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THE GAMBIA

June 2023

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE 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 - Sixth Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance of a Performance Criterion, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 12, 2023, following discussions that ended on March 24, 2023, with the officials of the Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 25, 2023.
- A **Debt Sustainability Analysis** prepared by the staff(s) of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

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

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PRESS RELEASE

PR23/206

IMF Executive Board Completes the Sixth and Final Review under the Extended Credit Facility Arrangement for The Gambia and Approves US$ 6.66 Million Disbursement

FOR IMMEDIATE RELEASE

- *The IMF Executive Board decision allows for an immediate disbursement of about US$ 6.66 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 exogenous shocks continue to weigh on the country's socio-economic environment, impeding vigorous economic activity. Inflation pressures persist.*
- *The Gambian authorities are taking measures to address the exogenous shocks and remain committed to strong policies and reforms.*

Washington, DC – **June 12, 2022:** Today, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review under The Gambia's Extended Credit Facility (ECF) arrangement. The completion of the review enables the disbursement of SDR 5 million (about US$ 6.66 million) to help meet the country's balance-of-payments and fiscal financing needs amid challenges, related primarily to the war in Ukraine and the lingering impacts of the pandemic. This disbursement brings the total disbursements under the ECF arrangement to SDR 70.55 million (about US$ 94 million).

In completing the sixth review, the Executive Board also approved the authorities' request for a waiver for nonobservance of the continuous performance criterion on the accumulation of new external payment arrears by the central government, based on corrective actions taken by the authorities.

The ECF arrangement for the Gambia was approved by the IMF's Executive Board on March 23, 2020, with an initial total access of SDR 35 million (or 56.3 percent of quota). Access under the ECF arrangement was augmented twice, at the completion of the first ECF review in January 2021 and at the completion of the fifth ECF review in December 2022. The Gambia has also benefited from an IMF Rapid Credit Facility of SDR 15.55 million and received debt service relief from the IMF under the Catastrophe Containment and Relief Trust, totaling SDR 7.9 million.

The repercussions of the war in Ukraine and the lingering impacts of the COVID-19 pandemic are weighing on The Gambia's socio-economic environment. Inflation pressures persist and are intensifying. The Gambian authorities are taking measures to address the exogenous shocks and remain committed to strong policies and reforms. The severe foreign exchange shortages that the country experienced in late 2022 have somewhat eased.

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 challenges related to the war in Ukraine, the lingering impacts of the COVID-19 pandemic, a major flooding, and trade disruptions. These shocks have constrained economic activity and intensified inflationary pressures and are weighing on the country's socio-economic environment.

"Despite pressures, fiscal policy remains appropriately anchored on the approved 2023 budget. Given high debt vulnerabilities, efforts should continue to bolster domestic revenue mobilization and prioritize investment projects. In anticipation of the expiration of the debt rescheduling period and to keep public debt on a downward path, it will be paramount to strengthen fiscal and external buffers by containing domestic borrowing, focusing on grants and highly concessional loans, and implementing a strong medium-term fiscal framework. Strengthening social safety nets remains important.

"The Central Bank has appropriately tightened its monetary policy stance to help tame inflationary pressures. The foreign exchange pressures have eased following the high tourism season and the exchange rate movements. Going forward, the central bank is encouraged to make full use of its policy toolkit to fight inflation and to continue to ensure that the exchange rate reflects market forces. Deepening and strengthening the financial sector would also be important.

"The authorities made significant progress in their structural reform agenda, including in the areas of procurement and SOE institutional framework. They are encouraged to maintain this renewed reform momentum, including by preparing and enforcing the regulations of the newly approved laws, adopting the anti-corruption bill, implementing the recommendations from the recent IMF governance diagnostic mission, and improving financial inclusion and the business environment to support private sector-led growth and poverty reduction. The authorities' commitment to meet zero emission targets by 2050 is commendable

The Gambia: Selected Economic Indicators, 2021–2028

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
	(Percent change; unless otherwise indicated)									
National account and prices										
GDP at constant prices	4.3	4.5	4.4	6.0	5.6	6.3	5.8	5.0	5.0	5.0
GDP deflator	7.8	9.0	10.3	9.3	11.2	7.0	5.1	4.1	4.4	4.6
Consumer prices (average)	7.4	11.3	11.5	11.1	12.9	9.5	6.0	5.0	5.0	5.0
Consumer prices (end of period)	7.6	12.4	13.7	9.7	12.0	7.1	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	6.2	-38.3	-38.6	151.1	151.2	27.4	6.9	5.7	5.7	5.8
Imports, f.o.b (US$ values)	6.9	26.2	22.9	18.3	21.4	10.1	6.1	3.4	5.4	4.7
Terms of trade (deterioration = -)	-7.5	-3.9	-2.2	-1.0	-1.2	-4.0	-1.8	-0.9	2.2	2.8
Real effective exchange rate (depreciation = -)	0.1	…	7.9	…	…	…	…	…	…	…
	(Contributions to broad money growth; percent)									
Money and credit										
Broad money	19.5	4.0	7.1	6.5	11.6	10.7	10.7	6.8	6.1	6.9
Net foreign assets	8.8	-10.7	-4.5	1.6	3.5	4.9	4.1	0.3	0.4	0.6
Net domestic assets	10.7	14.7	11.6	4.8	8.1	5.9	6.6	6.5	5.7	6.3
Of which:										
Credit to central government (net)	9.3	5.5	7.5	3.1	4.8	2.4	2.1	1.0	0.0	0.0
Credit to the private sector (net)	3.1	6.0	3.8	1.7	3.3	3.5	4.5	5.5	5.7	6.3
Velocity (GDP/broad money)	1.7	1.8	1.8	2.0	1.9	2.0	2.0	2.0	2.1	2.1
	(Percent of GDP; unless otherwise indicated)									
Central government finances										
Domestic revenue (taxes and other revenues)	14.3	11.9	12.0	12.5	12.1	12.7	13.5	14.1	14.5	14.8
Of which: Tax Revenue	10.3	9.3	9.2	9.8	9.5	10.0	10.7	11.2	11.6	11.9
Grants	2.5	5.9	5.6	6.6	6.7	6.1	6.3	5.4	5.1	4.8
Total expenditures	21.4	22.7	22.5	21.7	21.6	20.8	20.7	20.0	20.1	20.0
Of which: Interest (percent of government revenue)	21.2	21.4	18.0	16.9	17.6	24.0	18.8	15.3	12.5	11.0
Net lending (+)/borrowing (–)	-4.6	-4.8	-4.9	-2.7	-2.7	-2.0	-0.9	-0.5	-0.6	-0.4
Fiscal financing	4.7	4.8	4.8	2.7	2.7	2.0	0.9	0.5	0.6	0.4
Foreign	0.5	1.1	1.6	1.2	1.3	0.9	0.0	0.0	0.6	0.4
Domestic	4.2	3.8	3.2	1.5	1.4	1.1	0.9	0.5	0.0	0.0
Primary balance	-1.6	-2.3	-2.7	-0.6	-0.6	1.0	1.6	1.7	1.2	1.2
Public debt	83.5	80.8	83.9	75.4	72.8	69.0	64.0	59.8	55.6	51.7
Domestic public debt	35.1	32.4	32.2	29.5	27.3	27.0	25.3	23.6	21.6	19.7
External public debt	48.4	48.4	51.8	45.9	45.5	42.0	38.8	36.2	34.0	32.0
External public debt (millions of US$)	965.9	1003.7	1029.3	1038.2	1,032.2	1,052.1	1,047.1	1,036.3	1,036.3	1,039.0
External current account balance										
Excluding official transfers	-0.5	-16.8	-7.9	-14.6	-14.0	-11.0	-10.8	-9.3	-8.7	-8.1
Including official transfers	-0.1	-14.7	-6.0	-12.6	-11.9	-8.9	-9.5	-8.6	-8.0	-7.5
Gross official reserves (millions of US$)	530.4	424.6	454.7	416.4	471.5	469.7	466.3	452.9	453.5	458.1
(months of next year's imports of goods and services)	7.1	4.8	5.1	4.4	4.9	4.6	4.4	4.0	3.8	3.6
Savings and investment										
Gross investment	22.1	22.2	23.4	22.5	22.9	22.1	23.1	23.1	23.8	24.1
Of which: Central government	6.2	8.9	8.4	9.0	9.1	8.2	8.7	8.2	8.4	8.3
Gross savings	22.1	7.5	17.4	9.9	11.0	13.2	13.6	14.5	15.8	16.5
Memorandum items:										
Nominal GDP (billions of dalasi)	104.9	119.5	120.9	138.5	142.0	161.5	179.6	196.3	215.3	236.4
GDP per capita (US$)	816.4	845.2	830.8	881.7	870.1	932.7	977.2	1,006.5	1,039.6	1,075.4
Use of Fund resources (millions of SDRs)										
Disbursements	35.0	26.4	26.4	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Of which: ECF Augmentation	20.0	…	15.6	…	…	…	…	…	…	…
Repayments	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0	-16.8
CCRT debt relief[1]	4.0	0.8	0.8	…	…	…	…	…	…	…
PV of overall debt-to-GDP ratio	70.8	67.9	69.8	63.3	60.4	57.6	53.7	49.6	45.3	41.1

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.

INTERNATIONAL MONETARY FUND

THE GAMBIA

May 25, 2023

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The multiple external shocks that hit the Gambian economy obstructed a rapid recovery in 2022. The implications of the war in Ukraine continue to exert pressures on inflation. These pressures are threatening socio-economic stability in the context of local elections, despite the absence of severe social tensions in recent months. This sixth program review is the last review under the current ECF arrangement. The authorities have requested a successor program with the Fund, which will draw on the authorities' national development plan as well as on lessons learnt and outstanding challenges from this expiring program.

Macroeconomic developments and outlook. Economic growth in 2022 is estimated to have remained around its 2021 level, at 4.4 percent. Inflation persisted, at 14.8 percent (y-o-y) in March 2023, fueled by elevated global food and energy prices driven by the protracted war in Ukraine. Fiscal policy was broadly prudent despite fuel revenue losses and the non-materialization of some significant budgetary resources. The central bank increased the policy rate for a fourth time since mid-2022 to 14 percent. It also took measures to allow the exchange rate to reflect market forces, which seem to have helped ease the foreign exchange shortages experienced in the second half of 2022. Structural reforms have recently regained momentum, including the approval of the PFM act by the Cabinet and of the SOE bill by the National Assembly. Risks are titled to the downside as the uncertain external environment, including the repercussions of the war in Ukraine, will continue to weigh on the economy.

Program performance. Program performance was broadly satisfactory. Five out of six quantitative performance criteria and three out of four indicative targets at end-December 2022 were met. The continuous QPC on external arrears was temporarily breached, but the authorities have taken strong corrective measures. Two structural benchmarks were met, and one structural benchmark was completed after the deadline.

Policies: The fiscal policy in 2023 will remain anchored on the adopted budget despite multiple shocks, given high debt vulnerabilities. The necessary measures will be taken to this end, including the collection of some significant budgetary resources. The central bank will closely monitor inflation developments and will tighten further the monetary policy stance if inflation pressures persist. The central bank will also continue efforts to ensure that the exchange rate reflects market developments to prevent the resurgence of foreign exchange shortages as the high tourism season is ending and some trade disruptions may persist. Finally, structural reforms will be pursued and accelerated, particularly on revenue administration, public financial management, SOE management, governance, and anti-corruption.

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

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

The mission took place in Banjul during March 14–24, 2023, and comprised Messrs. Razafimahefa (head), Kemoe, Kwende, and Nachega (all AFR), Ms. Han (FAD), and Messrs. Tong (SPR), Barry (resident representative), and Mendy (local economist). The team met with President Adama Barrow and National Assembly Speaker Fabakary Tombong Jatta, and held discussions with Minister of Finance and Economic Affairs Seedy Keita, Minister of Trade, Industry, Regional Integration, and Employment Baboucarr O. Joof, Minister of Transport Works and Infrastructure Ebrima Sillah, Central Bank Governor Buah Saidy, other public officials, and private sector operators. The mission briefed development partners and held a press conference. Mr. Cham (Senior Advisor, OEDAE) participated in the meetings. Staff from the World Bank joined several meetings. Mr. Fidel Marquez Barroeta provided research assistance. Mss. Barry and Ndure (local office managers) helped with the organization of the mission. Mss. Pilouzoue and Jaghori assisted in the preparation of this report.

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Acronyms

BoP	Balance of Payments
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CBG	Central Bank of The Gambia
CIEA	Composite Index of Economic Activity
CRB	Credit Reference Bureau
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
FSSR	Financial Sector Stability Review
FX	Foreign Exchange
GAMTAXNET	Gambia Tax Management System
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
GPPA	The Gambia Public Procurement Authority
GRA	The Gambia Revenue Authority
GSRB	Gambia Strategic Review Board
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IT	Indicative Target
ITAS	Integrated Tax Management System
ITFC	Islamic Trade Finance Corporation
MEFP	Memorandum of Economic and Financial Policies
MFCs	Microfinance companies
MoFEA	Ministry of Finance and Economic Affairs
MTDS	Medium-Term Debt Strategy
NAWEC	National Water and Electricity Corporation
NBFI	Non-Bank Financial Institution
NDA	Net Domestic Assets
NDB	Net Domestic Borrowing
NDP	National Development Plan
NFA	Net Foreign Assets
NFIS	National Financial Inclusion Strategy
NPL	Non-Performing Loan
PFM	Public Financial Management
PPP	Public Private Partnership
PRGT	Poverty Reduction and Growth Trust
QPC	Quantitative Performance Criterion
RAM	Risk Assessment Matrix
SB	Structural Benchmark
SMP	Staff-Monitored Program
SOE	State-Owned Enterprise
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
TSA	Treasury Single Account

CONTEXT

1. The repercussions of the war in Ukraine continue to adversely weigh on the socio-economic environment in The Gambia despite some positive developments (MEFP ¶1). The elevated global food and fuel prices continue to exert pressures on inflation, which is threatening social and economic stability in a context of local elections, despite the absence of severe social tensions in recent months. On the positive side, the COVID-19 pandemic has receded, and the acute forex shortages experienced in late 2022 have eased.

2. This sixth review is the last review under the current ECF arrangement, and the authorities have requested a successor program with the Fund (MEFP ¶3). The authorities acknowledged the important role that the ECF arrangement played in weathering multiple exogenous shocks, accompanying policy reforms, and catalyzing support from other development partners. Thus, they have requested a successor financing arrangement to help support the implementation of their Recovery-Focused National Development Plan. The successor arrangement will also draw lessons learnt and outstanding challenges from this expiring program.

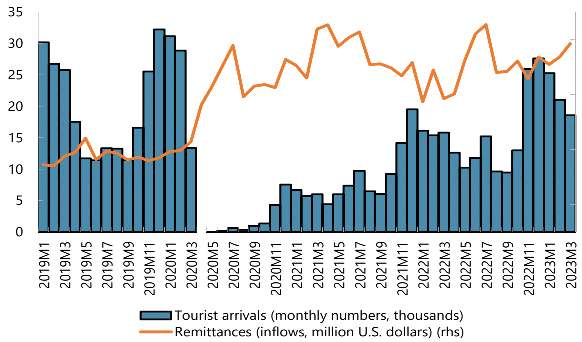
RECENT ECONOMIC DEVELOPMENTS

3. Multiple external shocks weighed on economic activity and obstructed a rapid recovery in 2022 (MEFP ¶4, Text Figure 1, Figure 1 and Table 1). Real GDP growth is estimated to have remained around its 2021 level, at 4.4 percent in 2022. The CBG's composite index of economic activity (CIEA) strengthened and surpassed its pre-pandemic level marginally. Tourist arrivals increased by 80 percent relative to 2021 but remained below pre-pandemic levels by 22 percent. Workers' remittance inflows declined from US$544 million in 2021 to US$507 million in 2022.[1] Timber exports have been banned due to political and security concerns at the borders. However, the agriculture and construction sectors have remained resilient. Headline inflation reached a several-decades high of 14.8 percent (y-o-y) in March 2023, fueled by high food and energy prices driven by the protracted war in Ukraine and second-round effects trickling through the economy. Moreover, the recent increase in utility tariffs and the Dalasi depreciation have contributed to the persistence of domestic inflation.

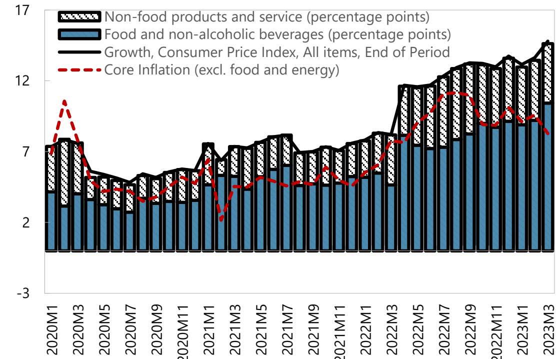
[1] Tourist arrivals rebounded more robustly, and workers' remittances declined less abruptly than expected at the 5th ECF review. Workers' remittances are a part of total remittances, which also include some FDI.

Text Figure 1. The Gambia: Economic Activity Indicators, 2019–23

Tourist Arrivals and Remittances
(In indicated magnitude)



Components of Inflation
(Percent change)



Sources: The Gambian authorities; and IMF staff calculations.

4. **Budget execution in 2022 reflected some spending restraints but also the non-materialization of some significant budgetary resources** (MEFP ¶5, Text Table 1, Tables 2–3). Domestic revenue collection slightly overperformed, as tax revenue collection was broadly on target and higher non-tax collection from land sales and lease rentals more than compensated for the underperformance of toll receipts, lower-than-anticipated sales of assets from the Janneh Commission, and the absence of collection from the sale of MegaBank's non-performing assets. Although grants increased relative to 2021, they fell below projections in 2022. Spending overruns on goods and services were compensated by lower-than-anticipated interest payments and domestically financed investment. In sum, the overall fiscal deficit marginally underperformed the target.[2] The net domestic borrowing was below the program ceiling by about 0.7 percent of GDP. However, the fiscal

Text Table 1. The Gambia: Fiscal Performance in 2022
(Percent of GDP)

	2021	2022	
	Act.	Prog.	Prel.
Revenue	**16.8**	**17.8**	**17.6**
Domestic revenue	14.3	11.9	12.0
Taxes	10.3	9.3	9.2
Non-tax	4.0	2.6	2.8
Grants	2.5	5.9	5.6
Budget support	0.7	2.1	1.9
Project grants	1.8	3.8	3.7
Expenditures	**21.4**	**22.7**	**22.5**
Expenses	15.2	13.8	14.1
Compensation of employees	4.4	4.6	4.7
Use of goods and services	3.8	2.8	3.4
Interest	3.0	2.6	2.2
Subsidies and transfers	4.0	3.8	3.9
Net acquisition of nonfinancial assets	6.2	8.9	8.4
Foreign financed	3.2	6.5	6.5
Gambia local fund	3.0	2.4	1.9
Net lending (+)/borrowing (–)	**-4.6**	**-4.8**	**-4.9**
Financing	**4.7**	**4.8**	**4.8**
Net acquisition of financial assets	-0.2	0.8	0.0
Net incurrence of liabilities	4.9	4.0	4.8
Domestic	4.3	2.9	3.2
Net borrowing	2.6	1.4	0.7
RCF/ECF (Onlent)	2.1	2.0	2.0
Change in arrears/Float[1/]	-0.3	-0.4	0.5
Foreign	0.5	1.1	1.6
Statistical discrepancy	-0.1	0.0	0.1
Memorandum items:			
Primary balance	-1.6	-2.3	-2.7
Domestic primary balance	-0.2	-1.7	-1.8

Sources: The Gambian authorities; and IMF staff estimates.
[1/] In 2022, clearance of arrears amounted to 0.2 percent of GDP while payment floats reached 0.7 percent of GDP.

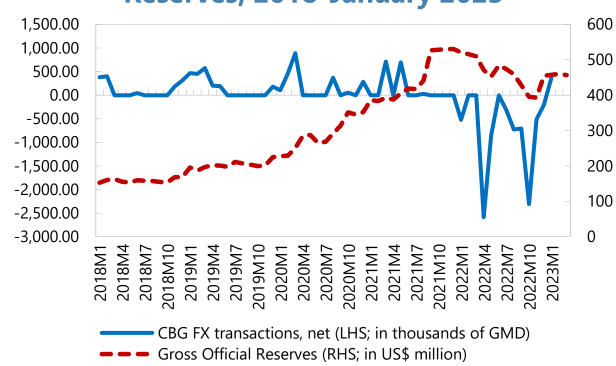
[2] This analysis is based on information received and discussed with the authorities during the mission. The authorities are still collecting information on foreign-financed investment, which may lead to a slightly larger fiscal deficit but does not affect the net domestic borrowing.

outturns showed a large payment float of 0.7 percent of GDP.[3] Moreover, the privatization of MegaBank, which was expected to provide significant resources to the budget, was not finalized due to proposed installment payments by the buyer, instead of an on-time payment of the full agreed amount. Public debt remained broadly unchanged from end-2021 to end-2022, at around 84 percent of GDP.

5. The CBG took measures to help tame inflationary pressures and anchor inflation expectations (MEFP 14). At its February 2023 policy meeting, the central bank increased the policy rate for the fourth time since May 2022, for a total of 4 percentage points, to 14 percent. Growth of monetary aggregates decelerated in 2022, with broad money growing by 7 percent (compared to 19.5 percent in 2021) owing to a contraction in net foreign assets (NFA) of the central bank. Reserve money and bank reserves contracted by around 1 and 16 percent, respectively, reflecting a reduction of excess liquidity in the banking system during August-December 2022. These trends in monetary aggregates broadly continued in early 2023.

6. The depreciation of the dalasi, and large forex inflows from tourism, helped ease foreign exchange shortages (MEFP ¶6 and Text Figure 2). In line with staff's recommendation, the CBG has taken steps to allow the exchange rate to reflect market forces. As a result, the dalasi depreciated against the US dollar by more than 10 percent between September 2022 and March 2023. The wedge with the parallel market rate has broadly closed since end-January 2023. These developments, combined with the high tourism season, have lessened the severe forex shortages that the country experienced in H2 2022. The CBG significantly reduced its forex sales in December 2022 and has become a slight net buyer since January 2023. As a result, gross forex reserves have stabilized at around US$450 million since end-December 2022 and were at 4.8 months of prospective imports at end-March 2023.

Text Figure 2. The Gambia: Central bank Net Forex Purchases and Gross International Reserves, 2018-January 2023

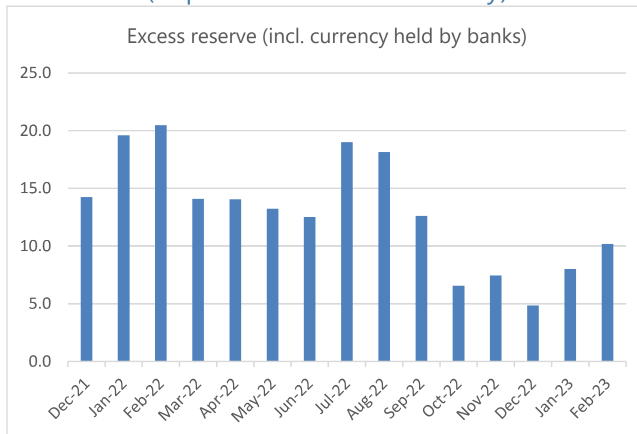


[3] This payment float consists mostly of interim payments certificates related to road construction. About 65 percent this float was cleared by end-March 2023.

7. The financial sector remains resilient in a context of broadly declining excess liquidity (MEFP ¶7). Private sector credit grew by 25 percent in 2022 (compared to 20.7 percent in 2021).[4] The banking system appears relatively healthy. At end-December 2022, the capital adequacy and the liquidity ratios stood at 24.8 percent and 63.7 percent, respectively, exceeding the regulatory requirements. The NPL ratio remains low at 4.6 percent, and banks have maintained an adequate level of provisioning. Bank excess reserves fell from 14.2 percent of reserve money at end-2021 to 4.8 percent at end-2022.[5]

Text Figure 3. The Gambia: Excess Liquidity in the Banking System, Dec 2021 – Feb 2023

(In percent of reserve money)



Source: The Gambian Authorities, and IMF Staff calculations

8. Structural reforms have recently regained momentum (MEFP ¶2, Annex I). The GPPA procurement act has been signed by the President and its regulations are being finalized. Performance contracts were signed with three key additional SOEs in February 2023, and the SOE bill was approved by the National Assembly in March 2023. The anticorruption bill is at the consideration stage and is expected to be approved during the May-June session. The PFM act has been approved by the Cabinet and will shortly be submitted to the National Assembly. Discussions on the revision of the constitution have resumed, including on the term limits of presidential mandates. These structural reforms were accompanied by strong and coordinated capacity development support from development partners, including the IMF.

PERFORMANCE UNDER THE PROGRAM

9. Program performance was broadly satisfactory (MEFP¶¶8-9, and MEFP Tables 1-2):

- **Five out of six quantitative performance criteria (QPCs) were met at end-December 2022.** The ceiling on net domestic borrowing was met with a margin of 0.7 percent of GDP.[6] The continuous QPC on external payment arrears was temporarily breached. The payment of government's debt obligations to ITFC, for which the utility company (NAWEC) is the executing agency, was delayed on two occasions (for an amount of about 0.2 percent of GDP) due to some treasury challenges related to high fuel prices, but they were subsequently paid in full.

[4] In 2022, the bulk of private credit went to building and construction (21 percent), commerce (16 percent), and agriculture (13 percent).

[5] Although private credit decelerated and excess reserves slightly increased in January-February 2023, such developments are so far related to a short period and do not allow characterizing a trend.

[6] Even if the payment float is taken into account, the program target would still be met as the NDB ceiling would be adjusted by the shortfall of bank privatization proceeds.

Moreover, the authorities have taken measures to improve the financial situation of NAWEC and increased electricity tariffs by about 30 percent in March-April 2023, which should allow NAWEC to recover its operational costs and avoid future occurrence of arrears. NAWEC is also taking steps to reduce leakages and improve its revenue through the rollout of prepaid meters. Moreover, a task force has been put in place to monitor the operational and financial situation of NAWEC. The authorities are requesting a waiver for non-observance of a performance criteria; staff supports the authorities' request considering the minor and temporary nature of the breach, in addition to corrective measures.

- **Three out of four indicative targets (ITs), including the IT on poverty spending, were met at end-December 2022.** The IT on the ceiling on net domestic assets of the central bank was missed.[7] The IT on poverty-reducing spending was met with a large margin, which is important in the current socio-economic environment.
- **Two out of three structural benchmarks (SBs) for end-February 2023 were met, and the third SB was completed after the deadline.** Performance contracts, which include key operational and financial performance indicators, were signed between the Presidency and three key SOEs; and the Internal Affairs Unit at the Gambia Revenue Authority was made fully functional. The third SB related to the Cabinet approval of a new PFM act was completed in mid-March 2023 as **prior action**.

OUTLOOK AND RISKS

10. The macroeconomic outlook continues to be clouded by the repercussions of the war in Ukraine (Text Table 2, Annex II, and MEFP ¶10)**.** Economic growth is projected to strengthen to 5.6 percent in 2023, supported by further recovery in the tourism sector and continuous robust performance of the construction and agricultural sectors. Growth is projected to stabilize around 5 percent in the medium term. Inflationary pressures are expected to somewhat persist in 2023 and gradually ease thereafter, based on some expected decline in international prices of key commodities and the impact of the restrictive monetary policy. The current account balance is expected to deteriorate in 2023, as remittance inflows normalize and imports pick up due to private and public construction projects, before slightly improving over the medium term. Forex reserves, in months of imports, are projected to gradually decline.

