



THE GAMBIA

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS¹

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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	<i>High</i>
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Sustainable</i>
Application of judgment	<i>No</i>

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
<i>of which: public and publicly guaranteed (PPG)</i>	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	1.2	2.0
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
<i>of which: official</i>	-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
<i>of which: exceptional financing</i>	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		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g)] / (1+g+p+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and p = 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.

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

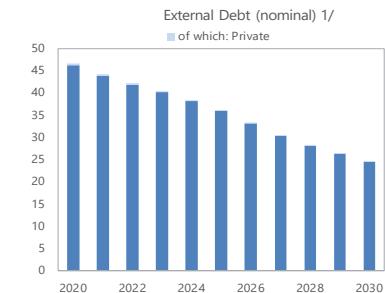
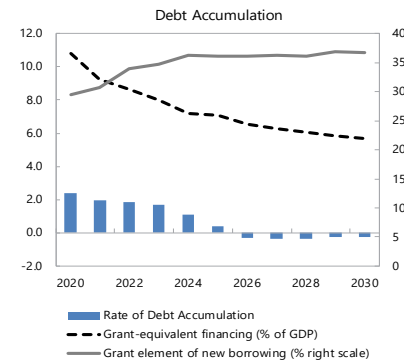


Table 2. The Gambia: The Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40
(Percent of GDP, unless otherwise indicated)

	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	1.2	-3.7
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	1.0	-0.8
Primary deficit	0.2	3.0	-0.6	-0.3	-0.8	-0.8	-1.1	-1.2	-1.5	0.1	1.0	15.3	21.9
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	16.3	21.1
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		
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		

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.

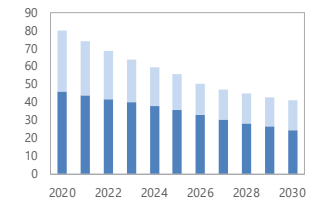
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

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.

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

Public sector debt 1/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

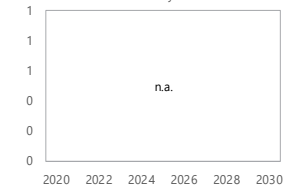
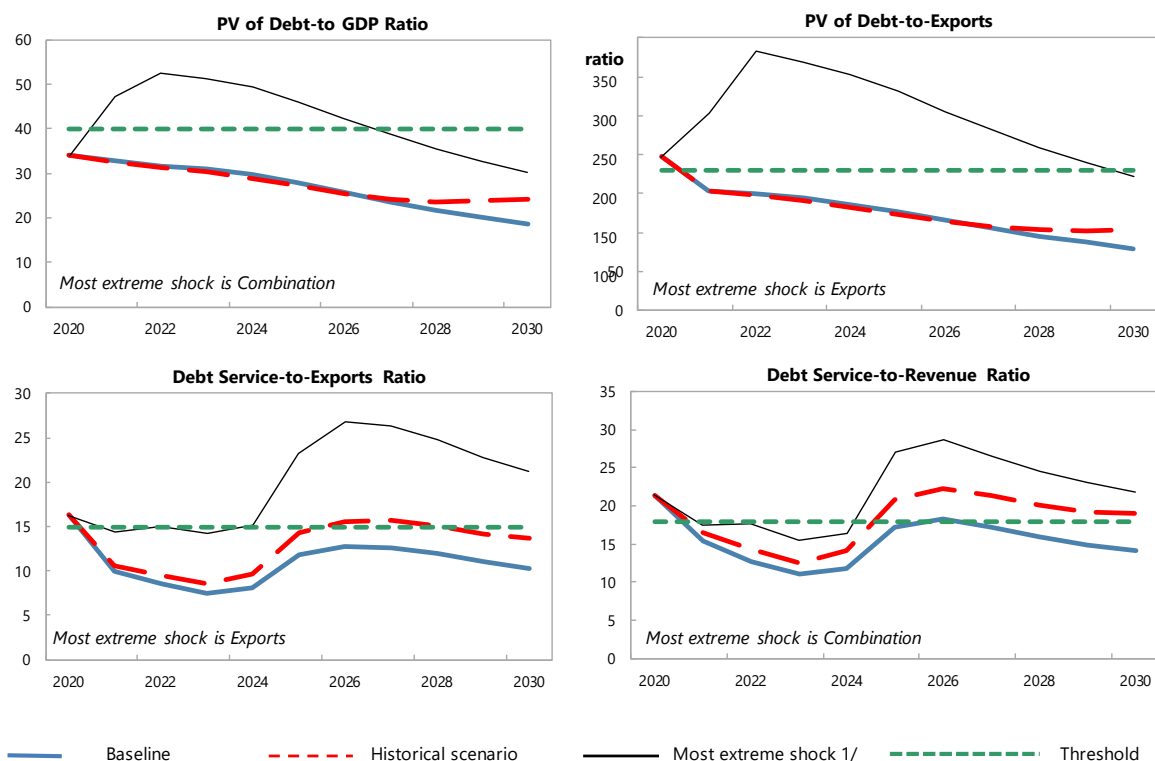


Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020–30



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 extreme 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

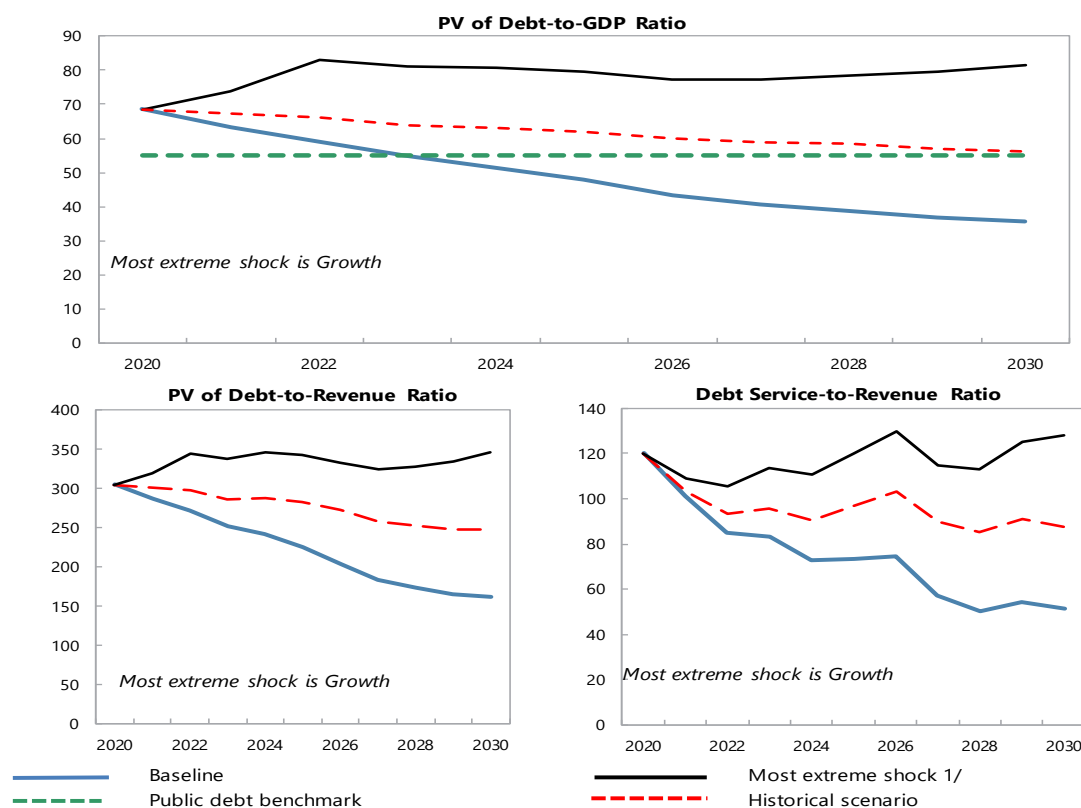
Sources: Country authorities; and staff estimates and projections.

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 extreme 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.

