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THE GAMBIA

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SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, MODIFICATIONS OF PERFORMANCE CRITERIA AND INDICATIVE TARGETS, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of The Gambia - Second Review Under the Extended Credit Facility Arrangement, Requests for A Waiver of Nonobservance of Performance Criterion, Modifications of Performance Criteria and Indicative Targets, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 20, 2024, following discussions that ended on October 11, 2024, with the officials of the Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 3, 2024.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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The Gambia: IMF Executive Board Completes the Second Review Under the Extended Credit Facility

FOR IMMEDIATE RELEASE

- *The IMF Executive Board completed today the second review under The Gambia's Extended Credit Facility (ECF) arrangement, enabling the immediate disbursement of about US$10.8 million to help meet financing needs and bolster inclusive, sustainable growth.*
- *Economic recovery is strengthening, and inflation is gradually decreasing, although the pace remains slow. The country remains vulnerable to global shocks.*
- *Program performance has been affected by fiscal pressures and delays in reform implementation, but the authorities remain committed to overall program targets. Steadfast implementation of the policy and reform agenda will be essential to safeguard macroeconomic gains and debt sustainability.*

Washington, DC – December 20, 2024: The Executive Board of the International Monetary Fund (IMF) completed today the second review under The Gambia's Extended Credit Facility (ECF) arrangement, approved by the IMF Executive Board on January 12, 2024, in the amount of SDR74.64 million (about US$97.3 million). The completion of the review allows for the immediate disbursement of SDR 8.29 million (about US$10.8 million), bringing total disbursements under the arrangement to about SDR 24.87 million (US$32.4 million).

The economic recovery in The Gambia is strengthening. Real GDP growth is expected to reach 5.8 percent in 2024, supported by a broad-based rebound in economic activity. In particular, tourist arrivals are recovering and nearing pre-pandemic levels, while remittance inflows remain strong. Headline inflation has decreased significantly from a peak of 18.5 percent in September 2023, although energy prices led to a small uptick in inflation to 10 percent in October 2024.

While the authorities remain committed to the objectives set out in the program and revenue collection has been strong, spending pressures from the Organization of Islamic Cooperation (OIC) Summit and emergency support to the public utility company NAWEC have weighed on fiscal balances. The new foreign exchange policy is working well, and international reserves exceeded targets by the end of September.

Based on the strength of the macroeconomic program, growth is projected at 5.9 percent in 2025 and around 5 percent in the medium term, though risks remain from global conflicts, commodity price shocks, and fluctuations in tourism and remittance flows. Steadfast implementation of the policy and reform agenda will be essential to safeguard macroeconomic gains and debt sustainability.

Following the Executive Board's discussion, Deputy Managing Director Bo Li issued the following statement:

The Gambia's economic recovery is strengthening while inflation has trended down. Program implementation was mixed, reflecting broadly satisfactory adherence to quantitative performance *criteria and indicative targets but delays in implementing structural benchmarks. The authorities remain committed to their reform agenda, despite global economic headwinds.*

Continued commitment to fiscal consolidation is critical to reduce fiscal risks and preserve debt sustainability. Finalizing and implementing the Domestic Revenue Mobilization Strategy will help secure consolidation gains and lower reliance on costly domestic and external financing. Improving the structure of expenditures will help maintain social services and space for growth-enhancing capital expenditures. Strengthening public financial management, including by preventing domestic arrears accumulation, and improving the performance of state-owned enterprises will help contain fiscal risks. To reduce debt vulnerabilities, it is crucial to adhere to the agreed fiscal targets, focus on grants and concessional loans, limit fiscal risks from PPPs, and implement a strong medium-term fiscal framework.

The Central Bank of The Gambia has appropriately maintained its tight monetary policy stance and is encouraged to remain vigilant and data dependent to ensure that inflation converges to the central bank's medium-term target. The foreign exchange market has performed well following the introduction of the new foreign exchange policy. Going forward, the central bank is encouraged to continue pursuing an exchange rate that fully reflects market forces. The central bank's commitment to cease financial support to public entities is welcome to prevent risks to its balance sheet.

Progress with structural reforms will be essential, including to enhance governance and further improve the business environment to promote private sector development and job creation. The publication of the action plan for the implementation of the recommendations of the governance diagnostic report as a prior action for this review was an important milestone. Adopting strong climate-related policies including through a possible RSF arrangement will be essential to build The Gambia's resilience to climate risks.

INTERNATIONAL MONETARY FUND

THE GAMBIA

December 3, 2024

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, MODIFICATIONS OF PERFORMANCE CRITERIA AND INDICATIVE TARGETS, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Gambia hosted the 15th Summit of the Organization of Islamic Cooperation (OIC) in early May 2024—the second largest intergovernmental organization in the world. Economic recovery is strengthening, while inflation has trended down, albeit slowly. Despite strong revenue collection efforts, the fiscal outcome for 2024H1 was weighed down by the costs of hosting the OIC Summit and emergency support to the National Water and Electricity Corporation (NAWEC). The foreign exchange market continues to function smoothly, and foreign reserves remain at a comfortable level. Structural reforms are advancing. The economic outlook is subject to large downside risks, particularly owing to global geopolitical tensions.

Program arrangement. On January 12, 2024, the IMF Executive Board approved a 36-month Extended Credit Facility (ECF) arrangement with access of 120 percent of quota (SDR 74.64 million) to help The Gambia meet pressing financing needs and support the country's ongoing reform agenda. The first review of the arrangement was approved by the Board in July 2024.

Program performance. Program implementation was mixed, reflecting broadly satisfactory adherence to quantitative performance criteria (QPCs) and indicative targets (ITs) but delays in implementing structural benchmarks (SBs) for the second review. All but one QPC and all four ITs for end-June 2024 were met. The QPC on net domestic borrowing (NDB) was missed by 0.2 percent of GDP. The authorities are taking corrective measures including a freeze of non-essential expenditures, strengthened budget formulation and reporting, and arrears monitoring and prevention on which basis they are requesting a waiver for this missed target. Of the six SBs, two were met on schedule and four were missed. The authorities are requesting new target dates for three SBs: (i) adoption by cabinet of a revised GIEPA Act and revised National Audit Office Act to end-December 2024; and (ii) adoption of the domestic revenue mobilization strategy to end-June.

The SB on the publication of the governance diagnostic report, is proposed to be dropped but given the criticality of advancing governance improvements now forms the basis for a new prior action for the second review. Prior actions for the second ECF review are (i) submitting to the National Assembly of a 2025 budget consistent with the program parameters; and (ii) publishing the recommendations and an action plan for the implementation of the recommendations of the governance diagnostic report.

Policy discussions. Fiscal policy in 2024 will remain anchored on the approved budget targets, despite unexpected spending pressures. The authorities are taking necessary measures, including enhanced revenue mobilization, claw-back on fuel subsidies, and strict expenditure control. The 2025 budget sent to the National Assembly is consistent with slightly loosened program targets relative to the first ECF review, while continuing to reduce debt vulnerabilities and remaining consistent with overall program objectives. The central bank will maintain a tight monetary policy stance to ensure that inflation firmly declines. It will also cease any quasi-fiscal operations and continue close implementation of the recently introduced foreign exchange policy to prevent recurrence of forex shortages and significant wedges with the parallel market. Finally, structural reforms will be pursued and accelerated, particularly on revenue administration, public financial management, SOE management, governance, and the business environment.

Staff's views. Staff supports the completion of the second ECF review and the associated financing assurances review, the waiver of non-observance of the PC based on the corrective measures taken by the authorities, and the modifications of the performance criteria and indicative targets. Completion of the second review will result in a disbursement of the equivalent of SDR 8.29 million (13.33 percent of quota), bringing the IMF financial support under the arrangement to SDR 24.87 million (about 39.98 percent of quota).

Approved By
Montfort Mlachila (AFR) and Geremia Palomba (SPR)

The mission took place in Banjul, The Gambia during September 30–October 11, 2024, and comprised Ms. Jenkner (head), Mr. Al-Sadiq, Ms. Aoyagi (all AFR), and Messrs. Garcia-Huitron (FAD), Han (SPR), Gitton (resident representative), and Mendy (local economist). Mr. Mlachila (AFR reviewer) participated in key opening policy meetings. The team met with President Adama Barrow and Vice President Jallow and held discussions with Minister of Finance and Economic Affairs, Seedy Keita; Minister of Public Service, Administrative Reforms and Policy, Baboucarr Bouy; Governor of the Central Bank of The Gambia, Buah Saidy; Commissioner General of the Gambia Revenue Authority, Yankuba Darboe; National Auditor General, Modou Ceesay; other senior government and central bank officials; and representatives of the private sector and civil society organizations. The mission briefed development partners. Mr. Cham (senior advisor, OEDAE) participated in the meetings. Mr. Marquez-Barroeta, Ms. Hesse-Triballi, and Mr. Quach provided research analysis during the preparation of the mission. Ms. Njie (local office manager) helped with the organization of the mission. Mss. Pilouzoue and Derrouis assisted in the preparation of this report.

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Acronyms

BOP	Balance of Payments
CBG	Central Bank of The Gambia
CPI	Consumer Price Index
CRB	Credit Reference Bureau
DSA	Debt Sustainability Analysis
e-GDDS	Enhanced General Data Dissemination System
ECF	Extended Credit Facility
FAS	Financial Access Survey
Forex	Foreign Exchange
GBoS	Gambia Bureau of Statistics
GDP	Gross Domestic Product
GIEPA	Gambia Investment and Export Promotion Agency
GMD	The Gambian dalasi
GPPA	The Gambia Public Procurement Authority
GRA	The Gambia Revenue Authority
GSRB	The Gambia Strategic Review Board
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IT	Indicative Target
ITMS	Integrated Tax Management System
IVATA	Income and Value Added Tax Act
MDAs	Ministries, Departments, and Agencies
MEFP	Memorandum of Economic and Financial Policies
MoFEA	Ministry of Finance and Economic Affairs
NAWEC	National Water and Electricity Corporation
NDB	Net Domestic Borrowing
NDP	National Development Plan
NFSPMC	National Food Security, Processing, and Marketing Corporation
NPLs	Non-Performing Loans
OIC	Organization of Islamic Cooperation
QPC	Quantitative Performance Criteria
PFM	Public Financial Management
RAM	Risk Assessment Matrix
SB	Structural Benchmark
SGO	Statement of Government Operations
SIC	Special Investment Certificate
SOE	State-Owned Enterprise
TA	Technical Assistance
VAT	Value-Added Tax

CONTEXT

1. The Gambia hosted the 15th Summit of the Organization of Islamic Cooperation (OIC) in early May 2024. The OIC is the second largest intergovernmental organization in the world, comprising 57 member states. Despite a lower-than-expected attendance and a limited global media coverage, the summit proceeded well and enhanced The Gambia's regional posture.

2. Constitutional reform is progressing slowly amidst some controversy. The Government gazetted the revised draft Constitution in August 2024, introducing a two-term limit on presidential mandates, but its retroactivity remains unresolved, and it is yet to be approved by the National Assembly. The President had initially planned to hold a referendum in December 2024, but a realistic timeline suggests some time in 2025.

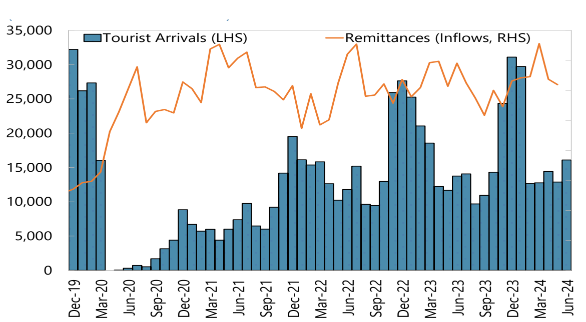
3. The authorities' Five-Year National Development Plan (NDP) for 2023-27 aims to address the country's development challenges (MEFP ¶10). The plan envisages strengthening macroeconomic stability and engaging in a deep structural transformation of the economy through significant investments in priority sectors, while maintaining fiscal sustainability and enhancing the country's resilience to climate change. The authorities are making progress in implementing their reform agenda, accompanied by extensive and coordinated support from development partners.

RECENT ECONOMIC DEVELOPMENTS

4. Economic recovery is firming up while inflation is decelerating, albeit slowly (Text Figure 1). Real GDP growth is estimated at 5.8 percent in 2024, supported by agriculture, services, telecom and construction sectors. Tourist arrivals continued to recover in 2024H1, reaching a level closer to the pre-pandemic peak level of 2019. Remittance inflows also increased from $254 million in 2023H1 to $265 million in 2024H1. After declining to 9.7 percent (y-o-y) in June 2024, from a peak of 18.5 percent in September 2023, inflation picked up slightly to 10 percent in September 2024, mainly reflecting a small acceleration of energy prices.

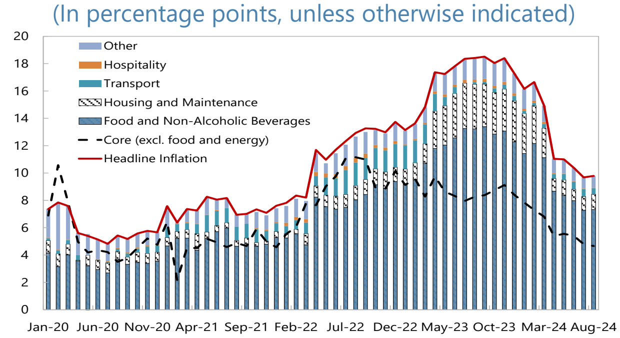
Text Figure 1. The Gambia: Economic Activity Indicators, 2019–24

Tourist Arrivals and Remittances
(In thousands and USD millions)



Sources: The Gambian authorities and IMF staff calculations.

Contributions to Consumer Price Inflation, January 20-August 24
(In percentage points, unless otherwise indicated)



Sources: The Gambian authorities and IMF staff estimates.

5. Despite strong revenue collection, fiscal performance in 2024H1 was weaker than anticipated reflecting pressures from the OIC Summit and the electricity sector (MEFP ¶4, Text Table 1, and Tables 2a-b). Revenue collection in 2024H1 outperformed projections. However, the expected budget support grants of 0.3 percent of GDP did not materialize and were temporarily compensated by higher domestic financing. Current spending exceeded initial plans, reflecting the substantial logistical costs of hosting the OIC Summit and emergency support to the public utility company NAWEC to help cover some of its arrears to international suppliers. Similarly, foreign financed capital projects were accelerated. On the other hand, domestically financed capital spending declined relative to 2023 and was below projections.

Text Table 1. The Gambia: Fiscal Performance, 2024H1
(Percent of GDP)

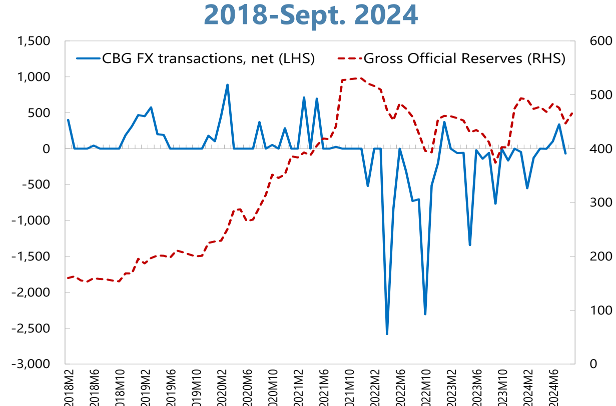
	2023 H1 Act.	2024 H1 1st Review	2024 H1 Act.
Revenue	**8.6**	**8.9**	**9.3**
Domestic revenue	5.8	6.3	6.6
Taxes	4.8	5.1	5.2
Non-tax	1.1	1.1	1.3
Grants	2.8	2.7	2.7
o/w. Budget support	0.0	0.3	0.0
Expenditures	**11.9**	**11.2**	**12.5**
Expenses	6.1	6.3	7.3
Net acquisition of nonfinancial assets	5.8	4.9	5.2
Foreign financed	4.5	3.5	4.3
Gambia local fund	1.3	1.4	0.9
Net lending (+)/borrowing (–)	**-3.3**	**-2.3**	**-3.2**
Financing	**3.2**	**2.3**	**3.3**
Net acquisition of financial assets	0.0	0.0	0.0
Net incurrence of liabilities	3.2	2.3	3.3
Domestic	1.9	1.7	2.2
o/w. Net borrowing	2.6	1.5	2.2
o/w. RCF/ECF (Onlent)	-0.1	0.3	0.1
Foreign	1.2	0.6	1.1
o/w. Borrowing	1.7	1.1	1.6
Statistical discrepancy	0.1	0.0	-0.1
Memorandum item			
Domestic primary balance	-0.7	-0.1	-0.3

Sources: The Gambian authorities; and IMF staff estimates.

6. The monetary policy stance remains unchanged. The Central Bank of The Gambia (CBG) has maintained its policy rate at 17 percent since the September 2023 Monetary Policy Committee meeting, after a cumulative 700 basis points increase since March 2022. The decision to maintain the policy rate despite the moderation in inflation was based on recognizing the significant risks surrounding the outlook, the presence of short-term price pressures, and the need to sustain the declining inflation trend. This has put the real interest rate in positive territory.

7. The foreign exchange (forex) market continues functioning smoothly (MEFP ¶5 and Text Figure 2). The new foreign exchange policy continues to bear fruit. The exchange rate vis-à-vis the US$ depreciated by about 5 percent between end-December 2023 and end-June 2024. The wedge between the official and parallel exchange rates continues to hover around 2 percent since January 2024, compared to a peak of above 10 percent in mid-2022.[1] These developments, combined with the increase of tourist

Text Figure 2. The Gambia: Central Bank Net Forex Purchases and Gross Foreign Reserves, 2018-Sept. 2024



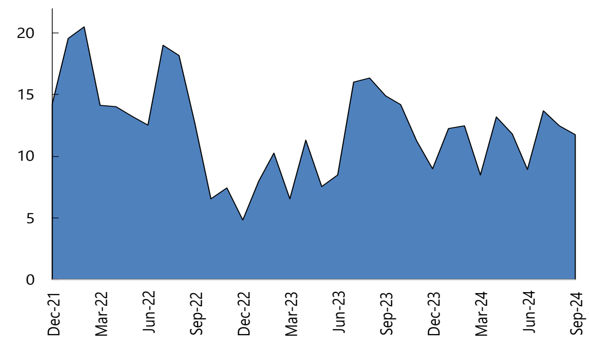
Sources: The Gambian authorities and IMF staff estimates.

[1] The parallel exchange rate is illegal under The Gambia's law.

arrivals and private remittances inflows, have helped ease pressures on the forex market and alleviated the severe forex shortages experienced by the country in recent past. Foreign reserves outperformed targets at end-September 2024.

8. The financial sector remains sound and stable (MEFP ¶6). Banks' capital adequacy and liquidity ratios are well above the regulatory minimum, standing at 24.1 and 76.6 percent, respectively, at end-June 2024. Banks' nonperforming loans (NPLs) increased significantly to 10.2 percent at end-June 2024, from 3 percent at end-2023 due to concentration risks in certain banks' loan portfolios. However, system-wide provisioning levels still exceed 71 percent. Credit to the private sector grew by 3.3 percent (y-o-y) in August 2024, down from 31 percent in mid-2023. Banks' excess reserves remained high but have declined to about 11.9 percent of reserve money at end-August 2024.

Text Figure 3. The Gambia: Excess Liquidity in the Banking System, Dec 2021–Sept 2024
(In percent of reserve money)



Sources: The Gambian Authorities, and IMF Staff calculations

PROGRAM PERFORMANCE

9. Program performance has been mixed, reflecting broadly satisfactory adherence to the quantitative targets (QPCs) and indicative targets (ITs) but delays in the structural benchmarks (SBs) (MEFP ¶7, Table 12, and Table 14):

- Six out of seven QPCs and all four ITs for end-June 2024 were met. The adjusted QPC on net domestic borrowing (NDB) was missed by 0.2 percent of GDP due to the spending pressures described in ¶5.

- Two out of the six SBs, for end-September 2024 were met (Table 14). The other SBs, with test dates for end-August, end-September, and end-October 2024, related to the adoption of the Domestic Revenue Mobilization Strategy (DRMS), the adoption by cabinet of a revised National Audit Office (NAO) Act, the adoption of a revised GIEPA Act, and the publication of the governance diagnostic report were missed. The SB on the DRMS is proposed to be rephased to end-June 2025 to allow for more technical assistance and time to address the comments received from development partners, while the SBs on the adoption of the NAO Act and the revised GIEPA Act are also proposed to be rephased to end-December 2024 as the negotiations between different stakeholders have taken more time than anticipated. Finally, the SB on the publication of the governance diagnostic report is proposed to be dropped and reformulated as a prior action for this review to publish the recommendations and finalize an implementation plan of the recommendations of the report. The end-December SB on preparing a study on rationalizing public sector agencies was already met.

OUTLOOK AND RISKS

10. The medium-term macroeconomic outlook remains broadly unchanged relative to the first ECF review (MEFP ¶8, Text Table 2). Real GDP is projected to further expand by 5.9 percent in 2025, driven by the tourism, construction, and agricultural sectors. Over the medium term, growth is expected to stabilize around 5 percent. Inflation is still projected to gradually converge towards the CBG's target of 5 percent by 2026, reflecting the impact of tight domestic monetary policy and the expected decline in food and energy prices. Foreign reserves are projected to remain at comfortable levels in the medium term, supported by disbursements from the IMF and other development partners. The authorities target a fiscal deficit of 1.3 percent of GDP in 2025, which is expected to decline further to 0.4 percent of GDP in the medium term, accompanied by a steady decline in public debt.

11. The balance of risks is tilted to the downside, as highlighted in the downside scenario (Annex I). Key risks to the outlook arise from an escalation or spread of the conflict in the Middle East, Russia's war in Ukraine, and other regional conflicts, with the ensuing global commodity price volatility and disruptions of global supply chains. Together with an abrupt global slowdown, which could reduce tourist arrivals and remittance inflows, realization of these risks would intensify inflation and forex pressures (see downside scenario in Text Table 2). On the domestic front, persistently high price levels could lead to socio-political tensions and fiscal pressures, exacerbated by elections looming in early 2026. More frequent and severe natural disasters could damage infrastructure and livelihoods, adversely affecting inflation, growth, and fiscal and external accounts. On the upside, The Gambia is expected to benefit from a compact with the Millennium Challenge Corporation (MCC), with a threshold program under implementation and a compact program to be approved by end-2025.

Text Table 2. The Gambia: Key Macroeconomic Indicators, 2023–29
(Percent of GDP, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029
	Prel.	Projections					
Baseline							
Real GDP growth (percent)	4.8	5.8	5.9	5.0	5.0	5.0	5.0
Consumer price inflation (average, percent change)	17.0	13.9	9.7	6.9	5.0	5.0	5.0
Tax revenue	9.5	10.3	10.7	11.2	11.3	11.5	11.7
Primary balance	-1.6	0.1	1.6	2.2	1.8	1.4	1.2
Domestic primary balance	-0.2	0.7	1.4	2.2	2.3	2.4	2.3
Current account balance	-5.4	-5.8	-5.3	-3.4	-2.0	-2.0	-1.6
Public debt	75.7	71.8	65.6	62.2	58.0	54.2	49.0
PV of public debt	65.1	61.5	56.5	53.5	50.1	46.8	41.9
Gross official reserves (months of prospective imports)	4.0	4.0	4.0	3.9	4.1	4.3	4.1
Downside Scenario							
Real GDP growth (percent)	4.8	5.8	4.5	3.5	5.0	5.0	5.0
Consumer price inflation (average, percent change)	17.0	13.9	10.3	8.2	6.3	6.3	6.3
Tax revenue	9.5	10.3	9.7	10.2	11.3	11.5	11.7
Primary balance	-1.6	0.1	0.5	1.1	2.6	1.3	1.1
Domestic primary balance	-0.2	0.7	0.3	1.1	2.2	2.3	2.3
Current account balance	-5.4	-5.8	-6.7	-4.2	-2.6	-2.4	-2.0
Public debt	75.7	71.8	67.8	66.5	60.6	56.9	51.7
PV of public debt	65.1	61.5	58.5	57.5	52.4	49.2	44.4
Gross official reserves (months of prospective imports)	4.0	4.0	3.8	3.6	3.7	3.8	3.6

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

POLICY DISCUSSIONS

Policy discussions focused on (i) 2024 and 2025 fiscal policies and steps to strengthen the fiscal policy framework while reducing debt vulnerabilities; (ii) fostering price and foreign exchange stability; (iii) strengthening financial stability; and (iv) advancing structural reforms, including on SOEs and governance, to support strong and inclusive growth.

A. Strengthening the Fiscal Policy Framework

12. The authorities remain committed to achieving the 2024 fiscal targets (MEFP ¶11, Text Table 3, Tables 2a and 2b). Despite the unexpected spending pressures from the OIC Summit and the need to bail out NAWEC, totaling about 1.4 percent of GDP, the overall fiscal balance is expected to remain unchanged relative to the approved budget, at 2.7 percent of GDP. Fiscal targets under the program, including the domestic primary balance and net domestic borrowing, are expected to be met. Over-performance of tax revenue would offset lower-than anticipated non-tax revenue and grants, while total expenditure is expected to stay within the approved budget envelope. To this end, the authorities are taking measures to further strengthen revenue collection and restrain non-priority spending. Notwithstanding the adherence to original targets, the debt-to-GDP ratio at end-2024 is estimated almost 5 percentage points of GDP higher than previously projected, at 72 percent of GDP, largely due to exchange rate depreciation.

On the revenue side, domestic revenue is envisaged to increase by 1 percent of GDP, based on higher tax and non-tax revenue collection:

- The National Road Authority fuel levy was increased to take advantage of falling international oil prices and the authorities will continue to claw back on earlier subsidies by keeping domestic pump prices for petrol exceeding full pass-through prices.
- Ten audits of large taxpayers were completed (**SB for end-September 2024**), including eight commercial banks and two telecom companies, positively impacting tax compliance.
- The implementation of the IT system for excisable goods, revenue assurance system for mobile network operators, and fuel marking will further bolster revenue collection.

Text Table 3. The Gambia: Fiscal Performance, 2023-2025
(Percent of GDP)

	2023	2024		2025	
	Act.	1st Review	Proj.	1st Review	Proj.
Revenue	**20.1**	**20.1**	**20.2**	**19.3**	**22.7**
Domestic revenues	12.2	13.1	13.2	12.9	14.7
Taxes	9.5	9.9	10.3	10.2	10.7
Non-tax	2.7	3.2	2.9	2.6	4.0
Grants	8.0	7.0	7.0	6.4	7.9
o/w. Budget support	2.8	1.8	1.9	1.7	1.2
Expenditures	**23.8**	**22.8**	**22.9**	**19.6**	**24.0**
Expenses	12.6	12.8	13.6	11.7	14.8
Net acquisition of nonfinancial assets	11.2	10.0	9.3	7.9	9.2
Foreign financed	9.4	7.4	7.6	5.8	7.7
Gambia local fund	1.8	2.5	1.7	2.1	1.5
Net lending (+)/borrowing (–)	**-3.7**	**-2.7**	**-2.7**	**-0.3**	**-1.3**
Financing	**3.7**	**2.7**	**2.7**	**0.3**	**1.3**
Net acquisition of financial assets	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	3.7	2.7	2.7	0.3	1.3
Domestic	0.8	1.9	1.7	1.3	2.3
o/w. Net borrowing	0.6	1.6	1.5	1.0	2.0
Foreign	3.0	0.9	1.0	-1.0	-1.0
o/w. Borrowing	4.2	2.2	2.5	1.1	1.2
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Primary balance	-1.6	0.2	0.1	2.2	1.6
Domestic primary balance	-0.2	0.6	0.7	1.7	1.4
Total debt	75.7	67.0	71.8	61.7	65.6

Sources: The Gambian authorities and IMF staff projections.

- Non-tax revenue was boosted by a tranche of the Africa50's asset recycling program while the authorities are taking measures to fulfill all triggers in budget support programs of development partners to ensure timely disbursement.

On the spending side, the authorities are strengthening expenditure controls and cash management to align spending with available resources, avoid any further spending virements away from priority spending, and prevent the accumulation of domestic arrears:

- A stock of domestic arrears and payment floats of around 1 percent of GDP is estimated to have emerged and will be verified and unwound in 2025 (MEFP ¶16).[2] To this end, the authorities are embarking on developing and publishing a report of all existing domestic arrears and unsettled commitments by the central government **(proposed new SB for end-March 2025**). This will enable the development of a comprehensive and time-bound strategy to address the root causes of arrear creation, clarify the definition of expenditure arrears, and outline a schedule for the clearance of arrears and payment floats, including prioritization criteria **(proposed new SB for end-June 2025)**. Arrear stocktaking and clearance is expected to be expanded to the broader perimeter of government (including SOEs) in the future.

13. The 2025 budget will account for unexpected pressures and shocks while firmly reducing debt vulnerabilities (MEFP ¶12, Text Tables 3-4 and Tables 2a-2b). Propelled by strong gains in revenue mobilization, the draft budget proposal carries forward consolidation efforts by targeting an overall fiscal deficit of 1.3 percent of GDP, higher than envisaged in the first ECF review, despite gains in revenue mobilization. The more gradual consolidation path strikes a balance between still-high debt-vulnerabilities on the one hand, and the need to pay down the commitments that have accumulated and to protect poverty-reducing spending on the other hand. The revised fiscal balance path remains consistent with program objectives and similar to the path set at ECF approval. Public debt will continue its downward trajectory, albeit at a higher level.

On the revenue side, efforts to increase domestic revenue will be guided by the DRMS (**proposed to be rephased SB to end-June 2025**) and GRA's Corporate Strategic Plan for 2025-2029:[3]

- Excise collection will be enhanced through fuel marking and new excise stamps; enforcing the duty waiver policy which streamlines and reduces revenue losses; continuing to bolster GRA's audit capacity and undertaking tax audits of the tourism and hospitality sectors; and establishing a framework that will allow collecting tax and non-tax revenue through commercial banks on behalf of the government to improve collection efficiency and reduce leakages.

- The adoption by cabinet of the revised GIEPA Act with more limited tax incentives (**proposed to be rephased SB to end-December 2024**) and the revocation of 14 Special Investment

[2] This estimate for end-October includes GMD 400 million in floating payments for cars; GMD 1.1 billion in domestic supplier arrears by MDAs; and GMD 400 million in capital spending floats.

[3] While the DRMS adoption is proposed to be rephased, some key actions included in it will be implemented before its formal adoption, limiting the impact of the rephasing on the overall revenue target.

Certificates (SICs) will boost tax collections and the authorities will continue to streamline tax exemptions.

- In addition, the authorities are introducing a new duty on scrap-metal exports and will undertake studies on revising the Income and Value Added Tax Act (IVATA) to introduce reforms of VAT and CIT.

- Non-tax revenue is expected to be boosted through an anticipated payment from Africa50's asset recycling program, projected at 1.8 percent of GDP, as well as a new 5 percent social security contribution and increases in administrative fees that have not been adjusted for several years.

Text Table 4. The Gambia: Projected Yield from Selected Revenue Measures in 2025

(Percent of GDP)

Expansion of PIT base through wage increase	0.1
Export levy on scrap metal	0.1
Other tax policy measures [1]	0.1
Introduction of social security contribution	0.2
Impact of administrative improvements [2]	0.1

[1] Other tax policy measures include streamlining of tax incentives and revocation of SICs; levies on sugar and pool betting; and higher excises on alcohol.

[2] Key administrative measures are described in paragraph 13 and paragraphs 11 and 12 of the MEFP.

On the expenditure side, the authorities will unwind the large OIC-related operational costs, pay down reconciled arrears and payment floats of at least 1 percent of GDP, and firmly ring-fence poverty-reducing spending, while pursuing further strengthening of the public financial management framework (¶16).

- The draft budget accommodates an increase in civil service basic salaries of 30 percent to compensate for significant real income losses and bolster staff retention and hiring, within a more moderate growth rate of the overall wage bill of about 20 percent, about ½ percent of GDP (Annex II). Any further increases would be tied to a comprehensive review of the civil service wage structure and management.

- Concurrently, the authorities are taking measures to protect the most vulnerable population (MEFP ¶25) by completing the expansion of the social registry to the Banjul and Kombo areas to improve the targeting of social programs (**SB for end-December 2024**). More than ten social programs have started using the social registry to better target vulnerable populations and the authorities aim to increase the coverage of the Family Strengthening Program to 15 thousand individuals by 2026. The recently approved National Social Protection Act and regulations will enable the creation of a budget line to specifically fund social protection programs.

14. Staff welcomes the authorities' contingency plans to safeguard the 2025 fiscal targets (MEFP ¶13). The authorities have prepared potential contingency plans to keep the fiscal program on track. These include: (i) a 0.5 percent of GDP contingency for potential support to NAWEC in the budget should pressures reemerge; (ii) actively pursuing alternative electricity sources to reduce the divergence between electricity tariffs and costs; and (iii) adjusting non-priority expenditures if needed.

15. The authorities remain committed to their medium-term fiscal consolidation strategy as envisaged under the program (MEFP ¶14). The framework aims at improving the primary balance, increasing revenue mobilization, and addressing large social and developmental needs. To this end, the authorities will focus on digitalization, broadening the tax base, and improving compliance to sustain revenue mobilization over the medium term. In particular, the authorities are in the process of procuring an Integrated Tax Administration System (ITAS) through World Bank funding. They plan to fully digitalize the collection of VAT with the introduction of smart invoice technology. They are enhancing revenue collection from rental property taxation and will create a database of rental property for taxation purposes, which will further support domestic revenue mobilization (**SB for end-June 2025**). The authorities have also developed a tax expenditure policy to guide the administration, monitoring and transparent reporting of tax expenditure across MDAs, on which basis they will submit to the cabinet and to the National Assembly a tax expenditure statement (**proposed new SB for end-December 2025**).