11. The outlook remains highly uncertain, as highlighted in the downside scenario. A protracted war in Ukraine would jeopardize tourist arrivals and intensify inflationary pressures. Rising interest rates in advanced economies could continue to exert depreciation pressures on the local currency. Workers' remittances may return towards their pre-Covid historical levels as the pandemic eases off, the global economy slows down, and household's real income in source countries is eroded by high inflation. On the domestic front, persistent high levels of inflation could intensify

[7] The authorities met the target expressed in nominal terms (and using the market exchange rate for converting NFA). However, for program purpose the NDA target is assessed using the exchange rate of 51.84 GMD/USD, i.e., the exchange rate at end-October 2020 (TMU ¶5). The setting of the IT did not account for the large depreciation of the GMD vis-à-vis major currencies.

wage increase demands, resulting in increased socio-political tensions and fiscal pressures, in addition to specific fiscal pressures outlined below. More frequent and severe natural disasters could damage infrastructure and livelihoods, adversely affecting inflation, growth, and fiscal and external accounts.[8]

Text Table 2. The Gambia: Key Macroeconomic Indicators, 2022–28
(In percent of GDP, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028
	Prel.			Projections			
Baseline							
Real GDP growth (percent)	4.4	5.6	6.3	5.8	5.0	5.0	5.0
Consumer price inflation (average, percent change)	11.5	12.8	9.4	6.1	5.0	5.0	5.0
Tax revenue	9.2	9.5	10.0	10.7	11.2	11.6	11.9
Primary balance	-2.7	-0.6	1.0	1.6	1.7	1.2	1.2
Domestic primary balance	-1.8	-0.2	1.3	2.5	2.9	2.8	2.9
Current account balance	-5.9	-13.7	-10.5	-11.1	-10.2	-9.6	-9.1
PV of public debt	69.8	60.4	57.6	53.7	49.6	45.3	41.1
Gross official reserves (months of prospective imports)	5.1	4.5	4.2	4.0	3.6	3.5	3.2
Downside Scenario							
Real GDP growth (percent)	4.4	4.4	5.6	5.3	5.0	5.0	5.0
Consumer price inflation (average, percent change)	11.5	13.6	10.0	6.3	5.0	5.0	5.0
Tax revenue	9.2	8.8	9.3	10.1	10.8	11.3	11.7
Primary balance	-2.7	-1.7	0.1	0.9	1.1	0.9	1.1
Domestic primary balance	-1.8	-1.4	0.4	1.8	2.4	2.5	2.8
Current account balance	-5.9	-15.8	-12.6	-13.0	-12.1	-11.5	-11.0
PV of public debt	69.8	61.9	59.9	56.7	53.1	49.0	45.0
Gross official reserves (months of prospective imports)	4.9	4.1	3.8	3.6	3.3	3.1	2.9

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

POLICY DISCUSSIONS

Policy discussions focused on: (i) the fiscal policy stance in 2023 in the context of multiple shocks and high debt vulnerabilities; (ii) the monetary policy stance in the context of persistent inflationary pressures; (iii) the exchange rate policy to safeguard forex reserves; and (iv) the strategy to pursue the ambitious structural reform agenda.

A. Fiscal Policy and Debt Sustainability

12. The 2023 fiscal framework is facing some pressures (MEFP ¶11). Tax revenue collection during January-March 2023 underperformed projections by about 5 percent due to a shortfall in collection from domestic taxes (particularly PIT, CIT, VAT and domestic excises) as the recovery in the tourism and hospitality sector in Q4 2022 fell short of expectations. On the expenditure side, pressures are arising on several fronts, including on compensation of employees in the social and security sectors, the acceleration of infrastructure construction ahead of the rainy season, fertilizer subsidies for farmers, and higher debt service amid deteriorating domestic financing terms and

[8] The downside scenario assumes a decline in tourist arrivals and remittance inflows, leading to a reduction in growth between 2023 and 2025, along with intensifying inflationary pressures from external sources that lead to an increase in average inflation over the same period.

dalasi depreciations.[9] Besides, the authorities have taken steps to clear their arrears with the utility company with a view to improving the latter's financial situation. They are also clearing the end-2022 payment floats.

13. Despite these pressures, the authorities are committed to anchor the 2023 fiscal framework on the adopted 2023 budget (MEFP ¶11). The overall fiscal deficit target remains unchanged relative to the initial 2023 budget, at 2.7 percent of GDP. The authorities are taking measures to boost revenue collection. They have adjusted domestic pump prices to maximize revenue collection. At end-April 2023, revenue from petroleum products were already at about 40 percent of the annual target.[10] To alleviate the impact of the fuel price increases on the vulnerable population, the authorities intend to strengthen targeted social safety net programs. On the spending side, the authorities are committed to addressing any pressures and remaining within the approved budget, by containing allowances to keep personnel expenses within the approved wage envelope, reprioritizing spending, and strengthening cash management. The pressures from the clearance of the end-2022 payment floats will be alleviated by utilizing the domestic borrowing space unused in 2022 (about GMD 800 million or about 0.6 percent of 2023 GDP), while keeping broadly unchanged the previous debt reduction path. The authorities have also relaunched the MegaBank privatization process following the failure of the previous purchase agreement. Potential proceeds from this operation would help ease financing pressures for the 2023 budget.

14. Swift implementation of revenue administration reforms will support efforts to address immediate and medium-term spending needs (MEFP ¶12). The GRA has made significant progress in some key areas, including on tax registry cleansing, the preparation of large taxpayers' ledgers, the launch of Asycuda World, the rollout of the enhanced GAMTAXNET to all tax offices, and making the Internal Affairs Unit fully functional. Customs revenue collection is also supported by the recently created dry port that has decongested the port of Banjul and reduced the wait time to unload ships from two weeks to five days. The depreciation of the dalasi vis-à-vis the CFA Franc is also helping reverse some of the trade diversion to neighboring countries observed in recent months. These efforts will be complemented by the following measures: (i) stricter collection of withholding taxes and rental incomes; (ii) acceleration of ITAS implementation to improve digitalization of processes; (iii) enforcement of the revised GIEPA regulations regarding compliance with tax returns filing requirements; (iv) adjustment to the IVAT Act 2012 to ringfence against profit shifting; (v) enhancement of data matching and audits.[11]

[9] Yields on government securities rose in response to the tightening of monetary policy stance. The average interest rate on treasury bills increased from about 3 percent at end-December 2021 to about 10 percent at end-March 2023. The dalasi has depreciated by more than 10 percent since September 2022.

[10] The policy has been further strengthened as in May 2023, domestic pump prices reflect or exceed full passthrough prices for all fuel products. The Fund has recently deployed a technical assistance mission on the fuel pricing mechanism, and the authorities plan to act swiftly on the recommendations of this mission.

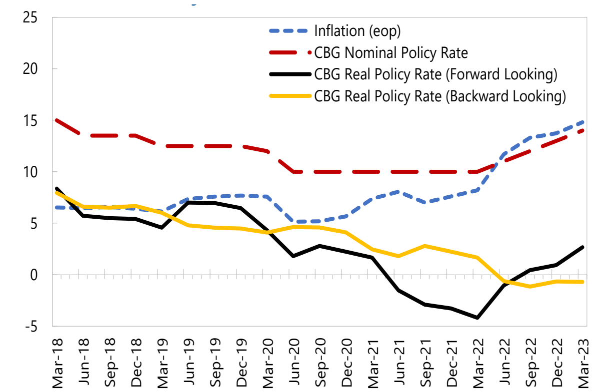
[11] Additional measures could include (i) strengthening compliance risk management practices; (ii) implementing risk-based approaches to management of tax arrears; and (iii) further strengthening of the Internal Affairs unit.

15. The Gambia's public debt is deemed sustainable, but risks of external and overall debt distress remain high (MEFP ¶13). The PV of total public debt is projected to decline below its benchmark of 55 percent of GDP in 2025, and the debt reduction path remains broadly in line with previous projections. The DSA shows that breaches in the indicative thresholds are broadly similar to those seen during the 5th ECF review. The export-related debt indicators remain weak and breach the indicative thresholds at various intervals. The debt outlook is subject to large downside risks, especially due to the protracted war in Ukraine, which could worsen the profile of the PV of overall-debt-to-GDP ratio in the near future. To reduce debt vulnerabilities, the authorities need to focus on grants and highly concessional loans, implement a strong medium-term fiscal framework,[12] including by bolstering domestic revenue mobilization and executing previous revenue-related commitments, strictly adhering to the agreed external borrowing plan, and ensuring that SOEs and PPPs do not give rise to fiscal risks and contingent liabilities. Additionally, strong external buffers are needed to prepare for the upcoming expiration of debt deferrals.

B. Monetary and Exchange Rate Policies

16. The central bank should stand ready to tighten the monetary policy stance further using various tools at its disposal if inflationary pressures do not abate (MEFP ¶14 and Text Figure 4). While inflation is primarily driven by external shocks, considering its persistency due to second-round effects and adjustment of some key domestic prices (such as utility tariffs), the CBG may need to pursue further policy tightening in the coming months to contain domestic aggregate demand and limit the second-round effects of the shocks on inflation. It would be paramount to ensure that the real interest rate is firmly in a positive territory. Staff advises to continue controlling liquidity, including through issuances of CBG bills and sterilization in the case of forex interventions. Such a policy stance would help anchor inflation expectations.

Text Figure 4. The Gambia: Inflation and CBG Nominal and Real Policy Rates, Mar. 2018-Mar. 2023



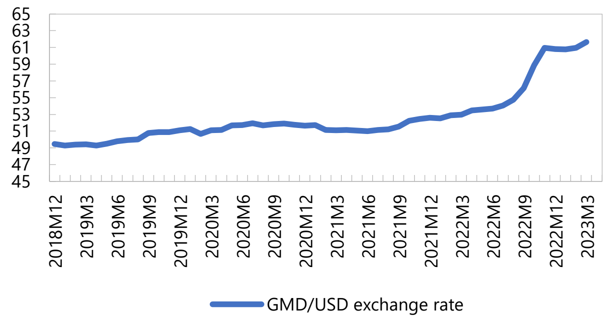
Sources: The Gambian authorities, and IMF staff calculations.

[12] The medium-term fiscal framework is presented in Annex II of the fourth ECF program review.

17. The central bank should pursue recent efforts to ensure that the exchange rate continually reflects market fundamentals (MEFP ¶¶6 and 15, and Text Figure 5). The CBG intends to maintain an exchange rate policy that ensures equilibrium between supply and demand on the foreign exchange market. More specifically, it will ensure that the reference rate is computed and communicated daily based on the actual transactions in the FX market. The CBG's interventions in the FX market should only aim at smoothing excessive market volatility and addressing disorderly market conditions. Further, to prevent miscommunications and a self-fulfilling loss of market trust, it should continue improving its communication strategy to better clarify, through formal letters, its exchange rate policy to market participants. To prevent the resurgence of forex pressures given the ban on timber exports and the end of the tourism season, discussions are underway to resolve the disruptions of cashew exports and improve trade between The Gambia and other ECOWAS countries.

Text Figure 5. The Gambia: CBG Exchange Rate, 2018–2023

(GMD per USD)



18. Efforts should be made towards financial deepening while safeguarding the strength of the financial sector (MEFP ¶16). The authorities are implementing the National Financial Inclusion Strategy (NFIS), with the aim of providing access to the formal financial system for 70 percent of the adult population by 2025, including the most vulnerable groups, women, and youth. They have taken steps to: (1) gauge access to digital financial services through mobile money operators; (2) approve Islamic microfinance guidelines to bridge religious barriers to financial access; and (3) train women organizations on financial services. With the implementation of the NFIS underway, the CBG should enhance the oversight of the non-bank financial sector, especially microfinance companies (MFCs).[13] Following the stress testing exercise of the banking system in 2022, the CBG should remain vigilant and repeat the exercise periodically to account for adverse developments affecting banks' balance sheets, such as growth slowdown, rising domestic inflation and interest rates, and declining households' real income. The CBG should encourage banks and NBFIs to continually report debtor information to the credit reference bureau (CRB), and to consistently use the CRB in credit decisions. There is also a need to enhance knowledge of IFRS by CBG supervisors and banks. Finally, the CBG's protection against cybersecurity should be upgraded as recent attacks have exposed critical weaknesses.

[13] Aggregate data of the six micro-finance companies indicate that non-performing loans rose from 7 percent in December 2021 to 11 percent in December 2022. More due diligence is required as lending in terms of asset quality is informed by poor underwriting standards and asymmetric information is high.

C. SOEs, PFM, Governance, and Structural Reforms

19. The authorities have made significant progress in their legal and judicial reforms, and plan to initiate a new phase of reforms to fully reap the anticipated benefits (MEFP ¶17). Following the adoption of the SOE bill, an SOE commission will be created to strengthen the governance and oversight of SOEs. The authorities plan to extend the use of performance contracts to three more SOEs by end-2023 and aim to roll them out to all SOEs by end-2024, in line with the requirement under the new SOE bill. It would be important to enhance the transparency of SOEs' financial and non-financial information, including through the publication of the relevant documents. The anti-corruption bill, currently at the consideration stage at the National Assembly, will revamp the assets declaration framework and pave the way for the establishment of an anticorruption commission. In the meantime, it would be paramount to expand the use of the investment selection tool under The Gambia Strategic Review Board (GSRB) to domestically financed investment projects, including PPP candidate projects, and enhance reporting on all PPP commitments.[14] Moreover, the PFM act should be swiftly approved, and efforts should be accelerated to implement the program-based budgeting and gender budgeting. These reforms will strengthen the governance framework of The Gambia, boost transparency of public financial management, enhance efficiency of public spending, and reduce corruption risks.

20. Efforts should continue to improve governance and transparency as well as reduce corruption vulnerabilities (MEFP ¶17). The stage two COVID-19 audit report was submitted to the National Assembly and discussions are expected to take place in the next parliamentary session in May-June 2023 to enable its publication. The recent governance diagnostics mission helped identify further areas of reforms, including digitalization and automation of administrative processes, contract enforcement, land tenure, and limits on discretion in public decisions. The authorities intend to publish the report and are eager to implement the recommendations of the report. They have requested support from the IMF to this end. While the authorities have commenced implementing the recommendations of the GIABA mutual evaluation, effectiveness of the AML/CFT framework should be strengthened further, including by drafting legal amendments and ongoing measures to increase the resourcing of key institutions (e.g., the Financial Intelligence Unit).[15]

21. The Recovery-Focused National Development Plan (RF-NDP) has been validated and the business council reactivated to improve the business environment (MEFP ¶18). The government validated the RF-NDP in late 2022, but it is yet to be approved by cabinet and officially launched. In the meantime, the authorities are preparing a financing strategy for the RF-NDP and plan to do preliminary consultations with the development partners ahead of a roundtable conference expected later in the year. The new Vice President reconvened recently the Business

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[14] A PPP bill was developed and is under the approval process; a PPP national policy is under preparation.

[15] Reforms should also focus on improving the application of key preventive measures (for instance, related to politically exposed persons and identification of beneficial ownership information) by reporting entities, enhancing risk-based supervision of higher risk reporting entities (banks, real estate) and increasing capacity for investigations and prosecutions of corruption and money laundering, to fully leverage the anti-money laundering toolkit in anti-corruption efforts.

Council, which was suspended at the onset of the COVID-19 pandemic. Since its inception in 2020, The Gambia’s Women Enterprise Fund has played a significant role in reducing the gender gap in financial access by providing financial literacy training to over 30,000 women and girls as well as loans to over 600 women groups.

22. The Gambia's policies and actions on climate remain compatible with the goals of the 1.5°C Paris climate agreement (MEFP ¶18). The Gambia has relatively high vulnerability to floods and droughts. It has published its US$4 billion Long-Term Climate-Neutral Development Strategy, aiming to achieve its net zero target in 2050. The Gambia (among other countries) will benefit from the West Africa Coastal Areas Resilience Investment Project with US$246 million financed by the World Bank to strengthen coastal resilience.[16] The West African Power Pool has selected a consortium of consultants to provide Transaction Advisory Services to the Gambian authorities for the development of a Regional Solar Park. In February 2023, the authorities launched a US$27 million project for the construction of a 23-megawatts solar plant and an eight megawatts energy storage system, which is part of the electricity restoration and modernization project co-financed by the World Bank and the European Investment Bank.

CAPACITY DEVELOPMENT

23. There is a need to accelerate implementation of capacity development recommendations to address the shortcomings identified in recent missions (Annex III, MEFP ¶19). Recent missions covered the areas of governance diagnostic (corruption vulnerabilities, revenue administration, PFM, central banking, anti-money laundering, financial sector, and rule of law), tax policy (tax exemptions, transfer pricing, and petroleum sector taxation), fuel pricing (pricing mechanism and subsidies), central banking (liquidity forecasting, banking supervision, and cyber security) and macroeconomic statistics. Staff encourages the authorities to swiftly implement the recommendations from these missions, particularly from the governance diagnostic mission. The authorities also benefit from the presence of resident advisors at GRA and CBG.

PROGRAM MODALITIES

24. Program risks and mitigation. Any protraction of the war in Ukraine could intensify pressures on inflation, balance of payments, as well as government revenue and spending. A morose global economic environment and lingering trade disruptions at the borders may slow down tourist arrivals and exports receipts. To mitigate these risks, staff encourages the authorities to bolster domestic revenue mobilization, embrace spending restraint, facilitate sub-regional trade, and strengthen internal and external policy buffers. The authorities should also swiftly implement reform triggers necessary to unlock budget support from development partners. More broadly, it is

[16] In addition, adaptation policies should aim to increase preparedness such as early warning systems. Also, The Gambia ranks low on agricultural adaptation capacity. Planting more drought-resistant and flood-resilient crop varieties would help support agriculture productivity and food security.

paramount to preserve the achievements from this expiring program, maintain prudent macroeconomic policies, and prevent any policy slippages.

25. Capacity to repay. The Gambia's capacity to repay the Fund remains adequate despite high exposure (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. Repayments to the Fund will peak at 4.9 percent of government revenues and 25.8 percent of total debt service in 2028 and 2029, respectively. Nonetheless, The Gambia's good track record of timely repayment of Fund obligations, the authorities' commitment to reforms, including under a potential successor program, and the CBG's continued strengthening of its financial safeguards, are mitigating factors. Staff recommends swiftly executing revenue collection measures, as discussed above, to strengthen capacity to repay.

26. Financing assurances. The program is fully financed with firm commitments in place for the remainder of the program period based on information received from the authorities and development partners. The final disbursement following the completion of the 6th ECF program review will be on-lent to the government. Discussions on debt reconciliation with Libya are ongoing, with the most recent correspondence in March 2022. Regarding arrears to Venezuela, as an update to the information provided in Annex VI of the staff report for the Third ECF-supported program review, virtual meetings were held in early 2022 and a mission is expected in The Gambia. The conditions are met for the Fund to provide financing to The Gambia in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Venezuela.

27. Safeguards. The CBG has implemented most of the 2020 safeguards assessment's recommendations, including the Board's approval of a revised investment policy and guidelines in March 2023. Still, the CBG should make further progress in strengthening capacity in the areas of foreign reserves management and the internal audit function.

28. Overall evaluation and successor program. The implementation period of this expiring program was marked by large multiple exogenous shocks. The program helped The Gambia manage these shocks in a more resilient way relative to peer countries. The authorities have requested a successor program that will support the implementation of their Recovery-Focused National Development Plan (MEFP ¶21). The new program will also draw on lessons learned and outstanding challenges from this expiring program (see Annex IV). Following the completion of this last program review, discussions on a successor program may be initiated tentatively in Q3-Q4 2023. With the 2023 budget already approved and financing well aligned, financing needs and risks in H1 2023 appear manageable.

STAFF APPRAISAL

29. The repercussions of the war in Ukraine continue to adversely weigh on the socio-economic environment despite some positive developments. Economic growth in 2022 remained at its 2021 level at around 4.4 percent as tourist arrivals rebounded but were still below pre-pandemic levels and remittance inflows declined. Inflationary pressures persist, fueled by high global food and fuel prices caused by the war in Ukraine. On the positive side, the Covid-19 pandemic has receded, and the forex shortages experienced in 2022 have eased. The central bank has become a slight net buyer on the foreign exchange market since early 2023; forex reserves stood at 4.8 months of prospective imports in March 2023. The outlook remains clouded by the war in Ukraine which, if protracted, could hinder the tourism sector and further aggravate inflationary pressures, in a context of high risks of domestic and external debt distress, declining international reserves coverage, and widespread poverty and fragilities. Maintaining prudent macroeconomic policies to support economic stability and development remains a priority.

30. Performance under the ECF supported program was broadly satisfactory despite the challenges caused by the repercussions of the war in Ukraine. All but one quantitative performance criterion, and all but one indicative target at end-December 2022 were met. The continuous QPC on external payment arrears was breached as the debt obligations of the utility company (NAWEC) towards the ITFC were paid with delays, due primarily to high fuel prices. To prevent the recurrence of arrears, the authorities increased electricity tariffs in April 2023 to recover costs and NAWEC is rolling out prepaid meters to help reduce leakages. Two structural benchmarks were met, and another one was completed after the deadline.

31. Despite pressures, the fiscal policy will remain anchored on the approved 2023 budget given the high debt vulnerabilities. The authorities have taken steps to significantly reduce fuel revenue losses and secure budgetary resources, including through bank privatization. They are addressing emerging spending pressures to remain within the approved budget envelope. This strategy will help keep the overall fiscal deficit unchanged from the approved budget, given the still high risk of debt distress for both external and overall public debt. To further support debt sustainability, it will be critical to continue focusing on grants and highly concessional loans, limit fiscal risks from SOEs and PPPs, and implement a strong medium-term fiscal framework. This framework should be supported by measures to bolster domestic revenue mobilization (such as streamlining of tax exemptions) and public financial management (such as rigorous appraisal of investment projects).

32. The central bank should remain focused on addressing persistent inflationary pressures, while taking measures to prevent the recurrence of forex shortages. To help fight inflation, the CBG increased its policy rate for a fourth time since mid-2022, to 14 percent in February 2023. If inflationary pressures persist, the CBG should tighten further the monetary policy stance. While the forex shortages observed in H2 2022 have eased, pressures could re-emerge with the end of the tourism season and the ban on timber export due to politico-security concerns. In this regard, the CBG should take all necessary measures to ensure that the exchange rate reflects market forces and fundamentals. The central bank should also accelerate the implementation of the National Financial Inclusion Strategy and strengthen the oversight of the non-bank financial sector.

33. Structural reforms in revenue administration, public financial management, governance and fight against corruption should continue to support the authorities'

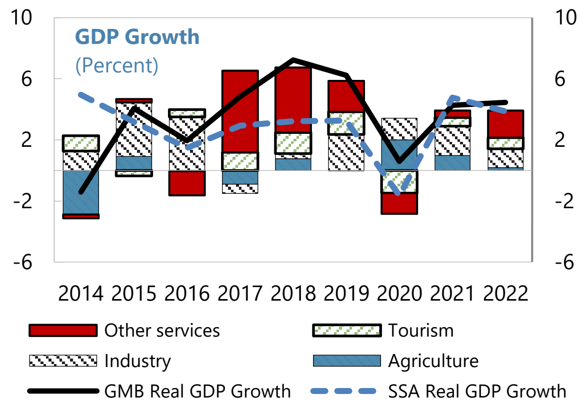
development efforts. Recent progress includes the adoption of the public procurement act and the SOE bill, and the signing of performance contracts with three additional SOEs. This renewed reform momentum should be maintained. The authorities should prepare and enforce the regulations of the newly approved laws. The anti-corruption bill and the new PFM act should be swiftly approved. The adoption of the anti-corruption bill will pave the way for the setting-up of the anti-corruption commission and the strengthening of the asset declaration framework. More broadly, it would be important to implement the recommendations from the recent governance diagnostic mission's report. The newly validated Recovery-Focused National Development Plan should be officially launched, and its implementation initiated.

34. Based on the broadly satisfactory program performance in the context of a challenging environment, and on the authorities' policy commitments, staff supports the completion of the sixth and final review under the ECF arrangement. Staff also supports the request for a waiver of non-observance of a performance criterion considering the minor and temporary nature of the breach in addition to strong corrective measures. As the authorities have requested a successor program, staff will maintain close engagement with the authorities in the coming months with a view to initiating discussions in Q3-Q4 2023.

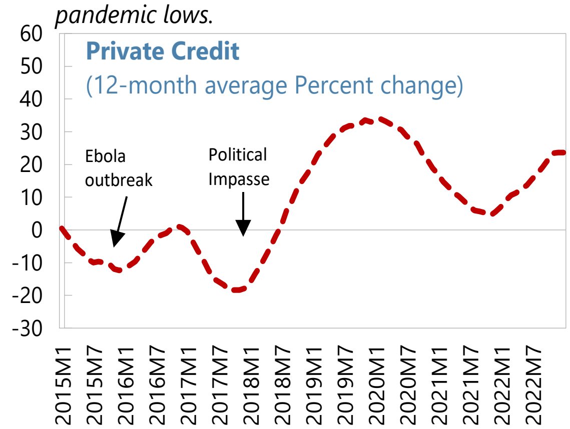
35. Staff recommends that the next Article IV consultation with The Gambia take place within the standard 12-month cycle.

Figure 1. The Gambia: Recent Economic Developments, 2014–23

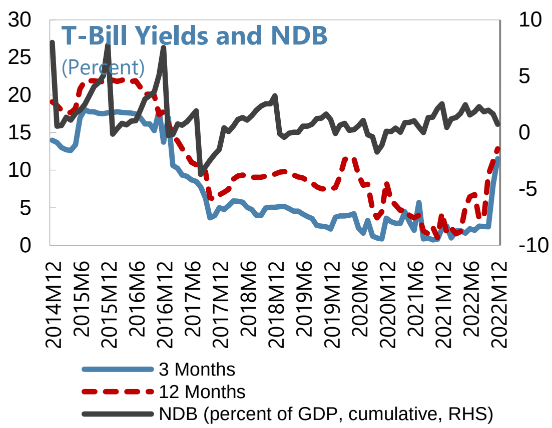
Economic recovery continued in 2022, albeit slower than previously expected...



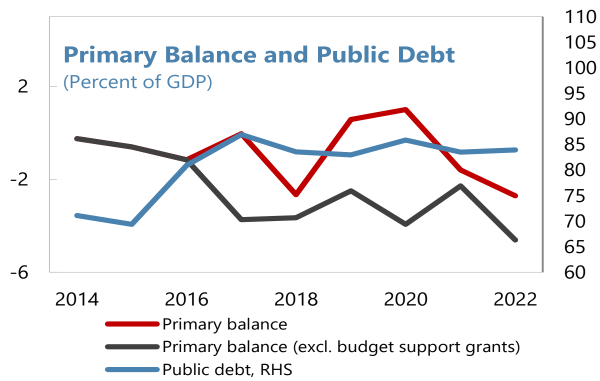
... Supported by private credit pick up from pandemic lows.



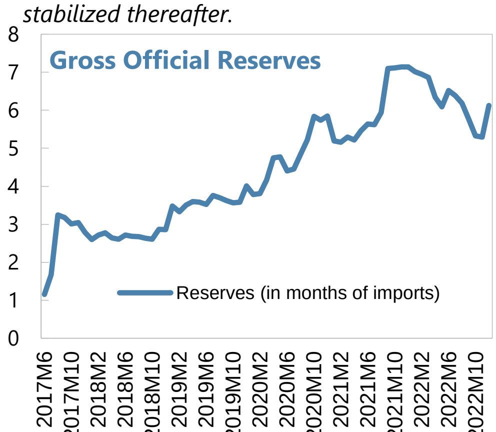
As the central bank began to tighthen monetary



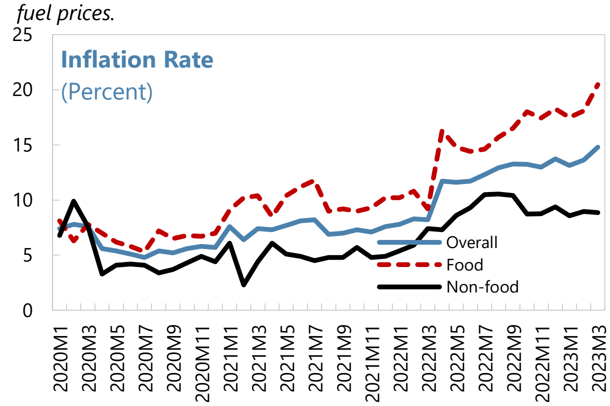
Fiscal pressures from the war in Ukraine worsened fiscal indicators, but public debt stabilized.



Forex reserves declined in 2022 but have broadly stabilized thereafter.



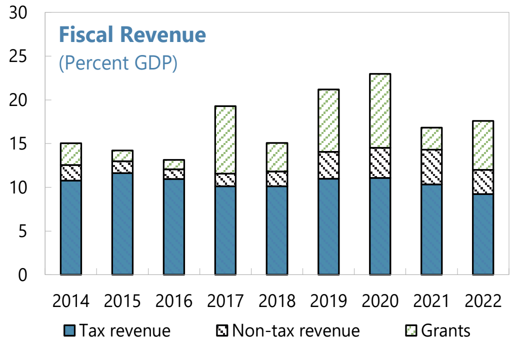
Inflation accelerated, driven primarily by high gobal food and fuel prices.



