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# THE GAMBIA

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## REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS

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*An updated debt sustainability analysis (DSA) indicates that The Gambia's is currently in external debt distress, a deterioration from the previous moderate risk rating.[1] The main drivers of this change were the weakening in The Gambia's overall institutional capacity in the most recent CPIA assessment and deterioration of several debt burden indicators at the start of the projection horizon associated with past fiscal slippages.[2] All five external debt burden indicators breach their respective indicative thresholds for a sustained period under the baseline scenario signaling that The Gambia is in debt distress. All five external debt burden indicators also breach the respective thresholds under the most extreme stress tests. The ratios of debt service to exports and to revenue are vulnerable to an exports shock and one-time depreciation shock, respectively, with the remaining indicators vulnerable to a combination shock. The stock of total public debt in the baseline as well as including SOE contingent liabilities (not included in the baseline) remains above its indicative benchmark for the entire projection horizon which, combined with risks from higher domestic interest rates, rollover risks from short-maturity public debt and bank exposures to sovereign debt, indicates a heightened overall risk of debt distress. Overall, our analysis suggests that Gambia's debt is not sustainable under staff's baseline scenario.*

[1] The last full DSA was undertaken in April 2015 (Country Report 15/104).

[2] With the latest CPIA rating for 2015, The Gambia was reclassified as a weak policy performer, from previously being a medium performer. This yields a fairly substantial tightening of thresholds for both solvency and liquidity indicators in the DSF framework.

# RESULTS OF DEBT SUSTAINABILITY ANALYSIS[3]

1. **The short-term outlook for public and publicly guaranteed (PPG) external debt remains challenging.** The Gambia's stock of PPG external debt, while elevated above 52 percent of GDP, is expected to remain highly concessional, with new borrowing to contain a minimum grant element of 35 percent to limit further increases in debt servicing costs. Central government external debt is mainly owed to multilateral creditors (about 71 percent of total external debt) and official bilateral creditors (about 29 percent of total external debt) (Text Table 1). Both multilateral and bilateral debt is on highly concessional terms, with long maturities, grace periods, and low interest rates. PPG external debt ratios remain elevated, in part reflecting weaker economic growth in 2016 due to a bad agricultural season and the effects of the political turmoil on tourism during high season.

**Text Table 1. The Gambia: Structure of External Public Debt at end-2016**

| | | Percent of | |
|---|---|---|---|
| | **$US millions** | **Total Debt** | **GDP** |
| **Total** | **504.7** | **100.0** | **52.4** |
| **Multilateral creditors** | **358.8** | **71.1** | **37.3** |
| IMF | 38.8 | 7.7 | 4.0 |
| IDA | 58.2 | 11.5 | 6.0 |
| AfDB | 50.9 | 10.1 | 5.3 |
| Other Multilaterals | 210.9 | 41.8 | 21.9 |
| Of which: Islamic Development Bank | 101.6 | 20.1 | 10.6 |
| Of which: Arab Bank for Economic Development in Africa | 38.6 | 7.6 | 4.0 |
| **Bilateral Creditors** | **145.9** | **28.9** | **15.2** |
| Paris Club | 8.1 | 1.6 | 0.8 |
| Non Paris Club | 137.9 | 27.3 | 14.3 |
| Of which: Kuwait Fund for Arab Economic Development | 32.6 | 6.5 | 3.4 |
| Of which: Export-Import Bank of India | 29.3 | 5.8 | 3.0 |
| Of which: Saudi Fund for Development | 23.5 | 4.7 | 2.4 |
| **Other Borrowing** | **0.0** | **0.0** | **0.0** |

Sources: Gambian authorities; and IMF Staff.

[3] The DSA was prepared jointly by Bank and Fund staff.

**Text Table 2. The Gambia: Structure of Public Domestic Debt at end-2016**

| | | Percent of | |
|---|---|---|---|
| | GMD millions | Total Debt | GDP |
| **Total** | **28670** | **100.0** | **67.9** |
| **T-Bills** | **17891** | **62.4** | **42.3** |
| held by CBG | 307 | 1.1 | 0.7 |
| held by Banks | 13218 | 46.1 | 31.3 |
| held by Non Banks | 4367 | 15.2 | 10.3 |
| **CBG Bond (30-Year)** | **10779** | **37.6** | **25.5** |

Sources: Gambian authorities; and IMF Staff.

# MACROECONOMIC AND FISCAL ASSUMPTIONS

2. **The assumptions underpinning the DSA are those of the baseline scenario of this Staff Report.** Real GDP growth is estimated at 2.2 percent in 2016 and 3 percent in 2017, reflecting weak agricultural output, foreign exchange scarcity and the impact of the political turmoil on tourism. Growth is expected to recover and then gradually accelerate over the next few years. The authorities are focused on restoring macroeconomic stability and reducing the potential for fiscal shocks from domestic and external debt of state owned enterprises (SOEs). With the return to the rule of law and policy predictability, lower interest rates and a resumption of private sector credit growth, investment as well as FDI is expected to rise strongly, in tourism, commercial agriculture, mining, and oil and gas. Greatly improved relations with Senegal should support re-exports and trade within the sub-region and, more generally, serve to foster regional integration. And greater and cheaper energy supply, including with the coming on stream of a regional hydropower project in 2020, will support economic activity across a broad range of sectors, including light manufacturing. However, given significant uncertainties around the baseline scenario, growth is projected lower at 4.8 percent over the longer term compared to 5.9 percent in the previous DSA (Text Table 3). The current account deficit is expected to narrow in the medium to long term, while the fiscal outlook has deteriorated further, with larger projected deficits in the medium term.

