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Report No: PGD5182

INTERNATIONAL DEVELOPMENT ASSOCIATION

SUPPLEMENTAL FINANCING DOCUMENT FOR A

PROPOSED GRANT
IN THE AMOUNT OF SDR 15.7 MILLION (US$20 MILLION EQUIVALENT)

TO REPUBLIC OF THE GAMBIA

FOR THE

SECOND FISCAL MANAGEMENT, ENERGY AND TELECOM REFORM
SUPPLEMENTAL DEVELOPMENT POLICY FINANCING

November 7, 2022

Macroeconomics, Trade And Investment Global Practice
Western And Central Africa Region

Republic of The Gambia

GOVERNMENT FISCAL YEAR

January 1 – December, 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of October 31, 2022)

Currency Unit : Gambian Dalasi (GMD)

US$1.00 = GMD 58.03

US$1.00 = SDR 0.78

ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan
AfDB	African Development Bank
AGD	Accountant General's Department
AM	Accountability Mechanism
AMRC	Assets Management and Recovery Corporation
CAD	Current Account Deficit
CBG	Central Bank of The Gambia
CCRT	Catastrophe Containment and Relief Trust
CH	Harmonized Framework (*Cadre Harmonisé*)
CPF	Country Partnership Framework
DLDM	Directorate of Loans and Debt Management
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ECF	Extended Credit Facility
ECOWAN	Economic Community of West African Network
EFT	Electronic Funds Transfer
EU	European Union
FMETDPF 2	Second Fiscal Management, Energy and Telecom Reform Development Program
FY	Fiscal Year
GAMCEL	Gambia Cellular Company
GAMPOST	Gambia Postal Services
GAMTEL	Gambia Telecommunication Company
GBoS	Gambian Bureau of Statistics
GCAA	Gambia Civil Aviation Authority
GDP	Gross Domestic Product
GIA	Gambia International Airlines Limited
GIRAV	Gambia Inclusive and Resilient Agricultural Value Chain Development Project
GNPC	Gambia National Petroleum Company
GoG	Government of The Gambia
GRS	Grievance Redress Service
GRTS	Gambia Radio and Television Service
HR	Human Resource
HFO	Heavy Fuel Oil
IAD	Internal Audit Department
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPC	Integrated Food Security Phase Classification
MDA	Ministries, Departments, and Agencies
MOFEA	Ministry of Finance and Economic Affairs
MTDS	Medium-term Debt Strategy
MTFF	Medium -term Fiscal Framework
NAO	National Audit Office
NAWEC	National Water and Electricity Company
NDP	National Development Plan
NFSPMC	National Food Security Processing and Marketing Corporation
PFM	Public Financial Management
PIP	Public Investment Program
PURA	Public Utilities Regulatory Authority
PPA	Policy Performance Action
REER	Real Effective Exchange Rate
RI	Results Indicator
SDR	Special Drawing Rights
SF	Supplemental Financing
SGO	Statement of Government Operations
SOE	State-owned Enterprise
SPV	Special Purpose Vehicle
SRB	Strategic Review Board
SSHFC	Social Security and Housing Finance Corporation
ToT	Terms of Trade

GPA	Gambia Ports Authority	WBG	World Bank Group
GPPA	Gambia Public Procurement Authority		
GPPC	Gambia Public Printing Corporation		
GRID	Green, Resilient and Inclusive Development		

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REPUBLIC OF THE GAMBIA

SECOND FISCAL MANAGEMENT, ENERGY AND TELECOM REFORM SUPPLEMENTAL DEVELOPMENT FINANCING

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The Supplemental Financing Operation for The Gambia Second Fiscal Management, Energy and Telecom Reform DPF was prepared by a team led by Wilfried A. Kouame (Task Team Leader, EAWM1) under the overall guidance and supervision of Theo David Thomas (Practice Manager, EAWM1), Nathan M. Belete (Country Director, AWCF1), and Feyi Boroffice (Resident Representative, AWCF1). The team comprised Ephrem Niyongabo (Economist, EAWM1), Fatou Mbacke Dieng (Senior Financial Management Specialist, EAWG1), Sering Touray (Economist, EAWPV), Matarr Touray (Energy Specialist), and Michael Jelenic (Senior Public Sector Specialist, EAWG1). The team also benefited from useful comments from Daniela Marotta (Lead Economist, EAWM1) and Edouard Al-Dahdah (Program Leader, EAWDR). Micky Ananth (Operations Analyst, EAWM1), Theresa Adobea Bampoe (Program Assistant, EAWM1), Maude Valembrun (Program Assistant, EAWM1), and Aji Oumie Jallow (Team Assistant, AWMGM) provided excellent administrative support. The peer reviewers are Georgieva-Andonovska (Senior Public Sector Mgmt. Specialist, EEAG1), and David Elmaleh (Senior Economist, EAWM2).

SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Parent Project
P179543	P173150

Proposed Development Objective(s)

The program development objective is to (i) improve debt and public investment management; (ii) improve financial viability and service delivery in the energy and telecom sectors; and (iii) enhance the transparency and governance framework of State-owned Enterprises (SOEs).

Organizations

Borrower:	REPUBLIC OF THE GAMBIA
Implementing Agency:	Ministry of Finance and Economic Affairs, Government of The Gambia

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**20.00**

DETAILS

International Development Association (IDA)	20.00
IDA Grant	20.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

High

Results

Indicator Name	Baseline (2019)	Status (end June 2022)	Target (2022)
Pillar 1: Improving Debt and Public Investment Management			
1. Deviation between domestic debt issuance and annual borrowing plan (percent)	N/A	10.5	Lower than 25
2. Coverage of government loan guarantees in public debt reporting (percent)	0	100	100
3. Share of new projects approved by SRB in a three-year PIP (percent)	N/A	N/A	50
4. Value of single source contracting regulated by the GPPA (percent of total)	75	34.4	30
Pillar 2: Improving Financial Viability and Service Delivery in the Energy and Telecom Sectors			
5. NAWEC current ratio (current assets/current liabilities)	0.86:1	1.12:1	1.50:1
6. NAWEC aggregated technical, commercial and collection losses (electricity, percent)	25 (2018)	25	20
7. Proportion of female directors in NAWEC leadership team (percent of total)	10	50	40
8. Proportion of base stations using the ECOWAN with transmission via fiber optic network (percent of total)	20	30.8	60
9. Share of population covered by 4G network (percent of total) Rural Urban	 3 33	 8 50	 10 60
Pillar 3: Enhancing the Transparency and Governance Framework of SOEs			
10. Transfers and subsidies to SOEs (percent of GDP)	0.6	2.6	0.5
11. Timely publication of annual audited financial statements for all SOEs (years)	2	2	1

1. INTRODUCTION AND COUNTRY CONTEXT

1. **This program document seeks the approval of the Executive Directors for a proposed Supplemental Financing (SF) of SDR 15.7 million (US$20 million equivalent) to the Second Fiscal Management, Energy and Telecom Reform Development Policy Financing (FMETDPF 2), approved by the Board on May 10, 2022.** The development objective of the FMETDPF 2 is to: (i) improve debt and public investment management; (ii) improve financial viability and service delivery in the energy and telecom sectors; and (iii) enhance the transparency and governance framework of SOEs. The proposed SF helps sustain implementation of the reform program supported by the FMETDPF series in the face of serious strains on the economy and the vulnerable population in The Gambia resulting from the effects of the war in Ukraine and the deteriorating global economic environment. The proposed operation will contribute toward closing The Gambia's unanticipated financing gap of 1.8 percent of gross domestic product (GDP) in 2022, which will be financed by grants and domestic debt.

2. **In The Gambia, the spillover effects of the war in Ukraine are having significant impacts on food insecurity**. The conflict disrupted agricultural supply chains and food trade, driving inflation up to 12.9 percent and food inflation to 14.9 percent by August 2022 (year-on-year)—reaching double digits for the first time in three decades. Products and services with the highest year-on-year price increases include oils and fats (19.5 percent), cereals (18.3 percent), health (48.2 percent), and education (25.3 percent). Recent data from the Harmonized Framework (*Cadre Harmonisé*, CH) for The Gambia indicates that the number of people in The Integrated Food Security Phase Classification 3 or higher (IPC3+)[1] between June and August 2022 was an estimated 206,713, or 8.4 percent of the population. This represents an almost 45 percent increase since October 2021 in the expected number of people facing IPC3+ conditions. An additional 606,782 people are in IPC2+ conditions but face an imminent risk of progressing to IPC3+. The conditions in the country have continued to deteriorate due to the worsening global food crisis, which is impacting food, feed, fertilizer, and fuel prices, and the ongoing floods, which have affected 47,104 people (about 2 percent of the population) as of August 25, 2022. The July 2022 Hunger Map for The Gambia shows that 400,000 people (17.4 percent of the population) have insufficient food consumption.

3. **The poverty and social impacts are estimated to be significant.** The impact of the war in Ukraine on hunger and acute food insecurity in the country is expected to be protracted over the coming months, compounding an already aggravated situation due the COVID-19 pandemic. High-frequency surveys conducted in 2020 during the pandemic indicated a worsening of poverty, with 54 percent of the population below the poverty line due to job losses, lower remittances and private transfers, and worsening food security driven by a combination of lower incomes and rising food prices.[2] In rural areas, the poverty rate has reached 70 percent, as agricultural performance has declined over the past years. In terms of income losses, 92 percent of households reported a reduction in total income (high-frequency survey data August 2020), with most of the decline attributed to lower non-farm income. Similarly, 66 percent and 54

[1] The IPC describes the severity of food emergencies. In Phase 1 (minimal), households can meet essential food and non-food needs without engaging in atypical and unsustainable strategies to access food and income. In Phase 2 (stressed), households have minimally adequate food consumption but are unable to afford some essential non-food expenditures without engaging in stress-coping strategies. In Phase 3 (crisis), households either have food consumption gaps that are reflected by high or above-usual acute malnutrition or are marginally able to meet minimum food needs by depleting essential livelihood assets or through crisis-coping strategies. In Phase 4 (emergency), households either have large food consumption gaps, which are reflected in very high acute malnutrition and excess mortality or are able to mitigate large food consumption gaps by employing emergency livelihood strategies and asset liquidation. Finally, in Phase 5 (famine), households have an extreme lack of food and/or other basic necessities even after the full employment of coping strategies. Starvation, death, destitution, and extremely critical acute malnutrition levels are evident.

[2] The Gambia Poverty and Gender Assessment, 2022. World Bank.

percent of the rural and urban population, respectively, are considered moderately food insecure. These indicators are set to worsen in the coming months, as food insecurity is predominantly driven by food inflation, with the most vulnerable spending 65 percent of their income on food. Poverty data for 2015–2019 show that strong growth in remittances helped reduce poverty. However, recent data suggest that remittances are declining compared to the same period last year, owing to the spillover effects of the war in Ukraine on the global recovery. As the prospect of a recession and cost-of-living squeeze in advanced economies increases, the real income of Gambians abroad is declining, limiting their ability to support their families back home.

4. **In response to these overlapping crises, the Government of The Gambia (GoG) has adopted several measures to contain rising food and energy prices and protect livelihoods.** The GoG and the Central Bank of The Gambia (CBG) have adopted measures to mitigate the spillover effects of the war in Ukraine on the population. The GoG has reduced the passthrough of rising international oil prices on the domestic market by foregoing part of the revenues from petroleum products and partially offsetting the rising costs of fertilizers and food products through subsidies and a continuation of the removal of taxes on bread and rice. Still, the prices of these products have increased by 20 percent, on average, although the increase could have been higher. These policies have generated significant fiscal costs, projected at about 2 percent of GDP in 2022. Additional measures include increasing basic public sector salaries to mitigate the decline in purchasing power. The CBG has also tightened its monetary policy by increasing its policy rate from 10 to 12 percent to tackle rising inflationary pressures.

5. **The spillover effects of the war in Ukraine could undermine the government's efforts to continue its reform agenda, including those supported by the Development Policy Financing (DPF).** The Gambia's 2016 presidential election led to a major regime change that put an end to 23 years of autocratic rule by former President Yahya Jammeh. The new president, who was reelected for a second term in December 2021, desires to continue the implementation of the National Development Plan (NDP), the main objective of which is to "deliver good governance and accountability, social cohesion and national reconciliation and a revitalized and transformed economy." There is a risk that overlapping crises slow down the effective implementation of the reform agenda supported by the FMETDPF series and undermine much-needed progress in priority areas supported by the NDP. Given The Gambia's limited capacity and resources to respond to spillover effects from conflicts and protect the population, the effects of the war in Ukraine may result in a social crisis and a breakdown of key state functions. The war-induced energy and food insecurity crises compound pre-existing social and economic tensions, with potentially significant consequences for existing fragility dynamics. The intersection of rising inflation and food insecurity with ineffective public institutions and public service delivery, weakening social cohesion, and significant citizen mistrust of the state could exacerbate existing challenges, exposing additional vulnerable Gambians to even higher risks and potentially reversing development gains. Therefore, in line with the World Bank Group (WBG) response to the global impacts of the war in Ukraine, this operation supports the GoG's efforts to respond to immediate socioeconomic challenges, prevent further fracturing of the social contract, and build resilience for the future. By supporting the government's capacity to continue to provide basic social services, such as health and education, and to alleviate the pressures of food insecurity and the risks of job losses, this operation helps to prevent the worsening gender-related vulnerabilities that already affect women (and the consequences on children).

