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THE GAMBIA

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FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR AUGMENTATION OF ACCESS AND A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of the First Review Under the Extended Credit Facility Arrangement, Financing Assurances Review, and Request for Augmentation of Access and a Waiver of Nonobservance of a Performance Criterion, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 15, 2021, following discussions that ended on September 30, 2020, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangements under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 21, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

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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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes First Review under the Extended Credit Facility Arrangement for The Gambia, and Approves US$28.8 Million Disbursement

FOR IMMEDIATE RELEASE

- *The IMF Executive Board decision allows for an immediate disbursement of about US$28.8 million to The Gambia to help meet the country's financing needs and support social spending and the post-pandemic recovery.*
- *The COVID-19 pandemic continues to represent a significant challenge to The Gambia's economy. However, growth is expected to rebound to 6.0 percent in 2021.*
- *The authorities have maintained a prudent approach in their policy responses. They have advanced reforms for the effective and transparent delivery of much-needed social services.*

Washington, DC – **January 15, 2021:** Today, the Executive Board of the International Monetary Fund (IMF) completed the first review of The Gambia's performance under a program supported by a 39-month Extended Credit Facility (ECF) arrangement. The ECF, with a total access of SDR 35 million (about US$47.1 million at the time of approval, or 56.3 percent of quota), was approved by the IMF Executive Board on March 23, 2020. Completion of the first review enables an immediate disbursement of SDR 20 million, about US$28.8 million, to help meet the country's balance-of-payments and fiscal financing needs and support the post-pandemic recovery. This brings total disbursements under the arrangement to SDR 25 million, about US$36 million.

In completing the review, the Executive Board also approved an augmentation of access under the ECF arrangement from SDR 35 million to SDR 55 million (or 88.4 percent of The Gambia's quota in the Fund). The Board also completed a financing assurances review and granted a waiver of nonobservance of a continuous quantitative performance criterion relating to a zero ceiling on the accumulation of external payment arrears.

Since the onset of the COVID-19 pandemic, The Gambia has also benefited from an IMF Rapid Credit Facility disbursement of SDR 15.55 million (US$ 21.3 million at the time of approval) and is receiving debt service relief from the IMF under the Catastrophe Containment and Relief Trust, expected to total SDR 7.9 million, of which SDR 4.2 million (about US$5.83 million) has already been approved.

The Gambian authorities have maintained prudence in economic management and advanced structural reforms, including in governance, for a transparent use of funds and effective delivery of public services. The fiscal and monetary policy stances were relaxed to help meet pandemic-related humanitarian needs and support economic activity. Improved domestic revenue mobilization and judicious public financial management helped maintain fiscal discipline and deliver much-needed emergency response, while prudent monetary policy helped ensure price stability and lower domestic borrowing costs. Reflecting the impact of the

COVID-19 pandemic, growth in 2020 is estimated at about zero percent. Predicated upon a gradual normalization of global conditions and strong fiscal stimulus, growth is projected to reach 6.0 percent in 2021, and average 6.5 percent per year, over the medium term. Downside risks are high, as The Gambia remains fragile and vulnerable to shocks, while being exposed to a prolonged standstill in tourism. The Gambia continues to be assessed at high risk of debt distress, with limited borrowing space.

Following the Executive Board discussion, Mr. Tao Zhang, Acting Chair and Deputy Managing Director, made the following statement:

"The Gambia has been severely impacted by the COVID-19 pandemic. The authorities' decisive response to the pandemic has helped to moderate its impact and set the stage for economic recovery.

"Continued commitment to prudent policies and adhering to the fiscal envelope, while protecting social spending is critical to support the recovery and the attainment of program objectives. Efforts to strengthen domestic revenue mobilization should focus on reducing tax exemptions and reinforcing tax and customs administration.

"Reforms to strengthen public financial management would help to improve public service delivery and reduce fiscal risks. Near-term priorities include putting state-owned enterprises on a sound financial footing, strengthening budget execution, and improving debt management to prevent the recurrence of external payment arrears. The authorities are committed to ensuring transparency in COVID-19-related spending.

"The prudent monetary policy stance has supported low inflation. Steps to strengthen the balance sheet of the central bank, entrench its autonomy, and maintain financial credibility would help to strengthen its effectiveness.

"Measures to strengthen the legal framework for banking supervision and crisis preparedness would help to address mounting risks to financial sector stability. Greater financial inclusion would be supported by measures to strengthen the oversight of non-bank financial institutions and steps to monitor risks from mobile banking.

"Ardent pursuit of governance reforms, including in public procurement, anti-money laundering, and the overall anti-corruption framework is important to enhance transparency. These efforts would also help to cement positive perceptions of The Gambia as a sound business destination and support private sector-led inclusive growth."

Table 1. The Gambia: Selected Economic Indicators, 2018–25

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Prel.	RCF	Proj.	RCF	Proj.	Projections			
	(Percent change; unless otherwise indicated)									
National account and prices										
GDP at constant prices	7.2	6.1	2.5	0.0	6.5	6.0	6.5	7.0	6.5	5.8
GDP deflator	7.0	7.1	6.2	7.2	5.9	4.3	4.4	4.2	4.1	4.8
Consumer prices (average)	6.5	7.1	6.7	6.1	6.0	6.0	5.5	5.1	5.0	5.0
Consumer prices (end of period)	6.4	7.7	6.2	6.5	5.8	5.8	5.2	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	-0.9	24.1	-11.3	-10.7	29.1	23.1	12.7	14.0	8.0	5.9
Imports, f.o.b (US$ values)	11.9	14.7	-0.1	-1.7	20.5	17.9	11.9	6.6	6.1	4.2
Terms of trade (deterioration = -)	-3.3	-4.8	-3.4	1.4	-3.2	-1.7	-1.4	-1.0	-0.5	-0.6
Real effective exchange rate (depreciation = -)	-1.5	4.4	...	...	...	...	...	...	...	...
	(Contributions to broad money growth; percent)									
Money and credit										
Broad money	20.0	27.1	12.8	15.	12.5	9.5	...	...	...	...
Net foreign assets	14.0	18.7	5.4	9.7	8.7	-1.2	...	...	...	...
Net domestic assets	6.0	8.4	7.4	5.9	3.9	10.7	...	...	...	...
Of which:										
Credit to central government (net)	7.1	3.9	3.7	4.9	0.0	7.1	...	...	...	...
Credit to the private sector (net)	5.0	6.0	1.5	1.3	3.9	3.6	...	...	...	...
Velocity (GDP/broad money)	2.4	2.1	2.0	2.0	2.0	2.0	...	...	...	...
	(Percent of GDP; unless otherwise indicated)									
Central government finances										
Domestic revenue (taxes and other revenues)	11.8	13.9	13.1	13.3	13.8	14.1	13.8	14.3	14.6	14.9
Of which: Tax Revenue	10.1	10.9	11.1	10.4	11.8	11.2	11.6	12.0	12.4	12.7
Grants	3.3	7.1	9.3	10.3	8.2	7.4	7.8	7.2	6.4	6.0
Total expenditures and net acquisition of	21.2	23.2	24.8	25.1	23.9	25.2	23.5	22.5	21.8	21.2
Of which: Interest (percent of government	26.1	22.3	22.4	22.5	18.7	18.4	18.4	15.7	14.7	13.4
Net lending (+)/borrowing (–)	-6.1	-2.5	-2.6	-1.7	-1.8	-3.9	-2.0	-1.2	-0.8	-0.2
Net incurrence of liabilities	5.5	3.1	2.6	1.0	1.6	4.0	2.2	1.3	0.8	0.2
Foreign	2.5	2.6	1.6	0.2	1.6	1.6	1.8	1.3	0.8	0.2
Domestic	3.0	0.5	1.1	0.8	0.0	2.3	0.4	0.0	0.0	0.0
Primary balance	-3.0	0.6	0.3	1.3	0.8	-1.3	0.5	1.1	1.3	1.8
Public debt	84.6	80.1	80.3	76.4	74.1	74.4	70.4	65.7	60.8	55.9
Domestic public debt	38.3	35.5	34.1	33.6	30.3	31.1	28.5	25.6	23.2	20.9
External public debt	46.3	44.6	46.2	42.8	43.8	43.3	42.0	40.0	37.6	34.9
External public debt (millions of US$)	756.6	798.1	847.4	813.8	883.4	888.0	934.9	973.9	995.5	1,001.5
External current account balance										
Excluding official transfers	-10.4	-8.4	-13.6	-10.9	-12.6	-14.1	-14.8	-12.8	-11.5	-10.0
Including official transfers	43.8	-5.3	-9.8	-6.2	-10.0	-11.9	-12.5	-10.9	-9.9	-8.4
Gross official reserves (millions of US$)	157.0	225.0	258.0	330.0	303.4	389.8	410.1	426.5	435.8	451.3
(months of next year's imports)	2.7	3.9	3.7	4.6	4.1	4.6	4.6	4.5	4.5	4.5
Savings and investment										
Gross investment	17.5	19.7	17.1	18.5	18.5	21.8	21.6	20.6	19.8	19.9
Of which: Central government	7.5	9.0	9.1	7.8	9.7	10.0	9.8	9.6	8.7	8.4
Gross savings	8.0	14.4	7.3	12.3	8.4	9.9	9.0	9.7	9.9	11.5
Memorandum items:										
Nominal GDP (billions of dalasi)	80.4	91.4	96.5	98.0	108.8	108.3	120.4	134.2	148.8	165.0
GDP per capita (US$)	729.0	774.2	766.7	787.4	817.1	830.0	877.5	929.7	980.8	1,033.9
Use of Fund resources (millions of SDRs)										
Disbursements	0	0	25.6	20.6	10.0	35.0	10.0	5.0	0.0	0.0
Of which: 2020 RCF	...	...	15.6	15.6	...	...	...	...	...	...
Of which: Proposed ECF Augmentation	...	...	...	...	...	20.0	...	...	...	...
Repayments	-5.5	-4.3	-3.6	-3.6	-4.0	-4.0	-2.8	-4.1	-3.9	-5.2
CCRT debt relief [1]	0	0	3.2	3.2	4.0	4.0	0.8	...	...	...
PV of overall debt-to-GDP ratio	...	69.9	68.5	67.5	63.4	65.9	62.1	56.2	52.3	48.2

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

THE GAMBIA

December 21, 2020

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR AUGMENTATION OF ACCESS AND A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. The IMF Executive Board approved, on March 23, 2020, a 39-month Extended Credit Facility (ECF) arrangement in the amount of SDR 35 million (56.3 percent of quota) for The Gambia. The Gambia benefited from a Rapid Credit Facility (RCF) disbursement of SDR 15.55 million (25 percent of quota) approved on April 15, 2020 and is receiving debt service relief under the Catastrophe Containment and Relief Trust (CCRT) expected to total SDR 7.9 million (SDR 4.2 million of which has already been approved), to help meet heightened balance-of-payments and fiscal financing needs due to the impact of the COVID-19 pandemic. While indicators point to a domestic weakening of the pandemic, the authorities are seeking an ECF augmentation of SDR 20 million (32.15 percent of quota) to meet balance-of-payments needs arising from fiscal measures to stimulate the economic recovery in 2021, strengthen public health preparedness, increase social spending to mitigate the effects of the pandemic. They are also requesting a waiver of nonobservance of a continuous performance criterion (a zero ceiling) on new external payment arrears of the central government.

Macroeconomic performance and outlook. Economic growth is estimated to have been about zero in 2020, due to a halt in tourism in the wake of the pandemic and a slowdown in other activities, albeit partially mitigated by an upswing in agriculture and a sustained activity in construction. Inflation has been on a declining path since end-2019 and reached 5.6 percent (y/y) in October 2020. Thanks to a strong budget support from donors and prudent spending, the fiscal position has strengthened marginally relative to 2019 and net domestic borrowing has remained within program limits. The current account deficit widened slightly, with a drop in export receipts from tourism largely offset by an increase in official transfers and remittances, but the overall balance of payments registered a larger surplus on the back of strong inflows of private capital transfers while foreign direct investment dropped. As a result, gross official reserves have increased by 50 percent since end-2019 and reached US$350 million in November. Reflecting these developments, the dalasi has been practically stable relative to the US dollar and appreciated slightly in real terms. The buildup of net foreign assets in the banking system supported broad money growth at about 15 percent since end-2019,

while credit to the private sector has been flat. The economic outlook is broadly positive, predicated on the global economic recovery, resumption of tourism, and continued domestic reforms. Growth is projected to reach 6.0 percent in 2021, helped by a strong fiscal stimulus in the 2021 budget. The current account deficit is set to widen, as investment picks up, but official reserves are expected to rise further (to about US$390 million or 4.6 months of prospective imports), in part thanks to projected ECF disbursements. The uncertain intensity and duration of the pandemic globally, stifling tourism, constitutes the biggest downside risk.

Program implementation. Six out of seven quantitative performance criteria (PC) through end-June 2020 were met. The missed PC relates to a continuous zero-ceiling on new external payments arrears of the central government. The authorities subsequently cleared the arrears and put in place corrective measures to prevent their recurrence. The indicative floor for poverty-reducing spending was not met at end-June; subsequently, however, all end-September indicative targets, including the floor for poverty-reducing spending, were met. All structural benchmarks (SB) through end-June 2020, were met. The three structural benchmarks for end-September were not met, as their implementation was thwarted by a surge in the COVID-19 cases. Nevertheless, adequate actions have been taken subsequently to achieve their key objectives.

The 2021 program. The critical elements of the program are reflected in the draft 2021 budget, which is aligned with the medium-term fiscal framework and anchored on ensuring debt sustainability. Strong fiscal performance in 2020, the important reforms that have been initiated (notably, the tightening of the policies on tax exemptions and transfers to the subvented agencies), and the availability of concessional resources (including the requested ECF augmentation) have created fiscal space that is intended to be used to stimulate the post-pandemic recovery, while strengthening the public health system and the social safety net. The broader reform agenda includes legislative reforms to strengthen public financial management, public procurement, and the governance and financial performance of the state-owned enterprises (SOEs).

Challenges remain. Fiscal risks stem principally from a potential resurgence of the pandemic and structural weaknesses in the SOEs reflecting their unclear mandate and the legacy of executive interference. Heightened budgetary pressures in the run-up to the 2021 presidential election will test the authorities' commitment to macroeconomic discipline, while political tensions related to the promulgation of a new constitution (possibly, ahead of the presidential election) could delay crucial reforms.

Staff supports the authorities' requests for a waiver of nonobservance of a PC and augmentation of access under the ECF arrangement and recommends completion of the first review of The Gambia's ECF-supported program and the financing assurances review.

Approved By
Annalisa Fedelino (AFR) and Geremia Palomba (SPR)

The mission, which took place virtually during September 14–30, 2020, comprised Messrs. Wieczorek (head), Kemoe, Kumah (all AFR), Daal (FAD), and Khan (SPR), and Ms. Devine (AFR), with support from Messrs. Barry (resident representative) and Mendy (local economist). The team met with Finance Minister Njie, Central Bank Governor Jammeh, other public officials, private sector operators, and members of the donor community. Mr. Cham (OEDAE) participated in mission meetings and Mr. Mahlinza (the then Executive Director for The Gambia) joined the concluding discussions on September 30. Understandings on the 2021 program were finalized through post-mission discussions in October–November 2020, including with the new CBG Governor Buah Saidy. Mr. Treilly assisted in the preparation of this report.

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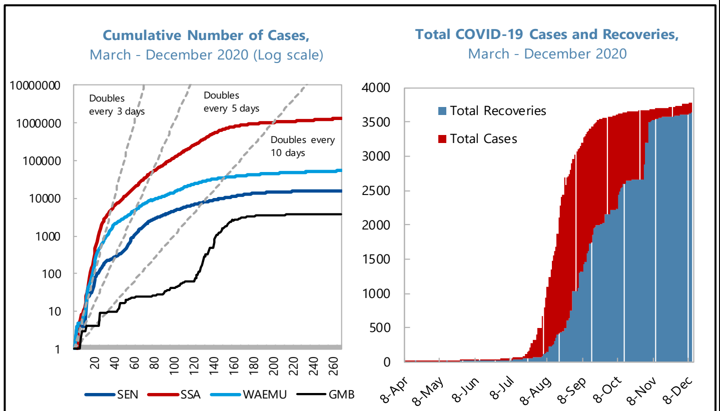
CONTEXT: COVID-19 PRESSURES AND CHALLENGES

1. **The COVID-19 pandemic has affected The Gambia severely, amplifying financing pressures, and shifting policy priorities** (Annex I and Box 1). Swift implementation of containment measures helped arrest local spread of the pandemic during March–June. However, as containment measures were gradually relaxed, the number of confirmed cases surged in late July and a public health emergency was re-imposed on August 6 and extended until the infections subsided significantly in early October. Nevertheless, the increased uncertainty has dampened the prospects for a swift economic recovery, with tourism (the engine of The Gambian economy's growth in recent years) expected to remain subdued during the 2020–21 season.

Box 1. The COVID-19 Pandemic Situation, December 12, 2020

Thanks to early containment measures, The Gambia succeeded in curtailing an early spread of the COVID-19 pandemic. The Gambia registered its first COVID-19 case on March 17 and had, until end-June 2020, only 49 cases with 2 fatalities, thanks to well-coordinated contact tracing and quarantining measures. The borders were closed starting on March 23 and a state of emergency, with lockdown measures, was declared already on March 27, when the country had only 3 confirmed cases with one fatality.

The number of cases resurged in July. Border crossings from Senegal, where lockdown measures had been loosened, and inadequate precautions at the reopening of the airport in late June, compounded by a still vigorous activity in the population, contributed to a rise in the number of confirmed cases. Moreover, cases started to propagate mostly through community transmission, raising fears that the pandemic was becoming widespread. Several senior government officials, including the Vice President and the Minister of Finance tested positive in late July.



Source: Johns Hopkins CSSE; and IMF staff calculations.

The fragile health system was strained but community spread of the pandemic was eventually contained. The country had fewer than 100 beds for COVID-19 treatment as of end-July. All confirmed and suspected cases and close contacts were quarantined in hotels at the government's expense. The testing capacities were expanded but many laboratory technicians got infected, causing a backlog of test processing, compounded by a one-week strike of frontline health workers in early July. The reintroduction of lockdown measures in mid-July, strict enforcement of safety protocols, opening of newly built treatment centers and field hospitals, and expedited supply of personal protective equipment (PPE) to health personnel proved effective. Daily infections peaked in mid-August and declined to single digits in early October. As of December 12, there were 3,779 documented cases of COVID-19 in The Gambia, with 123 COVID-19-related fatalities.

The normal order is gradually being restored. The emergency health orders were rescinded, and borders reopened on October 16. Schools and the airport reopened at the end of October. Scheduled flights are resuming gradually, and hotels are preparing to receive tourists; however, most charter flights, which account for the bulk of tourist traffic to The Gambia, have been postponed in the wake of the surge of COVID-19 cases throughout Europe.

Source: The Gambian Ministry of Health.

2. The authorities are ensuring transparency in the use of COVID-19-related support. At the onset of the pandemic, they made provisional arrangements for procurement and distribution of food support and implementation of a health plan. On July 22, 2020, the National Assembly (NA) approved a supplementary appropriation (SAP) totaling GMD 2.85 billion (nearly 3 percent of GDP), including additional provisions (0.5 percent of GDP allocated to a further possible emergency spending on health and food distribution) and an economic stimulus package comprising financial relief for the tourism sector and state-owned enterprises, and targeted public investment outlays to fill critical infrastructure gaps. The authorities have published all COVID-19-related procurement contracts on the website of the Gambia Public Procurement Authority (GPPA), with details on the nature and amounts of the contracts as well as the owners of the beneficiary companies, and strengthened internal audit at the Ministry of Health.[1] They are also committed an *ex-post* audit of all COVID-19 spending by the National Audit Office (NAO), which will also include a validation of delivery for all contracts.

3. Notable progress has been made in transitional justice, and enforcement of provisions against trafficking in persons has been strengthened. The authorities have strengthened public financial management (PFM) and accountability, particularly, regarding the monitoring of state-owned enterprises (SOEs), and advanced the work on transitional justice, including by initiating the sale of assets identified by the Janneh Commission as unlawfully appropriated by the former president and his close associates, publication of an interim report of the Truth, Reconciliation and Reparations Commission (TRRC), and establishment of a human rights commission. Improvements made by The Gambia in enforcement of provisions against trafficking in persons (TIPs) and victim protection, were recognized by the US Department of State in its June 2020 report, gaining The Gambia an upgrade from the TIPs Tier 3 to Tier 2 watch list.

4. However, the constitutional reform suffered a setback, foreshadowing potential difficulties with staying the course of reforms in the run-up to the presidential ballot next December. A draft new constitution was published in the National Gazette in preparation for a constitutional referendum planned for June 2021; however, the promulgation bill failed to garner the required majority votes at the second reading by the NA in September 2020. Alternative solutions are being explored to salvage the draft of the constitution, which was prepared through extensive and inclusive consultations; its enactment remains critical for the consideration of key legislation underpinning economic reforms, including a new SOE bill.

5. The authorities are aware of these challenges and have re-affirmed their commitment to macroeconomic stability and reforms. In their view, the ongoing negotiations for parliamentary re-consideration of the promulgation bill for the new constitution, and their demonstrated fiscal prudence notwithstanding the challenges entailed by the pandemic, actions taken to strengthen the public procurement process (including project selection), and steps underway to improve the performance of SOEs are clear signs of their fiscal prudence and reformist mindset.

[1] https://www.gppa.gm/2020-covid-19-contractsjan-oct/

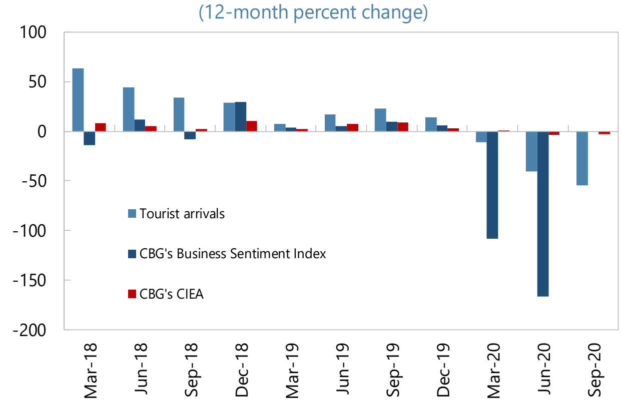
RECENT ECONOMIC DEVELOPMENTS

6. The COVID-19 pandemic has weakened the macroeconomic environment significantly (Figures 1–2 and Text Figure 1).

- Tourism started declining sharply in March and, with the season ending prematurely, registered an 11.3-percent (y/y) drop in Q1 2020, the largest contraction since 2017. With the pandemic perduring through the summer, the decline in tourism activity deepened to 54.5 percent (y/y) at end-September and is expected to continue through the fourth quarter.
- The services sector bore the brunt of the decline in tourism and the CBG's indices of confidence and activity (the business sentiment survey and the composite index of economic activity, CIEA) reflected the weakening and reversal of the positive trend since 2018.[2]
- Private credit contracted by 0.7 percent between end-2019 and September 2020, marking a sharp decline in the 12-month growth rate compared to 2019.
- On a positive note, inflation subsided to 5.2 percent y/y at end-September, as increases in non-food prices were moderated by low fuel prices and a stable dalasi.

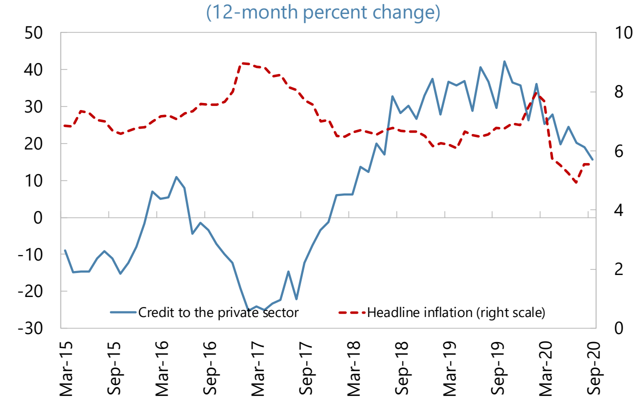
Text Figure 1. The Gambia: Economic Activity Indicators

Economic Activity Indicators, 2018–20
(12-month percent change)



Source: The Gambian authorities.

Inflation and Private Credit, 2015–20
(12-month percent change)



Source: The Gambian authorities.

7. Budget execution in 2020 has been prudent, notwithstanding the impact of the COVID-19 pandemic (Tables 2–4 and Text Table 1). Additional donor support, including from the IMF, has helped offset tax revenue shortfalls that emerged in the wake of the pandemic and enabled implementation of the emergency health spending and social programs as well as the economic stimulus package under the SAP.

[2] The CBG's business sentiment survey taken at end-March 2020 pointed to a decline in confidence, and its CIEA compiled at end-August showed a significant output gap. The elements of the latter index comprised projected changes in the volumes of exports and imports, currency in circulation, collections of value-added tax, economy-wide wages, and the fiscal impulse (measured by changes in the primary fiscal balance).

- Domestic revenue at mid-year was higher than projected due to one-off non-tax receipts from the sales of assets authorized by the Janneh Commission. This compensated for a decline in monthly tax revenue starting in Q2 and helped cope with the temporary shortfall in budget support caused by a delay in the disbursement of the World Bank's DPO (from Q2 to Q3). Subsequently, tax revenue performance has been sustained, despite a further weakening of economic activity since the time of the RCF request in April, and The Gambia Revenue Authority (GRA) is on track to meet the end-year tax collection target of GMD 10 billion (as modified at the time of the RCF request).

Text Table 1. The Gambia: Fiscal Performance as of end-June 2020 Indicators

(January–June Cumulative, percent GDP)

	Prog.	Est.	Diff.
Revenue	**10.2**	**9.1**	-1.1
Domestic revenue	6.8	7.4	0.6
Taxes	5.9	5.5	-0.4
Non-tax	1.0	1.9	0.9
Grants	3.4	1.7	-1.7
Budget support	2.1	0.5	-1.6
Project grants	1.3	1.2	-0.1
Expenditures	**11.1**	**11.4**	0.3
Expenses	7.6	8.2	0.6
Compensation of employees	2.2	2.0	-0.2
Use of goods and services	1.6	2.3	0.7
Interest	1.4	1.6	0.2
Subsidies and transfers	2.4	2.3	-0.1
Net acquisition of nonfinancial assets	3.5	3.2	-0.3
Foreign financed	2.7	2.6	-0.1
Gambia local fund	0.9	0.6	-0.3
Net lending (+)/borrowing (–)	**-0.9**	**-2.3**	-1.4
Financing	**0.9**	**2.4**	1.5
Net acquisition of financial assets	-0.3	0.0	0.3
Net incurrence of liabilities	1.1	2.4	1.3
Domestic	0.3	1.4	1.2
Net borrowing	0.5	0.6	0.0
RCF/ECF (Onlent)	...	1.1	1.1
Change in arrears	-0.3	-0.2	0.0
Foreign	0.9	1.0	0.1
Exceptional financing (DSSI)	...	0.1	0.1
Statistical discrepancy	0.0	-0.1	-0.1
Memorandum items:			
Primary balance	0.5	-0.7	-1.2
Domestic primary balance	-0.2	0.9	1.1

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

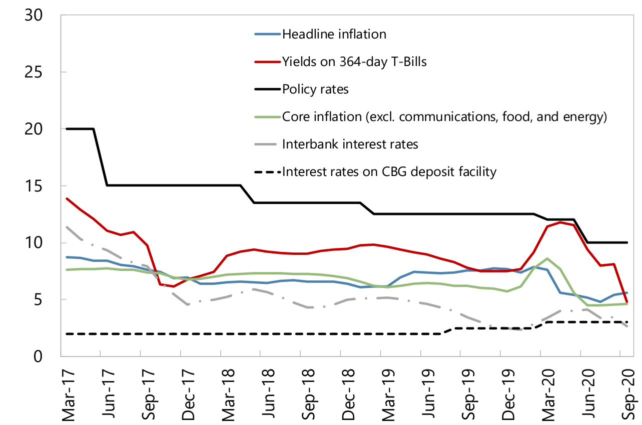
- In GDP terms, total expenditure at mid-year was slightly higher than program and its composition was changed to accommodate emergency spending on: (i) health (0.5 percent of GDP); and (ii) food distribution program in Q2 (0.7 percent of GDP), largely financed by the IMF's on-lent disbursement under the RCF, while capital expenditure lagged. As a result, the domestic primary balance was 1.1 percent of GDP stronger than projected, while the overall fiscal deficit was 1.4 percent of GDP higher, solely because the disbursement of budget support from the World Bank got delayed.

- Preliminary data through end-September indicate that the fiscal program (as modified at the time of the RCF request) is well on track. The implementation of the SAP accelerated in September causing a temporary increase in the treasury float (explaining the statistical discrepancy), which is expected to be largely resolved by year's end and its residual cleared in early 2021. All in all, the authorities anticipate that the end-December net domestic borrowing target under the program (GMD 0.5 billion, corresponding to about 0.5 percent of GDP) will be met thanks to strong donor support, sustained domestic revenue performance, and prudent execution of non-priority spending with savings on travel and other general expenses.

8. Monetary policy has been accommodative (Annex I and Text Figure 2). The CBG reduced its policy rate from 12.5 percent at end-2019 to 10 percent by end-May. It also cut the reserve requirement ratio from 15 to 13 percent and advised the banks to postpone the distribution of dividends. These actions eased liquidity conditions, muted inflation prospects and set the stage for a drop in T-Bill yields. At the subsequent Monetary Policy Committee (MPC) meetings in late August and early December, the CBG made no further changes, noting a stable exchange rate and an increase in local food production as mitigating factors.

Text Figure 2. The Gambia: Interest Rates and Inflation, 2017–20

(In percent)

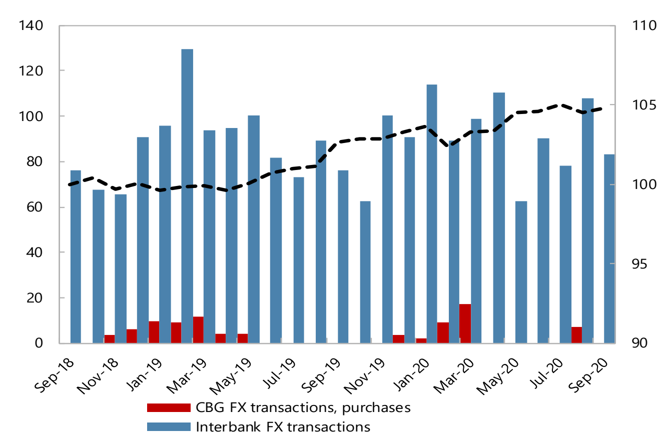


Source: The Gambian authorities.

9. Financial soundness indicators remained strong, despite localized pandemic-driven weakening in asset quality (Tables 5–7 and 11). At end-September, banks' capital adequacy ratio stood at 36 percent (compared to a statutory 10 percent) and their short-term liabilities were nearly fully covered by liquid assets. Non-performing loans (NPLs) increased from 4.5 percent of gross loans at end-2019 to 6.5 percent, mainly on account of COVID-19-related weakening of cashflows and debt servicing ability of banks' clients in the tourism and the hospitality industry. The impact is contained to a few small banks that provided financial services to clients who were in good standing prior to the COVID-19 outburst and are expected to recover once tourism recovers. The CBG allowed for a suspension of provisioning rules with regard to these clients until end-2020 and is prepared to consider additional steps should tourism activity take longer to recover. Thanks to strong private FX inflows, the interbank FX market has been replenished (an almost 60–percent y/y increase in the volume of net FX transactions was registered in September), helping the banks resolve frictional difficulties in cross-border settlements (due to the suspension of cash shipments and difficulties experienced by Travelex, the main intermediary) with the CBG playing only an auxiliary role.

Text Figure 3. The Gambia: FX Market Operations and Exchange Rates, 2017–20

(USD million (LHS), Index100 (RHS)



Source: The Gambian authorities.

10. Significant official and private remittance inflows helped external sector resilience (Tables 1 and 8, and Text Figure 3). In the context of abundant FX, banks mainly sought to sell FX to finance their domestic clients and participate in the T-Bills and bonds market. In this context, the CBG's exchange rate policy remained neutral, with a limited presence (usually on the purchasing side) in the FX market. Reflecting these developments, the CBG's official gross reserves reached US$314 million at end-September (equivalent to 4.4 months of prospective imports) and the dalasi/US$ rate remained stable. The updated Exchange Rate Assessment (Appendix I) indicates that the real effective exchange rate is broadly in line with economic fundamentals.

PERFORMANCE UNDER THE PROGRAM

11. Program performance through June was strong (MEFP Tables 1 and 3).

- All end-June quantitative performance criteria (PCs) were met, with large margins after adjusting for the lower-than-projected disbursement of budget support (due to the delay in the disbursement of budget support from the World Bank from Q2 to Q3). However, the continuous zero-ceiling on new external payment arrears of the central government was breached: (i) an interest payment of US$0.25 million falling due on a loan signed between the government and Export-Import Bank of China for GAMTEL (a telecommunications SOE) was not settled on time; and (ii) arrears amounting to US$7.6 million were called outstanding at end-June by the Islamic Development Bank (IsDB), as debt service payments suspended during the gestation period became due upon the completion of a project for which an IsDB loan had been contracted. MoFEA cleared the arrears to the Export-Import Bank of China on behalf of GAMTEL on June 19, 2020. MoFEA has instructed GAMTEL to make provisions to settle future payments to Export-Import Bank of China on time and to inform MoFEA in advance in the event they are unable to make a payment. Regarding the arrears to IsDB, given GAMTEL's inability to clear the full amount when the arrears were called, the authorities reached an agreement with the IsDB, allowing them to clear these arrears in the course of 2020; the last installment was paid in early December. In parallel, MoFEA instructed GAMTEL to ensure timely servicing of its debt obligations from its own earnings via an escrow account. Based on these corrective actions, the strength of the program, and the authorities' commitment to debt sustainability, they are requesting a waiver of nonobservance of this performance criterion.
- Two out of three indicative targets for end-June were met, including the floor for tax revenue, despite its marked weakening in Q2. Based on the program definition (reflecting the original 2020 budget), the poverty-reducing spending fell short of the indicative floor by 2 percent; however, its actual level was about 30 percent higher on account of the pandemic-related emergency health and social spending (not included in the program definition). All end-September indicative targets, including the floor for poverty reducing spending, were met.
- All four structural benchmarks (SBs) that were due through end-June 2020 were met. The authorities: (i) developed a monthly cashflow plan for the whole year, consistent with the 2020 budget and are updating this plan monthly under the guidance of a Cash Management Committee (**end-March 2020 SB**), albeit further work is needed to improve the reliability of cash plan updates by spending agencies; (ii) cleaned up the taxpayers' registry in the greater Banjul area; (iii) adopted project selection criteria ensuring strategic alignment, viability,

affordability and readiness for implementation; and (iv) published a strategic plan to address the recommendations of the 2019 Financial Sector Stability Review (FSSR) (**all end-June SBs**).

12. All three end-September 2020 SBs were not met (MEFP ¶¶14 and 48, and MEFP Tables 1 and 3), as their implementation was thwarted by a surge in COVID-19 cases. Nevertheless, the related program commitments have been subsequently implemented: (i) an updated Medium-Term Debt Strategy (MTDS) was finalized and published in October; and (ii) policy actions, agreed with staff, to launch the reform of tax exemptions policy and the rationalization of subvented agencies. With the authorities' implementation capacity being affected by the pandemic, the scope of the two actions was contained to articulating relevant policy statements in the 2021 Budget Speech and clarifying their implications for the 2021 budget (tax revenue projections and allocation of subsidies). The next steps will be mapped out in discussions with staff, recognizing the need for a better preparation of the intended reforms and their phased implementation with the help of technical assistance from the IMF and the World Bank (see MEFP ¶48).

ECONOMIC OUTLOOK AND RISKS

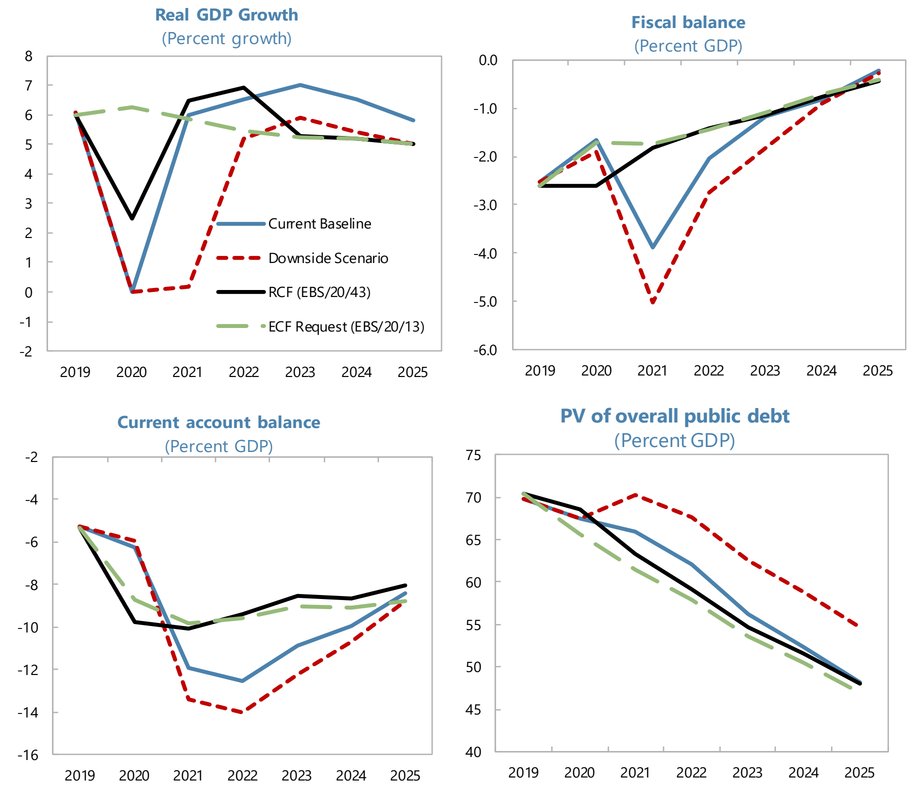
13. The near-term economic outlook has weakened as COVID-19 cases surged (Table 1 and Figure 3). With tourist arrivals in Q4 (the peak quarter) now projected to attain at best 20 percent of the level seen in Q4 2019, GDP growth in 2020 is estimated to be close to zero. While the prolonged suspension of tourism was expected to push growth into the negative territory, favorable weather conditions (ample seasonal rains) spurred a rebound in agriculture and strong private FX inflows supported vigorous activity in construction and commerce, which markedly improved the economic outcome (as evidenced in stronger-than-anticipated tax revenue collection). Inflation is projected to edge up to 6.5 percent (y/y) by year's end, due to anticipated increases in food prices before the new harvest reaches the markets.

14. The medium-term economic outlook features a gradual recovery, predicated on an assumed return of tourism to pre-pandemic levels starting in the second half of 2021. (Annex II, Table 1 and Text Figure 4).

- In the baseline, growth is expected to rebound to 6.0 percent in 2021 and average 6.5 percent per year in 2022–25 with inflation remaining in the 5–6 percent range. While the medium-term recovery is now expected to take longer than projected at the time of the RCF request in April 2020, The Gambia is still expected to achieve a full recovery within a five-year horizon and avoid scarring. In staff's view, the pandemic, which impacts mostly tourism, will not affect potential output as the vacant capacity in the tourism sector will be instantly available once health conditions allow for travel resumption. This resilience was evident in the aftermath of recent shocks, including the regional Ebola crisis of 2014–15 and Thomas Cook bankruptcy in the fall of 2019. Furthermore, the pandemic accelerated the absorption of technological innovation (e.g., mobile banking, which now has expanded from an embryonic stage in 2019), which is expected to boost TFP growth. Finally, public investment, subdued in the current context, is expected to rebound, with a full pipeline of projects ready to start, stimulating growth to rise above the previously projected trajectory during the implementation period. The current account balance (including official grants) is projected to deteriorate in 2021–22, as budget support is expected to drop sharply after the emergency support provided in 2020 ends. Subsequently, the current account balance is expected to improve gradually, as tourism reaches potential.

