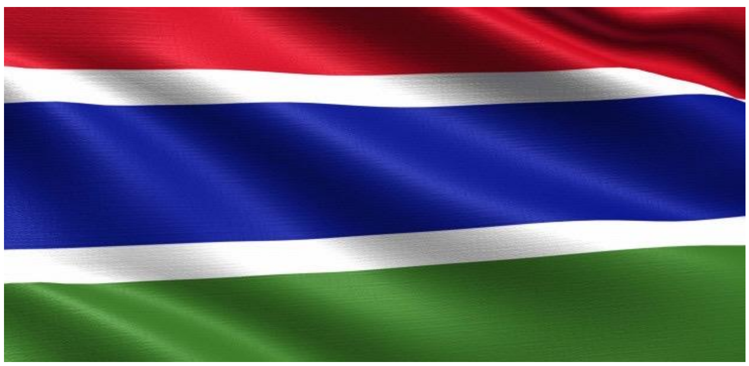

Ministry of Finance and Economic Affairs

Fiscal Risk Statement 2025-2028

June 2024

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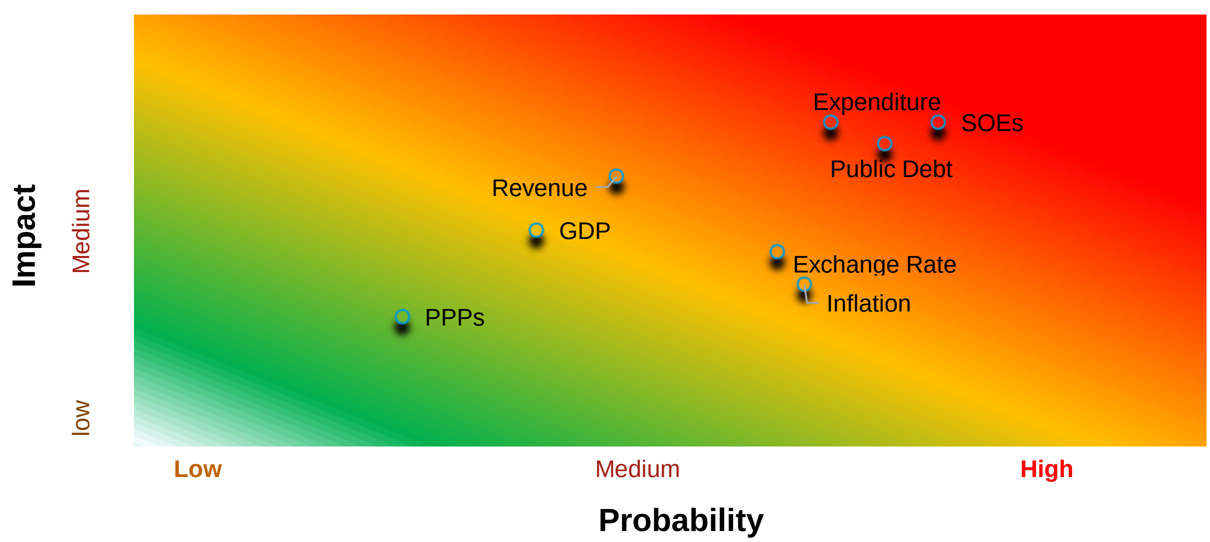
I. EXECUTIVE SUMMARY

Recent experiences, including the wars in Ukraine and Gaza, higher than anticipated inflation and exchange depreciation, unbudgeted expenditures, and contingent liabilities have illustrated how costly fiscal risks materialization are to the Budget and NDP. Given some of the risks are substantial, undertaking fiscal risk assessment and management has become a critical part of the budget preparation process.

The Medium-Term Economic and Fiscal Framework (MTEFF) (2025-2028) is faced with numerous fiscal risks which have potential to cause deviations to the targets. The major risks with high likelihood of materializing and with huge impact on the MTEFF are debt, expenditure, and SOEs. Macroeconomic, revenue, and PPPs have lower to medium risk. Given the interconnectedness of economic activities, materialization of one risk may trigger others. Table 1 summarizes the probability and impact of fiscal risk that might affect the MTEFF. A set of measures have been proposed to mitigate the impact of such risks.

Table 1: Fiscal Risk Heatmap



II. INTRODUCTION

The Ministry of Finance and Economic Affairs remains committed to promoting fiscal transparency and effective management of public resources as enshrined in the Public Finance Act and the Constitution. In fulfilling the mandate, the Ministry has prepared a Fiscal Risk Statement (FRS), to accompany the Medium-Term Economic Fiscal Framework (MTEFF) (2025-2028). The Statement sets out the main fiscal risks facing the Government finances in the short to medium term.

The risks have the potential to cause deviation of macroeconomic and fiscal outcomes outlined in the 2025 Budget, the MTEFF (2025-2028), and the National Development Plan (NDP) (2023-2026). The production of the FRS demonstrates the Government's awareness of the fiscal risks and the need to formulate mitigation strategies. The main objective of the FRS is to identify and quantify fiscal risks facing the economy as well as outline key steps to mitigate the risks.

Fiscal risks in the short to medium term are likely to arise from a variety of sources, including macroeconomic shocks, institutional risks, specific risks such as bailouts of state-owned enterprises (SOEs), and contingent liabilities from public-private partnerships (PPPs).

III. MACROECONOMIC RISKS

The Gambia is prone to fiscal risks emanating from volatility in global markets. The country imports on average about 34 percent of gross domestic product (GDP), while remittances and tourist receipts constitute on average about 92.3 percent and 40.5 percent of secondary income and export receipts, respectively. International trade taxes account for 30 percent of total tax revenue, and more than 60 percent of the public debt is foreign currency denominated. Given the exposure, shocks in the global economy have a strong spillover effect on fiscal performance directly and indirectly through domestic economic growth, inflation, and exchange rate.

The global economy is projected to grow by 3.2 percent in 2024 and 2025, respectively. The recovery is, however, subjected to downside risks related to prolonged geopolitical tensions. If the risk materializes, it can adversely affect commodity prices, remittance inflows, and tourist arrivals.

On the domestic front, the economy is prone to climate change shocks and pandemics. The country experiences a mild to severe drought after every 4 to 5 years, and floods after every 10 years. The rising sea level poses a threat to inundate Banjul and its port, groundwater resources and ecosystems. The GDP per capita after large natural disasters can be lower by 2-5 percent lower in the four years after the disasters while the public debt will be 6 percent of GDP higher in the three years after the disasters. Stable supply of electricity is key to support the medium-term growth. Delays in closing the demand-supply gap may cost the medium-term growth by between 1-21 percent.

High exposure to the global economy and domestic supply shocks has created huge fluctuations in GDP and revenue collections. The volatility in revenue and GDP growth tends to be more pronounced in The Gambia than in other comparator countries. Nominal GDP growth volatility has been associated with more than six times volatility in revenue growth.

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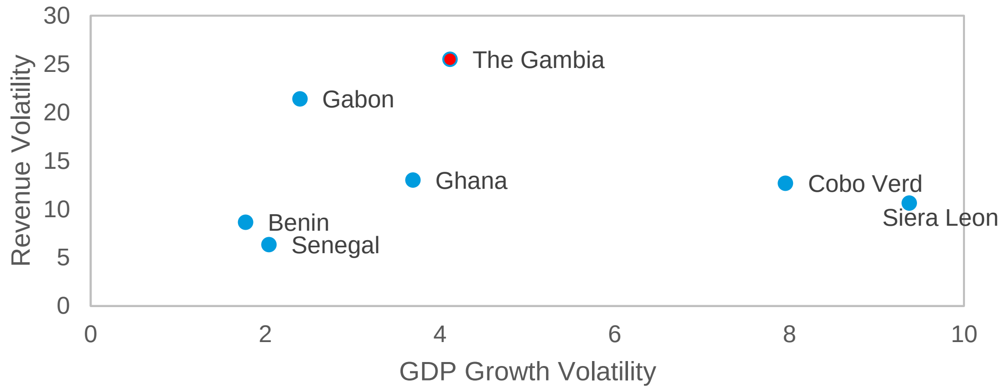
[1] Source, Lemma. A. et al. (2016) What are the links between power, economic growth, and job creation? Overseas Development Institute (ODI).