6. **The proposed SF operation will contribute to closing the unanticipated financing gap of 1.8 percent of GDP (around US$41 million) in 2022.** The GoG does not have the capacity to meet its financing needs on its own due to a lack of fiscal buffers and limited domestic revenues and borrowing capacity. Therefore, the GoG has requested assistance from development partners to help address the negative impacts of terms-of-trade shocks related to the war in Ukraine and floods. The proposed operation is part of a coordinated effort to fill the financing gap and will contribute to closing The Gambia's total financing needs of US$74.8 million (3.3 percent of GDP) in 2022, of which US$41 million

(1.8 percent of GDP) was unanticipated.[3] The proposed SF would complement the on-lending of the International Monetary Fund's (IMF) Extended Credit Facility (ECF) disbursements in 2022,[4] as well as the 2021 SDR allocation from the CBG to the GoG to meet its financing needs and support its effort to provide food security assistance to the most vulnerable households. If not filled, the financing gap would jeopardize the reform program supported by the FMETDPF 2, which otherwise is proceeding on schedule and in accordance with the agreed policy agenda.

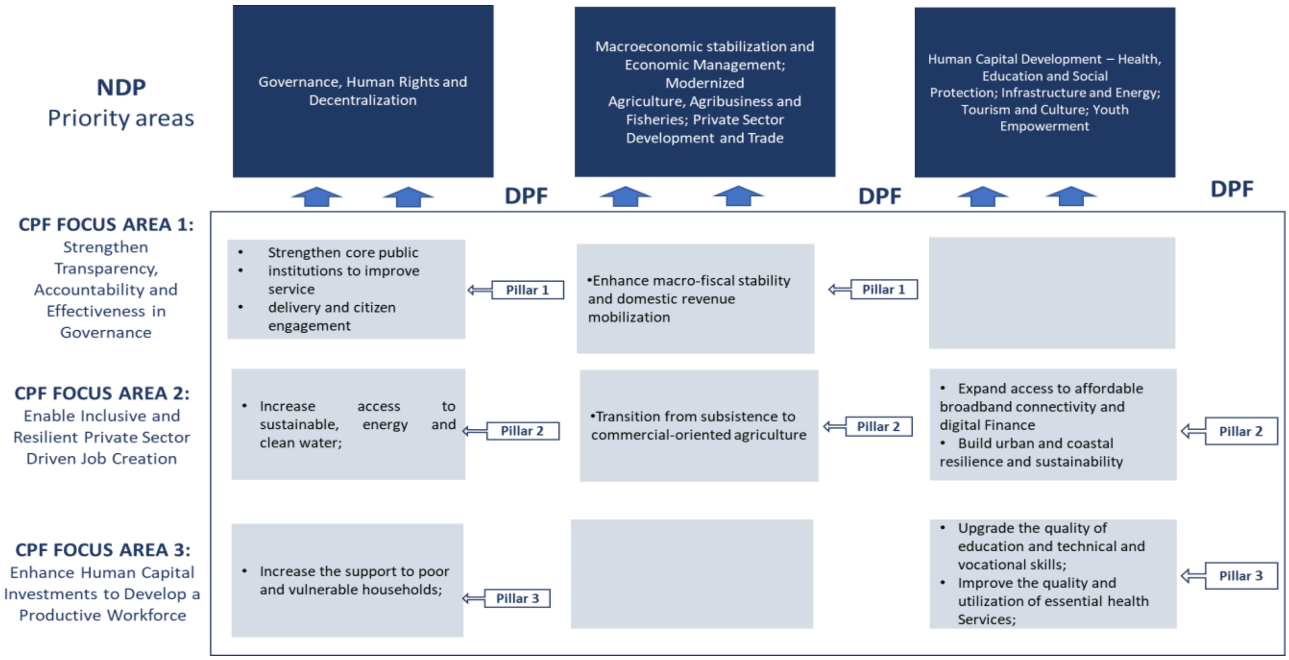
7. **A SF to the FMETDPF 2 is the most appropriate instrument to provide urgently needed support to the GoG to help it mitigate the negative effects of the war in Ukraine.** The WBG response to the economic implications of the war in Ukraine emphasizes the need to increase financial support and policy advice to help countries address immediate short-term impacts.[5] This increased financial support will help countries mitigate the adverse development impacts of macroeconomic shocks and adjustments and help the poorest countries protect essential expenditures on basic social services at a time when they are facing large unanticipated financing needs. A key priority area of the WBG response includes addressing the war-induced food and nutrition crises due to rising prices and the disruption of supply chains for grain and fertilizers. A SF is the most efficient way to provide liquidity support, as a new DPF, for example, would take more time, stretching the GoG's already limited capacity and diverting attention away from the agreed reform program. The SF will ensure that the reforms supported under FMETDPF 2 remain on track and are implemented without significant delays due to competing budgetary priorities or capacity constraints arising from crisis-related spending and measures. The SF will be followed by a new DPF series supporting the country's development agenda.

8. **The reform program under the FMETDPF continues to be highly relevant by supporting The Gambia's inclusive growth agenda and enhancing service delivery in key infrastructure sectors, and it is fully aligned with the WBG's Country Partnership Framework (CPF)[6] (Figure 1)**. The operation is designed around three pillars supporting eight prior actions that are aligned with the GoG's NDP 2018–2021 (which has been extended to December 2022). Under Pillar 1, the FMETDPF 2 supports strengthening fiscal risks and debt management by introducing a framework to manage government loan guarantees and issuing an annual borrowing plan (ABP). It also aims to enhance public investment management by improving project selection and appraisal and implementing the procurement act to ensure consistent use of competitive bidding and proper oversight of the procurement process.[7] Under Pillar 2, the operation supports strengthening the overall financial position and governance framework of the National Water and Electricity Company (NAWEC) through a new tariff compensation mechanism and the introduction of a performance contract and quarterly performance monitoring framework. In the telecom sector, this pillar supports further liberalization of the sector and increased use of wholesale fiber backbone assets. Under Pillar 3, the program supports enhancing fiscal transparency, reducing fiscal risks, and improving the corporate governance of SOEs through the establishment of an SOE oversight institution within the Ministry of Finance and Economic Affairs (MOFEA). The reform program is consistent with the

[3] This includes the non-disbursement of expected budget support from the African Development Bank and European Union (EU) in 2022 due to the internal processes of these institutions.
[4] The proposed operation follows the IMF's approval of SDR 5 million (US$6.72 million) on June 10, 2022. The IMF is expected to allow on-lending from the central bank of the fifth ECF disbursements (Fifth Review) by the end of the year.
[5] World Bank. 2022. World Bank Group Response to Global Impacts of the War in Ukraine: A Proposed Roadmap. Washington, D.C: World Bank Group. *https://documentsinternal.worldbank.org/search/33789058*
[6] Report No. 154485-GM (FY22-25).
[7] The National Assembly of the Gambia adopted a new Procurement Bill on October 6, 2022, to address the weakness of the Gambia Public Procurement Act, 2014, (i) by enhancing the governance framework and providing a procurement system that is transparent, efficient, and economic; (ii) prevents corruption and fraudulent practices; and (iii) ensures an accountable public procurement system that promotes social and economic capacity. The Bill has been sent to the President Office to be assented.

WBG crisis response framework for supporting green, resilient, inclusive development (GRID) and the Global Crisis Response Framework (GCRF).[8]

Figure 1. Contribution of the FMETDPF to Inclusive Economic Recovery



Source: World Bank staff elaboration.

2. THE IMPACT OF CRISIS, ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1. RECENT ECONOMIC DEVELOPMENTS

9. **The war in Ukraine affects The Gambia through commodity prices and trade channels.** The magnitude of the crisis on the most vulnerable reflects the convergence of multiple factors, including the stagnation of agricultural and livestock production for several years and inflationary pressures as the war drives up oil and food prices. The Gambia has weak investment links to both Russia and Ukraine, but it depends heavily on wheat imports from Ukraine, which represents 84 percent of the country's total wheat imports. This dependence could cause negative short-term price and supply disruption effects, fueling already high food inflation and worsening food insecurity, particularly for the vulnerable population. Since the country is a net oil and commodity (food) importer, high global oil and commodity prices are worsening The Gambia's terms of trade (ToT), negatively impacting growth and fiscal and external balances.

[8] The three pillars of FMETDPF series are strongly aligned with the (i) protecting people and jobs, (ii) rebuilding better and (iii) strengthening resilience pillars of GCRF.

Agricultural commodity exports (40 percent of total exports) could be severely restricted by rising global energy and fertilizer prices (indirect linkages).

10. **As a result of the spillover effects of the war in Ukraine, The Gambia's economic growth is projected to decelerate to 3.5 percent in 2022—2.1 percentage points below pre-war projections.** Both agriculture and industry are growing at lower rates due to high commodity and fertilizer prices, supply disruptions, and ongoing floods. The rebound in services and construction is projected to be lower-than-expected owing to heightening global uncertainty, rising risks of recession in advanced economies, and tighter financial conditions, affecting tourist arrivals, private investment, and remittances. Domestic demand is set to be dragged down by inflationary pressures, which reached 13.3 percent (year-on-year) in September 2022—the highest level recorded in the last three decades. As a result, private consumption growth is expected to decelerate after having rebounded from the COVID-19 pandemic. The Gambia's economy bounced back strongly in 2021, with a rebound in services and steady industry growth while inflation increased. Real GDP growth reached 4.3 percent in 2021 (1.3 percent per capita terms), up from 0.6 percent in 2020 (contraction of 2.7 percent in real GDP per capita). On the supply side, tourism recovered with the lifting of travel restrictions across the world, and agriculture continued to grow thanks to relatively favorable weather (**Error! Reference source not found.**). Record-high remittances supported private consumption on the demand side, mainly through construction and commerce.

Table 1. The Gambia: Contributions to GDP Growth, 2019–2025

	2019	2020	2021e	2022p	2023p	2024p	2025p
			(Annual percent change)				
Real Economy							
GDP at constant prices	6.2	0.6	4.3	3.5	4	5.5	6.1
Demand side:							
Consumption	19	29.9	4.4	6.5	9.9	15.4	5.0
Private	4	-1.2	3.5	3.7	6	4.7	4.5
Public	14.6	31.3	-7.9	2.8	3.9	10.7	0.5
Investment	13	61	27.1	22.8	26.3	10.9	8.3
Private	10.3	90	15.7	25.2	39.7	12.3	9.5
Public	19.6	-3.9	77.6	15.9	-15.2	3.8	1.6
Net exports	-6.3	-49.9	4.4	10	12.7	12	11.0
Supply side:							
Agriculture	-0.5	11	4.7	2	2.8	3.2	3.5
Industry	14.8	8.2	10.4	7	6.8	7	7.2
Services	6.3	-5.1	1.9	3	3.3	5.8	6.7

Sources: Gambian's authorities and World Bank staff estimates and projections (September 2022).

11. The current account deficit (**CAD) is projected to widen in 2022 owing to a deterioration of the trade balance and decline in remittances, while balance of payments financing needs will be heightened amid capital outflows.** The trade deficit is projected to deteriorate to 35.9 percent of GDP, from 30.6 percent in 2021, due to a combination of an increase in construction-related imports and high import prices. While exports are expected to increase, driven by higher commodity prices, they are not enough to offset the significant rise in imports. The CAD widened from 3.7 percent of GDP in 2020 to 8.1 percent of GDP in 2021, driven by a deterioration of the trade deficit (goods exports declined while imports increased) and current transfers (official transfers declined by 80 percent while remittances increased by 15 percent) (**Error! Reference source not found.**). Conversely, the capital and financial account surplus more than doubled from 7.4 percent of GDP in 2020 to 16.1 percent in 2021, driven primarily by an increase in foreign direct investment and other investments. The increase in financial flows offset the worsening of the CAD, allowing the balance of payments

to remain positive at 5.2 percent of GDP in 2021 and boosting reserves to 6 months of imports at end-2021. The nominal exchange rate remained broadly stable, but the real exchange rate appreciated slightly.

Table 2. Balance of Payments Gross External Financing Needs, 2021–2024

	2021e	2022p	2023p	2022p	2023p	2024p	2025p
		Pre-UKR war projections		Current baseline projections			
Total Financing requirements	6.0	10.2	8.6	14.7	10.0	7.3	6.6
Current account deficit (excl. budget support)	8.8	17.3	13.8	14.6	13.6	11	8.8
Scheduled government debt amortization	-2.8	-7.1	-5.2	0.1	-3.6	-3.7	-2.2
Total financing sources	6.0	10.2	8.6	14.7	10.0	7.3	6.6
FDI inflows (net)	5.0	5.8	4.6	4.4	4.3	4.1	4.4
Portfolio inflows (net)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Government borrowing (gross)	6.3	4.2	3.6	5.5	5.1	3.6	2.4
Other capital flows	1.2	-1.5	0.6	-0.6	0.0	0.0	0.6
IMF (net)	2.2	0.5	0.1	0.5	0.0	-0.2	-0.3
Change in net foreign assets,CBG ("-" = increase)	-8.9	1.1	-0.5	4.7	0.3	-0.5	-0.7

Sources: Gambian's authorities and World Bank staff estimates and projections (September 2022).

