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FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR AUGMENTATION OF ACCESS, WAIVER FOR NONOBSERVANCE OF A PERFORMANCE CRITERION, 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 - Fifth Review Under the Extended Credit Facility Arrangement, Requests for Augmentation of Access, Waiver for Nonobservance of a Performance Criterion, 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 December 14, 2022, following discussions that ended on October 31, 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 November 28, 2022.
- A **Debt Sustainability Analysis Update** prepared by the staff(s) of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

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

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes the Fifth Review under the Extended Credit Facility Arrangement for The Gambia and Approves US$27.41 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US$27.41 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.
- The Gambian economy is expected to grow by 4.5 percent in 2022 and 6.0 percent in 2023. The repercussions of the war in Ukraine threaten economic and social stability.
- The authorities are taking the necessary measures to address the implications of external shocks. They remain committed to strong policies and reforms.

Washington, DC – **December 14, 2022:** Today, the Executive Board of the International Monetary Fund (IMF) completed the fifth review under the Extended Credit Facility (ECF) arrangement for The Gambia. The completion of the review enables the immediate disbursement of the equivalent of SDR20.55 million, about US$27.41 million, to help meet the country's balance-of-payments and fiscal financing needs amid challenges, including the repercussions of the war in Ukraine and the lingering impact of the COVID-19 pandemic. This brings total disbursements under the ECF arrangement to SDR 65.55 million (about US$87.44 million).

The Executive Board also approved an augmentation of access under the ECF arrangement from SDR55 million to SDR70.55 million (or 113.4 percent of The Gambia's quota in the Fund), which is the second augmentation of access under this ECF arrangement. Further, the Executive Board completed the financing assurances review and granted a waiver of nonobservance of a performance criterion on external arrears.

The ECF arrangement with The Gambia was approved by the IMF's Executive Board on March 23, 2020, with an initial total access of SDR35 million (or 56.3 percent of quota) that was augmented at the completion of the first ECF review on January 15, 2021 to SDR55 million (88.4 percent of quota). The Gambia has also benefited from an IMF Rapid Credit Facility disbursement of SDR15.55 million and received debt service relief from the IMF under the Catastrophe Containment and Relief Trust, totaling SDR7.9 million.

The Gambian economy is facing multiple exogenous shocks, including the repercussions of the war in Ukraine, the lingering impact of the COVID-19 pandemic, and a major flooding. Growth projections in 2022 have been revised downward from 5.6 percent to 4.5 percent. Inflation reached a record-high level of 13.2 percent (year-on- year) in October 2022. The Central Bank of The Gambia increased further its policy rate to 13 percent in December 2022 to tackle inflationary pressures. The balance of payments is adversely affected by disruptions of timber and cashew exports, weaker-than-expected tourist arrivals, lower remittance inflows, high food and fuel import bills, and elevated freight costs. These shocks are generating foreign exchange shortages and weighing on forex reserves. Budget execution is facing pressures, including civil service salary increase and fuel revenue losses to alleviate the impact of the high global fuel prices on the population.

Executive Board Assessment[1]

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

The Gambia's performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite economic and social challenges stemming from the repercussions of the war in Ukraine, the lingering impacts of the COVID-19 pandemic, and a recent major flooding. Owing to these exogenous shocks, economic recovery and tax collection are weaker than anticipated, while inflationary pressures and foreign exchange shortages are intensifying.

The central bank is tightening the monetary policy stance to tackle inflation. It would be paramount to allow smooth functioning of the foreign exchange market and ensure that the exchange rate reflects market forces, which would help restore equilibrium.

Fiscal policy aims at alleviating the impact of the high global fuel and food prices on the population while safeguarding debt sustainability. To keep public debt on a downward path, it would be important to bolster domestic revenue mobilization, streamline tax exemptions, rationalize subsidies to SOEs, strengthen cash management, and further prioritize public investment projects.

In view of lingering vulnerabilities, including anticipated increases in debt service obligations at the expiry of the debt service rescheduling period, it would be important to maintain sufficient fiscal and external buffers. To this end, it would be advisable to contain domestic borrowing, strictly adhere to the external borrowing plan, and seek grants and highly concessional loans.

The authorities continue implementation of their ambitious structural reform agenda, including on justice reforms, audits of COVID-19-related spending, public procurement legal framework, and an upcoming governance diagnostic. The authorities are encouraged to further strengthen the business environment to promote private sector-led growth and reduce poverty.

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

Table 1. The Gambia: Selected Economic Indicators, 2020–2027

	2020	2021	2022		2023		2024	2025	2026	2027
	Act.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
National account and prices										
GDP at constant prices	0.6	4.3	5.6	4.5	6.2	6.0	6.5	5.8	5.0	5.0
GDP deflator	2.2	7.8	6.1	9.0	6.8	9.3	6.7	5.3	4.1	4.4
Consumer prices (average)	5.9	7.4	8.1	11.4	8.0	11.1	8.4	6.1	5.0	5.0
Consumer prices (end of period)	5.7	7.6	8.5	12.4	7.5	9.7	7.1	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	-48.6	6.2	33.1	-38.3	22.5	151.1	27.1	7.2	6.0	5.9
Imports, f.o.b (US$ values)	-5.2	6.9	37.1	26.2	13.1	18.3	7.4	5.3	3.4	5.5
Terms of trade (deterioration = -)	1.4	-7.5	-3.0	-3.9	-0.9	-1.0	-1.2	-0.9	-0.8	2.1
Real effective exchange rate (depreciation = -)	-0.8	...	...	...	...	...	...	...	...	...
Money and credit										
Broad money	22.0	19.5	6.1	4.1	6.5	6.5	10.6	10.9	6.8	6.1
Net foreign assets	17.6	8.8	0.4	-10.7	1.6	1.6	6.4	5.5	0.6	0.4
Net domestic assets	4.4	10.7	5.7	14.7	4.9	4.8	4.3	5.4	6.2	5.6
Of which:										
Credit to central government (net)	3.6	9.3	5.6	5.5	2.0	3.1	1.4	1.0	0.4	0.0
Credit to the private sector (net)	0.1	3.1	2.1	6.1	2.9	1.7	2.8	4.4	5.9	5.6
Velocity (GDP/broad money)	1.8	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.2
Central government finances										
Domestic revenue (taxes and other revenues)	14.5	14.3	14.7	11.9	13.5	12.5	13.3	14.3	15.0	15.3
Of which: Tax Revenue	11.1	10.3	10.1	9.3	10.9	9.8	10.6	11.4	12.0	12.3
Grants	8.5	2.5	4.9	5.9	6.8	6.6	6.1	6.4	5.5	5.2
Total expenditures	25.2	21.4	23.8	22.7	22.5	21.7	21.2	21.6	21.0	21.4
Of which: Interest (percent of government revenue)	21.9	21.2	18.1	21.4	16.3	16.9	19.9	17.5	14.1	0.0
Net lending (+)/borrowing (–)	-2.2	-4.6	-4.2	-4.8	-2.2	-2.7	-1.8	-0.9	-0.5	-0.9
Fiscal financing	2.2	4.6	4.2	4.8	2.3	2.7	1.8	0.9	0.5	0.9
Foreign	0.9	2.5	1.2	0.9	1.4	1.2	1.2	1.1	0.5	0.4
Domestic	1.3	2.1	3.0	3.9	1.0	1.5	0.6	-0.2	0.0	0.5
Primary balance	1.0	-1.6	-1.5	-2.3	0.0	-0.6	0.9	1.6	1.6	0.9
Public debt	85.9	83.8	79.5	80.8	74.6	75.4	70.2	63.6	57.9	52.7
Domestic public debt	36.4	35.4	33.0	32.4	30.1	29.5	26.6	23.0	19.6	16.5
External public debt	49.5	48.4	46.5	48.4	44.5	45.9	43.6	40.6	38.3	36.2
External public debt (millions of US$)	893.8	965.9	985.8	1003.7	1024.7	1,038.2	1,066.1	1,073.5	1,072.4	1,080.9
External current account balance										
Excluding official transfers	-7.5	-4.6	-14.2	-16.8	-14.1	-14.6	-10.8	-10.3	-9.0	-8.6
Including official transfers	-3.0	-3.8	-13.3	-14.7	-11.8	-12.6	-8.7	-9.0	-8.3	-7.9
Gross official reserves (millions of US$)	352.1	530.4	467.7	424.6	459.5	416.4	429.6	441.2	447.7	448.0
(months of next year's imports of goods and services)	5.8	7.0	4.7	4.8	4.4	4.4	4.3	4.3	4.1	3.9
Savings and investment										
Gross investment	20.2	20.7	23.6	22.2	23.5	22.5	22.5	23.9	23.7	24.3
Of which: Central government	7.1	6.2	9.3	8.9	9.0	9.0	8.8	9.7	9.0	9.3
Gross savings	17.2	16.9	10.3	7.5	11.7	9.9	13.8	14.9	15.4	16.4
Memorandum items:										
Nominal GDP (billions of dalasi)	93.3	104.9	117.6	119.5	133.4	138.5	157.4	175.3	191.7	210.2
GDP per capita (US$)	747.9	816.4	847.9	845.2	889.9	881.7	920.3	956.0	984.2	1,017.3
Use of Fund resources (millions of SDRs)										
Disbursements	20.6	35.0	10.0	26.4	5.0	5.0	0.0	0.0	0.0	0.0
Of which: 2020 RCF	15.6	...	...	...	...	...	...	...	...	...
Of which: ECF Augmentation	...	20.0	...	...	...	...	...	...	...	...
Repayments	-4.6	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0
CCRT debt relief [1]	3.2	4.0	0.8	0.8	...	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.5	71.0	66.7	67.9	62.6	63.3	59.1	53.6	48.3	43.5

THE GAMBIA

November 28, 2022

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

EXECUTIVE SUMMARY

Context. The repercussions of the war in Ukraine are threatening economic and social stability. Following a slight uptick in July-August, new COVID-19 cases have declined to almost nil recently while the vaccination rate remains low at around 22 percent of the population. The Gambia is also suffering from more frequent climatic shocks, including a recent major flooding. The country continues to advance social and justice reforms. Following a parliamentary election, President Barrow reshuffled the Cabinet in May 2022, without any expected change in the overall direction of economic policies.

Macroeconomic developments and outlook. The economic recovery is weaker than anticipated owing primarily to the repercussions of the war in Ukraine. Inflation reached a several decades record high of 13.3 percent (y-o-y) at end-September 2022. The balance of payments is facing multiple shocks, including disruptions of timber and cashew exports, weaker-than-expected tourist arrivals, lower remittance inflows, high food and fuel import bills, and elevated freight costs. These shocks are generating forex shortages and weighing on forex reserves. Budget execution has been adversely impacted by fuel revenue losses, delays in the collection of non-tax revenue, and a 30-percent increase in civil servants' basic salaries. The outlook is clouded by significant downside risks, including uncertainties about the war in Ukraine and the COVID-19 pandemic.

Program performance. Performance under the ECF-supported program was broadly satisfactory. At end-June 2022, all quantitative performance criteria (QPCs), three out of four indicative targets (ITs) and all three structural benchmarks (SBs) were met. However, the continuous QPC on external arrears was temporary breached. At end-September 2022, six out of nine indicative quantitative targets and three out of five SBs were met. The prior action on the submission to the National Assembly of the second phase audit report on Covid-19-related spending has been completed.

Program objectives. The program aims at addressing the immediate pressures from multiple exogenous shocks while improving macroeconomic sustainability:

- To address the foreign exchange shortages, the CBG will allow smooth functioning of the forex market and ensure that the exchange rate reflects market forces. The authorities are requesting augmentation of access under the ECF arrangement to help address the widening external financing gap.
- To address persistent inflationary pressures, the CBG intends to tighten further the monetary policy stance, including through additional policy rate hikes and absorption of excess liquidity.
- To address the fiscal pressures, the authorities are taking revenue and spending measures while the targets will be slightly loosened relative to previous plans to mitigate the impact of the shocks on the population. The fiscal framework will broadly keep public debt on the previously programmed downward path.
- To support the fiscal efforts and the business environment, structural reforms 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 the fight against corruption.

Staff's views. Considering the broadly satisfactory program performance and the authorities' strong policy commitments going forward, staff recommends completion of the fifth ECF review and the financing assurances review. Staff also supports the authorities' requests for a modification of a performance criterion and indicative targets, a waiver for non-observance of a performance criterion, and the augmentation of access of SDR 15.55 million (25 percent of quota) under the ECF arrangement to address urgent balance of payments financing needs stemming from lower exports and remittances, and higher global food and fuel prices.

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

The mission took place in hybrid format during September 21–October 4, 2022; discussions continued during the 2022 Annual Meetings and on October 31, 2022. The team comprised Messrs. Razafimahefa (head), Kemoe, Kwende, and Nachega, and Ms. Singh (all AFR), Mrs. Han (FAD), and Messrs. Tong (SPR), Barry (resident representative), and Mendy (local economist). The team met with President Adama Barrow and Vice President Badara Alieu Joof, and held discussions with Minister of Finance Seedy Keita, Minister of Tourism Hamat Bah, Minister of Transport Works and Infrastructure Ebrima Sillah, Minister of Agriculture Demba Sabally, Central Bank Governor Buah Saidy, other public officials, private sector operators, and civil society organizations. The mission briefed development partners and held a press conference. Mr. Cham (advisor, OEDAE) participated in the meetings. Staff from the World Bank and European Union joined some meetings. Mr. Kwende contributed to this report. Ms. Barry (local office manager) helped on the organization of the mission. Mss. Pilouzoue and Jaghori assisted in the preparation of this report.

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APPENDIX

ACRONYMS

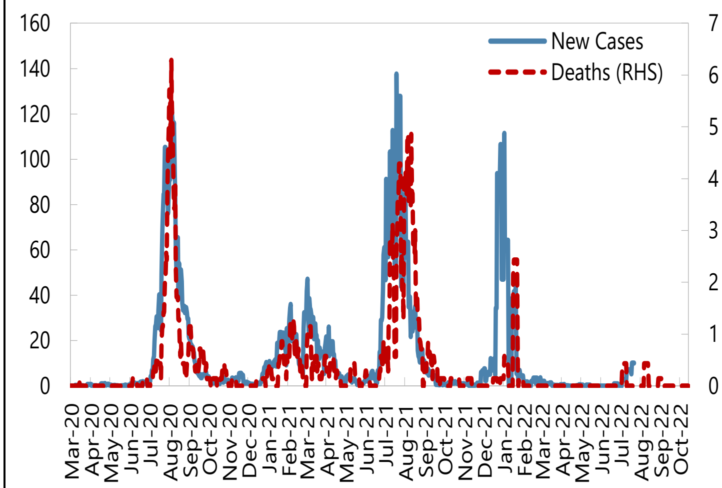
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
BoP	Balance of Payments
BRP	Banjul Rehabilitation Project
CBG	Central Bank of The Gambia
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EU	European Union
FSSR	Financial Sector Stability 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
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 repercussions of the war in Ukraine are threatening economic and social stability while COVID-19 infections are subsiding** (MEFP ¶1). Surging global food and energy prices have led to high inflation, large tax revenue losses, weak external position, and acute forex shortages. The government is trying to alleviate the repercussions of the shocks on the population to allay social tensions in a region prone to socio-political instability. A major flooding in July 2022 caused loss of lives and destruction of homes. A slight uptick of COVID-19 infections in July-August has subsided, while the vaccination rate remains low at 22 percent of total population at end-September despite ample vaccine supply (Text Figure 1).

Text Figure 1. The Gambia: COVID-19 Cases and Fatalities, March 2020 – October 2022,
(7-Day moving average)



Source: Johns Hopkins CSSE; and IMF staff calculations.

2. **The Gambia continues to advance social and justice reforms** (MEFP ¶2). Following the Parliamentary election in April 2022, the President reshuffled the Cabinet in May 2022, without any expected change in the overall direction of economic policies. The Gambia made significant progress on the Reporters Without Borders 2022 World Press Freedom. It improved on the 2022 Global Peace Index. It has also moved up to Tier 2 in the 2022 U.S. Trafficking in Persons Report. In May 2022, the authorities published a white paper on the recommendations of the Truth, Reconciliation and Reparations Commission (TRRC) accepting all of the Commission's critical recommendations.[1]

RECENT ECONOMIC DEVELOPMENTS

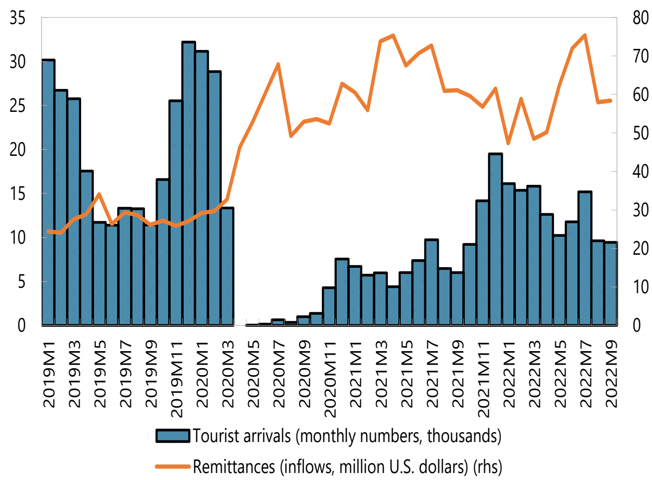
3. **The economic recovery is weaker than anticipated and inflation is accelerating due primarily to the repercussions of the war in Ukraine** (MEFP ¶¶3 and 4, Text Figure 2, Figure 1 and Table 1). The GDP growth projection in 2022 has been revised down from 5.6 to 4.5 percent. Tourist arrivals almost doubled during January-September 2022 relative to the low level during the same period in 2021 but remain below pre-pandemic levels. Remittance inflows declined by 11 percent during this period. Exports of timber and cashew are facing suspension at the borders due to politico-security concerns. Nonetheless, some sectors are showing resilience, including agriculture

[1] While all TRRC-indicted public employees have been suspended from their duties, the full implementation of the TRRC recommendations will require substantial financial and technical support, which the authorities are seeking from development partners.

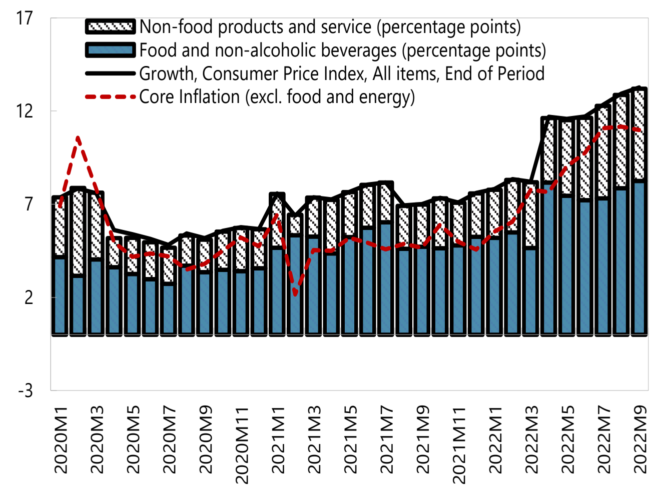
and construction.[2] Headline inflation reached 13.3 percent (y-o-y) and food inflation 16.5 percent (y-o-y) at end-September 2022, driven by high global food and fuel prices following the war in Ukraine as well as supply disruptions at the borders. These shocks had second-round effects on other domestic prices.[3]

Text Figure 2. The Gambia: Economic Activity Indicators, 2019–22

Tourist Arrivals and Remittances
(In indicated magnitude)



Components of Inflation
(Percent change)



Sources: The Gambian authorities; and IMF staff calculations.

4. The exogenous shocks on the balance of payments have triggered forex shortages and are jeopardizing the stock of essential commodities (MEFP ¶7 and Annex I**).** The above adverse developments on exports, tourism, and remittances are reducing supply on the forex market. On the import side, while the increase is smaller than previously anticipated, import payments are much larger than in 2021 due to persistently high global food and fuel prices, and elevated freight costs. The current account deficit in 2022 is expected to be wider than previously anticipated by about 1 percent of GDP. Forex supply has mostly fallen below demand in recent months. Importers of essential commodities are struggling to find forex to cover their receipts, which has led to significantly low food and fuel stocks in the country. Thus, the CBG had to partially help importers of essentially commodities meet their forex needs, which led to a decline of gross international reserves from US$520 million at end-December 2021 to US$420 million at end-October 2022.

[2] Since 2022Q1 the CBG's composite index of economic activity (CIEA) has moved above its pre-pandemic level.

[3] The core inflation (excluding food and energy) rose to 11 percent (y-o-y) in September 2022, compared to 4.6 percent (y-o-y) in December 2021. The slight depreciation of the Dalasi vis-à-vis the US dollar, despite a slight appreciation against some other major currencies, also weighed on inflation.

5. Budget execution was prudent at end-June but weakened at end-September due mostly to fuel revenue losses and delays in privatization proceeds (Text Table 1, MEFP ¶5)**.** At end-June, domestic revenue collection fell short of projections by 0.2 percentage point of GDP due primarily to foregone fuel revenue and weak trade tax collection, which absorbed the strong collection of domestic taxes such as PIT and VAT. The government reduced tax collection on fuel products to alleviate the passthrough from high global fuel prices to domestic pump prices, with a view to mitigating social tensions. [4] The shortfall in domestic revenue was more than offset by lower expenditures, which helped contain the net domestic borrowing (NDB) below the program ceiling. However, fuel revenue losses intensified in July, which were exacerbated by a shortfall in non-oil customs revenue in 2022Q3 due to port congestion and lack of forex to clear containers. Moreover, the proceeds from Megabank privatization, are delayed as negotiations are still underway. Thus, despite spending containment efforts, the NDB at end-September overshot the program ceiling by 0.4 percent of GDP.

Text Table 1. The Gambia: Fiscal Performance, 2022

(Cumulative, Percent of GDP)

	January-June		January-September	
	Prog.	Est.	Prog.	Prel.
Revenue	**8.5**	**8.5**	**14.2**	**12.0**
Domestic revenue	6.0	5.8	10.7	8.6
Taxes	4.9	4.7	7.2	6.9
Non-tax	1.1	1.1	3.4	1.8
Grants	2.5	2.8	3.5	3.4
Budget support	1.0	0.9	1.0	0.9
Project grants	1.6	1.9	2.6	2.5
Expenditures	**12.1**	**11.4**	**18.0**	**15.8**
Expenses	7.6	7.2	11.1	10.5
Compensation of employees[1]	2.2	2.2	3.2	3.4
Use of goods and services	1.7	1.3	2.5	2.0
Interest	1.4	1.2	2.0	1.9
Subsidies and transfers	2.4	2.5	3.4	3.2
Net acquisition of nonfinancial assets	4.5	4.2	6.8	5.3
Foreign financed	2.7	2.6	4.5	3.4
Gambia local fund	1.8	1.6	2.3	1.9
Net lending (+)/borrowing (–)	**-3.6**	**-2.8**	**-3.8**	**-3.7**
Financing	**3.6**	**2.7**	**3.8**	**2.8**
Net acquisition of financial assets	0.8	0.0	0.8	0.0
Net incurrence of liabilities	2.8	2.7	3.0	2.8
Domestic	2.4	2.5	2.3	2.7
Net borrowing	1.6	1.5	1.5	1.9
RCF/ECF/SDR (Onlent)	1.2	1.2	1.2	1.2
Change in arrears	-0.4	-0.3	-0.4	-0.3
Foreign	0.4	0.2	0.7	0.0
Statistical discrepancy	0.0	0.2	0.0	1.0
Memorandum items:				
Primary balance	1.4	1.2	2.0	1.9
Domestic primary balance	1.5	1.0	3.0	1.8

Sources: The Gambian authorities; and IMF staff estimates.
[1] Compensation of employees in the "Prog" columns reflect initial budget projections, before the salary increase.

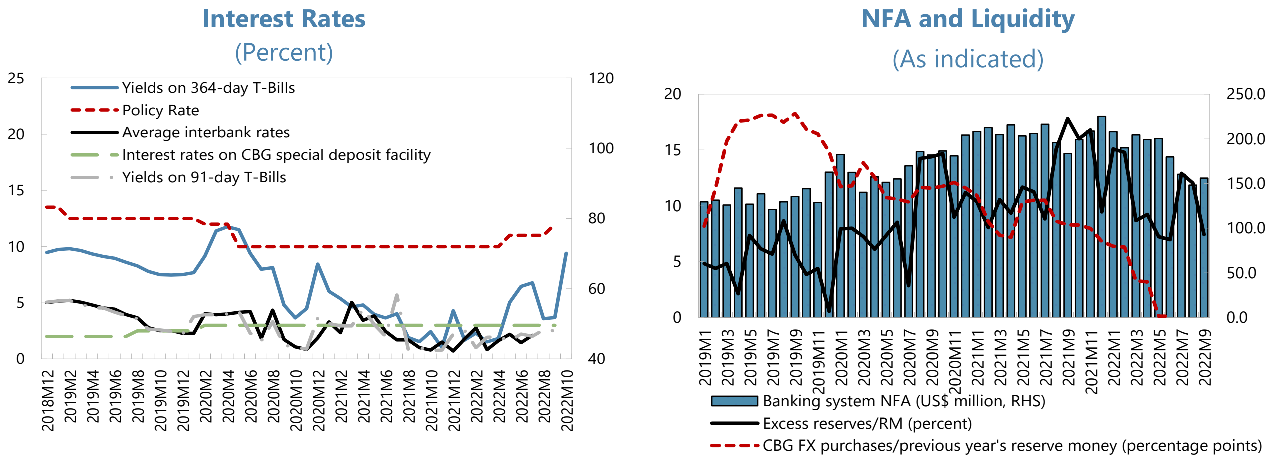
6. The Parliament approved in July a revised budget to address revenue shortfalls and accommodate a 30-percent salary increase (MEFP ¶6 and Annex II). The forgone tax on petroleum products and the non-realization of a one-off revenue of US$30 million (1.5 percent of GDP) expected from a dispute settlement in the petroleum sector, exerted pressures on budget execution, and partially prompted the authorities to initiate a budget revision. At the same time, to enhance productivity in the civil service, the authorities introduced a 30-percent increase of the basic salary, which costs about 0.5 percent of GDP in 2022 and about 1 percent of GDP annually thereafter.

7. The CBG has tightened the monetary policy stance to tackle the accelerating inflation (Text Figure 3; MEFP ¶4, 21)**.** The central bank increased the policy rate in May and September 2022 from 10 percent to its pre-pandemic level of 12 percent. The real-term policy rate moved from a negative territory in July to broadly nil in September. The excess liquidity is diminishing but remains relatively significant. Broad money remained relatively stable during 2022H1 in a context of

[4] Fuel-related revenue losses amounted to 1.1 percent of GDP during January-September 2022.

declining net foreign assets of the banking system. At end-September, reserve money and banks' reserves have contracted by 6 and 16 percent (y-o-y), respectively. The overall financial sector remains resilient with some heterogeneity.[5]

Text Figure 3. The Gambia: Monetary Policy, 2018–22



Sources: The Gambian authorities, and IMF staff calculations.

PROGRAM PERFORMANCE

8. Program performance was broadly satisfactory (MEFP ¶¶10-12, and MEFP Table 1). At end-June 2022, all QPCs and all but one ITs were met. However, at end-September 2022, six out of nine quantitative targets were met. In particular, due primarily to the implications of the war in Ukraine, some indicative targets were missed as fuel revenue losses accumulated and the forex shortages forced the CBG to draw down on its forex reserves to help finance imports of essential commodities. The continuous QPC on external payment arrears was temporarily breached; the payment of a debt obligation related to the utility company was delayed due to some treasury challenges stemming from the high fuel prices and difficulties in finding forex. Despite the temporary nature of the breach, the authorities have put in place a committee to closely analyze the financial situation of the company and suggest measures to prevent reoccurrence of delayed payments.

9. Structural reforms are progressing. The prior action related to the submission to the National Assembly of the audit report on the second phase of Covid-19 spending was completed. All three end-June SBs were met. The new Taxpayer Charter was approved, launched and published on the GRA website; the Social Registry was expanded to six additional districts; and the first draft of the revised Public Finance Bill was completed. Three out of five end-September SBs were met. The

[5] Risk-weighted capital adequacy ratios at end-June 2022 declined marginally to 26.9 percent at end-June 2022, compared to a statutory ratio of 10 percent. Commercial banks' NPLs stood at 4.1 percent of gross loans at end-June 2022. Microfinance companies' (MFCs) NPLs increased from 7.0 percent of gross loans to 9 percent. Banks and MFCs remain liquid and profitable. Furthermore, a stress testing exercise of the commercial banking industry based on banks' balance sheets at end-December 2021s shows that the banking sector remains solvent even with a 400 percent shock to NPLs, but credit risks remain.

tax ledgers reconstruction for large taxpayers was completed; the tax audit on five exempt entities holding GIEPA Special Investment Certificates was completed; and the CBG completed a stress-testing exercise of the entire commercial banking industry based on banks' balance sheets. The publication of the phase 2 audit report of COVID-19 spending was not completed but the report was submitted to the National Assembly. The signing of performance contracts between MoFEA and three additional key SOEs (GPA, GNPC and SSHFC) is delayed as negotiations on KPI targets are taking longer than expected; it is proposed to reschedule the SB to end-February 2023.

ECONOMIC OUTLOOK AND RISKS

10. Risks to the outlook are markedly tilted to the downside, due to the protracted war in Ukraine and the lingering effects of the COVID-19 pandemic (Text Table 2, MEFP ¶13). GDP growth is projected at 4.5 percent and 6.0 percent in 2022 and 2023, down from 5.6 percent and 6.2 percent during the fourth ECF review. Growth is projected to stabilize around 5 percent in the medium term. Inflation is expected to remain high in 2022 and 2023 and return to 5 percent in the medium term. The fiscal deficit is expected to improve, but at a slower pace than previously anticipated.[6] The current account deficit in 2022 is expected to worsen relative to the 4th ECF review projection. Pressures on the balance of payments and foreign exchange may persist if the spillovers from the war in Ukraine intensify, commodity prices remain elevated, and an abrupt global slowdown or recession occurs. These downside risks would weaken further economic recovery and amplify pressures on inflation, fiscal performance, and external stability (Text Table 2). This downside scenario may exacerbate further social tensions. Also, the path of the COVID-19 pandemic remains uncertain. Furthermore, the vagaries of climate change pose real threats, as experienced during the major flooding in July 2022.

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	4.5	6.0	6.5	5.8	5.0	5.0
Consumer price inflation (average, percent change)	7.4	11.3	11.1	8.4	6.1	5.0	5.0
Tax revenue	10.3	9.3	9.8	10.6	11.4	12.0	12.3
Primary balance	-1.6	-2.3	-0.6	0.9	1.6	1.6	0.9
Domestic primary balance	-0.2	-1.7	-0.2	1.5	2.9	3.2	2.8
Current account balance	-3.8	-14.7	-12.6	-8.7	-9.0	-8.3	-7.9
PV of public debt	71.0	67.9	63.2	59.0	53.4	48.2	43.4
Gross official reserves (months of prospective imports)	7.0	4.8	4.4	4.3	4.3	4.1	3.9
Downside Scenario							
Real GDP growth (percent)	4.3	3.4	4.8	5.8	5.3	5.0	5.0
Consumer price inflation (average, percent change)	7.4	11.5	11.9	9.1	6.3	5.0	5.0
Tax revenue	10.3	8.6	9.1	10.1	11.0	11.7	12.2
Primary balance	-1.6	-3.6	-1.5	0.2	1.1	1.5	1.0
Domestic primary balance	-0.2	-3.0	-1.2	0.9	2.5	3.0	2.8
Current account balance	-3.8	-16.8	-16.0	-12.1	-12.3	-11.6	-11.2
PV of public debt	71.0	69.8	66.2	62.9	58.0	53.1	48.2
Gross official reserves (months of prospective imports)	7.0	4.6	4.2	4.1	4.1	3.9	3.7

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

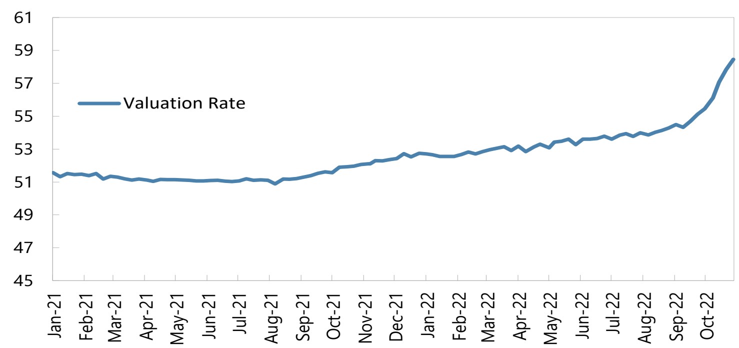
[6] The medium-term fiscal consolidation is expected to be driven by the revenue mobilization efforts, the completion of OIC conference projects, and the phasing-out of war- and pandemic-related revenue and spending measures.