16. Strengthening public financial management (PFM) will be critical to support the medium-term fiscal framework (MEFP ¶15). Apart from the measures directly targeting domestic arrears (¶12), the authorities are implementing a number of reforms to strengthen budget procedures and accountability, enhance the efficiency of public spending, reinforce governance and transparency in public sector institutions and processes, and reduce corruption vulnerabilities:

- The authorities will collaborate closely with the National Assembly to accelerate the adoption of the PFM Act (**proposed new SB for end-December 2025**) and PPP bill.

- To ensure that the budget process is aligned with best practices, the authorities will ensure that the Chart of Accounts is entirely aligned with the 2014 GFS, finalize the Chart of Accounts manual and publish both on MOFEA's website (**proposed new SB for end-September 2025**) and will initiate the roll-out of program-based budgeting for pilot ministries (**SB for end-December 2024**).

- To improve the expenditure administration and align spending with available resources, the authorities will extend the use of IFMIS to four new donor and all government-funded projects **(proposed to be rephased SB to end-June 2025)** and, building on the achieved SB on the submission of cash projections by all MDAs through IFMIS, MDAs will be required to submit quarterly reports through IFMIS including a maximum deviation rule, subject to spending pressures emanating from essential expenditures (**proposed new SB for end-December 2025**).

- They will prioritize investment decisions by developing a pipeline of appraised investment projects based on the Gambia Strategic Review Board (GSRB) prioritization tool.

- The authorities also aim to operationalize an e-procurement system, and to increase the efficiency of the public sector, the authorities are working on a comprehensive public sector reform, which will be informed by a study on rationalizing and consolidating subvented agencies with MDAs (**SB for end-December 2024**).

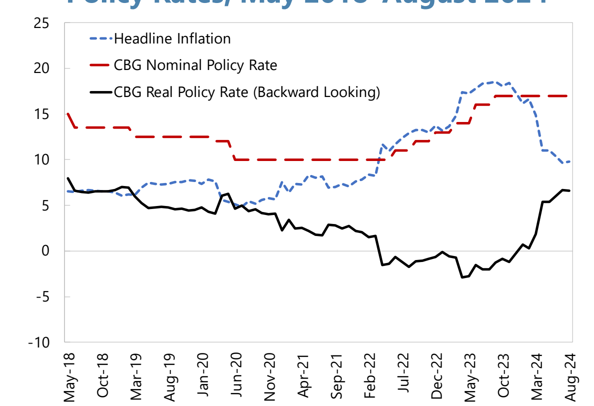
17. Efforts to improve oversight and performance of SOEs are being accelerated (MEFP ¶17). With a view to reducing associated fiscal risks, the authorities continue to work on improving the governance and performance of SOEs. The negotiation of performance contracts has improved the financial performance of most SOEs, which will help reduce their reliance on budget subsidies. To ensure transparency and good governance, the audited financial accounts of all SOEs will be published on their websites, including the cost of services undertaken at the government's request. The authorities are finalizing and enacting regulations of the SOEs Act, together with the regulations on the Public Procurement Act (**SB for end-December 2024**). Following the recent approval by the cabinet, the partial or full privatization of GAMCEL is expected to be completed by end-March 2026 (**proposed to be rephased SB to end-March 2026**).

18. The Gambia's public debt is deemed sustainable over the medium term, but risks of external and overall debt distress remain high (MEFP ¶18, DSA Tables 1–4). While heightened domestic debt vulnerabilities contribute to a breach of the PV of total public debt, the DSA update shows that the PV of total public debt is projected to decline below its benchmark of 55 percent of GDP in 2026, and the debt reduction path remains broadly in line with previous projections. Also, the external debt service-to-revenue ratio breaches its threshold over the medium-term, underscoring heightened external debt liquidity risks. To reduce debt vulnerabilities, the authorities should focus on grants and highly concessional loans, implement a strong medium-term fiscal framework, bolster domestic revenue mobilization, strictly adhere to the agreed external borrowing plan, and carefully mitigate potential fiscal risks and contingent liabilities emanating from SOEs and PPPs. Strong external buffers are needed to meet higher debt service payments after the expiration of debt service deferrals in 2024.

B. Fostering Price and Foreign Exchange Stability

19. The current monetary policy stance is appropriately tight and should be maintained (MEFP ¶19). The CBG has appropriately maintained its tight policy stance, given the recent modest pick-up in inflation adding to uncertainty surrounding the near-term inflation outlook. In this regard, the CBG is encouraged to keep its tight policy to counter persistent inflation, based on a data dependent decision-making process, and incorporate forward-looking analysis to bring inflation back down to the CBG's medium-term target of 5 percent. The recent reduction in excess liquidity in the banking system is welcome and should be pursued further.

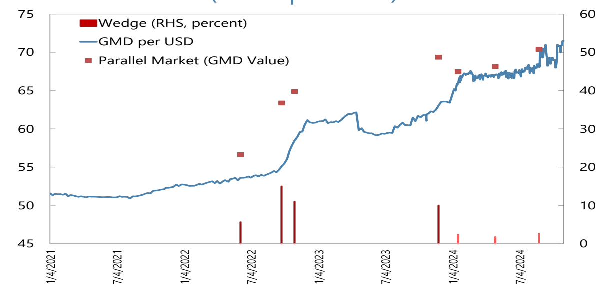
Text Figure 4. The Gambia: Inflation and Policy Rates, May 2018–August 2024



Sources: The Gambian authorities, and IMF staff calculations.

20. The CBG has taken measures to ensure a market-determined exchange rate and a smooth functioning of the forex market (MEFP ¶20). In December 2023, the CBG published a new foreign exchange policy and revised the foreign exchange bureau guidelines to ensure transparency and the smooth functioning of the market. The CBG is committed to maintaining an exchange rate that fully reflects market forces and continuing to implement the forex policy to prevent reoccurrence of shortages and wedges with the parallel market. The CBG will finalize and approve a forex intervention policy by December 2024 and limit any forex market interventions to only alleviating excess market volatility.

Text Figure 5. The Gambia: CBG Exchange Rate, 2021–24
(GMD per USD)



Note: the wedge is defined as the difference between the parallel and the official rates over the official rate (in percent).
Sources: The Gambian authorities, and IMF staff calculations

C. Strengthening Financial Stability

21. Staff encourages the CBG to remain vigilant to vulnerabilities in the financial system while advancing regulatory and supervisory reforms (MEFP ¶21). While the financial system remains resilient, the recent increase in banks' NPLs warrants close monitoring. To this end, the CBG should continue implementing its quarterly stress tests to account for adverse developments affecting banks' balance sheets, such as growth slowdown, rising domestic inflation and interest rates, and declining households' real income. To safeguard the strength of the banking sector and improve its resilience to future shocks, the CBG will require the augmentation of banks' minimum regulatory capital by GMD100 million by end-December 2025 (**proposed to be rephased SB to end-December 2025**) and by another GMD100 million each year thereafter to reach a total level of capital of GMD500 million by end-2027.

22. The authorities are committed to preserving the strength of the CBG's financial position (MEFP ¶22). To prevent financial risks to its balance sheet, the CBG will cease to provide financial support to public entities. To this end, the CBG Board will approve amendments to the CBG Act in line with the IMF safeguards recommendations, followed by cabinet approval and submission to the National Assembly after the completion of the current constitutional reform process. All existing loans extended by the CBG to general government entities are guaranteed by the central government. The CBG will provide lending to government entities only for cash flow purpose, at market terms, and not beyond 10 percent of the previous year's tax revenue as per law.

D. Advancing Governance Reforms, Supporting Inclusive Growth, and Addressing Climate Change

23. Efforts to strengthen governance and anti-corruption frameworks should be sustained (MEFP ¶23). Staff commends the authorities for the adoption of the Anti-Corruption Act which paves the way for a more robust legal framework to combat corruption in the country. The authorities will finalize and publish a plan for the implementation of the recommendations in the governance diagnostic report (including the original recommendations) by mid-December (**prior action**). A revised draft law on AML/CFT has been submitted to the cabinet to align with the international AML/CFT standards as set up by the Financial Action Task Force. To strengthen the independence and effectiveness of the NAO, a revised NAO Act will be adopted by the cabinet by end-December (**proposed to be rephased SB to end-December 2024**). The authorities remain committed to implementing further areas of reforms identified by the governance diagnostic report, including digitalization and automation of administrative processes and limits on discretion in public decisions.

24. Structural reforms remain key to improving the business environment and fostering private investment (MEFP ¶24). The high debt vulnerabilities and the limited fiscal space point to the critical role of the private sector in addressing development challenges. To foster business creation and formal sector employment, the authorities will set up a digital platform for business registration (**proposed to be rephased SB to end-June 2025**) and the cabinet will adopt a land policy which will facilitate and secure access to land and finance (**SB for end-September 2025**). To enhance access to finance, the authorities are also advancing efforts to develop a robust Credit Reference Bureau which should be established by late 2025. In line with the National Financial Inclusion Strategy, the authorities aim to provide access to the formal financial system for 70 percent of the adult population by 2025, including the most vulnerable groups, women, and youth.

25. The authorities are stepping up their efforts to build a climate-resilient economy and to implement climate mitigation policies aligned with their development agenda (MEFP ¶26). The Gambia is highly vulnerable to the vagaries of climate change, including coastal erosion, flooding, drought, and storms. The Gambia's Long-Term Climate-Neutral Development Strategy 2050 aims at realizing The Gambia's commitments to the Paris Agreement. The recently conducted Climate Policy Diagnostic (CPD) and Climate Public Investment Management Assessment (C-PIMA) have identified good practices and reform priorities across several areas that should allow the country to effectively incorporate climate change-related aspects into the project selection and appraisal process, as well as to implement policies conducive to improving the resilience of the economy, decreasing reliance on fossil fuels, and improving life quality (i.e., through better waste management). The authorities have expressed interest in developing climate reforms that could be supported by an RSF.

PROGRAM MODALITIES

26. Prior actions. The second review includes two prior actions. First, submission to the National Assembly of the 2025 budget consistent with program parameters which would ensure continued consolidation efforts to keep public debt on a downward trajectory. Second, the development and publication of an action plan of the implementation of the recommendations of the governance diagnostic report, including its recommendations. This is a critical milestone on the way to implementing more transparent governance, fighting corruption, and improving the business environment.

27. Waiver request. The authorities request, and staff supports, a waiver for nonobservance of the PC on NDB based on the corrective measures being taken by the authorities including a freeze of non-essential expenditures, strengthened budget formulation and reporting, and arrears monitoring and prevention (¶12 and MEFP ¶11). Staff assesses that despite the nonobservance of the QPC, the program goals remain achievable under prudent fiscal management.

28. Program monitoring and conditionality. Program performance will continue to be monitored on a semi-annual basis through QPCs, ITs, and SBs (Tables 12 and 14–15). The authorities and staff reached an understanding to propose updated program conditionality as follows (MEFP ¶28, Tables 12 and 14–15):

Quantitative Performance Targets:

- End-March and end-June 2025 QPCs on the NDB ceiling and the domestic primary balance floor are proposed to be modified to accommodate spending pressures (¶13) and to reflect the revisions in the fiscal framework and projections.

Indicative Targets:

- The IT floor on poverty-reducing expenditure at end-December 2024 is proposed to be reduced as the urgent need to address the domestic electricity crisis required re-prioritization of some spending. To compensate, a higher floor on poverty-reducing spending is proposed for end-March and end-June 2025.

- The IT on tax revenue is revised up in line with the revisions in the fiscal framework and projections.

- From 2025 onwards a new IT on central bank credit to public entities is proposed that aims to cease the CBG’s quasi-fiscal operations.

Structural Benchmarks:

- **Postponed**. Seven SBs are proposed to be postponed; two SBs from end-September 2024 to end-December 2024: the adoption by the cabinet of a revised GIEPA, and the adoption by the cabinet a revised National Audit Office Act as the negotiations between different stakeholders have taken more time than anticipated. However, the authorities remain confident that they will meet the end-December target. The SB on DRMS is proposed to be postponed from end-September 2024 to end-June 2025 to allow for technical assistance and more time to appropriately address the comments provided by development partners. The SB on extending the use of IFMIS to multilateral-donor projects and to all government-fund projects is proposed to be rephased from end-June 2025 to end-September 2025 and was adjusted to reflect the fact that the government does not have control over donor-funded projects. The SB on setting up a digital platform for business registration is proposed to be rephased from end-December 2024 to end-June 2025 to allow more time for beta testing of the developed system. The completion of the partial or full privatization of GAMCEL SB is proposed to be postponed from end-March 2025 to end-March 2026 as the authorities are still working on publishing audited financial statements to increase the process' transparency. Finally, the SB on the augmentation of banks' capital by GMD100 million is proposed to be postponed from end-September 2025 to end-December 2025 to improve SB balance among ECF reviews.

- **New.** Six new SBs are proposed to guide reforms under the ECF program. One SB was added for the *third review*, on completing and publishing a report on all existing arrears and unsettled commitments by the central government. Two SBs were added for the *fourth review*, (i) developing and publishing a comprehensive, time-bound strategy to address the shortcomings in the PFM systems that led to the accumulation of domestic arrears and a payment timeline; and (ii) ensuring that the Chart of Accounts is entirely aligned with 2014 GFS, finalize the CoA manual and publish the CoA and its manual on MoFEA's webpage. Moreover, three SBs were added for the *fifth review*: (i) submitting to the cabinet and the National Assembly a tax expenditure statement; (ii) adopting by the cabinet a revised PFM Act; (iii) requiring all MDAs to present quarterly update to their cash plan through IFMIS and implementing a "maximum deviation" rule.

- **Dropped.** The SB for end-August 2024 on the publication of the governance diagnostic report is proposed to be dropped given the authorities' concerns with some of the language contained in the report. However, given the criticality of advancing governance reforms, a new prior action on implementing the report's recommendations was added (see above).

29. Program risks and mitigation measures. Protraction of the wars in Ukraine and the Middle East could intensify pressures on commodity prices and the exchange rate, undermine the government's fiscal strategy, and compromise debt sustainability. A potential global slowdown and disruption in trade may hinder tourist arrivals and export receipts. Domestically, limited capacity, high costs of living and a looming election in early 2026 may constrain reform implementation and introduce resistance to further fiscal consolidation. To mitigate these risks, staff advise bolstering domestic revenue mobilization, embracing spending restraint while targeting resources to the most vulnerable, and strengthening internal and external policy buffers.

30. Capacity to repay. The Gambia's capacity to repay the Fund remains adequate despite high exposure (Table 10). The Gambia's outstanding credit to the IMF and total fund obligations are significantly higher than the PRGT comparator group under most of the key metrics. Total obligations to the IMF will peak at 5.5 percent of government revenues and 27 percent of total debt services in 2030. Nonetheless, The Gambia's good track record of timely repayment of IMF obligations, the authorities' commitment to reforms, and the CBG's continued strengthening of its financial safeguards, are mitigating factors.[4]

31. Burden sharing and financing assurances. The program is fully financed with firm commitments for the next 12 months and good prospect for the remainder of the program period based on information received from the authorities and development partners (Table 7). The disbursement of SDR 8.29 million following the completion of the second ECF program review will help fill the BOP financing gap, which is in part linked to budget execution; thus, SDR 3.3 million will be on-lent for budget support.

32. External arrears. The authorities are engaged in discussions with Libya on a disputed loan to reach mutual understanding regarding the amounts of debt and the related payment method; the latest meeting between the two parties was held in October 2023. Regarding arrears to Venezuela, a virtual meeting was held in August 2024 to discuss the resumption of negotiations for paying of the outstanding debt by the Gambian authorities.[5]

33. Safeguards. An update safeguards assessment noted shortfalls in the CBG's safeguards framework. These include the CBG's participation in development-related quasi-fiscal operations that have weakened its financial autonomy and exposed it to credit and reputational risks, as well as gaps in governance arrangements and continued capacity challenges. Legal reforms introduced in 2018 did not address all vulnerabilities previously identified. The authorities have committed to further legal reforms to strengthen the CBG's mandate, governance, and autonomy and cease financing new quasi-fiscal operations (¶24). Lastly, the FY2023 audit of the CBG's financial statements is in the final stage.

34. Poverty Reduction and Growth Strategy (PRGS). The authorities' 2023-27 NDP meets the PRGS requirements. The plan was developed in consultation with stakeholders, including the World Bank, and focuses on key priorities that are consistent with program objectives, such as inclusive growth, human capital development, and poverty reduction.

STAFF APPRAISAL

35. The economy continues to recover, but inflation is showing some persistence. The recovery is supported by good performance of the agriculture, construction, and tourism, and sectors. Inflation is projected to decline gradually and converge towards the CBG's target of 5

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[4] The CBG plans to amend the CBG Act once a revised constitution is enacted to strengthen the governance and autonomy of the CBG.

[5] Staff assesses that the conditions are met for the Fund to provide financing to The Gambia in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Venezuela. In particular: (i) prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies; (ii) The authorities have been making good faith efforts to reach agreement with the creditors on a contribution consistent with the parameters of the Fund-supported program; and (iii) the decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

percent by 2026. The introduction of a new forex policy in December 2023 helped to largely close the wedge between the official and parallel market exchange rates. Foreign reserves are expected to remain at a comfortable level of 4 months of import over the medium term. The outlook is subject to large downside risks, particularly stemming from global geopolitical developments.

36. **Performance under the ECF-supported program is mixed.** Six out of seven QPCs and all four ITs for end-June 2024 were met. The QPC on NDB was missed due to the spending pressures stemming from hosting the OIC Summit and emergency support to NAWEC, which also affected the overall fiscal balance. Only two out of six SBs were met: three out of the four missed SBs were rescheduled for the third review and the SB on the governance diagnostic report was dropped and a related prior action added for this review. Staff advised the authorities to promptly move ahead with these critical measures. Obligations under the Article VIII on exchange arrangements were met.

37. **Staff welcomes the authorities' commitment to the approved 2024 budget envelope.** The authorities are addressing spending pressures arising from the OIC Summit and the NAWEC bailout by further strengthening revenue collection and restraining non-priority spending. This will keep the overall fiscal deficit within the approved budget. However, extensive virements from budgeted spending, particularly on poverty reduction, along with rising domestic payment arrears, are concerning and must be addressed. Additionally, the increase in the debt-to-GDP ratio vis-à-vis previous projections requires vigilance.

38. **A continued commitment to fiscal consolidation is important to reduce fiscal risks and preserve debt sustainability.** The 2025 budget appropriately reduces the fiscal deficit in line with program objectives. Strengthening revenue with enhanced DRMS implementation will enable the authorities to protect critical expenditures and rely less on costly domestic and external financing. Staff welcomes the identification of contingency measures to safeguard the 2025 fiscal deficit target. Going forward, it will be critical to use the tariff compensation mechanism to support NAWEC's financial sustainability as long as electricity tariffs are below cost recovery levels. To further reduce debt vulnerabilities over the medium term, it is crucial to maintain consolidation efforts, prioritize grants and highly concessional loans, limit fiscal risks from SOEs and PPPs, and implement a strong medium-term fiscal framework.

39. **Strengthening PFM and governance will support fiscal transparency and accountability.** Stronger PFM is key to underpin fiscal consolidation, including stepped-up efforts to avoid domestic arrears accumulation and gain better control of multi-year commitments. Staff welcomes the authorities' ongoing efforts to improve budgeting processes, expenditure control, cash management, the efficiency of public spending, and fiscal governance.

40. **The CBG is encouraged to maintain a tight monetary policy and to purse a market determined exchange rate.** In light of uncertainty and upside risks to inflation, a tight monetary policy stance is appropriate and the CBG is encouraged to remain vigilant and data-dependent to ensure that inflation converges to the CBG's medium-term target. It is critical to continue pursuing an exchange rate that fully reflects market forces and to ensure smooth functioning of the forex

market by transparently applying the new forex intervention policy. Any reoccurrence of wedges between the official and parallel exchange rates may lead to a resurgence of forex shortages.

41. The CBG needs to closely monitor vulnerabilities in the financial system while strengthening its regulatory framework and financial position. The system appears sound and resilient but the recent increase in banks' NPLs warrants close monitoring. Staff welcome the CBG's efforts to strengthen the resilience of the banking sector, including through the adoption of the Basel Capital framework. To prevent financial risk to its balance sheet, staff welcomes the CBG's commitment to cease providing financial support to public entities and to amend the CBG Act in line with agreed IMF safeguards recommendations.

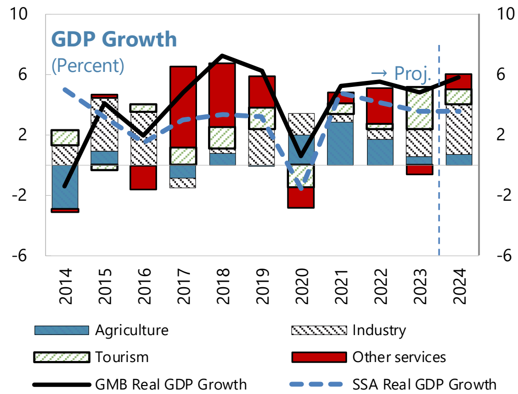
42. Structural reforms are key to promoting private sector development and job creation. High debt vulnerabilities and limited fiscal space point to the critical role of the private sector in addressing development challenges. Thus, it would be paramount to promote business creation and formal sector employment, including by facilitating and securing access to land and finance. The authorities are also encouraged to take measures to protect the most vulnerable population, including by completing the expansion of the social registry to improve the targeting of social programs.

43. Adopting policies aimed at climate adaptation and mitigation, and attracting climate finance are essential for The Gambia. The Gambia is highly vulnerable to the vagaries of climate change, including coastal erosion, flooding, drought, and storms. It would be paramount to adopt climate mitigation and adaptation policies, including reforms of fossil fuel prices and climate resilient infrastructure. It would also be important to strengthen public finance and investment management while building frameworks to attract more climate finance funds and benefit climate investment. Staff stands ready to discuss the authorities' planned request for an RSF arrangement in early 2025.

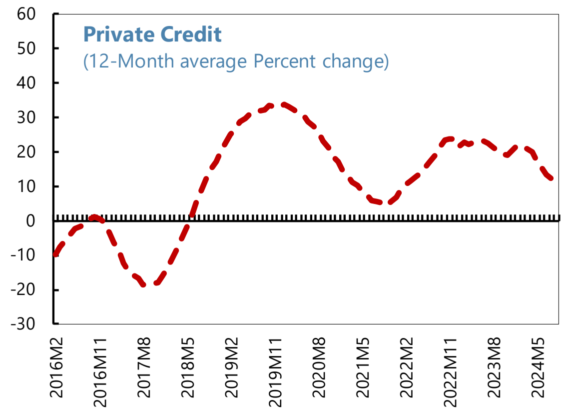
44. Staff supports the completion of the second review under the ECF arrangement and the associated financing assurances review. Based on the policy and reform commitments under the MEFP and the planned corrective actions, staff also supports the authorities' request for the waiver of non-observance of the end-June NDB QPC, and the proposed modifications of performance criteria and indicative targets.

Figure 1. The Gambia: Recent Economic Developments, 2014–24

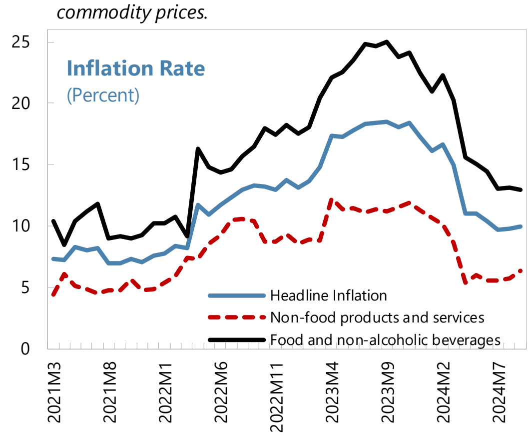
Economic recovery is expected to firm up in 2024 ...



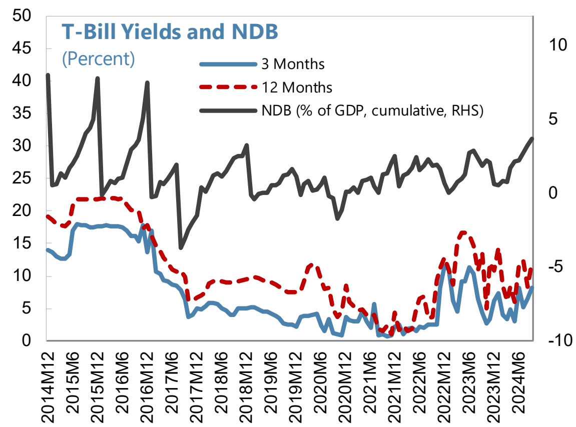
... while private sector credit growth started moderating recently.



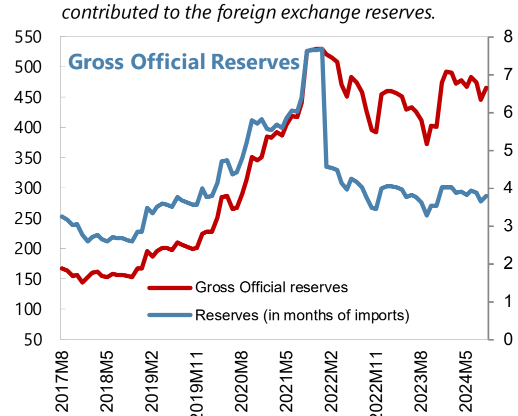
Inflation has trended down slowly amid high gobal commodity prices.



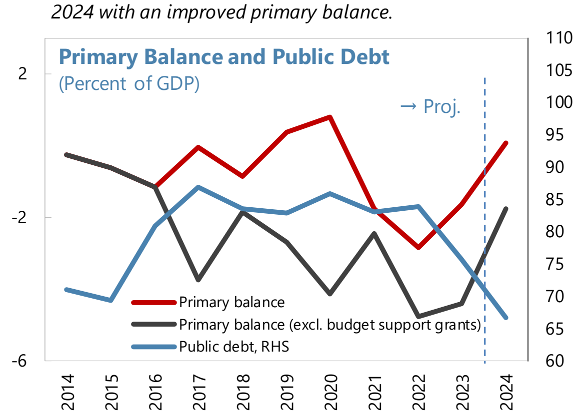
Net domestic borrowing increased due to higher public spending and shortfalls in budget support in H1 2024.



Increased inflows of tourists and remittances contributed to the foreign exchange reserves.



Public debt is projected to decrease further by the end of 2024 with an improved primary balance.

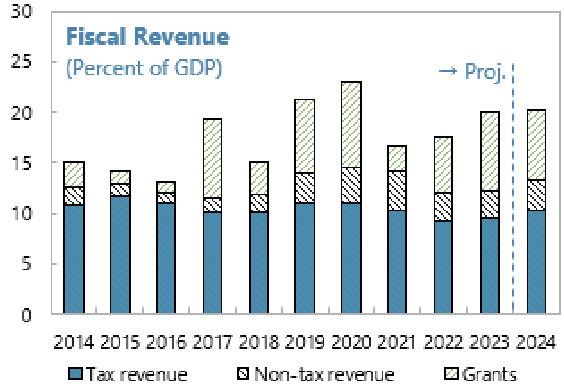


Sources: The Gambian authorities; and IMF staff calculations.

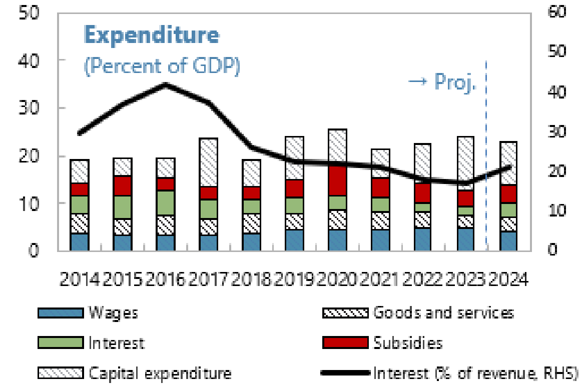
Figure 2. The Gambia: Fiscal Sector Developments, 2014–24

Note: 2024 yearly data are IMF staff estimates

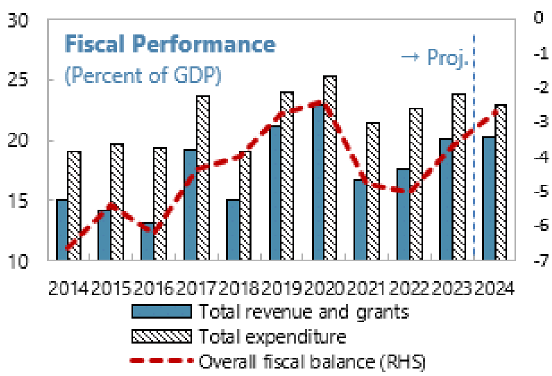
Domestic revenue is expected to be higher in 2024...



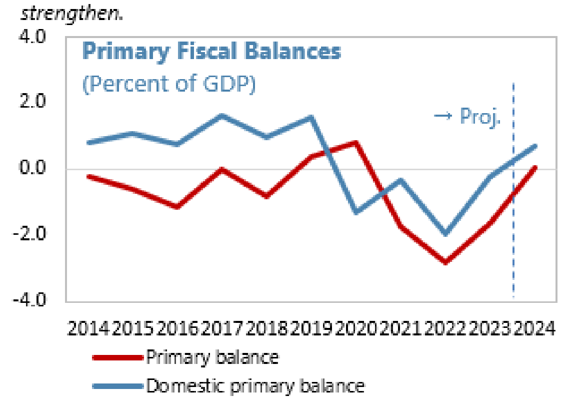
...however, spending pressures arose from the OIC Summit and the need for emergency support to NAWEC.



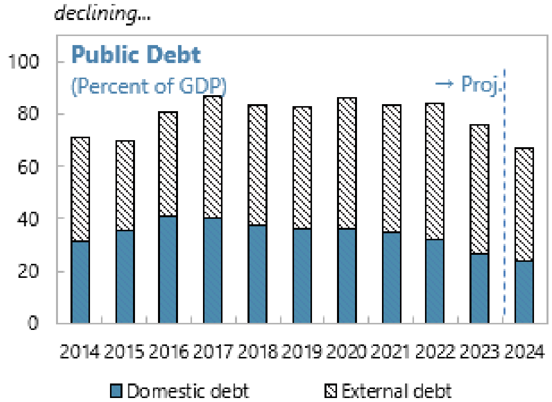
Nevertheless, offsetting measures are expected to keep the overall fiscal balance within the approved budget.



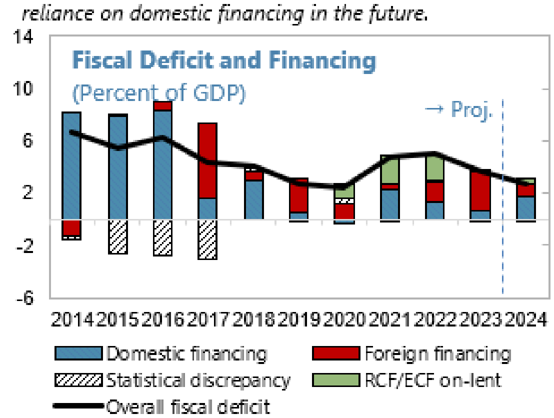
Consequently, other fiscal indicators are also expected to strengthen.



The public debt-to-GDP ratio is expected to keep declining...



...although caution is warranted to avoid excessive reliance on domestic financing in the future.

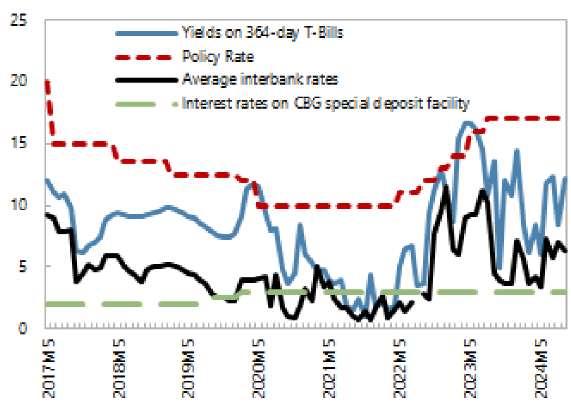


Sources: The Gambian authorities; and IMF staff calculations.

Figure 3. The Gambia: Monetary Developments, 2016–24

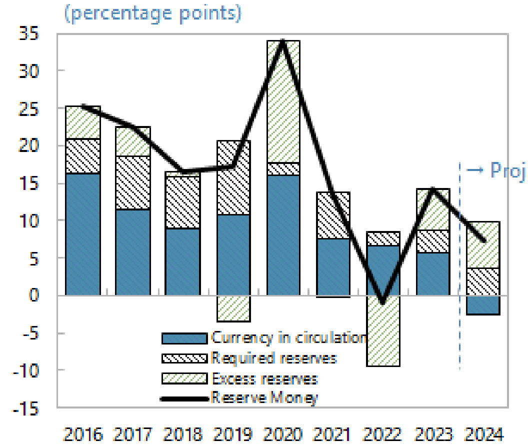
The CBG has maintained a tight monetary policy stance to support the disinflation process.

Monetary Policy and Interest Rates
(Percent)



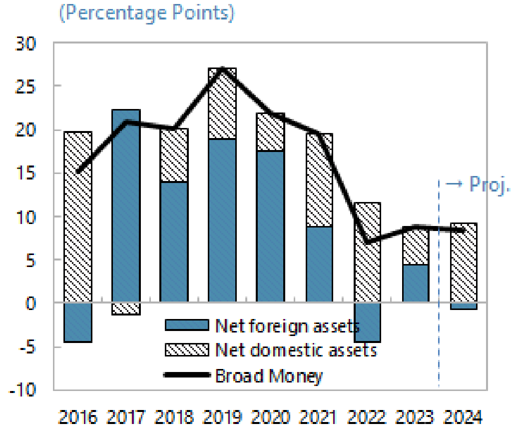
Banks' excess reserves are expected to increase slightly in 2024.

