2021 DEBT SUSTAINABILITY ANALYSIS

FOR THE

REPUBLIC OF THE GAMBIA

September, 2021

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Section 1: Introduction/ Background

In the early 2000s most of the developing countries benefitted from Heavily Indebted Poor Countries (HIPC) debt relief initiative to provide fiscal space in order to achieve debt sustainability while promoting growth and alleviating poverty.

However, supporting literature indicates that most of the African countries that benefitted from debt cancellation initiative are currently faced with high unsustainable debt levels. This is associated with the lack of efficient reforms leading to expenditure overruns, which have culminated into rising debt levels that pose significant risks to debt sustainability.

It is important for countries to carry out periodic debt sustainability analysis (DSA) to assess debt vulnerability and to carve policies that would ensure public debt sustainability in the medium to long term.

Objective and Scope

The objective of the DSA is to assess the country's capacity to finance its policy objectives and service its current and future debt obligations without recourse to rescheduling, arrears and compromising growth.

The objective of the analysis further looks at assessing the current and future debt obligations in view of anticipated borrowing to finance critical infrastructure and other social needs. This is to guide Government's borrowing decisions to ensure that financing needs and ability to make future repayments are taken into account while recognising contingent liabilities from various sectors that pose a risk to debt sustainability.

This DSA covers central government debt including debt borrowed by the Central Bank of Gambia on behalf of Government and government guaranteed debt of State-Owned Enterprises (SOEs).

Methodology

The analysis was carried out using the joint World Bank/IMF Debt Sustainability Framework for Low-Income Countries (LIC-DSF) by taking into account ten (10) years historical data and twenty (20) years projections in assessing a country's ability to fulfil their debt obligations.

Section2: Recent Macroeconomic Performance

Overall Performance

As of end July 2021, the global economic recovery continues however, with diverging trend across countries. The International Monetary Fund (IMF) projected the global economy to grow by 6.0 per cent in 2021, unchanged compared to the projections in last April. The anticipated recovery, however, is not broad-based resulting to a widening gap between rich and poor nations. In 2022, growth as projected will moderate to 4.9 per cent, an upgrade by 0.5 percentage points from the previous forecast in April 2021. This mirrors largely the additional fiscal spending from the United States (US) and improved health metrics.

In advanced economies, the forecast for 2021 has been revised up by 0.5 percentage points to 5.6 per cent reflecting largely the enhanced access to Covid-19 vaccines and strong fiscal policy support. Similarly, prospects for next year (2022) have been revised upward by 0.8 percentage points to 4.4 per cent predicated on a return to normalcy and additional fiscal support particularly in the US.

Conversely, growth in 2021 for emerging markets and developing economies was scaled down by 0.4 percentage points to 6.3 per cent relative to the April 2021 World Economic Outlook (WEO) on account of growth markdowns for emerging Asia economies. In 2022, the projected growth of 5.2 per cent for this region reflects an upwards revision by 0.2 percentage points relative to the forecast in April this year.

In Sub-Saharan Africa, growth projection for 2021 remains unchanged at 3.4 per cent. However, the growth outlook for the region's second biggest economy, South Africa was upgraded on the back of strong positive surprises in the first quarter of the year offset by downward revisions in other countries in the region. For 2022, growth has been upgraded to 2.6 per cent, representing 0.3 percentage points higher than the 2.3 per cent forecast in April this year.

Domestic Economy

Between 2018 and 2020, the Gambian economy faced challenges that severely affected performance across all sectors. This placed GDP growth on a downward trajectory from 7.2 per cent in 2018, to 6.2 per cent in 2019, and a staggering -0.2 per cent in 2020. The poor performance largely resulted from climate change-induced shocks in the Agriculture Sector, and the Thomas Cook collapse followed by the COVID-19 pandemic over the period. With relatively poor performance in the Agriculture and Services sectors from 2018 to 2019, performance in the Industry Sector on the other hand improved tremendously, enabling it to be the major growth driver for this period. In 2020, whilst Agriculture rebounded with exceptional performance from improved crop production, it wasn't enough to offset the relatively poor growth in Industry and a contraction in Services sector caused by the pandemic.

GDP Growth

Real Gross Domestic Product (GDP) growth declined significantly from 6.2 per cent in 2019 to -0.2 per cent in 2020. This was mainly due to a contraction in growth in the services sector, emanating primarily from the wholesale and retail trade and tourism sub-sectors. Agriculture and Industry, on the other hand, both registered modest growth during the review period.

Table 1: GDP growth rates 2018-2020

	2018	2019	2020
Gross Domestic Product (GDP) market price	**7.2%**	**6.2%**	**-0.2%**
Agriculture, forestry and fishing	**3.7%**	**-0.1%**	**11.7%**
Crops	-2.8%	-14.1%	16.9%
Livestock	-5.6%	-1.7%	-0.7%
Forestry and logging	-18.2%	-24.3%	-2.2%
Fishing and aquaculture	19.6%	18.4%	11.7%
Industry	**2.0%**	**14.8%**	**9.9%**
Mining and quarrying	14.9%	22.5%	25.4%
Manufacturing	-1.2%	-5.2%	-21.2%
Electricity, gas, steam and air conditioning supply	13.4%	13.5%	14.5%
Water supply, sewerage, waste management and remediation	0.4%	9.2%	1.6%
Construction	2.0%	24.0%	20.0%
Services	**9.8%**	**6.1%**	**-7.2%**
Wholesale and retail trade; repair of motors and motorcycles	12.3%	3.1%	-4.7%
Transport and storage	10.3%	10.6%	-13.6%
Accommodation and food service activities	18.7%	16.9%	-65.4%
Information and Communication	11.1%	13.6%	1.8%
Financial and insurance activities	12.9%	7.5%	4.3%

Source: GBoS

Fiscal Sector

Total Revenue outturn in 2020 recorded a performance rate of 87.8 per cent (D21.5 billion), which is below the budget by D2.9 billion. This underperformance rate of 12.2 per cent during the 2020 fiscal year was largely as a result of the low disbursement of Project grants which recorded an outturn of D2.6 billion against the budgeted D8.1 billion. The low disbursement of Project grants was due to the slowdown in economic activities as a result of the general lockdowns imposed during the COVID-19 Pandemic.

Budget support outturn however, recorded D5.2 billion against the budgeted amount of D2.7 billion. The increase in budget support was due to additional donor support from the IMF in the wake of the pandemic. This enabled the implementation of the emergency health spending and social programs to help curb the effects of the pandemic on these critical sectors.

Domestic revenue mobilization in 2020 reached 99.6 per cent (D13.5 billion) of the budget, which was as a result of the strong performance in both Tax Revenue (D10.3 billion) and Non-tax Revenue (D3.3 billion).

Non-tax revenue recorded a performance rate of 160.3 per cent of the budget. This over-performance rate of 60.3 per cent in non-tax revenue against the budget, apart from government services and charges, was as a result of the one-off non-tax receipts from the sales of assets authorized by the Janneh Commission as well as receipts from the Senegambia Toll Bridge.

Table 2**:** Revenue Performance 2020

	Budget	Actual Outturn	Variance	Performance rate
Total Revenue	**24,472**	**21,494**	**-2,978**	**87.8**
Domestic Revenue	**13,636**	**13,587**	**-49**	**99.6**
Tax Revenue	11,601	10,325	-1,276	89.0
Non-tax Revenue	2,035	3,262	1,227	160.3
Grants	**10,836**	**7,907**	**-2,929**	**73.0**
Budget Support	2,700	5,284	2,584	195.7
Projects	8,136	2,623	-5,513	32.2

Source: *MPAU*

Budget execution for the fiscal year 2020 has a performance rate of 82.9 per cent against the approved budget indicated that most of the expenditure items remained within the approved budget ceilings, signaling prudent budget execution as approved by parliament.

Current Expenditure actual outturn recorded D16.7 billion (118.1 per cent) against the budgeted amount of D14.2 billion. The increase in Current Expenditure was as a result of the increase in spending on Goods and Services, with an expenditure rate of 90.6 per cent of the approved budget, as well as an increase in Transfers with an expenditure rate of 147.3 per cent of the approved budget.

Capital expenditure on the other hand, registered the lowest budget execution rate of 47.2 per cent as at end-2020 (D6.6 billion against the budgeted amount of D13.9 billion), largely as a result of delays in project implementation in the agricultural sector and public works due to the impact of the pandemic and the shift in spending priorities towards combating the pandemic.

