The Gambia: Requests for Disbursement Under the Rapid Credit Facility and Modification of Performance Criteria Under the Extended Credit Facility Arrangement-Press Release; Staff Report; and Statement by the Executive Director for The Gambia

INTERNATIONAL MONETARY FUND

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THE GAMBIA

April 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of the Requests for Disbursement Under the Rapid Credit Facility and Modification of Performance Criteria Under the Extended Credit Facility Arrangement, 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 April 15, 2020, following discussions that ended on April 3, 2020, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangements under the Rapid Credit Facility and the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 8, 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 Approves a US$21.3 Million Disbursement to The Gambia to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- *The COVID-19 pandemic is projected to lower growth of The Gambian economy to 2.5 percent in 2020*
- *To address the urgent balance-of-payments need, the IMF Executive Board has approved financial assistance for The Gambia in the amount of US$21.3 million under the Rapid Credit Facility. The country will also benefit from IMF debt service relief under the Catastrophe Containment and Relief Trust.*
- *The immediate challenge is to contain the spread of COVID-19, strengthen medical care, implement the social distancing and other containment measures, and mitigate the economic impact of the pandemic, especially on the most vulnerable.*

Washington, DC – April 15, 2020. The Executive Board of the International Monetary Fund (IMF) today approved a disbursement of SDR 15.55 million (about US$21.3 million or 25 percent of its SDR quota) for The Gambia under the Rapid Credit Facility (RCF). The financing provided under the RCF will help the country meet its urgent balance-of-payments (BOP) need as well as support the authorities' efforts to contain the spread of COVID-19 and limit its adverse economic and social impacts.

The Gambia is being severely affected by the COVID-19 pandemic. While the spread of the virus in the country remains contained, The Gambia is extremely vulnerable to the pandemic due to the density of its population and a weak health system.

The economic impact is large. The global pandemic and related emergency measures have halted tourism (the mainstay of The Gambian economy), disrupted trade, and reduced remittances and private capital inflows. The real GDP growth projected for 2020 has been revised from 6.3 percent to 2.5 percent and the BOP outlook has weakened by about US$46 million (2.4 percent of GDP). The immediate gross fiscal impact, including revenue shortfalls due to the disruption of economic activity and the expected delay in public investment, is estimated at about 3.6 percent of GDP. Half of this amount corresponds directly to emergency spending on healthcare and logistics, and increased spending on social support, including food distribution, compensation to frontline workers and support to small businesses.

The emergency support to The Gambia will supplement financing from the IMF under a US$47.1 million Extended Credit Facility arrangement for The Gambia approved on March 23, 2020. To accommodate the worsened BOP outlook, the IMF Executive Board also approved today the authorities' request to modify the ECF performance criteria on net usable international reserves and net domestic assets of the central bank.

The Gambia has also benefited from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to all countries eligible for support from the International Development Association (IDA) in the form of grant assistance under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT). As a result, The Gambia will receive relief from the CCRT on debt service falling due to the IMF in the next 6 months (about US$2.9 million). This relief could be extended for up to 2 years, subject to the availability of resources under the CCRT.

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

“The global COVID-19 pandemic is straining The Gambian economy, notably as international travel and tourism are halted. The Gambian authorities are acting decisively to contain the domestic spread of the pandemic and mitigate its impact on the economy. The IMF Executive Board’s approval of a disbursement under the Rapid Credit Facility will help fill the urgent balance-of-payments need and augment budget resources.

“The authorities’ support for social programs is being severely tested. In this context, a better targeting and timely delivery of social assistance to the most affected households and sectors is needed during the pandemic.

“It is important to establish appropriate criteria and reporting requirements for the use of emergency spending and ensure that COVID-related operations and outlays undergo a full independent audit to enhance transparency. In order to safeguard debt sustainability, the authorities are encouraged to seek additional grant financing for emergency spending.

“The Central Bank of The Gambia should continue to monitor developments in the financial sector, to ensure adequate liquidity and oversight, while avoiding a blanket weakening of supervisory standards. A strengthening of market surveillance under the existing regulations will help detect and address appropriately any weakening of banks’ foreign exchange positions. Maintaining a flexible exchange rate will help absorb balance-of-payments shocks. “

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

THE GAMBIA

April 8, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. On March 23, 2020, the Executive Board of the IMF approved a 39-month Extended Credit Facility (ECF) arrangement for The Gambia in the amount of SDR 35.0 million (equivalent to 56.3 percent of quota). Faced with the COVID-19 pandemic, the authorities' initial policy response has focused on public health preparedness and containment. Staff has lowered the 2020 real GDP growth projection for The Gambia from 6.3 percent to 2.5 percent, although this assessment is subject to elevated downside risks.

Request for IMF Support. The authorities are seeking financial assistance in the amount of SDR 15.55 million (25 percent of quota) under the exogenous shock window of the Rapid Credit Facility (RCF) to address their urgent BOP need and request that the RCF disbursement be on-lent to supplement budget resources. The Gambia meets the RCF eligibility requirements; and the requested level of access is adequate and consistent with debt sustainability and with The Gambia's capacity to repay the Fund. The Gambia is also eligible for debt relief under the Catastrophe Containment and Relief Trust (CCRT) which, once delivered, will further strengthen its capacity to repay. Staff supports the authorities' request for IMF support, including the request that the RCF disbursement be on-lent to the Treasury to help address emergency fiscal needs.

Request for modification of performance criteria under the ECF-supported program. Preliminary data indicate that the end-March indicative program targets are likely to have been met. Going forward, the authorities request that the quarterly NUIR and NDA targets (and the related end-June and end-December performance criteria) be revised to accommodate the deterioration in the BOP outlook. Staff supports the request for the modification of performance criteria at this stage.

Key policy recommendations

- Fiscal policy to focus first and foremost on meeting priorities related to the epidemic.
- Greater exchange rate flexibility is desirable to maintain adequate reserves.

Approved By
Annalisa Fedelino (AFR) and Craig Beaumont (SPR)

An IMF team comprising: J. Wieczorek (head), M. Barry, H. Devine, F. Kumah, M. Norat (all AFR), W. Daal (FAD), and S. Khan (SPR) held discussions with The Gambian authorities via teleconferences led by Finance Minister Njie, Central Bank Governor Jammeh, and other senior government officials on March 25 and April 3, 2020. Ms. Quartey assisted in the preparation of this report.

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BACKGROUND

1. **On March 23, 2020, the Executive Board of the IMF approved for The Gambia a 39-month ECF arrangement in the amount of SDR 35.0 million (56.3 percent of quota)**. Under the baseline, the program projected real GDP growth at 6.3 percent in 2020 and to average 5.3 percent per year over the medium term, predicated among others on strong growth in tourism, and inflation was expected to decline from 7.7 percent (y/y) at end-2019 to 6.2 percent in 2020 and to reach the Central Bank of The Gambia's (CBG) medium-term target of 5.0 percent by 2023. Under the program, the reserve cover of prospective imports was projected to increase from 3.4 months in 2019 to 4.4 months by the end of the ECF arrangement in 2023.

2. **However, the COVID-19 pandemic affected The Gambia, impacting activity in key sectors, and posing large downside risks**. As of April 3, there were 4 confirmed cases of COVID-19 in The Gambia, including one fatality. Two patients recovered and one is still undergoing treatment. All four confirmed cases were imported and there is yet no evidence of local transmission. More than 245 people (mostly those who recently arrived from countries with more than 100 confirmed cases) were quarantined, of whom about 100 already completed the obligatory 14-day isolation. The risk of COVID-19 spreading rapidly is elevated, due to the high density of population (especially in the greater Banjul area) and the fragility of the health system. The need to enforce containment measures (see ¶5) prompted the authorities to declare a state of emergency effective March 27. The pandemic has impacted tourism (the mainstay of The Gambian economy) and related services, construction, and led to a decline in remittances. Economic growth is expected to slow by about two-thirds and urgent fiscal and BOP needs have arisen. At the same time, inflation is expected to follow the previous path. While the shock is expected to disrupt trade and, possibly, also weaken the dalasi, the sharp decline in the petroleum prices and measures taken to ensure availability of essential goods are expected to mitigate inflationary pressures.

PRE-COVID-19 ECONOMIC DEVELOPMENTS

3. **Economic performance prior to intensification of the pandemic and the authorities' adoption of measures was consistent with the program**. Tourist arrivals and private FX inflows in January and February 2020 reached new record levels, supporting continued accumulation of gross official reserves and the dalasi remained stable relative to the US dollar. Consumer price inflation increased marginally from 7.7 percent (y/y) at end-2019 to 7.8 percent at end-February 2020.

4. **End-March ECF indicative program targets were likely met**. As of March 27, net domestic borrowing (NDB) of the government stood at GMD 889.3 million (compared with the end-March program ceiling of GMD 1.65 billion), the net usable international reserves (NUIR) of the CBG stood at US$191.34 million (compared with the end-March program floor of US$170 million), and net domestic assets (NDA) of the CBG stood at GMD 6,125.4 million (compared with the end-March program ceiling of GMD 6,843 million). Preliminary data indicate that total domestic revenue collection in January–March was GMD 3.2 billion, of which tax revenue represented about 90 percent (i.e., at least GMD 2.8 billion, compared with the program floor of GMD 2.5 billion). Also, the sole structural benchmark for end-March (on the preparation of the Treasury cashflow plan) was met.

IMPACT OF THE COVID-19 PANDEMIC

The global pandemic is expected to impact negatively the external and fiscal balances, and its local outbreak is already straining the fragile health system, hampered by a dearth of medical staff and supplies. With tourism expected to halt for at least three months, private and public investment cut back, and a major disruption of international trade, GDP growth in 2020 is expected to drop from 6.3 percent projected earlier to about 2.5 percent.[1] *The immediate emergency BOP and related budgetary needs are estimated to exceed 2.0 percent of GDP. Also, nearly 1.5 percent of GDP in public investment spending (mostly foreign financed) is expected to be postponed. Assuming the pandemic is temporary, economic activity begins to normalize in the second half of 2020, and returns to the baseline two years later (Table 1), although downside risks to this outlook are elevated.*

A. Initial Response and Impacts

5. The Gambian authorities have acted fast to contain the spread of the virus. Measures adopted as of March 30 include (i) the declaration of a state of emergency and the closure of non-essential public and private services; (ii) the closure of air space and land borders; (iii) a temporary closure of restaurants, bars, and mosques; and (iv) a rotating reduced civil service staff attendance to ensure business continuity in delivering basic services. The authorities recognize that aggressive containment measures are critical to nip the COVID-19 incidence in the bud, as the local health care system will not be able to cope with numerous cases. In parallel, to ensure food security and availability of other critical supplies, the authorities temporarily prohibited exports and froze prices of essential food, cement, and petroleum products, and made arrangements to replenish stocks.

Text Table 1. BOP Impact Summary, 2020

(Millions of U.S. dollars)

Overall balance	**-45.9**
Trade balance	15.0
Exports of goods and services	-83.7
Of which : Travel income (tourism)	-56.6
Imports of goods and services	-98.7
Of which : Emergency imports ("+")	16.0
Remittances	-38.3
Capital account (project grants)	-15.0
Financial account	-7.6
Foreign direct investment	-33.1
Project loans	-10.0
Private sector FX holdings (reduction)	35.5
Financing sources	**45.9**
Drawdown of official reserves	10.0
IMF (2020 RCF)	**21.5**
WB COVID-19 assistance	10.0
Exceptional financing (CCRT debt relief)	**4.4**

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

[1] To the extent that the impact of the pandemic on growth in The Gambia is stemming from the suspension of international travel (a dominant factor thus far), its effect is dampened by the local seasonality of tourism; only one quarter of tourist arrivals in The Gambia occur between March and October, of which nearly two-thirds in April–June. While the assumption that the suspension of international travel, which started in late March, will last for three months represents a lower bound of the possible range of scenarios, its impact would be significantly larger only if this suspension lasted more than six months and perdured during the peak season, which starts in October.

6. Although lower oil prices lightened the import bill, the net impact of the pandemic on the BOP is negative (Text Table 1). On updated projections, the overall BOP will weaken by nearly US$46 million (2.4 percent of GDP) relative to the program projection. The main drivers are the disruption of tourism, a decline in remittances (which started to drop sharply in mid-March), and additional official imports to support containment efforts, ensure food security, and continuity of other essential supplies. Nearly US$36 million of the urgent BOP needs are expected to be covered by an emergency grant from the World Bank (US$10 million), requested RCF disbursement (about US$21 million), and debt relief from the Catastrophe Containment and Relief (see ¶14). The remainder would be reflected in gross reserves accumulation being lower by US$10 million than projected under the ECF program. This, however, will not affect the reserve cover (3.7 months of prospective imports) as imports in 2020 are also projected to be lower (Tables 2, 3 and 9).

7. The immediate gross fiscal impact is estimated to be at least 3.6 percent of GDP (Text Table 2 and Tables 4–5). Putting aside 0.8 percent of GDP in lower disbursement of project grants, reflecting the expected delay in the implementation of foreign-financed projects (with another 0.5 percent of GDP reflected in lower disbursement of project loans), the gross fiscal needs related to COVID-19 emergency are estimated at about 2.8 percent of GDP. This reflects a domestic revenue shortfall of about 1.0 percent of GDP during the next three months and 1.8 percent of GDP reflecting additional spending on health (under the Ministry of Health action plan prepared in collaboration with WHO and UNDP), logistics, security, and social interventions, including distribution of basic foodstuffs to the needy. An added challenge is that the existing programs (such as, school feeding) rely on institutions that are currently closed. Further, the domestic interest bill is expected to increase by 0.1 percent of GDP, as domestic interest rates have risen; on March 24, the average yield on 364-day T-bills was 11.4 percent, 400 bps higher than at end-2019.