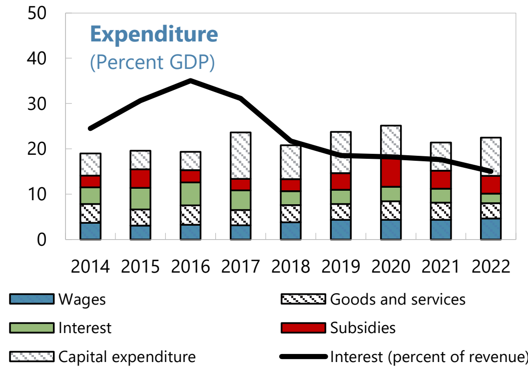
Sources: The Gambian authorities; and IMF staff calculations

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

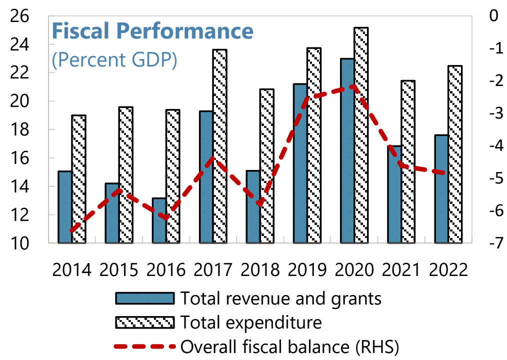
Grants increased in 2022, including supplementary support towards year-end, while domestic revenue declined.



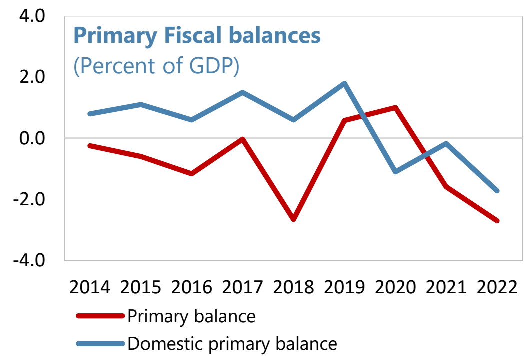
Despite multiple spending pressures, including from an increased wage bill, current spending was reduced…



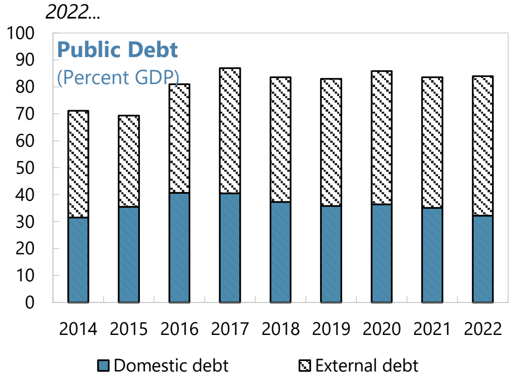
… which helped limit the worsening of the overall fiscal deficit.



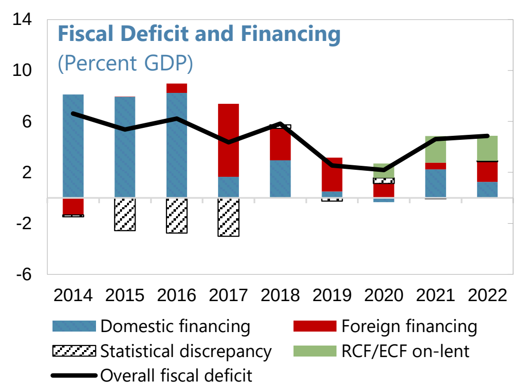
Some other fiscal indicators also weakened due to the shocks.



But total public debt-to-GDP ratio stabilized in 2022…



… despite a large drop in domestic financing.

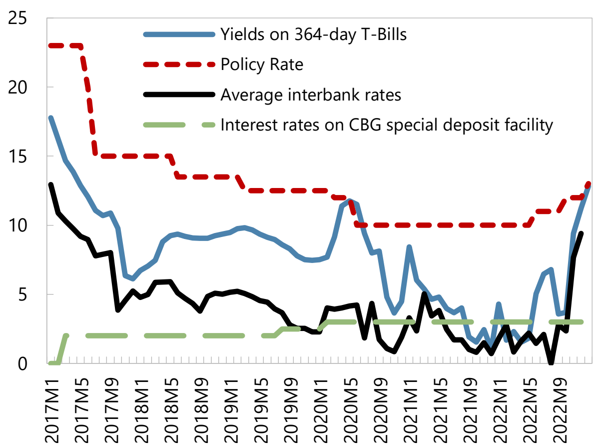


Sources: The Gambian authorities; and IMF staff projections

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

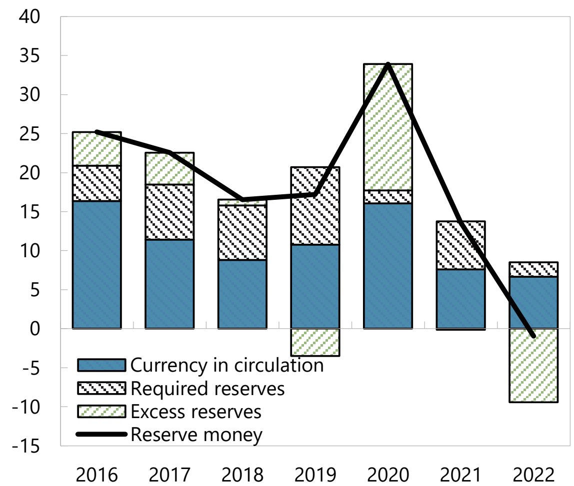
The CBG tightened monetary policy stance in 2022 to tame accelerating inflation triggered by the energy and food crisis

Monetary Policy and Interest Rates (Percent)



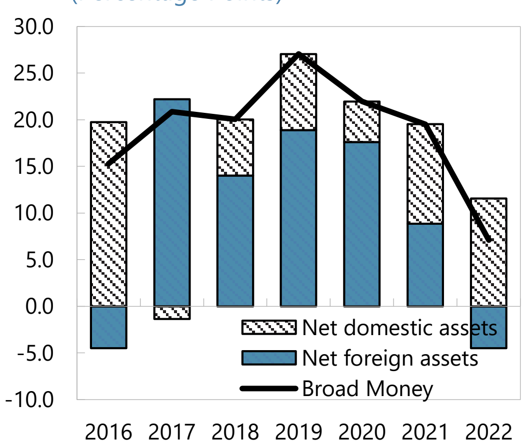
… as the CBG sold forex causing reserve money and bank excess reserve to decline.

Components of Reserve Money Growth
(percentage points)



Broad money growth decelerated in 2022, driven by significant decline in the NFA of the central

Sources of Broad Money Growth
(Percentage Points)



The pickup in inflation coincided somewhat with an acceleration of credit to the private sector.

Inflation and Private Credit (12-month percent change)

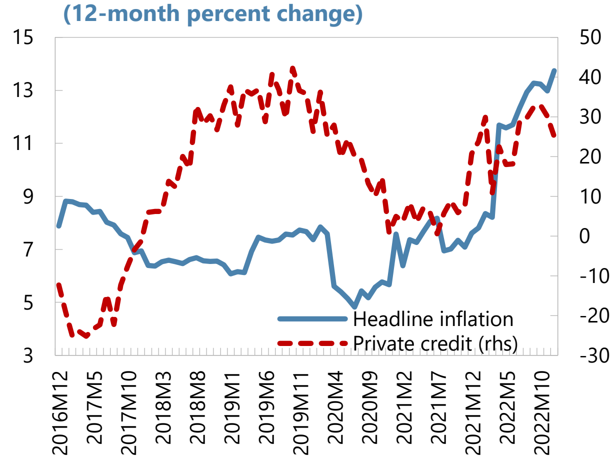
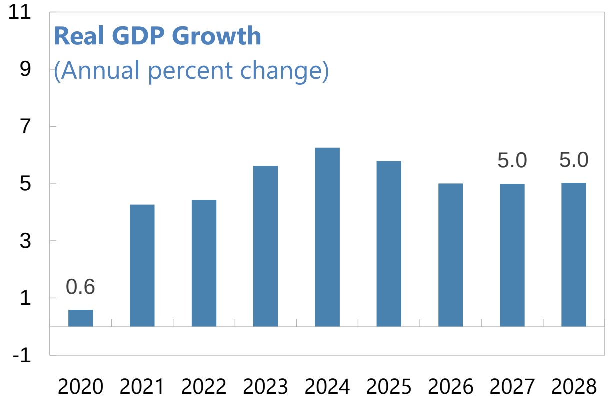
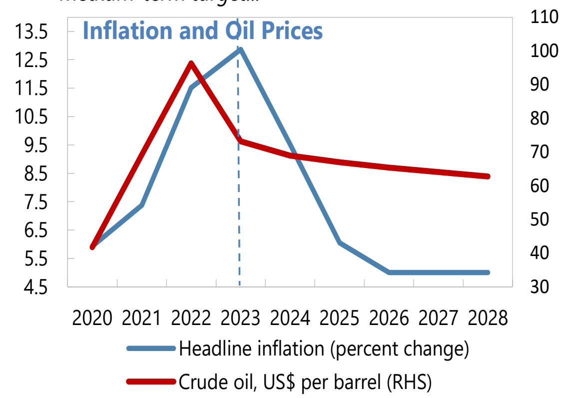


Figure 4. The Gambia: Medium-Term Outlook, 2020–28

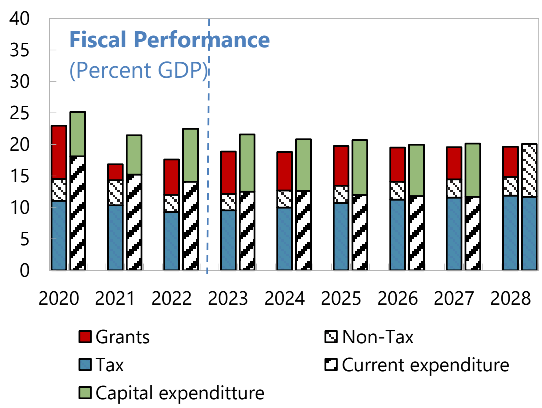
Economic growth is expected to accelerate as the recovery takes hold.



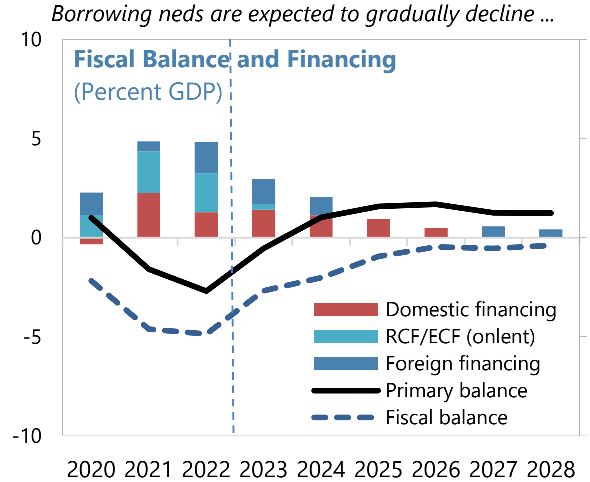
Inflation is expected to peak in 2023, and is projected to gradually converge toward the CBG medium-term target...



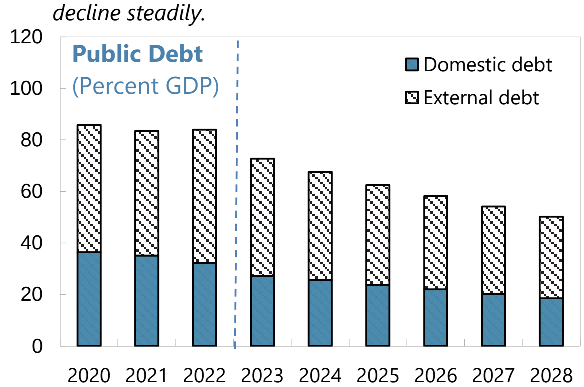
Expenditure restraint and improved tax effort will drive projected fiscal consolidation in the medium term.



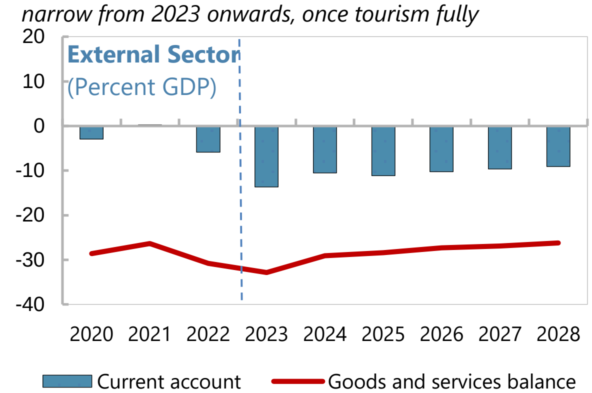
Borrowing neds are expected to gradually decline ...



... 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



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2021–28
(In percent of GDP, unless otherwise indicated)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
					(Percent change; unless otherwise indicated)					
National account and prices										
GDP at constant prices	4.3	4.5	4.4	6.0	5.6	6.3	5.8	5.0	5.0	5.0
GDP deflator	7.8	9.0	10.3	9.3	11.2	7.0	5.1	4.1	4.4	4.6
Consumer prices (average)	7.4	11.3	11.5	11.1	12.9	9.5	6.0	5.0	5.0	5.0
Consumer prices (end of period)	7.6	12.4	13.7	9.7	12.0	7.1	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	6.2	-38.3	-38.6	151.1	151.2	27.4	6.9	5.7	5.7	5.8
Imports, f.o.b (US$ values)	6.9	26.2	22.9	18.3	21.4	10.1	6.1	3.4	5.4	4.7
Terms of trade (deterioration = -)	-7.5	-3.9	-2.2	-1.0	-1.2	-4.0	-1.8	-0.9	2.2	2.8
Real effective exchange rate (depreciation = -)	0.1	…	7.9	…	…	…	…	…	…	…
					(Contributions to broad money growth; percent)					
Money and credit										
Broad money	19.5	4.0	7.1	6.5	11.6	10.7	10.7	6.8	6.1	6.9
Net foreign assets	8.8	-10.7	-4.5	1.6	3.5	4.9	4.1	0.3	0.4	0.5
Net domestic assets	10.7	14.7	11.6	4.8	8.1	5.9	6.6	6.5	5.7	6.4
Of which:										
Credit to central government (net)	9.3	5.5	7.5	3.1	4.8	2.4	2.1	1.0	0.0	0.0
Credit to the private sector (net)	3.1	6.0	3.8	1.7	3.3	3.5	4.5	5.5	5.7	6.4
Velocity (GDP/broad money)	1.7	1.8	1.8	2.0	1.9	2.0	2.0	2.0	2.1	2.1
					(Percent of GDP; unless otherwise indicated)					
Central government finances										
Domestic revenue (taxes and other revenues)	14.3	11.9	12.0	12.5	12.1	12.7	13.5	14.1	14.5	14.8
Of which: Tax Revenue	10.3	9.3	9.2	9.8	9.5	10.0	10.7	11.2	11.6	11.9
Grants	2.5	5.9	5.6	6.6	6.7	6.1	6.3	5.4	5.1	4.8
Total expenditures	21.4	22.7	22.5	21.7	21.6	20.8	20.7	20.0	20.1	20.0
Of which: Interest (percent of government revenue)	21.2	21.4	18.0	16.9	17.6	24.0	18.8	15.3	12.5	11.0
Net lending (+)/borrowing (–)	-4.6	-4.8	-4.9	-2.7	-2.7	-2.0	-1.0	-0.5	-0.6	-0.4
Fiscal financing	4.7	4.8	4.8	2.7	2.7	2.0	0.9	0.5	0.6	0.4
Foreign	0.5	1.1	1.6	1.2	1.3	0.9	0.0	0.0	0.6	0.4
Domestic	4.2	3.8	3.2	1.5	1.4	1.1	0.9	0.5	0.0	0.0
Primary balance	-1.6	-2.3	-2.7	-0.6	-0.6	1.0	1.6	1.7	1.2	1.2
Public debt	83.5	80.8	83.9	75.4	72.8	69.0	64.0	59.8	55.6	51.7
Domestic public debt	35.1	32.4	32.2	29.5	27.3	27.0	25.3	23.6	21.6	19.7
External public debt	48.4	48.4	51.8	45.9	45.5	42.0	38.8	36.2	34.0	32.0
External public debt (millions of US$)	965.9	1003.7	1029.3	1038.2	1,032.2	1,052.1	1,047.1	1,036.3	1,036.3	1,039.0
External current account balance										
Excluding official transfers	-0.5	-16.8	-7.9	-14.6	-14.0	-11.0	-10.8	-9.3	-8.7	-8.1
Including official transfers	-0.1	-14.7	-6.0	-12.6	-11.9	-8.9	-9.5	-8.6	-8.0	-7.5
Gross official reserves (millions of US$)	530.4	424.6	454.7	416.4	471.5	469.7	466.3	452.9	453.5	457.1
(months of next year's imports of goods and services)	7.1	4.8	5.1	4.4	4.9	4.6	4.4	4.0	3.8	3.6
Savings and investment										
Gross investment	22.1	22.2	23.4	22.5	22.9	22.1	23.1	23.1	23.8	24.1
Of which : Central government	6.2	8.9	8.4	9.0	9.1	8.2	8.7	8.2	8.4	8.3
Gross savings	22.1	7.5	17.4	9.9	11.0	13.2	13.6	14.5	15.8	16.6
Memorandum items:										
Nominal GDP (billions of dalasi)	104.9	119.5	120.9	138.5	142.0	161.5	179.6	196.3	215.3	236.4
GDP per capita (US$)	816.4	845.2	830.8	881.7	870.1	932.7	977.2	1,006.5	1,039.6	1,075.4
Use of Fund resources (millions of SDRs)										
Disbursements	35.0	26.4	26.4	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Of which : 2020 RCF	…	…	…	…	…	…	…	…	…	…
Of which : ECF Augmentation	20.0	…	…	…	…	…	…	…	…	…
Repayments	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0	-16.8
CCRT debt relief [1]	4.0	0.8	0.8	…	…	…	…	…	…	…
PV of overall debt-to-GDP ratio	70.8	67.9	69.8	63.3	60.4	57.6	53.7	49.6	45.3	41.1

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.

Table 2a. The Gambia: Statement of Central Government Operations, 2021–28
(Millions of local currency)

	2021	2022		2023		2024	2025	2026	2027	2028
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
Revenue	17,648	21,316	21,292	26,443	26,798	30,286	35,436	38,236	42,106	46,408
Domestic revenue	15,001	14,279	14,501	17,252	17,249	20,479	24,166	27,620	31,118	35,035
Taxes	10,833	11,158	11,164	13,556	13,518	16,133	19,217	22,079	24,894	28,033
Taxes on income, profits, and capital gains	3,254	3,889	3,901	5,055	5,106	5,581	6,502	7,450	8,404	9,495
Domestic taxes on goods and services	4,776	4,781	4,667	5,669	5,572	6,653	8,008	9,262	10,459	11,799
Taxes on international trade and transactions	2,803	2,488	2,596	2,832	2,841	3,898	4,707	5,367	6,031	6,740
Non-tax	4,168	3,121	3,338	3,696	3,731	4,346	4,949	5,541	6,224	7,002
Grants	2,648	7,037	6,790	9,192	9,548	9,807	11,270	10,615	10,988	11,373
Budget support	722	2,471	2,300	2,840	2,951	3,435	2,324	1,350	1,391	1,434
Of which : CCRT[1]	217	58	59	…	…	…	…			
Project grants	1,926	4,566	4,490	6,352	6,597	6,372	8,946	9,265	9,596	9,939
Of which : COVID-19 assistance	241	183	188	…	…	…	…	…	…	…
Expenditures	22,496	27,113	27,174	30,120	30,620	33,561	37,179	39,179	43,305	47,363
Expenses	15,959	16,499	17,034	17,619	17,745	20,311	21,495	23,113	25,158	27,635
Compensation of employees	4,593	5,517	5,627	6,150	6,150	6,772	7,714	8,508	9,291	10,145
Use of goods and services	3,985	3,384	4,057	3,678	3,678	3,786	4,126	4,781	5,557	6,224
Interest	3,180	3,055	2,617	2,910	3,035	4,916	4,546	4,238	3,879	3,851
External	709	605	553	784	674	813	652	695	706	733
Domestic	2,470	2,450	2,064	2,126	2,362	4,102	3,894	3,543	3,174	3,118
Subsidies and transfers	4,201	4,544	4,733	4,882	4,882	4,837	5,109	5,586	6,431	7,415
Net acquisition of nonfinancial assets	6,537	10,613	10,140	12,500	12,876	13,251	15,684	16,066	18,148	19,728
Acquisitions of nonfinancial assets	6,537	10,613	10,140	12,500	12,876	13,251	15,684	16,066	18,148	19,728
Foreign financed[2]	3,363	7,727	7,859	9,613	9,988	10,227	12,918	13,100	14,403	15,429
Gambia local fund	3,174	2,887	2,281	2,887	2,887	3,024	2,766	2,965	3,745	4,299
Net lending (+)/borrowing (–)	-4,848	-5,797	-5,882	-3,676	-3,823	-3,276	-1,743	-943	-1,200	-956
Financing[6]	4,912	5,797	5,813	3,676	3,825	3,278	1,700	940	1,198	958
Net acquisition of financial assets[3]	-180	1,000	-15	-380	-380	0	0	0	0	0
Net incurrence of liabilities	5,092	4,797	5,828	4,056	4,205	3,278	1,700	940	1,198	958
Domestic	4,553	3,506	3,904	2,395	2,415	1,800	1,700	950	0	0
Net borrowing	2,691	1,659	885	2,000	2,800	1,800	1,700	950	0	0
Bank	3,189	1,659	625	2,000	2,800	1,800	1,700	950	0	0
Central Bank of The Gambia	-1,017	0	-421	0	0	0	0	0	0	0
Commercial[4]	4,206	1,659	1,046	2,000	2,800	1,800	1,700	950	0	0
Nonbank	-498	0	260	0	0	0	0	0	0	0
RCF/ECF (onlent) or SDR use	2,205	2,352	2,377	395	415	…	…	…	…	…
Change in arrears/Float[5]	-343	-505	642	0	-800	0	0	0	0	0
Foreign	539	1,291	1,924	1,661	1,789	1,478	0	-10	1,198	958
Borrowing	1,437	3,161	3,369	3,261	3,391	3,855	3,972	4,444	5,596	6,470
Amortization	-898	-1,870	-1,445	-1,600	-1,601	-2,377	-3,972	-4,454	-4,398	-5,512
Exceptional financing (DSSI)	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Primary balance	-1,668	-2,742	-3,266	-766	-787	1,640	2,803	3,295	2,680	2,895
Domestic primary balance	-247	-2,052	-2,197	-345	-347	2,060	4,451	5,780	6,095	6,951
Total debt	87,673	96,598	101,528	104,375	103,391	111,518	115,002	117,409	119,615	122,137
of which: Domestic public debt	36,868	38,787	38,928	40,817	38,729	43,629	45,376	46,400	46,433	46,516
Interest payments as a percent of govt. revenue	21.2	21.4	18.0	16.9	17.6	24.0	18.8	15.3	12.5	11.0
COVID-19 related spending	934	1,297	1,334	…	…	…	…	…	…	…
Overall balance (with CBG recapitalization as transfer)	-5,028	-5,977	-5,882	-3,856	-4,003	-3,276	-1,743	-943	-1,200	-956

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, 2021–28
(Percent of GDP)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
Revenue	16.8	17.8	17.6	19.1	18.9	18.8	19.7	19.5	19.6	19.6
Domestic revenues	14.3	11.9	12.0	12.5	12.1	12.7	13.5	14.1	14.5	14.8
Taxes	10.3	9.3	9.2	9.8	9.5	10.0	10.7	11.2	11.6	11.9
Taxes on income, profits, and capital gains	3.1	3.3	3.2	3.6	3.6	3.5	3.6	3.8	3.9	4.0
Domestic taxes on goods and services	4.6	4.0	3.9	4.1	3.9	4.1	4.5	4.7	4.9	5.0
Taxes on international trade and transactions	2.7	2.1	2.1	2.0	2.0	2.4	2.6	2.7	2.8	2.9
Non-tax	4.0	2.6	2.8	2.7	2.6	2.7	2.8	2.8	2.9	3.0
Grants	2.5	5.9	5.6	6.6	6.7	6.1	6.3	5.4	5.1	4.8
Budget support	0.7	2.1	1.9	2.1	2.1	2.1	1.3	0.7	0.6	0.6
Of which : CCRT[1]	0.2	0.0	0.0	...	...	...	...			
Project support	1.8	3.8	3.7	4.6	4.6	3.9	5.0	4.7	4.5	4.2
Of which : COVID-19 assistance	0.2	0.1	0.1	...	...	...	...	...	...	...
Expenditures	21.4	22.7	22.5	21.7	21.6	20.8	20.7	20.0	20.1	20.0
Expenses	15.2	13.8	14.1	12.7	12.5	12.6	12.0	11.8	11.7	11.7
Compensation of employees	4.4	4.6	4.7	4.4	4.3	4.2	4.3	4.3	4.3	4.3
Use of goods and services	3.8	2.8	3.4	2.7	2.6	2.3	2.3	2.4	2.6	2.6
Interest	3.0	2.6	2.2	2.1	2.1	3.0	2.5	2.2	1.8	1.6
External	0.7	0.5	0.5	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Domestic	2.4	2.0	1.7	1.5	1.7	2.5	2.2	1.8	1.5	1.3
Subsidies and transfers	4.0	3.8	3.9	3.5	3.4	3.0	2.8	2.8	3.0	3.1
Net acquisition of nonfinancial assets	6.2	8.9	8.4	9.0	9.1	8.2	8.7	8.2	8.4	8.3
Acquisitions of nonfinancial assets	6.2	8.9	8.4	9.0	9.1	8.2	8.7	8.2	8.4	8.3
Foreign financed[2]	3.2	6.5	6.5	6.9	7.0	6.3	7.2	6.7	6.7	6.5
Gambia local fund	3.0	2.4	1.9	2.1	2.0	1.9	1.5	1.5	1.7	1.8
Net lending (+)/borrowing (–)	-4.6	-4.8	-4.9	-2.7	-2.7	-2.0	-1.0	-0.5	-0.6	-0.4
Financing[6]	4.7	4.8	4.8	2.7	2.7	2.0	0.9	0.5	0.6	0.4
Net acquisition of financial assets[3]	-0.2	0.8	0.0	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	4.9	4.0	4.8	2.9	3.0	2.0	0.9	0.5	0.6	0.4
Domestic	4.3	2.9	3.2	1.7	1.7	1.1	0.9	0.5	0.0	0.0
Net borrowing	2.6	1.4	0.7	1.4	2.0	1.1	0.9	0.5	0.0	0.0
Bank	3.0	1.4	0.5	1.4	2.0	1.1	0.9	0.5	0.0	0.0
Central Bank of The Gambia	-1.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial[4]	4.0	1.4	0.9	1.4	2.0	1.1	0.9	0.5	0.0	0.0
Nonbank	-0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RCF/ECF (onlent) or SDR use	2.1	2.0	2.0	...	0.3	...	...	...	...	...
Change in arrears/Float [5]	-0.3	-0.4	0.5	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Foreign	0.5	1.1	1.6	1.2	1.3	0.9	0.0	0.0	0.6	0.4
Borrowing	1.4	2.6	2.8	2.4	2.4	2.4	2.2	2.3	2.6	2.7
Amortization	-0.9	-1.6	-1.2	-1.2	-1.1	-1.5	-2.2	-2.3	-2.0	-2.3
Exceptional financing (DSSI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Primary balance	-1.6	-2.3	-2.7	-0.6	-0.6	1.0	1.6	1.7	1.2	1.2
Domestic primary balance	-0.2	-1.7	-1.8	-0.2	-0.2	1.3	2.5	2.9	2.8	2.9
Total debt	83.5	80.8	83.9	75.4	72.8	69.0	64.0	59.8	55.6	51.7
of which: Domestic public debt	35.1	32.4	32.2	29.5	27.3	27.0	25.3	23.6	21.6	19.7
Interest payments as a percent of govt. revenue	21.2	21.4	18.0	16.9	17.6	24.0	18.8	15.3	12.5	11.0
COVID-19 related spending	0.9	1.1	1.1	...	...	...	...	...	...	...
Overall balance (with CBG recapitalization as transfer)	-4.8	-4.9	-4.9	-2.7	-2.8	-2.0	-1.0	-0.5	-0.6	-0.4

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.

[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. In 2022 payment floats amounted to 0.7 percent of GDP.

