragility**.[3] The pandemic led to partial loss of income for 48 percent of businesses, scaling down of operations for 43 percent, and shutdown of operations for 19 percent.[4] Despite the government and development partners' relief programs, at least 9 out 10 people reported a decrease in income during the peak of the first wave of the pandemic (March-August 2020).[5] Rural populations, who mainly depend on agriculture, mostly lost market access due to border closures and the initial ban on local weekly markets (*Lumos*). Consequently, an additional 25,000 people (about 1 percent of the population) were pushed into extreme poverty.[6] Furthermore, the pandemic may cause long-term scars. For instance, the schools closure disrupted the education of most children across the country, especially the poor with very

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[1] The strong policies and macroeconomic performance were accompanied by close engagement with the IMF, from staff-monitored programs (2018–20) to an ECF arrangement (2020) and successful conclusions of two reviews under this arrangement (2021).

[2] The latest poverty rate shown in Text Figure 1 is based on the 2015 Integrated Household Survey (IHS), which is the most recent publicly available data. A new survey was conducted by the Gambia Bureau of Statistics in Q1 2021, but the results are not yet released.

[3] See Selected Issues Paper: "Towards a More Sustainable and Inclusive Post-Pandemic Recovery".

[4] Survey by the Gambia Chamber of Commerce and Industry (GCCI) and 3A's Solutions (a consulting firm).

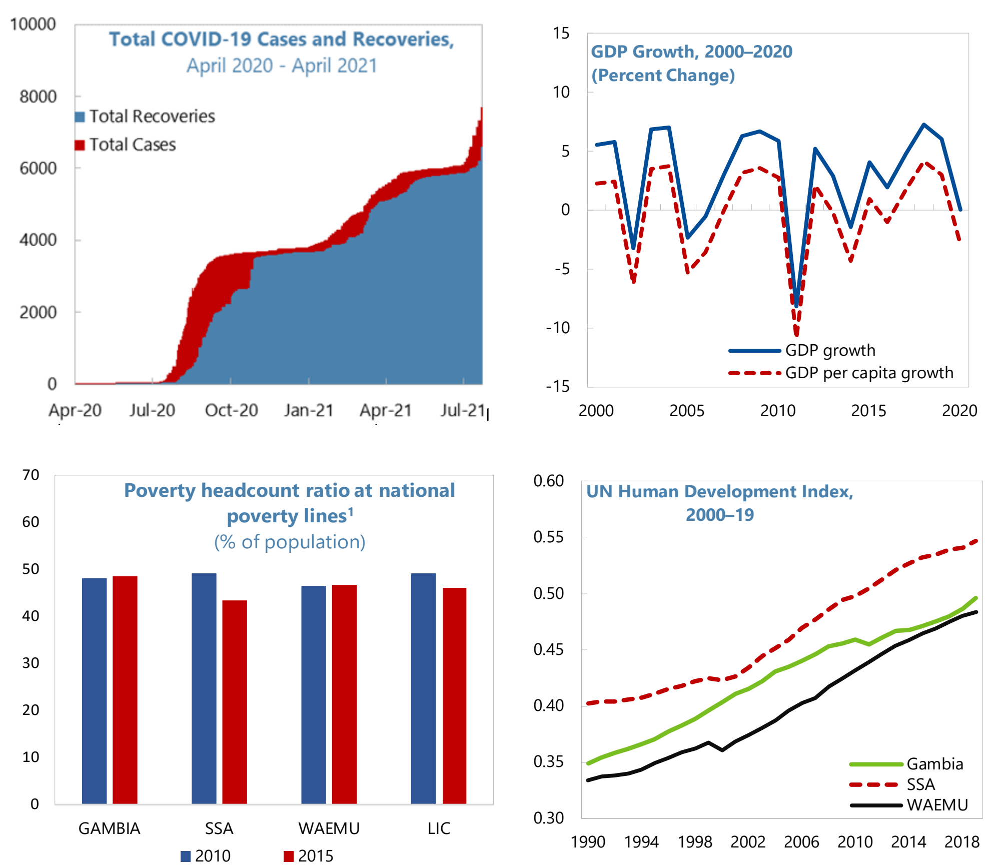
[5] Gambia Bureau of Statistics and World Bank's High Frequency Survey on the Impact of COVID-19 on Households in The Gambia.

[6] World Bank estimates based on the international poverty rate published in The Gambia Macro Poverty Outlook, October 2021.

limited learning opportunities due to the shift to distance learning that was impossible to implement for most schools. Maternal mortality also worsened.

4. **Preparations for a new electoral cycle are underway**. Presidential elections are planned for December 2021, and parliamentary elections for April 2022. The number of voters who have registered for those elections exceeded, by about 10 percent, the registered voters in the 2016 elections. Eighteen political parties are registered for the elections. Representatives of political parties in the Inter-Party Committee expressed support for the continuation of reforms under the ECF-supported program after the elections. Development partners and the civil society are promoting inter-party dialogue.

Text Figure 1. The Gambia: Fragility Indicators



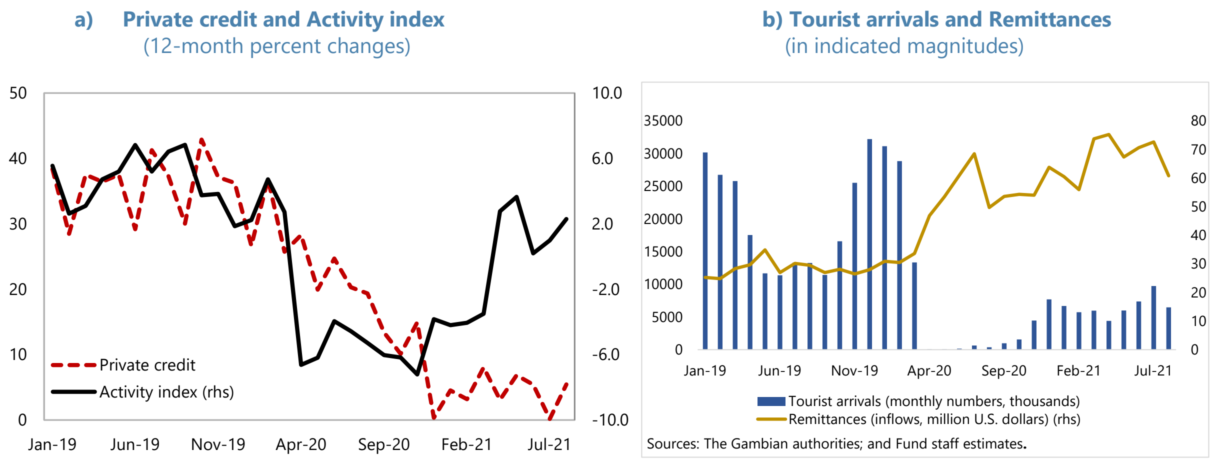
Sources: Johns Hopkins; United Nations; The Gambian authorities; and IMF staff estimates and projections.
[1]Average calculated using the most recent year available during the period specified.

RECENT DEVELOPMENTS: A FRAGILE RECOVERY

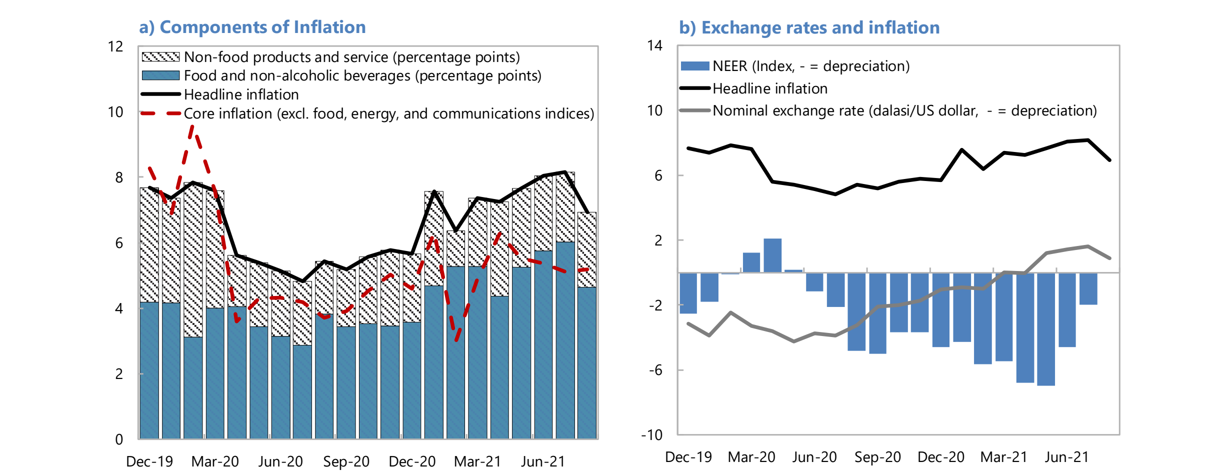
5. **The third wave of the COVID-19 pandemic is softening a budding economic recovery that started in late 2020** (Figures 1 and 3, Table 1, and Text Figures 2–3). The dip in tourist arrivals since March 2020 is narrowing; remittance inflows have continued at a record-high pace (reaching about US$300 million in the H1 2021, compared to about US$400 million during the full-year 2020);

and private credit rebounded by 5.8 percent (y-o-y) at end-August 2021. These developments have translated into an improvement in the CBG's composite index of economic activity. Nonetheless, the third wave of the pandemic has obstructed a vigorous recovery. Inflation accelerated to 8.1 percent (y-o-y) at end-June 2021, driven by increasing global food and fuel prices, pandemic-driven high freight costs, and a slight weakening of the dalasi relative to some major currencies. However, it abated to 6.9 percent (y-o-y) at end-August 2021. Core inflation followed a broadly similar pattern.

Text Figure 2. The Gambia: Economic Activity Indicators, 2019–21



Text Figure 3. The Gambia: Inflation and Exchange Rates, 2019–21
(12-month percent changes, unless otherwise indicated)



Sources: The Gambian authorities; and Fund staff estimates.

6. Budget execution in the first half of 2021 faced challenges but remained prudent (Tables 2–4 and Text Table 1). The delayed full recovery of economic activity, the fall in trade volumes, and the increase in freight costs hindered tax collections. The disbursement of a World Bank budget support grant expected in H1 2021 was delayed. Those adverse revenue developments were partly attenuated by tax arrears collection at the expiry of the tax moratorium extended to some SOEs and businesses in 2020; strong collection of custom duty and taxes on fuel products; and a significant decline in duty waivers (*i.e.* exemptions). The overall revenue shortfall relative to program projections was addressed by the authorities through a strict enforcement of cash management to align spending with available resources, which led to an execution of spending below program projections. As a result, the fiscal balance was broadly on target and net domestic borrowing remained below the program ceiling (after adjusting for the shortfall in budget support).

Text Table 1. The Gambia: Fiscal Performance in H1 2021

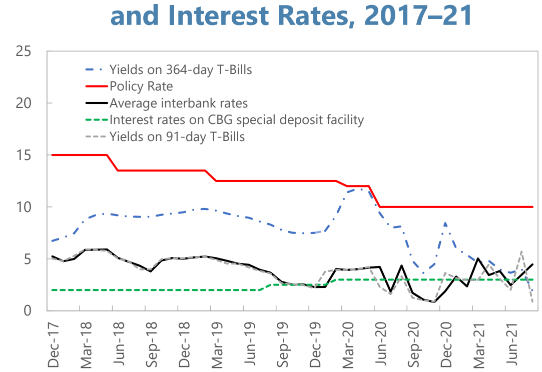
(January-June Cumulative, percent GDP)

	Prog.	Est.	Diff.
Revenue	**10.0**	**8.0**	-2.0
Domestic revenue	6.8	6.6	-0.2
Grants	3.1	1.4	-1.8
o/w Budget support	1.4	0.4	-1.0
Expenditures	**12.5**	**10.6**	-1.9
Expenses	8.2	7.2	-1.0
Capital expenditure	4.3	3.4	-0.9
o/w Domestic	1.6	1.3	-0.3
Net lending (+)/borrowing (–)	**-2.6**	**-2.7**	-0.1
Financing	**2.6**	**2.7**	0.1
Net domestic borrowing	0.5	1.1	0.6
RCF/ECF (Onlent)	2.1	1.3	-0.8
Other financing	0.0	0.3	0.3
o/w Foreign	0.8	1.5	0.7
Memorandum items:			
Primary balance	-1.3	-1.1	0.2
Domestic primary balance	-1.3	-0.1	1.2
Adjusted net domestic borrowing	1.4	1.1	-0.3

Sources: The Gambian authorities; and IMF staff estimates.

7. The Parliament approved in July 2021 a supplementary appropriation (SAP) to account for a revenue windfall without altering program parameters. The government received settlement payments of about GMD1.5 billion (1.4 percent of GDP) from British Petroleum's withdrawal of its exploration licenses. These resources have been allocated to the preparation of the presidential and parliamentary elections, purchases of ambulances, road construction, and anti-drug enforcement amid increasing illegal drug seizures. The 2021 program fiscal framework remains unchanged, including the floor on overall fiscal balance and the ceiling on net domestic financing.

Text Figure 4. The Gambia: Monetary Policy and Interest Rates, 2017–21

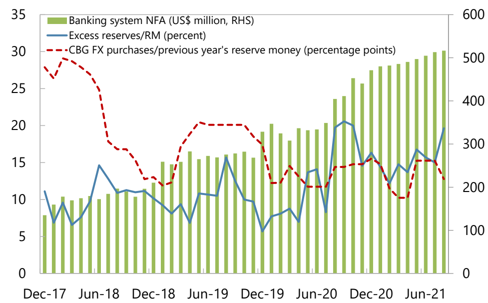


Sources: The Gambian authorities, and Fund staff estimates.

8. Monetary policy was appropriately expansive to support economic activity (Tables 1 and 5–7, and Text Figure 4). At its September monetary policy committee meeting, the CBG appropriately left the policy rate at 10 percent and the statutory reserve requirements at 13 percent. The policy has helped inject liquidity and narrow the interest rate corridor as the special deposit facility rate was kept unchanged from its pre-pandemic level. Reserve money expanded by 31 percent (y-o-y) at end-June 2021 and banks' excess reserves over the statutory requirement reached 15.7 percent of reserve money. Supported by the expansive policy stance, private credit expanded by 5.8 percent (y-o-y) at end-August 2021, compared to 0.8 percent at end-2020.

9. Foreign exchange reserves remain adequate; the dalasi has slightly depreciated against some major currencies but remain broadly stable against the US dollar (Tables 8–9, Text Figure 5). Preliminary data point to a rebound in exports of goods in H1 2021 compared to the same period in 2020, particularly for re-exports of oil, while tourism continued to be subdued. Apart from health-related imports, all other import categories dropped over this period. However, remittance inflows remained strong, boosting banking system net foreign assets and excess reserves. The CBG's presence in the FX market was limited and solely on the purchasing side to mobilize funds in anticipation of government's FX needs. Donor support and the IMF's US$85 million SDR allocation to the CBG at end-August 2021, helped strengthen gross official reserves by US$173 million to US$526 million (equivalent to 5.7 months of prospective imports) at end-September 2021. The dalasi has remained broadly stable relative to the U.S dollar (appreciating slightly by 0.9 percent y-o-y at end-August 2021) but weakened against other major currencies (an average 6.9 percent y-o-y depreciation over the same period).

Text Figure 5. The Gambia: FX Inflows and Excess Reserves, 2017–21



Sources: The Gambian authorities, and Fund staff estimates.

10. The financial sector is weathering the COVID-19 shock well, despite localized transitory balance sheet weakening (Figure 4 and Table 12). After some deterioration in December 2020 and March 2021, non-performing loans (NPLs) narrowed to 5.6 percent of gross loans in June 2021, with still high ratios in a few small banks. Some non-bank financial institutions also witnessed balance sheet weakening; NPLs in microfinance companies (MFCs) increased from 4.4 percent of gross loans at end-2019 to 9.5 percent at end-2020 and averaged 10.4 percent H1 2021, in the context of asset expansions that also helped financial inclusion. The banks and the MFCs remain liquid, profitable, and well capitalized, with the banking system's capital adequacy ratio at 28 percent at end-June 2021, compared to a statutory 12 percent; for MFCs, capital adequacy ratio reached 34 percent at end-June, compared to a statutory 20 percent.

PROGRAM PERFORMANCE

11. Program performance at end-June 2021 was satisfactory (MEFP¶¶11–12 and MEFP Tables 1 and 3).

- All quantitative performance criteria were met. The adjusted ceiling on net domestic borrowing and floor on net international reserves were observed with margins. The other four QPCs were also observed.

- Three out of four indicative targets were met. The ceiling on the CBG's credit to the central government on non-market terms and the ceiling on the CBG's net domestic assets were observed. The floor on poverty-reducing expenditure was just on target. The floor on domestic tax revenue was missed by 0.3 percent of GDP due to sluggish economic activity, including imports.
- One out of the three end-June 2021 structural benchmark (SB) was met. The authorities completed a roadmap for extending the coverage of the Integrated Financial Management Information System (IFMIS) to project and subvented agency accounts. Good progress was made on the two non-observed SBs, but they still need some technical work. The CBG prepared a draft bank stress testing framework, but it still requires further technical refinement. The authorities approved a tax expenditure policy memorandum and produced a draft GIEPA act, but the latter still needs to be agreed with all key stakeholders.[7] Those two SBs are proposed to be rescheduled to end-December 2021.

MACROECONOMIC OUTLOOK AND RISKS

12. The overall macroeconomic outlook is turning somewhat positive (Table 1 and Text Table 2). Barring an acceleration of the COVID-19 pandemic, economic activity is projected to expand by 4.9 percent in 2021 and strengthen further to an average of 6 percent per year in the medium term. In the baseline scenario, growth is predicated upon recovery in tourism. The increased availability of vaccines, despite vaccine hesitancy, and continued strong retail activity and remittance-financed private construction point to some optimism. The recent easing of travel restrictions in The Gambia and UK could also help on the upside. Inflation is projected at 6.5 percent for 2021, reflecting global commodity price increases and a strengthening of domestic demand as the economy rebounds, and to converge to the CBG's medium-term objective (5 percent) by 2024. The external current account is expected to deteriorate in the near term, owing to a sharp rise in imports linked to major infrastructure projects, and to improve in the medium term on the back of an eventual rebound in tourism and sustained inflow of remittances.

13. Risks to the outlook are tilted to the downside (Annex III and Text Table 2). Global resurgence of the pandemic could dampen tourism further (for 2021, a 9-percent decline relative to baseline) and reduce growth by two percentage points per year in 2022 and one percentage point per year for 2023–24. The resultant reductions in services export and income receipts would widen the current account deficit and reduce gross official reserves. On the fiscal side, softened economic activity under the downside scenario would lower tax intake while Covid-19-related spending increases, weakening the primary balance and increasing the public debt. In addition, potential continuation of global oil price increases, global supply chain disruptions, and high shipping costs could lead to higher import prices. Moreover, the upcoming presidential and parliamentary elections

[7] GIEPA: Gambia Investment and Export Promotion Agency.

could fuel socio-political tensions, with adverse impacts on the economy. The authorities should stand ready to re-prioritize expenditures to reduce resort to debt financing, recalibrate monetary policy, and bolster forex reserves should downside risks materialize.

Text Table 2. The Gambia: Key Macroeconomic Indicators, 2020–26
(in percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026
	Prel.			Projections			
Baseline							
Real GDP growth (percent)	-0.2	4.9	6.0	6.5	6.5	5.8	5.6
Tourist arrivals (percent change)	-62.2	0.9	6.7	7.8	7.8	6.4	5.9
Tax revenue	11.0	10.9	11.0	11.5	11.9	12.0	12.5
Primary balance	1.0	-1.2	-0.1	1.2	1.8	2.8	1.8
Domestic primary balance	-1.1	0.5	1.2	0.5	0.0	1.3	1.6
Current account balance	-3.2	-12.5	-16.0	-12.3	-10.7	-8.9	-9.3
PV of public debt	73.5	71.5	66.6	62.2	55.8	50.8	46.7
Gross official reserves (months of prospective import	4.7	5.4	4.9	4.7	4.6	4.3	4.0
Downside Scenario							
Real GDP growth (percent)	-0.2	3.0	4.0	5.5	5.5	5.8	5.6
Tourist arrivals (percent change)	-62.2	-9.0	2.0	5.5	5.5	6.4	5.9
Tax revenue	11.0	10.2	10.3	11.2	11.5	11.6	12.0
Primary balance	1.0	-2.2	-1.2	0.1	0.7	1.6	0.5
Domestic primary balance	-1.1	-0.4	-0.6	0.2	0.3	1.6	1.9
Current account balance	-3.2	-16.0	-18.0	-12.5	-11.9	-9.9	-10.2
PV of public debt	73.5	74.1	72.6	69.7	64.6	60.6	57.5
Gross official reserves (months of prospective import	4.7	5.3	4.7	4.3	3.9	3.5	2.9

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

POLICY DISCUSSIONS

Policy discussions were structured around three main areas, covering near-term program-related issues and medium-term Article IV-related policies, as follows: (i) measures to support near-term post-pandemic recovery and lay the foundations for medium-term inclusive growth; (ii) policies to address immediate COVID 19-related spending and development needs while reducing debt vulnerabilities in the medium term; and (iii) policies to sustain external and financial stability.

A. Post-Pandemic Recovery and Inclusive Growth[8]

In the Near Term

14. Containment of domestic spread of the COVID-19 pandemic remains paramount on the authorities' policy agenda to allow recovery of economic activity (MEFP¶1, Annex II, Tables 2–3). The authorities are accelerating vaccine roll-out and targeted relief to allow a full return of economic activity, despite vaccine supply constraints, hesitancy, and disrespect for covid

[8] More background analysis can be found in the Selected Issues Paper (SIP) on "Towards a more Sustainable and Inclusive Post-Pandemic Economic Recovery".

containment protocols especially among some sections of the urban population. Around 12 percent of the population above 18 years of age have received Covid-19 vaccines as of end-September 2021. The authorities are endeavoring to tackle vaccine hesitancy, through remarkable vaccination communication efforts across the country. While the authorities phased out most of the measures introduced at the early stage of the pandemic, the tax rebate on essential goods and the food distribution program are being pursued to support the population.

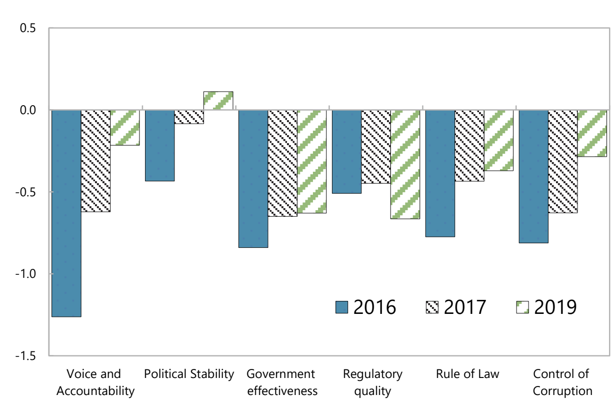
15. The authorities adopted a business reform program and are improving the targeting of social safety net programs (MEFP¶¶30-31)**.** Some key measures are envisaged or underway, to address key bottlenecks for private sector activities: facilitating the setting-up of new businesses; preparing a service-level agreement with the utility company NAWEC to reduce companies' waiting time for new electricity connection; putting in place a single window (web-based platform) to accelerate customs clearance—a project supported by the European Commission. The business registration fee will be reduced to minimize the cost of business creation. To better target the poor and most vulnerable population, the social registry will be expanded to additional six districts (**proposed SB for end-June 2022).**

From a Medium-Term Perspective

16. Strong policies on access to finance, digitalization, governance, support for women and youth, and climate-related issues will be necessary to ensure inclusive and sustainable medium-term growth (MEFP¶¶28, and 32–33). These will require:

- Expanding access to finance to help create jobs. The Gambia compares well with peers in terms of bank branch, ATM coverage, and microfinance. However, access to formal financial services is very limited at an estimated 30 percent, with only 5 percent of the population using bank service and 14 percent non-bank financial services. In this context, prompt finalization and implementation of the financial inclusion strategy would be needed.
- Unlocking the full potential of information and communication technology to enhance productivity. Considering that about 90 percent of Gambians live within 10 km off the fiber optic node and 98 percent of the population are covered by mobile cellular network, the country could greatly benefit from this existing digitalization infrastructure to drive socio-economic development. To this end, regulatory barriers could be progressively removed to foster competition and improve access, affordability, and reliability of services.
- Strengthening governance to improve the

Text Figure 6. The Gambia: Governance Indicators, 2016–19 [1]



Source: Worldwide Governance Indicators database.

[1] The estimates range from -2.5 (weak) to 2.5 (strong) for each performance indicator.

business environment.[9] Although The Gambia's scores are relatively low on various governance indicators, its performance has improved since the political transition in 2016-17. Progress is underway on the Anti-Corruption bill; it is expected to be adopted by the National Assembly by end-2021.[10]

- Addressing biases and barriers against women and youth to support growth and inclusiveness and address social inequality. Efforts on the ambitious legislative agenda, including on human rights, access to information, women enterprise, and gender discrimination should continue. Some preparations are underway to develop a gender-budgeting roadmap.
- Adopting climate-related policies to ensure sustainable development. The Gambia is highly vulnerable to the impact of climate change. Windstorms, floods, sea level rise, coastal erosion, and droughts have become more frequent and severe. According to Climate Action Tracker, an independent scientific analysis of government climate action and measures relative to the globally agreed Paris Agreement, The Gambia is the only country globally that has submitted plans deemed compatible with the goals of the Paris Agreement. In addition, The Gambia has adopted mitigation actions (including in the context of a Renewable Energy Act, 2013), and adaptation actions (including restoration of forests and mangroves) to address climate vulnerabilities.

Text Table 3. The Gambia: Gender Gap Indicators

	Gambia	Senegal	ECOWAS	Fragile	SSA
General					
Human development index ranking	172.0	168.0	...	...	...
Population growth	2.9	2.7	2.6	2.6	2.3
Fertility rate *(number of child per women)*	5.2	4.6	4.7	5.0	4.3
Economic participation and oportunity					
Ratio of female to male labor force participation rate	75.4	61.2	82.5	77.5	81.3
Wage equality for similar work (Normalised score)	0.8	0.7	0.7	0.7	0.7
Unemployment, (% of labor force) (national estimate) famale-male ratio	183.3	169.6	138.0	134.0	135.7
Unemployment, female (% of female labor force) (national estimate)	38.3	13.4	7.4	8.2	11.2
Unemployment, male (% of male labor force) (national estimate)	20.9	7.9	5.3	6.2	8.2
Educational Attainment					
Adult Literacy rate (% of people ages 15 and above) female-male ratio	67.3	61.4	67.6	73.9	82.5
Literacy rate, adult female (% of females ages 15 and above)	*41.6*	*39.8*	*41.3*	*48.5*	*59.8*
Literacy rate, adult male (% of males ages 15 and above)	*61.8*	*64.8*	*61.2*	*65.6*	*72.5*
Primary School enrollment (% net) female to male ratio	110.4	111.7	95.5	99.3	96.4
School enrollment, primary, female (% net)	*80.6*	*79.6*	*67.8*	*73.0*	*70.4*
School enrollment, primary, male (% net)	*73.1*	*71.3*	*70.9*	*73.5*	*73.0*
Health and Survival					
Maternal mortality rate	597.0	315.0	534.7	581.4	459.4
Birth attended by skilled health personnel	82.7	74.5	70.0	84.4	84.4
Political Empowerment					
Women in parliament	8.6	43.0	16.0	18.8	22.5
Women in ministerial positions	21.1	20.0	20.5	17.9	20.2

Sources: World Bank, UNDP; and IMF staff estimates and projections.

[9] The Gambia scores low on many global governance and transparency indicators, including the Worldwide Governance Indicators (WGI) published by the World Bank and the Global Competitiveness Report (GCR) published by the World Economic Forum. However, since the demise of the Jammeh's regime in January 2017, the social contract between citizens and the state has improved, with increased civil society participation. Most WGI (voice and accountability, political stability, government effectiveness, rule of law, control of corruption) have improved significantly since 2016. Similarly, The Gambia scored 45.92 points out of 100 on the 2019 GCR, reflecting an average annual improvement of 1.44 percentage points since 2017.

[10] Collaboration with the IMF could support this reform, in the context of a governance diagnostic mission planned after the presidential elections.

Authorities' Views

17. **The authorities recognize the need to support an inclusive post-pandemic recovery and broadly agree with staff's recommendations.** They recalled the measures they immediately undertook at the onset of the pandemic to contain its spread and support livelihoods. They agreed on the need to address the obstacles to private sector development, unlock the potential of digitalization, empower women, and build resilience to climate change. They reiterated their commitment to ensure targeting of government support and resist an across-the-board blank-check allowances. They cited some progress already underway on financial inclusion and digitalization, such as digital money transfer, including of public sector salary payments. They also mentioned some measures implemented by the government to alleviate the impact of the pandemic on women.

B. Immediate Spending Needs and Debt Sustainability

In the Near Term

18. **The authorities have committed to remain within the 2021 program fiscal parameters despite pressing challenges** (MEFP¶17). The end-December 2021 fiscal targets are within reach.

- **Challenges:** Revenue collection in H1 2021 underperformed. Due to delays in reforms necessary to unlock support from development partners, the disbursement of US$20 million World Bank budget support grant is postponed to 2022, and two out of five tranches of the European Union's EUR13.5 million budget support grant will also likely be postponed to 2022. Expanding vaccine coverage, including mass communication and logistics, has proven costly. Continuing some pandemic-related measures (including the tax rebate on essential goods and the social safety net programs) will weigh on budget execution.
- **Mitigating factors and measures:** Revenue collection nonetheless improved in early H2 2021. The Gambia is receiving vaccine support from the COVAX initiative, the World Bank COVID-19 grant, and bilateral partners (Senegal, France, and the USA). The authorities intend to accelerate the sale of public assets stolen by the previous regime, following a recent favorable court ruling on the issue. They will make efforts to fast-track reforms required to unlock disbursements from donors, including the public procurement act. The authorities are strengthening their tax exemptions policy: (i) the Cabinet approved a memorandum on Tax Expenditure Policy (TEP) to improve governance and define clear responsibilities and criteria for the approval and enforcement of tax expenditures; (ii) a consultant has been hired with World Bank support, to help implement the recommendations of the IMF TEP mission; and (iii) collaboration between the Gambia Revenue Authority (GRA), GIEPA, the Ministry of Trade, and the Ministry of Finance and Economic Affairs (MoFEA) has been reinforced to ensure a holistic approach to the control of tax exemptions. Reflecting these measures, duty remissions and exemptions declined to 0.9 percent of GDP during January-August 2021, compared with 2.5 percent of GDP and 2.8 percent of GDP during the same period in 2020 and 2019, respectively. Finally, strict cash management has underpinned the observed spending restraint; spending execution stood at about 41 percent of the full-year budgeted envelop at end-June 2021, compared to an average

of about 47 percent in previous years.

19. The 2022 budget, approved by the National Assembly, features some consolidation while providing adequate space to support the post-pandemic recovery (MEFP¶19 and Text Table 4). The timid and fragile economic recovery calls for a careful balancing of fiscal support to the economy and fiscal consolidation to reduce debt vulnerabilities. Current projections, underpinned by the budget, show an overall fiscal balance of about 3 percent of GDP, with an improvement of about 1 percentage point of GDP on both the overall and the primary fiscal balances, relative to 2021. The projections show a relaxation of 1 percentage point of GDP relative to the projections at the time of the second ECF review to address primarily COVID-19 pandemic-related spending. Under current projections, public debt would decline by about 4 percentage points of GDP in 2022; the PV of public debt would fall below the 55-percent of GDP indicative threshold in 2025, a year later than projected at the time of the second review.[11] The draft budget includes some one-off revenue and financing sources that are allocated for one-off spending items and projects. This draft 2022 budget was submitted to the National Assembly (prior action) and approved by the latter. Its main components are as follows:

- **Revenue**: Uncertainties related to the upcoming presidential and parliamentary elections in the context of a still sluggish economic recovery, are expected to adversely impact the domestic revenue base in 2022. Tax revenue is projected at 11.0 percent of GDP, supported by strong revenue administration measures, including use of the electronic payment platform and an upgraded tax registry, more frequent tax audits and data matching to ensure compliance (particularly in the commercial real estate sector where a Rental Property Survey has been conducted) and the continued rationalization of tax exemptions initiated in 2021 (as elaborated above). Nontax revenues are projected at 4.2 percent of GDP, boosted by a one-off US$30 million (1.4 percent of GDP) receipt from the petroleum sector and further sale of stolen assets. The World Bank's US$20 million and the

Text Table 4. The Gambia: Key Fiscal Indicators, 2021–22

(in percent of GDP)

	2021		2022
	Prog.	Proj.	Budget
Revenue	**22.2**	**20.8**	**25.8**
Domestic Revenue	14.2	14.8	15.2
o/w Taxes	11.2	10.9	11.0
Grants	8.0	5.9	10.6
o/w Budget support	2.4	1.0	2.3
Expenditures	**26.3**	**24.8**	**28.8**
Expenses	15.9	15.2	15.0
Compensation of employees	4.8	4.5	4.4
Use of goods and services	3.9	3.6	3.4
Interest	2.7	2.8	3.0
Subsidies	4.5	4.3	4.2
Capital investment	10.5	9.6	13.8
Net lending (+)/borrowing (–)	**-4.1**	**-4.0**	**-3.0**
Financing	**4.1**	**4.0**	**3.0**
Net acquisition of financial assets	-0.2	-0.2	0.8
Net incurrence of liabilities	4.3	4.2	2.3
Domestic	2.5	2.8	1.1
Net borrowing	1.2	1.2	0.6
RCF/ECF/SDR (Onlent)	2.2	2.1	0.9
Change in arrears	-0.9	-0.5	-0.4
Foreign	1.7	1.4	1.2
Exceptional Financing (DSSI)	0.1	0.0	0.0
Statistical discrepancy	0.0	0.0	0.0
Memorandum items:			
Domestic primary balance	-1.1	0.5	0.5
Primary balance	-1.4	-1.2	-0.1

Sources: The Gambian authorities; and IMF staff estimates.

[11] This delay is partly due to some revisions of public debt service data from the authorities, following recording verification of the 2019 deferrals and updated information from creditors.

European Union's EUR5.4 million budget supports have been shifted from 2021 to 2022, while the World Bank indicated that they are no longer planning an additional budget support of US$15 million originally envisaged for 2022.

- **Spending**: the budget comprises a provision of one billion dalasi for pandemic-related spending, including for vaccination logistics, the running of the COVID-19 hospitalization centers, medical supplies, and other potential pandemic-driven needs. At 2.6 percent of GDP, domestically financed investment is expected to be only marginally below its 2021 level, with over half reserved for completion of the Banjul Rehabilitation Project and the Bertil-Harding Highway. These one-off infrastructure projects are undertaken in preparation for the conference of the Organization of Islamic Cooperation (OIC).
- **Financing:** The net domestic borrowing of GMD 659 million (0.6 percent of GDP) should allow sufficient space on the domestic financial market for private sector credit. The budget financing also includes anticipated proceeds from a one-off privatization (for which preparations are advanced). Finally, the budget uses US$20 million from the US$85 million SDR general allocation to The Gambia; this use of the SDR allocation allows to create space in the 2022 budget to address pandemic-related spending for a similar amount (Text Table 5).

Text Table 5. The Gambia: COVID-19 Spending, 2020–22
(in percent of GDP)

	2020	2021	2022
		Projections	
Prevention, containment, and management	1.5	1.0	1.0
Support to households	1.2	0.0	0.0
Support to businesses, SOEs, government entities	0.9	0.0	0.0
Total additional spending	**3.6**	**1.0**	**1.0**

Sources: The Gambian authorities; and IMF staff estimates.

20. **Structural measures are envisaged to support the 2021 and 2022 fiscal frameworks, despite hurdles in a few areas** (MEFP ¶¶18, 26–27 and MEFP Tables 3–4). Revenue administration reforms are anchored on the GRA's 2020-24 Corporate Strategic Plan, which builds on the recommendations from the IMF's 2018 Tax Administration Diagnostic Assessment Tool (TADAT). PFM reforms are based on the 2019 public investment management assessment (PIMA). Various measures are being implemented or planned.

- **Revenue administration:** the legal framework governing business incentives under the GIEPA act will be revised in line with the tax expenditure policy to help streamline further tax expenditures (unobserved end-June 2021 SB, **proposed reset to end-December 2021**). A taxpayer charter will be adopted to improve the GRA's relationship with taxpayers and boost tax compliance (**proposed SB for end-June 2022**). An accurate tax ledger for the large taxpayers will be approved to support collection **(proposed SB for end-September 2022)**. At least five companies holding special investment certificates (SIC) will be audited to verify tax exemptions (**proposed SB for end-December 2022**).
- **Public financial management** (MEFP ¶21)**:** to press ahead with reforms, and considering the stalled constitutional review, the authorities intend to align the draft SOE bill to the existing

constitution to allow its submission to Parliament as envisaged under the program **(SB end-December 2021)**. In addition, the authorities intend to further strengthen transparency and accountability in SOEs and are committed to publish financial statements of SOEs for the financial years that have been audited and approved by Parliament **(proposed SB end-December 2021)**. Some key financial indicators will be identified to monitor the performance of some main SOEs. The signing of performance contracts with MoFEA will be extended to three additional key SOEs, including targets on key operational and financial indicators **(proposed SB for end-September 2022)**. Moreover, the new Directorate of SOE oversight within the Ministry of Finance should be operationalized to improve the monitoring of the SOE sector, and cross debts among key SOEs will be clarified to accurately assess each SOEs' financial performance. While the process is underway on the preparation of the Public Finance bill, its finalization will likely be delayed due to procedural and capacity constraints (**SB proposed to be reset from end-December 2021 to end-June 2022**). Despite the recent delay at the National Assembly, the authorities intend to request another fast-tracking procedure to approve the public procurement (GPPA) act.

- **COVID-19 spending** (MEFP ¶2)**:** The authorities are delivering on their commitments to full transparency of COVID-19-related spending. They published a list of all COVID 19-related procurement contracts and their beneficial owners up to end-June 2021. The National Audit Office (NAO) has completed the first phase of an ex-post audit of COVID-19 spending and it is now well advanced on the second phase of the audit. The reports from those two audits are expected to be published (**proposed SB for end-March 2022**). The amount of COVID-19-related spending is published in the monthly budget execution reports for 2020; the authorities plan to resume this publication from October 2021, after clarifying some accounting issues. These transparency measures will be extended to pandemic-related spending in 2022.
- **Reforms to unlock donors' support** (MEFP ¶18): some important disbursements are postponed due to delays in completing the related triggers. The authorities are committed to fast-track the related reforms. To unlock the delayed World Bank budget support, the government submitted the GPPA act to the National Assembly and will request another fast-tracking of its approval. For the EU budget support, the government completed the trigger related to the revision of the voters list; they are making progress on triggers related to the finalization of the audit of the government's 2019 financial statements and the submission to National Audit Office of the 2020 financial statements. However, the completion of triggers on seats for female candidates at the National Assembly and on the Vetting bill may be delayed. The government committed to make all necessary efforts to complete these reforms.

From a Medium-Term Perspective[12]

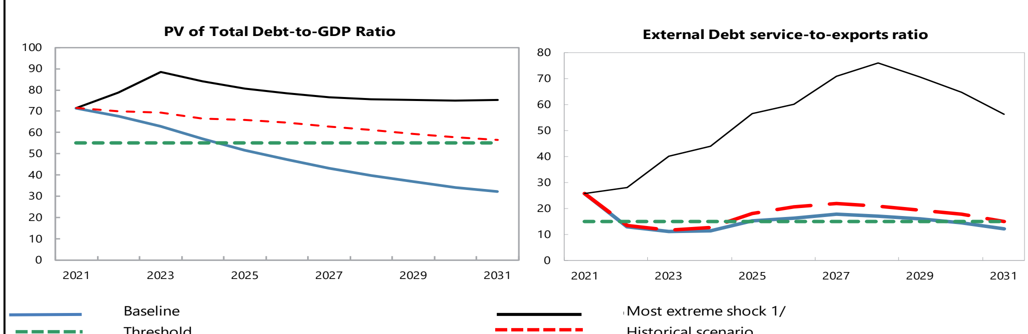
21. Advancing strong and inclusive growth will require narrowing the large socio-economic infrastructure gap (MEFP ¶¶26–27 and SIPs 2–3). While The Gambia fares slightly better than the average SSA country on some infrastructure indicators, particularly when assessed against

[12] Detailed background analysis is presented in the two selected issues papers on "Financing the Infrastructure Gap" and "Reaping Benefits from Large Infrastructure Projects."

each country's level of development, ensuring universal access to some basic services remains a challenge. For instance, close to 40 percent of the population lacks access to electricity and more than 30 percent lacks access to safe drinking water. Staff estimates that, under current and planned policies, the infrastructure gap relative to the level needed to achieve the Sustainable Development Goals (SDGs) in 2030 in three areas (electricity, roads, and water and sanitation) would amount to about 15 percent of GDP. Considering the country's investment spending efficiency, the initial capital stock and the capital depreciation rate, this estimate translates into an average additional annual investment need of about 5.3 percent of GDP in 2021–30. The authorities are making efforts to narrow the infrastructure gap, including through large infrastructure projects for the hosting of the OIC summit and the expansion of the Banjul port.