Components of Reserve Money Growth
(percentage points)



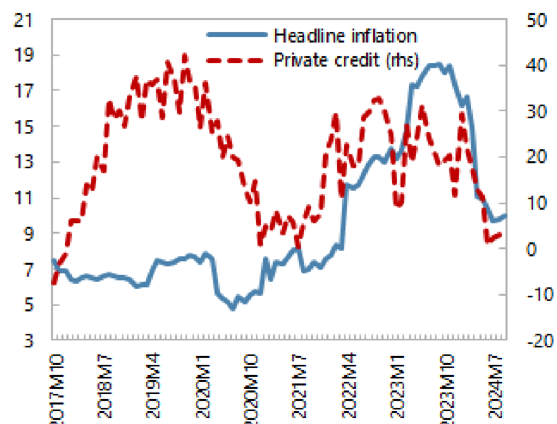
Broad money growth is expected to remain at around last year's level, driven by increased net domestic assets.

Sources of Broad Money Growth
(Percentage Points)



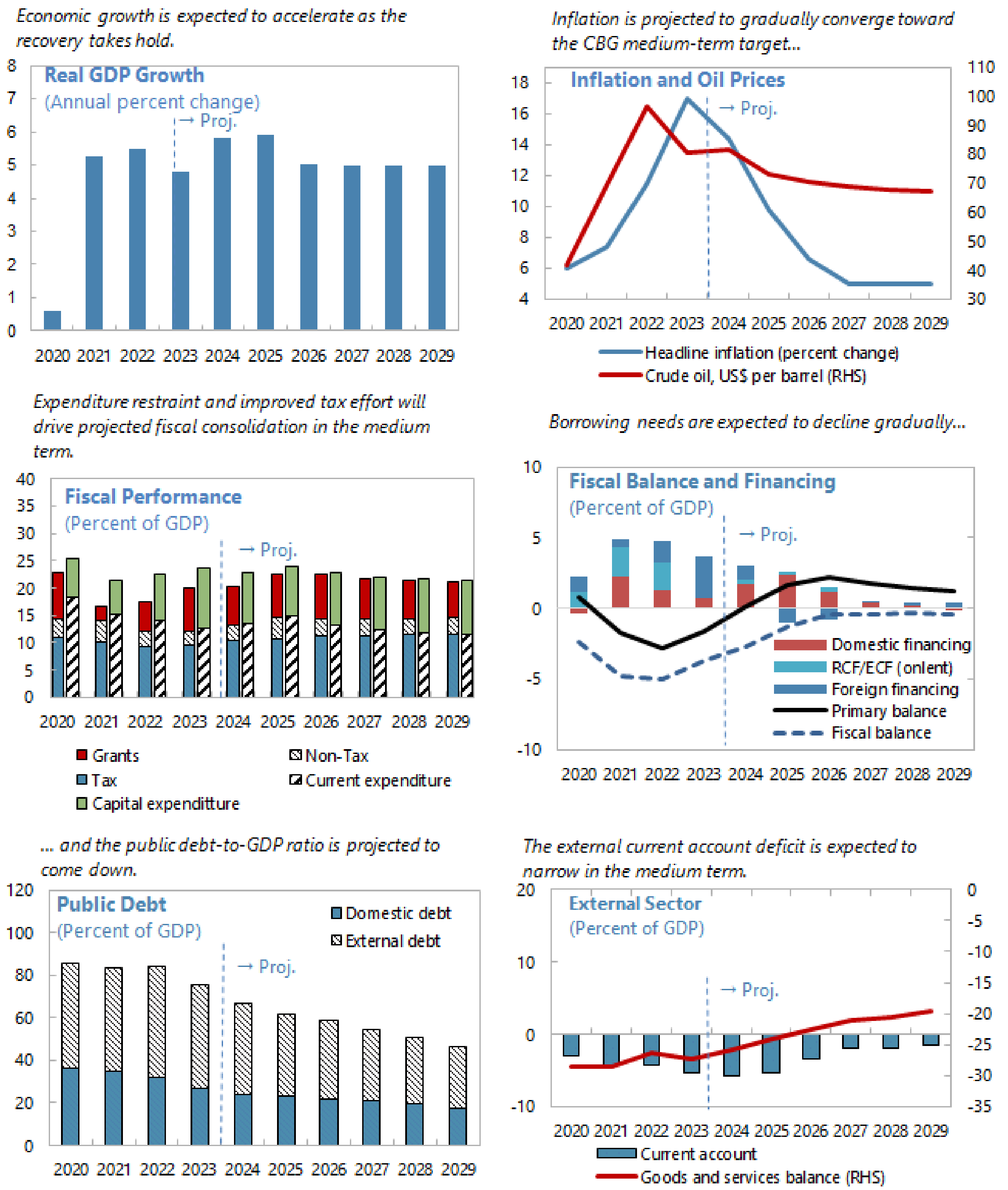
The stabilization in inflation coincided somewhat with a decline in private sector credit growth.

Inflation and Private Credit
(12-month percent change)



Note: 2024 yearly data are IMF staff estimates
Sources: The Gambian authorities; and IMF staff estimates.

Figure 4. The Gambia: Medium-Term Outlook, 2020–29



Sources: The Gambian authorities; and IMF staff projections.

Table 1. The Gambia: Selected Economic Indicators, 2022–29

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Prel.	1st Review	Proj.	1st Review	Proj.	Projections			
			(Percent change; unless otherwise indicated)							
National account and prices										
GDP at constant prices	5.5	4.8	5.8	5.8	5.8	5.9	5.0	5.0	5.0	5.0
GDP deflator	8.8	14.3	11.3	13.0	7.4	7.7	3.5	4.0	4.6	4.0
Consumer prices (average)	11.5	17.0	14.4	13.9	9.8	9.7	6.9	5.0	5.0	5.0
Consumer prices (end of period)	13.7	17.3	11.5	10.6	8.1	8.8	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	59.5	535.5	22.5	-5.3	14.2	1.9	1.9	2.1	2.9	3.7
Imports, f.o.b (US$ values)	14.3	74.7	7.6	3.5	4.9	3.9	3.5	3.5	6.9	6.4
Terms of trade (deterioration = -)	-0.9	-3.3	-7.4	-5.0	-5.4	-2.5	-0.9	0.7	0.5	0.2
			(Contributions to broad money growth; percent)							
Money and credit										
Broad money	7.1	8.8	8.8	9.2	8.6	7.0	4.7	4.2	3.8	2.0
Net foreign assets	-4.5	4.4	-1.2	-0.1	0.8	1.2	0.3	6.5	4.1	1.5
Net domestic assets	11.6	4.4	10.0	9.3	7.8	5.9	4.5	-2.3	-0.3	0.5
Of which:										
Credit to central government (net)	7.5	-3.1	3.7	6.0	3.5	5.0	3.6	-1.1	-1.0	0.0
Credit to the private sector (net)	3.8	2.1	3.5	0.5	1.2	0.9	0.5	0.6	0.6	0.5
Velocity (GDP/broad money)	1.8	2.0	2.2	2.2	2.3	2.2	2.4	2.5	2.7	2.9
			(Percent of GDP; unless otherwise indicated)							
Central government finances										
Domestic revenue (taxes and other revenues)	12.0	12.2	13.1	13.2	12.9	14.7	14.5	14.3	14.4	14.6
Of which: Tax Revenue	9.2	9.5	9.9	10.3	10.2	11.5	11.2	11.3	11.5	11.7
Grants	5.6	8.0	7.0	7.0	6.4	7.9	8.1	7.4	6.9	6.5
Total expenditures	22.6	23.8	22.8	22.9	19.6	24.0	22.9	22.1	21.7	21.4
Of which: Interest (percent of government revenue)	18.0	16.9	22.5	20.9	19.9	20.2	18.0	15.4	12.5	11.1
Net lending (+)/borrowing (–)	-5.0	-3.7	-2.7	-2.7	-0.3	-1.3	-0.4	-0.4	-0.4	-0.4
Fiscal financing	4.9	3.7	2.7	2.7	0.3	1.3	0.4	0.4	0.4	0.4
Foreign	1.6	3.0	0.9	1.0	-1.0	-1.0	-0.8	0.1	0.2	0.4
Domestic	3.4	0.8	1.9	1.7	1.3	2.3	1.2	0.4	0.1	0.0
Primary balance	-2.8	-1.6	0.2	0.1	2.2	1.6	2.2	1.8	1.4	1.2
Public debt	83.9	75.7	67.0	71.8	61.7	65.6	62.3	58.1	54.2	48.9
Domestic public debt	32.2	26.7	24.1	24.1	22.2	22.6	21.8	21.6	20.8	18.3
External public debt	51.7	49.1	43.0	47.8	39.5	43.0	40.6	36.5	33.4	30.6
External public debt (millions of US$)	1029.3	1,120.1	1,150.9	1,186.8	1,172.6	1,205.4	1,196.7	1,161.3	1,129.8	1,135.1
External current account balance										
Excluding official transfers	-6.1	-8.2	-6.3	-7.6	-4.6	-6.5	-5.0	-3.3	-3.2	-2.6
Including official transfers	-4.2	-5.4	-4.4	-5.8	-3.0	-5.3	-3.4	-2.0	-2.0	-1.6
Gross official reserves (millions of US$)	454.7	474.3	476.6	483.6	498.6	505.6	513.4	578.9	634.6	655.2
(months of next year's imports of goods and services)	4.0	4.0	4.7	4.0	4.6	4.0	3.9	4.1	4.3	4.1
Savings and investment										
Gross investment	22.6	24.8	23.7	22.3	21.3	22.1	22.5	22.1	22.0	21.7
Of which: Central government	8.4	11.2	9.9	9.3	7.9	9.2	9.8	9.7	9.9	10.0
Gross savings	18.4	19.4	19.2	16.5	18.3	16.7	19.1	20.1	20.0	20.2
Memorandum items:										
Nominal GDP (billions of dalasi)	121.1	146.7	173.9	173.4	197.6	197.7	215.0	234.9	257.9	283.7
GDP per capita (US$)	831.8	886.9	988.3	949.7	1071.7	1,003.1	1,033.4	1,074.5	1,117.5	1,177.5
Use of Fund resources (millions of SDRs)										
Disbursements	26.4	5.0	25	24.9	24.9	24.9	24.9	0.0	0.0	0.0
Of which: ECF Augmentation	15.6	...	...	...	...	...	...	...	...	...
Repayments	-2.0	-4.1	-3.9	-3.9	-5.2	-5.2	-9.5	-14.0	-16.7	-17.2
CCRT debt relief [1]	0.8	...	...	...	...	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.4	65.1	55.4	61.5	51.4	56.5	53.5	50.1	46.8	41.9

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

[1] The grant for debt service falling due through April 13, 2022 is available under the CCRT.

Table 2a. The Gambia: Statement of Central Government Operations, 2022–29
(Millions of local currency)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	1st Review	Proj.	1st Review	Proj.	Projections			
Revenue	21,292	29,513	34,939	35,022	38,053	44,805	48,430	50,936	55,003	59,621
Domestic revenue	14,501	17,842	22,760	22,920	25,397	29,106	31,102	33,662	37,106	41,287
Taxes	11,164	13,915	17,252	17,852	20,162	21,200	24,061	26,562	29,744	33,161
Taxes on income, profits, and capital gains	3,901	4,311	5,500	6,200	6,485	7,046	7,894	8,786	9,831	11,019
Domestic taxes on goods and services	4,667	6,145	7,604	7,418	8,878	9,391	10,909	12,077	13,523	15,077
Taxes on international trade and transactions	2,596	3,458	4,148	4,233	4,798	4,763	5,258	5,698	6,391	7,065
Non-tax	3,338	3,927	5,508	5,067	5,235	7,907	7,041	7,100	7,362	8,126
Grants	6,790	11,671	12,178	12,102	12,656	15,699	17,328	17,274	17,897	18,334
Budget support	2,300	4,082	3,179	3,212	3,294	2,333	3,384	2,938	3,011	3,052
Of which : CCRT[1]	59	…	…	…	…	…				
Project grants	4,490	7,589	9,000	8,890	9,363	13,366	13,944	14,336	14,886	15,282
Expenditures	27,354	34,925	39,690	39,695	38,668	47,434	49,272	51,905	55,949	60,775
Expenses	17,214	18,520	22,254	23,616	23,080	29,262	28,200	29,139	30,415	32,379
Compensation of employees	5,627	6,805	7,447	7,165	8,604	8,900	9,958	10,858	11,943	13,136
Use of goods and services[2]	4,057	3,902	4,821	5,103	4,484	7,688	6,741	6,628	7,278	8,006
Interest	2,617	3,023	5,114	4,798	5,045	5,877	5,588	5,194	4,643	4,571
External	553	678	813	747	810	1,321	1,091	1,083	1,068	1,007
Domestic	2,064	2,346	4,301	4,051	4,235	4,555	4,496	4,111	3,575	3,564
Subsidies and transfers[2]	4,913	4,790	4,871	6,550	4,947	6,797	5,913	6,460	6,551	6,666
Net acquisition of nonfinancial assets	10,140	16,405	17,436	16,079	15,588	18,173	21,072	22,765	25,534	28,396
Acquisitions of nonfinancial assets	10,140	16,405	17,163	16,079	15,588	18,173	21,072	22,765	25,534	28,396
Foreign financed[3]	7,859	13,744	12,855	13,169	11,503	15,164	17,371	18,501	20,476	21,573
Gambia local fund[2]	2,281	2,661	4,309	2,910	4,085	3,009	3,701	4,264	5,057	6,823
Net lending (+)/borrowing (–)	-6,062	-5,412	-4,751	-4,674	-614	-2,629	-843	-969	-945	-1,154
Financing[5]	5,993	5,455	4,751	4,674	614	2,629	843	969	945	1,154
Net acquisition of financial assets[4]	165	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	5,828	5,455	4,751	4,674	614	2,629	843	969	945	1,154
Domestic	3,904	1,125	3,271	2,982	2,505	4,581	2,503	838	309	-30
Net borrowing	885	901	2,700	2,571	2,000	3,963	1,728	838	309	-30
Bank	625	452	2,700	2,571	2,000	3,963	1,728	838	309	-30
Central Bank of The Gambia	-421	-1,055	700	0	0	0	0	0	0	0
Nonbank	260	450	0	0	0	0	0	0	0	0
RCF/ECF (onlent) or SDR use	2,377	125	571	610	505	618	775	0	…	…
Foreign	1,924	4,330	1,480	1,692	-1,891	-1,952	-1,660	131	636	1,184
Borrowing	3,369	6,155	3,855	4,279	2,140	2,463	4,077	4,998	6,620	7,510
Amortization	-1,445	-1,825	-2,376	-2,588	-4,031	-4,415	-5,737	-4,867	-5,984	-6,327
Statistical discrepancy	69	-43	0	0	0	0	0	0	0	0
Memorandum items:										
Primary balance	-3,446	-2,389	363	124	4,430	3,247	4,745	4,225	3,698	3,417
Domestic primary balance	-2,377	-316	1,040	1,191	3,276	2,712	4,788	5,452	6,277	6,656
Total debt	101,552	111,122	116,583	124,578	121,840	129,671	134,010	136,434	139,705	138,723
of which: Domestic public debt	38,952	39,100	41,843	41,759	43,853	44,620	46,794	50,748	53,637	52,041
Interest payments as a percent of govt. revenue	18.0	16.9	22.5	20.9	19.9	20.2	18.0	15.4	12.5	11.1

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

[1] The grant for debt service falling due through April 13, 2022 is available under the CCRT.

[2] Includes 1.9 billion dalasi paydowns of reconciled arrears and payment floats in the following 2025 budget lines: GMD 850 million (goods and services); GMD 250 million (subsidies and transfers); GMD 800 million (domestic capital expenditure).

[3] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[4] Includes the agreed annual contribution of 180 million dalasi per year during 2019-23 to increase the CBG's capital to the statutory level.

[5] Excluding the float in Financing.

Table 2b. The Gambia: Statement of Central Government Operations, 2022–29

(Percent of GDP)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Prel.	1st Review	Proj.	1st Review	Proj.	Projections			
Revenue	17.6	20.1	20.1	20.2	19.3	22.7	22.5	21.7	21.3	21.0
Domestic revenues	12.0	12.2	13.1	13.2	12.9	14.7	14.5	14.3	14.4	14.6
Taxes	9.2	9.5	9.9	10.3	10.2	10.7	11.2	11.3	11.5	11.7
Taxes on income, profits, and capital gains	3.2	2.9	3.2	3.6	3.3	3.6	3.7	3.7	3.8	3.9
Domestic taxes on goods and services	3.9	4.2	4.4	4.3	4.5	4.7	5.1	5.1	5.2	5.3
Taxes on international trade and transactions	2.1	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5
Non-tax	2.8	2.7	3.2	2.9	2.6	4.0	3.3	3.0	2.9	2.9
Grants	5.6	8.0	7.0	7.0	6.4	7.9	8.1	7.4	6.9	6.5
Budget support	1.9	2.8	1.8	1.9	1.7	1.2	1.6	1.3	1.2	1.1
Of which: CCRT[1]	0.0	...	...	...	...	...				
Project support	3.7	5.2	5.2	5.1	4.7	6.8	6.5	6.1	5.8	5.4
Expenditures	22.6	23.8	22.8	22.9	19.6	24.0	22.9	22.1	21.7	21.4
Expenses	14.2	12.6	12.8	13.6	11.7	14.8	13.1	12.4	11.8	11.4
Compensation of employees	4.6	4.6	4.3	4.1	4.4	4.5	4.6	4.6	4.6	4.6
Use of goods and services[2]	3.4	2.7	2.8	2.9	2.3	3.9	3.1	2.8	2.8	2.8
Interest	2.2	2.1	2.9	2.8	2.6	3.0	2.6	2.2	1.8	1.6
External	0.5	0.5	0.5	0.4	0.4	0.7	0.5	0.5	0.4	0.4
Domestic	1.7	1.6	2.5	2.3	2.1	2.3	2.1	1.8	1.4	1.3
Subsidies and transfers[2]	4.1	3.3	2.8	3.8	2.5	3.4	2.7	2.7	2.5	2.3
Net acquisition of nonfinancial assets	8.4	11.2	10.0	9.3	7.9	9.2	9.8	9.7	9.9	10.0
Acquisitions of nonfinancial assets	8.4	11.2	9.9	9.3	7.9	9.2	9.8	9.7	9.9	10.0
Foreign financed[3]	6.5	9.4	7.4	7.6	5.8	7.7	8.1	7.9	7.9	7.6
Gambia local fund[2]	1.9	1.8	2.5	1.7	2.1	1.5	1.7	1.8	2.0	2.4
Net lending (+)/borrowing (–)	-5.0	-3.7	-2.7	-2.7	-0.3	-1.3	-0.4	-0.4	-0.4	-0.4
Financing[5]	4.9	3.7	2.7	2.7	0.3	1.3	0.4	0.4	0.4	0.4
Net acquisition of financial assets[4]	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	4.8	3.7	2.7	2.7	0.3	1.3	0.4	0.4	0.4	0.4
Domestic	3.2	0.8	1.9	1.7	1.3	2.3	1.2	0.4	0.1	0.0
Net borrowing	0.7	0.6	1.6	1.5	1.0	2.0	0.8	0.4	0.1	0.0
Bank	0.5	0.3	1.6	1.5	1.0	2.0	0.8	0.4	0.1	0.0
Central Bank of The Gambia	-0.3	-0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RCF/ECF (onlent) or SDR use	2.0	0.1	0.3	0.4	0.3	0.3	0.4	...	...	...
Foreign	1.6	3.0	0.9	1.0	-1.0	-1.0	-0.8	0.1	0.2	0.4
Borrowing	2.8	4.2	2.2	2.5	1.1	1.2	1.9	2.1	2.6	2.6
Amortization	-1.2	-1.2	-1.4	-1.5	-2.0	-2.2	-2.7	-2.1	-2.3	-2.2
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Primary balance	-2.8	-1.6	0.2	0.1	2.2	1.6	2.2	1.8	1.4	1.2
Domestic primary balance	-2.0	-0.2	0.6	0.7	1.7	1.4	2.2	2.3	2.4	2.3
Total debt	83.9	75.7	67.0	71.8	61.7	65.6	62.3	58.1	54.2	48.9
of which: Domestic public debt	32.2	26.7	24.1	24.1	22.2	22.6	21.8	21.6	20.8	18.3
Interest payments as a percent of govt. revenue	18.0	16.9	22.5	20.9	19.9	20.2	18.0	15.4	12.5	11.1

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

[1] The grant for debt service falling due through April 13, 2022 is available under the CCRT.

[2] Includes 1.9 billion dalasi paydowns of reconciled arrears and payment floats in the following 2025 budget lines: GMD 850 million (goods and services); GMD 250 million (subsidies and transfers); GMD 800 million (domestic capital expenditure).

[3] Calculated as the sum of project grant (net of social assistance projects), external project loans, and changes in project accounts.

[4] Includes the agreed annual contribution of 180 million dalasi per year during 2019-23 to increase the CBG's capital to the statutory level.

[5] Excluding the float in Financing.

Table 3. The Gambia: Statement of Central Government Operations, 2024–25
(Cumulative, millions of local currency)

	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	7,715	16,131	23,838	35,022	9,637	18,688	33,087	44,805
Domestic revenue	5,577	11,420	17,643	22,920	6,692	13,036	22,819	29,106
Taxes	4,712	9,079	13,238	17,852	5,794	11,192	16,275	21,200
Taxes on income, profits, and capital gains	1,611	3,115	4,547	6,200	1,984	3,700	5,435	7,046
Domestic taxes on goods and services	1,988	3,753	5,492	7,418	2,562	5,019	7,197	9,391
Taxes on international trade and transactions	1,113	2,211	3,199	4,233	1,249	2,474	3,643	4,763
Non-tax	865	2,341	4,405	5,067	897	1,844	6,544	7,907
Grants	2,138	4,711	6,195	12,102	2,945	5,652	10,268	15,699
Budget support	0	0	260	3,212	0	0	900	2,333
Project grants	2,138	4,711	5,934	8,890	2,945	5,652	9,368	13,366
Expenditures	10,063	21,619	30,856	39,695	12,220	23,490	35,768	47,434
Expenses	6,121	12,587	19,260	23,616	8,276	15,675	22,671	29,262
Compensation of employees	1,807	3,547	5,196	7,165	2,263	4,540	6,616	8,900
Use of goods and services	1,408	2,984	4,025	5,103	2,142	4,280	5,759	7,688
Interest	1,224	2,227	4,229	4,798	1,657	2,652	4,823	5,877
External	194	346	662	747	291	648	951	1,321
Domestic	1,030	1,881	3,567	4,051	1,367	2,004	3,872	4,555
Subsidies and transfers	1,682	3,827	5,809	6,550	2,214	4,203	5,473	6,797
Net acquisition of nonfinancial assets	3,942	9,032	11,596	16,079	3,943	7,815	13,097	18,173
Acquisitions of nonfinancial assets	3,942	9,032	11,596	16,079	3,943	7,815	13,097	18,173
Foreign financed	2,887	7,506	9,085	13,169	3,173	5,984	10,717	15,164
Gambia local fund	1,055	1,526	2,512	2,910	770	1,830	2,380	3,009
Net lending (+)/borrowing (–)	-2,347	-5,488	-7,018	-4,674	-2,583	-4,802	-2,681	-2,629
Financing [1]	1,751	5,742	7,771	4,674	2,583	4,802	2,681	2,629
Net acquisition of financial assets	0	0	0	0	0	0	0	0
Net incurrence of liabilities	1,751	5,742	7,771	4,674	2,583	4,802	2,681	2,629
Domestic	1,532	3,860	6,530	2,982	3,248	6,256	4,013	4,581
Net borrowing	1,356	3,798	6,354	2,571	3,343	5,928	3,818	3,963
Bank	1,233	3,478	5,602	2,571	3,343	5,928	3,818	3,963
Central bank	874	2,128	2,689	0	0	0	0	0
Commercial banks	359	1,350.1	2,913	2,571	3,343	5,928	3,818	3,963
Nonbank	124	319.4	752	0	0	0	0	0
RCF/ECF/SDR (onlent)	230	184	359	610	-95	328	195	618
Foreign	219	1,882	1,241	1,692	-666	-1,454	-1,331	-1,952
Borrowing	749	2,795	3,150	4,279	394	665	1,847	2,463
Amortization	-530	-914	-1,909	-2,588	-1,060	-2,119	-3,179	-4,415
Statistical discrepancy	597	-254	-753	0	0	0	0	0
Memorandum items:								
Primary balance	-1,123	-3,260	-2,789	124	-925	-2,151	2,142	3,247
Domestic primary balance	-374	-465	101	1,191	-698	-1,818	2,590	2,712

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

[1] Excluding the Float in Financing.

Table 4a. The Gambia: Monetary Accounts, 2022–29[1]
(Millions of local currency)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	1st Review	Proj.	1st Review	Proj.	Projections			
I. Monetary Survey										
Net foreign assets	26,146	29,116	28,237	29,070	28,854	29,998	30,247	36,037	39,819	41,267
(in millions of U.S. dollars)	504	453	435	417	434	425	415	488	523	540
Of which: CBG	266	314	283	299	279	302	291	403	507	534
Net domestic assets	40,771	43,721	50,973	50,471	57,173	55,133	58,923	56,915	56,668	57,152
Domestic credit	49,591	51,005	56,259	55,756	59,960	60,417	63,838	63,399	63,053	63,536
Claims on central government (net)	34,961	32,900	35,600	37,271	38,350	41,234	44,262	43,299	42,409	42,379
Claims on other public sector[2]	2,868	4,962	4,962	4,962	4,962	4,962	4,962	4,962	4,962	4,962
Claims on private sector	11,762	13,142	15,695	13,522	16,645	14,221	14,614	15,137	15,682	16,195
Other items (net)[3]	-8,819	-7,284	-5,286	-5,284	-2,787	-5,284	-4,915	-6,484	-6,384	-6,384
Broad money	66,917	72,836	79,210	79,542	86,028	85,131	89,170	92,951	96,488	98,419
Currency outside banks	12,890	14,107	13,333	13,481	14,021	14,428	15,112	15,753	16,352	16,680
Deposits	54,027	58,730	65,877	66,061	72,006	70,703	74,057	77,198	80,135	81,739
II. Central Bank Survey										
Net foreign assets	13,813	16,303	14,647	15,481	14,488	15,631	15,103	20,893	26,281	27,677
Foreign assets	29,044	32,011	32,129	32,658	33,266	34,207	34,777	39,612	43,855	45,426
Foreign liabilities	-15,231	-15,708	-17,481	-17,177	-18,778	-18,576	-19,674	-18,719	-17,574	-17,749
Net domestic assets	7,115	7,584	9,066	10,174	10,602	10,946	12,255	10,463	9,271	9,275
Domestic credit	9,779	9,200	9,928	11,027	10,703	11,039	12,348	10,557	9,365	9,369
Claims on central government (net)	9,618	8,114	8,814	9,914	9,564	9,914	11,214	9,414	8,214	8,214
Of which: IMF on-lending since 2020	5,638	5,762	5,762	5,762	5,762	5,762	5,762	5,762	5,762	5,762
Claims on private sector	161	149	176	176	199	189	198	206	214	218
Claims on public enterprises	0	0	937	937	937	937	937	937	937	937
Other items (net)	-2,665	-1,616	-863	-853	-101	-94	-94	-94	-94	-94
Reserve money	20,928	23,887	23,713	25,655	25,090	26,577	27,358	31,356	35,552	36,952
Currency outside banks	12,890	14,107	13,333	13,481	14,021	14,428	15,112	15,753	16,352	16,680
Commercial bank deposits	8,038	9,780	10,380	12,174	11,069	12,149	12,246	15,603	19,200	20,273

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation effects.

Table 4b. The Gambia: Monetary Accounts, 2022–29[1]

(Percent changes)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Prel.	1st Review	Proj.	1st Review	Proj.	Projections			
					I. Monetary Survey					
					(Percent change; contribution to broad money growth)					
Broad money	7.1	8.8	8.8	9.2	8.6	7.0	4.7	4.2	3.8	2.0
Net foreign assets	-4.5	4.4	-1.2	-0.1	0.8	1.2	0.3	6.5	4.1	1.5
Net domestic assets	11.6	4.4	10.0	9.3	7.8	5.9	4.5	-2.3	-0.3	0.5
					II. Central Bank Survey					
					(Percent change; contribution to reserve money growth)					
Reserve money	-0.9	14.1	-0.7	7.4	5.8	3.6	2.9	14.6	13.4	3.9
Net foreign assets	-15.6	11.9	-6.9	-3.4	-0.7	0.6	-2.0	21.2	17.2	3.9
Net domestic assets	14.7	2.2	6.2	10.8	6.5	3.0	4.9	-6.5	-3.8	0.0
					(Percent change; unless otherwise indicated)					
Memorandum Items:										
Credit to the private sector	25.0	11.7	19.4	2.9	6.1	5.2	2.8	3.6	3.6	3.3
Currency in circulation	12.2	9.4	-5.5	-4.4	5.2	7.0	4.7	4.2	3.8	2.0
Demand deposits	7.8	14.8	1.9	12.5	9.3	7.0	4.7	4.2	3.8	2.0
Time and savings deposits	4.3	3.3	22.3	12.5	9.3	7.0	4.7	4.2	3.8	2.0
Net international reserves (stocks; millions of U.S. dollars)	325.9	344.9	309.1	309.1	253.7	253.7	241.0	280.3	329.2	543.4
Money velocity (levels)	1.8	2.0	2.2	2.2	2.3	2.3	2.4	2.5	2.7	2.9
Money multiplier (levels)	3.2	3.0	3.3	3.1	3.4	3.2	3.3	3.0	2.7	2.7
Broad money (percent of GDP)	55.3	49.6	45.5	45.9	43.5	43.1	41.5	39.6	37.4	34.7
Credit to the private sector (percent of GDP)	9.7	9.0	9.0	7.8	8.4	7.2	6.8	6.4	6.1	5.7
Central government financing (flows; millions of dalasi)	7,704	5,082	7,638	8,208	7,638	9,601	7,365	6,476	5,947	5,608
Net domestic borrowing from the banking system	2,067	-556	2,000	2,571	2,000	3,963	1,728	838	309	-30
Central bank	0	0	0	0	0	0	0	0	0	0
Change in claims	0	0	0	0	0	0	0	0	0	0
Change in deposits	0	0	0	0	0	0	0	0	0	0
Commercial banks	2,067	-556	2,000	2,571	2,000	3,963	1,728	838	309	-30
IMF (onlent since 2020)	5,638	5,638	5,638	5,638	5,638	5,638	5,638	5,638	5,638	5,638

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

[1] End of period.

Table 5. The Gambia: Monetary Accounts, 2022–24[1]
(Quarterly stocks, millions of local currency)

	2022	2023				2024	
	Dec	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
	Act.	Act.	Act.	Act.	Act.	Act.	Act.
I. Monetary Survey							
Net foreign assets	26,146	25,643	21,384	19,229	29,116	28,662	31,398
(in millions of U.S. dollars)	505	410	361	376	470	427	466
Of which : CBG	267	233	202	148	254	244	252
Net domestic assets	40,771	41,355	45,547	48,367	43,721	44,700	44,796
Domestic credit	49,591	49,993	54,034	54,882	51,039	55,486	56,538
Claims on central government (net)	34,961	36,137	38,401	38,784	32,900	37,592	39,698
Claims on other public sector[2]	2,868	2,597	2,957	2,980	4,962	4,605	4,039
Claims on private sector	11,762	11,260	12,676	13,118	13,176	13,288	12,801
Other items (net)[3]	-8,819	-8,638	-8,487	-6,515	-7,318	-10,786	-11,742
Broad money	66,917	66,999	66,931	67,596	72,836	73,362	76,195
Currency outside banks	12,890	13,875	14,366	11,977	14,107	14,417	13,634
Deposits	54,027	53,124	52,565	55,619	58,730	58,946	62,561
II. Central Bank Survey							
Net foreign assets	13,813	14,563	11,975	9,195	16,303	16,403	16,958
Foreign assets	29,044	30,127	26,871	24,491	32,011	33,716	34,120
Foreign liabilities	-15,231	-15,564	-14,897	-15,296	-15,708	-17,313	-17,161
Net domestic assets	7,115	7,678	11,197	13,377	7,584	7,726	6,939
Domestic credit	9,779	10,688	13,825	13,656	9,234	11,081	10,393
Claims on central government (net)	9,618	10,534	13,074	12,462	8,114	10,009	10,250
Assets	16,108	15,834	17,334	17,013	15,747	15,947	15,878
Liabilities	-6,490	-5,300	-4,260	-4,551	-7,634	-5,938	-5,628
Claims on deposit corporations	0	0	0	0	0	0	0
Claims on private sector	161	154	190	187	183	184	187
Claims on public enterprises	0	0	562	1,007	937	887	865
Other items (net, incl. liquidity management operations)	-2,665	-3,010	-2,629	-279	-2,056	-3,354	-3,453
Reserve money	20,928	22,241	23,171	22,571	23,887	24,129	23,898
Currency outside banks	12,890	13,875	14,366	11,977	14,107	14,417	13,634
Commercial bank deposits	8,038	8,367	8,806	10,594	9,780	9,713	10,264
III. Commerical Banks Balance sheet							
Net foreign assets	12,333	11,080	9,410	10,034	12,813	12,259	14,440
Foreign assets	13,831	13,503	11,081	11,223	14,361	13,840	16,955
Foreign liabilities	-1,498	-2,422	-1,671	-1,189	-1,549	-1,581	-2,515
Net domestic assets	41,694	42,044	43,156	45,585	45,917	46,686	48,121
Net domestic claims	47,849	47,672	49,014	51,820	51,585	54,118	55,499
Claims on central bank	8,038	8,367	8,806	10,594	9,780	9,713	10,264
Net claims on government	25,342	25,603	25,327	26,322	24,787	27,583	29,448
Claims	25,342	25,603	25,327	26,322	24,787	27,583	29,448
Liabilities	0	0	0	0	0	0	0
Claims on other sectors	14,469	13,702	14,881	14,903	17,018	16,822	15,787
Claims on public nonfinancial corporations	2,868	2,597	2,395	1,972	4,025	3,718	3,174
Claims on private sector	11,601	11,105	12,486	12,931	12,993	13,104	12,613
Other items net	-6,155	-5,628	-5,858	-6,235	-5,668	-7,432	-7,378
Liabilities	54,027	53,124	52,565	55,619	58,730	58,946	62,561
Liabilities to central bank	0	0	0	0	0	0	0
Deposits incl. in broad money	54,027	53,124	52,565	55,619	58,730	58,946	62,561

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

[1] End of period.

