2016 Public DEBT BULLETIN

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1. FORWARD

The Ministry of Finance and Economic Affairs (MoFEA) is mandated in *section* 51 of the Public Finance Act, 2014 to prepare and publish statistical bulletins of state debt and finance arrangements. Public Debt Statistical Bulletin is prepared by the Directorate of Loans and Debt Management (DLDM) at MoFEA on an annual basis to reflect the debt position of the country. The major objective of publishing the bulletin is to provide the public with the relevant external and domestic debt.

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 financing needs at the lowest possible cost consistent with a prudent degree of risk.

The debt level in the Gambia is $1.102 billion. Domestic debt constitutes 54 per cent of the 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 currencies, the gains realized due to low cost of the external debt would be eroded by high exchange rate risk on the entire debt portfolio.

I would like to thank the MoFEA team, most especially the DLDM, Central Bank of the Gambia, Accountant Generals Department, together with all other stakeholders for the painstaking effort made to produce this document.

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Abdoulie Jallow

Permanent Secretary, Ministry of Finance and Economic Affairs

1. INTRODUCTION

The publication of 2016 Public Debt Bulletin demonstrates Government's commitment to transparency and accountability with respect to public debt management. It aims at providing an account of Government's annual debt management operations, by providing information on country's debt stock; its debt service payments; composition and structure of the foreign and domestic debts; risks in the existing debt portfolio; and development in the domestic debt market.

This public debt bulletin presents the major public debt management activities that took place in 2016. It reports key data and ratios on the public debt portfolio and how those have been changing over the years.

3. RECENT MACROECONOMIC DEVELOPMENT

3.1. Major Economic Policy Targets

The Program for Accelerated Growth and Employment (PAGE) which is the country's medium term development strategy and investment program has been extended for an additional year to include 2016, to allow for the formulation of a successor program. The macroeconomic policy agenda for 2016 therefore continues to be; gradual fiscal adjustment to reduce interest costs and rollover risks, creation of fiscal space, tax and revenue administration reforms, strengthening public financial management with a focus on budget planning, execution and transparency, and spurring private sector development.

3.2. Real Sector

The Gambian economy grew by 2.2 per cent in 2016 compared to 4.3 per cent in 2015; this reflects low growth output in agriculture. The Agricultural sector, the major force of economic growth recorded 0.5 per cent in 2016 compared to 3.8 per cent in the preceding year. Furthermore, the low growth in agriculture has been the result of a contraction of 3.4 per cent in crop production in 2016. In addition, lower growth performance in livestock also contributed to the overall low growth in the agricultural sector, which eventually led to a significantly low growth in real GDP in 2016. This decline in overall economic growth can be also associated to the negative growth performances in the industrial sector.

In terms of sector contribution to GDP, agriculture accounted for 21 per cent of GDP in 2016 compared to 20 per cent in 2015, industry share to GDP declined by 1 per cent, settling at 14 per cent in 2016, compared to 15 per cent in 2015. Service sector continues to top the list, accounting for 66 per cent of GDP in 2016 compared to 65 per cent in 2015

Figure 1: Real GDP and Sectoral Growth rates 2005-2016

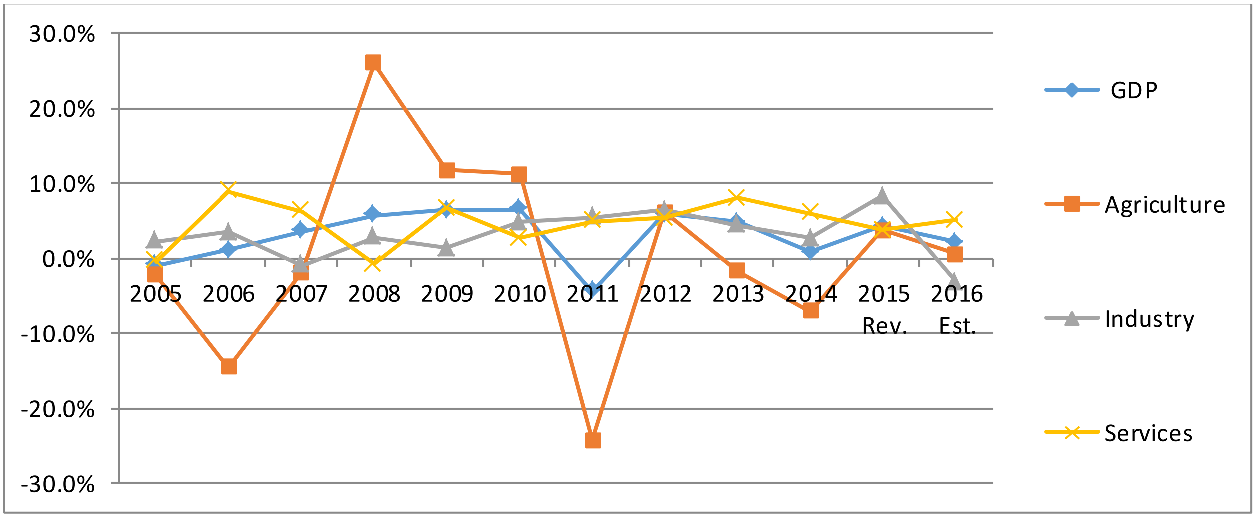
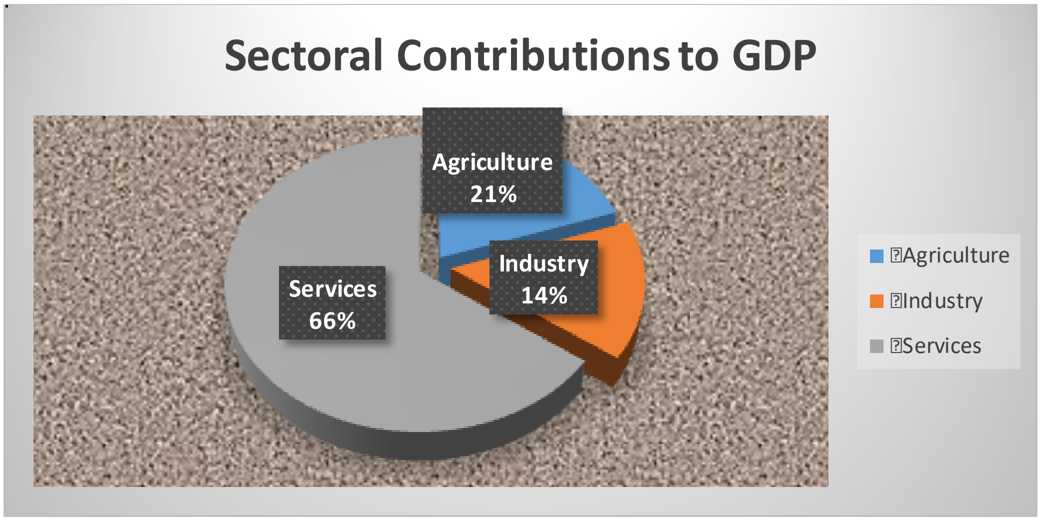