Text Table 2. Fiscal Impact Summary, 2020

(Percent of GDP)

COVID-19 Impact	
Revenues	**-1.8**
Domestic revenue	-1.0
Project grants	-0.8
Expenditure	**1.8**
COVID-19 Action Plan (Health spending)	0.5
Other emergency COVID-19 spending for logistic and security	0.6
Social interventions (e.g. food security)	0.5
Domestic interest	0.1
Gross impact	**3.6**
Measures and financing	
Measures	**2.4**
Revenue measures	**0.1**
Revenue petroleum price margins to increase	0.1
Expenditure measures	**-2.3**
Reallocation of G&S spending	-0.5
NAWEC Subsidy	-0.2
Acquisitions of nonfinancial assets	-1.6
Foreign financed	-1.3
Gambia local fund	-0.3
Financing	**-0.5**
Project loans	-0.5
COVID-related support	**1.9**
World Bank COVID support (grant)	0.5
IMF RCF	1.1
CCRT Debt Relief	0.2
Residual financing need	**0.0**

Sources: The Gambian authorities: and IMF staff estimates.

8. Beyond these immediate needs, fiscal costs may rise further. Deferral of tax payments (already requested by some private operators) and possibly the need to execute emergency spending over a more prolonged period, even if the spread of COVID-19 to The Gambia remains relatively contained, will create pressures. In preparation for such a scenario, the authorities and donors are discussing possible additional interventions in kind (e.g., to increase the availability of medical supplies and basic food), as well as possible augmentation of grants for budget support.

B. Risks to the Outlook

9. Risks are elevated owing to uncertainty around the duration of the global pandemic and its intensity in The Gambia. The revised outlook is predicated on the temporary nature of the COVID-19 pandemic and the normalization of the global economic outlook beginning from the second half of 2020. A more protracted or recurrent pattern of the pandemic at the global or regional level will further deepen and delay the economic recovery, particularly as The Gambia's economy is highly dependent on tourism. Should the recovery take longer than expected and the BOP and fiscal pressures persist, the authorities may require additional support from The Gambia's development partners. Given The Gambia's debt situation, in preparation for such an eventuality, the authorities are seeking to secure commitments of additional donor support in kind or in the form of financial grants or highly concessional loans. At the same time, they are strengthening financial sector oversight, while relying on the flexible exchange rate as a shock absorber.

POLICY ISSUES

10. The authorities are taking mitigating revenue measures and re-allocating budgetary resources from non-essential spending to limit budgetary pressures and reduce BOP needs. On the revenue side, the authorities are letting domestic petroleum price margins increase, which will reduce the drop in revenue by at least 0.1 percent of GDP. Expenditure reallocations within the budget envelope for goods and services, slowing the implementation of domestic public investment projects, reduced subsidies to NAWEC (including by taking advantage of the new contract with Karpower, the largest electricity supplier to NAWEC, based on a flexible fuel pricing formula), and savings on travel expenses are expected to free about 1.0 percent of GDP for COVID-19 emergency, while anticipated delays in the implementation of foreign-financed public investment will be matched by lower disbursement of project loans and grants. Overall, the unmet immediate fiscal financing needs are estimated at about 1.9 percent of GDP (about US$35 million), which corresponds approximately to what is being made available by the World Bank from the emergency COVID response window (US$10 million or 0.5 percent of GDP), mobilized via the exogenous shock window under the RCF (about US$21 million or 1.1 percent of GDP), and debt relief from the CCRT on the debt service to the Fund falling due during April 14, 2020–October 13, 2020 (about US$2.9 million or about 0.2 percent of GDP).

11. The authorities are mindful of the need to ensure transparency in managing the impact of COVID-19 on public finances. With temporary closure of the National Assembly and the situation of public finances being too fluid to prepare a credible supplementary budget, the authorities can use two options provided in The Gambia Public Finance Act to accommodate new spending priorities during a fiscal year on a provisional basis. These are: (i) budget reallocation; and (ii) creation of an emergency fund (capped at 1 percent of current budget) as a dedicated spending line within the treasury single account. The authorities have, so far, been re-allocating spending from the existing 2020 budget to accommodate the COVID-19 spending. Once the situation normalizes and the size of the COVID-19 spending can be fully assessed, the authorities will need to prepare a supplementary budget to maintain budget transparency and ensure that all the 2020 priorities are appropriated and executed in 2020 to the extent of the financing available. This will prevent creating

spending pressures in the 2021 budget. The authorities are also working to ensure transparency in crisis-related procurement and contracting to mitigate the risk of corruption in public expenditure.

12. Supportive steps are also being taken using monetary and financial sector policies. The CBG reduced its monetary policy rate by 50 basis points at end-February 2020 to 12 percent and increased the rate on the standing deposit facility by the same margin to 3 percent. Liquidity conditions are tightening, and credit growth is expected to be below ECF projections (Tables 6 and 7). The CBG is actively monitoring the situation and is in close communication with banks and ready to respond as inflationary pressures warrant, while increasing the intensity and frequency of supervision. Further measures are under consideration, including lowering reserve requirements and providing emergency liquidity support. Until recently, the CBG continued to make occasional FX purchases in the market to strengthen reserves by taking advantage of the relative FX abundance. The dalasi depreciated against the U.S. dollar by 3.3 percent (y/y) as of end-March 2020, which the CBG deemed consistent with the underlying equilibrium. Going forward, the risks of a weakening in the dalasi are heightened as FX inflows from tourism and remittances have dropped significantly, shaving off banks' buffers and igniting financial sector risks.[2] In this context, staff stressed to the CBG the need for an ongoing careful coordination of monetary, exchange rate and macroprudential policies (e.g., reductions in its minimum reserve requirements) and for continued adherence to its flexible exchange rate policy as a shock absorber. The CBG reiterated its commitment to maintain a flexible exchange rate system and not to impose new or intensify existing exchange restrictions.

ACCESS AND CAPACITY TO REPAY THE FUND

A. Access Level, Modalities, and Modification of Program Targets

13. In view of the urgent BOP need arising from the COVID-19 pandemic, the authorities are requesting a disbursement under the exogenous shock window of the RCF in the amount of SDR 15.55 million (25 percent of quota). In the current circumstances, it is not feasible to pursue an augmentation of access under the ECF arrangement due to the high uncertainty regarding the duration and scale of the COVID-19 impact, the authorities' now operating with a skeleton staff entirely focused on dealing with the emergency, and the practical difficulties of holding comprehensive policy discussions (for an ad hoc review) remotely given The Gambia's weak IT infrastructure. In parallel, the World Bank is providing an emergency grant of US$10 million (approved on April 2). Together, these resources would cover the immediate emergency BOP and fiscal needs (after measures), thereby substantially reducing the projected COVID-19 impact on gross official reserves and helping take pressure off the domestic interest rates. The authorities deem the access of 25 percent of quota adequate in current circumstances and appropriate, given The Gambia's high risk of debt distress. To safeguard the hard-won debt sustainability, they are seeking grants from other development partners to cover possible additional spending needs, which are being assessed in discussions with competent stakeholders (WHO, UNDP, the World Bank). As the requested RCF loan will be on-lent to the government, an MoU has been signed between the

[2] Vulnerabilities are highest in the tourism sector, with one hotel experiencing loan servicing problems already before the COVID 19 pandemic, which showed in the buildup of NPLs in late 2019 (Table 8).

Ministry of Finance and Economic Affairs and the CBG on their respective roles and responsibilities for servicing the related financial obligations to the Fund.

14. The Gambia is eligible for debt relief under the CCR Trust, as a PRGT-eligible country with an annual per-capita income below the prevailing IDA cut-off level. The maximum extent of the relief would amount to SDR 7.93 million or 12.75 percent of quota, reflecting debt service due to the IMF over the 24 months from April 14, 2020. At this stage, the grant from the CCRT will cover the debt service to the Fund falling due during April 14, 2020–October 13, 2020, which amounts to SDR 2.10 million or 3.38 percent of quota. The provision of the remaining tranche is subject to the availability of resources under the CCRT.

15. The change in the near-term economic outlook and financial conditions calls for revisions to relevant quarterly targets under the ECF-supported program. On current projections, there is no need to modify the NDB targets as the additional external support that is being mobilized, including via the RCF window, appears sufficient to ensure the observance of the approved NDB ceilings. At the same time, the authorities request to lower the quarterly floors for NUIR at end-June, end-September, and end-December 2020 by US$27 million. This reflects: (i) gross reserves accumulation lower by US$10 million (after the additional Fund support); and (ii) reserve liabilities increased by US$17 million on account of RCF loan disbursement net of expected debt relief from CCRT. Symmetrically, the authorities request to raise the NDA ceilings for end-June, end-September, and end-December 2020 by GMD 1,386 million. Staff assesses that, with these revisions, the ECF-supported program, together with the RCF, will support the efforts of the authorities to fend off the impact of COVID-19 while retaining adequate reserve buffers.

B. Capacity to Repay and Safeguards Assessment

16. The Gambia's capacity to repay the IMF is adequate. Including the proposed disbursement under the RCF, the total amount of outstanding credit from the Fund would amount to SDR 48.0 million (77.2 percent of quota). Repayments to the Fund are projected to rise over the medium-term, peaking at just above SDR 10 million in 2027–29, or about 3.0 percent of exports of goods and services (Table 10). The Gambia's track record of servicing debts to the Fund, progress in macroeconomic stabilization in the past years, and demonstrated commitment to fiscal discipline under the 2019 SMP provide assurances that repayment risks would be contained. Approval of CCRT would further bolster The Gambia's capacity to repay.

17. The disbursement of the requested RCF loan would not change The Gambia's risk of debt distress rating. The public debt-to-GDP ratio projected under the ECF-supported program to decline from 82.5 percent in 2019 to 76.8 percent in 2020 is now expected to decline to 80.3 percent. This change is mostly driven by lower GDP growth and by the fiscal deficit widening by 0.7 percent of GDP. The medium-term debt path remains similar to that under the ECF-supported program (see EBS/20/13). An updated DSA shows public debt to be sustainable, albeit with marginal breaches of the PV of external debt-to-exports and the external debt service-to-exports thresholds in 2020 (due to decline in exports) and a marginal breach of debt service-to-revenue threshold in 2026 (due to increased debt service to the Fund related to the requested RCF loan).

18. Safeguards. An update of the safeguards assessment has been initiated and will be completed by the time of the first review of the ECF-supported program (which is expected in Q4 2020). The CBG has reappointed the joint auditors for the audit of its 2019 financial statements and has authorized them to hold discussions with Fund staff and share audit documents for the purpose of conducting the safeguards assessment.

STAFF APPRAISAL

19. The economic outlook is weakening in The Gambia as the spread of COVID-19 widens. Urgent BOP needs have emerged due to the tourism being on halt, a decline in remittances, and likely need for additional official imports to ensure food security, support containment, and step-up the medical response. Moreover, there is a high risk of a much weaker short-term economic outlook owing to the slowdown in economic activity as the spread of COVID-19 widens in The Gambia.

20. The authorities acted proactively to contain the spread of COVID-19 and mitigate its impact on the economy. Staff commends the authorities' timely policy responses, including offsetting measures to reduce the negative revenue impact together with expenditure re-allocations, lower subsidies, and slower non-priority public investment implementation. Staff welcomes the authorities' commitment to transparency and observance of PFM rules, including with regard to procurement and contracting of direct purchases, while managing the impact of COVID-19 on the public finances and urges the authorities to prepare a supplementary budget later in the year once the situation normalizes and full administrative capacity is restored. Staff also urges the authorities to establish appropriate criteria for the allocation of emergency spending, observe reporting requirements, and proceed, in due time, with a full audit of the COVID-19 emergency outlays.

21. The CBG took proactive initial actions to mitigate the impact of the pandemic on the financial sector. The reduction in the monetary policy rate at end-February was a timely response to a tightening of financial conditions. The CBG also took an appropriate posture to address nascent financial stability risks by standing ready to provide emergency liquidity support. In this regard, staff advises the CBG to use available buffers if needed and introduce enhanced supervisory reporting to monitor liquidity strains, heighten the frequency and intensity of monitoring of financial soundness, and avoid a blanket weakening of prudential requirements, which may take time to reinstate even once the COVID-19 pandemic ends. Further, if the impact of the pandemic deepens, the CBG should encourage banks to use flexibility in existing regulations, undertake prudent renegotiation of loan terms for stressed borrowers, and draw upon existing capital buffers to absorb costs of loan restructuring while maintaining credible capital plans.

22. Staff welcomes the CBG's commitment to maintaining a flexible exchange rate regime, which will help absorb the BOP shock as pressure on official reserves heightens. To ensure smooth functioning of the FX market and limit excessive FX risk taking that could endanger financial stability, which is particularly important to avoid in the current juncture, staff urges the CBG to strengthen the market surveillance and regulatory framework to monitor and enforce the prudential requirements on open FX positions of banks.

23. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 15.55 million (25 percent of quota) and the request for modification of the performance criteria under the ECF-supported program. Staff also supports the request that the RCF loan be on-lent to the Treasury, which is critically needed to help the authorities to contain the spread of COVID-19 to The Gambia and mitigate the impact of the pandemic on The Gambian economy. The RCF disbursement will also help avoid a sharp drop in international reserves or a major fiscal policy adjustment when the economy is already weak. A strong track record of performance under the 2019 SMP and positive early indications of program implementation under the ECF-supported program provide satisfactory assurances that risks to the Fund remain low.

