2022 DEBT SUSTAINABILITY ANALYSIS

FOR THE

REPUBLIC OF THE GAMBIA

October, 2023

Contents

List of Tables

List of Figures

List of Appendices

Section 1: Introduction/ Background

The Debt Sustainability Framework for Low-Income Countries (LIC DSF), jointly developed by the International Monetary Fund (IMF) and the World Bank, serves as a crucial tool for evaluating debt vulnerabilities and providing guidance for borrowing decisions. This framework employs a combination of objective mechanical signals and expert judgment to comprehensively assess a country's risk of falling into a state of debt distress.

In recent years, there has been a significant escalation of debt vulnerabilities among Low-Income Countries (LICs). Since 2013, a growing number of these nations have encountered an elevated risk of debt distress, and a substantial number of them continue with substantial debt-related challenges. Unfortunately, it has become evident that even countries that previously benefited from debt relief initiatives find themselves grappling with unsustainable levels of debt in the recent past. This predicament largely arises from the inadequate execution of critical reforms, particularly in the realms of tax and expenditure policies. Regrettably, these shortcomings have led to expenditure overruns, resulting in a steady escalation of debt levels. This alarming trend poses a significant threat to the overall debt sustainability levels of these countries.

Subsequently, the Gambian economy is steadily recovering from the dual impact of the COVID-19 pandemic and the repercussions of the Russia-Ukraine conflict. One of the notable challenges it faces is the emergence of high inflationary pressures. However, there are positive signs of progress, with the real Gross Domestic Product (GDP) exhibiting growth estimated at 4.9 percent in 2022. This marks an improvement compared to the 4.3 percent growth rate observed in the preceding year. The growth in GDP is underpinned by notable recovery across all sectors of the economy. Agriculture's contribution to the GDP stands at 24.4 percent in 2022, representing a modest increase of 0.2 percentage points compared to the previous year.

Meanwhile, the Industry sector's share of GDP is estimated at 19.1 percent in 2022, reflecting a slight expansion from its 18.4 percent contribution in 2021. Although the Services sector continues to dominate in terms of its share contribution to GDP, it experienced a marginal decline, accounting for 56.5 percent in 2022, compared to the 57.5 percent share it has held in 2021.

Objective and Scope

The objective of the Debt Sustainability Analysis (DSA) is to assess a country's ability to fund its development objectives and meet debt commitments without resorting to debt rescheduling or compromising economic growth. It guides government borrowing decisions for infrastructure and social needs while accounting for current and future obligations, including potential contingent liabilities. The DSA scope includes central government debt, including that acquired by the Central Bank of The Gambia, and government-guaranteed debt related to State-Owned Enterprises (SOEs), facilitating responsible fiscal management and development pursuits.

Methodology

The analysis was carried out using the Debt Sustainability Framework for Low-Income Countries (LIC-DSF). It assessed the government's ability to meet debt obligations using ten years of historical macroeconomic data and twenty years of projections. This comprehensive approach informs responsible debt management and sustainable economic growth in low-income countries, guiding fiscal and economic policies.

Section 2: Recent Macroeconomic Performance

Global Macroeconomic Developments

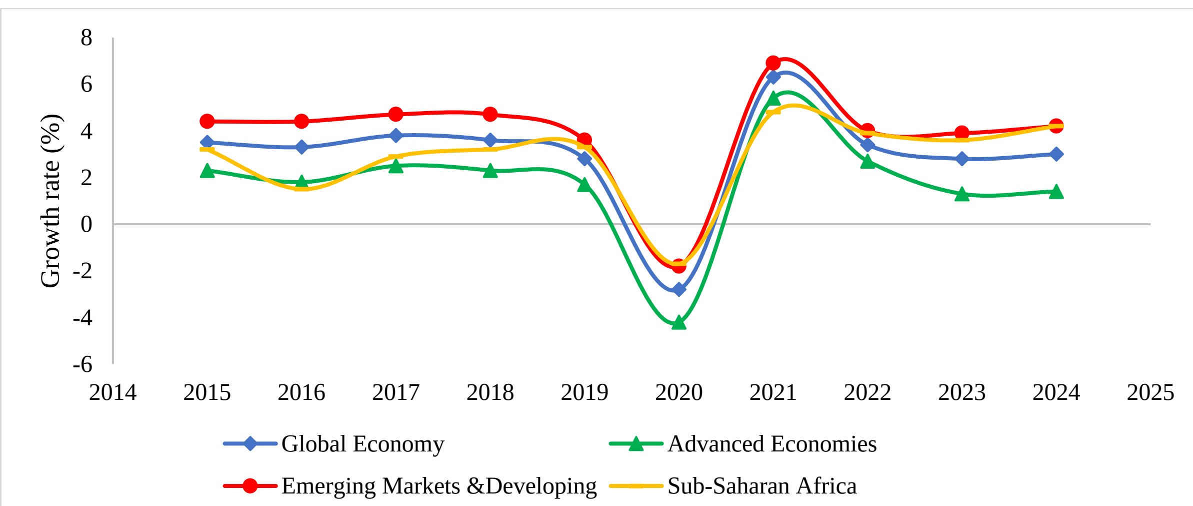
Growth

The global economy faced significant challenges in 2022 following a strong recovery in 2021 from the COVID-19 pandemic. The recovery was disrupted by the Russia-Ukraine War, leading to a notable slowdown in global economic growth. In 2021, the global economy grew at a rate of 6.2 percent, but this slowed down to 3.4 percent in 2022. The forecast for this year (2023) is even more subdued, with a projected growth rate of 2.8 percent, before a modest up-tick to 3 percent in 2024, according to the International Monetary Fund (IMF) in their April 2024 World Economic Outlook (WEO).

Emerging markets and developing economies are expected to fare relatively better, with growth rates of 3.9 percent in 2023 and 4.2 percent in 2024. In contrast, advanced economies are anticipated to experience a significant growth slowdown, dropping from 2.7 percent growth in 2022 to just 1.3 percent in 2023.

For Sub-Saharan Africa (SSA), the outlook is more positive. Growth is expected to expand from 3.6 percent in 2023 to 4.2 percent in 2024, primarily driven by increased private spending and investment.

Figure 1: Global Growth Rates, 2015-2024



The initial impact of the Ukraine-Russia War on energy and food markets has diminished, and supply-chain disruptions are gradually resolving. However, the recent stress observed in the banking systems of the United States and Europe due to rising interest rates has raised concerns and highlighted underlying turbulence in the global economy. This situation underscores the precarious nature of the current economic environment, suggesting that potential risks and uncertainties persist, even as some earlier challenges begin to recede.

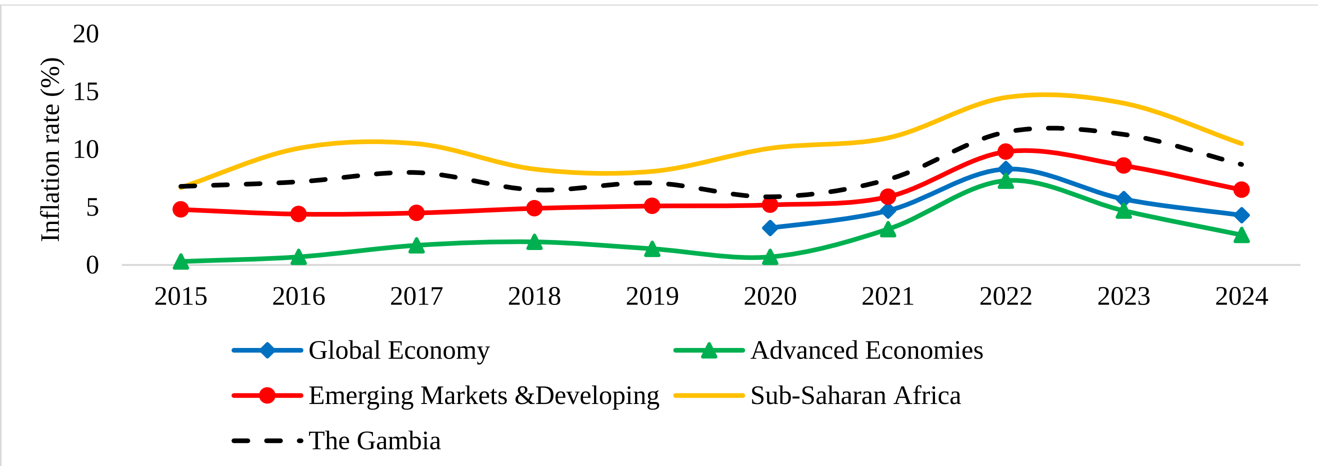
Inflation

Inflation rates have remained elevated but are showing signs of deceleration. This deceleration is primarily driven by a moderation in food and energy prices, as well as a more restrictive monetary policy stance. In 2022, many economies experienced historically high levels of inflation due to factors like pent-up consumer demand, disruptions in supply chains, and spikes in commodity prices.

The global outlook suggests that inflation is expected to gradually decrease but at a slower pace than initially anticipated. It is projected to decline from 8.7 percent in 2022 to 7 percent in 2023. This trend is expected to continue into 2024, with inflation further decreasing to 4.9 percent. This decline is attributed to falling commodity prices and the tightening of monetary policy by major central banks.

In Sub-Saharan Africa, inflation has seen a modest decrease, dropping by 0.5 percentage points to 14 percent in 2023. It is anticipated to continue falling in 2024, reaching 10.5 percent.

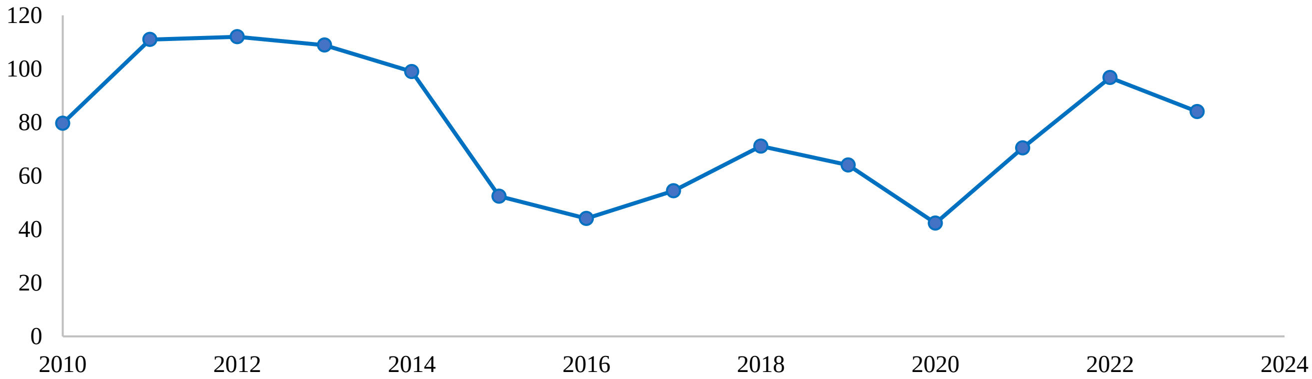
Figure 2: Global Trends in Inflation



Oil Prices

The COVID-19 pandemic and the war in Ukraine caused uncertainty on global oil supply. This led to upward pressure on commodities prices, especially oil. During the COVID-19 crisis, the average price of crude oil decreased from USD 71.07 per barrel in 2018 to USD 64.03 per barrel in 2019, and further declined to USD 42.3 per barrel in 2020 due to low demand.

Figure 3: Global Trends in Crude Oil Prices



However, the Russian invasion of Ukraine disrupted the energy market, creating waves of uncertainty on global energy supply leading to increased oil prices from USD 70.44 in 2021 to USD 96.7 per barrel in 2022. Oil prices are expected to decline to US$84 in 2023 due to normalization of global energy market from the disruption caused by the Ukraine War.

