MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

Annual Public Debt Bulletin 2015

Directorate of Debt Management and Economic Cooperation

Contents

FORWARD

Public debt management is the cornerstone for sound macroeconomic management and financial governance which underpins Government's efforts in promoting accountability and transparency. In line with Government's priorities, the objective of debt management is to finance Government's borrowing requirements at minimal costs with acceptable risks.

The Annual Public Debt bulletin entails detailed information on the status and general developments of Gambia's public debt. The country's public debt consists of both domestic and external components.

The publication and dissemination of the Annual Public Debt Bulletin vindicates Government's commitment to providing timely and accurate public debt information to all stakeholders.

The debt level in the Gambia is $935.95 Million. The domestic debt constitutes 54% of the total debt portfolio which is mostly on the short term instruments. On the external front, the debt contracted are highly concessional, however with the depreciation of the dalasi against major trading currency, the gains realized due to low cost of the external debt would be eroded by serious exchange rate risk on the entire debt portfolio.

I would like to thank the Directorate of Loans and Debt Management (DLDM), Central Bank of the Gambia, Accountant General Department, Gambia Revenue Authority, and Gambia Bureau of Statistics together with other stakeholders for the painstaking effort made to produce this document.

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Hon. Abdou Kolley
Minister of Finance and Economic Affairs

I. INTRODUCTION

The macroeconomic development for the year under review is also examined. The recent Gambia Bureau of Statistics estimate of real economic growth is projected at 4.7 percent premised on a strong rebound of the tourism sector and good agricultural produce in 2015. Real GDP growth in 2014 contracted to 0.9 percent compared to the growth of 4.6 percent and 5.9 percent in the preceding two years. The slowdown in economic activities in 2014 was marred by exogenous shocks as well as domestic policy challenges. The decline in agricultural production due to erratic weather did not only slowdown growth but threatened food security. The spillover effects of the Ebola epidemic in the sub-region led to decline in tourism and related activities as well as cross-border trade. The combine effects of the shocks exacerbated by large fiscal policy slippages, widened balance of payments account deficits.

Price developments in 2015 indicated a declining trend in all major indicators. The latest release by the Gambia Bureau of Statistics (GBoS) puts headline inflation at 6.67 percent in December 2015, down slightly from 6.92 percent a year earlier but higher than the yearly target of 5.0 percent. The downward trend in headline inflation was mainly due to subdued inflation. Food inflation declined to 7.63 percent in end-December 2015 from 8.43 percent a year ago. However, non-food inflation increased to 5.25 percent from 4.83 percent for the same period. Core Inflation stood at 6.68 percent in December 2015 compared to 6.90 percent in December 2014, reflecting moderation.

II. NEW DEVELOPMENTS (2015) IN PUBLIC DEBT MANAGEMENT

2.1 Contingent Liability Survey

Budget credibility is always an important task for Governments and the crystallization of some risks can result to marked difference between budgeted and actual expenditures. Guarantees and On-Lending are great sources of such potential risks which would have a significant effect on the budget.

The Government through the support of the Institutional Support Project conducted a survey of Public Enterprises performance involving 13 (thirteen) Public Enterprises. The assessment involved the profit and loss accounts of these enterprises during the period 2010 to 2013. Though income increased from D 3.8 billion in 2010 to D 6.4 billion in 2013, over the same period post tax losses increased from D 0.3 billion to D 1.7 billion. This reflects an increase in losses from approximately 1 percent of GDP in 2010 to 5 percent of GDP in 2013.

2.2 Domestic Debt Market Development Survey

Governments have the choice between borrowing externally or domestically. Borrowing externally is cheaper but with higher risk. However, borrowing domestically is more expensive but comes with limited risk. In a typical developing economy, the development of the domestic financial market plays a key role in its overall economic development. The Government through the support of the Institutional Support Project conducted a Domestic Debt Market Development survey to gauge the readiness of the financial market to take on longer term debt instruments.

From the Investors perspective, the introduction of longer term debt instrument in the domestic debt market can be successful however, some concerns were raised including among others; asset/liability mismatches, pricing and expected yields, secondary market trading opportunities, commissions and incentives for investors, proper legal framework , compliance and consistent information. Since the new potential product will be a Bond, investors are keen that training and capacity building in several aspects of bond market is required.

