INTERNATIONAL MONETARY FUND

THE GAMBIA

May 7, 2013

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR REPHASING OF REVIEWS——DEBT SUSTAINABILITY ANALYSIS

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Based on external debt indicators, The Gambia's classification for risk of debt distress has improved from "high" to "moderate," but domestic debt still poses significant risks. The improvement to moderate risk of debt distress is due to an upgrade in policy performance from "weak" to "medium", as well as the inclusion of re-exports in the external debt indicators. The debt sustainability analysis (DSA) also suggests that there is some scope for the government to contract a recently negotiated loan that is not fully concessional and is intended to support a critical project. However, external debt dynamics are still vulnerable to adverse shocks. Domestic debt, which has grown substantially in recent years, is costly and poses high rollover risks. Debt management has improved, but it is important to keep the medium-term strategy current and to maintain accurate up-to-date data on debt and debt service obligations.

BACKGROUND

1. **This debt sustainability analysis (DSA) was prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA), in collaboration with the Gambian authorities.** It is based on debt and debt service data obtained from the authorities and the macroeconomic framework discussed during the IMF's recent mission for the first review of the current arrangement under the Extended Credit Facility, which was approved in May 2012.[1]

2. **The Gambia received extensive debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) after reaching its HIPC completion point in December 2007.** Based on full delivery of HIPC and MDRI debt relief, The Gambia's stock of nominal external public debt was reduced from US$677 million (133.1 percent of GDP) as of end-2006 to US$324 million (49.9 percent of GDP) at end-2007.[2] In present value (PV) terms, as of the end of 2007 the stock of debt decreased from US$439 million to US$347 million following HIPC debt relief and to US$165 million after MDRI debt relief. Jointly, these reduced the external debt-to-exports ratio to about 113 percent at completion point. In January 2008, Paris Club creditors agreed to cancel outstanding claims totaling US$13 million in (end-2006) PV terms. As of end-2012, the nominal stock of debt amounted to about US$376 million.[3] In PV terms, The Gambia's external debt amounted to US$324 million (or about 111½ percent of exports plus remittances) as of end-2012.

3. **The previous joint DSA prepared by the staffs of the IMF and IDA was completed in December 2011. It concluded that The Gambia was at high risk of debt distress, despite having received HIPC and MDRI debt relief.**[4] That is, external debt indicators remained elevated because of factors including new borrowing and poor export performance in recent years—particularly due to a substantial drop in tourist receipts during the early part of the global economic crisis and the onset of drought and a severe crop failure in 2011. In addition, external debt indicators in the December 2011 DSA did not incorporate re-exports.

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[1] The mission took place during April 3–10, 2013.

[2] IMF Country Report Number 08/109.

[3] With technical assistance from the African Development Bank, the outstanding nominal external debt stock figures for 2010, 2011, and 2012 have recently been revised down by about US$ 20 million each. As of end-2012, the nominal debt stock of US$ 376 million includes US$ 14 million of publicly guaranteed loan by a private Dutch creditor to The Gambia's state-owned water and electricity company, as well as the government arrears to Libya (US$ 3.95 million) and People's Republic of China (US$ 5.6 million). As to the arrears to People's Republic of China, the Gambian authorities estimate that the amount due is US$5.6 million, but the Chinese authorities estimate that the amount due is US$14–15 million.

[4] IMF Country Report Number 10/61.

4. Heavy reliance on costly domestic borrowing has added to The Gambia's debt burden. Although the risk of debt distress classification only considers external debt, the government's large domestic debt (33¾ percent of GDP as of end-2012) consists mostly of short-term treasury bills, which pose a high rollover risk. Moreover, interest payments on domestic debt consume a large share of government resources (18¼ percent of government revenues in 2012). The government recently published a medium-term debt strategy (MTDS), which aims to reduce net domestic borrowing (NDB) to ½ percent of GDP a year from 2014 onwards—in line with the new ECF-supported program.[5]

5. The Gambia's program supported by the IMF includes limits on the amount and terms of new borrowing to prevent a buildup of debt to unsustainable levels over the medium- and long-term. Under the ECF-supported program, the authorities have committed to a minimum grant element of 35 percent on new external loans contracted or guaranteed by the government. However, there could be exceptions to this rule to finance specific high-return projects that are critical to the country's strategy for economic development and poverty reduction, the Programme for Accelerated Growth and Employment (PAGE), which do not jeopardize debt sustainability. The program also has limits on NDB.

MACROFRAMEWORK ASSUMPTIONS

6. The macroeconomic framework underlying the DSA incorporates ongoing trends in economic growth together with a projected recovery in crop production over the next two years (Box 1). The framework also reflects the authorities' program for prudential fiscal and monetary policies, including a gradual fiscal adjustment to reduce government's annual borrowing needs and minimize crowding out of the private sector. Monetary policies are expected to be consistent with moderate inflation, while the authorities maintain a flexible exchange rate policy. At the same time, the Central Bank of The Gambia (CBG) will need to accumulate international reserves to reach and maintain gross reserves at about 5 months of import cover. Finally, depending on the implementation of the PAGE and available financing, there could be some upside potential for economic growth over the medium term.

Text Table 1: Selected Macroeconomic Indicators

	2013	2014	2015	2016	2017	2018 - 2033
Real GDP growth (percent)						
Current DSA	9.0	8.5	6.5	5.9	5.9	5.8
Previous DSA 1/	5.5	5.5	5.5	5.5	5.5	5.5
CA deficit (percent of GDP) 2/						
Current DSA	16.2	14.4	13.6	13.3	13.0	13.6
Previous DSA	14.2	14.0	13.7	12.9	12.9	11.8
Exports of G&S growth (percent) 3/						
Current DSA	6.6	7.4	7.6	7.6	7.8	7.0
Previous DSA	6.6	7.3	7.9	8.3	6.5	6.6
Imports of G&S growth (percent) 3/						
Current DSA	0.6	4.4	5.7	6.6	6.7	7.5
Previous DSA	4.7	6.8	7.3	6.3	7.0	6.9
Overall fiscal deficit (percent of GDP) 4/						
Current DSA	1.7	1.7	1.7	1.3	1.3	0.9
Previous DSA	2.4	2.0	2.0	2.0	2.0	1.7

1/ From December, 2011
2/ Includes workers' remittances.
3/ In current dollar terms, and include re-exports.
4/ Includes re-exports and grants.