- Predicated on the assumption that the COVID-19 emergency recedes in 2021, the overall fiscal balance is expected to converge to the original ECF forecast by 2023, such that the PV of public debt would decline below 55 percent in 2024.
- This baseline is subject to some upside risk (presupposing a swift recovery from the pandemic, on the back of a successful global vaccination campaign, and a stronger-than-expected rebound in tourism, consistent with the budding optimism about the economic outlook in advanced countries).

Text Figure 4. The Gambia: Impact of COVID-19, 2019–25



Source: The Gambian authorities; and IMF staff estimates.

15. There is considerable downside risk if the pandemic is prolonged. In the downside scenario (Text Figure 4), with the pandemic proving harder to eradicate, tourist arrivals would be suspended until Q4 2021. In this scenario, assuming no additional policy action, economic activity would continue to stagnate in 2021, and a full recovery to the pre-COVID-19 baseline (in terms of GDP level) would be delayed beyond 2025. The associated higher health spending and financing costs, in the context of lower revenue and export receipts, would widen the fiscal deficit and the external current account deficit, spurring additional financing and macro-economic adjustment needs. The PV of public debt-to-GDP ratio would rise to about 70.3 percent of GDP in 2021 before regaining a downward sloping path; however, the attainment of the 55 percent of GDP threshold within the medium-term horizon would likely require additional fiscal adjustment. In the near term, however, an active policy response would be called for to meet the emergency needs and stimulate the economy by focusing on actions with a high growth multiplier, while relying to a largest possible extent on foreign financing in the form of grants. Subsequently, once the economic recovery takes hold, the policy focus should shift towards appropriate fiscal consolidation, to ensure sustainability and crowd-in the private sector. Should the pandemic have a more permanent impact on the tourism sector and weigh on the medium-term outlook, the policy response would need to include greater emphasis on diversification away from tourism, notably, building on demonstrated successes in developing export-oriented agriculture, such as the FDI-driven and labor-intensive horticulture. Downside risks also include potential policy slippages, particularly on account of election-related spending and possible political tensions.

POLICY DISCUSSIONS

Policy discussions focused on program performance, and policies and reforms to support the economic recovery. Key issues discussed included: (i) the revised medium-term fiscal framework and the 2021 budget; (ii) debt sustainability; (iii) monetary and exchange rate policy; (iv) financial sector resilience in the face of the pandemic; and (v) the updated reform agenda to support the post-pandemic recovery.

A. Fiscal Policy

16. Discussions focused on addressing the short-term needs to mitigate the impact of the pandemic and support the economic recovery within a medium-term budget framework geared toward ensuring debt sustainability (MEFP ¶¶27–28). In an effort to reconcile these competing objectives, the 2021 budget submitted to the NA on November 6, 2020 aims to deliver a fiscal impulse of about 4 percent of GDP (as measured by the change in the primary balance). Part of this impulse reflects the implementation of priority initiatives of the 2020 budget, whose implementation was hindered by the pandemic, contributing to a tighter than expected fiscal stance in 2020.[3] The stimulus is intended to be frontloaded in 2021 to counteract the sluggish activity in the tourism sector and create alternative temporary employment opportunities. The impulse relies primarily on one-off increases in public spending and is expected to be withdrawn, starting in 2022, consistent with the agreed medium-term fiscal framework. The one-off spending includes 0.5 percent of GDP on compensation in health and education (to strengthen first response and ensure distancing); 0.7 percent of GDP in transfers (on pandemic-related social interventions); and 0.8 percent of GDP in local capital spending. At the same time, the 2021 budget features measures to tighten tax loopholes, rationalize exemptions, and tighten the exemption granting process (**consistent with end-September SB**). Such measures are key to the attainment of revenue targets under the program, supported by an indicative floor for tax revenue set at GMD 11.4 billion (10.5 percent of GDP)—consistent with the tax collection target for the GRA and reflected in the budget—and advancing the medium-term objective of increasing the overall domestic revenue from just over 13.0 percent of GDP in 2020 to about 15 percent of GDP by 2025.

[3] In staff projections, the fiscal impulse in 2021 will be about 1½ percentage points of GDP lower, principally because: (i) the budget is based on conservative tax revenue projections formed in Q3, when COVID-19 cases surged, while the current trend indicates a markedly stronger revenue performance; and (ii) it assumes foreign-financed investment to be implemented at a pace that is well above the historically observed execution capacity. The authorities agreed that revenue objectives could be revisited upward in mid-2021, if the expected economic rebound materializes and the current upward trend in tax revenue is sustained.

Box 2. Key Elements of the 2021 Budget

The 2021 budget aims at tightening the domestic primary deficit, to create space for private sector expansion, and a widening of the overall deficit to step up implementation of foreign-financed projects.

Revenue: Domestic tax revenue is projected at 10.5 percent of GDP (implying an increase of 0.1 percent of GDP relative to the 2020 outcome projected by staff based on revenue performance through October), while non-tax revenues, boosted in 2020 by sales of stolen assets, are expected to remain elevated by the continued sales of these assets. Foreign grants are expected to inch up by 0.1 percent of GDP as the expected decline in budget support, which was substantially frontloaded in 2020 by development partners in view of the COVID-19 crisis, is expected to be offset by an accelerated disbursement of project grants.[1]

Expenditure: A sharp increase in capital spending is expected to outweigh the projected moderation in current spending. Key noteworthy provisions include:

- A contingency (of up to 0.5 percent of GDP) for additional compensation in education and health, to ensure flexibility in addressing potential pandemic-driven needs.
- Increased appropriation for the Independent Electoral Commission, in view of the 2021 presidential elections, estimated to cost about 0.3 percent of GDP.
- Reduced subsidies to SOEs, containment of transfers to subvented agencies, and increased room for social support.
- An increase in capital spending (including domestically financed), reflecting preparations for the OIC conference and other infrastructure projects.[1]

The Gambia: 2021 Budget Estimates

(Percent of GDP, unless otherwise indicated)

	2020	2021	
	Proj.	Proj.	Budget
Revenue	**23.6**	**21.5**	**23.9**
Domestic Revenue	13.3	14.1	13.4
Taxes	10.4	11.2	10.5
Non-Tax	2.9	2.9	2.9
Grants	10.3	7.4	10.4
Budget support	4.9	2.4	2.3
Project grants	5.4	5.1	8.1
Of which: COVID-19 assistance	0.5	…	…
Social assistance	0.7	…	…
Expenditures	**25.2**	**25.4**	**29.5**
Expenses	17.4	15.4	15.1
Compensation of employees	4.3	4.6	4.6
Use of goods and services	4.3	3.9	3.4
Interest	3.0	2.6	2.8
Subsidies	5.9	4.3	4.3
Capital investment	7.8	10.0	14.5
Foreign financed	6.1	7.5	12.0
Gambia local fund	1.7	2.5	2.4
Net lending (+)/borrowing (–)	**-1.7**	**-3.9**	**-5.7**
Financing	**1.0**	**3.9**	**5.7**
Net acquisition of financial assets	-0.2	-0.2	0.7
Net incurrence of liabilities	1.2	4.0	5.0
Domestic	0.8	2.3	2.5
Net borrowing	0.5	1.2	0.8
RCF/ECF (Onlent)	1.1	2.1	2.1
Change in arrears	-0.8	-0.9	-0.4
Foreign	0.2	1.6	2.4
Borrowing	1.9	2.9	3.9
Amortization	-1.7	-1.3	-1.4
Exceptional Financing (DSSI)	0.2	0.1	0.0
Statistical discrepancy	0.6	0.0	0.0
Memorandum items:			
Domestic primary balance	-1.7	-0.8	-1.2
Primary balance	1.3	-1.3	-2.8
Nominal GDP (billions ofdalasi)	98.0	108.3	108.3

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

Financing: The on-lending of ECF funds to the Treasury (2.1 percent of GDP) plays a critical role in containing the recourse to domestic borrowing, which the authorities intend to keep below 1 percent of GDP, in part also thanks to the privatization receipts that the authorities expect to realize in early 2021.

[1]Staff projections in this area are based on the observed execution rate, which appears to be capacity constrained.

17. **The draft 2021 budget is aligned with the program target for net domestic borrowing to create adequate room for private sector expansion** (MEFP ¶27, Box 2 and Tables 2–4). The budget features an overall deficit of 5.7 percent of GDP. Staff estimates, however, that, based on

agreed policies, the overall deficit would not exceed 3.9 percent of GDP, half of which would be financed by drawing on the IMF resources (second and third disbursements under the ECF, augmented as proposed) on-lent to the Treasury. The implied need for net domestic borrowing amounts to 0.8 percent of GDP, which is well within the agreed program ceiling of 1.2 percent of GDP, which staff assessed as being consistent with the available fiscal space and the need to ensure adequate room for private credit expansion. The budget also implies a reduction in the domestic primary deficit from a projected 1.7 percent of GDP in 2020 (of which 2.5 percent of GDP reflecting the impact of the COVID-19 pandemic) to 1.2 percent of GDP, marking an important step toward consolidation, as the pandemic-driven emergency is expected to subside. On staff projections, domestic primary deficit could decline below 1 percent of GDP, even if the expected tax revenue surplus is spent. At the same time, the budget features countercyclical components underpinning the fiscal stimulus, including: (i) increased provisions for infrastructure investment (mainly to ensure the implementation of large domestically-financed projects initiated in 2019 and 2020); and (ii) contingency spending on health and education.

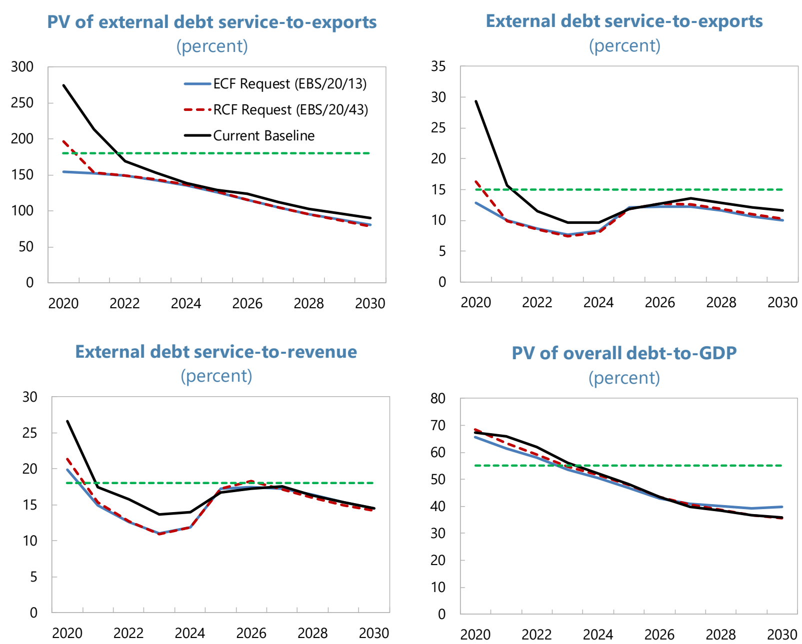
18. The 2021 budget is supported by measures to ensure the attainment of key reform objectives (MEFP ¶27 and MEFP Table 4), including new measures to bolster tax administration and public financial management.

- Elimination of all ad-hoc tax exemptions and restoration of the full authority of the Ministry of Finance in approving tax exemptions (**SB for June 2021**). The implementation of the new tax exemption policy (expected to yield 0.5 percent of GDP in revenue in 2021) will be overseen by a tax exemption committee and piloted by a tax policy unit at MoFEA. In parallel, tax compliance efforts are being strengthened, with the support of technical assistance (TA) from the Fund and other partners, and consistent with the revenue authority's (GRA's) strategic plan for 2020–24.
- Additional revenue measures, including: (i) a realignment of the registration and reporting thresholds for selected tax items (increased voluntary VAT and capital gains tax threshold, and lower fringe benefit tax rate); (ii) a reduction of business registration fees for MSMEs, sole proprietors and investors; (iii) a reduction of excise tax rates on new vehicles; (iv) an increase of excise tax rates on tobacco products; and (v) elimination of some distortionary taxes (e.g., the environmental tax of GMD 1 per employee).
- Preparation of a roadmap for extending the IFMIS to all flows from projects and subvented agencies' accounts (**SB for end-June 2021**).
- Preparation, in consultation with IMF staff, and submission to the NA of a new Public Finance Bill, with a view to strengthening budgetary processes, including exceptional budget procedures, treasury management, internal controls and fiscal reporting (**SB for end-December 2021**).

B. Public Debt Sustainability

19. The Gambia's debt sustainability outlook remains qualitatively unchanged relative to the assessment made at the time of the RCF request (MEFP ¶29 and Text Figure 5). While public debt continues to be deemed sustainable, the external and overall debt distress ratings remain high. Due to a decline in exports and weaker domestic revenue performance on account of the COVID-19 crisis, the magnitude of the threshold breaches for external debt service-to-exports and external debt service-to-revenue ratios is amplified in the near term. Similarly, owing to lower GDP, the proposed ECF augmentation contributing to a rise in external debt, and a small increase in domestic debt in the near term, the PV of overall debt-to-GDP now drops below its indicative threshold (55 percent) by 2024, a year later than in the previous DSA. To help ensure debt sustainability, the authorities will need to adhere to the external borrowing plan (Text Table 2). The revised borrowing plan has been expanded to allow space for the Banjul port expansion (a high-priority project with a large economic return); the additional US$65 million in 2021 is reserved for this purpose, envisaging a mix of concessional and non-concessional loans (the latter to be combined with a grant of US$25 million as part of a concessional financing package) to be on-lent to the Gambia Port Authority (GPA). The package is still under discussion and its composition and terms will be clarified at a later stage. The servicing of the debt incurred for the Banjul port expansion is expected not to burden the treasury, as the GPA is a profitable company deemed capable of generating the revenue stream needed to cover the debt service obligations.

Text Figure 5. The Gambia: Debt Sustainability Indicators



Source: IMF staff estimates.

20. The sustainability of public debt is underpinned by a medium-term fiscal outlook featuring consolidation and improvements in debt management (MEFP ¶¶31–32). In particular, significant efforts are being invested to strengthen domestic debt management, lower its costs and rollover risks, including by enhancing transparency through the quarterly debt bulletin and monthly publication of a rolling domestic debt issuance calendar for the ensuing three months (**proposed SB for end-March 2021**). The updated Medium-Term Debt Strategy (MTDS) underpins these objectives. Furthermore, the authorities continue to favor grant financing for foreign-financed projects, are strengthening the capacity to improve debt recording and reporting (including effective use of the newly acquired software, *Meridian*). The finance ministry is also strengthening its oversight of contingent liabilities from SOEs, to ensure timely debt service payments on SOE debt guaranteed by the government and prevent the recurrence of external arrears. In this context, the debt sustainability outlook remains robust to the proposed revisions to the borrowing plan, including the assumed composition of the borrowing for port expansion.

Text Table 2. The Gambia: Revised External Borrowing Plan, 2020–23

(US$ millions)

External public debt contracted or guaranteed	Volume of new debt (US$ million)									
	2020		2021		2022		2023		2020–23	
	Prog.	Proj.	Prog.	Rev.	Prog.	Rev.	Prog.	Rev.	Prog.	Rev.
Source of debt financing										
Total debt contracted	60	12	40	115	40	40	50	40	190	207
Concessional debt	60	12	40	100	40	40	50	40	190	192
Multilateral debt	40	0	20	80	20	20	30	20	110	120
Of which : Port expansion	0	0	0	50	0	0	0	0	0	50
Bilateral debt	20	12	20	20	20	20	20	20	80	72
Nonconcessional debt[1]	0	0	0	15	0	0	0	0	0	15
Use of debt financing										
Infrastructure	60	12	40	115	40	40	50	40	190	207
Of which : Port expansion	0	0	0	65	0	0	0	0	0	65
Other (including budget support)	0	0	0	0	0	0	0	0	0	0

1/ The nonconcessional debt is part of a concessional financing package for the port expansion.

Assumed disbursement profile	2020	2021	2022	2023	2024	2025	2026
Source of debt financing							
Total disbursements	0	50	50	20	20	20	47
Concessional debt	0	40	45	20	20	20	47
Multilateral debt	0	35	35	10	10	10	20
Of which : Port expansion	0	30	20	0	0	0	0
Bilateral debt	0	5	10	10	10	10	27
Nonconcessional debt[1]	0	10	5	0	0	0	0

1/ The nonconcessional debt is part of a concessional financing package for the port expansion.

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

21. The Gambia benefitted from debt service relief at the onset of the pandemic, which helped create much-needed fiscal space (MEFP ¶30 and Annex III). The Gambia's participation in the G20 DSSI and the IMF's Catastrophe Containment and Relief Trust (CCRT) have reduced debt service to its official bilateral creditors and the IMF by US$4 million and SDR 4.2 million, respectively, and allowed a re-direction of debt service payments to social and infrastructure needs. The authorities have already requested for an extension of the DSSI, which, if approved for the entire year of 2021, would yield about US$3 million in debt service deferrals. In addition, the on-lending of IMF disbursements under the RCF and (prospectively) under the ECF arrangement to the Treasury is helping the country to meet large temporary financing needs at reduced interest costs. Furthermore, the authorities are disputing debt service liabilities to Libya due to a disagreement over the amount owed and they are engaging in good faith efforts to try to resolve the arrears to Venezuela but have not been successful, due to international sanctions (Annex III).

22. Steps to strengthen financial performance of SOEs will play a critical role in containing the risk of debt distress and ensuring debt sustainability (MEFP ¶¶17, 32, and 35–36, MEFP Table 4, and Box 3). The containment of SOE-related risks is particularly important, in view of the continued reliance of several SOEs on short-term external financing in the form of trade credit (from the Islamic Trade Finance Corporation, ITFC), which is being used for liquidity support and plays a critical role in financing their day-to-day operations. While a broader SOE reform will be enshrined in the revised SOE law (expected to be presented to the NA before end-2021 (**proposed structural benchmark for end-December 2021**), the government is taking steps to improve the efficiency and financial performance of the fiscally most important SOEs. The key objectives of the reform will include: (i) limiting executive interference and (iii) strengthening the SOE governance framework with greater control by the ministry of finance to ensure management accountability and improved financial performance to contain fiscal risks. Staff will continue to work with the authorities on the specifics of the reform to be reflected in the SOE bill. The objectives in this area and the broader SOE reform agenda are being informed by the findings of the special audits of all 14 SOEs.

C. Monetary and Exchange Rate Policy

23. The monetary policy stance remains geared toward supporting economic recovery (MEFP ¶¶9 and 37, Annex I, and Tables 5–7). In the context of subdued inflation, the CBG used its instruments to ensure adequate liquidity as the COVID-19 pandemic shaved off incomes and domestic demand. Given the uncertainties around the expected economic recovery, the CBG reaffirmed this stance at the recent MPC meeting and plans to maintain an accommodative policy stance. However, should inflation start creeping up in the context of abundant liquidity, the CBG will stand ready to use its instruments to narrow the interest rate corridor, including by raising the deposit rate to facilitate liquidity absorption, and adjust the reserve requirements ratio as needed.

24. The CBG remains committed to a flexible exchange rate regime, which supports alignment of the real effective exchange rate with economic fundamentals (MEFP ¶38). To avoid large real exchange rate deviations from equilibrium, the CBG is expected to continue to limit its purchases in the interbank FX market to opportunistic interventions during the seasonal peaks while making its FX available for the servicing of foreign debt and other external obligations of the central government. Assuming that the bulk of foreign reserves accumulation by the CBG would come from gross official inflows net of foreign exchange transactions on behalf of the government, gross reserves are projected to reach US$330 million (or 4.6 months of prospective imports) by year’s end and increase further to about US$390 million by end-2021.

Box 3. SOE Reform—Addressing Fiscal Risks

The Gambian state-owned enterprises pose significant fiscal risks. Poor management and soft budget constraints undermine service delivery and make most SOEs dependent on government support to stay afloat financially. A recent audit of all 14 Gambian SOEs revealed a wide range of issues from insolvency, weak accounting systems, and overstatement of assets to conflicting commercial and socio-economic objectives, corporate governance issues, and executive interference. These issues are particularly acute in two fiscally most important SOEs—The Gambia Groundnut Corporation (GGC), and the National Water and Electricity Company (NAWEC) — necessitating large *ex ante* budgetary subsidies to enable their functioning. Moreover, in recent years, both companies have resorted to short-term external financing (mainly from the ITFC) to fund their day-to-day operations; unable to service this debt on their own, they have become reliant on the government to assume a large share of these liabilities (through *ex-post* subsidies). The total level of government support to GGC and NAWEC in 2018–20 amounted, on average, to 0.5–0.6 percent of GDP per year.

Several measures are being taken to put GGC on a sustainable footing.

- The authorities have, since February 2020, replaced the entire senior management of the corporation, and required the new team to immediately undertake much-needed reforms and report periodically to a new board. The new management team has since cleaned up the payroll, laying off 21 permanent employees at senior positions and above the retirement age. An internal audit unit and a marketing department (hitherto absent in the company) have been created and the process of recruiting their heads is at an advanced stage.
- The new management is forging transparency and efficiency in fertilizer purchases and distribution. To this effect, it has engaged the services of Reliance Financial Services, a microfinance institution. This new model helped the corporation sell 98 percent of 2020's fertilizer stock. To improve processing efficiency, it decommissioned the old decorticating plant and hired a smaller, more efficient, machinery from a private operator. To help attract farmers, the groundnut price for the upcoming trading season has been increased by 15 percent and farmers will be paid, as they deliver their produce, through local banks.

The government is also taking measures to strengthen the financial performance of NAWEC.

- The company is currently going through organizational restructuring, including the appointment of a new managing director and group directors. The company's Information Management System will be modernized with financial assistance from the World Bank. A new Board Charter has been recently approved and a strategic development plan for the company, spanning 2019–25, has been developed.
- NAWEC and the government signed a 5-year performance contract establishing clear financial, commercial, operational, and human resource deliverables, which were cascaded to the managing director and senior management of the company. Measures already undertaken by the new management include: (i) the installation of prepayment meters at all government's non-essential services to prevent arrears; (ii) the setting up of a Revenue Protection Department to minimize commercial losses; and (iii) the procurement of smart meters for major consumers to ensure reading accuracy and enhanced revenue collection.

Nevertheless, both companies continue to face significant challenges, giving rise to potential fiscal risks.

- **GGC**: Important investments are needed to replace the dilapidated facilities that have not been updated in 50 years. Staffing inadequacies need to be addressed to ensure critical functions such as IT and legal, which are still nonexistent. Other challenges include: (i) reliance on rainfall patterns; (ii) poor quality of Gambian groundnut products; (iii) executive interference; (iv) transportation issues; and (v) expensive financing and pre-financing arrangements. Finally, the increased presence of Chinese and Senegalese traders on the Gambian groundnut market poses a strategic challenge to the company's competitiveness.
- **NAWEC**: Significant investments are also needed to replace the company's obsolete plant and machinery. Heavy reliance on HFO-powered generators entails excessive costs, often compounded by expensive external borrowing. The company's business model needs revamping, including the possible separation of (i) electricity generation and distribution from (ii) provision of water and sewer services, which generates less than 20 percent of NAWEC's income while causing a significant financial burden on the company.

25. A strong CBG balance sheet and autonomy will help policy prudence (MEFP ¶39). An updated safeguards assessment of the CBG (completed in July 2020) noted considerable progress in strengthening the legal framework, modernizing the internal audit function, and improving financial reporting. The financial position of the CBG has also strengthened in recent years. However, the CBG faces capacity challenges, and more active oversight by the CBG Board and the Audit Committee is needed to strengthen control and audit processes. The CBG has already made arrangements for a joint audit (by a local audit firm and an international audit firm with central banking experience) of 2020 financial statements. A Memorandum of Understanding will be signed with the Auditor General to formalize a corresponding arrangement for the audit of the CBG's 2021 financial statements (**proposed SB for end-March 2021**). The 2020 safeguards assessment also emphasizes the importance of strengthening the CBG's balance sheet (including by implementing the understanding with MoFEA to increase the CBG capital gradually to its statutory level, GMD 1 billion) and to preserve its integrity and autonomy. In this context, the recent change at the helm of the central bank highlights the transitional challenges with implementing the provisions of the 2018 CBG Act, pertaining to the appointment terms for the CBG management team.

D. Financial Sector Issues

26. The COVID-19 pandemic has impacted asset quality, both in banks and nonbanks, albeit varying with exposure to tourism (Table 11, MEFP ¶¶10 and 40–41, and MEFP Table 4). While the indicators of bank capital adequacy, liquidity, and profitability look strong, they mask weaknesses in a few small banks. The CBG's case-by-case approach to liquidity-crunched customers of financial institutions and its advice to banks and nonbanks to delay dividend distribution may have helped delay the onset of bad loans and reduce provisioning, and thus helping keep capital adequacy high. The CBG remains vigilant and is expected to shun any blanket weakening of prudential requirements, while steadfastly implementing the recommendations of the 2019 FSSR, including to sharpen the macroprudential tools. In this context, efforts are underway to develop a framework for banking sector stress testing (**SB for end-June 2021**), strengthen the supervision of Non-Bank Financial Institutions (NBFIs), including through the apex body of credit unions and village savings associations, and work with telecommunications companies to help develop and strengthen confidence in mobile banking by tackling regulatory inefficiencies and fostering consumer awareness.

E. Governance and Other Structural Reforms

27. The authorities are enhancing transparency in public procurement, use of public funds, and financial flows (MEFP ¶¶3 and 47–50, and Box 4).

- A bill has been sent to the NA, seeking to revise the GPPA Act to curtail executive interference in procurement and tighten emergency procedures. Soon after the GPPA Act is approved, in early 2021, the authorities will extend the GPPA's authority to all SOEs and publish all procurement contracts online, including details of all COVID-19-related contracts and owners of beneficiary companies (Box 4).

- Transparency in the use of pandemic-related support will be ensured through: (i) a sub-account in the Treasury Single Account (TSA) and a committee dedicated to this effort; (ii) strengthened internal audit at the Ministry of Health, which helped transparency of the recent food distribution exercise; and (iii) an independent *ex-post* audit by the NAO of all COVID-19-related spending, the first phase of which was launched in September.

- The enactment of an anti-corruption bill currently in parliament will strengthen the authorities' fight against rent seeking by public officials. The authorities are also strengthening the AML/CFT framework based on the recommendations of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) to curb illicit financial flows.

28. The role of a strong business environment in promoting inclusive growth is being well recognized (MEFP ¶¶51–52). The authorities are addressing structural challenges underlying The Gambia's low ranking on the 2019 World Economic Forum's Global Competitiveness Index. To this end, they are (i) expanding the seaport and refreshing the port IT infrastructure, to reduce congestion and lower charges; (ii) upgrading IT infrastructure at the GRA to enhance transparency and boost tax compliance; and (iii) pursuing their energy roadmap, supported by the World Bank's *Gambia Electricity Renewal and Modernization Project* and ECOWAS *Regional Electricity Access Project*, to diversify the energy supply mix and expand access and affordability. The authorities are also addressing the hold-ups to enhanced digitalization of the economy and are streamlining the related regulatory environment.

PROGRAM MODALITIES AND FINANCING ASSURANCES REVIEW

29. Program performance will continue to be assessed through semi-annual reviews (MEFP Tables 2 and 4). Quantitative PCs are being proposed for end-June 2021 and end-December 2021, as a basis for the third and fourth ECF reviews, respectively. Intermediate quarterly indicative targets (ITs) are also proposed. To increase flexibility, staff proposes to eliminate the PC on net domestic assets of the central bank and treat all quarterly NDA ceilings as indicative. With inflation firmly under control, the observance of NDA ceilings has become of secondary importance, especially given that the CBG's lending to the central government is statutorily restricted by the CBG Act. The proposed list of SBs draws on the continuation of the current agenda, recognizing that initiation of new reforms will be overly challenging in the current circumstances with the implementation capacity affected by the pandemic and the political economy of reforms complicated by the forthcoming presidential elections.

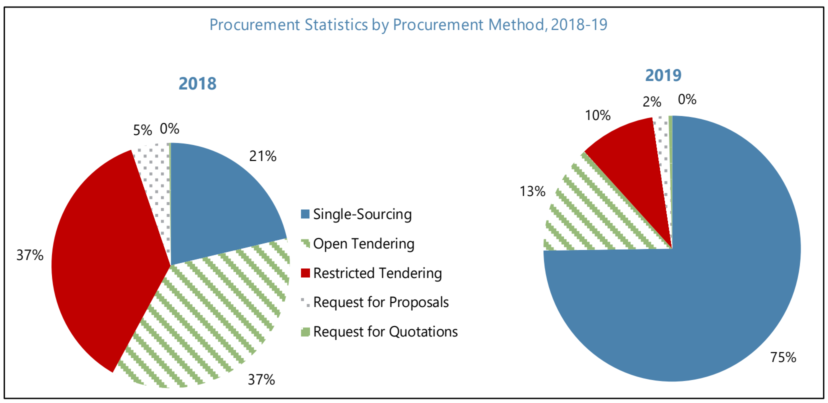
Box 4. Improving Public Procurement

Public procurement in The Gambia has faced diverse challenges over the years, underscoring the need to improve the legal framework and strengthen the public procurement authority (GPPA). The key elements of the reform, aiming to align local practices with best international standards, are to ensure transparency in public procurement, eliminate executive interference, and tighten the use of single sourcing. The need to ensure full transparency and value for money in COVID-19-related expenses contributed markedly to the acceleration of the reform.

2020 Procurement Statistics by Procurement Method

	Non-COVID-related		COVID-related	
	Amount (GMD)	Share (%)	Amount (GMD)	Share (%)
Single-Sourcing	425,368,029	5.0	86,840,365	10.5
Open Tendering	2,736,724,697	31.5	723,394,500	87.6
Restricted Tendering	186,292,019	2.1	-	-
Request for Proposals	5,165,105,242	59.5	-	-
Request for Quotations	121,024,807	1.4	15,551,581	1.9
National Competitive Bidding	29,212,788	0.3	-	-
Total	**8,676,086,404**	100.0	**825,786,446**	100.0

The authorities have taken practical steps this year to curb single sourcing of large public contracts. The share of non-COVID-19-related contracts that were single-sourced stood at only 5.0 percent as of September 2020 (down from 21.4 percent and 74.7 percent in 2018 and 2019 respectively). *Restricted tendering* decreased from 36.6 percent in 2018, to 9.5 percent in 2019 and to 2.1 percent in 2020 and *open tendering* (at 31.5 percent of total contracts value) recovered most of the ground lost in 2019 (13.3 percent compared to 36.7 percent in 2018), while *requests for proposals* became the main procurement method (59.5 percent of total contracts value compared to 0.2 percent and 0.5 percent in 2018 and 2019, respectively). The extraordinarily large share of single sourcing in 2019 reflects the procurement of the Banjul Rehabilitation Project, which required strengthened oversight to ensure value for money.



The GPPA has published all COVID-19-related procurement contracts. Information made public include the names of companies awarded the contracts and their beneficial owners, contract amounts, and procurement methods used. The lion's share of the COVID-19-related spending procured under the "*Contract for the COVID-19 Food Aid*" amounting to GMD 723.4 million (0.8 percent of GDP or 88 percent of COVID-related contracts), was procured through *open tendering*. Excluding this large contract, 85 percent of COVID-related significantly smaller contracts were single sourced due to the urgent nature of these contracts, while the remainder 15 percent of contracts were procured through *requests for quotations*.

The revised GPPA Act, which was submitted to the NA in November and scheduled for parliamentary consideration by end-2020, is expected to institutionalize best practices in procurement and improve efficiency of public spending, notwithstanding operational challenges at the GPPA. The revised Act, which is part of an EU-funded project (including support for accompanying regulations and guidelines), makes the GPPA the sole institution responsible for public procurement, eliminates the use of executive waivers, and limits the recourse to single sourcing to exceptional circumstances, technical or other reasons involving the protection of exclusive rights, or the extension of an existing contract awarded through a competitive process. However, low technical capacity at the GPPA—further strained during the COVID-19 pandemic—poses challenges to the success of the reform, along with risks, that could impede the effective implementation of the Act.

Source: The Gambia Public Procurement Authority.

30. Financing assurances and access. Budget support for 2021, entirely in the form of grants, has been confirmed by AfDB, the EU, and the World Bank (Table 10). The confirmed commitments indicate a 50-percent drop (equivalent to about 2.5 percent of GDP) relative to what has been made available in 2020. While the resulting residual financing need could be bridged through a combination of fiscal adjustment and domestic financing, the augmentation of access under the ECF and making the second and the third disbursements under the ECF (altogether SDR 30 million, of which SDR 20 million through an augmentation) available for budget financing would provide a welcome boost to help support economic recovery while lowering the recourse to domestic financing. The augmentation is requested to help meet the related balance-of-payments need, reflecting the expected pick-up in imports in response to the fiscal stimulus and lower-than-expected receipts from tourism, to ensure that an adequate reserve cover (of at least 4.5 months of imports) is maintained throughout the medium term. This relatively high reserve cover will ensure that The Gambia's debt carrying capacity stays "medium," as assessed in the DSA and deemed needed in anticipation of a sharp rise in external debt service after the debt deferral period ends in 2024. Without the requested augmentation, the reserve cover would drop to 4.2 months of imports at end-2021. Taking into account the requested augmentation, which covers 27 percent of total financing needs in 2021, bringing the total IMF contribution (excluding CCRT) from 19 percent in 2020 to 47 percent in 2021, the program is fully financed for the next 12 months, with good prospects for the remainder of the program.

31. The modalities of the requested augmentation. The requested augmentation of SDR 20 million (32.15 percent of our quota) would be frontloaded to support the financing needs under the 2021 program. To this effect, it is proposed to augment the second disbursement (to be made available upon the completion of the first review) from SDR 5 million to SDR 20 million and the third disbursement (to be made available upon the completion of the second review) from SDR 5 million to SDR 10 million. The two disbursements (for a total amount of SDR 30 million) would be on-lent to the Treasury with servicing obligations to be defined in a Memorandum of Understanding (MoU) between the CBG and MoFEA along the modalities stipulated in the MoU that the two institutions concluded with regard to the on-lending of the RCF loan that was approved by the IMF Executive Board on April 15, 2020.

32. The Gambia's capacity to repay the Fund is adequate, despite the COVID-19 shock. With the proposed ECF augmentation, repayments to the Fund are projected to rise over the medium term, peaking at around SDR 14 million per year in 2027–29, which corresponds to about 4 percent of exports of goods and services. The Gambia has a good track record of Fund borrowing and repayment, and the CBG is strengthening its financial safeguards (see ¶25). The proposed augmentation of access falls within the annual and cumulative access limits under PRGT financing.

33. Program risks and mitigation measures. The protracted global COVID-19 pandemic could delay the recovery in tourism, widen financing gaps, and strain the financial sector. Furthermore, the government's drive to fast track infrastructure projects while, possibly, underbudgeting the 2021 election costs, could pose challenges to the fiscal strategy, while the recent parliamentary rejection of the draft constitution is weighing on the timing and content of envisaged important legislative reforms (including the new SOE bill and the revised Public Finance Act) that underpin the medium-term structural agenda. To mitigate these risks, program monitoring will remain vigilant with strengthened emphasis on maintaining financial buffers and spending contingencies, and coordinated efforts with other development partners in support of the structural agenda.

34. **Capacity development and data issues**. The authorities' capacity development strategy will continue to focus on PFM, revenue administration, and financial regulation and supervision (drawing on the 2019 FSSR). Support from STA and AFRITAC West2 will continue, to improve fiscal reporting, national accounts, CPI, BoP, and monetary sector statistics.

STAFF APPRAISAL

35. **The Gambian authorities deserve commendation for their effective response to contain the COVID-19 pandemic and to support vulnerable households**. Their actions helped to limit community spread and moderate the impact of the pandemic. Indeed, with infections and fatalities remaining low, the authorities lifted the most onerous restrictions and opened the country's borders on October 16, 2020—essentially opening up the economy.

36. **Prudent policies and orderly execution of the budget are critical in the uncertain economic recovery phase**. The 2021 budget fits within the medium-term fiscal framework and provides a sound basis for the program, while creating room for a stimulus to support the post-pandemic recovery, albeit, to ensure debt sustainability, fiscal policy will need to be tightened once the economic recovery takes hold. To ensure the attainment of the macroeconomic objectives set out in the 2021 program, the authorities should keep within the agreed fiscal envelope, including the budgeted spending on the planned presidential election and public projects. Given the fragile economic recovery, and with domestic tax collection still below potential, any excesses could constrain essential social spending, which may be needed should the global pandemic prove more protracted than anticipated, impeding the much-desired economic rebound.

37. **Governance of SOEs should be strengthened to minimize fiscal risks and improve service delivery**. With development partners' support, the authorities have audited all SOEs and identified governance and financial management deficiencies, which they are addressing. The steps taken by the new management teams at NAWEC and the GGC, the two fiscally most important SOEs, are encouraging; however, the comprehensive SOE reform will require that the new SOE law is put in place to bring their governance framework in line with international standards and reduce political interference. Staff advises the authorities to work diligently toward parliamentary approval of the SOE bill and steadfastly implement the recommendations from the special audits.

38. **Debt sustainability remains an overarching objective, particularly as The Gambia is assessed to be at a high risk of external and overall debt distress**. The newly adopted *Meridian* debt management system should be put to effective use to produce updated debt projections, based on data reconciled with creditors, and ensure timely debt service to prevent external payment arrears. It is also crucial to observe the program ceilings on net domestic borrowing and new concessional external debt contracted or guaranteed by the central government. In view of the

elevated debt vulnerabilities, the authorities should strictly avoid non-concessional borrowing and seek mainly grant financing for priority projects to close critical infrastructure gaps while maintaining debt sustainability. Debt contracting policy should be guided by developmental priorities. In this context, the additional space in the borrowing plan under the program should be reserved for the financing of the critical Banjul port expansion.

39. **Transparency in the use of COVID-19-related support will help maintain constructive dialogue with development partners**. The publication of the COVID-19-related procurement contracts on the GPPA website is reassuring the public and the donor community of the transparency and effectiveness of the government's actions to address the impact of the pandemic. It is expected that the resources made available (including under the IMF's RCF) and the fiscal space created through the IMF's CCRT and the G20 DSSI will be used for the intended purposes. In this context, the enhancement of internal audit at the health ministry is a welcome initiative, and the authorities should adhere to their commitment and transmit all required information and supportive receipts to the NAO to enable a timely audit by end-September 2021 of all COVID-19-related spending.

40. **Preserving instrument autonomy and strengthening the governance of the CBG will reinforce monetary policy credibility and its effectiveness in supporting the economic recovery**. Staff assesses as appropriate the expansionary monetary policy stance adopted by the CBG at the onset of the COVID-19 pandemic, particularly in the context of muted inflation pressures, weak credit growth, and increased availability of foreign exchange. The CBG's case-by-case approach to dealing with liquidity-crunched bank clients helped prevent bankruptcies, while the abundant liquidity has facilitated access to credit for private clients and reduced interest costs to the Treasury. Going forward, the CBG should stand ready to narrow the interest rate corridor, possibly by adjusting both the lending and deposit rates, mindful of the need to reduce intermediation costs but also to facilitate liquidity absorption, should inflation pressure resurface. At the same time, the CBG should implement the recommendations of the 2020 safeguards assessment, to strengthen its balance sheet and maintain financial credibility, preserve its instrument autonomy, and uphold the appointment terms of the CBG management team in accordance with the 2018 CBG Act.

41. **The Gambia's external position in 2020 is broadly in line with the level implied by economic fundamentals and desirable policies**. While the current account deficit has widened in 2020 due to the COVID-19 shocks, the overall balance of payments remained strong. Going forward, current account deficits are expected to be covered by autonomous financial flows and concessional borrowing consistent with debt sustainability. The authorities should continue to maintain fiscal prudence and preserve exchange rate flexibility to safeguard the external position and overall economic resilience. The augmentation of access under the current ECF arrangement responds to the need to maintain strong external buffers, considering the heightened vulnerabilities due to uncertain duration and magnitude of the COVID-19 shock and the anticipated rise in debt service burden at the end of the debt service deferral periods.

