

April 2021

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA



**AFRICAN
DEPARTMENT**

Navigating a Long Pandemic

JUNE 2021

By

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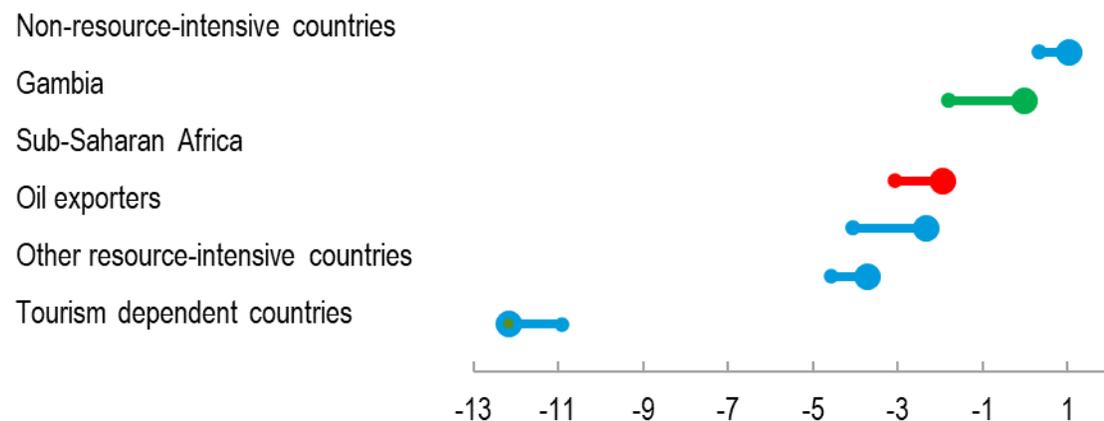
IMF Resident Representative for The Gambia

Compared to the October 2020 updates, the 2020 outturn has improved, though still the worst on record

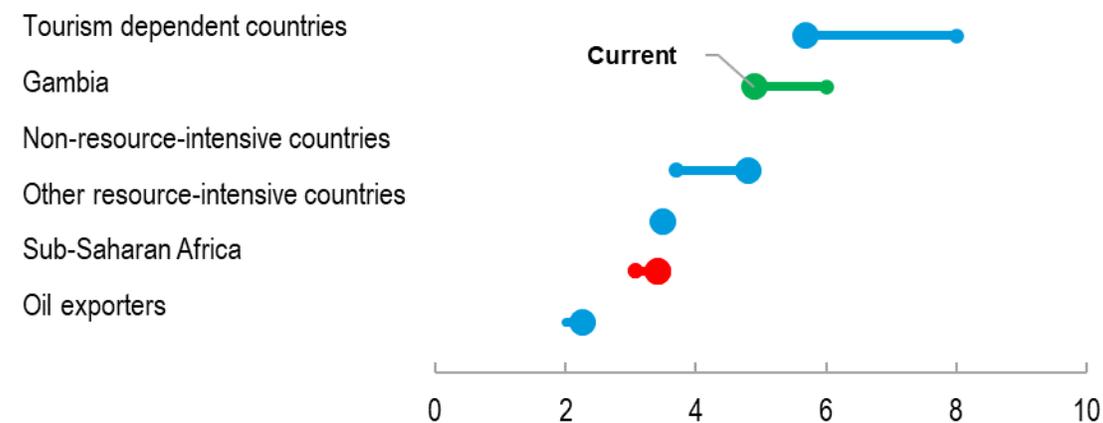
Real GDP Growth Revisions since October 2020

(Percent)

2020. Revised from -3.0 to -1.9



2021. Revised from 3.1 to 3.4



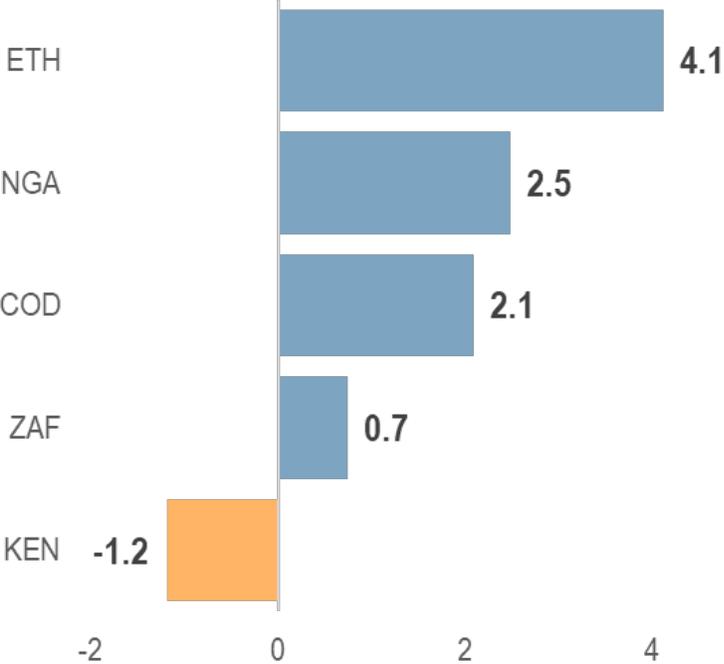
Source: IMF, World Economic Outlook.

...on account of some larger economies doing a bit better benefiting from both local factors (better agriculture production) and the global recovery (improved commodity prices...)

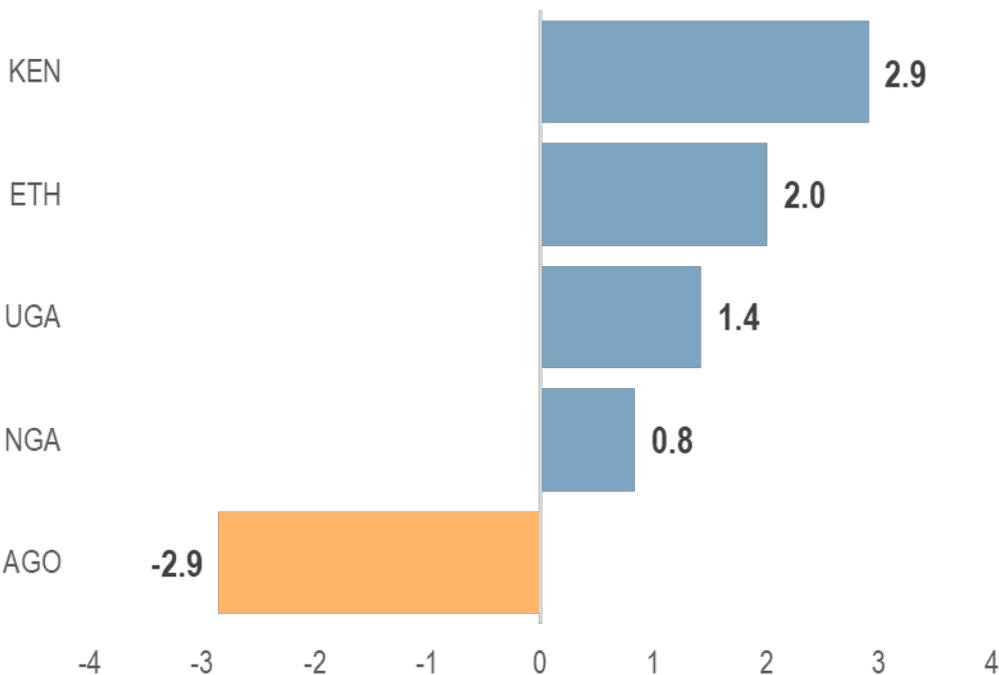
Top 5 GDP Growth Revisions, by Contribution

(Compared to October 2020, percent)

2020



2021

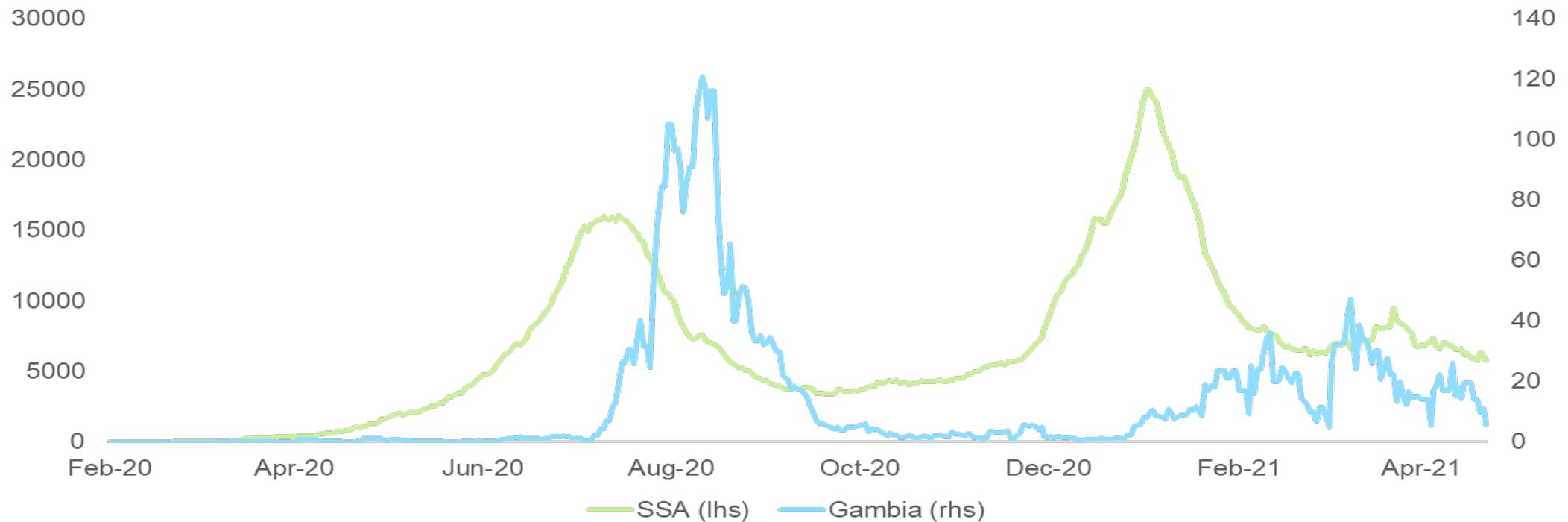


Source: IMF, World Economic Outlook.

The pandemic continues to persist as new variants appear and vaccine rollout lags...