[2] Includes public enterprises and local governments.

[3] Including valuation effects.

Table 6a. The Gambia: Balance of Payments, 2022–29
(Millions of U.S. dollars)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	1st Review	Proj.	1st Review	Proj.	Projections			
1. Current account										
A. Goods and services	-562.1	-643.8	-722.2	-667.3	-719.5	-678.9	-677.0	-670.9	-706.4	-730.6
Goods (net)	-642.4	-884.7	-863.9	-944.9	-894.7	-988.4	-1028.1	-1068.7	-1155.0	-1237.5
Exports, f.o.b.	51.6	328.1	120.9	310.5	138.1	316.3	322.4	329.3	338.8	351.5
Imports, f.o.b.	-694.0	-1212.7	-984.8	-1255.4	-1032.9	-1304.7	-1350.5	-1398.0	-1493.9	-1589.0
Services (net)	80.2	240.9	141.7	277.6	175.3	309.5	351.2	397.9	448.7	506.9
Services exports	215.8	392.2	315.3	433.4	358.1	470.5	519.2	573.4	634.8	703.9
Of which: Travel income	154.3	326.7	230.2	373.0	259.8	409.7	457.9	511.8	572.0	639.3
Services imports	-135.5	-151.3	-173.6	-155.8	-182.8	-160.9	-168.0	-175.5	-186.1	-197.0
B. Income (net)	-31.1	-28.4	-32.0	-29.7	-33.1	-29.3	-29.4	-29.4	-29.4	-29.4
Income credits	13.5	12.3	13.8	12.9	14.3	12.7	12.8	12.8	12.8	12.8
Income debits	-44.6	-40.7	-45.8	-42.5	-47.4	-42.1	-42.2	-42.2	-42.2	-42.2
C. Current transfers	503.0	545.6	634.8	547.6	663.8	558.3	604.9	635.7	667.5	702.0
Official transfers	40.0	64.8	50.0	47.5	50.1	33.2	47.0	40.0	40.0	40.0
Remittances	476.2	482.6	570.2	501.9	598.7	527.0	559.8	597.8	629.6	664.1
Other transfers	-13.2	-1.8	14.6	-1.9	14.9	-1.9	-2.0	-2.0	-2.1	-2.1
Current account (excl. official transfers)	-130.2	-191.3	-169.4	-196.9	-138.9	-183.1	-148.5	-104.5	-108.3	-98.0
Current account (incl. prospective official transfers)	-90.2	-126.5	-119.4	-149.4	-88.8	-149.9	-101.5	-64.5	-68.3	-58.0
2. Capital and financial account										
A. Capital account	82.7	144.6	139.3	132.6	142.5	190.2	193.6	195.2	197.7	200.3
B. Financial account	-102.2	0.2	-45.7	-10.2	-58.1	-66.2	-111.5	-46.3	-51.2	-98.5
Foreign direct investment	99.7	102.4	106.5	106.5	110.5	110.5	114.6	119.0	125.6	132.4
Portfolio investment	4.1	4.5	5.1	4.9	5.7	5.3	5.7	6.1	6.5	7.1
Other investment	-206.0	-106.7	-157.3	-121.6	-174.3	-182.0	-231.8	-171.4	-183.3	-238.0
Capital and financial account	-19.5	144.8	93.5	122.4	84.4	124.0	82.2	148.9	146.6	101.8
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	-149.8	-46.5	-75.8	-74.5	-54.5	-59.1	-66.4	44.3	38.2	3.8
Financing	149.3	108.5	75.8	66.3	54.5	37.6	59.8	-44.3	-38.2	-3.8
Net international reserves (increase -)	108.3	43.7	25.8	18.8	4.4	4.4	12.8	-84.3	-78.2	-43.8
Change in gross international reserves	75.7	42.4	-2.3	-9.3	-22.0	-22.0	-7.8	-65.5	-55.7	-20.6
Use of IMF resources (net)	32.6	1.3	28.1	28.1	26.4	26.4	20.6	-18.8	-22.6	-23.2
Exceptional financing	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: CCRT debt relief[2]	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: DSSI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prospective donor financing	40.0	64.8	50.0	47.5	50.1	33.2	47.0	40.0	40.0	40.0
Budget support grants	40.0	64.8	50.0	47.5	50.1	33.2	47.0	40.0	40.0	40.0
Project support grants	…	…	…	…	…	…	…	…	…	…
Memorandum items:										
Gross international reserves										
US$ millions	454.7	474.3	476.6	483.6	498.6	505.6	513.4	578.9	634.6	655.2
Months of next year's imports of goods and services	4.0	4.0	4.7	4.0	4.6	4.0	3.9	4.1	4.3	4.1
Net international reserves										
US$ millions	325.9	344.9	309.1	309.1	253.7	253.7	241.0	280.3	329.2	543.4
Months of next year's imports of goods and services	2.9	2.9	3.1	2.5	2.3	2.0	1.8	2.0	2.2	3.4
Net international reserves (w/o SDR allocation)	240.9	259.9	224.1	224.1	168.7	168.7	156.0	195.3	244.2	458.4
Months of next year's imports of goods and services	2.1	2.2	2.2	1.8	1.5	1.3	1.2	1.4	1.6	2.9
Exports of goods and services	267.4	720.2	436.2	743.9	496.3	786.8	841.6	902.6	973.6	1055.4
Imports of goods and services	-829.5	-1364.0	-1158.4	-1411.3	-1215.7	-1465.7	-1518.6	-1573.5	-1680.0	-1786.0
GMD per U.S. dollar, period average	56.7	…	…	…	…	…	…	…	…	…
External Debt service	76.6	71.3	56.4	54.5	79.1	83.2	105.8	98.9	112.5	114.6
NIR/External Debt Service (ratio)	4.2	4.8	5.6	6.0	4.0	3.8	2.9	4.0	4.2	4.5

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

[1] Overall balance does not include prospective budget support and project grants.

[2] The grant for debt service falling due through April 13, 2022 is available under the CCRT.

Table 6b. The Gambia: Balance of Payments, 2022–29
(Percent of GDP)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Prel.	1st Review	Proj.	1st Review	Proj.	Projections			
1. Current account										
A. Goods and services	-26.3	-27.5	-26.8	-25.8	-23.9	-24.1	-22.7	-21.0	-20.6	-19.6
Goods (net)	-30.1	-37.7	-32.1	-36.5	-29.8	-35.1	-34.4	-33.4	-33.7	-33.3
Exports, f.o.b.	2.4	14.0	4.5	12.0	4.6	11.2	10.8	10.3	9.9	9.5
Imports, f.o.b.	-32.5	-51.7	-36.6	-48.5	-34.4	-46.4	-45.2	-43.7	-43.6	-42.7
Services (net)	3.8	10.3	5.3	10.7	5.8	11.0	11.8	12.4	13.1	13.6
Services exports	10.1	16.7	11.7	16.8	11.9	16.7	17.4	17.9	18.5	18.9
Of which: Travel income	7.2	13.9	8.6	14.4	8.6	14.6	15.3	16.0	16.7	17.2
Services imports	-6.3	-6.5	-6.4	-6.0	-6.1	-5.7	-5.6	-5.5	-5.4	-5.3
B. Income (net)	-1.5	-1.2	-1.2	-1.1	-1.1	-1.0	-1.0	-0.9	-0.9	-0.8
Income credits	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.3
Income debits	-2.1	-1.7	-1.7	-1.6	-1.6	-1.5	-1.4	-1.3	-1.2	-1.1
Of which: Interest on government debt	0.5	0.4	0.6	0.4	0.4	0.7	0.5	0.5	0.4	0.4
C. Current transfers	23.6	23.3	23.6	21.2	22.1	19.8	20.3	19.9	19.5	18.9
Official transfers	1.9	2.8	1.9	1.8	1.7	1.2	1.6	1.3	1.2	1.1
Remittances	22.3	20.6	21.2	19.4	19.9	18.7	18.7	18.7	18.4	17.9
Other transfers	-0.6	-0.1	0.5	-0.1	0.5	-0.1	-0.1	-0.1	-0.1	-0.1
Current account (excl. official transfers)	-6.1	-8.2	-6.3	-7.6	-4.6	-6.5	-5.0	-3.3	-3.2	-2.6
Current account (incl. prospective official transfers)	-4.2	-5.4	-4.4	-5.8	-3.0	-5.3	-3.4	-2.0	-2.0	-1.6
2. Capital and financial account										
A. Capital account	3.9	6.2	5.2	5.1	4.7	6.8	6.5	6.1	5.8	5.4
B. Financial account	-4.8	0.0	-1.7	-0.4	-1.9	-2.4	-3.7	-1.4	-1.5	-2.6
Foreign direct investment	4.7	4.4	4.0	4.1	3.7	3.9	3.8	3.7	3.7	3.6
Portfolio investment	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment	-9.6	-4.6	-5.8	-4.7	-5.8	-6.5	-7.8	-5.4	-5.4	-6.4
Capital and financial account	-0.9	6.2	3.5	4.7	2.8	4.4	2.8	4.7	4.3	2.7
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance[1]	-7.0	-2.0	-2.8	-2.9	-1.8	-2.1	-2.2	1.4	1.1	0.1

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

[1] Overall balance does not include prospective budget support and project grants.

Table 7. The Gambia: External Financing Needs, 2024–27
(Millions of U.S. dollars)

	2024	2025	2026	2027
1. Total financing requirement	-249.5	-273.3	-247.6	-254.9
Current account deficit (excl. official transfers)	-196.9	-183.1	-148.5	-104.5
Public debt amortization	-38.1	-61.3	-78.5	-66.0
Repayment to the IMF	-5.2	-6.9	-12.7	-18.8
Change in official reserves	-9.3	-22.0	-7.8	-65.5
Arrears repayment	...	...	...	...
2. Total financing sources	168.7	206.8	167.2	214.9
Capital transfers	132.6	190.2	193.6	195.2
Foreign direct investment (net)	106.5	110.5	114.6	119.0
Portfolio investment (net)	4.9	5.3	5.7	6.1
Public sector debt financing	63.8	35.1	47.6	56.7
Public sector	63.8	35.1	47.6	56.7
Non-Public sector	-3.9	-2.9	0.0	0.0
Short-term debt				
Other net capital inflows[1]	-139.2	-134.3	-194.3	-162.1
Exceptional financing (CCRT debt relief)	0	0	0	0
Errors and Omissions	0.0	0.0	0.0	0.0
3. Total financing needs	80.8	66.5	80.3	40.0
Budget support (grants)	47.5	33.2	47.0	40.0
Other current transfers	...	...	...	...
IMF disbursements	33.3	33.3	33.3	0.0
Of which: ECF augmentation				
Exceptional financing	0.0	0.0	0.0	0.0
4. Financing needs	0.0	0.0	0.0	0.0

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

[1] Includes changes in commercial bank NFA, private trade financing and SDR allocation.

Table 8. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2023–25[1]

	Debt Stock (end of period)						Debt Service					
	2023			March 2024			2023	2024	2025	2023	2024	2025
	(In US$ millions)	*(Percent of total debt)*	*(Percent of GDP)*	*(In US$ millions)*	*(Percent of total debt)*	*(Percent of GDP)*[5]	*(In US$ millions)*			*(Percent of GDP)*		
Total	1,728.2	100.0	75.7	1741.7	100.0	69.0	165.4	165.8	194.0	7.3	6.2	6.5
External	1,120.1	64.8	49.1	1124.2	64.5	45.2	71.3	65.6	83.2	3.1	2.4	2.8
Multilateral creditors	753.0	43.6	33.0	755.9	43.4	30.4	55.8	49.3	65.4	2.4	1.8	2.2
IMF	131.3	7.6	5.8	139.7	8.0	5.6						
World Bank	127.7	7.4	5.6	124.9	7.2	5.0						
ADB/AfDB/IADB	51.8	3.0	2.3	50.8	2.9	2.0						
Other Multilaterals	442.2	25.6	19.4	440.5	25.3	17.7						
o/w: IsDB and OFID	234.2	13.6	10.3	253.4	14.6	10.2						
Bilateral Creditors	343.6	19.9	15.1	345.7	19.8	13.9	12.1	16.3	17.6	0.5	0.6	0.6
Paris Club	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.2	0.3	0.0	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.4	0.0	0.0	0.4	0.0	0.0						
Non-Paris Club	343.2	19.9	15.0	345.3	19.8	13.9	12.1	16.0	17.3	0.5	0.6	0.6
o/w: Saudi and Kuwait Fund	202.9	11.7	8.9	207.3	11.9	8.3						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	23.5	1.4	1.0	22.7	1.3	0.9	3.4	0.0	0.1	0.1	0.0	0.0
o/w: M.A. Kharafi and Sons	23.5	1.4	1.0	22.7	1.3	0.9	3.4	0.0	0.1			
Other international creditors	0.0	0.0	0.0	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	0.0	0.0	0.0						
Domestic	608.1	35.2	26.7	617.4	35.5	23.8	94.2	100.2	110.9	4.1	3.7	3.7
Held by residents, total[4]	608.1	35.2	26.7	617.4	35.5	23.8	94.2	100.2	110.9	4.1	3.7	3.7
Held by non-residents, total[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	303.9	17.6	13.3	301.5	17.3	11.6	20.9	20.9	0.0	0.9	0.8	0.0
Bonds	304.1	17.6	13.3	315.9	18.1	12.2	73.3	79.3	110.9	3.2	2.9	3.7
Loans	0.0	0.0	0.0	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				n/a							
Contingent liabilities[3,4]	n/a				n/a							
Nominal GDP	2,281.5				2,490.0							

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

[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 and prevent the inclusion of collaterized debt and contingent liabilities.

[5] Percent of projected 2024 GDP

Table 9. The Gambia: Financial Soundness Indicators for the Banking Sector, 2017–June 24

	2017	2018	2019	2020	2021	2022	2023	2024 1/	
	December							Mar.	June
	(Percent, unless otherwise indicated)								
Capital Adequacy Ratios									
Risk Weighted Assets Adjusted Capital Adequacy ratio	33.6	31.7	31.4	32.6	29.0	24.8	28.3	27.9	24.1
Regulatory Capital (i.e. T1+T2)	35.1	33.0	32.7	33.8	30.6	26.0	29.4	29.1	25.2
Primary Capital ratio (i.e. T1)	31.9	30.3	30.1	30.1	27.3	23.5	27.0	26.7	23.0
Non-performing Loans (NPLs) to Primary Capital	6.8	3.4	5.8	7.8	4.7	8.6	5.8	15.2	10.2
Assets Quality Ratios									
Non-Performing Loans Ratio	7.2	3.3	4.5	6.8	5.1	4.6	3.3	8.7	10.2
Aggregate Provision Level	99.1	100.2	73.4	80.1	81.0	317.8	101.8	57.1	71.0
Loan Loss Reserve Ratio	6.6	2.9	2.5	4.0	3.0	12.1	2.3	4.8	6.6
Earnings Ratios									
Return on Assets (ROA)	1.6	1.6	1.9	1.9	1.8	2.1	2.5	1.6	1.8
Return on Equity (ROE)	11.0	11.3	15.4	15.3	16.4	20.6	21.7	13.0	16.7
Net Interest margin	8.1	5.9	6.5	6.5	5.4	4.9	7.2	9.1	8.9
Non-interest Income Ratio	31.7	10.9	40.2	38.3	42.4	48.8	37.9	30.6	29.4
Liquidity Ratios									
Liquid Assets to Short-term Liabilities to Gambian Public	92.9	94.8	92.0	93.5	92.0	63.7	82.3	78.3	76.6
Dalasi Liquid Assets to Dalasi Deposits	89.0	93.5	94.7	93.2	97.4	63.8	78.0	72.6	72.0
Time Deposits to Total Deposits	14.3	12.9	11.2	11.7	9.0	9.2	8.0	8.3	7.3
Sectoral Distribution of credit									
Agriculture and Fishing	8.5	1.7	2.0	3.8	0.3	13.3	9.1	8.9	8.2
Manufacturing & Industries	0.7	0.4	1.2	1.0	1.0	3.4	6.0	6.0	6.5
Building & Construction	13.7	19.7	27.3	27.6	32.8	21.0	15.1	17.2	17.6
Transport & Communication	8.1	7.7	7.6	7.6	3.0	2.8	2.8	1.6	1.8
Commerce	31.1	31.2	22.9	23.4	20.9	15.5	15.8	15.0	14.1
Tourism	5.2	10.8	5.6	5.6	3.4	2.6	2.3	1.9	2.1
Financial Institutions & Enterprise services	3.0	3.2	1.2	2.6	2.8	1.9	2.9	3.3	3.2
Other activities combined	29.6	25.3	32.2	28.4	35.7	39.5	46.0	46.0	46.7

Sources: Central Bank of The Gambia, and IMF Staff Calculations.
1/ Data for 2024 are different from the FSI data submitted to STA but these differences are not significant.

Table 10. The Gambia: Indicators of Capacity to Repay the Fund, 2024–36

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fund obligations based on existing credit													
Principal (millions of SDRs)	3.89	5.17	9.44	13.94	16.72	18.05	18.48	13.43	8.93	3.82	2.49	0.00	0.00
Charges and interest (millions of SDRs)	1.47	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Fund obligations, existing and prospective credit													
Principal (millions of SDRs)	3.89	5.17	9.44	13.94	16.72	18.05	21.38	21.30	20.54	15.43	14.10	8.71	3.73
Of which : RCF	3.89	4.67	5.44	5.44	3.11	3.11	1.56	0.00	0.00	0.00	0.00	0.00	0.00
Of which : ECF	0.00	0.50	4.00	8.50	13.61	14.94	19.83	21.30	20.54	15.43	14.10	8.71	3.73
Charges and interest (millions of SDRs)	1.47	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Total obligations, existing and prospective credit													
In millions of SDRs	5.36	6.53	10.80	15.30	18.08	19.41	22.74	22.67	21.90	16.79	15.46	10.07	5.10
In millions of US$	7.16	8.76	14.53	20.62	24.42	26.19	30.63	30.55	29.53	22.64	20.84	13.57	6.87
In percent of Gross International Reserves	1.48	1.73	2.83	3.56	3.85	4.00	4.27	3.90	3.48	2.42	2.03	1.18	0.53
In percent of exports of goods and services	1.52	1.71	2.58	3.31	3.54	3.43	3.60	3.32	2.96	2.10	1.78	1.07	0.50
In percent of debt service	15.30	11.55	14.66	22.80	23.84	24.07	27.00	26.23	25.58	20.55	19.48	16.00	9.45
In percent of GDP	0.28	0.31	0.49	0.64	0.71	0.70	0.75	0.69	0.62	0.43	0.37	0.22	0.10
In percent of quota	8.61	10.49	17.37	24.60	29.07	31.20	36.57	36.44	35.21	26.99	24.86	16.19	8.19
In percent of revenues net of grants	2.10	2.11	3.36	4.50	4.95	4.84	5.51	5.05	4.53	3.28	2.77	1.66	0.77
Outstanding Fund credit													
In millions of SDRs	110.46	105.29	95.85	81.91	65.19	47.14	28.66	15.23	6.30	2.49	0.00	0.00	0.00
In millions of US$	147.69	141.28	128.90	110.34	88.03	63.61	38.59	20.52	8.50	3.35	0.00	0.00	0.00
In percent of Gross International Reserves	30.54	27.94	25.11	19.06	13.87	9.71	5.38	2.62	1.00	0.36	0.00	0.00	0.00
In percent of debt service	315.50	186.31	130.03	122.03	85.96	58.46	34.02	17.62	7.36	3.04	0.00	0.00	0.00
In percent of GDP	5.71	5.02	4.32	3.45	2.57	1.71	0.95	0.47	0.18	0.06	0.00	0.00	0.00
In percent of quota	177.6	169.3	154.1	131.7	104.8	75.8	46.1	24.5	10.1	4.0	0.0	0.0	0.0
In percent of revenues net of grants	43.20	34.11	29.84	24.07	17.86	11.76	6.95	3.39	1.30	0.49	0.00	0.00	0.00
Net use of Fund credit (millions of SDRs)	21.0	19.7	15.4	-13.9	-16.7	-18.0	-21.4	-21.3	-20.5	-15.4	-14.1	-8.7	-3.7
Disbursements	24.9	24.9	24.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: RCF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: ECF	24.9	24.9	24.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	3.89	5.17	9.44	13.94	16.72	18.05	21.38	21.30	20.54	15.43	14.10	8.71	3.73
Of which: RCF	3.89	4.67	5.44	5.44	3.11	3.11	1.56	0.00	0.00	0.00	0.00	0.00	0.00
Of which: ECF	0.00	0.50	4.00	8.50	13.61	14.94	19.83	21.30	20.54	15.43	14.10	8.71	3.73
CCR Trust debt relief	0.00	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00
Memorandum items:													
Nominal GDP (millions of US$)	2,586.59	2,814.06	2,986.14	3,198.23	3,426.14	3,718.72	4,061.63	4,412.95	4,794.65	5,209.36	5,659.95	6,149.51	6,681.42
Exports of goods and services (millions of US$)	470.50	511.64	563.88	623.65	689.17	762.61	850.26	920.08	995.90	1,078.28	1,167.79	1,265.10	1,370.93
Gross International Reserves (millions of US$)	483.61	505.56	513.38	578.91	634.61	655.17	717.83	783.48	848.30	934.01	1,028.58	1,152.94	1,299.28
Debt service (millions of US$)	46.81	75.83	99.13	90.42	102.41	108.82	113.43	116.47	115.44	110.18	107.02	84.86	72.68
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2
Revenues net of grants (millions of US$)	341.9	414.2	431.9	458.3	492.9	541.1	555.6	604.8	652.4	691.1	752.1	818.2	889.9

Source: IMF staff calculations.

Table 11. The Gambia: Disbursements Under the ECF Arrangement, 2024–26

Availability	Disbursement In Millions of SDR	Disbursement In percent of Quota	Condition for Disbursement [1]	Status
January 12, 2024	8.29	13.33	Approval of the Arrangement	Disbursed
March 31, 2024	8.29	13.33	Board completion of the first review based on observance of performance criteria for December 31, 2023.	Disbursed
September 30, 2024	8.29	13.33	Board completion of the second review based on observance of performance criteria for June 30, 2024.	Review Pending
March 31, 2025	12.44	20.00	Board completion of the third review based on observance of performance criteria for December 31, 2024.	Review not started
September 30, 2025	12.44	20.00	Board completion of the fourth review based on observance of performance criteria for June 30, 2025.	Review not started
March 31, 2026	12.44	20.00	Board completion of the fifth review based on observance of performance criteria for December 31, 2025.	Review not started
September 30, 2026	12.45	20.01	Board completion of the sixth review based on observance of performance criteria for June 30, 2026.	Review not started
Total Disbursements	74.64	120.0		

Source: IMF staff estimates.

[1] In addition to generally applicable conditions under the ECF Arrangement.

Table 12. The Gambia: Quantitative Performance Criteria and Indicative Targets for 2024–25

(Cumulative from beginning of calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2024											2025					
	Mar.				Jun.				Sept.	Dec.		Mar.		Jun.		Sept.	Dec.
	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	1st Review	Prog.	1st Review	Prog.	1st Review	Prog.	Prog.	Prog.
Performance criteria[1]																	
1. Net domestic borrowing of the central government (ceiling)	1,300	1,897	1,356	**Met**	2,600	3,480	3,798	**Not Met**	2,800	2,700	2,700	1,300	3,400	1,900	6,000	3,900	4,000
2. Domestic primary balance (cumulative floor)	-160	-757	-374	**Met**	-100	-686	-465	**Met**	1,100	1,040	1,040	80	-700	740	-1,900	2,500	2,700
3. Stock of net usable international reserves of the central bank (floor, US$ million)	277	268	344	**Met**	280	260	346	**Met**	282	309	309	298	298	283	283	267	285
4. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. New concessional external debt contracted or guaranteed by central government (ceiling, US$ million)[3]	90	...	0.0	**Met**	90	...	0.0	**Met**	90	90	90	90	90	90	90	90	90
Indicative targets[1]																	
8. Total tax revenue (floor)	4,400	...	4,712	**Met**	8,900	...	9,079	**Met**	13,100	17,200	17,200	5,200	5,700	10,400	11,100	16,200	21,200
9. Monthly ceiling on central bank credit to the government at non-market terms (GMD millions)[4]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. New central bank credit to public entities (ceiling, GMD millions)[5]	...	...	...	...	...	...	...	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
11. Stock of net domestic assets of the central bank (ceiling)	11,365	...	10,615	**Met**	11,825	...	10,847	**Met**	12,285	12,745	12,745	13,216	13,216	13,687	13,687	14,157	14,628
12. Poverty-reducing expenditure (floor)	2,500	...	3,362	**Met**	5,000	...	6,149	**Met**	7,500	11,000	10,100	2,725	3,000	5,450	6,000	9,000	12,000
Memorandum Items:																	
Budget Support (grants, US$ millions)	8.9	...	0.0	...	8.7	...	0.0	...	23.1	50.0	50.0	10.0	0.0	20.0	0.0	13.2	33.2
Base Money (stock, GMD millions)	21,577	...	24,129	...	21,919	...	25,298	...	22,261	22,603	22,603	22,787	22,787	22,971	22,971	23,155	2,339
IMF disbursements (SDR millions)[6]	8.29	...	8.29	...	16.58	...	0.0	...	16.6	24.9	24.9	0.0	0.0	12.4	12.4	0.0	24.9

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are test dates. Targets for end-March and end-September are indicative targets (ITs), except for continuous performance criteria.

[2] These criteria apply on a continuous basis.

[3] The debt limit is formulated in nominal terms due to authorities' limited capacity to monitor and observe conditionality on aggregate debt levels (including in PV terms).

[4] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non-market terms as of the end of each month, excluding the RCF onlending and the 30-year bond held by the CBG.

5 Once an ex ante legal framework has been enshrined in the CBG Act, emergency lending to the government can be affected under catastrophic circumstances.

[6] The amounts for 'Prog Mar 2024' and 'Prog Mar 2025' were incorrectly reported in the program approval and first review Staff Reports.

Table 13. The Gambia: External Borrowing Plan, 2024–26
(US$ millions)

	Volume of new debt (US$ millions)			
	2024	2025	2026	2024–26
	Prog	Proj.	Proj.	Prog.
Source of debt financing[1]				
Total debt contracted	90	90	90	270
Concessional debt	90	90	90	270
Multilateral debt	60	60	60	180
Of which : Port expansion	0	0	0	0
Bilateral debt	30	30	30	90
Nonconcessional debt	0	0	0	0
Use of debt financing				
Infrastructure	90	90	90	270
Of which : Port Expansion	0	0	0	0
Other (including budget support)	0	0	0	0

1/ External public debt contracted or guaranteed.

Table 14. The Gambia: Prior Actions and Structural Benchmarks for the Second ECF Review, 2024			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior Actions			
Submission to the National Assembly of a 2025 budget consistent with program parameters.	Ensure the budget is consistent with the program objectives.	Prior Action	Met
Finalize and publish the recommendations and an action plan for the implementation of the recommendations of the governance diagnostic report.[1/]	Strengthen governance in key macro-critical areas.	Prior Action	Met
Structural Benchmarks			
Domestic Revenue Mobilization (GRA/MOFEA)			
Adopt by the Cabinet a revised GIEPA Act with streamlined tax incentives.	Ensure cost-benefit balance between revenue losses and economic contributions of beneficiaries of tax incentives.	End-September 2024 (proposed to be postponed to end-December 2024)	Not met
Adopt a domestic revenue mobilization strategy.	Enhance revenue collection.	End-September 2024 (proposed to be postponed to end-June 2025)	Not met
Undertake, by the Gambia Revenue Authority, 10 comprehensive audits of Large Taxpayers, including in the telecom sector.	Improve revenue collection in fast-growing niche sectors.	End-September 2024	Met
Public Financial Management (MOFEA and Cabinet)			
Ensure all MDAs submit yearly cash plans through the IFMIS module.	Contain spending within available resources.	End-September 2024	Met
Governance			
Adopt by the cabinet a revised National Audit Office Act.	Strengthen the independence and effectiveness of the National Audit Office.	Proposed to be postponed to end-December 2024	Not met
Measures	**Macro Rationale**	**Timing**	**Status**
Domestic revenue mobilization (GRA/MOFEA)			
Create a database of rental property for taxation purposes.	Expand the tax base and prevent avoidance.	End-June 2025	
Submit to the Cabinet and the National Assembly a tax expenditure statement in line with FAD recommendations.	Enhance transparency of tax expenditure and protect revenue collection.	Proposed end-December 2025	
Public Financial Management (MOFEA and Cabinet)			
Ensure Cabinet approval of the roadmap for implementation of program-based budgeting and initiate roll-out in preparing 2025 draft budget for pilot ministries.	Improve the effectiveness of the budget in reaching the expected outcome.	End-December 2024	
Prepare a study on rationalizing and consolidating subvented agencies with MDAs.	Improve efficiency of institutions and reduce burdens on the budget.	End-December 2024	Met
[1/] The end-August SB to publish the governance diagnostic report is proposed to be dropped.			

Table 14. The Gambia: Prior Actions and Structural Benchmarks for the Second ECF Review, 2024 (concluded)

Measures	Macro Rationale	Timing	Status
Extend the use of IFMIS to 4 multilateral-donor projects and to all government-funded projects implemented after January 1, 2025.	Strengthen the management of investment projects.	End-June 2025 (Proposed to be postponed to end-September 2025)	
Adopt by the Cabinet a revised PFM Act	Streamline the project approval process	Proposed end-December 2025	
Require all MDAs to present quarterly updates to their cash plans through IFMIS and implement a 'maximum deviation' rule. subject to spending pressures emanating from essential expenditure	Improve the cash forecasting and management system and ensure meeting fiscal and debt targets.	Proposed end-December 2025	
Complete and publish a report of all existing arrears and unsettled commitments by the central government.	Have a full understanding of government's commitments and avoid unexpected fiscal pressures	Proposed end-March 2025	
MoFEA to develop and publish a comprehensive, timebound strategy to (i) propose measures to address the shortcomings in the PFM systems that led to accumulation of pending bills and other arrears and clarify the definition of expenditure arrears; (ii) propose criteria for clearing validated arrears and outline a payment schedule consistent with the overarching objective to reduce debt and debt vulnerabilities.	Ensure proper management of arrears and unsettled commitments according to a pre-defined payment schedule, avoiding unexpected fiscal pressures	Proposed end-June 2025	
Ensure that the Chart of Accounts is entirely aligned with GFS 2014, finalize the Chart of Accounts manual and publish the Chart of Accounts and its manual on MoFEA's website.	Ensure budget planning is aligned with best practices and avoid misclassification errors	Proposed end-September 2025	

Table 15. The Gambia: Structural Benchmarks for Third – Fourth – Fifth ECF Reviews, 2024–25

Governance and SOE Reforms (MOFEA)			
Finalize and enact regulations of the recently passed public procurement and SOEs Acts.	Ensure effective impact of reforms on procurement and SOEs.	End-December 2024	
Complete the expansion of the social registry to Banjul and Kombo areas.	Improve the targeting of social programs to the most vulnerable population.	End-December 2024	
Set up a digital platform for business registration.	Facilitate business creation and increase formal sector employment.	End-December 2024 (proposed to be postponed to end-June 2025)	
Complete partial or full privatization of GAMCEL.	Turn SOEs from fiscal burdens to revenue-generating assets.	End-March 2025 (proposed to be postponed to end-March 2026)	
Adopt by the Cabinet a draft land policy.	Facilitate access to land and finance and improve business creation.	End-September 2025	
Financial Sector (CBG and MoFEA)			
Require the augmentation of banks' capital by GMD100 million.	Strengthen the resilience of banking sector to future potential shocks.	End-September 2025 (proposed to be postponed to end-December 2025)	

Annex I. Risk Assessment Matrix[1]

Sources of Risk	Likelihood	Expected Impact	Policy Response
External			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**High.** Income in destinations of exports and origins of tourists will be hindered. The Gambia's exports would dwindle, and tourist arrivals and remittances would decline. Growth would slow down, and foreign exchange pressures would reemerge.	• Diversify economic activities as well as exports destinations and tourists' origins to reduce vulnerabilities to shocks in a few sectors and dependence on limited groups of countries. • Resolve regional trade disruptions to reduce dependence on global trade.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High.** Dependence on imported commodities leads to higher volatility in import bill and volume. Higher exchange rate and domestic price volatility will cause social and economic instability. Unpredictable trade values and production costs slow investment and growth.	• Provide targeted support to vulnerable households using the expanded social registry. • Strengthen the fiscal oversight of NAWEC. • Accelerate implementation of national energy roadmap with the World Bank support, including use of alternative energy production methods.

