INTERNATIONAL MONETARY FUND

THE GAMBIA

December 21, 2020

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

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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*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

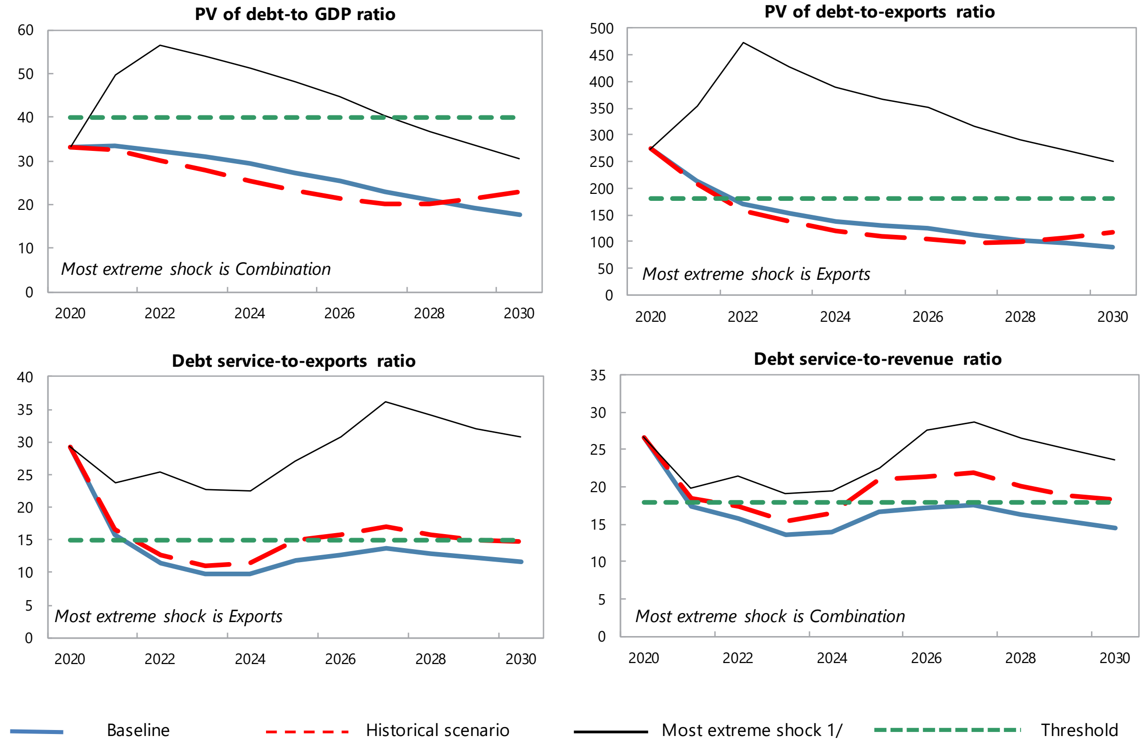
the authorities commit to refrain from non-concessional external borrowing, including for the projects benefitting state-owned enterprises.

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

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

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

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



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

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

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

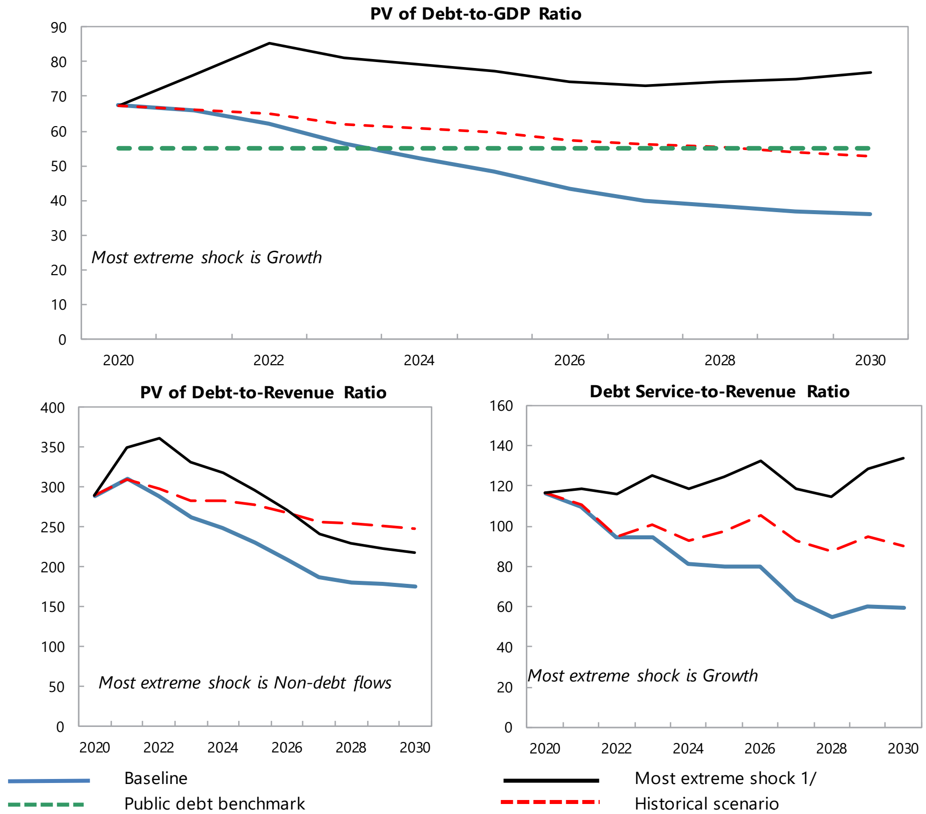
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

