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THE GAMBIA

June 2018

SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM—PRESS RELEASE AND STAFF REPORT FOR THE GAMBIA

In the context of the Second Review Under the Staff-Monitored Program with The Gambia, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on May 9, 2018, with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 18, 2018.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Completes Second Review of Staff Monitored Program with The Gambia

On June 18, 2018, the Managing Director of the International Monetary Fund completed the second review of the Staff Monitored Program (SMP) with The Gambia.[1] The SMP, which commenced in April 2017, was extended through September 2018 in the context of the first review in March 2018, to enable the authorities to establish a track record for a possible Extended Credit Facility (ECF) arrangement and to incorporate the outcome of the International Conference for The Gambia that was held in Brussels during May 22–23, 2018.

The Gambia embarked on far-reaching economic reforms following its peaceful democratic transition in 2017. The current supportive political environment, ongoing democratic transition and gains in political and economic inclusion have been confidence-enhancing, helping to engender significant international goodwill. As a result, development partners pledged over US$1.5 billion at the recent Brussels conference held in support of The Gambia's 2018–21 National Development Plan (NDP).

Economic recovery is well underway and the outlook is favorable, albeit contingent on continued adherence to the policy reform agenda. The pickup in growth in 2017 to an estimated 3.5 percent from 2.2 percent in 2016 was underpinned by a recovery of agriculture following improved weather conditions, a rebound in tourism, increased trade over improved relations with neighboring Senegal, and renewed foreign direct investment. Fiscal consolidation and significant external financial support helped to improve the external position, stabilize the domestic currency, and spur a steady decline in consumer price inflation from 8.8 percent (year-on-year) at end-January 2017 to 6.6 percent at end-April 2018. Gross international reserves increased from 1.4 months of next year's projected imports at end-2016 to about 2.8 months at end-2017. With the government's reduced domestic borrowing, private sector credit grew by 13.8 percent (year on year) at end-April 2018, reversing its earlier declining trend. Continued strengthening of risk-based supervision and a greater willingness to act on early signs of asset quality problems by the central bank will help further to underpin financial stability.

[1] A Staff Monitored Program is an informal and flexible instrument for dialogue between the Fund staff and a member country on its economic policies. It is neither accompanied by financial support nor endorsed by the IMF Executive Board.

Implementation of the SMP remains broadly satisfactory. All-but-one indicative quantitative targets through end-March 2018 were met and most structural benchmarks were implemented. Although the continuous target on nonconcessional borrowing was breached at end-2017 by a substantial margin, corrective measures are now in place to prevent a future reoccurrence.

However, The Gambia's debt vulnerabilities have risen, with the debt-to-GDP ratio reaching nearly 130 percent of GDP by end-2017 and total debt service-to-revenue (excluding grants) now projected to average 53 percent over 2018–20. An updated debt sustainability analysis shows that The Gambia's public debt is now unsustainable, with high external and domestic debt as well as a large pipeline of already-contracted loans that pose risks to solvency. As a result, the authorities have adopted a multi-pronged strategy to restore and maintain debt sustainability, comprising (1) measures to boost domestic revenue mobilization; (2) re-prioritizing the existing projects pipeline and seeking improvements in the terms of the already-contracted loans to raise their concessionality; (3) request for debt relief and restructuring from external creditors; and (4) an NDP financing strategy that emphasizes grant financing and private investment. Furthermore, strengthening investment appraisal and selection processes should help to boost investment efficiency and productivity.

The authorities are also developing and implementing both a medium-term economic and fiscal framework (MTEFF), which will help anchor fiscal policy and facilitate policy-driven budget allocations, and a medium-term debt strategy (MTDS), which foresees a lengthening of the maturity of domestic debt to reduce rollover risk, both of which will be regularly reviewed.

Risks to the outlook stem primarily from legacy issues, including a possible resurgence of political instability, rising public debt and debt service ratios, and lack of control over external debt accumulation, including by state-owned enterprises (SOEs). Mitigating these risks will require implementation of the MTEFF and the MTDS, alongside critical SOE reforms to strengthen their governance and enhance their operational efficiency and transparency. The recent completion of the prior action paving the way for the commencement of special audits of key SOEs was a critical milestone in this regard. The authorities are also amending the legal framework of the central bank to strengthen its operational autonomy and to support healthy financial intermediation and inclusion.

The IMF staff stands ready to continue to support the Government and the people of The Gambia with the implementation of the country's economic reform agenda—through its policy advice and the delivery of well-tailored technical assistance—as The Gambia aspires to successfully transition to a possible ECF arrangement.

THE GAMBIA

June 18, 2018

SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM

EXECUTIVE SUMMARY

The Gambia has been on a Staff Monitored Program (SMP) since April 2017. The SMP was extended through September 2018, in the context of the first review (EBS/18/99, 4/4/2018), to provide more time to establish a track record for a possible Extended Credit Facility (ECF) arrangement and incorporate into the macro-framework the outcome of the recent International Conference for The Gambia.

Context. Since the peaceful democratic transition of 2017, the political situation has remained stable paving the way for parliamentary elections in April 2017 and local government elections a year later. The political environment has remained supportive of reforms, but their pace is constrained by The Gambia's legacy problems and fragility. At the International Conference for The Gambia held in Brussels on May 22–23, 2018, development partners reaffirmed their commitment to the transformational agenda of the country, articulated in the 2018–21 National Development Plan (NDP).

Performance under the SMP. The program is broadly on track. All quantitative targets for end-December 2017 and end-March 2018 were met as were most of the structural benchmarks, with three of them needing to be re-phased and redefined. However, the continuous target on contracting new nonconcessional external debt was breached, due to a $25 million loan (with grant element of 26 percent).

Debt issues. In view of the buildup in public debt to nearly 130 percent of GDP at end-2017, The Gambia's public debt is now deemed unsustainable. In the attached updated Memorandum of Economic and Financial Policies (MEFP), the authorities commit to tightening their external debt contracting policy and to pursuing mainly grant financing while negotiating debt relief, where feasible. To support this, the authorities are developing a medium-term economic and fiscal framework and debt strategy. Measures to strengthen the operational independence of The Central Bank of Gambia (CBG) and banking supervision are also being implemented.

Staff supports the completion of the second review under the SMP. Staff encourages the authorities to ensure macroeconomic stability and step up the pace of structural reforms to strengthen economic governance and tackle the legacy of debilitating public debt to pave the way for a possible ECF arrangement.

Approved By
Michel Lazare and Martin Sommer

Discussions took place in Banjul during May 3–9, 2018. The staff team comprised Messrs. Wieczorek (head), Jenya, Kumah, Norat, Wocken (all AFR), Mr. Best (SPR), and Ms. Randall (IMF resident representative). Mr. Bernard Jappah (OED) participated in the discussions. Mr. Mendy and Ms. Nyang (both IMF res. rep. office in Banjul) assisted the mission. The team met with Finance Minister Sanneh; Central Bank Governor Jammeh; and other senior officials, parliamentarians; representatives of the private sector, civil society organizations, and the diplomatic community. The mission coordinated closely with overlapping missions from the World Bank. Hilary Devine provided research support, and Naa-Kwaakai Quartey assisted in the preparation of this report.

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BACKGROUND

1. **The political situation remains stable and the new administration is committed to restoring economic stability and debt sustainability.** The parliamentary elections in April 2017, followed by the local elections of April 12, 2018, resulted in an absolute majority in support of the new government, creating a more supportive political environment for reform. Critically, maintaining cohesion in the seven-party ruling coalition will be key to maintaining political stability and achieving consensus around policy objectives.

2. **A six-month extension of the SMP was approved as part of the 2017 Article IV consultation and first review of the SMP.**[1] The program was extended to (i) allow the authorities more time to strengthen economic governance, consolidate and build a track record of performance for a possible transition to an arrangement under the ECF; and (ii) incorporate the outcome of the International Conference for The Gambia (Box 1). The country's development partners pledged financial support for The Gambia's 2018–21 National Development Plan (NDP), which would be integrated in the medium-term economic and fiscal framework (MTEFF) that could underpin a possible ECF-supported program.

Box 1. The International Conference for The Gambia, Brussels, May 22–23, 2018

The NDP presented at the Brussels conference posits eight strategic priorities with seven complementary cross-cutting enablers. The plan, which identifies desired outcomes, intermediate targets, and interventions along with flagship programs and projects, is estimated to cost about $2.4 billion with energy and infrastructure development accounting for 57 percent of the total cost while agriculture and human development take up 11.2 percent and 8.3 percent, respectively. The authorities expect to meet this financing need through grants and highly concessional loans (in view of The Gambia's debt profile), strengthened domestic revenue mobilization, prudent fiscal management, and private sector participation.

The annual and sectoral breakdown of pledges made by development partners at the Brussels conference is yet to be confirmed. The announced amount of approximately $1.5 billion, comprised a mix of grants, loans, and technical assistance. Of the total amount, about $1.4 billion constituted new funds, with $757 million in grants and $687 million in loans, and some funds earmarked for specific purposes, such as for food security, environmental protection, tourism development, and the work of the Truth, Reconciliation and Reparations Commission. Support was pledged by a mix of traditional and nontraditional bilateral, multilateral, and plurilateral partners.

The current macroeconomic framework for 2018–21 features foreign-financed public investment of $860.6 million, which is significantly less than pledged at the Brussels conference, but still representing a substantial scaling up compared to the past. This amount reflects all grants and only few critically important loans, with the rest of the loans assumed to be disbursed later at the pace dependent on the evolution of The Gambia's debt carrying capacity.

[1] The 2017 Article IV consultation (EBS/18/99, 4/4/2018) and First Review under, and Extension of, the Staff Monitored Program with The Gambia was concluded by the Executive Board on March 22, 2018.

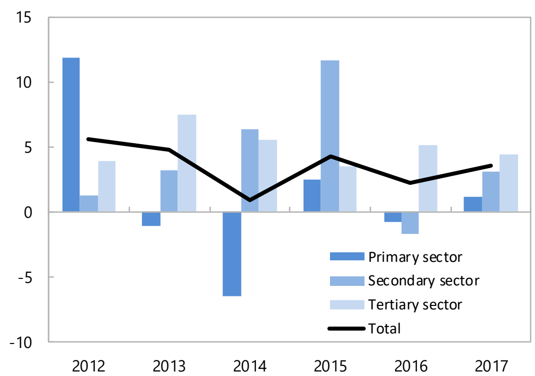
RECENT ECONOMIC DEVELOPMENTS

3. Economic activity has rebounded, and inflation declined (Table 1, Figure 1). The rebound was supported by favorable weather conditions and a pick-up in tourism (a key sector for The Gambia), yielding an estimated 3.5 percent real GDP growth for 2017 compared to 2.2 percent in 2016. Improved political environment and increased availability of foreign exchange also helped pave the way for a rebound in private activity. Private sector credit grew by 13.8 percent (year-on-year) as of end-April 2018 compared to -1.2 percent at end-2017, reflecting banks' switch to private lending as sovereign borrowing slowed and yields on government securities declined. Helped by an abundance of food and a more stable exchange rate, consumer price inflation eased steadily from 8.8 percent (year-on-year) at end-January 2017 to 6.6 percent at end-April 2018.

4. Domestic revenue fell short of expectations, despite strong economic activity (Tables 2–3). Overall, the tax-GDP ratio at end-2017, although broadly in line with the SMP projection, came in about 1.7 percentage points of GDP lower than at end-2016 and about 2 percentage points of GDP less than projected at the first SMP review, based on earlier overly optimistic revenue reports. Collections of customs duty as well as of domestic taxes on goods and services was affected by the political impasse during the first quarter of 2017, notwithstanding the sharp rebound in revenue collection in the latter part of the year. Moreover, nontax revenue comprising receipts from land sales, mineral rights, and international telecom, reached only half of the projected amount as the liquidation of the assets seized from the previous president encountered legal delays.

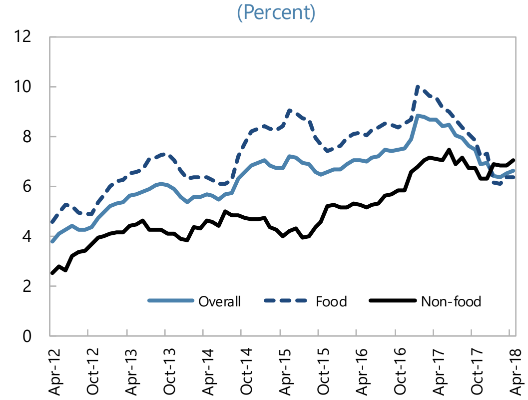
5. Expenditure in 2017 was higher than projected. While primary current expenditure was about 2 percent of GDP lower than originally projected under the program, net acquisition of nonfinancial

The Gambia: Real GDP Growth by Sector
(Annual percent change)



Sources: The Gambian Authorities; and IMF staff calculations.

The Gambia: Consumer Price Inflation
(Percent)



Sources: The Gambian Authorities; and IMF staff calculations.

The Gambia: Fiscal performance, deviations from program, End December 2017
(Percent GDP)

	2017
Total Revenue	**2.8**
Tax	-0.2
Non-tax	-1.8
Grants	4.8
Total Expenditure	**8.4**
Primary Expenditure	-2.1
Compensation of Employees	-0.3
Goods and Services	-0.5
Subsidies	-1.3
Interest	1.2
Net Acquisition of nonfinancial assets	9.3
o/w Gambia Local Fund (Domestic Investment)	-0.1
Total Deviation	**-5.6**

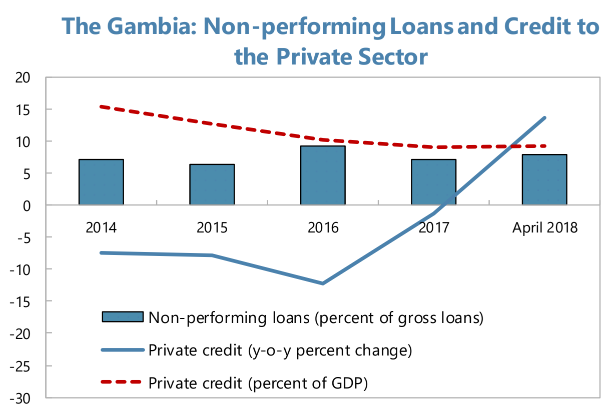
Sources: The Gambian Authorities; and IMF staff calculations.

assets or capital spending exceeded its target by 9.3 percent of GDP mainly because of foreign-financed projects, which disbursed much faster than anticipated. Also, the interest bill was higher than anticipated by 1.2 percent of GDP, reflecting a slower-than-expected retirement of longer-term 12-month T-bills (forming about 70 percent of the total stock) which at the time they were negotiated carried relatively high double-digit interest rates.

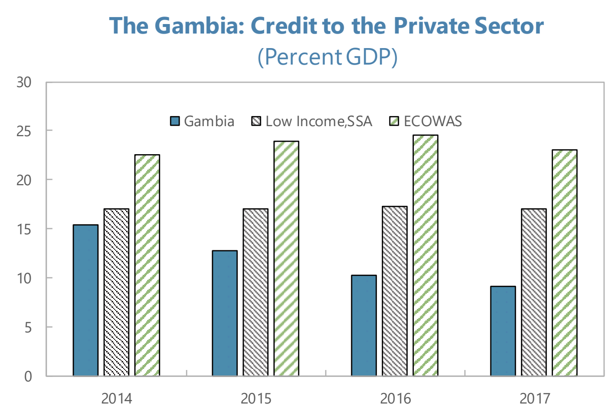
6. The fiscal outturn at end-2017 improved over 2016 but less than projected. The overall fiscal deficit reached 7.9 percent of GDP at end-2017 and the primary deficit at end-2017 was about 1.0 percent of GDP. Financing of the overall balance was exclusively from foreign sources (7.7 percent of GDP), particularly as foreign disbursements exceeded the target for the year, and the government kept nonbank borrowing closely to the target and paid down some of its debt to domestic banks.

7. The external current account deficit widened relative to the program, but the overall balance was strong (Tables 6–7). While exports during 2017 remained subdued compared to 2016, imports exceeded projections as tourism and foreign-financed investments picked up. With minor deviations from the program in the services, incomes and current transfers, the current account showed a deficit of $195 million (19.3 percent of GDP). However, thanks to strong inflows of official grants and large net positive inflows under the capital and financial account, the overall balance of payments showed a surplus of about 3 percent of GDP and the gross reserves cover of next year's imports of goods and services increased to 2.8 months, double the end-2016 level.

8. Financial intermediation remained subdued amid elevated, albeit declining non-performing loans (Figure 1; Tables 4–5, 8). Reflecting the rebound in economic activity along with improvements in the policy arena and associated declines in lending rates in 2017, banking system credit to the private sector turned around in the second half of 2017. For the year as a whole, it declined only by 1.2 percent (year-on-year), compared with a 12.3 percent decline in 2016, and the private credit-to-GDP ratio remained at around 9 percent of GDP, much lower than in comparator countries. Non-performing loans (NPL) fell from 9.3 percent of gross loans at end-2016 to 7.2 percent at end-2017, despite the system average being affected by somewhat higher level of NPLs in a few small banks. Increased provisions will help to absorb some of these loan losses.



Sources: The Gambian authorities; and IMF staff estimates.



Sources: The Gambian authorities; and IMF staff estimates.

9. Economic performance in early 2018 has been marked by the return of business confidence against the background of persistent fiscal pressures. The pick-up in private sector credit and the stability of the dalasi, in the context of easing inflation, signaled an increased confidence in the economy. This pickup was also reflected in a relatively strong tax and customs revenue collection. However, fiscal outturns in the first quarter of 2018 were mixed with somewhat higher than projected tax revenues but lower other revenues and foreign grants. In the event, total revenue, including grants, in the first quarter of 2018 was about 20 percent of the amount projected for 2018. At the same time, current expenditure in the first quarter was running slightly ahead of projections giving rise to heightened domestic financing needs. As a result, nearly the entire space (equivalent to 1 percent of GDP) for net domestic borrowing (NDB) was used by end-March 2018. This pick-up in borrowing ushered a partial rebound in T-bill rates, which rose to 6–9 percent in April, depending on maturity, from the lows of 4–6 percent at end-2017. Much of the increase in current expenditure reflected a delay in the implementation of the vehicle reform policy, now expected to be in effect starting in July 2018. Meanwhile, the execution of capital expenditure (mostly externally financed) reached about 23 percent of the projected 2018 level.

PROGRAM PERFORMANCE

10. SMP implementation through end-March 2018 was broadly satisfactory, with all but one quantitative target and five out of eight structural benchmarks met (Tables 9–12).

- **Indicative quantitative targets.** All indicative quantitative targets for end-December 2017 and end-March 2018 were met; however, the continuous target on contracting new nonconcessional external debt was breached, due to a $25 million loan (with grant element of 26 percent) contracted for a broadband (GNBN) project on behalf of the state telecommunications services company GAMTEL (MEFP ¶¶5 and 19).[2] The end-December 2017 ceiling on NDB of the central government, the ceiling on net domestic assets (NDA) of the central bank and the floor for net international reserves (NIR) were all met with sizable margins, helped by an inflow of external project financing. The performance at end-March 2018 was more closely aligned with program targets, except NDA of the central bank, which was well below the ceiling, as the pick-up in NIR had only a marginal impact on base money and the stock of NDB declined. The floor on poverty-reducing expenditures was comfortably met, there was no short-term external borrowing (other than for normal import-related credit), and there was no evidence of new external arrears through end-March 2018.

[2] The authorities arranged for the new $25 million loan from China Ex-Im Bank to be combined with forgiveness of $3 million in arrears, owed by GAMTEL to the Chinese contractor involved in the project, in a financing package that would carry a grant element 34 percent (still short of but close to the 35 percent minimum requirement). However, while the provision of the $3 million grant improves GAMTEL's financial viability and thus constitutes a mitigating factor, this arrangement does not meet the conditions required to be considered a financing package under Fund policies. As such, for the purposes of assessing the performance with respect to the continuous target on non-concessional borrowing, the loan is assessed to have a grant element of 26 percent.

- **Structural benchmarks (SBs).** Two out of three structural benchmarks for end-December 2017, and three out of five benchmarks for end-March 2018 were met (MEFP ¶5). The end-2017 benchmark on drafting the amendments to the CBG Act was missed, as the incorporation of the IMF safeguards assessment recommendations took longer than expected. The related action was subsequently carried out in March 2018. The submission of the amended CBG Act to the National Assembly (missed SB for end-March 2018) was re-phased to end-June 2018. The delayed action relating to the procurement of contracts for a joint audit of the CBG was carried out in May 2018, while the procurement of the audits of six key SOEs, accounting for over 90 percent of SOEs' assets and liabilities, will be relaunched by end-July 2018 (SB) to enable the hiring of a qualified audit firm of international repute. The cancellation of the previous tender was completed by the finance ministry as a prior action agreed with staff. Finally, the inventory of SOE cross arrears was compiled but their validation and the adoption of a resolution strategy is still pending (SB re-phased to end-June 2018) (Table 12).

Table 1. The Gambia: Indicative Quantitative Targets

(Stocks, unless otherwise indicated)

	Mar. 2017	Dec. 2017				Mar. 2018		
		Prog.	Adj. Prog.	Prel.	Status	Prog.	Prel.	Status
Indicative quantitative targets								
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	545	471	-153	-1,097	Met	526	466	Met
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	0	9,685	...	7,104	Met	10,707	6,835	Met
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2, 3]	-10	-0.1	-7.1	91.2	Met	79	112	Met
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	...	0	Met	0	0	Met
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	...	25	Not Met	0	0	Met
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	...	0	Met	0	0	Met
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	1,187	0	...	-413	Met	0	-597	Met
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	575	1,380	...	3,356	Met	949	992	Met
Memorandum Items:								
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	0			4,071			0	
Base Money (GMD millions)	8,393			9,796			10,448	
TMU Exchange Rate (GMD/USD)	45.39	45.39		47.88		45.39	47.28	

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.
[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.
[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).
[4] Monitored on a continuous basis
[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

- **Safeguards.** An update safeguards assessment of the CBG was completed in January 2018. Safeguards-related measures to (i) amend the CBG's legal framework with a view to strengthen its autonomy and governance arrangements; and (ii) improve the quality of the CBG's external audit are incorporated in the program. The bank is also taking steps to strengthen its financial position and develop a capacity building plan.

ECONOMIC OUTLOOK AND RISKS

11. Initial stabilization efforts are paying off but the public debt burden remains the foremost challenge. Ongoing efforts at stabilizing the economy are promising but further policy measures are needed to enable the desirable "active" scenario (see below). These include improving revenue mobilization, and prioritization of social and infrastructure investments with a view to restoring debt sustainability. Enhancing efficiency and reliability of service delivery, notably in the water and electricity sectors, necessitates reforms of SOEs to reduce administrative costs and to rebuild the dilapidated infrastructure. At the same time, entrenching the early gains requires institutional reforms and administrative capacity building, including with the support of Fund TA (Annex I). Absent these key measures, fiscal dominance will likely re-emerge resulting in higher inflation, higher interest rates, lower tax revenue mobilization and larger fiscal deficits as illustrated in the "passive" scenario, resulting in a rapid depletion of international reserves and increased likelihood of falling into external debt arrears. While project grants remain sizable even in this passive scenario, reflecting the pledges made at the Brussels conference, the authorities are also assumed to continue to contract external debt at a similar pace to recent years resulting in faster debt accumulation. It is also likely that growth will be lower in the passive scenario but, for simplicity, growth projections are assumed to be similar for both passive and active scenario to highlight the unsustainability of passive policies independent of their likely negative growth effects, which are difficult to model due to the endogeneities and policy interactions involved.

12. The SMP is geared toward enabling an active (baseline) scenario featuring sustained growth, a gradual decline in inflation, continued recovery of private credit, and improving fiscal and external balances. In particular,

- Economic growth is projected to average about 5.3 percent a year in 2018–21, supported by the scaling up in public investment and an increase in private credit, but growth would moderate somewhat to around 4.8 percent per year in the remainder of the medium term.
- Consumer price inflation in 2018–19 is projected to drop to an average of 5.6 percent and stabilize at about 5 percent in the remainder of the medium term.
- Banking system credit to the private sector is expected to expand at 12.7percent in 2018 and at 15 percent thereafter.
- The overall fiscal deficit is projected to decline to an average 2.3 percent of GDP in 2018–19, and further down to around 1.7 percent per year in 2020–23. Reflecting these projections, the primary balance would strengthen to a surplus of 2.4 percent of GDP in 2018–19 and

stabilize at about 2.0 percent of GDP per year in the remainder of the medium term.

- Reflecting the projected robust growth and better fiscal management, the external current account deficit would narrow over the medium term with the overall balance remaining stable at 2.8 percent of GDP on average. This should help increase gross reserves from just under three months of prospective imports at end-2017 to six months by 2023.
- Public debt is foreseen to gradually decline to about 92 percent of GDP by 2023 over improved revenue mobilization and prudent fiscal management resulting in primary surpluses and lower domestic borrowing.

Table 2. The Gambia: Economic Performance and Medium-Term Projections, 2015–23

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Baseline - Active Scenario									
Growth and Inflation (annual percent change, unless otherwise indicated)									
Real GDP Growth	4.3	2.2	3.5	5.4	5.4	5.2	5.0	4.8	4.8
GDP per capita (US$)	451	473	480	506	519	534	546	558	567
Headline Inflation (average)	6.8	7.2	8.0	6.1	5.1	4.8	4.8	4.8	4.8
Fiscal Sector (percent of GDP)									
Total Revenue (incl. grants)	21.6	20.0	28.1	31.8	34.0	33.7	32.8	32.7	31.6
Total Revenue (excl. grants)	19.7	18.4	16.7	18.4	19.4	19.9	20.5	20.9	21.0
Total Expenditures	29.7	29.8	36.0	35.6	34.6	35.6	34.8	34.5	32.5
Of which: Investment	6.2	6.4	15.6	16.0	16.1	17.7	17.3	17.1	15.4
Net Domestic Borrowing	11.8	11.4	-0.4	-1.1	0.7	0.2	0.0	0.0	0.4
Overall Fiscal Balance (incl. grants)	-8.2	-9.8	-7.9	-3.9	-0.6	-1.9	-2.1	-1.8	-0.9
Primary Balance	-0.9	-2.0	-0.8	1.0	3.8	2.2	1.6	1.6	2.4
External Sector (percent of GDP, unless otherwise indicated)									
Current Account Balance (incl budget support)	-15.0	-8.9	-19.3	-19.0	-20.5	-21.0	-21.4	-20.2	-17.8
Current Account Balance (excl budget support)	-16.9	-9.7	-24.8	-25.8	-25.7	-24.9	-24.1	-22.3	-20.4
Public Debt	105.3	123.4	129.2	121.3	113.4	107.4	102.0	97.7	92.6
Gross Official Reserves (months of next year's imports of goods and services)	2.3	1.4	2.8	2.9	2.8	3.3	3.6	4.2	4.8
Passive Scenario									
Growth and Inflation (annual percent change, unless otherwise indicated)									
Real GDP Growth	4.3	2.2	3.5	5.4	5.2	4.9	4.8	4.8	4.8
GDP per capita (US$)	451	473	480	504	513	525	534	546	553
Headline Inflation (average)	6.8	7.2	8.0	7.0	8.8	8.5	8.3	8.3	8.3
Fiscal Sector (percent of GDP)									
Total Revenue (incl. grants)	21.6	20.0	28.3	26.4	28.7	29.2	28.0	27.6	26.7
Total Revenue (excl. grants)	19.7	18.4	16.7	17.9	18.7	19.1	19.4	19.4	19.6
Total Expenditures	29.7	29.8	36.3	36.7	38.2	39.1	37.8	37.0	36.3
Of which: Investment	6.2	6.4	15.8	16.5	17.9	18.5	17.6	16.8	16.0
Net Domestic Borrowing	11.8	11.4	-0.4	3.4	5.9	5.6	4.7	4.9	5.6
Overall Fiscal Balance (incl. grants)	-8.2	-9.8	-7.9	-10.3	-9.5	-9.9	-9.8	-9.5	-9.6
Primary Balance	-0.9	-2.0	-0.8	-4.8	-3.3	-3.1	-3.5	-3.2	-3.3
External Sector (percent of GDP, unless otherwise indicated)									
Current Account Balance (incl budget support)	-15.0	-8.9	-19.3	-23.0	-24.6	-24.6	-24.4	-22.7	-20.5
Current Account Balance (excl budget support)	-16.9	-9.7	-24.8	-26.4	-27.2	-26.7	-26.1	-24.3	-22.6
Public Debt	105.3	123.4	129.2	128.6	128.1	127.9	127.9	128.4	128.9
Gross Official Reserves (months of next year's imports of goods and services)	2.3	1.4	2.8	2.1	1.4	1.1	0.7	0.5	0.4

Sources: The Gambian authorities; and Fund staff estimates and projections.

13. The baseline outlook is subject to risks, mainly reflecting legacy issues (Annex II). Downside risks reflect possible resurgence of political instability, debt overhang, the rising public debt and debt service ratios, and, more broadly, lack of control over external debt accumulation, including by SOEs. There is also a considerable upside potential if The Gambia implements the needed structural and institutional reforms, improves business climate, and plugs in the infrastructure gaps, enabling a surge in public and private investment to translate into stronger prospects for medium-term growth. Realization of the significant additional financial pledges from the Brussels conference would support these favorable prospects. In such a scenario, growth could exceed the projected 4–5 percent as it did in other sub-Saharan African countries that successfully navigated political transition and embarked on growth-friendly economic reforms. Even under this scenario, The Gambia would need exceptional financing in the form of debt relief or re-scheduling to soften the adjustment, reduce domestic debt to enable private sector credit expansion and create space for increasing essential social and other non-interest spending.

