2022 DEBT SUSTAINABILITY ANALYSIS

FOR THE

REPUBLIC OF THE GAMBIA

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Contents

List of Tables

List of Figures

Section 1: Introduction/ Background

The Debt Sustainability Framework for Low-Income Countries (LIC DSF) is an IMF/World bank tool for assessing debt vulnerabilities that guides borrowing decisions. The LIC DSF combines mechanical signals and judgment to assess a country's risk of debt distress.

In recent years, debt vulnerabilities in LICs have risen. Since 2013, many countries have witnessed an increased risk of debt distress and most of these countries are facing significant debt challenges. Evidence shows that most of the countries that benefitted from debt relief initiatives are currently faced with high unsustainable debt levels. This is due to ineffective implementation of reforms, specifically tax and expenditure policy which led to expenditure overruns and therefore, culminated into rising debt levels that pose significant risks to debt sustainability.

It is imperative for countries to conduct periodic debt sustainability analysis (DSA) to assess debt vulnerability, formulate and implement policies that would lead to public debt sustainability in the medium to long term.

Objective and Scope

The objective of the DSA is to assess the country's capacity to finance its development goals and service its debt obligations in the medium to long term, without recourse to debt rescheduling, arrears and compromising growth.

The objective of the analysis is to assess the debt obligations in view of anticipated borrowing to finance critical infrastructure and other social needs. It also guides Government's borrowing decisions to ensure that financing needs and future debt obligations are taken into account while making provision for the crystallisation of contingent liabilities.

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

Methodology

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

Section2: Recent Macroeconomic Performance

Overall Performance

According to the January 2022 WEO report, the global economic prospects have worsened significantly which was projected to have a global recovery to strengthen from the second quarter of this year after a short-lived impact of the Omicron variant. However, the outlook has deteriorated, largely because of Russia's invasion of Ukraine—causing a tragic humanitarian crisis in Eastern Europe—and the sanctions aimed at pressuring Russia to end hostilities.

This crisis unfolds while the global economy was on a recovery path but had not yet fully recovered from the COVID-19 pandemic, with a significant divergence between the economic recoveries of advanced economies and emerging market and developing ones. In addition to the war, frequent and wider-ranging lockdowns in China—including in key manufacturing hubs—have also slowed activity there and could cause new bottlenecks in global supply chains.

Reflecting the significant slowdown in overall activity, global trade growth is expected to decline notably in 2022. Global goods demand is expected to moderate because of the war as extraordinary policy support is withdrawn and as demand rebalances back toward services. Cross-border services trade—especially tourism—is however expected to remain subdued because of the war and lingering effects of the pandemic.

The war in Ukraine has exacerbated difficult policy trade-offs: between fighting inflation and safeguarding the pandemic recovery; and between supporting those impacted by rising living costs and rebuilding fiscal buffers. Meanwhile, the pandemic remains persistent, and structural issues, such as inequality and climate change remain unresolved.

Domestic Economy

The COVID-19 pandemic had a significant impact on the Gambian economy, but with prudent economic management, the global vaccine rollout and development partner support, growth rebounded to 4.5 percent in 2021 after a negative growth in the previous year. Although growth remained below pre-pandemic levels, it was still significant considering the challenges faced from business activities slowing or shutting down through most of 2020, and a third wave of the virus manifesting in July 2021 when the economy was already on a path to recovery.

In 2022, the economy should have been well into recovery with expectations of improved economic performance, increased grant inflows and private remittances. However, this has taken a turn as economies across the globe grapple with the negative impact of the ongoing invasion of Ukraine by Russia. This has dampened initially optimistic growth prospects and a more modest growth of 3.8 percent projected in 2022.

As the two countries are global players in the agro-food industry, construction, and fuel, the conflict has had a significant impact on supply chain and prices of these factors. Domestically, The Gambia relies heavily on imports for the consumption of basic commodities (including wheat and maize from Ukraine), which means that the disruption in supply chains, which has led to shortages in supply, has translated to strong inflationary pressures on the economy. As at end-June 2022, inflation stood at 11.7 percent, a significant deviation from an initial projection of 5 percent, and the first time the Gambia has reached double-digit inflation in years.

These are just the immediate term impacts which are likely to worsen as the conflict prolongs. For instance, the current trajectory of global inflation threatens to significantly reduce the real incomes of people abroad, and as a result, the local economy faces a risk of reduced private remittance receipts and reduced tourist arrivals, which will further exacerbate the negative impact on growth.

GDP Growth

The Gambian economy went through a turbulent period between 2019 and 2021, with its effects being felt across all sectors. The COVID 19 pandemic significantly pushed growth levels down from 6.2 percent in 2019 to 0.6 percent in 2020, but recovery efforts changed that trajectory to a positive one, with growth bouncing back up to 4.3 percent in 2021.

Table 1: GDP growth 2019-2021

	2019	**2020**	**2021**
Gross Domestic Product (GDP) market price	**6.2%**	**0.6%**	**4.3%**
Agriculture, forestry and fishing	**-0.1%**	**10.6%**	**4.7%**
Crops	-14.1%	8.6%	-9.1%

Livestock	-1.7%	14.6%	-9.6%
Forestry and logging	-24.3%	-2.2%	-4.3%
Fishing and aquaculture	18.4%	11.7%	20.8%
Industry	**14.8%**	**8.2%**	**10.4%**
Mining and quarrying	22.5%	31.0%	-0.5%
Manufacturing	-5.2%	-29.6%	-29.7%
Electricity, gas, steam and air conditioning supply	13.5%	14.5%	7.0%
Water supply, sewerage, waste management and remediation	9.2%	1.6%	-5.9%
Construction	24.0%	20.0%	20.5%
Services	**6.1%**	**-5.0%**	**1.9%**
Wholesale and retail trade; repair of motors and motorcycles	3.1%	-4.5%	3.1%
Transport and storage	10.6%	-1.8%	-0.3%
Accommodation and food service activities	16.9%	-65.4%	20.2%
Information and Communication	13.6%	1.6%	0.6%
Financial and insurance activities	7.5%	1.7%	6.5%

Source: GBoS

Fiscal Sector

Total Revenue outturn in 2021 recorded a performance rate of 77 percent (D19.8 billion), which is below the budget by D5.9 billion. This underperformance rate of 23 percent during the 2021 fiscal year was largely as a result of the low disbursement of budget support which recorded an outturn of D505 million against the budgeted D3.2 billion. Project Grant outturn however, recorded D3.9 billion against the budgeted amount of D8.8 billion.

Domestic revenue mobilization in 2021 reached 112 percent (D13.7 billion) of the budget, which was as a result of the strong performance in both Tax Revenue (D10.8 billion) and Nontax Revenue (D4.5 billion).

Revenue performance in 2022 has been affected by the negative effect of the crisis (commodity prices) as the domestic revenue collection for the first half of 2022 shows a decline of 5 percent against the same period in 2021. The increase in global oil prices put pressures on government as it was forced to subsidize fuel to reduce pump prices. Although this measure is to ease the burden of high fuel prices on the populace, this however has negative impact on domestic revenue mobilization and the budget for 2022.

Table 2: Revenue Performance 2021

	Budget	Actual Outturn	Variance	Performance Rate
Total Revenue	**25,760**	**19,762**	**-5,998**	**77%**
Domestic Revenue	**13,745**	**15,331**	**1,586**	**112%**
Tax Revenue	12,209	10,833	-1,376	89%
Nontax Revenue	1,536	4,498	2,962	293%
Grants	**12,015**	**4,431**	**-7,584**	**37%**
Budget Support	3,210	505	-2,705	16%
Projects	8,805	3,926	-4,879	45%

Current Expenditure actual outturn recorded D16.2 billion (102 percent) against the budgeted amount of D15.9 billion. The increase in Current Expenditure was as a result of the increase in spending on Goods and Services, with an expenditure rate of 109 percent of the approved budget, as well as an increase in Transfers with an expenditure rate of 103 percent of the approved budget.

The increase in spending on Goods and Services was as a result of the Central Bank recapitalization, Payment to Gamworks for 5 health facilities and settlement of confirmed arrears under centralized services, repayments to Securiport which was not factored on the SAP in 2021.