[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
	Est.	Est.	Est.	Prog.	Prel.	Proj.	Proj.	Proj.	Proj.
Revenue	5,196	10,245	14,332	21,316	21,292	5,483	12,826	19,234	26,798
Domestic revenue	3,702	6,884	10,238	14,279	14,501	4,691	9,027	13,076	17,249
Taxes	2,995	5,569	8,206	11,158	11,164	3,658	7,105	10,221	13,518
Taxes on income, profits, and capital gains	1,100	2051	2,994	3,889	3,901	1,515	2,930	4,014	5,106
Domestic taxes on goods and services	1,190	2240	3,378	4,781	4,667	1,421	2,841	4,186	5,572
Taxes on international trade and transactions	706	1278	1,834	2,488	2,596	722	1,334	2,021	2,841
Non-tax	707	1315	2,032	3,121	3,338	1,033	1,922	2,855	3,731
Grants	1,493	3,362	4,093	7,037	6,790	792	3,799	6,158	9,548
Budget support[1]	0	1028	1,028	2,471	2,300	0	1,235	1,945	2,951
Project grants	1,493	2334	3,066	4,566	4,490	792	2,564	4,213	6,597
Expenditures	7,733	13,519	19,077	27,113	27,174	7,773	15,464	22,633	30,622
Expenses	4,622	8,615	12,620	16,499	17,034	4,390	8,862	12,841	17,745
Compensation of employees	1,316	2659	4,092	5,517	5,627	1,538	3,075	4,613	6,150
Use of goods and services	648	1584	2,442	3,384	4,057	736	1,728	2,464	3,678
Interest	978	1,440	2,254	3,055	2,617	784	1,543	2,302	3,035
External	151	284	441	605	553	135	303	472	674
Domestic	826	1156	1,813	2,450	2,064	649	1,240	1,830	2,362
Subsidies and transfers	1,681	2932	3,832	4,544	4,733	1,333	2,516	3,462	4,882
Net acquisition of nonfinancial assets	3,111	4,905	6,457	10,613	10,140	3,382	6,602	9,792	12,878
Acquisitions of nonfinancial assets	3,111	4,905	6,457	10,613	10,140	3,382	6,602	9,792	12,878
Foreign financed	2,021	3327	4,516	7,727	7,859	2,747	5,244	7,741	9,988
Gambia local fund	1,091	1578	1,941	2,887	2,281	636	1,358	2,051	2,889
Net lending (+)/borrowing (–)	-2,538	-3,274	-4,746	-5,797	-5,882	-2,290	-2,638	-3,399	-3,825
Financing[2]	2,914	3,321	3,746	5,797	5,813	2,290	2,638	3,399	3,825
Net acquisition of financial assets	0	0	0	1,000	-15	-140	-190	-330	-380
Net incurrence of liabilities	2,914	3,321	3,746	4,797	5,828	2,430	2,828	3,729	4,205
Domestic	2,673	2,935	3,283	3,506	3,904	2,072	2,090	2,444	2,415
Net borrowing	1,617	1,806	2,233	1,659	885	2,272	2,075	2,628	2,800
Bank	1,964	2,294	2,343	1,659	625	2,272	2,075	2,628	2,800
Central bank	654	838	-718	0	-421	0	0	0	0
Commercial banks	1,311	1456	3,061	1,659	1,046	2,272	2,075	2,628	2,800
Nonbank	-347	-488	-110	0	260	0	0	0	0
RCF/ECF/SDR (onlent)	1,060	1431	1,431	2,352	2,377	0	415	415	415
Change in arrears	-4	-303	-381	-505	642	-200	-400	-600	-800
Foreign	241	386	463	1,291	1,924	358	738	1,285	1,789
Borrowing	527	993	1,450	3,161	3,369	678	1,356	2,374	3,391
Amortization	-286	-607	-987	-1,870	-1,445	-320	-618	-1,088	-1,601
Exceptional Financing (DSSI)	0	0	0	0	0	0	0	0	0
Statistical discrepancy	-377	-47	1,000	0	69	0	0	0	0
Memorandum items:									
Primary balance	978	1,440	2,254	-2,742	-3,266	-1,505	-1,095	-1,097	-789
Domestic primary balance	1,505	1,405	2,677	-2,052	-2,197	450	350	486	-349
Overal balance (with CBG recapitalization as transfer)	-2,538	-3,274	-4,746	-5,977	-5,882	-2,290	-2,728	-3,399	-4,005

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, 2021–28[1]

(Millions of local currency, unless otherwise indicated)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
I. Monetary Survey										
Net foreign assets	28,953	22,289	26,146	23,359	28,512	32,136	35,547	35,831	36,237	36,797
(in millions of U.S. dollars)	559	430	504	382	455	498	535	523	513	506
Of which : CBG	330	213	266	204	282	286	290	290	311	313
Net domestic assets	33,541	42,753	40,771	45,891	46,186	50,577	56,006	61,973	67,504	74,118
Domestic credit	39,979	49,949	49,591	53,087	55,006	59,397	64,825	70,793	76,323	82,938
Claims on central government (net)	30,290	33,750	34,961	35,750	38,176	39,976	41,676	42,626	42,626	42,626
Claims on other public sector[2]	281	3,000	2,868	3,000	2,868	2,868	2,868	2,868	2,868	2,868
Claims on private sector	9,408	13,198	11,762	14,337	13,961	16,552	20,281	25,298	30,829	37,443
Other items (net)[3]	-6,438	-7,196	-8,819	-7,196	-8,819	-8,819	-8,819	-8,819	-8,819	-8,819
Broad money	62,494	65,041	66,917	69,250	74,699	82,713	91,553	97,804	103,740	110,915
Currency outside banks	11,487	10,828	12,890	9,854	12,389	11,508	11,086	10,240	10,483	9,865
Deposits	51,007	54,213	54,027	59,396	62,310	71,205	80,467	87,565	93,257	101,050
II. Central Bank Survey										
Net foreign assets	17,105	11,047	13,813	10,551	14,612	14,807	15,017	15,032	16,117	16,222
Foreign assets	29,090	23,611	29,044	23,183	29,912	29,819	29,643	28,948	28,981	29,244
Foreign liabilities	-11,985	-12,563	-15,231	-12,632	-15,300	-15,012	-14,626	-13,916	-12,864	-13,022
Net domestic assets	4,019	7,956	7,115	7,982	8,822	9,447	9,962	9,984	10,009	10,037
Domestic credit	5,759	8,980	9,779	9,006	10,223	10,249	10,273	10,295	10,320	10,349
Claims on central government (net)	7,014	8,815	9,618	8,815	10,034	10,034	10,034	10,034	10,034	10,034
Of which: IMF on-lending since 2020	3,261	5,614	5,638	5,614	6,053	6,053	6,053	6,053	6,053	6,053
Claims on private sector	165	165	161	191	189	215	239	261	286	315
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0
Other items (net)	-1,739	-1,024	-2,665	-1,024	-1,401	-802	-311	-311	-311	-311
Reserve money	21,124	19,003	20,928	19,740	23,434	24,254	24,979	25,016	26,126	26,260
Currency outside banks	11,487	10,828	12,890	9,854	12,389	11,508	11,086	10,240	10,483	9,865
Commercial bank deposits	9,637	8,175	8,038	8,679	11,045	12,746	13,893	14,776	15,643	16,394

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, 2021–28[1]
(Percent changes, unless otherwise indicated)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
				I. Monetary Survey						
				(Percent change; contribution to broad money growth)						
Broad money	19.5	4.0	7.1	6.5	11.6	10.7	10.7	6.8	6.1	6.9
Net foreign assets	8.8	-10.7	-4.5	1.6	3.5	4.9	4.1	0.3	0.4	0.5
Net domestic assets	10.7	14.7	11.6	4.9	8.1	5.9	6.6	6.5	5.7	6.4
				II. Central Bank Survey						
				(Percent change; contribution to reserve money growth)						
Reserve money	13.6	-10.0	-0.9	-2.5	12.0	3.5	3.0	0.2	4.4	0.5
Net foreign assets	17.9	-28.7	-15.6	-2.6	3.8	0.8	0.9	0.1	4.3	0.4
Net domestic assets	-4.3	18.6	14.7	0.1	8.2	2.7	2.1	0.1	0.1	0.1
				(Percent change; unless otherwise indicated)						
Memorandum Items:										
Credit to the private sector	20.7	40.0	25.0	8.6	18.7	18.6	22.5	24.7	21.9	21.5
Currency in circulation	14.1	-5.8	12.2	-9.0	-3.9	-7.1	-3.7	-7.6	2.4	-5.9
Demand deposits	23.7	3.8	7.8	9.6	15.3	9.7	13.0	8.8	6.5	8.4
Time and savings deposits	18.5	8.4	4.3	9.6	15.3	18.4	13.0	8.8	6.5	8.4
Net international reserves (stocks; millions of U.S. dollars)	427.7	299.6	325.9	290.0	347.7	295.1	291.4	285.0	293.8	324.5
Money velocity (levels)	1.7	1.8	1.8	2.0	1.9	2.0	2.0	2.0	2.1	2.1
Money multiplier (levels)	3.0	3.4	3.2	3.7	3.2	3.4	3.7	3.9	4.0	4.2
Broad money (percent of GDP)	59.5	54.4	55.3	50.0	52.6	51.2	51.0	49.8	48.2	46.9
Credit to the private sector (percent of GDP)	9.0	11.0	9.7	10.3	9.8	10.2	11.3	12.9	14.3	15.8
Central government financing (flows; millions of dalasi)	6,656	7,273	7,704	7,614	8,438	7,438	7,338	6,588	5,638	5,638
Net domestic borrowing from the banking system	3,395	1,659	2,067	2,000	2,800	1,800	1,700	950	0	0
Central bank	-250	0.0	0	0	0	0	0	0	0	0
Change in claims	0.0	0.0	0	0	0	0	0	0	0	0
Change in deposits	-250	0.0	0	0	0	0	0	0	0	0
Commercial banks	3,645	1,659	2,067	2,000	2,800	1,800	1,700	950	0	0
IMF (onlent since 2020) [2]	3,261	5,614	5,638	5,614	5,638	5,638	5,638	5,638	5,638	5,638
RCF 2020 (onlent)	…	…	…	…	…	…	…	…	…	…
ECF (second and third disbursements onlent)	2,205	…	…	…	…	…	…	…	…	…
of which: augmentation	1,470	…	…	…	…	…	…	…	…	…
ECF disbursements and SDR general allocation (onlent	…	2,352	2,377	…	…	…	…	…	…	…

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

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.	Prel.
			I. Monetary Survey			
Net foreign assets	24,330	28,953	27,058	24,819	21,991	26,146
(in millions of U.S. dollars)	471	550	514	472	418	497
Of which : CBG	267	325	308	288	252	263
Net domestic assets	27,958	33,541	38,111	39,709	42,042	40,771
Domestic credit	33,277	40,566	45,777	35,855	49,238	49,591
Claims on central government (net)	25,417	30,877	34,378	34,897	35,209	34,961
Claims on other public sector[2]	68	281	2,550	3,157	2,956	2,868
Claims on private sector	7,792	9,408	8,848	9,634	11,074	11,762
Other items (net)[3]	-5,319	-7,026	-7,666	-7,978	-7,196	-8,819
Broad money	52,288	62,494	65,168	64,529	64,033	66,917
Currency outside banks	10,072	11,487	11,956	12,295	10,642	12,890
Deposits	42,216	51,007	53,213	52,233	53,391	54,027
			II. Central Bank Survey			
Net foreign assets	13,781	17,105	16,221	15,164	13,237	13,813
Foreign assets	19,120	29,090	28,142	27,050	25,155	29,044
Foreign liabilities	-5,339	-11,985	-11,921	-11,887	-11,918	-15,231
Net domestic assets	4,814	4,019	5,752	6,652	6,887	7,115
Domestic credit	5,940	5,759	7,792	8,546	7,912	9,779
Claims on central government (net)	5,786	7,014	8,650	9,320	7,747	9,618
Assets	11,621	13,616	14,352	14,722	14,542	16,108
Liabilities	-5,835	-6,602	-5,702	-5,402	-6,795	-6,490
Claims on deposit corporations	0	-1,420	-1,020	-940	0	0
Claims on private sector	154	165	162	166	164	161
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	-2,665
Reserve money	18,595	21,124	21,974	21,816	20,124	20,928
Currency outside banks	10,072	11,487	11,956	12,295	10,642	12,890
Commercial bank deposits	8,523	9,637	10,018	9,520	9,482	8,038
			III. Commercial Banks Balance Sheet			
Net foreign assets	10,549	11,848	10,836	9,655	8,754	12,333
Foreign assets	11,871	14,079	13,819	12,597	11,756	13,831
Foreign liabilities	-1,322	-2,230	-2,983	-2,942	-3,002	-1,498
Net domestic assets	31,668	39,159	42,376	42,578	44,637	41,694
Net domestic claims	35,860	42,437	48,003	48,662	50,808	47,849
Claims on central bank	8,523	9,637	11,038	10,460	9,482	8,038
Net claims on government	19,631	23,276	25,729	25,577	27,461	25,342
Claims	19,631	23,276	25,729	25,577	27,461	25,342
Liabilities	0	0	0	0	0	0
Claims on other sectors	7,706	9,524	11,236	12,625	13,865	14,469
Claims on public nonfinancial corporations	68	281	2,550	3,157	2,956	2,868
Claims on private sector	7,638	9,244	8,686	9,468	10,909	11,601
Other items net	-4,193	-3,278	-5,627	-6,084	-6,172	-6,155
Liabilities	42,216	51,007	53,213	52,233	53,391	54,027
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	54,027

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, 2021–28
(Millions of U.S. dollars, unless otherwise indicated)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
1. Current account										
A. Goods and services	-535.7	-745.7	-656.4	-754.2	-754.9	-738.2	-778.3	-793.9	-832.8	-864.4
Goods (net)	-525.2	-713.1	-693.3	-779.4	-780.0	-837.7	-887.4	-913.7	-963.0	-1006.2
Exports, f.o.b.	77.8	48.0	47.8	120.6	120.0	152.9	163.5	172.7	182.6	193.1
Imports, f.o.b.	-603.0	-761.1	-741.1	-900.0	-900.0	-990.6	-1050.8	-1086.5	-1145.5	-1199.3
Services (net)	-10.5	-32.6	37.0	25.3	25.1	99.4	109.1	119.9	130.2	141.8
Services exports	108.9	118.9	187.3	187.8	187.6	273.4	293.0	312.7	333.7	356.1
Of which: Travel income	58.0	71.5	135.0	130.0	130.0	208.1	222.9	238.6	255.3	273.2
Services imports	-119.4	-151.5	-150.3	-162.5	-162.5	-173.9	-183.9	-192.8	-203.5	-214.3
B. Income (net)	-32.1	-32.4	-32.4	-31.2	-31.2	-32.4	-33.5	-34.8	-36.1	-37.6
Income credits	2.5	2.5	2.5	2.4	2.4	2.5	2.6	2.7	2.8	2.9
Income debits	-34.6	-34.9	-34.9	-33.7	-33.7	-34.9	-36.2	-37.5	-39.0	-40.5
C. Current transfers	566.3	458.3	559.9	492.0	512.0	545.5	551.2	577.6	620.3	654.4
Official transfers	9.7	43.8	40.0	47.8	47.8	54.0	35.5	20.0	20.0	20.0
Of which : COVID-19 assistance	…	…	…	…	…	…	…	…	…	…
Remittances	544.0	401.6	507.0	430.0	450.0	476.9	500.8	542.3	584.6	618.3
Other transfers	12.6	12.9	12.9	14.2	14.2	14.6	14.9	15.3	15.7	16.1
Current account (excl. official transfers)	-11.2	-363.6	-168.9	-341.2	-321.9	-279.1	-296.1	-271.0	-268.7	-267.6
Current account (incl. prospective official transfers)	-1.5	-319.8	-128.9	-293.4	-274.1	-225.1	-260.6	-251.0	-248.7	-247.6
2. Capital and financial account										
A. Capital account	103.6	82.9	82.7	106.9	106.9	100.2	136.6	137.2	137.9	138.6
B. Financial account	224.4	97.4	-93.5	177.0	182.7	127.4	126.7	112.1	129.0	135.0
Foreign direct investment	99.3	99.7	99.7	108.1	108.1	116.0	122.3	127.8	134.2	141.3
Portfolio investment	3.9	4.1	4.1	4.4	4.4	4.8	5.2	5.5	5.9	6.3
Other investment	121.2	-6.4	-197.2	64.4	70.2	6.6	-0.8	-21.2	-11.1	-12.5
Capital and financial account	327.9	180.2	-10.7	283.9	289.6	227.7	263.3	249.4	267.0	273.6
Errors and omissions	-204.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	112.4	-183.4	-179.6	-57.3	-32.3	-51.4	-32.8	-21.7	-1.7	6.0
Financing	-112.4	183.4	179.6	57.3	32.3	50.6	31.9	20.7	0.7	-6.0
Net international reserves (increase -)	-133.8	138.6	138.6	9.5	-15.5	-3.5	-3.6	0.7	-19.3	-26.0
Change in gross international reserves	-178.3	105.8	106.0	8.3	-16.8	1.8	3.4	13.4	-0.6	-3.6
Use of IMF resources (net)	44.5	32.8	32.6	1.3	1.3	-5.3	-7.0	-12.7	-18.7	-22.4
Exceptional financing	5.6	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : CCRT debt relief[2]	5.6	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : DSSI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prospective donor financing	15.8	43.8	40.0	47.8	47.8	54.0	35.5	20.0	20.0	20.0
Budget support grants	9.7	43.8	40.0	47.8	47.8	54.0	35.5	20.0	20.0	20.0
Project support grants	6.1	…	…	…	…	…	…	…	…	…
Memorandum items:										
Gross international reserves										
US$ millions	530.4	424.6	454.7	416.4	471.5	469.7	466.3	452.9	453.5	457.1
Months of next year's imports of goods and services	7.1	4.8	5.1	4.4	4.9	4.6	4.4	4.0	3.8	3.6
Gross international reserves (w/o SDR allocation)	445.4	339.6	369.7	331.4	386.5	384.7	381.3	367.9	368.5	372.1
Months of next year's imports of goods and services	6.0	3.8	4.2	3.5	4.0	3.7	3.6	3.3	3.1	2.9
Net international reserves										
US$ millions	427.7	299.6	325.9	290.0	347.7	295.1	291.4	285.0	293.8	324.5
Months of next year's imports of goods and services	5.8	3.4	3.7	3.1	3.6	2.9	2.7	2.5	2.5	2.6
Net international reserves (w/o SDR allocation)	342.7	214.6	240.9	205.0	262.7	210.1	206.4	200.0	208.8	239.5
Months of next year's imports of goods and services	4.6	2.4	2.7	2.2	2.7	2.0	1.9	1.8	1.8	1.9
Exports of goods and services	186.7	166.9	235.0	308.3	307.6	426.2	456.5	485.4	516.2	549.2
Imports of goods and services	-722.4	-912.6	-891.4	-1062.5	-1062.5	-1164.5	-1234.7	-1279.3	-1349.0	-1413.6
GMD per U.S. dollar, period average	51.6	…	56.7	…	…	…	…	…	…	…
External Debt service	59.5	65.9	76.6	40.2	71.3	54.8	76.0	87.7	91.6	105.9
NIR/External Debt Service (ratio)	7.2	4.6	4.2	7.2	4.8	6.2	4.6	3.9	4.0	3.7

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

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

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

Table 6b. The Gambia: Balance of Payments, 2021–28

(Percent of GDP)

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
1. Current account										
A. Goods and services	-26.3	-34.4	-30.8	-32.3	-32.8	-29.1	-28.4	-27.3	-26.9	-26.2
Goods (net)	-25.8	-32.9	-32.5	-33.4	-33.9	-33.0	-32.4	-31.4	-31.1	-30.5
Exports, f.o.b.	3.8	2.2	2.2	5.2	5.2	6.0	6.0	5.9	5.9	5.9
Imports, f.o.b.	-29.6	-35.1	-34.7	-38.6	-39.1	-39.0	-38.3	-37.4	-37.0	-36.4
Services (net)	-0.5	-1.5	1.7	1.1	1.1	3.9	4.0	4.1	4.2	4.3
Services exports	5.4	5.5	8.8	8.1	8.2	10.8	10.7	10.8	10.8	10.8
Of which: Travel income	2.9	3.3	6.3	5.6	5.7	8.2	8.1	8.2	8.2	8.3
Services imports	-5.9	-7.0	-7.0	-7.0	-7.1	-6.8	-6.7	-6.6	-6.6	-6.5
B. Income (net)	-1.6	-1.5	-1.5	-1.3	-1.4	-1.3	-1.2	-1.2	-1.2	-1.1
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.7	-1.6	-1.6	-1.4	-1.5	-1.4	-1.3	-1.3	-1.3	-1.2
Of which: Interest on government debt	0.5	0.5	0.5	0.6	0.4	0.5	0.4	0.4	0.3	0.3
C. Current transfers	27.8	21.1	26.3	21.1	22.3	21.5	20.1	19.9	20.0	19.8
Official transfers	0.5	2.0	1.9	2.1	2.1	2.1	1.3	0.7	0.6	0.6
Of which : COVID-19 assistance	…	…	…	…	…	…	…			
Remittances	26.7	18.5	23.8	18.4	19.6	18.8	18.3	18.6	18.9	18.8
Other transfers	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Current account (excl. official transfers)	-0.5	-16.8	-7.9	-14.6	-14.0	-11.0	-10.8	-9.3	-8.7	-8.1
Current account (incl. prospective official transfers)	-0.1	-14.7	-6.0	-12.6	-11.9	-8.9	-9.5	-8.6	-8.0	-7.5
2. Capital and financial account										
A. Capital account	5.1	3.8	3.9	4.6	4.6	3.9	5.0	4.7	4.5	4.2
B. Financial account	11.0	4.5	-4.4	7.6	7.9	5.0	4.6	3.9	4.2	4.1
Foreign direct investment	4.9	4.6	4.7	4.6	4.7	4.6	4.5	4.4	4.3	4.3
Portfolio investment	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	6.0	-0.3	-9.2	2.8	3.1	0.3	0.0	-0.7	-0.4	-0.4
Capital and financial account	16.1	8.3	-0.5	12.2	12.6	9.0	9.6	8.6	8.6	8.3
Errors and omissions	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	5.5	-8.5	-8.4	-2.5	-1.4	-2.0	-1.2	-0.7	-0.1	0.2

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, 2021–23
(Millions of U.S. dollars)

	2021	2022		2023	
	Prel.	Prog.	Prel.	Prog.	Proj.
1. Total financing requirement	-238.8	-312.1	-157.6	-359.8	-397.8
Current account deficit (excl. official transfers)	-11.2	-363.6	-168.9	-341.2	-321.9
Public debt amortization	-44.1	-51.4	-61.6	-21.5	-53.7
Repayment to the IMF	-5.2	-2.9	-2.9	-5.5	-5.4
Change in official reserves	-178.3	105.8	75.7	8.3	-16.8
Arrears repayment	…	…	…	…	…
2. Total financing sources	167.5	231.7	81.3	305.4	343.3
Capital transfers	103.6	82.9	82.7	106.9	106.9
Foreign direct investment (net)	99.3	99.7	99.7	108.1	108.1
Portfolio investment (net)	3.9	4.1	4.1	4.4	4.4
Public sector debt financing	99.2	57.4	57.4	54.9	54.9
Other net capital inflows[1]	-138.4	-12.3	-162.6	31.1	69.0
3. Total financing needs	71.3	80.4	76.4	54.4	54.5
Budget support (grants)	9.7	43.8	40.0	47.8	47.8
European Union	9.7	0.0	0.0	21.3	14.0
African Development Bank	…	0.0	0.0	5.8	7.0
Other	0.0	43.8	40.0	20.7	26.8
Other current transfers	6.1	…	…	…	…
IMF disbursements	49.9	35.5	35.3	6.6	6.7
Of which : ECF augmentation	28.5	21.0	21.0	…	…
Exceptional financing	5.6	1.0	1.0	0.0	0.0
Of which : CCRT debt relief[2]	5.6	1.0	1.0	0.0	0.0
DSSI	0.0	0.0	0.0	0.0	0.0
4. Financing needs	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Total WB financing	81.7	111.7	111.7	125.9	125.9
COVID-19 assistance	6.1	…	…	…	…
Budget support augmentation[3]	…	…	…	…	…
Of which : European Union	…	…	…	…	…
African Development Bank	…	…	…	…	…
World Bank	6.1	…	…	…	…
Of which : Health Fast-Track Facility	…	…	…	…	…
Social Safety Net Project	6.1	…	…	…	…
Education Sector Response Project	…	…	…	…	…

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, 2022–2024[1]

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	1,669.3	100.0	83.7	124.2	183.8	152.3	6.6	8.2	6.2
External	1,029.3	61.7	51.6	69.4	84.3	48.7	3.9	3.8	2.0
Multilateral creditors	701.5	42.0	35.2	45.0	55.9	33.1	2.6	2.5	1.3
IMF	129.5	7.8	6.5						
World Bank	127.2	7.6	6.4						
ADB/AfDB/IADB	52.0	3.1	2.6						
Other Multilaterals	392.8	23.5	19.7						
o/w: IsDB and OFID	226.5	13.6	11.4						
Bilateral Creditors	300.0	18.0	15.0	21.9	25.0	11.4	1.1	1.1	0.5
Paris Club	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.4	0.0	0.0						
Non-Paris Club	299.6	17.9	15.0	21.9	25.0	11.4	1.1	1.1	0.5
o/w: Saudi and Kuwait Fund	156.3	9.4	7.8						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	27.7	1.7	1.4	2.5	3.4	4.2	0.1	0.1	0.2
o/w: M.A. Kharafi and Sons	27.7	1.7	1.4	2.5	3.4	4.2			
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	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by residents, total[4]	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by non-residents, total[4]	-	0	0	0	0	0	0	0	0
T-Bills	288.8	17.3	14.5	12.1	21.4	22.6	0.6	1.0	0.9
Bonds	351.2	21.0	17.7	42.8	78.1	81.0	2.2	3.5	3.3
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	2,132.5	127.7	100.0						

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

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

[3] Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

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

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

	2015	2016	2017	2018	2019	2020	2021			
	December						Mar.	Jun.	Sep.	Dec.
	(Percent, unless otherwise indicated)									
Capital ratios										
Capital adequacy ratio	33.1	38.2	33.6	31.7	31.4	32.6	31.8	28.3	27.3	29.0
Regulatory capital ratio (i.e., T1+T2)	34.8	39.8	35.1	33.0	32.7	33.8	32.9	29.5	28.5	30.6
Primary capital ratio (i.e., T1)	31.4	35.9	31.9	30.3	30.1	31.1	30.4	27.0	26.0	27.3
Non-performing loans/Primary capital	7.9	9.8	6.8	3.4	5.8	7.8	8.9	6.4	7.1	4.7
Sectoral distribution of credit										
Agriculture and fishing	3.6	6.5	8.5	1.7	2.0	3.8	3.5	2.7	0.3	0.3
Manufacturing industries	3.4	0.7	0.7	0.4	1.2	1.0	2.2	4.2	1.0	1.0
Building and construction	8.5	9.9	13.7	19.7	27.3	27.6	30.1	30.4	32.8	32.8
Transport and communication	10.3	9.0	8.1	7.7	7.6	7.6	6.9	5.4	3.0	3.0
Commerce	39.4	31.2	31.1	31.2	22.9	23.4	22.4	20.5	20.9	20.9
Tourism	2.6	2.4	5.2	10.8	5.6	5.6	4.3	4.0	3.4	3.4
Financial institutions and enterprise services	4.2	2.1	3.0	3.2	1.2	2.6	2.7	2.3	2.8	2.8
Other activities	27.9	38.1	29.6	25.3	32.2	28.4	27.8	30.6	35.7	35.7
Asset quality ratios										
Non-performing loan ratio	6.5	9.3	7.2	3.3	4.5	6.8	7.7	5.6	5.6	5.1
Aggregate provision level	82.2	79.1	99.1	100.2	73.4	80.1	83.8	75.9	85.8	81.0
Loan loss reserve ratio	4.6	6.8	6.6	2.9	2.5	4.0	3.3	3.7	3.6	3.0
Earnings and profitability										
Net income to average assets (ROA)	0.5	0.7	1.6	1.6	1.9	1.9	2.1	1.8	1.7	1.8
Net income to average equity (ROE)	3.5	4.2	11.0	11.3	15.4	15.3	17.7	16.3	15.4	16.4
Net interest margin	1.8	1.9	8.1	5.9	6.5	6.5	5.9	5.7	5.5	5.4
Non-interest income ratio	33.2	27.6	31.7	40.9	40.2	38.3	37.8	44.1	53.6	42.4
Liquidity ratios										
Liquid assets ratio	93.4	101.3	92.9	94.8	92.0	93.5	92.8	92.0	89.6	92.0
Dalasi liquid assets/dalasi deposits	88.4	97.5	89.0	93.5	94.7	93.2	88.4	93.6	112.2	97.4
Time deposits/total deposits	18.1	17.3	14.3	12.9	11.2	11.7	11.0	11.8	11.1	9.0

Source: Central Bank of The Gambia.