[5] The authorities need to build capacity to update their MTDS in line with updates of the macroeconomic framework. Under the current MTDS, The Gambia aims to borrow over the period of 2011-2014 about US$55 million a year on average from external concessional sources, which is substantially higher than projected in the baseline over 2012-2014 (about US$ 32½ million a year).

Box 1: Baseline Macroeconomic Assumptions Underlying the DSA

Real GDP is projected to grow by about 9 percent in 2013 and 8½ percent in 2014, before eventually settling down to its trend growth of about 5½ percent a year by 2016 and over the long term. The above trend growth projected for 2013 and 2014 is driven by the recovery from a 60 percent drop in crop production in 2011, which was caused by a severe drought in the region. Crop production increased by 30 percent a year in 2012 and is projected to increase by 40 percent in 2013, 25 percent in 2014, and 10 percent in 2015, which would result in the 2015 harvest being roughly equivalent to the pre-drought crop production of 2010. During this recovery period, other sectors are expected to grow in line with recent trends. Of note, despite the economic slowdown in Europe in the 2012/2013 season, tourism continued to enjoy robust growth from the 2011/2012 season and is expected to sustain growth of about 5 percent a year over the medium term. Trend GDP growth is based on sector-by-sector median growth rates over the past several years, scaled slightly downward for a conservative bias. The trend growth is consistent with outturns in recent years, aside from the drought effects.

Inflation, measured as the growth rate of GDP deflator in US dollar terms, is expected to rise to about 4 percent in 2013 from 2¾ percent in 2012, largely reflecting continued currency depreciation despite prudent monetary policy. Inflation is projected to decline to 3½ percent in 2014 (period average) as recovery in agriculture gains traction. Over the long term, inflation is forecasted to remain stable at around 3 percent.

The overall fiscal deficit for 2013 is expected to decline to 2.3 percent of GDP and about 1½ percent of GDP over the medium term. In line with the authorities' commitment under the ECF arrangement, NDB is expected to gradually decline to ½ percent of GDP in 2014 and stay at this ratio thereon, while external financing—mostly on concessional terms—would finance the remainder of the deficit. Revenue buoyancy is expected to be boosted by an increase in tax collection efforts, the implementation of measures to curb tax evasion and improve tax administration, and the introduction of a VAT in 2013. The VAT is projected to provide a permanent boost in revenues (about ½ percent of GDP) in 2014. In addition, the authorities have initiated monthly fuel price adjustments with the aim of essentially eliminating costly subsidies by the end of 2013, and are considering other tax reforms recommended by recent technical assistance from the IMF.

Donor support, including budget support and project grants, is expected to increase to 6 percent of GDP in 2013. Over the medium term, project grants relative to GDP is projected to peak at 7 percent in 2016 largely due to the Trans-Gambia Bridge project (total grant disbursements of about US$ 100 million), and then gradually decline to 5 percent.

The **external current account deficit** (including budget support) is projected to widen in 2013 to 16 percent of GDP. **Domestic exports** are forecast to grow by 8 percent in 2013 as export volume of key cash crops such as groundnuts rises by about 47 percent from the drought. **Imports** are expected to remain close to the 2012 level on account of slower-than-expected recovery from the drought and a high oil import bill. Over the medium term, the current deficit in percent of GDP is projected to gradually decline to 13-14 percent by 2015 as crop production returns to its pre-drought level. Over the long term, investment in agriculture is expected to raise the domestic exports growth by 2 percentage points from the historical average of 5 percent (2005 – 2010), leading to a long-term current account deficit ratio of 13 percent of GDP.

Partly offsetting the trade deficit in goods, **tourism receipts** in 2013 are expected to rise about 7 percent from 2012, reflecting the robust growth during the 2012/2013 season. This is partly owing to The Gambia's competitive advantage as a low-cost tourist destination, as well as social unrest in the Middle-East region. Continued marketing efforts and investment in relevant infrastructure are expected to maintain the long-term growth rate of tourism receipts to about 5 percent a year, the 2006 – 2012 historical average.

Gross international reserves are expected to stay at 4.6 months of the following year's imports of goods and services in 2013 and steadily rise to 5 months at the end of 2020.

EXTERNAL DEBT SUSTAINABILITY

A. Baseline

7. Under the baseline scenario, all external debt indicators stay below their respective thresholds throughout the entire projection period (Text Table 1). In particular, the PV of external debt to exports ratio no longer exceeds its threshold, contrary to the results in the previous joint DSA. Two main factors explain this improvement. First, The Gambia was upgraded from "weak" to "medium" performer according to the three-year (2009–11) average rating of the World Bank's Country Policy and Institutional Assessment (CPIA),[6] qualifying The Gambia for higher thresholds.[7] Second, re-exports are now included for the calculation of the PV of external debt-to-exports ratio, in line with the Fund's policy on a treatment of re-exports for DSA purposes. The Gambia's improvement in debt risk standing comes despite a recent downward revision of the discount factor: while the last DSA used the discount rate of 4 percent to derive the net present value of external debt stocks, this DSA uses 3 percent.[8] This revision is to reflect recent evolution of U.S. dollar long-term commercial interest reference rates (CIRR) and results in higher external debt indicators.

8. With robust GDP growth projected over the long-term, the PV of external debt-to-GDP ratio is expected to decline to about 30 percent at the end of the projection period from 37 percent in 2013 (Text Table 2 and Figure 1). The external debt service ratios are below their respective thresholds and both continue to decline gradually over the medium and long-term reflecting the decline in the PV of external debt relative to growth.

9. The baseline scenario includes a non-concessional borrowing of US$28 million from the Islamic Development Bank (IsDB).[9] The loan is to finance the modernization project of the Gambia Groundnut Corporation (GGC), a state-owned enterprise that processes and exports the majority of domestically produced groundnut products. The project aims to boost the GGC's profitability and could double groundnut export revenues, which would contribute to a significant reduction in poverty among the groundnut farmers.[10]

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[6] In 2012, The Gambia's 3-year average (2009-2011) CPIA score improved to 3.37, up from 3.28 for 2010.

[7] The low-income country debt sustainability framework (LIC DSF) recognizes that better policies and institutions allow countries to manage higher levels of debt, and thus the threshold levels for debt indicators are policy-dependent. In the LIC-DSF, the quality of a country's policies and institutions is measured by the World Bank's Country Policy and Institutional Assessment (CPIA) index, which consists of a set of 16 criteria grouped into four equally weighted clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. Countries are classified into three categories: strong, medium, and weak performers.

[8] With discount factor of 4 percent, the PV of external debt as of end 2013 would have been about US$ 315 million, as compared to US$ 341 million with discount factor of 3 percent.

