

August 1999

IMF Staff Country Report No. 99/71

The Gambia: Selected Issues

This Selected Issues report on The Gambia was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of The Gambia or the Executive Board of the IMF.

Copies of this report are available to the public from
International Monetary Fund • Publication Services
700 19th Street, N.W. • Washington, D.C. 20431
Telephone: (202) 623-7430 • Telefax: (202) 623-7201
Telex (RCA): 248331 IMF UR
E-mail: publications@imf.org
Internet: <http://www.imf.org>
Price: \$15.00 a copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

THE GAMBIA

Selected Issues

Prepared by a staff team consisting of Mr. J. Erik De Vrijer (head), Mr. Robin Kibuka, Mr. Byung K. Jang, Mr. Ivailo V. Izvorski, and Mr. Christian H. Beddies (all AFR)

Approved by the African Department

May 26, 1999

	Contents	Page
	Basic Data	4
	Selected Social and Demographic Indicators	6
I.	Overview of Recent Economic Developments	7
	A. Background	7
	B. Real Sector Performance	7
	C. Fiscal Policy	9
	D. Developments in the Monetary Sector	12
	E. External Sector	13
II.	External Competitiveness	16
	A. Introduction and Summary	16
	B. Theoretical Background	17
	C. Competitiveness Indicators for The Gambia	19
	D. Equilibrium Real Exchange Rates	27
	E. The Gambia's External Competitiveness vis-à-vis its Neighbors	29
	F. Conclusions and Policy Implications	31
III.	Issues in Tariff Reform	35
	A. Introduction	35
	B. Review of Tariff Policy	35
	C. The 1998 and 1999 Tariff Reforms	44
	D. Conclusion and Policy Implications	48
IV.	Financial Sector Reform	53
	A. Introduction	53
	B. Historical Background	53

C.	Rehabilitation of the Banking System	54
D.	Central Bank Reform	56
E.	The Banking System	58
F.	The Nonbank Financial Sector	63
G.	Conclusion	66

Figures

1.	Real and Nominal Exchange Rates and Real Effective Exchange Rates Based on the CPI, January 1988-March 1998	21
2.	Real Effective Exchange Rates Based on the GDP Deflator, the CPI and Import Price Index, 1988-97	24
3.	Real Effective Exchange Rates Based on Labor Costs, 1988-97	25
4.	Real Internal Exchange Rates and Terms of Trade, 1988-97	28
5.	Competitiveness Relative to Neighboring Countries, January 1988- March 1998	30
6.	Labor Cost Developments Relative to Major Industrial Trading Partners 1988-97	34
7.	Share of International Trade Taxes, 1982-2000	38
8.	Statutory and Import-Weighted Averages of Tariff Rates in Selected African Countries	45
9.	Indicators of Financial Deepening, 1984-96	61
10.	Distribution of Credit by Commercial Banks, December 1985-December 1998	62
11.	Developments in Output and Prices, 1991/92-1998	70
12.	External Sector Developments, 1989/90-98	71
13.	Exchange Rate Developments, January 1988-August 1998	72
14.	Fiscal Developments, 1989/90-98	73
15.	Monetary Developments, 1991/92-1998	74

Tables

1.	Weights of Major Countries Entering In Real Effective Exchange Rate by Trade and Tourist Volume	20
2.	Energy Prices Relative to Neighboring Countries	29
3.	Real GDP, Labor Market Development, Population, and Inflation, 1998-97	33
4.	Distribution of the High-Rated Products, Pre-1998 Tariff System	39
5.	Tariff Structure by Statutory Rates	41
6.	Distribution of the High-Rated Products, 1998 Tariff System	42
7.	Tariff Structure by Sections of the HTS	43
8.	Excise Taxes, 1999	47
9.	Main Characteristics of the Tariff System	47
10.	Implications of Tariff Reforms	48
11.	Selected Ratios of Banking Sector Institutions	58
12.	Nonperforming Loans of the Commercial Banks, December 1998	64
13.	Selected Data for Non-Banking Financial Intermediaries, September 1998	67
14.	Gross Domestic Product by Sector at Constant Prices, 1991/92-1998	75

15.	Gross Domestic Product by Sector at Current Prices, 1991/92-1998	76
16.	Supply and Use of Resources, 1991/92-1998	77
17.	Savings and Investment Balance, 1991/92-1998	78
18.	Agricultural Production, 1991/92-1998	79
19.	Minimum Producer Prices for Agricultural Commodities, 1991/92-1998	80
20.	Indicators of Tourism Activity, 1991/92-1998	81
21.	Energy Statistics, 1991/92-1998	82
22.	Overall Consumer Price Index for Low-Income Households in Banjul and Kombo St. Mary, January 1991-December 1998	83
23.	Public Sector Wage Scale, 1991/92-1998	84
24.	Minimum Daily Wages, 1991-1998	85
25.	Civil Service Structure, 1992/93-1999	86
26.	Central Government Operations, 1991/92-1998	87
27.	Central Government Revenue, 1991/92-1998	88
28.	Economic Classification of Central Government Expenditure, 1991/92-1998	89
29.	Functional Classification of Central Government Current Expenditure, 1991/92-1998	90
30.	Central Government Social Expenditure and Social Indicators, 1991/92-1998	91
31.	List of Public Enterprises	92
32.	Monetary Survey, 1991/92-December 1998	93
33.	Summary Accounts of the Monetary Authorities, 1991/92-December 1998	94
34.	Summary Accounts of the Commercial Banks, 1991/92-December 1998	95
35.	Monthly Interest Rates on Treasury Bills, January 1991-December 1998	96
36.	Structure of Interest Rates, 1991/92-1998	97
37.	Distribution of Commercial Bank Credit by Sector, 1991/92-December 1998	98
38.	Distribution of Outstanding Government Securities, 1991/92-December 1998	99
39.	Liquidity Position of Commercial Banks, 1991/92-December 1998	100
40.	List of Commercial Banks	101
41.	Balance of Payments, 1991/92-1998	102
42.	Composition of Merchandise Exports, 1991/92-1998	103
43.	Composition of Merchandise Imports, 1991/92-1998	104
44.	Direction of Trade, 1991-1998	105
45.	Foreign Trade Indicators, 1991/92-1998	106
46.	Public External Debt Outstanding and Debt Service, 1991/92-1998	107
47.	Exchange Rate Indicators, 1991-98	108
48.	Interbank and Parallel Market Exchange Rates, January 1996-December 1998	109
	Appendix I. Labor Market Developments	33
	Appendix II. Sections of the Harmonized System	51
	Summary of Tax System as of January 31, 1999	110

The Gambia: Basic Data 1/

Area, population, and GNP per capita

Area	10,700 sq. km.
Population	
Total (1997)	1.17 million
Growth rate (1980-96; average)	3.6 percent
GNP per capita (1997)	US\$338

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(In millions of dalasis, unless otherwise indicated)								
National accounts								
GDP at constant 1976/77 prices	562.2	572.1	594.1	573.9	604.4	609.1	639.2	669.3
<i>Of which</i>								
(in percent of GDP)								
Agriculture	21.9	18.3	20.5	20.6	20.7	18.3	19.0	18.6
Manufacturing	5.6	5.8	6.0	5.9	5.6	5.6	5.3	5.2
Trade	15.5	15.7	12.8	13.9	12.2	12.0	11.6	11.8
Nominal GDP	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3
Gross domestic investment (in percent of GDP)	20.1	21.0	18.1	16.0	23.4	19.3	17.2	18.4
Gross domestic savings (in percent of GDP)	8.5	7.0	5.6	3.5	2.9	6.0	7.1	7.4
Central government finance								
Total revenue and grants	820.0	890.2	897.6	770.3	755.8	844.7	852.5	919.9
Domestic revenue	663.7	766.9	771.1	680.7	672.6	775.3	799.5	831.5
Foreign grants	156.3	123.3	126.5	89.6	83.2	69.4	53.0	88.5
Total expenditure and net lending	775.4	836.0	856.2	853.9	1,133.8	1,231.8	1,123.6	1,028.4
<i>Of which:</i>								
Recurrent	476.4	570.7	613.3	618.3	668.5	738.5	794.6	799.8
Development and net lending	299.0	265.3	242.9	235.6	465.3	493.4	329.0	228.7
Overall deficit (commitment basis)								
Excluding grants	-111.7	-69.1	-85.1	-204.4	-461.3	-456.5	-324.1	-197.0
Including grants	44.6	54.2	41.4	-114.8	-378.0	-387.2	-271.1	-108.5
Financing								
Foreign	-62.1	-57.6	-47.2	114.8	371.2	367.6	232.5	133.0
Domestic	163.5	90.3	46.5	5.1	209.9	295.6	171.9	54.5
	-225.6	-147.9	-93.7	109.7	161.4	72.0	60.6	78.5

The Gambia: Basic Data (concluded)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
	(Annual percentage change)							
Money and credit								
Net domestic assets 2/	-41.6	-1.0	-6.0	8.9	-11.5	13.2	15.9	-1.9
Credit to the government 2/	64.0	-29.5	-17.1	9.8	8.2	2.8	2.4	-1.7
Credit to the private sector 2/ 3/	-26.1	24.3	10.5	5.0	-13.7	2.2	9.9	5.6
Broad money	6.7	19.5	3.3	8.1	8.8	16.7	22.3	10.2
	(In millions of SDRs, unless otherwise indicated)							
Balance of payments								
Trade balance	-34.7	-41.2	-49.6	-26.1	-58.7	-52.8	-49.0	-50.9
Exports, f.o.b.	105.8	110.7	89.2	82.5	80.3	78.1	78.8	97.5
Imports, f.o.b.	-140.5	-151.9	-138.8	-108.6	-139.0	-131.0	-127.9	-148.5
Services (net)	-6.1	-8.3	4.0	-14.9	-6.6	4.3	5.2	3.8
Transfers	40.5	37.8	38.7	30.4	29.7	29.5	32.8	35.2
Private	8.5	9.2	9.9	10.1	11.9	12.1	12.4	13.0
Official	32.0	28.6	28.8	20.3	17.8	17.4	20.4	22.2
Current account balance								
Excluding official transfers	-32.3	-40.3	-35.8	-30.8	-53.4	-36.3	-31.4	-34.2
Including official transfers	-0.3	-11.7	-7.0	-10.6	-35.6	-19.0	-11.0	-12.0
Capital account	26.8	22.0	11.5	6.0	47.9	24.2	15.7	18.2
Official	13.0	7.2	4.6	7.0	25.1	12.4	8.4	5.9
Private	13.8	14.8	7.0	-0.9	22.8	11.8	7.3	12.3
Overall balance	26.5	10.3	4.5	-4.6	12.4	5.2	4.7	6.2
Current account balance (in percent of GDP)								
Excluding official transfers	-13.8	-15.7	-13.9	-12.5	-20.1	-12.8	-10.6	-11.2
Including official transfers	-0.1	-4.6	-2.7	-4.3	-13.4	-6.7	-3.7	-3.9
Gross official reserves (end of period)								
In millions of SDRs	68.8	74.5	73.3	62.5	70.1	70.4	69.6	75.4
In months of imports, c.i.f.	5.0	5.1	5.5	5.9	5.2	5.5	5.6	5.2
External public debt								
In millions of SDRs	266.2	268.8	268.1	268.9	294.7	303.7	308.7	315.4
In percent of GDP	113.4	104.5	104.2	109.2	111.1	107.0	104.4	102.9
	(In percent of exports and travel income)							
Debt-service ratio								
Including the Fund	12.2	12.3	12.9	18.1	16.2	13.1	13.5	10.2
Excluding the Fund	9.7	10.9	11.1	14.4	11.8	8.9	9.2	7.4

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ In percent of broad money at the beginning of the period.