3. **Inflation is projected to fall below the central bank's 5 percent target over the medium term with rapidly falling public debt-to-GDP.** Reduction of monetary financing and the normalization of monetary policy resulting from greater central bank independence brings inflation below the central bank's 5 percent target. Moreover, while total public debt-to-GDP is now higher in 2016 at around 120 percent (67.9 percent is domestic, Text Table 2), this reflects a more transparent recognition of SOE's publicly guaranteed domestic and external debt that is serviced by the government as part of the baseline. Public debt is expected to fall to 90 percent by 2022 reflecting growth of domestic debt at a much slower rate than nominal GDP growth, lower T-Bill rates, concessional budget support and robust growth.[4]

[4] Average T-Bill rates have fallen from highs around 20 percent in 2016 to around 12 percent in March, and are expected to gradually decline further in line with inflation and fiscal discipline anchored by the NDB target of 1 percent of GDP.

**Text Table 3. Selected Macroeconomic Indicators**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 15-year average[1] |
|---|---|---|---|---|---|---|---|
| Real GDP Growth (percent) | | | | | | | |
| Current DSA | 0.9 | 4.3 | 2.2 | 3.0 | 3.5 | 4.0 | 4.8 |
| Previous DSA[2] | -0.2 | 5.1 | 8.7 | 6.2 | 5.9 | 5.9 | 5.9 |
| CA deficit (percent of GDP)[3] | | | | | | | |
| Current DSA | 10.8 | 15.0 | 8.9 | 9.4 | 12.0 | 13.0 | 8.0 |
| Previous DSA | 12.6 | 13.5 | 10.2 | 9.5 | 9.1 | 9.0 | 8.6 |
| Exports of goods and services growth (percent)[4] | | | | | | | |
| Current DSA | -7.7 | -9.5 | 5.0 | -6.0 | 13.3 | 8.8 | 7.2 |
| Previous DSA | -11.3 | -26.1 | 42.7 | 15.5 | 12.4 | 9.1 | 7.7 |
| Imports of goods and services growth (percent)[4] | | | | | | | |
| Current DSA | 9.5 | 11.3 | -10.2 | 12.3 | 12.0 | 8.0 | 6.5 |
| Previous DSA | -0.9 | -9.9 | 10.3 | 10.9 | 10.1 | 8.5 | 7.5 |
| Overall fiscal deficit[5] | | | | | | | |
| Current DSA | 9.8 | 8.1 | 9.8 | 2.6 | 3.6 | 3.0 | 2.8 |
| Previous DSA | 13.3 | 3.2 | 1.6 | 1.9 | 0.9 | 1.0 | 1.1 |

[1] Defined as the simple (and annual compund for highlighted) average of the last 15 years of the projection period. For the Current DSA, the 15-year average covers the years of 2023-2037. For the prevous DSA, the 15-year average ranges from 2020-2034.

[2] March 2015 (Debt Sustainability Analysis)

[3] Includes worker's remittances

[4] In current dollar terms, including re-exports.

[5] Includes re-exports and grants.

# DEBT COVERAGE

4. **The updated DSA has, to the greatest extent possible, accounted for SOE liabilities as part of overall public debt on a loan by loan basis.** SOE liabilities incorporated into overall public debt include domestic and external SOE debt that arises from government on-lending and guarantees. The special audits of the SOEs that will be undertaken may provide a fuller picture of SOE liabilities. The updated DSA also provides a contingent liability shock scenario that accounts for additional SOE debt (based on the information available) not incorporated in the baseline scenario.

# EXTERNAL DSA

5. **All five external debt burden ratios breach the now lower respective indicative thresholds under the baseline scenario in the near and medium term (Figure 1).** The immediate breach in the baseline scenario results mainly from the downgrade to the 2015 CPIA rating and the corresponding lowering of all indicative threshold levels, and because of the higher debt stock and debt service indicators which point to significant vulnerabilities in the first projection years.[5] The higher debt ratios also reflect the effects of exogenous shocks (higher commodity prices, reduced tourism, bad harvest), and an overall

[5] The lower CPIA rating reflects the deterioration in institutional quality under the previous regime. It is expected to improve if the new democratically elected government undertakes strong policy action to address recent gaps in institutional capacity and quality. This could then help to further improve debt sustainability.

weaker economic outlook. The analysis also incorporates budget support (grants and concessional loans) already committed by the World Bank, EU and AfDB for the next few years, with less concessional support thereafter. In addition, any remaining fiscal financing gaps are assumed to be closed with bilateral concessional external financing.