22. The authorities face a difficult trade-off between immediate financing needs and medium-term debt vulnerabilities (MEFP ¶20). Results from the Debt Sustainability Analysis (DSA) indicate that The Gambia's overall and external debt distress risk ratings remain high. The public debt continues to be deemed sustainable, as in the previous DSA. Temporary breaches of the indicative thresholds for the external debt service indicators remain, reflecting weak export projections in the early years and the expiration of the debt deferrals in later years.[13] Data reconciliation efforts with bilateral creditors resulted in an upward revision to debt service payments (a cumulative increase of about 4 percent of GDP in 2021-30) and the stock of external debt (by 6.1 percentage points of GDP in 2020) (Table 11). To minimize such revisions going forward and address shortcomings on debt data, the authorities will increase the frequency of data reconciliation exercises with creditors from annual to bi-annual.[14] They will also improve coordination between the debt directorate and managers of foreign-financed projects to ensure that their disbursement requests are processed through the debt directorate and disbursements are systematically communicated to the latter.

Text Figure 7. The Gambia DSA: Indicators of Total Public and External Debt



1/ The most extreme stress test is the test that yields the highest ratio in or before 2031.
Sources: The Gambian authorities; and IMF staff estimates

[13] The Gambia has benefitted from debt service relief from both bilateral and multilateral creditors since the onset of the pandemic. The authorities have requested an extension of the DSSI through end-December 2021. Additionally, the extension of the CCRT relief through October 2021 would reduce The Gambia's external debt service owed to IMF by SDR 1.9 million. The authorities are disputing debt service liabilities to Libya due to a disagreement over the amount owed; discussions are underway. They are in good faith discussions with Venezuela to resolve outstanding arrears, but international sanctions have frustrated progress.

[14] The authorities noted that they have experienced delayed responses from creditors on their requests.

23. Addressing the trade-off between spending needs and debt sustainability calls for strong policies, including on domestic revenue mobilization and spending efficiency (MEFP ¶20). Policy options would consist of a combination of domestic revenue mobilization, higher public spending efficiency, collaboration with development partners, enhancement of private sector financing, and prudent borrowing. Staff estimates that tax collection efforts in The Gambia are about 6-16 percent below the best performing peer countries; improving domestic revenue mobilization could cover 1-1.5 percent of GDP, out of the additional annual financing need of 5.3 percent of GDP. Strengthening spending efficiency could also help cover a similar magnitude in the financing need. Through a benchmarking of spending efficiency against best performing peer countries, staff's analysis shows that educational outcomes in The Gambia could be improved by about 10 percent with unchanged amount of spending and public investment outcomes could be improved by 10-13 percent. To this end, the authorities plan to strictly enforce the selection and prioritization of public investment projects by the strategic review board, expand its mandate to cover both domestically and foreign-financed projects, and ensure a positive opinion before their inclusion into the budget.[15] It would be paramount to follow through on this commitment. Moreover, good progress is made on the digitalization of procurement processes, the standardization of the legal and regulatory framework in procurement process, and the unification of procurement contracts system over all the MDAs and public sector entities. The share of public contracts awarded on single sourcing and request for proposal has been reduced significantly; most contracts are currently awarded based on "restricted tender". The list of all awarded public procurement contracts in 2021 is published, including the beneficial ownership. Measures to minimize fiscal risks and maximize long-term growth benefits from the large infrastructure projects should be implemented, particularly for those developed for the OIC conference. The pension and pay reforms are also expected to support medium-term fiscal sustainability. The agreed borrowing plan should be followed, including by seeking concessional financing (preferably grants) for projects foreseen to help narrow the infrastructure gap.

Text Table 6. The Gambia: Revised External Borrowing Plan, 2020–23

(in million U.S. dollars)

External public debt contracted or guaranteed	Volume of new debt (US$ million)								
	2020	2021		2022		2023		2020–23	
	Act.	Prog. (1st Review)	Proj.	Prog. (1st Review)	Proj.	Prog. (1st Review)	Proj.	Prog. (1st Review)	Proj.
Source of debt financing									
Total debt contracted	12	115	40	40	115	40	40	207	207
Concessional debt	12	100	40	40	100	40	40	192	192
Multilateral debt	0	80	20	20	65	20	20	120	105
Of which: Port expansion	0	50	0	0	50	0	0	50	50
Bilateral debt	12	20	20	20	35	20	20	72	87
Nonconcessional debt[1]	0	15	0	0	15	0	0	15	15
Use of debt financing									
Infrastructure	12	115	40	40	115	40	40	207	207
Of which: Port Expansion	0	65	0	0	65	0	0	65	65
Other (including budget support)	0	0	0	0	0	0	0	0	0

1/ The nonconcessional debt is part of a concessional financing package for the port expansion.

Sources: The Gambian authorities; and IMF staff estimates

[15] The process was initiated under the 2022 budget.

Authorities' Views

24. **The authorities concur with staff's recommendations on fiscal policy and acknowledge the need to appropriately balance financing needs and debt vulnerabilities.** They noted that The Gambia has pursued strong fiscal discipline before and during the pandemic period. They highlighted the use of strict cash management, aligning spending with available resources, as a main policy tool to enforce fiscal discipline. They reiterated their commitment to enhance domestic revenue mobilization and spending efficiency. They will draw on their experience from the hosting of the African Union summit in 2006 to minimize fiscal risks and maximize economic benefits from the large infrastructure projects for the OIC conference. They are inviting the private sector to be involved in infrastructure projects. They reaffirmed their commitment to adhere to the agreed borrowing plan and rely primarily on grants and highly concessional borrowing to finance the infrastructure gap.

C. Maintaining Financial and External Stability

In the Near Term

25. **Monetary policy will have to carefully balance the trade-off between supporting the post-pandemic recovery and taming inflation** (MEFP ¶¶22–24). Given the slight easing of inflation pressures in August (after some inflation acceleration in H1 2021) and the still fragile economic recovery, the accommodative monetary policy stance should remain unchanged in the near term. However, if inflation pressures re-emerge, liquidity remains ample, and private credit grows robustly, the monetary policy stance should be tightened, starting by tempering the central bank's forex purchases to moderate liquidity injection and increasing the deposit facility rate to narrow the spread from the overnight lending rate. The CBG should continue to strengthen oversight and capacity in accordance with the recommendations from the IMF's 2020 safeguards assessment.

26. **Financial sector policies should continue to focus on ensuring efficient financial intermediation** (MEFP ¶23, Table 12, and Figure 4). Balance sheet weakening at the wake of the COVID-19 pandemic has moderated, paving the way for resumption of a healthier financial intermediation. In this context, the CBG could review the financial situation of banks and non-bank financial institutions (NBFIs), for greater understanding of the impact of the pandemic, withdraw progressively the remaining (albeit limited) case-by-case supervisory forbearance, and strengthen its crisis preparedness. The CBG plans to complete by end-December 2021, the development of an internal framework as a guide to banking sector stress testing in line with the 2019 Financial Sector Stability Review (FSSR) recommendations (unobserved end-June SB, **proposed to be reset to end-December 2021**). The CBG intends to continue strengthening risk-based supervision of banks, with the assistance of AFRITAC West2 and the resident advisor; and conduct balance sheet stress tests of two banks to inform risk preparedness (**proposed SB for end-September 2022**). Finally, the CBG is shoring up its macroprudential policy preparedness.

27. **Efforts should be pursued on Anti-Money Laundering and the Combating of Financing**

of Terrorism (AML/CFT) framework (MEFP ¶29)**.** While awaiting the GIABA's (the Inter-Governmental Action Group against Money Laundering in West Africa's) assessment of the second mutual evaluation report on the CBG's AML/CFT framework and practices, the CBG is (i) strengthening AML/CFT risk-based prudential supervision of banks, and (ii) enhancing and digitizing the suspicious transactions AML/CFT reporting regime.[16] In this context, it has set up a specialized unit at its financial services department to focus on AML/CFT issues, and it is strengthening the capacity of the financial intelligence unit (including for an eventual membership of the Egmont Group). These moves will support commercial banks' already established arrangements, including with a few African and European banks. In parallel, affected banks have largely resolved the foreign exchange cash transport problems that originated from Travelex Inc. problems in late 2019 and got complicated by global travel bans at the onset of the COVID-19 pandemic.

From a Medium-Term Perspective

28. The external position of The Gambia is broadly in line with economic fundamentals and desirable policies (Annex IV). Staff's analysis points to an insignificant undervaluation of the Dalasi. Nonetheless, the current account balance is expected to deteriorate sharply in 2021 and 2022, on the back of subdued recovery in tourism and increased imports related to large infrastructure projects. The persistent current account deficits, including lower-than-expected current transfers (especially budget support grants), the upcoming expiry of debt service deferrals, and the protracted COVID-19 shock, is expected to exacerbate pressure on foreign exchange reserves and debt sustainability. Furthermore, continuation of the recent record-high remittance inflows and the evolution of FDI are subject to uncertainty. Thus, while the level of external reserves is considered adequate, considering these external balance risks, the authorities should maintain a flexible exchange rate regime and maintain or strengthen external buffers. Saving a part of the SDR allocation of US$85 million can help in this respect. The Gambia has neither placed any restrictions on the making of payments or transfers for current international transactions nor put in place any multiple currency practices.

Authorities' Views

29. The authorities broadly agreed with staff's assessment of the external position and reiterated their commitment to a flexible exchange rate regime and maintenance of adequate foreign exchange reserves (MEFP ¶25). They agreed to ensure a strong reserve position in anticipation of the government's prospective demand for foreign exchange to meet debt service obligations, particularly at the expiry of the 2019 debt deferrals. The CBG will save a large portion of the SDR allocation (after on-lending US$20 million to the Treasury for the latter to meet one-time financing needs in the current COVID context), allowing gross official reserves to reach about 5 months of prospective imports in 2021-22. They reiterated that the CBG's minimal intervention in the forex market would be limited to preventing disorderly volatility and, if warranted, to anticipate

[16] The GIABA's second mutual evaluation report on the Gambia's AML/CFT framework and practices is expected in 2022.

government's prospective forex transactions. They underscored the absence of exchange restrictions and multiple currency practice.

DATA ISSUES AND CAPACITY BUILDING

30. Data provision is broadly adequate for surveillance and program review (TMU Table 2). The authorities' endeavor to provide weekly data on some key indicators under the ECF-supported program is remarkable. However, further efforts are needed to bolster data collection and reconciliation, both for debt as well as external sector statistics. With IMF support, the compilation of national accounts and price statistics and the provision of monetary and interest rate data have improved. Lingering problems, including data quality, submission delays, and economic survey financing shortfalls, could hamper the comprehensiveness and timeliness of future assessments and program reviews.

31. Capacity development will continue to help bolster institutional capacity, including for policy design and timeliness of data provision (Annex V). Ongoing support from STA and AFRITAC West2 will be key to improving data quality. The EU-funded resident advisors at MoFEA and the GRA are playing pivotal roles in helping sharpen institutional capacity at these institutions, while also helping the authorities meet data reporting requirements for program monitoring. The upcoming resident advisor for the CBG will support the central bank's efforts to strengthen banking supervision and crisis preparedness.

Authorities' Views

32. The authorities intend to further strengthen data collection and appreciate the role of technical assistance in helping economic policy design and implementation (MEFP ¶34). The authorities plan to allocate adequate funds to macroeconomic statistics production, including the financing of economic surveys. They have committed to improving debt data by initiating a bi-annual data reconciliation exercise with creditors and coordinating with managers of foreign-financed projects to ensure that processed disbursements are systematically communicated to the debt management office. They are thankful for the placement of resident advisors at the MoFEA and the GRA, and plan to continue to avail themselves of their expertise to strengthen revenue mobilization, budget execution, and public investment management. The CBG appreciates technical assistance on monetary forecasting as well as the hiring of a resident advisor on banking supervision.

PROGRAM MODALITIES AND OTHER ISSUES

33. Program reviews: performance will continue to be assessed through semi-annual reviews (Table 14 and MEFP Tables 2 and 4). In exception of the floor on the Net International Reserves, which is proposed to be increased on account of the general SDR allocation, the program maintains all the other quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2021 as set in the second ECF review. Staff proposes new QPCs and ITs for 2022. Assessments of the authorities' performance relative to the QPCs at end-December 2021 and end-June 2022 will form the basis for the fourth and fifth ECF reviews, respectively. Staff also proposes postponing or setting new SBs for end-December 2021 and for 2022.

34. SDR allocation: The Gambia received an SDR allocation equivalent to US$85 million (or about 4.5 percent of GDP) at end-August 2021. The authorities will use US$20 million (or about 1 percent of GDP) to address financing needs in the 2022 budget in the context of COVID-19 pandemic.[17] The use of the SDR allocation will help limit the resort to borrowing from the banking system and will help contain crowding out of financing to the private sector, which should support the burgeoning post-pandemic economic recovery. This SDR amount will be on-lent by the Central Bank of The Gambia to the Government based on Article 84 of the Central Bank act. A legally binding memorandum of agreement will be signed by the two parties, which stipulates the terms and conditions of the loan and also ensures the financial autonomy of the Central Bank. The remainder of the general SDR allocation will be saved to strengthen external reserves.

35. Balance of Payment needs: The Gambia received strong donor and private inflows in 2020, helping boost reserves to an adequate level. However, given the prospective financing needs, and related downside risks, it is important for The Gambia to maintain strong FX reserves. Prospective needs arise from a widening of the current account deficit amid economic recovery and large infrastructure projects while annual debt servicing needs will double from about US$55 million during 2022–25 to about US$105 million (3-4 percent of GDP) in 2026–30. A protracted COVID-19 pandemic and shortfalls in official transfers could lead to additional financing needs. Under the baseline scenario, the financing gap is estimated to be approximately US$151 million in 2021 and average around $62 million in the remaining two years of the program. Nearly 30 percent of this gap is estimated to be covered by Fund financing in 2021, while the proportion of IMF's share declines to 17 percent in 2022 and to 2 percent in 2023.[18] The Fund program also has a catalytic role in attracting financing from other donors during this period, with their financing amounting to 10, 80 and 85 percent of the total financing gap in years 2021, 2022 and 2023 respectively.[19]

36. Capacity to repay: The Gambia has a substantial exposure to the Fund in terms of GDP, revenues, and exports relative to past UCT-quality arrangements for LICs. Nonetheless, The Gambia's capacity to repay the Fund is adequate, broadly unchanged from the time of program approval (Table 13). Total obligations to the Fund are projected to rise over the medium term, peaking around an average of SDR 14 million in 2027–28, which corresponds to about 3 percent of exports of goods and services. The Gambia has demonstrated a satisfactory track record of servicing their debt obligations to the Fund. The program design is anchored on strong policies and the authorities are making efforts to implement those policies despite the difficult pandemic context. The

[17] This approach would allow to finance the 2022 budget deficit while keeping the borrowing from the domestic banking system broadly unchanged from the 2nd ECF review. Although the SDR lending will increase nominal domestic debt, the loan conditions will likely be more favorable than other domestic or external sources.

[18] The Fund disbursement related to the conclusion of the 3rd ECF review will help fill the balance of payments financing gap and will not be used for budget support.

[19] The seemingly low share in 2021 is due to the important amount of SDR allocation.

authorities are committed to introduce contingency measures as needed to achieve program objectives.

37. Program risks and mitigation measures: A protracted COVID-19 pandemic could delay tourism recovery and weaken economic activity further, increase fiscal and balance-of-payments financing gaps, and strain the financial sector. The government's ambitious infrastructure plans pose risks to the fiscal strategy and debt sustainability. These risks underscore the need to build further external buffers, including saving the bulk of the SDR allocation, strengthen fiscal prudence, and better prioritize investment projects.

38. Political assurances: The presidential and parliamentary elections in December 2021 and April 2022, respectively, could disrupt reform momentum and weaken the implementation of the ECF-supported program. To address this risk, staff discussed with the Inter-Party Committee (IPC) of all 18 political parties in The Gambia, including those presenting candidates for the presidential and parliamentary elections. IPC members officially represent their parties and their candidates' views. Staff also discussed with the two National Assembly committees in charge of Public Enterprises and Finance. All those political stakeholders expressed support for the continuation of reforms under the ECF-supported program after the elections, including the overall goals and key policies under the program.

39. Financing assurances (Table 10 and Annex VI): The program is fully financed with firm commitment of financing for the next twelve months and with good prospects of being fully financed for the remainder of the arrangement, based on information received from development partners. The authorities reaffirmed their commitment to continue efforts to re-engage with Venezuelan authorities to resolve any outstanding arrears; the re-engagement is contingent on the status of international sanctions. With regards to arrears to Libya, the Gambian authorities are disputing debt service liabilities due to a disagreement over the amount owed and are in the middle of ongoing discussions with the Libyan authorities to resolve the outstanding arrears in an amicable manner. The most recent exchange between the Gambian and Libyan authorities was in May-June 2021. While the terms on the outstanding balance with Libya have yet to be agreed upon, a reasonable projection of these amortization payments has been factored into the Fund-supported program baseline.

40. Safeguards assessment: The IMF completed a safeguards assessment of the CBG's operations in July 2020 (MEFP ¶24). Despite some delays due to capacity, the CBG has implemented most of the key recommendations, including appointment of additional members of the audit committee and a director for the Internal Audit Department (IAD). The IAD continues to review program monetary data submitted to the Fund at test dates. The CBG has also updated the audit committee charter to strengthen oversight of the central bank. Further, the CBG has transferred all foreign exchange cash handlings to the purview of a newly established Currency Department and has committed to expeditiously complete all outstanding recommendations, including re-aligning their investment policy and guidelines with leading practices to safeguard the central banks' growing international reserves.

STAFF APPRAISAL

41. Although the economy is showing some signs of recovery, the third wave of the pandemic in mid-2021 has obstructed a vigorous rebound. The dip in tourist arrivals is narrowing; remittance inflows have continued at a record-high pace; and credit to the private sector has resumed. However, the third wave of the pandemic in mid-2021 has softened the recovery. Economic growth is projected at 4.9 percent in 2021, compared with -0.2 percent in 2020. Following COVID-19 vaccination supply supported by COVAX, World Bank, and Senegal-US-French governments, combined with remarkable communication by the authorities to address vaccine hesitancy, the vaccination rate currently stands at 12 percent of the adult population. The number of new COVID cases has dropped to almost nil in recent weeks.

42. Performance under the ECF-supported program is broadly satisfactory despite the challenging COVID-19 context. All quantitative performance criteria at end-June 2021 were met. Budget execution was in line with the program as the government is strictly enforcing cash management to align spending with available resources. Significant forex inflows, coupled with the recent SDR general allocation, helped boost reserves to more than 5 months of imports at end-September 2021. One out of three structural benchmarks was completed, namely on the use of the financial management information system. The authorities are making efforts to complete the other reforms on frameworks for streamlining tax expenditure and conducting bank stress testing.

43. Fiscal policy will need to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. The COVID-19 vaccination campaign will require sufficient resources. The weak revenue collection should be attenuated by continued streamlining of tax exemptions and strong revenue administration measures. Spending should be well prioritized by containing SOE subsidies and expanding the scope of the investment project selection criteria as the authorities endeavor to narrow the infrastructure gap and complete large infrastructure projects for the OIC conference. The authorities committed to adhere to the agreed borrowing plan and seek grants and concessional financing for infrastructure projects to help reduce debt vulnerabilities. The authorities plan to use US$20 million from the IMF's US$85 million general SDR allocation to The Gambia to help create fiscal space in the 2022 budget for pandemic-related spending. The authorities commit to pursue transparency and accountability measures in such spending in 2022.

44. Monetary policy will remain accommodative but should be recalibrated if inflation pressures re-emerge. Given the slight easing of inflation pressures in August (after some inflation acceleration in H1 2021) and the still fragile economic recovery, the accommodative monetary policy stance should be maintained in the near term. However, if inflation pressures resume, liquidity remains ample, and private credit grows robustly, the monetary policy stance should be tightened, starting by tempering the central bank's forex purchases to moderate liquidity injection and increasing the deposit facility rate to narrow the spread from the overnight lending rate. Continued financial stability is essential, requiring the CBG to continually strengthen financial supervision, sharpen macroprudential tools, and step-up crisis preparedness and management.

45. Maintaining external buffers is essential, in view of lingering vulnerabilities. The external position in 2020 was broadly in line with the level implied by medium-term economic fundamentals and desirable policies. The IMF's general SDR allocation has boosted reserves to cover over 5 months of imports. While this level of reserves is assessed to be adequate for now, it should be viewed in terms of the prospective financing needs and downside risks and uncertainties associated with such needs. It is important in this context
to maintain exchange rate flexibility to protect external reserves. With average annual debt service almost doubling after the expiration of the debt service deferral period to hover around 3-4 percent of GDP in 2025–30, and with high uncertainty around the strong remittance inflows and donor support in the context of limited space for new external borrowing (even on concessional terms), it is important to maintain a comfortable level of external reserves and continue adhering to the borrowing plan under the ECF-supported program.

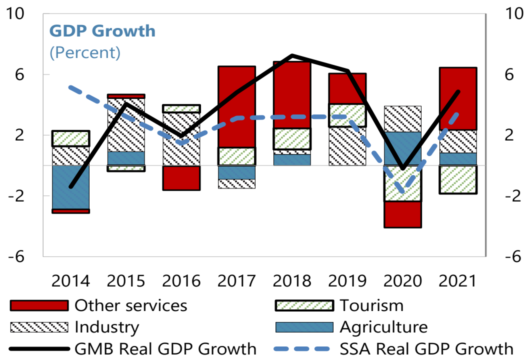
46. Pursuing the remarkable structural reform agenda, notwithstanding the upcoming elections, will allow fully benefitting from the country's turn-around and promoting inclusive growth. Significant progress is underway on governance. The authorities are delivering on their commitment related to the transparency of the COVID-19 spending, including by publishing the list of awarded contracts and auditing the spending. It would be important to continue progress and complete other reforms, such as the SOE bill, the anti-corruption bill, the public finance bill, and the public procurement act. Implementing the business reform program will help improve the business environment, create jobs, and support post-pandemic recovery and inclusive growth. From a medium-term perspective, to promote robust and sustainable development, it would be advisable to advance digitalization, support women and youth, and adopt climate change mitigation policies.

47. In view of The Gambian authorities' satisfactory performance under the ECF-supported program in a challenging environment, and based on the authorities' policy commitments for the remainder of the arrangement, staff recommends the Executive Board's conclusion of the 2021 Article IV Consultation, modification of the end-December PC on NIR, and completion of the third review under the ECF arrangement and the associated financing assurances review.

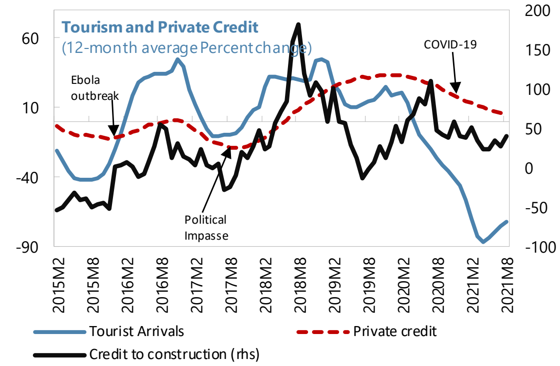
48. Staff recommends that the next Article IV consultation take place within 24 months in accordance with the Decision on Article IV Consultation Cycles.

Figure 1. The Gambia: Recent Economic Developments, 2014–21

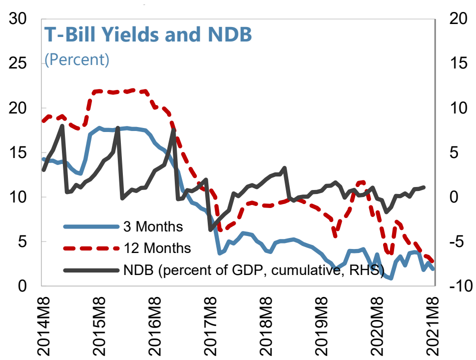
Following the sharp deceleration in 2020, growth is expected to somewhat recover in 2021 …



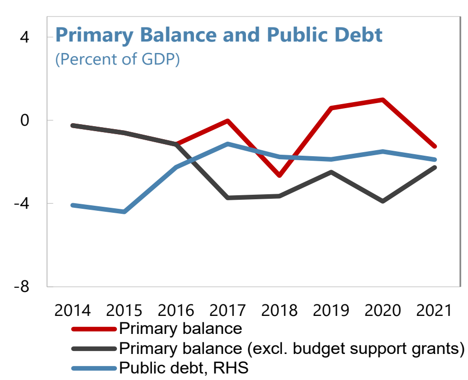
… as some signs of recovery are emerging, but timid and fragile.



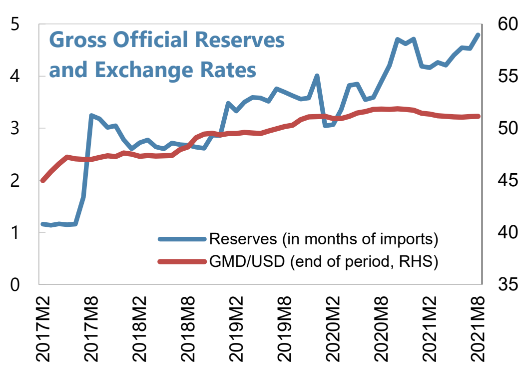
T-Bill rates resumed their declining path since the 2016/17 transition, as liquidity conditions eased.



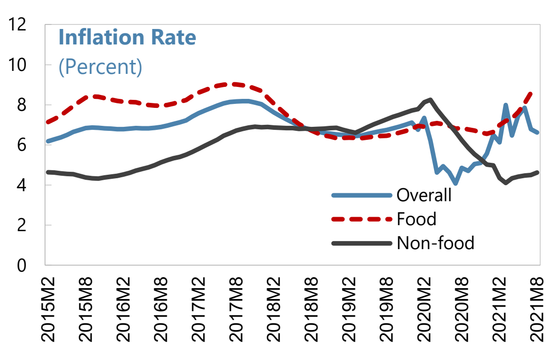
The fiscal policy remains prudent despite challenges from COVID-19.



Large FX inflows in past years and the recent SDR allocation improved reserve coverage of imports, and confidence in the dalasi strengthened against US$.



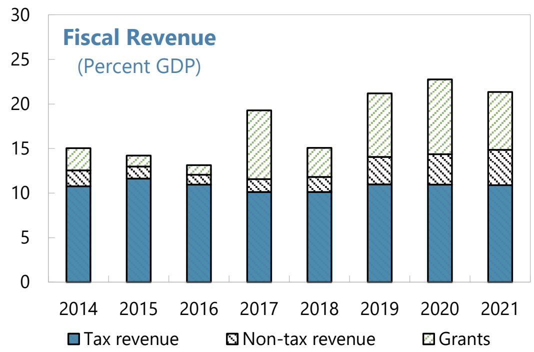
Inflation picked up in June 2021 due to global commodity price increases, but eased in August.



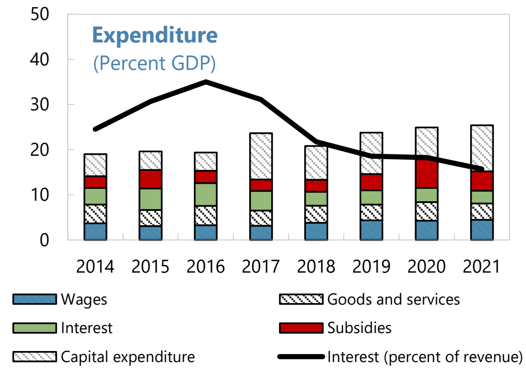
Sources: The Gambian authorities; and IMF staff projections.

Figure 2. The Gambia: Fiscal Sector Developments, 2014–21

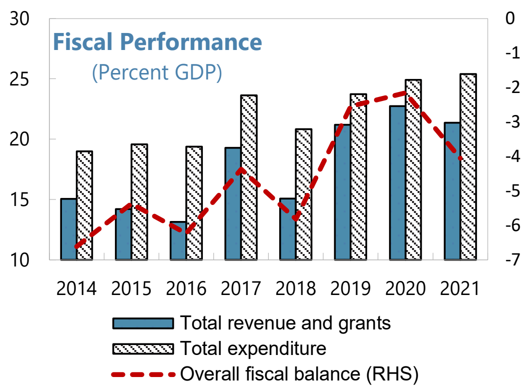
Large inflow of grants are compensating for sluggish domestic revenue due to low economic activity.



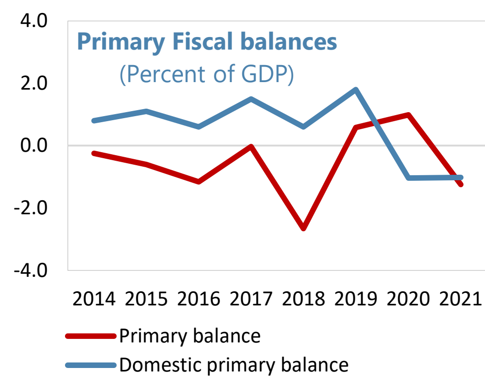
Despite the pandemic, overall spending is broadly prudent.



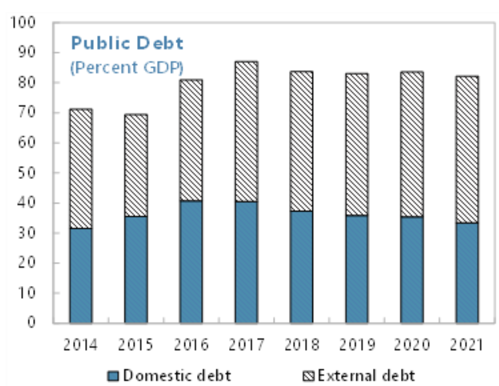
The overall fiscal deficit narrowed in 2019-20; the expansion in 2021 is in line with the program.



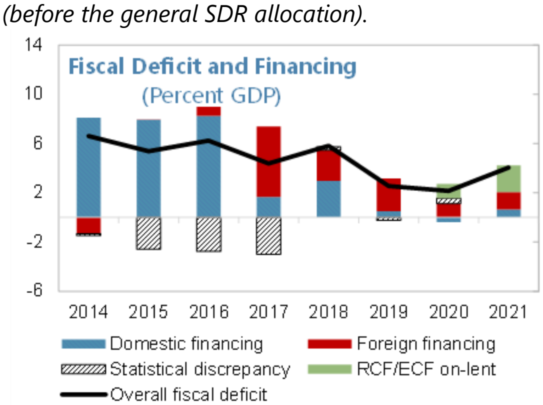
The primary and domestic primary balances reflect these developments.



Total public debt-to-GDP ratio broadly stabilized in recent years and is expected to decline in 2021.



Domestic borrowing was contained, supported by on-lending of the IMF's RCF and ECF augmentation (before the general SDR allocation).

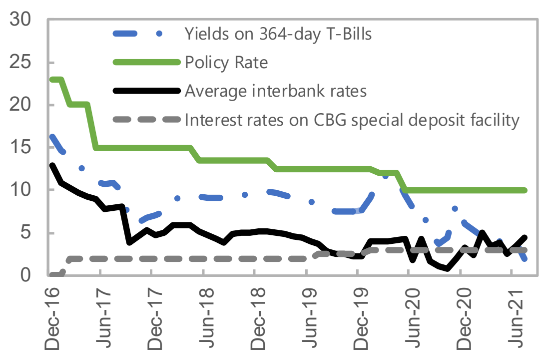


Sources: The Gambian authorities; and IMF staff projections.

Figure 3. The Gambia: Recent Monetary Developments, 2016–21

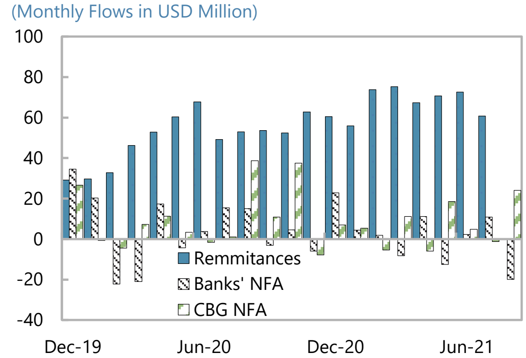
The CBG relaxed monetary conditions at the onset of the COVID-19 pandemic, which expanded liquidity and helped soften T-bill yields.

Monetary Policy and Interest Rates
(Percent)



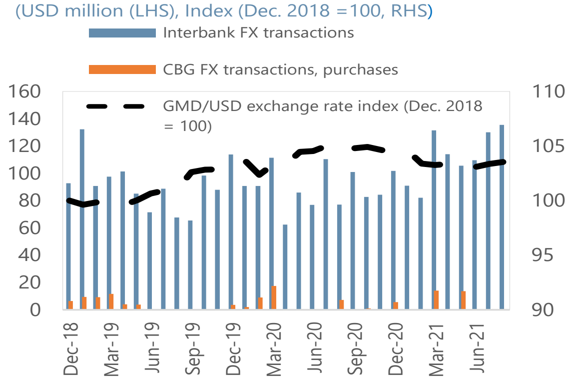
Private forex inflows (notably remittances) continue to surpass their historical averages, supporting strong NFA of the banking system...

Foreign Exchange Inflows
(Monthly Flows in USD Million)



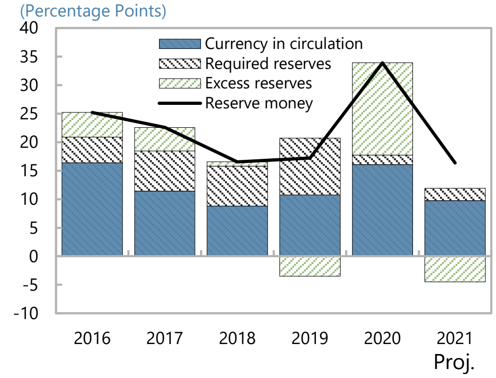
... enabling a robust interbank FX activity and some small CBG FX purchases to smooth exchange rate movements and finance government's FX debt service obligations, ...

FX Market Operations and Exchange Rates,
(USD million (LHS), Index (Dec. 2018 =100, RHS)



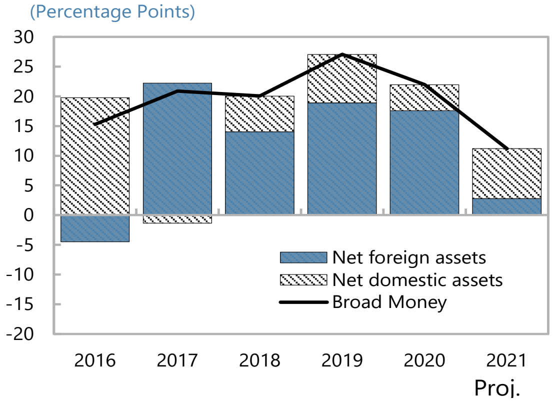
... resulting in an expansion in CBG net foreign assets, which drove growth of reserve money...

Components of Reserve Money Growth
(Percentage Points)



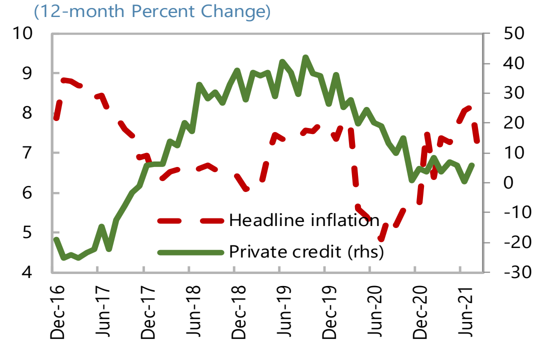
... and led to monetary expansion albeit at a slower pace than the historical average.

Sources of Broad Money Growth
(Percentage Points)



Credit is starting to rebound, and inflation picked up in June 2021 before easing in August.

Inflation and Private Credit
(12-month Percent Change)

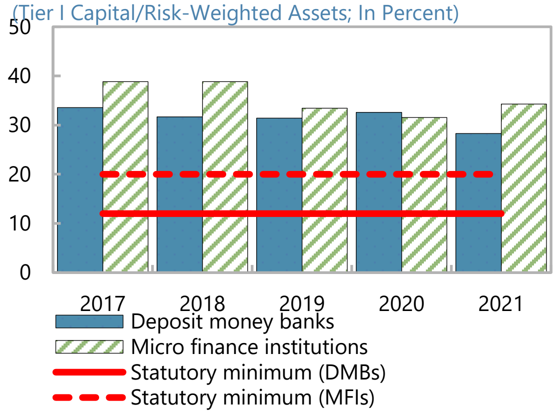


Sources: The Gambian authorities and IMF staff estimates.

Figure 4. The Gambia: Recent Financial Sector Developments, 2017–21

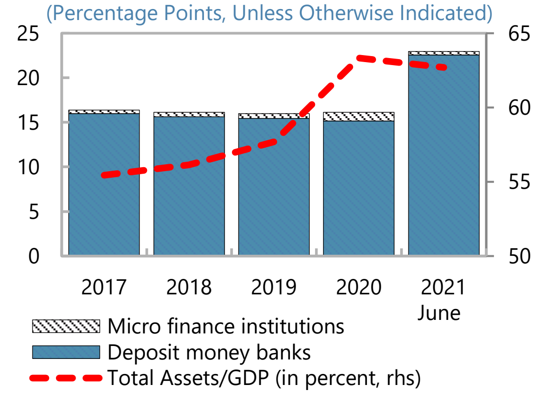
The financial sector is adequately capitalized with system-wide ratios above the statutory regulatory minimum.

Capital Adequacy
(Tier I Capital/Risk-Weighted Assets; In Percent)



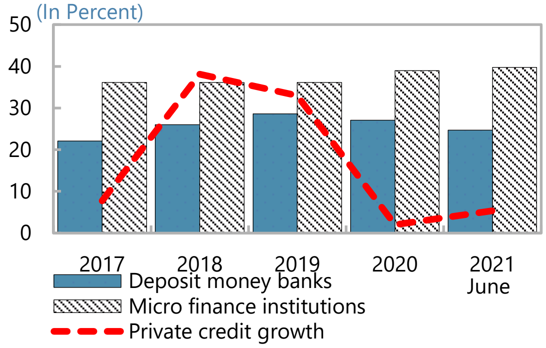
Total assets have expanded since the 2016-17 democratic transition.

Asset Expansion
(Percentage Points, Unless Otherwise Indicated)



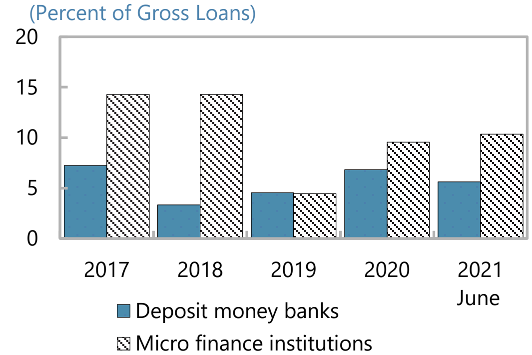
Private credit and its share in loan portfolios grew sharply, prior to the onset of the COVID-19 pandemic.

Private Credit and Loan Portfolio
(In Percent)



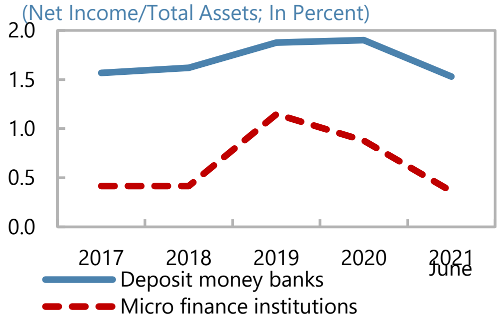
The COVID-19 pandemic disrupted the downward trend in nonperforming loans, let to some isolated weakening of balance sheets, …

Non-Performing Loans
(Percent of Gross Loans)



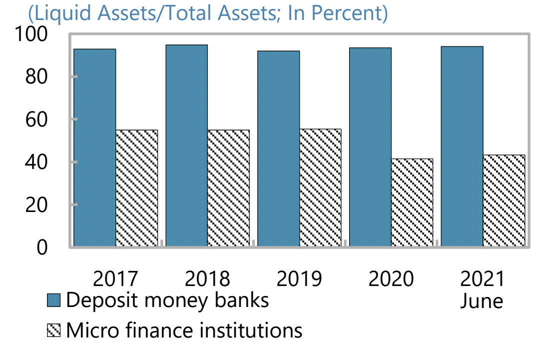
… and reduced average profitability.

Return on Assets
(Net Income/Total Assets; In Percent)



Nonetheless, the system remains highly liquid.

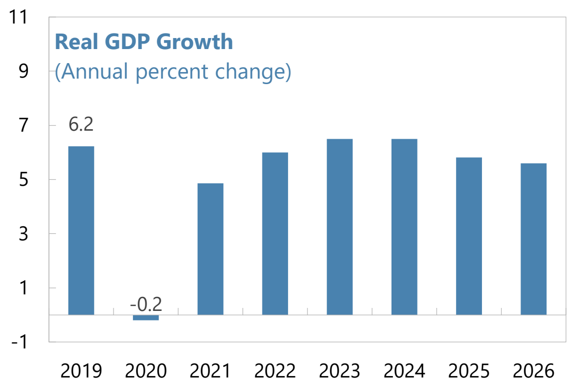
Liquidity
(Liquid Assets/Total Assets; In Percent)



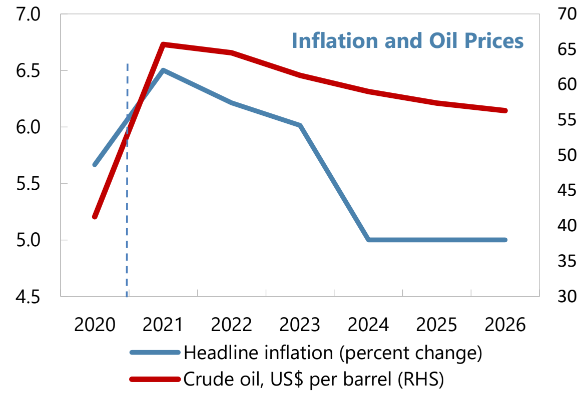
Source: The Gambian authorities; and Fund staff estimates.