Capital expenditure on the other hand, registered the highest budget execution rate of 206 percent as at end-2021 (D9.7 billion against the budgeted amount of D4.7 billion), largely as a result of road projects (Banjul Rehabilitation, Hakalang, Kiang, Basse Yorobowal, Sabasanja, Bertil Harding Highway etc), preparation of the OIC summit and construction of the Basse and Brikama markets.

Table 3: Expenditure Performance 2021

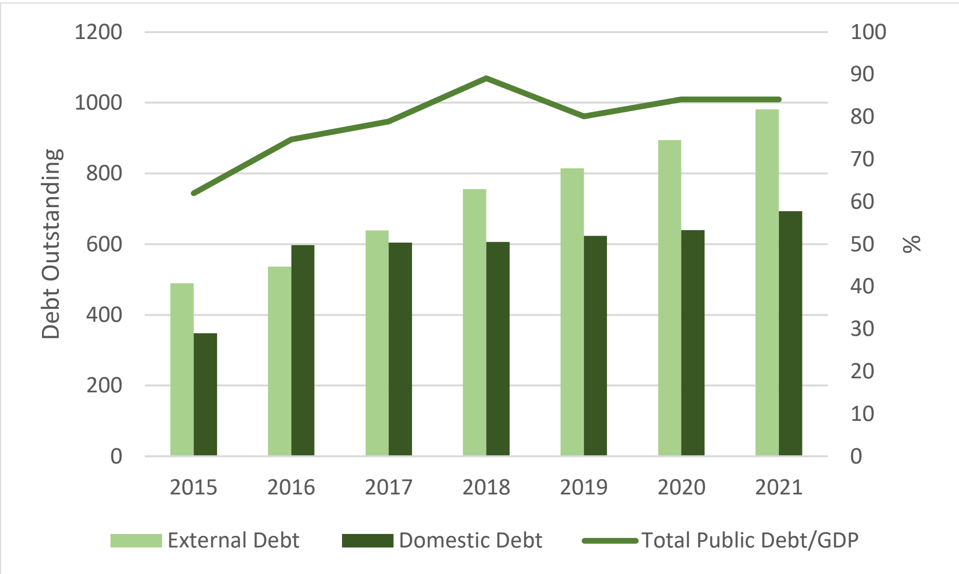
Budget Class	Approved Budget	Actual Outturn	Variance	% of Approved Budget Spent
Total Expenditure	**20,579**	**25,856**	**5,277**	**126%**
Current Expenditure	**15,886**	**16,177**	**291**	**102%**
Personnel Emoluments	4,867	4,593	-274	94%
Goods & Services	3,671	3,985	314	109%
Transfers	4,262	4,381	119	103%
Interest	3,086	3,218	132	104%
Capital Expenditure	**4,693**	**9,679**	**4,986**	**206%**

Source: *MPAU*

Section 3: Debt Developments (Debt Stock evolution)

The Total Public and Publicly Guaranteed (PPG) debt stock as at end 2021 stood at US$1.67 billion (D88.31billion) of which external debt constitute 58.6 per cent and 41.4 per cent is domestic debt. The nominal debt as percentage of GDP slightly increased from 84.09 per cent as at end 2020 to 84.15 per cent as at end 2021.

Figure 1: Evolution of Public Debt/GDP



The slight increment in the total public and publicly guaranteed debt/GDP is largely attributed to the outstanding government-guaranteed SOEs debt owed to ITFC which stood at US$31.1 million as at end 2021. In addition to the 2019 debt deferrals secured from some of the external creditors coupled with the continuous disbursement of ongoing projects as well as the impact of the COVID-19 pandemic also contributed.

External Debt Analysis

As of end 2021, the outstanding external debt increased to US$981.06 million (49.3 per cent of GDP) from US$894.86 million (46.2 per cent of GDP) as at end 2020. The external debt constituted 58.6 per cent of the total public debt as at end 2021 compared to 58.0 per cent in 2020, reflecting the previous debt strategies (i.e. more concessional external financing) implemented by the Government (See Table 4).

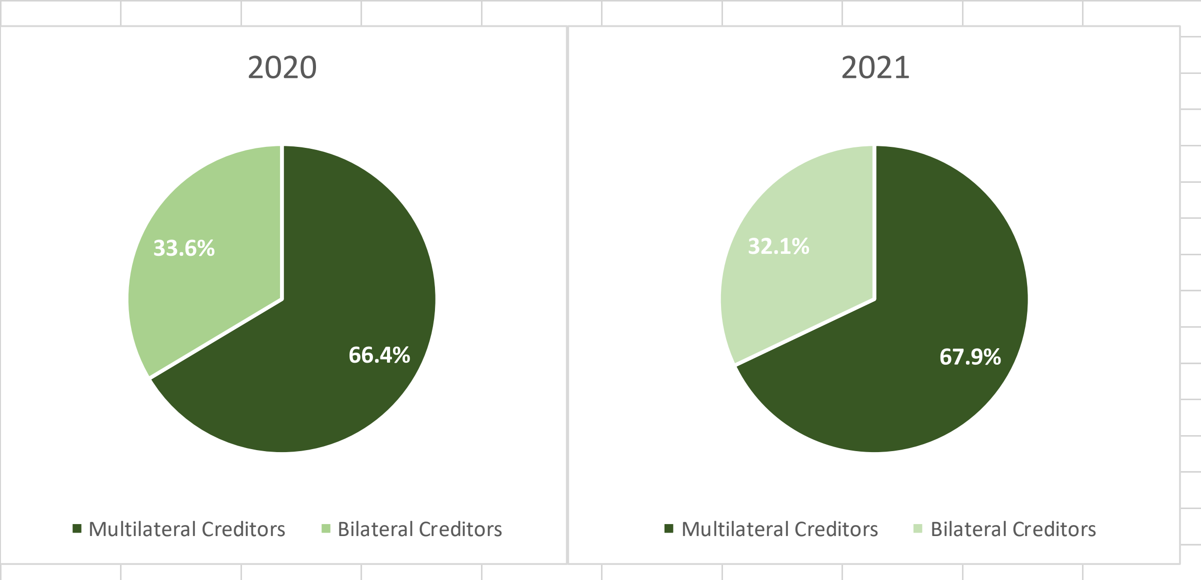
Table 4 : External debt by creditor category

	2020	**2021**
	in millions of US$	
Multilateral Creditors	594.0	666.44
Bilateral Creditors	300.6	314.62
Total	**894.6**	**981.1**

External Debt Stock by Creditor and Creditor Category

External debt stock mainly comprises concessional and semi-concessional loans from multilateral creditors, which accounted for 67.9 per cent of the total external debt portfolio while bilateral creditors accounted for the remaining 32.1 per cent of the external debt portfolio as at end 2021 as shown in Figure 2.

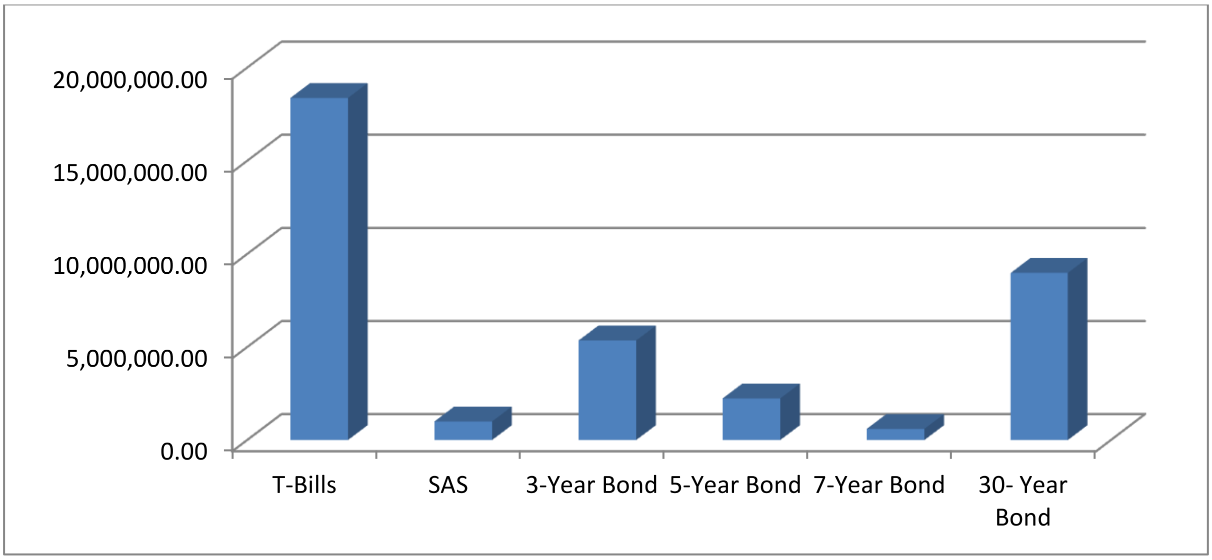
Figure 2: External Debt by Creditor Category