Figure 2: Sectoral Contribution to GDP

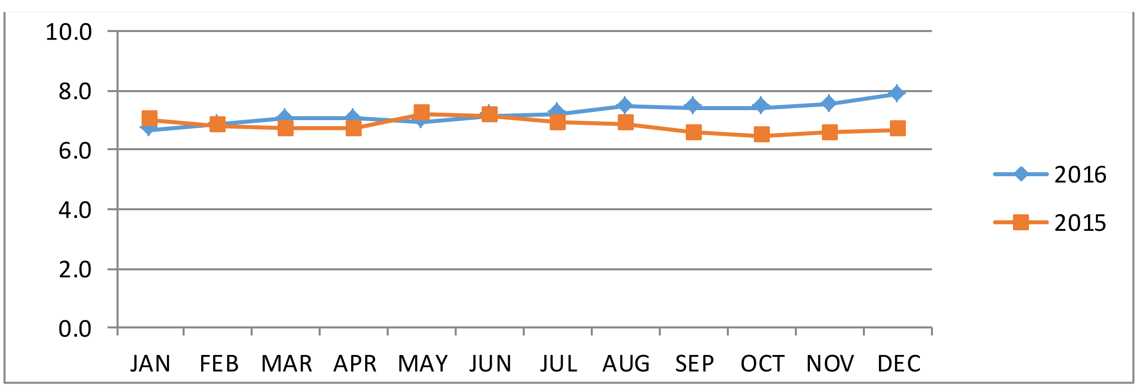


3.3. Prices and inflation

Inflation measured by the National Consumer Price Index (NCPI) reflects a marginal decline in inflation despites inflationary pressures during the twelve months of 2016, settling at 7.1 per cent compared to 7.2 per cent the same period in 2015. The pressure on inflation is mainly driven by the increase in consumer food inflation- the main driver of inflation in the economy and recent deterioration of the GMD against major trading currencies.

The overall annual inflation rate has to a large extent remained stable at 7.9 per cent (see figure 3 below) in both periods. However, this rate is still above the CBG target of 5.0 per cent as well as the ECOWAS convergence criteria target of 10.0 per cent

Figure 3: Overall Annual Inflation Rate



3.4. Public Finances

Government fiscal operations for 2016 resulted in an overall deficit, excluding grants of D4, 846.2 million (11.4 per cent of GDP) compared to an overall deficit, excluding grants of D3, 478.2 million (9.1 per cent of GDP) in 2015.

Revenue and grants in 2016 stood at D8, 354.32 million (19.7 per cent of GDP), a 0.14 percent increase over the outturn in 2015 which stood at D8, 342.95 million (21.9 per cent of GDP).

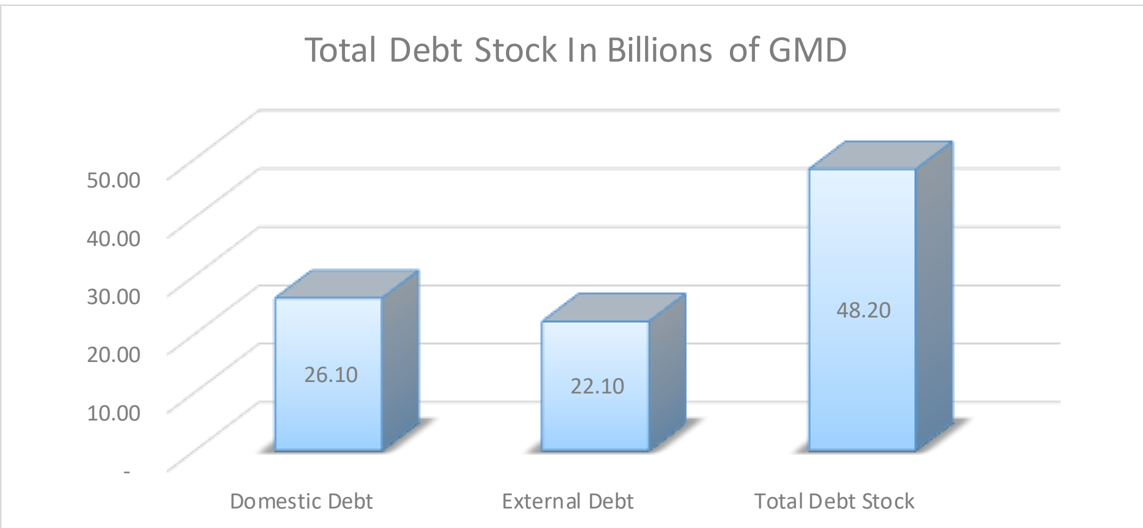
Revenue collected during 2016 amounted to D7, 646.7 million (18.0 per cent of GDP); of which tax revenue totaled D7, 014.42 million (16.6 per cent of GDP) and non-tax revenue of D632.3 million (1.5 per cent of GDP). This represents a 1.5 percent increase over the outturn in 2015 when revenue collection stood at D7, 536.1 million (19.8 per cent of GDP).

4. TOTAL DEBT PORTFOLIO ANALYSIS

4.1. Total Public Debt

The total public debt stock as at end 2016 stood at GMD 48.2 Billion equivalent to USD 1.102 Billion. Domestic debt stock dominates with 54 per cent of the total portfolio and the remaining 46 per cent on external debt. On a year to year basis, the total public debt stock increased from USD 935.95 which represent 100 per cent of GDP as at end 2015 to USD 1.102 Billion which represent 114 per cent of GDP in 2016. As a percentage of GDP, both domestic debt stock and external debt stock increased from 54 per cent and 46 per cent in 2015 to 62 and 52 per cent in 2016 respectively.