Figure 5. The Gambia: Medium-Term Outlook, 2019–26

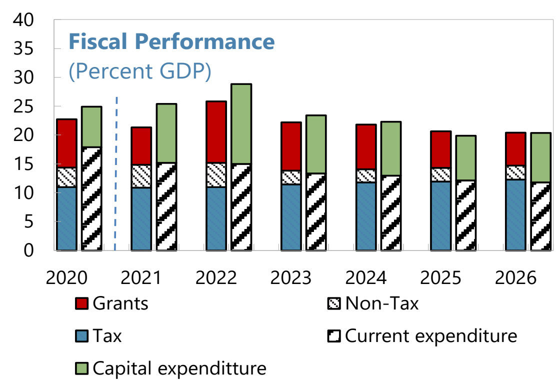
Economic growth is expected to start rebounding in 2021, as remittance inflows support construction and retail trade.



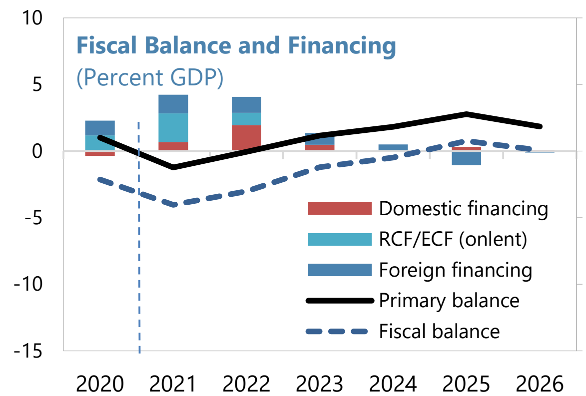
Average inflation is projected to drop toward the CBG's medium-term target of 5 percent.



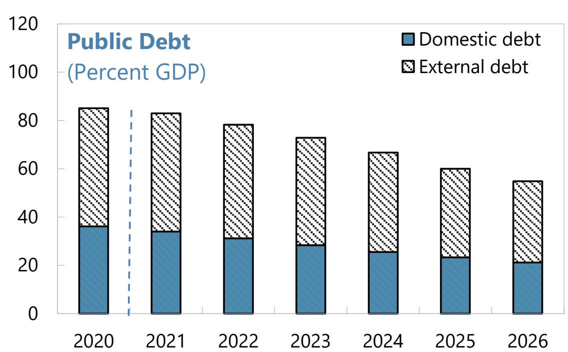
Expenditure restraint and improved tax effort, offsetting the decline in donor support, is expected to drive fiscal consolidation in the medium term.



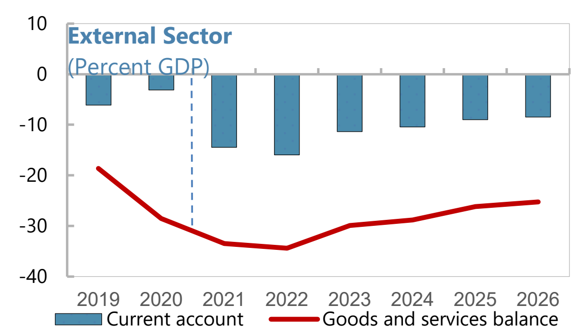
Public borrowing requirements are expected to lower and …



… the public debt-to-GDP ratio is projected to decline steadily.



The external current account deficit is expected to narrow from 2023, once tourism recovers fully.



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2019–26
(Percent of GDP)

	2019	2020		2021		2022	2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
				(Percent change; unless otherwise indicated)						
National account and prices										
GDP at constant prices	6.2	0.0	-0.2	4.9	4.9	6.0	6.5	6.5	5.8	5.6
GDP deflator	6.3	7.1	4.0	4.2	4.9	5.1	5.3	4.5	5.2	4.2
Consumer prices (average)	7.1	5.9	5.9	6.0	7.0	6.3	6.1	5.5	5.0	5.0
Consumer prices (end of period)	7.7	5.7	5.7	5.8	6.5	6.2	6.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	23.9	-50.8	-51.2	62.9	57.3	39.1	23.1	8.8	8.2	6.3
Imports, f.o.b (US$ values)	14.4	-2.4	-5.0	27.7	33.6	25.6	5.0	6.1	2.1	7.8
Terms of trade (deterioration = -)	-4.0	1.4	1.4	-1.7	-3.8	0.2	-1.1	-0.4	2.9	-0.1
Real effective exchange rate (depreciation = -)	-4.6	11.0	11.1	…	…	…	…	…	…	…
				(Contributions to broad money growth; percent)						
Money and credit										
Broad money	27.1	22.0	22.0	12.6	11.2	6.6	7.2	9.7	9.7	5.4
Net foreign assets	18.9	17.6	17.6	3.1	2.6	-0.1	3.4	5.9	5.1	0.0
Net domestic assets	8.2	4.4	4.4	9.6	8.6	6.7	3.9	3.7	4.6	5.5
Of which:										
Credit to central government (net)	4.0	3.6	3.6	6.7	6.6	3.0	1.0	0.0	0.7	0.2
Credit to the private sector (net)	6.0	0.1	0.1	2.9	1.9	3.8	2.9	3.7	3.9	5.3
Velocity (GDP/broad money)	2.1	1.9	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1
				(Percent of GDP; unless otherwise indicated)						
Central government finances										
Domestic revenue (taxes and other revenues)	14.0	13.8	14.4	13.8	14.8	15.2	13.9	14.2	14.4	14.9
Of which: Tax Revenue	11.0	10.5	11.0	10.9	10.9	11.0	11.5	11.9	12.0	12.5
Grants	7.1	8.1	8.4	7.7	6.5	10.7	8.4	7.8	6.4	5.7
Total expenditures	23.7	24.0	24.9	25.5	25.4	28.9	23.5	22.4	20.0	20.6
Of which: Interest (percent of government revenue)	22.3	21.9	21.9	18.8	18.9	19.6	17.0	16.3	14.0	12.0
Net lending (+)/borrowing (–)	-2.5	-2.1	-2.2	-4.0	-4.0	-3.0	-1.2	-0.5	0.8	0.0
Net incurrence of liabilities	3.2	1.6	1.7	4.0	4.2	2.3	1.4	0.5	-0.8	0.0
Foreign	2.7	0.9	0.9	1.7	1.4	1.2	0.9	0.5	-1.1	-0.1
Domestic	0.5	0.8	0.8	2.4	2.8	1.1	0.5	0.0	0.3	0.1
Primary balance	0.6	1.0	1.0	-1.4	-1.2	-0.1	1.2	1.8	2.8	1.8
Public debt	83.0	77.2	85.0	76.7	82.9	77.3	72.0	64.4	58.1	53.4
Domestic public debt	35.8	34.0	36.1	31.9	34.0	30.3	27.5	23.2	21.3	19.6
External public debt	47.2	43.2	49.0	44.8	48.9	47.0	44.4	41.2	36.7	33.8
External public debt (millions of US$)	837.9	820.4	893.8	905.6	951.6	987.7	1015.5	1027.7	997.6	987.8
External current account balance										
Excluding official transfers	-9.2	-8.3	-7.7	-14.5	-13.3	-18.2	-14.8	-13.0	-10.2	-10.3
Including official transfers	-6.1	-4.0	-3.2	-12.4	-12.5	-16.0	-12.3	-10.7	-8.9	-9.3
Gross official reserves (millions of US$)	225.0	352.0	352.1	412.3	496.5	472.9	484.3	488.5	490.9	486.8
(months of next year's imports of goods and services)	4.0	4.7	4.7	4.6	5.4	4.9	4.7	4.6	4.3	4.0
Savings and investment										
Gross investment	19.5	19.4	20.0	24.2	25.9	27.9	23.4	23.4	22.4	23.6
Of which: Central government	9.1	6.7	7.0	10.1	10.2	13.9	10.1	9.5	7.8	8.8
Gross savings	13.4	15.4	16.9	11.8	13.4	12.0	11.1	12.7	13.4	14.3
Memorandum items:										
Nominal GDP (billions of dalasi)	90.8	98.0	94.3	107.1	103.7	115.5	129.4	144.1	160.3	176.4
GDP per capita (US$)	768.9	785.3	755.4	819.4	804.0	830.7	877.0	924.8	978.7	1023.1
Use of Fund resources (millions of SDRs)										
Disbursements	0.0	20.6	20.6	35.0	35.0	10.0	5.0	0.0	0.0	0.0
Of which: 2020 RCF	…	15.6	15.6	…	…	…	…	…	…	…
Of which: ECF Augmentation	…	…	…	20.0	20.0	…	…	…	…	…
Repayments	-4.3	-3.6	-3.6	-4.0	-3.0	-2.8	-4.1	-3.9	-5.2	-9.5
CCRT debt relief [1]	0.0	3.2	3.2	4.0	4.0	0.8	…	…	…	…
PV of overall debt-to-GDP ratio	70.8	67.4	73.5	66.7	71.5	66.6	62.2	55.8	50.8	46.7

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

[1] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 2a. The Gambia: Statement of Central Government Operations, 2019–26
(Millions of local currency)

	2019	2020		2021			2022		2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	Budget (Incl. SAP)	2nd Review	Proj.	Projections			
Revenue	19,238	21,446	21,446	23,041	22,135	27,362	26,076	29,819	28,817	31,572	33,230	36,490
Domestic revenue	12,753	13,539	13,539	14,746	15,385	16,051	16,608	17,515	18,006	20,402	23,034	26,350
Taxes	9,978	10,326	10,326	11,646	11,273	11,358	13,851	12,647	14,932	17,099	19,262	22,087
Taxes on income, profits, and capital gains	2,625	2,803	2,803	2,797	3,315	2,786	3,580	3,413	3,699	4,334	5,079	5,888
Domestic taxes on goods and services	4,840	4,934	4,934	5,554	5,032	5,611	6,328	5,637	6,797	7,744	8,706	9,920
Taxes on international trade and transactions	2,499	2,588	2,588	3,295	2,926	2,961	3,942	3,596	4,436	5,021	5,477	6,279
Non-tax	2,775	3,213	3,213	3,100	4,112	4,693	2,757	4,868	3,074	3,303	3,772	4,262
Grants	6,485	7,907	7,907	8,295	6,750	11,312	9,469	12,304	10,811	11,170	10,196	10,140
Budget support	2,790	4,604	4,604	2,491	1,062	2,507	2,843	2,609	3,197	3,291	2,071	1,794
Of which: CCRT[1]	...	225	225	224	219	...	61	61	...	...	...	
Project grants	3,695	3,303	3,303	5,805	5,688	8,805	6,626	9,696	7,614	7,880	8,125	8,346
Of which: COVID-19 assistance	...	459	459	...	310	...	...	108	...	...	...	...
Expenditures	21,552	23,477	23,477	27,289	26,333	33,506	28,560	33,316	30,391	32,275	32,013	36,411
Expenses	13,287	16,877	16,877	16,442	15,757	17,064	16,825	17,315	17,276	18,631	19,441	20,826
Compensation of employees	3,955	4,049	4,049	4,929	4,657	4,929	4,920	5,063	5,382	5,711	6,026	6,327
Use of goods and services	3,179	3,850	3,850	4,076	3,744	4,073	4,273	3,945	4,034	4,597	5,213	5,911
Interest	2,843	2,967	2,967	2,775	2,904	3,086	3,137	3,427	3,070	3,333	3,229	3,168
External	371	548	548	612	476	607	681	526	557	592	629	631
Domestic	2,472	2,419	2,419	2,163	2,429	2,479	2,456	2,901	2,513	2,741	2,600	2,538
Subsidies and transfers	3,310	6,011	6,011	4,662	4,451	4,975	4,496	4,879	4,790	4,990	4,974	5,420
Net acquisition of nonfinancial assets	8,265	6,600	6,600	10,848	10,576	16,442	11,735	16,001	13,115	13,644	12,572	15,585
Acquisitions of nonfinancial assets	8,265	6,600	6,600	10,848	10,576	16,442	11,735	16,001	13,115	13,644	12,572	15,585
Foreign financed[2]	7,584	4,837	4,837	8,149	7,798	13,027	9,981	12,952	10,775	10,898	10,418	12,579
Gambia local fund	681	1,763	1,763	2,699	2,778	3,415	1,754	3,049	2,340	2,746	2,154	3,007
Net lending (+)/borrowing (–)	-2,314	-2,031	-2,031	-4,248	-4,198	-6,144	-2,484	-3,496	-1,574	-703	1,217	79
Financing[6]	2,537	1,622	1,622	4,248	4,198	6,144	2,484	3,496	1,574	703	-1,217	-79
Net acquisition of financial assets[3]	-329	-180	-180	-180	-180	776	-180	875	-180	0	0	0
Net incurrence of liabilities	2,866	1,595	1,595	4,326	4,378	5,368	2,664	2,621	1,754	703	-1,217	-79
Domestic	452	741	741	2,544	2,938	2,714	500	1,234	600	0	500	150
Net borrowing	1,063	112	112	1,250	1,250	885	500	659	600	0	500	150
Bank	1,192	623	623	1,250	1,250	...	500	659	600	0	500	150
Central Bank of The Gambia	-1,059	-1,853	-1,853	-250	-250	...	0	0	0	0	0	0
Commercial[4]	2,251	2,477	2,477	1,500	1,500	885	500	659	600	0	500	150
Nonbank	-129	-511	-511	0	0	...	0	0	0	0	0	0
RCF/ECF (onlent) or SDR use	...	1057	1,057	2274.7	2,221	2,246	...	1,083	...	...	...	...
Change in arrears[5]	-611	-428	-428	-981	-534	-417	0	-508	0	0	0	0
Foreign	2,414	854	854	1,782	1,440	2,654	2,164	1,387	1,154	703	-1,717	-229
Borrowing	3,889	2,214	2,214	3,131	2,886	4,222	3,703	3,256	3,356	3,304	2,293	4,232
Budget support	0	0	0	0	0	...	0	0	0	0	0	1
Project support	3,889	2214	2,214	3,131	2,886	...	3,703	3,256	3,356	3,304	2,293	4,232
Amortization	-1,475	-1,360	-1,360	-1,349	-1,446	-1,569	-1,539	-1,869	-2,202	-2,602	-4,010	-4,461
Exceptional financing (DSSI)	0	206	206	102	0	0	0	0	0	0	0	0
Statistical discrepancy/Float	-223	409	409	0	0	0	0	0	0	0	0	0
Memorandum items:												
Primary balance	529	936	936	-1,473	-1,293	-3,057	653	-69	1,496	2,630	4,446	3,247
Domestic primary balance	1,628	-995	-995	-1,148	530	-1,342	1,406	578	1,655	2,358	4,668	5,685
Total debt	75,329	76,365	80,159	80,128	85,971	...	84,412	89,250	93,135	92,792	93,063	94,264
of which: Domestic public debt	32,513	34,001	34,001	32,178	35,251	...	32,841	34,930	35,625	33,443	34,179	34,667
Interest payments as a percent of govt. revenue	22.3	21.9	21.9	18.8	18.9	19.2	18.9	19.6	17.0	16.3	14.0	12.0
COVID-19 related spending	...	3,382.6	3,382.6	314.8	1,014.4	...	...	1,191.3	...	...	...	...

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

[1] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[2] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[3] Includes the agreed annual contribution of 180 million dalasi per year during 2019-23 to increase the CBG's capital to the statutory level.

[4] Commercial bank borrowing in 2021 budget is net of domestic debt amortization.

[5] In staff projections change in arrears also includes a reduction in the treasury float.

[6] Excluding the float in Financing.

Table 2b. The Gambia: Statement of Central Government Operations, 2019–26

(Percent of GDP)

	2019	2020		2021			2022		2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	Budget (Incl. SAP)	2nd Review	Proj.	Projections			
Revenue	21.2	21.9	22.7	21.5	21.4	26.4	21.9	25.8	22.3	21.9	20.7	20.7
Domestic revenues	14.0	13.8	14.4	13.8	14.8	15.5	14.0	15.2	13.9	14.2	14.4	14.9
Taxes	11.0	10.5	11.0	10.9	10.9	11.0	11.6	11.0	11.5	11.9	12.0	12.5
Taxes on income, profits, and capital gains	2.9	2.9	3.0	2.6	3.2	2.7	3.0	3.0	2.9	3.0	3.2	3.3
Domestic taxes on goods and services	5.3	5.0	5.2	5.2	4.9	5.4	5.3	4.9	5.3	5.4	5.4	5.6
Taxes on international trade and transactions	2.8	2.6	2.7	3.1	2.8	2.9	3.3	3.1	3.4	3.5	3.4	3.6
Non-tax	3.1	3.3	3.4	2.9	4.0	4.5	2.3	4.2	2.4	2.3	2.4	2.4
Grants	7.1	8.1	8.4	7.7	6.5	10.9	8.0	10.7	8.4	7.8	6.4	5.7
Budget support	3.1	4.7	4.9	2.3	1.0	2.4	2.4	2.3	2.5	2.3	1.3	1.0
Of which: CCRT[1]	…	0.2	0.2	0.2	0.2	0.2	0.1	0.1	…	…	…	
Project support	4.1	3.4	3.5	5.4	5.5	8.5	5.6	8.4	5.9	5.5	5.1	4.7
Of which: COVID-19 assistance	…	0.5	0.5	…	0.3	…	…	0.1	…	…	…	…
Expenditures	23.7	24.0	24.9	25.5	25.4	32.3	24.0	28.9	23.5	22.4	20.0	20.6
Expenses	14.6	17.2	17.9	15.3	15.2	16.5	14.1	15.0	13.3	12.9	12.1	11.8
Compensation of employees	4.4	4.1	4.3	4.6	4.5	4.8	4.1	4.4	4.2	4.0	3.8	3.6
Use of goods and services	3.5	3.9	4.1	3.8	3.6	3.9	3.6	3.4	3.1	3.2	3.3	3.4
Interest	3.1	3.0	3.1	2.6	2.8	3.0	2.6	3.0	2.4	2.3	2.0	1.8
External	0.4	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.4	0.4	0.4	0.4
Domestic	2.7	2.5	2.6	2.0	2.3	2.4	2.1	2.5	1.9	1.9	1.6	1.4
Subsidies and transfers	3.6	6.1	6.4	4.4	4.3	4.8	3.8	4.2	3.7	3.5	3.1	3.1
Net acquisition of nonfinancial assets	9.1	6.7	7.0	10.1	10.2	15.9	9.9	13.9	10.1	9.5	7.8	8.8
Acquisitions of nonfinancial assets	9.1	6.7	7.0	10.1	10.2	15.9	9.9	13.9	10.1	9.5	7.8	8.8
Foreign financed[2]	8.4	4.9	5.1	7.6	7.5	12.6	8.4	11.2	8.3	7.6	6.5	7.1
Gambia local fund	0.8	1.8	1.9	2.5	2.7	3.3	1.5	2.6	1.8	1.9	1.3	1.7
Net lending (+)/borrowing (–)	-2.5	-2.1	-2.2	-4.0	-4.0	-5.9	-2.1	-3.0	-1.2	-0.5	0.8	0.0
Financing[6]	2.8	1.7	1.7	4.0	4.0	5.9	2.1	3.0	1.2	0.5	-0.8	0.0
Net acquisition of financial assets[3]	-0.4	-0.2	-0.2	-0.2	-0.2	0.7	-0.2	0.8	-0.1	0.0	0.0	0.0
Net incurrence of liabilities	3.2	1.6	1.7	4.0	4.2	5.2	2.2	2.3	1.4	0.5	-0.8	0.0
Domestic	0.5	0.8	0.8	2.4	2.8	2.6	0.4	1.1	0.5	0.0	0.3	0.1
Net borrowing	1.2	0.1	0.1	1.2	1.2	0.9	0.4	0.6	0.5	0.0	0.3	0.1
Bank	1.3	0.6	0.7	1.2	1.2	…	0.4	0.6	0.5	0.0	0.3	0.1
Central Bank of The Gambia	-1.2	-1.9	-2.0	-0.2	-0.2	…	0.0	0.0	0.0	0.0	0.0	0.0
Commercial[4]	2.5	2.5	2.6	1.4	1.4	0.9	0.4	0.6	0.5	0.0	0.3	0.1
Nonbank	-0.1	-0.5	-0.5	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
RCF/ECF (onlent) or SDR use	…	1.1	1.1	2.1	2.1	2.2	…	0.9	…	…	…	…
Change in arrears[5]	-0.7	-0.4	-0.5	-0.9	-0.5	-0.4	0.0	-0.4	0.0	0.0	0.0	0.0
Foreign	2.7	0.9	0.9	1.7	1.4	2.6	1.8	1.2	0.9	0.5	-1.1	-0.1
Borrowing	4.3	2.3	2.3	2.9	2.8	4.1	3.1	2.8	2.6	2.3	1.4	2.4
Budget support	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Project support	4.3	2.3	2.3	2.9	2.8	…	3.1	2.8	2.6	2.3	1.4	2.4
Amortization	-1.6	-1.4	-1.4	-1.3	-1.4	-1.5	-1.3	-1.6	-1.7	-1.8	-2.5	-2.5
Exceptional financing (DSSI)	0.0	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy/Float	-0.2	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Primary balance	0.6	1.0	1.0	-1.4	-1.2	-2.9	0.5	-0.1	1.2	1.8	2.8	1.8
Domestic primary balance	1.8	-1.0	-1.1	-1.1	0.5	-1.3	1.2	0.5	1.3	1.6	2.9	3.2
Total debt	83.0	77.9	85.0	74.8	82.9	…	71.0	77.3	72.0	64.4	58.1	53.4
of which: Domestic public debt	35.8	34.0	36.1	31.9	34.0	…	27.6	30.3	27.5	23.2	21.3	19.6
Interest payments as a percent of govt. revenue	22.3	21.9	21.9	18.8	18.9	19.2	18.9	19.6	17.0	16.3	14.0	12.0
COVID-19 related spending	…	3.5	3.6	0.2	1.0	…	…	1.0	…	…	…	…

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

[1] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[2] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[3] Includes the agreed annual contribution of 180 million dalasi per year during 2019-23 to increase the CBG's capital to the statutory level.

[4] Commercial bank borrowing in 2021 budget is net of domestic debt amortization.

[5] In staff projections change in arrears also includes a reduction in the treasury float.

[6] Excluding the float in Financing.

Table 3. The Gambia: Statement of Central Government Operations, 2021–22
(Cumulative, millions of local currency)

	2021								2022			
	Q1		Q2		Q3		Q4		Q1	Q2	Q3	Q4
	Prog.	Prel.	Prog.	Prel.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	4,384	3,635	10,680	8,266	16,200	14,829	23,041	22,135	5,066	12,551	20,591	29,819
Domestic revenue	3,725	3,328	7,332	6,859	11,375	11,652	14,746	15,385	3,836	7,887	13,120	17,515
Taxes	3,142	2,678	6,123	5,584	8,877	8,375	11,646	11,273	2,820	6,041	9,279	12,647
Taxes on income, profits, and capital gains	832	788	1,611	1,653	2,204	2,438	2,797	3,315	781	1655	2487	3,413
Domestic taxes on goods and services	1,424	1,151	2,818	2,464	4,165	3,750	5,554	5,032	1244	2685	4156	5,637
Taxes on international trade and transactions	887	739	1,693	1,468	2,508	2,187	3,295	2,926	796	1700	2636	3,596
Non-tax	582	650	1,209	1,275	2,498	3,277	3,100	4,112	1016	1846	3841	4,868
Grants	659	307	3,348	1,407	4,825	3,177	8,295	6,750	1,230	4,663	7,471	12,304
Budget support[1]	0	0	1,486	423	1,486	423	2,491	1,062	0	1484	1875	2,609
Project grants	659	307	1,862	984	3,339	2,755	5,805	5,688	1230	3180	5597	9,696
Of which: COVID-19 assistance	…	…	105	116	210	207	315	310	108	108	108	108
Expenditures	6,379	5,557	13,433	11,039	19,822	18,541	27,289	26,333	7,711	15,415	23,895	33,316
Expenses	4,510	3,400	8,816	7,479	12,777	11,357	16,442	15,757	4,831	9,000	13,220	17,315
Compensation of employees	1,282	1,096	2,565	2,237	3,847	3,447	4,929	4,657	1266	2531	3797	5,063
Use of goods and services	1,106	716	2,227	1,553	3,060	2,606	4,076	3,744	1105	1894	2959	3,945
Interest	716	844	1,410	1,677	2,083	2,316	2,775	2,904	903	1,760	2,617	3,427
External	121	76	274	372	406	419	612	476	105	237	368	526
Domestic	595	768	1,136	1,305	1,677	1,896	2,163	2,429	798	1523	2249	2,901
Subsidies and transfers	1,405	744	2,614	2,012	3,787	2,988	4,662	4,451	1557	2815	3847	4,879
Net acquisition of nonfinancial assets	1,870	2,157	4,617	3,560	7,045	7,184	10,848	10,576	2,881	6,415	10,676	16,001
Acquisitions of nonfinancial assets	1,870	2,157	4,617	3,560	7,045	7,184	10,848	10,576	2,881	6,415	10,676	16,001
Foreign financed	1,230	1,618	2,930	2,236	5,029	5,134	8,149	7,798	1881	4482	7876	12,952
Gambia local fund	640	539	1,687	1,323	2,016	2,051	2,699	2,778	1000	1933	2800	3,049
Net lending (+)/borrowing (–)	-1,996	-1,922	-2,753	-2,773	-3,622	-3,712	-4,248	-4,198	-2,646	-2,864	-3,304	-3,496
Financing[2]	1,996	1,905	2,753	2,753	3,622	3,712	4,248	4,198	2,646	2,864	3,304	3,496
Net acquisition of financial assets	0	-90	0	-90	-180	-180	-180	-180	-31	-63	906	875
Net incurrence of liabilities	1,996	1,995	2,753	2,843	3,802	3,892	4,428	4,378	2,677	2,926	2,398	2,621
Domestic	1,536	629	1,794	1,289	2,394	2,381	2,544	2,938	2,400	2,372	1,415	1,234
Net borrowing	1,000	39	500	1,119	1,100	1,100	1,250	1,250	1,462	1,462	759	659
Bank	1,000	18	500	967	1,100	1,100	1,250	1,250	1,462	1,462	759	659
Central bank	600	-1,286	-250	-1,535	0	0	-250	-250	0	0	0	0
Commercial banks	400	1,304	750	2,503	1,100	1,100	1,500	1,500	1462	1462	759	659
Nonbank	0	21	0	151	0	0	0	0	0	0	0	0
RCF/ECF/SDR (onlent)	1,516	1,411	2,275	1,331	2,275	2,221	2,275	2,221	1083	1083	1083	1083
Change in arrears	-981	-821	-981	-1,161	-981	-940	-981	-534	-145	-173	-427	-508
Foreign	419	1,367	869	1,554	1,319	1,511	1,782	1,440	277	555	983	1,387
Borrowing	689	1,431	1,409	1,754	2,254	2,320	3,131	2,886	651	1302	2279	3,256
Amortization	-270	-65	-540	-200	-936	-809	-1,349	-1,446	-374	-748	-1296	-1,869
Exceptional Financing (DSSI)	41	0	89	0	89	0	102	0	0	0	0	0
Statistical discrepancy	0	17	0	19	0	0	0	0	0	0	0	0
Memorandum items:												
Primary balance	-1,280	-1,078	-1,343	-1,096	-1,539	-1,396	-1,473	-1,293	903	1,760	2,617	-69
Domestic primary balance	-709	233	-1,420	-150	-771	1,117	-1,148	530	1,554	1,578	3,021	578

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

[1] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to the availability of sufficient resources under the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[2] Excluding the Float in Financing

Table 4a. The Gambia: Monetary Accounts, 2019–26[1]
(Millions of local currency, unless otherwise indicated)

	2019	2020		2021		2022	2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
I. Monetary Survey										
Net foreign assets	16,784	24,330	24,330	25,930	25,708	25,644	27,730	31,680	35,401	35,388
(in millions of U.S. dollars)	328	476	476	500	496	495	490	549	600	587
Of which: CBG	166	270	267	282	285	251	261	271	281	291
Net domestic assets	26,091	27,958	27,958	32,966	32,438	36,362	38,757	41,231	44,552	48,921
Domestic credit	31,693	33,277	33,277	38,284	37,756	41,680	44,076	46,549	49,871	54,240
Claims on central government (net)	23,873	25,417	25,417	28,913	28,888	30,630	31,230	31,230	31,730	31,880
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0
Claims on other public sector[2]	91	68	68	68	68	68	68	68	68	68
Claims on private sector	7,729	7,792	7,792	9,303	8,800	10,982	12,777	15,251	18,073	22,291
Other items (net)[3]	-5,602	-5,319	-5,319	-5,319	-5,319	-5,319	-5,319	-5,319	-5,319	-5,319
Broad money	42,875	52,288	52,288	58,895	58,145	62,005	66,487	72,910	79,954	84,308
Currency outside banks	7,844	10,072	10,072	12,163	12,037	12,743	12,807	14,044	15,401	16,240
Deposits	35,031	42,216	42,216	46,733	46,108	49,262	53,680	58,866	64,553	68,069
II. Central Bank Survey										
Net foreign assets	8,474	13,781	13,781	14,632	14,780	13,018	13,536	14,055	14,573	15,091
Foreign assets	12,494	19,120	19,120	22,341	26,708	25,484	26,073	26,294	26,415	26,202
Foreign liabilities	-4,021	-5,339	-5,339	-7,710	-11,928	-12,466	-12,537	-12,239	-11,842	-11,111
Net domestic assets	5,414	4,814	4,814	6,810	6,785	7,868	7,868	7,868	7,868	7,868
Domestic credit	6,786	5,940	5,940	7,936	7,911	8,994	8,994	8,994	8,994	8,994
Claims on central government (net)	6,668	5,786	5,786	7,782	7,757	8,840	8,840	8,840	8,840	8,840
Of which: IMF on-lending since 2020	...	1,057	1,057	3,331	3,278	4,361	4,361	4,361	4,361	4,361
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0
Claims on private sector	119	154	154	154	154	154	154	154	154	154
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0
Other items (net)	-1,373	-1,126	-1,126	-1,126	-1,126	-1,126	-1,126	-1,126	-1,126	-1,126
Reserve money	13,888	18,595	18,595	21,441	21,565	20,886	21,404	21,923	22,441	22,959
Currency outside banks	7,844	10,072	10,072	12,163	12,037	12,743	12,807	14,044	15,401	16,240
Commercial bank deposits	6,044	8,523	8,523	9,279	9,528	8,142	8,597	7,879	7,040	6,720

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 4b. The Gambia: Monetary Accounts, 2019–26[1]
(Percent changes, unless otherwise indicated)

	2019	2020		2021		2022	2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
				I. Monetary Survey (Percent change; contribution to broad money growth)						
Broad money	27.1	22.0	22.0	12.6	11.2	6.6	7.2	9.7	9.7	5.4
Net foreign assets	18.9	17.6	17.6	3.1	2.6	-0.1	3.4	5.9	5.1	0.0
Net domestic assets	8.2	4.4	4.4	9.6	8.6	6.7	3.9	3.7	4.6	5.5
				II. Central Bank Survey (Percent change; contribution to reserve money growth)						
Reserve money	17.2	33.9	33.9	15.3	16.0	-3.2	2.5	2.4	2.4	2.3
Net foreign assets	33.4	38.2	38.2	4.6	5.4	-8.2	2.5	2.4	2.4	2.3
Net domestic assets	-16.2	-4.3	-4.3	10.7	10.6	5.0	0.0	0.0	0.0	0.0
				(Percent change; unless otherwise indicated)						
Memorandum Items:										
Credit to the private sector	35.8	0.8	0.8	19.4	12.9	24.8	16.3	19.4	18.5	23.3
Currency in circulation	19.4	28.4	28.4	20.8	19.5	5.9	0.5	9.7	9.7	5.4
Demand deposits	44.8	16.6	16.6	5.4	6.1	10.0	9.0	9.7	9.7	5.4
Time and savings deposits	17.6	23.9	23.9	15.1	11.8	4.4	9.0	9.7	9.7	5.4
Net international reserves (stocks; millions of U.S. dollars)	187.4	292.3	291.6	307.7	394.5	361.1	363.4	367.7	371.3	374.5
Money velocity (levels)	2.1	1.9	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1
Money multiplier (levels)	3.1	2.8	2.8	2.7	2.7	3.0	3.1	3.3	3.6	3.7
Broad money (percent of GDP)	47.2	53.4	55.5	55.0	56.1	53.7	51.4	50.6	49.9	47.8
Credit to the private sector (percent of GDP)	8.5	8.0	8.3	8.7	8.5	9.5	9.9	10.6	11.3	12.6
Central government financing (flows; millions of dalasi)	1,344	2,601	2,601	3,525	4,528	5,020	4,961	4,361	4,861	4,511
Net domestic borrowing from the banking system	1,344	1,544	1,544	1,250	1,250	659	600	0	500	150
Central bank	-1,059	-882	-882	-250	-250	0	0	0	0	0
Change in claims	...	697	697	0.0	0.0	0	0	0	0	0
Change in deposits		-1,579	-1,579	-250.0	-250	0	0	0	0	0
Commercial banks	2,403	2,426	2,426	1,500	1,500	659	600	0	500	150
IMF (onlent since 2020)[2]	...	1,057	1,057	2,275	3,278	4,361	4,361	4,361	4,361	4,361
RCF 2020 (onlent)	...	1,057	1,057	...	...	...	...	...	...	...
ECF (second and third disbursements onlent)	...	...	...	2,275	2,221	...	...	...	...	...
of which: augmentation	...	...	...	1,516	1,481	...	...	...	...	...
SDR General Allocation (proposed lent to the Treasury)	...	...	...	...	...	1,083	...	...	...	...

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

[1] End of period.

[2] The CBG onlent the 2020 RCF loan to central government and is expected to onlend the second and third ECF disbursements (SDR 5 million each) plus augmentations of SDR 15 million (at the first review) and SDR 5 million (for the second review). On-lending of IMF loans to the budget and the Treasury's part use of the SDR allocation are excluded from Net Domestic Borrowing (NDB), see TMU ¶1.

Table 5. The Gambia: Monetary Accounts, 2020–22[1]
(Quarterly stocks, millions of local currency)

	2020	2021								2022			
	Dec.	Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec
	Act.	Prog.	Prel.	Prog.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
I. Monetary Survey													
Net foreign assets	24,330	23,222	24,806	24,726	25,743	24,174	27,433	25,930	25,708	22,004	21,235	22,042	25,644
(in millions of U.S. dollars)	471	448	486	477	497	466	529	500	496	425	410	425	495
Of which : CBG	267	221	281	252	299	244	304	282	285	231	219	237	251
Net domestic assets	27,958	30,829	29,042	31,141	30,866	32,178	30,351	32,966	32,438	35,113	36,275	36,795	36,362
Domestic credit	33,277	36,148	34,731	36,460	35,855	37,497	36,822	38,284	37,756	40,432	41,593	42,114	41,680
Claims on central government (net)	25,417	27,950	26,672	28,163	27,602	28,763	28,625	28,913	28,888	31,433	31,433	30,730	30,630
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector[2]	68	68	79	68	97	68	97	68	68	68	68	68	68
Claims on private sector	7,792	8,130	7,980	8,229	8,155	8,666	8,100	9,303	8,800	8,931	10,092	11,316	10,982
Other items (net)[3]	-5,319	-5,319	-5,689	-5,319	-4,989	-5,319	-6,472	-5,319	-5,319	-5,319	-5,319	-5,319	-5,319
Broad money	52,288	54,052	53,849	55,867	56,609	56,352	57,783	58,895	58,145	57,117	57,510	58,837	62,005
Currency outside banks	10,072	11,011	10,841	11,361	11,086	11,455	11,730	12,163	12,037	11,825	11,906	12,181	12,743
Deposits	42,216	43,040	43,007	44,506	45,523	44,898	46,053	46,733	46,108	45,292	45,604	46,657	49,262
II. Central Bank Survey													
Net foreign assets	13,781	12,886	14,353	14,518	15,245	14,665	15,734	14,632	14,780	11,977	11,336	12,271	13,018
Foreign assets	19,120	18,225	21,005	19,857	22,522	22,376	27,224	22,341	26,708	23,904	23,617	24,552	25,484
Foreign liabilities	-5,339	-5,339	-6,652	-5,339	-7,277	-7,710	-11,490	-7,710	-11,928	-11,928	-12,281	-12,281	-12,466
Net domestic assets	4,814	6,947	4,927	6,810	4,922	7,060	5,947	6,810	6,785	7,868	7,868	7,868	7,868
Domestic credit	5,940	8,073	6,084	7,936	5,801	8,186	8,227	7,936	7,911	8,994	8,994	8,994	8,994
Claims on central government (net)	5,786	7,919	5,930	7,782	5,645	8,032	8,070	7,782	7,757	8,840	8,840	8,840	8,840
Assets	11,621	13,754	12,852	14,467	12,772	14,717	15,198	13,867	13,842	14,925	14,925	14,925	14,925
Liabilities	-5,835	-5,835	-6,922	-6,685	-7,128	-6,685	-7,128	-6,085	-6,085	-6,085	-6,085	-6,085	-6,085
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector	154	154	154	154	157	154	157	154	154	154	154	154	154
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items (net, incl. liquidity management operations)	-1,126	-1,126	-1,158	-1,126	-879	-1,126	-2,279	-1,126	-1,126	-1,126	-1,126	-1,126	-1,126
Reserve money	18,595	19,833	19,280	21,328	20,166	21,726	21,682	21,441	21,565	19,845	19,204	20,139	20,886
Currency outside banks	10,072	10,706	10,841	11,393	11,978	11,429	11,968	12,163	12,037	10,036	9,456	9,811	12,743
Commercial bank deposits	8,523	9,127	8,438	9,935	9,080	10,297	9,714	9,279	9,528	9,808	9,748	10,328	8,142
III. Commercial Banks Balance Sheet													
Net foreign assets	10,549	10,336	10,453	10,208	10,499	9,508	11,699	11,298	10,927	10,027	9,899	9,771	12,626
Foreign assets	11,871	11,658	11,649	11,530	11,843	10,830	13,043	12,621	12,250	11,350	11,222	11,094	13,948
Foreign liabilities	-1,322	-1,322	-1,195	-1,322	-1,344	-1,322	-1,344	-1,322	-1,322	-1,322	-1,322	-1,322	-1,322
Net domestic assets	31,668	33,009	32,554	34,266	35,024	35,416	34,117	35,434	35,181	37,054	38,154	39,255	36,636
Net domestic claims	35,860	37,202	37,086	38,459	39,134	39,608	38,310	39,627	39,373	41,246	42,347	43,448	40,829
Claims on central bank	8,523	9,127	8,438	9,935	9,080	10,297	9,714	9,279	9,528	9,808	9,748	10,328	8,142
Net claims on government	19,631	20,031	20,742	20,381	21,957	20,731	20,555	21,131	21,131	22,593	22,593	21,890	21,790
Claims	19,631	20,031	20,742	20,381	21,957	20,731	20,555	21,131	21,131	22,593	22,593	21,890	21,790
Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other sectors	7,706	8,044	7,905	8,143	8,096	8,580	8,041	9,217	8,714	8,845	10,006	11,230	10,896
Claims on public nonfinancial corporations	68	68	79	68	97	68	97	68	68	68	68	68	68
Claims on private sector	7,638	7,976	7,826	8,075	7,999	8,512	7,944	9,150	8,646	8,777	9,938	11,162	10,828
Other items net	-4,193	-4,193	-4,532	-4,193	-4,110	-4,193	-4,193	-4,193	-4,193	-4,193	-4,193	-4,193	-4,193
Liabilities	42,216	43,345	43,007	44,474	45,523	44,924	45,816	46,733	46,108	47,081	48,054	49,027	49,262
Liabilities to central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits incl. in broad money	42,216	43,345	43,007	44,474	45,523	44,924	45,816	46,733	46,108	47,081	48,054	49,027	49,262

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 6a. The Gambia: Balance of Payments, 2019–26
(Millions of U.S. dollars, unless otherwise indicated)

	2019	2020		2021		2022		2023		2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	2nd Review	Proj.	2nd Review	Proj.	Projections		
1. Current account												
A. Goods and services	-336.5	-539.6	-521.8	-659.1	-671.1	-723.2	-732.9	-731.7	-727.4	-761.9	-755.6	-818.0
Goods (net)	-452.7	-511.9	-495.5	-629.2	-645.8	-679.0	-796.1	-696.4	-808.0	-852.7	-858.3	-928.7
Exports, f.o.b.	142.4	70.0	69.5	114.0	109.4	155.0	152.2	196.7	187.3	203.7	220.4	234.2
Imports, f.o.b.	-595.1	-581.9	-565.0	-743.3	-755.1	-833.9	-948.3	-893.0	-995.3	-1056.5	-1078.7	-1162.9
Services (net)	116.2	-27.6	-26.3	-29.8	-25.3	-44.2	63.2	-35.4	80.6	90.8	102.8	110.7
Services exports	226.3	82.5	82.8	121.0	116.4	197.2	220.4	233.9	242.5	264.3	285.5	304.8
Of which: Travel income	181.3	46.6	46.6	63.7	48.9	135.8	116.4	164.9	124.7	134.6	145.1	156.1
Services imports	-110.1	-110.1	-109.1	-150.9	-141.7	-241.5	-157.3	-269.3	-161.8	-173.5	-182.7	-194.0
B. Income (net)	-30.1	-31.0	-31.0	-32.1	-32.1	-32.4	-32.4	-31.2	-31.2	-32.4	-33.5	-34.8
Income credits	2.3	2.4	2.4	2.5	2.5	2.5	2.5	2.4	2.4	2.5	2.6	2.7
Income debits	-32.4	-33.5	-33.5	-34.6	-34.6	-34.9	-34.9	-33.7	-33.7	-34.9	-36.2	-37.5
C. Current transfers	255.5	495.1	495.2	437.4	453.1	445.6	424.9	446.9	472.8	523.6	543.8	578.5
Official transfers	55.8	82.7	82.7	43.2	16.3	52.0	47.1	47.5	57.3	57.5	35.5	30.1
Of which: COVID-19 assistance	...	26.4	26.4	...	...	...	...	...	...	...	...	...
Remittances	187.4	400.1	400.2	381.6	424.2	380.8	365.0	385.2	401.4	451.5	493.4	533.1
Other transfers	12.3	12.3	12.3	12.6	12.6	12.9	12.9	14.2	14.2	14.6	14.9	15.3
Current account (excl. official transfers)	-166.8	-158.3	-140.4	-296.9	-266.4	-361.9	-387.5	-363.5	-343.1	-328.2	-280.8	-304.4
Current account (incl. prospective official transfers)	-111.0	-75.5	-57.6	-253.7	-250.1	-310.0	-340.4	-316.0	-285.8	-270.6	-245.3	-274.3
2. Capital and financial account												
A. Capital account	73.5	66.9	66.9	110.7	103.9	123.8	179.1	130.3	136.4	137.8	139.2	139.9
B. Financial account	110.2	103.7	54.9	150.8	233.1	195.1	126.2	200.7	159.3	142.9	116.2	144.4
Foreign direct investment	93.4	72.3	69.3	121.0	134.5	130.7	129.5	139.7	113.6	122.6	129.5	130.4
Portfolio investment	4.1	4.0	3.8	3.9	3.8	4.2	4.0	4.6	4.4	4.8	5.2	5.6
Other investment	12.8	27.3	-18.2	25.8	94.8	60.1	-7.3	56.4	41.4	15.5	-18.5	8.4
Capital and financial account	183.7	170.5	121.8	261.4	337.0	318.8	305.2	331.0	295.8	280.6	255.4	284.3
Errors and omissions	1.6	0.0	30.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	74.3	...	95.0	...	70.6	8.9	-82.2	15.0	-47.3	-47.5	-25.5	-20.1
Financing	-74.3	...	-95.0	-7.7	-70.6	-8.9	82.2	-15.0	47.3	47.5	25.5	20.1
Net international reserves (increase -)	-74.3	...	-103.5	-15.4	-98.6	-10.0	34.0	-15.0	-10.0	-10.0	-10.0	-10.0
Change in gross international reserves	-68.0	...	-127.1	-60.2	-144.4	-20.5	23.6	-16.4	-11.4	-4.3	-2.3	4.1
Use of IMF resources (net)	-6.3	...	23.6	44.8	45.8	10.5	10.4	1.4	1.4	-5.7	-7.7	-14.1
Exceptional financing	0.0	...	8.4	7.7	5.7	1.1	1.1	0.0	0.0	0.0	0.0	0.0
Of which: CCRT debt relief[2]	...	4.4	4.4	5.7	5.7	1.1	1.1	0.0	0.0	0.0	0.0	0.0
Of which: DSSI	...	4.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prospective donor financing	0.0	...	0.0	...	22.4	...	47.1		57.3	57.5	35.5	30.1
Budget support grants					16.3		47.1		57.3	57.5	35.5	30.1
Project support grants					6.1		...		...	...	...	...
Memorandum items:												
Gross international reserves												
US$ millions	225.0	352.0	352.1	412.3	496.5	432.8	472.9	449.1	484.3	488.5	490.9	486.8
Months of next year's imports of goods and services	4.0	4.7	4.7	4.6	5.4	4.5	4.9	4.5	4.7	4.6	4.3	4.0
Gross international reserves (w/o SDR allocation)	225.0	...	352.1	...	411.5	...	387.9	...	399.3	403.5	405.9	401.8
Months of next year's imports of goods and services	4.0	...	4.7	...	4.5	...	4.0	...	3.9	3.8	3.6	3.3
Net international reserves												
US$ millions	187.4	290.9	290.9	306.3	394.5	316.3	361.1	331.3	363.4	367.7	371.3	374.5
Months of next year's imports of goods and services	3.3	3.9	3.9	3.4	4.3	3.3	3.7	3.3	3.5	3.5	3.3	3.1
Net international reserves (w/o SDR allocation)	187.4	...	291.6	...	309.5	...	276.1	...	278.4	282.7	286.3	289.5
Months of next year's imports of goods and services	3.3	...	3.9	...	3.4	...	2.9	...	2.7	2.7	2.5	2.4
Exports of goods and services	368.8	152.5	152.4	235.1	225.7	352.2	372.6	430.6	429.8	468.1	505.9	538.9
Imports of goods and services	-705.2	-692.1	-674.1	-894.1	-896.8	-1075.4	-1105.5	-1162.3	-1157.2	-1230.0	-1261.4	-1356.9
GMD per U.S. dollar, period average	50.3	51.6	51.6	...	...	...	...	...	...	...	...	...
External Debt service	83.9	...	33.2	...	58.4	...	48.3	...	49.7	55.8	80.2	91.3
NIR/External Debt Service (ratio)	2.2	...	8.8	...	6.7	...	7.4	...	7.4	6.7	4.8	4.3

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

[1] Overall balance does not include prospective budget support and project grants.