Table 3: *Expenditure Performance 2020*

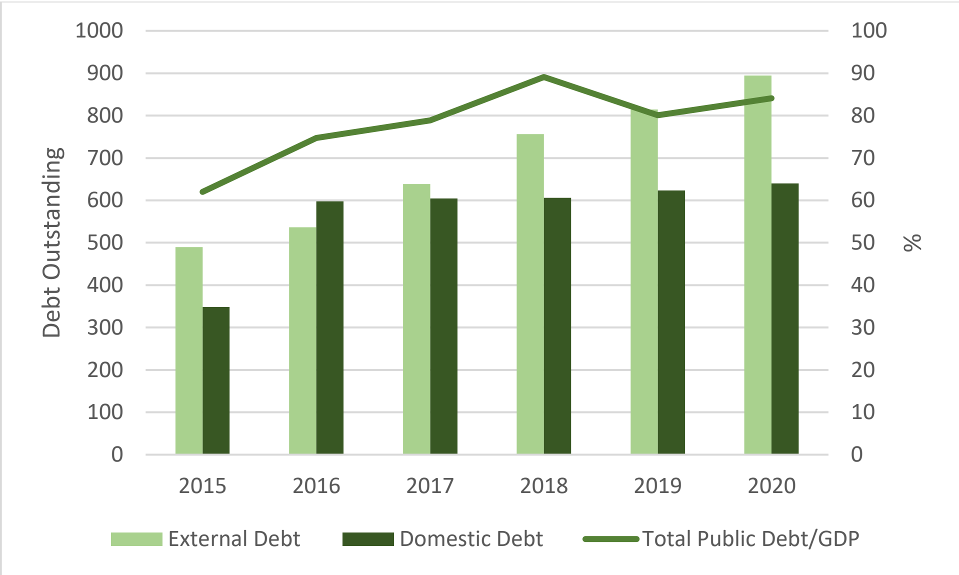
Budget Class	Approved Budget	Actual Outturn	Variance	% of Approved Budget Spent
Total Expenditure	**28,137**	**23,326**	**-4,811**	**82.9**
Current Expenditure	**14,166**	**16,726**	**2,560**	**118.1**
Personnel Emoluments	4,469	4,048	-421	90.6
Goods & Services	3,358	4,716	1,358	140.4
Transfers	3,391	4,995	1,604	147.3
Interest	2,948	2,967	19	100.6
Capital Expenditure	**13,971**	**6,600**	**-7,371**	**47.2**

Source: *MPAU*

Section 3: Debt Developments (Stock evolution)

Total Public and Publicly Guaranteed (PPG) debt stock as at end 2020 stood at US$1.53 billion (equivalent to D79.26 billion) of which external debt constitute 58 per cent and 42 per cent is domestic debt. The nominal debt as percentage of GDP increased from 80.1 per cent as at end 2019 to 84.1 per cent as at end period 2020.

Figure 1: Evolution of Public Debt/GDP



From the graph above, the sharp increase in domestic debt from 2015 to 2016 was as a result of crystallization of contingent liabilities from SOEs couple with expansionary fiscal policy. This was further exacerbated by election related expenditures.

On the external front, the outstanding stock has almost double from 2015 to 2020 which could be explained by the consistent debt management strategies of maximizing external concessional financing over the period.

In 2020, the increase in total public and publicly guaranteed debt to GDP, is as result of the debt restructuring program and continuous disbursement of ongoing projects as well impact of Covid-19 pandemic on growth.

External Debt Analysis

The Gambia's outstanding external debt as of end 2020 increased to US$894.86million (46.2 per cent of GDP) from US$814.8 million (45.4 per cent of GDP) in 2019. Public external debt constituted 58.0 per cent of the total public debt in 2020 compared to 56.7 per cent in 2019, reflecting the previous debt strategies implemented by the Government.

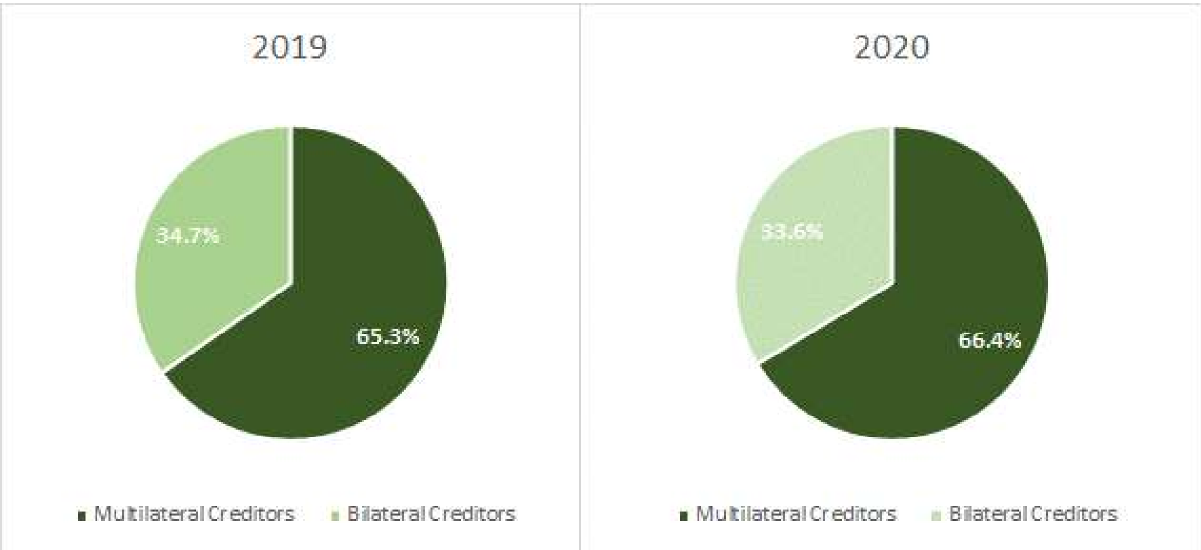
Table 4 : External debt by creditor category

	2019	2020
	in millions of US$	
Multilateral Creditors	532.2	594.0
Bilateral Creditors	282.5	300.6
Total	**814.8**	**894.6**

External Debt Stock by Creditor and Creditor Category

External debt stock mainly comprises concessional loans from multilateral creditors, which accounted for 66.4 per cent of the total external debt portfolio while bilateral creditors accounted for the remaining 33.6 per cent of the external debt portfolio as at end 2020.

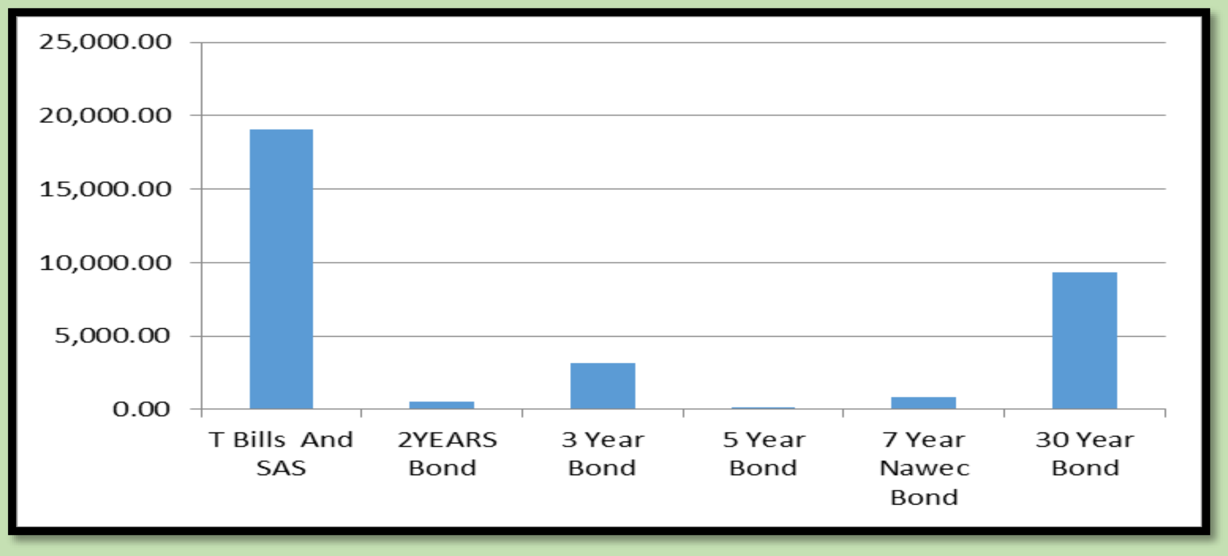
Figure 2: External Debt by Creditor Category



Domestic Debt Analysis

The stock of outstanding domestic debt increased from D31.8 billion (34.7 per cent of GDP) in 2019 to D33.05 billion (35.1 per cent of GDP) in 2020. The marketable debt instruments in the domestic debt portfolio are T-bills, Sukuk-Al Salaam, 2-year, 3-year and 5-year bonds. The T-bills and Sukuk-Al Salaam accounts for 56 per cent and 2 per cent of the domestic debt stock respectively. The 30-year bond and the NAWEC bond are two non-marketable debt instruments in the domestic debt portfolio (*figure 3*).

