THE GAMBIA DEBT SUSTAINABILITY ANALYSIS 2019

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACCRONYMS AND ABBREVIATIONS

DSA	Debt Sustainability Analysis
CPIA	Country Policy and Institutional Assessment
DSF	Debt Sustainability Framework
LICs	Low Income Countries
PPG	Public and Publicly Guarantee
MTDS	Medium Term Debt Strategy
GDP	Gross Domestic Product
RCF	Rapid Credit Facility
SOE	State Owned Enterprise
PV	Present Value
CI	Composite Indicator
AfDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
EBID	ECOWAS Bank for Investments and Development
EXIM BANK	Export Import Bank of India
IDA	International Development Association
IsDB	Islamic Development Bank
IFAD	International Fund for International Development
IMF	International Monetary Fund
KFAED	Kuwait Fund for Arab Economic Development
OFID	OPEC Fund for International Development
SFD	Saudi Fund for Development
WB	World Bank
ITFC	International Islamic Trade Finance Corporation

1. Forward

The Gambian economy has been stable and progressing in recent time. However, we continue to deal with key development challenges such as limited diversified economy, small financial market, amongst others. For these reasons, donor relations and regional cooperation remains a vital part of our development aspiration as this would aid the mobilization of the much need resources to complement the government's domestic resources to implement the country's National Development Plan. A sound and responsive debt management with stable macroeconomic environment would provide the much-needed resources to finance the development agenda of the country.

Notwithstanding, the government of the Gambia remains committed to fiscal sustainability to support macroeconomic stability and sustainable development through structured reform programs involving governance reforms, public finance management reform, rebuilding and restoring public confidence, prudent fiscal management, among others. We look forward to strengthening the collaboration with our stakeholders to ensure that there is zero poverty in Gambia and beyond.

I would take this opportunity to thank our development partners especially the IMF and the World bank for their continue support in our drive to achieve debt sustainability and economic development. I also thank the National DSA team at the Ministry of Finance and Central Bank for their dedication and hard work in retaining the expertise necessary to reduce fiscal risk and give early warning signs to guide policies.

....

Mambury Njie
Honorable Minister of Finance and Economic Affairs

2. Introduction

Debt Sustainability Framework for Low-Income Countries (LIC DSF) is an IMF/World bank tool use for assessing debt vulnerabilities that guides borrowing and lending decisions (IMF 2018).

The analysis uses twenty years of data (10 years historic and 10 years of projections) to smooth out economic cycles and encourage forward-looking policy discussions. As such, in some instances, the analysis indicate projection for up to 20 years. The data input sheets collect the data and prepare inputs required for the DSA analysis such as: 1) basic country data, 2) debt coverage, 3) key macroeconomic/debt data and assumptions, 4) financing terms for external and domestic debt, 5) standardized and tailored stress tests data.

State Owned Enterprise liabilities incorporated into overall public and publicly guarantee debt include domestic and external SOE debt that arises from government on-lending and guarantees. The special audits of the SOEs that has recently been undertaken provide better picture of SOEs liabilities. The updated DSA also provides a contingent liability shock scenario that accounts for additional SOE debt based on the information available.

The debt burden thresholds in this study estimates the country's debt carrying capacity using the DSF composite index (CI) which is a measure of classification based on the Country Policy and Institutional Assessment (CPIA), World Growth, the country's GDP Growth, Remittances and, as well as its International Reserves. Based on the CI of 2.87, Gambia is rated as a medium policy performer. Under this classification, the indicative thresholds are applied for assessing Gambia's Debt Sustainability Level.

The baseline scenario assumes existing Macroeconomic policies for the short to medium term leading to securing an economic program with the IMF.

3. Baseline Scenario

3.1 Baseline Macroeconomic Assumptions

The outlook for the Gambia economic recovery is favorable, given positive external factors, but pivots on maintaining a commitment to fundamental reforms.

Real GDP growth projected to 6.8 percent in 2018, driven by a rebound in the service sector. Growth is projected to rise sharply before falling to just under 5 percent over the medium term.

This assumes a strong policy implementation, effective fiscal reform, a normal weather condition to support debt sustainability. It also assumes a sustained increase of investment in basic infrastructure, reflecting a step-up in donor support and an acceleration in implementing existing projects. The fiscal gap is expected to improve over time due to the fiscal consolidation coupled with effective domestic revenue mobilization through broadening of our taxes base. These efforts together with a commitment to the fiscal anchor of a 1.4 percent NDB will further improve the fiscal balance expected in the medium term as the government's consolidation efforts progress.

Conducting DSA to support government efforts to achieve its development goals, while minimizing their risk of debt distress and to avoid cost associated with debt crises is vital.

The Baseline scenario mirrored the currently pursued macroeconomic policies of the Government in order to secure an economic program in the very near future with the IMF.

Table 1 Key Macroeconomic and fiscal assumptions

The Gambia Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-2039											
(In percent of GDP, unless otherwise indicated)											
Key Macroeconomic & Fiscal Assumptions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2029**	**2039**	**His. Av**	**Proj. Av**
Real GDP Growth (in percent)	6.6	6.2	6.1	5.8	4.7	4.3	-0.7	4.5	5.8	15.6	4.8
average nominal interest rate on external debt(in percent)	3.7	1.4	1.8	1.9	2.1	2.1	2.3	4.8	11	1.8	2.4
averagereal interest rate on domestic debt(in percent)	2.3	-0.4	-0.1	-0.2	0.1	0.1	0.3	2.7	8.8	0.1	0.4
Real exchange rate depreciation (in percent *indicate depreciation)	3.6	...	...	...	...	...	...	...	...	6	...
inflation rate (GDP deflator, in percent)	1.6	8.6	5	4.7	4.3	4.6	6.3	4.6	2.9	4.4	5
Growth of real primary spending(deflated by GDP deflator, in percent	44.2	76.1	-104.6	-0.2	-8.6	-0.4	6.7	3.1	4.7	13.8	-193.2
Primary deficit that stabilise the debt-to-GDP ratio	-8.9	15.5	6.7	-43.5	10.2	-40.4	11.7	8.5	5.3	-9.6	-4.4

Source MOFEA

4. **New Financing**

The new financing assumptions in the DSA is anchored on the MTDS strategy based on the following; Maximizing external concessional financing in order to reduce borrowing cost.

