

Ministry of Finance and Economic Affairs

Fiscal Risk Statement 2026-2028

June 2025

EXECUTIVE SUMMARY

The 2026 Fiscal Risk Statement (FRS) identifies, analyses and quantifies key fiscal risk that could affect public finances in 2026 and the medium term. It also identifies the corresponding mitigation measures, that the Government will implement.

The balance of risks in 2026 and the medium term is tilted to the downside. From the macroeconomic environment, the key risks could arise from escalation or spread of the geopolitical and trade tensions which can trigger global commodity price volatility, disruptions of global supply chains and reduce tourist arrivals and remittance inflows. The materialization of these risks would intensify inflation and forex pressures, which would in turn affects the fiscal framework. Results of sensitivity analysis done on macro variables shows that a combined shock of real GDP, inflation and exchange rate could cause the budget balance to widen and public debt to increase. To manage the risk, the Government is pursuing measures to diversify the economy and ensure macroeconomic stability.

Regarding institutional, risks, the implementation of the African Continental Free Trade Area in the medium term could result in revenue losses. Delaying implementing the necessary structural reforms may lead to revenue loss equivalent to 0.9 percent of GDP. The emerging geopolitical tensions, re-evaluation of how aid is delivered, managed, as well as shifting priorities of development partners is likely to pose a high risk to planned grant disbursement, which constitute on average 33.1 percent of total revenue and grants. To mitigate the risk, the Government is finalizing the Domestic Resource Mobilization Strategy (DRMS), which will guide the short to medium term reform measures.

On expenditure, uncertainty in the wage bill determination, accumulation of arrears, off budget expenditures, unexpected court awards, capital project implementation risks, could undermine the 2026 and the medium-term planning. To mitigate the risk, the Government will establish a costing framework, adopt the public investment management practices, and develop an arrears clearance and prevention strategy.

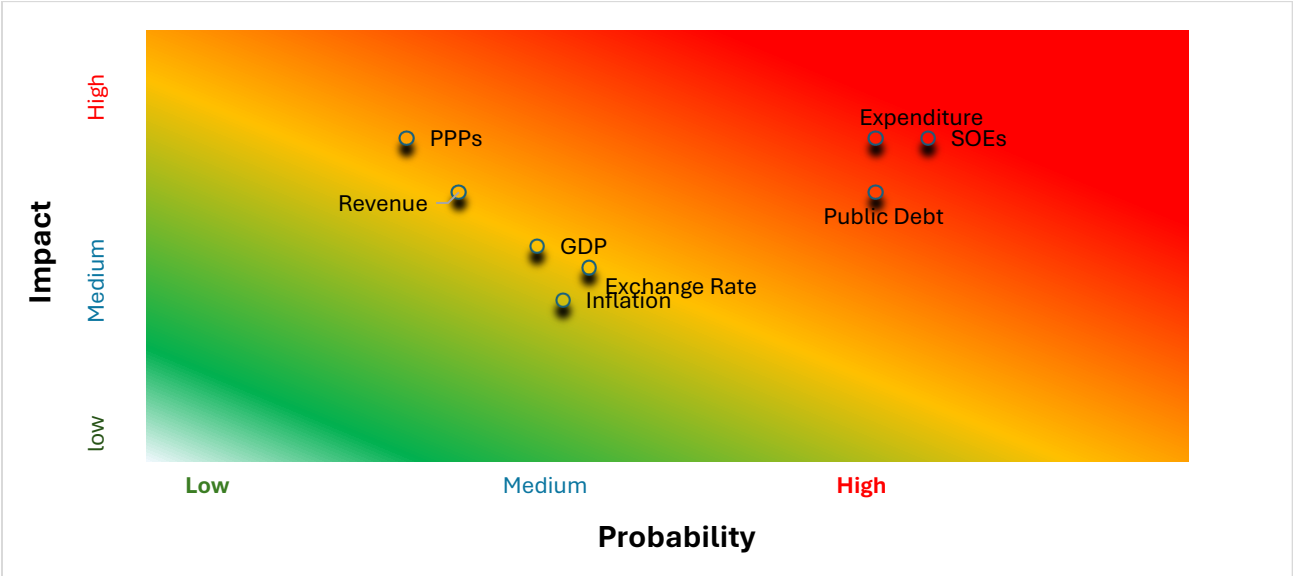
Although the public debt is sustainable over the medium term, the overall risks of debt distress remain high. The refinancing risk is relatively high. To manage the risk, the Government will adopt an appropriate financing mix.

On specific risks, underperforming SOEs could generate substantial contingent liabilities and loss of potential revenue to Government. As at the end of December 2024, most of the on-lent loans were are nonperforming. To address the financial and operational challenges, the Government will accelerate the privatization process of GAMCEL and strengthen SOE oversight.

The increasing demand for Public-Private Partnerships (PPPs) carry significant fiscal risks. These may arise from long-term contractual obligations and potential contingent liabilities. For instance, the fiscal exposure of three flagship PPP projects, Banjul Port Concession, Senegambia Bridge Concession, and the National Data Centre is estimated to be between 10-15 percent of GDP. To mitigate the PPPs' risks, the Government will accelerate the finalization of the PPP Bill and regulatory framework that will clarify roles and risk-sharing, conduct rigorous feasibility studies, and negotiate contingency clauses in contracts.

Expenditure risks, debt, and SOE contingent liabilities have the highest probability of materialization, and a high impact on the budget. The 2026 Budget has provisioned some of the risks. Risks from PPP, revenue, macroeconomic and carry medium probability of materialization.

Figure 1: Fiscal Risk Heat Map



Source; MoFEA

INTRODUCTION

After years of experiencing significant deviations from the Budget, the Government of the Gambia has adopted fiscal risk management as part of the broader public finance management practice. As a result, the Ministry of Finance and Economic Affairs is mandated to prepare and publish a Fiscal Risk Statement (FRS) annually.

In fulfilling the mandate, the 2026 FRS was prepared as an attachment to the Medium-Term Economic Fiscal Framework (MTEFF) (2026-2029). The production of the FRS helps to underpin the 2026 budget credibility and show up market confidence.

The 2026 FRS identifies, analyses and quantifies key fiscal risk that could affect public finances in the short to medium term. It also identifies measures to mitigate and where the potential of materialization is high, a provision is made in the budget.

The FRS groups fiscal risks into four broad categories: Macroeconomic Risks; Institutional Risks; Specific Risks such as bailouts of state-owned enterprises (SOEs) and Contingent liabilities from public-private partnerships (PPPs).

MACROECONOMIC RISKS

Macroeconomic risks refer to the potential impact of broad economic developments on the Government's budget. These risks arise from unforeseen changes in key economic variables, structural shifts, and external shocks that can affect the Government revenues and expenditures.