12. **The CBG has implemented a set of monetary policy measures to tackle growing inflationary pressure and mitigate the decline in forex reserves.** The CBG reduced forex purchases and issued CBG bills in late 2021, which helped reduce excess liquidity and moderate rising inflationary pressures. At its policy meeting in February 2022, the CBG maintained the monetary policy rate at 10 percent, before increasing it to 11 percent in May 2022 and 12 percent in September 2022 as inflationary pressures continued to build. It plans to continue the sale of CBG bills and increase the special deposit facility to mop up excess liquidity to achieve the target inflation rate of 5 percent over the medium term. To mitigate the decline in forex reserves, the CBG has taken additional measures such as controlling individuals' withdrawal of international currency and requesting money transfer operators to send their proceeds to banks. The CBG maintained an accommodative monetary policy stance in 2021, and the financial sector remained resilient. The CBG reduced its policy rate to 10 percent, cut the statutory reserve requirement ratio by 200 basis points to 13 percent at end-May 2020, and maintained it throughout 2021. Gross official reserves grew by 21 percent, reaching six months of imports in 2021, up from 5.3 months in 2020, on the back of higher net capital inflows. The dalasi remained broadly stable, depreciating against the US dollar by only 1.9 percent in 2021 as the CBG limited its presence in the forex market to sporadic interventions on the purchase side, allowing the real effective exchange rate (REER) to remain broadly unchanged compared to 2020.

13. **Overlapping shocks are expected to create a significant fiscal deficit of 3.7 percent in 2022.** The fiscal deficit (excluding grants) is expected to remain high at 3.7 percent of GDP in 2022.[9] Domestic revenues are set to decline to 9.8 percent compared to pre-war estimates due to the: (i) war-induced shortfall of taxes on international trade (-17.6 percent compared to the 2022 Budget Law); (ii) fall in non-tax revenues collected by the Gambia Revenue Authorities due to sluggish economic activity (-23.1 percent); and (iii) delayed settlement of a dispute procedure with an oil company

[9] The fiscal deficit widened in 2021 and more than doubled from 2.2 percent of GDP in 2020 to 4.6 percent of GDP (a primary deficit of 1.6 percent of GDP) in 2021 as the government sought to kickstart the economy. In 2021, revenues were 6.2 percentage points below their 2020 levels, driven primarily by lower grant financing as development partners unwound their financial support provided during the COVID-19 pandemic. Total expenditure also decreased by 3.8 percent of GDP, as pandemic-related fiscal support (subsidies and transfers) was withdrawn, while capital expenditure barely maintained the previous year's level.

that will lower non-tax revenues (52.5 percent) (**Table 3**).[10] Program grants are set to decline by 59.2 percent compared to the initially approved budget, as budget support from the African Development Bank (AfDB) and the EU will not be disbursed in 2022 for reasons beyond the control of the government.[11] This will lead to a shortfall of grant resources of 1.3 percent of GDP in 2022. To reflect the economic shock and the shortfall in revenue and accommodate a salary increase (Box 1), the authorities have reallocated selected non-essential current and capital expenditure worth 3.4 percent of the initially approved budget. Public debt to GDP maintained its downward trend, estimated at 83.8 percent of GDP in 2021—2.1 percentage points below its 2020 level (**Error! Reference source not found.**).

14. **The challenging environment will result in an additional net financing requirement of 1.8 percent of GDP in 2022.** Current estimates suggest that revenues will fall short of budgeted expenditure by 11 percent, and public expenditures are set to decline by 3.4 percent. The GoG does not have the capacity to meet its financing needs on its own due to a lack of fiscal buffers and limited domestic revenue and borrowing capacity. Therefore, the authorities have requested assistance from development partners, and the proposed operation is part of a coordinated effort to fill the financing requirement. The country's higher fiscal needs are expected to be covered by a combination of lending from domestic banks[12] and multilateral financing. The SF operation follows the IMF approval of the 4th review of the ECF program on June 10, 2022 (US$6.72 million) and is expected to be followed by the approval of the 5th review of the ECF program, including a possible augmentation of access which is under discussion.[13] The Gambia continues to benefit from debt service relief under the IMF's Catastrophe Containment and Relief Trust (CCRT) estimated at 0.1 percent of GDP in 2022. If not met, the financing requirement would jeopardize the reform program supported by the FMETDPF 2, which otherwise is proceeding on schedule and in accordance with the agreed policy agenda.

[10] One-off revenue of US$30 million (1.5 percent of GDP) expected from an arbitration proceeding related to oil exploration will not be received, as the related legal dispute has been delayed.
[11] The 2022 budget support grants from the EU will not be disbursed due to limits to commit funds from the EU 2022 budget following the war in Ukraine. The budget support from the AfDB will also not be disbursed in 2022 due to internal budget issues. Both AfDB and EU are planning to resume their budget support in 2023, with US$5.8 million and US$21.3 million, respectively. Other bilateral partners, such as France, are considering support to The Gambia in response to the crisis in 2022 (the amount for this additional support is yet to be confirmed).
[12] As the Gambia is already at high risk of debt distress, new domestic issuances are likely to affect debt dynamic and sustainability due to short maturities and high interest rates.
[13] This follows a request for additional support from the Gambian authorities during the 2022 World Bank/IMF Annual Meetings. The financing table does not include this potential additional support as it is still under discussion.

Table 3. Selected Macroeconomic Indicators Pre- and Post-War in Ukraine, 2021–2025

	Actual	Pre-war projections			Current baseline projections			
	2021	2022	2023	2024	2022	2023	2024	2025
Output and prices	*(Annual percent change)*							
Real GDP	4.3	5.6	6.2	6.5	3.5	4	5.5	6.1
Consumer prices (Annual average)	7.4	7	6.3	5.8	11.6	9	6.5	6.3
GDP deflator	7.8	6.4	4.4	4.3	11.6	9	6.5	6.3
Monetary sector								
Broad money (M2)	19.5	6.6	7.2	9.7	6.1	6.5	8.5	10.1
Credit to private sector (net)	3.1	3.8	2.9	3.7	2.1	2.9	1.6	3.6
Credit to government (net)	9.3	3	1	0	5.6	2	0.7	1
Net foreign assets	8.8	-0.1	3.4	5.9	0.4	1.6	6.2	5.4
Central government finance	*(In percent of GDP)*							
Total Revenue and Grants	16.8	25.8	22.3	21.9	21.9	19.7	19.5	19.4
Tax Revenue	10.3	15.2	13.9	14.2	11.3	10.6	11	11.1
Of which Taxes on Intl' trade	2.7	3.1	3.4	3.5	3.7	3.1	3.3	2.8
Non-Tax Revenue	4	4.2	2.4	2.3	1.8	2.5	2.5	2.9
Total Expenditure	21.4	28.9	23.5	22.4	25.6	22.3	21.6	21.1
Current Expenditure	15.2	15.0	13.4	12.9	15.8	12.8	12.9	12.6
Capital Expenditure	6.2	13.9	10.1	9.5	9.9	9.2	8.6	8
Overall balance (incl grants, comm. basis)	-4.6	-3.0	-1.2	-0.5	-3.7	-2.6	-2.1	-1.7
Overall balance (excl grants, comm. basis)	-7.1	-7.6	-7.2	-7.3	-12.5	-9.2	-8.1	-7
Grants	2.5	10.7	8.4	7.8	8.9	6.6	6	5.3
Balance of payments	*(In percent of GDP)*							
Balance of goods and services	-30.6	-34.5	-31.3	-30.2	-35.9	-35	-32.2	-31.4
Exports fob	8.6	17.4	18.6	18.6	13.2	15.1	16.8	16.8
Imports fob	-39.2	-51.9	-49.9	-48.8	-49.1	-50.1	-49	-48.2
Current transfers (net)	24	19.9	20.4	20.8	23.8	25	24.7	23.2
Current account balance (incl official transfers)	-8.1	-9.7	-9.4	-7.6	-13.7	-11.3	-8.8	-9.3
Overall balance of payments balance	5.2	-3.9	-2	-1.9	-6.4	-2.7	-1.4	-0.6
Terms of trade (annual percent change)	-7.5	0.2	-1.1	-0.4	-3.3	-0.5	-1.3	-1.7
Debt	*(In percent of GDP)*							
Public debt (external and domestic)	83.8	80.4	74.5	68.7	79	75.3	69.2	63.1
External debt	48.4	47.7	46.2	42.8	46	45.1	41.8	33.8
Debt service to revenue ratio (%)	20.5	14.9	15.5	15.7	20.6	14.9	14.3	18.7
Memorandum items:								
Nominal GDP (LCU Billions)	104.9	117.8	130.9	143.9	121.2	137.4	154.3	172
Nominal GDP (US$ Millions)	2004	2204	2398	2575	2267	2517	2761	3041
Real GDP per capita (annual % change)	1.3	6.7	7.9	7.3	0.6	1.1	2.6	3.2

Source: Gambian authorities and World Bank and IMF estimates and projections (October 2022).

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

15. **Growth is projected to pick up to an average of 5.2 percent during 2023-2025 (1.8 percent per capita), supported by increased activity in all sectors, as the global economy recovers, and the authorities continue their commitment to structural reforms and prudent macroeconomic policy**. Services and agriculture are expected to continue to grow, assuming respectively higher tourist inflows as advanced economies recover and with favorable rainfalls. Public infrastructure programs and stronger remittances to support private investment in construction will sustain growth in industry. Inflation is projected to gradually slowdown and average 7.8 percent in 2023-24, as global

food prices start to ease. Private and public consumption and investment are projected to remain high in the medium term, given economic recovery and public infrastructure programs.

16. **The fiscal and external positions are expected to improve in the medium term**. The medium-term fiscal consolidation is expected to be driven by the revenue mobilization efforts, the completion of major infrastructure projects, and the phasing-out of war- and pandemic-related revenue and spending measures. The authorities are also planning to expand the social registry and use it to design and roll-out means-tested income support to the vulnerable population rather than non-targeted war and pandemic related measures. The fiscal deficit is projected to narrow and average 1.6 percent of GDP in 2023-2025, as a result of these fiscal consolidation efforts. Continued tax revenue mobilization efforts would help create fiscal space to increase investment and social expenditures and maintain a sustainable fiscal stance. Public debt is projected to remain on a downward trend at around 72 percent of GDP in the medium term, supported by fiscal consolidation. The CAD is projected to decline while remaining high as the expected recovery in exports will be outpaced by import growth, driven by economic recovery and strong domestic demand.

17. **Public debt remains sustainable despite a high risk of overall and external debt distress.** The Gambia's public debt increased significantly over the past decade, reaching a peak of 87 percent in 2017 with the end of the autocratic rule of former President Yahya Jammeh, who was in power from 1994 to 2017. Public debt has been decreasing since then and is projected to follow a downward path over the medium term, mostly driven by the clearance of domestic arrears and the decline in external borrowing. According to the latest Debt Sustainability Analysis (DSA) (May 2022), public debt remains sustainable despite a high risk of overall and external debt distress. The present value (PV) of the overall public debt-to-GDP ratio remains on a downward path and is expected to drop below its benchmark by 2025, indicating that the public debt outlook remains sustainable. Liquidity indicators (debt service-to-exports and debt service-to-revenue ratios) are projected to breach their indicative thresholds in 2022 as well as between 2025 and 2029 due to lower export growth in the near term and higher debt service commitments in the medium term (with the end of the debt deferral period in 2024),[14] highlighting The Gambia's limited space for additional borrowing. Total public debt is projected to decline from 83.8 percent of GDP in 2021 to 69.2 percent of GDP in 2024. The positive debt outlook is based on: (i) a recovery in growth in the medium term; (ii) the continuation of fiscal consolidation, with the primary deficit expected to switch from deficit to surplus beginning in 2024; and (iii) the GoG's policy of avoiding non-concessional loans and limiting the contracting of concessional loans—a commitment under the IMF ECF and the IDA's SDFP.[15]

[14] The Gambia was no longer under debt distress after it restructured its public debt, which involved external creditors granting debt service deferrals for five years beginning in 2020. The external debt service will return to its normal trajectory starting in 2025.