42. **The pandemic has highlighted the role of efficient intermediation and supervisory vigilance in ensuring healthy financial inclusion**. Safety measures at the height of the pandemic

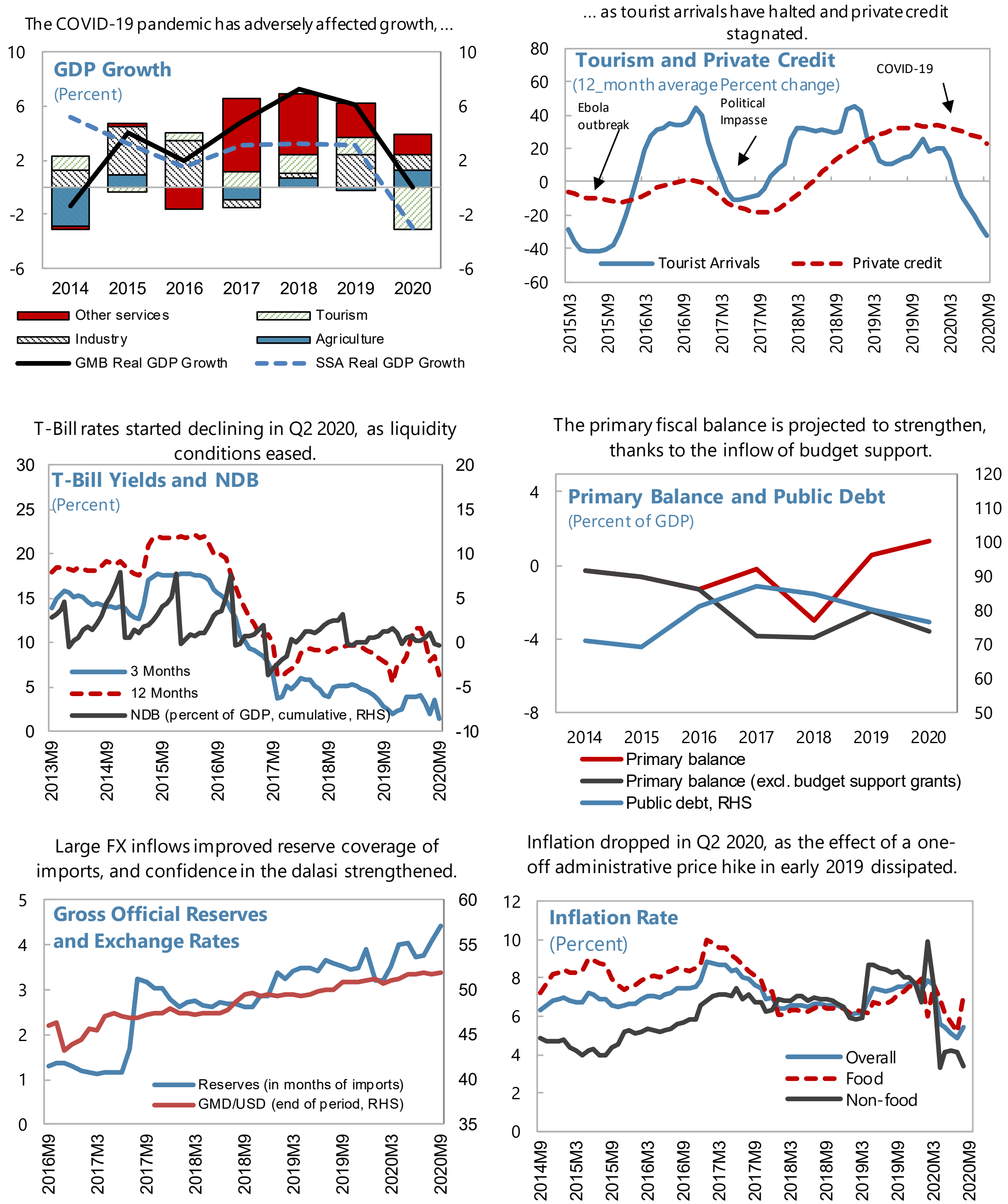
helped boost mobile banking and financial inclusion. To foster further extension of novel and traditional financial services and protect customers, the CBG should strengthen supervision of non-bank financial institutions, including through the apex body of credit unions and village savings associations. In this context, it is crucial that the CBG implements the recommendations of the IMF's 2019 FSSR, to strengthen financial sector supervision, sharpen its macroprudential tools, and step up its preparedness to manage crisis.

43. Governance enhancements will help sustain the perception of The Gambia as a good business destination and support private sector-led inclusive growth. Improving the business environment will require expanding port facilities and efficiency to reduce clearing costs, enhancing the availability and reliability of water and electricity supply, adhering to the rule of law (including contract enforcement and the protection of creditor rights), expanding access to information, and setting up an anti-corruption commission. The passage of the proposed Anti-Corruption bill would be an important achievement and the authorities should ensure that the law meets the requirements of the United Nations Convention Against Corruption (UNCAC) requirements. Key requirements would include, among others, the establishment of a system for financial disclosures by senior public officials to prevent conflict of interest and illicit enrichment, the creation of an independent Anti-Corruption Agency and appropriately criminalizing corruption offenses. Additionally, the anti-corruption agency (when established) should be appropriately resourced to properly investigate and prosecute perpetrators of corruption and confiscate their assets.

44. The Gambian authorities are urged to accelerate their efforts in improving the country's laws and institutions to effectively combat money laundering and the financing of terrorism. As a member of the GIABA, The Gambia is expected to undergo its second Mutual Evaluation in late 2021. Developing a strong AML/CFT system is critical to deterring corruption and organized crimes and will support the authorities' anti-corruption efforts by developing institutions and systems to utilize financial intelligence, pursue financial investigations, trace and seize the proceeds of corruption, prosecute money laundering and financing of terrorism cases and confiscate related assets. To protect the integrity of the financial sector, the authorities should also enhance AML/CFT risk-based supervision to ensure compliance of reporting entities with the preventive measures, especially those related to beneficial ownership and politically exposed persons.

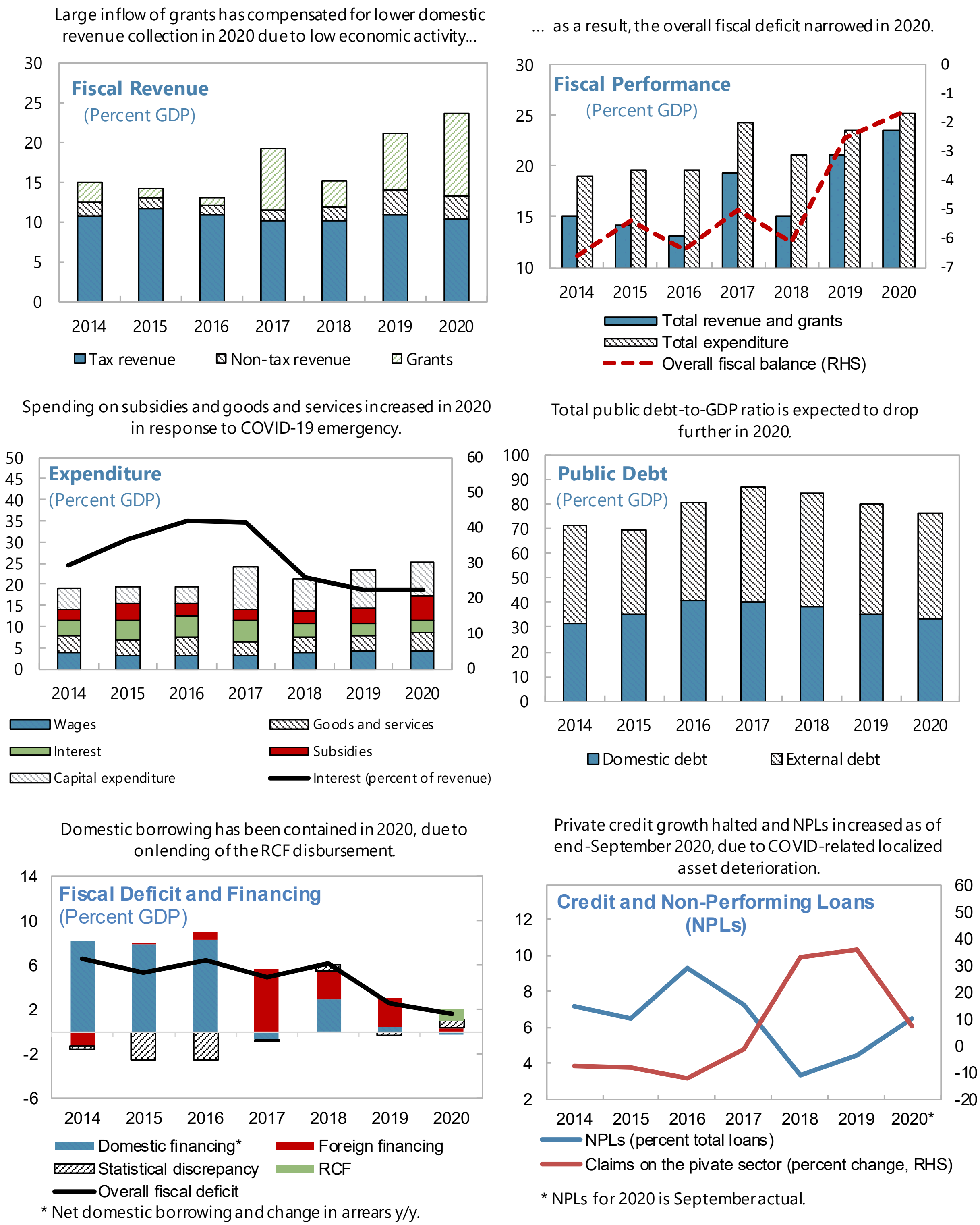
45. Staff recommends approval of the authorities' requests for a waiver of nonobservance of a continuous PC and for augmentation of access under the ECF arrangement and supports completion of the first review of The Gambia's ECF-supported program and the financing assurances review.

Figure 1. The Gambia: Recent Economic Developments, 2014–20



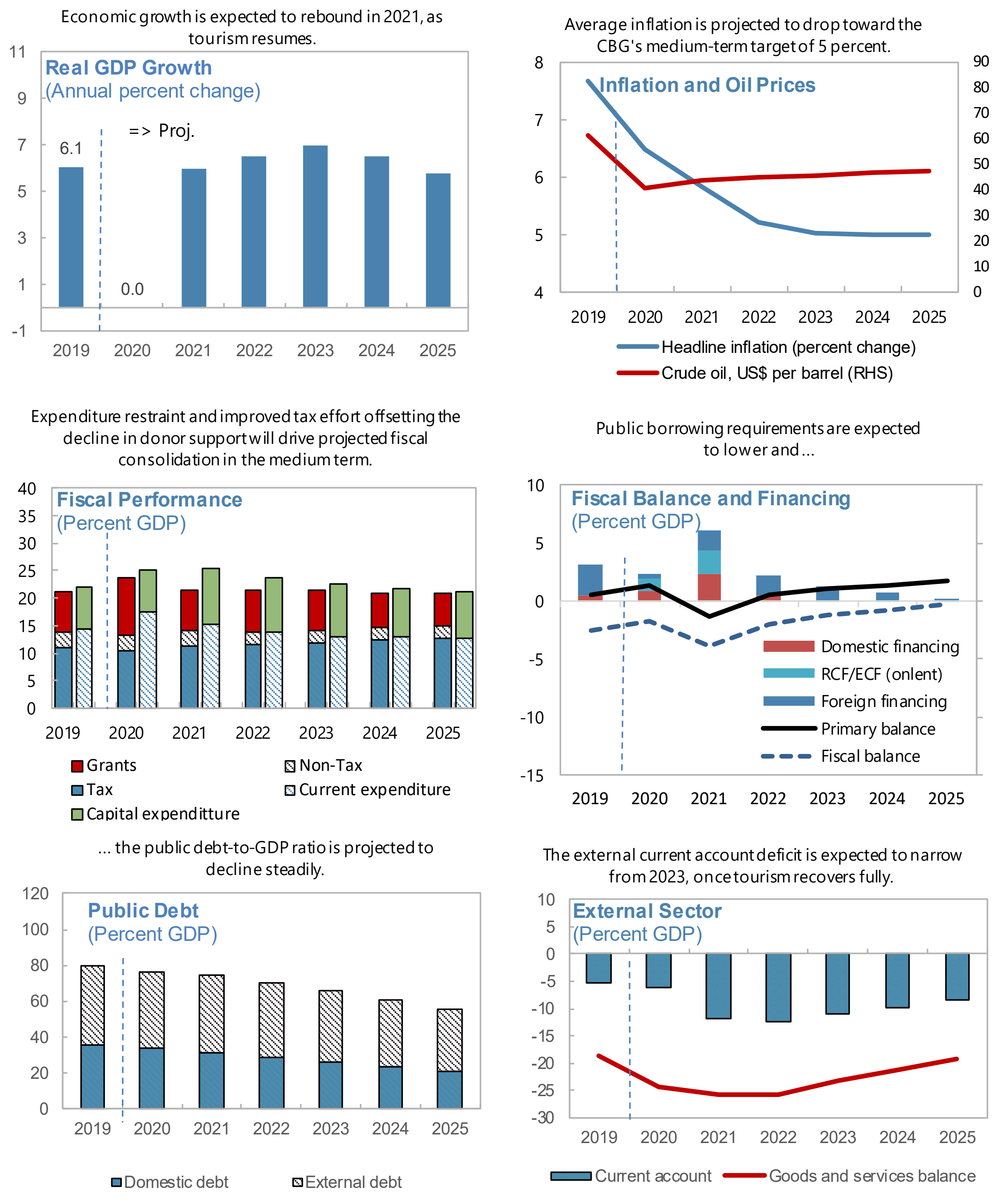
Sources: The Gambian authorities; and IMF staff calculations.

Figure 2. The Gambia: Fiscal and Financial Sector Developments, 2014–20



Sources: The Gambian authorities; and IMF staff calculations.

Figure 3. The Gambia: Medium-Term Economic Outlook, 2019–25



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2018–25

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.	Projections			
			(Percent change; unless otherwise indicated)							
National account and prices										
GDP at constant prices	7.2	6.1	2.5	0.0	6.5	6.0	6.5	7.0	6.5	5.8
GDP deflator	7.0	7.1	6.2	7.2	5.9	4.3	4.4	4.2	4.1	4.8
Consumer prices (average)	6.5	7.1	6.7	6.1	6.0	6.0	5.5	5.1	5.0	5.0
Consumer prices (end of period)	6.4	7.7	6.2	6.5	5.8	5.8	5.2	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	-0.9	24.1	-11.3	-10.7	29.1	23.1	12.7	14.0	8.0	5.9
Imports, f.o.b (US$ values)	11.9	14.7	-0.1	-1.7	20.5	17.9	11.9	6.6	6.1	4.2
Terms of trade (deterioration = -)	-3.3	-4.8	-3.4	1.4	-3.2	-1.7	-1.4	-1.0	-0.5	-0.6
Real effective exchange rate (depreciation = -)	-1.5	4.4	...	...	...	...	...	...	...	...
			(Contributions to broad money growth; percent)							
Money and credit										
Broad money	20.0	27.1	12.8	15.5	12.5	9.5	...	...	...	...
Net foreign assets	14.0	18.7	5.4	9.7	8.7	-1.2	...	...	...	...
Net domestic assets	6.0	8.4	7.4	5.9	3.9	10.7	...	...	...	...
Of which:										
Credit to central government (net)	7.1	3.9	3.7	4.9	0.0	7.1	...	...	...	...
Credit to the private sector (net)	5.0	6.0	1.5	1.3	3.9	3.6	...	...	...	...
Velocity (GDP/broad money)	2.4	2.1	2.0	2.0	2.0	2.0	...	...	...	...
			(Percent of GDP; unless otherwise indicated)							
Central government finances										
Domestic revenue (taxes and other revenues)	11.8	13.9	13.1	13.3	13.8	14.1	13.8	14.3	14.6	14.9
Of which: Tax Revenue	10.1	10.9	11.1	10.4	11.8	11.2	11.6	12.0	12.4	12.7
Grants	3.3	7.1	9.3	10.3	8.2	7.4	7.8	7.2	6.4	6.0
Total expenditures and net acquisition of financial assets	21.2	23.2	24.8	25.1	23.9	25.2	23.5	22.5	21.8	21.2
Of which: Interest (percent of government revenue)	26.1	22.3	22.4	22.5	18.7	18.4	18.4	15.7	14.7	13.4
Net lending (+)/borrowing (–)	-6.1	-2.5	-2.6	-1.7	-1.8	-3.9	-2.0	-1.2	-0.8	-0.2
Net incurrence of liabilities	5.5	3.1	2.6	1.0	1.6	4.0	2.2	1.3	0.8	0.2
Foreign	2.5	2.6	1.6	0.2	1.6	1.6	1.8	1.3	0.8	0.2
Domestic	3.0	0.5	1.1	0.8	0.0	2.3	0.4	0.0	0.0	0.0
Primary balance	-3.0	0.6	0.3	1.3	0.8	-1.3	0.5	1.1	1.3	1.8
Public debt	84.6	80.1	80.3	76.4	74.1	74.4	70.4	65.7	60.8	55.9
Domestic public debt	38.3	35.5	34.1	33.6	30.3	31.1	28.5	25.6	23.2	20.9
External public debt	46.3	44.6	46.2	42.8	43.8	43.3	42.0	40.0	37.6	34.9
External public debt (millions of US$)	756.6	798.1	847.4	813.8	883.4	888.0	934.9	973.9	995.5	1001.5
External current account balance										
Excluding official transfers	-10.4	-8.4	-13.6	-10.9	-12.6	-14.1	-14.8	-12.8	-11.5	-10.0
Including official transfers	43.8	-5.3	-9.8	-6.2	-10.0	-11.9	-12.5	-10.9	-9.9	-8.4
Gross official reserves (millions of US$)	157.0	225.0	258.0	330.0	303.4	389.8	410.1	426.5	435.8	451.3
(months of next year's imports of goods and services)	2.7	3.9	3.7	4.6	4.1	4.6	4.6	4.5	4.5	4.5
Savings and investment										
Gross investment	17.5	19.7	17.1	18.5	18.5	21.8	21.6	20.6	19.8	19.9
Of which: Central government	7.5	9.0	9.1	7.8	9.7	10.0	9.8	9.6	8.7	8.4
Gross savings	8.0	14.4	7.3	12.3	8.4	9.9	9.0	9.7	9.9	11.5
Memorandum items:										
Nominal GDP (billions of dalasi)	80.4	91.4	96.5	98.0	108.8	108.3	120.4	134.2	148.8	165.0
GDP per capita (US$)	729.0	774.2	766.7	787.4	817.1	830.0	877.5	929.7	980.8	1033.9
Use of Fund resources (millions of SDRs)										
Disbursements	0	0	25.6	20.6	10.0	35.0	10.0	5.0	0.0	0.0
Of which: 2020 RCF	...	...	15.6	15.6	...	...	...	...	...	...
Of which: Proposed ECF Augmentation	...	...	...	...	...	20.0	...	...	...	...
Repayments	-5.5	-4.3	-3.6	-3.6	-4.0	-4.0	-2.8	-4.1	-3.9	-5.2
CCRT debt relief[1]	0	0	3.2	3.2	4.0	4.0	0.8	...	...	...
PV of overall debt-to-GDP ratio	...	69.9	68.5	67.5	63.4	65.9	62.1	56.2	52.3	48.2

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 2. The Gambia: Statement of Central Government Operations, 2018–25

(Millions of local currency)

	2018	2019	2020		2021			2022	2023	2024	2025
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.	Budget	Projections			
Revenue	12,135	19,238	21,675	23,114	23,982	23,323	25,862	26,001	28,843	31,268	34,547
Domestic revenue	9,502	12,753	12,673	13,028	15,041	15,254	14,551	16,650	19,129	21,722	24,642
Taxes	8,139	9,978	10,733	10,198	12,802	12,086	11,358	13,927	16,090	18,420	20,981
Taxes on income, profits, and capital gains	2,048	2,625	2,790	2,632	3,259	3,082	2,786	3,663	4,303	4,991	5,693
Domestic taxes on goods and services	3,978	4,840	5,219	4,899	6,150	5,697	5,611	6,324	7,297	8,363	9,530
Taxes on international trade and transactions	2,093	2,499	2,707	2,666	3,373	3,307	2,961	3,940	4,490	5,066	5,758
Non-tax	1,363	2,775	1,940	2,830	2,240	3,167	3,193	2,723	3,039	3,301	3,661
Grants	2,633	6,485	9,002	10,087	8,941	8,069	11,015	9,352	9,714	9,546	9,905
Budget support	794	2,790	3,226	4,810	2,794	2,588	2,507	2,841	2,600	2,376	2,573
Of which: CCRT[1]	…	…	…	228	…	297	297	60	…	…	…
Project grants	1,839	3,695	5,776	5,277	6,147	5,481	8,805	6,510	7,113	7,170	7,333
Of which: COVID-19 assistance	…	…	520	514	…	…	…	…	…	…	…
Of which: Social assistance	…	…	…	692	…	471	…	241	191	…	…
Expenditures	17,008	21,552	24,190	24,745	25,979	27,518	32,006	28,459	30,412	32,477	34,912
Expenses	11,004	13,287	15,393	17,089	15,453	16,653	16,351	16,645	17,517	19,525	21,074
Compensation of employees	3,058	3,955	4,581	4,196	4,950	4,929	4,929	4,924	5,488	6,084	6,747
Use of goods and services	3,066	3,179	3,959	4,207	3,468	4,265	3,706	4,170	4,735	5,370	6,089
Interest	2,477	2,843	2,843	2,936	2,818	2,804	3,086	3,060	3,009	3,194	3,303
External	420	371	472	565	499	641	607	710	726	753	838
Domestic	2,057	2,472	2,371	2,371	2,318	2,163	2,479	2,351	2,283	2,440	2,465
Subsidies and transfers	2,403	3,310	4,009	5,749	4,217	4,654	4,629	4,491	4,285	4,878	4,935
Of which: Subsidies to SOEs	403	510	500	935	…	800	800	…	…	…	…
NAWEC	253	60	150	150	…	300	300	…	…	…	…
NFSPMC	150	450	350	785	…	500	500	…	…	…	…
Net acquisition of nonfinancial assets	6,004	8,265	8,797	7,656	10,525	10,865	15,655	11,813	12,895	12,952	13,838
Acquisitions of nonfinancial assets	6,004	8,265	8,797	7,656	10,525	10,865	15,655	11,813	12,895	12,952	13,838
Foreign financed[2]	5,535	7,584	7,727	5,955	8,822	8,135	13,027	9,968	10,587	10,426	10,963
Gambia local fund	469	681	1,070	1,701	1,704	2,730	2,628	1,845	2,308	2,526	2,875
Net lending (+)/borrowing (–)	-4,872	-2,314	-2,515	-1,631	-1,996	-4,196	-6,144	-2,457	-1,569	-1,209	-365
Financing	4,455	2,537	2,515	996	1,996	4,196	6,144	2,457	1,569	1,209	365
Net acquisition of financial assets[3]	68	-329	-255	-180	0	-180	776	-180	-180	0	0
Net incurrence of liabilities	4,387	2,866	2,541	970	1,711	4,286	5,368	2,637	1,749	1,209	365
Domestic	2,379	452	1,043	807	0	2,531	2,714	500	0	0	0
Net borrowing	2,623	1,063	500	500	0	1,250	885	500	0	0	0
Bank	1,989	1,192	500	1,000	0	1,250	…	500	0	0	0
Central Bank of The Gambia	490	-1,059	-500	-750	0	-250	…	0	0	0	0
Commercial[4]	1,507	2,251	1,000	1,750	0	1,500	885	500	0	0	0
o/w from project accounts	1,507	2,251	500	1,750	0	1,500	…	500	0	0	0
Nonbank	634	-129	0	-500	0	0	…	0	0	0	0
RCF/ECF (onlent)	…	…	1093	1,097	…	2,246	2,246	…	…	…	…
Change in arrears[5]	-244	-611	-550	-789	0	-965	-417	0	0	0	0
Foreign	2,008	2,414	1,498	163	1,711	1,755	2,654	2,137	1,749	1,209	365
Loans	2,008	2,414	1,498	163	1,711	1,755	2,654	2,137	1,749	1,209	365
Borrowing	3,696	3,889	2,471	1,861	2,675	3,126	4,222	3,699	3,664	3,535	3,630
Budget support	0	0	0	0	0	0	…	0	0	0	0
Project support	3,696	3,889	2471	1,861	2,675	3,126	…	3,699	3,664	3,535	3,630
Amortization	-1,687	-1,475	-973	-1,698	-963	-1,370	-1,569	-1,561	-1,916	-2,326	-3,265
Exceptional financing (DSSI)	0	0	…	206	…	89	0	0	0	0	0
Statistical discrepancy[6]	417	-223	0	635	0	0	0	0	0	0	0
Memorandum items:											
Primary balance	-2,396	529	329	1,306	822	-1,391	-3,057	603	1,440	1,984	2,938
Domestic primary balance	506	1,628	-947	-1,619	702	-853	-1,342	1,460	2,505	2,865	3,995
Total debt	68,066	73,239	77,531	74,900	80,626	80,632	…	84,829	88,118	90,528	92,168
of which: Domestic public debt	30,782	32,454	32,954	32,954	32,954	33,679	…	34,296	34,413	34,529	34,559
Interest payments as a percent of govt. revenue	26.1	22.3	22.4	22.5	18.7	18.4	21.1	18.4	15.7	14.7	13.4

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[2] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[3] Includes the increase of Central Bank statutory capital by 180 million dalasi yearly in 2019–23.

[4] Commercial bank borrowing in 2021 budget is net of domestic debt amortization.

[5] In staff projections change in arrears also includes a reduction in the treasury float.

[6] The statistical discrepancy in 2020 is the projected change in the treasury float.

Table 3. The Gambia: Statement of Central Government Operations, 2018–25

(Percent of GDP)

	2018	2019	2020		2021			2022	2023	2024	2025
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.	Budget	Projections			
Revenue	15.1	21.0	22.5	23.6	22.0	21.5	23.9	21.6	21.5	21.0	20.9
Domestic revenues	11.8	13.9	13.1	13.3	13.8	14.1	13.4	13.8	14.3	14.6	14.9
Taxes	10.1	10.9	11.1	10.4	11.8	11.2	10.5	11.6	12.0	12.4	12.7
Taxes on income, profits, and capital gains	2.5	2.9	2.9	2.7	3.0	2.8	2.6	3.0	3.2	3.4	3.5
Domestic taxes on goods and services	4.9	5.3	5.4	5.0	5.7	5.3	5.2	5.3	5.4	5.6	5.8
Taxes on international trade and transactions	2.6	2.7	2.8	2.7	3.1	3.1	2.7	3.3	3.3	3.4	3.5
Non-tax	1.7	3.0	2.0	2.9	2.1	2.9	2.9	2.3	2.3	2.2	2.2
Grants	3.3	7.1	9.3	10.3	8.2	7.4	10.2	7.8	7.2	6.4	6.0
Budget support	1.0	3.1	3.3	4.9	2.6	2.4	2.3	2.4	1.9	1.6	1.6
Of which: CCRT[1]	…	…	…	0.2	…	0.3	0.3	0.0	…	…	…
Project support	2.3	4.0	6.0	5.4	5.6	5.1	8.1	5.4	5.3	4.8	4.4
Of which: COVID-19 assistance	…	…	0.5	0.5	…	…	…	…	…	…	…
Of which: Social assistance	…	…	…	0.7	…	0.4	…	0.2	0.1	…	…
Expenditures	21.1	23.6	25.1	25.2	23.9	25.4	29.5	23.6	22.7	21.8	21.2
Expenses	13.7	14.5	15.9	17.4	14.2	15.4	15.1	13.8	13.1	13.1	12.8
Compensation of employees	3.8	4.3	4.7	4.3	4.5	4.6	4.6	4.1	4.1	4.1	4.1
Use of goods and services	3.8	3.5	4.1	4.3	3.2	3.9	3.4	3.5	3.5	3.6	3.7
Interest	3.1	3.1	2.9	3.0	2.6	2.6	2.8	2.5	2.2	2.1	2.0
External	0.5	0.4	0.5	0.6	0.5	0.6	0.6	0.6	0.5	0.5	0.5
Domestic	2.6	2.7	2.5	2.4	2.1	2.0	2.3	2.0	1.7	1.6	1.5
Subsidies and transfers	3.0	3.6	4.2	5.9	3.9	4.3	4.3	3.7	3.2	3.3	3.0
Of which: Subsidies to SOEs	0.5	0.6	0.5	1.0	…	…	…	…	…	….	….
NAWEC	0.3	0.1	0.2	0.2	…	…	…	…	…	….	….
NFSPMC	0.2	0.5	0.4	0.8	…	…	…	…	…	….	….
Net acquisition of nonfinancial assets	7.5	9.0	9.1	7.8	9.7	10.0	14.5	9.8	9.6	8.7	8.4
Acquisitions of nonfinancial assets	7.5	9.0	9.1	7.8	9.7	10.0	14.5	9.8	9.6	8.7	8.4
Foreign financed[2]	6.9	8.3	8.0	6.1	8.1	7.5	12.0	8.3	7.9	7.0	6.6
Gambia local fund	0.6	0.7	1.1	1.7	1.6	2.5	2.4	1.5	1.7	1.7	1.7
Net lending (+)/borrowing (–)	-6.1	-2.5	-2.6	-1.7	-1.8	-3.9	-5.7	-2.0	-1.2	-0.8	-0.2
Financing	5.5	2.8	2.6	1.0	1.8	3.9	5.7	2.0	1.2	0.8	0.2
Net acquisition of financial assets[3]	0.1	-0.4	-0.3	-0.2	0.0	-0.2	0.7	-0.1	-0.1	0.0	0.0
Net incurrence of liabilities	5.5	3.1	2.6	1.0	1.6	4.0	5.0	2.2	1.3	0.8	0.2
Domestic	3.0	0.5	1.1	0.8	0.0	2.3	2.5	0.4	0.0	0.0	0.0
Net borrowing	3.3	1.2	0.5	0.5	0.0	1.2	0.8	0.4	0.0	0.0	0.0
Bank	2.5	1.3	0.5	1.0	0.0	1.2	…	0.4	0.0	0.0	0.0
Central Bank of The Gambia	0.6	-1.2	-0.5	-0.8	0.0	-0.2	…	0.0	0.0	0.0	0.0
Commercial[4]	1.9	2.5	1.0	1.8	0.0	1.4	0.8	0.4	0.0	0.0	0.0
Nonbank	0.8	-0.1	0.0	-0.5	0.0	0.0	…	0.0	0.0	0.0	0.0
RCF/ECF (onlent)	…	…	1.1	1.1	…	2.1	2.1	…	…	…	…
Change in arrears[5]	-0.3	-0.7	-0.6	-0.8	0.0	-0.9	-0.4	0.0	0.0	0.0	0.0
Foreign	2.5	2.6	1.6	0.2	1.6	1.6	2.4	1.8	1.3	0.8	0.2
Loans	2.5	2.6	1.6	0.2	1.6	1.6	2.4	1.8	1.3	0.8	0.2
Borrowing	4.6	4.3	2.6	1.9	2.5	2.9	3.9	3.1	2.7	2.4	2.2
Budget support	0.0	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0
Project support	4.6	4.3	2.6	1.9	2.5	2.9	…	3.1	2.7	2.4	2.2
Amortization	-2.1	-1.6	-1.0	-1.7	-0.9	-1.3	-1.4	-1.3	-1.4	-1.6	-2.0
Exceptional financing (DSSI)	0.0	0.0	…	0.2	…	0.1	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy[6]	0.5	-0.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary balance	-3.0	0.6	0.3	1.3	0.8	-1.3	-2.8	0.5	1.1	1.3	1.8
Domestic primary balance	0.6	1.8	-1.0	-1.7	0.6	-0.8	-1.2	1.2	1.9	1.9	2.4
Total debt	84.6	80.1	80.3	76.4	74.1	74.4	…	70.4	65.7	60.8	55.9
of which: Domestic public debt	38.3	35.5	34.1	33.6	30.3	31.1	…	28.5	25.6	23.2	20.9
Interest payments as a percent of govt. revenue	26.1	22.3	22.4	22.5	18.7	18.4	21.1	18.4	15.7	14.7	13.4

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

[2] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[3] Includes the increase of Central Bank statutory capital by 180 million dalasi yearly in 2019–23.

[4] Commercial bank borrowing in 2021 budget is net of domestic debt amortization.

[5] In staff projections change in arrears also includes a reduction in the treasury float.

[6] The statistical discrepancy in 2020 is the projected change in the treasury float.

Table 4. The Gambia: Statement of Central Government Operations, 2020–21

(Cumulative annually, millions of local currency)

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Est.	Est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	4,638	8,919	13,906	23,114	4,457	10,477	16,467	23,323
Domestic revenue	4,159	7,223	10,071	13,028	3,782	7,517	11,765	15,254
Taxes	2,915	5,378	7,740	10,198	3,270	6,368	9,214	12,086
Taxes on income, profits, and capital gains	762	1,393	1,981	2,632	919	1,773	2,426	3,082
Domestic taxes on goods and services	1,449	2,689	3,775	4,899	1,467	2,897	4,270	5,697
Taxes on international trade and transactions	705	1,296	1,983	2,666	884	1,698	2,517	3,307
Non-tax	1,244	1,845	2,332	2,830	512	1,149	2,551	3,167
Grants	478	1,696	3,834	10,087	675	2,960	4,702	8,069
Budget support[1]	0	508	2,110	4,810	17	1,206	1,578	2,588
Project grants	478	1,188	1,724	5,277	658	1,754	3,124	5,481
Of which: COVID-19 assistance	…	514	514	514	…	…	…	…
Of which: Social assistance	…	171	462	692	118	236	354	471
Expenditures	5,792	11,171	16,434	24,745	6,443	13,205	20,057	27,518
Expenses	4,102	8,057	12,528	17,089	4,639	8,970	12,938	16,653
Compensation of employees	990	2,006	2,982	4,196	1,282	2,565	3,847	4,929
Use of goods and services	833	2,290	3,264	4,207	1,154	2,319	3,197	4,265
Interest	951	1,554	2,583	2,936	722	1,423	2,102	2,804
External	208	266	442	565	127	287	426	641
Domestic	743	1,288	2,141	2,371	595	1,136	1,677	2,163
Subsidies and transfers	1,329	2,207	3,700	5,749	1,481	2,663	3,791	4,654
of which: Subsidies to SOEs	528	528	729	1,065	450	600	800	800
NAWEC	150	150	150	150	150	300	300	300
NFSPMC	378	378	579	915	300	300	500	500
Net acquisition of nonfinancial assets	1,690	3,114	3,906	7,657	1,804	4,236	7,120	10,865
Acquisitions of nonfinancial assets	1,690	3,114	3,906	7,657	1,804	4,236	7,120	10,865
Foreign financed	1,217	2,556	2,920	5,955	1,228	2,925	5,021	8,135
Gambia local fund	472	559	986	1,701	577	1,311	2,099	2,730
Net lending (+)/borrowing (–)	-1,154	-2,252	-2,528	-1,631	-1,986	-2,729	-3,590	-4,196
Financing	1,162	2,375	1,074	996	1,986	2,729	3,590	4,196
Net acquisition of financial assets	0	0	-180	-180	0	0	-180	-180
Net incurrence of liabilities	1,162	2,375	1,254	1,176	1,986	2,729	3,770	4,376
Domestic	700	1,419	229	807	1,532	1,781	2,381	2,531
Net borrowing	760	550	-338	500	1,000	500	1,100	1,250
Bank	711	304	-16	1,000	1,000	500	1,100	1,250
Central bank	301	-446	-1,326	-750	600	-250	0	-250
Commercial banks	410	750	1,310	1,750	400	750	1,100	1,500
Nonbank	48	246	-322	-500	0	0	0	0
RCF/ECF (onlent)	0	1,097	1,097	1,097	1,497	2,246	2,246	2,246
Change in arrears	-60	-227	-530	-789	-965	-965	-965	-965
Foreign	462	956	916	163	414	858	1,300	1,755
Loans	462	956	916	163	414	858	1,300	1,755
Borrowing	739	1,368	1,657	1,861	688	1,407	2,251	3,126
Amortization	-277	-413	-741	-1,698	-274	-548	-950	-1,370
Exceptional Financing (DSSI)	0	82	109	206	41	89	89	89
Statistical discrepancy	-8	-123	1,454	635	0	0	0	0
Memorandum items:								
Primary balance	-203	-698	55	1,306	-1,264	-1,306	-1,488	-1,391
Domestic primary balance	536	848	116	-1,619	-594	-1,105	-815	-853
Primary balance (ex. budget support grants)	-203	-1,206	-2,055	-3,504	-1,282	-2,511	-3,066	-3,979

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 5. The Gambia: Monetary Accounts, 2018–21[1]

(End-of-period stocks in millions of local currency, unless otherwise indicated)

	2018	2019	2020		2021	
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.
			I. Monetary Survey			
Net foreign assets	10,407	16,718	19,096	20,864	23,281	20,270
(in millions of U.S. dollars)	211	327	363	408	431	391
Of which : CBG	92	165	171	238	218	242
Net domestic assets	23,338	26,157	29,275	28,669	31,153	33,969
Domestic credit	28,388	31,693	33,949	34,366	35,827	39,665
Claims on central government (net)	21,328	22,636	24,229	24,733	24,229	28,229
Claims on other financial corporations	5	0	0	0	0	0
Claims on other public sector[2]	1,366	1,328	1,328	1,328	1,328	1,328
Claims on private sector	5,692	7,729	8,392	8,305	10,270	10,109
Other items (net)[3]	-5,052	-5,536	-4,674	-5,696	-4,674	-5,696
Broad money	33,745	42,875	48,371	49,533	54,434	54,239
Currency outside banks	6,568	7,844	8,600	9,706	9,678	11,385
Deposits	27,176	35,031	39,771	39,827	44,756	42,855
			II. Central Bank Survey			
Net foreign assets	4,514	8,408	8,451	12,139	10,722	12,556
Foreign assets	8,680	12,429	14,118	17,798	17,306	21,138
Foreign liabilities	-4,166	-4,021	-5,667	-5,658	-6,584	-8,582
Net domestic assets	7,335	5,480	6,935	6,038	6,676	8,034
Domestic credit	7,808	6,786	7,379	7,133	7,379	9,129
Claims on central government (net)	7,726	6,668	7,260	7,014	7,260	9,010
Of which: IMF on-lending since 2020	…	…	1,093	1,097	1,093	3,343
Claims on other financial corporations	5	0	0	0	0	0
Claims on private sector	107	119	119	119	119	119
Claims on public enterprises	0	0	0	0	0	0
Other items (net)	-473	-1,307	-444	-1,095	-703	-1,095
Reserve money	11,849	13,888	15,386	18,178	17,398	20,590
Currency outside banks	6,568	7,844	8,600	9,706	9,678	11,385
Commercial bank deposits	5,281	6,044	6,786	8,471	7,721	9,205

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation effects.