3/ Includes public enterprises.

The Gambia: Selected Social and Demographic Indicators

	The Gambia	Sub-Saharan Africa
Area		
Total land area (thousands of sq. km.)	11	24,271
Agricultural land (in percent of total)	40	53
Population and vital statistics		
Total population (1997, in millions)	1.2	614.3
Population growth rate (1980-96, in percent)	3.6	2.8
Urban population (1996, in percent of total population)	30	37
Population density (per sq. km. of land area)	109	25
Population age structure (1996, in percent)		
0-14 years	44	34
15-64 years	51	51
65 years and above	5	15
Infant mortality rate (1996, per thousand live births)	79	91
Life expectancy at birth (1996, in years)	53	53
Male	...	51
Female	...	54
GNP per capita (1997, in U.S. dollars)	338	500
Health and nutrition		
Access to safe water (1995, in percent of population)		
Overall	76	45
Urban	...	...
Rural	...	...
Population per physician (1990, in thousands)	15.3	...
Population per hospital bed (1994, in thousands)	1,667	1,269 1/
Calorie intake (1990, percent of requirement)	86	...
Protein intake per capita (1990, grams per day)	51	...
Labor force		
Total labor force (1995, in percent of population)	49	43 2/
Agriculture (1994, percent of total)	83	70
Industry (1994, percent of total)	8	8
Education		
Gross school enrollment rate (1993, percent of age group)		
Primary school		
Male	73	72
Female	84	78
Secondary school		
Male	61	65
Female	19	24
Male	25	27
Female	13	22
Adult illiteracy rate (1997, in percent)	61	44

Sources: World Bank, *World Development Report 1998*, and *World Development Indicators, 1998*; and Central Statistics Department, *Statistical Abstract of The Gambia, 1995*.

1/ Data for 1990.

2/ Data for 1997.

I. OVERVIEW OF RECENT ECONOMIC DEVELOPMENTS¹

A. Background

1. The Gambia is a small open economy, located on the west coast of Africa; it extends inland for 320 kilometers along both banks of the river Gambia, at widths varying from 24 to 48 kilometers. The only land borders of the country are with Senegal. With a population of 1.2 million (1997) and population growth of 3.6 percent per year (average, 1980-96, including migration), the country's population density, estimated at 109 inhabitants per square kilometer, is one of the highest in the world.

2. In the decade following independence in 1965, The Gambia maintained broadly stable macroeconomic conditions and exhibited modest economic growth. In the subsequent years, however, economic performance deteriorated significantly as a result of adverse terms of trade shocks and significant domestic borrowing to finance the budget deficit. The increased reliance on government intervention in allocating credit and promoting economic development, primarily in the agricultural sector, and the lack of competition in the economy created an unsustainable economic environment. In 1985, the authorities embarked on an ambitious Economic Reform Program (ERP), succeeded in 1990 by the Program for Sustained Development (PSD). The military coup of July 1994 interrupted nearly three decades of multiparty democracy and adversely affected the economic reforms that had been implemented. In the aftermath of the coup, negative travel advisories by key tourist countries resulted in a significant drop in tourism receipts, which led to a further deterioration of economic performance. In addition, reinforcement of border and transit controls by Senegal, started in 1993, resulted in a sharp decline in reexport trade until 1995/96.

3. The presidential elections of September 1996 and the parliamentary elections held in January 1997 marked the end of the transition period from military to civilian government and helped to establish the conditions for resuming donor support and economic reforms. In 1998, the IMF approved a three-year arrangement with The Gambia under the Enhanced Structural Adjustment Facility (ESAF).

B. Real Sector Performance

Developments in output, savings, and investment

4. While real output growth slowed significantly in the early 1990s and turned negative in 1994/95, both 1997 and 1998 were characterized by an upswing in real economic activity (Tables 14-16). The 1994/95 output decline of 3.4 percent was primarily due to a significant downturn in tourist activity, attributable to the 1994 coup which resulted in negative travel advisories by key tourist countries and thus a drop in tourism receipts of some 60 percent. The recovery in the tourist sector and the more favorable weather conditions led to real GDP growth of 4.9 percent in 1997 and an estimated real growth rate of 4.7 percent in 1998.

¹Prepared by Ivailo Izvorski with Christian H. Beddies.

5. The production and export of groundnuts has long been the main sector of the Gambian economy. Owing to climatic and institutional problems, however, groundnut production declined steadily from a high of 129,000 metric tons in 1989/90 to a low of 45,800 metric tons in 1996/97; meanwhile, planted areas were reduced from 100,000 hectares in 1989/90 to 68,100 hectares in 1996/97 (Table 18). The privatization of the Gambia Oilseeds Processing and Marketing Company (GOPMAC), the successor of the Gambia Produce Marketing Board (GPMB), in 1993, did not lead to the expected rehabilitation of the groundnut sector, or to the introduction of more competition in the procurement, processing, and export of groundnuts. Producer prices remained stagnant, with no increase in 1998 over the preceding year (Table 19). The downward trend in groundnut production was somewhat reversed in the last two years; in 1997 and 1998, groundnut production increased by some 70 percent and 7 percent, respectively, mainly due to more favorable weather conditions. In 1998, the authorities closed the Groundnut Cooperative Union (GCU), reached an agreement on the settlement of its nonperforming loans to the Standard Chartered Bank of The Gambia (see Chapter IV), and are in the process of liquidating it.

6. Production of the other major crops has increased significantly since 1994/95, with a slight decline in 1996/97, primarily on account of weather conditions. The output of millet increased by more than 30 percent from 1994/95 to 1997, but declined in 1998. Maize production, which had been declining until 1997, grew by almost 45 percent in 1998, while rice output increased by 9 percent in 1998 after a 30 percent increase in 1997. After a significant increase in 1995-96, fisheries production declined by 48 percent in 1998, due to structural problems in the sector, including insufficient shipping and storage capacity at the port of Banjul, and the migration of industrial fishing activities to Senegal.

7. The performance of the services sector has been strongly influenced by reexport trade and tourism, although their high import content has limited the scope for improving employment and income levels in The Gambia. After a significant drop in the number of tourists and travel receipts in the aftermath of the July 1994 military coup, earnings from tourism started to recover in 1995/96, but the record level of 1993/94 was surpassed only in 1997. Because the number of tourist arrivals in 1998 increased by 14½ percent over the previous year (Table 20), output in the services sector increased by about 6 percent in real terms. The Gambia's small industrial sector grew by 5.3 percent, largely due to an increase of 8 percent in the construction sector and of almost 10 percent in energy production (Table 21).

8. The Gambian authorities do not compile national accounts by expenditure category, and staff estimates are derived using data from the external and fiscal accounts (Table 17). These estimates indicate that gross national savings have increased in every year since 1995/96; in 1998, gross national savings are estimated to have increased to 14½ percent of GDP from a low of 10 percent in 1995/96, on account of both higher government and private savings. Total domestic investment reached a peak of almost 23½ percent of GDP in 1995/96

and a level of 19.3 percent in 1996/97 on account of D 180 million and D 150 million foreign-financed extrabudgetary spending, respectively. On the other hand, the increase in domestic investment from about 17 percent of GDP in 1997 to 18.4 percent in 1998 was driven by a

substantial increase in private investment (including the public enterprise sector), which more than offset a 2½ percentage point decline in government investment.

Developments in prices, employment, and wages

9. Price movements in The Gambia, as measured by the consumer price index (CPI), are closely related to price developments in the reexport sector because the food commodities, such as rice, sugar, and flour, that are predominant in reexport trade also have a dominant weight in the domestic consumption basket.² Inflation, as measured by the CPI, has been in the single digits throughout the 1990s and under 3 percent since 1996 (Table 22). In 1998, the average annual inflation rate fell to 1.1 percent from 2.8 percent in 1997 on account of tight monetary policy. Because of seasonal factors, mainly related to higher food prices, inflation increased in midyear; during the last quarter of 1998, however, the higher inflation rate was primarily due to a lower basis at end-1997.

10. Public sector nominal wage scales have not been changed since 1996/97 (Table 23). However, because of the built-in seniority wage drift of about 2-3 percent per annum, real wages have marginally increased since 1997 on account of the low inflation. On the other hand, nominal minimum private sector wages for laborers did not increase in 1997 and went up only modestly in 1998 (Table 24), thus slightly declining in real terms. The increase in the public sector wage bill of 5 percent in 1998 over 1997 was due to both the increase in public sector employment (primarily teachers and nurses) and the wage drift.

11. Employment data for The Gambia are incomplete. On the basis of information collected in the 1982/83 census and the 1992/93 household survey, changes in employment on a sectoral basis reflected changes in the composition of output. In the years between the 1982/83 census and the 1992/93 household survey, agricultural employment declined from 77 percent to 64 percent. At the same time, the share of employment in trading and other services sectors increased from 8 percent to 18 percent. Given the increased importance of the services sector and the substantial increase in tourist activity, this development is likely to have continued in 1998. The actual public sector employment (including health and education sectors) grew from 12,125 at end-1997 to 12,666 at end-1998, or by 4½ percent even though the number of budgeted positions increased only by 1.1 percent (Table 25).

C. Fiscal Policy

Overview

12. After the military coup, an overly expansionary fiscal stance resulted in unsustainable fiscal deficits (excluding grants), which rose from 2¼ percent of GDP in 1993/94 to about 12 percent in 1995/96 (Tables 26 and 27). The deterioration in the fiscal position was due to a

²The weight of foodstuffs in the domestic consumption basket is 58 percent, while that of clothing, textiles, and footwear is 17½ percent. Among the other major components, fuel and light account for 5.4 percent, and housing for 5.1 percent.

drop in government revenue that resulted from lower reexport trade, fewer tourist arrivals, and the granting of duty exemptions. To finance the deficits, the government resorted to domestic borrowing from the banking sector and the public enterprises through the issuance of treasury bills. As a result, domestic debt increased from 12½ percent of GDP in mid-1993 to 22½ percent at end-1997, while domestic interest payments rose from 9½ percent of total government revenue in 1992/93 to 19½ percent in 1997. In 1998, the authorities succeeded in reducing the overall deficit (excluding grants) to 4½ percent of GDP and increasing the basic primary balance to 5.7 percent from 4.9 percent in 1997. However, because of a significant shortfall in external financing equivalent to about 6 percent of domestic revenue, the government increased its recourse to domestic financing. Domestic debt outstanding in 1998 increased to about 26 percent of GDP and domestic interest payments rose further to 21.7 percent of total government revenue. In addition, in view of the large negative errors and omissions (more than 3½ percent of domestic revenue in 1998), certain expenditures may not have been properly accounted for, and an estimated D 12 million of arrears on payments due to the public enterprises accumulated.