Continuing the issuance of the 3-and 5-year bonds to develop and deepen the domestic debt market and reduce refinancing risk.

Extending the maturity of domestic debt by substituting a greater proportion of the short-term debt with longer-term treasury bonds thereby minimizing refinancing risks of the portfolio.

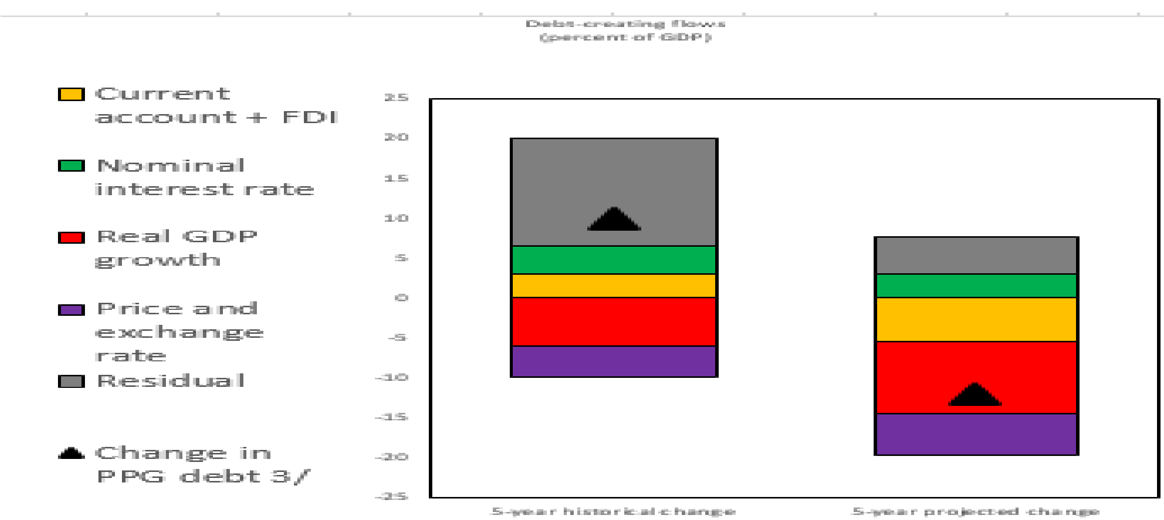
5. **The Realism tools**

Realism tools and tailored stress tests extend the analysis to be more comprehensive. The realism tool helps to assess the key macroeconomic and debt projections and identifies where projections deviate from experienced requiring justification. The tools are meant to encourage discussion of key assumptions underlying macro projections.

6. **Debt Dynamics**

The biggest change in the debt-creating flows as a percentage of GDP in the projection period is growth. The current account and price and exchange rate also saw an increase in the projection period from the baseline. Residuals significantly drop compared to the five years historical change. Comparing the change in debt in the past to what is projected for the future promote a more transparent discussion of the baseline and better understanding of the past forecast errors. This tool helps us ask the necessary question on how robust our macroeconomic and fiscal assumptions are.

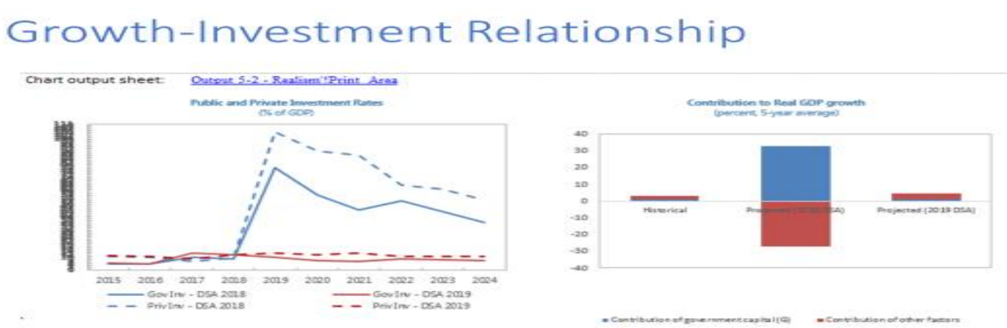
Figure 1- Debt-creating Flows



7. Sector Contributions to Real GDP

Public and private investment rate contributions to GDP shows that government continue to dominate investment rate compare to the private section in the historic scenario however, their impact on GDP heighted that the private sector is having greater influence on growth per unit of investment than the public sector. This tool helps assess the consistency of growth projections in scaling-up of public investment and flag discussions to reducing government crowding-out of private sector.