Figure 3: Domestic Debt Stock by Instrument as at end 2020



Section 4: Debt Carrying Capacity and Thresholds

A country is classified as a weak, medium or strong performer when assessing its debt carrying capacity using the Composite Indicator (CI). Countries' policies, institutional strengths, macroeconomic performance, and buffer to absorb shocks tend to impact on their abilities to handle debt. Therefore, CI captures the impact of the 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 Gambia is classified as a medium performer as seen in Table 5 below.

Table 5: Composite Indicator

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	

The Gambia is classified as a medium performer given the CI score above and the thresholds as seen in Table 6 below.

Table 6: Thresholds

External Debt Burden Thresholds	
%	
PV of Debt to Exports	180
PV of Debt to GDP	40
Debt service to Exports	15
Debt service to Revenue	18
Public Debt Burden Thresholds	
%	
PV of Total Public Debt To GDP	55

Section 5: Underlying Macroeconomic Assumptions of the DSA

The DSA is anchored on a macroeconomic projection over a 20-year period from 2021 to 2041. 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.

Baseline Assumptions

Recovery and growth prospects over the medium term will be premised on sustained growth in key sub-sectors and a strong commitment to medium-term policy reforms. With economies across the world being hit by a third wave of the pandemic and vaccine access and/or uptake still a challenge for many especially in the global south, conditions are still precarious. As much as there are positive expectations of tourist arrivals for the 2021-22 tourist season and a marked improvement in economic activities, the country still faces challenges—COVID-19 cases have been on the rise over the past month, signaling persistence in the third wave. 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. Details of Sectoral contribution to GDP are detailed in Table 7 below.

Table 7: GDP contribution by Economic Sector 2021-2025

Industry	2021	2022	2023	2024	2025
Gross Domestic Product (GDP) market price	**4.8%**	**6.8%**	**6.1%**	**5.3%**	**5.2%**
Agriculture, forestry and fishing	**3.8%**	**4.8%**	**4.0%**	**4.0%**	**4.1%**
Crops	-3.5%	0.6%	1.8%	2.2%	2.4%
Livestock	4.2%	1.9%	0.4%	0.7%	0.8%
Forestry and logging	-4.6%	-1.5%	0.9%	1.4%	3.4%
Fishing and aquaculture	10.5%	9.0%	6.5%	6.0%	6.0%
Industry	**3.4%**	**5.5%**	**9.5%**	**8.4%**	**8.1%**
Mining and quarrying	10.3%	9.9%	6.2%	4.2%	2.8%
Manufacturing	-1.7%	0.9%	1.9%	1.4%	1.4%
Electricity, gas, steam and air conditioning supply	12.6%	12.9%	5.1%	4.0%	4.5%

Water supply, sewerage, waste management and remediation activities	0.3%	5.1%	5.4%	5.9%	5.9%
Construction	3.5%	5.5%	12.0%	10.5%	10.0%
Services	**5.9%**	**7.7%**	**5.7%**	**4.5%**	**4.5%**
Wholesale and retail trade; repair of motors and motorcycles	4.6%	8.2%	3.8%	3.3%	3.1%
Transport and storage	10.2%	3.8%	4.0%	3.0%	2.8%
Accommodation and food service activities	29.8%	64.4%	47.8%	5.4%	4.2%
Information and Communication	5.6%	8.0%	3.1%	5.1%	5.3%
Financial and insurance activities	12.3%	10.2%	11.3%	11.8%	13.5%

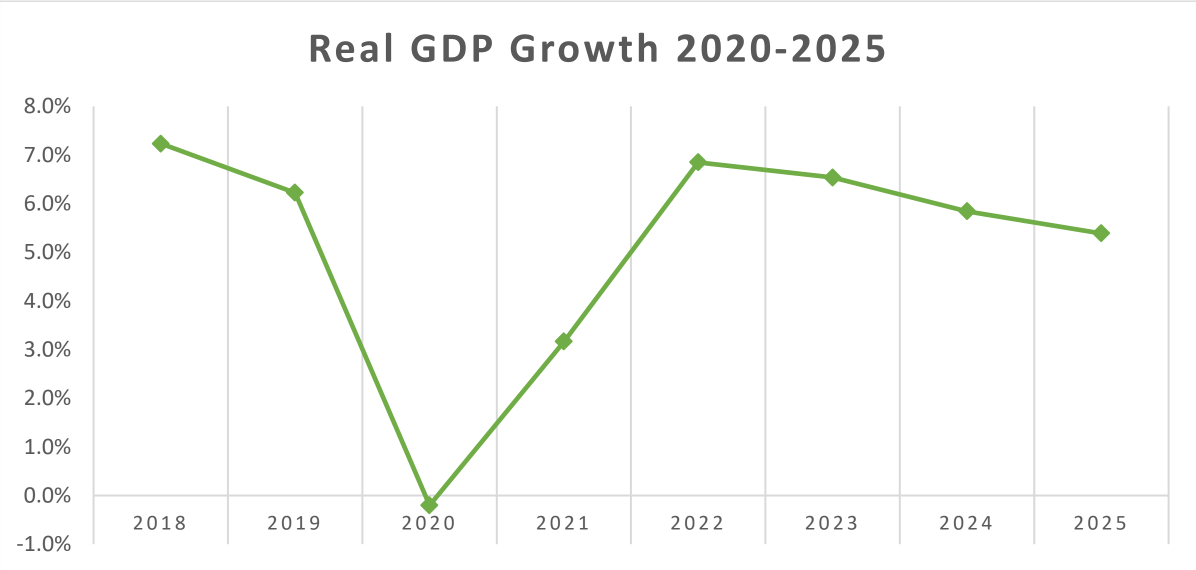
Macroeconomic Assumptions

- Civil service and security sector reform
- Rationalization of sub-vented 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
- Increase the leverage on regional trade – port expansion and Senegambia 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 to start using mobile app platforms to make tax payments during the COVID-19 pandemic
    - Rollout of the enhanced GAXTAXNET system to all branch offices for effective and efficient revenue mobilization
    - Migration to ASYCUDA World project
    - Road Cargo Tracking System (RCTS) and Electronic Cargo Tracking System) implementation

Real GDP Growth

Real GDP growth in pre-pandemic period was robust. The Gambian economy grew by 7.2 per cent and 6.2 per cent for 2018 and 2019 respectively. However, real economic growth contracted to -0.2 per cent in 2020 owing to the disruption of the pandemic. Macroeconomic policy measures were taken to help save lives and livelihoods and stimulate demand. The medium-term outlook projects real GDP growth at 3.2 per cent and 6.8 per cent for 2021 and 2022 respectively and expected to reach at 5.4 per cent in 2025. The projection is premised on improving tax administration, increased in domestic energy productions, improved political climate to attract FDI inflows and strong tourism activities. Based on the previous trends, real GDP growth led to a reduction in public debt burden while in the long-run the high risk of debt distress is expected to improve.

Figure 4: Real GDP Growth 2020-2025



Inflation

Inflation stood at 5.7 per cent as of December 2020 from a record of 5.8 per cent in November 2020. When compared to the corresponding period in 2019, inflation subdued by 2.0 percentage points i.e. from 7.7 per cent recorded in December 2019.

Latest inflation developments for August 2021 show that inflationary pressures moderated. Headline inflation declined significantly from 8.2 per cent in July 2021 to 6.9 per cent in August 2021. This trend has pushed inflation closer to the medium-term target, breaking the trend of the last quarter. The decline in inflation is consistent with the forecast presented during the September 2021 MPC Meeting. The descending trajectory of inflation was largely driven by the decline in food prices. Monetary policy still remains accommodative geared to support economic recovery from the recession caused by the Covid-19 pandemic. The policy rate was reduced by 200 basis points to 10.0 per cent in May 2020. The Committee also reduced the statutory required reserves by 200 basis points to 13 per cent to create more liquidity in an effort to promote growth through borrowing to increase spending and investment.

However, there are significant risks to the outlook. The presence of the Covid-19 pandemic still poses a huge risk in the global economic outlook and could continue to affect supply chain disruptions of essential commodities. In terms of the domestic front, the key risk to the inflation outlook is the vulnerability of the agricultural sector to unpredictable rains and crop harvest which could potentially lower food production. Thus, creating upward pressure on food prices. Additionally, the structural bottlenecks around the seaport efficient. Without any unforeseen shocks, CBG Staff forecasts show that inflation is expected to remain steady at the end of the 3rd quarter of 2021 at 6.9 per cent and further moderate at the end of the 4th quarter of 2021 to 6.6 per cent. Despite the expected moderation in inflation, it is likely to remain above the medium-term target rate of 5.0 per cent over the medium to longer term depending on the prevailing macroeconomic conditions.