[1] Aligned with the Global Risk Assessment Matrix (G-RAM) as of July 26, 2024. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

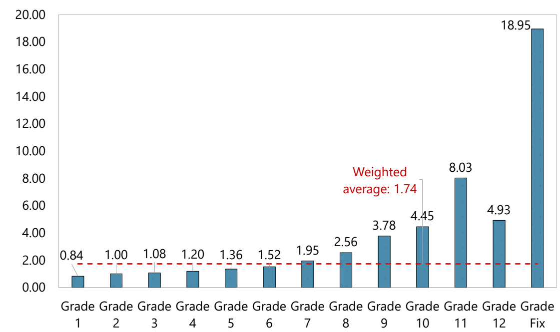
Sources of Risk	Likelihood	Expected Impact	Policy Response
Global growth surprises: **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Medium Low	**High.** Exports markets would shrink. Domestic economic activity would be severely impaired. The tax base would shrink, and spending may soar to support the economy and society, resulting into risk of debt distress and widening external imbalances.	• Build adequate fiscal and foreign exchange buffers. • Roll-out targeted social programs to support the vulnerable population. • Develop the domestic market to reduce dependence on global demand. • Implement structural reforms to support private sector development.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	Medium	**Medium.** Stock of physical and human capital, and thereby, domestic production would be adversely impacted. The number of internally displaced individuals would increase, leading to increased recovery spending and worsened fiscal situation.	Build resilience to natural disasters. Consider the policy recommendations from the recent technical assistance on Climate Policy Diagnostic and Climate Public Investment Management Assessment.
Domestic			
Social discontent and instability. High price levels are eroding households' real income, increasing inequality and intensifying wage increase demands, with the potential for heightened social tensions.	High	**High.** Socio-political uncertainty hurts confidence of economic actors and private investment, delays economic and policy reforms, and weakens institutions.	• Involve CSOs and other stakeholders in the society in policy decisions. • Further strengthen governance and anti-corruption reforms, including through implementation of recommendations from the recent governance diagnostic.
New virus outbreaks. Covid-19 resumes or other infections such as Mpox spread.	Medium	**High.** Economic activity would be locked down. Broad-based income support would be needed for the population.	• Strengthen preventive health system.

Annex II. Civil Service Wages

The Gambian authorities plan to increase civil service basic salaries by 30 percent starting in 2025. This will translate into a 20 percent increase in the total wage bill in the 2025 budget and will cost about ½ percent of GDP per year. The increase will compensate for the cost-of-living increase and align public sector compensation closer to the average in sub-Saharan Africa. The authorities are taking offsetting measures to ensure continued fiscal and debt sustainability.

1. **The Gambia's public sector employs around 50,000 individuals and monthly salary levels are low**. The current system has 12 grades and a fixed grade at the top, with roughly 94 percent of employees concentrated in the first eight grades. The weighted average salary is around GMD10,175 or $145 per month, with salaries ranging from $70 to $1,600 per month. Annually, a public sector employee in the first grade earns 0.84 times the country's GDP per capita, with the average employee earning 1.75 times the GDP per capita (Text Figure 1).

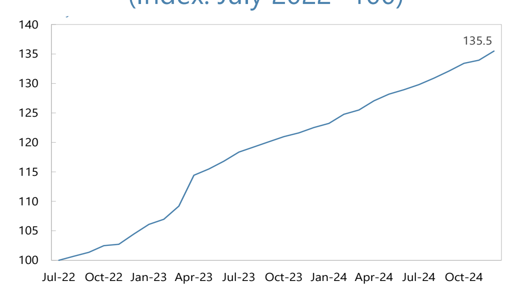
Annex II. Text Figure 1. The Gambia: Annual Earnings to GDP per Capita
(Multiples of annual GDP per capita)



Sources: The Gambian authorities; and IMF staff.

2. **The authorities plan to increase civil service basic salaries to compensate for real wage losses and shore up public sector competitiveness.** The increase will compensate for significant real wage losses, given the high inflation and cost-of-living increases the country experienced in recent years (Text Figure 2). In addition, low civil services wages in comparison to public agencies and the private sector are undermining staff retention and hiring. The authorities are planning an increase of 30 percent in basic salaries, translating into a 20 percent increase in the total wage bill as only selected allowances largely benefiting low-grade workers were adjusted. Additional costs to the budget are estimated at about ½ percent of GDP per year.

Annex II. Text Figure 2. The Gambia: Cumulative Inflation
(Index: July 2022=100)



Sources: The Gambian authorities; and IMF staff calculations.

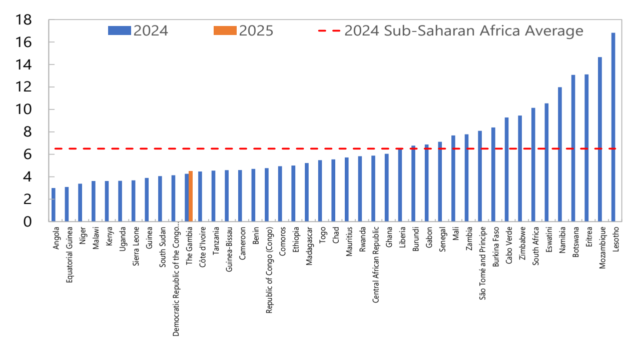
3. **The Gambia's public wage bill will remain below the regional average even with the proposed increase.** The Gambia's wage bill stood at 4.3 percent of GDP and 41.3 percent of tax revenue, respectively in 2024, which is below the regional averages of 6.5 percent of GDP and 46.1 percent of tax revenue, respectively.[1] Following the salary increase, the wage bill ratio to GDP will

[1] Zambia was removed from the graph as its wage bill to tax revenue ratio is higher than 200 percent.

reach 4.5 percent and 42 percent of tax revenue, which would still be well below the regional averages (Text Figures 3 and 4).

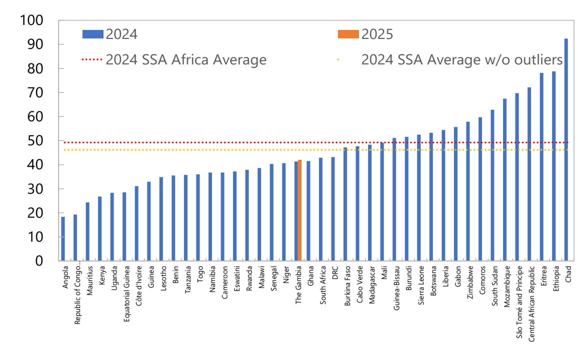
4. The authorities are taking offsetting measures to ensure continued fiscal and debt sustainability. These measures are a combination of further strengthening revenue collection and restrains on non-priority spending. Key revenue mobilization measures include streamlining tax exemption, digitalization, broadening the tax base, and improving compliance through sectoral audits. In addition, the authorities are introducing a 5 percent social security contribution, a sugar levy, and a new duty on scrap-metal exports. On spending side, non-priority current expenditure will be tightly controlled after unwinding the large OIC-and NAWEC-related impact in 2024. In addition, the authorities are strengthening expenditure and commitment controls and cash management to align spending with available resources and avoid any spending virements away from budgeted priority spending.

Annex II. Text Figure 3. The Gambia: Wage Bill to Nominal Gross Domestic Product Ratio
(Percent of NGDP)



Source: WEO database and IMF Staff calculations.

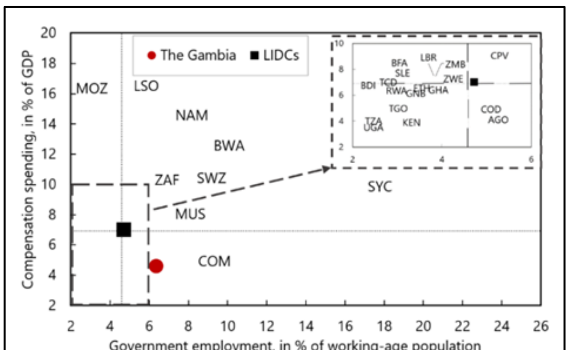
Annex II. Text Figure 4. The Gambia: Wage Bill to Tax Revenue Ratio
(Percent of Tax Revenue)



Source: WEO database and IMF Staff calculations.

5. A more comprehensive public service reform is being developed to improve wage bill management and attract, retain and motivate skilled personnel. The authorities intend to carefully review the civil service wage structure and management to upgrade payroll data management; rationalize and reduce the allowance component of total earnings; and develop a targeted strategy to address recruitment and retention issues of skilled workers. A first review of three ministries already revealed 3000 ghost workers. The Gambia has relatively high government employment as a share of the working age population compared to peer countries (Text Figure 5), underscoring the need to right-size and increase the efficiency of the public sector.

Annex II. Text Figure 5. The Gambia: Government Compensation Spending and Employment[1]



Sources: IMF FAD Expenditure Assessment Tool (EAT), IMF FAD Government Compensation Spending and Employment Dataset, IMF FAD Government-Private Compensation Premium Dataset, World Bank.
[1] Latest Value Available

Appendix I. Letter of Intent

Banjul, The Gambia
December 2, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Madam Managing Director,

On behalf of the Government and the people of The Gambia, we thank the IMF for its continued support which has been timely and substantial. With the IMF support under the current Extended Credit Facility (ECF) arrangement, economic recovery is strengthening while inflation is decelerating. Tourist arrivals continue to recover, reaching their pre-pandemic levels, remittance inflows remain strong, and public and private construction continue robustly. Our domestic revenue collection is reaching a high milestone. Public debt started to decline and continues to be sustainable. The new foreign exchange policy introduced in 2023 has helped address foreign exchange shortages. Our foreign exchange reserves exceeded program targets.

The attached Memorandum of Economic and Financial Policies (MEFP), outlines progress we have made under the ECF arrangement since the IMF Executive Board approval of the first ECF review in July 2024 and describes our policies going forward. The ECF-supported program helps strengthen governance and the implementation of structural reforms in our economic and financial institutions. The Anti-Corruption Act was enacted by the National Assembly, paving the way for a more robust legal framework to fight corruption. We also made good progress in different reform areas, including revenue administration, PFM, and the management of state-owned enterprises.

We remain firmly committed to the implementation of the ECF-supported program despite the challenging environment caused by global geopolitical tensions and conflicts. We have met six of seven quantitative performance criteria (QPCs) and all four indicative targets (ITs) for end-June 2024. We missed the QPC on net domestic borrowing (NDB) by 0.2 percent of GDP due to the spending pressures we faced from hosting the OIC Summit, accelerated spending on road construction, and emergency support to the public utility company NAWEC. Of the six structural benchmarks (SBs), with test dates between end-August, end-September, and end-October, two were completed. However, we faced delays on the adoption of the Domestic Revenue Mobilization Strategy, the adoption by cabinet of a revised National Audit Office Act, the adoption of a revised GIEPA Act to streamline tax incentives, and on the publication of the governance diagnostic report. We are on track to complete the two prior actions for the second review: submitting a budget in line with program parameters to the National Assembly and publishing an action plan to implement the recommendations of the governance diagnostic.

We reaffirm our commitment to our near- and medium-term key policies. This includes continuing the fiscal consolidation efforts and strengthening our fiscal policy framework, aimed at firmly reducing debt vulnerabilities; close monitoring of inflation developments and keeping a tight monetary policy stance as needed; pursuing an exchange rate that fully reflects market forces; and continuing to implement the forex policy to prevent reoccurrence of forex shortages and wedges with the parallel market.

Considering the commitment that we have shown in implementing the agreed macroeconomic policies and reforms and based on the strength of our policies and measures going forward, we request completion by the IMF Executive Board of the second review of our ECF-supported program and the associated financing assurances review. We also request a waiver of non-observance of the QPC on NDB based on the corrective actions we are taking, including a freeze of non-essential expenditures, strengthened budget formulation and reporting, and arrears monitoring and prevention. We request to modify the end-March and end-June 2025 QPCs on the NDB ceiling and the domestic primary balance floor to reflect the revisions in the fiscal framework and projections and to modify the end-December 2024 IT floor on poverty-reducing expenditure as the urgent need to address the domestic electricity crisis required re-prioritization of some spending. The completion of the review would allow for the disbursement of the third tranche of the ECF arrangement (SDR 8.29 million) and its partial on-lending to the budget (SDR 3.3 million), which will help meet pressing external and fiscal financing needs.

We believe that the policies and measures set forth in our previous MEFP and supplemented by this MEFP are adequate to achieve the program objectives. Nonetheless, the Government will take any additional measures that may become appropriate for this purpose. The Government will consult with the IMF, or whenever the Managing Director requests such consultation, prior to adopting any such measures or revising the policies in the MEFP, in accordance with the Fund's policies on such consultation. We will continue to provide IMF staff with all information needed to monitor the implementation of the economic and financial policies geared towards achieving the program objectives.

In keeping with our longstanding commitment to transparency, the Government consents to the publication of the IMF staff report, including this letter, the attached MEFP, and the Technical Memorandum of Understanding (TMU). Therefore, we authorize the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board completes this second review of our ECF arrangement.

Sincerely yours,

/s/	/s/
Seedy Keita	Buah Saidy
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) describes recent economic developments as well as the macroeconomic outlook and risk since the completion of the first review in June 2024. It provides updates on the policies and structural reforms that we intend to implement under the program supported by the IMF's Extended Credit Facility (ECF).

Background

1. This Memorandum of Economic and Financial Policies (MEFP) supplements and modifies the one dated June 6, 2024. It reviews economic developments in the first half of 2024 and reports on performance under The Gambia's economic and financial program is supported by the IMF under the ECF arrangement. It also outlines our key policy and reform measures for the remainder of 2024, 2025, and the medium term. Overall, our policies continue to aim at supporting economic recovery, tackling inflation, addressing foreign exchange pressures, reducing debt vulnerabilities, and fostering strong and inclusive growth to benefit all citizens of The Gambia. To this end, we continue to advance our structural reform agenda underpinned by the ECF-supported program, including significant reforms in revenue administration, PFM, the management of state-owned enterprises (SOEs) and the enactment of the anti-Corruption Act which paves the way for a more robust legal framework to combat corruption in the country.

2. This year, we hosted the 15th Summit of the Organization of the Islamic Cooperation (OIC). The OIC is the second largest inter-governmental organization in the world with 57 member states, and the Summit was a top national priority. We expect substantial benefits from the summit, including from the related infrastructure projects, particularly roads, strengthened international cooperation, and the visibility of our country to potential investors. The Gambia will chair the OIC for the coming three years.

Recent Economic Developments

3. Economic recovery is strengthening while inflation has started to decelerate. Real GDP growth is estimated at 5.8 percent in 2024, supported by agriculture, services, telecom and construction sectors. Tourist arrivals continued to recover in 2024H1, reaching a level closer to the pre-pandemic peak level of 2019. Remittance inflows also increased from $254 million in 2023H1 to $265 million in 2024H1. Inflation peaked at 18.5 percent (y-o-y) in September 2023, and declined to 10 percent (y-o-y) in September 2024, reflecting the impact of the moderated global commodity prices and continued restrictive monetary policy.

4. Fiscal performance in 2024H1 was weaker than anticipated, mainly reflecting spending pressures from the OIC Summit and the electricity sector, and accelerated spending on road construction, despite strong revenue collection efforts. Our revenue collection in 2024H1 outperformed targets and slightly exceeded projections. However, the expected budget support grants of 0.3 percent of GDP did not materialize and were temporarily compensated by higher domestic financing. Current spending largely exceeded initial plans, reflecting the substantial logistical costs of hosting the OIC summit and emergency support to NAWEC to help cover some of its arrears to international power suppliers. On the other hand, domestically financed capital spending declined relative to 2023 and was below projections.

5. The foreign exchange market continues to function smoothly following the introduction of a robust foreign exchange policy in December 2023. Forex supply conditions have improved. The wedge between the official and parallel exchange rates has almost closed. The increase in tourist arrivals and private remittances inflows helped stabilize foreign currency supply conditions despite the start of the lean tourism season. Gross reserves outperformed targets at end-September-2024.

6. The financial sector remains resilient. The banking sector generally remains well capitalized, liquid, and profitable, with most key financial soundness indicators comfortably above stipulated prudential thresholds. Banks' nonperforming loans (NPLs) increased significantly to 10 percent at end-June 2024, from 3 percent at end-2023 due to concentration risks in certain banks' loan portfolios. However, provisioning levels still exceed 71 percent of non-accrual loans and the CBG's June quarterly stress testing results suggest that the banking sector remains resilient to potential capital and liquidity shocks. Credit to the private sector grew modestly by 3.3 percent (y-o-y) in August 2024, down from 31 percent in mid-2023. Banks' excess reserves remained high but have declined to about 11.9 percent of reserve money at end-August 2024 from a recent peak of 16.3 percent in August 2023.

Program Performance

7. We remain committed to meeting our ECF-supported program's targets and structural reforms agenda, albeit with some delays:

- *Quarterly* performance *criteria (QPCs):* Six out of seven QPCs for end-June 2024 were met (Table 1). The adjusted floors on the stock of net usable international reserves (NIR) and domestic primary balance were met with large margins. The four external debt-related QPCs were also met, namely the zero-ceiling on non-concessional external debt contracted and guaranteed by the government, the zero-ceiling on the outstanding stock of external public debt with original maturity less than one year, the non-accumulation of external payment arrears, and the ceiling on new concessional external debt contracted or guaranteed by the government. The adjusted QPC on net domestic borrowing (NDB) was missed by GMD 318 million (0.2 percent of GDP) due to the spending pressures we faced from hosting the OIC, accelerated spending on road construction, emergency support to NAWEC, and the non-realization of receipts from arbitrations. We request a waiver of non-observance of the performance criterion on NDB based on the corrective actions discussed in ¶11 below.

- Indicative *targets (ITs)*: All ITs for end-June 2024 were met (Table 1). We met the floor on total tax revenue, the ceilings on central bank credit to the central government and central bank's net domestic asset, and the floor on poverty-reducing expenditure. However, we request a reduction in the floor on poverty-reducing spending at end-December from GMD 11 billion to GMD 10.1 billion as the urgent need to address the domestic electricity crisis required us to re-prioritize some spending.

- Structural *benchmarks (SBs):* Out of the six SBs, with test dates between end-August and end-October 2024 (Table 2), two—on undertaking ten comprehensive audits to large taxpayers, including in the telecom sector, and ensuring all MDAs submit yearly cash plans through the IFMIS module—were met. However, we faced delays on the adoption of the Domestic Revenue Mobilization Strategy (DRMS), the adoption by cabinet of a revised National Audit Office Act, the adoption of a revised GIEPA Act, and on the publication of the governance diagnostic report given the redundance of some recommendations and concerns with some of the language contained in the report. We request postponing the SB on the DRMS to end-June 2025 as we need more technical assistance and time to appropriately address the comments provided by development partners, specifically regarding the appropriate prioritization and sequencing of actions considering the implementation capacity of MoFEA and GRA. We also request postponing the SBs on adoption of the National Audit Office Act and a revised GIEPA Act to end-December 2024 as the negotiations between different stakeholders have taken more time than anticipated. This will provide more time for us to send the revised GIEPA Act for comments to our development partners. Nonetheless, we have initiated the revocation and/or suspension process of 14 Special Investment Certificates already, reducing tax expenditures for 2025. Once the noticed period elapse, the revocation will take effect on the list of the 14 beneficiaries of SICs. On the governance diagnostic, we are currently working on finalizing an implementation plan for the recommendations of the report and will publish this plan and the recommendations of the report by mid-December (**prior action**).

Macroeconomic Outlook

8. The Gambia's economy is expected to continue expanding over the medium term. Real GDP is projected to expand by 5.9 percent in 2025, supported by the tourism, telecom, construction, and agricultural sectors, before stabilizing around 5 percent in the medium term. Inflationary pressures are expected to ease gradually based on the expected decline in the prices of some key international commodities and will converge to the CBG's medium-term target of 5 percent by the end of 2026. Forex reserves are projected to remain at a comfortable level above 4 months of prospective imports in the medium term. We are targeting a fiscal deficit of 1.3 percent of GDP in 2025, and the deficit is expected to further decline to 0.4 percent of GDP in the medium term, to support a steady decline in public debt-to-GDP ratio.

9. The outlook continues to be clouded by significant risks. On the downside, risks of intensification of regional conflicts, global commodity price volatility, and a possible global slowdown, which, if materialized, could slow growth, and increase inflationary, exchange rate, forex, and fiscal pressures. On the upside, we hope to benefit from a Compact with the Millennium Challenge Corporation as early as late 2025.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

10. The National Development Strategy for 2023–27 is the overarching framework for our strategic priorities. The Government is working to restore strong, sustained, and inclusive economic growth, with a view to accelerating The Gambia's march towards economic and social emergence. To achieve this, we recognize that it is necessary to strengthen macroeconomic stability and engage in a deep structural transformation of the economy through significant investments in the priority sectors of the strategy, while maintaining the sustainability of public finances and supporting the country's resilience to climate change.

B. Strengthening the Fiscal Policy Framework

11. Despite additional spending pressures, we remain committed to achieving the 2024 fiscal targets under our ECF-supported program. In September, we had to provide additional support to NAWEC to maintain electricity supply and protect the economy. However, building on the strong tax revenue performance in H1, we will continue to strengthen revenue collections and expect to end the year with around GMD 1 billion in additional tax and nontax revenues compared to our original target for 2024. Also, we will tightly control our spending while meeting the priority needs of the country. Specifically:

- We increased the National Road Authority fuel levy to take advantage of falling international oil prices and will continue to claw back on earlier subsidies. In November 2024, domestic petrol prices exceeded full pass-through prices for the third consecutive month, and we will continue to recoup earlier fuel subsidies until at least the end of the year.
- We completed ten audits of large taxpayers (**SB for end-September 2024**), including eight commercial banks and two telecom companies, with total established liabilities of GMD 235 million and GMD 141 million, respectively. This resulted in higher revenue in the short term and will increase compliance sustainably. To illustrate, audited banks reported GMD 409 million in corporate tax payments in 2024H1, compared to GMD 204 million in 2023H1.
- We are implementing an IT system for excisable goods, revenue assurance system for mobile network operators and fuel marking, with early promising results: domestic excise duty collection at end-August 2024 recorded nominal growth of 30 percent (y-on-y).
- We took measures to collect more non-tax revenue, including ensuring to receive a tranche from the Africa50's asset recycling program.
- We are making every effort to fulfill all triggers in budget support programs of development partners to secure timely disbursements.

- On the expenditure side, we are strengthening our expenditure controls and cash management to strictly align spending with available resources, avoid any further spending virements away from priority spending, and prevent the further accumulation of domestic arrears.

- Due to the urgent need to use some of our budgeted resources to address the electricity crisis, we may not meet our targeted poverty-reducing expenditure at end-year, and we ask to lower the end-year indicative target accordingly. However, we consider this intervention through tariff compensation as crucial in addressing basic social needs of the population and supporting the economy.

12. We will sustain our fiscal consolidation efforts in 2025 to keep public debt on a firm downward trajectory. We will submit to the National Assembly a 2025 budget that is consistent with program parameters and is projected to achieve a deficit of 1.3 percent of GDP **(prior action)**. We project total tax revenues at GMD 21.2 billion, higher than at the time of the first ECF review based on our strong revenue collection efforts, and expenditures are budgeted at GMD 47.4 billion. The overall deficit exceeds the target envisaged during the first review given the need to partially accommodate spending that was postponed to 2025 and decisively pay down domestic arrears and payment floats that have accumulated. The following fiscal policies will help achieve these objectives:

- On the revenue side, our efforts will be guided by our domestic revenue mobilization strategy (**rephased SB to end-June 2025**) and GRA's Corporate Strategic Plan for 2025-2029. Specifically, to support our revenue targets we will bolster excise collection through fuel marking and new excise stamps; enforce the duty waiver policy which streamlines and reduces revenue losses; establish a framework that will allow collecting tax and non-tax revenue through commercial banks on behalf of the government to improve collection efficiency and reduce leakages; continue to bolster GRA's audit capacity and undertake tax audits of the tourism and hospitality sectors; and continue to streamline tax exemptions. To this end, the cabinet will adopt a revised GIEPA Act with more limited tax incentives (**rephased SB to end-December 2024**), and we have initiated the revocation and/or suspension process of 14 Special Investment Certificates. In addition, we have introduced a 5 percent social security contribution, a new duty on scrap-metal exports and a levy on sugar and will undertake studies on revising the IVATA to introduce reforms of VAT and CIT; and bolster the collection of administrative fees that have not been adjusted for several years.

- On the expenditure side, we will unwind the large OIC-related operational costs, pay down reconciled arrears and payment floats of at least GMD 1.9 billion, and firmly ring-fence poverty-reducing spending.[1] In light of the high increase in the cost-of living over the last two years, we will raise basic civil service salaries by 30 percent, which will be accommodated in an increase in the overall wage bill of about 20 percent and financed by some of the new permanent revenue sources described above to ensure fiscal sustainability. We will carefully review the civil service

[1] These payments are included in the following 2025 budget lines: GMD 850 million (goods and services); GMD 250 million (subsidies and transfers); GMD 800 million (domestic capital expenditure).

wage structure and management to i) upgrade payroll data management and eliminate ghost workers; ii) rationalize and reduce the allowance component of total earnings; and iii) develop a targeted strategy to address recruitment and retention issues of skilled workers. As is current practice, we will continue to share with Fund staff information on external loan disbursement plans related to foreign-financed infrastructure projects.

13. The Government recognizes the importance of contingency planning to safeguard attainment of the 2025 fiscal deficit target. To this end, and to be prepared should electricity pressures reemerge, we will include a contingency for potential support to NAWEC in the budget, while vigorously pursuing its reform (¶17). To reduce the cost of electricity and associated need for subsidy support we have been actively pursuing alternative electricity sources and recently new supplies from Guinea through The Gambia River Organization for Development (OMVG) came onstream, while solar energy projects supported by the World Bank are progressing well. As always, we will execute our budget prudently, mindful of actual revenue collection and standing ready to adjust non-priority expenses as needed to meet fiscal targets.

14. We are committed to maintaining our medium-term fiscal strategy as previously envisaged. Enhanced revenue collection will be critical to address our large social and developmental needs while maintaining fiscal sustainability. The GRA's 2025-2029 Corporate Strategic Plan is guided by four strategic objectives: (i) improve voluntary compliance, (ii) enhance trade facilitation, (iii) transform GRA culture, and (iv) improve internal efficiencies. Sustained revenue mobilization over the medium term will focus on digitalization, broadening of the tax base, and improving compliance:

- The process to procure an Integrated Tax Administration System (ITAS) through World Bank funding is progressing well. The GRA signed a contract in May 2024 for the system supply and implementation, which includes gathering functional specifications requirements for taxpayer registrations and returns processing and the training of the ITAS technical team on database administration. Additionally, there is an ongoing review of the alignment of the IVATA Act with ITAS implementation.

- To further support digitalization, we are working on plans to fully digitalize the collection of VAT with the introduction of smart invoice technology. Once fully implemented, all VAT registrants will be connected to GRA servers in real time when making sales.

- To expand the tax base and enhance rental tax collection, we will create a database of rental property for taxation purposes **(SB for end-June 2025)**. With our reform, system properties registered for rental platform services can be identified and if they are not registered as structured real estate agencies where rent received is considered as business income, they would be required to pay rental income taxes.

- We have developed a tax expenditure policy to guide the systematic administration, monitoring and transparent reporting of tax expenditures across MDAs. Based on this, and to enhance transparency of tax expenditures, we will submit to the cabinet and to the National Assembly thereafter a tax expenditure statement (**new SB for end-December 2025**).

15. We will continue implementing reforms on public financial management (PFM) to support our near- and medium-term fiscal framework. We are working to ensure cabinet approval of the roadmap for the implementation of program-based budgeting and initiate roll-out in preparing the 2025 draft budget for pilot ministries **(SB for end-December 2024)**. We will prepare a study on rationalizing and consolidating subvented agencies with MDAs (**SB for end-December 2024**). We will extend the use of IFMIS to 4 new donor and all government-funded projects **(rephased SB to end-September 2025)**. We will prioritize investment decisions by developing a pipeline of appraised investment projects based on the Gambia Strategic Review Board (GSRB) prioritization tool. We will collaborate closely with the National Assembly to accelerate the adoption of the PFM Act (**new SB for end-December 2025**) and PPP bill to, respectively, strengthen budget processes and accountability and contain fiscal risks. We will ensure transparency, accountability, performance, and results orientations in meeting the goals of inclusiveness and equality in the budget process by piloting gender-based budgeting. Building on the achieved SB regarding the submission of cash projections by all MDAs through IFMIS, we will now require MDAs to submit quarterly reports through IFMIS and include a maximum deviation rule, subject to spending pressures emanating from essential expenditures (**new SB for end-December 2025**). Additionally, we will aim to operationalize an e-procurement system.

16. Considering how unbudgeted spending affected our fiscal performance in 2024, we will take additional steps to improve our PFM framework, including:

- Developing and publishing, as a sign of our commitment to regularizing expenditure going forward, a report of all existing domestic arrears and unsettled commitments by the central government (**new SB for end-March 2025**).
- Based on this report, we will develop a comprehensive, timebound strategy to address the root causes of arrear creation, clarify the definition of expenditure arrears, and outline a schedule for arrear payment, including prioritization criteria (**new SB for end-June 2025**). We expect to complement this exercise by including arrears from SOEs in the future.
- Ensuring that the Chart of Accounts is entirely aligned with GFS 2014, finalize the Chart of Accounts manual and publish the Chart of Accounts and its manual on MoFEA's website (**new SB for end-September 2025**).

17. We are stepping up the efforts to transform the SOE sector from fiscal burdens to revenue sources. We are working on improving the governance and the operational and financial performance of the SOEs. The negotiation of performance contracts with SOEs has improved the financial performance of most SOEs, but the financial performance of NAWEC, GAMTEL and GAMCEL is still poor. We are currently renegotiating a performance contract with NAWEC, including technical, financial and governance performance indicators. Ultimately, the improved performance of SOEs will allow rationalizing subsidies and ultimately result in dividends being paid to the government once the appropriate regulation is in place. We will publish the audited financial accounts, up to 2023, of all SOEs on their websites upon review by the National Assembly, including the cost of services undertaken at the government's request to ensure transparency and good governance. We have already finalized and enacted regulations of the SOEs Act, together with the regulations on the Public Procurement Act (**SB for end-December 2024**). We are on track to complete partial or full privatization of GAMCEL over the next years (**rephased SB to end-March 2026**).

18. We are committed to firmly reducing debt vulnerabilities, while addressing the large development needs. Our public debt continues to be sustainable, but the risks of overall and external debt distress remain high. While the proposed fiscal consolidation is, at this stage, planned to be based broadly equally on efforts in domestic revenue and domestically financed spending, our DRMS will be key to enhance domestic resource mobilization and address our debt-development trade-off. We intend to utilize innovative options, such as the Africa50 Asset Recycling Program, to finance infrastructure projects without worsening debt vulnerabilities or creating fiscal risks, and in line with the fiscal and debt objectives under our ECF-supported program. Similarly, we will ensure that SOEs and PPPs do not give rise to fiscal risks and contingent liabilities. We will avoid contracting non-concessional borrowing and will adhere to the agreed concessional borrowing plan under the ECF-supported program.

C. Monetary and Exchange Rate Policies

19. The CBG remains committed to achieving the inflation target over the medium term. While inflation has declined from its September 2023 peak, the recent modest pick-up in inflation indicates significant risks surrounding the outlook and the presence of short-term price pressures, which calls for prudent policy calibration to sustain the declining inflation. The MPC will closely monitor inflation developments and maintain the policy rate on hold to ensure that inflation converges to the CBG's medium-term target of 5 percent. The CBG also stands ready to deploy a combination of any adequate policy tools, including the issuance of CBG bills, the use of the deposit window and the reserve requirement ratio, to ensure inflation steadily declines to the CBG's target.

20. The CBG has taken measures to ensure a market-determined exchange rate and a smooth functioning of the foreign exchange market. In December 2023, the CBG published a new foreign exchange policy and revised the foreign exchange bureau guidelines to ensure transparency and the smooth functioning of the market. The CBG is committed to pursuing an exchange rate that fully reflects market forces and continuing to implement the forex policy to prevent reoccurrence of shortages and wedges with the parallel market. The CBG will finalize and approve a forex intervention policy by end-December 2024 and limit any forex market interventions to only alleviating excess market volatility.

21. The CBG remains vigilant to vulnerabilities in the financial system and committed to advancing regulatory and supervisory reforms. We are closely monitoring the recent increase in banks' NPLs. We will focus on measures to strengthen the resilience of the banking sector, including the adoption of the Basel Capital Frameworks to improve the assessment of capital requirement for banks, with the initial focus on the implementation of Pillar 1 of Basel II. To this end, the CBG will require the augmentation of banks' minimum regulatory capital by GMD100 million by end-December 2025 (**rephased SB to end-December 2025**) and by another GMD100 million each year thereafter to reach a total level of capital of GMD500 million by end-2027.

22. We are committed to preserving the strength of the CBG's financial position. Due to socio-economic emergencies, the CBG unavoidably provided some lending to public entities. Repayment of all existing loans provided by the CBG to the public entities outside the central government are guaranteed by the central government to prevent financial risks to the CBG. Going forward, the CBG will cease financial assistance outside its core mandate to any third party in order to preserve its financial autonomy and enshrine an ex ante legal framework of temporary emergency lending to the government with strict conditions in truly catastrophic circumstances, to be defined in consultation with IMF staff, explicitly in the CBG Act. To this end, and to address broader weaknesses identified in the 2024 safeguards assessment, the CBG Board will approve amendments to the CBG Act in line with the IMF safeguards recommendations under mutual agreement, followed by cabinet approval and submission to the National Assembly after the completion of the current constitutional reform process.