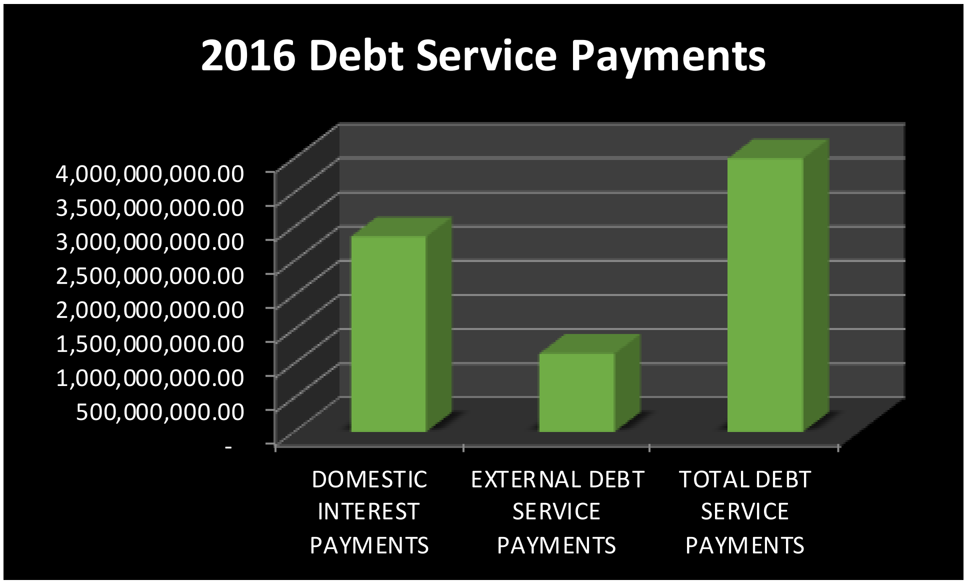
Figure 4: Total public debt stock



4.2. Total Debt Service

The total debt service payment for 2016 amounted to GMD 3.9 Billion, of which GMD 2.8 Billion is on Domestic Debt Service Payment and the remaining GMD 1.1 Billion on External Debt Service Payment.

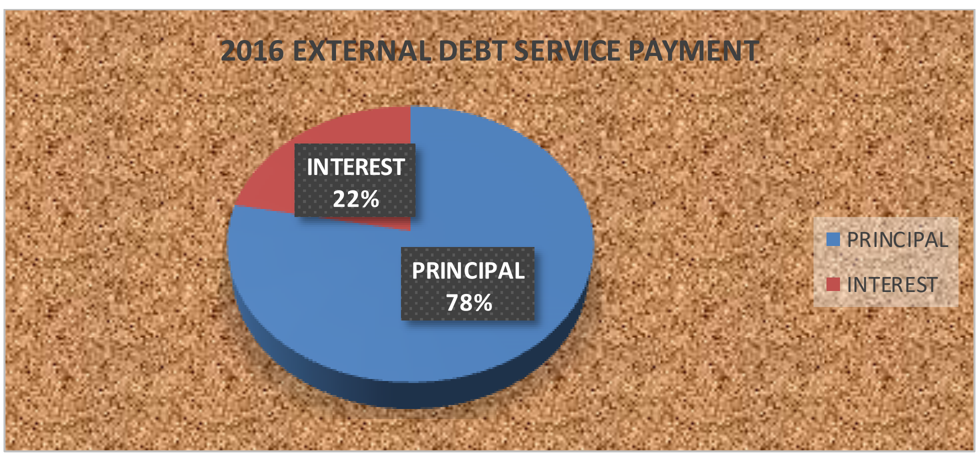
Figure 5: total debt servicing



4.2.1. External Debt Service Payment

Actual External debt service payment for the 2016 fiscal year amounted to GMD 1.1 Billion. Principal payment of GMD 956 Million representing 78 per cent of the total external debt service payment and the remaining GMD 268 Million on interest payments which represent 22 per cent respectively.

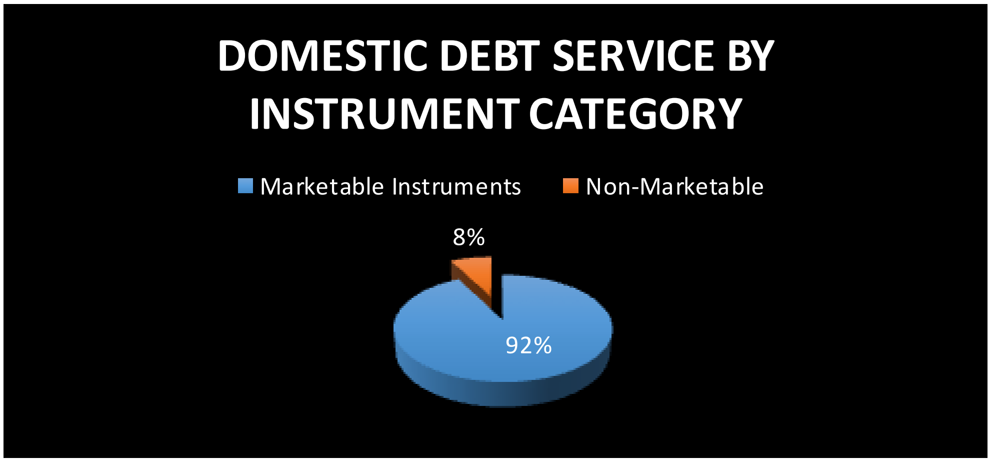
Figure 6 External debt servicing



4.2.2. Domestic Debt Service Payment

Actual domestic debt service payment for the fiscal year 2016 amounted to GMD 2.8 Billion. Marketable instruments (T/Bills & Sukuk) constituted GMD 2.6 Billion, which represent 92 per cent of the total domestic interest payment, and the remaining 8 per cent, which in absolute figure is GMD 214 Million on Non Marketable Instruments.

Figure 7 Domestic debt servicing



Total Debt Service increased by 9 per cent from GMD 3.63 billion in 2015 to 3.99 billion in 2016 as opposed to the 16 per cent increment from 2014 to 2015 fiscal year. Debt service on external debt decreased by 14 per cent, whereas the debt service on domestic debt increased by almost 15 per cent. 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 36.6 per cent to 22 per cent while the domestic portion increased from 63.3 per cent in 2015 to 78 per cent in 2016. This indicates a decline in external debt service payment for the past year whereas the debt service payment on domestic debt for the same period increased drastically.