Fiscal Forecast

On the fiscal front, the domestic revenue collection is projected to increase from D14.9 billion (14.3 per cent of GDP) in 2021 to D17.0 billion (14.5 per cent of GDP) in 2022. This positive growth trend is expected to remain consistent over the medium term. This reflects robust revenue mobilization efforts and the implementation of the GRA reform agenda geared towards improving compliance and expanding the tax-base. MoFEA in collaboration with GRA conducted a review pertaining to tax exemption policies, mainly the guiding framework for application and granting of duty waivers and related tax exemptions. This was followed by a Cabinet Paper with recommendations to limit and account for these exemptions. The reform implementation process has begun in earnest after the approval from Cabinet and the impact is expected to reflect an increase in revenues over the medium term.

Total grants are anticipated to increase from D8.5 billion in 2021 to D9.0 billion in 2022. This projected increase is largely attributed to the anticipated increase in project grants, but is dampened by the projected gradual decline in budget support, which continues to decline after the huge upsurge during the pandemic in 2020. Whilst project grants are estimated to continue on a positive trend over the medium-term, budget support is expected to remain on a declining trend.

Total government expenditure is projected to increase moderately from D26.9 billion in 2021 to D27.0 billion in 2022, and over the medium-term, it is expected to increase gradually to the tune of D34.7 billion by 2025. This increase in total expenditure is largely attributed to an anticipated increase in current expenses.

In light of the forecast made on revenue and expenditure, the primary balance is estimated to increase moderately from a deficit of -0.7 per cent of GDP in 2021 to a surplus of 1.4 per cent of GDP in 2022. The fiscal balance is anticipated to increase from a deficit of -3.3 per cent of GDP in 2021 to a deficit of -0.9 per cent of GDP in 2020. Over the medium term, both balances are expected to continue increasing on a positive trend.

As economic conditions remain fragile and vulnerable to shocks, the most recent Debt Sustainability Analysis shows that the country remains at high risk of debt distress with limited borrowing space. The government has however recently invested a lot of effort towards strengthening debt management, reducing borrowing costs and rollover risks, and enhancing transparency through the publication of quarterly debt bulletin, the annual borrowing plan, and the issuance calendar.

Table 8*: Medium-term Forecast*

GMD (MM)	2020	2021	2022	2023	2024	2025
Total Revenue	**18,582**	**23,438**	**25,992**	**28,144**	**31,374**	**34,693**
Domestic Revenue (Tax + Non-Tax)	**10,464**	**14,937**	**16,976**	**18,794**	**21,346**	**23,766**
Total Grants	**8,118**	**8,501**	**9,016**	**9,351**	**10,028**	**10,926**
Budget support	4,826	2,701	2,636	2,524	2,314	2,441
Projects	3,292	5,800	6,380	6,827	7,714	8,485
Total Expenditure	**22,092**	**26,906**	**27,041**	**28,568**	**30,761**	**33,023**
Current	**14,710**	**16,682**	**16,927**	**18,228**	**19,851**	**21,420**
Compensation of employees	**4,101**	**4,416**	**4,637**	**4,868**	**5,537**	**6,064**
Basic Salaries	2,121	2,319	2,375	2,472	2,798	3,042
Allowances	1,769	1,879	1,974	2,068	2,324	2,478
ECA	211	218	287	328	414	544
Gross Fixed Capital formation	**7,382**	**10,224**	**10,114**	**10,341**	**10,909**	**11,603**
Primary Balance	**-626**	**-707**	**1,648**	**2,480**	**3,534**	**4,803**
Primary Balance (%GDP)	-0.70%	-0.70%	1.40%	2.00%	2.60%	3.20%
Fiscal Balance	**-3,510**	**-3,468**	**-1,049**	**-424**	**613**	**1,670**
Fiscal Balance (% GDP)	-3.70%	-3.30%	-0.90%	-0.30%	0.40%	1.10%

Source: *MPAU*

Exports, Imports, Current Account Balance and BOP

As at end 2019 estimate of Balance of Payments (BoP) indicates that the current account balance improved to a deficit of US$45.8 million (2.6 per cent of GDP) from a deficit of US$69.6 million (4.3 per cent of GDP) during the same period in 2018, due to the improvement in services and current transfers. The end year estimate for the goods account deficit is US$381.0 million (21.6 per cent of GDP) in 2019, compared to a deficit of US$354.4 million (21.9 per cent of GDP) in 2018. Export receipts increased by 2.2 per cent to US$138.3 million during the period under review. Imports increased from US$519.4 million as at end 2018 by 3.7 per cent to US$538.6 million in 2019. Gross Official reserves stood at US$226.2 million as at end 2019.

Balance of Payments (BoP) estimate indicated that the current account improved from a deficit of US$79.72 million (6.5 per cent of GDP) as at end June 2020, to a deficit of US$10.25 million (0.8 per cent of GDP) in the same period of 2021. This was as a result of the improved position in the goods account (imports) and the strong transfers (remittances). The estimates for the gross official reserves as at end-June 2021 stood at US$418.96 million, equivalent to over 5.3 months of next year's imports of goods.

Outlook

The current account balance over the medium to long term is expected to improve given that exports, tourist and remittance receipts continue to increase. These factors couple with adequate level of foreign reserve assets, supported by lower fiscal deficit will reflect a positive impact on the current account balance.

However, increasing import bill and depreciation of the dalasi will cause a negative effect on current account balance. The historical series indicated that the current account deficit has a negative effect on the debt level.

Exchange rates

The exchange rate will remain flexible, to be allowed to adjust to market fundamentals with limited intervention. It is projected to depreciate in accordance with macroeconomic fundamentals including projected current account dynamics over the forecast horizon. Gradual recovery of the domestic economy is expected premised on the successful vaccination campaign targeted to the majority of the population and positive demand due to fiscal stimulus and expected expenditure for the OIC related projects and the up-coming elections. Moreover, the monetary accommodation and strong private remittances inflows are also expected to support consumption and investment spending there by stimulating aggregate demand. The projected depreciation over the forecast window appears less impactful to debt levels.

Overall, the foreign exchange market remained stable in 2019-2020 underpinned by adequate foreign currency liquidity, and a stable exchange rate. The supply conditions were supported by large foreign inflows from official development assistance, and private remittances. Private remittance inflows have remained strong, reaching US$ 535 million at end-August 2021 compared to US$ 590 million recorded during the entire 2020. It also improved significantly compared to US$ 330 million realized in 2019. Exchange rates is expected to remain stable supported by expected budget support receipts, gradual recovery in the tourist activity, private remittances inflow as well as stable macroeconomic conditions. The exchange rates are projected using the natural rate of depreciation of about 0.8 per cent over the medium term.

Section 6: Realism Forecast

Realism Tool

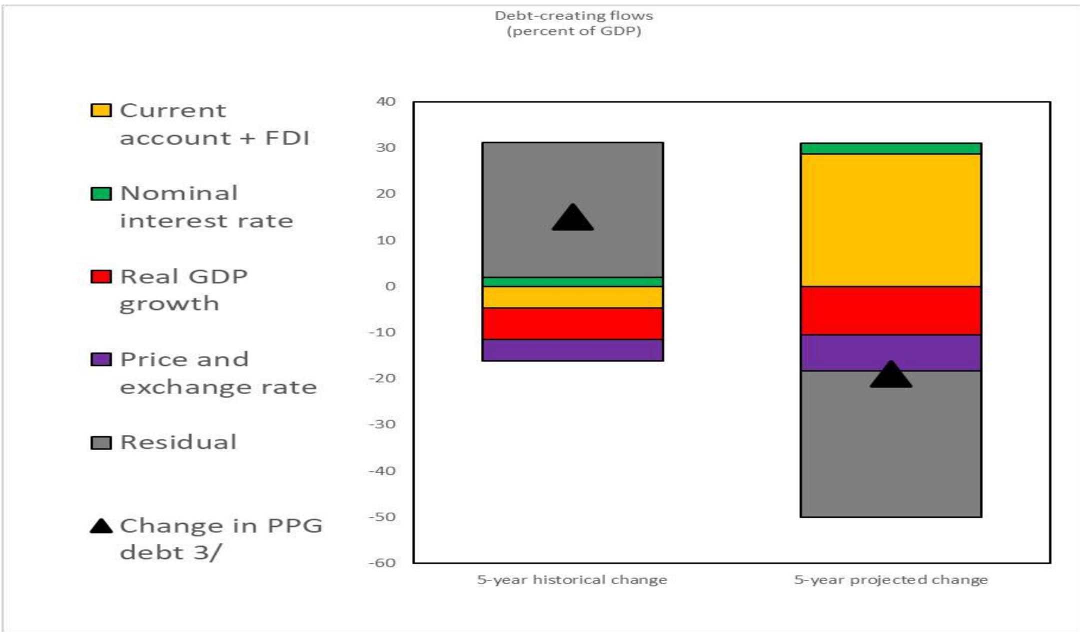
The realism tool assesses the robustness or credibility of the debt and macroeconomic projections that underpin the DSA. The various realism checks allow discussions on the key underlying debt and macroeconomic projections.

