THE GAMBIA

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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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,[1] similar to the previous DSA. Under the updated macro framework, there remain breaches of the indicative thresholds for the PV of external debt-to-exports, external debt service-to-exports and external debt service-to-revenue. These breaches primarily reflect continued weaknesses in projected exports in the early years and rising debt service commitments in the medium term. Similar to that estimated in the previous DSA, the PV of overall debt-to-GDP ratio remains on a downward sloping path and drops below its benchmark of 55 percent of GDP by 2025, underpinned by fiscal consolidation, reliance on grants and concessional loans, and support from development partners. This path indicates that the public debt outlook remains sustainable. Downside risks are linked to the protracted Russia's invasion of Ukraine and the path of the COVID-19 pandemic that could weaken economic recovery, intensify fiscal pressures, and adversely affect the debt profile.

[1] The Gambia's Composite Index is estimated at 2.91 and is based on October 2022 WEO update and 2021 WB CPIA that was published in July 2022; the debt carrying capacity remains medium.

PUBLIC DEBT COVERAGE

1. **Compared to the previous DSA in December 2022 (fifth ECF review), the current DSA uses updated end-2022 data as a starting point.** The DSA uses a broader coverage of the public sector, which includes the central government, central bank and government-contracted debt pertaining to State-owned enterprises (SOEs) [2,3] (Text Table 1). SOE debt linked to trade credit from the Islamic Trade Finance Corporation (ITFC) is accounted for in the government debt. This includes short-term external financing to the large SOEs, namely, the National Water and Electric Company (NAWEC) and the Gambia National Petroleum Company (GNPC).[4] Additionally, the coverage for the contingent liabilities test uses default settings for financial markets (at the minimum of 5 percent of GDP), representing the average cost to the government from a potential financial crisis in a low-income country, and SOE debt (at 2.0 percent of GDP for debt not explicitly guaranteed by the government).[5] Exposures to PPPs are set at zero, as PPPs in The Gambia are estimated to be marginal as a proportion of GDP. The DSA uses a currency-based definition of external debt. There is no significant difference between a currency-based and residency-based definition of external debt.[6]

Text Table 1. The Gambia: External and Public DSAs: Coverage of Public Debt and Design of Contingent Liabilities Stress Test

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.00	PPPs are estimated to be marginal as a proportion of GDP
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[2] The projects financed by these loans are implemented by SOEs, and the capital assets acquired through these projects, with a few exceptions, are held on the balance sheets of the SOEs. Some of the external loans were on-lent by the Government, with a formal agreement signed with the SOE and the liability recorded on the SOE balance sheet, but for several loans there is no formal on-lending agreement (Source: World Bank. 2022. The Gambia Integrated State-Owned Enterprises Framework (iSOEF) Assessment).

[3] The outstanding external loans contracted by the Government for SOEs amounted to 16.6 percent of GDP at end-2022.

[4] The outstanding debt to ITFC amounted to 1.1 percent of GDP at end-2022.

[5] The 2020 Consolidated SOE Financial Performance Report prepared in April 2022 by the Directorate for SOE Oversight, MOFEA positioned the total SOE liabilities at 19 percent of GDP for end-2020. Accounting for the on-lent, guaranteed external and domestic debt pertaining to SOEs already covered in the public debt for this DSA, the unguaranteed SOE debt approximates to 2.0 percent of GDP.

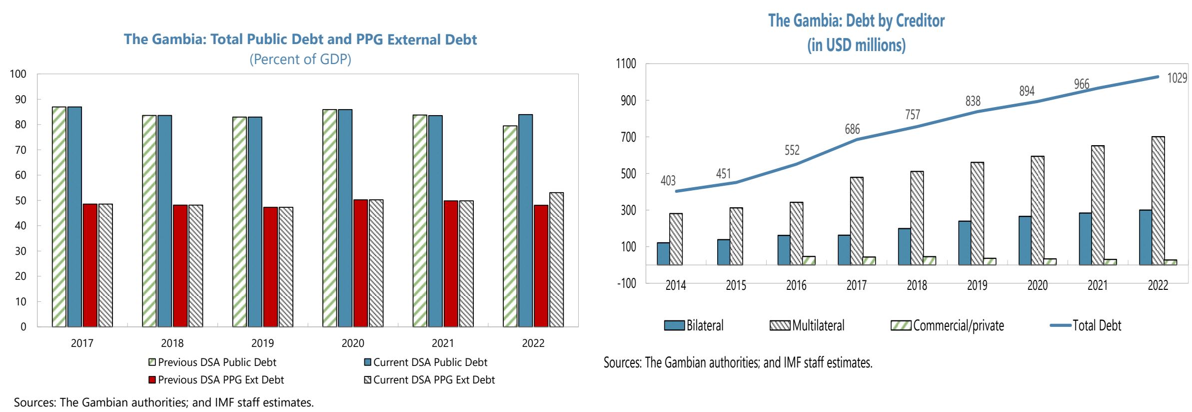
[6] Locally issued LC-denominated debt held by non-residents and locally issued FX-denominated debt held by residents are insignificant.

BACKGROUND

RECENT DEBT DEVELOPMENTS

2. **The Gambia's total public debt to GDP stood at about 84 percent and external debt to GDP at about 52 percent as of end-2022; the composition remains broadly unchanged from the fifth ECF review (Text Figure 1).** The Gambia's external debt primarily comprises of concessional and semi-concessional loans from multilateral and plurilateral creditors, with creditors from the Middle East forming the single largest creditor sub-group. Around 68 percent of the Gambia's PPG external debt is owed to multilateral creditors, with bilateral creditors (29 percent) and commercial creditors (3 percent) comprising relatively smaller shares among the creditor categories. While approximately 30 percent of the PPG external debt is owed to the IMF and MDBs, about 70 percent of PPG external debt is owed to a combination of various creditors from the Middle East (Text Table 2).[7]

Text Figure 1. Total Public Debt and Distribution by Creditor



[7] The Gambia has arrears on external debt owed to Libya and Venezuela. However, these arrears have materialized due to problems that are not an indication of debt distress. The discussions on debt reconciliation with Libya are ongoing, with the most recent correspondence in March 2022. Regarding the arrears to Venezuela, the Gambian authorities received a letter in January 2022 from Venezuela. They have been contacting the Venezuelan authorities to re-engage on the discussion on arrears.

Text Table 2. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2022-2024[1]

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	1,669.3	100.0	83.7	124.2	183.8	152.3	6.6	8.2	6.2
External	1,029.3	61.7	51.6	69.4	84.3	48.7	3.9	3.8	2.0
Multilateral creditors	701.5	42.0	35.2	45.0	55.9	33.1	2.6	2.5	1.3
IMF	129.5	7.8	6.5						
World Bank	127.2	7.6	6.4						
ADB/AfDB/IADB	52.0	3.1	2.6						
Other Multilaterals	392.8	23.5	19.7						
o/w: IsDB and OFID	226.5	13.6	11.4						
Bilateral Creditors	300.0	18.0	15.0	21.9	25.0	11.4	1.1	1.1	0.5
Paris Club	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.4	0.0	0.0						
Non-Paris Club	299.6	17.9	15.0	21.9	25.0	11.4	1.1	1.1	0.5
o/w: Saudi and Kuwait Fund	156.3	9.4	7.8						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	27.7	1.7	1.4	2.5	3.4	4.2	0.1	0.1	0.2
o/w: M.A. Kharafi and Sons	27.7	1.7	1.4	2.5	3.4	4.2			
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w:	0.0	0.0	0.0						
Domestic	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by residents, total[4]	640.1	38.3	32.2	54.8	99.5	103.5	2.8	4.4	4.2
Held by non-residents, total[4]	-	0	0	0	0	0	0	0	0
T-Bills	288.8	17.3	14.5	12.1	21.4	22.6	0.6	1.0	0.9
Bonds	351.2	21.0	17.7	42.8	78.1	81.0	2.2	3.5	3.3
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2,4]	n/a								
Contingent liabilities[3,4]	n/a								
Nominal GDP	2,132.5	127.7	100.0						

[1] As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

[2] Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

[3] Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

[4] Capacity constraints limit data availability. Plans to fill the data gaps will be discussed at subsequent program reviews.