Table 1

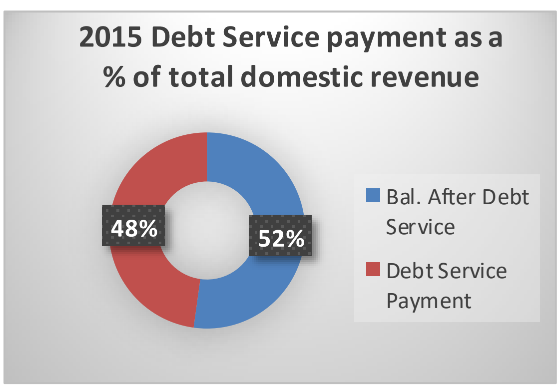
	2015 (Millions)	2016 (Millions)	Variance 2015/2016
External Principal Payments	GMD 957.63	GMD 956.98	GMD (182.65)
External Interest Payments	GMD 369.77	GMD 367.08	GMD (2.69)
Total External Debt Service % of Total Debt	36.60%	29%	-7.60%

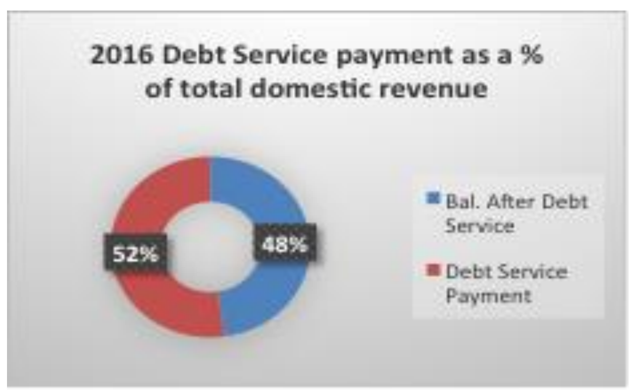
Service			
Domestic Interest Payments % of Total Debt Service	63.30%	71%	7.70%
Total Debt Service % +/-	GMD 3, 626.4	GMD 3, 996.79	GMD 370.39 10%
Revenue (excluding grants)	GMD 7,583.3	GMD 7,646.68	GMD 63.38
Total Debt Service as a % of Domestic Revenue	47.80%	52.27%	4.47%

4.2.3. Debt Service Payment as a Percentage of total domestic revenue

Total debt service as a percentage of total domestic revenue increase from 47.8 per cent in 2015 to 52.27 per cent in 2016 representing a 4.47 per cent increment. The percentage change in the proportion of debt service to revenue was as a result of an increase in debt service payment over the year from GMD 3.6 Billion to GMD 3.99 Billion while total revenue remains almost the same for 2015 and 2016.

Figure 8: Debt service as a % of total domestic Revenue

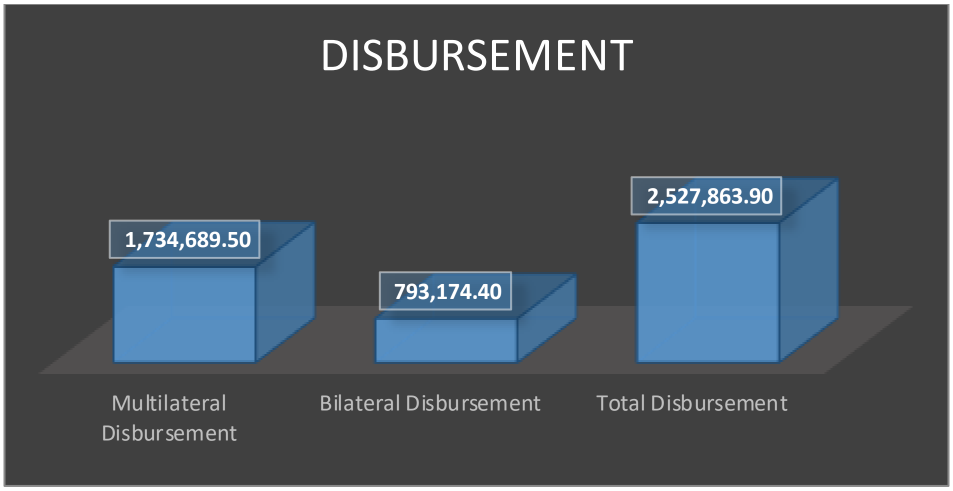




4.3. Total Loan Disbursement

The total loan Disbursement as at end 2016 stood at GMD 2.5 Billion equivalent to USD 57.75 Million. Out of the total disbursement for the year 69 per cent came from multilateral creditors and the remaining 31 per cent from bilateral creditors.

Figure 9: Total Loan Disbursement



4.3.1 Disbursement by creditor and creditor category

Multilateral Disbursement

Five Out of the Eight Multilateral creditors that form part of the total DOD disbursed in 2016. IDB top the list of disbursements from multilateral creditors followed by OFID, IDA, BADEA and then ADF.

Bilateral Disbursement

Four out of the eight bilateral creditors that from part of the DOD disbursed in 2016. Kuwait fund top the list of disbursement from bilateral creditors, followed by Abu Dhabi fund, Saudi Fund and then Exim Bank of India.

Figure 10: Disbursement from Multilateral Creditors

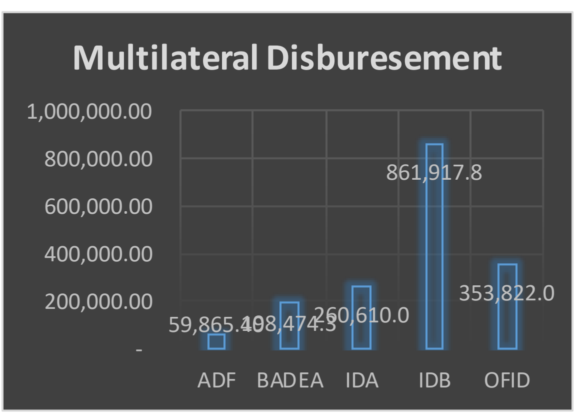
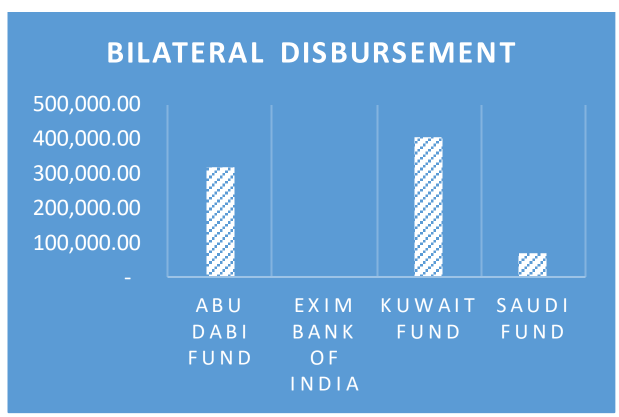


Figure 11: Disbursement from Bilateral Creditors



[1]5. DOMESTIC DEBT ANALYSIS

5.1. Domestic Debt Stock

The total domestic debt stock as at end 2016 stood at GMD 26.16 Billion compared to a corresponding amount of GMD 21.92 Billion as at end 2015. On a year-to-year basis, the total domestic debt increased by 19 per cent from 2015 to 2016. The huge increment in domestic debt stock over the year is mainly attributed to the high issuance of T-Bills to finance budget deficit coupled with the new 5% 30 year Government Bond signed in 2016. The stock of domestic debt comprises T-bill's, Sukuk Al-Salam and 5% 30 year Government Bond.