POLICY DISCUSSIONS

14. Consolidating recent gains in macroeconomic stability, including advances in related structural agenda, would strengthen the credibility of The Gambia's economic policies and pave the way for a possible ECF arrangement (MEFP ¶8). To this end, policy discussions focused on: (i) budget execution and economic governance of SOEs to enhance efficiency of service delivery, contain systemic fiscal risks, and support overall debt sustainability; (ii) bolstering central bank independence to underpin effective liquidity management; (iii) safeguarding financial sector stability; and (iv) improving the quality of economic statistics and the timeliness of data dissemination.

A. Fiscal Policy

15. Anticipated fiscal adjustment in 2018 will support fiscal sustainability. The budget limits net domestic borrowing to 1 percent of GDP, the main fiscal anchor, which, under the current projection of foreign-financing inflows, is consistent with a primary deficit of 0.8 percent of GDP and an overall deficit of 5.8 percent of GDP (MEFP ¶9). Continued strengthening of the fiscal position supports a moderation in the pace of debt accumulation. With the new external debt disbursements limited entirely to what is expected from the implementation of the existing project pipeline, the public debt-to-GDP ratio is expected to drop to around 123 percent by year-end. In staff's view, this pace of adjustment is appropriate, in view of the need to address essential infrastructure gaps while meeting critical social and poverty-alleviating needs, and being consistent with achieving debt sustainability over the medium term. More efficient revenue mobilization and better expenditure prioritization and sequencing would be essential along with improvements in the business environment for private sector development.

16. Tax policy and administrative reforms will strengthen revenue mobilization (MEFP ¶10). The 2018 budget includes a reduction in personal and corporate income tax rates, which should encourage tax compliance, and thereby broaden the tax base, and is expected to be budget-neutral. In addition, the sale of land and presidential planes (with expected yield of some 0.9 percent of GDP) and recovery of stolen assets, should add to the revenue envelope. Further, ongoing efforts to implement risk-based compliance management strategies for tax and customs administration as well as technological measures are expected to yield some 1.4 percent of GDP in 2018, bringing the tax-to-GDP ratio to 16.4 percent of GDP (close to but still below the pre-2017 level). Other revenue enhancing measures comprise implementation of Fund TA, including recommendations from the recent Fund Tax Administration and Diagnostic Assessment Tool (TADAT) mission, and rigorous application of the fuel price adjustment mechanism, to ensure the flow of revenue from petroleum taxation and eschew implicit and explicit subsidies.

17. Envisioned strengthening of public financial management will contain spending within budgeted limits and enhance public sector efficiency (MEFP ¶¶11–13). The budget foresees an increase of 1.4 percent of GDP in primary spending after implementation of expenditure adjustments including from the vehicle reform policy (SB for end-June 2018), and streamlining of embassies and membership in non-financial international organizations. The authorities will proceed with the settlement of arrears to suppliers of about GMD 253 million (about 0.5 percent of GDP), which were validated by the internal audit office. They also aim to strengthen commitment controls, internal audit and accountability to forestall the recurrence of payment arrears, and improve budget execution along the following lines:

- **Enhance liquidity forecasting capabilities.** To this end, the CBG will adopt a revised liquidity forecasting template (SB for end-September 2018).
- **Establish a cash management committee.** The new budget implementation guidelines will inform deliberations of the weekly cash management committee meetings, supported by enhanced liquidity management.
- **Commence a process for creating a Treasury Single Account (TSA).** To this end, the Ministry of Finance and Economic Affairs (MoFEA) will inform other ministries and the CBG about its plans to establish a TSA, and the Accountant General will produce an inventory of bank accounts for the TSA (both SBs for end-June 2018). Further, the CBG will separate and ringfence from the TSA its account that also uses T-bills for liquidity management operations (SB for end-September 2018).
- **Enhance credibility of budgeting process.** To reduce fiscal vulnerabilities and enable space for social and poverty-reducing spending and to address the infrastructure gap, the authorities will adopt a medium-term economic and fiscal framework (MTEFF) consistent with a medium-term debt strategy (MTDS), including a detailed borrowing plan. This MTEFF package will be prepared in close consultation with the IMF and World Bank staffs and submitted to cabinet for approval as a basis for the 2019 budget (SB for end-September 2018).

18. Planned audits of state-owned enterprises (SOEs) would enhance transparency and value for money, and forestall contingent liabilities on public resources (MEFP ¶¶18–19). With assistance of development partners, the authorities have started an SOE reform project aimed at restructuring debts, reducing administration costs, and reinforcing capacity to collect data for management decisions. To this end, the authorities plan to expedite special audits of SOEs starting with six largest enterprises (comprising the Port; the Airport; Petroleum Company; utility NAWEC; Social Security and Housing Fund; and GAMTEL/GAMCEL). In the meantime, the authorities are laying the basis for the MoUs with SOEs to resolve their cross arrears.

B. Debt Sustainability

19. An updated debt sustainability analysis indicates that The Gambia is currently in external debt distress, and that public debt is unsustainable. Both external and domestic debt are very high, and a large pipeline of already-contracted loans poses risks to solvency. External debt stock indicators have deteriorated since the March 2018 DSA, and all five external debt burden indicators breach their indicative thresholds by large margins and for an extended period in both the passive and the active (baseline) scenario. Vulnerabilities are substantial: total public debt is expected to remain elevated throughout the projection period, domestic debt is subject to high rollover risks given the preponderance of short-term debt, and contingent liabilities related to SOE debt pose additional risks. Furthermore, the sustained primary surpluses needed to reduce public debt would be politically and socially challenging given The Gambia's substantial development needs.

20. A multi-pronged strategy will be required to restore and maintain debt sustainability. The government has approached its creditors to request debt relief, which would immediately reduce debt servicing requirements and the present value of debt. In this regard, the recent examples set by China and the Saudi Fund could serve as precedents.[3] It is of equal importance that the authorities re-prioritize their existing project pipeline in the context of the NDP and seek improvements in the terms of the already-contracted loans to raise their grant element. They plan to use additional grants, including those pledged at the international conference, to retire expensive domestic debt. Consistent with that strategy, the DSA features an illustrative "active plus" scenario comprising a deferral of the amortization on plurilateral, official bilateral, and private debt and softening of the terms of the already contracted but undisbursed project loans, which delivers a significant improvement in debt burden indicators and puts the critical debt service-to-revenue and debt service-to-exports indicators on a sustainable path. Additional improvement could be realized from interest reduction, which—for the sake of simplicity—is not included in the "active plus" scenario. For example, a reduction of interest rates, on all debt subject to the deferral, to an average of 1 percent would generate, in the near term, about 0.3 percent of GDP in interest savings per year.

21. Tightening of the new borrowing policy and improved debt management are also critical to achieving debt sustainability. In the attached MEFP, the authorities commit to refrain from contracting new external debt with grant element below 50 percent and accept loans only for projects with high expected social returns for which grant financing would not be available. The criticality of such projects will be determined in consultation with the World Bank staff against other NDP priorities and in accordance with a borrowing plan that is consistent with debt sustainability. The authorities have already lengthened the maturity profile of domestic debt (MEFP ¶14), but strengthened external debt monitoring will be needed, including through semi-annual debt

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[3] China provided full debt forgiveness on about $14 million in debt contracted in the 1980s. The Saudi Fund restructuring involves a rescheduling by 15 years, on average, of principal payments falling due in 2018–21 (equivalent to providing new financing with a 36 percent grant element). The Saudi operation applies to $24 million in currently outstanding debt (a large share of total Saudi claims), as well as a further $10 million in undisbursed balances; and represents an NPV haircut of 8 percent on the current stock of debt owed to Saudi Arabia.

reconciliation exercises with external creditors (SB for end-June 2018).

22. Project disbursements and investment planning require tightening to support debt sustainability (MEFP ¶¶16–17). The authorities are strengthening project selection and procurement practices, and have set up a project managers' task force to properly appraise and prioritize projects. The requested Fund TA in public investment management assessment (PIMA) will guide overall project planning. The authorities should avoid offering government guarantees in the context of public-private partnerships and power purchasing agreements to curb the growth of contingent liabilities.

C. Central Bank Reforms, Monetary Policy, and Financial Stability

23. The institutional framework of the CBG is being strengthened along with its balance sheet. The proposed amendments to the CBG Act aim to strengthen the CBG's autonomy and governance. The amendments include but are not limited to, improved financial reporting and audit processes, strengthened Board governance and oversight duties, and establishment of a Financial Stability Committee. Lending to the central government will be allowable only in very limited circumstances (such as undersubscription of government securities auction and seasonal budget shortfall from unexpected revenue decline). The current statutory limit on such lending will be maintained (10 percent of previous years' tax revenue), but it is clarified that the market interest rate will be applied. The government's agreed adherence to the schedule for servicing the 30-year bonds, a planned medium-term recapitalization of the CBG, and realization of the CBG's share of the proceeds from a privatization sale will strengthen the CBG's balance sheet and allow it to subsequently issue its own short-term instrument for liquidity management (MEFP ¶20). The statutory audit of the CBG (SB for end-September 2018) should help identify modalities for further strengthening the CBG's operational structure and balance sheet.

24. The CBG is re-orienting its monetary policy framework with a view to adopting price stability as a target (MEFP ¶¶21–22). The recent decline in consumer price inflation seemed to have been driven mainly by improved fiscal discipline, external inflows that helped stabilize the dalasi, and lower food prices. At the CBG's Monetary Policy Committee (MPC) meeting of May 30, 2018, the policy rate was lowered from 15 percent to 13.5 percent, striking a balance between the desire to ease monetary conditions in the wake of the improved inflation outlook and the need to guard against the risks emanating from the highly volatile food and energy prices. With a view to establishing an interest rate corridor, the CBG announced an introduction of standing deposit and lending facilities effective August 30, 2018. It is also strengthening its liquidity forecasting to inform its monetary policy operations and is ring-fencing from the TSA the CBG accounts for liquidity management operations in T-bills to increase its operational freedom. Subsequent steps will include introduction of CBG bills and an overnight repurchase standing facility.

25. The CBG remains committed to a flexible exchange rate policy. The dalasi has been relatively stable since the end of the political impasse in early 2017 (MEFP ¶21). The CBG has not intervened in the foreign exchange market since February 2018 and does not intend to do so except to ensure orderly market conditions and to ensure availability of foreign exchange to meet external obligations of the government.

26. Declining yields on government securities and rising private credit pose a challenge to bank profitability and financial sector resilience. With the support of Fund TA on risk-based supervision, the CBG is stepping up its oversight of banks' operations, particularly regarding implementation of the MTDS, sovereign-bank nexus, and SOE debt restructuring. In this context, the staff considers as appropriate the CBG's plans to upgrade its bank resolution framework and, as its finances allow, to build safety nets for small depositors (MEFP ¶23).

27. CBG remains concerned about the impact of correspondent banking relationships (CBRs) withdrawal. CBRs withdrawal is not currently seen as macro-critical, as in most circumstances CBRs have been replaced, but the issue is being approached with vigilance. To this effect, the CBG is monitoring the impact, scope, scale, and nature of CBRs.

D. Improving Statistics

28. There is a need to enhance coverage of high frequency activity indicators, and address inconsistencies between national accounts, fiscal, monetary, and balance of payments data. With help from the Fund and other development partners, the central bureau of statistics is enhancing coverage of economic statistics, including a re-basing of the national accounts. Supported by IMF TA, the authorities plan to release re-based national accounts in July 2018. There is also progress in adopting new methodologies for monetary and balance of payments statistics, and in enhancing cooperation among official data producers. Nevertheless, much remains to be done to improve data quality and consistency across and within different datasets while ensuring their timely dissemination. The launch of the National Summary Data Page in May 2018 was an important milestone toward this goal.

E. Other Structural Reforms

29. Improving the business environment for private sector development remains critical (MEFP ¶24). The staff supports the initiatives identified by the authorities for this purpose, including (i) completion of a draft Anti-Corruption Bill in consultation with stakeholder for consideration by the National Assembly by end-September 2018; and (ii) seeking TA for (a) revising the draft PPP Law, and (b) setting up the institutional framework for the management of natural resource wealth, as prospects for oil discovery have increased. Clarifying the regulatory environment for private sector operations, alongside deepening the financial system that strengthens financial stability and fosters access and inclusion, improving ICT accessibility and ensuring the availability of electricity and water supply remain necessary as well.

PROGRAM MONITORING

30. Reviews of the SMP will be based on indicative quantitative targets and structural

through September 2018 (MEFP Tables 2, 4). The proposed quantitative targets are based on the revised end-2017 outcome and a steeper than previously anticipated adjustment path, reflecting the need to put public debt-to-GDP ratio on a downward trajectory. The targets are subject to adjustors described in the technical memorandum of understanding (TMU); the adjustor to the NCG target has been updated to reflect the projected disbursements of budget support in the second and the third quarters of 2018. The structural benchmarks build on the existing reform agenda, including actions that are essential for tracking progress in the implementation of a treasury single account, improving liquidity forecasting and domestic debt management, and enhancing medium-term fiscal planning. In view of delays caused by procurement challenges, the measures related to audits of SOEs have been re-defined and separated from the measure on the CBG audit. Two additional SBs have been added for end-June 2018: (i) the implementation of the vehicle policy reform, which will be a gauge of the authorities' resolve to reform; and (ii) the initiation of semi-annual reconciliation of external debt data with creditors, which is central for debt management and avoiding external arrears.

STAFF APPRAISAL

31. Recent improvements in macroeconomic conditions are encouraging and raise expectations of sustained progress. The pick-up in growth in 2017 was supported by stabilization of the political situation and a rebound in tourism. This, in parallel with a swift policy turnaround helped stabilize the domestic currency and inflation. Also, the external position strengthened and private credit has started to expand along with private activity.

32. At the Brussels conference, The Gambia's development partners expressed a strong vote of confidence in The Gambia's economic policies and prospects. The authorities are encouraged to pursue prudent policies to enable realization of the pledges from the conference and advance implementation of the NDP. It is critical to enhance domestic resource mobilization to generate resources needed for the maintenance of the infrastructure that the NDP aims to create. In parallel, strengthening the business environment will enhance private participation without the government's assuming any risks or offering guarantees.

33. Performance under the SMP through end-March 2018 was broadly satisfactory. Considering The Gambia's fragility, after emerging from 22 years of autocracy, the achievements made under the SMP create a basis on which to build a positive track record to a possible ECF. Staff also recognizes the mitigating circumstances surrounding the breach of the zero ceiling on contracting nonconcessional debt, while noting that the breach, which was substantial (equivalent to 2½ percent of GDP), could have been avoided had the authorities consulted with staff more closely prior to contracting the loan that gave rise to this breach. In this context, staff welcomes the authorities' commitment to raising voluntarily the concessionality threshold to 50 percent and urges them to consult with the IMF and the World Bank staff before contracting any new external borrowing to guard against the reoccurrence of the breach. The authorities should also adhere firmly to the understandings reached on a revised timetable for implementing the outstanding measures, notably those pertaining to the critically important SOE audits and the vehicle policy reform, and thus demonstrate their resolve to implement the program.

34. Restoring debt sustainability is of paramount importance. All indicators of debt sustainability are above their applicable thresholds, and amortization and interest payments represent a massive drain on The Gambia's fiscal and foreign exchange resources. In this context, staff supports the authorities' efforts to seek debt relief from bilateral and plurilateral creditors, while strengthening debt and project management. In addition, given the unstainable debt position and the history of faster-than-anticipated disbursements of project financing, the reprioritization of the project pipeline and ability to control the disbursements of the already contracted debt would be an important component in any possible ECF.

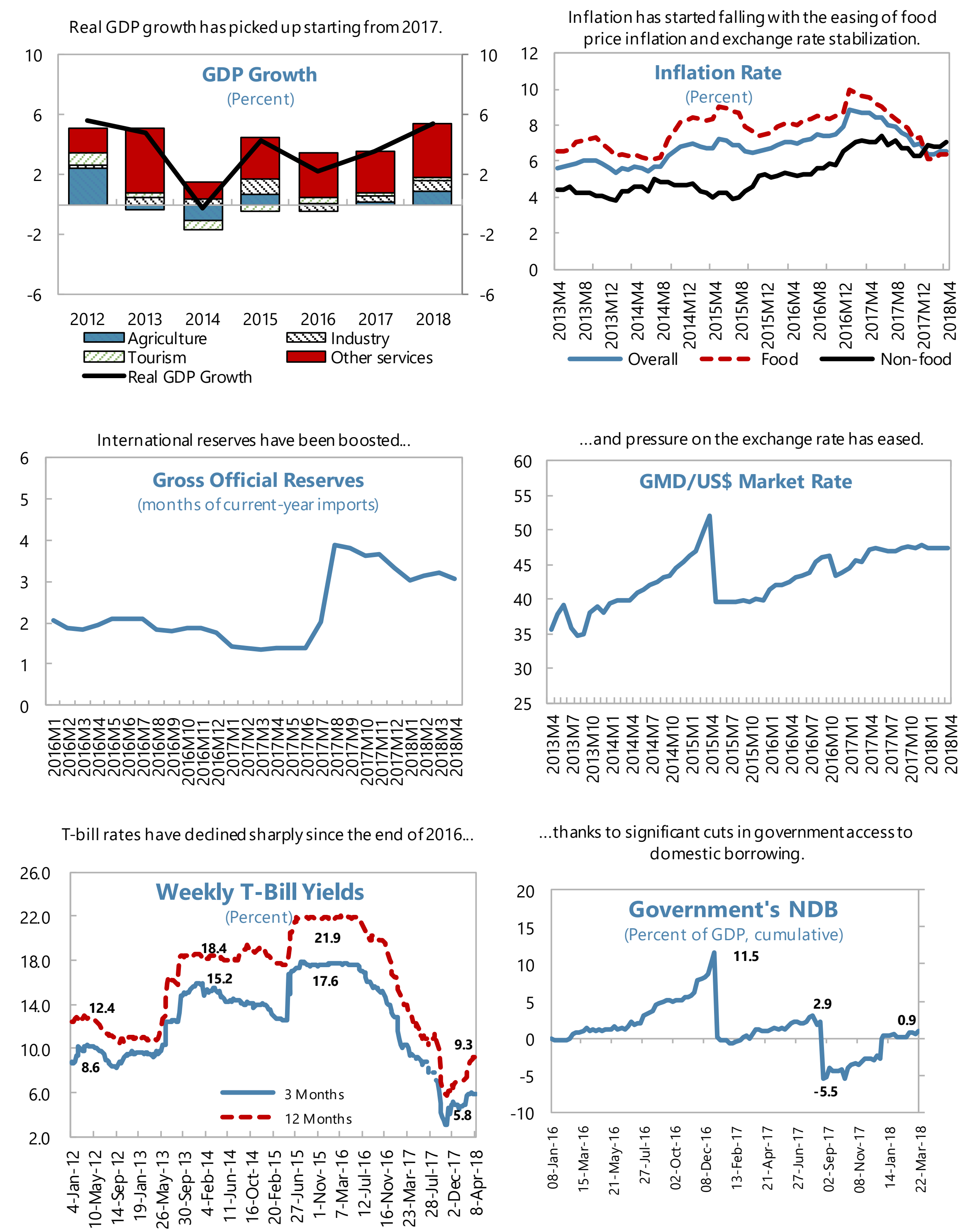
35. Strengthening public financial management will buttress fiscal discipline. The authorities should press on with the implementation of the TSA; and advance the broader fiscal reform agenda, including the restructuring of the SOEs with World Bank assistance. The authorities should continue to refrain from government guarantees to SOEs, and scrutinize any public-private partnerships and power purchasing agreements to avoid compounding fiscal risks.

36. Strengthened operational independence of the CBG should enable effective liquidity management focused at achieving the inflation target. The decline in inflation in the context of continued fiscal adjustment and stability of the dalasi should provide space for further monetary policy easing. Nevertheless, the CBG should remain vigilant to foster savings and discourage risky lending by banks. The provisions of the amended CBG Act should be leveraged to curtail fiscal dominance and enhance liquidity management. Staff welcomes the establishment of an interest rate corridor. The planned issuance of short-term CBG bills for liquidity management should be executed once the CBG's balance sheet is strengthened through recapitalization.

37. Financial stability remains a key priority to foster sustainable economic growth and financial inclusion. Tackling NPLs, especially in some smaller banks, and further progress on regulatory reforms will be instrumental in fostering resilience and strengthening oversight. Special vigilance is required to monitor and manage banks' exposure to SOEs (now much reduced) and with regard to CBRs withdrawal. If replacement CBRs were also to be lost and left unaddressed, they could jeopardize financial stability and the economic recovery underway.

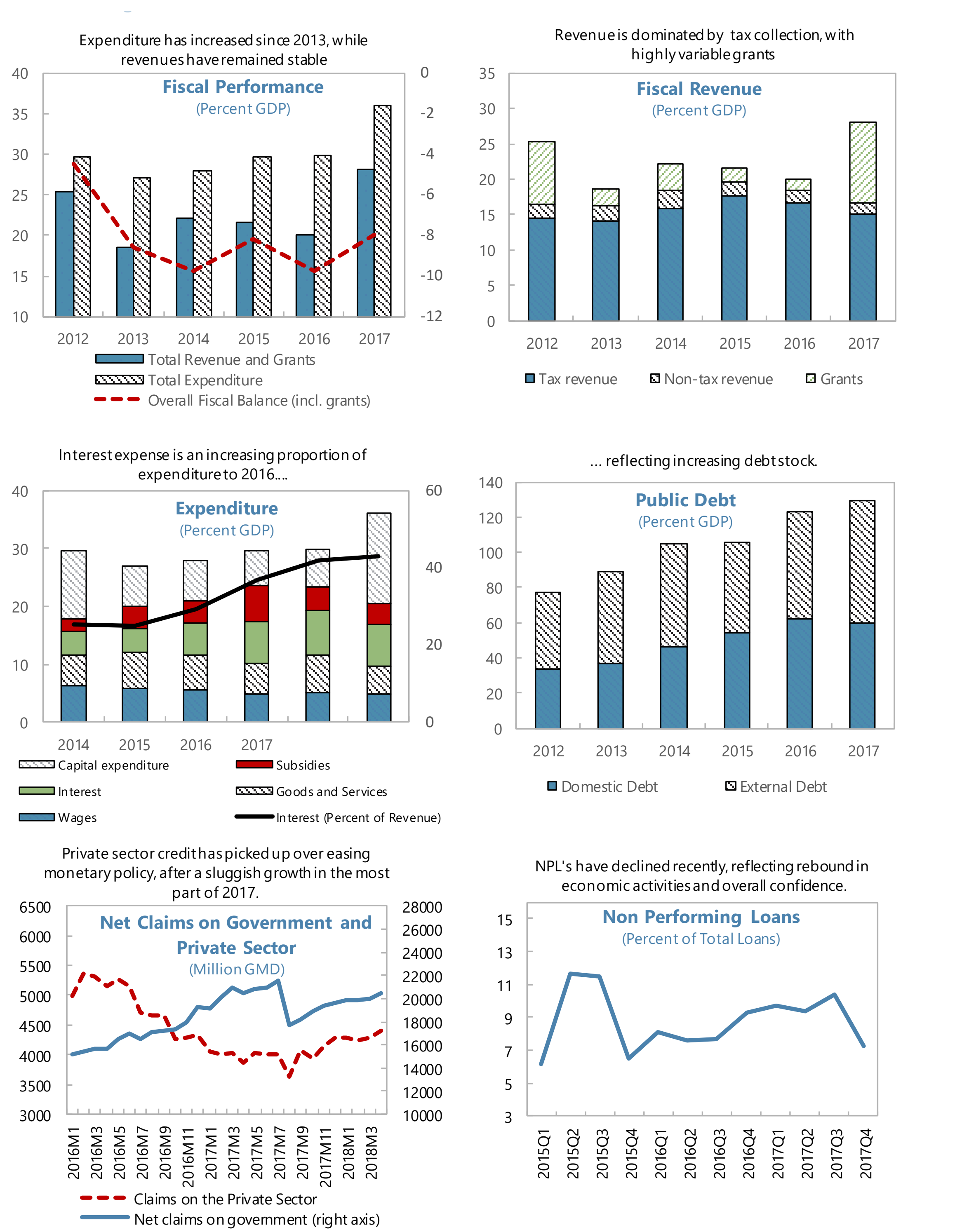
38. Staff supports the completion of the second review under the SMP. Staff urges the authorities to maintain macroeconomic stability, with a strengthened focus on debt sustainability and implement measures agreed with staff to improve public financial management, including of state-owned enterprises, to pave the way for a possible ECF arrangement. In this context, the imprudent debt policy so far and limited progress on the SOE audits signal that the transition to a possible ECF arrangement may need to take longer than the current SMP. Furthermore, the authorities' efforts to establish a credible and active process to obtain debt relief from bilateral and plurilateral creditors that would make The Gambia's debt sustainable will be a prerequisite for the discussions on a possible ECF arrangement. Most importantly, debt relief is needed to ensure that debt sustainability is achieved without imposing undue hardship on The Gambia by diverting toward debt service the resources needed for critically important social and development spending.

Figure 1. The Gambia: Recent Economic Developments, 2012–18



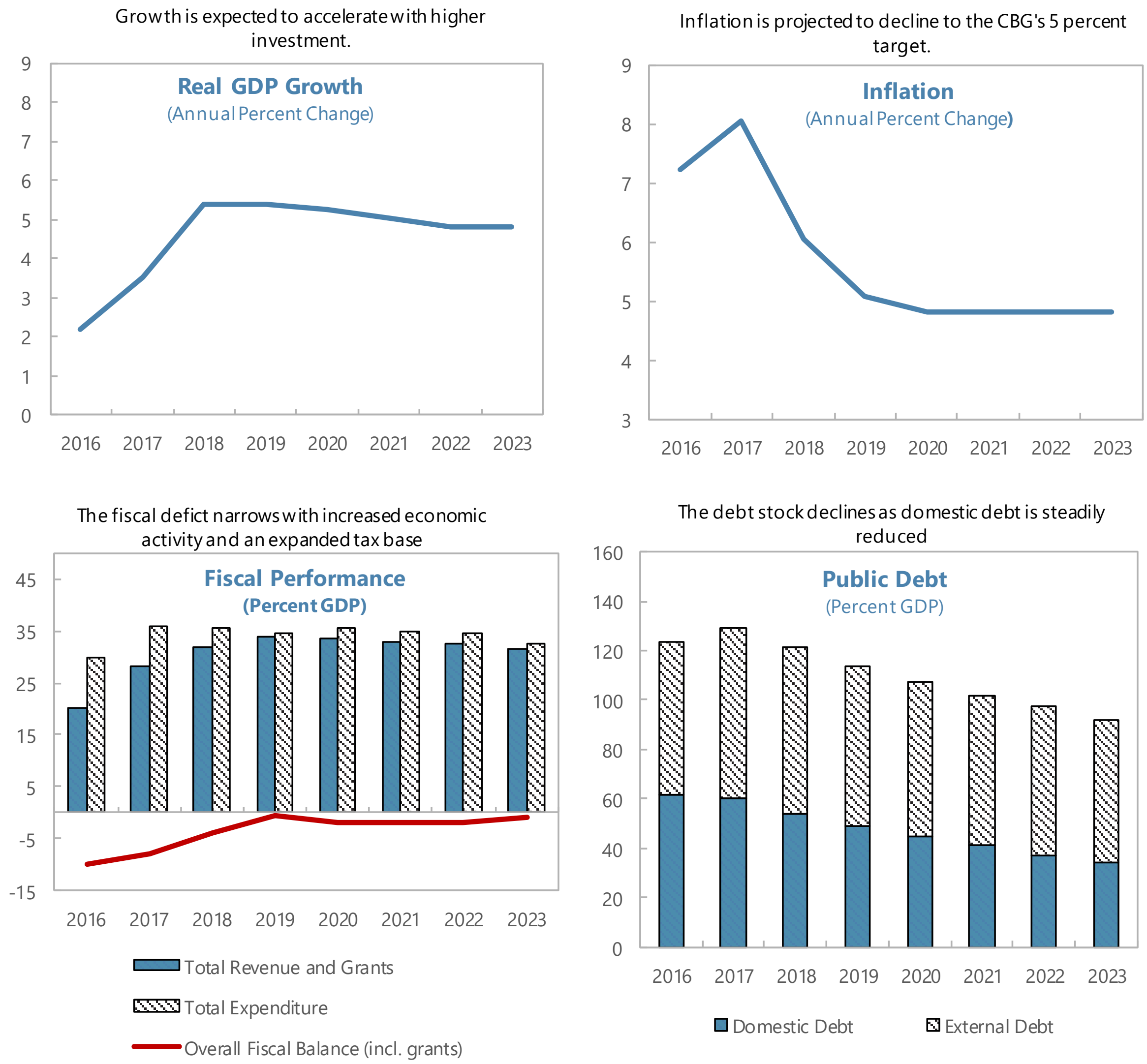
Sources: The Gambian authorities; and IMF staff estimates and projections.

Figure 2. The Gambia: Fiscal and Financial Sector Indicators, 2012–17



Sources: The Gambian authorities; and IMF staff calculations.

Figure 3. The Gambia: Medium-Term Outlook, 2016–23



Sources: The Gambian authorities; and IMF staff calcualtions.

