2019 PUBLIC DEBT BULLETIN

PREPARED BY THE DIRECTORATE OF LOANS AND DEBT MANAGEMENT IN FULFULLMENT OF SECTION 51 OF THE PUBLIC FINANCE ACT, 2014

MARCH, 2020

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ACRONYMS AND ABBREVIATIONS

LIST OF CREDITORS

ADFD	Abu Dhabi Fund for Development
AfDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
EBID	ECOWAS Bank for International Development
EIBI	Export Import Bank of India
EIBC	Export Import Bank of China
IDA	International Development Association
IsDB	Islamic Development Bank
IFAD	International Fund for Agricultural 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

CURRENCIES

CNY	Chinese Yuan
EUR	Euro
GBP	Great Britain Pound
GMD	Gambian Dalasi
JPY	Japanese Yen
KWD	Kuwait Dinar
SAR	Saudi Arabia Riyal
SDR	Special Drawing Right
USD	United States Dollar

OTHERS

BOP	Balance of Payment
CBG	Central Bank of the Gambia
DLDM	Directorate of Loans and Debt Management
DOD	Disbursed Outstanding Debt
GDP	Gross Domestic Product
MoFEA	Ministry of Finance and Economic Affairs
NAWEC	National Water and Electricity Company
NDP	National Development Plan
RCF	Rapid Credit Facility
SAS	Sukuk-Al-Salaam
SOE	State Owned Enterprise#

1. FOREWARD

The Ministry of Finance and Economic Affairs (MoFEA) through the Directorate of Loans and Debt Management (DLDM) is required by section 51 of the Public Finance Act, 2014 to prepare and publish annual debt bulletin. This bulletin provides detailed information about the public debt position and debt management operations and strategies during the year under review.

Public debt management is a necessity for achieving macroeconomic growth and stability that would promote government's accountability and transparency. In line with Government's priorities, the objective of public debt management is to ensure that Government's financing requirements are met at the lowest possible cost consistent with a prudent degree of risk coupled with the development of the domestic debt market.

The total public and publicly guaranteed (PPG) debt stock as at end 2019 stood at USD 1.4 billion equivalent to GMD 73.4 billion, of which external debt constitute USD 814.8 million (56.7%) and USD 623.1 (43.3%) is domestic debt. The nominal debt as percentage of GDP decreased from 89.1 per cent as at end 2018 to 80.1 per cent as at end 2019 and also consistently, the present value (PV) of debt to GDP decreased from 76.1 per cent in 2018 to 67.8 per cent in 2019.

Going forward, the Government would continue to implement robust debt management strategies to meet government's financing requirements and at the same time achieve public debt sustainability in the medium to long term. Achieving debt sustainability is a key requirement in securing an Extended Credit Facility (ECF) with the International Monetary Fund (IMF) which is an economic program for countries. It is in this drive that the Government secured debt restructuring in the form of principal repayment deferral with most of the external creditors for at least five years.

I would like to thank the MoFEA team, especially the Directorate of Loans and Debt Management (DLDM), Central Bank of The Gambia and all other stakeholders for their valuable contribution towards the production of this document.

Mambury Njie

Honorable Minister of Finance and Economic Affairs

Ministry of Finance and Economic Affairs

2. INTRODUCTION

The 2019 Public Debt Bulletin demonstrates Government's commitment to transparency and accountability with respect to public debt management. The document provides an account of Government's annual debt management operations, by providing information on the public debt stock; debt service payments; composition and structure of public debt; risks in the public debt portfolio; and developments in the domestic debt market. It also reports on the recent macroeconomic developments.

3. OVERVIEW & RECENT MACROECONOMIC DEVELOPMENT

3.1. GDP Growth

The World Economic Outlook (WEO) January 2020 updates points to a downwards revision in the global growth estimates by 0.1 percentage point in 2019 to stand at 2.9 per cent. Global growth is projected at 3.3 per cent in 2020 and edge up further to 3.4 per cent in 2021, a downward revision of 0.1 percentage point and 0.2 percentage points respectively from the October 2019 WEO projections. The downward revision mainly reflects negative surprises to economic activities in few emerging market economies, particularly India and increased social unrest among few economies.

Domestic economic growth has been robust in the past three years. The economy grew by 4.8 per cent in 2017 and provisional estimates revealed the economy grew by 6.5 per cent in 2018 and 6.0 per cent in 2019. It is projected to grow by 6.2 per cent in 2020 and 5.7 per cent in 2021. Agricultural sector is estimated to contract by 2.6 per cent in 2020 compared to a growth of 0.9 per cent in 2019, reflecting poor harvest in the last cropping season due to poor erratic rains. The growth in the services sector is projected to decline to 3.5 per cent in 2019 compared to a strong growth of 9.9 per cent registered in 2018, driven mainly by the slow growth in transportation, accommodations, public administration, health, wholesale and retail trade, financial and insurance activities, and information and communication. The industrial sector is projected to grow significantly by 21.7 per cent in 2019 from a contraction of 2.5 per cent in 2018 premised on strong growth in electricity, water and construction.

3.2. Inflation, Interest Rate, Exchange Rate, & BOP

Headline inflation accelerated to 7.7 per cent in November 2019 and maintained the same rate for December, then fell to 7.4 per cent in January 2020, although, still well above the 5 per cent medium term target. Monetary policy remains accommodative in the wake of subdued inflation and gradual improvements in the macroeconomic performances. The policy rate was further reduced by 50 basis points to stand at 12.0 per cent at February 2020 MPC meeting. This will help stimulate economic activities through access to credit by the private sector to enhance investment.

The weekly average interest rates on the 91-day, 182-day, and 364-day Treasury bills, which stood at 5.06 per cent, 7.04 per cent and 9.48 per cent respectively as at end December 2018 declined to 2.24 per cent, 4.98 per cent and 7.39 per cent respectively as at end December 2019. Similarly, interest on Sukuk Al Salaam bills decreased on average across all profile in 2019 compared to end December 2018. The interbank lending rate also declined as banks lend to one another at the 3 months Treasury bills rate.