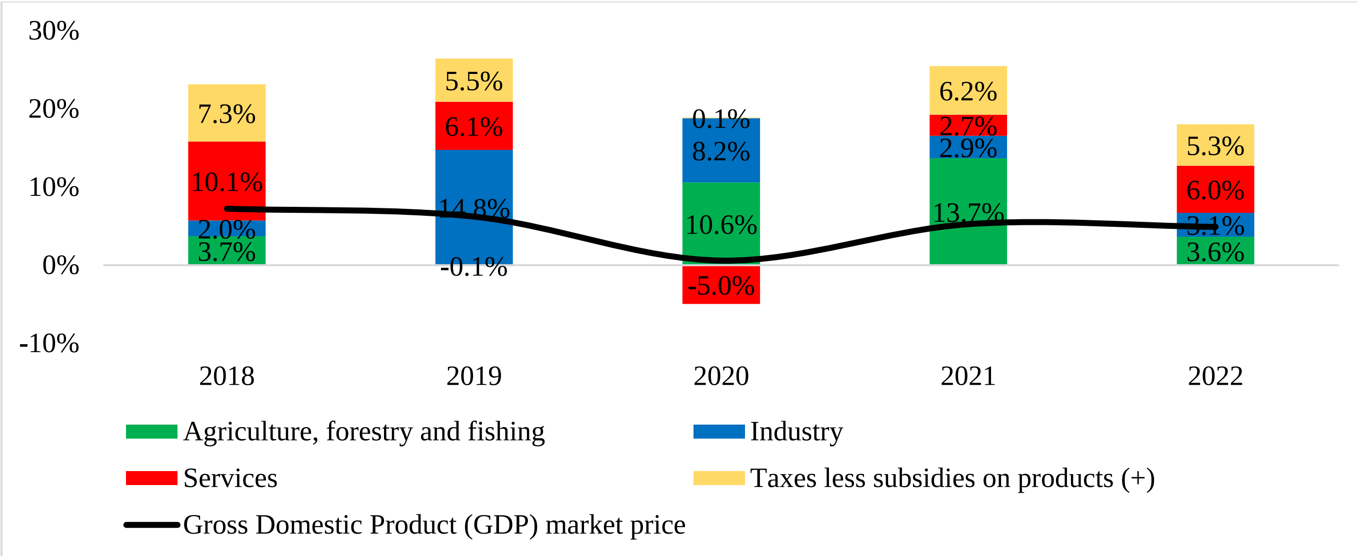
Domestic Economy: Recent Macroeconomic Developments

Growth

The Gambia's economy continued its recovery path in 2022, although at a slower pace. Real GDP growth reached 4.9 percent in 2022, compared to 5.3 percent in 2021 driven by broad-based growth in all sectors of the economy. Services, agriculture, and industry grew by 6 percent, 3.6 percent, and 3.1 percent respectively in 2022. Growth rate in the agricultural sector declined from 13.7 percent in 2021 to 3.6 percent in 2022, stemming from a 6.3 percent contraction of the fishing and aquaculture subsector. The growth rate of the industry sector marginally increased by 0.2 percentage points to 3.1 percent in 2022 due to a rebound in manufacturing from negative 28.2 percent in 2021 to a 1.1 percent growth rate in 2022.

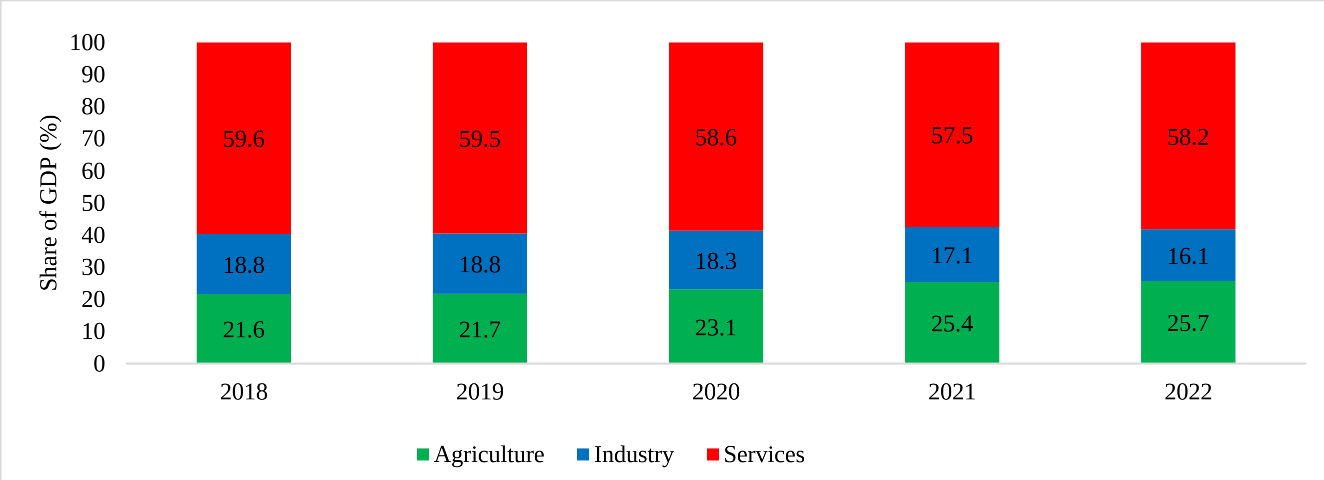
Across subsectors, hospitality, livestock, ICT, and electricity were the main drivers, recording strong performance of 88.9 percent, 28 percent, 18.2 percent, and 17.4 percent respectively in 2022. At the same time, electricity, gas, steam and air conditioning supply grew by 10.4 points to a growth rate of 17.4 percent in 2022. In contrast, construction fell by 6.6 percentage points to 3.2 percent growth in 2022. The service sector registered an increased growth rate of 3.3 percentage points to 6 percent in 2022. Accommodation and food service activities registered a strong performance with a record growth of 88.9 percent in 2022 from 20.2 percent in 2021. On the demand-side, the recovery was supported by private and public consumption and investment.

Figure 4: GDP and Sectorial Growth



Source: MPAU using data from GBOS

Figure 5: Structure of the Gambian Economy

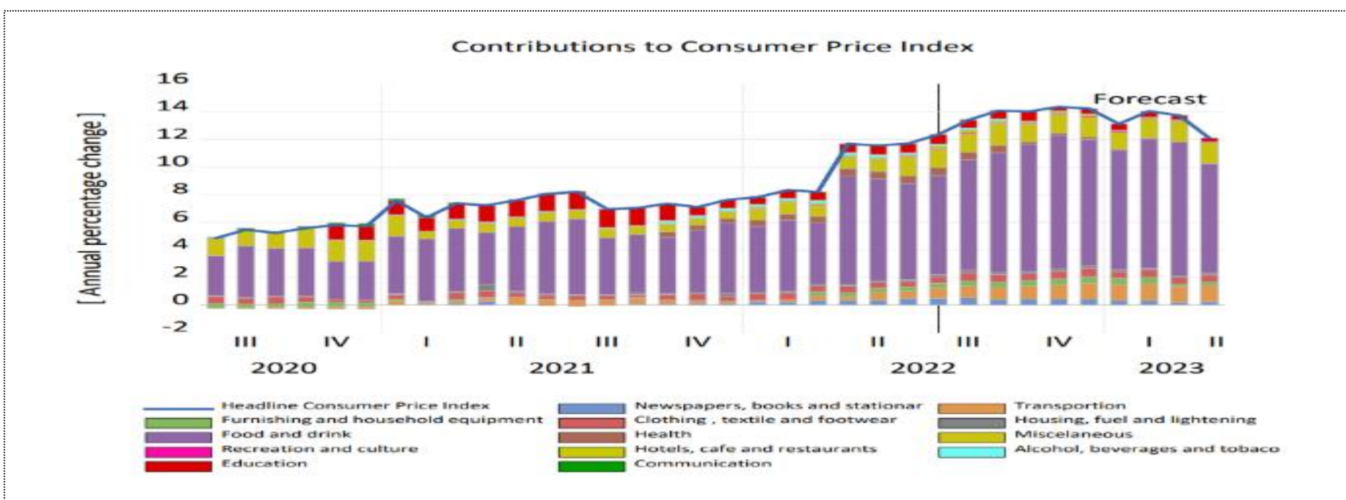


Source: MPAU using data from GBOS

Inflation

In the Gambia, headline inflation has surged to a three-decade high of 17.4 percent in April 2023, driven by a combination of factors including elevated food and energy prices due to the Ukraine war, strong domestic demand, global supply chain constraints, and the depreciation of the Gambian Dalasi. Both food and non-food prices have contributed to the rise in inflation. Food inflation which makes up 22.1 percent and non-food inflation at 12.3 percent in April 2023, largely due to increased electricity tariffs by NAWEC. This tariff increment is expected to continue exerting inflationary pressure, keeping headline inflation persistently high in the double digits until the end of 2023.

Figure 6: CPI Inflation



Source: CBG

Monetary Policy Stance

In response to the pandemic, the Central Bank of The Gambia (CBG) maintained an accommodative monetary policy stance: reducing its policy rate from 12.5 percent to 10 percent by end-May 2020. This accommodative posture was reversed to tackle inflationary pressures caused by the Ukraine-Russia War. As a result, the policy rate increased from 14 to 16 percent in May 2023. In response to the Bank's less accommodating stand, short-term interest rates on the money market have gone up but still lower than the double-digit inflation rate. Thus, real interest rates, although they have decreased, remain negative, indicating that there is still room to tighten policy.

The negative real interest rates due to rise in inflation well above nominal interest rates presents risk to the stability of financial system, the effectiveness of monetary policy and fuels depreciation pressures on the exchange rate.

Monetary Aggregates

Monetary aggregates' growth has slowed down due to a tightening monetary policy aimed at combating rising inflation. The annual growth rate of money supply decreased sharply to 3.4 percent in March 2023, from 27.2 percent in March 2022, primarily driven by reductions in both net foreign assets and net domestic assets of the banking system. Reserve money growth also decelerated to 1.2 percent in March 2023, compared to 14 percent a year earlier, mainly due to an increase in the U.S. Federal Reserve's policy rate, leading to U.S. dollar appreciation.

On the demand side, there is a notable slowdown in the growth of narrow money and other deposits in 2023, dropping from 30.9 percent and 22.2 percent to 4.3 percent and 2.2 percent, respectively. These components contributed 5.4 percent and 2.2 percent to the overall growth of broad money demand. Within narrow money, currency outside the banking system experienced a 16.1 percent increase and contributed 3.1 percent to broad money growth. The moderation in other deposits is attributed to external shocks and changes in domestic savings behaviour influenced by negative real interest rates, rising inflation, and uncertain economic conditions.

External Sector Developments

The external sector in the Gambia is facing significant challenges, marked by a worsening current account deficit, an increase in net liabilities, and disruptions in reserve asset accumulation. The current account deficit expanded from US$40.1 million (1.7 percent of GDP) in first quarter (Q1) of 2022 to US$66.4 million (3.4 percent of GDP) in Q1 2023, driven by higher import bills that outpaced the modest growth in total exports. Key imports included electricity, vegetables, rice, fuel, and oil, while primary exports were fish, fruits, cashews, and groundnuts.

However, there was a notable improvement in the services account, shifting from a surplus of US$7.7 million in Q1 2022 to US$41.2 million in Q1 2023, mainly due to increased tourist arrivals. Although tourism is gradually recovering, it has not yet reached pre-pandemic levels.

Overall, the Gambia continues to be a net borrower from the rest of the world, with a deficit of US$56.9 million in Q1 2023. The external reserve build-up has been disrupted by the COVID-19 pandemic and spillover effects from the Russia-Ukraine war, adding to the external sector challenges.

Exchange Rate Developments

Monetary policy tightening in advanced economies, responding to inflationary pressures caused by the Ukraine war, led to interest rate hikes and an appreciation of the USD, EUR, and GBP against many emerging market currencies. This, coupled with increased demand for foreign currencies due to food imports, energy, construction materials, and telecommunications, resulted in the depreciation of the Gambian Dalasi. Between Q1 2022 and Q1 2023, the Dalasi depreciated significantly against major currencies, including D8.35 against the USD, D5.59 against the EUR, D3.57 against the GBP, and D22.73 against the CFA Franc (5000).

Table 1: Quarterly Mid-market Transaction rates

Period	USD	EURO	British Pounds	CFA
Q1 2022	52.79	60.14	70.61	458.65
Q2 2022	53.40	58.93	68.31	454.41
Q3 2022	54.45	57.07	65.94	441.89
Q4 2022	60.81	64.05	73.45	456.51
Q1 2023	61.14	65.72	74.17	481.38
Year-on-Year depreciation	**-8.35**	**-5.59**	**-3.57**	**-22.73**

Source: CBG

To address foreign exchange shortages, the CBG conducted FX interventions of USD 139.44 million in 2022 to ease supply-side constraints and support the importation of essential commodities that reached critically low stock levels. Since the pace of monetary policy tightening in advanced economies is likely to slow down in the second half of 2023. This would mean less pressure on exchange rates and spreads, but global interest rates would remain high and stay above pre-pandemic levels.