[2] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 6b. The Gambia: Balance of Payments, 2019–26
(Percent of GDP)

	2019	2020		2021		2022		2023	2024	2025	2026
	Act.	Prog.	Prel.	Prog.	Proj.	2nd Review	Proj.	Projections			
1. Current account											
A. Goods and services	-18.6	-28.4	-28.5	-32.3	-33.5	-32.5	-34.4	-31.4	-30.2	-27.5	-27.7
Goods (net)	-25.1	-26.9	-27.1	-30.8	-32.2	-30.5	-37.3	-34.8	-33.9	-31.3	-31.4
Exports, f.o.b.	7.9	3.7	3.8	5.6	5.5	7.0	7.1	8.1	8.1	8.0	7.9
Imports, f.o.b.	-33.0	-30.6	-30.9	-36.4	-37.7	-37.5	-44.5	-42.9	-41.9	-39.3	-39.3
Services (net)	6.4	-1.5	-1.4	-1.5	-1.3	-2.0	3.0	3.5	3.6	3.7	3.7
Services exports	12.5	4.3	4.5	5.9	5.8	8.9	10.3	10.5	10.5	10.4	10.3
Of which: Travel income	10.0	2.5	2.5	3.1	2.4	6.1	5.5	5.4	5.3	5.3	5.3
Services imports	-6.1	-5.8	-6.0	-7.4	-7.1	-10.9	-7.4	-7.0	-6.9	-6.7	-6.6
B. Income (net)	-1.7	-1.6	-1.7	-1.6	-1.6	-1.5	-1.5	-1.3	-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	0.1	0.1
Income debits	-1.8	-1.8	-1.8	-1.7	-1.7	-1.6	-1.6	-1.5	-1.4	-1.3	-1.3
Of which: Interest on government debt	0.6	0.5	0.1	0.6	0.5	0.6	0.5	0.4	0.4	0.4	0.4
C. Current transfers	14.1	26.1	27.1	21.4	22.6	20.1	19.9	20.4	20.8	19.8	19.6
Official transfers	3.1	4.4	4.5	2.1	0.8	2.3	2.2	2.5	2.3	1.3	1.0
Of which: COVID-19 assistance	…	1.4	1.4	…	…	…	…	…	…	…	
Remittances	10.4	21.1	21.9	18.7	21.2	17.1	17.1	17.3	17.9	18.0	18.0
Other transfers	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Current account (excl. official transfers)	-9.2	-8.3	-7.7	-14.5	-13.3	-16.3	-18.2	-14.8	-13.0	-10.2	-10.3
Current account (incl. prospective official transfers)	-6.1	-4.0	-3.2	-12.4	-12.5	-13.9	-16.0	-12.3	-10.7	-8.9	-9.3
2. Capital and financial account											
A. Capital account	4.1	3.5	3.7	5.4	5.2	5.6	8.4	5.9	5.5	5.1	4.7
B. Financial account	6.1	5.5	3.0	7.4	11.6	8.8	5.9	6.9	5.7	4.2	4.9
Foreign direct investment	5.2	3.8	3.8	5.9	6.7	5.9	6.1	4.9	4.9	4.7	4.4
Portfolio investment	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	0.7	1.4	-1.0	1.3	4.7	2.7	-0.3	1.8	0.6	-0.7	0.3
Capital and financial account	10.2	9.0	6.7	12.8	16.8	14.3	14.3	12.8	11.1	9.3	9.6
Errors and omissions	0.1	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	…	…	…	0.4	3.5	0.4	-3.9	-2.0	-1.9	-0.9	-0.7

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

[1] Overall balance does not include prospective budget support and project grants.

Table 7. The Gambia: External Financing Needs, 2020–23
(Millions of U.S. dollars)

	2020		2021		2022		2023
	Prog.	Prel.	Prog.	Proj.	2nd Review	Proj.	Proj.
1. Total financing requirement	-320.4	-280.2	-387.2	-459.0	-413.6	-402.3	-394.1
Current account deficit (excl. official transfers)	-158.3	-140.4	-296.9	-266.4	-361.9	-387.5	-343.1
Public debt amortization	-30.1	-7.8	-24.6	-44.1	-27.2	-34.5	-33.8
Repayment to the IMF	-5.0	-5.0	-5.5	-4.1	-4.1	-4.0	-5.9
Change in official reserves	-127.0	-127.1	-60.2	-144.4	-20.5	23.6	-11.4
Arrears repayment	…	…	…	…	…	…	…
2. Total financing sources	179.0	138.9	279.7	380.9	346.0	339.7	329.5
Capital transfers	45.3	45.3	104.6	103.9	123.8	179.1	136.4
Foreign direct investment (net)	72.3	69.3	121.0	134.5	130.7	129.5	113.6
Portfolio investment (net)	4.0	3.8	3.9	3.8	4.2	4.0	4.4
Public sector debt financing	36.2	36.2	59.7	55.8	69.2	60.1	60.1
Other net capital inflows[1]	21.2	-15.8	-9.5	83.0	18.0	-33.0	15.0
3. Total financing needs	141.4	141.4	107.5	78.1	67.7	62.6	64.6
Budget support (grants)	82.7	82.7	43.2	16.3	52.0	47.1	57.3
European Union	38.0	38.0	23.2	16.3	20.0	19.8	21.3
African Development Bank	14.8	14.8	…	…	…	7.2	5.8
Other	…	…	…	0.0	7.2	20.1	30.1
Other current transfers	21.6	21.6	6.1	6.1	…	…	…
IMF disbursements	28.6	28.6	50.6	50.1	14.6	14.4	7.3
Of which: ECF augmentation	…	…	28.9	28.6	…	…	…
Exceptional financing	8.4	8.4	7.7	5.7	…	1.1	0.0
Of which: CCRT debt relief[2]	4.4	4.4	5.7	5.7	1.1	1.1	0.0
DSSI	4.0	4.0	2.0	0.0	1.1	0.0	0.0
Memorandum items:							
Total WB financing	…	83.9	…	81.7	…	111.7	125.9
COVID-19 assistance	48.0	48.0	6.1	6.1	…	…	…
Budget support augmentation[3]	26.4	26.4	…	…	…	…	…
Of which: European Union	19.4	19.4	…	…	…	…	…
African Development Bank	7.0	7.0	…	…	…	…	…
World Bank	21.6	21.6	6.1	6.1	…	…	…
Of which: Health Fast-Track Facility	10.0	10.0	…	…	…	…	…
Social Safety Net Project	8.1	8.1	6.1	6.1	…	…	…
Education Sector Response Project	3.5	3.5	…	…	…	…	…

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

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

[2] The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[3] In 2020 the African Development Bank frontloaded its SDR5 million initially scheduled for 2021, and European Union augmented its budget support to The Gambia by EUR 5.95 million.

Table 8. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2020-2022[1]

	Debt Stock (end of period) 2020			Debt Service					
				2020	2021	2022	2020	2021	2022
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	1,552.3	100.0	84.9	132.4	133.5	113.4	7.3	6.8	5.4
External	893.8	57.6	48.9	33.2	59.9	49.1	1.8	3.0	2.3
Multilateral creditors	593.9	38.3	32.5	26.9	47.5	35.3	1.5	2.4	1.7
IMF	60.5	3.9	3.3						
World Bank	127.8	8.2	7.0						
ADB/AfDB/IADB	62.4	4.0	3.4						
Other Multilaterals	346.6	22.3	19.0						
o/w: IsDB and OFID	209.5	13.5	11.5						
Bilateral Creditors	266.3	17.2	14.6	2.9	9.0	10.4	0.2	0.5	0.5
Paris Club	2.9	0.2	0.2	0.0	1.8	0.9	0.0	0.1	0.0
o/w: ING Bank N.V. and Govt. of Belgium	2.9	0.2	0.2						
Non-Paris Club	263.4	17.0	14.4	2.9	7.2	9.5	0.2	0.4	0.4
o/w: Saudi and Kuwait Fund	134.3	8.7	7.4						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	33.6	2.2	1.8	3.4	3.4	3.4	0.2	0.2	0.2
o/w: M.A. Kharafi and Sons	33.6	2.2	1.8						
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w:	0.0	0.0	0.0						
Domestic	658.4	42.4	36.1	99.3	73.6	64.2	5.4	3.8	3.1
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	369.2	23.8	20.2	28.9	27.6	28.5	1.6	1.4	1.4
Bonds	289.3	18.6	15.8	70.4	46.0	35.7	3.9	2.4	1.7
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2,4]	n/a								
Contingent liabilities[3,4]	n/a								
Nominal GDP	1,827.6	117.7	100.0						

[1] As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

[2] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

[3] Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements). Plans to fill the data gaps will be discussed at subsequent program reviews.

[4] Some of the public debt is not shown in the table due to capacity constraints. Plans to fill the data gaps will be discussed at subsequent program reviews.

Table 9. The Gambia: Financial Soundness Indicators for the Banking Sector, 2015–21

	2015	2016	2017	2018	2019	2020	2021	
	December						Mar.	Jun.
	(Percent, unless otherwise indicated)							
Capital ratios								
Capital adequacy ratio	33.1	38.2	33.6	31.7	31.4	32.6	31.8	28.3
Regulatory capital ratio (i.e., T1+T2)	34.8	39.8	35.1	33.0	32.7	33.8	32.9	29.5
Primary capital ratio (i.e., T1)	31.4	35.9	31.9	30.3	30.1	31.1	30.4	27.0
Non-performing loans/Primary capital	7.9	9.8	6.8	3.4	5.8	7.8	8.9	6.4
Sectoral distribution of credit								
Agriculture and fishing	3.6	6.5	8.5	1.7	2.0	3.8	3.5	2.7
Manufacturing industries	3.4	0.7	0.7	0.4	1.2	1.0	2.2	4.2
Building and construction	8.5	9.9	13.7	19.7	27.3	27.6	30.1	30.4
Transport and communication	10.3	9.0	8.1	7.7	7.6	7.6	6.9	5.4
Commerce	39.4	31.2	31.1	31.2	22.9	23.4	22.4	20.5
Tourism	2.6	2.4	5.2	10.8	5.6	5.6	4.3	4.0
Financial institutions and enterprise services	4.2	2.1	3.0	3.2	1.2	2.6	2.7	2.3
Other activities	27.9	38.1	29.6	25.3	32.2	28.4	27.8	30.6
Asset quality ratios								
Non-performing loan ratio	6.5	9.3	7.2	3.3	4.5	6.8	7.7	5.6
Aggregate provision level	82.2	79.1	99.1	100.2	73.4	80.1	66.5	95.4
Loan loss reserve ratio	4.6	6.8	6.6	2.9	2.5	4.0	4.2	4.3
Earnings and profitability								
Net income to average assets (ROA)	0.5	0.7	1.6	1.6	1.9	1.9	2.1	1.5
Net income to average equity (ROE)	3.5	4.2	11.0	11.3	15.4	15.3	17.7	14.3
Net interest margin	1.8	1.9	8.1	5.9	6.5	6.5	5.9	5.2
Non-interest income ratio	33.2	27.6	31.7	40.9	40.2	38.3	37.7	46.5
Liquidity ratios								
Liquid assets ratio	93.4	101.3	92.9	94.8	92.0	93.5	94.3	94.0
Dalasi liquid assets/dalasi deposits	88.4	97.5	89.0	93.5	94.7	93.2	79.2	82.9
Time deposits/total deposits	18.1	17.3	14.3	12.9	11.2	11.7	11.0	11.8

Source: Central Bank of The Gambia.

Table 10. The Gambia: Indicators of Capacity to Repay the Fund, 2021–28

	2021	2022	2023	2024	2025	2026	2027	2028
	Act.	Projections						
Fund obligations based on existing credit								
Principal (millions of SDRs)	1.09	2.80	4.04	3.89	5.17	9.44	12.44	10.11
Charges and interest (millions of SDRs)[1]	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Fund obligations, existing and prospective credit								
Principal (millions of SDRs)	1.09	2.80	4.04	3.89	5.17	9.44	13.94	13.61
Of which: RCF	0.00	1.56	3.89	3.89	4.67	5.44	5.44	3.11
Of which: ECF	1.09	1.24	0.16	0.00	0.50	4.00	8.50	10.50
Charges and interest (millions of SDRs)[1]	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total obligations, existing and prospective credit[2]								
In millions of SDRs	1.10	2.81	4.05	3.90	5.18	9.45	13.95	13.62
In millions of US$	1.57	4.06	5.91	5.74	7.68	14.09	20.49	20.08
In percent of Gross International Reserves	0.32	0.86	1.22	1.17	1.56	2.89	4.53	4.96
In percent of exports of goods and services	1.30	1.92	2.58	2.31	2.86	4.89	6.65	6.08
In percent of debt service[1]	3.28	10.06	14.96	12.09	10.12	16.17	21.34	20.24
In percent of GDP	0.08	0.19	0.25	0.23	0.28	0.48	0.64	0.58
In percent of quota	1.77	4.52	6.51	6.27	8.33	15.19	22.43	21.90
Outstanding Fund credit								
In millions of SDRs	74.05	81.26	82.21	78.33	73.16	63.72	49.78	36.17
In millions of US$	105.96	117.32	119.92	115.20	108.40	94.98	73.12	53.32
In percent of Gross International Reserves	21.34	24.81	24.76	23.58	22.08	19.51	16.17	13.17
In percent of exports of goods and services	87.62	55.64	52.27	46.30	40.36	33.00	23.72	16.15
In percent of debt service[1]	220.77	290.77	303.58	242.89	142.95	109.03	76.16	53.75
In percent of GDP	5.29	5.50	5.17	4.57	3.95	3.21	2.29	1.54
In percent of quota	119.05	130.64	132.17	125.93	117.62	102.44	80.03	58.15
Net use of Fund credit (millions of SDRs)	32.04	7.19	0.94	-3.90	-5.18	-9.46	-13.96	-13.62
Disbursements	35.00	10.00	5.00	0.00	0.00	0.00	0.00	0.00
Of which: RCF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: ECF	35.00	10.00	5.00	0.00	0.00	0.00	0.00	0.00
Repayments and Repurchases	2.96	2.81	4.06	3.90	5.18	9.46	13.96	13.62
Of which: RCF	0.78	1.56	3.89	3.89	4.67	5.44	5.44	3.11
Of which: ECF	2.18	1.24	0.16	0.00	0.50	4.00	8.50	10.50
CCR Trust debt relief[3]	3.97	0.78	0.00	0.00	0.00	0.00	0.00	0.00
Memorandum items:								
Nominal GDP (millions of US$)	2,003.68	2,132.34	2,318.90	2,518.76	2,745.53	2,956.47	3,199.59	3,454.15
Exports of goods and services (millions of US$)[4]	120.94	210.84	229.42	248.83	268.62	287.80	308.32	330.13
Gross International Reserves (millions of US$)	496.52	472.90	484.27	488.54	490.86	486.76	452.10	404.90
Debt service (millions of US$)[1]	48.00	40.35	39.50	47.43	75.83	87.11	96.02	99.19
Quota (millions of SDRs)	62.2	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] Total obligations include principal and charges and interest.

[3] The grant for debt service falling due between January 11, 2022 and April 13, 2022 is subject to the availability of resources under the CCRT.

[4] Excluding re-exports.

Table 11. The Gambia: Disbursements Under the ECF Arrangement, 2020–23

Availability	Disbursements		Condition for Disbursement [1]
	In millions of SDR	In percent of Quota	
March 23, 2020	5.00	8.04	Approval of the Arrangement.
September 15, 2020[2]	20.00	32.15	Board completion of the first review based on observance of performance criteria for June 30, 2020.
March 15, 2021[2]	10.00	16.08	Board completion of the second review based on observance of performance criteria for December 31, 2020.
September 15, 2021	5.00	8.04	Board completion of the third review based on observance of performance criteria for June 30, 2021.
March 15, 2022	5.00	8.04	Board completion of the fourth review based on observance of performance criteria for December 31, 2021.
September 15, 2022	5.00	8.04	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.
March 15, 2023	5.00	8.04	Board completion of the sixth review based on observance of performance criteria for December 31, 2022.
Total Disbursements	**55.0**	**88.4**	

Source: IMF staff estimates.

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

[2] Disbursements include proposed ECF augmentation; both disbursements are to be onlent to the government.

Annex I. Key Recommendations of the 2017 Article IV Consultation

Policies	Key Recommendations	Status of Implementation
Fiscal Policy	Implement delayed revenue measures.	The recommendations from the 2018 TADAT were translated into a strategic reform plan (2020–24) that is being implemented with TA support. Stolen asset sales are continuing, following Janneh Commission findings and the government's White Paper on the issue.
	Develop a MTEF as a forward-looking anchor to fiscal policy.	The Gambia produced its first 3-year MTEF in 2019 to guide the 2020 budget. It is being updated for annual budget preparations.
Debt Policy	Carefully prioritize and sequence investment projects, possibly delaying some existing debt-financed projects to make room for higher priority projects.	The Gambia benefited from a PIMA mission in 2019. Follow-up missions have helped develop a project selection tool for the Strategic Review Board (GSRB). The GSRB has started evaluating some externally financed and PPP projects. In February and June 2020, follow up missions to the GSRB provided capacity development on the use of investment evaluation tools to prioritize public investment projects.
	Refrain from contracting large new debt or contingent liabilities.	The Gambia has been prudent in contracting new debt. In 2020, out of the US$60 million approved in the borrowing plan only US$12 million were contracted. Similarly, no new debt has been contracted yet under the US$115 million borrowing ceiling for 2021. External borrowing by SOEs has been set to zero and all domestic borrowing is subject to the MOFEA's approval.
	Continue to implement the medium-term debt strategy, including maturity lengthening of domestic debt.	The Gambia has prepared a debt strategy (including for domestic borrowing) focused on lengthening debt maturity and reduce the roll-over risk. A quarterly debt bulletin is regularly issued, and monthly bond issuances are published regularly on the MOFEA and the CBG websites.
Monetary and Exchange Rate Policies	Strengthen the central bank's independence and operational effectiveness, including strengthening liquidity management and forecasting and setting up overnight settlement facilities.	The CBG has transitioned to inflation targeting lite, established its own bills for monetary policy purposes, and holds quarterly monetary policy meetings. It is following up on provisions in the ongoing discussions under a new Constitution that seem to narrow its independence.
	Maintain a flexible exchange rate system to support rebuilding international reserves.	The CBG maintains a *de jure* free flexible exchange rate regime and an exchange system free from restrictions and multiple currency practices. Its presence in the FX market is very limited and solely on the purchasing side to anticipate government's forex transactions and prevent disorderly dalasi volatility.

Financial Sector Policies	Safeguard financial sector stability.	The CBG has changed on-site examination of financial institutions from a compliance-based to a risk-based system. It has strengthened its surveillance and is examining all banks annually.
	Promote credit information systems and collateral registries; and foster financial literacy and financial inclusion.	With support from Alliance for Financial Inclusion (AFI), the CBG is setting up a credit reference bureau, and has drafted the National Financial Inclusion Strategy 2020–25. Plans are afoot to promote digital financial inclusion including the use of E-wallets and other digital solutions.
Structural Policies	Rehabilitate and reform SOEs with World Bank support, to protect fiscal outcomes, and improve service delivery and the business environment.	With support of IFIs (including the World Bank), the Government enacted measures to improve the governance and financial management of SOEs, to reduce fiscal risks. Special purpose audits were conducted on fiscally important SOEs. The Government signed an MOU with NAWEC in 2018 and absorbed 75 percent of its debt. The Government has also drafted a new SOE bill, but its approval is pending the adoption of the new Constitution.
	Reduce income and gender inequalities to support further economic growth and achieve better social outcomes.	The National Development Plan 2018–21 has identified women's empowerment as a cross-cutting priority issue and a key enabler for economic growth and income equality. To support systematic alignment and integration of national gender objectives with the budget processes, the authorities plans to adopt a gender budgeting approach, for which they have received TA.

Annex II. Impact of COVID-19 Pandemic and Responses, 2020–21

Categories	Impact	The Authorities' Responses
Public Health	**Infection spread** i. From the first infection case recorded on March 18, the spread of COVID-19 infections remained slow until the easing of the lockdown conditions, which subsequently led to a sudden spike in new cases including through local transmission. The number of confirmed cases reached 146 as of July 23, with 5 fatalities and continued to accelerate until mid-September when the first wave of infections started to subside. Following the Christmas break and the surge in cases in Senegal, the country experienced a second wave of COVID-19 infections involving new strains of the virus that were less severe than the first wave. As the region enters a third wave, the number of cases has accelerated starting July surpassing the level infection observed at the onset of the first wave in 2020. ii. Increased demand and pressure on health facilities and the use of PPEs.	Lockdown restrictions were introduced, and a state of public health emergency was declared on March 27. In parallel, the authorities: • Closed the airspace, land and sea borders. • Closed schools, places of worship, markets and non-essential businesses and limited public gatherings to 10 people. • Limited passenger numbers in commercial vehicles to half capacity. • Imposed a curfew during the pick of the first wave of the pandemic in the third quarter of 2020. • Procured PPEs and additional medical supplies from Turkey and benefitted from development partners' support including from the World Bank, EU, China and the Jack Ma Foundation. • Identified facilities and built new ones for quarantine and treatment purposes across the country. • Required testing and quarantine for incoming travelers, and recently, for passengers coming from countries affected by new strains of the virus. • Worked under the African Union's COVAX initiative and with World Bank support to procure and roll-out the COVID-19 vaccines.
Social	**Social Impact** i. Surge in the price of essential commodities. ii. Lack of market access for local onions and horticultural products. iii. Loss of employment and earnings/salaries due to market closures, business closures and layoffs, affecting families live and livelihoods. iv. Suspension of in-person learning in schools and universities. v. Reduced demand for non-COVID-19 health services.	The authorities: • Froze the price, and banned the re-export, of all essential commodities. • Partnered with the private sector to organize supply chains and imposed a temporal ban on onions import. • Provided GMD 850 million food aid targeting 84 percent of households and GMD 224 million food support to be distributed through the WFP. • Partnered with the UNDP, World Bank, WFP, UNICEF and FAO to make cash handouts to vulnerable households, some formal and informal sector employees, and women, and provided seeds and fertilizers to farmers. • Introduced E-learning (via public and private media) in schools and universities and switched to conducting regular lessons on radio and televisions.
Economic	**Tourism and other economic activities** i. Airport arrivals dropped by 62 percent in 2020. ii. Non-essential private and public businesses were closed, or their activities reduced to a bare minimum. iii. Re-export trade suffered from border closures. iv. However, remittance inflows increased by 77 percent in 2020 and by 24 percent in the first half of 2021.	The authorities: • Are using hotels as quarantine facilities. • Provided GMD 100 million to support the comprehensive recovery plan with end-to-end safe travel experience, prepared by the tourism corporations with the support of the IMF and other development partners. • Are supporting municipalities, the Gambia Tourism Board and the Gambia aviation services affected by the absence of tourists. • Accelerated the airport renewal plan to enhance safety and security in the context of COVID-19. The border reopening in Q4 and implementation of stimulus package of the SAP (which was expanded in the2021 budget) supported economic activities.

Categories	Impact	The Authorities' Responses
Economic	**Fiscal** i. Companies faced difficulties in meeting tax obligations and filing of tax returns. ii. Slowdown in revenue intake prompted the GRA to revise downward its annual revenue target for 2020 by 2.2 percent of GDP. The actual shortfall turned out to be much lower and tax revenue reached 10.8 percent of GDP. In 2021, revenue performance in Q1 was lower than projected due shortfall in corporate income tax suffering from the economic downturn in 2020. iii. Increased spending on health and COVID-19 containment programs (0.8 percent of GDP).	The authorities: • Extended the filing and payment of the 2019 and 2020Q1 tax returns until end-Q2. Provided tax break on rice and PPEs equipment. • Requested (and the IMF Board approved) a US$21.3 million (25 percent of quota) support under the RCF; requested (and IMF board approved) a US$28.8 million (32.15 percent of quota) ECF augmentation; benefitted from the CCRT, and are participating in the G20 DSSI. • Secured additional support from the AfDB, EU (partly frontloaded) and the World Bank disbursed COVID-assistance funds to help address the health and socio-economic impact of the pandemic. This, together with the IMF emergency assistance and a list of new spending priorities, was included in a Supplementary Appropriation Bill (SAP) that was approved by the National Assembly. • Prepared and approved a 2021 budget that includes enough resources to address the foreseen COVID-19 spending and a post pandemic recovery stimulus package as well as contingencies to address potential surges in infections. • Opened a dedicated project account for COVID-19-related spending in 2020, reinforced the Internal Audit's presence at the Ministry of Health, published details of COVID-19-related spending and procurement contracts and initiated the audit of the COVID-19 spending, with a view to enhance transparency in the use of the COVID-19 resources.
	Banking system i. Financial intermediation moderated since 2020Q1, with some tourist operators having problems servicing loans. ii. Credit growth dipped to 0.8 percent at end-2020 (was 35.8 percent in 2019). iii. F/X currency transport abroad ceased. iv. CBR problems heightened, disrupting trade financing. v. Record high private FX inflows, resulting in a large accumulation of foreign assets by the CBG and the banks, driving a strong growth in broad money.	The authorities: • Reduced (i) the policy rate by 50 bps and increased the special deposit rate by the same amount in February 2020, and (ii) the policy rate and the statutory reserve requirements on banks by 200 bps to 10 percent and 13 percent respectively, in May 2020. • Are standing ready to discuss, on a bank-by-bank basis, client-specific loan servicing problems and advise on their resolution. • Strengthened banking supervision and re-prioritized (including frontloading TA on stress testing and crisis preparedness) in a strategic plan of actions to address the recommendations from the 2019 FSSR.

Source: The Gambian authorities.

Annex III. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Impact if Realized	Policy Response
External: Global resurgence of the Covid-19 pandemic	**Medium** Local outbreaks lead to a global resurgence of the pandemic, which requires costly containment efforts and prompts persistent behavioral changes rendering many activities unviable. Policy response to cushion the economic impact is constrained by lack of policy space, prompting a reassessment of growth prospects.	**High** Disruptions to economic activity. Employment pressures abroad reduce the inflow of remittances. Tourism is halted, construction and services slow down and exports are depressed. Negative impact on growth and the external position.	• Strengthen government fiscal social and health response to pandemic. Prioritize infrastructure projects with high fiscal multipliers and value-for-money. • Strengthen regional cross-border pandemic response. • Roll out targeted support for tourism, construction and services sectors for previously well-run and profitable corporates.
External: Rising commodity prices amid bouts of volatility	**Medium** Commodity prices increase more than expected against a weaker U.S. dollar, post-pandemic pent-up demand and supply disruptions. Uncertainty surrounding each of these factors leads to bouts of volatility, especially in oil prices.	**High** Dependence on imported commodities leads to higher imports and lower growth, albeit mitigated by higher exports of locally produced groundnuts. Dependence on heavy fuel oil and sovereign guarantees pose a significant contingent liability risk. Increased use of ITFC facility could delay projects.	• Provide targeted support to vulnerable households. • Strengthen the fiscal oversight of NAWEC. • Accelerate implementation of national energy roadmap with World Bank support, including use of alternative energy production methods.
Higher frequency and severity of natural disasters related to climate change	**Medium** Recurring cycles of erratic rainfall, windstorms, and droughts.	**High** Negative impact on domestic production. More internally displaced individuals. Higher fiscal costs.	• Strengthen food security and rural feeding programs. • Build up fiscal and reserve buffers. • Build resilience to natural disasters.
Weak fiscal management	**Medium/ High** An expansive COVID-19 fiscal policy without effective control of non-priority spending and lack of fiscal reforms. Fiscal shocks from SOEs. Increased elections spending.	**Medium** Increased domestic borrowing and pressure on public debt sustainability. Pressure on foreign reserves. Crowding out of private credit.	• Implement TA recommendations on PFM, cash management and budget execution. • Identify additional fiscal measures to create fiscal space for crisis support. • Implement SOE reforms.
Social discontent and political instability	**Medium** Tribal politics and tensions among the coalition parties and government increase due to elections.	**High** Political uncertainty hurts market confidence and private investment, delays economic and policy reforms, and weakens institutions.	• Give priority to socio-economic stability and strengthen COVID-19 response. • Involve CSOs in policy decisions. • Implement findings from governance commissions.
Financial instability	**Low** Rising Bank NPLs due to the resurgence of COVID-19 raise concerns in some banks, even as domestic liquidity is ample. Lack of alternatives to sovereign debt reignites concerns around sovereign-bank nexus.	**Medium** Reduced profitability and capital adequacy, negatively affecting financial intermediation.	• Increase provisions and capital to absorb losses; maintain prudential standards. • Discuss loan reprofiling for clients with strong business models. • Implement FSSR recommendations. • Ensure banks retain retail banking units to support private sector recovery.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). 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 risks may interact and materialize jointly.

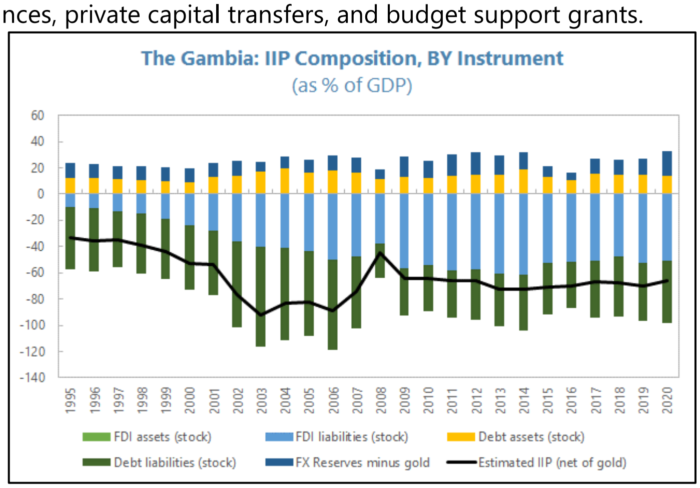
Annex IV. External Sector Assessment

Overall Assessment: *The external position of the Gambia in 2020 was broadly in line with the level implied by fundamentals and desirable policies. Staff assess that the current account deficit (at 3.2 percent of GDP), after adjusting for cyclical and transitory factors related to the pandemic, was between 0-0.4 percent of GDP below the estimated norm, implying real effective exchange rate undervaluation in the range of 0.0-2.3 percent. Under the assumption of multilateral consistency, this assessment reflects the estimated deterioration in global factors being relatively sharper than the change in The Gambia-specific factors. The current account balance external position is, however, expected to deteriorate significantly in 2021, on the back of subdued recovery in tourism and increased imports related to large infrastructure projects. Moving forward, lower-than-expected current transfers and the upcoming expiry of debt service deferrals are expected to exacerbate pressure on foreign exchange reserves.*

Potential Policy Responses: exchange rate flexibility in the context of continued structural reforms and fiscal consolidation will help sustain The Gambia's external position. Maintaining strong external buffers is essential, considering the heightened vulnerabilities due to the COVID-19 shock and in anticipation of the conclusion of debt deferrals.

Foreign Assets and Liabilities: Position and Trajectory

Background. The Gambia's net international investment position (NIIP) has gradually improved since 2014, reaching approximately -65 percent of GDP in 2020. External debt and FDI liabilities have been the primary drivers of The Gambia's NIIP, with a sizeable share of the liabilities denominated in US dollars. Gross liabilities in 2020 were around 98 percent of GDP, half of which were debt liabilities. FX reserves, which dropped to their lowest level in 2016, have been rising on the back of strong FX inflows due to robust inflows of remittances, private capital transfers, and budget support grants.



Assessment. Efforts to ensure external debt sustainability would help improve the NIIP position in the medium term, while the persistent current account deficit remains a key contributing factor. Limits set on external borrowing under the current ECF arrangement and a continued build-up of FX reserves buffers by the Central Bank of The Gambia (CBG) will help maintain external sustainability.

2020	NIIP:	Gross Assets:	Debt Assets:	Gross Liabilities:	Debt Liabilities:
(% GDP)	-65.5	32.5	13.6	-98.0	-47.3

Current Account

Background. The current account balance improved in 2020 despite the COVID-19 shock and the resulting halt in foreign tourism. This was primarily driven by strong current transfers, including disbursement of COVID-related budget support and a surge in remittances. This comes after a substantial improvement in the current account balance in 2019, largely driven by a pick-up in tourism, steady growth of remittances and an increase in budget support grants. However, the current account deficit is expected to deteriorate significantly in 2021, on the back of a persistent slump in tourism and an uptick in imports related to ongoing large infrastructure projects. Additionally, downward revisions to the current transfers in 2021, particularly budget support grants from donors, is expected to further weigh on the C/A deficit for the year.

Assessment. The EBA-lite methodology's current account (CA) approach produces a current account gap of 0.4 percent of GDP, after including adjustors to the current account for the temporary impact of the pandemic on tourism, oil imports, and remittances. An additional adjustor for COVID-related official transfers was also included. This gap is associated with an adjusted current account deficit of -3.2 percent of GDP against a norm of -3.6 percent of GDP. Compared to the previous External Sector Assessment (performed in 2020), the CA gap remains small, reflecting the ongoing alignment of the external position with the level implied by fundamentals and policies deemed desirable for the Gambia. The CA gap of 0.4 percent of GDP is consistent with a REER undervaluation of 2.3 percent. The biggest drivers of the relative policy gap are the fiscal balance and the public health expenditure.

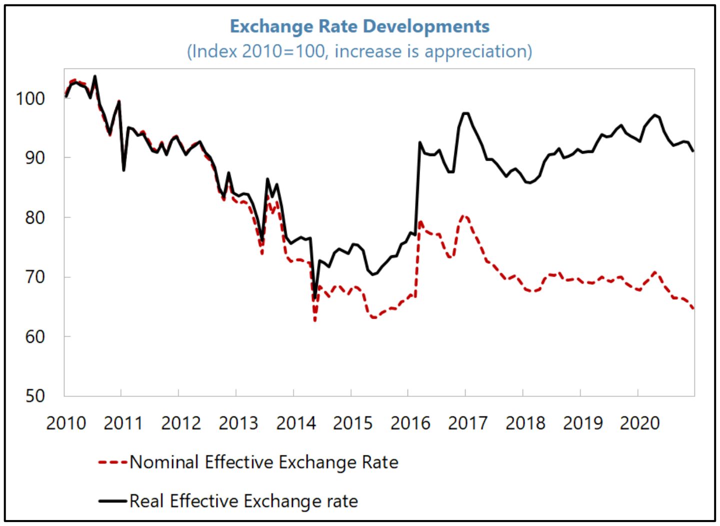
The Gambia: Model Estimates for 2020 (in percent of GDP)

	CA model	REER model	ES model
CA-Actual	**-3.2**		
Cyclical contributions (from model) (-)	0.6		
COVID-19 adjustor (+) 1/	-0.9		
Additional temporary/statistical factors (+)	1.4		
Natural disasters and conflicts (-)	0.0		
Adjusted CA	**-3.2**		
CA Norm (from model) 2/	**-3.6**		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	**-3.6**		
CA Gap	**0.4**	**-0.1**	**-3.5**
o/w Relative policy gap	4.3		
Elasticity	-0.19		
REER Gap (in percent)	**-2.3**	**0.5**	**18.6**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on remittances (-1.3 percent of GDP) and tourism (2.5 percent of GDP), and oil trade shock (-2.1%)
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

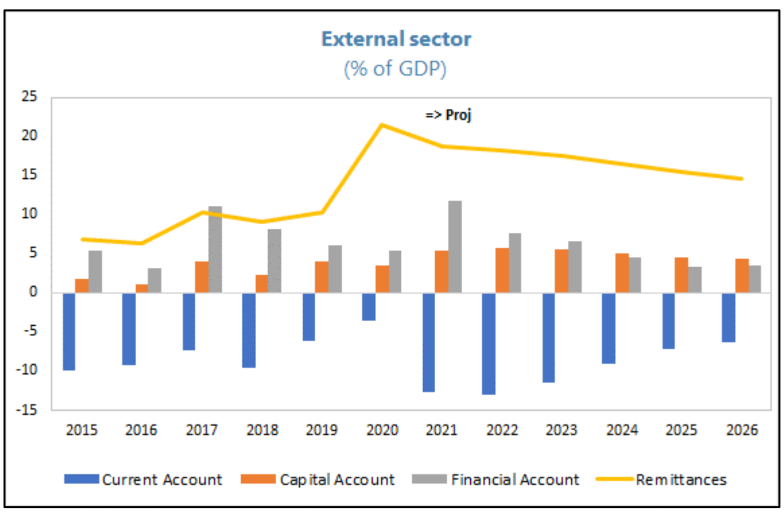
Background. The real exchange rate initially depreciated in the wake of the pandemic but stabilized towards the end of 2020 on the back of strong inflows of financial support from development partners and remittances. Going forward, the real exchange rate is expected to continue to appreciate as the competitiveness of The Gambian economy is expected to strengthen through structural reforms and private and public investment.