Domestic Debt Analysis

The stock of outstanding domestic debt increased from D33.05 billion (35.1 per cent of GDP) in 2020 to D36.60 billion (34.8 per cent of GDP) in 2021. The increase in domestic debt was on account of an increase in bond issuance resulting from the implementation of the debt re-profiling strategy. The marketable debt instruments in the domestic debt portfolio are T-bills, Sukuk-Al Salaam, 3-year and 5-year bonds. The T-bills and Sukuk-Al Salaam accounts for 53 per cent of the domestic debt stock, a 4 percent reduction from the previous year, reflecting the impact of the previous debt strategy being implemented. The 30-year and the 7-year NAWEC bond are two non-marketable instruments in the domestic debt portfolio (*figure 3*).

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



Section 4: Underlying Macroeconomic Assumptions of the DSA

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

Baseline Assumptions

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

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

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

Table 5: GDP contribution by Economic Sector 2021-2025

Industry	2022	2023	2024	2025	2026
Gross Domestic Product (GDP) market price	**3.8%**	**4.3%**	**4.6%**	**4.8%**	**4.9%**
Agriculture, forestry and fishing	**4.8%**	**6.0%**	**4.6%**	**4.6%**	**4.0%**
Crops	-5.3%	0.9%	1.0%	1.5%	1.5%
Livestock	-3.6%	0.6%	1.2%	1.5%	1.6%
Forestry and logging	-6.7%	-3.7%	1.4%	2.0%	3.4%
Fishing and aquaculture	13.3%	9.9%	7.0%	6.5%	5.5%
Industry	**6.3%**	**7.4%**	**4.9%**	**4.9%**	**6.5%**
Mining and quarrying	6.4%	11.3%	4.5%	4.4%	4.0%
Manufacturing	-11.3%	-6.2%	1.4%	1.4%	1.4%
Electricity, gas, steam and air conditioning supply	4.5%	8.5%	8.0%	7.5%	7.5%
Water supply, sewerage, waste management and remediation activities	-2.0%	1.0%	4.0%	5.9%	5.9%
Construction	8.9%	8.7%	5.0%	5.0%	5.0%
Services	**1.1%**	**2.4%**	**4.3%**	**4.7%**	**5.1%**
Wholesale and retail trade; repair of motors and motorcycles	0.9%	2.1%	2.5%	3.0%	3.5%
Transport and storage	-0.3%	2.7%	3.0%	3.5%	5.0%
Accommodation and food service activities	15.2%	14.1%	12.7%	9.2%	10.2%
Information and Communication	3.2%	3.7%	7.3%	7.5%	8.0%
Financial and insurance activities	4.8%	3.5%	11.8%	13.5%	13.5%

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

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

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

Reforms inbuilt in the Macroeconomic frameworks:

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

Inflation

Inflation stood at 7.6 per cent as of December 2021 compared to the corresponding period in 2020. Inflation picked up around 2.0 percentage points i.e., from 5.7 per cent recorded in December 2020.

Latest inflation developments for July 2022 show that inflationary pressures surged. Headline inflation rose significantly to 12.3 per cent in July 2022. This trend has pushed inflation above the medium-term target, breaking the trend of the last quarter. The surged in inflation is consistent with the forecast presented during the May 2022 MPC Meeting. The ascending trajectory of inflation was largely driven by the rise in food and energy prices. Monetary policy remains accommodative geared to support economic recovery from the recession caused by the Covid-19 pandemic. The policy rate was increased by 100 basis points to 11.0 per cent in May 2022. The Committee also maintained the 13 per cent Mandatory Reserve Requirement to create more liquidity to promote growth through borrowing to increase spending and investment.

The presence of the Covid-19 pandemic and the Russia-Ukraine war still poses a huge risk on the global economic outlook and could continue to affect supply chain of essential commodities. In terms of the domestic front, the key risk to the inflation outlook is the vulnerability of the agricultural sector and unpredictable rain patterns and crop harvest which could potentially lower food production. In addition, the structural bottlenecks around the seaport continue to create upward pressure on food prices. Without any unforeseen shocks, forecasts show that inflation is expected to remain high at the end of the 3rd quarter of 2022 at 14.1 per cent and further raise at the end of the 4th quarter of 2022 to 14.2 per cent.

Fiscal Forecast

On the fiscal front, the domestic revenue collection is projected to increase from D15.9 billion (13 percent of GDP) in 2022 to D18.1 billion (14 percent of GDP) in 2023. This positive growth trend is expected to remain consistent over the medium term. This reflects robust revenue mobilization efforts and the implementation of the GRA reform agenda (eg. ASYCUDA World and ITAS) geared towards improving compliance and expanding the tax-base.

Additionally, MoFEA in collaboration with the GRA is working closely with a consulting firm to carry out a tax expenditure analysis which will lay the foundation for a comprehensive tax policy. As part of the reforms, the Ministry has also set up a Tax Policy Unit under the Directorate of Economic Policy and Research to spearhead this process and handle all tax related issues going forward. This is all geared towards increasing domestic revenues over the medium to long term.

Total grants are anticipated to decrease from D10.7 billion in 2022 to D9.1 billion in 2023. This decrease is largely attributed to the anticipation of minimal budget support over the medium-term as the need for support dissipates. Whilst project grants are expected to remain moderately stable as the need for project financing is mostly in the health, education and agriculture sector increases.

Total government expenditure is projected to increase from D30.7 billion in 2022 to D32.9 billion in 2023. It is expected to increase gradually to the tune of D38.9 billion by 2026. The projected increase in total expenditure in 2023 is largely attributed to an anticipated increase in capital expenditure due to the ongoing infrastructure projects.

In light of the forecast on revenue and expenditure, the primary balance is estimated to increase moderately from a deficit of 0.9 percent of GDP in 2022 to 2.1 percent of GDP in 2023. The fiscal balance is anticipated to increase from a deficit of 3.5 percent of GDP in 2022 to a deficit of 4.4 percent of GDP in 2023. Over the medium term, both balances are expected to remain on a decreasing trend.

As economic conditions remain fragile and vulnerable to shocks, the most recent Debt Sustainability Analysis Report assessed the country to remain at high risk of debt distress with limited borrowing space. This requires continuous and coordinated policy efforts to lessen the risk. The current Medium Term Debt Strategy's objective is encouraging for the strengthening of financing from both external concessional and longer-term domestic debt instruments, geared towards improving the average time to maturity (ATM) and refinancing risk of the public debt portfolio.