6. **The different shock scenarios also indicate breaches of the thresholds in the near and medium term, although the most extreme shock differs across the external debt indicators.** The analysis shows that the external debt outlook of The Gambia is vulnerable to both domestic and external shocks. A combined shock to real GDP growth and international factors such as the exchange rate and exports is the most extreme stress test for three out of five external debt burden indicators (PV of debt to GDP ratio, PV of debt-to-exports ratio, and the PV of debt to revenue ratio). The debt service-to exports ratio and debt service-to-revenue ratio, are vulnerable to a decline in exports and to a large depreciation of the exchange rate, respectively.

# PUBLIC DSA

7. **The high level of public debt and its high rollover risks remain a source of concern.** Though declining, the present value of public debt-to-GDP remains well above its indicative benchmark for the entire forecast horizon (Figure 2). Elevated public debt ratios reflect weaker growth outturns and past fiscal slippages including unbudgeted SOE support, compounded by the massive theft mainly from SOEs of the previous regime. Public debt dynamics are highly vulnerable to shocks to domestic interest rates. This highlights the importance of the authorities following a prudent fiscal consolidation strategy. Almost three quarters of T-bills are held by commercial banks (around one-third of bank assets), and another quarter by non-banks. Banks' exposure to the sovereign represents a potential source of financial stability risk. This underlines the need to make progress towards developing appropriate crisis resolution tools and financial safety nets to address such potentially adverse spillovers.

8. **Bringing public debt to safer levels would require additional measures and donor support.** The authorities remain committed to address fiscal shocks from SOEs through a structured reform program involving governance reform, the removal of long-term credit guarantees and on-lending by government, and privatizations when feasible. Together with a commitment to the fiscal anchor of a 1 percent NDB target and return to stronger growth in the longer term, this results in declining present-value of public debt-to-GDP ratios both in the baseline scenario and in the customized scenario including SOE contingent liabilities. However, the decline is not sufficient to bring debt below its benchmark. The authorities are working on options for gradually moving to longer maturity public debt instruments which would help reduce rollover risks and could help lower near-term debt servicing costs. It would also help to meet demand for longer-dated instruments by banks and nonbanks and help establish an incipient yield curve aimed at securities market development. They are also engaging with domestic creditors to restructure the debt of NAWEC which would provide further breathing room.