The Global economy has been marked by uncertainty. Heightening trade war and trade policy uncertainty may further hinder both short-term and long-term global growth prospects. In addition, scaling back international cooperation and shifting immigration laws could jeopardize the resilience of remittance inflows and recovering tourist arrivals, remittance inflows. This could trigger inflation and exchange depreciation.

On the domestic front, slowdown in economic growth arising from factors such as adverse weather shocks such as floods and uneven distribution of rainfall due to climate change may hinder the attainment of the expenditure target due to unplanned social benefits. The upcoming election could constrain reform implementation and introduce resistance to further fiscal consolidation. Additional costs may arise if the electoral process fails to determine the winner. The ending of the KARPOWER deal leaves a supply gap of 30 MW. If the gap is not sustainably closed it could affect economic growth and lead to higher transfers to NAWEC.

Sensitivity Analysis of Macroeconomic Variables on Fiscal Framework

Given the uncertainty in the macroeconomic environment, sensitivity analysis is done to quantitatively examine the fiscal impact of some selected shocks to fiscal aggregates. Selected macroeconomic shocks were applied to the 2026-2029 Fiscal Framework and these include (i) 3 percent drop in real GDP growth, (ii) additional 5 percent increase in inflation, (iii) additional 5 percent depreciation in the exchange rate, and (iv) combined shock encompassing all.

- A three percent reduction in real GDP growth translates into reduced revenue amounting to D487 million. Without cuts in expenditure, the budget deficit could widen by the same magnitude. The deficit could be financed largely by domestic borrowing given the external loans takes time to conclude. Depending on the market conditions, interest rates could rise due to unplanned borrowing. The decline in the GDP and widening fiscal deficit could increase the debt to GDP ratio by 1.8 percent.
- A five percent depreciation in the exchange rate results in higher revenues than expenditure. This could be due to high foreign currency denominated revenue and grants. Combined international trade taxes and grants account for 60 percent of total revenues. On the debt front, the depreciation, could result in additional debt amounting to D3.8 billion, despite improvement in budget deficit. This is due to high composition of external debt.
- A 5 percent increase in inflation could result in higher expenditures than revenue gains. This applies only when the budget is allowed to adjust fully to inflation. Budget deficit could widen by D154.8 million. The shock, although it increases the nominal value of debt in dalasi, the ratio of debt to GDP could decline due to eroded value of domestic debt.

- The occurrence of all the shocks simultaneously could lead to widening of the budget deficit by D224.3 million and increasing debt by D9.1 billion

Table 1: Deviation from the Baseline Due to Shocks

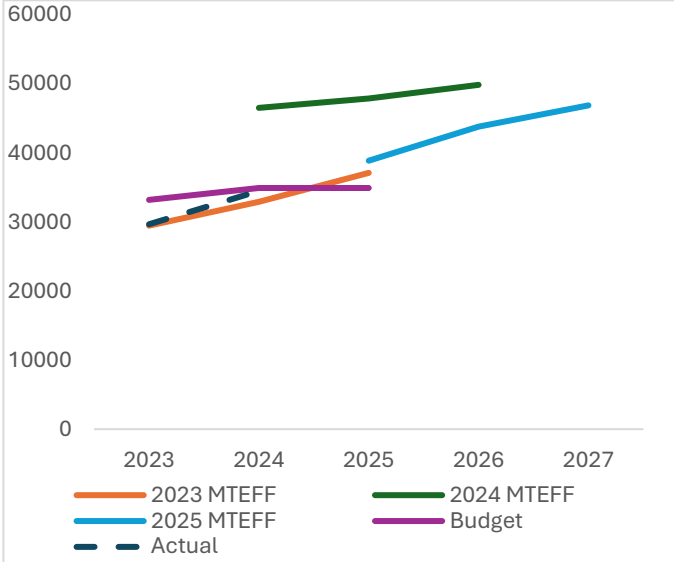
	2026 Indicative Budget	-3% Real GDP Shock	5% Inflation Shock	5% Exchange Rate Shock	Combined Shock
Revenue and Grants	52,288.86	(487.24)	2,324.57	1,676.12	3,575.53
Domestic Revenue	35,145.38	(487.24)	1,457.75	809.30	1,798.55
Tax Revenue	26,348.15	(279.38)	1,143.73	778.91	1,669.99
Taxes on income and wealth	8,128.55	(194.61)	275.85	26.69	100.92
Domestic Tax on goods and services	6,678.43	(84.77)	284.34	168.66	372.78
Tax on International Trade	11,541.18	-	583.55	583.55	1,196.28
Non Tax Revenue	8,797.23	(207.86)	314.01	30.39	128.56
Grants	17,143.48	-	866.82	866.82	1,776.98
Expenditure and Net Lending	59,415.76	-	2,479.32	1,256.52	3,799.79
Expenses	37,045.56	-	1,610.51	387.71	2,018.73
Net Acquisition of Non Financial Assets	22,370.20	-	868.81	868.81	1,781.06
Overall Balance	(7,126.90)	(487.24)	(154.75)	419.60	(224.25)
Financing	7,126.90	487.24	154.75	(419.60)	224.25
Domestic net	6,749.56	487.24	135.67	(438.68)	185.14
Foreign Net	377.34				
Public Debt	147,818.25	80.55	4,942.74	3,833.27	9,052.94
% of GDP		1.77	(0.25)	1.41	2.97

Source MoFEA

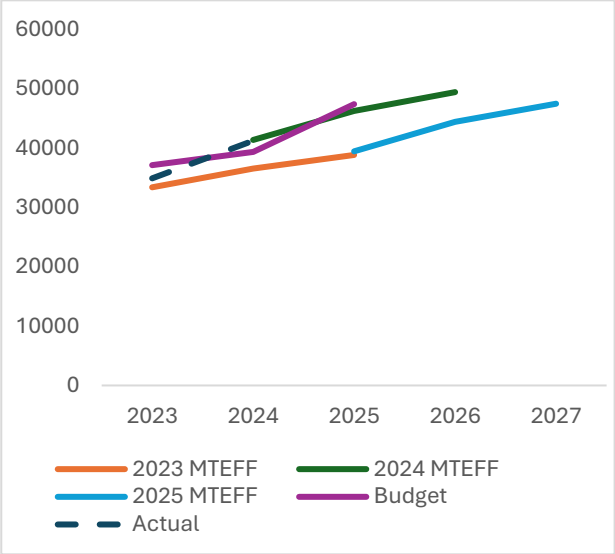
Macro Forecasting Errors

Macro and fiscal forecasting errors have been contributing significantly to budget planning and execution challenges. There is a high risk of forecasting errors affecting the MTEFF and the 2026 budget. Over the past years, the budget forecast deviated from the MTEFF. Similarly, the budget outturn also deviated from the approved budget. This was due to changing macroeconomic circumstances and other unforeseen budgetary pressures. In 2023, revenue and grants projections in the MTEFF, and the budget were pessimistic driven by anticipated domestic and global economic recovery. Conversely in 2024, revenue and grant projections in the MTEFF and budget were optimistic due to ambitious non-tax revenues and grants. With regards to expenditures, there has been consistent underbudgeting. Combined the forecasting errors contributed to budget overrun, higher than planned borrowing and accumulation of arrears.