The Dalasi remains resilient despite its modest depreciation against major trading currencies. From December 2018 to December 2019, the Dalasi depreciated against the USD by 3.3 per cent, Euro by 0.32 per cent, pound Sterling by 5.9 per cent and CFA by 0.1 per cent. The stability of the Dalasi is supported by foreign exchange inflows from private remittances, official development assistance, tourism and the comfortable level of international reserves.
From January to December 2019, the total volume of foreign currency transactions increased to US$ 2.2 billion compared to US$1.96 billion in the same period last year. From January to December 2019, remittances inflows totalled US$318 million, higher than US$277.88million recorded for 2018.

Preliminary Balance of Payments (BoP) revealed an improved current account balance deficit of US$45.83 million (2.59 per cent of GDP) in the 12-months of 2019 from a deficit of US$69.67 million (4.31 per cent of GDP) in the corresponding period of 2018, due to the improvement in the services account and current transfers. The gross international reserves of the Bank reached US$226.22 million as at end December, 2019, equivalent to 4.5 months of prospective imports of goods and services based on US$50 million imports estimates per month.

3.3. Fiscal Sector

Government fiscal operations for the year ended 2019 shows an overall deficit (including grants) of D3.1 billion (3.6 per cent of GDP) compared to a deficit of D4.8 billion (6.0 per cent of GDP) recorded in 2018. The improvement was attributed to fiscal consolidation and strong revenue and grants performance which increased by 11.9 per cent. On the other hand, the primary balance worsened from a surplus of D 1.3 billion (1.6 per cent of GDP) in 2018, to a surplus of D0.8 billion (0.9 per cent of GDP) in 2019 fiscal year. The sharp decline in the primary balance is explained by the significant drop in external financing by 28.1 per cent. The deficit in the basic balance, likewise worsened from a deficit of D1.2 billion (1.5 per cent of GDP) in 2018 to a deficit of D2.0 billion (2.3 per cent of GDP) in 2019 attributed to an increase in expenditure and net lending.

Revenue and grants mobilized in 2019 amounted to D16.6 billion (19.0 per cent of GDP), against a projection of D22.5 billion, and higher than D14.9 billion (18.6 per cent of GDP) recorded in 2018, reflecting 11.9 per cent growth in revenue mobilization over 2019 fiscal year. Grants receipts totaled D4.8 billion, higher than D4.6 billion received in 2018.

Domestic revenue (total revenue excluding grants) increased by 15.5 per cent to stand at D11.8 billion (13.5 per cent of GDP) in 2019 compared to D10.2 billion (12.8 per cent of GDP) in 2018. Total tax revenue for the year 2019 increased to D10.0 billion (10.5 per cent of GDP) from D8.1 billion in 2018. Revenue generated from direct taxes significantly rose to D2.6 billion or by 33.6 per cent compared to the 2018 outturn of D2.0 billion, driven by improvement in personal and corporate taxes. They both increased to D962.5 million and D1.5 billion or 22.5 per cent and 41.0 per cent respectively.

Expenditure and net lending for the year ended 2019 slightly increased to D19.8 billion (22.5 per cent of GDP) or by 0.3 per cent, compared to 19.7 billion (24.7 per cent of GDP) in 2018. The slow growth in expenditure and net lending was due to a significant drop in capital expenditure by 23.6 per cent which is largely financed from external sources.

Recurrent expenditure, on the other hand, increased by 21.1 per cent to D12.8 billion (14.6 per cent of GDP) in 2019 compared to D10.6 billion (13.3 per cent of GDP) registered in 2018. This was on account of the increase in other charges (goods and services, subsidies and transfers) by 17.4 per cent as well as increase in personal emoluments by 32.5 per cent owing to the 50 per cent government salary increment earlier in 2018.

Overall interest payments increased by 14.8 per cent to D2.8 billion in 2019, from D2.5 billion in 2018, due mainly to a 20.2 per cent increase in domestic interest payments. However, external interest payments decreased by 11.7 per cent to D370.5 million in 2019, from D419.6 million in 2018.

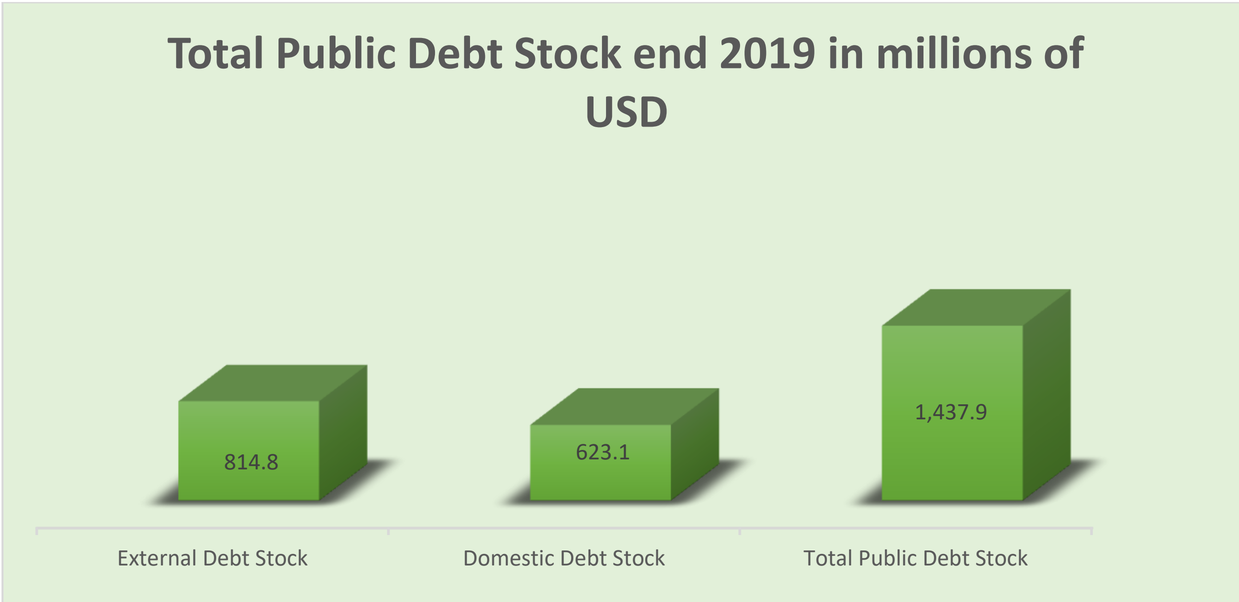
Capital expenditure declined significantly to D6.9 billion (7.9 per cent of GDP) or by 23.9 per cent in 2019, from D9.1 billion (11.4 per cent of GDP) in 2018. The decline in development expenditure was attributed mainly to a significant decline in externally financing (grants) component of capital expenditure. Public infrastructure development in The Gambia depends heavily on external financing.