Table 1. The Gambia: Selected Economic Indicators, 2018–22

	2018	2019	2020		2021		2022
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.	Proj.
			(Percent change; unless otherwise indicated)				
National account and prices							
GDP at constant prices	6.5	6.0	6.3	2.5	5.8	6.5	6.9
GDP deflator	5.2	6.4	6.3	6.2	5.5	5.9	4.4
Consumer prices (average)	6.5	7.1	6.7	6.7	6.0	6.0	5.5
Consumer prices (end of period)	6.4	7.7	6.2	6.2	5.8	5.8	5.2
External sector							
Exports, f.o.b (US$ values)	-0.9	24.6	6.0	-11.3	7.9	29.1	8.2
Imports, f.o.b (US$ values)	11.9	14.4	13.6	-0.1	8.3	20.5	6.7
Terms of trade (deterioration = -)	-1.7	-4.1	-3.3	-3.4	-2.9	-3.2	-0.1
Real effective exchange rate (depreciation = -)	-1.5	4.5	...	...	...	...	...
			(Contributions to broad money growth; percent)				
Money and credit							
Broad money	20.0	27.1	15.5	12.8	11.5	12.5	...
Net foreign assets	14.0	18.9	9.2	5.4	9.2	8.7	...
Net domestic assets	6.0	8.2	6.3	7.4	2.3	3.9	...
Of which:							
Credit to central government (net)	7.1	3.9	1.2	3.7	0.0	0.0	...
Credit to the private sector (net)	5.0	6.0	3.4	1.5	2.3	3.9	...
Velocity (GDP/broad money)	2.3	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)	12.1	14.4	13.7	13.1	14.0	13.8	14.1
Grants	3.3	7.8	9.3	9.3	8.5	8.2	7.6
Total expenditures and net acquisition of financial assets	21.7	24.4	24.4	24.8	24.2	23.9	23.2
Of which: Interest (percent of government revenue)	26.1	22.3	19.9	22.4	18.1	18.7	15.7
Net lending (+)/borrowing (–)	-6.2	-2.6	-1.7	-2.6	-1.8	-1.8	-1.4
Net incurrence of liabilities	5.6	3.2	2.0	2.6	1.8	1.6	1.4
Foreign	2.6	2.7	2.0	1.6	1.8	1.6	1.4
Domestic	3.0	0.5	0.0	1.1	0.0	0.0	0.0
Primary balance	-3.0	0.6	1.0	0.3	0.8	0.8	0.8
Public debt	86.6	82.5	76.8	80.3	71.7	74.1	68.9
Domestic public debt	39.2	36.6	32.9	34.1	29.5	30.3	27.1
External public debt	47.4	45.9	43.9	46.2	42.3	43.8	41.8
External public debt (millions of US$)	756.6	796.3	836.0	847.4	876.7	883.4	920.3
External current account balance							
Excluding official transfers	-10.7	-8.5	-11.9	-13.6	-12.4	-12.6	-11.7
Including official transfers	-9.7	-5.4	-8.7	-9.8	-9.9	-10.0	-9.4
Gross official reserves (millions of US$)	157.0	225.0	268.0	258.0	313.4	303.4	339.4
(months of next year's imports of goods and services)	2.7	3.8	3.7	3.7	4.1	4.1	4.3
Savings and investment							
Gross investment	17.9	20.8	20.5	17.1	20.0	18.5	18.2
Of which : Central government	7.6	9.8	10.3	9.1	10.2	9.7	9.3
Gross savings	8.1	15.4	11.8	7.3	10.1	8.4	8.8
Memorandum items:							
Nominal GDP (billions of dalasi)	78.6	88.7	100.2	96.5	111.9	108.8	121.5
GDP per capita (US$)	712.5	750.9	795.8	766.7	840.0	817.1	867.4
Use of Fund resources (millions of SDRs)							
Disbursements	0	0	10.0	25.6	10.0	10.0	10.0
Of which : 2020 RCF	...	...	...	15.6	...	...	...
Repayments	-5.5	-4.3	-3.6	-3.6	-4.0	-4.0	-2.8
CCRT debt relief[1]	0	0	...	3.2	...	4.0	0.8

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

[1]The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 2. The Gambia: Balance of Payments, 2018–22

(Millions of U.S. dollars)

	2018	2019	2020		2021		2022
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.	Proj.
1. Current account							
A. Goods and services	-307.2	-335.3	-399.4	-384.4	-426.0	-409.5	-425.8
Goods (net)	-405.0	-451.8	-524.4	-467.2	-568.8	-552.1	-586.3
Exports, f.o.b.	115.0	143.3	152.6	127.1	164.7	164.0	177.5
Imports, f.o.b.	-520.0	-595.1	-677.0	-594.2	-733.5	-716.0	-763.7
Services (net)	97.8	116.4	125.0	82.8	142.8	142.5	160.5
Services exports	198.6	226.7	251.6	193.3	271.8	270.3	293.2
Of which: Travel income	153.8	181.3	203.4	146.8	219.6	219.7	238.5
Services imports	-100.8	-110.2	-126.5	-110.6	-129.0	-127.8	-132.8
B. Income (net)	-29.1	-30.0	-31.0	-30.7	-32.0	-31.7	-31.9
Income credits	2.3	2.3	2.4	2.4	2.5	2.5	2.5
Income debits	-31.4	-32.4	-33.4	-33.1	-34.5	-34.1	-34.4
C. Current transfers	178.1	270.8	262.5	234.1	251.7	236.6	247.8
Official transfers	15.0	55.8	62.1	72.0	52.4	52.3	49.6
Of which: COVID-19 assistance	…	…	…	10.0	…	…	…
Remittances	150.8	202.7	188.1	149.8	186.7	171.8	185.3
Other transfers	12.3	12.3	12.3	12.3	12.6	12.6	12.9
Current account (excl. official transfers)	-173.3	-150.4	-230.1	-253.1	-258.7	-256.8	-259.5
Current account (incl. official transfers)	-158.3	-94.6	-167.9	-181.1	-206.3	-204.6	-209.9
2. Capital and financial account							
A. Capital account	38.0	73.5	116.0	101.0	126.0	115.0	120.0
B. Financial account	134.6	110.1	86.1	78.4	117.3	121.1	114.8
Foreign direct investment	90.8	93.3	97.8	64.7	103.9	84.0	88.9
Portfolio investment	4.1	4.0	4.0	3.9	4.0	3.9	4.2
Other investment	39.7	12.8	-15.7	9.8	9.4	33.2	21.7
Capital and financial account	172.6	183.6	202.1	179.4	243.3	236.1	234.8
Errors and omissions	6.6	-14.6	0.0	0.0	0.0	0.0	0.0
Overall balance	20.9	74.3	34.2	-1.7	37.0	31.5	24.9
Financing							
Net international reserves (increase -)	-20.9	-74.3	-34.2	-2.7	-37.0	-37.0	-26.0
Change in gross international reserves	-13.0	-68.0	-43.0	-33.0	-45.4	-45.4	-36.0
Use of IMF resources (net)	-7.8	-6.3	8.8	30.3	8.4	8.4	10.0
Disbursements	0.0	0.0	13.8	35.3	13.9	13.9	13.9
Of which: 2020 RCF	…	…	…	21.4	…	…	…
Repayments	-7.8	-6.3	-5.0	-5.0	-5.5	-5.5	-3.9
Exceptional financing (CCRT debt relief)[1]	…	…	…	4.4	…	5.5	1.1
Memorandum items:							
Exports of goods and services	313.6	370.0	404.1	320.4	436.5	434.3	470.7
Imports of goods and services	-620.8	-705.3	-803.5	-704.8	-862.4	-843.8	-896.5
GMD per U.S. dollar, period average	48.4	50.3	…	…	…	…	…
Gross international reserves							
US$ millions	157.0	225.0	268.0	258.0	313.4	303.4	339.4
Months of current year's imports of goods and services	3.0	3.8	4.0	4.4	4.4	4.3	4.5
Months of next year's imports of goods and services	2.7	3.8	3.7	3.7	4.1	4.1	4.3
Net usable international reserves							
US$ millions	125.5	188.7	220.3	188.3	259.7	222.7	247.4
Months of current year's imports of goods and services	2.4	3.2	3.3	3.2	3.6	3.2	3.3
Months of next year's imports of goods and services	2.1	3.2	3.1	2.7	3.4	3.0	3.1

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

[1] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 3. The Gambia: Balance of Payments, 2018–22

(Percent of GDP)

	2018	2019	2020		2021		2022
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.	Proj.
1. Current account							
A. Goods and services	-18.9	-19.0	-20.7	-20.7	-20.3	-20.1	-19.1
Goods (net)	-24.9	-25.6	-27.2	-25.2	-27.2	-27.1	-26.3
Exports, f.o.b.	7.1	8.1	7.9	6.8	7.9	8.1	8.0
Imports, f.o.b.	-32.0	-33.7	-35.2	-32.0	-35.0	-35.2	-34.3
Services (net)	6.0	6.6	6.5	4.5	6.8	7.0	7.2
Services exports	12.2	12.9	13.1	10.4	13.0	13.3	13.2
Of which: Travel income	9.5	10.3	10.6	7.9	10.5	10.8	10.7
Services imports	-6.2	-6.2	-6.6	-6.0	-6.2	-6.3	-6.0
B. Income (net)	-1.8	-1.7	-1.6	-1.7	-1.5	-1.6	-1.4
Income credits	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Income debits	-1.9	-1.8	-1.7	-1.8	-1.6	-1.7	-1.5
Of which: Interest on government debt	0.5	0.6	0.5	0.5	0.5	0.5	0.5
C. Current transfers	11.0	15.4	13.6	12.6	12.0	11.6	11.1
Official transfers	0.9	3.2	3.2	3.9	2.5	2.6	2.2
Of which: COVID-19 assistance	…	…	…	0.5	…	…	…
Remittances	9.3	11.5	9.8	8.1	8.9	8.4	8.3
Other transfers	0.8	0.7	0.6	0.7	0.6	0.6	0.6
Current account (excl. official transfers)	-10.7	-8.5	-11.9	-13.6	-12.4	-12.6	-11.7
Current account (incl. official transfers)	-9.7	-5.4	-8.7	-9.8	-9.9	-10.0	-9.4
2. Capital and financial account							
A. Capital account	2.3	4.2	6.0	5.4	6.0	5.6	5.4
B. Financial account	8.3	6.2	4.5	4.2	5.6	5.9	5.2
Foreign direct investment	5.6	5.3	5.1	3.5	5.0	4.1	4.0
Portfolio investment	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	2.4	0.7	-0.8	0.5	0.4	1.6	1.0
Capital and financial account	10.6	10.4	10.5	9.7	11.6	11.6	10.5
Errors and omissions	0.4	-0.8	0.0	0.0	0.0	0.0	0.0
Overall balance	1.3	4.2	1.8	-0.1	1.8	1.5	1.1

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

Table 4. The Gambia: Statement of Central Government Operations, 2018–22

(Millions of local currency)

	2018	2019	2020		2021		2022
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.	Proj.
Revenue	12,135	19,694	22,951	21,675	25,170	23,982	26,434
Domestic revenue	9,502	12,760	13,682	12,673	15,634	15,041	17,181
Taxes	8,139	9,986	11,590	10,733	13,282	12,802	14,668
Taxes on income, profits, and capital gains	2,048	2,649	2,877	2,790	3,319	3,259	3,764
Domestic taxes on goods and services	3,978	4,840	5,704	5,219	6,504	6,150	7,026
Taxes on international trade and transactions	2,093	2,482	2,992	2,707	3,440	3,373	3,857
Other taxes	20	15	17	16	19	19	21
Non-tax	1,363	2,775	2,092	1,940	2,352	2,240	2,513
Grants	2,633	6,933	9,269	9,002	9,536	8,941	9,253
Budget support	794	2,790	3,233	3,226	2,801	2,794	2,706
Project grants	1,839	4,143	6,036	5,776	6,735	6,147	6,548
Of which: COVID-19 assistance	...	...	...	520	...	...	...
Expenditures	17,008	22,006	24,665	24,190	27,131	25,979	28,152
Expenses	11,004	13,293	14,318	15,393	15,740	15,453	16,795
Compensation of employees	3,058	3,961	4,469	4,581	4,991	4,950	5,526
Use of goods and services	3,066	3,179	3,046	3,959	3,456	3,468	3,951
Interest	2,477	2,843	2,723	2,843	2,828	2,818	2,691
External	420	371	472	472	509	499	552
Domestic	2,057	2,472	2,251	2,371	2,318	2,318	2,138
Subsidies and transfers	2,403	3,310	4,080	4,009	4,465	4,217	4,627
Of which: Subsidies to SOEs	403	510	650	500	...	...	...
NAWEC	253	60	300	150	...	...	...
NFSPMC	150	450	350	350	...	...	...
Net acquisition of nonfinancial assets	6,004	8,713	10,347	8,797	11,392	10,525	11,357
Acquisitions of nonfinancial assets	6,004	8,713	10,347	8,797	11,392	10,525	11,357
Foreign financed[1]	5,535	8,032	9,027	7,727	9,677	8,822	9,414
Gambia local fund	469	681	1,320	1,070	1,715	1,704	1,943
Net lending (+)/borrowing (–)	-4,872	-2,312	-1,714	-2,515	-1,961	-1,996	-1,718
Financing	4,455	2,537	1,713	2,515	1,961	1,996	1,718
Net acquisition of financial assets	68	-329	-255	-255	0	0	0
Net incurrence of liabilities	4,387	2,866	1,968	2,541	1,961	1,711	1,662
Domestic	2,379	452	-50	1,043	0	0	0
Net borrowing	2,623	1,063	500	500	0	0	0
Bank	1,989	1,192	500	500	0	0	0
Nonbank	634	-129	0	0	0	0	0
2020 RCF (onlent)	...	...	...	1093	...	...	...
Change in arrears	-244	-611	-550	-550	0	0	0
Foreign	2,008	2,414	2,018	1,498	1,961	1,711	1,662
Loans	2,008	2,414	2,018	1,498	1,961	1,711	1,662
Borrowing	3,696	3,889	2,991	2,471	2,942	2,675	2,866
Budget support	0	0	0	0	0	0	0
Project support	3,696	3,889	2991	2,471	2,942	2,675	2,866
Amortization	-1,687	-1,475	-973	-973	-981	-963	-1,205
Exceptional financing (CCRT debt relief)[2]	0	0	...	229	...	285	56
Statistical discrepancy	417	-225	...	...	...	...	...
Memorandum items:							
Government revenue (excluding grants)	9,502	12,760	13,682	12,673	15,634	15,041	17,181
Primary balance	-2,396	531	1,010	329	867	822	973
Domestic primary balance	506	1,629	768	-947	1,007	702	1,134
Primary balance (ex. budget support grants)	-3,190	-2,259	-2,223	-2,897	-1,935	-1,972	-1,733
Total debt	68,066	73,144	75,904	77,531	79,211	80,626	83,724
of which: Domestic public debt	30,782	32,454	32,954	32,954	32,954	32,954	32,954
Interest payments as a percent of govt. revenue	26.1	22.3	19.9	22.4	18.1	18.7	15.7