Figure 2: Revenue Forecasting Errors



b. Expenditure Forecasting Errors



Source: MoFEA

Mitigation Measures

To manage the risk caused by the backdrop of global economic uncertainties, Government committed maintaining economic stability and response to economic shocks by diversifying economic activities. Concerning rise in global commodity prices and inflation shocks, Central Bank is committed to keep a tight monetary policy stance and strengthen the implementation of the forex policy to combat the effect of inflationary pressures and exchange rate shocks. To ensure that the planned deflation path does not deviate, CBG will deploy adequate policy tools, including the issuance of CBG bills, the use of the deposit window and the reserve requirement ratio. Baseline costing will be adopted to ensure expenditure forecasts are strengthened.

INSTITUTIONAL RISKS

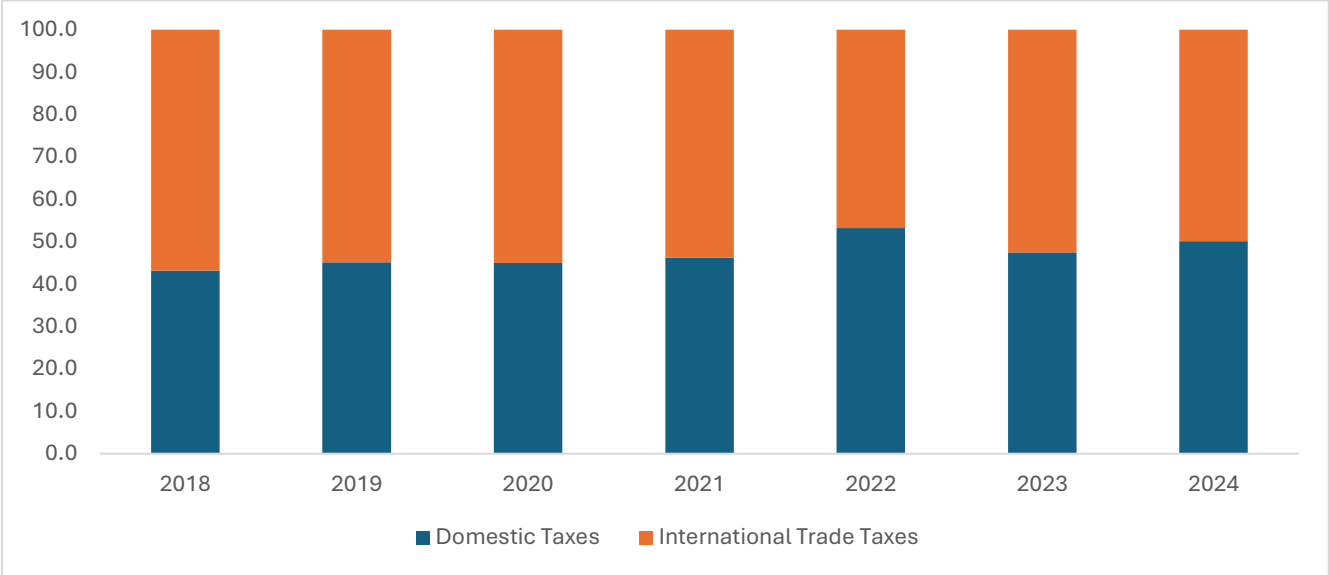
Revenue and Grants Risks

Revenue

The composition of the tax structure reflects weaknesses that can lead to revenue losses in the short to medium term. The country remains heavily dependent on international trade taxes. On average 52.7 percent of tax revenue is being collected from international trade taxes. Given the implementation of the

African Continental Free Trade Area is drawing closer, there is high risk that the country may experience drastic revenue losses. In addition, the rising global trade tensions may increase volatility in collection of international trade taxes. Delaying implementing the necessary structural reforms may lead to revenue loss equivalent to 0.9% of GDP. Excessively front-loading adjustments could hurt economic activity and expose vulnerable members of society to poverty.

Composition of Taxes



Source: Ministry of Finance and Economic Affairs

Mitigation Measures

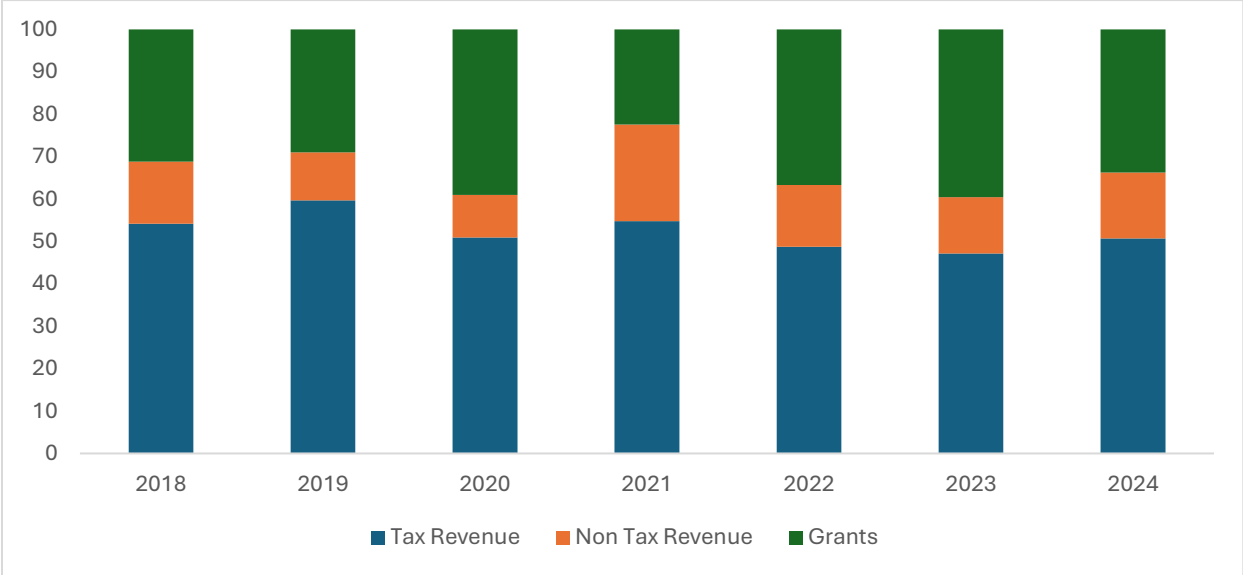
To mitigate the risk, the Government through the implementation of the Domestic Resource Mobilization Strategy (DRMS) will target gradually shifting the composition of tax revenue towards more reliance on domestic taxes.