Domestic revenue

13. In 1998, domestic revenue declined to 18.8 percent of GDP from 19.3 percent in 1997 on account of lower domestic sales tax and nontax revenue. Direct tax revenue increased by one-tenth of 1 percentage point to 4.2 percent of GDP, driven by increases in both personal and corporate tax revenues (Table 27). Capital gains tax revenue declined by 13 percent from a high of D 10 million in 1997; collections in 1997 were mainly due to three large one time sales. Indirect tax collection declined to 12.8 percent of GDP from 13.2 percent in 1997 due to lower-than-expected collection from tax on international trade. With reexports registering a significant increase in 1998 (see below), the underperformance was mainly due to the lack of tangible progress in strengthening the customs and excise unit and, to a lesser degree, to the implementation of the first stage of the tariff reform (see Chapter III). Despite the surge in oil imports of 26 percent in 1998, the collection of the associated duty and sales tax decreased by 1½ percent compared with 1997, mainly on account of duty exemptions and insufficient collection efforts. The higher fixed domestic pump prices made local distributors less competitive than those across the border, prompting the government to lower pump prices effective January 8, 1999 by reducing the duty, flumara³, and sales tax on oil imports.⁴ Effective August 17, 1998, the domestic sales tax of 10 percent was extended to professionals.⁵ However, collections of the tax thus far have been negligible as the Department

³The difference between the (fixed) pump price and the (fluctuating) import price, inclusive of the dealer's margin, duty, and sales tax.

⁴The pump price of petrol (gasoline) was reduced from D 8.5 to D 7.75 per liter. The price of gas oil was lowered from D 6.5 to D 5.5 per liter, and that of kerosene from D 3.27 to D 2.3 per liter. The duty and sales tax on kerosene were abolished.

⁵Includes lawyers, builders, accountants, engineers, architects, video hire, laundry and dry
(continued...)

of State for Finance and Economic Affairs (DoSFEA) has not fully implemented collection due to complaints by certain groups of professionals.

14. Non-tax revenue in 1998 was two-tenths of one percent of GDP lower than in 1997, despite the 68 percent increase in the payments of interest and dividends by public enterprises. The decline was mainly attributable to lower government services and charges and a much smaller profits transfer from the Central Bank of The Gambia (CBG) to the budget. The smaller CBG profits transfer (smaller by D 13.4 million, or more than 1½ percent of domestic revenue) was due to the one time cost of minting new coins and the increased interest cost of issuing CBG bills for liquidity management purposes.

Domestic expenditure

15. Current expenditure, which increased from some 17½ percent of GDP in 1995/96 to 19.1 percent of GDP in 1997, declined to 18.1 percent in 1998, mainly on account of significantly lower government purchases of goods and services (Table 26). Nevertheless, the increase in the size of the civil service by 4½ percent over 1997 resulted in an increase in the wage bill of about D 6 million. Despite lower nominal interest rates in the last quarter of 1998, higher domestic borrowing led to a significant rise in domestic interest payments from about 19½ percent of domestic revenue in 1997 to 21¾ percent in 1998.

16. Capital expenditure in The Gambia declined from 7 percent of GDP in 1997 (excluding extrabudgetary spending) to 5.8 percent in 1998 because of significantly lower external loan disbursements (the equivalent of 6.2 percent of domestic revenue). In addition, principal loan repayments by public enterprises increased by almost 50 percent (see below).

Developments in the public enterprise sector

17. In the late 1980s, The Gambia made significant progress in divesting 22 public enterprises. The remaining parastatals became subject to performance contracts overseen by the National Investment Board (NIB). After the liquidation of the NIB in 1994, the DoSFEA took charge of the financial management of the remaining enterprises. Enforcing hard budget constraints on these entities was a priority for the authorities, but staffing restrictions and political intervention with their management remained pressing problems. At the beginning of 1998, the government and the ten remaining public enterprises (Table 31) agreed to an offsetting arrangement in the context of memoranda of understanding (MOU) for the mutual financial obligations that had been incurred as of end-July 1997.⁶ The stock of arrears was converted into loans of the public enterprises, and a schedule for principal and interest repayments was also agreed upon. Despite the MOUs, however, at end-1998, a number of public enterprises, most notably the telecommunications company (GAMTEL) and the water

⁵(...continued)

cleaners, recording studios, surveyors, hairdressers, and newspaper advertisements.

⁶The public enterprises owed the government about D 97 million, while the government owed the public enterprises D 72 million.

and electricity company (NAWEC), had accumulated significant arrears on their principal and interest due, while the government had also accumulated significant obligations to the public sector. It is estimated that about D 12 million of the amount owed by the government is significantly past due and represents arrears.

18. In the context of the Fund-supported ESAF program, the authorities have been working on a divestiture strategy for the public enterprise sector. However, lack of clarity on the role that the government and the private sector will play in the development of the economy has delayed the adoption of such a strategy. At end-1998, the ten public enterprises employed more than 3,150 people, or about 25 percent of total public sector employment.

D. Developments in the Monetary Sector

Overview

19. Achieving and maintaining price stability has been the key objective of monetary policy under the CBG Act in 1992. However, the interruption of the structural adjustment programs by the military coup in 1994 made achievement of this goal more difficult; as a result, average annual inflation as measured by the consumer price index increased to almost 7 percent in 1995 after falling to 1.7 percent in 1994. Since 1990, the CBG has used mainly indirect instruments of monetary policy, most notably through the auction and discounting of treasury bills (since 1986), and, increasingly, CBG bills (since 1990) (Chapter IV). Important steps were taken after 1992 and, especially, in 1998, to improve the institutional environment for conducting monetary policy. Chapter IV discusses the reform efforts to improve the soundness of the banking system, increase the efficiency of financial markets, and enhance financial sector competition. Despite the expansionary fiscal stance in recent years, the tight monetary policy resulted in a low inflation rate and high real interest rates. However, broad money grew by an average 11 percent between 1994/95 and 1996/97, with the increase being twice as large in 1996/97 than in the earlier two years. In 1996/97, the net domestic assets of the banking system doubled after a decline of almost 50 percent in 1995/96.

Monetary developments in 1997-98

20. Monetary policy during 1997-98 was aimed at keeping inflation low while providing sufficient credit to the private sector to keep pace with the rebound in economic activity after the 1994 military coup. The growth in broad money of 10 percent in 1998, down from 22 percent in 1997, was primarily due to an increase in the net foreign assets of the banking system of almost 18 percent (Tables 32-34). However, while the foreign liabilities of the CBG declined significantly resulting in an increase in its net foreign assets, the net foreign assets of the commercial banks decreased, leading to a scarcity of foreign exchange in the interbank market in the latter part of 1998. At the same time, the growth rate of net domestic assets decreased from 68 percent in 1997 to -6 percent in 1998. Deposit liabilities of the commercial banks grew by 16 percent, slightly higher than the 15½ percent increase in 1997. As the fiscal deficit relied more on nonbank financing in 1998, net claims on the government declined by D 20 million (almost 2 percent of beginning-of-period broad money), and growth of credit to the private sector slowed to 15 percent from 27 percent in 1997.

21. The falling inflation rate in 1997-98 was achieved against an increased build-up of domestic debt, as the CBG continued to sell sizable amounts of treasury and CBG bills for budget deficit financing and liquidity management purposes. As a result, the treasury bill rate remained unchanged at 16 percent from October 1995 until October 1998 (Table 35). In view of the tightened fiscal policy in the first nine months of 1998, the treasury bill rate gradually declined to 14 percent by December 1998, but remained very high in real terms. The spread between lending and deposit rates also remained high at some 8 percent over the period (Table 36) on account of the lack of flexibility in setting of the rates and the remaining structural issues in The Gambian economy (Chapter IV).

22. In the mid-1980s, the government began a process of financial sector liberalization (Chapter IV). Key elements of the reform process were the strengthening of the role and authority of the CBG and the rehabilitation of the banking system, mainly through the restructuring of the main commercial bank in that period, the Gambia Commercial and Development Bank (GCDB). The Central Bank of The Gambia Act (1992) improved the CBG's ability to formulate and implement independent monetary policy, while the Financial Institutions Act (1992) made the CBG the sole regulator and licensor of financial institutions in The Gambia, in accordance with the Basle core principles. As a result of the reforms, the financial system in The Gambia has improved but still remains fragile, given the relatively early stage of development of the economy. The banking system is highly concentrated, as one large bank, with more than half the market share, dominates the market.

E. External Sector

Overview

23. Imports for domestic use increased by 14½ percent in 1998, with oil imports, which constitute about 10 percent of such imports, growing by more than 26 percent (Table 41). The revival in the groundnut sector led to a 177 percent increase in the exports of groundnut products, while fish and cotton exports declined. Reexports grew by almost 20 percent. The current account deficit worsened by one-half of 1 percentage point to 11 percent of GDP in 1998, mainly because of higher imports and related transportation outlays. There were substantial private capital inflows, mainly suppliers' credits. The overall balance of payments improved from SDR 4.7 million in 1997 to SDR 6.2 million in 1998. Gross official reserves increased to SDR 75.4 million (5.2 months of import cover), and external debt service obligations were met as scheduled.

Reexport trade

24. Reexport and transit activities in The Gambia developed in the early 1920s, when the favorable geographical situation of the port of Banjul made it easy for traders to supply the neighboring countries with foodstuffs, textiles, and footwear. By the end of the Second World War, the large resident expatriate houses, which supplied goods to wholesalers in the neighboring countries, were well established in The Gambia.

25. The reexport trade is the largest foreign exchange earner for The Gambian economy. In 1998, reexports represented 27 percent of GDP, slightly down from 28 percent in 1994/95. Growth of the reexport sector was especially buoyant in the 1980s and 1990s, when The Gambia floated its domestic currency, started opening its foreign exchange and domestic goods markets, and further liberalized its foreign trade regime. The real appreciation of the CFA franc up to 1994 also contributed to the relatively lower cost of importing goods through the port of Banjul, as compared to the other locations in the subregion.

26. Following the reinforcement of border and transit trade controls by Senegal in 1993, the reexport trade shrank by 32 percent from 1992/93 to 1995/96. The Gambia's competitive advantage resulting from the overvaluation of the CFA franc and from policy-induced distortions in the neighboring countries was reduced following the devaluation of the CFA franc in January 1994 and the subsequent acceleration of reforms in the CFA zone countries. The military coup in 1994, which led to the suspension or cancellation of assistance by most traditional donors, also worsened the situation. The harmonization of the tariff systems of the CFA zone countries⁷ has forced The Gambia to introduce significant tariff reforms in order to maintain its external competitiveness (Chapter II). As of July 1, 1998, the maximum duty rate was reduced from 90 percent to 25 percent (except for alcohol, tobacco, and vehicles) and the number of import duties from 30 to 18. The resulting revenue loss was estimated at about D 5½ million (one-tenth of 1 percent of GDP). As of January 1, 1999, the authorities further reduced the top duty rate for all goods to 20 percent and introduced excise taxes (revenue taxes) and environmental taxes for vehicles, alcohol, tobacco, soap, wheel-barrow, nails, and confectionary sugar (see Summary of Tax System) to limit revenue losses.