Table 2: Summary of outstanding Domestic Debt

SUMMARY OF OUTSTANDING DOMESTIC PUBLIC DEBT, 31 DECEMBER 2016 COMPARED TO 31 DECEMBER 2015					
Type of Debt	31 December 2015		31 December 2016		
	Share in Total Debt	Amount Outstanding(Dalasi)	Percentage of Total Debt	Amount Outstanding(Dalasi)	Variance (Dalasi)
Interest Bearing Debt					
Marketable:					
Treasury Bills	65.02%	14,250,210,000.00	54.57%	14,714,235,155.50	464,025,155.50
Sukuk Al-Salaam	2.71%	594,550,000.00	2.44%	658,906,089.50	64,356,089.50
Total Marketable	67.74%	14,844,760,000.00	57.02%	15,373,141,245.00	528,381,245.00
Non Marketable:					
6.5% 30 Year Gov't Bond	6.94%	1,520,800,000.00		0.00	(1,520,800,000.0)
6% 10 Year Gov't Bond	0.52%	114,652,023.59		0.00	-114,652,023.59
5% Gov't Bond	1.14%	250,000,000.00		0.00	-250,000,000.00
20-Yr.Gov't Bond	6.89%	1,510,658,716.52		0.00	(1,510,658,716.52)
5% 30 Year Gov't Bond	0.00%	0.00	42.07%	10,779,166,188.46	
Advance to Government - Rapid. Cre. Faci.	1.89%	414,817,200.00	1.27%		-73,257,200.00
Advance to NAWEC	4.15%	910,496,790.00	0.00%	0.00	-910,496,790.00
Total Non-Marketable	21.54%	4,721,424,730.11	41.24%	10,779,166,188.46	6,057,741,458.35
Special Deposit - T/Bills (overdrawn)	10.72%	2,349,395,733.26		0.00	-2,349,395,733.26
Advance to Government		0.00		0.00	0.00
Redeemable Negotiable Int.Bearing		0.00	1.74%		
	10.72%	2,349,395,733.26	1.74%		
Total Outstanding Domestic Debt		21,915,580,463.37		26,157,307,433.46	4,236,726,970.09

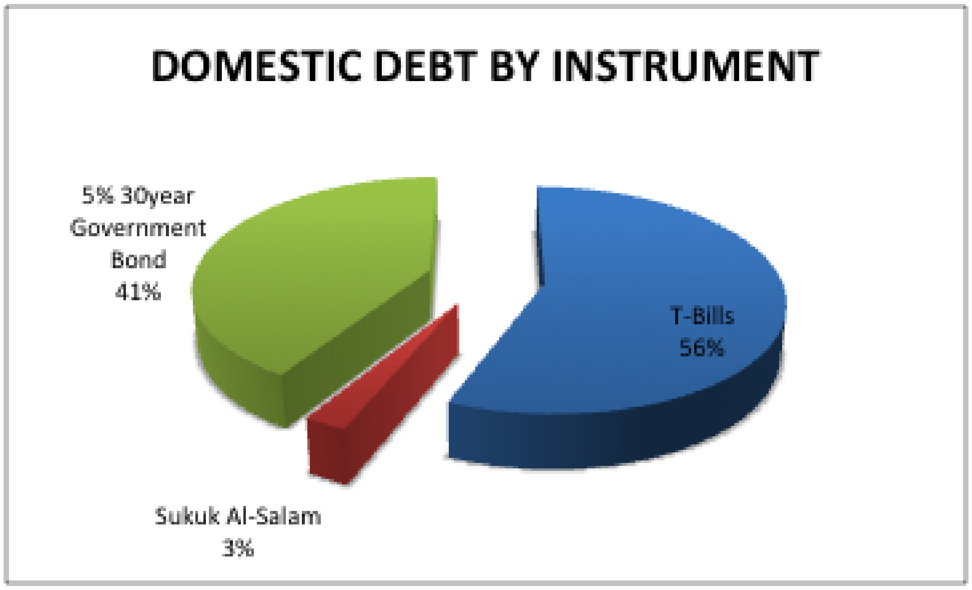
5.2. Domestic Debt By Instrument

Domestic debt instruments are categorized under Marketable (T-Bills & Sukuk Al-Salam) and Non-Marketable instruments (Government bond). Marketable instruments constituted 59% of the total domestic debt, and the remaining 41 per cent on non-Marketable instruments. Significant amount of the debt stock is in T-Bills with 56 per cent proportion of the total domestic debt,

[1] Redeemable negotiable interest bearing note does not form part of the total domestic debt stock as it is treated as a memorandum item.

followed by the new 30 year Government Bond with 41 per cent then the remaining 3 per cent to Sukuk Al- Salam.

Figure 12: Domestic Debt by Instrument



5.3. Domestic Debt By Holder

Commercial Banks holds majority of the domestic debt with 44 per cent share of the total domestic debt followed by Central Bank with 42 per cent share then 14 per cent by the Non-Bank. Central Bank holdings of Domestic debt remained high over the year as a result of Central bank financing of governments deficit.

Table 3: Domestic Debt By Holder

DOMESTIC DEBT BY HOLDER					
	2015		2016		
HOLDER	Amount GMD	% OF Total	Amount GMD	% Of Total	Variance
Commercial Banks	9,326,804,502.50	43%	11,393,149,707.50	44%	2,066,345,205.00
Central Bank	9,392,699,528.87	43%	11,062,572,566.46	42%	1,669,873,037.59
Non Bank	3,196,076,432.00	15%	3,696,585,159.50	14%	500,508,727.50
Total	21,915,580,463.37		26,152,307,433.46		

[2]