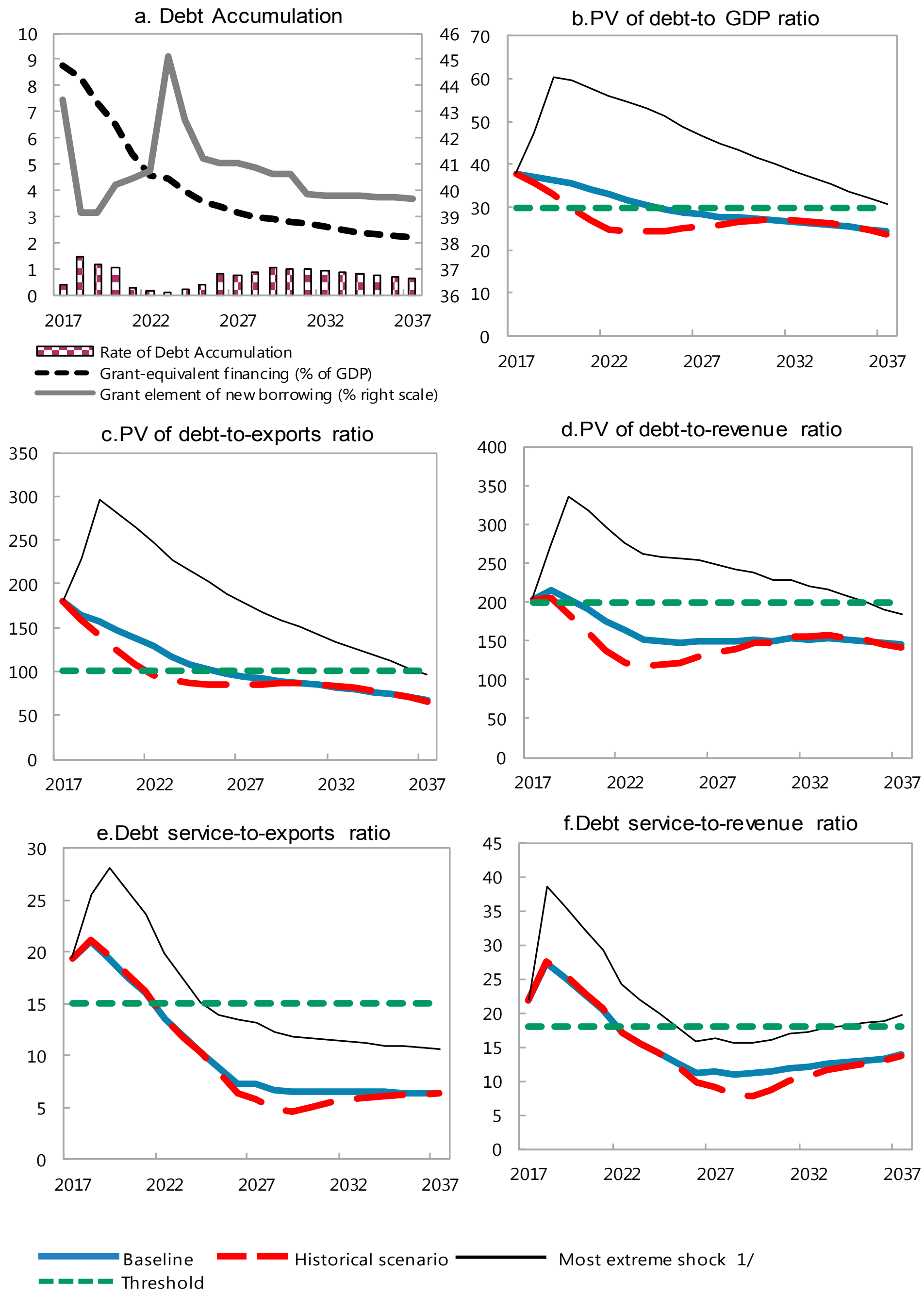
# DEBT DISTRESS CLASSIFICATION AND SUSTAINABILITY ASSESSMENT

9. **Based on the external debt burden indicators, the current DSA finds that The Gambia is in external debt distress**. All external debt burden indicators breach their thresholds for a sustained period, and in some cases the breaches are substantial. Furthermore, external debt sustainability remains sensitive to shocks or a combination of shocks. Under the baseline, most debt burden indicators fall below their respective thresholds after 2022.

10. **Staff assesses that Gambia's debt is unsustainable under the baseline scenario**. Total public debt remains high throughout the entire projection horizon, well above the country's debt carrying capacity. This assessment takes into account the significant near-term risks captured by the external debt burden indicators, persistently high public debt levels and gross financing needs, and absence of fiscal and external buffers.

11. **With the assurances the authorities are seeking from official creditors in respect of debt service falling due, debt would be sustainable, but with little margin for error.** Specifically, the highly concessional terms of the new financing should significantly reduce external financing needs and debt service in the medium term, while the present value of external public and total public debt would immediately fall closer to the thresholds.

## Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt Under Alternative Scenarios, 2017-37[1]




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

## Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2014-37[1]