POLICY DISCUSSIONS

Policy discussions focused on (i) the forex market and the exchange rate to address forex shortages, and the monetary policy stance to tackle inflation; (ii) the 2022 and 2023 fiscal frameworks to address exogenous shocks while safeguarding and improving debt sustainability; and (iii) the structural reform agenda, including on revenue administration, public financial management, and governance.

A. Exchange Rate and Monetary Policies

Text Figure 4. The Gambia: CBG Exchange Rate, 2021–22
(GMD per USD)



Source: The Gambian Authorities and IMF staff calculations.

11. The authorities are taking policy measures to alleviate the imbalance in the forex market (MEFP ¶22)**.** The central bank (CBG) rescinded at end-August 2022 a temporary ban on withdrawals from forex accounts. The CBG has been taking steps since early October 2022 to address the wedge between its published exchange rate and the parallel market rate. It clarified to banks and forex bureaus that they can transact officially at a market-based exchange rate to dissipate any potential concern about CBG's policies or potential perception of moral suasion. It adjusted accordingly the basis of its published exchange rate, which sends an important signal to market participants about CBG's policy. Consequently, the exchange rate wedge narrowed from about 15-20 percent in mid-September to 5-11 percent at end-October, and the CBG's published exchange rate has depreciated by about 7 percent (Text Figure 4).[7]

12. As a result of external shocks, an additional BoP financing gap and pressures on international reserves are materializing in 2022. Despite lower-than-expected imports, weak remittances, tourism, and export receipts have created a BoP financing gap of US$88 million in 2022. This gap will be covered partly by additional budget support from development partners (US$23.8) and drawdown on international reserves (US$43 million). For the remaining gap, the authorities have requested augmentation of access under the ECF arrangement of about US$21 million (25 percent of quota) (Text Tables 3 and 4). The combination of additional financing and policy measures, together with the upcoming high tourism season are expected to help restore equilibrium on the forex market. Moreover, discussions are underway to resolve the issues restraining timber and

[7] The text figure shows only the central bank's published exchange rate as regular information on the parallel market exchange rate is not available. Staff inquires on an ad-hoc basis about the latter.

cashew exports at the borders; a positive outcome of these discussions would greatly ease BoP pressures.

Text Table 3. The Gambia: External Financing Needs and Sources, 2022
(Millions US$)

	4th ECF Review	Current Proj.	Change
Current account balance	-309.3	-363.6	-54.3
Goods and services	-773.3	-745.7	27.6
Income	-32.4	-32.4	0.0
Current transfers (excl. official)	496.4	414.5	-81.9
Capital and financial account	214.3	180.2	-34.1
Overall balance	-95.0	-183.4	-88.4
Financing	95.0	183.4	88.4
Gross international reserves	62.8	105.8	43
Budget support grants	20.0	43.8	23.8
CCRT	1.0	1.0	0
Use of IMF resouces (net)	11.2	32.8	21.6

Sources: The Gambian authorities and IMF staff estimates.

Text Table 4. The Gambia: Gross Forex Reserves 2022-23
(As indicated)

	2022	2023	2022	2023
	million US$		(in months of imports)	
4th ECF Review	468	460	4.7	4.4
5th ECF review (no augmentation)	414	395	4.6	4.1
5th ECF Review (with augmentation)	424	415	4.8	4.4

Sources: The Gambian authorities and IMF staff calculations.

13. The CBG will further tighten the monetary policy stance. (MEFP ¶¶4 and 21). The CBG expects inflationary pressures to persist before gradually declining in 2023. Thus, the CBG plans to further increase the policy rate and bring it rapidly into positive territory in real terms. The CBG's forex sale has contributed to absorb the excess liquidity, which has been declining recently. It will consider using actively other policy instruments, such as the continuation of CBG bill issuances to further absorb excess liquidity, as needed. It will roll out an effective communication strategy to help anchor inflation expectations. The tightening of the monetary policy stance will also support the CBG's exchange rate policy discussed above.

B. Fiscal Policy and Debt Sustainability

14. For the remainder of 2022, the fiscal framework faces important revenue and spending pressures (Text Table 5)**.** On the revenue side, a one-off revenue expected from the petroleum sector will likely not materialize as the related legal dispute is still pending. The asset sale from the

Janneh Commission is proceeding at a slower pace than originally envisaged. Customs revenue collection is suffering from port congestion and diversion of imports to neighboring countries' ports. Fuel revenue losses are accumulating. The oil marketing companies (OMCs) suspended the sale of fuel products on September 2 and threatened to cease operations from October 17 (but postponed this decision) arguing reduced margins and forex shortages. Based on these mostly one-off revenue losses and on outturns at end-August, revenue projections have been revised downward significantly. In addition, the finalization of the *MegaBank* privatization process before end-December 2022 remains uncertain as additional steps are required by the buyer. On the spending side, the civil service salary increase is weighing on the budget. Furthermore, the utility company (NAWEC) faces treasury challenges due to the elevated global fuel prices; the company may require government support if electricity tariffs are not revised upwards, which is difficult to undertake in the current social context.

15. The authorities have introduced several policies to help address intensifying fiscal pressures and reduce budget financing needs (Text Tables 5-6, MEFP ¶15)**.** The authorities increased domestic fuel prices by 30-50 percent during January-October 2022. For the November fuel price structure, the domestic pump prices exceed the full-passthrough prices for gasoline, but the government is still losing revenue on diesel, which has the largest sales volume in the country. The authorities should secure the collection of the agreed fuel-related revenue by further increasing domestic prices if global prices increase or keeping domestic prices unchanged if global prices decline. The vulnerable population should be supported through targeted social programs. The authorities accelerated the adoption of the public procurement bill, which allowed securing a supplementary budget support of about 1 percent of GDP from the World Bank. Non-payroll-related allowances of civil servants have been reduced or eliminated; subsidies to SOEs are reduced; non-essential travel and training abroad are banned; per-diems are reduced; mobile phones and fuel allowances to civil servants are streamlined; and some other allocations on goods and services have also been reduced. These measures more than offset the salary increase in 2022 and will help support fiscal consolidation going forward. The authorities are stepping up collection of non-tax revenue, including by improving the payment structure of bridge tolls, frontloading the collection of airport concession fees and collecting more dividends from SOEs. They have set up a task force to closely analyze the financial situation of the utility company and recommend corrective measures. They have also committed to swiftly finalize the privatization of MegaBank, accelerate the sale of assets under the Janneh Commission, ensure strict cash management and effective functioning of the recently established reform monitoring committee, and focus on ongoing investment projects instead of new projects. Some logistical measures are being implemented to slightly alleviate the port congestion in the near term and discussions are underway to expand the port in the medium term, which should help support customs revenue collection.

16. Despite policy measures, the 2022 fiscal deficit is expected to widen and create a budget financing gap. The fiscal pressures and the need to support the vulnerable population from price shocks are enlarging the budget deficit by 0.7 percent of GDP and the fiscal financing gap by 0.5 percent of GDP relative to the 4th ECF review. To cover the new gap, the authorities request to use about half of the requested ECF access augmentation (SDR7.78 million) to be on-lent from CBG to the budget. [8] It would provide fiscal space to cushion the shocks.[9] The uncertainty about the bank privatization is addressed through a program adjustor, which will keep unchanged the debt reduction path.[10]

Text Table 5. The Gambia: Revisions to Fiscal Framework, 2022
(Percent of GDP, Changes Relative to 4th Review)

	Change
Revenue and Grants	**-1.8**
Tax: Loss of tax revenue on petroleum products due to subsidies and underperformance on other custom duties, less than compendated by strong performance on domestic taxes and additional PIT from the salary increase.	-0.7
Non tax: Loss of US$30 million anticipated petroleum revenue, low sale of assets under the Janneh Commission and underperformance in H1; less than compensated by higher collection of dividends from SOEs and the frontloading of some measures (e.g. airport concession fee, bridge toll, etc.).	-2.0
Grants: US$20 million additional budget support from the World Bank.	1.0
Expenditure	**-1.1**
Compensation of employees: 30 percent salary increase (+0.5 percent of GDP); Reduction of non-payroll-related allowances (-0.2 percent of GDP).	0.3
Goods and services: Streamlining of allocations to ministries and departments; reduction in non-essential travel and trainings abroad, reduction in per-diems, prepaid mobile phones and fuel to senior civil servants.	-0.5
Subsidies: Streamlining of transfers to subvented agencies; reduction of subsidy to GGC.	-0.4
Domestic capital spending: Pause on new infrastructure projects in H2.	-0.2
Other: Efficiency gains; savings from lower interest rates in H1, etc.	-0.3
Overall balance	**-0.7**
Financing	**0.7**
Loan repayment from SOE.	0.1
On-lending of 50 percent of ECF augmentation to the budget.	0.4
Lower-than-anticipated foreign amortization.	0.2

Source: The Gambian authorities.

Text Table 6. The Gambia: Fiscal Projections, 2022
(Percent of GDP)

	Prog.	Proj.
Revenue	**19.6**	**17.8**
Domestic revenue	14.7	11.9
Taxes	10.1	9.3
Non-tax	4.6	2.6
Grants	4.9	5.9
Budget support	1.0	2.1
Project grants	3.9	3.8
Expenditures	**23.8**	**22.7**
Expenses	14.5	13.8
Compensation of employees[1]	4.3	4.6
Use of goods and services	3.4	2.8
Interest	2.7	2.6
Subsidies and transfers	4.2	3.8
Net acquisition of nonfinancial assets	9.3	8.9
Foreign financed	6.7	6.5
Gambia local fund	2.6	2.4
Net lending (+)/borrowing (–)	**-4.2**	**-4.9**
Financing	**4.2**	**4.9**
Net acquisition of financial assets	0.7	0.8
Net incurrence of liabilities	3.4	4.0
Domestic	2.5	2.9
Net borrowing	1.4	1.4
RCF/ECF (Onlent)	1.5	2.0
Change in arrears	-0.4	-0.4
Foreign	0.9	1.1
Statistical discrepancy	0.0	0.0
Memorandum items:		
Primary balance	-1.5	-2.3
Domestic primary balance	0.3	-1.7

Source: The Gambian authorities.
1/ Compensation of employees in the "Prog" column reflects initial budget projections, before the salary increase.

[8] The shocks on the balance of payments (i.e., lower tourism, exports, and remittances combined with higher global food and fuel prices) lead to fiscal shocks (i.e., lower revenue and higher spending), which justify the on-lending of the ECF access augmentation for budget financing.

[9] The ECF on-lending helps prevent domestic borrowing, which would be more costly and may crowd out credit to the private sector.

[10] Considering that the potential delay of the privatization is out of the government's control, an upward adjustor is included on the end-December 2022 NDB for the amount of the privatization. In case this adjustor is applied in 2022, the net domestic borrowing ceiling in 2023 will be adjusted downwards proportionately if the sale proceeds are received in 2023.

17. The 2023 budget would mark a return to fiscal consolidation needed to preserve debt sustainability, while addressing the implications of the war in Ukraine and the impact of the new civil service pay scale (MEFP ¶16 and Text Table 7). The tax revenue underperformance expected in 2022, and their drivers, will adversely impact the tax base for 2023. Global food and fuel prices are expected to somewhat ease in 2023 but will continue to necessitate support to alleviate their lingering impacts on the population.[11] The disruptions in global trade and the diversion to regional trade will also hinder revenue collection. In addition, the civil service salary increase will have a full-year impact on the budget. Considering these pressures, the 2023 fiscal framework is anchored on an overall fiscal deficit of 2.7 percent of GDP, which corresponds to a relaxation of 0.5 percentage point relative to the 4th ECF review, but a consolidation of 2.2 percentage points relative to 2022. About half of this reduction in the fiscal deficit is due to measures planned by the authorities in 2023. This deficit will broadly keep public debt on the previously programmed downward path; the PV of public debt is projected to decline below the benchmark of 55 percent of GDP in 2025, in line with previous projections.

Text Table 7. The Gambia: Budget, 2023
(Percent of GDP)

	Prog.	Budget	Diff.
Revenue	**20.3**	**19.1**	**-1.2**
Domestic revenue	13.5	12.5	-1.0
Taxes	10.9	9.8	-1.1
Non-tax	2.6	2.7	0.1
Grants	6.8	6.6	-0.2
Budget support	2.4	2.1	-0.3
Project grants	4.5	4.6	0.1
Expenditures	**22.5**	**21.8**	**-0.7**
Expenses	13.5	12.7	-0.8
Compensation of employees	4.5	4.4	-0.1
Use of goods and services	3.2	2.7	-0.5
Interest	2.2	2.1	-0.1
Subsidies and transfers	3.6	3.5	-0.1
Net acquisition of nonfinancial assets	9.0	9.0	0.0
Foreign financed	7.3	6.9	-0.4
Gambia local fund	1.7	2.1	0.4
Net lending (+)/borrowing (–)	**-2.2**	**-2.7**	**-0.5**
Financing	**2.2**	**2.7**	**0.5**
Net acquisition of financial assets	-0.1	-0.3	-0.1
Net incurrence of liabilities	2.3	2.9	0.6
Domestic	1.0	1.7	0.8
Net borrowing	1.0	1.4	0.5
RCF/ECF (Onlent)	0.0	0.3	0.3
Change in arrears	0.0	0.0	0.0
Foreign	1.4	1.2	-0.2
Statistical discrepancy	0.0	0.0	0.0
Memorandum items:			
Primary balance	0.0	-0.6	-0.6
Domestic primary balance	0.5	-0.2	-0.7

Source: The Gambian authorities, and IMF staff estimates.

18. The main revenue and spending features of the 2023 budget are as follows (MEFP ¶16**)**. On the revenue side, the authorities will implement several measures to boost domestic revenue collection and ensure the financing of the recent salary increase. Such measures include improving the degree of fuel price pass-through and strengthening the collection of several other tax and non-tax revenue. Development partners' budget support commitments in 2023 amount to 2.1 percent of GDP.[12] On the spending side, while the full-year impact in 2023 of the 30-percent increase in public servants' salary would cost 1.1 percent of GDP, the various spending measures implemented in 2022 (in particular, the reduction of non-payroll-related allowances) will continue in 2023 and would yield

[11] For instance, the custom duty exemptions on some main food items, which was introduced during the COVID-29 outbreak have not been withdrawn yet and are likely to be maintained in 2023.

[12] World Bank, European Union, African Development Bank, and French Development Agency.

savings of 0.4 percent of GDP.[13] The 2023 budget also features a reduction in subsidies to GGC. Infrastructure development will be mainly driven by foreign-financed projects, while domestically financed investment will be limited to advancing ongoing projects.

19. Revenue administration will be strengthened further to ensure achieving the fiscal targets (MEFP ¶25)**.** Related measures include expansion of the tax ledgers cleansing to other categories of taxpayers; acceleration of digitalization through Asycuda World and ITAS; stronger management of tax arrears; setting up of a fully functional Internal Affairs Unit at the GRA to enhance the internal assurance and integrity mechanism (**proposed SB for end-Feb 2023**); and preparation of a national mandate and the policy document for customs border and inland controls. Several other measures are also planned or underway.

20. The Gambia's public debt is deemed sustainable, but risks of external and overall debt distress remain high (MEFP ¶¶17-20). The DSA update shows that breaches in the indicative thresholds are broadly similar to that seen during the 4th ECF review. Given the downward revisions to export projections for 2022, the export-related debt indicators remain weak and breach indicative thresholds at various intervals. The debt outlook is subject to large downside risks, especially due to rapid increase in domestic debt and the protracted war in Ukraine, which could worsen the profile of the PV of overall-debt-to-GDP in the near future. To reduce debt vulnerabilities, the authorities need to contain domestic borrowing including by SOEs,[14] ensure that PPPs do not give rise to contingent liabilities, continue to strictly adhere to the agreed external borrowing plan, and strengthen liquidity and debt management. Additionally, strong external buffers are needed to prepare for the upcoming expiration of debt rescheduling. The expected improvement in debt sustainability relies on the authorities' continuing policy efforts as defined in their medium-term fiscal framework, geared towards reducing debt vulnerabilities (Tables 2–3, and Annex II of Country Report No. 2022/195).[15]

C. Public Financial Management, Governance, Structural Reforms

21. The authorities are delivering on their governance and transparency commitments. The MoFEA has resumed the publication of COVID-19 spending on the monthly expenditure report. All procurement contracts approved by the Gambia Public Procurement Agency since 2021 are published on its website by type of procurement method. However, the publication of the COVID-19 contracts with the beneficial owners was terminated at end-June 2021 when COVID-19 related

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[13] The 4th ECF review fiscal projections already anticipated a partial and gradual implementation of the salary increase starting in 2023.

[14] Despite some improvement, there is an urgent need to strengthen SOEs governance. Although the new SOEs directorate is helping improve the government's oversight, SOEs' management has experienced high turnover and SOEs borrowing from banks soared, due to GGC borrowing to replace its ITFC facilities and also borrowing by other SOEs. NAWEC is facing treasury challenges.

[15] The primary fiscal balance is expected to turn to an average surplus of 1.4 percent of GDP over the medium term, predicated on strong revenue and expenditure measures envisaged by the authorities as well as stepped-up support from development partners. For instance, the authorities plan to replace the pandemic- and war-related revenue and spending measures with means-tested social programs targeting the vulnerable population.

spending started to be implemented using normal budget processes. The audit report on the first phase of the COVID-19 spending was published.[16] The audit report on the second phase of the COVID-19 spending was submitted to the National Assembly in October 2022 (prior action).

22. Efforts continue to strengthen PFM and governance, including the legal framework (MEFP ¶26 and MEFP Table 2). Building on the first draft of the new Public Finance Bill (**SB for end-June 2022**), the bill is expected to be finalized and approved by the Cabinet (**proposed SB for end-Feb 2023**). The GPPA Act has been approved by the National Assembly which will significantly improve the value-for-money on the use of public resources. The authorities are revising the PPP bill, screening MDAs' new projects through the GSRB, and training pilot MDAs on monthly cash forecast. The use of performance contracts with MoFEA will be extended to three additional SOEs (**postponed SB for end-February 2023**).[17] The authorities have resubmitted the draft anti-corruption bill to the IMF for further review ahead of an upcoming IMF governance diagnostic mission.

23. On AML/CFT, the Financial Intelligence Unit (FIU) continues to improve its operational and technical capacities (MEFP ¶28)**.** It is closely working with its counterparts in Ghana and Nigeria in a view to joining the Egmont Group. The Plenary of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) in May 2022 adopted an assessment report ('Mutual Evaluation Report' or MER) of the Gambia's AML/CFT frameworks. The authorities have commenced measures based on an action plan to mitigate weaknesses identified in the GIABA MER.[18]

24. The authorities are taking measures to improve the business environment (MEFP ¶29). The authorities' initiatives include the creation of a trade and tourism hub, the opening of GIEPA regional offices, and the coordination with the Ministry of Justice on plans to create dedicated commercial courts with a view to accelerating the resolution of commercial cases. The authorities have also, in collaboration with the Gambia Chamber of Commerce and Industry (GCCI) set up a business council with representation from the highest level of government. The council, albeit with

[16] The first phase audit covered the COVID-19 funds spent between March and October 2020 on food and medical items procured and distributed in the Greater Banjul Area. The report points to shortcomings pertaining to the emergency nature of the spending, including missing documents, inappropriate procurement and contracting processes, delayed or uncounted for items, and insufficient planning and assessment. Staff will follow up on measures to address these shortcomings.

[17] The three SOEs are the Gambia Port Authority, the Social Security and Housing Finance Corporation, and the Gambia National Petroleum Corporation.

[18] The report which was recently published identifies key deficiencies in terms of effectiveness across all immediate outcomes under the FATF standards despite some progress made to improve the legal and institutional frameworks, risk assessment and enforcement (including confiscation of proceeds and instrumentalities of crimes). The Gambia has developed an action plan to address the deficiencies identified in the MER. With support from Korean International Cooperation Agency (KOICA) through the United Nations Office on Drug and Crime (UNODC). The Gambia has started reviewing its AML/CTF Act 2012 with draft Bill already produced and currently under review to ensure that it addresses the deficiencies highlighted in the MER.

infrequent meetings, is enhancing better policy coordination and increased private sector participation in key policy decisions affecting their operations.

25. The Gambia has been implementing climate-related policies compatible with the goals of the 1.5°C Paris agreement to ensure sustainable development (MEFP ¶31).[19] The Gambia has rapidly increased its renewable energy capacity with a total of 170 MW in solar PV projects in the pipeline for 2021-2025. The Gambia approved in September 2022 its US$4 billion Long-Term Climate-Neutral Development Strategy, which could enable The Gambia to meet its net zero target in 2050. Nonetheless, windstorms, floods, sea level rise, coastal erosion, and droughts have become more frequent and severe, which calls for strengthening mitigation and adaptation efforts and stepping-up international climate change-related financing.

CAPACITY DEVELOPMENT

26. Technical assistance will continue to focus on strengthening governance, revenue administration, public financial and debt management, financial sector supervision, and statistics (MEFP ¶¶27 and 32). The authorities requested a governance diagnostic mission, which is slated for January 2023, to help focus and accelerate governance reforms. The Gambia continues to be among the largest beneficiary of Technical Assistance in SSA, including through resident advisors at MoFEA, GRA, and CBG.

PROGRAM MODALITIES

27. Program performance will continue to be assessed through semi-annual reviews (MEFP Tables 1 and 2). For the sixth and last ECF-supported program review, the end-December 2022 QPCs and ITs will remain unchanged from the 4th ECF-supported program review, except for the requested modification of the QPC on net international reserves, and ITs on domestic tax revenue and net domestic assets of the CBG to account for the exogenous shocks and the related policies. A waiver for non-observance of the continuous QPC on external arrears is requested given the temporary nature of the breach. An end-September 2022 SB is postponed to end-February 2023 and two new SBs are proposed for end-February 2023. The approval by the Cabinet of a new PFM act (proposed end-February 2023 SB) will strengthen the PFM legal framework and lay the foundation for implementing PFM reforms to achieve mid-term fiscal and debt sustainability. Making fully functional GRA's Internal Affairs Unit (end-Feb 2023 SB) will increase accountability within the institution and enhance revenue mobilization.

28. Access augmentation: BoP financing needs are significant, with a wide current account deficit stemming from the exogenous shocks. Forex shortages are causing international reserves to decline. It is proposed to augment access under the ECF by SDR15.55 million (25 percent of quota)[20] to help meet the urgent financing gap in 2022 while maintaining adequate forex reserves to prepare

[19] The Gambia | Climate Action Tracker.

[20] Another access augmentation of SDR20 million (32.15 percent of quota) was granted in 2021 at the first review of the ECF arrangement.

for the large increase in debt service obligations from 2025 after the expiration of the debt rescheduling period (Table 7). The augmentation would be made available following the completion of the 5th ECF review, of which SDR7.78 million will be on-lent by the CBG to the government through an agreed upon MoU to also help address budgetary pressures. Given the increased financing from donors, burden-sharing is only marginally affected by the proposed augmentation.[21]

29. Financing assurances: The World Bank will provide a supplementary budget support of about US$20 million in 2022. The program is fully financed over the remainder of the arrangement based on information received from development partners. 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.[22]

30. Capacity to repay: The Gambia's capacity to repay the Fund is expected to remain adequate despite high exposure to the IMF (Table 10). The Gambia's outstanding credit to the IMF and total fund obligations are significantly higher than the PRGT comparator group under most of the key metrics, including on liquidity indicators due to both rising debt services to the Fund and somewhat weak exports and revenue over the medium term. With the proposed ECF augmentation, repayments to the Fund are projected to rise over the medium term, peaking at around SDR 17.7 million per year in 2028-29 (about 26 percent of exports of goods and services). The Gambia has a good track record of Fund borrowing and repayment, and the CBG is strengthening its financial safeguards. The proposed augmentation of access falls within the annual and cumulative access limits under PRGT financing and does not change materially risks to the capacity to repay.

31. Program risks and mitigation measures. A protracted war in Ukraine, the resurgence of the COVID-19 infection amid low vaccination rates could weaken growth, amplify inflationary and forex pressures, and widen the financing gaps. The resulting social demands could lead to a rise of quasi-fiscal operations, including through SOEs. To mitigate these risks, program monitoring will be strengthened, including through high level participation in the reform monitoring committee. It would also be paramount to maintain adequate policy buffers.

32. Safeguards: Most of the IMF 2020 safeguards recommendations have been implemented. The audit of the CBG's 2021 financial statements was completed in May 2022 and the recommendations of the audit are being implemented. The CBG Board is scheduled to review the revised investment policy and guidelines in December 2022.

[21] The World Bank is well advanced in the preparation of a US$20 million supplementary budget support for 2022; the AfDB provided an emergency fertilizer grant to support farmers; all traditional budget support partners (WB, EU, and AfDB) and the French Development Agency are committed to providing budget support in 2023.

[22] Regarding the arrears to Venezuela, as an update to the information provided in Annex VI of the staff report for the Third ECF-supported program review, The Gambian authorities received a letter in January 2022 from the Venezuelan authorities stating the overdue installments on the debt incurred in 2009; The Gambian authorities have been corresponding with the Venezuelan authorities.

STAFF APPRAISAL

33. The consequences of the war in Ukraine and the lingering effects of the Covid-19 pandemic are endangering economic and social stability. Growth is revised down to 4.5 percent in 2022. Inflation is at a record-high 13.3 percent (y-o-y) in September 2022, driven primarily by high global food and fuel prices as well as disruptions in global and regional supply chains. Despite upward adjustments of domestic fuel prices by 30-50 percent, fuel revenue losses reached about 1.3 percent of GDP during January-September 2022, which is weighing on the fiscal performance, particularly in the context of a recent salary increase. The combination of weaker-than-expected tourism sector, exports disruptions, lower remittances, and high food and fuel imports costs is generating forex shortages, forcing the central bank to draw down on its forex reserves to help finance the imports of essential commodities. These shocks are also exacerbating social tensions.

34. Performance under the ECF-supported program was broadly satisfactory. At end-June 2022, all quantitative performance criteria, all but one indicative targets, and all structural benchmarks were met. However, the continuous performance criterion on external arrears was temporary breached. Performance weakened at end-September 2022; six out of nine indicative targets and three out of five structural benchmarks were met. Some indicative targets in both fiscal and monetary sectors were missed due to multiple large shocks that have led to fuel revenue losses and forex shortages.

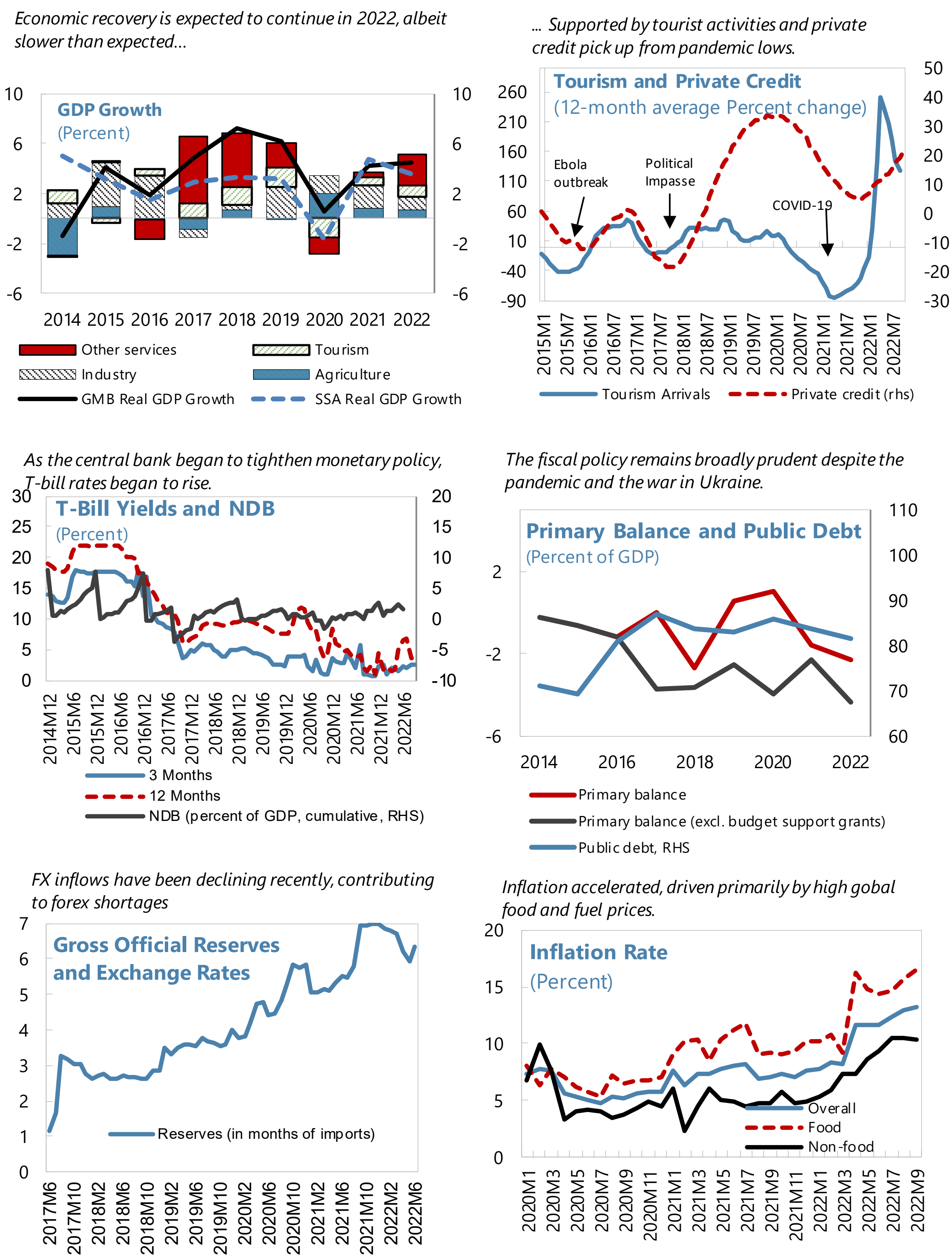
35. The exchange rate and monetary policies will be geared towards addressing the forex shortages and persistent inflationary pressures. The central bank rescinded a ban on forex account withdrawals and is committed to allowing smooth functioning of the forex market. It has taken steps to ensure that the exchange rate reflects market forces to help restore supply-demand equilibrium. The CBG increased its policy rate twice in 2022 from 10 to 12 percent; it intends to increase the rate further and pursue excess liquidity absorption to tackle inflation. Other reforms in the financial sector will continue, including banking supervision, financial deepening and inclusion, and central bank safeguards.

36. The fiscal framework will aim at alleviating the implications of the exogenous shocks on the population while reducing debt vulnerabilities. The fiscal deficit is expected to decline although more slowly than under previous plans to account for the implications of the shocks on the population, including to alleviate the impacts of the high global fuel and food prices. Meanwhile, the authorities are taking revenue and spending measures to achieve an appropriate magnitude of fiscal consolidation in 2023, which will broadly keep public debt on the previously programmed downward path. As the risk of external and public debt distress remains high, it is paramount to contain domestic borrowing, adhere to the program external borrowing plan, refrain from non-concessional borrowing, and limit contingent liability risks from SOEs and PPPs.