Figure 2- Growth and investment Relationship



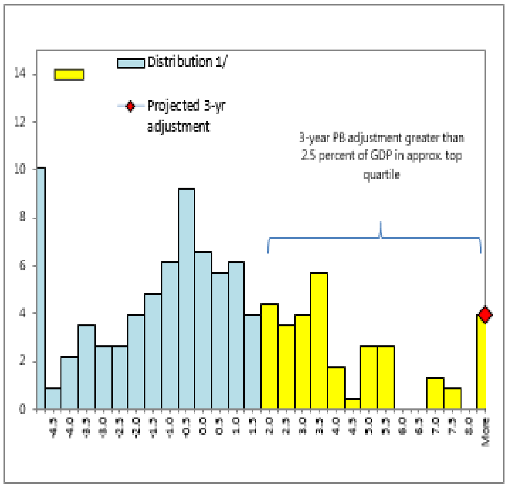
8. 3-years Adjustment in the Primary Balance and the Fiscal Multiplier/growth path

In anticipation for an IMF supported economic program, the 3 years adjustment in primary balance predict a very optimistic impact- greater than 2.5 percent of GDP in the top quartile. This flag caution in the underline macro and fiscal assumptions.

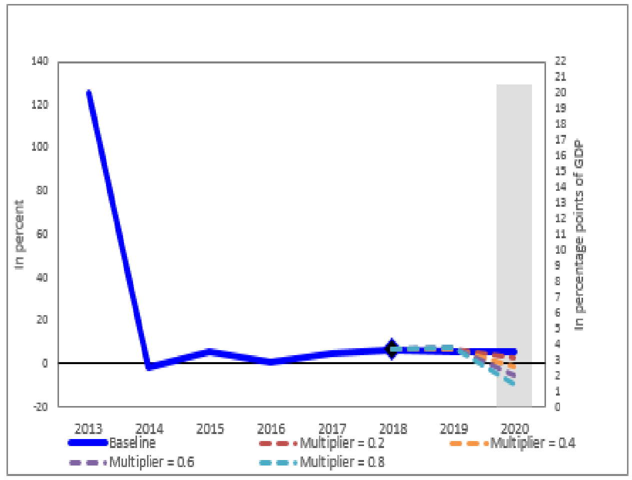
The fiscal adjustment shows the possible real GDP growth path under the difference fiscal multipliers. The growth path is deviating negatively from the baseline,highlighting the trade-off between fiscal adjustment and growth in the short run.

Figure 3- Fiscal adjustment and growth path

3-Year Adjustment in Primary Balance(Percentage points of GDP)



Fiscal Adjustment and Possible Growth Paths 1/



9. Guide to the Interpretation of results

The analysis of our results is based on some set benchmarks. We assigned one of four risk ratings, depending on how the current and projected PPG external debt indicators are compare with the indicative thresholds under the baseline scenario and standardized stress tests.

☐ **Low risk.** All debt indicators are below their relevant thresholds, including under stress tests.

☐ **Moderate risk:** Although the baseline scenario does not lead to breaches of thresholds, stress tests result in one or more breaches.

☐ **High risk:** The baseline scenario results in a breach of one or more thresholds, but the country does not currently face any payment difficulties.

☐ **In debt distress:** Current debt and debt service ratios are in significant or sustained breach of thresholds. Actual or impending debt restructuring negotiations, or the existence of arrears, would generally suggest that a country is in debt distress.

Table 2- Thresholds

The following thresholds are applied for assessing Gambia's Debt Sustainability Level.

Indicators	Solvency Ratios		Liquidity Ratios	
	PV of Debt/GDP (%)	PV of Debt/Exports (%)	Debt Service/Exports (%)	Debt Service/Revenue (%)
External Debt Sustainability	40	180	15	18
Public Debt Sustainability	55			

Source IMF/WB

10. Results Analysis

10.1 Public and Publicly Guarantee External Debt Sustainability

External debt as percentage of total debt continue to drop as concessional funding dry out. A debt level un- sustained and a grant element as high as 50 percent limit government from accessing funding to finance its development aspirations. Below we examine the level of sustainability of the stock of external debt and assessing the cash flow capacity of meeting debt servicing obligations as they fall due.

From the initial analysis, the Gambia is still experiencing high risk of external debt as more than one of the debt burden indicators are breached in the baseline. There has been some slight improvement in the solvency indicators from the previous DSA as a result of the rebased GDP in the recent past.

Table 3- Summary of baseline results

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

(In percent of GDP, unless otherwise indicated)