[9] The total size of loan package amounts to US$ 28.00 million, and would be lent through a combination of Istisna'a financing (US$ 27.37 million, with maturity of 19 years including 4 years of grace period) and Ordinary Loan financing (US$0.63 million, with maturity of 25 years including a grace period of 7 years) to the Government of The Gambia.

[10] In line with the project's appraisal by the IsDB, the net profit margin could be up to 15 percent. The appraisal assumes that the project would ultimately double groundnut exports from US$14½ million in 2016 to US$29 million

(continued)

10. Including remittances, the debt sustainability situation remains broadly unchanged. All external debt indicators still stay below their respective thresholds throughout the projection period, albeit with slightly less room for additional borrowing. Under the most extreme shock scenario, both the PVs of debt-to-GDP and debt-to-revenue are projected to breach their respective thresholds until end-2025 and end-2021, respectively, while the debt-to-exports ratio breaches the threshold starting in 2015 and for the remaining projection period.

Text Table 2: Baseline External Debt Indicators and Debt Burden Thresholds

Current DSA (April, 2013)

	Threshold 1/	2013	Medium-term (2014-18)	Long-term (2019-33)
PV of external Debt 2/				
In percent of GDP	40	37	37	30
In percent of exports	150	128	130	113
In percent of revenues	250	218	203	161
Debt Service				
In percent of exports	20	9	9	6
In percent of revenues	20	16	13	9

1/ Based on The Gambia's ranking as a "medium performer" with average (2009-11) CPIA rating of 3.37. The thresholds for the PV of external debt-to-GDP and debt-to-exports are 10 and 20 percent lower, respectively, compared to the no-remittance case. The baseline also includes the nonconcessional loan from IsDB for the rehabilitation of the facilities of the Gambia Groundnut Corporation (GGC).

2/ Based on discount factor of 3 percent.

Last DSA (December, 2011)

	Threshold 1/	2011	Medium-term (2011-16)	Long-term (2017-31)
PV of external Debt 2/				
In percent of GDP	30	28	26	18
In percent of exports	100	176	160	111
In percent of revenues	200	199	177	120
Debt Service				
In percent of exports	15	12	11	6
In percent of revenues	25	14	12	7

1/ Based on The Gambia's ranking as a "weak performer" with average (2008-10) CPIA rating of 3.28 and debt indicators without remittances.

2/ Based on discount factor of 4 percent.

in 2020, or about 0.9 percentage point increase in GDP. The current macroeconomic framework, however, does not assume higher figures for groundnut exports associated with this project, implying that the sustainability assessment errs on the conservative side.

B. Alternative Scenarios and Stress Tests

11. The Gambia's debt sustainability outlook is susceptible to changes in the policy framework assumed in the baseline scenario and adverse climate shocks that affect the agriculture production (Table 2a). Most alternative scenarios show that external debt indicators would deteriorate significantly under a range of shocks.

Alternative Scenarios:

- Under the historical scenario, which is associated with key variables (GDP growth, current account balance, and non-debt creating flows) being at their historical levels,[11] all three debt burden indicators still remain below their respective thresholds. Under this scenario, debt service indicators would be slightly higher over the medium term, but fall below the baseline over the long term, as shown in Table 2a.
- In the scenario where new borrowing occurs on less favorable terms, all the debt indicators worsen substantially. In particular, both the debt-to-revenue and the debt-to-exports ratios breach their thresholds starting 2015 and 2016, respectively, and for the remaining projection period. These results underscore the need for the authorities to seek external borrowing under concessional terms, and suggest that the IsDB's non-concessional loan to the GGC should be should be strictly treated as an exceptional case.[12]

Bound Tests:

- Most bound tests show a significant deterioration in debt indicators. Of the six bound tests, four involve "shocks" to some key variables in the second and third years of the projection period;[13] another is a combination of these four shocks while the sixth assumes a one-time 30 percent depreciation in the nominal exchange rate. The results (Table 2a and 2b) are interpreted such that the most extreme shock is the one yielding the highest ratio in 2023. Depending on the indicator in question, the worst shock varies between a one-time 30 percent depreciation in the nominal exchange rate (debt-to-GDP and debt-to-revenue ratios) and a 2 percentage points higher interest rate for new borrowing (debt-to-exports ratio), all of which lead to protracted breaches of their respective thresholds. Furthermore, low real GDP growth shock, defined as a one-standard deviation below historical average growth rate, also results in prolonged breach of the thresholds for all debt indicators. These results highlight the need for the authorities to adhere to a prudent borrowing plan associated with an approved medium-term debt management strategy.

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[11] Over the past 9 years, The Gambia has had slightly lower real GDP growth (3 percent a year), persistent current account deficits. Foreign direct investment inflows, however, have been much higher due to housing investment boom led by The Gambians overseas during the 2000's, which largely explains the relatively more favorable debt dynamics under the historical scenario.

[12] To be considered concessional in IMF arrangement, loans must have a grant element of at least 35 percent. IDA also has a minimum grant element under the Non-Concessional Borrowing Policy (NCBP) of 35 percent or higher.

[13] The variables are "shocked" by setting them one standard deviation below their historical averages.

- In the most probable stress scenario in which export value growth falls by one-standard deviation from the historical trend, the PV of debt-to-exports ratio would breach the threshold until the end of 2026, indicating The Gambia's vulnerability to crop production volatility and global economic downturns.

PUBLIC DEBT SUSTAINABILITY

A. Baseline

12. Over the medium to long term, domestic debt is projected to fall from 31 percent of GDP at the end of 2013 to 23 percent of GDP in 2016, and to continue to fall thereafter. This projection, however, critically hinges on the authorities' sustained fiscal discipline. The authorities have expressed their intention to achieve a gradual fiscal adjustment over the medium term in order to curb net domestic borrowing. The goal is to reduce NDB to half of one percentage point of GDP in 2014 and beyond. In addition to spending restraint, supported by measures to strengthen budget planning and execution, the authorities are also pursuing a comprehensive tax reform anchored around the successful introduction of a VAT in January 2013. Moreover, the authorities have implemented a schedule of fuel price adjustments to essentially eliminate subsidies by the end of the year.[14] The tax reform is projected to be moderately revenue enhancing which would further improve the debt-to-revenue ratio. In addition, as anticipated for the medium term, fiscal discipline and improved governance should help lower domestic interest rates and provide fiscal space to increase basic primary expenditures, particularly on PAGE priorities.[15]

13. Under the baseline scenario, the PV of total public debt is projected to decline from about 74 percent of GDP in 2013 to 66½ percent in 2017 and to 38½ percent in 2033 (Table 3 and Figure 2). The largest factor contributing to this decline in the PV of public debt over the medium term is the projected fall in the domestic debt. As a ratio of domestic revenues and grants, the PV of public debt is projected to fall from about 289**½** percent in 2013 to 131¾ percent at the end of 2033.