Table 3. The Gambia: Selected Economic Indicators, 2015–23

	2015	2016	2017			2018	2019	2020	2021	2022	2023
			EBS /17/61	EBS /18/99	Prel.						
	Act.					Projections					
National account and prices	(Percent change; unless otherwise indicated)										
Nominal GDP (millions of dalasi)	38,581	42,252	47,139	47,289	47,289	52,678	58,243	64,129	70,518	77,290	84,706
Nominal GDP	10.9	9.5	11.6	11.9	11.9	11.4	10.6	10.1	10.0	9.6	9.6
GDP at constant prices	4.3	2.2	3.0	3.5	3.5	5.4	5.4	5.2	5.0	4.8	4.8
GDP per capita (US$)	451	473	488	480	480	506	519	534	546	558	567
GDP deflator	6.4	7.1	8.3	8.1	8.1	5.7	4.9	4.6	4.7	4.6	4.6
Consumer prices (average)	6.8	7.2	8.3	8.0	8.0	6.1	5.1	4.8	4.8	4.8	4.8
Consumer prices (end of period)	6.7	7.9	7.6	6.9	6.9	5.3	4.8	4.8	4.8	4.8	4.8
External sector	(Percent change; unless otherwise indicated)										
Trade balance (in percent of GDP, deficit -)	-25.7	-17.9	-22.8	-27.8	-33.1	-34.0	-33.9	-33.0	-32.1	-30.2	-28.5
Exports of goods and services	-9.5	5.0	-6.0	-6.0	-20.5	28.0	12.8	11.3	8.7	9.8	7.3
Imports of goods and services	11.3	-10.2	12.3	23.2	28.1	17.4	8.5	6.6	5.1	3.8	2.8
	(Percent change; in beginning-of-year broad money)										
Broad money	-0.9	15.3	11.4	19.3	19.3	11.0	9.1	8.4	8.2	7.1	7.1
Net foreign assets	-11.6	-4.5	4.3	28.3	21.8	5.6	3.8	5.6	6.6	6.7	7.5
Net domestic assets, of which:	10.7	19.8	7.1	-9.0	-2.5	5.4	5.3	2.8	1.6	0.4	-0.4
Credit to the government (net)	16.0	19.5	4.4	-7.8	1.6	-2.3	0.7	0.0	-0.3	-0.3	0.4
Credit to the private sector (net)	-2.1	-3.0	2.8	-0.2	-0.2	2.0	2.3	2.5	2.6	2.8	3.0
Other items (net)	-5.8	4.3	-0.1	-4.7	-7.5	5.7	2.2	0.3	-0.8	-2.2	-3.8
Velocity (level)	1.6	1.8	1.8	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.9
Central government budget	(Percent of GDP; unless otherwise indicated)										
Domestic revenue (taxes and other revenues)	19.7	18.4	18.7	19.6	16.7	18.4	19.4	19.9	20.5	20.9	21.0
Grants	1.9	1.7	6.8	11.1	11.4	13.4	14.6	13.8	12.3	11.7	10.6
Total expenditures and net acquisition of financial assets	29.7	29.8	28.0	34.5	36.0	35.6	34.6	35.6	34.8	34.5	32.5
Of which: Interest payments (percent of government revenue)	36.8	42.0	31.5	24.2	42.8	26.7	22.4	20.5	18.1	16.4	15.4
Net lending (+)/borrowing (–)	-8.2	-9.7	-2.5	-3.9	-7.9	-3.9	-0.6	-1.9	-2.1	-1.8	-0.9
Net incurrence of liabilities	12.1	13.7	2.3	3.9	7.0	3.9	0.6	1.9	2.1	1.8	0.9
Foreign	0.0	1.1	-0.3	6.6	7.7	3.4	0.9	1.9	1.8	1.6	0.3
Domestic	12.0	12.6	2.5	-2.8	-0.7	0.4	-0.3	0.0	0.3	0.2	0.6
Primary balance	-0.9	-2.0	3.3	0.9	-0.8	1.0	3.8	2.2	1.6	1.6	2.4
Public debt	105.3	123.4	112.7	123.2	129.2	121.3	113.4	107.4	102.0	97.7	92.6
Domestic public debt	53.9	61.9	61.8	60.0	60.1	53.8	49.4	45.1	41.0	37.4	34.6
External public debt	51.4	61.5	50.9	63.2	69.2	67.5	64.0	62.3	61.0	60.2	58.0
External public debt (millions of US$)	499.0	591.7	517.2	627.7	686.8	724.5	734.8	757.9	781.1	802.9	806.6
External sector	(Percent of GDP; unless otherwise indicated)										
Current account balance											
Excluding budget support	-16.9	-9.7	-14.4	-19.4	-24.8	-25.8	-25.7	-24.9	-24.1	-22.3	-20.4
Including budget support	-15.0	-8.9	-9.4	-14.3	-19.3	-19.0	-20.5	-21.0	-21.4	-20.2	-17.8
	(Millions of U.S. dollars; unless otherwise indicated)										
Current account balance											
Including budget support	-134.0	-85.4	-97.0	-144.2	-194.5	-208.8	-238.6	-259.0	-278.5	-276.2	-255.4
Overall balance of payments	-41.3	-10.3	13.4	75.2	28.4	21.2	15.0	39.9	35.2	50.7	54.3
Gross official reserves	76.1	59.8	84.8	143.9	144.1	157.4	165.8	200.5	230.0	276.7	325.1
(months of next year's imports of goods and services)	2.3	1.4	2.0	2.9	2.8	2.9	2.8	3.3	3.6	4.2	4.8
Use of Fund resources	(Millions of SDRs)										
Disbursements	7.8	0.0	11.7	11.7	11.7	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-3.8	-4.3	-3.0	-5.2	-5.2	-5.5	-4.6	-3.6	-4.0	-2.8	-4.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: The Gambian authorities; and Fund staff estimates and projections.

Table 4a. The Gambia: Statement of Central Government Operations, 2015–23

(Millions of local currency)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
			EBS /17/61	EBS /18/99	Prel.						
	Actual					Projections					
Revenue	8,320	8,466	11,980	14,504	13,301	16,745	19,814	21,616	23,113	25,241	26,782
Taxes	6,808	7,052	7,167	8,145	7,096	8,646	10,028	11,307	12,827	14,434	15,867
Taxes on income, profits, and capital gains	1,717	1,831	1,730	2,021	1,902	2,239	2,478	2,728	3,000	3,288	3,603
Domestic taxes on goods and services	2,925	3,055	3,184	3,611	3,191	3,880	4,567	5,083	5,815	6,775	7,458
Taxes on international trade and transactions	2,109	2,110	2,195	2,439	1,982	2,502	2,957	3,466	3,980	4,335	4,766
Other taxes	57	56	58	74	22	24	27	29	32	35	39
Grants	722	708	3,183	5,247	5,408	7,048	8,487	8,856	8,688	9,055	8,996
Budget support	0	0	2,401	2,436	2,597	3,543	2,998	2,486	1,886	1,693	1,770
Project grants	722	708	782	2,811	2,811	3,505	5,489	6,370	6,802	7,363	7,226
Other revenues	790	706	1,630	1,113	797	1,051	1,299	1,454	1,598	1,752	1,920
Expenditures	11,469	12,585	13,183	16,332	17,045	18,780	20,159	22,823	24,560	26,655	27,511
Expenses	9,095	9,877	10,112	9,335	9,689	10,362	10,760	11,481	12,353	13,413	14,468
Compensation of employees	1,826	2,117	2,343	2,210	2,237	3,120	3,180	3,222	3,507	3,844	4,213
Use of goods and services	2,066	2,747	2,605	2,734	2,372	2,691	2,880	3,205	3,494	3,846	4,215
Interest	2,798	3,261	2,770	2,241	3,381	2,586	2,541	2,612	2,605	2,655	2,738
External	499	456	343	351	241	465	508	563	604	650	693
Domestic	2,299	2,805	2,427	1,890	3,139	2,121	2,033	2,049	2,001	2,006	2,045
Subsidies	2,405	1,752	2,395	2,151	1,700	1,965	2,158	2,442	2,747	3,067	3,303
Net acquisition of nonfinancial assets	2,374	2,709	3,071	6,997	7,356	8,418	9,398	11,341	12,206	13,242	13,043
Acquisitions of nonfinancial assets	2,374	2,709	3,071	6,997	7,356	8,418	9,398	11,341	12,206	13,242	13,043
Foreign financed[1]	1,699	1,954	2,234	6,162	6,565	7,452	8,080	9,665	10,102	10,882	10,455
Gambia local fund	675	755	837	835	791	965	1,319	1,677	2,104	2,360	2,587
Gross Operating Balance	-775	-1,410	1,868	5,169	3,612	6,383	9,054	10,135	10,760	11,828	12,314
Net lending (+)/borrowing (–)	-3,149	-4,119	-1,201	-1,828	-3,744	-2,035	-344	-1,207	-1,446	-1,414	-729
Net acquisition of financial assets	0	6	0	0	15	0	0	0	0	0	0
Net incurrence of liabilities	4,660	5,787	1,063	1,828	3,287	2,035	344	1,207	1,446	1,414	729
Domestic	4,641	5,315	1,182	-1,303	-355	226	-172	8	185	185	515
Net borrowing	4,556	4,808	1,182	-1,303	-167	-589	431	139	17	17	346
Bank	3,503	3,931	1,027	-1,532	364	-631	225	-9	-107	-107	157
o/w CBG lending RCF			711	773	773						
Nonbank	1,053	877	156	229	-343	42	206	148	123	123	189
Change in arrears	86	507	0	0	-188	-85	-603	-131	168	168	168
Privatization proceeds	0	0	0	0	0	900	0	0	0	0	0
Assumed liablites of SOE											
Foreign	19	471	-120	3,131	3,642	1,809	516	1,199	1,261	1,229	214
Loans	19	471	-120	3,131	3,642	1,809	516	1,199	1,261	1,229	214
Borrowing	976	1,246	1,452	4,794	5,228	3,948	2,590	3,295	3,409	3,632	3,347
o/w budget support	0	0	0	1,443	1,474	0	0	0	108	113	118
o/w project support	976	1,246	1,452	3,351	3,754	3,948	2,590	3,295	3,300	3,519	3,230
Amortization	-958	-775	-1,571	-1,663	-1,586	-2,139	-2,074	-2,096	-2,147	-2,403	-3,133
Statistical discrepancy/Financing Gap[2]	-1,511	-1,662	139	0	472	0	0	0	0	0	0
Memorandum items:											
Government revenue (excluding grants)	7,598	7,759	8,797	9,258	7,893	9,697	11,327	12,760	14,426	16,185	17,787
Overall balance	-3,149	-4,125	-1,201	-1,828	-3,744	-2,035	-344	-1,207	-1,446	-1,414	-729
Primary balance	-351	-864	1,568	412	-364	551	2,197	1,405	1,159	1,241	2,009
Primary balance (ex. budget support grants)	-351	-858	-833	-2,023	-2,961	-2,992	-801	-1,080	-727	-451	239
Domestic public debt	20,794	26,152	29,141	28,387	28,407	28,334	28,766	28,905	28,921	28,938	29,285
Interest payments as a percent of govt revenue	36.8	42.0	31.5	24.2	42.8	26.7	22.4	20.5	18.1	16.4	15.4

Sources: The Gambian authorities; and Fund staff estimates and projections.

[1] Equals the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2018 and beyond, is the remaining financing gap.

Table 4b. The Gambia: Statement of Central Government Operations, 2017–19
(Cumulative, millions of local currency)

	2017	2018				2019
		Q1	Q2	Q3	Q4	
	Act.	Projections				Proj.
Revenue	13,301	3,446	7,146	10,442	16,745	19,814
Taxes	7,096	2,261	4,465	6,637	8,646	10,028
Taxes on income, profits, and capital gains	1,902	659	1,234	1,822	2,239	2,478
Domestic taxes on goods and services	3,191	959	1,963	2,908	3,880	4,567
Taxes on international trade and transactions	1,982	638	1,255	1,890	2,502	2,957
Other taxes	22	5	12	18	24	27
Grants	5,408	891	2,140	3,007	7,048	8,487
Budget support	2,597	0	336	336	3,543	2,998
Project grants	2,811	891	1,804	2,670	3,505	5,489
Other revenues	797	293	541	798	1,051	1,299
Expenditures	17,045	4,485	9,355	14,071	18,780	20,159
Expenses	9,689	2,484	5,077	7,562	10,362	10,760
Compensation of employees	2,237	719	1,431	2,180	3,120	3,180
Use of goods and services	2,372	509	1,199	1,888	2,691	2,880
Interest	3,381	765	1,424	2,003	2,586	2,541
External	241	151	238	358	465	508
Domestic	3,139	613	1,186	1,645	2,121	2,033
Subsidies	1,700	491	1,023	1,491	1,965	2,158
Net acquisition of nonfinancial assets	7,356	2,000	4,278	6,509	8,418	9,398
Acquisitions of nonfinancial assets	7,356	2,000	4,278	6,509	8,418	9,398
Foreign financed[1]	6,565	1,830	3,891	5,923	7,452	8,080
Gambia local fund	791	170	387	585	965	1,319
Gross Operating Balance	3,612	961	2,069	2,879	6,383	9,054
Net lending (+)/borrowing (–)	-3,744	-1,039	-2,209	-3,629	-2,035	-344
Net acquisition of financial assets	15	0	0	0	0	0
Net incurrence of liabilities	3,287	756	1,380	702	2,035	344
Domestic	-355	618	804	-733	226	-172
Net borrowing	-167	658	858	-670	-589	431
Bank	364	656	883	-669	-631	225
Nonbank	-343	2	-25	-2	42	206
Change in arrears	-188	-40	-54	-63	-85	-603
Privatization proceeds	0	0	0	0	900	0
Foreign	3,642	138	576	1,435	1,809	516
Loans	3,642	138	576	1,435	1,809	516
Borrowing	5,228	304	1,549	2,941	3,948	2,590
Amortization	-1,586	-165	-973	-1,505	-2,139	-2,074
Statistical discrepancy/Finanaicng Gap[2]	472	283	829	2,927	0	0
Memorandum items:						
Government revenue (excluding grants)	7,893	2,555	5,006	7,435	9,697	11,327
Overall balance	-3,744	-1,039	-2,209	-3,629	-2,035	-344
Primary balance	-364	-274	-785	-1,626	551	2,197
Primary balance (ex. budget support grants)	-2,961	-274	-1,121	-1,962	-2,992	-801

Sources: The Gambian authorities and Fund staff estimates and projections.

Table 5. The Gambia: Statement of Central Government Operations, 2015–23
(Percent GDP)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
			EBS	EBS							
	Act.		/17/61	/18/99	Prel.	Projections					
Revenue	21.6	20.0	25.4	30.7	28.1	31.8	34.0	33.7	32.8	32.7	31.6
Taxes	17.6	16.7	15.2	17.2	15.0	16.4	17.2	17.6	18.2	18.7	18.7
Taxes on income, profits, and capital gains	4.5	4.3	3.7	4.3	4.0	4.3	4.3	4.3	4.3	4.3	4.3
Domestic taxes on goods and services	7.6	7.2	6.8	7.6	6.7	7.4	7.8	7.9	8.2	8.8	8.8
Taxes on international trade and transactions	5.5	5.0	4.7	5.2	4.2	4.7	5.1	5.4	5.6	5.6	5.6
Other taxes	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	1.9	1.7	6.8	11.1	11.4	13.4	14.6	13.8	12.3	11.7	10.6
Budget support	0.0	0.0	5.1	5.2	5.5	6.7	5.1	3.9	2.7	2.2	2.1
Project grants	1.9	1.7	1.7	5.9	5.9	6.7	9.4	9.9	9.6	9.5	8.5
Other revenues	2.0	1.7	3.5	2.4	1.7	2.0	2.2	2.3	2.3	2.3	2.3
Expenditures	29.7	29.8	28.0	34.5	36.0	35.6	34.6	35.6	34.8	34.5	32.5
Expenses	23.6	23.4	21.5	19.7	20.5	19.7	18.5	17.9	17.5	17.4	17.1
Compensation of employees	4.7	5.0	5.0	4.7	4.7	5.9	5.5	5.0	5.0	5.0	5.0
Use of goods and services	5.4	6.5	5.5	5.8	5.0	5.1	4.9	5.0	5.0	5.0	5.0
Interest	7.3	7.7	5.9	4.7	7.1	4.9	4.4	4.1	3.7	3.4	3.2
External	1.3	1.1	0.7	0.7	0.5	0.9	0.9	0.9	0.9	0.8	0.8
Domestic	6.0	6.6	5.1	4.0	6.6	4.0	3.5	3.2	2.8	2.6	2.4
Subsidies	6.2	4.1	5.1	4.5	3.6	3.7	3.7	3.8	3.9	4.0	3.9
Net acquisition of nonfinancial assets	6.2	6.4	6.5	14.8	15.6	16.0	16.1	17.7	17.3	17.1	15.4
Acquisitions of nonfinancial assets	6.2	6.4	6.5	14.8	15.6	16.0	16.1	17.7	17.3	17.1	15.4
Foreign financed[1]	4.4	4.6	4.7	13.0	13.9	14.1	13.9	15.1	14.3	14.1	12.3
Gambia local fund	1.8	1.8	1.8	1.8	1.7	1.8	2.3	2.6	3.0	3.1	3.1
Gross Operating Balance	-2.0	-3.3	4.0	10.9	7.6	12.1	15.5	15.8	15.3	15.3	14.5
Net lending (+)/borrowing (–)	-8.2	-9.7	-2.5	-3.9	-7.9	-3.9	-0.6	-1.9	-2.1	-1.8	-0.9
Net acquisition of financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	12.1	13.7	2.3	3.9	7.0	3.9	0.6	1.9	2.1	1.8	0.9
Domestic	12.0	12.6	2.5	-2.8	-0.7	0.4	-0.3	0.0	0.3	0.2	0.6
Net borrowing	11.8	11.4	2.5	-2.8	-0.4	-1.1	0.7	0.2	0.0	0.0	0.4
Bank	9.1	9.3	2.2	-3.2	0.8	-1.2	0.4	0.0	-0.2	-0.1	0.2
o/w CBG lending RCF	0.0	0.0	1.5	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank	2.7	2.1	0.3	0.5	-0.7	0.1	0.4	0.2	0.2	0.2	0.2
Change in arrears	0.2	1.2	0.0	0.0	-0.4	-0.2	-1.0	-0.2	0.2	0.2	0.2
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	1.1	-0.3	6.6	7.7	3.4	0.9	1.9	1.8	1.6	0.3
Loans	0.0	1.1	-0.3	6.6	7.7	3.4	0.9	1.9	1.8	1.6	0.3
Borrowing	2.5	2.9	3.1	10.1	11.1	7.5	4.4	5.1	4.8	4.7	4.0
o/w budget support	0.0	0.0	0.0	3.1	3.1	0.0	0.0	0.0	0.2	0.1	0.1
o/w project support	2.5	2.9	3.1	7.1	7.9	7.5	4.4	5.1	4.7	4.6	3.8
Amortization	-2.5	-1.8	-3.3	-3.5	-3.4	-4.1	-3.6	-3.3	-3.0	-3.1	-3.7
Statistical discrepancy/Financing Gap[2]	-3.9	-3.9	0.3	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Government revenue (excluding grants)	19.7	18.4	18.7	19.6	16.7	18.4	19.4	19.9	20.5	20.9	21.0
Overall balance	-8.2	-9.8	-2.5	-3.9	-7.9	-3.9	-0.6	-1.9	-2.1	-1.8	-0.9
Primary balance	-0.9	-2.0	3.3	0.9	-0.8	1.0	3.8	2.2	1.6	1.6	2.4
Primary balance (ex. budget support grants)	-0.9	-2.0	-1.8	-4.3	-6.3	-5.7	-1.4	-1.7	-1.0	-0.6	0.3
Domestic public debt	53.9	61.9	61.8	60.0	60.1	53.8	49.4	45.1	41.0	37.4	34.6

Sources: The Gambian authorities; and Fund staff estimates and projections.

[1] Equals the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2018 and beyond, is the remaining financing gap.

Table 6a. The Gambia: Monetary Accounts, 2015–23[1]
(Millions of local currency; unless otherwise indicated)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
			EBS	EBS							
	Act.		/17/61	/18/99	Prel.	Projections					
					I. Monetary Survey						
Net foreign assets	2,201	1,296	2,301	7,874	6,369	7,930	9,097	10,989	13,397	16,043	19,212
in millions of U.S. dollars	55	30	50	165	134	162	179	208	243	278	319
Net domestic assets	17,978	21,963	23,610	19,866	21,371	22,861	24,496	25,426	26,004	26,156	25,984
Domestic credit	21,534	24,657	27,410	24,724	25,810	25,722	26,669	27,492	28,345	29,345	30,778
Claims on central government (net)	15,333	19,264	21,373	18,541	19,627	18,996	19,221	19,213	19,106	18,999	19,156
Claims on other financial corporations	5	5	5	5	5	5	5	5	5	5	5
Claims on other public sector[2]	1,257	1,055	1,055	1,897	1,897	1,897	1,897	1,897	1,897	1,897	1,897
Claims on private sector	4,940	4,333	4,977	4,281	4,281	4,824	5,546	6,378	7,338	8,444	9,720
Other items (net)[3]	-3,556	-2,693	-3,800	-4,858	-4,439	-2,860	-2,172	-2,066	-2,341	-3,189	-4,794
Broad money	20,179	23,259	25,911	27,740	27,740	30,792	33,594	36,415	39,401	42,199	45,195
Currency outside banks	3,641	4,726	5,264	5,300	5,300	6,332	6,786	7,222	7,668	8,054	8,455
Deposits	16,538	18,534	20,647	22,440	22,440	24,460	26,808	29,194	31,733	34,145	36,740
					II. Central Bank Survey						
Net foreign assets	-144	-536	47	2,692	2,692	3,694	4,562	6,832	9,057	12,412	16,188
Foreign assets	3,374	2,977	4,284	7,254	7,254	8,077	8,770	10,930	13,021	16,338	19,927
Foreign liabilities	-3,518	-3,514	-4,238	-4,562	-4,562	-4,383	-4,208	-4,098	-3,964	-3,926	-3,739
Net domestic assets	6,770	8,832	9,685	7,104	7,104	8,988	8,096	7,922	7,221	5,073	2,478
Domestic credit	6,441	7,969	9,762	6,614	7,347	6,549	5,949	5,349	4,749	4,148	3,548
Claims on central government (net)	5,409	7,871	9,664	6,503	7,237	6,439	5,839	5,238	4,638	4,038	3,438
Claims on other financial corporations	5	5	5	5	5	5	5	5	5	5	5
Claims on private sector	117	94	94	106	106	106	106	106	106	106	106
Claims on public enterprises	911	0	0	0	0	0	0	0	0	0	0
Other items (net)	328	863	-77	490	-244	2,438	2,147	2,573	2,473	925	-1,070
Reserve money	6,626	8,295	9,731	9,796	9,796	12,682	12,658	14,754	16,278	17,486	18,666
Currency outside banks	3,641	4,726	5,264	5,300	5,300	6,332	6,786	7,222	7,668	8,054	8,455
Commercial bank deposits	2,984	3,570	4,467	4,496	4,496	6,350	5,872	7,532	8,610	9,432	10,211

Sources: The Gambian authorities; and Fund staff estimates and projections.

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 6b. The Gambia: Monetary Accounts, 2017–19[1]
(Millions of local currency; unless otherwise indicated)

	2017	2018				2019
	Q4	Q1	Q2	Q3	Q4	Q4
	Acutal	Projections				Proj.
			I. Monetary Survey			
Net foreign assets	6,369	8,010	7,010	7,327	7,930	9,097
in millions of U.S. dollars	134	169	147	153	162	179
Net domestic assets	21,371	22,396	22,255	22,702	22,861	24,496
Domestic credit	25,810	25,957	27,089	25,517	25,722	26,669
Claims on central government (net)	19,627	19,931	20,131	18,603	18,996	19,221
Claims on other financial corporations	5	5	5	5	5	5
Claims on other public sector[2]	1,897	1,729	1,897	1,897	1,897	1,897
Claims on private sector	4,281	4,292	4,552	4,688	4,824	5,546
Other items (net)[3]	-4,439	-3,561	-4,834	-2,815	-2,860	-2,172
Broad money	27,740	30,406	29,266	30,029	30,792	33,594
Currency outside banks	5,300	6,119	5,816	6,074	6,332	6,786
Deposits, of which:	22,440	24,287	23,450	23,955	24,460	26,808
			II. Central Bank Survey			
Net foreign assets	2,692	3,613	3,054	3,231	3,694	4,562
Foreign assets	7,254	8,057	7,539	7,753	8,077	8,770
Foreign liabilities	-4,562	-4,444	-4,485	-4,522	-4,383	-4,208
Net domestic assets	7,104	6,835	8,850	9,280	8,988	8,096
Domestic credit	7,347	6,662	7,168	6,988	6,549	5,949
Claims on central government (net)	7,237	7,057	7,057	6,877	6,439	5,839
Claims on other financial corporations	5	5	5	5	5	5
Claims on private sector	106	104	106	106	106	106
Claims on public enterprises	0	0	0	0	0	0
Other items (net)	-244	172	1,682	2,292	2,438	2,147
Reserve money	9,796	10,517	11,904	12,510	12,682	12,658
Currency outside banks	5,300	6,119	5,816	6,074	6,332	6,786
Commercial bank deposits	4,496	4,329	6,088	6,436	6,350	5,872

Sources: The Gambian authorities and Fund staff estimates and projections.

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 7. The Gambia: Monetary Accounts, 2015–23[1]

(Percent change; unless otherwise indicated)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
	Act.		EBS /17/61	EBS /18/99	Prel.	Projections					
					I. Monetary Survey (Percent change; in beginning of period broad money)						
Broad money	-0.9	15.3	11.4	19.3	19.3	11.0	9.1	8.4	8.2	7.1	7.1
Net foreign assets	-11.6	-4.5	4.3	28.3	21.8	5.6	3.8	5.6	6.6	6.7	7.5
Net domestic assets	10.7	19.8	7.1	-9.0	-2.5	5.4	5.3	2.8	1.6	0.4	-0.4
					II. Central Bank Survey (Percent change; in beginning of period monetary base)						
Reserve money	12.9	25.2	17.3	18.1	18.1	29.5	-0.2	16.6	10.3	7.4	6.8
Net foreign assets	-49.6	-5.9	7.0	38.9	38.9	10.2	6.8	17.9	15.1	20.6	21.6
Net domestic assets	62.5	31.1	10.3	-20.8	-20.8	19.2	-7.0	-1.4	-4.7	-13.2	-14.8
Memorandum Items:											
Growth of credit to the private sector	-20.1	-12.3	14.9	-1.2	-1.2	12.7	15.0	15.0	15.0	15.1	15.1
Growth of currency in circulation	10.2	29.8	11.4	12.2	12.2	19.5	7.2	6.4	6.2	5.0	5.0
Growth of demand deposits	17.0	11.9	11.4	15.4	15.4	12.0	8.4	7.7	7.5	6.4	6.3
Growth of time and savings deposits	15.3	12.2	11.4	25.0	25.0	7.1	10.4	9.7	9.5	8.4	8.4
Net usable international reserves (in millions of U.S. dollars)	5.6	19.8	33.4	91.2	91.2	110.8	125.8	165.7	200.9	251.6	305.8
Money velocity (levels)	1.6	1.8	1.8	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.9
Money multiplier (levels)	3.4	2.8	2.7	2.8	2.8	2.4	2.7	2.5	2.4	2.4	2.4
Broad money (percent of GDP)	60.7	55.0	55.0	58.7	58.7	58.5	57.7	56.8	55.9	54.6	53.4
Credit to the private sector (percent of GDP)	11.1	10.3	10.6	9.1	9.1	9.2	9.5	9.9	10.4	10.9	11.5
Central bank financing of central government (in millions of local currency)	1,002	2,461	711	-2,449	-634	-798	-600	-600	-600	-600	-600
Commercial bank financing of central government (in millions of local currency)	5,074	1,470	316	645	998	167	825	591	493	494	757

Sources: The Gambian authorities; and Fund staff estimates and projections.

[1] End of period.

