2020 DEBT SUSTAINABILITY ANALYSIS

FOR THE

REPUBLIC OF THE GAMBIA

MARCH, 2020

Contents

List of Tables

List of Figures

Section 1: Introduction/ Background

Debt relief in the early 2000s was to provide fiscal space and help developing countries achieve debt sustainability while promoting growth and alleviating poverty. However, supporting literature shows that, most countries in Africa that benefitted from debt cancellation programmes are currently faced with high unsustainable debt levels due to lack of reforms leading to expenditure overruns, which have culminated into rising debt levels that pose significant risks to public debt management.

It is therefore important that countries carry out periodic analysis to assess government's fiscal policy so as to ensure that it is able to meet its obligations including any contingent liabilities that may arise.

Objective and Scope

The objective of the Debt Sustainability Analysis (DSA) is to assess the country's capacity to finance its policy objectives and service its current and future debt obligations, without recourse to rescheduling, arrears and without compromising growth.

The objective of the analysis further looks at assessing the current and future debt obligations in view of anticipated borrowing to fund critical infrastructure. This is to guide Government's borrowing decisions to ensure that financing needs and ability to make future repayments are taken into account while recognising contingent liabilities from various sectors that pose a risk to debt sustainability.

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

Methodology

The analysis was carried out using the joint World Bank/IMF Debt Sustainability Framework for Low-Income Countries (LIC-DSF) by taking into account ten (10) years historical data and twenty (20) years forward-looking data in assessing a country's ability to honour their debt obligations.

Section2: Recent Macroeconomic Performance

Overall Performance

At end 2018, real Gross Domestic Product (GDP) grew by 6.5 per cent which was largely driven by the services sector and estimated to grow by 6.0 per cent at end 2019.

Also at end 2019 estimates of Balance of Payments (BoP) indicates that the current account balance improved to a deficit of US$45.8 million (2.6 per cent of GDP) in 2019 from a deficit of US$69.6 million (4.3 per cent of GDP) during the same period in 2018, due to the improvement in services and current transfers. The end year estimate for the goods account deficit is US$381.0 million (21.6 per cent of GDP) in 2019, compared to a deficit of US$354.4 million (21.9 per cent of GDP) in 2018. Export receipts increased by 2.2 per cent to US$138.3 million during the period under review. Imports increased from US$519.4 million as at end 2018 by 3.7 per cent to US$538.6 million in 2019. Gross Official reserves stood at US$226.2 million as at December 31st 2019. International reserves is projected at 4.5 months of next year's imports goods and services.

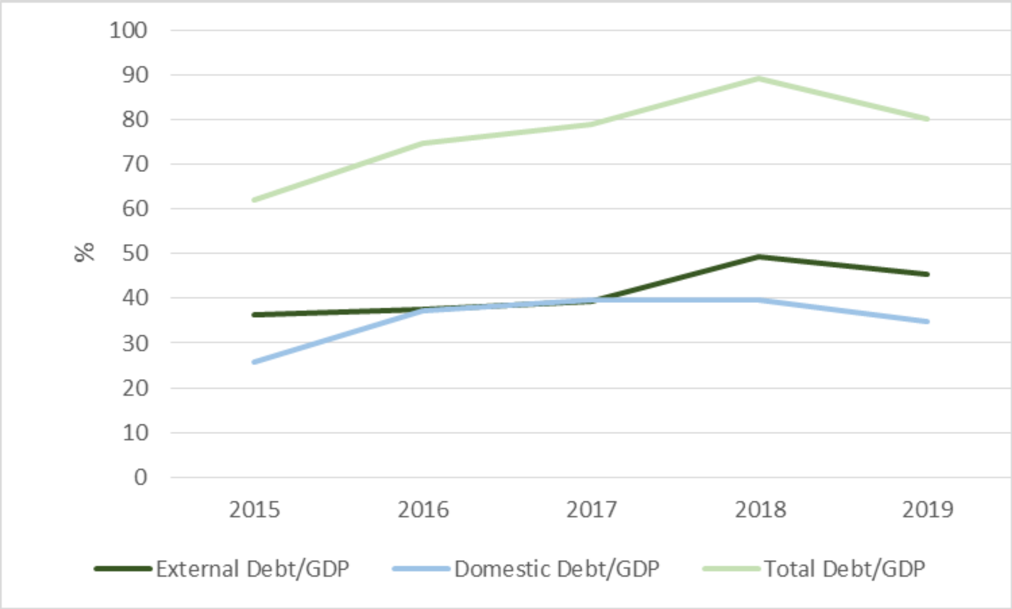
The Dalasi depreciated against the US Dollar by 0.09 per cent while appreciated against Euro and Pound Sterling by 0.03 per cent and 0.70 per cent as at 31st December 2019. This is largely due to strong inflows from remittances, tourism and assistance from our development partners as well as strong economic policy implementation.

The overall deficit including grants for 2019 was D3.1 billion, representing 3.6 per cent of GDP compared to a deficit of D4.8 billion (6.0 per cent of GDP) recorded in 2018. This was mainly on account of increased inflows of revenues and grants by 11.9 per cent from D14.9 billion (18.6 per cent of GDP) recorded in 2018 to D16.6 billion (19.0 percent of GDP). Total government expenditure also increased to D19.8 billion (22.5 percent of GDP), compared to D19.7 billion (24.7 percent of GDP) in 2019.

Section 3: Debt Developments (Stock evolution)

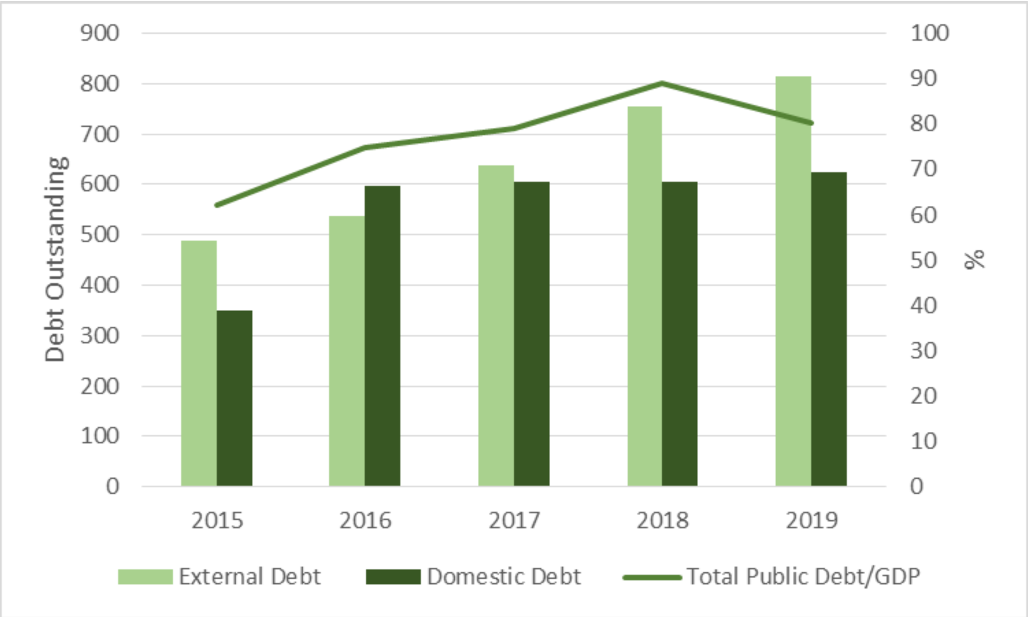
The total public and publicly guaranteed debt stock as at end 2019 stood at US$1.4 billion (equivalent to GMD 73.5 billion) of which external debt constitute 56.7 per cent and 43.3 per cent is the domestic debt portion. The nominal debt as percentage of GDP decreased from 89.1 per cent as at end 2018 to 80.1 per cent as at end period 2019.

Figure 1: Evolution of Public Debt



Despite the decreasing debt to GDP ratios, the continuous rise in the total public and publicly guaranteed debt stock mainly from the increased in guarantees to the State Owned Enterprises and fiscal slippages still remains a key concern for government.

Figure 2: Trends in Public Debt



External Debt Analysis

The total external debt stock as at end 2019 stood at USD 814.8 million representing 56.7 per cent of the total debt portfolio. On a year-to-year basis, the total external debt stock increased from USD 755.9 million in 2018 to USD 814.8 million in 2019.