Table 6: Medium-term Forecast

GMD (MM)	2022	2023	2024	2025	2026
Total Rev	**26,594**	**27,154**	**29,604**	**32,334**	**34,944**
Tax + Non-Tax	**15,857**	**18,072**	**19,613**	**21,345**	**24,064**
Total Grants	**10,737**	**9,082**	**9,991**	**10,990**	**10,880**
Budget support	1,068	-	-	-	-
Projects	9,669	9,082	9,991	10,990	10,880
Gov. Expenditure	**30,744**	**32,926**	**35,552**	**37,717**	**38,930**
Total Current Expenses	**16,837**	**18,044**	**18,936**	**19,546**	**20,762**
Compensation of employees	**5,709**	**6,531**	**6,835**	**7,163**	**7,513**
Basic Salaries	2,925	3,316	3,521	3,761	3,907
Allowances	2,431	2,775	2,802	2,865	3,005
ECA	354	440	512	537	601
Gross Fixed Capital formation	**13,907**	**14,882**	**16,616**	**18,171**	**18,168**
Primary Balance	**-1,107**	**-2,770**	**-2,754**	**-2,390**	**-1,264**
Primary Balance (%GDP)	-0.9%	-2.1%	-2.0%	-1.6%	-0.7%
Fiscal Balance	**-4,150**	**-5,771**	**-5,948**	**-5,383**	**-3,986**
Fiscal Balance (% GDP)	-3.5%	-4.4%	-4.3%	-3.5%	-2.3%

Source: *MPAU*

Exports, Imports, Current Account Balance and BOP

As at end 2021 Balance of Payments (BoP) indicates that the current account balance worsened to a deficit of US$94.08 million (4.6 per cent of GDP) from a deficit of US$86.55 million (4.58 per cent of GDP) in 2020, due to the deterioration of the goods and services account. The end year estimate for the goods account deficit is US$575.70 million (31.0 per cent of GDP) in 2021, compared to a deficit of US$511.76 million (26.96 per cent of GDP) in 2020. Export receipts decreased by 54.8 per cent to US$31.66 million during the period under review. Imports increased from US$581.82 million as at end 2020 by 4.4 per cent to US$607.36 million in 2021. Gross Official reserves stood at US$427.13 million as at end December 2021.

Balance of Payments (BoP) estimate indicated that the current account deteriorated from a deficit of US$8.25 million (0.5 per cent of GDP) as at end June 2021, to a deficit of US$25.60 million (1.3 per cent of GDP) in the same period of 2022. This was because of the declined position in the goods account (imports). The estimates for the gross official reserves as at end-June 2022 stood at US$318.76 million, equivalent to over 5.3 months of imports cover.

Outlook

The current account balance over the medium to long term is expected to improve given that exports, tourist and remittance receipts continue to increase. These factors couple with adequate level of foreign reserve assets, supported by lower fiscal deficit will reflect a positive impact on the current account balance. However, increasing import bill, COVID-19 pandemic, Ukraine-Russia war, the high food and energy prices will cause a negative effect on current account balance.

Exchange rates

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

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

Section 5: Realism Forecast

Realism Tool

The realism tool scrutinize the past and future drivers of debt dynamics, the planned fiscal adjustment, the potential impact of fiscal adjustment on growth, and the public investment-growth nexus that underpins the DSA. The various realism evaluate the key underlying debt and macroeconomic projections.

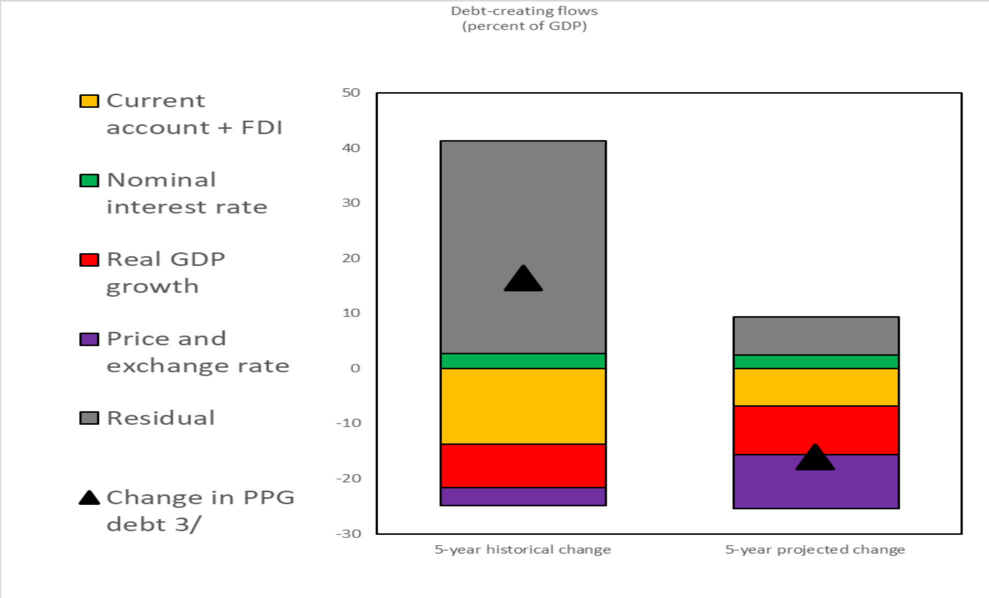
Drivers of Debt Dynamics

The public debt growth is influenced by several factors; these include primary balance, current account balance and Foreign Direct Investments (FDI), output growth, exchange rates and prices, nominal interest rates and so on. The results show that the key variables that drive debt historically, equally drive debt in the projection period (2022 and beyond).

From 2017 to 2021, real GDP growth contributed in reducing the debt burden on average by 7.9 per cent and is projected to further reduce the debt burden to 10.4 per cent on average, from 2022 to 2026.

The current account plus FDI contributed on average 13.6 per cent towards the reduction of debt growth historically (2016 to 2021) compared to the projected 6.8 per cent on average during the period (2022 to 2026), indicating reduction in external sector performance. Similarly, the nominal interest rate contributes in increasing debt burden in both historical and projection period. Finally, the residuals were found to be significant in the historical data however, this is expected to improve in the projection period. The price and exchange rate contributed 3.7 per cent historically and 9.3 per cent over cent to the reduction of debt burden over the projection period respectively.

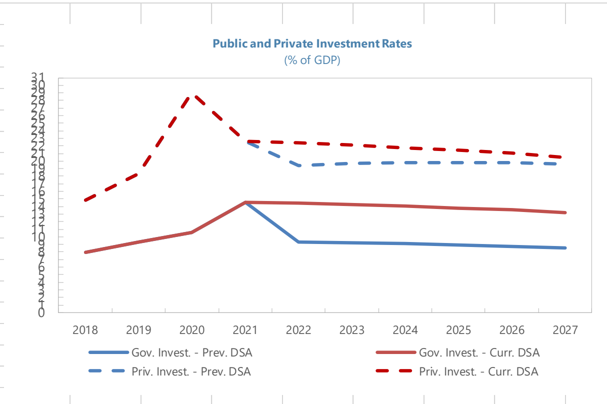
Figure 4: Drivers of Public Debt Dynamics

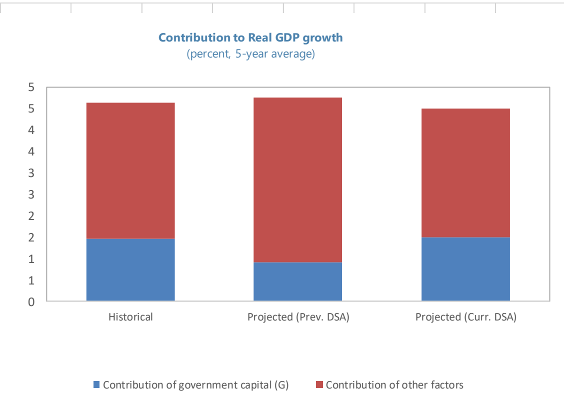


Investment Contributions to real GDP

Historically, the Government capital investment contributes 1.46 per cent on average yearly to real GDP growth and is projected around 1.50 per cent yearly over the projection period consistent with a typical low-income country's (LIC) economy. The private investment continues to dominate public investment, and projected to be on a positive growth trajectory. This is consistent with the macroeconomic projection of fiscal consolidation which allows private sector credit to grow and support the overall growth in the economy.

Figure 5: Public and Private Investment Rates *Figure 6: Contribution to Real GDP growth*





Section 6: Debt Carrying Capacity and Thresholds

The assessment on a country's debt carrying capacity is determined on its policies and institutional strengths, macroeconomic performance, and ability to absorb shocks. Therefore, Composite Indicator (CI) captures the impact of different factors through a weighted average of the Country Policy and Institutional Assessment (CPIA) score, the country's real GDP growth, remittances, international reserves, and world growth. The weak, medium, and strong debt-carrying capacity categories determine the country's thresholds for both the external DSA and the public DSA. Accordingly, the Gambia is classified as a medium performer with a CI score of 2.71 similar to the previous DSA classification. See Table 5.