D. Governance

23. We continue to take steps to improve governance. To this end, we voluntarily engaged the IMF to conduct a governance diagnostic and we will finalize and publish a plan for the implementation of the recommendations in the governance diagnostic report (including the recommendations) by mid-December (**prior action**). Other progress on governance reforms includes submission to cabinet of a draft law on AML/CFT aligned with the international AML/CFT standards as set up by the Financial Action Task Force. To strengthen the independence and effectiveness of the National Audit Office, the cabinet will adopt a revised National Audit Office Act by end-December (**rephased SB to end-December 2024**). We remain committed to implementing further areas of reforms identified by the governance diagnostic report, including digitalization and automation of administrative processes, contract enforcement, and limits on discretion in public decisions.

E. Business Environment, Climate Change, and Inclusive Growth

24. The Government is committed to unleashing the country's economic potential by improving the business environment. To foster business creation and formal sector employment, we will set up a digital platform for business registration **(rephased SB to end-June 2025)** and the cabinet will adopt a land policy **(SB for end-September 2025)**. To enhance and strengthen access to finance, we are advancing efforts on developing a robust Credit Reference Bureau which should be established by second half of next year. We will continue to widen the coverage of the national switch (GamSwitch) to enhance its resilience and revenue generation potential. This will be achieved through the implementation of robust software (Powercard) pursuant to interoperability within the financial system. GamSwitch's main role is to facilitate connectivity to a central platform for retail payments, which enhances financial inclusion through digital retail payments by banks and fintech firms.

25. We are taking measures to protect the most vulnerable population. This includes completing the expansion of the social registry to the Banjul and Kombo areas to improve the targeting of social programs **(SB for end-December 2024)**. Currently, there are more than ten social programs that have started using the social registry to better target vulnerable populations. We aim to increase the coverage of the Family Strengthening Program to 15 thousand individuals by 2026. Additionally, the recently approved National Social Protection Act and regulations will allow us to create a budget line which will specifically fund social protection programs. This will allow us to tightly monitor and report on them on a quarterly basis.

26. The Gambia is committed to increasing resilience to climate events while taking advantage of development opportunities with emission reduction co-benefits. The Gambia is vulnerable to climate change induced weather events such as floods, storms, droughts, and coastal erosion, which create large adaptation needs. In addition to our ongoing work to attract climate finance, we will seek an RSF-supported program to implement key recommendations from our recent Climate Policy Diagnostic (CPD) and Climate Public Investment Management Assessment (C-PIMA). We aim to increase the coverage of our social safety net while linking it to disaster response; enhance coastal zone management, introduce green PFM reforms, and implement revenue-raising policies in the transport and waste sectors that will also help address public health challenges, while contributing in the low-carbon transformation of our economy.

Capacity Development

27. Technical assistance (TA) and training from the IMF will continue to play a critical role in helping us strengthen the institutional capacity needed to implement reforms under the ECF-supported program. We appreciate the IMF's availability to deliver high quality TA upon request to strengthen areas including revenue administration, public financial management, macroeconomic statistics production and dissemination, tax policy, fuel pricing, forex policy, SOEs, and governance. We are working with IMF technical assistance to advance the project on GDP rebasing—a priority for us—and we will request additional TA support to meet program objectives. On the revenue side, this includes support to finalize the DRMS and measures to streamline tax exemptions and enhance rental property taxation. We will also seek TA to enhance public financial management efficiency through the roll-out of program-based and gender-based budgeting, the prioritization of investment decisions, and improved cash management and projections. TA will also be useful for the finalization of the new PFM and PPP Acts, and the full implementation of SOE and procurement new legal frameworks. In addition, we will need TA to develop and implement a strategy for preventing and clearing all existing domestic arrears and unsettled government commitments and develop and finalize a manual for the Chart of Accounts aligned with the 2014 GFS. The CBG is looking for receiving additional support for the implementation of Basel II/III frameworks and risk-based supervision, possibly through a renewed resident advisor position, as well as for its monetary operations (liquidity forecasting, reserve management, and risk management). In line with the 2024 safeguards assessment, the CBG will consult the IMF on the relevant amendments to the CBG Act. We value the provision of TA, including through resident experts, AFRITAC West 2, and IMF-HQ.

Program Monitoring

28. We will take all measures needed to meet quantitative targets and observe structural benchmarks under the program. The program will continue to be subject to semiannual reviews, based on performance criteria, indicative targets and structural benchmarks as set out in Tables 1, 2 and 3 of this Memorandum and defined in the attached Technical Memorandum of Understanding (which also sets out the requirements for data reporting to IMF staff). The third program review will be based on end-December 2024 targets and is expected to be completed on or after March 31, 2025. The fourth program review will be based on the end-June 2025 targets and is expected to be completed on or after September 30, 2025. The fifth program review will be based on end-December 2025 targets and is expected to be completed on or after March 31, 2026.

Table 1. The Gambia: Quantitative Performance Criteria and Indicative Targets for 2024–2025

(Cumulative from beginning of calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2024											2025					
	Mar.				Jun.				Sept.	Dec.		Mar.		Jun.		Sept.	Dec.
	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	1st Review	Prog.	1st Review	Prog.	1st Review	Prog.	Prog.	Prog.
Performance criteria[1]																	
1. Net domestic borrowing of the central government (ceiling)	1,300	1,897	1,356	**Met**	2,600	3,480	3,798	**Not Met**	2,800	2,700	2,700	1,300	3,400	1,900	6,000	3,900	4,000
2. Domestic primary balance (cumulative floor)	-160	-757	-374	**Met**	-100	-686	-465	**Met**	1,100	1,040	1,040	80	-700	740	-1,900	2,500	2,700
3. Stock of net usable international reserves of the central bank (floor, US$ million)	277	268	344	**Met**	280	260	346	**Met**	282	309	309	298	298	283	283	267	285
4. New external payment arrears of the central government (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. New concessional external debt contracted or guaranteed by central government (ceiling, US$ million)[3]	90	...	0.0	**Met**	90	...	0.0	**Met**	90	90	90	90	90	90	90	90	90
Indicative targets[1]																	
8. Total tax revenue (floor)	4,400	...	4,712	**Met**	8,900	...	9,079	**Met**	13,100	17,200	17,200	5,200	5,700	10,400	11,100	16,200	21,200
9. Monthly ceiling on central bank credit to the government at non-market terms (GMD millions)[4]	0.0	...	0.0	**Met**	0.0	...	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. New central bank credit to public entities (ceiling, GMD millions)[5]	...	...	...	...	...	...	...	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
11. Stock of net domestic assets of the central bank (ceiling)	11,365	...	10,615	**Met**	11,825	...	10,847	**Met**	12,285	12,745	12,745	13,216	13,216	13,687	13,687	14,157	14,628
12. Poverty-reducing expenditure (floor)	2,500	...	3,362	**Met**	5,000	...	6,149	**Met**	7,500	11,000	10,100	2,725	3,000	5,450	6,000	9,000	12,000
Memorandum Items:																	
Budget Support (grants, US$ millions)	8.9	...	0.0	...	8.7	...	0.0	...	23.1	50.0	50.0	10.0	0.0	20.0	0.0	13.2	33.2
Base Money (stock, GMD millions)	21,577	...	24,129	...	21,919	...	25,298	...	22,261	22,603	22,603	22,787	22,787	22,971	22,971	23,155	2,339
IMF disbursements (SDR millions)[6]	8.29	...	8.29	...	16.58	...	0.0	...	16.6	24.9	24.9	0.0	0.0	12.4	12.4	0.0	24.9

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are test dates. Targets for end-March and end-September are indicative targets (ITs), except for continuous performance criteria.

[2] These criteria apply on a continuous basis.

[3] The debt limit is formulated in nominal terms due to authorities' limited capacity to monitor and observe conditionality on aggregate debt levels (including in PV terms).

[4] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non-market terms as of the end of each month, excluding the RCF onlending and the 30-year bond held by the CBG.

5 Once an ex ante legal framework has been enshrined in the CBG Act, emergency lending to the government can be affected under catastrophic circumstances.

[6] The amounts for 'Prog Mar 2024' and 'Prog Mar 2025' were incorrectly reported in the program approval and first review Staff Reports.

Table 2. The Gambia: Prior Actions and Structural Benchmarks for the Second ECF Review, 2024			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior Actions			
Submission to the National Assembly of a 2025 budget consistent with program parameters.	Ensure the budget is consistent with the program objectives.	Prior Action	Met
Finalize and publish the recommendations and an action plan for the implementation of the recommendations of the governance diagnostic report.[2]	Strengthen governance in key macro-critical areas.	Prior Action	Met
Structural Benchmarks			
Domestic Revenue Mobilization (GRA/MOFEA)			
Adopt by the Cabinet a revised GIEPA Act with streamlined tax incentives.	Ensure cost-benefit balance between revenue losses and economic contributions of beneficiaries of tax incentives.	End-September 2024 (proposed to be postponed to end-December 2024)	Not met
Adopt a domestic revenue mobilization strategy.	Enhance revenue collection.	End-September 2024 (proposed to be postponed to end-June 2025)	Not met
Undertake, by the Gambia Revenue Authority, 10 comprehensive audits of Large Taxpayers, including in the telecom sector.	Improve revenue collection in fast-growing niche sectors.	End-September 2024	Met
Public Financial Management (MOFEA and Cabinet)			
Ensure all MDAs submit yearly cash plans through the IFMIS module.	Contain spending within available resources.	End-September 2024	Met
Governance			
Adopt by the cabinet a revised National Audit Office Act.	Strengthen the independence and effectiveness of the National Audit Office.	Proposed to be postponed to end-December 2024	Not met

[2] The end-August SB to publish the governance diagnostic report is proposed to be dropped.

Table 3. The Gambia: Structural Benchmarks for Third - Fourth – Fifth ECF Reviews, 2024–25			
Measures	**Macro Rationale**	**Timing**	**Status**
Domestic revenue mobilization (GRA/MOFEA)			
Create a database of rental property for taxation purposes.	Expand the tax base and prevent avoidance.	End-June 2025	
Submit to the Cabinet and the National Assembly a tax expenditure statement in line with FAD recommendations.	Enhance transparency of tax expenditure and protect revenue collection.	Proposed end-December 2025	
Public Financial Management (MOFEA and Cabinet)			
Ensure Cabinet approval of the roadmap for implementation of program-based budgeting and initiate roll-out in preparing 2025 draft budget for pilot ministries.	Improve the effectiveness of the budget in reaching the expected outcome.	End-December 2024	
Prepare a study on rationalizing and consolidating subvented agencies with MDAs.	Improve efficiency of institutions and reduce burdens on the budget.	End-December 2024	Met
Extend the use of IFMIS to 4 multilateral-donor projects and to all government-funded projects implemented after January 1, 2025.	Strengthen the management of investment projects.	End-June 2025 (proposed to be postponed to end-September 2025)	
Adopt by the Cabinet a revised PFM Act	Establish a fiscal rule and streamline the project approval process	Proposed end-December 2025	
Require all MDAs to present quarterly updates to their cash plans through IFMIS and implement a 'maximum deviation' rule. subject to spending pressures emanating from essential expenditure	Improve the cash forecasting and management system and ensure meeting fiscal and debt targets.	Proposed end-December 2025	
Complete and publish a report of all existing arrears and unsettled commitments by the central government.	Have a full understanding of government's commitments and avoid unexpected fiscal pressures	Proposed end-March 2025	
MoFEA to develop and publish a comprehensive, timebound strategy to (i) propose measures to address the shortcomings in the PFM systems that led to accumulation of pending bills and other arrears and clarify the definition of expenditure arrears; (ii) propose criteria for clearing validated arrears and outline a payment schedule consistent with the overarching objective to reduce debt and debt vulnerabilities.	Ensure proper management of arrears and unsettled commitments according to a pre-defined payment schedule, avoiding unexpected fiscal pressures	Proposed end-June 2025	
Ensure that the Chart of Accounts is entirely aligned with GFS 2014, finalize the Chart of Accounts manual and publish the Chart of Accounts and its manual on MoFEA's website.	Ensure budget planning is aligned with best practices and avoid misclassification errors	Proposed end-September 2025	
Governance and SOE Reforms (MOFEA)			
Finalize and enact regulations of the recently passed public procurement and SOEs Acts.	Ensure effective impact of reforms on procurement and SOEs.	End-December 2024	

Complete the expansion of the social registry to Banjul and Kombo areas.	Improve the targeting of social programs to the most vulnerable population.	End-December 2024	
Set up a digital platform for business registration.	Facilitate business creation and increase formal sector employment.	End-December 2024 (proposed to be postponed to end-June 2025)	
Complete partial or full privatization of GAMCEL.	Turn SOEs from fiscal burdens to revenue-generating assets.	End-March 2025 (proposed to be postponed to end-March 2026)	
Adopt by the Cabinet a draft land policy.	Facilitate access to land and finance and improve business creation.	End-September 2025	
Financial Sector (CBG and MoFEA)			
Require the augmentation of banks' capital by GMD100 million.	Strengthen the resilience of banking sector to future potential shocks.	End-September 2025 (proposed to be postponed to end-December 2025)	

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between The Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through January 2027. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under the program. Unless otherwise specified, all quantitative performance criteria (PCs) and indicative targets (ITs) will be evaluated in terms of cumulative flows from the beginning of the period.

Quantitative Targets

A. Cumulative Floor on the Central Government Domestic Primary Balance

1. Definitions: The central government for the purposes of the program consists of the set of institutions currently covered under the state budget. The central government includes the central administration, public institutions and other entities that are financed through the budget. Central government includes ministries, departments, and agencies and excludes local and regional governments and public enterprises. Public entities outside the central government for purposes of the program include all general government entities outside the central government.

2. Definitions: The domestic primary balance of the central government is measured above the-line and defined in accordance with the monthly consolidated Central Government budget report on budget execution (Statement of Government Operations) for the month and cumulatively from the beginning of the year. Domestic primary balance is calculated by subtracting expenses (except interest payment) and domestically financed capital expenditures from domestic revenue. Domestic revenue is recorded on a cash basis and includes tax revenues and non-tax revenues. Revenues exclude any type of financial transfers from the central bank (except dividends payments), interest income from intra-public sector holding of securities and debt obligations, proceeds from the sale of financial assets, and special drawing rights (SDRs) allocated by the Fund or received bilaterally from other IMF members.

3. Adjuster: The cumulative floor on the central government domestic primary balance targets will be adjusted upward/downward by the excess/shortfall of the dalasi equivalent of the total budget support grants received in that period relative to the program forecasts specified in the table below.

4. Supporting material: Reporting on the domestic primary fiscal balance will form part of the consolidated budget report described in ¶39 below.

B. Net Domestic Borrowing of the Central Government

5. Definition: The *net domestic borrowing* of the Central Government is defined as the change in net treasury position at the Central Bank of the Gambia (CBG), the government bond (30-year bonds) held by the CBG, and the stock of securities (T-bills, T-bonds, Sukuk, NAWEC Bond) held by banks and the non-monetary sector. Net treasury position covers the sum of the balance of the treasury main account (TMA), the consolidated revenue account, the revenue accounts, the special deposit accounts (T-bills, T-bonds and Sukuk) accounts, and any other accounts that receive central government revenue or pay central government spending (currently the special deposit account, Gambia Africard revenue account, Senegambia bridge toll facility, and Covid 19 recovery project, with the list to be updated at every program review). The following components are excluded: (i) on-lending of the IMF credit to the budget and lending to the Treasury of any portion of the SDR general allocation, (ii) changes in the balances of other deposits accounts (including project accounts), and (iii) the face value of government securities issued to increase the CBG's capital to the statutory level enshrined in the CBG Act.

6. Adjuster: The NDB targets will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants received in that period relative to the program forecasts specified in the table below. The upward adjustment of the NDB targets to compensate for the shortfall in the disbursements of budget support may not exceed GMD 1 billion at each quarter of 2024 and 2025. The NDB targets will also be adjusted to account for any potential delay in disbursements under the ECF-supported program.

Program Forecasts of External Budget Support Grants in 2024-2025
(Cumulative flow in millions of US dollars)

March 2024	June 2024	September 2024	December 2024	March 2025	June 2025	September 2025	December 2025
8.9	8.7	23.1	50.0	0	0	13.2	33.2

7. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶39 below and the IMF weekly data produced by the Central Bank.

C. Net Domestic Assets of the Central Bank

8. Definition: The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

9. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing exchange rates.

10. Supporting material: Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

D. Net Usable International Reserves of the Central Bank of The Gambia

11. Definition: The *net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities. To this effect, *usable reserve **assets*** are readily available claims on nonresidents denominated in convertible foreign currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). *Reserve liabilities* are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF, but excluding any liabilities to the IMF's SDR Department.

12. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the prevailing exchange rates.

13. Adjuster: The quarterly NIR targets for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants received in that quarter relative to the program forecasts for the quarter as specified in the table above. The downward adjustment to the NIR targets to compensate for the shortfall in budget support will be capped at US$40 million. The NIR targets will also be adjusted to account for any potential delay in disbursements under the ECF-supported program.

14. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

15. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

E. New External Debt Payment Arrears of the Central Government

16. Definition: External debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future denominated in any currency other than the Gambian dalasi. External debt payment arrears are defined as external debt obligations of the central government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).

17. **For program purposes,** external arrears exclude (i) financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment; (ii) arrears on claims which the government has represented as being disputed; (iii) arrears on claims that cannot be settled due to international sanctions; and (iv) arrears on trade credits, with the exception of arrears on payments due to the International Islamic Trade Finance Corporation (ITFC). Non-accumulation of new external debt payment arrears by the central government is a target, to be observed continuously.

18. **Supporting material:** An accounting of non-reschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the Central Government and other public sector entities to Paris Club, non-Paris-Club, private, plurilateral and multilateral creditors. In addition, any non-observance of this performance criteria must be reported immediately.

F. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

19. **Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi.** It applies not only to debt as defined in ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014), as amended, but also to commitments contracted or guaranteed for which value has not been received. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of the central government to service a debt owed by a third-party debtor (involving payments in cash or in kind). A debt will be considered contracted when conditions for its entrance into effect have been met, including approval by the National Assembly. Loans or purchases from the IMF and concessional debts as defined below, are excluded from this target as is any debt with maturity of one year or less. This performance criterion will be assessed on a continuous basis.

20. **For program purposes**, a debt is concessional if it includes a grant element of at least 35 percent, calculated as the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 2.42 percent and will remain fixed for the duration of the program. The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month GBP LIBOR over six-month USD

LIBOR is -150 basis points. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). Given the anticipated global transition away from LIBOR, this TMU can be updated to reflect the relevant benchmark replacements (U.S. Secured Overnight Financing Rate (SOFR); U.K. Sterling Overnight Index Average (SONIA); EURIBOR; and Tokyo Overnight Average Rate (TONAR)) prior to the complete phase out, once operationally feasible.

21. **Supporting material:** A comprehensive record, including a loan-by-loan accounting of all new non-concessional debt contracted or guaranteed by the Central Government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. In addition, any non-observance of this performance criteria must be reported immediately.

22. MoFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new external loan, the loan's terms and conditions including interest rate, grace period, maturity, interest, fees, and principal payment schedule with all annexes.

G. New Concessional External Debt Contracted or Guaranteed by the Central Government

23. **Definition: This target, which is a ceiling, refers to new concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi.** It applies to debt as defined in ¶16. Concessionality of debt is as defined in ¶20.

24. **For borrowing packages comprising both loan and grant components** to meet the concessionality requirement (grant element of 35 percent), only the loan components will count toward the borrowing limit.

25. **Supporting material and data provision:** A comprehensive record, including a loan-by-loan accounting of all new concessional debt contracted or guaranteed by the Central Government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

H. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

26. **Definition:** This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.[1] Public sector consists of the

[1] The term "debt" has the meaning set forth in ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014, as amended. "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

Central Government and regional governments and other public agencies, including the central bank. Trade credits are excluded from this target including the ITFC credits. This performance criterion will be assessed on a continuous basis.

27. Supporting material: comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. In addition, any nonobservance of this performance criteria must be reported immediately.

I. Tax Revenue

28. Definition: This indicative target refers to taxes and duties collected by the Domestic Taxes Department and Customs and Excises Department of the Gambia Revenue Authority (GRA). Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 1). Nontax revenue, such as licensing fees, fines, and levies collected by the GRA are excluded from this target. Levies collected by the GRA on behalf of other organizations are also excluded (National Education & Technology Training Levy, AU Levy, ECOWAS Levy).

29. Supporting material: A monthly report on revenue collected by the GRA will be transmitted within four weeks of the end of each month.

Text Table 1. The Gambia: Tax Revenues Collected by The Gambia Revenue Authority

Domestic Taxes		Customs and Excise	
Revenue Code	**Revenue Item**	**Revenue Code**	**Revenue Item**
111101	Personal Tax	115101	Import Duty Oil
111201	Company Tax	--	Import Excise Tax Oil
113301	Capital Gains	115102	Import Duty Non-Oil
112010	Payroll Tax	114121	Import VAT Oil
114523	Business Registration Fees	114122	Import VAT Non-Oil
114404	Entertainment	114201	Import Excise Tax
142250	Pool Betting Levy	114202	Domestic Excise Duty
--	Informal Sector	115602	Environmental Tax on Imports
114402	Air Transport Levy	115201	Export Duties
111102	Stamp Duty	111301	Miscellaneous
114111	Environmental Tax		
114123	Excise Telecom		
114521	Casino, Gaming & Machines Licences		
114533	Value Added Tax (VAT)		
142231	Road tax		
114528	Firearms and games licenses		
142205	International Certificate for Motor Vehicles		
142206	General Dealers License		
142230	Mandatory Fine for Motor Traffic Violation		
--	Cattle Tax		

J. Central Bank Credit to the Government at Non-Market Terms

30. Definition: This target refers to the consolidated balance on the Treasury Main Account, the Consolidated Revenue Fund, other revenue accounts, and the special security proceeds accounts. It also covers all gross claims on the government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Government securities held by the central bank. It excludes RCF on-lending and the 30-year bond held by the CBG.

31. To monitor this indicative target, the negative balance of the TMA should not exceed 10 percent of the previous year's tax revenue. The overdrafts on the TMA shall be fully repaid at the end of the year.

32. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in ¶39 and ¶40 below.

K. New Central Bank Credit to Public Entities

33. Definition: This indicative target is defined as the change in the total stock of outstanding loans and advances by the CBG to public entities outside the central government.

34. Supporting material: Reporting on new central bank credit to public entities will form part of the monetary sector data described in ¶41 below.

L. Poverty-Reducing Expenditures

35. Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Program; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programs; Support to Cross-Cutting Programs; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Program.

36. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

37. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and structural benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

M. Prices

38. The monthly disaggregated consumer price index, including weights for each major category, with January 2020 = 100, will be transmitted within four weeks of the end of each month.

N. Government Accounts Data

39. A monthly consolidated Central Government budget report (i.e., the Statement of Government Operations) on budget execution for the month and cumulatively from the

beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; (vi) details of budget financing (including net domestic and net external borrowing and their components), (vii) and details of domestic arrears and floats payments on a monthly basis, in line with the agreement with IMF Staff (MEFP ¶12).

40. End-week data on net domestic borrowing will be transmitted weekly within five business days of the end of each week.

O. Monetary Sector Data

41. The balance sheet of the CBG, prepared on the basis of current exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet will explicitly identify all claims on, and liabilities to, the government and other public entities outside the central government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and any other claims on the government and other public entities. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

42. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

43. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

P. Treasury Bill Market and Interbank Money Market

44. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills and CBG bills outstanding (both at face value and at discounted value and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

45. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

Q. External Sector Data

46. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

47. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

48. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

49. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

50. The CBG will also forward monthly data on the volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasi within seven days of the end of each month.

51. The CBG will publish daily on its website the official exchange rates reflecting the market conditions prevailing on that same day.

R. Public Enterprises' Data

52. MoFEA will forward within eight weeks of the end of each quarter, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC, and NFSPMC.

53. MoFEA will forward within eight weeks of the end of each quarter, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

THE GAMBIA

December 3, 2024

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, MODIFICATIONS OF PERFORMANCE CRITERIA AND INDICATIVE TARGETS, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staffs of the International Monetary Fund and the International Development Association.

The Gambia: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*No*

The Gambia's overall and external debt distress risk ratings remain high and public debt continues to be deemed sustainable,[1] similar to the previous DSA. Under the updated macro framework, the external debt service-to-revenue ratio breaches the threshold, primarily reflecting rising debt service commitments in the medium term. Heightened domestic debt vulnerabilities contribute to the breaches of the PV of overall debt-to-GDP ratio, though risks are mitigated by the projected drop below its benchmark of 55 percent of GDP in 2026, 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. The debt dynamics remain vulnerable to multiple macroeconomic shocks, in particular those to exports. Downside risks are linked to an escalation or spread of global and regional conflicts, with the ensuing global commodity price volatility and disruptions of global supply chains, which together with an abrupt global slowdown could weaken The Gambia's economic recovery, intensify fiscal pressures, and adversely affect the debt profile.

[1] The Gambia's Composite Index is estimated at 3.01 and is based on April 2024 WEO update and 2022 WB CPIA that was published in July 2023; the debt carrying capacity remains medium.

PUBLIC DEBT COVERAGE

1. **Compared to the previous DSA in December 2023, the current DSA uses end-2023 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) (Text Table 1).[2] 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), through loans contracted directly by these SOEs with a government guarantee. 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).[3] Exposures to PPPs are set at zero, as PPPs in The Gambia are currently 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.[4]

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	

Public debt coverage and the magnitude of the contingent liability tailored stress test

B. Please customize elements of the contingent liability tailored test, as applicable.

		Default	Used for the analysis	Reasons for deviations from the default settings
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	5.0	
	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 2020 Consolidated SOE Financial Performance Report prepared in April 2022 by the Directorate for SOE Oversight, MOFEA assessed 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.

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

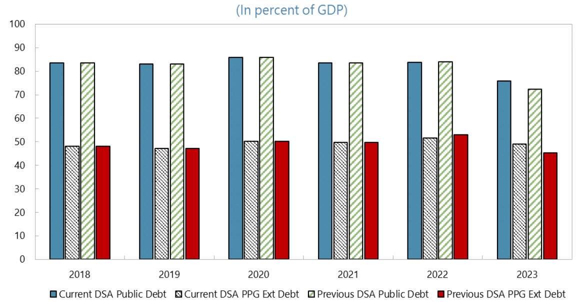
BACKGROUND

A. Recent Debt Developments

2. **The Gambia's total public debt to GDP stood at about 75.7 percent and external debt to GDP at about 49.1 percent as of end-2023; the composition remains broadly unchanged from the 2023 Article IV Consultation (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 67 percent of the Gambia's PPG external debt is owed to multilateral creditors, with bilateral creditors (31 percent) and commercial creditors (2 percent) comprising relatively smaller shares among the creditor categories. While approximately 28 percent of the PPG external debt is owed to the IMF and MDBs, about 72 percent of PPG external debt is owed to a combination of various creditors from the Middle East (Text Table 2).[5]

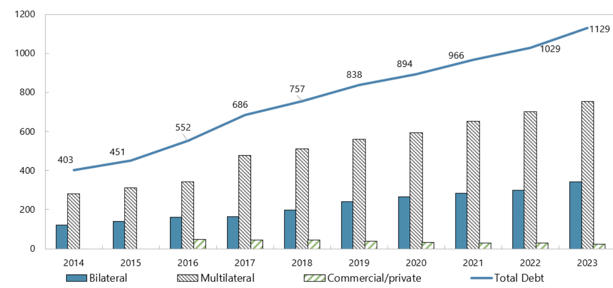
Text Figure 1. The Gambia: Total Public Debt and Distribution by Creditor

The Gambia: Total Public Debt and PPG External Debt
(In percent of GDP)



Sources: The Gambian authorities; and IMF staff estimates.

The Gambia: Debt by Creditor
(In USD millions)



Sources: The Gambian authorities; and IMF staff estimates.

3. **Debt service and undisbursed debt projections on existing debt in the latest baseline are similar to projections during the 2023 Article IV Consultation.** The overall external debt service between 2024-2030 stands at a cumulative US$691.4 million. Of the total debt service, amortization stands at $591.1 million, with the remaining US$100.3 million in interest charges. Meanwhile, the amount of undisbursed loans stood at US$181.7 million in December 2023.

B. Macroeconomic Assumptions

4. **Economic recovery is firming up and inflation is slowly coming down**. Real GDP is estimated to expand by 5.8 percent in 2024, supported by good performance of the agriculture, construction, and tourism sectors. Tourist arrivals continue to recover in 2024H1, averaging 17 percent higher relative to

[5] The Gambia has arrears on external debt, of about 0.9 percent of GDP, owed to Libya (US$3.95 million) and Venezuela (US$19.5 million). 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 October 2023. Regarding the arrears to Venezuela, the Gambian authorities had a virtual meeting in August 2024 to discuss resumption of the negotiations for paying the outstanding debt.

2023H1. Remittance inflows remained robust, reaching US$330 million in 2024H1 relative to US$322 million in mid-2023. After peaking at 18.5 percent (y-o-y) in December 2022, headline inflation declined to 10 percent (y-o-y) in September 2024, mainly due to declining global food and energy prices. Nonetheless, it remains well above the central bank's medium-term target of 5 percent. The 2024H1 fiscal outcomes reflect spending pressures from the Organization of Islamic Cooperation (OIC) Summit and emergency support of NAWEC, despite some strong revenue collection efforts. Consequently, the overall balance and the domestic primary balances, without applying program adjustors, underperformed targets by 0.7 and 0.2 percent of GDP, respectively. The macroeconomic outlook continues to be subject to large uncertainty in light of global and regional conflicts. Such risks include international commodity price volatility, lower tourist arrivals, and weak remittance inflows.

Text Table 2. The Gambia: Decomposition of Public Debt and Debt Service by Creditor, 2023-2025[1]

	Debt Stock (end of period)						Debt Service					
	2023			March 2024			2023	2024	2025	2023	2024	2025
	(In US$ millions)	*(Percent of total debt)*	*(Percent of GDP)*	*(In US$ millions)*	*(Percent of total debt)*	*(Percent of GDP)* [5]	*(In US$ millions)*			*(Percent of GDP)*		
Total	1,728.2	100.0	75.7	1741.7	100.0	69.0	165.4	165.8	194.0	7.3	6.2	6.5
External	1,120.1	64.8	49.1	1124.2	64.5	45.2	71.3	65.6	83.2	3.1	2.4	2.8
Multilateral creditors	753.0	43.6	33.0	755.9	43.4	30.4	55.8	49.3	65.4	2.4	1.8	2.2
IMF	131.3	7.6	5.8	139.7	8.0	5.6						
World Bank	127.7	7.4	5.6	124.9	7.2	5.0						
ADB/AfDB/IADB	51.8	3.0	2.3	50.8	2.9	2.0						
Other Multilaterals	442.2	25.6	19.4	440.5	25.3	17.7						
o/w: IsDB and OFID	234.2	13.6	10.3	253.4	14.6	10.2						
Bilateral Creditors	343.6	19.9	15.1	345.7	19.8	13.9	12.1	16.3	17.6	0.5	0.6	0.6
Paris Club	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.2	0.3	0.0	0.0	0.0
o/w: ING Bank N.V. and Govt. of Belgium	0.4	0.0	0.0	0.4	0.0	0.0						
Non-Paris Club	343.2	19.9	15.0	345.3	19.8	13.9	12.1	16.0	17.3	0.5	0.6	0.6
o/w: Saudi and Kuwait Fund	202.9	11.7	8.9	207.3	11.9	8.3						
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	23.5	1.4	1.0	22.7	1.3	0.9	3.4	0.0	0.1	0.1	0.0	0.0
o/w: M.A. Kharafi and Sons	23.5	1.4	1.0	22.7	1.3	0.9	3.4	0.0	0.1			
Other international creditors	0.0	0.0	0.0	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	0.0	0.0	0.0						
Domestic	608.1	35.2	26.7	617.4	35.5	23.8	94.2	100.2	110.9	4.1	3.7	3.7
Held by residents, total[4]	608.1	35.2	26.7	617.4	35.5	23.8	94.2	100.2	110.9	4.1	3.7	3.7
Held by non-residents, total[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	303.9	17.6	13.3	301.5	17.3	11.6	20.9	20.9	0.0	0.9	0.8	0.0
Bonds	304.1	17.6	13.3	315.9	18.1	12.2	73.3	79.3	110.9	3.2	2.9	3.7
Loans	0.0	0.0	0.0	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			n/a								
Contingent liabilities[3,4]	n/a			n/a								
Nominal GDP	2,281.5			2,490.0								

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

[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 and prevent the inclusion of collaterized debt and contingent liabilities.

[5] Percent of projected 2024 GDP

5. The DSA is consistent with the macroeconomic framework outlined in the staff report. The baseline scenario assumes the implementation of sound macroeconomic policies and structural reforms. The key macroeconomic assumptions are as follows (Text Table 3, which also compares the assumptions relative to the previous DSA).