Recent Surges

(New cases per day, 7-day moving average)

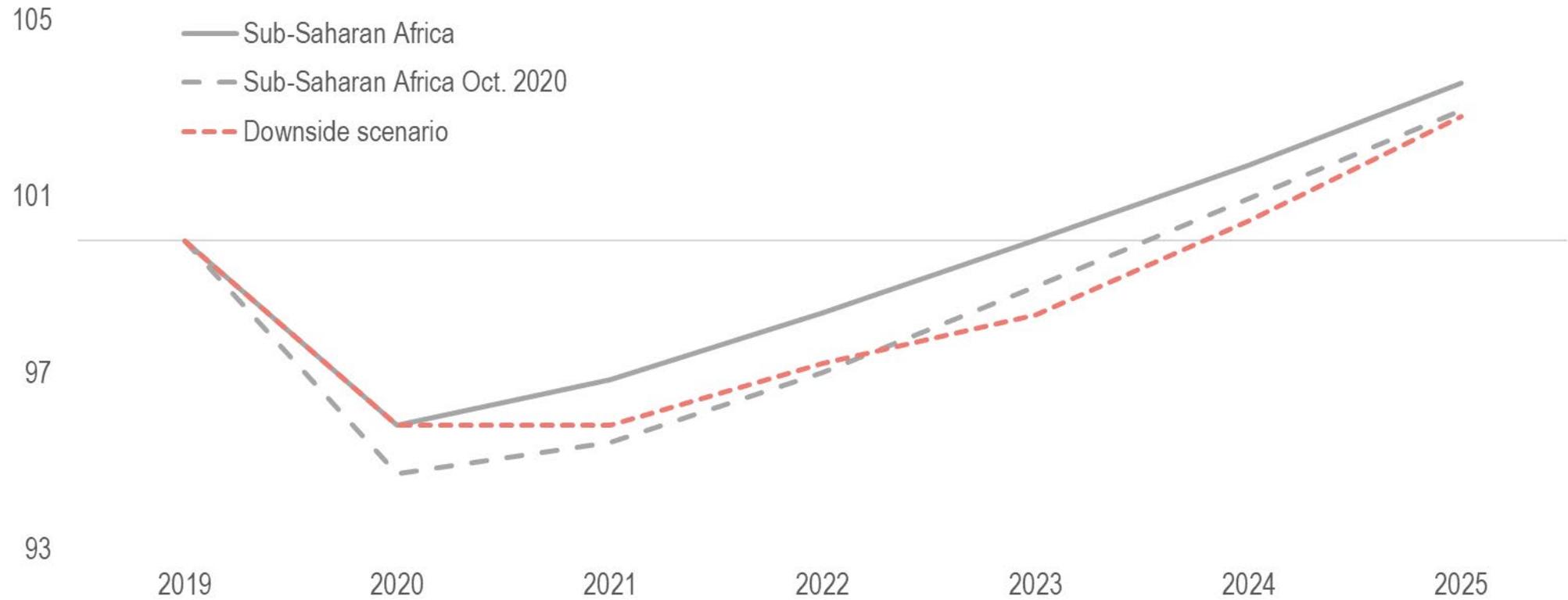


Source: JHU COVID Tracking Project.

GDP per capita will take years to recover and the improved baseline is still subject to downside risks

Real GDP per Capita

(Index 2019 = 100)

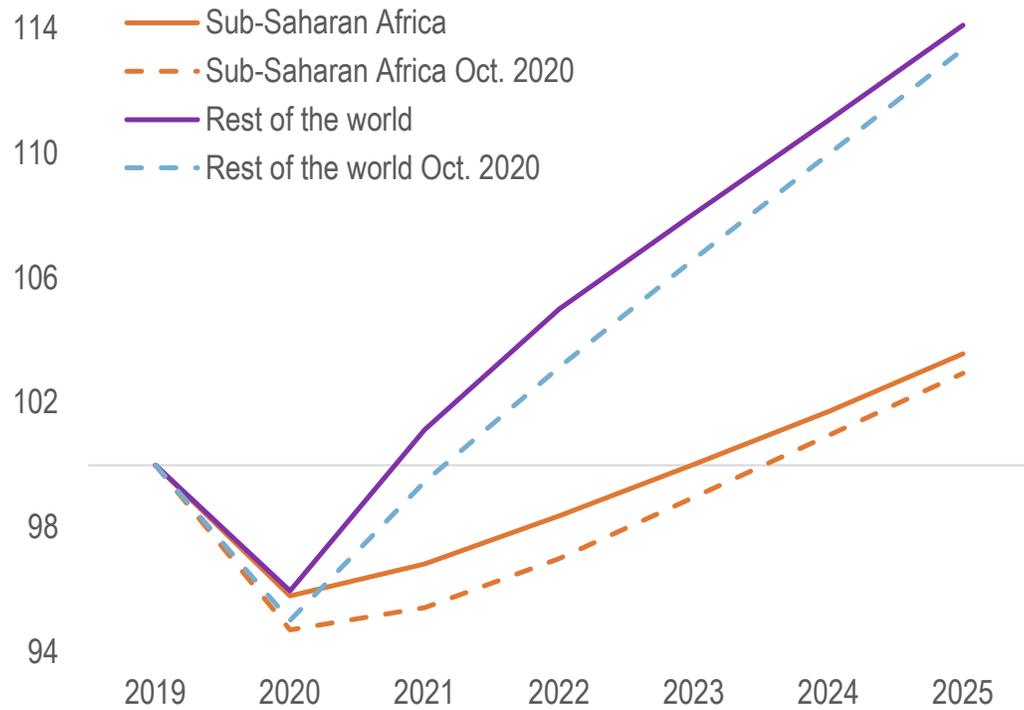


Source: IMF, World Economic Outlook.

Challenge #1: Facing diverging growth outlook compared to the rest of the world and within the region

Real GDP per Capita

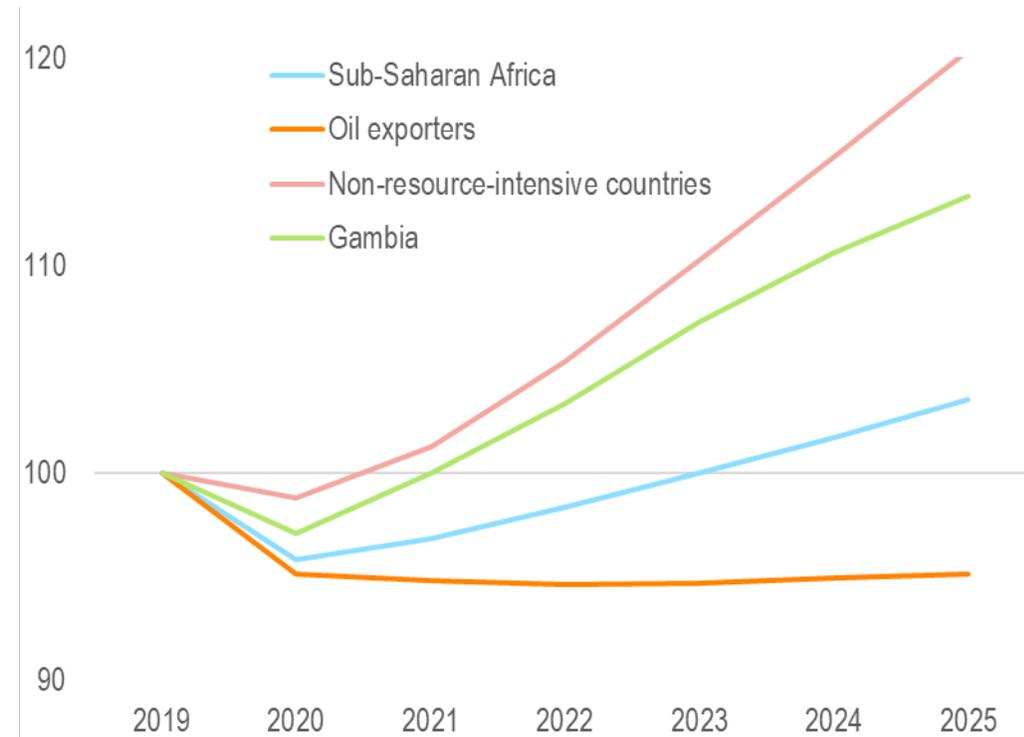
(Index 2019 = 100)



Source: IMF, World Economic Outlook.

Real GDP per Capita

(Index 2019 = 100)

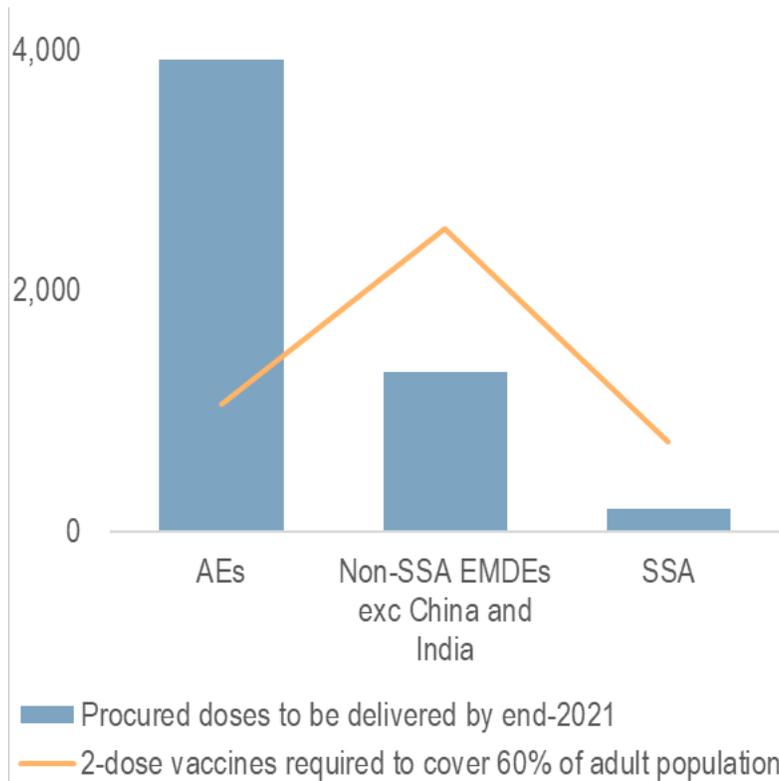


Source: IMF, World Economic Outlook.

