



THE GAMBIA

June 2022

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE AND MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of The Gambia - Fourth Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance and Modification of a Performance Criterion, and Financing Assurances Review, 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 June 10, 2022, following discussions that ended on April 8, 2022, with the officials of the Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 24, 2022.
- A **Debt Sustainability Analysis** prepared by the staff(s) of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

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IMF Executive Board Completes Fourth Review under the Extended Credit Facility Arrangement for The Gambia and Approves US\$ 6.72 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US\$ 6.72 million to The Gambia to help meet the country's financing needs, address the repercussions of the war in Ukraine, and support the post-pandemic recovery.
- Despite the various waves of the COVID-19 pandemic, the Gambian economy grew by 4.3 percent in 2021 and is expected to grow by 5.6 percent in 2022.
- The authorities remain committed to strong policy measures and structural reforms, including on fiscal management, State-Owned Enterprises, and governance.

Washington, DC – [June 10, 2022]: The Executive Board of the International Monetary Fund (IMF) today completed the fourth review under the Extended Credit Facility (ECF) arrangement for The Gambia. The completion of the review enables an immediate disbursement of SDR 5 million, about US\$ 6.72 million, to help meet the country's balance-of-payments and fiscal financing needs, support the post-pandemic recovery, and address challenges from the war in Ukraine. This brings total disbursements under the ECF arrangement to SDR 45 million. The Board also completed a financing assurances review and granted a waiver of nonobservance of a performance criterion on the ceiling on the net domestic borrowing of the central government.

The ECF arrangement for The Gambia was [approved by the IMF's Executive Board on March 23, 2020](#), with an initial total access of SDR 35 million (or 56.3 percent of quota) that [was augmented](#) to SDR 55 million (88.4 percent of quota) [at the time of the completion of the first review under the ECF, on January 15, 2021](#). The Gambia has also benefited from an IMF [Rapid Credit Facility disbursement](#) of SDR 15.55 million approved on April 15, 2020 and received debt service relief from the [IMF under the Catastrophe Containment and Relief Trust](#), totaling SDR 7.9 million.

The Gambia's economic growth is estimated at 4.3 percent in 2021 despite the various waves of the COVID-19 pandemic. Growth is projected to reach 5.6 percent in 2022, predicated on strong remittance inflows, a robust expansion of the construction sector, and large public investment projects. The repercussions of the war in Ukraine intensify inflationary pressures, exacerbate pandemic-related uncertainties, dampen tourism prospects, and disrupt the supply of food and agricultural inputs. The central bank took initial measures to contain inflationary pressures, as inflation reached 11.7 percent at end-April 2022. The authorities are advancing reforms on several fronts, including the transparency of COVID-19 spending, the institutional framework of State-Owned Enterprises, revenue administration, and public financial management.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, made the following statement:

"The Gambia's democratic progress is commendable, including the successful organization of peaceful and transparent presidential and parliamentary elections. Performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite challenges related to the COVID-19 pandemic and the electoral context. The economy is gradually recovering but the spillovers from the war in Ukraine are hampering a vigorous rebound and intensifying inflationary pressures.

"Fiscal and monetary policies aim at ensuring an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, containing inflationary pressures, and safeguarding debt sustainability. In the context of a weakened tax base and elevated spending needs, it would be paramount to further streamline tax exemptions, rationalize subsidies to SOEs, strengthen cash management, and better prioritize public investment projects. The authorities are advancing reforms on governance, including the transparency of COVID-19-related spending and the management of state-owned enterprises (SOEs).

"In view of lingering vulnerabilities, including anticipated increases in debt service at the expiry of the debt service rescheduling period, it would be important to maintain adequate fiscal and external buffers. To this end, it would be advisable to adhere to the external borrowing plan under the ECF-supported program and seek grants and highly concessional loans.

The authorities would be encouraged to persevere in their ambitious structural reform agenda, including on transitional justice reforms and the improvement of the business environment to support private sector-led growth and poverty reduction, as well as to build resilience to climate change."



THE GAMBIA

May 24, 2022

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE AND MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Gambia is consolidating its democratic change by successfully organizing peaceful and transparent elections. President Barrow was reelected for a second five-year term in December 2021; his party and its alliance hold half of the parliamentary seats following an election in April 2022. A fourth wave of the COVID-19 pandemic hit the country in late 2021-early 2022. New infection cases have dropped to almost nil recently. The vaccination rate currently stands at about 20 percent of the adult population. The Gambia is already facing significant repercussions of the war in Ukraine.

Macroeconomic developments and outlook. Economic growth is estimated at 4.3 percent in 2021, supported by record-high remittances and robust construction sector. Tourist arrivals started to recover but remained largely below pre-pandemic levels. Inflation accelerated to 8.2 percent in March 2022, exacerbated by pressures on global fuel and commodity prices originating from the war in Ukraine. Forex reserves reached 5.8 months of imports in March 2022. Budget execution has been adversely impacted by pressures from the organization of the elections and COVID-19 pandemic in 2021, and by fuel revenue losses resulting from the authorities' decision to reduce fuel taxation to contain domestic fuel price increases in 2022. The outlook is clouded by significant downside risks. A potential resurgence of the COVID-19 pandemic and protraction of the war in Ukraine would endanger the fragile economic recovery, particularly of the tourism sector. Domestic food and fuel prices would soar further. Fiscal and debt sustainability would be challenged by additional pandemic spending and further fuel revenue loss.

Program performance. Performance under the ECF-supported program was broadly satisfactory, despite the difficult pandemic and electoral environments. All but one quantitative performance criteria (QPCs) as well as all but one indicative target (ITs) at end-December 2021 were met. Of the four structural benchmarks (SBs) for end-December 2021, two were met and the remaining two were satisfied with delays.

Program objectives in 2022. The fiscal framework in 2022 aims to ensure an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, and safeguarding debt sustainability. This balance will be achieved through a policy mix consisting of domestic fuel price adjustment, revenue collection efforts, prioritization of spending, and some relaxation of the fiscal deficit and financing. Some tightening of the monetary policy stance will be initiated to address the mounting inflationary pressures while safeguarding the nascent economic recovery. The structural reform agenda will continue to be centered on revenue administration, public financial management, and governance, including digitalization, public procurement, prioritization of public investment, state-owned enterprises, and fight against corruption.

Staff's views. Considering the satisfactory implementation of the program and the strong policy commitments going forward, staff recommends completion of the fourth ECF review and supports the authorities' requests for a waiver of nonobservance and modification of a performance criterion.

Approved By
Montfort Mlachila
(AFR) and Geremia
Palomba (SPR)

The mission took place in hybrid format during March 28–April 8, 2022, and comprised Messrs. Razafimahefa (head), Kemoe, Kumah, and Nachegea, and Ms. Singh (all AFR), Ms. Han (FAD), and Messrs. Suryakumar (SPR), Barry (resident representative), and Mendy (local economist). The team met with President Adama Barrow and Vice President Isatou Touray, and held discussions with Finance Minister Mambury Njie, Central Bank Governor Buah Saidy, other public officials, and private sector operators. The mission briefed development partners and held a press conference. Mr. Cham (advisor, OEDAE) participated in the meetings. Staff from the African Development Bank, the European Union, and the World Bank attended several meetings. Following the Cabinet reshuffle in early May 2022, staff held discussions with new Finance Minister Seedy Keita. Ms. Barry (local office manager) helped on the organization of the mission. Ms. Jaghori and Pilouzoue assisted in the preparation of this report.

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Acronyms

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

RAM	Risk Assessment Matrix
SB	Structural Benchmark
SDF	Standing Deposit Facility
SMP	Staff-Monitored Program
SOEs	State-Owned Enterprises
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Tool
TMU	Technical Memorandum of Understanding
TRRC	Truth, Reconciliation and Reparations Commission
TSA	Treasury Single Account

CONTEXT

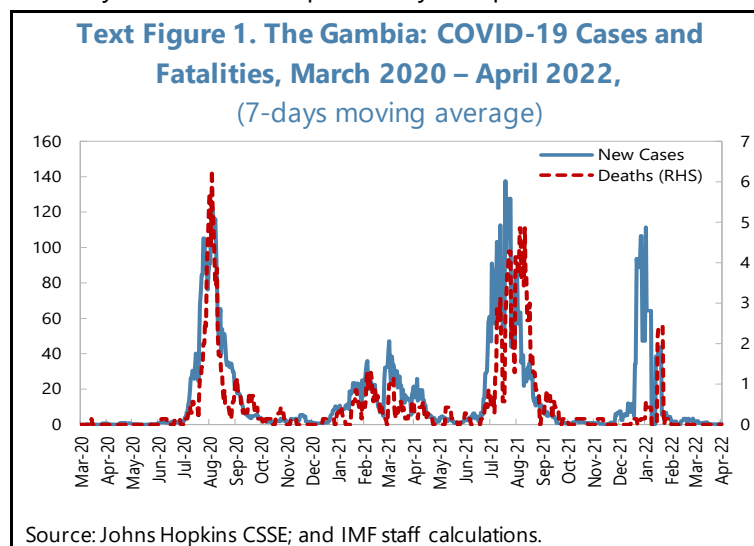
1. The Gambia continues to make significant progress in its democratic transformation (MEFP ¶1). Presidential and parliamentary elections were peacefully completed in December 2021 and April 2022, respectively.

They were considered free and transparent by local and international observers.

President Barrow won a second five-year term; his party and its alliance hold half of the parliamentary seats.¹ The Government intends to issue soon a white paper on the way forward to national

reconciliation and restoration of justice.² The Gambia was hit by a fourth wave of the COVID-

19 pandemic (the Omicron) in late 2021-early 2022. New infection cases have dropped to close to zero since February 2022, notwithstanding a low vaccination rate (20.5 percent of the adult population) in the context of stepped-up vaccine supply and communication campaign (Text Figure 1).³



RECENT ECONOMIC DEVELOPMENTS

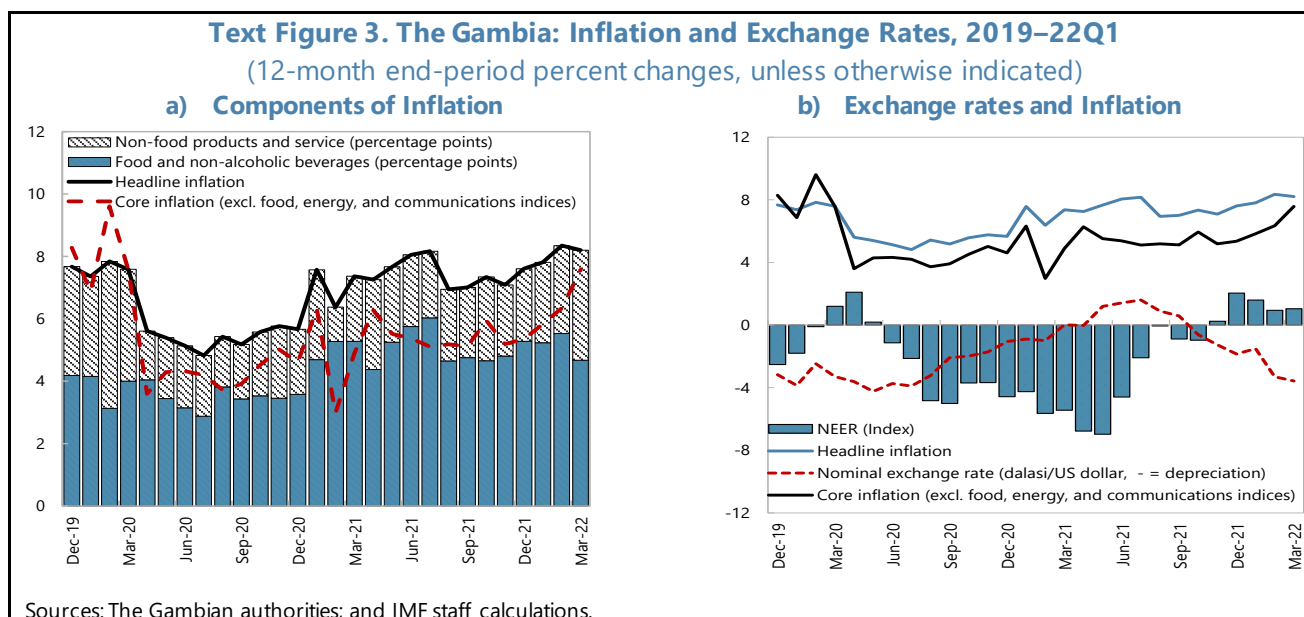
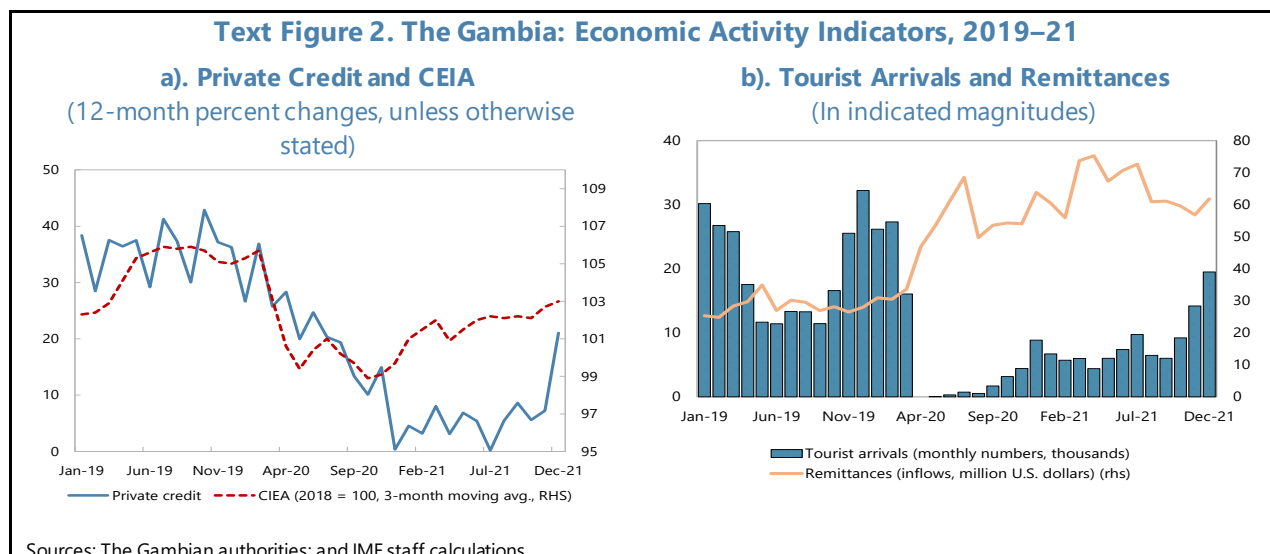
2. The various waves of the pandemic weighed on economic activity in 2021, but some signs of recovery started to emerge (Text Figures 2–3, Figure 1, and Table 1). Economic growth is estimated at 0.6 percent in 2020 and 4.3 percent in 2021, led by robust construction activity and record-high remittances (US\$777 million in 2021 compared to US\$590 million in 2020). After a timid recovery until 2021Q3, tourist arrivals have expanded since 2021Q4, but remain significantly below pre-pandemic levels. The CBG’s composite index of economic activity (CIEA) trended upwards in 2021 but is still much weaker than during pre-pandemic periods. Private credit growth improved to 20.7 percent (y-on-y) in 2021 and 33.6 percent at end-March 2022. Inflation picked up to 7.6 percent

¹ The new parliamentary structure will help enforce accountability and checks-and-balances.

² The white paper follows the publication in late 2021 of the final report of the Truth, Reconciliation and Reparations Commission (TRRC) set up to investigate the abuses carried out by ex-President Jammeh.

³ The Africa Union’s COVAX initiative, the U. S., EU member countries and the World Bank donated various quantities of vaccines to help fight the pandemic. The authorities have prescribed and effectively enforced anti-covid protocols and vaccination campaigns. In a latest development, The Gambia inaugurated ultracold facility that is expected to allow access to various vaccine brands and help bolster the vaccination rate.

(y-o-y) in December 2021 and accelerated further to 11.7 percent at end-April 2022, driven primarily by global oil and food price increases induced by the war in Ukraine.⁴



3. Fiscal outturns in 2021 were weaker than programmed, owing to shortfalls in tax collection and budget support, as well as some excess in spending (MEFP 14, Text Table 1, and Tables 2a-b). Tax revenue was below target by ½ percent of GDP due to: (i) low collections of direct taxes at the beginning of the year, owing to pandemic-related sluggish economic activity⁵; (ii) a lower-than-anticipated import volume of essential commodities due to high freight costs and

⁴ Higher shipping costs and a weak dalasi also exacerbated inflation pressures.

⁵ For instance, tourism during the 2020Q4 peak season declined by 85 percent (y-o-y) owing to the pandemic.

ship handling charges, high international commodity prices, and uncertainty surrounding the presidential elections. These shortfalls were partly attenuated by strong tax arrears collection, improved SOEs' tax compliance, and reduction in duty waivers. Non-tax revenue intake was in line with projection, supported by a one-off receipt of US\$30 million from the petroleum sector. Budget support grants fell below projections as the required reforms to trigger the disbursements were not completed (Annex 1). Lower-than-projected outlays on wages and subsidies almost compensated for spending on interest payments, health (both of which exceeded projections), and election-related security spending, bringing current spending broadly in line with projections. Domestically financed infrastructure projects accelerated. In sum, the fiscal deficit and the net domestic borrowing exceeded projections. Nonetheless, public debt declined by 0.8 percentage point to 84.2 percent of GDP at end-2021.

Text Table 1. The Gambia: Fiscal Performance in 2021
(Percent of GDP)

	2020		2021	
	Act.	EBS/21/97	Prel.	
Revenue	22.7	21.4	16.9	
Domestic revenue	14.4	14.8	14.4	
Taxes	11.0	10.9	10.4	
Non-tax	3.4	4.0	4.0	
Grants	8.4	6.5	2.5	
Budget support	4.9	1.0	0.7	
Project grants	3.5	5.5	1.8	
Expenditures	24.9	25.4	21.5	
Expenses	17.9	15.2	15.3	
Compensation of employees	4.3	4.5	4.4	
Use of goods and services	4.1	3.6	3.8	
Interest	3.1	2.8	3.0	
Subsidies and transfers	6.4	4.3	4.0	
Net acquisition of nonfinancial assets	7.0	10.2	6.3	
Foreign financed	5.1	7.5	3.2	
Gambia local fund	1.9	2.7	3.0	
Net lending (+)/borrowing (-)	-2.2	-4.0	-4.6	
Financing	1.7	4.0	4.7	
Net acquisition of financial assets	-0.2	-0.2	-0.2	
Net incurrence of liabilities	1.9	4.2	4.9	
Domestic	0.8	2.8	4.4	
Net borrowing	0.1	1.2	2.6	
RCF/ECF (Onlent)	...	2.1	2.1	
Change in arrears	-0.5	-0.5	-0.3	
Foreign	0.9	1.4	0.5	
Statistical discrepancy	0.4	0.0	-0.1	
<i>Memorandum items:</i>				
Primary balance	1.0	-1.2	-1.6	
Domestic primary balance	-1.1	0.5	-0.2	
Adjusted net domestic borrowing	0.1	2.2	2.6	

Sources: The Gambian authorities; and IMF staff estimates.

4. Preliminary information in early 2022 suggests that tax revenue collection outperformed the program target, but the net domestic borrowing ceiling was breached (MEFP ¶15). The tax revenue target was exceeded by 6½ percent, despite lower revenue collection on petroleum products (due to foregone revenue amid rising global oil prices) and lower import volumes (resulting from high freight costs).⁶ There are also signs of a good performance on non-tax revenue, with traffic picking up on the Senegambia bridge and an earlier collection of about GMD 100 million (0.1 percent of GDP) from the sale of assets recovered under the Janneh Commission. However, some pressures arose on the spending side, particularly a large down payment (1 percent of GDP) for road construction in preparation for the Organization of Islamic Cooperation (OIC) conference and subsidies to the GGC for fertilizers campaign. As a result, the end-March 2022 net domestic borrowing ceiling was breached by 0.2 percent of GDP.⁷

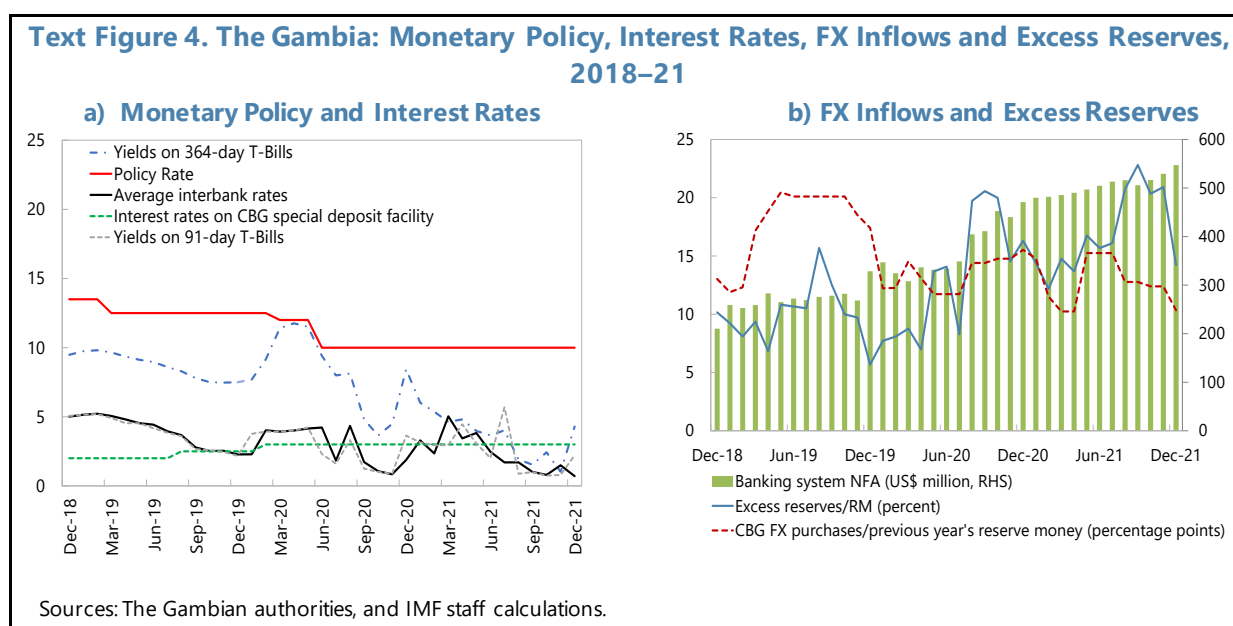
5. The current account deficit widened in 2021, though significantly less than anticipated (MEFP ¶15, Figure 1, and Tables 6a-b). Imports were softer than previously estimated on the back of a

⁶ The higher tax revenues stem from strong collections of PIT, CIT, VAT and Excise duties, as businesses, especially in the tourism and hospitality industry, performed better in the 2021Q4 compared to a year earlier.

⁷ As of end-March, almost one-third of the budget for subsidies has been spent, and the acceleration of road infrastructure projects in preparation for the summit of the Organization for Islamic Cooperation had led to the depletion of almost half of the budget of domestically financed projects.

fall in re-exports and weaker than forecasted demand from foreign-financed infrastructure projects. In addition, services exports improved more than expected, driven by a stronger recovery in tourism activity towards the end of 2021. Bolstered by remittances and SDR allocation, gross reserves reached 6 months of imports at end-2021.

6. The CBG took some initial measures in late 2021 to contain inflationary pressures (MEFP ¶¶6 and 23, Text Figure 4, Figure 3, and Tables 4a-b). As inflationary pressures built up in late 2021, the CBG reduced forex purchases and carried out reverse repos through sales of CBG bills, which helped reduce excess liquidity and moderate reserve money growth. At its policy meeting in February 2022, the CBG maintained its key instruments unchanged, including the policy rate at 10 percent and the reserve requirement ratio at 13 percent, while leaving open the window of possible monetary tightening.



7. Financial sector balance sheets strengthened in the context of high capitalization and liquidity (MEFP ¶7, Figure 4, and Table 9). Risk-weighted capital adequacy ratios at end-December 2021 were above the statutory limits on banks and micro-finance companies (MFCs). In the context of a strong asset rebound, system-wide balance sheets strengthened, with banking system non-performing loans declining from 6.8 percent of gross loans at end-2020 to 5.1 percent at end-2021; the MFCs also witnessed a decline in NPLs from 10.9 percent to 7 percent over the same period. However, profitability ratios remained low, with net incomes at 1.7 percent and 0.4 percent of average assets in banks and MFCs, respectively, at end-2021.⁸

⁸ Banks' exposure to sovereign assets remains low, at 33.5 percent of total assets at end-2021, and private credit extension is highly concentrated in two main sectors, building and construction, and commerce.

PERFORMANCE UNDER THE PROGRAM

8. Performance under the program at end-December 2021 was broadly satisfactory (MEFP ¶9, and MEFP Tables 12 and 14).

- Five out of six quantitative performance criteria (QPCs) at end-December 2021 were met. The adjusted QPC ceiling on net domestic borrowing (NDB) was overshoot by 0.4 percent of GDP due to shortfalls in tax collection and budget support, as well as some unforeseen excess spending (as explained above). Based on preliminary data, the end-March 2022 NDB indicative target was also breached due to a large down payment on an OIC project and fertilizers subsidies. The authorities have requested a waiver for non-observance of a QPC and they are implementing corrective actions to prevent similar slippages in the future, including institutionalizing rolling quarterly revenue and spending projections and strengthening provisions in the new Public Finance Bill (**SB for end-June 2022**) to require that, as a general rule, any additional spending should be matched with an equivalent additional revenue or spending reallocations in the context of a supplementary budget. They are strengthening cash management by disallowing cash allocation to ministries, departments, and agencies (MDAs) if they do not submit their rolling updated quarterly cash forecasts to the ministry of finance; they will also request monthly rolling cash forecast for selected pilot MDAs. Rolling quarterly spending plans will be continuously aligned with the treasury and borrowing plans, consistent with the NDB target under the program from 2022Q2. Moreover, they have set up a multi-stakeholder committee, which includes key development partners, to ensure implementation of reforms and completion of budget support triggers.⁹
- Three out of four indicative targets (ITs), including the IT on poverty reduction spending, were met. The IT on the floor of domestic tax revenue was missed owing to pandemic-induced weak tax base in early 2021.
- Of the four structural benchmarks (SBs) for end-December 2021, two were met and the remaining two were satisfied with delays. The authorities published [on MoFEA's website](#) all audited and approved financial statements of SOEs. A memorandum on tax expenditure was approved and regulations were issued to strengthen the control over investment tax incentives. The CBG prepared an internal framework for banking sector stress testing. The submission of a revised SOE bill to the National Assembly, which has been set as a prior action for this ECF review, was completed in early April 2022. The end-March 2022 SB on the publication of COVID-19 spending audit reports was not completed but the first report was published; the publication of the second report is set as an SB for end-September 2022.¹⁰

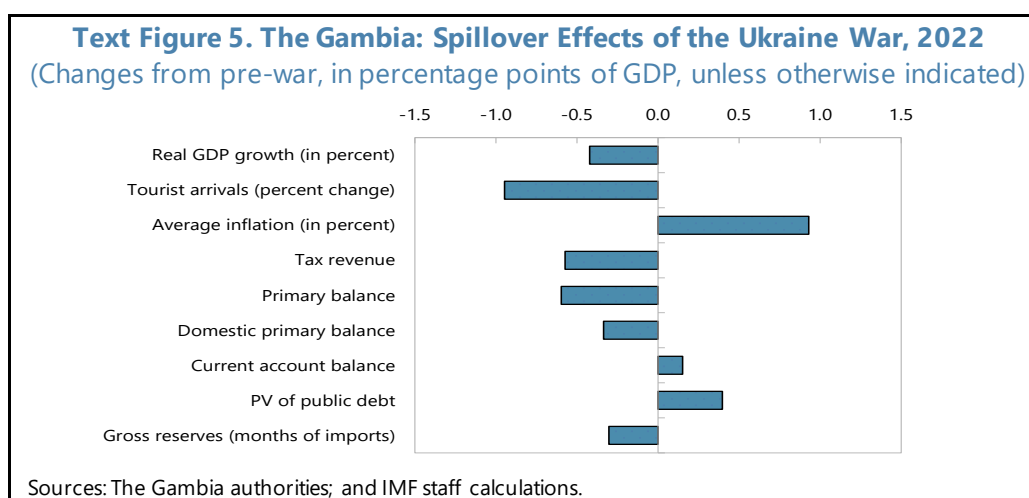
⁹ These measures, which are currently being rolled out, are expected to help contain the end-June 2022 NDB below the program ceiling.

¹⁰ On the continuous quarterly publication of debt reports, the latest published report was in 2021Q3. The authorities are finalizing the report for 2021Q4; the delay was due to data reconciliation. Work is underway on the 2022Q1 report.

- Regarding the quantitative targets at end-March 2022 for which preliminary data are available, all but the NDB were met.

ECONOMIC OUTLOOK AND RISKS

9. The war in Ukraine has heightened uncertainties, dampening the post-pandemic recovery and spurring inflationary pressures (Table 1 and Text Figure 5). The war hit as The Gambia was emerging from the impact of the fourth wave of the COVID-19 pandemic. The war in Ukraine is endangering the economic recovery, as its spillover effects will weaken tourism, disrupt agricultural inputs, and increase the construction costs. The associated global commodity price increases have also fueled domestic inflationary pressures. Reflecting these impacts of the war, under the baseline scenario, GDP growth is projected at 5.6 percent in 2022 (½ a percentage point below pre-war projections) and average 5.7 percent in the medium term (one-third a percentage point below pre-war projection). Inflation is projected to increase from 7.6 percent (y-o-y) at end-2021 to 8.5 percent at end-2022 and start converging to the CBG medium-term target in 2024. The terms of trade shock would widen the fiscal and current account deficits with attendant financing gaps (that are filled through fiscal consolidation and financing, see below) and lower post-shock forex reserves.



10. Risks are tilted to the downside, related to a potential further deterioration of the global geo-political environment and a protraction of the pandemic (Annex IV and Text Table 2). If such risks materialize, in a downside scenario, the recovery of economic activity would be delayed markedly; inflation would soar; fiscal and external financing gaps would widen and lead to an upward shift of the debt path and downward shift of forex reserves. Some other risks include higher frequency and severity of natural disasters and potential pressures on fiscal management.

Text Table 2. The Gambia: Key Macroeconomic Indicators, 2021–27
(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027
	Prel.			Projections			
Baseline							
Real GDP growth (percent)	4.3	5.6	6.2	6.5	5.8	5.0	5.0
Tourist arrivals (percent change)	13.6	5.8	7.1	7.8	6.4	4.5	5.6
Consumer price inflation (average, percent change)	7.4	8.1	8.0	6.3	5.0	5.0	5.0
Tax revenue	10.3	10.1	10.9	11.4	11.8	12.1	12.6
Primary balance	-1.6	-1.5	0.0	0.7	1.4	1.3	1.3
Domestic primary balance	-0.2	0.3	0.5	1.1	2.5	2.6	2.9
Current account balance	-8.0	-13.3	-11.8	-9.7	-10.3	-9.5	-9.4
PV of public debt	70.6	66.7	62.6	58.5	53.8	48.9	44.3
Gross official reserves (months of prospective imports)	6.0	4.7	4.4	4.2	4.1	4.0	3.7
Downside Scenario							
Real GDP growth (percent)	4.3	3.6	4.7	5.5	5.8	5.0	5.0
Tourist arrivals (percent change)	13.6	1.5	3.8	5.5	6.4	4.6	5.6
Consumer price inflation (average, percent change)	7.4	8.7	9.2	7.3	5.5	5.0	5.0
Tax revenue	10.3	9.4	10.3	10.8	11.3	11.7	12.3
Primary balance	-1.6	-2.6	-1.0	-0.1	0.8	0.9	1.0
Domestic primary balance	-0.2	-1.1	-0.4	0.4	2.0	2.4	2.7
Current account balance	-8.0	-17.3	-14.4	-13.3	-14.0	-13.5	-13.4
PV of public debt	70.6	68.9	66.2	63.1	58.5	53.9	49.2
Gross official reserves (months of prospective imports)	6.0	4.2	3.8	3.8	3.8	3.6	3.6

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

POLICY DISCUSSIONS

Policy discussions focused on (i) addressing the fiscal implications of the war in Ukraine and other budgetary pressures; (ii) pursuing some monetary policy tightening to tackle inflation pressures while protecting the fragile economic recovery; and (iii) persevering in the structural reform agenda, including on revenue administration, public financial management, and governance.

A. Fiscal Policy and Debt Sustainability

11. The execution of the 2022 budget is facing significant challenges related to the economic impact of the war in Ukraine, the lingering impact of the pandemic, and an anticipated shortfall in budget support (MEFP 1115-16 and Text Table 3). The surge in global oil prices is putting pressures on domestic pump prices. To limit these pressures and prevent social tensions, tax collections on petroleum products were reduced, which caused a revenue loss of 0.2 percent of GDP during 2022Q1. Donors' budget support will fall by at about 1¼ percentage points of GDP compared to initial projections (Annex 1). Some SOEs will likely require additional support due to the surge in inputs costs, such as fertilizers, stemming from the war in Ukraine.¹¹

¹¹ Potential additional budgetary pressures include higher spending for the health sector, security outlays for securing the border with Senegal (as tensions have intensified in recent months on the borders between The Gambia and Senegal due to the conflict in the Casamance area), and revenue loss from an acceleration of the implementation of the African Continental Free Trade Agreement (AfCFTA).

12. The authorities are acting swiftly to address these challenges while preserving debt sustainability (MEFP ¶117 and Text Table 3).

The authorities revised upwards domestic fuel pump prices in early May 2022, which are currently about 25 percent higher relative to December 2021. The forgone revenue – to help avoid a full passthrough from global to domestic prices – is limited at about 0.7 percent of GDP.^{12, 13} The authorities will accelerate the sale of stolen assets under the Janneh Commission. Non-tax revenue will be further bolstered by the receipt of central bank’s operational profits and the sale of *other identified* government assets. On the spending side, some savings are expected from the steady decline in government bonds’ domestic interest rates and the streamlining of spending on subsidies and goods and services.^{14, 15} Pandemic-related spending will be preserved. Consequently, the widening of the overall fiscal deficit will be contained to 1.2 percent of GDP relative to the initial budget. This additional deficit, along with some pressures on external debt amortization, will be covered by on-lending of the two ECF disbursements in 2022 from the CBG to the government and an increase in net domestic borrowing. Under this revised fiscal framework, public debt will continue to decline, albeit with a slightly revised path relative to previous projections.