Figure 1: Revenue and GDP growth Volatility (standard Deviation 2011-2023)



Macroeconomic Forecast Performance

Macroeconomic Forecast errors constitute a huge source of fiscal risk, considering revenue, expenditure, and debt forecasts are dependent on the projected path of economic growth, inflation, and exchange rate. As shown in Figure 2, the nominal GDP growth forecast has been conservatively projected except for 2019 and 2020 due to the unforeseen impact of the COVID-19 Pandemic. Figure 3 shows that for every percentage forecasting error in nominal GDP contribute about 0.6 percentage forecasting error in domestic revenue. In the medium term, if the macroeconomic forecast happens to widely deviate from actual, the risks will be that revenue will either over or underperform. More concerning is the downside risk where revenue underperforms, the implications will be a higher deficit than planned, which may either require additional financing or accumulation of arrears.

Figure 2: Nominal GDP Growth: Actual Vs Projections

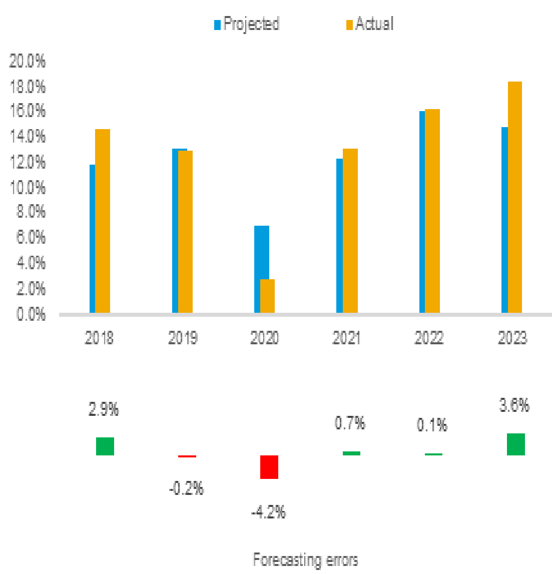
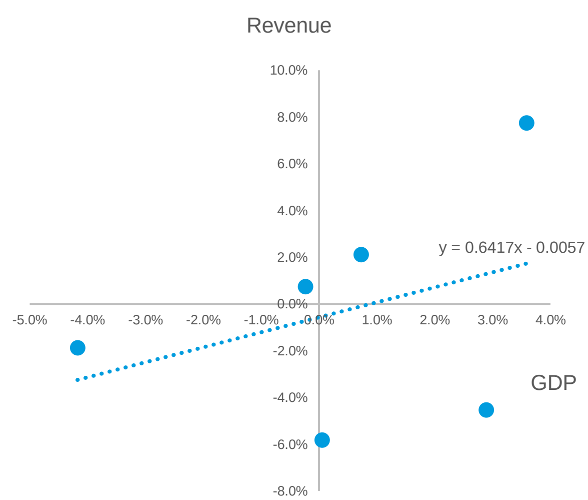


Figure 3: Impact of Nominal GDP Growth Forecast Errors on Domestic Revenue.



Real GDP Growth Shock: The domestic economy is projected to remain on a robust recovery path in the medium term, driven by agriculture, construction, communication, remittances, and tourist arrivals. Given the uncertainties in the global and domestic economy, GDP forecasts for the medium-term horizon can range between 3.2 and 8.0 percent, as shown in Figure 4. A two-standard deviation negative shock on GDP projections has the potential to reduce revenue by an average of 0.3 percent of GDP. Due to expenditure rigidities, the impact on revenue is fully transmitted to overall deficit and debt.

Figure 4: GDP Forecast Fan Chart

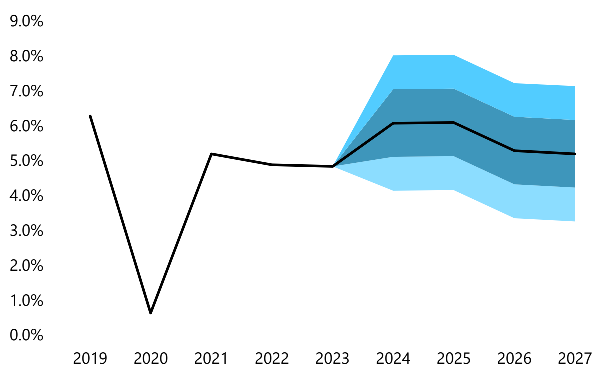
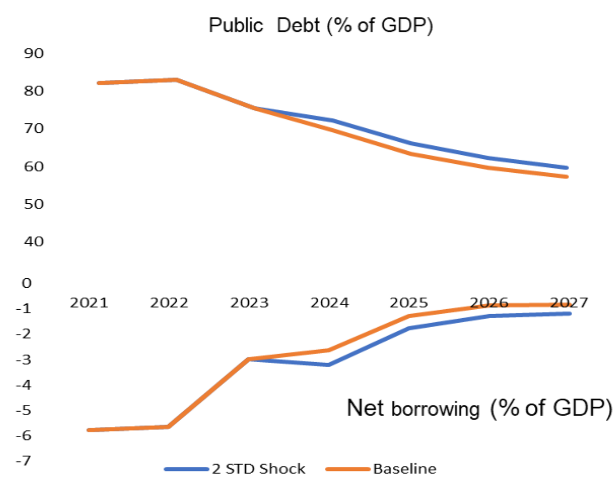


Figure 5: Sensitivity of Fiscal Variables to -2 Standard Deviation Shock to GDP



Inflation Shock: In the outlook, inflation is projected to stabilize and return to the target of 5 percent in the medium term. If the geopolitical tensions intensify and the domestic food supply gap worsens, this may result in higher inflationary and budgetary pressures. Given the uncertainty, there is a possibility of MTEFF projections deviating from the baseline. If a shock equivalent to 2 standard deviation materializes, it may have the upside risk of increasing projected nominal revenue from the baseline by an average of 9.6 percent while reducing the real revenue by an average of 0.5 percent of GDP. However, if the budget is allowed to fully adjust for inflation, the increase in projected nominal revenue will, however, be outweighed by the increase in expenditure driven by increased cost of goods and services, project cost escalations and increased interest payments as the CBG will be promoted to respond. Resultantly, this may cause the budget deficit to widen by an average of 0.4 percent of GDP, as shown in Figure 7. If the Government maintains the budget as approved by Parliament, the deficit may narrow down by an average of 1 percent of GDP. The real value of the budget, however, will be diminished and service delivery will be compromised.