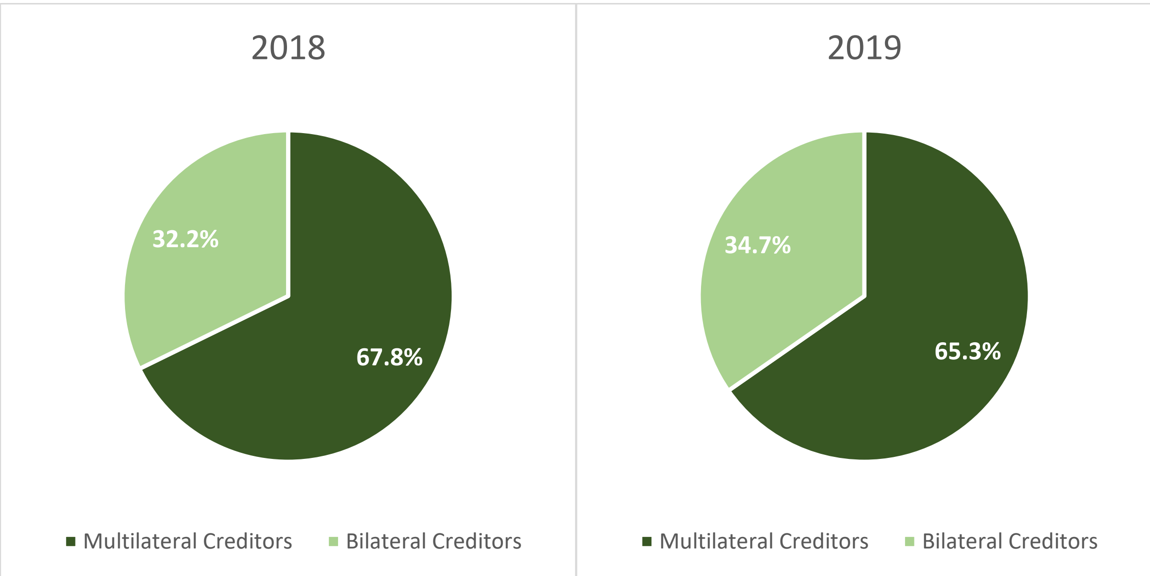
Table 1 : External debt by creditor category

	2018	2019
	in millions of US$	
Multilateral Creditors	512.2	532.2
Bilateral Creditors	243.7	282.5
Total	**755.9**	**814.8**

External Debt Stock by Creditor and Creditor Category

External debt stock mainly comprises concessional loans from multilateral creditors, which accounted for 65.3 per cent of the total external debt portfolio, and bilateral creditors, which accounted for the remaining 34.7 per cent of the portfolio.

Figure 3: External Debt by Creditor Category



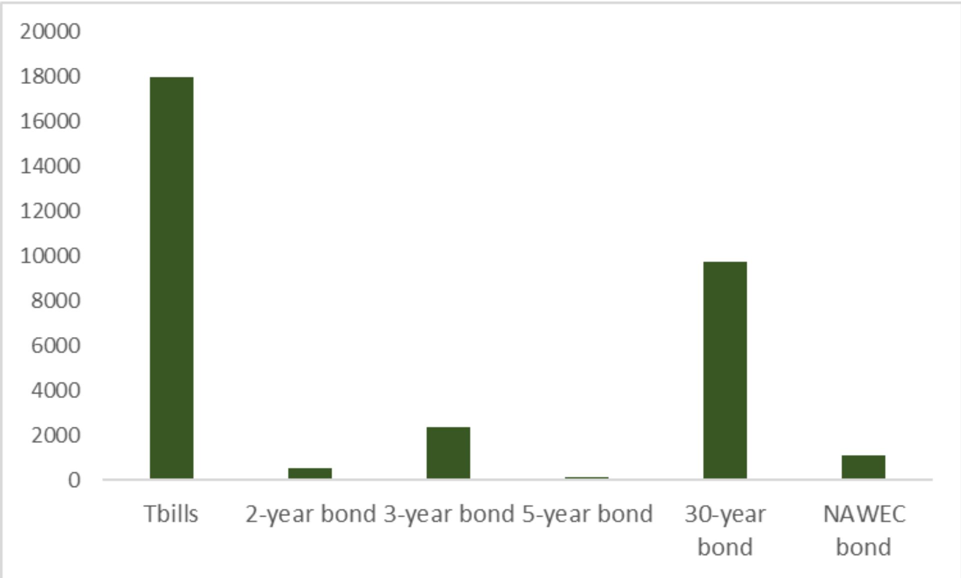
Domestic Debt Analysis

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 as at end 2018 equivalent to 39.7 per cent of GDP.

The total domestic debt as a percentage of GDP decreased by 5% percentage point from 2018 to 2019.

The stock of domestic debt comprises T-bill's, Sukuk Al-Salam, 3-year Government bond, 5-year Government bond, 7-Year NAWEC Bond and 30-year Government Bond. The few non-marketable domestic debt instruments are 30-year, and NAWEC bond. The table below shows the domestic debt outstanding by instrument.

Figure 4: Domestic Debt stock by instrument as at end 2019



Section 4: Debt Carrying Capacity and Thresholds

A country is classified as a weak, medium or strong performer when assessing its debt carrying capacity using the Composite Indicator (CI). Countries' policies, institutional strengths, macroeconomic performance, and buffer to absorb shocks tend to impact on their abilities to handle debt. Therefore, CI captures the impact of the different factors through a weighted average of the Country Policy and Institutional Assessment (CPIA) score, the country's real GDP growth, remittances, international reserves, and world growth. The Gambia is classified as a medium performer as seen in Table 2 below.

Table 2: Composite Indicator

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.523	1.35	47%
Real growth rate (in percent)	2.719	5.497	0.15	5%
Import coverage of reserves (in percent)	4.052	26.244	1.06	37%
Import coverage of reserves^2 (in percent)	-3.990	6.887	-0.27	-10%
Remittances (in percent)	2.022	4.186	0.08	3%
World economic growth (in percent)	13.520	3.660	0.49	17%
CI Score			2.87	100%
CI rating			Medium	

The classification of Gambia as a medium performer is bound by thresholds, above which the country may be considered to be in debt distress, as seen in Table 3.

Table 3: Thresholds

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

Section 5: Underlying Macroeconomic Assumptions of the DSA

The DSA is anchored on a macroeconomic projections over a 20 year period from 2020 to 2040. The results display a 20 year horizon against which the debt indicators are assessed for the level of risks of debt distress. It is also expected to inform fiscal budget and rests on the central assumptions that all the policy proposals will be enacted and it is based on the information available. The forecast and assumptions look at the real GDP growth, price developments, domestic revenue, domestic expenditure and the external sector developments which include current account balance and exchange rate developments.

The Gambian Economy grew by 6.0 per cent in 2019, from 6.5 per cent in 2018 despite the adverse shocks- related to the delayed and erratic rainfall and the collapse of a major tour operator in the Gambia (Thomas Cook UK). Inflation in the course of 2019 also moderated to 7 per cent by end year, on account of improve external sector and fiscal policy management. Credit to private sector has seen the highest increase in recent times (35 percent increase year–on-year between 2018 to 2019.) largely on account of improve business confidence aided by the retreat of government domestic borrowing to create space for private sector lending.

In the medium term, economic growth is estimated to be driven by construction, manufacturing, tourism and tourism related services. And in terms of share of GDP, the service sector is expected to remain the lead contributor hovering between 61-62 per cent of GDP over the period 2020-2025, followed by Industry of 20-22 per cent in the medium term driven (see table 2 below) mainly by manufacturing, construction, electricity and mining activities. Details of Sectoral contribution to GDP are detailed in Table 4 below.

Table 4: GDP contribution by Economic Sector 2018-2025

sectorial GDP		2018	2019	2020	2021	2022	2023	2024	2025
Agriculture		20%	19%	18%	17%	17%	16%	16%	16%
Industry		16%	19%	20%	21%	22%	22%	22%	22%
Services		64%	63%	62%	61%	61%	61%	62%	62%

Economic growth in the medium term is anchored on the sectoral growth output simulations, driven primarily by services and industry sectors. As result of the expected growth in these two sectors combined with a moderate rebound of the agricultural sector, real GDP is estimated to reach a peak of 6.3 per cent over the period 2020/21- mainly on account of livestock and fishing activities.