Challenge #2: Dealing with long COVID-19 due to supply and cost challenges to getting the COVID-19 vaccine

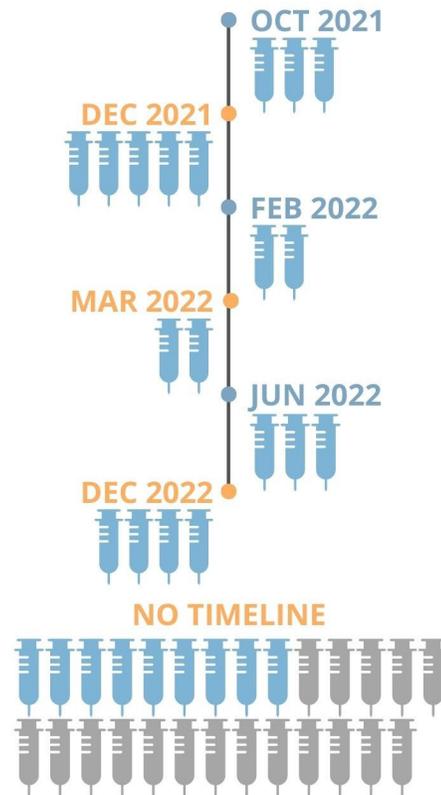
Vaccine Deliveries by End-2021

(As of March 19, million doses)



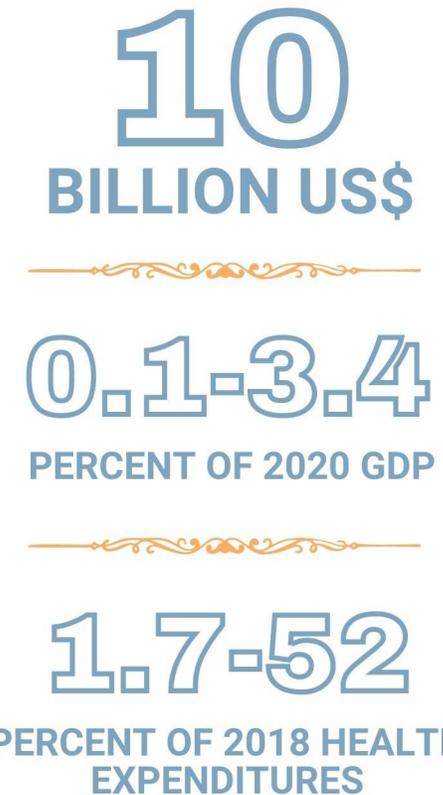
Sources: Duke Global Health Innovation Center's Launch and Scale Speedometer, and IMF staff calculations.

Timeline to Vaccinate 60 Percent of Population



Sources: Survey of country teams and IMF staff calculations.
 Notes: Syringes represent countries. Gray indicates no response.

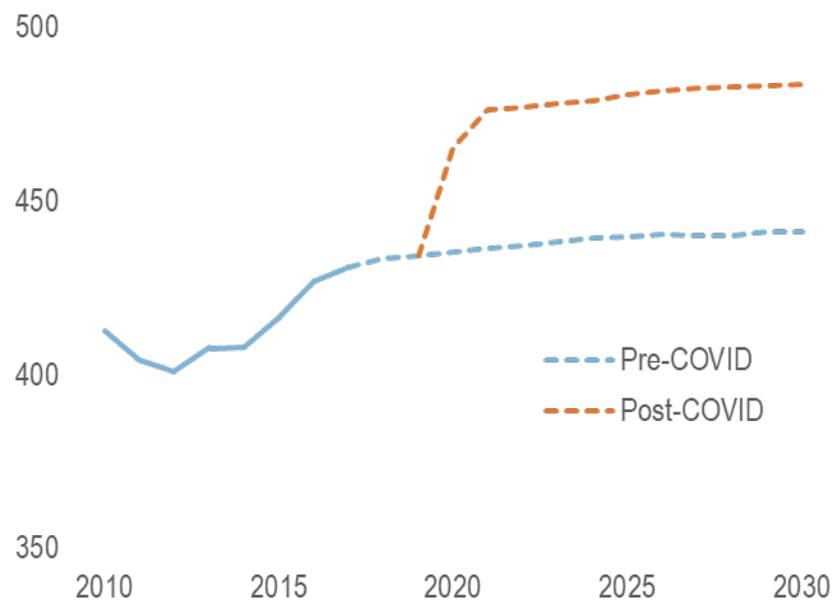
Cost of Vaccinating 60 Percent of Population



Sources: IMF, World Economic Outlook, World Bank, and IMF staff calculations.

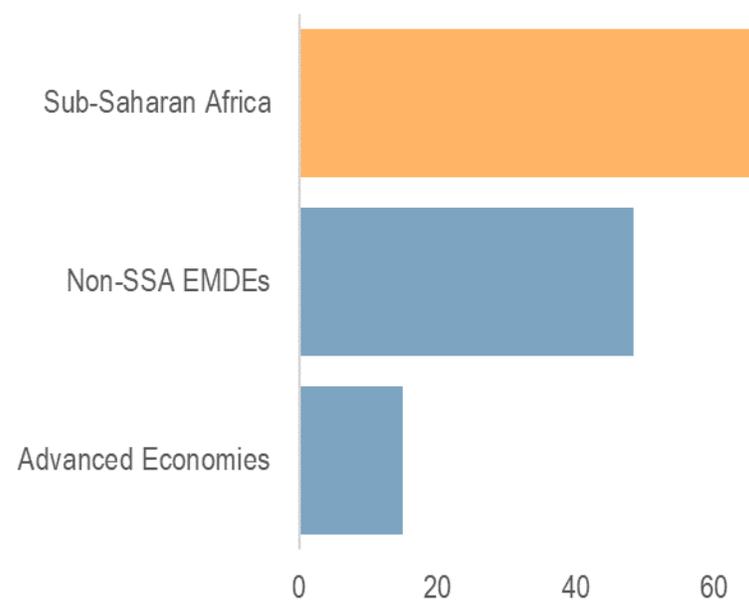
Challenge #3: Addressing scarring

Extreme Poverty in SSA
(Persons living below \$1.90, millions)



Sources: Mahler et al. (2021) and IMF staff calculations.

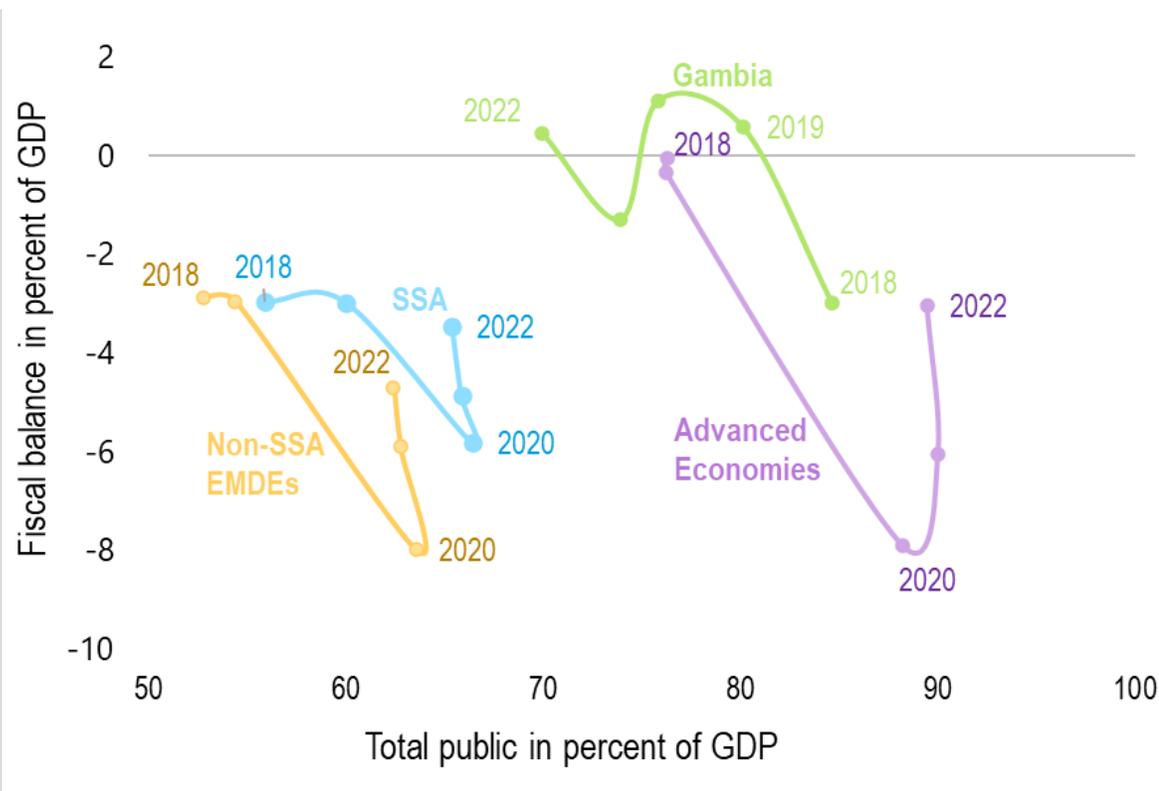
Learning Losses due to COVID
(Average missed days of instruction, 2020)



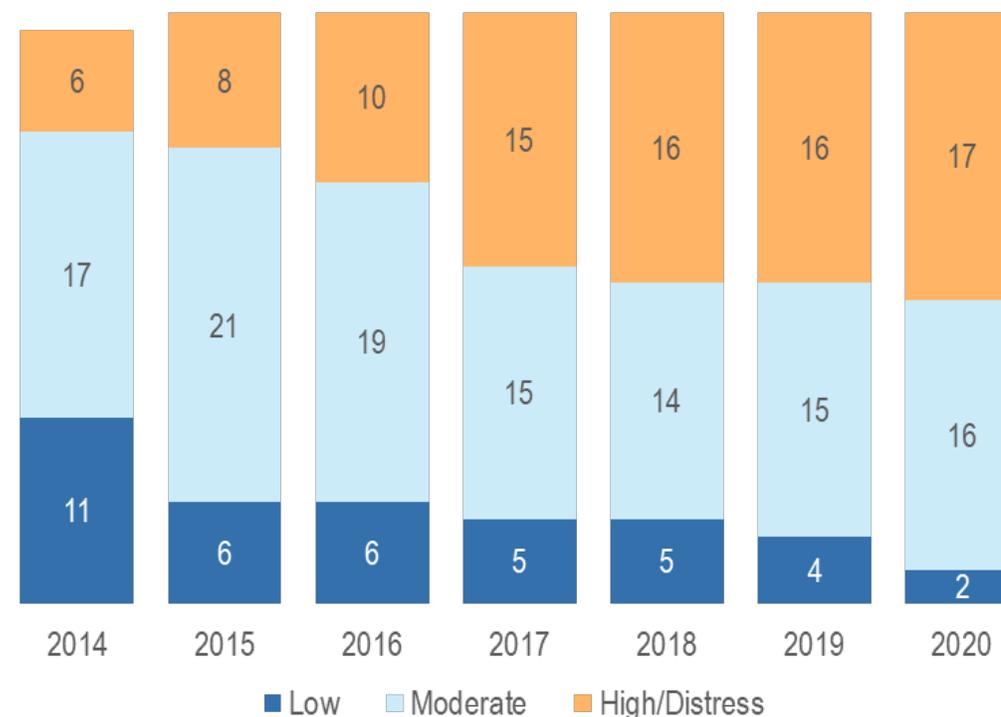
Sources: ILO and IMF staff calculations.

Challenge #4: Repairing public sector balance sheets...