14. As noted above (see paragraph 4), the government's domestic debt is comprised mostly of short-term Treasury bills. In addition to the high cost of interest on the T-bills, the large rollover requirement poses significant risks.

B. Alternative Scenarios and Stress Tests

15. Under alternative scenarios and stress tests, the public debt ratios would deteriorate significantly. In particular, public debt ratios are mostly sensitive to real GDP growth and primary balance staying at historical averages and a large real GDP growth shock (historical average minus

[14] Fuel subsidies resulted in lost tax revenues of about GMD 450 million (1½ percent of GDP) in 2012. Revenue from fuel taxes is projected to increase by GMD 190 million in 2013, and by the full-year impact thereafter.

[15] Defined as expenditures excluding interest payments and externally financed projects.

one standard deviation) in 2014-2015 (Table 4 and Figure 2). Of the four bound tests, public debt ratios are mostly affected by a one-standard deviation shock from the historical average growth over 2014-2015, suggesting that large exogenous shocks such as the drought in 2012 could result in a damaging debt path.[16]

Alternative Scenarios:

- Under a scenario where real GDP growth and primary balance are at historical averages for the projection period, the PV of debt to GDP ratio would only decrease from 67 percent in 2013 to 56 percent in 2033, as compared to a decline under the baseline to 30 percent in 2033. Similarly, the PV of debt to revenue will only decrease from 290 percent in 2013 to 212 percent in 2033 as against a decline under the baseline to 132 percent in 2033. In particular, the debt service-to-revenue ratio is projected to remain above its threshold of 20 percent until 2017, suggesting The Gambia's significant exposure to rollover risks associated with its short-term domestic Treasury bills.
- The present values of all public debt indicators decline slightly faster than the baseline over time under the scenario where primary balance is kept constant from 2013, while the permanently lower GDP growth scenario shows a similar downward trend as in the real GDP and primary balance at historical averages scenario.[17]

Bound Tests:

- The most extreme bound test consists of real GDP growth being at one standard deviation less than its historical average. Under this circumstance, the PV of debt to GDP ratio would worsen to 68 percent in 2033 as compared to 30 percent under the baseline scenario while the PV of debt to revenue ratio would worsen to 287 percent as against 132 percent under the baseline.
- A combination of shocks (to growth and the primary balance) and a one-time 30 percent depreciation also results in a moderate worsening of debt ratios compared to the baseline. Under the former, the PV of debt-to-GDP ratio would rise to 59 percent in 2033 while under the latter it would rise to 36 percent when compared to the baseline figure of 30 percent.

THE AUTHORITIES' VIEW

16. The authorities broadly agreed with the overall assessment and welcomed the inclusion of re-exports for the calculation of the PV of debt-to-exports ratio, which contributed to the re-classification of The Gambia's debt risk standing. The authorities would welcome technical assistance (TA) and training to build capacity for improving debt data and

[16] Historically, The Gambian economy has been susceptible to climate risks that resulted in major collapse in agriculture production.

[17] At historical averages, real GDP growth is 3½ percent while the primary deficit is 0.3 percent of GDP.

projections of debt service obligations. TA to help with preparing debt legislation is also a priority. The authorities stressed that despite capacity limitations they have remained current on their debt service payments. The authorities noted that implementation of a lower discount rate in the analysis was unfavorable for them, particularly that the DSA missed the cut-off date for using the higher discount rate back in September 30, 2012. They also noted, however, that the lower discount rate did not change the conclusions of the DSA.[18]

DEBT DISTRESS CLASSIFICATION AND CONCLUSIONS

17. In the staffs' view, The Gambia is at moderate risk of debt distress based on external debt burden indicators and the results of the stress tests, but domestic debt still poses significant risks. [19] [20] This assessment reflects the significant and protracted breach of the policy-dependent indicative thresholds by all three debt indicators under various stress scenarios. While an assessment of domestic debt does not affect a country's classification of debt distress, The Gambia's large domestic debt stock (34 percent of GDP as of end-2012)—most of which consists of short-term treasury bills—and high interest payments on domestic debt (18¼ percent of government revenues in 2012) provide further evidence that the country's overall debt situation poses risks. In this regard, the government's focus on reducing domestic borrowing under its IMF-supported program is appropriate**.**

18. A number of policy recommendations emanate from this assessment and attendant risks. The staffs urge the authorities to implement the medium-term debt management strategy for 2011 – 2014, which is anchored on a combination of grants and concessional borrowing for external financing and a borrowing policy consistent with debt sustainability. The authorities may also consider efforts to raise the country's export potential through policies aimed at diversifying the economy and increasing competitiveness. The government's program supported by the IMF's Extended Credit Facility also requires that new external loans and guarantees should meet the minimum grant element of 35 percent, although some non-concessional loans could be considered, in consultation with the staffs, provided these loans finance projects that are highly profitable, critical for long-term development, and contribute to reducing poverty, as identified in the PAGE.