Tourism

27. Tourism is The Gambia's second most important source of foreign exchange earnings. As a result of the implementation of the structural reform programs in the late 1980s, the tourism sector expanded considerably, with the number of tourists in 1993/94 increasing by 37 percent relative to 1991/92. However, because of the travel advisories issued in the aftermath of the July 1994 military coup, tourist arrivals declined by about 52 percent during the 1994/95 season, resulting in a drop in travel income of two-thirds. Since 1995/96, the sector has been recovering steadily, and in 1998 tourist arrivals increased by 14.6 percent over the previous year. However, because of the slim profit margin of the tourism sector, travel income increased by only 7 percent.

⁷As of January 1, 1999, the West African Economic and Monetary Union (WAEMU) countries impose a maximum tariff of 25 percent on final consumption goods, a maximum of 10 percent on intermediate goods, and a maximum of 5 percent on raw materials and intermediaries. The maximum tariff on final consumption goods would further be reduced to 20 percent from January 1, 2000. For more details, see *The West African Economic and Monetary Union: Recent Developments and Policy Issues*, Ernesto Hernández-Catá and others, Occasional Paper No. 170 (Washington: International Monetary Fund, Washington DC).

28. Due to competitive pressures, The Gambia's tourist industry operates under a tight profit margin. Typically, European charter tour operators package tours for the major hotels in the Gambia. The CBG estimates that local hotel accommodation accounts for only one-third of the retail price of such a tour. The remaining two-thirds reflect the cost of air transportation, operating costs, and profit margins of the tour operators. In addition, most of the inputs used in the tourist industry are imported; hotels are also heavy consumers of electricity, which contributes significantly to the local operating costs. Therefore, The Gambia depends largely on low labor costs and possible economies of scale derived from large numbers of charter tourist arrivals. In the last several years, The Gambia has been able to diversify its markets by attracting a significant number of tourists from countries other than the United Kingdom, most notably Germany.

Developments in external debt

29. A detailed debt sustainability analysis for The Gambia was undertaken in 1998 (EBS/98/102) and an update, based on aggregate data, indicates that at end-1998, the net present value of the debt stock and debt service amounted to 105 percent and 9¾ percent of exports of goods and nonfactor services, respectively. By 2001, these ratios would decline to 90 percent for the net present value of debt and 8.2 percent for the debt service. On this basis, the country's external debt is sustainable under the parameters used in the context of the Heavily Indebted Poor Countries (HIPC) initiative. In 1998, total external debt increased slightly to SDR 315 million from SDR 309 million in 1997 (Table 46). About 80 percent of The Gambia's debt is owed to multilateral donors and less than 2 percent is to private creditors. In 1998, the external debt service ratio decreased by more than 3 percentage points to 10.2 percent of total exports and travel income. All external debt service payments were met in a timely fashion.

Exchange rate developments

30. The Gambia has operated a liberal exchange rate system since the introduction of an interbank foreign exchange market in the context of the floating of the dalasi in 1986. In January 1993, the authorities accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement. There are no exchange controls or restrictions on current or capital transactions. For the commercial banks registered in The Gambia, the CBG sets a limit on the amount of foreign exchange they can hold (Chapter IV). In addition, banks are not allowed to hold foreign currency deposits.

31. Despite the negative shocks from the Asian financial crisis and the political instability in Guinea-Bissau, the exchange rate has remained relatively stable (Table 47). In 1998, the nominal exchange rate of the dalasi vis-à-vis the U.S. dollar depreciated by 5 percent and the nominal exchange rate vis-à-vis the SDR depreciated by 3 percent. The nominal and real effective exchange rates have been relatively stable since the depreciation of the CFA franc in 1994, except for a sharp decline in October 1998, caused primarily by the appreciation of the Japanese yen vis-à-vis the U.S. dollar.

32. Several factors help explain the relative stability of the dalasi. First, the turbulence in the world financial markets has not had a significant impact on The Gambia, as reexport trade, which provides a significant fraction of The Gambia's foreign exchange earnings, has been growing rapidly. In addition, reexport traders have been able to minimize the negative impact of the political instability in Guinea-Bissau by redirecting their activities through other neighboring countries. Second, because the main foreign exchange earners (reexport trade and tourism) are also heavy users of foreign exchange, the dalasi has not come under pressure from the rapid increase in the volume of trade or the number of tourist arrivals. Third, the major interbank market participants are also the major holders of treasury securities. They have an interest in foreign exchange stability because it underpins price stability, which, in turn affects the real return on treasury securities in the banks' portfolios. In the face of a potential scarcity of foreign exchange, banks prefer not to bid the rate up in the interbank market, but to either borrow from their foreign owners or partners, or ration the amount of foreign exchange offered to their customers.

II. EXTERNAL COMPETITIVENESS⁸

A. Introduction and Summary

33. Beginning in 1985, The Gambia embarked on major structural adjustment and stabilization programs that were supported by the Fund and the World Bank. Considerable emphasis was given to trade reforms and exchange rate policies aimed at improving the long-run external competitiveness of the Gambian economy. Some of the key measures undertaken in these areas since the mid-1980s include the reduction of import duties, the abolition of export taxes, the granting of duty exemptions on inputs of export-oriented sectors, and a devaluation of the dalasi in 1986. Despite these measures, the performance of the export sector in terms of GDP experienced only a short-lived revival. The share of exports in GDP increased from 34 percent in 1986/87 to 45 percent in 1991/92 but weakened again markedly to 26¾ percent in 1997, raising concerns about the ability of the Gambian economy to compete in export markets. This chapter examines the external competitiveness of the Gambian economy relative to its major trading partners and neighbors over the period 1988-97.

34. The Gambia is a small, open economy, in which reexport trade accounts for about one-fourth of GDP, while total exports of groundnuts and other domestic products represent less than 5 percent of GDP. Both economic activity and exports are closely related to competitiveness issues. For example, the declining trend in overall exports since mid-1993 can be traced to a great extent to a series of adverse external shocks, such as the tightening of border controls by Senegal, the suspension of repurchases of CFA franc banknotes in August 1993, and the devaluation of the CFA franc in January 1994. Another aspect that needs to be emphasized in the case of The Gambia is the importance of tourism as a source of income and the need to keep the country competitive as a tourist destination.

⁸ Prepared by Christian H. Beddies in collaboration with Matthew T. Jones.

35. This chapter looks into various indicators to assess developments in external competitiveness of The Gambia. Two considerations have guided the choice of indicators: (i) the relevance of the indicator to the special circumstances of the country; and (ii) the availability and quality of the data. In particular, not only trade-weighted indicators of external competitiveness but also tourism-weighted indicators are used. The chapter concludes that most of The Gambia's external competitiveness indicators did not change substantially during the last decade, except during the period immediately before and after the CFA franc devaluation. However, its neighboring countries, in particular Senegal, gained in external competitiveness relative to The Gambia as a result of the CFA franc devaluation, thereby creating the need for the Gambian authorities to implement measures to improve efficiency in the export sector and to pursue a prudent wage policy.

36. The chapter is organized as follows. Section B summarizes the theoretical background for the measurement of external competitiveness, and highlights the advantages and shortcomings of the main competitiveness indicators available for The Gambia. Section C discusses the results of the application of these indicators to the Gambian data. Section D discusses the links between the movements in the competitiveness indicators and the equilibrium real exchange rate. Section E compares the competitiveness of The Gambia with that of its neighboring countries, using CPI-based real effective exchange rates. The last section presents the conclusions and policy implications.

B. Theoretical Background

37. When markets are frictionless, that is, there are no limitations to trade and complete arbitrage in the goods market, purchasing power parity (PPP) should hold and movements in relative prices should be offset by movements in the nominal exchange rate, at least in the longer run. Thus, the real exchange rate should be constant over time or return to a constant long-run equilibrium, once temporary shocks no longer have an impact on the economy. In practice, however, real exchange rates have been found to be very volatile, and deviations from PPP seem to peter out very slowly, a phenomenon that Rogoff (1996) calls the purchasing power parity puzzle. Even with increasing globalization of markets, there remain major obstacles toward achieving a frictionless functioning of international trade, such as transportation costs, trade barriers, and labor market inflexibilities.⁹

38. A variant of the PPP argument is the "law of one price", which simply states that the domestic price of a particular good is equal to the foreign price of that good times the exchange rate between the home country and the foreign country, defined as the domestic currency price of the foreign currency. The reason why this law, again, does not always hold is market frictions and distortions in the exchange and trade regimes. Although non-labor inputs, which are highly tradable, might suggest a common price for a Big Mac in different countries, to use Rogoff's (1996) example, the labor input and the pricing patterns (e.g., inclusion or exclusion of value added tax, property rents, profit margins, etc.) might differ substantially, and thus the law of one price might not hold.

⁹ See Rogoff (1996).

39. Under the assumption that the PPP broadly holds, one can make judgements about changes in competitiveness by observing changes in the real exchange rate. However, if the PPP does not hold, these judgements become less straightforward and one should look at factors that might have affected the equilibrium real exchange rate—for example, changes in the terms of trade.

40. In principle, there are many ways to measure movements in the real exchange rate or, in case of a comparison between more than two countries, the real effective exchange rate (REER), to assess a country's competitive edge in world markets. The main difference between these compilation methods is the way in which the nominal exchange rate is deflated: one could use either price-based deflators or cost-based deflators. The former group consists of the consumer price index (CPI), the producer price index (PPI), the GDP deflator, and export price deflators. With respect to the latter group, a possibility would be to use unit labor costs (labor costs per unit of output).

41. The following pros and cons of the various competitiveness indicators can be identified:

- The REER index based on the CPI is most commonly used for developing countries as it is readily available. The downside of using the CPI as a deflator of nominal exchange rates is that the CPI includes indirect taxes and other distortions, as well as prices for imports and prices for services. In the case of The Gambia, however, the country's openness is likely to attenuate this problem.
- The REER index based on the GDP deflator does reflect the ratio of the relative prices of nontradable to tradable goods at home and abroad but is less frequently available and more imprecise.
- The REER index based on the export price deflator is closely related to the competitiveness in export markets and is also not affected by different trends in productivity among tradables and nontradables. It does, however, come with a sampling bias as not all exportable goods are included, but only those that are priced sufficiently low to be exported.¹⁰
- The REER index based on unit labor cost compares the profitability of non labor factors at home and abroad but tends to focus on manufacturing only. It uses average instead of marginal costs and thus does not completely reflect labor allocation incentives. A further problem is that factor prices for intermediate inputs in the production process may differ across countries, and capital intensities as well as labor

¹⁰ See Clark and others (1994).

productivity cycles, are unlikely to be the same in different countries¹¹. Also, the data on unit labor costs are often not available or are of poor quality.