Grants

Grants constitute on average 33.1 percent of total revenue and grants. The contribution is significant and poses fiscal risk given the future of grants is marked by uncertainty. Due to emerging geopolitical tensions and priorities, there's a growing trend towards budget cuts and re-evaluation of how aid is delivered and managed. Despite this, there are also risks related to delays and in some cases lower than expected

disbursements due to shifts in priorities and failure to meet conditionalities. In addition, the collapse of the Aid Management Platform created gaps in centralized tracking and management of project costs and progress.

Figure 3: Composition of Revenue and Grants



Source: Ministry of Finance and Economic Affairs

Mitigation Measure

As part of Government efforts to mitigate the risk, a Reform Monitoring Committee was established to track and review progress on all grand conditionalities. Government is also considering ways to revive the aid management platform to track the cost and implementation status of projects. Efforts are also being deployed towards promoting the use of country systems to ensure all projects use IFMIS for easy tracking of funds. To insulate the country against the uncertainties in the grant outlook, the Government is finalizing the Domestic Resource Mobilization Strategy.

Expenditure Risks

Compensation of Employees

The current practices of budgeting for compensation of employees poses significant risk to the preparation and execution of the 2026 Budget and the MTEFF. Personnel emoluments planning is undertaken separately from other expenditure categories and is done without being constrained by a firm expenditure ceiling. In addition, wage adjustments are done on an ad hoc basis. There is no mechanism for

implementing gradual and regular adjustments to the civil service pay-grid to align it with labor market trends and increases in the cost of living. In addition, wage negotiation usually starts late in the budget cycle. These irregular and ad hoc adjustments make it difficult to undertake medium term budget planning.

Gaps in Budget Preparation and Execution

There is a high risk that 2026 Budget and MTEFF may be understated due to absence of baseline expenditure. The baseline helps to clearly understand the affordability of delivery of public services and implementation of existing policies. The absence creates pressure within MDAs to plan expenditures beyond the resource framework. Without budget baselines, the affordability of ongoing spending and new initiatives remains unclear. This is being worsened by the absence of effective fiscal anchors. These factors increase the risk of over-expenditure, arrears accumulation and rising public debt.

Arrears

Expenditure arrears have become a significant fiscal risk with high likelihood of undermining the credibility and sustainability of the 2026 budget and the medium-term. Ministries, Departments and Agencies are accumulating arrears despite the 2014 Public Finance Act and the 2016 Financial Regulations prohibiting vote controllers from undertaking commitments that exceed appropriations and available cash. Arrears increase the costs of service provision and in some cases, the Government is denied access to certain goods and services. This potentially leads to an underestimation of the fiscal challenge and places a burden on future budgets. The current size of arrears is not clear and will be determined after a compressive arrears stock takes exercise.

Capital Project Implementation Risks

The Government is prioritizing infrastructure projects in the 2026 Budget and the medium term. The execution of the projected capital projects is subjected to high implementation risks such as design and scope changes as well as delays due to lack of capacity by implementing agents and unforeseen events. Experience from the recent completed projects showed cost overruns, in some cases of more than double. The risk is escalated by projects planning and preparation processes that are fragmented and incomplete. There is no standard methodology being fully applied in project appraisal, and risks are not systematically examined. Project selection is being undermined by lack of a pipeline of appraised projects and there are

many parallel project selection processes. Due to lack of clear projects selection criteria, budget preparation and execution become challenging.