Table 7: Composite Indicator

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

Given that the Gambia is a medium performer, the following thresholds apply in assessing the debt sustainability level.

Table 8: Thresholds

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

Section 7: Results of Analysis

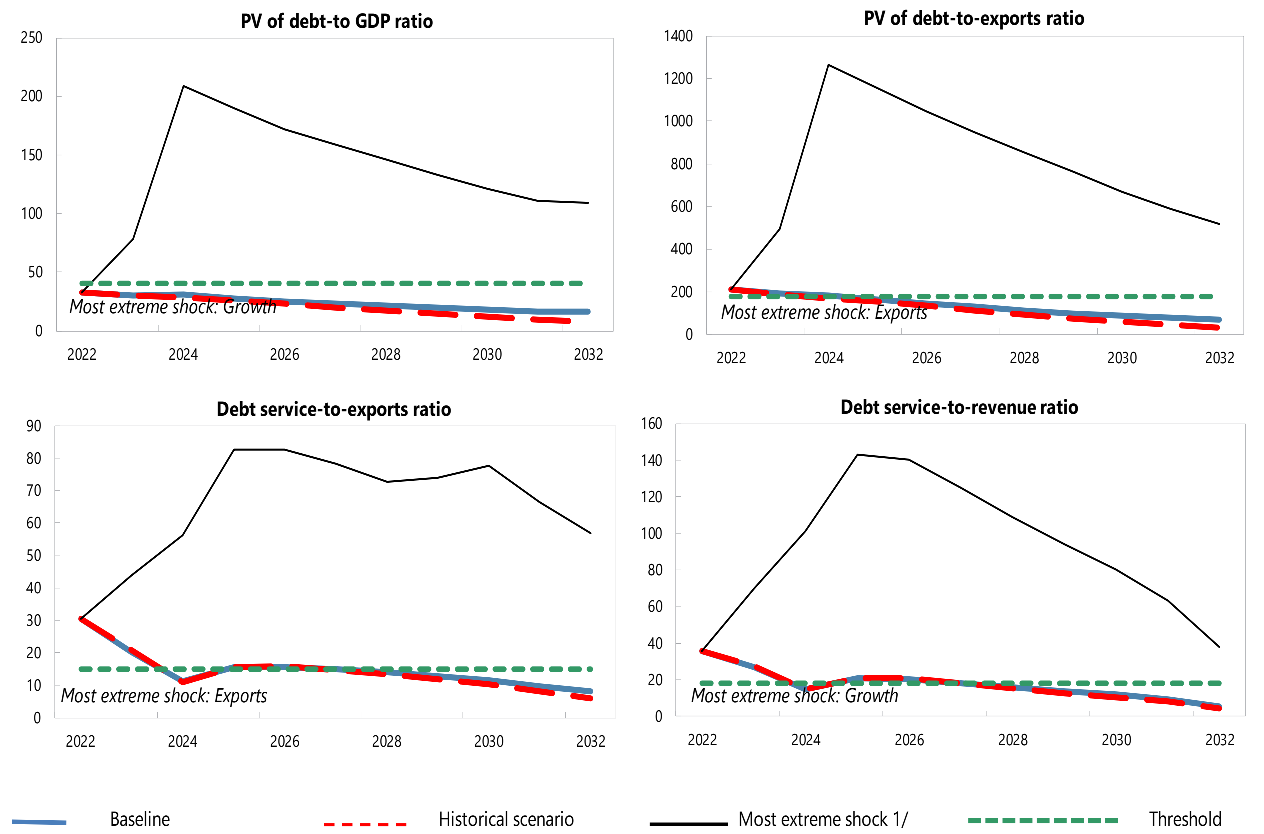
External DSA

The 2022 DSA has been examined using the latest medium term economic fiscal framework assumptions under the IMF Extended Credit Facility (ECF) programme with the Government of The Gambia.

The Gambia is classified high risk of external debt distress based on the result of the external mechanical risk rating similar to 2021's DSA outcome. Under the baseline scenario the result indicated a breach in both the solvency and the liquidity indicators i.e., the PV of Debt to Export, Debt Service-to-Export, and Debt Service-to-Revenue against their indicative thresholds. These breaches are mainly as a result of the inclusion of the government-guaranteed SOEs debt (i.e. ITFC) and weakness in export. The PV of External Debt to GDP, however, is below its indicative threshold of 40 per cent throughout the projection period and trending downwards.

Under the stress test scenarios, all the indicators breach their indicative thresholds throughout the projection period. For the PV of debt-to-GDP and debt service-to revenue ratios, the growth shock is the most extreme, while for the PV of debt-to-exports and debt service-to exports ratios, the exports shock is the most extreme.

Figure 7: Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022-2032



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

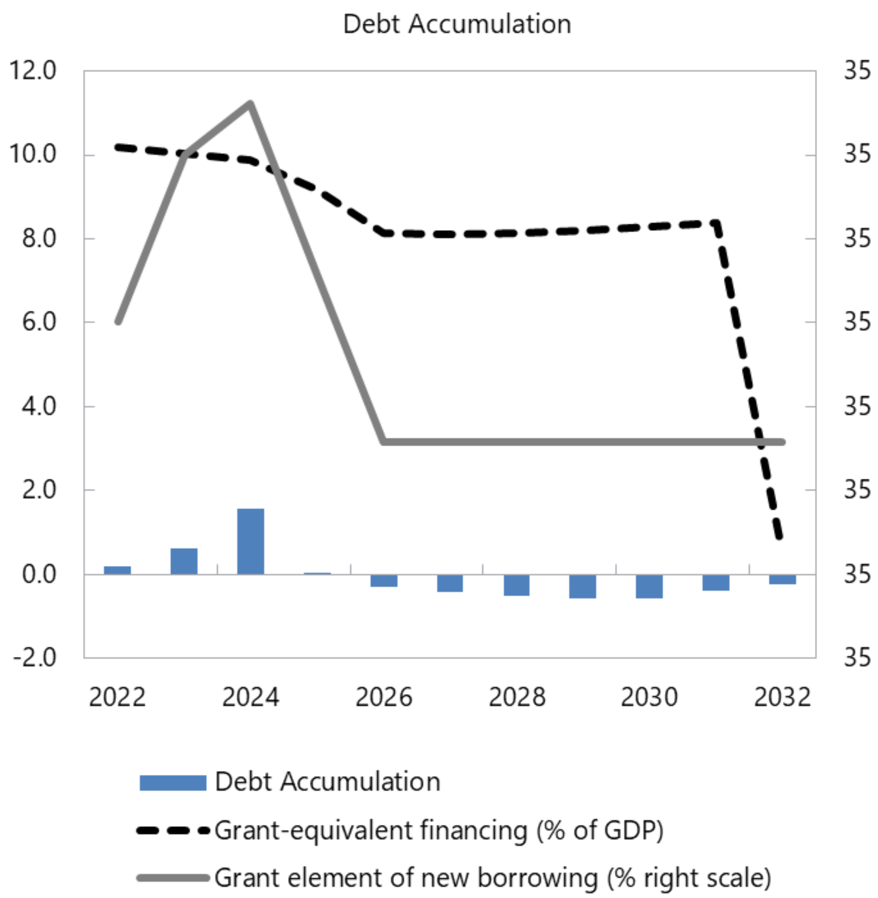
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Debt Accumulation under the Baseline (External)

Figure 9. Below indicates that the growth in external debt is projected at an average of 0.6 per cent between 2022 and 2025 and thereafter negative 0.4 between 2026 and 2032. The said results depict the current fiscal consolidation effort by the government to spur growth in the economy. The new public external borrowing grant element is projected at 35 per cent on average throughout the projection period, which is in line with grant element requirement for the country as a result of the current debt situation. The grant equivalent financing in percentage of GDP is projected at 8.1 per cent on average over the projection period.