Figure 6: Inflation Forecasts Fan Chart

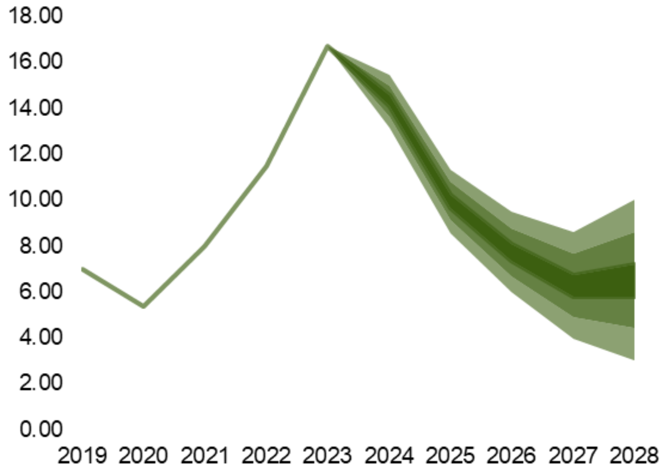
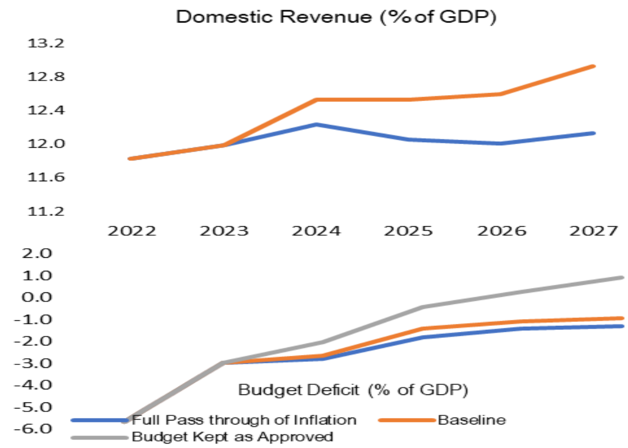


Figure 7: Sensitivity of Fiscal Variables to 2 Standard Deviation Shock to Inflation.



Exchange Rate Shock: The exchange rate is projected to stabilize in the short to medium term on account of measures being implemented by the central bank. Uncertainties in the foreign exchange market, may, however, prolong the anticipated stabilization. A two-standard deviation exchange rate shock may widen the overall deficit from the baseline by 0.6 percent of GDP due to increase in foreign currency denominated payments relative to foreign currency denominated revenues. Similarly, due to the high composition of foreign currency-denominated debt, overall public debt may deviate from the baseline by 7.3 percent of GDP, as shown in Figure 9.

Figure 8: Exchange Rate Forecasts Fan Chart

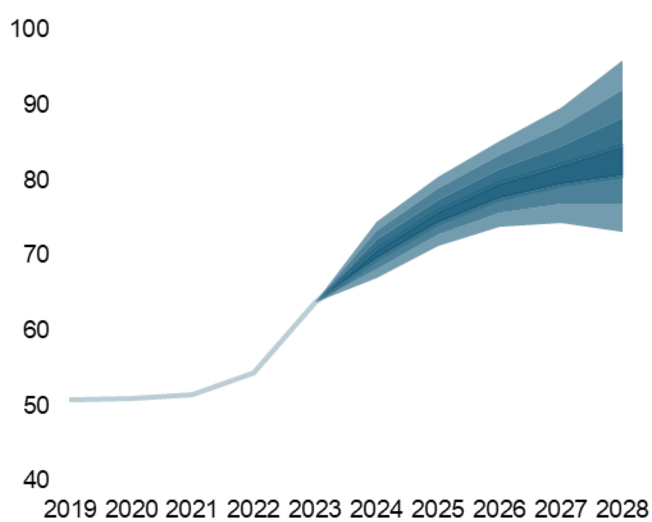
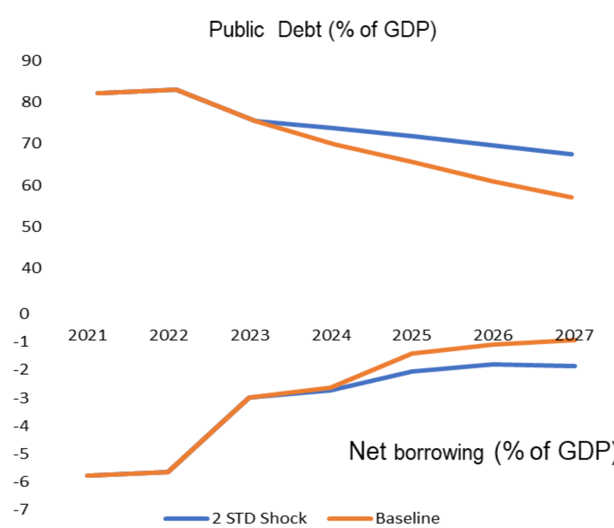


Figure 9: Sensitivity of Fiscal Variables to 2 Standard deviation Shock to Exchange Rate



Mitigation Measures

To minimize the risks of global economic spillovers, the Government will intensify efforts aimed at diversifying economic activities, export destinations, and dependence on limited groups of countries. To sustain increased tourism arrivals, the Gambia Tourism Board will scale up the implementation of measures to diversify source markets, enhancing tourism products and product diversification. In terms of electricity, NAWEC will fast-track the implementation of three solar projects meant to boost supply.

On the inflation front, the central bank stands ready to implement necessary policy measures aimed at containing inflationary pressures and minimize the risk of further divergence. The monetary policy will be supported also by adequate fiscal consolidation being pursued by the Government. To improve food security and dampen the food price pressure, programs, and projects such as the Rice Value Chain will be intensified.

To stabilize the exchange rate, the Central Bank will continue to maintain high levels of international reserves, covering 4.5 months of prospective imports. The central bank will also ensure that the exchange rate fully reflects market forces and the smooth functioning of the forex market.

In case the downside risk materializes, the government will reprioritize expenditures to preserve critical public services.

IV. INSTITUTIONAL RISKS

REVENUE AND GRANTS RISKS

Domestic Revenues

There are huge gaps existing in the country’s tax system due to low usage of digital systems in tax administration, low capacity at GRA to audit complex sectors, generous and uncoordinated tax exemptions, inadequate legal framework of the tax system, and lack of clear coordinated medium-term strategy for tax policy. Government has taken a position to implement reforms aimed at redefining the tax system to better serve fiscal objectives whilst promoting growth and investment. Full implementation reforms are expected to increase domestic revenue to 15% of GDP by 2028.

There is, however, high risk of delays or resistance in implementing some of the reforms. There is also high risk of reform fatigue, particularly when economic benefits are lower than expected. If the risks materialize, the moderate scenario shows that Government may experience revenue short falls of about GMD 2.0 billion (1.0 percent of GDP) in 2025. Without reprioritizing expenditure, the deficit may widen to 1.4 percent of GDP from 0.3 percent targeted in the MTEFF. Given the limited borrowing options, Government may accumulate arrears. This has the implication of constraining suppliers while at the same time increasing costs to Government as creditors may adjust prices to compensate for late payment. Table 2 summaries the implications of delaying implementing revenue reforms.