4. TOTAL DEBT PORTFOLIO ANALYSIS

4.1. Total Public Debt

The total public and publicly guaranteed (PPG) debt stock as at end 2019 stood at USD 1.4 billion equivalent to GMD 73.4 billion, of which external debt constitute USD 814.8 million (56.7%) and USD 623.1 (43.3%) is domestic debt. The nominal debt as percentage of GDP decreased from 89.1 per cent as at end 2018 to 80.1 per cent as at end 2019 and also consistently, the present value (PV) of debt to GDP decreased from 76.1 per cent in 2018 to 67.8 per cent in 2019 (see figure 1 below).

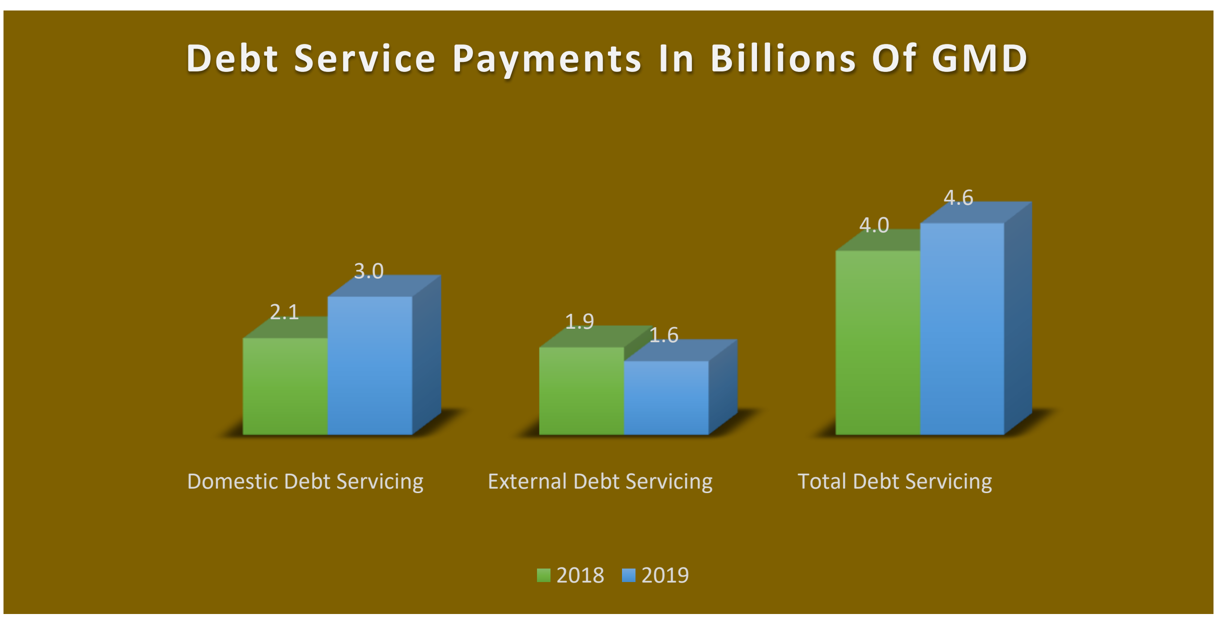
Figure 1: Total Public Debt Stock in million of USD



4.2. Total Debt Service

The total debt service payment in 2019 amounted to USD 90.6 Million (GMD 4.6 Billion) of which GMD 1.6 Billion is the External Debt Service payment and GMD 3.0 Billion is the Domestic Debt Service payment during the year 2019 (see figure 2 below).

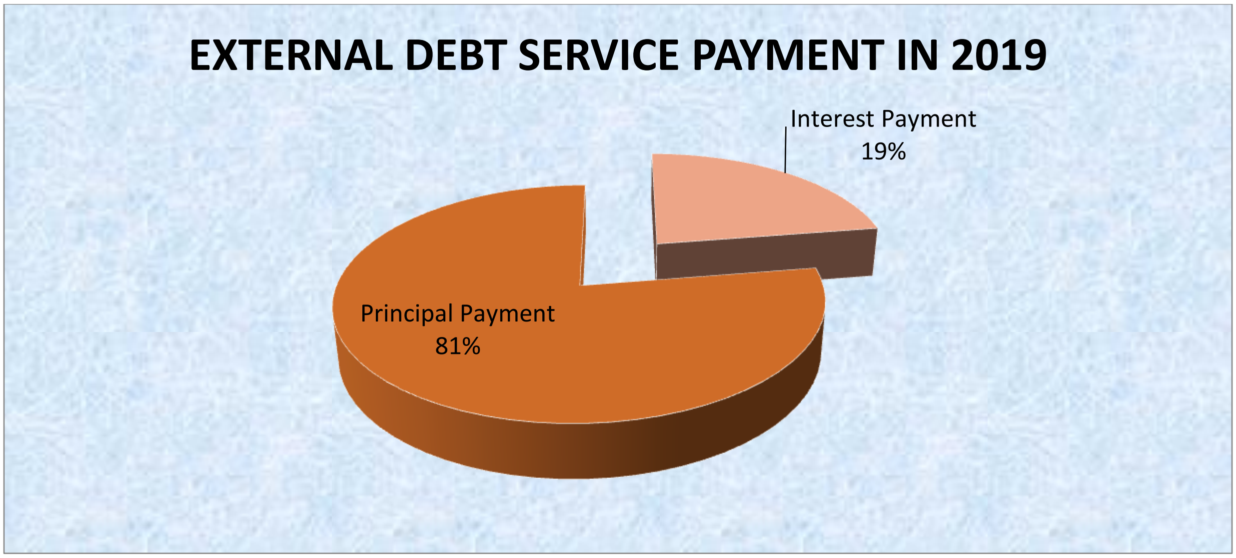
Figure 2: Total Debt Servicing (billion) GMD



4.2.1. External Debt Service Payment

The external debt service payment for the 2019 fiscal year amounted to USD 32.8 Million (equivalent to GMD 1.7 Billion), in which principal repayment accounts for USD 26.4 Million (GMD 1.4 Billion) or 81% of the total external debt service payment and USD 6.3 Million (GMD 324.0 million) is the interest payments representing 19% of external debt service payment in 2019 (see figure 3 below).