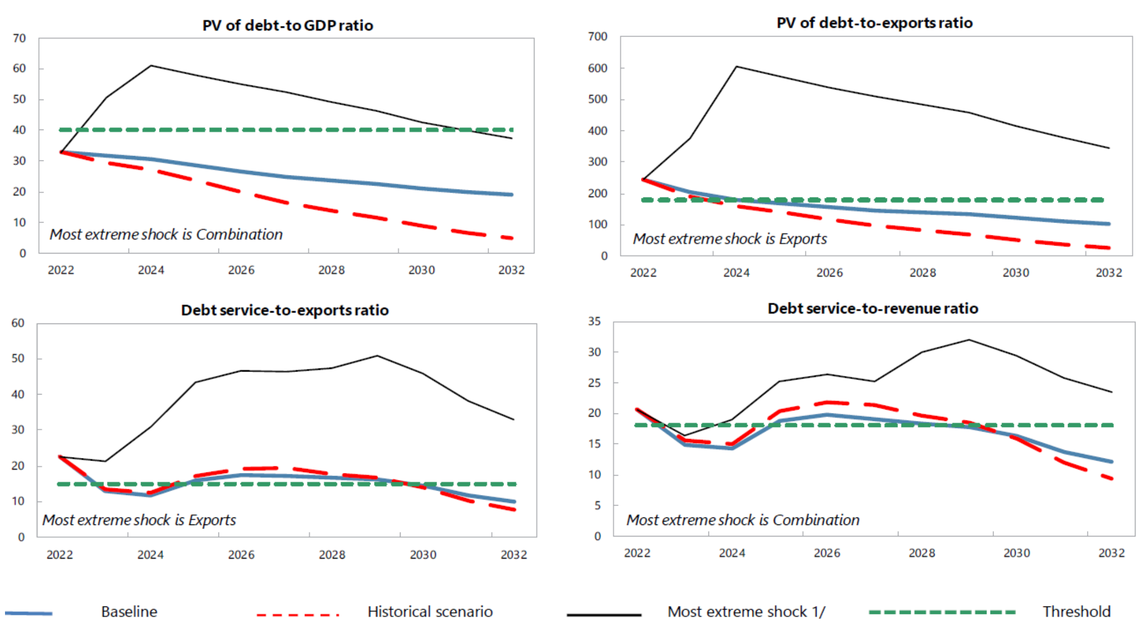
[15] As part of the SDPF, The Gambia successfully implemented two Policy Performance Actions (PPAs) for FY22 that focused on improving fiscal sustainability and debt management. The PPAs covered: (i) the approval of a three-year public investment program (PIP) for selected priority sectors (i.e., health, education, agriculture, infrastructure, energy, and environment) to rationalize public investment and anchor debt sustainability; and (ii) zero ceiling on non-concessional external borrowing. Three new PPAs on debt transparency, debt management, and fiscal sustainability have been approved for FY23. First, PPA 1 focuses on improving debt transparency by having MOFEA publish the annual public debt bulletin for 2022, including a table on government guarantees extended to all SOEs, on its website. Second, PPA 2 aims to improve fiscal and debt sustainability by having MOFEA publish the first Fiscal Risk Statement (FRS) on its website. Finally, PPA3 aims to improve debt sustainability by ensuring that the GoG does not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to: (a) reflect any material change of circumstances, or (b) ensure coordination with the IMF, in particular with adjustments in the IMF Debt Limit Policy (DLP).

Table 4. Unanticipated Financing Needs and Burden Sharing

	Budget Law 2022		Revised budget		Diff.	
	Billions of Dalasi	Percent of GDP	Billions of Dalasi	Percent of GDP	Billions of Dalasi	Percent of GDP
Total Revenue	29.9	25.4	26.6	22.0	**-3.3**	**-2.7**
Tax Revenue	13.9	11.8	13.6	11.2	**-0.3**	**-0.2**
Taxes on International Trade	0.7	0.6	0.6	0.5	**-0.1**	**-0.1**
Nontax revenue	3.7	3.1	2.2	1.8	**-1.5**	**-1.2**
Grants	12.3	10.4	10.7	8.8	**-1.6**	**-1.3**
Total Expenditure	32.1	27.2	31	25.6	**-1.1**	**-0.9**
Current Expenditure	19.5	16.6	19	15.7	**-0.5**	**-0.4**
Wage bill	5.1	4.3	5.7	4.7	**0.6**	**0.5**
Current transfers	4.5	3.8	4.6	3.8	**0.1**	**0.1**
Expenditure in goods & services	6.4	5.4	5.7	4.7	**-0.7**	**-0.6**
Interests	3.4	2.9	3	2.5	**-0.4**	**-0.3**
Capital Expenditure	12.7	10.8	12	9.9	**-0.7**	**-0.6**
Fiscal Deficit (excl. grants)	**-14.6**	**-12.4**	-15.2	**-12.6**	**0.6**	**0.5**
Fiscal Deficit (incl. grants)	-2.3	-2.0	**-4.5**	**-3.7**	**2.2**	**1.8**
Estimation of Budget financing gap in FY22						
Pre Ukraine war financing	**2.3**		**2.3**			
External Financing (net)	0.3		0.3			
Other domestic Financing (net)	1.2		1.2			
IMF ECF + CCRT	0.8		0.8			
Additional financing needs related to Ukraine war			**2.2**			
World Bank Supplemental Financing			1.1			
New domestic financing (domestic issuances, etc.)			1.1			
Residual financing gap with baseline scenario	**0.0**		**0.0**			

Sources: Gambian's authorities and World Bank staff estimates and projections (September 2022).

Figure 2. Selected Public Debt Indicators under Baseline and Alternative Scenarios, 2022–2032



Source: Joint IMF-World Bank DSA May 2022.

Table 5. Decomposition of Public Debt Creditor, 2021

	Total	
Type of creditor	**(US$ billion)**	**(Percent of GDP)**
Total*	**1671.5**	**83.8**
External	**965.9**	**48.4**
Multilateral	651.3	32.6
Bilateral	284.4	14.3
Paris Club	0.5	0.0
Non-Paris Club	283.9	14.2
Private	30.2	1.5
Domestic	**705.6**	**35.4**
T-bills	368.3	18.5
Bonds	337.3	16.9

Source: Gambian authorities (as of September 2022).

18. **The GoG continues to improve debt management and transparency.** Despite the spillover effects of the war in Ukraine on public finances, the authorities remain committed to prioritizing grant financing and highly concessional external financing and pursuing fiscal consolidation in the medium term. For example, The Gambia has strengthened its debt management capacities and updated the Medium-Term Debt Strategy (MTDS) for 2021–2025. In 2020, the country adopted a new debt management software, Meridian,[16] to: (i) improve the accuracy and timeliness of debt data in the Statement of Government Operations (SGO); (ii) help ensure the timely payment of external debt service, including on-lent debt to SOEs; and (iii) avoid the build-up of arrears. The Directorate of Loans and Debt Management (DLDM), responsible for external debt management, has prepared an ABP for 2021 that is consistent with the MTDS 2021–2025 and has been publishing quarterly reports on external debt commitments, agreements, and disbursements on its website since 2019. The CBG, responsible for domestic debt management, has solid capacity and a well-functioning system to register domestic securities. T-Bonds and T-bills issuance plans are published monthly, which helps anchor market expectations and limit interest rate volatility. The FMETDPF 2 supports a framework to manage government loan guarantees and issue an ABP.

19. **Downside risks to the outlook are high and exacerbated by the war in Ukraine and recent floods.** The outlook is clouded by the war in Ukraine, especially in terms of higher energy and food prices and supply chain disruptions. The Gambia depends heavily on wheat imports from Ukraine,[17] fueling already high food inflation and worsening food insecurity as the war lingers and the agreement on resuming grain exports through Ukrainian ports remains precarious.[18] Higher global oil and agricultural commodity prices are expected to worsen the ToT and affect growth and fiscal and external balances. Rising risks of stagflation in advanced economies, persistent inflationary pressures, and tighter financial conditions in international markets could undermine the recovery in the tourism sector and significantly reduce capital and remittance flows as well as agricultural commodity exports,[19] which have played a significant role in poverty reduction over the past years. Moreover, The Gambia is vulnerable to new COVID-19 variants due to its low vaccination rate.[20] New COVID-19 variants could lead to further lockdowns, negatively affecting domestic consumption, private investments, and tourism. As witnessed by recent floods, The Gambia is also highly vulnerable to climate shocks (floods,

[16] With technical support from the Commonwealth Secretariat.
[17] Wheat imports from Ukraine represent 84 percent of The Gambia's total wheat imports between 2018 and 2020 (Food and Agriculture Organization).
[18] https://press.un.org/en/2022/sc14990.doc.htm
[19] About 40 percent of total exports (Gambia Bureau of Statistics).
[20] According to our World in Data, 13.5 percent of Gambians were fully vaccinated as of August 7, 2022.

droughts, and associated health hazards), which could disrupt agricultural output and exacerbate food insecurity throughout the country. In the absence of grants and highly concessional financing, growing fiscal pressures due to the overlapping crises could force the GoG to rely on domestic borrowing to keep the economy afloat, severely undermining public debt and foreign reserves while crowding out private investments.

Table 6. Downside Scenario: Selected Macroeconomic Variables, 2021–2024

	2021e	2022p	2023p	2024p	2025p	2022p	2023p	2024p	2025p
		Current Baseline				Downside			
Real GDP	4.3	3.5	4	5.5	6.1	2.5	3.5	5.3	5.6
Real GDP per capita (annual % change)	1.3	0.6	1.1	2.6	3.2	-0.4	0.7	2.4	2.7
Consumer prices (Annual average)	7.4	11.6	9	6.5	6.3	12.2	9	6.5	6.9
Total Revenue and Grants (percent of GDP)	16.8	21.9	19.7	19.5	19.4	21.7	19.6	19.4	19.0
Tax Revenue	10.3	11.3	10.6	11	11.1	11	10.4	10.8	11.0
Grants	2.5	8.9	6.6	6	5.4	8.9	6.7	6	5.4
Total Expenditure	21.4	25.6	22.3	21.6	21.1	25.7	22.6	21.9	21.4
Budget balance (incl. grants, commitment basis)	-4.6	-3.7	-2.6	-2.1	-1.7	-4.1	-3	-2.5	-2.4
Current account balance (incl. grants)	-8.8	-11.7	-10.6	-10.2	-9.9	13.9	13	12.8	-12.2
Overall BOP balance									
Public debt (external and domestic)	83.8	79	75.3	69.2	63.1	79.3	76.3	70.1	63.8
External Debt	48.4	46	45.1	41.8	33.8	46.2	45.7	42.4	34.2

Sources: Gambian's authorities and World Bank staff estimates and projections (October 2022).

20. **The macroeconomic policy framework is deemed adequate for the proposed SF operation.** The medium-term outlook is positive, as the economy is expected to recover, driven by robust private consumption and rising investment and exports. Public debt is sustainable despite a high risk of overall and external debt distress. Fiscal policy will continue to be anchored in the Medium-Term Fiscal Framework (MTFF). Also, The Gambia has committed to zero non-concessional borrowing under the ECF and the SDFP. The GoG is firmly committed to maintaining a prudent macroeconomic policy and has demonstrated a good track record in macroeconomic management since 2017, enabling the country to achieve high growth and macroeconomic stability over the past years. The Gambia has benefited from the Debt Service Suspension Initiative (DSSI) in 2020 and the IMF's CCRT.[21] Monetary and exchange rate policies are appropriate and anchored by the ongoing IMF ECF.

3. RESPONSE TO THE CRISIS

3.1. THE GOVERNMENT'S RESPONSE

21. **The Gambian authorities have adopted fiscal policy measures to mitigate the spillover effects of the war in Ukraine on the population, including reducing the passthrough of rising international oil prices on the domestic market.** While fuel prices have increased several times since the beginning of the war,[22] these revisions do not represent a full pass-through of global oil prices. The last revision occurred in early July 2022, with an average increase of 13.5

[21] The Gambia benefited from debt service suspension of 0.2 percent of GDP under the DSSI in 2020. The country has not requested further debt relief because it already received substantial relief from most eligible creditors in the 2019 debt restructuring agreement. Under the agreement, debt service from creditors amounting to 7 percent of 2019 GDP between 2020 and 2024 has been deferred. The CCTR provided a debt service relief of 0.2, 0.2, and 0.1 percent of GDP in 2020, 2021, and 2022, respectively.

[22] Fuel prices increased in January, February, May, and July, and was reduced on October 1st, 2022, following a decline in oil prices globally.

percent.[23] The government has forgone all revenue from petroleum products and concluded an agreement with oil companies to reduce their margins to limit the burden of fuel price increases on Gambians. Without these government interventions, oil prices would have been three times higher than current prices.[24] So far, the GoG has forgone an equivalent of 0.8 percent of GDP of expected oil revenues in 2022, a 52 percent drop compared to the 2022 Budget Law (oil revenues amounted to 1.6 percent of GDP in 2021).

22. **The GoG has also partially provided price subsidies to offset the rising input costs of fertilizers and food products.** Still, disruptions in the global fertilizer market and rising prices have forced the GoG to allow some passthrough on the domestic market, resulting in a reduction of agricultural subsidies. On June 2, 2022, the Ministry of Agriculture announced the price of fertilizer at D2500 per bag during the summer—40 percent below the international price but more than a threefold increase compared to the price of D700 set a year before.[25] However, the government backtracked and reduced the price to D2000 two weeks after the announcement, following public outcry. Fertilizer subsidies amounted to 0.3 percent of GDP in 2021 and are expected to represent 0.5 percent of GDP in 2022. The authorities have also maintained the removal of taxes on cereals and wheat (e.g., rice and bread) adopted at the beginning of the COVID-19 pandemic. The total fiscal cost of price subsidies and tax expenditures amounts to 2 percent of GDP.

23. **In addition, the government has increased the nominal salaries of public servants (excluding allowances) to attenuate the decline in the purchasing power.** The measure is designed to cushion the impact of the declining purchasing power of public servants, which has occurred over the past few years because of rising inflation.[26] This policy response has not resulted in net additional budgetary costs, as the government reallocated expenditures through cuts in most spending categories. Specifically, the 2022 revised budget includes a nominal decrease of 41 percent for goods and services, 7 percent for subsidies and transfers, 12 percent for interest payments, and 5 percent for capital expenditures. The salary increase is part of a long-term reform agenda, supported by the World Bank, aimed at having a civil service pay regime sufficient to recruit, retain, and motivate a capable workforce (Box 1).