Table 6. The Gambia: Monetary Accounts, 2018–21[1]

(Percent change, unless otherwise indicated)

	2018	2019	2020		2021	
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.
			I. Monetary Survey			
			(Percent change; contribution to broad money growth)			
Broad money	20.0	27.1	12.8	15.5	12.5	9.5
Net foreign assets	14.0	18.7	5.4	9.7	8.7	-1.2
Net domestic assets	6.0	8.4	7.4	5.9	3.9	10.7
			II. Central Bank Survey			
			(Percent change; contribution to reserve money growth)			
Reserve money	16.5	17.2	10.8	30.9	13.1	13.3
Net foreign assets	17.0	32.9	-0.2	26.9	14.8	2.3
Net domestic assets	-0.4	-15.7	11.0	4.0	-1.7	11.0
			(Percent change; unless otherwise indicated)			
Memorandum Items:						
Credit to the private sector	32.9	35.8	8.6	7.4	22.4	21.7
Currency in circulation	15.8	19.4	9.6	23.8	12.5	17.3
Demand deposits	29.7	44.8	12.7	6.4	12.5	6.3
Time and savings deposits	15.6	17.6	14.3	20.0	12.5	8.6
Net international reserves (stocks; millions of U.S. dollars)	125.5	187.4	188.3	260.4	222.7	268.5
Money velocity (levels)	2.4	2.1	2.0	2.0	2.0	2.0
Money multiplier (levels)	2.8	3.1	3.1	2.7	3.1	2.6
Broad money (percent of GDP)	41.9	46.9	50.1	50.5	50.0	50.1
Credit to the private sector (percent of GDP)	7.1	8.5	8.7	8.5	9.4	9.3
Central government financing (flows; millions of dalasi)	1,997	1,308	1,593	2,097	…	3,496
Net domestic borrowing from the banking system	1,997	1,308	500	1,000	…	1,250
Central bank	490	-1,059	-500	-750	…	-250
Commercial banks	1,507	2,367	1,000	1,750	…	1,500
IMF (onlent since 2020)[2]	…	…	…	1,097	…	2,246
RCF 2020 (onlent)	…	…	1,095	1,097	…	…
ECF (second and third disbursements onlent)	…	…	…	…	…	2,246
of which: proposed augmentation	…	…	…	…	…	1,497

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

[1] End of period.

[2] The CBG onlent the 2020 RCF loan to central government and is expected to onlend the second and third ECF disbursements (SDR 5 million each) plus augmentations of SDR 15 million (at the first review) and SDR 5 million (for the second review). On-lending of IMF loans to the budget are excluded from Net Domestic Borrowing (NDB), see TMU ¶1.

Table 7. The Gambia: Monetary Accounts, 2019–21[1]

(End-of-period stocks in millions of local currency)

	2019	2020								2021			
		Mar.		Jun.		Sep.		Dec.		Mar.	Jun.	Sep.	Dec.
	Act.	EBS/20/13	Prel.	EBS/20/43	Prel.	EBS/20/43	Prel.	EBS/20/43	Proj.	Projections			
I. Monetary Survey													
Net foreign assets	16,718	16,724	15,741	18,780	17,310	19,369	21,322	19,096	20,864	19,829	20,588	18,777	20,270
(in millions of U.S. dollars)	327	325	308	362	335	371	412	363	408	383	397	362	391
Of which : CBG	165	175	168	188	180	192	230	171	238	221	252	244	242
Net domestic assets	26,157	27,514	27,096	26,823	27,090	27,597	26,393	29,275	28,669	31,327	32,090	33,671	33,969
Domestic credit	31,693	33,116	31,981	32,359	32,673	33,134	32,089	33,949	34,366	37,023	37,786	39,367	39,665
Claims on central government (net)	22,636	23,396	23,302	23,186	23,971	23,386	23,174	24,229	24,733	27,266	27,479	28,079	28,229
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector[2]	1,328	1,328	1,319	1,328	988	1,328	1,239	1,328	1,328	1,328	1,328	1,328	1,328
Claims on private sector	7,729	8,393	7,360	7,845	7,714	8,420	7,676	8,392	8,305	8,429	8,979	9,960	10,109
Other items (net)[3]	-5,536	-5,602	-4,885	-5,536	-5,583	-5,536	-5,696	-4,674	-5,696	-5,696	-5,696	-5,696	-5,696
Broad money	42,875	44,239	42,837	45,602	44,400	46,966	47,714	48,371	49,533	51,156	52,678	52,448	54,239
Currency outside banks	7,844	8,093	8,070	8,343	8,554	8,592	8,625	8,600	9,706	10,024	10,323	10,278	11,385
Deposits	35,031	36,146	35,845	37,501	35,845	39,015	39,089	39,771	39,827	41,131	42,356	42,170	42,855
II. Central Bank Survey													
Net foreign assets	8,408	8,657	8,584	9,303	9,293	9,511	11,886	8,451	12,139	11,457	13,045	12,633	12,556
Foreign assets	12,429	12,678	12,694	14,147	14,662	14,355	17,238	14,118	17,798	17,115	18,703	21,215	21,138
Foreign liabilities	-4,021	-4,021	-4,110	-4,844	-5,369	-4,844	-5,353	-5,667	-5,658	-5,658	-5,658	-8,582	-8,582
Net domestic assets	5,480	6,747	5,978	5,468	6,087	5,395	5,370	6,935	6,038	8,171	8,034	8,284	8,034
Domestic credit	6,786	7,296	7,057	6,836	7,409	6,786	6,465	7,379	7,133	9,266	9,129	9,379	9,129
Claims on central government (net)	6,668	7,177	6,940	6,718	7,283	6,668	6,335	7,260	7,014	9,147	9,010	9,260	9,010
Assets	10,924	10,924	10,744	10,924	11,841	10,924	11,621	12,017	12,020	14,153	14,866	15,116	14,266
Liabilities	-4,256	-3,746	-3,804	-4,206	-4,558	-4,256	-5,286	-4,756	-5,006	-5,006	-5,856	-5,856	-5,256
Claims on other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector	119	119	117	119	126	119	130	119	119	119	119	119	119
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items (net, incl. liquidity management operations)	-1,307	-549	-1,079	-1,368	-1,322	-1,391	-1,095	-444	-1,095	-1,095	-1,095	-1,095	-1,095
Reserve money	13,888	15,404	14,562	14,771	15,380	14,906	17,256	15,386	18,178	19,628	21,079	20,918	20,590
Currency outside banks	7,844	8,700	8,070	8,342	8,554	8,419	8,625	8,600	9,706	10,572	11,338	11,030	11,385
Commercial bank deposits	6,044	6,704	6,492	6,429	6,826	6,487	8,631	6,786	8,471	9,056	9,741	9,887	9,205
III. Commercial Banks Balance Sheet													
Net foreign assets	8,310	8,067	7,157	9,477	8,017	9,858	9,436	10,645	8,724	8,372	7,544	6,144	7,714
Foreign assets	8,914	8,672	7,893	10,081	9,130	10,462	10,580	11,249	9,837	9,485	8,657	7,257	8,827
Foreign liabilities	-604	-604	-736	-604	-1,113	-604	-1,144	-604	-1,113	-1,113	-1,113	-1,113	-1,113
Net domestic assets	26,722	28,078	27,610	28,024	27,829	29,157	29,654	29,093	31,102	32,212	33,797	35,274	35,140
Net domestic claims	30,951	32,524	31,416	31,951	32,090	32,835	34,255	33,322	35,703	36,813	38,398	39,875	39,742
Claims on central bank	6,044	6,704	6,492	6,429	6,826	6,487	8,631	6,780	8,471	9,056	9,741	9,887	9,205
Net claims on government	15,969	16,219	16,362	16,469	16,688	16,719	16,838	16,969	17,719	18,119	18,469	18,819	19,219
Claims	15,969	16,219	16,362	16,469	16,688	16,719	16,838	16,969	17,719	18,119	18,469	18,819	19,219
Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other sectors	8,939	9,602	8,562	9,054	8,576	9,629	8,786	9,574	9,514	9,638	10,188	11,169	11,318
Claims on public nonfinancial corporations	1,328	1,328	1,319	1,328	988	1,328	1,239	1,328	1,328	1,328	1,328	1,328	1,328
Claims on private sector	7,611	8,274	7,243	7,726	7,588	8,301	7,547	8,246	8,186	8,310	8,860	9,841	9,990
Other items net	-4,230	-4,446	-3,806	-3,928	-4,261	-3,677	-4,601	-4,230	-4,601	-4,601	-4,601	-4,601	-4,601
Liabilities	35,031	36,146	34,767	37,501	35,845	39,015	39,089	39,737	39,827	40,584	41,341	41,418	42,855
Liabilities to central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits incl. in broad money	35,031	36,146	34,767	37,501	35,845	39,089	39,089	39,737	39,827	40,584	41,341	41,418	42,855

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

[1] End of period.

[2] Includes public enterprises and local governments.

[3] Including valuation effects.

Table 8. The Gambia: Balance of Payments, 2018–25

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

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.	Projections			
1. Current account										
A. Goods and services	-307.2	-337.1	-384.4	-464.1	-409.5	-532.5	-578.8	-569.1	-567.3	-557.5
Goods (net)	-405.0	-453.6	-467.2	-458.5	-552.1	-533.8	-596.2	-622.4	-656.5	-680.4
Exports, f.o.b.	115.0	142.7	127.1	127.4	164.0	156.8	176.7	201.5	217.6	230.5
Imports, f.o.b.	-520.0	-596.2	-594.2	-585.8	-716.0	-690.6	-772.9	-823.9	-874.1	-910.9
Services (net)	97.8	116.4	82.8	-5.6	142.5	1.3	17.3	53.3	89.2	122.9
Services exports	198.6	226.6	193.3	102.7	270.3	166.8	251.5	293.1	344.8	378.4
Of which: Travel income	153.8	181.3	146.8	69.2	219.7	113.6	195.3	228.3	273.3	303.2
Services imports	-100.8	-110.2	-110.6	-108.3	-127.8	-165.6	-234.1	-239.8	-255.6	-255.6
B. Income (net)	-29.1	-30.0	-30.7	-30.5	-31.7	-31.4	-31.5	-30.2	-31.1	-32.1
Income credits	2.3	2.3	2.4	2.4	2.5	2.4	2.5	2.4	2.4	2.5
Income debits	-31.4	-32.4	-33.1	-32.9	-34.1	-33.8	-34.0	-32.6	-33.6	-34.6
C. Current transfers	178.1	270.8	234.1	375.5	236.6	316.8	328.2	331.9	332.7	346.0
Official transfers	15.0	55.8	72.0	89.1	52.3	43.7	52.0	47.6	42.7	45.2
Of which: COVID-19 assistance	…	…	10.0	26.4	…	…	…	…	…	…
Remittances	150.8	202.7	149.8	274.2	171.8	260.5	263.3	270.0	275.5	285.8
Other transfers	12.3	12.3	12.3	12.3	12.6	12.6	12.9	14.2	14.6	14.9
Current account (excl. official transfers)	-173.3	-152.2	-253.1	-208.1	-256.8	-290.8	-334.1	-315.0	-308.3	-288.9
Current account (incl. official transfers)	-158.3	-96.4	-181.1	-119.1	-204.6	-247.1	-282.1	-267.4	-265.7	-243.6
2. Capital and financial account										
A. Capital account	38.0	73.5	101.0	102.6	115.0	104.7	121.8	130.3	128.7	128.9
B. Financial account	134.7	110.8	78.4	89.5	121.1	150.5	169.2	152.1	152.0	137.7
Foreign direct investment	90.8	93.9	64.7	77.9	84.0	116.7	124.5	110.7	112.2	111.2
Portfolio investment	4.2	4.1	3.9	4.0	3.9	4.0	4.3	4.7	5.1	5.5
Other investment	39.7	12.8	9.8	7.6	33.2	29.8	40.5	36.8	34.7	21.0
Capital and financial account	172.7	184.3	179.4	192.1	236.1	255.1	291.0	282.4	280.7	266.6
Errors and omissions	6.5	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	20.9	74.3	-1.7	73.0	31.5	8.0	8.9	15.0	15.0	23.0
Financing										
Net international reserves (increase -)	-20.9	-74.3	-2.7	-81.5	-37.0	-15.4	-10.0	-15.0	-15.0	-23.0
Change in gross international reserves	-13.0	-68.0	-33.0	-105.0	-45.4	-59.8	-20.3	-16.4	-9.3	-15.5
Use of IMF resources (net)	-7.8	-6.3	30.3	23.5	8.4	44.4	10.3	1.4	-5.7	-7.5
Disbursements	0.0	0.0	35.3	28.6	13.9	50.0	14.4	7.2	0.0	0.0
Of which: 2020 RCF	…	…	21.4	21.6	…	…	…	…	…	…
Of which: Proposed ECF augmentation	…	…	…	…	…	28.6	…	…	…	…
Repayments	-7.8	-6.3	-5.0	-5.0	-5.5	-5.7	-4.0	-5.9	-5.7	-7.5
Exceptional financing	…	…	4.4	8.4	5.5	7.4	1.1	0.0	0.0	0.0
Of which: CCRT debt relief[1]	…	…	4.4	4.4	5.5	5.7	1.1	0.0	0.0	0.0
Of which: DSSI	…	…	…	4.0	…	1.7	0.0	0.0	0.0	0.0
Memorandum items:										
Gross international reserves										
US$ millions	157.0	225.0	258.0	330.0	303.4	389.8	410.1	426.5	435.8	451.3
Months of current year's imports of goods and services	3.0	3.8	4.4	5.7	4.3	5.5	4.9	4.8	4.6	4.6
Months of next year's imports of goods and services	2.7	3.9	3.7	4.6	4.1	4.6	4.6	4.5	4.5	4.5
Net international reserves										
US$ millions	125.5	187.4	188.3	268.9	222.7	284.3	294.3	309.3	324.3	347.3
Months of current year's imports of goods and services	2.4	3.2	3.2	4.6	3.2	4.0	3.5	3.5	3.4	3.6
Months of next year's imports of goods and services	2.1	3.2	2.7	3.8	3.0	3.4	3.3	3.3	3.3	3.4
Exports of goods and services	313.6	369.3	320.4	230.1	434.3	323.6	428.2	494.6	562.4	608.9
Imports of goods and services	-620.8	-706.4	-704.8	-694.2	-843.8	-856.1	-1007.0	-1063.7	-1129.7	-1166.4
GMD per U.S. dollar, period average	48.4	50.3	…	…	…	…	…	…	…	…

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

[1] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 9. The Gambia: Balance of Payments, 2018–25

(Percent of GDP)

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Prel.	EBS/20/43	Proj.	EBS/20/43	Proj.	Projections			
1. Current account										
A. Goods and services	-18.5	-18.5	-20.7	-24.4	-20.1	-25.7	-25.7	-23.2	-21.2	-19.2
Goods (net)	-24.4	-24.9	-25.2	-24.1	-27.1	-25.8	-26.5	-25.3	-24.6	-23.5
Exports, f.o.b.	6.9	7.8	6.8	6.7	8.1	7.6	7.8	8.2	8.1	7.9
Imports, f.o.b.	-31.3	-32.8	-32.0	-30.8	-35.2	-33.4	-34.3	-33.5	-32.7	-31.4
Services (net)	5.9	6.4	4.5	-0.3	7.0	0.1	0.8	2.2	3.3	4.2
Services exports	11.9	12.5	10.4	5.4	13.3	8.1	11.2	11.9	12.9	13.0
Of which: Travel income	9.2	10.0	7.9	3.6	10.8	5.5	8.7	9.3	10.2	10.5
Services imports	-6.1	-6.1	-6.0	-5.7	-6.3	-8.0	-10.4	-9.8	-9.6	-8.8
B. Income (net)	-1.8	-1.7	-1.7	-1.6	-1.6	-1.5	-1.4	-1.2	-1.2	-1.1
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.9	-1.8	-1.8	-1.7	-1.7	-1.6	-1.5	-1.3	-1.3	-1.2
Of which: Interest on government debt	0.5	0.6	0.5	0.6	0.5	0.6	0.6	0.5	0.5	0.5
C. Current transfers	10.7	14.9	12.6	19.7	11.6	15.3	14.6	13.5	12.5	11.9
Official transfers	0.9	3.1	3.9	4.7	2.6	2.1	2.3	1.9	1.6	1.6
Of which: COVID-19 assistance	…	…	0.5	1.4	…	…	…	…	…	…
Remittances	9.1	11.1	8.1	14.4	8.4	12.6	11.7	11.0	10.3	9.9
Other transfers	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Current account (excl. official transfers)	-10.4	-8.4	-13.6	-10.9	-12.6	-14.1	-14.8	-12.8	-11.5	-10.0
Current account (incl. official transfers)	-9.5	-5.3	-9.8	-6.2	-10.0	-11.9	-12.5	-10.9	-9.9	-8.4
2. Capital and financial account										
A. Capital account	2.3	4.0	5.4	5.4	5.6	5.1	5.4	5.3	4.8	4.4
B. Financial account	8.1	6.1	4.2	4.7	5.9	7.3	7.5	6.2	5.7	4.7
Foreign direct investment	5.5	5.2	3.5	4.1	4.1	5.6	5.5	4.5	4.2	3.8
Portfolio investment	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	2.4	0.7	0.5	0.4	1.6	1.4	1.8	1.5	1.3	0.7
Capital and financial account	10.4	10.1	9.7	10.1	11.6	12.3	12.9	11.5	10.5	9.2
Errors and omissions	0.4	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.3	4.1	-0.1	3.8	1.5	0.4	0.4	0.6	0.6	0.8

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

Table 10. The Gambia: External Financing Needs, 2020–23

(Millions of U.S. dollars)

	2020		2021		2022	2023
	EBS/20/43	Proj.	EBS/20/43	Proj.	Projections	
1. Total financing requirement	-310.2	-354.7	-325.1	-381.1	-386.2	-366.8
Current account deficit (excl. official transfers)	-253.1	-208.1	-256.8	-290.8	-334.1	-315.0
Public debt amortization	-19.2	-36.6	-17.4	-25.0	-27.7	-29.6
Repayment to the IMF	-5.0	-5.0	-5.5	-5.5	-4.0	-5.8
Change in official reserves	-33.0	-105.0	-45.4	-59.8	-20.3	-16.4
Arrears repayment	...	...	...	...	...	...
2. Total financing sources	198.6	207.1	253.5	273.9	318.6	312.0
Capital transfers	101.0	81.0	115.0	98.6	121.8	130.3
Foreign direct investment (net)	64.7	77.9	84.0	116.7	124.5	110.7
Portfolio investment (net)	3.9	4.0	3.9	4.0	4.3	4.7
Public sector debt financing	47.5	36.2	50.0	59.7	69.2	67.1
Other net capital inflows[1]	-18.5	8.0	0.6	-5.0	-1.1	-0.8
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	111.7	147.7	71.6	107.2	67.5	54.9
Budget support (grants)	62.0	89.1	52.3	43.7	52.0	47.6
World Bank	30.0	30.0	20.0	20.0	20.0	...
European Union	25.2	45.2	25.5	16.6	24.8	...
African Development Bank	6.9	13.9	5.0	7.1	7.2	...
Other	...	...	...	...	...	...
Other current transfers	10.0	21.6	...	6.1	...	...
IMF disbursements	35.3	28.6	13.9	50.0	14.4	7.2
Of which: Proposed ECF augmentation	...	...	...	28.6	...	...
Exceptional financing	4.4	8.4	5.5	7.4	1.1	0.0
Of which: CCRT debt relief[2]	4.4	4.4	4.4	5.7	1.1	0.0
Of which: DSSI	...	4.0	...	1.7	0.0	0.0
Memorandum items:						
COVID-19 assistance	10.0	48.0	...	6.1	...	...
Budget support augmentation	...	26.4	...	...	...	...
Of which: European Union	...	19.4	...	...	...	...
Of which: African Development Bank	...	7.0	...	...	...	...
World Bank	10.0	21.6	...	6.1	...	...
Of which: Health Fast-Track Facility	10.0	10.0	...	...	...	...
Of which: Social Safety Net Project	...	8.1	...	6.1	...	...
Of which: Education Sector Response Project	...	3.5	...	...	...	...

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

[1] Includes changes in commercial bank NFA and private trade financing.

[2] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 11. The Gambia: Financial Soundness Indicators, 2015–20

(End of period)

	2015	2016	2017	2018	2019	2020
	December					September
	(Percent, unless otherwise indicated)					
Capital ratios						
Capital adequacy ratio	33.1	38.2	33.6	31.7	31.4	38.2
Regulatory capital ratio (i.e., T1+T2)	34.8	39.8	35.1	33.0	32.7	36.0
Primary capital ratio (i.e., T1)	31.4	35.9	31.9	30.3	30.1	33.1
Non-performing loans/Primary capital	7.9	9.8	6.8	3.4	5.8	5.7
Sectoral distribution of credit						
Agriculture and fishing	3.6	6.5	8.5	1.7	2.0	3.1
Manufacturing industries	3.4	0.7	0.7	0.4	1.2	1.0
Building and construction	8.5	9.9	13.7	19.7	27.3	23.6
Transport and communication	10.3	9.0	8.1	7.7	7.6	7.6
Commerce	39.4	31.2	31.1	31.2	22.9	25.5
Tourism	2.6	2.4	5.2	10.8	5.6	5.5
Financial institutions and enterprise services	4.2	2.1	3.0	3.2	1.2	2.2
Other activities	27.9	38.1	29.6	25.3	32.2	31.6
Asset quality ratios						
Non-performing loan ratio	6.5	9.3	7.2	3.3	4.5	6.5
Aggregate provision level	82.2	79.1	99.1	100.2	73.4	71.3
Loan loss reserve ratio	4.6	6.8	6.6	2.9	2.5	3.7
Earnings and profitability						
Net income to average assets (ROA)	0.5	0.7	1.6	1.6	1.9	0.5
Net income to average equity (ROE)	3.5	4.2	11.0	11.3	15.4	3.9
Net interest margin	1.8	1.9	8.1	5.9	6.5	2.3
Non-interest income ratio	33.2	27.6	31.7	40.9	40.2	47.7
Liquidity ratios						
Liquid assets ratio	93.4	101.3	92.9	94.8	92.0	95.5
Dalasi liquid assets/dalasi deposits	88.4	97.5	89.0	93.5	94.7	122.2
Time deposits/total deposits	18.1	17.3	14.3	12.9	11.2	11.3

Source: Central Bank of The Gambia.

Table 12. The Gambia: Indicators of Capacity to Repay the Fund, 2019–25

	2019	2020	2021	2022	2023	2024	2025
	Act.	Projections					
Fund obligations based on existing credit							
Principal (millions of SDRs)	4.6	1.1	3.0	2.8	4.0	3.9	5.2
Charges and interest (millions of SDRs)[1]	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations, existing and prospective credit							
Principal (millions of SDRs)	4.6	3.6	4.0	2.8	4.0	3.9	5.2
Of which: 2020 RCF	...	0.0	0.0	0.0	0.0	0.0	1.6
Of which: Proposed ECF augmentation	...	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest (millions of SDRs)[1]	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations, existing and prospective credit[2]							
In millions of SDRs	4.6	3.6	4.0	2.8	4.1	3.9	5.2
In millions of US$	6.6	5.0	5.6	4.0	5.9	5.7	7.5
In percent of Gross International Reserves	2.9	1.5	1.4	1.0	1.4	1.3	1.7
In percent of exports of goods and services	2.7	3.6	2.9	1.5	1.8	1.5	1.9
In percent of debt service[1]	17.1	11.9	19.2	12.1	16.6	13.0	11.8
In percent of GDP	0.4	0.3	0.3	0.2	0.2	0.2	0.3
In percent of quota	7.4	5.8	6.4	4.5	6.5	6.3	8.4
Outstanding Fund credit							
In millions of SDRs	26.1	43.0	74.1	81.3	82.2	78.3	73.2
In millions of US$	36.9	59.4	103.0	116.2	118.2	113.2	106.1
In percent of Gross International Reserves	16.4	18.0	26.4	28.3	27.7	26.0	23.5
In percent of exports of goods and services	15.3	43.0	53.9	41.8	37.1	30.6	26.1
In percent of debt service[1]	96.6	141.1	356.3	346.9	335.7	258.8	165.8
In percent of GDP	2.0	3.1	5.0	5.2	4.8	4.2	3.7
In percent of quota	41.9	69.2	119.1	130.6	132.2	125.9	117.6
Net use of Fund credit (millions of SDRs)	-4.6	16.9	31.0	7.2	1.0	-3.9	-5.2
Disbursements	0.0	20.6	35.0	10.0	5.0	0.0	0.0
Of which: 2020 RCF	…	15.6	0.0	0.0	0.0	0.0	0.0
Of which: Proposed ECF augmentation	…	0.0	20.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	4.6	3.6	4.0	2.8	4.0	3.9	5.2
Of which: 2020 RCF	...	0.0	0.0	0.0	0.0	0.0	1.6
Of which: Proposed ECF augmentation	...	0.0	0.0	0.0	0.0	0.0	0.0
CCR Trust debt relief[3]	...	3.2	4.0	0.8	0.0	0.0	0.0
Memorandum items:							
Nominal GDP (millions of US$)	1,818	1,905	2,068	2,252	2,458	2,671	2,900
Exports of goods and services (millions of US$)[4]	240.9	138.1	191.0	278.1	318.6	369.7	406.0
Gross International Reserves (millions of US$)	225.0	330.0	389.8	410.1	426.5	435.8	451.3
Debt service (millions of US$)[1]	38.2	42.1	28.9	33.5	35.2	43.7	64.0
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2

Sources: IMF staff estimates and projections.

[1] On May 24, 2019 the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 2021 and possibly longer. The Board also decided to extend zero interest rate on ESF till end June 2021 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of SDR rate, the following interest rates are assumed beyond June 2021: 0/0/0/0 percent per annum for the ECF, SCF, RCF and ESF, respectively. The Executive Board will review the interest rates on concessional

[2] Total obligations include principal and charges and interest.

[3] The grant for debt service falling due in the 12 months from April 14, 2021 is subject to the availability of resources under the CCRT.

[4] Excluding re-exports.

Table 13. The Gambia: Proposed Disbursements Under the ECF Arrangement, 2020–23

Availability	Disbursements		Condition for Disbursement [1]
	In millions of SDR	In percent of Quota	
March 23, 2020	5.00	8.04	Approval of the Arrangement.
September 15, 2020[2]	20.00	32.15	Board completion of the first review based on observance of performance criteria for June 30, 2020.
March 15, 2021[2]	10.00	16.08	Board completion of the second review based on observance of performance criteria for December 31, 2020.
September 15, 2021	5.00	8.04	Board completion of the third review based on observance of performance criteria for June 30, 2021.
March 15, 2022	5.00	8.04	Board completion of the fourth review based on observance of performance criteria for December 31, 2021.
September 15, 2022	5.00	8.04	Board completion of the fifth review based on observance of performance criteria for June 30, 2022.
March 15, 2023	5.00	8.04	Board completion of the sixth review based on observance of performance criteria for December 31, 2022.
Total Disbursements	**55.0**	**88.4**	

Source: IMF staff estimates.

[1] In addition to generally applicable conditions under the ECF Arrangement.

[2] Disbursements include proposed ECF augmentation; both disbursements are to be onlent to the government.

Annex I. Impact of COVID-19 Pandemic and Responses, 2020

Table 1. The Gambia: Impact of COVID-19 Pandemic and Responses, 2020

Categories	Impact	The Authorities' Responses
Public Health	**Infection spread** i. Since the first infection case was recorded on March 18, the spread of COVID-19 infections has remained slow until the easing of the lockdown conditions, which subsequently led to a sudden spike in new cases including through local transmission. ii. Increased demand and pressure on health facilities and the use of PPEs.	Lockdown restrictions were introduced, and a state of public health emergency was declared on March 27. In parallel, the authorities: • Closed the airspace, land and sea borders. • Closed schools, places of worship, markets and non-essential businesses and limited public gatherings to 10 people. • Limited passenger numbers in commercial vehicles to half of vehicle capacity. • Made the wearing of facemasks mandatory • Introduced nighttime curfew starting August 6. • Imposed fines for the violation of the emergency regulation, the implementation of which the army was mandated to support. • Procured PPEs and additional medical supplies from Turkey and more recently exploring the possibility of using the facilitation of CDC Africa to control costs. Benefitted from development partners' support including from the WB, EU, China and the Jack Ma Foundation. • Identified facilities and built new ones including tents with UN support for quarantine and treatment purposes across the country. • Working with the Africa CDC Platform through Afreximbank to secure essential medical supplies (Testing kits, PPEs, etc).
Social	**Hardships and Social Dislocation** i. A spike in the price of essential supplies. ii. Lack of market access for local onions grown by female farmers. iii. Loss of earnings/salaries due to the closure of markets and businesses, and layoffs affecting livelihoods. iv. Suspension of in-person learning in schools and universities.	• Froze the price, and banned the re-export, of all essential supplies. • Partnered with the private sector to organize supply chains and imposed of a temporal ban on onion imports. • Provided GMD 850 million food aid targeting 84 percent of households and GMD 224 million food support to be distributed through the WFP. • Partnered with UNDP, WB, WFP, UNICEF and FAO to make cash handouts to vulnerable households, some formal and informal sector employees, and women, and provided seeds and fertilizers to farmers. • Introduced E-learning (via public and private media) in schools and universities and switched to conducting regular lessons on radio and televisions.

Table 1. The Gambia: Impact of COVID-19 Pandemic and Responses, 2020 (concluded)

Economic	**Disruption of Activity** i. Tourist arrivals in Q1 were 11 percent below Q1 2019, and tourism halted in Q2–Q3. ii. Tourist arrivals are expected to be less than a half of the 2019 level, if tourism resumes in Q4. iii. Growth projection for 2020 scaled down from 6.3 percent to a current baseline of zero percent.	• Hotels are being used as quarantine facilities. • Provided GMD 100 million to support the comprehensive recovery plan with end-to-end safe travel experience, prepared by the tourism corporations with the support of the IMF and other development partners. • Supporting municipalities, The Gambia Tourism Board and The Gambia Civil Aviation Authority, and other public entities affected by the absence of tourists. • Accelerated the airport renewal plan to enhance safety and security in the context of COVID-19.
	Fiscal impact i. Companies faced difficulties in meeting tax obligations and filing of tax returns. ii. Slowdown in revenue intake prompted the GRA to revise downward its annual revenue target by 2.2 percent of GDP. iii. Increased spending on health and COVID-19 containment programs (0.6 percent of GDP).	• Extended filing and payment dates for 2019 income tax returns for two months to end May 2020, and for Q1 2020 income tax payments for two months to June 15,2020. • Requested (and the IMF Board approved) a US$21.3 million (25 percent of quota) support under the IMF's RCF, benefitted from CCRT, and is participating in the G20 DSSI. • Secured additional support from AfDB, EU (partly frontloaded) and the WB disbursed COVID-assistance funds to help address the health and socio-economic impact of the pandemic. This, together with the IMF assistance and a list of new spending priorities were included in a Supplementary Appropriation (SAP) Bill that was approved by the National Assembly. • Opened a dedicated project account for the COVID-19 spending and reinforced the Internal Audit presence at the Ministry of Health to enhance transparency in the use of the COVID-19 resources.
	Effects on Banking system i. Financial intermediation moderated since Q1, with some tourism operators having problems servicing loans. ii. Credit growth expected to remain flat in 2020, compared to 35.8 percent in 2019. iii. FX currency transport abroad ceased. iv. CBR problems heightened and disrupting trade financing.	• Reduced (i) the policy rate by 50 bps (and increased the special deposit rate by the same in February 2020) and (ii) the policy rate and the statutory reserve requirement by 200 bps to 10 percent and 13 percent respectively, in May 2020. • CBG is standing ready to discuss on bank-by-bank basis client-specific loan servicing problems and proffer advice on their resolution. • Strengthening banking supervision and re-prioritized (including frontloading TA on stress testing and crisis preparedness) in a strategic plan of actions to address the recommendations from the 2019 FSSR.

Source: The Gambian authorities.

Annex II. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Expected Impact if Realized	Policies to Mitigate Risks
External: Unexpected shift in COVID-19 pandemic	High **Downside**. The disease proves harder to eradicate, requiring more containment efforts and impacting economic activity directly. Monetary and fiscal policy response is insufficient amid dwindling policy space and concerns about debt sustainability. (High) **Upside**. Recovery from the pandemic is faster than expected due to wide availability of vaccines (Medium)	High • Collapse in Gambia's exports and tourism receipts. • Employment pressures abroad reduce the inflow of remittances. • Key domestic corporates in tourism, construction and services face solvency problems.	• Strengthen government fiscal social and health response to pandemic. • Prioritize infrastructure projects with high fiscal multipliers and value-for-money. • Strengthen regional cross-border pandemic response. • Roll out targeted support for tourism, construction and services sectors for previously well-run and profitable corporates.
External: Oversupply and volatility in the oil market	High In the near term, uncertainty surrounding supply and demand shocks elevates price volatility, complicating economic management. Persistent and larger price swings including higher oil prices harm global growth.	High • Gambia's dependence on heavy fuel oil and sovereign guarantees for its provision pose a contingent liability risk, compounded by reliance on commercial credit (ITFC) facility. • High production costs hurt growth.	• Strengthen the fiscal oversight and reform of NAWEC. • Accelerate implementation of the national energy roadmap with World Bank support, including use of alternative energy production methods (on- and off grid).
Financial Instability	Medium Rising NPLs due to COVID-19 raise concerns in some banks. Problems experienced by Travelex (the main intermediary of cross-border FX transactions) increase concerns about FX cash obligations internationally, especially if difficulties with correspondent bank relationships resurface. Lack of alternatives to sovereign debt reignites concerns around sovereign-bank nexus.	High • Reduced profitability and capital adequacy, negatively affecting financial intermediation.	• Increase provisions and bolster capital to absorb losses and resist temptation to weaken prudential standards. • Discuss loan reprofiling for clients with strong business models. • Implement FSSR recommendations including on crisis management. • Ensure banks retain retail banking units to better meet private sector recovery needs post-COVID-19.
Weak fiscal management	Medium An expansive COVID-19 fiscal policy without effective control of non-priority spending and lack of fiscal reforms. Fiscal shocks from SOEs.	High • Increased domestic borrowing and renewed pressure on public debt sustainability, undermining growth. • Pressure on foreign reserves. • Crowding out of private credit.	• Implement TA recommendations on PFM, strengthening cash management and budget execution. • Identify additional fiscal measures to create fiscal space for crisis support. • Implement SOE and governance reforms.
Social discontent and political instability	High Tribal politics and tensions among the coalition parties and government increase due to election and ineffectiveness of COVID-19 response.	High • Political uncertainty hurts market confidence and private investment, delays economic and policy reforms, and weakens institutions.	• Give policy priority to socio-economic stability and COVID-19 response. • Involve CSOs in policy decisions. • Implement findings from governance commissions.
Natural disasters	Medium Recurring cycles of erratic rainfall and droughts for five subsequent years.	High • Lower domestic production, especially rain-fed agriculture.	• Strengthen food security and rural feeding programs. • Build up fiscal and reserve buffers. 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.

Annex III. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to The Gambia in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Venezuela. In particular:

1. Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies. The Gambia is a long-standing fragile state, currently at high risk of debt distress caused by the heavy debt service payments on its external debt. The ECF arrangement will support the authorities' efforts to achieve debt sustainability, while catalyzing much needed international financial support. The Fund-supported program is expected to anchor macroeconomic stability and play a pivotal role in addressing this long-standing issue, building on the improvements in the medium-term debt profile as a result of debt service deferrals. The Gambia's policies in the context of the ECF-supported program covering 2020–23 will contribute markedly to growth and poverty reduction, notably by facilitating the creation of the much-needed fiscal space.

2. The authorities have been making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program.

- *In terms of process,* the Gambian authorities have relayed to staff that they had contacted the Venezuelan authorities bilaterally through letters and technical meetings (most recently in October 2019 in Banjul), offering to engage in substantive dialogue and start a collaborative process on resolving the outstanding arrears (which arose due to international sanctions). Relevant information has been shared with them on a timely basis. The Gambian authorities are committed to their continued good faith efforts until all the remaining arrears are resolved.

- *The terms offered* by the Gambian authorities to Venezuela are in line with the financing and debt objectives of the Fund-supported program and imply a contribution that is not disproportionate relative to those sought from other creditors under the official sector involvement.

3. The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases. In staff's view, providing financing to The Gambia despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given strong support from the international community in the context of the Fund-supported program for The Gambia and The Gambian authorities' efforts to resolve this in a timely manner.

Appendix I. External Sector Assessment

Overall Assessment: *Based on preliminary data and EBA-lite results, the external position of The Gambia in 2020 was broadly in line with the level implied by fundamentals and desirable policies. Staff assess that the current account deficit (at 6.2 percent of GDP), after adjusting for cyclical and temporary factors related to the pandemic, was within 0.0–0.5 percent of GDP below the estimated norm, implying real effective exchange rate undervaluation in the range of 0.0–3.4 percent. Under the assumption of multilateral consistency, this assessment reflects the estimated deterioration in global factors being relatively sharper than the change in The Gambia-specific factors. The external position is, however, expected to deteriorate significantly in 2021.*

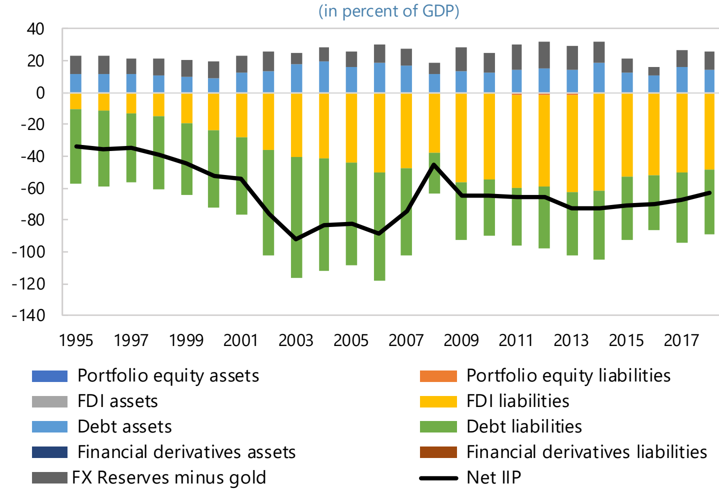
Potential Policy Responses: Preservation of exchange rate flexibility in the context of continued structural reforms and fiscal consolidation will help sustain The Gambia's external position. Maintaining strong external buffers is essential, considering the heightened vulnerabilities due to the COVID-19 shock and in anticipation of the conclusion of debt deferrals.

Foreign Assets and Liabilities: Position and Trajectory

Background. The Gambia's net international investment position (NIIP) has gradually improved since 2014, reaching -49.6 percent of GDP in 2020. External debt and FDI liabilities have been the primary drivers of The Gambia's NIIP, with a sizeable share of the liabilities denominated in US dollars. Gross liabilities in 2020 were 70.2 percent of GDP, half of which were debt liabilities. FX reserves, which dropped to their lowest level in 2016, have been rising on the back of strong FX inflows due to robust inflows of remittances, private capital transfers, and budget support grants.

Gambia The: IIP Composition, by Instrument, 1995-2018

(in percent of GDP)



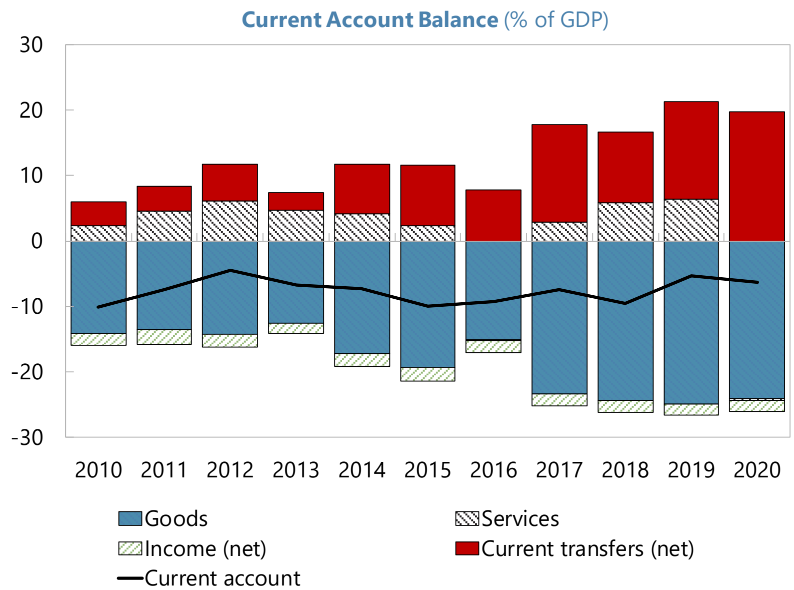
Sources: IMF World Economic Outlook, Lane and Milesi-Feretti's External Wealth of Nations Dataset

Assessment. The Gambia's external position is projected to further improve in the medium term, reflecting mainly the efforts to ensure external debt sustainability. This improvement is buoyed by the limits set on external borrowing under the current ECF arrangement and a continued build-up of FX reserves buffers by the Central Bank of The Gambia (CBG).