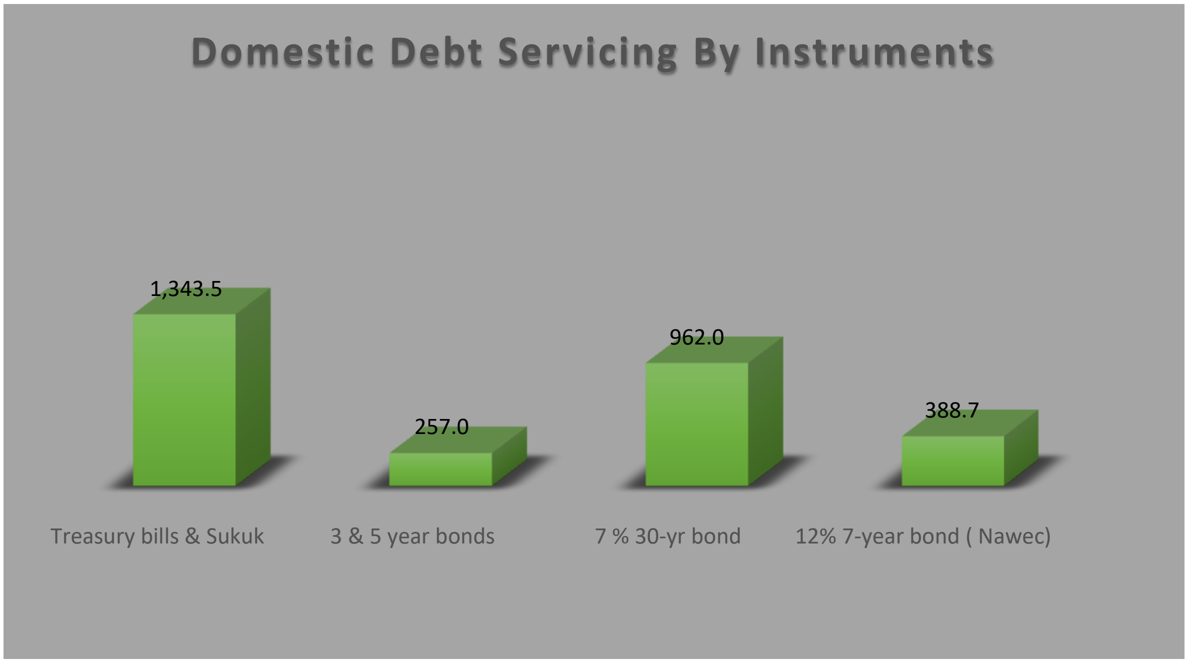
Figure 3: External Debt Servicing



4.2.2. Domestic Debt Service Payment

The total domestic debt service payment in 2019 amounts to GMD 3.0 billion, of which interest payment on Treasury Bills & Sukuk-Al-Salaam accounts for GMD 1.3 Billion or 46 per cent of the total domestic debt service payment. The debt service payment on the 30 year Government bond accounts for GMD 962.0 million, whereas the 7-year NAWEC Bond accounts for GMD 388.7 million, and the 3 & 5 year Government marketable bond accounts for GMD 257.0 million (see figure 4 below).

Figure 4: Domestic Debt Service in millions GMD



The total debt service payment has increased by 18.0 per cent from GMD 3.9 billion in 2018 to GMD 4.7 billion in 2019. External Debt service as a percentage of total debt service decrease by 13.0 per cent from 2018 to 2019, this is as a result of recent debt restructuring on external debt. Domestic debt service as a percentage of total debt service increased to 65 per cent as at end 2019 from 52 per cent in 2018. The increase in domestic debt service over the reporting period was as a result of increase in the domestic debt stock (see table 1 below).

Table 1: Total Debt Service Payment for 2018 and 2019

	2018 in GMD millions	2019 in GMD millions
External Debt Service Payment	1,862.8	1,673.04
Domestic Debt Service Payment	2,058.2	3,072.66
Total Debt Service	3, 921.0	4,745.7