3. **Debt service and undisbursed debt projections on existing debt in the latest baseline are broadly similar to projections during the fifth ECF review.** The latest debt service projections shared

by the authorities are broadly similar, with some minor changes to the amortization profile in the early years relative to the 5th ECF review. The overall external debt service between 2022-2029 stands at a cumulative US$652 million, compared to US$620 million during the fifth ECF review. Of the total debt service, amortization stands at $562 million, with the remaining US$90 million in interest charges. Meanwhile, the amount of undisbursed loans stood at US$250 million in December 2022, compared to US$298 million in end-2021.

MACROECONOMIC ASSUMPTIONS

4. The implications of Russia's invasion of Ukraine continue to strain the socio-economic environment in The Gambia. While the COVID-19 pandemic has receded, Russia's invasion of Ukraine has impeded a strong economic recovery. Economic recovery remains moderate, estimated at 4.4 percent in 2022, broadly unchanged from 2021. Tourist arrivals in 2022 increased by 83 percent relative to 2021 but have remained below pre-pandemic levels. Inflation pressures persist, reaching 13.7 percent (y-o-y) in December 2022 and 14.8 percent (y-o-y) in March 2023, driven primarily by elevated global fuel and food prices. The fiscal outturns in 2022 reflected some spending restraints but also the non-materialization of some important revenue collection commitments, including the asset sale from the Janneh Commission and the privatization of Megabank. The overall fiscal deficit stood at 4.9 percent of GDP. Macroeconomic outlook continues to be subject to exceptionally large uncertainty, owing to Russia's invasion of Ukraine.

5. The DSA is consistent with the macroeconomic framework outlined in the staff report. The baseline scenario assumes the implementation of sound macroeconomic policies, structural reforms, and an ambitious infrastructure investment plan. The key macroeconomic assumptions are as follows (Text Table 4, which also compares the assumptions relative to the previous DSA)

- **Real GDP growth:** The 2022 and 2023 GDP growth projections have been revised downwards to reflect the repercussions of Russia's invasion of Ukraine and the lingering impacts of the pandemic. Remittances have slowed. A major flood in July 2022 took lives, destroyed homes, and disrupted economic activity. Growth is projected to strengthen in 2024, supported by the tourism sector, construction, and agriculture. Economic growth is projected to converge gradually to a steady state of 5 percent in the medium and long terms, supported by an expansion of the tourism sector, higher production and value-added from the agriculture sector, impacts of ongoing large infrastructure projects (OIC-related roads, rural roads, port expansion etc.), sustained public and private construction, improvement in the business environment (bolstered by the vast judicial reform agenda, access to finance, etc.), and continuation of strong policies started after the democratic transition (SOEs, governance, etc.). The projected long-term economic growth of 5 percent is in line with economic growth in peer countries. For instance, in neighboring ECOWAS countries, average historical growth during 2004-19 stood at 5.4 percent and future long-term growth for 2023-44 is projected at 5.2 percent.
- **Inflation:** Inflation continues to accelerate driven by surge in global food and energy prices, and elevated freight costs. The strengthening of the US dollar vis-à-vis the Dalasi added pressures on inflation. Inflationary pressures are expected to somewhat persist in 2023 and gradually ease

thereafter, based on some expected decline in international prices of key commodities. Inflation is projected to converge to the CBG's target of 5 percent from 2026.

- **Fiscal deficit:** The 2023 fiscal framework underpinning the DSA is anchored on previous parameters (*i.e.,* the adopted 2023 budget). Debt service is expected to be higher than previously anticipated due to higher interest rates and weaker Dalasi.[8] The overall fiscal deficit is expected at 2.7 percent of GDP in 2023 and to gradually improve in the medium term, supported by both revenue and spending measures. In the near term, the fiscal consolidation is supported by, among other measures, adjustment in domestic fuel prices to reflect full passthrough from international prices and adjustment in utility tariffs to address subsidies from the budget. Revenue mobilization measures, currently underway and supporting medium-term fiscal consolidation, include streamlining tax exemption, cleansing and maintaining accurate tax ledgers for large taxpayers, accelerating the implementation of Asycuda World, and consolidating toll bridge collection. Furthermore, efforts are underway to collect additional resources, including from bank privatization and sale of stolen assets under the Janneh Commission. A reform monitoring committee has been put in place to ensure swift implementation of measures required to trigger support from development partners. On the spending side, measures to address the COVID-19 pandemic and Russia's invasion of Ukraine are expected to be phased out. Some large infrastructure projects are also nearing completion, particularly the projects related to the OIC conference.[9] The investment prioritization and selection tool by the GSRB will be expanded to domestically financed and PPP projects to enhance efficiency and contain spending.
- **Financing needs and assumptions:** Average gross financing needs are projected at around USD 339 million over the next two years. Domestic interest rates have been revised upwards relative to the 5th ECF review to reflect recent market developments. The baseline assumes that the financing mix will be consistent with a prudent borrowing strategy, aimed at gradually increasing the share of domestic debt and only seeking new external financing on concessional terms.
- **Domestic borrowing:** With regards to the instruments used for domestic debt financing, the DSA assumes that over the next five years, 80 percent of all new debt will be financed via T-bills, 15 percent via 3-year bonds and the remaining via 5-year bonds. This distribution is very similar to the actual issuance pattern seen over the past year (2021-2022). In the medium-term, the issuance is projected to shift gradually toward longer-term bond maturities.
- **Current account:** The current account deficit is expected to remain substantial in the medium term. Pressures on the balance of payments and foreign exchange are expected to persist in 2023-24 and may persist even further if the external shocks do not dissipate. In the longer term, the external sector is expected to improve as tourism strengthens, exports disruptions dissipate, and imports related to large OIC-related investment projects diminish.

[8] Yields on government securities rose in response to the tight monetary policy stance. The average interest rate on treasury bills increased from 2.67 percent at end-December 2021 to 8.76 percent in November 2022 and 10.49 percent in December 2022.
[9] The key features and drivers of the medium-term fiscal framework are outlined in Annex II of the Fourth ECF Review Staff Report.

- **FX Reserves:** Gross foreign exchange reserves were US$454.7 million at end-2022, equivalent to 5.1 months of imports, compared to US$ 424.6 million projected in the previous DSA. Reserves are projected at US$471.5 million in 2023 (or about 4.9 months of imports).

Text Table 3. The Gambia: Revised External Borrowing Plan, 2020–2023
(US$ millions)

	Volume of new debt (US$ million)							
	2020	2021	2022		2023		2020–23	
	Act.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Source of debt financing[1]								
Total debt contracted	12	0	115	61	80	134	207	207
Concessional debt	12	0	100	61	80	119	192	192
Multilateral debt	0	0	65	41	40	94	105	135
Of which : Port expansion	0	0	50	0	0	50	50	50
Bilateral debt	12	0	35	20	40	25	87	57
Nonconcessional debt[2]	0	0	15	0	0	15	15	15
Use of debt financing								
Infrastructure	12	0	115	61	80	134	207	207
Of which : Port Expansion	0	0	56	0	0	56	56	56
Other (including budget support)	0	0	0	0	0	0	0	0

1/ External public debt contracted or guaranteed.