Drivers of Debt Dynamics

There are numerous factors that impact the public debt growth which include primary balance, current account balance and foreign direct investments, output growth, exchange rates and prices, nominal interest rates and so on. The results indicate that the key variables that drive debt historically, similarly drive debt during the projection period (2021 and beyond).

The contribution of real GDP to as a debt reducing flow was on average 6.8 per cent historically but improved to an average of 10.4 per cent during the projection period. Likewise, price and exchange rate reduce growth in debt both in historical and projection period. In contrast nominal interest rate contributed 2.0 and 2.22 per cent for historical and projection period respectively. However, the high residuals still remain a challenge.

Figure 5: Drivers of Public Debt Dynamics



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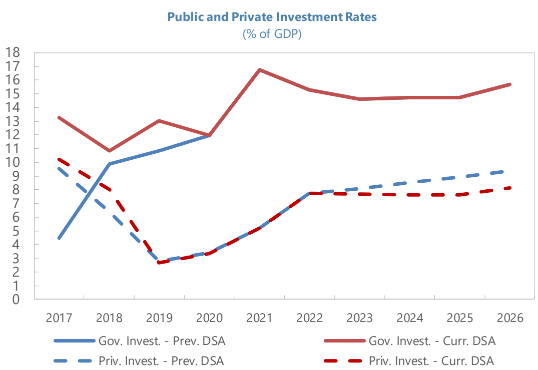
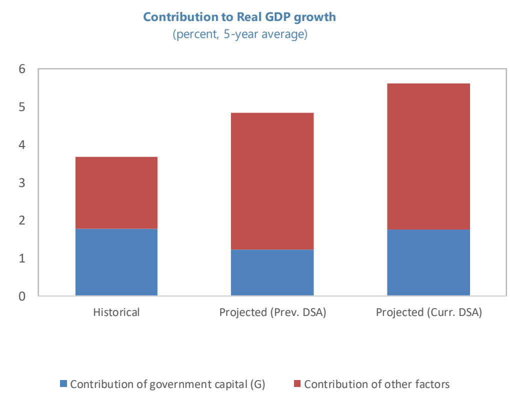
Investment Contributions to real GDP

Historically, the Government capital investment contributes 1.78 per cent on average yearly to real GDP growth whilst is projected around 1.76 per cent yearly over the projection period consistent with a typical low-income country's (LIC) economy. Whilst Government investment continues to dominate, private investment is assumed to be on a positive growth trajectory. This is consistent with the macroeconomic projection of fiscal consolidation which allows private sector credit to grow and support the overall growth in the economy.

Figure 6: Public and Private Investment Rates Figure 7: Contribution to Real GDP growth





Section 7: Results of Analysis

External DSA

The 2021 DSA has been evaluated using the existing macroeconomic assumptions and policy framework under the IMF extended credit facility (ECF) programme with the Government of The Gambia.

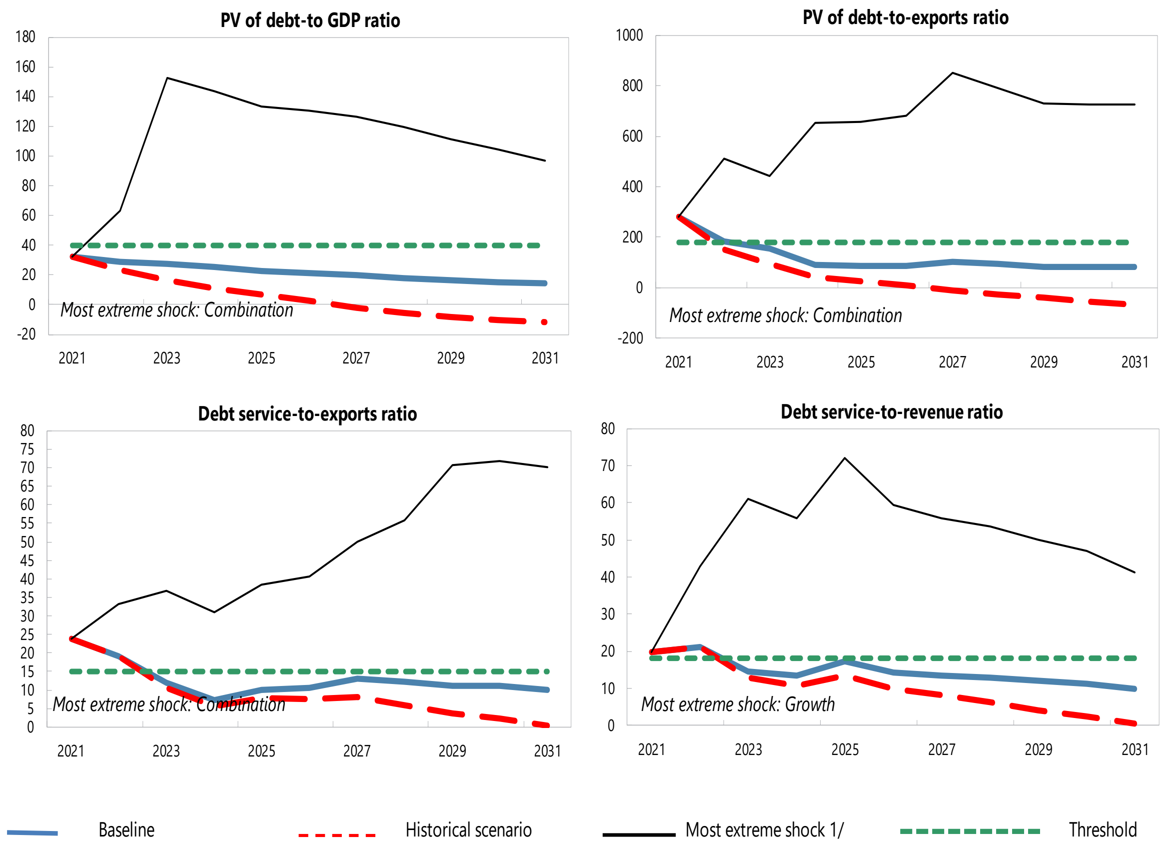
The result of the DSA classified The Gambia as high risk of external debt distress, similar to 2020's DSA outcome, given a prolong breach in the liquidity indicators i.e., Debt Service-to-Revenue and Debt Service-to-Export against its indicative thresholds of 18 and 15 per cent respectively. Starting from 2023 the baseline is below its threshold. This is as a result of external debt restructuring as shown in Figure 8 below.

The PV of External Debt to GDP is below its indicative threshold of 40 per cent throughout the projection period and trending downwards. Similarly, the PV of Debt-to-Export is below its indicative threshold of 180 per cent throughout the projection period, except for a one-time breach in 2021.This calls for the need of Government to revitalize the tourism sector to improve on this ratio.

Shocks to External DSA

The results in Figure 8 below depict that the growth is the most extreme shock among the six standardized shocks. Therefore, The Gambia economy is vulnerable to growth shocks. The results from Figure 8 indicates that the four respective indicative thresholds are being breached by shock to output growth. The breaches are serious and any shock to output will pose significant debt management challenges and sustainability concerns.

Figure 8: Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021-2031



Customization of Default Settings		
	Size	**Interactions**
Standardized Tests	Yes	
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	2.4%	2.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
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.