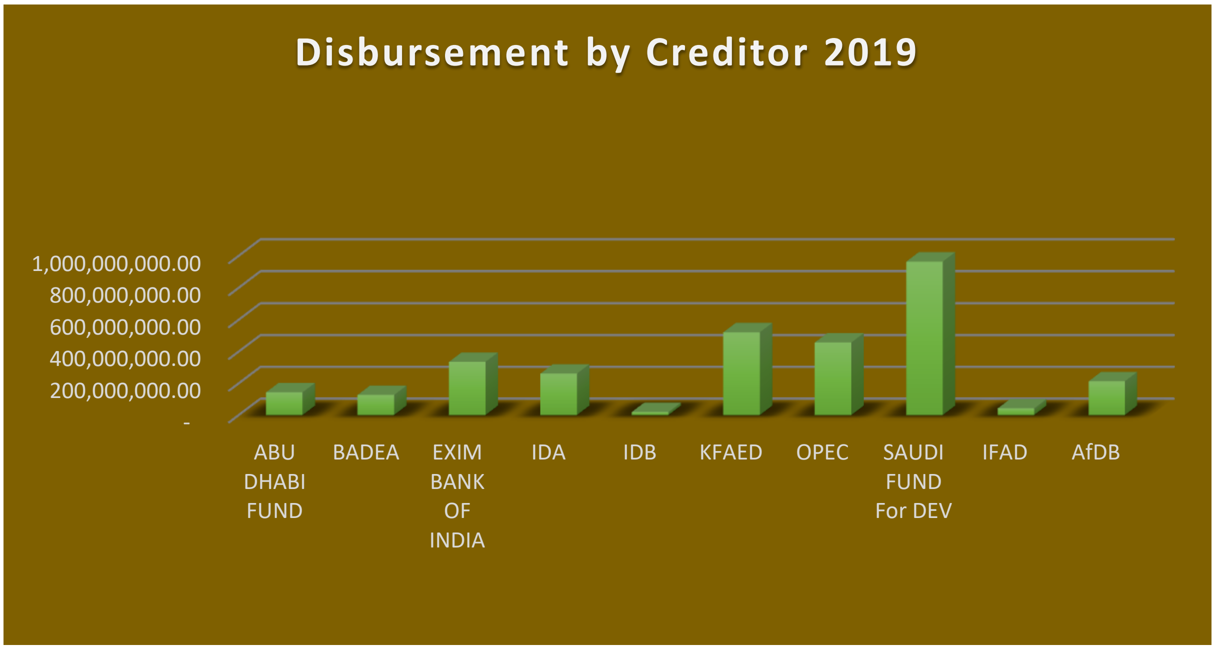
4.3. Total Loan Disbursements

The total loan Disbursements for the fiscal year 2019 amounts to USD 60.4 Million equivalent to GMD 3.1 Billion.

4.3.1 Disbursement by creditor

Saudi Fund for Development provided the highest loan disbursement in 2019, followed by KFAED. The rest of the loan disbursements came from OFID, EXIM Bank of India, AfDB, ABU DHABI fund, BADEA, IFAD and IDA (see figure 5 below).

Figure 5: Disbursement by creditor



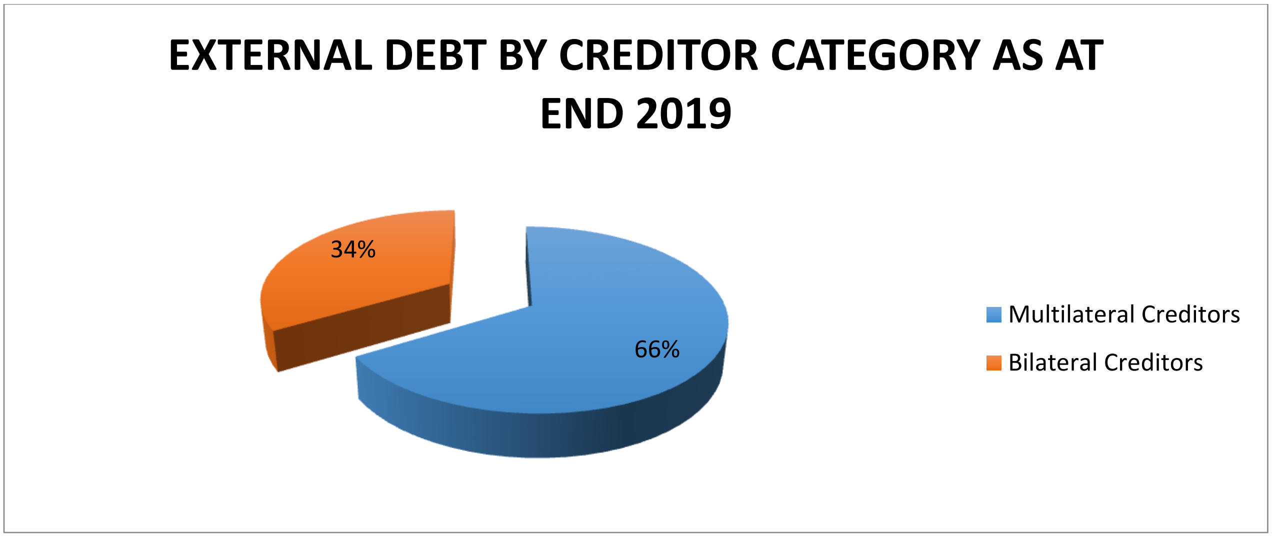
5. EXTERNAL DEBT ANALYSIS

The total external debt stock as at end 2019 stood at USD 814.8 million equivalent to GMD 41.6 billion representing 56.7 per cent of the total debt portfolio. On a year-to-year basis, the total external debt stock increased from USD 755.8 million in 2018 to USD 814.8 million in 2019 representing 7.2 per cent increment in external debt stock.

5.1 External Debt Stock by Creditor Category

The external debt stock comprises of debt from multilateral creditors, which accounts for 66 per cent of the total external debt portfolio, and bilateral creditors accounts for the remaining 34 percent of the portfolio (see figure 9).

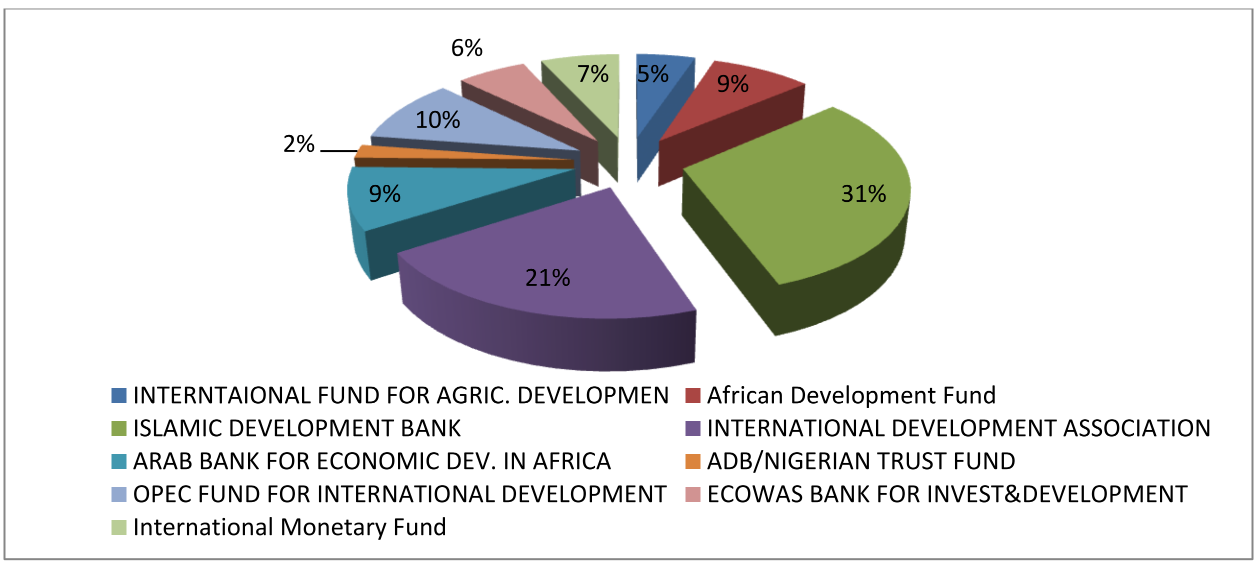
Figure 6: External Debt by Creditor Category



5.1.1 Proportion of Multilateral creditors' share of the total External Debt stock

A good amount of the country's external debt comes from multilateral creditors; the Islamic Development Bank is the leading multilateral creditor to the Gambia followed by International Development Association (see figure 10 below).