Table 8. The Gambia: Balance of Payments, 2015–23

(Millions of U.S. dollars, unless otherwise indicated)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
	Act.		EBS /17/61	EBS /18/99	Prel.	Projections					
1. Current account											
A. Goods and services	**-229.5**	**-172.7**	**-236.2**	**-280.1**	**-333.9**	**-372.5**	**-394.0**	**-407.4**	**-417.7**	**-414.0**	**-409.3**
Goods (net)	-261.9	-220.1	-274.8	-318.7	-369.1	-425.5	-458.2	-484.6	-505.9	-519.1	-526.6
Exports, f.o.b.	108.3	106.6	101.6	101.6	71.2	84.6	93.8	102.5	106.3	111.8	121.4
Imports, f.o.b.	-370.2	-326.7	-376.4	-420.3	-440.3	-510.1	-552.1	-587.1	-612.2	-630.9	-648.0
Services (net)	32.4	47.4	38.6	38.6	35.2	53.0	64.2	77.2	88.1	105.1	117.3
Services exports	112.1	124.9	116.1	116.1	112.8	151.0	171.9	193.4	215.2	241.3	257.7
Of which: travel income	63.9	70.7	61.9	61.9	76.9	110.8	127.5	145.7	166.1	188.9	200.2
Services imports	-79.7	-77.6	-77.5	-77.5	-77.5	-98.0	-107.7	-116.2	-127.1	-136.3	-140.3
B. Income (net)	**-28.3**	**-27.5**	**-28.7**	**-28.3**	**-28.3**	**-29.2**	**-30.1**	**-31.1**	**-32.2**	**-35.5**	**-31.4**
Income credits	2.2	2.1	2.2	2.2	2.2	2.3	2.4	2.4	2.5	2.8	2.5
Income debits	-30.5	-29.6	-30.9	-30.5	-30.5	-31.5	-32.5	-33.6	-34.7	-38.3	-33.9
C. Current transfers	**123.9**	**114.8**	**167.8**	**164.2**	**167.7**	**192.9**	**185.5**	**179.5**	**171.4**	**173.4**	**185.3**
Official transfers	17.0	7.7	52.9	52.0	55.4	73.8	59.8	47.8	34.8	30.0	37.8
Remittances	93.6	93.5	101.1	98.3	98.3	106.9	113.2	119.1	125.7	132.2	136.0
Other transfers	13.3	13.6	13.9	13.9	13.9	12.3	12.6	12.6	10.9	11.2	11.5
Current account (excl. budget support)	**-151.0**	**-93.1**	**-149.9**	**-196.2**	**-249.9**	**-282.6**	**-298.4**	**-306.8**	**-313.3**	**-306.2**	**-293.2**
Current account (incl. budget support)	**-134.0**	**-85.4**	**-97.0**	**-144.2**	**-194.5**	**-208.8**	**-238.6**	**-259.0**	**-278.5**	**-276.2**	**-255.4**
2. Capital and financial account											
A. Capital account	**23.2**	**16.2**	**25.9**	**60.0**	**60.0**	**73.0**	**109.5**	**122.5**	**125.5**	**130.5**	**122.5**
B. Financial account	**72.5**	**45.5**	**84.5**	**159.4**	**162.9**	**157.0**	**144.1**	**176.4**	**188.2**	**196.3**	**187.2**
Foreign direct investment	73.2	72.7	83.2	83.3	83.3	96.3	107.6	119.8	131.3	143.9	151.1
Portfolio investment	2.9	3.1	3.8	3.7	3.7	4.1	3.8	3.7	3.6	3.7	3.9
Other investment	-3.5	-30.3	-2.5	72.3	75.9	56.6	32.8	52.9	53.4	48.7	32.2
Capital and financial account	**95.7**	**61.6**	**110.4**	**219.4**	**222.9**	**230.0**	**253.6**	**298.9**	**313.7**	**326.8**	**309.7**
Errors and omissions	-3.1	13.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-41.3**	**-10.3**	**13.4**	**75.2**	**28.4**	**21.2**	**15.0**	**39.9**	**35.2**	**50.7**	**54.3**
Financing											
Net international reserves (increase -)	41.3	10.3	-13.4	-75.2	-28.4	-21.2	-15.0	-39.9	-35.2	-50.7	-54.3
Change in gross international reserves	35.8	16.3	-25.0	-84.1	-37.3	-13.2	-8.4	-34.7	-29.5	-46.6	-48.4
Use of IMF resources (net)	5.5	-5.9	11.7	8.9	8.9	-7.9	-6.6	-5.2	-5.7	-4.0	-5.8
Disbursements	10.9	0.0	15.7	16.2	16.2	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-5.4	-5.9	-4.0	-7.3	-7.3	-7.9	-6.6	-5.2	-5.7	-4.0	-5.8
Memorandum items:											
Exports of goods and services	220.4	231.5	217.7	217.7	184.0	235.6	265.8	295.9	321.6	353.1	379.1
Imports of goods and services	-449.9	-404.2	-453.9	-497.8	-517.8	-608.1	-659.8	-703.3	-739.3	-767.1	-788.3
GMD per US dollar, period average	43.2	43.8	45.4	46.8	46.8	48.0	50.1	52.0	54.2	56.4	59.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross International Reserves											
US$ millions	76.1	59.8	84.8	143.9	144.1	157.4	165.8	200.5	230.0	276.7	325.1
Months of current year's imports of goods and services	2.0	1.8	2.2	3.5	3.3	3.1	3.0	3.4	3.7	4.3	4.9
Months of next year's imports of goods and services	2.3	1.4	2.0	2.9	2.8	2.9	2.8	3.3	3.6	4.2	4.8
Net usable international reserves											
US$ millions	28.9	19.8	33.4	91.2	91.2	110.8	125.8	165.7	200.9	251.6	305.8
Months of current year's imports of goods and services	0.8	0.6	0.9	2.2	2.1	2.2	2.3	2.8	3.3	3.9	4.7
Months of next year's imports of goods and services	0.9	0.5	0.8	1.8	1.8	2.0	2.1	2.7	3.1	3.8	4.5

Sources: The Gambian authorities; and Fund staff estimates and projections.

Table 9. The Gambia: Balance of Payments, 2015–23

(Percent of GDP)

	2015	2016	2017	2017	2017	2018	2019	2020	2021	2022	2023
			EBS	EBS							
	Act.		/17/61	/18/99	Prel.			Projections			
1. Current account											
A. Goods and services	**-25.7**	**-17.9**	**-22.8**	**-27.8**	**-33.1**	**-34.0**	**-33.9**	**-33.0**	**-32.1**	**-30.2**	**-28.5**
Goods (net)	**-29.4**	**-22.8**	**-26.5**	**-31.6**	**-36.6**	**-38.8**	**-39.4**	**-39.3**	**-38.9**	**-37.9**	**-36.7**
Exports, f.o.b.	12.1	11.0	9.8	10.1	7.1	7.7	8.1	8.3	8.2	8.2	8.5
Imports, f.o.b.	-41.5	-33.9	-36.3	-41.6	-43.6	-46.5	-47.5	-47.6	-47.1	-46.1	-45.1
Services (net)	3.6	4.9	3.7	3.8	3.5	4.8	5.5	6.3	6.8	7.7	8.2
Services exports	12.6	13.0	11.2	11.5	11.2	13.8	14.8	15.7	16.5	17.6	17.9
Of which: travel	7.2	7.3	6.0	6.1	7.6	10.1	11.0	11.8	12.8	13.8	13.9
Services imports	-8.9	-8.0	-7.5	-7.7	-7.7	-8.9	-9.3	-9.4	-9.8	-9.9	-9.8
B. Income (net)	**-3.2**	**-2.8**	**-2.8**	**-2.8**	**-2.8**	**-2.7**	**-2.6**	**-2.5**	**-2.5**	**-2.6**	**-2.2**
Income credits	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Income debits	-3.4	-3.1	-3.0	-3.0	-3.0	-2.9	-2.8	-2.7	-2.7	-2.8	-2.4
Of which: interest on government debt	1.0	0.8	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.8	0.8
C. Current transfers	**13.9**	**11.9**	**16.2**	**16.3**	**16.6**	**17.6**	**16.0**	**14.6**	**13.2**	**12.7**	**12.9**
Official transfers	1.9	0.8	5.1	5.2	5.5	6.7	5.1	3.9	2.7	2.2	2.6
Remittances	10.5	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.6	9.5
Other transfers	1.5	1.4	1.3	1.4	1.4	1.1	1.1	1.0	0.8	0.8	0.8
Current account (excl. budget support)	**-16.9**	**-9.7**	**-14.4**	**-19.4**	**-24.8**	**-25.8**	**-25.7**	**-24.9**	**-24.1**	**-22.3**	**-20.4**
Current account (incl. budget support)	**-15.0**	**-8.9**	**-9.4**	**-14.3**	**-19.3**	**-19.0**	**-20.5**	**-21.0**	**-21.4**	**-20.2**	**-17.8**
2. Capital and financial account											
A. Capital account	**2.6**	**1.7**	**2.5**	**5.9**	**5.9**	**6.7**	**9.4**	**9.9**	**9.6**	**9.5**	**8.5**
B. Financial account	**8.1**	**4.7**	**8.1**	**15.8**	**16.1**	**14.3**	**12.4**	**14.3**	**14.5**	**14.3**	**13.0**
Foreign direct investment	8.2	7.5	8.0	8.3	8.3	8.8	9.3	9.7	10.1	10.5	10.5
Portfolio investment	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Other investment	-0.4	-3.1	-0.2	7.2	7.5	5.2	2.8	4.3	4.1	3.6	2.2
Capital and financial account	**10.7**	**6.4**	**10.6**	**21.7**	**22.1**	**21.0**	**21.8**	**24.2**	**24.1**	**23.9**	**21.6**
Errors and omissions	-0.3	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-4.6**	**-1.1**	**1.3**	**7.4**	**2.8**	**1.9**	**1.3**	**3.2**	**2.7**	**3.7**	**3.8**
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: The Gambian authorities; and Fund staff estimates and projections.

Table 10. The Gambia: Financial Soundness Indicators for the Banking Sector, 2014–17

	2014	2015	2016	2017
	End-December			
	(Percent, unless otherwise indicated)			
Capital Ratios				
Capital Adequacy Ratio	29.6	33.1	38.2	33.6
Regulatory Capital Ratio (i.e T1+T2)	30.3	34.8	39.8	35.1
Primary Capital Ratio (i.e.T1)	28.8	31.4	35.9	31.9
Non-Performing Loans/Primary Capital	10.6	7.9	9.8	6.8
Asset Quality Ratios				
Non-Performing Loan Ratio	7.2	6.5	9.3	7.2
Aggregate Provision Level	95.6	82.2	79.1	99.1
Loan Loss Reserve Ratio	4.7	4.6	6.8	6.6
Earnings Ratios				
ROA	2.9	0.5	0.7	1.6
ROE	19.0	3.5	4.2	11.0
Net Interest Margin	1.7	1.8	1.9	8.1
Non-Interest Income Ratio	38.4	34.0	6.8	3.4
Liquidity Ratios				
Liquid Assets Ratio	84.8	93.4	101.3	92.9
Dalasi Liquid Assets/Dalasi Deposits	-	88.4	97.5	89.0
Time Deposits/Deposits	17.7	18.1	16.5	13.8

Source: Central Bank of The Gambia.

Table 11. The Gambia: Indicative Quantitative Targets for 2017

	2017												
	March	June				September				December			
	Prog.	Prog.	Adj. Prog.	Actual	Status	Prog.	Adj. Prog.	Actual	Status	Prog.	Adj. Prog.	Actual	Status
Indicative quantitative targets													
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	545	943	…	989	**Not Met**	943	-7	-2,127	**Met**	471	-153	-1,097	**Met**
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	8,897	9,704	…	9,497	**Met**	10,525	…	6,170	**Met**	9,685	…	7,104	**Met**
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	-10.2	-23.9	-39.8	-11.8	**Met**	9.9	…	111.2	**Met**	-0.1	-7.1	91.2	**Met**
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	…	0.2	**Not Met**	0	…	0	**Met**	0	…	0	**Met**
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	…	0	**Met**	0	…	0	**Met**	0	…	25	**Not Met**
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	…	0	**Met**	0	…	0	**Met**	0	…	0	**Met**
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	1,187	943	…	1,421	**Not Met**	946	…	988	**Not Met**	0	…	-413	**Met**
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	575	843	…	1,426	**Met**	1,112	…	2,393	**Met**	1,380	…	3,356	**Met**
Memorandum Items:													
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	0			0				3,455				3,455	
Base Money (GMD millions)	8393			8,915				9,836				9,796	
TMU Exchange Rate (GMD/USD)	45.39	45.39		47.09		45.39		47.28		45.39		47.29	

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).

[4] Monitored on a continuous basis

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 12. The Gambia: Proposed Indicative Quantitative Targets for 2018

	2017	2018					
		Mar.			Jun.	Sept.	Dec.
	Actual	Prog.	Actual	Status	Prog.	Prog.	Proj.
Indicative quantitative targets							
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	-1,097	526	466	**Met**	450	450	-2,754
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,104	10,707	6,835	**Met**	8,000	8,000	9,265
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	91.2	78.8	112.2	**Met**	105	95	113
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	**Met**	0	0	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	0	**Met**	0	0	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	**Met**	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	-413	0	-597	**Met**	0	0	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	3,356	949	992	**Met**	2,018	3,163	4,437
Memorandum Items:							
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	3,455		0		336	336	3,543
Base Money (GMD millions)	9,796		10,448		10,953	11,531	12,110
TMU Exchange Rate (GMD/USD)	47.88	45.39	47.28		45.39	45.39	45.39

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).

[4] Monitored on a continuous basis

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 13. The Gambia: Structural Benchmarks, 2017–18			
Measures	**Timing**	**Status**	**Observations**
Enhance the timely and comprehensive provision and monitoring of debt data by establishing a back-up system.	End-March 2018	Met	
Prepare up-to date position on financial status and contingent liabilities of key SOEs, and regularly monitor SOE operations and fiscal risks.	End-December 2017	Met	
Finalize audits of all SOEs and the CBG (with donor support).	End-March 2018	Not met	Finalization of the SOE audits is delayed due to unresolved procurement challenges. Re-phased and redefined (Table 12).
Compile an inventory of existing payment arrears, and cross-arrears between government and SOEs; define and approve a strategy for reducing the existing stock, and start implementing it at an appropriate pace (total of the expenditure arrears/3 years).	End-March 2018	Not met	*In progress*: Inventory of cross arrears completed, MoUs signed between agencies and government—Inventory of government payment arrears completed but being validated by Office of Internal Audit—Some arrears being paid as part of 2018 budget, but to be stepped up in the 2019 budget.
Establish additional procedures adopted by MoFEA to ensure all government expenditures and revenues are entered through IFMIS.	End-December 2017	Met	
Prepare an action plan to restore the Treasury single account.	End-March 2018	Not met	*Implemented with delay*. Revised Act has been drafted in line with the safeguards recommendations. Draft delivered by the CBG to MoFEA on March 7, 2018.
Submit draft amendments to the CBG Act to the National Assembly, in coordination with the Ministry of Justice and the MOFEA.	End-March 2018	Not met	*In progress*. Draft Amended Act submitted by MoFEA to the Ministry of Justice (MoJ), where it is currently under review. Once MoJ's review is completed, the draft will be sent to Cabinet for its review before being submitted to the National Assembly for final approval.

Table 14. The Gambia: Proposed Structural Benchmarks, 2018

Measures	Desired Results	Timing
Minister of Finance to authorize cancelation of the previous (local) tender for the special purpose audits of 5 key SOEs.	Enable the appointment of an auditor of international renown to perform special purpose audits of 13 SOEs.	Prior Action completed
TSA and Segregation of Accounts (PFM Reform), and Monetary Architecture		
MoFEA to inform Ministries and CBG about establishing TSA Implementation Committee.	TSA Implementation Committee meets on a monthly basis to review implementation of TSA action plan/roadmap.	End-June 2018
AGD to produce inventory of bank accounts used for the TSA.	Inventory of bank accounts allows to define the perimeter of TSA.	End-June 2018
CBG to separate and ringfence from TSA the account for operations in T-bills used for liquidity management.	Funds obtained from liquidity absorption by CBG use of T-bills not available for government financing.	End-September 2018
Adopt improved liquidity templates for liquidity forecasting purposes and use for liquidity absorption/injection operations.	Using new liquidity templates provided by Fund TA to determine size of monetary operations.	End-September 2018
Debt Monitoring and Recording		
Minister of Finance to institute a semi-annual (June and December) debt reconciliation exercise with external creditors.	Reliable and complete information on end-year starting with end-2017, and mid-year debt stocks available within 8 weeks of period end.	End-June 2018
Addressing fiscal risks related to SOEs		
Issue tenders for the audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC).	Audit tenders to be issued for six key SOEs. The measure aims to address fraud, uncover hidden liabilities, prevent embezzlement of funds and stop leakages through governance changes. Audit engagement letters are to be signed with a reputable international audit company.	End-July 2018
Validate all cross and payment arrears between government and SOEs by Office of Internal Audit.	Payment and cross between SOEs and government completed final validation required. Clearance to start and be completed over 2018–20.	End-September 2018
Safeguards		
Submit draft amendments to the CBG Act - in line with safeguards assessment recommendations - to the National Assembly.	Align the central bank law with leading practices to strengthen the bank's autonomy and governance arrangements.	End-June 2018
Finalize the 2017 CBG statutory joint audit.	Joint audit (external and domestic auditors) complete a draft form which highlight the key issues for safeguard purposes.	End-September 2018
Fiscal Policy and Planning		
Implement Vehicle Reform Policy.	Implementation of agreed vehicle policy in the 2018 Budget Law.	End-June 2018
MoFEA to submit to cabinet an MTEFF consistent with the MTDS, NDP and May donor conference outcomes.	MTEFF serves as a credible anchor for the medium-term reform and investment program ensuring fiscal and debt sustainability.	End-September 2018

Annex I. Capacity Development Strategy for FY 2019

The authorities aspire to transition to an ECF-supported program with the Fund, dependent on the successful implementation of economic and financial programs discussed with the IMF. Technical assistance (TA) would play a critical role in fulfilling this aspiration. The capacity building program in The Gambia and the associated TA delivery are intertwined with surveillance and program priorities.

Overall Assessment of Capacity Development

1. As a fragile low-income country, The Gambia faces capacity and institution building challenges, which are being addressed with tailored TA. Enhancing domestic revenue mobilization (revenue administration and tax policy), improving budget preparation and execution, and strengthening SOE oversight will be essential to achieve debt sustainability in the longer term. These key priorities will also require reforms to strengthen economic governance (public finance management systems) and improve real sector statistics, government, and external sector statistics, including, oversight of public enterprises and other public entities.

2. Program engagement has contributed in the past to build capacity in The Gambia. However, there have been highs and lows regarding TA implementation. Key achievements include the following:

- Successful piloting of fiscal stress testing in 2017, which the authorities are now working to incorporate into their regular outputs;
- Increased capacity to formulate medium-term economic fiscal, debt and financial policies under the SMP, including macroeconomic forecasts (2017–18);[1]
- Initiation of reforms to enhance financial reporting and monitoring of SOEs (2017–18); and
- Progress on reforms for customs administration, including risk management (2017–18).

TA implementation is being compromised by data gaps (lack of relevant and timely indicators), including poor data management, quality and lack of data analysis. Also, knowledge of key processes remains with key individuals such that an increase in turnover of senior officials and technical level staff could compromise absorption capacity, TA delivery, and implementation.

Forward Looking Priorities

3. The TA strategy for The Gambia should focus on revenue and customs administration, PFM—focusing on the Treasury Single Account (TSA) and cash flow forecasting, budget execution—debt management, national accounts, tax policy, and enhancing the quality of macroeconomic data. In particular:

[1] A key development in FY2019 will be authorities' ability to revise these medium-term projections through the year to inform the budget and debt management plans, and to provide a better handle of debt sustainability over the medium term.

- Public investment management (PIM) which needs to be streamlined to ensure efficiency/transparency in investment project selections and monitoring to improve project prioritization while ensuring debt sustainability.

- Develop a database on SOE financial (IFRS) reports as well as debt and contingent liabilities information for estimating fiscal risks, including on a forward-looking basis (fiscal stress tests) for SOEs.

- Enhance the existing quality of national accounts, CPI, BoP, monetary and fiscal statistics. TA will assist the authorities to finalize the analysis of the establishment survey, last conducted in 2015, and the rebasing of the national accounts and CPI.

- Financial sector TA is focused on further developing risk-based (bank and non-bank) supervisory capacity of the Central Bank to enable prompt early action against emerging risks. Close monitoring of potential financial sector vulnerabilities associated with commercial banks' high exposure to the government and their exposures to SOEs is important.

4. For FY 2019, key priorities and objectives include:

Priorities	**Objectives**
Tax administration	Expand tax base, strengthen enforcement, and reduce tax arrears.
Customs administration	Improve management and efficiency to deliver higher customs revenue.
Public Financial Management	TSA development and cash flow forecasting, strengthen budget execution and control, improve debt management and SOE oversight.
Statistics	National Accounts: Update base year to 2013, generate re-based series to 2017 and the backward series.
Dissemination of statistics	Implement e-GDDS (Gambia launched the summary under e-GDDS in June 2018).
Financial sector stability	Maintain financial sector stability through prompt, early action.
Medium Term Economic and Fiscal Framework (MTEFF)	Improve fiscal management, including medium-term forecasts.

The main risk to capacity development remains weak absorptive capacity, which could be mitigated by carefully selecting and designing the TA programs to tailor to the local audience's need, continuing TA delivery based around the results based management framework and regular follow-up on implementation.

Authorities' Views

5. The authorities agree with the thrust of the capacity development strategy. They consider that the strategy and objectives are appropriately formulated for the country and in line with the strategic priorities of the 2018-21 National Development Plan.

Annex II. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Expected Impact	Recommendations
Spillover Risks			
Structurally weak growth in key advanced economies	*High* • Low productivity growth (United States, the Euro Area, and Japan), a failure to fully address crisis legacies and undertake structural reforms, and persistently low inflation (the Euro Area, and Japan) undermine medium-term growth in advanced economies.	*Low* • Decline in The Gambia's exports and tourism receipts. • Employment pressures abroad could reduce the inflow of remittance.	• Diversify the tourism base. • Promote regional trade and integration. • Promote private investment and diversify domestic production.
Reduced financial services by correspondent banks	*High* • Significant curtailment of cross-border financial services in emerging and developing economies.	*High* • Negative impact on payment services, bank profits, trade, remittances, and investors' confidence.	• Strengthen the AML/CFT framework. • Use alternative methods (regional systems or networks, seek new CBRs, including bank-specific solutions for withdrawal).
Domestic/Regional Risks			
Financial Instability	*Medium* • Banks' high exposure to sovereign and SOE debt coupled with debt reprofiling and restructuring and declining interest rates may negatively affect banks.	*High* • Reduced profitability and capital adequacy, negatively affecting financial intermediation.	• Monitor and mitigate debt risks with debt management strategy, enhance risk-focused supervision, and improve CBG's independence • Develop crisis management capacity and improve the bank resolution framework.
Fiscal policy slippages	*Medium* • A looser fiscal policy without effective control of fiscal spending and lack of fiscal reforms. • Fiscal shocks from SOEs.	*High* • Increase in NDB and renewed pressure on fiscal and debt sustainability, also undermining the growth outlook. • Pressure on foreign reserves. • Crowding out of private credit.	• Implement TA recommendations on PFM, including strengthening cash management, improving budget execution, and avoiding unbudgeted spending. • Implement SOE reforms.
Political Instability	*Medium* • Tribal politics and tensions among the coalition parties supporting President Barrow may lead to government ineffectiveness.	*High* • Political uncertainty hurts market confidence and private investment. • Delay or non-implementation of economic and policy reforms, weakened institutions.	• Give policy priority to socio-economic stability and development.
Natural disasters	*Low* • Recurring droughts.	*High* • Domestic production, especially rain-fed agriculture.	• Continue taking out insurance against crop failure. • Build up fiscal and reserve buffer. • Increase economic resilience to droughts and natural disasters.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline scenario within the next three years. "Low" is meant to indicate a probability below 10 percent, "Medium" a probability between 10 percent and 30 percent, and "High" a probability of 30 percent or more. The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risk may interact and materialized jointly.

Appendix I. Letter of Intent

Banjul, The Gambia,
June 18, 2018

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde:

1. We thank the International Monetary Fund (IMF) for its support of our economic reform program through the RCF disbursement in June 2017, sound policy advice in the context of the ongoing implementation of the Staff Monitored Program (SMP), and valuable technical assistance. With fragility remaining the defining characteristic of the Gambian economy, the IMF's support has been pivotal in fostering macroeconomic stability, and has helped to catalyze much-needed financial support from the international community.

2. On behalf of the Government of The Gambia, we would like to provide you with an update on recent economic and performance under the SMP, and outline our policy commitments for the remainder of the program, which was recently extended to enable completion of the structural reform agenda and establish a track record of satisfactory performance for transition to an Extended Credit Facility (ECF) arrangement. The extension of the SMP will also allow us to incorporate into our medium-term framework the outcome of the international conference that was convened on May 22–23, 2018 by the European Union and our Presidency in support of The Gambia's National Development Plan for 2018–21.

3. The Gambia's economic recovery is now well underway after a sharp growth slowdown in 2016. Economic growth has rebounded and headline inflation is on a downward trajectory. With the improved inflation outlook, interest rates have declined and private sector credit rebounded. Strengthened fiscal discipline and substantial external financial support have helped to stabilize the dalasi since April 2017 and boosted our international reserves to 2.8 months of next year's imports of goods and services at end-2017. Program implementation has been solid, notwithstanding delays in structural reforms. We met all quantitative targets at end-December 2017 and end-March 2018, except one on external debt contracting. We hope this breach can be considered as minor. It occurred despite our best efforts to align the grant element of the financing package for the broadband (GNBN) project with the required 35 percent minimum. Moreover, the project is expected to yield significant economic benefits and boost tax revenues by facilitating digital taxation.

4. For reasons largely beyond our control, our debt sustainability outlook has worsened. In 2017, the public debt rose close to 130 percent of GDP and debt service (interest cost and

amortization of foreign debt) absorbed 60 percent of domestic revenues. The unanticipated debt buildup stemmed mainly from legacy issues, including faster disbursements of previously contracted loans, the recognition of external liabilities incurred by the former administration, and government's assumption of state-owned enterprises' (SOEs') liabilities. To reduce our debt vulnerabilities, we commit, from now on, not to contract external debt with a grant element of less than 50 percent, and do it only in exceptional cases after due consultation with the IMF and World Bank staff.

5. In the period ahead, we will seek to consolidate recent macroeconomic gains, in part through our ongoing commitment to fiscal probity—both in terms of expenditure restraint and revenue mobilization. Additional donor resources, improved expenditure prioritization, public sector efficiency gains, and enhanced revenue mobilization will help address infrastructure gaps and increase priority social spending. Reducing fiscal risks emanating from SOEs, through strengthened SOE oversight, the conduct of special audits, and compliance with reporting requirements and audit recommendations, remains a top priority.

6. The attached Memorandum of Economic and Financial Policies (MEFP) describes our policy commitments for the remainder of the SMP, through end-September 2018. We will consult with the IMF staff prior to any revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations. We will provide to the IMF staff on a timely basis all information required to monitor the program and fully cooperate with the IMF to achieve our policy objectives. We undertake not to introduce or increase restrictions on payments and transfers related to current international transactions, or to impose or intensify any import restrictions that would worsen The Gambia's protracted balance of payments difficulties.

7. The Gambian authorities agree to the publication of this Letter of Intent and the attached MEFP and Technical Memorandum of Understanding, as well as the IMF staff report related to the second review of the Staff Monitored Program. We hereby authorize their publication and posting on the IMF website in accordance with IMF procedures.

Sincerely yours,

/s/	/s/
Amadou Sanneh	Bakary Jammeh
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Banjul, June 18, 2018

This memorandum covers the implementation of The Gambia's Staff Monitored Program (SMP) with the International Monetary Fund (IMF) covering the period from April 2017 through end-March 2018, and sets out economic and financial policy commitments for the remainder of the SMP, which was extended through September 2018, to enable the completion of the program reform agenda.

A. Background

1. A year after the peaceful transition to a democratically elected government, The Gambia is entering a critical stage on its path toward sustainable and inclusive development. Building on the early gains from the newly found freedom of speech and political representation, Gambians are now seeking to consolidate these gains through economic reforms and policy actions to foster economic development and inclusion. With the civil society, unions and private sector being increasingly vocal in expressing their interests and aspirations, the utmost responsibility of the Government of The Gambia is to maintain the pace of the reforms initiated during 2017 and embark on a path out of fragility toward prosperity.

2. Nevertheless, fragility remains the defining characteristic of the Gambian economy. Reliant on rain-fed agriculture, tourism and trade, The Gambia's economy is vulnerable to exogenous and fiscal shocks and still has a long way to go before it can decisively shed the burden of economic mismanagement of the previous regime. Lack of economic diversification, combined with the absence of an efficient irrigation system, makes national production sensitive to external demand and weather-related shocks and decades of poor economic management and massive embezzlement by the previous regime have resulted in high public debt and financial sector vulnerabilities. The experience of 2017 shows that progress in such circumstances would be far from straightforward. Notably, contrary to what was expected at the beginning of the program, public debt instead of declining, has risen (to about 130 percent of GDP), mostly due to legacy reasons, as formerly undisclosed liabilities across the public sector have surfaced and migrated to the government's balance sheet. It is our own assessment that, at this level, our public debt has become unsustainable. The pursuit of macroeconomic adjustment and sound debt policy are needed to put our public finances on a sustainable path and successfully transition from this Staff-Monitored Program to a financial arrangement with the IMF.

B. Recent Economic Developments and Outlook

3. The Gambia's economic recovery is now gaining traction as confidence resumes, following the sharp slowdown in 2016 due to election-related uncertainty and drought. Economic growth rebounded to 3.5 percent in 2017, from just 2.2 percent a year earlier, owing to a stronger agricultural season and a pickup in tourism, trade and transportation. Headline inflation peaked at 8.8 percent in January 2017 and declined to 6.6 percent in April 2018, reflecting the stabilization of the dalasi and a rebound in food supply. With the improved inflationary outlook, the

Central Bank of The Gambia (CBG) reduced its policy rate from 23 percent in March 2017 to 15 percent in June 2017, ushering in a drop in lending rates from about 28 percent at end-2016 to 18 percent in June 2017. Substantial external budget support and project grants (about 12 percent of GDP) led to a sharp reduction in the government's domestic borrowing requirement and a significant decline in yields on short-term government securities, from an average (across maturities) of 17.5 percent in October 2016 to an average of 8.6 percent (about 2 percent in real terms) in mid-May 2018 and setting the stage for savings in budgetary interest expenses down the road. With reduced crowding out of private sector lending, annual private sector credit growth accelerated from -1.2 percent in December 2017 to 13.8 percent in April 2018. Large external inflows also led to the recovery of gross international reserves (excluding FX swaps), and an increase in the import cover (measured in months of prospective imports goods and services, excluding re-exports) from 1.4 months at end-2016 to 2.8 months at end-2017. GDP growth is expected to attain 5–5½ percent in 2018, end-period inflation is projected to drop to about 6 percent, and the reserve cover is expected to strengthen to 3.3 months of imports.

4. **Against this broadly positive backdrop, however, fiscal performance was weaker than expected and public debt has risen further, albeit due mainly to legacy issues.** Preliminary data for end-December 2017 show that the anticipated improvement in revenue performance did not materialize. Domestic revenues fell by 1.7 percentage points of GDP relative to 2016 and were 2 percentage points of GDP lower than projected under the program. Tax revenue collection was barely in line with the expectation set at the outset of the SMP and nontax revenue, notably from land sales, mineral rights, and international telecom (gateway) receipts, was only half of the expected amount. This shortfall was only partially offset by a decline in domestic expenditure. Meanwhile, external debt has risen 8 percentage points of GDP above the projected level reflecting faster disbursements of previously contracted loans and the recognition of external arrears incurred by the former administration. In addition, the nominal amount of domestic debt increased because of government assumption of the National Water and Electricity Corporation (NAWEC) liabilities to the Social Security and Housing Finance Corporation (SSHFC). As a result, the end-2017 public debt-to-GDP ratio was revised upward from the 123.2 percent of GDP estimated in the recent Article IV report to 129.2 percent, and the projected end-2018 public debt-to-GDP ratio of 121.3 percent.