[23] The price of petrol increased from D69.52 (US$1.29) to D78.76 (US$1.46), and the price of diesel increased from D64.78 (US$1.2) to D73.78 (US$1.36).
[24] Fuel prices in July 2022 would have been D92.95 (US$1.72) for petrol and D94.11 (US$1.74) for diesel, compared to D57.39 (US$1.08) and D55.51 (US$1.05), respectively, in January 2022.
[25] According to the Ministry of Agriculture, a full passthrough of the international price of fertilizer should have led to a domestic price of D3500 June 2022.
[26] Cumulative inflation over the past 15 years averaged 151 percent in July 2022.

Box 1. Salary increase and offsetting measures to ensure continued fiscal and debt sustainability

The salary increase is the result of the implementation of a new civil service pay scale and grading system derived from a job evaluation exercise conducted in 2020 under a World Bank project. This is part of a long-term reform agenda aimed at improving the efficiency and fairness of the pay system and addressing shortcomings, such as low salaries, a high number of levels within each grade, and a high incidence of over-graded jobs. Low salaries and benefits are rated as a contributor to the high job dissatisfaction expressed by civil servants. There was a first increase of 50 percent in January 2019. The National Assembly approved the second increase of 25 percent of the wage bill, below the initially proposed 50-percent increase.

The authorities are committed to fiscal and debt sustainability. They have taken measures to mitigate potential risks from the salary increase, including a commitment to not extend the salary increase to other public agencies as the latter already receive higher salaries and marginal adjustment of some allowances. Also, for 2022, these measures include reducing non-essential public expenditure on goods, services, and capital.

Mitigation measures include increasing tolls on two bridges, expanding tax collection on the telecommunication sector, implementing the new pension scheme requiring a 5 percent employee contribution, and expanding the collection of payroll taxes resulting from the salary increase. In the medium and long term, the authorities are planning to apply the pay-as-you-earn income tax strictly, continue the extension of the tax base in the telecommunication sector, streamline groundnut and fertilizer subsidies to farmers, enhance the collection of lease rental income, collect airport concession fees, and streamline tax exemptions under Special Investment Certificates and The Gambia Investment and Export Promotion Agency act.

24. **The CBG has tightened its monetary policy to tackle mounting inflationary pressures and declining reserves.** Inflation started increasing in early 2021 and rose to 7.4 percent at the end of the year, up from 5.9 percent in 2020, driven by increasing global food and oil prices, pandemic-driven high freight costs, a slight weakening of the dalasi relative to some major currencies, and the gradual return of domestic demand. The CBG took some initial measures in late 2021 to contain inflation, including reducing forex purchases and the issuance of CBG bills, which helped reduce excess liquidity in the banking system and slow down reserve money growth. As inflationary pressures continued throughout 2022, exacerbated by the spillover effects of the war in Ukraine and higher credit to the private sector, the CBG resumed forex sales in early 2022 and has pursued the issuance of CBG bills and increased the special deposit facility rate to mop up liquidity further. The CBG also increased its policy rate from 10 to 11 percent in May 2022 and 12 percent in September 2022, rendering credit to the private sector more costly. Moreover, the CBG has implemented additional measures to mitigate currency depreciation as forex reserves declined over the past months. These include a directive requiring holders of foreign currency deposits to make withdrawals in local currency, as well as a requirement to money transfer agencies (MTO) to send their proceeds to banks and control shipments.

3.2. THE WORLD BANK'S RESPONSE, STRATEGY, AND COLLABORATION WITH DEVELOPMENT PARTNERS

25. **The WBG is committed to working closely with the GoG and other development partners to enable a fast response to the impact of the war in Ukraine.** In addition, the WBG continues to dedicate efforts to combat the COVID-

19 pandemic and mitigate its socioeconomic impacts. Anchored in its twin goals, along with its continued focus on fostering Green, Resilient and Inclusive Development (GRID), the WBG response includes short-, medium-, and long-term measures, combining financing with analytical work, policy advice, and technical assistance. The short-term response (April–June 2022) addressed the immediate impact of the crisis on the poor and vulnerable. The medium-term response covers a 15-month period (April 2022 to June 2023) and supports developing countries as they address the human and development setbacks caused by compounding crises, including food and fuel price shocks; disruptions to trade, supply chains, and foreign direct investment (FDI); the COVID-19 pandemic; and climate change. Finally, the long-term response will focus on promoting sustained development priorities in the longer term. A key long-term priority is to address the food and nutrition crisis resulting from rising food prices and the disruption of supply chains for grain and fertilizers, along with climate change and other underlying development challenges. WBG interventions aim to ensure that the poor have access to food by scaling up social adaptive safety nets, providing support to food producers, and improving the resilience of smallholder farmers.[27]

26. **The World Bank's immediate support to The Gambia will involve supplemental DPF, with complementing support from other partners.** The proposed SF will support efforts to improve the country's economic resilience and recovery by mitigating revenue losses, boosting forex reserves, cushioning the impact of rising prices of essential products on the most vulnerable, and ensuring that the FMETDPF 2 reform program remains on track. In addition, under the Gambia Inclusive and Resilient Agricultural Value Chain Development Project (GIRAV, P173070), the World Bank provided 250 tons of improved climate-smart varieties of seed in June 2022 to increase productivity and food security, which contributed to the GoG's adequate response to the food crisis. Coordination with other donors has ensured that the World Bank's response is complementary to that of other development partners. The IMF Board approved US$6.72 million under the fourth review of ECF program in June 2022 to help meet the country's balance-of-payments and fiscal financing needs, support the post-pandemic recovery, and address challenges from the war in Ukraine. The fifth review is under preparation and set to be approved before end-December 2022. The GoG has sought support from development partners from the onset of the war in Ukraine to address its financing and production needs. The AfDB was contacted in May 2022 to support small-scale farming and food production needs in 2022-2023, and it approved on July 22, 2022, a US$3.5 million additional grant for the rice value chain transformation project.[28] In line with the project's objective of improving incomes, livelihoods, and food and nutrition security, the additional financing will help provide subsidized inputs and policy reforms to scale up food production. Moreover, the GoG approved on July 20, 2022, OCP Africa's commitment to supply 13,000 tons of fertilizers at a special price for 130,000 smallholder farmers,[29] which will help them partially cope with fertilizer availability and food insecurity.

[27] This will include supporting the financing of grain imports, increasing storage capacity, and supporting regional cooperation to address disruptions in the food and fertilizer markets.
[28] The mother project started in December 2018, with total grant financing of US$7 million. The objective of the project is to contribute to poverty reduction and enhance economic growth in The Gambia through improved production, processing and marketing of the rice as well as reducing high importation of rice into the country. Specifically, the project will develop the commercialization of the rice subsector by enhancing private sector and other stakeholder's participation in the value chain, thereby improving incomes and employment opportunities for all stakeholders, especially youths and women. The additional grant financing is funded by the African Development Fund's Transition Support Facility, it will focus on providing subsidized inputs destined to scale up food production. This includes providing climate-resilient inputs at subsidized rates to smallholder farmers and enhancing the existing farmers' registration database for smart delivery of subsidies and targeted extension services.
[29] A subsidiary of OCP Group – A leading global provider of phosphate and its derivatives with almost 100 years of experience – OCP Africa was created in 2016 to contribute to the sustainable development of African agriculture. OCP Africa is a Pan-African company committed to food system transformation in the continent, allowing smallholder farmers better access to inputs, markets, financing, and training in good agricultural practices.

4. THE REFORM PROGRAM SUPPORTED THROUGH ORIGINAL OPERATION: AN UPDATE

27. **The FMETDPF 2 supported reforms to improve debt and public investment management, strengthen financial viability and service delivery in the energy and telecom sectors, and enhance the transparency and governance framework.** Reforms under Pillar 1 focused on: (i) reducing fiscal risks and enhancing debt management by introducing a framework to manage government loan guarantees and issuing an ABP; and (ii) strengthening public investment management by improving project selection and appraisal, as well as by implementing the Procurement Act to ensure consistent use of competitive bidding and proper oversight of the procurement process. Under Pillar 2, reforms aimed at facilitating greater private-sector participation in the energy and telecom sectors, enhancing competition, improving much-needed water and telecommunication service delivery, and ultimately reducing costs for businesses and consumers through four policy actions. Finally, Pillar 3 supported the transparency and governance framework of SOEs by enhancing fiscal transparency, reducing fiscal risks, and improving the corporate governance of SOEs by establishing an SOE oversight institution within MOFEA.

28. **The reform program supported by the FMETDPF series remains highly relevant to ensure the GoG has the capacity to respond to overlapping crises.** In the short term, measures under Pillars 1 and 3 aim to: (i) create fiscal space; (ii) improve public resource management for growth-enhancing and requisite social spending; and (iii) increase the efficiency of countercyclical fiscal policies during adverse external shocks, such as the spillover effects of the war in Ukraine or the COVID-19 pandemic. In the medium term, improving fiscal, debt, and SOE management would reduce fiscal risks and support the creation of fiscal space for new infrastructure investment. This is a critical part of efforts to improve the business climate, which is needed to attract private investment and build the resilience of the country's economy. Moreover, fiscal risk and debt management reforms are needed to provide creditors with the necessary assurance of the government's commitment to debt sustainability and transparency. This is particularly important in a context where The Gambia remains at high risk of debt distress, according to the latest DSA, even though it exited from debt distress in 2020 after restructuring its external debt. Under Pillar 2, reforms aim to improve the financial viability of NAWEC by introducing a new tariff compensation mechanism, a performance contract, and a quarterly performance monitoring framework to reduce the impact of high international oil prices (including having NAWEC use a new financial model). Introducing a performance contract and quarterly performance monitoring framework should also help build buffers to mitigate the rising costs as NAWEC, which relies entirely on a heavy fuel oil utility. Finally, reforms in the telecom sector should expand access to public service information, create favorable conditions for the recovery of the private sector, and foster digital inclusion by increasing coverage and lowering prices for vulnerable households affected by overlapping crises.

29. **Although progress has been achieved in the DPF series' policy areas, the spillover effects of the war in Ukraine and overlapping crises may delay implementation and results, making additional support critical to safeguarding the program.** The GoG's remains highly committed to implementing measures supported by the program and its overall reform agenda. However, hard-won progress can be reversed, and delays linked to the war in Ukraine are expected to affect the government's implementation capacity, putting additional pressure on public finances and domestic revenue collection, expected donor support, and the liquidity and solvency of SOEs, especially NAWEC. For instance, domestic debt will deviate from the ABP in the absence of necessary short-term liquidity support due to higher financial needs, and the new tariff compensation mechanism could be delayed. The aggregated technical, commercial, and collection losses of NAWEC are expected to increase due to higher oil prices, weakening its financial position and governance framework. The GoG's response to overlapping crises, including the war in Ukraine, could divert resources away from much-needed structural reforms and the inclusive growth agenda at a critical time for the post-autocratic regime and the COVID-19 pandemic recovery.

30. **Measures to reduce fiscal risks and strengthen debt management practices are on track, but there is a risk of delays.** The GoG has maintained its efforts to improve debt management and transparency through the publication of the: (i) MTDS, which is consistent with the medium-term fiscal framework and the NDP; (ii) quarterly reports on external debt commitments, agreements, and disbursements for 2019; and (iii) an ABP for 2021 and the approval of the framework for the management of government loan guarantees under the FMETDPF 1 and 2. The reform program aims to enhance the transparency and management of domestic debt issuances through the ABP, which will help extend domestic maturities and may lessen financing costs by reducing the premium, which is high because of asymmetric and incomplete information. There has been less deviation between domestic debt issuance and the ABP (Results Indicator [RI] #1) and the coverage of government loan guarantees in public debt reporting (RI #2) since June 2022. However, one could expect a setback on RI #1 due to the war in Ukraine, which has created unexpected financing needs and could push the GoG to further deviate from the ABP if the country does not receive the necessary external short-term liquidity support.

31. **Reforms to enhance the efficiency of public investment management are on track but could be affected by implementation delays.** Under the FMETDPF 1, the GoG has: (i) established and operationalized the Gambia Aid Strategic Review Board (SRB) and adopted its terms of reference, including project screening for climate resilience; and (ii) approved the draft Gambia Public Procurement Bill designed to separate procurement functions (control and regulation), eliminate exceptions and executive waivers (including existing ones), and include agencies that finance procurements with public funds. Efforts to enhance the efficiency of public investment management have been maintained under the DPF 2 through the approval of the criteria for project selection and appraisal guidelines. SRB has approved no new projects in the three-year PIP, as of June 2022 (RI #3). Still, the GoG is committed to submit all new projects to SRB. Although the share of single-source contracting regulated by the Gambia Public Procurement Authority (GPPA) has declined (RI #4), it remains below expectations. Moreover, recent gains could be reversed if the war in Ukraine lingers and pushes the GoG to resort to single-source contracting to expedite its response to the crisis. Achieving the development objectives of this reform program is even more relevant in the current context, as it could help build resilience, reduce fiscal risks, and facilitate post-crisis recovery.