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

6. **The realism of the macroeconomic framework is confirmed based on several metrics** (Figure 4)**.** The projected fiscal adjustment for the next three years is in the top quartile of the distribution of approved Fund-supported programs for LICs since 1990, underpinned by (i) the projected phasing out of revenue and spending measures related to COVID-19 and Russia's invasion of Ukraine; and (ii) the completion of large infrastructure projects related to the OIC conference; (iii) revenue mobilization measures; and (iv) development partners' disbursements. The contribution of government capital to real GDP growth is conservative and remains in the order of the historical magnitudes. Regarding the relation between fiscal adjustment and growth paths, the baseline projection deviates at times from the growth paths under the different fiscal multipliers. However, given the development partners' projected support and the strong macroeconomic policies (including under the IMF-supported program), the projected rebound in growth seems reasonable. The drivers of projected medium-term debt-creating flows for public debt are comparable to those underlying the historical outturns.[10]

[10] The residuals in the forecast years for the external and public DSAs include the contribution of real exchange rate movements, factors affecting debt changes but not captured by debt-creating flows (i.e., project grants), as well as adjustment for coverage between fiscal accounts and DSAs.

Text Table 4. The Gambia: Selected Macroeconomic Indicators (2021–2027)

	2021	2022	2023	2024	2025	2026	2027	15-year average[1]
Real GDP Growth (percent)								
Current DSA	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0
Previous DSA [5]	4.3	4.5	6.0	6.5	5.8	5.0	5.0	5.0
Exports of goods and services growth (percent)[2]								
Current DSA	20.0	25.9	30.9	38.6	7.1	6.3	6.4	9.2
Previous DSA	20.0	-10.6	84.8	38.5	7.7	7.2	7.2	9.9
Imports of goods and services growth (percent)[2]								
Current DSA	7.3	23.4	19.2	9.6	6.0	3.6	5.5	5.7
Previous DSA	7.3	26.3	16.4	7.2	5.3	3.6	5.5	6.6
CA deficit (percent of GDP)[3]								
Current DSA	0.1	6.0	11.9	8.9	9.5	8.6	8.0	1.9
Previous DSA	3.8	14.7	12.6	8.7	9.0	8.3	7.9	2.5
Public investment (percent of GDP)								
Current DSA	6.2	8.4	9.1	8.2	8.7	8.2	8.4	7.8
Previous DSA	6.2	8.9	9.0	8.8	9.7	9.0	9.4	8.0
Overall fiscal deficit[4]								
Current DSA	4.6	4.9	2.7	2.0	0.9	0.5	0.6	1.3
Previous DSA	4.6	4.9	2.7	1.8	0.9	0.5	0.9	2.0

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

[1] Defined as the simple average of the last 15 years of the projection (2028-42).

[2] In current dollar terms, including re-exports.

[3] Includes worker's remittances and grants.

[4] Includes grants.

[5] Previous DSA numbers are taken from Fourth Review ECF

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

7. **This DSA uses the CI vintage October 2022 WEO and 2021 CPIA, which assess that The Gambia's debt carrying capacity remains classified as "medium" (Text Table 5).** The classification of the Gambia's debt carrying capacity is based on a CI score of 2.91, which is the same as the previous DSA. The import coverage of reserves is the most significant contributor to the CI score, followed by the CPIA value, which reflects the quality of institutions and policies. The CI score has been updated with the October 2022 WEO and 2021 CPIA. The relevant thresholds applicable to public and publicly guaranteed external debt are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to revenue ratio. For the PV of total public debt-to-GDP ratio, the benchmark is 55 percent.

Text Table 5. The Gambia: Debt Carrying Capacity and Thresholds

Country	Gambia, The
Country Code	**648**
Debt Carrying Capacity	**Medium**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.91	Medium 2.95	Medium 2.94

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.974	1.15	39%
Real growth rate (in percent)	2.719	5.146	0.14	5%
Import coverage of reserves (in percent)	4.052	37.091	1.50	52%
Import coverage of reserves^2 (in percent)	-3.990	13.757	-0.55	-19%
Remittances (in percent)	2.022	13.816	0.28	10%
World economic growth (in percent)	13.520	2.898	0.39	13%
CI Score			2.91	100%
CI rating			**Medium**	

8. Stress tests follow the standardized settings, with none of the individual tailored stress tests applicable for The Gambia. The standardized stress tests use the default settings, with the combined contingent liabilities test assuming a shock of 7.0 percent of GDP (5 percent of GDP for financing sector shock and 2.0 percent of GDP for non-guaranteed SOEs debt).

EXTERNAL DSA

9. Under the baseline scenario, three of the four external debt indicators breach the threshold for varying periods within the forecast horizon (Figure 1). The PV of external debt-to-exports breaches the threshold level of 180 in 2023, before falling below the threshold and continuing to decline for the remainder of the projection period. The debt-service-to-exports ratio breaches the threshold level of 15 in 2023, and again between 2025-28; a continuous 4-year (and 5-year overall) breach of the debt service-to-exports ratio is toward the limit of sustainability, especially as there are other breaches. The external debt service-to-revenue ratio breaches the threshold level of 18 between 2023–28, before falling below the threshold for the remainder of the forecast horizon. These breaches are broadly similar to those seen during the previous DSA (fifth ECF review). The reason for the breaches can be attributed to lower export growth in the near-term and higher debt service commitments in the medium-term. The PV of external debt-to-GDP remains within the threshold level of 40 for the entire forecast horizon.

10. Under the stress test scenarios, all the indicators breach their thresholds for varying periods under the forecast horizon. The PV of debt-to-GDP breaches the threshold level of 40 in 2024 and falls below the threshold in 2027. The PV of debt-to-exports breaches the threshold level of 180 in 2023 and remains above the threshold for the remainder of the forecast horizon. The debt-service-to-exports ratio breaches the threshold level of 15 in 2023 and remains above the threshold for the remainder of the forecast. The debt-service-to-revenue ratio breaches the threshold level of 18 in 2025 and remains above the threshold till 2031. For the PV of debt-to-exports and debt service-to-exports ratios, the exports shock is the most severe, while for the PV of debt-to-GDP and debt service-to revenue ratios, the combination shock is the most severe.

11. The Gambia's risk of external debt distress remains "high", but sustainable. The weakness in exports continues to weigh on the export-related external debt service indicators in the near term. As highlighted in the fifth ECF review, the sharp slowdown in tourism and the associated decline in exports of goods and services is expected to normalize over the next couple of years. Additionally, the breaches of the debt-service thresholds in later years reflect the period when debt-service deferrals negotiated with creditors are expected to expire, potentially leading to higher debt-service payments coming due in those years. These breaches highlight The Gambia's limited space for additional borrowing in the near term, as well as emphasize the need to continue to build ample buffers to face the increased debt-service burden that lies ahead. The liquidity situation may become more constrained following the expiration of the debt deferral period in the coming years. This risk can be mitigated by some factors. On the availability of government revenue to address higher future debt service, the authorities are implementing measures that are expected to bolster domestic revenue mobilization in the near and medium term. On the availability of foreign exchange to service debt, private remittance inflows are expected to help ease constraints.[11] Moreover, the policies that aim at supporting foreign exchange reserves will also help address liquidity constraints.

PUBLIC DSA

12. Under the baseline scenario, the PV of total public debt-to-GDP ratio is temporarily in breach of the benchmark in the near term. Under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark level of 55 between 2023–24 but falls within the benchmark level in 2025 and continues to decline thereafter throughout the forecast horizon. Two other indicators of public debt, namely the PV of debt-to-revenue and debt service-to-revenue are on a declining trend for the entire duration of the forecast horizon in the baseline scenario. Under the stress scenario, the PV of total public debt-to-GDP remains above the benchmark until 2028. The non-debt flows shock is the most extreme for the PV of total public debt-to-GDP ratio under the stress scenario.

[11] Private remittance inflows soared during the pandemic period from an annual average of about US$150 million during 2015-19 to about US$485 million during 2020-22. They are projected to slightly decline in the future but to remain above pre-pandemic levels.