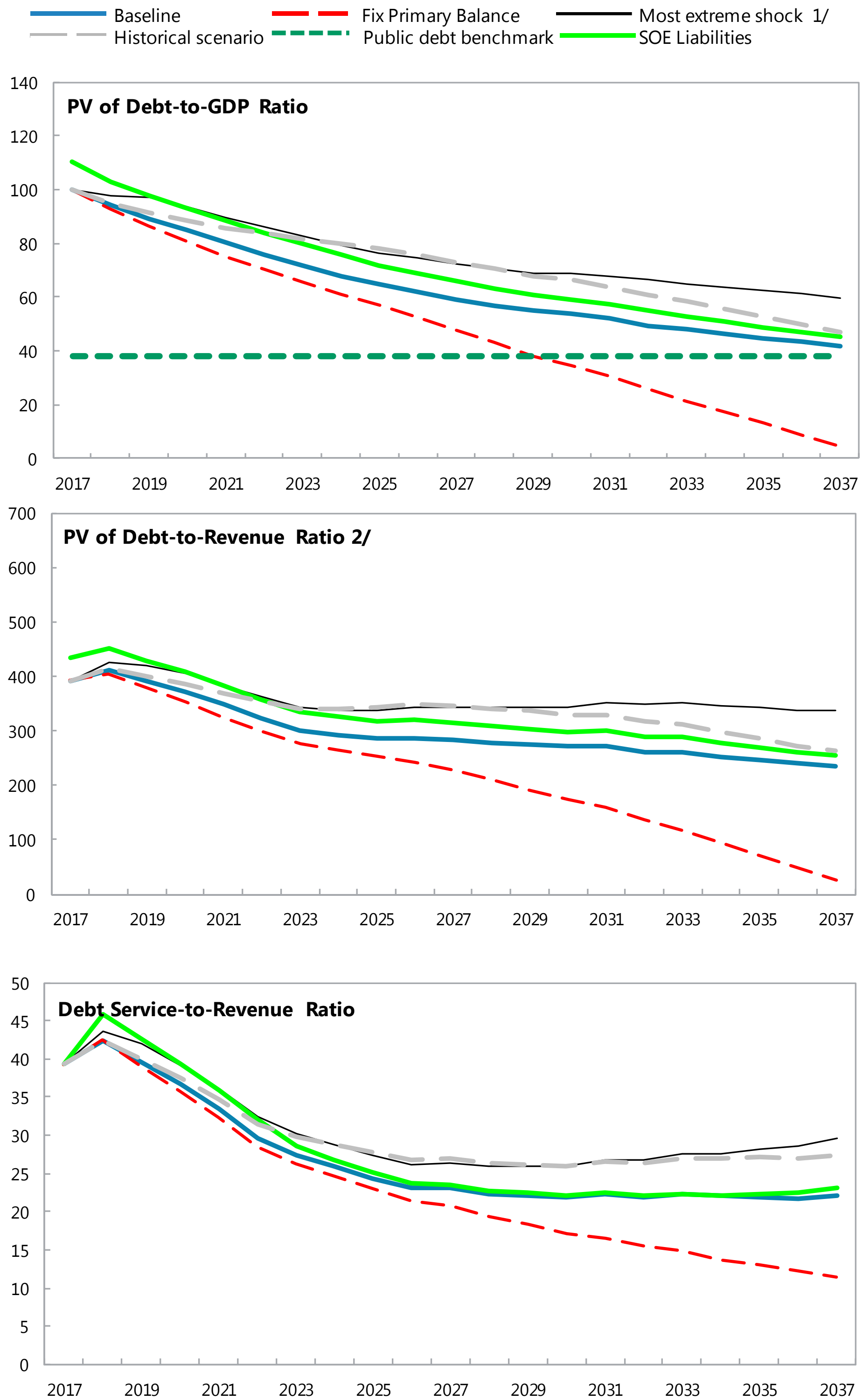
| | Actual | | | Historical 6/ Average | Standard 6/ Deviation | Projections | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2017-2022 Average | 2023 | 2024 | 2025 | 2026 | 2027 | 2037 | 2023-2037 Average |
| **External debt (nominal) 1/** | **61.5** | **55.5** | **56.2** | | | **54.0** | **55.2** | **56.3** | **57.9** | **58.2** | **58.1** | | **54.0** | **50.3** | **48.0** | **46.8** | **45.5** | **37.7** | |
| *of which: public and publicly guaranteed (PPG)* | 58.4 | 51.4 | 52.4 | | | 50.9 | 51.2 | 51.1 | 50.9 | 49.6 | 48.2 | | 46.5 | 44.8 | 43.2 | 42.0 | 40.9 | 34.2 | |
| Change in external debt | 11.2 | -6.0 | 0.7 | | | -2.2 | 1.2 | 1.1 | 1.6 | 0.3 | -0.1 | | -4.0 | -3.8 | -2.3 | -1.2 | -1.3 | 0.2 | |
| Identified net debt-creating flows | 5.6 | 2.8 | -2.9 | | | -0.2 | 1.9 | 2.4 | 2.1 | 1.2 | -0.4 | | -4.0 | -3.7 | -3.1 | -2.7 | -2.4 | -0.2 | |
| **Non-interest current account deficit** | **10.2** | **14.1** | **8.1** | **9.1** | **3.9** | **8.6** | **11.3** | **12.4** | **12.7** | **12.5** | **11.4** | | **7.5** | **7.5** | **7.6** | **7.6** | **7.6** | **7.7** | 7.6 |
| Deficit in balance of goods and services | 19.3 | 25.7 | 17.9 | | | 22.8 | 23.9 | 24.4 | 23.9 | 23.0 | 21.3 | | 22.3 | 21.6 | 21.0 | 21.1 | 21.0 | 23.4 | |
| Exports | 29.2 | 24.7 | 24.0 | | | 21.0 | 22.5 | 23.3 | 24.2 | 24.9 | 25.7 | | 27.1 | 28.1 | 28.8 | 29.5 | 29.9 | 35.8 | |
| Imports | 48.5 | 50.4 | 41.9 | | | 43.7 | 46.5 | 47.6 | 48.0 | 47.8 | 47.0 | | 49.5 | 49.6 | 49.8 | 50.6 | 50.9 | 59.2 | |
| Net current transfers (negative = inflow) | -11.3 | -13.9 | -11.9 | -9.9 | 5.1 | -16.2 | -14.6 | -14.0 | -13.1 | -12.4 | -12.0 | | -12.4 | -12.2 | -12.1 | -12.1 | -12.0 | -12.3 | -12.1 |
| *of which: official* | -2.3 | -1.9 | -0.8 | | | -5.1 | -3.8 | -3.1 | -2.4 | -1.9 | -1.5 | | -2.0 | -1.9 | -1.7 | -1.7 | -1.5 | -1.2 | |
| Other current account flows (negative = net inflow) | 2.2 | 2.2 | 2.1 | | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.2 | | -2.4 | -1.8 | -1.4 | -1.4 | -1.4 | -3.4 | |
| **Net FDI (negative = inflow)** | **-9.2** | **-8.2** | **-7.5** | **-8.7** | **1.4** | **-8.0** | **-8.3** | **-8.6** | **-8.9** | **-9.3** | **-9.7** | | **-9.4** | **-9.3** | **-8.8** | **-8.5** | **-8.3** | **-6.5** | -7.7 |
| **Endogenous debt dynamics 2/** | **4.6** | **-3.0** | **-3.4** | | | **-0.8** | **-1.1** | **-1.4** | **-1.7** | **-2.0** | **-2.1** | | **-2.1** | **-2.0** | **-1.9** | **-1.8** | **-1.8** | **-1.4** | |
| Contribution from nominal interest rate | 0.7 | 1.0 | 0.7 | | | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 | |
| Contribution from real GDP growth | -0.5 | -2.5 | -1.1 | | | -1.6 | -1.8 | -2.1 | -2.4 | -2.6 | -2.6 | | -2.7 | -2.5 | -2.3 | -2.2 | -2.1 | -1.7 | |
| Contribution from price and exchange rate changes | 4.5 | -1.6 | -3.0 | | | ... | ... | ... | ... | ... | ... | | ... | ... | ... | ... | ... | ... | |