Text Table 3. Fiscal Pressures in the 2022 Budget

	Million dalasis	% GDP
Total pressures	-2,594	-2.2
Revenue pressures	-2,279	-1.9
Forgone tax receipts from petroleum products	-810	-0.7
Loss of budget support	-1,469	-1.3
Expenditure pressures	315	0.3
Subsidies and transfers	315	0.3
Total measures and financing	2,594	2.2
Revenue measures	600	0.5
Sale of additional assets (Janneh)	300	0.3
Other assets sales	200	0.2
CBG profits	100	0.1
Expenditure measures/updates	-560	-0.5
Current spending	-259	-0.2
Interest payments	-301	-0.3
Financing/Deficit increase	1,434	1.2
On-lending of ECF disbursement	735	0.6
Domestic borrowing	1,000	0.9
Foreign amortization	-301	-0.3

Sources: The Gambian authorities; and IMF staff estimates.

13. To support this revised framework and minimize risks to budget execution in 2022, the authorities will hasten their reform agenda (MEFP ¶¶118, 28, and 29, and MEFP Table 4). They will strengthen (i) domestic revenue collection by adopting in April 2022 of a Taxpayer Charter (**SB for end-June 2022**); (ii) auditing tax exempted entities under Special Investment Certificates (**SB for end-September 2022**); (iii) preparing and using accurate tax ledgers for large taxpayers (**SB for end-September 2022**); (iv) revising fiscal provisions in the GIEPA act; (v) drafting, approving and commencing implementation of the ITAS roadmap; (vi) developing and implementing a strategy for managing tax arrears; (vii) setting up a fully functional Internal Affairs Unit at the GRA to enhance the internal assurance and integrity mechanism; (viii) and developing and implementing a national

¹² The customs duty rebate on basic food commodities, which was introduced during the pandemic period, will remain in place, which will help alleviate the acceleration of global food prices.

¹³ Taxation relief is expected to be gradually phased out by 2024.

¹⁴ Interest rates on one-year government T-bills declined from 4-5 percent in mid-2021 to 1-2.5 percent recently. The decline has been more pronounced for government bonds, from 8 percent to 4 percent for the same periods. Those declines have translated into lower interest payments. The implied interest rate on external debt is lower in 2023 as a higher-than-the-average interest rate loan is assumed to be repaid in the current year.

¹⁵ Such measures include the banning of certain official government-paid travels abroad, halving subsistence allowances for such travels, restricting the provision of postpaid mobile phones to senior officials, and reducing by 20 percent the monthly fuel allocation to eligible officials.

policy for customs control and risk management.¹⁶ On the spending side, the authorities will pursue strict cash management and moderate subsidies to SOEs, while dedicating adequate resources to social and pandemic-related interventions. They will ensure that the implementation of the civil service reforms, including any introduction of a new pay scale, is contained within the 2022 budget envelope and available resources.

14. The Gambia’s public debt is deemed sustainable but risks of external and overall debt distress remain high. The DSA shows that the PV of external debt-to-exports, external debt service-to-exports and external debt service-to-revenue ratios temporarily breach the indicative thresholds in 2022. While the PV of external debt-to-exports stays below the threshold for the remainder of the forecast, the debt service-to-exports and debt service-to-revenue ratios breach the threshold again between 2025-2029. These breaches (similar to the previous DSA), primarily reflect weak export projections in the near term and higher debt service commitments in the medium term. The PV of overall debt-to-GDP ratio remains on a downward sloping path and drops below its benchmark from 2025 (similar to that estimated in the previous DSA), indicating that the public debt outlook remains sustainable. The debt outlook is subject to large downside risks, related primarily to the uncertainty about the pandemic and the war in Ukraine.¹⁷

15. The expirations of global debt service relief initiatives in the near term and of The Gambia’s debt rescheduling in the medium term require strict adherence to borrowing commitments and maintenance of strong reserve buffers. As the Debt Service Suspension Initiative (DSSI) ended in December 2021 and the Catastrophe Containment and Relief Trust (CCRT) covers debt service until April 2022, the authorities need to continue to strictly adhere to the agreed external borrowing plan under the ECF-supported program. Additionally, given the high-risk debt distress ratings and the upcoming debt service commitments, The Gambia needs to maintain strong external buffers to meet debt obligations as well as to ensure external sustainability.

16. The medium-term debt sustainability will be supported by a fiscal framework geared towards reducing debt vulnerabilities (MEFP ¶119 and Tables 2–3). The medium-term fiscal framework ensures an adequate response to challenges facing the economy, namely the lingering effects of the pandemic and the economic fallout of the war in Ukraine, while ensuring a gradual improvement in the primary fiscal balance. The primary fiscal balance is expected to improve from a deficit of 1.5 percent of GDP in 2022 to a deficit of 0.5 percent of GDP in 2023 and turn to an average surplus of 0.9 percent of GDP over the medium term. This fiscal consolidation path hinges on strong revenue and expenditure measures envisaged by the authorities as well as stepped-up support from development partners (Annex II).

¹⁶ The signing of the revised GIEPA Regulations was completed in February 2022 (SB end-December 2021), which will help to rationalize tax exemptions by reinforcing the control on the provision of Special Investment Certificates (SICs).

¹⁷ Additionally, the debt data reconciliation efforts continue to result in upward revisions in debt stock and disbursement figures, necessitating continued scrutiny of the data collection and reconciliation process moving forward.

B. Monetary Policy and Financial Sector Issues

17. Inflationary pressures fueled by the war in Ukraine in the context of nascent economic recovery underscore the need for cautious monetary policy tightening (MEFP ¶¶16 and 23, and Text Figure 5). The CBG tapered FX purchases in the final weeks of 2021 and switched to FX sales in early 2022, partly helping to mop up the liquidity. However, inflationary pressures will likely intensify due to the war in Ukraine and its second-round effects, the economic recovery, the fast growth of credit to the private sector, and the accommodative fiscal stance. Thus, the CBG plans to continue the sale of CBG bills and increase the special deposit facility to effectively mop up excess liquidity (including from the on-lending to the Treasury of the fifth and sixth ECF disbursements) and ensure attainment of the target inflation rate. Supportive policies, including the use of the credit information bureau, the collateral register, and commercial credit courts, would enable a more vigorous financial intermediation and help entrench the economic rebound.

18. Recent financial sector developments and initiatives will foster inclusion and healthy financial intermediation (Figures 3–4, MEFP ¶¶24–25, and Table 9). The banking system, which accounts for ninety percent of financial sector assets, remains well capitalized and liquid. Its non-performing loans fell from 6.8 percent of gross loans at end-2020 to 5.1 percent at end-2021, and credit expansion stood at 33.6 percent (y-o-y) at end-March 2022 (compared to 20.7 percent at end-2021). Similarly, micro-finance institutions maintained robust balance sheets and healthy credit expansion during the period. The newly legislated Capital Market and Securities Act 2021 will help encourage risk taking and enhance access to long-term financing. Meanwhile, the CBG is leveraging technical assistance to strengthen risk-based supervision of banks and will conduct balance sheet stress tests of one large bank and one medium-sized bank (**SB for end-September 2022**) as an initial step to understanding and designing appropriate responses to emerging vulnerabilities, in line with recommendations from the IMF's 2019 Financial Sector Stability Review. The CBG is also strengthening its supervisory capacity and safeguards, which together with cautious implementation of the National Financial Inclusion Strategy, should help support healthy financial intermediation.

C. Public Financial Management, Governance, and Other Structural Reforms

19. The authorities are delivering on their commitments to ensure transparency of the COVID-19 spending (MEFP ¶18 and ¶30). All procurement contracts, including COVID-19 contracts, approved by the Gambia Public Procurement Agency since 2021 are published on its [website](#), together with the beneficial owners for the COVID-19 contracts. The report from the first phase audit of COVID-19 spending is published on the National Audit Office (NAO) [website](#). Three out of the five components of the second phase audit were completed; the NAO is working on the other components and will publish the full report after its review by the new National Assembly.

20. Efforts are underway to strengthen PFM to reduce fiscal pressures and improve infrastructure and public service delivery, in support of near-term recovery and long-term

development (MEFP ¶129 and MEFP Table 4). Based on the good progress made in several areas,¹⁸ the authorities are committed to deepen their reforms. They will strengthen further the Treasury Single Account by closing the remaining accounts of core ministries/departments in commercial banks and shifting from bi-weekly to real-time remittance of government revenues. The use of performance contracts with MoFEA will be extended to three additional SOEs, namely the Gambia Port Authority, the Social Security and Housing Finance Corporation, and the Gambia National Petroleum Corporation (**SB for end-September 2022**). An SOE annual performance report for the year 2020 was produced, using the IMF's SOE health check tool. The social registry is being expanded to ensure that social safety net programs are targeting the poor and most vulnerable population (**SB for end-June 2022**).¹⁹

21. Other pending reforms will need to be accelerated and finalized to reap full benefits from the country's governance turnaround. Swift adoption of the GPPA act by the new National Assembly will significantly improve the procurement legal framework and value-for-money on the use of public resources.²⁰ The anti-corruption bill is also awaiting adoption by the new National Assembly and the authorities intend to set up an anti-corruption commission by end-2022. Swift adoption of this long pending bill is critical to boost transparency and fight corruption. The Gambia will host a regional governance summit and welcomes a governance diagnostic mission from the IMF. The Gambia should also take measures to align its AML/CFT framework with the Financial Action Task Force standards.²¹ The Ministry of Trade and The Gambia Investment and Exports Promotion Agency are taking measures to further improve the business environment, including the creation of trade and tourism hub, the opening of GLEPA regional offices, and the coordination with the Ministry of Justice to accelerate the resolution of commercial cases.

22. The Gambia has been implementing climate-related policies compatible with the goals of the 1.5°C Paris agreement to ensure sustainable development.²² It has adopted mitigation actions (e.g., initiating a mini solar grid project to provide electricity access to remote households), and adaptation actions (including restoration of forests and mangroves) to address climate vulnerabilities. Nonetheless, with the country's high vulnerability to the impact of climate change,

¹⁸ A treasury committee and a treasury single account (TSA) were put in place. A manual for the selection and prioritization of public investment projects was developed and is being used for foreign-financed projects. Performance contracts were signed between the Ministry of Finance and some SOEs.

¹⁹ Data collection in additional six districts is completed, and the data cleaning exercise will be finalized by end-June 2022. All data (from phases 1 and 2) will be uploaded in the Registry by that date and the next stage would be data sharing.

²⁰ The regulations supporting the GPPA act have been drafted in parallel with the approval process of the GPPA bill, which should allow swift implementation once the bill is approved.

²¹ Such initiative can be carried out by enhancing AML/CFT risk-based supervision of reporting entities, establishing an effective mechanism to implement the targeted financial sanctions regime related to terrorism, and strengthening enforcement against money laundering and terrorism financing.

²² [The Gambia | Climate Action Tracker](#).

windstorms, floods, sea level rise, coastal erosion, and droughts have become more frequent and severe.²³

CAPACITY DEVELOPMENT

23. **Technical assistance will continue to focus on strengthening revenue administration, public financial and debt management, fiscal governance, and financial sector supervision.**

Despite challenges posed by absorption capacity and implementation gaps, which are exacerbated by COVID-19 pandemic, the authorities should endeavor to consolidate progress so far made. Staff encourages the authorities to strengthen internal institutional capacity by making full use of the extensive TA support and the presence of the resident advisors at MoFEA, GRA, and CBG.

PROGRAM MODALITIES

24. **Program performance will continue to be assessed through semi-annual reviews (Tables 2 and 4).**

The end-June and end-December 2022 QPCs and ITs will remain unchanged from the 3rd ECF-supported program review, except the net domestic borrowing as discussed above. They will serve as the basis for the assessment for the fifth and sixth ECF-supported program reviews. The structural benchmarks will remain broadly unchanged.

25. SDR allocation: The Gambia received an SDR allocation equivalent to US\$85 million (about 4.5 percent of GDP) in August 2021, US\$20 million of which will be used to finance health-related spending in the 2022 budget and allow adequate fiscal space for development spending, such as infrastructure projects.²⁴ The remainder of the SDR allocation will be saved to help boost reserves and prepare against downside risks and higher debt service obligations starting in 2025, after the expiration of the debt service deferral period.

26. Balance-of-payments needs: Prospective financing needs remain significant, with the current account deficit expected to remain wide due to the ongoing economic recovery and large infrastructure projects, and with annual debt service needs expected to rise sharply in 2025–30. Combined with the downside risks from a resurgent COVID-19 pandemic and potential shortfalls in official transfers, financing needs could rise even further. The financing needs are estimated to average around \$49 million in 2022–23, of which Fund disbursements would cover 40 percent and 11 percent in the respective years. No financing gap is envisaged from 2024, though this is subject to high uncertainty and downside risks as detailed below.

²³ To reduce the vulnerability, The Gambia needs to continue efforts to strength renewable energy capacity and restore its forests. International climate-change-related financing is much needed to meet the goals.

²⁴ The CBG and the Ministry of Finance have prepared a Memorandum of Agreement (MOA) detailing the legal framework and modalities of the SDR on-lending. The use of the SDR allocation will help limit the borrowing from the banking system, reduce borrowing costs for the government, and contain any crowding out of private sector credit, which should support the post-pandemic economic recovery.

27. The Gambia’s capacity to repay the Fund is expected to remain adequate conditional on successful implementation of program conditionality and structural reforms (Table 10). The Gambia’s outstanding credit to the Fund and total Fund obligations are significantly higher than the PRGT comparator group under most of the key metrics. Repayments to the Fund are projected to rise over the medium-term, peaking at around SDR10 million in 2027–29. Total obligations based on existing and prospective credit will peak at about 0.6 percent of GDP (2027–2028) and about 5.5 percent of exports of goods and services in the same year, while Fund credit outstanding is currently at about 5.3 percent of GDP and will only decrease to median values of the comparator group in 2029.²⁵

28. Program risks and mitigation measures. Potential protraction of COVID-19 pandemic and war in Ukraine could widen fiscal and BoP financing gaps, worsen debt vulnerabilities and weigh on forex reserves, and strain the financial sector. Further, the government’s urge to fast-track infrastructure projects, notably in the context of the planned hosting of the conference of the OIC and declining development partners’ budget support as well as the continuation of the recent unexpected spending pressures, could undermine the fiscal strategy and compromise debt sustainability. To mitigate these risks, program monitoring will be strengthened with greater emphasis on maintaining policy buffers.

29. Financing assurances: The program is fully financed for the next twelve months, with good prospects of financing over the remainder of the arrangement, based on information received from development partners. As detailed in Table 7, the financing gap in 2022 is estimated to be US\$ 35.1 million, which is expected to be partly met by IMF financing with US\$14 million in disbursements under the ECF arrangement, and US\$1.1 million under the CCRT debt service relief.²⁶ The catalytic role of the Fund-supported program is expected to spur donor support to the Gambia, to the tune of US\$20 million in budget support grants, which is expected to close the financing gap in 2022. The Gambian authorities continue to make progress in discussions on reconciling the debt owed to Libya and have been recently approached by Venezuela to re-engage on discussions over arrears.²⁷

30. Safeguards. Notwithstanding capacity-related delays, the CBG has implemented most of the key recommendations from the Fund’s 2020 safeguards assessment, and progress is being made on residual recommendations. A revised investment policy and guidelines have been drafted, in line

²⁵ Potential downside risks include a resurgence of the pandemic, rising commodity prices, uncertainty over donor support, reform fatigue, and natural disasters, all of which would be associated with increasing fiscal pressures and debt trends. These risks can be mitigated by the authorities’ strong political commitment to the program’s success, their positive track record of servicing debt obligations to the Fund, carefully designed program conditionality, and contingency measures to balance financing shortfalls.

²⁶ As noted in the fiscal section above, the ECF disbursements related to the fourth and fifth program reviews are planned to be on-lent by the CBG to the government to help cover the financing of the 2022 budget.

²⁷ In their most recent correspondence in March 2022, the Gambian authorities have clarified the net amount owed to Libya, after accounting for the tax arrears owed by LAICO (Libyan African Investment Company) Gambia Ltd. to the Gambian government. Regarding the arrears to Venezuela, as an update to the information provided in Annex VI of the Third ECF-supported program review, the Gambian authorities received a letter in January 2022 from Venezuela stating the overdue installments on the debt incurred in 2009 and requesting a meeting to discuss these payments; the Gambian authorities plan to respond.

with IMF TA recommendations, but have not yet been approved by the CBG Board. The FY2021 audit of the CBG's financial statements is at the final stages, and arrangements are in place for the FY2022-25 financial audits (see MEFP ¶126).

STAFF APPRAISAL

31. The war in Ukraine has stoked uncertainties globally, with its spillover effects weighing on economic prospects in The Gambia. The associated weakening of income in source countries for Gambian tourism is expected to dampen the fragile post-pandemic economic recovery. Nonetheless, record-high remittance inflows, robust expansion of the construction sector, and large public investment projects will support the anticipated 5.6 percent economic growth for 2022. The war-induced global fuel and food price increases are exacerbating pressures on inflation, which reached 8.2 percent in March 2022. The global disruptions of wheat and fertilizers supplies will adversely impact domestic consumption and production. Forex reserves stood at 5.8 months of imports in March 2022, bolstered by the recent SDR allocations. It is imperative to pursue the COVID-19 vaccination campaign, considering the risk of pandemic resurgence.

32. Performance under the ECF-supported program was broadly satisfactory despite the pandemic and elections-related challenges. All but one quantitative performance criteria as well as all but one indicative targets at end-December 2021 were met. The ceiling on net domestic borrowing was breached owing to lower-than-anticipated tax collection and budget support as well as some additional spending to secure the elections and safeguard public health. The authorities are taking measures to prevent similar fiscal slippages in the future, including by setting up a committee to support implementation of reforms and budget support triggers, and strictly aligning quarterly spending plans with available resources. Public debt declined slightly at end-2021. Key reforms under the program were completed, including tax expenditures, institutional framework for SOEs, and preparations for banking sector stress testing.

33. The fiscal framework in 2022 aims to ensure an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, and safeguarding debt sustainability. This balance will be achieved through a policy mix consisting of some domestic fuel price adjustment, revenue collection efforts, prioritization of spending, and some relaxation of the fiscal deficit and financing. As the risk of debt distress remains high, for both the external and overall public debt, it is paramount to adhere to the external borrowing plan under the program, focus on grants and highly concessional loans, and pursue a strong medium-term fiscal framework. Such framework will be supported by the authorities' planned measures, including further modernization of the revenue administration, rationalization of tax exemptions, phasing-out of large infrastructure projects, rigorous appraisal of domestically financed investment, and reduction of subsidies to SOEs. Moreover, the expiry of global debt service relief initiatives in the near term (DSSI and CCRT) and the expiry of The Gambia's debt rescheduling period in the medium term underscore the need to maintain ample fiscal and external reserves.

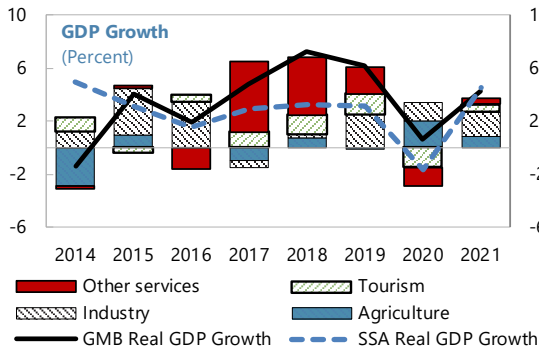
34. Monetary policy will need to be carefully recalibrated to address heightened inflationary pressures while supporting the nascent post-pandemic economic recovery. The CBG tapered forex purchases in the final weeks of 2021 and switched to forex sales in early 2022, partly to help mop up the excess liquidity. It plans to continue the sale of CBG bills and increase the special deposit facility rate to further mop up liquidity. The financial inclusion strategy launched in late 2021 should be implemented swiftly, particularly to enhance informal sector access to credit. Supportive policies, including the use of the credit information bureau, the collateral register, and commercial credit courts, would enable a more vigorous financial intermediation and help entrench the economic rebound.

35. Pursuing the structural reform agenda and strengthening governance will enhance the efficiency of public spending and improve the business environment for private sector-led inclusive growth. Progress is being made in several PFM areas, including the transparency of COVID-19 spending and SOE institutional framework. It would be essential to accelerate and finalize other key pending reforms, including the adoption of the procurement act, the adoption of the anti-corruption bill and the setting-up of the anti-corruption committee, the enhancement of the role and effectiveness of the investment promotion agency, and the acceleration of resolution of commercial court cases. It would also be important to better align The Gambia's AML/CFT framework with international standards and tackle proceeds from corruption.

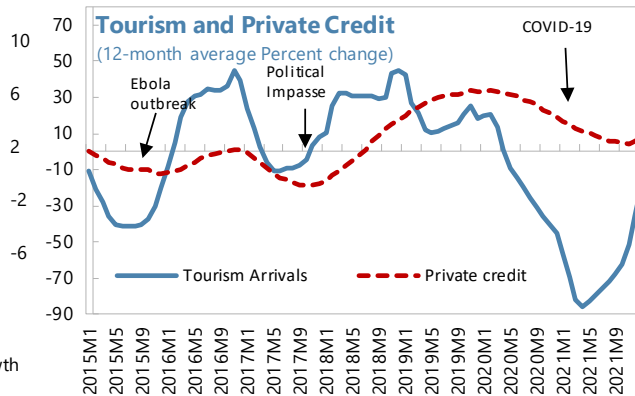
36. In view of The Gambian authorities' broadly satisfactory performance under the ECF-supported program in a challenging environment and based on the authorities' policy commitments for the remainder of the arrangement, staff recommends the Executive Board's completion of the fourth review under the ECF arrangement and the completion of the financing assurances review. Staff also supports the authorities' requests for a waiver of nonobservance and modification of a performance criterion, and the financing assurances review.

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

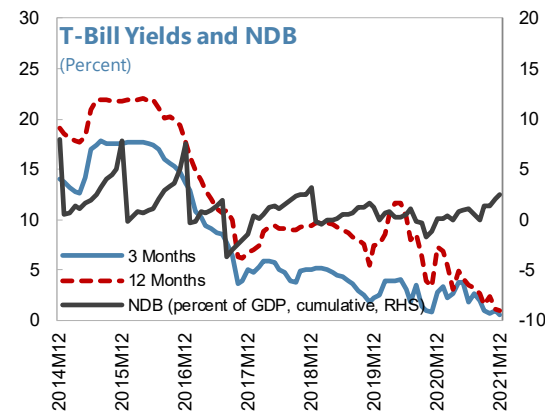
Preliminary information point to a rebound in growth in 2021, following a sharp deceleration in 2020, ...



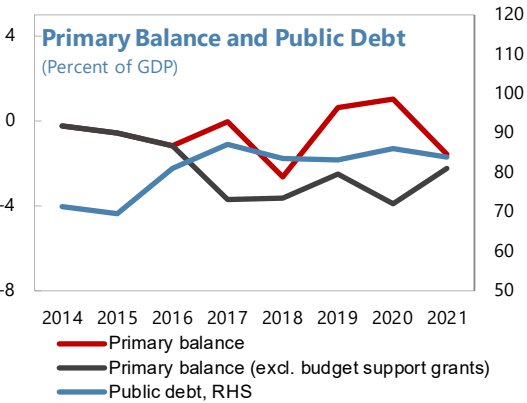
... and signs of recovery are emerging, albeit timid and fragile.



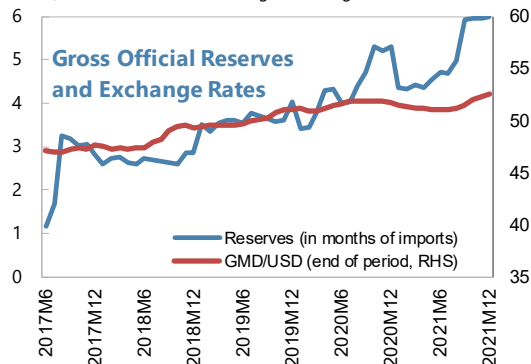
T-Bill rates continued to decline throughout the year, as liquidity conditions eased.



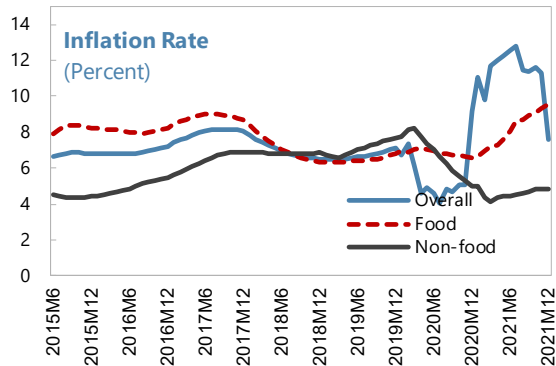
The fiscal situation deteriorated due to a significant shortfall in budget support and increased spending pressures.



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



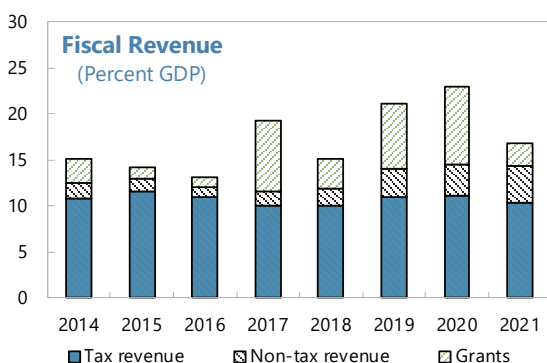
Inflation picked up, reflecting an acceleration in global commodity price, higher shipping costs, a weakening of the dalasi against major trade partners' currencies.



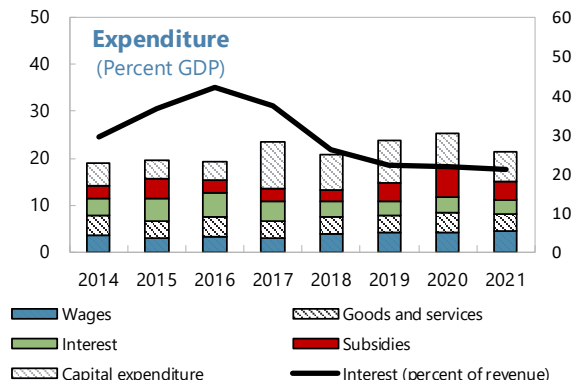
Sources: The Gambian authorities; and IMF staff projections.

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

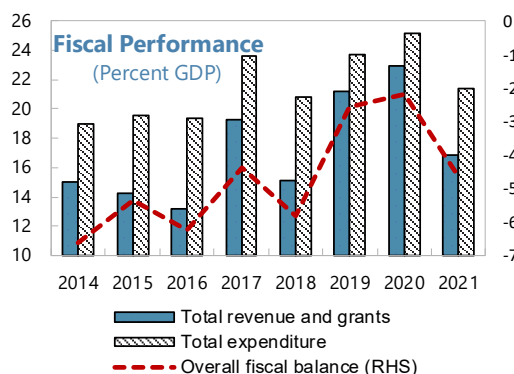
Tax collection was adversely affected by the delayed economic recovery, exacerbating the revenue impact of a shortfall in grants.



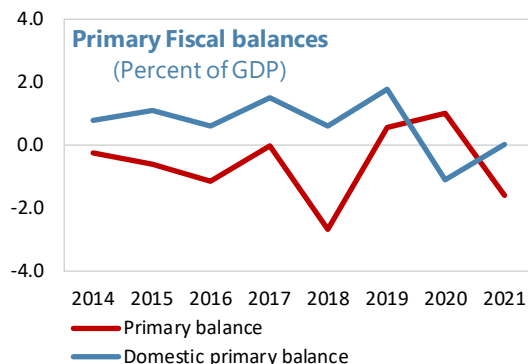
Despite multiple spending pressures, overall expenditures declined...



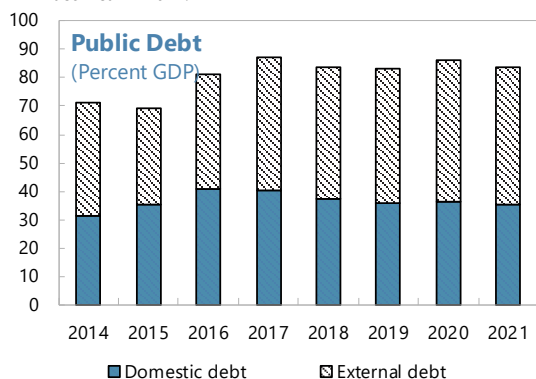
...nevertheless, the overall fiscal balance deteriorated.



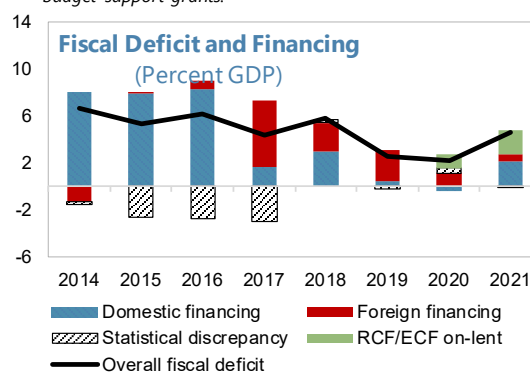
The primary balance also deteriorated while domestic primary balance improved, reflecting prudent use of domestic resources.



Total public debt-to-GDP ratio is estimated to have declined in 2021.



Domestic borrowing increased markedly as the authorities relied mostly in local borrowing make up for the shortfall in budget support grants.

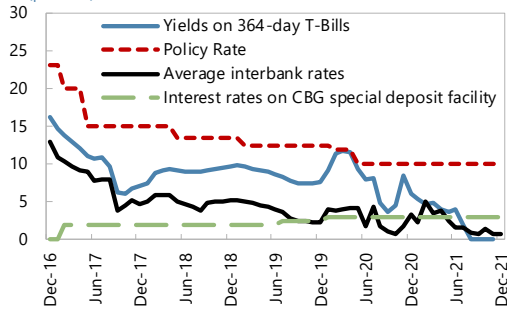


Sources: The Gambian authorities; and IMF staff projections.

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

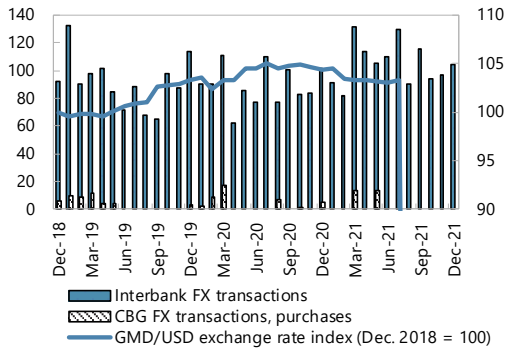
The CBG relaxed monetary conditions at the onset of the COVID-19 pandemic, which expanded liquidity and helped soften T-bill yields through 2021.

Monetary Policy and Interest Rates
(percent)



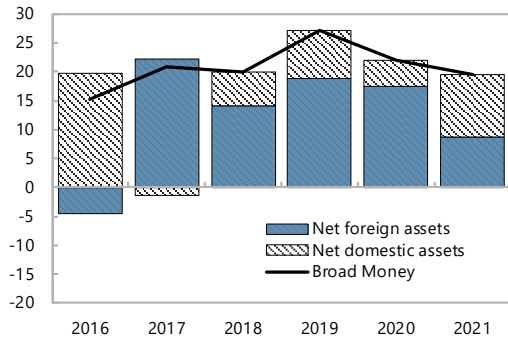
... enabling a robust interbank FX activity but CBG FX purchases were tempered in 2021 to contain inflationary pressures, ...

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



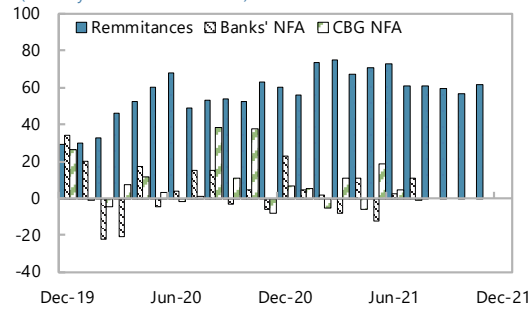
... along with broad money but still strong domestic asset growth reflects banks' financing of central government and private credit.

Sources of Broad Money Growth
(percentage points)



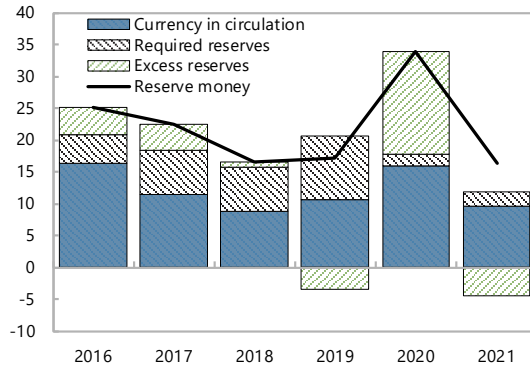
While the pickup in official inflows receded in 2021, private inflows (notably remittances) continue to surpass historical averages, ...

Foreign Exchange Inflows
(monthly flows in USD million)



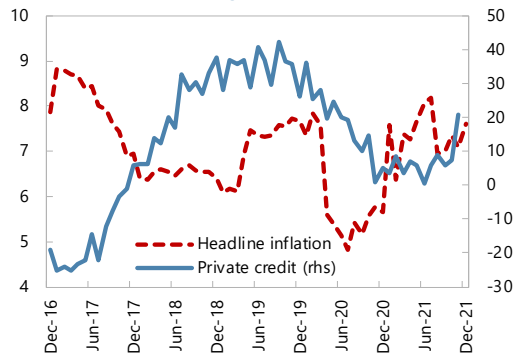
... resulting in a decline in excess reserves of banks by year's end, and reserve money growth dipped,

Components of Reserve Money Growth
(percentage points)



Private credit expansion remains tepid, nonetheless, while inflation picked up.