32. **Implementation delays could also affect the reform program aimed at improving the financial performance of the energy sector.** Progress has been made to strengthen NAWEC's operational and financial performance. Under the FMETDPF 1, the GoG has restructured 75 percent of NAWEC's debt, made the full and timely payment of NAWEC utility bills mandatory by all ministries and departments, and adopted and published the Tariff Methodology Guidelines. To further increase the financial viability of NAWEC, the FMETDPF 2 supported efforts to approve a tariff compensation mechanism, establish regulatory and Treasury functions, introduce climate screening into the investment appraisal function, and improve oversight by MOFEA and the Public Utilities Regulatory Authority (PURA). Still, the financial viability of NEWAC remains weak, as the company remains highly exposed to international oil prices and forex risks. As NAWEC continues to be an entirely heavy fuel oil (HFO)-based utility, the war-induced higher international oil prices are set to generate an extra cost estimated at US$12 million, which would require additional government support. Despite a strong commitment of the GoG on the payment of NAWEC utility bills, the settlement of the electricity bill by ministries, departments, and agencies (MDAs), which were already negatively affected by the COVID-19 pandemic, is hampered by the spillover effects of the war in Ukraine that have had an adverse impact on the MDAs' financial resources. As a result, MDAs and other SOEs are accumulating payments arrears, and the risk of defaulting on a US$15.6 million debt service due to the Islamic Development Bank before end-December is increasing.[30]

[30] The GoG and NAWEC are exploring options to mitigate against this risk materializing, including additional support from the GoG and request to prolong the repayment schedule.

33. **Potential spillovers of the war in Ukraine could also result in delays in the maintenance of NAWEC's equipment, affecting its service delivery**. The effective implementation of the tariff compensation mechanism—which aims to mitigate the impacts of high electricity tariffs while ensuring the financial viability of NAWEC—could be delayed, as the shock induced by the conflict is diverting resources toward crisis management and improving the implementation capacity of NAWEC. In addition, indicators on current ratios and aggregated technical, commercial, and collection losses (RIs #5 and #6) could be delayed. Both the GoG and NAWEC are firmly committed to the utility company's financial viability, and they have established a dialogue to ensure that arrears are not accumulating. The tariff review process is currently underway, with most of the baseline data provided to the regulator in October 2022. The review will provide guidance on anticipated tariffs and feed into the national budget process for FY 2023. This should lead to the subsequent introduction of the tariff compensation mechanism to cater for shortfalls between determined and approved tariffs. Increasing the share of women staff at NAWEC has advanced at a fast pace (RI #7). NAWEC has mandated regular reviews of human resources (HR) procedures for recruitment, remuneration, and promotion to remove gender inequities and increase opportunities for women to undertake leadership and professional development training. As a result, the share of women in NAWEC's leadership team increased from 10 to 50 percent as of June 2022. There is no expected reversal of these recent gains because of the war in Ukraine.

34. **The reform program and its results are on track in the telecom sector, although the impact is not yet fully visible**. Under the FMETDPF 1, the GoG endorsed a new special purpose vehicle (SPV) with a public-private partnership arrangement, and it hired a transaction advisor to identify the detailed list of wholesale fiber optic assets, including the Economic Community of West African Network (ECOWAN), to be transferred to the SPV for future private sector participation. This has enabled Gambia Fiber Company Limited to be incorporated as a private limited liability company registered under the Companies Act of The Gambia in 2013. However, the work of the transaction advisor has been delayed, impacting the regulatory actions needed to liberalize the sector further. The sector still lacks the appropriate regulatory framework to enable the participation of private actors. The war in Ukraine has also weakened the financial position of GAMTEL (Gambia Telecommunication Company) and GAMCEL (Gambia Cellular Company), as the cost of operations has increased with high international oil prices. As a result, progress on the proportion of base stations using ECOWAN with transmission via the fiber optic network, along with the share of the population covered by the 4G network (RIs #8 and 9), has been slow but is on track.

35. **Reforms to enhance the corporate governance of SOEs are on track but could experience delays and lagging impacts on transfers and subsidies.** The GoG has taken several steps to reduce fiscal risks from SOEs. All three measures under the FMETDPF 1 and 2 have been implemented, including the administrative establishment of the SOEs oversight Directorate, which is expected to be fully staffed by qualified financial, audit, and legal specialists by end-2022. Yet, the SOEs Oversight Directorate is still to be fully staffed, and its functioning could be delayed, as the spillover effects of the war in Ukraine put a strain on public finances and shift the government's focus to responding to the crisis. Moreover, transfers and subsidies to SOEs (RI #10) have increased significantly from a baseline of 0.6 percent of GDP to 2.6 percent of GDP in end-June 2022, as the war-induced energy and price shocks have skyrocketed the need for government transfers and subsidies to SOEs to mitigate the temporary effects of the shock. Over the medium to long term, the GoG remains committed to reducing the fiscal risks from SOEs, and it has created a dialogue to ensure that the increase in subsidies is temporary and does not increase future liabilities. The RI on the timely publication of annual audited financial statements for all SOEs is on track.

5. RATIONALE FOR PROPOSED SUPPLEMENTAL FINANCING

36. **The request for SF is consistent with the World Bank's policy on DPF.** First, the spillover effects of the war in Ukraine represent an important external shock, which is expected to reduce government revenues by 11 percent (in the baseline scenario) or 18 percent (in the downside scenario) in 2022. This shock has created a substantial unanticipated financing gap of Dalasi 2.2 billion (around US$41 million or 1.8 percent of GDP) in 2022, which the GoG cannot cover without external support or a destabilizing adjustment process. This unanticipated financing gap could jeopardize the FMETDPF 2 reform program, which is proceeding on schedule. In the absence of further financial support and fiscal consolidation, the FMETDPF 2 reform program may be weakened and undermine the government's efforts and reform agenda aimed at putting the country on a solid development path.

37. **The program supported by the DPF is on track, and the GoG remains fully committed to the implementation of the policy actions, although the war in Ukraine is threatening the development outcomes.** The GoG is currently in compliance with all the covenants embedded in the Legal Agreement with the World Bank for the financing of the FMETDPF 2, including the Letter of Development Policy. An adequate macroeconomic framework has been maintained, including in response to the spillover effects of the war. The implementation of the reforms supported under the FMETDPF 2 is continuing; implementing agencies have demonstrated competence in carrying out the reform program; and progress on the program's RIs is already tangible. The GoG has a history of strong commitment to budget support programs, as demonstrated by the successful completion of past DPF programs. However, a prolonged economic and fiscal fallout from the war in Ukraine could derail or delay envisioned medium-term goals and developments. The proposed SF operation would play a critical role in mitigating such risks by helping the GoG address the impacts of the conflict in the short term through financial support and continuing the implementation of its medium-term policy agenda.

38. **The Gambia is unable to obtain sufficient funds from other lenders on reasonable terms and within a reasonable time.** The GoG has actively sought additional financing to cover the unanticipated financing gap, but there is no commitment from other donors thus far. Therefore, the proposed SF is critical in closing the financing gap, safeguarding budget financing, and containing rising macroeconomic risks and fiscal pressures that could adversely affect the country's debt profile. Accessing non-concessional external financing is not viable, as it would be inconsistent with the recommendations of the most recent DSA, the IMF program, and the World Bank's SDFP commitments. Moreover, The Gambia's borrowing capacity is limited due to its high debt burden and the expected expiration of the debt-service deferrals negotiated with creditors, potentially leading to higher debt service payments in upcoming years.

39. **The supplemental DPF offers the opportunity to respond quickly to the urgent needs of The Gambia and address the spillover effects of this unanticipated external shock.** It is the most efficient way for the World Bank to provide financing to The Gambia and help the GoG address its immediate financing needs while protecting progress with the underlying reform program.

6. OTHER DESIGN AND APPRAISAL ISSUES

6.1. Poverty, Social, and Environmental Impacts

40. **While the reform program's poverty and social impact assessment remains positive and unchanged, the relevance of reforms supported by the FMETDPF 2 is renewed with the spillover effects of the war in Ukraine.** Reforms

supported by Pillars 1 and 3 are expected to strengthen fiscal sustainability and create fiscal space, thereby building buffers and resilience to shocks. The reform program supports efforts to prevent a fiscal imbalance that could threaten inclusive growth and spending on poverty reduction. Improved debt and public investment management could free up fiscal space, finance infrastructure projects (e.g., improving electricity access, road networks, and markets), and support the effectiveness of countercyclical fiscal measures during adverse external shocks (e.g., war in Ukraine) and improve the government's response capacity. In addition to the COVID-19 pandemic (which has undermined the accumulation of human capital and constrained access to services, particularly for the poorest households), the spillover effects of the war in Ukraine (which has resulted in rising food, fertilizer, and fuel prices) are expected to affect the welfare of Gambian households, especially the poorest, which spend more on food and are more likely to rely on agriculture as a source of livelihood. Improved public investment management and an enhanced transparency and governance framework for SOEs would minimize leakages and improve the efficiency of public spending and subsidies, which in turn could be directed to improving service delivery, especially for the most vulnerable.

41. **The relevance of actions supported under Pillar 2 is also renewed in the current context.** Reforms under Pillar 2 aim to improve financial performance and service delivery in the energy and telecom sectors. These reforms are expected to create a more competitive market; facilitate better access to and quality of goods and services; improve the business environment; and contribute to private sector-led growth. Previous studies[31] indicate that the reform program remains relevant to improve household welfare. First, improved service delivery and access to more reliable electricity support better health and education outcomes, reduce inequality in times of economic shock (e.g., the war in Ukraine), and promote economic growth and job creation driven by the private sector. Second, improved financial viability would allow investments to expand access to electricity services in remote areas and among poor households, strengthening the social contract between the government and its citizens and enabling a sustained and inclusive recovery. Moreover, policy actions such as adopting a performance contract provide a unique opportunity to monitor the performance of NAWEC and other SOEs in times of crisis and anticipate and provide appropriate responses to risks. In the telecom sector, supported reforms aim to increase the coverage of services in underserved areas, enable more competition, lower prices, improve the affordability of services for poor households, and ultimately promote a solid post-crisis recovery.

42. **A protracted war in Ukraine could significantly disrupt the electricity supply and increase costs.** The price of petrol and diesel increased by 27.4 percent and 25.5 percent, respectively, between May 2021 and May 2022, driven mainly by the spillover effects of the war. As a result, households that rely on other (off-grid) sources of electricity, such as generators, to minimize the impact of disruptions are likely to be adversely affected. NAWEC remains a fully HFO-based utility, exposing it to significant cost variations due to rising prices. Using its new financial model, NAWEC has projected the potential financial impact of rising HFO costs at US$12 million in 2022, which means it will require extrabudgetary support to meet its financial obligations. While a tariff review process is ongoing and expected to be completed by December 2022, affordability will remain a major concern in electricity service delivery amid a rapidly deteriorating external environment. The culmination of the exercise would lead to the activation of the tariff compensation mechanism aimed at mitigating the impact of high electricity tariffs while ensuring NAWEC's financial viability. This was approved in 2021 as part of the DPF. The government's current domestic fuel subsidies, which aim to minimize the immediate impact of rising prices on households, will further constrain the country's limited fiscal space, which in turn is likely to affect the implementation of the tariff compensation mechanism. Additionally, the increase in fuel prices is expected to hamper efforts to improve the reliability of electricity services in The Gambia. Support provided

[31] See Blimpo et al (2018) Electricity access in Sub-Saharan Africa- Uptake, Reliability, and Complementary Factors for Economic Impact. Chapter 4 of the book examines the economic impact of (un)reliability of electricity through several channels.

through this supplemental DPF would help mitigate the adverse impact of an increase in prices on both households and businesses.

43. **A protracted war in Ukraine could significantly reduce the purchasing power of households, undermining recent hard-won welfare gains.** In 2019, 10.79 percent of the population was estimated to live under the international poverty line of US$2.15/day (2017 PPP), according to World Bank estimates. This proportion increased to 11.73 percent with the COVID-19 shock, before declining to 11.07 percent in 2021 due to the economic recovery. Under the baseline scenario, real GDP growth per capita growth is expected to be halved from 1.3 percent in 2021 to 0.6 percent in 2022. As a result, poverty reduction will decelerate from an average annual pace of 1.2 percent in 2018-19 to 0.7 percent in 2021 and 0.2 percent in 2022, with the poverty rate remaining above its 2019 level. Under the downside scenario, the extreme poverty rate is projected to fall below its 2021 level, erasing post-COVID-19 recovery gains, as real per capita income declines by 0.4 percent. The shock will primarily affect vulnerable households through the deterioration of their purchasing power and loss of income. War-induced disruptions in public service delivery, especially electricity supply, and recent floods will negatively impact household welfare and human capital accumulation and could widen gender gaps. The GoG's response and support provided through the SF should help mitigate these negative effects.

44. **The policies supported by the FMETDPF 2 are not expected to negatively affect The Gambia's environment, including its forests, water resources, habitats, and other natural resources.** This assessment remains environmentally neutral.

6.2. PFM, Disbursement, and Auditing

45. **The Gambia's public financial management (PFM) system has witnessed important legal and institutional reforms in recent years**. The 2016–2020 PFM strategy was adopted to provide a clear strategic direction for PFM reforms, and several new institutions and functions were established to reinforce its implementation. The PFM reforms aimed at supporting aggregate control, prioritization, accountability, and efficiency in managing public resources and delivering services, which are critical to achieving public policy objectives. Clear progress has been made with respect to public administration, accounting, cash management, and external audit. First, the civil service reform is ongoing, and a civil service grading, pay, and incentive policy was developed and approved by the Cabinet, which proposes a realistic minimum salary for civil servants. Moreover, a nationwide staff audit was conducted, and the final report was shared with all ministries. Second, the functionalities and coding of the integrated financial management information system (IFMIS) have been upgraded to facilitate the timely production of comprehensive reports used to produce the SGO, the public expenditure reports, and a report on poverty-reducing spending. As part of the IFMIS upgrade, an electronic funds transfer (EFT) module has also been implemented to enable government payments to be done electronically and directly to beneficiary bank accounts. Third, the decision to adopt a single treasury account was adopted in February 2020, and the process to close accounts that have no purpose is ongoing. Fourth, backlogs in external audits of public finances are being addressed by the Accountant General's Department (AGD) and the National Audit Office (NAO). The NAO audit report on the 2018 accounts has been published on its external website, while the 2019 audit report has been finalized and sent to the National Assembly for discussion. The NAO has received the draft financial statements for 2020, and the audit engagement has started. Fifth, the central government budget is made publicly available on MOFEA's website, and monthly budget execution reports are posted in a timely manner. The GoG has also developed a new PFM strategy (2021–2025) to address the remaining shortcomings in PFM.