Figure 8: Rate of Debt Accumulation



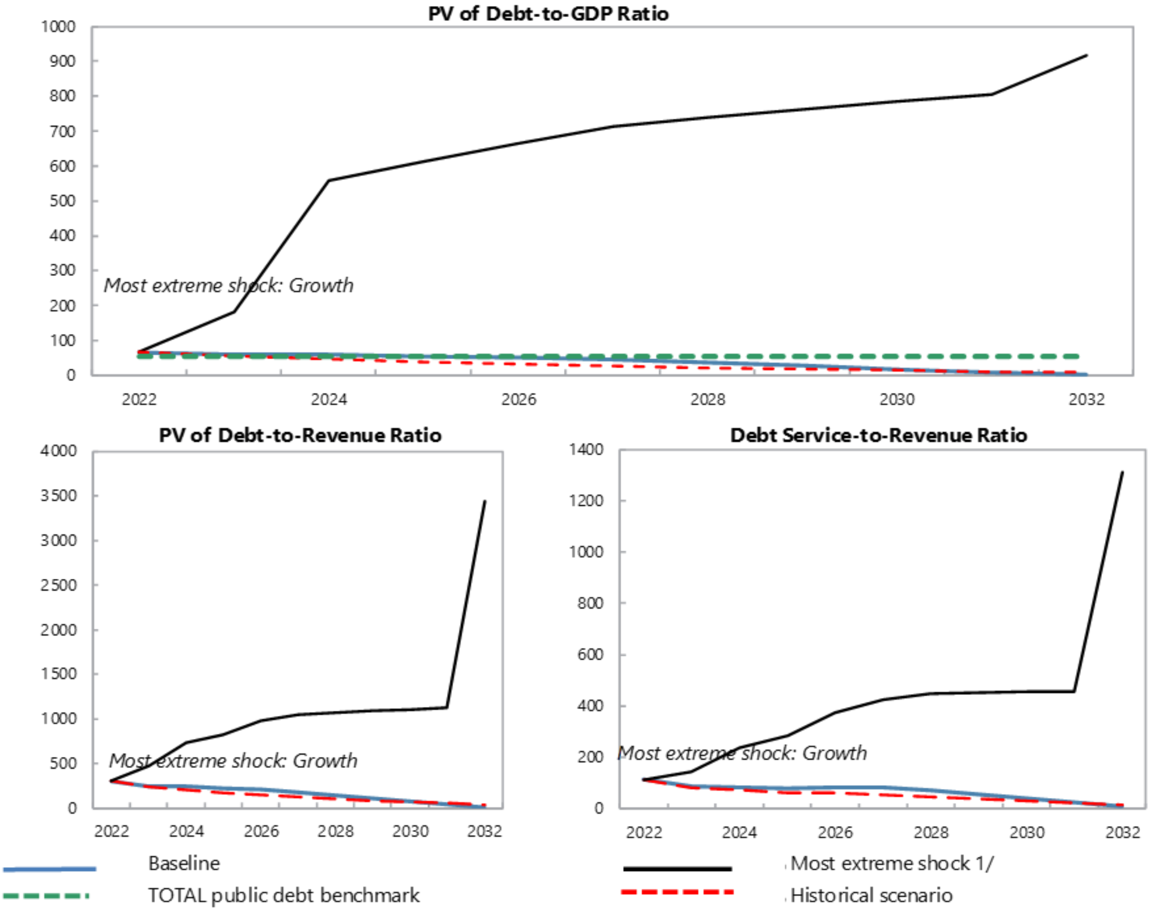
Public DSA

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

Under the baseline assumption as shown in figure 10, the PV of Public Debt-to-GDP breaches its indicative threshold from the projection period of 2022 through 2025. Similarly under the stress test scenario indicators breach its indicative thresholds throughout the projection period. Moreover, the growth for the PV of total public debt-to-GDP ratio is the most extreme under the stress test scenario.

Figure 9: The Gambia: Indicators of Public Debt under Alternative Scenarios, 2022-2032

Figure 2. Gambia, The: Indicators of Public Debt Under Alternative Scenarios, 2022-2032



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	16%	16%
Domestic medium and long-term	33%	33%
Domestic short-term	50%	50%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	6.9%	6.9%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Section 8: Main Findings and Conclusion

In conclusion, The Gambia continue to be a high risk of debt distress given the current breaches in the thresholds of the debt burden indicators for both the External and Public DSA. Precisely, in the Public DSA, the threshold of PV of debt to GDP has been breached from 2022 to 2025. Similarly, the external DSA shows breaches in both the solvency and liquidity indicator thresholds i.e., PV of debt to Export, Debt Service-to- Export and Debt Service-to- Revenue. Considering that the main shock to the analysis is the growth projected for the period, breaches are serious and any shock to output will pose significant debt management challenges and sustainability concerns.

Overall the public debt of the country remains sustainable, however, it is currently at a high risk of debt distress. The policies and programs that could further improved the public debt sustainability must be enhanced, in order to solidify the gains in containing the debt. Some of the Government policies and programs going into the medium term include fiscal consolidation programs through the enhancement of both expenditure management and revenue mobilization.

Although economies across the globe are being negatively impacted by the current crisis i.e., Russia-Ukraine conflict, supply chain disruptions, COVID19 pandemic etc. which affect the growth projections in the medium term. However, the Government would ensure that the Medium Term Economic Fiscal Framework (MTEFF) is comprehensive enough for the attainment of debt sustainability towards the medium to long term.

APPENDICES

Table 3. Gambia, The: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022-2032

(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
						PV of debt-to GDP ratio					
Baseline	33	30	31	28	25	23	21	19	18	16	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	33	30	29	26	23	20	17	14	12	9	7
B. Bound Tests											
B1. Real GDP growth	33	**79**	**208**	**189**	**172**	**159**	**146**	**133**	**121**	**111**	**109**
B2. Primary balance	33	30	31	28	25	24	22	20	18	17	17
B3. Exports	33	38	**49**	**45**	**42**	40	37	34	31	29	28
B4. Other flows 3/	33	38	**45**	**41**	38	36	34	31	28	26	26
B5. Depreciation	33	38	36	32	29	27	24	22	20	18	18
B6. Combination of B1-B5	33	**60**	**96**	**88**	**81**	**76**	**71**	**65**	**59**	**54**	**53**
C. Tailored Tests											
C1. Combined contingent liabilities	33	30	31	28	25	24	22	20	18	17	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
						PV of debt-to-exports ratio					
Baseline	**209**	**192**	**182**	164	146	130	114	100	88	77	69
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**209**	**188**	170	153	134	112	92	74	58	45	32
B. Bound Tests											
B1. Real GDP growth	**209**	**192**	**182**	164	146	130	114	100	88	77	69
B2. Primary balance	**209**	**192**	**183**	165	148	131	116	102	90	79	71
B3. Exports	**209**	**495**	**1265**	**1156**	**1048**	**948**	**854**	**762**	**668**	**588**	**519**
B4. Other flows 3/	**209**	**237**	**267**	**244**	**222**	**200**	**180**	161	141	124	109
B5. Depreciation	**209**	**192**	170	153	136	120	105	91	80	70	63
B6. Combination of B1-B5	**209**	**368**	**237**	**511**	**462**	**415**	**372**	**328**	**287**	**253**	**223**
C. Tailored Tests											
C1. Combined contingent liabilities	**209**	**193**	**183**	165	148	131	116	102	90	80	71
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
						Debt service-to-exports ratio					
Baseline	30	20	11	16	16	15	14	13	12	10	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	30	21	11	16	16	15	13	12	10	8	6
B. Bound Tests											
B1. Real GDP growth	30	20	11	16	16	15	14	13	12	10	8
B2. Primary balance	30	20	11	16	16	15	14	13	12	10	8
B3. Exports	30	44	56	83	83	78	73	74	78	66	57
B4. Other flows 3/	30	20	12	18	17	17	15	16	16	14	12
B5. Depreciation	30	20	11	15	15	15	14	13	11	9	8
B6. Combination of B1-B5	30	31	29	40	40	38	35	37	35	30	25
C. Tailored Tests											
C1. Combined contingent liabilities	30	20	11	16	16	15	14	13	12	10	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
						Debt service-to-revenue ratio					
Baseline	**36**	**27**	15	**21**	**21**	**18**	16	14	12	9	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**36**	**28**	14	**21**	**21**	18	15	13	10	8	4
B. Bound Tests											
B1. Real GDP growth	**36**	**70**	**101**	**143**	**140**	**125**	**109**	**94**	**80**	**63**	**38**
B2. Primary balance	**36**	**27**	15	**21**	**21**	**18**	16	14	12	9	6
B3. Exports	**36**	**29**	17	**26**	**25**	**22**	**19**	**18**	**18**	15	9
B4. Other flows 3/	**36**	**27**	16	**24**	**23**	**20**	18	17	17	13	8
B5. Depreciation	**36**	**34**	**19**	**26**	**25**	**22**	**20**	17	14	11	6
B6. Combination of B1-B5	**36**	**43**	**39**	**55**	**53**	**47**	**41**	**41**	**36**	**29**	17
C. Tailored Tests											
C1. Combined contingent liabilities	**36**	**27**	15	**21**	**21**	**18**	16	14	12	9	6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