| **Residual (3-4) 3/** | **5.6** | **-8.8** | **3.6** | | | **-1.9** | **-0.8** | **-1.3** | **-0.5** | **-0.9** | **0.2** | | **0.0** | **0.0** | **0.8** | **1.5** | **1.1** | **0.3** | |
| *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 | 0.0 | 0.0 | 0.0 | 0.0 | |
| PV of external debt 4/ | ... | ... | 43.5 | | | 41.1 | 41.2 | 41.6 | 42.6 | 42.8 | 42.9 | | 39.2 | 35.9 | 34.3 | 33.6 | 32.8 | 27.8 | |
| In percent of exports | ... | ... | 181.2 | | | 195.9 | 182.9 | 178.8 | 176.1 | 172.0 | 166.8 | | 144.5 | 127.9 | 119.1 | 114.0 | 109.7 | 77.7 | |
| **PV of PPG external debt** | **...** | **...** | **39.7** | | | **37.9** | **37.2** | **36.4** | **35.6** | **34.3** | **33.1** | | **31.6** | **30.4** | **29.4** | **28.9** | **28.2** | **24.3** | |
| **In percent of exports** | **...** | **...** | **165.3** | | | **180.8** | **165.0** | **156.5** | **147.3** | **137.7** | **128.5** | | **116.6** | **108.3** | **102.3** | **97.9** | **94.4** | **67.9** | |
| **In percent of government revenues** | **...** | **...** | **216.0** | | | **203.3** | **214.2** | **202.3** | **190.4** | **175.9** | **162.9** | | **152.0** | **148.5** | **146.8** | **149.6** | **149.7** | **146.1** | |
| **Debt service-to-exports ratio (in percent)** | **14.2** | **14.7** | **10.7** | | | **19.4** | **20.9** | **19.4** | **17.6** | **16.1** | **13.5** | | **11.8** | **10.2** | **8.8** | **7.3** | **7.2** | **6.4** | |
| **PPG debt service-to-exports ratio (in percent)** | **14.2** | **14.7** | **10.7** | | | **19.4** | **20.9** | **19.4** | **17.6** | **16.1** | **13.5** | | **11.8** | **10.2** | **8.8** | **7.3** | **7.2** | **6.4** | |
| **PPG debt service-to-revenue ratio (in percent)** | **22.5** | **18.4** | **14.0** | | | **21.8** | **27.2** | **25.1** | **22.7** | **20.5** | **17.1** | | **15.4** | **14.0** | **12.6** | **11.2** | **11.4** | **13.8** | |
| Total gross financing need (Millions of U.S. dollars) | 79.3 | 110.0 | 66.4 | | | 85.3 | 117.7 | 139.7 | 157.6 | 176.2 | 178.1 | | 150.4 | 122.8 | 101.0 | 94.3 | 101.9 | 160.1 | |
| Non-interest current account deficit that stabilizes debt ratio | -1.0 | 20.1 | 7.4 | | | 10.8 | 10.1 | 11.3 | 11.1 | 12.2 | 11.5 | | 11.5 | 11.3 | 9.9 | 8.8 | 8.9 | 7.5 | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 0.9 | 4.3 | 2.2 | 3.6 | 3.3 | 3.0 | 3.5 | 4.0 | 4.5 | 4.8 | 4.8 | 4.1 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| GDP deflator in US dollar terms (change in percent) | -8.1 | 2.7 | 5.8 | 0.8 | 9.6 | 4.4 | 1.8 | 1.4 | 0.7 | 0.2 | 0.2 | 1.5 | -0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Effective interest rate (percent) 5/ | 1.2 | 1.8 | 1.4 | 1.7 | 0.3 | 1.4 | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 | 1.3 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.9 | 0.9 |