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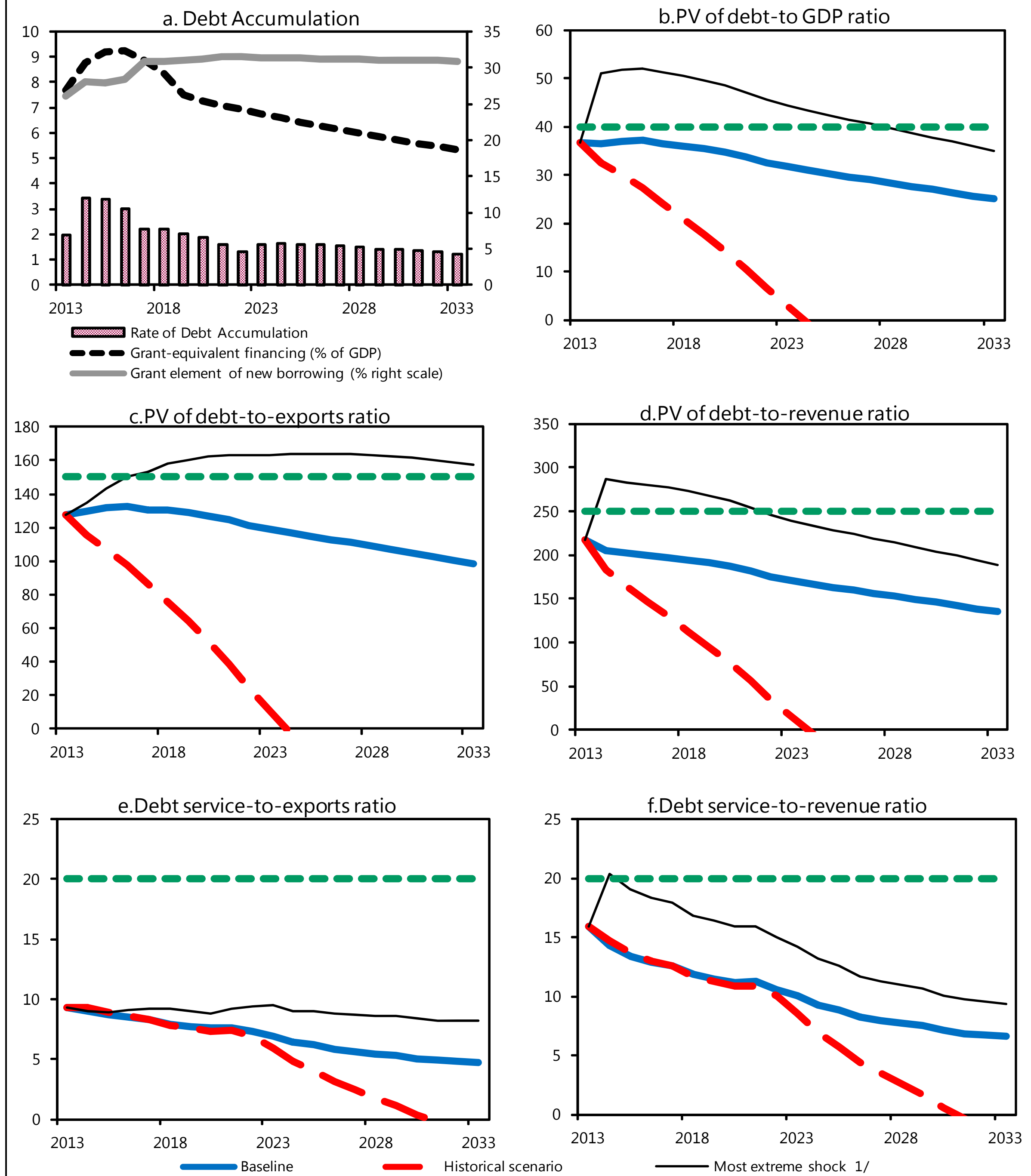
[18] The Gambia does have outstanding technical arrears to Libya and China. The debt service payment for the loan from Libya was suspended due to the absence of an UN-recognized government in Libya in 2011, but is expected to resume in 2014. The loan from China was extended about 20 years ago. The Chinese and Gambian authorities have recently expressed their intention to resolve these arrears in the near future.

[19] This classification plays an important role in determining the mix of grants and loans under IDA assistance and in IMF program design. Countries assessed to be at high risk of debt distress or in debt distress receive 100 percent grant financing from IDA, while countries at moderate risk receive an equal mix of grants and credits on standard IDA terms, and countries at low risk receive 100 percent credit financing on standard IDA terms.

[20] Based on IMF and World Bank policy, a country is considered to be at moderate risk of debt distress when debt burden indicators are below the thresholds in the baseline scenario, but stress tests indicate that the thresholds could be breached if there are external shocks or abrupt changes in macroeconomic policies.

The major risks to The Gambia's debt sustainability include lower than expected economic and/or export growth, higher than expected new borrowing, and slippages in fiscal performance.

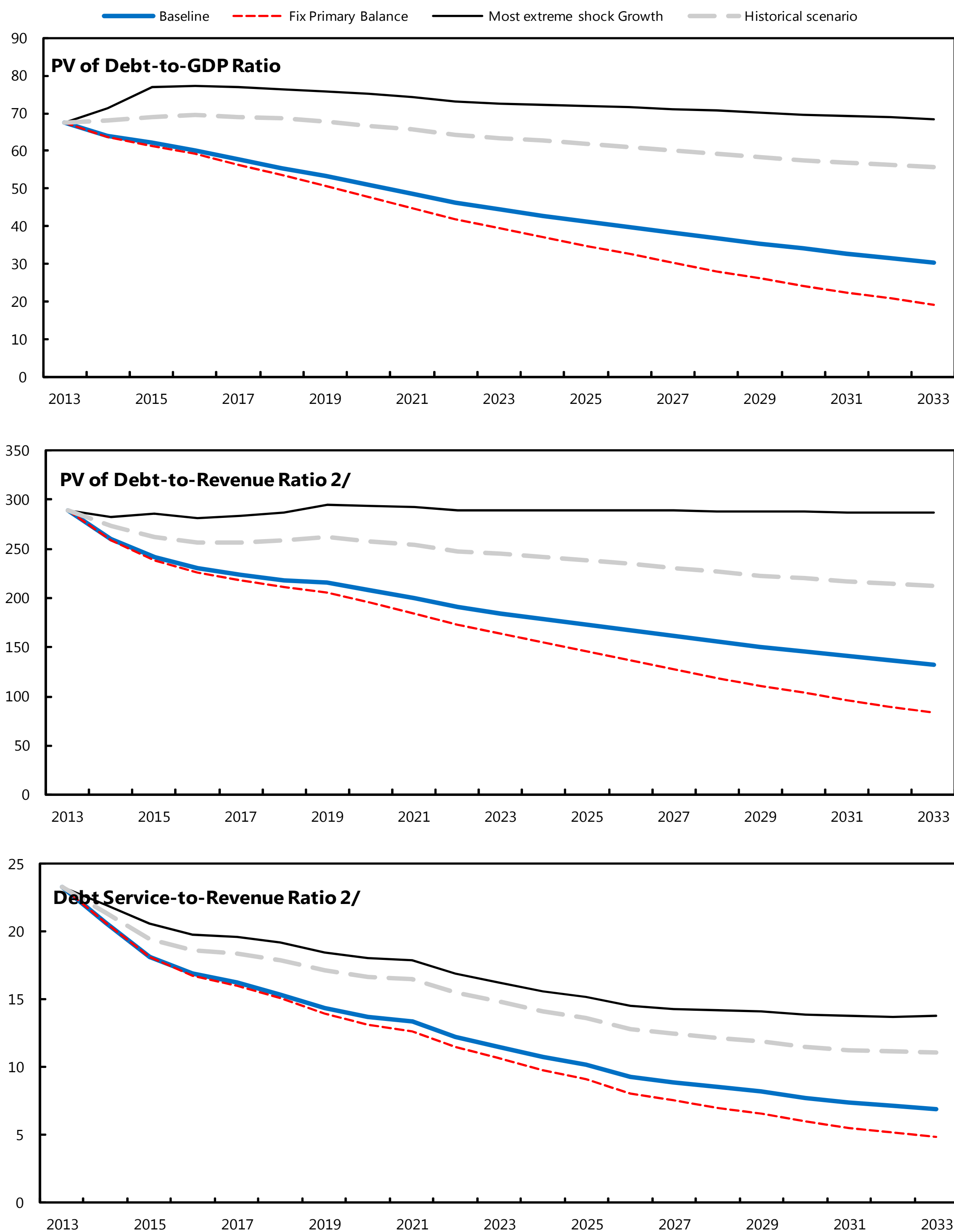
Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, without Remittances 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms shock; in d. to a One-time depreciation shock; in e. to a Terms shock and in figure f. to a One-time depreciation shock