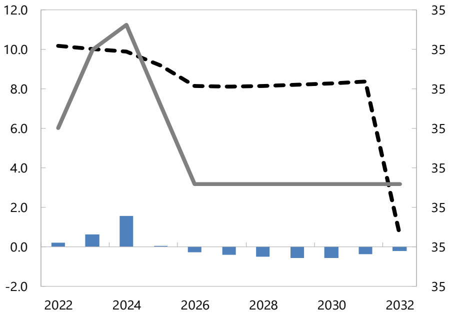
3/ Includes official and private transfers and FDI.

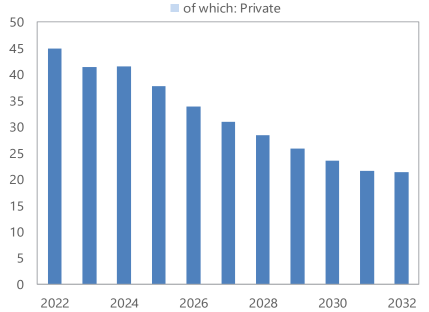
Table 1. Gambia, The: External Debt Sustainability Framework, Baseline Scenario, 2019-2042

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	37.9	45.1	49.9	44.8	41.3	41.5	37.8	33.8	30.9	21.3	20.0	37.6	31.9
of which: public and publicly guaranteed (PPG)	37.9	45.1	49.9	44.8	41.3	41.5	37.8	33.8	30.9	21.3	20.0	37.6	31.9
Change in external debt	1.0	7.2	4.8	-5.1	-3.5	0.1	-3.7	-4.0	-2.8	-0.3	0.1		
Identified net debt-creating flows	-5.0	-5.7	-12.3	-0.9	-2.1	-3.5	-3.4	-3.2	-3.3	-1.1	66.8	23.8	-2.6
Non-interest current account deficit	1.4	4.3	4.2	5.1	3.0	3.0	2.9	2.7	2.5	1.9	140.6	2.6	2.7
Deficit in balance of goods and services	4.1	22.7	19.5	5.8	2.0	2.9	1.4	-0.5	-2.2	-11.2	-51.8	7.0	-2.5
Exports	19.9	9.7	11.8	15.8	15.8	16.8	16.9	17.2	18.0	23.3	63.9		
Imports	23.9	32.4	31.3	21.5	17.8	19.7	18.3	16.7	15.8	12.1	12.1		
Net current transfers (negative = inflow)	-14.3	-25.2	-1.2	-0.9	-1.9	-1.6	-1.3	-1.1	-0.9	-0.4	-0.4	-10.1	-1.0
of which: official	0.0	-3.0	-2.1	-9.2	-8.8	-8.8	-8.5	-7.5	-7.5	-7.7	-7.7		
Other current account flows (negative = net inflow)	11.6	6.8	-14.1	0.3	2.8	1.7	2.9	4.2	5.6	13.5	192.8	5.7	6.1
Net FDI (negative = inflow)	-4.2	-10.7	-12.8	-5.0	-3.9	-5.1	-5.0	-4.5	-4.3	-3.3	-74.1	-5.5	-4.2
Endogenous debt dynamics 2/	-2.2	0.7	-3.7	-1.0	-1.2	-1.4	-1.4	-1.3	-1.5	0.3	0.3		
Contribution from nominal interest rate	0.7	0.5	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3		
Contribution from real GDP growth	-2.1	-0.2	-1.7	-1.7	-1.7	-1.8	-1.8	-1.7	-1.9	0.0	0.0		
Contribution from price and exchange rate changes	-0.8	0.4	-2.5	...	...	...	...	...	...	...	...		
Residual 3/	6.0	12.9	17.1	-4.1	-1.4	3.7	-0.3	-0.8	0.4	0.8	-66.7	-20.9	0.0
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	36.9	33.0	30.4	30.5	27.7	25.1	23.3	16.0	14.7		
PV of PPG external debt-to-exports ratio	...	...	312.1	209.1	191.9	181.8	164.1	146.3	129.6	68.5	23.1		
PPG debt service-to-exports ratio	12.4	22.3	15.0	30.5	20.3	11.1	15.6	15.7	15.0	8.1	2.4		
PPG debt service-to-revenue ratio	19.6	19.5	12.8	37.2	22.1	12.5	17.3	17.4	17.1	3.7	1.1		
Gross external financing need (Million of U.S. dollars)	-5.4	-76.8	-136.4	141.2	87.5	-6.5	16.9	25.5	30.2	21.7	2917.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.2	0.6	4.3	3.8	4.3	4.6	4.8	4.9	5.9	0.0	0.0	18.8	4.7
GDP deflator in US dollar terms (change in percent)	2.2	-1.1	5.8	8.3	5.9	0.0	5.1	4.2	0.2	0.0	0.0	-9.2	2.5
Effective interest rate (percent) 4/	2.0	1.4	1.3	1.4	1.3	1.1	1.1	1.1	1.2	1.4	1.4	1.4	1.3
Growth of exports of G&S (US dollar terms, in percent)	-0.6	-51.2	33.8	50.0	11.0	11.0	11.0	11.0	11.0	11.0	0.0	-7.0	14.5
Growth of imports of G&S (US dollar terms, in percent)	-10.8	34.8	6.3	-22.6	-8.5	15.4	2.4	0.0	0.0	0.0	0.0	2.2	-1.2
Grant element of new public sector borrowing (in percent)	...	...	...	35.0	35.2	35.3	35.1	34.9	34.9	34.9	34.9	...	35.0
Government revenues (excluding grants, in percent of GDP)	12.5	11.1	13.9	12.9	14.5	14.9	15.2	15.5	15.7	51.2	142.0	13.8	18.7
Aid flows (in Million of US dollars) 5/	134.5	152.9	42.4	246.2	272.0	278.0	277.8	269.2	284.0	39.5	36.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.2	10.0	9.9	9.2	8.1	8.1	0.5	0.5	...	8.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	84.5	81.9	83.8	87.6	87.4	88.0	39.1	35.6	...	82.9
Nominal GDP (Million of US dollars)	1,814	1,805	1,990	2,237	2,472	2,587	2,851	3,114	3,304	4,289	4,289		
Nominal dollar GDP growth	8.6	-0.5	10.3	12.4	10.5	4.7	10.2	9.3	6.1	0.0	0.0	-5.6	7.3
Memorandum items:													
PV of external debt 7/	...	...	36.9	33.0	30.4	30.5	27.7	25.1	23.3	16.0	14.7		
In percent of exports	...	...	312.1	209.1	191.9	181.8	164.1	146.3	129.6	68.5	23.1		
Total external debt service-to-exports ratio	12.4	22.3	15.0	30.5	20.3	11.1	15.6	15.7	15.0	8.1	2.4		
PV of PPG external debt (in Million of US dollars)			733.3	737.2	751.0	789.8	791.0	782.9	769.6	685.7	632.4		
(PVt-PVt-1)/GDPt-1 (in percent)				0.2	0.6	1.6	0.0	-0.3	-0.4	-0.2	0.1		
Non-interest current account deficit that stabilizes debt ratio	0.4	-2.9	-0.6	10.2	6.4	2.9	6.6	6.7	5.3	2.2	140.5		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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