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

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



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

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

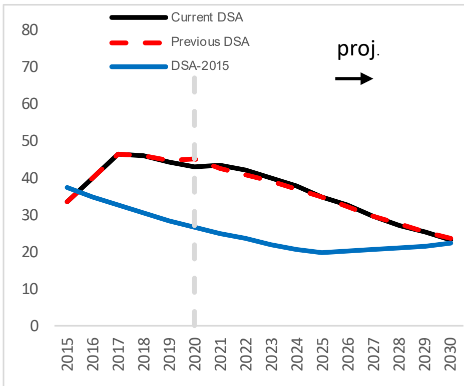
Sources: Country authorities; and staff estimates and projections.

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

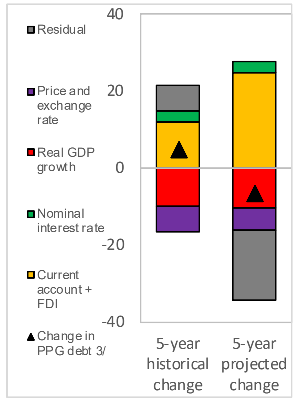
Figure 3. The Gambia: Drivers of Debt Dynamics—Baseline Scenario

External debt

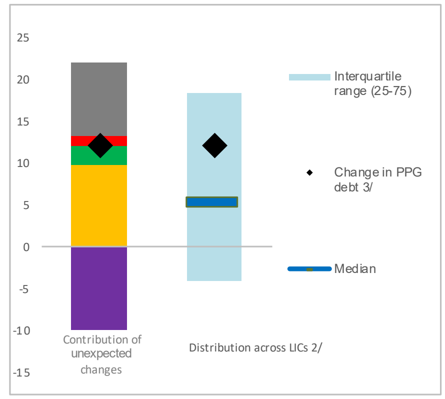
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

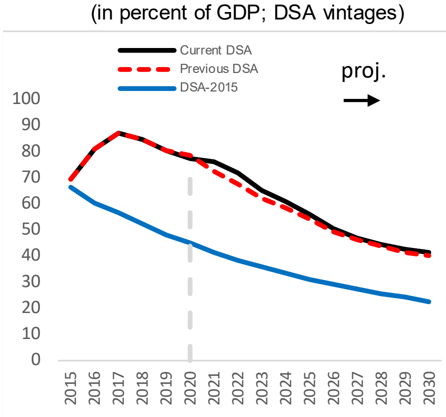


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

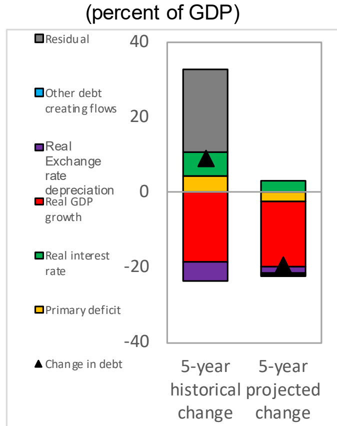


Public debt

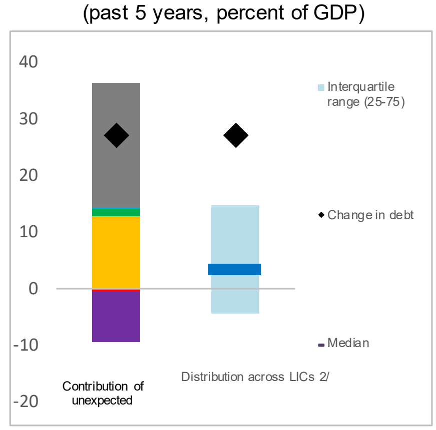
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



