REPUBLIC OF THE GAMBIA

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

MEDIUM-TERM DEBT MANAGEMENT STRATEGY 2025 - 2029

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ACRONYMS AND ABBREVIATIONS

ADFD	Abu Dhabi Fund for Development
AfDB	African Development Bank
ABP	Annual Borrowing Plan
BADEA	Arab Bank for Economic Development in Africa
CBG	Central Bank of the Gambia
DLDM	Directorate of Loans and Debt Management
DOD	Disbursed Outstanding Debt
DSA	Debt Sustainability Analysis
EBID	ECOWAS Bank for International Development
EUR	Euro
GDP	Gross Domestic Product
GMD	Gambian Dalasi
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IsDB	Islamic Development Bank
KFAED	Kuwait Fund for Arab Economic Development
KWD	Kuwait Dinar
MoFEA	Ministry of Finance and Economic Affairs
MTDS	Medium Term Debt Strategy
MTEFF	Medium Term Economic Fiscal Framework
NAWEC	National Water and Electricity Company
NDB/NDF	Net Domestic Borrowing/Net Domestic Financing
OFID	OPEC Fund for International Development
RCF	Rapid Credit Facility
SAR	Saudi Arabia Riyal
SAS	Sukuk-Al-Salam
SFD	Saudi Fund for Development
SOE	State-Owned Enterprise
SSHFC	Social Security and Housing Finance Corporation
USD	United States Dollar

Table of Contents

List of Tables

FOREWORD

As defined in Section 38, Sub-section 1 of the Public Finance Act, 2014, the Ministry of Finance and Economic Affairs (MoFEA) through the Directorate of Loans and Debt Management (DLDM) is required to formulate a Debt Management Strategy at least once a year, and to be submitted for approval to the Cabinet.

Effective public debt management plays a crucial role to attain economic growth and stability as well as enhancing government's accountability and transparency. The primary objective of public debt management is to ensure that Government's financing requirements are met at the lowest possible cost consistent with a prudent degree of risk, and has a secondary objective of promoting the development of the domestic debt market.

The Medium-Term Debt Strategy (MTDS) 2025 - 2029 follows the outcome of the recent Debt Sustainability Analysis (DSA) 2024, and it will be feed into the Annual Borrowing Plan (ABP) with the chosen preferred strategy. The preferred strategy is Strategy Three (S3), it aims at increasing the external concessional financing and gradually elongating the domestic debt maturities.

The Government would continue to implement vibrant macro-economic framework to enhance revenue generation and address the fiscal pressure in order to achieve the reduction in the nominal debt to GDP in the medium term.

In a bid to promote accountability and transparency, I would like to thank all stakeholders for their relentless effort in producing this document for publication.

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SEEDY K.M KEITA

Honorable Minister of Finance and Economic Affairs

Section 1: Introduction

The debt management operations for 2024 was conducted against the background of the Executive Board approval of the International Monetary Fund (IMF) supported program to help The Gambia meet pressing financing needs and support the country's ongoing reform agenda.

Among the highlights of 2024 is the Government's success in securing a 36-month IMF-Extended Credit Facility (ECF). Following the Board approval, the government has successfully completed two reviews and received a total disbursement of USD32.43 million from the IMF to support the Budget and alleviate fiscal pressures.

Over the period December 2023 to December 2024, the economy has demonstrated resilience despite global uncertainties and shocks. Growth has been more resilient than expected, inflation has declined, and external balance has improved.

Public debt accumulation has slowed significantly, as government continues its fiscal consolidation efforts. The Nominal Public debt to GDP ratio declines from 75.8 percent as at end December 2023 to 74.7 percent as at end 2024. The results of the 2024 Debt Sustainability Analysis (DSA) show that both the Gambia's external and domestic debt are at high risk of debt distress and sustainable.

In 2024, the Government continued its efforts to enhance the domestic debt market by issuing longer-dated debt instruments, including 2-year and 3-year, in alignment with the 2024-2028 MTDS. A key milestone was the successful separation of monetary domestic debt issuance from fiscal issuance, providing a clear distinction in costs associated with monetary policy implementation. This step enhances transparency in debt management and ensures a more structured approach to fiscal sustainability.

The preparation of the Medium-Term Debt Management Strategy (MTDS) for 2025-2029 has been prepared in fulfillment of Section VI, Subsection 38 of the Public Finance Act (2014) with the overall objective to propose financing mix for the 2025-2029 medium-term to help mitigate the cost and risk embedded in the Government of The Gambia public debt portfolio.

Objective and Scope

The 2025-2029 MTDS seeks to achieve the following specific objectives:

- Secure the Government's financing needs on a timely basis at the lowest possible cost while maintaining a prudent level of risk;
- Lengthen the maturity profile of domestic debt by increasing the share of longer-dated domestic debt instruments within the portfolio during the medium-term.