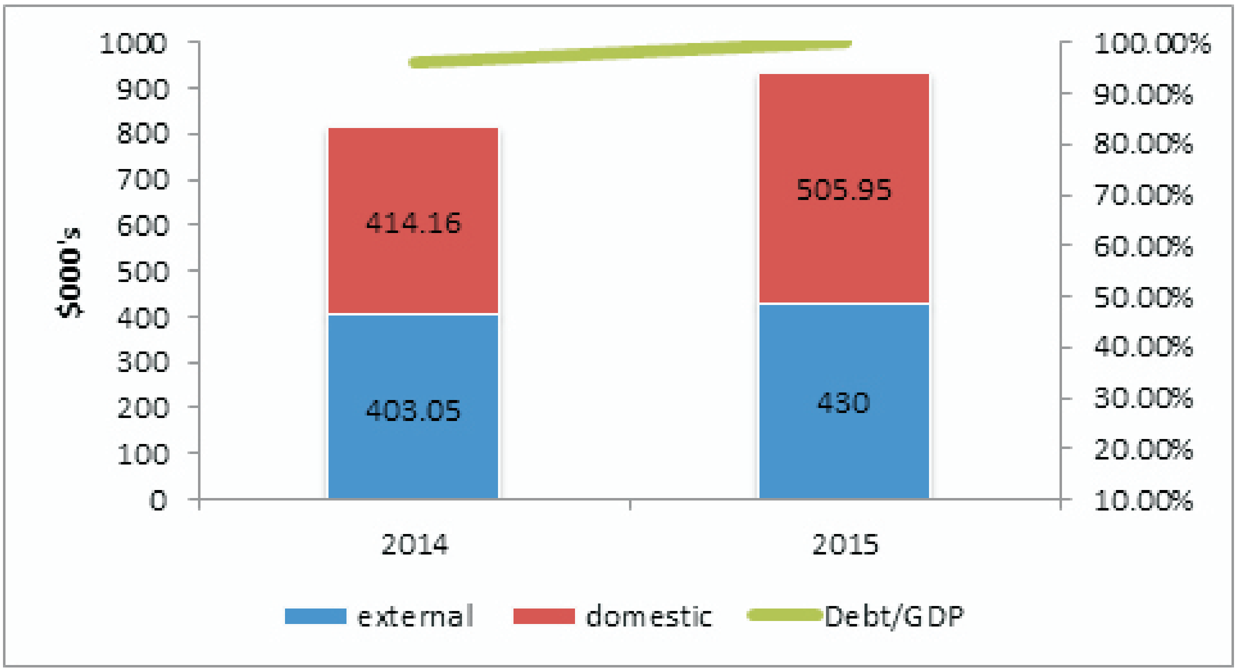
III. TOTAL PUBLIC DEBT

The Republic of The Gambia's public and publicly guaranteed debt increased from $ 817 Million or 96 per cent of GDP as at end of 2014 to $935.95 Million or 100 per cent of GDP as at end 2015. External debt rose from $403.05 Million to $430 Million over the period under review. Correspondingly, Domestic debt has also risen from $414.16 Million or 49 per cent of GDP in 2014 to $505.95 Million or 54 per cent of GDP in 2015. As a percentage of GDP, external Debt decreased from 47 per cent to 46 per cent over the period. The share of domestic debt has increased from 51 per cent to 54 per cent as shown in the Table 1.1 while external debt decreased from 49 per cent to 46 per cent. The External debt portfolio consists mainly of concessional multilateral and bilateral loans. For the past two years, total debt has been increasing both for external and domestic debt in nominal terms

Table 1.1

	2014 (Millions)	**2015 (Millions)**	**Variances 2014/2015**
Total Public Debt	**$817.21** GMD 37,003	**$935.95** GMD 37, 223	**$118.74** GMD 220
External Debt	**$403.05** GMD 18,250	**$430.00** GMD 17, 101	**$36. 95** (GMD 1, 149)
Domestic Debt	**$414.16** GMD 18, 753	**$505.95** GMD 20, 122	**$91.79** GMD 1, 369
Gross Domestic Product (Nominal)	**$853.31** GMD 36,274.21	**$938.80** GMD 39,908.38	**$85.49** (GMD 3, 634)