Similarly, increase availability of foreign currency and renewed private sector activities are also anticipated to spur trade through Hotels and restaurants, communication and finance activities (see table 5 below).

Macroeconomic Assumptions

- Civil and Security sector reform
    - Freeze in security sector Hiring
    - Civil Service hiring freeze (Agencies rationalization)
- Rationalization of Foreign Service Missions
- Restructuring and repositioning of SOEs
- Increase leverage of the Regional Trade – Senegambia Bridge
- Increase remittance Flows – to spur private sector activity
- Increase Trade- Port Expansion
- Improve Revenue Administration
    - Reconstruction of the taxpayer Ledger
    - Post clearance Audit
    - Increase formalization of the taxpayer base
- Increase construction activities – OIC projects
- Increase supply of Water and Electricity to support – Manufacturing
- Expand Investment in Agriculture
- Low domestic Interest rates
- Increase remittances and FDI – associated to renewed private sector activity

Table 5: Sector Real GDP Growth Outlook 2018-2025

GDP at constant prices	2018	2019	2020	2021	2022	2023	2024	2025
Total GDP Growth Rate	**6.5%**	**6.0%**	**6.3%**	**6.3%**	**5.9%**	**5.5%**	**5.1%**	**5.0%**
Agriculture	**0.9%**	**0.9%**	**2.5%**	**2.5%**	**2.6%**	**3.1%**	**3.3%**	**3.3%**
Crops	6.6%	0.1%	0.1%	0.0%	-0.5%	0.3%	0.7%	1.1%
Livestock	-5.6%	-3.0%	2.4%	2.6%	2.0%	1.6%	1.6%	1.2%
Foresty	-18.2%	0.2%	0.7%	1.4%	2.4%	2.1%	2.0%	1.0%
Fishing	-2.1%	3.9%	6.3%	6.1%	7.1%	7.0%	7.0%	6.7%
Industry	**2.5%**	**22.3%**	**14.8%**	**11.5%**	**8.7%**	**7.6%**	**6.4%**	**5.2%**
Mining and Quarrying	21.6%	14.0%	6.0%	4.4%	4.3%	3.6%	3.1%	2.5%
Manufacturing	0.3%	3.8%	5.8%	7.7%	8.7%	9.7%	10.9%	8.7%
Electricity (before 2013 also water)	13.3%	13.8%	6.1%	7.2%	5.5%	16.4%	5.0%	5.3%
Water	0.4%	8.9%	10.4%	10.7%	11.2%	11.7%	8.6%	8.6%
Construction	1.8%	34.5%	20.2%	13.6%	9.1%	5.8%	5.1%	3.9%
Services	**9.9%**	**3.5%**	**4.7%**	**5.6%**	**5.4%**	**5.0%**	**4.8%**	**5.5%**
Wholesale and retail trade	9.5%	1.9%	4.4%	5.0%	3.6%	2.3%	1.2%	1.7%
Transport and storage	19.7%	7.9%	2.5%	3.7%	3.9%	3.4%	3.3%	3.8%
Hotels and restaurants	18.2%	4.5%	11.8%	9.3%	7.8%	4.5%	3.8%	3.1%
Communication	15.8%	11.3%	6.5%	7.4%	7.4%	6.1%	5.9%	4.2%
Finance and Insurance	10.2%	12.7%	11.0%	13.0%	14.4%	16.6%	15.0%	14.3%
Real estate, renting and business activities	2.5%	6.7%	2.8%	5.4%	3.4%	1.9%	2.4%	1.5%
Professional, scientific and technical activities	-7.8%	-0.7%	0.7%	0.9%	13.7%	9.4%	10.8%	9.5%
Administrative and support service activities	-7.5%	-1.7%	0.7%	0.0%	13.7%	15.4%	14.3%	14.3%
Government sector	23.8%	5.0%	1.1%	0.7%	-0.3%	1.0%	0.5%	0.4%
Education, private	-1.6%	-1.8%	4.4%	10.7%	15.3%	19.3%	23.3%	23.6%
Health and social work, private	12.7%	4.1%	9.6%	7.7%	17.2%	19.0%	21.6%	21.7%
Arts, entertainment and recreation	-1.6%	-0.9%	-5.9%	-5.7%	-5.2%	-4.9%	-3.5%	1.0%
Other service activities	-2.1%	-4.5%	1.7%	7.1%	10.9%	14.6%	19.7%	25.7%

Real GDP Growth

The headline real GDP growth rate is forecast to be 6.3 per cent in 2020 and thereafter expected to average 5.3 per cent from 2021 to 2040. The projection is premised on increased public and private investments, strong tourism activities, increased domestic energy production, and improved political climate to attract FDI flows and higher labor productivity. Historically, growth in real GDP led to a reduction in public debt while over the forecast horizon it remains too optimistic in reducing debt.

Inflation

Inflation is projected to moderate over the medium term towards the CBG's medium-term target of 5.0 per cent. Inflation averaged 7.1 per cent in 2019 higher than 6.5 per cent in 2018 due to factors including one-time hike in postal charges in March 2019 and increases in food prices associated with the Ramadan and low food harvest. However, it is expected to moderate towards the medium-term target by 2023 or ealier. The soft inflation outlook is anchored on stable exchange rate of the dalasi, increased domestic food supply supported by Government intervention to promote agriculture and sound monetary and fiscal policy implementation.

Although, there are significant risks to the outlook in the wake of geopolitical tensions, trade wars and the outbreak of COVID-19. Potential threat to inflation outlook could include; disruptions in oil supplies causing energy prices to shoot up and food supply shortages. Despite the expected moderation in inflation, it is likely to remain above the medium-term target rate of 5.0 percent through the longer term.

Domestic Revenue

On the revenue side, Domestic revenues increased by nearly 2.0 per cent of GDP in 2019, exceeding the program projections by 1.0 per cent of GDP. The increase in tax revenues contributed 0.9 per cent of GDP and was 0.1 per cent of GDP stronger than expected. The bulk of the over-performance margin (0.9 per cent of GDP) came from non-tax sources, reflecting signature bonuses of US$10.0 million from British Petroleum (BP) and US$5.2 million from FAR Gambia Limited for rights to prospect for offshore oil. Customs revenue (including most of the value-added tax (VAT) receipts) benefited from a double-digit growth in imports. The increased revenue from direct taxes reflected good economic performance of large enterprises already in 2018. Strengthened audit capacity led to a significant improvement in the declarations and payments, especially by telecom companies. Similar exercises in other sectors also led to self-correcting measures by businesses, increasing declarations and payments of their tax liabilities. The revenue projections reflects current policies geared towards optimizing revenue mobilization and reforms implementation.

Government Expenditure

Expenditure management- Total expenditure was slightly lower than projected despite (i) a 50-per cent increase in basic salaries of civil servants across the board; (ii) expenses on transitional justice initiatives, namely, the CRC and the TRRC; and (iii) higher subsidies to the social sector (mainly health and education) and to the Gambia Groundnuts Company (GGC) to meet its payment obligations to the International Islamic Trade Finance Corporation (ITFC) facility. Steps were taken to rationalize expenditure on diplomatic missions. Capital spending was under-executed by 0.3 per cent of GDP due to capacity issues that generally constrained project implementation. Importantly, as financial discipline at National Water and Energy Company (NAWEC) strengthened, overruns on subsidies for electricity have been avoided. The expenditure projections also capture current policies and fiscal consolidation efforts by the Government towards the medium to long term.

Exports, Imports, Current Account Balance and BOP

The current account estimates for the period 2020 stood at a deficit of US$71.8 million from a deficit of US$46.0 million in 2019. It widened to deficit of US$73.4 million in 2021 and expected to deteriorate further reflecting developments in the real sector.

The widening of the deficit in the goods account reflects the increase in imports, owing to rise in economic activity in the construction subsector and demand for oil imports. However, Exports is forecasted to decline to US$124.5 million in 2020 compared to US$202.5million in 2019 or by 38.0 per cent triggered by decline in cashew and timber trade.

Outlook

The current account deficit will continue to worsen over the medium to long term with decreased exports receipts, increasing import bill thus causing a negative effect on debt growth. The historical series indicated that the current account balance has a negative effect on the debt level.

Whilst improved macroeconomic policy, going forward, economic growth, tourist and remittance receipt will heightened significantly and will mirror positive impact on the current account balance. With adequate level of foreign reserve assets, supported by lower fiscal deficit, the domestic currency is expected to remain stable and inflationary pressures to dampen.