The MTDS covers public and publicly guaranteed (PPG) debt, both external and domestic, incurred by the Central Government. The time horizon covered under this strategy spans a five-year period from 2025 to 2029.

Section 2 : Existing Debt Portfolio Review

The Government of the Gambia has developed its MTDS to ensure that the financing requirements are met at the lowest possible cost while maintaining a prudent degree of risk.

The MTDS analysis faced a weighted average interest rate of the domestic debt portfolio of 10.5 percent at the end at 2024, due to reliance on short-term securities with higher interest rates.

The debt portfolio tends to have high refinancing, interest rate, and foreign exchange rate risks. The domestic debt portfolio has a shorter Average Time to Maturity (ATM) of 2.7 years compared to that of external debt weighted average of 8.6 years. Excluding the stock of non-marketable debt, the ATM of domestic debt reduced to 2.7 years as at end 2024. In terms of maturity profile, 55.3 percent of domestic debt matured in one year. This is explained by the high proportion of Treasury bills (T-bills) and medium-term instruments falling due. The ATM of the total portfolio was 6.9 years.

Table 3: Cost and Risk Indicators for Existing Debt as at end 2023 and 2024

COST AND RISK INDICATORS FOR EXISTING DEBT AS AT END 2023 and 2024							
		2023			2024		
Risk Indicators		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Cost of debt2	Interest payment as percent of GDP3	0.6	3.1	3.7	0.7	2.8	3.5
	Weighted Av. IR (percent)	1.2	11.5	4.8	1.4	10.9	4.7
Refinancing risk2	ATM (years)	9.3	3.2	7.4	9.1	2.7	7.3
	Debt maturing in 1yr (percent of total)	6.0	52.2	20.9	6.9	55.3	20.5
	Debt maturing in 1yr (percent of GDP)	3.6	15.1	18.7	4.8	14.8	19.5
Interest rate risk2	ATR (years)	9.3	3.2	7.3	9.1	2.7	7.3
	Debt refixing in 1yr (percent of total)	7.4	52.2	21.8	8.2	55.3	21.4
	Fixed rate debt incl T-bills (percent of to	96.0	100.0	97.3	95.9	100.0	97.1
	T-bills (percent of total)	0.0	45.7	14.7	0.0	48.6	13.6
FX risk	FX debt (percent of total debt)			63.1			64.7
	ST FX debt (percent of reserves)			19.4			21.2

Source: MoFEA - DLDM

Interest rate risk is moderate for external debt and substantial for domestic debt. Fixed rate debt owed to multilateral and bilateral official creditors, and accounted for the largest proportion of external debt. Nine point Zero (9.0) percent of external debt will be refixed within one year due to the small proportion of variable -rated external loans. For domestic debt the weighted Average Time to Re-fixing (ATR) is 2.7 years but 55.3 percent of the portfolio will be refixed in one year. This is a result of the predominance of short-term domestic debt. The ATR of the domestic debt excluding non-marketable debt was 1.7 years.

Fluctuation of exchange rates also poses risk in managing the debt portfolio. About 64.7 percent of debt portfolio is exposed to exchange rate risk, 64 percent of which is denominated in United States Dollar (UDS).

Section 3: Baseline Macroeconomic Assumptions for (2025-2029)

The MTDS is based on the following macroeconomic targets set for the 2025-2029 medium-term:

- Average Real GDP growth of 5.1 percent.
- End-period inflation is expected to gradually decline towards its medium-term target of 5 percent;
- Primary balance on a commitment basis to average a surplus of 1.46 percent of GDP while the Overall fiscal balance is negative GMD 2,806.31 million and
- Stock of Gross International Reserves to cover at least 4 months of imports of goods and services.

Based in the overall medium-term macroeconomic targets for the 2025 fiscal year, specific target are set as follows:

- Overall Real GDP growth of 5.8 percent;
- End-period inflation of 10.2 percent;
- Primary balance on commitment basis of a surplus of 1.6 percent of GDP; and
- Stock of Gross International Reserves to cover at least 4.0 months of imports of goods and services.

Provisional macroeconomic data, upon which the 2025 MTDS was formulated is detailed in Table 2.

Table 4: Macroeconomic Assumptions (in millions of GMD)

	2024	2025	2026	2027	2028	2029
			in millions of GMD			
Revenue and Grants	35,188.30	44,743.70	49,612.30	54,360.00	59,579.50	65,129.20
Expenditures	40,802.24	47,414.19	54,729.80	59,580.26	66,108.14	70,437.33
o/w Interest Payments	5,250.24	5,861.79	7,887.90	8,801.96	9,895.14	10,075.63
Primary Fiscal Balance	(363.70)	3,191.30	2,770.40	3,581.70	3,366.50	4,767.50
International reserves (USD million)	547.84	620.71	630.53	587.41	680.54	711.83
GDP	173,385.49	197,733.33	220,132.57	243,463.47	267,950.24	293,159.41
			% Change			
GDP at constant prices	5.72	5.78	4.27	5.00	4.96	5.04
			% of GDP			
Revenue and Grants	20.29	22.33	22.54	22.33	22.24	22.22
Expenditures	23.53	23.67	24.86	24.47	24.67	24.03
o/w Interest Payments	3.03	2.93	3.58	3.62	3.69	3.44
Primary Fiscal Balance	(0.21)	1.59	1.26	1.47	1.26	1.63

Source: MoFEA

Section 4: Financing Strategy

The 2025 debt strategy focuses on an appropriate financing mix to mitigate the cost and risks that could adversely affect the achievement of the desired composition of the debt portfolio with respect to the borrowing from external and domestic sources.