13. **The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable,**[12] **based on the public DSA and the external DSA**.[13] The PV of total public debt-to-GDP continues to follow a firmly downward sloping path, remains within the benchmark from 2025 onwards, continuing to decline thereafter. Since the indicator falls below the benchmark within 3 years of the projection horizon and remains under benchmark thereafter, the overall debt position is deemed sustainable. Public debt is deemed sustainable due to a set of factors, including a continued downward sloping path underpinned by fiscal consolidation, reliance on grants and concessional loans, and support from development partners. The authorities are addressing risks related to debt service by implementing a debt management policy that reduces roll-over risks, including by lengthening maturity. This assessment, however, is subject to downside risks stemming from a protracted Russia's invasion of Ukraine and a resurgence of the pandemic that could potentially obstruct economic recovery exacerbate fiscal pressures, and adversely affect the debt profile. Additional risks include challenges on revenue mobilization and expenditure control as well as potential SOE-related contingent liabilities.

RISK RATING AND VULNERABILITIES

14. **The Gambia's external and overall debt are sustainable but remain at a high risk of debt distress.**

15. **Risks to the assessment are tilted to the downside.** Risks stem from a protracted Russia's invasion of Ukraine (adding further pressure on inflation and foreign exchange), renewed waves of COVID-19 infections (weighing on economic recovery and the budget), and some uncertainty over donor support disbursements (due to the authorities' ability to timely meet the triggers and to donors' planning) that could adversely affect the debt profile. Separately, capital inflows from remittances, which have been robust since 2020, are subject to uncertainty in the medium and long terms. Risks related to climate change are also important, as evidenced by the recent major flooding in July 2022. In a downside scenario, growth could fall by about 2.0 percentage points below the baseline in the near term. The fiscal deficit would widen due to higher spending and lower revenues, increasing financing needs and pushing PV of total public debt to fall below the benchmark level of 55 two years later than under the baseline. Moreover, foreign exchange reserves would come under pressure, creating challenges to external debt servicing capacity. Nonetheless, if domestic revenue mobilization efforts are strengthened and successful, they could help mitigate these risks to debt vulnerabilities.

16. **Factors that could affect future assessments include data revisions, availability of concessional financing for infrastructure projects and the potential decline in donor support.** As highlighted in previous ECF staff reports, further efforts are needed to bolster data collection and reconciliation, both for debt as well as external sector statistics. Uncertainty over data quality and delivery

[12] Public debt is deemed sustainable due to a set of factors, including a continued downward sloping path underpinned by fiscal consolidation, reliance on grants and concessional loans, and support from development partners. The authorities are addressing risks related to debt service by implementing a debt management policy that reduces roll-over risks, including by lengthening maturity.

[13] The overall risk of public debt distress is regarded as High if any of the four external debt burden indicators or the total public debt burden indicator breach their corresponding thresholds/benchmark under the baseline.

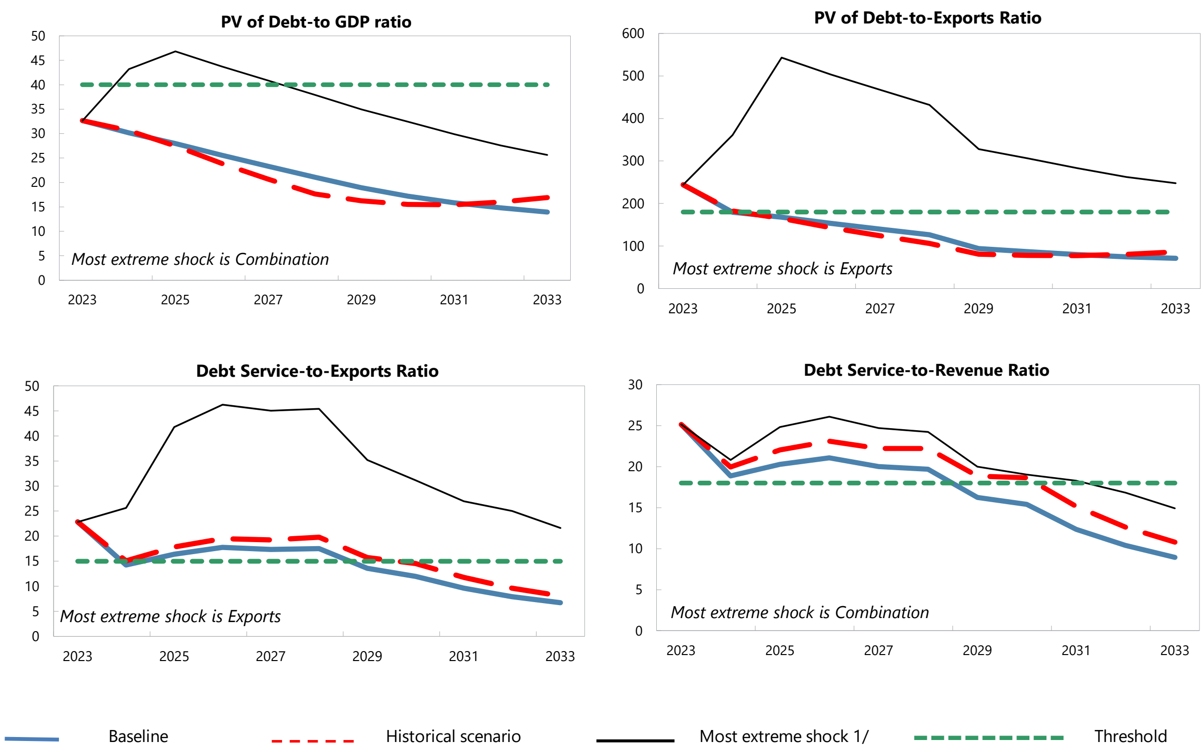
could hamper future assessments in a timely and comprehensive fashion. Strengthening inter-agency coordination and data sharing on public debt and grants data would be important to address data collection and reconciliation issues. Meanwhile, the execution of several large public investment projects is underway, including the extension of the Port of Banjul and the Bertil Harding highway. Financing plans with respect to these projects should remain within the ceilings of the external borrowing plan. Any deviation from the borrowing plan could pose risks to the debt outlook. Additionally, any significant change in future disbursements of donor grants towards budget support or key infrastructure project financing will also have implications for The Gambia's debt profile. The World Bank will continue to support debt management, SOEs, and public investment management under the planned WB Public Administration Modernization Project (PAMP, P176924) with reform actions complemented through the pipeline Development Policy Financing operations and SDFP.[14]

AUTHORITIES' VIEWS

17. They agreed with the thrust of the analysis and acknowledged the challenges it presents. The COVID-19 pandemic, the consequences of the Russia's invasion of Ukraine, and the large infrastructure investment needs are contributing to upwards pressures on the debt stock. Furthermore, the expiration of the debt service deferral period and the ensuing rise in debt service commitments from 2025 pose additional challenges. Accordingly, the authorities have implemented measures aiming at decreasing the overall debt burden and mitigating the persistent high risk of debt distress. They remain committed to reducing debt vulnerabilities and plan to achieve this goal by exercising continued restraint in new borrowing and implementing a robust medium-term fiscal framework. With regards to longstanding external arrears, they are making progress in discussions with Libyan authorities to reconcile the debt amount, and they are reaching out to Venezuelan authorities to restart discussions regarding arrears.

[14] As part of IDA's Sustainable Development Finance Policy (SDFP) Policy Performance Actions (PPAs) for FY22, The Gambia successfully approved of a three-year public investment program (PIP) for selected priority sectors (i.e., health, education, agriculture, infrastructure, energy, and environment) to rationalize public investment and anchor debt sustainability and ensured that new borrowing remained within the ceilings on of the external borrowing plan. Ongoing PPAs (FY23) focus on (i) improving debt transparency by having the annual public debt bulletin for 2022, including a table on government guarantees extended to all SOEs, published, (ii) improving fiscal and debt sustainability by preparing and publishing the first Fiscal Risk Statement (FRS), and (iii) enhancing debt sustainability by ensuring that The Gambia does not enter into any contractual obligations for new external PPG non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to: (a) reflect any material change of circumstances, or (b) ensure coordination with the IMF, in particular with adjustments in the IMF Debt Limit Policy (DLP).