C. Performance Under the Program

5. **All end-December 2017 and end-March 2018 quantitative targets were met, but the continuous ceiling on new nonconcessional external debt was breached, and the implementation of the structural agenda encountered delays (Tables 1–4).** The end-December ceiling on new nonconcessional external debt was missed because the grant element of the loan contracted for the important broadband project fell short of the minimum 35-percent program requirement (see ¶19). Two out of three end-December 2017 benchmarks were met, while one of the measures representing a benchmark for end-December 2017 was implemented with a delay. In particular, (i) regularization of SOE reporting and monitoring; and (ii) the establishment of additional procedures to ensure that government expenditures and receipts are captured by IFMIS were

implemented on time, and (iii) the revision of the CBG Act was completed in line with the safeguards assessment recommendations in March 2018, after the end-December 2017 target date. Subsequently, two out of five end-March 2018 structural benchmarks were met: (i) the establishment of a backup debt recording and monitoring system; and (ii) preparation of an action plan to restore the Treasury Single Account (TSA). The measures covered by the three missed end-March 2018 benchmarks (to some extent for reasons beyond our control) are at various stages of implementation. Delays in the conduct of the audits of the CBG and all thirteen State-Owned Enterprises (SOEs) stemmed from procurement challenges, necessitating a re-phasing (and redefinition) of the end-March 2018 benchmark on the completion of these audits. Progress has been made on both fronts in recent months. The audit firms tasked to prepare an audit of the CBG were appointed in May 2018. The procurement contracts for the special audits of six key SOEs are expected to be signed by end-July 2018 (structural benchmark), while the audits of the remaining seven SOEs are being postponed until the resources needed for that purpose are mobilized. As a prior action, the Minister of Finance and Economic Affairs authorized (through the Ministry's Project Implementation Unit) the cancelation of the previous tender to enable the hiring of a qualified audit firm of international renown and extend the scope of the audit from five key SOEs (covered by the previous tender), initially, to six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC). The remaining two policy actions are in progress and well-advanced—namely the compilation of an inventory of existing payment and cross-arrears between government and SOEs, and preparation and submission of draft amendments to the CBG Act to the National Assembly. Both actions are expected to be completed by end-June 2018 (re-phased structural benchmarks).

6. Several reforms aimed at strengthening public financial management, and governance and accountability have been implemented. Reforms undertaken already in 2017 included:

- Reduction of 2017 budget expenditure by 1 percent of GDP, primarily in the Office of the President.
- Completion of the staff audits of the civil and uniformed services and identification and removal of 2,729 ghost workers from the payroll in June 2017, with annual savings of 0.2 percent of GDP.
- Redirection of previously diverted fees and revenue sources back to the budget, including from the international voice gateway, and fees for the use of the container scanner in the port—expected impact of (0.1 percent of GDP).
- Development and ongoing implementation of a medium-term debt strategy (MTDS) to support debt sustainability, with technical assistance from the Fund and the World Bank, encompassing: (i) maturity lengthening of domestic debt to reduce rollover risk and debt service (issuance of bonds with maturities of 3 and 5 years); (ii) greater reliance on grants and highly-concessional external financing; (iii) rescheduling the NAWEC bond. Externally, we have approached our official bilateral and plurilateral creditors for debt rescheduling; the

total amount of their claims on The Gambia exceeded $385 million at end-2017 and represented over 70 percent of our external debt.

- Establishment of an Investment Implementation Committee at the ministerial level, to ensure due diligence is followed in the selection of new investment projects, and safeguard debt sustainability.
- Declaration of assets by the President, Vice-President and all cabinet members to the Ombudsman. Commencement of public expenditure reviews, with help from the World Bank, and a security forces reform. We are also working on an institutional framework for an Anti-Corruption Commission to be established, with UNDP support.

Several additional fiscal measures have been undertaken in 2018:

- Approval of a new travel policy (under the 2018 budget) restricting overseas travel to economy class for senior government officials below ministerial level—expected savings of 0.1 percent of GDP.
- A three-year hiring freeze for the civil service and security sectors. Based on the ongoing expenditure reviews, we will impose firm staffing limits for all ministries and agencies.
- Adoption of MoFEA's new Budget Execution Guidelines, issued in January 2018 aiming at strengthening budget controls with a view to preventing the accumulation of spending arrears (¶12).

7. **Notwithstanding these important achievements, completion of the broader reform agenda (still pending) will be critical for enhancing governance, mitigating fiscal risks and safeguarding debt sustainability.** Such measures include:

- Implementation of the vehicle fleet reform (expected to generate savings of 2 percent of GDP over the next three years and provide a sound framework for managing vehicular expenditure), was approved by Parliament and factored into the 2018 budget. Implementation of the reform initially commenced, along with the administration of transport allowances to compensate for the loss of vehicular benefits, but the retrieval of the vehicles was suspended through end-June 2018, in the wake of strong resistance from its beneficiaries, to allow more time for outreach and enhance its buy-in. While savings are expected to ensue from the reduction in the vehicle fleet, fuel and maintenance cost and receipts from the sale of redundant vehicles, there is concern that budgeted savings could disappoint as implementation delays have seen increases in fuel and maintenance costs already in 2018. Adding to this increase, transport allowances for lower grades tripled.
- Asset sales of land and of the presidential planes (yielding an estimated 0.9 percent of GDP), which were delayed due to challenges with the valuation of these assets, are now expected to conclude in 2018 following stepped-up marketing efforts (including through the

launching of a new webpage). Although financial gains are now expected to be lower than previously hoped.

- Streamlining of embassies, subvented agencies, and membership in non-financial international organizations (expected to raise less than 0.1 percent of GDP).

- The sale of luxury vehicles from the former administration, with the help of the StAR program (expected to raise less than 0.1 percent of GDP).

- Work on the pursuit of the recovery of stolen assets is still in train. A commission of inquiry was set up and is investigating the financial dealings of the former regime. All Gambian assets of the former President, his family and associates have been frozen. Recovery of assets abroad is being pursued in parallel, with support from the StAR Initiative.

- Revival of the High-level Economic Council (HILEC) to take on a more active role in strengthening the monitoring of policy implementation under the SMP and beyond, and ensure high-level buy-in. The HILEC is comprised of the Vice President, the Minister of Finance and Economic Affairs, the Minister of Trade, the Governor of the CBG, and the Secretary General and Head of the Civil Service.

- Collecting privatization proceeds, including from the planned sale of Megabank.

D. Macroeconomic Policies and Structural Reforms for the Remainder of the SMP and Beyond

8. **We recognize that implementation of the program with a view to paving the way to an arrangement under the Extended Credit Facility (ECF) will require strengthened resolve to good economic governance and prudent macroeconomic policies.** In this regard, building on the early gains in macroeconomic stability, greater economic freedom, and transparency, further efforts are needed to align our economic and financial policies with the medium-term objectives of sustainable and inclusive growth, notably by: (i) setting public finances on a path toward fiscal sustainability, including through fiscal consolidation and a more vigorous pursuit of SOE reform with external financial and technical support; (ii) fostering debt sustainability by implementing the debt strategy and securing additional grants; (iii) mobilizing resources for carefully prioritized social and infrastructure investment without endangering debt sustainability; and (iv) creating an environment conducive to private sector initiative, including by safeguarding financial stability, strengthening governance, and fighting corruption.

Fiscal Policies

9. **We intend to promote fiscal sustainability through implementation of appropriate revenue and expenditure measures and maintenance of a net domestic borrowing target of 1 percent of GDP as our fiscal anchor.** The overall fiscal deficit is projected to decline from

7.9 percent of GDP in 2017 to about 5.8 percent of GDP in 2018—consistent with a primary deficit of 0.8 percent. This assumes: (i) a significant increase in domestic revenue—to this effect, we have revised the 2018 collection target for the Gambia Revenue Authority from GMD 8 billion to over GMD 9 billion (of which GMD 8.6 billion or 16.4 percent of GDP in tax revenues) building on the strong revenue performance in late 2017 and early 2018; (ii) continued strong inflow of foreign grants (both budget and project support) equivalent to about 13½ percent of GDP in 2018 (compared with 11½ percent of GDP in 2017); and (iii) the implementation of fiscal adjustment measures envisaged in the 2018 budget and other measures listed in ¶7.

10. The expected improvement in the fiscal position will be underpinned by enhanced revenue mobilization, supported by strengthened tax administration and governance arrangements, and improved core tax administration functions. Starting in 2018, administrative reforms and technological enhancements action are expected to yield an increase in tax revenue of 0.8 percent of GDP. Ongoing implementation of risk-based compliance management strategies, for both customs and tax administration—such as risk-based cargo inspections and optimizing post-clearance audits—are expected to contribute to this effort. We are also reviewing and cleaning up the tax registry to broaden the tax base, and include new corporate tax payers into the tax database in a timely manner. To ensure strong revenue performance from petroleum taxation, we will regularly adjust domestic petroleum prices to reflect international fuel costs through the application of the existing fuel price adjustment mechanism being administered by the MoFEA, designed to ensure the pass-through of changes in petroleum import costs to retail prices. We expect a progressive pick up in our international gateway receipts, which are expected to reach 0.3 percent of GDP on a quarterly basis starting from the last quarter of 2018, and will help bring nontax revenue to 2 percent of GDP in 2018. Furthermore, we also aim to implement revenue measures carried over from last year, including: asset sales of land and presidential planes, the recovery of stolen assets (both domestically and abroad), and the sale of Megabank. These measures will help ensure that corporate, personal and rental income tax cuts included in the 2018 budget remain budget-neutral, as originally envisaged. We also stand ready to implement the recommendations of the IMF's Tax Administration Diagnostic Assessment Tool (TADAT) mission in April 2018. The TADAT assessment has helped to identify administrative strengths and weaknesses and guide our reform agenda, with a view to enhancing the efficiency of our tax collection and strengthening compliance enforcement. Beyond 2018, we expect additional revenue gains from implementing digital taxation.

11. Reforms on the expenditure side will aim to enhance public efficiency and accountability, both in the near and medium term. In this regard, we intend to implement the vehicles reform policy by end-June 2018 (structural benchmark) and identify expenditure measures to offset the delay in its implementation, streamline ministries and subvented agencies, downsize and rationalize embassies, and streamline memberships in nonfinancial international organizations. Following the completion of ongoing public expenditure reviews, including in the security sector, being undertaken with the assistance of our international partners, we will seek to launch a comprehensive reform of the civil service over the medium term. Having audited the stock of payment arrears by ministries, departments and agencies (MDAs) to suppliers, we intend to devise a repayment plan for domestic arrears that were substantiated by the Internal Audit of the MoFEA (currently GMD 252mn) to be implemented in the second half of 2018, comprising cash settlements for small payments that can be accommodated in the existing budget and securitization—such as Promissory Notes of varying maturities for larger amounts. The outstanding arrears to M.A. Kharafi and Sons (originally in the amount of $50 million) will be re-audited by the National Audit Office, given their magnitude, to validate the authenticity of this claim. If validated, the liability will be entered into the debt database and serviced as such. To prevent future emergence of arrears, we will implement structural reforms aimed at reinforcing accountability and budget execution. Specifically, we will strengthen internal audit, commitment controls, and accountability of officers for willful breach of appropriated allocations.

12. Other public financial management (PFM) reforms aim to strengthen liquidity forecasting, budget execution, and banking arrangements. Efforts will be made to ensure enhanced coordination between MoFEA and the CBG to strengthen liquidity forecasting and to ensure proper projection of the government's domestic borrowing needs. The implementation of MoFEA's new Budget Execution Guidelines, issued in January 2018, should help to strengthen budget controls—including through higher commitment controls and holding procurement officers accountable to prevent the emergence of new domestic arrears; and restrictions on 'imprest' (petty cash) accounts and virements. The cash management system will be enhanced through the establishment of a Cash Management Unit and regular meetings of the Cash Management Committee. The Accountant General's Department's intention to migrate to EPICOR-10 in early 2019, with the assistance of the World Bank, will allow for the addition of the Human Resources Module to IFMIS, linking the civil service payroll directly to government personnel records, which should in turn mitigate the risk of a reoccurrence of ghost-workers. Finally, the establishment of a Treasury Single Account (TSA) will help to provide a unified structure of government bank accounts, ensuring that government cash balances are optimally managed and that borrowing costs are reduced. With regards to the latter, we plan to establish a TSA Implementation Committee that meets monthly, and to produce a complete inventory of bank accounts by end-June 2018 (structural benchmark).

13. Developing a credible medium-term economic and fiscal framework (MTEFF) will be necessary to anchor fiscal policy and facilitate policy driven budget allocations. We intend to enhance the credibility of the budgeting process through the cabinet adoption of a medium-term economic and fiscal framework (MTEFF) (structural benchmark for end-September 2018) consistent with the medium-term debt strategy (MTDS) that will be updated to reflect the outcome of the International Conference of May 2018. This will allow us to reduce fiscal and debt vulnerabilities, while also meeting critical social and poverty-alleviating needs, and energy and infrastructure priorities. A credible and integrated MTEFF, MTDS and Borrowing Plan are expected to be integral components and prerequisites for an ECF-supported program and serve as a basis for the formulation of the 2019 budget. We count on the ongoing support of Fund staff to build fiscal stress tests into the MTEFF analysis and assess their macro-financial implications.

Debt Sustainability and Debt Management

14. We will expedite formulation and implementation of our MTDS and the associated Borrowing Plan. Domestically, the marked decline in T-bill and Sukuk rates since Q3, 2017 has already helped to reduce the burden of debt service. The revised MTDS will encompass further maturity lengthening of domestic debt and the outcome of the ongoing discussions with our external creditors on possible debt rescheduling. We secured additional grant financing at an international donor conference in May 2018, convened by the EU with the support of the international community. These additional resources, primarily designed to support growth-enhancing and poverty-reducing investment in line with our new National Development Plan (NDP), will also, in part, be used to retire expensive domestic debt, progressively reduce its overall amount, and thus create additional space for priority social spending and spending on operation and maintenance of infrastructure that the NDP aims to create. The reduction in the domestic public debt will also create room for private sector credit expansion. To better monitor external debt, we will undertake regular semi-annual debt reconciliation exercises with our external creditors starting in June 2018 (structural benchmark).

15. We remain committed to achieving debt sustainability notwithstanding our difficult legacy position. In this regard, we commit not to contract additional external debt except a few highly concessional loans (with grant element of at least 50 percent) for projects of special importance, whose criticality will be evaluated in consultation with the World Bank staff until such time as the IMF/WB DSA shows that there is sufficient space for less concessional loans. We have approached our official creditors for debt rescheduling or new highly concessional financing to finance debt service, and these discussions have begun to bear fruit. The Saudi Fund has responded favorably to our appeal for debt relief with a restructuring agreement consisting of a four-year extension of both the grace and maturity of the principal, covering the period January 1, 2018 to December 31, 2021, with repayment of the principal resuming in the year 2022. This is an important precedent, and it is our considered hope that all bilateral creditors agree to a rescheduling in line with the terms offered by Saudi Arabia and that plurilateral creditors will agree to a softening of terms on existing commitments. In this regard, we are encouraged by the readiness signaled by the BADEA and the KFAED to make concessions on their pre-existing loans.

16. We are also implementing measures to better manage disbursements of projects that have already been contracted and in the pipeline, to safeguard debt sustainability. Given The Gambia's high debt vulnerabilities and the magnitude and size of the existing pipeline—approximately $390 million—we have convened a Task Force within MoFEA, to engage all of the project managers to discuss each project in the pipeline and explore the scope for either: softening the project terms (e.g., by lowering interest charges and extending grace periods and maturity of the pre-existing loans), or postponing, slowing down, or cancelling projects, particularly since many of these commitments were made by the previous administration and may not reflect our government's current priorities. Given the limited fiscal space, more proactive management of the project pipeline will allow sufficient scope to ensure achievement of the administration's main priorities.

17. Prudent debt management is needed to manage risks associated with the large public debt while accommodating financing needed for development. In this regard, we will ensure strong oversight by the MoFEA and the CBG over the use of the $210 million three-year Islamic Trade Finance Corporation non-concessional credit facility designed for short-term trade finance pertaining to NAWEC, GNPC, and the NFSPMC, and limit the use of this facility to an absolutely necessary minimum and enforce rigorously timely payments of the amounts due, to prevent accumulation of arrears on this facility, which has frequently occurred in the past. We will also refrain from any new large-scale investment projects by SOEs that would render debt unsustainable through guarantees or contingent liabilities until the financial conditions of these enterprises is clarified through the special audits (see ¶18) and sufficient new fiscal and borrowing space is created. We are also committed to following due process and applying particular scrutiny to the selection of investment projects within the framework of the ministerial Investment Implementation Task Force. To help safeguard debt sustainability, we requested an IMF Public Investment Management Assessment (PIMA), to help guide our project planning, allocation (including appraisal and selection), and implementation, and facilitate the development of our borrowing plan, encompassing all external financing. We also intend to consult in writing with IMF staff before contracting or guaranteeing any new external loans, guaranteeing any new external or domestic loans to SOEs, or entering into contingent liabilities of any other kind such as those related to public-private partnerships (PPPs) or power purchasing agreements (PPAs). We continue to receive technical assistance from Expertise France in the preparation of revised draft PPP Law and Regulations and also to conduct a PPP Fiscal Risk Assessment Model (PFRAM) in cooperation with the World Bank and the IMF, to prepare the ground for enhanced private sector participation.

SOE Reforms

18. We are stepping up efforts to strengthen the financial oversight of state-owned enterprises to protect the budget from contingent fiscal pressures. To this effect, the approach to the procurement of the 'special' (multiyear) audits of SOEs has been redirected with a view to hiring an audit firm of international renown. The procurement contracts for the audits of the six key SOEs are expected to be signed by end-July 2018. The management of the SOEs will be instructed to ensure full cooperation with the auditors and the auditors will be requested to share by end-September 2018, any findings pertaining to the financial leakages that have been exploited by the previous administration and other practices that may continue to represent significant ongoing vulnerabilities. In addition to undertaking and completing the special audits of SOEs in a timely manner, and implementing the recommendations that ensue from the audit findings, we are working toward concluding MoUs with all SOEs on the resolution of their cross-arrears and arrears to government and will provide oversight to ensure their full implementation. As a first step, MoFEA's office of Internal Audit will validate all cross-arrears between SOEs and government (structural benchmark for end-September 2018). We will also enforce SOE compliance with monthly, quarterly and annual reporting requirements, and seek to compile a database of SOE financial data and document the terms of all domestic debt issued by SOEs, drawing on TA from the IMF and the

World Bank. In due course, we will seek to migrate this database to be IFRS compliant. Based on the outcome of the special audits, we will devise an overarching strategic plan for SOEs going forward, encompassing plans for their rightsizing and possible divestment.

19. We are also developing a comprehensive strategy to address operational and financial difficulties of NAWEC and GAMTEL/GAMCEL, with support from the World Bank. We are planning to reform NAWEC into an efficient and financially viable utility. This objective is crucial to enable private investment in the sector and effectively expand electricity access. We have initiated the reform process to financially restructure NAWEC, underpinned by a financial recovery plan. NAWEC has started implementation of the actions detailed in an MoU signed with MoFEA in March 2018. The organizational restructuring process is also underway, led by the NAWEC Board and supported by the World Bank financed Service Contractor. We are also planning to implement performance contracts for NAWEC, which will be underpinned by a business plan already under preparation. Regarding GAMTEL/GAMCEL, we have agreed with the World Bank to assess and reposition GAMTEL and GAMCEL. The strategic decision will be informed by an Options Study to be conducted in 2018. Before awarding the Broadband (GNBN project) contract to China's telecom company (HUAWEI) in December 2017, we made significant efforts to ensure that the grant element of the financial package (including a $25 million loan agreement between the Government of Gambia and China's Exim-Bank and $3.0 million corresponding to the cancellation of GAMTEL's liabilities to HUAWEI incurred previously) conform to the 35 percent minimum program requirement. In the event, according to IMF staff calculations, the grant element of the financial package is 34 percent (just one percentage point shy of the program requirement). We hope that this marginal noncompliance could be considered inconsequential. Furthermore, to protect the budget from potential fiscal pressures resulting from the repayment of the loan, we commit that upon the completion of the GNBN project (expected in December 2018), in the context of GAMTEL/GAMCEL restructuring, we will hand over the management of the GNBN and other related networks such as the ECOWAN to a qualified private operator who will become responsible, on behalf of GAMTEL, for ensuring the service of the Exim-Bank loan. For the Gambia Ports Authority, we are planning to tender a concession to a private operator, to bring private capital to bear for the expansion and modernization of the port, which is much needed to facilitate the resurgence of trade and boost economic growth. We are also considering privatization of the retail fuel distribution network of the Gambia National Petroleum Company, possibly in 2019.

Monetary and Exchange Rate Policies

20. With the monetization of government deficits now eliminated, strengthening the autonomy and governance of the CBG through parliamentary approval of the draft amendments of the Central Bank Act is a top priority. The Government will adhere to a zero limit, monthly, on new credit from the central bank at below-market interest rates. Separately, we will adhere strictly to the schedule for payments of principal and interest on the CBG-held 30-year bond. We will recapitalize the CBG to reach the minimum capital envisaged in the amended Central Bank Act and offset the impact of the 30-year government bond on its balance sheet and provide the CBG with the wherewithal to finance the issuance of separate central bank instruments expressly for monetary purposes. In keeping with the IMF safeguards recommendations, the audit of the CBG will be conducted jointly by a local auditor and a large international audit firm with central banking experience, and is to be completed by end-September 2018 (structural benchmark).

21. We remain committed to a flexible exchange rate policy and are taking steps to strengthen the monetary policy framework geared towards ensuring price stability. In this regard, the CBG will refrain from intervening in the foreign exchange market except to ensure orderly market conditions, or purchase foreign exchange to meet its needs for external obligations. At the same time, the CBG is moving away from the money targeting framework toward establishing an interest corridor for the policy rate to ensure that monetary conditions are consistent with the objective of keeping inflation at or below 5 percent. The reliance on the interest rate as a policy instrument will enable the expansion of liquidity that may be justified by a healthy demand for credit, notably, if coinciding with a build-up of foreign assets through strong autonomous balance-of-payments inflows. To this end, at the recent MPC (of May 30, 2018) the CBG lowered the policy rate to 13.5 percent with a stable outlook, capitalizing on progress in reducing the inflation rate, while being mindful of the need to ensure that real T-bill interest rates do not turn negative. The CBG also announced its intention to introduce—effective August 30~~,~~ 2018—a standing deposit facility, at a rate to be determined based on the feedback from the recent policy changes.

22. The CBG intends to strengthen its monetary operations by improving its liquidity forecasting and management capabilities. It intends to begin utilizing the new liquidity forecasting and monitoring templates developed with Technical Assistance from AFRITAC West 2 and creating the requisite databases for liquidity forecasting (structural benchmark for end-September 2018). This is an important precursor to ring-fencing from the TSA the account for T-bill operations used for liquidity management (structural benchmark for end-September 2018) and adjusting the tool kit of the CBG for monetary policy operations. In due course, following the recapitalization of the CBG, there are plans to strengthen liquidity management by: converting the rediscount facility into an overnight repo standing facility, and introduce a short-term CBG-bill auction as a regular liquidity absorbing operation, with the auction size determined by the short-term liquidity forecast.

Financial Sector Stability

23. While the financial sector continues to be stable and profitable, emerging risks merit heightened supervision. High bank sovereign exposures, declining interest rates, and the prospect of rapid expansion of private sector credit entail risks that merit stepped up monitoring of the health of the banking sector. Accordingly, the CBG's Banking Supervision is focusing on assessing the impact of declining interest rates and lower government borrowing, and spillovers from the implementation of the MTDS, including SOE debt rescheduling. In doing so, the bank is being guided by the provision of Fund TA on risk-based supervision, to allow supervisory resources to focus on areas that are highly susceptible to risk. The bank also continues to strengthen its crisis management capacity and upgrade the bank resolution framework, by devising strategies to handle possible bank crises and building adequate safety nets (deposit insurance). The CBG also plans to strengthen its operational effectiveness by undergoing an internal restructuring.

E. Growth, Poverty Reduction and Key Strategic Directions

24. We remain committed to creating an enabling environment for the private sector to thrive. Efforts are under way to address our sizable energy gap in a sustainable manner, adhering to the established energy roadmap, with World Bank support. We will also seek to deepen the financial sector while safeguarding financial stability, streamline and improve the business regulatory environment, and strengthen governance and fight corruption. In this regard, we will endeavor to complete stakeholder consultations on the draft amended Anti-Corruption Commission Bill, and submit to Cabinet and then to the National Assembly for approval, by end-September 2018. With the private sector expected to play a significant role in financing the National Development Plan, we intend, with TA from Expertise France, to prepare a revised draft PPP Law that aims to establish a transparent institutional framework for private investment in The Gambia. Finally, with prospects for the oil sector quite promising, we will seek to learn from best practice and implement a sound and transparent framework for the management of future oil revenues.

25. A new National Development Plan (NDP) covering 2018–21 is gaining traction. The plan, formulated in a consultative process, has as its goal the delivery of "good governance and accountability, social cohesion, and national reconciliation and a revitalized and transformed economy." It seeks to achieve this overarching goal through eight strategic priorities:

- Restoration of good governance, respect for human rights, the rule of law, and empowering citizens through decentralization and local governance.
- Economic stabilization, accelerated growth and structural transformation.
- Modernization of agriculture and fisheries, for sustained economic growth, food and nutritional security and poverty reduction.
- Investment in people through improved education and health services, and building a caring society.
- Development of infrastructure, including through the restoration of energy services.
- Promoting an inclusive and culture-centered tourism, for sustainable growth.
- Reaping the demographic dividend through youth empowerment.
- Making the private sector the engine of growth, transformation, and job creation.

The strategic priorities will be complemented by seven cross-cutting, critical enablers: (i) an efficient and responsive public sector; (ii) women empowerment; (iii) an engaged and participatory Diaspora;

(iv) a sustainable environment, climate-resilient communities and appropriate land use; (v) digitalization and information technology development; (vi) an active and participatory civil society; and (vii) evidence-based policy planning and decision-making.

26. Our development partners have expressed strong financial commitments to meet funding requirements of the NDP. A funding gap of $1.6 billion (after an earlier commitment of $750 million for a total budgeted funding need of $2.4 billion) is expected to be covered from various sources. The main cost drivers are infrastructure, primary sectors, and human capital. Of the total amount, NDP's flagships and priority projects account for $1.68 billion (of which $284 million already committed), primarily for investments in transport, energy and ICT infrastructure. At the recent International Conference for The Gambia, financial pledges reached nearly $1.5 billion, which is broadly consistent with what is needed to fund the NDP. More than half of the commitments came in the form of grants, which is particularly important considering The Gambia's precarious debt situation and the need to put the debt on a sustainable path. Also, the private sector responded strongly. Encouraged by the declaration of support from the international community, we are working to align the implementation of the NDP with our medium-term debt strategy and the overriding objective of ensuring macroeconomic stability.

Table 1. The Gambia: Indicative Quantitative Targets for 2017

	2017												
	March	June				September				December			
	Prog.	Prog.	Adj. Prog.	Actual	Status	Prog.	Adj. Prog.	Actual	Status	Prog.	Adj. Prog.	Actual	Status
Indicative quantitative targets													
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	545	943	...	989	**Not Met**	943	-7	-2,127	**Met**	471	-153	-1,097	**Met**
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	8,897	9,704	...	9,497	**Met**	10,525	...	6,170	**Met**	9,685	...	7,104	**Met**
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2,3]	-10.2	-23.9	-39.8	-11.8	**Met**	9.9	...	111.2	**Met**	-0.1	-7.1	91.2	**Met**
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	...	0.2	**Not Met**	0	...	0	**Met**	0	...	0	**Met**
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	...	0	**Met**	0	...	0	**Met**	0	...	25	**Not Met**
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	...	0	**Met**	0	...	0	**Met**	0	...	0	**Met**
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	1,187	943	...	1,421	**Not Met**	946	...	988	**Not Met**	0	...	-413	**Met**
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	575	843	...	1,426	**Met**	1,112	...	2,393	**Met**	1,380	...	3,356	**Met**
Memorandum Items:													
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	0			0				3,455				3,455	
Base Money (GMD millions)	8393			8,915				9,836				9,796	
TMU Exchange Rate (GMD/USD)	45.39	45.39		47.09		45.39		47.28		45.39		47.29	

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.
[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.
[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).
[4] Monitored on a continuous basis
[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 2. The Gambia: Proposed Indicative Quantitative Targets for 2018

	2017	2018					
		Mar.			Jun.	Sept.	Dec.
	Actual	**Prog.**	**Actual**	**Status**	**Prog.**	**Prog.**	**Proj.**
Indicative quantitative targets							
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	-1,097	526	466	**Met**	450	450	-2,754
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,104	10,707	6,835	**Met**	8,000	8,000	9,265
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	91.2	78.8	112.2	**Met**	105	95	113
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	**Met**	0	0	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	0	**Met**	0	0	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	**Met**	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	-413	0	-597	**Met**	0	0	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	3,356	949	992	**Met**	2,018	3,163	4,437
Memorandum Items:							
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	3,455		0		336	336	3,543
Base Money (GMD millions)	9,796		10,448		10,953	11,531	12,110
TMU Exchange Rate (GMD/USD)	47.88	45.39	47.28		45.39	45.39	45.39

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).