Table 10. The Gambia: Indicators of Capacity to Repay the Fund, 2021–36

(In percent of the indicated variable)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Act.			Projections												
Fund obligations based on existing credit																
Principal (millions of SDRs)	1.09	0.16	2.10	3.89	5.17	9.44	13.94	16.22	16.22	14.17	9.11	4.61	0.00	0.00	0.00	0.00
Charges and interest (millions of SDRs)[1]	0.01	0.00	0.59	1.18	1.17	1.18	1.18	1.18	1.17	1.18	1.18	1.18	1.17	1.18	1.18	1.18
Fund obligations, existing and prospective credit																
Principal (millions of SDRs)	1.09	1.25	2.10	3.89	5.17	9.44	13.94	16.72	17.22	15.17	10.11	5.61	0.50	0.00	0.00	0.00
Of which : RCF	0.00	0.00	1.94	3.89	4.67	5.44	5.44	3.11	3.11	1.56	0.00	0.00	0.00	0.00	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	0.50	0.00	0.00	0.00
Charges and interest (millions of SDRs)[1]	0.01	0.96	0.59	1.18	1.17	1.18	1.18	1.18	1.17	1.18	1.18	1.18	1.17	1.18	1.18	1.18
Total obligations, existing and prospective credit[2]																
In millions of SDRs	1.10	2.21	2.69	5.07	6.34	10.62	15.12	17.90	18.39	16.35	11.29	6.79	1.67	1.18	1.18	1.18
In millions of US$	1.57	2.96	3.62	6.84	8.54	14.26	20.22	23.84	24.67	21.91	15.11	9.08	2.23	1.58	1.58	1.58
In percent of Gross International Reserves	0.30	0.65	0.77	1.46	1.83	3.15	4.46	5.20	4.26	2.94	1.64	0.79	0.16	0.10	0.08	0.07
In percent of exports of goods and services	1.30	1.37	1.66	2.24	2.62	4.10	5.45	6.03	4.73	3.88	2.44	1.34	0.31	0.20	0.19	0.18
In percent of debt service[1]	3.34	4.52	5.98	15.09	11.65	16.80	23.35	24.34	25.70	24.62	18.95	12.55	3.23	2.14	2.28	2.27
In percent of GDP	0.08	0.14	0.16	0.27	0.31	0.49	0.65	0.72	0.69	0.57	0.36	0.20	0.04	0.03	0.03	0.02
In percent of quota	1.77	3.55	4.32	8.15	10.19	17.07	24.31	28.78	29.57	26.29	18.15	10.92	2.68	1.90	1.90	1.90
In percent of revenues net of grants	0.54	1.16	1.30	2.12	2.31	3.49	4.52	4.88	4.14	3.66	2.33	1.31	0.30	0.20	0.18	0.17
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	0.00	0.00	0.00	0.00
In millions of US$	105.49	129.50	131.57	126.69	119.47	106.45	87.35	64.73	42.11	21.73	8.18	0.67	0.00	0.00	0.00	0.00
In percent of Gross International Reserves	19.89	28.48	27.91	26.97	25.62	23.51	19.26	14.13	7.26	2.91	0.89	0.06	0.00	0.00	0.00	0.00
In percent of exports of goods and services	87.23	60.23	60.45	41.51	36.60	30.60	23.56	16.37	8.07	3.85	1.32	0.10	0.00	0.00	0.00	0.00
In percent of debt service[1]	224.92	198.13	217.38	279.48	162.97	125.37	100.88	66.09	43.86	24.43	10.25	0.92	0.00	0.00	0.00	0.00
In percent of GDP	5.19	6.07	5.72	4.99	4.36	3.66	2.82	1.96	1.18	0.56	0.19	0.01	0.00	0.00	0.00	0.00
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	0.0	0.0	0.0	0.0
In percent of revenues net of grants	36.28	50.64	47.09	39.34	32.39	26.02	19.53	13.25	7.06	3.63	1.26	0.10	0.00	0.00	0.00	0.00
Net use of Fund credit (millions of SDRs)	31.26	22.77	2.90	-3.89	-5.17	-9.44	-13.94	-16.72	-17.22	-15.17	-10.11	-5.61	-0.50	0.00	0.00	0.00
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	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	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	0.00	0.00	0.00	0.00
Repayments and Repurchases	3.74	2.03	2.10	3.89	5.17	9.44	13.94	16.72	17.22	15.17	10.11	5.61	0.50	0.00	0.00	0.00
Of which: RCF	1.56	0.78	1.94	3.89	4.67	5.44	5.44	3.11	3.11	1.56	0.00	0.00	0.00	0.00	0.00	0.00
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	0.50	0.00	0.00	0.00
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	5.00	6.00	7.00	8.00
Memorandum items:																
Nominal GDP (millions of US$)	2,034.44	2,132.67	2,300.62	2,540.26	2,741.49	2,908.46	3,094.48	3,297.24	3,555.11	3,870.50	4,213.88	4,587.72	4,994.72	5,437.83	5,920.25	6,445.47
Exports of goods and services (millions of US$)[4]	120.94	215.02	217.64	305.18	326.45	347.89	370.82	395.37	521.61	563.93	618.62	679.05	730.90	782.34	838.62	900.35
Gross International Reserves (millions of US$)	530.41	454.72	471.48	469.67	466.28	452.87	453.50	458.14	579.76	745.93	923.86	1,142.71	1,393.46	1,661.07	1,957.21	2,279.93
Debt service (millions of US$)[1]	46.90	65.36	60.52	45.33	73.31	84.91	86.58	97.95	96.01	88.97	79.76	72.40	69.18	73.71	69.43	69.62
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	62.2	62.2	62.2	62.2
Revenues net of grants (millions of US$)	290.8	255.7	279.4	322.1	368.9	409.1	447.3	488.6	596.3	598.3	649.5	694.7	733.0	796.0	864.2	938.2

Sources: IMF staff estimates and projections.

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

[2] Total obligations include principal and charges and interest.

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

[4] Excluding re-exports.

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

Availability	Disbursement: 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	20.55	33.04	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.	Disbursed
March 15, 2023	5.00	8.04	Board completion of the sixth review based on observance of performance criteria for December 31, 2022.	Review Pending
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 ECF augmentations.

Annex I. Renewed Momentum on Structural Reforms

The government has accelerated the pace of structural reforms, partly due to the conclusions of presidential and legislative elections. Such reforms are related to the public procurement, SOEs governance, PFM framework, and fight against corruption.

1. The results of the presidential and legislative elections in early 2022 led to a second-term mandate for the President and gave a parliamentary majority to the ruling party's coalition. This broadly comfortable political basis has allowed continuation and acceleration of government policies. Many of the delayed reforms were restarted and some have already been completed.

2. The 2020 Gambia Public Procurement Authority Act was approved by the National Assembly and signed into law in late 2022, after several delays. The Act aimed at fostering transparency in public procurement and promoting value for money in public spending. It introduces the e-procurement, redefines the conditions for single-source procurement, and adds preference clauses to support local businesses and marginalized groups such as women, youths and the physically challenged. However, the exclusion of some SOEs from being subjected to the provisions of the new act creates a vacuum that will require close attention to ensure SOEs have transparent and cost-effective procurement processes. The implementation regulations of the act are expected to be finalized in the coming weeks.

3. The State-Owned Enterprises (SOEs) Bill was approved in March 2023. The Bill aims at strengthening the corporate governance of SOEs by addressing the weaknesses identified in the 2019-20 Ernst & Young SOEs' audits including executive interference, unsuitable accounting practices, and inefficient service delivery. The bill creates a new commission in charge of the oversight of SOEs, requires all SOEs to operate under IFRS, improves the selection process and introduces term limits for Board directors and CEO, strengthens the reporting and audit framework, and requires that any ad-hoc public services delivery requested by the executive be properly documented and fully compensated. It also recommends the use of performance contracts. However, despite these improvements, the bill has some provisions that could render SOEs vulnerable to executive interferences. These shortcomings could be addressed under the revised constitution.

4. Performance contracts have been signed in February 2023 between the government and three major SOEs, namely the Gambia Port Authority, Gambia National Petroleum Company, and Social Security and Housing Finance Corporation. The contracts have both quantitative and qualitative KPIs contingent upon which bonusses in cases of good performance will be paid, or sanctions applied including the possibility of Board dissolution or CEO dismissal in cases of poor performance. Following these newly signed contracts, four out of a total of thirteen SOEs are currently under performance contracts. The authorities plan to expand further the use of performance contracts.

5. The revision of the PFM Act was approved by the Cabinet in March 2023. This revision aims at consolidating recent progress in budgetary processes and addressing gaps on budget preparation, implementation, transparency and audit as well as on contracting debt.

6. The anti-corruption bill has now advanced to the consideration stage and could be approved during the next sitting of the National Assembly in late May-June 2023. The bill will create an anti-corruption commission to strengthen governance and will reinforce the assets declaration process. Other important reforms include the relaunching of consultation on the **draft constitution** and the preparatory work for the implementation of the recommendations from the **Janneh Commission** related to the crimes perpetrated by the former regime.

Annex II. Risk Assessment Matrix[1/]

Sources of risks	Relative Likelihood	Impact if Realized	Policy Response
External: Intensification of regional conflict(s).	**High** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	**High** Income in destinations of exports and origins of tourists will be hindered. The Gambia's exports would dwindle, and tourist arrivals and remittances would decline. Growth would slow down, and foreign exchange pressures would reemerge.	• Diversify economic activities as well as exports destinations and tourists origins to reduce vulnerabilities to shocks in a few sectors and dependence on limited groups of countries. • Resolve regional trade disruptions to reduce dependence on global trade.
External: Commodity price volatility.	**Medium** A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	**High** Dependence on imported commodities leads to higher volatility in import bill and volume. Higher exchange rate and domestic price volatility will cause social and economic instability. Unpredictable trade values and production costs slow investment and growth.	• Provide targeted support to vulnerable households using the expanded social registry. • 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 recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	**High** Exports markets would shrink. Domestic economic activity would be severely impaired. The tax base would shrink, and spending may soar to support the economy and society, resulting into risk of debt distress and widening external imbalances.	• 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.

[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.

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** Persistently high inflation is eroding households' real income, increasing inequality and intensifying wage increase demands, with the potential for heightened social tensions.	**High** Socio-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, including through implementation of recommendations from the recent governance diagnostic.
Domestic: Higher frequency and severity of natural disasters.	**Medium** More frequent cycles of erratic flooding, rainfall, windstorms, and droughts cause severe damage to infrastructure and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing food shortages, and reducing growth.	**Medium** Stock of physical and human capital, and thereby, domestic production would be adversely 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.

Annex III. Capacity Development Strategy, 2022–23

A. 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. TA will play a critical role in supporting the achievement of program quantitative targets and advancing the structural reform agenda. The successful implementation of key structural reforms in public financial management (PFM), revenue mobilization, debt management, financial sector supervision, and SOEs governance—all built on TA support—helped The Gambia to not only transition from an SMP to an ECF in March 2020 but also successfully implement the ongoing ECF-supported program. TA delivery priorities have been refocused during COVID-19 to strengthen revenue mobilization, rationalize public spending, enhance cash management and fiscal reporting, and strengthening monetary policy framework and banking supervision. Capacity building is constrained by absorption and implementation gaps, exacerbated by high staff turnover and the COVID-19 and its lingering effects.

B. Strategy and Priorities

2. The authorities have reiterated their commitments to the ECF-supported program and remain resolute in building on the hard-worn gains in terms of debt sustainability and fiscal prudence. However, COVID-19 and its lingering effects have 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 external shocks (COVID-19 pandemic and the war in Ukraine)-related fiscal and BoP pressures have increased. Moreover, the stagflationary effects of the war in Ukraine have slowed economic activity and increased domestic inflation, giving rise to potential external and financial stability concerns. These developments have weakened the private sector's ability to weather these twin shocks and recover sustainably in their aftermath. In that respect, building on the good progress made in implementing the FSSR recommendations, additional CD support in the areas of banking and other financial activities supervision as well as management of FX operations and the exchange rate, is vital to help banks to increase loss absorption and avoid the pressures on the Central Bank of The Gambia (CBG) to soften supervisory and prudential regulatory requirements and to introduce inefficiencies in the management of FX transactions. On the positive side, the COVID-19 pandemic has triggered a marked expansion of mobile banking, an area in which The Gambia will need technical assistance to develop and successfully implement an appropriate regulatory, legal, and physical infrastructure. A governance diagnostic mission took place in early 2023; its findings and recommendations will help articulate potential future ECF-supported program conditionality to tackle macro-critical areas of weak governance and vulnerability to corruption.

Priorities	Objectives	Challenges
Tax Policy and Revenue Administration	Agree on new Tax Expenditure Policy in accordance with the recommendations made as part of the January 2023 tax policy mission to reduce the use of exemptions. Strengthen core tax and customs administration functions, including to improve compliance across the four taxpayer obligations (registration, filing, payment, and accurate reporting) with a focus on key economic sectors.	COVID-19 and its lingering effects, limited human and institutional capacity at the GRA.
PFM	TSA remaining roadmap implementation strengthened cash flow forecasting and prudent budget execution and control. Enhanced performance monitoring and reduced subsidies for SOEs and IFMIS expansion to all subvented agencies and projects. Improved fiscal data and reporting, risk monitoring, transparency and legislation (revised Public Finance Bill). Create the conditions for climate and gender sensitive budgeting in the medium term.	COVID-19 and its lingering effects, weak human and institutional capacity at MoFEA, and weak internal management and expenditure controls at SOEs, and Subvented agencies.
Debt Management Reporting and Reconciliation	Strengthen external debt reporting and reconciliation. Develop a domestic borrowing plan that provides operational guidance to the CBG in line with the MTDS (i.e., lengthen maturity of domestic debt to manage rollover risk). Improve data dissemination from DLDM to the CBG.	COVID-19 and its lingering effects, weak capacity in debt unit in MoFEA, slow adoption and limited use of improved systems and processes
Implementation of Recommendations from the 2019 Financial Sector Stability Review (FSSR)	Implement FSSR recommendations to strengthen supervision, stress testing, macroprudential policy and bank safety nets, resolution and crisis management.	COVID-19 and its lingering effects, weak capacity and dependence on extensive donor support to implement FSSR recommendations.
Governance Diagnostic	Use the findings and recommendations of the recent mission to tackle weak governance and vulnerability to corruption that are macro-critical and can be addressed by structural reforms, including through future ECF program conditionality.	COVID-19 and its lingering effects, weak human capacity and limited resources to strengthen institutional capacity.
Macroeconomic statistics	Improve data transparency and timeliness of key macroeconomic indicators.	Institutional capacity constraints.

Annex IV. Overview of the 2020–23 ECF-Program Experience[1]

The 2020-23 ECF program was approved following a radical change in the social, political, and economic management of the country. The program was designed shortly before the pandemic and was gradually adjusted during its implementation period to account for the impacts of the pandemic and the war in Ukraine. The country also faced other shocks, including climate-related events and security-related trade disruptions. The ECF program helped The Gambia mitigate the impacts of these shocks more effectively relative to peer countries. Although the initial ambitious fiscal targets at program approval were not achieved to the extent originally planned, the adjusted targets were mostly met. Foreign exchange reserves exceeded initial program targets. Major progress was made on structural reforms, despite some delays due partly to capacity constraints.

A. Background and Program Objectives

1. **The IMF stepped up its support to The Gambia after the country's socio-political turn-around in 2016-17.** Following an authoritarian regime for about two decades and a post-electoral impasse in 2016, a democratically elected government came to power in 2017. Subsequently, the IMF provided in June 2017 a disbursement of US$16.1 million under the Rapid Credit Facility to help address immediate balance of payment needs. A Staff Monitored Program followed a few months later to help restore macroeconomic stability, catalyze donor financing, and establish a track record towards UCT program engagement with the IMF. The successful implementation of the SMP and the debt restructuring obtained in late 2019 enabled the approval of an ECF arrangement in 2020. The program aimed at supporting strong inclusive growth and poverty reduction under the National Development Plan, strengthening PFM and domestic revenue mobilization, reducing debt vulnerabilities, and mitigating fiscal risks from state-owned enterprises.

B. Program Achievements

2. **The program helped The Gambia contain the impacts of the multiple large shocks more effectively relative to peer countries**. The Gambia has been hit by the global shocks from the COVID-19 pandemic and the war in Ukraine just after program inception. In addition, it experienced country-specific shocks, namely a major flooding and disruptions of trade at its borders due to politico-security issues. These multiple shocks have had significant adverse impacts on the economy and the achievement of the program original pre-shock targets (Figure 1). Economic growth was below initial program projections but remained stronger than in peer countries, averaging 3.1 percent during 2020-22 compared to 2.2 percent for SSA countries and 1.3 percent for tourism-dependent countries. Inflation reached record levels of 11.5 percent on an annual average in 2022, compared to14.4 percent in SSA, due primarily to high global fuel and food prices. Revenue collection suffered from pandemic mitigation measures, fuel subsidies, and non-materialization of

[1] As The Gambia has not had an IMF-supported program in place for [seven years out of the last ten years], a formal ex-post assessment of the ECF arrangement is not required.

one-offs revenue; spending was under pressure to support lives and livelihoods. Thus, the fiscal performance was weaker than originally anticipated, causing the debt to GDP ratio to remain unchanged throughout the program period, whereas it was planned to decline significantly. Nonetheless, the debt-to-GDP ratio increased in peer countries. External sector strengthened with foreign exchange reserves in US dollar terms almost doubling from 2019 to 2022 reaching 5.1 months of prospective imports, bolstered by donors' support, including the IMF's SDR allocation and large remittance inflows averaging 35 percent of GDP per year during 2020-2022.

3. The ECF was instrumental in providing the fiscal space to respond to the shocks, shielding the most vulnerable population while preserving macroeconomic stability. The approval of the program at the onset of the pandemic set stage for timely and adequate support to The Gambia. Only two weeks after the program approval, an RCF of US$21.3 million was provided in April 2020, which enabled among other initiatives a nationwide food distribution program that reached 84 percent of The Gambian population, including full coverage in rural areas. The ECF access was augmented by SDR 20 million at the completion of the first program review in January 2021 to help launch economic recovery and respond to new COVID-19 waves. The Gambia received US$85 million from the mid-2021 SDR allocations, which boosted external reserves and provided US$20 million of budget on-lending to address immediate shock-related financing needs. Finally, to address high cost of living, food security risks, and severe forex shortages induced by the war in Ukraine, the ECF access was augmented further by SDR 15.55 million in December 2022. These financing flows helped support the economy, boost reserves, reduce pressure on domestic borrowing, and protect the vulnerable population.

4. The program's performance was broadly satisfactory and structural reforms advanced. Due to the multiple large exogenous shocks, the quantitative program targets were gradually adjusted during the program implementation period. These revised quantitative targets were broadly met, although some fiscal-related targets suffered from the repetitive shocks and weaknesses in the SOE sector. Structural reforms advanced considerably despite some delays, due mainly to limited capacity.

C. Program Design

5. The ECF arrangement was appropriate for the Gambia and the level of access was gradually adjusted to meet the evolving financing needs associated with multiple shocks. Given the country's fragility condition, stemming from several years of economic mismanagement that led to high debt vulnerabilities and protracted balance of payment needs, the ECF was appropriate to support the country's economic stability and recovery. The program was subject to bi-annual reviews with an original access level of SDR35 million (56.3 percent of quota). The access level was increased twice to help address the exogenous shocks, bringing the total access to SDR

70.55 million (or 113.4 percent of quota).[2] The Gambia also obtained US$85 million from the August 2021 SDR allocation, to address the external shock and strengthen its external position. The IMF contributed to about half of the program financing which led to further increase of the country's exposure to the IMF (table 3). The structural reforms were calibrated to the country's capacity constraint; extensive technical assistance was mobilized by the IMF and other development partners to support the reform implementation.

D. Challenges Ahead

6. Strong support, including from the IMF, will be needed to implement the country's recently validated Recovery Focused National Development Plan aimed at building resilience to shocks, promoting good governance and inclusive growth, and addressing climate and debt vulnerabilities. The multiple shocks have reversed the pre-pandemic poverty reduction efforts with the poverty ratio increasing from 48.6 percent in the 2015 household survey to 53.4 percent in the 2020 poverty assessment survey, in a context of persistent inflationary pressures and a funding squeeze caused by a tight domestic bond market. A successor program will help catalyze grant financing to address the country's social and infrastructure needs and support structural reforms to enhance revenue mobilization and help reprioritize spending. This will contribute to achieving the much-needed fiscal consolidation to support monetary policy efforts in reducing inflation and reduce debt vulnerabilities given the expiration of the debt deferrals in 2025.

7. Based on this experience, future Fund engagements would help address remaining challenges related to preserving macroeconomic stability in a context of high risk of debt distress and declining external buffers, supporting economic development, and building resilience to climate vulnerabilities.

8. Program design would benefit from (i) enhancing the catalytic role of the IMF program through increased coordination to ensure timely implementation of budget support reform triggers; (ii) paying attention to the pacing and parsimony of reforms to account for the country's limited capacity as well as political and social constraints; (iii) incorporating adequate flexibility to be able to respond to unexpected exogenous shocks; and (iv) extensive capacity development to support reform implementation.

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[2] First augmentation (at the first review in January 2021 for SDR20 million) to address the impact of COVID-19 pandemic, and the second (at the fifth review in December 2022 for SDR15.55 million) to mitigate the impact of the war in Ukraine and climatic shocks.

Annex IV. Figure 1. The Gambia: Program Indicators, 2019–2022

(Percent of GDP, or as indicated)

Appendix I. Letter of Intent

Banjul, The Gambia
May 23, 2023

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 sustained support from the IMF which has been timely and substantial. The augmentation of access provided during the 5th ECF review has helped the government respond to the rising cost of living and address the acute foreign exchange shortage that was hindering the country's ability to maintain a steady supply of basic commodities. The economic growth is recovering at a slower pace due to the implications of the war in Ukraine. Tourist arrivals are picking up robustly but remain below pre-pandemic levels. Remittance inflows continue; private and public constructions remain robust. Despite the 400 basis points-increase in the policy rate since end-2021, inflation pressures persist, due mostly to the elevated commodity prices and the depreciation of the Dalasi.

2. The attached Memorandum Economic and Financial Polices (MEFP) outlines progress we have made under the ECF-supported program since the completion of the 5th ECF review in December 2022 and describes our policies going forward. We have maintained our strong commitment to the implementation of the program despite the challenging environment caused by the war in Ukraine and the lingering impact of the COVID-19 pandemic. We met five out of our six quantitative performance criteria and three out of four indicative targets at end-December 2022. The continuous QPC on the non-accumulation of external arrears was breached as our utility company (NAWEC) continued to experience challenges in fully and timely honoring its obligations towards ITFC owing primarily to high fuel costs. Two structural benchmarks at end-February 2023 were timely completed; the other end-February SB—on the Cabinet approval of a new PFM Act—was completed in mid-March due to Cabinet-related scheduling constraints. Our near- and medium-term key policies include an upward adjustment of utility tariffs to strengthen the utility company's financial situation; enhancement of fuel price passthrough to secure greater revenue collection; acceleration of the bank privatization to safeguard financial stability and bolster budget resources; close monitoring of inflation developments and adjustment of monetary policy stance as needed; and market-determined exchange rate to prevent resurgence of recent foreign exchange shortages.

3. 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 sixth and final review of our ECF-supported program and the associated financing assurances

review, as well as a waiver for the breach of the QPC on non-accumulation of external arears given the corrective measures we are taking to avoid future occurrences. The disbursement of the last tranche of the ECF program (SDR 5 million) upon the completion of the sixth ECF review and its on-lending to the budget will help the government address the socio-economic implications of the exogenous shocks, including on the most vulnerable population.

4. We believe that the policies and measures set forth in previous Memorandum of Economic and Financial Policies (MEFP), as supplemented by this MEFP, are adequate to achieve the program objectives. Nonetheless, the Government will take any additional measures that may become appropriate for this purpose. 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 in accordance with the Fund's policies on such consultation. 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.

5. We will continue our strong engagement with the IMF as we pursue our development journey. In this regard, after the expiration of the current ECF program in June 2023, we wish to initiate preparations of discussions for a successor program which we have formally requested since our visit to the IMF's Deputy Managing Director in December 2022.

6. In keeping with our longstanding commitment to transparency, the Government consents to the publication 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 sixth 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 fifth program review, which was based on performance at end-June 2022. This sixth program review is based on our performance until end-February 2023. This MEFP updates our policies, measures, and structural reform agenda. It also outlines our responses to the socio-economic challenges induced by the war in Ukraine and the lingering effect of the COVID-19 pandemic and lays out policies to foster an inclusive economic recovery while ensuring macroeconomic stability.

Background

1. The implications of the war in Ukraine continue to strain our socio-economic environment. While the COVID-19 pandemic has receded, the war in Ukraine has obstructed a strong economic recovery. The continuous war-induced inflationary pressures are keeping clouds over social stability in the context of planned local elections in April and May for wards and municipalities, respectively.

2. We remain committed to advancing structural reforms, as evidenced by the acceleration in their implementation. The GPPA procurement act has been signed by the President and its regulations are being finalized. The SOEs law has been approved by the National Assembly and the anticorruption bill is currently at the consideration stage at the National Assembly. The Cabinet approved the PFM act and it will be submitted shortly to the National Assembly. These efforts were accompanied by strong and coordinated capacity development support from development partners. In particular, the Fund has recently conducted missions on governance diagnostics; on fuel pricing mechanism; on tax exemptions, international transfer pricing, and petroleum fiscal regime; on PPP legal framework; on strengthening of the parliamentary budget committee; on monetary policy analysis and forecasting; and on cybersecurity at the central bank.

3. Recognizing the role that the expiring ECF arrangement played in responding to the exogenous shocks, we are strongly committed to engaging in a successor IMF-supported program. A renewed engagement with the IMF will support policy reforms and capacity-building aimed at achieving the objectives of the Recovery-Focused National Development Plan, including on fostering inclusive economic recovery, maintaining macroeconomic stability, reducing debt vulnerability, strengthening governance, reducing corruption, and catalyzing support from other development partners.

Recent Economic Developments

4. **Our economic recovery remains moderate, and inflation remains elevated**. Economic growth is estimated at 5 percent in 2022. The CBG's composite index of economic activity (CIEA) strengthened by 4.9 percentage points in 2022 and it is now 2.6 percentage points above pre-pandemic levels (Q1 2020). Tourist arrivals in 2022 increased by 83 percent relative to 2021 but remain below pre-pandemic levels. Workers' remittance inflows declined from US$544 million in 2021 to US$507 million in 2022. Inflation accelerated further to 14.8 percent (y-o-y) in March 2023.The CBG increased its policy rate by 100 basis points to 14 percent in February 2023, which is the 4th increase since end-2021.

5. **We made efforts to pursue prudent budget management despite strong pressures**. The overall fiscal balance and the domestic primary balance were broadly in line with projections. Domestic revenue collection was marginally above projection. The higher-than-expected spending on goods and services and subsidies were compensated by lower interest payments and capital spending. While we managed to keep the net domestic borrowing below the program ceiling (by about 0.7 percent of GDP), overall fiscal financing fell short of projections due to the non-materialization of the *MegaBank* sale. As a result, we ran large payment floats at end-December 2022, which included interim payments certificates (IPCs) related to road constructions. Public debt remained broadly unchanged from end-2021 to end-2022 at about 84 percent of GDP.

6. **The enhancement of the FX market fundamentals led to the depreciation of the dalasi, which combined with the high tourism season, has helped ease forex shortages.** As agreed with the IMF, the CBG allowed the exchange rate to reflect market forces. Subsequently, the exchange rate depreciated by about 10 percent between September 2022 to January 2023, broadly closing the wedge with the parallel market rate. These developments, combined with the high tourism season, have helped ease forex shortages and the CBG is capitalizing on the opportunity to rebuild its foreign exchange reserves. The CBG has become a net FX buyer since January 2023, with cumulative net purchases of $6.1 million (total purchase of $10.4 million against total sales of $4.3 million) over January-February 2023. As forex demand pressures may resurface as we enter the lean period for tourism, and in the absence of forex inflows from timber trade, we are making efforts to facilitate trade between The Gambia and other ECOWAS countries.