Exchange rates

The exchange rate will remain flexible, to be allowed to adjust to market fundamentals with limited intervention. It is projected to depreciate in accordance with macroeconomic fundamentals including projected persistent current account deficits over the forecast horizon. Specifically, economic activities are expected to be robust including activities in the industry sector (construction) and service sector (tourism). The projected depreciation over the forecast window appears less impactful to debt levels. Overall, exchange rates will remain stable supported by expected budget support receipts, tourist arrivals, remittances inflow as well as prudent monetary policy. The exchange rates is projected using the average depreciation rate for 2018 and 2019 for both end-of-period and the period average. Historical exchange rates growth rates for the past ten years have some artificial forces through executive directives leading to overvaluation. However, the 2018 and 2019 exchange rates are purely market base, thus the depreciation average rate is used to project exchange rate over the forecast horizon. The economic policies in these periods are expected to continue including prudent fiscal policies and consolidation.

Section 6: Realism Forecast

Realism Tool

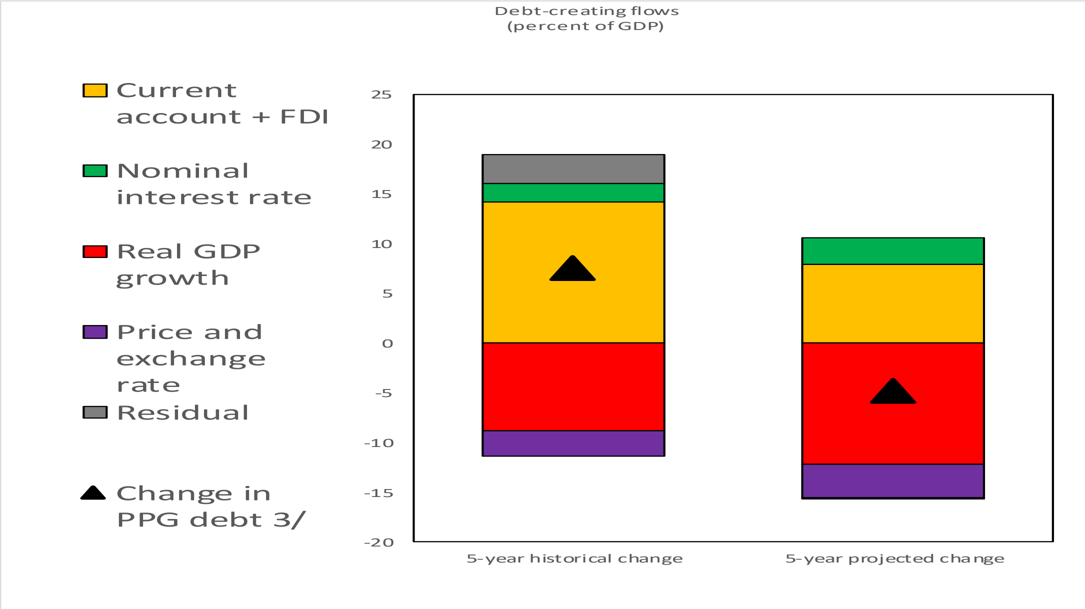
The realism tool assesses the credibility or robustness of the macroeconomic projections that underpin the DSA. The various realism checks allow discussions on the key underlying macroeconomic projections.

Drivers of Debt Dynamics

There are several factors influence the growth in public debt which include, primary balance, current account balance and foreign direct investments, output growth, exchange rates and prices, nominal interest rates, and so on. The results indicate that the key variables that drive debt historically, similarly drive debt during the projection period (2020 and beyond).

The biggest drivers of debt accumulation in both the historical and projection period is combination of current account deficit plus FDI. Current account plus FDI contributed to 14.3 per cent of growth in debt historically (2014 to 2019) compared to a drop to only 7.9 per cent during the projection period (2019 to 2024), indicating slight improvement in external sector performance. Growth in real GDP contributes negatively to debt growth. The contribution of real GDP to debt reduction was on average 8.7 per cent historically but improved to an average of 12.1 per cent during the projection period. Similarly, to current account plus FDI, increase in nominal interest rate contributes to debt build-up in both the historical and projection although at lower magnitude compared to current account plus FDI. Notably, while other unexplainable factors (residuals) where observed to contribute to debt build-up historically, residuals in the projection period account for zero percent in the change in debt.

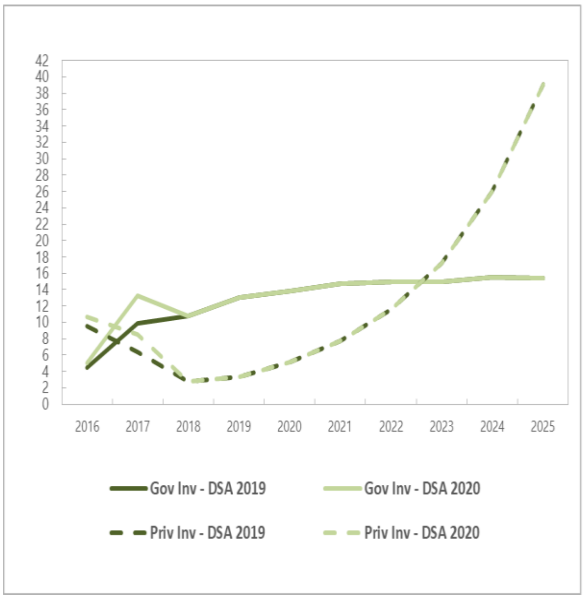
Figure 5: Drivers of Public Debt Dynamics

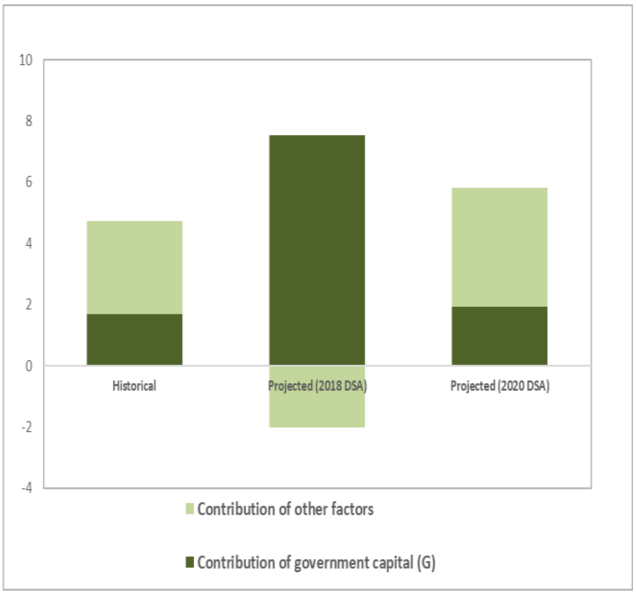


Investment Contributions to real GDP

The results show that Government capital contributes significantly to real GDP growth during the historical and the projection period as is expected for a LIC like the Gambia. Although Government investment rates as a percentage of GDP is higher than the private investment rates, and remain almost flat over the projection period, while private investment as a percentage of GDP is on the continuous increase. This is consistent with the macroeconomic projection of fiscal consolidation which allows private sector credit to grow and support the overall growth in the economy.

Figure 6: Public and Private Investment Rates Figure 7: Contribution to Real GDP growth





Section 7: Results of Analysis

Public and Publicly Guaranteed External Debt Sustainability

The 2019 DSA is analyzed under a baseline scenario that assumes existing macroeconomic policies plus agreed reforms and measures in an IMF programme under discussions, soon to be approved and implemented for the Government of the Gambia.