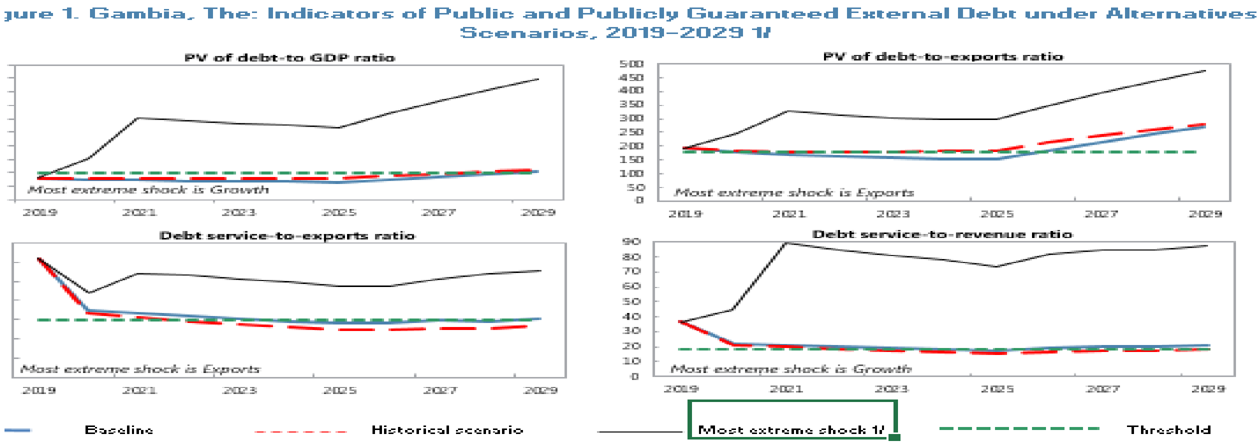
	Actual			Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039
Change in external debt	8.1	-0.1	9.5	-6.1	-1.6	-1.4	-1.2	-1.8	-2.3	-1.6	5.6
Identified net debt-creating flows	2.3	-3.0	-1.6	-2.3	-2.4	-2.1	-2.3	-2.3	-2.3	-1.9	-2.3
Non-interest current account deficit	6.5	6.3	5.3	5.8	5.7	5.6	5.5	5.5	5.4	4.5	4.7
Deficit in balance of goods and services	13.0	18.9	26.2	24.6	23.5	22.6	21.6	21.1	20.8	19.1	24.5
Exports	17.4	14.7	16.3	16.4	16.7	16.9	17.1	17.1	16.9	15.5	19.9
Imports	30.4	33.6	42.5	41.0	40.2	39.5	38.8	38.2	37.6	34.6	44.5
Net current transfers (negative = inflow)	-5.6	-5.3	-5.5	-5.5	-5.5	-5.4	-5.4	-5.2	-5.1	-4.7	-5.8
of which: official	-1.2	-8.1	-6.6	-5.4	-4.2	-3.8	-2.9	-2.9	-2.8	-2.1	0.0
Other current account flows (negative = net inflow)	-0.8	-7.2	-15.4	-13.3	-12.3	-11.5	-10.7	-10.3	-10.2	-9.9	-14.1
Net FDI (negative = inflow)	-5.5	-5.6	-6.2	-6.4	-6.6	-6.8	-7.0	-6.9	-6.8	-6.2	-8.0
Endogenous debt dynamics 2/	1.2	-3.8	-0.7	-1.8	-1.5	-0.9	-0.9	-1.0	-0.9	-0.2	1.0
Contribution from nominal interest rate	0.6	0.4	1.4	0.6	0.6	0.6	0.6	0.5	0.5	1.0	2.4
Contribution from real GDP growth	-0.1	-1.7	-2.5	-2.4	-2.1	-1.5	-1.5	-1.5	-1.4	-1.1	-1.3
Contribution from price and exchange rate changes	0.7	-2.4	0.4	...	...	...	...	...	...	...	...
Residual 3/	5.8	2.9	11.1	-3.7	0.8	0.7	1.1	0.5	-0.1	0.3	8.0
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	...	...	35.5	31.7	30.1	28.8	27.5	26.8	26.1	42.1	92.7
PV of PPG external debt-to-exports ratio	...	...	218.6	193.6	180.7	170.5	161.1	156.4	154.9	271.1	464.8
PPG debt service-to-exports ratio	11.3	17.5	20.5	30.9	17.4	16.8	15.9	15.1	14.7	15.3	27.4
PPG debt service-to-revenue ratio	14.7	22.5	26.3	36.4	22.0	21.2	20.1	19.0	18.5	20.6	53.7
Gross external financing need (Million of U.S. dollars)	40.3	48.6	39.0	76.7	36.5	32.5	26.3	26.7	25.9	19.5	84.0

The public and publicly guarantee external debt assessed debt sustainability using four indicators. The PV of external debt to GDP was 35.5 percent as at end 2018 this is projected to drop slightly to 31.7 percent in 2019 both below the indicative threshold of 40 percent. Although the solvency ratios PV of Debt/GDP is below the policy dependent threshold of 40 percent, PV of Debt / Exports breached its policy dependent threshold of 180 percent both in the baseline and shock scenario up till 2020, this trend is expected to subside in the subsequent years. The low export capacity of the Gambia, being mainly dependent on tourism and rain feed agriculture, is affecting this ratio. The SOEs guaranteed debt recently included in the stock of debt has is an additional burden on Gambia's debt sustainability.

Liquidity ratios the External Debt Service to Export ratio is projected at 31 percent in 2019 an increase compared to the baseline at 20 percent in 2018 both above its threshold of 15 percent, however it continued to drop below the threshold throughout the projected period. This big jump in the ratio is as a result of an improved debt coverage of 2018 DSA.

Although revenue is projected to slightly improve over the years, revenue to GDP ratio of the Gambia is still below regional average. Debt Service/Revenue registered significant breach throughout the projection period suggesting a liquidity challenge of the government and flag a policy consideration in domestic resource mobilization. The ITFC facility of the IsDB, which is a short-term trade credit, has piled further pressure on the liquidity capacity of the Government of Gambia to meet debt service obligations as they fall due as seen in the table below.

Figure 4-External debt indicators



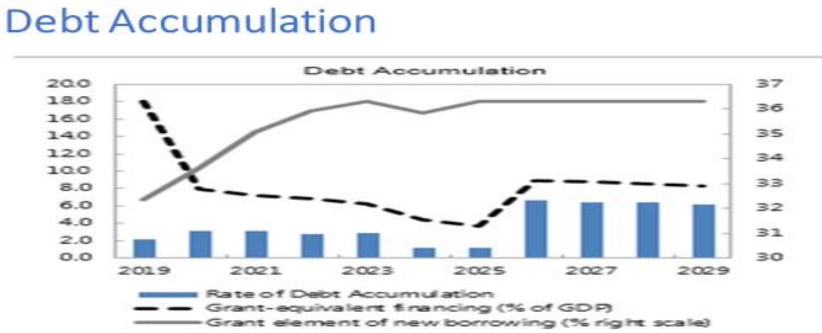
10.1.1 Shocks under External Debt Sustainability

The outcome of the stress tests shows that the most extreme shock is growth under the PV of Debt to GDP and Debt Service to Revenue, while the most extreme shock under the PV of Debt to Export and Debt Service to Export ratio is export. This is indicating that the Gambia's capacity to service its debt is highly vulnerable to swings in output and export growth. This emphasized the drive to promote economy growth, as well as improve on its export diversification drive.