Figure 1. The Gambia: Indicators of Public Guaranteed External Debt Under Baseline and Alternative Scenarios



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	0.8%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	6	6

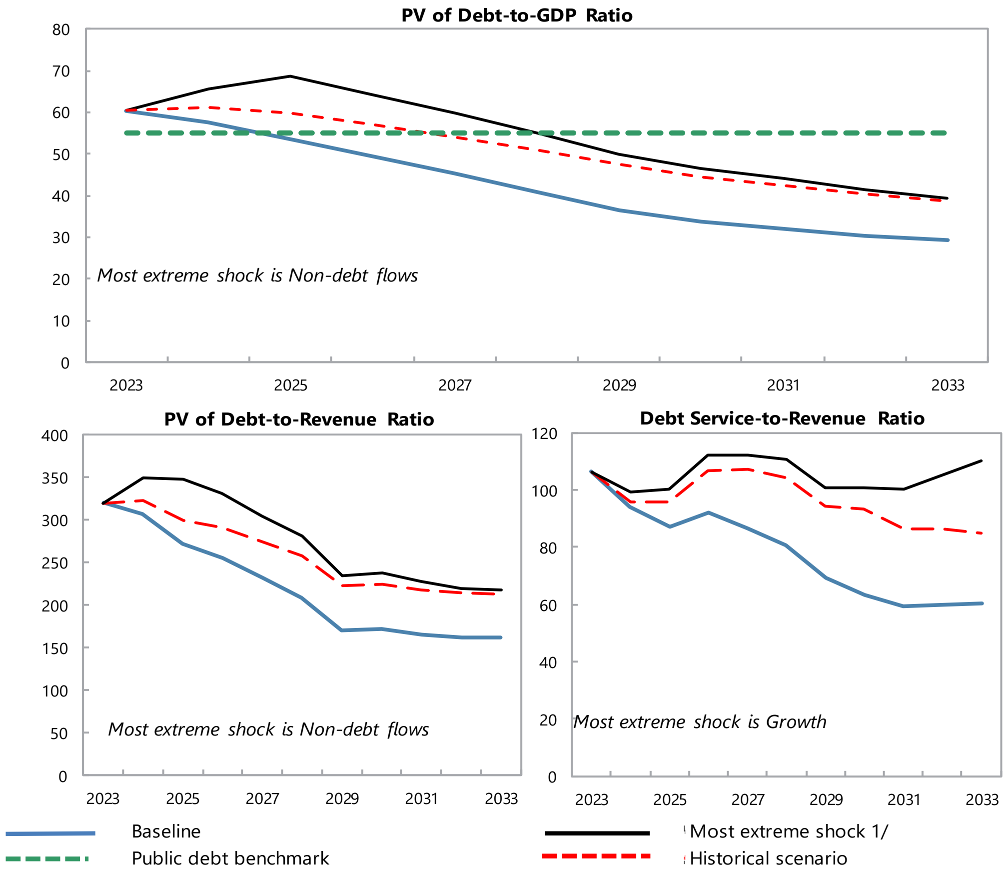
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2033. 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 Alternative Scenarios, 2023–33



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	18%	18%
Domestic short-term	63%	63%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.9%	5.9%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3.0%	3.0%

* 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.

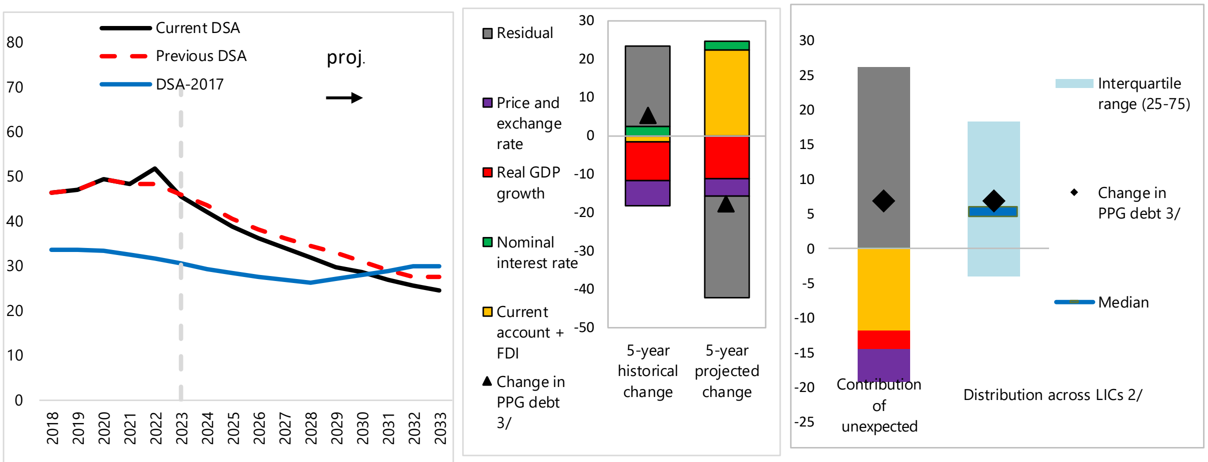
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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

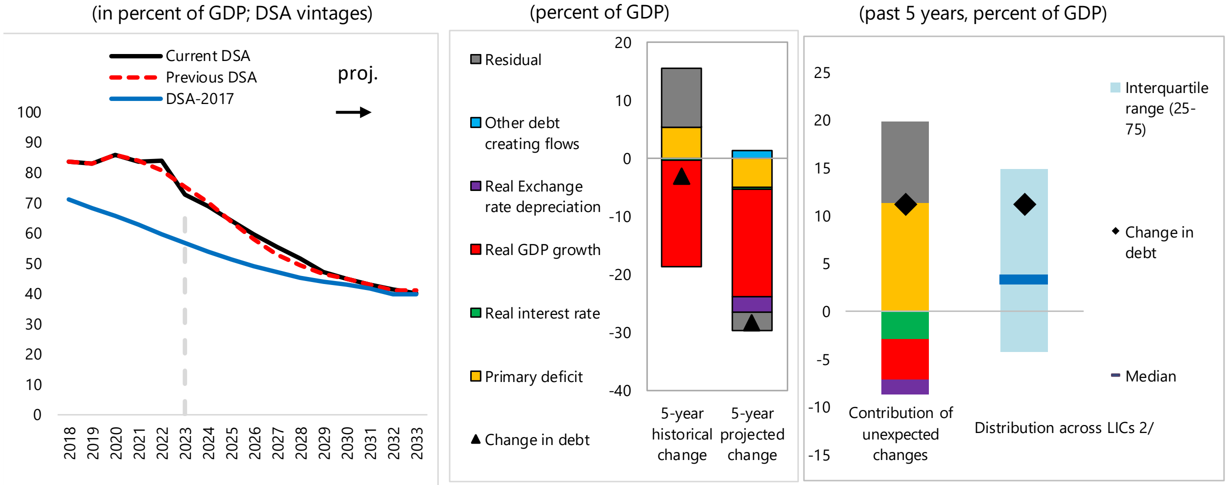
External Debt

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)



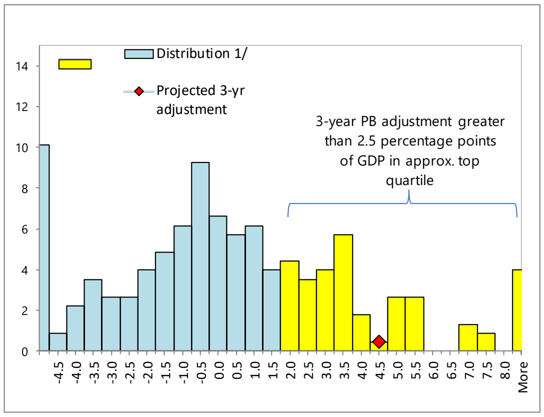
1/ Difference between anticipated and actual contributions on debt ratios.