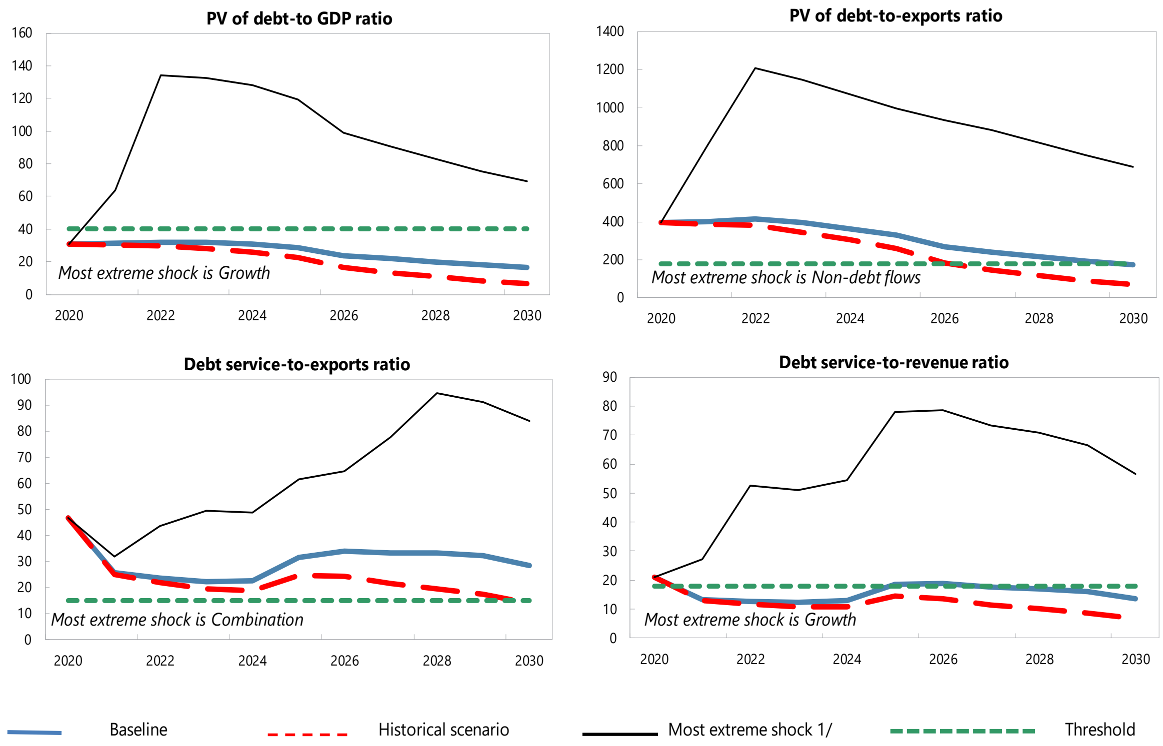
The DSA baseline results showed that the Gambia is faced with a high risk of external debt distress, similar to last year's DSA outcome, given a sustained breach in the Debt Service to Export against its policy dependent thresholds of 15 percent. PV of Debt to Export ratio is also breaching its policy dependent threshold of 180 per cent from 2020 to 2029 and falls below the threshold thereafter. This is shown in Figure 7. This indicate weak export base of the Gambian economy and the vulnerabilities posed by the heavy reliant on groundnut as the main export mainstay.

The PV of External Debt to GDP is below its policy dependent threshold of 40 per cent throughout the projection period and trending downwards. Similarly, the debt service to revenue is below its policy dependent threshold of 18 per cent throughout the projection period, except for a one-time breach in 2020. The result indicates that the Gambia should deploy revenue enhancing measures to improve on this ratio.

Shocks to Public and Publicly Guaranteed External Debt Sustainability

The results in Figure 8 indicate that the most extreme shock among the six standardized shocks is the shock to growth. Government of The Gambia is vulnerable to growth shock. The results in Figure 8 shows that the four respective policy dependent thresholds are being breached by shock to output growth. The breaches are serious and any shock to output will pose significant debt management challenges and sustainability concerns.

Figure 8: Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020-2023



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.

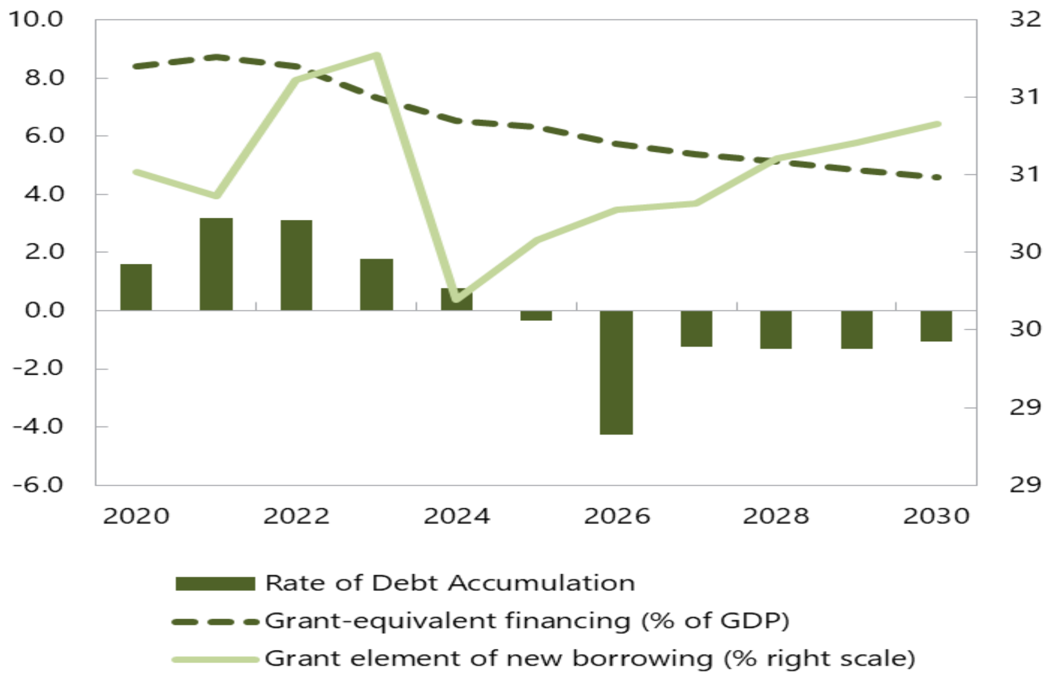
1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Debt Accumulation under the Baseline (External)

Figure 9 below indicates that the growth in external debt is projected at an average of 2.1 per cent between 2020 and 2024 and at an average growth rate of negative 0.4 between 2025 and 2024. The latter is as a result of fiscal consolidation to support growth in the Gambian economy. The average grant element of new public external borrowing is projected at an average of 29.7 per cent over the projection period. This is largely driven by pipeline commitments based on semi concessional financing. Grant equivalent financing in percent of GDP is projected at 5.2 per cent over the projection period.

Figure 9: Rate of Debt Accumulation



Public and Publicly Guaranteed Total Public Debt Sustainability

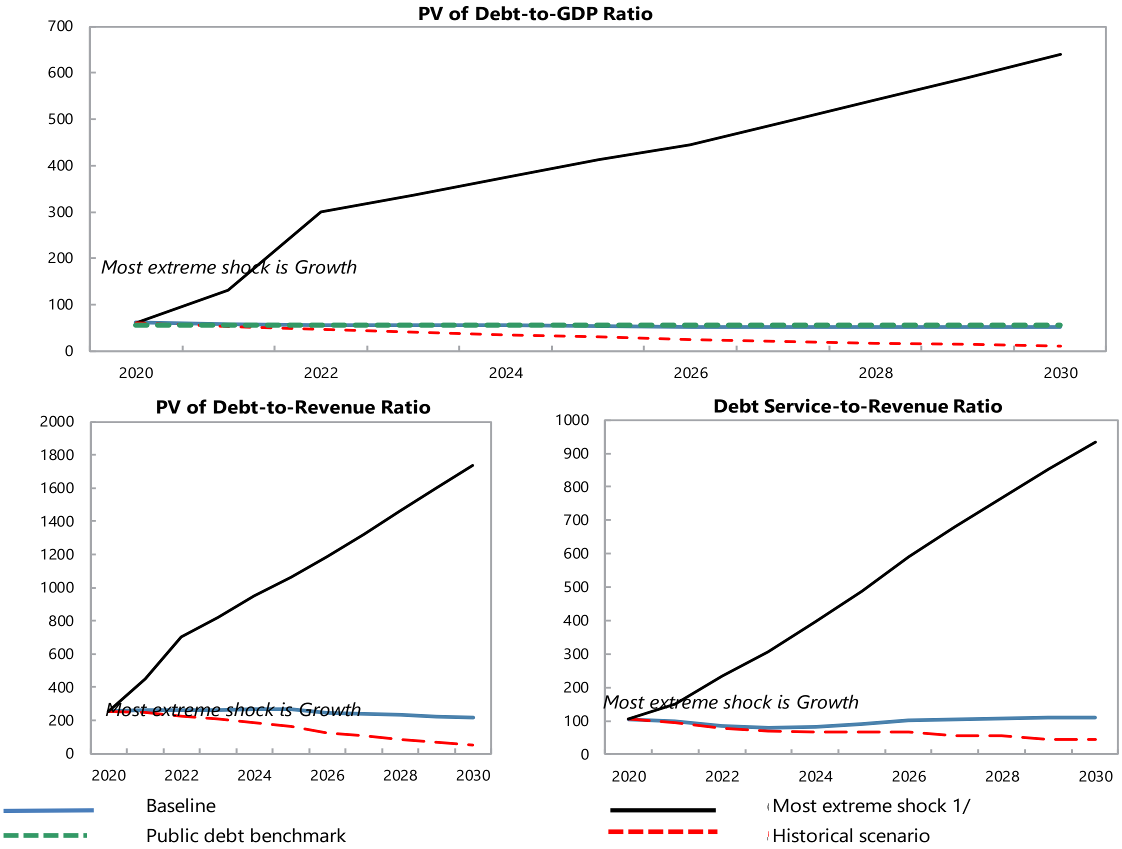
Public or fiscal debt sustainability examines the level of exposure of the total debt portfolio - external plus domestic debt combined. Currently, there is one existing acceptable global threshold for assessing public debt sustainability which is the 55.0% threshold on PV of Public Debt to GDP for a medium policy performing country like the Gambia.