Average Fiscal Balance and Public Debt, 2018–22



Debt Risk Status for PRGT Eligible SSA Countries



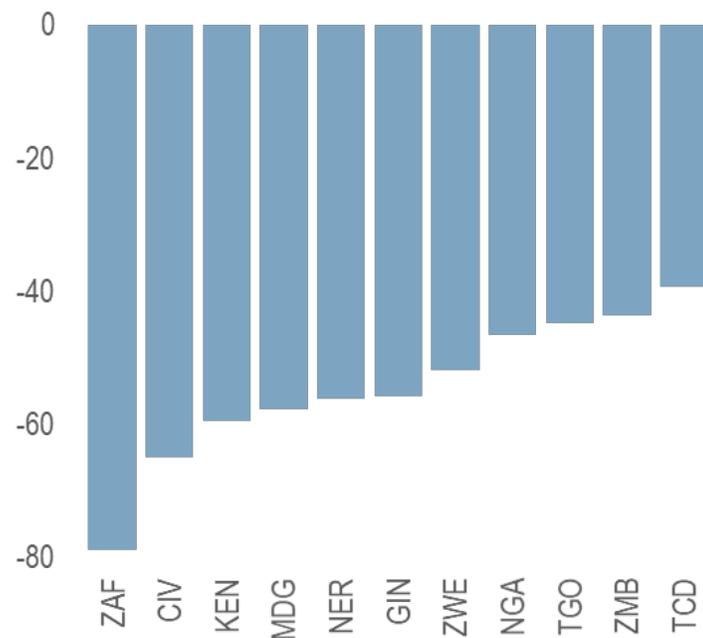
Source: IMF, World Economic Outlook.

Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.
 Note: Debt risk ratings for Cabo Verde begins in 2014, and South Sudan in 2015.
 PRGT = poverty reduction and growth trust.

...and private sector balance sheets

Change in Monthly Sales, 2020

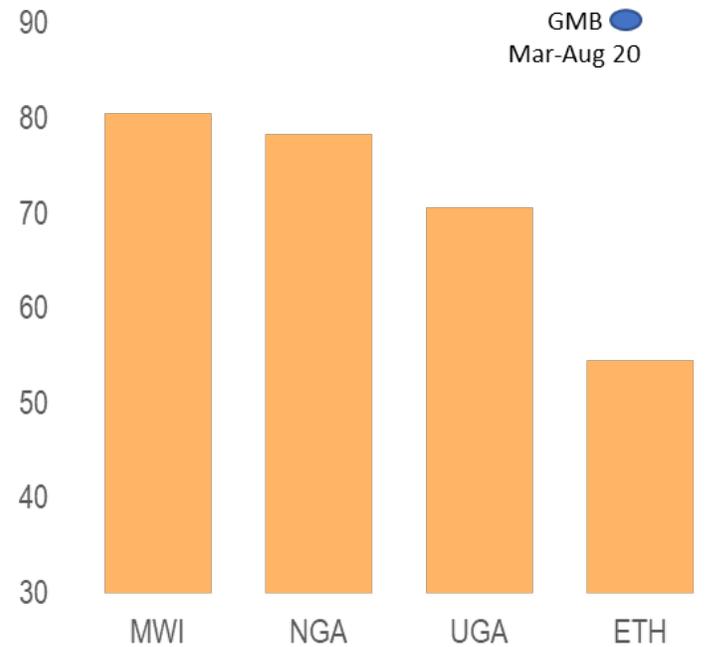
(Percent, average)



Sources: World Bank Business Pulse Surveys and Enterprise Surveys and IMF staff calculations.

Income Losses, May/June 2020

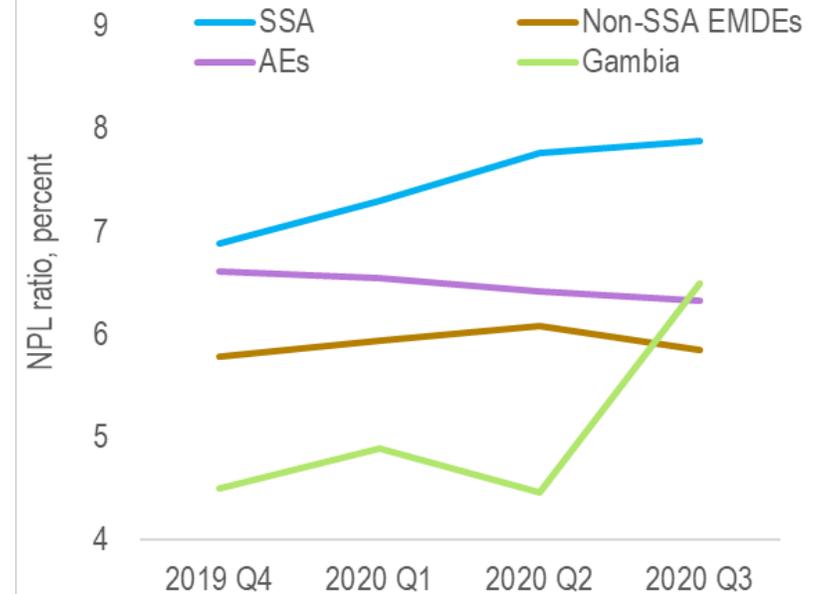
(Percent of surveyed households)



Sources: World Bank High-Frequency Phone Surveys on Covid-19 and IMF staff calculations.

Non-Performing Loans

(Percent of total gross loans)



Source: IMF Financial Soundness Indicators.

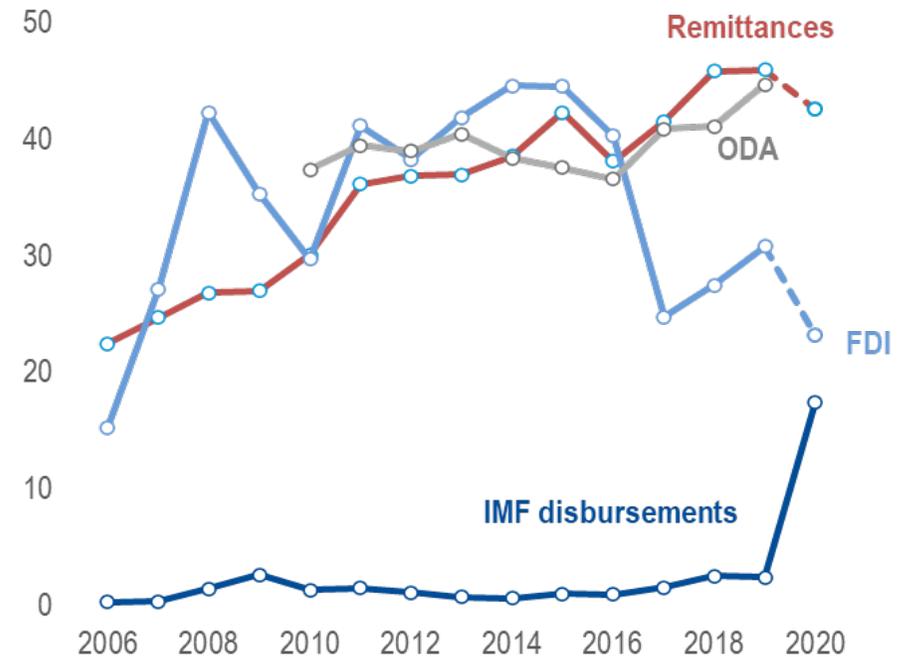
Challenge #5: Catalyzing external financing

Additional External Financing Needs, 2021–25



Source: IMF staff calculations.

SSA: Selected Inflows (Billion US\$)



Sources: IMF, World Economic Outlook, World Bank, and IMF staff calculations. Notes: Excluding Mauritius. FDI and Portfolio inflow data for 2020 are based on the WEO database. Remittances inflows for 2020 are projections.

Policy priorities: Expanding what is possible

Protect lives and livelihoods

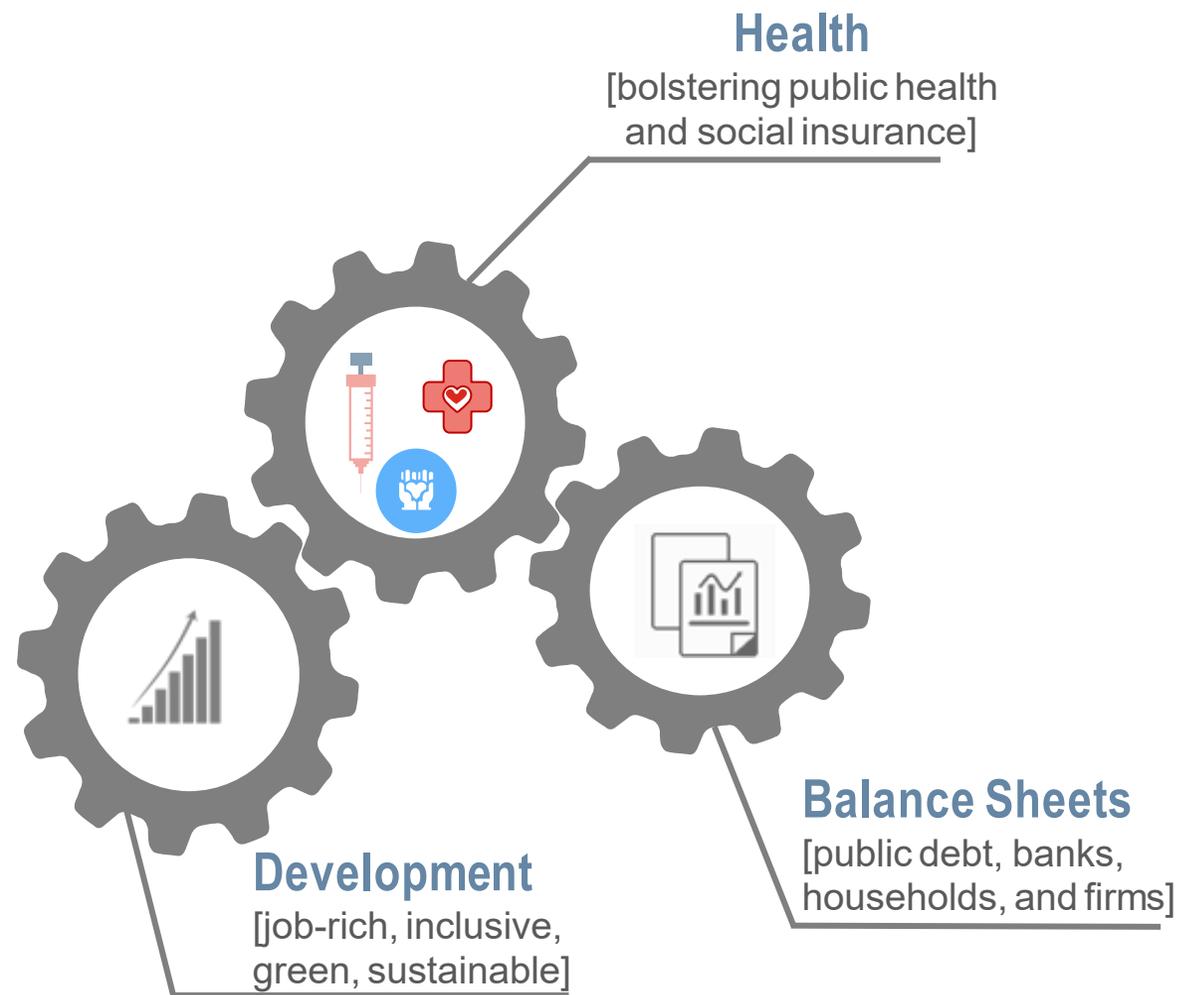
- Plan and secure funding for vaccine purchase and distribution and where needed, seek donor support.
- Prevent health systems from being overwhelmed.