Figure 2.The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 1.: External Debt Sustainability Framework, Baseline Scenario, 2010-2033 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) 1/	**43.2**	**46.0**	**48.7**			**46.9**	**47.4**	**48.6**	**49.4**	**49.2**	**49.0**		**45.6**	**37.5**	
of which: public and publicly guaranteed (PPG)	40.2	44.1	44.3			42.7	43.2	44.5	45.3	45.1	44.9		41.4	33.3	
Change in external debt	-0.5	2.8	2.7			-1.8	0.5	1.2	0.8	-0.2	-0.2		-0.7	-0.9	
Identified net debt-creating flows	4.3	11.8	10.8			6.0	4.4	4.4	4.3	4.1	4.4		5.5	8.6	
Non-interest current account deficit	**15.2**	**14.7**	**16.5**	**11.4**	**3.9**	**15.7**	**14.0**	**13.2**	**12.9**	**12.6**	**12.6**		**12.7**	**14.1**	13.2
Deficit in balance of goods and services	18.6	18.3	22.6			19.8	18.1	17.2	16.8	16.4	16.4		16.5	17.8	
Exports	23.5	28.9	28.6			28.7	28.2	28.1	28.1	28.1	27.6		26.7	25.5	
Imports	42.1	47.2	51.2			48.5	46.2	45.3	44.9	44.5	44.0		43.2	43.3	
Net current transfers (negative = inflow)	-5.7	-6.4	-9.1	-8.0	1.7	-7.3	-7.0	-6.7	-6.4	-6.1	-5.9		-5.1	-3.7	-4.7
of which: official	0.0	0.0	-2.4			-0.7	-0.7	-0.7	-0.6	-0.5	-0.5		-0.5	-0.4	
Other current account flows (negative = net inflow)	2.3	2.8	3.0			3.2	2.9	2.7	2.5	2.4	2.2		1.3	0.1	
Net FDI (negative = inflow)	**-8.9**	**-6.7**	**-6.9**	**-8.6**	**1.7**	**-6.1**	**-6.3**	**-6.4**	**-6.4**	**-6.2**	**-6.1**		**-5.2**	**-3.8**	-4.8
Endogenous debt dynamics 2/	**-2.1**	**3.8**	**1.1**			**-3.7**	**-3.3**	**-2.4**	**-2.2**	**-2.3**	**-2.2**		**-2.0**	**-1.7**	
Contribution from nominal interest rate	0.8	0.9	0.9			0.4	0.4	0.4	0.4	0.4	0.4		0.5	0.3	
Contribution from real GDP growth	-2.7	2.0	-1.9			-4.1	-3.6	-2.8	-2.7	-2.7	-2.6		-2.5	-2.1	
Contribution from price and exchange rate changes	-0.2	0.9	2.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-4.7**	**-9.0**	**-8.1**			**-7.7**	**-4.0**	**-3.2**	**-3.5**	**-4.3**	**-4.6**		**-6.2**	**-9.5**	
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	
PV of external debt 4/	...	...	42.5			40.7	40.4	40.9	41.1	40.5	40.0		35.9	29.2	
In percent of exports	...	...	148.5			141.6	143.4	145.5	146.2	144.1	144.7		134.3	114.6	
PV of PPG external debt	**...**	**...**	**38.1**			**36.5**	**36.3**	**36.8**	**37.0**	**36.4**	**35.9**		**31.7**	**25.0**	
In percent of exports	**...**	**...**	**133.2**			**126.8**	**128.8**	**130.8**	**131.6**	**129.4**	**129.8**		**118.8**	**98.1**	
In percent of government revenues	**...**	**...**	**229.5**			**216.5**	**204.5**	**200.8**	**198.9**	**196.6**	**193.8**		**171.2**	**135.4**	
Debt service-to-exports ratio (in percent)	**8.8**	**8.3**	**9.4**			**9.4**	**9.0**	**8.7**	**8.5**	**8.3**	**7.9**		**6.8**	**4.8**	
PPG debt service-to-exports ratio (in percent)	**8.8**	**8.2**	**9.4**			**9.3**	**9.0**	**8.7**	**8.5**	**8.3**	**7.9**		**6.8**	**4.8**	
PPG debt service-to-revenue ratio (in percent)	**13.9**	**14.8**	**16.2**			**15.9**	**14.3**	**13.4**	**12.9**	**12.6**	**11.8**		**9.9**	**6.6**	
Total gross financing need (Millions of U.S. dollars)	101.5	122.9	127.5			157.0	147.5	147.8	154.6	163.6	177.1		268.9	660.0	
Non-interest current account deficit that stabilizes debt ratio	15.7	11.9	13.8			17.5	13.6	12.0	12.1	12.8	12.8		13.4	15.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	6.5	-4.3	4.0	2.8	3.9	9.0	8.5	6.5	5.9	5.9	5.8	6.9	5.8	5.8	5.8
GDP deflator in US dollar terms (change in percent)	0.4	-2.1	-4.4	3.3	10.0	-2.6	1.0	1.3	1.6	1.7	1.8	0.8	1.8	1.8	1.8
Effective interest rate (percent) 5/	1.9	1.9	1.9	1.7	0.4	1.0	0.9	0.9	1.0	1.0	1.0	0.9	1.2	1.0	1.1
Growth of exports of G&S (US dollar terms, in percent)	-0.9	15.1	-1.4	3.5	5.8	6.6	7.4	7.6	7.6	7.8	5.8	7.1	7.0	7.3	7.1
Growth of imports of G&S (US dollar terms, in percent)	8.0	4.9	8.1	6.4	5.4	0.6	4.4	5.7	6.6	6.7	6.5	5.1	7.6	7.7	7.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	26.6	28.2	28.0	28.5	30.8	30.8	28.8	31.4	30.9	31.2
Government revenues (excluding grants, in percent of GDP)	14.9	16.1	16.6			16.8	17.7	18.3	18.6	18.5	18.5		18.5	18.5	18.5
Aid flows (in Millions of US dollars) 7/	62.2	71.5	109.1			76.4	103.0	115.1	124.8	129.8	131.4		154.9	250.5	
of which: Grants	38.5	46.2	81.4			61.4	72.1	83.3	92.0	96.0	96.6		114.6	196.3	
of which: Concessional loans	23.6	25.3	27.7			15.0	30.9	31.8	32.8	33.8	34.8		40.3	54.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			7.7	8.8	9.2	9.3	8.9	8.3		6.8	5.3	6.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			69.6	64.5	66.3	68.7	72.2	71.7		73.3	76.3	74.1
Memorandum items:															
Nominal GDP (Millions of US dollars)	963.7	902.8	897.8			953.4	1045.0	1127.4	1212.9	1306.2	1406.7		2037.9	4277.1	
Nominal dollar GDP growth	7.0	-6.3	-0.6			6.2	9.6	7.9	7.6	7.7	7.7	7.8	7.7	7.7	7.7
PV of PPG external debt (in Millions of US dollars)			323.8			339.7	372.5	408.0	441.8	468.6	497.5		636.9	1055.5	
(PVt-PVt-1)/GDPt-1 (in percent)						1.8	3.4	3.4	3.0	2.2	2.2	2.7	1.6	1.2	1.6
Gross workers' remittances (Millions of US dollars)	45.2	47.8	50.1			52.2	54.4	56.8	59.3	62.0	64.7		80.4	124.2	
PV of PPG external debt (in percent of GDP + remittances)	...	...	36.1			34.6	34.5	35.0	35.3	34.8	34.3		30.5	24.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	111.5			106.5	108.7	110.9	112.1	110.7	111.3		103.5	88.1	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	7.8			7.8	7.6	7.4	7.2	7.1	6.8		6.0	4.3	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt. The stock figures from 2013 and onward include US$ 76 million of new external borrowing from IDA and AfDB as projected in the latest Joint Assistance Strategy Paper.