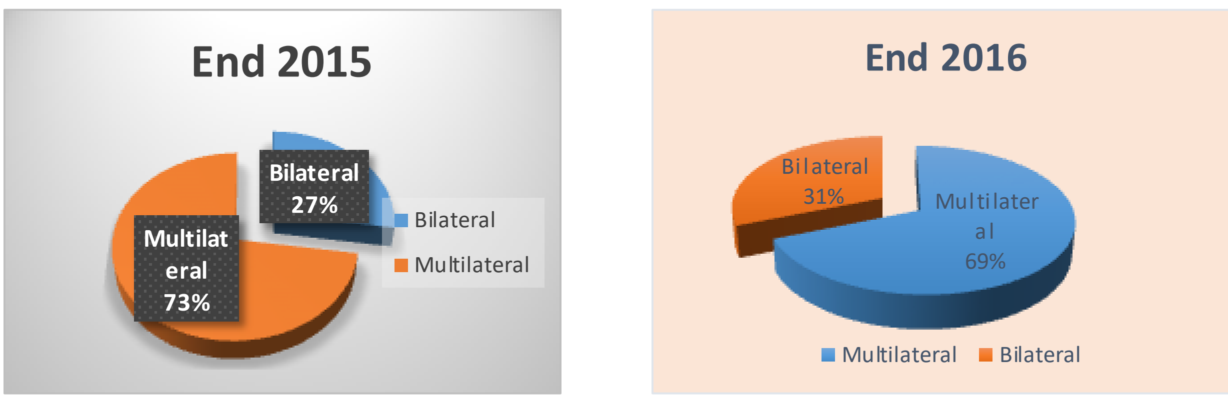
6. EXTERNAL DEBT ANALYSIS

The total external debt stock as at end 2016 stood at GMD 22 Billion equivalent to USD 504 Million representing 46 per cent of the total debt portfolio. On a year-to-year basis, the total external debt stock increased from USD 430.3 million in 2015 to USD 504 million in 2016 representing 15 per cent increment in external debt stock.

6.1. External Debt Stock by Creditor and Creditor Category

External debt stock mainly comprises concessional loans from multilateral creditors which accounted for 69 per cent of the total external debt portfolio, and bilateral creditors which accounted for the remaining 31 percent of the portfolio. From 2015 to 2016, the percentage share of multilateral creditors' on the total external debt falls from 73 per cent to 69 per cent whiles the share of bilateral creditors increased by 4 per cent over the year from 27 per cent to 31 percent.

Figure 13: External debt by creditor category



6.1.2 Proportion of Multilateral creditors' share of the total External Debt stock.

A good amount of the country's external debt comes from multilateral creditors and Islamic Development Bank (IDB) top the list with 35 per cent of total share of multilateral debt, followed by the World Bank International Development Association (IDA) with 16 per cent then by Arab Bank for Economic Development in Africa (BADEA) and Africa Development Fund (ADF) both with 12 per cent respectively. The remaining 25 per cent of the total debt from multilateral creditors came from Opec Fund for International Development (OFID) with 9 per cent, International Fund for Agricultural Development (IFAD) with 8 per cent, ECOWAS Bank for international Development (EBID) with 5 per cent and then NTF with 3 per cent. Over the past years IDB and IDA remains the major multilateral creditors to the Gambia.

[2] RCF amount of USD 7.8 forms part of the total external debt stock. However, this amount excludes the outstanding IMF Loan of about USD 32.2 Million.

6.1.3 Proportion of Bilateral creditors' share of the total External Debt stock.

Bilateral creditors provided 31 per cent of the total external debt stock, of which a good amount came from Kuwait Fund for Arab Economic development and Export Import Bank of India that over the years continued to be the leading Bilateral creditors to the country with 26 per cent and 19 per cent share of the total loans from bilateral creditors respectively. The rest of the Bilateral loans came from Saudi fund for development with 16 per cent, Republic of China (Taiwan) and Banco de Des. Econ. y Social Venezuela both with 12 per cent, Abu Dhabi fund for Arab Economic Development with 11 per cent, then by Libyan Arab Jamahiriy and Erste Bank with 3 and 1 per cent respectively.

Figure 14: Multilateral Debt by creditors

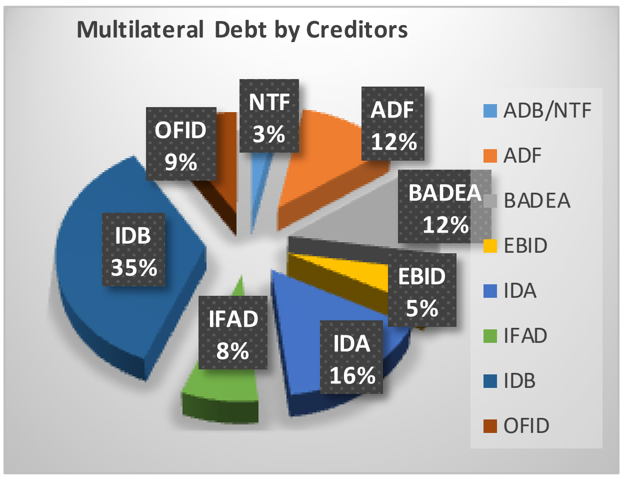
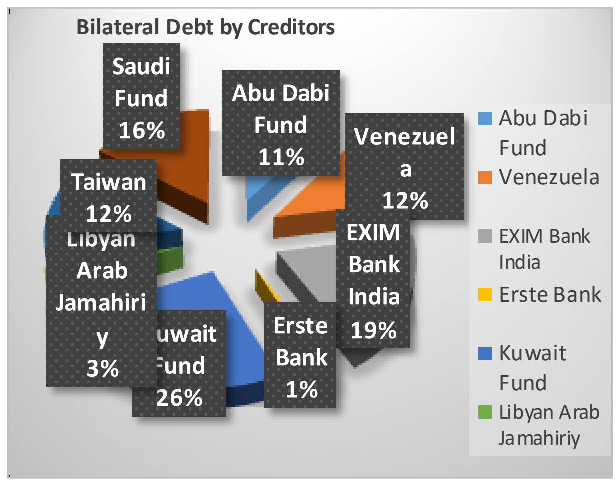
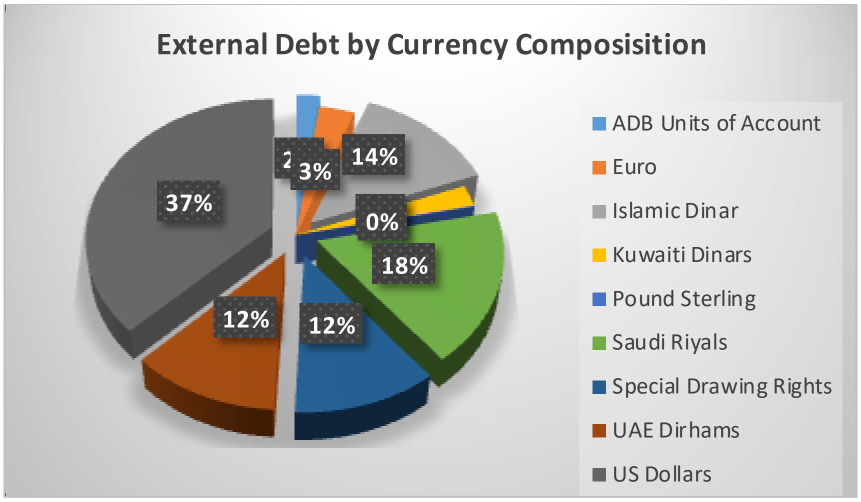


Figure 15: Bilateral Debt by Creditors



6.2. Currency composition of External Debt

External debt portfolio is dominated by USD, which account for 37 per cent of the total external debt stock. Saudi Riyals followed with 18 per cent share, Islamic Dinar with 14 per cent then by the Euro and SDR both with 12 per cent share respectively. The remaining 7 per cent share to GBP, ADB Units of Account and Kuwaiti Dinars. The external debt portfolio is highly exposed to foreign exchange risk.