37. The structural reform agenda will continue to be centered on revenue administration, public financial management, and governance, which will support the upcoming Recovery-Focused National Development Plan. Such reforms include digitalization, strengthening of public procurement, prioritization of public investment, enhanced oversight of state-owned enterprises, and the fight against corruption. The authorities requested a technical assistance mission on governance diagnostics to help identify and focus further reform areas. It would be paramount to accelerate the adoption of the anti-corruption bill by the National Assembly. Ongoing and planned initiatives to improve the business environment include the creation of a trade and tourism hub, the opening of GIEPA regional offices, and the setting-up of dedicated commercial courts. The Gambia has been implementing climate-related policies compatible with the goals of the 1.5°C Paris agreement to ensure sustainable development. Following the expiration of the current national development plan, the new RF-NDP is expected to be finalized by December 2022.

38. Considering the broadly satisfactory program performance and the authorities' strong policy commitments going forward, staff recommends completion of the fifth ECF-supported program review. Staff supports the authorities' requests for augmentation of access under the ECF arrangement, a waiver for non-observance of a performance criterion, and modification of a performance criterion and indicative targets. Staff also recommends completion of the financing assurances review.

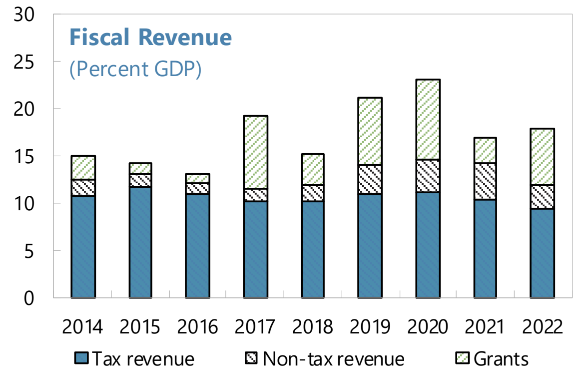
Figure 1. The Gambia: Recent Economic Developments, 2014–22



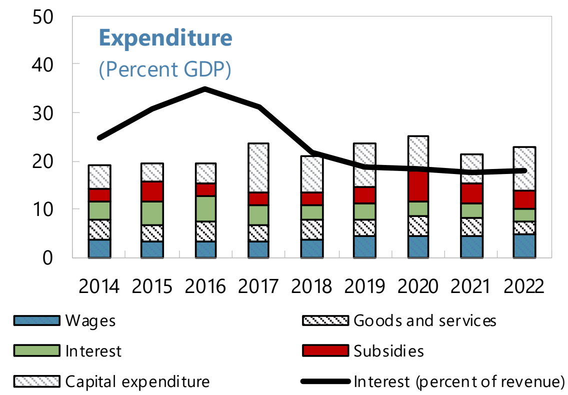
Sources: The Gambian authorities; and IMF staff projections.

Figure 2. The Gambia: Fiscal Sector Developments, 2014–22

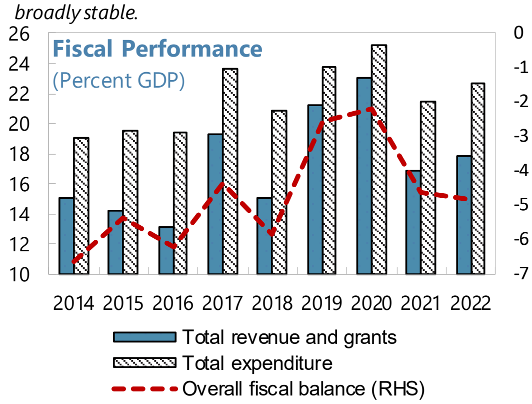
Grants, including supplementary support towards year-end, have supported weak domestic revenue in 2022.



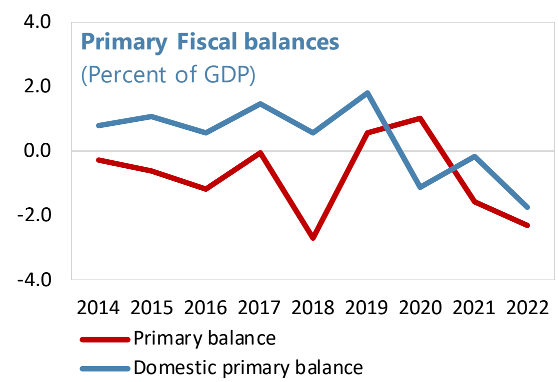
Despite multiple spending pressures, including from an increased wage bill, current spending remains prudent...



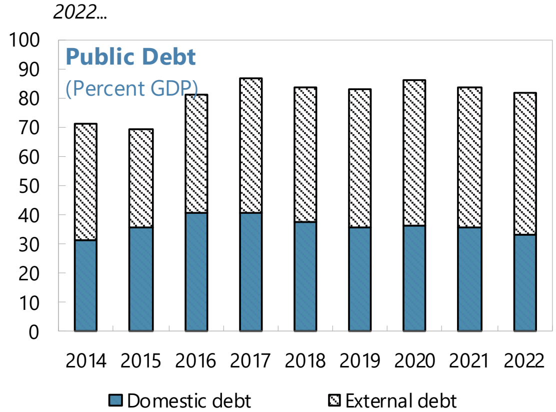
... and the overall fiscal balance is projected to remain broadly stable.



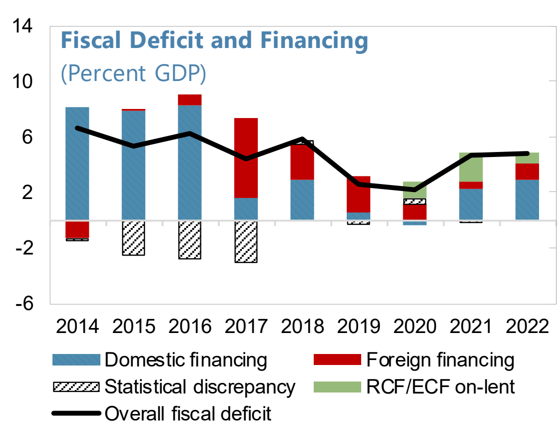
But some other fiscal indicators are weakening due to the shocks.



Total public debt-to-GDP ratio is projected to decline in 2022...

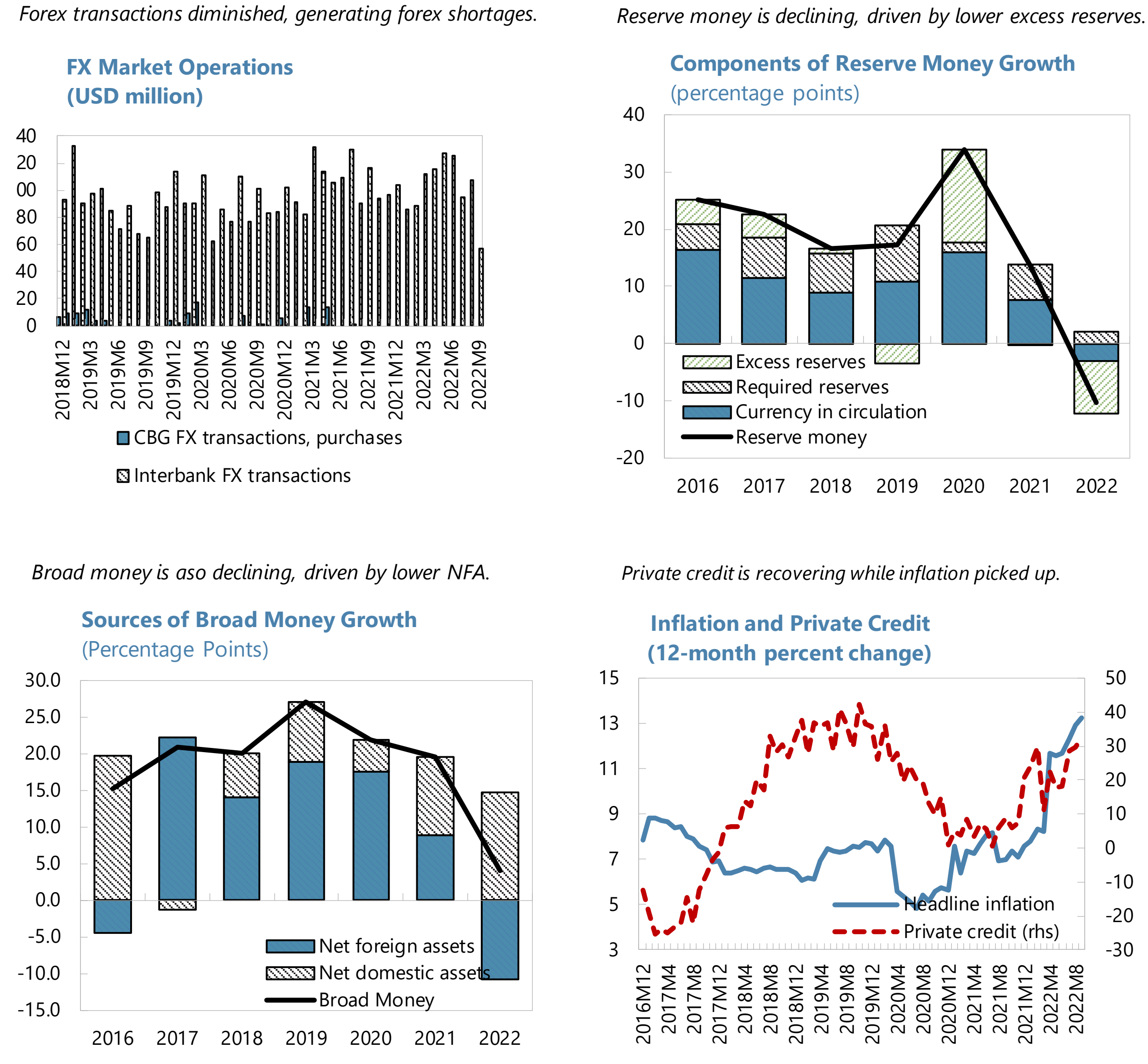


... despite a small increase in domestic borrowing.



Sources: The Gambian authorities; and IMF staff projections.

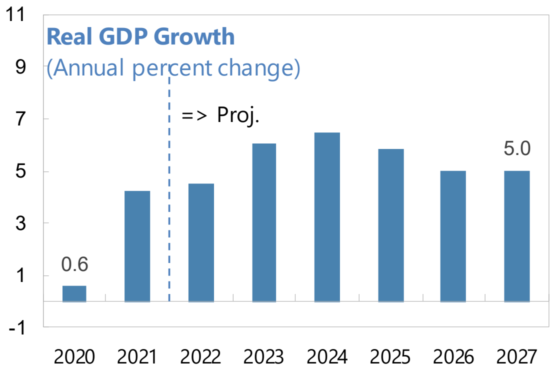
Figure 3. The Gambia: Monetary Developments, 2016–22



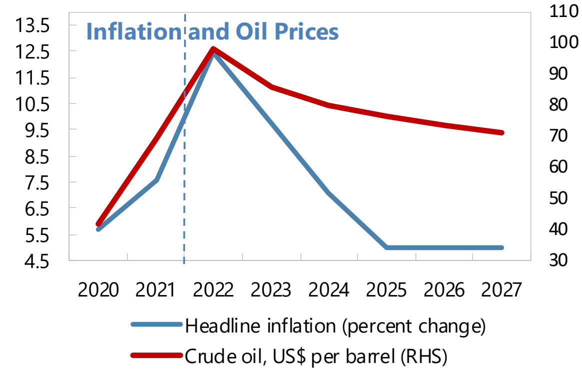
Sources: The Gambian authorities; and IMF staff projections.

Figure 4. The Gambia: Medium-Term Outlook, 2019–27

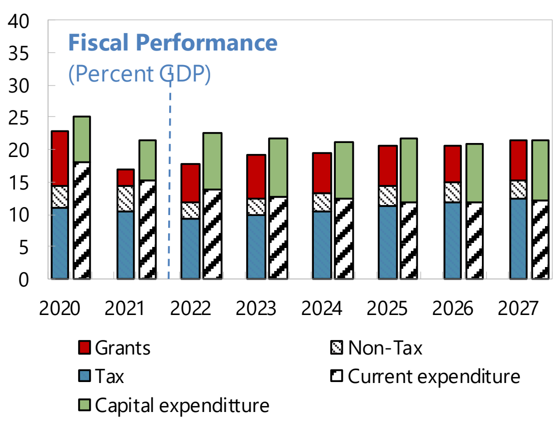
Economic growth is expected to accelerate as the recovery takes hold.



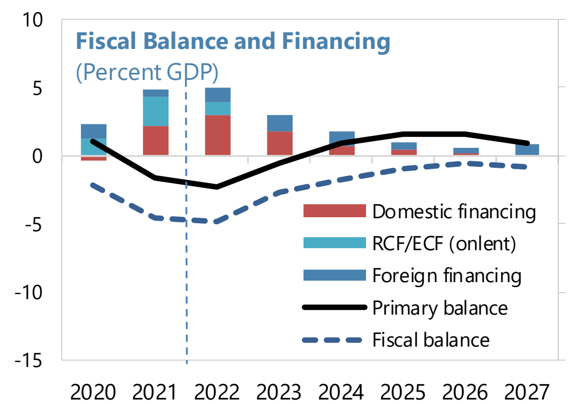
Inflation is expected to peak in 2022, and is projected to gradually converge toward the CBG medium-term target...



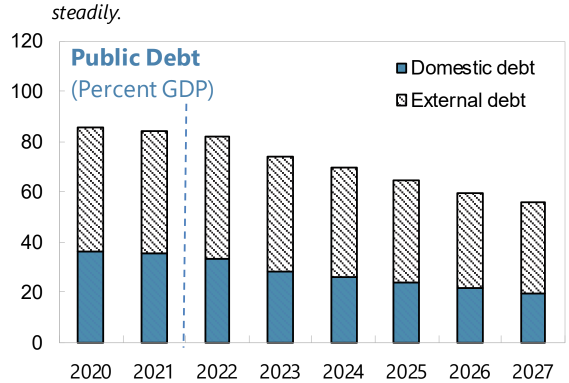
Expenditure restraint and improved tax effort will drive projected fiscal consolidation in the medium term.



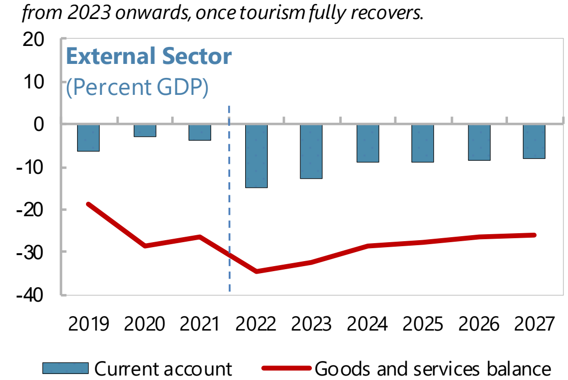
Borrowing needs are expected to gradually decline ...



... 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.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
				(Percent change; unless otherwise indicated)						
National account and prices										
GDP at constant prices	0.6	4.3	5.6	4.5	6.2	6.0	6.5	5.8	5.0	5.0
GDP deflator	2.2	7.8	6.1	9.0	6.8	9.3	6.7	5.3	4.1	4.4
Consumer prices (average)	5.9	7.4	8.1	11.3	8.0	11.1	8.4	6.1	5.0	5.0
Consumer prices (end of period)	5.7	7.6	8.5	12.4	7.5	9.7	7.1	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	-48.6	6.2	33.1	-38.3	22.5	151.1	27.1	7.2	6.0	5.9
Imports, f.o.b (US$ values)	-5.2	6.9	37.1	26.2	13.1	18.3	7.4	5.3	3.4	5.5
Terms of trade (deterioration = -)	1.4	-7.5	-3.0	-3.8	-0.9	-1.0	-1.2	-0.9	-0.8	2.1
Real effective exchange rate (depreciation = -)	-0.8	...	...	...	...	...	...	...	...	...
				(Contributions to broad money growth; percent)						
Money and credit										
Broad money	22.0	19.5	6.1	4.0	6.5	6.5	10.6	10.9	6.8	6.1
Net foreign assets	17.6	8.8	0.4	-10.7	1.6	1.6	6.4	5.5	0.6	0.4
Net domestic assets	4.4	10.7	5.7	14.7	4.9	4.8	4.3	5.4	6.2	5.6
Of which:										
Credit to central government (net)	3.6	9.3	5.6	5.5	2.0	3.1	1.4	1.0	0.4	0.0
Credit to the private sector (net)	0.1	3.1	2.1	6.0	2.9	1.7	2.8	4.4	5.9	5.6
Velocity (GDP/broad money)	1.8	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.2
				(Percent of GDP; unless otherwise indicated)						
Central government finances										
Domestic revenue (taxes and other revenues)	14.5	14.3	14.7	11.9	13.5	12.5	13.3	14.3	15.0	15.3
Of which: Tax Revenue	11.1	10.3	10.1	9.3	10.9	9.8	10.6	11.4	12.0	12.3
Grants	8.5	2.5	4.9	5.9	6.8	6.6	6.1	6.4	5.5	5.2
Total expenditures	25.2	21.4	23.8	22.7	22.5	21.8	21.2	21.6	21.0	21.4
Of which: Interest (percent of government revenue)	21.9	21.2	18.1	21.4	16.3	16.9	19.9	17.5	14.1	0.0
Net lending (+)/borrowing (–)	-2.2	-4.6	-4.2	-4.9	-2.2	-2.7	-1.8	-0.9	-0.5	-0.9
Fiscal financing	2.2	4.6	4.2	4.9	2.3	2.7	1.8	0.9	0.5	0.9
Foreign	0.9	2.5	1.2	0.9	1.4	1.2	1.2	1.1	0.5	0.4
Domestic	1.3	2.1	3.0	3.9	1.0	1.5	0.6	-0.2	0.0	0.5
Primary balance	1.0	-1.6	-1.5	-2.3	0.0	-0.6	0.9	1.6	1.6	0.9
Public debt	85.9	83.8	79.5	80.8	74.6	75.4	70.2	63.6	57.9	52.7
Domestic public debt	36.4	35.4	33.0	32.4	30.1	29.5	26.6	23.0	19.6	16.5
External public debt	49.5	48.4	46.5	48.4	44.5	45.9	43.6	40.6	38.3	36.2
External public debt (millions of US$)	893.8	965.9	985.8	1003.4	1024.7	1,038.0	1,065.9	1,073.3	1,072.1	1,080.7
External current account balance										
Excluding official transfers	-7.5	-4.6	-14.2	-16.8	-14.1	-14.6	-10.8	-10.3	-9.0	-8.6
Including official transfers	-3.0	-3.8	-13.3	-14.7	-11.8	-12.6	-8.7	-9.0	-8.3	-7.9
Gross official reserves (millions of US$)	352.1	530.4	467.7	424.6	459.5	416.4	429.6	441.2	447.7	448.0
(months of next year's imports of goods and services)	5.8	7.0	4.7	4.8	4.4	4.4	4.3	4.3	4.1	3.9
Savings and investment										
Gross investment	20.2	20.7	23.6	22.2	23.5	22.5	22.5	23.9	23.7	24.4
Of which : Central government	7.1	6.2	9.3	8.9	9.0	9.0	8.8	9.7	9.0	9.4
Gross savings	17.2	16.9	10.3	7.5	11.7	9.9	13.8	14.9	15.4	16.4
Memorandum items:										
Nominal GDP (billions of dalasi)	93.3	104.9	117.6	119.5	133.4	138.5	157.3	175.2	191.6	210.1
GDP per capita (US$)	747.9	816.4	847.9	844.9	889.9	881.5	920.0	955.7	983.9	1,017.0
Use of Fund resources (millions of SDRs)										
Disbursements	20.6	35.0	10.0	26.4	5.0	5.0	0.0	0.0	0.0	0.0
Of which : 2020 RCF	15.6	...	...	...	...	...	...	...	...	...
Of which : ECF Augmentation	...	20.0	...	...	...	...	...	...	...	...
Repayments	-4.6	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0
CCRT debt relief [1]	3.2	4.0	0.8	0.8	...	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.5	71.0	66.7	67.9	62.6	63.2	59.0	53.4	48.2	43.4

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.

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

	2020	2021	2022		2023		2024	2025	2026	2027
	Act.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
Revenue	21,446	17,648	23,080	21,316	27,104	26,443	30,587	36,266	39,300	43,127
Domestic revenue	13,539	15,001	17,307	14,279	17,991	17,252	20,946	25,019	28,699	32,162
Taxes	10,326	10,833	11,838	11,158	14,537	13,556	16,650	20,013	22,972	25,881
Taxes on income, profits, and capital gains	2,803	3,254	3,421	3,889	3,763	5,055	5,449	6,356	7,279	8,209
Domestic taxes on goods and services	4,934	4,776	5,142	4,781	6,461	5,669	7,167	8,722	10,067	11,352
Taxes on international trade and transaction:	2,588	2,803	3,276	2,488	4,313	2,832	4,034	4,935	5,626	6,319
Non-tax	3,213	4,168	5,469	3,121	3,455	3,696	4,296	5,006	5,727	6,281
Grants	7,907	2,648	5,774	7,037	9,112	9,192	9,641	11,247	10,600	10,965
Budget support	4,604	722	1,140	2,471	3,156	2,840	3,347	2,319	1,348	1,388
Of which : CCRT[1]	225	217	59	58	…	…	…	…		
Project grants	3,303	1,926	4,634	4,566	5,956	6,352	6,295	8,929	9,252	9,577
Of which : COVID-19 assistance	459	241	180	183	…	…	…	…	…	…
Expenditures	23,477	22,496	28,008	27,113	30,027	30,120	33,380	37,903	40,287	44,968
Expenses	16,877	15,959	17,073	16,499	18,045	17,619	19,499	20,983	22,992	25,321
Compensation of employees	4,049	4,593	5,063	5,517	6,022	6,150	6,664	7,514	8,287	9,050
Use of goods and services	3,850	3,985	3,945	3,384	4,247	3,678	3,827	3,978	4,610	5,359
Interest	2,967	3,180	3,126	3,055	2,938	2,910	4,175	4,379	4,056	3,762
External	548	709	593	605	512	784	592	647	700	732
Domestic	2,419	2,470	2,533	2,450	2,426	2,126	3,583	3,732	3,356	3,029
Subsidies and transfers	6,011	4,201	4,938	4,544	4,838	4,882	4,832	5,113	6,038	7,151
Net acquisition of nonfinancial assets	6,600	6,537	10,935	10,613	11,982	12,500	13,881	16,919	17,295	19,646
Acquisitions of nonfinancial assets	6,600	6,537	10,935	10,613	11,982	12,500	13,881	16,919	17,295	19,646
Foreign financed[2]	4,837	3,363	7,885	7,727	9,737	9,613	10,632	13,614	13,639	14,950
Gambia local fund	1,763	3,174	3,050	2,887	2,245	2,887	3,249	3,305	3,656	4,696
Net lending (+)/borrowing (–)	-2,031	-4,848	-4,928	-5,797	-2,923	-3,676	-2,793	-1,636	-987	-1,841
Financing[6]	1,622	4,912	4,928	5,797	2,923	3,676	2,792	1,636	987	1,855
Net acquisition of financial assets[3]	-180	-180	875	1,000	-180	-380	0	0	0	0
Net incurrence of liabilities	1,595	5,092	4,053	4,797	3,103	4,056	2,792	1,636	987	1,855
Domestic	741	4,553	2,971	3,506	1,300	2,395	1,000	800	300	0
Net borrowing	112	2,691	1,659	1,659	1,300	2,000	1,000	800	300	0
Bank	623	3,189	1,659	1,659	1,300	2,000	1,000	800	300	0
Central Bank of The Gambia	-1,853	-1,017	0	0	0	0	0	0	0	0
Commercial[4]	2,477	4,206	1,659	1,659	1,300	2,000	1,000	800	300	0
Nonbank	-511	-498	0	0	0	0	0	0	0	0
RCF/ECF (onlent) or SDR use	1,057	2,205	1,818	2,352	…	395.0	…	…	…	…
Change in arrears[5]	-428	-343	-505	-505	0	0	0	0	0	0
Foreign	854	539	1,081	1,291	1,803	1,661	1,792	836	687	1,855
Borrowing	2,214	1,437	3,251	3,161	3,979	3,261	4,338	4,685	4,994	6,160
Amortization	-1,360	-898	-2,170	-1,870	-2,176	-1,600	-2,545	-3,849	-4,307	-4,305
Exceptional financing (DSSI)	206	0	0	0	0	0	0	0	0	0
Statistical discrepancy/Float	409	-65	0	0	0	0	0	0	0	-14
Memorandum items:										
Primary balance	936	-1,668	-1,801	-2,742	15	-766	1,383	2,742	3,069	1,921
Domestic primary balance	-995	-247	310	-2,052	640	-345	2,374	5,109	6,107	5,905
Total debt	80,159	87,921	93,459	96,598	99,521	104,375	110,443	111,497	110,910	110,788
of which: Domestic public debt	34,001	37,116	38,775	38,787	40,141	40,817	41,842	40,253	37,545	34,691
Interest payments as a percent of govt. revenue	21.9	21.2	18.1	21.4	16.3	16.9	19.9	17.5	14.1	11.7
COVID-19 related spending	3,382.6	933.7	1,272.1	1,296.9	…	…	…	…	…	…

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.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
Revenue	23.0	16.8	19.6	17.8	20.3	19.1	19.4	20.7	20.5	20.5
Domestic revenues	14.5	14.3	14.7	11.9	13.5	12.5	13.3	14.3	15.0	15.3
Taxes	11.1	10.3	10.1	9.3	10.9	9.8	10.6	11.4	12.0	12.3
Taxes on income, profits, and capital gains	3.0	3.1	2.9	3.3	2.8	3.6	3.5	3.6	3.8	3.9
Domestic taxes on goods and services	5.3	4.6	4.4	4.0	4.8	4.1	4.6	5.0	5.3	5.4
Taxes on international trade and transactions	2.8	2.7	2.8	2.1	3.2	2.0	2.6	2.8	2.9	3.0
Non-tax	3.4	4.0	4.6	2.6	2.6	2.7	2.7	2.9	3.0	3.0
Grants	8.5	2.5	4.9	5.9	6.8	6.6	6.1	6.4	5.5	5.2
Budget support	4.9	0.7	1.0	2.1	2.4	2.1	2.1	1.3	0.7	0.7
Of which: CCRT[1]	0.2	0.2	0.1	0.0	…	…	…	…		
Project support	3.5	1.8	3.9	3.8	4.5	4.6	4.0	5.1	4.8	4.6
Of which: COVID-19 assistance	0.5	0.2	0.1	0.1	…	…	…	…	…	…
Expenditures	25.2	21.4	23.8	22.7	22.5	21.7	21.2	21.6	21.0	21.4
Expenses	18.1	15.2	14.5	13.8	13.5	12.7	12.4	12.0	12.0	12.0
Compensation of employees	4.3	4.4	4.3	4.6	4.5	4.4	4.2	4.3	4.3	4.3
Use of goods and services	4.1	3.8	3.4	2.8	3.2	2.7	2.4	2.3	2.4	2.5
Interest	3.2	3.0	2.7	2.6	2.2	2.1	2.7	2.5	2.1	1.8
External	0.6	0.7	0.5	0.5	0.4	0.6	0.4	0.4	0.4	0.3
Domestic	2.6	2.4	2.2	2.0	1.8	1.5	2.3	2.1	1.8	1.4
Subsidies and transfers	6.4	4.0	4.2	3.8	3.6	3.5	3.1	2.9	3.2	3.4
Net acquisition of nonfinancial assets	7.1	6.2	9.3	8.9	9.0	9.0	8.8	9.7	9.0	9.3
Acquisitions of nonfinancial assets	7.1	6.2	9.3	8.9	9.0	9.0	8.8	9.7	9.0	9.3
Foreign financed[2]	5.2	3.2	6.7	6.5	7.3	6.9	6.8	7.8	7.1	7.1
Gambia local fund	1.9	3.0	2.6	2.4	1.7	2.1	2.1	1.9	1.9	2.2
Net lending (+)/borrowing (–)	-2.2	-4.6	-4.2	-4.8	-2.2	-2.7	-1.8	-0.9	-0.5	-0.9
Financing[6]	1.7	4.7	4.2	4.8	2.2	2.7	1.8	0.9	0.5	0.9
Net acquisition of financial assets[3]	-0.2	-0.2	0.7	0.8	-0.1	-0.3	0.0	0.0	0.0	0.0
Net incurrence of liabilities	1.7	4.9	3.4	4.0	2.3	2.9	1.8	0.9	0.5	0.9
Domestic	0.8	4.3	2.5	2.9	1.0	1.7	0.6	0.5	0.2	0.0
Net borrowing	0.1	2.6	1.4	1.4	1.0	1.4	0.6	0.5	0.2	0.0
Bank	0.7	3.0	1.4	1.4	1.0	1.4	0.6	0.5	0.2	0.0
Central Bank of The Gambia	-2.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial[4]	2.7	4.0	1.4	1.4	1.0	1.4	0.6	0.5	0.2	0.0
Nonbank	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RCF/ECF (onlent) or SDR use	1.1	2.1	1.5	2.0	…	…	…	…	…	…
Change in arrears[5]	-0.5	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.9	0.5	0.9	1.1	1.4	1.2	1.1	0.5	0.4	0.9
Borrowing	2.4	1.4	2.8	2.6	3.0	2.4	2.8	2.7	2.6	2.9
Amortization	-1.5	-0.9	-1.8	-1.6	-1.6	-1.2	-1.6	-2.2	-2.2	-2.0
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	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Primary balance	1.0	-1.6	-1.5	-2.3	0.0	-0.6	0.9	1.6	1.6	0.9
Domestic primary balance	-1.1	-0.2	0.3	-1.7	0.5	-0.2	1.5	2.9	3.2	2.8
Total debt	85.9	83.8	79.5	80.8	74.6	75.4	70.2	63.6	57.9	52.7
of which: Domestic public debt	36.4	35.4	33.0	32.4	30.1	29.5	26.6	23.0	19.6	16.5
Interest payments as a percent of govt. revenue	21.9	21.2	18.1	21.4	16.3	16.9	19.9	17.5	14.1	11.7
COVID-19 related spending	3.6	0.9	1.1	1.1	…	…	…	…	…	…

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 3. The Gambia: Statement of Central Government Operations, 2022–23

(Cumulative, millions of local currency)

