GAMBIA

Table 1	2020
Population, million	2.4
GDP, current US$ billion	1.9
GDP per capita, current US$	788.1
International poverty rate ($1.9)[a]	10.3
Lower middle-income poverty rate ($3.2)[a]	38.4
Upper middle-income poverty rate ($5.5)[a]	72.7
Gini index[a]	35.9
School enrollment, primary (% gross)[b]	101.7
Life expectancy at birth, years[b]	61.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for school enrollment (2019); life expectancy (2018).

Growth stagnated in 2020, driven by a pandemic-induced fall in tourism and private consumption. Despite the crisis, the external and fiscal deficits were kept in check due to increased donor support. Growth and poverty reduction are expected to gradually recover over the medium term, as the pandemic recedes. The outlook is subject to downside risks stemming from the speed of global recovery, the magnitude of the domestic COVID-19 outbreak, the vaccine roll-out, and the pace of fiscal and structural reforms.

Key conditions and challenges

Since the democratic transition of 2017, the Government has taken important steps to lay the foundations for democracy, improve the rule of law, restore macroeconomic stability, and reignite growth, which averaged 6 percent between 2017-2019. Following strong economic performance and debt restructuring, The Gambia exited debt distress in early 2020, paving the way for an IMF Enhanced Credit Facility. However, the new Constitution was rejected in Parliament, foreshadowing possible difficulties with sustaining economic governance reforms in the run-up to the 2021 elections.

COVID-19 has exacerbated existing economic and social challenges, particularly as tourism stopped, partially reversing gains in poverty reduction. Given that the risk of debt distress remains high, The Gambia has limited fiscal policy buffers to respond to a downturn. Its outlook is subject to downside risks stemming from the depth and duration of the pandemic, possible virus mutations, the deployment of vaccines across key tourist markets, the reform pace ahead of the elections and climatic shocks. Upside risks are limited, originating from a faster pandemic recovery and tourism rebound.

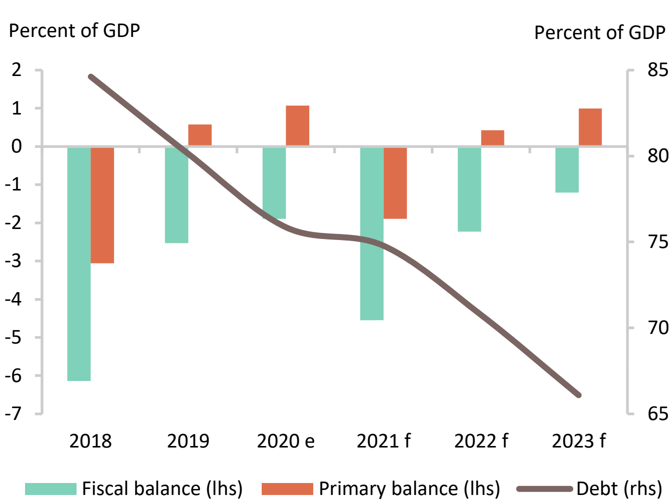
Recent developments

GDP growth fell to 0 percent in 2020 (-2.9 percent in per capita terms). The services sector was affected most, as containment measures suppressed private consumption and tourism declined, with flight arrivals falling by 62.4 percent. Nevertheless, ample rains spurred a rebound in agriculture, while strong private foreign inflows, especially remittances, supported construction and commerce.

The current account deficit widened to 5.5 percent of GDP, as the tourism drop was partially offset by remittances and official transfers. FDI financed the deficit, while the exchange rate remained stable. International reserves reached 4.9 months of next year's imports, supported by a record 80.9 percent growth in net remittances, which may reflect some transfers moving to the formal financial sector.

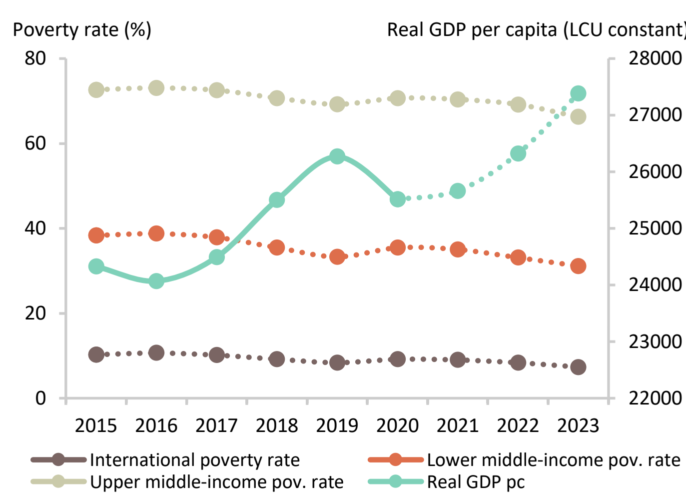
The Government registered a primary surplus, reducing the fiscal deficit to 1.9 percent of GDP and public debt-to-GDP to 75.8 percent, as grant increases supported most of the pandemic-related spending. Tax collections decreased by 0.4 percent of GDP but reached 95 percent of the pre-COVID-19 target, supported by the revision of reference prices combined with the adoption of transactional-value-based customs and excise levies. The tax shortfall was compensated by higher non-tax revenue due to one-off proceeds from recovery of assets stolen by the previous autocratic regime. Although expenditure

FIGURE 1 Gambia / Fiscal and primary balances and debt



Sources: The Gambian authorities and World Bank estimates.