Create policy space

- Prioritize spending and mobilize domestic revenue to create space in near term.
- Address debt vulnerabilities and where needed seek debt-restructuring/reprofiling.

Attract private capital and promote private sector development.

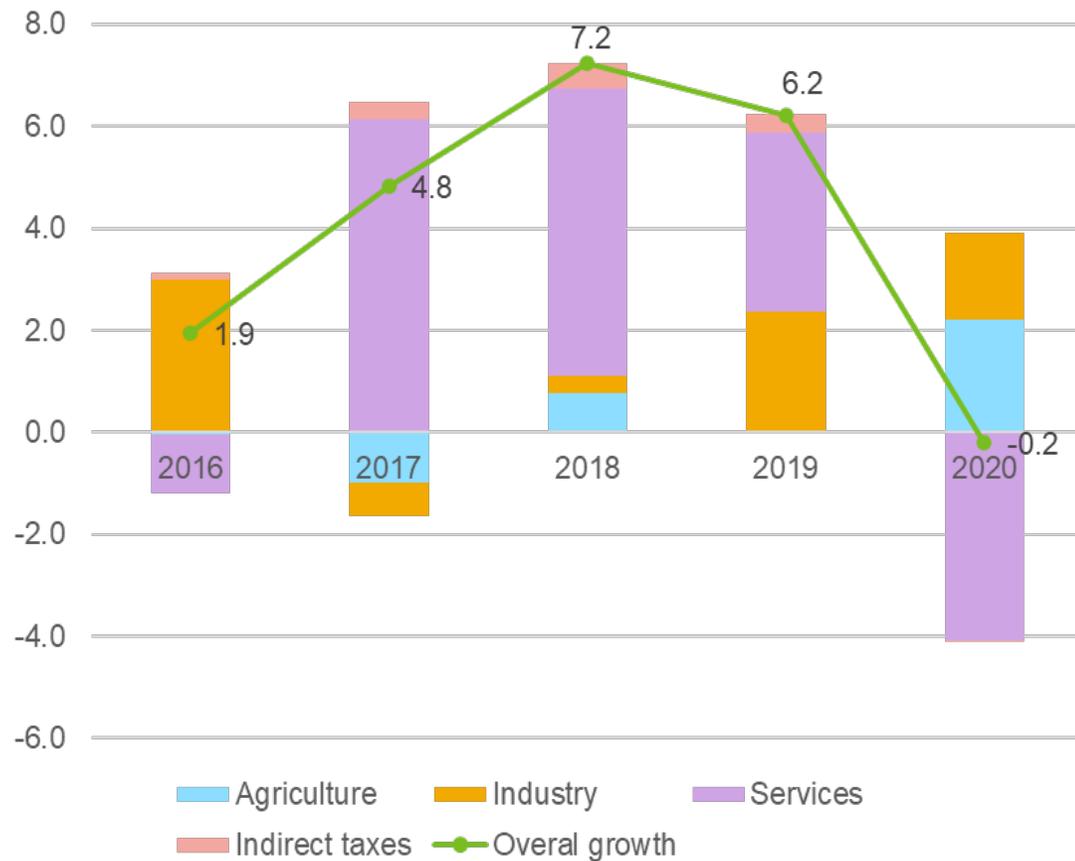
- Improve the business climate.



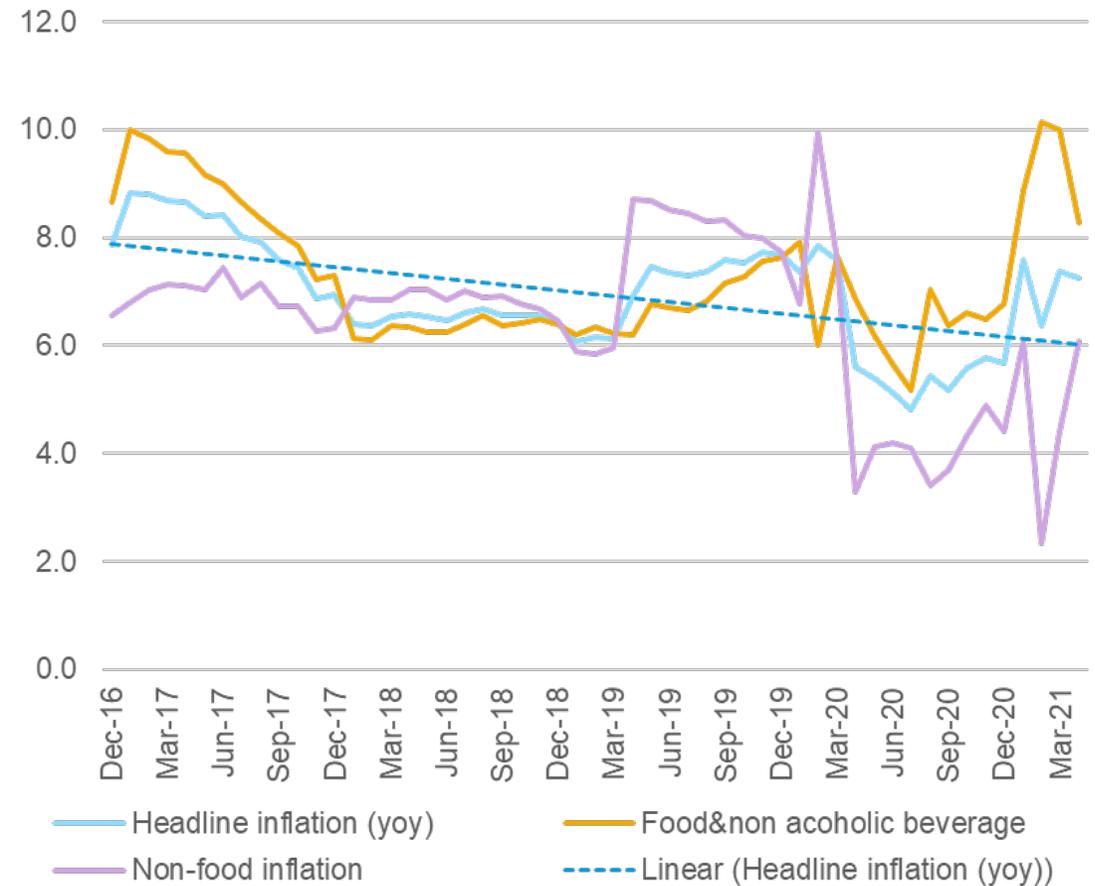
UPDATES ON THE GAMBIA

The pandemic turned growth to negative in 2020 and created more price volatility...

Sectoral Contribution to Growth



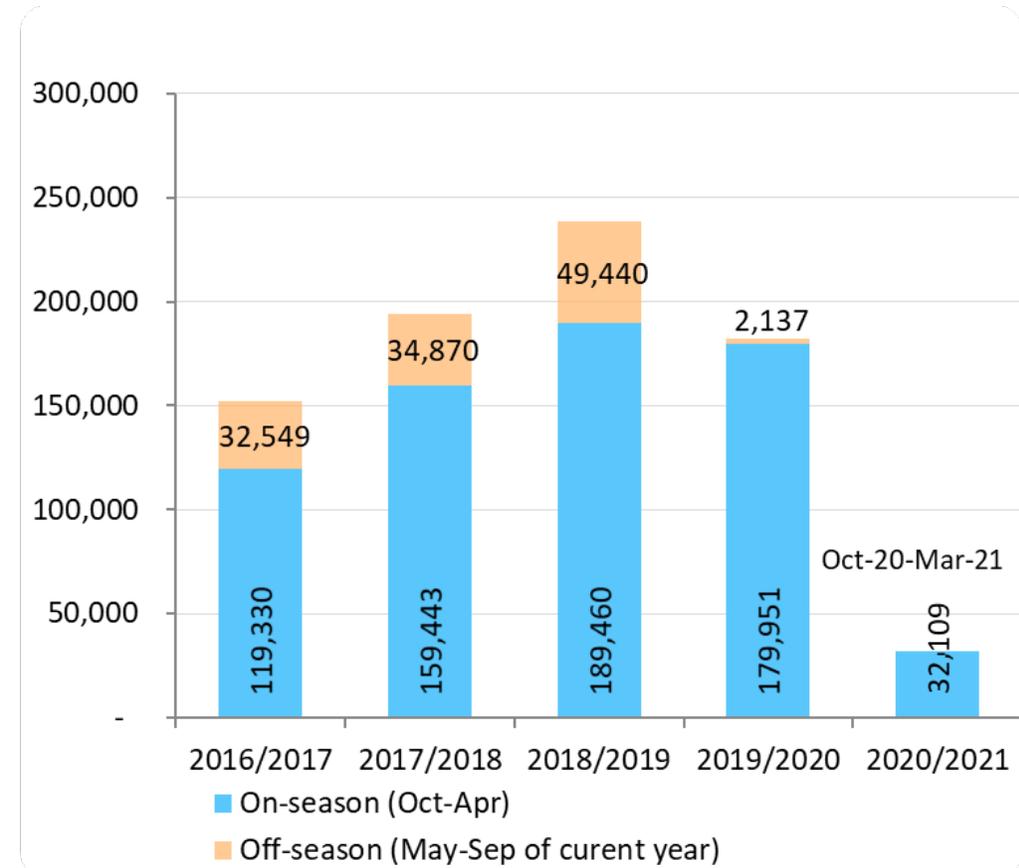
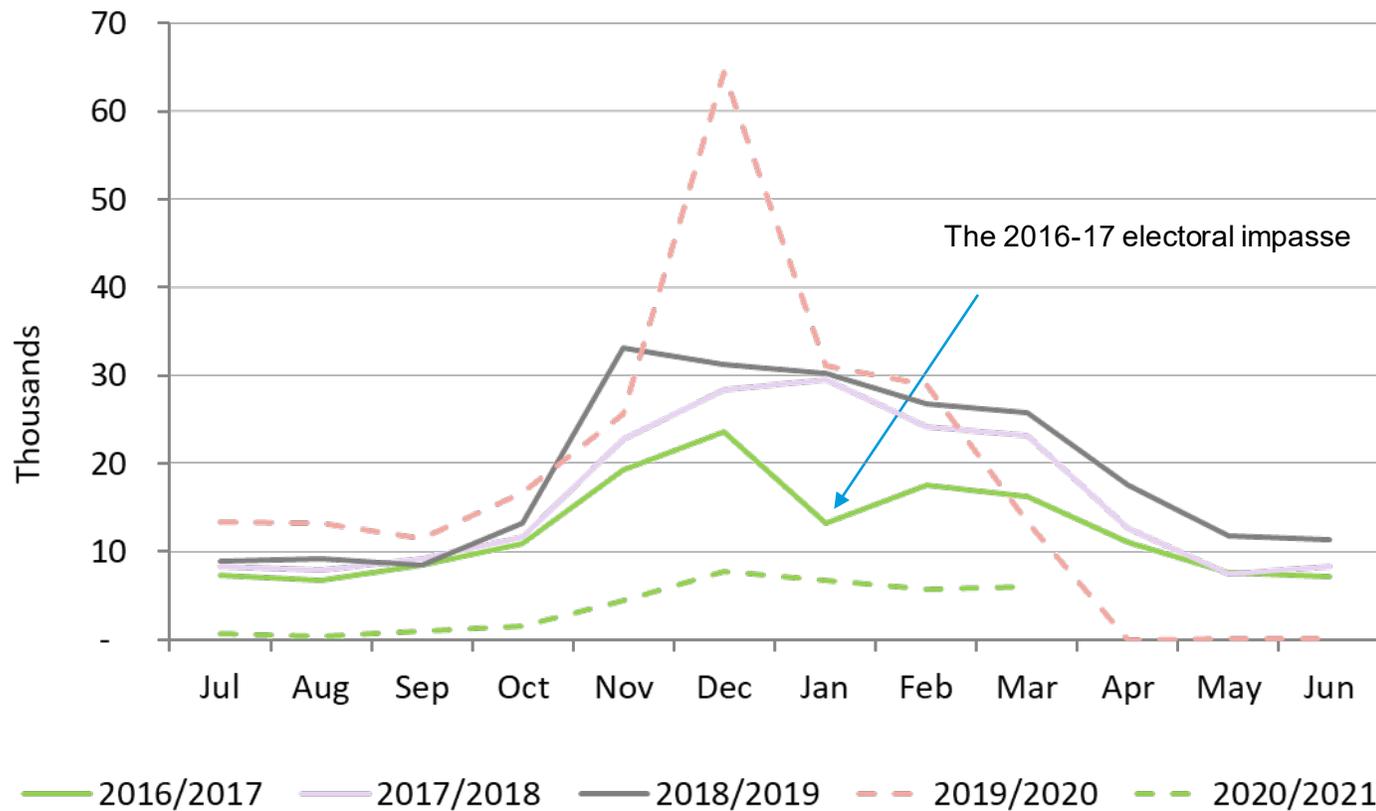
Inflation Dynamics, Dec-2016- Apr-21