7. **The financial sector remains resilient in the context of declining excess liquidity.** Banks' excess reserves fell from 14.2 percent of reserve money at end-2021 to 4.8 percent at end-2022. The banking system remains relatively healthy. At end-December 2022, the capital adequacy and the liquidity ratios stood at 24.8 percent and 63.7 percent, respectively, exceeding the regulatory requirements. The NPL ratio remains low at 4.6 percent in December 2022, and banks have maintained an adequate level of provisioning. Private sector credit grew by 25 percent in 2022 (compared to 20.7 percent in 2021), with the bulk of credit going to building and construction (21 percent), trade and tourism (18.1 percent), and agriculture (13.1 percent).

Performance Under the ECF-Supported Program

8. **We met five out of our six quantitative performance criteria and three out of four indicative targets at end-December 2022**. The ceiling on the net domestic borrowing, the floor on net usable international reserves, and the debt-related QPCs were all met. However, the continuous QPC on the non-accumulation of external arrears was breached as our utility company (NAWEC) continued to experience difficulties in timely and fully honoring its obligations to the ITFC. While NAWEC was able to start partial repayment before due dates, the full repayment was completed after the due date as high fuel prices have driven-up its power generating and IPPs costs. The ITs on tax revenue, central bank credit to the government, and poverty reducing spending were met; however, the ceiling on the stock of net domestic assets of the central bank was breached by GMD1 billion.

9. **Two out of the three structural benchmarks for end-February 2023 were met**. These SBs are related to performance contracts of SOEs and GRA's internal affairs unit. The SB on a new PFM Act could not be approved on time due to Cabinet scheduling constraints, but it was approved in mid-March (prior action).

Macroeconomic Outlook

10. **Risks to the outlook are tilted to the downside, due to the protracted war in Ukraine**. After 5 percent in 2022, real GDP growth is projected at 6 percent in 2023, as projected at the time of the fifth ECF review. Growth should peak at 6.3 percent in 2024, before stabilizing around 5 percent in the medium term. Inflation is expected to ease in 2023 due to the restrictive monetary policy and the projected decline in key commodity prices. Forex reserves, in months of imports, are projected to gradually decline in the medium term due to lower official transfers and private remittances as well as higher debt service following the expiration of the debt deferrals in 2025. The outlook remains highly uncertain as a protracted war in Ukraine could jeopardize tourist arrivals while intensifying inflationary pressures. High inflation and slower growth in advanced economies could further exert depreciation pressures on the Dalasi, and workers' remittances may fall significantly as household's real income in source countries is eroded.

Macroeconomic Policies and Structural Reforms

E. Fiscal Policy

11. **We are committed to anchoring our 2023 fiscal framework on the adopted budget and developing plans to address emerging pressures.**

- Preliminary data during January-March 2023 shows the following developments. Tax revenue collection underperformed projections by about 5 percent. Collection from the Customs and Excise Department exceeded expectations by 13 percent, as the implementation of ASYCUDA

WORLD improved collection and the creation of a dry port helped ease port congestion, bringing down the wait time to unload ships from two weeks to 5 days. However, collection from the Domestic Tax Department (especially CIT, VAT and domestic excise duties) was below target by 12 percent, which could be explained by lower contributions than expected from the tourism and hospitality industry despite some noted improvements over the previous year. Tax revenue from petroleum products improved in the first quarter as we are increasing the passthrough of international oil prices to domestic fuel prices. To further enhance revenue performance, we will continue to improve enforcement through data matching, tax audits, and sensitization. Coordination between the GRA and the new Tax Revenue Department of MoFEA will also be enhanced. Non-tax revenue collection exceeded projections, supported by strong customs processing fees, fuel levy, and payments from Securiport. We expect budget support grants from our development partners (EU, World Bank, AfDB and Agence Française de Développement) and have made good progress in implementing all reforms necessary to unlock the disbursement of contingent components of these supports.

- Pressures are starting to emanate on the expenditure side, especially from compensation of employees in the social (education and health) and security sectors (Ministry of Interior). Capital development expenditures are also exerting significant pressure, as road and bridge construction activities ramped up to ensure progress in execution ahead of the rainy season. Spending on transfers is also experiencing some pressures, especially subsidies to the ministry of agriculture (with more than 75 percent of budgeted fertilizer subsidies already spent). With domestic interest payments rising and the dalasi depreciating, debt service is increasing.
- We expect to face some challenges in the financing of the 2023 budget, especially given the need to clear outstanding IPCs (payment floats) at end-2022 and our decision to settle our arrears towards NAWEC to help ease some difficulties they are facing to support their costs. Despite the above pressures and constraints, we are committed to remain within the parameters of the approved 2023 budget, including on the wage bill and the overall deficit. To achieve this, we will improve cash management by strictly adhering to the recommendations of the Cash Management Committee. We will tap the unused space (about GMD 800 million or about 0.6 percent of 2023 GDP) from our 2022 NDB limit to clear the end-2022 payment floats; this will keep the cumulative domestic borrowing target for 2022 and 2023 unchanged and maintain the initial debt reduction path. We are also taking measures to accelerate the sale of *MegaBank*. In this regard, a new tender process has been introduced with a view to identifying new buyers; the privatization process is expected to be completed by Q2 2023.

12. We will improve revenue collection efforts to reverse the declining tax ratio and address short and medium-term spending needs. We will:

- Accelerate digitalization through ITAS. We have finalized the ICT needs assessment and started the user needs assessment of ITAS. We are currently hiring a firm for the implementation of the ITAS. We are developing the Compliance Risk Management strategy.
- Streamline corporate income tax, duty waiver exemption, and tax incentives granted under the GIEPA Act. GRA will dishonor all tax exemptions for SICs not compliant with returns filing

requirements and those granted without the presence of the entities in accordance with the recently revised GIEPA regulations. We will strengthen enforcement and our participation to the tax incentive committee to ensure that all tax exemptions are compliant with the existing legal framework.

- Reduce profit shifting and enhance tax arrears management. We are working with IMF technical assistance to make the necessary adjustments in the IVAT Act 2012, providing greater ring-fencing against transfer pricing abuses. We will build on the cleaned tax registry and the cleansing of the taxpayer ledgers to improve tax arrears management.
- Strengthen customs border and inland controls. The border and inland border controls mandate, standard operating procedures, and policy have been developed, reviewed, validated, and submitted for management approval with the view to enhancing post-clearance audit and risk management reforms.
- Continue enhancing the internal assurance and integrity mechanism. The GRA internal affairs unit, which is reporting directly to the Commissioner General, is fully functional. The unit investigated and concluded five integrity cases in 2022. It has published gift policy, whistleblower policy, and an investigation procedure manual.
- Cleanse the taxpayer registration ledger for the small and medium taxpayers. The various tax offices are preparing the uploading of the clean tax registry to GAMTAXNET. After the completion in September 2022 of the ledger cleansing for the large tax unit, several medium tax units were upgraded to large tax units, and we plan to reconcile their ledgers.
- Continue to make progress on other fronts. We signed three public private partnership contracts for the implementations of the Cargo Tracking System, the Single Window Solution at the Seaport to link all stakeholders for the clearance process, and the Revenue Mobilization Solution for excisable goods, telecom services, and fuels to avoid tax leakages. We have rolled-out the enhanced GAMTAXNET to all tax offices across the country. We completed the midterm review of GRA's Corporate Strategic Plan (2020-24) in January 2023.

13. Our public debt continues to be sustainable, but the risks of external and overall debt distress remain high. To ensure that our public debt is well anchored on a downward path, we commit to: implementing a strong medium-term fiscal framework; bolstering domestic revenue mobilization; executing previous revenue-related commitments, including the sale of assets under the Janneh Commission, the privatization of Megabank, and the strengthening of bridge toll collection; strictly adhering to the agreed external borrowing plan; ensuring SOEs and PPPs do not give rise to fiscal risks and contingent liabilities including through the roll-out of performance contracts; and building strong external buffers in preparation for upcoming expiration of debt deferrals.

F. Monetary and Exchange Rate Policies

14. The central bank recently increased its policy rate and stands ready to further tighten the monetary policy stance if inflationary pressures persist. The MPC increased the policy rate by 100 basis points in February 2023 to 14 percent, bringing cumulative rate increase to 400 basis points since the beginning of the tightening cycle in May 2022. The decision to tighten was influenced by the elevated inflation outlook, which is driven by high import costs, Dalasi depreciation, and strong private demand. While inflation is forecast to remain in double digits for the greater part of 2023, we assess the gradual tightening approach to be appropriate. The easing of global supply conditions coupled with the impact of the tight monetary policy stance on domestic demand is expected to dampen price pressures and bring inflation back to the desired level of 5 percent in the medium term. Cognizant of the risks associated with the inflation outlook, the CBG will continue to closely monitor inflation developments and adjust the monetary policy stance if needed.

15. The CBG is taking measures to ensure the smooth functioning of the foreign exchange market. The CBG is currently a modest player in the domestic FX market. From January to February 2023, the CBG intervened on both sides of the market, buying an equivalent of US$10.4 million whilst selling US$4.3 million. The CBG continues to ensure that the fundamentals of demand and supply determine the exchange rate of the Dalasi against major trading currencies. The CBG, through formal letters, informs the public and recognized associations of authorized participants on any policy changes.

16. The overall financial sector remains broadly resilient, and we continue to strengthen safeguards and regulatory policy at the central bank. In particular:

- *Implementing National Financial Inclusion Strategy*. The CBG made the following five interventions to fast-track financial inclusion: first, we designed templates for Mobile Money Operators (MMOs) to gauge the level of penetration of digital financial services. Second, agency financial services have been promoted at a massive scale to bridge the inclusion imbalance. Third, the Board of the CBG approved Islamic microfinance guidelines, as studies have shown that most people voluntarily exclude themselves from the financial system due to religious beliefs. Fourth, the CBG hired the services of four consultancy firms to train women groups on digital financial services; develop a gender-sensitive consumer protection framework; and disaggregate the remittance database to capture gender, purpose, and location. Finally, we organized a workshop and invited stakeholders to join the NFIS working groups relevant to their institutions and areas of expertise.
- *Bank Stress Testing.* The CBG continues to conduct stress tests on commercial banks. Results point to credit risk as the main source of vulnerability in the banking sector. Results from September 2022 showed that a 400 percent rise in NPL would cause one small bank to become insolvent. Results for December 2022 point to the insolvency of two banks with a 400 percent rise in NPL from 14 percent. The CBG has adopted a Risk Based Supervision Framework and has rolled out the corporate governance, risk management and outsourcing guidelines for implementation. The CBG has embarked on implementing the framework and henceforth, onsite examinations will be informed by the risk profile of banks.
- *Reporting of debtor information to Credit Reference Bureau and utilization of CRB in credit decisions.* Banks have been making timely submissions and querying the CRB regularly despite

periodic technical challenges. The National Credit Reference Taskforce, which comprises MOFEA, Ministry of Trade and the CBG, is working on establishing a robust credit reference system which caters for NBFIs and other sectors to have a comprehensive credit database in the economy.

- *Enhancing knowledge of IFRS 9 by CBG supervisors and banks.* Since the implementation of IFRS 9 in 2018, the IFRS unit of the CBG Banking Supervision Department (BSD) has been working diligently with banks to improve the practical application of the Expected Credit Loss (ECL) models to make timely recognition of impairment on credits amongst other losses incurred by financial institutions. However, there is a need for continuous capacity building for supervisors and banks in classifying and measuring financial assets and liabilities. In particular, the IFRS Unit has commenced work with the TA mission from AFRITAC West 2, to review and update the Financial Reporting Guideline 2013, to include the minimum requirements for the three stages of impairment of loans on a collective and individual basis. This is currently a challenge for the banks. CBG supervisors, the Financial Reporting Oversight Board, and banks would benefit from capacity building in this area.
- *Enhancing oversight of the non-bank financial sector, especially MFCs*. The non-bank financial sector is broadly solid despite high NPLs in some finance companies. The CBG has expanded its AML/CFT supervision to include NBFIs.

G. PFM, SOEs, Governance and anti-corruption

17. We are finalizing the legal framework for ongoing reforms and plan to initiate a new phase of governance and anti-corruption reforms. Our efforts include:

- *Enforcement of performance contracts with SOEs.* The government is currently implementing SOE reforms anchored on the signing of Performance Contracts (PCs). We signed performance contracts with three additional SOEs including GNPC, GPA, and SSHFC in February 2023, all geared towards strengthening their financial and operational efficiencies. We plan to sign performance contracts with three more SOEs by the end of 2023. A full roll-out of performance contracts to all SOEs is planned for 2024. The performance contracts will be monitored by MoFEA on an annual basis, and detailed reports recommending specific actions to be taken will be sent to the Executive.
- *SOE bill approval*. The bill was approved in March 2023 by the National Assembly. It centers on the creation of an SOE Commission that will serve as an oversight and regulatory body for all SOEs. It will strengthen the SOE governance framework, especially in the areas of reporting requirements, transparency initiatives, and a merit-based system for the selection of Board members.
- The *PFM bill* has been reviewed, validated, and was approved by Cabinet in March 2023. It will be shortly submitted to the National Assembly.
- The *Anti-corruption bill* was submitted to the National Assembly; it is currently at consideration stage and expected to be approved by end-June 2023. With the Anti-corruption bill passed, we will set up the anti-corruption commission and revamp the assets declaration framework.

- The *PPP bill* has been developed, validated with stakeholders, and shared with the Ministry of Justice for review and submission to Cabinet. We are developing a national policy on PPP with the technical support of the Fund. We will finalize the PPP regulations after the PPP bill is approved.
- *GSRB and investment prioritization*. We will ensure that the investment selection framework will be strictly enforced for new domestically financed investments from now on. Going forward, the framework will also be used to screen PPP candidate projects, based on their alignment with the national development strategy and the need to contain contingent liabilities.
- *Implementing recommendations of recent GIABA assessment*. We have prepared an action plan for the implementation of GIABA mutual evaluation recommendations. A series of recommendations, including increasing the staff size of Financial Intelligence Unit and preparing a strategic plan (2023-2027), are currently being implemented after validation by stakeholders. An anti-money laundering and combating terrorism financing amendment bill has been drafted and is being reviewed to ensure its alignment with domestic laws.
- *Program-Based Budgeting*. The implementation of PBB has been slow, with MDAs showing limited understanding of the concept. An assessment team from the Fund took stock of PBB implementation in The Gambia in December 2022 and provided a TA report whose recommendations are being incorporated. To enhance linkages between planning and budgeting, and support reform initiatives such as PBB, Ministries will review and update their Strategic Plans (SPs) to align them with the RF-NDP. These SPs will form the basis of the PBB. The U.S. Treasury is expected to provide technical advisors to help develop templates for the annual budget process. This is aimed at further enhancing budget formulation and execution and improve the effectiveness and efficiency of government resource allocation. We are also working with AFRITAC West 2 to operationalize gender budgeting, although we are yet to make notable progress on this aspect.
- *Governance diagnostic mission report actions and publication*. We have taken some actions to address the issues raised in the preliminary reports pertaining to bringing legal frameworks closer to best practices. These include the finalization of the regulations of the new Procurement Act 2022, and the Cabinet approval of the new PFM Bill 2023. The mission report will be published.
- *COVID-19 audit report*. The stage two COVID-19 audit report was submitted and discussed at the National Assembly. It will be published as soon as it is cleared by the National Assembly.

H. Poverty Reduction, Gender Issues and Climate Change

18. Our Recovery-Focused National Development Plan is being finalized and we continue to develop measures to increase our business environment and our resilience to climate shocks. The government is preparing a financing strategy for the RF-NDP and plans to do preliminary consultations with the development partners community ahead of a Roundtable conference later in the year. In February 2023, we laid the foundation stone for the construction of a 23-megawatts solar plant and an eight megawatts energy storage system. The US$27 million project is part of the electricity restoration and modernization project co-financed by the World Bank and the European Investment Bank. We continue to implement our Programme for Accelerated Community Development (PACD). The component on rural electrification is at an advanced stage with an additional seven communities to be supported. We are working, in collaboration with local communities, on innovative ways to enhance access to land for agricultural investment. We resumed the national business council meetings, chaired by the Vice President, after a long pause following the pandemic. Our Women Enterprise Fund (WEF) has provided financial literacy training to over 30,000 women and girls and loans to over 600 women groups, helping reduce the significant gender gap in financial access.

Capacity Development

19. We continue to engage with the Fund to strengthen our capacity development through TA missions. We appreciate the IMF’s availability to deliver high quality TA upon request to strengthen revenue administration, tax policy, public financial management, macroeconomic statistics, debt management, monetary policy design, and bank supervision capacity. The provision of technical assistance, including through resident experts, has facilitated in-depth diagnostics essential in implementing our reform plans. We received the draft reports from the recent governance diagnostic mission as well as the fuel price mechanism mission.

Program Monitoring

20. The government will continue to take all necessary measures to bolster its institutional capacity to implement reforms. To this end, the reform monitoring committee will be strengthened, and the frequency of its meetings increased. This will ensure all major policy decisions and reform commitments are discussed within the committee and their macroeconomic implications assessed before their recommendation to Cabinet for final approval.

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.	Act.	Status
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	885	**Met**
2. Stock of net usable international reserves of the central bank (floor, US$ million)	359	406	**Met**	349	385	**Met**	367	342	**Not Met**	300	332	**Met**
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	4.4	**Not Met**
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	**Met**
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	**Met**
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million) [2, 3, 4]	115	35	**Met**	115	35	**Met**	115	61	**Met**	115	61	**Met**
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**	11,158	11,164	**Met**
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	**Met**
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**	7,956	8,977	**Not Met**
10. Poverty-reducing expenditure (floor)	1,400	3,499	**Met**	3,000	5,982	**Met**	4,800	8,233	**Met**	6,500	10,337	**Met**
Memorandum Items:												
Budget Support (grants, US$ millions) [7]	0.0	0.0	...	20.0	20.0	...	20.0	20.0	...	43.8	40.0	...
Base Money (stock, GMD millions)	19,845	21,974	...	19,204	21,816	...	20,139	20,124	...	18,951	20,928	...
IMF disbursements (SDR millions)	0.0	0.0	...	5.0	5.0	...	5.0	5.0	...	25.6	25.6	...
Of which: augmentation	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	15.6	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: Prior Action and Structural Benchmarks, 2023			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior action			
Approval, by the Cabinet, of a new PFM act.	To improve the PFM legal framework.		Met
Domestic revenue mobilization (GRA/MOFEA)			
Make fully functional GRA's Internal Affairs Unit.	To increase accountability within the institution.	end-February 2023	Met
Public financial management (MOFEA and Cabinet)			
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-February 2023	Met
Approval, by the Cabinet, of a new PFM act.	To improve the PFM legal framework.	end-February 2023	Not met

Table 3. The Gambia: Revised External Borrowing Plan, 2020–2023
(US$ millions)

	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	61	80	134	207	207
Concessional debt	12	0	100	61	80	119	192	192
Multilateral debt	0	0	65	41	40	94	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	61	80	134	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 June 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. 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

May 25, 2023

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

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

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

The Gambia's overall and external debt distress risk ratings remain high and public debt continues to be deemed sustainable,[1] 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 weaknesses in projected exports 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 benchmark of 55 percent of GDP by 2025, underpinned by fiscal consolidation, reliance on grants and concessional loans, and support from development partners. This path indicates 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] 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 COVERAGE

1. **Compared to the previous DSA in December 2022 (fifth ECF review), the current DSA uses updated end-2022 data as a starting point.** The DSA uses a broader coverage of the public sector, which includes the central government, central bank and government-contracted debt pertaining to State-owned enterprises (SOEs) [2,3] (Text Table 1). SOE debt linked to trade credit from the Islamic Trade Finance Corporation (ITFC) is accounted for in the government debt. This includes short-term external financing to the large SOEs, namely, the National Water and Electric Company (NAWEC) and the Gambia National Petroleum Company (GNPC).[4] Additionally, the coverage for the contingent liabilities test uses default settings for financial markets (at the minimum of 5 percent of GDP), representing the average cost to the government from a potential financial crisis in a low-income country, and SOE debt (at 2.0 percent of GDP for debt not explicitly guaranteed by the government).[5] Exposures to PPPs are set at zero, as PPPs in The Gambia are estimated to be marginal as a proportion of GDP. The DSA uses a currency-based definition of external debt. There is no significant difference between a currency-based and residency-based definition of external debt.[6]

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	Check box
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	
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	0.00	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	
	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 projects financed by these loans are implemented by SOEs, and the capital assets acquired through these projects, with a few exceptions, are held on the balance sheets of the SOEs. Some of the external loans were on-lent by the Government, with a formal agreement signed with the SOE and the liability recorded on the SOE balance sheet, but for several loans there is no formal on-lending agreement (Source: World Bank. 2022. The Gambia Integrated State-Owned Enterprises Framework (iSOEF) Assessment).

[3] The outstanding external loans contracted by the Government for SOEs amounted to 16.6 percent of GDP at end-2022.

[4] The outstanding debt to ITFC amounted to 1.1 percent of GDP at end-2022.

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

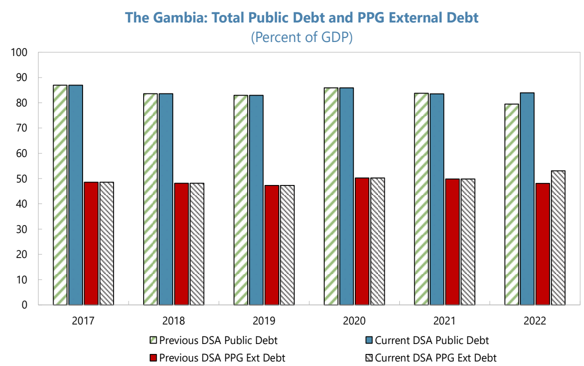
[6] Locally issued LC-denominated debt held by non-residents and locally issued FX-denominated debt held by residents are insignificant.

BACKGROUND

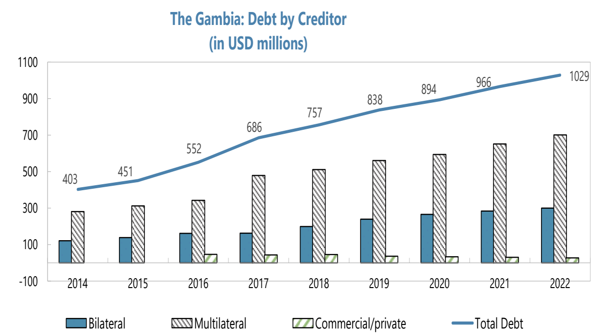
A. Recent Debt Developments

2. **The Gambia's total public debt to GDP stood at about 84 percent and external debt to GDP at about 52 percent as of end-2022; the composition remains broadly unchanged from the fifth ECF review (Text Figure 1).** The Gambia's external debt primarily comprises of concessional and semi-concessional loans from multilateral and plurilateral creditors, with creditors from the Middle East forming the single largest creditor sub-group. Around 68 percent of the Gambia's PPG external debt is owed to multilateral creditors, with bilateral creditors (29 percent) and commercial creditors (3 percent) comprising relatively smaller shares among the creditor categories. While approximately 30 percent of the PPG external debt is owed to the IMF and MDBs, about 70 percent of PPG external debt is owed to a combination of various creditors from the Middle East (Text Table 2).[7]

Text Figure 1. Total Public Debt and Distribution by Creditor



Sources: The Gambian authorities; and IMF staff estimates.



Sources: The Gambian authorities; and IMF staff estimates.

[7] The Gambia has arrears on external debt owed to Libya and Venezuela. However, these arrears have materialized due to problems that are not an indication of debt distress. The discussions on debt reconciliation with Libya are ongoing, with the most recent correspondence in March 2022. Regarding the arrears to Venezuela, the Gambian authorities received a letter in January 2022 from Venezuela. They have been contacting the Venezuelan authorities to re-engage on the discussion on arrears.

Text Table 2. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2022-2024[1]

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	1,669.3	100.0	83.7	124.2	183.8	152.3	6.6	8.2	6.2
External	1,029.3	61.7	51.6	69.4	84.3	48.7	3.9	3.8	2.0
Multilateral creditors	701.5	42.0	35.2	45.0	55.9	33.1	2.6	2.5	1.3
IMF	129.5	7.8	6.5						
World Bank	127.2	7.6	6.4						
ADB/AfDB/IADB	52.0	3.1	2.6						
Other Multilaterals	392.8	23.5	19.7						
o/w: IsDB and OFID	226.5	13.6	11.4						
Bilateral Creditors	300.0	18.0	15.0	21.9	25.0	11.4	1.1	1.1	0.5
Paris Club	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.4	0.0	0.0						
Non-Paris Club	299.6	17.9	15.0	21.9	25.0	11.4	1.1	1.1	0.5
o/w: Saudi and Kuwait Fund	156.3	9.4	7.8						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	27.7	1.7	1.4	2.5	3.4	4.2	0.1	0.1	0.2
o/w: M.A. Kharafi and Sons	27.7	1.7	1.4	2.5	3.4	4.2			
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	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by residents, total[4]	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by non-residents, total[4]	-	0	0	0	0	0	0	0	0
T-Bills	288.8	17.3	14.5	12.1	21.4	22.6	0.6	1.0	0.9
Bonds	351.2	21.0	17.7	42.8	78.1	81.0	2.2	3.5	3.3
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	2,132.5	127.7	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.

3. **Debt service and undisbursed debt projections on existing debt in the latest baseline are broadly similar to projections during the fifth 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 relative to the 5th ECF review. The overall external debt service between 2022-2029 stands at a cumulative US$652 million, compared to US$620 million during the fifth ECF review. Of the total debt service, amortization stands at $562 million, with the remaining US$90 million in interest charges. Meanwhile, the amount of undisbursed loans stood at US$250 million in December 2022, compared to US$298 million in end-2021.

B. Macroeconomic Assumptions

4. The implications of the war in Ukraine continue to strain the socio-economic environment in The Gambia. While the COVID-19 pandemic has receded, the war in Ukraine has impeded a strong economic recovery. Economic recovery remains moderate, estimated at 4.4 percent in 2022, broadly unchanged from 2021. Tourist arrivals in 2022 increased by 83 percent relative to 2021 but have remained below pre-pandemic levels. Inflation pressures persist, reaching 13.7 percent (y-o-y) in December 2022 and 14.8 percent (y-o-y) in March 2023, driven primarily by elevated global fuel and food prices. The fiscal outturns in 2022 reflected some spending restraints but also the non-materialization of some important revenue collection commitments, including the asset sale from the Janneh Commission and the privatization of Megabank. The overall fiscal deficit stood at 4.9 percent of GDP. Macroeconomic outlook continues to be subject to exceptionally large uncertainty, owing to the war in Ukraine.

5. The DSA is consistent with the macroeconomic framework outlined in the staff report. The baseline scenario assumes the implementation of sound macroeconomic policies, structural reforms, and an ambitious infrastructure investment plan. The key macroeconomic assumptions are as follows (Text Table 4, which also compares the assumptions relative to the previous DSA)

- **Real GDP growth:** 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. Remittances have slowed. A major flood in July 2022 took lives, destroyed homes, and disrupted economic activity. Growth is projected to strengthen in 2024, supported by the tourism sector, construction, and agriculture. Economic growth is projected to converge gradually to a steady state of 5 percent in the medium and long terms, supported by an expansion of the tourism sector, higher production and value-added from the agriculture sector, impacts of ongoing large infrastructure projects (OIC-related roads, rural roads, port expansion etc.), sustained public and private construction, improvement in the business environment (bolstered by the vast judicial reform agenda, access to finance, etc.), and continuation of strong policies started after the democratic transition (SOEs, governance, etc.). The projected long-term economic growth of 5 percent is in line with economic growth in peer countries. For instance, in neighboring ECOWAS countries, average historical growth during 2004-19 stood at 5.4 percent and future long-term growth for 2023-44 is projected at 5.2 percent.
- **Inflation:** Inflation continues to accelerate driven by surge in global food and energy prices, and elevated freight costs. The strengthening of the US dollar vis-à-vis the Dalasi added pressures on inflation. Inflationary pressures are expected to somewhat persist in 2023 and gradually ease thereafter, based on some expected decline in international prices of key commodities. Inflation is projected to converge to the CBG's target of 5 percent from 2026.