	2022								2023			
	Q1		Q2		Q3		Q4		Q1	Q2	Q3	Q4
	Prog	Est.	Prog	Est.	Prog	Prel.	Prog	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	4,533	5,196	10,026	10,211	16,692	14,367	23,080	21,316	5,441	12,687	18,998	26,443
Domestic revenue	3,911	3,702	7,033	6,884	12,547	10,308	17,307	14,279	4,679	9,031	13,069	17,252
Taxes	2,979	2,995	5,709	5,569	8,513	8,206	11,838	11,158	3,666	7,111	10,237	13,556
Taxes on income, profits, and capital gains	1,100	1,100	1,826	2051	2,556	2,994	3,421	3,889	1,501	2,902	3,975	5,055
Domestic taxes on goods and services	1,174	1,190	2,432	2240	3,733	3,378	5,142	4,781	1,446	2,879	4,247	5,669
Taxes on international trade and transactions	706	706	1,451	1278	2,223	1,834	3,276	2,488	720	1,330	2,015	2,832
Non-tax	931	707	1,324	1315	4,034	2,102	5,469	3,121	1,013	1,920	2,832	3,696
Grants	622	1,493	2,993	3,327	4,145	4,059	5,774	7,037	762	3,657	5,928	9,192
Budget support[1]	0	0	1,140	1086	1,140	1,086	1,140	2,471	0	1,188	1,871	2,840
Project grants	622	1,493	1,854	2242	3,005	2,974	4,634	4,566	762	2,469	4,057	6,352
Of which : COVID-19 assistance	61	62	120	122	180	183	180	183	0	0	0	0
Expenditures	7,590	8,000	14,226	13,604	21,141	18,838	28,008	27,113	7,626	15,192	22,235	30,120
Expenses	4,890	4,621	8,907	8,598	13,106	12,562	17,073	16,499	4,347	8,788	12,735	17,619
Compensation of employees	1,292	1,316	2,549	2657	3,806	4,079	5,063	5,517	1,538	3,075	4,613	6,150
Use of goods and services	1,164	647	1,992	1570	2,939	2,396	3,945	3,384	736	1,728	2,464	3,678
Interest	815	978	1,597	1,440	2,378	2,254	3,126	3,055	741	1,469	2,196	2,910
External	119	151	267	284	415	441	593	605	157	353	549	784
Domestic	697	826	1,330	1156	1,963	1,813	2,533	2,450	585	1,116	1,648	2,126
Subsidies and transfers	1,620	1,681	2,770	2932	3,983	3,832	4,938	4,544	1,333	2,516	3,462	4,882
Net acquisition of nonfinancial assets	2,699	3,379	5,319	5,005	8,035	6,276	10,935	10,613	3,279	6,404	9,500	12,500
Acquisitions of nonfinancial assets	2,699	3,379	5,319	5,005	8,035	6,276	10,935	10,613	3,279	6,404	9,500	12,500
Foreign financed	1,272	1,951	3,154	3090	5,281	4,008	7,885	7,727	2,644	5,047	7,450	9,613
Gambia local fund	1,427	1,428	2,165	1915	2,754	2,268	3,050	2,887	635	1,357	2,050	2,887
Net lending (+)/borrowing (–)	-3,057	-2,805	-4,200	-3,392	-4,449	-4,470	-4,928	-5,797	-2,185	-2,505	-3,238	-3,676
Financing [2]	3,057	2,844	4,200	3,176	4,449	3,330	4,928	5,797	2,185	2,505	3,238	3,676
Net acquisition of financial assets	116	0	965	0	965	0	875	1,000	-140	-190	-330	-380
Net incurrence of liabilities	2,941	2,844	3,235	3,176	3,484	3,330	4,053	4,797	2,325	2,695	3,568	4,056
Domestic	2,724	2,673	2,773	2,935	2,683	3,283	2,971	3,506	1,993	2,008	2,372	2,395
Net borrowing	1,673	1,617	1,839	1,806	1,749	2,233	1,659	1,659	1,993	1,613	1,977	2,000
Bank	1,673	1,964	1,839	2,294	1,749	2,343	1,659	1,659	1,993	1,613	1,977	2,000
Central bank	0	654	0	838	0	-718	0	0	0	0	0	0
Commercial banks	1,673	1,311	1,839	1456	1,749	3,061	1,659	1,659	1,993	1,613	1,977	2,000
Nonbank	0	-347	0	-488	0	-110	0	0	0	0	0	0
RCF/ECF/SDR (onlent)	1,060	1,060	1,439	1431	1,439	1,431	1,818	2,352	0	395	395	395
Change in arrears	-9	-4	-505	-303	-505	-381	-505	-505	0	0	0	0
Foreign	216	171	462	241	801	47	1,081	1,291	332	687	1,195	1,661
Borrowing	650	457	1,300	849	2,276	1,034	3,251	3,161	652	1,304	2,283	3,261
Amortization	-434	-286	-838	-607	-1,475	-987	-2,170	-1,870	-320	-618	-1,087	-1,600
Exceptional Financing (DSSI)	0	0	0	0	0	0	0	0	0	0	0	0
Statistical discrepancy	0	-39	0	216	0	1,140	0	0	0	0	0	0
Memorandum items:												
Primary balance	815	978	1,597	1,440	2,378	2,254	-1,801	-2,742	-1,443	-1,036	-1,041	-766
Domestic primary balance	1,465	1,435	1,758	1,203	3,515	2,203	310	-2,052	438	354	481	-345

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, 2020–27[1]
(Millions of local currency, unless otherwise indicated)

	2020	2021	2022		2023		2024	2025	2026	2027
	Act.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
					I. Monetary Survey					
Net foreign assets	24,330	28,953	29,217	22,289	30,291	23,359	27,762	31,951	32,465	32,854
(in millions of U.S. dollars)	476	559	564	430	523	382	431	481	475	467
Of which: CBG	267	330	256	213	247	204	222	241	262	282
Net domestic assets	27,958	33,541	37,106	42,753	40,344	45,891	48,838	52,991	58,291	63,410
Domestic credit	33,277	39,979	44,772	49,949	48,010	53,087	56,034	60,187	65,487	70,606
Claims on central government (net)	25,417	30,290	33,767	33,750	35,067	35,750	36,750	37,550	37,850	37,850
Claims on other public sector[2]	68	281	281	3,000	281	3,000	3,000	3,000	3,000	3,000
Claims on private sector	7,792	9,408	10,725	13,198	12,663	14,337	16,284	19,637	24,636	29,756
Other items (net)[3]	-5,319	-6,438	-7,666	-7,196	-7,666	-7,196	-7,196	-7,196	-7,196	-7,196
Broad money	52,288	62,494	66,322	65,041	70,636	69,250	76,600	84,942	90,756	96,264
Currency outside banks	10,072	11,487	11,675	10,828	12,434	9,854	10,328	10,591	11,309	11,826
Deposits	42,216	51,007	54,647	54,213	58,201	59,396	66,272	74,350	79,446	84,437
					II. Central Bank Survey					
Net foreign assets	13,781	17,105	13,276	11,047	12,783	10,551	11,525	12,512	13,559	14,626
Foreign assets	19,120	29,090	25,839	23,611	25,415	23,183	23,869	24,470	24,807	24,822
Foreign liabilities	-5,339	-11,985	-12,563	-12,563	-12,632	-12,632	-12,344	-11,958	-11,248	-10,196
Net domestic assets	4,814	4,019	6,957	7,956	6,957	7,982	8,158	8,291	8,313	8,338
Domestic credit	5,940	5,759	8,996	8,980	8,996	9,006	9,032	9,057	9,079	9,105
Claims on central government (net)	5,786	7,014	8,832	8,815	8,832	8,815	8,815	8,815	8,815	8,815
Of which: IMF on-lending since 2020	1,057	3,261	5,079	5,614	5,079	5,614	5,614	5,614	5,614	5,614
Claims on private sector	154	165	165	165	165	191	217	242	264	289
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0
Other items (net)	-1,126	-1,739	-2,039	-1,024	-2,039	-1,024	-875	-766	-766	-766
Reserve money	18,595	21,124	20,233	19,003	19,740	18,533	19,683	20,803	21,872	22,964
Currency outside banks	10,072	11,487	11,675	10,828	12,434	9,854	10,328	10,591	11,309	11,826
Commercial bank deposits	8,523	9,637	8,558	8,175	7,306	8,679	9,355	10,212	10,563	11,138

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, 2020–27[1]

(Percent changes, unless otherwise indicated)

	2020	2021	2022		2023		2024	2025	2026	2027
	Act.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
I. Monetary Survey (Percent change; contribution to broad money growth)										
Broad money	22.0	19.5	6.1	4.0	6.5	6.5	10.6	10.9	6.8	6.1
Net foreign assets	17.6	8.8	0.4	-10.7	1.6	1.6	6.4	5.5	0.6	0.4
Net domestic assets	4.4	10.7	5.7	14.7	4.9	4.8	4.3	5.4	6.2	5.6
II. Central Bank Survey (Percent change; contribution to reserve money growth)										
Reserve money	33.9	13.6	-4.2	-10.0	-2.4	-2.5	6.2	5.7	5.1	5.0
Net foreign assets	38.2	17.9	-18.1	-28.7	-2.4	-2.6	5.3	5.0	5.0	4.9
Net domestic assets	-4.3	-4.3	13.9	18.6	0.0	0.1	0.9	0.7	0.1	0.1
(Percent change; unless otherwise indicated)										
Memorandum Items:										
Credit to the private sector	0.8	20.7	14.0	40.0	18.1	8.6	13.6	20.6	25.5	20.8
Currency in circulation	28.4	14.1	1.6	-5.8	6.5	-9.0	4.8	2.5	6.8	4.6
Demand deposits	16.6	23.7	4.7	3.8	6.5	9.6	11.6	12.2	6.9	6.3
Time and savings deposits	23.9	18.5	9.3	8.4	6.5	9.6	11.6	12.2	6.9	6.3
Net international reserves (stocks; millions of U.S. dollars)	291.6	427.7	364.2	299.6	354.7	290.0	265.4	274.9	284.5	294.1
Money velocity (levels)	1.8	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.2
Money multiplier (levels)	2.8	3.0	3.3	3.4	3.6	3.7	3.9	4.1	4.1	4.2
Broad money (percent of GDP)	56.0	59.5	56.4	54.4	52.9	50.0	48.7	48.5	47.3	45.8
Credit to the private sector (percent of GDP)	8.3	9.0	9.1	11.0	9.5	10.3	10.3	11.2	12.8	14.1
Central government financing (flows; millions of dalasi)	2,601	6,656	6,738	7,273	6,379	7,614	6,614	6,414	5,914	5,614
Net domestic borrowing from the banking system	1,544	3,395	1,659	1,659	1,300	2,000	1,000	800	300	0
Central bank	-882	-250	0.0	0	0	0	0	0	0	0
Change in claims	697	0.0	0.0	0	0	0	0	0	0	0
Change in deposits	-1,579	-250	0.0	0	0	0	0	0	0	0
Commercial banks	2,426	3,645	1,659	1,659	1,300	2,000	1,000	800	300	0
IMF (onlent since 2020) [2]	1,057	3,261	5,079	5,614	5,079	5,614	5,614	5,614	5,614	5,614
RCF 2020 (onlent)	1,057	...	...	...	...	...	...	...	...	...
ECF (second and third disbursements onlent)	...	2,205	...	...	...	...	...	...	...	...
of which: augmentation	...	1,470	...	...	...	...	...	...	...	...
SDR General Allocation (proposed lent to the Treasury)	...	...	1,818	2,352	...	...	...	...	...	...

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

[1] End of period.

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

Table 5. The Gambia: Monetary Accounts, 2020–22[1]

(Quarterly stocks, millions of local currency)

	2020	2021	2022			
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec
	Act.	Act.	Act.	Prel.	Prel.	Proj.
			I. Monetary Survey			
Net foreign assets	24,330	28,953	27,058	24,819	21,991	22,289
(in millions of U.S. dollars)	471	550	514	472	418	424
Of which : CBG	267	325	308	288	252	210
Net domestic assets	27,958	33,541	38,111	39,709	42,042	42,753
Domestic credit	33,277	40,566	45,777	35,855	49,238	49,949
Claims on central government (net)	25,417	30,877	34,378	34,897	35,209	33,750
Claims on other public sector[2]	68	281	2,550	3,157	2,956	3,000
Claims on private sector	7,792	9,408	8,848	9,634	11,074	13,198
Other items (net)[3]	-5,319	-7,026	-7,666	-7,978	-7,196	-7,196
Broad money	52,288	62,494	65,168	64,529	64,033	65,041
Currency outside banks	10,072	11,487	11,956	12,295	10,642	10,828
Deposits	42,216	51,007	53,213	52,233	53,391	54,213
			II. Central Bank Survey			
Net foreign assets	13,781	17,105	16,221	15,164	13,237	11,047
Foreign assets	19,120	29,090	28,142	27,050	25,155	23,611
Foreign liabilities	-5,339	-11,985	-11,921	-11,887	-11,918	-12,563
Net domestic assets	4,814	4,019	5,752	6,652	6,887	7,956
Domestic credit	5,940	5,759	7,792	8,546	7,912	8,980
Claims on central government (net)	5,786	7,014	8,650	9,320	7,747	8,815
Assets	11,621	13,616	14,352	14,722	14,542	15,417
Liabilities	-5,835	-6,602	-5,702	-5,402	-6,795	-6,602
Claims on deposit corporations	0	-1,420	-1,020	-940	0	0
Claims on private sector	154	165	162	166	164	165
Claims on public enterprises	0	0	0	0	0	0
Other items (net, incl. liquidity management operations)	-1,126	-1,739	-2,039	-1,894	-1,024	-1,024
Reserve money	18,595	21,124	21,974	21,816	20,124	19,003
Currency outside banks	10,072	11,487	11,956	12,295	10,642	10,828
Commercial bank deposits	8,523	9,637	10,018	9,520	9,482	8,175
			III. Commercial Banks Balance Sheet			
Net foreign assets	10,549	11,848	10,836	9,655	8,754	11,241
Foreign assets	11,871	14,079	13,819	12,597	11,756	14,183
Foreign liabilities	-1,322	-2,230	-2,983	-2,942	-3,002	-2,942
Net domestic assets	31,668	39,159	42,376	42,578	44,637	42,972
Net domestic claims	35,860	43,857	48,003	48,662	50,808	49,143
Claims on central bank	8,523	11,057	11,038	10,460	9,482	8,175
Net claims on government	19,631	23,276	25,729	25,577	27,461	24,935
Claims	19,631	23,276	25,729	25,577	27,461	24,935
Liabilities	0	0	0	0	0	0
Claims on other sectors	7,706	9,524	11,236	12,625	13,865	16,034
Claims on public nonfinancial corporations	68	281	2,550	3,157	2,956	3,000
Claims on private sector	7,638	9,244	8,686	9,468	10,909	13,034
Other items net	-4,193	-4,698	-5,627	-6,084	-6,172	-6,172
Liabilities	42,216	51,007	53,213	52,233	53,391	54,213
Liabilities to central bank	0	0	0	0	0	0
Deposits incl. in broad money	42,216	51,007	53,213	52,233	53,391	54,213

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.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
1. Current account										
A. Goods and services	-517.7	-535.7	-773.3	-745.7	-832.7	-754.2	-712.3	-739.9	-750.0	-783.3
Goods (net)	-491.1	-525.2	-822.4	-713.1	-920.9	-779.4	-813.5	-853.6	-878.0	-925.7
Exports, f.o.b.	73.2	77.8	96.3	48.0	118.0	120.6	153.3	164.3	174.1	184.4
Imports, f.o.b.	-564.3	-603.0	-918.7	-761.1	-1038.9	-900.0	-966.8	-1017.9	-1052.1	-1110.1
Services (net)	-26.7	-10.5	49.1	-32.6	88.1	25.3	101.2	113.7	128.0	142.4
Services exports	82.4	108.9	196.2	118.9	247.3	187.8	273.7	295.6	318.8	343.8
Of which: Travel income	46.6	58.0	115.9	71.5	152.9	130.0	208.3	225.3	244.4	265.0
Services imports	-109.1	-119.4	-147.1	-151.5	-159.2	-162.5	-172.5	-181.9	-190.7	-201.4
B. Income (net)	-31.0	-32.1	-32.4	-32.4	-31.2	-31.2	-32.4	-33.5	-34.8	-36.1
Income credits	2.4	2.5	2.5	2.5	2.4	2.4	2.5	2.6	2.7	2.8
Income debits	-33.5	-34.6	-34.9	-34.9	-33.7	-33.7	-34.9	-36.2	-37.5	-39.0
C. Current transfers	495.2	490.7	516.4	458.3	586.7	492.0	526.6	532.1	548.0	580.0
Official transfers	82.7	16.2	20.0	43.8	55.6	47.8	53.3	35.5	20.0	20.0
Of which : COVID-19 assistance	26.4	…	…	…	…	…	…	…	…	…
Remittances	400.2	462.0	483.5	401.6	516.9	430.0	458.7	481.7	512.7	544.3
Other transfers	12.3	12.6	12.9	12.9	14.2	14.2	14.6	14.9	15.3	15.7
Current account (excl. official transfers)	-136.3	-93.2	-309.3	-363.6	-332.9	-341.2	-271.4	-276.9	-256.7	-259.4
Current account (incl. prospective official transfers)	-53.6	-77.0	-289.3	-319.8	-277.2	-293.4	-218.1	-241.4	-236.7	-239.4
2. Capital and financial account										
A. Capital account	66.9	103.6	85.8	82.9	105.0	106.9	100.3	136.6	137.3	138.0
B. Financial account	66.8	224.4	128.5	97.4	162.7	177.0	136.3	123.4	118.7	120.7
Foreign direct investment	68.5	99.3	99.7	99.7	108.1	108.1	113.5	119.2	124.6	130.9
Portfolio investment	3.8	3.9	4.1	4.1	4.5	4.4	4.8	5.1	5.4	5.8
Other investment	-5.5	121.2	24.7	-6.4	50.1	64.4	18.1	-1.0	-11.3	-15.9
Capital and financial account	133.7	327.9	214.3	180.2	267.7	283.9	236.5	260.0	256.0	258.7
Errors and omissions	30.9	-128.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	111.0	105.9	-95.0	-183.4	-65.2	-57.3	-34.8	-16.9	-0.7	-0.7
Financing	-96.4	-105.9	95.0	183.4	65.2	57.3	34.8	16.9	0.7	0.7
Net international reserves (increase -)	-104.9	-133.8	73.9	138.6	9.5	9.5	-18.5	-18.6	-19.3	-19.3
Change in gross international reserves	-127.1	-178.3	62.8	105.8	8.2	8.3	-13.2	-11.6	-6.5	-0.3
Use of IMF resources (net)	22.2	44.5	11.2	32.8	1.3	1.3	-5.2	-7.0	-12.8	-19.0
Exceptional financing	8.4	5.6	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : CCRT debt relief[2]	4.4	5.6	1.1	1.0	0.0	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	22.2	20.0	43.8	55.6	47.8	53.3	35.5	20.0	20.0
Budget support grants		16.2	20.0	43.8	55.6	47.8	53.3	35.5	20.0	20.0
Project support grants		6.1	…	…	…	…	…	…	…	…
Memorandum items:										
Gross international reserves										
US$ millions	352.1	530.4	467.7	424.6	459.5	416.4	429.6	441.2	447.7	448.0
Months of next year's imports of goods and services	5.8	7.0	4.7	4.8	4.4	4.4	4.3	4.3	4.1	3.9
Gross international reserves (w/o SDR allocation)	352.1	445.4	382.7	339.6	374.5	331.4	344.6	356.2	362.7	363.0
Months of next year's imports of goods and services	5.8	5.9	3.8	3.8	3.5	3.5	3.4	3.4	3.3	3.1
Net international reserves										
US$ millions	292.3	427.7	364.2	299.6	354.7	290.0	265.4	274.9	284.5	294.1
Months of next year's imports of goods and services	4.9	5.6	3.6	3.4	3.4	3.1	2.7	2.7	2.6	2.5
Net international reserves (w/o SDR allocation)	291.6	342.7	279.2	214.6	269.7	205.0	180.4	189.9	199.5	209.1
Months of next year's imports of goods and services	4.8	4.5	2.8	2.4	2.6	2.2	1.8	1.8	1.8	1.8
Exports of goods and services	155.6	186.7	292.6	166.9	365.4	308.3	427.0	459.9	492.9	528.2
Imports of goods and services	-673.4	-722.4	-1065.8	-912.6	-1198.1	-1062.5	-1139.3	-1199.8	-1242.8	-1311.5
GMD per U.S. dollar, period average	51.6	…	…	…	…	…	…	…	…	…
External Debt service	21.1	59.5	66.1	65.9	47.4	40.2	50.6	74.2	85.8	91.1
NIR/External Debt Service (ratio)	13.8	7.2	5.5	4.6	7.5	7.2	6.1	4.4	4.0	4.0

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.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
1. Current account										
A. Goods and services	-28.6	-26.3	-35.5	-34.4	-35.4	-32.4	-28.4	-27.6	-26.4	-25.9
Goods (net)	-27.1	-25.8	-37.8	-32.9	-39.1	-33.4	-32.5	-31.8	-30.9	-30.6
Exports, f.o.b.	4.0	3.8	4.4	2.2	5.0	5.2	6.1	6.1	6.1	6.1
Imports, f.o.b.	-31.2	-29.6	-42.2	-35.1	-44.2	-38.6	-38.6	-38.0	-37.0	-36.7
Services (net)	-1.5	-0.5	2.3	-1.5	3.7	1.1	4.0	4.2	4.5	4.7
Services exports	4.6	5.4	9.0	5.5	10.5	8.1	10.9	11.0	11.2	11.4
Of which: Travel income	2.6	2.9	5.3	3.3	6.5	5.6	8.3	8.4	8.6	8.8
Services imports	-6.0	-5.9	-6.8	-7.0	-6.8	-7.0	-6.9	-6.8	-6.7	-6.7
B. Income (net)	-1.7	-1.6	-1.5	-1.5	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.8	-1.7	-1.6	-1.6	-1.4	-1.4	-1.4	-1.3	-1.3	-1.3
Of which: Interest on government debt	0.1	0.5	0.5	0.5	0.4	0.6	0.4	0.4	0.4	0.3
C. Current transfers	27.4	24.1	23.7	21.1	24.9	21.1	21.0	19.8	19.3	19.2
Official transfers	4.6	0.8	0.9	2.0	2.4	2.1	2.1	1.3	0.7	0.7
Of which : COVID-19 assistance	1.5	...	...	...	...	...	...	...		
Remittances	22.1	22.7	22.2	18.5	22.0	18.4	18.3	18.0	18.0	18.0
Other transfers	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Current account (excl. official transfers)	-7.5	-4.6	-14.2	-16.8	-14.1	-14.6	-10.8	-10.3	-9.0	-8.6
Current account (incl. prospective official transfers)	-3.0	-3.8	-13.3	-14.7	-11.8	-12.6	-8.7	-9.0	-8.3	-7.9
2. Capital and financial account										
A. Capital account	3.7	5.1	3.9	3.8	4.5	4.6	4.0	5.1	4.8	4.6
B. Financial account	3.7	11.0	5.9	4.5	6.9	7.6	5.4	4.6	4.2	4.0
Foreign direct investment	3.8	4.9	4.6	4.6	4.6	4.6	4.5	4.4	4.4	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	6.0	1.1	-0.3	2.1	2.8	0.7	0.0	-0.4	-0.5
Capital and financial account	7.4	16.1	9.8	8.3	11.4	12.2	9.4	9.7	9.0	8.5
Errors and omissions	1.7	-6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	...	5.2	-4.4	-8.5	-2.8	-2.5	-1.4	-0.6	0.0	0.0

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.	Prel.	Prog.	Proj.	Prog.	Proj.
1. Total financing requirement	-264.8	-320.8	-300.9	-312.1	-363.1	-359.8
Current account deficit (excl. official transfers)	-136.3	-93.2	-309.3	-363.6	-332.9	-341.2
Public debt amortization	5.0	-44.1	-51.5	-51.4	-32.7	-21.5
Repayment to the IMF	-6.4	-5.2	-2.9	-2.9	-5.7	-5.5
Change in official reserves	-127.1	-178.3	62.8	105.8	8.2	8.3
Arrears repayment	…	…	…	…	…	…
2. Total financing sources	123.5	243.1	265.8	231.7	300.3	305.4
Capital transfers	45.3	103.6	85.8	82.9	105.0	106.9
Foreign direct investment (net)	68.5	99.3	99.7	99.7	108.1	108.1
Portfolio investment (net)	3.8	3.9	4.1	4.1	4.5	4.4
Public sector debt financing	36.2	99.2	60.2	57.4	70.2	54.9
Other net capital inflows[1]	-30.3	-62.8	16.1	-12.3	12.6	31.1
3. Total financing needs	141.4	77.7	35.1	80.4	62.7	54.4
Budget support (grants)	82.7	16.2	20.0	43.8	55.6	47.8
European Union	38.0	16.2	19.8	0.0	21.3	21.3
African Development Bank	14.8	…	7.2	0.0	5.8	5.8
Other	…	0.0	-7.0	43.8	28.5	20.7
Other current transfers	21.6	6.1	…	…	…	…
IMF disbursements	28.6	49.9	14.0	35.5	7.1	6.6
Of which: ECF augmentation	…	28.5	…	21.0	…	…
Exceptional financing	8.4	5.6	1.1	1.0	0.0	0.0
Of which: CCRT debt relief[2]	4.4	5.6	1.1	1.0	0.0	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	111.7	111.7	125.9	125.9
COVID-19 assistance	48.0	6.1	…	…	…	…
Budget support augmentation[3]	26.4	…	…	…	…	…
Of which: European Union	19.4	…	…	…	…	…
African Development Bank	7.0	…	…	…	…	…
World Bank	21.6	6.1	…	…	…	…
Of which: Health Fast-Track Facility	10.0	…	…	…	…	…
Social Safety Net Project	8.1	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, 2021-2023[1]

	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	123.8	145.1	6.8	6.0	6.4
External	965.9	57.8	48.4	59.5	65.9	47.1	3.0	3.2	2.1
Multilateral creditors	651.3	39.0	32.6	47.1	41.5	33.2	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	1.1	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	1.1	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	57.9	98.0	3.8	2.8	4.3
Held by residents, total[4]	705.6	42.2	35.4	75.4	57.9	98.0	3.8	2.8	4.3
Held by non-residents, total[4]	-	0	0	0	0	0	0	0	0
T-Bills	368.3	22.0	18.5	28.0	12.7	21.9	1.4	0.6	1.0
Bonds	337.3	20.2	16.9	47.4	45.1	76.1	2.4	2.2	3.4
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, 2015–22

	2015	2016	2017	2018	2019	2020	2021	2022	
	December							Mar.	June
	(Percent, unless otherwise indicated)								
Capital Adequacy Ratios									
Risk Weighted Assets Adjusted Capital Adequ	33.1	38.2	33.6	31.7	31.4	32.6	29.0	25.5	26.9
Regulatory Capital (i.e. T1+T2)	34.8	39.8	35.1	33.0	32.7	33.8	30.6	27.1	28.6
Primary Capital ratio (i.e. T1)	31.4	35.9	31.9	30.3	30.1	30.1	27.3	19.9	20.7
Non-performing Loans (NPLs) to Primary Cap	7.9	9.8	6.8	3.4	5.8	7.8	4.7	8.7	9.3
Assets Quality Ratios									
Non-Performing Loans Ratio	6.5	9.3	7.2	3.3	4.5	6.8	5.1	4.5	4.2
Aggregate Provision Level	82.2	79.1	99.1	100.2	73.4	80.1	81.0	68.3	72.7
Loan Loss Reserve Ratio	4.6	6.8	6.6	2.9	2.5	4.0	3.0	3.1	3.0
Earnings Ratios									
Return on Assets (ROA)	0.5	0.7	1.6	1.6	1.9	1.9	1.8		
Return on Equity (ROE)	3.5	4.2	11.0	11.3	15.4	15.3	16.4		
Net Interest margin	1.8	1.9	8.1	5.9	6.5	6.5	5.4		
Non-interest Income Ratio	33.2	27.6	31.7	10.9	40.2	38.3	42.4		
Liquidity Ratios									
Liquid Assets to Short-term Liabilities to Gam	93.4	101.3	92.9	94.8	92.0	93.5	92.0	76.7	73.2
Dalasi Liquid Assets to Dalasi Deposits	88.4	97.5	89.0	93.5	94.7	93.2	97.4	71.0	63.9
Time Deposits to Total Deposits	18.1	17.3	14.3	12.9	11.2	11.7	9.0	8.9	8.4
Sectoral Distribution of credit									
Agriculture and Fishing	3.6	6.5	8.5	1.7	2.0	3.8	0.3	20.4	18.2
Manufacturing & Industries	3.4	0.7	0.7	0.4	1.2	1.0	1.0	1.4	2.1
Building & Construction	8.5	9.9	13.7	19.7	27.3	27.6	32.8	16.7	16.6
Transport & Communication	10.3	9.0	8.1	7.7	7.6	7.6	3.0	2.5	3.2
Commerce	39.4	31.2	31.1	31.2	22.9	23.4	20.9	20.8	17.6
Tourism	2.6	2.4	5.2	10.8	5.6	5.6	3.4	3.1	2.7
Financial Institutions & Enterprise services	4.2	2.1	3.0	3.2	1.2	2.6	2.8	2.1	2.1
Others activities combied	27.9	38.1	29.6	25.3	32.2	28.4	35.7	33.0	37.6

Source: Central Bank of The Gambia, and IMF Staff Calculations

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								
Fund obligations based on existing credit												
Principal (millions of SDRs)	1.09	0.16	4.04	3.89	5.17	9.44	13.94	12.11	12.11	10.06	5.00	0.50
Charges and interest (millions of SDRs)[1]	0.01	0.00	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Fund obligations, existing and prospective credit												
Principal (millions of SDRs)	1.09	1.25	4.04	3.89	5.17	9.44	13.94	16.72	17.22	15.17	10.11	5.61
Of which : RCF	0.00	0.00	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	1.25	0.16	0.00	0.50	4.00	8.50	13.61	14.11	13.61	10.11	5.61
Charges and interest (millions of SDRs)[1]	0.01	0.96	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Total obligations, existing and prospective credit[2]												
In millions of SDRs	1.10	2.21	4.77	4.62	5.90	10.17	14.67	17.45	17.95	15.90	10.84	6.34
In millions of US$	1.57	2.97	6.34	6.18	7.94	13.76	19.96	23.47	24.20	21.47	14.65	8.57
In percent of Gross International Reserves	0.30	0.70	1.52	1.44	1.80	3.07	4.46	4.92	3.93	2.79	1.53	0.72
In percent of exports of goods and services	1.30	1.96	2.91	2.02	2.41	3.88	5.22	5.69	4.44	3.61	2.22	1.17
In percent of debt service[1]	3.34	5.14	22.90	14.07	11.17	16.66	23.48	25.44	26.43	25.33	19.28	12.15
In percent of GDP	0.08	0.14	0.27	0.25	0.30	0.48	0.66	0.72	0.69	0.56	0.35	0.19
In percent of quota	1.77	3.55	7.67	7.43	9.49	16.35	23.59	28.05	28.86	25.56	17.43	10.19
In percent of revenues net of grants	0.54	1.15	2.18	1.85	2.07	3.23	4.31	4.41	4.09	3.57	2.25	1.23
Outstanding Fund credit												
In millions of SDRs	74.05	96.81	97.76	93.88	88.71	79.27	65.33	48.61	31.39	16.22	6.11	0.50
In millions of US$	105.49	130.27	130.01	125.56	119.32	107.27	88.91	65.39	42.32	21.91	8.26	0.68
In percent of Gross International Reserves	19.89	30.68	31.22	29.23	27.04	23.96	19.84	13.72	6.87	2.85	0.86	0.06
In percent of exports of goods and services	87.23	85.76	59.55	41.06	36.19	30.21	23.25	15.86	7.77	3.68	1.25	0.09
In percent of debt service[1]	224.84	225.06	469.23	285.84	167.89	129.88	104.55	70.85	46.22	25.84	10.87	0.96
In percent of GDP	5.19	6.01	5.58	5.01	4.45	3.77	2.94	2.01	1.20	0.57	0.20	0.02
In percent of quota	119.05	155.64	157.2	150.9	142.6	127.4	105.0	78.2	50.5	26.1	9.8	0.8
In percent of revenues net of grants	36.28	50.27	44.77	37.64	31.17	25.19	19.19	12.29	7.15	3.64	1.27	0.10
Net use of Fund credit (millions of SDRs)	31.26	22.77	0.94	-3.90	-5.18	-9.46	-13.96	-16.74	-17.24	-15.18	-10.12	-5.62
Disbursements	35.00	24.80	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: RCF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: ECF	35.00	24.80	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and Repurchases	3.74	2.03	4.06	3.90	5.18	9.46	13.96	16.74	17.24	15.18	10.12	5.62
Of which: RCF	1.56	0.78	3.90	3.90	4.68	5.46	5.46	3.13	3.13	1.57	0.01	0.01
Of which: ECF	2.18	1.25	0.16	0.00	0.50	4.00	8.50	13.61	14.11	13.61	10.11	5.61
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$)	2,034.44	2,168.83	2,330.69	2,505.71	2,681.15	2,843.20	3,027.25	3,258.47	3,530.30	3,824.81	4,143.89	4,489.58
Exports of goods and services (millions of US$)[4]	120.94	151.89	218.33	305.82	329.67	355.13	382.43	412.40	544.66	595.20	659.72	731.56
Gross International Reserves (millions of US$)	530.41	424.64	416.38	429.62	441.23	447.73	448.03	476.67	615.91	768.29	957.82	1,184.35
Debt service (millions of US$)[1]	46.92	57.88	27.71	43.93	71.07	82.59	85.04	92.29	91.58	84.78	76.00	70.52
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	259.1	290.4	333.6	382.8	425.9	463.4	532.3	592.1	601.5	651.6	695.7

Sources: IMF staff estimates and projections.