Chart 1.1



IV. TOTAL DEBT SERVICE

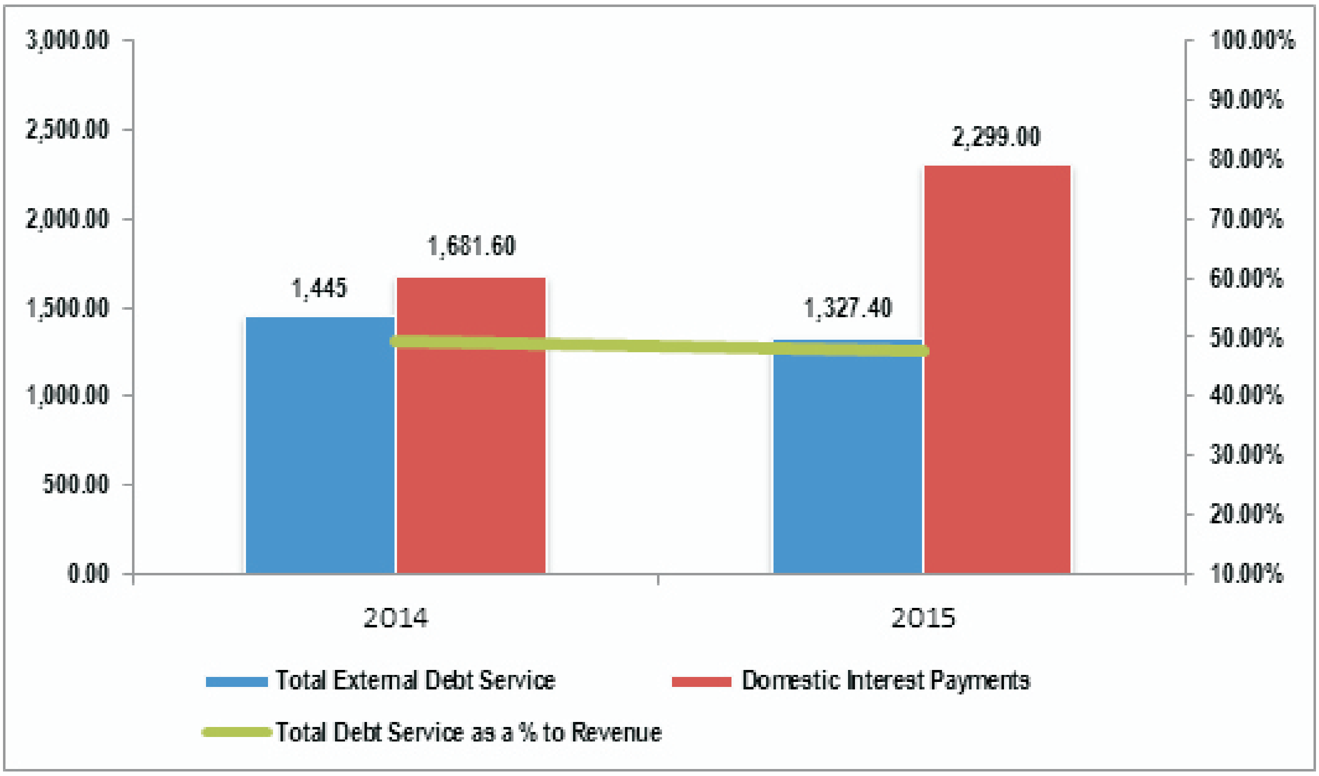
Total Debt Service increased by 16 per cent from GMD 3.12 billion in 2014 to 3.62 billion in 2015 as shown in Table 1.2 and Chart 1.2. Debt service on both domestic and external debt increased by GMD 617.4 million and GMD 117 million respectively. The increase in domestic debt service was attributed to the high interest rates in the domestic market.

As a proportion of total debt service, the external component declined from 46 per cent to 36.6 per cent while the domestic portion increased from 54 per cent to 63.3 per cent in 2014 and 2015 respectively. This indicates that the structure of Central Government external debt service remained relatively unchanged whereas, the domestic debt service has increased significantly.