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

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

[2] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 5. The Gambia: Statement of Central Government Operations, 2018–22

(Percent of GDP)

	2018	2019	2020		2021		2022
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.	Proj.
Revenue	15.4	22.2	22.9	22.5	22.5	22.0	21.8
Domestic revenues	12.1	14.4	13.7	13.1	14.0	13.8	14.1
Taxes	10.4	11.3	11.6	11.1	11.9	11.8	12.1
Taxes on income, profits, and capital gains	2.6	3.0	2.9	2.9	3.0	3.0	3.1
Domestic taxes on goods and services	5.1	5.5	5.7	5.4	5.8	5.7	5.8
Taxes on international trade and transactions	2.7	2.8	3.0	2.8	3.1	3.1	3.2
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax	1.7	3.1	2.1	2.0	2.1	2.1	2.1
Grants	3.3	7.8	9.3	9.3	8.5	8.2	7.6
Budget support	1.0	3.1	3.2	3.3	2.5	2.6	2.2
Project support	2.3	4.7	6.0	6.0	6.0	5.6	5.4
Of which: COVID-19 assistance	…	…	…	0.5	…	…	…
Expenditures	21.6	24.8	24.6	25.1	24.2	23.9	23.2
Expenses	14.0	15.0	14.3	15.9	14.1	14.2	13.8
Compensation of employees	3.9	4.5	4.5	4.7	4.5	4.5	4.5
Use of goods and services	3.9	3.6	3.0	4.1	3.1	3.2	3.3
Interest	3.2	3.2	2.7	2.9	2.5	2.6	2.2
External	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Domestic	2.6	2.8	2.2	2.5	2.1	2.1	1.8
Subsidies and transfers	3.1	3.7	4.1	4.2	4.0	3.9	3.8
Of which: Subsidies to SOEs	0.5	0.6	0.6	0.5	…	…	…
NAWEC	0.3	0.1	0.3	0.2	…	…	…
NFSPMC	0.2	0.5	0.3	0.4	…	…	…
Net acquisition of nonfinancial assets	7.6	9.8	10.3	9.1	10.2	9.7	9.3
Acquisitions of nonfinancial assets	7.6	9.8	10.3	9.1	10.2	9.7	9.3
Foreign financed[1]	7.0	9.1	9.0	8.0	8.6	8.1	7.7
Gambia local fund	0.6	0.8	1.3	1.1	1.5	1.6	1.6
Net lending (+)/borrowing (–)	-6.2	-2.6	-1.7	-2.6	-1.8	-1.8	-1.4
Financing	5.7	2.9	1.7	2.6	1.8	1.8	1.4
Net acquisition of financial assets	0.1	-0.4	-0.3	-0.3	0.0	0.0	0.0
Net incurrence of liabilities	5.6	3.2	2.0	2.6	1.8	1.6	1.4
Domestic	3.0	0.5	0.0	1.1	0.0	0.0	0.0
Net borrowing	3.3	1.2	0.5	0.5	0.0	0.0	0.0
Bank	2.5	1.3	0.5	0.5	0.0	0.0	0.0
Nonbank	0.8	-0.1	0.0	0.0	0.0	0.0	0.0
2020 RCF (onlent)	…	…	…	1.1	…	…	…
Change in arrears	-0.3	-0.7	-0.5	-0.6	0.0	0.0	0.0
Foreign	2.6	2.7	2.0	1.6	1.8	1.6	1.4
Loans	2.6	2.7	2.0	1.6	1.8	1.6	1.4
Borrowing	4.7	4.4	3.0	2.6	2.6	2.5	2.4
Budget support	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project support	4.7	4.4	3.0	2.6	2.6	2.5	2.4
Amortization	-2.1	-1.7	-1.0	-1.0	-0.9	-0.9	-1.0
Exceptional financing (CCRT debt relief)[2]	0.0	0.0	…	0.2	…	0.3	0.0
Statistical discrepancy	0.5	-0.3	…	…	…	…	…
Memorandum items:							
Primary balance	-3.0	0.6	1.0	0.3	0.8	0.8	0.8
Domestic primary balance	0.6	1.8	0.8	-1.0	0.9	0.6	0.9
Primary balance (ex. budget support grants)	-4.1	-2.5	-2.2	-3.0	-1.7	-1.8	-1.4
Total debt	86.6	82.5	75.8	80.3	70.8	74.1	68.9
of which: Domestic public debt	39.2	36.6	32.9	34.1	29.5	30.3	27.1
Interest payments as a percent of govt. revenue	26.1	22.3	19.9	22.4	18.1	18.7	15.7

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

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

[2] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

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

(Millions of local currency)

	2018	2019	2020		2021	
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.
			I. Monetary Survey			
Net foreign assets	10,407	16,784	20,728	19,096	20,728	23,281
(in millions of U.S. dollars)	211	341	394	363	394	431
Of which: CBG	92	172	205	171	205	218
Net domestic assets	23,338	26,091	28,805	29,275	28,805	31,153
Domestic credit	28,388	31,693	33,649	33,949	33,649	35,827
Claims on central government (net)	21,328	22,636	23,136	24,229	23,136	24,229
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	9,185	8,392	9,185	10,270
Other items (net)[3]	-5,052	-5,602	-4,844	-4,674	-4,844	-4,674
Broad money	33,745	42,875	49,533	48,371	49,533	54,434
Currency outside banks	6,568	7,844	8,806	8,600	8,806	9,678
Deposits	27,176	35,031	40,726	39,771	40,726	44,756
			II. Central Bank Survey			
Net foreign assets	4,514	8,474	10,083	8,451	10,083	10,722
Foreign assets	8,680	12,494	14,631	14,118	14,631	17,306
Foreign liabilities	-4,166	-4,021	-4,548	-5,667	-4,548	-6,584
Net domestic assets	7,335	5,414	5,672	6,935	5,672	6,676
Domestic credit	7,808	6,786	6,286	7,379	6,286	7,379
Claims on central government (net)	7,726	6,668	6,168	7,260	6,168	7,260
Of which: 2020 RCF	…	…	…	1,093	…	1,093
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	-1,373	-614	-444	-614	-703
Reserve money	11,849	13,888	15,755	15,386	15,755	17,398
Currency outside banks	6,568	7,844	8,806	8,600	8,806	9,678
Commercial bank deposits	5,281	6,044	6,949	6,786	6,949	7,721

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

(Units as indicated)

	2018	2019	2020		2021	
	Act.	Prel.	EBS/20/13	Proj.	EBS/20/13	Proj.
	I. Monetary Survey					
	(Percent change; contribution to broad money growth)					
Broad money	20.0	27.1	15.5	12.8	11.5	12.5
Net foreign assets	14.0	18.9	9.2	5.4	9.2	8.7
Net domestic assets	6.0	8.2	6.3	7.4	2.3	3.9
	II. Central Bank Survey					
	(Percent change; contribution to reserve money growth)					
Reserve money	16.5	17.2	13.4	10.8	12.0	13.1
Net foreign assets	17.0	33.4	11.6	-0.2	16.7	14.8
Net domestic assets	-0.4	-16.2	1.9	11.0	-4.7	-1.7
	(Percent change; unless otherwise indicated)					
Memorandum Items:						
Credit to the private sector	32.9	35.8	18.8	8.6	12.4	22.4
Currency in circulation	15.8	19.4	12.3	9.6	11.5	12.5
Demand deposits	29.7	44.8	12.7	12.7	11.5	12.5
Time and savings deposits	15.6	17.6	19.4	14.3	11.5	12.5
Net international reserves (stocks; millions of U.S. dollars)	125.5	188.7	220.3	188.3	259.7	222.7
Money velocity (levels)	2.3	2.1	2.0	2.0	2.0	2.0
Money multiplier (levels)	2.8	3.1	3.1	3.1	3.1	3.1
Broad money (percent of GDP)	42.9	48.4	49.4	50.1	49.3	50.0
Credit to the private sector (percent of GDP)	7.2	8.7	9.2	8.7	9.2	9.4
Central government financing (flows; millions of dalasi)	1,997	1,308	500	1,593	0	0
Net domestic borrowing from the banking system	1,997	1,308	500	500	0	0
Central bank	490	-1,059	-500	-500	0	0
Commercial banks	1,507	2,367	1,000	1,000	0	0
RCF 2020 (onlent)[2]	…	…	…	1,093	…	…

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

[1] End of period.

[2] 2020 RCF loan is expected to be onlent from CBG to central government. On-lending of RCF to the budget is excluded from Net Domestic Borrowing (NDB), see TMU ¶1.

Table 8. The Gambia: Financial Soundness Indicators for the Banking Sector, 2015–19

(Percent, unless otherwise indicated)

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

Source: Central Bank of The Gambia.

Table 9. The Gambia: External Financing Requirements and Sources, 2020–23

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

	2020		2021	2022	2023
	EBS/20/13	Proj.	Projections		
1. Total financing requirement	-297.3	-310.2	-325.1	-320.1	-310.6
Current account deficit (excl. official transfers)	-230.1	-253.1	-256.8	-259.5	-249.6
Public debt amortization	-19.2	-19.2	-17.4	-20.7	-22.5
Repayment to the IMF	-5.0	-5.0	-5.5	-3.9	-5.7
Change in official reserves	-43.0	-33.0	-45.4	-36.0	-32.9
Arrears repayment	...	...	...	...	...
2. Total financing sources	221.3	198.6	253.5	255.5	258.2
Capital transfers	116.0	101.0	115.0	120.0	125.0
Foreign direct investment (net)	97.8	64.7	84.0	88.9	91.9
Portfolio investment (net)	4.0	3.9	3.9	4.2	4.6
Public sector debt financing	57.5	47.5	50.0	52.5	55.1
Other net capital inflows[1]	-54.1	-18.5	0.6	-10.2	-18.3
Errors and Omissions	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	76.0	111.7	71.6	64.6	52.4
Budget support (grants)	62.1	62.0	52.3	49.6	45.4
World Bank	30.0	30.0	20.0	20.0	...
European Union	25.2	25.2	25.5	22.8	...
African Development Bank	6.9	6.9	5.0	5.0	...
Other	...	...	...	...	...
COVID-19 assistance	...	10.0	...	...	...
IMF disbursements	13.8	35.3	13.9	13.9	7.0
Of which: 2020 RCF	...	21.4	...	...	...
Exceptional financing (CCRT debt relief)[2]	0.0	4.4	5.5	1.1	0.0

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 in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 10. The Gambia: Indicators of Capacity to Repay the Fund, 2019–32