Table 2: Projects that Experienced Overrun

ITEM No.	PROJECT	CLIENT	FUNDING ENTITY	ORIGINAL CONTRACT AMOUNT (\$)	FINAL CONTRACT AMOUNT	% SCOPE VARIATION	INTENDED COMPLETION DATE	ACTUAL COMPLETION DATE	% SCOPE INCREASE	JUSTIFICATION FOR SCOPE CHANGES
1	ENHANCING THE VALUE ADDITION IN THE GROUNDNUT SECTOR OF THE REPUBLIC OF THE GAMBIA	GAMBIA GROUNDNUT CORPORATION	ISDB	30,000,000.0	35,536,123.17	18.45%	31/12/2016	31/12/2024	275.00%	-price hike and cost due to the delay and overheads for the new Contractor -Other expenses audits, consultants' supervision fees and staff costs under the PMU costing
2	RE-CONSTRUCTION OF CANTEENS/SHOPS AT BRIKAMA, WEST COAST REGION	BRIKAMA AREA COUNCIL	GoTG	30,665,025.00	36,871,015.14	20.24%	18/6/2021	06/07/2021		The cost overrun was due to the increase on the scope of the original works by the Ministry of Works
3	RE-CONSTRUCTION OF BASSE MAIN MARKET	MINISTRY OF WORKS	GoTG	72805632.00	112,356,288.00	54.75%	04/05/2021	8/2/2022		The cost overrun was due to the increase on the scope of the original works by the Ministry of Works
4	CONSTRUCTION OF DORMITORIES AND PERIMETER FENCE AT OLD JESUWANG PRISONS	GAMBIA PRISONS SERVICES	UNDP	80,520.93	89,867.12	11.61%	20/11/2020	18/12/2020		The cost and time overrun was due to additional works beyond the scope of works.
5	THE CONSTRUCTION OF AN OFFICE BLOCK AT THE OLD SALES TAX OFFICE IN BANJUL	GAMBIA REVENUE AUTHORITY	GRA	205,199.71	306,187.21	49.21%	21/11/2021	22/03/2022		The cost and time overrun was attributed to the expansion of the initial project scope and delays in payment from the client (GRA) during implementation.
6	THE CONSTRUCTION OF A NEW OFFICE AND STAFF QUARTERS FOR GRA IN SOMA	GAMBIA REVENUE AUTHORITY	GRA	152,279.41	228,435,285.9	50.01%	16/5/2023	30/7/2024		The cost and time overrun was attributed to the expansion of the initial project scope and delays in payment from the client (GRA) during implementation.
7	THE CONSTRUCTION OF A NEW COURT COMPLEX IN BUNDUNG	JUDICIARY OF THE GAMBIA	GoTG	456,962.87	456,962.87	0.00%	19/11/2021	8/11/2022		The time overrun was attributed to the delays in payment from the client (Judiciary) during implementation.
8	REGIONAL STABILISATION AND DEVELOPMENT FUND IN ECOWAS MEMBER STATES-THE GAMBIA PILOT PROGRAM	GOVERNMENT OF THE GAMBIA	KfW development bank through ECOVAS	10,828,200.0	14,076,660.0	30.00%	31/3/2022	31/12/2024		The time overrun was due to price hikes of initial budget and Covid
9	CONSTRUCTION OF FIVE NEW HEALTH CENTRES	MINISTRY OF HEALTH	GoTG	2,749,890.25	3,096,607.66	12.61%	6/3/2022	21/5/2024		The cost and time overrun was attributed to the expansion of the initial project scope and delays in payment from the client (MOH) during implementation.
10	ECOWAS DIRECT INVESTMENT INTO THE GAMBIA PILOT PROGRAM	GOVERNMENT OF THE GAMBIA	ECOVAS	1,200,000.00	1,200,000.00	0.00%	01/01/2024	31/12/2024		
12	CONSTRUCTION OF OFFICE BUILDING FOR THE NATIONAL RECORDS SERVICES	MINISTRY OF FINANCE AND ECONOMIC AFFAIRS	GoTG	39,891,213.60	49,643,095.60	25.07%	13/11/2020	26/03/2024		The cost and time overrun was attributed to the increase in the scope of the works and also funds were not forth coming on time from GoTG
13	COMPLETION OF THE CONSTRUCTION OF MINISTRY OF ENVIRONMENT OFFICE COMPLEX IN ABUJID	MINISTRY OF ENVIRONMENT CLIMATE CHANGE AND NATURAL RESOURCES	GoTG	61,179,294.50	61,179,294.50	0.00%	28/09/2024	28/09/2024		
14	REHABILITATION OF THE VICE PRESIDENT'S RESIDENCE AT FALARA	OFFICE OF THE VICE PRESIDENT	GoTG	GMD56,089,594.50	GMD73,086,875.50	30.30%	04/01/2024	31/08/2024	200.00%	Additional project durations and cost caused by significant increase in scope
15	THE REHABILITATION, COMPLETION OF EXISTING STRUCTURES AND CONSTRUCTION OF MULTIPURPOSE SPORTS FACILITY ST STATE HOUSE, BANJUL	OFFICE OF THE PRESIDENT	GoTG	1,003,883.80	1,390,842.33	39.34%	7/11/2023	6/8/2024		The time overrun was attributed to the delays in payment from the client (OP) during implementation.
16	THE CONSTRUCTION AND REFURBISHMENT OF HEALTH FACILITIES IN THE FIVE REGIONS OF THE GAMBIA - TRANCHE I (COMPLETION OF EPSTH, POLYCLINIC & NUAU HOSPITAL)	MINISTRY OF HEALTH	GoTG	273,625,487.00	273,625,487.00	0.00%				
18	WEST AFRICA COASTAL AREAS (WACA) RESILIENCE INVESTMENT PROJECT (RESIP II) - TECHNICAL ASSISTANCE SERVICES	MINISTRY OF ENVIRONMENT CLIMATE CHANGE AND NATURAL RESOURCES	WORLD BANK/IDA	51,280,000.00			31/12/2027			Projects in the Feasibility Study Phase
19	TOURISM DIVERSIFICATION AND RESILIENCE IN THE GAMBIA PROJECT - TECHNICAL ASSISTANCE SERVICES	MINISTRY OF TOURISM	WORLD BANK/IDA	5992,700.00			31/12/2027			Projects in the Feasibility Study Phase
21	RESILIENCE OF ORGANIZATIONS FOR TRANSFORMATIVE SMALLHOLDER AGRICULTURE (ROOTS) - TECHNICAL ASSISTANCE SERVICES	ROOTS PROJECT, UNDER THE MINISTRY OF AGRICULTURE	IFAD	5985,000.00	5985,000.00	0.00%	31/12/2026			
22	FEASIBILITY STUDIES FOR RURAL INFRASTRUCTURE DEVELOPMENT PROJECT - PHASE II	GOTG	OFID	\$ 230,000.00						Just started, no disbursement yet.
23										
	TOTAL			583,790,884						

Source: MoFEA

Mitigation Measures

To mitigate the expenditure risks, the Government will establish a costing framework to determine budget baselines and fiscal space. An arrears clearance and prevention strategy will be developed and implemented during the MTEFF period. This will involve comprehensive stock taking, verification, prioritization and liquidation of arrears. To improve planning and management of wage bills, the Government will establish a process and set of criteria used to make annual adjustments. On capital projects, the Government will ensure all ongoing and proposed new projects funded by GLF and donors are reviewed before inclusion in the budget documents for approval by the legislature. The Ministry of

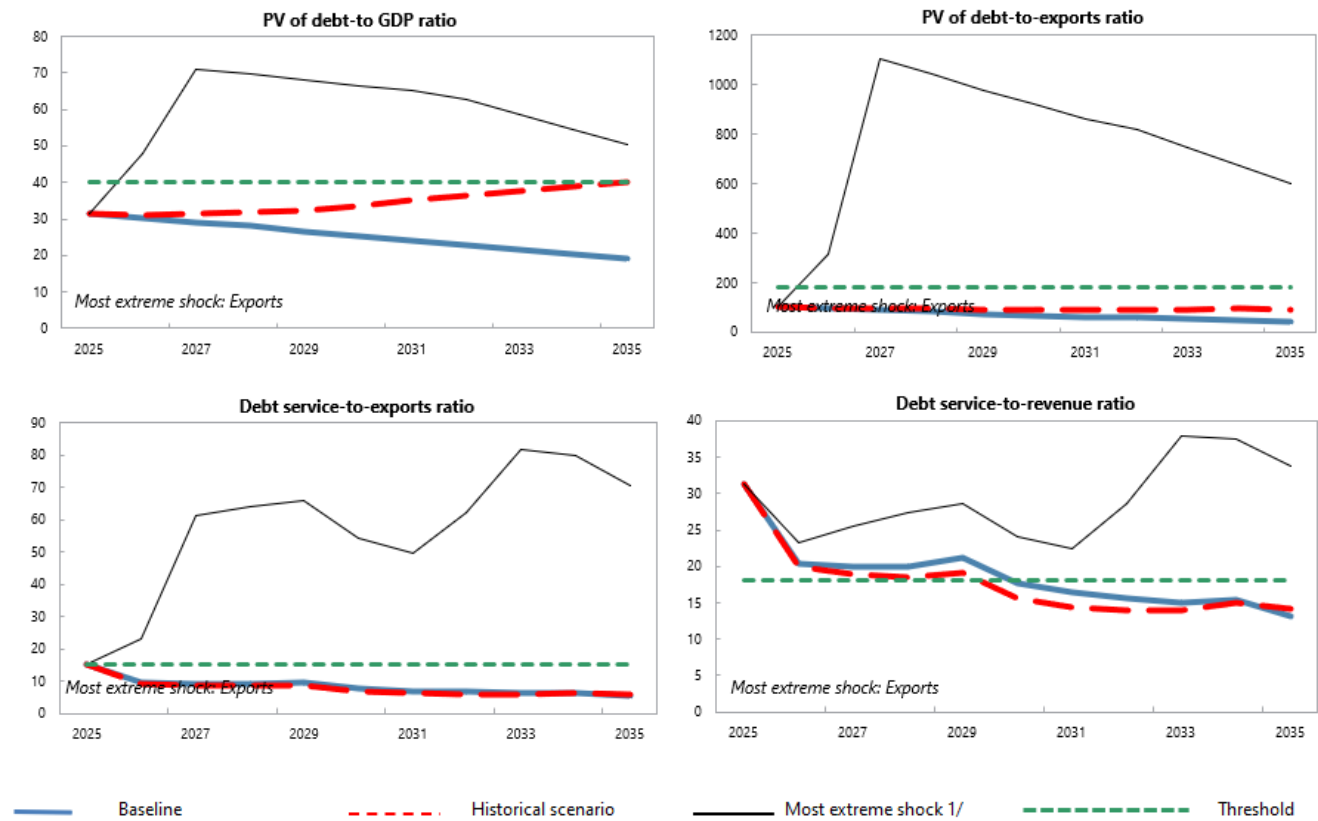
Finance and Economic Affairs will establish a dedicated PIM Unit, to oversee and enforce public investment management practices.