2/ Derived as $[r - g - \rho(1+g)]/(1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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. The relatively large size of residuals is due to the fact that donors' project grants, amounting to about 3.5 percent of GDP a year on average over 2004-2012, are registered in the capital account in The Gambia's BOP. The residual also contains other private investment flows, which in the past (2007-11) averages about 2 percent of GDP a year. Taking these items into account, the residual attributed to various minor items is fairly small.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are based on data since 2004, due to structural breaks in national account data and workers' remittances series.

7/ Defined as grants, concessional loans, and debt relief.

8/ 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).

Table 2a.The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	37	36	37	37	37	36	**32**	25
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	37	33	30	27	24	21	**3**	-33
A2. New public sector loans on less favorable terms in 2013-2033 2/	37	38	40	42	43	44	**44**	40
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	37	39	43	43	42	42	**37**	29
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	37	38	42	42	41	40	**35**	26
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	37	39	42	43	42	41	**36**	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	37	36	36	37	36	35	**31**	25
B5. Combination of B1-B4 using one-half standard deviation shocks	37	40	47	47	46	45	**40**	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	37	51	52	52	51	51	**44**	35
PV of debt-to-exports ratio								
Baseline	128	130	132	132	130	130	**119**	98
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	128	116	107	97	86	76	**11**	-129
A2. New public sector loans on less favorable terms in 2013-2033 2/	128	135	143	150	153	158	**163**	158
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	128	127	130	130	128	129	**117**	97
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	128	147	180	179	176	176	**158**	123
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	128	127	130	130	128	129	**117**	97
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	128	127	129	130	128	128	**117**	96
B5. Combination of B1-B4 using one-half standard deviation shocks	128	137	158	158	155	155	**140**	112
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	128	127	130	130	128	129	**117**	97
PV of debt-to-revenue ratio								
Baseline	218	206	202	200	198	195	**171**	135
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	218	184	164	147	130	113	**16**	-178
A2. New public sector loans on less favorable terms in 2013-2033 2/	218	214	220	227	232	236	**236**	218
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	218	221	233	230	228	225	**197**	156
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	218	212	228	224	220	216	**188**	140
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	218	218	232	229	227	223	**196**	155
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	218	202	198	196	194	191	**168**	133
B5. Combination of B1-B4 using one-half standard deviation shocks	218	226	256	253	249	245	**214**	163
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	218	288	283	280	277	273	**240**	189

Table 2b.The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033 (continued)

(In percent)

				Debt service-to-exports ratio				
Baseline	9	9	9	9	8	8	**7**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	9	9	9	9	8	8	**6**	-1
A2. New public sector loans on less favorable terms in 2013-2033 2/	9	9	9	9	9	9	**10**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	9	9	9	9	8	8	**7**	5
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	9	10	11	11	10	10	**9**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	9	9	9	9	8	8	**7**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	9	9	9	9	8	8	**7**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	9	10	10	10	9	9	**8**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	9	9	9	9	8	8	**7**	5
				Debt service-to-revenue ratio				
Baseline	16	14	13	13	13	12	**10**	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	16	15	14	13	13	12	**9**	-2
A2. New public sector loans on less favorable terms in 2013-2033 2/	16	14	14	14	14	14	**14**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	16	16	16	15	15	14	**12**	8
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	16	14	14	13	13	12	**11**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	16	15	16	15	15	14	**12**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	16	14	13	13	13	12	**10**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	16	16	16	16	15	14	**12**	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	16	20	19	18	18	17	**14**	9
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	28	28	28	28	28	28	**28**	28

Sources: Country authorities; and staff estimates and projections.