[4] Monitored on a continuous basis

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 3. The Gambia: Structural Benchmarks, 2017–18			
Measures	**Timing**	**Status**	**Observations**
Enhance the timely and comprehensive provision and monitoring of debt data by establishing a back-up system.	End-March 2018	Met	
Prepare up-to date position on financial status and contingent liabilities of key SOEs, and regularly monitor SOE operations and fiscal risks.	End-December 2017	Met	
Finalize audits of all SOEs and the CBG (with donor support).	End-March 2018	Not met	Finalization of the SOE audits delayed due to unresolved procurement challenges. Re-phased and redefined (Table 4).
Compile an inventory of existing payment arrears, and cross-arrears between government and SOEs; define and approve a strategy for reducing the existing stock, and start implementing it at an appropriate pace (total of the expenditure arrears/3 years).	End-March 2018	Not met	*In progress*: Inventory of cross arrears completed, MoUs signed between agencies and government. -- Inventory of government payment arrears completed but being validated by Office of Internal Audit. --Some arrears being paid as part of 2018 budget, but to be stepped up in the 2019 budget.
Establish additional procedures adopted by MoFEA to ensure all government expenditures and revenues are entered through IFMIS.	End-December 2017	Met	
Prepare an action plan to restore the Treasury single account.	End-March 2018	Not met	*Implemented with delay*. Revised Act has been drafted in line with safeguards assessment recommendations. Draft delivered by the CBG to MoFEA on March 7, 2018.
Submit draft amendments to the CBG Act to the National Assembly, in coordination with the Ministry of Justice and the MOFEA.	End-March 2018	Not met	*In progress*. Draft Amended Act submitted by MoFEA to the Ministry of Justice (MoJ), where it is currently under review. Once MoJ's review is completed, the draft will be sent to Cabinet for its review before being submitted to the National Assembly for final approval.

Table 4. The Gambia: Structural Benchmarks, 2018		
Measures	**Desired Results**	**Timing**
Minister of Finance to authorize cancelation of the previous (local) tender for the special purpose audits of 5 key SOEs.	Enable the appointment of an auditor of international renown to perform special purpose audits of 13 SOEs.	Prior Action completed
TSA and Segregation of Accounts (PFM Reform), and Monetary Architecture		
MoFEA to inform Ministries and CBG about establishing TSA Implementation Committee.	TSA Implementation Committee meets on a monthly basis to review implementation of TSA action plan/roadmap.	End-June 2018
AGD to produce inventory of bank accounts used for the TSA.	Inventory of bank accounts allows to define the perimeter of TSA.	End-June 2018
CBG to separate and ringfence from TSA the account for operations in T-bills used for liquidity management.	Funds obtained from liquidity absorption by CBG use of T-bills not available for government financing.	End-September 2018
Adopt improved liquidity templates for liquidity forecasting purposes and use for liquidity absorption/injection operations.	Using new liquidity templates provided by Fund TA to determine size of monetary operations	End-September 2018
Debt Monitoring and Recording		
Minister of Finance to institute a semi-annual (June and December) debt reconciliation exercise with external creditors.	Reliable and complete information on end-year starting with end-2017, and mid-year debt stocks available within 8 weeks of period end.	End-June 2018
Addressing fiscal risks related to SOEs		
Issue tenders for the audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC).	Audit tenders to be issued for six key SOEs. The measure aims to address fraud, uncover hidden liabilities, prevent embezzlement of funds and stop leakages through governance changes. Audit engagement letters are to be signed with a reputable international audit company.	End-July 2018
Validate all cross and payment arrears between government and SOEs by Office of Internal Audit.	Payment and cross between SOEs and government completed final validation required. Clearance to start and be completed over 2018–20.	End-September 2018
Safeguards		
Submit draft amendments to the CBG Act—in line with safeguards assessment recommendations—to the National Assembly.	Align the central bank law with leading practices to strengthen the bank's autonomy and governance arrangements.	End-June 2018
Finalize the 2017 CBG statutory joint audit.	Joint audit (external and domestic auditors) complete a draft form which highlight the key issues for safeguard purposes.	End-September 2018
Fiscal Policy and Planning		
Implement Vehicle Reform Policy	Implementation of agreed vehicle policy in the 2018 Budget Law.	End-June 2018

Table 4. The Gambia: Structural Benchmarks, 2018		
Measures	**Desired Results**	**Timing**
Minister of Finance to authorize cancelation of the previous (local) tender for the special purpose audits of 5 key SOEs.	Enable the appointment of an auditor of international renown to perform special purpose audits of 13 SOEs.	Prior Action completed
MoFEA to submit to cabinet an MTEFF consistent with the MTDS, NDP and May donor conference outcomes.	MTEFF serves as a credible anchor for the medium-term reform and investment program ensuring fiscal and debt sustainability.	End-September 2018

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative indicative targets, and structural benchmarks that will be used to monitor under the staff monitored program (SMP) covering the period of April 2017 to March 2018. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative targets of the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

1. **Definition: The *net domestic borrowing* of the Central Government is defined as the change in net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the change in the discounted value of domestic government securities held by the non-monetary sector.** Net domestic borrowing also covers the change in any other net claims on the Central Government by the domestic non-monetary sector, as well as the change in government arrears on domestic debt service obligations. Central Government excludes local and regional governments and public enterprises. In computing the net domestic borrowing of the Central Government, on-lending of the RCF to the budget, as well as changes in the balances of the project accounts listed in Table 1 will be excluded.

2. **Adjuster: The NDB targets for end-June and end-September 2018 will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table below.** In the event that budget support is lower than programmed, upward adjustment of the NDB target may not exceed GMD 336 million.

Program Forecasts of External Budget Support Grants and Loans in 2018 (Cumulative flow in millions of US dollars)			
March 2018	June 2018	September 2018	December 2018
0.0	7.0	7.0	66.8

3. **Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 25 below.**

B. Net Domestic Assets of the Central Bank

4. Definition: The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing end-of-period market exchange rates prevailing at end-March 2017: 45.39 GMD/USD, 1.07 USD/EUR, 1.25 USD/GBP, 1.00 USD/CHF, 1.36 USD/SDR. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for March 2017, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

6. Supporting material: Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rates) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

C. Net Usable International Reserves of the Central Bank of The Gambia

7. Definition: The *net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities. *Usable reserve assets* are readily available claims on nonresidents denominated in convertible foreign currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities*** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF, but excluding any liabilities to the IMF's SDR Department.

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in paragraph 5 above.

9. Adjuster: The quarterly NIR targets for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support

grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table above.

10. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

11. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

D. New External Payments Arrears of the Central Government

12. Definition: External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate external payment arrears on its debt, except arrears arising from obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. No accumulation of new external arrears by the government is a benchmark, to be observed continuously.

13. Supporting material: An accounting of non-reschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the Central Government and other public sector entities to Paris Club and non-Paris-Club creditors.

E. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

14. Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian Dalasi. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 3, 1979 (Decision No. 6230-(79/140), as amended by Decision No. 14415–(09/91), but also to commitments contracted or guaranteed for which value has not been received. Loans or purchases from the IMF and debts with a grant element of at least 35 percent[1] are excluded from this target as is any debt with maturity of one year or less. This performance criterion will be assessed on a continuous basis.

15. Supporting material: A comprehensive record, including a loan-by-loan accounting of all new concessional and non-concessional debt contracted or guaranteed by the Central Government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. Non-concessional external debt includes financial leases

[1] To be considered concessional under this arrangement, a loan should have a grant element of at least 35 percent, calculated using the discount rate as 5 percent.

and other instruments giving rise to external liabilities, contingent or otherwise, on non-concessional terms.

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

16. Definition: **This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.**[2] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Normal trade-related credits are excluded from this target.

17. Supporting material: A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

G. Central Bank Credit to the Central Government at Non-Market Terms

18. Definition: **This target refers to the consolidated balance on the Treasury Expenditure Account, the Consolidated Revenue Fund, and other revenue accounts.** It also covers all gross claims on the Central Government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for Treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Central Government securities held by the central bank. This performance criterion will be assessed at the end of each month.

19. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in paragraphs 27 and 28 below.

H. Poverty-Reducing Expenditures

20. Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Programme; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programmes; Support to Cross-Cutting Programmes; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Programme.

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[2] The term "debt" has the meaning set forth in point No 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF o August 3, 1979 (Decision No. 6230-(79/140), as amended by Decision No. 14415-(09/91)). "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

21. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

22. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and structural benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

I. Prices

23. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

J. Government Accounts Data

24. A monthly consolidated Central Government budget report (i.e., the analytical table) on budget execution for the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; and (vi) details of budget financing (including net domestic and net external borrowing and their components).

25. End-week data on net domestic borrowing (including data on the project accounts listed in Table 1) will be transmitted weekly within five business days of the end of each week.

K. Monetary Sector Data

26. The balance sheet of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet will explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and other claims on the government. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

27. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

28. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

L. Treasury Bill Market and Interbank Money Market

29. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills outstanding (both at face value and at discounted value, and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

30. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

M. External Sector Data

31. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

32. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

33. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

34. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

35. The CBG will also forward monthly data on the volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasi within seven days of the end of each month.

N. Public Enterprises' Data

36. The MOFEA will forward within four weeks of the end of each month, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC and NFSPMC.

37. The MOFEA will forward within four weeks of the end of each month, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

O. Concessional External Debt Contracted or Guaranteed by the Central Government

38. The MOFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new domestic or external loan, the loan's terms and conditions including disbursement schedule, interest rate, grace period, maturity, interest and principal payment schedule.

39. For existing loans, the MOFEA will provide on a loan-by-loan basis, within four weeks of the Board discussion of the SMP, the outstanding disbursed stock, disbursement schedule, and interest and principal payment schedule.

Table 1. The Gambia: List of Projects Accounts at the CBD Excluded from the Calculation of NDB	
ACCOUNT NUMBER	**PROJECT ACCOUNT NAME**
1101004067	NATIONAL AGRICULTURAL LAND & WATER MANAGEMENT DEV. PROJECT (NEMA)
1103002218	BUILDING RESILIENCE TO RECURRING FOOD INSECURITY IN THE GAMBIA IDB COMPONENT
1101005064	AGRICULTURAL VALUE CHAIN PROJECT (GCAV)
1101004689	BUILDING RESILIENCE AGAINST FOOD & NUTRITION INSECURITY IN THE SAHEL PROJECT.
1101004483	GAMBIA COMMERCIAL AGRICULTURE VALUE CHAIN PROJECT.
1101004201	FOOD & AGRICULTURE SECTOR DEV. PROJECT. FASDEP
1103001613	BILINGUAL EDUCATION SUPPORT PROJECT
1101003606	DEV. OF THE UNI. OF THE GAMBIA PROJECT.
1101003709	AFRICA CENTRE OF EXCELLENCE (ACE)
1103001974	RESULTS FOR EDUC. ACHIEVEMENT & DEV. (READ)
1101000832	RURAL WATER & SANITATION PROJECT
1103001754	TRANS GAMBIA CORRIDOR PROJ.
1103000685	GLOBAL FUND MALARIA GRANT
1101003864	GEF PROJ. IMPLEMENTATION IN THE GAMBIA UNIDO/GEF 5 PROJ. MNGMNT. OFFICE
1101004304	IFMIS ADDITIONAL FINANCING PROJ.
1101004988	INST. SUPPORT ECON/FIN GOV (ISEFG) III PROJ.
1101004902	NDEMBAN ULTRA MODERN TVET CENTRE PROJ.
1201200015	LIVESTOCK DEVELOPMENT PRJ
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF

Table 1. The Gambia: List of Projects Accounts at the CBD Excluded from the Calculation of NDB (concluded)

ACCOUNT NUMBER	PROJECT ACCOUNT NAME
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200434	LIVESTOCK H/DEVELOPMENT PROJ
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200360	SDF (EDMDP) PRJ
3201200361	SDF (EDMDP) CREDIT FUNDS
3201200363	IDA 3RD EDUC. PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200483	IDB SUPPORTED MALARIA PROJECT
3201200486	IFMIS II
3201200495	GCP
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV
3201200497	GLOBAL FUND/ TB
3201200400	PROJ. IMPL. MNGMT A/C PIMA

INTERNATIONAL MONETARY FUND

THE GAMBIA

June 18, 2018

SECOND REVIEW UNDER THE STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS[1]

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Prepared by the staffs of the International Monetary Fund and the International Development Association

An updated debt sustainability analysis (DSA) indicates that The Gambia is currently in external debt distress and that public debt is unsustainable. Both external and domestic debt are very high, and a significant pipeline of already-contracted loans poses risks to solvency. External debt stock indicators have deteriorated since the March 2018 DSA, and all five external debt burden indicators breach their indicative thresholds by large margins and for an extended period in the passive scenario and in the active (baseline) scenario. The stress test results illustrate the country's high vulnerability to shocks, total public debt is expected to remain elevated throughout the projection period, rollover risks associated with the short maturity of domestic debt are high, and contingent liabilities related to SOE debt pose additional risks. Furthermore, the sustained primary surpluses needed to reduce public debt would be politically and socially challenging given The Gambia's substantial development needs. New borrowing would need to be on highly concessional terms and reserved for the very highest priority projects for which grant-financing is not available. The government should also refrain from offering any guarantees. An illustrative scenario shows how debt relief (comprising a deferral of principal due to plurilateral, bilateral official and private creditors and a softening of the terms of the already contracted loans)—complementing the implementation of a sound medium-term fiscal framework and debt strategy—could be instrumental in restoring debt sustainability.

[1] The DSA update was prepared by IMF and World Bank staff in collaboration with the authorities of The Gambia. The analysis updates the previous Joint DSA dated March 7, 2018 (IMF Country Report No. 18/99). For the purpose of defining debt burden thresholds under the Debt Sustainability Framework (DSF), The Gambia is classified as a weak policy performer. The Gambia's average rating on the World Bank's Country Policy and Institutional Assessment (CPIA) for the period 2014–16 is 3.00. The corresponding indicative thresholds are: 30 percent for the present value (PV) of debt-to-GDP ratio; 100 percent for the PV of debt-to-exports ratio; 200 percent for PV of debt-to-revenue ratio; 15 percent for the debt service-to-exports ratio; and 18 percent for the debt service-to-revenue ratio.

BACKGROUND

1. **The Gambia's public and publicly guaranteed (PPG) external debt level is very high.** Based on available information, external debt stood at 69 percent of GDP at end-2017 (Text Table 1). The creditor base is dominated by multilateral (35 percent) and so-called 'plurilateral' creditors (35 percent), most notably the Islamic Development Bank. Non-Paris Club creditors (24 percent) are the other major bilateral official creditor category, with a small amount owed to members of the Paris Club and to one external private creditor. Central government domestic debt is also very high, amounting to 60 percent of GDP (Text Table 2), and the large share of T-bills and short- maturity debt means that rollover risks are significant.

Text Table 1. The Gambia: Structure of PPG External Public Debt at end-2017

	Nominal Value			Present Value[1]		
		Percent of			Percent of	
	US$ millions	GDP	External Debt	US$ millions	GDP	External Debt
Total External	**685.6**	**67.5**	**100.0**	**489.3**	**48.1**	**100.0**
Multilateral creditors	**239.8**	**24.1**	**35.8**	**149.1**	**15.0**	**31.2**
International Development Association	105.1	10.6	15.7	58.3	5.9	12.2
African Development Bank	55.4	5.6	8.3	31.4	3.2	6.6
International Monetary Fund	51.5	5.2	7.7	41.3	4.2	8.6
International Fund for Agricultural Development	27.7	2.8	4.1	18.2	1.8	3.8
Plurilateral creditors	**238.8**	**24.0**	**35.6**	**180.1**	**18.1**	**37.7**
Islamic Development Bank	141.8	14.3	21.2	102.7	10.3	21.5
Arab Bank for Economic Development in Africa	43.4	4.4	6.5	32.5	3.3	6.8
OPEC Fund for International Development	34.6	3.5	5.2	28.9	2.9	6.1
ECOWAS	18.9	1.9	2.8	15.9	1.6	3.3
Bilateral Official creditors	**163.4**	**15.2**	**22.6**	**128.6**	**12.0**	**24.9**
Paris Club	5.6	0.6	0.8	4.6	0.5	1.0
Non-Paris Club	157.7	15.9	23.5	123.9	12.5	26.0
Of which: Kuwait Fund for Arab Economic Development	42.7	4.3	6.4	33.5	3.4	7.0
Of which: Saudi Fund for Development	30.2	3.0	4.5	16.7	1.7	3.5
Of which: Export-Import Bank of India	28.0	2.8	4.2	22.9	2.3	4.8
Private creditors	**43.7**	**4.1**	**6.0**	**31.5**	**2.9**	**6.1**

Sources: The Gambian authorities, major creditors, and IMF staff calculations

[1] Calculated at a discount rate of 5 percent, see IMF (2013) "Unification of Discount Rates Used in External Debt Analysis for Low-Income Countries".

Text Table 2. The Gambia: Structure of Domestic Debt at end-2017

		Percent of	
	GMD millions	Total Domestic Debt	GDP
Total	**28,388**	**100.0**	**60.0**
Marketable debt	**16,402**	**57.8**	**34.7**
T-bills	14,195	50.0	30.0
held by Banks	10,840	38.2	22.9
held by Non Banks	3,354	11.8	7.1
Bonds	2,208	7.8	4.7
held by Banks	1,551	5.5	3.3
held by Non Banks	657	2.3	1.4
Non-marketable debt	**11,986**	**42.2**	**25.3**
CBG Bond (30-Year)	10,420	36.7	22.0
Restructured NAWEC bond	1,566	5.5	3.3

Sources: The Gambian authorities; and IMF Staff.

2. External debt at end-2017 was substantially higher than forecast at the time of the RCF/SMP request in June 2017 and exceeded the level projected in March 2018. The end-2017 debt stock was 6 percentage points of GDP higher than projected in March 2018 and over 17 percentage points of GDP relative to the June 2017 DSA (Text Table 3). The forecast error was driven by the recognition of a substantial external private debt ($44 million, 4.4 percent of GDP at end-2017) incurred under the previous regime and treated as supplier's arrears but not captured in the government's debt database, even-faster project disbursements (7.9 percentage points of GDP), and the findings from a debt reconciliation exercise with external creditors in the summer of 2017 (4 percentage points of GDP). Higher-than-anticipated revenues compensated in part for the hike in capital spending relative to June 2017 estimates, and the deterioration in the overall fiscal deficit was limited to 4 percentage points of GDP, with the overall deficit increasing to 7.9 percent of GDP.

Text Table 3. Determinants of the forecast-error in the public external debt-to-GDP ratio at end-2017 relative to the June 2017 DSA.

	Percent
Unexpected debt creating flows	
Recognition of an external private debt	4.4
Debt recognition with external creditors	4.0
Faster-than-envisaged project disbursement	7.9
Others (including ex. rate changes)	2.0
Total	**18.3**

Source: IMF staff estimates

3. There is a large pipeline of already-contracted, but not yet disbursed debt, including two newly-signed loans, which may drive debt accumulation in the near-term (Figure 1). Following the signing of two new external loans in recent months (including one short-term trade-credit facility with a grant-element below the required 35 percent minimum),[2] The Gambia's pipeline of already-contracted debt has grown to almost $412 million (41 percent of GDP, Text Table 4) from an estimated $350 million in the previous DSA, just over half of which is concessional on current terms (i.e., with grant element of 35 percent or higher). The authorities expect high project execution to continue in 2018 and 2019, with $168 million (17 percent of GDP or about 40 percent of the pipeline loans) forecast to disburse over this period. Cumulatively, project loan disbursements are expected to be 17.4 percent of GDP higher over 2018–23 than in the June 2017 DSA. Given the risks posed by this large pipeline, it is essential that the authorities carefully review and re-prioritize their existing project pipeline in the context of the National Development Plan (NDP). This exercise should include cancellation of loans where appropriate, and seeking improvements in the terms to raise their grant elements (which could be achieved through a combination of replacing loans with grants, reducing interest rates, renewing grace periods, and extending maturities). Furthermore, mechanisms to avoid cost over-runs should be put in place.

[2] As discussed in the Staff Report (¶10) and MEFP (¶5 and ¶19), this resulted in a breach of the zero-limit on contracting of non-concessional debt at end-December 2017.

Text Table 4. The Gambia: Pipeline of Already-Contracted Debt

	Disbursement Pipeline (USD mn)	
	Total undisbursed at end-2017	Projected disbursements for 2018-19 [1]
IDA	58.1	6.0
AfDB	13.0	3.6
Other Multilaterals/Plurilaterals	169.1	84.4
Non-Paris Club Bilateral	171.7	73.8
Total	**411.9**	**167.9**

Sources: The Gambian authorities; and IMF Staff.

[1] Before re-Prioritization exercise.

4. **The International Conference for The Gambia, held in Brussels on May 22–23, 2018, generated just over $1.5 billion (151 percent of GDP) in pledges of financial support, more than half in the form of grants.** The total new grant financing mobilized exceeded $750 million, all of which is expected to be committed to projects/operations during the period of the NDP (2018–21). Most of the new funding will be directed toward project support, with smaller amounts set aside for budget support, institutional support (including a €150 million grant to support the Commission of Enquiry), technical assistance, and trade financing. A further $700 million in development lending to support the NDP was pledged, at varying levels of concessionality and mostly from The Gambia's current plurilateral creditors.

5. **The Gambia has approached its external creditors regarding a potential debt restructuring**. China agreed to forgive its existing debts in late 2017, while the Saudi Fund for Development agreed to a debt rescheduling[3] in early 2018. Discussions are ongoing with Kuwait Fund and BADEA on possible concessions on their pre-existing loans. Liabilities to private creditors are being serviced but are subject to validation and could be considered for concessions. The authorities also met with their key plurilateral creditors on the sidelines of the International Conference to discuss the possibility of further debt relief.

6. **Economic activity has rebounded since early 2017 and inflation has declined.** The rebound in economic activity was supported by favorable weather conditions and a pickup in tourism (a key sector for the Gambia), yielding an estimated 3.5 percent real GDP growth for 2017 compared to 2.2 percent in 2016. The improved political environment and increased availability of foreign exchange also helped pave the way to a rebound in private activity. Private sector credit grew by 13.8 percent

[3] China provided full debt forgiveness on about $14 million in debt contracted in the 1980s. The Saudi Fund restructuring involves a rescheduling by 15 years, on average, of principal payments falling due in 2018–21 (equivalent to providing new financing with a 36 percent grant element). The Saudi operation applies to $24 million in currently outstanding debt (a large share of total Saudi claims), as well as a further $10 million in undisbursed balances; and represents an NPV haircut of 8 percent on the current stock of debt owed to Saudi Arabia.

(year-on-year) as of end-April 2018 compared to -1.2 percent at end-2017, reflecting banks' switch to private lending as sovereign borrowing slowed and yields on government securities declined. Helped by an abundance of food and a more stable exchange rate, consumer price inflation eased steadily during the year from 8.8 percent (year-on-year) at end-January 2017 to 6.6 percent at end-April 2018.

7. Conditions in the domestic debt market have improved. Average T-bill rates have fallen sharply, from a weighted average (across maturities) of 18.9 percent in October 2016 to an average of 8.6 percent in mid-May 2018, as increased donor support, and a pickup in revenues helped the government reduce domestic borrowing. With market conditions more favorable, in 2017 the authorities issued 3-year and 5-year domestic bonds for the first time, an important step in their strategy to extend domestic maturities. However, the government also agreed to assume a substantial share (1.9 percent of GDP) of the domestic liabilities of the National Water and Electricity Company (NAWEC) in the context of the World-Bank-supported Energy Roadmap, which has further added to the domestic debt stock.[4]

8. Debt management, monitoring, and recording capacity is weak. Developing the capacity to monitor project disbursements more reliably and conduct timely and accurate debt recording will be critical if The Gambia is to successfully manage its debt vulnerabilities going forward. Given the authorities' difficulties in accurately recording the external debt stock, the introduction of a bi-annual (June and December) reconciliation exercise with external creditors is now a structural benchmark under the Staff Monitored Program (SMP), and may result in further revisions to the 2017 debt stock. An IMF-World Bank technical assistance mission in 2017 provided the authorities with assistance in developing a Medium-Term Debt Strategy (MTDS). Further TA in this area will focus on updating this MTDS for recent developments and the outcomes of the international conference, and integrating it with a Borrowing Plan and Medium-Term Economic and Fiscal Framework that are consistent with restoring and maintaining debt sustainability. Relatedly, US AID will also be providing broader TA in this area based on an assessment of the current regulatory framework, institutional framework, strategies, policies and processes, and staff capacity related to debt management. The authorities have also requested World Bank TA to assist them in formulating a Debt Management Reform Plan.

DEBT COVERAGE

9. The updated DSA includes all known public and publicly guaranteed external debt.[5] SOEs domestic and unguaranteed external debts are not included in the baseline DSA, except where they are already serviced by the government (including the NAWEC debts assumed by the government in 2018, although the full repayment terms for some of these facilities have not yet been agreed).[6] A tailored contingent liability stress test in the public DSA assumes that the government becomes responsible for

[4] Disclosed in a Staff Supplement to the 2017 Article IV (IMF Country Report No. 18/99) on March 19, 2018, but only included as a contingent liability in the March 7, 2018 DSA.

[5] The only exception is a short-term trade finance facility, which is on-lent by the government to SOEs.

[6] As a simplifying assumption, it is assumed the repayment terms on all of these debts correspond to those on the restructured NAWEC bond.

servicing the entire remaining known stock of SOE debt, estimated at 8.2 percent of 2018 GDP (which is now lower than in March 2018, following the assumption by the central government of the majority of NAWEC's domestic debt). However, deficiencies remain in the government's information on the extent and terms of SOE external debts, including non-guaranteed debts and, as a result, the known stock of these liabilities may be revised upward once the special audits of SOEs are completed.

MACRO-FISCAL ASSUMPTIONS

10. The DSA presents results under two possible scenarios for government policy. The "active" scenario, corresponding to the SMP baseline in the staff report, features substantial grant-financed investment, minimal contracting of new debt (and only on highly-concessional terms), domestic expenditure reform and revenue mobilization, macro-stability, and a step-up in private sector growth. Conversely, in the "passive' scenario", the government undertakes less domestic fiscal effort and continues to contract external debt at a similar pace to recent years, resulting in rapid further debt accumulation, increased domestic interest rates and inflation, and relatively weak growth returns to very high levels of public investment. Comparison of assumptions is presented in Text Tables 5–6.

11. Assumptions under the 'active' scenario include:

- The new grants pledged for project support (estimated at around $580 million) at the international conference are committed over the NDP period (2018–21), although given project timelines and absorption constraints, these grants are not fully disbursed until 2025 Budget support (in the form of grants) comprises €100 million already pledged by the EU for 2018–21 and $7 million from the AfDB in 2018, as well an assumed $80 million from the World Bank's IDA in 2018–20, and is mostly used to reduce recourse to domestic borrowing.[7] In the longer term, grants for budget support are assumed to taper off from 10 percent of GDP in 2023 to 3½ percent of GDP by 2030.

- Disbursements on the substantial pipeline of existing project loans are incorporated, based on the contractual terms; an average grant element of 54 percent from major multilaterals, 29 percent from plurilateral creditors, and 38 percent from bilateral creditors. However, in the context of the authorities' efforts to re-prioritize the pipeline, a more gradual pattern of projects loans disbursements is assumed and new debt contracting is extremely limited (about 10 percent of the pledges) over the medium term, and reserved for critical projects financed on highly concessional terms.

- Government short- and medium-term measures to increase the efficiency of public expenditures are implemented. At the same time, improved governance and tax administration support improved revenue mobilization, with the ratio of domestic

[7] The World Bank's IDA contributions include $60 million from IDA18 and $20 million from IDA19.

revenue-to-GDP progressively rebounding to the levels observed in 2013–15 (about 20 percent of GDP in the medium term).

- Increased (grant-financed) public investment and a pickup in private credit underpin stronger real GDP growth rates in the near term, with longer-term growth expected to stabilize at 4.8 percent. Inflation gradually falls back to just below the Central Bank of The Gambia's 5 percent target and, following the substantial fall in domestic interest rates in 2017, domestic interest rates stabilize at an average of 2 percent in real terms over the projection period. The current account deficit is expected to remain substantial in the medium term, reflecting the high import content of public investment.

Text Table 5. Selected Macroeconomic Indicators (2016–24)

	2016	2017	2018	2019	2020	2021	2022	2023	15-year average[1]
Real GDP Growth (percent)									
Current DSA: 'active' scenario	2.2	3.5	5.4	5.4	5.2	5.0	4.8	4.8	4.6
Current DSA: 'passive' scenario	2.2	3.5	5.4	5.2	4.9	4.8	4.8	4.8	4.8
Previous DSA[2]	2.2	3.5	5.4	5.2	4.9	4.8	4.8	4.8	4.8
CA deficit (percent of GDP)[3]									
Current DSA: 'active' scenario	8.9	19.3	19.0	20.5	21.0	21.4	20.2	17.8	15.7
Current DSA: 'passive' scenario	8.9	19.3	23.0	24.6	24.6	24.4	22.7	20.5	18.6
Previous DSA[2]	8.9	14.3	18.4	16.9	14.4	13.2	14.1	13.6	15.2
Exports of goods and services growth (percent)[4]									
Current DSA: 'active' scenario	5.0	-20.5	28.0	12.8	11.3	8.7	9.8	7.3	5.9
Current DSA: 'passive' scenario	5.0	-20.5	28.0	11.3	9.5	6.8	8.5	6.0	6.1
Previous DSA[2]	5.0	-6.0	16.9	9.3	9.0	8.2	8.0	6.5	6.5
Imports of goods and services growth (percent)[4]									
Current DSA: 'active' scenario	-10.2	28.1	17.4	8.5	6.6	5.1	3.8	2.8	5.3
Current DSA: 'passive' scenario	-10.2	28.1	18.4	9.0	6.1	4.4	3.2	2.5	5.4
Previous DSA[2]	-10.2	23.2	20.5	3.2	0.9	4.0	4.4	6.1	6.2
Public investment (percent of GDP)									
Current DSA: 'active' scenario	6.4	15.6	16.0	16.1	17.7	17.3	17.1	15.4	9.1
Current DSA: 'passive' scenario	6.4	15.8	16.5	17.9	18.5	17.6	16.8	16.0	10.2
Previous DSA[2]	6.4	14.8	17.0	13.3	10.0	8.6	8.3	8.0	7.8
Overall fiscal deficit[5]									
Current DSA: 'active' scenario	9.8	7.9	3.9	0.6	1.9	2.1	1.8	0.9	0.6
Current DSA: 'passive' scenario	9.8	7.9	10.3	9.5	9.9	9.8	9.5	9.6	9.7
Previous DSA[2]	9.8	3.9	0.8	1.7	1.2	-0.3	0.6	0.0	-0.3

[1] Defined as the simple average of the last 15 years of the projection (2024-38).
[2] March 2018 (Debt Sustainability Analysis)
[3] Includes worker's remittances
[4] In current dollar terms, including re-exports.
[5] Includes re-exports and grants.