- A measure for the real exchange rate is the ratio of prices in the nontradable goods sector to prices in the tradable goods sector, known as the internal real exchange rate. However, this measure does not take account of the differences in labor productivity growth across sectors.

C. Competitiveness Indicators for The Gambia

42. The measures that are used in this chapter are mainly based on the CPI, that is, the real exchange rate is obtained by deflating the monthly average nominal exchange rate with the CPI. The chapter also discusses REERs based on the GDP deflator, the import price deflator, and some measure of labor costs, though on an annual basis (1988-97) only. Finally, the chapter looks at the internal real exchange rate and discusses the links between these indicators and the equilibrium real exchange rate. Two different weighting schemes are used to calculate the real effective exchange rate: the trade-weighted and the tourism-weighted indices. The weights are calculated by taking account of each country's share in total trade and total tourist arrivals. Countries are included only if both the relevant price index and the nominal exchange rate as a period average are available for the entire sample. Table 1 below summarizes the trade and tourism weights of The Gambia's major partners.

CPI-based indicators

43. The exchange rate of the dalasi vis-à-vis the U.S. dollar for the period January 1988 to March 1998 is shown in Figure 1. The Gambia utilizes a floating exchange rate system that is generally free of restrictions.¹² While the dalasi depreciated against the U.S. dollar by 59 percent in nominal terms from January 1988 to August 1998, the real depreciation was only about 17 percent (Figure 1, top panel).

44. The bottom panel of Figure 1 depicts The Gambia's REER vis-à-vis all its trading partners for the period from January 1988 until March 1998, using the CPI and the trade and tourism weights explained above. For comparative purposes, the REER as compiled by the substantial real appreciation or depreciation over the entire sample. The trade-weighted index,

¹¹ See Zanello and Desruelle (1997). See also Lipschitz and McDonald (1991) and Marsh and Tokarick (1994).

¹² See Chapter IV for details.

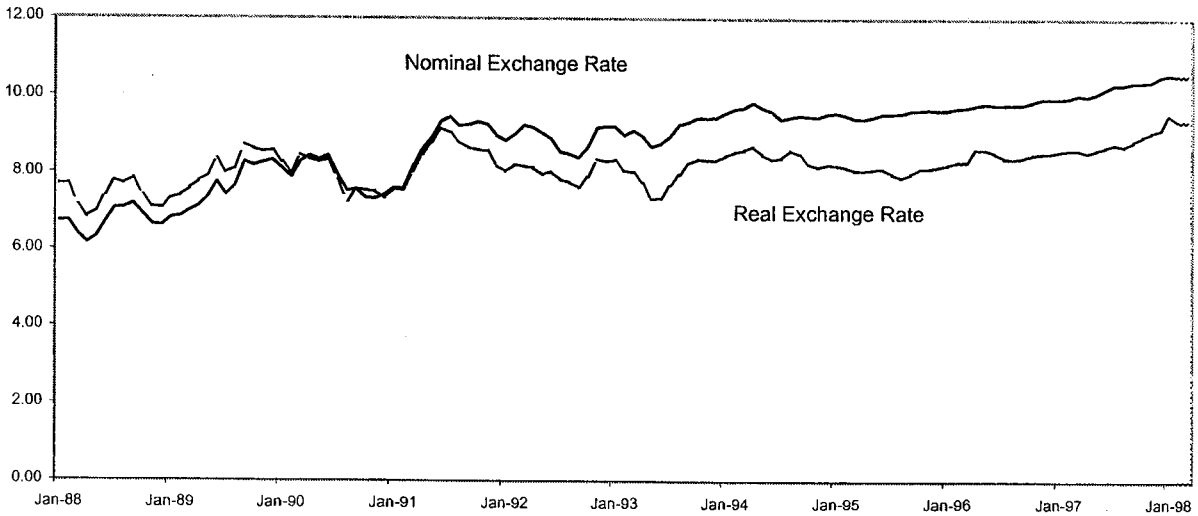
Table 1. The Gambia: Weights of Major Countries Entering in the Real Effective Exchange Rate by Trade and Tourist Volume (in percent of total)

Country	Trade Volume	Tourist Volume
Belgium	15.17	3.87
United Kingdom	10.98	55.68
Japan	10.93	0.00
China, People's Rep. of	8.81	0.00
Hong Kong S.A.R.	7.20	0.00
France	6.83	1.43
Germany	4.78	13.24
Côte d'Ivoire	4.46	0.00
Italy	4.07	0.35
Netherlands	3.90	9.23
Senegal	3.52	0.00
United States	3.46	0.71
Thailand	2.76	0.00
Spain	2.10	0.36
Guinea	1.32	0.00
India	1.23	0.00
Brazil	1.15	0.00
Denmark	1.08	3.72
Sweden	0.46	7.88
Norway	0.24	1.02
Finland	0.09	1.02

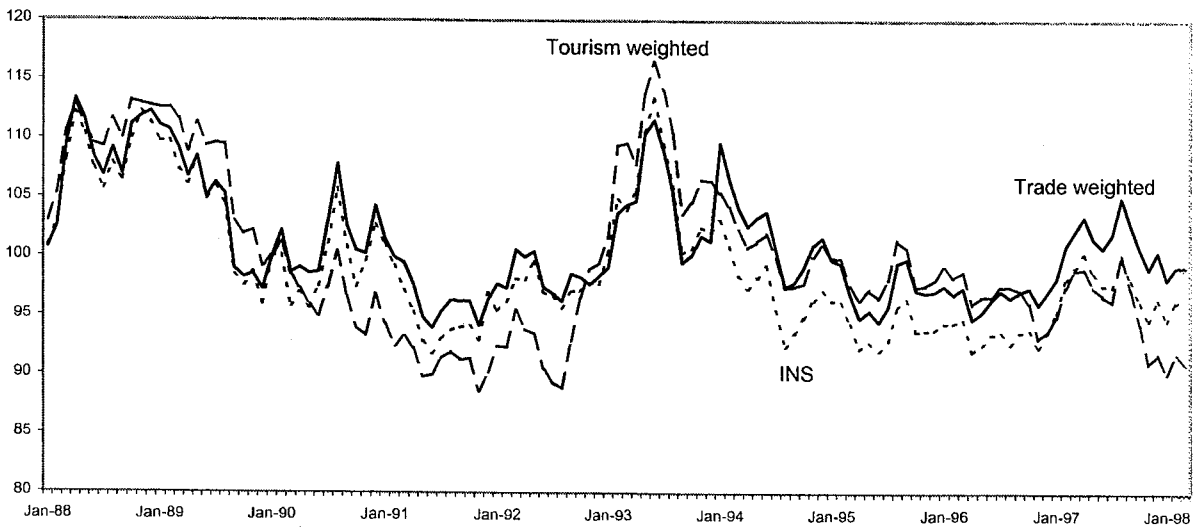
Sources: IMF, *International Financial Statistics and Direction of Trade Statistics*; Central Statistics Department (CSD) of The Gambia; and staff calculations.

Figure 1. The Gambia: Real and Nominal Exchange Rates and Real Effective Exchange Rates Based on the CPI, January 1988-March 1998

Real Exchange Rate and Nominal Exchange Rate
(In dalasis per U.S. dollar, period average)



CPI-Based Real Effective Exchange Rates
(Jan. 1990 = 100)



Sources: IMF, *International Financial Statistics*, *Direction of Trade Statistics*, and *Information Notice System*; CSD of The Gambia; and staff estimates.

IMF's Information Notice System (INS) is also included.¹³ At first glance, the figure shows no for example, fluctuated between 94 and 112. However, all indicators until the end of 1991 show a trend depreciation, suggesting an improvement in The Gambia's external competitiveness. The period from early 1992 until mid-1993 is characterized by a sharp appreciation of the three indicators considered, with a further peak of the trade-based index in January 1994. The remaining sample period shows again a trend depreciation, and thus a gain in the external competitiveness of The Gambia, with the exception of an appreciation from end-1996 to mid-1997.

45. The impact of the 1993-94 events can be seen clearly in all the indicators. The trade-weighted REER appreciated by 14 percent between November 1992 and June 1993, leading to a deterioration of The Gambia's external competitiveness. It then depreciated by 11 percent until September 1993 before appreciating again between September 1993 and January 1994. The period from January 1994 to April 1996 is characterized by a trend depreciation of about 14 percent, resulting in an improvement of The Gambia's external competitiveness. Beginning in April 1996, the REER appreciated again until August 1997, although at a slower pace (11 percent), followed by a depreciation to slightly above the April 1996 value. The tourism-weighted real effective exchange rate follows a similar but clearer pattern. The main differences are as follows. Between January 1990 and October 1992, the tourism-weighted index was well below the trade-weighted index. There are two plausible reasons for the sharp increase in this index until June 1993 and, thus, for the appreciation of the REER (25.6 percent in nine months) and the deterioration of The Gambia's competitiveness. First, the ERM (European exchange rate mechanism) crises of 1992 and 1993 forced the U.K. pound sterling out of the European exchange rate system and the pound depreciated. With the United Kingdom as the main external competitiveness, as measured by the tourism-weighted index. The index increased by 31 percent between August 1992 and June 1993.

46. Secondly, the depreciation of the Spanish peseta during the ERM turmoil might have made travel to Spain and the Canary Islands more attractive to residents of those European countries that did not face a depreciating currency, such as the Netherlands, Germany, Belgium, and France. The remaining sample period is mainly characterized by a trend depreciation of the tourism-weighted REER index, which, in turn could be explained by the recovery of the pound sterling starting in early 1996. Finally, it is worth mentioning that the July 1994 military coup in The Gambia did substantial harm to the tourist business. The British and the Scandinavian governments issued travel advisories, resulting in a drop in the number of arrivals in the 1994-95 season; for example, tourist arrivals from the United Kingdom declined by almost two-thirds. Weights for the tourism index do not seem to have changed significantly as all nationalities traveling to The Gambia reduced their travel activities in broadly proportional fashion.

¹³ Note that the INS REER does not include all countries to determine the trade weights and does not use tourism data in the case of The Gambia. The total average trade volume (excluding reexports) is obtained by combining the series on average exports (of The Gambia to the rest of the world) over the past ten years with the series on average imports (by The Gambia from the rest of the world) over the past ten years.

GDP-based and import price-based indicators

47. The annual trade- and tourism-weighted real effective exchange rates based on the GDP deflator are shown in the top panel of Figure 2. For an easier comparison, the monthly CPI-based REERs have been annualized and included in the same panel. The trade-weighted real effective exchange rate based on the GDP deflator appreciated in the first two years of the sample and subsequently stayed well below the CPI-based indices. The events of 1993-94 that show up in the CPI-based indices are almost invisible in the REER based on the GDP deflator. As the GDP deflator does incorporate the ratio of the relative prices of nontradable to tradable goods at home and abroad, it might well be that the CPI-based indicators sharply appreciated in 1992-93—and thus point to a loss in competitiveness—because the prices of goods and services contained in the CPI basket increased more than those in the GDP deflator. Like the trade-weighted indicators, the tourism-weighted real effective exchange rates based on the CPI and GDP deflators (Figure 2, top panel) show a depreciation of the REER between 1988 and 1991, a sharp appreciation between 1992 and 1993 and a depreciation after 1994. As in the monthly index of Figure 1 (bottom panel), the impact of the ERM crises is clearly visible.