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

[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: Proposed Augmented Disbursements Under the ECF Arrangement, 2020–23

Availability	Disbursement: Millions of SDR	Disbursement: In percent of Quota	Condition for Disbursement [1]	Status
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
March 15, 2022	5.00	8.04	Board completion of the fourth review based on observance of performance criteria for December 31, 2021.	Disbursed
September 15, 2022[2]	20.55	33.04	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.	Review Pending
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	70.55	113.4		

Source: IMF staff estimates.

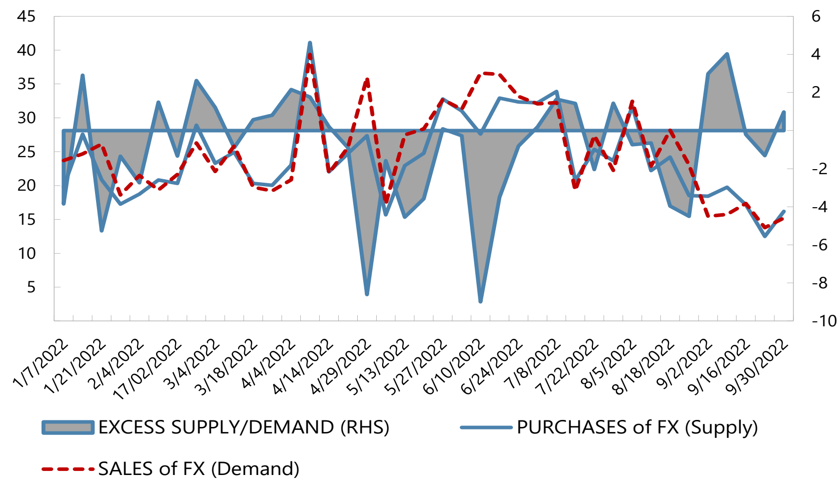
[1] In addition to generally applicable conditions under the ECF Arrangement.

[2] Disbursements include past and proposed ECF augmentations.

Annex I. Foreign Exchange Shortages

The implications of the war in Ukraine, the lingering effects of the COVID-19 pandemic, and some disruptions at the country's borders are exerting strong pressures on the balance of payments and triggering significant forex shortages. The stocks of essential commodities are declining as importers face challenges in finding forex to cover their import receipts.

Annex I Figure 1. The Gambia: Weekly Banks' FX Transation Volumes
(In Millions of USD)



Sources: The Gambian authorities; and Fund staff estimates.

1. Large exogenous shocks are exerting strong pressures on the balance of payments and triggering forex shortages. On the export side, goods exports are projected to decline owing to a suspension of timber and cashew exports following politico-security concerns at the borders.[1] The rebound in tourist arrivals is projected to be more moderate than previously envisaged. Several tour operators serving The Gambia traditionally chartered aircraft from Ukraine, which are currently grounded. Tourists from Europe are facing declines in their real income due to high inflation and economic slowdown. Moreover, remittances inflows declined by 11 percent during January-September 2022 relative to the same period in 2021. On the import side, while the increase is smaller than previously anticipated, import values are much larger than in 2021 due to persistently high global food and fuel prices, and elevated freight costs. Consequently, the current account deficit in 2022 is expected to be wider than the projections in the 4th review staff report. As a result, forex supply has mostly fallen below demand in recent months (Annex I Figure 1).

2. The forex shortage is endangering the availability of essential commodities in the country, exacerbating social tensions (Annex I Table 1). Oil marketing companies (OMCs) temporarily suspended the sale of fuel products on September 2. They voiced concerns about their inability to find forex to cover their import receipts and their reduced margins given the domestic pump price structure. They threatened to cease operations from October 17 but agreed to continue discussions with the government. Importers of basic food items are also struggling to find forex to cover their imports receipts. Banks have been reluctant in recent months to open letters of credit for importers due to the forex supply uncertainty. Furthermore, the utility company (NAWEC) recently

[1] Exports related to woods, nuts, and fruits accounted for 27 percent of goods exports during 2016-19.

missed two payments on its external debt obligations due partly to the forex shortages; repeated missed payments may endanger the arrangement with its trade financing partner. Consequently, while the central bank usually intervened in the past to buy forex from the market, it has been forced to draw down on forex reserves by US$75 million during January-August 2022 to support food and fuel importers to preserve social cohesion in a region prone to socio-political instability. Due to the combination of this drawdown and the high import costs, gross reserves declined from 7 months of imports at end-December 2021 to 5.1 months of imports in early October 2022.

Annex I Table 1. The Gambia: Average Monthly Stock of Essential Commodities, 2018-22[1]

	Volumes		Difference
	2018-21 (Jan-Sep)	2022 (Jan-Sep)	(in percent)
Rice (in metric tons)	36,743	33,303	-9.4
Sugar (in metric tons)	18,215	12,130	-33.4
Floor (in metric tons)	2,599	1,552	-40.3
Edible oil (in liters)	1,730,480	453,296	-73.8
Onion (in metric tons)	427	473	10.7
Potato (in metric tons)	1,177	271	-77.0
Whole chicken (in metric tor	462	346	-25.0
Chicken legs (in metric tons)	1,251	940	-24.9

Source: Gambian authorities.

1. From main and regular importers.

Annex II. Civil Service Wages

The Gambian authorities increased the civil service salary by 30 percent, which costs about 1 percent of GDP per year. This increase helped narrow the gap of the salary levels relative to peer countries but pushed some affordability indicators beyond sub-regional averages. The authorities are taking offsetting measures to ensure continued fiscal and debt sustainability.

1. **The Gambian authorities implemented a new civil service pay scale and grading system starting in July 2022**. The new system is based on a job evaluation exercise conducted in 2020 by Public Administration International (PAI) UK under a World Bank project. The exercise aimed at developing a new grade and pay structure to better reflect current realities of civil service jobs; ensuring equal pay for equal work; and addressing the shortcoming of the existing system, including low salaries, a high number of levels within each grade, and a high incidence of over-graded jobs. The report suggests a gradual implementation of the recommendations over a few years, subject to resource availability.

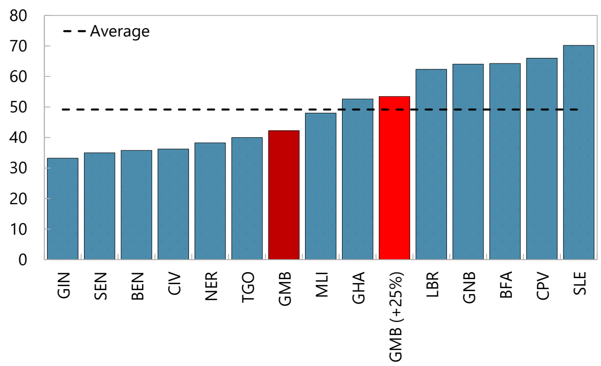
2. **The authorities initially envisaged a 50-percent increase of the pay scale but ultimately opted for a 30-percent increase.** The PAI report presented four options, of which a 50-percent increase. Staff argued that such a large increase would crowd out social and development spending, endanger debt sustainability, intensify inflationary pressures, exacerbate foreign exchange shortages, and undermine economic growth. Given the macroeconomic risks, a 50-percent salary increase would jeopardize the ECF-supported program. Subsequently, the authorities subsequently opted for a 30-percent increase, which costs annually about 1 percent of GDP. The overall increase of the wage bill is 25 percent, which is less than the 30-percent salary increase, as some allowances were not adjusted similarly and should be delinked from the base salary to prevent an automatic upward adjustment along with the base salary in the future.

3. **The salary increase helped partly address low salary levels but pushed The Gambia somewhat above peer countries on some affordability indicators.** The lowest and highest monthly salaries under the pay scale before the salary increase were about US$30 and US$900, respectively. Based on publicly available data, the median nominal salary per government employee in The Gambia is lower than in many peer countries. The 30-percent increase helped partially narrow the gap. Before the salary increase, both the ratios of wage bill to tax revenue and wage bill to GDP were below the ECOWAS average. Following the salary increase, the ratio of wage bill to tax revenue reaches 53.5 percent, slightly above the ECOWAS average and the ratio of wage bill to GDP is marginally below (Annex II Figures 1-2).

4. **The authorities are taking offsetting measures to ensure fiscal and debt sustainability of the salary increase.** For the remainder of 2022, the salary increase will lead to higher collection of payroll taxes and will be implemented along with the new pension scheme that will require 5 percent employees' contribution. The authorities are expanding tolls on two bridges. They reduced several spending items, including goods and services and capital spending. For 2023 and beyond, in addition to the above measures, the authorities will strictly apply the pay-as-you-earn income tax,

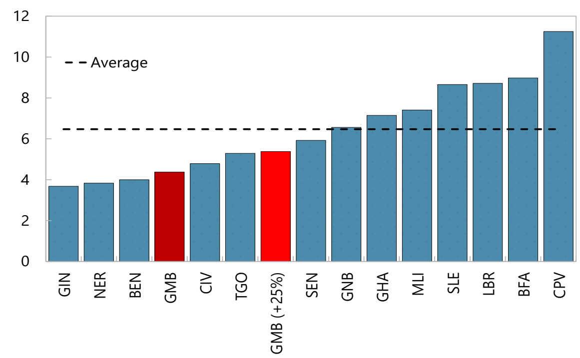
streamline tax exemptions under Special Investment Certificates and the GIEPA act, extend the tax base of the telecom sector, collect airport concession fees, enhance collection of lease rentals income, and streamline groundnut subsidies to farmers given higher global groundnut prices.

Annex II Figure 1. The Gambia: Compensation of Employees in ECOWAS Countries. 2021
(In percent of Tax Revenues)



Sources: WEO database and IMF staff calculations

Annex II Figure 2. The Gambia: Compensation of Employees in ECOWAS Countries. 2021
(In percent of GDP)



Sources: WEO database and IMF staff calculations

Annex III. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Impact if Realized	Policy Response
External: Intensifying spillovers from Russia's war in Ukraine.	**High** Further sanctions resulting from the war and related uncertainties exacerbate trade and financial disruptions and commodity price volatility, with Europe, LICs, and commodity-importing EMs among the worst hit.	**High** Income in destinations of exports and origins of tourists will be hindered. The Gambia's exports would dwindle, and tourist arrivals would decline. Economic recovery would slow down, and foreign exchange pressures would intensify.	• Diversify economic activities as well as exports destinations and origins of tourists to reduce vulnerabilities to shocks in a few sectors and dependence on limited groups of countries. • Avoid any distortions to the forex market to allow the exchange rate to be a shock absorber.
External: Commodity price shocks.	**High** A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility and socio-economic instability.	**High** Dependence on imported commodities leads to higher imports and lower growth. High production costs hurt growth. Inflation would accelerate further.	• Provide targeted support to vulnerable households. • Strengthen the fiscal oversight of NAWEC. • Accelerate implementation of national energy roadmap with World Bank support, including use of alternative energy production methods.
External: Abrupt global slowdown or recession.	**Medium** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices.	**High** Exports markets would shrink. Domestic economic activity would be severely impaired. The tax base would decline, and spending may soar to support the economy and society.	• Build adequate fiscal and foreign exchange buffers. • Roll-out targeted social programs to support the vulnerable population. • Develop the domestic market to reduce dependence on global demand.
Domestic: New Covid-19 outbreaks.	**Medium** Covid-19 infections resume due to the low vaccination rate.	**High** Economic activity would be locked down. Broad-based income support would be needed for the population.	• Accelerate Covid-19 vaccination campaigns through all possible channels. • Strengthen preventive health system.
Domestic: Social discontent and instability.	**High** The large and multiple exogenous shocks hurt households' income and intensify inflationary pressures, leading to social tensions.	**High** Political uncertainty hurts market confidence and private investment, delays economic and policy reforms, and weakens institutions.	• Involve CSOs and other stakeholders in the society in policy decisions. • Strengthen governance further.
Domestic: Higher frequency and severity of natural disasters.	**Medium** Recurrence of the recent major flooding and of cycles of erratic rainfall, windstorms, and droughts.	**Medium** Domestic production would be negatively impacted. The number of internally displaced individuals would increase, leading to increased recovery spending and worsened fiscal situation.	• Strengthen food security and rural feeding programs. • Build up fiscal and reserve buffers. • Build resilience to natural disasters.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex IV. Enhanced Safeguards

Enhanced Safeguards 1A

1. **The Gambia's de facto senior debt and other multilateral debt account for about 65 percent of total external debt, and this share is projected to gradually decline overtime.** This share at end-2022, which includes the proposed ECF access augmentation, is slightly below the share at end-2021. The debt held by institutions afforded preferred creditor status—the IMF, World Bank, and other major development banks—accounts for about 30 percent of total external debt. Moreover, most of the remaining multilateral creditors provided debt rescheduling to The Gambia in the past. The Gambia does not have any collateralized debt. These shares and the composition of multilateral creditors indicate that there exists a sufficient buffer of restructurable debt.

Annex IV Table 1. The Gambia: Public Debt Decomposition, 2021–24[1]

	Debt Stock (end of period)			
	Actual	Projections		
Creditor profile	2021	2022	2023	2024
	(In US$ millions)			
Total debt	1,671.5	1,675.5	1,703.5	1,714.9
External debt	965.9	1,002.4	1,037.0	1,064.8
Multilateral creditors	651.3	659.9	662.7	658.3
IMF	105.5	129.3	129.0	124.6
World Bank	132.1	132.7	132.5	131.7
ADB/AfDB/IADB	56.2			
Other Multilaterals	358.6			
o/w: IsDB and OFID	222.2			
Bilateral Creditors	284.4	303.1	319.0	348.4
Domestic	705.6	673.2	666.6	650.1
Memo item:				
Nominal GDP	2,034.4	2,168.8	2,330.7	2,505.7
Multilateral and collateralized debt				
Multilateral debt				
Percent of external debt	67.4	65.8	63.9	61.8
Percent of GDP	32.0	30.4	28.4	26.3
o/w: IMF and WB				
Percent of external debt	24.6	26.1	25.2	24.1
Percent of GDP	11.7	12.1	11.2	10.2
o/w: ADB/AfDB/IADB				
Percent of external debt	5.8			
Percent of GDP	2.8			
o/w: Other multilaterals				
Percent of external debt	37.1			
Percent of GDP	17.6			
Collateralized debt				
Percent of external debt	0.0	0.0	0.0	0.0
Percent of GDP	0.0	0.0	0.0	0.0

[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.

Enhanced Safeguards 1B

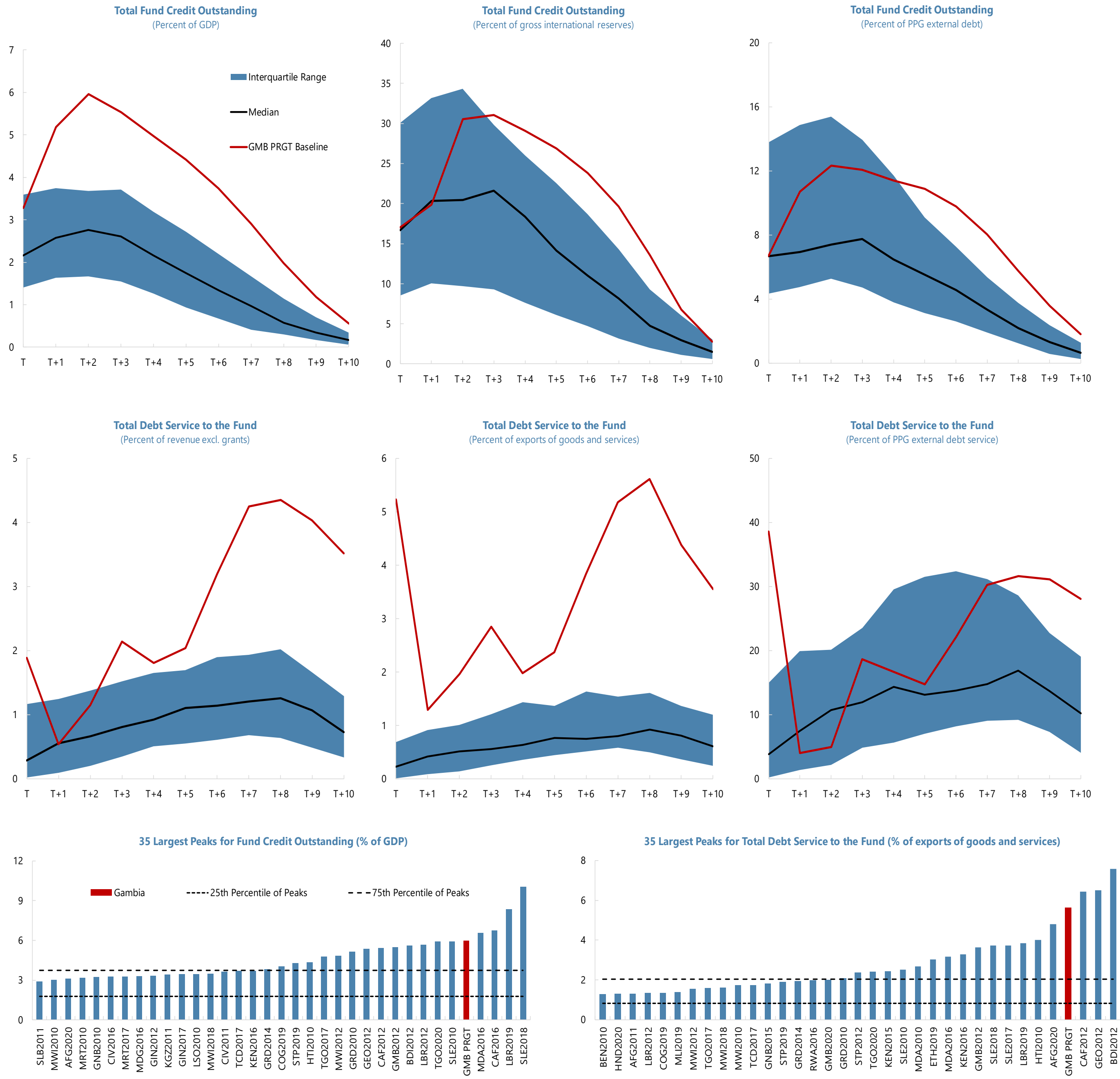
2. **The Gambia's capacity to repay the Fund is adequate, but subject to significant risks which continued Fund engagement will mitigate**. Given the prior use of Fund resources, including the ongoing ECF arrangement and the COVID-19-related RCF disbursement, the stock of outstanding debt to the Fund as a share of GDP exceeds largely the top quartile of past PRGT arrangements and is amongst the PRGT's top exposures in the last decade. The various indicators of stock of debt to the Fund peak in 2022 and gradually converge towards other PRGT cases during the projection period. Debt service to the Fund, based on existing and prospective drawings, is projected to rise sharply starting in 2026, peaking in 2028 at 4.3 percent of revenue net of grants and 5.6 percent of exports of goods and services. It is well above the top quartile of past PRGT arrangements. Moreover, the capacity to repay the Fund is subject to significant downside risks, including the war in Ukraine, the COVID-19 pandemic, commodity price shocks, natural disasters, and other fiscal pressures. However, risks to the capacity to repay are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, the strengthening of debt and liquidity management, and the implementation of policies and reforms under continued Fund engagement. Such policies include the enhancement of fiscal buffers through both revenue and spending measures, the strengthening of external buffers through forex market and exchange rate policies, and the continuation of various structural reforms to support economic growth. Moreover, the political commitment to reforms and Fund engagement is also strong, following the country's democratic turn-around.

Enhanced Safeguards 2

3. **A key objective of The Gambia's Fund-supported program is to reduce debt vulnerabilities.** The Gambia's public debt is deemed sustainable but at high risk of both external and overall debt distress. Debt vulnerabilities have somewhat improved in 2021-22 under the Fund-supported program, driven mostly by expenditure restraints. The 2023 budget is planned to deliver a large fiscal consolidation of 2 percentage points of GDP. The medium-term fiscal framework foresees further fiscal consolidation of about 0.4 percent of GDP per year. This consolidation is predicated on the phasing-out of pandemic- and war-related measures, the completion of large infrastructure projects for the OIC conference, and other fiscal measures. Thus, the PV of external debt remains within the threshold of 40 percent of GDP for the entire forecast horizon and the PV of total public debt is projected to decline below the benchmark of 55 percent of GDP from 2025. Although some liquidity indicators breach their respective thresholds for some years, in a similar way as in previous program reviews, they decline at the end of the projection period.

Annex IV Figure 1. The Gambia: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In Percent of the Indicated Variable)



Notes:

1) T = date of arrangement approval. PPG = public and publicly guaranteed.

2) Red lines/bars indicate the CtR indicator for the arrangement of interest.

3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.

4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.

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	Implement new tax exemption policy and the Gambia Investment and Export Promotion Agency act. Strengthen the integrity of the taxpayer register; improve filing and payment compliance and reduce tax arrears; improve accuracy of reporting in the key economic sectors and taxpayer compliance. Improve customs procedures, compliance risk management capacity to undertake post-clearance audits, and take steps to implement ECOWAS customs integrity framework. Implement plans for embedding stable and effective tax administration information management systems that support revenue administration functions including completing implementation of the GAMTAXNET remediation plan and developing/implementing an action plan for installing a new ITAS system.
Public Financial Management	Extend IFMIS on project and subvented agency accounts. Implement TSA roadmap and improve cash forecasting and debt data reconciliation. Prepare a 2022 gender sensitive budget by moving towards a gender responsive budget through means of sound PFM practices.

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

Appendix I. Letter of Intent

Banjul, The Gambia

November 28, 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 appreciate the continued IMF support to our country in these unprecedented difficult circumstances. The repercussions of the war in Ukraine are threatening economic and social stability. The economic recovery is weaker than anticipated, inflation is on the rise, and pressures are emerging in the foreign exchange market. The timely financial support from the IMF since the start of the pandemic has helped our country maintain macroeconomic stability, build policy buffers, and strengthen resilience. The agreement to use part of the SDR general allocation and on-lend the fifth ECF tranche to the budget helped alleviate financing constraints faced in the first half of 2022, including from the impact of the war in Ukraine. However, with the continued shocks facing the economy, the outlook remains challenging and social tensions are starting to emerge. To secure financial resources needed to address these shocks and cover the related balance-of-payments needs, we are requesting an augmentation of access for the fifth review under the ECF arrangement by a total of SDR 15.55 million (25 percent of our quota). The requested amount would be combined with the initially scheduled disbursement of SDR 5 million and made available upon completion of the fifth ECF review. The initially scheduled disbursement of SDR 5 million and half of the augmentation amount (totaling SDR 12.775 million) would be on-lent to the Treasury to help preserve social spending and reduce recourse to domestic borrowing. We look forward to continuing our collaboration, which will be instrumental for our Green-Recovery-Focused National Development Plan.

2. The attached Memorandum of Economic and Financial Policies (MEFP) outlines the progress we have made under the ECF-supported program since the completion of the fourth review in June 2022 and updates our policies for the remainder of the program period. Despite challenges brought by a difficult global geopolitical environment, we remain strongly committed to the implementation of the program reform agenda. At end-June 2022, we met all quantitative performance criteria (QPCs). Thanks to our prudent execution of the budget, the QPC on net domestic borrowing was slightly below the program ceiling. We met three out of four indicative targets (ITs). The IT on domestic tax revenue collection was missed due to lower tax collection on petroleum products. All structural benchmarks (SBs) at end-June 2022 were met. The continuous QPC on non-accumulation

of external arrears was temporarily breached in August-September due to a delayed repayment to the ITFC by NAWEC, the executing agency. The end-September indicative targets on net domestic borrowing and tax revenue collection were missed. The indicative target on the net international reserves was also missed as the CBG had to intervene to support imports of basic commodities amid FX shortages. Going forward, the CBG will allow the smooth functioning of the market and the exchange rate to help restore equilibrium between forex supply and demand. Three out of five end-September SBs were completed on time. The phase 2 audit report of COVID-19-related spending was submitted to the National Assembly in October 2022. We are making progress on the implementation of the remaining SB on the extension of performance contracts to three additional SOEs. We will ensure achieving the net domestic borrowing QPC of the ECF-supported program at end-2022 while slightly relaxing, by 0.5 percent of GDP, the budget deficit, which will be financed by on-lending half of the ECF augmentation without jeopardizing our debt reduction path. To finance the recently approved 30-percent increase in public servants' salary, we are streamlining public spending and have increased the passthrough of international oil prices to domestic pump prices to improve tax collection. We have submitted to Parliament a draft 2023 budget consistent with program objectives.

3. To address mounting inflationary pressures, the central bank increased the policy rate by a total of two percentage points in May and September 2022. It continues to monitor, closely, developments of inflation and economic activity and will consider further tightening the monetary policy stance. To address the pressures on the foreign exchange market, we will ensure the smooth functioning of the market and allow the exchange rate to reflect supply and demand conditions. 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. The audit of the CBG's 2021 financial statements was finalized in May 2022.

4. Considering the resolve and commitment we have shown in implementing the agreed macroeconomic policies and reforms, and based on the strength of our policies and measures going forward, the Government of The Gambia requests completion by the IMF Executive Board of the fifth review of our ECF-supported program and the associated financing assurances review, as well as approval of the augmentation of access by SDR 15.55 million (25 percent of our quota), a waiver for the temporary breach of a continuous QPC, and modification of the performance criterion on net international reserves and the indicative targets on domestic tax revenue and CBG's net domestic assets at end-December 2022.

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 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 IMF staff with all information needed to monitor our implementation of the economic and financial policies geared towards 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). Therefore, we authorize the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board completes the fifth review under the ECF arrangement.

Sincerely yours,

/s/	/s/
Seedy Keita	Buah Saidy
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) summarizes our achievements under the ECF-supported economic and financial program since the completion of the fourth review in June 2022. It updates our policies, measures, and structural reform agenda. It also outlines our responses to the socio-economic challenges induced by the COVID-19 shock and the war in Ukraine and lays out policies to foster an inclusive economic recovery while ensuring macroeconomic stability.

Background

1. **The repercussions of the war in Ukraine pose a threat to our economic and social stability**. The surge in global energy and food prices due, in large part, to the war in Ukraine, has spilled over to our economy. Inflation has been in the double-digits territory since April 2022, driven primarily by increases in food prices and transport costs as well as disruptions of domestic food supply channels. This is hurting our population, particularly the most vulnerable households. To alleviate the impact of high prices on the population and preserve social stability, we limited the passthrough of international oil prices to domestic pump prices by reducing tax collection on fuel products. A major flood in July 2022 resulted in the destruction of houses, loss of lives and internal displacements. The number of new COVID-19 infections slightly picked up in August but declined to almost nil recently. The vaccination rate remains low due to the population's hesitancy despite the ample supply of vaccines. At end-September 2022, only 22 percent of the total population and 34.3 percent of the targeted population (12 years of age and older) are vaccinated with at least one dose.

2. **We continue to advance our social and transitional justice reforms**. We held peaceful presidential and parliamentary elections in late 2021 and early 2022, which were considered free and fair by local and international observers. Following the elections, a new government is in place. We are delivering on our commitments on transitional justice reforms. The Government published in May 2022 a white paper on the final report of the Truth, Reconciliation and Reparations Commission (TRRC), accepting all key recommendations of the Commission. We are working with our development partners on the implementation of these recommendations. The Gambia improved on the World Press Freedom Index, the Global Peace Index and has also moved up on the U.S. Trafficking in Persons Report. The public procurement act was approved recently. The government is engaging the newly elected National Assembly to expedite the approval of the SOE bill and the anti-corruption act, as well as re-open discussions on the new constitution.

Recent Economic Developments

3. **The repercussions of the war in Ukraine and the lingering effects of the pandemic are weakening our economic recovery**. GDP is forecast to grow by 4.5 percent in 2022, a downward revision from the 5.6 percent forecast at the time of the fourth review, on account of the sharp deterioration in the terms of trade and lower-than-anticipated domestic absorption—caused by high inflation and slowing private remittances. Nonetheless, some sectors are showing positive

signs. The agriculture harvests are expected to remain robust; the construction sector remains resilient; and tourist arrivals are rebounding (though still below pre-pandemic levels). The CBG index of economic activity in 2022H2 has moved above its pre-pandemic level and points to a slightly positive output gap. Monetary sector developments at end-September 2022 point to a deceleration in monetary aggregates, resulting from sharp reductions in the net foreign assets of the banking system. Nonetheless, private sector credit grew 32.5 percent (y-o-y) in September 2022, compared to 20.7 percent (y-o-y) in December 2021.

4. Inflation pressures have intensified and prompted the central bank to increase the policy rate. The inflation rate entered two-digits territory in April and reached 13.3 percent in September 2022, mainly driven by global high food and energy prices induced by the war in Ukraine, together with supply chain disruptions and high freight and transport costs. To tame these inflationary pressures and anchor inflation expectations, the CBG increased the policy rate by one percentage point at its May and September 2022 monetary policy committee meetings, bringing it up to 12 percent.

5. Our prudent budget execution helped achieve our fiscal objectives at end-June, but challenges intensified in 2022Q3. At end-June, domestic revenue collection fell short of projection by 0.2 percent of GDP as revenue losses on petroleum products reached about 1 percent of GDP. Improved tax collection efficiency and enhanced tax audit and control by GRA helped improve collection from non-oil-related tax revenue. Total expenditure was significantly below projection due to lower-than-anticipated government consumption and interest payments and slower execution of infrastructure projects. As a result, the overall fiscal balance was contained at 2.8 percent of GDP, which is 0.8 percentage point of GDP lower than anticipated. This helped maintain the net domestic borrowing marginally below the program ceiling. However, revenue losses from petroleum products intensified and reached GMD1.36 billion at end-September, exacerbated by a shortfall in non-oil customs revenue in 2022Q3 due to port congestion and lack of forex to clear imports containers. Despite control over current and capital spending below projections, the net domestic borrowing target at end-September was above the program ceiling by GMD 483.9 million (0.4 percent of GDP) due mainly to a shortfall in financing caused by delays in the finalization of the privatization of *MegaBank,* initially expected by end-June 2022.

6. To enhance productivity in the civil service, the Parliament approved in July a 30-percent salary increase. This approval followed a review of the civil service compensation system completed in 2021. The Parliament approval translates into a 25-percent increase in the wage bill as some allowances were not adjusted with the same magnitude. The cost to the 2022 budget, estimated at 0.5 percent of GDP, is covered through a combination of revenue measures and spending cuts designed to keep net domestic and external borrowing unchanged. These measures include an upward adjustment in domestic fuel prices, the reduction or elimination of all non-payroll allowances, an increase in PIT and CIT collection, reduction in government consumption, and lower-than-anticipated interest payments. The salary increase will not be extended to other public agencies, which already benefit from higher pay.

7. **The balance of payments and foreign exchange market are suffering from terms of trade shocks and declining remittance flows**. The foreign exchange supply is falling below demand. On the supply side, some traditional sources of foreign exchange including cashew trade, are underperforming due to some restrictions at the borders, while timber export is now completely banned. Private remittances sent through the formal channels and cross-border trade inflows have also slowed. The tourism sector is recovering but at a slower pace as some operators arranging tours to The Gambia used to charter aircrafts from Ukraine, which are currently grounded. On the demand side, the high global food and fuel prices, combined with the elevated freight costs, put pressures on imports bills. These pressures pushed the CBG to drawdown on its foreign exchange reserves to cater for the imports of some basic needs of the country. From January through August 2022, the CBG sold US$74.9 million to facilitate importation of essential basic commodities. The CBG introduced in May a ban on withdrawal from foreign currency deposits by commercial banks' customers with the objective of regularizing foreign exchange transactions. The ban was rescinded on August 31, 2022, to address the shortage of foreign exchange in commercial banks, which has increased the gap between the official and parallel market rates. The CBG is closely coordinating with the various players in the FX market to restore market fundamentals and help close this gap.

8. **The financial sector remains resilient.** Risk-weighted adjusted capital adequacy ratios at end-June 2022 declined marginally relative to end-December 2021 but remained above the respective statutory limits for banks and micro-finance companies (MFCs). Banks and MFCs remain liquid, profitable, and well capitalized, with the banking system's capital adequacy ratio estimated at 26.9 percent at end-June 2022, compared to a statutory requirement ratio of 10 percent. Non-performing loans (NPLs) of commercial banks improved by one percentage point between end-2021 and end-June 2022, to 4.1 percent of gross loans. However, NPLs in microfinance companies (MFCs) increased from 7.0 percent of gross loans at end-2021 to 9 percent at end-June 2022.