Revenue

In the fiscal year 2022, total revenue (including grants) in The Gambia amounted to D22.9 billion, equivalent to 18.7 percent of GDP, marking a 16 percent increase from the previous year. This growth was primarily attributed to a significant rise in grants and a moderate increase in tax revenues. However, domestic revenue collection declined by D834.9 million. Tax revenue reached D11.2 billion (9.2 percent of GDP), with notable increases in income and wealth taxes. Tax collection was impacted by the Russia-Ukraine war, leading to an 8.2 percent decrease in international trade tax revenue, primarily in duties and VAT on imports. Tax exemptions on fuel and food products aimed at mitigating high global prices resulted in notable revenue losses. Non-tax revenue also declined by 26 percent due to a one-off petroleum sector receipt in the previous year.

Table 2: Revenue Performance (in million GMD)

Budget Class	Outturn 2021	Outturn 2022	Variance	Y-O-Y percent Δ
Total Revenue and Grants	**19,762**	**22,905**	**3,143**	**16%**
Domestic Revenue	**15,331**	**14,496**	**-835**	**-5%**
Tax Revenue	10,833	11,159	326	3%
Nontax Revenue	4,498	3,337	-1,161	-26%
Grants	**4,431**	**8,409**	**3,978**	**90%**
Budget Support	505	2,300	1,796	356%
Projects	3,926	6,109	2,183	56%

Source: MPAU using data from GRA and AGD

Grant disbursements in the Gambia, including budget support and project grants, nearly doubled in 2022 compared to 2021. Program grants saw a remarkable 356 percent increase, reaching D2.3 billion in 2022, mainly due to a significant budget support of D2.3 billion from the EU. Project grants also rose by 56 percent, totalling D6.1 billion in 2022. Overall, grants disbursed amounted to D8.4 billion in 2022, a 90 percent increase in nominal terms, largely driven by the surge in program grants, including support from international organizations like the International Development Association (IDA).

Expenditure

In 2022, total expenditure and net lending in The Gambia amounted to D29.8 billion, equivalent to 24.3 percent of GDP, marking a 15 percent increase from the previous year. This rise is primarily attributed to increases in both current and capital expenditure, particularly a 56 percent surge in externally financed capital spending. Current expenditure reached D17.0 billion, with a 5 percent year-on-year increase driven by a 30 percent raise in civil servant salaries in response to rising living costs. The total wage bill, encompassing personnel emoluments, amounted to D5.6 billion, up 23 percent from 2021, constituting 20.7 percent of total expenditure. Other charges grew by 5 percent to D8.8 billion, primarily due to increases in goods and services spending and subsidies and transfers, driven by factors like fertilizer subsidies, groundnut price support, and transfers to sub-vented agencies.

Table 3: Expenditure Performance (in million GMD)

Budget Class	Outturn 2021	Outturn 2022	Variance	Y-O-Y%Δ
Total Expenditure	**25,856**	**29,831**	**3,975**	**15%**
Current Expenditure	**16,177**	**17,034**	**857**	**5%**
Personnel Emoluments	4,593	5,627	1,034	23%
Goods & Services	3,985	4,057	72	2%
Transfers	4,381	4,733	352	8%
Interest	3,218	2,617	-601	-19%
Capital Expenditure	**9,679**	**12,798**	**3,118**	**32%**
Externally Financed	6,505	10,178	3,673	56%
GLF	3,174	2,619	-555	-17%

Source: MPAU using data from AGD (Accountant General Department)

In December 2022, total interest payments in the Gambia amounted to D2.6 billion, equivalent to 2.2 percent of GDP, showing a 19 percent decrease compared to D3.2 billion (3.1 percent of GDP) in the same period the previous year. This decline is attributed to reductions in both external and domestic interest payments by 22 percent and 18 percent, respectively.

In contrast, capital expenditure experienced significant year-on-year growth, rising by 32 percent from D9.7 billion (9.1 percent of GDP) in 2021 to D12.8 billion (10.4 percent of GDP) in 2022. This increase is primarily due to the expansion of externally financed infrastructure projects, particularly in road and airport development. However, Government Local Fund (GLF) spending decreased by 17.5 percent, declining from D3.2 billion (3.0 percent of GDP) in 2021 to D2.6 billion (3.7 percent of GDP) by the end of December 2022, primarily due to the phasing out of GLF-funded projects.

Budget Balance

The Gambia's fiscal balance, excluding grants, deteriorated from a deficit of D10.5 billion in 2021 (10.7 percent of GDP) to a larger deficit of D15.3 billion (12.5 percent of GDP) in 2022, marking a D4.8 billion increase in nominal terms. The overall fiscal deficit, including grants, also worsened, moving from a deficit of D6.1 billion (6.2 percent of GDP) in 2021 to D6.9 billion (5.7 percent of GDP) in 2022, primarily due to increased capital expenditure. However, this represents a slight improvement as a percentage of GDP. The deficit was primarily financed through external sources.

Table 4: Overall Balance (in million GMD)

Budget Class	Outturn 2021	Outturn 2022	Variance	Y-O-Y percent Δ
Excluding grants	**(10,525)**	**(15,335)**	**(4,810)**	**46%**
Including grants	**(6,094)**	**(6,926)**	**(832)**	**14%**
Financing	**8,493**	**8,545**	**52**	**1%**
External (net)	3,971	5,924	1,953	49%
Domestic	4,522	2,621	(1,901)	-42%

Source: MPAU using data from GRA, CBG and AG

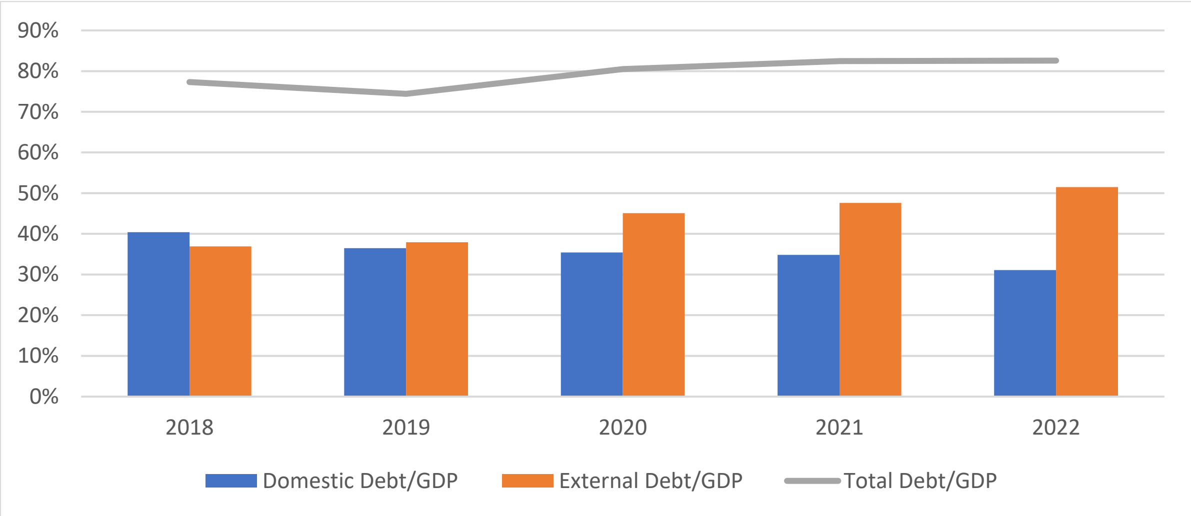
Exports, Imports, Current Account Balance and BOP

In 2022, the current account balance deteriorated to a deficit of US$90.3 million compared to a deficit of US$86.9 million in 2021. This was primarily driven by a worsening goods account deficit of US$642.4 million, resulting from a notable increase in imports compared to exports. However, there was a positive development in the services account, which recorded a surplus of US$80.3 million in 2022, partly due to the gradual recovery in the tourism sector.

Section 3: Debt Developments

The total public and publicly guaranteed (PPG) debt stock as at end December 2022 stood at USD 1.68 billion (GMD 102.64 billion), of which external debt constitutes USD 1.01billion (68 percent) and USD 626.7 million (32 percent) is domestic debt. The nominal debt as a percentage of GDP decreased to 81.95 percent in 2022 from 83.8 percent by end 2021 this is largely attributed to the improvements in economic performance.

Figure 7: Evolution of Public Debt

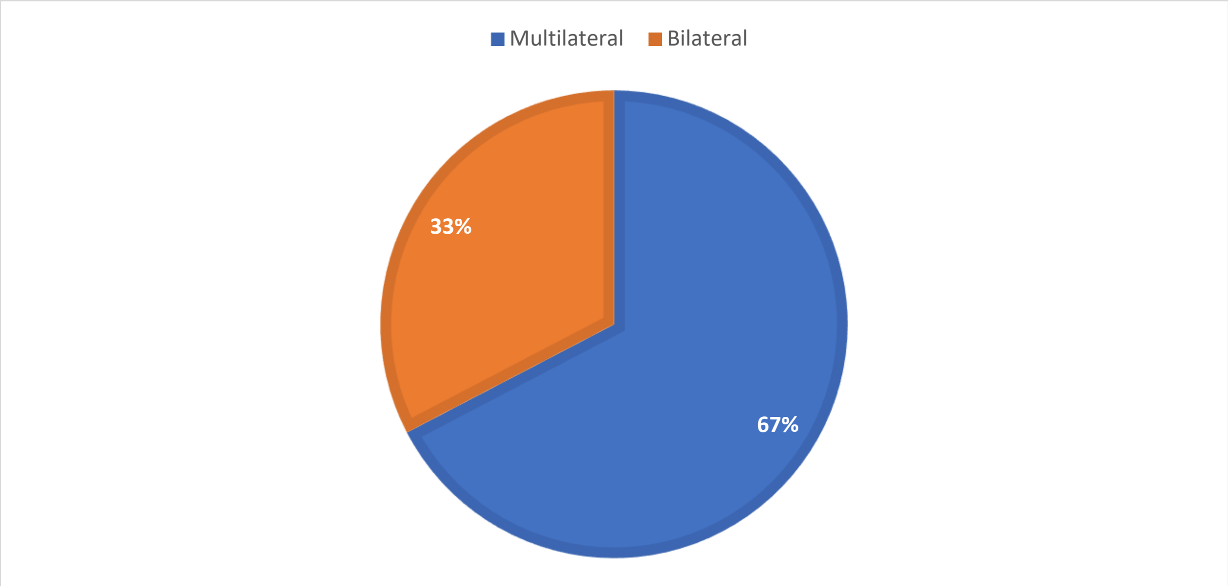


From the chat above, the total debt to GDP has steadily increased between 2018 to 2022. The slight improvement in 2019 was as a result of the GDP rebasing done. As at end 2022, the external debt to GDP ratio rose from 48 percent to 51 percent while the domestic debt decreased from 35 percent to 31 percent.

External Debt Stock

The external debt stock comprises debt from multilateral creditors, which accounts for 67 percent of the total external debt portfolio, and bilateral creditor's accounts for the remaining 33 percent of the debt.

Figure 2: External Debt by Creditor Category



Domestic Debt Stock

The total domestic debt stock at the end of December 2022 stood at GMD 37.4 billion (book value) equivalents to 30.96 percent of GDP. The stock of domestic debt comprises both marketable and non-marketable debt instruments. The marketable instruments include Treasury bills, Sukuk-Al Salaam bills, 2-year, 3-year and 5-year bonds. On the other hand, the non-marketable instruments comprise of 7-Year NAWEC Bond and 30-year Government Bond. Below is a table showing the distribution of domestic debt stock.