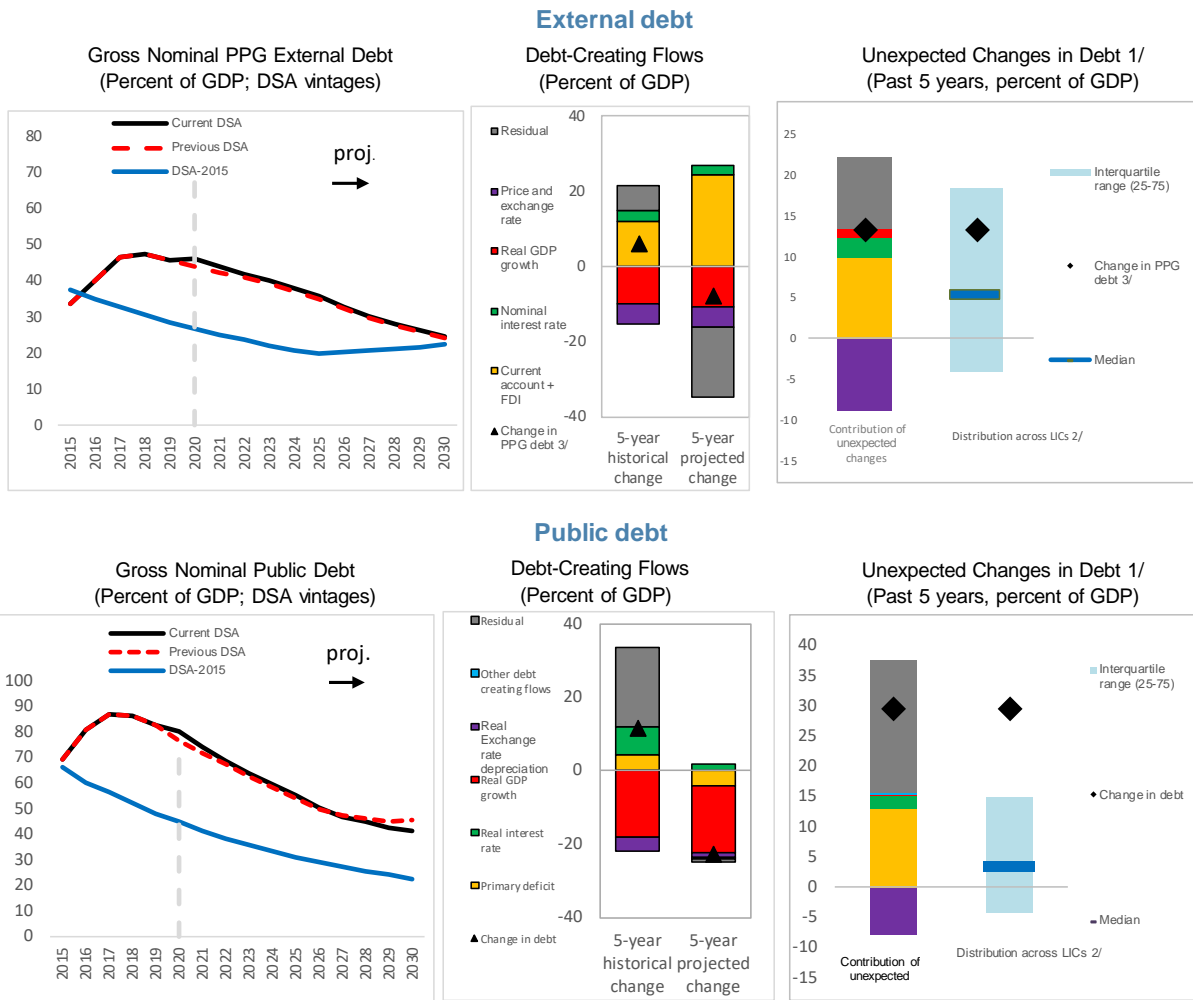
Sources: Country authorities; and staff estimates and projections.

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



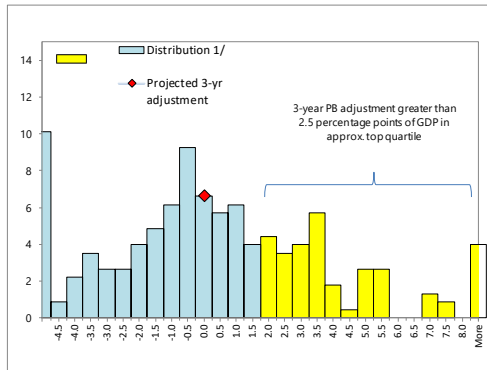
1/ Difference between anticipated and actual contributions on debt ratios.

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.

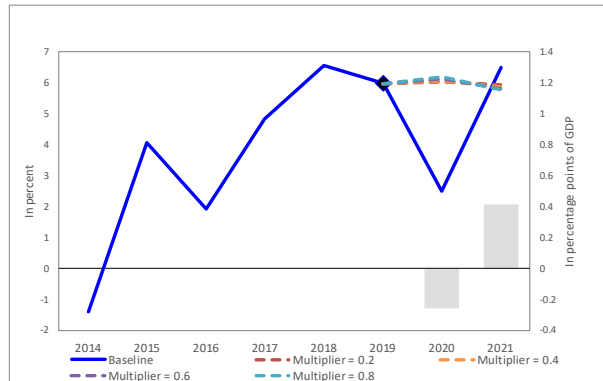
Figure 4. The Gambia: Realism Tools

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



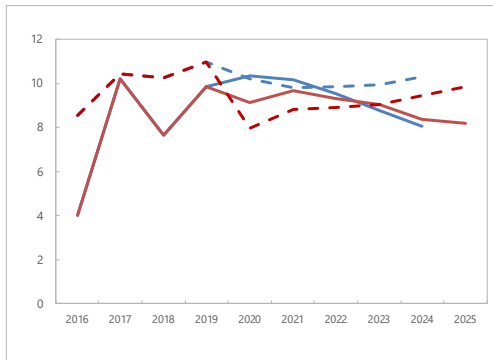
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



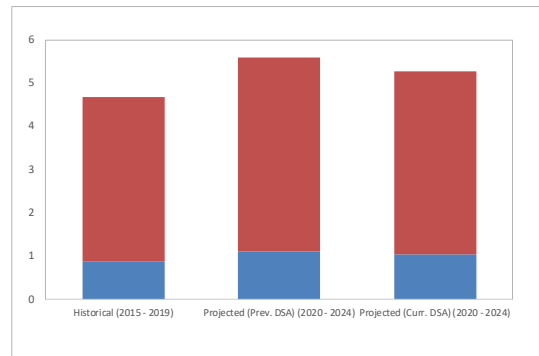
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates
(Percent of GDP)**



— Gov. Invest. - Prev. DSA — Gov. Invest. - Current DSA
 - - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Current DSA

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



■ Contribution of other factors
 ■ Contribution of government capital