Inflation and Private Credit
(12-month percent change)



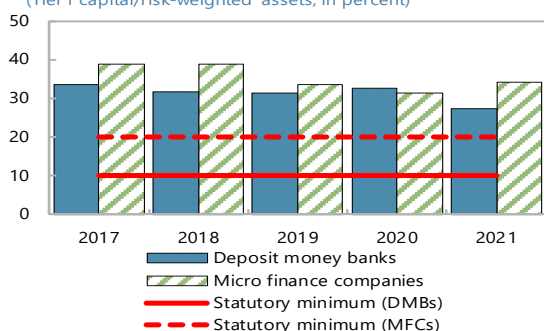
Source: The Gambian authorities and Fund staff estimates.

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

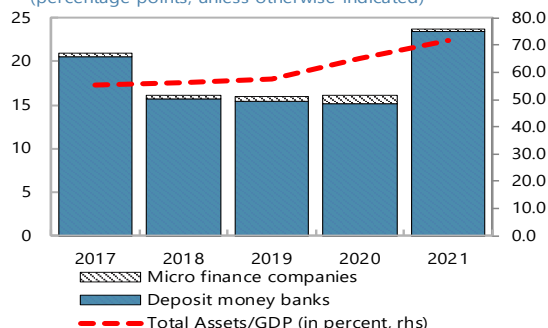
(Tier I capital/risk-weighted assets; in percent)



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

Asset Expansion, 2017-21

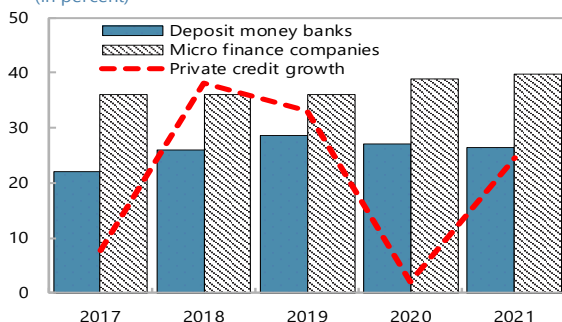
(percentage points, unless otherwise indicated)



Private credit growth declined sharply at the onset of the COVID-19 pandemic but a rebound started in 2021.

Private Credit and Loan Portfolio

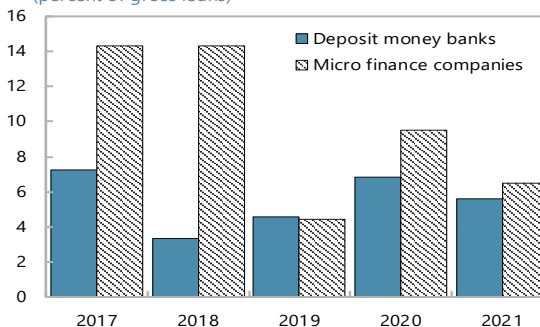
(in percent)



The COVID-19 pandemic disrupted the downward trend in nonperforming loans (NPLs), weakened isolated balance sheets, but declined in 2021 ...

Non-Performing Loans

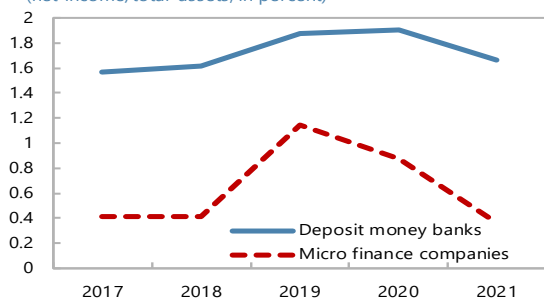
(percent of gross loans)



... while average profitability remains subdued.

Return on Assets

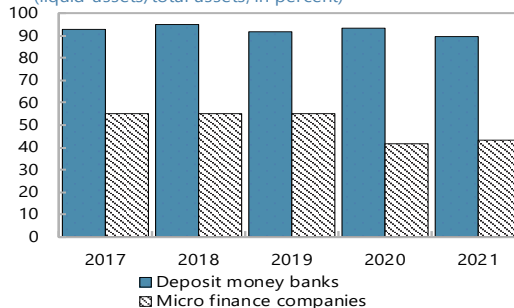
(net income/total assets; in percent)



Nonetheless, the system remains highly liquid.

Liquidity

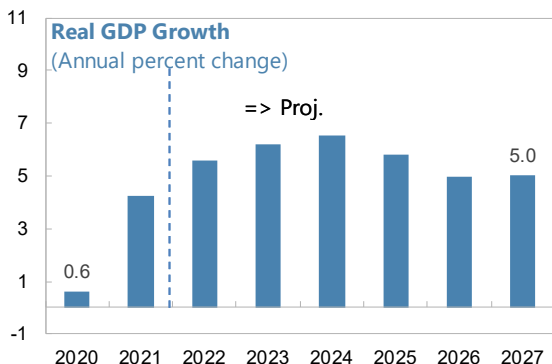
(liquid assets/total assets; in percent)



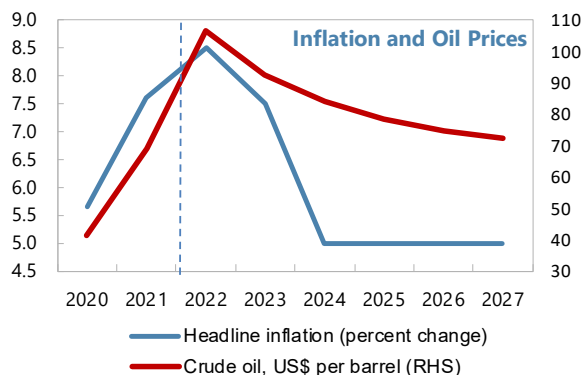
Source: The Gambian authorities and Fund staff estimates.

Figure 5. The Gambia: Medium-Term Outlook, 2020–27

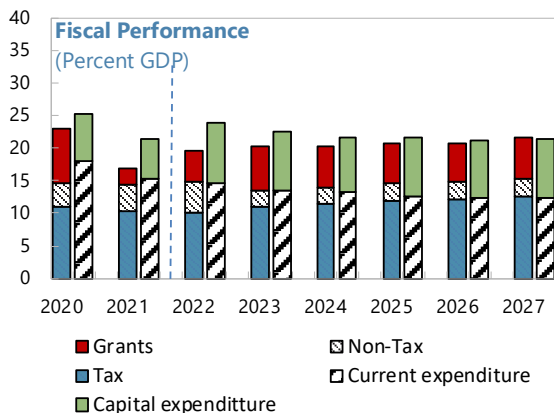
Economic growth is expected to accelerate in 2022, as the recovery takes hold.



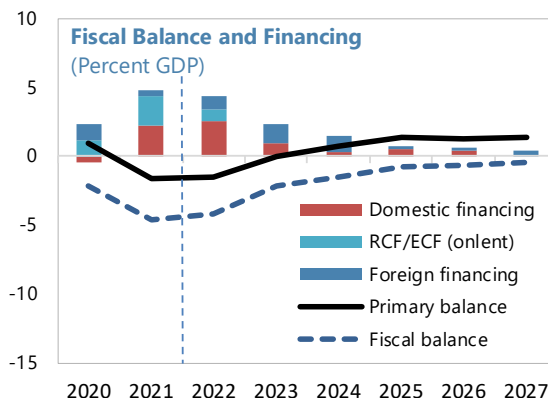
Inflation peaked in 2021, and is projected to gradually converge toward the CBG medium-term target...



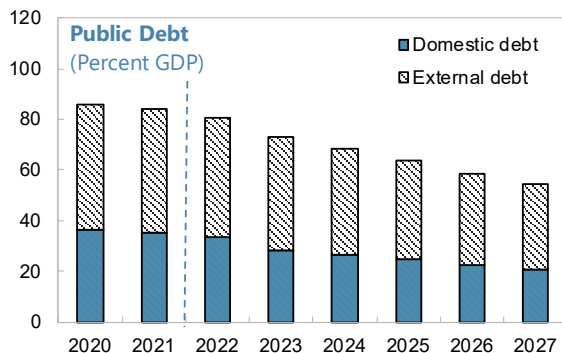
Expenditure restraint and improved tax effort, offsetting the decline in donor support, will drive projected fiscal consolidation in the medium term.



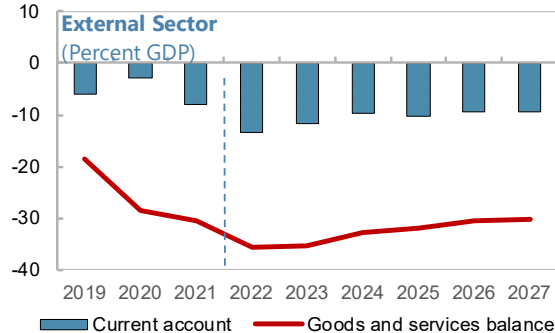
Borrowing needs are expected to gradually decline ...



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



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



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2020–27
(In percent of GDP, unless otherwise indicated)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.		Projections			
(Percent change; unless otherwise indicated)										
National account and prices										
GDP at constant prices	0.6	4.9	4.3	6.0	5.6	6.2	6.5	5.8	5.0	5.0
GDP deflator	2.2	4.9	7.8	5.1	6.1	6.8	4.8	4.2	3.9	4.4
Consumer prices (average)	5.9	7.0	7.4	6.3	8.1	8.0	6.3	5.0	5.0	5.0
Consumer prices (end of period)	5.7	6.5	7.6	6.2	8.5	7.5	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US\$ values)	-51.4	57.3	4.4	39.1	33.1	22.5	10.6	7.8	6.5	6.4
Imports, f.o.b (US\$ values)	-5.9	33.6	19.7	25.6	37.1	13.1	5.8	6.2	4.0	6.2
Terms of trade (deterioration = -)	1.4	-3.8	-7.5	0.2	-3.0	-0.9	-1.6	-1.9	-1.5	1.8
Real effective exchange rate (depreciation = -)	-0.8	...	...	...	...	...	...	...	...	...
(Contributions to broad money growth; percent)										
Money and credit										
Broad money	22.0	11.2	19.5	6.6	6.1	6.5	8.5	10.1	5.9	5.8
Net foreign assets	17.6	2.6	8.8	-0.1	0.4	1.6	6.2	5.4	0.6	0.4
Net domestic assets	4.4	8.6	10.7	6.7	5.7	4.9	2.3	4.6	5.4	5.5
<i>Of which:</i>										
Credit to central government (net)	3.6	6.6	9.3	3.0	5.6	2.0	0.7	1.0	0.9	0.0
Credit to the private sector (net)	0.1	1.9	3.1	3.8	2.1	2.9	1.6	3.6	4.4	5.5
Velocity (GDP/broad money)	1.8	1.8	1.7	1.9	1.8	1.9	1.9	1.9	2.0	2.1
(Percent of GDP; unless otherwise indicated)										
Central government finances										
Domestic revenue (taxes and other revenues)	14.5	14.8	14.3	15.2	14.7	13.5	14.0	14.5	14.9	15.4
<i>Of which:</i> Tax Revenue	11.1	10.9	10.3	11.0	10.1	10.9	11.4	11.8	12.1	12.6
Grants	8.5	6.5	2.5	10.7	4.9	6.8	6.2	6.3	5.7	5.4
Total expenditures	25.2	25.4	21.4	28.9	23.8	22.5	21.7	21.6	21.2	21.3
<i>Of which:</i> Interest (percent of government revenue)	21.9	18.9	21.2	19.6	18.1	16.3	15.8	14.9	12.9	0.0
Net lending (+)/borrowing (-)	-2.2	-4.0	-4.6	-3.0	-4.2	-2.2	-1.5	-0.8	-0.6	-0.5
Net incurrence of liabilities	1.7	4.2	4.9	2.3	3.4	2.3	1.5	0.8	0.6	0.5
Foreign	0.9	1.4	0.5	1.2	0.9	1.4	1.2	0.3	0.2	0.5
Domestic	0.8	2.8	4.3	1.1	2.5	1.0	0.3	0.5	0.4	0.0
Primary balance	1.0	-1.2	-1.6	-0.1	-1.5	0.0	0.7	1.4	1.3	1.3
Public debt	85.9	82.9	83.8	77.3	79.5	74.6	69.4	63.7	58.0	52.9
Domestic public debt	36.4	34.0	35.4	30.3	33.0	30.1	27.6	24.9	21.9	19.3
External public debt	49.5	48.9	48.4	47.0	46.5	44.5	41.8	38.8	36.0	33.6
External public debt (millions of US\$)	893.8	951.6	965.9	987.7	985.8	1,024.7	1,053.3	1,055.3	1,047.7	1,046.8
External current account balance										
Excluding official transfers	-7.5	-13.3	-8.8	-18.2	-14.2	-14.1	-11.9	-11.6	-10.5	-10.4
Including official transfers	-2.9	-12.5	-8.0	-16.0	-13.3	-11.8	-9.7	-10.3	-9.5	-9.4
Gross official reserves (millions of US\$)	352.1	496.5	530.4	472.9	467.7	459.5	472.4	483.5	489.1	488.1
(months of next year's imports of goods and services)	5.3	5.4	6.0	4.9	4.7	4.4	4.2	4.1	4.0	3.7
Savings and investment										
Gross investment	20.2	25.9	20.7	27.9	23.6	23.5	23.0	23.9	24.1	24.5
<i>Of which:</i> Central government	7.1	10.2	6.2	13.9	9.3	9.0	8.4	8.9	8.9	9.0
Gross savings	17.3	13.4	12.7	12.0	10.3	11.7	13.3	13.6	14.6	15.1
Memorandum items:										
Nominal GDP (billions of dalasi)	93.3	103.7	104.9	115.5	117.6	133.4	149.0	164.4	179.4	196.6
GDP per capita (US\$)	747.9	804.0	816.4	830.7	847.9	889.9	935.2	980.8	1,016.8	1,058.2
Use of Fund resources (millions of SDRs)										
Disbursements	20.6	35.0	35.0	10.0	10.0	5.0	0.0	0.0	0.0	0.0
<i>Of which:</i> 2020 RCF	15.6	...	...	...	...	...	...	...	...	...
<i>Of which:</i> ECF Augmentation	...	20.0	20.0	...	...	...	...	...	...	...
Repayments	-4.6	-3.0	-3.7	-2.8	-2.0	-4.1	-3.9	-5.2	-9.5	-14.0
CCRT debt relief ¹	3.2	4.0	4.0	0.8	0.8	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.5	71.5	70.6	66.6	66.7	62.6	58.5	53.8	48.9	44.3

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

¹The grant for debt service falling due through April 13, 2022 is available under the CCRT.

Table 2a. The Gambia: Statement of Central Government Operations, 2020–27
(Millions of local currency)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
Revenue	21,446	22,135	17,648	29,819	23,080	27,104	30,096	34,181	36,996	40,925
Domestic revenue	13,539	15,385	15,001	17,515	17,307	17,991	20,894	23,833	26,708	30,222
Taxes	10,326	11,273	10,833	12,647	11,838	14,537	16,973	19,413	21,776	24,723
Taxes on income, profits, and capital gains	2,803	3,315	3,254	3,413	3,421	3,763	4,360	5,032	5,748	6,594
Domestic taxes on goods and services	4,934	5,032	4,776	5,637	5,142	6,461	7,579	8,685	9,758	11,093
Taxes on international trade and transactions	2,588	2,926	2,803	3,596	3,276	4,313	5,034	5,697	6,270	7,036
Non-tax	3,213	4,112	4,168	4,868	5,469	3,455	3,921	4,420	4,932	5,498
Grants	7,907	6,750	2,648	12,304	5,774	9,112	9,202	10,348	10,288	10,703
Budget support	4,604	1,062	722	2,609	1,140	3,156	3,270	2,119	1,835	2,021
Of which: CCRT ¹	225	219	217	61	59	...	...	...	...	...
Project grants	3,303	5,688	1,926	9,696	4,634	5,956	5,932	8,229	8,453	8,683
Of which: COVID-19 assistance	459	310	241	108	180	...	...	...	...	...
Expenditures	23,477	26,333	22,496	33,316	28,008	30,027	32,312	35,444	38,080	41,823
Expenses	16,877	15,757	15,959	17,315	17,073	18,045	19,731	20,748	22,152	24,095
Compensation of employees	4,049	4,657	4,593	5,063	5,063	6,022	6,503	6,910	7,255	7,618
Use of goods and services	3,850	3,744	3,985	3,945	3,945	4,247	4,693	5,075	5,649	6,406
Interest	2,967	2,904	3,180	3,427	3,126	2,938	3,292	3,560	3,456	3,534
External	548	476	709	526	593	512	558	597	638	661
Domestic	2,419	2,429	2,470	2,901	2,533	2,426	2,734	2,962	2,818	2,874
Subsidies and transfers	6,011	4,451	4,201	4,879	4,938	4,838	5,242	5,203	5,792	6,537
Net acquisition of nonfinancial assets	6,600	10,576	6,537	16,001	10,935	11,982	12,581	14,696	15,928	17,728
Acquisitions of nonfinancial assets	6,600	10,576	6,537	16,001	10,935	11,982	12,581	14,696	15,928	17,728
Foreign financed ²	4,837	7,798	3,363	12,952	7,885	9,737	9,746	12,216	12,645	13,737
Gambia local fund	1,763	2,778	3,174	3,049	3,050	2,245	2,835	2,480	3,283	3,991
Net lending (+)/borrowing (-)	-2,031	-4,198	-4,848	-3,496	-4,928	-2,923	-2,216	-1,263	-1,084	-898
Financing ⁶	1,622	4,198	4,912	3,496	4,928	2,923	2,216	1,263	1,084	898
Net acquisition of financial assets ³	-180	-180	-180	875	875	-180	0	0	0	0
Net incurrence of liabilities	1,595	4,378	5,092	2,621	4,053	3,103	2,216	1,263	1,084	898
Domestic	741	2,938	4,553	1,234	2,971	1,300	500	800	800	0
Net borrowing	112	1,250	2,691	659	1,659	1,300	500	800	800	0
Bank	623	1,250	3,189	659	1,659	1,300	500	800	800	0
Central Bank of The Gambia	-1,853	-250	-1,162	0	0	0	0	0	0	0
Commercial ⁴	2,477	1,500	4,350	659	1,659	1,300	500	800	800	0
Nonbank	-511	0	-498	0	0	0	0	0	0	0
RCF/ECF (onlent) or SDR use	1,057	2,221	2,205	1,083	1,818	...	...	...	...	...
Change in arrears ⁵	-428	-534	-343	-508	-505	0	0	0	0	0
Foreign	854	1,440	539	1,387	1,081	1,803	1,716	463	284	898
Borrowing	2,214	2,886	1,437	3,256	3,251	3,979	4,106	3,987	4,192	5,054
Budget support	0	0	0	0	0	0	0	0	1	2
Project support	2,214	2,886	1,437	3,256	3,251	3,979	4,106	3,987	4,192	5,054
Amortization	-1,360	-1,446	-898	-1,869	-2,170	-2,176	-2,390	-3,525	-3,908	-4,156
Exceptional financing (DSSI)	206	0	0	0	0	0	0	0	0	0
Statistical discrepancy/Float	409	0	-65	0	0	0	0	0	0	0
Memorandum items:										
Primary balance	936	-1,293	-1,668	-69	-1,801	15	1,076	2,297	2,372	2,636
Domestic primary balance	-995	530	-247	578	310	640	1,620	4,165	4,729	5,669
Total debt	80,159	85,971	87,921	89,250	93,459	99,521	103,386	104,625	103,986	103,912
of which: Domestic public debt	34,001	35,251	37,116	34,930	38,775	40,141	41,151	40,894	39,319	37,870
Interest payments as a percent of govt. revenue	21.9	18.9	21.2	19.6	18.1	16.3	15.8	14.9	12.9	11.7
COVID-19 related spending	3,382.6	1,014.4	933.7	1,191.3	1,272.1	...	...	...	...	...

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

¹ The grant for debt service falling due through April 13, 2022 is available under the CCRT.

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, 2020–27
(Percent of GDP)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
Revenue	23.0	21.4	16.8	25.8	19.6	20.3	20.2	20.8	20.6	20.8
Domestic revenues	14.5	14.8	14.3	15.2	14.7	13.5	14.0	14.5	14.9	15.4
Taxes	11.1	10.9	10.3	11.0	10.1	10.9	11.4	11.8	12.1	12.6
Taxes on income, profits, and capital gains	3.0	3.2	3.1	3.0	2.9	2.8	2.9	3.1	3.2	3.4
Domestic taxes on goods and services	5.3	4.9	4.6	4.9	4.4	4.8	5.1	5.3	5.4	5.6
Taxes on international trade and transactions	2.8	2.8	2.7	3.1	2.8	3.2	3.4	3.5	3.5	3.6
Non-tax	3.4	4.0	4.0	4.2	4.6	2.6	2.6	2.7	2.7	2.8
Grants	8.5	6.5	2.5	10.7	4.9	6.8	6.2	6.3	5.7	5.4
Budget support	4.9	1.0	0.7	2.3	1.0	2.4	2.2	1.3	1.0	1.0
Of which: CCRT ¹	0.2	0.2	0.2	0.1	0.1	...	...	...	...	...
Project support	3.5	5.5	1.8	8.4	3.9	4.5	4.0	5.0	4.7	4.4
Of which: COVID-19 assistance	0.5	0.3	0.2	0.1	0.1	...	...	...	...	...
Expenditures	25.2	25.4	21.4	28.9	23.8	22.5	21.7	21.6	21.2	21.3
Expenses	18.1	15.2	15.2	15.0	14.5	13.5	13.2	12.6	12.3	12.3
Compensation of employees	4.3	4.5	4.4	4.4	4.3	4.5	4.4	4.2	4.0	3.9
Use of goods and services	4.1	3.6	3.8	3.4	3.4	3.2	3.1	3.1	3.1	3.3
Interest	3.2	2.8	3.0	3.0	2.7	2.2	2.2	2.2	1.9	1.8
External	0.6	0.5	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Domestic	2.6	2.3	2.4	2.5	2.2	1.8	1.8	1.8	1.6	1.5
Subsidies and transfers	6.4	4.3	4.0	4.2	4.2	3.6	3.5	3.2	3.2	3.3
Net acquisition of nonfinancial assets	7.1	10.2	6.2	13.9	9.3	9.0	8.4	8.9	8.9	9.0
Acquisitions of nonfinancial assets	7.1	10.2	6.2	13.9	9.3	9.0	8.4	8.9	8.9	9.0
Foreign financed ²	5.2	7.5	3.2	11.2	6.7	7.3	6.5	7.4	7.0	7.0
Gambia local fund	1.9	2.7	3.0	2.6	2.6	1.7	1.9	1.5	1.8	2.0
Net lending (+)/borrowing (-)	-2.2	-4.0	-4.6	-3.0	-4.2	-2.2	-1.5	-0.8	-0.6	-0.5
Financing ⁶	1.7	4.0	4.7	3.0	4.2	2.2	1.5	0.8	0.6	0.5
Net acquisition of financial assets ³	-0.2	-0.2	-0.2	0.8	0.7	-0.1	0.0	0.0	0.0	0.0
Net incurrence of liabilities	1.7	4.2	4.9	2.3	3.4	2.3	1.5	0.8	0.6	0.5
Domestic	0.8	2.8	4.3	1.1	2.5	1.0	0.3	0.5	0.4	0.0
Net borrowing	0.1	1.2	2.6	0.6	1.4	1.0	0.3	0.5	0.4	0.0
Bank	0.7	1.2	3.0	0.6	1.4	1.0	0.3	0.5	0.4	0.0
Central Bank of The Gambia	-2.0	-0.2	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial ⁴	2.7	1.4	4.1	0.6	1.4	1.0	0.3	0.5	0.4	0.0
Nonbank	-0.5	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RCF/ECF (onlent) or SDR use	1.1	2.1	2.1	0.9	1.5	...	...	...	...	...
Change in arrears ⁵	-0.5	-0.5	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0
Foreign	0.9	1.4	0.5	1.2	0.9	1.4	1.2	0.3	0.2	0.5
Borrowing	2.4	2.8	1.4	2.8	2.8	3.0	2.8	2.4	2.3	2.6
Budget support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project support	2.4	2.8	1.4	2.8	2.8	3.0	2.8	2.4	2.3	2.6
Amortization	-1.5	-1.4	-0.9	-1.6	-1.8	-1.6	-1.6	-2.1	-2.2	-2.1
Exceptional financing (DSSI)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy/Float	0.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Primary balance	1.0	-1.2	-1.6	-0.1	-1.5	0.0	0.7	1.4	1.3	1.3
Domestic primary balance	-1.1	0.5	-0.2	0.5	0.3	0.5	1.1	2.5	2.6	2.9
Total debt	85.9	82.9	83.8	77.3	79.5	74.6	69.4	63.7	58.0	52.9
of which: Domestic public debt	36.4	34.0	35.4	30.3	33.0	30.1	27.6	24.9	21.9	19.3
Interest payments as a percent of govt. revenue	21.9	18.9	21.2	19.6	18.1	16.3	15.8	14.9	12.9	11.7
COVID-19 related spending	3.6	1.0	0.9	1.0	1.1	...	...	...	...	...

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

¹The grant for debt service falling due through April 13, 2022 is available under the CCRT.

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

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

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

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

⁶Excluding 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	
	Prel.	Prel.	Prel.	Prog.	Prel.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	
Revenue	3,721	8,383	13,723	22,135	17,648	5,066	4,533	12,551	10,026	20,591	16,692	29,819	23,080			
Domestic revenue	3,429	6,965	11,811	15,385	15,001	3,836	3,911	7,887	7,033	13,120	12,547	17,515	17,307			
Taxes	2,678	5,584	8,316	11,273	10,833	2,820	2,979	6,041	5,709	9,279	8,513	12,647	11,838			
Taxes on income, profits, and capital gains	788	1,653	2,371	3,315	3,254	781	1,100	1,655	1,826	2,487	2,556	3,413	3,421			
Domestic taxes on goods and services	1,151	2,464	3,757	5,032	4,776	1,244	1,174	2,685	2,432	4,156	3,733	5,637	5,142			
Taxes on international trade and transactions	739	1,468	2,188	2,926	2,803	796	706	1,700	1,451	2,636	2,223	3,596	3,276			
Non-tax	751	1,381	3,495	4,112	4,168	1,016	931	1,846	1,324	3,841	4,034	4,868	5,469			
Grants	291	1,419	1,912	6,750	2,648	1,230	622	4,663	2,993	7,471	4,145	12,304	5,774			
Budget support ¹	0	422	422	1,062	722	0	0	1,484	1,140	1,875	1,140	2,609	1,140			
Project grants	291	997	1,490	5,688	1,926	1,230	622	3,180	1,854	5,597	3,005	9,696	4,634			
Of which: COVID-19 assistance	...	116	206	310	310	108	61	108	120	108	180	108	180			
Expenditures	4,725	10,589	16,620	26,333	22,496	7,711	7,590	15,415	14,226	23,895	21,141	33,316	28,008			
Expenses	3,501	7,400	11,474	15,757	15,959	4,831	4,890	9,000	8,907	13,220	13,106	17,315	17,073			
Compensation of employees	1,100	2,247	3,334	4,657	4,593	1,266	1,292	2,531	2,549	3,797	3,806	5,063	5,063			
Use of goods and services	723	1,461	2,367	3,744	3,985	1,105	1,164	1,894	1,992	2,959	2,939	3,945	3,945			
Interest	844	1,677	2,662	2,904	3,180	903	815	1,760	1,597	2,617	2,378	3,427	3,126			
External	76	372	542	476	709	105	119	237	267	368	415	526	593			
Domestic	768	1,305	2,120	2,429	2,470	798	697	1,523	1,330	2,249	1,963	2,901	2,533			
Subsidies and transfers	834	2,015	3,112	4,451	4,201	1,557	1,620	2,815	2,770	3,847	3,983	4,879	4,938			
Net acquisition of nonfinancial assets	1,224	3,189	5,146	10,576	6,537	2,881	2,699	6,415	5,319	10,676	8,035	16,001	10,935			
Acquisitions of nonfinancial assets	1,224	3,189	5,146	10,576	6,537	2,881	2,699	6,415	5,319	10,676	8,035	16,001	10,935			
Foreign financed	685	1,864	2,729	7,798	3,363	1,881	1,272	4,482	3,154	7,876	5,281	12,952	7,885			
Gambia local fund	540	1,325	2,417	2,778	3,174	1,000	1,427	1,933	2,165	2,800	2,754	3,049	3,050			
Net lending (+)/borrowing (-)	-1,004	-2,206	-2,897	-4,198	-4,848	-2,646	-3,057	-2,864	-4,200	-3,304	-4,449	-3,496	-4,928			
Financing ²	1,656	2,747	3,637	4,198	4,912	2,646	3,057	2,864	4,200	3,304	4,449	3,496	4,928			
Net acquisition of financial assets	0	-90	-90	-180	-180	-31	116	-63	965	906	965	875	875			
Net incurrence of liabilities	1,656	2,837	3,727	4,378	5,092	2,677	2,941	2,926	3,235	2,398	3,484	2,621	4,053			
Domestic	1,414	2,256	3,161	2,938	4,553	2,400	2,724	2,372	2,773	1,415	2,683	1,234	2,971			
Net borrowing	39	1,119	1,387	1,250	2,691	1,462	1,673	1,462	1,839	759	1,749	659	1,659			
Bank	18	967	1,525	1,250	3,189	1,462	1,673	1,462	1,839	759	1,749	659	1,659			
Central bank	-1,286	-1,535	-1,841	-250	-1,162	0	0	0	0	0	0	0	0			
Commercial banks	1,304	2,503	3,366	1,500	4,350	1,462	1,673	1,462	1,839	759	1,749	659	1,659			
Nonbank	21	151	-138	0	-498	0	0	0	0	0	0	0	0			
RCF/ECF/SDR (onlent)	1,411	1,331	2,036	2,221	2,205	1,083	1,060	1,083	1,439	1,083	1,439	1,083	1,818			
Change in arrears	-36	-193	-262	-534	-343	-145	-9	-173	-505	-427	-505	-508	-505			
Foreign	242	581	566	1,440	539	277	216	555	462	983	801	1,387	1,081			
Borrowing	393	867	1,239	2,886	1,437	651	650	1,302	1,300	2,279	2,276	3,256	3,251			
Amortization	-151	-287	-673	-1,446	-898	-374	-434	-748	-838	-1,296	-1,475	-1,869	-2,170			
Exceptional Financing (DSSI)	0	0	0	0	0	0	0	0	0	0	0	0	0			
Statistical discrepancy	-652	-541	-740	0	-65	0	0	0	0	0	0	0	0			
Memorandum items:																
Primary balance	-160	-529	-235	-1,293	-1,668	903	815	1,760	1,597	2,617	2,378	-69	-1,801			
Domestic primary balance	233	33	1,136	530	-179	1,554	1,465	1,578	1,758	3,021	3,515	578	310			

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

¹ The grant for debt service falling due through April 13, 2022 is available under the CCRT.

² Excluding the Float in Financing

Table 4a. The Gambia: Monetary Accounts, 2020–27¹
(Millions of local currency, unless otherwise indicated)

	2020		2021		2022		2023	2024	2025	2026	2027
	Prog.	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
I. Monetary Survey											
Net foreign assets	24,330	24,330	25,708	28,953	25,644	29,217	30,291	34,676	38,840	39,308	39,628
(in millions of U.S. dollars)	476	476	496	559	495	564	523	587	643	637	628
Of which: CBG	267	267	285	330	251	256	247	265	284	303	322
Net domestic assets	27,958	27,958	32,438	33,541	36,362	37,106	40,344	41,962	45,502	50,021	54,913
Domestic credit	33,277	33,277	37,756	39,979	41,680	44,772	48,010	49,627	53,168	57,687	62,579
Claims on central government (net)	25,417	25,417	28,888	30,290	30,630	33,767	35,067	35,567	36,367	37,167	37,167
Claims on other public sector ²	68	68	68	281	68	281	281	281	281	281	281
Claims on private sector	7,792	7,792	8,800	9,408	10,982	10,725	12,663	13,780	16,520	20,240	25,132
Other items (net) ³	-5,319	-5,319	-5,319	-6,438	-5,319	-7,666	-7,666	-7,666	-7,666	-7,666	-7,666
Broad money	52,288	52,288	58,145	62,494	62,005	66,322	70,636	76,638	84,341	89,329	94,541
Currency outside banks	10,072	10,072	12,037	11,487	12,743	11,675	12,434	13,491	14,847	15,725	16,643
Deposits	42,216	42,216	46,108	51,007	49,262	54,647	58,201	63,147	69,494	73,604	77,898
II. Central Bank Survey											
Net foreign assets	13,781	13,781	14,780	17,105	13,018	13,276	12,783	13,739	14,702	15,702	16,701
Foreign assets	19,120	19,120	26,708	29,090	25,484	25,839	25,415	26,083	26,660	26,950	26,897
Foreign liabilities	-5,339	-5,339	-11,928	-11,985	-12,466	-12,563	-12,632	-12,344	-11,958	-11,248	-10,196
Net domestic assets	4,814	4,814	6,785	4,019	7,868	6,957	6,957	6,957	6,957	6,957	6,957
Domestic credit	5,940	5,940	7,911	5,759	8,994	8,996	8,996	8,996	8,996	8,996	8,996
Claims on central government (net)	5,786	5,786	7,757	7,014	8,840	8,832	8,832	8,832	8,832	8,832	8,832
Of which: IMF on-lending since 2020	1,057	1,057	3,278	3,261	4,361	5,079	5,079	5,079	5,079	5,079	5,079
Claims on private sector	154	154	154	165	154	165	165	165	165	165	165
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0	0
Other items (net)	-1,126	-1,126	-1,126	-1,739	-1,126	-2,039	-2,039	-2,039	-2,039	-2,039	-2,039
Reserve money	18,595	18,595	21,565	21,124	20,886	20,233	19,740	20,697	21,659	22,659	23,658
Currency outside banks	10,072	10,072	12,037	11,487	12,743	11,675	12,434	13,491	14,847	15,725	16,643
Commercial bank deposits	8,523	8,523	9,528	9,637	8,142	8,558	7,306	7,206	6,812	6,934	7,015

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, 2020–27¹
(Percent changes, unless otherwise indicated)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.			Projections		
I. Monetary Survey										
(Percent change; contribution to broad money growth)										
Broad money	22.0	11.2	19.5	6.6	6.1	6.5	8.5	10.1	5.9	5.8
Net foreign assets	17.6	2.6	8.8	-0.1	0.4	1.6	6.2	5.4	0.6	0.4
Net domestic assets	4.4	8.6	10.7	6.7	5.7	4.9	2.3	4.6	5.4	5.5
II. Central Bank Survey										
(Percent change; contribution to reserve money growth)										
Reserve money	33.9	16.0	13.6	-3.2	-4.2	-2.4	4.8	4.7	4.6	4.4
Net foreign assets	38.2	5.4	17.9	-8.2	-18.1	-2.4	4.8	4.7	4.6	4.4
Net domestic assets	-4.3	10.6	-4.3	5.0	13.9	0.0	0.0	0.0	0.0	0.0
(Percent change; unless otherwise indicated)										
Memorandum Items:										
Credit to the private sector	0.8	12.9	20.7	24.8	14.0	18.1	8.8	19.9	22.5	24.2
Currency in circulation	28.4	19.5	14.1	5.9	1.6	6.5	8.5	10.1	5.9	5.8
Demand deposits	16.6	6.1	23.7	10.0	4.7	6.5	8.5	10.1	5.9	5.8
Time and savings deposits	23.9	11.8	18.5	4.4	9.3	6.5	8.5	10.1	5.9	5.8
Net international reserves (stocks; millions of U.S. dollars)	291.6	394.5	427.7	361.1	364.2	354.7	340.5	351.4	362.3	372.7
Money velocity (levels)	1.8	1.8	1.7	1.9	1.8	1.9	1.9	1.9	2.0	2.1
Money multiplier (levels)	2.8	2.7	3.0	3.0	3.3	3.6	3.7	3.9	3.9	4.0
Broad money (percent of GDP)	56.0	56.1	59.5	53.7	56.4	52.9	51.4	51.3	49.8	48.1
Credit to the private sector (percent of GDP)	8.3	8.5	9.0	9.5	9.1	9.5	9.2	10.1	11.3	12.8
Central government financing (flows; millions of dalasi)	2,601	4,528	6,656	5,020	6,738	6,379	5,579	5,879	5,879	5,079
Net domestic borrowing from the banking system	1,544	1,250	3,395	659	1,659	1,300	500	800	800	0
Central bank	-882	-250	-250	0.0	0	0	0	0	0	0
Change in claims	697	0.0	0.0	0.0	0	0	0	0	0	0
Change in deposits	-1,579	-250.0	-250	0.0	0	0	0	0	0	0
Commercial banks	2,426	1,500	3,645	659	1,659	1,300	500	800	800	0
IMF (onlent since 2020) ²	1,057	3,278	3,261	4,361	5,079	5,079	5,079	5,079	5,079	5,079
RCF 2020 (onlent)	1,057	...	...	...	...	...	...	...	...	...
ECF (second and third disbursements onlent)	...	2,221	2,205	...	...	...	...	...	...	...
of which: augmentation	...	1,481	1,470	...	...	...	...	...	...	...
SDR General Allocation (proposed lent to the Treasury)	...	...	...	1,083	1,818	...	...	...	...	...