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.

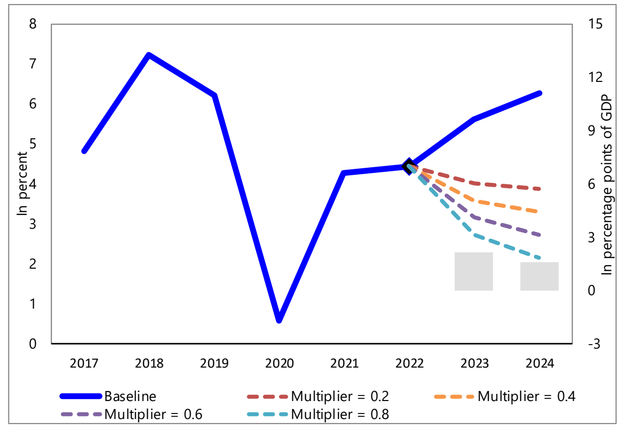
Figure 4. The Gambia: Realism Tools

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



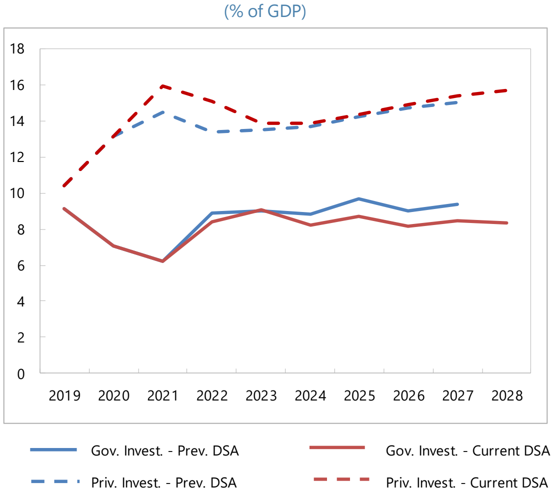
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the

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)

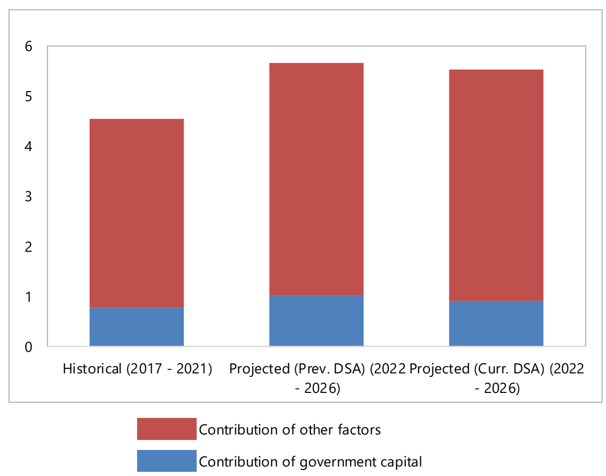
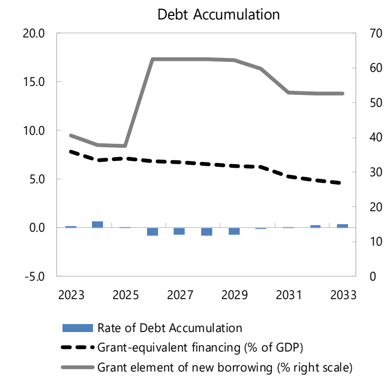
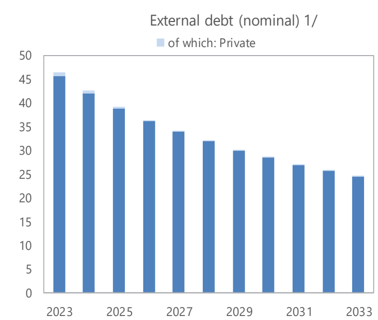


Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2020–2043
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	**50.2**	**49.8**	**53.0**	**46.4**	**42.6**	**39.1**	**36.4**	**34.2**	**32.1**	**24.6**	**15.2**	**45.5**	**33.3**
of which: public and publicly guaranteed (PPG)	**49.5**	**48.4**	**51.8**	**45.5**	**42.0**	**38.7**	**36.1**	**34.0**	**31.9**	**24.6**	**15.2**	**43.7**	**33.1**
Change in external debt	2.9	-0.4	3.2	-6.6	-3.8	-3.4	-2.7	-2.3	-2.1	-1.1	-0.9		
Identified net debt-creating flows	**-0.9**	**-10.4**	**-0.9**	**4.4**	**1.7**	**2.8**	**2.4**	**2.0**	**1.6**	**-2.7**	**-4.9**	**-0.6**	**0.5**
Non-interest current account deficit	**2.8**	**-0.4**	**5.5**	**11.4**	**8.1**	**9.2**	**8.3**	**7.7**	**7.2**	**2.0**	**-1.5**	**6.0**	**6.1**
Deficit in balance of goods and services	28.6	26.3	30.8	32.8	29.1	28.4	27.3	26.9	26.2	18.3	10.4	**19.6**	**24.8**
Exports	8.6	9.2	11.0	13.4	16.8	16.6	16.7	16.7	16.7	19.6	17.7		
Imports	37.2	35.5	41.8	46.2	45.8	45.0	44.0	43.6	42.9	37.9	28.0		
Net current transfers (negative = inflow)	-27.4	-27.8	-26.3	-22.3	-21.5	-20.1	-19.9	-20.0	-19.8	-17.0	-12.4	**-14.8**	**-19.5**
of which: official	-4.6	-0.5	-1.9	-2.1	-2.1	-1.3	-0.7	-0.6	-0.6	-0.4	-0.2		
Other current account flows (negative = net inflow)	1.6	1.1	0.9	0.9	0.5	0.9	0.9	0.9	0.9	0.8	0.5	**1.3**	**0.8**
Net FDI (negative = inflow)	**-3.8**	**-4.9**	**-4.7**	**-4.7**	**-4.6**	**-4.5**	**-4.4**	**-4.3**	**-4.3**	**-3.7**	**-2.8**	**-5.2**	**-4.2**
Endogenous debt dynamics 2/	**0.0**	**-5.1**	**-1.7**	**-2.3**	**-1.9**	**-1.9**	**-1.5**	**-1.4**	**-1.3**	**-1.0**	**-0.6**		
Contribution from nominal interest rate	0.1	0.5	0.6	0.5	0.7	0.3	0.3	0.3	0.3	0.2	0.1		
Contribution from real GDP growth	-0.3	-1.9	-2.1	-2.8	-2.6	-2.3	-1.8	-1.7	-1.6	-1.2	-0.7		
Contribution from price and exchange rate changes	0.2	-3.6	-0.2	...	...	...	...	...	...	...	...		
Residual 3/	**3.9**	**10.0**	**4.2**	**-11.1**	**-5.5**	**-6.2**	**-5.1**	**-4.2**	**-3.7**	**1.6**	**4.0**	**2.8**	**-3.1**
of which: exceptional financing 4/	-0.5	-0.3	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	**...**	**...**	**35.0**	**32.7**	**30.1**	**28.0**	**25.6**	**23.3**	**21.1**	**13.9**	**8.5**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**318.0**	**244.2**	**179.6**	**168.0**	**153.2**	**139.8**	**126.6**	**71.1**	**48.3**		
PPG debt service-to-exports ratio	**3.7**	**39.3**	**32.6**	**22.8**	**14.3**	**16.4**	**17.8**	**17.3**	**17.5**	**6.7**	**3.2**		
PPG debt service-to-revenue ratio	**2.2**	**25.2**	**30.0**	**25.2**	**18.9**	**20.3**	**21.1**	**20.0**	**19.7**	**9.0**	**3.9**		
Gross external financing need (Million of U.S. dollars)	-11.4	-34.7	122.2	252.4	171.5	219.4	211.5	203.5	200.4	-15.1	-430.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.6	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0	5.0	5.0	**3.5**	**5.3**
GDP deflator in US dollar terms (change in percent)	-0.4	7.8	0.4	2.1	3.9	2.0	1.0	1.3	1.5	3.7	3.7	**0.8**	**2.7**
Effective interest rate (percent) 5/	0.3	1.1	1.2	1.0	1.8	0.9	0.9	0.9	0.8	0.7	0.7	**1.2**	**0.9**
Growth of exports of G&S (US dollar terms, in percent)	-57.8	20.0	25.9	30.9	38.6	7.1	6.3	6.4	6.4	7.4	8.6	**2.1**	**14.4**
Growth of imports of G&S (US dollar terms, in percent)	-4.6	7.3	23.4	19.2	9.6	6.0	3.6	5.5	4.8	5.6	5.6	**8.9**	**7.2**
Grant element of new public sector borrowing (in percent)	...	...	...	40.6	37.8	37.6	62.5	62.6	62.5	52.6	52.6	**...**	**53.1**
Government revenues (excluding grants, in percent of GDP)	14.5	14.3	12.0	12.1	12.7	13.5	14.1	14.5	14.8	14.7	14.2	**12.6**	**14.5**
Aid flows (in Million of US dollars) 6/	153.3	51.3	119.7	185.9	180.5	194.6	209.3	221.9	230.2	272.8	316.3		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	7.8	7.0	7.1	6.8	6.7	6.5	4.6	2.3	**...**	**6.3**
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	83.1	82.5	83.7	88.9	87.4	86.4	82.1	84.5	**...**	**84.1**
Nominal GDP (Million of US dollars)	1,809	2,034	2,133	2,301	2,540	2,741	2,908	3,094	3,297	4,995	11,686		
Nominal dollar GDP growth	0.2	12.4	4.8	7.9	10.4	7.9	6.1	6.4	6.6	8.9	8.9	**4.4**	**8.1**
Memorandum items:													
PV of external debt 8/	...	...	36.3	33.5	30.7	28.4	25.9	23.5	21.2	14.0	8.6		
In percent of exports	...	...	329.7	250.9	183.3	170.6	155.0	141.0	127.5	71.3	48.6		
Total external debt service-to-exports ratio	3.7	39.3	44.8	31.8	19.1	19.8	20.2	19.0	18.7	6.9	3.2		
PV of PPG external debt (in Million of US dollars)			747.5	751.2	765.6	766.9	743.7	721.5	695.2	696.7	995.8		
(PVt-PVt-1)/GDPt-1 (in percent)				0.2	0.6	0.0	-0.8	-0.8	-0.9	0.4	0.3		
Non-interest current account deficit that stabilizes debt ratio	-0.1	0.0	2.2	18.0	11.9	12.6	11.0	10.0	9.3	3.1	-0.6		