- **Real GDP growth:** Real GDP expanded by 4.8 percent in 2023 and is projected to further expand by 5.8 percent in 2024, supported by the agriculture, services with the continued recovery in tourism as a key driver of growth,[6] and construction sectors. In the medium and longer term, growth is projected to converge gradually to a steady state of 5 percent balancing expectations of higher economic activity with the impact of fiscal consolidation. In particular, higher growth prospects are underpinned by higher production and value-added from the agriculture sector[7], impacts of ongoing large infrastructure projects (urban and rural road construction, port expansion, energy projects, etc.), sustained public and private construction as well as the effects of robust remittances on private consumption and macroeconomic stabilization,[8] recent important governance reforms (new public procurement and SOE acts with all implementing regulations issued, etc.), improvement in the business environment (bolstered by the vast judicial reform agenda, upcoming digitalization of the business registration process etc.), building resilient economy to climate change.[9] The issuance of regulations to facilitate private sector participation in the energy sector and the penetration of renewable energies should help boost energy production. 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

[6]Estimates from the World Tourism and Travel Council suggest that tourism directly contributed about 8.5 percent to GDP and 6.5 percent to employment in 2019. When indirect impacts are factored in, its contribution is much larger, 15.5 percent of GDP and 17.1 percent of employment, or 121,000 people employed. Tourism is also a major source of foreign direct investment, having attracted over US$45 million over the period 2017-2022 (World Bank, 2022. Tourism diversification and resilience in the Gambia. Report No: PAD4876, Washington DC, World Bank).

[7]The agriculture sector is expected to continue to grow thanks to improved agricultural practices, efficiency of fertilizer distribution scheme, access to better seeds quality, and enhanced framework to tackle aflatoxin in groundnuts, maize and rice. Moreover, The Gambia aims to complete the construction of storage facilities to reduce loss from spoilage and the new Gambia Ground Corporation (GGC) factory to increase capacity.

[8]Remittances have been relatively high, exceeding 20 percent of GDP for the last five years on annual average. A study on the impact of remittances on economic growth in The Gambia found a statistically significant positive impact from remittances, mainly through the consumption channel by satisfying households daily needs related to food, water, electricity, education, entertainment, and religious festivals (Ceesay, E.K., Sanneh, T., Jawo, A. Jarju, M., Jassey, O., 2019. Impact of Personal Remittances Received on Economic Growth in the Gambia. Asian Basic and *Applied Research Journal*, ABAARJ, 1(2): 45-58, 2019; Article no. ABAARJ.117). Furthermore, a recent study on the Impact of remittances on the exchange rate in The Gambia found that remittance inflows have a positive significant effect on the real effective exchange rate in the long run, highlighting the extent to which remittances affect not only the country's macroeconomic stabilization but also its external competitiveness (Ceesay, H., Limbe, M. 2024. The Impact of Remittances on the Exchange Rate: Empirical Analysis of The Gambia. https://mpra.ub.uni-muenchen.de/121774/).

[9]Several reforms are underway to strengthen the country's resilience to climate shocks, including (i) the disaster risk management regulations and disaster risk financing regulations, which are expected to ensure that climate change-related threats and responses are integrated into public decision-making and planning; (ii) enhancing urban and coastal resilience and sustainability, (iii) institutional reforms linked to adaption and resilience to climate change; and (iv) introduction of provisions under the new Procurement Act for measures such as e-procurement and sustainable procurement to improve the country's adaptation and resilience to climate shocks.

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:** After peaking at 18.5 percent (y-o-y) in September 2023, headline inflation has declined to 10 percent in September 2024, mainly due to deceleration of global food and energy prices. Inflation is projected to further decline over the medium term and converge to the CBG's medium-term target of 5 percent. The CBG has maintained its monetary policy rate at 17 percent since the September 2023 Monetary Policy Committee meeting.
- **Fiscal policy:** The overall fiscal balance is expected 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, efforts to adjust domestic fuel prices to address revenue losses, revenue mobilization, and strict expenditure prioritization. The authorities also expect in 2024 additional revenue from the Africa 50's Asset Recycling Program. Revenue mobilization measures, currently underway guided by the Domestic Revenue Mobilization Strategy and GRA's Corporate Strategic Plan for 2025-2029, including streamlining tax exemption, digitalization of tax administration and customs (accelerating the implementation of Asycuda World, a single window platform, an e-tracking of transit trucks, digital tracing system, digital weighbridge), broadening the tax base, improving compliance and increasing some administrative fees to sustain revenue mobilization over the medium term. The authorities are introducing a 5 percent social security contribution, a sugar levy, and a new duty on scrap-metal exports. Furthermore, efforts are underway to collect additional resources, including from privatization and the 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, the OIC-related large infrastructure projects have been completed; and the budget would be executed based on a strict cash plan that aligns spending with available resources. The authorities are strengthening their public financial management which would strengthen budget processes and accountability, enhance the efficiency of public spending, and reduce governance and corruption vulnerabilities. The investment prioritization and selection tool by the Gambia Strategic Review Board (GSRB) will be expanded to domestically financed and PPP projects to enhance efficiency and contain spending. Furthermore, the authorities intend to overhaul the SOE sector to reduce their dependence on the budget and turn them into income-generating assets and consolidate redundant agencies with relevant ministries.
- **Financing needs and assumptions:** 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 or semi-concessional terms.
- **External financing:** Financing needs originate mainly from the large development needs, the impact of global and regional conflicts, and the expiration of the debt deferrals.[10] The medium- to long-term external financing will come from multilaterals and official bilateral, which includes

[10] Total debt service relief due to confirmed deferrals from the 2019 negotiations with bilateral creditors amounted to around US$129 million, where most bilateral creditors participated. For more details, please see the Staff Report for the Third ECF review in December 2021. The implication of the expiration of the debt deferral is discussed in paragraph 12 and has also been added under the financing needs.

the IMF's new ECF lending (US$100 million during 2024-2026) as well as the World Bank IDA financing, with an average interest rate of 1.3 percent, an average of 5-year grace period, and average maturity of 22 years. There will be no new commercial borrowings.

- **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 and long term, the issuance is projected to shift gradually toward longer-term bond maturities and with up to 65 percent of new debt via T-bills.
- **Current account:** In 2023, The Gambia's exports increased to US$720.2 million, up from US$267.4 million in 2022, resulting in an annual growth rate of 169.4 percent. This increase is mainly due to re-exports, which rose to US$285.3 million in 2023 from US$23.4 million in 2022. With the new facilities of the Gambia National Water & Electric Company (NAWEC) starting operations in January 2023, The Gambia began importing electricity from Senegal and re-exporting it to different regions in Senegal and Guinea-Bissau. Total imports in 2023 also increased significantly from 2022, as the increase in the re-exports is mirrored on imports Consequently, the current account deficit in 2023 was 5.4 percent of GDP (or US$126.5 million). In 2024, the current account deficit is projected to increase to 5.8 percent of GDP, reflecting large OIC-related imports. In the longer term, the external imbalance is expected to improve, as tourism strengthens, cross-border exports disruptions dissipate, exports increase in groundnuts, and fiscal balances improve in line with the authorities' consolidation efforts. In addition, efforts are underway to increase domestic production of certain key imported commodities such as rice, with the support of the African Development Bank to help the country achieve self-sufficiency in rice production. Moreover, the country is implementing a project to support the diversification and climate resilience of the tourism sector and launched the second National Export Strategy (NES) for 2021-2025 to support export potential firms.
- **FX Reserves:** The Gambia's gross international reserves stood at US$474.3 million in 2023 or 4.1 months of prospective imports. Gross reserves have risen markedly from a trough of US$60 million in 2016. This has been driven by amplified disbursement of external financial assistance (including from the IMF), CA improvements, and private inflows of foreign exchange, which have allowed the central bank to rebuild its buffers.

6. **The realism of the macroeconomic framework is confirmed based on several metrics** (Figures 3 and 4). The projected fiscal adjustment for the next three years is in the top quartile of the distribution of approved IMF-supported programs for LICs since 1990, underpinned by (i) the completion of large infrastructure projects related to the OIC Summit; (ii) revenue mobilization measures; (iii) and non-priority spending restraints; and (iv) development partners' disbursements. The contribution of government investment 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.[11]

Text Table 3. The Gambia: Selected Macroeconomic Indicators, 2023–2029

	2023	2024	2025	2026	2027	2028	2029	15-year average[1]
Real GDP Growth (percent)								
Current DSA	4.8	5.8	5.9	5.0	5.0	5.0	5.0	5.0
Previous DSA [5]	5.6	6.3	5.8	5.0	5.0	5.0	5.0	5.0
Exports of goods and services growth (percent)[2]								
Current DSA	169.4	3.3	5.8	7.0	7.2	7.9	8.4	7.8
Previous DSA	26.9	22.2	13.6	12.6	12.6	10.1	9.8	14.7
Imports of goods and services growth (percent)[2]								
Current DSA	64.4	3.5	3.9	3.6	3.6	6.8	6.3	6.6
Previous DSA	23.6	14.6	3.5	6.8	6.6	6.8	6.8	6.6
CA deficit (percent of GDP)[3]								
Current DSA	5.4	5.8	5.3	3.4	2.0	2.0	1.6	0.5
Previous DSA	4.4	5.8	3.8	2.8	2.4	2.1	1.9	-7.1
Public investment (percent of GDP)								
Current DSA	11.2	9.3	9.2	9.8	9.7	9.9	10.0	7.6
Previous DSA	9.5	9.6	8.8	8.4	8.1	7.9	8.2	6.5
Overall fiscal deficit[4]								
Current DSA	3.7	2.7	1.3	0.4	0.4	0.4	0.4	0.4
Previous DSA	2.3	2.7	1.3	1.0	1.0	0.7	1.0	0.6

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

[1] Defined as the simple average of the last 15 years of the projection (2030-44).

[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 the 2023 Article IV Staff Report

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

7. **This DSA uses the CI vintage April 2024 WEO and 2022 CPIA, which assess that The Gambia's debt carrying capacity remains classified as "medium" (Text Table 4).** The classification of the Gambia's debt carrying capacity is based on a CI score of 3.01, which is higher than 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 April 2024 WEO and 2022 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.

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

[11] 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.

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).

Text Table 4. 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 3.01	Medium 2.99	Medium 2.93

Note: Until the October 2018 WEO vintage is released, the previous vintage classification and corresponding score are based solely on the CPIA per the previous framework.

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

EXTERNAL DSA

9. Under the baseline scenario, one of the four external debt indicators breaches the threshold within the forecast horizon (Figure 1). The PV of external debt-to-GDP, the PV of external debt-to-exports, and the debt-service-to-exports ratio remain below the threshold level of 40, 180, and 15 percent, respectively over the projection horizon which is different from the previous DSA (the 2023 Article IV). This is mainly due to the projected improvement in GDP and exports.[12] The external debt service-to-revenue ratio breaches the threshold level of 18 percent between 2025-32, before falling below the threshold for the remainder of the forecast horizon as the increase in debt services outweigh the expected increase in revenues.

10. Under the stress test scenarios, external debt indicators are sensitive to multiple shocks, particularly exports. With the combined bound test, the PV of debt-to-GDP breaches the threshold level of 40 percent in 2025 and falls below the threshold in 2030. With the bound test of exports, the PV of debt-to-exports breaches the threshold level of 180 percent in 2025 and remains above the threshold over the

[12] The increase in exports for 2023, as discussed above, has affected export projections beyond 2023 and it also raises the estimated standard deviation of The Gambia's exports. The standard deviation of the annual export growth rate during 2014–2023 is 0.63, but it falls to 0.41 when the step increase in re-exports in 2023 is excluded.

projection horizon.[13] With the bound test of exports, the debt-service-to-exports ratio breaches the threshold level of 15 percent in 2025 and remains above the threshold for the remainder of the forecast. With the combined bound test, the debt-service-to-revenue ratio breaches the threshold level of 18 percent in 2025 and remains above the threshold for the remainder of the forecast horizon.

PUBLIC DSA

11. 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 percent in 2024 but falls within the benchmark level in 2026 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 ratio is extremely sensitive to export shocks,[14] followed by GDP shocks, and other flow shocks. With the bound test of exports, the PV of total public debt-to-GDP ratio remains above the threshold of 55 percent until 2031. With the bound test of other flows, the ratio remains above the benchmark until 2029 and under the real GDP growth bound tests, the ratio remains above the threshold until 2030.

12. Domestic public debt is projected to decline significantly. Under the baseline scenario, the fall in domestic debt comes amid an ambitious fiscal consolidation in the baseline under the program, such that domestic public debt-to-GDP and its related service are expected to fall, approaching the median of LICs over the next decade (Text Figure 2).

13. While the banking sector is highly exposed to public sector indebtedness,[15] it remains capable of financing the government, as it continues to be stable with healthy financial soundness indicators. The sector is adequately capitalized and liquid. Although credit concentration risks remain, the stress test results conducted by the central bank in June 2024 indicated that overall market risk is low, and

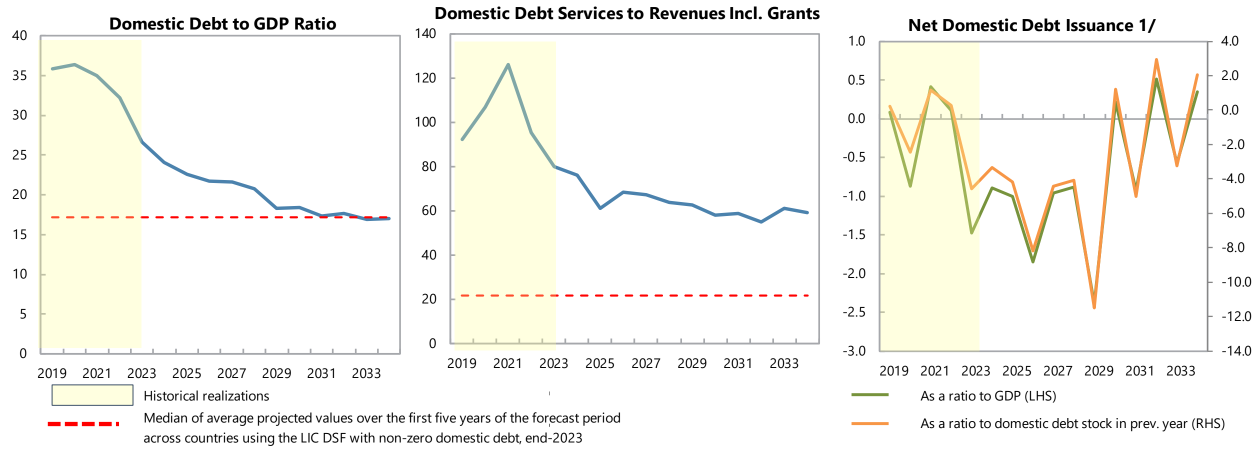
[13] The threshold for the PV external debt-to-export ratio is breached starting 2025 and remains above the threshold over the projection horizon while in the previous DSA for the 2023 Staff Report, this ratio falls below the threshold by 2029. This mechanical breach of the threshold is, however, driven by the large export data revision for 2023, resulting larger exports shocks in the stress test. The data revision, mostly due to re-export increases described above, artificially raises the estimated standard deviation of The Gambia's exports.

[14] This is also driven by the significant data revision of total exports for 2023, inducing larger-magnitude export shocks in the stress test.

[15] As of March 2024, outstanding public domestic debt reached US$614.42 million (35.4 percent of total outstanding public debt), which was held in T-bonds (51 percent), T-bills (45.9 percent), and SAS bills or Islamic bills (2.9 percent). T-bonds include 3-year securities with 44 percent of the total at an average interest rate of 14.30 percent, ahead of 30-year securities with 38 percent of the total at an interest rate of 7 percent, 5-year securities with a total of 13 percent at an average interest rate of 8.7percent, 2-year securities bonds with a total of 3.5 percent of the total at an average interest rate of 18.36 percent and 7-year securities with 1 percent of the total at an interest rate of 12 percent.

the banking industry remains resilient.[16] Nonetheless, the large exposure of banks to public sector (claims on government have averaged 60 percent of banks' domestic assets over the last 10 years) and the heavy dependence of their income on government securities could have an impact on the stability of the banking system, as highlighted in The Gambia Financial Sector Assessment Program of June 2022. Bank profitability could decline in case of a rapid fall in rates on government securities, as they did in 2020 when negative real interest rates on government securities reduced earnings from the bulk of banks' assets. This adds to other vulnerabilities in the banking sector.[17]

Text Figure 2. The Gambia: Indicators of Domestic Public Debt, 2019–2034
(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	22%
Short-term	78%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	6.2%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	2.0%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

[16] The banking system's asset base expanded by 18.1 percent in June 2024. Overall, the system remains adequately capitalized and liquid. The aggregate risk-weighted capital adequacy ratio stood at 24.1 percent in June 2024, and all banks were above the minimum regulatory requirement of 10 percent. The liquidity ratio was 77.2 percent in June 2024, above the prudential requirement of 30 percent. Banks' non-performing loans increased to 10.2 percent in June, from 3.3 percent in December 2023, primarily due to a single large borrower default, an indication of high concentration risk.

[17] Such as (i) the systemic risk posed by the high concentration of deposits in funding portfolios; (ii) liquidity risks, as government securities are not particularly liquid due to the lack of a secondary market; (iii) longstanding structural issues that hinder bank financial intermediation, including information asymmetries, weak contract enforcement, and foreclosure issues.

RISK RATING AND VULNERABILITIES

14. The Gambia's external debt has a high risk of distress but is sustainable. All external debt indicators are on a declining trend over the medium to long term under the policy settings in the ECF-support program. However, since external debt service-to-revenue ratio breaches its threshold over the medium term under the baseline,[18] The Gambia is assessed to be at high risk of external debt distress. These breaches reflect the expiration of the debt-service deferrals negotiated with creditors, leading to higher debt-service payments coming due starting in 2025 and tighter liquidity. The resumption of external debt servicing obligations is expected to absorb significant resources from much-needed social and infrastructure investments expenditure. Also, the sharp exchange rate depreciation has increased risks. This highlights The Gambia's limited space for additional borrowing in the near term and emphasizes the need to continue to build ample buffers to face the increased debt-service burden that lies ahead.

15. The liquidity risk can be mitigated by some factors. This DSA underscores the importance of continued fiscal discipline and structural reforms, and prudent financing choices. To address higher future debt service, the authorities are implementing measures that are expected to bolster further domestic revenue mobilization in the near and medium term, in line with their Domestic Revenue Mobilization Strategy and GRA's Corporate Strategic Plan for 2025-2029. In addition, they are overhauling the SOE sector to reduce fiscal burdens and generate revenue while reducing external financing needs. The authorities are also making efforts to further develop the tourism sector and diversify exports, which would generate more forex inflows. Moreover, the policies that aim at supporting foreign exchange reserves will also help address liquidity constraints. Furthermore, to mitigate the liquidity risk related to domestic borrowing, the authorities plan to bring more private investors (including commercial banks, insurance companies, social security fund and microfinance institutions) to invest in government securities, with an investors' relationship forum scheduled for end-2024.

16. The Gambia's overall public debt position is also assessed at high risk of debt distress but remains sustainable, based on the public DSA and the external DSA.[19] The PV of total public debt-to-GDP continues to follow a firmly downward sloping path, remains within the benchmark from 2026 onwards, continuing to decline thereafter. Since the indicator falls below the benchmark within three 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 of domestic debt instruments. They have started implementing this measure as part of their medium-term debt strategy

[18] In the previous DSA for the 2023 Staff Report, the other two external indicators were breached: the PV of external debt-to-exports, and external debt service-to-exports. This mechanical improvement is driven by the large export data revision for 2023 as indicated in footnote 12.

[19] 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.

(MTDS). Currently, the government domestic borrowing through bonds is developing which aims to mitigate the government's exposure to refinancing risks.

17. This assessment, however, is subject to downside risks. Risks stem from an escalation or spread of global and regional conflicts that could adversely impact global commodity prices, tourist arrivals, and remittance inflows, worsening The Gambia’s external position. This would adversely affect the debt profile. Risks related to climate change are also important, as evidenced by the major flooding in July 2022, for example. In a downside scenario, growth could fall by about 1 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 percent 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.

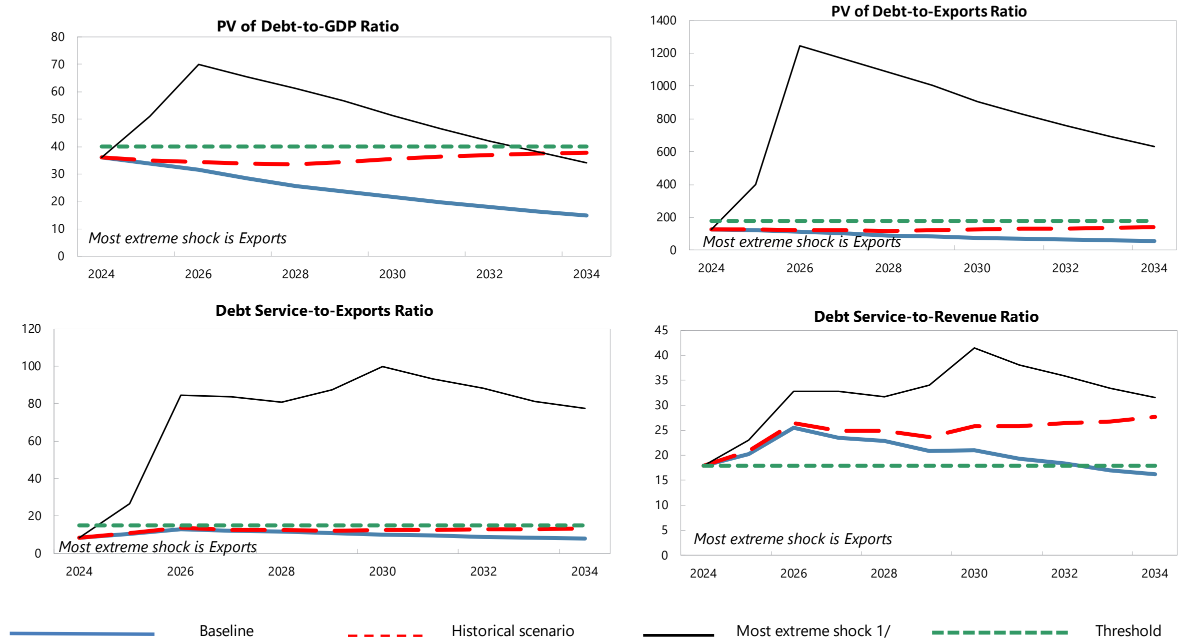
18. Factors that could affect future assessments include data revisions, availability of concessional financing for infrastructure projects and the potential decline in donor support. As highlighted in previous ECF staff reports, further efforts are needed to bolster data collection and reconciliation, both for debt as well as external sector statistics. Uncertainty over data quality and delivery 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, there are indications that the authorities intend to implement a new wave of some infrastructure projects, including rural roads. 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 Public Administration Modernization Project (PAMP, P176924) with reform actions complemented through the pipeline Development Policy Financing operations and SDFP.[20]

[20] 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. The Gambia has also successfully implemented FY23 PPAs focusing 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 any new external borrowing remains concessional. Ongoing FY24 PPAs focus on (i) improving debt transparency by publishing a report on outstanding arrears between Government and SOEs and among SOEs and issuing a circular institutionalizing the publication of arrears as part of the annual debt issued, (ii) reducing fiscal risks by adopting through a circular or similar regulatory instrument a credit risk assessment score card for the provision of public guarantees and on lending to SOEs, and (iii) improving debt sustainability by ensuring that new external borrowing remains concessional.

Authorities' Views

19. The authorities agreed with staff's views on the DSA. They concurred with the urgency of ensuring a sustained and credible fiscal adjustment over the medium term. They emphasized that they have taken important steps in this direction, included through the submission of a 2025 budget that is in line with program objectives. They are committed to continuing to prioritize grant resources, seeking only highly concessional financing, and ratifying only loans within the agreed annual ceiling even after the current ECF-supported program ends to safeguard debt sustainability. In relation to longstanding external arrears, progress is being made in discussions with Libyan authorities to reconcile the debt amount. Simultaneously, The Gambian authorities are engaging with Venezuelan authorities to resume repayments of existing debt arrears. The authorities welcome IMF TA to enhance the quality of public debt and external sector statistics.

Figure 1. The Gambia: Indicators of Public Guaranteed External Debt Under Baseline and Alternative Scenarios, 2024–2034



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

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	3	3

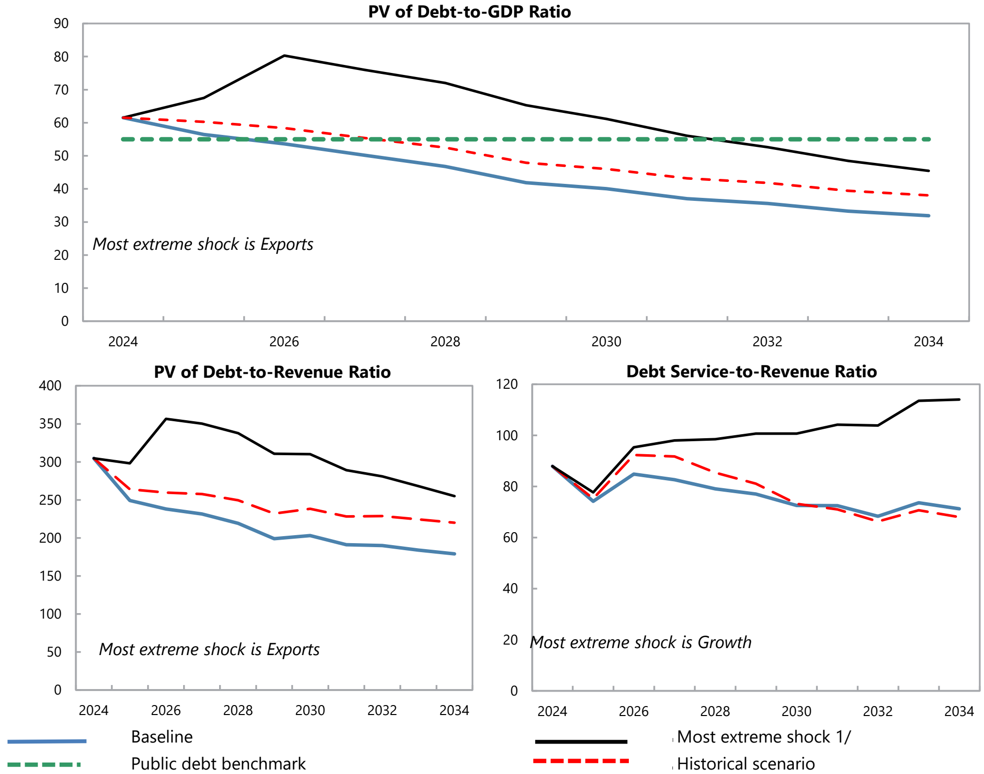
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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, 2024–34



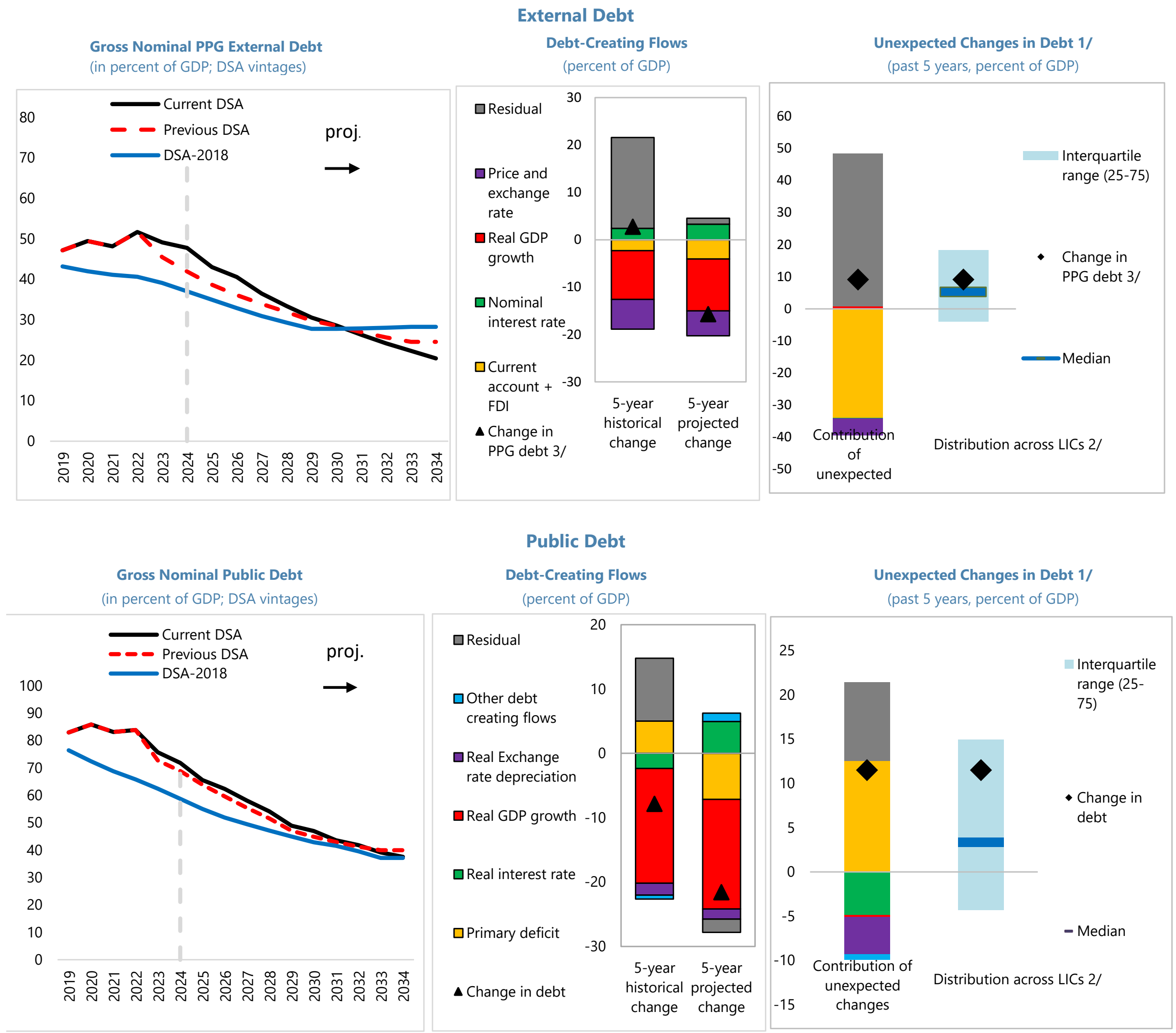
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	17%	17%
Domestic medium and long-term	19%	19%
Domestic short-term	65%	65%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	6.2%	6.2%
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 2034. 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



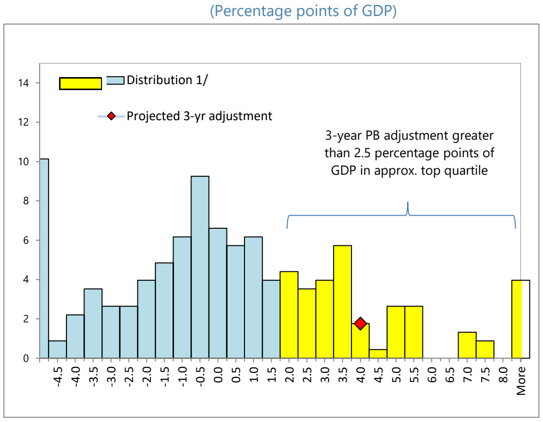
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

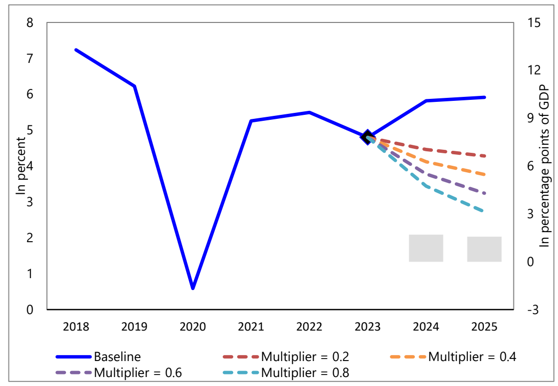
Figure 4. The Gambia: Realism Tools

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



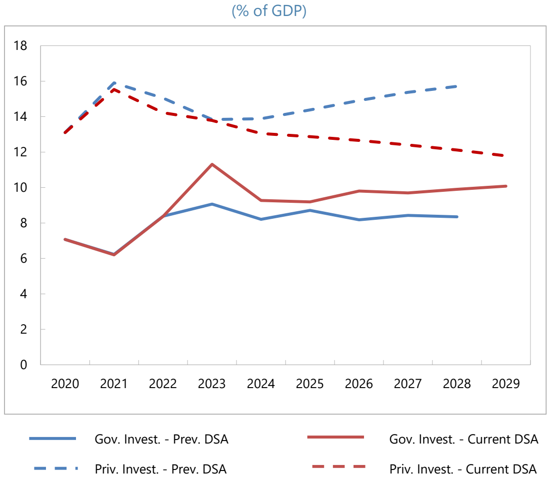
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

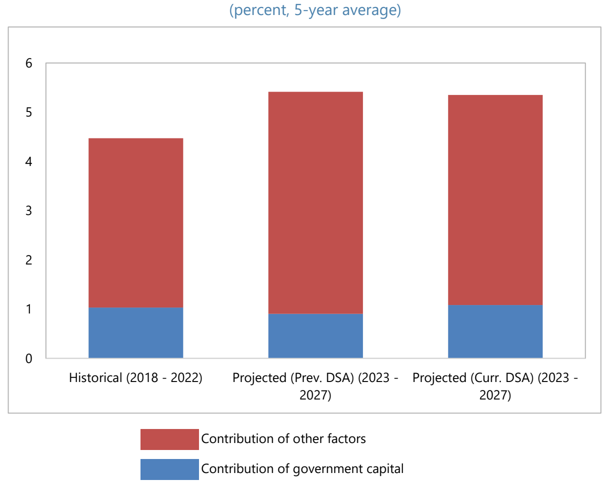
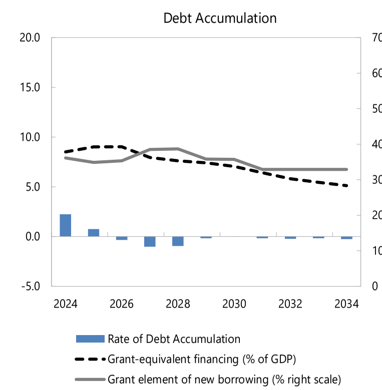