The results show that the PV of Public Debt to GDP is breaching the policy dependent threshold from the start of the projection period until 2023. The indicator is below its policy dependent threshold from 2024 to the rest of the projection period. While under the external debt sustainability the PV of Debt to GDP is below the threshold throughout the projection period, the burden of domestic debt under a public debt sustainability assessment is triggering a breach in the earlier years of projection. The planned fiscal adjustment underpinning the macro projections is supporting sustainable public debt path beyond 2024.

Shocks to Public and Publicly Guaranteed Total Debt Sustainability

Similar to the external debt sustainability, the most extreme shock under a public debt sustainability is a shock to output. In fact, this is more pronounced under a public debt sustainability as indicated in Figure 9 below. A shock to GDP would force fiscal authorities to resort to domestic borrowing which is easier to mobilize compared to external resource.

Figure 10: The Gambia: Indicators of Public Debt under Alternative Scenarios, 2020-2030



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	13%	13%
Domestic medium and long-term	10%	10%
Domestic short-term	78%	78%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	5%	5.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Section 8: Main Findings, Recommendation and Conclusion

Considering that the main shock to the analysis is the growth projected for the period, it is important that, steps are taken to ensure that actual growth rate is in line with projections. This can be achieved through reduced reliance on rain-fed agriculture and invest in irrigation projects or agriculture as irrigated agriculture is less sensitive to changes in climate than rain-fed agriculture. This will increase support to the agriculture sector and boost growth.

It is further important that, the economy be diversified to also reduce the reliance on only primary products such as groundnuts, and tourism. Tourism can be enhanced through diversification and investment into eco-tourism, as it serves as a major source of foreign currency earnings and one of the biggest contributor to GDP over the past years. Failure to improve on diversifying tourism products will affect revenues from the sector as it faces competition from countries within the sub-region and beyond offering more and better diversified mix of products, higher quality infrastructure and lower prices.

Government needs to continue pursuing a strict fiscal consolidation programme to ensure that debt is brought to sustainable levels. This can be done by improving revenue collection and managing expenditure. Revenue mobilization efforts should be strengthened while Government seeks to broaden the tax base. The primary surplus recorded in 2019 is commendable and efforts need to be put in place to ensure that this is continually achieved over the projection period.

In Government's efforts to bring debt to sustainable levels, it is assumed that net domestic borrowing is to be drastically reduced in some of the outer years. However, it is important that a good balance is maintained without totally depleting access to the domestic debt market to enable Government raise short-term financing from the domestic market for liquidity purposes while ensuring debt sustainability.

The need to deepen the domestic debt market to allow issuance of medium to long-term bonds which will facilitate pricing of private sector bonds. This will boost private sector credit and growth.

Grants and highly concessional loans will need to be prioritized and broaden the donor base beyond traditional creditors and donors to facilitate mobilization of additional grants and concessional resources to finance growth efforts.

The government of the Gambia should gradually reduce the usage of expensive debt facilities, as this is a major drag on the external debt service burden.

In an effort to significantly reduce the risk from contingent liabilities both implicit and explicit, government implements zero guarantee policy in the medium term.

Few risks to note for some of the above mentioned recommendations

- Reliance on grant and highly concessional resources in the face of changing global financing landscape could prove challenging.
- We note from the results the significant contribution of government capital expenditure to growth. Fiscal consolidation that erodes Government capital spending could undermine growth prospects.

APPENDIX

Table 3. Gambia, The: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020-2030

(In percent)

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**30.8**	**31.4**	**32.1**	**31.8**	**30.7**	**28.6**	**23.7**	**21.8**	**19.9**	**18.1**	**16.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	30.8	30.2	29.6	27.9	25.7	22.7	16.3	13.4	10.8	8.5	6.7
B. Bound Tests											
B1. Real GDP growth	30.8	64.0	134.1	132.7	128.0	119.5	98.8	91.0	83.1	75.4	69.0
B2. Primary balance	30.8	31.7	33.1	33.2	32.6	30.9	26.3	24.7	23.0	21.4	20.0
B3. Exports	30.8	33.3	37.0	36.6	35.4	33.2	28.2	26.2	24.1	22.0	20.2
B4. Other flows 2/	30.8	62.9	94.2	92.4	90.2	87.1	82.9	80.0	75.1	70.3	65.8
B6. One-time 30 percent nominal depreciation	30.8	39.5	42.2	41.7	40.3	37.7	31.5	29.1	26.7	24.3	22.3
B6. Combination of B1-B5	30.8	66.4	127.5	125.3	122.0	116.8	107.8	103.2	96.4	89.7	83.6
C. Tailored Tests											
C1. Combined contingent liabilities	30.8	32.0	33.2	33.2	32.5	30.7	26.0	24.4	22.8	21.1	19.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
PV of debt-to-exports ratio											
Baseline	**393.5**	**402.3**	**412.3**	**393.6**	**364.2**	**327.3**	**265.9**	**240.2**	**215.5**	**191.9**	**172.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	393.5	387.1	379.3	345.4	305.8	259.7	182.9	147.4	116.6	90.2	69.7
B. Bound Tests											
B1. Real GDP growth	393.5	402.3	412.3	393.6	364.2	327.3	265.9	240.2	215.5	191.9	172.5
B2. Primary balance	393.5	406.9	424.8	411.8	386.7	353.1	295.2	272.3	249.5	227.2	208.6
B3. Exports	393.5	584.8	887.5	846.1	784.5	709.2	591.4	540.0	487.2	436.8	394.6
B4. Other flows 2/	393.5	806.3	1208.7	1144.3	1071.1	996.5	931.4	881.9	813.5	747.3	687.0
B6. One-time 30 percent nominal depreciation	393.5	402.3	430.3	410.6	380.2	342.5	280.9	255.2	229.4	204.9	184.6
B6. Combination of B1-B5	393.5	735.1	824.4	1192.2	1112.9	1026.8	930.3	873.7	801.5	731.9	670.1
C. Tailored Tests											
C1. Combined contingent liabilities	393.5	410.4	426.2	411.8	385.7	351.2	292.6	269.3	246.6	224.6	206.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**	**180**
Debt service-to-exports ratio											
Baseline	**46.5**	**25.8**	**23.6**	**22.2**	**22.6**	**31.6**	**33.9**	**33.1**	**33.2**	**32.3**	**28.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	46.5	24.8	21.7	19.4	18.7	24.7	24.2	21.4	19.6	17.4	14.1
B. Bound Tests											
B1. Real GDP growth	46.5	25.8	23.6	22.2	22.6	31.6	33.9	33.1	33.2	32.3	28.5
B2. Primary balance	46.5	25.8	23.8	22.5	23.1	32.1	34.5	34.0	34.7	34.1	30.6
B3. Exports	46.5	35.7	46.1	44.8	45.5	62.4	66.8	67.1	70.5	68.3	60.8
B4. Other flows 2/	46.5	25.8	34.0	41.9	40.8	48.4	50.2	69.2	88.8	85.5	79.6
B6. One-time 30 percent nominal depreciation	46.5	25.8	23.6	22.6	23.0	32.0	34.3	33.4	34.5	33.5	29.6
B6. Combination of B1-B5	46.5	31.9	43.5	49.3	48.8	61.4	64.6	77.6	94.5	91.3	83.7
C. Tailored Tests											
C1. Combined contingent liabilities	46.5	25.8	23.8	22.5	23.1	32.1	34.5	33.7	33.9	33.0	29.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Debt service-to-revenue ratio											
Baseline	**20.9**	**13.4**	**12.6**	**12.2**	**13.0**	**18.7**	**18.8**	**17.6**	**17.0**	**15.9**	**13.6**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	20.9	12.9	11.6	10.7	10.8	14.6	13.4	11.4	10.0	8.6	6.7
B. Bound Tests											
B1. Real GDP growth	20.9	27.3	52.5	51.1	54.4	77.9	78.5	73.4	71.0	66.5	56.7
B2. Primary balance	20.9	13.4	12.6	12.4	13.3	19.0	19.1	18.1	17.7	16.8	14.6
B3. Exports	20.9	13.5	13.1	13.3	14.0	19.7	19.8	19.1	19.3	18.1	15.5
B4. Other flows 2/	20.9	13.4	18.1	23.1	23.5	28.6	27.8	36.8	45.4	42.2	38.0
B6. One-time 30 percent nominal depreciation	20.9	16.8	15.8	15.7	16.7	23.8	23.9	22.4	22.2	20.8	17.8
B6. Combination of B1-B5	20.9	19.2	30.2	35.5	36.6	47.2	46.6	53.7	62.9	58.6	52.0
C. Tailored Tests											
C1. Combined contingent liabilities	20.9	13.4	12.7	12.4	13.3	19.0	19.1	17.9	17.4	16.3	14.0
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**	**18**