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Act.	Projections												
Fund obligations based on existing credit														
Principal (millions of SDRs)	4.6	3.2	4.0	2.8	4.0	3.9	3.1	2.3	2.3	0.0	0.0	0.0	0.0	0.0
Charges and interest (millions of SDRs)[1]	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund obligations, existing and prospective credit														
Principal (millions of SDRs)	4.6	3.6	4.0	2.8	4.1	3.9	5.2	7.9	9.9	9.6	10.1	8.1	4.5	2.5
Of which: 2020 RCF	...	0.0	0.0	0.0	0.0	0.0	1.6	3.1	3.1	3.1	3.1	1.6	0.0	0.0
Charges and interest (millions of SDRs)[1]	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total obligations, existing and prospective credit														
In millions of SDRs	4.6	3.8	4.2	3.0	4.3	4.1	5.4	8.2	10.2	9.8	10.3	8.3	4.7	2.7
In millions of US$	6.6	5.3	5.8	4.2	5.9	5.7	7.5	11.5	14.2	13.7	14.5	11.6	6.6	3.8
In percent of Gross International Reserves	2.9	2.1	1.9	1.2	1.6	1.4	1.7	2.6	3.0	2.7	2.5	1.7	0.9	0.4
In percent of exports of goods and services	2.7	2.5	2.0	1.3	1.8	1.6	1.9	2.8	3.2	2.9	2.9	2.2	1.2	0.6
In percent of debt service[1]	17.0	21.3	26.8	15.7	21.1	15.7	12.1	15.7	18.5	17.2	18.9	15.2	9.6	5.6
In percent of GDP	0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.2	0.1
In percent of quota	7.4	6.2	6.7	4.9	6.9	6.6	8.7	13.1	16.3	15.8	16.6	13.3	7.6	4.4
Outstanding Fund credit														
In millions of SDRs	26.1	48.0	54.1	61.3	62.2	58.3	53.2	45.2	35.3	25.7	15.6	7.5	3.0	0.5
In millions of US$	36.9	66.4	74.6	85.0	86.6	81.4	74.4	63.5	49.3	35.9	21.8	10.5	4.2	0.7
In percent of Gross International Reserves	16.4	25.7	24.6	25.0	23.3	20.3	17.0	14.1	10.4	6.9	3.7	1.5	0.5	0.1
In percent of exports of goods and services	15.3	31.5	25.9	27.1	25.7	22.6	19.2	15.3	11.1	7.6	4.3	2.0	0.7	0.1
In percent of debt service[1]	95.9	265.9	345.8	319.5	307.2	222.3	119.2	86.9	64.2	44.8	28.4	13.8	6.1	1.0
In percent of GDP	2.1	3.6	3.7	3.8	3.6	3.2	2.7	2.1	1.5	1.0	0.6	0.3	0.1	0.0
In percent of quota	41.9	77.2	86.9	98.5	100.0	93.8	85.5	72.7	56.7	41.3	25.0	12.1	4.8	0.8
Net use of Fund credit (millions of SDRs)	-4.6	21.9	6.0	7.2	1.0	-3.9	-5.2	-7.9	-9.9	-9.6	-10.1	-8.1	-4.5	-2.5
Disbursements	0.0	25.6	10.0	10.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: 2020 RCF	…	15.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	4.6	3.6	4.0	2.8	4.1	3.9	5.2	7.9	9.9	9.6	10.1	8.1	4.5	2.5
Of which: 2020 RCF	...	0.0	0.0	0.0	0.0	0.0	1.6	3.1	3.1	3.1	3.1	1.6	0.0	0.0
CCR Trust debt relief [2]	...	3.2	4.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:														
Nominal GDP (millions of US$)	1,764	1,855	2,036	2,227	2,399	2,582	2,781	2,986	3,207	3,436	3,669	3,919	4,175	4,437
Exports of goods and services (millions of US$) [3]	241.5	210.6	288.7	313.2	337.1	360.9	387.3	415.6	442.9	471.9	503.1	536.5	572.3	610.7
Gross International Reserves (millions of US$)	225.0	258.0	303.4	339.4	372.3	400.4	437.9	449.2	472.8	516.6	586.7	678.6	769.6	853.0
Debt service (millions of US$)[1]	38.5	25.0	21.6	26.6	28.2	36.6	62.4	73.1	76.7	80.1	76.7	76.0	69.1	68.5
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2	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 lending by end-June 2021 and every two years thereafter.

[2] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[3] Excluding re-exports.

REPUBLIC OF THE GAMBIA

Appendix I. Letter of Intent

Banjul, April 7, 2020

Ms. Kristalina Georgieva

Managing Director

International Monetary Fund (IMF)

Washington, D.C. 20431

Dear Ms. Georgieva,

1. The Government of the Gambia would like to express its great appreciation to the Executive Board of the International Monetary Fund for the approval on March 23, 2020 of the much needed 39-month ECF arrangement for The Gambia in the amount of SDR35.0 million (56.3 percent of quota) in support of our medium-term program geared toward growth and poverty reduction. Under this program's baseline, real GDP growth was projected at 6.3 percent in 2020 on the back of the continued rapid growth in tourism and strong public and private investment, gross official reserves were expected to strengthen by US$43 million and the primary fiscal surplus to increase from 0.8 percent of GDP in 2019 to 1.0 percent of GDP in 2020.

2. However, the COVID-19 pandemic has weakened the economic outlook and created significant balance-of-payments (BOP) needs in The Gambia, given its high dependence on tourism and the urgent need to import essential medical equipment and other critical supplies. The pandemic is also affecting public finances, through an expected decline in domestic revenue and additional spending on health services, containment measures, and social assistance.

3. Our initial estimate of the impact of the outbreak with tourism halted for at least three months, the expected slowdown in private and public investment, and a significant disruption of international trade is that real GDP growth in The Gambia will decline by nearly 4 percentage points and the overall BOP will weaken by over US$40 million (2 percent of GDP) relative to the projection underpinning the program. We also anticipate additional fiscal needs of about 2.5 percent of GDP reflecting: (i) an expected domestic revenue shortfall of about 1 percent of GDP during the next three months; (ii) emergency health expenditures of at least 0.5 percent of GDP as per the action plan by the Ministry of Health; and (iii) other emergency spending (on logistics, security, and social protection) estimated currently at another 1.0 percent of GDP. Our domestic interest bill in 2020 has also risen by at least 0.1 percent of GDP as domestic T-bill market has tightened with yields on the key 364-day instrument increasing by more than 400 bps since end-2019.

4. The Government has taken several measures to contain the COVID-19 outbreak and to address its economic impact. These include:

a. Containment measures: (i) imposition of a state of emergency and the closure of non-essential public and private services; (ii) a full lockdown of the country (with air space and land borders closed); (iii) closure of restaurants, bars, and mosques, initially for a period of three weeks; and (iv) a rotating reduced civil service staff attendance to ensure business continuity in the provision of basic services.

b. Fiscal measures: (i) a US$9 million COVID-19 action plan, for which we are seeking grant financing given the country's debt situation; (ii) reallocation of 500 million dalasi (0.6 percent of GDP) from the current budget to the Ministry of Health and other relevant public entities to complement the support already received from partners to prevent and control the spread of the COVID-19 outbreak; and (iii) other measure including slowing the domestic petroleum price adjustment to increase price margins, postponing the non-priority domestic public investment projects, reducing the subsidies to NAWEC on account of lower fuel prices, saving on travel and vehicle expenses, and further reallocations of spending on goods and services, which have been executed very prudently thus far.

c. These measures have allowed us to narrow the immediate financing needs to just over US$20 million (about 1.0 percent of GDP), for which we intend to use the requested RCF disbursement, primarily to meet the government demand for emergency imports of essential medical equipment, sanitary supplies, and basic foodstuffs to support our containment efforts and mitigate the impact of disruption in economic activity and income (including remittances) on the poor. By supporting these objectives, the RCF loan will also help ensure the continuity of our ECF-supported economic program and the attainment of the medium-term growth and poverty reduction objectives.

d. Monetary policy and financial sector measures: (i) the CBG reduced its monetary policy rate by 50 basis points at end-February 2020 to 12 percent and increased the rate on the standing deposit facility by the same margin to 3 percent; (ii) the CBG is actively monitoring the situation and is in close communication with banks and ready to respond, as inflationary pressures warrant, while increasing the intensity and frequency of supervision; (iii) further measures, including lowering reserve requirements and providing emergency liquidity support, are under consideration. The CBG also remains committed to maintaining a flexible exchange rate system and allowing the exchange rate to play the role of a shock absorber, while ensuring orderly functioning of the domestic foreign exchange market.

5. Against this background, and in the face of the urgent BOP need arising from the pandemic, the Government of the Gambia requests emergency financing from the IMF under the Rapid Credit Facility (RCF), in an amount of SDR15.55 million (25 percent of The Gambia's quota), to mitigate the adverse impact of the COVID-19 pandemic on The Gambian economy. We also request that this disbursement be made available immediately upon approval by the IMF Executive Board, and that the disbursement be made to the Treasury's account at the Central Bank of The Gambia (CBG) to provide immediate budget support. In addition, we plan to request debt relief from the Catastrophe

Containment and Relief Trust, which the IMF is offering to low-income (IDA-eligible) countries in the context of the COVID-19 pandemic.

6. We will ensure full transparency and proper budget procedure with regard to the use of emergency assistance, including the procurement and contracting of crisis-related purchases. In the current circumstances, we use the provisions under the Public Finance Act that allow us to proceed with spending reallocations within the existing budget and create a temporary fund (within the treasury single account) through which the additional emergency spending could be channeled, subject to clearly established allocation criteria and reporting requirements. Once the situation normalizes and the total fiscal cost of addressing COVID-19 can be assessed, we will proceed with the preparation of a comprehensive supplementary budget and a full audit of the emergency spending. This will safeguard budget transparency and ensure that all the 2020 priorities are appropriated and paid for in 2020 to the extent of the financing available. This will also prevent creating undue spending pressures in the 2021 budget.

7. While we remain committed to the implementation of the ECF-supported program, we request that quarterly targets under the program in the remainder of 2020 be relaxed to reflect worsened economic outlook and financial conditions. To this effect, we request that the following end-June and end-December 2020 performance criteria be modified: (i) floors for net usable international reserves of the CBG lowered by US$27 million; and (ii) ceilings for net domestic assets of the CBG raised by a corresponding amount in dalasi (i.e., GMD 1,386 million) (see Table 1).

8. The Government of The Gambia is convinced that the policies and measures set forth herein are adequate to address the immediate needs resulting from the COVID-19 pandemic. However, the Government is committed to take any additional measures that prove necessary to that end. We also intend to seek additional donor support in the form of grants to sustain an adequate level of response to the COVID-19 emergency, for as long as necessary. Reliance on grant financing will be critical for minimizing hardship on the population, by ensuring provision of basic services, and safeguarding the hard-won debt sustainability. The government undertakes not to introduce measures or policies that would compound The Gambia's balance-of-payments difficulties, and to provide the IMF with any information required to monitor the implementation of measures. Moreover, the CBG has initiated discussions for a safeguards assessment update by the IMF as envisaged under the Fund's Safeguards Policy.

9. In line with our commitment to transparency in government operations, we agree to the publication of all the documents submitted to the Executive Board in relation to this request.

Sincerely yours,

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

Table 1. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets for 2020

(Stocks; unless otherwise indicated)

	2019	2020						
	Dec.	March	June		Sept.		Dec.	
	Prel.	**Prog.**	**Prog.**	**Rev.** [6]	**Prog.**	**Rev.** [6]	**Prog.**	**Rev.** [6]
Performance criteria [1]								
1. Net domestic borrowing of the central government (ceiling)	1,063	1,650	550	...	750	...	500	...
2. Stock of net domestic assets of the central bank (ceiling)	5,696	6,843	5,593	6,979	5,615	7,001	5,672	7,058
3. Stock of net usable international reserves of the central bank (floor, US$ million)	189	170	195	168	200	173	220	193
4. New external payments arrears of the central government (ceiling, US$ million) [2]	...	0.0	0.0	...	0.0	...	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	...
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	...
7. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million	...	60.0	60.0	...	60.0	...	60.0	...
Indicative targets								
8. Total domestic tax revenue (floor)	9,986	2,500	5,500	4,700	8,250	7,350	11,000	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	...
10. Poverty-reducing expenditure (floor)	5,267	1,300	2,700	...	4,000	...	5,600	...
Memorandum Items:								
Budget Support (grants, US$ millions)	54.6	0.0	40.0	...	46.9	...	62.1	...
Base Money (stock, GMD millions)	13,888	15,500	14,962	14,778	15,193	14,916	15,755	15,386
Nominal Exchange Rate (GMD/US$)	51.10	51.10	51.10	...	51.10	...	51.10	...
ECF disbursements (SDR millions, flow) [4]	...	5.0	...	...	...	...	5.0	...
RCF disbursement (SDR millions, flow)	...	...	...	15.6	...	...	...	...
CCRT debt relief (SDR millions, flow)[5]	...	...	...	1.1	...	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] First disbursement of SDR 5.0 million (8.0 percent of quota) was on made March 31, 2020.

[5] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[6] Proposed revisions; other varaibles and targets remain unchanged, as per program column.

THE GAMBIA

April 8, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS[1]

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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*

An updated DSA indicates that The Gambia's overall and external debt distress risk ratings remain "High" and public debt is deemed sustainable. Under the revised macro framework, which reflects the impact of COVID-19 and the inclusion of the requested RCF loan, there are marginal breaches in the PV of external debt-to-exports and the external debt service-to-exports thresholds in 2020 and marginal breaches of debt service-to-revenue threshold in 2020 and 2026. The PV of overall public debt-to-GDP is still projected to drop below its indicative threshold by 2023. The Gambia's debt sustainability is subject to elevated downside risks in the next few years, including potentially lower growth due to slower international recovery and larger domestic impact of COVID-19 than currently assumed under the baseline, and risks emanating from the weak financial position of some state-owned enterprises.

[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).

The macroeconomic outlook for 2020 has deteriorated compared to the previous DSA. Due to COVID-19, on current projections, GDP growth in 2020 is expected to drop from 6.3 percent projected earlier to about 2.5 percent and exports in 2020 are revised downwards by 4 percent of GDP due to the projected drop in tourism and re-exports. Lower economic activity is also expected to reduce domestic revenue collection by 1.0 percent of GDP. While these revisions lead to a deterioration of external debt service indicators in 2020, since the shock from COVID-19 is expected to be temporary, its impact on debt sustainability is small and does not change the overall assessment.