6.3. External Net Flows and Transfers

Total disbursement over the year has marginally increased from USD 57.72 Million in 2015 to USD 57.75 Million in 2016. However, principal repayment over the year decreased from USD 24.1 million in 2015 to USD 21.8 million in 2016 giving us an increase net flow on debt of USD 35.95 as compared with USD 33.62 of the previous year.Net flows have consistently remained positive over the past years indicating increasing disbursements to finance capital and development related projects and program. Net transfers on debt also increased by 22 per cent from USD 24.32 Million in 2015 to USD 29.85 Million in 2016. The increment in net transfer on debt is as a result of a fall in Principal and interest payment in 2016 as compared to 2015.

Table 4: External Net Flows and Transfers

Flows	2015	2016
Disbursement (A)	57.72	57.75
Principal Repayment (B)	24.1	21.8
Net Flows on Debt (C) = (A-B)	33.62	35.95
Interest Payments (D)	9.3	6.1
Net Transfers on Debt E = (C-D)	24.32	29.85

7. EVALUATION OF THE IMPLEMENTATION OF THE 2016-2019 DEBT MANAGEMENT STRATEGY

The main objectives 2016-2019 Medium Term Debt Management Strategy include;

- Maximizing external concessional financing in order to reduce cost of debt and improve average time to maturity.
- Gradual restructuring of the existing domestic debt by converting the 24% of the domestic debt owed to CBG into a 30-year bond and the introduction of the 3-year bond. This is expected to have huge impact on cost and risk impact of the debt portfolio.

The main challenges highlighted to the implementation of the 2016-2019 strategy include;

I. To reach a consensus with CBG to convert their short-term holdings to a 30 year government bond on a negotiated rate.

II. Given the narrowness of the domestic market and the recent increase in the Policy Rate leading to rise in interest rate, the cost of introducing the 3-year bond could be high.

The level of achievement of the above objective of the 2016-2019 MTDS was constraint by the narrowness of the domestic market and the unfavorable macroeconomic environment.

The evaluation of the cost-risk indicators suggests that most of the indicative targets have not been met as shown in the table below. The nominal and PV of debt to GDP stood at 114.1 and 100.5 percent respectively as at end 2016 both worsen and misses their targets of 90.11 and 79.49 percent respectively. On the domestic front, we were able to restructure the holdings of the Central Bank of The Gambia to a 30-year bond. The external front the cost-risk outcome is mixed. While the Average Time to Maturity has improved marginal to 9.79 years from 9.74 years in 2015 but misses the target of 14.33 years. The ratio of short-term foreign debt to reserves has also increased to 127.22 percent in 2016 from 31.59 percent 2015 missing its target of 38.67 percent, indicating high foreign currency risk. This is as a result of both increase in foreign obligation and a deteriorating reserve level. The table below summarized the cost-risk indicators.

Table Table 5: Cost Risk Indicators

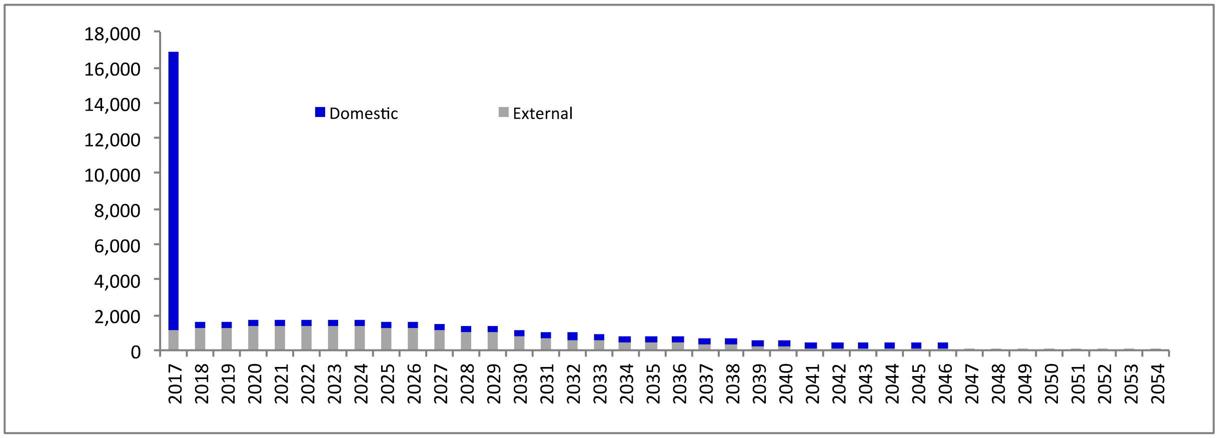
Risk Indicators		2015	2016 Actual	2016 Target
Nominal debt as % of GDP		89.88	114.14	90.11
Present value debt as % of GDP		79.23	100.50	79.49
Interest payment as % of GDP		7.06	7.33	6.42
Implied interest rate (%)		7.85	5.86	7.85
Refinancing risk	Debt maturing in 1yr (% of total)	43.82	34.90	37.53
	Debt maturing in 1yr (% of GDP)	39.11	39.84	35.65
	ATM External Portfolio (years)	9.74	9.79	14.33
	ATM Domestic Portfolio (years)	2.62	6.48	4.54
	ATM Total Portfolio (years)	6.04	7.99	12.50
Interest rate risk	ATR (years)	5.92	7.85	4.54
	Debt refixing in 1yr (% of total)	45.92	36.95	19.71
	Fixed rate debt (% of total)	97.69	97.83	95.36
FX risk	FX debt as % of total	47.96	45.77	36.89
	ST FX debt as % of reserves	31.59	126.77	38.67

8. COST AND RISK ANALYSIS

The share of short-term debt to be refinance in 1year is 34.90 per cent, which slightly improved as compared to 43.82 per cent in 2015. The improvement is as a result of the new 30 year Government Bond signed in 2016. However, Refinancing risk still remains high given that over 30 per cent of the domestic debt needs to be refinance within a year. Both the Average time to maturity and average time to re-fixing improve over the year from 6.04 and 5.92 to 7.99 and 7.85 years respectively.