9. **We continue to fulfill our commitments to transparency requirements for COVID-19-related spending**. We resumed the reporting of COVID-19 spending in the monthly budget execution report. The National Audit Office (NAO) completed the second phase of an *ex-post* audit of the COVID-19-related spending; the final consolidated report was submitted to the National Assembly for review in October 2022. The report is expected to be published after the National Assembly's review.

Performance Under the ECF-Supported Program

10. **We met all quantitative performance criteria, and three out of four indicative targets at end-June 2022**. The floor on the stock of net usable international reserves (NIR) was exceeded by US$30 million. 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. Newly contracted concessional debt stood at US$34 million out of the US$115 million annual ceiling. Thanks to our prudent execution of the budget, the

QPC on net domestic borrowing was marginally below the program ceiling. We met three out of four ITs at end-June 2022. The IT on domestic tax revenue collection was missed by 0.2 percent of GDP due to lower collection of taxes on petroleum products, as we sought to limit the pass through of surging international oil prices to domestic pump prices. The IT on poverty reducing spending was met with large margins.

11. Preliminary data suggest that performance at end-September 2022 was mixed. The continuous QPC on the accumulation of the external arrears was temporarily breached as the repayment of debt service obligations to the ITFC by NAWEC, the executing agency, in August-September was completed with a delay due to difficulties in obtaining FX combined with the cash flow constraints caused by the rising fuel cost. The floor on net international reserves was missed by US$ 25 million owing to the central bank interventions to support the import of fuel and basic commodities. The celling on the NDB was breached by GMD 483.9 million (about 0.4 percent of GDP) as we could not fully absorb the financing gap created by delays in the sale of *MegaBank*. The indicative target on domestic tax collection was also missed despite GRA's efforts to collect more domestic taxes. All other QPCs and ITs were met.

12. We met all structural benchmarks (SBs) at end-June and some at end-September 2022 (Table 2). We launched in April 2022 the Taxpayer Charter to improve the relationship between GRA and taxpayers and enhance taxpayers' compliance, expanded the social registry to cover six additional districts before end-June 2022, and completed and submitted to the IMF country team in June 2022, the first draft of the new Public Finance Bill. With IMF technical support, the CBG conducted the stress testing of all banks at end-December 2021, which helped meet the related end-September SB. Tax ledgers cleansing for large taxpayers was completed in September. The tax audit for 5 SIC holders was also completed and identified forgone revenues of about GMD 90 million during 2019-2021. The signing of performance contracts between MoFEA and three additional key SOEs (GPA, GNPC and SSHFC) has been delayed as negotiations with SOEs on KPI targets are taking longer than expected. We plan to complete this reform by end-February 2023 (**end-September 2022 SB** proposed to be postponed to **end-February 2023**). The phase 2 audit report of COVID-19-related spending was submitted to all stakeholders for review. The NAO subsequently submitted the consolidated report to the National Assembly in October 2022.

Macroeconomic Outlook

13. Risks to the outlook are tilted to the downside, due to the protracted war in Ukraine and the lingering effects of the Covid-19 pandemic. After 4.5 percent in 2022, real GDP growth is projected at 6.0 percent in 2023, slightly lower than the 6.2 percent projected at the time of the fourth ECF review. Growth will peak at 6.5 percent in 2024, as tourism activities reach full steam and the country benefits from road constructions and investments in agriculture, before returning to around 5 percent in the medium term. Inflation is expected to remain high for the remainder of 2022 and in 2023, reflecting the direct and second-round effects of the high global fuel and food prices, induced by the war in Ukraine, before declining to 5 percent in the medium term. The fiscal deficit is expected to improve from 4.9 percent of GDP in 2022 to 2.7 percent in 2023 and about ½ 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. Pressures on the balance of payments and foreign exchange may persist if the spillovers from the Russia's war in Ukraine intensify, commodity price shocks do not dissipate, and an abrupt global slowdown or recession occurs. Moreover, the path of the COVID-19 pandemic remains uncertain. Furthermore, the vagaries of climate change pose real threats, as evidenced by the major flooding in July 2022.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

14. We have advanced the preparation of our Green Recovery-Focused National Development Plan (RF-NDP) and the Long-Term Development Vision (LTDV) 2050. The formulation of the RF-NDP and the LTDV has progressed with the completion of key stakeholder consultations across all 120 Wards in the country and MDAs, civil society including women, persons with disability, private sector, and development partners at the national level. The first draft of the RF-NDP is being finalized. Following review and validation, it is expected to be validated by end-December 2022. The drafting of the LTDV is also expected to be completed by end-December 2022.

B. Fiscal Policy

15. We are committed to broadly achieving the 2022 fiscal targets under our ECF-supported program, despite the revenue shortfalls and salary increase. To ensure receiving all the budgeted resources, we are taking steps to finalize the privatization of *Megabank* and accelerate asset sales under the Janneh Commission. We issued a certificate of urgency to the National Assembly, that resulted in the adoption of the procurement act, paving the way for the disbursement of a US$20 million budget support from the World Bank before year end. We have collected GMD 170 million additional dividends from SOEs, and bolstered revenue collection from petroleum products to secure GMD 750 million in 2022H2. We also took measures to collect more non-tax revenue, including bridge toll and airport concession fees. We are strengthening our cash management to align spending with available resources and are taking necessary actions to ensure effective functioning of the recently established reform monitoring committee. Furthermore, we are prioritizing spending. Nonetheless, pressures are intensifying on the budget, primarily from the high food and fuel prices induced by the war in Ukraine and the related social tensions. Thus, while we endeavor to contain net domestic borrowing in 2022 below the ECF-supported program ceiling, it would be warranted to expand the budget deficit from about 4.4 to 4.9 percent of GDP, which would be financed by the on-lending of half of the ECF access augmentation (0.5 percent of GDP) for budget financing.

16. The 2023 budget aims to address the impact of exogenous shocks on the economy while remaining consistent with the Medium-Term Fiscal Framework (MTFF) and the program, and safeguarding debt sustainability. To this end, the 2023 budget aims at reducing the fiscal deficit by 2.2 percentage points of GDP relative to 2022 to 2.7 percent of GDP. This decline will help keep our public debt on a downward path. To achieve these objectives, the budget includes a combination of revenue and spending measures.

- **On the revenue side**. Tax collection from expiring SIC holders is expected to generate GMD 75 million. The increase in salaries of civil servants is estimated to generate PIT of about GMD 100 million. We commit to improve the degree of passthrough from global to domestic fuel prices to help recover lost oil revenues. This policy measure is estimated to generate GMD 360 million in additional revenue. The payment of airport concession revenue to the government, which was frontloaded to July 2022, is expected to yield GMD 75 million in 2023. To enforce the payment of withholding tax by government projects, MoFEA has issued a circular instructing all government projects to implement the deduction of withholding tax on all procurement and suppliers' contracts and provide the list of their contracts to the GRA to facilitate collection. MoFEA is taking measures to ensure the tax compliance of SOEs, particularly on pay-as-you-earn income taxes and VAT. To this effect, a circular has been issued to all SOEs on the timely payment of these taxes. We will also take measures to improve tax collection in the telecommunication and real estate sectors. As a result of these measures, tax revenue is projected at 9.8 percent of GDP in 2023. Non-tax revenue is projected at 2.7 percent of GDP, and budget support from our development partners (World Bank, European Union, African Development Bank, and French Development Agency) at 2.1 percent of GDP.
- **On the spending side**. We are making efforts to contain spending. Current spending is expected to decline by 1.1 percentage point of GDP in 2023, to 12.7 percent of GDP. To achieve this, we are: (i) reducing all non-payroll-related allowances from our wage bill, which will reduce the budgetary cost of the salary increase from 1.1 percent of GDP to 0.7 percent of GDP. In addition, we remain committed to not extend the salary increase in the civil service to subvented agencies; (ii) reducing by GMD 275 million subsidies to GGC relative to 2022, given the higher global groundnut prices; and (iii) continuing the streamlining of non-essential travels and trainings abroad, the provision of post-paid mobile phones and fuel allocation to eligible officials. However, spending pressures are expected to emanate from the relocation of embassy personnel abroad, and from the maintenance of government assets. On the infrastructure investment front—projected at 9 percent of GDP and mainly driven by foreign-financed projects—we will focus on completing ongoing projects and will not introduce any new projects to be financed through local funds. In case of increase in fuel-related revenue losses, we commit to taking all necessary measures, including on the spending side, to achieve the program targets.
- **Financing**: We have received assurances on financing from development partners and are requesting on-lending of the disbursement (SDR 5 million) and half of the access augmentation (SDR7.775 million) in 2023 attached to the sixth review under the ECF arrangement from the CBG to the government to address the budgetary financing need in the current context of large and multiple exogenous shocks. This will help contain the net domestic borrowing at GMD 2 billion (1.4 percent of GDP).

C. Debt Sustainability

17. 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 remain committed to reducing the present value of total public debt below the benchmark of 55 percent of GDP around 2025. Our strong medium-term fiscal framework (MTFF) and a prudent borrowing policy will help support our debt reduction efforts. Our MTFF 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 gradually improve from a deficit of 2.3 percent of GDP and 0.6 percent of GDP in 2022 and 2023 respectively, to an average surplus of about 1.2 percent of GDP in the medium term. This will support a steady decline in the public debt-to-GDP ratio from 80.8 percent in 2022 to 52.7 percent in 2027.

18. We continue to exercise caution on borrowing and strictly adhere to the agreed borrowing plan. We continue to rely primarily on grants and highly concessional loans to finance our infrastructure gap. At end-September 2022, the Government has contracted only US$61 million in external concessional debt out of the US$115 million ceiling for 2022. We will strengthen our PPP legal framework and ensure that PPP projects do not pose fiscal risks to the government, including on guaranteeing non-concessional financing or contracting of non-concessional financing by SOEs that do not have sufficiently strong financial positions. We will continue the publication of an annual borrowing plan at the beginning of each fiscal year, and on a rolling quarterly basis, consistent with the ECF-supported program.

19. We have continued our efforts to reconcile and clean external debt data and the recording of domestic debt in the *Meridian* system. We are currently engaging with our major creditors on debt reconciliation exercises on a regular basis. We continue to collaborate with the Aid Coordination Directorate of MoFEA to reach out to donor funded project managers. We are in communication with both Libya and Venezuela regarding debt service. However, sanctions and conflicts in those countries continue to derail our efforts to undertake negotiations needed to service our debt obligations to them. We continue to work closely with the US Treasury Technical Assistance adviser to publish the quarterly bond issuance plan on a rolling basis.

20. We will continue to strengthen governance and financial management in SOEs with a view to minimizing contingent liabilities and foster economic efficiency. We are working on a turnaround strategy to improve the performance of SOEs. We are closely monitoring them and formulating quarterly reports on their financial performance with a view to detect and mitigate fiscal risks. Parliament is expected to commence deliberations for the recently submitted SOE Bill. The 2020 SOE audited financial statements, except for NAWEC, were published by October 2022. We have completed the 2020 performance report of SOEs, submitted it for signature by the executive before its publication, and expect to complete the 2021 report by end-December 2022. Our efforts to align SOEs' financial reporting with international standards continues. Discussions for the signing of performance contracts with three key SOEs (GPA, GNPC, and SSHFC) are at an advanced stage, and expected to be concluded by end-February 2023 (**end-September 2022 SB** proposed to be postponed to **end-February 2023**). We have made meaningful progress on the settlement of SOE cross arrears, with a total of GMD 163 million settled by end-August. However, despite some modest gains recorded on SOE performance, NAWEC is currently facing challenges to fulfill its debt obligations (including to ITFC) mainly due to rising operational cost, especially in light of recent volatility in fuel prices and limited cash flow.

D. Monetary and Exchange Rate Policies

21. The central bank considers tightening further the monetary policy stance to address the heightened inflationary pressures. The CBG remains vigilant and will continue to closely monitor developments of inflation and economic activity and take all necessary measures to fulfill its price stability mandate. Required additional policy rate adjustments to achieve a positive real policy rate will be complemented by liquidity management tools, such as the issuance of CBG bills to help reduce excess liquidity and moderate reserve money growth. The CBG will also step up its communication with respect to its anti-inflation strategy to better anchor inflation expectations.

22. The CBG is taking measures to alleviate foreign exchange pressures and ensure a smooth functioning of the foreign exchange market. The CBG will continue to observe a de jure free-floating foreign exchange regime without any undue restriction on FX activity. The fundamentals of demand and supply will therefore determine the level of exchange rate. Moreover, continuous supervision of the FX market data will ensure that actual trading rates are reported accurately by market operators, and CBG’s computed and published rates are in line with market activity rates. The demand in the FX market is expected to remain somewhat robust above supply in the short term as the supply conditions are poor mainly due to declining remittances, the ban on timber trade and the redirection of cashew related inflows. Additionally, increasing demand pressures to meet the imports of essential commodities may trigger a drawdown of the reserves and exert further pressure on the Dalasi. Consequently, net international reserves are expected to decline to US$300 million and gross reserves to 4.8 months of prospective imports at end-December 2022. However, the reopening of the high tourist season, coupled with the above exchange rate policy, is expected to support forex supply and help ease the pressure.

23. The overall financial sector remains broadly resilient. The CBG has completed at end-September 2022 a stress-testing exercise of the entire commercial banking industry based on banks’ balance sheets at end-December 2021s (**end-September 2022 SB**). Results show that the banking sector remains solvent even with a 400 percent shock to NPLs, but credit risks remain. We are currently working on improving the model, including quality and coverage of the data, and enriching the assumptions. To enhance data for further stress test, the commercial banks are now required to submit their loan portfolios on a quarterly basis to ensure granularity and proper loan classifications. Following the enactment of the Capital Markets and Securities Act 2021, the Central Bank has engaged the private sector and plans are underway to establish a capital market for equities and bonds trading. The National Financial Inclusion Strategy (NFIS) was launched in January 2022 and its implementation is underway. We set up seven working groups to spearhead the process and held a kickoff workshop in August 2022 where TORs for all the groups were finalized. The governance structure of each working group was designed. Action plan to implement the program was also developed based on the activities under the four pillars of each workgroup.

24. We continue to strengthen safeguards, governance and the investment policy at the central bank. The IMF 2020 safeguards recommendation have been largely implemented except for the capacity buildings for the relevant departments. Capacity building is ongoing, and the gaps are gradually being closed. The audit of the 2021 financial statement has been completed and all critical matters were resolved, except for the divestiture of *MegaBank*. The interim audit of 2022 financial statements was initiated in September 2022, its completion is expected by the deadline of end-March 2023, subject to the finalization of the Megabank privatization. The closure of dormant accounts is ongoing, in collaboration with the Accountant General Department. To align the central bank's investment objectives and leading practices with recommendations from recent IMF technical assistance, the CBG staff intends to submit to the CBG Board a revised investment policy and guidelines by end-December 2022.

E. Structural Reforms

Domestic Revenue Mobilization

25. We completed a mid-term performance review of GRA's Corporate Strategic Plan (CSP) 2020–24, which continues to guide our revenue mobilization efforts.

- We will broaden the tax base by tapping into the revenue potential of the hospitality, cable television, and real estate sectors.
- The new Taxpayer Charter was approved, launched and published on the GRA website in April (**end-June 2022 SB**). GRA drafted a Gift policy, Conflict of Interest policy, Whistle blower policy and an Investigation manual. These documents have been submitted for validation by the Reforms and Modernization Committee. It will be presented to top management and the Board for review and approval after validation. The development of a comprehensive compliance management strategy for the GRA is ongoing with the consultant recruited. The policies and standard operational documents have been developed for Risk Management (RM) and Post Clearance Audit (PCA). As Border and Inland Control (BIC) is facing more challenges, additional measures will be taken, with IMF technical assistance, to develop a national mandate and the policy document. Setting up a fully functional Internal Affairs Unit at the GRA (IAU) is well in progress and the IAU is expected to function at a full scale to enhance internal assurance and integrity mechanism of GRA and support revenue collection (**proposed new SB for End-February 2023**).
- **The Ledger Reconstruction and Maintenance (LRM):** The LRM project commenced in April 2022, starting with the large taxpayers. The project includes verifying the most updated registration details and updating it on GamTaxNet. To date, all large taxpayers' registration details have been updated as part of this project. Tax ledgers reconstruction for large taxpayers was completed in September 2022 with a total of 314 taxpayer files fully captured in GamTaxNet

(**end-September 2022 SB)**. The capturing of the returns data enables the correct creation of taxpayer ledger accounts. We plan to use information from the reconstructed ledger to develop and implement a strategy for managing tax arrears.

- **Digital transformation**: We are making progress on the development of a compliance risk management strategy to prepare for the implementation of ITAS. To better prepare GRA for the ITAS implementation, we are identifying the needs for the change enablement plan, technology enablement stream, and performance support framework with the technical assistance. Building on all this progress, we will prepare and implement the ITAS roadmap. We formally launched ASYCUDA WORLD in June 2022, after completing the training of customs staff and other end users. The Banjul Wharf and Head Office were piloted with the Transit Module rolled out to four outstations including Amadallai, Farafenni, Basse, and Giborroh. Following corrections of issues identified during the pilot phase, the system was rolled out to all customs outstations. We installed fiber in all the offices to ensure a stable environment.
- **Tax expenditure policy (TEP)**: Tax audit campaign on five exempt entities in various sectors holding EPZL or GEIPA Special Investment Certificates that are close to graduation have been completed (**end-September 2022 SB)**. We are working on developing a list of more SIC holders to extend the assessment. The assessment findings will assist revisiting the fiscal incentives. A study has been commissioned by the Ministry in charge of Trade to assess the impact of SICs from 2010 to date, to better inform on the cost benefit analysis of tax incentives issued by GIEPA on investment promotion and job creation. The outcome of the study will inform the on-going review of the GIEPA Act to better reflect the changing landscape in the management of special investment incentives.
- **Other measures**: A Directorate for Revenue and Tax Policy has been established at MoFEA to provide a strategic focus on tax policy formulation, design and advice. The mandate of the Directorate includes conducting studies on the design and adequacy of existing tax systems, law and institutional arrangement supporting our domestic tax system, guiding general tax design, reviewing and monitoring concession contracts' revenue performance, carrying out periodic revenue performance analysis, participating in the negotiation of concession agreements and conducting simulation exercises on the revenue sharing regimes, reviewing and advising on all matters relating to tax exemption and their impact on domestic resource mobilization and National Development Planning objectives, performing revenue and economic impact analyses of existing taxes, conducting tax and non-tax revenue forecasting for the MTFF, monitoring and periodically reviewing the implementation of the Tax Expenditure Policy, and preparing tax expenditure assessments and tax policy analysis reports. We are reviewing and amending the Income Tax and Value Added Tax (IVAT) 2012, the Customs and Excise Act 2010 and the GRA Act 2004 to further strengthen the laws. We continue the work in assenting to the Revised Kyoto Convention with stakeholders with the assistance of the World Custom Organization. We are also drafting the Tax Agent Regulations and ASYCUDA WORLD regulations for review and approval by the MoFEA.
- **Revenue loss:** once the current exogenous shocks and their implications on the population start dissipating, we will initiate discussions on the appropriate gradual phase out of revenue-losing

measures that were introduced to alleviate the social implications of the shocks. We are improving our social registry to allow rolling-out a means-tested social program in the future instead of a blanket subsidy approach.

Public Financial Management (PFM)

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

- **Public procurement**: Final amendments to the GPPA bill have been completed by the Ministry of Justice and the bill was approved in early October 2022 by the National Assembly following the issuance of a certificate of urgency by the President. The signing of the regulations—already finalized with support from the European Union and the World Bank—will follow without delay. We have resubmitted a revised PPP Bill to the Ministry of Justice. We have produced a revised National PPP draft Policy and a retreat was held to review the document with stakeholders. We plan to submit the final version to cabinet for approval. We have requested the list of priority projects from all MDAs. A cabinet paper of consolidated priority projects will be submitted to the cabinet for approval. A contract management committee has been constituted to oversee the ongoing PPP Projects. The newly initiated PPP procurement includes the single Window Platform at the level of GRA and the container tracking project with GPA.
- **Civil service reforms**: Performance Management is high on the government's agenda to ensure improved service delivery. In 2023, the new Ministry of Public Service, Administrative Reform, Policy Coordination and Delivery will elaborate a policy on resource-based management (RBM) for Cabinet consideration and approval. This will provide the government with options for RBM tools to administer the process, among which the Commonwealth's commitment for results toolkits.
- **Integrated Financial Management Information Systems (IFMIS)**: The IFMIS has been successfully rolled out to all Local Government Authorities and is currently being rolled-out to seven subvented agencies, including EFSTH, Curator of Inter Estate, NANA, GBOS, CCM and GGC. There are plans to also roll out the IFMIS to ten additional self-accounting projects.
- **Cash management**: To improve cash management, the Ministry of Finance issued a circular conditioning the cash allocations to MDAs' timely submission of their updated quarterly cash plans starting in 2022Q2. This measure is being enforced by withholding allocations to MDAs whose quarterly cash plans are not submitted within the stipulated timeline. AGD and the Budget Directorate are identifying major pilot MDAs (such as the ministries in charge of education, health, agriculture, the National Assembly and the NAO) to train on the cash flow planning component of the IFMIS, with a view to help them submit their monthly cash forecast electronically using IFMIS. The finalization of the cash forecasting manual was delayed but is expected to be completed by March-2023. The Treasury Single Account committee concluded negotiations with commercial banks on the revenue collection platform and is preparing MOUs that will detail the operating modalities. The revenue collected by GRA is currently being transferred bi-weekly to CBG and daily to the consolidated revenue fund. The categorization of

dormant accounts is ongoing, and their closure is expected by December 2022. We also plan to review the accounts of projects and subvented agencies in commercial banks.

- **Public Finance Bill**: We completed the first draft of the revised Public Finance Bill by end-June 2022 (**revised end-June 2022 SB**). A review session was held to review the first Draft of the Bill. The PFM Directorate is currently incorporating the comments and observations. The Cabinet will approve the revised Public Finance Bill by end-February 2023 **(proposed new SB for end-February 2023)**. We also completed the update of the 2016 Regulations and the development of a PFM Manual in November 2022.
- **COVID-19 spending**: The NAO completed the second phase of the audit and submitted the consolidated report to the new National Assembly in October 2022 for review and publication. We are continuing to abide by the transparency requirements for COVID-19 spending.
- **Investment selection**: Project assessments continued throughout 2022, including externally financed projects. As of end-September 2022, the total cost of externally financed projects reviewed stood at about US$137 million. Prior to the sending of the 2023 budget circular, the Aid Coordination Directorate (ACD) shared the new project proposal template with all MDAs to fill and submit to MoFEA for preliminary assessment prior to the GSRB final appraisal and decision on the viability and alignment with the NDP and their acceptance into the 2023 budget.
- **Medium-term expenditure and fiscal framework (MTEFF) and the Public Investment Program (PIP):** The draft MTEFF 2023-2026 has been finalized and used as a base to set the 2023 budget ceilings. This has set out the government's medium-term expenditure priorities in line with the National Development Plan and includes a focus on key sectors like Health and Agriculture. The MTEFF has additionally taken into account planned public investment projects against budget constraints, especially those brought about by current global developments. Specific MDAs have been identified to be part of the priority sectors' pilot program under the Public Investment Plan (PIP) and are required to provide ACD with the list of all new development projects with their concept notes for review by GSRB for consideration and incorporation into the PIP. A Medium-Term Policy Framework for PIP 2022-2025 has been developed with technical support from the World Bank. This framework is aligned with the 2023 fiscal year budget cycle and the NDP.
- **Aid Policy Action Plan**: With the support of the UNDP, the Gambia Aid Policy (2023-2032) was developed and validated. The Policy aims to increase the effectiveness of external assistance and provide a basis on which the additional aid required to meet the country short- to medium-term investment needs can be mobilized. A draft action plan of the Aid Policy has been developed and a concept report reviewed. The final document will be published once adjustments and recommendations communicated to the consultant are incorporated. ACD and the line ministries and agencies lack the capacity needed for an effective utilization and management of aid. So, capacity building will be important to achieve the objective of aid effectiveness. Another constraint that we are currently facing is the financing of the aid policy action plan.
- **Fiscal Risk Management:** We are preparing the First Fiscal Risk Statement (FRS) with a view to publishing it by end-December 2022. The training of staff on the use of models and tools started

in October 2022. The FRS covers macro-fiscal risks, fiscal risks from SOEs, public debt, government loans and guarantees, expenditure arrears, SSHFC and the civil service pension scheme, climate change and natural events, remittance volatility, tourism, groundnut farmgate price formation, and contingent liabilities. The FRS, which aims to map and give a broad quantification of key fiscal risks, is expected to be an integral part of the annual budget appropriation process and strengthen public financial management.

Governance, Corruption and Trafficking in Persons

27. **We are engaging with the newly elected National Assembly to accelerate the adoption of the anti-corruption bill and have sent a formal request for a Governance Diagnostics Assessment mission to the IMF**. We have included the anti-corruption bill amongst the priority bills to be adopted by the National Assembly, possibly during the session in December 2022; we will subsequently set up the Anti-corruption Commission. We have formally requested a Governance Diagnostics Assessment 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 of the rule of law. We continued to publish all government approved contracts on the GPPA website and categorized by procurement methods. The Directorate of Internal Audit acknowledges receiving the Quality Assurance Framework mission by the IMF and will use the recommendations to enhance compliance.

28. **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 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. These efforts, combined with our strong collaboration with the US embassy to implement the recommendations of the 2021 U.S. State Department report on trafficking in persons (TIP), helped the country move up to Level 2 in the 2022 U.S. TIP Report.
- **AML/CFT**: The Financial Intelligence Unit (FIU) is being mentored by the Financial Intelligence Center of Ghana (FICG) and the Nigerian Financial Intelligence Unit (NFIU) with a view to joining the Egmont Group. Meetings are held monthly and both institutions visited the FIU in September 2022. Their preliminary findings acknowledge the significant progress made by the FIU in terms of physical security of its premises, I.T. Security, I.T. equipment, AML/CFT software (deployment of goAML) and the operational capacity of the FIU. Both are expected to produce assessment reports and work with the FIU in preparation of the final onsite visit. The Plenary of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) in May 2022 adopted an assessment report ('Mutual Evaluation Report' or MER) of The Gambia's AML/CFT frameworks. The report, which was recently published, identifies key deficiencies in terms of effectiveness across all immediate outcomes under the FATF standards. However, the report also indicates some progress made to improve AML/CFT legal and institutional

frameworks, risk assessment, and enforcement (including confiscation of proceeds and instrumentalities of crime). The outcome of the Mutual Evaluation places The Gambia in the GIABA's Enhanced Follow-Up Process, requiring annual reporting to GIABA on progress made to address the deficiencies. The Gambia has developed an action plan to address the deficiencies identified in the MER. With support from Korean International Cooperation Agency (KOICA), through the United Nations Office on Drug and Crime (UNODC), The Gambia has started reviewing its AML/CTF Act 2012 with a draft Bill already produced and currently under review to ensure that it addresses the deficiencies highlighted in the MER. Lastly, the CBG has recently established an AML/CFT unit in the banking supervision department, aimed at conducting onsite and offsite examinations on banks and NBFS using a risk-based approach. The unit comprises staff from the banking supervision, insurance, other financial institutions, and risk management departments. Capacity building is ongoing to enable the team, to develop guidelines and procedural manuals, and regulatory returns to conduct offsite monitoring and onsite examinations effectively.

Business Environment

29. 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, the discussion to deploy the business registration single window to GIEPA has started. We are developing a cabinet paper to advance the discussion to cabinet Level. We continue our engagement with development partners to help finance the US$500,000 needed to revamp the IT infrastructure at the registration office. We are also working on alternative plans to integrate the implementation of the electronic single window for business registration with the government's overall digitalization process. We are making progress in our efforts to establish a commercial court. The Ministry of Justice has established a list of basic requirements necessary for the establishment of the commercial court, including the temporary renting of a building to house the court. Discussions on the financing requirements are ongoing with the office of the Vice President. Through the National Business Council, a task force has been established to follow up on the establishment of a national food testing lab. The task force agreed for The Gambia Standards Bureau to host the lab. The Bureau will be supported, through the West African Competitiveness Project (WACOMP), to have the required equipment and training, and to obtain accreditation. The Government, in collaboration with ECOWAS and AfDB, has advertised a consultancy to conduct a feasibility study for the establishment of a Special Economic Zone along the Trans-Gambia Corridor. Proposals were received and evaluated by a committee and the reports have been sent to the partners for no objection to proceed. Other initiatives are ongoing to improve the business environment and support the private sector including on access to finance. The government is working to establish a robust the Credit Reference Bureau (CRB), including a legal framework for the Bureau. A consultant was hired to conduct an assessment of market conditions for establishing a credit reporting system. The report of this assessment was validated by the CRB task force, with the recommendation to: (i) draft a new Credit Reporting Act and associated regulations; (ii) digitize TIN by using QR codes to ensure high standards of data quality; and (iii) chose all Banks and the largest MFIs as data providers during Phase One of the Roll-Out Plan. The drafting of Credit Reporting Act is being led by MoFEA and CBG.

Poverty Reduction, Gender Issues, and Climate Change

30. Poverty reduction: We completed the expansion of the Social Registry to six additional districts in North Bank Region by end-June 2022. The registry now covers 36 out of 43 districts, starting from the poorest, representing about 40 percent of the population. Preparations are underway to collect data in two more districts (in urban areas) which will increase the population count. The information covers demographic, socio-economic and disability data. We plan to make use of this information for a more targeted, efficient response to social needs in future. The registry has already proven its relevance during a conflict that occurred in the Foni region. It was used to provide data on the poor and vulnerable who then received government support. The system is set up to respond to shocks, and with increased capacity of the National Social Protection Secretariat (NSPS), it can continue with this function. The NSPS is finalizing data sharing protocol which will be used to guide the way data is shared.

31. 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. 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. The Gambia's Long-Term Climate-Neutral Development Strategy 2050 was validated in September 2022 with an estimated cost of US$4 billion. We are seeking climate-related sources of financing to fill in this estimated cost, along with existing climate mitigation funds embedded in existing donor projects. We 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.

32. 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 and dissemination, debt management, monetary policy design, and bank supervision capacity. We welcome the planned governance diagnostic and corruption vulnerability exercise that could help define reforms to enhance transparency and good governance.

F. Program Monitoring

33. 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 and 2 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 sixth and final program review will be based on targets and benchmarks through end-February 2023.

34. After the completion of the sixth and last review under the current ECF-supported program, we intend to explore the possibility of a successor program to be supported by an IMF arrangement.