Assessment. The CA approach of the EBA-lite model implies an undervaluation of 2.3 percent, while the REER model implies marginal overvaluation of 0.5 percent. Given the historically poor fit of the REER model for The Gambia, and the large residuals, staff assess that the real exchange rate is broadly in line with fundamentals as suggested by the undervaluation in the range of 0.0–2.3 percent, consistent with the CA gap (excess surplus) in the range 0.0–0.4 percent of GDP.

Capital and Financial Accounts: Flows and Policy Measures

Background. The Gambia's capital account weakened from 4.1 percent of GDP in 2019 to 3.7 percent in 2020, as disbursements of project (i.e., capital) grants fell on the back of a slowdown in project execution in the wake of the pandemic. Meanwhile, the financial account showed a moderate deterioration, declining from 6.1 percent of GDP in 2019 to 4.7 percent in 2020, due to a drop in project loan disbursements and FDI. Data reconciliation with donors and creditors on project grants and loan disbursements is expected to translate into downward revisions to the capital and financial account balances between 2021-2025.



Assessment. Strong capital and financial accounts, together with improvements in the current account, have raised the overall balance-of-payments surplus. Despite downward revisions to the capital and financial account balances due to data reconciliation with donors and creditors, net capital and financial and financial flows are expected to be sustained over the medium term.

FX Intervention and Reserves Level

Background. The Gambia's gross international reserves stood at US$352.1 million in 2020, which is 19 percent of GDP or 4.7 months of prospective imports. Gross reserves have risen markedly from a recent trough of US$60 million in 2016. This has been driven by amplified disbursement of external financial assistance (including from the IMF), CA improvement, and private inflows of foreign exchange, which have allowed the central bank to rebuild its buffers. Reserves have risen by around US$ 170 million since end-2020, to over US$ 520 million in September 2021, on the back of the US$ 85 million SDR allocation received in end-August 2021.

Since 2017, the CBG has intervened on a limited scale in the FX market only to purchase FX from the interbank market, which has been showing persistent surpluses in recent years. Such (opportunistic) interventions have had the primary purpose of anticipating government's forex transactions (such as for debt service) and dampening short-term exchange rate volatility.

Assessment. Using the Fund's approach to assessing reserve adequacy in credit-constrained economies (ARA-CC), under a cost of holding reserves of 3 percent, the estimated adequate level of reserves is 3 months of imports. This is less than what staff assess as adequate level of reserves, because of The Gambia's vulnerability to BoP shocks and the sharply rising external debt service projected at the end of the debt deferral period in 2025, which is expected to put significant strains on The Gambia's FX reserves. In anticipation of the conclusion of the debt deferral period and considering the heightened vulnerabilities associated with the COVID-19 shock, staff assess that the central bank should be holding foreign exchange reserves corresponding to at least 4.5 months of prospective imports of goods and services. Following the SDR general allocation in August 2021, gross reserves are over US$ 520 million, equivalent to around 5.7 months of prospective imports. Further discussion of the SDR allocation and use of proceeds is provided in the main text.

Annex V. Capacity Development Strategy 2021–22

Context

1. The Gambia continues to benefit from the IMF Technical Assistance (TA) program that is well aligned with surveillance and program objectives and the National Development Plan. The successful implementation of key structural reforms in public financial management (PFM), revenue mobilization, debt management, financial sector supervision, and SOEs governance—all built on TA support—helped The Gambia to transition from an SMP to an ECF in March 2020; and looking ahead, TA will continue to play a critical role in supporting the achievement of program quantitative targets and advancing the structural reform agenda. TA delivery priorities have been refocused during COVID-19 to strengthen revenue mobilization, rationalize public spending and enhance cash management and fiscal reporting. Capacity building is constrained by absorption and implementation gaps, now exacerbated by COVID-19, and could be further affected by the potential shift of priorities in the run-up to the December 2021 presidential elections.

Strategy and Priorities

2. The authorities have reiterated their ECF program commitments and remain resolute in building on the hard-worn gains in terms of debt sustainability and fiscal prudence. However, COVID-19 has weakened capacity and increased the need to deepen CD engagement—to deliver on ECF program structural benchmarks—around strengthening PFM, improving revenue mobilization and avoiding a worsening of debt vulnerabilities as pandemic-related spending and BoP pressures have increased. Moreover, slowing economic activity has given rise to potential financial stability concerns weakening the private sector's ability to weather the COVID-19 impact and recover in its aftermath. In that respect CD support to help implementation of the FSSR is vital to help banks to increase loss absorption and avoid the pressure on the Central Bank of The Gambia (CBG) to soften supervisory and prudential regulatory requirements. On the positive side, the COVID-19 pandemic has triggered a marked expansion of mobile banking, an area in which The Gambia will need technical assistance to develop the appropriate regulatory, legal, and physical infrastructure. Another important CD focus for FY 2021 will be a governance diagnostic mission to help articulate potential future ECF program conditionality to tackle macro-critical areas of weak governance and vulnerability to corruption.

Priorities	Objectives
Revenue Administration	Implement new tax exemption policy and the Gambia Investment and Export Promotion Agency act. Strengthen the integrity of the taxpayer register; improve filing and payment compliance and reduce tax arrears; improve accuracy of reporting in the key economic sectors and taxpayer compliance. Improve customs procedures, compliance risk management capacity to undertake post-clearance audits, and take steps to implement ECOWAS customs integrity framework. Implement plans for embedding stable and effective tax administration information management systems that support revenue administration functions including completing implementation of the GAMTAXNET remediation plan and developing/implementing an action plan for installing a new ITAS system.
Public Financial Management	Extend IFMIS on project and subvented agency accounts. Implement TSA roadmap and improve cash forecasting and debt data reconciliation. Prepare a 2022 gender sensitive budget by moving towards a gender responsive budget through means of sound PFM practices; create the conditions for moving to climate responsive budgeting in the medium term. Support fiscal risk assessment of SOEs and PPPs, to improve risk monitoring and analysis—with the ultimate objective of limiting contingent support.
Governance	Identify future reforms under the ECF program to tackle weak governance and vulnerability to corruption.
Bank Supervision and Stress Testing	Continue to strengthen bank supervision and develop and implement stress testing procedures.
Macroprudential Policy	Strengthen the macroprudential awareness of the CBG and clarify the responsibilities and the mode of operations of the financial stability function and the monetary policy function.
Bank Safety Nets, Resolution and Crisis Management	Develop a safety net (notably, deposit insurance) and strengthen the CBG's resolution and crisis preparedness, particularly in the context of heightened risks to banks' portfolios in the context of the COVID-19 pandemic.
Debt Management	Lengthen maturity of domestic debt and reduce rollover risk.
Government Finance Statistics	Continue efforts to collect the source data comprehensively and compile GFS for budgetary central government (monthly).
Real Sector Statistics	Further improve the quality and timeliness of national accounts, including developing quarterly GDP series and new GDP rebasing. Improve price statistics. Strengthen the statistical capacity in national accounts and compilation of price statistics.
External Sector Statistics	Enhance the quality and coverage of source data used for compiling The Gambia's balance of payments and international investment position statistics.
Strengthening AML/CFT Framework	Build capacity to strengthen regulatory and supervisory frameworks to mitigate risk of loss or reduction of correspondent banking relationships and the impediments to remittance services.

Annex VI. 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:

1. 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.

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

- The Gambian authorities have indicated to staff that they engaged with the Venezuelan authorities (most recently in March 2020), offering to resolve the outstanding arrears (which arose due to international sanctions). The Gambian authorities tried making debt service payments to Venezuela in March 2020, via mutually-agreed banking channels, but this effort failed due to sanctions. The Gambian authorities are committed to their continued good faith efforts until all the remaining arrears are resolved, and hope to re-engage with Venezuelan authorities once the international sanctions are lifted.
- The terms of the loan agreement between the Gambian authorities and Venezuela and the associated amortization payments are incorporated into the baseline projections of the Fund-supported program and the contributions are not disproportionate relative to terms sought from other creditors in the official sector.

3. 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.

Appendix I. Letter of Intent

Banjul, The Gambia

November 5, 2021

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

Madam Managing Director,

1. On behalf of the Government and the people of The Gambia, we express our gratitude to the IMF for its continued strong support to our country in helping address the health and socio-economic impacts of the COVID-19 pandemic, including through the recent unprecedentedly large SDR general allocation. The completion by the IMF Executive Board in May 2021 of the second review under the ECF arrangement and the SDR general allocation were timely, helping alleviate the financing constraints of the 2021 budget and boost gross international reserves. This support also helped us address the second and third waves of the COVID-19 pandemic and launch a mass vaccination of the population, while supporting the post pandemic recovery. We are grateful for the IMF's support for the G20 Debt Service Suspension Initiative (DSSI) and the fourth tranche of the debt service relief under the Catastrophe Containment and Relief Trust (CCRT).

2. The attached Memorandum of Economic and Financial Policies (MEFP) (i) outlines the progress we have made under the ECF-supported program since completion of the second review in May 2021 and (ii) updates our policies for the remainder of 2021, 2022 and beyond. Despite the pandemic and the electoral context, our commitment to the program remains unwavering. We observed all quantitative performance criteria (QPCs) and three out of four indicative targets (ITs) at end-June 2021. The performance of the IT on tax revenue suffered from the 2020 economic downturn that continued in early 2021, lower trade volumes and increased freight costs. One out of three end-June 2021 structural benchmarks (SBs) was timely completed. We are making good progress to complete by end-2021 the unobserved end-June SBs on the formulation of an internal framework at the central bank for stress testing banks' balance sheets and the revision of the legal framework governing the operations of the Gambia Investment and Export Promotion Agency (GIEPA-Act), both of which require further technical support. Despite delays in disbursement of budget support, we will ensure that budget execution in the remainder of 2021, including the supplementary appropriation (SAP), remains in line with fiscal targets under the ECF-supported program. We have submitted to Parliament a draft 2022 budget consistent with program objectives, a prior action for the IMF Executive Board's consideration of the third review of the program. The Parliament has approved this budget. It uses US$20 million from the SDRs general allocation to The Gambia to address pandemic related needs. This amount will be lent by the Central Bank of The Gambia to the Government under a memorandum of agreement which stipulates the terms and conditions of the loan and also ensures the financial autonomy of the Central Bank.

3. We continued our efforts to strengthen the governance and autonomy of the central bank and we will advance implementation of the outstanding recommendations of the IMF's 2020 safeguards assessment. We approved a revised audit committee charter to align with leading practices and strengthen independent oversight of the CBG. The FY2020 audit of the CBG's financial statements was completed in May and we have appointed joint auditors for the FY2021 audit. Building on the IMF technical assistance on reserve management, we are revising our investment policy and guidelines to align with leading practices and safeguard the central bank's growing international reserves.

4. We remain committed to fulfilling our commitment to fostering full transparency in all COVID-19-related spending. In this regard, we have published on the website of the Gambia Public Procurement Agency (GPPA) the list of all COVID-19-related procurement contracts and their beneficial owners up to end-June 2021. The National Audit Office (NAO) completed the first phase of an *ex-post* audit of COVID-19 spending and transmitted the report to the National Assembly. The NAO is conducting the second phase of the audit with a view to transmitting the reports to the National Assembly by end-December 2021. Following the review process at the National Assembly, we plan to publish the two audit reports by end-March 2022. We will extend the transparency requirements for COVID-19 spending to cover 2021 and 2022.

5. Considering the resolve and commitment we have shown in implementing the agreed macroeconomic policies and reforms, and based on the strength of our policies and measures going forward, the Government of The Gambia requests completion by the IMF Executive Board of the third review of our ECF-supported program, the associated financing assurances review, and modification of an end-December 2021 performance criterion to reflect the general SDR allocation. Subsequently, we request the disbursement of the fourth ECF tranche of SDR 5 million to further strengthen our external position and help address our balance of payment needs.

6. We believe that the policies and measures set forth in the previous MEFPs, as supplemented by this MEFP, will help achieve the program objectives. Nonetheless, the Government will take any additional measures that may be required, particularly in response to COVID-19-related needs. The Government will consult with the IMF, or whenever the Managing Director requests such consultation, prior to adopting any such measures or revising the policies in the MEFP. We will continue to provide the IMF staff with all information needed to monitor our implementation of the economic and financial policies geared toward achieving the program objectives.

7. The Government consents to make public the contents of the IMF staff report, including this letter, the attached supplemental MEFP and Technical Memorandum of Understanding (TMU) as well as the Selected Issues Papers prepared for the 2021 Article IV consultation. We, therefore, authorize the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board concludes the Article IV consultation and completes the third review under the ECF arrangement.

Sincerely yours,

/s/	/s/
Mambury Njie	Buah Saidy
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 of Economic and Financial Policies (MEFP) summarizes our achievements under the ECF-supported economic and financial program since the completion of the second review in May 2021. It updates our policies, measures, and structural reform agenda. It also outlines our responses to the humanitarian and economic challenges induced by the COVID-19 shock, including through mass vaccination and support for a rapid and inclusive economic recovery, while ensuring macroeconomic stability.

Background

1. **The third wave of COVID-19 cases in The Gambia and globally starting in mid-2021 amid slow vaccine rollout is softening the prospects of a robust economic recovery**. Following regional trends, The Gambia entered a third wave of COVID-19 infections involving the delta variant starting in early July 2021. This new surge slowed economic recovery, particularly in the tourism and hospitality industry. We launched a mass vaccination campaign in March 2021 supported by the COVAX initiative and the World Bank, but it suffered some setbacks from supply constraints and vaccine hesitancy. However, the arrival of vaccines donated by the US and French governments, combined with our enhanced sensitization efforts, has helped boost the vaccination rate, reaching about 12 percent of the targeted population (above 18 years of age) as at end-September 2021, of which 11 percent are fully vaccinated. We will continue efforts to accelerate the vaccine roll-out and intensify communication to tackle vaccine hesitancy.

2. **We continue to implement the COVID-19 spending transparency requirements, albeit with some delays due to capacity constraints**. We continued the publication on the Gambia Public Procurement Agency website (GPPA) of the list of all COVID-19-related procurement contracts and their beneficial owners covering March-2020 to June 2021. This list has been extended to cover all the procurement contracts issued in 2021 by GPPA. The amount of COVID-19-related spending is shown in the monthly budget execution reports for 2020 and published on the Ministry's website. For 2021, until September 2021, all spending related to COVID-19 spending of about GMD 200 million, are executed through a below the line account from the funds allocated in the 2020 budget. We have resumed the reporting on these spending starting October as new funds are allocated to COVID-19 spending from the contingency funds included in the 2021 budget. The National Audit Office (NAO) completed and submitted to the National Assembly in October the report from the first phase of an *ex-post* audit of the COVID-19-related spending covering March through October 2020, for the procurement and the distribution of food and medical supplies in the Greater Banjul Area, the largest COVID-19 spending items. The second phase of the audit, covering the entire year 2020, of the distribution of food and medical supplies in other regions and the procurement and payments for accommodation centers is well advanced. We plan to transmit to Parliament the related report by end-December 2021. Following a review process at the National Assembly, we aim to publish jointly the reports from the first and second phase audits by end-March 2022 (SB for end-March 2022). We are also conducting the flow of funds audit of the AfDB's

COVID-19 support. We will continue to implement the transparency requirements for COVID-19 spending to cover the entire years 2021 and 2022.

3. The transitional justice reforms continued, despite the stalled constitutional review. The Truth, Reconciliation and Reparations Commission (TRRC) completed public hearings in July 2020 and will submit its recommendations to the President when the report is completed. The Government is expected to issue a whitepaper on the findings of the report about six months after the submission of the report to the President. In the meantime, we are planning to include in the 2022 budget a provision for the payment of reparations to the victims of the atrocities and injustices committed by the previous regime. The President signed the Information Access Bill into law in August 2021, which will help enhance transparency and accountability in the public domain. The Anti-Corruption bill has advanced through all stages at the National Assembly; it is included in the agenda of the full house during the ongoing session and is envisaged to be adopted before end-2021. We will liaise with various stakeholders to resume the constitutional review process after the Presidential and Parliamentary elections.

4. We are preparing for the presidential and parliamentary elections scheduled for December 2021 and April 2022, respectively. Through the supplementary appropriation (SAP) approved in July 2021, we have fully covered the financing needed for the organization of the Presidential elections, including the purchase of the voter registration kits. The Independent Electoral Commission has registered 11 percent more voters for the upcoming elections compared with the 2016 elections. The voters' validation process has been completed and the dates for nomination and the electoral campaign set. We are benefiting from technical assistance from our development partners, including UN agencies, ECOWAS, and EU, to ensure transparency at all stages of the electoral process, which will help foster broad acceptance by all parties (as represented in the Inter-Party Committee) and support peaceful elections. With support from the British government, a mediation process led by Ibn Chambas, a former UN representative in West Africa, has been put in place to help define a code of conduct and allow an orderly resolution of potential election disputes.

Recent Economic Developments

5. Economic activity is showing early signs of recovery from the pandemic-induced stagnation in 2020. Economic growth stood at -0.2 percent in 2020. However, the dip in tourist arrivals since March 2020 has narrowed in early 2021 and remittance inflows have remained strong, reaching US$ 535 million at end-August 2021 (compared to US$ 590 million realized during the full year 2020), helping finance a rebound in credit to the private sector, particularly to the construction sector. These developments were reflected in an improvement of the CBG's composite index of economic activity. Nonetheless, the third wave of the pandemic has weighed on a vigorous recovery. Headline inflation increased from 5.7 percent (y/y) in December 2020 to 8.2 percent in July 2021 but decelerated to 6.9 percent in August 2021. Non-food inflation and core inflation followed a similar pattern.

6. **Despite lower-than-anticipated tax collection and delays in budget support, our strong effort to contain spending has helped limit the impact on the overall fiscal deficit**. Revenue collection was slow in 2021Q1 owing to sluggish economic activity, a decline in trade volumes, and an increase in freight costs. Revenue collection improved somewhat in 2021Q2, pushing total tax collection to about 93 percent of the target for 2021H1 (from 87 percent in 2021Q1). This improvement was due to: (i) higher collection of tax arrears following the expiration of the tax moratorium offered to a few SOEs and private entities in 2020; (ii) higher receipts on fuel products; and (iii) a significant reduction in duty waivers. Non-tax revenue was slightly higher than projected, supported by the collection of custom processing fees, despite a temporary suspension of the sale of assets seized by the Janneh commission. Also, the slow execution of project grants and the delay in the disbursement of the US$20 million budget support from the World Bank resulted in an overall low revenue intake. Nonetheless, we continued prudent execution of the overall spending envelope, notably by holding monthly Cash Management Committee meetings to ensure that government spending is based on the availability of resources. As a result, we contained the overall fiscal deficit at end-June 2021 at 2.7 percent of GDP (against a target of 2.6 percent of GDP). The net domestic borrowing, at GMD 1.1 billion, remained within the program ceiling, after adjusting for the shortfall in budget support.

7. **A windfall revenue helped meet mounting spending pressures**. We reached an agreement and received GMD1.5 billion (1.4 percent of GDP) settlement payments from British Petroleum, following their cancellation of an exploration contract in 2019 for Block A1 of our offshore petroleum exploration field. These resources were allocated through a supplementary appropriation (SAP) approved by Parliament in July 2021, for the preparation of the presidential and parliamentary elections, procurement of ambulances, road construction, and anti-drug enforcement amid increasing illegal drug seizures. This oil block has been returned to the government free of all encumbrances and will be put on the market for licensing.

8. **The balance of payments continues to strengthen, helping accumulation of gross international reserves**. The current account improved in 2020 owing to strong current transfers, despite COVID-19 and the resulting slump in tourism. However, the deficit is expected to widen in 2021, due to delayed resumption of tourism and an uptick in imports related to large infrastructure projects. The overall balance of payments continues to improve, supported by sustained private forex inflows and donor support. Gross reserves have strengthened by US$ 173 million since end-December 2020, reaching 5.7 months of prospective imports at end-September 2021, including the US$85 million SDR allocation. Commercial banks' net foreign assets remained broadly unchanged in H1 2021. The CBG's presence in the FX market has been limited and solely on the purchasing side to mobilize funds in anticipation of government's FX needs, including for debt service. The dalasi slightly depreciated by an average 5.2 percent (y/y) against major international currencies but remained broadly stable against the US dollar at end-June 2021.

9. **The Central Bank of The Gambia (CBG) maintained an accommodative monetary policy stance, to ensure adequate liquidity in the context of the COVID-19 pandemic.** It maintained the monetary policy rate unchanged (at 10 percent) at its monetary policy committee (MPC)

meetings in May and September 2021, following a 200-basis point reduction in May 2020 when the reserve requirement ratio was also reduced by the same magnitude. The resultant supportive policy stance helped inject liquidity into the banking system and support the economic recovery. Broad money expanded by 27.5 percent (y/y) at end-June 2021, driven by the accumulation of net foreign assets by both the commercial banks (31.0 percent increase) and the CBG (64.5 percent increase). Helped by the expansionary policy stance and record-high remittances, private credit expanded by 5.7 percent y/y at end-June 2021, compared to 0.8 percent at end-2020.

10. A few financial institutions suffered COVID-19-related transitory balance sheet weakening but the financial sector remains resilient, while enhanced mobile banking boosted financial inclusion. After some deterioration in December 2020 and March 2021, non-performing loans (NPLs) of commercial banks narrowed to 5.6 percent of gross loans in June 2021, with the ratio still high in a few small banks. A few non-bank financial institutions also witnessed balance sheet weakening; NPLs in microfinance companies (MFCs) increased from 4.4 percent of gross loans at end-2019 to 9.5 percent at end-2020 and averaged 10.4 percent in 2021H1, in the context of asset expansions that also helped financial inclusion. The banks and the MFCs remain liquid, profitable, and well capitalized, with the banking system's capital adequacy ratio at 28 percent at end-June 2021, compared to a statutory 12 percent.

Performance Under the ECF Program

11. We met all quantitative performance criteria and all but one indicative targets at end-June 2021. The ceiling on the central government's net domestic borrowing (NDB) was observed with a margin of about GMD 380 million or 0.4 percent of GDP, after adjusting for a shortfall in budget support. The adjusted floor on the stock of net usable international reserves (NIR) was exceeded by US$58.7 million or about 22 percent. The other four QPCs were also met, namely the zero-ceiling on non-concessional external debt contracted and guaranteed by the government, the zero-ceiling on the outstanding stock of external public debt with original maturity less than one year, the non-accumulation of external payment arrears, and the ceiling on new concessional external debt contracted or guaranteed by the government. Three out of the four end-June 2021 indicative targets were also met. The floor on poverty-reducing spending was just on target despite the slow execution of spending and the implementation below the line of about GMD 200 million on COVID-19 spending from the 2020 budget resources as well as other supports provided directly by partners. Domestic tax revenue collection was 0.4 percentage points of GDP below the indicative floor due to the pandemic-related slow recovery of economic activity, the fall in trade volumes, and high freight costs.

12. We met one out of three structural benchmarks (SBs) at end-June 2021 and we are making good progress to complete the two unobserved end-June SBs by end-December 2021. (Table 3).

(i) We prepared a roadmap for extending IFMIS to all projects and subvented agency accounts and started its roll-out from June 2021, with a view to enhancing fiscal transparency and oversight.

By end-2021, five (5) of the fifty-two (52) subvented agencies will go live and by January 2022, an additional ten (10) agencies will go live. We aim for all agencies to go live by the first half of 2022.

(ii) The end-June 2021 SB on the approval and implementation of a new Tax Expenditure Policy in line with recent TA, including a review of investment tax incentives, the development of a new GIEPA Act, and streamlining all tax incentives was partially completed. The tax expenditure policy was approved by the Cabinet. However, the GIEPA act requires further coordinated work among all stakeholders, including the Ministry of Trade (MoT), the Ministry of Finance and Economic Affairs, the GIEPA, and the Gambia Revenue authority to align the draft Act to the overall objective of enhancing private sector development while rationalizing tax exemptions. We propose re-scheduling the completion of this SB to end-December 2021, which should contribute to our ongoing efforts to enhance financial sector stability.

(iii) We prepared a draft internal framework for stress testing banks' balance sheets, which requires additional technical work to meet the SB. We propose re-scheduling this SB to end-December 2021 to contribute to our ongoing efforts to enhance financial sector stability.

Macroeconomic Outlook

13. The overall macroeconomic outlook seems positive, albeit contingent on a deceleration of the pandemic and peaceful presidential and parliamentary elections. Economic activity is expected to rebound in 2021 at a projected growth rate of 4.9 percent and strengthen further in the remainder of the medium term at an average 6 percent growth per year. These projections are predicated upon recovery in tourism, which appears slower than initially anticipated in view of the upsurge of the third wave of the COVID-19 pandemic. The increased availability of vaccines despite vaccine hesitancy, the easing of travel restrictions in the UK and The Gambia for vaccinated travelers ahead of the opening of the tourism season, and continued strong retail activity and remittance-financed private construction point to some optimism. Consumer price inflation is expected to increase from 5.7 percent (y/y) at end-2020 to 6.5 percent by year's end, driven partly by projected increases in global oil and non-fuel commodity prices and freight charges. The anticipated domestic post-pandemic recovery will also boost domestic demand and, in the context of supply bottlenecks and increasing freight charges, add to price pressures.

14. The external position is projected to further improve in the medium term, reflecting our efforts to ensure external debt sustainability. This will be supported by the continued accumulation of FX reserve buffers and the limits on external borrowing under the ECF program. Additionally, the recent SDR general allocation has boosted gross reserves further, helping strengthen the external position in anticipation of the expiry of the debt service deferral period.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

15. We are formulating a new long-term vision and National Development Plan (NDP) focused on supporting the post-pandemic recovery and attainment of the Sustainable Development Goal (SDGs) as well as the African Union Agenda 2063. Our long-term development vision will integrate the Gambia's long-term climate vision 2050 and will serve as a strategic framework for the development of successive medium-term national development plans. The formulation of a new medium-term development plan started during 2021Q3 and it is scheduled to be finalized in 2022 in time for the start of the 2023 budgetary process. To this end, preparatory activities, including Cabinet briefs, have been held.

16. With World Bank support, we have completed a draft Turn Around Allocation (TAA) strategy to address fragility and build resilience. Since the 2016/17 political transition, our Global Fragility Index improved from 89.4 in 2017 to 80.5 in 2021; our ranking ameliorated from 37th to 55th during this period. However, with the global pandemic, the socio-political and economic environment has weakened, compromising productivity and growth prospects in the short term. The Gambia's IDA Performance-Based Allocation (PBA) for FY22 is $80 million with similar annual levels expected in FY23-24. The TAA allocation for FY22-24 is assumed to expand this envelope by 125 percent, subject to annual reviews of milestones in an updated TAA matrix. The TAA strategy will help re-ignite pre-pandemic gains, limit scaring from the pandemic, and build resilience.

B. Fiscal Policy

17. Despite challenges in tax revenue collection, we will continue to implement the 2021 budget (as augmented by the SAP) in line with the fiscal framework under the ECF-supported program. Revenue collection efforts will continue with the GRA's annual revenue target remaining unchanged, albeit with some risks; we endeavor to pursue the improvement in collection observed in 2021Q2 to the second half of the year. Non-tax revenues are supported by a settlement payment from BP and our efforts to accelerate the sale of stolen assets as per recommendations of the Janneh Commission, following the recent favorable Supreme Court ruling on this matter. However, overall revenue will likely fall below original projections due to delays in budget support disbursements. We will continue prudent budget execution and strict adherence to PFM rules in implementing the SAP to ensure enough resources are allocated for COVID-19 containment efforts, including mass vaccination and mitigation of the socio-economic impacts of the pandemic on the most vulnerable population through better-targeted support. We will make all necessary efforts to remain within the fiscal balances and net domestic borrowing agreed during the second review of the ECF-supported program. To address the shortfall in budget support and potential risks on domestic revenue, we will continue to strictly adhere to Cash Management Committee decisions and discipline, to align spending with available resources, while protecting poverty-reducing spending. For instance, the strict enforcement of these decisions helped control the execution of domestically financed spending (GLF) to 49 percent at end-July 2021, instead of an expected execution of 55-60 percent during the same period. This prudent budget management allowed us to contain net domestic borrowing below the program ceiling as mentioned above. Moreover, subsidies budgeted for some key SOEs will likely not be fully utilized.

18. We will fast-track the required structural reforms needed to unlock donor budget support and project grant disbursements. The government submitted the GPPA act to the National Assembly and requested fast-tracking its approval, which is one of the prior actions for the disbursement of a US$ 20 million budget support from the World Bank. However, the National Assembly could not approve this act during its last session, owing to the extraordinarily heavy legislative reforms that they are currently reviewing. The government will request another fast-track procedure for the approval of this GPPA act. Similarly, we are facing some challenges on the triggers of budget support from the European Union. We completed the trigger related to the revision of the voters list for the upcoming elections. We are making progress on two triggers related to the finalization by NAO of the audit of the government's 2019 financial statements and the submission to NAO of the 2020 financial statements. However, the completion of triggers on seats for female candidates at the National Assembly and on the Vetting bill may be delayed. We will make all necessary efforts to complete these reforms.

19. The National Assembly approved the 2022 budget which shows some fiscal consolidation, while allowing adequate resources for addressing the pandemic and supporting the economic recovery. The 2022 fiscal framework targets an overall fiscal deficit of about 3 percent of GDP. The domestic primary balance is projected to stabilize at a surplus of ½ percent of GDP as in 2021, supported by strong domestic policies. More specifically:

- **On the revenue side**: The acceleration for revenue collection in 2021H2 helps form the basis of the domestic revenue target in 2022. Revenue collections will be ensured by the continuation of the exemption rationalization process initiated in 2021, an improved collection process through the electronic payment platform, the upgraded taxpayer registry and other revenue administration measures (see Section E below). In addition, the GRA will leverage its increased tax audit and data matching capacity to help improve compliance across major taxpayers. Furthermore, compliance in the commercial real estate sector will be improved, as the GRA will make use of the results of the Rented Property Survey conducted in 2021 to update its tax base. Revenues will also be supported by non-tax collections from the sales of stolen assets as authorized by the Janneh Commission, the Senegambia Bridge toll receipts, and an expected one-off receipt of US$30 million from the petroleum sector.
- **On the spending side**: The 2022 spending addresses pandemic-related needs, including a provision of GMD400 million (about 0.3 percent of GDP) to cover the vaccination logistics, the running of the COVID-19 hospitalization centers and medical supplies, and a pandemic-related contingency envelop of GMD450 million (about 0.4 percent of GDP), which is the same envelop as in 2021. In addition, other pressures in current spending emerging in 2022 are related to: (i) personnel emoluments due to the increase in the compensation of health personnel and the resumption of recruitments in the security sector following the expiration of the hiring freeze

period; (ii) subsidies and transfers as input subsidies to GGC increased by GMD 225 million in 2022 to GMD 525 million and a provision of GMD 150 million is included for crop financing (which will support rural poor population); and (iii) other non-pandemic related spending on goods and services, especially to cater for the organization of the parliamentary elections (about GMD 120 million). On capital expenditure, nearly 80 percent of spending is expected to be externally financed, with the bulk of this financing coming from grants. Domestically-financed capital expenditure is also expected to remain high, with more than half of the envelop representing one-off provisions for the last phase of the Banjul Rehabilitation Project and for the construction of the Bertil-Harding Highway ahead of the 2022 Summit of the Organization of Islamic Cooperation (OIC).

- **Financing**: budget support grants are expected to increase from 1.0 percent of GDP in 2021 to 2.3 percent of GDP in 2022, as the African Development Bank resumes support, and postponed disbursement from the World Bank and the European Union add to support already scheduled for 2022. Project grants are projected to reach 8.4 percent of GDP to help support infrastructure development. On the domestic front, implementation of the budget is expected to require a net domestic borrowing of GMD 659 million. This amount assumes adequate provision for the rollover of maturing domestic debt. Domestic financing will be supplemented by privatization proceeds (from the sale of a state asset, *MegaBank*), for which a consultant has been contracted and potential investors have been identified. In addition, the 2022 budget uses US$20 million out of the US$85 million SDR allocation to The Gambia. This amount will be lent by the Central Bank of The Gambia to the Government in compliance with the Central Bank Act. A legally binding memorandum of agreement will be signed by the two parties which stipulates the terms and conditions of the loan and also ensures the financial autonomy of the Central Bank. The memorandum of agreement should include safeguards measures specifying that the loan is made in foreign currency, ensuring that the government shall repay the loan to the central bank when and if the corresponding SDRs were to be redeemed, clarifying that the loan is made with an interest rate sufficient to cover the central bank's interest or charges payments for the borrowing, and determining an adequate maturity period of the loan.

C. Debt Sustainability

20. We continue to face a difficult trade-off between addressing financing needs and ensuring debt sustainability. The COVID-19 pandemic has heightened the urgent need for investment to close our infrastructure gap, including in the health sector, and meet the SDGs. In this regard, as our public debt profile continues to be deemed sustainable but at high risk of distress, we will deploy additional efforts to reduce debt vulnerabilities. Following a thorough reconciliation with some of our bilateral creditors, the stock of external debt was revised up in 2019 and 2020 to 47 percent of GDP and 49.7 percent of GDP, respectively. We aim at reducing the present value of total public debt below the benchmark of 55 percent of GDP around 2025. This objective will be achieved through a combination of a strong medium-term fiscal framework and a prudent borrowing policy. We will continue to improve efforts to bolster data collection and reconciliation, including on debt service deferrals agreed with creditors in 2019. In this regard, we will initiate a bi-annual data reconciliation exercise with our creditors and coordinate with managers of foreign-financed projects to ensure that their disbursement requests are processed through MoFEA's Directorate for Loans and Debt Management (DLDM) and processed disbursements systematically communicated to DLDM. We have made some progress in re-engaging with the Libyan authorities to resolve outstanding arrears, and we will attempt to engage with the Venezuelan authorities once the international sanctions are lifted.

- **Medium-term fiscal framework**: The medium-term budget will be anchored on achieving debt sustainability while addressing the social and infrastructure needs. We will aim at bringing the primary fiscal balance from a deficit of 1.2 percent of GDP at end-2021 to an average surplus of 1-1½ percent of GDP between 2022 and 2026. This will support a steady decline in the public debt-to-GDP ratio from 82.2 percent in 2021 to 54.6 percent in 2026. Achieving these objectives will require a gradual and steady increase in domestic revenue (excluding one-offs) from close to 13½ percent of GDP in 2021 to about 15 percent of GDP in 2026, supported by implementation of the GRA's strategic reform plan, digitalization of tax administration, and rationalization of tax exemptions. We will also broaden the tax base by tapping into the revenue potential of the hospitality, cable television, and real estate sectors. Improved public financial management, including an expanded use of project selection criteria through the Strategic Review Board, a well-functioning of the cash management committee, and e-procurement will help contain spending and enhance efficiency. The support package included in the 2021-22 budgets will be gradually phased out as the economy recovers and progress is made on the rationalization of wages and subsidies to SOEs and subvented agencies.
- **Borrowing policy**: we will continue to adhere to the agreed borrowing plan and rely primarily on grants and highly concessional borrowings to finance our infrastructure gap. The government will continue prudence in the contracting of new loans. Regular meetings are held with the EIB and AfDB to ensure that the financing of the Banjul port extension is on concessional terms. Regarding the construction of the Bertil-Harding highway in preparation for hosting the summit of the Organization of Islamic Cooperation (OIC) countries, we are looking for alternative options, including using domestic resources, to ensure least cost financing and avoid contracting non concessional loans.
- **Debt management and transparency**. We continued the reconciliation and cleaning of the external debt data and the recording of the domestic debt in the *Meridian* system. We have completed the update of the debt strategy and regularly publish the quarterly debt bulletin and the revision and publication of annual borrowing plans and monthly bond issuance plans. Additionally, the extension of the CCRT relief between mid-October 2021 and mid-January 2022 will reduce the debt service owed to the IMF by SDR1.1 million.

21. We will continue to strengthen the governance and financial situation of SOEs to minimize contingent liabilities despite the stalled constitutional reform. In this context, we will align the SOEs bill with the existing constitution and submit it to the National Assembly by end-2021 as agreed in the program (end-December 2021 SB). In addition, to improve transparency and accountability of the SOEs, we will by end-December 2021: (i) identify and agree on a set of key financial indicators for the main SOEs and set up a system to collect the relevant data on a quarterly basis and (ii) publish the audited financial statements of SOEs that have been approved by the National Assembly (end-December 2021 SB). To improve the efficiency of SOEs and mitigate the risks on government budget, the Ministry of Finance and Economic Affairs has signed a performance contract with NAWEC in 2021; additionally, we will extend the signing of performance contracts between MoFEA and three additional key SOEs, including target-based key operational and financial indicators by end-September 2022 (end-September 2022 SB). We will update the cross arrears between SOEs and ensure effective functioning of the new Directorate of SOE oversight in the MoFEA to improve monitoring of SOEs. The fiscal risks associated with the use of trade credit facility from the Islamic Trade Finance Corporation (ITFC) have significantly declined, as GGC settled its outstanding balance and now relies fully on domestic banks for funding its ground nut campaign, and NAWEC and GNPC are servicing their debt obligations without government support.

D. Monetary Policy and Financial Sector

22. Monetary policy will remain accommodative to support post-pandemic economic recovery, but the CBG will consider tightening the policy stance as needed to head off any inflation pressure. Considering the fragility of the budding economic recovery, our monetary policy committee in March and September 2021 maintained the accommodative policy stance. Reserve money, liquidity, and credit to the private sector continued to expand. Inflation accelerated in 2021H1 but moderated in August. Donors' disbursements, CBG FX purchases (which was enabled by record-high private remittances), and the IMF's general SDR allocation boosted gross international reserves. If inflation pressures intensify and liquidity remains ample, we stand ready to tighten the monetary policy stance at a subsequent MPC meeting. Our policy options will start from moderating CBG's purchases on the FX market to reduce liquidity injection and increasing the deposit facility rate to narrow the corridor with the lending facility rate. We will also tackle structural obstacles hindering credit extension by banks, such as access constraints, collateral recovery problems, and default risks. The CBG will continue strengthening its liquidity forecasting with technical assistance from the IMF.

23. We are addressing localized vulnerabilities in the financial sector, while strengthening crisis preparedness. The overall financial sector appears broadly resilient to the impact of the pandemic, except in a few banks and non-bank financial institutions (NBFIs) exposed to sectors affected by the pandemic. Thus, we continue to shun a blanket weakening of prudential requirements and we will withdraw progressively any remaining case-by-case supervisory forbearance extended at the onset of the pandemic, as the situation is neither widespread nor systemic. Nonetheless, consistent with recommendations from the IMF's 2019 Financial Sector Stability Review (FSSR), we have drawn up a strategic plan and are building up in-house expertise for stress testing banks for early signs of distress. In this context, we are preparing an internal framework to guide stress testing of banks' balance sheets. Furthermore, with the support of a prospective resident advisor from the IMF, the CBG will conduct balance sheet stress tests of one large and one medium-sized bank by end-September 2022 (end-September 2022 SB). Moreover, the CBG will set up a Financial Stability Unit/Department and assign it a macroprudential policy mandate, in accordance with the recommendations from the 2019 FSSR. We are utilizing a

Regulatory, Compliance and Supervision System (RegCoSS) software introduced in April 2020 to access real-time information to support banking supervision; and we are strengthening risk-based supervision of banks with TA support from AFRITAC West2. Furthermore, we have set up a taskforce to collect information for a review of our Business Continuity Plan and a crisis management and resolution team to strengthen our crisis preparedness. A parallel approach is being adopted for strengthening the supervision of NBFIs, for which purpose we will require technical assistance.

24. We are strengthening safeguards in line with recommendations from the IMF's 2020 safeguards assessment. The CBG's oversight and capacity will be further strengthened to bolster policy credibility and effectiveness. The CBG Board has approved a revised audit committee charter to strengthen independent oversight of the central bank. A new Board member appointed to the audit committee is a qualified accountant. We have also designated a director for our Internal Audit Department to strengthen its capacity. Furthermore, all foreign exchange cash handling has been transferred to the purview of our Currency Department. We plan to update our investment policy and guidelines in line with the technical assistance received from the Fund in April 2020. The auditors issued a clean audit opinion on the FY2020 financial statements in May 2021. For FY2021, we have appointed joint auditors, including an international firm with central bank auditing experience to audit the CBG's financial statements and will publish the results on our external website once completed, after which the joint audit arrangement will be reviewed with the support of the IMF's Finance Department.