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 onlent 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 11.

Table 5. The Gambia: Monetary Accounts, 2020–22¹
(Quarterly stocks, millions of local currency)

	2020		2021				2022					
	Dec.		Dec.		Mar.		Jun.		Sep.		Dec.	
	Act.		Prog.	Prel.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
I. Monetary Survey												
Net foreign assets	24,330	25,708	28,953	22,004	27,058	21,235	26,938	22,042	29,597	25,644	29,217	
(in millions of U.S. dollars)	471	496	550	425	514	410	512	425	563	495	555	
Of which: CBG	267	285	325	231	308	219	264	237	272	251	252	
Net domestic assets	27,958	32,438	33,541	35,113	38,111	36,275	39,775	36,795	39,373	36,362	37,106	
Domestic credit	33,277	37,756	40,566	40,432	45,777	41,593	47,441	42,114	47,038	41,680	44,772	
Claims on central government (net)	25,417	28,888	30,877	31,433	34,378	31,433	35,301	30,730	35,211	30,630	33,767	
Claims on other public sector ²	68	68	281	68	737	68	737	68	737	68	281	
Claims on private sector	7,792	8,800	9,408	8,931	10,661	10,092	11,403	11,316	11,090	10,982	10,725	
Other items (net) ³	-5,319	-5,319	-7,026	-5,319	-7,666	-5,319	-7,666	-5,319	-7,666	-5,319	-7,666	
Broad money	52,288	58,145	62,494	57,117	65,168	57,510	66,713	58,837	68,970	62,005	66,322	
Currency outside banks	10,072	12,037	11,487	11,825	11,956	11,906	12,262	12,181	12,677	12,743	11,675	
Deposits	42,216	46,108	51,007	45,292	53,213	45,604	54,451	46,657	56,293	49,262	54,647	
II. Central Bank Survey												
Net foreign assets	13,781	14,780	17,105	11,977	16,221	11,336	13,879	12,271	14,315	13,018	13,276	
Foreign assets	19,120	26,708	29,090	23,904	28,142	23,617	26,160	24,552	26,596	25,484	25,839	
Foreign liabilities	-5,339	-11,928	-11,985	-11,928	-11,921	-12,281	-12,281	-12,281	-12,281	-12,466	-12,563	
Net domestic assets	4,814	6,785	4,019	7,868	5,752	7,868	7,530	7,868	7,530	7,868	6,957	
Domestic credit	5,940	7,911	5,759	8,994	7,792	8,994	9,569	8,994	9,569	8,994	8,996	
Claims on central government (net)	5,786	7,757	7,014	8,840	8,650	8,840	9,407	8,840	9,407	8,840	8,832	
Assets	11,621	13,842	13,616	14,925	14,352	14,925	15,109	14,925	15,109	14,925	15,434	
Liabilities	-5,835	-6,085	-6,602	-6,085	-5,702	-6,085	-5,702	-6,085	-5,702	-6,085	-6,602	
Claims on deposit corporations	0	0	-1,420	0	-1,020	0	0	0	0	0	0	
Claims on private sector	154	154	165	154	162	154	162	154	162	154	165	
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0	0	
Other items (net, incl. liquidity management operations)	-1,126	-1,126	-1,739	-1,126	-2,039	-1,126	-2,039	-1,126	-2,039	-1,126	-2,039	
Reserve money	18,595	21,565	21,124	19,845	21,974	19,204	21,408	20,139	21,844	20,886	20,233	
Currency outside banks	10,072	12,037	11,487	10,036	13,150	9,456	12,698	9,811	12,956	12,743	13,129	
Commercial bank deposits o/w banks' cash in vaults	8,523	9,528	9,637	9,808	8,824	9,748	8,711	10,328	8,888	8,142	7,104	
III. Commercial Banks Balance Sheet												
Net foreign assets	10,549	10,927	11,848	10,027	10,836	9,899	13,059	9,771	15,283	12,626	15,941	
Foreign assets	11,871	12,250	14,079	11,350	13,819	11,222	16,043	11,094	18,266	13,948	18,171	
Foreign liabilities	-1,322	-1,322	-2,230	-1,322	-2,983	-1,322	-2,983	-1,322	-2,983	-1,322	-2,230	
Net domestic assets	31,668	35,181	39,159	37,054	42,376	38,154	42,351	39,255	42,326	36,636	38,706	
Net domestic claims	35,860	39,373	43,857	41,246	48,003	42,347	47,978	43,448	47,952	40,829	44,333	
Claims on central bank	8,523	9,528	11,057	9,808	11,038	9,748	10,105	10,328	10,483	8,142	8,558	
Net claims on government	19,631	21,131	23,276	22,593	25,729	22,593	25,895	21,890	25,805	21,790	24,935	
Claims	19,631	21,131	23,276	22,593	25,729	22,593	25,895	21,890	25,805	21,790	24,935	
Liabilities	0	0	0	0	0	0	0	0	0	0	0	
Claims on other sectors	7,706	8,714	9,524	8,845	11,236	10,006	11,978	11,230	11,665	10,896	10,840	
Claims on public nonfinancial corporations	68	68	281	68	737	68	737	68	737	68	281	
Claims on private sector	7,638	8,646	9,244	8,777	10,499	9,938	11,241	11,162	10,928	10,828	10,560	
Other items net	-4,193	-4,193	-4,698	-4,193	-5,627	-4,193	-5,627	-4,193	-5,627	-4,193	-5,627	
Liabilities	42,216	46,108	51,007	47,081	53,213	48,054	55,410	49,027	57,608	49,262	54,647	
Liabilities to central bank	0	0	0	0	0	0	0	0	0	0	0	
Deposits incl. in broad money	42,216	46,108	51,007	47,081	53,213	48,054	55,410	49,027	57,608	49,262	54,647	

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, 2020–27
(Millions of U.S. dollars, unless otherwise indicated)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
1. Current account										
A. Goods and services	-517.0	-671.1	-620.2	-732.9	-773.3	-832.7	-833.2	-876.4	-898.8	-949.9
Goods (net)	-490.8	-645.8	-597.9	-796.1	-822.4	-920.9	-968.4	-1026.3	-1063.6	-1129.3
Exports, f.o.b.	69.3	109.4	72.4	152.2	96.3	118.0	130.6	140.8	149.9	159.5
Imports, f.o.b.	-560.1	-755.1	-670.3	-948.3	-918.7	-1038.9	-1098.9	-1167.0	-1213.5	-1288.7
Services (net)	-26.2	-25.3	-22.3	63.2	49.1	88.1	135.1	149.8	164.8	179.4
Services exports	82.6	116.4	105.3	220.4	196.2	247.3	303.1	327.4	351.0	376.2
Of which: Travel income	46.6	48.9	53.6	116.4	115.9	152.9	196.1	211.6	227.9	245.5
Services imports	-108.8	-141.7	-127.6	-157.3	-147.1	-159.2	-168.0	-177.6	-186.2	-196.9
B. Income (net)	-31.0	-32.1	-32.1	-32.4	-32.4	-31.2	-32.4	-33.5	-34.8	-36.1
Income credits	2.4	2.5	2.5	2.5	2.5	2.4	2.5	2.6	2.7	2.8
Income debits	-33.5	-34.6	-34.6	-34.9	-34.9	-33.7	-34.9	-36.2	-37.5	-39.0
C. Current transfers	495.2	453.1	489.2	424.9	516.4	586.7	619.1	626.4	655.2	690.3
Official transfers	82.7	16.3	16.2	47.1	20.0	55.6	55.9	35.5	30.1	32.4
Of which: COVID-19 assistance	26.4	...	...	...	...	...	...	...	...	...
Remittances	400.2	424.2	460.5	365.0	483.5	516.9	548.6	576.0	609.8	642.2
Other transfers	12.3	12.6	12.6	12.9	12.9	14.2	14.6	14.9	15.3	15.7
Current account (excl. official transfers)	-135.6	-266.4	-179.3	-387.5	-309.3	-332.9	-302.4	-319.0	-308.5	-328.2
Current account (incl. prospective official transfers)	-52.9	-250.1	-163.1	-340.4	-289.3	-277.2	-246.5	-283.5	-278.4	-295.8
2. Capital and financial account										
A. Capital account	66.9	103.9	103.6	179.1	85.8	105.0	101.4	137.7	138.4	139.1
B. Financial account	66.8	233.1	224.4	126.2	128.5	162.7	163.6	164.4	159.3	175.9
Foreign direct investment	68.5	134.5	99.3	129.5	99.7	108.1	114.1	120.8	126.8	133.9
Portfolio investment	3.8	3.8	3.9	4.0	4.1	4.5	4.8	5.2	5.6	6.0
Other investment	-5.5	94.8	121.2	-7.3	24.7	50.1	44.7	38.4	26.9	36.1
Capital and financial account	133.7	337.0	327.9	305.2	214.3	267.7	265.0	302.1	297.7	315.1
Errors and omissions	30.9	0.0	-42.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance ¹	111.7	70.6	105.9	-82.2	-95.0	-65.2	-37.4	-16.9	-10.8	-13.1
Financing	-96.4	-70.6	-105.9	82.2	95.0	65.2	37.4	16.9	10.8	13.1
Net international reserves (increase -)	-104.9	-98.6	-133.8	34.0	73.9	9.5	-18.5	-18.6	-19.3	-19.3
Change in gross international reserves	-127.1	-144.4	-178.3	23.6	62.8	8.2	-12.9	-11.1	-5.6	1.0
Use of IMF resources (net)	22.2	45.8	44.5	10.4	11.2	1.3	-5.6	-7.5	-13.7	-20.3
Exceptional financing	8.4	5.7	5.6	1.1	1.1	0.0	0.0	0.0	0.0	0.0
Of which: CCR2 debt relief ²	4.4	5.7	5.6	1.1	1.1	0.0	0.0	0.0	0.0	0.0
Of which: DSSI	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prospective donor financing	0.0	22.4	22.2	47.1	20.0	55.6	55.9	35.5	30.1	32.4
Budget support grants		16.3	16.2	47.1	20.0	55.6	55.9	35.5	30.1	32.4
Project support grants		6.1	6.1	...	...	...	...	...	...	...
Memorandum items:			0.00							
Gross international reserves										
US\$ millions	352.1	496.5	530.4	472.9	467.7	459.5	472.4	483.5	489.1	488.1
Months of next year's imports of goods and services	5.3	5.4	6.0	4.9	4.7	4.4	4.2	4.1	4.0	3.7
Gross international reserves (w/o SDR allocation)	352.1	411.5	445.4	387.9	382.7	374.5	387.4	398.5	404.1	403.1
Months of next year's imports of goods and services	5.3	4.5	5.0	4.0	3.8	3.5	3.5	3.4	3.3	3.1
Net international reserves										
US\$ millions	292.3	394.5	427.7	361.1	364.2	354.7	340.5	351.4	362.3	372.7
Months of next year's imports of goods and services	4.4	4.3	4.8	3.7	3.6	3.4	3.0	3.0	2.9	2.9
Net international reserves (w/o SDR allocation)	291.6	309.5	342.7	276.1	279.2	269.7	255.5	266.4	277.3	287.7
Months of next year's imports of goods and services	4.4	3.4	3.9	2.9	2.8	2.6	2.3	2.3	2.2	2.2
Exports of goods and services	151.9	225.7	177.6	372.6	292.6	365.4	433.7	468.2	500.8	535.7
Imports of goods and services	-668.9	-896.8	-797.9	-1105.5	-1065.8	-1198.1	-1266.9	-1344.6	-1399.7	-1485.6
GMD per U.S. dollar, period average	51.6	...	...	...	...	...	...	...	...	...
External Debt service	21.1	58.4	59.5	48.3	66.1	47.4	51.1	74.8	86.8	92.5
NIR/External Debt Service (ratio)	13.8	6.7	7.2	7.4	5.5	7.5	7.3	5.2	4.7	4.7

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 April 13, 2022 is available under the CCRT.

Table 6b. The Gambia: Balance of Payments, 2020–27
(Percent of GDP)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
1. Current account										
A. Goods and services	-28.6	-33.5	-30.5	-34.4	-35.5	-35.4	-32.7	-31.9	-30.6	-30.2
Goods (net)	-27.1	-32.2	-29.4	-37.3	-37.8	-39.1	-38.0	-37.3	-36.2	-35.9
Exports, f.o.b.	3.8	5.5	3.6	7.1	4.4	5.0	5.1	5.1	5.1	5.1
Imports, f.o.b.	-31.0	-37.7	-32.9	-44.5	-42.2	-44.2	-43.1	-42.4	-41.3	-40.9
Services (net)	-1.4	-1.3	-1.1	3.0	2.3	3.7	5.3	5.4	5.6	5.7
Services exports	4.6	5.8	5.2	10.3	9.0	10.5	11.9	11.9	11.9	11.9
Of which: Travel income	2.6	2.4	2.6	5.5	5.3	6.5	7.7	7.7	7.8	7.8
Services imports	-6.0	-7.1	-6.3	-7.4	-6.8	-6.8	-6.6	-6.5	-6.3	-6.3
B. Income (net)	-1.7	-1.6	-1.6	-1.5	-1.5	-1.3	-1.3	-1.2	-1.2	-1.1
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.8	-1.7	-1.7	-1.6	-1.6	-1.4	-1.4	-1.3	-1.3	-1.2
Of which: Interest on government debt	0.1	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3
C. Current transfers	27.4	22.6	24.0	19.9	23.7	24.9	24.3	22.8	22.3	21.9
Official transfers	4.6	0.8	0.8	2.2	0.9	2.4	2.2	1.3	1.0	1.0
Of which: COVID-19 assistance	1.5	...	...	...	...	...	...	...	...	...
Remittances	22.1	21.2	22.6	17.1	22.2	22.0	21.5	20.9	20.8	20.4
Other transfers	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Current account (excl. official transfers)	-7.5	-13.3	-8.8	-18.2	-14.2	-14.1	-11.9	-11.6	-10.5	-10.4
Current account (incl. prospective official transfers)	-2.9	-12.5	-8.0	-16.0	-13.3	-11.8	-9.7	-10.3	-9.5	-9.4
2. Capital and financial account										
A. Capital account	3.7	5.2	5.1	8.4	3.9	4.5	4.0	5.0	4.7	4.4
B. Financial account	3.7	11.6	11.0	5.9	5.9	6.9	6.4	6.0	5.4	5.6
Foreign direct investment	3.8	6.7	4.9	6.1	4.6	4.6	4.5	4.4	4.3	4.3
Portfolio investment	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	-0.3	4.7	6.0	-0.3	1.1	2.1	1.8	1.4	0.9	1.1
Capital and financial account	7.4	16.8	16.1	14.3	9.8	11.4	10.4	11.0	10.1	10.0
Errors and omissions	1.7	0.0	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance ¹	...	3.5	5.2	-3.9	-4.4	-2.8	-1.5	-0.6	-0.4	-0.4

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
	Act.	Prog.	Prel.	Prog.	Proj.	Proj.	
1. Total financing requirement	-264.1	-459.0	-406.9	-402.3	-300.9	-363.1	
Current account deficit (excl. official transfers)	-135.6	-266.4	-179.3	-387.5	-309.3	-332.9	
Public debt amortization	5.0	-44.1	-44.1	-34.5	-51.5	-32.7	
Repayment to the IMF	-6.4	-4.1	-5.2	-4.0	-2.9	-5.7	
Change in official reserves	-127.1	-144.4	-178.3	23.6	62.8	8.2	
Arrears repayment	...	...	...	...	...	...
2. Total financing sources	122.7	380.9	329.1	339.7	265.8	300.3	
Capital transfers	45.3	103.9	103.6	179.1	85.8	105.0	
Foreign direct investment (net)	68.5	134.5	99.3	129.5	99.7	108.1	
Portfolio investment (net)	3.8	3.8	3.9	4.0	4.1	4.5	
Public sector debt financing	36.2	55.8	99.2	60.1	60.2	70.2	
Other net capital inflows ¹	-31.1	83.0	23.2	-33.0	16.1	12.6	
3. Total financing needs	141.4	78.1	77.7	62.6	35.1	62.7	
Budget support (grants)	82.7	16.3	16.2	47.1	20.0	55.6	
European Union	38.0	16.3	16.2	19.8	19.8	21.3	
African Development Bank	14.8	...	...	7.2	7.2	5.8
Other	...	0.0	0.0	20.1	-7.0	28.5	
Other current transfers	21.6	6.1	6.1	...	...	...
IMF disbursements	28.6	50.1	49.9	14.4	14.0	7.1	
<i>Of which</i> : ECF augmentation	...	28.6	28.5	...	...	...
Exceptional financing	8.4	5.7	5.6	1.1	1.1	0.0	
<i>Of which</i> : CCRT debt relief ²	4.4	5.7	5.6	1.1	1.1	0.0	
DSSI	4.0	0.0	0.0	0.0	0.0	0.0	
4. Financing needs	0.0	0.0	0.0	0.0	0.0	0.0	
Memorandum items:							
Total WB financing	83.9	81.7	81.7	111.7	111.7	125.9	
COVID-19 assistance	48.0	6.1	6.1	...	...	...
Budget support augmentation ³	26.4	...	...	...	...	...
<i>Of which</i> : European Union	19.4	...	...	...	...	...
African Development Bank	7.0	...	...	...	...	...
World Bank	21.6	6.1	6.1	...	...	...
<i>Of which</i> : Health Fast-Track Facility	10.0	...	...	...	...	...
Social Safety Net Project	8.1	6.1	6.1	...	...	...
Education Sector Response Project	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 April 13, 2022 is available under the CCRT.

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, 2021-2023¹

	Debt Stock (end of period)			Debt Service					
	2021			2021	2022	2023	2021	2022	2023
	(In US\$ millions)	(Percent total debt)	(Percent GDP)	(In US\$ millions)			(Percent GDP)		
Total	1,671.5	100.0	83.8	134.9	127.6	156.1	6.8	6.0	6.8
External	965.9	57.8	48.4	59.5	66.1	47.4	3.0	3.1	2.1
Multilateral creditors	651.3	39.0	32.6	47.1	41.7	33.5	2.4	2.0	1.5
IMF	104.4	6.2	5.2						
World Bank	132.1	7.9	6.6						
ADB/AfDB/IADB	56.2	3.4	2.8						
Other Multilaterals	358.6	21.5	18.0						
o/w: IsDB and OFID	222.2	13.3	11.1						
Bilateral Creditors	284.4	17.0	14.3	9.1	21.9	10.5	0.5	1.0	0.5
Paris Club	0.5	0.0	0.0	1.9	0.0	0.0	0.1	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.5	0.0	0.0						
Non-Paris Club	283.9	17.0	14.2	7.2	21.9	10.5	0.4	1.0	0.5
o/w: Saudi and Kuwait Fund	146.9	8.8	7.4						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	30.2	1.8	1.5	3.4	2.5	3.4	0.2	0.1	0.1
o/w: M.A. Kharafi and Sons	30.2	1.8	1.5	3.4	2.5	3.4			
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	705.6	42.2	35.4	75.4	61.6	108.7	3.8	2.9	4.7
Held by residents, total ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	368.3	22.0	18.5	28.0	13.2	23.2	1.4	0.6	1.0
Bonds	337.3	20.2	16.9	47.4	48.4	85.5	2.4	2.3	3.7
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	2,034.4	121.7	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).

⁴ Capacity constraints limit data availability. 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.	Sep.	Dec.
(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	27.3	29.0
Regulatory capital ratio (i.e., T1+T2)	34.8	39.8	35.1	33.0	32.7	33.8	32.9	29.5	28.5	30.6
Primary capital ratio (i.e., T1)	31.4	35.9	31.9	30.3	30.1	31.1	30.4	27.0	26.0	27.3
Non-performing loans/Primary capital	7.9	9.8	6.8	3.4	5.8	7.8	8.9	6.4	7.1	4.7
Sectoral distribution of credit										
Agriculture and fishing	3.6	6.5	8.5	1.7	2.0	3.8	3.5	2.7	0.3	0.3
Manufacturing industries	3.4	0.7	0.7	0.4	1.2	1.0	2.2	4.2	1.0	1.0
Building and construction	8.5	9.9	13.7	19.7	27.3	27.6	30.1	30.4	32.8	32.8
Transport and communication	10.3	9.0	8.1	7.7	7.6	7.6	6.9	5.4	3.0	3.0
Commerce	39.4	31.2	31.1	31.2	22.9	23.4	22.4	20.5	20.9	20.9
Tourism	2.6	2.4	5.2	10.8	5.6	5.6	4.3	4.0	3.4	3.4
Financial institutions and enterprise services	4.2	2.1	3.0	3.2	1.2	2.6	2.7	2.3	2.8	2.8
Other activities	27.9	38.1	29.6	25.3	32.2	28.4	27.8	30.6	35.7	35.7
Asset quality ratios										
Non-performing loan ratio	6.5	9.3	7.2	3.3	4.5	6.8	7.7	5.6	5.6	5.1
Aggregate provision level	82.2	79.1	99.1	100.2	73.4	80.1	83.8	75.9	85.8	81.0
Loan loss reserve ratio	4.6	6.8	6.6	2.9	2.5	4.0	3.3	3.7	3.6	3.0
Earnings and profitability										
Net income to average assets (ROA)	0.5	0.7	1.6	1.6	1.9	1.9	2.1	1.8	1.7	1.8
Net income to average equity (ROE)	3.5	4.2	11.0	11.3	15.4	15.3	17.7	16.3	15.4	16.4
Net interest margin	1.8	1.9	8.1	5.9	6.5	6.5	5.9	5.7	5.5	5.4
Non-interest income ratio	33.2	27.6	31.7	40.9	40.2	38.3	37.8	44.1	53.6	42.4
Liquidity ratios										
Liquid assets ratio	93.4	101.3	92.9	94.8	92.0	93.5	92.8	92.0	89.6	92.0
Dalasi liquid assets/dalasi deposits	88.4	97.5	89.0	93.5	94.7	93.2	88.4	93.6	112.2	97.4
Time deposits/total deposits	18.1	17.3	14.3	12.9	11.2	11.7	11.0	11.8	11.1	9.0

Source: Central Bank of The Gambia.

Table 10. The Gambia: Indicators of Capacity to Repay the Fund, 2021–32

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Act.			Projections								
<i>(in millions of SDRs)</i>												
Principal (millions of SDRs)	1.09	2.02	4.04	3.89	5.17	9.44	13.44	11.11	11.11	9.06	4.00	0.00
Charges and interest (millions of SDRs) ¹	0.01	0.07	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
<i>(in millions of SDRs)</i>												
Principal (millions of SDRs)	1.09	2.02	4.04	3.89	5.17	9.44	13.94	13.61	14.11	12.06	7.00	2.50
Of which: RCF	0.00	0.78	3.89	3.89	4.67	5.44	5.44	3.11	3.11	1.56	0.00	0.00
Of which: ECF	1.09	1.24	0.16	0.00	0.50	4.00	8.50	10.50	11.00	10.50	7.00	2.50
Charges and interest (millions of SDRs) ¹	0.01	0.07	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Total obligations, existing and prospective credit²												
In millions of SDRs	1.10	2.09	4.18	4.03	5.31	9.58	14.08	13.75	14.25	12.20	7.14	2.64
In millions of US\$	1.57	2.93	5.92	5.75	7.64	13.87	20.49	19.75	20.53	17.61	10.32	3.81
In percent of Gross International Reserves	0.30	0.63	1.29	1.22	1.58	2.84	4.20	3.82	3.75	3.05	1.65	0.55
In percent of exports of goods and services	1.34	1.48	2.41	1.92	2.37	4.01	5.52	4.96	4.80	3.77	2.00	0.67
In percent of debt service ¹	3.34	5.10	15.42	13.18	10.73	16.69	25.20	23.32	24.52	23.08	15.43	5.86
In percent of GDP	0.08	0.13	0.25	0.23	0.28	0.47	0.65	0.58	0.57	0.45	0.25	0.09
In percent of quota	1.77	3.36	6.72	6.48	8.54	15.40	22.64	22.11	22.91	19.61	11.48	4.24
In percent of revenues net of grants	0.54	0.91	1.87	1.61	1.91	3.17	4.23	3.82	3.71	2.98	1.63	0.57
Outstanding Fund credit												
In millions of SDRs	74.05	81.26	82.21	78.33	73.16	63.72	49.78	36.17	22.06	10.00	3.00	0.50
In millions of US\$	105.49	113.87	116.37	111.78	105.24	92.27	72.43	51.96	31.79	14.44	4.33	0.72
In percent of Gross International Reserves	19.89	24.35	25.33	23.66	21.77	18.86	14.84	10.05	5.80	2.50	0.69	0.10
In percent of exports of goods and services	90.21	57.41	47.35	37.40	32.65	26.67	19.52	13.04	7.44	3.09	0.84	0.13
In percent of debt service ¹	225.05	198.19	303.20	256.20	147.85	111.02	89.08	61.35	37.95	18.92	6.48	1.11
In percent of GDP	5.19	5.23	4.95	4.39	3.82	3.14	2.30	1.54	0.88	0.37	0.10	0.02
In percent of quota	119.05	130.6	132.2	125.9	117.6	102.4	80.0	58.2	35.5	16.1	4.8	0.8
In percent of revenues net of grants	36.28	35.55	36.68	31.31	26.38	21.09	14.96	10.05	5.75	2.44	0.69	0.11
Net use of Fund credit (millions of SDRs)												
Disbursements	31.26	7.97	0.94	-3.90	-5.18	-9.46	-13.96	-13.62	-14.12	-12.06	-7.00	-2.50
Of which: RCF	35.00	10.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: ECF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and Repurchases	35.00	10.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: RCF	3.74	2.03	4.06	3.90	5.18	9.46	13.96	13.62	14.12	12.06	7.00	2.50
Of which: ECF	1.56	0.79	3.90	3.90	4.68	5.46	5.46	3.12	3.12	1.56	0.00	0.00
Of which: ECF	2.18	1.24	0.16	0.00	0.50	4.00	8.50	10.50	11.00	10.50	7.00	2.50
CCR Trust debt relief ³	3.97	0.78	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.00	4.00
Memorandum items:												
Nominal GDP (millions of US\$)	2,034.44	2,176.56	2,352.95	2,547.09	2,751.48	2,938.19	3,149.74	3,381.44	3,621.46	3,878.51	4,143.58	4,416.20
Exports of goods and services (millions of US\$) ⁴	116.94	198.32	245.74	298.89	322.31	345.90	371.14	398.35	427.47	466.84	516.47	571.80
Gross International Reserves (millions of US\$)	530.41	467.66	459.48	472.37	483.50	489.10	488.08	516.84	547.79	577.55	625.80	691.08
Debt service (millions of US\$) ¹	46.87	57.45	38.38	43.63	71.18	83.11	81.31	84.71	83.76	76.32	66.87	65.10
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2
Revenues net of grants (millions of US\$)	290.8	320.3	317.3	357.1	399.0	437.4	484.3	517.0	553.1	591.9	632.6	672.2

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 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 through April 13, 2022 is available under the CCRT.

⁴ Excluding re-exports.

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

Availability	Disbursement		Condition for Disbursement ¹	Status
	In Millions of SDR	In percent of Quota		
March 23, 2020	5.00	8.04	Approval of the Arrangement	Disbursed
September 15, 2020 ²	20.00	32.15	Board completion of the first review based on observance of performance criteria for June 30, 2020.	Disbursed
March 15, 2021 ²	10.00	16.08	Board completion of the second review based on observance of performance criteria for December 31, 2020.	Disbursed
September 15, 2021	5.00	8.04	Board completion of the third review based on observance of performance criteria for June 30, 2021.	Disbursed
June 10, 2022	5.00	8.04	Board completion of the fourth review based on observance of performance criteria for December 31, 2021.	Review Pending
September 15, 2022	5.00	8.04	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.	Review not started
March 15, 2023	5.00	8.04	Board completion of the sixth review based on observance of performance criteria for December 31, 2022.	Review not started
Total Disbursements	55.0	88.4		

Source: IMF staff estimates.

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

² Disbursement include proposed ECF augmentation; both disbursement are to be onlent to the government.

Annex I. Review of Support from Development Partners

The 2021 fiscal performance was weaker than anticipated, partly due to lower-than-projected budget support grants as the required reforms to trigger the disbursements were not completed. Similarly, budget support grants in 2022 are revised downwards as some development partners are shifting ongoing interventions in The Gambia to project financing. The authorities are taking remedial measures to accelerate reforms under programs with development partners.

1. Budget support grants in 2021 fell below projections as the related triggers were not completed:

- US\$20 million budget support from the World Bank was postponed to 2022 after the authorities could not meet one of the eight triggers required for its disbursement, namely the gazetting of Procurement Regulations related to the Public Procurement Bill, which is still pending Parliament approval. The World Bank has recently decided to proceed with the disbursement in 2022, recognizing the authorities' strong efforts.
- The authorities lost EUR 10.8 million out of EUR 19.1 million programmed by the EU in 2021. The EU disbursed EUR 5.6 million in May 2021. The remaining EUR 13.5 million was linked to five triggers, each unlocking EUR 2.7 million: (1) Submission of budget execution report for 2020 to the National Audit office before end-June 2021; (2) Completion and publication of 2019 public external audit report to the National Assembly before end-July 2021; (3) Completion of the revised list of voters in anticipation of the Constitutional referendum and the Presidential elections; (4) Adaptation and publication of the Gazette of the Vetting bill; and (5) Revision of the Election Act to support the provision for reserving seats for female candidates in National Assembly elections. Only the third trigger was assessed as met by the EU, which consequently disbursed only EUR 2.7 million at end-December 2021.

2. Budget support grants in 2022 are also revised downwards. The EU is reorienting its development support policies to The Gambia. It is putting more emphasis on project grants and reducing budget support grants as it perceives the former channel to be more efficient to achieve development objectives in The Gambia. As a result of these policy changes, EUR 16.4 million EU budget support grants included in staff projections for 2022 at the time of the third ECF review will not be disbursed. A similar shift in policy is underway at the AfDB, whereby priority is given in The Gambia to project rather than budget support grants. Consequently, it has become uncertain whether the SDR 5 million AfDB budget support initially scheduled for 2022 will be disbursed. These changes lead to a resource shortfall of 1.3 percent of GDP.

Table A I.1. Revisions to Budget Support Grants
(US Million)

	2021			2022		
	2nd ECF Rev	3rd ECF Rev	Actual	2nd ECF Rev	3rd ECF Rev	4th ECF Rev
World Bank	20.0	-	-	20.0	20.0	20.0
European Union	22.3	16.0	9.7	23.4	23.9	-
AfDB	-	-	-	7.1	7.1	-
Total	42.3	16.0	9.7	50.5	50.9	20.0

Sources: The Gambian authorities, development partners, and IMF staff estimates.

Annex II. Medium-Term Fiscal Framework

The overall fiscal deficit is expected to decline from 4.2 percent of GDP in 2022 to about ½ percent of GDP in 2027. Total revenue and grants are projected to gradually increase by about 1¼ percent of GDP during this period, and expenditures are projected to decline by 2½ percent of GDP. This relatively large fiscal consolidation is underpinned by a combination of strong policies, as well as one-off factors on both the revenue and spending sides. Nonetheless, the fiscal path is subject to risks, which will require commitment from the authorities.