Table 1.2

	2014 (Millions)	2015 (Millions)	Variance 2014/2015
External Principal Payments	GMD 1,232.0	GMD 957.63	(GMD 274.37)
External Interest Payments	GMD 213.0	GMD 369.77	GMD 156.77
Total External Debt Service **% of Total Debt Service**	**GMD 1,445** **46%**	**GMD 1,327.40** **36.6%**	**GMD 117.6** **(9.4%)**
Domestic Interest Payments **% of Total Debt Service**	**GMD 1,681.6** **54%**	**GMD 2,299.0** **63.3%**	**GMD 617.4** **9.3%**
Total Debt Service **% +/-**	**GMD 3, 126.6**	**GMD 3, 626.4**	**GMD 499.8** **16%**
Revenue (excluding grants)	**GMD 6,326.5**	**GMD 7,583.3**	**GMD 1,256.8**
Total Debt Service as a % to Revenue	**49.4%**	**47.8%**	**1.6 %**

Chart 1.2



Total Debt Service as a percentage of revenue (excluding grants) decreased by 1.6 per cent from 49.4 per cent to 47.8 per cent over the period under reviewed. The slight decrease of the Total Debt Service as a percentage of revenue is as a result of an increase of 20 per cent in the total revenue (excluding grants) collected in 2015.

V. DOMESTIC DEBT

Domestic Debt Stock

The Domestic debt stock comprise of Treasury Bills, Sukuk Al-Salaam, Bonds and Advances. The total outstanding domestic debt as at end 2015 stood at GMD 22.58 billion compared to GMD18.75 billion as at end 2014. The year on year growth was GMD3.83 billion equivalent to 12.4 percent between 2014 and 2015. This increase was mainly attributed to an overdrawn account as at end of year 2015 amounting to GMD 2,459.14 million compared to a positive account balance in 2014.

Table 2.1

Type of Debt	2014 % in Total Debt	2014 Amount Outstanding (GMD Millions)	2015 % of Total Debt	2015 Amount Outstanding (GMD Millions)	Variance (GMD Millions)
Interest Bearing Debt					
Marketable:					
Treasury Bills	96.10%	14,651.80	96.26%	15,285.21	633.45
Sukuk Al-Salaam	3.90%	594.43	3.74%	594.55	0.12
Total Marketable	100.00%	**15,246.20**	100.00%	**15,879.76**	**633.57**
Non Marketable:					
6.5% 30 Year Gov't Bond	45.10%	1,581.64	35.85%	1,520.80	-60.84
6% 10 Year Gov't Bond	3.57%	125.07	2.46%	104.23	-20.85
5% Gov't Bond	7.13%	250.00	5.89%	250.00	0.00
20-Yr.Gov't Bond	0.00%	0.00	46.02%	1,951.90	1,951.90
Special Advance to Government	44.20%	1,550.23	0.00%	0.00	-1,550.23
Advance to Government - Spec. Cre. Faci.	0.00%	0.00	9.78%	414.82	414.82
Total Non Marketable		**3,506.95**		**4,241.74**	**734.80**
Overdraft					
Special Deposit - T/Bills (overdrawn)		0.00		2,459.14	2,459.14
Special Deposit - SAS Bills (overdrawn)		0.00		0.00	0.00
Treasury Main A/c Net		0.00		0.00	0.00
Total Overdrawn		**0.00**		**2,459.14**	**2,459.14**
Total Outstanding Domestic Debt		**18,753.14**		**22,580.64**	**3,827.50**

Debt Stock by Instrument

The stock of outstanding Treasury Bills increased by 4.3 percent from GMD 14.651.80 billion in 2014 to GMD 15.285.21 billion in 2015 while Sukuk Al-Salaam remained unchanged, as shown in Table 2.1. Consequently, the proportion of marketable instruments which comprises of both Treasury Bills and Sukuk Al-salaam increased from GMD 15.246.20 billion to GMD 15, 879.76 million and Non Marketable instruments including Bonds and Advances increased from GMD 3,506.95 million to GMD 4, 241.74 million in the year 2014 and 2015. The is a result of the overdraft facility which accounts of 11 per cent of the Total Outstanding debt in the year under reviewed as shown in Charts 2.1 and 2.2.