48. The trade-weighted REER calculated by using the import price index as a deflator (Figure 2, bottom panel) shows a different pattern, namely, an overall upward trend between 1988 and 1997, indicating a deterioration of the external competitiveness of The Gambia. The sharp increase from 1992 to 1993 strengthens the earlier argument that the rise in import prices was a major determinant of the sharp increase in the CPI during that period. The tourism-weighted REER that is deflated by the import price index follows a similar pattern to that of the annual GDP- and CPI-deflated indices. However, the appreciation of the tourism-weighted REER based on import prices was much stronger from 1992 to 1993 (a 28 percent increase) than that of the CPI-based indicator during that period (a 16 percent increase). Two external effects might have forced the import price-based index up: the ERM crises, as mentioned earlier, and the tighter boarder controls implemented by Senegal.

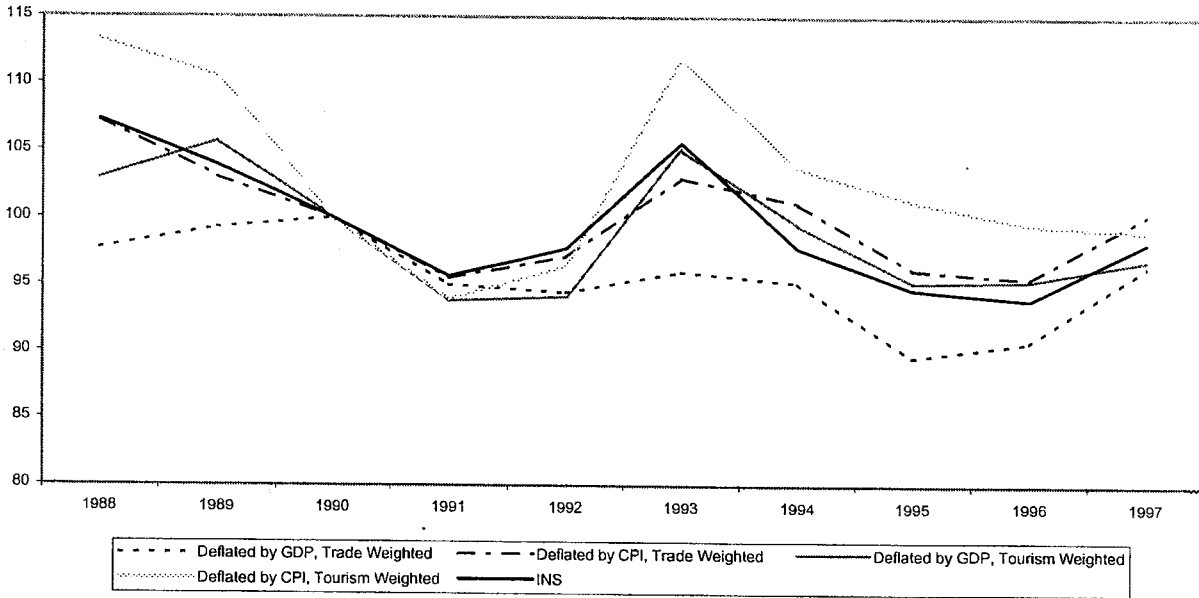
49. Given that The Gambia is a small open economy and thus a price taker in world markets, the export deflator might appear to be a less reliable indicator of The Gambia's external competitiveness. However, in light of the discussion above—and as The Gambia's main exports are reexports and many of the usual tourist amenities are imported—the import price-deflated REER and the export price-deflated REER could be presumed to move closely together. As this is indeed the case, no export price-deflated REER is shown in this chapter.

Labor cost-based indicators

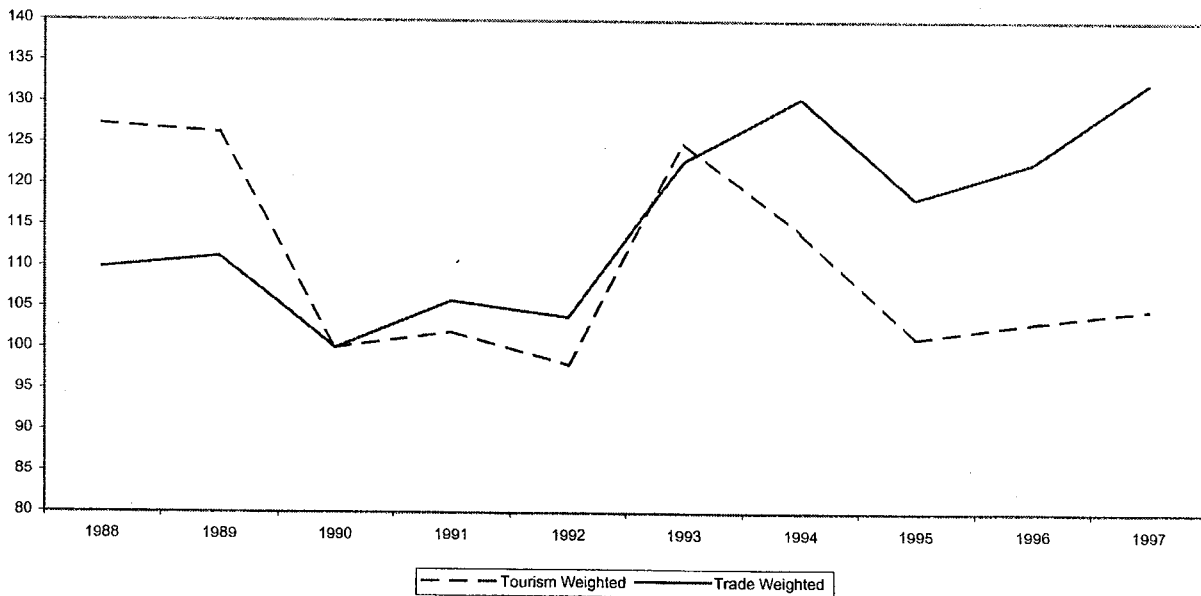
50. Figure 3 shows the REER indices based on unit labor costs. Because of limitations in data availability and quality, only the major industrialized trading partners are included. While for these countries data on unit labor costs for the total economy are available, a measure of labor costs had to be constructed for The Gambia. Accordingly, wage developments in the public sector over the past decade were used as a proxy for labor costs. Given that public sector wages are indicative of private sector wage developments in The Gambia, this

Figure 2. The Gambia: Real Effective Exchange Rates Based on the GDP Deflator, the CPI and the Import Price Index, 1988-97

Trade- and Tourism-Weighted REERs Based on GDP Deflator and CPI



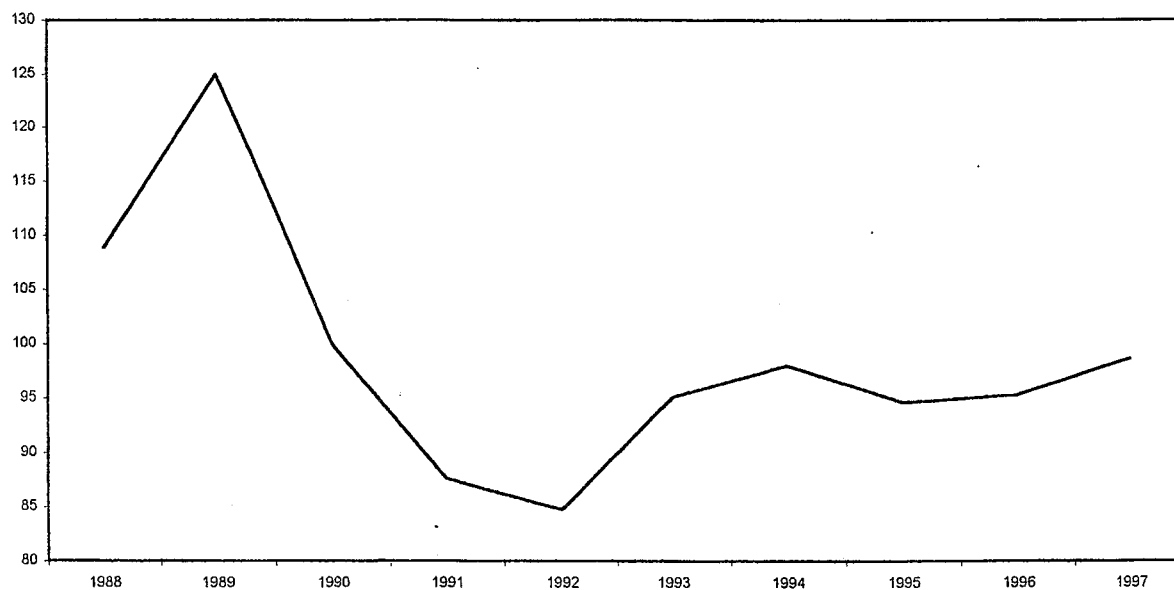
Trade- and Tourism-Weighted REERs, Based on Import Price Index



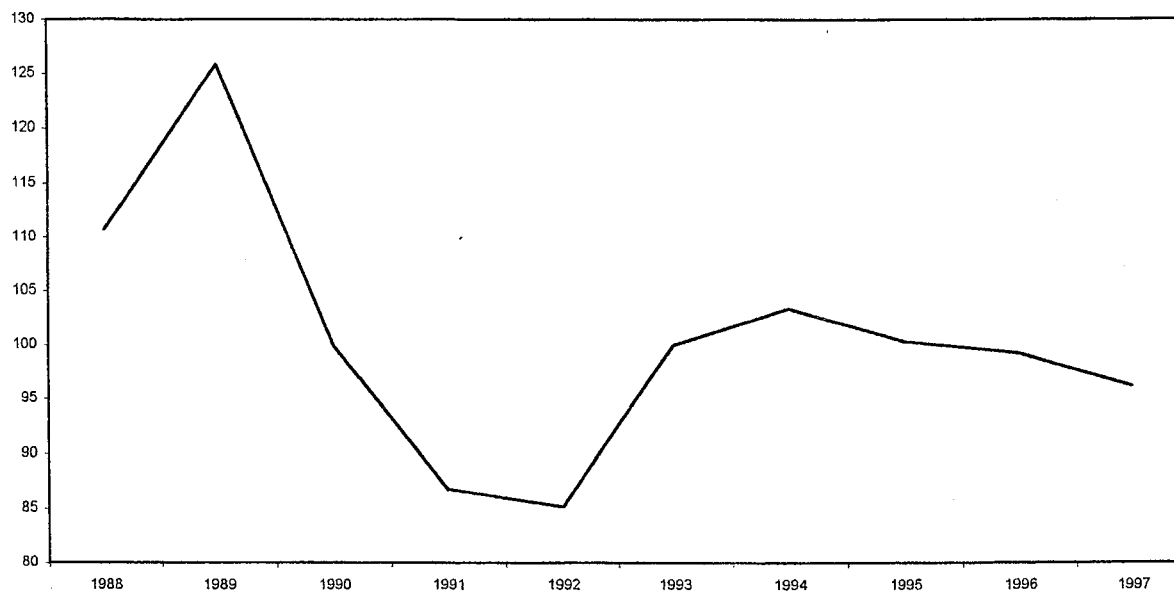
Sources: IMF, *International Financial Statistics*, *World Economic Outlook Database*, and *Direction of Trade Statistics*; CSD of The Gambia; and staff estimates.