Due to the expected impact of COVID-19, some of the key financing assumptions have changed. As a result of the expected slowdown in project execution, project grant and project loan disbursements over 2020–22 are assumed to be lower by about US$30 million and US$18 million, respectively. Remittances and foreign direct investment are also expected to be lower due to the global slowdown. Compared to the most recent DSA (March 2020), there has been no change in the status of debt restructuring. The immediate financing needs created by these developments for 2020 will be met through a drawdown of gross international reserves, increased financing from the IMF (the requested loan under the exogenous shock window of the Rapid Credit Facility and a debt service relief grant under the Catastrophe Containment and Relief Trust), and additional (i.e., COVID-19-related) grant financing from the World Bank. Going forward, The Gambia is expected to seek additional grant financing to contain the in-country spread of the pandemic.

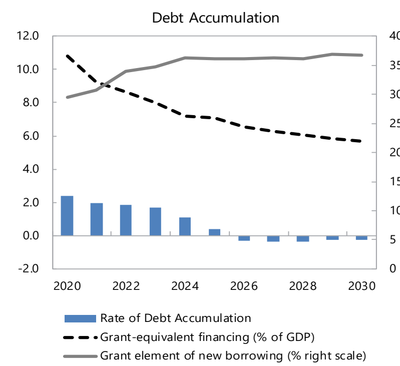
The Gambia's risk of external and public debt distress remains "High" and its overall public debt is still deemed sustainable. The DSA indicates that under the revised macroeconomic framework, external and public debt indicators are largely unchanged, with a few exceptions. Due to the negative impact of COVID-19 on exports, in 2020, the PV of external debt-to-exports and external debt service-to-exports ratios breach marginally (i.e., by less than 10 percent of applicable threshold values) their indicative thresholds of 180 percent and 15 percent, respectively. Since the impact of COVID-19 is expected to be temporary, these indicators revert to being below their thresholds starting in 2021. The external debt service-to-revenue ratio also marginally breaches its indicative threshold of 18 percent in 2020 and 2026, partly due to the increased debt service to the Fund related to the proposed RCF. This breach highlights The Gambia's limited space for additional borrowing, as the external debt service is expected to rise at the end of the debt deferral period in 2025. The impact of COVID-19 and the inclusion of the proposed RCF does not significantly alter the profile of the PV of overall public debt-to-GDP, which still drops below its indicative threshold of 55 percent by 2023.

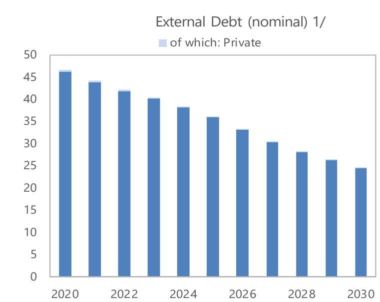
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**48.5**	**49.3**	**46.0**	**46.6**	**44.3**	**42.1**	**40.4**	**38.2**	**36.0**	**24.5**	**18.2**	**38.8**	**35.5**
of which: public and publicly guaranteed (PPG)	**46.5**	**47.4**	**45.9**	**46.2**	**43.8**	**41.8**	**40.2**	**38.1**	**35.9**	**24.5**	**18.1**	**36.9**	**35.3**
Change in external debt	5.7	0.7	-3.3	0.5	-2.3	-2.2	-1.7	-2.1	-2.3	-1.7	-0.3		
Identified net debt-creating flows	**1.0**	**0.4**	**-3.8**	**5.2**	**3.2**	**2.6**	**2.6**	**2.8**	**2.4**	**-0.5**	**1.5**	**1.2**	**2.0**
Non-interest current account deficit	**6.9**	**9.3**	**4.6**	**9.2**	**9.5**	**9.0**	**8.1**	**8.2**	**7.5**	**3.9**	**5.6**	**7.2**	**7.1**
Deficit in balance of goods and services	20.4	18.9	19.0	20.7	20.1	19.1	18.3	18.0	17.3	12.9	13.2	**14.0**	**16.9**
Exports	16.6	19.3	21.0	17.3	21.3	21.1	21.5	21.8	22.1	23.6	30.2		
Imports	37.0	38.2	40.0	38.0	41.4	40.3	39.8	39.8	39.3	36.5	43.5		
Net current transfers (negative = inflow)	-14.9	-11.0	-15.4	-12.6	-11.6	-11.1	-11.1	-10.6	-10.4	-9.7	-8.2	**-8.1**	**-10.6**
of which: official	-3.7	-0.9	-3.2	-3.9	-2.6	-2.2	-1.9	-1.6	-1.5	-1.5	-0.8		
Other current account flows (negative = net inflow)	1.4	1.3	1.0	1.1	1.1	1.0	0.8	0.8	0.6	0.6	0.5	**1.4**	**0.8**
Net FDI (negative = inflow)	**-5.6**	**-5.6**	**-5.3**	**-3.5**	**-4.1**	**-4.0**	**-3.8**	**-3.9**	**-3.8**	**-3.6**	**-3.5**	**-5.6**	**-3.8**
Endogenous debt dynamics 2/	**-0.3**	**-3.3**	**-3.2**	**-0.5**	**-2.2**	**-2.3**	**-1.6**	**-1.5**	**-1.3**	**-0.8**	**-0.6**		
Contribution from nominal interest rate	0.5	0.5	0.7	0.6	0.5	0.5	0.4	0.4	0.5	0.4	0.2		
Contribution from real GDP growth	-2.0	-2.9	-2.7	-1.1	-2.7	-2.8	-2.1	-1.9	-1.8	-1.2	-0.8		
Contribution from price and exchange rate changes	1.2	-0.9	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	**4.7**	**0.4**	**0.6**	**-4.6**	**-5.5**	**-4.8**	**-4.3**	**-4.9**	**-4.7**	**-1.2**	**-1.7**	**0.7**	**-3.9**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**33.3**	**34.0**	**32.8**	**31.6**	**30.9**	**29.7**	**28.0**	**18.6**	**13.3**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**158.9**	**196.8**	**153.6**	**149.6**	**143.7**	**136.1**	**126.8**	**79.0**	**43.9**		
PPG debt service-to-exports ratio	**31.2**	**26.2**	**14.2**	**16.3**	**9.9**	**8.5**	**7.5**	**8.1**	**11.9**	**10.3**	**3.7**		
PPG debt service-to-revenue ratio	**44.8**	**41.8**	**20.7**	**21.4**	**15.3**	**12.7**	**11.0**	**11.8**	**17.2**	**14.2**	**5.9**		
Gross external financing need (Million of U.S. dollars)	98.1	141.9	70.8	160.1	160.3	159.7	147.4	161.8	179.7	107.0	228.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	2.5	6.5	6.9	5.3	5.2	5.0	4.7	4.7	**2.8**	**5.0**
GDP deflator in US dollar terms (change in percent)	-2.8	1.8	2.4	2.6	3.1	2.3	2.3	2.3	2.6	2.0	1.5	**-0.6**	**2.4**
Effective interest rate (percent) 4/	1.1	1.1	1.6	1.3	1.2	1.2	1.1	1.2	1.5	1.5	1.4	**1.5**	**1.3**
Growth of exports of G&S (US dollar terms, in percent)	2.9	26.3	18.0	-13.4	35.6	8.4	9.6	9.3	8.8	8.6	9.3	**5.6**	**9.2**
Growth of imports of G&S (US dollar terms, in percent)	19.2	12.1	13.6	-0.1	19.7	6.2	6.6	7.7	6.3	6.0	8.4	**6.8**	**6.7**
Grant element of new public sector borrowing (in percent)	...	...	...	29.5	30.7	34.0	34.8	36.2	36.1	36.8	35.7	**...**	**34.9**
Government revenues (excluding grants, in percent of GDP)	11.6	12.1	14.4	13.1	13.8	14.1	14.7	15.0	15.2	17.0	18.9	**11.6**	**15.4**
Aid flows (in Million of US dollars) 5/	115.4	54.4	137.9	184.6	178.6	180.8	178.8	173.7	178.4	201.6	236.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.8	9.3	8.6	8.0	7.2	7.1	5.7	3.8	**...**	**7.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	75.4	79.8	81.4	82.6	84.3	81.3	81.8	78.0	**...**	**81.6**
Nominal GDP (Million of US dollars)	1,498	1,625	1,764	1,855	2,036	2,227	2,399	2,582	2,781	3,919	7,221		
Nominal dollar GDP growth	1.9	8.4	8.6	5.2	9.8	9.4	7.8	7.6	7.7	6.8	6.3	**2.2**	**7.5**
Memorandum items:													
PV of external debt 7/	...	...	33.5	34.4	33.2	31.9	31.1	29.9	28.1	18.7	13.4		
In percent of exports	...	...	159.5	198.9	155.7	151.1	144.7	136.8	127.3	79.1	44.2		
Total external debt service-to-exports ratio	31.2	26.2	22.3	16.9	11.5	10.5	8.8	9.0	12.5	10.4	3.7		
PV of PPG external debt (in Million of US dollars)			587.9	630.5	666.9	704.2	741.3	767.0	777.6	730.2	957.9		
(PVt-PVt-1)/GDPt-1 (in percent)				2.4	2.0	1.8	1.7	1.1	0.4	-0.2	0.6		
Non-interest current account deficit that stabilizes debt ratio	1.2	8.5	7.9	8.7	11.8	11.1	9.8	10.4	9.8	5.6	5.8		

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

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

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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

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

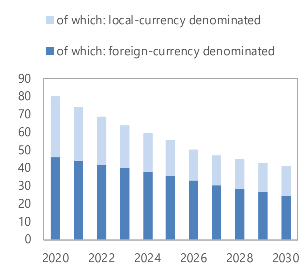
Table 2. The Gambia: The Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

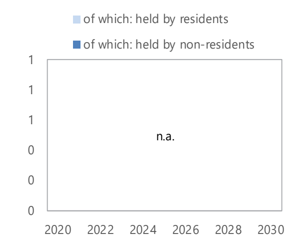
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**87.0**	**86.6**	**82.5**	**80.3**	**74.1**	**69.0**	**63.7**	**59.7**	**55.6**	**41.3**	**37.3**	**67.7**	**57.1**
of which: external debt	**46.5**	**47.4**	**45.9**	**46.2**	**43.8**	**41.8**	**40.2**	**38.1**	**35.9**	**24.5**	**18.1**	**36.9**	**35.3**
Change in public sector debt	6.1	-0.4	-4.1	-2.2	-6.2	-5.2	-5.3	-4.0	-4.1	-1.2	0.3		
Identified debt-creating flows	**1.6**	**-1.8**	**-5.3**	**-1.9**	**-6.0**	**-5.0**	**-5.2**	**-4.0**	**-4.1**	**-1.2**	**0.3**	**1.2**	**-3.7**
Primary deficit	**0.2**	**3.0**	**-0.6**	**-0.3**	**-0.8**	**-0.8**	**-1.1**	**-1.2**	**-1.5**	**0.1**	**1.0**	**1.0**	**-0.8**
Revenue and grants	19.3	15.4	22.2	22.5	22.0	21.8	21.8	21.4	21.4	22.0	22.1	**15.3**	**21.9**
of which: grants	7.7	3.3	7.8	9.3	8.2	7.6	7.1	6.4	6.1	5.0	3.2		
Primary (noninterest) expenditure	19.4	18.5	21.6	22.1	21.3	21.0	20.7	20.1	19.9	22.1	23.2	**16.3**	**21.1**
Automatic debt dynamics	**1.5**	**-4.8**	**-4.7**	**-2.3**	**-5.4**	**-4.1**	**-3.1**	**-2.8**	**-2.5**	**-1.3**	**-0.7**		
Contribution from interest rate/growth differential	-0.7	-4.6	-4.4	-1.9	-4.9	-4.0	-2.9	-2.6	-2.3	-1.3	-0.7		
of which: contribution from average real interest rate	3.0	0.7	0.5	0.1	0.0	0.8	0.6	0.5	0.6	0.7	0.9		
of which: contribution from real GDP growth	-3.7	-5.3	-4.9	-2.0	-4.9	-4.8	-3.5	-3.1	-2.8	-1.9	-1.7		
Contribution from real exchange rate depreciation	2.1	-0.2	-0.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.8**	**0.1**	**-0.1**	**-1.0**	**0.0**	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.8	0.1	-0.1	-1.0	0.0	-0.1	-0.1	0.0		
Residual	**4.4**	**1.4**	**1.2**	**-0.7**	**-0.6**	**-0.2**	**-0.3**	**-0.2**	**-0.2**	**0.0**	**0.1**	**3.1**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**70.5**	**68.5**	**63.4**	**59.2**	**54.7**	**51.6**	**48.0**	**35.7**	**32.6**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**317.3**	**305.1**	**287.7**	**271.9**	**251.3**	**241.2**	**224.6**	**162.1**	**147.3**		
Debt service-to-revenue and grants ratio 3/	**151.1**	**154.7**	**111.3**	**120.1**	**100.9**	**85.0**	**83.1**	**72.8**	**73.5**	**51.1**	**36.6**		
Gross financing need 4/	29.3	26.9	24.1	27.4	21.6	17.6	16.0	14.3	14.1	11.3	9.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	6.5	6.0	2.5	6.5	6.9	5.3	5.2	5.0	4.7	4.7	**2.8**	**5.0**
Average nominal interest rate on external debt (in percent)	1.2	1.1	1.7	1.3	1.2	1.2	1.1	1.2	1.5	1.5	1.4	**1.6**	**1.4**
Average real interest rate on domestic debt (in percent)	7.8	1.9	1.5	1.5	1.1	3.9	3.2	3.5	3.5	5.0	5.7	**6.0**	**3.5**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.5	-0.6	-0.7	...	...	...	...	...	...	...	...	**2.7**	**...**
Inflation rate (GDP deflator, in percent)	3.9	5.2	6.4	6.2	5.9	4.4	4.5	4.4	4.8	4.8	4.8	**5.8**	**4.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	40.6	1.4	23.9	4.9	2.5	5.3	4.0	2.3	3.6	4.8	5.6	**9.3**	**5.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.9	3.5	3.5	1.8	5.4	4.4	4.2	2.8	2.6	1.3	0.7	**0.4**	**2.9**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