Public Debt Risks

Debt Sustainability Risks

The country’s public debt is sustainable over the medium term, but risks of external and overall debt distress remain high. The 2024 Debt Sustainability Analysis indicates that debt is at high risk of distress. The present value of external debt relative to GDP and exports remains below the respective policy thresholds (40 percent and 180 percent), the debt service-to-exports ratio stays under the 15 percent threshold, and the debt service-to-revenue ratio exceeds its threshold under baseline and shock scenarios.

Figure 4: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2025 – 2035



Source: MoFEA

Refinancing Risks

The domestic debt portfolio has high refinancing risks due to a shorter Average Time to Maturity (ATM) of 2.7 years compared to that of external debt weighted average of 8.6 years. 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.

Interest Rate Risks

The current structure of the domestic debt portfolio presents a significant interest rate risk, primarily due to a high proportion of instruments with interest rates resetting within one year. This vulnerability is worsened by investors' growing preference for shorter-dated securities. As a result, the debt portfolio remains susceptible to sudden changes in market interest rates, which could lead to increased debt servicing costs.

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							
Risk Indicators		2023			2024		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Cost of debt ²	Interest payment as percent of GDP ³	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 risk ²	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 risk ²	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 total)	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

Mitigation Measures

To effectively manage risk, the Government will adopt an appropriate financing mix to mitigate the cost and risk to achieve the desired composition of the public debt portfolio with respect to borrowing from external and domestic sources. Priority will be given to mobilization of grant and highly concessional resources to mitigate the risk of external debt distress.

SPECIFIC RISKS

State-Owned Enterprises (SOE) Risks

SOEs play a crucial role in The Gambia’s economic growth, contributing significantly to capital investment, job creation, and service provision. However, despite their strategic importance, several SOEs are exhibiting signs of financial distress, posing systemic fiscal risks to public finances.

In 2024, the overall financial performance of State-Owned Enterprises (SOEs) in The Gambia reflects both progress and persistent fiscal challenges. The total aggregate revenue generated by SOEs stood at GMD 17 billion, reflecting a notable 13 percent increase from the 2023 figure of GMD 15 billion. Additionally, the aggregate net loss recorded by SOEs significantly declined by 50 percent, from GMD 2.9 billion in 2023 to GMD 1.5 billion in 2024, indicating some efficiency gains and better financial discipline across the sector.

The financial landscape, however, remains precarious for several SOEs. The total liabilities of the sector increased to GMD 28.2 billion while total assets reached GMD 37.5 billion, maintaining a marginal net asset position. Major enterprises such as NAWEC, GAMCEL, GAMTEL, and GIA continue to operate with negative equity, highlighting severe solvency issues. NAWEC, despite registering highest revenue-generating SOE, posted a net loss exceeding GMD 2.3 billion due to high operational and financing costs. Liquidity constraints also persist, with many SOEs posting current ratios below 1.0, signifying an inability to meet short-term obligations without external support.

Table 4: SOE Risk Rating as of End December 2024

SOE Risk Ratings (2024)

	Profitability		Liquidity		Solvency		Overall Risk Rating
	Cost Recovery	Return on Equity	Current Ratio	Debtor Turnover Days	Debt to Assets	Debt to EBITDA	
NAWEC	High Risk	Very High Risk	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk
GCAA	Very Low Risk	Very High Risk	Very High Risk	Very Low Risk	Very High Risk	Very High Risk	High Risk
NFSPMC	Moderate Risk	Moderate Risk	Very High Risk	Very Low Risk	Moderate Risk	Very High Risk	Moderate Risk
GAMTEL	High Risk	Very High Risk	Moderate Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
GAMCEL	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
GNPC	Moderate Risk	Moderate Risk	High Risk	Very Low Risk	Low Risk	Very High Risk	Moderate Risk
GIA	Moderate Risk	Very High Risk	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk
GPA	Low Risk	Low Risk	Very Low Risk	Low Risk	Very Low Risk	Very Low Risk	Low Risk
SSHFC	Very Low Risk	Moderate Risk	Very Low Risk	Very High Risk	Very Low Risk	Very Low Risk	Low Risk
GPPC	Moderate Risk	Low Risk	Very High Risk	Very High Risk	Low Risk	High Risk	High Risk
GAMPOST	High Risk	High Risk	Low Risk	Very High Risk	Very Low Risk	Very High Risk	High Risk
GRTS	Low Risk	Low Risk	Very Low Risk	Very High Risk	Very Low Risk	Very Low Risk	Low Risk

Note: SOEs are ordered by size of liabilities from largest to smallest.

Financial Flows Between Government and SOEs

The fiscal risks posed by underperforming SOEs are compounded by their increasing tax arrears. This results in a significant reduction in revenue collection by the Government. To support SOEs, Government has been making transfers to SOEs. In addition, several SOEs face delayed payments from the Government and other SOEs. The Government, as of 2022, owed SOEs about D1.38 billion.

Table 5: Government Arrears to SOEs At End 2022 (GMD)

SOE	Arrears
Gambia Ports Authority	39,310
Social Security and Housing Finance Corporation	1,099,579,000
Gambia National Petroleum Company	110,533,274
National Water and Electric Company	167,856,370
Total	1,378,007,954

Source: MoFEA

In 2023, outstanding arrears among SOEs surpassed GMD 1.2 billion, with only GMD 73 million paid in 2024. The Table below shows the combination of SOEs that fully and partially complied and were noncompliant with the 2024 SOEs cross-arrears repayment schedule.