Sources: IMF staff calculations.

The tourist sector was the hardest hit by the pandemic...

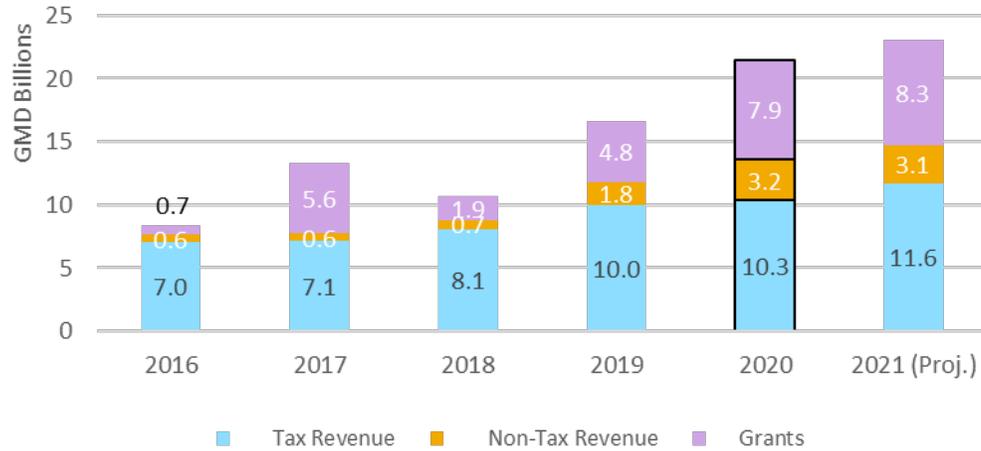
Number of Airport Arrivals Through the Tourist Seasons



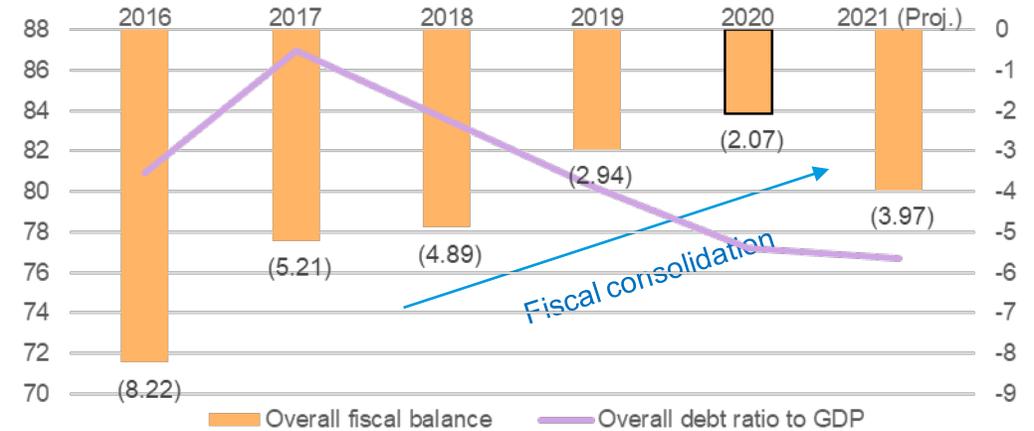
Sources: IMF staff calculations.

Good fiscal performance despite the pandemic helping to improve the debt outlook

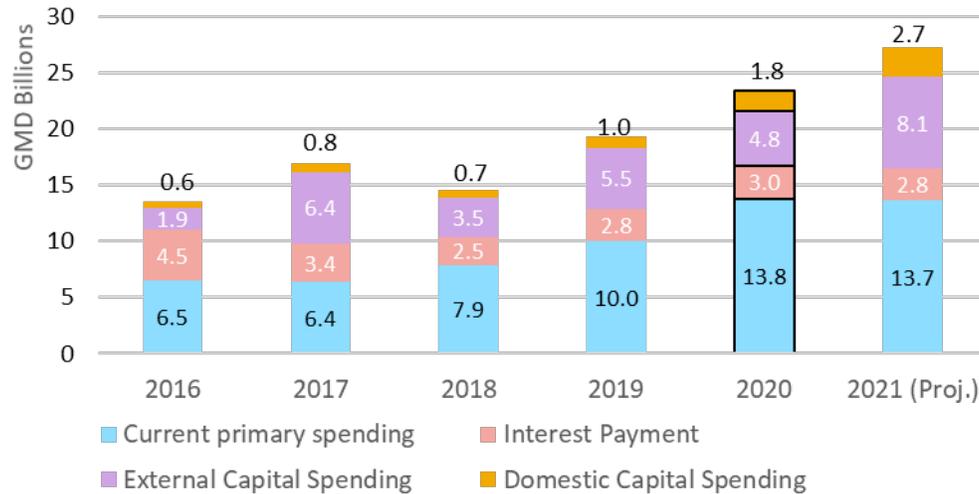
Fiscal Revenue Outlay



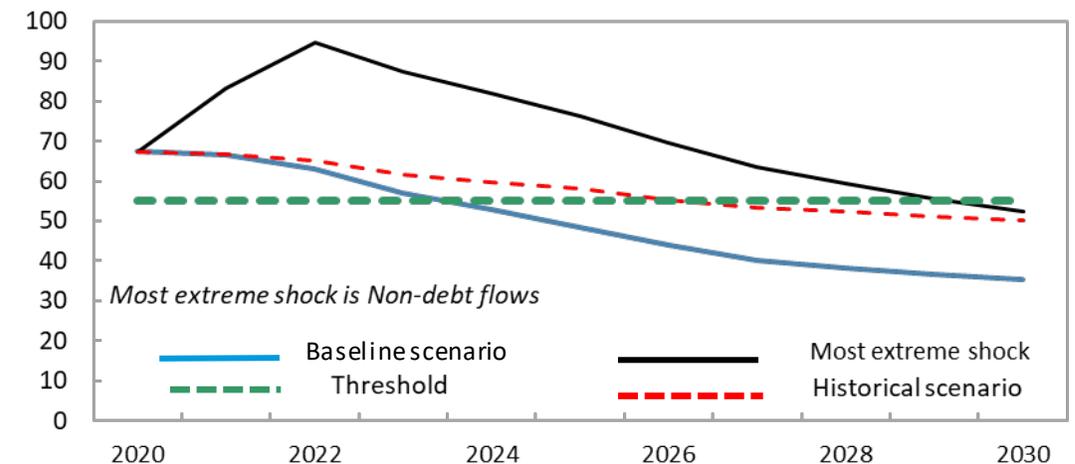
Overall Fiscal Deficit and the Overall Debt Ratio to GDP