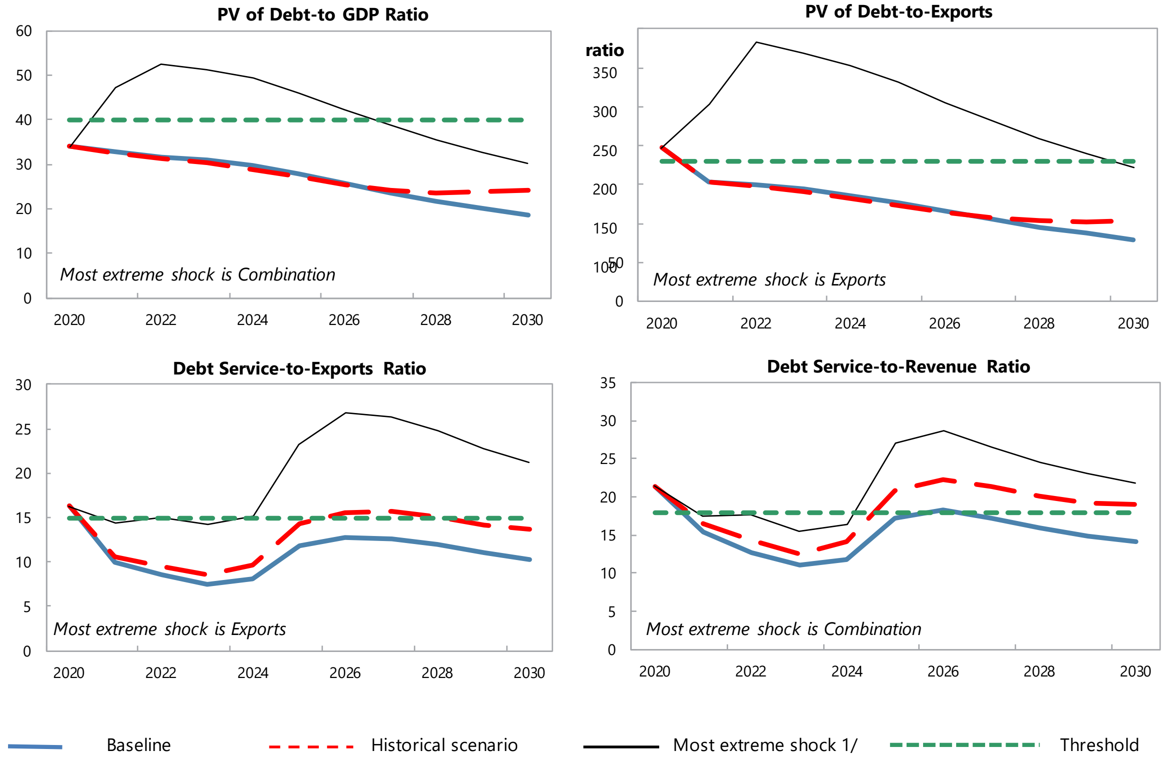
Public sector debt 1/





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/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt under 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	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	3	3

* 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.

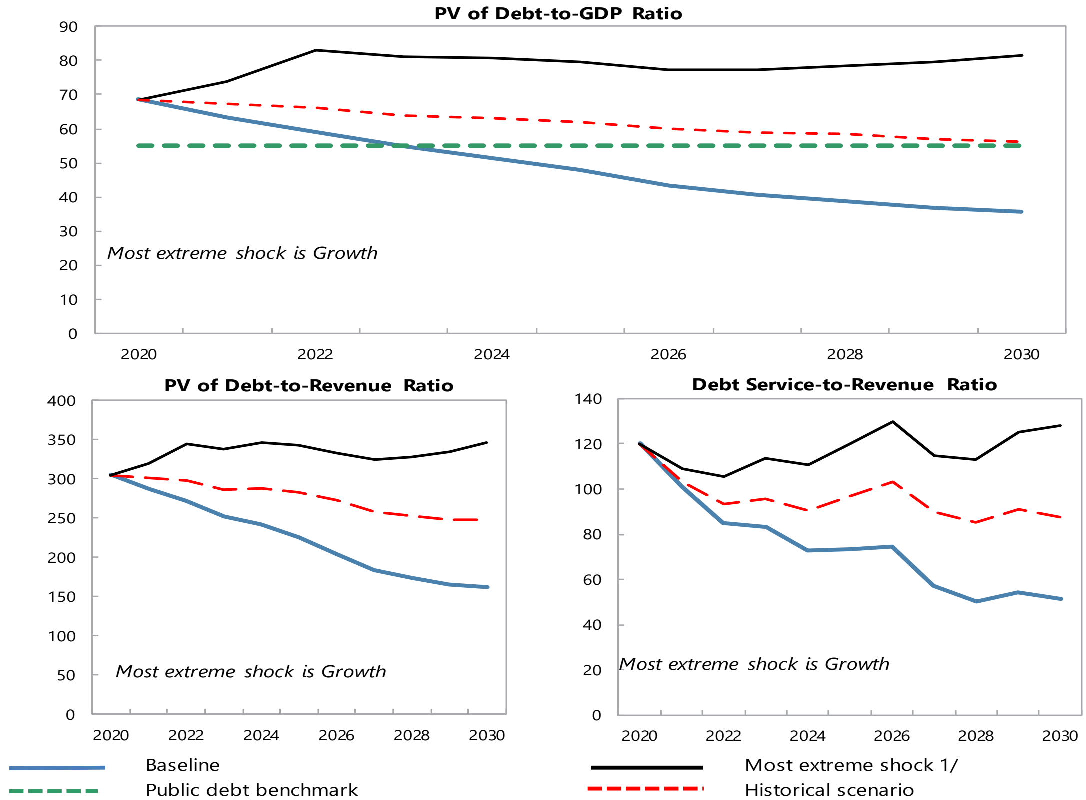
Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	34.0	32.8	31.6	30.9	29.7	28.0	25.8	23.6	21.8	20.1	18.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	34.0	32.6	31.3	30.4	28.9	27.2	25.5	24.2	23.6	23.7	24.3
B. Bound Tests											
B1. Real GDP growth	34.0	37.3	**41.3**	**40.3**	38.8	36.5	33.6	30.9	28.4	26.3	24.3
B2. Primary balance	34.0	33.1	32.5	32.1	31.1	29.6	27.5	25.5	23.7	22.1	20.6
B3. Exports	34.0	37.5	**42.3**	**41.3**	39.8	37.4	34.4	31.5	28.9	26.6	24.5
B4. Other flows 3/	34.0	38.7	**42.8**	**41.7**	**40.2**	37.8	34.7	31.8	29.1	26.8	24.7
B5. One-time 30 percent nominal depreciation	34.0	**41.1**	34.9	34.1	32.8	30.7	28.3	26.0	24.0	22.3	20.7
B6. Combination of B1-B5	34.0	**47.3**	**52.4**	**51.1**	**49.2**	**46.1**	**42.3**	38.7	35.5	32.7	30.1
C. Tailored Tests											
C1. Combined contingent liabilities	34.0	33.8	33.2	32.8	32.0	30.5	28.5	26.6	24.8	23.3	21.9
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	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**196.8**	153.6	149.6	143.7	136.1	126.8	115.3	104.9	95.3	86.8	79.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**196.8**	152.6	148.1	141.4	132.2	123.2	114.0	107.4	103.5	102.2	102.9
B. Bound Tests											
B1. Real GDP growth	**196.8**	153.6	149.6	143.7	136.1	126.8	115.3	104.9	95.3	86.8	79.0
B2. Primary balance	**196.8**	155.1	153.7	149.3	142.6	134.2	123.2	113.1	103.6	95.1	87.2
B3. Exports	**196.8**	**253.4**	**332.3**	**318.5**	**302.1**	**281.7**	**255.4**	**231.6**	**209.8**	**190.2**	172.2
B4. Other flows 3/	**196.8**	**181.3**	**202.7**	**194.2**	**184.2**	171.6	155.5	141.0	127.7	115.7	104.7
B5. One-time 30 percent nominal depreciation	**196.8**	153.6	131.3	126.3	119.4	110.9	101.0	92.0	83.7	76.4	69.8
B6. Combination of B1-B5	**196.8**	**265.1**	**196.9**	**280.3**	**265.8**	**246.3**	**223.3**	**202.4**	**183.3**	166.1	150.4
C. Tailored Tests											
C1. Combined contingent liabilities	**196.8**	158.3	157.0	152.6	146.4	138.3	127.7	117.9	108.8	100.5	92.9
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	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**16.3**	9.9	8.5	7.5	8.1	11.9	12.7	12.6	11.9	11.0	10.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**16.3**	10.7	9.5	8.6	9.7	14.3	**15.5**	**15.8**	**15.1**	14.1	13.7
B. Bound Tests											
B1. Real GDP growth	**16.3**	9.9	8.5	7.5	8.1	11.9	12.7	12.6	11.9	11.0	10.3
B2. Primary balance	**16.3**	9.9	8.5	7.6	8.2	12.1	13.1	13.1	12.4	11.5	10.8
B3. Exports	**16.3**	14.4	**15.1**	14.2	**15.1**	**23.2**	**26.8**	**26.3**	**24.7**	**22.8**	**21.3**
B4. Other flows 3/	**16.3**	9.9	9.1	8.5	9.1	14.2	**16.3**	**15.9**	15.0	13.8	12.9
B5. One-time 30 percent nominal depreciation	**16.3**	9.9	8.5	7.1	7.8	11.6	11.5	11.5	10.8	10.0	9.4
B6. Combination of B1-B5	**16.3**	13.5	13.9	12.5	13.3	**22.0**	**23.5**	**23.1**	**21.7**	**20.0**	**18.6**
C. Tailored Tests											
C1. Combined contingent liabilities	**16.3**	9.9	8.6	7.6	8.3	12.1	12.9	12.9	12.2	11.2	10.5
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	**21.4**	15.3	12.7	11.0	11.8	17.2	**18.2**	17.2	15.9	14.9	14.2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**21.4**	16.4	14.2	12.6	14.1	**20.8**	**22.3**	**21.4**	**20.1**	**19.2**	**19.0**
B. Bound Tests											
B1. Real GDP growth	**21.4**	17.4	16.6	14.3	15.4	**22.4**	**23.8**	**22.4**	**20.8**	**19.5**	**18.5**
B2. Primary balance	**21.4**	15.3	12.8	11.1	12.0	17.5	**18.8**	17.7	16.6	15.6	15.0
B3. Exports	**21.4**	15.4	13.6	12.5	13.3	**20.3**	**23.2**	**21.5**	**19.9**	**18.7**	17.7
B4. Other flows 3/	**21.4**	15.3	13.6	12.5	13.2	**20.6**	**23.3**	**21.6**	**20.0**	**18.7**	17.8
B5. One-time 30 percent nominal depreciation	**21.4**	**19.2**	16.0	13.1	14.2	**21.0**	**20.7**	**19.6**	**18.2**	17.1	16.3
B6. Combination of B1-B5	**21.4**	17.4	17.6	15.5	16.4	**27.0**	**28.6**	**26.6**	**24.6**	**23.0**	**21.9**
C. Tailored Tests											
C1. Combined contingent liabilities	**21.4**	15.3	12.9	11.2	12.1	17.5	**18.6**	17.5	16.2	15.2	14.5
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.

Figure 2. The Gambia: Indicators of Public Debt Under 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	1.5%	1.5%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.5%	4.5%
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.