| Growth of exports of G&S (US dollar terms, in percent) | -7.7 | -9.5 | 5.0 | 0.7 | 8.0 | -6.0 | 13.3 | 8.8 | 9.3 | 8.1 | 8.6 | 7.0 | 10.2 | 8.6 | 7.4 | 7.4 | 6.5 | 7.0 | 7.2 |
| Growth of imports of G&S (US dollar terms, in percent) | 9.5 | 11.3 | -10.2 | 3.1 | 9.6 | 12.3 | 12.0 | 8.0 | 6.1 | 4.6 | 3.1 | 7.7 | 10.0 | 5.3 | 5.2 | 6.5 | 5.5 | 8.8 | 6.5 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | ... | ... | 43.4 | 39.2 | 39.2 | 40.2 | 40.5 | 40.8 | 40.5 | 45.1 | 42.7 | 41.2 | 41.1 | 41.0 | 39.7 | 40.8 |
| Government revenues (excluding grants, in percent of GDP) | 18.5 | 19.7 | 18.4 | | | 18.7 | 17.4 | 18.0 | 18.7 | 19.5 | 20.3 | | 20.8 | 20.5 | 20.0 | 19.3 | 18.9 | 16.6 | 18.3 |
| Aid flows (in Millions of US dollars) 7/ | 115.0 | 80.0 | 31.6 | | | 102.0 | 137.9 | 129.5 | 121.7 | 102.0 | 88.7 | | 86.7 | 82.1 | 78.3 | 79.5 | 78.9 | 106.5 | |
| *of which: Grants* | 30.8 | 16.7 | 16.2 | | | 70.1 | 59.9 | 55.9 | 49.9 | 45.8 | 42.8 | | 42.0 | 40.2 | 38.6 | 36.9 | 35.3 | 28.4 | |
| *of which: Concessional loans* | 84.2 | 63.3 | 15.4 | | | 32.0 | 78.0 | 73.6 | 71.8 | 56.2 | 45.9 | | 44.7 | 41.9 | 39.8 | 42.6 | 43.6 | 78.2 | |
| Grant-equivalent financing (in percent of GDP) 8/ | ... | ... | ... | | | 8.7 | 8.3 | 7.3 | 6.5 | 5.4 | 4.6 | | 4.4 | 4.0 | 3.6 | 3.4 | 3.1 | 2.2 | 2.9 |
| Grant-equivalent financing (in percent of external financing) 8/ | ... | ... | ... | | | 77.1 | 65.6 | 65.4 | 64.7 | 67.2 | 69.3 | | 71.7 | 70.8 | 70.2 | 68.4 | 67.4 | 55.8 | 63.0 |
| *Memorandum items:* | | | | | | | | | | | | | | | | | | | |
| Nominal GDP (Millions of US dollars) | 833.2 | 892.2 | 964.6 | | | 1037.6 | 1093.8 | 1153.5 | 1213.4 | 1273.9 | 1337.5 | | 1398.1 | 1466.3 | 1537.7 | 1612.6 | 1691.2 | 2721.4 | |
| Nominal dollar GDP growth | -7.3 | 7.1 | 8.1 | | | 7.6 | 5.4 | 5.5 | 5.2 | 5.0 | 5.0 | 5.6 | 4.5 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.8 |
| PV of PPG external debt (in Millions of US dollars) | | | 381.9 | | | 385.8 | 400.9 | 413.6 | 425.6 | 429.3 | 431.6 | | 432.9 | 436.5 | 443.0 | 455.4 | 467.4 | 648.0 | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | | | 0.4 | 1.5 | 1.2 | 1.0 | 0.3 | 0.2 | 0.8 | 0.1 | 0.3 | 0.4 | 0.8 | 0.7 | 0.6 | 0.7 |
| Gross workers' remittances (Millions of US dollars) | 59.3 | 93.6 | 93.5 | | | 101.1 | 106.5 | 112.4 | 117.2 | 123.1 | 129.1 | | 133.9 | 140.2 | 147.5 | 155.6 | 164.3 | 285.7 | |
| PV of PPG external debt (in percent of GDP + remittances) | ... | ... | 36.2 | | | 34.6 | 33.9 | 33.2 | 32.5 | 31.3 | 30.2 | | 28.9 | 27.8 | 26.9 | 26.3 | 25.7 | 22.0 | |
| PV of PPG external debt (in percent of exports + remittances) | ... | ... | 117.7 | | | 123.5 | 115.3 | 110.3 | 105.3 | 99.2 | 93.5 | | 86.2 | 80.8 | 76.7 | 73.8 | 71.2 | 52.5 | |
| Debt service of PPG external debt (in percent of exports + remittanc | ... | ... | 7.6 | | | 13.3 | 14.6 | 13.7 | 12.6 | 11.6 | 9.8 | | 8.7 | 7.6 | 6.6 | 5.5 | 5.4 | 5.0 | |