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

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

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

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

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

Table 4. Gambia, The: Sensitivity Analysis for Key Indicators of Public Debt , 2022-2032

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	PV of Debt-to-GDP Ratio										
Baseline	**67**	**61**	**60**	**55**	50	45	36	27	18	9	1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**67**	**56**	47	39	32	27	22	18	14	11	8
B. Bound Tests											
B1. Real GDP growth	**67**	**182**	**558**	**612**	**665**	**712**	**738**	**763**	**785**	**805**	**917**
B2. Primary balance	**67**	**66**	**69**	**64**	**59**	53	44	35	26	17	9
B3. Exports	**67**	**67**	**75**	**69**	**64**	**58**	49	39	29	19	11
B4. Other flows 3/	**67**	**69**	**75**	**69**	**64**	**58**	49	39	29	19	11
B5. Depreciation	**67**	**68**	**65**	**59**	52	46	37	27	18	8	-1
B6. Combination of B1-B5	**67**	**80**	**101**	**100**	**101**	**100**	**94**	**87**	**79**	**70**	**70**
C. Tailored Tests											
C1. Combined contingent liabilities	**67**	**68**	**66**	**61**	**56**	51	42	33	24	15	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	303	247	238	219	204	180	143	105	70	35	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	303	233	202	174	151	126	104	84	68	54	33
B. Bound Tests											
B1. Real GDP growth	303	470	730	825	978	1,042	1,069	1,087	1,105	1,120	3,444
B2. Primary balance	303	266	272	253	239	213	174	135	99	63	33
B3. Exports	303	271	297	275	259	233	194	153	113	75	42
B4. Other flows 3/	303	277	296	275	259	232	193	152	112	74	42
B5. Depreciation	303	280	264	239	219	189	149	108	69	33	(2)
B6. Combination of B1-B5	303	297	329	328	346	339	314	284	255	226	269
C. Tailored Tests											
C1. Combined contingent liabilities	303	274	263	244	229	204	166	127	91	56	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	115	88	85	80	84	82	72	55	39	24	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	115	82	72	63	61	54	46	37	30	24	14
B. Bound Tests											
B1. Real GDP growth	115	145	237	283	374	425	449	454	457	457	1,310
B2. Primary balance	115	88	95	96	99	99	86	67	51	35	20
B3. Exports	115	88	86	81	85	83	73	57	43	27	13
B4. Other flows 3/	115	88	86	81	85	83	73	58	43	27	12
B5. Depreciation	115	86	84	79	84	81	72	56	41	26	11
B6. Combination of B1-B5	115	101	114	108	133	142	144	135	125	114	130
C. Tailored Tests											
C1. Combined contingent liabilities	115	88	100	89	97	94	81	64	48	31	16
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

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

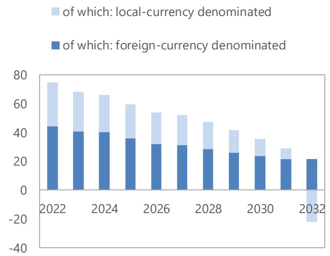
3/ Includes official and private transfers and FDI.

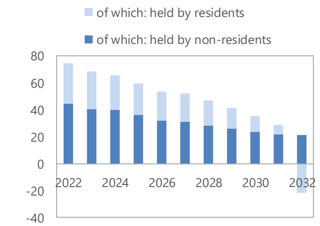
Table 2. Gambia, The: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019-2042
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	**74.4**	**80.5**	**84.1**	**74.4**	**68.2**	**65.7**	**59.5**	**53.5**	**52.0**	**-0.5**	**-1028.2**	**66.6**	**47.8**
of which: external debt	**37.9**	**45.1**	**49.3**	**44.3**	**40.4**	**40.0**	**36.0**	**31.9**	**30.9**	**21.3**	**20.0**	**37.6**	**31.3**
Change in public sector debt	-2.9	6.1	3.6	-9.7	-6.2	-2.5	-6.2	-6.1	-1.5	-29.3	-198.6		
Identified debt-creating flows	**-3.3**	**4.1**	**-3.8**	**-9.6**	**-6.1**	**-2.4**	**-6.0**	**-5.8**	**-1.0**	**-29.2**	**-198.6**	**13.8**	**-7.4**
Primary deficit	**1.0**	**2.6**	**1.3**	**-0.8**	**-0.9**	**-1.4**	**-2.0**	**-2.5**	**-3.3**	**-31.1**	**-121.9**	**-0.7**	**-5.7**
Revenue and grants	19.9	19.6	15.8	22.5	20.6	21.2	21.2	20.6	21.9	51.3	142.1	**17.9**	**24.5**
of which: grants	7.4	8.5	2.1	9.1	8.6	8.5	8.1	7.1	7.5	0.1	0.0		
Primary (noninterest) expenditure	21.0	22.1	17.2	21.8	19.7	19.8	19.2	18.1	18.7	20.1	20.1	**17.3**	**18.8**
Automatic debt dynamics	**-4.3**	**1.5**	**-5.1**	**-6.8**	**-5.2**	**-1.0**	**-4.0**	**-3.3**	**2.3**	**1.9**	**-76.7**		
Contribution from interest rate/growth differential	-5.4	1.1	-6.0	-7.4	-5.8	-3.6	-4.4	-3.8	-0.8	2.7	-76.7		
of which: contribution from average real interest rate	-0.9	1.5	-2.7	-3.8	-1.8	0.3	-0.8	-0.7	2.0	1.7	-76.7		
of which: contribution from real GDP growth	-4.5	-0.4	-3.3	-3.6	-4.0	-3.9	-3.6	-3.1	-2.8	1.0	0.0		
Contribution from real exchange rate depreciation	1.1	0.4	0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**-2.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.2**
Privatization receipts (negative)	0.0	0.0	0.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**0.4**	**2.0**	**7.4**	**0.4**	**0.5**	**2.5**	**0.2**	**0.2**	**2.6**	**-0.8**	**0.0**	**-8.0**	**0.8**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**71.7**	**63.3**	**58.1**	**56.0**	**51.1**	**46.1**	**44.9**	**-5.5**	**-1033.1**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**452.7**	**280.9**	**281.9**	**264.8**	**241.3**	**223.8**	**204.5**	**-10.7**	**-727.3**		
Debt service-to-revenue and grants ratio 3/	**29.3**	**27.6**	**29.8**	**111.1**	**94.8**	**92.2**	**86.4**	**90.5**	**89.2**	**21.6**	**-305.4**		
Gross financing need 4/	6.9	8.0	6.1	22.3	18.6	18.2	16.3	16.1	16.3	-20.1	-555.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.2	0.6	4.3	4.5	5.7	6.1	5.8	5.5	5.5	-3.5	0.0	**18.8**	**4.7**
Average nominal interest rate on external debt (in percent)	2.1	1.4	1.3	1.5	1.4	1.1	1.1	1.2	1.2	1.4	1.5	**1.4**	**1.3**
Average real interest rate on domestic debt (in percent)	1.3	5.0	-0.2	-2.7	1.9	8.0	3.2	5.2	16.3	18.3	9.1	**11.3**	**9.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	3.3	1.1	2.1	...	...	...	...	...	...	...	...	**382.2**	**...**
Inflation rate (GDP deflator, in percent)	6.3	2.2	7.8	8.4	6.5	0.9	6.4	5.3	-4.3	3.6	0.0	**5.0**	**2.8**
Growth of real primary spending (deflated by GDP deflator, in percent)	19.7	6.3	-19.1	32.3	-4.4	6.8	2.5	-0.4	8.7	15.5	0.0	**15.6**	**6.6**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.9	-3.5	-2.3	8.9	5.3	1.1	4.2	3.6	-1.8	-1.9	76.7	**-0.6**	**2.0**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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