46. **Still, significant shortcomings remain, including a lack of credible budget formulation, poor investment planning and management, and weaknesses in accounting, reporting, and auditing.** These PFM weaknesses are exacerbated at the subnational level, where a dearth of qualified staff, an absence of strategic plans, an inadequate financing mechanism, and a lack of an IFMIS hamper accountability and transparency at the local level and the ability to fulfill delegated functions. Effective external oversight of the PFM system, which is paramount for accountability and transparency, is still nascent.

47. **PFM reforms have been supported by World Bank engagements in the country.** Implementing the new Civil Service Reform Strategy (2018–2027) was supported by the IFMIS project (P117275). Moreover, a web-based IFMIS system was developed and deployed in 2020, and the new Pension Bill was approved by the National Assembly for adoption in November 2020, although it has not yet been approved. Several efforts have also been launched to broaden the tax base and enhance transparency. Meanwhile, the FMD Project (P166695) supports a comprehensive tax expenditure assessment and review.

48. **The CBG's safeguards framework continues to require steps to strengthen oversight and capacity.** The IMF carried out an on-site safeguards assessment of the CBG's forex control environment in 2020. The assessment concluded that further steps to strengthen the CBG's oversight and overall capacity are needed. Progress has been made, with recent amendments to the legal framework, changes to modernize the internal audit function, and improvements in financial reporting. Most of the previous assessment's recommendations were implemented. In addition, the number of departures from International Financial Reporting Standards (IFRS) in the CBG's financial statements has decreased, and internal audits are aligned with international practices. However, capacity constraints remain across various areas within the central bank, including vacancies in key functions such as the director of internal audit. Furthermore, weak independent oversight by the CBG Board affects the robustness of audit arrangements, financial reporting, and the system of internal controls. Nevertheless, the CBG has implemented most of the key recommendations from the 2020 assessment, including appointing additional audit committee members and a director for the Internal Audit Department (IAD). The CBG has also updated the audit committee charter to strengthen central bank oversight. In addition, it has transferred all forex cash handlings to the purview of a newly established currency department and has committed to expeditiously completing all outstanding recommendations, including re-aligning the investment policy and guidelines with leading practices to safeguard the central banks' growing international reserves. The CBG's 2021 financial statements have been audited jointly by a local and international firm with central bank auditing experience, which expressed an unqualified opinion on the financial statements.

49. **The disbursement arrangements will be the same as the parent operation and follow standard IDA procedures for DPF operations.** The proposed operation would consist of a single tranche of US$20 million equivalent to be disbursed upon effectiveness. Once the financing becomes effective—provided IDA is satisfied with the program being carried out by the Recipient and the adequacy of the Recipient's macroeconomic policy framework, and upon receipt of a withdrawal application—the proceeds will be deposited by IDA into an account at the CBG, which will form part of the country's forex reserves. The Recipient shall ensure that upon depositing the credit into the said account, an equivalent amount in local currency is credited in the Recipient's budget management system in a manner acceptable to IDA. The Recipient will report to IDA on the amounts deposited in the foreign currency account and credited in local currency to the budget management system within 30 days of deposit. The equivalent amount in Dalasi reported in the budget system will be based on the market rate at the date of the transfer. The grant proceeds will not be used to finance expenditures excluded under the Financing Agreement. If the proceeds of the grant are used for excluded expenditures, as defined in the Financing Agreement, IDA will require the Recipient to refund an amount equal to the said payment to IDA. Amounts refunded to IDA upon such a request shall be canceled. IDA reserves the right to seek an audit of the

dedicated account by independent auditors acceptable to the World Bank. The result of such an audit will be furnished to IDA within four months of the request and in accordance with the terms of reference satisfactory to IDA. The GoG will bear all audit costs.

6.3. Monitoring, Evaluation, and Accountability

50. **MOFEA is leading the effort to coordinate the overall implementation of the DPF.** Most of the data for tracking progress on the RIs are available within MOFEA and on the websites of the CBG and the Gambian Bureau of Statistics (GBoS). MOFEA has experience and is conversant with World Bank policies and procedures through project lending and technical assistance operations. The 2017 emergency DPF supported some institutional capacity building on data requirements and overall monitoring arrangements needed for a DPF. Under the first operation of the current series, MOFEA formed an inter-ministerial DPF committee to ensure the required coordination of the reform program. The committee, which includes relevant stakeholders from within MOFEA and other ministries pertaining to all three pillars of the first operation, has been re-initiated for the second operation of the series. The World Bank team is a member of the DPF committee and continues to support the GoG in its efforts to monitor reform progress.

51. ***Grievance Redress.*** Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions or tranche release conditions under a World Bank DPF may submit complaints to the responsible country authorities, appropriate local/national grievance mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Project-affected communities and individuals may submit their complaint to the World Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, because of World Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and its management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank's AM, please visit https://accountability.worldbank.org.

7. SUMMARY OF RISKS AND MITIGATION

52. **While the overall risk rating of the operation remains high, some risks (e.g., risks related to sector strategies and institutional capacity) have increased on account of the war in Ukraine.** The main risks stem from overlapping external crises (in particular, COVID-19 and the war in Ukraine) and the residual risks of political instability, insecurity, and violence. Institutional capacity for implementation and environmental and social risks have increased due to the spillover effects of the war in Ukraine.

53. **Political and governance risks have been downgraded to substantial.** Despite achieving a track record of governance reforms, The Gambia continues to suffer from a complex political economy, weak governance, and political tensions. The GoG has undergone political reshuffling, and political opposition has increased, as noted during the recently completed presidential elections. There is widespread dissatisfaction with the ongoing transition, and lingering impacts of the pandemic could exacerbate political tensions and hinder reform. Presidential and parliamentary elections were recently held, and the GoG has a clear mandate to govern and enact reforms. While the authorities remain committed to the implementation of the reform agenda, they lack solid institutional and governance structures to back up and support the reform momentum. To mitigate these risks, the measures supported by the DPF have been selected

considering areas where the GoG has already initiated reforms that enjoy broad political support and are complementary to reforms supported by development partners, which are also providing capacity support.

54. **Macroeconomic risks remain high and could be aggravated by the spillover effects of the war in Ukraine.** The Gambia has made headway on fiscal and economic reforms, but COVID-19 has dampened the short-term economic outlook, exacerbated further by the spillover effects of the war in Ukraine. As a result, reforms to reduce fiscal risks, improve debt management and transparency, and strengthen public investment management may be delayed. While the country has a track record of solid macroeconomic performance, it is still fragile and relies heavily on external donor support. With the war in Ukraine, the government is already facing spending pressures to support vulnerable households facing high energy and food prices and agricultural input costs. These risks are partially mitigated by the authorities' commitment to fiscal and debt sustainability, including the SDFP's PPAs and the IMF ECF, which are expected to crowd in additional financial support from other development partners and help maintain a sound macroeconomic environment.

55. **Risks related to sector strategies and policies have been elevated to high.** Achieving the objectives of the DPF will require continuous commitment to the reform plan and strict discipline. Still, the spillover effects of the war in Ukraine are putting strain on public finances, and the GoG has focused on accelerating much-needed reforms. For instance, the new roadmap for the energy sector provides a strategic way forward, but addressing current shortages and financing needed for investments remains a challenge. Dealing with NAWEC's debt overhang was an important step that now needs to be complemented with a medium-term plan to ensure its financial viability and compliance with annual performance agreements. The GoG's continued commitment to the telecom sector will be critical as it commences the Transaction Advisor consultancy, which includes a market test to inform the government of transaction options for the wholesale fiber optic infrastructure and the two telecom SOEs. Further delays in the political decision on the future of the country's telecom SOEs will continue to pose a financial risk to these companies.

56. **Institutional capacity risk has been elevated to high.** As a low-capacity country with a highly centralized governance structure, The Gambia faces major risks in implementing World Bank-supported programs, especially with the impacts of overlapping crises (COVID-19 and the war in Ukraine). Weak institutional capacity, slow bureaucratic processes, and coordination issues within the government, as well as bottlenecks at the decision-making level, have been amplified as the GoG's has focused on managing the COVID-19 pandemic and the spillover effects of the war in Ukraine, which has put additional strain on the public administration. Since the democratic transition in 2017, the GoG has taken important steps toward rebuilding institutions and HR capacity following several decades of mismanagement. The authorities' policy efforts, the successful deployment of COVID-19 vaccines, and ongoing institutional reforms supported by development partners are helping to mitigate these risks.

57. **Finally, fiduciary risk is substantial.** The World Bank has assessed the GoG's performance of implementing the PFM reform program to date, along with the authorities' commitment to its improvement, as moderately satisfactory. However, the fiduciary risk associated with the proposed operation is rated as substantial. This rating is based on an assessment of the status of the PFM system and CBG's safeguard framework, accounting systems, and auditing arrangements. Nevertheless, the GoG continues to strengthen multiple aspects of public financial and budgetary management, which, along with ongoing technical assistance support by the World Bank, IMF, and other development partners, is a mitigating measure.

58. **Other risks are substantial and mainly linked to the low capacity of the country.** As a low-capacity country, the response to overlapping crises could divert resources away from much-needed structural reforms and the inclusive

growth agenda and affect the implementation capacity of ministries, departments, and agencies. The GoG's strong focus on responses to overlapping crises and the strong coordination between development partners are key mitigating factors.

Table 7. Summary of Risk Ratings

Risk Categories	Rating
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	High
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	Substantial
Overall	High

ANNEX 1: PARENT PROJECT POLICY AND RESULTS MATRIX

Prior actions and Triggers		Results		
Prior Actions under DPF1 (March 2020)	**Prior Actions under DPF2 (April 2021)**	**Indicator Name**	**Baseline (2019)**	**Target (2022)**
Pillar 1 – Improving Debt and Public Investment Management				
Prior Action 1. To strengthen debt management, the Recipient has, through its Ministry of Finance and Economic Affairs (MOFEA): (a) published a Medium-term Debt Strategy consistent with the Medium-term Fiscal Framework; and the National Development Plan; and (b) published quarterly reports on external debt commitments, agreements and disbursements for 2019 on its website.	**Prior Action 1.** To strengthen fiscal risk and debt management practices, the Recipient has: (i) through its Ministry of Finance and Economic Affairs (MOFEA), published an annual borrowing plan for 2021; and (ii) through its Cabinet, approved the framework for the management of government loan guarantees developed by MOFEA.	**Results Indicator 1:** Deviation between domestic debt issuance and annual borrowing plan (percent) **Results Indicator 2:** Coverage of government loan guarantees in public debt reporting (percent)	N/A 0	Lower than 25 100
Prior Action 2. To enhance the efficiency of public investment management, the Recipient has, through MOFEA, established and operationalized the Gambia Aid SRB and adopted its terms of reference including project screening for climate resilience.	**Prior Action 2.** To enhance the efficiency of public investment management, the Recipient has: (i) through its Cabinet, approved the criteria for project selection; and (ii) through the SRB, approved project appraisal guidelines (covering environmental impact and risks) developed by MOFEA.	**Results Indicator 3:** Share of new projects approved by SRB in a three-year PIP (percent)	N/A	50
Prior Action 3. To enhance the efficiency of public procurement, the Recipient has, through its Cabinet, approved the draft Gambia Public Procurement Bill designed to separate procurement functions (control and regulation), eliminate exceptions and executive waivers (including existing ones), and include agencies that procure using public funds.		**Results Indicator 4:** Value of single source contracting regulated by the GPPA (percent of total)	75	30
Pillar 2 – Improving Financial Viability and Service Delivery in the Energy and Telecom Sectors				
Prior Action 4. To improve financial performance in the energy sector, the Recipient has: (a) through MOFEA, restructured 75 percent of NAWEC's debt in accordance with the terms of the Memorandum of Understanding; (b) through MOFEA, issued a circular to all Ministries, Departments, and Agencies (MDAs)	**Prior Action 3**. To improve financial performance in the energy sector, the Recipient has: (i) through its Cabinet, approved a tariff compensation mechanism that compensates NAWEC for any shortfall between the approved tariff and required revenues starting in 2021; and (ii) through	**Results Indicator 5:** NAWEC current ratio (current assets /current liabilities)	0.86:1	1.50:1