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.

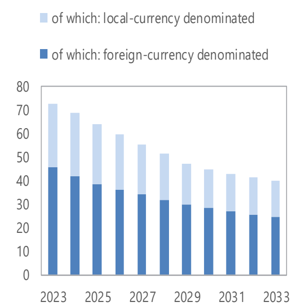
9/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

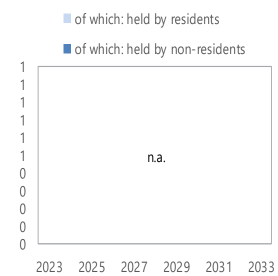
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	85.9	83.5	83.9	72.8	69.0	64.0	59.7	55.5	51.6	40.0	27.0	78.7	53.5
of which: external debt	49.5	48.4	51.8	45.5	42.0	38.7	36.1	34.0	31.9	24.6	15.2	43.7	33.1
Change in public sector debt	2.9	-2.3	0.4	-11.2	-3.8	-5.0	-4.2	-4.2	-3.9	-1.3	-1.1		
Identified debt-creating flows	-0.2	-4.3	0.5	-5.2	-4.8	-4.7	-4.1	-3.8	-3.4	-0.9	-0.9	-0.5	-3.0
Primary deficit	-1.0	1.6	2.7	0.6	-1.0	-1.6	-1.7	-1.2	-1.2	0.7	0.1	1.0	-0.5
Revenue and grants	23.0	16.8	17.6	18.9	18.8	19.7	19.5	19.6	19.6	18.2	16.1	16.7	19.4
of which: grants	8.5	2.5	5.6	6.7	6.1	6.3	5.4	5.1	4.8	3.5	1.9		
Primary (noninterest) expenditure	22.0	18.4	20.3	19.4	17.7	18.1	17.8	18.3	18.4	18.8	16.2	17.7	18.9
Automatic debt dynamics	0.8	-5.9	-2.2	-6.2	-4.7	-3.5	-2.4	-2.0	-1.9	-1.4	-0.8		
Contribution from interest rate/growth differential	0.8	-3.7	-5.4	-6.2	-4.7	-3.5	-2.4	-2.0	-1.9	-1.4	-0.8		
of which: contribution from average real interest rate	1.3	-0.2	-1.8	-1.7	-0.4	0.2	0.7	0.8	0.7	0.6	0.6		
of which: contribution from real GDP growth	-0.5	-3.5	-3.6	-4.5	-4.3	-3.8	-3.1	-2.8	-2.7	-2.0	-1.3		
Contribution from real exchange rate depreciation	0.0	-2.1	3.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.5	0.9	0.4	0.0	-0.5	-0.2	-0.2	-0.2	0.0	0.1
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	0.0	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	0.5	0.9	0.4	0.0	-0.5	-0.2	-0.2	-0.2		
Residual	3.1	1.9	0.0	-6.0	0.9	-0.3	-0.1	-0.4	-0.5	-0.4	-0.2	3.9	-1.0
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	69.8	60.4	57.6	53.6	49.6	45.2	41.1	29.5	20.4		
PV of public debt-to-revenue and grants ratio	...	...	396.3	320.1	307.0	271.8	254.5	231.1	209.1	162.3	127.0		
Debt service-to-revenue and grants ratio 4/	108.1	147.6	123.6	106.4	94.1	87.1	92.0	86.9	80.8	60.6	47.7		
Gross financing need 5/	23.8	26.4	24.5	21.1	17.6	16.0	16.2	15.2	14.4	11.5	7.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.6	4.3	4.4	5.6	6.3	5.8	5.0	5.0	5.0	5.0	5.0	3.5	5.3
Average nominal interest rate on external debt (in percent)	0.3	1.1	1.3	1.1	1.8	0.9	0.9	0.9	0.8	0.7	0.7	1.3	0.9
Average real interest rate on domestic debt (in percent)	4.8	-0.7	-4.5	-3.8	-1.0	2.5	4.3	5.0	5.2	5.8	6.7	3.1	3.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.1	-4.5	6.8	...	...	...	...	...	...	...	...	1.4	...
Inflation rate (GDP deflator, in percent)	2.2	7.8	10.3	11.2	7.0	5.1	4.1	4.4	4.6	4.8	4.8	6.6	5.5
Growth of real primary spending (deflated by GDP deflator, in percent)	7.3	-12.7	15.2	1.0	-3.0	8.2	3.0	8.1	5.6	3.0	3.8	6.7	4.6
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-3.9	3.9	2.3	11.7	2.8	3.4	2.6	3.0	2.7	2.0	1.3	0.8	3.5