Table 2: Alternative Fiscal Framework of Delayed Reform Implementation

	2022	2023	2024	2025	2026	2027	2028
Revenue and Grants	**23,455.7**	**29,762.4**	**34,932.4**	**38,740.9**	**43,764.5**	**46,225.8**	**51,765.9**
% of GDP	19.1	20.7	20.1	19.4	19.9	19.2	19.6
Domestic Revenue	15,046.6	17,842.1	22,751.4	26,083.9	30,594.5	34,049.8	39,142.9
% of GDP	12.3	12.4	13.1	13.0	13.9	14.1	14.8
Tax Revenue	11,196.4	13,980.6	16,909.1	20,248.4	22,740.5	26,686.5	29,768.6
% of GDP	9.1	9.7	9.8	10.1	10.4	11.1	11.3
Non Tax Revenue	3,850.2	3,861.5	5,842.3	5,835.5	7,854.1	7,363.3	9,374.3
% of GDP	3.14	**2.7**	**3.4**	**2.9**	**3.6**	**3.1**	**3.5**
Grants	8,409.1	11,920.3	12,181.0	12,657.0	13,170.0	12,176.0	12,623.0
% of GDP	6.9	8.3	7.0	6.3	6.0	5.0	4.8
Expenditure and Net Lending	**29,831.4**	**34,925.1**	**39,382.7**	**41,452.5**	**45,741.1**	**48,252.9**	**52,633.1**
% of GDP	**24.3**	**24.3**	**22.7**	**20.7**	**20.8**	**20.0**	**19.9**
Expenses	17,033.7	18,520.0	27,242.7	25,345.8	29,265.3	29,660.8	30,295.6
% of Domestic Revenue	117.5	103.8	119.7	97.2	95.7	87.1	77.4
Net Acquisition of Non-Financial Assets	12,797.7	16,405.1	12,140.0	16,106.7	16,475.7	18,592.2	22,337.5
% of GDP	10.4	11.4	7.0	8.1	7.5	7.7	8.5
Externally/Project Financed	10,178.4	13,743.8	9,001.0	12,653.8	11,296.4	11,082.1	11,110.0
% of GDP	8.3	9.6	5.2	6.3	5.1	4.6	4.2
GLF	2,619.2	2,661.3	3,139.0	3,452.9	5,179.3	7,510.0	11,227.5
% of GDP	2.1	1.9	1.8	1.7	2.4	3.1	4.2
Overall Balance	**(6,375.7)**	**(5,162.7)**	**(4,450.3)**	**(2,711.6)**	**(1,976.5)**	**(2,027.1)**	**(867.2)**
% of GDP	**(5.2)**	**(3.6)**	**(2.6)**	**(1.4)**	**(0.9)**	**(0.8)**	**(0.3)**
Financing	(6,384.9)	(5,286.7)	(4,450.3)	(2,711.6)	(1,976.5)	(2,027.1)	(867.2)
Net Domestic Borrowing	3,559.0	744.2	3,271.0	2,111.3	4,655.4	5,546.8	6,284.3
Net External Borrowing	2,825.9	4,542.5	1,479.3	(1,007.4)	(3,459.9)	(4,323.0)	(5,052.8)
Change in Arrears (- decrease)	(433.4)	(1,011.7)	(300.0)	1,607.6	781.1	803.3	(364.4)

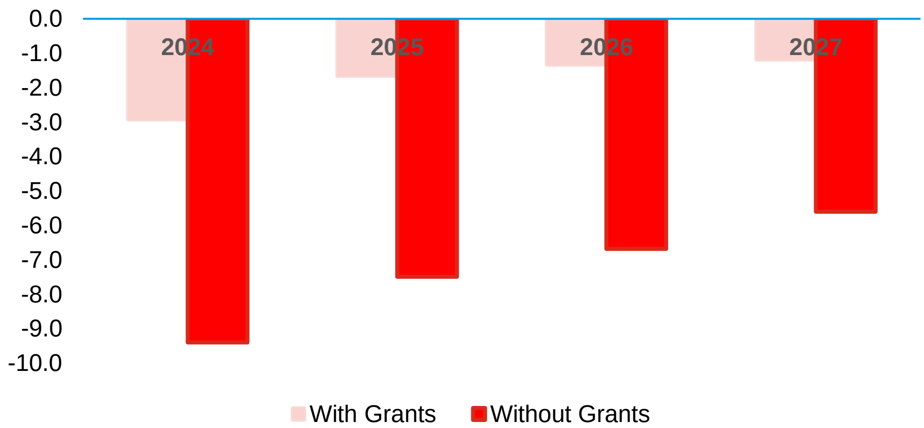
Mitigation Measures

To mitigate the risk, Government will and clear all the setbacks being faced in implementing various reform measures. To support the reform process, a clear and well-coordinated strategy for domestic resource mobilization will be developed and implemented. The capacity of Revenue and Tax Policy Department will be strengthened to ensure comprehensive oversight and analysis of the tax system. Similarly, the capacity of GRA particularly to audit complex sectors will be enhanced. Government will review the tax legal framework to close the regulatory loopholes that create opportunities for evasion, avoidance, and non-compliance.

Grants

Grants have been instrumental in financing key programs and projects in the country, accounting for about 24 percent of the national budget. A shock in the grant sources combined with a failure to meet conditionalities and donor fatigue may have a significant funding impact on the medium-term expenditure framework. The worst-case scenario of no grants shows an unsustainable fiscal deficit, see Figure 10.

Figure 10:Fiscal Deficit with and without Grants (% of GDP)



The Gambia Aid Policy (GAP) although provides the institutional, regulatory, operational, and accountability framework for sourcing and managing external aid resources, coordination remains fragmented. There are different ODA coordination points in Government, notably; Ministry of Finance Economic Affairs (MoFEA), Office of the President (OP), NGO Affairs of the Ministry of Interior and Ministry of Foreign Affairs (MOFA). This is giving rise to ambiguity and cherry-picking of roles and responsibilities by the institutions. The current arrangement makes it difficult to track and account for aid inflows received as well as to make projections. There is a high risk of duplicating efforts, disregarding national priorities, and a general breakdown of aid coordination.

Mitigation Measures

Maximizing grants remains critical during the MTEFF period. The Government has set up a Reform Monitoring Committee to track and review progress on all program triggers. To ensure a coordinated approach, the Ministry will pursue the following among other measures:

- Developing an effective operational guideline for Aid Policy to guide the operation for effective aid management and coordination in the country.
- Establishing a well-articulated communication, information, and outreach strategy for effective follow-up for all partners including MOFEA, MOFA, OP, NGO Affairs, and other relevant stakeholders in the coordination and management of aid.
- Promoting effective coordination at the sector level through the Sector Working (Coordination) Groups. This will reinforce linkages between the National Development Plan, sector strategies, work plans, and budgets.

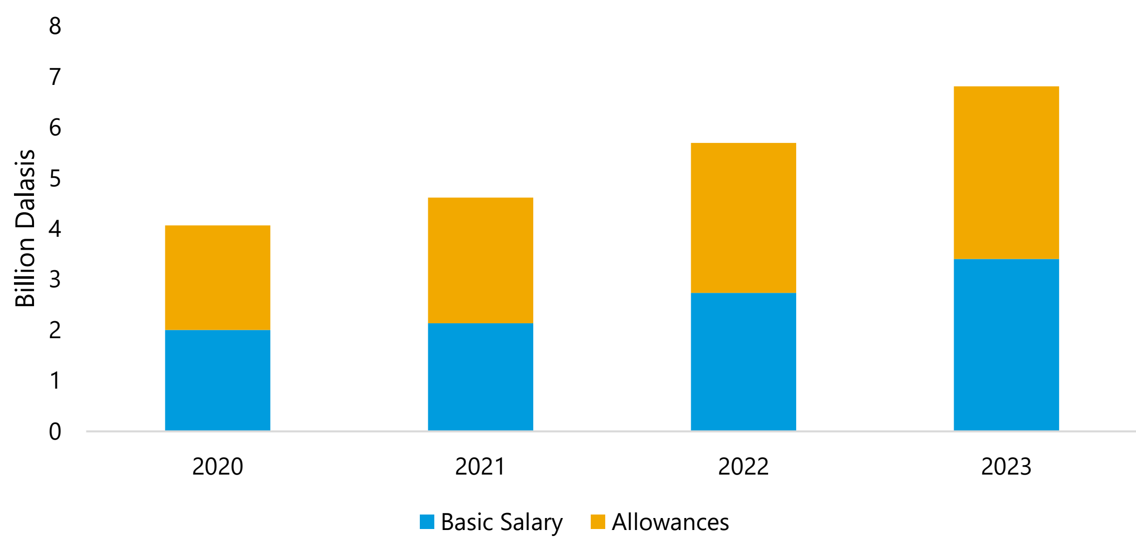
- Establishing a Centralized Fiduciary Unit under MoFEA where all financial and procurement matters will be housed for effective and efficient utilization of aid resources, and
- Promoting the use of country systems to ensure all projects use IFMIS for easy tracking of funds.