Table 5: Domestic Debt Stock by Holder 2022

Instrument	Holder	Face Value	Book Value
T-Bills	Central Bank	0.00	0.00
	Comm Banks	14,465,490,000.00	13,903,147,561.00
	Other Non Banks	2,797,015,000.00	2,663,955,723.50
		17,262,505,000.00	**16,567,103,284.50**
SAS	Central Bank	0.00	0.00
	Comm Banks	665,470,000.00	632,116,207.00
	Non Banks	381,170,000.00	368,073,653.50
		1,046,640,000.00	**1,000,189,860.50**
7% 30-Year Gov't Bond (held by CBG) (Mar 01, 2017)	Central Bank	8,623,332,950.74	8,623,332,950.74
12% 7-Year NAWEC Bond (Commence Sept 01.2017)	Banks	361,381,017.58	361,381,017.58
9% 3-Year Govt. Bond (Iss July 29, 2020)	Banks	390,000,000.00	377,431,012.47
9% 3-Year Govt.Bond (Iss.29.07.20 & reopen Aug 19,20)	Banks	250,000,000.00	242,761,894.62
9% 3-Year Govt. Bond (Iss.29.07.20 & reopen Aug 31,20)	Banks& non-banks	700,000,000.00	675,124,188.41
9% 3-Year Govt. Bond (iss Nov 02 & reopen Nov 18, 20)	Banks& non-banks	900,000,000.00	894,244,491.30
9% 3-Year Govt.Bond (iss Dec 07 & reopen Dec 23,20)	Banks& non-banks	869,750,000.00	869,240,494.15
9.66% 3-Year Govt. Bond (iss. Mar 10, 2021)	Banks	800,000,000.00	800,055,353.51
9.66% 3-Year Govt.Bond (iss Mar 10 & reopen Mar 24, 21)	Banks	750,000,000.00	747,463,721.51
8.94% 3-Year Govt.Bond (iss June 23, 2021)	Banks	750,000,000.00	749,996,037.94
8.85% 5-Year Govt. Bond (iss Sept 22, 2021)	Banks& non-banks	1,000,000,000.00	1,000,141,545.52
8.85% 5-Year Govt.Bond (iss Sept 22, 21 re-open 27.10.21)	Banks	1,000,000,000.00	1,119,385,265.57
3.79% 3-Year Govt. Bond (iss. Mar 09, 2022)	Banks& non-banks	1,500,000,000.00	1,500,192,812.97
8.59% 5-Year Govt. Bond (iss. Jun 01, 2022)	Banks& non-banks	670,000,000.00	671,998,306.87
9.77% 3-Year Govt. Bond (iss September 14, 2022)	Banks& non-banks	951,000,000.00	951,612,297.20
9.77% 3-Year Govt.Bond (iss Sept.14, 2022 &Re-open N	Banks& non-bank	295,000,000.00	285,161,191.06
		19,810,463,968.32	**19,869,522,581.43**
Total		**38,119,608,968.32**	**37,436,815,726.43**

Domestic Debt by Instrument

A significant proportion of the domestic debt stock is constituted by T-Bills and SAS with 48 percent share, followed by 30-year Government bond with 23 percent, 21 percent on 3-year Bonds, 7 percent on the 5-year Bond, and then the remaining 1 percent on 7-year NAWEC Bond.

Table 6: Share of Domestic Debt by Instrument

Instrument	Amount outstanding	Shares
3-year bond	8,155,750,000.00	21.40%
Treasury Bills	17,262,505,000.00	45.29%
Sukuk Al-Salam	1,046,640,000.00	2.75%
5-year bond	2,670,000,000.00	7.00%
7-year NAWEC Bond	361,381,017.58	0.95%
30-year bond	8,623,332,950.74	22.62%
Total Bond	**38,119,608,968.32**	

Domestic Debt by Holder

Table 7: Domestic Debt Distribution by Holder

	TREASURY BILLS	SAS BILLS	BONDS
Central Bank	0.00%	0.00%	43.53%
Comm Banks	83.80%	63.58%	52.51%
SSHFC	0.00%	0.00%	2.56%
Other Non Banks	16.20%	36.42%	1.39%
Total Share	**100.00%**	**100.00%**	**100.00%**

From the above table, as at end December 2022, the Commercial banks held the greater share of the domestic debt, holding 83.80 percent of T-Bill, 63.58 percent of SAS Bills and 52.51 percent of bonds issuance.

Section 4: Underlying Macroeconomic Assumptions of the DSA

The DSA is anchored on a macroeconomic projection over a 20-year period from 2022 to 2042. The results display a 20-year horizon against which the debt indicators are assessed for the level of risks of debt distress. It is also expected to inform fiscal budget and rests on macroeconomic assumptions that all the policies and reform proposals will be implemented. The forecast and assumptions look at the real GDP growth, price developments, domestic revenue, domestic expenditure and the external sector developments which include current account balance and exchange rate developments.

Recovery and growth prospects over the medium term will be subdued as conditions remain uncertain as a result of the Russia-Ukraine conflict. With economies across the world being negatively impacted by the conflict and global growth projections being revised downwards, the medium-term outlook will be challenging. As most countries grapple with the effect of the conflict on their real incomes, the previously positive expectations of tourist arrivals for the 2022-23 tourist season is uncertain.

Performance in the Industry sector is also expected to decline slightly as most of its subsectors are directly or indirectly impacted by supply chain disruptions associated with manufacturing and construction inputs which are usually imported from the warzone.

Due to volatility in the prospects for tourism and trade, the economy will rely heavily on the other productive sectors to perform as projected in the medium term. The risk of a poor rainy season in the medium term could also exacerbate volatility hence recovery efforts must be premised on a strong commitment to medium-term policy reforms to ensure resilience.

Table 8: GDP contribution by Economic Sector 2021-2025

Industry	2022	2023	2024	2025	2026
Gross Domestic Product (GDP) market price	**3.8%**	**4.3%**	**4.6%**	**4.8%**	**4.9%**
Agriculture, forestry, and fishing	**3.6%**	**6.0%**	**4.6%**	**4.6%**	**4.0%**
Crops	-5.3%	0.9%	1.0%	1.5%	1.5%
Livestock	-3.6%	0.6%	1.2%	1.5%	1.6%
Forestry and logging	-6.7%	-3.7%	1.4%	2.0%	3.4%
Fishing and aquaculture	13.3%	9.9%	7.0%	6.5%	5.5%
Industry	**3.1%**	**7.4%**	**4.9%**	**4.9%**	**6.5%**
Mining and quarrying	6.4%	11.3%	4.5%	4.4%	4.0%
Manufacturing	-11.3%	-6.2%	1.4%	1.4%	1.4%
Electricity, gas, steam and air conditioning supply	4.5%	8.5%	8.0%	7.5%	7.5%
Water supply, sewerage, waste management and remediation activities	-2.0%	1.0%	4.0%	5.9%	5.9%
Construction	8.9%	8.7%	5.0%	5.0%	5.0%
Services	**6.0%**	**2.4%**	**4.3%**	**4.7%**	**5.1%**
Wholesale and retail trade; repair of motors and motorcycles	0.9%	2.1%	2.5%	3.0%	3.5%
Transport and storage	-0.3%	2.7%	3.0%	3.5%	5.0%
Accommodation and food service activities	15.2%	14.1%	12.7%	9.2%	10.2%
Information and Communication	3.2%	3.7%	7.3%	7.5%	8.0%
Financial and insurance activities	4.8%	3.5%	11.8%	13.5%	13.5%

The agriculture sector is expected to continue on a steady path to recovery after the downturn in 2021 with growth rate projected to increase to 6.0 percent in 2023 and averaging 4.0 percent by 2026. This projection is largely premised on improved investment efficiency in agricultural projects coupled with increased private sector participation in rice and vegetable farming. The increased use of Gambia Strategy Review Board (GSRB) for project screening and selection will further strengthen efficiency in agricultural projects which, in the past suffered from gross inefficiency in public investment management. Fishing output is also expected to perform well over the medium term.

Whilst Industry continues to be the main growth driver in 2021, its path to recovery from the pandemic has suffered yet another setback from the conflict, coupled with delay in the implementation of some major projects under construction in 2022. As a result, growth is expected to hit 7.4 percent in 2023 and moderate to 6.5 percent by 2026. With the OIC summit drawing closer, construction of roads and other infrastructure for the conference is expected to be completed in 2023, signaling an expected slowdown in investment in public construction.. However, the mining and quarrying subsector is expected to remain on a decent path in the medium term due to the increase in export of heavy mineral concentrates (HMCs).

The Services sector is expected to register a very subdued recovery over the medium term from the effects of the pandemic and the war. Growth is projected at 2.4 percent in 2023 before finally averaging to 5.1 percent in 2026.

Box 1: Reforms inbuilt in the Macroeconomic frameworks

- Civil service and security sector reform
- Rationalization of subvented agencies
- Rationalization of foreign service missions
- Implementing reforms in the State-Owned Enterprises
- Restructuring of the Gambia Groundnut Corporation and NAWEC
- Program for Accelerated Community Development
- Social protection Reform
- Development of Public Investment Programme 2022-2025
- Increase the leverage on regional trade – port expansion and Senegambia Toll Bridge
- Improve tax revenue administration and trade facilitation
    - Development of a tax expenditure policy
    - Reconstruction of the taxpayer ledger
    - Cleaning of the taxpayer register
    - Post clearance audit
    - Increase the formalization of the taxpayer base
    - Commercial Banks to work with their clients to start using mobile app platforms to make tax payments.
    - ASYCUDA World migration
    - Cargo Tracking System (SCTS) and SIGMA implementation
    - Computerization of the Internal Audit Systems
    - Establish of a Tax Policy Unit at MoFEA

Inflation

Inflation in the analyzed period shows a notable increase, with December 2021 recording a 7.6 percent inflation rate, up by approximately 2.0 percentage points compared to December 2020. The most recent data from July 2022 reveals a significant surge in inflation, reaching 12.3 percent, driven by higher food and energy prices. Monetary policy has remained accommodative to support economic recovery post-COVID-19, with a 100 basis point increase in the policy rate to 11.0 percent in May 2022 and a maintenance of the 13 percent Mandatory Reserve Requirement to boost liquidity for growth.

Global risks, such as the COVID-19 pandemic and the Russia-Ukraine war, continue to pose challenges to the supply chain of essential goods. Domestically, vulnerabilities in the agricultural sector and unpredictable weather patterns, along with seaport bottlenecks, are contributing to upward pressure on food prices. Unless unforeseen shocks occur, forecasts indicate that inflation is expected to remain high, reaching 14.1 percent by the end of the 3rd quarter of 2022 and rising further to 14.2 percent by the end of the 4th quarter of 2022.

Fiscal Forecast

Revenue Forecast

The Gambia's fiscal outlook indicates a projected increase in total government revenue, including grants, from D33.9 billion (23 percent of GDP) in 2023 to D39.2 billion (24 percent of GDP) in 2024. This growth is expected to be driven by both domestic revenue and project and program grants, with a sustained positive trend anticipated over the medium term, averaging an annual growth rate of 17.9 percent in nominal terms from 2023 to 2027.

Domestic revenue collection is forecasted to rise from D17.4 billion to D22.4 billion, with increases in both tax and non-tax revenue. This improvement is attributed to robust revenue mobilization efforts, the implementation of the GRA Reform Agenda aimed at enhancing compliance and expanding the tax base, and the completion of a Tax Expenditure Analysis. Additionally, the establishment of a Revenue and Tax Policy Directorate will contribute to enhancing domestic revenues. Non-tax revenue is expected to reach D5.9 billion in 2024, with contributions from MDAs, Africa50, and settlement from court awards on Frank Timis.

Table 9: Revenue Projections (in GMD million)

	2022	2023	2024	2025	2026	2,027
Revenue	**22,899**	**33,919**	**39,216**	**46,544**	**47,894**	**49,875**
Domestic Revenue	**14,490**	**17,447**	**22,386**	**27,351**	**27,478**	**30,821**
Tax	**11,153**	**14,520**	**16,528**	**19,003**	**21,453**	**24,316**
Non-Tax	**3,337**	**2,927**	**5,858**	**8,348**	**6,025**	**6,505**
GRA	1,480	1,792	2,009	2,287	2,556	2,842
Non GRA	1,857	1,135	3,849	6,061	3,469	3,664
Grants	**8,409**	**16,471**	**16,830**	**19,193**	**20,417**	**19,053**
Program	2,300	2,971	2,830	3,224	3,489	3,616
Projects	6,109	13,500	14,000	15,969	16,927	15,438

In the Gambia, total grants are projected to show a slight increase from D16.5 billion in 2023 to D16.8 billion in 2024, and this trend is expected to continue over the forecasted period.

Budget Support Grants are set to rise, reaching D3.6 billion by 2027, up from an expected D2.8 billion in 2024. These grants include contributions from key institutions like the World Bank, African Development Bank, and the European Union, aimed at supporting the country's fiscal and development objectives.