10.1.2 Debt accumulation under the baseline

The net debt flows in external debt is projected at 2 percent in 2019 thereafter projected to remain positive thoughout period under review, consistent with the projected fiscal gap. This suggests a moderate rate of debt accumulation consistent with the well craft-out debt strategy. The average grant element of new external borrowing is projected at an average of 35 percent over the projection period. This supports on-going efforts by Government in prioritizing grant and concessional borrowing to fund its development activities. Grant equivalent financing in percent of GDP is projected at 16 percent in 2019 and the with less support the subsequent years is projecting a sharp drop in grant financing.

Figure 5- Net debt accumulation



10.2 Public Publicly Guarantee Total Public Debt Sustainability

Public or fiscal debt sustainability examines the level of exposure of the total debt portfolio of the Gambia - external and domestic debt combined. The stock of external debt as a percentage of total debt is 55 percent and remaining 45 percent account for the domestic debt.

The Gambia ran on average an annual deficits of about 10 percent of GDP from 2016 to 2018. This is fueled by high borrowing and bailouts to SOEs. Public publicly guarantee debt declined significantly from 124 percent of GDP in 2017 to 89 percent in 2018 in nominal terms . However, the current DSA indicates that The Gambia faces a high risk of external debt distress, a deterioration from a moderate risk rating in 2015 DSA.

The public and publicly guarantee total debt is measured using only one indicator, PV of Public Debt to GDP. The PV of Public Debt to GDP is 76 percent at the baseline 2018, this is expected to drop slightly to 68.5 percent in 2019 both above indicative threshold of 55 percent. The domestic debt burden is understood as reflected in the PV of Public Debt to GDP. The limited concessional funding are among the factors that triggered government to over shoot the net domestic borrowing limits.

Remarkably, interest payments on public and publicly guarantee debt sharply dropped from absorbing 42.8 percent of government revenue (including grants) 2017 to 25 percent in 2018. The decline in interest payments as a percentage of revenue is mainly due to extensive inflows of budget support from our development partners and the low rate of interest in the domestic debt. Notwithstanding, the high cost of debt service on domestic revenue decrease resources available for development spending, putting the Government under continued pressure to obtain concessional financing and grants to finance the NDP.

Given the sustained breached of the thresholds in the medium term, except present value of debt to GDP, indicates that the achievement of debt sustainability can be a challenge in the medium term.

Recently, progress has been registered in the fiscal consolidation in curtailing government expenditure, and consequently reducing domestic borrowing. In addition to the refinancing and exchange rate risks associated with the external debt, the Gambia's total debt is also faced with risk from domestic interest rate volatility, refinancing and banks exposures to sovereign debt.

This result is not far from the result of the DSA conducted jointly with the IMF in March 2018, which also revealed that the Gambia is in a high risk of debt distress with serious vulnerabilities to export and revenue

Table 4- Total Public debt indicator

Table 2. Gambia, The: Public Sector Debt Sustainability Framework, Baseline Scenario, 2(

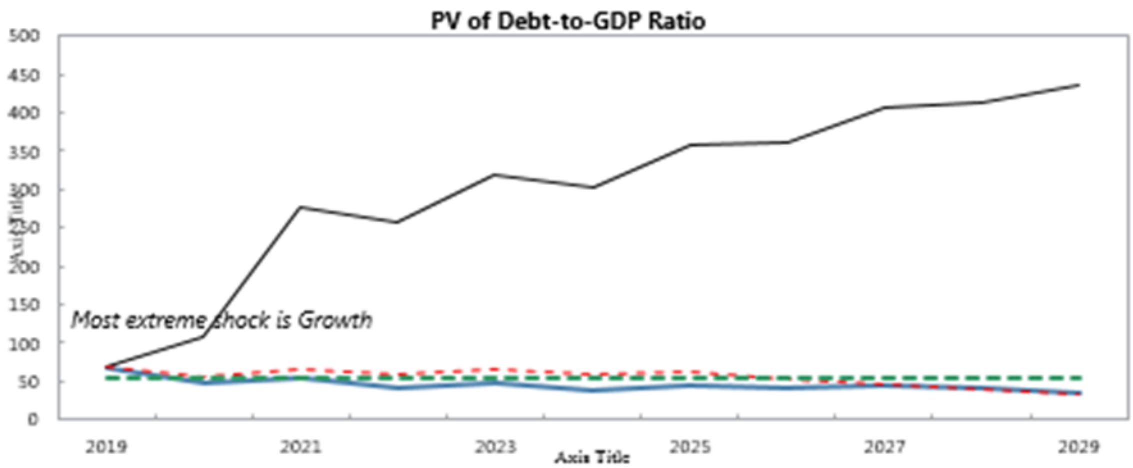
(In percent of GDP, unless otherwise indicated)