- **Fiscal deficit:** The 2023 fiscal framework underpinning the DSA is anchored on previous parameters (*i.e.,* the adopted 2023 budget). Debt service is expected to be higher than previously anticipated due to higher interest rates and weaker Dalasi.[8] The overall fiscal deficit is expected at 2.7 percent of GDP in 2023 and to gradually improve in the medium term, supported by both revenue and spending measures. In the near term, the fiscal consolidation is supported by, among other measures, adjustment in domestic fuel prices to reflect full passthrough from international prices and adjustment in utility tariffs to address subsidies from the budget. Revenue mobilization measures, currently underway and supporting medium-term fiscal consolidation, include streamlining tax exemption, cleansing and maintaining accurate tax ledgers for large taxpayers, accelerating the implementation of Asycuda World, and consolidating toll bridge collection. Furthermore, efforts are underway to collect additional resources, including from bank privatization and sale of stolen assets under the Janneh Commission. A reform monitoring committee has been put in place to ensure swift implementation of measures required to trigger support from development partners. On the spending side, measures to address the COVID-19 pandemic and the war in Ukraine are expected to be phased out. Some large infrastructure projects are also nearing completion, particularly the projects related to the OIC conference.[9] The investment prioritization and selection tool by the GSRB will be expanded to domestically financed and PPP projects to enhance efficiency and contain spending.
- **Financing needs and assumptions:** Average gross financing needs are projected at around USD 339 million over the next two years. Domestic interest rates have been revised upwards relative to the 5th ECF review to reflect recent market 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.
- **Domestic borrowing:** With regards to the instruments used for domestic debt financing, the DSA assumes that over the next five years, 80 percent of all new debt will be financed via T-bills, 15 percent via 3-year bonds and the remaining via 5-year bonds. This distribution is very similar to the actual issuance pattern seen over the past year (2021-2022). In the medium-term, the issuance is projected to shift gradually toward longer-term bond maturities.
- **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 2023-24 and may persist even further 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.

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[8] Yields on government securities rose in response to the tight monetary policy stance. The average interest rate on treasury bills increased from 2.67 percent at end-December 2021 to 8.76 percent in November 2022 and 10.49 percent in December 2022.

[9] The key features and drivers of the medium-term fiscal framework are outlined in Annex II of the Fourth ECF Review Staff Report.

- **FX Reserves:** Gross foreign exchange reserves were US$454.7 million at end-2022, equivalent to 5.1 months of imports, compared to US$ 424.6 million projected in the previous DSA. Reserves are projected at US$471.5 million in 2023 (or about 4.9 months of imports).

Text Table 3. The Gambia: Revised External Borrowing Plan, 2020–2023
(US$ millions)

	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	61	80	134	207	207
Concessional debt	12	0	100	61	80	119	192	192
Multilateral debt	0	0	65	41	40	94	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	61	80	134	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.

6. The realism of the macroeconomic framework is confirmed based on 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 deviates at times 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.[10]

[10] The residuals in the forecast years for the external and public DSAs include the contribution of real exchange rate movements, factors affecting debt changes but not captured by debt-creating flows (i.e., project grants), as well as adjustment for coverage between fiscal accounts and DSAs.

Text Table 4. The Gambia: Selected Macroeconomic Indicators (2021–2027)

	2021	2022	2023	2024	2025	2026	2027	15-year average[1]
Real GDP Growth (percent)								
Current DSA	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0
Previous DSA [5]	4.3	4.5	6.0	6.5	5.8	5.0	5.0	5.0
Exports of goods and services growth (percent)[2]								
Current DSA	20.0	25.9	30.9	38.6	7.1	6.3	6.4	9.2
Previous DSA	20.0	-10.6	84.8	38.5	7.7	7.2	7.2	9.9
Imports of goods and services growth (percent)[2]								
Current DSA	7.3	23.4	19.2	9.6	6.0	3.6	5.5	5.7
Previous DSA	7.3	26.3	16.4	7.2	5.3	3.6	5.5	6.6
CA deficit (percent of GDP)[3]								
Current DSA	0.1	6.0	11.9	8.9	9.5	8.6	8.0	1.9
Previous DSA	3.8	14.7	12.6	8.7	9.0	8.3	7.9	2.5
Public investment (percent of GDP)								
Current DSA	6.2	8.4	9.1	8.2	8.7	8.2	8.4	7.8
Previous DSA	6.2	8.9	9.0	8.8	9.7	9.0	9.4	8.0
Overall fiscal deficit[4]								
Current DSA	4.6	4.9	2.7	2.0	0.9	0.5	0.6	1.3
Previous DSA	4.6	4.9	2.7	1.8	0.9	0.5	0.9	2.0

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

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

7. **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 5).** The classification of the Gambia's debt carrying capacity is based on a CI score of 2.91, which is the same as the previous DSA. 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. The relevant thresholds applicable to public and publicly guaranteed external debt are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to revenue ratio. For the PV of total public debt-to-GDP ratio, the benchmark is 55 percent.

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

Country	Gambia, The
Country Code	**648**
Debt Carrying Capacity	**Medium**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.91	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. **Stress tests follow the standardized settings, with none of the individual tailored stress tests applicable for The Gambia.** The standardized stress tests use the default settings, with the combined contingent liabilities test assuming a shock of 7.0 percent of GDP (5 percent of GDP for financing sector shock and 2.0 percent of GDP for non-guaranteed SOEs debt).

EXTERNAL DSA

9. **Under the baseline scenario, three of the four external debt indicators breach the threshold for varying periods within the forecast horizon (Figure 1).** The PV of external debt-to-exports breaches the threshold level of 180 in 2023, before falling below the threshold and continuing to decline for the remainder of the projection period. The debt-service-to-exports ratio breaches the threshold level of 15 in 2023, and again between 2025-28; a continuous 4-year (and 5-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 between 2023–28, before falling below the threshold for the remainder of the forecast horizon. These breaches are broadly similar to those seen during the previous DSA (fifth 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.

10. Under the stress test scenarios, all the indicators breach their thresholds for varying periods under the forecast horizon. The PV of debt-to-GDP breaches the threshold level of 40 in 2024 and falls below the threshold in 2027. The PV of debt-to-exports breaches the threshold level of 180 in 2023 and remains above the threshold for the remainder of the forecast horizon. The debt-service-to-exports ratio breaches the threshold level of 15 in 2023 and remains above the threshold for the remainder of the forecast. The debt-service-to-revenue ratio breaches the threshold level of 18 in 2025 and remains above the threshold till 2031. For the PV of debt-to-exports and debt service-to-exports ratios, the exports shock is the most severe, while for the PV of debt-to-GDP and debt service-to revenue ratios, the combination shock is the most severe.

11. The Gambia's risk of external debt distress remains "high", but sustainable. The weakness in exports continues to weigh on the export-related external debt service indicators in the near term. As highlighted in the fifth ECF review, the sharp slowdown in tourism and the associated decline in exports of goods and services is expected to normalize over the next couple of years. Additionally, the breaches of the debt-service thresholds in later years reflect the period when debt-service deferrals negotiated with creditors are expected to expire, potentially leading to higher debt-service payments coming due in those years. These breaches highlight The Gambia's limited space for additional borrowing in the near term, as well as emphasize the need to continue to build ample buffers to face the increased debt-service burden that lies ahead. The liquidity situation may become more constrained following the expiration of the debt deferral period in the coming years. This risk can be mitigated by some factors. On the availability of government revenue to address higher future debt service, the authorities are implementing measures that are expected to bolster domestic revenue mobilization in the near and medium term. On the availability of foreign exchange to service debt, private remittance inflows are expected to help ease constraints.[11] Moreover, the policies that aim at supporting foreign exchange reserves will also help address liquidity constraints.

PUBLIC DSA

12. Under the baseline scenario, the PV of total public debt-to-GDP ratio is temporarily in breach of the benchmark in the near term. Under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark level of 55 between 2023–24 but falls within the benchmark level in 2025 and continues to decline thereafter throughout the forecast horizon. Two other indicators of public debt, namely the PV of debt-to-revenue and debt service-to-revenue are on a declining trend for the entire duration of the forecast horizon in the baseline scenario. Under the stress scenario, the PV of total public debt-to-GDP remains above the benchmark until 2028. The non-debt flows shock is the most extreme for the PV of total public debt-to-GDP ratio under the stress scenario.

[11] Private remittance inflows soared during the pandemic period from an annual average of about US$150 million during 2015-19 to about US$485 million during 2020-22. They are projected to slightly decline in the future but to remain above pre-pandemic levels.

13. The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable,[12] based on the public DSA and the external DSA.[13] The PV of total public debt-to-GDP continues to follow a firmly downward sloping path, remains within the benchmark from 2025 onwards, continuing to decline thereafter. Since the indicator falls below the benchmark within 3 years of the projection horizon and remains under benchmark thereafter, the overall debt position is deemed sustainable. 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. This assessment, however, is subject to downside risks stemming from a protracted war in Ukraine and a resurgence of the pandemic that could potentially obstruct economic recovery exacerbate fiscal pressures, and adversely affect the debt profile. Additional risks include challenges on revenue mobilization and expenditure control as well as potential SOE-related contingent liabilities.

RISK RATING AND VULNERABILITIES

14. The Gambia's external and overall debt are sustainable but remain at a high risk of debt distress.

15. Risks to the assessment are tilted to the downside. Risks stem from a protracted war in Ukraine (adding further pressure on inflation and foreign exchange), renewed waves of COVID-19 infections (weighing on economic recovery and the budget), and some uncertainty over donor support disbursements (due to the authorities' ability to timely meet the triggers and to donors' planning) that could adversely affect the debt profile. Separately, capital inflows from remittances, which have been robust since 2020, are subject to uncertainty in the medium and long terms. Risks related to climate change are also important, as evidenced by the recent major flooding in July 2022. In a downside scenario, growth could fall by about 2.0 percentage points below the baseline in the near term. The fiscal deficit would widen due to higher spending and lower revenues, increasing financing needs and pushing PV of total public debt to fall below the benchmark level of 55 two years later than under the baseline. Moreover, foreign exchange reserves would come under pressure, creating challenges to external debt servicing capacity. Nonetheless, if domestic revenue mobilization efforts are strengthened and successful, they could help mitigate these risks to debt vulnerabilities.

16. Factors that could affect future assessments include data revisions, availability of concessional financing for infrastructure projects and the potential decline in donor support. As highlighted in previous ECF staff reports, further efforts are needed to bolster data collection and reconciliation, both for debt as well as external sector statistics. Uncertainty over data quality and delivery

[12] 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.

[13] 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.

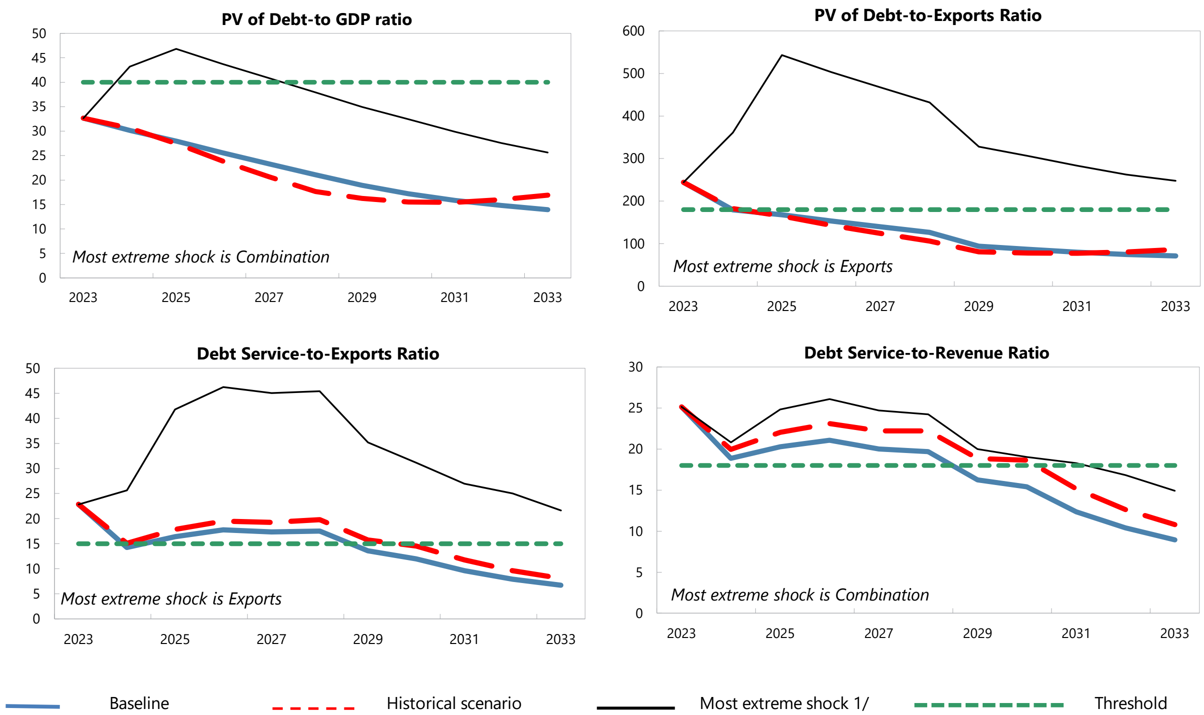
could hamper future assessments in a timely and comprehensive fashion. Strengthening inter-agency coordination and data sharing on public debt and grants data would be important to address data collection and reconciliation issues. Meanwhile, the execution of several large public investment projects is underway, including the extension of the Port of Banjul and the Bertil Harding highway. Financing plans with respect to these projects should remain within the ceilings of the external borrowing plan. Any deviation from the borrowing plan could pose risks to the debt outlook. Additionally, any significant change in future disbursements of donor grants towards budget support or key infrastructure project financing will also have implications for The Gambia's debt profile. The World Bank will continue to support debt management, SOEs, and public investment management under the planned WB Public Administration Modernization Project (PAMP, P176924) with reform actions complemented through the pipeline Development Policy Financing operations and SDFP.[14]

Authorities' Views

17. They agreed with the thrust of the analysis and acknowledged the challenges it presents. The COVID-19 pandemic, the consequences of the war in Ukraine, and the large infrastructure investment needs are contributing to upwards pressures on the debt stock. Furthermore, the expiration of the debt service deferral period and the ensuing rise in debt service commitments from 2025 pose additional challenges. Accordingly, the authorities have implemented measures aiming at decreasing the overall debt burden and mitigating the persistent high risk of debt distress. They remain committed to reducing debt vulnerabilities and plan to achieve this goal by exercising continued restraint in new borrowing and implementing a robust medium-term fiscal framework. With regards to longstanding external arrears, they are making progress in discussions with Libyan authorities to reconcile the debt amount, and they are reaching out to Venezuelan authorities to restart discussions regarding arrears.

[14] As part of IDA's Sustainable Development Finance Policy (SDFP) Policy Performance Actions (PPAs) for FY22, The Gambia successfully approved of a three-year public investment program (PIP) for selected priority sectors (i.e., health, education, agriculture, infrastructure, energy, and environment) to rationalize public investment and anchor debt sustainability and ensured that new borrowing remained within the ceilings on of the external borrowing plan. Ongoing PPAs (FY23) focus on (i) improving debt transparency by having the annual public debt bulletin for 2022, including a table on government guarantees extended to all SOEs, published, (ii) improving fiscal and debt sustainability by preparing and publishing the first Fiscal Risk Statement (FRS), and (iii) enhancing debt sustainability by ensuring that The Gambia does not enter into any contractual obligations for new external PPG non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to: (a) reflect any material change of circumstances, or (b) ensure coordination with the IMF, in particular with adjustments in the IMF Debt Limit Policy (DLP).

Figure 1. The Gambia: Indicators of Public Guaranteed External Debt Under Baseline and Alternative Scenarios



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.

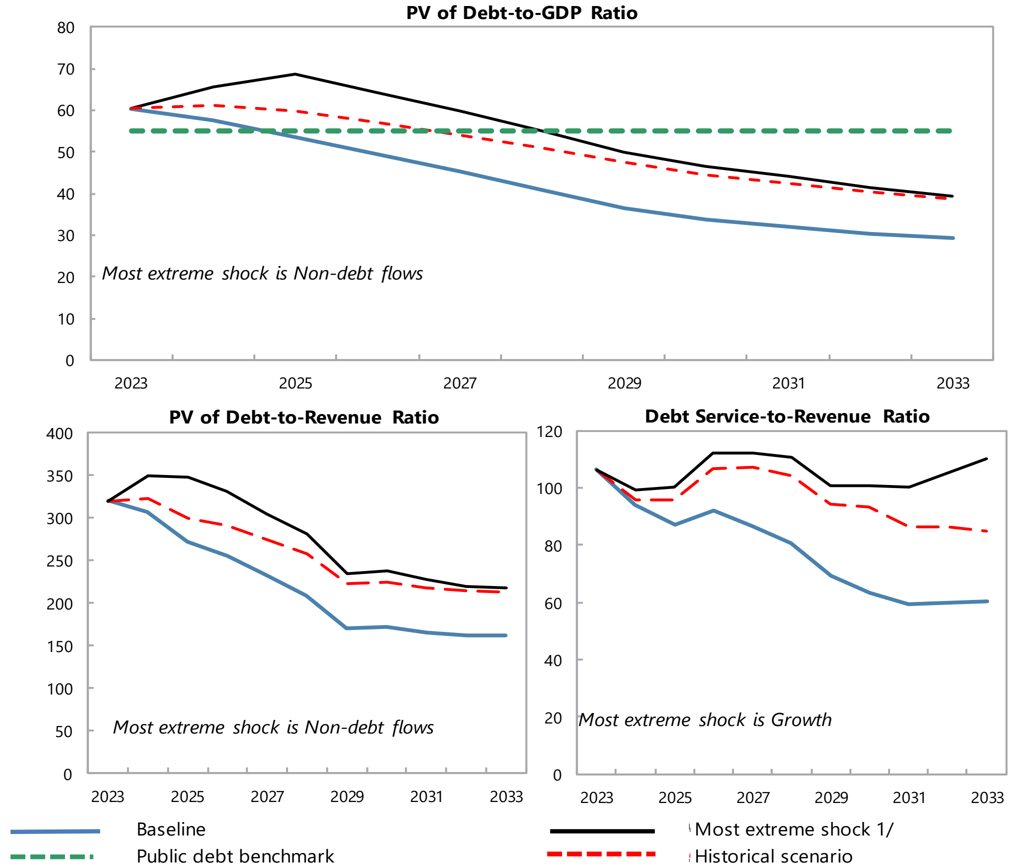
Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	6	6

* 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 2033. 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, 2023–33



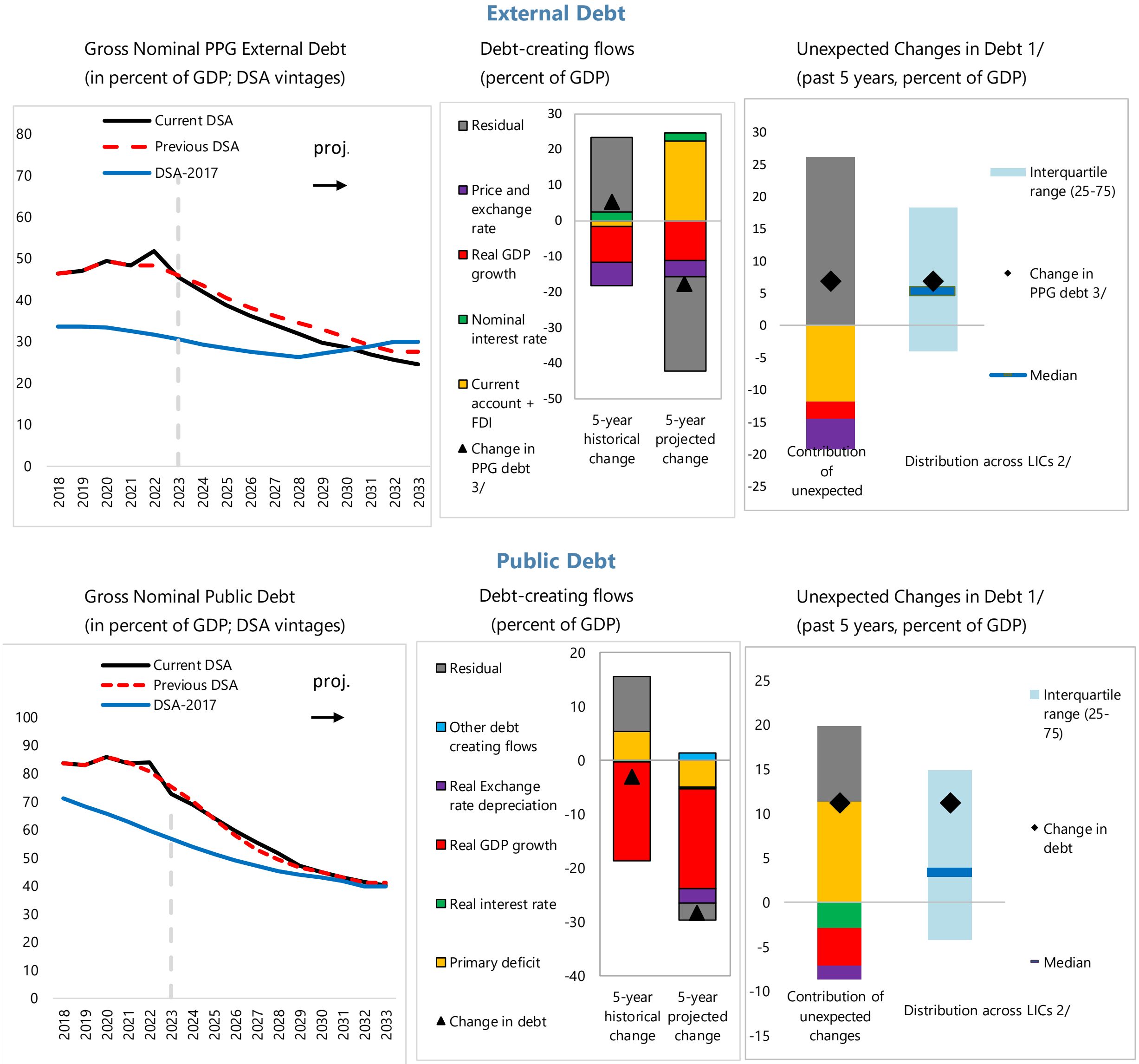
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	18%	18%
Domestic short-term	63%	63%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.9%	5.9%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3.0%	3.0%

* 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 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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



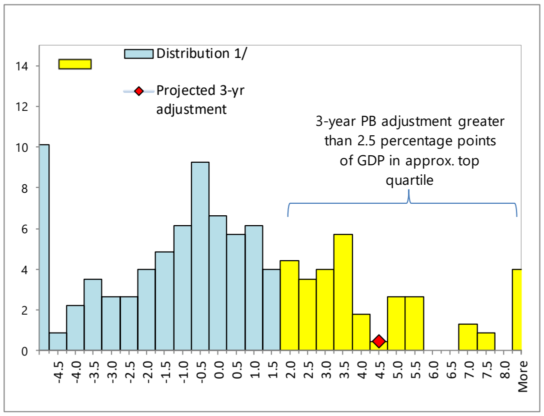
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

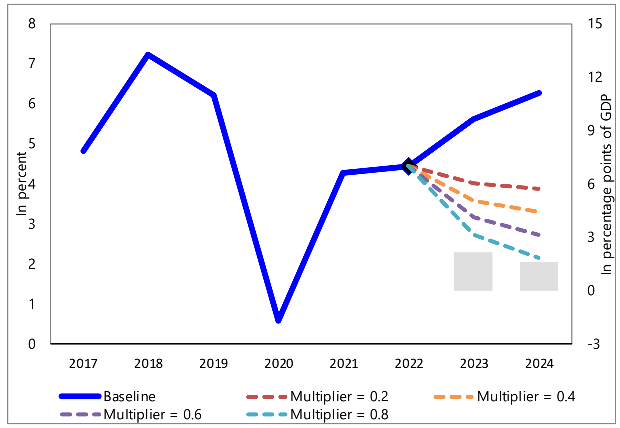
Figure 4. The Gambia: Realism Tools

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



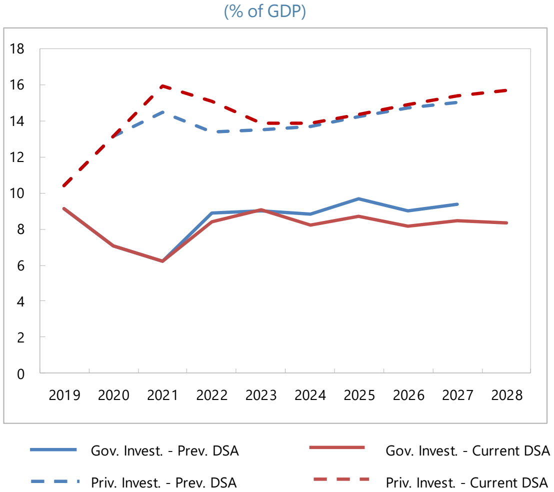
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

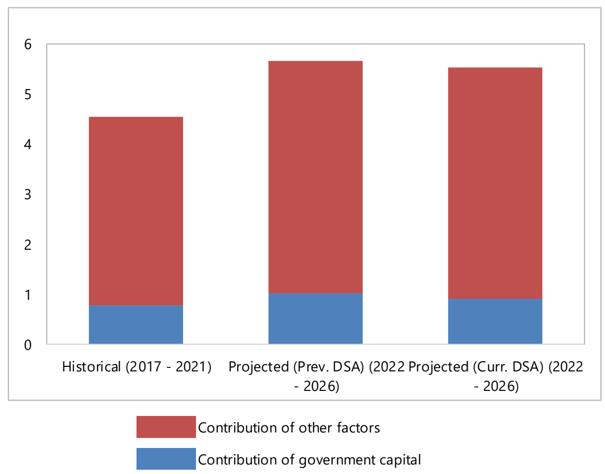
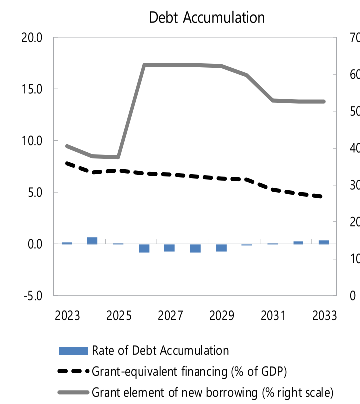


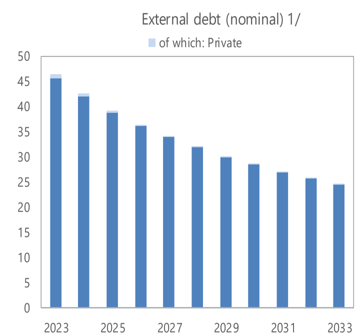
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	50.2	49.8	53.0	46.4	42.6	39.1	36.4	34.2	32.1	24.6	15.2	45.5	33.3
of which: public and publicly guaranteed (PPG)	49.5	48.4	51.8	45.5	42.0	38.7	36.1	34.0	31.9	24.6	15.2	43.7	33.1
Change in external debt	2.9	-0.4	3.2	-6.6	-3.8	-3.4	-2.7	-2.3	-2.1	-1.1	-0.9		
Identified net debt-creating flows	-0.9	-10.4	-0.9	4.4	1.7	2.8	2.4	2.0	1.6	-2.7	-4.9	-0.6	0.5
Non-interest current account deficit	2.8	-0.4	5.5	11.4	8.1	9.2	8.3	7.7	7.2	2.0	-1.5	6.0	6.1
Deficit in balance of goods and services	28.6	26.3	30.8	32.8	29.1	28.4	27.3	26.9	26.2	18.3	10.4	19.6	24.8
Exports	8.6	9.2	11.0	13.4	16.8	16.6	16.7	16.7	16.7	19.6	17.7		
Imports	37.2	35.5	41.8	46.2	45.8	45.0	44.0	43.6	42.9	37.9	28.0		
Net current transfers (negative = inflow)	-27.4	-27.8	-26.3	-22.3	-21.5	-20.1	-19.9	-20.0	-19.8	-17.0	-12.4	-14.8	-19.5
of which: official	-4.6	-0.5	-1.9	-2.1	-2.1	-1.3	-0.7	-0.6	-0.6	-0.4	-0.2		
Other current account flows (negative = net inflow)	1.6	1.1	0.9	0.9	0.5	0.9	0.9	0.9	0.9	0.8	0.5	1.3	0.8
Net FDI (negative = inflow)	-3.8	-4.9	-4.7	-4.7	-4.6	-4.5	-4.4	-4.3	-4.3	-3.7	-2.8	-5.2	-4.2
Endogenous debt dynamics 2/	0.0	-5.1	-1.7	-2.3	-1.9	-1.9	-1.5	-1.4	-1.3	-1.0	-0.6		
Contribution from nominal interest rate	0.1	0.5	0.6	0.5	0.7	0.3	0.3	0.3	0.3	0.2	0.1		
Contribution from real GDP growth	-0.3	-1.9	-2.1	-2.8	-2.6	-2.3	-1.8	-1.7	-1.6	-1.2	-0.7		
Contribution from price and exchange rate changes	0.2	-3.6	-0.2	...	...	...	...	...	...	...	...		
Residual 3/	3.9	10.0	4.2	-11.1	-5.5	-6.2	-5.1	-4.2	-3.7	1.6	4.0	2.8	-3.1
of which: exceptional financing 4/	-0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	35.0	32.7	30.1	28.0	25.6	23.3	21.1	13.9	8.5		
PV of PPG external debt-to-exports ratio	...	...	318.0	244.2	179.6	168.0	153.2	139.8	126.6	71.1	48.3		
PPG debt service-to-exports ratio	3.7	39.3	32.6	22.8	14.3	16.4	17.8	17.3	17.5	6.7	3.2		
PPG debt service-to-revenue ratio	2.2	25.2	30.0	25.2	18.9	20.3	21.1	20.0	19.7	9.0	3.9		
Gross external financing need (Million of U.S. dollars)	-11.4	-34.7	122.2	252.4	171.5	219.4	211.5	203.5	200.4	-15.1	-430.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.6	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0	5.0	5.0	3.5	5.3
GDP deflator in US dollar terms (change in percent)	-0.4	7.8	0.4	2.1	3.9	2.0	1.0	1.3	1.5	3.7	3.7	0.8	2.7
Effective interest rate (percent) 5/	0.3	1.1	1.2	1.0	1.8	0.9	0.9	0.9	0.8	0.7	0.7	1.2	0.9
Growth of exports of G&S (US dollar terms, in percent)	-57.8	20.0	25.9	30.9	38.6	7.1	6.3	6.4	6.4	7.4	8.6	2.1	14.4
Growth of imports of G&S (US dollar terms, in percent)	-4.6	7.3	23.4	19.2	9.6	6.0	3.6	5.5	4.8	5.6	5.6	8.9	7.2
Grant element of new public sector borrowing (in percent)	...	...	...	40.6	37.8	37.6	62.5	62.6	62.5	52.6	52.6	...	53.1
Government revenues (excluding grants, in percent of GDP)	14.5	14.3	12.0	12.1	12.7	13.5	14.1	14.5	14.8	14.7	14.2	12.6	14.5
Aid flows (in Million of US dollars) 6/	153.3	51.3	119.7	185.9	180.5	194.6	209.3	221.9	230.2	272.8	316.3		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	7.8	7.0	7.1	6.8	6.7	6.5	4.6	2.3	...	6.3
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	83.1	82.5	83.7	88.9	87.4	86.4	82.1	84.5	...	84.1
Nominal GDP (Million of US dollars)	1,809	2,034	2,133	2,301	2,540	2,741	2,908	3,094	3,297	4,995	11,686		
Nominal dollar GDP growth	0.2	12.4	4.8	7.9	10.4	7.9	6.1	6.4	6.6	8.9	8.9	4.4	8.1
Memorandum items:													
PV of external debt 8/	...	...	36.3	33.5	30.7	28.4	25.9	23.5	21.2	14.0	8.6		
In percent of exports	...	...	329.7	250.9	183.3	170.6	155.0	141.0	127.5	71.3	48.6		
Total external debt service-to-exports ratio	3.7	39.3	44.8	31.8	19.1	19.8	20.2	19.0	18.7	6.9	3.2		
PV of PPG external debt (in Million of US dollars)			747.5	751.2	765.6	766.9	743.7	721.5	695.2	696.7	995.8		
(PVt-PVt-1)/GDPt-1 (in percent)				0.2	0.6	0.0	-0.8	-0.8	-0.9	0.4	0.3		
Non-interest current account deficit that stabilizes debt ratio	-0.1	0.0	2.2	18.0	11.9	12.6	11.0	10.0	9.3	3.1	-0.6		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ Includes relief under CCRT.