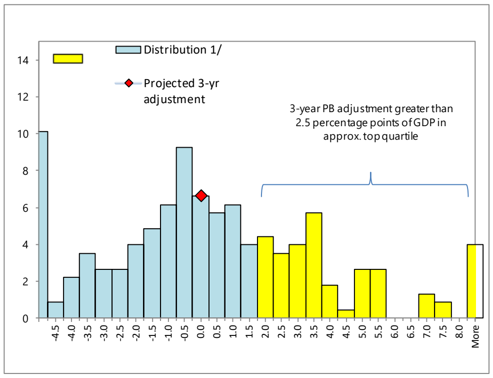
Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICs for which LIC DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

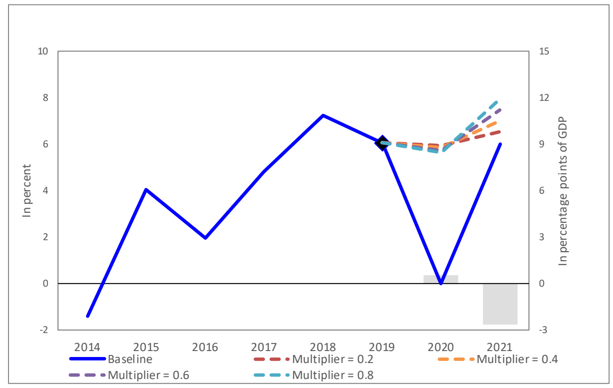
Figure 4. The Gambia: Realism Tools

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



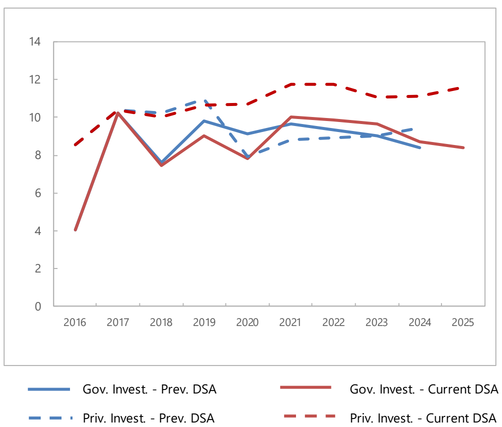
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

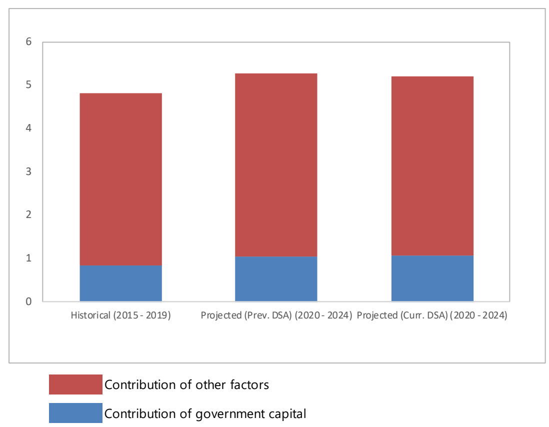
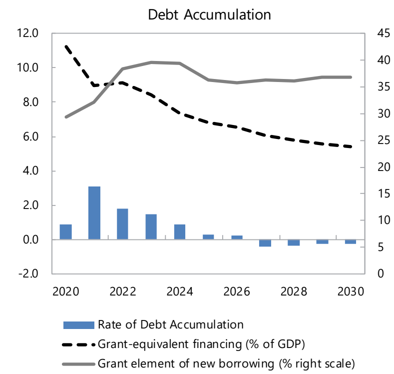


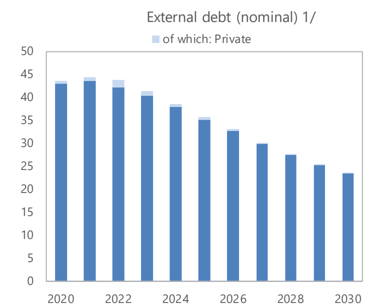
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

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

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ Includes relief under CCRT.

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

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

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

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

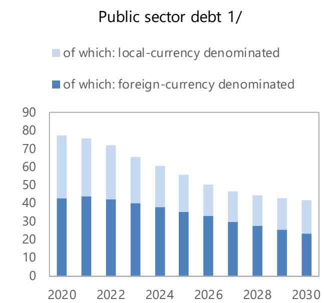
9/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

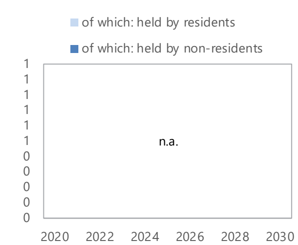
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

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

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





Sources: Country authorities; and staff estimates and projections.

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

2/ Includes relief under CCRT.

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

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

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

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

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

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

(Percent)

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

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

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

(Percent)

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

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