Project Grants are also expected to grow, increasing from D13.5 billion in 2023 to D14 billion in 2024, driven by funding for new investment projects. These projects are seen as drivers of medium-term economic expansion, offering a positive outlook despite challenging global economic conditions.

Expenditure Forecasts

Total government expenditure in the Gambia is expected to rise from D39.7 billion (27 percent of GDP) in 2023 to D41.4 billion (25 percent of GDP) in 2024, with a gradual increase projected to reach D49.5 billion (21 percent of GDP) by 2027. This increase in 2024 is driven by rising expenditures in various areas.

In 2024, key expenditure components include Personnel Emoluments (P.E.) at D6.8 billion, reflecting a 10.9 percent increase from the 2023 budgeted figure. Debt Interest Payments are estimated to increase to D5.2 billion, with allocations of D4.5 billion for domestic debt interest and D0.65 billion for external debt interest.

Other Current Expenditure (GLF Part) is projected to be D8.8 billion in 2024, while non-GLF capital expenditure is expected to decline due to an anticipated decrease in loan-financed capital investments. These figures outline the government's spending priorities and fiscal outlook for the coming years.

Capital expenditure in the Gambia is projected to decrease slightly from D20.9 billion in 2023 to D20.7 billion in 2024, primarily due to a reduction in capital investments financed through loans, decreasing from D4.1 billion to D2.9 billion. However, both GLF capital and Project grants are expected to increase during the same period.

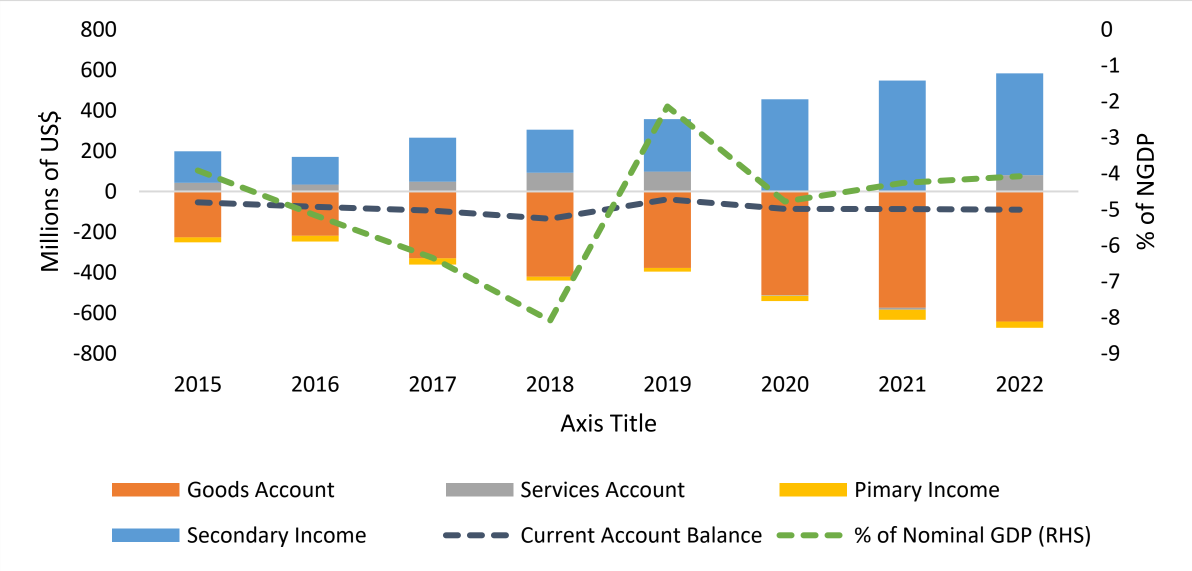
Despite this short-term dip, capital expenditure is anticipated to continue rising in the medium term as the government remains committed to infrastructure development, supporting economic growth and development objectives, even though some ongoing projects may contribute to this increase.

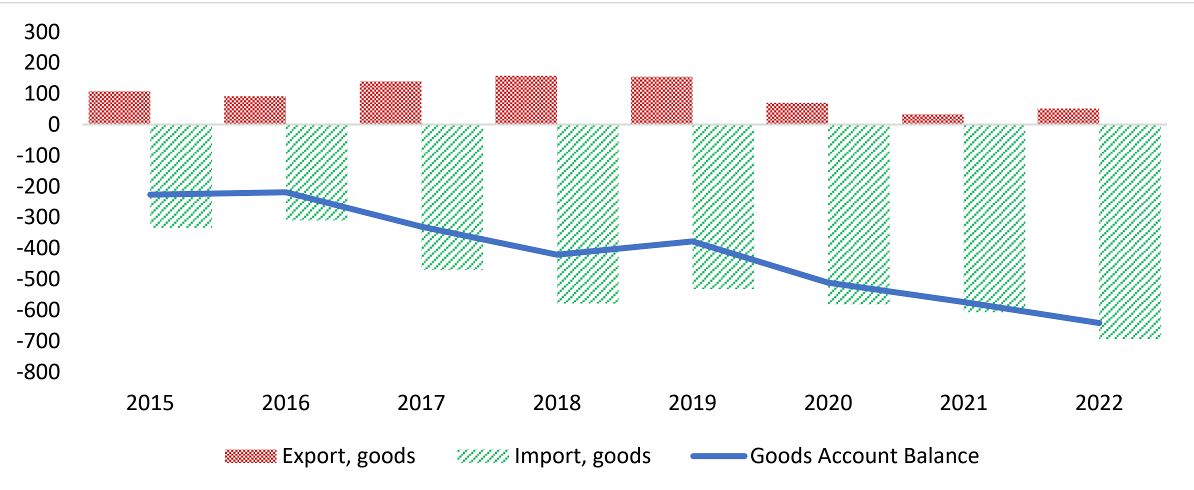
Table 10: Expenditure Projections (in GMD million)

	2022	2023	2024	2025	2026	2027
Expenditure	**29,823**	**39,664**	**41,400**	**46,293**	**49,464**	**49,503**
Expenses	**17,026**	**18,781**	**20,719**	**22,175**	**23,753**	**25,336**
Personnel Emoluments	**5,627**	**6,105**	**6,772**	**7,181**	**7,626**	**8,105**
Basic Salaries	2,726	3,132	3,301	3,554	3,801	4,001
Allowances	2,469	2,365	2,890	2,999	3,131	3,390
ECA	312	324	349	377	416	428
Other Allowances	121	284	233	251	277	286
Interest	**2,617**	**4,701**	**5,181**	**5,441**	**5,792**	**6,195**
Domestic	2,064	3,882	4,532	4,753	5,135	5,596
External	553	819	649	689	657	599
Other Charges	**8,782**	**7,976**	**8,766**	**9,553**	**10,335**	**11,036**
Goods and services	4,057	3,562	3,736	3,961	4,207	4,471
Subsidies and transfers	4,725	4,414	5,030	5,592	6,128	6,565
Investment	**12,798**	**20,883**	**20,680**	**24,118**	**25,711**	**24,167**
GLF Capital	2,619	3,282	3,745	4,157	4,552	4,870
Externally Financed	10,178	17,601	16,935	19,961	21,159	19,297
Loans	4,070	4,101	2,935	3,992	4,232	3,859
Grants	6,109	13,500	14,000	15,969	16,927	15,438
Overall Balance	**(6,924)**	**(5,745)**	**(2,183)**	**251**	**(1,570)**	**372**
Overall Balance % of GDP	-5.6%	-4.0%	-1.3%	0.1%	-0.7%	0.2%

The fiscal outlook suggests an improvement in the overall balance, with a deficit of 5.6% of GDP in 2022 expected to decrease to 4.0% in 2023 and further to 1.3% in 2024, with a gross deficit estimate of D2.2 billion in 2024. Financing the deficit may be challenging due to the absence of an IMF agreement, with available funds from the National Development Bank at D2.8 billion potentially insufficient. Economic conditions could lead to a surplus of 0.2% of GDP in 2027 if fiscal ceilings are implemented, but the economy remains vulnerable to shocks, and there's a high risk of debt distress according to the IMF. The Medium-Term Debt Strategy aims to enhance financing through concessional sources and longer-term domestic debt for a more sustainable public debt path.

Figure 8: Current Account



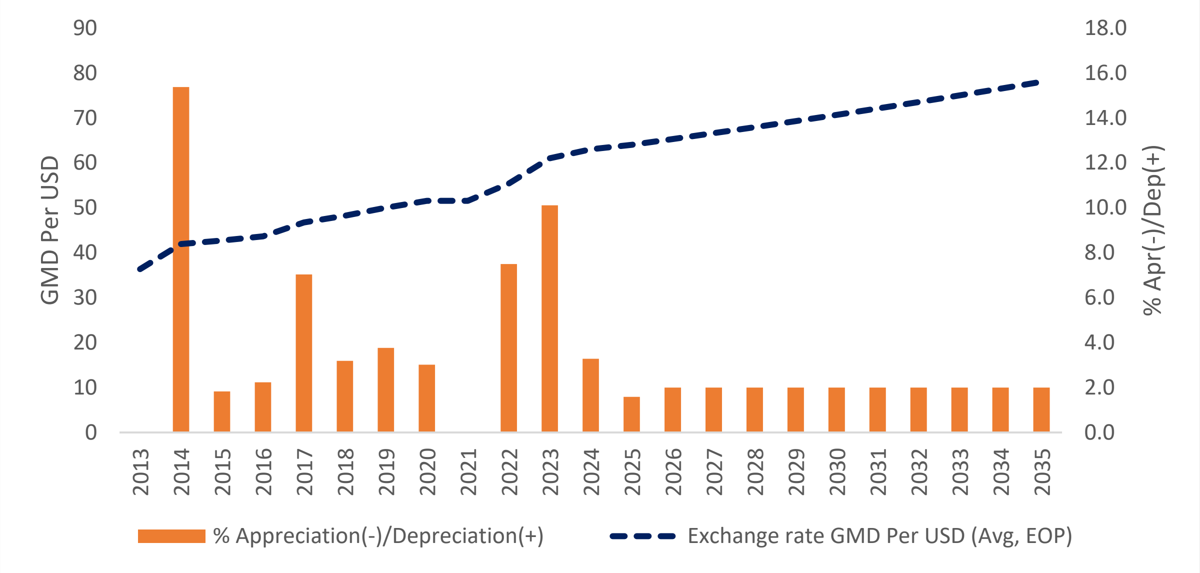


Outlook

The analysis suggests that the current account deficit is expected to grow in the medium to long term due to a faster increase in the import bill, despite projected improvements in exports and income. However, current transfers, buoyed by resilient remittances, are expected to rise. The trade balance is worsening mainly due to the rapid increase in imports, despite export improvements, and the tourism sector is anticipated to recover post-pandemic.

Exchange rates

With an adequate level of foreign reserve assets, strong remittance inflow and a continuous recovery in the tourism sector, supported by a lower fiscal deficit, the domestic currency is expected to remain stable.



The exchange rate is expected to remain flexible, allowing it to adjust to market fundamentals with limited intervention. The projected depreciation is in accordance with macroeconomic fundamentals including projected persistent current account deficits over the forecast horizon.

Section 5: Realism of Forecasts

The realism tool assesses the credibility or robustness of the macroeconomic projections that underpin the DSA. The various realism checks allow discussions on the key underlying macroeconomic projections.

Drivers of Debt Dynamics

There are several factors which drive the growth of public debt which include the primary deficit, output growth, real interest rate, real exchange rates and depreciation plus other debt creating flows. The results indicate that primary deficit and real exchange rate and depreciation were the main drivers for debt accumulation. The main drivers of public debt accumulation during the projection period are real exchange rate and depreciation plus residuals or other non-explainable factors. However, while the contribution of residuals historically was significant, its contribution to debt accumulation during the projection period is less pronounced.