	Actual			Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039
Public sector debt 1/	85.3	81.1	89.7	80.5	59.1	65.1	52.9	59.4	47.0	18.8	-53.7
of which: external debt	40.4	40.3	49.8	43.7	42.1	40.6	39.4	37.5	35.2	25.0	21.6
Change in public sector debt	18.6	-4.2	8.5	-9.1	-21.4	6.0	-12.2	6.5	-12.4	-9.7	-6.6
Identified debt-creating flows	9.4	-11.5	0.7	-8.4	-21.4	-20.1	-19.5	-19.0	-18.5	-6.5	44.4
Primary deficit	0.4	-5.7	-0.4	1.0	-19.6	-18.9	-18.6	-18.1	-17.6	-0.7	-0.9
Revenue and grants	14.5	19.2	18.6	29.5	18.2	17.7	17.5	17.0	16.5	16.1	14.3
of which: grants	1.2	7.8	5.9	15.6	5.0	4.2	4.0	3.5	3.2	4.6	4.1
Primary (noninterest) expenditure	14.9	13.4	18.2	30.5	-1.3	-1.3	-1.1	-1.1	-1.1	15.4	13.4
Automatic debt dynamics	9.1	-5.7	1.2	-6.6	-1.8	-1.1	-0.9	-0.9	-0.9	-5.8	45.3
Contribution from interest rate/growth differential	4.8	-4.4	-0.2	-5.2	-1.8	-0.9	-0.7	-0.7	-0.8	-5.9	1.3
of which: contribution from average real interest rate	5.1	-0.4	4.8	-0.7	2.2	1.3	1.7	1.3	1.5	-4.6	-1.3
of which: contribution from real GDP growth	-0.3	-3.9	-5.0	-4.5	-4.0	-2.2	-2.4	-2.0	-2.3	-1.2	2.6
Contribution from real exchange rate depreciation	4.3	-1.4	1.4	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	-2.7	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	9.2	7.3	7.8	-2.2	0.0	25.8	7.1	25.4	6.0	-3.2	-7.1
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	...	...	76.5	68.9	47.5	53.6	41.4	49.0	38.3	36.4	20.2
PV of public debt-to-revenue and grants ratio	…	…	411.7	233.2	260.9	303.5	236.2	287.3	231.7	226.3	141.9
Debt service-to-revenue and grants ratio 3/	48.7	41.6	46.4	91.4	150.8	52.7	103.7	48.9	104.6	9.1	-326.8
Gross financing need 4/	2.0	-2.9	8.2	25.2	7.9	-3.6	-0.5	-3.8	-0.4	0.8	-47.5

The results below confirmed that the most extreme shock in the total public debt is growth. The PV of debt/GDP analysis explained the significant proportion of shorter-dated instruments in the domestic debt portfolio and the country vulnerability to swings in output with serious consequences for domestic debt build-up.

Figure 5- Public debt indicator

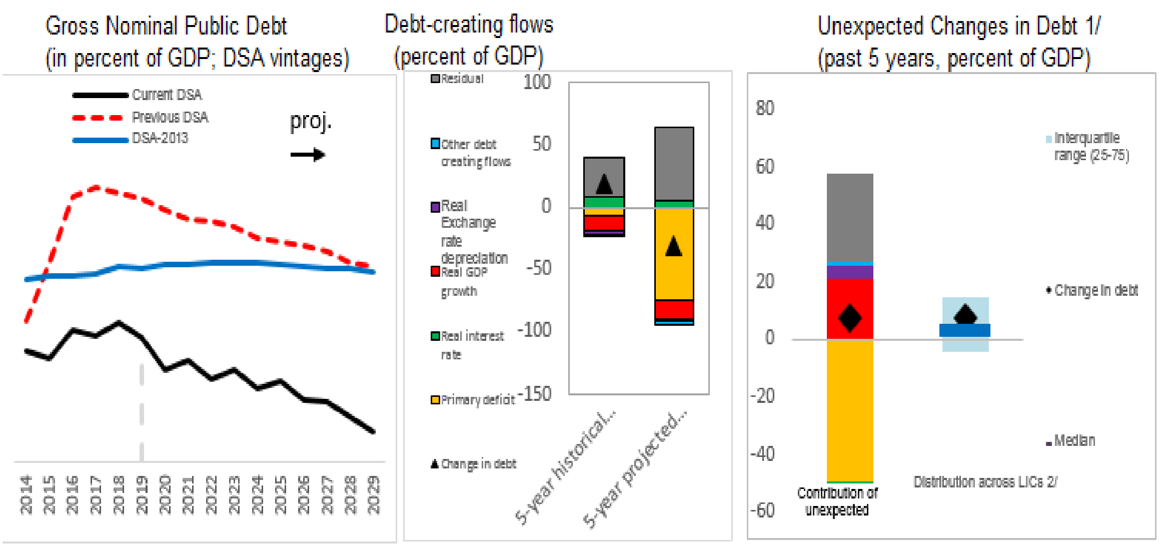
Figure 2. Gambia, The: Indicators of Public Debt Under Alternative Scenarios, 2019-2029



Although we are yet to achieve optimal debt/GDP ratio, but comparing the current and the previous DSA explained that overall, there is a significant improvement in the debt sustainability of the Gambia. The unexpected change in debt as a percentage of GDP for the past 5 years also explained the difference between anticipated and actual contributions on debt ratios. Similar to the distribution across LICs for which the DSA were produced shows that change in the external is explained mainly by the debt dynamics.

Figure 6-Gross nominal debt and debt creating flows compared with LICs

Public debt



11. Adjusted deferral on the (PPG) External Debt – Pessimistic Scenario

The short-term outlook for Gambia public and publicly guaranteed (PPG) external debt remains challenging. The Government's effort to continue its fiscal consolidation include proposed restructuring its debt by five years deferrals of its external amortization on major bilateral creditors.

The proposed adjusted deferral scenario chart below shows that sustainability of external debt indicator is below the their respective indicative thresholds expect debt service to export and debt service to revenue which short-lived breach on the baseline in their first year of the projections due the ITFC short term facility.