EXPENDITURE RISKS

Personal Emoluments

Budgeting for personal emoluments is challenging due to the lack of adequate information that can inform realistic projections for the annual and the medium term. Information on subvented agencies' wages is not centralized and there is a lack of clarity on their payrolls. In addition, the evolution of compensation of employees is obscured by allowances. They constitute about 50 percent, and most are not personal emoluments related. The deficiencies in baseline data coupled with unbudgeted recruitments increases the risk of under-budgeting for personal emoluments. If this materializes, the Government may accumulate arrears or may reallocate resources from other expenditure lines which in the process deprive the provision of other planned critical services.

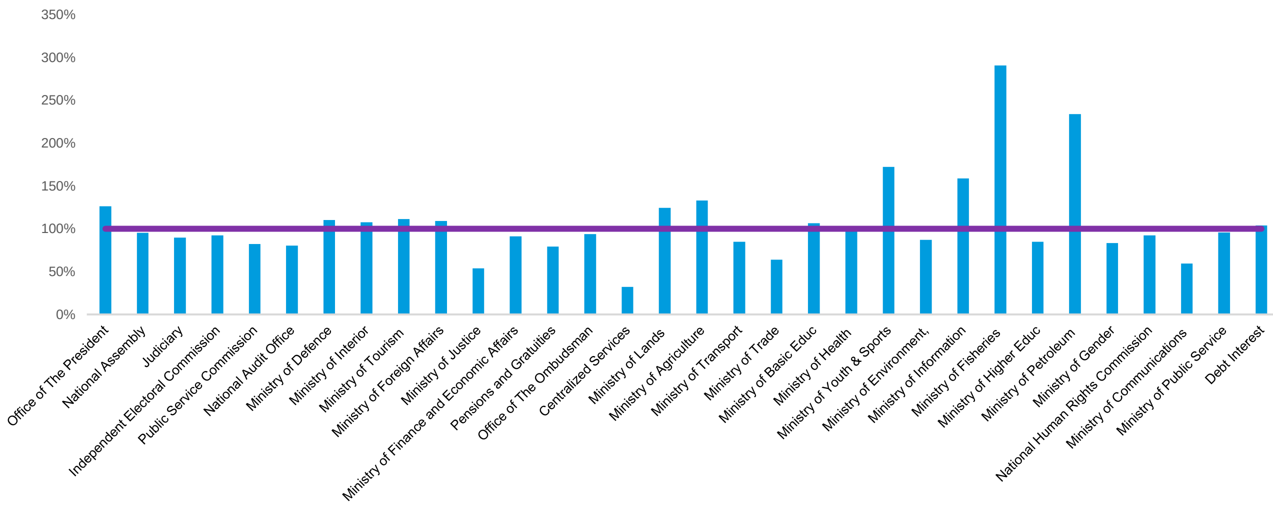
Figure 11: Composition of Personal Emoluments



Unbudgeted expenditure

The overall objective of the MTEFF is to ensure effective expenditure planning and execution. The 2023 Budget executions was largely in line with the Appropriation. However, due to unbudgeted expenditures, some MDAs spent beyond their ceilings. This was, however, obscured by virements, which allowed for resources to be redirect from other MDAs. Figure 12 shows that Ministries such as Fisheries, Petroleum, Information, Youth and Sports, and Agriculture spend beyond their allocated budget. The risk of unbudgeted expenditures during the MTEFF recurring is high. If the risk materializes, they will divert resources from planned critical programs and projects. This will also undermine the attainment of strategic objectives of other Ministries.

Figure 12: 2023 MDAs Budget Execution Rates

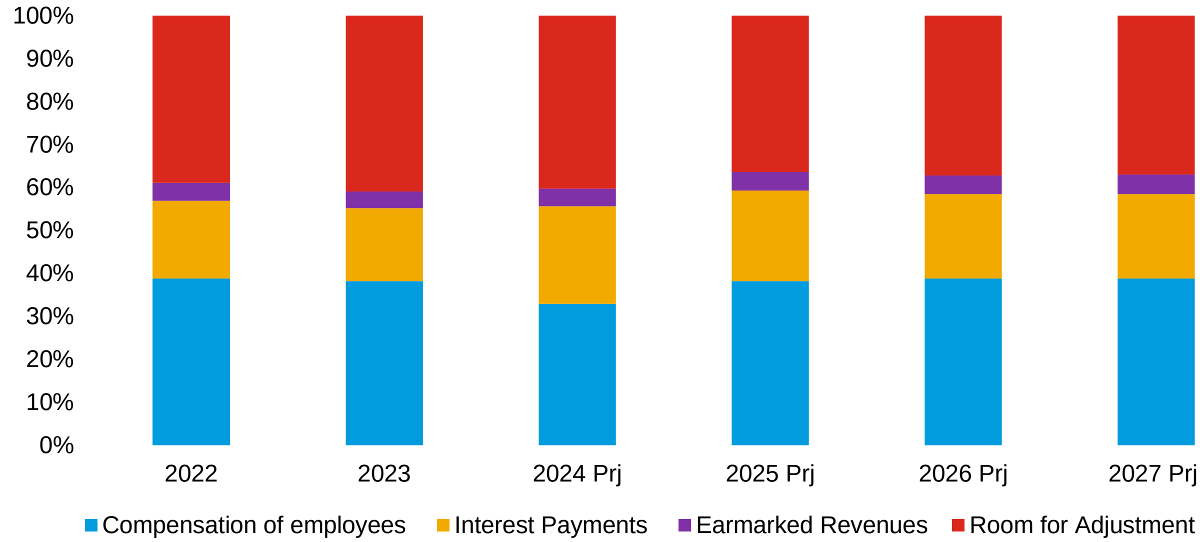


Expenditure Rigidities

The country has several earmarked funds which are specific shares of Government revenues. These earmarked funds represent pre-committed expenditures. Instances include fuel levy, environmental levy, green tea levy, youth and sports development levy, and GSM levy among others. On average earmarked funds account for about 4 percent[2] of domestic revenues. The information on earmarked funds is not adequately captured in the budget estimates and they are not subjected to similar scrutiny as other detailed estimates. Worsening the rigidities is the high level of non-discretionary expenditures which now account for about 58 percent of domestic revenues. Given the baseline, it leaves limited space for short-term adjustment in the event of unforeseen events occurring in the medium term.

[2] This is only representing those that are accounted for in the budget.

Figure 13: Non-Discretionary Expenditure as Ratio of Domestic Revenue



Spending Outside the Integrated Financial Management Information System (IFMIS)

Most of the subvented agencies as well as grant and loan-financed projects are operating outside the central budget planning and expenditure control systems. This undermines financial control procedures and increases the risk of undetected arrears and unauthorized expenditures. The limited use of the IFMIS in Government projects and subvented agencies is also limiting the visibility of payments to suppliers, contractors, and consultants. Thus, GRA lacks full knowledge of such potential taxable income. The IFMIS system itself has also become a risk, due to high downtime and high cost of maintenance.