12. **The assumptions underpinning the 'passive' scenario include**:

- In addition to disbursements from the existing loan pipeline (as in the "active" scenario), the government maintains a similar pace of new debt contracting as in previous years, resulting in the disbursement of an additional $300 million of new moderately concessional (35 percent grant element) loans in 2018–25.

- As in the "active" scenario, new grants pledged at the donor conference are assumed to disburse over 2018–25, but in the context of weak policy performance, it is assumed that only 70 percent of the new project support is ultimately mobilized (Text Table 6). Given the stronger conditionality on budget support, these grants are assumed to fall by $100 million to around half the level in the "active" scenario over 2018–21.

- Measures to boost revenue mobilization and streamline public expenditures are not implemented, which alongside lower budget support grants and high disbursements on project support loans, result in the fiscal balance worsening by about 9 percentage points of GDP relative to the "active" scenario in the medium-term, of which 4 percentage points is accounted for by higher interest costs, and 2½ percentage points by lower grants.

- Public investment rates are higher than under the baseline scenario, but constraints on absorption capacity and investment efficiency and crowding out of the private sector result in sharply diminished growth returns. High domestic borrowing by the government contributes to a pickup in inflation, an increase in domestic interest rates, and depreciation of the dalasi. The return of macro-instability further deters private investment, resulting in marginally lower growth than in the "active scenario", despite the looser fiscal stance.

- The scenario does not incorporate the likely negative growth effects that the incurrence of external arrears and the deterioration in the overall macroeconomic environment would entail but are difficult to incorporate in a deterministic framework underlying the DSA, given the endogeneity and policy interactions involved. Nevertheless, the budgetary and financial implications of the "passive" scenario already point to a severe fiscal and balance-of-payments crisis, even without incorporating these effects.

DSA RESULTS

13. External debt stock indicators have deteriorated further since the March 2018 DSA, with all five external debt burden ratios breaching their indicative thresholds in the "active" (baseline) scenario for an extended period (Figure 1 and Table 1). With the addition of payments on the newly incorporated external private debt, external public debt service-to-exports and debt service-to-revenue ratios breach their respective thresholds by large margins (about 50 percent in 2018), and stay above them until 2025 and 2028, respectively (with the exception of 2022).[8] The PV of PPG external debt-to-GDP reached 49 percent in 2017, 3 percentage points higher than in the March 2018 DSA, and 19 percentage points above the threshold, although an upcoming GDP-rebasing is likely to reduce the size and duration of the breach. The PV of debt-to-exports and PV of debt-to-

[8] The hump in the profile of debt service ratios in 2023–24 is spread among several creditors.

revenue ratios (271 percent, and 296 percent in 2017, respectively) are also well above their indicative thresholds (100 percent and 200 percent, respectively.

Text Table 6. External financing assumptions, (2018–38)

(Percent of GDP)

	2018	2019	2020	2021	2022	2023	2024	2025-30	2031-38
Active Scenario									
Budget Support loans	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.0	0.0
Project loans	7.1	4.2	4.9	4.4	4.3	3.6	2.8	2.5	2.3
Already-signed	*7.1*	*3.4*	*3.9*	*3.5*	*3.5*	*2.8*	*2.2*	*0.6*	*0.0*
New Projects	*0.0*	*0.8*	*1.0*	*0.9*	*0.9*	*0.8*	*0.6*	*1.9*	*2.3*
Total loans	**7.1**	**4.2**	**4.9**	**4.8**	**4.7**	**3.9**	**3.1**	**2.5**	**2.3**
Budget Support grants	6.3	4.8	3.7	2.5	2.1	2.0	1.9	1.6	1.1
Pledged	*6.3*	*4.8*	*3.3*	*2.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Unpledged	*0.0*	*0.0*	*0.4*	*0.4*	*2.1*	*2.0*	*1.9*	*1.6*	*1.1*
Project grants	*6.3*	*8.9*	*9.4*	*9.2*	*9.1*	*8.1*	*6.6*	*2.4*	*1.7*
Already-signed	*3.2*	*1.6*	*1.0*	*0.9*	*0.9*	*0.8*	*0.0*	*0.0*	*0.0*
Pledged	*3.1*	*7.3*	*7.7*	*6.8*	*6.5*	*5.3*	*4.7*	*0.5*	*0.0*
Unpledged	*0.0*	*0.0*	*0.8*	*1.5*	*1.7*	*2.0*	*1.9*	*1.9*	*1.7*
Total grants	**12.6**	**13.7**	**13.1**	**11.7**	**11.2**	**10.1**	**8.5**	**4.0**	**2.8**
Passive Scenario									
Budget Support loans	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.0	0.0
Project loans	9.4	5.6	4.2	3.5	3.2	2.5	6.0	4.0	3.3
Already-signed	*9.4*	*5.6*	*4.2*	*3.5*	*3.2*	*2.5*	*1.7*	*0.4*	*0.0*
New Projects	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*4.3*	*3.6*	*3.3*
Total loans	**9.4**	**5.6**	**4.2**	**3.8**	**3.5**	**2.8**	**6.3**	**4.0**	**3.3**
Budget Support grants	3.4	2.6	2.8	2.7	2.2	2.1	2.0	1.7	1.2
Pledged	*3.4*	*2.6*	*2.4*	*2.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Unpledged	*0.0*	*0.0*	*0.4*	*0.4*	*2.2*	*2.1*	*2.0*	*1.7*	*1.2*
Project grants	*5.2*	*7.3*	*7.9*	*6.7*	*6.4*	*5.4*	*4.3*	*2.3*	*1.8*
Already-signed	*3.4*	*1.7*	*1.0*	*1.0*	*0.9*	*0.9*	*0.0*	*0.0*	*0.0*
Pledged	*1.8*	*5.6*	*6.9*	*5.0*	*4.7*	*3.8*	*3.6*	*0.4*	*0.0*
Unpledged	*0.0*	*0.0*	*0.0*	*0.8*	*0.7*	*0.7*	*0.7*	*1.9*	*1.8*
Total grants	**8.5**	**9.8**	**10.7**	**9.4**	**8.6**	**7.5**	**6.3**	**4.0**	**2.9**
memo: March 2018 DSA Budget Support loans	*0.0*	*0.0*	*0.1*	*0.3*	*0.3*	*0.3*	*0.3*	*0.1*	*0.0*
memo: March 2018 DSA Project loans	*7.1*	*5.1*	*3.5*	*2.9*	*2.6*	*2.4*	*1.7*	*1.1*	*1.7*
memo: March 2018 DSA Budget Support grants	*5.2*	*4.3*	*3.6*	*3.7*	*1.9*	*1.8*	*1.8*	*1.7*	*1.5*
memo: March 2018 DSA Project grants	*8.0*	*5.7*	*3.3*	*2.6*	*2.4*	*2.4*	*2.3*	*2.1*	*1.8*

Source: The Gambian authorities, World Bank, AfDB, EU, and IMF calculations

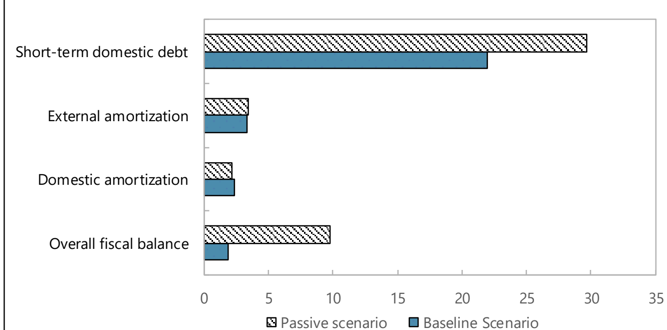
14. The stress test results underscore The Gambia's high vulnerability to external shocks (Figure 2). All five indicators show very large breaches under the stress tests, and remain above threshold levels for most (or all) of the projection period. The shock with the biggest effect across all five indicators is the combination shock, reflecting The Gambia's multiple sources of vulnerability, and the frequent occurrence of large shocks in recent years.

15. The public DSA underscores vulnerabilities arising from the high level and short maturity of domestic debt in the "active" (baseline) scenario (Figure 2 and Table 2). The PV of total public debt increased further to 109 percent-of-GDP in 2017, and despite higher grant inflows, is now expected to remain above the benchmark until 2036. Higher external debt service and increased fiscal deficits have resulted in greater public gross financing needs (by about 2.3 percentage points of GDP relative to the previous DSA). They amount to 29 percent of GDP in the medium term, and are mostly driven by rollover of the large short-term domestic debt stock. While the GDP-rebasing is likely to reduce the PV of debt-to-GDP ratio somewhat, debt service will remain extremely high relative to revenues, with debt-service to revenue, excluding grants expected to average 53 percent over 2018–20 (against 31 percent when grants are included).

16. Given the high level of public debt ratios, they are sensitive to all stress tests, but particularly to a depreciation of the exchange rate. Under a one-time depreciation of the exchange rate by 30 percent in 2019, the PV of debt-to-GDP would deteriorate by more than 20 percent, to reach 116 percent against 95 percent in the baseline scenario. Debt service would increase by 3 percentage points of revenues relative to the baseline scenario. Furthermore, risks from the contingent liabilities of SOEs remain substantial, and their materialization would result in a further deterioration in the debt burden indicators.

17. With continued new debt contracting and more limited availability of budget support grants in the "passive" scenario, The Gambia might rapidly fall into arrears on its external debt obligations (Figures 3 and 4 and Tables 3–4). In the "passive" scenario, the PV of external debt-to-GDP continues to increase until 2023, peaking at 55 percent. With large fiscal deficits, increased recourse to domestic borrowing means that total public debt only marginally declines, and gross financing needs increase (averaging 45 percent in the medium term), as the composition of public debt shifts further toward short-term domestic debt (Text Figure 1). The debt service indicators breach their thresholds for most of the projected horizon, and the reduced availability of budget support grants in this scenario would increase the likelihood of difficulties in meeting these needs. While not incorporated in the scenario, the incurrence of external arrears could rapidly lead to a marked reduction of capital (particularly debt) inflows, depreciation of the exchange rate and a sharp and severe growth slow-down.

Text Figure 1. Average Gross Financing Needs, 2018–23
(Percent GDP)



18. 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 by large margins and for an extended period, indicating protracted difficulties in meeting debt servicing obligations.

19. There are also significant risks stemming from domestic debt, and overall public debt is unsustainable. The overall level of public debt is expected to remain high throughout the projection period, and rollover risks associated with the short-term maturity of domestic debt are significant. As a result, in the near-term even minor shocks could push domestic interest rates into double-digit levels, and leave Gambia unable to meet its financing requirements. Furthermore, the decline in the PV of total public debt in the "active" scenario is dependent on the government running substantial primary surpluses in the medium term, which would likely prove extremely socially and politically challenging given The Gambia's substantial development needs. Space for any new borrowing is very limited, and new borrowing would need to be on highly concessional terms and reserved for the very highest priority projects for which grant-financing is not available. The government should avoid compounding fiscal risks, and refrain from contracting any guarantees that would add to the already high level of public and publicly guaranteed debt.

20. The authorities ongoing actions to address the existing debt burden are needed to restore debt sustainability. The government has approached its creditors to request debt relief, which would immediately reduce debt servicing requirements and the present value of debt. In this regard, the recent examples set by China (debt forgiveness) and the Saudi Fund (extension of the grace period and debt maturity) could serve as precedents. Estimated debt service due to plurilateral, and bilateral official and private creditors over the next five years is substantial (altogether $180 million, Text Table 7), and restructuring or rescheduling[9] these claims could immediately mitigate near-term vulnerabilities. It is of equal importance that the authorities re-prioritize their existing project pipeline in the context of the NDP, including cancelling lower-priority projects where appropriate, and seek improvements in the terms of the already-contracted loans to raise their grant element (which could be achieved through a combination of replacing loans with grants, reducing interest rates, renewing grace periods, and extending maturities).

Text Table 7. External Debt Service Needs (2019–2023)

		Principal coming due (2019-23)			Total debt service (2019-23)		
	Nominal value of debt outstanding (US$ millions)	US$ millions	Percent of Revenue	Percent of Exports	US$ millions	Percent of Revenue	Percent of Exports
Total External	**685.6**	**207.1**	**15.6**	**12.8**	**242.1**	**18.3**	**15.0**
Multilateral creditors	**239.8**	**54.7**	**4.1**	**3.4**	**61.6**	**4.6**	**3.8**
International Development Association	105.1	10.7	0.8	0.7	14.3	1.1	0.9
African Development Bank	55.4	8.4	0.6	0.5	10.7	0.8	0.7
International Monetary Fund	51.5	29.3	2.2	1.8	29.3	2.2	1.8
International Fund for Agricultural Development	27.7	6.2	0.5	0.4	7.2	0.5	0.4
Plurilateral creditors	**238.8**	**81.2**	**6.1**	**5.0**	**92.9**	**7.0**	**5.8**
Islamic Development Bank	141.8	47.4	3.6	2.9	51.8	3.9	3.2
Arab Bank for Economic Development in Africa	43.4	14.2	1.1	0.9	16.7	1.3	1.0
OPEC Fund for International Development	34.6	14.4	1.1	0.9	16.9	1.3	1.0
ECOWAS	18.9	5.2	0.4	0.3	7.5	0.6	0.5
Bilateral Official creditors	**163.4**	**54.3**	**4.1**	**3.4**	**70.8**	**5.3**	**4.4**
Kuwait	42.7	11.7	0.9	0.7	15.4	1.2	1.0
Saudi	30.2	2.7	0.2	0.2	4.0	0.3	0.3
India	28.0	10.7	0.8	0.7	12.5	0.9	0.8
Venezuela	18.0	6.9	0.5	0.4	9.1	0.7	0.6
Taiwan	17.3	9.1	0.7	0.6	11.3	0.8	0.7
UAE	17.2	5.9	0.4	0.4	7.3	0.6	0.5
Netherlands	4.3	4.3	0.3	0.3	8.2	0.6	0.5
Libya	4.0	2.0	0.2	0.1	2.0	0.2	0.1
Austria	1.7	1.0	0.1	0.1	1.0	0.1	0.1
Private creditors	**43.7**	**16.8**	**1.3**	**1.0**	**16.8**	**1.3**	**1.0**

Sources: The Gambian authorities, major creditors, and IMF staff calculations

[9] Or alternatively by providing new highly concessional financing to cover this debt service.

21. A simple simulation suggests that The Gambia's debt can be put on a sustainable path within the scope of the measures outlined in ¶20 above (Box 1). An illustrative scenario, featuring a five-year deferral of all principal due to plurilateral, official bilateral, and private creditors and softening of the terms of the already contracted but undisbursed project loans from these creditors—complementing the implementation of a sound medium-term fiscal framework and debt strategy—delivers a substantial debt relief that could restore debt sustainability. This is evident in an improvement in the critical debt service-to-revenue and debt service-to-exports indicators, and a significant reduction in the PV of the overall public debt and gross financing needs. This flow relief would achieve a significant reduction in domestic borrowing requirement and maintain much needed space for critically important social and development spending. Separately, the PV of external and total public and publicly guaranteed debt to GDP will likely be substantially reduced as a result of the GDP rebase. This, together with the improvement in debt service-to-revenue and debt service-to-exports indicators, would imply a markedly lower probability of The Gambia's falling into external debt arrears. Additional improvement could be realized from interest reduction. For example, a reduction of interest rates, on all debt subject to this deferral, to an average of 1 percent would generate, in the near term, about 0.3 percent of GDP in interest savings per year.

Box 1. Restoring Debt Sustainability in The Gambia: "Active Plus" Scenario

This illustrative "active plus" scenario shows how debt relief in the context of an active scenario (underpinned by the implementation of a sound medium-term fiscal framework and debt strategy) could contribute to restoring debt sustainability. The key assumptions are:

- A five-year deferral on principal repayments to plurilateral, bilateral official and private creditors during 2019–23. This is assumed to be delivered by adding five years to the grace and maturity period of all loans, in a manner similar to the Saudi Fund's debt restructuring operation earlier in 2018. This reduces the need for domestic borrowing and allows the government to pay down (expensive) domestic debt.
- The terms on the undisbursed pipeline of loans signed under the previous regime ($343 million) are improved (by extending grace periods and maturity and reducing interest rates) to achieve an average grant element of 50 percent.

In this scenario, the external debt service indicators would fall well-below their thresholds during the deferral period and, while they rise thereafter, they remain below the thresholds throughout the projection period. The PV of the external debt would remain broadly unaffected, but the outlook for overall public debt would improve, through a significant reduction in the stock of short-term domestic debt during the deferral of external debt repayment, translating into permanent savings on the interest bill.

Debt Burden Indicators in the Restructuring Scenario

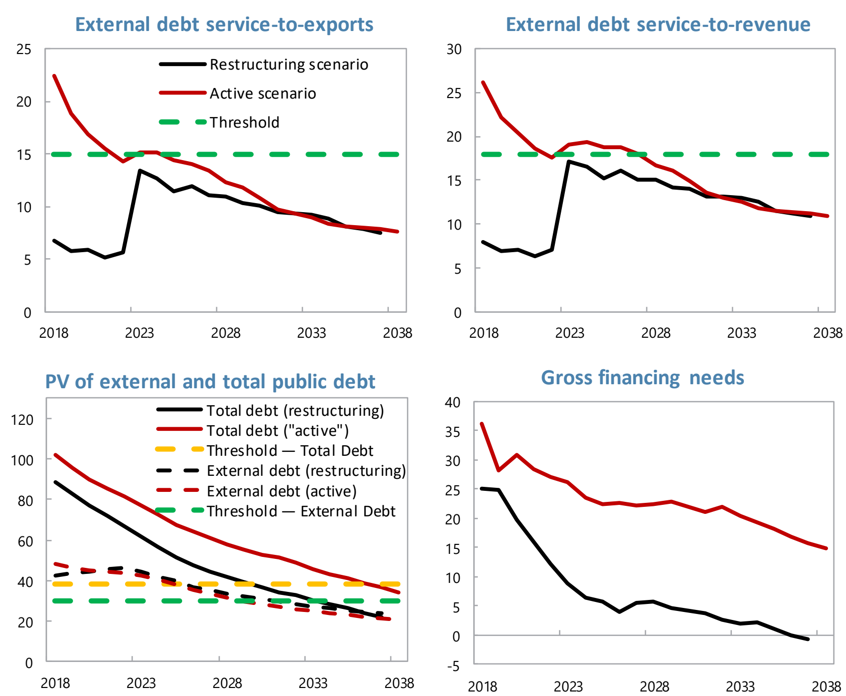
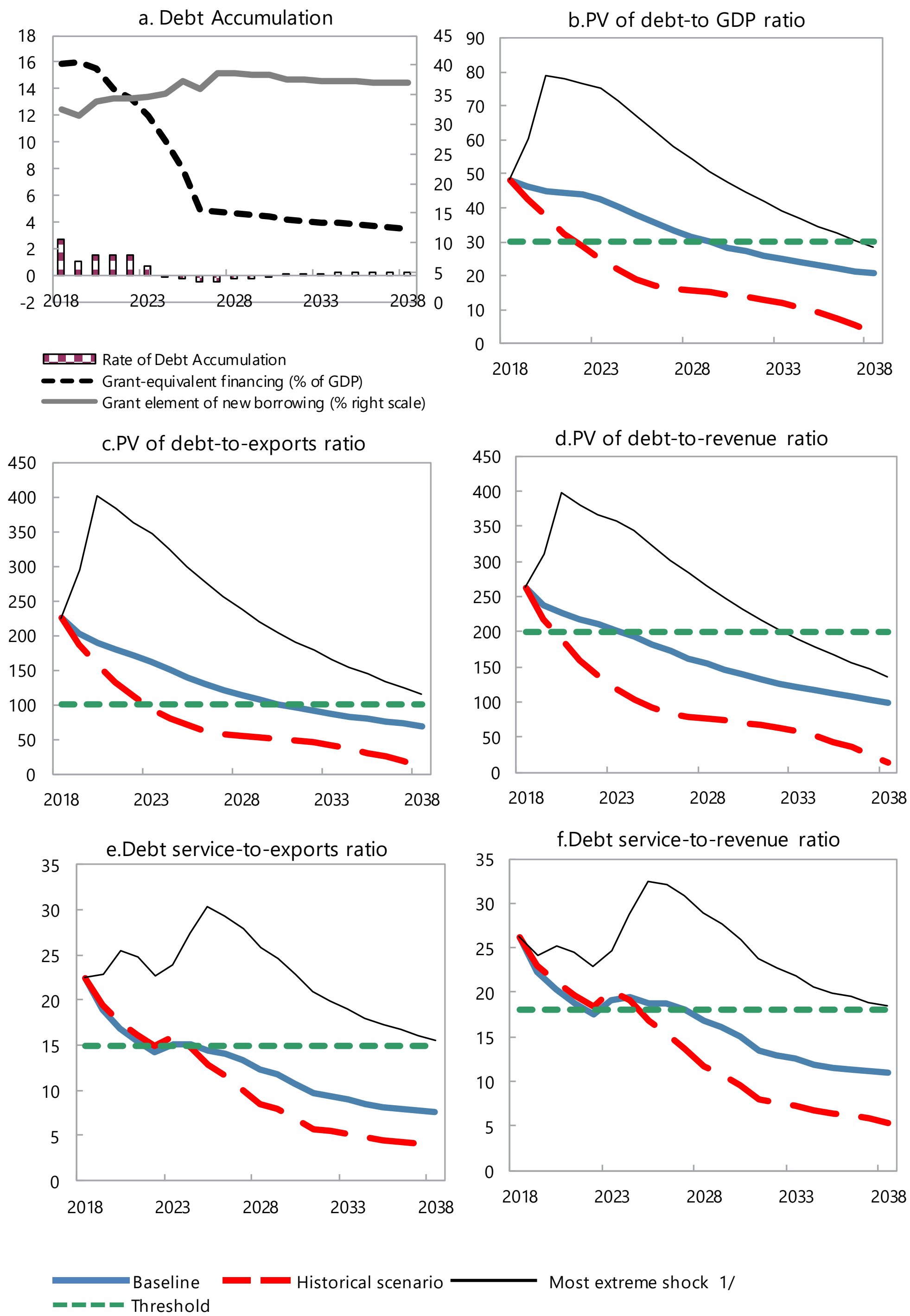


Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt under 'Active' Scenario and Stress Tests, 2018–38[1]



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 2028. 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 Combination shock; and in figure f. to a Combination shock

Table 1. The Gambia: External Debt Sustainability Framework, 'Active' Scenario, 2015–38[1]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical 6/	Standard 6/	Projections									
				Average	Deviation							2018-2023			2024-2038
	2015	2016	2017			2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	**55.5**	**65.3**	**71.9**			**71.0**	**68.7**	**68.8**	**69.0**	**69.5**	**68.4**		**56.5**	**39.3**	
of which: public and publicly guaranteed (PPG)	51.4	61.5	69.2			67.5	64.0	62.3	61.0	60.2	58.0		43.4	28.8	
Change in external debt	-6.0	9.8	6.6			-0.9	-2.3	0.0	0.2	0.5	-1.1		-2.2	-1.5	
Identified net debt-creating flows	2.8	-2.9	8.1			6.7	7.7	7.9	8.1	6.5	4.1		1.0	6.3	
Non-interest current account deficit	**14.1**	**8.1**	**18.5**	**11.6**	**3.6**	**18.3**	**19.8**	**20.2**	**20.6**	**19.4**	**17.0**		**13.1**	**17.3**	15.1
Deficit in balance of goods and services	25.7	17.9	33.1			34.0	33.9	33.0	32.1	30.2	28.5		23.7	26.9	
Exports	24.7	24.0	18.2			21.5	22.9	24.0	24.7	25.8	26.4		28.0	29.9	
Imports	50.4	41.9	51.3			55.4	56.8	57.0	56.8	56.0	54.9		51.7	56.8	
Net current transfers (negative = inflow)	-13.9	-11.9	-16.6	-9.2	4.1	-17.6	-16.0	-14.6	-13.2	-12.7	-12.9		-12.1	-11.3	-11.9
of which: official	-1.9	-0.8	-5.5			-6.7	-5.1	-3.9	-2.7	-2.2	-2.6		-2.1	-1.6	
Other current account flows (negative = net inflow)	2.2	2.1	2.1			1.9	1.8	1.7	1.7	1.8	1.4		1.5	1.7	
Net FDI (negative = inflow)	**-8.2**	**-7.5**	**-8.3**	**-8.5**	**1.3**	**-8.8**	**-9.3**	**-9.7**	**-10.1**	**-10.5**	**-10.5**		**-10.1**	**-9.6**	-9.9
Endogenous debt dynamics 2/	**-3.0**	**-3.4**	**-2.2**			**-2.8**	**-2.8**	**-2.6**	**-2.5**	**-2.4**	**-2.4**		**-2.0**	**-1.5**	
Contribution from nominal interest rate	1.0	0.7	0.8			0.8	0.8	0.8	0.8	0.8	0.8		0.6	0.3	
Contribution from real GDP growth	-2.5	-1.1	-2.2			-3.6	-3.6	-3.4	-3.3	-3.2	-3.2		-2.6	-1.8	
Contribution from price and exchange rate changes	-1.6	-3.0	-0.7			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-8.8**	**12.7**	**-1.5**			**-7.6**	**-10.0**	**-7.9**	**-7.8**	**-6.0**	**-5.2**		**-3.2**	**-7.8**	
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/	...	...	52.1			51.8	50.8	51.4	52.2	53.1	52.7		44.6	31.1	
In percent of exports	...	...	285.7			241.1	222.0	214.3	211.1	205.9	199.7		159.4	103.9	
PV of PPG external debt	**...**	**...**	**49.3**			**48.2**	**46.1**	**45.0**	**44.2**	**43.8**	**42.3**		**31.6**	**20.6**	
In percent of exports	**...**	**...**	**270.7**			**224.6**	**201.5**	**187.6**	**178.9**	**170.1**	**160.4**		**112.9**	**68.8**	
In percent of government revenues	**...**	**...**	**295.6**			**262.0**	**236.9**	**226.2**	**216.1**	**209.3**	**201.6**		**153.7**	**99.0**	
Debt service-to-exports ratio (in percent)	**14.7**	**10.7**	**22.5**			**22.4**	**18.9**	**16.9**	**15.4**	**14.2**	**15.1**		**12.3**	**7.6**	
PPG debt service-to-exports ratio (in percent)	**14.7**	**10.7**	**22.5**			**22.4**	**18.9**	**16.9**	**15.4**	**14.2**	**15.1**		**12.3**	**7.6**	
PPG debt service-to-revenue ratio (in percent)	**18.5**	**14.0**	**24.6**			**26.2**	**22.2**	**20.3**	**18.7**	**17.5**	**19.0**		**16.7**	**11.0**	
Total gross financing need (Millions of U.S. dollars)	110.0	66.1	181.8			184.7	211.1	234.1	266.0	275.5	277.2		343.7	611.6	
Non-interest current account deficit that stabilizes debt ratio	20.1	-1.7	11.9			19.2	22.1	20.2	20.4	18.9	18.1		15.4	18.8	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.3	2.2	3.5	3.6	3.3	5.4	5.4	5.2	5.0	4.8	4.8	5.1	4.6	4.5	4.6
GDP deflator in US dollar terms (change in percent)	2.7	5.8	1.1	-0.9	7.5	3.1	0.5	0.9	0.5	0.4	0.0	0.9	0.4	0.5	0.5
Effective interest rate (percent) 5/	1.8	1.4	1.2	1.7	0.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	0.8	0.9
Growth of exports of G&S (US dollar terms, in percent)	-9.5	5.0	-20.5	-1.8	10.3	28.0	12.8	11.3	8.7	9.8	7.3	13.0	5.7	5.7	5.9
Growth of imports of G&S (US dollar terms, in percent)	11.3	-10.2	28.1	5.1	12.2	17.4	8.5	6.6	5.1	3.8	2.8	7.4	4.0	6.1	5.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	32.6	31.5	33.7	34.4	34.4	34.5	33.5	38.5	37.0	37.4
Government revenues (excluding grants, in percent of GDP)	19.7	18.4	16.7			18.4	19.4	19.9	20.5	20.9	21.0		20.6	20.8	20.7
Aid flows (in Millions of US dollars) 7/	79.9	31.6	227.0			161.6	178.8	186.1	176.6	176.9	167.4		116.4	151.4	
of which: Grants	16.7	16.2	115.4			146.8	169.3	170.3	160.3	160.5	152.5		67.8	78.4	
of which: Concessional loans	63.2	15.4	111.6			14.8	9.5	15.8	16.3	16.4	14.9		48.6	72.9	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			15.8	16.0	15.5	14.0	13.3	12.0		4.7	3.5	4.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			75.8	84.0	82.0	81.5	81.2	82.2		74.3	69.7	73.9
Memorandum items:															
Nominal GDP (Millions of US dollars)	892.2	964.6	1009.5			1097.2	1161.8	1233.3	1301.1	1369.9	1436.0		1840.4	3011.4	
Nominal dollar GDP growth	7.1	8.1	4.7			8.7	5.9	6.1	5.5	5.3	4.8	6.1	5.0	5.0	5.1
PV of PPG external debt (in Millions of US dollars)			489.9			517.6	528.7	547.2	566.2	586.5	595.6		569.8	606.9	
(PVt-PVt-1)/GDPt-1 (in percent)						2.7	1.0	1.6	1.5	1.6	0.7	1.5	-0.3	0.3	0.0
Gross workers' remittances (Millions of US dollars)	93.6	93.5	98.3			106.9	113.2	119.1	125.7	132.2	136.0		170.2	276.4	
PV of PPG external debt (in percent of GDP + remittances)	...	...	45.0			43.9	42.0	41.0	40.3	40.0	38.7		28.9	18.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	176.4			154.5	141.3	133.7	128.6	123.7	118.0		84.8	52.6	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	14.7			15.4	13.2	12.0	11.1	10.4	11.1		9.2	5.8	

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. Large residuals over projection period are mainly accounted for by project support grants (which are not not included in the current account).