25. We plan to maintain, at least, our current level of foreign exchange reserves. We will save part of the recent general SDR allocation to ensure a strong reserve position in anticipation of government's prospective demand for foreign exchange to meet debt service obligations at the expiration of the 2019 debt relief and as a buffer against unanticipated shocks. In parallel, we are maintaining a flexible exchange rate regime, to support our reserve position as well as our external competitiveness. Accordingly, the CBG will limit its presence in the FX market to solely prevent disorderly volatility and, if warranted, anticipate government's FX transactions.

E. Structural Reforms

Domestic Revenue Mobilization

26. The GRA's 2020-24 Corporate Strategic Plan (CSP) is anchored on the reforms identified via the Tax Administration Diagnostic Assessment Tool (TADAT) and continues to guide our revenue mobilization efforts:

- **Tax registry cleaning project**: The register cleansing project is now fully completed for the Large Taxpayer Unit (LTU) and all tax offices in the Greater Banjul area. The campaign is ongoing for the remaining tax offices in the provinces. The project is expected to be finalized by end-December 2021. Data held in excel files will be migrated to the GAMTAXNET platform. An AFW2 STX mission is planned to develop and implement the registration data migration strategy for migrating the cleansed registration data held in Excel to GAMTAXNET recent version (V4). This will ensure quality taxpayer data is maintained in GAMTAXNET to support revenue collection improvement. Once the automated upload of the cleaned tax registry is completed, we will develop, approve, and use an accurate tax ledger for the large taxpayers by end-September 2022 (end-September 2022 SB) and later expand it to all taxpayers to better monitor and manage tax obligations, including tax arrears.

- **GAMTAXNET remediation plan**: The remediation plan has now been executed and with all modules within the plan (registration, returns filings, payments, audit, refunds, MIS report and system fixes) now developed and deployed in the seven main tax offices of Banjul, Kanifing, Brusubi, Serrekunda, Tallinding, Wellingara and Brikama. The users in these offices have been supported on the usage of the enhanced modules, especially where major changes have occurred. The roll-out of GAMTAXNET V4 continue to the rest of the provincial offices with completion of full roll out envisioned for end-October 2021. Thereafter additional training on the full GAMTAXNET functionality will be conducted for all system users. Contract negotiations are also currently underway with the GAMTAXNET developer to continuously ensure GAMTAXNET is fully operational, adequately maintained and system errors continue to be fixed during the first year of usage after the full rollout.
- **Digital transformation**: Efforts will continue with our IT initiatives to achieve the digital transformation of the GRA. This includes the migration from ASYCUDA++ to ASYCUDA World with the support of the AfDB and the acquisition of a new Integrated Tax Administration System (ITAS) with the support of the World Bank under the Fiscal Management Development (FMD) project to replace GAMTAXNET. The FMD project has commenced with the appointment of a contractor, Ernest and Young (E&Y) Ghana. The project charter and inception reports were finalized and approved. E&Y Ghana undertook a Business Process Re-engineering (BPR) mission and drafted a report on the current GRA business processes. The report was reviewed by GRA and the WB and the final report is expected soon. The new 'To Be' or future BPR report is also expected to be completed during the 3rd quarter 2021. Based on the 'To Be' BPR report, E&Y Ghana will assist with the procurement of the new ITAS system that will include e-registration, e-filing, and e-payment functionalities. The consultant also recommended a benchmark visit to two other revenue administrations, the outcome of which will further facilitate the decision on the type of ITAS to be selected. Engagement with GAMTEL is also ongoing to secure faster internet connections through fiber optic cabling to tax offices in anticipation of the two new web-based systems (ASYCUDA World and new ITAS). The planned connection to a more reliable and faster internet will also further support the smooth implementation of e-services as part of the reform initiatives also outlined in the GRA corporate strategic plan 2020-24. We also migrated from EPICOR version 9 to version 10 in line with the government's PFM reform agenda. The automation of the Records Management system is currently at the pilot stage.
- **Tax expenditure policy (TEP)**: A consultant has been recruited with the support of the World Bank to assist MOFEA with the implementation of the TEP report recommendations. The Cabinet adopted a Tax Expenditure Policy in late 2020. The revision of the GIEPA act is underway. Further critical collaboration between all stakeholders took place in the third quarter of 2021 and will continue in the fourth quarter to consider all the impact of reforms, with a view to submitting the GIEPA Act to the National Assembly by end-2021 (reset end-December 2021 SB). The committee, comprising MoFEA-MoT-GRA, in charge of a holistic control of tax exemptions is

rigorously carrying-out its duty. The strengthening of internal controls in adhering to legislative and regulatory requirements, together with improvement in the Customs department's adherence to all policy measures and operational protocols especially regarding exemptions to ensure accuracy in valuations and charges, have year-to-date resulted in disallowance of exemption applications of GMD 1.3 billion. Furthermore, a tax audit campaign will be conducted by end-September 2022 on at least five exempt entities holding Export Processing Zones License (EPZL) or GEIPA Special Investment Certificates that are close to graduation and for a predetermined number of tax years as allowed by Paragraph 216 and 220 of the Income and Value Added Tax (IVAT) 2012 (end-September 2022 SB). It is envisioned that the campaign will result in additional revenue collection, improve the sector's tax compliance, further create a database of much needed financial and tax information on the exempt entities, improve skills levels, and enhance future TEP decision-making.

- **Other measures**: To improve the ease of doing business in The Gambia, and as part of the WB FMD project, the Taxpayer Charter has been updated and internally validated. We will complete and adopt the Taxpayer Charter to improve the relationship between GRA and taxpayers and increase taxpayers' compliance by end-June 2022 (end-June 2022 SB). Several regional bilateral and tripartite cooperation agreements are being negotiated with other countries including with Guinea Bissau and Mali. We are also working with stakeholders to gain access to the Revised Kyoto Convention. A Customs Brokers Policy has been developed to guide registration for these brokers. We continue to strengthen our audit activities through capacity building in specialized areas such as Risk Management, Post Clearance Audits, Intelligence and Investigation and Tax Analysis and Revenue Forecasting, Data analytics. Through the WB FMD project, a TOR has been drafted for the development of a comprehensive compliance management strategy for the organization. Our GRA website will be upgraded; a TOR for the design and development of a bi-lingual website has been drafted and shared with the WB FMD project PIU for finalization and advertisement.

Public Financial Management (PFM)

27. Our 2021–25 PFM reform strategy will continue to guide our efforts. In particular:

- **Public procurement**: Despite the delay at the National Assembly of the revision of the Procurement Act (GPPA Act), we were able by July 2021 to ensure all procurement processes are digitalized, the legal and regulatory framework in procurement process is standardized, and a unified procurement contracts system over all the MDAs and public sector entities is implemented. We have revamped our website to enhance transparency through the publication of all contracts approved in 2021. We are training GPPA staff on e-procurement including through tours study in Ghana to better absorb the support expected from the World Bank. We have made considerable progress on our procurement process. The number of contracts awarded on single sourcing and request for proposal has been reduced markedly with the bulk of our public contracts is now awarded based on "restricted tender". With the completion of the consultative process on the GPPA Act at the National Assembly, we will push for a special session to approve the Act. This approval will allow approval of the draft regulations and manuals prepared with support from the European Union and the World Bank.

- **Civil service reforms**: The Civil Service reform program 2018-27 was approved by the Cabinet in 2018 and its implementation is well under way. As part of the reform, a new pensions bill is drafted and is currently at the National Assembly awaiting enactment. Similarly, a new Pay and Grading system has been designed as part of the pay reform initiatives. In the same vein, a review of generic, sector and cadre specific allowances is now completed and approved by the Cabinet. The transfer of Payroll Management Function initiated in June 2020 is completed. The reforms continued with the validation in January 2021 of the Performance Management System policy that is expected to be implemented in 2022. Since February 2021, all salaries are paid electronically through commercial banks, microfinance institutions, mobile money service providers, and credit unions. In addition, the Secretary General and Head of the Civil Service has directed all heads of departments to purchase Biometric Time and Attendance Register System to better control the payroll in their departments. The specifications for the system were developed by the Accountant General's Department, Ministry of Information and Communication Infrastructure (MoICI) and Personnel Management Office (PMO) and includes capability of integration with payroll to assist in ensuring payroll efficiency and integrity.
- **Integrated Financial Management Information Systems (IFMIS)**: During 2021 and despite the difficulties generated by the COVID-19 pandemic, the IFMIS has been rolled out to all sub-Treasuries, local government authorities, six self-accounting projects and 22 embassies with plans to roll out to the remaining two embassies and the remaining projects by end-December 2021. Two subvented agencies, namely the office of the Ombudsman and the Human Right Commission, have also been connected to IFMIS. For the remaining subvented agencies, a need assessment has been conducted, and five pilot sites have been identified (Independent Electoral Commission, National Nutrition Agency, Edward Francis Small Teaching Hospital, Gambia Bureau of Statistics, and Social Development Fund) to deploy the system. By end-June 2021 the IFMIS, *MERIDIAN* and the CBG's T24 have been interfaced and they are currently under user acceptance test.
- **Cash management**: The Cash Management Committee plays a key role in aligning spending with available resources, which is particularly important in the execution of the 2021 budget given delays in budget supports from donors and uncertainty about domestic revenue collection. The committee helps prevent fiscal slippages. The cash management system will be strengthened by the ongoing progress towards the operationalization of the Treasury Single Account (TSA), which is expected to be completed by end-December 2021. MOFEA will urge all key MDAs to update their cash plans over the budget year and provide the Cash Management Unit (CMU) of essential inputs in the production of its monthly cash forecasts. The TSA will allow centralization and instantaneous recording of all government revenues not collected through the GRA. More government accounts at commercial banks have been moved to the Treasury account at the Central Bank and the sweeping of accounts is being carried out more frequently, such as for some sub-treasury accounts (i.e. revenue collected in regional offices) and the SeneGambia bridge. We will make sure that key aspects of the TSA completion are completed, including (i) an updated inventory of government's bank accounts in commercial banks; (ii) the

finalization of the design of the TSA structure; (iii) the setting up of the TSA Implementation Unit. Implementation of the TSA single view ledger system has commenced. The contract has been signed and implementation of the revenue and payment platform has started. A first edition manual is in place; it will be revised/updated after all the payment platforms are implemented. The implementation of the payment platform is ongoing, and the design document has been submitted and is being reviewed by the implementation team.

- **Public Finance Bill**: The review and amendment to the Public Finance Act (PFA) enacted in 2014, the update of the PFM Strategy 2016-20, and the development of the PFM Manual are underway. The hiring of a consultant to review the Public Finance Act is proceeding. This review will aim at strengthening budgetary processes, including exceptional budget procedures, treasury management, internal controls, and fiscal reporting. However, the completion of the review and the submission to the National Assembly will likely take longer time than expected and it is now expected by end-June 2022 (reset end-June 2022 SB).
- **COVID-19 spending**: We plan to complete the second phase of the *ex-post* audit and transmit the reports to the National Assembly by end-December 2021. Following the review process at the National Assembly, we plan to publish jointly the reports from the phase 1 and phase 2 audits by end-March 2022 (end-March 2022 SB). We will continue the transparency requirements for COVID-19 spending to cover the entire years 2021 and 2022.
- **Investment selection**: The training on Project Selection and Appraisal Template for MDA has been conducted by MOFEA in 2019 to better prepare sectors in their project selection and appraisal process and the projects' mapping exercise completed. The annual in-country portfolio performance review has been conducted for the World Bank, the AfDB and the IsDB. Key issues highlighted during the review include challenges relating to delays in project effectiveness and start-up, inadequate qualified staff in financial management, safeguards and procurement and inadequate oversight of steering committees of MDAs during implementation. To address these challenges, the following recommendations were made: (i) ensure adequate preparation for projects by increasing the use of trust funds and project preparation facilities for feasibility studies, (ii) continuous capacity building on fiduciary and safeguard, (iii) improve coordination between PIUs and beneficiaries; (iv) conduct more frequent Country Portfolio Performance Reviews to address some of the these bottlenecks in project implementation; (vi) explore the opportunities of a centralized fiduciary unit for donor financed projects including safeguards and (vii) stakeholders meeting to discuss cross-cutting issues on Agriculture, Lands, Environment, Health, CBG, Energy, Petroleum and NAWEC. So far, the Gambia Strategic Review Board (GSRB) has evaluated nine foreign-financed public investment projects including one Public-Private Partnership (PPP) project in the tourism sector. As most of the GLF projects being currently implemented were initiated before the full operationalization of the GSRB, the Board has not reviewed any domestically financed project yet. Going forward, we will systematically submit to the GSRB all domestically and foreign-financed projects and ensure a positive opinion before their inclusion into the Budget.
- **Public Investment Program (PIP):** the Aid Coordination Directorate (ACD) is currently working with a World Bank team on a pilot PIP for selected sectors (agriculture, education, health,

infrastructure, energy, and environment). To this end, ACD together with DDP are tasked to provide a draft Terms of Reference for the sector working group of the PIP. The draft TOR has been developed and shared for comments with stakeholders before final submission to the World Bank team. The PIP is intended to ensure that sector strategies are translated into programs and projects in the form of a PIP as one of the policy actions under the sustainable development financing policy for the next 2022 fiscal year. The PIP is a five-year medium term investment resource envelope that would be available to the government during the period 2022-26 for the implementation of the prioritized projects and programs by MDAs. The overarching objective of the PIP is to strengthen public investment management based on priority programs and projects of the government within the planning period in line with the debt situation and fiscal sustainability for the realization of the NDP.

- **Aid Policy Action Plan**: the Gambia Aid Policy 2015-20 together with the NDP and the Development Finance Assessment 2018, provide a cardinal guide on how aid to the Gambia should be provide and managed. This is in recognition of the fact that further developments in human and institutional capacity are necessary to support the successful implementation of the national development blueprints. As the Aid policy 2015-20 has expired, DAC is currently working on drafting a new Aid Policy to strengthen the alignment and harmonization of aid resources towards achieving the development blueprints through effective resource mobilization. A consultant for the new Aid policy has been identified and requested to submit a proposal. Similarly, plans are underway to review, validate and publish an Aid Bulletin.
- **Fiscal Risk Management:** we will include a Fiscal Risk Statement in the 2023 budget documentation to be submitted to the National Assembly and we will publish a Fiscal Risk Statement that includes information on macroeconomic and debt sustainability risks, and specific fiscal risks (such as contingent liabilities stemming from SOEs, guarantees and eventually PPP contracts).
- **Vehicle policy**: In June 2021, the new government vehicle policy aimed at improving efficiency in the handling of government vehicles was validated by MoFEA and Ministry of Justice (MoJ).

Governance, Corruption and Trafficking in Persons

28. The recent signing into law of the information access bill will enhance transparency and accountability in governance. After two years since its submission, the National Assembly passed the information bill which was signed into to law by the President in August 2021. We will continue to liaise with the National Assembly, overwhelmed with bills for the institutional and legal reforms required for the political transformation of the Country, to ensure that the anti-corruption bill is also passed, in view of strengthening our anti-corruption framework ahead of the conduct in 2022 of the Governance Diagnostic for the Country with IMF support.

29. We continue our efforts to combat human trafficking and to strengthen the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework. Our efforts include:

- **Human trafficking**: Despite our continued effort in combatting Human Trafficking, The Gambia remained at Tier 2 Watchlist on the US Department of State Human Trafficking Report. We will continue to closely work with the US state department to avoid falling back to Tier 3, which would halt our cooperation with the US government. This cooperation has recently strengthened with the signing of a 5-year US$15 million agreement to support the NDP's strategic priority of restoring good governance, respect for human rights, the rule of law, and empowering citizens.
- **AML/CFT**: The Gambia's first national AML/CTF Risk Assessment exercise completed in 2019 was finalized and submitted to Cabinet for approval in January 2021. This risk assessment has enabled the country to better understand the action plan to mitigate the risks identified. The *GoAML* application has been provided to the Gambia Financial Intelligence Unit (FIU) by United Nations Office on Drugs and Crime (UNODC) to enhance and digitize the suspicious transactions AML/CFT reporting regime for The Gambia. The staff of the FIU has been trained in the use of the software and process to domesticate the application has started. The Gambia is working closely with the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) on steps required for the completion of the second round of the Mutual Evaluation Exercise. A pre-assessment workshop was held in February 2021, the onsite visit by the GIABA secretariat and the assessors was conducted from August 22nd to 3rd September and the Mutual Evaluation report is expected to be discussed at the GIABA Plenary and Technical Committee meeting in May 2022.

Business Environment

30. The development of the private sector remains at the center of our post-pandemic recovery plan to create jobs, reduce poverty and limit scaring from the pandemic. Our efforts to improve the business environment and promote diversification, with a view to enhancing investment and innovation opportunities and to creating jobs, have suffered a serious setback with the socio-economic and financial consequences of the pandemic on businesses and the social fabric. Given the preexisting structural impediments to private sector development, notably the low level of physical and human capital, the lack of access to long-term finance, the high cost and unreliability of energy supply, and delays encountered in courts in resolving commercial disputes, we are updating the GEIPA Act to level the playing field and re-focus on business facilitation. Also, we have launched the second National Export Strategy by GEIPA in August 2020 to support export-ready and export-potential firms to enter regional and global value chains; this will boost agri-business and strengthen its linkage with the tourism sector. Also, with the new financial inclusion strategy expected to be finalized soon, we are working on removing obstacles to accessing finance by working towards effective functioning of the credit reference bureau, improving the collateral registry, expanding digital finance, leveraging on remittances. We are working with the MoJ to re-establish commercial courts to facilitate contract enforcement. We are also making efforts to improve the reliability and access to electricity and digitalizing the tax system-- the second and third main obstacles to doing business in The Gambia.

Poverty Reduction, Gender Issues, and Climate Change

31. Poverty reduction: the government remains committed to social safety programs, including an annual contribution of GMD 10 million to the World Bank-supported social safety net program. We have disbursed about GMD 70 million out the GMD 160 million included in the budget to support the implementation of the Program for Accelerated Community Development (PACD) aiming at addressing poverty and inequality at community level. We have also included GMD 250 million in the draft 2022 budget for the PACD. In addition, a National Health Insurance Bill was submitted to the National Assembly. To improve the efficiency of our social safety net programs, we will expand the social registry to cover six additional districts, which will allow us to better target the most vulnerable population (end-June 2022 SB).

32. We are embracing gender sensitive budgeting. The MOFEA, with support from the IMF, will develop a roadmap for Gender Budgeting (GB) implementation and present to the cabinet for endorsement. To signal our commitment to implementing GB, we will include a statement on the Government's commitment to GB in the FY22's Budget Speech and work further on improving GB statement for next budgets, to capture MDAs information on the impacts of budgets on gender equality. The Ministry of Gender, Children and Social Welfare (MoGCSW) will develop an overarching National Gender Results Framework, by identifying national gender gaps and setting objectives to address these gaps, which will serve as the basis for incorporating gender priorities into the National Development Plan and sector strategies. The Women Enterprise Fund, which is managed by the MoGCSW and whose objective is to provide support to women entrepreneurs, has seen its budget increased to GMD 10 million in 2021 from GMD 6 million in 2020. This increase has allowed the granting of loans amounting to GMD 8.3 million with 2,060 direct beneficiaries, as well as the approval of 350 women groups applications with a total of 7,000 beneficiaries, who are currently undergoing training on entrepreneurship and management skills.

33. We will strengthen our policies to build resilience to climate change. A low topography, a high dependence on rain-fed agriculture, an inadequate drainage and stormwater management system in the context of rapid urbanization, and tourism vulnerability to sea-level rise (as recent years have witnessed disappearances of coastal structures and local beaches), places The Gambia among the countries most vulnerable to climate change. We are taking very seriously these challenges and The Gambia is the only country in the world which has submitted plans that are deemed compatible with the goals of the Paris climate agreement according to the Climate Action Tracker. The Budget Directorate continues to explore options to have climate sensitive budgeting. The Ministry of Environment and Climate change is working with other MDAs, particularly the Ministry of Agriculture and the Ministry of Energy, to foster resilience to climate change. We continue to enforce the ban on the use of plastic bags. We introduced a feed-in tariff for renewable energy sources (2013 Renewable Energy Act) and are improving our energy mix toward more renewal energy by building a 20 MW solar photovoltaic plant with World Bank support and the supply of 1,100 schools and hospitals with solar energy supported by the EU and the European Investment Bank (EIB). We have initiated the restoration of 10,000 hectares of forests, mangroves, and the savanna belt to help reduce climate vulnerabilities. We are working with various climate finance institutions, in particular the Green Climate Fund (GCF), to fund projects such as the Ecosystem-Based Adaptation (EBA) project which aims to enhance the climate resilience of rural communities and facilitate the development of a sustainable natural resource-based economy. We launched in February 2021, a multi-donor funded US$80 million project in the agriculture sector, the Resilience of Organizations for Transformative Smallholder Agriculture Project (ROOTS), that will enhance food security, nutrition, and smallholder farmers' resilience to climate change in The Gambia. We are seeking further IMF's support to assess the macroeconomic impact of climate change to set a basis for designing a comprehensive reform plan in this area.

34. Capacity development: We will continue to leverage technical assistance from our development partners to strengthen revenue administration, public financial management (including cash management, fiscal transparency, project appraisal and selection processes), macroeconomic statistics production, debt management, monetary policy design, and bank supervision capacity.

F. Program Monitoring

35. The government will continue to take all necessary measures to meet quantitative targets and observe structural benchmarks under the ECF-supported program. The program will be subjected to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 1, 2, 3, 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). The fourth and fifth program reviews will be based on targets and benchmarks through end-December 2021 and end-June 2022, respectively.

Table 1. The Gambia: Proposed Quantitative Targets and Indicative Targets, 2020–21

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

	2020	2021									
	Dec.	Mar.			Jun.				Sep.	Dec.	
	Prel.	**Prog.**	**Act.**	**Status**	**Prog.**	**Adj.**	**Act.**	**Status**	**Prog.**	**Prog.**	**Proposed Prog.**
Performance criteria[1]											
1. Net domestic borrowing of the central government (ceiling)	112	1,000	39	**Met**	500	1,199	1,119	**Met**	1,100	1,250	1,250
2. Stock of net usable international reserves of the central bank (floor, US$ million)	292	250	300	**Met**	260	247	314	**Met**	270	280	345
3. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	0.0	0.0	**Met**	0.0	…	0.0	**Met**	0.0	0.0	0.0
4. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	0.0	0.0	**Met**	0.0	…	0.0	**Met**	0.0	0.0	0.0
5. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	0.0	0.0	**Met**	0.0	…	0.0	**Met**	0.0	0.0	0.0
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2, 3]	12	115	0.0	**Met**	115	…	0.0	**Met**	115	115	115
Indicative targets[1]											
7. Total domestic tax revenue (floor)	10,326	3,000	2,678	**Not Met**	6,000	…	5,584	**Not Met**	8,700	11,400	11,400
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[4]	0.0	0.0	0.0	**Met**	0.0	…	0.0	**Met**	0.0	0.0	0.0
9. Stock of net domestic assets of the central bank (ceiling)[5]	4,918	8,171	5,119	**Met**	8,034	…	4,680	**Met**	8,284	8,034	8,034
10. Poverty-reducing expenditure (floor)	6,975	1,300	819	**Not Met**	2,800	…	2,800	**Met**	4,400	6,000	6,000
Memorandum Items:											
Budget Support (grants, US$ millions)[6]	81.9	0.0	0.0	…	20.0	…	6.5	…	27.1	43.7	43.7
Base Money (stock, GMD millions)	18,595	19,628	19,280	…	21,079	…	20,166	…	20,527	20,544	20,544
IMF disbursements (SDR millions)	20.6	20.0	20.0	…	30.0	…	30.0	…	30.0	35.0	35.0
ECF disbursements	5.0	20.0	20.0	…	30.0	…	30.0	…	30.0	35.0	35.0
Of which: augmentation	…	15.0	15.0	…	20.0	…	20.0	…	20.0	20.0	20.0
CCRT debt relief (SDR millions)[7]	3.2	0.0	0.0	…	1.1	…	1.1	…	1.1	3.0	3.0

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are test dates. End-March and end-September targets are indicative, except for continuous performance criteria.

[2] These criteria apply on a continuous basis, including beyond end-December 2021.

[3] This includes US$65 million for Banjul Port expansion, of which US$50 million on concessional terms and US$15 million in nonconcessional borrowing, which is expected to blended with a grant to meet the required 35-percent grant-element requirement.

[4] 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.

[5] A performance criterion at end-December 2020.

[6] Excludes grants under the CCRT.

[7] The grant for debt service falling due through October 15, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 2. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets, 2022

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

	2022			
	Mar.	Jun.	Sep.	Dec.
	Program			
Performance criteria[1]				
1. Net domestic borrowing of the central government (ceiling)	1,462	1,462	759	659
2. Stock of net usable international reserves of the central bank (floor, US$ million)	359	349	367	361
3. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0
4. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0
5. 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
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2, 3]	115	115	115	115
Indicative targets[1]				
7. Total domestic tax revenue (floor)	2,800	5,750	9,000	12,000
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[4]	0.0	0.0	0.0	0.0
9. Stock of net domestic assets of the central bank (ceiling)[5]	7,868	7,868	7,868	7,868
10. Poverty-reducing expenditure (floor)	1,400	3,000	4,800	6,500
Memorandum Items:				
Budget Support (grants, US$ millions)[6]	0.0	26.3	33.4	50.9
Base Money (stock, GMD millions)	19,845	19,204	20,139	20,886
IMF disbursements (SDR millions)	0.0	5.0	5.0	10.0
ECF disbursements	0.0	5.0	5.0	10.0
Of which : augmentation	0.0	0.0	0.0	0.0
CCRT debt relief (SDR millions)[7]	0.0	0.8	0.8	0.8

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are proposed test dates. End-March and end-September targets are indicative, except for continuous performance criteria.

[2] These criteria apply on a continuous basis, including beyond end-December 2021.

[3] This includes US$65 million for Banjul Port expansion, of which US$50 million on concessional terms and US$15 million in nonconcessional borrowing, which is expected to blended with a grant to meet the required 35-percent grant-element requirement.

[4] 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.

[5] A performance criterion at end-December 2020.

[6] Excludes grants under the CCRT.

[7] The grant for debt service falling due through October 15, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 3. The Gambia: Prior Action and Structural Benchmarks, 2021			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior action: Submit to the National Assembly the draft 2022 budget consistent with the fiscal framework of the ECF-supported program.	Ensure appropriate balance between supporting post-pandemic recovery and reducing debt vulnerabilities.	Prior action	Met
Domestic revenue mobilization (GRA/MOFEA)			
Approve and implement a new Tax Expenditure Policy in line with recent TA, including a review of investment tax incentives, the development of a new GIEPA Act, and streamlining all tax incentives.	To reduce tax expenditures and create room for urgent social and infrastructure spending.	end-June 2021	Not met (proposed to be reset to end-December 2021)
Public financial management (MOFEA/CBG)			
Prepare a roadmap for extending IFMIS to all flows to project and subvented agency accounts.	To enhance fiscal transparency and oversight.	end-June 2021	Met
Prepare in consultation with the Fund staff, and submit to the National Assembly, a new Public Finance Bill, with a view to strengthen budgetary processes, including exceptional budget procedures, treasury management, internal controls, and fiscal reporting.	To bring to standard and strengthen transparency and accountability in light of the new constitution and recent reforms.	end-December 2021	Proposed to be reset to end-June 2022
Debt management (MOFEA/CBG)			
In addition to the publication of the quarterly debt bulletins, publish a rolling monthly domestic debt issuance calendar for the ensuing three months.	To improve domestic debt management and transparency.	end-March 2021 and quarterly thereafter	Met
Central bank governance and bank supervision (CBG)			
The CBG to sign a Memorandum of Understanding with the Auditor General, to formalize an arrangement for a joint audit (by a local audit firm and an international audit firm with central banking experience) of its FY2021 financial statements.	To strengthen the CBG's internal controls.	end-March 2021	Met
Prepare a framework for banking sector stress testing, in line with the recommendations from the 2019 FSSR.	To assess banking sector health and detect early warning signals for distress.	end-June 2021	Not met (proposed to be reset to end-December 2021)
Governance and SOE reforms (MOFEA)			
Submit to the National Assembly a revised SOE bill, in line with the current Constitution and IMF staff recommendations, that will: (i) reduce political interference and (ii) strengthen SOEs, financial accountability and control by the MOFEA.	To strengthen governance of the SOEs, to reduce fiscal risks and improve public service delivery.	end-December 2021	
Publish financial statements of SOEs for the financial years that have been audited and approved by Parliament.	To improve transparency and accountability of SOEs.	end-December 2021	Proposed new SB

Table 4. The Gambia: Proposed Structural Benchmarks, 2022

Measures	Macro Rationale	Timing	Status
Domestic revenue mobilization (GRA/MOFEA)			
Complete and adopt Taxpayer Charter to improve the relationship between GRA and taxpayers and increase taxpayers' compliance.	To bolster revenue collection.	end-June 2022	
Develop, approve, and use accurate tax ledgers for large taxpayers.	To support revenue collection (under GAMTAXNET awaiting transfer to new ITAS).	end-September 2022	
Conduct a tax audit on at least five companies holding special investment certificates (SIC) which are close to graduation with a view to verify tax exemptions granted to each of those companies over a selected period and closely monitor after graduation.	To reduce tax expenditures and improve taxpayer compliance	end-September 2022	
Public financial management (MOFEA and Cabinet)			
Publish the phases 1 and 2 audit reports of COVID-19-related spending on the website of MOFEA and/or other platforms.	To ensure transparency of COVID-19 spending.	end-March 2022	
Extend the signing of performance contracts between MoFEA and three additional key SOEs, including targets based on key operational and financial indicators.	To improve performance of SOEs and mitigate risks on government budget.	end-September 2022	
Expand the social registry to cover additional six districts.	To improve the effectiveness of social safety net programs by better targeting the poor and most vulnerable population.	end-June 2022	
Bank supervision and macroprudential policy (CBG)			
Conduct balance sheet stress tests of two banks (one large and one medium sized).	To help build in-house capacity for stress testing banks for early signals of distress.	end-September 2022	

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-2022. 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) onlending of the IMF credit (under RCF or ECF) to the budget and lending to the Treasury of any portion of the SDR general allocation, (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 statutory level enshrined in the 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 received in that period relative to the program forecasts specified in the table below. The upward adjustment of the NDB targets at each quarter's end for the shortfall in the disbursements of budget support amounts specified in Table 2 below, may not exceed GMD 1.0 billion.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶32 below.

Text Table 1. The Gambia: Projected Budget Support Flows, 2022

	Q1	Q2	Q3	Q4
	Projections			
Budget support grants	0.0	26.3	7.1	17.6
AfDB	...	...	7.1	...
EU	...	6.3	...	17.6
World Bank	...	20.0	...	...

Sources: The Gambian authorities; and IMF staff estimates.

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 end-of-period market exchange rates prevailing at end-October 2020: 51.84 GMD/USD, 1.17 USD/EUR, 1.30 USD/GBP, 0.92 CHF/USD, 1.41 USD/SDR, 104.58 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-October 2020, 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. To this effect, ***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 (floors) 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 the period preceding quarter's end relative to the program forecasts, as specified in Text Table 1. The downward adjustment to the quarterly NIR floors, on account of a shortfall in budget support amounts as specified in Table 2 above will be capped at US$20 million.

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 full 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.

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.

[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, as amended. "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.

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		

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 Program; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programs; Support to CrossCutting Programs; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Program. The poverty-reducing expenditure includes the COVID-19 spending including those implemented through the COVID-19 project accounts.

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)	Annually	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

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STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By The staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of September 30, 2021)

Membership status. Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993. It maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

General Resources Account	**SDR Million**	**% Quota**
Quota	62.20	100.00
Fund holdings of currency	52.91	85.06
Reserve Tranche Position	9.35	15.03

SDR Department	**SDR Million**	**% Allocation**
Net cumulative allocation	89.38	100.00
Holdings	61.92	69.27

Outstanding Purchases and Loans	**SDR Million**	**% Quota**
RCF Loans	32.66	52.50
ECF arrangements	37.49	60.27

Latest Financial Arrangements

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	Mar. 23, 2020	Jun. 22, 2023	55.00	35.00
ECF	May 25, 2012	May 20, 2015	18.66	10.89
ECF	Feb. 21, 2007	Mar. 31, 2011	24.88	22.55

Outright Loans

Type	**Date of Commitment**	**Date Drawn**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
RCF	Apr. 15, 2020	Apr. 17, 2020	15.55	15.55
RCF	Jun. 26, 2017	Jul. 05, 2017	11.66	11.66
RCF	Apr. 02, 2015	Apr. 13, 2015	7.78	7.78

Projected Payments to Fund (SDR million; based on current use of resources and present holdings of SDRs)[1]

	Forthcoming				
	2021	**2022**	**2023**	**2024**	**2025**
Principal	1.09	2.80	4.04	3.89	5.17
Charges/interest	0.00	0.02	0.02	0. 02	0. 02
Total	1.09	2.81	4.06	3.90	5.18

[1]When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative

I. Commitment of HIPC assistance	Enhanced Framework
Decision point date[1]	Dec 2000
Assistance committed (year-end 2000 NPV terms)[2]	
Total assistance (US$ million)	66.60
Of which: IMF assistance (US$ million)	2.30
SDR equivalent, million	1.80
Completion point date	Dec 2007
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	1.80
Interim assistance	0.44
Completion point balance	1.36
Additional disbursement of interest income[3]	0.49
Total disbursement	2.29

[1] The Fund approved the decision on 12/15/2000 as Decision 12365-(00/126). The World Bank Board decision was taken on 12/14/2000.

[2] Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

[3] Under the enhanced HIPC Initiative, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI)

MDRI-eligible debt (SDR million)[4]	9.42
Financed by: MDRI Trust	7.44
Remaining HIPC resources	1.98

Debt Relief by Facility (SDR million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
December 2007	N/A	9.42	9.42

Implementation of Catastrophe Containment and Relief (CCR)

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr. 13, 2020	2.10	2.10
N/A	Oct. 02, 2020	2.10	2.10
N/A	Apr. 01, 2021	1.87	1.87

Safeguards Assessments

An updated safeguards assessment of the CBG, completed in July 2020, noted considerable progress in strengthening the legal framework, modernizing the internal audit function, and improving financial reporting. The financial position of the CBG has also strengthened in recent years. However, the CBG faces capacity challenges, and more active oversight by the CBG Board and the Audit Committee is needed to strengthen control and audit processes. Recommendations included: (i) signing a Memorandum of Understanding with the Auditor General to formalize the joint audit arrangement by a local audit firm and an international audit firm with central banking experience; (ii) requesting a formal legal opinion from the Constitutional Review Commission to confirm that a person holding a public service office will not qualify to be appointed as a non-executive Board member of the CBG; (iii) recognizing income for the 30-year government bond in accordance with the effective interest rate method required by international financial reporting standards; (iv) addressing capacity constraints in the Internal Audit Department (IAD) by appointing the Director/Deputy Director and allocating resources for professional certification of selected IAD staff; (v) Clarifying the Audit Committee Charter to explicitly provide for its independence, including prohibition of Deputy Governors attending meetings except when the committee meets with management; and (vi) engaging an independent expert advisor in financial reporting and/or auditing to assist the Audit Committee. The authorities implemented most of these recommendations.

[4] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end–2004 that remains outstanding at the time the member qualifies for such debt relief.

Exchange Rate Arrangement

The Gambia has accepted the obligations of Article VIII, Sections 2(a), 3 and 4 and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices, except for restrictions maintained solely for the preservation of national or international security, which have been notified to the Fund in accordance with the procedures set forth in Executive Board decision 144-(52/51). The *de jure* exchange rate arrangement is free floating and the *de facto* exchange rate regime is stabilized. The exchange rate is determined in the foreign exchange market. The Gambia participates in the W-ERM II of the WAMZ, which requires that the spot exchange rate between the dalasi and the US dollar be maintained within ±15% of the central rate; however, the authorities have not yet implemented these measures. Since November 2019, the exchange rate stabilized within a 2% band against the U.S. dollar with one realignment in May 2020.

Last Article IV Consultation

The Executive Board concluded the 2017 Article IV Consultation and First Review under and Extension of the Staff Monitored Program (SM/18/99) on March 22, 2018. The long gap between the current AIV Consultation and the last is explained by the fact that The Gambia, being under program with the Fund, moved to a two-year cycle, and the COVID-19 pandemic led to further postponement of the Consultation.

Technical Assistance

The Fund has been providing The Gambia with extensive technical assistance in macroeconomic, fiscal, and monetary areas, and in improving the compilation of macroeconomic statistics. Specific technical assistance projects since 2018 are the following:

Fiscal Affairs Department	
Oct 2021	Implementing IPSAS Cash and preparing roadmap for migration to accrual system (AFW2)
Aug 2021	Follow up support in Implementing TSA (AFW2)
Jun 2021	TA mission on gender-based budget preparation
May 2021	TA mission on Cash Forecasting (EUD project)
May 2021	TA mission on Better Budget Preparation
Apr 2021	Training ministry officials on monitoring and managing SOE and PPP related fiscal risks (AFW2)
Mar 2021	Support for implementation of customs post clearance controls (AFW2)
Dec 2020	

Dec 2020	Support for implementation of customs post clearance controls & exemptions
Oct 2020	TA mission to support GRA to build and maintain integrity of taxpayer ledger and tax account
Oct 2020	Support GRA to strengthen tax arrears management and enforcement
Sep 2020	TA mission on addressing issues in the fiscal and financial reporting (AFW2)
Aug 2020	Support for the development of customs import procedures (AFW2)
	Support for implementation of the risk management strategy & action plan (AFW2)
Jun 2020	TA mission to strengthen GRA capacity to manage compliance in the hospitality sector (AFW2)
Jun 2020	TA mission on developing and drafting a tax exemptions policy
Jun 2020	FARI fiscal regime training
May 2020	Training on appraisal and selection of investment projects (PIMA follow-up)
Apr 2020	TA mission on tax administration (follow-up)
Mar 2020	TA mission on development of stakeholder engagement (AFW2)
Feb 2020	TA mission on stabilizing the GAMTAX Net System (follow-up)
Jan 2020	TA mission on wages and pensions
Jan 2020	TA mission on cash management
Jan 2020	TA mission on PIMA-follow up
Jan 2020	TA mission on TSA implementation (AFW2)
Dec 2019	Regional workshop to strengthen fiscal and financial reporting (AFW2)
Nov 2019	Professional attachment to improve integrity of the taxpayer register
Nov 2019	TA mission on the development of stakeholder engagement (AFW2)
Oct 2019	Training to DPPP and SOE officials to introduce IFRS (AFW2)
Oct 2019	TA mission on the development of an integrity framework (AFW2)
Sept 2019	Needs assessment of IFRS curriculum development (AFW2)
Aug 2019	TA mission on strengthening the audit of the telecom sector
Aug 2019	TA mission on integrity of the taxpayer register (follow-up)
Aug 2019	TA mission on the development of a new GRA strategic plan (AFW2)

Aug 2019	Training on customs valuation and classification (AFW2)
Jul 2019	TA mission on the development of a risk management strategy (AFW2)
Jul 2019	TA mission on performance contracts for SOEs (AFW2)
Jul 2019	TA mission on the development of an integrity framework (AFW2)
Jun 2019	TA mission on medium-term budget framework
May 2019	TA mission on TSA
May 2019	TA mission on GFSM 2014-based chart of accounts (AFW2
Apr 2019	Training on customs induction syllabus (AFW2
Apr 2019	TA mission to improve integrity of taxpayer ledger
Apr 2019	TA on public investment management (PIMA)
Apr 2019	TA mission on risk based-internal audit (AFW2)
Apr 2019	TA mission on cash management
Jan 2019	TA mission on cash management
Jan 2019	TA mission to support the SOE oversight database (AFW2)
Jan 2019	TA mission on GFSM 2014-based chart of accounts (AFW2)
Jan 2019	TA mission on improving the integrity of the taxpayer register
Jan 2019	TA mission to strengthen telecom sector audit
Jan 2019	TA follow-up mission on audit and data matching
Jan 2019	TA mission on control of customs exemptions (AFW2)
Dec 2018	TA mission on stabilizing the GAMTAXNET system
Dec 2018	TA follow-up mission to strengthen audit capacity
Nov 2018	TA mission to build capacity to audit telecom sector
Nov 2018	TA mission on petroleum fiscal regime
Nov 2018	TA mission on medium-term fiscal framework and cash management
Sep 2018	TA mission on strengthening core tax administration functions
Sep 2018	TA mission on customs intelligence and investigation functions (AFW2)
Jul 2018	Training on customs induction syllabus (AFW2)
Jul 2018	TA mission on medium-term fiscal framework (AFW2)
Jul 2018	TA mission on implementation of the TSA action plan (AFW2)
Jun 2018	TA mission on Tax Administration Diagnostic

May 2018	TA mission on customs transit inspection procedures
April 2018	TA mission on SOEs oversight database and IFRS (AFW2)
Feb 2018	TA mission on TSA (AFW2)
Jan 2018	TA mission on cargo inspection procedures and mentoring support to the Post Clearance Audit (PCA) Unit (AFW2)
	Monetary and Capital Markets Department
Jul 2021	TA mission on Banking Cybersecurity Resilience
Apr 2021	TA mission on FOREX Reserves Management
Dec 2020	TA mission on Risk-based Supervision
Nov 2020	Improving Monetary Policy and Liquidity Forecasting Management (AFW2)
May 2020	Improving Monetary Policy Analysis and Liquidity Forecasting and Management (AFW2)
	Developing RBS Criteria and Manual (AFW2)
Dec 2019	Financial Sector Stability Review: Main Mission
Oct-Nov 2019	Developing RBS Framework/Manual (AFW2)
Aug 2019	Improving Monetary Policy Analysis and Liquidity Management (AFW2)
Jun 2019	Financial Sector Stability Review: Scoping Mission
May 2019	AFRITAC West II Scoping Mission on Bank Supervision (AFW2)
Apr 2019	Reviewing Progress of RBS Implementation (AFW2)
Mar 2019	Payment System Oversight and FX Operations (AFW2)
Jan 2019	Progressing Basel II/III (AFW2)
Nov 2018	Improving Monetary Policy Analysis (AFW2)
Aug 2018	Enhancing Risk-Based Onsite Supervision 2 (AFW2)
Apr 2018	TA mission on development of the payment systems and monetary policy analysis (AFW2)
Feb 2018	
	Statistics Department
Jun 2021	Strengthen compilation and dissemination of financial institutions' statistics
Apr 2021	TA mission on Government Finance Statistics, funded by Data for Decisions (D4D) fund
Mar 2021	Ongoing TA mission on the National Accounts with AFRITAC West 2

Oct 2020	Ongoing TA mission on the National Accounts with AFRITAC West 2
Jul 2020	TA mission on External Sector Statistics (FSSF)
Jan 2020	DfiD funded TA mission on the Consumer Price Index
Jan 2020	TA mission on Government Finance Statistics, funded by Data for Decisions (D4D) fund
Oct 2019	Ongoing TA mission on the National Accounts with AFRITAC West 2
Jun 2019	TA mission on the Consumer Price Index with AFRITAC West 2
Jun 2019	Ongoing TA mission on the National Accounts with AFRITAC West 2
Apr 2019	Ongoing TA mission on the National Accounts with AFRITAC West 2
Feb 2019	TA mission on External Sector Statistics and Balance of Payments, funded by Data for Decisions (D4D) fund
Jan 2019	DfID-funded TA mission on National Accounts
Dec 2018	Ongoing TA mission on the National Accounts with AFRITAC West 2
Jul 2018	Ongoing TA mission on the National Accounts with AFRITAC West 2
Jun 2018	DfiD funded TA mission on the Consumer Price Index and the Producer Price Index
Apr 2018	Ongoing TA mission on the National Accounts with AFRITAC West 2
Feb 2018	Ongoing TA mission on the National Accounts with AFRITAC West 2
Finance Department	
May 2020	FIN safeguards assessment mission

Resident Representative

Mr. Mamadou Barry Dioulde has been the Fund’s Resident Representative in The Gambia since August 17, 2019.