Table 6: SOEs Cross Arrears

NET RECEIVER	Net Giver	OUSTANDING BALANCE AS AT 1 ST JANUARY 2024 (GMD'000)	AMOUNT DUE IN 2024	AMOUNT PAID IN 2024	CLOSING AMOUNT AS AT 31 ST DECEMBER 2024 (GMD'000)	COMPLIANCE LEVEL
GAMCEL	GIA	7,226	3,000	300	6,926	Yellow
GAMCEL	GRTS	3,835	900	450	3,385	Yellow
SSHFC	NFSPMC	222,699	200	200	222,499	Green
SSHFC	GCAA	80,600	6,000	5,000	75,600	Yellow
SSHFC	GAMCEL	49,293	21,316		49,293	Red
SSHFC	GIA	15,720	4,200		15,720	Red
GNPC	NAWEC	615,865	48,000	48,000	567,865	Green
GNPC	GPA	10,802			10,802	Red
GNPC	GAMTEL	3,781	6,000		3,781	Red
GNPC	SSHFC	4,015		861	3,155	Yellow
GNPC	GRTS	1,548	1,800		1,548	Red
GPA	GCAA	25,000	4,800	3,200	21,800	Yellow
GAMTEL	GAMCEL	394,503	42,638	15,185	379,318	Yellow
Total		1,434,888	138,854	73,195	1,361,692	

	Compliance Level
Green	Fully
Yellow	Partially
Red	None

Mitigation Measure

To address the financial and operational challenges facing State-Owned Enterprises (SOEs), the Government will accelerate the privatization process of GAMCEL as previously approved by the Cabinet.

Implementation of the newly devised social plan based on a redundancy strategy will be fast tracked. The State-Owned Enterprises Commission (SOEC) supported by the new SOE Act will scale up its mandate of ensuring transparency, accountability, and performance efficiency.

Contingent Liabilities from On-lending Facilities

Contingent liabilities are fiscal obligations which are dependent upon the occurrence of events. Contingent liabilities may or may not fall due, and they are usually not budgeted and accounted for, but could cause significant strain on public finances if they materialize. The Government has been borrowing on behalf of SOEs. As at the end of December 2024, the stock of on-lent loans stood at USD 125.5 million. Most of the loans were on lent to NAWEC and has been defaulting. Besides increasing fiscal burden to Government, there are high risks of moral hazard. Given the underperformance by most SOEs, there is high risk of implicit contingent liabilities in the form of non-guaranteed debt by SOEs. Although not legally binding, these liabilities could be borne by the Government because of public expectations or political considerations.

Table 7: On Lending Guarantees as at end 2024 in USD

Creditor Name	Borrower Name	Instrument Id	Instrument Title	Measures	2024
GOVERNMENT OF THE REPUBLIC OF THE GAMBIA					
	GAMBIA CIVIL AVIATION AUTHORITY				
		2008031			
			Banjul International Airport Improvement Project	Face Value	10,000,000.00
	Gambia Telecommunication				
		20172065			
			The Gambia National Broadband Network Project On-Lending	Face Value	22,593,361.00
	National Water & Electricity Company				
		2019013			
			KOTU POWER GENERATION EXPANSION PROJECT 1	Face Value	12,000,000.00
		2019014			
			Kotu Power Generation Expansion Project	Face Value	9,000,000.00
		2019015			
			Brikama Power Station Project IDB 1	Face Value	5,089,680.83
		2019016			
			BRIKAMA II GENERATOR SET	Face Value	10,890,000.00

		2019017			
			20 MW BRIKAMA POWER STATION	Face Value	17,460,000.00
		2019018			
			Upgrade and Expansion of Networks in the Greater Banjul Area	Face Value	19,508,789.30
		2019019			
			INDIA -ELECTRIFICATION PROJECT FOR GREATER BANJUL AREA	Face Value	21,963,451.48
GRAND TOTAL				Face Value	128,505,282.61

Source: MoFEA

Mitigation Measures

To mitigate the impact of contingent liabilities the Government will upgrade the SOE oversight function. The Ministry of Finance will improve its capacity to assess, quantify, and price risks associated with on lending. The Government will also stick to the provisions of the Guarantee Policy Framework. This will also involve establishing clear lines of responsibility within Government, assigning roles to specific departments or agencies, and ensuring that risk ownership is clearly understood by all parties involved.

Public Private Partnership (PPP) Risk

The Gambia is increasingly leveraging Public-Private Partnerships (PPPs) to develop infrastructure amid budget constraints. As of 2024, there were 8 PPP projects in the investment/execution phase and about 14 in the pre-investment pipeline. PPPs carry significant fiscal risks arising from long-term contractual obligations and potential contingent liabilities. For instance, the fiscal exposure of four flagship PPP projects (Banjul Port Concession, Senegambia Bridge Concession, and the National Data Centre) is estimated to be between 5 and 10 percent of GDP. The Table below summarizes the gross and net fiscal impact for the four projects in qualitative terms.

Table 8: Fiscal Exposure for Selected PPP Projects

Project	Gross Payments/Revenue to Private Partner (over contract)	Net Fiscal Impact (after revenues)	Risk Highlight

Port Concession	Private retains port fees (est. \$5–10m/year)	Moderate	GPA revenue foregone.
Senegambia Bridge	Private collects tolls (est. >\$125m over 25 yrs)	Net positive \$100m (upfront) to Government; future toll income foregone	Loss of future toll revenue.
National Data Centre	Govt service payments (est. \$2m/yr) if demand shortfall	~\$10–15 million cost (NPV) if the Government pays most operating cost	Risk of low private uptake.

Detailed Risk Assessment by Project

The Table below presents a summary of fiscal risk assessment for ten major PPP/PPA projects in The Gambia. Each project is evaluated for the specific fiscal risk it poses and the probability of risk materializing.

Table 9: Fiscal Risk Assessment of Key PPP Projects

Project	Sector	Probability	Impact	Risk
Banjul Port Container Terminal Concession (Albayrak)	Transport	Medium	High	Port revenues now flow to a private operator; if the concession is deemed illegal or terminated, govt may face compensation claims. The port is a critical income source – any disruption or loss of revenue has a large fiscal impact.

Banjul Shipyard PPP (Grupo Rodman)	Transport	Medium	Medium	While private partner will invest in upgrading the shipyard, market demand for ship repair is uncertain. If revenues fall short, GPA (a shareholder) may need to inject funds or the asset could deteriorate, with moderate fiscal impact.
Senegambia Bridge Concession (Africa50)	Transport	Low	Low	The deal gave Government \$100m upfront, so direct risk is low both in the short and medium-term. However, the 50km no-compete clause is conditional on the volume of Vehicles on the Bridge (as set out in the Annual Traffic Volume Report) has exceeded the annual volume forecast set out in the Base Case Traffic Model by fifty percent. (50%) or more for two consecutive Contract Years. Though the likelihood is low under current traffic trends.
50 MW WAPP Solar Park Project	Energy	Medium	Medium	As a planned regional solar farm, the financing structure is unclear (TBD). If structured as a PPP/PPA, NAWEC might bear capacity payments. Given NAWEC's history, there's a moderate chance it cannot absorb output, with a moderate fiscal impact (renewables generally lower cost).
New Banjul Airport Terminal PPP	Transport	Low	Medium	Air travel demand is growing post-pandemic, making major shortfalls less likely (low probability). But if they occur, the impact (covering debt or minimum revenue) could be sizable relative to GCAA finances. Conservative traffic estimates in contract mitigate this risk.
Nick TC Scan & Single Window System	ICT/Trade	Low	Low	The PPP is largely user-funded (fees per shipment), and the technology is already in use. Trade volumes have been stable, so revenue risk is low. Any government support needed would be minor in scale (limited impact).
Securiport Airport Security Contract	ICT/Security	High	Medium	The contract runs 15+ years with index-linked fees