Result of adjusted deferral Scenario on the external debt

Table 5- deferral scenario on External debt

Go to the detailed External Baseline sheet (Baseline- external)

Table 1. Gambia, The: External Debt Sustainability Framework, Baseline Scenari

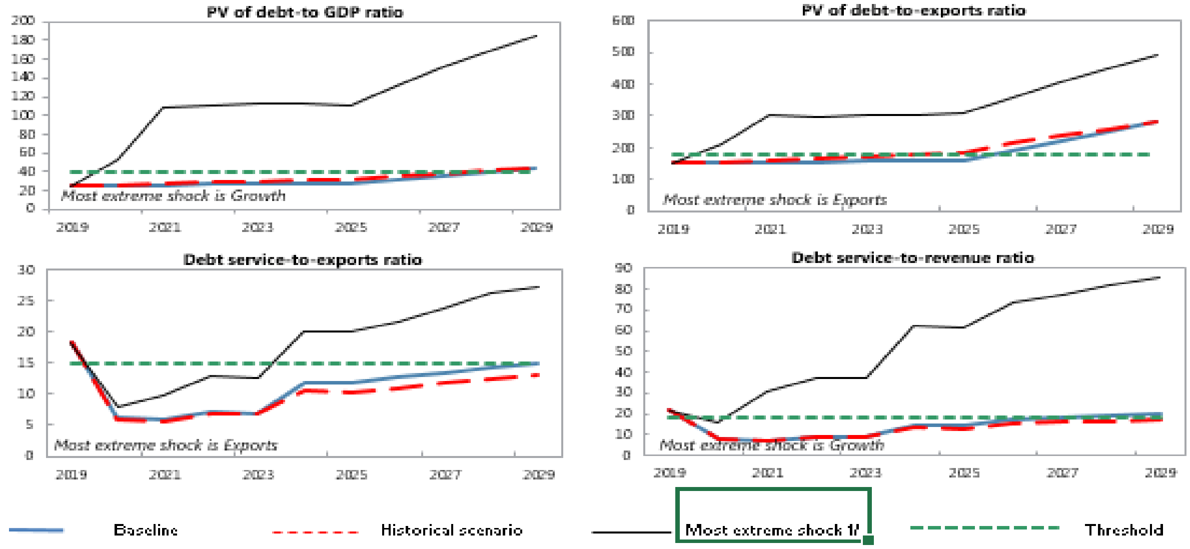
(In percent of GDP, unless otherwise indicated)

	Actual			Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039
External debt (nominal) 1/	**40.4**	**40.3**	**49.8**	**43.7**	**42.1**	**40.6**	**39.4**	**37.5**	**35.2**	**25.0**	**21.6**
of which: public and publicly guaranteed (PPG)	**40.4**	**40.3**	**49.8**	**43.7**	**42.1**	**40.6**	**39.4**	**37.5**	**35.2**	**25.0**	**21.6**
Change in external debt	8.1	-0.1	9.5	-6.1	-1.6	-1.4	-1.2	-1.8	-2.3	-1.6	5.6
Identified net debt-creating flows	**2.3**	**-3.0**	**-1.6**	**-2.3**	**-2.4**	**-2.1**	**-2.3**	**-2.3**	**-2.3**	**-1.9**	**-2.3**
Non-interest current account deficit	**6.5**	**6.3**	**5.3**	**6.4**	**6.2**	**6.0**	**5.8**	**5.7**	**5.6**	**4.6**	**4.7**
Deficit in balance of goods and services	13.0	18.9	26.2	24.6	23.5	22.6	21.6	21.1	20.8	19.1	24.5
Exports	17.4	14.7	16.3	16.4	16.7	16.9	17.1	17.1	16.9	15.5	19.9
Imports	30.4	33.6	42.5	41.0	40.2	39.5	38.8	38.2	37.6	34.6	44.5
Net current transfers (negative = inflow)	-5.6	-5.3	-5.5	-5.5	-5.5	-5.4	-5.4	-5.2	-5.1	-4.7	-5.8
of which: official	-1.2	-8.1	-6.6	-5.4	-4.2	-3.8	-2.9	-2.9	-2.8	-2.1	0.0
Other current account flows (negative = net inflow)	-0.8	-7.2	-15.4	-12.8	-11.9	-11.1	-10.4	-10.1	-10.0	-9.8	-14.1
Net FDI (negative = inflow)	**-5.5**	**-5.6**	**-6.2**	**-6.4**	**-6.6**	**-6.8**	**-7.0**	**-6.9**	**-6.8**	**-6.2**	**-8.0**
Endogenous debt dynamics 2/	**1.2**	**-3.8**	**-0.7**	**-2.4**	**-2.0**	**-1.3**	**-1.2**	**-1.2**	**-1.1**	**-0.3**	**1.0**
Contribution from nominal interest rate	0.6	0.4	1.4	0.1	0.2	0.2	0.3	0.3	0.3	0.9	2.3
Contribution from real GDP growth	-0.1	-1.7	-2.5	-2.4	-2.1	-1.5	-1.5	-1.5	-1.4	-1.1	-1.3
Contribution from price and exchange rate changes	0.7	-2.4	0.4	...	...	...	...	...	...	...	...
Residual 3/	**5.8**	**2.9**	**11.1**	**-3.7**	**0.8**	**0.7**	**1.1**	**0.5**	**-0.1**	**0.3**	**8.0**
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	...	...	**26.3**	**24.9**	**25.3**	**25.9**	**26.2**	**26.8**	**26.7**	**43.5**	**94.3**
PV of PPG external debt-to-exports ratio	...	...	**162.0**	**151.9**	**151.7**	**153.3**	**153.2**	**156.8**	**158.3**	**280.5**	**472.6**
PPG debt service-to-exports ratio	**11.3**	**17.5**	**20.5**	**18.3**	**6.3**	**5.8**	**7.0**	**6.9**	**11.7**	**14.9**	**27.7**
PPG debt service-to-revenue ratio	**14.7**	**22.5**	**26.3**	**21.5**	**7.9**	**7.4**	**8.9**	**8.7**	**14.8**	**20.1**	**54.2**
Gross external financing need (Million of U.S. dollars)	40.3	48.6	39.0	51.0	10.7	4.0	1.6	0.5	19.5	21.4	86.7

Additionally, the graph below highlights a very important trend worth noting. Is observed that 2024 all the indicators will start to upsurge, because that is the time the full the amortization commences. The rise in the sustainability indicators after the medium term can be smoothen if the saving made during the restructuring is invest in the real sector to generate growth.