1. Total revenue and grants are projected to increase from about 19½ percent in 2022 to 20¾ percent of GDP in 2027, due primarily to expected improvement in tax revenues. Tax revenues are expected to increase by 2.5 percent of GDP during 2022-27. This increase is underpinned by the following considerations:

- Tax revenues are expected to broadly return to their pre-pandemic level in 2023, following the abrupt decline in 2020-21 due to the COVID-19 pandemic, which was exacerbated by the effect of the war in Ukraine in 2022. The revenue loss from both crises is projected to decline in 2023.
- During 2024-27, tax revenue collection is projected to increase by about 0.4 percent of GDP per year. The reduction of revenue collection on fuel products to alleviate the impacts of the Ukraine war is expected to be fully phased out from 2024. The authorities are designing and implementing strong revenue administration measures, which are expected to bolster collection in the medium term. In 2021, the Cabinet approved a memorandum on Tax Expenditure Policy to improve governance and define clear responsibilities and criteria for the approval and enforcement of tax expenditures. The authorities are gradually implementing the recommendations from IMF TA in this area, with World Bank support. Collaboration between all stakeholders in the exemption-granting process is also being reinforced to ensure a holistic approach to the control of tax exemptions and duty waivers. This measure already started to yield results.
- The set of measures in the ECF-supported program and in line with the Gambia Revenue Authority (GRA)'s 2020-24 Corporate Strategic Plan, are expected to yield important results going forward. These measures include: the clean-up of the tax registry; the cleansing and maintenance of accurate tax ledgers for large taxpayers; the development of an end-to-end process for registration, filing, payments and management of tax arrears; and the audit of companies graduating from the special investment certificate program. The GRA is also planning to gradually digitalize its tax collection process; it plans to implement a road cargo and electronic cargo tracking system, and to engage with commercial banks with a view to allow taxpayers to make payments via mobile apps.
- The GRA is increasing its audit capacity and broadening its tax base. For instance, the GRA is using the results of the Rented Property Survey conducted in 2021 to extend the property tax base to the commercial real estate sector.

- Staff estimates that tax collection efforts in The Gambia are about 6-16 percent below the best performing peer countries.¹ The increase in tax revenue in staff's medium-term fiscal framework is consistent with this analysis.

2. The increase in tax revenue will offset a sharp drop in non-tax revenues. The latter is projected to decline from 4.6 percent of GDP in 2022 to about 3 percent of GDP in 2027, as one-off penalties from the petroleum sector and the sales of assets authorized by the Janneh Commission come to an end. Grants are expected to pick up in 2023-25 as donors will enter a new financing cycle.

3. Budget support grants are expected to be stepped-up. Disbursements were lower than expected during 2021-22 as the corresponding reform triggers were not completed and the focus shifted from budget support to project financing. During 2023-27, development partners will be on a new financing cycle and are expected to increase disbursements.

4. Total government expenditure is projected to decline from 23.8 percent of GDP in 2022 to 22.5 percent of GDP in 2023. The government is expected to unwind the one-off 1 percent of GDP COVID-19 spending included in the 2022 budget. Total spending will then gradually decline to 21.3 percent of GDP in 2027, predicated on an expected decline in current spending while capital spending is projected to remain somewhat stable.

5. Compensation of employees, in percent of GDP, is expected to peak at 4.5 in 2023 from 4.3 in 2022 and decline gradually to 3.9 percent of GDP in 2027 (and to increase by about 10 percent annually in nominal terms). The authorities have demonstrated a better control of the wage bill during the last two years, with compensation of employees falling below budget projections. Since February 2021, almost all salaries are paid electronically to civil servants' accounts in commercial banks, helping to limit mistakes and abuses. The newly approved Pay and Grading system, as well as Pension systems, are expected to strengthen the management of the wage bill. The authorities are implementing a Biometric Time and Attendance Register System to better control the payroll in all departments of the Civil Service. The gradual increase in nominal wages reflect staff's assumption on a gradual implementation of the ongoing pay scale reform.

6. Subsidies and transfers are expected to decline by ½ percent of GDP in 2023 due to the end of COVID-related support. Subsidies are projected to decline further thereafter and stabilize at 3.3 percent between 2025-27. The authorities are implementing a number of measures, including the improvement of SOE governance (e.g., adoption of SOE bill, extension of performance contracts, publication of financial performance), the rationalization of foreign missions, and the rationalization of subvented agencies.

7. Spending on goods and services will drop in 2023 as pandemic-related measures are removed and stabilize over the medium-term. The implementation of the new public procurement act and its regulations (once passed by Parliament) will help secure value-for-money of

¹ See Country Report No. 2021/266, Chapter 3: "The Gambia: Financing the Infrastructure Gap."

government contracts, which in turns will help limit the pace of increase of government consumption. In addition, the new government vehicle policy approved in 2021 will help improve efficiency in the handling of government vehicles and lower operating and travel costs.

8. A projected drop in domestically financed investment is expected to be somewhat compensated by higher foreign financed projects. Domestically financed (GLF) investment is expected to show a 0.7 percent of GDP drop in 2023 due to the completion of projects related to the organization of the 2022 OIC Summit. On the other hand, grant-financed infrastructure projects will likely pick up. Going forward, GLF capital spending is expected to remain close to the authorities' absorption capacity while foreign-financed investment spending is projected to average 7.1 percent of GDP. In order to improve the efficiency of public investment, the authorities have created the Gambia Strategy Review Board (GSRB) with the mandate to appraise and endorse all investment projects in line with the priorities in the National Development Plan (NDP).

9. As a result of these revenue and expenditure projections, the overall fiscal deficit is expected to decline from 4.2 percent of GDP in 2022 to 2.2 percent of GDP in 2023, and gradually to 0.5 percent of GDP by 2027. The domestic primary surplus is expected to increase from 0.3 percent of GDP in 2022, to 3 percent of GDP in 2027 as revenue mobilization and expenditure rationalization measures bear fruit. The primary balance is also expected to improve from a deficit of 1.5 percent of GDP in 2022 to zero percent of GDP in 2023 and turn to an average surplus of 1.2 percent of GDP in the medium term.

Table A II.1. Drivers of Fiscal Consolidation
(In percent of GDP)

	Size	Expected Developments
Revenue	0.2	
Domestic Revenue	-1.2	
Taxes	0.8	Partial phase-out of forgone revenue related to the Ukraine crisis; control over tax expenditure; yield from revenue administration measures.
Non-tax	-2.1	End of petroleum royalties; gradual end of asset sales under the Janneh Commission.
Grants budget support	1.4	Start of key donors' new financing cycle.
Expenditure	-1.9	
Expenses	-1.2	Phase-out of COVID spending
Domestic investment	-0.7	Near completion of infrastructure projects under the OIC conference.
Overall balance	2.1	

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

Annex III. SOEs Sector Reform

State-Owned Enterprises (SOEs) have often weighed heavily on the government budget. As their financial situation has typically been weak, the government has had to bear their financial obligations. However, significant reforms have been launched recently to improve their governance and financial performance. A new SOE bill was submitted to the National Assembly. Management contracts will be used more broadly. An important SOE switched from forex trade facility to domestic financing. Other reforms are also underway.

1. The Gambia has 14 state owned enterprises (SOEs) operating in various key sectors.

Such sectors include air and sea transport, telecommunications and media, agriculture, energy, water, and services, that are critical for the economy. However, until recently, as evidenced by the E&Y audit report on SOEs, they have been beset with a series of issues including weak accounting systems, poor business models, weak corporate governance, and political interference. Those issues were identified by E&Y forensic audits of all SOEs in 2019 and 2020 to determine their true financial conditions as well as lay the ground for reforms.

2. Since 2017, the authorities have taken steps to reform the sector, including the drafting of a new SOE bill to address shortcomings in the legal framework.

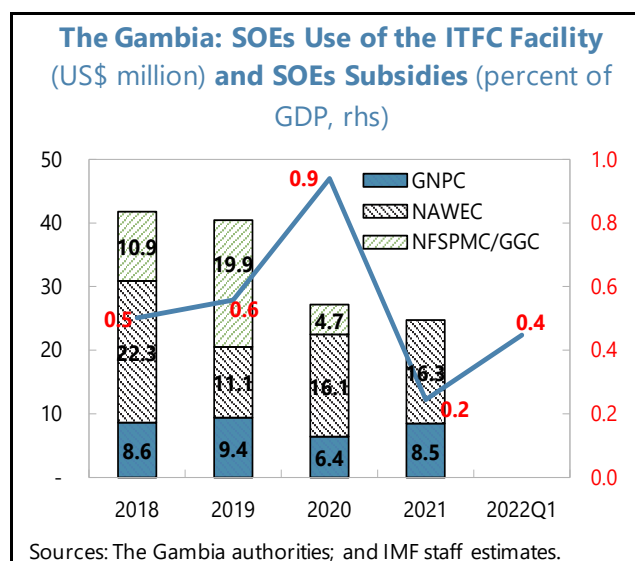
The SOE policy was revised in 2018. The drafting of SOE bill started in 2018 but its finalization was delayed by the stalled constitutional review process on which it depended. The bill was subsequently realigned with the 1977 constitution, approved by Cabinet, and submitted to the National Assembly to help bring the SOEs governance structure to international standards and improve their financial reporting. The Bill : (i) establishes a dedicated SOE Commission with clearly defined powers to exercise a more centralized oversight function over SOEs; (ii) determines the qualification for Directors as well as the composition for the SOEs' Board of Directors; (iii) requires the adoption of IFRS by SOEs; (iv) calls for defining clearly the commercial and public service functions of SOEs and for the latter to be fully compensated including through government subsidies; and (v) expands the signing of performance contracts between SOEs' management of SOEs and the government. However, according to the WB 2021 Integrated SOE Framework (iSOEF) Assessment, some gaps still persist including the formal independence of SOEs which the new Constitution will be expected to address.

3. Meanwhile, other measures to strengthen SOEs governance and finances have also been taken.

The authorities are moving ahead with plans to liberalize the telecom sector with World Bank support. A new management team has been appointed at the groundnut company (NFSPMC/GGC), whilst NAWEC's governance framework was strengthened with the appointment of a new management team and a Board of directors, as well as the signing of a performance contract with MOFEA. The IMF continues to provide capacity development to SOEs on IFRS and the use of the SOE health check tool. In addition, to implement the E&Y audit recommendations, the authorities have also set up a new SOE directorate. They are catching up on delayed audits of their financial statement, with all having already completed the 2019 audit, and some well advanced on their 2020 audit.

4. Fiscal risks related to the use of the ITFC facility and SOEs subsidies are diminishing.

GGC, the most fiscally important SOEs, no longer uses ITFC trade financing and relies solely now on local financial institutions. The use of ITFC trade financing was declining for NAWEC and GNPC before increasing recently due to soaring global oil prices. NAWEC has been recently meeting its ITFC obligations without government support. The subsidies to SOEs declined significantly in 2021; they were limited only to GGC to compensate for the sale of fertilizers to farmers below the market price and the purchase of groundnuts from farmers above the market. The subsidies to GGC will increase in 2022 due to higher international fertilizer prices and large volume of groundnuts purchases (about 46,000 tons compared to around 7,000 tons in 2021), which points to the need for the government to improve the price setting mechanism and leverage on the increasing support from development partners.



Annex IV. Risk Assessment Matrix¹

Sources of risks	Relative Likelihood	Impact if realized	Policy Response
External: Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions.	High Sanctions on Russia are broadened to include oil, gas, and food sectors. Russia is disconnected almost completely from the global financial system and large parts of the trading system. This, combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices, refugee migration, tighter financial conditions, and other adverse spillovers, which particularly affect LICs and commodity-importing EMs.	High Any weakening of global demand resulting from an escalation of sanctions and other disruptions as well as from war-induced uncertainties would hinder Gambia's fragile economic recovery, particularly the tourism sector and the associated economic activities.	<ul style="list-style-type: none"> • Build policy buffers to allow deploying measures to support economic activities or some specific sectors in case of further spillovers from the war. • Diversify the structure of the economy to reduce vulnerabilities to shocks in some specific sectors, and strengthen an overall resilience.
External: Rising and volatile food and energy prices	High Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises (especially in EMDEs with lack of fiscal space).	High Dependence on imported commodities leads to higher imports costs and lower growth. Dependence on HFO and sovereign guarantees pose a significant contingent liability risk. High production costs hurt growth.	<ul style="list-style-type: none"> • Adopt a balanced approach combining (i) an upward adjustment in fuel pump prices to minimize fiscal revenue losses, (ii) a roll-out of well-targeted support to vulnerable households, (iii) stronger revenue mobilization in other areas, and (iv) prioritization of spending. • Strengthen the fiscal oversight of NAWEC. • Accelerate implementation of national energy roadmap with World Bank support, including use of alternative energy production methods.
External: Outbreaks of lethal and highly contagious Covid-19 variants	Medium Rapidly increasing hospitalizations and deaths due to low vaccine protection or vaccine-resistant variants force more social distancing and/or new lockdowns. This results in extended supply chain disruptions and a reassessment of growth prospects, triggering capital outflows, financial tightening, currency depreciations, and debt distress. in some EMDEs.	High Disruptions to economic activity. Employment pressures abroad reduce the inflow of remittances. The budding recovery in tourism is halted, construction and services slow down, and exports are depressed. Negative impact on growth and the external and fiscal accounts.	<ul style="list-style-type: none"> • Accelerate vaccine rollout. Improve vaccination communication efforts across the country. • Strengthen government fiscal, social and health response to pandemic. • Rollout targeted support for tourism, construction and services sectors for previously well-run and profitable corporates.
External/Domestic: Social discontent and political instability	Medium Social unrests fueled by increasing prices and shortages of essentials, financial and social scars from the prolonged pandemic, and heavier household debt burdens amid rising interest rates trigger political instability, capital outflows, higher unemployment, and slower economic growth.	Medium Socio-political uncertainty hurts economic activity and private investment, delays economic and policy reforms, jeopardizes fiscal discipline, and weakens institutions.	<ul style="list-style-type: none"> • Involve CSOs and other political stakeholders in policy decisions. • Strengthen governance further.

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.

External/Domestic: Higher frequency and severity of natural disasters related to climate change	Medium	High	<ul style="list-style-type: none"> • Strengthen food security and rural feeding programs. • Build up fiscal and reserve buffers to allow deploying supporting policies if needed. • Build resilience to natural disasters.
	Higher frequency of natural disasters cause severe economic damage to smaller vulnerable economies and accelerate emigration. Cycles of erratic rainfall, windstorms, and droughts are more frequent.	Negative impact on domestic production, especially rain-fed agriculture. Higher number of internally displaced individuals, leading to increased recovery spending and worsened fiscal situation.	
Domestic: Weak Fiscal Management	Medium	High	<ul style="list-style-type: none"> • Implement TA recommendations on PFM, cash management and budget execution. • Identify additional fiscal measures to create fiscal space for crisis support. • Implement SOE and governance reforms.
	An expansive post-pandemic recovery fiscal policy without effective control of non-priority spending. Lack of fiscal reforms. Shocks from SOEs. Difficulties securing donor support.	Increased domestic borrowing and pressure on public debt sustainability. Pressure on foreign reserves. Crowding out of credit to private sector.	

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 progress on 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-supported program in March 2020.

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 its lingering effects.

Strategy and Priorities

2. The authorities have reiterated their ECF-supported 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-supported 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. Another important CD focus will be a governance diagnostic mission to help articulate potential future ECF-supported program conditionality to tackle macro-critical areas of weak governance and vulnerability to corruption.

Priorities	Objectives
Revenue Administration	<p>Implement new tax exemption policy and the Gambia Investment and Export Promotion Agency act.</p> <p>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.</p> <p>Improve customs procedures, compliance risk management capacity to undertake post-clearance audits, and take steps to implement ECOWAS customs integrity framework.</p> <p>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.</p>
Public Financial Management	<p>Extend IFMIS on project and subvented agency accounts.</p> <p>Implement TSA roadmap and improve cash forecasting and debt data reconciliation.</p> <p>Prepare a 2022 gender sensitive budget by moving towards a gender responsive budget through means of sound PFM practices.</p>

	<p>Create the conditions for moving to climate responsive budgeting in the medium term.</p> <p>Support fiscal risk assessment of SOEs and PPPs, to improve risk monitoring and analysis—with the ultimate objective of limiting contingent support.</p>
Governance	Identify future reforms 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.

Appendix I. Letter of Intent

Banjul, The Gambia
May 20, 2022

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 for the continued strong IMF support to our country in this unprecedented difficult circumstance. The war in Ukraine and its implications on the global energy and food prices are slowing our recovery from the COVID-19 pandemic and amplifying inflationary pressures on our vulnerable population already tested by the pandemic. The timely IMF support since the start of the pandemic has helped our country maintain macroeconomic stability and strengthen its resilience. The agreement to use part of the SDR general allocation has alleviated financing constraints faced in early 2022, including to help mitigate the impact of the Omicron variant-induced fourth wave of the pandemic. We look forward to the discussions on the new IMF facility under the Resilience and Sustainability Trust which will be instrumental for the financing of our Green-Recovery Focused National Development Plan expected to be finalized later this year.

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 third review in November 2021; and (ii) updates our policies for the remainder of program period. We remain strongly committed to the implementation of the program reform agenda. Despite the difficult circumstances, we met five out of six quantitative performance criteria (QPCs) and three out of four indicative targets (ITs) at end-December 2021. The QPC on net domestic borrowing was exceeded due to additional election security and pandemic mitigating spending, the acceleration of key road construction projects, and shortfall in budget support as we faced challenges in completing the reforms needed to trigger their disbursement. We are strengthening our cash management to align spending with available resources and help prevent future fiscal slippages. We have set up a multi-stakeholder reform implementation and monitoring committee that will ensure the timely implementation of reforms under programs with development partners and prevent delays on budget support disbursements going forward. Tax revenue collection suffered from the 2020 economic downturn that continued in early 2021, lower trade volumes and slow pace of goods clearance at the seaport, which affected customs revenue. As a result, the IT on tax revenue was missed. Two out of the four structural benchmarks (SBs) at end-December 2021 were timely implemented, notably the formulation of a framework for banking sector stress testing, in line with

the recommendations of the 2019 FSSR and the publication of the audited financial statements of SOEs approved by the National Assembly. The SB related to tax expenditures and GIEPA regulations was completed in early 2022. The submission to the National Assembly of the revised SOEs bill, in line with the current Constitution and IMF staff recommendations, was completed in April 2022 as it required further technical work. For the SB at end-March 2022, we have completed and published the first phase audit report of the COVID-19-related spending on the website of the National Audit Office (NAO) in February 2022; the NAO has completed three out of the five components of the second phase of the audit and the final report will be published after its review by the new National Assembly. We will continue to implement the transparency requirements for COVID-19 spending in 2022. To ensure that the 2022 budget execution is in line with the agreed program in the context of the repercussions of the Ukraine war and lingering impacts of the pandemic, we adjusted upwards domestic fuel pump prices and will prioritize spending while protecting the vulnerable population and the fragile recovery.

3. We are strengthening safeguards, governance, and the investment policy at the central bank. In this context, we have implemented most of the key outstanding recommendations of the IMF's 2020 safeguards assessment. We approved a revised audit committee charter to align it with leading practices and strengthen independent oversight of the CBG. The audit of the CBG's 2021 financial statements is at its final stages. Further, the CBG Board will shortly approve a revised investment policy and guidelines to align our investment objectives and leading practices with recommendations from a recent IMF technical assistance. To address the mounting inflationary pressures, the central bank continues the issuance of CBG bills and will consider complementing it with other monetary policy instruments, such as forex sales and increase in the special deposit facility rate.

4. Considering the resolve and commitment we have shown in implementing the agreed macroeconomic policies and reforms, and based on remedial actions taken as well as the strength of our policies and measures going forward, the Government of The Gambia requests completion by the IMF Executive Board of the fourth review of our ECF-supported program, the associated financing assurances review, a waiver for the non-observance of the quantitative performance criteria (QPC) on net domestic borrowing at end-December 2021 and the modification of the QPCs on net domestic borrowing at end-June and end-December 2022. Subsequently, we are requesting the disbursement of the fifth ECF tranche of SDR 5 million to be on-lent from the CBG to the treasury to help finance the 2022 budget and address unforeseen challenges, including the repercussions of the war in Ukraine.

5. We believe that the policies and measures set forth in 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 and the rising cost of living induced by the war in Ukraine. 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.

6. 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). We, therefore, authorize the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board completes the fourth review under the ECF arrangement.

Sincerely yours,

/s/

Seedy Keita

Minister of Finance and Economic Affairs

/s/

Paul J. Mendy

Second Deputy Governor, on behalf of

Buah Saidy

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 third review in November 2021. It updates our policies, measures, and structural reform agenda. It outlines our responses to both the humanitarian and economic challenges induced by the COVID-19 shock and the war in Ukraine. It also lays out policies to foster an inclusive economic recovery while ensuring macroeconomic stability.

Background

1. We are consolidating our democratic change and advancing transitional justice reforms. The Gambia reached a milestone by peacefully conducting in December 2021 presidential elections that registered a record turn-out of 89 percent of registered voters. Several observers and delegations from various institutions (UN, EU, AU, ECOWAS, Commonwealth Secretariat, Election Watch, Electoral Institute for Sustainable Democracy in Africa), civil society organizations as well as four former heads of states monitored the elections which they broadly qualified as peaceful, transparent and inclusive. President Barrow won the election for a second 5-year term. In the follow-up parliamentary elections in April 2022, his coalition won 24 of the 53 elected seats, which, together with the 5 President-nominated seats, are expected to give the President a 50-percent parliamentary support. Following these elections, the country is in a position to accelerate the pace of reforms to address the double impact of the pandemic and the war in Ukraine, which are hindering economic recovery and causing a sharp increase in the cost of living. On transitional justice reforms, the Government will publish soon a white paper on the final report of the Truth, Reconciliation and Reparations Commission (TRRC) to shed light on the way forward to national reconciliation and justice for the victims of the Jammeh regime. The anti-corruption bill passed all required stages at the National Assembly and the government will engage the new National Assembly to expedite the approval of this bill and re-opening of discussions on the new constitution.

2. The war in Ukraine is accentuating uncertainties in a fragile recovery of our economy that is still suffering from lingering effects of the pandemic. While the number of COVID-19 cases fell to almost nil since February, the vaccination rate is at about 20.4 percent of the adult population as of mid-April 2022; a recently inaugurated ultracold facility and vaccine donations through the COVAX initiative and the World Bank COVID-19 support is expected to boost vaccine supply. With the war in Ukraine and its consequences on global growth as well as global energy and food prices, the country is facing additional drags on the recovery and stronger pressures on the cost of living and the fiscal position.

Recent Economic Developments

3. Three waves of the COVID-19 pandemic hit the Gambia in 2021, weakening the economic recovery, despite some bright spots. Tourist arrivals nearly stagnated during the first three quarters of 2021 and accelerated somewhat in the fourth quarter but stood at less than half of its pre-pandemic levels. The central bank's (CBG) composite index of economic activity (CIEA) pointed to some signs of recovery during the year. On the positive side, remittance inflows continued, increasing by more than 30 percent to US\$777 million in 2021, financing and boosting the construction sector. Credit to the private sector expanded by 20.7 percent (y-o-y) as of end-2021 (well above the 0.8 percent observed in 2020 but still below the 35.8 percent observed before the pandemic in 2019) and picked up further to 29.8 percent at end-February 2022. Government spending, including as part of the supplementary budget appropriation (SAP), helped support the recovery. As a result, economic growth is estimated at 4.3 percent in 2021, following an upward revision of growth in 2020 from -0.2 to 0.6 percent. Inflation accelerated from 5.7 percent (y-o-y) at end-2020 to 7.6 percent at end-2021, fueled by rising global commodity and food prices, and a weak dalasi, and picked up to 8.3 percent at end-February 2022 as the war in Ukraine stoked inflationary pressures globally.

4. Fiscal performance in 2021 was weaker than anticipated, reflecting shortfalls in tax collection and budget support as well as some urgent spending. Tax revenue collection faced challenges from a still fragile economic recovery, international trade constraints, lower collection at the beginning of the year due to low tourism at end-2020, and uncertainty created by the elections. Non-tax revenue was as expected. The disbursement of a World Bank budget support grant was postponed to 2022 and only a fifth (EUR 2.7 million) of the performance-based EU budget support grant was disbursed, due to delays in implementing reform triggers. On the spending side, current expenditure exceeded projections by a small margin (¼ percent of GDP) due primarily to spending pressures in the health sector and on the security of the elections; investment projects financed through the Gambia Local Fund (GLF) overshot the projections by ¼ percent of GDP due to an acceleration of priority road construction projects. Consequently, the fiscal deficit exceeded projection by 0.6 percent of GDP, the net domestic borrowing missed the adjusted program ceiling by 0.4 percent of GDP, and the domestic primary balance was below projections by 0.7 percent of GDP to stand at -0.2 percent of GDP. Nevertheless, the public debt-to-GDP ratio declined by 0.8 percentage point to 84.2 percent of GDP at end-2021.

5. The balance of payments remained stable despite a marked deterioration of the current account. Exports rebounded but continued weakness in tourism and some pickup in imports of goods and services (reflecting commodity price increases and infrastructure-related imports) weighed on the trade balance. Budget support grants from donors declined in 2021 compared to prior years, as we faced some challenges meeting reform commitments. On the upside, remittances continued to increase. As a result, the current account deficit worsened from 3.2 percent of GDP in 2020 to 9.4 percent of GDP in 2021. Meanwhile, capital transfers remained strong and, combined with the general SDR allocation of US\$85 million, helped offset the deterioration in the

current account deficit, and gross reserves reached US\$530 million (or almost 6 months of prospective imports) at end-December 2021.

6. The Central Bank of The Gambia (CBG) acted in late 2021 to contain liquidity and inflationary pressures. To ease building inflationary pressures, the CBG reduced foreign exchange purchases and issued CBG bills, which helped contain excess liquidity in the banking system and slow down reserve money growth. The corresponding growth in broad money (19.5 percent y-o-y) was driven by increases in the banking systems' net foreign assets and net domestic assets (including a 20.7-percent expansion in private credit and a large increase in credit to government. At its policy meeting in February 2022, the CBG maintained the monetary policy rate at 10 percent, and the reserve requirement ratio at 13 percent to support the economic recovery which is still fragile. The interest rates on both overnight facilities were also kept unchanged.

7. The financial sector remains resilient. Risk-weighted capital adequacy ratios at end-December 2021 were above the respective statutory limits for banks and micro-finance companies (MFCs). After some deterioration in December 2020 and March 2021, non-performing loans (NPLs) of commercial banks narrowed to 5.1 percent of gross loans at end-2021. NPLs in microfinance companies (MFCs) declined from 10.9 percent of gross loans at end-2020 to 7.0 percent at end-2021. The banks and the MFCs remain liquid, profitable, and well capitalized, with the banking system's capital adequacy ratio at 29 percent at end-December 2021, compared to a statutory ratio of 10 percent.

8. Efforts to fulfill our commitments to transparency requirements for COVID-19-related spending continue, despite limited capacity and institutional challenges. We continued to regularly publish on the Gambia Public Procurement Agency's (GPPA) website all procurement contracts approved by the Agency and their beneficial owners for COVID-19 contracts. The COVID-19-related spending in 2021 amounted to about GMD 930 million, of which 20 percent were executed through a below the line account from the funds allocated in the 2020 budget. We plan to resume shortly the reporting on COVID-19 spending in the monthly budget execution report. The National Audit Office (NAO) published on its website the first phase of an *ex-post* audit of the COVID-19-related spending covering March through October 2020 following its review by the National Assembly. We completed three out of the five components of the second phase of the audit and the final report will be published after its review by the new National Assembly]. We have completed the flow of funds audit of the AfDB's COVID-19 support before end-2021.

Performance Under the ECF Program

9. We met all but one quantitative performance criteria and all but one indicative targets at end-December 2021. The adjusted floor on the stock of net usable international reserves (NIR) was exceeded by US\$117 million or about 38 percent. The four external debt-related 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; no new debt was contracted out of the US\$115 million ceiling. The adjusted QPC on net domestic borrowing (NDB) was exceeded by GMB 441 million (0.4 percent of GDP) due to challenges we faced in implementing the reforms needed to trigger budget support disbursements as well as some necessary spending. We are working with our development partners to ensure that efforts made towards achieving budget support triggers are, at least, partially recognized, and that future triggers set to unlock budget support are under government's control. Consequently, the World Bank has decided to proceed with the disbursement of the total amount of US\$20 million in 2022. Moreover, to strengthen our coordination and monitoring capacity and prevent delays in reforms and budget support disbursement triggers, we have set up a multi-stakeholder reform implementation and monitoring committee which includes key development partners. More importantly, to prevent fiscal slippages going forward, we are strengthening cash management from 2022Q2 by disallowing cash allocation to MDAs if they do not pre-submit their rolling quarterly spending forecasts to MoFEA; we will also request monthly rolling spending forecasts for selected pilot MDAs. Rolling quarterly spending plans will be continuously aligned with the treasury and borrowing plans, consistent with the NDB target under the ECF program starting from 2022Q2. Furthermore, the new public finance bill will include a provision requiring that, as a general rule, any additional spending should be matched with a proportional additional revenue or spending reallocations in the context of a supplementary budget. Three out of the four end-December 2021 indicative targets were met, including the floor on poverty-reducing spending. 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 decline in trade volumes, and port congestions.

10. Preliminary data at end-March 2022 suggest that all quantitative targets were met, except the ceiling on net domestic borrowing that was breached due to pressures on subsidies and the rapid execution of domestically financed infrastructure projects at the beginning of the year for the OIC conference. Our revenue collection efforts were also counteracted by the need to reduce fuel revenue collection to mitigate the impact of global fuel price increases.

11. We met two end-December 2021 structural benchmarks (SBs); two other end-December 2021 SBs were satisfied with delay; the end-March 2022 SB was not met but we made good progress (Table 3).

- (i) We published before end-December 2021, on MoFEA's website, all financial statements of SOEs for the financial years that have been audited and approved by Parliament.
- (ii) We prepared before end-December 2021, with IMF support, an internal framework for stress testing for banks' balance sheets, in line with the recommendations from the 2019 FSSR.
- (iii) The end-December 2021 SB on tax expenditure was completed in February 2022. The Cabinet endorsed a memorandum on a new tax expenditure policy in 2020. The revised GIEPA Regulations were signed in February 2022 as it took longer time to agree with stakeholders on changes required to align the act with the overall objective of enhancing private sector

development while rationalizing tax exemptions. We reinforced the control over the provision of Special Investment Certificates (SICs), which grant tax incentives.

- (iv) We completed in April 2022 the end-December 2021 SB on the submission to the National Assembly of a revised SOEs bill, in line with the current Constitution and IMF staff recommendations. The delay was mainly caused by obstacles stemming from the stalled constitutional reform and coordination challenges between various government agencies. The bill is expected to help strengthen SOE governance, financial accountability, and oversight by the MOFEA.
- (v) We made good progress on the publication of the Covid-19 spending audit reports. We published the report from the first phase of the audit. The publication of the report from the second phase of the audit is set as an SB for end-September 2022.

Macroeconomic Outlook

12. The overall macroeconomic outlook is facing heightened risks related to uncertainties about the pandemic and the repercussions of the war in Ukraine. Real GDP growth is projected at 5.6 percent in 2022 and an average of 5.9 percent per year in the medium term as tourism sector recovers and the country benefits from road constructions and investment in agriculture. Inflation is expected to remain high in 2022 and 2023 reflecting the impact of the war in Ukraine on fuel and food prices before declining to 5 percent in the medium term. The fiscal deficit is expected to improve from 4 percent of GDP in 2022 to about 0.4 percent of GDP in the medium term, as the revenue mobilization efforts will bear fruit, pandemic-related spending will be phased out, and domestically financed infrastructure projects will be scaled down following the completion of some major projects related to the OIC conference. The current account deficit is expected to persist in 2022 on the back of marked increase in imports due to public infrastructure projects and higher commodity prices. Re-export trade is expected to remain muted given the instability in the major destination countries.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

13. We have advanced the preparation of the Green Recovery-Focused National Development Plan (RF-NDP) and the Long-Term Development Vision (LTDV) 2050. The implementation of NDP 2018-2021, which was extended to 2022, suffered from the COVID-19 pandemic that affected more than half of implementation period. To address this and ensure that we build back better towards achieving our Sustainable Development Goals in 2030, the Government is preparing a Green Recovery-Focused National Development Plan with the support of development partners. The inception report of the RF-NDP and the LTDV was validated in early March 2022 and the consultative process completed is near completion. We are now at the

advanced drafting stage with the aim of completing the RF-NDP by end-June 2022 ahead of the preparation of the 2023 budget. This will be followed by the completion of the 2050 vision and the definition of the public investment plan derived from the RF-NDP by end-September 2022 to pave the way for its comprehensive implementation and resource mobilization.

14. The RF-NDP will federate the cooperation frameworks recently agreed with our main development partners and ensure that it underpins policy priorities of the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2023-2027. To ensure coordinated implementation and appropriate funding of the government development priorities, the RF-NDP will align its priorities with domestic resources and financing commitments from donors. This includes priorities in: (i) the World Bank 2022-2026 Country Partnership Framework with its associated turn around allocation for the same period; (ii) the AfDB 2023-2025 cooperation framework; (iii) the EU 2021-2027 cooperation framework; and (iv) the US Millennium Challenge Account threshold program, as well as the bilateral agreements. All these cooperation frameworks are well aligned with RF-NDP as they focus on the post-pandemic recovery and on helping The Gambia consolidate its democratic transition. We will ensure that the objective and policies of the RF-NDP underpin the policies of the new UNSDCF to be completed in 2022.

B. Fiscal Policy

15. The execution of the budget so far in 2022 shows strong tax revenue collection but mounting spending pressures. Tax revenue collection during January-March 2022 was above the target by 6½ percent, despite some challenges related to lower import volumes and decreasing collection on petroleum products. The good revenue performance is due to higher-than-anticipated outturns on personal and corporate income taxes, value added tax and excise duties following the pickup in activity, particularly in the tourism and hospitality section, towards the end of the year. The pickup of traffic on the Senegambia bridge and the resumption of asset sales under the Janneh Commission also bode well for non-tax revenue collection. However, we have faced some challenges on the expenditure side. As of end-March, almost one-third of the approved budget on subsidies and transfers was spent due to the large amount paid to GGC for 2021 fertilizer campaign (GMD 524 million), and close to 50 percent of the approved budget for domestically financed infrastructure projects was spent due primarily to a large down-payment for a road project in preparation for the OIC conference.