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt. Debt values may vary marginally from those in the accompanying staff report due to exchange rate conventions.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) 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.
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 generally derived over the past 10 years, subject to data availability.
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).

**Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2017-37[1]**




Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.
2/ Revenues are defined inclusive of grants.

## Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014–37[1]

| | Actual | | | | | Estimate | Projections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | Average 5/ | Standard Deviation 5/ | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2017-22 Average | 2027 | 2037 | 2023-37 Average |
| **Public sector debt 1/** | 104.9 | 105.3 | 120.2 | | | 112.7 | 108.2 | 104.0 | 100.2 | 95.5 | 91.0 | | 71.8 | 51.6 | |
| *of which: foreign-currency denominated* | 58.4 | 51.4 | 52.4 | | | 50.9 | 51.2 | 51.1 | 50.9 | 49.6 | 48.2 | | 40.9 | 34.2 | |
| Change in public sector debt | 21.6 | 0.4 | 14.9 | | | -7.5 | -4.5 | -4.2 | -3.8 | -4.7 | -4.5 | | -3.2 | -1.7 | |
| Identified debt-creating flows | 12.3 | -8.7 | 5.5 | | | -7.3 | -5.0 | -4.8 | -4.5 | -4.9 | -4.9 | | -2.5 | -0.1 | |
| Primary deficit | 4.3 | 1.2 | 2.3 | -0.6 | 5.3 | -3.3 | -1.4 | -1.6 | -1.5 | -2.1 | -2.5 | -2.1 | -0.4 | 1.3 | 0.1 |
| Revenue and grants | 22.2 | 21.6 | 20.0 | | | 25.4 | 22.9 | 22.8 | 22.8 | 23.1 | 23.5 | | 20.9 | 17.7 | |
| *of which: grants* | 3.7 | 1.9 | 1.7 | | | 6.8 | 5.5 | 4.8 | 4.1 | 3.6 | 3.2 | | 2.1 | 1.0 | |
| Primary (noninterest) expenditure | 26.5 | 22.8 | 22.4 | | | 22.1 | 21.5 | 21.2 | 21.3 | 21.0 | 21.0 | | 20.5 | 19.0 | |
| Automatic debt dynamics | 8.0 | -9.9 | 3.1 | | | -3.9 | -3.7 | -3.2 | -2.9 | -2.9 | -2.4 | | -2.1 | -1.4 | |
| Contribution from interest rate/growth differential | 1.7 | 0.0 | 1.0 | | | -3.8 | -3.7 | -3.7 | -3.7 | -3.0 | -3.3 | | -2.7 | -1.8 | |
| *of which: contribution from average real interest rate* | 2.4 | 4.3 | 3.3 | | | -0.3 | 0.1 | 0.5 | 0.7 | 1.6 | 1.0 | | 0.8 | 0.6 | |
| *of which: contribution from real GDP growth* | -0.7 | -4.3 | -2.3 | | | -3.5 | -3.8 | -4.2 | -4.5 | -4.6 | -4.4 | | -3.4 | -2.4 | |
| Contribution from real exchange rate depreciation | 6.3 | -9.9 | 2.1 | | | -0.1 | 0.1 | 0.5 | 0.8 | 0.1 | 1.0 | | ... | ... | |
| 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** | 9.3 | 9.2 | 9.4 | | | -0.3 | 0.5 | 0.6 | 0.7 | 0.3 | 0.4 | | -0.7 | -1.6 | |
| **Other Sustainability Indicators** | | | | | | | | | | | | | | | |
| **PV of public sector debt** | ... | ... | 107.5 | | | 99.8 | 94.2 | 89.3 | 84.9 | 80.1 | 75.9 | | 59.1 | 41.7 | |
| *of which: foreign-currency denominated* | ... | ... | 39.7 | | | 37.9 | 37.2 | 36.4 | 35.6 | 34.3 | 33.1 | | 28.2 | 24.3 | |
| *of which: external* | ... | ... | 39.7 | | | 37.9 | 37.2 | 36.4 | 35.6 | 34.3 | 33.1 | | 28.2 | 24.3 | |
| PV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| Gross financing need 2/ | 47.8 | 52.7 | 60.8 | | | 44.6 | 44.3 | 41.7 | 39.6 | 37.0 | 34.4 | | 28.4 | 20.7 | |
| PV of public sector debt-to-revenue and grants ratio (in percent) | ... | ... | 536.6 | | | 392.5 | 412.3 | 390.8 | 371.9 | 347.3 | 323.0 | | 282.1 | 235.7 | |
| PV of public sector debt-to-revenue ratio (in percent) | ... | ... | 585.6 | | | 534.6 | 542.2 | 496.1 | 453.7 | 411.4 | 373.9 | | 313.3 | 250.5 | |
| *of which: external 3/* | ... | ... | 216.0 | | | 203.3 | 214.2 | 202.3 | 190.4 | 175.9 | 162.9 | | 149.7 | 146.1 | |
| Debt service-to-revenue and grants ratio (in percent) 4/ | 40.5 | 44.4 | 46.0 | | | 39.3 | 42.5 | 39.6 | 36.6 | 33.4 | 29.7 | | 23.0 | 22.0 | |
| Debt service-to-revenue ratio (in percent) 4/ | 48.6 | 48.6 | 50.2 | | | 53.5 | 55.9 | 50.2 | 44.7 | 39.6 | 34.4 | | 25.6 | 23.4 | |
| Primary deficit that stabilizes the debt-to-GDP ratio | -17.3 | 0.8 | -12.5 | | | 4.2 | 3.1 | 2.6 | 2.3 | 2.6 | 2.0 | | 2.7 | 3.0 | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 0.9 | 4.3 | 2.2 | 3.6 | 3.3 | 3.0 | 3.5 | 4.0 | 4.5 | 4.8 | 4.8 | 4.1 | 4.8 | 4.8 | 4.8 |
| Average nominal interest rate on forex debt (in percent) | 1.3 | 1.9 | 1.5 | 1.8 | 0.3 | 1.5 | 1.5 | 1.4 | 1.4 | 1.3 | 1.2 | 1.4 | 0.9 | 0.9 | 1.0 |
| Average real interest rate on domestic debt (in percent) | 6.9 | 7.4 | 5.9 | 6.7 | 1.1 | 0.1 | 1.0 | 1.8 | 2.4 | 2.3 | 2.6 | 1.7 | 3.2 | 4.1 | 3.5 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 13.8 | -17.3 | 4.2 | 2.2 | 12.9 | -0.3 | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 6.6 | 6.4 | 7.1 | 5.0 | 1.5 | 8.3 | 6.6 | 5.6 | 4.8 | 4.7 | 4.5 | 5.8 | 4.5 | 4.5 | 4.5 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 15.9 | -10.2 | 0.3 | 0.7 | 6.3 | 1.6 | 0.7 | 2.8 | 4.8 | 3.4 | 4.7 | 3.0 | 4.4 | 3.1 | 4.1 |
| Grant element of new external borrowing (in percent) | ... | ... | ... | ... | ... | 43.4 | 39.2 | 39.2 | 40.2 | 40.5 | 40.8 | 40.5 | 41.0 | 39.7 | ... |

Sources: Country authorities; and staff estimates and projections.

1/ Comprises domestically denominated central government debt, and general government external debt, gross.

2/ 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.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.