2020 (% GDP)	NIIP: -49.6	Gross Assets: 20.5	Debt Assets: 11.5	Gross Liabilities: -70.2	Debt Liabilities: -32.2

Current Account

Background. The current account balance has deteriorated in 2020 due to the COVID-19 shock and the resulting halt in foreign tourism. This deterioration has been muted by strong current transfers, including disbursement of COVID-related budget support and a surge in remittances. This comes after a substantial improvement in the current account balance in 2019, largely driven by a pick-up in tourism, steady growth of remittances and an increase in budget support grants.



Assessment. The EBA-lite methodology's current account (CA) approach produces a current account gap of 0.5 percent of GDP, after including adjustors to the current account for the temporary impact of the pandemic on tourism, oil imports, and remittances. This gap is associated with an adjusted current account deficit of 3.4 percent of GDP against a norm of -4.0 percent of GDP. Compared to the previous External Sector Assessment (performed in 2017), the CA gap has narrowed, reflecting an ongoing alignment of the external position with the level implied by fundamentals and policies deemed desirable for The Gambia. The CA gap of 0.5 percent of GDP is consistent with a REER undervaluation of 3.4 percent.

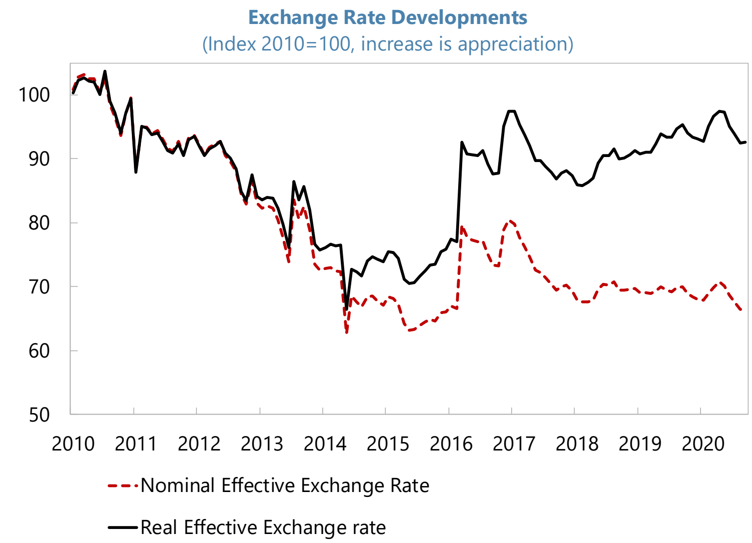
The Gambia: Model Estimates for 2020 (in percent of GDP)

	CA model	REER model	ES model
CA-Actual	**-6.2**		
Cyclical Contributions (from model)	-1.2		
Temporary factors related to the pandemic	-1.5		
Natural disasters and conflicts	-0.1		
Adjusted CA	**-3.4**		
CA Norm (from model) 1/	**-4.0**		
Adjustments to the norm	0.0		
Adjusted CA Norm	**-4.0**		
CA Gap	**0.5**	**1.4**	**-0.9**
o/w Policy gap	4.6		
Elasticity	-0.16		
REER Gap	**-3.4**	**-9.0**	**5.8**

1/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

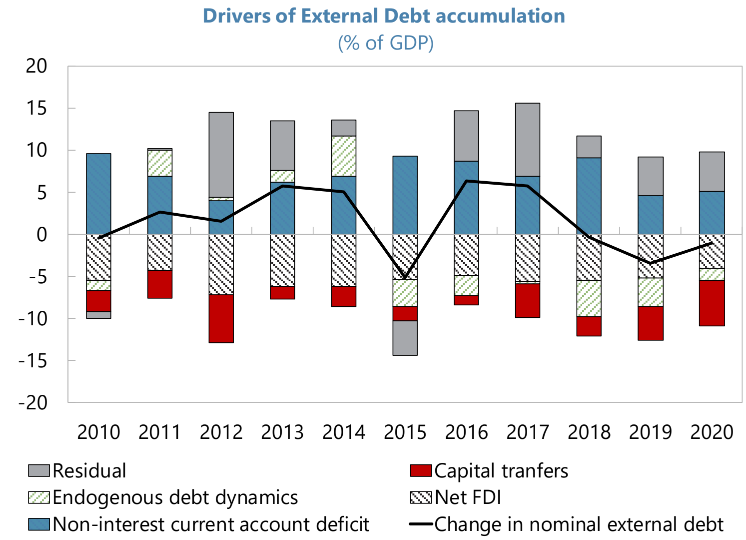
Background. The real exchange rate initially depreciated in the wake of the pandemic, but this tendency appears to have been reversed in recent months in favor of real appreciation, in line with the trend observed in the past 3 years on the back of strong inflows of financial support from development partners, remittances, and income from tourism. Going forward, the real exchange rate is expected to continue its upward trajectory as the competitiveness of The Gambian economy is expected to strengthen through structural reforms and private and public investment.



Assessment. Similar to the CA approach of the EBA-lite model, the REER model implies an undervaluation of 9 percent. Given the poor fit of the REER model for The Gambia, which has historically produced large residuals, staff assess that the real exchange rate is broadly in line with fundamentals as suggested by the undervaluation in the range of 0.0–3.4 percent, consistent with the CA gap (excess surplus) in the range 0.0–0.5 percent of GDP.

Capital and Financial Accounts: Flows and Policy Measures

Background. The Gambia's capital account in 2020 strengthened to 5.4 percent of GDP due to an increase in disbursements of project (i.e., capital) grants. In contrast, the financial account demonstrated a moderate deterioration, declining to 4.7 percent of GDP due to a drop in project loan disbursement and FDI.



Assessment. A strong capital and financial account, together with improvements in the current account, have raised the overall balance-of-payments surplus. Net capital and financial and financial flows are expected to be sustained over the medium term.

FX Intervention and Reserves Level

Background. The Gambia's gross international reserves stood at US$314 million at end-September 2020, which is 16 percent of GDP or 4.4 months of prospective imports. Gross reserves have risen markedly from a recent trough of US$60 million in 2016. This has been driven by amplified disbursement of external financial assistance (including from the IMF), CA improvement, and private inflows of foreign exchange, which have allowed the CBG to rebuild its buffers. Gross reserves are expected to reach US$330 million by end-2020.

The 2019 AREAER report classifies The Gambia exchange rate arrangement as an "Other managed arrangement", with a monetary aggregate target. Since 2017, the CBG has intervened in the FX market only to purchase FX from the interbank market, which has been showing persistent surpluses in recent years. Such asymmetric (opportunistic) interventions have had the primary purpose of supplying domestic liquidity while dampening the short-term exchange rate volatility and contributed to building international reserves, which have been constantly rising since 2016.

Assessment. Using the Fund's approach to assessing reserve adequacy in credit-constrained economies (ARA-CC), under a cost of holding reserves of 3 percent, the estimated adequate level of reserves is 3 months of imports. This is less than what staff assess as adequate level of reserves, because of The Gambia's vulnerability to BoP shocks and the sharply rising external debt service projected at the end of the debt deferral period in 2025, which is expected to put significant strains on The Gambia's FX reserves. In anticipation of the conclusion of the debt deferral period and considering the heightened vulnerabilities associated with the COVID-19 shock, staff assess that the CBG should be holding foreign exchange reserves corresponding to at least 4.5 months of prospective imports of goods and services.

Appendix II. Letter of Intent

Banjul, The Gambia

December 18, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Madam Managing Director,

1. On behalf of the Government and the people of The Gambia, we express our gratitude to the IMF for a timely support to our country at the onset of the COVID-19 pandemic. Shortly after the approval, on March 23, 2020, of the 39-month arrangement for The Gambia under the Extended Credit Facility (ECF) in the amount of SDR 35.0 million (56.3 percent of our quota), the IMF Executive Board approved on April 13, 2020 debt relief under the Catastrophe Containment and Relief Trust (CCRT), covering up to SDR 7.93 million (12.75 percent of quota) in debt service to the IMF and, on April 15, 2020, a disbursement of SDR 15.55 million (25 percent of quota) under the Rapid Credit Facility (RCF). We are also grateful for the IMF's support of the G20 Debt Service Suspension Initiative (DSSI), which, in the case of The Gambia, supplemented the debt service deferral agreements concluded with most of our bilateral and plurilateral creditors in 2019 that helped put The Gambia's public debt on a sustainable path and pave the way to the ECF arrangement.

2. The pandemic halted tourism and dampened economic activity with adverse social and economic consequences for the people of The Gambia. The prompt assistance from the IMF helped fund an emergency social assistance program for the vulnerable population affected by the radical containment measures imposed to halt the spread of the pandemic. It also helped catalyze additional donor support, including to procure much-needed health supplies and extend the scope of the social support. Timely interventions by the IMF and other partners helped moderate the impact of the pandemic on government finances and preserve macroeconomic stability. However, with the surge of the pandemic in Europe, the outlook remains fraught with risks and private sector confidence is low. To secure adequate financial resources needed to stimulate the economic recovery and cover associated balance-of-payments needs, we are requesting an augmentation of the second and third disbursements under the ECF arrangement by a total of SDR 20 million (32.15 percent of our quota). The requested augmentation would be combined with the two initially scheduled disbursements of SDR 5 million each to be made available upon the completion of the first and the second reviews in the amount of SDR 20 million and SDR 10 million, respectively. The full amount of SDR 30 million would be on-lent to the Treasury to help advance our structural reform agenda and reduce the recourse to domestic borrowing, thus enabling financial conditions for private sector recovery in the context of an elevated balance-of-payments need.

3. The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress we have made under our program supported under the ECF arrangement and spells out our policies for the remainder of 2020 and for 2021. Despite the pandemic, our commitment to the program remains strong. We observed all but one quantitative PCs and all but one (in June) indicative targets through end-September 2020. While the continuous zero ceiling on new external payment arrears of the central government was missed in early 2020, these arrears, incurred by the telecommunications company, have already been settled and safeguards have been put in place to prevent their recurrence. All structural benchmarks (SBs) through end-June 2020 were implemented and adequate policy actions agreed with Fund staff were taken to achieve the objectives of the three end-September SBs that were missed due to the administrative disruptions caused by the pandemic. The budget for 2021 envisages a high level of spending on social support and health, including contingency provisions should the pandemic resurge, along with spending on infrastructure investment to support the recovery. It features measures to strengthen governance and institutional efficiency in procurement, tax policy, wages and pensions, and public financial management, which are also critical to safeguarding the hard-won debt sustainability. It also supports our transitional political and justice reforms, including targeted outlays to ensure an orderly conduct of the presidential election planned for December 2021.

4. We are fully committed to the principles of central bank autonomy enshrined in the 2018 CBG Act. We recognize that operational independence of the CBG is fundamental to entrenching the recent gains in curbing inflation and strengthening the CBG's financial and external positions. To this effect, we will strictly adhere to the rules on the use of the central bank overdraft by the government and strengthen policy coordination with the Ministry of Finance and Economic Affairs. We are implementing the recommendations of the 2020 safeguards assessment, to strengthen the CBG's balance sheet, integrity, and autonomy.

5. We have taken steps to ensure full transparency of all COVID-19-related operations. In this context, we have strengthened the internal audit at the Ministry of Health, the main beneficiary of the pandemic-related support. We have instructed our National Audit Office to complete the audit of all such spending by mid-2021 and submit a report to the parliament for deliberations and publication. All COVID-19-related procurement contracts concluded through August, including the names of the companies and their beneficiary owners, have been published on the Gambia Public Procurement Agency (GPPA) website, and this record will be updated semi-annually.

6. In light of the resolve and commitment we have shown in implementing macroeconomic policies and reforms, and on the strength of our policies and measures going forward, the Government of The Gambia requests a waiver of nonobservance of the continuous PC on non-accumulation of new external payment arrears by the central government at end-June, approval of the augmentation of access under the current ECF arrangement by SDR 20 million (32.15 percent of our quota), and completion of the first review of the ECF arrangement to enable disbursement of the augmented second tranche totaling SDR 20 million. Upon approval by the IMF Executive Board, this disbursement would be on-lent to the government and credited immediately to the Treasury's account at the Central Bank of The Gambia (CBG) for the financing of the budget. To this effect, an

MoU between the Ministry of Finance and Economic Affairs and the CBG will be signed to define their respective roles and responsibilities for servicing the related financial obligations to the Fund.

7. The Government believes that the policies and measures set forth in the attached MEFP will help achieve the program objectives. Nonetheless, the Government will take any additional measures that may be required, particularly in response to the COVID-19-related needs. The Government will consult with the IMF, or whenever the Managing Director requests such consultation, prior to adopting any such measures or revising the policies in the MEFP. We will continue to provide the IMF staff with all information needed for monitoring our implementation of the economic and financial policies geared toward achieving the program objectives.

8. The Government consents to make public the contents of the IMF staff report, including this letter, the attached MEFP and Technical Memorandum of Understanding (TMU), the updated Debt Sustainability Analysis (DSA) performed by IMF and World Bank staff, and the External Sector Assessment (ESA) and, therefore, authorizes the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board approves the completion of the first review under the ECF arrangement.

Sincerely yours,

/s/	/s/
Mambury Njie	Buah Saidy
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This memorandum updates the Memorandum of Economic and Financial Policies (MEFP) for our request for a three-year arrangement under the Extended Credit Facility (ECF) approved by the IMF Executive Board in March 2020, as supplemented and modified by the MEFP underpinning our request for a disbursement under the Rapid Credit Facility (RCF) approved by the IMF Executive Board in April 2020. It summarizes our achievements under the ECF-supported economic and financial program and outlines policies to strengthen our response to the humanitarian and economic challenges stemming from the COVID-19 pandemic. It also describes the measures to support a rapid recovery from the pandemic-induced economic shock and the structural reform agenda to foster inclusive growth.

Background

1. **The COVID-19 pandemic has affected The Gambia severely, shifting government priorities toward containing the pandemic while maintaining the reform momentum**. The Gambia registered its first confirmed COVID-19 case on March 17 and the number remained low until late June, thanks to swiftly implemented containment measures. However, as these measures were progressively relaxed starting in late June, the number of confirmed cases surged during the subsequent weeks, including among healthcare workers and high-level government officials. The surge strained the already fragile health system and stretched the government's ability to respond to the pandemic. The increased public health uncertainties have dampened the prospects for a swift economic recovery and shifted the government's priorities toward containing the pandemic and mitigating its impact on the population, without losing sight of program objectives focused at maintaining debt sustainability, strengthening domestic revenue mobilization, and tackling poverty.

2. **Strong and timely support from development partners, including the IMF, complemented the government's actions to address the pandemic**. The closure of the country's external borders on March 23, followed by a declaration of a state of public health emergency on March 27, imposing a lockdown and social distancing measures have unavoidably impacted the economy and the population, calling for measures to address the costs of the medical response and alleviate the economic hardships. A health emergency support package equivalent to 0.5 percent of GDP was mobilized promptly drawing on existing budget resources. This package was supplemented by the US$10 million (equivalent to another 0.5 percent of GDP) health emergency support from the World Bank, and in-kind contributions from the UN, bilateral partners, and several NGOs, including the Jack Ma Foundation. Furthermore, a nationwide food distribution program totaling 0.9 percent of GDP and covering 84 percent of households was put in place, drawing on the RCF support from the IMF. The World Bank augmented and accelerated its support for social safety nets and education sector amounting to US$13.5 million. The emergency programs were followed by a package of measures to stimulate economic recovery (equivalent of 3 percent of GDP, including an additional 0.5 percent COVID-19 emergency spending) that were articulated in a Supplementary Appropriation (SAP) approved by the National Assembly (NA) in July, leaning on the additional

budget financing committed by our development partners. The bulk of the SAP, prepared prior to the surge in the number of confirmed cases in late July, consisted of measures to support the tourism sector, agriculture, and infrastructure investment. With the health emergency subsiding, it is expected that the SAP will be implemented as envisaged; however, the COVID-19 response could be augmented in 2021 should the number of cases resurge, including by tapping into the requested augmented financial support from the IMF.

3. A monitoring framework was put in place to ensure efficient and transparent use of COVID-19 pandemic-related support from development partners. To adequately monitor and account for the pandemic-related spending, a dedicated sub-account was opened in the Treasury Single Account (TSA). All decisions on the allocation of the resources for pandemic-related spending have been taken by a committee representing all entities involved in the spending process ranging from procurement to payment. All pandemic-related spending, including the food distribution program, have been subject to a rigorous oversight and the internal audit at the Ministry of Health, where the bulk of pandemic-related spending originates, has been strengthened. All COVID-19-related spending will be subject to an independent *ex-post* audit by the National Audit Office (NAO), the first phase of which was launched in September 2020. In the meantime, data on COVID-19 spending are published in our monthly expenditure reports available at the MoFEA's website. Additionally, the Gambia Public Procurement Agency (GPPA) has published on its website a list of all COVID-19-related procurement contracts signed between March and August and will update this record semi-annually.

4. Considerable progress has been made in transitional justice reforms, but the difficulties with passing the promulgation bill for the new constitution implies that parts of the legislative agenda, expected to pave the way to the 2021 presidential election, would need to be recast in a different format. Recent advances include: (i) the submission to the NA of the anti-corruption bill; (ii) an increase in non-tax revenue from the sale of stolen assets identified by the Janneh Commission; (iii) completion of the TRRC interim report as a step towards the final report, expected now by the end-July 2021, paving way for the payment of reparations to victims and the prosecution of perpetrators of atrocities committed during the Jammeh era; (iv) the establishment of a human rights commission and the publication of its 2019 annual report; (v) progress on security sector reforms with the finalization of an audit of the security sector and the definition of an overarching policy for the sector which led to the launching of the 5-year National Security Sector Reform Strategy in November 2020; and (vi) an upgrade of The Gambia from Tier 3 under the US Department of State's June 2020 report on Trafficking in Persons (TIPs) to a Tier 2 watch list, in recognition of improvements in TIPs enforcement and victim protection. The promulgation bill for the new constitution was submitted to the NA, but it was dropped at the second reading (on September 22), as it failed to obtain the required three-quarter majority vote to move it to the next stage. Alternative options are being explored to ensure that the presidential election (expected to be held in December 2021) is conducted in a manner that meets the expectations of the population regarding the transition to a fully democratic regime, ensuring equal participation of all political forces and representativeness of its outcome. Following the defeat of the promulgation bill, the Cabinet mandated the Attorney General to initiate a dialogue among all stakeholders with the view to reaching a consensus on the future of the draft constitution.

Recent Economic Developments

5. The COVID-19 pandemic hit The Gambia at a time when it was experiencing a strong economic performance. Real GDP growth averaged 6.5 percent per year in 2018–19, on account of record-high tourist arrivals and private capital inflow supported by donor-induced infrastructure development and budget supports. This strong performance continued into the first quarter of 2020, but it was interrupted by the onset of the COVID-19 pandemic which completely shut down the tourism sector and significantly reduced economic activity in the other sectors. The imposition of a state of public health emergency resulted in the closure of non-essential public and private businesses as well as the country's airport(s) and land borders. Evidence of the economic slowdown was confirmed by the CBG's business sentiment survey, as the first and second quarters of 2020 showed a sharp reversal of the recorded upward trend since 2018. On a positive note, the construction sector and food retail services remain resilient, supported by strong private FX inflows, the government's food distribution program and the recent reopening of the economy and boarders.

6. Consumer price inflation has been subdued, reflecting exchange rate stability, weak aggregate demand, and temporary administrative price controls on essential goods. Headline inflation rate declined from 7.3 percent (y/y) at end-2019 to 4.8 percent in July 2020, aided by the dissipation of the effect of a one-off administrative increase in postal charges in April 2019, an imposition of a price control on essential goods (a COVID-19 mitigating measure taken in late March 2020), a weaker demand for petroleum products and other intermediate goods, and lower than anticipated gas prices. Both food and non-food inflation declined accordingly. Headline inflation slightly exceeded 5 percent (y/y) in August-October, as food prices increased because of seasonal factors (the onset of the rains adversely affected the supply of vegetables), the lifting of the price control on essential goods, and the impact of COVID-19 containment measures (barring the access of fishermen from the neighboring countries to the local market).

7. The balance of payments strengthened in the first three quarters of 2020, supported by record-high private FX inflows and donor support. The current account deficit through September 2020 widened to 5.6 percent of GDP from 2.0 percent of GDP in the corresponding period of 2019. The contributing factors were: (i) the widening of the trade deficit in goods, reflecting a 16-percent increase in imports and a 45-percent drop in exports, especially on account of a slowdown in re-exports in the second and third quarters of 2020 due to containment measures; and (ii) the deterioration of the services account balance, from a surplus of 3.7 percent GDP over the first three quarters of 2019 to a deficit of 0.3 percent of GDP over the corresponding period in 2020, following the halting of tourism in mid-March (i.e., a month before the natural end of the season). However, the net impact of these adverse developments was outweighed by a higher-than-expected level of private FX inflows (remittances and capital transfers) and the steady inflow of official (current and capital) transfers, which perpetuated the favorable conditions in the foreign exchange market and helped maintain the stability of the dalasi. As a result, the net international reserves of the CBG increased during the first half of 2020 by US$35.85 million above program projection to reach US$203.85 million at end-June 2020, and further up to US$253.76 million at end-September. Gross official reserves reached US$314.26 million or 4.4 months of prospective imports by end-September.

8. Although the fiscal deficit through September was wider than expected, net domestic borrowing remained well contained. The overall fiscal balance reached 2.6 percent of GDP at end-September 2020 against a projection of 1.6 percent of GDP due to a 1.5-percent of GDP shortfall in budget support expected from the European Union (subsequently disbursed in October), partly compensated by slower execution of project loans. However, the domestic primary surplus (at 0.1 percent of GDP) was close to its projected level of 0.2 percent of GDP. Moreover, as the emergency assistance, including the RCF support (1.1 percent of GDP) which was on-lent to the budget, helped to cover the pandemic-related additional spending (1.7 percent of GDP as of end-June) and the execution of the previously budgeted spending remained prudent, the recourse to domestic borrowing was contained well within the program ceiling for end-September.

- **Domestic revenue mobilization held up, notably due to the one-off proceeds from the sales of assets authorized by the Janneh Commission**. This compensated for the lower-than-anticipated tax revenue and helped cushion a large temporary shortfall in budget support from the European Union initially expected in Q3 and disbursed in October. Total revenue and grants stood at GMD 13.9 billion (14.2 percent of GDP) at end-September 2020 compared to GMD 13.3 billion (13.4 percent of GDP) in the same period last year. Tax revenue remained constant in nominal terms at GMD 7.7 billion in the first three quarters of 2020 relative to the same period a year ago but decreased in percent of GDP from 8.4 percent at end-September 2019 to 7.9 percent at the same time this year. The revision of reference prices combined with the adoption of the transactional-value-based determination of customs duties and excise levies helped support customs revenue despite the pandemic. VAT collection and revenue from the telecommunications sector also supported the revenue performance. Proceeds from the sales of assets authorized by the Janneh Commission boosted non-tax revenues by about 0.7 percent of GDP. Therefore, non-tax revenue through September 2020 reached GMD 2.3 billion (2.4 percent of GDP), or more than 75 percent higher (in nominal terms) than the level registered at end-September 2019.

- **On the expenditure side, pandemic-related priorities were funded with the help of donor assistance and by a reallocation of domestic resources from lower priority areas**. Total expenditure was 0.4 percent of GDP below projection due to 2.2 percentage points of GDP less capital expenditure than initially projected, less than compensated by some changes in the composition of current expenditure to accommodate emergency spending on: (i) health (0.5 percent of GDP); and (ii) food distribution program in Q2–Q3 (0.9 percent of GDP). The new priority spending was made through the virement of non-priority spending such as travel, vehicles, training expenses as well as some priority spending such as the PUDC and the health insurance and pension funds. Expenditure and net lending for the first nine months of 2020 increased by 9.7 percent to GMD 16.4 billion (16.8 percent of GDP) from GMD 15.0 billion (16.4 percent of GDP) in the first nine months of 2019. Recurrent expenditure increased by 28.7 percent to GMD 12.5 billion (12.8 percent of GDP) compared to GMD 9.7 billion (10.7 percent of GDP) at end-September 2019. Current spending includes GMD 137.5 million in transfer to the National Water and Electricity Company (NAWEC) for the repayment to the Islamic Trade Finance Corporation (ITFC) which NAWEC committed to repay in six installments starting July 2020, and GMD 579 million to the Gambia Groundnut Corporation (GGC) for the purchase of fertilizers and the repayment of ITFC of which GMD 156 million was reimbursed by GGC. Capital expenditure, on the other hand, declined by 25.6 percent to GMD 3.9 billion (4.0 percent of GDP) due to implementation challenges created by the pandemic, although this assessment is subject to a revision, pending more comprehensive collection of data on donor funded projects.

9. Monetary policy has been accommodative, in the context of strong foreign exchange inflows and sluggish private credit growth. The CBG reduced its policy rate in two steps from 12.5 percent at end-2019 to 12 percent in February and further down to 10 percent at end-May. It also cut the statutory reserve requirement ratio by 200 basis points to 13 percent at end-May. These actions eased liquidity conditions and, given the prudent budget execution and muted inflation, helped bring down the interest rates on 365-day T-Bills from 12 percent in late May (when liquidity pressures spiked) to below 8 percent (around its end-2019 level) in late July. At its Monetary Policy Committee (MPC) meetings on August 27 and December 3, the CBG maintained the policy rate at 10 percent on account of a subdued inflation pressure, continued economic slack, and expected good agricultural harvest. Money supply (M2) growth was 21.8 percent (y/y) at end-September 2020 (same as recorded during the same period in 2019) and credit growth was sluggish at 13.2 percent compared to 29.7 percent in 2019. The CBG limited its presence in the FX market to sporadic interventions on the purchase side, while allowing the dalasi/US$ rate in the interbank market to depreciate by 2.1 percent (y/y) against the US dollar in the twelve months to end-September 2020.

10. The banking sector remains well capitalized and liquid, showing resilience to the pandemic shock, albeit with some heterogeneity depending on banks' business model and relative exposure to the tourism sector. Total banking sector assets increased by 15.6 percent (y/y) through September 2020. All the banks are above the statutory minimum capital requirement of 10 percent, with the industry-wide average risk-weighted capital adequacy ratio standing at 38.5 percent at end-September 2020. Also, the industry liquidity ratio stood at 93.5 percent, also well above the 30 percent minimum prudential requirement. The industry maintains a good asset quality, with NPLs at end-September increasing by 2-percentage points from its end-2019 level to 6.5 percent of gross loans mainly coming from a few banks exposed to the tourism and the hospitality industry. Mindful of the transitional difficulties experienced by bank clients affected by the pandemic, the CBG, on a case-by-case basis, eased prudential requirements on provisioning against delinquent loans of those clients, notably operating in transport and tourism. Thanks to the ongoing private FX inflows, the interbank FX market has been replenished (a 62.9-percent y/y increase in the volume of net FX transactions was registered in September). This helped the banks resolve frictional difficulties in settling cross-border transactions (due to the suspension of cash shipments and difficulties experienced by Travelex, the main intermediary) with the CBG playing only an auxiliary role.

11. Despite some vulnerabilities, the non-bank financial sector, including mobile money, is expanding and continues to play an important role in extending financial services to under-served persons and sectors. As at September 2020, total assets and total deposits of the three finance companies expanded on an annual basis by 22 percent and 23 percent to GMD 1.7 billion and GMD 1.3 billion, respectively. The micro-finance institutions are experiencing some difficulties due to their exposure to MSMEs but they remain proactive diversifying toward agriculture and leveraging on new technology. Mobile money financial services surged in the wake of the pandemic in terms of membership and transaction volumes. Total transactions measured by the deposits and withdrawals from Mobile Money Wallets increased by 66 percent y/y to GMD 67.15 million in September 2020, while the membership increased by 4 percent to over 35,144 thousand during the same period, with the leading mobile carrier reporting a threefold increase in mobile money transactions between March and August. The increase in the number of service providers accepting mobile payments, and the use of mobile payments by some development partners to deliver COVID-19 assistance to the needy, contributed to this expansion.

Performance Under the ECF Program

12. Performance through end-June was in line with the program with few exceptions. All semi-annual performance criteria for end-June 2020 were met; however, the continuous performance criterion on new external payments arrears of the central government was breached (Table 1). The ceilings on the central government's net domestic borrowing (NDB) were observed with a GMD 1.5 billion margin, while the floor on the stock of net usable international reserves (NIR) was exceeded by US$65.9 million. In both cases, the large overperformance margins reflected the application of an adjustor reflecting the delay in the disbursement of budget support from the World Bank, which was subsequently disbursed in August. The ceiling on the net domestic assets of the central bank, the ceiling on the non-concessional external debt contract and guaranteed and the ceiling on the outstanding stock of external public debt with original maturity less than one year were all met. The breach of the criterion on the non-accumulation of external payment arrears occurred because the public telecommunications company (GAMTEL) did not make sufficient provisions for servicing the loans contracted from the Islamic Development Bank (IsDB) for the construction of The Gambian portion of the ECOWAS Wide Area Network (ECOWAN) and from Export-Import Bank of China for the construction of the Gambian National Broadband Network (GNBN). Given the size of the arrears to IsDB (US$7.6 million as of end-June 2020, which were called after the three-year gestation period under the ECOWAN project ended), the government had to step in to clear the accumulated dues to IsDB (altogether US$8.9 million, including current maturities) in stages before the end of 2020. As of December 2, 2020, all these outstanding dues have been cleared. In the case of Export-Import Bank of China, the arrears were incurred on the interest payment falling due on March 21, 2020 (i.e., within the period leading to the approval of G20 DSSI, giving rise to an expectation that the initiative would cover it under the clause referring to the outstanding arrears). In the end, the authorities cleared these arrears (US$0.25 million) on June 19, 2020. Going forward, GAMTEL is expected to maintain and replenish a dedicated escrow account to ensure timely servicing of its debt obligations.

13. Two out of the three end-June indicative targets were also met, including the floor for tax revenue despite its decline after March following the introduction of the state of public health emergency regulations. The floor for poverty-reducing spending was missed by about GMD 60 million, 2 percent of the target, but the actual level of poverty-reducing spending was 30 percent higher, taking into account the social support program (food distribution) for about GMD 867 million implemented using a special project account, which was not included in the original program definition of poverty-reducing spending.

14. All end-September 2020 indicative targets were met. However, the continuous performance criterion on new external payments arrears of the central government continued to be breached until early December when the arrears to the IsDB were cleared

15. All the program structural benchmarks (SBs) through end-June were met, in great part thanks to strong technical support from the IMF (Table 3). To this effect, the following objectives were achieved:

- A comprehensive monthly cashflow plan for the whole year, consistent with the 2020 budget, was put in place before end-March 2020. With a view to strengthen treasury management, The Cash Management Committee, after a two-month interruption in the wake of the COVID-19 pandemic is now meeting monthly. Minutes of its meeting are being shared with IMF staff.

- The taxpayers' registry in the greater Banjul area was cleaned up by end-June 2020. The registry covers taxpayers who have contributed thus far to more than 95 percent of total tax revenues in 2020. This for the first time, allowed GRA to acquire information on the distribution of taxpayers covering most part of the country by tax type and highlighted: (i) the small percentage of taxpayers registered for VAT compared to the total taxpayer base (11.4 percent), and (ii) the large number of large taxpayers not registered for VAT (almost a quarter, 88 out of 334, of large taxpayers). These are the taxpayers that deal with exempt supplies under the IVAT Act 2012.

- In line with the recommendations from the IMF's 2019 Public Investment Management Assessment (PIMA), project selection criteria were developed by end-June 2020 for establishing objective priorities among projects proposed for the inclusion in the annual budget. With the support of a one-month TA delivered by FAD, these criteria, which were subsequently approved by the Gambia Strategic Review Board (GSRB) and circulated to the Cabinet, were adopted as a standard practice for project selection at the technical and executive levels, with a view to ensuring strategic alignment of project proposals, as well as their viability, affordability, and readiness for implementation.

- A strategic plan for addressing the recommendations of the IMF's 2019 Financial Sector Stability Review (FSSR) was published by end-June 2020.

16. The logistic difficulties caused by the recent surge in COVID-19 cases delayed the completion of the three end-September 2020 benchmarks. Understandings were reached with IMF staff during the virtual (September 14–30) mission on the revised timing of the needed actions and their scope, linking both closely to the preparation of the 2021 budget. Subsequently, these actions have been completed. In this regard:

- MoFEA prepared with the support of the IMF a document laying out the basis for the review of subvented agencies with a view to reorganizing, streamlining or downsizing these agencies (see ¶47). On the basis of that document, the Minister of Finance in consultation with Cabinet made pronouncement of key reforms in this area in the 2021 Budget Speech delivered at the NA on December 4, to rationalize and improve efficiency of the subvented agencies with the view to contain the growth of transfers and subsidies to these agencies.

- Cabinet approved in principle a tax policy document prepared by the MoFEA stating the key principles of a new tax exemption policy. This document, built on the IMF tax expenditure policy TA delivered by FAD in July 2020, envisages a full articulation of the specifics of the new tax exemption policy (to be implemented starting in 2021). The new policy will be prepared in collaboration with the TA team from the World Bank. which will assist in drafting the regulations guiding the issuance of tax exemptions by the MoFEA and procedures for monitoring their implementation by the GRA. To this effect, a specialized unit is being created at the GRA in charge of tracking and enforcing the proper use of tax exemptions. The introduction of the new tax exemption policy will be accompanied by revisions to the GIEPA act and the investment code to ensure that all legal provisions pertaining to tax exemptions are centralized in the tax code with MoFEA having the sole authority to pre-approve all tax exemptions.

- The Medium-Term Debt Strategy (MTDS) was updated in consultation with IMF staff including from the Monetary and Capital Markets Department and published on October 22, 2020. Notably, the updated MTDS articulates domestic debt management principles aiming at lowering the cost of government borrowing, mitigating the rollover risk, and improving its role in ensuring effective cash management at the treasury. The strategy foresees greater use of instruments with maturity exceeding one year and aims at increasing financial buffers by tapping the opportunity to lock in the current advantageous borrowing terms. The strategy also envisages a set of measures to develop the secondary market for government debt instruments, beyond its current embryonic stage. The strategy was guided by the experience with rolling over the maturing three-year bond, which not only helped extend the maturity of the debt, but also helped to build buffers to finance our infrastructure needs.

17. Progress on SOE reforms continued amid challenges stemming from the legacy of the Jammeh period. The draft SOE law, prepared with the support of the World Bank, defines the governance framework in line with international standards, although its promulgation is contingent on the adoption of the new constitution that has failed to gain the required support at the NA. At present, alternative options are being explored to pass the SOE bill, including the possibility of disconnecting the approval of the SOEs bill from the constitutional review process while maintaining the overall objective of the bill. The proposed bill provides an overarching legal framework for the SOEs and aims to create more leverage for increased efficiency in their service delivery, including by reducing the scope for political interference. In the meantime, MoFEA has continued to work with the NAO to implement the recommendations of the Ernst & Young (E&Y) audit reports on the first batch of seven fiscally most important SOEs, completed in 2019. The audit of the remaining seven SOEs was completed and the report finalized in November following the presentation of the preliminary report to the authorities in mid-2020. The consolidated feedback from the SOEs' management teams is informing the audit report that will be presented to Cabinet for consideration, with recommended actions to guide further efforts to improve the governance and efficiency of these SOEs. The audit findings have already been used to initiate improvements in the functioning of several key SOEs including GCC, whose operations continue to entail a major fiscal cost.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

18. The program will continue to be anchored on the National Development Plan (NDP), taking into account the need to address the health emergency, protect the vulnerable households from the economic shock of the pandemic, and enable economic recovery. With the development partners' support, The Gambia is finalizing a cross-sectoral socioeconomic response plan to the COVID-19 pandemic. The plan, which incorporates and builds on sectoral response plans such as the Ministry of Health's 'National Novel Coronavirus COVID-19 Preparedness and Response Plan,' aims to provide a framework for coordination and control of COVID-19 by reducing the incidence of imported cases, transmission, morbidity and mortality of the disease, as well as the economic and social disruptions resulting from the pandemic.

19. The preparation of the 2020 progress report of the NDP and the definition of a new long-term strategy have been delayed by the pandemic, necessitating the need to redefine new priorities amid heightened uncertainties. The mid-term evaluation (MTE) of the NDP is currently underway with concept note and terms of reference developed. The outcome of the evaluation will be informed by the various studies and assessments conducted pointing to the need to strengthen the health system, emergency preparedness, enhancing digitization of the economy, and addressing vulnerabilities. In parallel, a Cabinet Paper is being prepared for the formulation of a long-term vision. Both processes will involve consultations with all stakeholders. Upon finalization of the MTE, the new long-term vision will be unveiled in the second quarter of 2021.

20. The attainment of the Sustainable Development Goals (SDGs) continues to guide the strategic policies of The Gambia's government. In this regard, The Gambia completed earlier this year the Voluntary National Reviews (VNR) and Presented it at the Virtual UN High Level Political

Forum. The VNR indicated uneven results. Progress registered in governance, school enrolment and retention, access to improved water sources, child health, and births attended by skilled health personnel; however, poverty levels remained stagnant between 2010 and 2015/16 and agricultural production declined in the 2018/19 cropping season. The review highlights the potential impact of COVID-19 on SDG implementation and the need to accelerate the implementation of The Gambia's Agenda 2030.

B. Macroeconomic Framework

21. The surge in the number of confirmed COVID-19 cases in July and August and the intensification of lockdown measures, poses considerable near-term challenges against a background of a strong macro-economic performance. With stagnant private sector credit, the absence of tourism in Q2 and Q3, and with Q4 tourist arrivals projected at about 20 percent of the level seen in Q4 2019 (assuming that The Gambia would reopen gradually for tourism starting in November), economic activity is projected to stagnate (a zero-percent growth) in 2020 (compared to a 6.3 percent pre-COVID-19 growth projection). This outlook assumes that the slower than previously expected restart of tourism would be more than offset by a rebound in agriculture and continued growth in trade and private construction, supported by favorable weather conditions, the easing of the lockdown measures and strong private FX inflows, respectively. Inflation is projected to increase to 6.5 percent (y/y) by end-2020, predicated on an increase in international oil and food prices, stemming from logistic difficulties in global supply chains, and a rebound in re-exports.

22. Large financing needs are expected to emerge, reflecting challenges caused by the pandemic and in restarting the economy. The slowing in economic activity is affecting revenue mobilization compounded by mounting spending pressure to respond to the low capacity in the health sectors and mitigate the adverse economic and social impact of the pandemic. This is expected to create a financing need of about 2.5 percent of GDP in the first half of 2021 that will be filled by the ECF augmentation, before the expected budget support is disbursed. The augmentation will help avoid arrears accumulation and reduce the domestic borrowing need and alleviate anticipated liquidity constraints during early 2021 similar to what was experienced earlier in 2020. At the same time, the augmentation will help improve the reserve coverage of imports to build buffers against the heightened vulnerabilities associated with the COVID-19 shock and the related risk of a sudden depreciation of the dalasi with adverse balance-sheet effects, which could compound the debt-servicing pressures expected to rise at the end of the debt deferral periods. Gross official reserves are expected to rise to nearly US$400 million (or 4.6 months of next year's imports) by end-2021 (assuming the disbursement of augmented ECF tranches), and further to about US$450 million by end-2025.

23. The medium-term economic outlook features a gradual economic recovery to the level projected before the onset of the pandemic. This process is expected to take 4–5 years. Assuming that tourism progressively recovers over the 2020/21 season, growth is projected at 6 percent in 2021 and rise further to an average of 6.5 percent over the medium term. While the pandemic severely affected the hospitality industry and slowed infrastructure development, numerous projects in the tourism sector are being initiated to expand capacity. At the same time, the preparation of government infrastructure projects, particularly roads with growth potential (including the projects in preparation for the conference of the Organization of Islamic Countries, OIC), are maturing and thus allowing for their quick implementation. Additionally, the larger-than-expected FX inflow in early 2020 is supporting private constructions and contributing to expanding the country's productive capacity. The pandemic also accelerated the absorption of technological innovation (e.g., mobile banking) and is expected to boost TFP growth. Inflation is expected to remain stable around 5 percent in the medium term.