16. The execution of the 2022 budget for the remainder of the year faces significant challenges and shocks. The war in Ukraine and its impacts on global oil prices started and is expected to continue adversely affecting revenue collection as taxes on oil products have been reduced to contain the pass through of the international fuel prices to domestic pump prices in order to prevent social tensions. Budget support from development partners is expected to fall significantly below initial projections. Due to changes in its development support policy, the EU will no longer disburse the budget support expected in 2022, including amounts undisbursed in 2021 due to delays in meeting disbursement triggers. Similarly, the expected budget support from the AfDB is subject to uncertainty but we will make all necessary efforts to ensure its disbursement. The

lingering effects of the pandemic will continue to weigh on budget execution, including a revenue base still below pandemic levels and spending necessary to strengthen the resilience of the health sector.

17. We are adopting a multi-pronged approach to address these challenges and shocks.

We adjusted upwards domestic fuel pump prices in early May 2022 to partly reflect global fuel price developments. We will bolster revenue collection by accelerating assets sales under the Jannah Commission for an additional GMD 300 million (0.3 percent of GDP) relative to the original budget. We will also accelerate the sale of some identified government financial assets. The CBG is expected to provide some profits to the budget. We have put in place a committee to assess the impact of recent fuel prices increase and impact of the war in Ukraine and propose mitigating measures. In the meantime, we have taken spending rationalization measures, including on SOE subsidies as well as a ban on non-essential travels, lower subsistence allowances during official travel, limits on communication allowances, and reduction by 20 percent of fuel allowances to senior officials. We will strictly adhere to the recommendation of the cash management committee and make efforts to shift some domestically financed spending to donor project financing. Domestic interest payments are expected to decline below initial projections. Nonetheless, we will continue to cater to pandemic-related needs, including vaccination logistics, the running of the COVID-19 hospitalization centers and medical supplies, and any pandemic-related contingency. Those measures will help contain the impacts of the above shocks on the fiscal deficit, which is projected to expand from 3 percent of GDP under the third ECF program review to 4.2 percent of GDP under current projections. This expansion of the fiscal deficit will be financed by an on-lending of the two ECF disbursements in 2022 (about 0.6 of GDP) and an increase in net domestic borrowing (by about 0.9 percent of GDP), with the excess covering some minor pressures on external debt service. This revised fiscal framework continues to keep public debt on a downward trend, despite some slight deviation from the original path.

18. We will continue revenue administration reforms to support our fiscal framework in the near and medium terms.

We pursue the tax exemption rationalization process initiated in 2021, an improved collection process through the electronic payment platform, the upgraded taxpayer registry and other revenue administration measures. We have adopted and launched a taxpayer charter to improve compliance (**end-June 2022 SB** but completed in April 2022). In addition, the GRA will: (1) continue to leverage its increased tax audit and data matching capacity to help improve compliance across major taxpayers; specifically, it will; audit tax exempted entities under Special Investment Certificates (**end-September 2022 SB**); and cleanse and maintain accurate tax ledgers for large taxpayers (**end-September 2022 SB**). The GRA will also make use of the results of the Rented Property Survey conducted in 2021 to extend its tax base to the commercial real estate sector. Revenues will be further supported by non-tax collections from the sales of recovered assets as authorized by the Jannah Commission, the Senegambia Bridge toll receipts, and an expected one-off receipt of US\$30 million from the petroleum sector.

C. Debt Sustainability

19. Despite fiscal challenges and pressures, we will continue our efforts to reduce debt vulnerabilities as our public debt profile continues to be deemed sustainable but at high risk of distress. 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 supported by a strong medium-term fiscal framework and a prudent borrowing policy. Our medium-term fiscal framework is geared towards achieving debt sustainability while appropriately addressing the lingering effects of the pandemic, navigating the economic fallout of the war in Ukraine, and supporting the economic recovery. We expect the primary balance to turn from a deficit of 1.6 percent of GDP at end-2021 to zero percent of GDP in 2023, and average surplus of about 1¼ percent of GDP in the medium term. This will support a steady decline in the public debt-to-GDP ratio from 83.8 percent in 2021 to 53 percent in 2027. To achieve these objectives, we will continue our revenue mobilization efforts, including by: (1) implementing the GRA's Corporate Strategic Plan; (2) further rationalizing tax expenditures through the implementation of the tax expenditure policy and revision of fiscal provisions of the GIEPA act; (3) digitalizing tax administration; and (4) broadening the tax base by tapping into the revenue potential of the hospitality, cable television, and real estate sectors. As a result of these measures, the tax-to-GDP ratio is projected to increase from 10¼ percent of GDP in 2021 to 12½ in 2027. Our spending rationalization efforts will help reduce primary current spending and domestically financed infrastructure spending by 2 percent of GDP between 2022-27 as pandemic-related spending are unwound and major projects (BRP and OIC Summit-related) are completed. This decline in spending will be supported by PFM measures to: (1) rationalize the wage bill through the use of the electronic payment and the Biometric Time and Attendance Register System to better control the payroll; (2) reign in subsidies by continuing to improve of SOE governance, and rationalize foreign missions and subvented agencies; (3) control government consumption by adhering to strict procurement rules and regulations (in line with the GPPA Act), so that value-for-money of all government contracts is secured; and (4) improve the efficiency of public investment by using the project selection criteria through the Gambia Strategic Review Board. These measures will be complemented by the definition of the multi-year Public Investment Program with World Bank support and the recommendations of a well-functioning of the cash management committee.

20. 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. In 2021, the Government did not contract any external debt, including concessional debt out of the US\$114 million ceiling for the year. Weekly consultations continue to take place between the EIB, AfDB and Government at the highest level to ensure a concessional financing of the Banjul port extension. Regarding the construction of the Bertil-Harding highway in preparation for hosting the summit of the Organization of Islamic Cooperation (OIC) countries, all the financing has been secured; two of three financing agreements have been ratified but are yet to disburse, and the remaining is pending ratification as soon as the new National Assembly starts sittings.

21. We continued the reconciliation and cleaning of the external debt data and the recording of the domestic debt in the *Meridian* system. We have continued the regular

publication of the quarterly debt bulletin, and the revision and publication of annual borrowing plans and monthly bond issuance plans. Efforts to bolster data collection and reconciliation continue. We received TA support from the World Bank, in coordination with the Commonwealth Secretariat (CS), on validation and reconciliation of public debt data in Meridian. The Consultant visited Banjul in March 2022 and helped clean, reconcile, validate the end 2021 debt stock, debt service and disbursements for the production of the 2021 (annual) Public Debt Bulletin and the formulation of the Medium-term Debt Management Strategy. Going forward, we will initiate data reconciliation exercises with all major creditors failing to provide regular disbursement updates in May and November every year, followed eventually by meetings in June and December to clarify still unresolved issues. We will 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 continued our efforts to establish credible contacts with the Libyan authorities with the aim to conduct a thorough reconciliation of outstanding arrears and, thereafter, agree on a repayment plan. We also stand ready to undertake a reconciliation and a repayment plan with the Venezuelan authorities after the lifting of international sanctions.

22. We will continue to strengthen governance and financial management in SOEs, to minimize contingent liabilities and foster economic efficiency. In this context, the SOEs bill was aligned with the existing constitution and submitted to the National Assembly in April 2022. In addition, to improve transparency and accountability of the SOEs, we: (i) produced an SOE annual performance report for the year 2020, using the IMF's SOE health check tool which identified persistent vulnerabilities in the sector; (ii) published on [MoFEA's website](#) the audited financial statements of SOEs that have been approved by the National Assembly, a practice that will be continued; and (iii) stepped up efforts in the adoption of IFRS standards by all SOEs leveraging on the ongoing training provided by Afritac West 2. To improve the efficiency of SOEs and mitigate the risks on government budget, we are analyzing an adjustment of fertilizer prices to reduce subsidies and use part of GGC profits on groundnuts sales to reduce the associated subsidies on the groundnuts purchase. NAWEC is analyzing with World Bank support a more transparent price structure that will strengthen its financial footing and clearly determine government subsidies. We are engaging the World Bank to receive technical support to extend the use of performance contracts to three key SOEs (Gambia Port Authority, Social Security and Housing Finance Corporation, and Gambia National Petroleum Corporation), including target-based key operational and financial indicators (**end-September 2022 SB**). We continue to monitor the cross arrears between SOEs. Besides, the use of the ITFC facility by NAWEC and GNPC continued with an increased pace to cope with the rising global oil prices.

D. Monetary Policy and Financial Sector

23. The Central Bank has started taking measures to contain mounting inflationary pressures while keeping monetary policy parameters unchanged to support the fragile economic recovery. Faced with a build-up of inflationary pressures, the CBG reduced forex purchases and issued CBG bills in December 2021, which helped reduce excess liquidity and

moderate reserve money growth. Given the heightened uncertainties surrounding the recovery, at its February 2022 Monetary Policy Committee meeting, the CBG maintained its key instruments unchanged, while leaving open the window of possible monetary tightening. At end-February 2022, inflationary pressures continued, exacerbated by the war in Ukraine, and reserve money and private sector credit accelerated. In this regard, the central bank will pursue issuance of CBG bills and will consider complementing this with other instruments, such as forex sales and an increase in the special deposit facility rate.

24. We continued to strengthen the institutional and policy environment to foster financial sector development and access to finance. The National Assembly approved the 2021 Capital Market and Securities Bill in November 2021. This bill aims at establishing a capital market in The Gambia which will assist in the mobilization of long-term financing for socio-economic development, particularly the real sector of the economy. The launching of the donors-supported National Financial Inclusion Strategy in early 2022 will help address the low access to financial services, a key finding in the 2019 FinScope survey, by leveraging new technology, fintech, and mobile money in supporting women and youth access to financial services. To operationalize the NFIS, CBG has engaged a global fintech company to upgrade the national switch GAMSWITCH to extend to all financial institutions and mobile money operators.

25. Our regulatory and supervisory capacities are being enhanced with TA support, to address vulnerabilities in the financial sector. The overall financial sector continues to be broadly resilient. We have prepared a framework for banking sector stress testing, in line with the recommendations from the 2019 FSSR. We will leverage the support of the new IMF Resident advisor, to build up in-house expertise for stress testing banks for early signs of distress. In this context, we will conduct the balance sheet stress tests of one large and one medium-sized bank by end-September 2022 (**end-September 2022 SB**). In August 2021, the CBG Board passed a resolution to establish a macroprudential unit in line with the FSSR recommendation of 2019. Currently, a team comprising multi-disciplinary staff is being constituted to work with the resident technical assistance to conduct stress testing of banks.

26. We are strengthening safeguards, governance, and the investment policy at the central bank. We have implemented most of the key outstanding recommendations of the IMF's 2020 safeguards assessment, including ongoing training of staff of our finance and audit departments in the principles and practices of IFRS, and audits of quarterly monetary data submitted to the Fund for program monitoring purposes by the CBG internal audit function. Earlier on, we approved a revised audit committee charter to align it with leading practices and strengthen independent oversight of the CBG. The audit of the CBG's 2021 financial statements is at its final stages. Further, the CBG Board will approve by end-June a revised investment policy and guidelines to align our investment objectives and leading practices with recommendations from a recent IMF technical assistance.

27. Despite an anticipated small decline, we plan to safeguard a comfortable level of forex reserves to meet the expected higher debt service at the end of the debt deferral period. The impact of the war in Ukraine, combined with the use of US\$20 million of the IMF SDR allocations (of

US\$85 million) and the utilization of the two 2022 ECF disbursements, will slightly reduce our external reserves. Nonetheless, they will remain around 4 months of imports in the medium term.

E. Structural Reforms

Domestic Revenue Mobilization

28. The GRA's Corporate Strategic Plan (CSP) 2020–24 is currently in its third year of implementation and a mid-term performance review is planned during the second quarter of 2022. The CSP continues to guide our reform efforts.

- We are preparing the 2021 annual progress report on CSP achievements, which we will publish on the GRA website in June 2022. The preparation of 2022 operational plans aligned with the 2022 GRA budget has been completed and is being implemented. The new Taxpayer Charter was approved, launched and published on the GRA website in April (**end-June 2022 SB**). The Internal Affairs Unit (IAU), created in 2020, is being relocated to the newly constructed Revenue House Annex and additional staff will soon be recruited. The IAU has developed a Whistle Blower's Policy, Gift Policy and procedure manual awaiting review and validation by the Reforms and Modernization committee. With World Bank assistance, Terms of References (TORs) have been published for the development of a comprehensive compliance management strategy for the GRA and the design and development of a bilingual website. Afritac West 2 provided remote training to develop strategy, policy and workplan documentation for the implementation of Risk Management (RM), Border and Inland Control (BIC), and Post Clearance Audit (PCA). These documents are currently being reviewed for implementation. Additional PCA training has been received by the World Customs Organization (WCO).
- **Tax registry cleaning project:** The taxpayer register cleansing project has been completed for all tax offices. The Headquarters Functional Team (HQF) is currently validating the results. A national roadshow was conducted in April and May to ensure branch office compliance in maintaining the registration data for their respective offices. A hybrid approach to upload the clean registration data on to GamTaxNet is considered while negotiations are ongoing with the IT developer to do a bulk migration into the system. The cleaning of taxpayer accounting records started in April and is expected to accurately capture the taxpayers' registration details in GamTaxNet.
- **GAMTAXNET remediation plan:** The project has been concluded in January 2022. The new GamTaxNet Version 4 has been deployed to all offices. All tax offices have received training on the usage of the remediated system modules. The HQF team provides ongoing system training and support to all offices to ensure user uptake and adherence to system maintenance protocols.
- **Taxpayer ledger cleansing project:** The Ledger Reconstruction and Maintenance (LRM) project planning commenced in January 2022. The HQF team developed the project plan, reviewed the existing guidelines to cleanse the accounting records of taxpayers within GamTaxNet, identified

the number of Large Taxpayer Unit (LTU) taxpayer records per tax type to be cleansed, the number of resources required to reconstruct the taxpayer accounts, developed notifications to taxpayers and the media, drafted letter templates for requesting outstanding taxpayer returns and reconciliation notifications, and extended the usage of GamTaxNet to laptops and trained all project team members. The project plan was approved and launched in April 2022, and it is expected to be completed by end-September 2022 (**end-September 2022 SB**).

- **Digital transformation:** Ernst and Young (E&Y) Ghana was appointed as contractor to assist GRA with the procurement of the new Integrated Tax Administration System (ITAS). We conducted contract and project management training on the ITAS and designed associated business processes. Two study tours to Rwanda and Kenya were undertaken. A bid evaluation report was forwarded to the African Development Bank (AfDB) to source alternative energy supplies (solar and battery banks) for offices at the borders (Giborroh, Soma, Bansang, Basse, Farafenni and Amdallai) and potentially at the Port. We will develop the ITAS implementation roadmap to support successful implementation. On the migration to ASYCUDA World, the project is facing challenges including funding constraints, procurement delays, lack of competent technical and functional staff, insufficient government stakeholder support and the slow pace of network upgrades. We are currently in consultations with the relevant parties to address these project completion risks. The installation and configuration of the servers is completed and training provided to the customs technical and functional teams including a study tour in Uganda. Sensitization workshops and presentations on Asycuda World are ongoing for staff, stakeholders and the trading community. User access rights for different user groups have been setup. User acceptance testing is ongoing. A comprehensive new business process that includes the SIGMAT solution—the Economic Community of West African States (ECOWAS) customs interconnection project—was validated in February 2022. Sensitization workshops and presentations on Asycuda World are ongoing for staff, stakeholders and the trading community.
- **Tax expenditure policy (TEP):** A new TEP policy was designed with IMF and WB support. The preparation was initiated for a tax audit campaign on five exempt entities in various sectors holding EPZL or GEIPA Special Investment Certificates that are close to graduation (**end-September 2022 SB**). The campaign is expected to result in additional revenue collection, improve the sectoral tax compliance, improve skills levels, enhance future TEP decision-making, and create a database of financial and tax information on the exempt entities. The strengthening of internal controls in adhering to legislative and regulatory requirements, together with improvement in the Customs department’s adherence to policy measures and operational protocols especially regarding exemptions to ensure accuracy in valuations and charges, resulted in disallowance of exemption applications of GMD 0.86 billion in 2021 and of GMD 91.8 million so far in 2022. We will also revisit fiscal incentives under the GIEPA act.
- **Other measures:** We are working with the national telecom company (GAMTEL) to improve network connectivity. As part of the GRA’s digital transformation, all offices have now been fitted with fiber optic cabling that will stabilize internet connectivity in preparation for the new Integrated Tax Management System. We are reviewing the Income Tax and Value Added Tax

(IVAT) 2012, the Customs and Excise Act 2010 and the GRA Act 200. Part of the IVAT Act 2012 review will include improvements to petroleum taxation measures to avoid revenue leakages in this area. Negotiations for access to the Revised Kyoto Convention are also ongoing. We will develop and implement a strategy for managing tax arrears. We will also seek to amend the tax law to implement tax profit shifting protections for the fiscal regime for petroleum investments.

Public Financial Management (PFM)

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

- **Public procurement:** Despite the government effort in engaging the current National Assembly, the GPPA Act was not presented at the plenary as the committee in charge of its review was not able to complete all the required consultative processes. We will make the GPPA Act draft bill among the priority bills to be presented to new National Assembly elected in April 2022. The passing of the bill will enable the signing of the regulations that are already finalized with the European Union support. On e-procurement, the readiness assessment has been made, which helped determine the best approach and model for The Gambia. A study tour was conducted by GPPA and MOFEA officials in April to assess successful experiences in similar environments.
- **Civil service reforms:** We intend to roll-out by 2023 the performance-based management using the commitment for results toolkits of the Commonwealth. Some 200 civil servants have so far been trained on the use of this Toolkit. Following some capacity building, we have initiated the functional review of MDAs in bid to rationalize their roles and functions to eliminate or at least minimize the duplication and overlap of their functions to enhance their effectiveness and efficiency. In this regard, we have completed data collection and the recruitment of a consultancy firm that could help finalize this exercise. The pension bill was approved by the National Assembly in early 2022 and could enter into effect by end-2022. The new pension system, calculated on the gross salary, will be contributive (5 percent deduction from salary) and enter into effect only after 5-year contribution. Cabinet approved in late 2021 a new pay scale and grading system which collapsed the existing 12 grades pay scales and more than dozen fixes (ad-hoc grades for top officials) to 11 grades with 3 fixes (for the President, the Vice-President and the Ministers). The new pay scale, which will be implemented gradually depending on resource availability, will increase the minimum pay grade by 100 percent and cost at least GMD 2.5 billion, about half of current wage bill. To accommodate this cost, we will tighten the control of the pay systems through a strong control of attendance and the use of the financial system to pay salaries, rationalize the foreign services, speed up the implementation of the vehicle policy as well as control of unessential travel abroad.
- **Integrated Financial Management Information Systems (IFMIS):** The IFMIS has been fully rolled out to all Sub-Treasuries (Regional Governors' Offices), Embassies and Local Government Councils. The phased rollout to the Subvented Agencies is underway, with seven of them (NaNA, GBoS, EFSTH, SDF, GGC, CCM and GPPA) have already been setup, their staff trained. The IFMIS support team is working with them to capture their budgets on the system. The integration of the IFMIS with the Debt Management System Meridian is currently at the final stage. The IFMIS

is fully integrated with CBG's system, allowing the direct electronic government payment to beneficiary bank accounts through the IFMIS system.

- **Cash management:** The lack of periodic updates of MDAs' cash plans hindered our ability to properly perform cash management. To address this issue, the Ministry of Finance is issuing a circular conditioning the cash allocations to MDAs' timely submission of their updated quarterly cash plans starting in 2022Q2. AGD and the Budget Department will also identify pilot MDAs to submit their monthly cash forecast electronically using IFMIS.] AGD will finalized by end-Q3 the cash forecasting manual. We will strengthen further the Treasury Single Account by closing remaining accounts of core ministries/departments in commercial banks and shifting from bi-weekly to real-time remittance of government revenues with the implementation of new payment platform. The rollout of IFMIS in subvented agencies which will eliminate the need to send them cash as well as allow them to remotely monitor their cash balances and make payments to beneficiaries will make their accounts in commercial banks irrelevant.
- **Public Finance Bill:** we have concluded a contract with a consulting firm for the amendment of the Public Finance Act, 2014, the update of the 2016 Regulations and the development of a PFM Manual. We will complete the first draft of revised Public Finance Bill by end-June 2022 (**revised end-June 2022 SB**) and complete the two other documents by end-September 2022.
- **COVID-19 spending:** The National Audit Office (NAO) has published on its website the first phase of the ex-post audit of COVID-19 spending after the National Assembly review. NAO is preparing a summary report of the audit to facilitate its absorption by the public and is also sensitizing on the need to implement the recommendation of the audit. We have completed three out of the five components of the second phase of the audit and the remaining two are well advanced. We will finalize the report and present it to the new National Assembly for review and publication. We will continue the transparency requirements for COVID-19 spending to cover the entire years 2021 and 2022.
- **Investment selection:** The GSRB is mandated to assess and select all PPPs, externally, locally, and contractor-financed investment projects. The MDAs have started applying the criteria to their new externally financed projects, and the GSRB is meeting regularly as needed to assess projects submitted to them. To ensure GSRB assess GLF projects, which tend to carry higher fiscal risk, we plan to institute a risk-based approach (based on project size) to the new selection procedure going forward. We are reiterating to all MDAs, through a circular from the MoFEA, that only new projects that have a positive assessment by the GSRB will be considered in the 2023 budget. This requirement is also reiterated in the budget circular.
- **Medium-term expenditure and fiscal framework (MTEFF) and the Public Investment Program (PIP):** MoFEA has produced a draft Medium Term Economic Fiscal Framework for 2023-2026. The draft is currently being reviewed to further incorporate policies and spending on large infrastructure projects over the period 2023-2026 to improve medium term budget planning. To this end, the Public Investment Plan piloted for priority sectors (health, energy,

education, agriculture, infrastructure, environment) is mainstreamed into the preparatory process of the MTEFF to enhance macro-fiscal management that support debt sustainability.

- **Aid Policy Action Plan:** We successfully accomplished several tasks in the process of producing the new Gambia Aid policy (2021-2026). The objective is to ensure alignment between aid resources and the Government's development goals. A report produced by the consultant hired to conduct the end-line review was validated. Another consultant was hired to develop the new Gambia Aid Policy 2021-2026, and the first draft of the Policy was submitted and reviewed. Comments and suggestions from the review process are being incorporated; the final Policy document is expected to be scheduled for validation by the stakeholders before publication. In order to make the implementation of the Aid Policy effective, some guiding principles will be employed, and measures taken to improve aid data collection and as well as the publication of the aid bulletin. Such principles include: alignment of all aid flows reported in the budget with strategic plans; and transparency and predictability of flows from all development partners.
- **Fiscal Risk Management:** To reinforce fiscal stability, an IMF fiscal risk assessment mission is currently helping the authorities in preparing the first Fiscal Risk Statement (FRS) to be an annex to the 2023 budget. Going forward, this is expected to form part of the annual budget appropriation process and strengthen public financial management. The FRS aims to map and give a broad quantification of key fiscal risks, including: (i) Macroeconomic risks; (ii) Long-term sustainability risks, comprising those given by long-run growth and unfunded liabilities; (iii) specific fiscal risks, including from expenditure surprises, explicit contingent liabilities (guarantees) and implicit financial liabilities (e.g., from SOEs, PPP contracts or linkages with the financial sector).

Governance, Corruption and Trafficking in Persons

30. We will accelerate the adoption of the anti-corruption bill and welcome the IMF governance diagnostics mission to strengthen governance. The adoption of the new anti-corruption bill along with the GPPA Act will be presented to the new National Assembly members as a top priority for the government to boost transparency and fight corruption in public finances. We intend to set up the Anti-corruption Commission by the end of 2022. We will request a Governance diagnostics mission of the IMF to help the government define a reform plan to consolidate the recent gains in the fight against corruption, enhance fiscal transparency and the respect the rule of law. The Gambia's planned hosting of the regional Governance summit for the Sahel scheduled in late June 2022 is a recognition of the authorities' resolute commitment to good governance, since the new dispensation.

31. 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:** We have strengthened our collaboration with the US embassy in implementing the recommendation of the 2021 US State Department report on trafficking in

person to help improved the country ranking and safeguard the US government support. We have strengthened the National Agency Against Trafficking In Persons (NAATIP) and increased the number of prosecutions, conducted sensitization and training of various stakeholders, and enhanced the witness protection program.

- **AML/CFT:** The Gambia has made improvements to its AML/CFT framework. Besides conducting numerous trainings for banks and non-banks financial institutions as well as law enforcement agencies, we have issued guidelines for reporting entities, conducted offsite and onsite examination of all banks, and set threshold-based reports for cash transaction and wire transfer for financial institutions. The National Coordinating Committee on AML/CFT approved the Gambia's first national AML/CTF Risk Assessment report in January 2021; the report was forwarded to the Cabinet for information and was subsequently endorsed. We are revising the AML/CFT Act 2012 along with related regulations for better compliance with FATF standards. We are enhancing the effectiveness of the AML/CFT framework, including tackling of the proceeds from corruption and related money laundering, through tighter cooperation with law enforcement agencies. The Financial Intelligence Unit is strengthening its capacity through a mentoring relation with Ghana and Nigeria with a view to joining Egmont Group of FIUs, for which we are addressing identified shortcomings, including physical security, equipment and software issues, and a review of the AML/CFT Act 2012. We also aim to undertake the priority actions recommended by the GIABA Mutual Evaluation Report (once adopted) to correct identified deficiencies in our AML/CFT framework.

Business Environment

32. The development of the private sector remains at the center of our post-pandemic recovery plan to create jobs, reduce poverty and limit scarring from the pandemic. In this regard, we are decentralizing The Gambia Investment and Export Promotion Agency (GIEPA) by opening regional offices and strengthening its role in supporting private sector development. The Ministry of Trade and the Ministry of Justice are working on the possibility of deploying the business registration single window to GIEPA. We engaged our development partners to help finance the US\$500,000 needed to revamp the obsolete IT infrastructure of the registration office. We will engage the judiciary to accelerate the existing commercial cases pending in court and revitalized the commercial division in the high court to address commercial disputes until the legal and funding requirements for a commercial court are secured. The Government has secured funding through the West African Competitiveness Project (WACOMP) for the establishment of a food testing laboratory to enhance the enforcement of food safety and quality in The Gambia. To leverage on the potential economic dividends of the Senegambia Bridge, the Ministry Trade, Regional Integration and Employment is working to establish a Special Economic Zone along the Trans-Gambia Corridor. The objective is to develop a trade and tourism hub in the Special Economic Zone to optimize the country's benefits from the AfCFTA. To fast track the process, the Ministry successfully launched the Jenoi Agricultural Platform at the designated Special Economic Zone to enable the project to build a modern market facility and a cold storage facility to support women and youth entrepreneurs.

Poverty Reduction, Gender Issues, and Climate Change

33. Poverty reduction: The first phase of the Social Registry data collection in 30 districts in URR, CRR, LRR, NBR and WCR and the second in six additional districts in NBR are completed. Clean data sets from the first phase are currently available on 63,439 households across the five regions covered. The information covers demographic, socio-economic and disability data of the entire populations of the regions. We will complete the data cleaning process for six additional districts and upload all data in the Registry by end-June 2022. We plan to make use of this information for a more targeted, efficient response to social needs in future. Moreover, the Program for Accelerated Community Development (PACD) has expanded and now cover 80 communities and helps deliver basic services to the rural population. The PACD reinforces community services through the construction of boreholes, provision of access to electricity in local communities, provision of exotic animal breeds and development of geographical information system (GIS) to support sustainable digital solutions to improve basic service access of rural communities. The Phase I of this GIS has been completed with tracking devices procured and the stakeholder mapping exercise concluded.

34. We will strengthen our policies to build resilience to climate change. The Gambia is among the countries most vulnerable to climate change, and we are taking seriously the challenges related to this threat. A high-level delegation attended the Twenty-sixth session of the Conference of the Parties of The UNFCCC (COP26) in October-November 2021 and reenforced The Gambia's commitment to the Paris climate agreement. The Gambia's policy and actions are deemed compatible with the goals of the 1.5°C Paris climate agreement and internationally supported target almost sufficient according to the Climate Action Tracker latest update. We have started a mini solar grid project of 120.6 kW in March 2022, financed by the ECOWAS Renewable Energy Facility (EREF) with support from USAID and Power Africa aiming at providing electricity access to more than 4,000 residents in Nyamanarr.

35. Capacity development: We welcome the very timely capacity-enhancing support from our partners, including the IMF. We will continue to leverage on that technical assistance to strengthen revenue administration, public financial management (including cash management, fiscal transparency, project appraisal and selection processes, SOEs accounting framework), macroeconomic statistics production, debt management, monetary policy design, and bank supervision capacity.

F. Program Monitoring

36. 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 fifth and sixth program reviews will be based on targets and benchmarks through end-June 2022 and end-December 2022, respectively.

Table 1. The Gambia: Quantitative Targets and Indicative Targets, 2021
(Cumulative from beginning of calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2021															
	2020			Mar.			Jun.			Sep.			Dec.			
	Prel.	Prog.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status
Performance criteria¹																
1. Net domestic borrowing of the central government (ceiling)	112	1,000	39	Met	500	1,199	1,119	Met	1,100	2,100	1,387	Met	1,250	2,250	2,691	Not Met
2. Stock of net usable international reserves of the central bank (floor, US\$ million)	292	250	300	Met	260	246	314	Met	270	249	424	Met	345	311	428	Met
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	Met	0.0	...	0.0	Met
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	Met	0.0	...	0.0	Met
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	Met	0.0	...	0.0	Met
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US\$ million) ^{3,4}	12	115	0.0	Met	115	...	0.0	Met	115	...	0.0	Met	115	...	0.0	Met
Indicative targets¹																
7. Total domestic tax revenue (floor)	10,326	3,000	2,678	Not Met	6,000	...	5,584	Not Met	8,700	...	8,316	Not Met	11,400	...	10,833	Not Met
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions) ⁵	0.0	0.0	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met
9. Stock of net domestic assets of the central bank (ceiling) ⁶	4918	8,171	5,119	Met	8,034	...	4,680	Met	8,284	...	4,685	Met	8,034	...	4,288	Met
10. Poverty-reducing expenditure (floor)	6975	1,300	1,384	Met	2,800	...	2,800	Met	4,400	...	4,618	Met	6,000	...	6,472	Met
Memorandum items																
Budget Support grants (US\$ millions) ⁷	819	0.0	0.0	...	20.0	...	6.5	...	27.1	...	6.5	...	43.7	...	9.7	...
Base Money (stock, GMD millions)	18,595	19,628	19,280	...	21,079	...	20,166	...	20,527	...	21,397	...	20,544	...	21,124	...
IMF disbursements (SDR millions)	20.6	20.0	20.0	...	30.0	...	30.0	...	30.0	...	30.0	...	35.0	...	35.0	...
ECF disbursements	5.0	20.0	20.0	...	30.0	...	30.0	...	30.0	...	30.0	...	35.0	...	35.0	...
Of which: augmentation	...	15.0	15.0	...	20.0	...	20.0	...	20.0	...	20.0	...	20.0	...	20.0	...
CCRT debt relief (SDR millions) ⁸	3.2	0.0	0.0	...	1.1	...	1.1	...	1.1	...	1.1	...	3.0	...	3.0	...

¹ For definitions and related adjusters, see the Technical Memorandum of Understanding (TMU). End-June and End-December are test dates. Targets for end-March and end-September are indicative targets (ITs), 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 Benji Port expansion, of which US\$50 million on concessional terms and US\$15 million in nonconcessional borrowing, which is expected to be 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 lending 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 April 13, 2022, is available under the CCRT.

⁸ The debt limit is formulated in nominal terms due to authorities' limited capacity to monitor and observe conditionality on aggregate debt levels (including in PV terms).

Table 2. The Gambia: 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.		Mar.		Jun.		
	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	
Performance criteria¹													
1. Net domestic borrowing of the central government (ceiling)	1,462	1,673	1,462	1,839	759	1,749	659	1,659					
2. Stock of net usable international reserves of the central bank (floor, US\$ million)	359	359	349	349	367	367	361	361					
3. New external payment arrears of the central government (ceiling, US\$ million) ²	0.0	0.0	0.0	0.0	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	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	0.0	0.0	0.0	0.0					
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US\$ million) ^{2,3,4}	115	115	115	115	115	115	115	115					
Indicative targets¹													
7. Total domestic tax revenue (floor)	2,800	2,979	5,750	5,709	9,000	8,512	12,000	11,837					
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions) ⁵	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
9. Stock of net domestic assets of the central bank (ceiling) ⁶	7,868	5,752	7,868	7,530	7,868	7,530	7,868	6,957					
10. Poverty-reducing expenditure (floor)	1,400	1,400	3,000	3,000	4,800	4,800	6,500	6,500					
Memorandum items:													
Budget Support (grants, US\$ millions) ⁷	0.0	0.0	26.3	20.0	33.4	20.0	50.9	20.0					
Base Money (stock, GMD millions)	19,845	21,974	19,204	21,408	20,139	21,844	20,886	20,233					
IMF disbursements (SDR millions)	0.0	0.0	5.0	5.0	5.0	5.0	10.0	10.0					
ECF disbursements	0.0	0.0	5.0	5.0	5.0	5.0	10.0	10.0					
CCRT debt relief (SDR millions) ³	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8					

¹ For definitions and related adjusters, see the Technical Memorandum of Understanding (TMU). End-June and End-December are test dates. Targets for end-March and end-September are indicative targets (ITs), 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 be blended with a grant to meet the required 35-percent grant-element requirement. The grant for debt service falling due through April 13, 2022 is available under the CCRT.⁴ The debt limit is formulated in nominal terms due to authorities' limited capacity to monitor and observe conditionality on aggregate debt levels (including in PV terms).⁵ The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non-market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.⁶ A performance criterion at end-December 2020.⁷ Excludes grants under the CCRT.