JOINT BANK-FUND WORK PROGRAM

The Gambia: Joint Bank-Fund Work Program, November 2021– November 2022			
Title	**Products**	**Timing of Missions**	**Target Board Date**
A. Mutual Information on Relevant Work Program			
Bank work program in next 12 months	**Budget support**		
	1. Gambia DPF2	None, awaiting completion prior action	February 24, 2022 (tentative)
	2. Gambia new DPF series	March 2022, June-November 2022	DPF1: February 2023; DPF1: February 2024 (tentative)
	Projects		
	3. FMD Project (DRM, Procurement, SOE sector, Telecom)	October 19-23, 2021	
	4. Gambia Public Administration Modernization for Citizen Centric Service Delivery Project	TBD	October 19, 2022 (tentative)
	Technical assistance /Analytical services/ Policy advice		
	5. Gambia Programmatic TA on Fiscal Management	January 2022	
	6. Gambia iSOEF Assessment	November 2021, January 2022	
	7. Gambia Economic Update	February 2022, March 2022	
	8. Gambia Poverty and Gender Assessment	March 2022, May 2022	

Fund work program in next 12 months	**Policy Advice** 1. Article IV consultation and 3rd ECF review mission 2. 4th ECF review mission 3. 5th ECF review mission	 Q3 2021 Q2 2022 (tentative) Q3 2022 (tentative)	 November 2021 June 2022 December 2022
B. Requests for Work Program Inputs			
Fund request to Bank	Periodic updates on: CPIA, tax administration (IT system) work, debt management TA, public procurement, civil service and SOE reforms.	Ongoing	
Bank request to Fund	Periodic updates on macroeconomic framework.	Ongoing	
C. Agreement on Joint Products and Missions			
Joint products in next 12 months	Joint DSA	Ongoing	

STATISTICAL ISSUES

As of November 2, 2021

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance, despite some shortcomings. However, the authorities are making strong efforts to improve statistics. The most affected areas are monetary and financial data, balance of payments, and external debt statistics.
National Accounts (NA): The Gambia Bureau of Statistics (GBoS) has improved the annual national accounts estimates and implemented the System of National Accounts 2008 through the rebasing GDP exercise of base year 2013. The GBoS disseminated in April 2019 the annual GDP estimates by production approach and in February 2020 published for the first time the annual GDP estimates by expenditure approaches—for 2004-18. GDP figures, methodological notes and policy of revisions has been made available to users. Collaboration with stakeholders has improved and line ministries continue to contribute to the development of sectoral statistics, particularly in agriculture, health, education, transport, and construction. In addition, GBoS is building capacities and working on the development of quarterly GDP estimates. Although there are some improvements in the timeliness and accessibility of GDP figures, the GBoS continues to face capacity and financial constraints to process data in a timely manner and develop quarterly estimates of GDP. The GBoS will require additional resources to conduct the necessary census and surveys for the next GDP rebasing and further improving the compilation of national accounts.
Price Statistics: With STA technical assistance, the GBoS published a new CPI in February 2020. The index (January 2020=100) uses expenditure weights derived from the 2015/16 Integrated Household Survey (IHS) making the index more representative of current expenditure patterns. The previous index (August 2004=100) was based on 2003/4 expenditures. With this update, the authorities also introduced important improvements in the methodologies used to calculate the index, in particular the introduction of the geometric mean for averaging prices and the imputation of missing prices. These are in line with international best practices. At the request of GBoS, AFRITAC West 2 will provide technical assistance to improve producer price index (PPI) compilation methods.
Government Finance Statistics: With STA technical assistance, the authorities are in the process of fully implementing an upgraded IFMIS to apply the framework of the Government Finance Statistics Manual 2014 (GFSM 2014) through budgeting, accounting, and reporting processes to compile fiscal statistics for budgetary central government using GFSM 2014 classification. Ensuring consistency of fiscal statistics throughout budget documents, accounting system, and fiscal reports as well as expanding the coverage of fiscal statistics would require sustained capacity development effort. The compilation of project grant disbursements and project grant use remains a challenge. Monthly data on domestic government financing are available with a delay of about four weeks.
Monetary and Financial Statistics: The Central Bank of The Gambia (CBG) reports monetary data, using Standardized Report Forms for the central bank and other depository corporations (ODCs), which are published in the *International Financial Statistics*. However, the CBG faces some data

shortcomings. The CBG reports monetary data to STA with a lag of 3 to 6 months and with a large gap in the historical data between May 2015 and December 2016. For some financial assets and liabilities including loans and deposits of ODCs, economic sector and currency breakdowns consistent with the IMF's *Monetary and Financial Statistics Manual* are not available. The coverage of ODCs excludes credit institutions, and deposit-taking microfinance companies, which issue short-term liabilities. The CBG is currently developing data for other financial corporations comprising insurance corporations and the National Provident Fund. The CBG reports data on several indicators of the Financial Access Survey (FAS) including mobile money and two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs). The CBG reports 12 core FSIs and 8 additional FSIs for publication on the IMF's website.
Financial sector surveillance: Data quality has improved significantly following the introduction of an automated platform for regulatory returns. This paved the way for the recent implementation of comprehensive stress tests for the first time. However, cross border exposure data for financial corporations are not available. The CBG reported Financial Soundness Indicators (FSIs) to STA in October 2016 for publication on the IMF's FSI webpage, including 11 of the 12 core indicators and 8 encouraged indicators for deposit takers. However, the CBG does not regularly update FSIs.
External sector statistics: The CBG produces quarterly balance of payments statistics following the *sixth edition of the Balance of Payments Manual (BPM6).* The production of international investment position (IIP) statistics is at a preliminary stage). Despite some improvements—as remittances and travel estimations—The Gambia's balance of payments statistics continues to be affected by significant shortcomings, especially on the (i) estimation of direct investment, (ii) accurate identification of current and capital grants, and (iii) timely and accurate recording of external debt (inflows and outflows). The foreign assets and liabilities survey (FALS) was discontinued in 2015. Financial account transactions of central bank and commercial banks are estimated as differences of positions—without exchange rate changes adjustments; therefore, revaluations are incorrectly recorded as transactions. There is room to improve coordination within the CBG and with other agencies to make full use of available administrative data for compilation purposes, including the use of financial statements of nonfinancial corporations and the validation of financial account transactions of the general government with external debt data, sourced by the Ministry of Finance and Economic Affairs.

II. Data Standards and Quality	
In May 2018, The Gambia implemented the enhanced General Data Dissemination System (e-GDDS) by publishing data (as opposed to metadata as in the past) and by launching a one-shop stop for data dissemination called the National Summary Data Page (official website).	A data ROSC was published on December 1, 2005.

The Gambia: Common Indicators Required for Surveillance
(As of November 2, 2021)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	D	W	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Current	Current	W	W	M
Reserve/Base Money	9/2021	10/2021	D	W	M
Broad Money	9/2021	10/2021	M	M	M
Central Bank Balance Sheet	8/2021	9/2021	M	M	M
Consolidated Balance Sheet of the Banking System	8/2021	9/2021	M	M	M
Interest Rates[2]	Current	Current	W	W	M
Consumer Price Index	9/2021	10/2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	9/2021	10/2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– General Government	N/A	N/A			
Stocks of Central Government and Central Government-Guaranteed Debt[4]	12/2020	9/2021	M	M	M
External Current Account Balance	Q2/2021	9/2021	Q	Q	Q
Exports and Imports of Goods and Services	Q2/2021	9/2021	Q	Q	Q
GDP/GNP	2020	9/2021	A	A	A
Gross External Debt	12/2020	9/2021	Q	I	A
International Investment Position[5]	N/A	N/A			

[1]Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] Including currency and maturity composition.
[5] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

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Approved By
Annalisa Fedelino, Geremia Palomba (IMF), and Marcello Estevão, Abebe Adugna (IDA)

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	*No*

The Gambia's overall and external debt distress risk ratings remain "High" and public debt continues to be deemed sustainable, similar to the previous DSA. Under the updated macro framework to reflect the staff's revised assessment of the impact of COVID-19, compared with the previous DSA [1]prepared in the context of the first ECF review in December 2020, there remain temporary breaches of the indicative thresholds for the PV of external debt-to-exports ratio in 2021-22, and external debt service-to-exports ratio in 2021 and between 2025–29. These breaches reflect weak export projections for those years as well as upward revisions for the external debt service resulting from data reconciliation with creditors. Meanwhile, the PV of external debt service-to-revenue ratio breaches the threshold for 2021 and between 2026-2029. The PV of overall debt-to-GDP ratio remains on a downward sloping path and drops below its threshold by 2025 (one year later than estimated in the previous DSA), indicating that the public debt outlook remains sustainable. Downside risks are linked to a potential resurgence of the pandemic that could trigger a prolonged economic recession, with added fiscal pressures adversely affecting the debt profile.

[1] The Gambia's Composite Index is estimated at 2.90 and is based on April 2021 WEO and 2019 WB CPIA; the debt carrying capacity remains medium.

BACKGROUND

1. **During the few years following the remarkable political turn-around in 2016–17 and prior to the onset of the pandemic, The Gambia had shown strong macroeconomic performance.** Economic growth accelerated from 2 percent in 2016 to 6 percent in 2019, driven by strong tourism arrivals and private capital inflows. This economic performance helped improve some key social indicators; The Gambia's Human development index improved from 0.475 in 2016 to 0.496 in 2019; infant mortality rate declined by 0.8 percentage point and primary school net enrollment rate increased from 77.7 percent to 81.8 percent. Foreign exchange coverage soared from about one month of imports to 4 months of imports during this period, buoyed by large private remittances and disbursements from development partners. Debt sustainability improved as the fiscal deficit narrowed by about 7 percentage points of GDP during this period and most creditors agreed on some debt deferrals in 2019. Inflation remained broadly stable. However, the COVID-19 pandemic has disrupted some of the hard-won progress.

Text Table 1. The Gambia: External and Public DSAs: Coverage of Public Debt and Design of Contingent Liabilities 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	

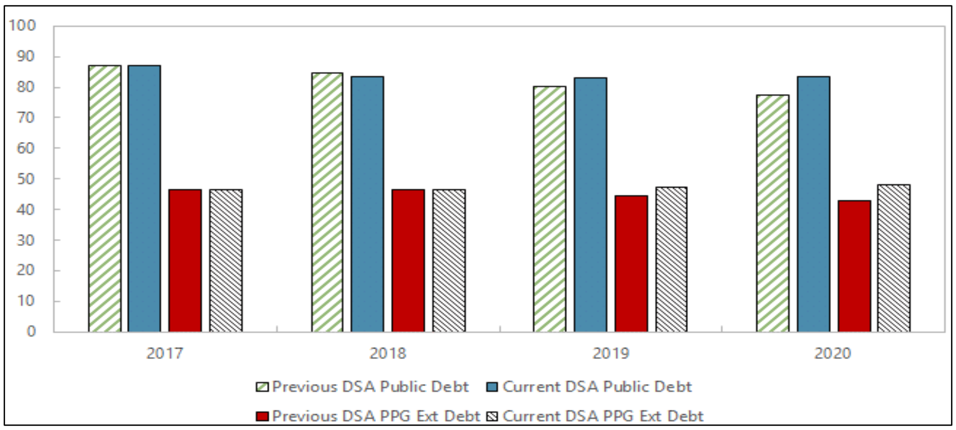
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	3.7	
4	PPP	35	percent of PPP stock	0.0	PPPs are estimated to be marginal as a proportion of GDP
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. **Compared to the previous DSA in December 2020 (1st ECF review), the current DSA uses updated end-2020 data as a starting point.** Like the previous DSA, the current DSA uses the broader coverage of the public sector, which includes the central government, central bank and government-guaranteed debt pertaining to State-owned enterprises (Text Table 1). As in the previous DSA, SOE debt linked to trade credit from the Islamic Trade Finance Corporation (ITFC) is accounted for in the government debt. This includes short-term external financing to the large SOEs, namely, the National Water and Electric Company (NAWEC), the Gambia Groundnut Corporation (GGC) and the Gambia National Petroleum Company (GNPC). Additionally, the coverage for the contingent liabilities test uses default settings for financial markets (at the minimum of 5 percent of GDP), representing the average cost to the government from a potential financial crisis in a low-income country, and SOE debt of 3.7 percent of GDP (for debt not explicitly guaranteed by the government) as in the previous DSA. Exposures to PPPs are set at zero, as PPPs in the Gambia are estimated to be marginal as a proportion of GDP. External debt is based on currency and not residency.

3. The Gambia's total public debt to GDP stood at 85.0 percent and external debt to GDP at 49.7 percent as of end-2020. External debt figures were revised upward for end-2019 and end-2020 compared to the previous DSA following a visit to The Gambia of some bilateral creditors to reconcile debt data. The upward revisions of external debt figures for 2019 and 2020 were to the tune of 2.6 percent and 6.1 percent of GDP respectively in the current DSA, to 47.3 percent and 49.7 percent of GDP respectively. Total public debt ratios were also revised upward as a result, by 2.9 percent and 7.7 percent respectively compared to the previous DSA [2]. However, the total public debt profile remains on a downward trajectory and broadly in line with the previous DSA. The authorities are aware of the extent of the debt data revisions and the potential ramifications, and have therefore committed to improving efforts to bolster data collection and reconciliation. They have proposed increasing the frequency of the data reconciliation exercise with creditors and managers of foreign-financed projects.

Text Figure 1. The Gambia: Total Public Debt and PPG External Debt
(Percent of GDP)



4. Debt-service deferrals secured by the authorities in 2019 have provided significant relief since the onset of the pandemic, creating much-needed fiscal space, though debt-service pressures persist. Total debt service relief due to confirmed deferrals from the 2019 negotiations with bilateral creditors amounted to around US$129 million (7 percent of GDP). The Gambia is receiving debt service relief under the Catastrophe Containment and Relief Trust (CCRT) expected to total SDR7.9 million (SDR 6.1 million of which has already been approved). The debt service payment projections were revised upward during the data reconciliation process with creditors, leading to a cumulative increase in debt service of around US$72 million between 2021-30, equivalent to about 4 percent of GDP. This resulted in a worsening of key DSA ratios, notably leading to the extended breach of PV of public debt and external debt ratios over their respective thresholds in the near-term. The debt-service profile remains challenging particularly given the recent slump in exports. The sharp fall in exports due the pandemic is estimated to push the debt-service-to-exports ratio to 21.4 and the PV of debt-to-exports ratios over 300 in 2021. As exports

[2] The sharp upward revisions in debt and debt service projections were mainly attributed to corrections in loan disbursements made in 2019 and 2020 by a Middle East creditor, and due to incorrect recording of the debt service deferrals agreed with bilateral creditors in 2019.

gradually recover in 2022, the debt-service pressures are expected to abate, though they will likely resurface as the debt deferrals begin to expire in 2024/25.

5. The Gambia's external debt primarily comprises of concessional and semi-concessional loans from multilateral and plurilateral creditors, with creditors from the Middle East forming the single largest creditor sub-group. Around 66 percent of the Gambia's PPG external debt is owed to multilateral creditors, with bilateral creditors (30 percent) and commercial creditors (4 percent) comprising relatively smaller shares among the creditor categories. While approximately 30 percent of the PPG external debt is owed to the IMF and MDBs, a combined 45 percent of debt is owed to various creditors from the Middle East (see Table below). The Gambia has arrears on external debt owed to Libya and Venezuela, with the combined debt owed to these creditors at approximately US$23 million, equivalent to around 1.2 percent of GDP. However, these arrears have materialized due to technical problems and are not an indication of debt distress. The discussions on arrears to Libya have been obstructed by the change in regime in Libya, while discussions on the arrears to Venezuela have been impeded by international sanctions on Venezuela.

Text Table 2. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2020–22[1]

	Debt Stock (end of period) 2020			Debt Service					
				2020	2021	2022	2020	2021	2022
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	1,552.3	100.0	84.9	132.4	133.5	113.4	7.3	6.8	5.4
External	893.8	57.6	48.9	33.2	59.9	49.1	1.8	3.0	2.3
Multilateral creditors	593.9	38.3	32.5	26.9	47.5	35.3	1.5	2.4	1.7
IMF	60.5	3.9	3.3						
World Bank	127.8	8.2	7.0						
ADB/AfDB/IADB	62.4	4.0	3.4						
Other Multilaterals	346.6	22.3	19.0						
o/w: IsDB and OFID	209.5	13.5	11.5						
Bilateral Creditors	266.3	17.2	14.6	2.9	9.0	10.4	0.2	0.5	0.5
Paris Club	2.9	0.2	0.2	0.0	1.8	0.9	0.0	0.1	0.0
o/w: ING Bank N.V. and Govt. of Belgium	2.9	0.2	0.2						
Non-Paris Club	263.4	17.0	14.4	2.9	7.2	9.5	0.2	0.4	0.4
o/w: Saudi and Kuwait Fund	134.3	8.7	7.4						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	33.6	2.2	1.8	3.4	3.4	3.4	0.2	0.2	0.2
o/w: M.A. Kharafi and Sons	33.6	2.2	1.8						
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w:	0.0	0.0	0.0						
Domestic	658.4	42.4	36.1	99.3	73.6	64.2	5.4	3.8	3.1
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	369.2	23.8	20.2	28.9	27.6	28.5	1.6	1.4	1.4
Bonds	289.3	18.6	15.8	70.4	46.0	35.7	3.9	2.4	1.7
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2,4]	n/a								
Contingent liabilities[3,4]	n/a								
Nominal GDP	1,827.6	117.7	100.0						

[1] As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

[2] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

[3] Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements). Plans to fill the data gaps will be discussed at subsequent program reviews.

[4] Some of the public debt is not shown in the table due to capacity constraints. Plans to fill the data gaps will be discussed at subsequent program reviews.

6. **The Gambia will continue to benefit extensively from grants and loan disbursements from multilateral and bilateral creditors in the years ahead.** The annual net financing flows from the World Bank (IDA resources) are projected at US$105.3 million during 2021-24 and US$38.8 million during 2025–30. The net financing flows from the IMF during the ECF program (2020-23) amount to US$91 million. Based on staff's estimates, the projected gross grant disbursements from donors during 2021–30 amount to US$1.81 billion. The recent debt data reconciliation with creditors has resulted in a downward revision of US$110 million in expected loan disbursements over the next few years. Following this revision, an estimated US$233 million in project loan disbursements are expected from creditors between 2021–24. On the moratorium from bilateral creditors, The Gambia benefited from debt service suspension of US$4 million under the Debt Service Suspension Initiative (DSSI) in 2020[3]. While the authorities requested for further relief for January-June 2021, they have not requested any further relief under the DSSI for the rest of 2021, given that they have already received substantial debt relief through 2024-25 from the bilateral creditors in the 2019 agreement.

UNDERLYING ASSUMPTIONS

7. **The DSA is consistent with the macroeconomic framework outlined in the staff report.** In line with the previous DSA, the baseline scenario assumes the implementation of sound macroeconomic policies, structural reforms, and an ambitious infrastructure investment plan. The key macroeconomic assumptions are as follows:

- **Real GDP growth:** The impact of the COVID-19 shock on the outlook for 2020 and 2021 has been worse than estimated in the previous DSA. GDP growth in 2020 dropped slightly from 0.0 percent projected in the previous DSA to -0.2 percent and the rebound projected for 2021 has also been revised downward (4.9 percent, compared to 6.0 percent projected earlier). Credit to the private sector started to rebound, showing growth of about 5.8 percent (y/y) in August 2021 (compared to zero growth in December 2020).
- **Inflation:** Inflation subsided from 7.7 percent (y/y) at end-2019 to 5.7 percent at end-2020, reflecting weak domestic demand. Inflation edged up in recent months, to 8.1 percent at end-June 2021 but eased to 6.9 percent at end-August 2021. Average inflation is projected to decline towards the central bank's target of 5 percent in the medium term.
- **Fiscal deficit**: The fiscal outlook is calibrated to reduce debt vulnerabilities. The fiscal framework foresees a switch from primary deficit to surpluses starting in 2023, which should reduce the debt levels and vulnerabilities. The fiscal consolidation path is underpinned by: (i) a projected gradual increase in domestic revenue supported by measures to broaden the tax base, rationalization of tax expenditures and exemptions, and strengthening of revenue administration; (ii) the phasing-out or streamlining of most one-off COVID-related spending and the rationalization of subsidies to SOEs and transfers to subvented agencies; and (iii) strict cash management. The thorough enforcement of the infrastructure project selection criteria, supported through the IDA Sustainable Development Financing Policy in FY21, and the

[3] This amount includes relief by the ECOWAS Bank for International Development (EBID) worth US$1.4 million.

development of priority sector Public Investment Programs (PIPs), supported in FY22, will also anchor medium-term debt sustainability.

Text Table 3. The Gambia: Evolution of Select Macroeconomic Indicators, 2020–25
(in percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	15-year average[1]
Real GDP Growth (percent)							
Current DSA	-0.2	4.9	6.0	6.5	6.5	5.8	5.6
Previous DSA [5]	6.3	5.8	5.5	5.2	5.2	5.0	4.8
Exports of goods and services growth (percent)[2]							
Current DSA	-58.7	48.1	65.1	15.3	8.9	8.1	7.0
Previous DSA	8.8	8.0	7.7	9.6	9.3	8.7	8.6
Imports of goods and services growth (percent)[2]							
Current DSA	-4.4	33.0	23.3	4.7	6.3	2.6	7.5
Previous DSA	13.8	7.3	5.8	6.5	7.6	7.0	7.1
CA deficit (percent of GDP)[3]							
Current DSA	3.2	12.5	16.0	12.3	10.7	8.9	10.9
Previous DSA	8.7	9.9	9.6	9.0	9.1	8.8	5.8
Public investment (percent of GDP)							
Current DSA	7.0	10.2	13.9	10.1	9.5	7.8	10.2
Previous DSA	10.3	10.2	9.5	8.8	8.1	8.2	7.9
Overall fiscal deficit[4]							
Current DSA	2.2	4.0	3.0	1.2	0.5	-0.8	0.4
Previous DSA	1.7	1.8	1.4	1.1	0.7	0.4	1.5

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.
[5] Previous DSA numbers are taken from First Review ECF
Sources: The Gambian authorities; and Fund staff estimates and projections.

- **Infrastructure projects:** The current framework assumes that loan agreements and related disbursements for financing infrastructure projects will align with the external borrowing plan schedule. However, contract agreements and loan disbursements on some large infrastructure projects, such as the Banjul Port project and the Bertil-Harding highway road project, are materializing at a slower pace than anticipated.
- **Gross financing needs:** In line with the fall in the deficit, average gross financing needs over the medium term in the current DSA fall to around 17 percent of GDP, lower than that in the previous DSA.
- **External financing mix and terms:** The DSA assumes that the financing mix will be consistent with a prudent borrowing strategy, aimed at gradually increasing the share of domestic debt and only seeking new external financing on concessional terms. Financing needs originate mainly from the persistent health and economic implications of the COVID-19 pandemic, the delayed resumption of tourism activities, the support to the economic recovery, and the large infrastructure projects in preparation for the Organization of Islamic Cooperation (OIC) conference. Consistent with the external borrowing plan, the authorities have contracted US$12

million in new concessional debt in 2020, well within the program target of US$60 million for the year. Under the program agreement, this leaves an aggregate US$195 million in concessional external debt that the Gambia can potentially contract or guarantee between 2021-23, distributed across the years 2021 (US$55 million), 2022 (US$100 million) and 2023 (US$40 million). Given the assumption that a higher proportion of concessional financing comes from some multilateral creditors in later years, the grant element in 2031 is marginally above the medium-term average.

- **Domestic borrowing:** Domestic borrowing from banks was contained in 2020, thanks to on-lending to the government of the IMF's RCF disbursement. Net domestic borrowing was within the program ceiling targets throughout 2020 and during H1 2021. Public borrowing requirements are expected to steadily decrease, and combined with the use of a portion of the SDR allocation and budget-support disbursements from donors, are estimated to keep domestic borrowing contained within the program ceilings in 2021. Domestic borrowing for the remainder of the program period is expected to remain consistent with reducing debt vulnerabilities and providing sufficient space for private sector financing on the domestic financial market.
- **Exports:** Exports of goods and services fell to around 8 percent of GDP in 2020, on the back of a pandemic-induced slump in tourism, worse than projected in the previous DSA. Exports are projected to partially rebound in 2021 (11 percent of GDP) and return to pre-pandemic averages around 2022-23.
- **Current account deficit:** The C/A deficit narrowed to 3.6 percent of GDP in 2020, compared to 6.2 percent projected in the previous DSA, on the back of stronger-than-expected remittances in 2020. The deficit is projected to widen to 14.5 percent of GDP in 2021 and average around 12 percent of GDP in the medium term, compared to an average of 10.7 projected in the previous DSA. This is partly due to delayed resumption of the tourism sector and an uptick in imports related to ongoing large infrastructure projects. Meanwhile, remittances climbed sharply in 2020, to 22 percent of GDP, compared to 8 percent projected in the previous DSA. Moving forward, remittances are projected to average around 17 percent of GDP in the medium term, compared to around 11 percent projected in the previous DSA, as flows that shifted from the informal channels into the formal channels during the pandemic are now expected to largely persist.
- **FX Reserves:** Gross foreign exchange reserves rose to US$352 million in 2020, equivalent to 4.7 months of imports, compared to US$330 million projected in the previous DSA. Reserves are projected to rise sharply in 2021 to US$497 million (or above 5 months of imports), following the new SDR general allocation; they are estimated to average around US$495 million in the medium term.

8. **The realism of the macroeconomic framework is confirmed based on several metrics** (Figure 4)**.** The drivers of projected medium-term debt-creating flows for public debt are comparable to those underlying the historical outturns. While the forecast errors have been large even in the past, the relatively large residuals can be partly attributed the debt data reconciliation mentioned earlier in this report. The projected fiscal adjustment for the next three years is well below the top quartile of the distribution of approved Fund-supported programs for LICs since

1990. The contribution of government capital to real GDP growth is conservative and remains in the order of the historical magnitudes. Regarding the relation between fiscal adjustment and growth paths, the baseline projection in 2021 and 2022 deviates from the growth paths under the different fiscal multipliers. However, given the development partners' support of the Gambia's vaccination campaign, the resilience of some sectors (e.g. agriculture, remittances-financed construction), and the strong macroeconomic policies (including under the IMF-supported program, the projected rebound in growth seems reasonable albeit with the caveat that the outlook is subject to high uncertainty and downside risks and dependent on the course of the pandemic. The economic growth rebound is broadly consistent with projections in peer countries. Moreover, the projected per capita GDP growth path does not show any noticeable breaks.

Text Table 4. The Gambia: Key Macroeconomic Indicators, 2020–26

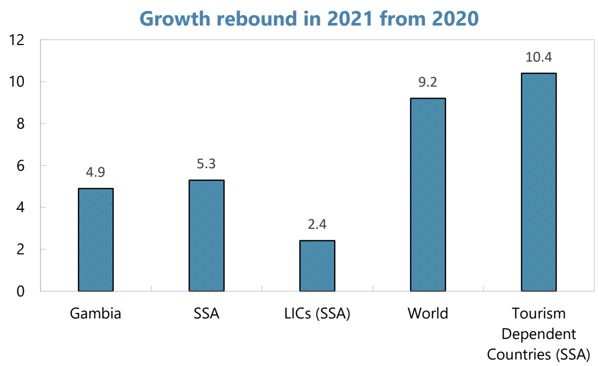
(in percent of GDP, unless otherwise indicated)

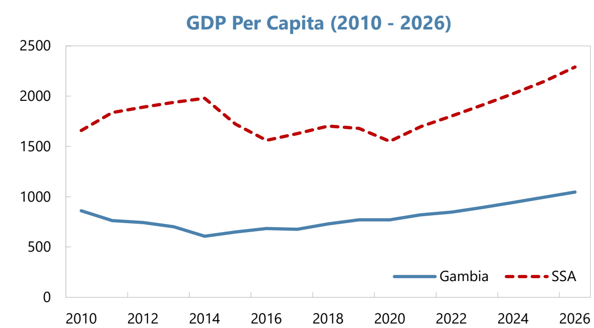
	2020	2021	2022	2023	2024	2025	2026
	Prel.	Projections					
Baseline							
Real GDP growth (percent)	-0.2	4.9	6.0	6.5	6.5	5.8	5.6
Tourist arrivals (percent change)	-62.2	0.9	6.7	7.8	7.8	6.4	5.9
Tax revenue	11.0	10.9	11.0	11.5	11.9	12.0	12.5
Primary balance	1.0	-1.2	-0.1	1.2	1.8	2.8	1.8
Domestic primary balance	-1.1	0.5	1.2	0.5	0.0	1.3	1.6
Current account balance	-3.2	-12.5	-16.0	-12.3	-10.7	-8.9	-9.3
PV of public debt	73.5	71.5	66.6	62.2	55.8	50.8	46.7
Gross official reserves (months of prospective imports)	4.7	5.4	4.9	4.7	4.6	4.3	4.0

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

Text Figure 2. The Gambia: Economic Growth, 2010–26

(in percent)





Sources: World Economic Outlook; and IMF staff estimates

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

9. **The Gambia's debt carrying capacity remains medium.** The classification of the Gambia's debt carrying capacity is based on a CI score of 2.90, which is marginally higher from the previous DSA (2.70) and the previous two vintages, but the classification remains the same as the previous round. The import coverage of reserves is the most significant contributor to the CI score, followed by the CPIA value, which reflects the quality of institutions and policies. The CI score has been updated with the April 2021 WEO.

10. **Stress tests follow the standardized settings, with none of the individual tailored stress tests applicable for the Gambia.** The standardized stress tests use the default settings, with the combined contingent liabilities test assuming a shock of 8.7 percent of GDP (5 percent of GDP for financing sector shock and 3.7 percent of GDP for non-guaranteed SOEs debt).

Text Table 5. The Gambia: Debt Carrying Capacity and Thresholds

Country	Gambia, The
Country Code	648

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.90	Medium 2.78	Medium 2.71

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.964	1.14	39%
Real growth rate (in percent)	2.719	5.186	0.14	5%
Import coverage of reserves (in percent)	4.052	36.111	1.46	50%
Import coverage of reserves^2 (in percent)	-3.990	13.040	-0.52	-18%
Remittances (in percent)	2.022	12.695	0.26	9%
World economic growth (in percent)	13.520	3.078	0.42	14%
CI Score			2.90	100%
CI rating			Medium	

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

EXTERNAL DSA

11. Under the baseline scenario, three of the four external debt indicators temporarily breach the threshold for varying periods within the forecast horizon (Figure 1). The PV of external debt-to-exports breaches the threshold level of 180 in 2021–22, before falling below the threshold and continuing to decline for the remainder of the projection period. The debt-service-to-exports ratio breaches the threshold level of 15 in 2021, and between 2025–29. The external debt service-to-revenue ratio breaches the threshold level of 18 in 2021 and between 2025–28, before falling below the threshold for the remainder of the forecast horizon. The reason for the breach in later years can be attributed to lower growth and revenue projections for those respective years. However, given that these breaches materialize in the medium-term, it gives the authorities an opportunity to enact suitable policies to correct the trend. The PV of external debt-to-GDP remains within the threshold level of 40 for the entire forecast horizon.

12. Under the stress test scenarios, all the indicators breach their thresholds for varying periods under the forecast horizon. The PV of debt-to-GDP breaches the threshold level of 40 in 2022 and falls below the threshold in 2030. The PV of debt-to-exports breaches the threshold level of 180 in 2021 and remains above the threshold for the remainder of the forecast horizon. The debt-service-to-exports ratio breaches the threshold level of 15 in 2021, remains marginally above the threshold until 2030, and declines below the threshold thereafter. The debt-service-to-revenue ratio breaches the threshold level of 18 in 2024 and remains above the threshold for most of the forecast horizon. For the PV of debt-to-exports and debt service-to-exports ratios, the exports shock is the most severe, while for the PV of debt-to-GDP and debt service-to revenue ratios, the combination shock is the most severe.

13. The Gambia's risk of external debt distress remains high, but sustainable. The weak export-related external debt service indicators in the near term can be attributed to the sharp slowdown in tourism and the associated decline in exports of goods and services. However, these breaches are temporary and will likely be overcome if exports recover as per forecasts in 2022 and beyond. Additionally, the breaches of the debt-service thresholds in later years reflect the period when debt-service deferrals negotiated with creditors are expected to expire, potentially leading to higher debt-service payments coming due in those years. These breaches highlight The Gambia's limited space for additional borrowing in the near term, as well as emphasize the need to continue to build ample buffers to face the increased debt-service burden that lies ahead.

PUBLIC DSA

14. Under the baseline scenario, the PV of total public debt-to-GDP ratio is temporarily in breach of the benchmark in the near term. The PV of total public debt-to-GDP breaches the benchmark level of 55 between 2020–24, but falls within the benchmark level in 2025 and continues to decline thereafter throughout the forecast horizon. Two other indicators of public debt, namely the PV of debt-to-revenue and PV of debt service-to-revenue are on a declining trend for the entire duration of the forecast horizon in the baseline scenario. Under the stress scenario, the PV of total public debt-to-GDP remains above the benchmark for the length of the forecast horizon. The growth shock is the most extreme for the PV of total public debt-to-GDP ratio under the stress scenario. The most extreme shock for the PV of debt-to-revenue ratio is the non-debt creating flows stress test, highlighting the importance of grant disbursements in the baseline financing projections.

15. The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable. Despite the impact of the COVID-19 shock, the PV of total public debt-to-GDP continues to follow a firmly downward sloping path, remains within the benchmark from 2025 onwards (similar to the previous DSA), continuing to decline thereafter. Since the indicator falls below the benchmark within 4 years of the projection horizon and remains under benchmark thereafter, the overall debt position is deemed sustainable. This assessment, however, is subject to downside risks stemming from a resurgence of the pandemic that potentially causes a prolonged economic recession, with added fiscal pressures adversely affecting the debt profile.

RISK RATING AND VULNERABILITIES

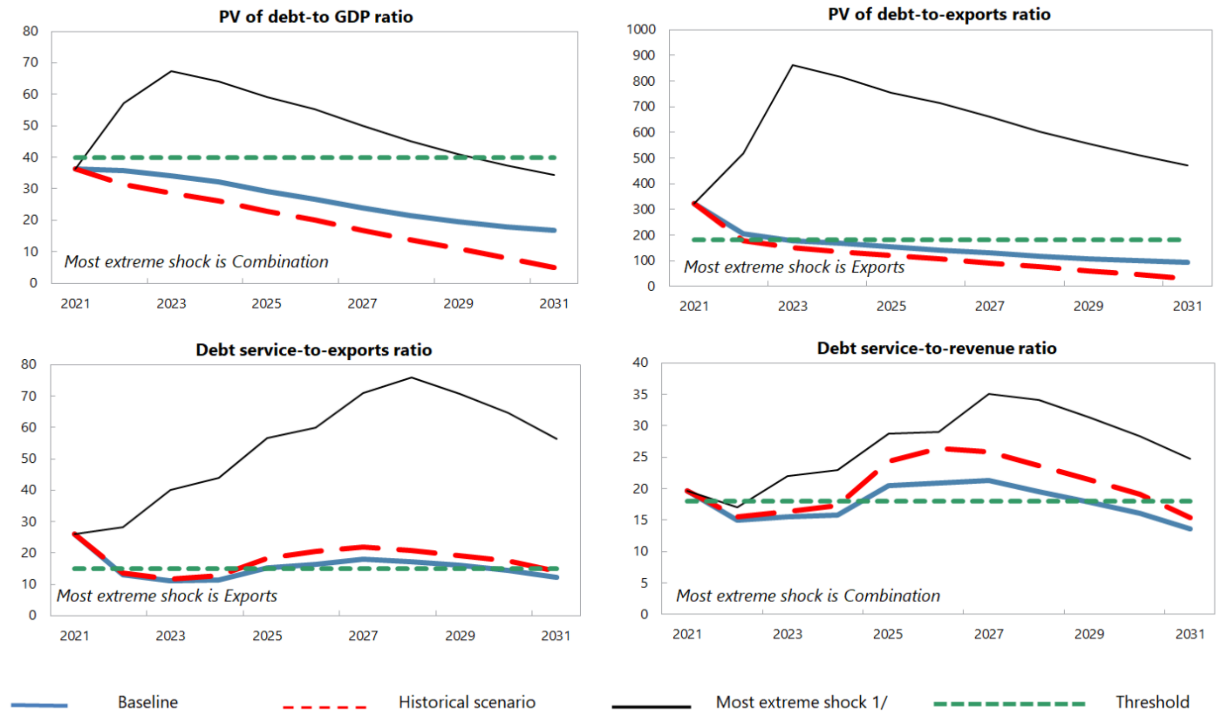
16. Risks to the assessment are titled to the downside. The economic outlook is subject to high uncertainty and downside risks, notably linked to the evolution of the pandemic, the global economic recovery and the resumption of tourism. Additionally, the recent strong capital inflows from remittances and donor support might not necessarily persist and could add additional pressures on debt servicing. As highlighted in the second review, in a downside scenario, with a resurgence of the pandemic and continued global travel restrictions, tourism could be subdued until end-2021. Under such a scenario, growth could fall to 3.0 percent (2.0 percent below the baseline). The fiscal deficit would widen due to higher health-related spending and lower revenues, increasing financing needs and pushing PV of total public debt to fall below the benchmark level of 55 later than under the baseline. Beyond the pandemic, the main risk is potential political instability from the upcoming presidential and parliamentary elections. Other sources of risks include oil price volatility and natural disasters.

17. Relevant factors that could affect future assessments include data revisions and the speed of infrastructure project execution. As highlighted in the previous staff reports, further efforts are needed to bolster data collection and reconciliation, both for debt as well as external sector statistics. Uncertainty over data quality and delivery could hamper future assessments in a timely and comprehensive fashion. The ongoing WB TA will support debt recording (better understanding and use of the Meridien system), formulation and implementation of the annual borrowing plan and the implementation of the government guarantees framework in the near term. Meanwhile, the execution of public investment projects related to the preparation of the 2022 OIC conference is accelerating. Other large public investment projects are also underway, including the extension of the Port of Banjul. Financing plans with respect to these projects remain in flux and have significant implications for the ceilings on the external borrowing plan. Any deviation from the borrowing plan could pose risks to the debt outlook.