National Data Centre PPP	ICT	Medium	Medium	The government is actively seeking partners, but the domestic market is small. There is a medium chance the facility isn't fully utilized initially, which would leave government agencies covering costs (impact manageable but notable in ICT budget).
Government Office Complex (Planned PPP)	Infrastructure	Medium	Low	The probability is medium as it depends on government commitment to consolidate offices. Impact would be relatively low – office lease costs are a small fraction of the budget. Proper planning of office use can mitigate risk; thus impact on fiscal position is limited.

Note: High = significant likelihood or impact; Medium = moderate; Low = minor likelihood or impact. Each project's risk profile combines both the chance the risk event occurs and the financial magnitude if it does.

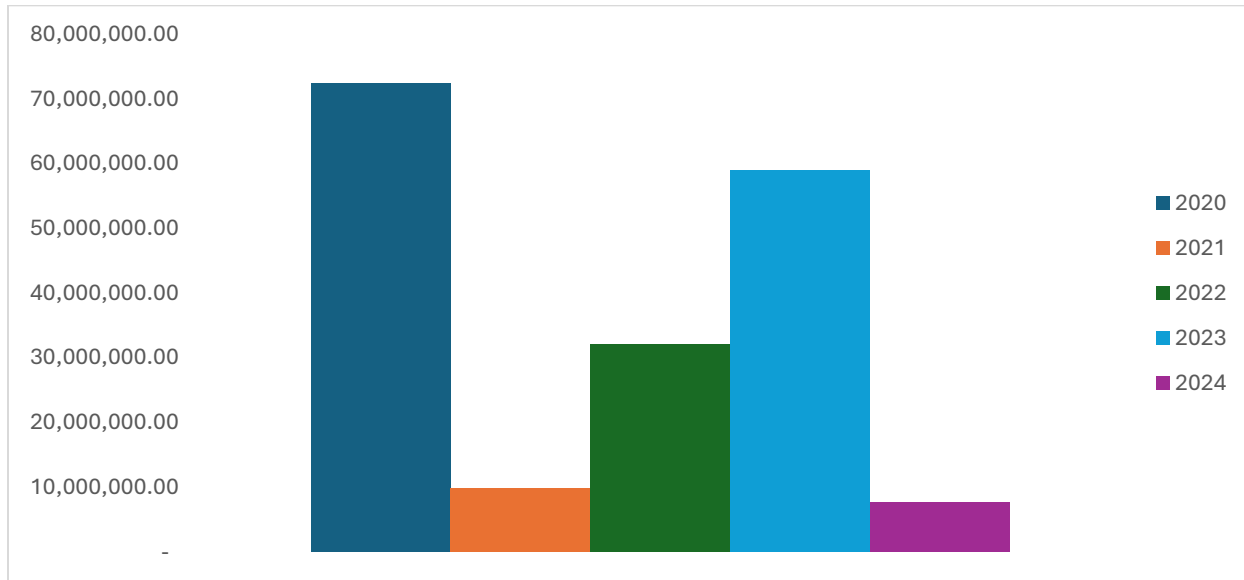
Mitigation Measures

To mitigate the PPPs' risks, the Government will accelerate the finalization of the PPP Bill and regulatory framework that will clarify roles and risk-sharing, conduct rigorous feasibility studies (including demand forecasts to avoid overly optimistic assumptions), and negotiate contingency clauses in contracts (e.g., termination provisions that protect the government). Priority is being given to building capacity within the PPP Directorate to monitor project performance which helps early detection of distress signals in PPP projects. The Government is also committed to transparency through disclosing PPP contracts and their implications.

Legal Claims

Given the unpredictable nature of legal outcomes, they present a considerable risk to the 2026 Budget and MTEFF. Court wards have been fluctuating, with the highest payments recorded in 2020 and 2023. Legal crimes are also a major driver of arrears, exacerbating fiscal pressures and hindering effective public financial management. To mitigate the risks, Government entities are directed to proactively manage and employ robust legal strategies, compliance measures, and contingency planning.

Figure 5: Court Awards (Dalasi) from 2020 to 2024



Source: MoFEA

Climate and Natural Disasters Risk

The country is highly vulnerable to the impacts of climate change and increasing frequency of severe natural disasters. Increasing salinization and rainfall pattern shifts hurt agricultural productivity, in turn exacerbating deforestation. Droughts and floods are becoming more frequent with severe consequences for food security and fiscal sustainability. The frequency and severity of extreme heat events are escalating. Key sectors such as agriculture, tourism, and fishing are among the most vulnerable to climate change, threatening the livelihoods of many Gambians. All these factors affect general macroeconomic stability through multiple channels, including through productivity losses and the fiscal and external accounts.

The low elevation of the country's topography makes it susceptible to sea-level rise. Approximately one third of the population lives below 10 meters above sea level, making the country the fourth most exposed in sub-Saharan Africa. Banjul, and the Greater Banjul area, with around 1.4 million residents (60 percent of the total population), are situated at sea level. Sea-levels could rise by around half a meter by 2050, and parts of the capital may be submerged by 2100. Moreover, rising sea levels will also exacerbate the salinization of freshwater aquifers and accelerate coastal erosion, hurting tourism. The cost of sea level rise could reach \$70 million on average by 2050, and the cost of coastal erosion would be much higher.

Mitigation Measures

To combat the impact of natural disasters, the Government embraced the need to integrate climate criteria into fiscal planning, incorporate climate mitigation and adaptation into the guidelines of project selection and appraisal and promoting financial sector inclusion into climate finance strategy for inclusive and climate resilient growth. Furthermore, Government is also working with development partners to raise financial support meant for climate adaption and mitigation.

CONCLUSION

The 2026 Budget and the MTEFF is confronted by a wide range of fiscal risks most of which are tilted towards the downside. Of concern are risks related to public debt, expenditure and SOE's risks, which have high likelihood of materializing and have a high impact on the budget framework. Macroeconomic risks, public-private partnerships (PPPs) and revenue are rated medium in terms of likelihood of materializing. The impact, however, varies.

Based on the above fiscal risk analysis, the Government aims to actively manage and mitigate these fiscal risks in the short to medium term. The Government will continue to closely monitor the risks and stand ready to implement additional measures were necessary.