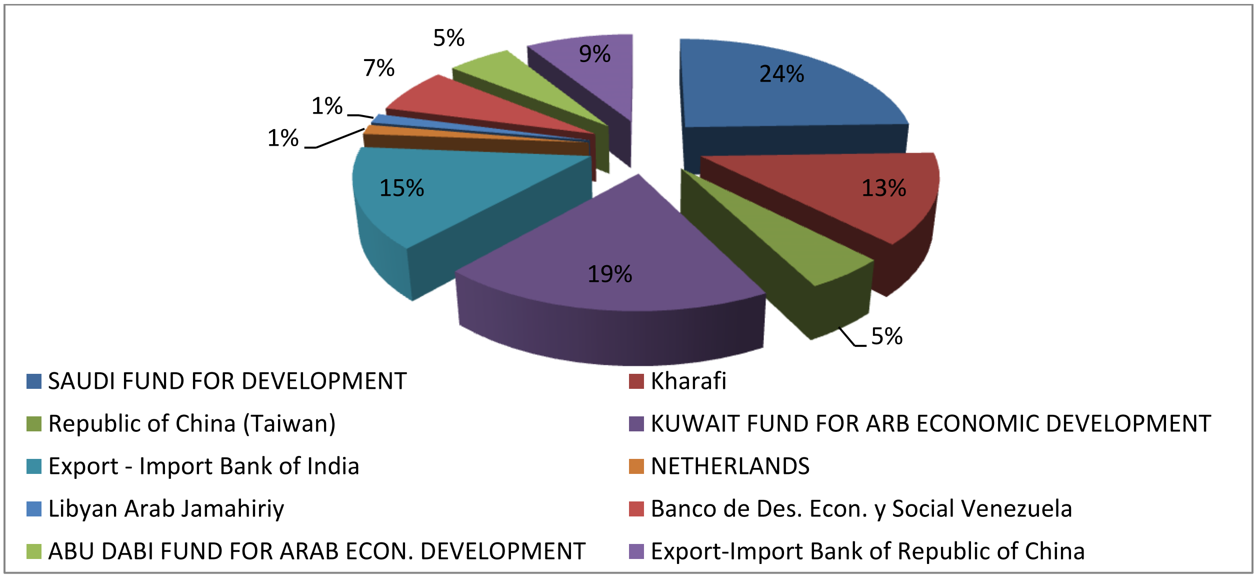
Figure 7: Multilateral Debt by Creditors



5.1.2 Proportion of Bilateral creditors' share of the total External Debt stock

Bilateral creditors provided 35 per cent of the total external debt stock; of which Saudi Fund for Development is leading followed by Kuwaiti Fund for Arab Economic Development (see figure 11 below).

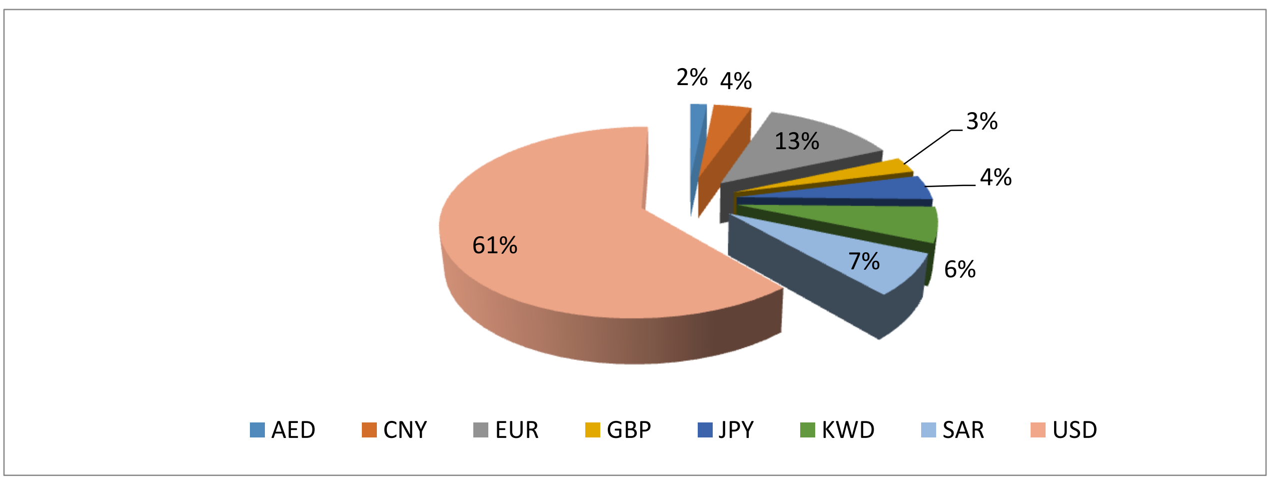
Figure 8: Bilateral Debt by Creditors



5.2 Currency Composition of External Debt

Most of the external debt stock is exposed to the US Dollar accounting for 61 per cent share of the currency exposure, followed by Euro, Saudi Riyals, Kuwaiti Dinar, Yen, Chinese Yuan, Pound Sterling, and UAE Dirham with 13 per cent, 7 per cent, 6 per cent, 4 per cent, 4 per cent, 3 per cent, and 2 per cent respectively *(see figure 12 below)*..