Fiscal Expenditure Outlay

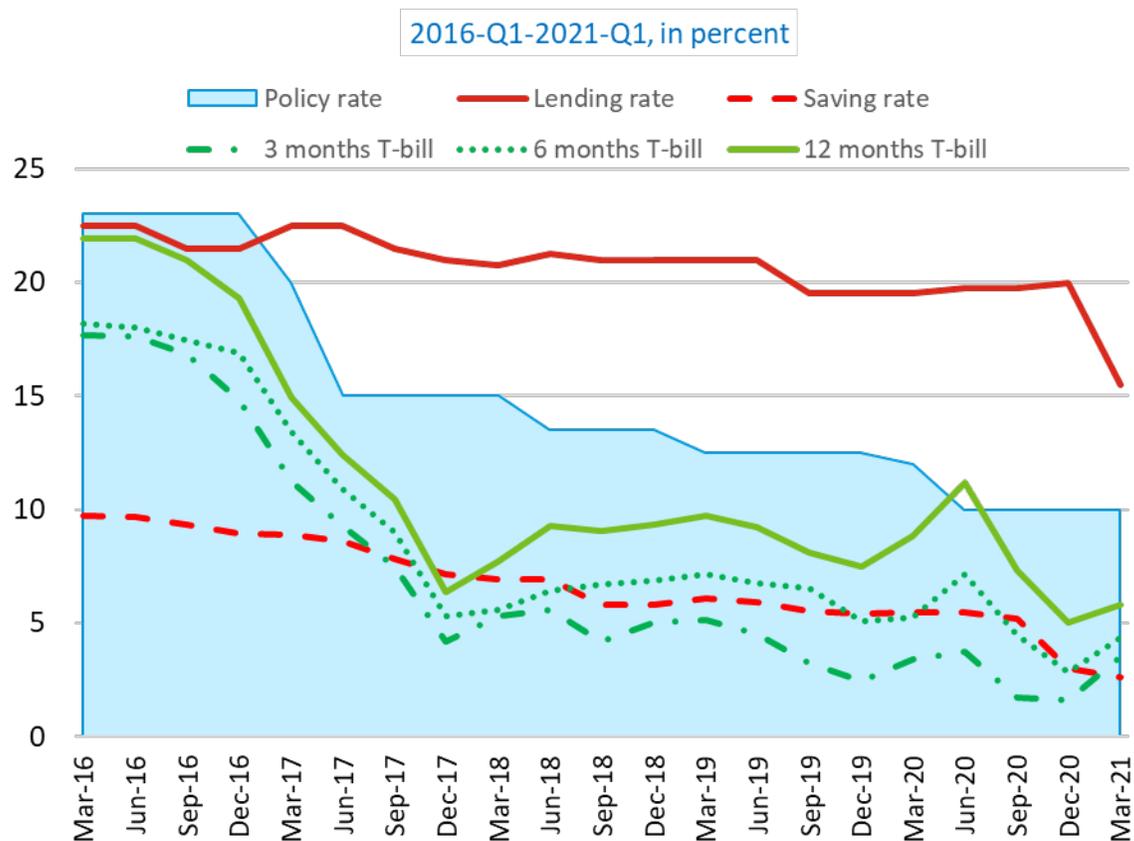


PV of Total Debt to GDP

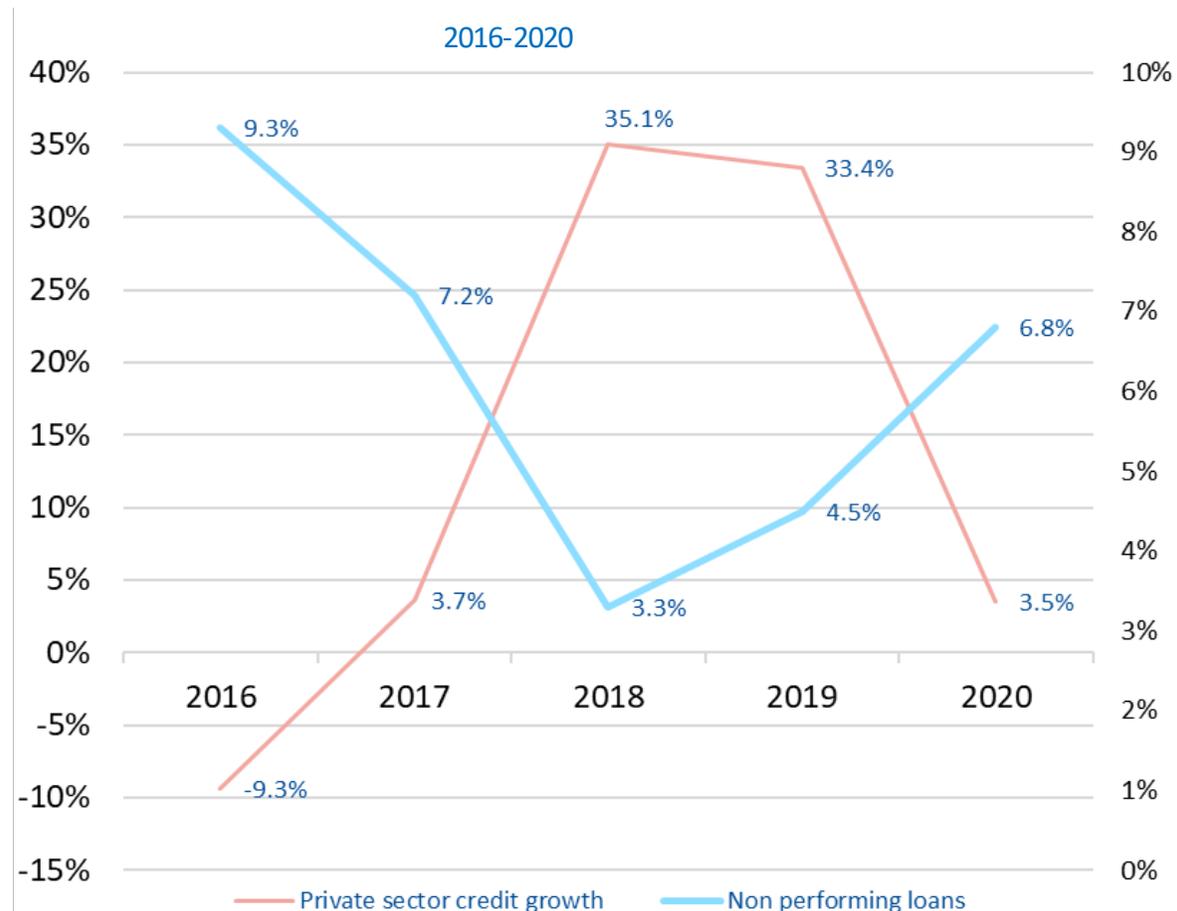


Monetary policy was accommodative amid stagnant private sector credit growth and increasing NPLs

Interest Rates

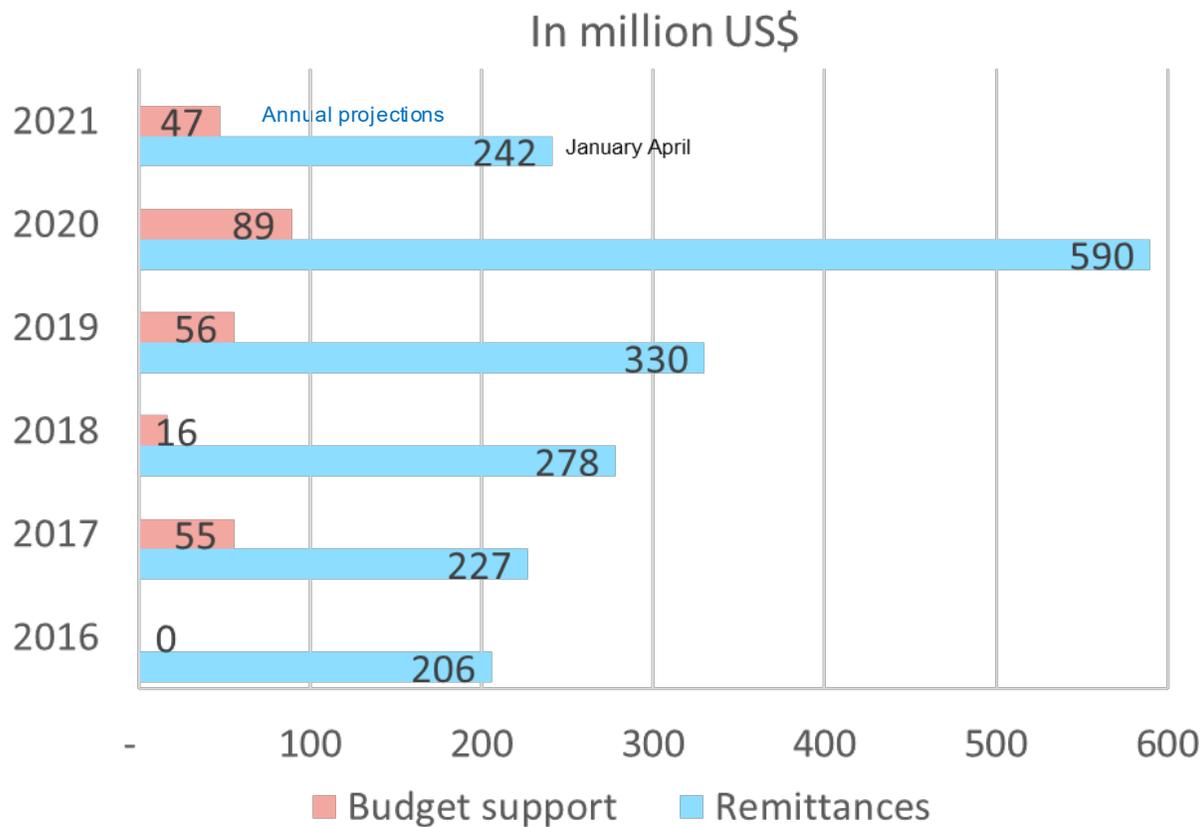


Annual Private Sector Credit Growth and Non-Performing Loans

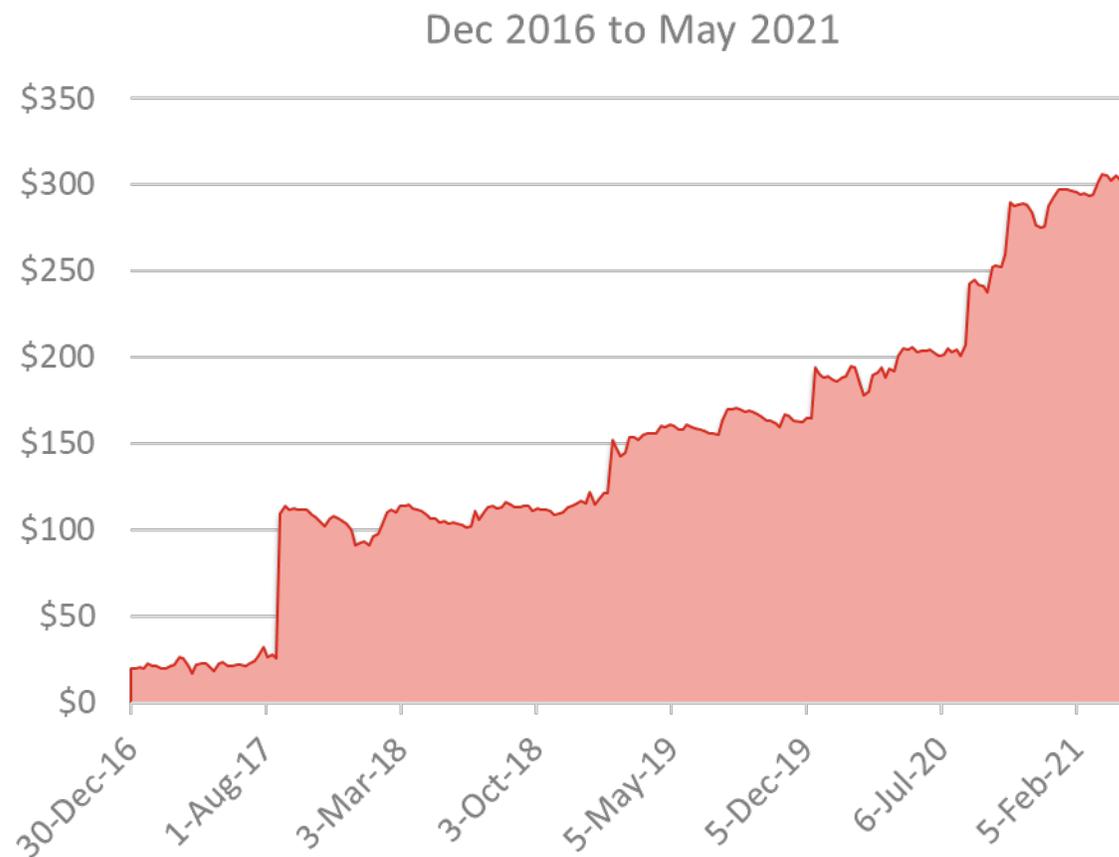


External buffers continued to build up thanks to record high remittances and strong external supports