Subsidies

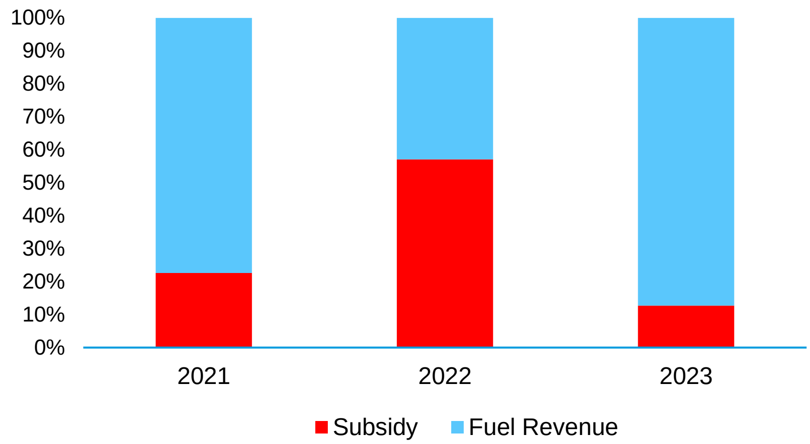
Fertilize Subsidy

The Government through the National Food Security Processing and Marketing Corporation sells fertilizer at subsidized prices to cushion farmers against the rising cost of production. The subsidy is negotiated between the Ministry of Finance and the Ministry of Agriculture every year. The level of the subsidy does not follow a predictable formula. Each farmer is limited to buying 12 bags and there is no proper registry of farmers in terms of their location and the size of land. Given the porous borders and price differentials with Senegal, the program is prone to abuse. Without a proper register of benefitting farmers and a predetermined level of subsidy, budgeting for and execution of subsidy programs remains challenging. If the status quo remains, the credibility of MTEFF will be undermined by under or over-budgeting of subsidies.

Fuel Price subsidy

To maintain fuel price stability, the Government provides a subsidy on fuel. The level of subsidy, however, does not follow a clear formula hence the predictability is challenging. The subsidy is payable through netting out VAT, excise, and customs duty on fuel implying the revenues are encumbered. This increases the risk of budget rigidity. There are also risks related to international fuel prices and exchange rate volatility. For instance, in 2022 due to the impact of the Russia-Ukraine War, the subsidy took up about 57 percent of the fuel revenues. The growing geopolitical tensions increase the risk of similar events recurring.

Figure 14: Subsidy Versus Fuel Revenue



Mitigation Measures

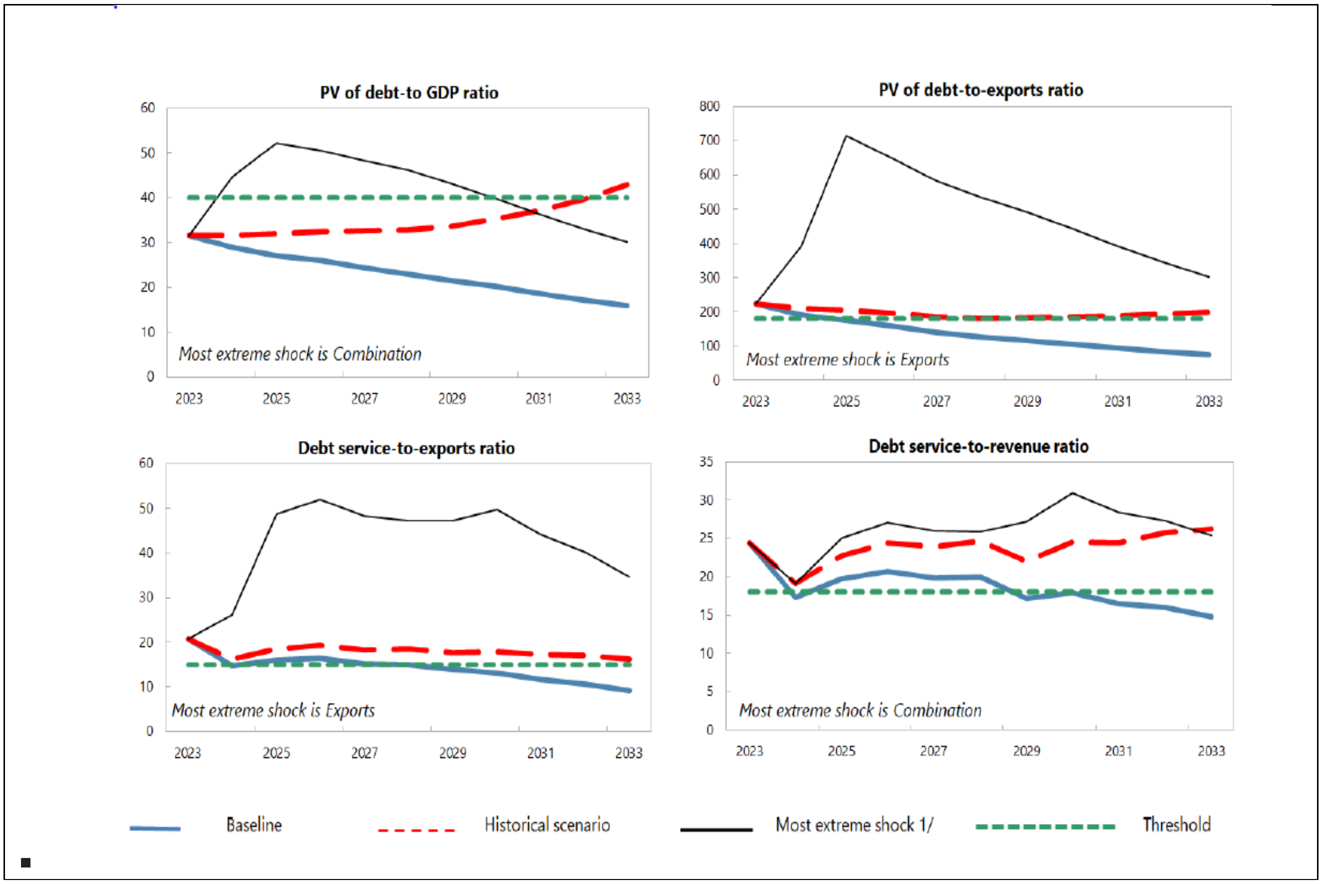
The Government is committed to mitigating expenditure risks and ensuring that budget credibility is sustained. Reforms to improve coverage and quality of fiscal information will be prioritized. These include the alignment of the Government Finance Statistics Manual (GFSM) 2014 classification with the Chart of Accounts and rolling out IFMIS to all subvented agencies. The Government will also explore the use of other optional IFMIS systems. To mitigate the risks associated with personnel emoluments, the Government will adopt a Human Resources Information System (HRIS) that will support benefits administration, payroll, and other workflows. Regarding virements, the process of reviewing the Public Finance Act has already begun and will be fast-tracked. The government, working with the World Bank will fast-track the registration of all farmers and create a database, which will be used for various purposes including managing the subsidy program. To improve the targeting of subsidies, Government is considering implementing the full pass through of fuel price and protect the vulnerable by providing cash transfers. The process of registering beneficiaries is already underway.

PUBLIC DEBT AND GUARANTEE RISKS

Debt sustainability risks

The results of the 2023 Debt Sustainability Analysis (DSA) for The Gambia suggest that the country's debt is sustainable. There is, however, a high risk of external and overall debt distress. The baseline scenario shows that the Present Value (PV) of external debt to exports, debt service to revenue, and debt service to exports, exceed their respective indicative thresholds. Similarly, the PV of total debt to GDP consistently surpasses its indicative threshold of 55 percent in the medium term.