Table 3. The Gambia: Prior Action and Structural Benchmarks, 2021

Measures	Macro Rationale	Timing	Status
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-December 2021	Not Met ¹
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	Re-schedule during the 3 rd ECF review 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	Not 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-December 2021	Met
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	Not met (proposed prior action)
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	Met
1/ The target date was missed but the action was subsequently completed.			

Table 4. The Gambia: Structural Benchmarks, 2022

Measures	Macro Rationale	Timing	Status
<p>Prior action:</p> <p>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.</p>	To strengthen governance of the SOEs, to reduce fiscal risks and improve public service delivery.	Prior action	Met
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	Not met
Publish the phase 2 audit report of COVID-19-related spending on the website of MOFEA and/or other platforms.	To ensure transparency of COVID-19 spending.	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	
Prepare, in consultation with the Fund staff, a first draft of 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-June 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	
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

1. 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 adjusters that will be applied to certain quantitative targets under the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

2. **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.

3. **Adjuster:** The NDB target will also be adjusted downward by the amount of any budget support received from the African Development Bank.

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

B. Net Domestic Assets of the Central Bank

5. **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.

- 6. 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.
- 7. 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

- 8. 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.
- 9. 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.**
- 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. Concessional debt is as defined in ¶16.

20. For borrowing packages comprising both loan and grant components to meet the concessional 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

¹ The term "debt" has the meaning set forth in ¶18(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.

(GRA). Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 1). 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.

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 Cross-Cutting 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 3 RD 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 1 year	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
Gambia Revenue Authority (GRA)	Staff Monitored Program (SMP) implementation matrix	Monthly	30 days after month-end
	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
Gambia Bureau of Statistics (GBoS)	Tax exceptions\duty waivers	Monthly	30 days after month-end
	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
Ministry of Agriculture (MoA)	Gross domestic product (GDP)	Annually	90 days after year-end
	Crop field cultivation per hectare	Quarterly	90 days after year-end
	Crop yield	Quarterly	90 days after year-end
Gambia Tourism Board (GTB)	Livestock population by region	Quarterly	90 days after year-end
	Tourists arrivals by nationality	Monthly	30 days after month-end
	Out-of-pocket tourists expenditures	Monthly	30 days after month-end



THE GAMBIA

May 24, 2022

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE AND MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

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(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	<i>High</i>
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Sustainable</i>
Application of judgment	<i>No</i>

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 prepared in the context of the third ECF review in November 2021.^{1,2} Under the updated macro framework, which incorporates the potential spillovers from the war in Ukraine, there are temporary breaches of the indicative thresholds for the PV of external debt-to-exports, external debt service-to-exports and external debt service-to-revenue ratios. These breaches primarily reflect weak export projections in the early years and rising debt service commitments in the medium term. The PV of overall debt-to-GDP ratio remains on a downward sloping path and drops below its benchmark of 55 percent of GDP by 2025, underpinned by fiscal consolidation and support from development partners. This path indicates 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, and uncertainty over donor support disbursements as well as associated fiscal pressures that could adversely affect the debt profile.

¹ Overall assessment remains unchanged due to similar readings of mechanical risk signals.

² The Gambia's Composite Index is estimated at 2.95 and is based on April 2022 WEO update and 2020 WB CPIA that was published in July 2021; the debt carrying capacity remains medium.

BACKGROUND

1. The COVID pandemic surge has abated, but the economic recovery remains soft and faces several challenges, in particular the spillovers from the war in Ukraine. The various waves of the pandemic have weighed on economic activity and The Gambia's vaccination rate remains low at about 20 percent of the adult population. While there are nascent signs of improving activity, the outlook remains highly uncertain with significant downside risks. Inflationary pressures have risen in the wake of the Ukraine war, with upward revisions to fuel and food prices expected to have a significant impact on growth and inflation projections for 2022 and 2023, in particular (see section on Macro assumptions below). Meanwhile, fiscal outturns were weaker than expected in 2021, reflecting a shortfall in donor budget support and some slippage in spending. The current account deficit widened by less than anticipated in 2021, on the back of improving tourist activity towards the end of the year and lower-than-anticipated imports linked to infrastructure projects. Baseline projections for the key macroeconomic indicators are highlighted in Text Table 3.

2. Compared to the previous DSA in November 2021 (third ECF review), the current DSA uses updated end-2021 data as a starting point. The DSA uses a broader coverage of the public sector, which includes the central government, central bank and government-contracted debt pertaining to State-owned enterprises (SOEs)^{3,4} (Text Table 1). 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) and the Gambia National Petroleum Company (GNPC).⁵ 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 (at 2.0 percent of GDP for debt not explicitly guaranteed by the government).⁶ Exposures to PPPs are set at zero, as PPPs in the Gambia are estimated to be marginal as a proportion of GDP. The DSA uses a currency-based definition of

³ The projects financed by these loans are implemented by SOEs, and the capital assets acquired through these projects, with a few exceptions, are held on the balance sheets of the SOEs. Some of the external loans were on-lent by the Government, with a formal agreement signed with the SOE and the liability recorded on the SOE balance sheet, but for several loans there is no formal on-lending agreement (Source: World Bank. 2022. The Gambia Integrated State-Owned Enterprises Framework (iSOEF) Assessment).

⁴ The outstanding external loans contracted by the Government for SOEs amounted to 14.7 percent of GDP at end-2021.

⁵ The outstanding debt to ITFC amounted to 1.6 percent of GDP at end-2021. The Gambia Groundnut Corporation (GGC) has exited the facility after paying its last obligation due in 2021Q2 and NAWEC renewed the facility in late 2020 for two years but is now honouring its obligations up to six months ahead of schedule. Fiscal risks from this credit facility are expected to decline over the near to medium term (WB, 2022).

⁶ The 2020 Consolidated SOE Financial Performance Report prepared in April 2022 by the Directorate for SOE Oversight, MOFEA positioned the total SOE liabilities at 19 percent of GDP for end-2020. Accounting for the on-lent, guaranteed external and domestic debt pertaining to SOEs already covered in the public debt for this DSA, the unguaranteed SOE debt approximates to 2.0 percent of GDP.

external debt. There is no significant difference between a currency-based and residency-based definition of external debt.⁷

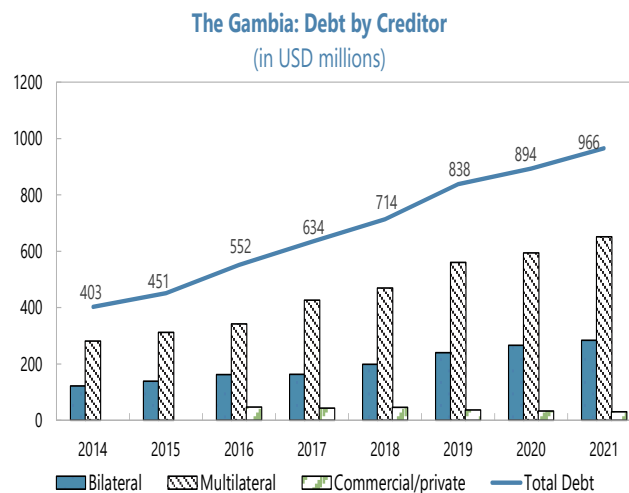
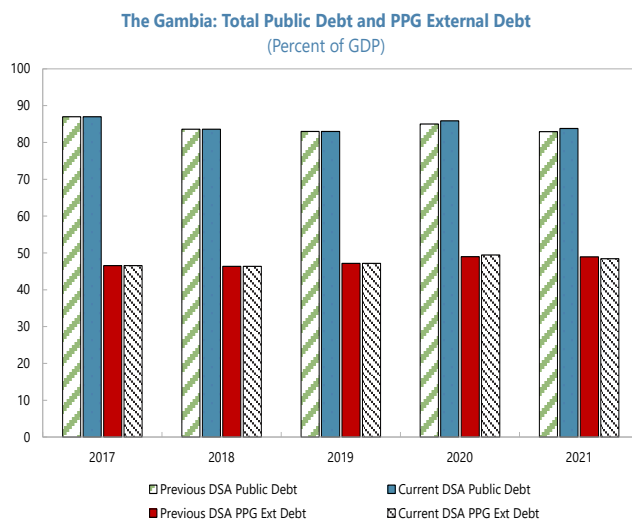
Text Table 1. The Gambia: External and Public DSAs: Coverage of Public Debt and Design of Contingent Liabilities Stress Test

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	2.0	
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)		7.0	

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%.

Text Figure 1. The Gambia: Total Public Debt and Distribution by Creditor



Sources: The Gambian authorities; and IMF staff estimates.

⁷ Locally-issued LC-denominated debt held by non-residents and locally-issued FX-denominated debt held by residents are insignificant.

3. The Gambia's total public debt-to-GDP ratio stood at 83.8 percent at end-2021, marginally lower than the 85.9 percent in the previous year. The external debt-to-GDP ratio declined to 48.4 percent from 49.5 in 2020. The debt stock figures for end-2021 are higher than the projections made during the third ECF review, with the increase attributed to further debt data reconciliation by the authorities.⁸ The outstanding government-guaranteed SOE debt owed to ITFC stood at US\$14 million at end-2021, comprising external liabilities of SOE NAWEC. The total public debt profile remains on a downward trajectory and broadly in line with the previous DSA.

4. The breakdown of the external debt by creditor at end-2021 is relatively unchanged from the third ECF review. 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 Text Table 2 below). The Gambia has arrears on external debt owed to Libya and Venezuela. However, these arrears have materialized due to problems that are not an indication of debt distress. The discussions on debt reconciliation with Libya are ongoing, with the most recent correspondence in March 2022. Regarding the arrears to Venezuela, the Gambian authorities received a letter in January 2022 from Venezuela. The Gambian authorities plan to respond, considering the sanctions.

5. Debt service projections on existing debt in the latest baseline are broadly similar to projections during the third ECF review, while projections on undisbursed debt have changed. The latest debt service projections shared by the authorities are broadly similar, with some changes to the amortization profile in the early years.⁹ The overall debt service between 2022-2030 stands at a cumulative US\$627 million, compared to US\$610 million during the third review. Of the total debt service, amortization stands at US\$564 million, with the remaining US\$63 million in interest charges over this period. Meanwhile, the amount of undisbursed loans was revised higher by authorities for end-2021, following the internal data reconciliation process. Total undisbursed loans stood at US\$297.9 million at end-2021, compared to US\$162 million as of end-2020. The sharp upward revisions are attributed to the debt data reconciliation mentioned above and the revised disbursement projections have been incorporated into the DSA. Relatedly, The Gambia benefited from debt service suspension from creditors to the tune of US\$4 million under the DSSI¹⁰ and total debt service relief from the 2019 negotiations with bilateral creditors to the tune of around US\$129 million (7 percent of GDP). The Gambia is also receiving debt service relief under the Catastrophe Containment and Relief Trust (CCRT), expected to total SDR 7.9 million.

⁸ The authorities, with the help of a World Bank consultant, engaged in an extensive debt conciliation exercise to correctly record the new loan agreements agreed with creditors during the debt restructuring process in 2019. The government-guaranteed debt owed by SOEs to ITFC was also reconciled and recorded correctly.

⁹ The implied interest rate on external debt is lower in 2023 compared to the current year, as the rolling ITFC loan, which carries a higher-than-the-average interest rate, is assumed to be repaid in full in the current year.

¹⁰ including relief by the ECOWAS Bank for International Development (EBID) worth US\$1.4 million.

Text Table 2. The Gambia: Decomposition of Public Debt and Service by Creditor, 2021–23¹

	Debt Stock (end of period)			Debt Service					
	2021			2021	2022	2023	2021	2022	2023
	(In US\$ millions)	(Percent total debt)	(Percent GDP)	(In US\$ millions)			(Percent GDP)		
Total	1,671.5	100.0	83.8	134.9	127.6	156.1	6.8	6.0	6.8
External	965.9	57.8	48.4	59.5	66.1	47.4	3.0	3.1	2.1
Multilateral creditors	651.3	39.0	32.6	47.1	41.7	33.5	2.4	2.0	1.5
IMF	104.4	6.2	5.2						
World Bank	132.1	7.9	6.6						
ADB/AfDB/IADB	56.2	3.4	2.8						
Other Multilaterals	358.6	21.5	18.0						
<i>o/w: IsDB and OFID</i>	222.2	13.3	11.1						
Bilateral Creditors	284.4	17.0	14.3	9.1	21.9	10.5	0.5	1.0	0.5
Paris Club	0.5	0.0	0.0	1.9	0.0	0.0	0.1	0.0	0.0
<i>o/w: ING Bank N.V. and Govt. of Belgium</i>	0.5	0.0	0.0						
Non-Paris Club	283.9	17.0	14.2	7.2	21.9	10.5	0.4	1.0	0.5
<i>o/w: Saudi and Kuwait Fund</i>	146.9	8.8	7.4						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	30.2	1.8	1.5	3.4	2.5	3.4	0.2	0.1	0.1
<i>o/w: M.A. Kharafi and Sons</i>	30.2	1.8	1.5	3.4	2.5	3.4			
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>o/w:</i>	0.0	0.0	0.0						
Domestic	705.6	42.2	35.4	75.4	61.6	108.7	3.8	2.9	4.7
Held by residents, total ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-Bills	368.3	22.0	18.5	28.0	13.2	23.2	1.4	0.6	1.0
Bonds	337.3	20.2	16.9	47.4	48.4	85.5	2.4	2.3	3.7
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	2,034.4	121.7	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).

⁴ Capacity constraints limit data availability. Plans to fill the data gaps will be discussed at subsequent program reviews.

UNDERLYING ASSUMPTIONS AND BORROWING PLAN

6. The DSA is consistent with the macroeconomic framework outlined in the staff report. The baseline scenario assumes the implementation of sound macroeconomic policies, structural reforms, and an ambitious infrastructure investment plan. In the wake of the Ukraine war, global fuel and food prices are estimated to rise by 55 percent and 14 percent in 2022 compared to the previous year, according to the latest WEO projections. While global fuel prices are expected to gradually decrease by 2027, they are expected to stay well above their 2021 average. Given these upward revisions to global commodity prices, macro assumptions on inflation and growth have been revised for The Gambia. The key macroeconomic assumptions (Text Table 4) are as follows:

- **Real GDP growth:** GDP growth estimate in 2021 has been revised down to 4.3 percent, compared to 4.9 percent in the previous DSA. Meanwhile, projections for 2022 and 2023 have also been revised down to incorporate the shocks from the war in Ukraine. Credit to the private sector was also revised compared to the previous DSA. Longer-term growth projections are expected to be dampened relative to the previous DSA by three main factors: (i) delays in execution of key infrastructure projects (including Banjul port), reflecting both capacity constraints and debt sustainability concerns; (ii) a projected tapering of remittance inflows that have hitherto financed significant growth in private consumption and investment, partly due to the spillover effects of the war in Ukraine on incomes in source countries; and (iii) anticipated monetary tightening to contain residual inflationary pressures from a plausible revamping of delayed projects and to maintain inflation at the central bank's target.
- **Inflation:** Consumer prices are expected to rise 8.5 percent (y/y) in 2022 and by 7.5 y/y in 2023, compared to the 6.2 percent and 6.0 percent respectively in the previous DSA. Average inflation is expected to decline towards the central bank's target of 5 percent in the medium term, similar to the previous DSA.
- **Fiscal deficit:** Fiscal policy in 2022 is expected to help partly alleviate the sharp rise in global energy and food prices and address the expected shortfall in grants. Thus, the overall fiscal deficit in 2022 is estimated to widen by about 1.2 percentage points of GDP relative to the previous DSA. This widening of the deficit will be financed by an on-lending of the two ECF disbursements in 2022 and an increase in net domestic borrowing. Under this revised fiscal framework, the debt reduction path remains broadly in line with the previous DSA. The medium-term fiscal framework is geared towards achieving debt sustainability while appropriately addressing the lingering effects of the pandemic, navigating the economic fallout of the war in Ukraine, and supporting the economic recovery. The authorities are expected to continue their revenue mobilization efforts, including by: (1) implementing the GRA's Corporate Strategic Plan; (2) further rationalizing tax expenditures through the implementation of the tax expenditure policy and revision of fiscal provisions of the GIEPA act; (3) digitalizing tax administration; and (4) broadening the tax base by tapping into the revenue potential of the hospitality, cable television, and real estate sectors. Spending rationalization efforts will help reduce primary current spending and domestically financed infrastructure spending between 2022-27 as pandemic-related spending are unwound and major projects are completed. This decline in spending will be supported by PFM measures to: (1) rationalize the wage bill through the use of the electronic payment and the Biometric Time and Attendance Register System to better control the payroll; (2) reign in subsidies and rationalize foreign missions; (3) control government consumption by adhering to strict procurement rules and regulations (in line with the GPPA Act), so that value-for-money of all government contracts is secured; and (4) improve the efficiency of public investment by using the project selection criteria through the Gambia Strategic Review Board.
- **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 originally anticipated.

- **Gross financing needs:** Average gross financing needs are projected at around US\$42.8 million over the next two years.
- **Budget support:** Significant changes to the budget support grants and official transfers from donors have modified the financing assumptions. The authorities are facing some important financing challenges, as reforms are delayed in some key areas. Budget support grants from donors fell in 2021 and will fall short of expectations in 2022, as related reforms were not completed, and donors are changing their own internal policies. Following a data reconciliation meeting on budget support and project grants with the authorities and donors, it is estimated that budget support grants for 2022 will be US\$ 20.0 million, compared to US\$50 million estimated in the third ECF review. Donors indicated that project grants for 2022 could be as high as US\$150 million in 2022, though this amount was contingent on several factors such as project completion rates, conditional triggers, etc. Given the uncertainty around the project grant estimates and the wide range of possible outcomes, we have retained our conservative estimate of US\$85.8 million in project grants for 2022, compared to US\$179 million estimated during the third review. The baseline assumes that The Gambia will continue to benefit extensively from grants and loan disbursements from multilateral and bilateral creditors in the years ahead.
- **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. Under the program agreement, an aggregate US\$192 million in concessional external debt can potentially be contracted or guaranteed between 2020-23. Since there was no new external debt contracted in 2021, the remaining amount of concessional debt that can be contracted in 2022 and 2023 as detailed in the external borrowing plan below (Text Table 3).

Text Table 3: The Gambia: Revised External Borrowing Plan, 2020–2023

(US\$ millions)

External public debt contracted or guaranteed	2020		2021		2022		2023		2020–23	
	Act.	Prog. (1st Review)	Act.	Prog. (1st Review)	Proj.	Prog. (1st Review)	Proj.	Prog. (1st Review)	Proj.	
	Source of debt financing									
Total debt contracted	12	115	0	40	115	40	80	207	207	
Concessional debt	12	100	0	40	100	40	80	192	192	
Multilateral debt	0	80	0	20	65	20	40	120	105	
<i>Of which</i> : Port expansion	0	50	0	0	50	0	0	50	50	
Bilateral debt	12	20	0	20	35	20	40	72	87	
Nonconcessional debt ¹	0	15	0	0	15	0	0	15	15	
Use of debt financing										
Infrastructure	12	115	0	40	115	40	80	207	207	
<i>Of which</i> : 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.

- **Domestic borrowing:** Net domestic borrowing (NDB) is expected to increase by 0.7 percent of GDP in 2022 compared to the previous DSA. With regards to the instruments used for domestic debt financing, the DSA assumes that over the next five years 80 percent of all new debt will be financed via T-bills, 15 percent via 3-year bonds and the remaining via 5-year bonds. This distribution is very similar to the actual issuance pattern seen over the past year (2021-2022). In the medium-term, the issuance is projected to gradually shift toward longer-term bond maturities.
- **Exports:** Exports of goods and services as well as imports rose less than expected in 2021, leading to a higher-than-expected narrowing in the current account deficit. Exports are projected to rebound in 2022 and 2023, returning to pre-pandemic averages around 2023-24. Given the sharp drop in exports in 2020-2021 due to the pandemic and the associated base effects, the average growth rate of exports between 2022-2025 is expected to be higher than that prior to the pandemic.
- **Current account deficit:** The C/A deficit is estimated to have narrowed to 8.0 percent of GDP in 2021, compared to 12.5 percent projected in the previous DSA, on the back of stronger-than-expected remittances, and smaller-than-expected imports. The deficit is projected to widen to 13.3 percent of GDP in 2022 and average around 10.7 percent of GDP in the medium term, supported by the tourism sector and remittances.
- **FX Reserves:** Gross foreign exchange reserves rose to US\$530 million in 2021, equivalent to 6 months of imports, compared to US\$496 million projected in the previous DSA. Reserves are projected to moderate in 2022 to US\$465 million (or about 4.7 months of imports), in part due to the impact of the war in Ukraine, and average around US\$475 million in the medium term.

7. 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 outcomes. While the forecast errors have been large even in the past, the relatively large residuals can be partly attributed to the debt data reconciliation mentioned earlier in the report. The projected fiscal adjustment for the next three years is in the top quartile of the distribution of approved Fund-supported programs for LICs since 1990. This relatively large magnitude of fiscal adjustment is underpinned by (i) an expected increase in development partners' disbursements as the level was low in 2021 and partners enter a new financing cycle from 2022-23 to 2024-25; (ii) the projected phasing out of COVID-19 spending; and (iii) the completion of large infrastructure projects related to the OIC conference in 2022. While donors have indicated the availability of funds as part of the new financing cycle, downside risks include the underperformance by authorities in meeting support triggers between 2022-2024, in which case the lack of donor disbursements would add increased pressures on the fiscal adjustment objectives. 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 2022 and 2023 deviates from the growth paths under the different fiscal multipliers. However, given the development partners' projected support 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, 2021–27
(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	15-year average ¹
Real GDP Growth (percent)								
Current DSA	4.3	5.6	6.2	6.5	5.8	5.0	5.0	5.0
Previous DSA ⁵	4.9	6.0	6.5	6.5	5.8	5.6	5.6	5.6
Exports of goods and services growth (percent)²								
Current DSA	16.9	64.7	24.9	18.7	7.9	7.0	7.0	9.5
Previous DSA	48.1	65.1	15.3	8.9	8.1	6.5	6.5	7.0
Imports of goods and services growth (percent)²								
Current DSA	19.3	33.6	12.4	5.7	6.1	4.1	6.1	6.2
Previous DSA	33.0	23.3	4.7	6.3	2.6	7.6	7.6	7.5
CA deficit (percent of GDP)³								
Current DSA	8.0	13.3	11.8	9.7	10.3	9.5	9.4	7.2
Previous DSA	12.5	16.0	12.3	10.7	8.9	9.3	9.4	10.9
Public investment (percent of GDP)								
Current DSA	6.2	9.3	9.0	8.4	8.9	8.9	9.0	8.5
Previous DSA	10.2	13.9	10.1	9.5	7.8	8.8	10.1	10.2
Overall fiscal deficit⁴								
Current DSA	4.6	4.2	2.2	1.5	0.8	0.6	0.5	1.3
Previous DSA	4.0	3.0	1.2	0.5	-0.8	0.0	0.2	0.4

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

¹ Defined as the simple average of the last 15 years of the projection (2028-42).

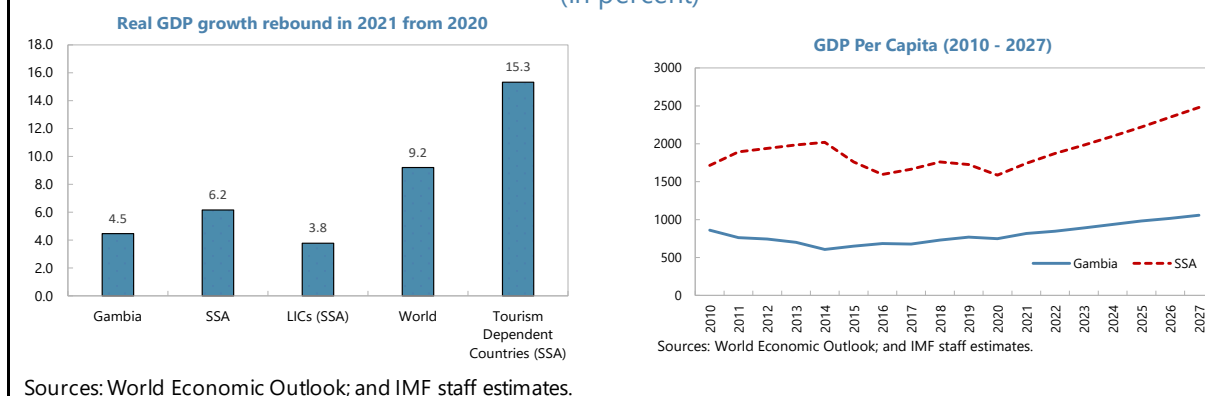
² In current dollar terms, including re-exports.

³ Includes worker's remittances and grants.

⁴ Includes grants.

⁵ Previous DSA numbers are taken from Third Review ECF

Text Figure 2. The Gambia: Economic Growth, 2010–26
(In percent)



COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

8. The Gambia's debt carrying capacity remains classified as "medium". The classification of the Gambia's debt carrying capacity is based on a CI score of 2.95, which is marginally higher from the previous DSA (2.90) and the previous two vintages (2.78), but the classification remains the same as the previous round (Text Table 5). 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 2022 WEO.

9. 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 7.0 percent of GDP (5 percent of GDP for financing sector shock and 2.0 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 2.95	Medium 2.94	Medium 2.90	
Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.969	1.14	39%
Real growth rate (in percent)	2.719	5.281	0.14	5%
Import coverage of reserves (in percent)	4.052	38.595	1.56	53%
Import coverage of reserves^2 (in percent)	-3.990	14.896	-0.59	-20%
Remittances (in percent)	2.022	13.816	0.28	9%
World economic growth (in percent)	13.520	3.050	0.41	14%
CI Score			2.95	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

10. 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 2022 and 2023, before falling below the threshold and

continuing to decline for the remainder of the projection period.¹¹ The debt-service-to-exports ratio breaches the threshold level of 15 in 2022, and then again between 2025–29. The external debt service-to-revenue ratio breaches the threshold level of 18 in 2022 and then again between 2025–28, before falling below the threshold for the remainder of the forecast horizon. The reason for the breaches can be attributed to lower export growth in the near-term and higher debt service commitments in the medium-term. The PV of external debt-to-GDP remains within the threshold level of 40 for the entire forecast horizon.

11. Under the stress test scenarios, all the indicators breach their thresholds for varying periods along the forecast horizon. The PV of debt-to-GDP breaches the threshold level of 40 in 2023 and falls below the threshold in 2031. The PV of debt-to-exports breaches the threshold level of 180 in 2022 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 2022, remains above the threshold for the remainder of the forecast. The debt-service-to-revenue ratio breaches the threshold level of 18 in 2024 and remains above the threshold for the duration 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.

12. The Gambia’s risk of external debt distress remains “high”, but sustainable. The weakness in exports, primarily driven by the tourism sector, continues to weigh on the export-related external debt service indicators in the near term. As highlighted in the third ECF review, the sharp slowdown in tourism and the associated decline in exports of goods and services is expected to normalize over the next couple of years. 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

13. Under the baseline scenario, the PV of total public debt-to-GDP ratio is temporarily in breach of its benchmark in the near term. The PV of total public debt-to-GDP breaches the benchmark level of 55 between 2022–24 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 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 until 2029. The non-debt flows shock is the most extreme for the PV of total public debt-to-GDP ratio under the stress scenario.

¹¹The breaches in the PV of debt-to-exports ratio and higher values of the indicator in later years compared to the previous DSA can be attributed to the data reconciliation process (explained above in paragraph 3 and footnote 8), which resulted in upward revisions to the PV of external debt profile.

14. The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable. The PV of total public debt-to-GDP continues to follow a firmly downward sloping path, remains within the benchmark from 2025 onwards, continuing to decline thereafter.¹² This path is underpinned by fiscal consolidation and support from development partners. Since the indicator falls below the benchmark within 3 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, and uncertainty over the donor support disbursements and associated fiscal pressures that could adversely affect the debt profile.

RISK RATING AND VULNERABILITIES

15. Risks to the assessment are tilted to the downside. The uncertainty over the economic outlook remains elevated, with downside risks linked to the evolution of the pandemic, the global economic recovery, the resumption of tourism, and sustained donor support. The uncertainty around the donor disbursements in the near term and the upcoming increase in debt service in the medium term highlight the need to continue to build ample policy buffers and adhere to the agreed borrowing plan. 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 third ECF review, in a downside scenario, with a resurgence of the pandemic and continued global travel restrictions, tourism could be subdued until end-2025. Under such a scenario, growth could fall to 4.0 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 two years later than under the baseline.

16. Factors that could affect future assessments include data revisions, availability of concessional financing for infrastructure projects, and the potential decline in donor support. As highlighted in previous ECF 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. Strengthening interagency coordination and data sharing on public debt and grants data would be important to address data collection and reconciliation issues. The WB TA supported finalization of a validated, reconciled end-2021 public debt stock as well as better understanding and use of the Commonwealth Meridien (CM) system through an on-ground Commonwealth Secretariat specialist in March 2022. The mission highlighted the need to enhance capacity building in the use of CM, upgrade IT infrastructure around CM, expand the coverage to all debts in a phased manner, and undertake data validation and reconciliation at least once every year. Last year, the TA had also supported formulation of the annual borrowing plan for 2021, whose

¹² While the public debt service-to-revenue ratio exceeds 100 percent in the near term, the authorities are addressing this issue by implementing a debt management policy that reduces roll-over risks, including the substitution of costly borrowing with loans that have lower interest rates and longer maturity (given the recent decline in T-bills and bonds interest rates).

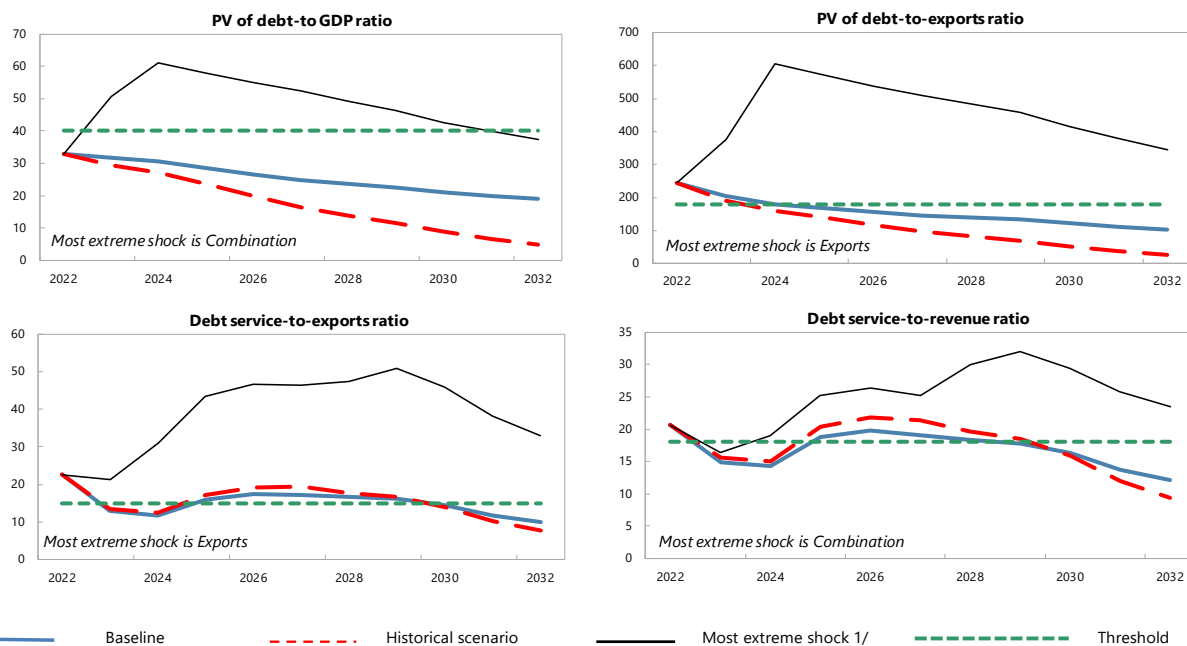
implementation has been within the parameters¹³, and of the government guarantees framework. Meanwhile, the execution of several large public investment projects are underway, including the extension of the Port of Banjul and the Bertil Harding highway. Financing plans with respect to these projects should remain within the ceilings on the external borrowing plan. Any deviation from the borrowing plan could pose risks to the debt outlook. Additionally, any significant change in future disbursements of donor grants towards budget support or key infrastructure project financing will also have ramifications for The Gambia's debt profile. The World Bank will continue to support debt management, SOEs, and public investment management under the planned WB Public Administration Modernization Project (PAMP, P176924) with reform actions complemented through the pipeline Development Policy Financing operations and SDFP.

Authorities' Views

17. The authorities acknowledged the challenges with trying to reduce the overall debt burden and address the sustained high risk of debt distress. In addition to the COVID pandemic, the mounting infrastructure investment needs in the Gambia continues to add upward pressure to the debt stock. And the expiry of the DSSI and CCRT pose even more challenges ahead, given the upcoming wall of debt service commitments beyond 2025. The authorities remain committed to reducing debt vulnerabilities and aim to achieve this objective with sustained restraint in new borrowing and a strong medium-term fiscal framework. They also acknowledged ongoing data challenges and the sharp upward revision in recent debt stock and disbursement data owing to the debt data reconciliation process. However, they expressed confidence that the most recent reconciliation process, with technical assistance from the World Bank, will ensure stable debt projections going forward. Separately, the data reconciliation meeting with donors on budget support and project grants was also deemed useful in reconciling grant projections for 2022 and 2023. On external arrears, they continue to make progress in discussions with the Libyan authorities on reconciling the debt owed to Libya and have been recently approached by the Venezuelan authorities to re-engage on the discussion on arrears.

¹³ Deviation between domestic debt issuance and annual borrowing plan in 2021 was 4 percent. This practice is ongoing for 2022 with the ABP for 2022 and monthly issuance calendars published up till April 2022.

Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt Under Baseline and Alternative Scenarios, 2022–32



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

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	4	4

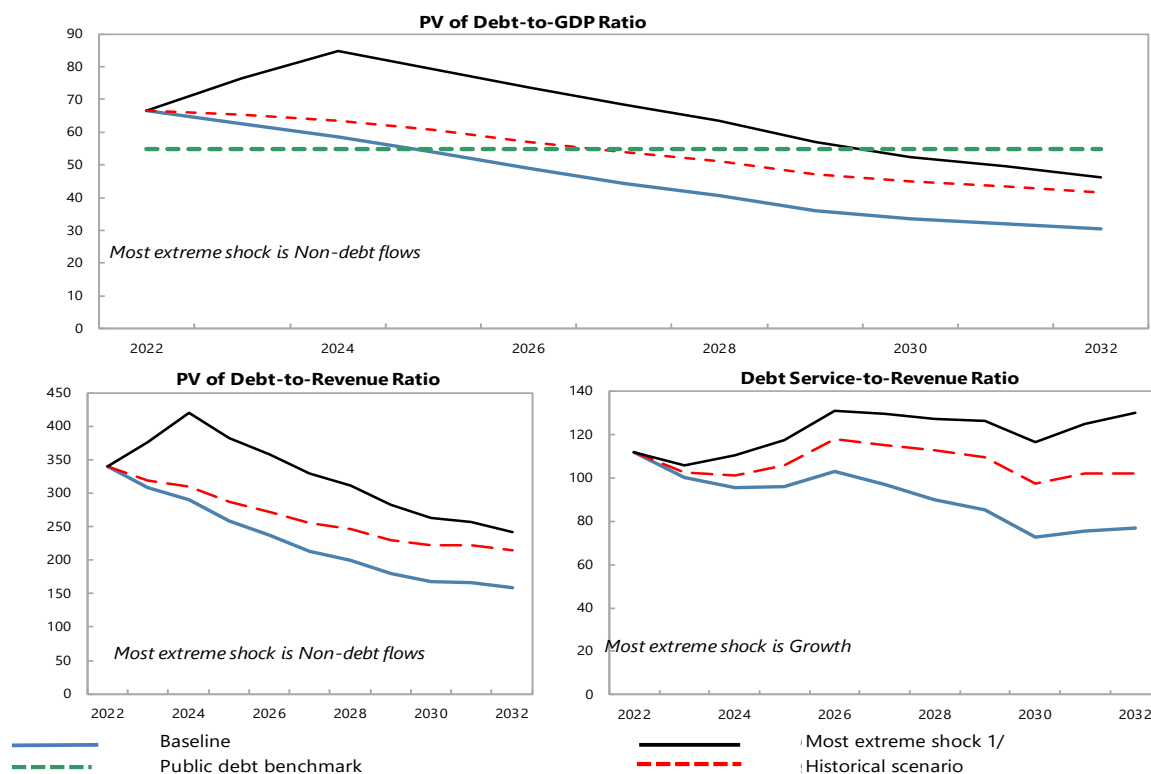
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. 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 extreme stress test 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, 2022–32



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	18%	18%
Domestic short-term	64%	64%
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	4.8%	4.8%
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 2032. 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 extreme 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

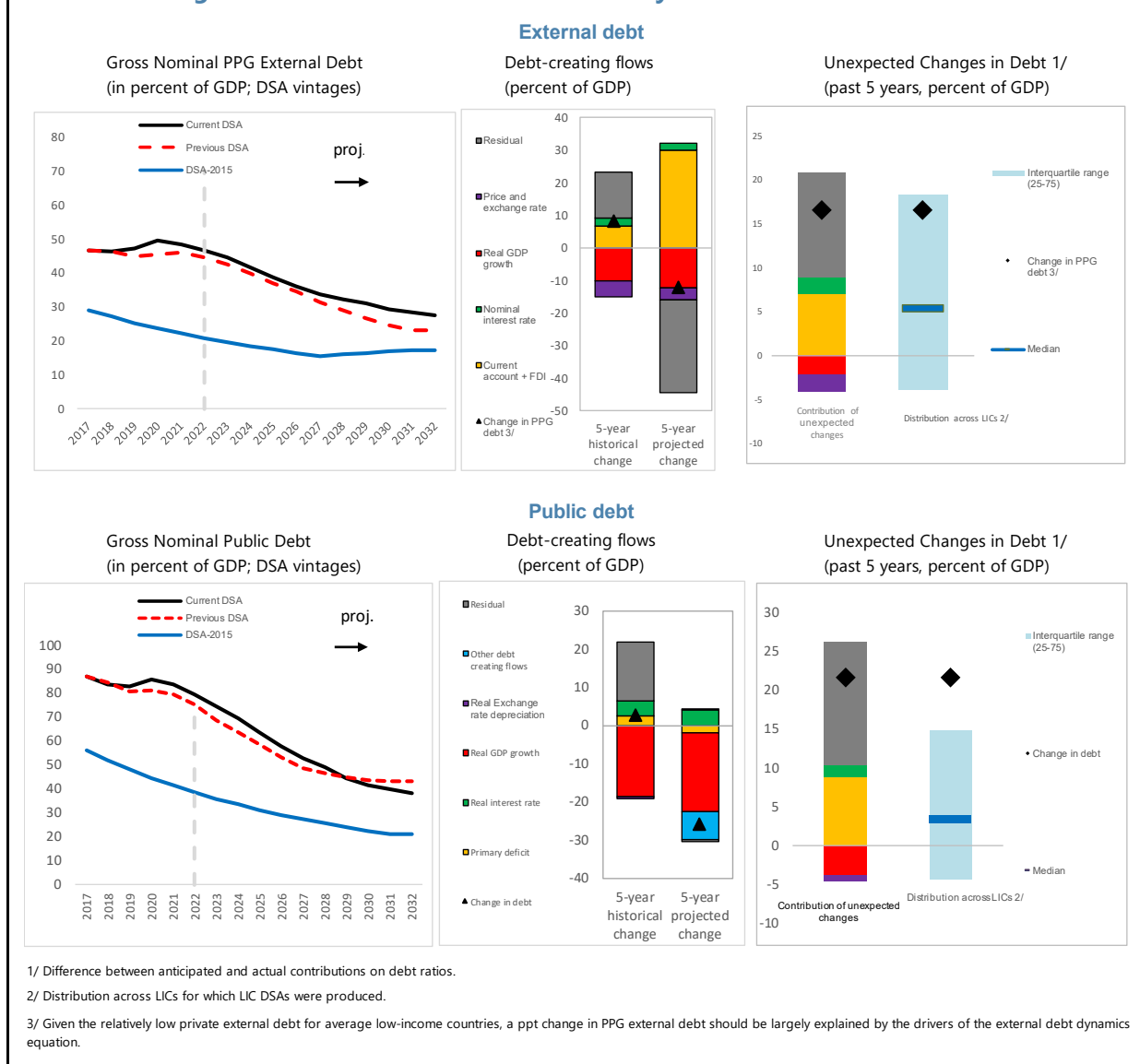
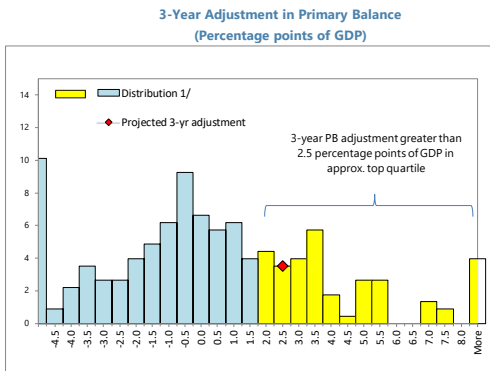
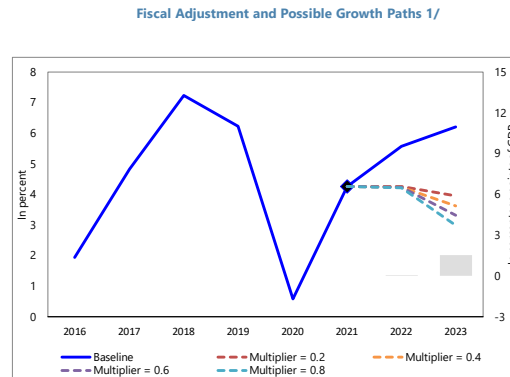


Figure 4. The Gambia: Realism tools



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.



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).

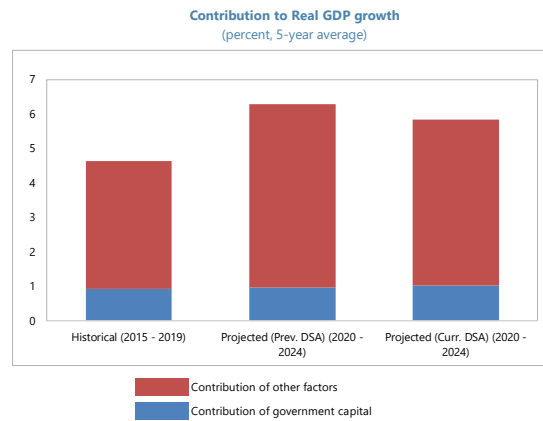
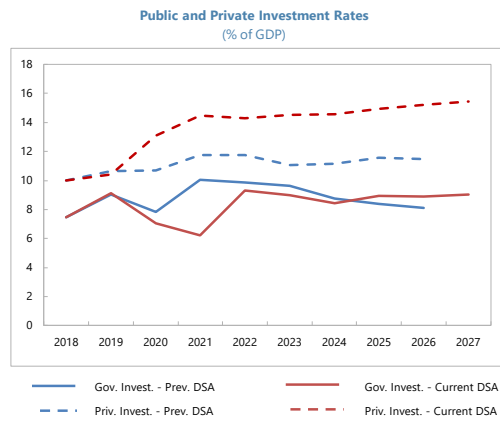


Table 2. The Gambia: Public Sector Debt Sustainability Framework Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual										Projections										Average 7/				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038		2039	2040	2041	2042
Public sector debt 1/	83.0	85.9	83.8	79.5	74.6	69.4	63.7	58.0	52.9	38.3	30.8	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2	75.2
of which: external debt	47.2	49.5	48.4	46.5	44.5	41.8	38.8	36.0	33.6	27.4	18.3	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4	41.4
Change in public sector debt	-0.6	2.9	-2.1	-4.3	-4.9	-5.2	-5.7	-5.7	-5.1	-1.8	0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Identified debt-creating flows	-5.1	-0.2	-4.3	-4.1	-4.8	-5.1	-5.7	-5.7	-5.7	-5.1	-1.8	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
of which: grants	-0.6	-1.0	1.6	1.5	0.0	-0.7	-1.4	-1.3	-1.3	-1.3	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Revenue and grants	21.2	23.0	16.8	19.6	20.3	20.2	20.8	20.6	20.8	19.1	17.4	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
of which: grants	7.1	8.5	2.5	4.9	6.8	6.2	6.3	5.7	5.4	3.9	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Primary/(non)interest expenditure	20.6	22.0	18.4	21.2	20.3	19.5	19.4	19.3	19.5	19.4	18.1	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3
Automatic debt dynamics	-4.6	0.8	-5.9	-4.4	-4.9	-3.6	-2.0	-1.0	-0.8	-0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contribution from interest rate/growth differential	-4.0	0.8	-4.1	-5.2	-4.8	-3.2	-2.0	-1.1	-0.8	-0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
of which: contribution from average real interest rate	0.9	1.3	-0.6	-0.8	-0.2	1.3	1.8	2.0	2.0	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
of which: contribution from real GDP growth	-4.9	-0.5	-3.5	-4.4	-4.7	-4.6	-3.8	-3.0	-2.8	-1.9	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Contribution from real exchange rate depreciation	-0.6	0.0	-1.8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	-1.2	0.1	-0.8	-2.2	-3.3	-2.9	-1.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of contingent liabilities (i.e. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	-1.2	0.1	-0.8	-2.2	-3.3	-2.9	-1.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Residual	4.5	3.1	2.2	0.5	-0.2	-0.5	-0.1	0.0	-0.1	0.1	-0.1	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Sustainability indicators																									
PV of public debt-to-GDP ratio 3/	...	...	70.6	66.7	62.6	58.5	53.8	48.9	44.3	30.4	24.6	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
PV of public debt-to-revenue and grants ratio	...	...	419.8	339.8	308.4	289.6	258.8	237.0	212.9	159.0	141.3	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Debt service-to-revenue and grants ratio 4/	...	...	113.6	108.1	147.6	111.8	100.3	95.4	96.0	103.0	96.7	69.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Gross financing need 5/	23.5	23.8	26.4	22.3	20.5	17.7	16.3	16.6	15.9	13.0	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Key macroeconomic and fiscal assumptions																									
Real GDP growth (in percent)	6.2	0.6	4.3	5.6	6.2	6.5	5.8	5.0	5.0	5.0	5.0	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Average nominal interest rate on external debt (in percent)	1.7	0.3	1.1	1.2	0.9	0.9	0.9	1.0	1.0	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Average real interest rate on domestic debt (in percent)	1.9	4.8	-0.7	-0.8	1.1	6.2	8.3	9.6	10.9	16.4	16.2	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.4	0.0	-3.8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.3	2.2	7.8	6.1	6.8	4.8	4.2	3.9	4.4	4.8	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Growth of real primary spending (deflated by GDP deflator, in percent)	23.4	7.3	-12.7	21.4	1.9	2.2	5.4	4.5	6.0	3.7	4.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Primary deficit that stabilizes the debt-to-GDP ratio 6/	0.0	-3.9	3.7	5.8	4.9	4.5	4.3	4.4	3.8	2.0	0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1

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 (3); a primary surplus, which would stabilize 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.

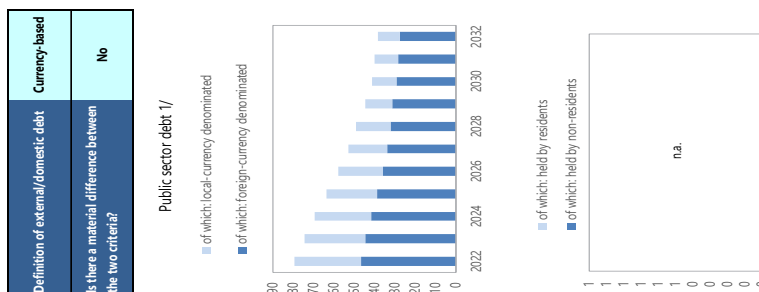


Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32
(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of debt-to-GDP ratio											
Baseline	32.8	31.9	30.6	28.6	26.7	24.8	23.6	22.5	21.0	20.0	19.2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	32.8	29.6	27.3	23.6	20.0	16.5	13.9	11.5	8.9	6.6	4.9
B. Bound Tests											
B1. Real GDP growth	32.8	34.6	36.2	33.9	31.6	29.4	27.9	26.7	24.9	23.7	22.7
B2. Primary balance	32.8	32.1	31.2	29.5	27.8	26.1	24.9	24.0	22.5	21.5	20.7
B3. Exports	32.8	36.5	42.5	40.1	37.8	35.6	33.8	31.9	29.6	27.9	26.4
B4. Other flows 3/	32.8	45.4	56.8	53.9	51.3	48.8	46.2	43.2	39.9	37.2	34.8
B5. One-time 30 percent nominal depreciation	32.8	40.1	31.8	29.5	27.2	25.0	23.6	22.9	21.5	20.6	20.0
B6. Combination of B1-B5	32.8	50.6	61.2	58.0	55.1	52.3	49.3	46.2	42.7	39.9	37.5
C. Tailored Tests											
C1. Combined contingent liabilities 4/	32.8	32.7	31.8	30.1	28.5	26.8	25.8	24.8	23.5	22.5	21.8
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	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	244.3	205.1	179.6	168.2	156.4	145.8	139.0	133.0	121.6	111.9	103.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	244.3	190.4	160.0	138.8	117.3	96.9	82.1	67.9	51.3	37.1	26.7
B. Bound Tests											
B1. Real GDP growth	244.3	205.1	179.6	168.2	156.4	145.8	139.0	133.0	121.6	111.9	103.5
B2. Primary balance	244.3	206.6	183.4	173.6	162.9	153.3	147.2	141.7	130.4	120.5	111.8
B3. Exports	244.3	374.7	605.7	571.8	538.3	507.8	484.1	457.7	415.9	378.5	345.7
B4. Other flows 3/	244.3	292.4	333.3	316.7	301.2	286.9	272.4	255.0	230.5	208.0	187.9
B5. One-time 30 percent nominal depreciation	244.3	205.1	148.0	137.7	126.7	116.8	110.7	107.1	98.5	91.5	85.5
B6. Combination of B1-B5	244.3	418.2	306.3	547.1	519.1	493.5	466.8	438.0	396.4	358.2	324.4
C. Tailored Tests											
C1. Combined contingent liabilities 4/	244.3	210.3	186.9	177.2	167.0	157.8	151.9	146.8	135.7	126.0	117.4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	22.6	13.0	11.8	16.0	17.3	17.3	16.6	16.1	14.4	11.7	10.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	22.6	13.5	12.3	17.3	19.1	19.4	17.7	16.7	14.0	10.3	7.7
B. Bound Tests											
B1. Real GDP growth	22.6	13.0	11.8	16.0	17.3	17.3	16.6	16.1	14.4	11.7	10.0
B2. Primary balance	22.6	13.0	11.8	16.0	17.4	17.4	16.8	16.4	14.8	12.2	10.5
B3. Exports	22.6	21.2	30.9	43.3	46.6	46.3	47.4	50.9	45.8	38.1	33.0
B4. Other flows 3/	22.6	13.0	13.3	18.9	20.1	19.9	23.2	26.4	23.9	20.3	17.8
B5. One-time 30 percent nominal depreciation	22.6	13.0	11.8	15.4	16.8	16.7	16.1	13.9	12.4	9.9	8.3
B6. Combination of B1-B5	22.6	18.3	25.2	34.6	36.9	36.5	43.4	46.3	41.7	35.3	30.9
C. Tailored Tests											
C1. Combined contingent liabilities 4/	22.6	13.0	11.9	16.1	17.5	17.5	16.8	16.3	14.6	11.9	10.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	20.6	14.9	14.3	18.7	19.8	19.1	18.4	17.8	16.3	13.7	12.2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	20.6	15.5	15.0	20.3	21.8	21.4	19.6	18.5	15.9	12.0	9.3
B. Bound Tests											
B1. Real GDP growth	20.6	16.2	17.0	22.2	23.5	22.6	21.8	21.1	19.3	16.2	14.4
B2. Primary balance	20.6	14.9	14.3	18.8	20.0	19.2	18.6	18.2	16.8	14.2	12.8
B3. Exports	20.6	15.3	15.5	20.9	22.0	21.1	21.6	23.3	21.4	18.4	16.6
B4. Other flows 3/	20.6	14.9	16.2	22.2	23.0	22.0	25.8	29.3	27.1	23.8	21.7
B5. One-time 30 percent nominal depreciation	20.6	18.8	18.0	22.7	24.2	23.3	22.4	19.4	17.7	14.6	12.8
B6. Combination of B1-B5	20.6	16.4	19.1	25.3	26.3	25.2	29.9	31.9	29.5	25.8	23.4
C. Tailored Tests											
C1. Combined contingent liabilities 4/	20.6	14.9	14.4	18.9	20.0	19.3	18.6	18.1	16.6	14.0	12.4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	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, 2022–2032

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	66.7	62.6	58.5	53.8	48.9	44.3	40.7	36.1	33.5	32.1	30.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	67	65	64	61	57	54	51	47	45	43	42
B. Bound Tests											
B1. Real GDP growth	67	69	73	69	66	62	60	57	55	56	55
B2. Primary balance	67	64	63	58	53	48	44	39	37	35	33
B3. Exports	67	67	69	64	59	54	50	44	41	39	37
B4. Other flows 3/	67	76	85	79	74	69	64	57	53	50	46
B5. One-time 30 percent nominal depreciation	67	68	62	56	50	45	40	35	31	29	27
B6. Combination of B1-B5	67	64	63	56	51	47	43	39	36	35	34
C. Tailored Tests											
C1. Combined contingent liabilities 4/	67	69	64	59	54	49	46	41	38	36	35
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	339.8	308.4	289.6	258.8	237.0	212.9	199.2	179.2	167.4	166.0	159.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	340	318	310	288	273	255	247	230	222	222	215
B. Bound Tests											
B1. Real GDP growth	340	330	340	316	303	286	281	269	266	277	279
B2. Primary balance	340	317	310	278	255	230	216	195	183	181	174
B3. Exports	340	327	341	307	284	258	243	220	205	201	192
B4. Other flows 3/	340	376	421	382	358	329	311	283	263	256	242
B5. One-time 30 percent nominal depreciation	340	343	315	277	250	221	201	177	160	154	143
B6. Combination of B1-B5	340	314	307	268	247	223	210	190	180	180	174
C. Tailored Tests											
C1. Combined contingent liabilities 4/	340	340	319	286	263	237	223	202	190	188	181
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	111.8	100.3	95.4	96.0	103.0	96.7	90.1	85.1	72.6	75.4	76.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	112	103	101	106	118	115	113	110	97	102	102
B. Bound Tests											
B1. Real GDP growth	112	106	110	117	131	129	127	126	116	125	130
B2. Primary balance	112	100	101	108	113	106	98	92	79	82	82
B3. Exports	112	100	96	97	104	98	92	88	76	79	80
B4. Other flows 3/	112	100	97	98	105	99	96	94	81	83	84
B5. One-time 30 percent nominal depreciation	112	97	93	94	100	94	89	83	72	74	75
B6. Combination of B1-B5	112	100	98	99	106	100	94	90	78	82	85
C. Tailored Tests											
C1. Combined contingent liabilities 4/	112	100	117	110	117	109	101	95	81	83	83
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, Executive Director for the
Gambia and Mr. Cham, Advisor to the Executive Director on
The Gambia
June 10, 2022**

Introduction

1. Our Gambian authorities appreciate the candid engagement with staff during the recent fourth review of the Extended Credit Facility (ECF). They broadly share staff's assessment and appreciate the Fund's support at this difficult and uncertain time for Gambia and the global economy.
2. The new administration, following the December 2021 elections, remains committed to advancing the agreed ECF reform agenda. Despite the impact of the war in Ukraine, progress has been made since the last review with a range of reforms undertaken. Given the satisfactory program performance alongside implementation of key recommendations from the Fund's 2020 safeguards assessment, the authorities seek Executive Directors' support for the completion of the fourth review under the ECF arrangement and the financing assurances review, and for modification of performance criteria.
3. Beyond delivery on the ECF program, the authorities continue to adhere to IMF transparency and accountability for COVID-19 related spending. In this regard, all procurement contracts, including COVID-19 contracts, approved by the Gambia Public Procurement Agency since 2021 are published on its website, together with the beneficial owners for the COVID-19 contracts. The authorities have also published the report of the first phase audit of COVID-19 spending on the National Audit Office (NAO) website. Three out of five components of the second phase audit were completed, the full report is expected to be published after review by the National Assembly.
4. With the impacts of the pandemic still evident, donor and other external support has an important role in complementing authorities' efforts to restore macroeconomic stability and minimize scarring from the pandemic and the adverse impacts of spillovers from the war, especially on vulnerable segments of the population. The authorities appreciate support received from development partners and the Fund's extensive technical assistance that has been instrumental in enabling them to implement reforms. Significant progress has been made in strengthening public financial management, governance and improving transparency in the use of public spending, notwithstanding current difficult conditions.

Recent Economic Developments

5. Economic activity has rebounded following three waves of the pandemic in 2021. Real GDP growth is projected at 5.6 percent in 2022 up from 4.3 percent in 2021 backed by construction, remittance inflows and recovery in tourism. In the medium term, growth is expected to average 5.7 percent. This notwithstanding, the outlook is subject to downside risks including the possibility of new variants of COVID, prolonged war in Ukraine and financial tightening in advanced economies. To help limit impacts from any future waves, given that about 20 percent of the adult population is vaccinated, the authorities plan to ramp up vaccination now that a boost in vaccine supply is expected following a recently inaugurated ultracold facility and COVAX vaccine donations, as well as World Bank COVID-19 support.

6. Inflation accelerated to 11.7 percent at end-April 2022 from 7.6 percent at end-December 2021, fueled by rising global oil and food prices in the wake of the war in Ukraine, with import prices amplified by a weak domestic currency. However, inflation is expected to moderate to 8.2 percent at end-2022.
7. The current account deficit widened to 13.3 percent of GDP in 2022 from 8.8 percent of GDP in 2021, reflecting weak tourism receipts alongside a higher import bill driven by rising commodity prices and infrastructure-related imports. The deterioration in the current account also reflects some decline in budget support grants. Remittances, however, continue to increase, helping to temper the negative impact. Strong capital transfers and the general SDR allocation also helped to offset the deterioration in the current account. International reserves reached 6 months of import cover in 2021 and are projected to decline to 4.7 months in 2022.

Program Performance

8. Program performance remains broadly satisfactory. Five out of six quantitative performance criteria (QPCs) at end-December 2021 were met. The missed QPC, ceiling on net domestic borrowing (NDB), was missed due to lower than anticipated tax collection and budget support, and unforeseen spending related to election security and pandemic mitigation, as well as the acceleration of key road construction projects. The end-March 2022 NDB indicative target was also breached due to accelerated infrastructure projects with a large down payment on an Organization of Islamic Cooperation (OIC) project and the need for fertilizer subsidies. The authorities are taking measures to prevent fiscal slippages going forward, including strengthening cash management from 2022Q2, and continuously aligning rolling quarterly spending plans with the treasury and borrowing plans, consistent with the NDB target. The new public finance bill will also include a provision requiring that any additional spending be matched with additional revenue or spending reallocations in a supplementary budget.
9. Three out of four indicative targets (IT) were met for end-December 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 domestic tax revenue was missed due to slower than expected recovery in economic activity and declines in trade volumes following the pandemic.
10. All four structural benchmarks (SBs) for end-December 2021 were satisfied, though two were met with delays. Online publication of audited SOE financial statements, signing of new tax expenditure regulations, and preparation of a framework for stress testing banks' balance sheets were all done by the December 2021 target date. However, the submission of a revised SOEs bill to the National Assembly was completed in early April 2022. Publication of the first phase report of the COVID-19 spending audit was also completed in 2022, and publication of the audit report for the second phase is reset as a Structural Benchmark for end-September 2022.

Fiscal Policy and Debt Sustainability

11. The authorities remain committed to fiscal prudence and a sustainable fiscal path. They expect to turn around the primary balance from a deficit of 1.6 percent of GDP at end-2021 to zero percent of GDP in 2023 and are targeting an average surplus of about 1¼ percent of GDP in the medium term. This will be achieved through a combination of strong revenue and expenditure policies and support from development partners.
12. Measures are being taken to bolster revenue collection. 2022 so far shows strong tax revenue collection, above target by 6.5 percent in the first quarter, reflecting higher-than-expected outturns on personal and corporate income taxes, value added tax and excise duties as economic activity resumes, including in the tourism and hospitality sectors. The authorities are also accelerating assets sales following the Janneh Commission, adding 0.3 percent of GDP in revenues relative to the original budget. They will also accelerate the sale of some government financial assets. They have launched a taxpayer charter to improve compliance, and intend among other things, to rationalize tax exemptions, use an electronic payment platform to improve revenue collection, increase tax audit and data matching capacity to improve compliance across major taxpayers, and extend the tax base to include the commercial real estate sector. A one-off receipt of US\$30 million is also expected from the petroleum sector. Efforts will continue with the implementation of the Gambia Revenue Authority (GRA)'s Corporate Strategic Plan, including by digitalizing tax administration. Revenue reform measures are expected to increase the tax-to-GDP ratio from 10.25 percent of GDP in 2021 to 12.5 percent in 2027.
13. The authorities have also initiated the tax exemption rationalization process and will improve the collection process through the electronic payment platform, upgrade the taxpayer registry, audit tax exempted entities under Special Investment Certificates (SIC), and draft, approve and commence implementation of the ITAS roadmap. They are developing and implementing a strategy for managing tax arrears, setting up a fully functional Internal Affairs Unit at the GRA to enhance the internal assurance and integrity mechanism, and developing and implementing a national policy for customs control and risk management.
14. With respect to expenditure, the authorities' spending rationalization efforts will help reduce primary current spending and domestically financed infrastructure spending by 2 percent of GDP between 2022-27. The plan is for pandemic-related spending to unwind and capital spending pressures to ease as major projects reach completion. In addition the authorities have banned non-essential travel in government and reduced official allowances related to travel, communication and fuel. Public financial management (PFM) measures will also support this effort, including by rationalizing the wage bill using electronic systems to better control the payroll, reigning in subsidies to and improving governance of SOEs, and rationalizing foreign missions and subvented agencies. The authorities also plan to strengthen the Treasury Single Account, implement strict cash management, effect civil service reforms, and introduce a new pay and grading system. They will also expand the social registry to ensure that social safety net programs are effective in targeting those in poverty and the most vulnerable segments of the population.
15. The authorities are also committed to bringing public debt onto a sustainable, downward trajectory. In addition to adhering to the agreed borrowing plan and relying primarily on

grants and highly concessional borrowing, the authorities have plans to reduce debt vulnerabilities. They aim to reduce the present value of total public debt from 83 percent of GDP in 2021 to below the benchmark of 55 percent of GDP around 2025, supported by a strong medium term fiscal framework. Work on debt transparency also continues with the regular publication of a quarterly debt bulletin, and of annual borrowing plans and monthly bond issuance plans. Validation and reconciliation of public debt data in the electronic Meridien system continues. Efforts to bolster data collection and reconciliation continue. There are plans to initiate data reconciliation with all major creditors that fail to provide regular disbursement updates and coordinate with managers of foreign-financed projects to ensure that their disbursement requests are processed through the ministry of finance's Directorate for Loans.

Monetary and Financial Sector Policies

16. Cognizant of rising inflationary pressures, the Central Bank (CBG) is taking measures to contain mounting inflationary pressures. The CBG reduced forex purchases and issued CBG bills in December 2021, reducing excess liquidity and monetary pressures. As global inflationary pressures continue, the central bank will pursue issuance of CBG bills and consider complementing this with other instruments, such as forex sales and an increase in the special deposit facility rate. There was a marginal increase in the policy rate in May 2022 and the Monetary Policy Committee is leaving open the possibility of more direct monetary tightening, but for now wishes to avoid being overly aggressive and undermining the fragile recovery.
17. The financial sector remains sound, and well capitalized with ample liquidity. This notwithstanding, work continues with the help of technical assistance to strengthen regulation and supervision and safeguard financial sector stability, and to advance financial sector development and access to finance. The authorities intend, with the help of IMF, to build in-house expertise to stress test banks for early signs of distress and will conduct balance sheet stress tests on two sizable banks by end-September 2022. They are strengthening risk-based supervision of banks, and supervisory capacity, and implementing recommendations from the 2020 safeguards assessment. The Capital Market and Securities Bill approved by the National Assembly in November 2021 will help develop capital markets in The Gambia that will support the mobilization of long-term financing for development. Implementation of the donor-supported National Financial Inclusion Strategy launched early 2022 seeks to improve access to financial services, leveraging new technology, fintech, and mobile money, and will help to foster healthy financial intermediation.
18. The authorities continue to strengthen their Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework. Among other things, they have issued guidelines for reporting entities, and conducted offsite and onsite examination of all banks. They are revising the AML/CFT Act 2012 along with related regulations to enable better compliance with FATF standards. Other measures taken to enhance the effectiveness of the AML/CFT framework, include pursuing the proceeds from corruption and related money laundering, through tighter cooperation with law enforcement agencies.

Structural Reforms

19. With the ending of NDP 2018-2021 (extended into 2022), the preparation of a Green Recovery-Focused National Development Plan (RF-NDP) with the support of development partners, and of the Long-Term Development Vision (LTDV) 2050 is at an advanced stage. The authorities expect the new plan to set the country back on track towards achieving the Sustainable Development Goals (SDGs) by 2030. Given its high vulnerability, the authorities are strengthening policies to build the Gambia's resilience to climate change and have started pursuing green investments. Beyond this, the authorities are also focusing on improving the business climate and development of the private sector as the central feature of their post-pandemic recovery plan which seeks to create jobs, reduce poverty and limit scarring from the pandemic. An expanded and strengthened role for The Gambia Investment and Export Promotion Agency (GIEPA) will support private sector development across the country. Other investment climate weaknesses are being addressed such as the efficacy of the business registration single window and replacement of obsolete IT infrastructure and addressing judicial bottlenecks with acceleration of commercial cases pending in court. The authorities are revising fiscal provisions in the GIEPA Act, to address issues of growing concern in the investment environment.
20. Work is also continuing to strengthen the governance and financial management of SOEs and minimize contingent liabilities. The SOEs bill was submitted to the National Assembly in April 2022. Measures have been taken to improve the transparency and accountability of SOEs, including production of the 2020 SOE annual performance report using the IMF's SOE health check tool to identify persistent vulnerabilities in the sector, and online publication of audited financial statements of SOEs. Adoption of IFRS standards by all SOEs is also being pursued, leveraging on ongoing IMF training. The authorities have completed the institutional framework for SOEs, and a performance contract was signed between the government and SOEs to strengthen governance and support the efficiency of public spending.
21. The authorities are making notable progress in building more effective systems to fight corruption and enhance governance. They are strengthening the relevant legislative framework and have constituted a committee to advance the anti-corruption bill. The bill has passed all required stages at the National Assembly and the government will engage the new National Assembly to expedite its approval and re-opening of discussions on the new constitution. The authorities also plan to request a governance diagnostic mission from the IMF. A white paper has also been published on the final report of the Truth, Reconciliation and Reparations Commission (TRRC) to shed light on the way forward to national reconciliation and justice for the victims of the Jammeh regime
22. The authorities have also strengthened collaboration with the US embassy on implementing recommendations of the 2021 US State Department report on countering the trafficking of persons. They have also strengthened the National Agency Against Trafficking in Persons (NAATIP), increased the number of prosecutions, conducted sensitization and training of various stakeholders, and enhanced the witness protection program.

Conclusion

23. The Gambian authorities remain committed to reforms agreed under the ECF program, notwithstanding the challenges due to major shocks such as the COVID-19 pandemic and the war in Ukraine. Fund support has played a valuable role helping them to stabilize the economy while also contributing to the development of capacity and effective implementation of policies needed to sustain the recovery. The authorities consider Fund support an important complement to their own reform agenda and national economic objectives as articulated in the NDP.