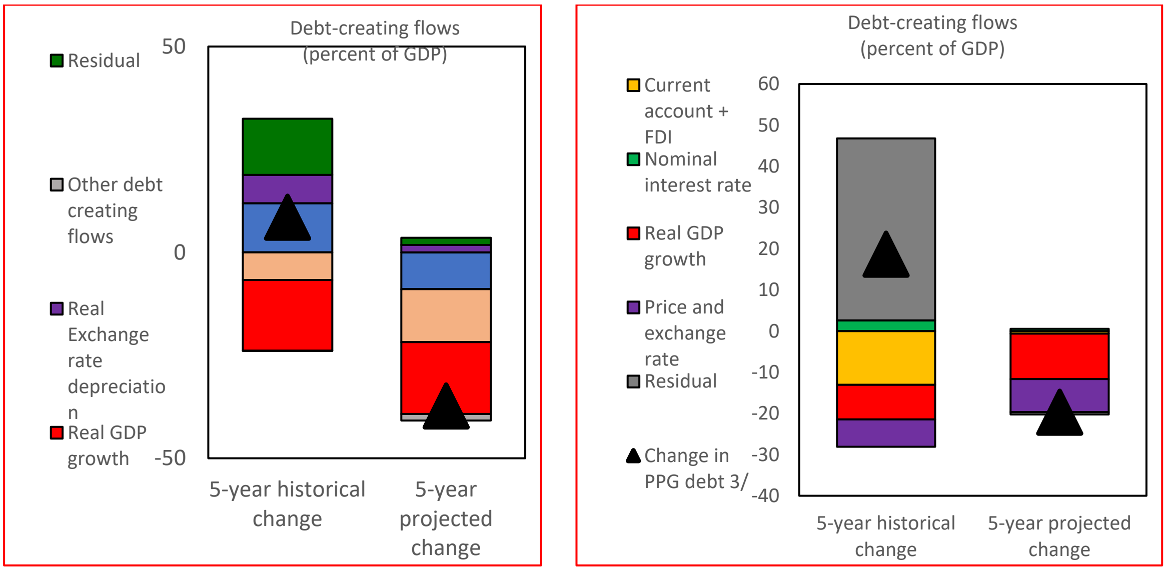
On the other hand, output growth and positive real interest rate were the mail drivers for the slow-down in debt build-up historically. These same factors are responsible for debt accumulation during the projection period at almost the same magnitude as in the past. Other debt creating flows also account for a driver of debt accumulation during the projection period although its magnitude is less pronounced compared to the other factors.

The DSA shows that growth in external debt is slowing down during the projection period largely driven by the same factors responsible for the historical reduction in the growth of external debt such as price and exchange rate, output growth and current account balance plus FDI. While external debt was growing significantly historically, there is a pronounced slow-down in the growth of external public debt in line with the fiscal adjustment during the projection period. This could also be explained by the combination of the magnitude of positive net-transfers in the current account explained by increased remittances and FDI which ease pressure on external borrowing to close the trade balance. The slow pace of depreciation historically is replicated during the projection period which slows down the rate of external debt accumulation when reported in local currency.

The contribution of other factors, referred to as residuals, to the growth in public external debt significantly decreased in the projection period, pointing to the strength of the underlying macro projections for the DSA.

Figure 9: Drivers of Public Debt Dynamics

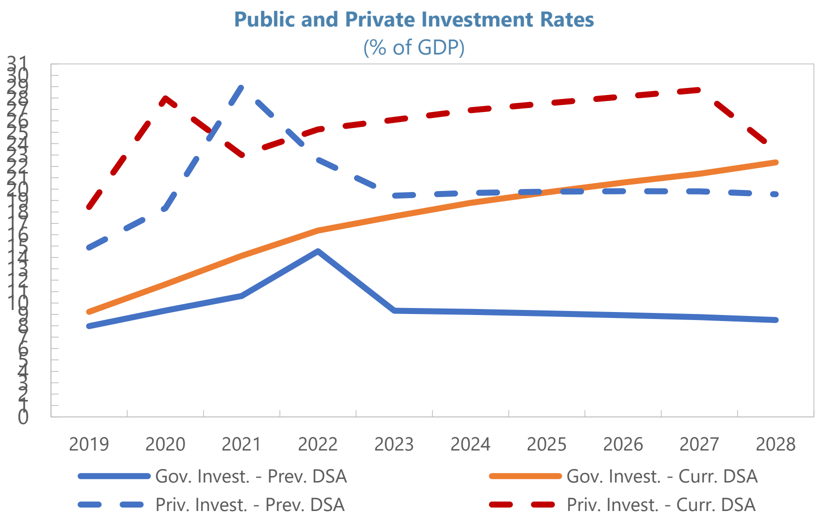
Total Public Debt Accumulation (b) External Debt Accumulation



Investment Contributions to real GDP

The results show that private investments in both historical and projection is higher than public investment. Private investment as a percentage of GDP averaged about 19 percent in both the historical and projection period under the previous DSA. The share of private investment in the current DSA increased to an average of 23 percent during the projection period from an average of 20percent historically. Public investment as a percentage of GDP during the current DSA increased to 22 percent of GDP during the projection period from 11 percent historically. This indicate that despite the fiscal consolidation, the Government of Gambia is committed to protect capital spending to drive growth.

Figure 10: Public and Private Investment Rates



Section 6: Debt Carrying Capacity and Thresholds

The assessment on a country's debt carrying capacity is determined on its policies and institutional strengths, macroeconomic performance, and ability to absorb shocks. Therefore, Composite Indicator (CI) captures the impact of different factors through a weighted average of the Country Policy and Institutional Assessment (CPIA) score, the country's real GDP growth, remittances, international reserves, and world growth. The weak, medium, and strong debt-carrying capacity categories determine the country's thresholds for both the external DSA and the public DSA. Accordingly, the Gambia is classified as a medium performer with a CI score of 2.91, moving from a score of 2.71 under the previous classification, driven by improved performances in import coverage of reserves, real GDP growth of the Gambia, and remittances. The Tables below show CI classifications under previous and current DSA.

Table 11: Composite Indicator – Current DSA

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 percent
Real growth rate (in percent)	2.719	5.146	0.14	5 percent
Import coverage of reserves (in percent)	4.052	37.091	1.50	52 percent
Import coverage of reserves^2 (in percent)	-3.990	13.757	-0.55	-19 percent
Remittances (in percent)	2.022	13.816	0.28	10 percent
World economic growth (in percent)	13.520	2.898	0.39	13 percent
CI Score			2.910	100 percent
CI rating			**Medium**	

Table 12: Composite Indicator – Previous DSA

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.006	1.16	43%
Real growth rate (in percent)	2.719	4.058	0.11	4%
Import coverage of reserves (in percent)	4.052	28.654	1.16	43%
Import coverage of reserves^2 (in percent)	-3.990	8.210	-0.33	-12%
Remittances (in percent)	2.022	6.060	0.12	5%
World economic growth (in percent)	13.520	3.579	0.48	18%
CI Score			2.71	100%
CI rating			Medium	

Given that the Gambia is exposed medium debt carrying capacity, the following thresholds apply in assessing the debt sustainability levels.

Table 13: Thresholds

EXTERNAL debt burden thresholds	Medium (percent)
PV of debt in percent of	
Exports	180
GDP	40
Debt service in percent of	
Exports	15
Revenue	18
PUBLIC debt burden threshold	55

Section 7: Results of Analysis

External DSA

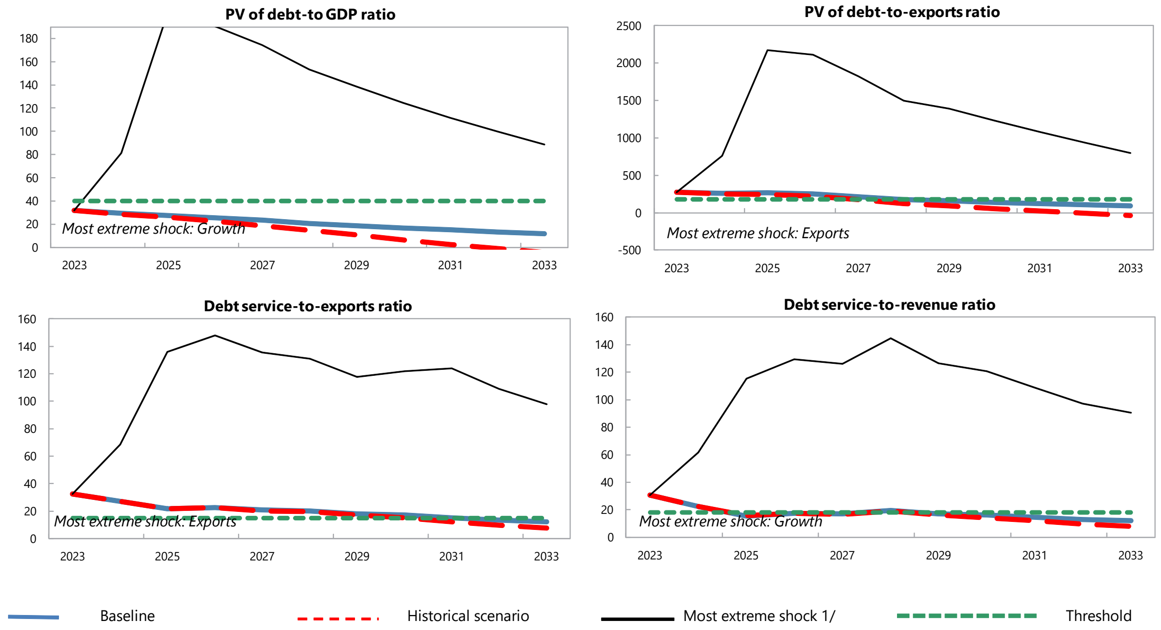
The 2023 DSA is anchored on the approved medium-term budget forecasts of the Government of Gambia in combination with long-term macroeconomic forecasts in line with existing policy environment of the Government.

Based on the results of the current DSA, the Gambia is still exposed to a high risk of debt distress, similar to the outcome under the previous DSA. The assessment is purely on a mechanical basis, given that the application of judgement would also produce similar outcome. The result under the baseline scenario indicates a breach in one solvency indicator – PV of external debt to export, and both liquidity indicators are breaching their respective thresholds. The breach in the PV of external debt to export is sustained over a period of 5 years from 2023 to 2028 before dropping to 174.7 percent, marginally below its threshold of 180 percent. The breach in the ratio of external debt service to export is similarly sustained over a lengthy period, from the start of the projection period to 2032 when it reached 13.3 percent, below its respective threshold of 15 percent. There is a two-time breach in the external debt service to revenue ratio – an early breach in 2023 and 2024, and later in 2028 at 19.5 percent, before falling below the threshold of 18 percent throughout the remaining projection period.

All four indicators are in breach under a shock or stress test scenario indicating vulnerabilities. The most responsive shocks are export and growth shocks. The PV of external debt to GDP and external debt service to revenue are both responsive to growth shock. This shows that a serious slump in output growth would further undermine the Government's Gambia's capacity to revenue to service its external debt obligations. Both export related indicators – PV of external debt to export and external debt service to export are both highly responsive to export shock. This indicates fragility in the Gambia' s export capacity which could further worsen debt sustainability risks.

Figure 11: Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022-2032

Figure 8. Gambia, The: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2023-2033



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	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 on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

* 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: Gambia authorities' estimates and projections.

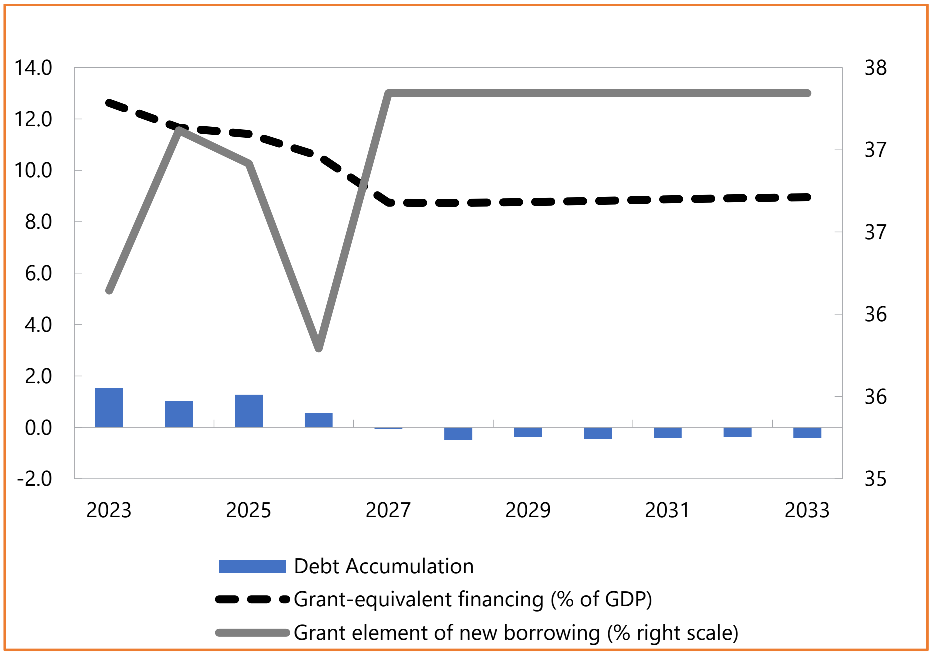
1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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.