Authorities' Views

18. The authorities acknowledged the challenging trade-off between addressing near-term financing needs and ensuring medium-term debt sustainability. The COVID-19 pandemic heightened the urgent need for investment to close the country's infrastructure gap, including in the health sector, and meet the SDGs. In this regard, the authorities committed to continued efforts to reduce debt vulnerabilities given that the public debt profile is still at high risk of distress, aiming at reducing the present value of total public debt below the benchmark of 55 percent of GDP by 2025. They aim to meet this objective through a combination of a strong medium-term fiscal framework and a prudent borrowing policy. They also committed to improving efforts to bolster data collection and reconciliation, including on debt service deferrals agreed with creditors in 2019. In this regard, they will initiate a bi-annual data reconciliation exercise with creditors and coordinate with managers of foreign-financed projects to ensure that their disbursement requests are processed through the debt management office (DLDM) and processed disbursements are systematically communicated to DLDM. On external arrears, they have made some progress in re-engaging with the Libyan authorities to resolve outstanding arrears, and plan to re-engage with the Venezuelan authorities once the sanctions are lifted. Please see Annex VII in the staff report for more details on the external arrears.

Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt Under Baseline and Alternative Scenarios, 2021–31



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
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	1.3%	1.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	4	4

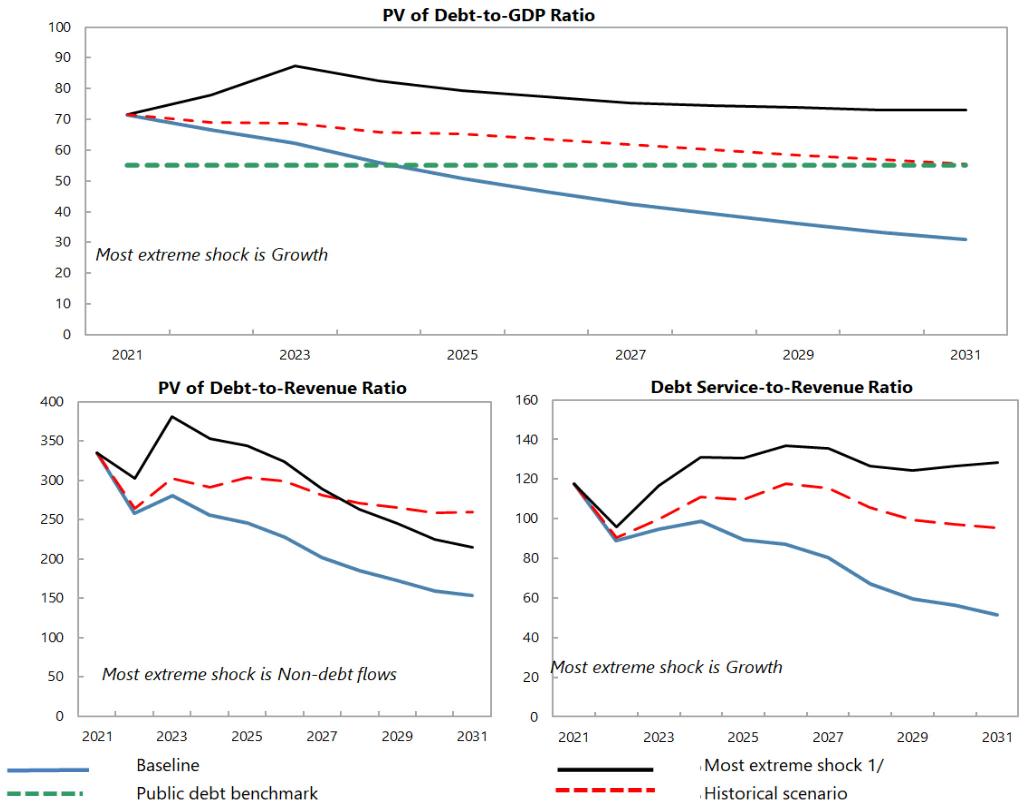
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2031. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2021–31



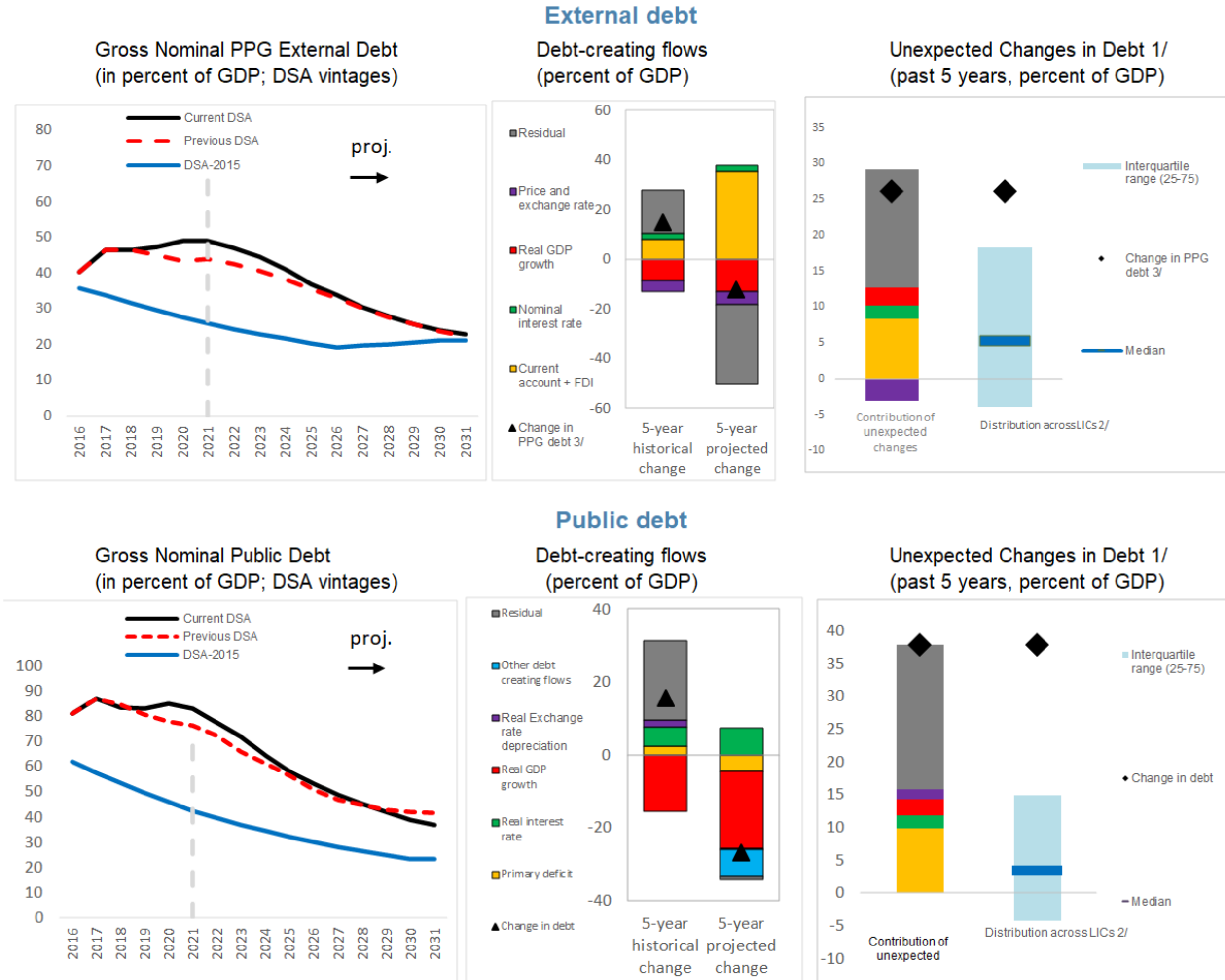
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	19%	19%
Domestic medium and long-term	18%	18%
Domestic short-term	63%	63%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	4	4
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 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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



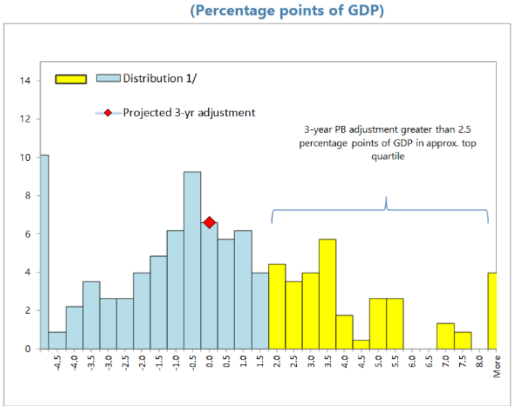
1/ Difference between anticipated and actual contributions on debt ratios.

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.

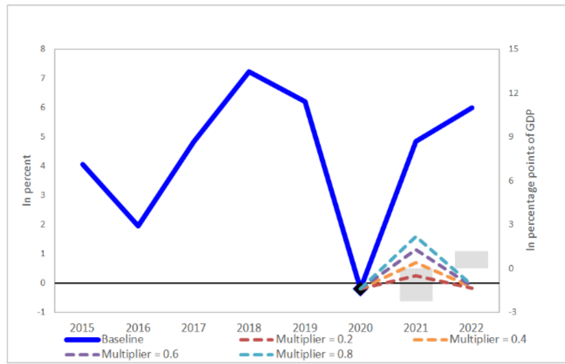
Figure 4. The Gambia: Realism Tools

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



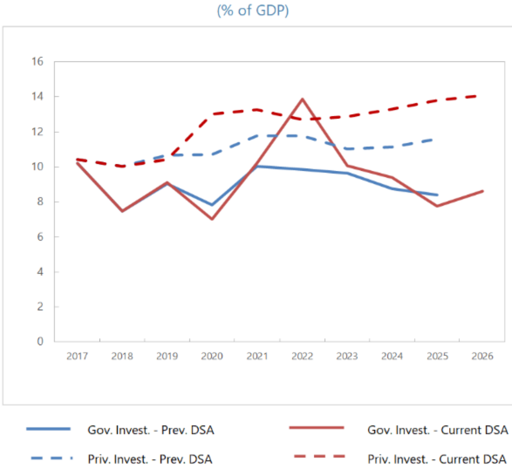
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

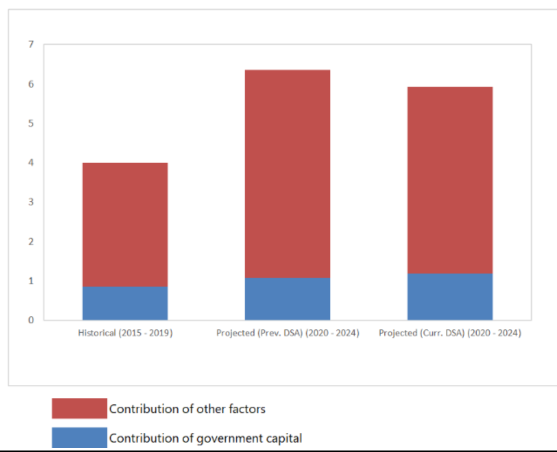
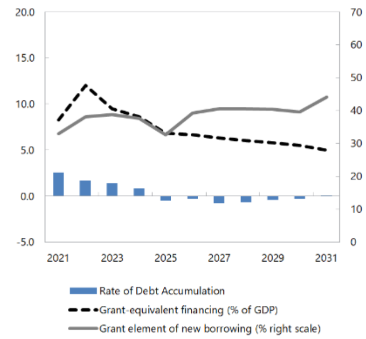
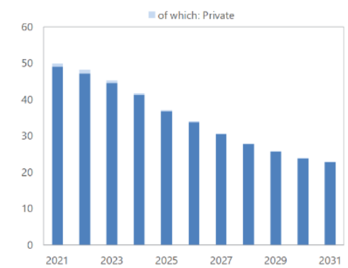


Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2018–41
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	48.1	47.3	49.7	49.9	48.1	45.2	41.7	37.1	33.9	22.8	18.7	41.2	35.2
of which: public and publicly guaranteed (PPG)	46.3	47.2	49.0	48.9	47.0	44.4	41.2	36.8	33.7	22.8	18.7	39.3	34.8
Change in external debt	-0.4	-0.9	2.4	0.2	-1.8	-2.9	-3.5	-4.6	-3.2	-1.1	-0.4		
Identified net debt-creating flows	-0.7	-2.9	-1.2	7.3	8.4	3.8	3.2	2.3	2.2	4.6	6.7	0.8	4.1
Non-interest current account deficit	9.1	5.4	3.0	14.0	15.5	10.9	10.0	8.6	8.1	9.7	11.6	6.6	10.1
Deficit in balance of goods and services	18.5	18.6	28.5	33.5	34.4	29.9	28.8	26.2	25.3	25.6	26.9	15.6	27.7
Exports	18.9	20.4	8.3	11.3	17.5	19.2	19.3	19.1	18.8	17.8	18.1		
Imports	37.3	39.0	36.9	44.8	51.8	49.1	48.1	45.3	44.1	43.4	45.0		
Net current transfers (negative = inflow)	-10.7	-14.1	-27.1	-20.6	-19.9	-19.9	-19.7	-18.4	-17.9	-16.6	-15.9	-10.3	-18.5
of which: official	-0.9	-3.1	-4.5	-0.8	-2.2	-2.5	-2.3	-1.3	-1.0	-0.5	-0.2		
Other current account flows (negative = net inflow)	1.3	1.0	1.5	1.1	1.1	0.9	0.9	0.8	0.8	0.7	0.6	1.4	0.9
Net FDI (negative = inflow)	-5.5	-5.2	-3.8	-5.0	-4.7	-4.7	-4.6	-4.5	-4.4	-4.1	-4.1	-5.4	-4.4
Endogenous debt dynamics 2/	-4.3	-3.1	-0.4	-1.7	-2.4	-2.4	-2.3	-1.8	-1.6	-1.0	-0.8		
Contribution from nominal interest rate	0.5	0.7	0.2	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.2		
Contribution from real GDP growth	-3.2	-2.8	0.1	-2.2	-2.8	-2.9	-2.7	-2.2	-1.9	-1.2	-1.0		
Contribution from price and exchange rate changes	-1.6	-1.1	-0.7	...	...	...	...	...	...	...	...		
Residual 3/	0.3	2.0	3.6	-7.1	-10.3	-6.7	-6.6	-6.9	-5.4	-5.7	-7.1	1.5	-6.5
of which: exceptional financing 4/	0.0	0.0	-0.5	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	37.3	36.4	35.8	34.2	32.3	29.2	26.7	16.7	12.4		
PV of PPG external debt-to-exports ratio	...	...	448.0	323.1	205.0	178.3	167.8	152.7	141.9	93.5	68.8		
PPG debt service-to-exports ratio	26.2	22.3	10.3	25.9	13.0	11.2	11.5	15.3	16.3	12.3	5.6		
PPG debt service-to-revenue ratio	41.8	32.5	6.0	19.6	14.9	15.5	15.7	20.4	20.9	13.5	6.4		
Gross external financing need (Million of U.S. dollars)	142.0	87.1	3.2	252.2	298.3	216.2	209.8	206.3	211.9	336.5	728.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	7.2	6.2	-0.2	4.9	6.0	6.5	6.5	5.8	5.6	5.5	5.5	2.3	5.7
GDP deflator in US dollar terms (change in percent)	3.5	2.3	1.4	4.6	0.4	2.1	2.0	2.9	2.3	1.7	1.5	-0.3	2.2
Effective interest rate (percent) 5/	1.1	1.6	0.3	1.1	1.0	1.0	1.0	1.0	1.0	1.2	1.2	1.4	1.1
Growth of exports of G&S (US dollar terms, in percent)	26.3	17.6	-58.7	48.1	65.1	19.5	8.9	8.1	6.5	7.1	7.4	-0.3	17.2
Growth of imports of G&S (US dollar terms, in percent)	12.1	13.6	-4.4	33.0	23.3	3.0	6.3	2.6	5.2	7.4	7.5	5.6	10.1
Grant element of new public sector borrowing (in percent)	...	...	...	32.9	38.0	38.8	37.6	32.7	39.2	44.1	41.4	...	38.6
Government revenues (excluding grants, in percent of GDP)	11.8	14.0	14.4	14.8	15.2	13.8	14.1	14.3	14.7	16.3	16.0	12.1	15.2
Aid flows (in Million of US dollars) 6/	54.4	129.0	153.3	152.5	263.4	229.9	221.1	174.6	187.1	214.5	254.3		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	8.3	12.0	9.5	8.6	6.8	6.7	5.0	3.2	...	7.3
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	70.0	84.7	84.2	85.8	87.6	82.1	78.5	76.5	...	81.4
Nominal GDP (Million of US dollars)	1,662	1,806	1,828	2,004	2,132	2,319	2,518	2,743	2,965	4,307	8,549		
Nominal dollar GDP growth	11.0	8.6	1.2	9.6	6.4	8.7	8.6	8.9	8.1	7.4	7.1	2.0	8.1
Memorandum items:													
PV of external debt 8/	...	...	38.1	37.4	36.9	34.9	32.8	29.5	27.0	16.7	12.5		
In percent of exports	...	...	457.1	331.8	210.9	182.0	170.3	154.5	143.2	93.7	69.3		
Total external debt service-to-exports ratio	26.2	22.3	11.7	32.0	18.3	16.1	14.9	17.7	18.0	12.6	5.6		
PV of PPG external debt (in Million of US dollars)			682.6	729.3	763.7	793.5	813.5	800.4	792.3	718.8	1064.2		
(PVt-PVt-1)/GDPt-1 (in percent)				2.6	1.7	1.4	0.9	-0.5	-0.3	0.0	0.6		
Non-interest current account deficit that stabilizes debt ratio	9.5	6.3	0.5	13.8	17.3	13.9	13.5	13.2	11.3	10.7	12.0		

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/ Includes relief under CCRT.

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

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

7/ 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).

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

9/ 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.

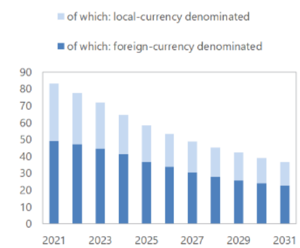
Table 2. The Gambia: Public Sector Debt Sustainability Framework Baseline Scenario, 2018–41

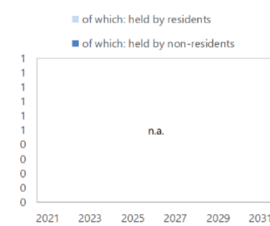
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	83.6	83.0	85.0	82.9	77.3	72.0	64.4	58.1	53.3	36.8	14.3	71.7	56.3
of which: external debt	46.3	47.2	49.0	48.9	47.0	44.4	41.2	36.8	33.7	22.8	18.7	39.3	34.8
Change in public sector debt	-3.4	-0.6	2.1	-2.1	-5.6	-5.3	-7.5	-6.3	-4.8	-2.1	-2.6		
Identified debt-creating flows	-4.0	-5.1	-1.0	-1.9	-5.5	-5.2	-7.5	-6.3	-4.8	-2.1	-2.6	0.7	-4.3
Primary deficit	2.7	-0.6	-1.0	1.2	0.1	-1.2	-1.8	-2.8	-1.8	-0.4	-2.3	0.6	-1.0
Revenue and grants	15.1	21.2	22.7	21.4	25.8	22.2	21.8	20.7	20.4	20.2	18.5	16.3	21.5
of which: grants	3.3	7.1	8.4	6.5	10.7	8.4	7.8	6.4	5.7	3.9	2.5		
Primary (noninterest) expenditure	17.7	20.6	21.8	22.6	25.9	21.0	20.0	17.9	18.6	19.8	16.2	16.9	20.5
Automatic debt dynamics	-6.7	-4.6	0.0	-3.4	-2.8	-3.3	-2.6	-2.2	-1.7	-0.7	-1.2		
Contribution from interest rate/growth differential	-5.7	-4.0	0.5	-3.7	-2.9	-3.2	-2.3	-1.9	-1.5	-0.8	-1.3		
of which: contribution from average real interest rate	0.1	0.9	0.3	0.2	1.8	1.5	2.1	1.7	1.6	1.2	-0.4		
of which: contribution from real GDP growth	-5.9	-4.9	0.2	-3.9	-4.7	-4.7	-4.4	-3.5	-3.1	-2.0	-0.9		
Contribution from real exchange rate depreciation	-1.0	-0.6	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.3	-2.8	-0.7	-3.1	-1.3	-1.3	-1.1	0.9	0.0	-1.4
Privatization receipts (negative)	0.0	0.0	0.0	0.0	-0.9	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) 2/	0.0	0.0	0.0	0.3	0.1	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	0.0	-2.0	-0.7	-3.1	-1.3	-1.3	-1.1	0.9		
Residual	0.7	4.5	3.0	0.1	0.0	-0.2	-0.3	-0.4	-0.1	0.1	0.1	3.5	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	73.5	71.5	66.6	62.3	55.8	50.8	46.6	31.0	8.3		
PV of public debt-to-revenue and grants ratio	...	...	322.9	334.9	258.0	280.7	255.7	246.1	228.1	153.5	44.6		
Debt service-to-revenue and grants ratio 4/	154.6	113.6	111.0	117.5	88.8	94.6	98.8	89.3	87.0	51.4	1.5		
Gross financing need 5/	26.0	23.5	24.3	26.6	20.2	19.1	16.7	14.4	14.6	8.9	-1.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	7.2	6.2	-0.2	4.9	6.0	6.5	6.5	5.8	5.6	5.5	5.5	2.3	5.7
Average nominal interest rate on external debt (in percent)	1.1	1.7	0.4	1.1	1.0	1.0	1.0	1.0	1.1	1.3	1.3	1.5	1.1
Average real interest rate on domestic debt (in percent)	0.3	1.9	2.9	2.2	7.2	6.7	9.3	9.1	9.2	9.7	11.8	5.1	8.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-2.2	-1.3	-1.0	...	...	...	...	...	...	...	...	2.3	...
Inflation rate (GDP deflator, in percent)	7.0	6.3	4.0	4.9	5.1	5.2	4.5	5.1	4.6	4.7	4.7	5.8	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.4	23.4	5.4	8.9	21.4	-13.5	1.3	-5.4	9.8	5.1	-4.8	8.7	5.2
Primary deficit that stabilizes the debt-to-GDP ratio 6/	6.0	0.0	-3.1	3.4	5.7	4.2	5.7	3.5	3.0	1.8	0.3	1.0	3.4

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/ Includes relief under CCRT.

3/ 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.

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

5/ 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.

6/ 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.

7/ 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, 2021–31

(in percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	36.4	35.8	34.2	32.3	29.2	26.7	24.0	21.6	19.6	17.9	16.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	36.4	31.3	28.7	26.1	22.9	20.0	16.8	13.8	10.9	8.0	5.1
B. Bound Tests											
B1. Real GDP growth	36.4	**40.9**	**44.9**	**42.4**	38.3	35.1	31.4	28.3	25.7	23.5	21.9
B2. Primary balance	36.4	36.0	34.9	33.2	30.3	28.0	25.4	23.0	21.1	19.4	18.2
B3. Exports	36.4	**42.6**	**50.3**	**47.7**	**43.8**	**40.8**	37.2	33.5	30.5	27.7	25.6
B4. Other flows 3/	36.4	**47.0**	**56.1**	**53.3**	**49.3**	**46.1**	**42.1**	38.0	34.5	31.4	28.9
B5. One-time 30 percent nominal depreciation	36.4	**45.3**	36.7	34.6	30.9	28.0	24.7	22.2	20.2	18.5	17.3
B6. Combination of B1-B5	36.4	**57.3**	**67.4**	**64.0**	**59.1**	**55.2**	**50.0**	**45.1**	**41.0**	37.3	34.4
C. Tailored Tests											
C1. Combined contingent liabilities 4/	36.4	36.8	35.8	34.2	31.4	29.2	26.6	24.4	22.5	20.9	19.7
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	**323.1**	**205.0**	178.3	167.8	152.7	141.9	129.3	117.9	108.4	100.1	93.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**323.1**	179.3	149.5	135.4	119.7	106.4	90.9	75.2	60.1	44.8	28.3
B. Bound Tests											
B1. Real GDP growth	**323.1**	**205.0**	178.3	167.8	152.7	141.9	129.3	117.9	108.4	100.1	93.5
B2. Primary balance	**323.1**	**206.1**	**181.8**	172.6	158.6	148.7	136.8	125.9	116.7	108.5	101.9
B3. Exports	**323.1**	**519.3**	**862.8**	**816.0**	**756.1**	**714.2**	**660.8**	**604.3**	**555.1**	**511.0**	**472.8**
B4. Other flows 3/	**323.1**	**268.8**	**292.1**	**276.7**	**257.8**	**244.8**	**227.0**	**207.8**	**190.8**	175.5	161.8
B5. One-time 30 percent nominal depreciation	**323.1**	**205.0**	151.3	142.0	127.8	117.5	105.4	96.0	88.3	81.7	76.8
B6. Combination of B1-B5	**323.1**	**542.0**	**278.9**	**674.5**	**627.5**	**594.9**	**547.7**	**501.0**	**460.0**	**423.0**	**390.5**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**323.1**	**210.8**	**186.6**	177.8	164.4	155.2	143.7	133.3	124.6	116.9	110.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**25.9**	13.0	11.2	11.5	**15.3**	**16.3**	**18.0**	**17.2**	**16.0**	14.5	12.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**25.9**	13.5	11.8	12.7	**18.2**	**20.6**	**21.9**	**20.9**	**19.2**	**17.3**	14.0
B. Bound Tests											
B1. Real GDP growth	**25.9**	13.0	11.2	11.5	**15.3**	**16.3**	**18.0**	**17.2**	**16.0**	14.5	12.3
B2. Primary balance	**25.9**	13.0	11.2	11.6	**15.4**	**16.5**	**18.2**	**17.6**	**16.4**	15.0	12.8
B3. Exports	**25.9**	**28.2**	**40.1**	**44.0**	**56.7**	**60.0**	**71.0**	**75.9**	**70.8**	**64.8**	**56.3**
B4. Other flows 3/	**25.9**	13.0	12.2	13.6	**17.3**	**18.2**	**22.8**	**24.9**	**23.2**	**21.3**	**18.7**
B5. One-time 30 percent nominal depreciation	**25.9**	13.0	11.2	11.0	14.8	**15.9**	**17.6**	**15.4**	14.3	12.9	10.8
B6. Combination of B1-B5	**25.9**	**24.4**	**32.1**	**34.1**	**43.5**	**46.0**	**60.1**	**61.1**	**57.0**	**52.2**	**45.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**25.9**	13.0	11.3	11.7	**15.5**	**16.6**	**18.2**	**17.5**	**16.3**	14.8	12.6
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	**19.6**	14.9	15.5	15.7	**20.4**	**20.9**	**21.3**	**19.5**	17.9	16.0	13.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**19.6**	15.6	16.4	17.4	**24.3**	**26.3**	**25.9**	**23.6**	**21.5**	**19.1**	15.4
B. Bound Tests											
B1. Real GDP growth	**19.6**	17.0	**20.3**	**20.7**	**26.8**	**27.5**	**27.9**	**25.6**	**23.5**	**21.0**	17.8
B2. Primary balance	**19.6**	14.9	15.5	15.8	**20.6**	**21.1**	**21.5**	**19.9**	**18.3**	16.5	14.1
B3. Exports	**19.6**	15.2	16.9	**18.3**	**23.0**	**23.3**	**25.5**	**26.1**	**24.0**	**21.6**	**18.7**
B4. Other flows 3/	**19.6**	14.9	17.0	**18.6**	**23.1**	**23.4**	**27.0**	**28.2**	**25.9**	**23.5**	**20.5**
B5. One-time 30 percent nominal depreciation	**19.6**	**18.9**	**19.6**	**19.0**	**25.1**	**25.7**	**26.3**	**22.1**	**20.2**	18.0	15.0
B6. Combination of B1-B5	**19.6**	17.0	**22.0**	**23.0**	**28.7**	**29.0**	**35.0**	**34.1**	**31.4**	**28.4**	**24.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**19.6**	14.9	15.6	16.0	**20.7**	**21.2**	**21.6**	**19.8**	**18.2**	16.3	13.8
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.
4/ Shock set at 8.7 percent of GDP (5 percent of GDP represents a financial sector shock and 3.7 percent of GDP accounts for non-guaranteed SOEs debt).

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2021–31

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	**71.5**	**66.6**	**62.3**	**55.8**	50.8	46.6	42.5	39.2	36.3	33.3	31.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**72**	**69**	**69**	**66**	**65**	**64**	**62**	**60**	**58**	**57**	**55**
B. Bound Tests											
B1. Real GDP growth	**72**	**78**	**87**	**83**	**79**	**77**	**75**	**74**	**74**	**73**	**73**
B2. Primary balance	**72**	**68**	**67**	**60**	55	50	46	42	39	36	34
B3. Exports	**72**	**73**	**77**	**70**	**64**	**59**	55	50	46	42	39
B4. Other flows 3/	**72**	**78**	**84**	**77**	**71**	**66**	**61**	**56**	51	47	43
B5. One-time 30 percent nominal depreciation	**72**	**73**	**67**	**60**	54	48	43	39	35	31	28
B6. Combination of B1-B5	**72**	**69**	**70**	**62**	**57**	53	50	47	44	41	39
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**72**	**75**	**70**	**63**	**57**	53	48	45	41	38	36
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	334.9	258.0	280.7	255.7	246.1	228.1	201.7	184.7	172.8	159.5	153.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	335	264	302	291	304	299	281	271	265	258	260
B. Bound Tests											
B1. Real GDP growth	335	285	353	341	351	348	331	327	329	328	341
B2. Primary balance	335	264	300	274	264	245	217	199	187	173	167
B3. Exports	335	281	346	319	310	291	259	236	220	203	194
B4. Other flows 3/	335	302	381	353	344	324	289	263	245	225	215
B5. One-time 30 percent nominal depreciation	335	293	313	282	267	242	209	186	169	151	140
B6. Combination of B1-B5	335	265	305	274	269	254	230	216	206	195	192
C. Tailored Tests											
C1. Combined contingent liabilities 4/	335	289	314	287	278	258	229	211	198	183	177
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	117.5	88.8	94.6	98.8	89.3	87.0	80.6	67.3	59.6	56.3	51.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	117	90	100	111	110	118	115	105	99	97	95
B. Bound Tests											
B1. Real GDP growth	117	96	117	131	130	137	136	127	124	126	129
B2. Primary balance	117	89	100	111	99	96	88	74	65	62	56
B3. Exports	117	89	95	100	90	88	83	72	64	60	55
B4. Other flows 3/	117	89	96	101	91	89	85	74	66	62	57
B5. One-time 30 percent nominal depreciation	117	86	93	96	89	87	81	67	60	57	52
B6. Combination of B1-B5	117	90	99	104	97	97	93	81	75	74	70
C. Tailored Tests											
C1. Combined contingent liabilities 4/	117	89	119	115	106	102	93	78	69	64	58
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.

4/ Shock set at 8.7 percent of GDP.

Statement by Ms. Mannathoko and Mr. Cham on The Gambia
November 24, 2021

Introduction

1. Our Gambian authorities appreciate the candid engagement with staff during the recent virtual 2021 Article IV Consultations and third review of the Extended Credit Facility (ECF). They especially appreciate the pertinent analysis provided in selected issues papers. The authorities also thank Fund Management and the Executive Board for earlier emergency financing, debt relief and the SDR allocation, that bolstered their ongoing fight against the COVID-19 pandemic.

2. Following the political transition in 2016/17, growth in The Gambia increased, debt vulnerabilities declined, external stability strengthened, structural and legislative reforms progressed, and social indicators improved. The COVID-19 pandemic, however, disrupted this hard-won pre-pandemic momentum and undermined gains with a real decline in GDP per capita of over 3 percent and an increase in poverty rates. The authorities implemented strong mitigating measures early in 2020 to contain the pandemic and its negative effects on lives and livelihoods. This was followed by a mass vaccination campaign from March 2021, supported by the COVAX initiative, a World Bank COVID-19 grant, as well as bilateral partners. As a result, the vaccination rate has now reached around 12 percent of the adult population compared to less than 1 percent of the population at the time of the last review in May. Although the vaccination rate is still low, progress in recent weeks has helped to reduce new COVID-19 cases drastically.

3. The vaccination and sensitization campaign continues as the authorities work towards full resumption of economic activity, including in important contact-intensive sectors like tourism. Growth is estimated to have recovered in part in 2021 while inflation is projected to decline to the authorities' 5 percent target in the medium-term. While the macroeconomic outlook is promising, uncertainty surrounding the pandemic continues to present downside risks.

4. Notwithstanding the challenges occasioned by the pandemic, the authorities were able to contain fiscal balances, and they remain determined to achieve the objectives of the ECF-supported program, including reducing debt vulnerabilities, and intensifying structural

reforms to support durable and inclusive growth. They especially appreciate the August 2021 SDR allocation which helped to bolster reserves and create fiscal space to support pandemic-related spending. They have stayed the course, implementing appropriate fiscal and monetary policies to keep the ECF program on track while pursuing development objectives articulated in the National Development Plan. They therefore seek the Executive Board's support in completing the Article IV consultation and third review under the ECF-supported program. Completion of the third review and the associated disbursement will support the vaccination campaign, vaccine roll out and investment spending, while helping to meet balance of payment needs.

Recent Economic Developments

5. Following a sharp decline in previously strong growth performance leading to some contraction in economic activity in 2020, the economy shows signs of a fragile recovery in 2021, constrained somewhat by a severe third wave of the pandemic fueled by the delta variant mid-year, which dampened economic performance. Growth is expected to recover in part to 4.9 percent in 2021 before converging in the medium-term to the pre-pandemic average of 6 percent. Recovery continues to be supported by strong remittance inflows which boost activity in the construction sector. Meanwhile, the main inflation risks emanate from elevated global oil and non-fuel commodity prices, higher freight charges, depreciation of the dalasi, supply bottlenecks, and increased domestic demand as the crisis subsides. Though inflation declined to 6.9 percent, year-on-year, in August 2021 from 8.1 percent in June, global trends may continue to exert pressure.

6. The current account in 2020 improved due to strong current transfers. The deficit is, however, projected to widen in 2021 with the delayed resumption of tourism activity and increased COVID related imports, as well as large infrastructure spending. Given the fragility of the outlook, timely donor support remains crucial to help offset the deterioration in the current account deficit and safeguard reserve coverage. Delays in the resumption of project grants and budget support from development partners have placed the authorities under immense pressure.

Program Performance

7. Program performance remains satisfactory, notwithstanding the challenges imposed by the pandemic. All quantitative performance criteria (QPC) through the end-June test date were met. These include the ceiling on the central government's net domestic borrowing (NDB), floor on the stock of net international reserves (NIR), and the zero-ceiling on non-concessional external debt contracted and guaranteed by the government, and on the outstanding stock of external public debt.

8. Three out of four indicative targets (IT) were met for end-June 2021 including the floor on poverty-reducing spending, ceiling on stock of net domestic assets of the central bank, and monthly ceiling on central bank credit to the central government at non-market terms. The floor on total domestic tax revenue was however missed by 0.3 percent of GDP given adverse COVID-19 impacts on economic activity, including international trade and tourism and related receipts.

Of the three structural benchmarks (SBs) for end-June 2021, one was met while the other two are close to completion. The target dates for the missed SBs have been moved to end-December 2021. The authorities have made significant strides towards these SBs. They are fast-tracking the procurement Act, with coordination ongoing among stakeholders to align the draft to the overall objective to enhance private sector development and rationalize tax exemptions. The authorities have also prepared the draft stress testing framework, and are awaiting technical inputs from Fund technical assistance to be able to complete the framework.

Fiscal Policy and Debt Sustainability

9. The authorities are carefully navigating the current uncertainty, balancing tradeoffs between supporting the recovery and ensuring fiscal and debt sustainability. Given spending pressures amidst the pandemic, the FY2021 budget was augmented via supplementary appropriation with a revenue windfall, without altering program parameters. Budget execution, including that related to COVID-19 mitigation, is underpinned by the fiscal framework under the ECF program, ensuring adherence to PFM rules. The FY2022 budget includes fiscal consolidation measures to reduce debt vulnerabilities while continuing to allocate resources to priority expenditures including pandemic mitigation, social spending, and accelerating the post-pandemic recovery.

10. Various measures are underway to enhance revenue mobilization and administration. They include steps to rationalize tax exemptions, digitalization of tax administration, upgrading the taxpayer registry, and regularizing tax audits and data matching activities of the commercial real estate sector. It is also expected that fiscal revenues will be boosted by the Senegambia Bridge toll receipts and a one-off receipt of US$30 million from the petroleum sector.

11. The authorities also plan to pursue strict cash management practices to align spending with available resources. In addition, they will contain state-owned enterprise (SOE) subsidies to reduce pressure of the fiscal purse. US$20 million from the US$85 IMF SDR allocation will also help create fiscal space in the 2022 budget for pandemic-related spending. On spending efficiency, public financial management (PFM) reforms continue. IFMIS has been rolled out to more spending entities and projects, while salary payments are now executed electronically, effective February 2021. Similarly, the Treasury Single Account (TSA) is being operationalized as part of efforts to strengthen cash management.

12. To support debt and fiscal sustainability, the authorities will only borrow on highly concessional terms while pursuing grants to the extent possible to help finance infrastructure development. They have updated the debt strategy, publish a quarterly debt bulletin, and have revised and published annual borrowing plans and monthly bond issuance plans. They continue to reconcile and validate external debt data and record domestic debt in the *Meridian* system, to enhance debt management and transparency. The authorities are also strengthening the governance, transparency, and accountability of SOEs to minimize contingent liabilities. On discussions with creditors, they are re-engaging with the Libyan authorities to resolve outstanding arrears and will engage with the Venezuelan authorities once the sanctions are lifted.

Monetary and Financial Sector Policies

13. The Central Bank of The Gambia (CBG) has maintained an accommodative monetary policy stance to support the recovery. That said, the CBG stands ready to recalibrate monetary policy if inflationary pressures resume. Meanwhile, the monetary policy committee (MPC) has maintained the policy rate unchanged at 10 percent in its March and September 2021 meetings. As a result of the policy stance, reserve money, liquidity, and credit to the private sector have grown steadily. The CBG also remains committed to maintaining a flexible exchange rate regime and will limit foreign exchange intentions to smoothening of disorderly market conditions.

14. The financial sector remains resilient. Banks and micro-finance companies (MFCs) remain liquid, profitable, and well capitalized, with capital adequacy ratios well above statutory levels. Non-performing loans (NPLs) of commercial banks narrowed to 5.6 percent in June 2021, though the ratio is still high in a few small banks and non-bank financial institutions (NBFIs) exposed to sectors affected by the pandemic. The authorities are addressing pockets of vulnerabilities, strengthening risk-based supervision of these banks and NBFIs, and crisis preparedness and management, by implementing the recommendations from IMF's 2019 Financial Sector Stability Review (FSSR). The CBG is using Regulatory, Compliance and Supervision System (RegCoSS) software to access real-time information to enhance banking supervision. They are also developing capacity in stress testing to identify early signs of distress in banks; and are setting up a Financial Stability Unit that will be assigned a macroprudential policy mandate. The CBG is also reviewing its Business Continuity Plan and addressing recommendations from the IMF's 2020 safeguards assessment. On the digital front, the expansion of mobile banking operations has helped to boost financial inclusion and financial services, and monitoring of MFCs will help contain any risks.

Infrastructure and Structural Reforms

15. We thank staff for the selected issues papers with helpful analysis on Financing the Infrastructure Gap and Reaping Benefits from Large Infrastructure Projects. We note the finding that while part of the infrastructure gap will be covered by government through domestic revenue mobilization and enhance spending efficiency, support from development partners remains critical to help cover the remaining financing gap of at least 1.8 percent of GDP per year. Infrastructure investments will have a significant impact on the economy including by boosting tourism. Projects envisaged by the Government include construction and repairing of traffic road networks, power and water utilities, transport facilities, and hotels.

16. The authorities are intensifying their structural reform effort to complete remaining reforms, including the procurement Act, SOE bill, and the anti-corruption and the Public Finance bills. They have also drafted a pensions bill and designed a new pay and grading system as part of civil service pay reforms. Measures are underway to strengthen the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework and with the authorities working closely with GIABA on steps required for completion of the second round of the Mutual Evaluation Exercise in 2021. The government is also implementing a business reform program to improve the business environment with a view to enhancing competitiveness and enabling job creation and sustainable inclusive growth. In addition, policies to build climate resilience are being strengthened given the country's vulnerability to climate change.

17. The authorities also continue to fully adhere to Fund transparency and accountability commitments in use of COVID-19 related funds. To this effect, they published the list of all COVID-19-related procurement contracts and their beneficiary owners up to end-June 2021 on the website of the Gambia Public Procurement Agency (GPPA). In addition, the National Audit Office (NAO) completed the first phase of an *ex-post* audit of COVID-19 spending and transmitted the report to the National Assembly. The NAO is currently conducting the second phase of the audit with a view to transmitting the reports to the National Assembly by end-December 2021. The authorities will publish the two audit reports by end-March 2022.

18. The Gambian authorities remain committed to combatting human trafficking. While the Gambia remained at Tier 2 in the last Watchlist of the US Department of State Human Trafficking Report, the authorities are working closely with the US State Department to ensure they do not regress to Tier 3. The current cooperation with the US government is helping to restore good governance, respect for human rights, the rule of law, and empower citizens.

Conclusion

19. The Gambian authorities remain committed to undertaking reforms agreed under the ECF program, notwithstanding challenges occasioned by the ongoing COVID-19 pandemic. They value Fund support that is contributing to the development of capacity and effective implementation of policies to support the recovery. Fund support remains an important complement to their efforts to realize national economic aspirations and objectives articulated in the NDP.