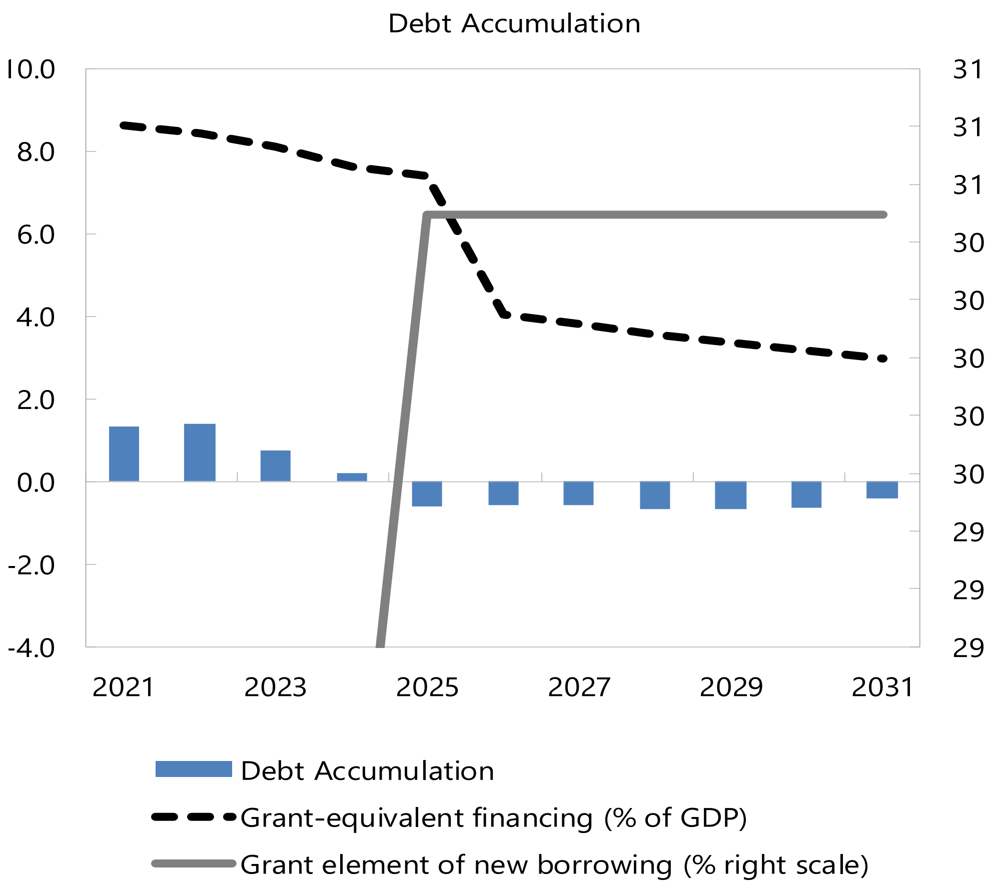
Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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 9 below indicates that the growth in external debt is projected at an average of 0.9 per cent between 2021 and 2024 and an average growth rate of negative 0.6 between 2025 and 2031. The aforesaid results stem from Fiscal consolidation to spur growth in the Gambian Economy. The new public external borrowing grant element is projected at 29.6 per cent on average throughout the projection period, which is largely driven by pipeline commitments based on concessional financing. The grant equivalent financing in percentage of GDP is projected at 4.4 per cent over the projection period.

Figure 9: Rate of Debt Accumulation



Public DSA

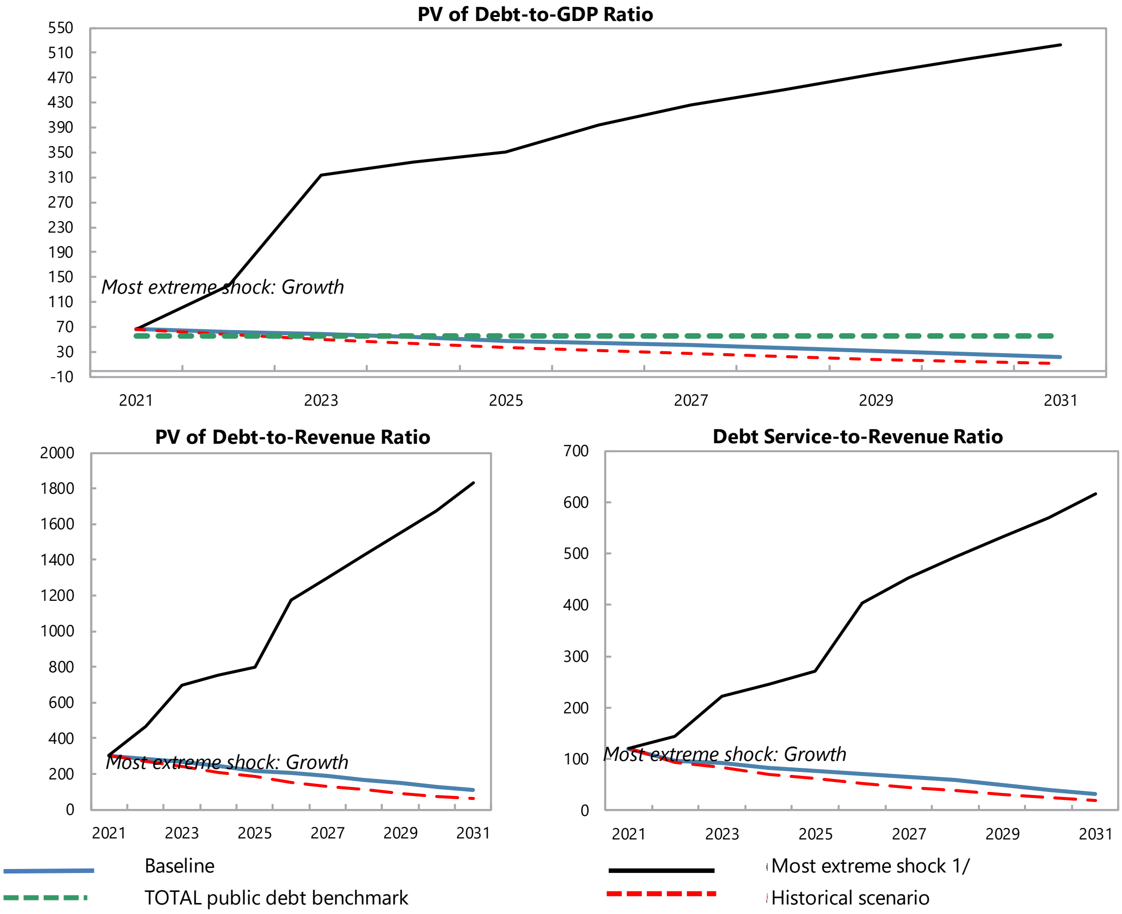
Public debt sustainability examines the level of exposure of the total debt portfolio - domestic and external debt combined. With a CI score of 2.71, The Gambia is classified as medium policy performing country, for which the threshold for assessing its public debt sustainability is 55.0 per cent on PV of Public Debt-to-GDP.

The results from figure 10 below shows that the PV of Public Debt-to-GDP breach the indicative threshold from the projection period of 2021 through 2023. Owing to improved macroeconomic projection, the indicator is expected to drop below the threshold of 55.0 per cent from 2024 to the rest of the projection period. The planned fiscal adjustment underpinning the macro projections is supporting sustainable public debt path.

Shocks to Public DSA

From the public debt sustainability assessment, the most extreme shock is growth which is similar to the external debt sustainability analysis. The growth shock is more pronounced under the public debt sustainability assessment as indicated in figure 10 below.

Figure 10: The Gambia: Indicators of Public Debt under Alternative Scenarios, 2021-2031



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	19%	19%
Domestic medium and long-term	28%	28%
Domestic short-term	52%	53%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.9%	5.9%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.5%	0.5%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Section 8: Main Findings and Conclusion

In conclusion, The Gambia is classified at a high risk of debt distress given breaches in the thresholds of some of the debt burden indicators, at the baseline, in both the External and Public DSA Frameworks. Specifically, in the Public DSA, the threshold of PV of debt to GDP has been breached from 2021 through to 2023 and also similarly, the external DSA shows breaches in both the liquidity indicator thresholds i.e., Debt Service-to-Revenue and Debt Service-to-Export.

The public debt of the Gambia remains sustainable however; it is currently at a high risk of debt distress. The Government would continue to implement policies and programs to improve the debt sustainability level of the country. Some of the Government policies and programs going into the medium term include; the continuation of fiscal consolidation programs through the enhancement of both expenditure management and revenue mobilization.

Even though the current global challenges that all countries continue to grapple with, brought about by the COVID19 pandemic, the macroeconomic framework of the Government of the Gambia is geared towards addressing the current debt sustainability challenges and potential future challenges going into the medium to long term.