Debt Accumulation under the Baseline (External)

Figure 8. shows that the average grant element of new external borrowing between 2023 and 2033 inclusive is 37.3 percent, consistent with the minimum grant element threshold of 35 percent agreed with the IMF. The rate of debt accumulation in the same period is projected at 0.17 percent responsive to the fiscal consolidation path upon which the DSA is anchored. The grant equivalent financing in percentage of GDP is projected at 9.8 percent, slightly above 8.1 per cent under the previous DSA. This underscores, the Gambia's stance to continue to mobilize concessional resources to implement its development projects and programmes.

Figure 12: Rate of Debt Accumulation



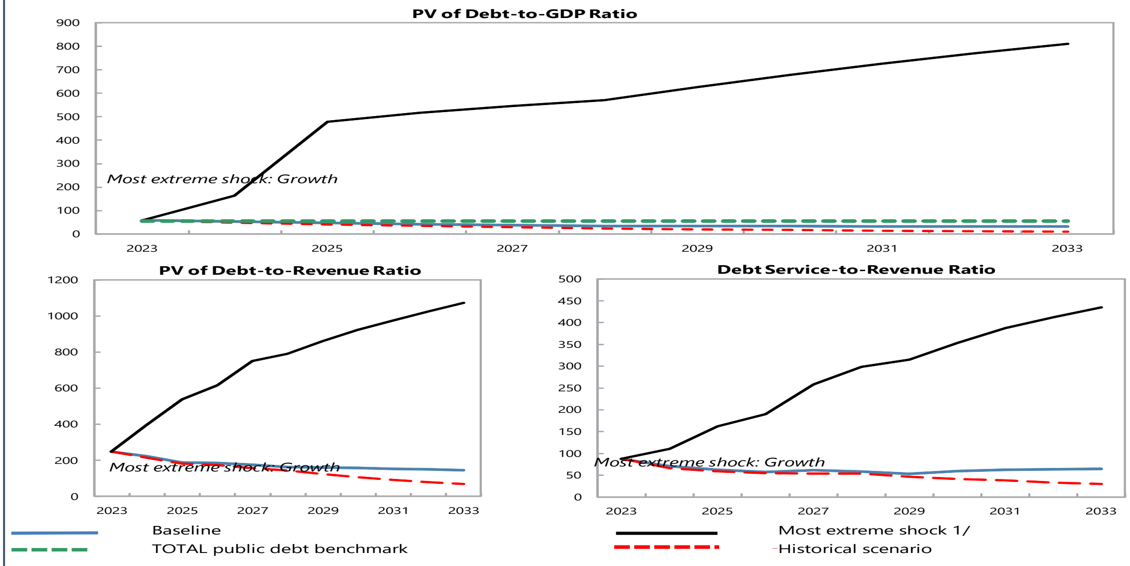
Public DSA

The public debt sustainability examines the level of exposure of the total debt portfolio (domestic and external). The Gambia is classified as medium policy-performing country based on the CI score of 2.91 percent, therefore the threshold for assessing its public debt sustainability is 55.0 per cent on PV of Public Debt-to-GDP.

Under the baseline assumption as shown in figure 10, the PV of Public Debt-to-GDP breaches its indicative threshold in 2023 at 57.9 percent above the threshold of 55 percent which indicates a one-time breach. Given that the external debt sustainability puts the Gambia at a high risk of debt distress, and given existing liquidity challenges to service domestic debt, applying judgement, Gambia is exposed to a high risk of public debt distress although the public debt is sustainable on a forward-looking basis. The most responsive shock which is output shock is severe on the public debt which indicates vulnerabilities in the export capacity of Gambia. A collapse in export could hurt foreign exchange reserves and revenue which would further compound existing public debt management challenges.

Figure 13: The Gambia: Indicators of Public Debt under Alternative Scenarios, 2022-2032

Figure 10. Gambia, The: Indicators of Public Debt Under Alternative Scenarios, 2023-2033



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	15%	15%
Domestic medium and long-term	34%	34%
Domestic short-term	50%	51%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.7%	2.7%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.1%	0.1%

* 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: Gambia authorities' 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.

Section 8: Main Findings and Conclusion

The Gambia is still exposed to a high risk of external debt distress and on judgmental basis, high risk of public debt distressed, although sustainable on a forward-looking basis. Three external debt indicators are in breach – one solvency indicator, PV of external debt to export, and two liquidity indicators are in breach, debt service to export and debt service to revenue. This indicate liquidity challenges the Government of the Gambia is exposed, amplified by the impact of Covid-19 and the on-going Russia and Ukraine war, which constrains its capacity to meet existing and pipeline debt service obligation, in the face of fiscal pressures, and to respond to other socio-economic challenges. It is observed that the Debt Sustainability is vulnerable to export and growth shocks which underlines fragility and vulnerabilities in the export sector and growth potentials of the Gambia.

In this respect, the Government of the Gambia should pursue the following policy actions to ease pressure on public debt accumulation and lower the risk of debt distress:

The Government of the Gambia is to pursue fiscal consolidation, anchored on enhanced revenue mobilization and careful vetting and rationalization of expenditure, without undermining the growth potential of the Gambia.

Continue to pursue concessional borrowing to support infrastructure development.

Adopt innovative and off-budget financing such as PPP for specific development projects which are self-liquidating to limit exposure to commercial financing.

Develop policies and pursue green and climate-linked growth to leverage on associated grant and concessional financing to support climate adaptation and mitigation.

Continue to deepen debt transparency, accountability, improve on policy and institutions to increase Gambia's CPIA and Composite Indicator, which would promote Gambia's debt-carrying capacity and more grant resources from IDA.

Appendices

Appendix 1: Indicators of External Debt

Gambia, The: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed 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	30	28	26	23	21	19	17	15	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	32	28	26	22	19	15	11	6	3	-1	-5
B. Bound Tests											
B1. Real GDP growth	32	**81**	**204**	**190**	**174**	**153**	**138**	**124**	**112**	**100**	**88**
B2. Primary balance	32	30	29	27	26	23	21	20	18	17	15
B3. Exports	32	36	**40**	38	35	31	29	26	23	21	18
B4. Other flows 3/	32	37	**41**	38	36	32	30	27	24	21	19
B5. Depreciation	32	37	28	26	24	20	18	16	14	13	11
B6. Combination of B1-B5	32	36	-19	-20	-22	-24	-25	-26	-23	-20	-18
C. Tailored Tests											
C1. Combined contingent liabilities	32	30	29	27	25	22	20	18	17	15	14
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	**277**	**261**	**263**	**254**	**217**	175	160	140	123	107	91
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**277**	**251**	**247**	**222**	172	124	92	54	21	-8	-35
B. Bound Tests											
B1. Real GDP growth	**277**	**261**	**263**	**254**	**217**	175	160	140	123	107	91
B2. Primary balance	**277**	**266**	**276**	**272**	**237**	**196**	**183**	164	148	131	114
B3. Exports	**277**	**762**	**2170**	**2107**	**1823**	**1495**	**1392**	**1233**	**1081**	**934**	**795**
B4. Other flows 3/	**277**	**323**	**391**	**380**	**330**	**272**	**254**	**225**	**197**	170	145
B5. Depreciation	**277**	**261**	**215**	**207**	175	139	125	107	94	82	70
B6. Combination of B1-B5	**277**	**314**	-74	-189	-193	-193	-211	-214	-185	-156	-131
C. Tailored Tests											
C1. Combined contingent liabilities	**277**	**267**	**272**	**265**	**229**	**187**	173	154	137	121	105
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	33	27	22	23	21	20	18	17	15	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	33	27	22	22	20	20	17	15	12	10	8
B. Bound Tests											
B1. Real GDP growth	33	27	22	23	21	20	18	17	15	13	12
B2. Primary balance	33	27	22	23	21	21	18	18	16	14	13
B3. Exports	33	68	136	148	135	131	118	122	124	109	98
B4. Other flows 3/	33	27	23	25	23	22	20	22	22	20	18
B5. Depreciation	33	27	22	22	20	20	17	16	12	11	10
B6. Combination of B1-B5	33	43	49	38	36	37	33	24	-9	-9	-7
C. Tailored Tests											
C1. Combined contingent liabilities	33	27	22	23	21	20	18	17	15	13	12
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	**31**	**23**	16	17	17	**20**	17	16	15	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**31**	**23**	16	17	16	**19**	16	14	12	10	8
B. Bound Tests											
B1. Real GDP growth	**31**	**62**	**115**	**129**	**126**	**145**	**126**	**121**	**109**	**97**	**90**
B2. Primary balance	**31**	**23**	16	18	17	**20**	17	17	16	14	13
B3. Exports	**31**	**24**	17	**20**	**20**	**22**	**20**	**21**	**21**	**19**	18
B4. Other flows 3/	**31**	**23**	16	**19**	**19**	**21**	**19**	**21**	**22**	**19**	18
B5. Depreciation	**31**	**28**	**19**	**21**	**20**	**24**	**21**	**20**	15	13	13
B6. Combination of B1-B5	**31**	**36**	**36**	**31**	**30**	**37**	**32**	**23**	-9	-9	-7
C. Tailored Tests											
C1. Combined contingent liabilities	**31**	**23**	16	18	17	**20**	17	17	15	13	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

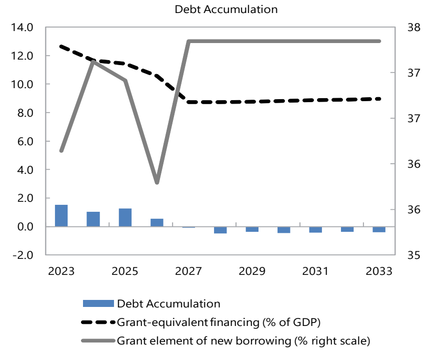
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

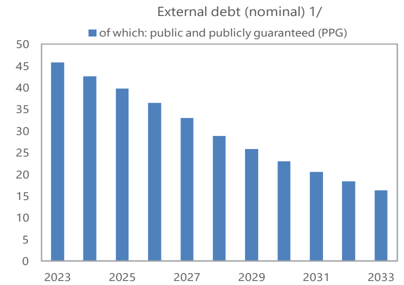
Table 1: The Gambia, External Debt Sustainability Framework, Baseline Scenario, 2021 – 2043