24. We are mindful of the risks to the outlook, particularly stemming from the surge in the number of confirmed COVID-19 cases in Europe. While in The Gambia the pandemic started to subside in September, opening the possibility of a measured restart of tourism, the worldwide pandemic is far from being contained and the resurgence in the number of cases in Europe (the main market for The Gambia's tourism) in Q4 2020 is dampening the expectation of a swift recovery in tourism and the 2021 outlook features very conservative projections for tourist arrivals.

C. Fiscal Policy

The 2020 Budget Execution and the SAP

25. The fiscal outlook for 2020 has changed significantly since the RCF request, mostly due to the inclusion of the SAP. On the domestic revenue side, the collection will exceed the initial projection by 0.2 percent of GDP, as the tax revenue shortfall projected to be limited to 0.7 percent of GDP thanks to a strong collection effort will be more than offset by non-tax revenue (0.9 percent of GDP net increase) benefiting from one-off revenue (1.4 percent of GDP) obtained from CBG net profits and asset sales from the Janneh commission. Despite slower-than-anticipated implementation of project grants, the additional budget support of 1.4 percent of GDP (with 1.2 percent of GDP World Bank COVID-19 support) will bring total grants in 2020 to 0.9 percent of GDP above the level projected during the RCF approval. Therefore, total revenue is expected to increase by 1.1 percent of GDP relative to the RCF projection. Spending has significantly increased reflecting, mostly, the projected implementation of the SAP of about 3 percent of GDP. The SAP, which was adopted prior to the recent surge in COVID-19 cases, was intended mainly to stimulate the economic recovery, with 0.5 percent of GDP allocated for further possible emergency spending in health and food distribution. Financing for the SAP includes additional budget support from the EU and AfDB, the on-lending of the RCF credit, and the rollover of the ITFC facility for GGC which is now supported by the government. These changes will result into a large float (0.6 percent of GDP) maintaining the NDB target unchanged at GMD 0.5 billion at end-2020. These floats are expected to be cleared in early 2021, by requesting an augmentation of access to contain domestic borrowing and address the prospective financing needs in early 2021 to contain interest increase at the onset of the recovery period.

26. The latest audit of domestic arrears indicates that the clean-up of the arrears identified in the previous audit cycle proceeded apace and the build-up of new arrears has been contained. The audit of the arrears of MDAs at end-September 2020 shows an increase in the stock of substantiated domestic arrears from GMD 265 million identified in the 2019 audit report to GMD 322.6 million, including GMD 148.5 million accumulated in 2020. Among the GMD 265 million identified in the 2019 audit report GMD 91 million was settled and GMD 174 million remained outstanding at end-September. This arrears clearance effort has continued after end-September with the view to eliminating them before the end of 2020 and the oversight of MDAs will be strengthened to ensure that no additional arrears are incurred going forward. Otherwise the treasury will impose stiff penalties on non-compliant MDAs in 2021. Separately, arrears to Securiport (US$4.4 million) that have been accumulated under the contract signed in 2018, will be cleared progressively by drawing on the government share (25 percent) in the proceeds from the airport security fee (US$20 per passenger). Discussions are under way on the modalities to fund the airport security services with a minimal impact on passengers in order not to discourage tourism.

The 2021 Budget

27. The 2021 budget aims to use the available fiscal space to stimulate economic recovery without compromising debt sustainability, while remaining consistent with the Medium-Term Fiscal Framework (MTFF) and the program. To this effect, the domestic primary deficit is foreseen at 1.2 percent of GDP, slightly lower than the level projected in 2020. This deficit is 1.8 percent of GDP larger than the 2021 RCF approval projections and continues to be consistent with program objectives due to the strong fiscal position projected at end-2020. The financing need is projected to increase by 4.0 percent of GDP compared to the end-2020 projection, mainly due to a drop in budget support grants resulting from the frontloading of the multiyear support from the EU to help fund the COVID-19 containment efforts in 2020. The additional financing needs will be largely covered by drawing on the augmented ECF disbursements associated with the first and the second review, and on expected 0.7 percent of GDP privatization proceeds.

- **On the revenue side**, the draft budget builds on the GRA's strong revenue performance in 2020, and places greater emphasis on better revenue administration, an improved collection process through the electronic payment gateway, and the rationalization of tax exemptions starting in 2021. The rationalization of tax exemptions is expected to yield 0.5 percent of GDP revenue through an increase in (non-oil) import duties and VAT receipts, with the key measures being; (i) the affirmation of MoFEA's exclusive authority in pre-approving tax exemptions; and (ii) the abrogation of the possibility of new tax exemptions being issued by any other agency, including GIEPA without prior approval of the MoFEA, effective January 2021. Other revenue measures underpinning the 2021 budget include: (i) the requirement that VAT be paid by all taxpayers and the use of the proceeds from the reduction in VAT reimbursements to refund entities benefiting from tax exemptions; (ii) the increase of the capital gains tax threshold and the excise tax rate on tobacco products; (iii) measures to encourage the formalization of MSMEs and reduce the cost of doing business; and (iv) the elimination or the reduction in the rate of some taxes (e.g., fringe benefits, air transport levy).

- **Grants and external financing**. **Budget support** grants, from the European Union, the World Bank and the African Development Bank, are expected to decrease to 2.2 percent of GDP as EU frontloaded its support to help address the health crisis in 2020 and no COVID-19-related budget support is announced yet. The extension of G20 DSSI and the CCRT (to cover the entire year of 2021) will generate 0.4 percent of GDP in additional financing. **Project grants** are projected to reach 8.1 percent of GDP to help support public infrastructure development. This level of project grants represents about 65 percent of the project grants disbursement scheduled by the partners to reflect the country implementation capacity constraints.

- **On the spending side**, total expenditure in the budget is projected to reach 29.5 percent of GDP, almost equally split between recurrent and capital expenditure. On recurrent spending, representing 15.1 percent of GDP, the main pressure points are on: (i) personnel emoluments for which provisions are made to accommodate additional health personnel and the hiring of new teachers in public schools, in the context of the measures put in place to ensure the continuation of education while preserving the health of both students and teachers. To enhance transparency, all salaries and pensions will be paid electronically through banks, microfinance institutions or mobile money platforms; (ii) use of goods and services where spending has increased to cater for the organization of the 2021 presidential election, and contingency provisions made for a potential worsening of the COVID-19 crisis. Subsidy needs of NAWEC and the GGC (estimated at GMD 800 million) account for the bulk of economic subsidies. Pending completion of the review of subvented agencies, the transfers to subvented agencies (which increased markedly in recent years), will increase only for agencies with justified business needs and for those were remuneration is linked to performance. As in previous years, most of capital expenditure is foreign- and, predominantly, grant-financed. The domestically financed capital expenditure is expected to increase markedly on account of various infrastructure projects (notably, road construction), which are expected to stimulate economic recovery, and the procurement of election equipment.

- **Domestic financing**. The implementation of the budget is expected to require net domestic borrowing of GMD 885 million. This amount excludes the on-lending of the requested IMF credit through the central bank and assumes adequate provisions for the rollover of the maturing treasury bonds of GMD 1.2 billion, and for the clearance of pre-existing domestic arrears owed by MDAs in the amount of GMD 417 million, which are being repaid according to an agreed payment plan. It is envisaged that any privatization proceeds will be used to strengthen the treasury and to reduce the reliance on domestic debt. Consequently, the quarterly NDB ceilings will be adjusted downward for the amount equivalent to the privatization proceeds, which are expected to be sizeable in 2021.

- The MDAs have been instructed to execute the SAP prudently and efficiently based on their absorption capacity, to avoid any rush that could lead to inefficiencies. A measured execution of the SAP could lead to a lower-than-programmed recourse to the NDB at end-2020 on account of a larger than normal treasury float. This excess float will need to be settled in early 2021 by drawing on the ECF augmentation and the drawing down the treasury buffers built at end-2020 including through the accelerated issuance of T-Bills to take advantage of the low interest rates and support the banking sector.

- With the presidential election scheduled for late 2021 and the course of COVID-19 pandemic still uncertain, the proposed 2021 budget provides transparently additional room for one-off election and health spending. To maximize the benefit of the investment outlays, all new investment projects are being vetted through the newly approved project selection criteria. Given the degree of uncertainties, it is envisaged that the room for non-priority spending in the 2021 budget is contingent on the realization of a baseline scenario and may need to be reduced to preserve debt sustainability should adverse shocks materialize.

The Medium-Term Fiscal Framework

28. The updated medium-term fiscal and economic framework (MTEFF) is centered on transitioning from the COVID-19-induced emergency to sustainability, while addressing critical social and infrastructure needs. The COVID-19 pandemic has resulted in a higher primary deficit in 2020–21 than projected at the time of the RCF request because of higher expenditure needed to address the pandemic and its social and economic impacts. The primary surplus is expected to improve to above 1–1¾ percent of GDP between 2023 and 2025 as projected at the time of the RCF request. This will ensure a steady decline in the public debt-to-GDP ratio, which is essential to entrenching sustainability and lowering the risk of debt distress. This fiscal profile features a gradual increase in tax revenue to 12.8 percent of GDP and the overall domestic revenue to around 15 percent of GDP by end-2025. The projected tax revenue increases will be supported by a gradual recovery and strengthened revenue administration particularly the rationalization of tax expenditures and measures to broaden the tax base by tapping into the revenue potential of the hospitality sector, the cable television, and real estate taxation. Improved expenditure prioritization and public financial management will help contain current spending particularly the wage bill—with the electronic payment of wages and the implementation of the recommendation of the nationwide staff audit—and the subsidies to subvented agencies to provide more room for social programs and capital spending, whose effectiveness will be strengthened through better procurement, project appraisal, and project selection.

D. Public Debt and Project Selection

29. The Gambia's debt sustainability outlook worsened marginally but remains qualitatively unchanged relative to the assessment made at the time of the RCF request. The external and overall debt distress ratings remain high and public debt continues to be deemed sustainable. Due to a decline in exports and domestic revenue during this COVID-19 crisis, external debt service-to-exports and external debt service-to-revenue ratios remain above their respective thresholds through 2021. Similarly, owing to lower GDP and larger fiscal deficits in the near term, the

PV of overall debt-to-GDP will now drop below its indicative threshold (55 percent) by 2024, a year later than in the previous DSA.

30. In this context, the support under the IMF's Catastrophe Containment and Relief Trust (CCRT) and the G-20 Debt Service Suspension Initiative (DSSI) is particularly welcome. These initiatives are contributing directly to strengthening the debt sustainability outlook and also have a powerful signaling effect in broader discussions with The Gambia's external creditors. The first six months covered by the CRRT provided US$2.9 million in debt relief and the second tranche will provide another US$3 million. In 2020, the DSSI amounts to around US$4 million from ECOWAS Bank for International Development, Export–Import Bank of China, Kuwait Fund for Arab Economic Development, and the Saudi Fund for Development. The relief is modest because in 2019 The Gambia received debt service deferrals from most of its official creditors. Regrettably, efforts to seek comparable treatment from our private creditor was unsuccessful. A possible extension of the DSSI to cover the entire 2021 would yield a debt service relief of US$3.5 million of which US$1.7 million are covered by the already G20-approved six-month (January-June 2021) extension of the initiative. The Gambia is actively involved in ongoing discussions on possible further steps under the DSSI, seeking new grant financing and recognition that a deeper treatment of our external debt would be helpful.

31. Public borrowing has been prudent. With external debt of US$12 million contracted in 2020 (as of November 30), external borrowing has been well within the US$60 million ceiling under the borrowing plan for 2020. Disbursements of external loans have also slowed, partly due to the COVID-19 pandemic (GMD 1.7 billion at end-September compared to an annual budget projection of GMD 4 billion budgeted). The unused space has made it possible to accommodate the augmented access under the ECF and deliver a measured fiscal stimulus without compromising debt sustainability. Domestic borrowing primarily comprised short-term debt, mostly to rollover the existing debt, although steps have been taken to extend the maturity of the domestic debt and better manage the rollover risks. As of end-November 2020 we have issued GMD 23.3 billion T-Bills and Sukuks of maturity of less or equal to one year and repaid a total of GMD 21.6 billion of similar instruments. This amounts to a net issuance of close to GMD 2 billion. In addition, we have issued GMD 2.24 billion 3-year bonds, including to roll-over GMD 1.69 billion in bonds maturing in 2020.

32. Going forward, project financing will continue to rely primarily on grants and highly concessional borrowing. The non-concessional borrowing will be avoided (including to cover SOE financing needs, such as Banjul port expansion) and the revised concessional borrowing plan (Text Table 1) will be mainly geared toward financing the infrastructure needed for the OIC summit. In this context, we will seek to renegotiate loan proposals for the financing of the OIC road projects that do not meet the 35-percent grant element requirement under the program. Rigorous adherence to the borrowing policy is needed to ensure a maximum space for high-priority projects that may require sovereign guarantee, including the financial package for the much needed, growth and revenue enhancing, Banjul port expansion, for which a special accommodation is required under the borrowing plan over and above the previously set limit. To justify this accommodation, proper on-lending arrangements will be put in place to ensure that the concessional debt package incurred to finance this project (which should be contracted on appropriately concessional terms) is entirely serviced by The Gambia Ports Authority (GPA) from its own revenue flow and does not represent a burden on the treasury. The GPA will be required to fund an escrow account dedicated to servicing these loans from its own earnings. Additionally, all effort will be made to expand the grant component for the financing of the port expansion, including by tapping the grant facility at the AfDB and the EU COVID-19 resource pool. Regarding domestic debt, the recently updated MTDS will guide efforts to optimize government borrowing cost, while reducing the rollover risk, and will serve as a blueprint for the development of the secondary market in government debt instruments.

33. Strengthened institutional structures of project appraisal and selection are expected to increase efficiency in public investment and help ensure debt sustainability. In the follow-up to the 2019 PIMA, staff at the GSRB were trained by IMF experts on the use of the project selection criteria template by applying it to a set of ongoing and newly presented projects. The template has been adopted by the GSRB and is being used for appraising all public projects (domestic and foreign-financed), including all proposals for grant-financed projects and projects involving direct government borrowing, government-guaranteed debt, and PPPs, prior to their approval at the Cabinet level. Confirming the consistency of the proposed projects with debt sustainability and the borrowing plan agreed with the IMF is part of the process. The application of the template is helping to justify transparently the choices made between economic and social priorities and provide for the anticipated costs of servicing the socially motivated projects. The objective is to curtail fiscal slippages from contracting projects that are not economically viable.

34. Debt management is being strengthened by adhering to debt recording and debt reporting standards. With the new debt management software, *Meridian*, obtained with technical support from the Commonwealth Secretariat, the publication of the annual report on public debt for end-2019 and the quarterly bulletins for Q1, Q2 and Q3 2020 have become more regular. We will continue the regular publication of these quarterly debt bulletins and publish a rolling monthly domestic debt issuance calendar for the ensuing three months (**SB for each quarter in 2021**). This will continue to improve the accuracy and timeliness of debt data in the Statement of Government Operations (SGO) and help ensure timely payments of external debt service including those on-lent to SOEs and avoid the build-up of arrears. Arrangements have been made to clear the arrears toward IsDB by the end of the year and ensure that future debt obligations of GAMTEL and GAMCEL are paid in a timely manner. Bond and T-Bills issuance plans are being published monthly, which continues to help anchor market expectation and limit interest rate volatility. The recording and reporting of project grants disbursements is being strengthened, which is essential for tracking public investment and making informed choices between grant- and debt-financed projects.

35. Greater control is being exercised over the use of trade credit facilities contracted on behalf of SOEs, which are encouraged to seek trade financing from other sources. Among other possibilities, borrowing from local banks, as interest rates are low, appears to be a viable option at this juncture. In addition to providing the much-needed business to the local financial sector affected by COVID-19, this will help significantly reduce the debt vulnerabilities created by the bulky repayments of the ITCF. The attempt to use other external creditors has proved to provide the same borrowing terms and we will progressively revert to domestic financing associated with a timely delivery of the Government subsidies and obligations to SOEs. Thus, GGC has secured a domestic bank loan to replace the ITFC facility. NAWEC will be expected to reduce its reliance on ITFC credit and limit its use to genuine short-term trade credit transactions.

36. Improving the framework for Public-Private Partnerships (PPPs), financial management at the SOEs, and control of contingent liabilities is critical to ensuring debt sustainability. The draft PPP Act has been submitted to the NA for approval. This Act will create the institutional framework for the increasing demand for PPP projects and ensure that these projects do not exacerbate fiscal vulnerabilities. The revised SOE bill is expected to be presented to the NA before end-2021 **(SB for end-December 2021)**.The key objectives of the reform will include: (i) reducing political interference and (ii) strengthening the SOE governance framework with greater control by the Ministry of Finance to ensure management accountability. In the meantime, the NAO has been tasked to assists in implementing the recommendation of the E&Y audit reports to improve the governance and the financial conditions of SOEs. Reconciliation of cross-arrears between the government and SOEs and across SOEs is being conducted on an annual basis and arrangements to ensure their prompt clearance are being strengthened. Adequate space for SOE subsidies is being provided in annual budgets to ensure that SOEs fulfil their tax and public service delivery obligations. In this regard, good progress was achieved in the process of improving the functioning of several key SOEs.

- **NAWEC**'s financial condition is improving as the government has paid-off its obligation as per the cross-arrears agreement signed in 2019 and it is also paying the new bills. Conversely, NAWEC is paying its tax obligations and is expected to reimburse in installments the advance of GMD 137 million it received from the Treasury in Q1 to repay ITFC. To meet its immediate needs, NAWEC procured a 3-month supply of HFO using a competitive tender, which yielded an attractive offer (relative to a direct purchase offers relied upon previously), while an international tender was launched to procure the fuel on a long-term basis.

- A new management team has been appointed at the helm of the **GGC**, whose operations continue to entail a major fiscal cost (with total subsidy needs in 2020 estimated at about 0.9 percent of GDP). To address this matter, we intend to quickly and vigorously tackle the outstanding weaknesses with the support of the World Bank, which will advise on the restructuring of the GGC. In the meantime, in order to reduce its operating cost, all the staff above the retirement age limit has been retired, a new payroll system procured, and expiring contractual staff contracts have not been renewed. The GGC is proactively implementing the recommendation of the E&Y audit and it is strengthening its corporate governance by staffing the audit, finance and marketing departments. It has improved the sale of fertilizers by using the services of Reliance Financial Services, a micro-finance institution, to collect and remit the proceeds of the fertilizer sale. The GGC intends to continue similar service and it has secured funding with a local bank for the financing of the forthcoming 2020/21 groundnut campaign, as the use of the ITFC facility by the GGC will be phased out upon the repayment of the outstanding claims of US$4.9 million maturing in 2021. To encourage farmers to sell their produce domestically, the government is aiming to align the GGC purchase price for groundnuts better with international prices, which have increased markedly in 2020. To this effect, in November, the government raised the purchase price to a level 28 percent above the price of the last trading campaign. The GGC intends to instantly pay the farmers as they deliver their produce to the GGC warehouses through the partner bank. However, with the increased presence of foreign and private domestic operators in The Gambia's groundnut market, the GGC may find it difficult to achieve the targeted volume of 40 thousand tons (50 percent of the projected annual production).

- The liberalization of the **telecommunications sector** gathered pace with the approval of the World Bank Fiscal Management Development project, following the onboarding of a legal consultant. The consultant will be expected to help establish an SPV that will hold the wholesale fiber optic backbone assets (ECOWAN and possibly sections of the GNBN) whose value at the time of the transfer to this SPV will be established based on the market test. In addition, a request for proposals (RFP) was issued on September 16, to select a Transaction Advisory firm (an evaluation report on the proposals received from interested firms has been submitted to the World Bank in early December 2020) who will assist in (i) asset valuation; (ii) testing the market for investor interest to inform divestment options for wholesale SPV, GAMTEL and GAMCEL; and (iii) the conduct of selected transactions, once the way forward is decided.

- Efforts are underway to expand the capacity of the Banjul port and strengthen the efficiency of the **GPA**, prospectively, possibly through a partnership with a reputable international company. Resources are being lined up to implement the 20-year plan for the port expansion, and financing options are being currently evaluated for the indispensable immediate investments (including the expansion of the jetty and the container storage area) and the acquisition of land to facilitate access and customs operations. While the GPA is a financially viable company and could finance these investment from its own reserves or by borrowing without the government guarantee, given the magnitude of the projects (US$65 million for jetty expansion alone), the company must be mindful not to let the borrowing costs undermine its financial performance. For these reasons, the GPA will shun commercial options and sovereign support will be offered to enable the GPA to access concessional financing from the EIB and AfDB, which expressed readiness to support the GPA investment plans.

E. Monetary Policy and Financial Sector

37. The conduct of monetary policy is being strengthened. An Increased emphasis is being placed on the use of interest rate-based instruments to ensure adequate liquidity to support the economic recovery while containing inflation pressures. The CBG's medium-term inflation target remains 5.0 percent. The current accommodative monetary policy stance is consistent with the subdued inflation and weak economic environment. Given the current and expected aggregate demand weakness, subdued inflation, and increased economic and health uncertainties, monetary policy is expected to remain accommodative for the rest of the year. The policy rate normalization may commence in the second half of 2021, subject to inflation developments and the speed of recovery in economic activity. The CBG will continue to use the monetary policy rate as its key policy instrument to ensure adequate liquidity conditions but does not exclude the possibility of adjusting the required reserve ratio again, if circumstances call for it.

38. The CBG is maintaining a flexible exchange rate policy. It continues to monitor the domestic FX Market and intervenes sporadically during periods of excess FX liquidity. Such interventions, contributing to the buildup of official reserves, are expected not to exceed US$10 million in the last quarter of 2020. This will enable an increase in the gross official reserves of the CBG to about US$390 million (the equivalent of 4.6 months of prospective import of goods and service) by end-2021, providing ample cushion against transitory external shocks.

39. The autonomy of the central bank remains of paramount importance. The recent change at the helm of the CBG does not alter the Gambian authorities' commitment to the principles of central bank autonomy as enshrined in the 2018 CBG Act. In particular, it is recognized that the CBG's operational independence is fundamental to entrenching the recent gains in curbing inflation and strengthening the CBG financial and external positions. To this effect, the rules on the use of the central bank overdraft by the government will be strictly adhered to and policy coordination with the MoFEA strengthened. The recommendations of the 2020 safeguards assessment to strengthen the CBG's balance sheet, integrity, and autonomy will be promptly implemented. Two out the three vacancies at the CBG board have been filled with two competent professionals including a woman, a certified accountant, to guarantee diversity and strengthen oversight. An interim audit of the CBG's 2020 financial statements, jointly conducted by a local and an international firm, has commenced to ensure the completion of the audit in the first quarter of 2021, in line with the statutory deadline. The arrangements for distributing the CBG's retained earnings at end-2019 of GMD 1.3 billion has been approved and implemented. Furthermore, anticipating that the constitutional reform will resume its course in the coming months, the CBG will actively advocate to align the constitutional provisions pertaining to the governance of the central bank with the 2018 CBG Act. Specific steps under the program to strengthen the CBG operations and safeguards include: (i) signing a memorandum of understanding (MOU) with the Auditor General to formalize an arrangement for a joint audit (by a local audit firm and an international firm with central banking experience) of the CBG's financial statements for 2021 (**SB for end-March 2021**), and (ii) implementing the MOU with MoFEA that ensures a gradual increase in the statutory capital of the CBG through a half-yearly contribution of GMD 90 million by the former.

40. The recommendations of the IMF's 2019 Financial Sector Stability Review (FSSR) will guide reforms in the financial sector. To this end, the CBG has drawn up a strategic plan that prioritizes strengthening banking supervision, enhanced electronic data submission by banks, as well as bank safety net, resolution and crisis management. At the onset of the COVID-19 pandemic, the

CBG strengthened its assessment of bank's exposure to risks and will prepare a framework for banking sector stress testing, in line with the recommendations of the FSSR (**SB for end-June 2021**). In parallel, the CBG will take steps to strengthen oversight of non-bank financial institutions and strengthen the regulation and supervision of credit unions, particularly in view of the adverse effects of COVID-19 pandemic on financial intermediation in the sector and the increasing utilization of mobile banking. The CBG will seek technical assistance (TA) from the IMF and other partners to help implement these reforms effectively and to strengthen the stability of the banking system. Recognizing the need for the CBG to divest from *MegaBank*, as the current situation is not favorable for its outright sale, the government will issue a bond to overtake the CBG stake in *MegaBank* at the face value of the initial investment to resolve the conflict of interest resulting from the CBG's having intervened and acquiring a stake in a commercial bank.

41. Continued development of FINTECH, supported by vigilant supervision, will help expand financial inclusion. A Finscope survey funded by UNCDF was conducted in November 2019 which showed a financial inclusion rate of only 19 percent based on the number of adult persons with access to formal financial services (banks and NBFIs). In collaboration with the World Bank, the UNCDF, and the Alliance for Financial Inclusion (AFI), a stakeholder sensitization workshop was convened in December 2019; the workshop informed the National Financial Inclusion Strategy, which is at an advanced drafting stage and is expected to be launched in June 2021. This strategy envisages the development of digital financial services based on 5 pillars (Access, Quality and Usage, Enabling Financial Infrastructure, Financial Innovation and Digital Financial Services-Developing inclusive products and services, Financial Education and Literacy, Consumer Protection and Empowerment) to raise the degree of financial inclusion in The Gambia to 70 percent by end-2025. The priority areas for financial innovation, especially mobile financial services, will be to increase access to finance by women and the youth. To ensure further inclusion, the CBG will support the formulation of supportive policies for the development of the digital infrastructure including capacity building on GAMSWITCH (the national payment system), and encouraging subscription to the platform by a wider group of stakeholders (banks, NBFIs, government agencies, and private businesses).

F. Structural Reforms

Domestic Revenue Mobilization

42. GRA will continue, with the support of IMF TA, to implement its strategic plan while being mindful of the impact of the COVID-19 pandemic. The GRA's Corporate Strategic Plan (CSP) for 2020–24, which was informed by the recommendations from application of the IMF's Tax Administration Diagnostic Assessment Tool (TADAT), has been published on the GRA website. The 2020 budget was aligned with the CSP priorities, building on the progress on post-TADAT reforms. The COVID-19 pandemic has however slowed the implementation of the CSP particularly the development and adoption of the resulting individual departmental operational plans. To comply with the COVID-19 regulations, operations were reduced by half in some instances as tax offices staff were divided into two groups alternating work every other week. In addition, field and post clearance audits and enforcement measures were suspended. Tax relief measures are being provided to taxpayers facing challenges due to COVID-19. This includes flexible payment plans for tax arrears, providing direct delivery facilities (deferred document processing and payments) at the borders for imports related to COVID-19 relief and essential supplies as well as offering a 24-hour cross-border customs services for essential goods and services. E-mail exchange and remote processing is encouraged for all border transactions to limit physical contacts. To this effect, the GRA engaged two large banks to facilitate tax payments using their mobile app platforms. The agency also improved risk management procedures to differentiate between relief supplies and normal goods to fast-track border movement.

43. Efforts to increase the tax base are focusing on creating a reliable and dynamic tax registry and accelerating the implementation of the recommendations of recent TA missions. The taxpayer register cleaning exercise is now completed for the Large Taxpayers Unit and the seven tax offices located in the greater Banjul area covering 95 percent of tax revenue. This exercise continues in other regions. The taxpayer register cleaning exercise and subsequent TA missions highlighted: (i) missing contact details for a large number of taxpayers including untraceable taxpayers; (ii) a significant number of large taxpayers not registered for VAT; and (iii) a lack of standardized registration protocols that weakens the quality of the registry. To address these issues, a new registration and registry maintenance manual have been developed and approved to standardize taxpayer registrations by the registration officers and supervisors. Monthly monitoring measures will be implemented to measure progress not only on registrations but all reforms and operational performances. In addition, a revenue protection plan is being developed to counter the impact of the pandemic on revenue collections in the short to medium term. Part of this plan will include several tax base broadening and deepening initiatives which will include the VAT registration and subsequent backdated audits of applicable large taxpayers. The continued TA of AFRITAC West 2 will help in training GRA auditors on conducting risk-based audits in the Hotel and Tourism industry and Pay TV operators (mainly subscription-based television services) as part of the telecommunications industry audit TA.

44. The recommendations of the recent IMF Tax Expenditure Policy (TEP) mission will be implemented in close collaboration between MoFEA and GRA. Tax expenditures represent significant revenue loss to the government, of around 3 percent of GDP in 2019. To address this, the MoFEA is committed to reducing investment incentives building on the recommendations of the TEP mission to save at least GMD 500 million in tax expenditures in 2021, which will further optimize domestic revenue collection and assist in closing tax loopholes. In addition, a fully-fledged new tax expenditure policy in line with the recommendation of the IMF TA prepared in collaboration with the TA team from the World Bank will be adopted before end-June 2021, following a review of the investment incentives, with appropriate revisions to the GIEPA Act, that will move all tax incentive provisions to the Tax Code, eliminate all ad-hoc tax exemptions and restore the full and sole authority of the Ministry of Finance in approving tax exemptions (**SB for June 2021**).

45. GRA will continue to use modern technology to improve its service delivery and tax compliance.

- The current ITAS system, GamTaxNet has been enhanced to facilitate the implementation of functional process reforms. Enhancements to the registration, return filing and payment modules within GamTaxNet are currently being deployed to tax offices in a phased approach. Four tax offices, Banjul, Kanifing, Serrukunda and Tallingding are now using these new GamTaxNet modules and the full roll-out is expected to be completed by October 2020. The second phase of the GamTaxNet remediation plan includes performing critical changes and enhancements to the enforcement, taxpayer accounting, audit and management information modules. This remediation work will be completed by December 2020. The cleansing of the taxpayer ledger, for which technical support will be needed, will commence once the second phase of GamTaxNet enhancements have been completed. A ledger cleansing manual have been prepared and it is awaiting validation and approval.

- A new ITAS system will be procured with the assistance of the WB to replace GamTaxNet, improve tax administration processes and support digital transformation. The GRA has set up its governance structure comprising a project steering committee, a technical committee, and functional committees. In this regard, a Business Process Re-engineering (BPR) document was drafted with fourteen customs processes re-engineered.

- The migration of customs data from ASYCUDA++ to ASYCUDA World is progressing. The procurement of four servers is in a contract evaluation phase. To strengthen transparency in the management of transit and re-export goods, AfDB support is sought to introduce an Electronic Cargo Tracking System (ECTS) and a Road Cargo Tracking System (RCTS) for transit trade.

46. The newly acquired treasury Payment Gateway will help boost non-tax revenue collection and ensure their timely sweeping to the TSA and their recording by the AGD. Despite a delay in signing the procurement contract, the acquisition of the payment platform will be finalized in December 2020. The government expects to have all MDAs connected to the system within 6 months and the system running by mid-2021. The new Payment Gateway will facilitate the automation of the revenue collection process and ensure that government revenues are collected electronically, which is expected to improve overall revenue performance. The payment toll at the Senegambia bridge has been completed, its opening early next year and the construction of the access road will increase the traffic and revenue collected from the bridge.

Public Financial Management

47. Reforms in public financial management (PFM) will continue to be a high priority under the program. With the objectives to increase the efficiency in public spending, a broad range of actions is being taken to strengthen expenditure control and cash management and eliminate delays in completing audits of public accounts.

- **The ongoing civil service reform is key for increasing the efficiency in public spending**. The Personnel Management Office (PMO) has just concluded the Pay and Grading review of the Civil Service, which is meant to overhaul the current pay and grading structure of the Civil Service. The PMO has also developed a Civil Service Grading, Pay and Incentive Policy, which will propose a realistic minimum salary for civil servants. A nationwide staff audit was conducted, and the final report shared with all ministries through their permanent secretaries. A Biometric Time and Attendance Register System will soon be implemented in all Government offices and will be linked to the payroll system to sanction lateness and leaving work before the official closing time. The PMO and the Public Service Commission are also working to implement a Performance Management System to create a merit-based system for promotion, training and development to strengthen effective public service delivery within the civil service. Plans to introduce an e-recruitment system in 2021 has been finalized. This will help make recruitment faster and more convenient, improving the overall efficiency and effectiveness of the process.

- **The extension of IFMIS to self-accounting agencies will strengthen expenditure management and reporting**. The functionalities and coding of the IFMIS systems have been upgraded to facilitate the timely production of comprehensive reports that are used to produce the SGO, the public expenditure reports and the poverty reducing spending. As part of the IFMIS upgrade, an Electronic Funds Transfer (EFT) Module has also been implemented. This module will enable Government payments to be done electronically, directly to beneficiary bank accounts. This will enhance payment processes and eliminate risks associated with handling cash. The capacity assessment for the rollout of the IFMIS to projects and subvented agencies has been completed and financial support is being sought from donors to conduct training and procure the required IT equipment and software for the deployment. The extension of the IFMIS to the Self-Accounting Projects has commenced with six projects already piloted and will progressively bring on board the rest of the projects by end-June 2021. Plans are in place to extend the IFMIS to all donor-funded projects, the Local Government Councils, the remaining Embassies, and Subvented Agencies in 2021. A roadmap for extending the IFMIS to subvented agencies' accounts will be prepared by end-June 2021 (**SB for end-June 2021**). This would enhance the consolidation of all donor-funded operations and financial activities of MDAs into the Government Financial Statements.

- **Improved cash management will help optimize the use of available financial resources**. Steps are being taken to accelerate the completion of the TSA and strengthen the functioning of the Cash Management framework set-up with IMF TA support. An MOU with the Commercial banks will be signed as part of the implementation of the Revenue Collection platform. The CBG has been engaged on the ledger system implementation and the user requirements are currently being defined. The TSA stakeholders (Self-Accounting Projects, Subvented Agencies, MDAs) sensitization has been completed. The closure of accounts that have outlived their purposes is an ongoing process, and minor/one–off disbursements projects would continue to be managed under special projects bank accounts with individual ledgers in the system. The functioning of the Cash Management Committee (CMC), Liquidity Management Committee (LMC) and the Cash Management Unit (CMU), will be strengthened for effective cash management. We are committed to producing annual cash plans and updating them on a monthly basis under the guidance of the CMC. After a two-month interruption due to the COVID-19 pandemic, the CMC is now meeting monthly. Minutes of its meetings are being shared with IMF staff upon request. The transmission of these minutes, including the minutes of the LMC, to the IMF will become systematic.

- **Eliminating the backlog of the audit of annual accounts will enhance the transparency and accountability in public finances; meanwhile, special attention will be given to the audit of the COVID-19 related spending**. The backlog accrued during the Jammeh period is being progressively eliminated. The 2016 and 2017 audit reports were tabled by the Minister of Finance and Economic Affairs, and are to be discussed by the NA. Notwithstanding, the 2016 audit report has been and published on the NAO website. The NAO report on the audit of the 2018 accounts have been recently submitted to the NA and it is expected to be published promptly after its consideration by the NA. The 2019 accounts have been finalized by MoFEA and submitted to the NAO. The NAO has already begun auditing the 2019 accounts and intends to complete this exercise by end of February 2021. The work on the 2020 accounts, including the statement of COVID-19-related spending, is being expedited to ensure that, as required by law, these accounts are submitted to the NAO by end-March 2021, and promptly submitted to the NA for review together with the audit report upon its completion. This expedited timeline will ensure that, by end-September 2021, the 2020 accounts are audited, approved by the NA and published, with a detailed section on the COVID-19 spending to fulfill the transparency requirement in the use of resources made available for COVID-19 support by the IMF and other development partners. To this effect, the NAO has already launched an audit of the COVID-19 spending incurred through August 2020 and will proceed promptly with the audit of the COVID-19 spending incurred during the remainder of 2020. The audit of COVID-19-related spending will also include a validation of delivery for all contracts.

- **Internal audit will continue to be strengthened**. Internal audit functions have been rolled out to all MDAs to provide assurance and advisory services to vote controllers, management and other relevant stakeholders. Effective January 1, 2021, further to the provisions of the Public Finance Act, the Ministry shall liaise with the Board of Directors of Agencies, Commissions, Authorities and other autonomous Government entities, to formulate regulatory frameworks for the effective functioning of public sector internal audit services. All Government internal audit activities will be regulated to enhance independence and objectivity.

- **The new Public Finance Bill will provide an integrated framework for PFM reforms**. With the support of UNDP, and in consultation with the IMF and the WB, a Public Finance Bill featuring enhanced transparency and accountability provisions is being prepared for submission to the NA (**SB for end-December 2021**). The bill will reflect the ongoing and recently completed PFM reforms on budget process, treasury management and fiscal control and reporting. It will also help reinforce the governance and transparency requirements surrounding the use of the exceptional budget procedures, including virements, which have been extensively used during the pandemic. In parallel, all supporting documents (regulations and user guides) are also being prepared to ensure that the bill is operational right after its enactment by the NA. Meanwhile, support from development partners is being sought to conduct a Public Expenditure and Financial Assessment (PEFA) to broaden the scope and extend the horizon of PFM reforms.

- **The new PFM Strategy Document 2021–25 will continue to guide PFM reforms implementation.** The PFM Directorate of the Ministry of Finance is currently formulating a new PFM Strategy Document 2021–25 which will be a continuation of the current strategy that elapses this year. The new strategy is aimed at strengthening on-going PFM reforms in The Gambia. Its development reaffirms the Government's firm commitment to adopting and institutionalizing prudent public financial management practices to enhance service delivery to the Gambian people.

48. The government intends to formulate and implement a medium-term reform strategy to address rising fiscal costs stemming from subvented agencies (SAs). The structural reform of the SAs will: (a) aim to ensure greater efficiency in the use of the funds allotted to them; (b) contain their spending within a sustainable medium-term envelope; and (c) ensure greater effectiveness in the execution of their statutory functions. It is expected that, key efficiency gains will be achieved by streamlining the services provided by some of the agencies, eliminating possible duplication of services, and addressing possible function-specific efficiency issues, by greater professionalization of the agencies' staff, digitalization, and outsourcing. The reform strategy will also ensure that these services will be executed in a transparent manner, incorporating these agencies in the central government budget and help strengthen government accountability. The reform strategy will consist of two parts: (i) an interdepartmental working group (IWG) will be set up by the government to conduct, starting in January 2021, with further technical support from the IMF, the World Bank, and other development partners, a thorough assessment of all SAs and develop a clear picture of the issues related to SAs and, on this basis, formulate a medium-term reform strategy that will be submitted for Cabinet's approval by end-June 2021; and (ii) starting in July 2021, the IWG will begin implementing the approved SAs reform plan, including to start incorporating the SAs in the central government budget, as well as to eliminate redundancies in SA employment and harmonize SAs wages and allowances in the context of the broad-based civil service reform.

49. Significant efficiency gains in public spending will accrue from public procurement reform. The revised GPPA Act have been recently submitted to the NA for approval. Its passing (expected before end-2020) will mark a decisive milestone to help break with the poor procurement practices by eliminating the scope for executive waivers to circumvent standard procurement rules and tightening the application of emergency procedures. The use of single sourcing will be radically reduced, particularly, by eliminating this possibility for large-scale investment projects. The technical capacity of GPPA will be strengthened to ensure its efficient handling of all transactions in the public domain, including large operations by GNPC and NAWEC, and the online publication of all public procurements. Through a WB-financed project, the selection of an individual consultant to prepare an Electronic Government Procurement (e-GP) readiness assessment and to develop an e-GP strategy and roadmap to support its implementation is underway.