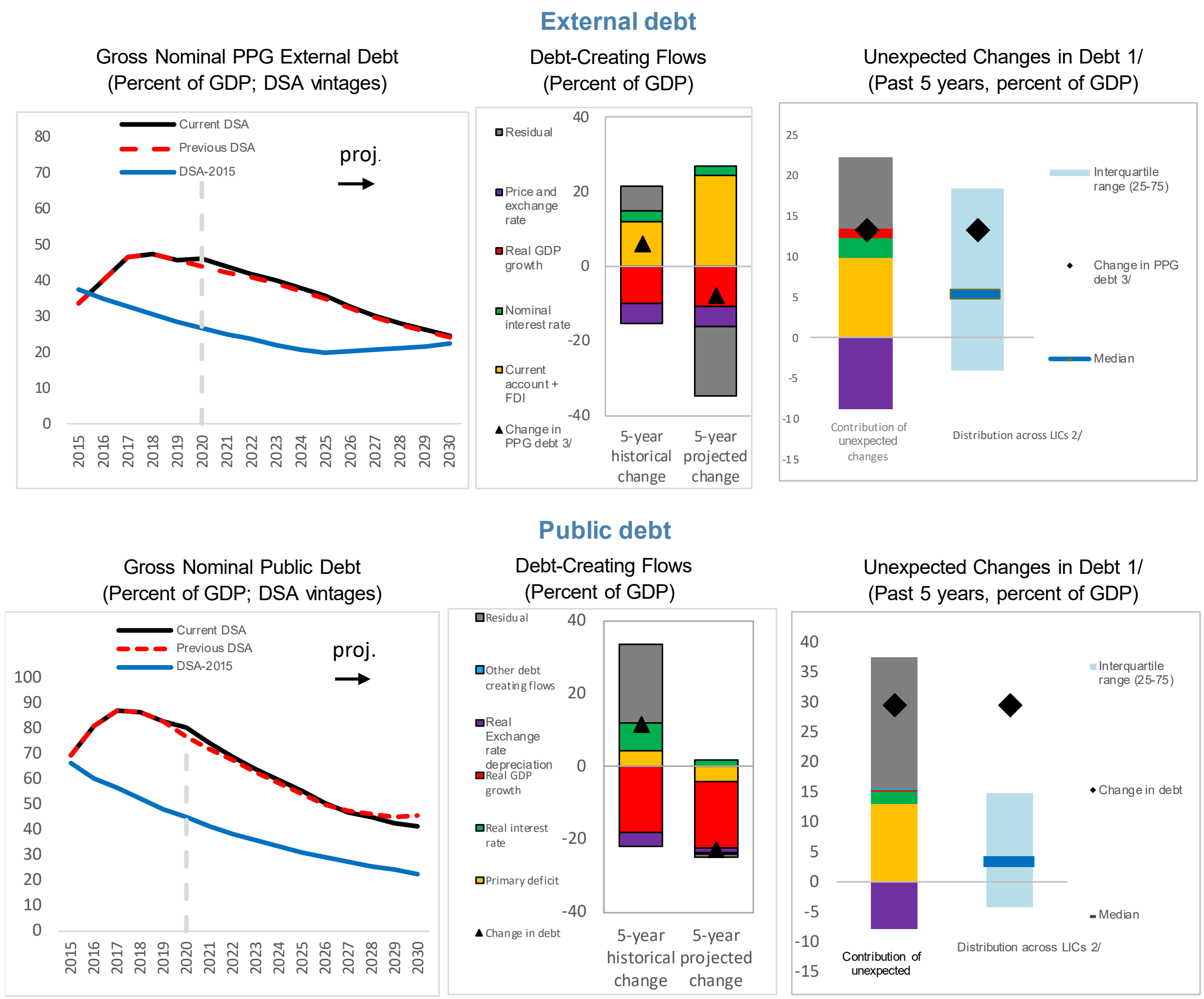
Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**68.5**	**63.4**	**59.2**	54.7	51.6	48.0	43.4	40.5	38.7	36.7	35.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**69**	**67**	**66**	**64**	**63**	**62**	**60**	**59**	**58**	**57**	**56**
B. Bound Tests											
B1. Real GDP growth	**69**	**74**	**83**	**81**	**81**	**80**	**77**	**77**	**78**	**79**	**82**
B2. Primary balance	**69**	**66**	**64**	**60**	**56**	53	48	45	43	41	39
B3. Exports	**69**	**68**	**69**	**65**	**61**	**57**	52	48	45	43	41
B4. Other flows 3/	**69**	**69**	**70**	**66**	**62**	**58**	53	49	46	43	42
B5. One-time 30 percent nominal depreciation	**69**	**69**	**64**	**58**	54	49	44	40	37	34	32
B6. Combination of B1-B5	**69**	**67**	**66**	**60**	**58**	55	51	48	47	45	45
C. Tailored Tests											
C1. Combined contingent liabilities	**69**	**72**	**67**	**62**	**58**	55	50	47	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	305.1	287.7	271.9	251.3	241.2	224.6	202.9	182.9	173.0	165.5	162.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	305	302	298	287	288	282	272	258	253	249	248
B. Bound Tests											
B1. Real GDP growth	305	319	345	338	345	342	333	324	327	335	347
B2. Primary balance	305	300	296	275	264	246	223	202	191	183	179
B3. Exports	305	308	319	296	286	267	241	216	203	193	187
B4. Other flows 3/	305	315	324	302	291	271	245	220	206	196	190
B5. One-time 30 percent nominal depreciation	305	324	300	275	259	237	209	184	169	157	149
B6. Combination of B1-B5	305	301	297	270	264	251	232	214	206	201	200
C. Tailored Tests											
C1. Combined contingent liabilities	305	325	307	284	273	255	232	210	199	191	186
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	120.1	100.9	85.0	83.1	72.8	73.5	74.7	57.4	50.4	54.2	51.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	120	103	93	96	91	97	103	90	85	91	88
B. Bound Tests											
B1. Real GDP growth	120	109	106	114	111	120	130	115	113	125	128
B2. Primary balance	120	101	93	97	85	85	85	66	58	61	58
B3. Exports	120	101	85	84	74	75	78	60	53	57	54
B4. Other flows 3/	120	101	85	84	74	76	78	61	54	57	54
B5. One-time 30 percent nominal depreciation	120	98	84	80	72	73	75	57	51	54	51
B6. Combination of B1-B5	120	102	89	87	80	83	87	71	66	72	70
C. Tailored Tests											
C1. Combined contingent liabilities	120	101	110	100	90	89	88	69	60	63	59
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.

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



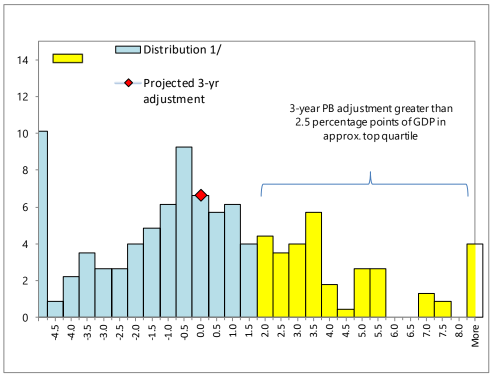
1/ Difference between anticipated and actual contributions on debt ratios.

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.

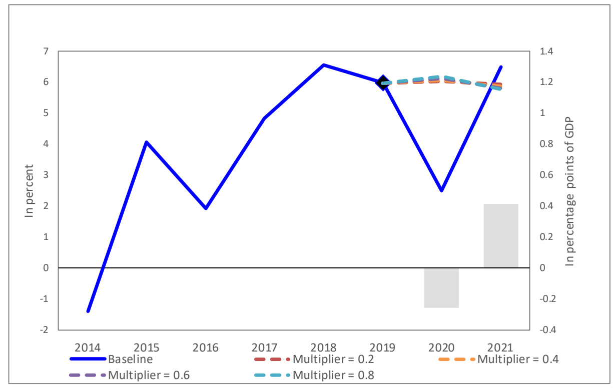
Figure 4. The Gambia: Realism Tools

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



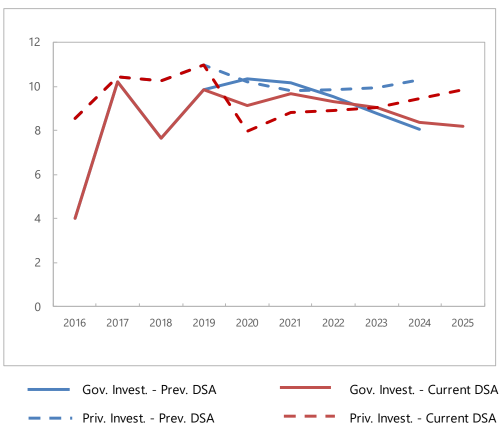
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

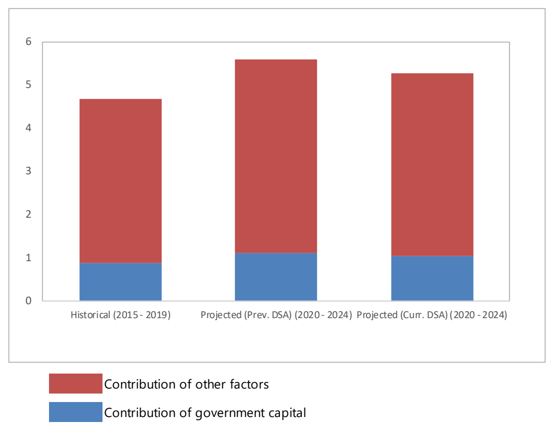


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



Contribution to Real GDP Growth
(Percent, 5-year average)



Statement by Mr. Dumisani Hebert Mahlinza and
Mr. Bernard W. Jappah on The Gambia
April 15, 2020

I. Introduction

On behalf of our Gambian authorities, we thank management and staff for their timely response to the request for disbursement under the Rapid Credit Facility (RCF) and Modification of Performance Criteria Under the Extended Credit Facility (ECF) Arrangement.

Over the last two years, The Gambia has made solid strides in stabilizing macroeconomic conditions, posting strong economic growth, notable improvements in public finances and a reduction in inflation. To further anchor macroeconomic stability, the authorities requested a 39-month ECF program, which was approved on March 23, 2020. However, the COVID-19 pandemic is threatening the macroeconomic gains achieved thus far, posing significant downside risks. The authorities have responded by initiating a range of measures to contain the spread of the virus, protect lives, and support the economy. Nonetheless, the pandemic has exerted substantial pressures on public finances and balance of payments.

Against this backdrop, the authorities request Fund financial support under the RCF in the amount of $21 million dollars (25 percent of quota) to address urgent balance of payment (BOP) needs and request that the RCF disbursement be deployed to supplement budget resources. Further, the authorities request a modification of performance criteria under the ECF arrangement to accommodate the deterioration in the BOP outlook through (i) an increase in the Net Domestic Assets (NDAs) ceilings; and (ii) a reduction in the quarterly floor of the Net Useable International Reserves (NUIR).

II. Program Performance

Strong commitment to reform and policy implementation continues to underpin satisfactory program performance under the ECF. At end March 2020, almost all the ECF's indicative targets were met, some with comfortable margins. Compared to program targets, net

domestic borrowing declined, and net useable international reserves improved. Tax revenue also performed well. The structural benchmark on preparation of a cash flow plan was also met.

III. Impact of the COVID-19 pandemic

Since the first COVID-19 case was reported March 17, 2020, infection rates have increased, and one fatality has been recorded. Given the fragility of the country's health system and weak social safety nets, the numbers could rise rapidly. Current assessments of the impact of the COVID-19 pandemic suggest that economic growth in 2020 would decline to 2.5 percent, from the initial projection of 6.3 percent, owing largely to a reduction in trade, remittances, construction, investment, and hospitality businesses. Tourism, a key source of foreign exchange, has already seen marked declines, following the measures taken on March 30 including the declaration of a state of emergency and closure of air space and land border. In addition, financial conditions continue to tighten, as domestic interest rates increase. Immediate emergency BOP and related budgetary needs are estimated to exceed 2 percent of GDP. In 2020, overall BOP is expected to weaken by nearly 2.4 percent of GDP. At the same time, public investment spending will be postponed, further undermining the country's growth outcomes.

Our authorities remain cautiously optimistic that recovery would begin in the second half of 2020, on the assumption that the current situation is temporary. They are aware that risks remain elevated as the pandemic could stretch for a protracted period at the global and regional levels and keep tourism, the mainstay of the economy, subdued.

IV. Policy Responses to the Pandemic

The authorities have taken measures to mitigate the impact on human life, manage the social and economic fallouts, and preserve the economic gains achieved over the past two years. In particular, they have declared a state of emergency and closed all air and land borders, schools, and non-essential public and private services. They are also enforcing social distancing measures and enacting temporary prohibition of exports to ensure availability of critical supplies in the local market and imposing a temporary freeze on prices of essential goods, including food and fuel.

On the fiscal front, several measures have been introduced to unlock critical resources needed to accommodate higher health spending and support businesses and the vulnerable households. Following the application of stricter expenditure control and prioritization, the government is re-allocating spending of approximately 1 percent of GDP towards the COVID-19 emergency plan. Spending on goods and services and subsidies to SOEs have been reduced and travel has been suspended. The authorities stand ready to take further actions to accommodate new priorities during the current fiscal year and prevent spending pressures extending into FY2021. The authorities are also working with development partners to re-align sector-level project objectives with immediate needs occasioned by the pandemic. To provide relief to local businesses, the Gambia Revenue Authority (GRA) has extended by two months the filing of the 2019 annual tax returns and the payment of final 2019 taxes.

Under the current significant uncertainties, the Central Bank of The Gambia (CBG) will continue to implement a data- dependant monetary policy. In response to the tightening domestic financial

conditions, the CBG reduced its policy rate. Further, the CBG is enhancing coordination between exchange rate, monetary, and macroprudential policies to mitigate financial stability risks. At the same time, the Bank will continue to maintain a flexible exchange rate regime to absorb balance-of-payments shocks. Going forward, the CBG will continue to closely monitor banking sector developments to respond with additional measures, including lowering reserve requirements and providing liquidity support, as necessary.

V. Request for Financing under the Rapid Credit Facility (RCF)

Our authorities request Directors' support for an emergency disbursement under the exogenous shock window of the RCF to help cover the residual emergency financing gap caused by the pandemic. In the event that the crisis lasts longer than envisaged, the authorities expect further erosion of the fiscal and external positions. Under this scenario, they will seek additional support in- kind or through grants or highly concessional loans from development partners, including international financial institutions. Further, the authorities request modification of performance criteria under the ECF arrangement.

VI. Conclusion

The authorities are confident that their policies and measures taken in response to the COVID-19 pandemic will enable effective use of the disbursements under the RCF. They remain committed to pursuing sound policies articulated under the ECF arrangement, to strengthen macroeconomic stability and fiscal sustainability, strengthen governance and accountability and attain inclusive growth supported by private sector development. In addition, they intend to gradually unwind temporary measures, once the pandemic recedes and economic activity normalizes.