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

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

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

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

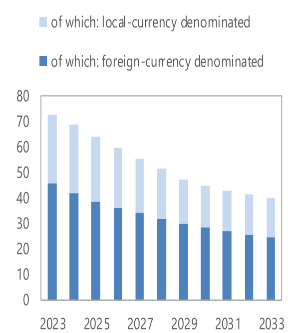
9/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

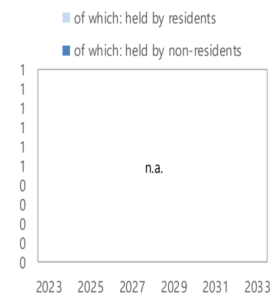
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	85.9	83.5	83.9	72.8	69.0	64.0	59.7	55.5	51.6	40.0	27.0	**78.7**	**53.5**
of which: external debt	49.5	48.4	51.8	45.5	42.0	38.7	36.1	34.0	31.9	24.6	15.2	**43.7**	**33.1**
Change in public sector debt	2.9	-2.3	0.4	-11.2	-3.8	-5.0	-4.2	-4.2	-3.9	-1.3	-1.1		
Identified debt-creating flows	-0.2	-4.3	0.5	-5.2	-4.8	-4.7	-4.1	-3.8	-3.4	-0.9	-0.9	**-0.5**	**-3.0**
Primary deficit	-1.0	1.6	2.7	0.6	-1.0	-1.6	-1.7	-1.2	-1.2	0.7	0.1	**1.0**	**-0.5**
Revenue and grants	23.0	16.8	17.6	18.9	18.8	19.7	19.5	19.6	19.6	18.2	16.1	**16.7**	**19.4**
of which: grants	8.5	2.5	5.6	6.7	6.1	6.3	5.4	5.1	4.8	3.5	1.9		
Primary (noninterest) expenditure	22.0	18.4	20.3	19.4	17.7	18.1	17.8	18.3	18.4	18.8	16.2	**17.7**	**18.9**
Automatic debt dynamics	0.8	-5.9	-2.2	-6.2	-4.7	-3.5	-2.4	-2.0	-1.9	-1.4	-0.8		
Contribution from interest rate/growth differential	0.8	-3.7	-5.4	-6.2	-4.7	-3.5	-2.4	-2.0	-1.9	-1.4	-0.8		
of which: contribution from average real interest rate	1.3	-0.2	-1.8	-1.7	-0.4	0.2	0.7	0.8	0.7	0.6	0.6		
of which: contribution from real GDP growth	-0.5	-3.5	-3.6	-4.5	-4.3	-3.8	-3.1	-2.8	-2.7	-2.0	-1.3		
Contribution from real exchange rate depreciation	0.0	-2.1	3.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.5	0.9	0.4	0.0	-0.5	-0.2	-0.2	-0.2	**0.0**	**0.1**
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	0.5	0.9	0.4	0.0	-0.5	-0.2	-0.2	-0.2		
Residual	3.1	1.9	0.0	-6.0	0.9	-0.3	-0.1	-0.4	-0.5	-0.4	-0.2	**3.9**	**-1.0**
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	69.8	60.4	57.6	53.6	49.6	45.2	41.1	29.5	20.4		
PV of public debt-to-revenue and grants ratio	...	...	396.3	320.1	307.0	271.8	254.5	231.1	209.1	162.3	127.0		
Debt service-to-revenue and grants ratio 4/	108.1	147.6	123.6	106.4	94.1	87.1	92.0	86.9	80.8	60.6	47.7		
Gross financing need 5/	23.8	26.4	24.5	21.1	17.6	16.0	16.2	15.2	14.4	11.5	7.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.6	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0	5.0	5.0	**3.5**	**5.3**
Average nominal interest rate on external debt (in percent)	0.3	1.1	1.3	1.1	1.8	0.9	0.9	0.9	0.8	0.7	0.7	**1.3**	**0.9**
Average real interest rate on domestic debt (in percent)	4.8	-0.7	-4.5	-3.8	-1.0	2.5	4.3	5.0	5.2	5.8	6.7	**3.1**	**3.6**
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.1	-4.5	6.8	...	...	...	...	...	...	...	...	**1.4**	**...**
Inflation rate (GDP deflator, in percent)	2.2	7.8	10.3	11.2	7.0	5.1	4.1	4.4	4.6	4.8	4.8	**6.6**	**5.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	7.3	-12.7	15.2	1.0	-3.0	8.2	3.0	8.1	5.6	3.0	3.8	**6.7**	**4.6**
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-3.9	3.9	2.3	11.7	2.8	3.4	2.6	3.0	2.7	2.0	1.3	**0.8**	**3.5**

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

Public sector debt 1/





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

Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Gauranteed External Debt, 2023– 2033

(In percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	32.7	30.1	28.0	25.6	23.3	21.1	18.9	17.2	15.8	14.8	13.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	32.7	30.6	27.5	23.9	20.7	17.6	16.2	15.5	15.4	16.0	16.9
B. Bound Tests											
B1. Real GDP growth	32.7	32.7	32.8	30.0	27.3	24.7	22.2	20.2	18.6	17.3	16.4
B2. Primary balance	32.7	30.4	28.8	26.7	24.7	22.7	20.7	19.1	17.8	16.8	15.9
B3. Exports	32.7	34.5	37.6	35.0	32.5	30.0	27.4	25.3	23.4	21.7	20.2
B4. Other flows 3/	32.7	38.0	**42.8**	**40.1**	37.6	35.0	32.4	30.1	27.9	25.7	23.9
B5. One-time 30 percent nominal depreciation	32.7	37.8	30.6	27.7	24.9	22.2	19.7	17.7	16.1	15.2	14.4
B6. Combination of B1-B5	32.7	**43.2**	**46.8**	**43.7**	**40.8**	37.9	35.0	32.4	29.9	27.6	25.6
C. Tailored Tests											
C1. Combined contingent liabilities 4/	32.7	30.8	29.0	26.8	24.8	22.7	20.7	19.1	17.8	16.7	15.9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**244.2**	179.6	168.0	153.2	139.8	126.6	94.2	86.6	79.7	74.3	71.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**244.2**	**182.3**	165.0	143.1	123.9	106.0	80.9	78.0	77.6	80.4	86.1
B. Bound Tests											
B1. Real GDP growth	**244.2**	179.6	168.0	153.2	139.8	126.6	94.2	86.6	79.7	74.3	71.1
B2. Primary balance	**244.2**	**181.4**	172.9	160.1	148.1	136.3	103.0	96.1	89.5	84.3	81.1
B3. Exports	**244.2**	**361.1**	**542.9**	**503.4**	**467.3**	**432.0**	**328.0**	**306.1**	**283.3**	**262.1**	**247.7**
B4. Other flows 3/	**244.2**	**226.6**	**257.1**	**240.5**	**225.3**	**210.4**	161.3	151.6	140.3	129.3	121.6
B5. One-time 30 percent nominal depreciation	**244.2**	179.6	146.6	132.3	119.2	106.5	78.1	71.0	64.8	60.8	58.6
B6. Combination of B1-B5	**244.2**	**360.8**	**240.9**	**415.2**	**387.7**	**360.7**	**275.6**	**258.4**	**238.0**	**219.7**	**206.9**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**244.2**	**183.3**	173.9	160.5	148.5	136.5	103.0	95.9	89.4	84.2	81.1
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	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**22.8**	14.3	**16.4**	**17.8**	**17.3**	**17.5**	13.6	12.0	9.6	7.9	6.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**22.8**	**15.1**	**17.8**	**19.5**	**19.2**	**19.8**	**15.7**	14.5	11.8	9.6	8.1
B. Bound Tests											
B1. Real GDP growth	**22.8**	14.3	**16.4**	**17.8**	**17.3**	**17.5**	13.6	12.0	9.6	7.9	6.7
B2. Primary balance	**22.8**	14.3	**16.4**	**17.8**	**17.4**	**17.6**	13.7	12.1	9.8	8.2	7.1
B3. Exports	**22.8**	**25.6**	**41.8**	**46.2**	**45.1**	**45.4**	**35.2**	**31.1**	**27.0**	**25.0**	**21.6**
B4. Other flows 3/	**22.8**	14.3	**17.1**	**19.1**	**18.6**	**18.7**	14.5	12.8	12.1	11.7	10.2
B5. One-time 30 percent nominal depreciation	**22.8**	14.3	**16.4**	**17.4**	**17.0**	**17.2**	13.3	11.8	9.4	7.0	5.8
B6. Combination of B1-B5	**22.8**	**22.1**	**31.8**	**34.8**	**33.9**	**34.2**	**26.5**	**23.4**	**22.5**	**20.3**	**17.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**22.8**	14.3	**16.5**	**17.9**	**17.4**	**17.6**	13.7	12.1	9.7	8.0	6.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**25.2**	**18.9**	**20.3**	**21.1**	**20.0**	**19.7**	16.3	15.4	12.4	10.4	9.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**25.2**	**20.0**	**22.1**	**23.1**	**22.2**	**22.2**	**18.9**	**18.7**	15.2	12.6	10.8
B. Bound Tests											
B1. Real GDP growth	**25.2**	**20.5**	**23.8**	**24.7**	**23.5**	**23.1**	**19.1**	**18.1**	14.5	12.2	10.5
B2. Primary balance	**25.2**	**18.9**	**20.3**	**21.2**	**20.1**	**19.8**	16.4	15.6	12.6	10.8	9.4
B3. Exports	**25.2**	**19.3**	**21.5**	**22.8**	**21.7**	**21.3**	17.6	16.7	14.5	13.7	12.0
B4. Other flows 3/	**25.2**	**18.9**	**21.2**	**22.6**	**21.5**	**21.0**	17.4	16.5	15.6	15.4	13.7
B5. One-time 30 percent nominal depreciation	**25.2**	**23.6**	**25.4**	**25.9**	**24.6**	**24.3**	**20.0**	**19.0**	15.2	11.5	9.8
B6. Combination of B1-B5	**25.2**	**20.8**	**24.8**	**26.1**	**24.7**	**24.2**	**20.0**	**19.0**	**18.3**	16.8	14.9
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**25.2**	**18.9**	**20.4**	**21.2**	**20.1**	**19.8**	16.4	15.6	12.5	10.6	9.1
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 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2023– 2033

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
					PV of Debt-to-GDP Ratio						
Baseline	**60.4**	**57.6**	53.6	49.6	45.2	41.1	36.3	33.7	32.0	30.5	29.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**60**	**61**	**60**	**57**	54	51	47	44	42	40	39
B. Bound Tests											
B1. Real GDP growth	**60**	**63**	**66**	**63**	**60**	**57**	53	52	51	51	51
B2. Primary balance	**60**	**61**	**60**	**55**	51	46	41	38	36	35	33
B3. Exports	**60**	**61**	**62**	**58**	53	49	44	41	39	37	35
B4. Other flows 3/	**60**	**66**	**69**	**64**	**60**	**55**	50	47	44	42	39
B5. One-time 30 percent nominal depreciation	**60**	**64**	**58**	53	47	42	36	32	29	27	25
B6. Combination of B1-B5	**60**	**60**	**59**	52	47	43	39	36	35	34	33
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**60**	**64**	**59**	55	50	46	41	38	36	34	33
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	320.1	307.0	271.8	254.5	231.1	209.1	171.0	171.3	165.1	161.9	162.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	320	323	299	291	274	258	223	225	218	215	213
B. Bound Tests											
B1. Real GDP growth	320	329	316	309	292	277	241	254	256	261	271
B2. Primary balance	320	323	304	285	259	236	194	194	187	183	183
B3. Exports	320	326	314	296	272	249	206	208	200	194	193
B4. Other flows 3/	320	350	348	330	305	281	235	237	228	220	217
B5. One-time 30 percent nominal depreciation	320	348	303	278	247	217	172	165	154	146	142
B6. Combination of B1-B5	320	321	294	262	240	219	182	184	179	177	179
C. Tailored Tests											
C1. Combined contingent liabilities 4/	320	341	301	282	257	233	192	193	185	182	182
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	106.4	94.1	87.1	92.0	86.9	80.8	69.2	63.5	59.2	60.1	60.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	106	96	96	107	107	104	94	94	86	86	85
B. Bound Tests											
B1. Real GDP growth	106	99	100	112	112	111	101	101	100	106	110
B2. Primary balance	106	94	98	112	103	96	81	75	69	69	69
B3. Exports	106	94	87	93	87	81	70	64	60	62	63
B4. Other flows 3/	106	94	88	93	88	82	70	64	62	64	64
B5. One-time 30 percent nominal depreciation	106	91	87	92	87	81	69	64	59	59	59
B6. Combination of B1-B5	106	94	89	94	90	85	74	69	66	68	69
C. Tailored Tests											
C1. Combined contingent liabilities 4/	106	94	110	107	102	94	80	73	68	68	68
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, Senior Advisor to the Executive Director to the Gambia
June 12, 2023

Introduction

1. Our Gambian authorities appreciate the candid engagement with staff during the sixth review mission for the Extended Credit Facility (ECF) arrangement. They broadly agree with staff's assessment and appreciate the Fund's support during challenging times.

2. The Gambian economy has modestly rebounded against the backdrop of the negative repercussions of multiple shocks including the lagged effects of the pandemic, and spillovers from the war in Ukraine. Consequently, inflationary pressures have persisted alongside rising interest rates and the tightening of global financial conditions. Notwithstanding the difficult domestic and external environment, the authorities have persevered with reform efforts, as demonstrated by the strong performance under the ECF arrangement, which is in its final review. In this vein, significant progress has been made in the implementation of congruent fiscal and monetary policy actions geared to stabilize macroeconomic conditions, alongside substantial momentum gathered in the implementation of structural reforms. More generally, Fund support under the ECF arrangement has played an instrumental role in bolstering the country's resilience to the recent overlapping shocks.

Program Performance

3. Five out of six quantitative performance criteria (QPCs) at end-December 2022 were met including the ceiling on net domestic borrowing (NDB). However, the continuous QPC on external arrears was temporarily breached as settlement of the national utility company debt service obligations was delayed due to treasury challenges related to high fuel prices. Nonetheless, the authorities are taking bold corrective measures to avoid future delayed payments. Specifically, the authorities have made efforts to improve the viability of the company by increasing the tariffs by about 30 percent between March-April 2023, mitigating revenue leakages, and increasing collections by rolling out prepaid meters.

4. Three out of four indicative targets (ITs), including the IT on poverty spending, were met at end-December 2022. The IT on poverty-reducing spending was met with a comfortable margin, which is important in the current socio-economic environment. The IT on the ceiling on net domestic assets of the central bank was, however, missed owing to the unanticipated and large exchange rate depreciation.

5. Two out of three structural benchmarks (SBs), for end-February 2023 were met while the third SB was completed with a delay. The SBs on performance contracts were signed between the Presidency and three key SOEs. The Internal Affairs Unit at the Revenue Authority was made fully functional. However, the SB related to the Cabinet approval of a new PFM act was completed with a delay in mid-March 2023. Considering the satisfactory program performance and strong corrective actions taken, the authorities seek Executive Directors' support in completing the sixth and last review under the ECF

arrangement and the request for a waiver of Nonobservance of a performance criterion.

Recent Economic Developments and Outlook

6. Real GDP is projected to increase from 4.4 percent in 2022 to 5.6 percent in 2023, largely due to strong performance in the agriculture and construction sectors. While activity in the tourism sector has rebounded, as evidenced by the 80 percent increase in arrivals registered in 2022, growth in the sector remains below pre-pandemic levels. Going forward, GDP growth is projected to firm up to 6.3 percent in 2024, before stabilizing at 5 percent in the medium term. Nevertheless, the outlook remains subject to downside risks, including from the protracted war in Ukraine, high inflation, subdued external demand, high debt service costs, and climate vulnerabilities. Meanwhile, inflation increased from 14.8 percent in March 2023 to 17.4 percent in April 2023, driven by external shocks Inflation, however, is expected to ease in 2023 due to monetary policy tightening and the projected moderation in key commodity prices.

7. The current account deficit is expected to deteriorate in 2023, on the back of increased imports to support private and public construction projects. Accordingly, international reserves declined from 4.8 to 4.0 months of import cover between March and April 2023. That said, the stable remittance inflows are expected to help shore-up external reserves and help stabilize the exchange rate.

Fiscal Policy and Debt Sustainability

8. The authorities remain committed to anchoring the 2023 fiscal framework on the adopted budget through fiscal consolidation efforts, while developing plans to address emerging pressures to ensure fiscal sustainability. In this regard, they are determined to ensure fiscal discipline within the parameters of the approved 2023 budget, including by containing allowances within the approved wage envelope and reprioritizing spending. Further, they are sustaining efforts to strengthen the public financial management system and enhance cash management by strict adherence to the recommendations of the Cash Management Committee. Nonetheless, they remain attentive to potential spending pressures stemming from compensation of employees in the education and health sectors coupled with rising capital development expenditures and transfers.

9. Despite tax revenue shortfalls realized in the first quarter of 2023, collection from Customs and Excise exceeded expectations due to the implementation of the ASYCUDA WORLD and the establishment of a dry port. Concurrently, the authorities are enhancing revenue performance by strengthening enforcement through data matching, tax audits, and public awareness campaigns. They are also enhancing coordination between the revenue authority and the newly created Tax Revenue Department within the Ministry of Finance. Further, the authorities are accelerating digitalization through ITAS; streamlining corporate income tax, duty waiver exemptions, tax incentives granted under GIEPA Act; reduce profit shifting and enhance tax arrears management. Concurrently, the authorities are making efforts to strengthen customs border and inland controls; enhancing the internal assurance and integrity mechanism; and cleansing the taxpayer registration ledger for small and medium taxpayers. Furthermore, they have signed public private partnership contracts, completed the mid-term review of the Corporate Strategic Plan in January 2023 and are extending the enhanced GAMTAXNET to all tax offices across the country.

10. The authorities attach great prominence to efforts geared to place public debt onto a downward path. To this end, they are implementing a strong medium-term fiscal framework by bolstering domestic revenue mobilization. Specifically, they are executing previous revenue-related commitments, including the sale of assets under the Janneh Commission, as well as the privatization of *Megabank*. They are strengthening bridge toll collection and adhering to the agreed external borrowing plan. The authorities are also mitigating fiscal risks including from the contingent liabilities of SOEs and PPPs. In this vein they have committed SOEs to performance contracts while bolstering external buffers in preparation for the upcoming expiration of debt deferrals.

Monetary, Exchange Rate, and Financial Sector Policies

11. The Central Bank of The Gambia (CBG) has been tightening monetary policy to curtail inflationary pressures while anchoring inflation expectations. Accordingly, the monetary policy committee (MPC) increased the policy rate by 200 basis points to 16 percent in May 2023. Relatedly, the growth of monetary aggregates decreased significantly in 2022 and is expected to continue trending down in 2023. Concomitantly, reserve money and bank reserves declined showing a reduction in excess liquidity in the banking system from August to December 2022. Going forward, the CBG will continue to closely monitor inflation developments and stand ready to recalibrate the monetary policy as needed, should inflationary pressures intensify.

12. Our Gambian authorities operate under a free-floating exchange rate regime and have taken steps to allow the interplay of market forces in the foreign exchange (FX) market, to help absorb external shocks. The increase in confidence coupled with the high tourism season contributed to easing of foreign exchange shortages experienced in 2022. Consequently, the wedge between the official and parallel market rates has closed since end-January 2023. Concurrently, the CBG seized the opportunity to build external reserve buffers and has become a net FX buyer since January 2023. The CBG continues to implement measures to safeguard smooth functioning of the foreign exchange market. To this end, given FX demand pressures during the lean tourism period, and in the absence of timber export earnings, the authorities are making efforts to facilitate trade with other ECOWAS member countries to further enhance FX inflows.

13. The financial sector remains solid with ample capital and liquidity buffers, and low NPLs but the authorities remain attentive to emerging vulnerabilities. To this end, the CBG continues to strengthen safeguard and regulatory policies by implementing the National Financial Inclusion Strategy; conducting bank stress testing; reporting of debtor information to Credit Reference Bureau (CRB) in credit decisions and enhancing knowledge of IFRS 9 by CBG

supervisors and banks. In parallel, the central bank is working to enhance the oversight of the non-bank financial institutions (NBFIs) particularly microfinance centers (MFCs). The authorities are also implementing the recommendations from the assessment by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). In this regard, they have prepared an action plan for the implementation of GIABA mutual evaluation recommendations including increasing the number of staff of the Financial Intelligent Unit and preparing a strategic plan (2023-2027). Meanwhile, the authorities have drafted Anti-Money Laundering and Combating the Financing of Terrorism

(AML/CFT) financing amendment bill which is under review to ensure its alignment with domestic laws to preserve corresponding banking relationships and restore stability in the banking system.

Structural Reforms

14. Our authorities are implementing measures to enhance the business environment as articulated in the forthcoming Recovery-Focused National Development Plan (RF-NDP) that is being finalized. They are preparing a financing strategy for the RF-NDP and plans to conduct consultations with development partners ahead of a Roundtable conference sometime this year. In addition, the authorities laid the foundation stone for the construction of a 23-megawatts solar plant and an eight megawatts energy storage system for the project co-financed by the World Bank and the European Investment Bank for electricity restoration and modernization. Meanwhile, they continue to implement their Programme for Accelerated Community Development (PACD) and are collaborating with local communities to enhance access to land for agricultural investment. The authorities are also revamping the national business council meetings and have recently held a meeting in May 2023 chaired by the President. Through the Women Enterprise Fund (WEF), the authorities have provided literacy training to over 30,000 women and girls as well as loans to over 600 women to narrow the gender gap and increase financial access while deepening financial inclusion.

15. To initiate a new phase of governance and anti-corruption reforms geared to enhance the legal framework for the ongoing reforms, the authorities are intensifying structural reform efforts. To this end, they are enforcing the signing of performance contracts (PCs) with state- owned enterprises (SOEs) to strengthen their financial and operational efficiencies. While the authorities have signed PCs with three SOEs in February 2023, they plan to sign PCs with three more SOEs and roll-out PCs to all SOEs by 2024. Relatedly, the SOEs bill has been approved by the National Assembly which is expected to enhance their governance framework.

16. To strengthen the public financial management (PFM) system, Cabinet approved the PFM bill in March 2023. The bill has been submitted to the National Assembly for further consideration. They are also strengthening governance and have submitted the anti-corruption bill to the National Assembly, with approval expected by end-June 2023. Further, they plan to set up an anti-corruption commission and reinforce assets declaration. The authorities also developed a PPP bill which was validated by stakeholders and shared with the Ministry of Justice for review and submission to Cabinet. At the same time, they are developing a national PPP policy with technical support from the Fund and will finalize the PPP regulations, once the PPP bill is approved. Further, the authorities are implementing the Gambia Strategic Review Board (GSRB) and investment prioritization to ensure that the investment selection framework will be strictly enforced for new domestically financed

    investments. The framework will also be used to screen PPP candidate projects to further limit contingent liabilities.

17. The authorities are also making progress on program-based budgeting (PBB) despite capacity constraints within ministries and development agencies (MDAs). To address this challenge and enhance linkages between planning and budgeting while supporting the

initiatives such as PBB, the MDAs will review and update their Strategic Plans (SPs) to align them with the RF-NDP. They plan to develop templates for the annual budget process with support from the US Treasury to enhance budget formulation and execution while improving the efficiency and effectiveness of government resource allocation. They are working closely with AFRITAC West 2 as well to operationalize gender budgeting.

18. The authorities appreciate the Fund Governance diagnostic mission and are taking measures to address the recommendations contained in the preliminary report. Accordingly, they are implementing the finalization of the regulations of the new Procurement Act 2022, and the Cabinet approval of the new PFM Bill 2023 to ensure the legal framework and align with best practice. Furthermore, the authorities have completed stage two of the COVID-19 audit report which was submitted and discussed at the National Assembly and will be published soon.

19. Considering the country's vulnerability to climate shocks, the authorities remain committed to implementing climate change mitigation measures. To this end, they published the country's US$4 billion Long-Term Climate-Neutral Development Strategy, designed to achieve its net zero target in 2050. At the same time, they continue to implement policies and actions that are compatible with the goals of the 1.5°C Paris Climate Agreement. They also approved the Green focused National Development Plan (2023-2027). Further, the Gambia, including other countries will benefit from the West Africa Coastal Areas Resilience Investment Project with US$246 million financed by the World Bank to strengthen coastal resilience. Additionally, the West African Power Pool has selected a consortium of consultants to provide Transaction Advisory Services to the Gambian authorities and support development of a Regional Solar Park.

Conclusion

20. The Gambian authorities have stayed the course in reform implementation despite challenging circumstances compounded by the multiple shocks. As a result, they re-affirmed their reform credentials and delivered critical reforms that brought the ECF arrangement to its final review. The Fund's support has played an important role in restoring macroeconomic stability. To consolidate these gains and anchor their future reform efforts articulated in their RF-NDP, the authorities have requested a successor financing arrangement to help catalyze additional donor support and address the remaining structural impediments. They look forward to continued Fund technical and policy support to help realize their growth and development aspirations.