Prior actions and Triggers		Results		
Prior Actions under DPF1 (March 2020)	**Prior Actions under DPF2 (April 2021)**	**Indicator Name**	**Baseline (2019)**	**Target (2022)**
requiring full and timely payment of NAWEC utility bills using the cash appropriations for said utility bills and to remain current on the same; and through NAWEC, authorised the transition of non-critical MDAs from post paid meters to prepayment meters; and (c) through the Public Utilities Regulatory Authority (PURA), adopted and published the Tariff Methodology Guidelines.	the NAWEC Board, adopted a financial policy to establish a treasury function, a regulatory affairs function, and introduce climate screening into the investment appraisal function.			
Prior Action 5. To strengthen the governance framework and improve technical performance in the energy sector, the Recipient has: (a) through the NAWEC Board, approved the Strategic Development Plan for the company (including renewable energy goals) and appointed five directors to NAWEC and issued offers of appointment for the group finance director and chief operations officer (water and sanitation) positions consistent with the new organogram; (b) through its Cabinet, approved NAWEC's Board Charter; and (c) through MOFEA, signed a full performance contract with NAWEC for 2020.	**Prior Action 4.** To strengthen the governance framework and improve transparency in the energy sector, the Recipient has signed a performance contract between NAWEC and the MOFEA for 2021-23 which ensures increased oversight by the MOFEA and PURA through: (i) a quarterly performance monitoring framework; and (ii) third-party monitoring of NAWEC fuel supply.	**Results Indicator 6:** NAWEC aggregated technical, commercial and collection losses (electricity, percent)	25 (2018)	20
	Prior Action 5. To encourage female participation in NAWEC's staffing and, in particular, in leadership positions, the Recipient has, through the NAWEC Board, approved a gender policy that addresses equal opportunity recruitment and employment.	**Results Indicator 7:** Proportion of female directors in NAWEC leadership team (percent of total)	10	40
Prior Action 6. To prepare for private sector participation in the management and operation of the essential fiber optic assets, the Recipient has: (a) through its Cabinet, endorsed a new SPV to be operated under a public private partnership arrangement; and (b) through MOFEA, launched the procurement process for a transaction advisor consultancy for valuation, market testing, and transaction of said SPV, GAMTEL and GAMCEL.	**Prior Action 6.** To prepare for further liberalization of the telecom market, the Recipient has, through the Ministry of Information and Communication Infrastructure, incorporated the Gambia Fiber Optic Company Limited for future private participation in the ownership and management of the wholesale fiber optic assets.	**Results Indicator 8:** Proportion of base stations using the ECOWAN with transmission via fiber optic network (percent of total)	20	60
Prior Action 7. To enhance competition in the telecom sector, the Recipient has, through PURA, issued international voice and data		**Results Indicator 9:** Share of population covered	3	10

Prior actions and Triggers		Results		
Prior Actions under DPF1 (March 2020)	**Prior Actions under DPF2 (April 2021)**	**Indicator Name**	**Baseline (2019)**	**Target (2022)**
gateway licenses to operators in accordance with the provisions of the Information and Communications Act of 2009.		by 4G network: Rural Urban (percent of total)	33	60
Pillar 3 – Enhancing the Transparency and Governance Framework of SOEs				
Prior Action 8. To enhance the fiscal transparency of and reduce fiscal risks from State-Owned Enterprises (SOEs), the Recipient has, through MOFEA: (a) adopted the report on special purpose audits of NAWEC, GAMTEL, GAMCEL, GNPC, SSHFC, GPA, and GCAA and action plans for said SOEs based on the findings of the audits (including establishment of financial positions for end-December 2017); and (b) initiated special purpose audits of NFSPMC, Assets Management and Recovery Corporation (AMRC), GIA, GAMPOSTS, GPPC and GRTS.	**Prior Action 7.** To enhance corporate governance for SOEs, the Recipient has, through MOFEA, established the SOEs oversight Directorate at MOFEA.	**Results Indicator 10:** Transfers and subsidies to SOEs (percent of GDP)	0.6	0.5
Prior Action 9. To enhance the fiscal transparency of and reduce fiscal risks from SOEs, the Recipient has, through MOFEA: (a) adopted the Final Report on the Verification of Cross-Arrears Between the SOEs and Government and Between SOEs and the Gambia Revenue Authority (GRA); and (b) approved a strategy and timeline for clearing verified arrears starting with NAWEC in 2019.		**Results Indicator 11:** Timely publication of annual audited financial statements for all SOEs (years)	2	1

ANNEX 2: IMF RELATIONS ANNEX

IMF Executive Board Completes Fourth Review under the Extended Credit Facility Arrangement for The Gambia and Approves US$ 6.72 Million Disbursement

June 10, 2022

- The IMF Executive Board decision allows for an immediate disbursement of about US$ 6.72 million to The Gambia to help meet the country's financing needs, address the repercussions of the war in Ukraine, and support the post-pandemic recovery.
- Despite the various waves of the COVID-19 pandemic, the Gambian economy grew by 4.3 percent in 2021 and is expected to grow by 5.6 percent in 2022.
- The authorities remain committed to strong policy measures and structural reforms, including on fiscal management, State-Owned Enterprises, and governance.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) today completed the fourth review under the Extended Credit Facility (ECF) arrangement for The Gambia. The completion of the review enables an immediate disbursement of SDR 5 million, about US$6.72 million, to help meet the country's balance-of-payments and fiscal financing needs, support the post-pandemic recovery, and address challenges from the war in Ukraine. This brings total disbursements under the ECF arrangement to SDR 45 million. The Board also completed a financing assurances review and granted a waiver of nonobservance of a performance criterion on the ceiling on the net domestic borrowing of the central government.

The ECF arrangement for The Gambia was approved by the IMF's Executive Board on March 23, 2020, with an initial total access of SDR 35 million (or 56.3 percent of quota) that was augmented to SDR 55 million (88.4 percent of quota) at the time of the completion of the first review under the ECF, on January 15, 2021. The Gambia has also benefited from an IMF Rapid Credit Facility disbursement of SDR 15.55 million approved on April 15, 2020 and received debt service relief from the IMF under the Catastrophe Containment and Relief Trust, totaling SDR 7.9 million.

The Gambia's economic growth is estimated at 4.3 percent in 2021 despite the various waves of the COVID-19 pandemic. Growth is projected to reach 5.6 percent in 2022, predicated on strong remittance inflows, a robust expansion of the construction sector, and large public investment projects. The repercussions of the war in Ukraine intensify inflationary pressures, exacerbate pandemic-related uncertainties, dampen tourism prospects, and disrupt the supply of food and agricultural inputs. The central bank took initial measures to contain inflationary pressures, as inflation reached 11.7 percent at end-April 2022. The authorities are advancing reforms on several fronts, including the transparency of COVID-19 spending, the institutional framework of State-Owned Enterprises, revenue administration, and public financial management.

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

"The Gambia's democratic progress is commendable, including the successful organization of peaceful and transparent presidential and parliamentary elections. Performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite challenges related to the COVID-19 pandemic and the electoral context. The economy is gradually recovering but the spillovers from the war in

Ukraine are hampering a vigorous rebound and intensifying inflationary pressures.

“Fiscal and monetary policies aim at ensuring an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, containing inflationary pressures, and safeguarding debt sustainability. In the context of a weakened tax base and elevated spending needs, it would be paramount to further streamline tax exemptions, rationalize subsidies to SOEs, strengthen cash management, and better prioritize public investment projects. The authorities are advancing reforms on governance, including the transparency of COVID-19-related spending and the management of state-owned enterprises (SOEs).

“In view of lingering vulnerabilities, including anticipated increases in debt service at the expiry of the debt service rescheduling period, it would be important to maintain adequate fiscal and external buffers. To this end, it would be advisable to adhere to the external borrowing plan under the ECF-supported program and seek grants and highly concessional loans.

The authorities would be encouraged to persevere in their ambitious structural reform agenda, including on transitional justice reforms and the improvement of the business environment to support private sector-led growth and poverty reduction, as well as to build resilience to climate change.”

Table 1. The Gambia: Selected Economic Indicators, 2020–27

(In percent of GDP, unless otherwise indicated)

	2020	2021		2022		2023	2024	2025	2026	2027
	Act.	Prog.	Prel.	Prog.	Proj.	Projections				
	(Percent change; unless otherwise indicated)									
National account and prices										
GDP at constant prices	0.6	4.9	4.3	6.0	5.6	6.2	6.5	5.8	5.0	5.0
GDP deflator	2.2	4.9	7.8	5.1	6.1	6.8	4.8	4.2	3.9	4.4
Consumer prices (average)	5.9	7.0	7.4	6.3	8.1	8.0	6.3	5.0	5.0	5.0
Consumer prices (end of period)	5.7	6.5	7.6	6.2	8.5	7.5	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	-51.4	57.3	4.4	39.1	33.1	22.5	10.6	7.8	6.5	6.4
Imports, f.o.b (US$ values)	-5.9	33.6	19.7	25.6	37.1	13.1	5.8	6.2	4.0	6.2
Terms of trade (deterioration = -)	1.4	-3.8	-7.5	0.2	-3.0	-0.9	-1.6	-1.9	-1.5	1.8
Real effective exchange rate (depreciation = -)	-0.8	...	...	...	...	...	...	...	...	...
	(Contributions to broad money growth; percent)									
Money and credit										
Broad money	22.0	11.2	19.5	6.6	6.1	6.5	8.5	10.1	5.9	5.8
Net foreign assets	17.6	2.6	8.8	-0.1	0.4	1.6	6.2	5.4	0.6	0.4
Net domestic assets	4.4	8.6	10.7	6.7	5.7	4.9	2.3	4.6	5.4	5.5
Of which:										
Credit to central government (net)	3.6	6.6	9.3	3.0	5.6	2.0	0.7	1.0	0.9	0.0
Credit to the private sector (net)	0.1	1.9	3.1	3.8	2.1	2.9	1.6	3.6	4.4	5.5
Velocity (GDP/broad money)	1.8	1.8	1.7	1.9	1.8	1.9	1.9	1.9	2.0	2.1
	(Percent of GDP; unless otherwise indicated)									
Central government finances										
Domestic revenue (taxes and other revenues)	14.5	14.8	14.3	15.2	14.7	13.5	14.0	14.5	14.9	15.4
Of which: Tax Revenue	11.1	10.9	10.3	11.0	10.1	10.9	11.4	11.8	12.1	12.6
Grants	8.5	6.5	2.5	10.7	4.9	6.8	6.2	6.3	5.7	5.4
Total expenditures	25.2	25.4	21.4	28.9	23.8	22.5	21.7	21.6	21.2	21.3
Of which: Interest (percent of government revenue)	21.9	18.9	21.2	19.6	18.1	16.3	15.8	14.9	12.9	0.0
Net lending (+)/borrowing (–)	-2.2	-4.0	-4.6	-3.0	-4.2	-2.2	-1.5	-0.8	-0.6	-0.5
Net incurrence of liabilities	1.7	4.2	4.9	2.3	3.4	2.3	1.5	0.8	0.6	0.5
Foreign	0.9	1.4	0.5	1.2	0.9	1.4	1.2	0.3	0.2	0.5
Domestic	0.8	2.8	4.3	1.1	2.5	1.0	0.3	0.5	0.4	0.0
Primary balance	1.0	-1.2	-1.6	-0.1	-1.5	0.0	0.7	1.4	1.3	1.3
Public debt	85.9	82.9	83.8	77.3	79.5	74.6	69.4	63.7	58.0	52.9
Domestic public debt	36.4	34.0	35.4	30.3	33.0	30.1	27.6	24.9	21.9	19.3
External public debt	49.5	48.9	48.4	47.0	46.5	44.5	41.8	38.8	36.0	33.6
External public debt (millions of US$)	893.8	951.6	965.9	987.7	985.8	1,024.7	1,053.3	1,055.3	1,047.7	1,046.8
External current account balance										
Excluding official transfers	-7.5	-13.3	-8.8	-18.2	-14.2	-14.1	-11.9	-11.6	-10.5	-10.4
Including official transfers	-2.9	-12.5	-8.0	-16.0	-13.3	-11.8	-9.7	-10.3	-9.5	-9.4
Gross official reserves (millions of US$)	352.1	496.5	530.4	472.9	467.7	459.5	472.4	483.5	489.1	488.1
(months of next year's imports of goods and services)	5.3	5.4	6.0	4.9	4.7	4.4	4.2	4.1	4.0	3.7
Savings and investment										
Gross investment	20.2	25.9	20.7	27.9	23.6	23.5	23.0	23.9	24.1	24.5
Of which: Central government	7.1	10.2	6.2	13.9	9.3	9.0	8.4	8.9	8.9	9.0
Gross savings	17.3	13.4	12.7	12.0	10.3	11.7	13.3	13.6	14.6	15.1
Memorandum items:										
Nominal GDP (billions of dalasi)	93.3	103.7	104.9	115.5	117.6	133.4	149.0	164.4	179.4	196.6
GDP per capita (US$)	747.9	804.0	816.4	830.7	847.9	889.9	935.2	980.8	1,016.8	1,058.2
Use of Fund resources (millions of SDRs)										
Disbursements	20.6	35.0	35.0	10.0	10.0	5.0	0.0	0.0	0.0	0.0
Of which: 2020 RCF	15.6	...	...	...	...	...	...	...	...	...
Of which: ECF Augmentation	...	20.0	20.0	...	...	...	...	...	...	...
Repayments	-4.6	-3.0	-3.7	-2.8	-2.0	-4.1	-3.9	-5.2	-9.5	-14.0
CCRT debt relief [1]	3.2	4.0	4.0	0.8	0.8	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.5	71.5	70.6	66.6	66.7	62.6	58.5	53.8	48.9	44.3

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.