Table 1. 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.	
	Prog.	**Act.**	**Status**	**Prog.**	**Act.**	**Status**	**Prog.**	**Act.**	**Status**	**Prog.**	**Proposed Program**
Performance criteria[1]											
1. Net domestic borrowing of the central government (ceiling)	1,673	1,617	**Met**	1,839	1,806	**Met**	1,749	2,233	**Not Met**	1,659	1,659
2. Stock of net usable international reserves of the central bank (floor, US$ million)	359	406	**Met**	349	385	**Met**	367	342	**Not Met**	361	300
3. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	0.0	**Met**	0.0	0.0	**Met**	0.0	3.0	**Not Met**	0.0	0.0
4. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	0.0	**Met**	0.0	0.0	**Met**	0.0	0.0	**Met**	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	**Met**	0.0	0.0	**Met**	0.0	0.0	**Met**	0.0	0.0
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2,3,4]	115	34	**Met**	115	34	**Met**	115	61	**Met**	115	115
Indicative targets[1]											
7. Total domestic tax revenue (floor)	2,800	2,995	**Met**	5,750	5,569	**Not Met**	9,000	8,206	**Not Met**	12,000	11,158
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	0.0	0.0	**Met**	0.0	0.0	**Met**	0.0	0.0	**Met**	0.0	0.0
9. Stock of net domestic assets of the central bank (ceiling)[6]	7,868	5,752	**Met**	7,868	6,652	**Met**	7,868	6,887	**Met**	7,868	7,956
10. Poverty-reducing expenditure (floor)	1,400	3,498	**Met**	3,000	5,978	**Met**	4,800	8,024	**Met**	6,500	6,500
Memorandum Items:											
Budget Support (grants, US$ millions)[7]	0.0	0.0	...	20.0	20.0	...	20.0	20.0	...	20.0	43.8
Base Money (stock, GMD millions)	19,845	21,974	...	19,204	21,816	...	20,139	20,124	...	20,886	18,951
IMF disbursements (SDR millions)	0.0	0.0	...	5.0	5.0	...	5.0	5.0	...	10.0	25.6
Of which: augmentation	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	15.6
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 adjustors, 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 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 2. The Gambia: Structural Benchmarks, 2022–23

Measures	Macro Rationale	Timing	Status
Prior action			
Submit the phase 2 audit report of COVID-19-related spending to the National Assembly.	To ensure transparency of COVID-19 spending.	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	Met
Develop, approve, and use accurate tax ledgers for large taxpayers.	To support revenue collection (under GAMTAXNET awaiting transfer to new ITAS).	end-September 2022	Met
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	Met
Make fully functional GRA's Internal Affairs Unit.	To increase accountability within the institution.	end-February 2023	Proposed new SB
Public financial management (MOFEA and Cabinet)			
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	Not met[1]
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	Met
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	Met
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	Propose to postpone to end-February 2023
Approval, by the Cabinet, of a new PFM act.	The improve the PFM legal framework.	end-February 2023	Proposed new SB
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	Met

1/ The report was submitted to Parliament at end-October 2022 as a prior action.

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

	Volume of new debt (US$ million)							
	2020	2021	2022		2023		2020–23	
	Act.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Source of debt financing[1]								
Total debt contracted	12	0	115	91	80	104	207	207
Concessional debt	12	0	100	91	80	89	192	192
Multilateral debt	0	0	65	71	40	64	105	135
Of which : Port expansion	0	0	50	0	0	50	50	50
Bilateral debt	12	0	35	20	40	25	87	57
Nonconcessional debt[2]	0	0	15	0	0	15	15	15
Use of debt financing								
Infrastructure	12	0	115	91	80	104	207	207
Of which : Port Expansion	0	0	56	0	0	56	56	56
Other (including budget support)	0	0	0	0	0	0	0	0

1/ External public debt contracted or guaranteed.

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

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between The Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through February 2023. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

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

2. Adjuster: In case the privatization of MegaBank is delayed beyond end-2022, the NDB ceiling for end December 2022 will be revised upwards by the amount of the privatization proceeds. If this adjustor is applied in 2022, the net domestic borrowing ceilings in 2023 will be adjusted downwards by the amount of the privatization proceeds from the quarter in which the proceeds are received by the Treasury.

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

B. Net Domestic Assets of the Central Bank

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

Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the end-of-period market exchange rates prevailing at end-October 2020: 51.84 GMD/USD, 1.17 USD/EUR, 1.30 USD/GBP, 0.92 CHF/USD, 1.41 USD/SDR, 104.58 JPY/USD. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for end-October 2020, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

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

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

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

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

9. 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

10. 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).

11. 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.

12. 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

13. 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), as amended, 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

14. 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).

15. 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.

16. 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

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

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

19. 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

20. 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.

21. 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

22. 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 ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014, as amended. "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

(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).

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

Text Table 1. The Gambia: Tax Revenues Collected by The Gambia Revenue Authority

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

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

24. 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.

25. 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

26. 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.

27. 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

28. 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

29. 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

30. 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).

31. 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

32. 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.

33. 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.

34. 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

35. 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.

36. 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

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

38. 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.

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

40. 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.

41. 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

42. 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.

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

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

Table 2. The Gambia: Data Reporting Requirements

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

INTERNATIONAL MONETARY FUND

THE GAMBIA

November 29, 2022

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

Approved By
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Prepared by the staffs of the International Monetary Fund and the International Development Association[1]

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

The Gambia's overall and external debt distress risk ratings remain high and public debt continues to be deemed sustainable,[2] similar to the previous DSA. Under the updated macro framework, there remain breaches of the indicative thresholds for the PV of external debt-to-exports, external debt service-to-exports and external debt service-to-revenue. These breaches primarily reflect continued weakness in export projections in the early years and rising debt service commitments in the medium-term. Similar to that estimated in the previous DSA, the PV of overall debt-to-GDP ratio remains on a downward sloping path and drops below its threshold by 2025, underpinned by fiscal consolidation and support from development partners, indicating that the public debt outlook remains sustainable. Downside risks are linked to the protracted war in Ukraine and the path of the COVID-19 pandemic that could weaken economic recovery, intensify fiscal pressures, and adversely affect the debt profile.

[1] This DSA is an update compared to the previous full DSA approved in June 2022.

[2] The Gambia's Composite Index is estimated at 2.91 and is based on October 2022 WEO update and 2021 WB CPIA that was published in July 2022; the debt carrying capacity remains medium.

PUBLIC DEBT AND BACKGROUND

1. **The coverage of debt remained the same as in the previous DSA (Text Table 1).** Similar to the June 2022 DSA, the current DSA reports the broader coverage of the public sector, which includes the central government, central bank and government-guaranteed debt pertaining to State-owned enterprises (SOEs). As in the previous DSA, SOE debt linked to trade credit from the Islamic Trade Finance Corporation (ITFC) is accounted for in the government debt. The contingent liabilities test uses default settings for financial markets (at default setting 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). Exposures to PPPs are set at zero, as PPPs in The Gambia are estimated to be marginal as a proportion of GDP. [3] The DSA uses a currency-based definition of external debt.

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%.

2. **The Gambia's total public debt to GDP stood at 83.8 percent and external debt to GDP at 48.4 percent as of end-2021 (Text Figure 1).** The debt stock figures for July 2022 are broadly similar to the projections made during the fourth ECF review. The total public debt profile remains on a downward trajectory and broadly in line with the previous DSA. Nominal external debt in July 2022 marginally fell compared to the end-2021 figures, by around 2 percent to US$949 million on the back of repayments of principal on existing loans from some large creditors (e.g., Kuwait Fund, IsDB, IDA, etc.). Similar to the previous DSA in June (fourth ECF review), the current DSA uses end-2021 debt stock data as a base year. The Gambian authorities continue to make progress in discussions on reconciling the debt owed to Libya and have been contacting Venezuela to re-engage on discussions over arrears.[4] The Gambia's external debt primarily comprises of concessional and semi-concessional loans from multilateral and plurilateral

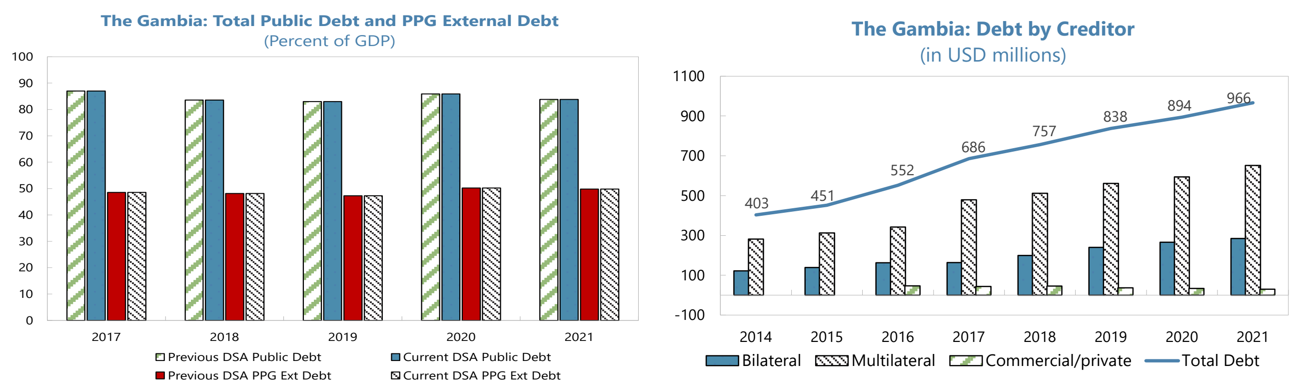
[3] As in the June 2022 DSA, stress tests follow the standardized settings, with none of the individual tailored stress tests applicable for the Gambia.

[4] These arrears have materialized due to problems that are not an indication of debt distress. The discussions on debt reconciliation with Libya are ongoing. Regarding the arrears to Venezuela, the Gambian authorities received a letter in January 2022 from Venezuela.

creditors (32.6 percent of GDP). Bilateral creditors and commercial creditors comprise relatively smaller shares among the creditor categories. Domestic debt reached 35.4 percent of GDP at the end-2021, which is issued mostly in the form of T-bills (18.5 percent of GDP) and bonds (16.9 percent of GDP).

3. Debt service and undisbursed debt projections on existing debt in the latest baseline are broadly similar to projections during the fourth ECF review. The latest debt service projections shared by the authorities are broadly similar, with some minor changes to the amortization profile in the early years. The overall debt service between 2022-2030 stands at a cumulative US$620 million, compared to US$627 million during the fourth ECF review. Of the total debt service, amortization stands at $557 million, with the remaining US$63 million in interest charges. Meanwhile, the amount of undisbursed loans stood at US$286 million in July 2022, compared to US$298 million in end-2021.

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



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

MACRO FORECASTS

4. The key assumptions underpinning the macroeconomic and financing projections are as follows (Text Table 2):

- **Growth and inflation:** The 2022 and 2023 GDP growth projections have been revised downwards to reflect the repercussions of the war in Ukraine and the lingering impacts of the pandemic. Although the tourism sector is rebounding, it remains significantly below pre-pandemic performances.[5] The Gambia faces double-digit domestic inflation, triggered by surging global food and energy prices, freight cost increases, and the strengthening of the US dollar vis-à-vis the Dalasi. Remittances have slowed this year. A major flood in July 2022 took lives, destroyed homes, and disrupted economic activity. The COVID-19 vaccination rate remains low at around 22 percent, despite ample supply. However, an

[5] In 2022, exports of timber and cashew are banned due to politico-security concerns at the borders, which causes exports to decline in 2022 (Exports related to woods, nuts, and fruits accounted for 27 percent of goods exports during 2016-19). The exports of those items are forecasted to recover in the medium term as the security improves. A more rapid recovery of the tourism sector and remittances explains the downward revision of the 15-year average of the current account deficit.

acceleration of public sector investments, an expansion of private construction, and a buoyant agricultural season are expected to support growth prospects.

- **Fiscal framework:** the overall deficit in 2022-23 was revised, due primarily to the repercussions of the war in Ukraine and the full-year impacts of the civil service salary increase in 2023. The medium-term fiscal consolidation is expected to be driven by the revenue mobilization efforts, the completion of major infrastructure projects, and the phasing-out of war- and pandemic-related revenue and spending measures. The authorities are also planning to replace the non-targeted war- and pandemic-related measures with means-tested income support to the vulnerable population. Revenue mobilization measures include strengthening revenue administration, cleansing and maintaining accurate tax ledgers for large taxpayers, accelerating the implementation of Asycuda World, consolidating toll bridge collection, and developing a national mandate and the policy document for customs border and inland controls.
- **Current account:** The current account deficit is expected to remain substantial in the medium term. Pressures on the balance of payments and foreign exchange are expected to persist in 2022-23 and may persist if the external shocks do not dissipate. In the longer term, the external sector is expected to improve as tourism strengthens, exports disruptions dissipate, and imports related to large OIC-related investment projects diminish.
- **Financing assumptions:** Interest rates were revised in line with the domestic and global developments. The baseline 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 (Table 2 presents the external borrowing plan).

Text Table 2. 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	4.5	6.0	6.5	5.8	5.0	5.0	5.0
Previous DSA [5]	4.3	5.6	6.2	6.5	5.8	5.0	5.0	5.0
Exports of goods and services growth (percent)[2]								
Current DSA	20.0	-10.6	84.8	38.5	7.7	7.2	7.2	9.9
Previous DSA	16.9	64.7	24.9	18.7	7.9	7.0	7.0	9.5
Imports of goods and services growth (percent)[2]								
Current DSA	7.3	26.3	16.4	7.2	5.3	3.6	5.5	6.6
Previous DSA	19.3	33.6	12.4	5.7	6.1	4.1	6.1	6.2
CA deficit (percent of GDP)[3]								
Current DSA	3.8	14.7	12.6	8.7	9.0	8.3	7.9	2.5
Previous DSA	8.0	13.3	11.8	9.7	10.3	9.5	9.4	7.2
Public investment (percent of GDP)								
Current DSA	6.2	8.9	9.0	8.8	9.7	9.0	9.4	8.0
Previous DSA	6.2	9.3	9.0	8.4	8.9	8.9	9.0	8.5
Overall fiscal deficit[4]								
Current DSA	4.6	4.9	2.7	1.8	0.9	0.5	0.9	2.0
Previous DSA	4.6	4.2	2.2	1.5	0.8	0.6	0.5	1.3

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 Fourth Review ECF

5. The realism of the macroeconomic assumptions is ascertained through several metrics (Figure 4). 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, underpinned by (i) the projected phasing out of revenue and spending measures related to COVID-19 and the war in Ukraine; and (ii) the completion of large infrastructure projects related to the OIC conference; (iii) revenue mobilization measures; and (iv) development partners' disbursements. 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. The drivers of projected medium-term debt-creating flows for public debt are comparable to those underlying the historical outturns. While the forecast errors have been large even in the past, the relatively large residuals can be partly attributed to the debt data reconciliation mentioned in the 4th review.

COUNTRY CLASSIFICATION

6. This DSA uses the CI vintage October 2022 WEO and 2021 CPIA, which assess that The Gambia's debt carrying capacity remains classified as "medium" (Text Table 3). The classification of the Gambia's debt carrying capacity is based on a CI score of 2.91, which is marginally lower from the previous DSA (2.95), but the classification remains the same as in the previous round. The import coverage of reserves is the most significant contributor to the CI score, followed by the CPIA value, which reflects the quality of institutions and policies. The CI score has been updated with the October 2022 WEO and 2021 CPIA.

RISK RATING AND DEBT SUSTAINABILITY

7. The Gambia's risk of external debt distress remains "High", but sustainable. Under the baseline scenario, three of the four external debt indicators breach the thresholds for varying periods within the forecast horizon (Figure 1). The PV of external debt-to-exports breaches the threshold level of 180 between 2022-2024, before falling below the threshold and continuing to decline for the remainder of the projection period.[6] The debt-service-to-exports ratio breaches the threshold level of 15 in 2022, and again between 2025-29; a continuous 5-year (and 6-year overall) breach of the debt service-to-exports ratio is toward the limit of sustainability, especially as there are other breaches. The external debt service-to-revenue ratio breaches the threshold level of 18 in 2022 and again between 2025–28, before falling below the threshold for the remainder of the forecast horizon. These breaches are similar to those seen during the previous DSA (fourth ECF review). 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. Under the stress scenarios, all the

[6] The breach of the PV of debt-to-exports indicator is now three years instead of two years as in the June 2022 review, due to lower projected growth of exports.

external indicators breach the thresholds for most of the forecast horizon. For both DSA indicators that are ratios to exports, the export shock is the most severe; for the other DSA indicators, the combination shock is the most severe.

Text Table 3. 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 2.91	Medium 2.95	Medium 2.94

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

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.974	1.15	39%
Real growth rate (in percent)	2.719	5.146	0.14	5%
Import coverage of reserves (in percent)	4.052	37.091	1.50	52%
Import coverage of reserves^2 (in percent)	-3.990	13.757	-0.55	-19%
Remittances (in percent)	2.022	13.816	0.28	10%
World economic growth (in percent)	13.520	2.898	0.39	13%
CI Score			2.91	100%
CI rating			Medium	

8. **The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable,[7] based on the public DSA and the external DSA.**[8] Under the baseline scenario, 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 (Figure 2). 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. Since this

[7] Public debt is deemed sustainable due to a set of factors, including a continued downward sloping path underpinned by fiscal consolidation, reliance on grants and concessional loans, and support from development partners. The authorities are addressing risks related to debt service by implementing a debt management policy that reduces roll-over risks, including by lengthening maturity.

[8] The overall risk of public debt distress is regarded as High if any of the four external debt burden indicators or the total public debt burden indicator breach their corresponding thresholds/benchmark under the baseline.

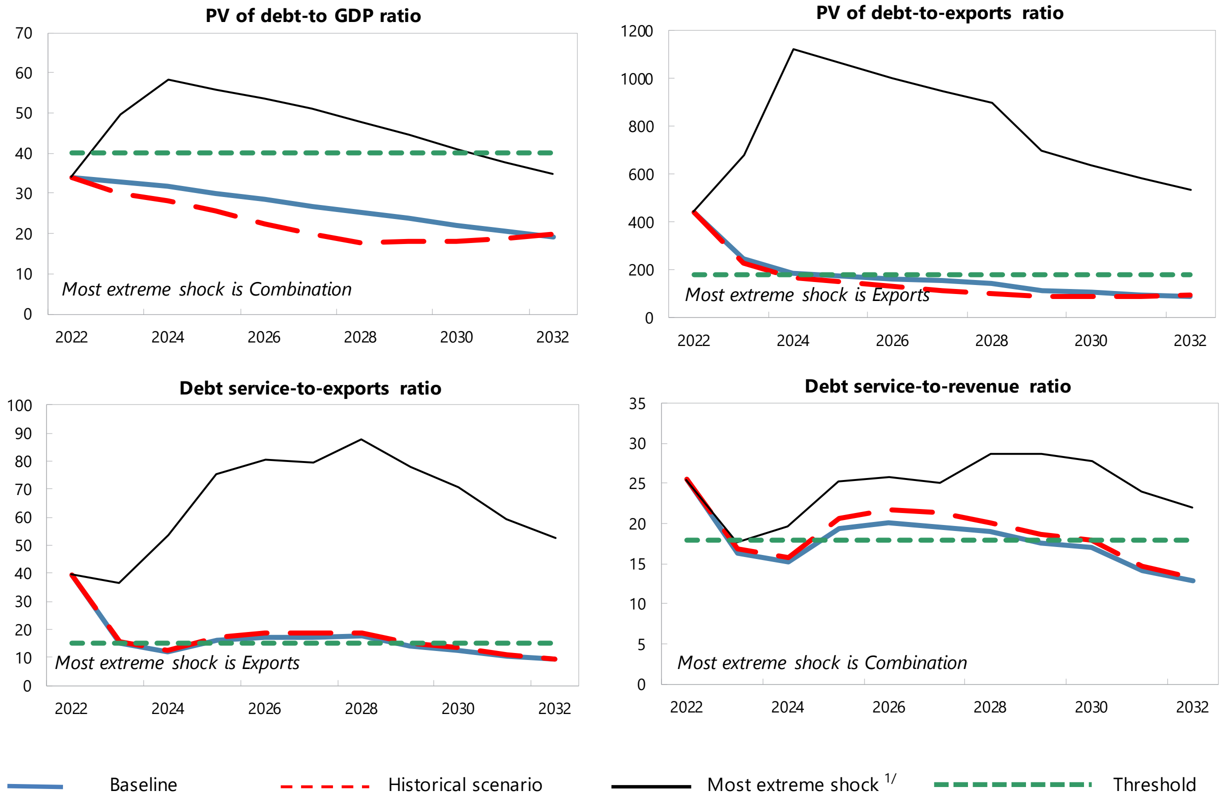
indicator falls below the benchmark within 3 years of the projection horizon and remains under benchmark thereafter, the overall debt position is deemed sustainable.

9. Risks to the assessment are tilted to the downside. Risks stem from a protracted war in Ukraine (adding further pressure on imports and inflation), renewed waves of COVID-19 infections, uncertainty over donor support disbursements and associated fiscal pressures that could adversely affect the debt profile. Separately, capital inflows from remittances, which have been robust since 2020, are also showing early signs of slowing down. Risks related to climate change are also important, as evidenced by the recent major flooding in July 2022. Moreover, as highlighted in previous DSA reports, factors that could affect future assessments include data revisions, availability of concessional financing for infrastructure projects, and the potential decline in donor support.

Authorities' Views

10. They agree with the thrust of the analysis and acknowledged the challenges. However, they have taken measures to reduce the overall debt burden and address the sustained high risk of debt distress. In addition to the COVID pandemic and the repercussions of the war in Ukraine, the mounting infrastructure investment needs in The Gambia continues to add upward pressure to the debt stock. Moreover, the expiry of the DSSI and CCRT pose even more challenges ahead, given the upcoming increase of debt service commitments from 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. On long-standing external arrears, they continue to make progress in discussions with the Libyan authorities on reconciling the debt owed to Libya and have been contacting the Venezuelan authorities to re-engage on the discussion on arrears.

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	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	4	4

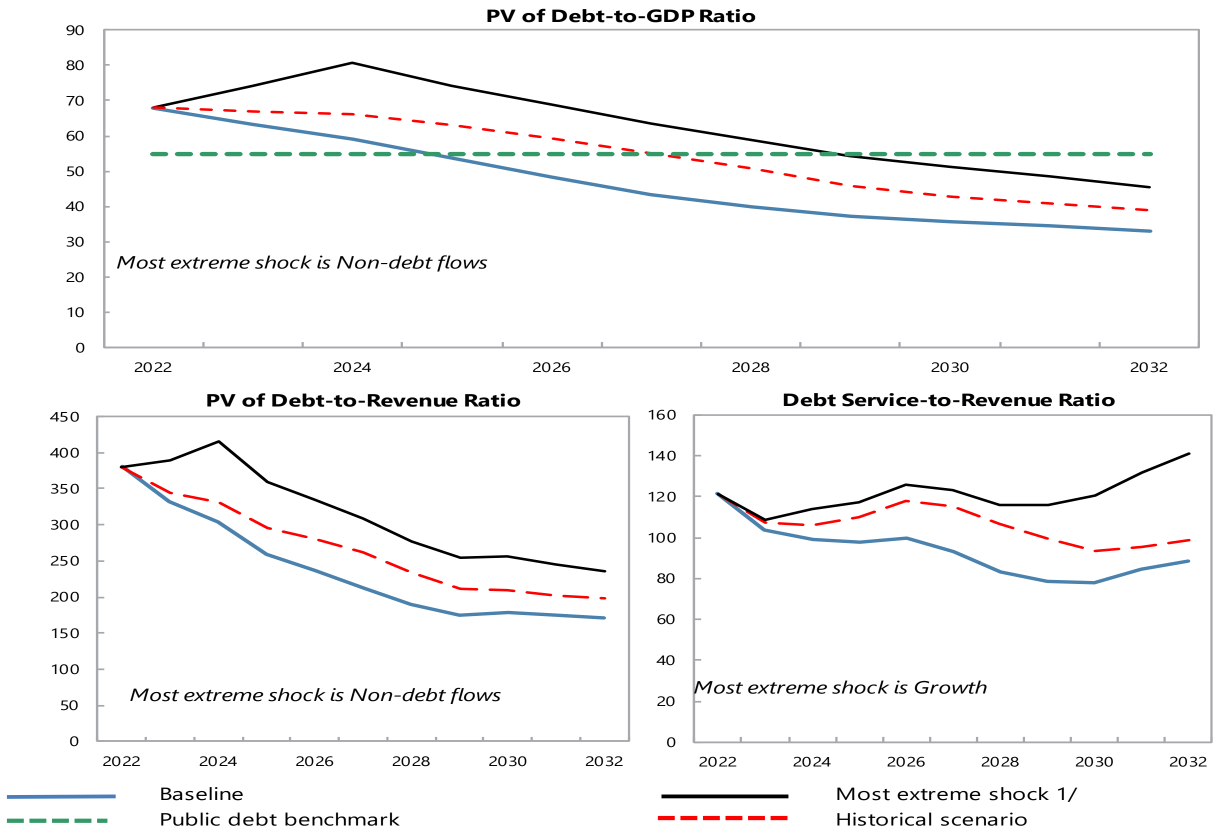
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2022–32



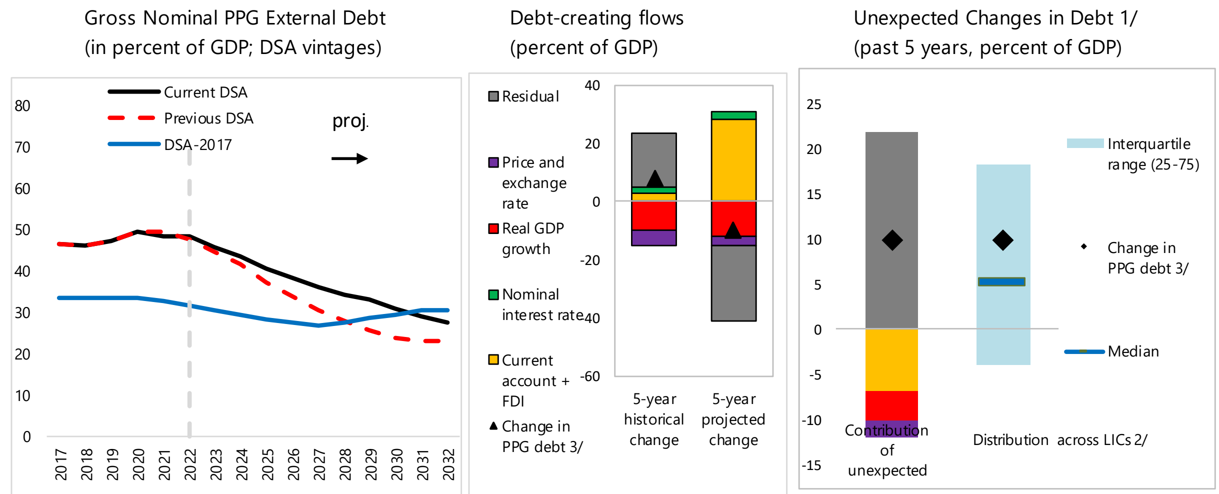
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	18%	18%
Domestic short-term	63%	63%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.1%	4.1%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	1.0%	1.0%

* 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.

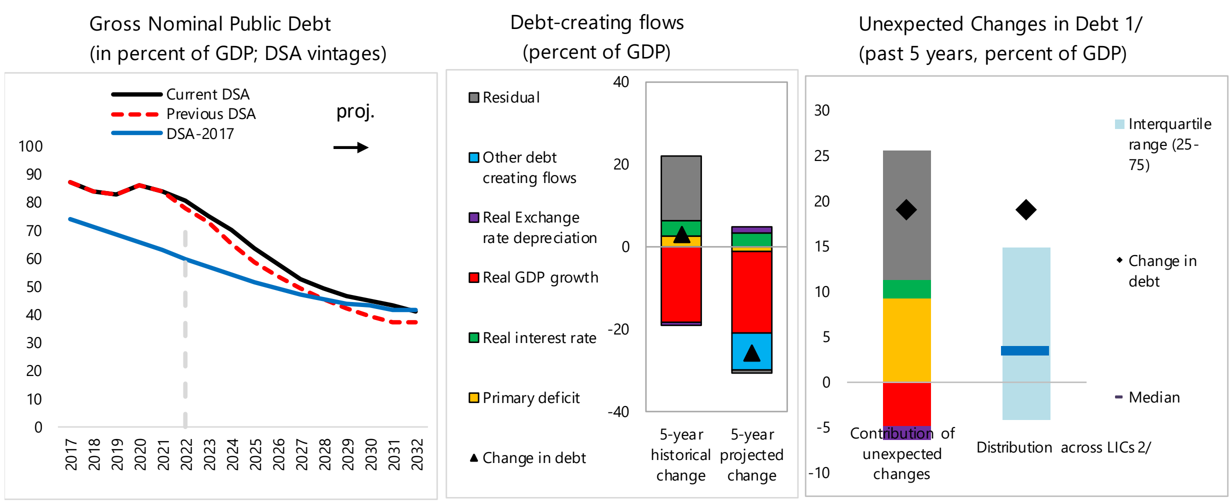
Sources: Country authorities; and staff estimates and projections.

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 exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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



Public debt



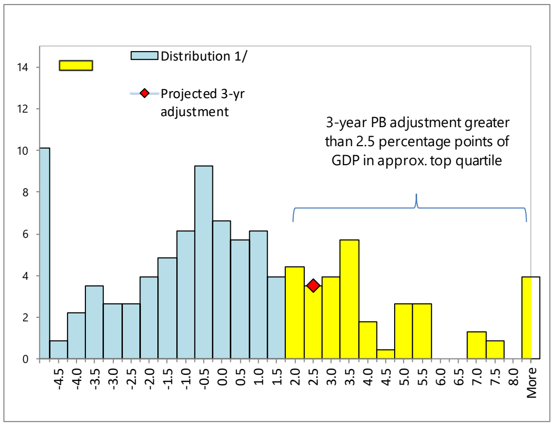
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

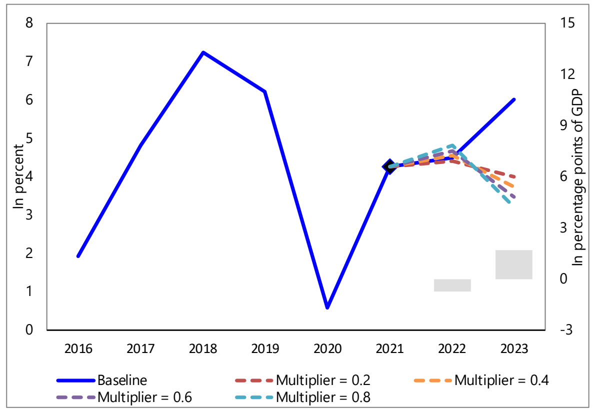
Figure 4. The Gambia: Realism Tools

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



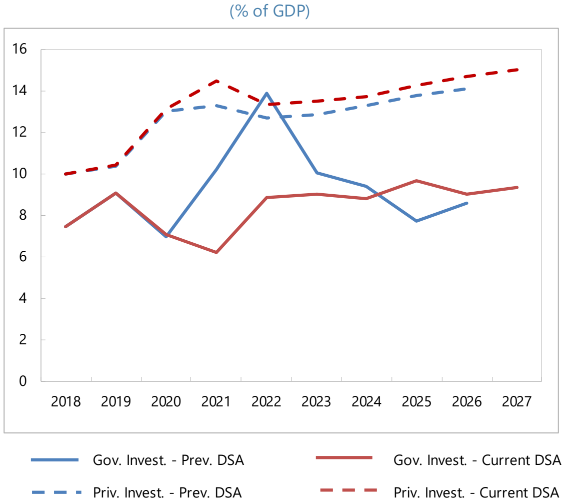
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

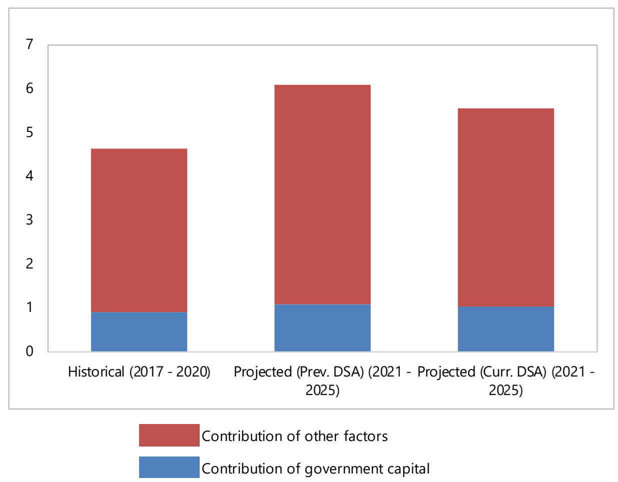


Table 1. The Gambia: Decomposition of Public Debt and Service by Creditor, 2021–23[1]

	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	123.8	145.1	6.8	6.0	6.4
External	965.9	57.8	48.4	59.5	65.9	47.1	3.0	3.2	2.1
Multilateral creditors	651.3	39.0	32.6	47.1	41.5	33.2	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	1.1	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	1.1	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	57.9	98.0	3.8	2.8	4.3
Held by residents, total[4]	705.6	42.2	35.4	75.4	57.9	98.0	3.8	2.8	4.3
Held by non-residents, total[4]	-	0	0	0	0	0	0	0	0
T-Bills	368.3	22.0	18.5	28.0	12.7	21.9	1.4	0.6	1.0
Bonds	337.3	20.2	16.9	47.4	45.1	76.1	2.4	2.2	3.4
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 2. The Gambia: External Borrowing Plan, 2020–23

	Volume of new debt (US$ million)							
	2020	2021	2022		2023		2020–23	
	Act.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Source of debt financing[1]								
Total debt contracted	12	0	115	91	80	104	207	207
Concessional debt	12	0	100	91	80	89	192	192
Multilateral debt	0	0	65	71	40	64	105	135
Of which : Port expansion	0	0	50	0	0	50	50	50
Bilateral debt	12	0	35	20	40	25	87	57
Nonconcessional debt[2]	0	0	15	0	0	15	15	15
Use of debt financing								
Infrastructure	12	0	115	91	80	104	207	207
Of which : Port Expansion	0	0	56	0	0	56	56	56
Other (including budget support)	0	0	0	0	0	0	0	0

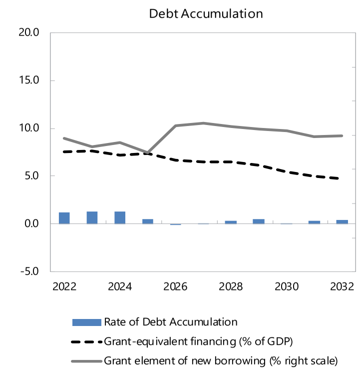
1/ External public debt contracted or guaranteed.