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

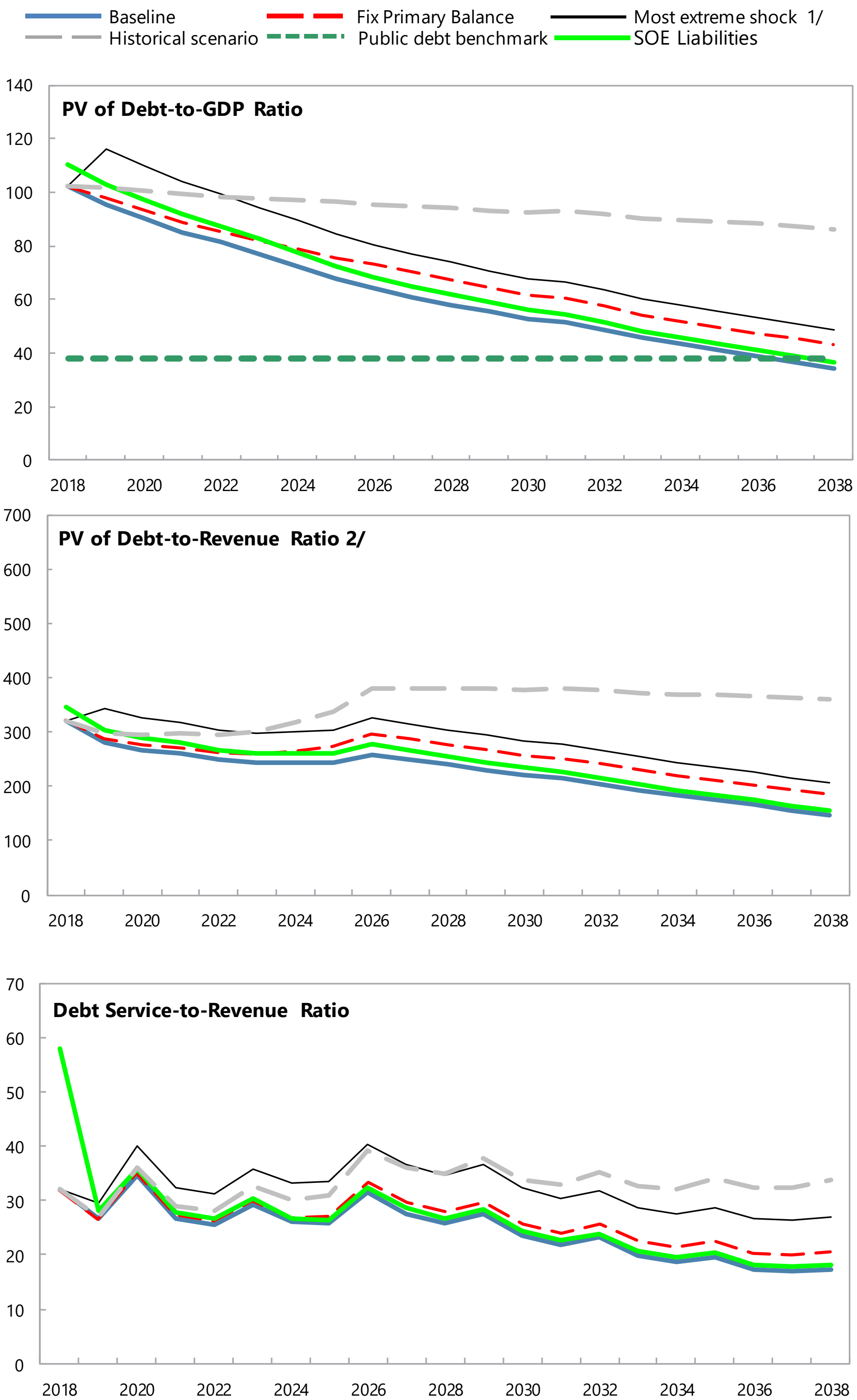
5/ Current-year interest payments divided by previous period debt stock.

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 'Active' Scenario and Stress Tests, 2018–38[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 2028.
2/ Revenues are defined inclusive of grants.

Table 2. The Gambia: Public Sector Debt Sustainability Framework, 'Active' Scenario, 2015–38[1]

	Actual					Estimate	Projections								
	2015	2016	2017	Average[5/]	Standard Deviation[5/]	2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	105.3	123.4	129.2			121.3	113.4	107.4	102.0	97.7	92.6		69.9	42.6	
of which: foreign-currency denominated	51.4	61.5	69.2			67.5	64.0	62.3	61.0	60.2	58.0		43.4	28.8	
Change in public sector debt	0.4	18.0	5.9			-7.9	-7.9	-6.0	-5.4	-4.3	-5.1		-3.5	-2.5	
Identified debt-creating flows	-8.7	5.5	-0.5			-9.1	-8.9	-6.2	-5.2	-4.4	-5.4		-3.4	-2.5	
Primary deficit	1.3	2.3	0.6	1.5	1.9	-0.9	-3.7	-2.1	-1.6	-1.5	-2.3	-2.0	-1.4	-1.1	-1.6
Revenue and grants	21.6	20.0	28.1			31.8	34.0	33.7	32.8	32.7	31.6		24.2	23.4	
of which: grants	1.9	1.7	11.4			13.4	14.6	13.8	12.3	11.7	10.6		3.7	2.6	
Primary (noninterest) expenditure	22.8	22.4	28.7			30.9	30.4	31.6	31.2	31.1	29.3		22.9	22.2	
Automatic debt dynamics	-9.9	3.1	-1.1			-6.5	-5.2	-4.2	-3.6	-2.8	-3.0		-2.0	-1.3	
Contribution from interest rate/growth differential	0.0	1.0	-2.5			-6.4	-6.1	-5.1	-3.6	-3.9	-3.8		-2.5	-1.6	
of which: contribution from average real interest rate	4.3	3.2	1.7			0.2	0.1	0.5	1.6	0.8	0.7		0.8	0.4	
of which: contribution from real GDP growth	-4.3	-2.3	-4.2			-6.6	-6.2	-5.7	-5.1	-4.7	-4.5		-3.3	-2.0	
Contribution from real exchange rate depreciation	-9.9	2.2	1.4			-0.1	0.8	1.0	-0.1	1.0	0.7		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			-1.7	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-1.7	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	9.1	12.6	6.4			1.2	1.0	0.2	-0.2	0.0	0.3		-0.1	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	109.4			102.0	95.5	90.1	85.2	81.3	76.9		58.1	34.4	
of which: foreign-currency denominated	...	...	49.3			48.2	46.1	45.0	44.2	43.8	42.3		31.6	20.6	
of which: external	...	...	49.3			48.2	46.1	45.0	44.2	43.8	42.3		31.6	20.6	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	52.7	60.8	66.6			36.2	28.1	30.8	28.3	27.0	26.3		22.4	14.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	389.0			320.9	280.6	267.3	260.0	248.9	243.2		239.5	147.1	
PV of public sector debt-to-revenue ratio (in percent)	...	...	655.5			554.2	490.9	452.7	416.6	388.1	366.2		282.4	165.5	
of which: external 3/	...	...	295.6			262.0	236.9	226.2	216.1	209.3	201.6		153.7	99.0	
Debt service-to-revenue and grants ratio (in percent) 4/	44.5	46.0	38.2			31.9	26.6	34.6	26.7	25.5	29.2		25.7	17.2	
Debt service-to-revenue ratio (in percent) 4/	48.7	50.2	64.4			55.1	46.5	58.5	42.7	39.7	44.0		30.3	19.4	
Primary deficit that stabilizes the debt-to-GDP ratio	0.8	-15.7	-5.3			7.0	4.2	3.9	3.8	2.8	2.8		2.1	1.3	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.3	2.2	3.5	3.6	3.3	5.4	5.4	5.2	5.0	4.8	4.8	5.1	4.6	4.5	4.6
Average nominal interest rate on forex debt (in percent)	1.9	1.5	1.3	1.8	0.3	1.2	1.2	1.3	1.3	1.4	1.4	1.3	1.3	1.1	1.2
Average real interest rate on domestic debt (in percent)	7.4	5.9	3.6	6.4	1.3	1.7	2.2	2.4	2.1	2.3	2.4	2.2	3.1	3.2	3.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-17.3	4.3	2.4	4.5	10.1	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.4	7.1	8.1	5.4	1.8	5.7	4.9	4.6	4.7	4.6	4.6	4.8	4.6	4.7	4.7
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.2	0.3	32.7	2.4	11.1	13.4	3.7	9.6	3.7	4.5	-1.3	5.6	5.1	4.3	2.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	32.6	31.5	33.7	34.4	34.4	34.5	33.5	38.5	37.0	...

Sources: Country authorities; and staff estimates and projections.

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

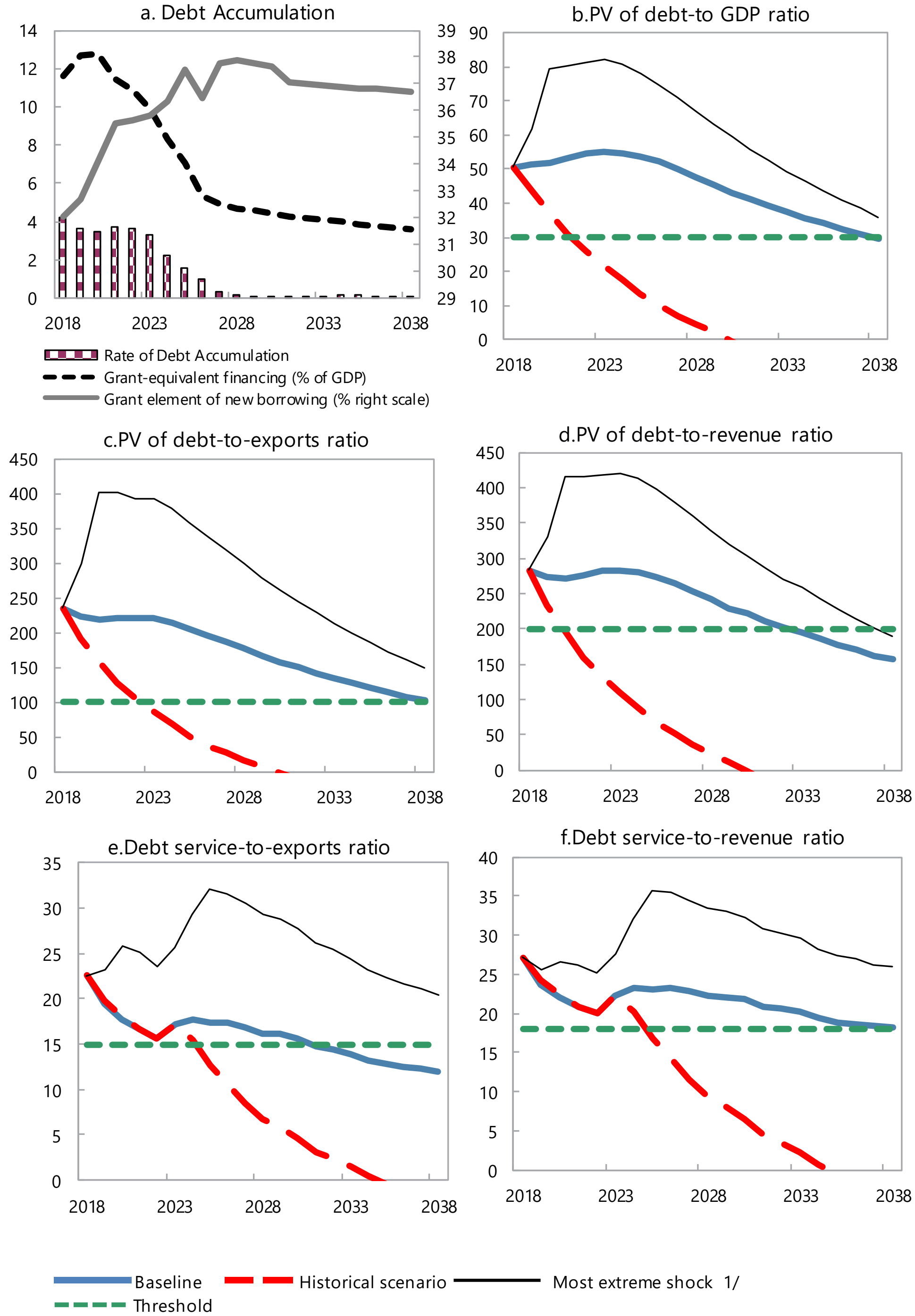
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

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.

Figure 3. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt Under 'Passive' Scenario and Stress Tests, 2018–38[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 2028. 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 Combination shock; and in figure f. to a Combination shock

Table 3. The Gambia: 'Passive' Scenario: External Debt Sustainability Framework, 2015–38[1]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical [6/]	Standard [6/]	Projections									
				Average	Deviation							2018-2023			2024-2038
	2015	2016	2017			2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	**55.5**	**65.3**	**71.9**			**74.3**	**76.2**	**78.8**	**82.2**	**85.2**	**87.4**		**78.8**	**51.5**	
of which: public and publicly guaranteed (PPG)	51.4	61.5	69.2			70.7	71.4	72.3	74.0	75.8	76.8		65.5	40.8	
Change in external debt	-6.0	9.8	6.6			2.4	1.9	2.6	3.4	3.1	2.2		-3.1	-2.3	
Identified net debt-creating flows	2.8	-2.9	8.1			11.1	12.7	12.9	12.2	10.1	7.6		4.3	9.9	
Non-interest current account deficit	**14.1**	**8.1**	**18.5**	**11.6**	**3.6**	**22.2**	**23.8**	**23.8**	**23.5**	**21.7**	**19.6**		**15.9**	**20.0**	17.8
Deficit in balance of goods and services	25.7	17.9	33.1			34.5	35.4	34.8	34.1	32.1	30.7		26.3	29.4	
Exports	24.7	24.0	18.2			21.5	22.8	23.7	24.1	24.8	25.2		26.9	29.0	
Imports	50.4	41.9	51.3			56.1	58.2	58.5	58.2	57.0	55.9		53.2	58.4	
Net current transfers (negative = inflow)	-13.9	-11.9	-16.6	-9.2	4.1	-14.2	-13.4	-12.8	-12.2	-12.1	-12.4		-11.8	-11.1	-11.6
of which: official	-1.9	-0.8	-5.5			-3.4	-2.6	-2.1	-1.7	-1.6	-2.1		-1.8	-1.4	
Other current account flows (negative = net inflow)	2.2	2.1	2.1			1.9	1.8	1.7	1.6	1.7	1.3		1.3	1.6	
Net FDI (negative = inflow)	**-8.2**	**-7.5**	**-8.3**	**-8.5**	**1.3**	**-8.4**	**-8.3**	**-8.2**	**-8.6**	**-8.8**	**-9.0**		**-8.6**	**-8.0**	-8.4
Endogenous debt dynamics 2/	**-3.0**	**-3.4**	**-2.2**			**-2.8**	**-2.8**	**-2.7**	**-2.7**	**-2.8**	**-3.0**		**-3.0**	**-2.1**	
Contribution from nominal interest rate	1.0	0.7	0.8			0.8	0.9	0.9	0.9	1.0	1.0		0.8	0.4	
Contribution from real GDP growth	-2.5	-1.1	-2.2			-3.6	-3.7	-3.6	-3.6	-3.8	-3.9		-3.8	-2.5	
Contribution from price and exchange rate changes	-1.6	-3.0	-0.7			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-8.8**	**12.7**	**-1.5**			**-8.7**	**-10.7**	**-10.3**	**-8.8**	**-7.1**	**-5.4**		**-7.5**	**-12.1**	
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/	...	...	52.1			54.0	55.9	58.4	61.3	64.0	65.9		61.0	40.3	
In percent of exports	...	...	285.7			250.7	244.6	246.1	254.1	257.6	261.9		226.4	139.1	
PV of PPG external debt	**...**	**...**	**49.3**			**50.5**	**51.1**	**51.8**	**53.1**	**54.5**	**55.3**		**47.6**	**29.6**	
In percent of exports	**...**	**...**	**270.7**			**234.3**	**223.8**	**218.5**	**220.3**	**219.6**	**219.5**		**176.8**	**102.0**	
In percent of government revenues	**...**	**...**	**295.3**			**282.7**	**273.0**	**271.6**	**274.5**	**281.0**	**282.5**		**241.6**	**156.0**	
Debt service-to-exports ratio (in percent)	**14.7**	**10.7**	**22.5**			**22.5**	**19.4**	**17.8**	**16.7**	**15.7**	**17.2**		**16.2**	**11.9**	
PPG debt service-to-exports ratio (in percent)	**14.7**	**10.7**	**22.5**			**22.5**	**19.4**	**17.8**	**16.7**	**15.7**	**17.2**		**16.2**	**11.9**	
PPG debt service-to-revenue ratio (in percent)	**18.5**	**14.0**	**24.6**			**27.2**	**23.6**	**22.1**	**20.8**	**20.0**	**22.2**		**22.2**	**18.3**	
Total gross financing need (Millions of U.S. dollars)	110.0	66.1	181.8			232.3	267.0	294.0	319.2	329.3	335.3		433.6	761.8	
Non-interest current account deficit that stabilizes debt ratio	20.1	-1.7	11.9			19.9	21.8	21.1	20.1	18.7	17.4		19.0	22.2	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.3	2.2	3.5	3.6	3.3	5.4	5.2	4.9	4.8	4.8	4.8	5.0	4.8	4.8	4.8
GDP deflator in US dollar terms (change in percent)	2.7	5.8	1.1	-0.9	7.5	2.7	-0.2	0.6	0.1	0.6	-0.3	0.6	0.2	0.2	0.2
Effective interest rate (percent) 5/	1.8	1.4	1.2	1.7	0.3	1.2	1.2	1.3	1.2	1.2	1.2	1.2	1.0	0.8	1.0
Growth of exports of G&S (US dollar terms, in percent)	-9.5	5.0	-20.5	-1.8	10.3	28.0	11.3	9.5	6.8	8.5	6.0	11.7	5.8	5.8	6.1
Growth of imports of G&S (US dollar terms, in percent)	11.3	-10.2	28.1	5.1	12.2	18.4	9.0	6.1	4.4	3.2	2.5	7.3	4.3	6.1	5.4
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	32.1	32.7	34.1	35.5	35.6	35.8	34.3	37.9	36.7	37.1
Government revenues (excluding grants, in percent of GDP)	19.7	18.4	16.7			17.9	18.7	19.1	19.4	19.4	19.6		19.7	18.9	19.4
Aid flows (in Millions of US dollars) 7/	79.9	31.6	229.1			111.6	153.8	166.4	167.4	167.5	170.9		123.4	167.8	
of which: Grants	16.7	16.2	117.5			93.8	114.3	122.5	109.5	109.5	99.5		59.8	70.4	
of which: Concessional loans	63.2	15.4	111.6			17.8	39.5	43.9	57.9	58.0	71.4		63.6	97.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			11.6	12.6	12.8	11.5	10.8	9.9		4.7	3.6	4.7
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			64.4	69.5	71.3	68.8	69.1	66.5		68.0	63.3	65.8
Memorandum items:															
Nominal GDP (Millions of US dollars)	892.2	964.6	1009.5			1093.3	1148.0	1211.4	1271.4	1340.3	1401.2		1793.9	2940.1	
Nominal dollar GDP growth	7.1	8.1	4.7			8.3	5.0	5.5	5.0	5.4	4.5	5.6	5.1	5.1	5.1
PV of PPG external debt (in Millions of US dollars)			489.8			532.2	571.7	611.5	657.0	702.6	746.5		823.5	838.0	
(PVt-PVt-1)/GDPt-1 (in percent)						4.2	3.6	3.5	3.8	3.6	3.3	3.6	0.1	0.1	0.4
Gross workers' remittances (Millions of US dollars)	93.6	93.5	98.3			106.5	111.8	117.0	122.8	129.3	133.1		166.5	270.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	44.9			46.0	46.6	47.3	48.4	49.7	50.5		43.6	27.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	176.4			161.4	156.9	155.3	157.3	158.2	159.4		131.5	77.4	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	14.7			15.5	13.6	12.6	11.9	11.3	12.5		12.1	9.1	

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. Large residuals over projection period are mainly accounted for by project support grants (which are not not included in the current account).

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

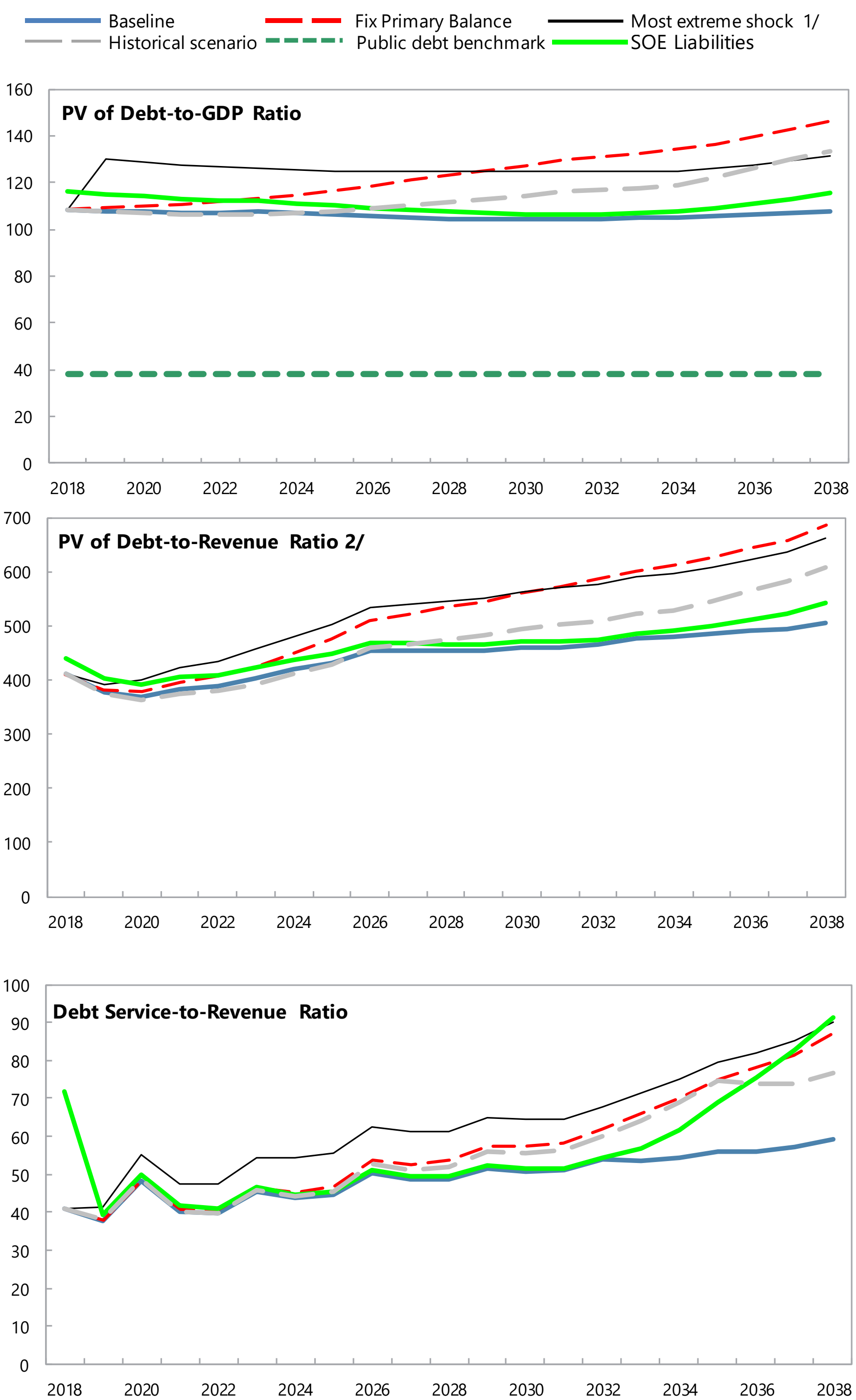
5/ Current-year interest payments divided by previous period debt stock.

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 4. The Gambia: Indicators of Public Debt Under 'Passive' Scenario and Stress Tests, 2018–38[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 2028.

2/ Revenues are defined inclusive of grants.

Table 4. The Gambia: Public Sector Debt Sustainability Framework, 'Passive' Scenario, 2015–38[1]

	Actual			Average[5/]	Standard Deviation[5/]	Estimate	Projections								
	2015	2016	2017			2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	105.3	123.4	129.2			128.6	128.1	127.9	127.9	128.4	128.9		122.5	119.0	
of which: foreign-currency denominated	51.4	61.5	69.2			70.7	71.4	72.3	74.0	75.8	76.8		65.5	40.8	
Change in public sector debt	0.4	18.0	5.9			-0.7	-0.5	-0.2	0.0	0.5	0.5		-1.6	0.4	
Identified debt-creating flows	-8.7	5.5	-0.5			-2.0	-1.6	-0.5	0.1	0.3	0.1		-1.8	0.3	
Primary deficit	1.3	2.3	0.6	1.5	1.9	4.9	3.4	3.2	3.6	3.3	3.4	3.6	0.9	1.9	1.4
Revenue and grants	21.6	20.0	28.3			26.4	28.7	29.2	28.0	27.6	26.7		23.0	21.3	
of which: grants	1.9	1.7	11.6			8.6	10.0	10.1	8.6	8.2	7.1		3.3	2.4	
Primary (noninterest) expenditure	22.8	22.4	28.9			31.3	32.1	32.4	31.6	30.9	30.0		23.9	23.2	
Automatic debt dynamics	-9.9	3.1	-1.1			-5.2	-5.0	-3.7	-3.5	-3.0	-3.3		-2.7	-1.6	
Contribution from interest rate/growth differential	0.0	1.0	-2.5			-6.2	-6.3	-4.9	-3.6	-4.4	-4.4		-3.5	-2.0	
of which: contribution from average real interest rate	4.3	3.2	1.7			0.4	0.0	1.1	2.2	1.5	1.5		2.3	3.5	
of which: contribution from real GDP growth	-4.3	-2.3	-4.2			-6.7	-6.3	-6.0	-5.9	-5.9	-5.9		-5.7	-5.5	
Contribution from real exchange rate depreciation	-9.9	2.2	1.4			1.1	1.3	1.2	0.1	1.5	1.1		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			-1.7	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-1.7	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	9.1	12.6	6.4			1.3	1.1	0.3	-0.1	0.2	0.4		0.2	0.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	109.4			108.3	107.8	107.4	107.0	107.1	107.4		104.6	107.8	
of which: foreign-currency denominated	...	...	49.3			50.5	51.1	51.8	53.1	54.5	55.3		47.6	29.6	
of which: external	...	...	49.3			50.5	51.1	51.8	53.1	54.5	55.3		47.6	29.6	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	52.7	60.8	66.6			42.4	40.1	45.3	46.0	46.8	49.3		55.5	80.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	385.9			409.8	375.8	368.0	382.6	388.5	402.8		454.1	505.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	655.0			606.6	575.5	563.1	552.8	552.0	549.0		530.9	568.8	
of which: external 3/	...	...	295.3			282.7	273.0	271.6	274.5	281.0	282.5		241.6	156.0	
Debt service-to-revenue and grants ratio (in percent) 4/	44.5	46.0	37.9			40.8	37.8	48.2	40.1	39.7	45.2		48.7	59.4	
Debt service-to-revenue ratio (in percent) 4/	48.7	50.2	64.3			60.3	57.9	73.8	58.0	56.4	61.7		56.9	66.9	
Primary deficit that stabilizes the debt-to-GDP ratio	0.8	-15.7	-5.3			5.6	3.9	3.4	3.6	2.8	2.8		2.5	1.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.3	2.2	3.5	3.6	3.3	5.4	5.2	4.9	4.8	4.8	4.8	5.0	4.8	4.8	4.8
Average nominal interest rate on forex debt (in percent)	1.9	1.5	1.3	1.8	0.3	1.2	1.3	1.3	1.4	1.4	1.4	1.3	1.2	1.0	1.2
Average real interest rate on domestic debt (in percent)	7.4	5.9	3.6	6.4	1.3	2.0	1.9	3.2	2.7	3.0	3.4	2.7	4.5	4.9	4.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-17.3	4.3	2.4	4.5	10.1	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.4	7.1	8.1	5.4	1.8	6.5	8.3	8.0	7.9	7.7	7.7	7.7	7.9	7.9	7.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.2	0.3	33.6	2.5	11.4	14.3	7.9	5.9	2.0	2.5	2.0	5.8	3.3	4.6	3.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	32.1	32.7	34.1	35.5	35.6	35.8	34.3	37.9	36.7	...

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.