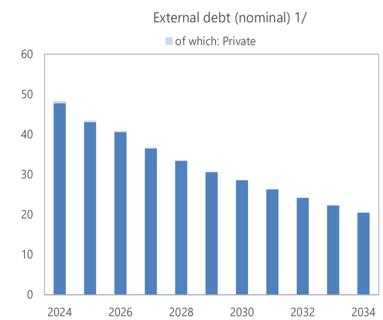
Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2021–2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 9/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	49.6	53.0	50.0	48.4	43.4	40.9	36.7	33.5	30.7	20.5	10.2	46.6	32.3
of which: public and publicly guaranteed (PPG)	48.2	51.7	49.1	47.8	43.0	40.6	36.5	33.4	30.6	20.5	10.2	45.1	32.1
Change in external debt	-0.7	3.4	-3.0	-1.6	-4.9	-2.6	-4.2	-3.2	-2.9	-1.8	-0.8		
Identified net debt-creating flows	-6.4	-2.5	-3.7	-1.0	-1.2	-2.5	-3.6	-3.4	-3.5	-3.3	-3.7	-0.9	-3.0
Non-interest current account deficit	3.7	3.7	4.9	5.1	4.8	2.7	1.3	1.4	1.0	0.4	-0.9	6.1	1.7
Deficit in balance of goods and services	28.6	26.3	27.5	25.8	24.1	22.7	21.0	20.6	19.6	16.2	10.9	21.4	20.0
Exports	6.9	12.5	30.7	28.8	28.0	28.2	28.2	28.4	28.4	27.2	25.3		
Imports	35.5	38.8	58.2	54.6	52.1	50.9	49.2	49.0	48.0	43.4	36.2		
Net current transfers (negative = inflow)	-26.9	-23.6	-23.3	-21.2	-19.8	-20.3	-19.9	-19.5	-18.9	-15.9	-11.9	-16.5	-18.6
of which: official	-0.5	-1.9	-2.8	-1.8	-1.2	-1.6	-1.3	-1.2	-1.1	-0.5	-0.2		
Other current account flows (negative = net inflow)	2.0	0.9	0.7	0.4	0.5	0.3	0.2	0.2	0.3	0.1	0.1	1.3	0.3
Net FDI (negative = inflow)	-4.9	-4.7	-4.4	-4.1	-3.9	-3.8	-3.7	-3.7	-3.6	-3.1	-2.5	-5.0	-3.6
Endogenous debt dynamics 2/	-5.3	-1.5	-4.2	-1.9	-2.1	-1.4	-1.2	-1.1	-1.0	-0.7	-0.4		
Contribution from nominal interest rate	0.5	0.6	0.5	0.7	0.6	0.7	0.7	0.6	0.5	0.4	0.1		
Contribution from real GDP growth	-2.3	-2.6	-2.3	-2.6	-2.6	-2.1	-1.9	-1.7	-1.5	-1.0	-0.5		
Contribution from price and exchange rate changes	-3.4	0.5	-2.4	...	...	...	...	...	...	...	...		
Residual 3/	5.7	6.0	0.7	-0.6	-3.7	-0.1	-0.6	0.2	0.7	1.5	2.9	2.2	0.3
of which: exceptional financing 4/	-0.3	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	...	...	37.4	36.0	33.8	31.5	28.4	25.7	23.5	14.7	6.9		
PV of PPG external debt-to-exports ratio	...	...	121.9	125.1	120.7	111.7	100.8	90.3	82.7	54.2	27.2		
PPG debt service-to-exports ratio	51.9	39.3	9.9	8.2	10.6	13.1	11.9	11.5	10.7	7.9	3.2		
PPG debt service-to-revenue ratio	25.2	41.1	25.0	17.9	20.2	25.6	23.5	22.8	20.8	16.3	6.1		
Gross external financing need (Million of U.S. dollars)	50.5	83.6	110.7	106.4	123.0	89.5	38.4	40.0	23.5	-25.9	-323.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.3	5.5	4.8	5.8	5.9	5.0	5.0	5.0	5.0	5.0	5.0	3.9	5.2
GDP deflator in US dollar terms (change in percent)	7.4	-1.0	4.8	4.2	2.7	1.0	2.0	2.0	3.4	3.5	3.5	1.7	3.0
Effective interest rate (percent) 5/	1.1	1.2	1.1	1.6	1.3	1.6	1.9	1.8	1.7	1.8	1.3	1.2	1.7
Growth of exports of G&S (US dollar terms, in percent)	-9.1	89.0	169.4	3.3	5.8	7.0	7.2	7.9	8.4	7.5	8.2	23.1	7.2
Growth of imports of G&S (US dollar terms, in percent)	7.9	14.2	64.4	3.5	3.9	3.6	3.6	6.8	6.3	6.6	6.8	15.1	5.5
Grant element of new public sector borrowing (in percent)	...	...	...	36.1	34.9	35.3	38.5	38.7	35.8	32.9	32.9	...	35.1
Government revenues (excluding grants, in percent of GDP)	14.2	12.0	12.2	13.2	14.7	14.5	14.3	14.4	14.6	13.3	13.4	12.8	13.9
Aid flows (in Million of US dollars) 6/	51.3	119.7	186.6	237.1	243.7	255.5	239.7	244.2	293.9	307.1	370.6		
Grant-equivalent financing (in percent of GDP) 7/	...	...	...	8.5	9.0	9.0	7.9	7.6	7.4	5.1	2.7	...	7.2
Grant-equivalent financing (in percent of external financing) 7/	...	...	...	75.9	81.8	83.5	89.4	87.7	81.4	81.3	84.2	...	82.1
Nominal GDP (Million of US dollars)	2,045	2,135	2,345	2,587	2,814	2,986	3,198	3,426	3,719	5,660	12,975		
Nominal dollar GDP growth	13.0	4.4	9.8	10.3	8.8	6.1	7.1	7.1	8.5	8.6	8.6	5.7	8.3
Memorandum items:													
PV of external debt 8/	...	...	38.3	36.6	34.2	31.8	28.6	25.8	23.6	14.8	6.9		
In percent of exports	...	...	124.8	127.2	122.2	112.7	101.5	90.8	83.1	54.4	27.5		
Total external debt service-to-exports ratio	51.9	39.3	13.7	11.0	12.6	14.5	12.9	12.2	11.1	8.0	3.2		
PV of PPG external debt (in Million of US dollars)			878.1	930.7	949.9	940.1	909.5	878.9	873.3	834.6	892.6		
(PVt-PVt-1)/GDPt-1 (in percent)				2.2	0.7	-0.3	-1.0	-1.0	-0.2	-0.3	0.0		
Non-interest current account deficit that stabilizes debt ratio	4.4	0.2	7.9	6.7	9.7	5.3	5.5	4.5	3.9	2.2	-0.1		

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. The relatively large residuals can be partly attributed to the debt data reconciliation as mentioned in the 3rd ECF review in December 2021.

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.

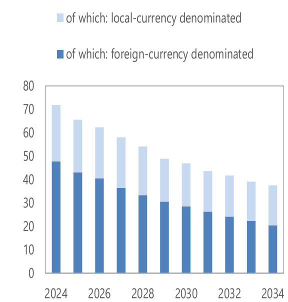
Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–2044

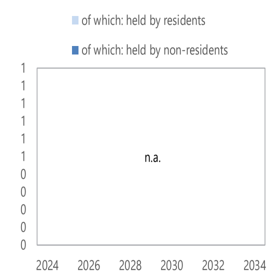
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	83.1	83.9	75.7	71.8	65.6	62.3	58.1	54.2	48.9	37.5	15.8	80.2	51.8
of which: external debt	48.2	51.7	49.1	47.8	43.0	40.6	36.5	33.4	30.6	20.5	10.2	45.1	32.1
Change in public sector debt	-2.8	0.7	-8.1	-3.9	-6.3	-3.3	-4.2	-3.9	-5.3	-1.6	-1.8		
Identified debt-creating flows	-4.5	0.9	-9.1	-4.1	-3.6	-3.5	-3.3	-3.4	-3.9	-1.0	-1.6	-1.6	-2.6
Primary deficit	1.8	2.8	1.6	-0.1	-1.6	-2.2	-1.8	-1.4	-1.2	-0.3	-1.0	1.1	-0.9
Revenue and grants	16.7	17.6	20.1	20.2	22.7	22.5	21.7	21.3	21.0	17.8	15.8	17.5	20.3
of which: grants	2.5	5.6	8.0	7.0	7.9	8.1	7.4	6.9	6.5	4.5	2.5		
Primary (noninterest) expenditure	18.5	20.4	21.7	20.1	21.0	20.3	19.9	19.9	19.8	17.5	14.9	18.6	19.3
Automatic debt dynamics	-6.3	-1.9	-10.1	-4.7	-3.5	-1.1	-1.1	-1.7	-1.7	-1.2	-0.6		
Contribution from interest rate/growth differential	-4.3	-5.3	-6.8	-4.7	-3.5	-1.1	-1.1	-1.7	-1.7	-1.2	-0.6		
of which: contribution from average real interest rate	0.0	-1.0	-2.9	-0.5	0.5	2.0	1.9	1.1	0.9	0.6	0.2		
of which: contribution from real GDP growth	-4.3	-4.3	-3.8	-4.2	-4.0	-3.1	-3.0	-2.8	-2.6	-1.9	-0.8		
Contribution from real exchange rate depreciation	-1.9	3.4	-3.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-0.6	0.6	1.5	-0.1	-0.4	-0.3	-0.9	0.6	-0.1	-0.1	0.3
Privatization receipts (negative)	0.0	0.0	-0.6	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	0.6	1.5	-0.1	-0.4	-0.3	-0.9	0.6	-0.1		
Residual	1.7	-0.2	1.0	0.2	-2.6	0.2	-1.0	-0.5	-1.4	-0.7	-0.2	3.4	-0.9
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	65.1	61.5	56.5	53.6	50.2	46.8	41.8	31.9	12.5		
PV of public debt-to-revenue and grants ratio	...	...	323.8	304.7	249.2	238.1	231.4	219.2	199.1	179.0	79.2		
Debt service-to-revenue and grants ratio 4/	147.6	123.5	95.0	88.0	74.2	84.9	82.6	79.1	77.0	71.3	28.6		
Gross financing need 5/	26.5	24.6	20.1	18.3	16.7	16.8	15.7	15.1	14.0	13.0	3.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.3	5.5	4.8	5.8	5.9	5.0	5.0	5.0	5.0	5.0	5.0	3.9	5.2
Average nominal interest rate on external debt (in percent)	1.1	1.3	1.2	1.6	1.3	1.6	2.0	1.9	1.7	1.8	1.3	1.2	1.7
Average real interest rate on domestic debt (in percent)	-0.2	-3.2	-8.4	-0.8	3.7	9.9	8.9	5.4	4.7	4.0	4.9	1.9	4.7
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.1	7.4	-6.8	...	...	...	...	...	...	...	...	0.2	...
Inflation rate (GDP deflator, in percent)	7.4	8.8	15.6	11.7	7.7	3.5	4.0	4.6	4.8	4.8	4.8	7.4	5.5
Growth of real primary spending (deflated by GDP deflator, in percent)	-12.2	16.6	11.6	-2.1	10.6	1.5	2.8	5.0	4.6	2.8	3.7	9.7	3.1
Primary deficit that stabilizes the debt-to-GDP ratio 6/	4.5	2.1	9.7	3.8	4.6	1.0	2.4	2.5	4.1	1.3	0.8	5.5	2.5

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, 2024–2034

(In percent)

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
						PV of debt-to GDP ratio					
Baseline	36.0	33.8	31.5	28.4	25.7	23.5	21.5	19.6	17.9	16.3	14.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	36.0	35.0	34.2	33.9	33.6	34.3	35.5	36.3	36.8	37.4	37.7
B. Bound Tests											
B1. Real GDP growth	36.0	36.3	36.0	32.5	29.3	26.8	24.6	22.4	20.4	18.6	16.9
B2. Primary balance	36.0	34.2	32.7	30.1	27.7	25.8	24.0	22.2	20.5	19.0	17.4
B3. Exports	36.0	**51.2**	**69.9**	**65.4**	**61.2**	**56.7**	**51.4**	**46.6**	**42.0**	38.0	34.1
B4. Other flows 3/	36.0	**41.6**	**47.4**	**43.9**	**40.7**	37.5	34.1	31.0	28.0	25.4	22.8
B5. One-time 30 percent nominal depreciation	36.0	**42.4**	34.4	30.7	27.3	24.8	22.8	20.8	19.0	17.4	15.8
B6. Combination of B1-B5	36.0	**49.4**	**52.4**	**48.6**	**45.0**	**41.3**	37.5	34.0	30.8	27.9	25.1
C. Tailored Tests											
C1. Combined contingent liabilities 4/	36.0	34.5	32.7	30.0	27.5	25.5	23.7	21.9	20.3	18.8	17.3
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	125.1	120.7	111.7	100.8	90.3	82.7	75.6	69.8	64.2	59.2	54.2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	125.1	125.1	121.5	120.0	118.2	120.9	124.6	129.1	132.5	135.8	138.5
B. Bound Tests											
B1. Real GDP growth	125.1	120.7	111.7	100.8	90.3	82.7	75.6	69.8	64.2	59.2	54.2
B2. Primary balance	125.1	122.3	116.0	106.7	97.5	91.0	84.4	79.1	73.9	69.0	64.1
B3. Exports	125.1	**398.1**	**1247.3**	**1165.1**	**1083.2**	**1004.3**	**907.4**	**832.0**	**760.1**	**694.1**	**630.4**
B4. Other flows 3/	125.1	148.9	168.1	155.6	143.3	132.3	119.8	110.1	100.7	92.2	83.9
B5. One-time 30 percent nominal depreciation	125.1	120.7	97.0	86.5	76.5	69.4	63.7	59.0	54.4	50.3	46.2
B6. Combination of B1-B5	125.1	**230.6**	166.7	**312.2**	**287.4**	**263.7**	**238.9**	**219.5**	**200.8**	**183.8**	167.2
C. Tailored Tests											
C1. Combined contingent liabilities 4/	125.1	123.5	116.1	106.2	96.7	89.9	83.3	78.0	72.9	68.2	63.4
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	8.2	10.6	13.1	11.9	11.5	10.7	10.1	9.4	9.0	8.2	7.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	8.2	11.0	13.6	12.6	12.6	12.1	12.4	12.6	13.0	12.9	13.5
B. Bound Tests											
B1. Real GDP growth	8.2	10.6	13.1	11.9	11.5	10.7	10.1	9.4	9.0	8.2	7.9
B2. Primary balance	8.2	10.6	13.2	12.0	11.7	10.9	10.5	9.9	9.5	8.8	8.6
B3. Exports	8.2	**26.5**	**84.5**	**83.6**	**80.6**	**87.6**	**100.0**	**93.3**	**88.2**	**81.0**	**77.5**
B4. Other flows 3/	8.2	10.6	13.7	13.0	12.6	13.2	13.9	13.0	12.3	11.3	10.8
B5. One-time 30 percent nominal depreciation	8.2	10.6	13.1	11.6	11.3	10.4	9.1	8.5	8.1	7.4	7.2
B6. Combination of B1-B5	8.2	**15.2**	**28.2**	**26.3**	**25.4**	**28.0**	**28.0**	**26.1**	**24.7**	**22.6**	**21.7**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	8.2	10.6	13.2	12.0	11.7	10.8	10.3	9.6	9.1	8.3	8.1
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	15	15	15	15	15	15	15	15	15	15	15
						Debt service-to-revenue ratio					
Baseline	17.9	**20.2**	**25.6**	**23.5**	**22.8**	**20.83**	**21.10**	**19.4**	**18.4**	17.0	16.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	17.9	**20.8**	**26.5**	**24.9**	**24.8**	**23.7**	**25.8**	**25.8**	**26.5**	**26.7**	**27.7**
B. Bound Tests											
B1. Real GDP growth		**21.8**	**29.2**	**26.8**	**26.1**	**23.8**	**24.1**	**22.2**	**21.0**	**19.4**	**18.6**
B2. Primary balance		**20.2**	**25.6**	**23.6**	**23.0**	**21.3**	**21.9**	**20.3**	**19.5**	**18.2**	17.6
B3. Exports	17.9	**23.1**	**32.8**	**32.7**	**31.7**	**34.0**	**41.4**	**38.1**	**35.9**	**33.4**	**31.6**
B4. Other flows 3/	17.9	**20.2**	**26.7**	**25.6**	**24.9**	**25.7**	**29.0**	**26.7**	**25.2**	**23.4**	**22.2**
B5. One-time 30 percent nominal depreciation	17.9	**25.4**	**32.2**	**28.8**	**28.0**	**25.6**	**23.9**	**21.9**	**20.9**	**19.2**	**18.5**
B6. Combination of B1-B5	17.9	**22.1**	**30.3**	**28.6**	**27.7**	**30.1**	**32.1**	**29.5**	**27.8**	**25.9**	**24.5**
C. Tailored Tests											
C1. Combined contingent liabilities 4/	17.9	**20.2**	**25.7**	**23.7**	**23.0**	**21.1**	**21.4**	**19.7**	**18.7**	17.3	16.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	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, 2024–2034

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
PV of Debt-to-GDP Ratio											
Baseline	**61.5**	**56.5**	53.6	50.2	46.8	41.8	40.0	37.1	35.6	33.3	31.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**62**	**60**	**58**	**55**	52	48	46	43	42	39	38
B. Bound Tests											
B1. Real GDP growth	**62**	**62**	**64**	**62**	**60**	**56**	**55**	53	53	51	51
B2. Primary balance	**62**	**60**	**61**	**58**	54	49	47	43	42	39	37
B3. Exports	**62**	**68**	**80**	**76**	**72**	**65**	**61**	**56**	53	48	45
B4. Other flows 3/	**62**	**64**	**70**	**66**	**62**	**56**	53	48	46	42	40
B5. One-time 30 percent nominal depreciation	**62**	**64**	**60**	**55**	51	45	41	37	35	32	30
B6. Combination of B1-B5	**62**	**59**	**58**	51	48	43	41	38	36	34	33
C. Tailored Tests											
C1. Combined contingent liabilities 4/	**62**	**63**	**60**	**56**	52	47	45	42	40	38	36
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	304.7	249.2	238.1	231.4	219.2	199.1	203.1	191.2	190.0	183.9	179.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	305	264	260	258	249	232	238	228	229	224	220
B. Bound Tests											
B1. Real GDP growth	305	265	271	273	268	254	268	263	271	273	275
B2. Primary balance	305	266	273	266	253	232	236	223	222	215	209
B3. Exports	305	298	357	350	338	311	310	289	281	268	255
B4. Other flows 3/	305	284	310	303	291	266	267	250	245	234	225
B5. One-time 30 percent nominal depreciation	305	292	275	262	244	217	215	197	190	179	169
B6. Combination of B1-B5	305	263	258	234	222	202	206	194	193	187	182
C. Tailored Tests											
C1. Combined contingent liabilities 4/	305	278	266	259	246	225	229	217	215	209	203
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	88.0	74.2	84.9	82.6	79.1	77.0	72.5	72.5	68.3	73.6	71.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	88	75	92	92	85	81	73	71	66	71	68
B. Bound Tests											
B1. Real GDP growth	88	78	95	98	99	101	101	104	104	114	114
B2. Primary balance	88	74	96	105	97	95	90	88	83	87	84
B3. Exports	88	74	86	85	81	82	82	81	77	81	79
B4. Other flows 3/	88	74	86	84	80	80	78	78	73	78	76
B5. One-time 30 percent nominal depreciation	88	73	87	85	82	80	75	75	70	74	71
B6. Combination of B1-B5	88	74	86	83	80	78	73	73	69	74	72
C. Tailored Tests											
C1. Combined contingent liabilities 4/	88	74	105	97	94	91	85	84	79	83	80
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.

Statement by Mr. Ouattara Wautabouna, Executive Director for the Gambia and Mr. Tamsir Cham, Senior Advisor to the Executive Director Executive Board Meeting
December 20, 2024

Introduction

1. Our Gambian authorities appreciate IMF staff for the fruitful engagement. They broadly concur with staff's assessment and policy priorities.
2. The Gambian economy continues on a strong recovery path with robust growth despite challenges from multiple shocks, including the lagged effects of the pandemic and conflict spillovers. Notwithstanding the domestic and external challenges, the authorities are making significant progress in implementing reforms while consolidating the gains made under the 2020-2023 Extended Credit Facility (ECF) arrangement. At the same time, they have kept the current ECF arrangement broadly on track by focusing on reform efforts towards restoring macroeconomic stability. To this end, they are supporting the growth recovery process, tackling inflationary pressures, stabilizing the foreign exchange market operations, reducing debt vulnerabilities, and advancing structural reforms to ensure a sustained and inclusive growth. Consequently, the authorities view the Fund support under the ECF arrangement as instrumental in enhancing resilience to exogenous shocks and achieving the objectives of the Recovery Focused National Development Plan (RF-NDP).

Program Performance

3. Program performance was broadly satisfactory. Six out of the seven Quantitative Performance Criteria (QPCs) for end-June 2024 were met including floor of net usable international reserves (NIR); domestic primary balance; net domestic assets (NDA); ceiling on new external payment arrears of the central government; ceiling on new non-concessional external debt contracted or guaranteed by central government; ceiling on outstanding stock of external public debt with original maturity of one year or less; and ceiling on new concessional external debt contracted or guaranteed by central government. However, the QPC on net domestic borrowing (NDB) of the central government was missed by 0.2 percent of GDP due to spending costs in hosting the Organization of Islamic Cooperation (OIC) Summit in May 2024, accelerated spending on road construction, emergency support to the National Water and Electricity Company (NAWEC), and the non-realization of receipts from arbitrations. Similarly, all the indicative targets (ITs) for end-June 2024 were met.
4. On the structural benchmarks (SBs) for test dates between end-August 2024 and end-October 2024, two of six were met, including comprehensive audits of large taxpayers, such as the telecom sector and submission of yearly cash plans through the Integrated Financial Management Information System (IFMIS) modules by Ministries, Departments, and Agencies (MDAs). However, there were delays in implementing some SBs, including the publication of the governance diagnostics report, the adoption of the revised Gambia Investment and Export Promotion Agency (GIEPA) Act, the adoption of the Domestic Revenue Mobilization Strategy (DRMS), and the adoption of the revised National Audit Office (NAO) Act by the Cabinet. On the missed SBs, the authorities requested

postponement of the DRMS to end-June 2025 due to technical assistance needs and additional time needed to address comments from development partners. Similarly, they requested deferral on the adoption of the NAO Act and the revised GIEPA Act to end-December 2025 due to unanticipated longer negotiation time between stakeholders.

5. Cognizant of the missed NDB target for end-June 2024, the authorities remain optimistic in meeting the NDB target for end-December 2024. To this end, they are taking corrective actions, including strengthening revenue collection, tightening expenditure control such as freezing non-essential expenditures, budget formulation and reporting, and arrears monitoring and prevention. Given the satisfactory program performance and strong commitment, **the authorities seek Executive Directors' support in completing the second review under the ECF arrangement and the requests for a waiver of Nonobservance of Performance Criterion, Modifications of Performance Criteria and Indicative Targets, and Financing Assurances Review.**

Recent Economic Developments and Outlook

6. Economic activity recovery has strengthened, and growth is projected at 5.8 percent and 5.9 percent for 2024 and 2025, respectively. Growth is supported by rebound in tourism, agriculture, services, telecom, and construction sectors. In the medium term, growth is projected to stabilize around 5 percent. That said, the outlook is subjected to downside risk, including the spread of the conflict in the Middle East, the war in Ukraine, regional conflicts, global commodity price volatility, possible global slowdown, and exchange rate, and fiscal pressures. Meanwhile, the authorities expect to benefit from a Compact with the Millennium Challenge Corporation as early as late 2025. Inflation rate, peaked at 18.5 percent in September 2023 (y-o-y), has since declined to 10 percent in October 2024 (y-o-y) due to the impact of the moderated global commodity prices and prudent monetary policy. Inflation is expected to decline further to the target rate of 5 percent by 2026.

7. The current account deficit has widened due to an increase in imports relative to exports. Further, the re-export trade has virtually collapsed in recent years. In addition, external financing in the form of budget support were not forthcoming. This notwithstanding, remittance inflows helped stabilize foreign currency supply. To this end, gross international reserves stood at about 4 months of prospective imports cover as at end-September 2024.

Fiscal Policy and Debt Sustainability

8. Despite the spending pressures related to the hosting of the OIC summit and support to the NAWEC to maintain electricity supply, the authorities are committed to achieving the 2024 fiscal target under the ECF arrangement. Going forward, they will implement prudent expenditure management to safeguard fiscal and debt sustainability. To this end, they will deploy combination of revenue enhancing and tight expenditure controls measures. Efforts in this direction include raising the National Road Authority fuel levy, auditing of large taxpayers, implementing an IT system for excisable goods, fuel marking, and increased non- tax collections. They are also committed to fulfilling triggers in budget support programs of development partners for timely disbursements. At the same time, they are strengthening expenditure controls and cash management to align spending with

available resources while preventing further accumulation of domestic arrears to ensure fiscal sustainability.

9. Our Gambian authorities will continue to strengthen fiscal consolidation efforts in 2025 and have submitted the 2025 budget to the National Assembly, which is consistent with the ECF program parameters. To this end, they will reduce unproductive operational costs while safeguarding poverty-reducing spending. A basic civil service salary raise of 30 percent will be financed by new permanent revenue measures to ensure fiscal sustainability. Going forward, they will review the wage structure and management, including by upgrading the payroll data and eliminating ghost workers, rationalizing and reducing allowances, and developing a targeted strategy to address recruitment and retention of skilled workers. To avoid recurrence of electricity pressures, they will include a contingency for potential support to NAWEC in the budget while actively pursuing its reform.

10. The authorities are committed to maintaining their medium-term fiscal strategy to address large social and development expenditure needs. To this end, they plan to implement a domestic revenue mobilization strategy and the Gambia Revenue Authority (GRA) Corporate Strategy Plan for 2025-2029 to improve voluntary compliance, enhance trade facilitation, and improve internal efficiencies to further boost revenue collections. They are also introducing new systems to bolster Rental Income tax collection and revenue assurance for Mobile network Operators (MNOs), enforce a duty waiver policy, streamline tax exemptions, reduce revenue losses, and establish a framework that will allow the collection of tax and non-tax revenue through commercial banks and strengthen the audit capacity. They are also procuring an Integrated Tax Administration System (ITAS) and reviewing the alignment of the IVAT Act with ITAS implementation. In the medium term, they plan to intensify revenue mobilization through digitalizing VAT collection with the introduction of smart invoice technology and broaden the tax base with the creation of specialized rental property Income Tax Unit and improving compliance. Furthermore, they are introducing administrative fees and audits of the tourism and hospitality sectors to strengthen non-tax revenue.

11. While public debt remains sustainable, risks of overall and external debt distress remain high. To this end, the authorities are embarking on fiscal consolidation measures and are making efforts to implement a domestic resource mobilization strategy and address the debt- development trade-off. That said, they intend to use innovative options, such as the Africa50 Asset Recycling Program, to finance infrastructure projects. Similarly, they are increasing the efficiency of the SOEs and PPPs to minimize risks of contingent liabilities. Furthermore, they are avoiding contracting non-concessional borrowing and will adhere to concessional borrowing plan under the ECF-supported program and implement a strong medium-term fiscal framework.

Monetary, Exchange Rate, and Financial Sector Policies

12. The Central Bank of The Gambia (CBG) remains committed to ensuring price stability. In this regard, they curtailed inflationary pressures, which declined from 18.5 percent at end-September 2023 to 10 percent at end-October 2024. That said, the slightly picked-up domestic inflation at end-August 2024 due to the presence of short-term price pressures warranted prudent policy calibration to maintain the declining inflation. To ensure that

inflation converges to the CBG's medium-term target of 5 percent, the monetary policy committee (MPC) will closely monitor inflation developments, tighten monetary policy, and keep the policy rate on hold. The CBG will employ a set of policy tools, including issuing CBG bills, the use of the deposit window, and the reserve requirement ratio to ensure inflation reaches the CBG's target. Meanwhile, the CBG will continue improving its communication strategy and has employed a press officer to increase communication with the public, particularly after the MPC meetings. At the same time, they hold radio shows regularly with the public to gauge inflation expectations.

13. The authorities are committed to a market-determined exchange rate and the smooth functioning of the exchange rate system. To this end, the CBG published a new foreign exchange policy and revised the foreign exchange bureau guidelines to ensure transparency and the smooth functioning of the market. In this regard, the wedges between the parallel and official exchange rates have narrowed. Meanwhile, the CBG is finalizing the forex intervention policy and limiting any forex market interventions to only alleviating excess market volatility.

14. The authorities are strengthening supervision to ensure financial sector stability. In this regard, despite the financial sector being solid, resilient, and adequately capitalized and liquid with most financial soundness indicators above the required thresholds, banks' nonperforming loans (NPLs) increased significantly from low single digits to double digits at end-2023 due to concentration risks in certain banks' loan portfolios because of a single borrower. To this end, the authorities are taking steps to strengthen regulatory and supervisory reforms with the adoption of the Basel Capital Framework to improve the assessment of capital requirements for banks with the implementation of pillar 1 of Basel II. Relatedly, they required banks to augment their minimum regulatory capital by GMD100 million annually until end-2027.

Structural Reforms

15. Our authorities are committed to the objectives of the RF-NDP, 2023-27, to address the country's development challenges. In this regard, they aim to strengthen macroeconomic stability and implement deep structural transformation of the economy through significant investments in priority sectors. Further, they aim to maintain the sustainability of public finances and support the country's resilience to climate change. While the authorities are making progress in implementing their reform agenda, they are strengthening their engagement with development partners.

16. The authorities are improving the business environment to foster private sector-led growth for job creation and sustainable growth. To this end, they plan to set up a digital platform for business registration. They are also developing a robust Credit Reference Bureau to increase access to finance; upgraded the national switch (GamSwitch), which now rides on a robust software (Powercard) to enhance its resilience and scalability, revenue generation capability, and facilitate interoperability within the financial system to foster greater financial inclusion.

17. The authorities are strengthening expenditure management by implementing public financial management (PFM) reform to support near- and medium-term fiscal framework. They are working closely with the National Assembly to expedite the adoption of the PFM Act and PPP bill to strengthen budget processes. Further, they are seeking Cabinet

approval of the roadmap for the implementation of program-based budgeting. They are rationalizing and consolidating subvented agencies with MDAs and extending the use of IFMIS to four new donor-funded and all government-funded projects to enhance accountability and transparency in the use of public resources. At the same time, they are strengthening governance, operational, and financial efficiency of state-owned enterprises (SOEs) through performance contracts to limit contingency risks and developing a pipeline of appraised investment projects based on the Gambia Strategic Review Board (GSRB) prioritization tool to make effective investment decisions.

18. The authorities are committed to improving governance and fighting corruption. They have engaged the IMF to conduct a governance diagnostic and will finalize and publish a plan for the implementation of some recommendations in the report. They plan to adopt a revised NAO Act to strengthen the independence and effectiveness of the National Audit Office. In line with the governance diagnostic report, the authorities are implementing reforms including the digitalization and automation of administrative processes, contract enforcement, and limits on discretion in public decisions.

19. The authorities are strengthening the central bank's independence. In this regard, the CBG will cease providing financial assistance beyond its core mandate to any third party to preserve its financial autonomy. That said, the CBG will advance emergency lending to the government only on a temporary basis and in truly catastrophic circumstances in consultation with the IMF. Further, the CBG Board will approve amendments to the CBG Act in line with the IMF safeguards recommendations, under mutual agreement followed by Cabinet approval and submission to the National Assembly once the current constitutional reform process is completed. Additionally, they are completing the revised draft law on AML/CFT to align it with international standards. They are also enhancing financial inclusion with the increased presence of fintech companies.

20. The authorities remain committed to protecting the most vulnerable population. In this regard, they are completing the expansion of the social registry to include Banjul and Kombo areas and they plan to increase the coverage of the Family Strengthening Program to 15 thousand individuals by 2026. Relatedly, they intend to create a budget line that will specifically fund social protection programs through the approved National Social Protection Act and regulations to tightly monitor and report on them on a quarterly basis.

21. The authorities are cognizant of the country's vulnerability to climate change-induced extreme weather events, including floods, storms, drought, and coastal erosion. Given the significant adaptation investment required to mitigate the adverse effect of such disasters, the authorities intend to request an RSF-supported program to address the recommendations outlined in the recent Climate Policy Diagnostic (CPD) and Climate Public Investment Management Assessment (C-PIMA). These recommendations include finalizing the national Disaster Management Policy and increasing the coverage of social safety nets while linking it to disaster response; enhancing coastal zone management; greening PFM reforms; and implementing revenue-enhancing measures in the transport and waste sectors to help address public health challenges while contributing to the low-carbon changeover of the economy.

Conclusion

22. The Gambian authorities remain on track in implementing the necessary reforms despite the challenging circumstances. They have reinforced their commitment to the ECF arrangement while consolidating the gains made under the previous ECF program. The Fund remain instrumental in anchoring reforms aimed at restoring macroeconomic stability. To sustain and maintain their reform agenda formulated in their NDP, the authorities seek the Executive Directors' support in completing the second ECF review to help catalyze additional donor support and address fundamental structural challenges. They look forward to continued support from the Fund to help realize their growth and development objectives.