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	**45.1**	**47.6**	**52.6**	**45.8**	**42.6**	**39.8**	**36.5**	**33.0**	**28.8**	**16.3**	**6.0**	**39.4**	**30.1**
of which: public and publicly guaranteed (PPG)	**45.1**	**47.6**	**52.6**	**45.8**	**42.6**	**39.8**	**36.5**	**33.0**	**28.8**	**16.3**	**6.0**	**39.4**	**30.1**
Change in external debt	7.2	2.5	5.0	-6.8	-3.2	-2.9	-3.3	-3.5	-4.1	-2.1	-0.6		
Identified net debt-creating flows	**0.6**	**-10.2**	**-11.2**	**-3.2**	**-2.0**	**-2.6**	**-1.8**	**-1.6**	**-0.9**	**2.0**	**-15.5**	**25.3**	**-0.6**
Non-interest current account deficit	**4.3**	**3.7**	**3.7**	**3.8**	**3.5**	**4.2**	**4.8**	**4.5**	**4.1**	**5.1**	**7.1**	**3.1**	**4.5**
Deficit in balance of goods and services	28.5	28.7	25.4	29.0	28.5	27.6	28.2	27.9	27.0	27.8	27.9	**16.5**	**27.9**
Exports	9.7	7.0	12.1	11.4	11.3	10.5	10.1	10.8	11.8	13.1	17.6		
Imports	38.2	35.7	37.5	40.4	39.8	38.1	38.3	38.8	38.8	40.9	45.5		
Net current transfers (negative = inflow)	52.8	47.4	50.0	52.2	52.9	52.1	52.6	52.7	52.7	57.6	68.2	**50.9**	**54.1**
of which: official	-2.7	-3.6	-6.5	-10.8	-9.7	-9.5	-9.1	-7.8	-8.2	-9.4	-12.6		
Other current account flows (negative = net inflow)	-77.0	-72.3	-71.8	-77.4	-77.9	-75.5	-76.0	-76.2	-75.6	-80.4	-89.0	**-64.4**	**-77.6**
Net FDI (negative = inflow)	**-4.2**	**-9.5**	**-11.5**	**-4.7**	**-3.7**	**-4.5**	**-4.4**	**-4.0**	**-3.6**	**-2.4**	**-22.4**	**-5.1**	**-3.6**
Endogenous debt dynamics 2/	**0.6**	**-4.5**	**-3.4**	**-2.2**	**-1.9**	**-2.2**	**-2.1**	**-2.0**	**-1.4**	**-0.7**	**-0.2**		
Contribution from nominal interest rate	0.5	0.5	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1		
Contribution from real GDP growth	-0.2	-1.7	-2.1	-2.3	-2.0	-2.3	-2.2	-2.1	-1.5	-0.8	-0.3		
Contribution from price and exchange rate changes	0.3	-3.3	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	**6.5**	**12.7**	**16.3**	**-3.6**	**-1.2**	**-0.3**	**-1.5**	**-2.0**	**-3.2**	**-4.1**	**15.0**	**-22.1**	**-2.7**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**32.5**	**31.6**	**29.6**	**27.6**	**25.7**	**23.5**	**20.7**	**11.9**	**4.4**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**268.6**	**276.8**	**261.3**	**262.8**	**253.7**	**216.9**	**174.7**	**90.9**	**24.9**		
PPG debt service-to-exports ratio	**22.3**	**24.8**	**13.7**	**32.5**	**26.9**	**21.6**	**22.5**	**20.7**	**20.2**	**12.0**	**2.7**		
PPG debt service-to-revenue ratio	**19.5**	**12.6**	**14.0**	**30.9**	**22.5**	**15.5**	**17.4**	**17.0**	**19.5**	**12.2**	**3.3**		
Gross external financing need (Million of U.S. dollars)	39.9	-81.5	-137.3	89.7	107.7	56.4	84.8	93.9	110.9	256.4	-2098.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.6	4.3	4.9	4.8	4.9	6.0	6.2	6.3	5.0	5.0	4.9	**19.7**	**5.2**
GDP deflator in US dollar terms (change in percent)	-0.8	7.8	3.6	2.7	5.1	5.7	3.2	2.5	5.8	4.2	3.9	**-7.9**	**4.0**
Effective interest rate (percent) 4/	1.4	1.3	0.9	0.2	0.4	0.2	0.3	0.3	0.4	0.8	1.1	**1.4**	**0.5**
Growth of exports of G&S (US dollar terms, in percent)	-51.2	-18.8	87.4	1.6	9.4	3.7	5.7	16.7	21.6	13.6	12.3	**-5.5**	**10.4**
Growth of imports of G&S (US dollar terms, in percent)	8.0	5.1	14.2	15.9	8.6	7.1	10.4	10.2	11.2	10.3	10.2	**0.4**	**10.4**
Grant element of new public sector borrowing (in percent)	...	...	...	36.1	37.1	36.9	35.8	37.3	37.3	37.3	37.3	**...**	**37.0**
Government revenues (excluding grants, in percent of GDP)	11.1	13.7	11.8	12.0	13.5	14.5	13.1	13.2	12.3	12.9	14.2	**13.4**	**12.9**
Aid flows (in Million of US dollars) 5/	153.4	42.9	151.8	308.4	318.4	346.5	346.5	319.0	352.8	547.7	1374.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	12.6	11.7	11.4	10.6	8.7	8.7	9.0	9.6	**...**	**9.8**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	84.8	82.3	84.6	87.3	89.7	90.7	93.9	97.5	**...**	**89.3**
Nominal GDP (Million of US dollars)	1,811	2,036	2,212	2,380	2,624	2,940	3,222	3,511	3,902	5,982	14,163		
Nominal dollar GDP growth	-0.2	12.4	8.6	7.6	10.2	12.1	9.6	9.0	11.1	9.4	9.0	**-4.1**	**9.5**
Memorandum items:													
PV of external debt 7/	...	...	32.5	31.6	29.6	27.6	25.7	23.5	20.7	11.9	4.4		
In percent of exports	...	...	268.6	276.8	261.3	262.8	253.7	216.9	174.7	90.9	24.9		
Total external debt service-to-exports ratio	22.3	24.8	13.7	32.5	26.9	21.6	22.5	20.7	20.2	12.0	2.7		
PV of PPG external debt (in Million of US dollars)			718.3	752.0	776.7	810.0	826.6	824.4	807.2	713.5	620.1		
(PVt-PVt-1)/GDPt-1 (in percent)				1.5	1.0	1.3	0.6	-0.1	-0.5	-0.4	0.0		
Non-interest current account deficit that stabilizes debt ratio	-2.9	1.2	-1.3	10.6	6.7	7.0	8.0	8.0	8.2	7.2	7.7		

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





Sources: Gambia authorities' estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Appendix 2: Indicators of Public Debt

Gambia, The: 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	**58**	53	46	42	37	33	33	33	32	32	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**58**	49	41	34	29	24	20	17	14	12	10
B. Bound Tests											
B1. Real GDP growth	**58**	**164**	**477**	**516**	**545**	**569**	**626**	**676**	**725**	**769**	**810**
B2. Primary balance	**58**	**58**	**58**	53	47	42	42	41	40	39	38
B3. Exports	**58**	**57**	**56**	52	46	41	41	40	39	38	36
B4. Other flows 3/	**58**	**59**	**60**	**55**	50	45	44	43	42	40	38
B5. Depreciation	**58**	**58**	50	45	39	34	33	32	31	29	28
B6. Combination of B1-B5	**58**	**71**	**89**	**89**	**87**	**84**	**89**	**93**	**95**	**97**	**99**
C. Tailored Tests											
C1. Combined contingent liabilities	**58**	**59**	52	48	43	38	38	37	37	36	35
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
					PV of Debt-to-Revenue Ratio						
Baseline	248	221	187	186	175	161	161	158	153	149	144
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	248	215	180	173	157	142	122	105	90	78	67
B. Bound Tests											
B1. Real GDP growth	248	399	538	616	751	791	862	923	977	1,027	1,072
B2. Primary balance	248	243	233	232	222	207	204	198	191	185	178
B3. Exports	248	240	227	227	218	203	200	194	185	177	169
B4. Other flows 3/	248	251	242	242	233	218	215	207	197	187	177
B5. Depreciation	248	252	209	204	189	171	166	158	151	143	135
B6. Combination of B1-B5	248	267	281	304	324	325	340	350	356	361	364
C. Tailored Tests											
C1. Combined contingent liabilities	248	249	212	211	200	186	184	179	173	168	162
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	87	70	62	57	61	58	53	59	63	63	64
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	87	66	58	54	54	53	46	41	38	33	29
B. Bound Tests											
B1. Real GDP growth	87	110	162	189	257	298	315	353	387	412	434
B2. Primary balance	87	70	74	80	81	82	73	75	79	78	77
B3. Exports	87	70	63	58	62	58	53	61	66	66	67
B4. Other flows 3/	87	70	63	58	62	59	54	62	67	67	68
B5. Depreciation	87	69	63	58	61	58	52	59	61	63	63
B6. Combination of B1-B5	87	80	91	92	113	123	125	141	153	161	167
C. Tailored Tests											
C1. Combined contingent liabilities	87	70	77	66	74	70	62	68	71	70	70
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Gambia authorities' estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Appendix 3: External DSA, Baseline Scenario (2021 – 2023)

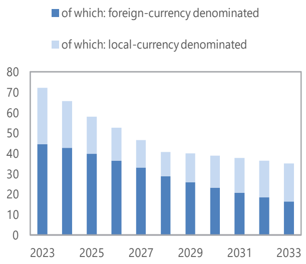
Gambia, The: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020-2043

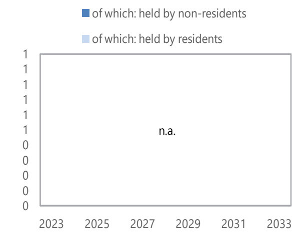
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**80.5**	**82.5**	**83.7**	**72.1**	**65.5**	**58.1**	**52.7**	**46.5**	**40.8**	**35.1**	**34.6**	**70.4**	**47.6**
of which: external debt	**45.1**	**47.6**	**52.6**	**45.8**	**42.6**	**39.8**	**36.5**	**33.0**	**28.8**	**16.3**	**6.0**	**39.4**	**30.1**
Change in public sector debt	6.1	2.0	1.3	-11.6	-6.6	-7.5	-5.4	-6.2	-5.7	-1.3	0.3		
Identified debt-creating flows	**4.1**	**-3.9**	**0.1**	**-12.3**	**-7.2**	**-8.0**	**-5.8**	**-5.8**	**-5.2**	**-0.9**	**0.3**	**14.4**	**-4.3**
Primary deficit	**2.6**	**1.3**	**3.5**	**0.7**	**-1.8**	**-3.0**	**-2.0**	**-2.8**	**-1.8**	**0.5**	**0.8**	**0.1**	**-0.5**
Revenue and grants	19.6	15.8	18.7	23.4	23.7	24.7	22.8	21.3	20.5	21.5	23.6	**17.7**	**22.0**
of which: grants	8.5	2.1	6.9	11.3	10.2	10.2	9.7	8.1	8.2	8.6	9.5		
Primary (noninterest) expenditure	22.1	17.2	22.2	24.1	21.9	21.7	20.8	18.5	18.6	22.0	24.4	**17.9**	**21.5**
Automatic debt dynamics	**1.5**	**-5.2**	**-3.4**	**-11.4**	**-5.4**	**-5.0**	**-3.7**	**-3.0**	**-3.4**	**-1.4**	**-0.4**		
Contribution from interest rate/growth differential	-0.3	-3.7	-8.5	-9.5	-6.2	-5.7	-4.6	-4.4	-3.4	-0.7	-0.2		
of which: contribution from average real interest rate	0.1	-0.5	-4.6	-5.7	-2.8	-2.0	-1.2	-1.3	-1.2	1.0	1.4		
of which: contribution from real GDP growth	-0.4	-3.3	-3.9	-3.8	-3.4	-3.7	-3.4	-3.1	-2.2	-1.7	-1.6		
Contribution from real exchange rate depreciation	1.8	-1.5	5.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**-1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.1**
Privatization receipts (negative)	0.0	0.0	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.0**	**5.9**	**1.1**	**-1.2**	**1.4**	**1.2**	**1.2**	**1.0**	**-0.4**	**-1.1**	**-0.2**	**-8.7**	**0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**66.7**	**57.9**	**52.5**	**46.3**	**42.3**	**37.4**	**33.0**	**31.0**	**33.0**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**357.2**	**247.9**	**221.3**	**187.2**	**185.5**	**175.1**	**161.1**	**144.1**	**139.6**		
Debt service-to-revenue and grants ratio 3/	**133.7**	**144.4**	**102.5**	**87.0**	**70.4**	**62.4**	**57.2**	**60.8**	**57.6**	**64.2**	**64.7**		
Gross financing need 4/	28.7	24.2	22.7	19.4	14.9	12.4	11.0	10.2	10.0	14.3	16.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.6	4.3	4.9	4.8	4.9	6.0	6.2	6.3	5.0	5.0	4.9	**19.7**	**5.2**
Average nominal interest rate on external debt (in percent)	1.4	1.3	0.9	0.2	0.4	0.2	0.3	0.4	0.4	0.8	1.1	**1.4**	**0.5**
Average real interest rate on domestic debt (in percent)	5.0	-0.2	-5.1	-6.9	-0.4	1.1	4.1	5.8	3.3	5.1	5.0	**9.6**	**3.2**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.1	-3.5	12.0	...	...	...	...	...	...	...	...	**403.5**	**...**
Inflation rate (GDP deflator, in percent)	2.2	7.8	11.3	13.0	8.5	7.4	5.3	4.6	8.0	6.3	6.0	**6.1**	**6.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	6.3	-19.1	35.5	13.7	-4.5	5.0	1.6	-5.2	5.6	5.2	5.9	**18.9**	**5.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-3.5	-0.6	2.2	12.3	4.8	4.4	3.4	3.4	3.9	1.8	0.4	**-0.6**	**3.9**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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