Sources: Government of the Gambia estimates and projections.

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

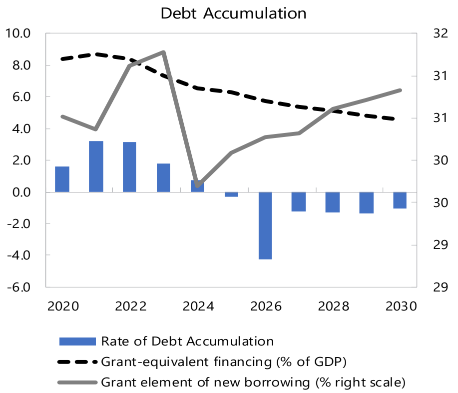
2/ Includes official and private transfers and FDI.

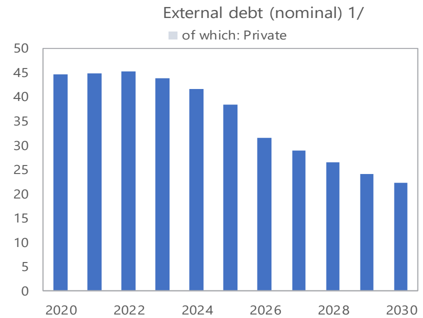
Table 1. Gambia, The: External Debt Sustainability Framework, Baseline Scenario, 2017-2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	40.4	42.3	46.3	44.5	44.7	45.1	43.8	41.5	38.3	22.1	20.5	43.4	35.5
of which: public and publicly guaranteed (PPG)	40.4	42.3	46.3	44.5	44.7	45.1	43.8	41.5	38.3	22.1	20.5	43.4	36.9
Change in external debt	3.0	1.9	4.0	-1.8	0.2	0.4	-1.3	-2.3	-3.2	-1.9	-1.3		
Identified net debt-creating flows	-0.5	3.2	-3.6	-0.2	-0.3	-0.1	-0.3	-0.5	-0.2	0.2	0.1	-1.1	-0.2
Non-interest current account deficit	5.2	7.6	2.2	3.4	2.9	3.0	2.7	2.1	2.2	2.1	1.5	5.6	2.5
Deficit in balance of goods and services	-31.3	-25.1	-23.4	-26.0	-23.7	-21.4	-20.3	-20.7	-21.4	-20.1	-19.1	-9.5	-21.3
Exports	9.1	7.0	8.0	7.8	7.8	7.8	8.1	8.4	8.7	9.6	11.5		
Imports	-22.2	-18.1	-15.4	-18.1	-15.9	-13.7	-12.3	-12.3	-12.7	-10.5	-7.5		
Net current transfers (negative = inflow)	-138.3	-13.2	-13.6	-12.4	-12.5	-8.9	-9.7	-9.2	-8.7	-7.4	-5.6	-20.1	-9.3
of which: official	-4.2	-1.2	-1.2	-1.0	-1.2	-1.8	-0.3	-0.5	-1.0	-0.9	-0.5		
Other current account flows (negative = net inflow)	174.9	46.0	39.1	41.8	39.1	33.3	32.7	32.1	32.3	29.6	26.2	35.2	33.1
Net FDI (negative = inflow)	-1.2	-2.0	-2.5	-1.2	-1.2	-1.3	-1.3	-1.2	-1.0	-0.9	-0.7	-4.1	-1.1
Endogenous debt dynamics 2/	-4.5	-2.4	-3.4	-2.4	-2.0	-1.8	-1.7	-1.5	-1.4	-0.9	-0.7		
Contribution from nominal interest rate	0.4	0.3	0.4	0.3	0.6	0.6	0.6	0.6	0.6	0.4	0.3		
Contribution from real GDP growth	-1.6	-2.5	-2.3	-2.7	-2.6	-2.4	-2.3	-2.1	-2.0	-1.3	-1.1		
Contribution from price and exchange rate changes	-3.2	-0.3	-1.4	...	...	...	...	...	...	...	...		
Residual 3/	3.4	-1.3	7.6	-1.6	0.5	0.5	-1.0	-1.8	-3.0	-2.1	-1.4	1.2	-2.0
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	...	...	31.9	30.8	31.4	32.1	31.8	30.7	28.6	16.5	15.1		
PV of PPG external debt-to-exports ratio	...	...	397.2	393.5	402.3	412.3	393.6	364.2	327.3	172.5	131.1		
PPG debt service-to-exports ratio	21.0	27.2	22.8	46.5	25.8	23.6	22.2	22.6	31.6	28.5	15.7		
PPG debt service-to-revenue ratio	10.3	15.8	14.4	20.9	13.4	12.6	12.2	13.0	18.7	13.6	5.9		
Gross external financing need (Million of U.S. dollars)	90.1	123.4	28.4	113.1	78.0	80.4	78.0	73.4	106.7	121.1	109.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	6.3	5.9	5.5	5.1	5.0	5.6	5.0	15.6	5.7
GDP deflator in US dollar terms (change in percent)	9.5	0.6	3.5	2.2	1.9	1.4	1.1	1.0	1.0	-2.6	-2.0	-2.7	1.4
Effective interest rate (percent) 4/	1.1	0.9	0.9	0.7	1.4	1.5	1.5	1.5	1.5	1.6	1.5	1.1	1.3
Growth of exports of G&S (US dollar terms, in percent)	12.3	-17.5	25.2	6.0	7.9	7.3	10.5	10.7	10.1	4.8	4.8	-3.5	8.7
Growth of imports of G&S (US dollar terms, in percent)	-4.3	-12.6	-6.9	28.3	-4.9	-8.0	-4.1	6.1	9.8	0.3	-1.7	-17.1	4.5
Grant element of new public sector borrowing (in percent)	...	...	...	30.5	30.4	31.1	31.3	29.7	30.1	30.8	15.6	...	30.5
Government revenues (excluding grants, in percent of GDP)	18.7	12.1	12.7	17.4	15.0	14.6	14.6	14.6	14.8	20.1	30.8	16.8	15.2
Aid flows (in Million of US dollars) 5/	152.2	96.7	176.5	139.4	155.6	161.0	160.6	160.8	165.2	133.0	94.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	8.4	8.7	8.4	7.3	6.5	6.3	4.6	2.4	...	7.6
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	68.9	70.6	71.5	78.7	85.3	86.3	80.5	61.5	...	76.9
Nominal GDP (Million of US dollars)	1,526	1,637	1,795	1,950	2,112	2,268	2,419	2,567	2,722	3,138	4,168		
Nominal dollar GDP growth	14.8	7.2	9.7	8.6	8.3	7.4	6.7	6.1	6.0	2.9	2.9	8.6	7.2
Memorandum items:													
PV of external debt 7/	...	...	31.9	30.8	31.4	32.1	31.8	30.7	28.6	16.5	15.1		
In percent of exports	...	...	397.2	393.5	402.3	412.3	393.6	364.2	327.3	172.5	131.1		
Total external debt service-to-exports ratio	21.0	27.2	22.8	46.5	25.8	23.6	22.2	22.6	31.6	28.5	15.7		
PV of PPG external debt (in Million of US dollars)			572.0	600.4	662.6	728.5	768.6	787.1	778.7	518.7	630.3		
(PVt-PVt-1)/GDPt-1 (in percent)				1.6	3.2	3.1	1.8	0.8	-0.3	-1.0	-0.4		
Non-interest current account deficit that stabilizes debt ratio	2.2	5.7	-1.8	5.2	2.7	2.6	4.0	4.5	5.4	4.0	2.8		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes





Sources: Government of the Gambia estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Current-year interest payments divided by previous period debt stock.
5/ Defined as grants, concessional loans, and debt relief.
6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).
7/ Assumes that PV of private sector debt is equivalent to its face value.
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Gambia, The: Sensitivity Analysis for Key Indicators of Public Debt 2020-2030

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	61.6	58.2	56.2	55.3	55.0	54.8	52.3	52.7	52.7	52.5	52.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	62	54	47	41	36	31	24	21	17	14	11
B. Bound Tests											
B1. Real GDP growth	62	132	301	336	375	413	446	493	541	590	639
B2. Primary balance	62	62	63	62	61	61	59	59	59	59	59
B3. Exports	62	60	60	59	59	59	56	56	56	56	55
B4. Other flows 2/	62	90	119	116	115	113	111	111	108	104	101
B6. One-time 30 percent nominal depreciation	62	63	59	57	56	55	52	52	51	50	48
B6. Combination of B1-B5	62	70	82	85	90	94	96	102	107	111	115
C. Tailored Tests											
C1. Combined contingent liabilities	62	65	62	61	60	60	58	58	59	58	58
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
PV of Debt-to-Revenue Ratio											
Baseline	254.7	262.5	261.1	262.5	265.8	264.9	245.4	239.3	232.3	224.2	215.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	255	247	227	206	187	166	126	107	84	68	50
B. Bound Tests											
B1. Real GDP growth	255	449	703	822	950	1062	1184	1322	1460	1599	1738
B2. Primary balance	255	280	295	295	297	295	275	269	262	254	244
B3. Exports	255	269	280	281	285	283	263	257	248	239	228
B4. Other flows 2/	255	407	553	553	555	548	523	502	474	445	416
B6. One-time 30 percent nominal depreciation	255	292	283	278	276	270	248	239	227	215	202
B6. Combination of B1-B5	255	301	336	356	384	406	407	422	433	440	445
C. Tailored Tests											
C1. Combined contingent liabilities	255	293	290	289	292	290	270	265	258	250	241
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	105.1	99.2	86.1	80.1	82.4	91.5	100.6	105.4	108.6	111.4	111.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 1434-1229 1/	105	95	78	68	66	68	67	55	56	44	45
B. Bound Tests											
B1. Real GDP growth	105	151	234	307	395	488	592	680	767	853	932
B2. Primary balance	105	99	101	108	108	114	120	122	124	125	123
B3. Exports	105	99	86	81	83	92	101	106	110	113	112
B4. Other flows 2/	105	99	90	88	90	99	107	120	131	133	131
B6. One-time 30 percent nominal depreciation	105	95	84	78	81	91	99	103	105	107	106
B6. Combination of B1-B5	105	110	109	102	125	156	186	208	227	244	256
C. Tailored Tests											
C1. Combined contingent liabilities	105	99	111	103	103	110	117	119	121	122	120
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Government of the Gambia estimates and projections.

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

2/ Includes official and private transfers and FDI.

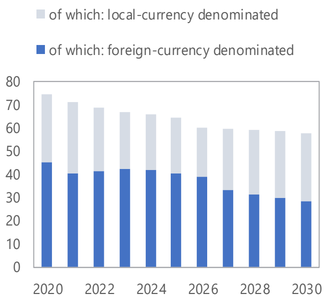
Table 2. Gambia, The: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-2040

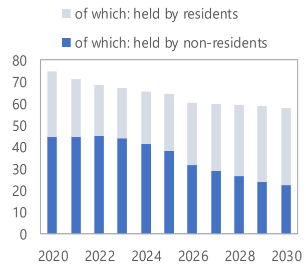
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	81.1	83.6	83.2	74.8	71.1	68.8	67.1	65.7	64.4	57.8	28.1	70.0	65.0
of which: external debt	40.4	42.3	46.3	44.5	44.7	45.1	43.8	41.5	38.3	22.1	20.5	43.4	36.9
Change in public sector debt	6.3	2.5	-0.4	-8.4	-3.7	-2.2	-1.7	-1.4	-1.3	-0.9	-5.8		
Identified debt-creating flows	-14.3	-0.1	-4.9	-8.7	-4.1	-2.4	-1.6	-1.1	-1.2	-0.6	-5.2	-4.3	-1.9
Primary deficit	-8.5	3.6	1.0	-3.1	-1.0	-0.4	0.0	0.3	0.2	-1.0	-4.7	-2.1	-0.5
Revenue and grants	26.6	15.4	20.2	24.2	22.2	21.5	21.0	20.7	20.7	24.2	33.0	21.2	22.0
of which: grants	7.9	3.3	7.5	6.7	7.1	6.9	6.4	6.1	5.9	4.1	2.1		
Primary (noninterest) expenditure	18.1	19.0	21.2	21.0	21.2	21.1	21.1	21.0	20.9	23.1	28.3	19.1	21.4
Automatic debt dynamics	-5.8	-3.7	-6.0	-5.6	-3.2	-1.9	-1.6	-1.4	-1.5	0.4	-0.6		
Contribution from interest rate/growth differential	-3.9	-10.8	-7.3	-7.1	-4.7	-3.3	-3.0	-2.9	-2.9	-1.9	-1.7		
of which: contribution from average real interest rate	-0.5	-5.8	-2.5	-2.2	-0.3	0.7	0.7	0.4	0.3	1.2	-0.1		
of which: contribution from real GDP growth	-3.4	-5.0	-4.8	-4.9	-4.4	-3.9	-3.6	-3.3	-3.1	-3.1	-1.6		
Contribution from real exchange rate depreciation	-1.9	7.1	1.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	20.6	2.6	4.6	1.8	1.9	1.5	1.2	1.2	1.4	2.0	0.6	6.8	1.4
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	69.4	61.6	58.2	56.2	55.3	55.0	54.8	52.0	22.1		
PV of public debt-to-revenue and grants ratio	...	...	344.3	254.7	262.5	261.1	262.5	265.8	264.9	215.1	66.9		
Debt service-to-revenue and grants ratio 3/	26.7	34.3	26.0	105.1	99.2	86.1	80.1	82.4	91.5	111.0	12.2		
Gross financing need 4/	-6.3	5.9	6.3	22.3	21.0	18.1	16.9	17.3	19.2	25.8	-0.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	6.3	6.3	5.9	5.5	5.1	5.0	5.6	5.0	15.6	5.6
Average nominal interest rate on external debt (in percent)	1.1	0.9	0.9	0.8	1.5	1.5	1.5	1.5	1.5	1.6	1.4	1.1	1.4
Average real interest rate on domestic debt (in percent)	0.0	-18.4	-6.4	-5.2	-4.3	-3.8	-3.4	-3.3	-3.3	-4.2	-0.6	-2.8	-4.1
Real exchange rate depreciation (in percent, + indicates depreciation)	-5.2	23.0	3.5	...	...	...	...	...	...	...	...	9.5	...
Inflation rate (GDP deflator, in percent)	16.3	4.0	7.6	5.9	5.6	5.1	4.7	4.6	4.6	1.0	1.5	3.6	3.5
Growth of real primary spending (deflated by GDP deflator, in percent)	18.5	11.9	18.3	5.6	7.0	5.2	5.5	4.7	4.8	7.7	7.1	13.7	6.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-14.8	1.1	1.4	5.3	2.8	1.8	1.8	1.7	1.5	-0.1	1.1	-4.1	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Government of the Gambia estimates and projections.

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

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

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

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

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

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