Figure16 shows the redemption profile of Gambia's public debt as at end 2016. The dominance of short-term debt instrument (T-bills) in 2016 accounts for high financing risk in 2017.

Figure 16: Redemption Profile



9. Government Explicit Guarantees to Public Enterprises As at end 2016

GOVERNMENT GUARANTEES TO STATE OWNED ENTERPRISES (SOE)				
NAME OF BENEFICIARY	CREDITOR	CURR.	Amount (IN Original Currency)	GMD EQUIVALENT
(GCAA)	Trust Bank (Gambia) Ltd	GMD	125,000.00	125,000,000.00
(GCAA)	Zenith Bank	GMD	82,022.00	82,022,000.00
(GCAA)	Zenith Bank	GMD	12,000,000.00	12,000,000.00
(GCAA)	Megabank (Gambia) Ltd	GMD	100,000,000.00	100,000,000.00
(NAWEC)	Megabank (Gambia) Ltd	USD	1,000.00	45,550.00
(NAWEC)	Zenith Bank (Gambia) LtD	USD	1,000.00	45,550.00
(NAWEC)	BSIC Ganbia Ltd	EURO	855.83	41,841.35
(NAWEC)	ING BANK N.V	EURO	1,007.86	49,274.37
(NAWEC)	ING BANK N.V	EURO	16,253.00	794,609.17
GGC	BSIC Ganbia Ltd	GMD	150,000,000.00	150,000,000.00
GGC	Eco Bank	GMD	100,000,000.00	100,000,000.00
GGC	Trust Bank (Gambia) Ltd	USD	2,523,232.00	114,933,217.60
GAMTEL/GAMCEL	Agence Francaise de Development	GMD	41,072,828.00	41,072,828.00
GNPC	Trust Bank (Gambia) Ltd	USD	2,500,000.00	113,875,000.00
GIA	Central Bank	GMD	190,900,000.00	190,900,000.00
GPA				

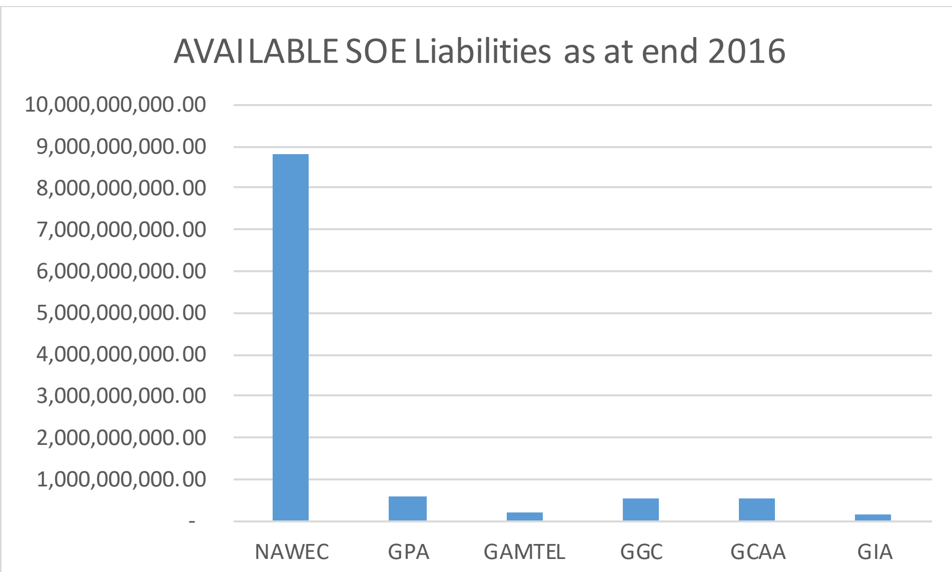
	1,030,779,870.49

Source: MoFEA

AVAILABLE SOE OUTSTANDING LIABILITIES AS AT END 2016

The total outstanding liabilities of the under listed six (6) State Owned Enterprises (SOEs) amounted to GMD 10.8 Billion as at end 2016. NAWEC being the highest indebted SOE outstanding liabilities as at the reporting period stood at GMD 8.8 Billion representing Eighty two (82%) of the total outstanding liabilities.

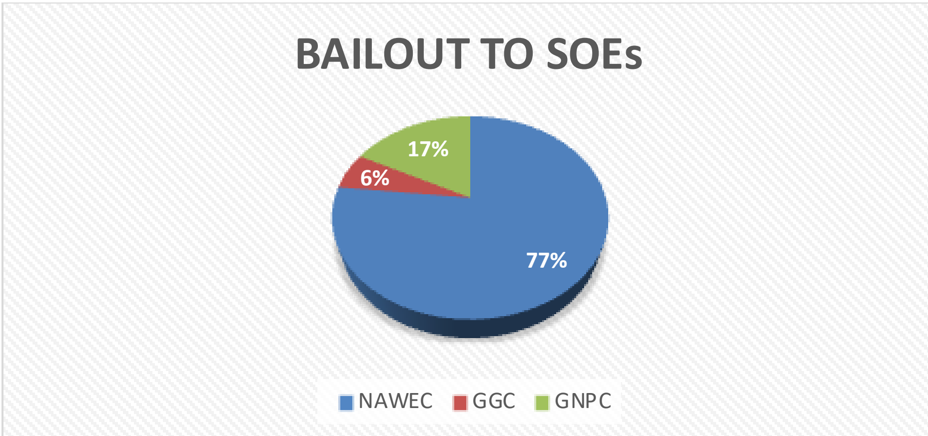
Figure 17: AVAILABLE SOE LIABILITIES AS AT END 2016



BAILOUT TO SOEs

Over the past years, Government of the Gambia paid some of the liabilities of SOEs upon request and as a last resort. The total amount spent by the Government as a Bailout to SOEs amounted to GMD 3.4 Billion of which 77 per cent was spent on behalf of NAWEC, 17 per cent on GNPC and the remaining 6 per cent on GGC.

Figure 18: Called on Guarantees


BAILOUT TO SOEs
17%
6%
77%
NAWEC
GGC
GNPC