Figure 7-The deferral External indicator

Figure 1. Gambia, The: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2019–2029 1/



Similar trend is also observed on the total public debt sustainability although, the impact of the deferral is lower because the proposed restructuring excluded domestic debt payments as in the table below. PV of debt/GDP with the deferred amortization is projected at 67 percent a decrease from 76.6 percent in our earlier analysis without the deferral.

Table 6- Deferral public debt scenario

Table 2. Gambia, The: Public Sector Debt Sustainability Framework, Baseline Sce

(In percent of GDP, unless otherwise indicated)

	Actual			Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039
Public sector debt 1/	85.3	81.1	89.7	78.8	55.9	69.1	50.5	63.1	44.0	16.8	-55.6
of which: external debt	40.4	40.3	49.8	43.7	42.1	40.6	39.4	37.5	35.2	25.0	21.6
Change in public sector debt	18.6	-4.2	8.5	-10.8	-22.9	13.3	-18.6	12.6	-19.1	-9.8	-6.6
Identified debt-creating flows	9.4	-11.5	0.7	-8.9	-21.9	-20.6	-20.1	-19.6	-19.1	-259.8	45.5
Primary deficit	0.4	-5.7	-0.4	1.0	-19.6	-18.9	-18.6	-18.1	-17.6	-0.7	-0.9
Revenue and grants	14.5	19.2	18.6	29.5	18.2	17.7	17.5	17.0	16.5	16.1	14.3
of which: grants	1.2	7.8	5.9	15.6	5.0	4.2	4.0	3.5	3.2	4.6	4.1
Primary (noninterest) expenditure	14.9	13.4	18.2	30.5	-1.3	-1.3	-1.1	-1.1	-1.1	15.4	13.4
Automatic debt dynamics	9.1	-5.7	1.2	-7.2	-2.4	-1.6	-1.4	-1.5	-1.5	-259.1	46.3
Contribution from interest rate/growth differential	4.8	-4.4	-0.2	-5.8	-2.4	-1.4	-1.3	-1.3	-1.4	-259.2	1.3
of which: contribution from average real interest ra	5.1	-0.4	4.8	-1.3	1.5	0.7	1.3	0.6	1.1	-258.0	-1.4
of which: contribution from real GDP growth	-0.3	-3.9	-5.0	-4.5	-3.9	-2.1	-2.6	-1.9	-2.4	-1.2	2.7
Contribution from real exchange rate depreciation	4.3	-1.4	1.4	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of contingent liabilities (e.g., bank recc	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 specif	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual	9.2	7.3	7.8	-3.3	-1.0	33.6	1.3	32.0	-0.1	250.0	-7.0
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	...	...	67.0	60.3	39.4	54.7	37.6	52.7	35.8	35.9	19.9
PV of public debt-to-revenue and grants rat	_	_	360.7	204.1	216.2	309.7	214.8	309.2	216.9	223.2	139.9
Debt service-to-revenue and grants ratio 3/	48.7	41.6	46.4	84.4	132.2	26.0	117.3	26.6	122.8	-0.8	-337.6
Gross financing need 4/	2.0	-2.9	8.2	23.2	4.5	-14.4	1.9	-13.6	2.7	-0.8	-49.0

12. The Final Risk Rating

The Risk rating summarizes mechanical risk signals (i.e breaches of the threshold) for external risk rating, and overall risk of public debt distress. This output sheet shows also a more granular assessment for the different risk category.

The Final Risk Rating indicate that Gambia is in a high risk of Public and Publicly External debt distress given that more than one of the its indicative thresholds are breach under the baseline and the most extreme stress test, additionally the mechanical risk rating is also characterized by a large short-lived breach in a liquidity indicators.

Overall the Gambia is in debt distress as the current debt and debt service ratios are in significant and sustained breach of thresholds couple with actual debt restructuring negotiations

Table 7- Final risk rating

The Gambia	
Joint Bank-Fund Sustainability Analysis	
Risk of external debt distress	High Risk
Overall risk of debt distress	In Debt Distress
Application of judgment	Actual and pending debt restructuring and negotiation

13. Conclusion

The government of the Gambia ought to continue its fiscal tightening policy to restore confidence in the debt sustainability drive. Vulnerabilities in the domestic debt couple with inadequate external financing limit judgement on the final risk rating.

The big question is, where do we need to strike a balance given the negative fiscal multiplier projections anchored on macroeconomic and fiscal assumptions. Although the country debt sustainability level has improved, still PV of public and publicly guarantee debt to GDP is on a “knife edge” far from the threshold.

Below are identified policy recommendation;

1. Any fiscal consolidation needs to be supported by measures that support growth.
2. Consolidation plans should emphasize persistent, structural reforms over the medium term
3. Contingent liabilities both implicit and explicit should be closely monitored, and total guarantee limit instituted.
4. Established contingent fund to minimize shock to the budget
5. In line with the MTDS strategy government should continue to deepen and develop the domestic debt market and at the same time, maximizing concessional external financing over the medium term.
6. The government should strategical pursue its creditors through debt restructuring or possible debt write-off to get fiscal space needed to restore debt sustainability.
7. Discontinue the use of the use of the ITFC facility with a new mechanism for the trade financing. As this is a major drag on the external debt service burden.