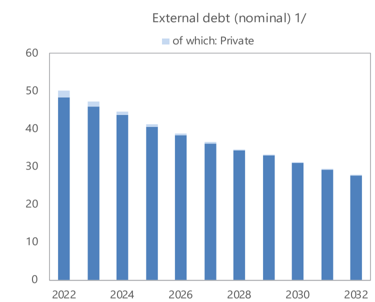
2/ The nonconcessional debt is part of a concessional financing package for the port expansion.

Table 3. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	47.3	50.2	49.8	50.2	47.2	44.5	41.3	38.7	36.5	27.6	15.5	43.3	37.7
of which: public and publicly guaranteed (PPG)	47.2	49.5	48.4	48.4	45.9	43.6	40.6	38.3	36.2	27.6	15.4	41.4	37.1
Change in external debt	-0.9	2.9	-0.4	0.4	-3.0	-2.7	-3.2	-2.6	-2.2	-1.6	-1.0		
Identified net debt-creating flows	-2.9	-0.9	-6.6	8.0	5.1	1.3	2.1	2.0	1.8	-2.4	-4.1	-0.4	1.4
Non-interest current account deficit	5.4	2.8	3.3	14.2	11.7	8.3	8.6	8.0	7.6	2.6	-0.2	6.3	7.2
Deficit in balance of goods and services	18.6	28.6	26.3	34.4	32.4	28.4	27.6	26.4	25.9	19.0	12.6	17.3	25.6
Exports	20.4	8.6	9.2	7.7	13.2	17.0	17.2	17.3	17.4	21.5	21.4		
Imports	39.1	37.2	35.5	42.1	45.6	45.5	44.7	43.7	43.3	40.5	34.0		
Net current transfers (negative = inflow)	-14.2	-27.4	-24.1	-21.1	-21.1	-21.0	-19.8	-19.3	-19.2	-17.0	-13.3	-12.4	-19.2
of which: official	-3.1	-4.6	-0.8	-2.0	-2.1	-2.1	-1.3	-0.7	-0.7	-0.4	-0.2		
Other current account flows (negative = net inflow)	1.0	1.6	1.1	1.0	0.5	0.9	0.9	0.9	0.8	0.7	0.5	1.3	0.8
Net FDI (negative = inflow)	-5.2	-3.8	-4.9	-4.6	-4.6	-4.5	-4.4	-4.4	-4.3	-3.9	-3.4	-5.5	-4.3
Endogenous debt dynamics 2/	-3.1	0.0	-5.1	-1.6	-1.9	-2.5	-2.0	-1.6	-1.5	-1.1	-0.6		
Contribution from nominal interest rate	0.7	0.1	0.5	0.5	0.9	0.4	0.4	0.4	0.3	0.3	0.2		
Contribution from real GDP growth	-2.8	-0.3	-1.9	-2.1	-2.8	-2.8	-2.4	-2.0	-1.8	-1.4	-0.8		
Contribution from price and exchange rate changes	-1.1	0.2	-3.6	...	...	...	...	...	...	...	...		
Residual 3/	2.0	3.9	6.2	-7.6	-8.2	-4.0	-5.4	-4.5	-4.0	0.7	3.1	2.5	-3.4
of which: exceptional financing 4/	0.0	-0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	34.9	33.9	32.8	31.7	30.1	28.3	26.6	19.3	10.7		
PV of PPG external debt-to-exports ratio	...	...	380.6	441.1	248.0	186.3	175.6	163.4	152.6	89.6	50.1		
PPG debt service-to-exports ratio	22.3	3.7	31.9	39.5	15.3	11.9	16.1	17.4	17.2	9.3	4.4		
PPG debt service-to-revenue ratio	32.5	2.2	20.5	25.4	16.2	15.2	19.4	20.1	19.6	12.9	6.3		
Gross external financing need (Million of U.S. dollars)	87.2	-11.4	40.9	303.0	253.2	176.6	209.5	204.7	201.7	34.1	-257.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.2	0.6	4.3	4.5	6.0	6.5	5.8	5.0	5.0	5.0	5.0	3.6	5.3
GDP deflator in US dollar terms (change in percent)	2.3	-0.4	7.8	2.0	1.4	1.0	1.1	1.0	1.4	3.2	3.2	0.3	2.1
Effective interest rate (percent) 5/	1.6	0.3	1.1	1.2	1.9	0.9	0.9	0.9	0.9	1.1	1.1	1.3	1.1
Growth of exports of G&S (US dollar terms, in percent)	17.7	-57.8	20.0	-10.6	84.8	38.5	7.7	7.2	7.2	9.9	8.8	1.3	18.2
Growth of imports of G&S (US dollar terms, in percent)	13.7	-4.6	7.3	26.3	16.4	7.2	5.3	3.6	5.5	6.4	6.5	7.4	8.9
Grant element of new public sector borrowing (in percent)	...	...	...	39.2	36.7	37.8	34.8	42.8	43.6	39.7	39.5	...	40.0
Government revenues (excluding grants, in percent of GDP)	14.0	14.5	14.3	11.9	12.5	13.3	14.3	15.0	15.3	15.5	15.0	12.5	14.8
Aid flows (in Million of US dollars) 6/	129.0	153.3	51.3	171.3	179.3	182.3	185.9	183.5	188.9	215.4	255.4		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	7.5	7.6	7.2	7.3	6.6	6.5	4.7	2.5	...	6.4
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	74.6	82.0	80.7	80.8	81.7	79.7	77.0	80.2	...	78.0
Nominal GDP (Million of US dollars)	1,806	1,809	2,034	2,169	2,331	2,506	2,681	2,843	3,027	4,490	10,004		
Nominal dollar GDP growth	8.6	0.2	12.4	6.6	7.5	7.5	7.0	6.0	6.5	8.3	8.3	4.0	7.5
Memorandum items:													
PV of external debt 8/	...	...	36.3	35.8	34.1	32.7	30.8	28.8	27.0	19.3	10.8		
In percent of exports	...	...	395.9	465.6	258.0	191.7	179.4	166.1	154.5	89.9	50.5		
Total external debt service-to-exports ratio	22.3	3.7	39.3	56.6	28.6	19.1	21.1	20.9	19.6	9.6	4.5		
PV of PPG external debt (in Million of US dollars)			710.7	736.1	764.8	795.3	807.6	805.5	806.2	865.8	1071.6		
(PVt-PVt-1)/GDPt-1 (in percent)				1.2	1.3	1.3	0.5	-0.1	0.0	0.4	0.2		
Non-interest current account deficit that stabilizes debt ratio	6.3	-0.1	3.7	13.8	14.8	11.0	11.9	10.5	9.8	4.2	0.9		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ Includes relief under CCRT.

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

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

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

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

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

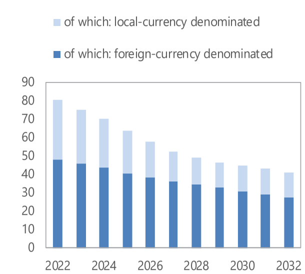
Table 4. The Gambia: Public Sector Debt Sustainability Framework Baseline Scenario, 2019–42

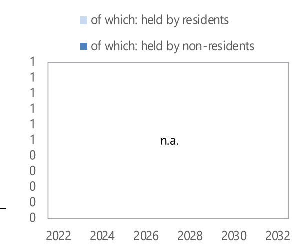
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	83.0	85.9	83.8	80.8	75.4	70.2	63.6	57.9	52.7	41.1	27.3	75.2	56.8
of which: external debt	47.2	49.5	48.4	48.4	45.9	43.6	40.6	38.3	36.2	27.6	15.4	41.4	37.1
Change in public sector debt	-0.6	2.9	-2.1	-3.0	-5.4	-5.2	-6.6	-5.7	-5.2	-2.0	-1.0		
Identified debt-creating flows	-5.1	-0.2	-4.3	-2.8	-5.3	-5.1	-6.5	-5.7	-5.2	-2.0	-1.0	-0.3	-3.8
Primary deficit	-0.6	-1.0	1.6	2.3	0.6	-0.9	-1.6	-1.6	-0.9	0.7	0.0	0.7	0.4
Revenue and grants	21.2	23.0	16.8	17.8	19.1	19.4	20.7	20.5	20.5	19.3	17.1	16.6	20.0
of which: grants	7.1	8.5	2.5	5.9	6.6	6.1	6.4	5.5	5.2	3.8	2.1		
Primary (noninterest) expenditure	20.6	22.0	18.4	20.1	19.7	18.6	19.1	18.9	19.6	20.0	17.1	17.3	20.4
Automatic debt dynamics	-4.6	0.8	-5.9	-3.9	-5.3	-3.1	-2.1	-0.6	-0.8	-0.3	0.4		
Contribution from interest rate/growth differential	-4.0	0.8	-4.1	-5.2	-5.0	-3.3	-2.0	-1.0	-0.9	0.0	0.6		
of which: contribution from average real interest rate	0.9	1.3	-0.6	-1.6	-0.4	1.3	1.9	2.1	1.9	2.0	1.9		
of which: contribution from real GDP growth	-4.9	-0.5	-3.5	-3.6	-4.6	-4.6	-3.9	-3.0	-2.8	-2.1	-1.4		
Contribution from real exchange rate depreciation	-0.6	0.0	-1.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-1.1	-0.6	-1.1	-2.9	-3.5	-3.5	-2.3	-1.4	0.0	-2.4
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other) 2/	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	-0.6	-1.1	-2.9	-3.5	-3.5	-2.3	-1.4		
Residual	4.5	3.1	2.2	1.1	-0.4	0.1	-0.1	0.3	0.2	-0.3	-0.2	3.8	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	71.0	67.9	63.3	59.1	53.6	48.3	43.5	33.0	22.7		
PV of public debt-to-revenue and grants ratio	...	...	422.1	380.8	331.4	304.1	258.8	235.7	212.0	171.0	132.6		
Debt service-to-revenue and grants ratio 4/	113.6	108.1	147.6	121.3	103.5	99.1	97.6	100.0	92.8	88.8	75.0		
Gross financing need 5/	23.5	23.8	26.4	22.8	19.7	17.3	15.8	15.4	14.7	15.5	11.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.2	0.6	4.3	4.5	6.0	6.5	5.8	5.0	5.0	5.0	5.0	3.6	5.3
Average nominal interest rate on external debt (in percent)	1.7	0.3	1.1	1.2	2.0	0.9	0.9	1.0	1.0	1.1	1.1	1.4	1.1
Average real interest rate on domestic debt (in percent)	1.9	4.8	-0.7	-3.3	-1.1	6.2	8.9	11.0	11.8	17.1	18.1	4.5	10.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.4	0.0	-3.8	...	...	...	...	...	...	...	...	1.7	...
Inflation rate (GDP deflator, in percent)	6.3	2.2	7.8	9.0	9.3	6.7	5.3	4.1	4.4	4.8	4.8	6.0	5.7
Growth of real primary spending (deflated by GDP deflator, in percent)	23.4	7.3	-12.7	14.3	3.5	0.6	9.0	3.8	8.9	0.1	3.8	7.4	6.2
Primary deficit that stabilizes the debt-to-GDP ratio 6/	0.0	-3.9	3.7	5.3	6.0	4.3	5.0	4.1	4.2	2.6	1.0	-0.1	4.3

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Currency-based.
2/ Includes relief under CCRT.
3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 5. 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	33.9	32.8	31.7	30.1	28.3	26.6	25.1	23.6	21.9	20.5	19.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	33.9	30.1	28.3	25.4	22.4	19.7	17.9	17.9	17.9	18.6	19.8
B. Bound Tests											
B1. Real GDP growth	33.9	35.5	37.5	35.6	33.4	31.4	29.6	27.9	25.9	24.2	22.8
B2. Primary balance	33.9	33.0	32.3	30.9	29.3	27.8	26.3	24.9	23.2	21.8	20.6
B3. Exports	33.9	38.0	**45.3**	**43.3**	**41.3**	39.3	37.1	34.5	31.7	29.4	27.3
B4. Other flows 3/	33.9	**43.5**	**52.7**	**50.6**	**48.4**	**46.3**	**43.6**	**40.4**	37.1	34.2	31.6
B5. One-time 30 percent nominal depreciation	33.9	**41.4**	34.4	32.5	30.3	28.3	26.5	25.2	23.4	22.1	20.9
B6. Combination of B1-B5	33.9	**49.5**	**58.3**	**55.9**	**53.4**	**51.1**	**47.9**	**44.4**	**40.8**	37.6	34.9
C. Tailored Tests											
C1. Combined contingent liabilities 4/	33.9	33.6	33.0	31.6	30.1	28.6	27.2	25.9	24.2	22.8	21.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**441.1**	**248.0**	**186.3**	175.6	163.4	152.6	144.3	113.1	104.5	96.6	89.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**441.1**	**227.5**	165.9	148.3	129.3	113.1	102.7	85.8	85.6	87.7	92.2
B. Bound Tests											
B1. Real GDP growth	**441.1**	**248.0**	**186.3**	175.6	163.4	152.6	144.3	113.1	104.5	96.6	89.6
B2. Primary balance	**441.1**	**249.2**	**189.6**	**180.3**	169.0	159.1	151.4	119.2	110.8	102.7	95.6
B3. Exports	**441.1**	**680.4**	**1121.3**	**1065.1**	**1004.0**	**949.4**	**899.2**	**696.6**	**639.4**	**584.6**	**535.9**
B4. Other flows 3/	**441.1**	**328.8**	**309.5**	**294.9**	**279.4**	**265.5**	**250.8**	**193.4**	177.0	161.2	147.0
B5. One-time 30 percent nominal depreciation	**441.1**	**248.0**	160.1	150.3	138.7	128.6	120.9	95.5	88.6	82.4	77.0
B6. Combination of B1-B5	**441.1**	**713.8**	**295.2**	**904.4**	**855.8**	**812.2**	**764.3**	**590.1**	**540.4**	**492.5**	**449.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**441.1**	**254.0**	**193.6**	**184.4**	173.7	164.1	156.6	123.8	115.6	107.6	100.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**39.5**	**15.3**	11.9	**16.1**	**17.4**	**17.2**	**17.8**	14.2	12.8	10.5	9.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**39.5**	**15.8**	12.3	**17.1**	**18.7**	**18.8**	**18.8**	**15.0**	13.5	10.9	9.6
B. Bound Tests											
B1. Real GDP growth	**39.5**	**15.3**	11.9	**16.1**	**17.4**	**17.2**	**17.8**	14.2	12.8	10.5	9.3
B2. Primary balance	**39.5**	**15.3**	11.9	**16.2**	**17.5**	**17.3**	**18.0**	14.4	13.0	10.8	9.6
B3. Exports	**39.5**	**36.7**	**53.4**	**75.5**	**80.5**	**79.3**	**87.9**	**77.9**	**70.5**	**59.6**	**52.8**
B4. Other flows 3/	**39.5**	**15.3**	13.0	**18.4**	**19.5**	**19.2**	**22.9**	**20.6**	**18.7**	**16.0**	14.2
B5. One-time 30 percent nominal depreciation	**39.5**	**15.3**	11.9	**15.6**	**16.9**	**16.7**	**17.4**	12.8	11.5	9.3	8.2
B6. Combination of B1-B5	**39.5**	**31.6**	**42.6**	**58.3**	**61.9**	**60.9**	**74.8**	**63.8**	**57.9**	**49.3**	**43.9**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**39.5**	**15.3**	11.9	**16.3**	**17.5**	**17.3**	**18.0**	14.3	12.9	10.7	9.4
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	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**25.4**	16.2	15.2	**19.4**	**20.1**	**19.6**	**19.0**	17.6	17.0	14.2	12.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**25.4**	16.8	15.7	**20.6**	**21.6**	**21.4**	**20.1**	**18.7**	18.0	14.7	13.3
B. Bound Tests											
B1. Real GDP growth	**25.4**	17.6	17.9	**22.9**	**23.7**	**23.1**	**22.4**	**20.8**	**20.1**	16.8	15.2
B2. Primary balance	**25.4**	16.2	15.2	**19.4**	**20.2**	**19.7**	**19.2**	17.9	17.4	14.6	13.3
B3. Exports	**25.4**	16.4	16.2	**21.5**	**22.1**	**21.4**	**22.2**	**23.0**	**22.3**	**19.1**	17.4
B4. Other flows 3/	**25.4**	16.2	16.7	**22.1**	**22.6**	**21.8**	**24.4**	**25.7**	**24.9**	**21.6**	**19.8**
B5. One-time 30 percent nominal depreciation	**25.4**	**20.5**	**19.1**	**23.7**	**24.7**	**24.0**	**23.4**	**20.1**	**19.2**	15.9	14.3
B6. Combination of B1-B5	**25.4**	17.6	**19.7**	**25.2**	**25.8**	**25.0**	**28.7**	**28.7**	**27.8**	**24.0**	**21.9**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**25.4**	16.2	15.3	**19.5**	**20.3**	**19.8**	**19.2**	17.9	17.2	14.4	13.1
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 6. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio						
Baseline	**67.9**	**63.3**	**59.1**	53.6	48.3	43.5	40.1	37.3	35.8	34.6	33.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**68**	**67**	**66**	**63**	**59**	**55**	51	46	43	41	39
B. Bound Tests											
B1. Real GDP growth	**68**	**69**	**73**	**68**	**64**	**60**	**58**	**57**	**57**	**57**	**57**
B2. Primary balance	**68**	**65**	**63**	**57**	52	47	43	40	38	37	35
B3. Exports	**68**	**68**	**72**	**66**	**61**	**55**	51	47	45	43	40
B4. Other flows 3/	**68**	**74**	**81**	**74**	**69**	**63**	**59**	54	51	48	45
B5. One-time 30 percent nominal depreciation	**68**	**69**	**63**	**57**	50	45	40	36	33	31	29
B6. Combination of B1-B5	**68**	**64**	**64**	**56**	51	46	43	40	39	38	36
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**68**	**70**	**65**	**59**	54	48	45	42	40	38	37
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	380.8	331.4	304.1	258.8	235.7	212.0	189.0	175.1	179.3	175.2	171.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	381	344	331	295	281	262	234	211	210	203	198
B. Bound Tests											
B1. Real GDP growth	381	353	354	312	298	282	265	259	276	280	285
B2. Primary balance	381	338	324	276	252	227	203	188	192	188	183
B3. Exports	381	357	370	319	295	270	242	223	225	217	210
B4. Other flows 3/	381	389	415	359	335	309	277	255	256	245	236
B5. One-time 30 percent nominal depreciation	381	369	333	281	251	222	191	172	170	162	153
B6. Combination of B1-B5	381	335	323	267	245	222	200	187	193	190	187
C. Tailored Tests											
C1. Combined contingent liabilities 4/	381	365	334	285	261	236	211	195	200	195	190
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	121.3	103.5	99.1	97.6	100.0	92.8	82.9	78.5	77.9	84.7	88.8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	121	107	106	110	118	115	107	100	94	95	99
B. Bound Tests											
B1. Real GDP growth	121	109	114	118	126	123	116	116	121	132	141
B2. Primary balance	121	103	104	109	108	101	90	84	83	90	93
B3. Exports	121	103	100	99	101	94	85	82	82	88	92
B4. Other flows 3/	121	103	100	99	102	95	87	85	84	91	94
B5. One-time 30 percent nominal depreciation	121	100	97	96	99	91	82	77	77	82	86
B6. Combination of B1-B5	121	103	102	100	103	97	87	84	84	92	98
C. Tailored Tests											
C1. Combined contingent liabilities 4/	121	103	121	111	114	105	92	87	85	91	95
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 Mr. Nakunyada, Executive Director for the Gambia and Mr. Cham, Advisor to the Executive Director on The Gambia
December 14, 2022

Introduction

1. Our Gambian authorities appreciate the candid engagement with staff during the recent reviews, including the fifth review under the Extended Credit Facility (ECF) arrangement. They broadly share staff's assessment and appreciate the Fund's support at a time when uncertainties to the global outlook remain exceptionally high.
2. The economy of The Gambia is rebounding at a slower pace than expected, owing to multiple shocks characterized by the ongoing war in Ukraine, uncertain path of the pandemic, and global financial tightening. Despite challenges arising from multiple shocks, including the spillovers from the war in Ukraine and the lingering effects of the pandemic, the authorities continue to make meaningful progress since the last review, as exemplified by the satisfactory program performance with notable strides made in the implementation of structural reforms. In this regard, the authorities seek Executive Directors' support in completing the fifth review under the ECF arrangement and the financing assurances review, and requests for modification of a performance criterion and indicative targets, as well as associated waivers.

Program Performance

3. All quantitative performance criteria (QPCs) at end-June 2022 were met. However, performance at end-September 2022 was mixed. The continuous QPC on external arrears was temporarily breached as settlement of the national utility company debt service obligations was delayed due to challenges, including from elevated fuel prices and forex supply constraints. The floor on net international reserves was also missed due to the central bank interventions to support the import of fuel and essential commodities. To avoid delayed payments in future, the authorities have constituted a committee that closely monitors the financial situation of the national utility company to design corrective measures. Further, the authorities are taking prudent measures to prevent fiscal slippages going forward, including by strengthening cash management, and continuously aligning the rolling out of quarterly spending plans with the treasury and borrowing plans 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.
4. Three out of four end-June 2022 indicative targets (IT) were met, but the floor on domestic tax revenue was missed due to lower collection of taxes on petroleum products owing to the limit in the pass through of surging international oil prices to domestic pump prices.
5. All three structural benchmarks (SBs) for end-June 2022 and three out of five end-September 2022 SBs targets were met. That said, the publication of the phase 2 audit report of COVID- 19 spending was not completed, although it was submitted to the

National Assembly as a prior action. Further, the signing of performance contracts between the Ministry of Finance and three additional key SOEs (GPA, GNPC and SSHFC) has been delayed as negotiations with SOEs on KPI targets are currently ongoing but expected to conclude by end-February 2023.

Recent Economic Developments

6. Real GDP is projected to firm from 4.3 percent in 2021 to 4.5 percent and 6.0 percent in 2022 and 2023 respectively. Growth continues to be driven by positive performance in agriculture and private construction. Nonetheless, the growth forecasts have been downgraded in the fourth review, largely due to low tourist arrivals compared to the pre-pandemic period, suspension of exports of timber and cashew owing to security concerns as well as declining remittances. In the medium term, growth is expected to average 5 percent. The outlook is however, subjected to downside risks, including from the protracted war in Ukraine, continuous effects of the COVID-19 pandemic, the tightening global financial conditions and climate vulnerabilities.
7. Inflation increased from 7.3 percent to 13.2 percent in-October 2022, which is higher compared to previous years; with food inflation registering an average to 15.3 percent. Inflation is driven by both domestic and external factors, including supply chain disruptions and increases in global food and fuel prices due to the war in Ukraine. Inflation is expected to remain high in 2022 and 2023 before stabilizing to 5 percent in the medium term.
8. The current account deficit in 2022 is expected to worsen by one percent of GDP, on the back of large declines in forex earning relative to demand. Meanwhile, importers of essential commodities found it difficult to source forex to pay for their imports which impacted food and fuel inventories. Consequently, the Central Bank of the Gambia (CBG) ran down reserves to meet the forex requirements of importers of essential commodities. Consequently, reserves declined from 7 months of import cover in 2021 to 4.6 months in 2022.

Fiscal Policy and Debt Sustainability

9. The authorities remain committed to persevere with fiscal consolidation efforts within the context of the Medium-Term Fiscal Framework. Despite the challenges owing to revenue shortfalls and wage pressures, they remain determined to sustain prudent fiscal management to preserve fiscal sustainability and place debt on a firm downward trajectory. To this end, while the 2023 fiscal framework is anchored on an overall fiscal deficit of 2.7 percent that allows for additional support to vulnerable households, the authorities are on course to achieve a consolidation of 2.2 percentage points relative to 2022.
10. The authorities pressing ahead with domestic revenue mobilization efforts to bolster revenue collections to finance the fiscal pressure, including increases in the public sector salaries. To this end, they are broadening the tax base to include potential revenue generating sectors such as hospitality, cable television, and real estate. They are enhancing tax collection from expiring Special Investment Certificates (SIC) exemption

holders, PIT from the increase in salaries of civil service, airport concession fees, dividends from SOEs, and revenues buffer generated from passthrough from global to domestic fuel prices in the event of a decline in global fuel prices. Furthermore, the authorities have completed a mid-term performance review under the 2020-24 Corporate Strategic Plan (CSP); completed a Taxpayer Charter and Ledger Reconstruction and Maintenance (LRM) with large taxpayers and have updated the GamTaxNet to enhance revenue.

11. Meanwhile, the authorities have completed the Tax audit for five exempt entities holding SICs and plan to extend the exercise to other entities while revisiting the granting of SIC to minimize revenue loses. The authorities are expanding the tax ledgers cleaning to other categories of taxpayers; accelerating digital transformation of the tax system through ASYCUDA World and ITAS; implementing stronger management of tax arrears to strengthen revenue administration. They are also taking measures to increase compliance of SOEs to enhance collection on pay-as-you earn income taxes and VAT; and plan to establish an Internal Affairs Unit to enhance assurance and integrity mechanism. Concurrently, the authorities established a Revenue and Tax Policy Directorate at the Ministry of Finance to provide a strategic focus on tax policy formulation while strengthening revenue collection.

12. To strengthen expenditure controls, the authorities have eliminated non-payroll-related allowances of civil servants; reduced subsidies to SOEs; eliminated non-essential travels and trainings abroad; reduced per-diems; streamlined mobile phones and fuel allowance to eligible officials; and reduced other allocations on goods and services. In parallel, they continue to strengthen Public Financial Management and have established a well-functioning monitoring committee to foster spending and investment efficiency. To this end, they rolled out the Integrated Financial Management Information System (IFMIS) to all Local Government Authorities and to seven subvented agencies. They also plan to extend it to additional ten self-accounting projects.

13. The authorities are committed to implementing measures to place public debt on a downward path and reduce the present value of total public debt below 55 percent of GDP by 2025. While debt is sustainable, it remains elevated and at a high risk of distress. In their effort to reduce debt vulnerabilities, the authorities adopted cautious borrowing plans and rely mainly on grants and highly concessional loans to bridge the infrastructure gap while utilizing their medium-term fiscal framework to reduce debt. Further, they are strengthening the public private partnership (PPP) legal framework to mitigate fiscal risks emanating from PPP projects. Presently, the authorities are reconciling, external debt data, and recording of domestic debt in the Meridian system while communicating with their creditors.

Monetary and Financial Sector Policies

14. The Central Bank of The Gambia (CBG) has been mopping up liquidity to curtail monetary growth and rein in inflation. That said, the war in Ukraine coupled with the lean period that typify crop harvests and the depreciation of the dalasi have, however, exerted inflationary pressures. While the CBG increased the policy rate in May 2022 and September 2022 from 10 percent to 12 percent to curb inflation, it remains vigilant to

price developments and stands ready to recalibrate the monetary stance to further contain inflation. In the same vein, the CBG is implementing a clear and transparent communication strategy to help anchor inflation expectations.

15. Our Gambian authorities operate under a free float exchange rate regime which has served them well. However, given the persistent imbalance in the forex market, the CBG has been taking steps since early October 2022 to address the wedge between its published exchange rate and the parallel market rate. Specifically, the CBG clarified to banks and forex bureaus that they can transact officially at a market-based exchange rate while adjusting the basis of its published exchange rate, which acts as an important signal to market participants about CBG's policy. Further, the CBG rescinded a ban on forex account withdrawals and is committed to allow smooth functioning of the forex market. Consequently, the exchange rate premium narrowed to 5-11 percent at end-October 2022 from 15-20 percent in mid- September 2022.

16. The financial sector remains sound with ample liquidity. While the banking system has remained resilient, with strong private sector credit growth, the CBG continues to strengthen banking supervision, enhance financial deepening and inclusion and are implementing safeguards recommendations. They developed an in-house stress testing framework and are strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) frameworks to enhance corresponding banking relationships and restore stability in the banking system.

Structural Reforms

17. The authorities made significant progress in the preparation of the Green Recovery-Focused National Development Plan (RF-NDP) and the Long-Term Development Vision (LTDV) 2050. They completed key stakeholder consultations across all 120 Wards in the country and MDAs, and civil society, including women, persons with disability, private sector, and development partners at the national level. Further, they completed the first draft of RF-NDP in October 2022; and plan to complete the drafting of the LTDV by end-December 2022.

18. The authorities recognized the need to develop the private sector to sustain the recovery, enhance growth and reduce poverty. In this context, they are implementing reforms to improve the business environment to promote private sector development, increase competitiveness, foster economic growth, and job creation. They have deployed the business registration single window and are integrating the implementation of the electronic single window for business registration with the government's digitization process to ease registration. They completed the expansion of the Social Registry which includes socio- economic information to help identify the most vulnerable population to effectively provide well-targeted social support.

19. The authorities are strengthening governance, the fight against corruption, and trafficking in Persons. They have, through the National Assembly, approved the public procurement Act to improve the use of public resources. Meanwhile, they are revising the PPP bill, screening Ministries Departments, and Agencies' (MDAs) new projects and training pilot MDAs on monthly cash forecasting. They are extending the performance contracts to three additional key SOEs to strengthen their financial positions. While the authorities resubmitted the draft of the anti-corruption bill to the IMF for review, they look forward to

the upcoming IMF governance diagnostic mission. Meanwhile, they made significant improvement to combatting human trafficking by strengthening the National Agency Against Trafficking in Persons and have improved to Tier 2 in the 2022 U.S. Trafficking in Persons Report.

20. The authorities continue to strengthen policies to mitigate climate change-related risks given the country's vulnerability to climate shocks. To this effect, they developed policy actions which are in line with the goals of 1.5°C Paris climate agreement with supported target which meets the requirements of the Climate Action Tracker latest update. While the authorities approved its Long-Term Climate-Neutral Development Strategy in September 2022, which could enable The Gambia to attain the net zero target in 2050, they are making efforts to strengthen climate mitigation and adaptation and looking forward to international financing to address the high frequency of droughts, floods, rising sea level, and coastal erosion.

21. Our Gambian authorities continue to adhere to transparency and accountability commitments made on COVID-19 related spending. In this regard, they report COVID-19 spending in the monthly budget execution report. Further, in October 2022, the National Audit Office (NAO) completed and submitted to the National Assembly the report of the second phase of an *ex- post* audit of the COVID-19-related spending, including cash payment to tourist workers, frontline workers, overseas students, media houses, and audit of quarantine centers.

Conclusion

22. The Gambian authorities remain committed to reforms agreed under the ECF program, notwithstanding the challenging circumstances. Fund support has played a critical role in helping them 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 as key in complementing their reform agenda to realize their national economic objectives as outlined in the National Development Plan. They look forward to continued technical support and policy advice.