The chosen strategy, best responds to Government's intent to continuously support the development of the domestic debt market through elongating the maturities. It also aims at enhancing external concessional financing to mitigate the refinancing risk.

The strategy envisages issuance of medium to long-term instruments (2-year, 3-year and 5-year) and refinance some of the maturing T-bills and bonds.

For external financing, prioritizes concessional borrowing on favourable terms to reduce the overall cost of government financing. The government's dedication to preserving economic stability and advantageous market conditions are essential for the effective execution of this plan. Additionally, maintaining market confidence and the successful implementation of this approach will depend heavily on enhanced communication with domestic investors.

The chosen strategy has some inherent market risks. To monitor and mitigate such risks embedded in the debt portfolio, there are planned strategic risk benchmarks set out in the 2025-2029 MTDS as follows:

Table 3: Strategy Targets

CHOSEN STRATEGY TARGETS			
Risk Indicators		2024	
		Current	End 2029 Target
Nominal debt as percent of GDP		74.7	57.5
Interest payment as percent of GDP		3.5	2.4
Refinancing risk2	Debt maturing in 1yr (percent of total)	20.5	23.2
	ATM Total Portfolio (years)	7.3	7.8
	T-bills (percent of total)	13.6	10.4
FX risk	FX debt as % of total	64.7	68.0

Foreign Currency Risk Benchmark

To mitigate foreign exchange risk, a strategic benchmark of 68.0 percent(tolerance band) exposures to the External Debt will be pursued.

Interest Rate Risk Benchmark

The current interest rate resetting in a year in the domestic debt portfolio poses eminent interest rate risk for the debt portfolio due to investors' preference for shorter-dated securities. Over the medium-term, the Interest payment as percentage of GDP is expected to be 2.4 percent.

Refinancing Risk Benchmark

To manage refinancing risk in the domestic debt portfolio, debt maturing in one year is expected to be 23.2 percent of the total domestic debt portfolio. The ATM of the total portfolio is expected to be not less than 7 years.

To support the implementation of the chosen strategy, Government will pursue the following measures:

Borrowing Strategies

Over the medium-term, Government borrowing strategy will pursue more of concessional external resources to further improve on the cost of borrowing and to further lower refinancing risks in the overall debt portfolio. In line with the IMF-supported program and to sustain its fiscal consolidation path to improve on debt sustainability, government will only contract external loans on concessional terms from multilateral and bilateral sources with a grant element of not less than 35 percent. On the domestic front, government intends to lower borrowing cost, manage the growth of short-term domestic debt, and lengthen the maturity profile of domestic debt to reduce rollover/refinancing risk in the domestic debt portfolio.

Annual Borrowing Plan

In reference to the Public Finance Act, 2014, sub-section (1) to (4) of section 39 under PART VI requires the ministry to prepare the Borrowing Plan to implement the debt management strategy. In 2025, government will prepare an Annual Borrowing Plan (ABP) based on the approved 2025-2029 MTDS to inform investors and market participants on government activities.

Domestic Debt Market Development

Government will pursue reforms anchored on broadening of investor base and products to ensure a competitive environment and a solid platform for meeting Government financing needs at low costs and prudent degree of risks.

Reforms in Primary Dealership System

To enhance efforts to develop the debt capital markets and facilitate an Efficient Primary Dealer (PD) system, Government will embark on reforms to strengthen the primary dealership arrangements to support domestic debt market development and reinforce the capacity of the market to fully underwrite unsubscribed portions of Government treasury securities.

Communication Strategies with Market Participants

Government will provide a platform for interaction with market players through educating and sensitizing investors on government activities on the domestic market to promote investor confidence. This will be done through periodic town hall meetings, conferences, seminars and roadshows. It will also be facilitated through the use of the website to share data and information.

Conclusion

The MTDS for period 2025-2029 represents a framework and provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2025 Budget. The cost and risk trade-offs of alternative borrowing strategies under the MTDS has been evaluated within the medium-term context.

The 2025-2029 MTDS have considered both the global and domestic market environment and related vulnerabilities, recommends an appropriate financing mix to mitigate the cost and risk in order to achieve the desired composition of public debt portfolio with respect to borrowing from external and domestic sources. The strategy takes into consideration the Debt Sustainability Framework which is concerned with long-term sustainability of debt.