APPENDIX

Table 3. Gambia, The: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021-2031

(In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	33	30	29	27	24	22	21	19	17	16	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	33	25	18	12	7	3	-1	-5	-8	-10	-12
B. Bound Tests											
B1. Real GDP growth	33	**62**	**123**	**112**	**100**	**94**	**87**	**79**	**72**	**66**	**61**
B2. Primary balance	33	31	31	29	26	25	24	22	21	19	18
B3. Exports	33	37	**46**	**43**	39	38	36	33	31	28	26
B4. Other flows 3/	33	**43**	**54**	**50**	**46**	**45**	**43**	40	37	34	32
B5. Depreciation	33	33	34	31	28	27	25	23	21	19	18
B6. Combination of B1-B5	33	**66**	**159**	**148**	**138**	**135**	**131**	**124**	**115**	**107**	**99**
C. Tailored Tests											
C1. Combined contingent liabilities	33	32	31	29	26	25	24	22	20	19	18
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	**282**	**196**	164	96	92	91	109	98	88	86	85
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**282**	161	100	43	28	13	-7	-26	-40	-55	-70
B. Bound Tests											
B1. Real GDP growth	**282**	**196**	164	96	92	91	109	98	88	86	85
B2. Primary balance	**282**	**201**	174	103	101	103	126	115	106	105	107
B3. Exports	**282**	**483**	**867**	**510**	**503**	**511**	**628**	**573**	**522**	**513**	**511**
B4. Other flows 3/	**282**	**279**	**302**	178	177	**181**	**224**	**205**	**187**	**185**	**184**
B5. Depreciation	**282**	**196**	179	104	101	101	122	110	99	97	96
B6. Combination of B1-B5	**282**	**533**	**459**	**676**	**680**	**705**	**882**	**820**	**752**	**744**	**743**
C. Tailored Tests											
C1. Combined contingent liabilities	**282**	**204**	174	102	100	102	124	113	104	103	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	24	20	17	9	11	11	13	13	12	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	24	20	15	7	8	7	8	6	4	3	1
B. Bound Tests											
B1. Real GDP growth	24	20	17	9	11	11	13	13	12	12	11
B2. Primary balance	24	20	17	9	11	11	14	13	13	13	12
B3. Exports	24	42	62	36	43	43	53	56	60	61	58
B4. Other flows 3/	24	20	19	11	13	13	17	19	21	21	20
B5. Depreciation	24	20	17	9	11	11	14	13	13	13	12
B6. Combination of B1-B5	24	35	49	36	40	41	51	59	76	77	76
C. Tailored Tests											
C1. Combined contingent liabilities	24	20	17	9	11	11	14	13	12	12	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**20**	**23**	**21**	17	**18**	14	14	13	13	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**20**	**23**	**19**	14	14	10	8	6	4	3	1
B. Bound Tests											
B1. Real GDP growth	**20**	**46**	**87**	**70**	**76**	**60**	**57**	**56**	**53**	**51**	**45**
B2. Primary balance	**20**	**23**	**21**	17	**19**	15	14	14	14	13	12
B3. Exports	**20**	**23**	**23**	**20**	**22**	17	16	**18**	**19**	**19**	17
B4. Other flows 3/	**20**	**23**	**23**	**22**	**23**	18	17	**20**	**22**	**21**	**20**
B5. Depreciation	**20**	**24**	**22**	**18**	**20**	16	15	15	15	14	13
B6. Combination of B1-B5	**20**	**31**	**47**	**53**	**54**	**43**	**41**	**49**	**64**	**61**	**58**
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	**23**	**21**	17	**19**	15	14	14	13	13	11
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.

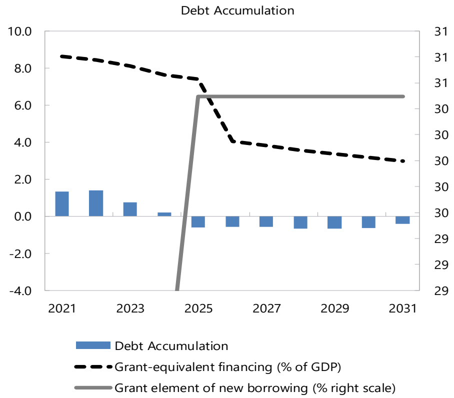
3/ Includes official and private transfers and FDI.

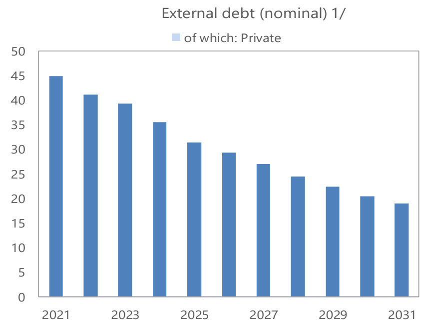
Table 1. Gambia, The: External Debt Sustainability Framework, Baseline Scenario, 2018-2041

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	42.3	46.3	48.9	44.9	41.1	39.2	35.5	31.3	29.2	18.9	11.0	43.9	30.4
of which: public and publicly guaranteed (PPG)	42.3	46.3	48.9	44.9	41.1	39.2	35.5	31.3	29.2	18.9	11.0	43.9	30.4
Change in external debt	1.9	4.0	2.6	-4.1	-3.7	-1.9	-3.7	-4.2	-2.1	-1.5	-0.3		
Identified net debt-creating flows	0.3	-5.8	-6.5	4.4	5.2	5.0	3.4	2.2	3.8	2.3	43.8	-2.4	3.4
Non-interest current account deficit	7.9	1.8	4.3	12.0	13.2	12.6	10.5	8.9	8.7	6.8	93.2	6.6	9.5
Deficit in balance of goods and services	-64.4	-55.7	-47.6	-55.8	-63.0	-66.1	-73.3	-67.9	-66.2	-47.8	102.0	-56.8	-59.6
Exports	22.2	20.1	9.6	11.6	15.5	17.9	28.2	25.9	24.6	17.1	977.3		
Imports	-42.3	-35.7	-37.9	-44.2	-47.4	-48.2	-45.2	-42.0	-41.6	-30.6	1079.3		
Net current transfers (negative = inflow)	-13.0	-14.4	-24.9	-21.6	-19.7	-18.5	-16.7	-15.3	-14.9	-11.3	-55.8	-11.0	-15.4
of which: official	-1.2	0.0	-3.0	-2.1	-2.3	-2.0	-1.6	-1.5	-1.6	-1.2	0.0		
Other current account flows (negative = net inflow)	85.3	71.9	76.8	89.5	95.8	97.3	100.5	92.1	89.7	65.8	47.0	74.5	84.5
Net FDI (negative = inflow)	-5.2	-4.2	-10.6	-6.0	-5.8	-5.8	-5.6	-5.5	-5.6	-4.0	-49.1	-6.5	-5.1
Endogenous debt dynamics 2/	-2.4	-3.4	-0.2	-1.6	-2.2	-1.9	-1.4	-1.3	0.8	-0.6	-0.3		
Contribution from nominal interest rate	0.3	0.4	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.2		
Contribution from real GDP growth	-2.5	-2.3	-0.3	-2.1	-2.7	-2.4	-1.9	-1.7	0.4	-0.9	-0.5		
Contribution from price and exchange rate changes	-0.3	-1.4	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	1.6	9.8	9.1	-8.5	-8.9	-6.9	-7.2	-6.3	-5.9	-3.8	-44.1	2.9	-6.1
of which: exceptional financing	0.0	0.0	0.0	-0.4	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	32.8	30.5	29.4	26.9	23.9	22.5	14.6	8.3		
PV of PPG external debt-to-exports ratio	...	...	363.3	282.0	196.1	164.3	95.5	92.2	91.4	85.3	0.9		
PPG debt service-to-exports ratio	8.6	9.1	22.5	23.8	20.3	16.9	8.9	10.7	10.7	10.9	0.1		
PPG debt service-to-revenue ratio	15.8	14.4	19.6	19.9	22.5	20.7	16.7	18.3	14.3	10.7	1.2		
Gross external financing need (Million of U.S. dollars)	75.3	-9.7	-75.7	178.6	258.6	240.6	195.3	181.3	172.3	186.2	2906.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.5	6.0	0.6	4.8	6.8	6.1	5.3	5.2	-1.3	4.7	5.0	15.0	4.6
GDP deflator in US dollar terms (change in percent)	0.6	3.5	1.0	5.7	5.0	0.2	4.5	4.5	5.3	0.8	0.0	-2.6	2.6
Effective interest rate (percent) 4/	0.9	0.9	1.2	1.1	1.2	1.2	1.2	1.3	1.3	1.9	2.1	1.1	1.4
Growth of exports of G&S (US dollar terms, in percent)	30.3	-0.6	-51.2	33.8	49.9	22.3	73.2	1.3	-1.6	-1.8	9203.6	-0.7	15.7
Growth of imports of G&S (US dollar terms, in percent)	23.4	-7.5	8.2	29.1	20.3	8.1	2.9	2.2	3.1	-0.1	-5856.8	9.1	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	27.6	23.4	25.7	28.1	30.5	30.5	30.5	30.5	...	28.9
Government revenues (excluding grants, in percent of GDP)	12.1	12.7	11.1	13.9	14.0	14.5	15.0	15.1	18.5	17.4	70.5	16.1	16.5
Aid flows (in Million of US dollars) 5/	54.7	134.5	157.0	171.1	181.6	188.6	197.9	213.1	120.2	115.9	566.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	8.6	8.4	8.1	7.6	7.4	4.1	3.0	8.8	...	5.6
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	85.4	75.1	78.1	85.1	88.3	81.2	80.6	95.2	...	81.6
Nominal GDP (Million of US dollars)	1,637	1,795	1,825	2,022	2,266	2,409	2,649	2,912	3,026	3,969	6,465		
Nominal dollar GDP growth	7.2	9.7	1.7	10.8	12.1	6.3	9.9	9.9	3.9	5.6	5.0	8.1	7.4
Memorandum items:													
PV of external debt 7/	...	...	35.0	32.8	30.5	29.4	26.9	23.9	22.5	14.6	8.3		
In percent of exports	...	...	363.3	282.0	196.1	164.3	95.5	92.2	91.4	85.3	0.9		
Total external debt service-to-exports ratio	8.6	9.1	22.5	23.8	20.3	16.9	8.9	10.7	10.7	10.9	0.1		
PV of PPG external debt (in Million of US dollars)			638.3	662.6	690.6	707.6	712.4	696.1	679.6	579.8	539.6		
(PVt-PVt-1)/GDPt-1 (in percent)				1.3	1.4	0.8	0.2	-0.6	-0.6	-0.4	0.0		
Non-interest current account deficit that stabilizes debt ratio	6.0	-2.2	1.7	16.1	16.9	14.6	14.2	13.1	10.7	8.3	93.6		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