Figure 9: Currency composition of external debt



5.3 Loans Disbursement

The total disbursement has decreased from USD 90.9 million in 2018 to USD 60.4 million in 2019. Net flows have consistently remained positive over the years indicating increasing disbursements to finance capital and development related projects and programs. Net transfers on debt decreased from USD 53.24 million in 2018 to USD 27.7 Million in 2019 (see table 2 below).

Table 2: External Net flows and Transfers

Flows	2018	2019
Disbursement (A)	90.9	60.4
Principal Repayment (B)	29.18	26.4
Net Flows on Debt (C) = (A-B)	61.72	34.0
Interest Payments (D)	8.48	6.3
Net Transfers on Debt E = (C-D)	53.24	27.7

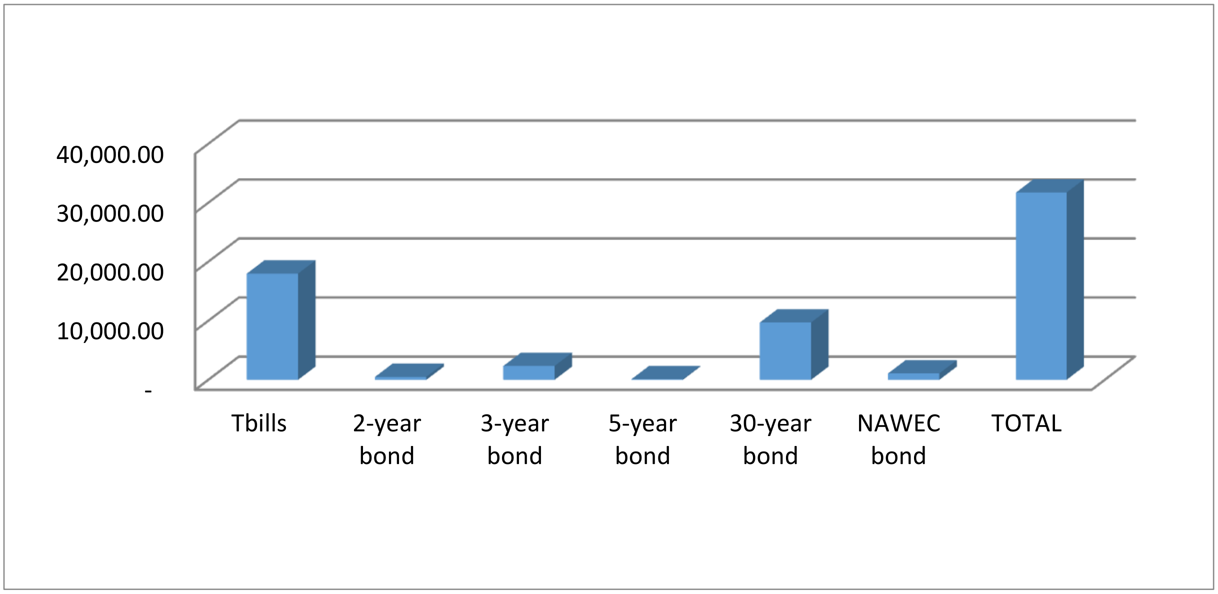
6. DOMESTIC DEBT ANALYSIS

6.1 Domestic Debt Stock

The total domestic debt stock as at end 2019 stood at GMD 31.8 billion equivalent to 34.7 per cent of GDP compared to GMD 29.7 billion equivalent to 39.7 per cent of GDP as at end 2018. The domestic debt ratio to GDP decreased by 5 percentage point in 2019.

The stock of domestic debt comprises of both marketable and non-marketable debt instruments. The T-bill's, Sukuk-Al-Salaam, 3 and 5-year bonds are the marketable debt instruments whereas, the 7-Year NAWEC Bond and 30-year Bond are the non-marketable instruments (see figure 6 below)

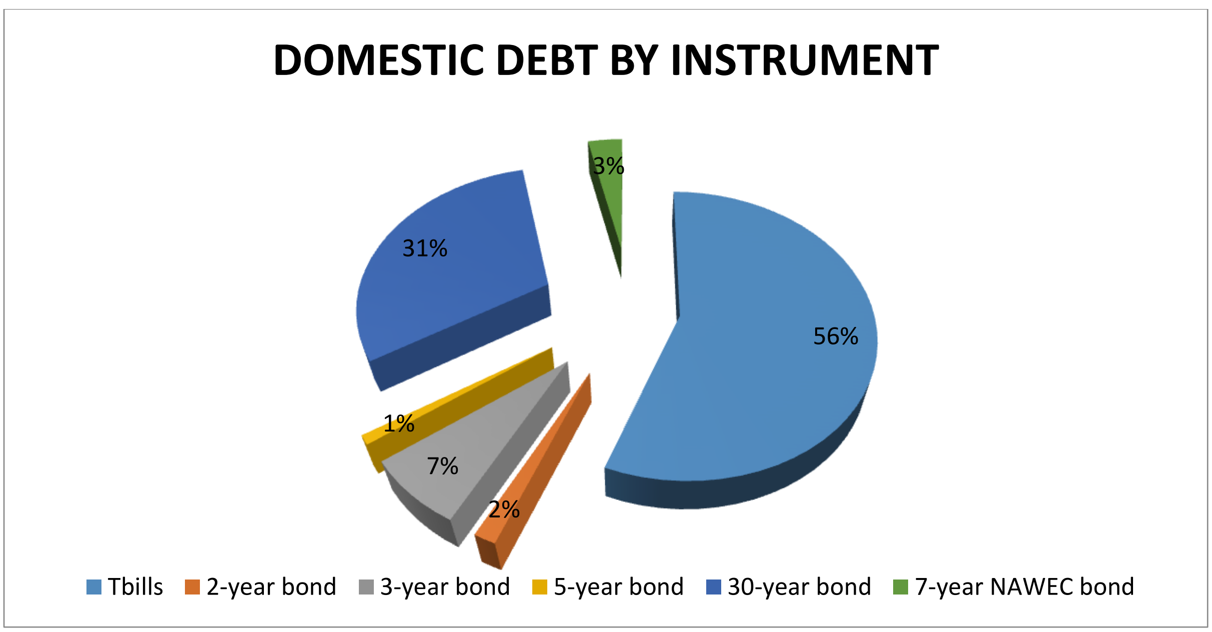
Figure 10: Summary of outstanding Domestic Debt



6.2 Domestic Debt by Instrument

A greater proportion of the domestic debt stock is constituted by T-Bills & SAS with 56 per cent share, followed by 30-year Government bond with 31 per cent, 7 per cent on 3-year Bond, 3 per cent on the 7-year NAWEC Bond and then the remaining 1 per cent on 5-year bond (see figure 7 below).