FIGURE 2 Gambia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes see Table 2.

remained stable, recurrent spending increased to accommodate COVID-19 needs, while reallocating funding from lower-priority areas. However, capital expenditure declined due to pandemic-related implementation challenges. Due to previous debt restructuring, relief under the Debt Service Suspension Initiative (DSSI) was modest (0.23 percent of GDP).

Inflation decreased to 5.9 percent, driven by a demand drop, low fuel prices, a stable exchange rate, temporary administrative price controls on essential goods and the dissipation of the postal rate increase of April 2019. The central bank continued with cautious monetary easing, lowering the policy rate from 12.5 percent in end-2019 to 10 percent by end-2020, while reducing the statutory reserve requirement ratio by 200 basis points to 13 percent in May. Broad money continued to grow by 22.0 percent, supported by the buildup of net foreign assets in the banking system.

The COVID-19 pandemic has adversely affected households' labor market activities, access to markets and health care. Despite government support, stable prices, and improved labor market conditions following the relaxation of containment measures in the third quarter of 2020, households have experienced a rapid income decline. As a result, the poverty rate is estimated to have increased from 8.4 percent in 2019 to 9.2 percent in 2020, equivalent to over 25 thousand additional poor.

Outlook

The economy is expected to gradually recover in 2021, as private consumption is less constrained by lockdowns and large public infrastructure projects are implemented. However, the exceptional rainfall-driven agricultural performance of 2020 is not expected to continue, and private construction would slow down, given the subdued economic activity in 2020 and normalized remittance inflows. Over the medium-term, growth would be spurred by services/tourism, industrial activity, agriculture recovery, and the pandemic-induced absorption of technology. This assumes renewed focus on reforms, political stability, and normal weather. As a result, real GDP is projected to grow by 3.5 percent in 2021 and 5.5 percent in 2022. Inflation will temporarily increase before steadily dropping to 5.1 percent in 2023, close to the 5 percent target.

The current account deficit is expected to widen, driven by the high import content of public investments, as the recovery begins in 2021, and by declining grants and private inflows over time, which were partially frontloaded in 2020. Exports would grow, supported by revitalized re-exports. The deficit will largely be financed by FDI and capital transfers. Foreign exchange reserves would hover around 4.5 months of next year's imports.

The fiscal deficit is projected to widen to 4.5 percent of GDP in 2021 due to lower grants and continued spending on infrastructure. As the economy recovers, tax revenues should increase, supported by improved tax expenditure monitoring and administrative measures. Expenditures would decrease over the medium-term, as recurrent spending slows down. Transfers to SOEs and subvented agencies are expected to fall, as the Government strengthens SOE corporate governance and balance sheets and rationalizes agencies. The fiscal deficit would gradually start decreasing after 2021, anchored in the new Medium-Term Fiscal Framework 2021-25. Furthermore, savings under DSSI would extend to 0.15 percent of GDP in 2021. Public debt-to-GDP should remain on a downward path, reaching 66.1 percent by 2023. Although the recovery is expected to start in 2021, COVID-19 will undermine poverty reduction in the near future, in the context of subdued growth. With uncertainty about the future of international tourism, labor demand may also be adversely impacted. The international poverty rate is expected to decline to 9.0 percent in 2021 and 7.3 percent by 2023, with significant downside risks associated with an uncertain recovery.

TABLE 2 Gambia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	6.1	0.0	3.5	5.5	7.0
Private Consumption	9.7	4.1	1.0	2.6	6.1	5.8
Government Consumption	3.7	14.6	22.9	-1.0	-4.0	5.2
Gross Fixed Capital Investment	2.0	25.3	11.6	15.8	8.7	9.4
Exports, Goods and Services	44.2	-1.2	-37.9	20.0	25.3	20.0
Imports, Goods and Services	17.6	3.1	-6.3	16.3	14.8	11.9
Real GDP growth, at constant factor prices	7.2	6.1	0.0	3.5	5.5	7.0
Agriculture	3.7	-1.3	5.0	2.8	3.3	3.4
Industry	2.0	14.3	6.4	6.2	5.2	7.9
Services	10.1	6.5	-3.6	2.8	6.4	7.9
Inflation (Consumer Price Index)	6.5	7.1	5.9	6.3	5.5	5.1
Current Account Balance (% of GDP)	-9.5	-5.3	-5.5	-12.5	-12.9	-10.9
Fiscal Balance (% of GDP)	-6.1	-2.5	-1.9	-4.5	-2.2	-1.2
Debt (% of GDP)	84.6	80.1	75.8	74.8	70.7	66.1
Primary Balance (% of GDP)	-3.0	0.6	1.1	-1.9	0.4	1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	9.2	8.4	9.2	9.0	8.4	7.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	35.5	33.3	35.5	35.1	33.1	31.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	70.7	69.2	70.7	70.4	69.2	66.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2015-IHS. Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.