Figure 15: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios as of End December 2022



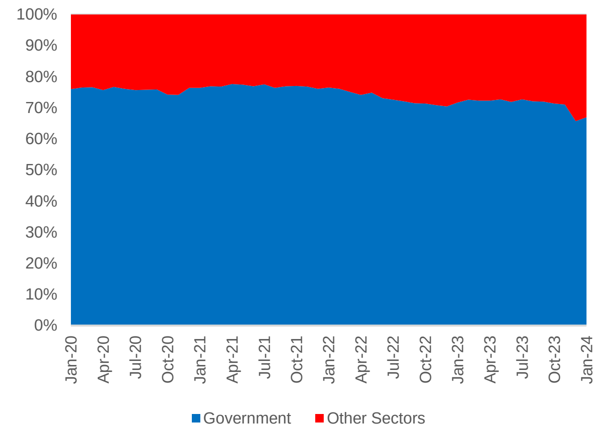
Refinancing and Interest Rate Risks

About 74.8 percent of total debt of the country's debt is long-term and contracted on fixed-rate terms implying less exposure to refinancing and interest rate risk. The risks are, however, inherent in the 25.2 percent, which is mainly composed of domestic market debt with a relatively short Average Time to Maturity of 1.2 years. This exposes the Government to high level of refinancing and interest rate risk. Already a significant portion of short-term debt is being rolled over at very high interest rates. The risk of the short-term debt not being rolled over is high. If this materialize, about GMD21.5 billion which constitute about 85% of domestic revenues will be due for repayment in 2025. This may constrain Government financing. At the same time this may trigger a liquidity crisis in the whole financial system. About 75 percent of domestic bank assets are made up of Government securities. Over and above the maturing short-term maturities, the impact of expiring foreign debt deferrals in 2024 will be added to the overall gross financing need of 2025. This will bring the risk of replacing maturing cheap foreign debt with expensive domestic debt, which may create a vicious cycle of debt.

Table 3:Cost and Risk Indicators for Existing Debt as of end December 2022

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of GMD)		64,531.8	30,352.9	94,884.7
Amount (in millions of USD)		1,061.0	499.1	1,560.1
Nominal debt as percent of GDP		52.7	24.8	77.4
PV as percent of GDP[1]		39.0	24.8	63.7
Cost of debt[2]	Interest payment as percent of GDP[3]	0.7	1.3	2.0
	Weighted Av. IR (percent)	1.3	5.3	2.6
Refinancing risk[2]	ATM (years)	9.5	1.2	7.1
	Debt maturing in 1yr (percent of total)	5.1	70.6	24.0
	Debt maturing in 1yr (percent of GDP)	3.1	17.5	20.6
Interest rate risk[2]	ATR (years)	9.4	1.2	7.0
	Debt refixing in 1yr (percent of total)	6.8	70.6	25.2
	Fixed rate debt incl T-bills (percent of total)	96.3	100.0	97.4
	T-bills (percent of total)	0.0	60.3	17.4
FX risk	FX debt (percent of total debt)			68.0
	ST FX debt (percent of reserves)			13.7

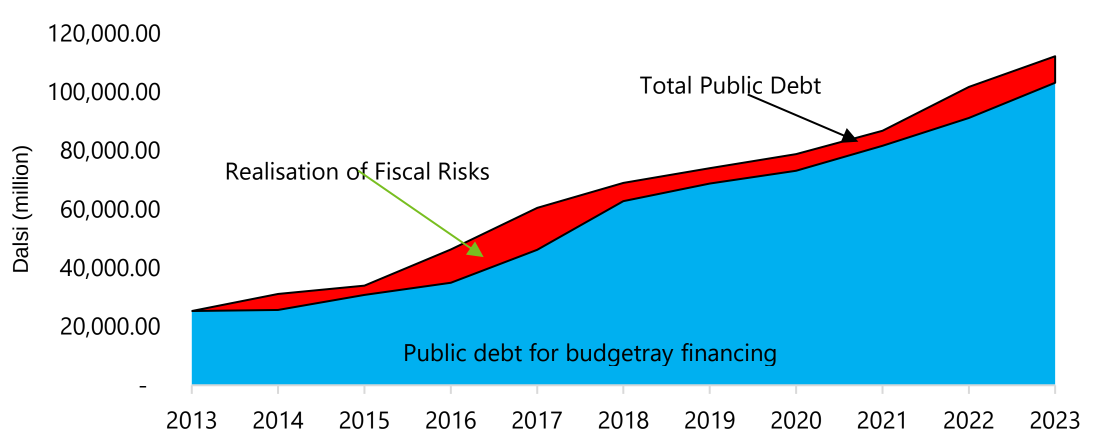
Figure 16: Domestic Assets Composition



Contingent Liabilities

The stock of public debt normally reflects the cumulative sum of fiscal deficits. Since 2013, however, the cumulative fiscal deficits have been lower than the stock of debt, reflecting the materialization of fiscal risks due to off-budget factors. These include issuing a long-term bond for NAWEC, and legacy debt from the previous administration, among others. The profile suggests that during the MTEFF period, there is a high risk of materialization of contingent liabilities.

Figure 17: Materialization of Contingent Liabilities



Mitigation Measures

To mitigate the refinancing risk, the debt management strategy going forward will focus on reprofiling domestic debt. This involves increasing the share of 2-year, 3-year and 5-year Bonds while gradually diminishing the proportion of short-term debt.

V. SPECIFIC RISKS

STATE-OWNED ENTERPRISES (SOE) RISKS

SOEs play a critical role in the economy in terms of delivering critical goods and services. In The Gambia, SOEs are mandated with the role of managing and providing services in five key sectors which are: agriculture, energy and water, services, telecommunications, and transportation. Due to their role, they are treated as strategic entities and the Government holds equity interest in about 13 public companies. In this context, public finances are highly exposed to a broad range of fiscal risks emanating from SOE interventions in the economy.

Table 4: The Gambia SOEs

Transportation	Telecommunication and Media	Energy and Water	Services	Agriculture
Gambia Civil Aviation Authority (GCAA)	Gambia Telecommunications Company Limited (GAMTEL)	National Water and Electricity Company (NAWEC)	Assets Management and Recovery Corporation (AMRC)	National Food Processing and Marketing Corporation (NFSPMC)
Gambia International Airlines (GIA	Gambia Cellular Company Limited (GAMCEL)	Gambia National Petroleum Company	Social Security and Housing Finance Corporation (SSHFC)	
Gambia Ports Authority	Gambia Postal Services Corporation (GamPost)			
	Gambia Printing and Publishing Corporation (GPPC)			
	Gambia Radio and Television Services (GRTS)			

SOE Performance

There is general improvement in SOE performance particularly with regards to cost recovery. In 2023, SOE aggregate revenue grew by about 7 percent in real terms, driven mainly by NAWEC following the approval to charge cost-reflective tariffs. Risks, however, remain elevated, particularly for GAMCEL and GAMTEL, which indicate high losses, deteriorating liquidity, and debt levels. The overall performance of SOEs as of December 2023 indicates an aggregate net loss of approximately GMD2.314 billion. In addition, there are worsening liquidity challenges across all SOEs, with most resorting to short-term borrowing. The increased financial distress amongst SOEs may pose fiscal risks to the Government in the form of future financial bailouts, loss of potential dividends, and erosion of equity. Due to prolonged periods of underperformance, about 80% of the SOEs are in dire need of recapitalization.