Figure 11: Domestic Debt by Instrument

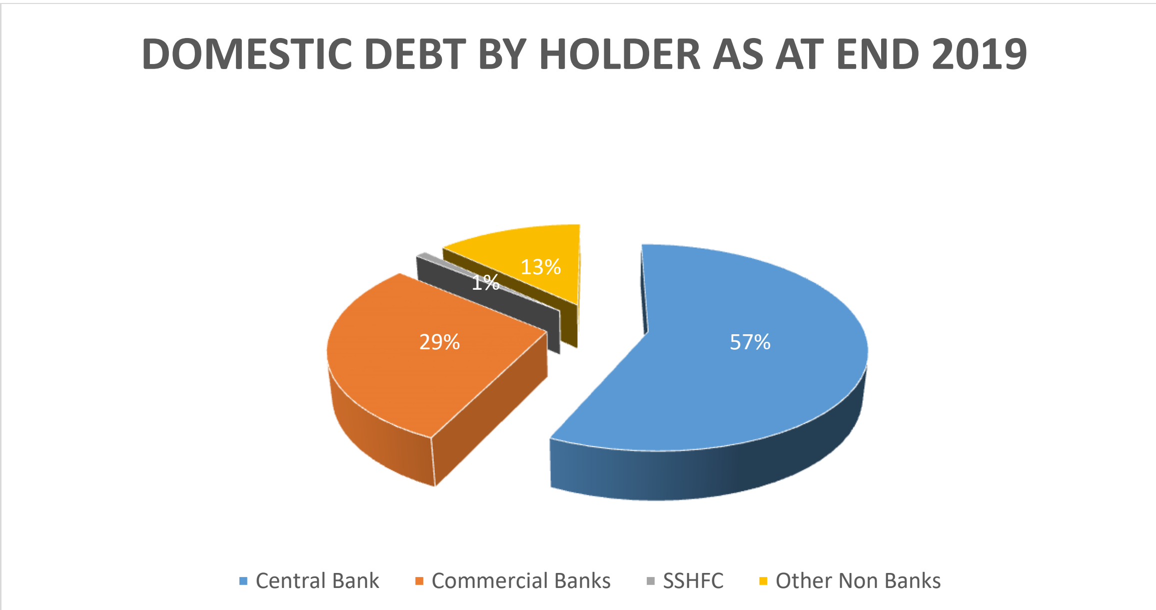


6.3 Domestic Debt by Holder

The holders of Government domestic debt as at end 2019 comprised of commercial banks, SSHFC, other non-banks, and the Central Bank.

Commercial Banks hold 56.4 per cent of the domestic debt portfolio as at end 2019. The Central Bank holds 29.3 per cent of the domestic debt; the non-banks are holding 13.3 per cent while SSHFC holds 1.1 per cent (see figure 8 below)

Figure 12: Domestic Debt Distribution by Holder



7. COSTS AND RISK OF EXISTING DEBT PORTFOLIO

7.1 Cost of Debt

As at end 2019, the total public and publicly guaranteed debt has a weighted average interest rate of 3.8 per cent. The weighted average interest rate for external debt was 1.3 per cent reflecting a mix of debt contracted on concessional and semi concessional terms.

The weighted average interest rate on domestic debt was 7.1 per cent. The interest rates over the past year have been declining due to fiscal consolidation and inflows in the form of budget support.

7.2 Refinancing Risk

The average time to maturity for the entire public and publicly guaranteed debt as at end 2019 is 8.2 years, in which the external portfolio has 10.4 years worsened by the inclusion of the International Islamic Trade Finance Corporation (ITFC) trade facility, and the domestic portfolio has 4.6 years.

7.3 Interest Rate Risk

The Average Time to Re-fixing for the total debt portfolio is 8 years as at end 2019 which shows a high composition of fixed interest denominated debt.

7.4 FX Risk

More than half of the total public and publicly guaranteed debt (65 per cent) is exposed to exchange rate risk, the main exposure of the external debt portfolio is to the USD (see table 3 below)..

Table 3: Cost and Risk Indicators of existing Debt

Risk Indicators		**External debt**	**Domestic debt**	**Total debt**
Amount (in millions of GMD)		41,634.2	31,840.9	73,475.1
Amount (in millions of USD)		814.8	623.1	1,437.9
Nominal debt as percent of GDP		45.4	34.7	80.1
PV as percent of GDP[1]		33.1	34.7	67.8
Cost of debt[2]	Interest payment as percent of GDP[3]	**0.6**	**2.4**	**3.0**
	Weighted Av. IR (percent)	**1.3**	**7.1**	**3.8**
Refinancing risk[2]	ATM (years)	**10.4**	**4.6**	**8.2**
	Debt maturing in 1yr (percent of total)	**6.5**	**65.7**	**28.7**
	Debt maturing in 1yr (percent of GDP)	**3.7**	**22.8**	**26.5**
Interest rate risk[2]	ATR (years)	**10.1**	**4.6**	**8.0**
	Debt refixing in 1yr (percent of total)	**11.0**	**65.7**	**31.6**
	Fixed rate debt incl T-bills (percent of t	**91.9**	**100.0**	**94.9**
	T-bills (percent of total)	**0.0**	**56.5**	**21.2**
FX risk	FX debt (percent of total debt)			56.7
	ST FX debt (percent of reserves)			28.7

8. CONCLUSION

The Government of the Gambia would continue pursuing prudent debt management practices to ensure the objectives of debt management as stipulated in the Public Finance Act, 2014 are met, such as funding government's financing requirements at the least cost possible with a prudent degree of risk and at the same time promoting domestic debt market development.

In ensuring transparency and accountability, the Ministry of Finance and Economic Affairs would continue to provide regular publications of Debt management operations in the country. These publications include the quarterly statistical debt bulletins and the annual debt bulletin, and the Medium Term Debt Strategy among others.