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

Public sector debt 1/





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

Table 3. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Gauranteed External Debt, 2023– 2033
(In percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	32.7	30.1	28.0	25.6	23.3	21.1	18.9	17.2	15.8	14.8	13.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	32.7	30.6	27.5	23.9	20.7	17.6	16.2	15.5	15.4	16.0	16.9
B. Bound Tests											
B1. Real GDP growth	32.7	32.7	32.8	30.0	27.3	24.7	22.2	20.2	18.6	17.3	16.4
B2. Primary balance	32.7	30.4	28.8	26.7	24.7	22.7	20.7	19.1	17.8	16.8	15.9
B3. Exports	32.7	34.5	37.6	35.0	32.5	30.0	27.4	25.3	23.4	21.7	20.2
B4. Other flows 3/	32.7	38.0	**42.8**	**40.1**	37.6	35.0	32.4	30.1	27.9	25.7	23.9
B5. One-time 30 percent nominal depreciation	32.7	37.8	30.6	27.7	24.9	22.2	19.7	17.7	16.1	15.2	14.4
B6. Combination of B1-B5	32.7	**43.2**	**46.8**	**43.7**	**40.8**	37.9	35.0	32.4	29.9	27.6	25.6
C. Tailored Tests											
C1. Combined contingent liabilities 4/	32.7	30.8	29.0	26.8	24.8	22.7	20.7	19.1	17.8	16.7	15.9
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	**244.2**	179.6	168.0	153.2	139.8	126.6	94.2	86.6	79.7	74.3	71.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**244.2**	**182.3**	165.0	143.1	123.9	106.0	80.9	78.0	77.6	80.4	86.1
B. Bound Tests											
B1. Real GDP growth	**244.2**	179.6	168.0	153.2	139.8	126.6	94.2	86.6	79.7	74.3	71.1
B2. Primary balance	**244.2**	**181.4**	172.9	160.1	148.1	136.3	103.0	96.1	89.5	84.3	81.1
B3. Exports	**244.2**	**361.1**	**542.9**	**503.4**	**467.3**	**432.0**	**328.0**	**306.1**	**283.3**	**262.1**	**247.7**
B4. Other flows 3/	**244.2**	**226.6**	**257.1**	**240.5**	**225.3**	**210.4**	161.3	151.6	140.3	129.3	121.6
B5. One-time 30 percent nominal depreciation	**244.2**	179.6	146.6	132.3	119.2	106.5	78.1	71.0	64.8	60.8	58.6
B6. Combination of B1-B5	**244.2**	**360.8**	**240.9**	**415.2**	**387.7**	**360.7**	**275.6**	**258.4**	**238.0**	**219.7**	**206.9**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**244.2**	**183.3**	173.9	160.5	148.5	136.5	103.0	95.9	89.4	84.2	81.1
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	**22.8**	14.3	**16.4**	**17.8**	**17.3**	**17.5**	13.6	12.0	9.6	7.9	6.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**22.8**	**15.1**	**17.8**	**19.5**	**19.2**	**19.8**	**15.7**	14.5	11.8	9.6	8.1
B. Bound Tests											
B1. Real GDP growth	**22.8**	14.3	**16.4**	**17.8**	**17.3**	**17.5**	13.6	12.0	9.6	7.9	6.7
B2. Primary balance	**22.8**	14.3	**16.4**	**17.8**	**17.4**	**17.6**	13.7	12.1	9.8	8.2	7.1
B3. Exports	**22.8**	**25.6**	**41.8**	**46.2**	**45.1**	**45.4**	**35.2**	**31.1**	**27.0**	**25.0**	**21.6**
B4. Other flows 3/	**22.8**	14.3	**17.1**	**19.1**	**18.6**	**18.7**	14.5	12.8	12.1	11.7	10.2
B5. One-time 30 percent nominal depreciation	**22.8**	14.3	**16.4**	**17.4**	**17.0**	**17.2**	13.3	11.8	9.4	7.0	5.8
B6. Combination of B1-B5	**22.8**	**22.1**	**31.8**	**34.8**	**33.9**	**34.2**	**26.5**	**23.4**	**22.5**	**20.3**	**17.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**22.8**	14.3	**16.5**	**17.9**	**17.4**	**17.6**	13.7	12.1	9.7	8.0	6.8
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	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**25.2**	**18.9**	**20.3**	**21.1**	**20.0**	**19.7**	16.3	15.4	12.4	10.4	9.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**25.2**	**20.0**	**22.1**	**23.1**	**22.2**	**22.2**	**18.9**	**18.7**	15.2	12.6	10.8
B. Bound Tests											
B1. Real GDP growth	**25.2**	**20.5**	**23.8**	**24.7**	**23.5**	**23.1**	**19.1**	**18.1**	14.5	12.2	10.5
B2. Primary balance	**25.2**	**18.9**	**20.3**	**21.2**	**20.1**	**19.8**	16.4	15.6	12.6	10.8	9.4
B3. Exports	**25.2**	**19.3**	**21.5**	**22.8**	**21.7**	**21.3**	17.6	16.7	14.5	13.7	12.0
B4. Other flows 3/	**25.2**	**18.9**	**21.2**	**22.6**	**21.5**	**21.0**	17.4	16.5	15.6	15.4	13.7
B5. One-time 30 percent nominal depreciation	**25.2**	**23.6**	**25.4**	**25.9**	**24.6**	**24.3**	**20.0**	**19.0**	15.2	11.5	9.8
B6. Combination of B1-B5	**25.2**	**20.8**	**24.8**	**26.1**	**24.7**	**24.2**	**20.0**	**19.0**	**18.3**	16.8	14.9
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**25.2**	**18.9**	**20.4**	**21.2**	**20.1**	**19.8**	16.4	15.6	12.5	10.6	9.1
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, 2023– 2033

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
					PV of Debt-to-GDP Ratio						
Baseline	**60.4**	**57.6**	53.6	49.6	45.2	41.1	36.3	33.7	32.0	30.5	29.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**60**	**61**	**60**	**57**	54	51	47	44	42	40	39
B. Bound Tests											
B1. Real GDP growth	**60**	**63**	**66**	**63**	**60**	**57**	53	52	51	51	51
B2. Primary balance	**60**	**61**	**60**	**55**	51	46	41	38	36	35	33
B3. Exports	**60**	**61**	**62**	**58**	53	49	44	41	39	37	35
B4. Other flows 3/	**60**	**66**	**69**	**64**	**60**	**55**	50	47	44	42	39
B5. One-time 30 percent nominal depreciation	**60**	**64**	**58**	53	47	42	36	32	29	27	25
B6. Combination of B1-B5	**60**	**60**	**59**	52	47	43	39	36	35	34	33
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**60**	**64**	**59**	55	50	46	41	38	36	34	33
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	320.1	307.0	271.8	254.5	231.1	209.1	171.0	171.3	165.1	161.9	162.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	320	323	299	291	274	258	223	225	218	215	213
B. Bound Tests											
B1. Real GDP growth	320	329	316	309	292	277	241	254	256	261	271
B2. Primary balance	320	323	304	285	259	236	194	194	187	183	183
B3. Exports	320	326	314	296	272	249	206	208	200	194	193
B4. Other flows 3/	320	350	348	330	305	281	235	237	228	220	217
B5. One-time 30 percent nominal depreciation	320	348	303	278	247	217	172	165	154	146	142
B6. Combination of B1-B5	320	321	294	262	240	219	182	184	179	177	179
C. Tailored Tests											
C1. Combined contingent liabilities 4/	320	341	301	282	257	233	192	193	185	182	182
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	106.4	94.1	87.1	92.0	86.9	80.8	69.2	63.5	59.2	60.1	60.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	106	96	96	107	107	104	94	94	86	86	85
B. Bound Tests											
B1. Real GDP growth	106	99	100	112	112	111	101	101	100	106	110
B2. Primary balance	106	94	98	112	103	96	81	75	69	69	69
B3. Exports	106	94	87	93	87	81	70	64	60	62	63
B4. Other flows 3/	106	94	88	93	88	82	70	64	62	64	64
B5. One-time 30 percent nominal depreciation	106	91	87	92	87	81	69	64	59	59	59
B6. Combination of B1-B5	106	94	89	94	90	85	74	69	66	68	69
C. Tailored Tests											
C1. Combined contingent liabilities 4/	106	94	110	107	102	94	80	73	68	68	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.