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/ 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.

Table 4. Gambia, The: Sensitivity Analysis for Key Indicators of Public Debt , 2021-2031

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	PV of Debt-to-GDP Ratio										
Baseline	**66**	**62**	**59**	55	49	45	41	36	31	26	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**66**	**58**	51	44	38	32	27	22	18	14	11
B. Bound Tests											
B1. Real GDP growth	**66**	**138**	**315**	**336**	**351**	393	**425**	**447**	**472**	**496**	**517**
B2. Primary balance	**66**	**65**	**67**	**62**	**55**	52	48	43	38	33	28
B3. Exports	**66**	**67**	**75**	**69**	**62**	**59**	55	49	43	38	32
B4. Other flows 3/	**66**	**74**	**84**	**78**	**71**	**67**	**63**	**57**	51	45	39
B5. Depreciation	**66**	**62**	**60**	55	49	45	41	35	30	25	20
B6. Combination of B1-B5	**66**	**77**	**91**	**88**	**84**	**86**	**85**	**82**	**79**	**75**	**70**
C. Tailored Tests											
C1. Combined contingent liabilities	**66**	**68**	**65**	**60**	54	51	47	42	37	31	27
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	302	285	271	247	220	205	188	169	148	126	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	302	274	243	212	185	153	131	112	93	75	61
B. Bound Tests											
B1. Real GDP growth	302	470	701	755	796	1,171	1,296	1,420	1,541	1,659	1,815
B2. Primary balance	302	302	305	278	251	236	219	199	178	155	138
B3. Exports	302	312	341	312	282	267	250	230	205	180	160
B4. Other flows 3/	302	344	383	352	320	305	288	266	240	212	192
B5. Depreciation	302	292	276	250	222	204	185	165	143	119	99
B6. Combination of B1-B5	302	330	357	344	330	359	360	356	348	334	329
C. Tailored Tests											
C1. Combined contingent liabilities	302	315	299	273	246	231	213	194	173	150	133
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	121	97	93	81	75	70	64	58	49	40	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	121	94	83	69	62	52	44	38	31	24	19
B. Bound Tests											
B1. Real GDP growth	121	144	221	238	260	384	428	464	497	527	566
B2. Primary balance	121	97	103	96	86	82	76	67	58	49	40
B3. Exports	121	97	94	83	77	72	66	61	54	45	37
B4. Other flows 3/	121	97	95	84	78	73	67	63	57	48	40
B5. Depreciation	121	96	93	80	74	69	64	57	49	40	32
B6. Combination of B1-B5	121	109	119	103	109	120	124	126	126	123	122
C. Tailored Tests											
C1. Combined contingent liabilities	121	97	109	90	84	81	73	65	56	46	38
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 benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

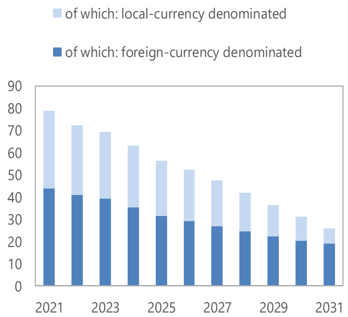
Table 2. Gambia, The: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018-2041

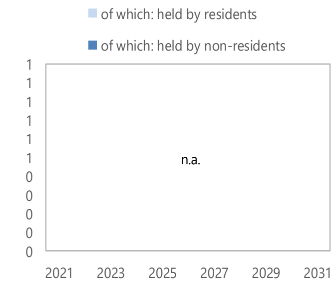
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	83.6	83.2	84.0	78.6	72.3	69.3	63.1	56.1	52.2	26.0	-144.1	72.7	52.2
of which: external debt	42.3	46.3	48.9	44.9	41.1	39.2	35.5	31.3	29.2	18.9	11.0	43.9	30.4
Change in public sector debt	2.5	-0.4	0.8	-5.4	-6.4	-3.0	-6.1	-7.0	-3.9	-5.0	-131.2		
Identified debt-creating flows	-0.1	-4.9	0.3	-5.4	-6.6	-3.0	-6.0	-6.8	-3.6	-4.8	-131.2	-3.9	-5.1
Primary deficit	3.6	1.0	0.7	0.9	-1.5	-2.2	-2.9	-4.0	-4.4	-5.0	-17.3	-1.7	-3.6
Revenue and grants	15.4	20.2	19.7	22.0	21.6	21.9	22.1	22.1	22.1	20.1	79.1	21.0	21.6
of which: grants	3.3	7.5	8.6	8.1	7.6	7.3	7.1	7.0	3.6	2.7	8.6		
Primary (noninterest) expenditure	19.0	21.2	20.3	22.9	20.1	19.7	19.2	18.1	17.8	15.1	61.8	19.2	18.0
Automatic debt dynamics	-3.7	-6.0	-0.4	-6.3	-5.1	-0.8	-3.1	-2.8	0.7	0.2	-113.9		
Contribution from interest rate/growth differential	-10.8	-7.3	-0.8	-6.3	-5.1	-0.8	-3.1	-2.8	0.7	0.2	-114.1		
of which: contribution from average real interest rate	-5.8	-2.5	-0.3	-2.4	-0.1	3.3	0.3	0.4	0.0	1.6	-114.7		
of which: contribution from real GDP growth	-5.0	-4.8	-0.5	-3.9	-5.0	-4.2	-3.5	-3.1	0.7	-1.4	0.6		
Contribution from real exchange rate depreciation	7.1	1.3	0.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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)	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	2.6	4.6	0.5	0.0	0.3	0.0	-0.1	-0.3	-0.2	-0.2	0.2	6.6	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	69.9	66.5	61.6	59.4	54.5	48.6	45.4	21.7	-146.6		
PV of public debt-to-revenue and grants ratio	...	...	355.3	302.0	285.1	271.4	246.7	220.4	205.2	107.8	-185.3		
Debt service-to-revenue and grants ratio 3/	34.3	26.0	130.3	120.7	97.0	93.4	80.8	74.8	69.7	31.9	-58.3		
Gross financing need 4/	8.9	6.3	26.3	27.5	19.4	18.2	14.9	12.5	11.1	1.4	-63.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.5	6.0	0.6	4.8	6.8	6.1	5.3	5.2	-1.3	4.7	5.0	15.0	4.6
Average nominal interest rate on external debt (in percent)	0.9	0.9	1.3	1.1	1.2	1.2	1.2	1.3	1.3	1.9	2.1	1.1	1.4
Average real interest rate on domestic debt (in percent)	3.0	0.0	2.9	-1.3	4.2	9.9	5.3	5.3	4.7	13.5	499.7	15.1	7.6
Real exchange rate depreciation (in percent, + indicates depreciation)	23.0	3.5	0.9	...	...	...	...	...	...	...	...	9.3	...
Inflation rate (GDP deflator, in percent)	4.0	7.6	4.4	6.6	5.8	1.0	5.3	5.3	6.1	1.6	-82.3	3.5	3.5
Growth of real primary spending (deflated by GDP deflator, in percent)	11.9	18.3	-3.3	18.0	-6.4	4.1	2.6	-0.9	-2.9	1.4	482.0	13.0	1.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.1	1.4	-0.1	6.2	4.8	0.8	3.2	3.0	-0.5	0.0	113.9	0.8	1.7
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?	**Yes**

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.