Figure 3. The Gambia: Real Effective Exchange Rates Based on Labor Costs, 1988-97
(Jan. 1990=100)

Trade-Weighted REER, Based on Labor Costs



Tourism-Weighted REER Based on Labor Costs



Sources: IMF, *International Financial Statistics*, OECD, CSD of The Gambia; and staff estimates.

approximation seems reasonable. To account for changes in labor productivity, a proxy for productivity growth was constructed on the basis of population growth, labor force shares, and real GDP growth rates.¹⁴ Both the trade-weighted and the tourism-weighted REERs based on the above-described labor cost deflator indicate a sharp REER appreciation at the beginning of the sample period (15 percent for the trade-weighted and 14 percent for the tourism-weighted index). This is primarily due to a change in the pay scale of the public sector in 1989, resulting in a sharp overall wage increase. Furthermore, not only the dalasi but also all major trading partners' currencies depreciated against the US dollar during that period. From 1989 to 1992, both indices indicate a continuous depreciation of the REER (of about 32 percent), suggesting an improvement in The Gambia's external competitiveness. This depreciation can be explained by the similarity of labor cost developments across the partner countries and the movement of the trading partners' currencies in the opposite direction to the dalasi's. As was noted in the discussion on the CPI- and import price-based REERs, the ERM crises are more visible in the tourism-weighted index (bottom panel of Figure 3).

The internal real exchange rate

51. Another way of looking at a country's competitiveness in international markets is to examine the so-called internal real exchange rate (RERN). As pointed out by Hernández-Catá and others (1998), the external real exchange rates might not be good indicators of competitiveness if the country is a small, open economy, because its prices of tradable goods are determined in world markets. Thus, domestic price changes might not fully reflect changes in production costs. One way out of this dilemma is to look at the internal real exchange rate, which is measured as the ratio of the domestic price of nontradable goods to the domestic price of tradable goods. This indicator therefore looks at the domestic allocation of resources between the tradable and nontradable sectors. If, for example, the price of nontradable goods increases, resources will be shifted to that sector, resulting in a deterioration of export and import competing sectors. To approximate the price of tradable goods, one could use either the import price index or the export price index. If a country's exports are rather undiversified, the import price index is the more appropriate measure. As the domestic CPI is a weighted average of prices of tradable and nontradable goods, it is straightforward to calculate the internal real exchange rate:¹⁵

$$\frac{CPI}{P_m} = \frac{P_m^y P_n^{1-y}}{P_m} = \left[\frac{P_n}{P_m} \right]^{1-y} = (RERN)^{1-y} \Rightarrow RERN = \left[\frac{CPI}{P_m} \right]^{\frac{1}{1-y}},$$

where P_m is the import price index (measuring the price of tradables), P_n is the price of nontradables and y is the weight of tradable goods in the domestic CPI. The weight y has been

¹⁴ See the Appendix for details.

¹⁵ See Hernández-Catá and others (1998).

determined by summing up the weights for tradables in The Gambia's domestic CPI at 71.9 percent.¹⁶

52. The top panel of Figure 4 shows The Gambia's RERN, where the price index of tradable goods is calculated using the import price index, the export price index, and the weighted average of these indices. A feature common to the previously analyzed indicators and the RERN indicators is the sharp increase in the indices between 1991 and 1994. The increase of all RERN measures in 1997 suggests that prices of nontradable goods increased more rapidly than the price of tradables. In fact, while the overall CPI of The Gambia increased by 2.8 percent, the import price index decreased by 3.2 percent and the export price index declined by 0.14 percent. The result of this exercise indicates that there is a trend appreciation of the real internal exchange rate over the past decade.

D. Equilibrium Real Exchange Rates

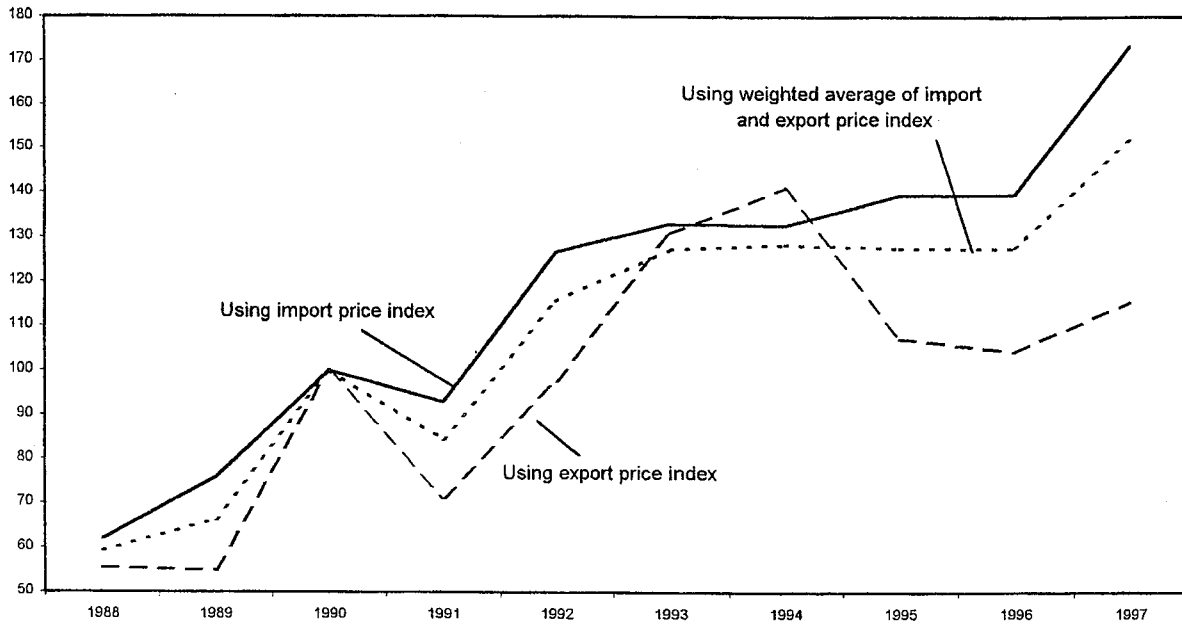
53. As is well known, movements in real exchange rate indicators should always be analyzed with respect to the equilibrium real exchange rate. The reason is that a country does not necessarily lose in terms of external competitiveness in case of an appreciation of the real exchange rate if at the same time the equilibrium real exchange rate appreciates. Edwards (1994), for example, provides an estimation of the equilibrium real exchange rate for developing countries.¹⁷ The estimation of an Edwards-type model did not prove to be fruitful. Neither real growth nor an increase in domestic credit or the terms of trade were significant in explaining the equilibrium real exchange rate once the model was corrected for residual autocorrelation. Additional policy variables could not be included because of lack of data. Among policy-related factors, such as the supply of domestic credit or the size of the fiscal deficit, a fundamental determinant of the equilibrium real exchange rate is seen to be the terms of trade. A popular view is that an improvement in the terms of trade results in an equilibrium real appreciation.¹⁸ In fact, as seen in the bottom panel of Figure 4, the persistent increase over 1994-97 period in The Gambia's terms of trade would suggest at least in part an equilibrium real appreciation. For the rest of the sample period, The Gambia's terms of trade index remained fairly stable, fluctuating within a 5 percent range.

¹⁶ The ratio of nontraded to traded goods could not be compiled directly, as detailed data on the composition of the domestic CPI are not available for the entire sample.

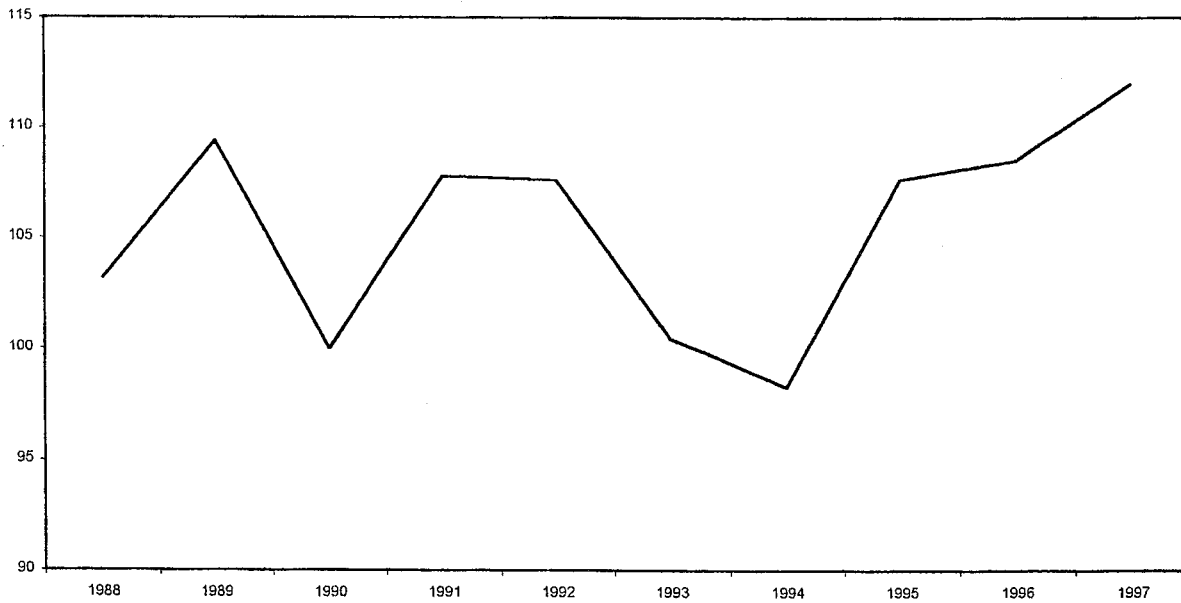
¹⁷ See Faruquee (1998) for an analysis of equilibrium real exchange rates in industrialized countries.

¹⁸ See Edwards (1994). From a theoretical viewpoint this result is ambiguous. The direction of the effect depends, among other things, on the elasticity of the demand for imports. In fact, the income effect of an improvement of the terms of trade, which increases aggregate demand and thus puts upward pressure on the price of nontradables has to dominate the substitution effect, which diverts resources and consumption out of the nontradable sector.