Chart 2.1

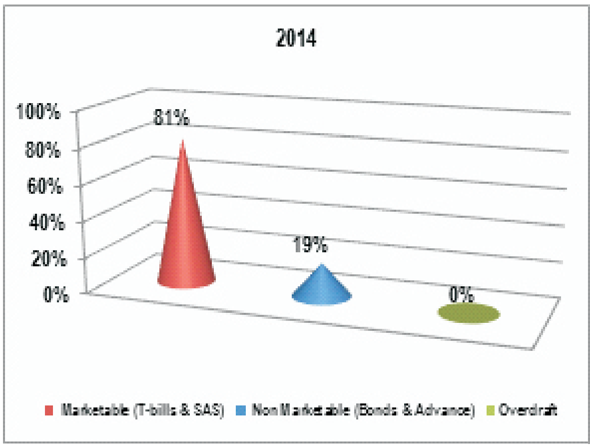
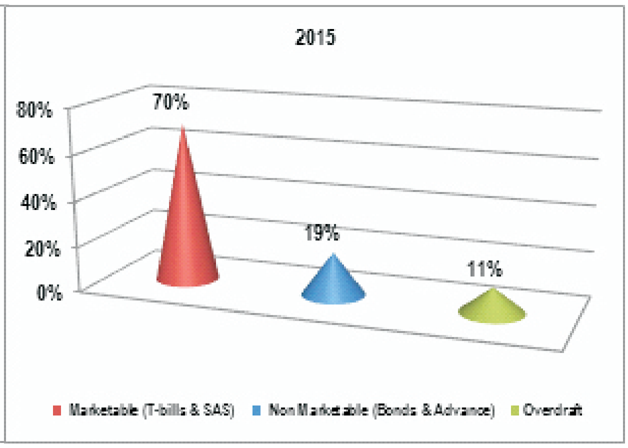


Chart 2.2



Domestic Debt Stock by Holder

The Central Bank holdings of the domestic outstanding debt stock increased by 14 per cent from GMD 6, 986.95 Million in 2014 to GMD 7.965.88 billion in 2015, whilst the commercial banking holding increased significantly by 23.2 per cent from GMD 8,803.77 Million to GMD 10, 845.65 million and the non-bank investors being the smallest stock holder also increased significantly by 27 per cent from GMD 2,962.43 million to GMD 3,769.11 million in the respective years under reviewed as shown in Table 2.2. The commercial bank still remained the largest holders among all investor categories with a share of 48.03 per cent in 2015 compared to 46.95 per cent in 2014. However, the share of domestic debt held by central bank decreased by 1.98 per cent from 37.26 percent in 2014 to 35.28 percent in 2015.

Table 2.2

Holder	2014 GMD (Millions)	% of Total	2015 GMD (Millions)	% of Total	Variance GMD (Millions)
Central Bank	6,986.95	37.26	7,965.88	35.28	978.94
Commercial Bank	8,803.77	46.95	10,845.65	48.03	2,041.88
Non Bank	2,962.43	15.80	3,769.11	16.69	806.69
Total	**18,753.14**	**100.00**	**22,580.64**	**100.00**	**3,827.50**

VI. EXTERNAL DEBT

Total External Debt Stock

Total external debt increased from USD394.07 million in 2014 to USD430.3 million in 2015 as shown in Table 3.1. On net basis, the external debt stock increased by USD36.23 million mainly due to the improved level of disbursement from the Multilateral Creditors during the financial year.. At the end of the year 2015, The Gambia's external debt portfolio shows that the debt was mainly owed to multilateral (70.1 per cent) and bilateral (29.9 per cent) as shown in Table 3.1. This structure remained unchanged over the period under review.