Governance, Tackling Corruption and Trafficking in Persons

50. The government is committed to furthering its agenda to strengthen governance, the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework, and broader legal reforms in public finances. The country's governance and democratic transformation process has been recognized by the US Government in its Millennium Challenge Corporation (MCC) scorecard for the Year 2021. The Gambia has passed the assessment test for governance, democratic rights and economic freedom; scoring high (92 percent) on Control of Corruption and Rule of Law. In addition, alternative solutions are being explored to overcome the setback stemming from the defeat of the draft constitution bill at the NA. In particular, it is recognized that, for the sake of economic efficiency and accountability, the extent of executive powers in the current constitution, authorizing excessive political interference in the PFM and SOEs management, needs to be significantly reduced. To further this objective, the Minister of Justice was mandated to engage consultations with key stakeholders with a view to building consensus as well as reviewing all legal options on the most inclusive way forward with the new constitution and the legislative agenda associated with it, including the legal framework for SOEs. In parallel, efforts to strengthen governance have continued on several fronts.

- The fight against official corruption and graft has been intensified. Among others, punitive measures against PFM breaches are being devised, including surcharging accounting officers of MDAs who commit funds outside government's accounting system (IFMIS). The anticorruption bill has been submitted to the NA and it is expected to be tabled before the NA in the upcoming legislative session. In this regard, there is a great interest in working with the IMF team on governance diagnostic, whose recommendations will be timely with the setting up of the anticorruption committee that will coordinate their implementation.

- While the assessment of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework for the remaining banks was delayed by the COVID-19 pandemic, the CBG is working to implement the recommendations of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), to ensure that all banks are compliant with the AML/CFT requirements, ahead of the new assessment scheduled in late 2021.

- The Gambia has been upgraded from the TIPs Tier 3 to Tier 2 watch list by the US Department of State in recognition of the improvements in TIPs enforcement and victim protection. Steps are being taken to accelerate the prosecution of perpetrators and to strengthen child protection to ensure that The Gambia is upgraded to Tier 2 on a permanent basis.

Business Climate

51. Bold steps are being taken to improve the business environment with a view to spurring economic transformation and growth. The Gambia ranked 124 out of 141 country on the 2019 World Economic Forum Global Competitiveness Report. This highlights the challenges that the country is facing to improve its competitiveness particularly regarding infrastructure, licensing and business facilitation. Despite already investing close to GMD 245 million or US$5 million in increasing its size and efficiency, the Banjul seaport is still unable to meet the domestic and sub-regional demand for transportation services, leading to congestions, delays, and extra-charges. Cognizant of this, the GPA is poised to embark on a new jetty expansion project, the construction of a new container terminal, and investment in a new IT infrastructure. Recently, a study has been commissioned, funded by the World Trade organization (WTO), to identify actions on trade facilitation, including by streamlining customs procedures, taking advantage of the new online customs declaration system. Significant investments and managerial improvements are being undertaken to overhaul the perennial erratic electricity supply, which has long been identified as one of the main impediments of business growth in the country. The new energy roadmap aims to diversify the energy mix and promote a shift towards more affordable and sustainable electricity. The transport infrastructure (road and airport) is being expanded to improve market access while telecommunications sector reforms, aiming to create a digital economy, will need to be accelerated.

52. A National Business Council and an Ease-of-Doing-Business Taskforce were set up to address institutional weaknesses in the business environment. These initiatives aim to alleviate the difficulties encountered by firms in accessing land, energy, and financial capital. The Ease-of-Doing-Business Taskforce in collaboration with the World Bank team prepared a detailed report with concrete recommendations and an action plan (referred to as the Business Environment Reform Program) for the Government's consideration. This action plan covers the following: (i) establishment of a one-stop-shop for business registration and licensing to be operational by March 2022; (ii) setting up an online business registration and licensing facility accessible to targeted users; (iii) re-establishment of commercial courts to facilitate contract enforcement by March 2022; (iv) establishment of a credit reference bureau by March 2022; (v) setting up private laboratories to perform conformity assessments by March 2022; (vi) introducing a user-friendly electronic tax payment and filling systems; (vii) preparing a framework for the long-term development of the land administration system by March 2022 and; (viii) establishment of a functional electronic database for land registration and cadastral map by March 2022. The report and recommended action plan were launched and adopted by the National Business Council during the meeting held 12th June 2020 at the Office of The Vice President. During the said meeting, Her Excellency the Vice President Dr. Isatou Touray was identified as the Champion of the Business Environment Reform Program to support the program but also ensure the necessary political support to facilitate the implementation of the activities.

Poverty Reduction, Gender Issues, and Climate Change

53. Efforts are under way to strengthen the targeting of poverty reducing spending and their monitoring, with special attention paid to alleviating the impact of the pandemic. The established program definition, expanded to include all the COVID-19 spending, will continue to be used for the time being to track poverty reducing spending. This definition will be replaced by a new definition, comprising properly targeted category of such spending, once its field of reference is vetted by World Bank experts and adopted in the expenditure reporting system. To this effect, collaboration with the World Bank is being strengthened through the Office of the Vice-President on the implementation of programs targeting the most vulnerable, including the beneficiaries of the World Bank Social Safety Net Project (the *Nafa* program). To alleviate the economic impact of the COVID-19 pandemic, the *Nafa* program has been restructured to '*Nafa* Quick' to provide two cash transfers of GMD 3,000 to households located in the most vulnerable regions A Social Protection Secretariat has been established to coordinate social protection programs, identify gaps and overlaps and to harmonize procedures between programs. The Secretariat will oversee the development of a Social Registry, which will provide a single gateway for the identification of beneficiaries of all social program categories.

54. The emphasis on gender, youth empowerment, and poverty reduction spending features prominently in the proposed 2021 budget. Following the establishment of the Ministry of Women's Affairs, Children and Social Welfare in 2019, steps are being taken, including seeking technical support from the IMF, to implement gender budgeting with a view to re-orienting the allocation of public resources, and securing equity in the distribution of resources between men and women. In 2021, the targeted social spending will be prioritized toward Health, Agriculture, Women, and Youth empowerment. Following the enactment of the Women Enterprise Fund Act by Parliament in June 2020, the Fund is now being operationalized to support women entrepreneurs across the country. In addition, the Youth and Sports Development levy has been recently launched whose proceeds will be geared towards addressing initiatives that support youth and sports throughout the country. Based on the existing program definition, the envelope for poverty reducing spending in 2021 is set at GMD 6 billion (compared with GMD 5.6 billion in the 2020 budget). With the pandemic expected to continue to threaten the livelihood of the most vulnerable, counteracting the effects of the COVID-19 pandemic will continue to be a priority and the draft 2021 budget includes sizeable contingencies GMD 500 million to address these needs.

55. Adaptation to and mitigation of the impact of climate change represent macro-critical priorities of the government. Climate change is already having a severe impact on development efforts in The Gambia, especially in the agriculture sector, which contributes about 20 percent to GDP and employs more than 50 percent of the working population. The country is prone to climate change-related shocks, such as windstorms, floods, sea level rise, coastal erosion, and droughts, which are all likely to become more frequent with increased severity. As a result of these challenges, we intend to gradually increase resource allocation towards addressing both mitigation and adaptation strategies. In addition, we are working with various climate finance institutions, in particular the Green Climate Fund (GCF), to fund projects such as the Ecosystem-Based Adaptation (EBA) project which aims to enhance the climate resilience of rural communities and facilitate the development of a sustainable natural resource-based economy.

Data Quality and Dissemination

56. Continued improvements are being made in macroeconomic data collection and dissemination. While data quality continues to be weak, especially on the fiscal side, building on IMF TA support, progress has been made in the timeliness of the production and dissemination of economic data. Monetary and financial data (including Financial Stability Indicators), as well as the Consumer Price Index, the national accounts, and the debt bulletin are now produced and published timely. Regarding fiscal data, preliminary estimates of the GRA revenue collection are available within ten days of the end of the month. The production of reliable monthly SGOs continues to require better reconciliation between data sources and improved collection of data on external support (especially, project grants) and execution of related spending. The implementation of the recommendations of the recently completed World Bank Public Expenditure Review, IMF missions on fiscal reporting and on the TSA will help improve the reliability of the SGO.

G. Program Monitoring

57. Under this difficult circumstance, the government will continue to take all measures needed to meet quantitative targets and observe structural benchmarks under the program. The program will be subjected to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 1–4 of this Memorandum and defined in the attached Technical Memorandum of Understanding (which also sets out the requirements for data reporting to IMF staff). In view of the subdued inflation and the fact that direct credit from the CBG to the central government is restricted by the CBG Act, it is proposed to downgrade the ceiling on the CBG's net domestic assets from a quantitative performance criterion to an indicative target. The second program review, which will be based on end-December 2020 targets and benchmarks, is expected to be completed on or after March 15, 2021, and the third review will be based on end-June 2021 targets and is expected to be completed on or after September 15, 2021.

Table 1. The Gambia: Quantitative Targets for 2020

(Cumulative from beginning of calendar year to end of month indicated; millions of dalasi, unless otherwise indicated)

	2019	2020										
	Dec.	March		June				Sept.				Dec.
	Prel.	**Prog.**	**Act.**	**Prog.**	**Adj.**	**Act.**	**Status**	**Prog.**	**Adj.**	**Act.**	**Status**	**Prog.**
Performance criteria[1]												
1. Net domestic borrowing of the central government (ceiling)	1,063	1,650	760	550	2,050	550	**Met**	750	393	-338	**Met**	500
2. Stock of net domestic assets of the central bank (ceiling)	5,696	6,843	5,978	6,979	...	6,231	**Met**	7,001	...	5,556	**Met**	7,058
3. Stock of net usable international reserves of the central bank (floor, US$ million)	189	170	193	168.0	138.1	204	**Met**	173	180	254	**Met**	193
4. New external payment arrears of the central government (ceiling, US$ million)[2]	...	0.0	0.0	0.0	...	7.8	**Not Met**	0.0	...	6.3	**Not Met**	0.0
5. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0
6. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0
7. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)	...	60.0	0.0	60.0	...	12.0	**Met**	60.0	...	12.0	**Met**	60.0
Indicative targets												
8. Total domestic tax revenue (floor)	9,978	2,500	2,913	4,700	...	5,378	**Met**	7,350	...	7,740	**Met**	10,000
9. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[3]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0
10. Poverty-reducing expenditure (floor)	5,267	1,300	1,328	2,700	...	2,641	**Not Met**	4,000	...	4,322	**Met**	5,600
Memorandum Items:												
Budget Support (grants, US$ millions)[4]	54.6	0.0	0.0	40.0	...	10.1	...	46.9	...	53.9	...	62.1
Of which : COVID-19 assistance	...	...	...	...	...	10.1	...	...	...	17.0	...	...
Base Money (stock, GMD millions)	13,888	15,500	14,562	14,778	...	15,380	...	14,916	...	17,256	...	15,386
Nominal Exchange Rate (GMD/US$)	51.10	51.10	50.94	51.10	...	51.73	...	51.10	...	51.85	...	51.10
ECF disbursements (SDR millions, flow)[5]	...	5.0	5.0	...	...	...	...	...	...	...	...	5.0
RCF disbursement (SDR millions, flow)	...	...	...	15.6	...	15.6	...	...	...	...	...	...
CCRT debt relief (SDR millions, flow)	...	...	...	1.1	...	1.1	...	0.2	...	0.2	...	1.9

[1] The performance criteria, indicative targets, and relevant adjustors are defined in the Technical Memorandum of Understanding (TMU). June and December 2020 are the test dates for the first and the second reviews, respectively. Targets for end-March and end-September are indicative, except for continuous targets.

[2] These criteria apply on a continuous basis, including beyond end-December 2020.

[3] 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.

[4] Excludes grants under the CCRT.

[5] First disbursement of SDR 5.0 million (8.0 percent of quota) was made on March 31, 2020.

Table 2. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets, 2021

(Cumulative from beginning of the calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2020		2021			
	Dec.		Mar.	Jun.	Sep.	Dec.
	Prog.	Proj.	Prog.	Prog.	Prog.	Prog.
Performance criteria[1]						
1. Net domestic borrowing of the central government (ceiling)	500	500	1,000	500	1,100	1,250
2. Stock of net usable international reserves of the central bank (floor, US$ million)	193	270	250	260	270	280
3. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	...	0.0	0.0	0.0	0.0
4. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	...	0.0	0.0	0.0	0.0
5. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	...	0.0	0.0	0.0	0.0
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2, 3]	60	12	115	115	115	115
Indicative targets[1]						
7. Total domestic tax revenue (floor)	10,000	10,198	3,000	6,000	8,700	11,400
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[4]	0.0	0.0	0.0	0.0	0.0	0.0
9. Stock of net domestic assets of the central bank (ceiling)[5]	7,058	6,038	8,171	8,034	8,284	8,034
10. Poverty-reducing expenditure (floor)	5,600	5,600	1,300	2,800	4,400	6,000
Memorandum Items:						
Budget Support (grants, US$ millions)[6]	62.1	89.1	0.0	20.0	27.1	43.7
Base Money (stock, GMD millions)	15,386	18,178	19,628	21,079	20,918	20,590
Nominal Exchange Rate (GMD/US$)	51.10	...	...	...	...	...
IMF disbursements (SDR millions)	25.6	20.6	20.0	30.0	30.0	35.0
ECF disbursements	10.0	5.0	20.0	30.0	30.0	35.0
Of which : proposed augmentation	...	...	15.0	20.0	20.0	20.0
RCF disbursement	15.6	15.6	...	...	...	...
CCRT debt relief (SDR millions)[7]	3.2	3.2	0.2	2.1	2.1	4.0

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are proposed test dates. End-March and end-September targets are indicative, except for continuous performance criteria.

[2] These criteria apply on a continuous basis, including beyond end-December 2021.

[3] This includes US$65 million for Banjul Port expansion, of which US$50 million on concessional terms and US$15 million in nonconcessional borrowing, which is expected to blended with a grant to meet the required 35-percent grant-element requirement.

[4] 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.

[5] A performance criterion at end-December 2020.

[6] Excludes grants under the CCRT.

[7] The grant for debt service falling due to April 13, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.

Table 3. The Gambia: Structural Benchmarks, 2020

Measures	Macro Rationale	Timing	Status
Domestic revenue mobilization (GRA/MoFEA)			
GRA to complete tax registry clean-up at tax offices in the greater Banjul area (collecting over 90 percent of tax revenue).	To speed up payment processing and bolster enforcement actions.	End-June 2020	Met
MoFEA to produce a draft tax exemptions policy for Cabinet approval.	To reduce revenue leakage and better define the legitimate scope for tax exemptions.	End-September 2020	Not met[1]
Public financial management (MoFEA/CBG)			
Develop a monthly cashflow plan for the whole year, consistent with the 2020 Budget.	To strengthen Treasury cash management.	End-March 2020	Met
Prepare a set of criteria for project selection to be approved by the GSRB.	PIMA recommendation to strengthen governance and reduce corruption risk.	End-June 2020	Met
MoFEA to submit an assessment report on subvented agencies to Cabinet with proposals for their rationalization.	To reassess the number and performance of subvented agencies in line with current policies.	End-September 2020	Not met[1]
Debt management (MoFEA/CBG)			
Update the MTDS and publish a new domestic debt management strategy document. The debt management strategy will envisage the use of longer-term instruments to manage rollover risk.	To reduce rollover risk, optimize issuance decisions, and strengthen benchmark pricing through extension of the yield curve.	End-September 2020	Not met[1]
Central bank governance and bank supervision (CBG)			
Develop and publish a strategic plan addressing the key recommendations of the 2019 Financial Sector Stability Review.	To highlight financial system development and stability needs.	End-June 2020	Met
Governance and transparency (MoFEA)			
Publish an annual statement (that is regularly provided to the National Assembly) on MDAs' compliance with internal audit recommendations.	To strengthen accountability to public of articulating and addressing governance failings in MDAs.	End-December 2020	On track

[1]The target date was missed, but the action was subsequently implemented.

Table 4. The Gambia: Proposed Structural Benchmarks, 2021			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior Action			
MoFEA to submit the draft 2021 budget aligned with the agreed program and medium-term framework to the National Assembly for consideration.	To ensure that the budget is aligned with program objectives as an anchor for macroeconomic stability.	Prior to the IMF Board discussion of the first review of the ECF program	Met.
Structural Benchmarks			
Domestic revenue mobilization (GRA/MoFEA)			
Approve and implement a new Tax Expenditure Policy in line with recent TA, including a review of investment tax incentives, the development of a new GIEPA Act, and streamlining all tax incentives.	To reduce tax expenditures and create room for urgent social and infrastructure spending.	end-June 2021	
Public financial management (MoFEA/CBG)			
Prepare a roadmap for extending IFMIS to all flows to project and subvented agency accounts.	To enhance fiscal transparency and oversight.	end-June 2021	
Prepare in consultation with fund staff, and submit to the National Assembly, a revised Public Finance Bill, with a view to strengthen budgetary processes, including exceptional budget procedures, treasury management, internal controls, and fiscal reporting.	To bring it to standard and strengthen transparency and accountability in light with the new constitution and recent reforms.	end-December 2021	
Debt management (MoFEA/CBG)			
In addition to the publication of the quarterly debt bulletins, publish a rolling monthly domestic debt issuance calendar for the ensuing three months.	To improve domestic debt management and transparency.	end-March 2021 and quarterly thereafter	
Central bank governance and bank supervision (CBG)			
The CBG to sign a Memorandum of Understanding with the Auditor General, to formalize an arrangement for a joint audit (by a local audit firm and an international audit firm with central banking experience) of its 2021 financial statements.	To strengthen the CBG Internal controls.	end-March 2021	
Prepare a framework for banking sector stress testing, in line with the recommendations from the 2019 FSSR.	To assess banking sector health and detect early warning signal for distress.	end-June 2021	
Governance and SOE reforms (MoFEA)			
Submit to the National Assembly a revised SOE bill, in line with IMF staff recommendations, that will: (i) reduce political interference and (ii) strengthen SOEs' financial accountability and control by the MoFEA.	To strengthen the governance of the SOEs, to reduce fiscal risks and improve public service delivery.	end-December 2021	

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 targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through end-2021. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under 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, the following components are excluded: (i) on-lending of the IMF credit (under RCF or ECF) to the budget; (ii) changes in the balances of the project accounts listed in Table 1; (iii) the face value of government securities issued to increase the CBG's capital to the value mandated in the CBG Act; and (iv) the face value of the government securities issued for the purpose of transferring the CBG stake in *MegaBank* to the treasury.

2. **Adjustor: The NDB targets (ceilings) will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that period relative to the program forecasts specified in the table below.** The upward adjustment of the NDB targets at each quarter's end for the shortfall in the disbursements of budget support, including the ECF tranches expected to be on-lent to the budget, may not exceed GMD 1.0 billion. The NDB targets will be adjusted downward by the amount of privatization proceeds.

3. **Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶32 below.**

Text Table 1. The Gambia: Program Forecasts of External Budget Support in 2021
(Cumulative flow in millions of US dollars)

	Q1	Q2	Q3	Q4
	Projections			
Budget Support	28.6	34.3	7.1	16.6
Loans	28.6	14.3	0.0	0.0
Of which: ECF Disbursement	28.6	14.3	…	…
Grants	0.0	20.0	7.1	16.6
Of which: AfDB	…	…	7.1	…
Of which: EU	…	…	…	16.6
Of which: World Bank	…	20.0	…	…

Sources: IMF staff estimates and projections.

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 during 2021 will be converted at the end-of-period market exchange rates prevailing at end-October 2020: 51.84 GMD/USD, 1.17 USD/EUR, 1.30 USD/GBP, 0.92 CHF/USD, 1.41 USD/SDR, 104.58 JPY/USD**. 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 end-October 2020, 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.** To this effect, ***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 ¶5 above.

9. Adjustor: The quarterly NIR targets (floors) for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants and loans (excluding the IMF resources expected to be on-lent to the budget) received in the period preceding quarter's end relative to the program forecasts, as specified in Text Table 1. The downward adjustment to the quarterly NIR floors, on account of shortfall in budget support will be capped at US$20 million.

10. Adjustor: 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 Debt Payment Arrears of the Central Government

12. Definition: External debt payment arrears are defined as external debt obligations of the central government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).

13. For program purposes, external arrears exclude (i) financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment; (ii) arrears on claims which the government has represented as being disputed; (iii) arrears on claims that cannot be settled due to international sanctions; and (iv) arrears on trade credits, with the exception of arrears on payments due to the International Islamic Trade Finance Corporation (ITFC). Non-accumulation of new external debt payment arrears by the central government is a target, to be observed continuously.

14. 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, non-Paris-Club, private, plurilateral and multilateral creditors.

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

15. 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 ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014), but also to commitments contracted or guaranteed for which value has not been received. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of the central government to service a debt owed by a third-party debtor (involving payments in cash or in kind). A debt will be considered contracted when conditions for its entrance into effect have been met, including approval by the National Assembly. Loans or purchases from the IMF and concessional debts as defined below, 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

16. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 2.42 percent and will remain fixed for the duration of the program. The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -150 basis points. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

17. 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.

18. MoFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new external loan, the loan's terms and conditions including interest rate, grace period, maturity, interest, fees, and principal payment schedule with all annexes.

F. New Concessional External Debt Contracted or Guaranteed by the Central Government

19. **Definition: This target refers to new concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi**. It applies to debt as defined in ¶15. Concessionality of debt is as defined in ¶16.

20. **For borrowing packages comprising both loan and grant components** to meet the concessionality requirement (grant element of 35 percent), only the loan components will count toward the borrowing limit.

21. **Supporting material and data provision: Refer to ¶17 and ¶18.**

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

22. **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**.[1] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Trade credits are excluded from this target including the ITFC credits.

23. **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.**

H. Tax Revenue

24. **Definition: This indicative target refers to taxes and duties collected by the Domestic Taxes Department and Customs and Excises Department of the Gambia Revenue Authority (GRA)**. Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 2). Nontax revenue, such as licensing fees, fines, and levies collected by the GRA are excluded from this target. Levies collected by the GRA on behalf of other organizations are also excluded (National Education & Technology Training Levy, AU Levy, ECOWAS Levy).

25. **Supporting material: A monthly report on revenue collected by the GRA will be transmitted within four weeks of the end of each month.**

[1] The term "debt" has the meaning set forth in ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014. "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.

Text Table 2. The Gambia: Tax Revenues Collected by The Gambia Revenue Authority

Domestic Taxes		Customs and Excise	
Revenue Code	**Revenue Item**	**Revenue Code**	**Revenue Item**
111101	Personal Tax	115101	Import Duty Oil
111201	Company Tax	--	Import Excise Tax Oil
113301	Capital Gains	115102	Import Duty Non-Oil
112010	Payroll Tax	114121	Import VAT Oil
114523	Business Registration Fees	114122	Import VAT Non-Oil
114404	Entertainment	114201	Import Excise Tax
142250	Pool Betting Levy	114202	Domestic Excise Duty
--	Informal Sector	115602	Environmental Tax on Imports
114402	Air Transport Levy	115201	Export Duties
111102	Stamp Duty	111301	Miscellaneous
114111	Environmental Tax		
114123	Excise Telecom		
114521	Casino, Gaming & Machines Licences		
114533	Value Added Tax (VAT)		
142231	Road tax		
114528	Firearms and games licenses		
142205	International Certificate for Motor Vehicles		
142206	General Dealers License		
142230	Mandatory Fine for Motor Traffic Violation		
--	Cattle Tax		

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

26. Definition: This target refers to the consolidated balance on the Treasury Main 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.

27. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in ¶34 and ¶35 below.

J. Poverty-Reducing Expenditures

28. 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 Programs; Support to Cross-Cutting Programs; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Program. Starting Q1 2021, the poverty-reducing expenditure will include the COVID-19 spending implemented through the COVID-19 project accounts.

29. 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

30. 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:

K. Prices

31. The monthly disaggregated consumer price index, including weights for each major category, with January 2020 = 100, will be transmitted within four weeks of the end of each month.

L. Government Accounts Data

32. 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).

33. 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.

M. Monetary Sector Data

34. 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.

35. 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.

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

N. Treasury Bill Market and Interbank Money Market

37. 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 and CBG 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.

38. 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.

O. External Sector Data

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

40. 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.

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

42. 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.

43. 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.

P. Public Enterprises' Data

44. MoFEA will forward within eight weeks of the end of each quarter, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC, and NFSPMC (GGC).

45. MoFEA will forward within eight weeks of the end of each quarter, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

Table 1. The Gambia: List of Projects Accounts at the CBG 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)
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.
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200486	IFMIS II
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV

Table 2. The Gambia: Data Reporting Requirements

Responsible Institution	Data Type	Frequency	Reporting Deadline
Central Bank of The Gambia (CBG)	T-bills auction data, Inter-banks rates & other accompanying data & tables	Weekly	7 days after week-end
	Project accounts data	Weekly	7 days after week-end
	International reserves and Foreign & Domestic Assets data (NIR, NFA & NDA)	Weekly	7 days after week-end
	Foreign exchange liquidity forecasts statement/report	Weekly	7 days after week-end
	Commercial banks' balance sheets	Monthly	30 days after month-end
	Commercial banks' Forex net open position statement/report	Monthly	30 days after month-end
	CBG balance sheet (including NDA)	Monthly	30 days after month-end
	CBG reserves statement/report	Monthly	30 days after month-end
	Statement/report on CBG credit to Gov. at non-market interest rates; and Gov.'s overdue payments to CBG	Monthly	30 days after month-end
	Statement/report of transactions in official reserves	Monthly	30 days after month-end
	Financial Soundness Indicators	Monthly	30 days after month-end
	Commercial banks' income statements	Quarterly	30 days after quarter-end
	Balance of payments (BOP)	Quarterly	30 days after quarter-end
	Stock of outstanding public debt of maturity not exceeding 1year	Quarterly	30 days after quarter-end
	Statement/report on concessional & non-concessional debts contracted or guaranteed by government	Quarterly	30 days after quarter-end
Ministry of Finance & Economic Affairs (MoFEA)	Statement of Government Operations (SGO)	Monthly	30 days after month-end
	Poverty-reducing expenditure data	Monthly	30 days after month-end
	Consolidated Central Gov. budget execution	Monthly	30 days after month-end
	SOE cash flow statements (i.e. 13 SOEs)	Monthly	30 days after month-end
	External debt reports	Monthly	30 days after month-end
	Statement of external payment arrears by Central Government & SOEs	Monthly	30 days after month-end
	Staff Monitored Program (SMP) implementation matrix	Monthly	30 days after month-end
Gambia Revenue Authority (GRA)	Monthly Revenue Report	Monthly	30 days after month-end
	Oil volumes and tax collected on oil imports	Monthly	30 days after month-end
	Revenue collection by tax type	Monthly	30 days after month-end
	Tax exceptions\duty waivers	Monthly	30 days after month-end
Gambia Bureau of Statistics (GBoS)	Consumer price index (CPI)	Monthly	30 days after month-end
	Producer price index (PPI)	Monthly	30 days after month-end
	Data on exports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Data on imports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Gross domestic product (GDP)	Quarterly	90 days after year-end
Ministry of Agriculture (MoA)	Crop field cultivation per hectare	Quarterly	90 days after year-end
	Crop yield	Quarterly	90 days after year-end
	Livestock population by region	Quarterly	90 days after year-end
Gambia Tourism Board (GTB)	Tourists arrivals by nationality	Monthly	30 days after month-end
	Out-of-pocket tourists expenditures	Monthly	30 days after month-end

INTERNATIONAL MONETARY FUND

THE GAMBIA

December 21, 2020

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR AUGMENTATION OF ACCESS AND A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
Annalisa Fedelino, Geremia Palomba (IMF), and Marcello Estevão (IDA)

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

The Gambia Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*No*

The Gambia's overall and external debt distress risk ratings remain "High" and public debt continues to be deemed sustainable.[2] Under the updated macro framework that reflects the staff's revised assessment of the impact of COVID-19, compared with the previous DSA,[3] prepared in the context of the RCF request in April 2020, the near-term public debt indicators have deteriorated. Breaches of the present value (PV) of external debt-to-exports and external debt service-to-exports thresholds have extended until 2021 and their magnitude has amplified. The PV of overall public debt-to-GDP ratio remains on a downward sloping path and drops below its sustainability benchmark by 2024, one year later than projected in the previous DSA. Thus, current evidence indicates that the public debt outlook, while weakened, remains sustainable on a forward-looking basis. Downside risks stem from a possible resurgence in the COVID-19 pandemic delaying the expected economic recovery and weakening the fiscal outlook.

[1] The DSA was prepared by IMF and World Bank staffs in collaboration with the authorities of The Gambia, based on the updated Bank-Fund Debt Sustainability Framework for Low-Income Countries (LIC-DSF).

[2] Based on the IMF's April 2020 WEO and the World Bank's 2019 Country Policy and Institutional Assessment (CPIA), The Gambia's debt carrying capacity is assessed as "medium," with a CI Score of 2.78, which is just above the cutoff level for "weak" debt bearing capacity (2.69).

[3] IMF Country Report No. 20/119.

1. The COVID-19 shock has worsened the near-term outlook compared to the previous DSA. GDP growth in 2020 is estimated to have dropped from 2.5 percent projected earlier to 0 percent and the rebound projected for 2021 is also expected to be somewhat lower (6 percent, compared to 6.5 percent projected at the time of the RCF request in April 2020). The disruption in tourism is expected to extend into 2021, with tourist arrivals projected to recover to the pre-pandemic levels only in late 2021. While strong domestic revenue collection and higher grant disbursements improve the primary balance in 2020, it is projected to deteriorate in 2021 from a surplus of 0.8 percent of GDP projected at the time of the RCF request to a deficit of 1.3 percent of GDP, mainly reflecting the intention to stimulate the economic recovery through an increase in public investment (as reflected in the 2021 budget) and an associated increase in financing needs.

2. The expected slowdown in project execution in 2020 and increased financial assistance from donors in the form of budget support grants and other official transfers have modified the financing assumptions. Due to a slowdown in project execution, the disbursement of project loans in 2020 is expected to fall behind the previously projected level. The additional COVID-19-related financing needs are being largely met by increased donor support in the form of grants. The total COVID-19 assistance in 2020 amounts to US$48 million. This comprises budget support augmentation, totaling US$26.4 million, from the European Union (US$19.4 million) and the African Development Bank (US$7 million), and additional or accelerated disbursements of grants for social projects by the World Bank amounting to US$21.6 million, including the Health Fast-Track Facility (US$10 million), a frontloading of the Social Safety Net Project (US$8.1 million), and the Education Sector Response Project (US$3.5 million).

3. Debt service deferrals secured by The Gambia in 2019 have narrowed the space for possible relief under the G-20 debt service suspension initiative (DSSI). The Gambia has received confirmed offers for debt restructuring from most of its major official creditors as a result of the debt service deferrals agreed to in 2019. Due to delays in the confirmation of a debt restructuring offer from OPEC Fund for International Development (OFID), the current DSA update includes the original amount of debt service due to the creditor.[4] Total debt service relief under the 2019 initiative currently amounts to US$129 million (7 percent of GDP). As a result of the reduced debt service due to deferrals that have already been confirmed, debt service relief in 2020 under the DSSI only amounts to US$2.6 million (about 0.1 percent of GDP). Most of this reflects a deferral of debt service amounting to US$2 million owed to Kuwait Fund for Arab Economic Development (KFAED) and the remainder is attributed to the relief granted by the G20 official bilateral creditors, including Export-Import Bank of China, and Saudi Fund for Development (SFD). In addition, ECOWAS Bank for International Development (EBID), which is not officially a part of the G20 DSSI, also offered a deferral of debt service in 2020, amounting to US$1.4 million. A possible extension of the DSSI[5] to 2021 would yield about US$3 million in debt service deferrals.

[4] Debt service relief associated with OFID debt amounted to US$29 million over 2020–24.

[5] The authorities have already requested from their creditors an extension of relief under the DSSI.

4. The Gambia's risk of external debt distress remains "High."[6] As a result of the suspension of tourism in the aftermath of the COVID-19 outbreak and the associated decline in exports of goods and services, the related debt ratio and liquidity indicator deteriorate significantly in the near term, before dropping below their indicative thresholds in 2022 (instead of 2021 in the previous DSA). The external debt service-to-exports ratio is projected to reach 29.3 percent and 15.7 percent (against a threshold of 15 percent) in 2020 and 2021, respectively. Likewise, the PV of external debt-to-exports ratio breaches the applicable threshold of 180 percent in 2020 and 2021, while rising to 274.2 percent and 213.1 percent, respectively. Thereafter, both ratios drop and stay below their thresholds, reflecting the expected gradual recovery in tourism. The external debt service-to-revenue ratio breaches its threshold in the near term (26.6 percent in 2020, against a threshold of 18 percent). Both liquidity indicators rise during 2025–27 with the end of the deferral period, highlighting The Gambia's limited space for additional borrowing. As in the previous DSA, external debt indicators remain particularly vulnerable to an export shock and a global deterioration in the economic environment.

5. The Gambia's overall public debt position, while challenging, remains sustainable. At end-2020, the PV of overall debt-to-GDP is estimated at 67.5 percent or 12.5 percentage points above its benchmark. In the aftermath of the COVID-19 shock, the ratio follows a firmly downward sloping path, drops below the 55 percent threshold by 2024 (a year later than in the previous DSA), and continues to decline thereafter, assuming gradual fiscal consolidation. In the absence of the ECF augmentation, the financing need would be met by domestic borrowing, which would have implied a higher PV of overall debt-to-GDP ratio. The risk of debt distress is deemed high; however, since the breach is reversed within four years, the overall debt is deemed sustainable. The recent decline in interest rates, if well-managed, presents an opportunity for extending the maturity and repricing domestic debt. This, combined with the implementation of the authorities' envisaged debt strategy (MTDS), mapping out proactive steps to address the rollover risk, would contribute to improving the debt sustainability outlook by reducing the public debt service-to-total revenue ratio from 116.5 percent in 2020 to about 80 percent in 2024–25.

6. The authorities continue to adhere to a strict external borrowing plan, which has now been revised, mainly to incorporate prospective borrowing for the Banjul port expansion. Lower than expected debt contracted in 2020 has created the space for additional borrowing in 2021. As a result, the overall amount of borrowing envisaged over 2020–23 has increased from US$190 million to US$207 million. In the event, the additional borrowing associated with the port expansion (a highly macro-critical project) would not alter the qualitative outlook for the DSA. Also, it is expected that the Gambia Port Authority (GPA), as a beneficiary of the loan, would be able to service this debt from its own revenue stream. The financing package for port expansion is not yet finalized and could be more concessional than envisaged in the borrowing plan. At this stage, the US$65 million debt component of this financing package includes US$15 million in non-concessional debt, which will be combined with a grant of US$25 million, which will ensure that the overall package is adequately concessional.[7] Beyond this package,

[6] The DSA covers all known central government and central government-guaranteed (PPG) external debt (treated on a currency basis) at end-2019. See the IMF Country Report 20/102 (April 2020) for a more comprehensive description of debt data coverage.

[7] The non-concessional component represents a corporate loan from AfDB, which has committed to combining the loan with a grant to make the financing package concessional.

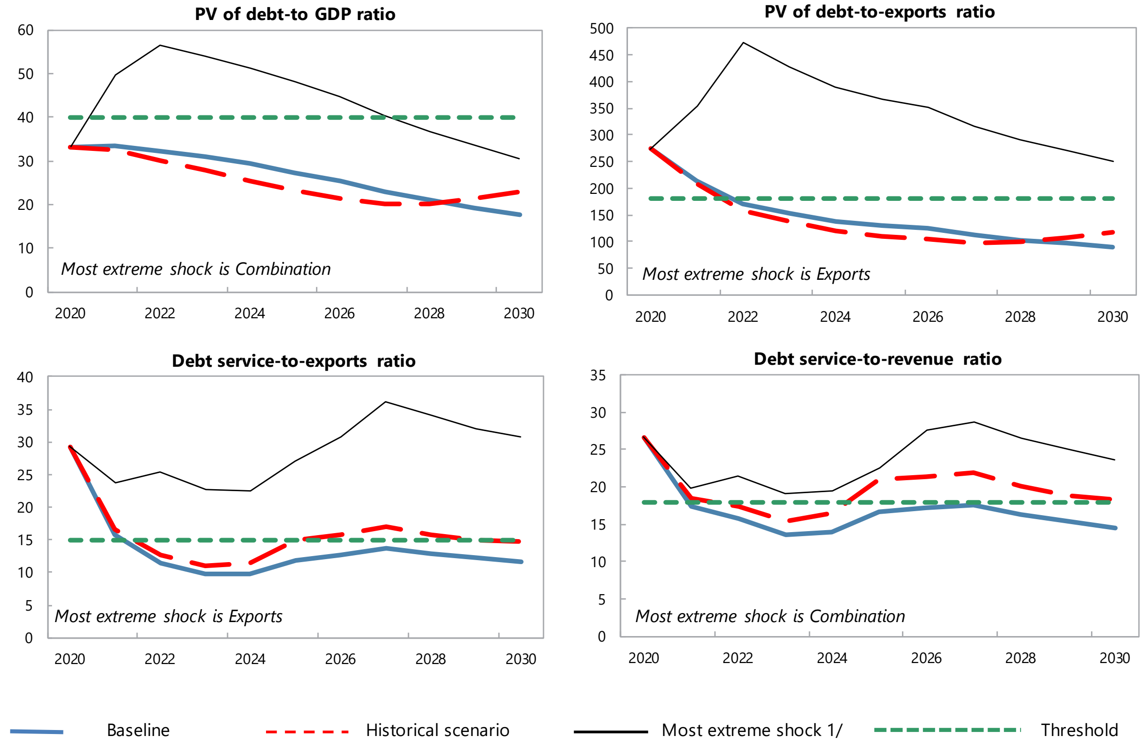
the authorities commit to refrain from non-concessional external borrowing, including for the projects benefitting state-owned enterprises.

7. This assessment is subject to major downside risks. They stem from a possible further worsening in the public health situation, should the COVID-19 pandemic resurge in The Gambia, causing a prolonged economic recession, with added fiscal pressures adversely affecting the debt profile and exacerbating the fragility of the economy. The accrual of two external payment arrears in 2020 further highlights the importance of increased vigilance in debt monitoring, notably with regard to the debt contracted on behalf of the state-owned enterprises.

8. The authorities are taking actions to strengthen debt transparency. The MoFEA continues to publish quarterly reports on public debt and debt service of the central government, new agreements signed, and disbursements in 2020, with the support of the Meridian software. The production of these reports has become standard practice since 2019. The update of the MTDS and the medium-term fiscal framework (MTFF) in October 2020 will provide the basis for the MoFEA to develop and publish an Annual Borrowing Plan (ABP). Since August 2020, the CBG, on its website, publishes monthly bond and T-bills issuance plans, which continue to help anchor market expectation and limit interest rate volatility. Nonetheless, the publication of an ABP will further facilitate communication with domestic creditors and support domestic market development by providing more transparency and confidence in government borrowing.

9. The authorities agree with the staff's assessment of The Gambia's "High" external and overall debt distress ratings. They recognize that the onset of the pandemic has increased their debt vulnerabilities and that continued prudence will have to be demonstrated in the domain of public debt management to maintain debt sustainability. The authorities commit to ensuring transparency in public debt contracting and strict adherence to the revised borrowing plan. In this regard, the authorities also recognize the imperative to reserve the space for new debt contracting for projects of high priority and for which grant financing may not be available.

Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt under the Baseline and Alternative Scenarios, 2020–30



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

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	4	4

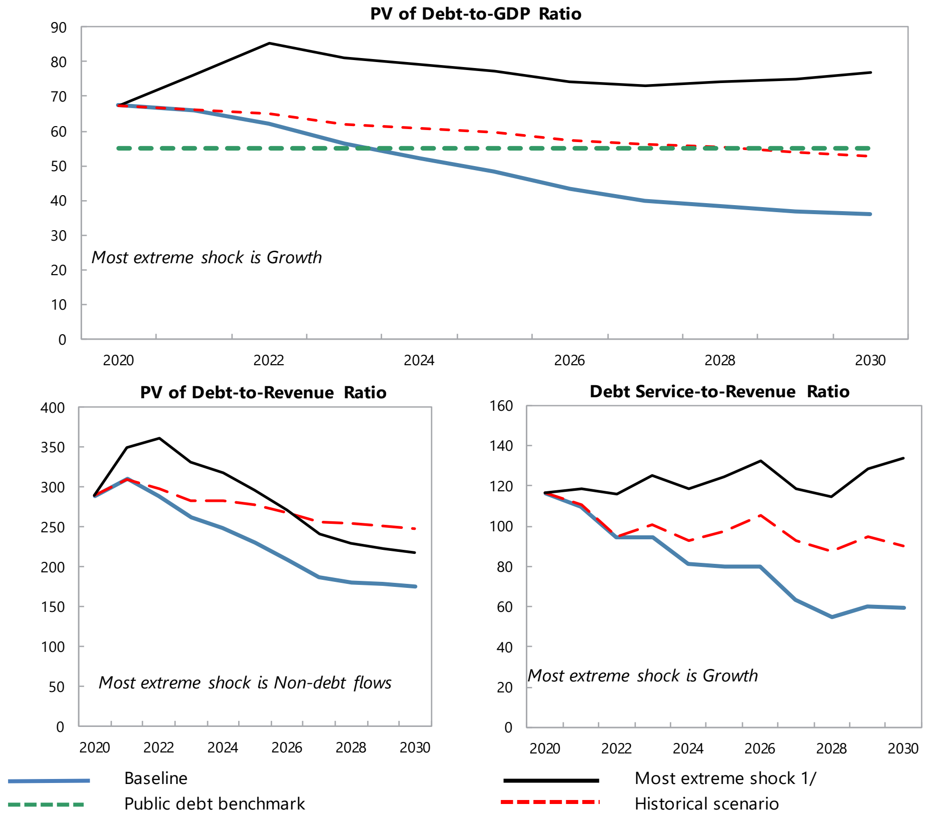
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

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

Figure 2. The Gambia: Indicators of Public Debt Under the Baseline and Alternative Scenarios, 2020–30



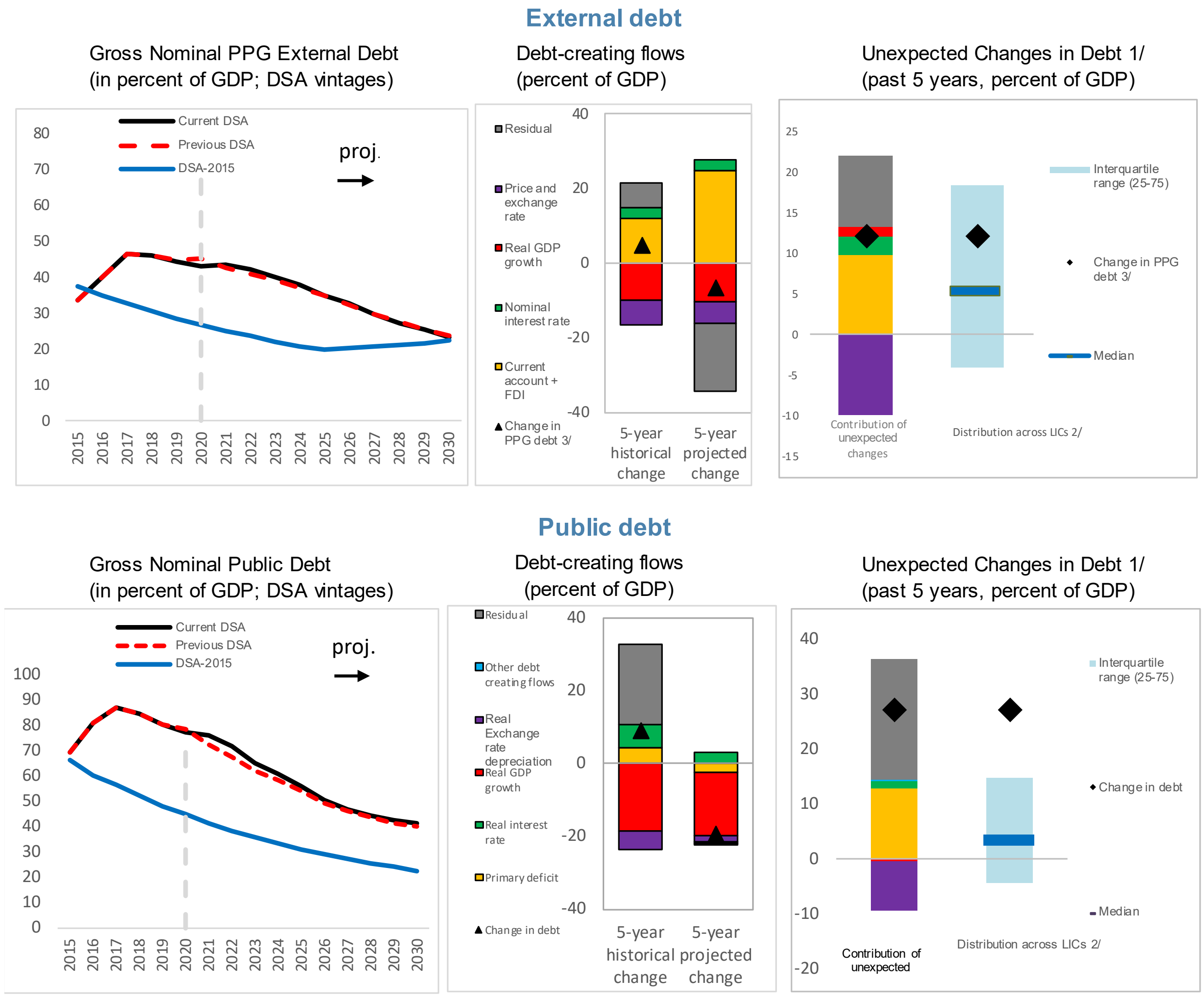
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	17%	17%
Domestic medium and long-term	19%	19%
Domestic short-term	64%	64%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.4%	4.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.0%	2.0%

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

Sources: Country authorities; and staff estimates and projections.

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

Figure 3. The Gambia: Drivers of Debt Dynamics—Baseline Scenario



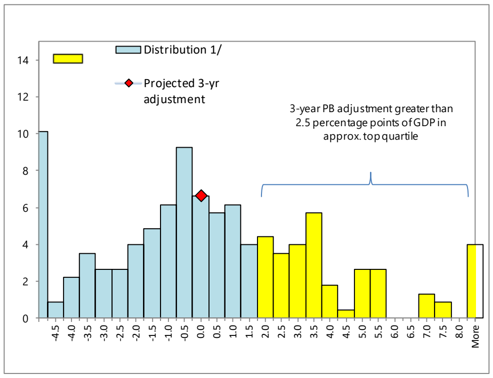
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

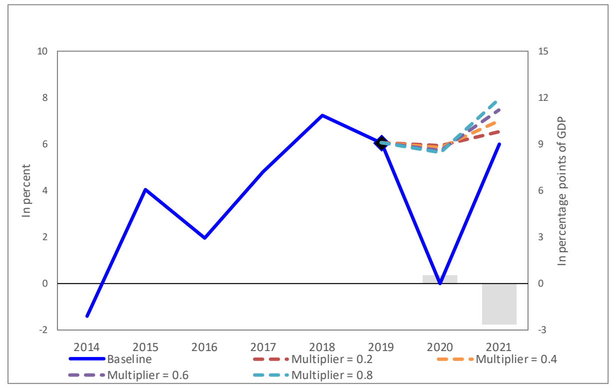
Figure 4. The Gambia: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



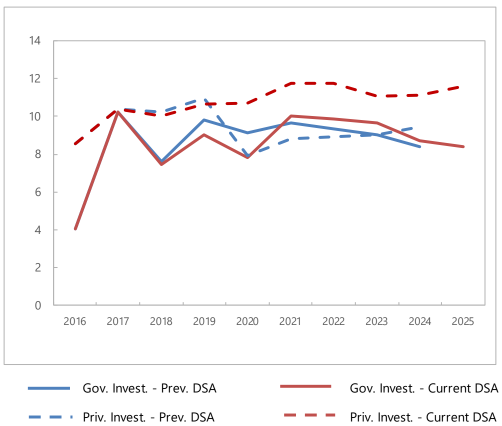
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

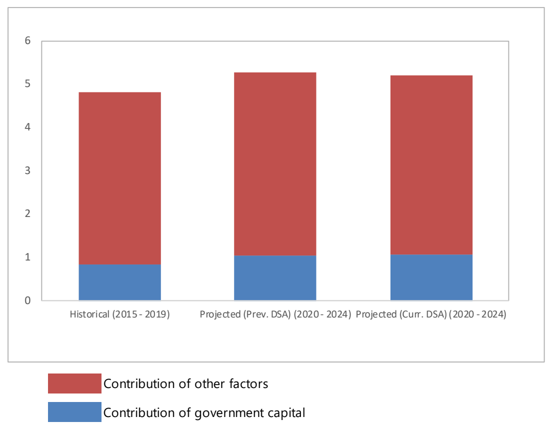
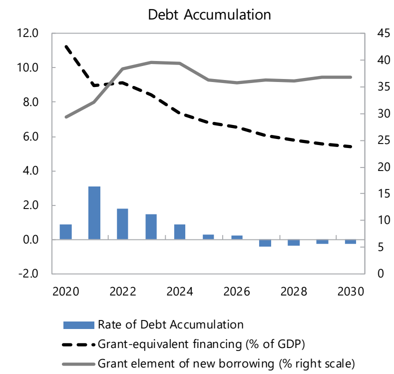


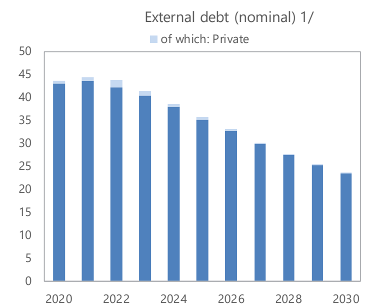
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**48.5**	**48.1**	**44.7**	**43.6**	**44.4**	**43.8**	**41.3**	**38.6**	**35.7**	**23.5**	**16.1**	**38.6**	**35.2**
of which: public and publicly guaranteed (PPG)	**46.5**	**46.3**	**44.6**	**43.0**	**43.6**	**42.2**	**40.3**	**37.9**	**35.2**	**23.5**	**16.0**	**36.6**	**34.7**
Change in external debt	5.7	-0.4	-3.4	-1.1	0.8	-0.7	-2.4	-2.7	-3.0	-1.9	-0.4		
Identified net debt-creating flows	**1.0**	**-0.7**	**-4.0**	**2.2**	**3.9**	**4.4**	**3.6**	**3.3**	**2.5**	**-2.0**	**3.1**	**1.1**	**1.6**
Non-interest current account deficit	**6.9**	**9.1**	**4.6**	**5.6**	**11.4**	**12.0**	**10.4**	**9.5**	**7.9**	**2.5**	**7.3**	**7.2**	**7.1**
Deficit in balance of goods and services	20.4	18.5	18.5	24.4	25.7	25.7	23.2	21.2	19.2	12.6	15.4	**13.9**	**19.5**
Exports	16.6	18.9	20.3	12.1	15.6	19.0	20.1	21.1	21.0	19.7	17.2		
Imports	37.0	37.3	38.8	36.4	41.4	44.7	43.3	42.3	40.2	32.3	32.5		
Net current transfers (negative = inflow)	-14.9	-10.7	-14.9	-19.7	-15.3	-14.6	-13.5	-12.5	-11.9	-10.7	-8.5	**-8.1**	**-13.0**
of which: official	-3.7	-0.9	-3.1	-4.7	-2.1	-2.3	-1.9	-1.6	-1.6	-1.5	-0.8		
Other current account flows (negative = net inflow)	1.4	1.3	0.9	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.4	**1.4**	**0.7**
Net FDI (negative = inflow)	**-5.6**	**-5.5**	**-5.2**	**-4.1**	**-5.6**	**-5.5**	**-4.5**	**-4.2**	**-3.8**	**-3.5**	**-3.5**	**-5.6**	**-4.2**
Endogenous debt dynamics 2/	**-0.3**	**-4.3**	**-3.4**	**0.6**	**-1.8**	**-2.1**	**-2.3**	**-2.0**	**-1.6**	**-1.0**	**-0.6**		
Contribution from nominal interest rate	0.5	0.5	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.3	0.2		
Contribution from real GDP growth	-2.0	-3.2	-2.7	0.0	-2.4	-2.7	-2.8	-2.5	-2.1	-1.3	-0.9		
Contribution from price and exchange rate changes	1.2	-1.6	-1.5	...	...	...	...	...	...	...	...		
Residual 3/	**4.7**	**0.3**	**0.6**	**-3.3**	**-3.1**	**-5.0**	**-6.0**	**-6.0**	**-5.5**	**0.1**	**-3.6**	**0.7**	**-3.5**
of which: exceptional financing 4/	0.0	0.0	0.0	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**33.8**	**33.1**	**33.3**	**32.2**	**30.9**	**29.3**	**27.2**	**17.7**	**11.8**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**166.4**	**274.2**	**213.1**	**169.6**	**153.6**	**139.0**	**129.5**	**90.0**	**68.6**		
PPG debt service-to-exports ratio	**31.2**	**26.2**	**14.2**	**29.3**	**15.7**	**11.5**	**9.7**	**9.7**	**11.9**	**11.6**	**5.8**		
PPG debt service-to-revenue ratio	**44.8**	**41.8**	**20.7**	**26.6**	**17.5**	**15.8**	**13.7**	**14.0**	**16.7**	**14.5**	**6.2**		
Gross external financing need (Million of U.S. dollars)	98.1	141.9	71.9	98.3	181.1	210.9	226.4	221.0	209.5	55.8	402.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	7.2	6.1	0.0	6.0	6.5	7.0	6.5	5.8	5.5	5.5	**2.9**	**5.4**
GDP deflator in US dollar terms (change in percent)	-2.8	3.5	3.1	4.8	2.4	2.2	2.0	2.0	2.6	1.9	1.4	**-0.3**	**2.5**
Effective interest rate (percent) 5/	1.1	1.1	1.6	1.5	1.5	1.4	1.3	1.3	1.4	1.4	1.4	**1.5**	**1.4**
Growth of exports of G&S (US dollar terms, in percent)	2.9	26.3	17.8	-37.7	40.7	32.3	15.5	13.7	8.3	5.6	5.7	**5.5**	**9.6**
Growth of imports of G&S (US dollar terms, in percent)	19.2	12.1	13.8	-1.7	23.3	17.6	5.6	6.2	3.3	5.1	7.2	**6.8**	**6.4**
Grant element of new public sector borrowing (in percent)	...	...	...	29.4	32.2	38.4	39.7	39.4	36.2	36.8	35.7	**...**	**36.1**
Government revenues (excluding grants, in percent of GDP)	11.6	11.8	13.9	13.3	14.1	13.8	14.3	14.6	14.9	15.8	16.2	**11.6**	**14.9**
Aid flows (in Million of US dollars) 6/	115.4	54.4	129.0	207.0	169.3	209.6	211.3	194.6	181.6	206.4	242.1		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	11.2	9.0	9.1	8.4	7.4	6.8	5.4	3.3	**...**	**7.4**
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	80.2	70.4	80.0	82.2	83.6	82.9	82.2	78.3	**...**	**80.9**
Nominal GDP (Million of US dollars)	1,498	1,662	1,818	1,905	2,068	2,252	2,458	2,671	2,900	4,239	8,400		
Nominal dollar GDP growth	1.9	11.0	9.4	4.8	8.6	8.9	9.1	8.7	8.6	7.6	7.1	**2.6**	**8.0**
Memorandum items:													
PV of external debt 8/	...	...	33.9	33.7	34.1	33.8	31.9	30.0	27.7	17.8	11.9		
In percent of exports	...	...	167.0	279.4	218.2	177.6	158.8	142.4	131.9	90.4	69.1		
Total external debt service-to-exports ratio	31.2	26.2	22.3	30.2	19.4	15.4	16.6	14.3	15.1	12.2	5.8		
PV of PPG external debt (in Million of US dollars)			614.6	630.8	689.5	726.3	759.6	781.5	788.8	750.1	989.2		
(PVt-PVt-1)/GDPt-1 (in percent)				0.9	3.1	1.8	1.5	0.9	0.3	-0.2	0.5		
Non-interest current account deficit that stabilizes debt ratio	1.2	9.5	8.0	6.7	10.6	12.6	12.8	12.2	10.9	4.4	7.7		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Includes relief under CCRT.

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

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

7/ 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).

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

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

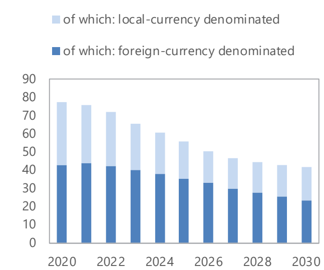
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

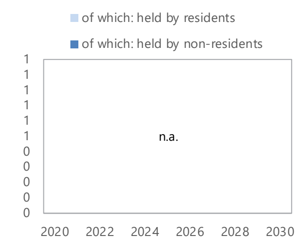
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	87.0	84.6	80.1	77.3	75.9	71.8	65.3	60.7	55.9	41.5	47.0	67.3	57.5
of which: external debt	46.5	46.3	44.6	43.0	43.6	42.2	40.3	37.9	35.2	23.5	16.0	36.6	34.7
Change in public sector debt	6.0	-2.4	-4.5	-2.8	-1.4	-4.1	-6.4	-4.6	-4.8	-1.1	1.9		
Identified debt-creating flows	1.6	-3.7	-5.8	-2.5	-1.3	-4.0	-6.4	-4.6	-4.8	-1.1	1.9	1.0	-3.4
Primary deficit	0.2	3.0	-0.6	-1.1	1.6	-0.4	-1.0	-1.3	-1.8	0.8	3.0	1.0	-0.5
Revenue and grants	19.3	15.1	21.0	23.4	21.3	21.5	21.5	21.0	20.9	20.5	19.0	15.1	21.3
of which: grants	7.7	3.3	7.1	10.1	7.2	7.7	7.2	6.4	6.0	4.7	2.8		
Primary (noninterest) expenditure	19.4	18.1	20.5	22.3	22.8	21.1	20.5	19.7	19.2	21.3	22.0	16.1	20.7
Automatic debt dynamics	1.5	-6.7	-5.2	-1.9	-3.5	-3.8	-3.9	-3.3	-2.8	-1.5	-1.1		
Contribution from interest rate/growth differential	-0.7	-5.8	-4.6	-0.3	-3.7	-3.7	-3.8	-3.2	-2.6	-1.5	-1.2		
of which: contribution from average real interest rate	3.0	0.1	0.2	-0.3	0.7	0.9	0.9	0.8	0.7	0.7	1.2		
of which: contribution from real GDP growth	-3.7	-5.9	-4.8	0.0	-4.4	-4.6	-4.7	-4.0	-3.3	-2.2	-2.4		
Contribution from real exchange rate depreciation	2.1	-0.9	-0.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.5	0.6	0.2	-1.4	-0.1	-0.2	-0.4	-0.1	0.0	-0.3
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other) 2/	0.0	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.3	0.4	0.2	-1.4	-0.1	-0.2	-0.4	-0.1		
Residual	4.4	1.4	1.3	-2.0	0.0	-0.2	-0.2	-0.1	-0.2	0.0	0.1	3.1	-0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	69.9	67.5	65.9	62.1	56.2	52.3	48.2	36.0	43.0		
PV of public debt-to-revenue and grants ratio	...	...	332.0	288.8	310.0	288.3	261.7	249.0	230.2	175.9	226.7		
Debt service-to-revenue and grants ratio 4/	151.1	154.6	113.9	116.5	109.7	94.7	94.6	81.4	79.8	59.7	59.6		
Gross financing need 5/	29.3	26.3	23.4	26.6	25.5	20.2	17.9	15.7	14.7	12.6	14.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	7.2	6.1	0.0	6.0	6.5	7.0	6.5	5.8	5.5	5.5	2.9	5.4
Average nominal interest rate on external debt (in percent)	1.2	1.1	1.7	1.5	1.5	1.4	1.4	1.3	1.5	1.5	1.4	1.6	1.4
Average real interest rate on domestic debt (in percent)	7.8	0.3	0.8	0.1	3.0	3.7	3.9	4.2	4.1	5.2	4.7	5.7	3.9
Real exchange rate depreciation (in percent, + indicates depreciation)	5.5	-2.2	-1.4	...	...	...	...	...	...	...	...	2.5	...
Inflation rate (GDP deflator, in percent)	3.9	7.0	7.1	7.2	4.3	4.4	4.2	4.1	4.8	4.7	4.7	6.1	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	40.6	-0.3	20.2	8.7	8.7	-1.4	3.6	2.7	2.8	5.4	6.3	8.8	5.8
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-5.9	5.3	3.9	1.7	3.0	3.7	5.4	3.3	3.0	1.9	1.1	1.1	3.0

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

2/ Includes relief under CCRT.

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

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

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

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

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

Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public- and Publicly-Guaranteed External Debt, 2020–30

(Percent)

	Projections 1/										
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
PV of debt-to GDP ratio											
Baseline	33.1	33.3	32.2	30.9	29.3	27.2	25.4	23.0	21.0	19.3	17.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	33.1	32.5	30.0	27.8	25.3	23.0	21.3	20.1	20.2	21.4	23.0
B. Bound Tests											
B1. Real GDP growth	33.1	37.7	**41.5**	39.8	37.6	35.0	32.6	29.6	27.0	24.8	22.8
B2. Primary balance	33.1	33.5	32.6	31.3	29.8	27.8	26.0	23.7	21.7	20.0	18.4
B3. Exports	33.1	37.0	**42.6**	**40.8**	38.8	36.3	34.0	30.8	28.0	25.6	23.4
B4. Other flows 3/	33.1	**41.5**	**47.7**	**45.7**	**43.4**	**40.8**	38.1	34.5	31.3	28.6	26.0
B5. One-time 30 percent nominal depreciation	33.1	**41.9**	34.5	33.1	31.3	28.9	26.8	24.4	22.3	20.5	18.9
B6. Combination of B1-B5	33.1	**49.5**	**56.3**	**54.0**	**51.3**	**48.1**	**44.7**	**40.5**	36.8	33.5	30.6
C. Tailored Tests											
C1. Combined contingent liabilities 4/	33.1	34.3	33.7	32.7	31.4	29.6	27.9	25.7	23.8	22.2	20.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**274.2**	**213.1**	169.6	153.6	139.0	129.5	124.0	112.0	103.0	96.3	90.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**274.2**	**207.5**	158.0	138.1	120.3	109.8	104.1	97.9	99.1	107.1	116.9
B. Bound Tests											
B1. Real GDP growth	**274.2**	**213.1**	169.6	153.6	139.0	129.5	124.0	112.0	103.0	96.3	90.0
B2. Primary balance	**274.2**	**213.9**	171.4	155.8	141.5	132.4	127.2	115.4	106.5	99.8	93.7
B3. Exports	**274.2**	**354.2**	**473.7**	**428.7**	**389.1**	**365.6**	**351.0**	**316.5**	**290.1**	**270.0**	**251.1**
B4. Other flows 3/	**274.2**	**265.4**	**250.9**	**227.0**	**206.3**	**194.4**	**186.1**	167.7	153.5	142.6	132.4
B5. One-time 30 percent nominal depreciation	**274.2**	**213.1**	144.4	130.8	118.1	109.4	104.1	94.2	86.8	81.3	76.4
B6. Combination of B1-B5	**274.2**	**394.8**	**238.2**	**405.6**	**368.4**	**346.8**	**330.3**	**297.6**	**272.6**	**253.3**	**235.3**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**274.2**	**219.1**	177.5	162.6	149.0	140.8	136.4	125.1	116.7	110.7	105.0
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**29.3**	**15.7**	11.5	9.7	9.7	11.9	12.7	13.6	12.9	12.1	11.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**29.3**	**16.6**	12.6	11.0	11.4	14.9	**15.8**	**17.0**	**15.9**	14.9	14.7
B. Bound Tests											
B1. Real GDP growth	**29.3**	**15.7**	11.5	9.7	9.7	11.9	12.7	13.6	12.9	12.1	11.6
B2. Primary balance	**29.3**	**15.7**	11.5	9.7	9.7	11.9	12.8	13.8	13.0	12.3	11.9
B3. Exports	**29.3**	**23.7**	**25.3**	**22.7**	**22.5**	**27.1**	**30.8**	**36.1**	**34.0**	**32.1**	**30.7**
B4. Other flows 3/	**29.3**	**15.7**	12.3	11.1	11.0	13.1	**16.0**	**18.7**	**17.6**	**16.6**	**15.9**
B5. One-time 30 percent nominal depreciation	**29.3**	**15.7**	11.5	9.2	9.3	11.5	12.4	12.1	11.4	10.7	10.3
B6. Combination of B1-B5	**29.3**	**22.2**	**23.6**	**20.5**	**20.3**	**24.3**	**30.9**	**33.6**	**31.6**	**29.9**	**28.6**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**29.3**	**15.7**	11.6	9.8	9.9	12.1	13.0	13.9	13.1	12.4	11.9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**26.6**	17.5	15.8	13.7	14.0	16.7	17.2	17.6	16.3	15.4	14.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**26.6**	**18.5**	17.4	15.5	16.5	**20.9**	**21.4**	**21.9**	**20.1**	**18.9**	**18.3**
B. Bound Tests											
B1. Real GDP growth	**26.6**	**19.7**	**20.4**	17.6	**18.0**	**21.5**	**22.1**	**22.6**	**21.0**	**19.8**	**18.6**
B2. Primary balance	**26.6**	17.5	15.8	13.7	14.1	16.8	17.3	17.8	16.5	15.6	14.8
B3. Exports	**26.6**	17.6	16.5	15.2	15.4	**18.0**	**19.7**	**22.0**	**20.4**	**19.2**	**18.1**
B4. Other flows 3/	**26.6**	17.5	17.0	15.7	15.9	**18.4**	**21.7**	**24.1**	**22.3**	**21.0**	**19.8**
B5. One-time 30 percent nominal depreciation	**26.6**	**22.0**	**19.9**	16.4	16.9	**20.4**	**21.0**	**19.6**	**18.1**	17.1	16.1
B6. Combination of B1-B5	**26.6**	**19.8**	**21.5**	**19.2**	**19.4**	**22.6**	**27.6**	**28.6**	**26.5**	**25.0**	**23.5**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**26.6**	17.5	16.0	13.9	14.2	17.0	17.5	17.9	16.6	15.7	14.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.
4/ Shock set at 8.7 percent of GDP (5 percent of GDP represents a financial sector shock and 3.7 percent of GDP accounts for non-guaranteed SOEs debt).

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					PV of Debt-to-GDP Ratio						
Baseline	**67.5**	**65.9**	**62.1**	**56.2**	52.3	48.2	43.4	39.9	38.3	36.8	36.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**67**	**66**	**65**	**62**	**61**	**60**	**57**	**56**	**55**	54	53
B. Bound Tests											
B1. Real GDP growth	**67**	**76**	**85**	**81**	**79**	**77**	**74**	**73**	**74**	**75**	**77**
B2. Primary balance	**67**	**67**	**64**	**58**	54	50	45	42	40	38	37
B3. Exports	**67**	**69**	**72**	**66**	**62**	**57**	52	47	45	43	41
B4. Other flows 3/	**67**	**74**	**78**	**71**	**67**	**62**	**56**	51	49	46	44
B5. One-time 30 percent nominal depreciation	**67**	**71**	**66**	**59**	54	49	43	39	36	34	32
B6. Combination of B1-B5	**67**	**67**	**67**	**61**	**58**	54	50	46	45	44	44
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**67**	**74**	**70**	**63**	**59**	54	49	46	44	42	41
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
					PV of Debt-to-Revenue Ratio						
Baseline	288.8	310.0	288.3	261.7	249.0	230.2	208.6	187.5	180.7	178.0	175.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	289	310	298	283	283	278	269	256	254	251	248
B. Bound Tests											
B1. Real GDP growth	289	343	359	345	348	342	331	320	327	340	352
B2. Primary balance	289	315	298	271	258	239	217	195	188	185	183
B3. Exports	289	326	335	306	293	272	249	223	213	208	203
B4. Other flows 3/	289	349	361	331	317	296	270	242	230	223	217
B5. One-time 30 percent nominal depreciation	289	343	314	281	262	239	211	186	174	167	160
B6. Combination of B1-B5	289	315	304	278	269	253	234	214	210	210	210
C. Tailored Tests											
C1. Combined contingent liabilities 4/	289	349	323	295	281	260	237	214	206	203	200
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					Debt Service-to-Revenue Ratio						
Baseline	116.5	109.7	94.7	94.6	81.4	79.8	80.1	63.1	54.5	60.0	59.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	116	111	95	101	93	98	105	93	88	95	90
B. Bound Tests											
B1. Real GDP growth	116	119	116	125	118	125	133	118	115	128	134
B2. Primary balance	116	110	98	100	86	84	84	66	58	63	62
B3. Exports	116	110	95	95	82	81	82	66	57	63	62
B4. Other flows 3/	116	110	95	96	83	81	83	68	59	64	64
B5. One-time 30 percent nominal depreciation	116	106	93	92	80	78	80	63	55	60	59
B6. Combination of B1-B5	116	110	99	99	88	88	91	75	68	75	77
C. Tailored Tests											
C1. Combined contingent liabilities 4/	116	110	120	111	99	95	93	74	64	69	68
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.
4/ Shock set at 8.7 percent of GDP.

Statement by Ms. Ita Mary Mannathoko and
Mr. Tamsir Cham on The Gambia
January 15, 2021

INTRODUCTION

1. Our Gambian authorities appreciate the effective engagement and candid discussions they had with staff during this first review of their Extended Credit Facility (ECF) program. The COVID-19 pandemic had a severe impact on The Gambian economy, disrupting the very strong growth performance seen in 2018 and 2019. While the authorities implemented aggressive response measures that effectively contained the spread of the virus, as a result of this, the economy stagnated in 2020. Fund support in the form of the ECF approval alongside timely provision of emergency financing by the IMF in April catalyzed donor support, backing the authorities' efforts to preserve macroeconomic stability, counter the economic and health impacts of the pandemic, and protect vulnerable households. Looking ahead, while a v-shaped recovery is expected, growth prospects nevertheless remain subject to significant risks, including the resurgence of the virus in major source markets for tourism and associated travel restrictions.

2. To help bridge the balance of payments gap and support a durable recovery, the authorities seek Directors' support for the completion of the first review of The Gambia's ECF-supported program and the financing assurances review. They also request a waiver for nonobservance of a PC and augmentation of access under the ECF arrangement. The additional financing will bolster the fiscal position allowing the authorities to strengthen the health care system, and further broaden the coverage of social support.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3. Economic growth is estimated to have declined markedly from 6.1 percent in 2019 to zero percent in 2020, due to a standstill in tourism, the mainstay of the Gambian economy, and a slowdown in other contact dependent service sectors. This notwithstanding, the decline in tourism was moderated by expansion in the agriculture sector and an increase in foreign exchange inflows that helped finance activity in construction and commerce. Going forward, growth is expected to rebound to 6.0 percent in 2021 and average 6.5 percent per year in the medium-term, benefitting from a robust

fiscal stimulus in the FY 2021 budget, recovery in the tourism sector, absorption of new technology that is expected to boost factor productivity; and a resumption in public investment.

4. Inflation declined from 7.7 percent in December 2019, to 5.6 percent in October 2020 due to low fuel prices and stability in the dalasi, as private remittance and capital inflows, and official transfers improved reserve coverage of imports, and boosted confidence in the currency. Looking ahead, renewed inflationary pressures could emanate from rising food prices attributed among other things, to logistical challenges in global supply chains.

5. The current account deficit widened to 5.6 percent of GDP in September 2020 from 2.0 percent of GDP in the corresponding period of 2019, reflecting the virtual halt in tourism receipts due to the COVID-19 pandemic. Continued support from the IMF and development partners will be important to shore up reserve buffers and reduce pressure on the exchange rate.

PROGRAM PERFORMANCE

6. Program performance remains strong. Six out of the seven quantitative performance criteria (PC) through the end-June test date were met. These include the program ceiling on central government net domestic borrowing (NDB), and the ceilings on the stock of net domestic assets (NDA) of the central bank, new non-concessional external debt contracted and guaranteed, and the outstanding stock of external public debt with original maturity less than one year guaranteed by central government. In addition, the floors on the stock of net usable international reserves (NIR) of the central bank for the end-June 2020 and for end-September 2020 were exceeded with significant margins. The single PC that was missed was for a continuous zero-ceiling on new external payments arrears of the central government, however the arrears were subsequently cleared and corrective action was taken to prevent recurrence of arrears with the relevant SOE required to make provisions to settle future payments on time and to alert the Ministry of Finance and Economic Affairs if there's likely to be a delay.

7. Two out of three indicative targets (IT) were met for end June 2020, the exception being the floor on poverty-reducing spending. All the ITs for end September 2020 were met, including the floor for poverty-reducing spending. Structural benchmarks (SBs) for the program for end June 2020 were also met, benefitting from robust technical assistance from the IMF. While three end September 2020 SBs were missed as their implementation was impacted by capacity constraints induced by the COVID-19 pandemic, the related program commitments have since been implemented. Updating the Medium-Term Debt Strategy (MTDS) and its publication were completed in October 2020, while policy actions agreed with staff to launch the reform of tax exemptions policy, and the rationalization of subvented agencies were completed and are articulated in the 2021 budget speech.

POLICY OBJECTIVES

Fiscal Policy and Debt Management

8. Fiscal policy has focused on addressing the emergency measures needed to mitigate the impact of the pandemic. The FY 2021 budget will also support the economic recovery. Given the uncertainty around the recovery stage, the authorities remain mindful of the need for prudent policies and orderly execution of the FY 2021 budget, guided by the medium-term fiscal framework, consistent with the program. While the budget aims to deliver a strong stimulus to support the recovery, the authorities plan to tighten fiscal policy once the economic recovery takes hold in order to safeguard debt sustainability. The authorities recognize the importance of maintaining fiscal prudence.

9. Efforts to bolster revenue collection continue. Notwithstanding the increase in domestic revenues in 2020 due to one-off non-tax receipts from the sale of assets authorized by the Janneh Commission, the authorities continue to intensify revenue collection. They are taking steps to eliminate all ad-hoc tax exemption, while restoring full authority to approve tax exemptions, implement new tax exemption policy and strengthen tax compliance, to the Ministry of Finance and Economic Affairs. Other revenue-enhancing measures include the realignment of the taxpayers registration and reporting thresholds for selected tax items, and the increase of excise tax rates on tobacco products.

10. Our authorities attach great importance to PFM reforms, consistent with commitments under the program. To this end, the ongoing civil service reform by the Personal Management Office (PMO) is critical to addressing associated inefficiencies in public spending. A nationwide staff audit was conducted, with the final report to be shared with ministries in the near future. The PMO has also developed a Civil Service Grading, Pay and Incentive Policy that will recommend a reasonable minimum salary for civil servants. There also plans to effect salary payments electronically (bank or mobile money) starting in 2021.

11. The authorities are also extending the integrated financial management information system (IFMIS) to self-accounting agencies in order to strengthen expenditure management and reporting. In this regard, the functionalities and coding of the IFMIS system have been upgraded to facilitate the timely production of comprehensive reports on public expenditure; including poverty related spending. The authorities have completed a capacity assessment for the rollout of IFMIS to projects and subvented agencies with a view to enabling fiscal transparency and oversight. In addition, they have taken steps to fast-track the completion of Treasury Single Account (TSA) and to strengthen the functioning of the cash management framework to optimize the available resources.

12. The authorities have made significant progress in the area of debt sustainability including meeting the net domestic borrowing (NDB) target, as well as that for new non-concessional external debt contracted or guaranteed by the central government. There is significant improvement in debt management and the updated Medium-Term Debt Strategy (MTDS) was completed and published in October 2020. It will guide efforts to optimize government borrowing policy while reducing rollover risk; and will serve as a plan for the development of a secondary market in government debt instruments. Meanwhile, the authorities continue to rely on grant financing and highly concessional borrowing for foreign-financed projects. The authorities continue to step up efforts to strengthen oversight of contingent liabilities in order to ameliorate fiscal risks arising

from SOEs. This includes ensuring timely debt service payments on debt guaranteed by the government. At the same time, the authorities are strengthening their debt recording and reporting capacity.

Monetary and Financial Sector Policies

13. An accommodative monetary policy stance remains consistent with the low inflation environment and weak economic activity in the wake of the pandemic. The central bank of The Gambia (CBG) reduced the policy rate to 10 percent in May 2020 from 12.5 percent end-December 2019; and lowered reserve requirement to 13 percent from 15 percent (while advising banks to postpone the distribution of dividends). The CBG will continue to use interest rate-based instruments to support the recovery, boosting aggregate demand while containing inflationary pressures. The central bank remains committed to a flexible exchange rate regime; it continues to serve the authorities well in adjusting to shocks. The CBG will only intervene in the foreign exchange market occasionally to smoothen disorderly movements in the market.

14. Central bank autonomy remains high on the authorities' agenda. In this regard, significant progress has been made in strengthening the legal framework, modernizing the internal audit function, and improving financial reporting. The CBG also continues to strengthen its control and audit processes with active oversight by the Bank's Board and the Audit Committee.

15. In the financial sector, the COVID-19 pandemic has impacted asset quality in banks and nonbank financial institutions, particularly those with exposure to tourism- related sectors. In this regard, the authorities continue to address liquidity-stressed bank clients on a case- by- case basis, and the CBG continues to urge financial institutions to delay dividend distributions to preserve capital buffers. The authorities are implementing the 2019 FSSR recommendations to develop their macroprudential tools. They are also taking steps to develop a framework for banking sector stress testing, strengthening the supervision of Non-Bank Financial Institutions (NBFIs), and partnering with telecommunication companies to develop FINTECH and reinforce confidence in mobile banking that will improve financial inclusion.

Governance and Structural Policies

16. Our authorities continue to implement structural reforms to support competitiveness, enhance inclusive growth and bolster governance. With respect to the latter, the anti-corruption bill, which seeks to strengthen the fight against rent-seeking by public officials, has been submitted to the National Assembly for timely enactment. Furthermore, in line with the recommendations of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) the authorities are strengthening the AML/CFT framework to help curb illicit financial flows.

17. On competitiveness, the authorities recognize the importance of improving the business environment to support private sector-led growth. They are taking steps to improve The Gambia's ranking in the Global Competitiveness Index. This includes expanding the seaport, improving the port's IT infrastructure, implementing an ambitious energy

roadmap, and upgrading IT infrastructure in the Gambia Revenue Authority (GRA) to enhance transparency and boost tax compliance. The authorities are also working to improve digitalization of the economy and the related regulatory environment.

18. The authorities remain committed to building transparency. In compliance with the RCF, the authorities have pledged full transparency in the use of the COVID-related resources. To this end, they will publish all COVID-19 related procurement contracts online, and further strengthen emergency-related procurement practices drawing on the provisions of the revised GPPA Act soon to be approved by the National Assembly. The authorities have also created a sub-account in the Treasury Single Account, for the COVID-19 spending, and a committee that oversees the account. They also strengthened the internal audit function at the Ministry of Health and arranged for an independent ex-post audit by the National Audit Office (NAO), of all COVID-19 related expenditure which will be finalized by end-September 2021.

19. Our authorities have continued to implement the strategy to counter trafficking in persons (TIP) and made significant progress. They have ramped up investigations and improved coordination with partner organizations to scale up the training of public officials working on human trafficking issues. In addition, they have strengthened the internal capacity to identify trafficking victims, while further building public awareness and carrying out an engagement campaign on TIP and child sex trafficking. As part of the anti-human trafficking strategy, the authorities will accelerate work on investigations and prosecutions to swiftly bring perpetrators to justice. The notable progress made is recognized in the latest US State Department human trafficking report, with the country's rating elevated from Tier 3 to Tier 2.

CONCLUSION

20. The Gambian authorities remain steadfast in pursuing reforms under the program, notwithstanding significant challenges brought about by the pandemic. They continue to value Fund support in building capacity and implementing prudent policies to support inclusive growth. They consider this Fund support an important complement to their efforts to realize national economic objectives as articulated in the National Development Plan. The authorities look forward to Director's support in completion of this first review under the extended credit facility, and the associated financing assurances review.