Table 5: SOE Risk Rating as of End December 2023

	Profitability				Liquidity				Solvency				Overall Risk Rating	
	Cost Recovery		Return on Equity		Current Ratio		Debtor Turnover Days		Debt to Assets		Debt to EBITDA			
	2023	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*	*2023*	*2022*
NAWEC	0.84	0.75	NMF	NMF	0.37	0.34	33.59	52.80	1.44	1.19	-17.71	-10.15	HIGH	Very High
GCAA	1.50	1.42	22.09	NMF	0.25	0.11	135.35	104.73	0.78	1.18	14.59	15.59	HIGH	Very High
NFSPMC	1.06	1.13	NMF	NMF	1.63	12.29	211.63	113.12	1.04	1.19	15.67	10.77	HIGH	HIGH
GNPC	1.01	1.03	-0.99	1.95	1.26	1.98	118.29	94.08	0.49	0.30	21.30	6.03	HIGH	Moderate
GIA	1.15	1.13	81.38	60.93	0.81	0.82	145.19	154.39	0.94	0.90	6.47	7.20	HIGH	HIGH
SSHFC	1.97	1.36	3.55	1.44	31.93	7.28	445.65	992.28	0.02	0.08	0.51	6.21	LOW	Moderate
GPA	1.05	1.04	3.80	4.68	12.02	5.34	29.82	138.92	0.04	0.08	0.66	1.51	LOW	Moderate
GPPC	1.17	1.55	8.54	19.08	0.81	0.78	285.17	254.18	0.42	0.39	5.35	2.90	HIGH	Moderate
GAMPOST	1.00	1.04	-1.18	0.65	2.10	2.53	277.81	355.77	0.55	0.49	31.38	15.05	HIGH	Moderate
GRTS	1.43	1.39	26.91	25.33	5.64	4.22	129.17	162.94	0.12	0.13	0.39	0.48	LOW	LOW
GAMTEL	0.71	0.51	-447.58	-258.93	1.36	1.22	685.88	901.19	0.97	0.93	58.76	-11.04	Very High	Very High
GAMCEL	0.60	0.64	NMF	NMF	0.13	0.17	251.09	238.60	3.87	3.21	-18.89	-19.01	Very High	Very High
Key	Very high risk													
Low risk	High risk		*Note: NMF = No Meaningful Figure, this occurs when an SOE has negative equity*											
Very low risk	Moderate risk													

Financial Flows between Government and SOEs

Reflecting the materialization of fiscal risks stemming from SOEs are financial flows, particularly from the Government to SOEs. The Government is currently burdened with servicing a NAWEC 30-year bond issued in 2017. Due to poor financial performance by the majority of SOEs, only GPA was able to remit dividends to the Government in 2023.

SOEs despite being key sources of domestic revenue, are the ones holding the largest share of tax arrears every year compared to any category of taxpayer. Tax liabilities across SOEs increased by 81 percent from D263 million in 2022 to D476 million in 2023. This is a potential fiscal risk as it significantly reduces revenue due to the fiscus.

On the other hand, the Government is owing SOEs significant amounts for services provided. For instance, the majority of NAWEC and GAMTEL trade receivables are due to the government. Despite increasing the Government arrears, this is negatively impacting the operations of the SOEs.

Among SOEs, they have also cross arrears. While there are efforts to clear the arrears, some SOEs are not following the agreed payment plans. This keeps the level of systemic risk high among SOEs.

Table 6: SOEs Cross Arrears as of December 31, 2023 (Dalasi)

Total Arrears		**2,078,479,563.99**
Outstanding Arrears		2,005,779,563.99
Amount Paid as of 31 December 2023		72,700,000.00
Arrears not being Honored		101,616,714.47
Breakdown of Arrears not being Honored		
Net Receiver	Net Giver	
GAMCEL	GIA	8,475,188.00
SSHFC	GIA	15,702,000.00

SSHFC	GAMCEL	49,293,141.75
GNPC	GIA	495,000.00
GPA	GIA	812,500.00
GAMTEL	GIA	1,665,588.72
GPPC	GCAA	173,296.00
GPA	GCAA	25,000,000.00

Mitigation Measures

The Government will scale up reforms meant to transform the SOE sector into sustainable assets capable of generating returns and reducing fiscal risks. A new SOE bill has been enacted and the SOE Commission has been established. The Government will ensure that the SOE Commission is adequately capacitated to effectively carry out its mandate. Similarly, the process of privatizing GAMCEL will be fast tracked.

PUBLIC PRIVATE PARTNERSHIP (PPP) RISK

The country is increasingly turning to PPPs to fund infrastructure projects. The trajectory is expected to continue during the MTEFF period. To date, there are eight (8) projects in the investment phase, of which two (2) were solicited. About fourteen (14) projects are in the pre-investment phase. The projects span across the sectors of the transport, information communication technology (I.CT.), health, and tourism sectors.

Table 7:Investment and Pre- Pre-Investment PPPs

Stage	Sector	Project	Investment Commitment
Pre- Investment Phase	Transport	Banjul Container Terminal Concession	TBD
	Infrastructure	Government Office Complex	TBD
	Energy	50 MWp WAPP Regional Solar Park Project in The Gambia	TBD
	ICT/Infrastructure	Digital Gambia	TBD
	Infrastructure	GAMTEL Broadband Network	TBD
	Transport	Banjul Shipyard Project	TBD
	ICT	Agricultural Mixed Farming Centers Project	TBD
	ICT	Central Equipment Identity Register Solution Project	TBD
	Transport	Sir Dawda Kairaba Jawara International Conference Center (SDKJ-ICC)	TBD
		Production of National Identification Document	TBD
	Health	Edward Francis Small Teaching Hospital Medical Equipment	TBD
	Transport	New Airport Terminal Project	TBD
	Sport	Construction of the Olympic Stadium and a Five-Star Hotel Project	TBD
	Mining	Sand Mining Project	TBD
Investment Phase	ICT	Nick TC Scan	$23.1M
	ICT	Revenue Mobilization for Excisable Goods, Telecom Services, and Refined Fuels	€10.9M
	ICT	SECURIPORT	$7.52M
	ICT	AFRICARD	$1.0M
	ICT	Single Window Platform	$10.7
	Transport	Weigh Bridge Concession Project	N/A
	Transport	Comfort Quality	D65.7M
	ICT	Electronic Cargo Tracking Note	$10.0

PPPs although have benefits, they are associated with potentially large fiscal risks. In the interim, while the PPP Act is being finalized, The Gambia Public Procurement Authority Act, 2014, and The Gambia Investment and Export Promotion Agency Act, 2015 provide the necessary legal framework for the implementation and management of PPPs. The current legal framework does not clearly define PPPs and hence does not apply uniformly to them. The fragmented legal framework creates uncertainty, which raises the cost of compliance for private partners, and ultimately for the Government.

Private partners in the current portfolio of PPPs are mostly mandated with obtaining project finance and bearing interest rate risk. The exchange rate risks are mostly allocated to the Government within a prescribed rate. Exchange rate instability may trigger a clause that protects private investors. The fluctuations in the exchange rate if sustained will drive the private investors into more losses that will be rectified by the government. Detailed analysis of PPP risks could not be done due to lack of data.

Mitigation Measures

MOFEA through the Directorate of PPPs will continue to closely monitor existing and future PPP initiatives to prevent the accumulation of contingent liabilities. The Directorate will engage in nationwide PPP capacity-building initiatives for public sector officials to ensure that PPP projects adhere to international and good governance practices. These include sound fiscal risk management through adequate distribution of risks between public and private partners. To mitigate the risks associated with the fragmented legal framework, the Government will fast-track the passing of the draft PPP Bill into law.

VI. CONCLUSION

The METFF is faced with numerous fiscal risks. Of these risks, SEO, expenditure, debt risks have a high probability of materialization, while macroeconomic risks have a medium to high probability. PPPs, however, have a low to medium probability of materialization. For those that have a high probability of materializing, the Government is closely monitoring them and is prepared to take necessary measures to minimize their impact on public finances.