Table 3.1

Creditor	2014 USD (Millions)	2015 USD (Millions)	Variance USD (Millions)
Bilateral % of Total	117.81 29.9%	117.7 27.4%	(0.11)
Multilateral % of Total	276.26 70.1%	312.6 72.6%	36.34
Total External Public Debt	**394.07**	**430.3**	**36.23**

External Debt Stock by Creditor and Creditor Category

Bilateral creditors consist of 27.4 per cent of the total debt portfolio as at end 2015. The Kuwait fund for Arab Economic Development holds the largest share of bilateral debt with 24.58 per cent followed by Export- Import Bank of India with a share of 22.24 per cent and Saudi Fund for Development with a share of 20.46 per cent. The Bilateral Portfolio also includes Erste Bank (Girocredit), Republic of China (Taiwan), Libyan Arab Jamahiriy and Abu Dhabi Fund for Arab Economic Development

The major creditors to the Gambia are multilateral creditors. The Islamic Development Bank (IDB) is the leading multilateral creditor in the external debt portfolio with 33.88 per cent of total multilateral external debt, followed by The International Development Association, World Bank (IDA) with 16.44 per cent and thereafter Arab Bank for Economic Development in Africa with 12.82 per cent as shown in the Chart 3.3. Among other Multilateral creditors are African Development Bank, International Fund for Agricultural Development, OPEC fund for International Development, and the Ecowas Bank for International Development.

Chart 3.1

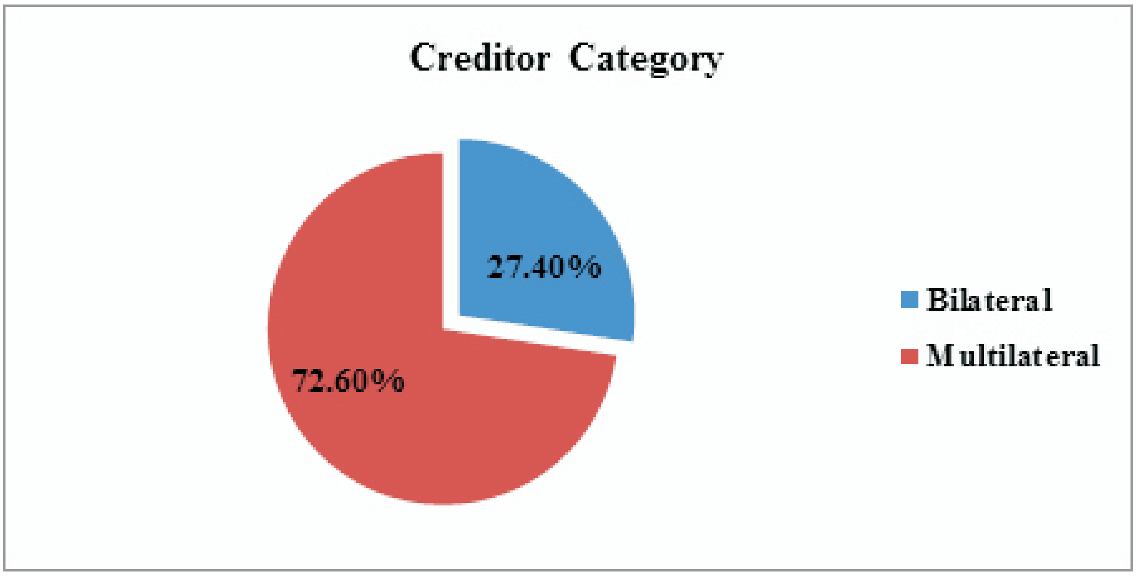
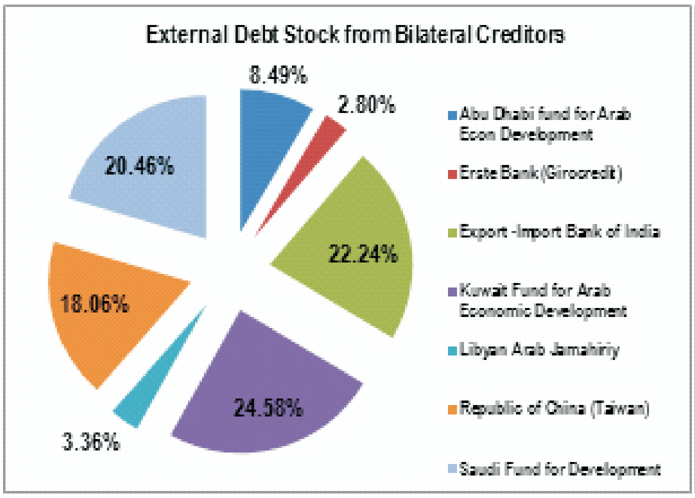
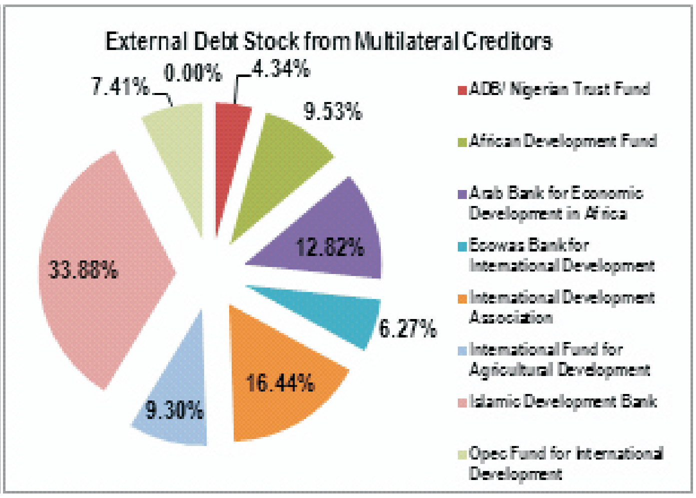