Remittances Inflows & Budget Support



Net Official Reserves



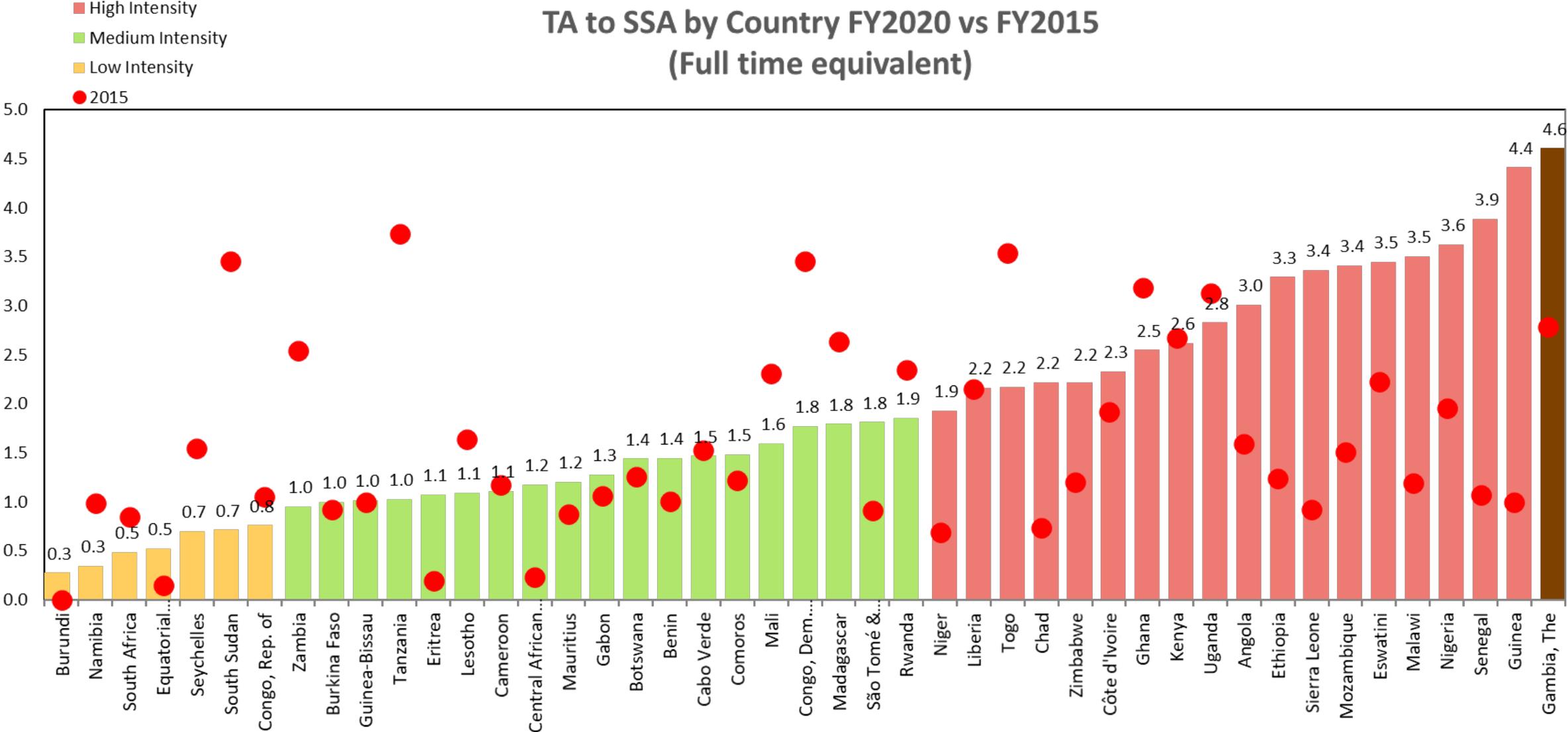
Sources: IMF staff calculations.

IMF support to the Gambia has been strong and timely

- On March 2020 at the onset of the pandemic, the IMF Executive Board approved a 39-month arrangement support by the Extended Credit Facility with SDR 35 million (US\$47.1 million) financing.
- On April 13, The IMF Board approved a six-month debt service cancellation under the Catastrophe and Containment Relief Trust (CCRT) to be renewed every six-months up to 2 years for a total debt relief of US\$10.8 million of which US\$8.3 million is already approved.
- On April 15, an emergency COVID-19 support under the Rapid Credit Facility of US\$21.3 million was approved to help address pressing health and support the relief programs of the government in favor of households, public entities and the tourism sector.
- On January 15, 2021, the IMF Executive Board completed the first review of the ECF approving (i) an augmentation of the total access under the ECF to SDR 55 million (88.4 percent of The Gambia quota); and (ii) a disbursement of US\$28.8 million to support the post pandemic recovery and meet the fiscal and balance of payment needs.
- On May 28, 2021, the second ECF review was concluded allowing the disbursement of US\$14.4 million. This brings total disbursements under the ECF arrangement to about US\$50.5 million.

The Gambia is the largest beneficiary of IMF capacity development support in SSA in 2020

TA to SSA by Country FY2020 vs FY2015
(Full time equivalent)



The capacity development covered a range of sectors and topics

- **Central Bank**
 - Safeguard assessments
 - Liquidity forecasting and monetary policy analysis
 - Foreign reserves management
- **Revenue mobilization**
 - Tax expenditure policy
 - Compliance risk management strategy in Tourism
 - Establishing a high integrity taxpayer register
 - Custom, tax audit, and GamTax Net
- **Seminar and Regional Training**
 - Multiple seminars covering all kind of topics, including fiscal response to COVID-19 pandemic, transparency in the COVID-19 spending, gender budgeting, digitalization and resilience to climate change all very relevant topics to The Gambia. Gambians were sometimes invited to share their experiences in dealing with the pandemic.
- **Public Financial Management**
 - Cash management
 - Gender budgeting
 - Pension reforms
 - Project selection tools
 - Public finance statistics
- **GBoS**
 - National accounts, quarterly GDP
 - Price index

Strong program performance with all end-December 2020 quantitative targets met

	Jun-20	Jun-20	Sep-20	Sep-20	Dec-20	Dec-20
Performance Criteria	Target	Act	Target	Act	Target	Act
1. Ceiling on net domestic borrowing of the central government (GMD million)	2,050	550	393	(338)	500	112
2. Ceiling on the stock of net domestic assets of the central bank (GMD million)	6,979	6,231	7,001	5,556	7,058	4,918
3. Floor on the stock of net usable international reserves of the central bank (US\$ million)	138	204	180	254	193	292
4. Ceiling on new external payments arrears of the central government (US\$ millions)	-	8	-	6	-	-
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (US\$ million)	-	-	-	-	-	-
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (US\$ million)	-	-	-	-	-	-
7. Ceiling on new concessional external debt contracted or guaranteed by central government (annual US\$ million)	60	12	60	12	60	12
Indicative Quantitative Targets						
8. Floor on total domestic tax	4,700	5,378	7,350	7,740	10,000	10,326
9. Monthly ceiling on central bank credit to the central government at non-market terms	-	-	-	-	-	-
10. Floor on poverty-reducing expenditures	2,700	2,641	4,000	4,322	5,600	6,975

Sources: IMF staff calculations.

The implementation of structural reforms was somehow affected by the pandemic, but all the SB were completed some with delay

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

¹ The target date was missed but the action was subsequently completed.

The implementation of the 2021 structural reforms were good, but SOEs bill could be delayed by the constitutional review process

The Gambia: Proposed Structural Benchmarks, 2021

Measures	Macro Rationale	Timing	Status
Domestic revenue mobilization (GRA/MOFEA)			
Approve and implement a new Tax Expenditure Policy in line with recent TA, including a review of investment tax incentives, the development of a new GIEPA Act, and streamlining all tax incentives.	To reduce tax expenditures and create room for urgent social and infrastructure spending.	end-June 2021	
Public financial management (MOFEA/CBG)			
Prepare a roadmap for extending IFMIS to all flows to project and subvented agency accounts.	To enhance fiscal transparency and oversight of project accounts and subvented agencies.	end-June 2021	Met
Revise, in consultation with the fund staff a new Public Finance Bill, with a view to strengthen budgetary processes, including exceptional budget procedures, treasury management, internal controls and fiscal reporting, and submit to the National Assembly.	To bring it to standard and strengthen transparency and accountability in light with the new constitution and recent reforms.	end-December 2021	
Debt management (MoFEA/CBG)			
In addition to the publication of the quarterly debt bulletins, publish a rolling monthly domestic debt issuance calendar for the ensuing three months.	To improve domestic debt management and transparency.	end-March 2021 and quarterly thereafter	Met
Central bank governance and bank supervision (CBG)			
The CBG to sign a Memorandum of Understanding with the Auditor General, to formalize an arrangement for a joint audit (by a local audit firm and an international audit firm with central banking experience) of its FY2021 financial statements.	To strengthen the CBG Internal controls.	end-March 2021	Met
Prepare a framework for banking sector stress testing, in line with the recommendations from the 2019 FSSR.	To strengthen assessment of banking sector health as an early warning signal for distress.	end-June 2021	
Governance and SOE reforms (MoFEA)			
Submit to the National Assembly a revised SOE bill, in line with IMF staff recommendations, that will: (i) limit political interference and (ii) strengthen the SOE governance framework with greater control by the ministry of finance to ensure management accountability.in terms of reducing SOEs' fiscal risk, enhancing their cooperate governance and reduce the political interference.	To strengthen the governance of the SOEs.	end-December 2021	

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SUB-SAHARAN AFRICA



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Thank You !