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

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assu

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3.The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010-2033

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2010	2011	2012	Average 5/	Standard Deviation 5/	2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	69.6	77.3	78.0			73.7	70.9	69.8	68.5	66.4	64.5		54.2	38.6	
of which: foreign-currency denominated	40.2	44.1	44.3			42.9	43.5	44.7	45.5	45.3	45.1		41.4	33.3	
Change in public sector debt	7.1	7.6	0.7			-4.4	-2.7	-1.1	-1.3	-2.1	-2.0		-1.7	-1.4	
Identified debt-creating flows	1.8	7.7	3.3			-6.6	-6.1	-4.4	-4.3	-4.2	-4.1		-3.3	-2.6	
Primary deficit	2.9	0.7	0.6	-0.1	2.0	-1.5	-1.2	-0.9	-1.1	-1.0	-1.0	-1.1	-0.4	-0.3	-0.3
Revenue and grants	18.9	21.2	25.7			23.3	24.6	25.7	26.2	25.9	25.4		24.1	23.1	
of which: grants	4.0	5.1	9.1			6.4	6.9	7.4	7.6	7.4	6.9		5.6	4.6	
Primary (noninterest) expenditure	21.8	22.0	26.3			21.8	23.4	24.7	25.1	24.9	24.4		23.7	22.7	
Automatic debt dynamics	-1.1	7.0	2.6			-5.2	-4.9	-3.5	-3.2	-3.2	-3.2		-2.9	-2.3	
Contribution from interest rate/growth differential	-2.0	4.9	-1.2			-5.4	-4.9	-3.6	-3.3	-3.3	-3.3		-3.1	-2.4	
of which: contribution from average real interest rate	1.8	1.8	1.7			1.0	0.9	0.7	0.6	0.5	0.3		0.0	-0.2	
of which: contribution from real GDP growth	-3.8	3.1	-3.0			-6.4	-5.8	-4.3	-3.9	-3.8	-3.6		-3.1	-2.2	
Contribution from real exchange rate depreciation	0.9	2.1	3.9			0.3	0.0	0.1	0.1	0.1	0.2		...	...	
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	
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 implicit or contingent liabilities	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 (specify, 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	
Residual, including asset changes 2/	5.2	0.0	-2.5			2.3	3.4	3.3	3.0	2.1	2.2		1.6	1.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	71.9			67.4	63.9	62.1	60.2	57.7	55.5		44.5	30.4	
of which: foreign-currency denominated	...	...	38.1			36.7	36.5	37.0	37.2	36.6	36.1		31.7	25.0	
of which: external	...	...	38.1			36.7	36.5	37.0	37.2	36.6	36.1		31.7	25.0	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 3/	7.4	6.1	6.4			4.0	3.9	3.7	3.3	3.2	2.9		2.3	1.3	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	279.9			289.6	259.5	241.6	230.0	223.2	218.5		184.2	131.7	
PV of public sector debt-to-revenue ratio (in percent)	...	...	432.5			400.4	360.4	339.1	323.8	311.8	299.5		240.2	164.4	
of which: external 4/	...	...	229.5			217.8	205.7	202.0	200.0	197.6	194.8		171.3	135.4	
Debt service-to-revenue and grants ratio (in percent) 5/	23.5	25.2	22.3			23.3	20.7	18.2	16.9	16.2	15.4		11.5	6.9	
Debt service-to-revenue ratio (in percent) 5/	29.8	33.2	34.5			32.2	28.7	25.5	23.8	22.7	21.1		15.0	8.6	
Primary deficit that stabilizes the debt-to-GDP ratio	-4.1	-6.9	-0.1			2.9	1.5	0.1	0.2	1.1	1.0		1.3	1.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.5	-4.3	4.0	2.8	3.9	9.0	8.5	6.5	5.9	5.9	5.8	6.9	5.8	5.8	5.8
Average nominal interest rate on forex debt (in percent)	2.0	2.0	2.0	1.7	0.4	1.1	1.0	1.0	1.0	1.0	1.1	1.0	1.3	1.1	1.2
Average real interest rate on domestic debt (in percent)	7.7	6.0	5.2	6.3	1.3	3.6	4.1	4.0	4.0	4.0	4.0	4.0	2.6	2.2	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	2.4	4.9	9.1	0.8	11.3	0.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.3	3.7	4.6	3.7	1.2	5.5	5.1	4.7	4.8	4.8	4.8	5.0	4.8	4.8	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.0	0.2	0.1	0.2	-0.1	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	26.1	28.1	27.9	28.5	30.8	30.8	28.7	31.4	30.9	...

Sources: Country authorities; and staff estimates and projections.

1/ The public sector refers to the central government. The concept of gross debt is used.

2/ 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.

3/ 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.

4/ Revenues excluding grants.

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

6/ Historical averages and standard deviations are based on data since 2004, due to structural breaks in national account data and workers' remittances series.

Table 4.The Gambia: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	67	64	62	60	58	55	44	30
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	67	68	69	69	69	69	63	56
A2. Primary balance is unchanged from 2013	67	64	61	59	56	54	39	19
A3. Permanently lower GDP growth 1/	67	65	63	62	61	60	55	57
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	67	71	77	77	77	76	73	68
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	67	67	67	65	62	59	47	32
B3. Combination of B1-B2 using one half standard deviation shocks	67	70	73	73	72	71	65	59
B4. One-time 30 percent real depreciation in 2014	67	79	75	72	69	66	52	36
B5. 10 percent of GDP increase in other debt-creating flows in 2014	67	73	70	68	65	62	49	33
PV of Debt-to-Revenue Ratio 2/								
Baseline	290	259	242	230	223	219	184	132
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	290	273	262	257	257	259	245	212
A2. Primary balance is unchanged from 2013	290	259	239	226	218	212	163	83
A3. Permanently lower GDP growth 1/	290	261	246	237	233	232	222	240
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	290	282	286	282	283	288	289	287
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	290	271	261	247	239	234	196	139
B3. Combination of B1-B2 using one half standard deviation shocks	290	280	276	270	269	271	263	247
B4. One-time 30 percent real depreciation in 2014	290	319	293	276	265	258	215	158
B5. 10 percent of GDP increase in other debt-creating flows in 2014	290	297	274	259	251	245	205	144
Debt Service-to-Revenue Ratio 2/								
Baseline	23	21	18	17	16	15	12	7
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	23	21	19	19	18	18	15	11
A2. Primary balance is unchanged from 2013	23	21	18	17	16	15	11	5
A3. Permanently lower GDP growth 1/	23	21	18	17	17	16	13	12
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	23	22	21	20	20	19	16	14
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	23	21	19	18	17	16	12	7
B3. Combination of B1-B2 using one half standard deviation shocks	23	22	20	19	19	18	15	12
B4. One-time 30 percent real depreciation in 2014	23	23	23	21	21	20	16	11
B5. 10 percent of GDP increase in other debt-creating flows in 2014	23	21	20	19	18	17	12	8

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.