Chart 3.2 Chart 3.3

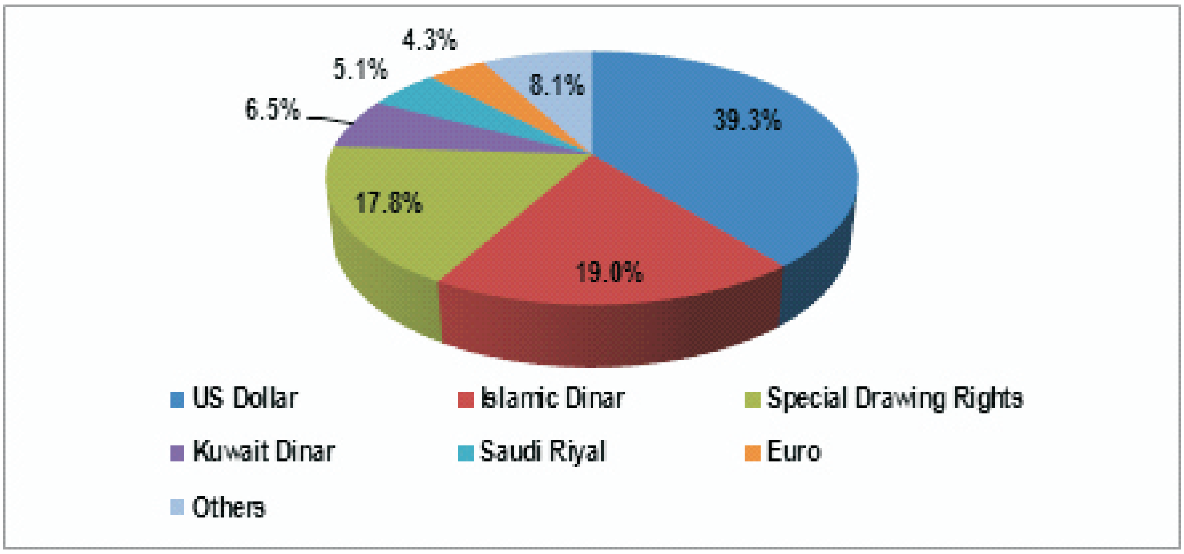




Currency composition of External Debt

A diversified currency structure is important for hedging against exchange rate risks on a country's external debt. The Gambia's external debt portfolio is mainly denominated in US Dollar, and as shown in chart 3.4.

Chart 3.4



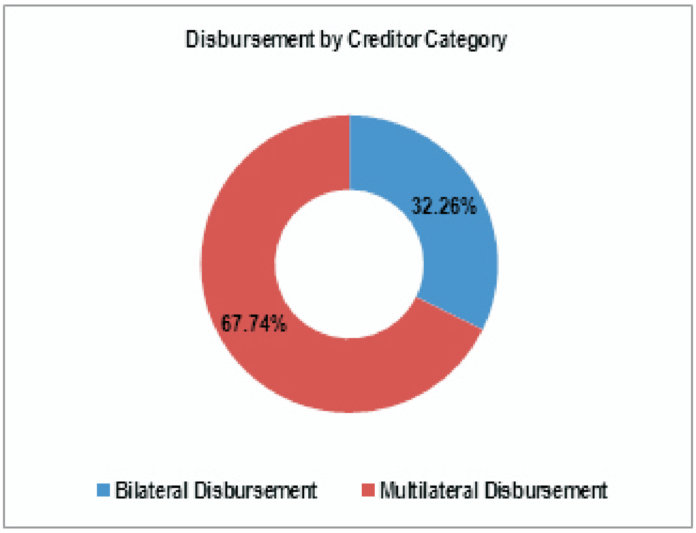
Disbursement

The total disbursements on external loans increased by USD 33.5 million; from USD24.22 million in 2014 to USD57.72 million in 2015 as shown in Table 3.4. Of the total the multilateral disbursements accounted for USD 22.97 million of the increment whilst bilateral accounted for the remaining USD 10.55 million.

Table 3.2

Creditor Category	2014 USD (Millions)	2015 USD (Millions)	Variance USD (Millions)
Bilateral Disbursement	8.07	18.62	10.55
Multilateral Disbursement	16.13	39.1	22.97
Total Disbursement	**24.22**	**57.72**	**33.5**

Chart 3.5



External Net Flows and Transfers

In 2015, net flows improved significantly from negative US5.3 Million in 2014 to US 33.62 Million. Disbursements have increased by 138 per cent over the year under reviewed. The table below shows that disbursement of US$ 57.72 Million was higher than external principal payments of US 24.1Million by US 33.62 Million in 2015. The net transfers showed a positive balance of US 24.32 Million after Interest payments of US 9.3 Million were deducted from the Net Flows. To restructure

Table 3.3

	2014	2015
Disbursement (A)	24.22	57.72
Principal Repayment (B)	29.5	24.1
Net Flows on Debt (C) = (A-B)	**-5.3**	**33.62**
Interest Payments (D)	5.2	9.3
Net Transfers on Debt (E) = (C-D)	0.1	**24.32**

VII. COST AND RISK ANALYSIS

The nominal debt and the PV of debt as percentages of GDP still remains a concern-. As at end 2015 both indicators recorded 93.15 per cent and 79.23 per cent respectively. The weighted interest rate on the external debt portfolio is at 1.76%, whereas the domestic money market rate is at 13.4 per cent, the external rate has been steady whereas the weighted average of interest rate on the domestic debt increase by 1.5 per cent

The average time to maturity (ATM) of the external debt portfolio is 9.74 years, whereas that of the domestic debt portfolio is 2.62 years. The enhancement in the ATM of the external debt is largely due to sources of financing from limited to only Multilateral and bilateral creditors. This shows that the external debt portfolio is less risky compared to the domestic debt portfolio. On the other hand, the domestic debt portfolio poses a grave rollover risk having ATM of only 2.6 years. This is due to fact that most domestic instruments are one year tenure. Average time to re-fixing (ATR) is indicating the interest rate exposure is the same compared to the ATM for the domestic debt portfolio of 2.62 years. This is as a result of the insignificant presence of variable rates in the Domestic Debt market. However, for the external debt portfolio the ATR was 9.5 years.

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of GMD)		17083.07	20086.22	**37169.28**
Amount (in millions of USD)		430.30	505.95	**936.25**
Nominal debt as % GDP		42.81	50.34	**93.15**
PV as % of GDP		32.16	47.07	**79.23**
Cost of debt	Interest payment as % GDP	0.75	6.31	**7.06**
	Weighted Av. IR (%)	1.76	13.40	**7.85**
Refinancing risk	ATM (years)	9.74	2.62	**6.04**
	Debt maturing in 1yr (% of total)	6.22	78.47	**43.82**
	Debt maturing in 1yr (% of GDP)	2.66	36.45	**39.11**
Interest rate risk	ATR (years)	9.50	2.62	**5.92**
	Debt refixing in 1yr (% of total)	10.61	78.47	**45.92**
	Fixed rate debt (% of total)	95.19	100.00	**97.69**
FX risk	FX debt (% of total debt)			**47.96**
	ST FX debt (% of reserves)			**31.59**