Figure 4. The Gambia: Real Internal Exchange Rate and Terms of Trade, 1988-1997
(Index, 1990=100)



Terms of Trade



Sources: IMF, *International Financial Statistics*, *Direction of Trade Statistics*, CSD of The Gambia; and staff estimates.

E. The Gambia's External Competitiveness vis-à-vis its Neighbors

Exchange rate based comparison

54. The external competitiveness of The Gambia is also compared with that of some neighboring countries: Guinea, Guinea-Bissau, Mali, and Senegal. The REER index used for this comparison is taken from the IMF's Information Notice System.¹⁹ It uses the major trading partners' shares of trade as weights and the CPI as deflator. The analysis covers the period from January 1988 to March 1998. Figure 5 compares The Gambia's external competitiveness with that of its neighboring countries.

55. Figure 5 shows The Gambia's REER index as a ratio of its respective neighboring countries' REER indices. Strikingly, until the devaluation of the CFA franc in January 1994, the ratios indicate that The Gambia did fairly well relative to its neighbors. However, once distortions in the CFA franc zone were removed with the devaluation, Senegal and Mali experienced large gains in their external competitiveness relative to The Gambia. Since Senegal is a major competitor with The Gambia, in particular with respect to tourism, this remains an important issue that has to be addressed.

Some general indicators

56. In a less technical way one could compare a country's competitive position relative to other countries simply by looking at indicators such as energy prices, transportation costs, communication costs, port handling and the infrastructure in general. Whether a country can attract foreign investment depends, among other things, also on the cost of doing business and the bureaucracy which is involved in setting up new businesses. Table 2 below depicts some basic energy and communication prices in The Gambia, Côte d'Ivoire, Senegal and Mali.

Table 2. The Gambia: Energy Prices Relative to Neighboring Countries

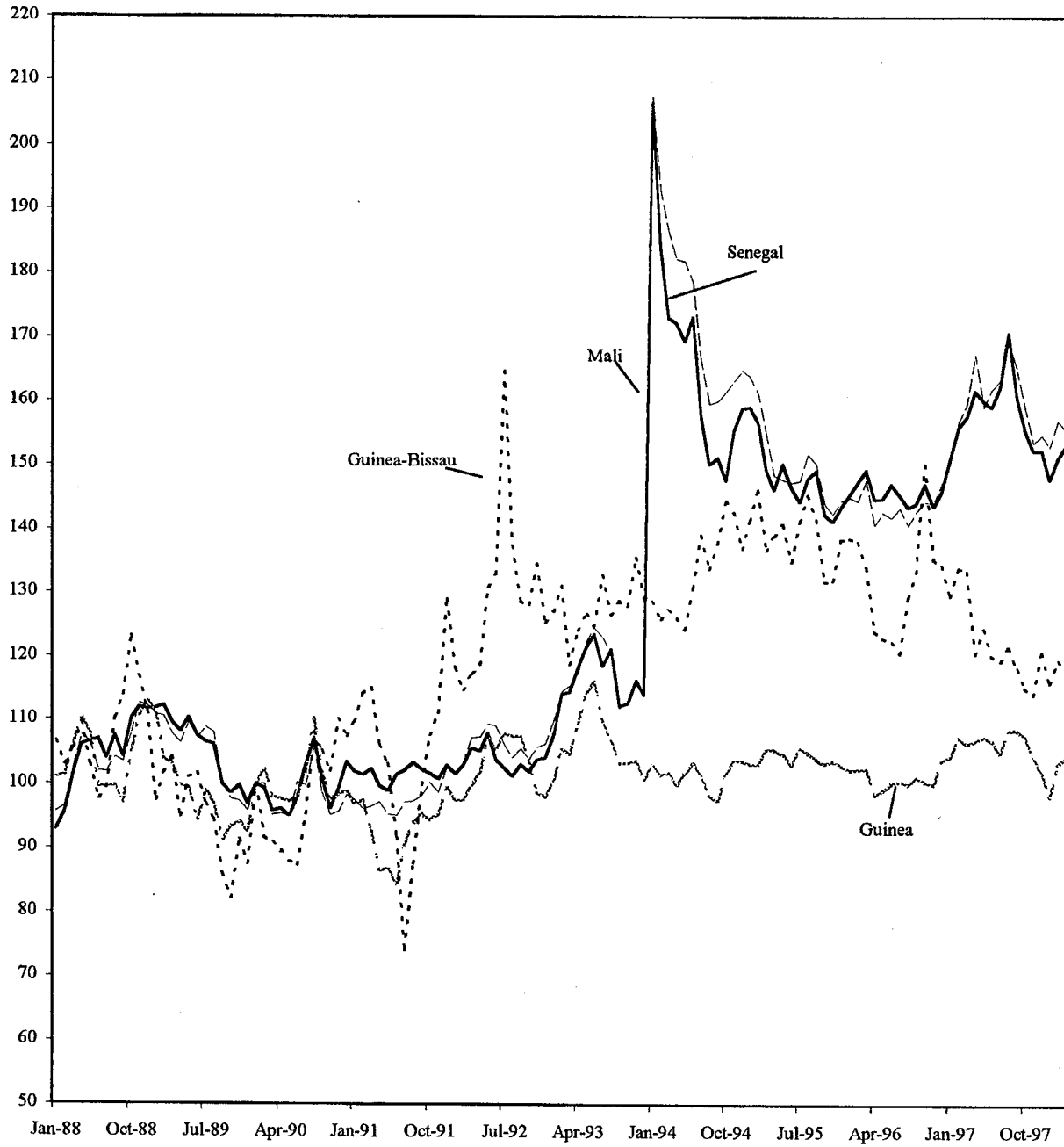
Electricity (\$/kwh)	The Gambia	Senegal	Mali	Côte d'Ivoire
Residential	0.2125	0.1092	0.1075	0.0726
Commercial	0.2258	0.2095	0.1603	0.1283
Hotel, Clubs and Industries	0.2595	...	...	...
Fuel (\$/l)				
Gasoline	0.8683	...	...	...
Gasoline (Regular)	...	0.8113	0.7624	0.7331
Gasoline (Super)	...	0.8895	0.8269	0.7917
Gas oil (Diesel)	0.6640	0.5865	0.5376	0.5278
Telephone:				
USA (\$/min)	1.63	1.56	2.66	1.70

Source: Data on Mali, Senegal and Côte d'Ivoire are based on a 1996 Chamber of Commerce of Senegal publication. Data on The Gambia for 1996 are provided by the CSD. National currencies (dalasis and CFA francs) have been converted into dollars at the average 1996 exchange rate. Data on phone prices in The Gambia were obtained from Gamtel and refer to 1999.

¹⁹ Again, all indices were rebased to January 1990.

Figure 5. The Gambia: Competitiveness Relative to Neighboring Countries,
January 1988-March 1998

(Ratio of Gambian REER index to neighboring country's index, 1990=100)



Source: IMF, *Information Notice System*; and staff estimates.

57. Table 2 shows that compared with neighboring countries, The Gambia has the highest energy prices in dollar terms. With tourism as a major source of income in the service sector, a price of about 26 cents per kilowatt hour for hotels adds substantially to the operating costs of the hotel business, given the high energy needs of hotels. Also straightforward are the implications of higher fuel prices. Most of The Gambia's reexport trade goes by road. The natural thing for traders to do is thus to refuel outside The Gambia.²⁰

F. Conclusions and Policy Implications

58. The Gambia's external competitiveness has been assessed using monthly CPI-based real effective exchange rates, annual CPI-, GDP-, import price-, and labor cost-based real effective exchange rates, and the internal real exchange rate. The chapter constructed different weighting schemes, namely, on the basis of partner country's shares in international trade and tourist arrivals in The Gambia. The following results emerged.

59. REER indices which have been calculated on the basis of the CPI do not show a clear trend but merely fluctuate, in particular during the ERM crises and during the mid-1993 and early 1994 events in the CFA franc zone. Because of the different weights attached to the different types of indices, the impact of these events differed for each set of variables. The same applies to the tourism-weighted and GDP deflated or import price deflated indices. The trade-weighted and GDP deflated index, on the other hand, show a declining trend, which would suggest an improvement in the external competitiveness of The Gambia. On the other hand, the indices that indicate a deterioration in the competitive position of The Gambia, thus, showing an upward trend, turned out to be the trade-weighted import price deflated index, the labor cost deflated indices (1992-94), and the real internal exchange rate indices.

60. Although the above mentioned indicators do not suggest a major deterioration of The Gambia's external competitiveness, Senegal and Mali improved their external competitiveness relative to The Gambia significantly once pre-existing distortions were removed with the CFA franc devaluation in January 1994.

61. Given that an important trading partner—Senegal—has significantly improved its external competitiveness relative to The Gambia, the task for the Gambian economy now is to become more efficient and increase its attractiveness as a trading partner and a business address. The Gambia could attract business by improving services in the port area of Banjul and providing them more efficiently. Another important issue is the much-needed reduction of energy costs. Finally, with inflation at a very low level at 1.1 percent in 1998, increases in wages have to stay in line with productivity in order for The Gambia to regain some of the lost export competitiveness.

²⁰ During a recent visit to The Gambia, the mission was told that this happens with flights arriving in Banjul, going back via Dakar. Rather than refueling in Banjul, airlines seem to make use of the lower fuel prices in Senegal.

References

- Clark, Peter and others, 1994, *Exchange Rates and Economic Fundamentals: A Framework for Analysis*, IMF Occasional Paper No. 115, (Washington: International Monetary Fund).
- Edwards, Sebastian, 1994, "Real and Monetary Determinants of Real Exchange Rate Behavior: Theory and Evidence from Developing Countries," in *Estimating Equilibrium Exchange Rates*, ed. by John Williamson, (Washington: Institute for International Economics), pp.61-91.
- Faruqee, Hamid, 1998, "Methodology for Calculating Equilibrium Exchange Rates and Question of Global Consistency," in *Exchange Rate Assessment: Extensions of the Macroeconomic Balance Approach*, IMF Occasional Paper No. 167, ed. By Peter Isard and Hamid Faruqee, (Washington: International Monetary Fund).
- Hernández-Catá, Ernesto and others, 1998, *The West African Economic and Monetary Union, Recent Developments and Policy Issues*, IMF Occasional Paper No. 170, (Washington: International Monetary Fund).
- Lipschitz, Leslie and Donogh McDonald, 1991, "Real Exchange Rates and Competitiveness: A Clarification of Concepts, and Some Measurements for Europe," IMF Working Paper 91/25, (Washington: International Monetary Fund).
- Marsh, Ian. W. and Stephen P. Tokarick, 1994, "Competitiveness Indicators: A Theoretical and Empirical Assessment," IMF Working Paper 94/29, (Washington: International Monetary Fund).
- Rogoff, Kenneth. 1996, "The Purchasing Power Parity Puzzle," *Journal of Economic Literature*, Vol. 34 June, pp. 647-68.
- Zanello, Alessandro. and Dominique Desruelle, 1997, "A Primer on the IMF's Information Notice System," *IMF Working Paper 97/71*, (Washington: International Monetary Fund).

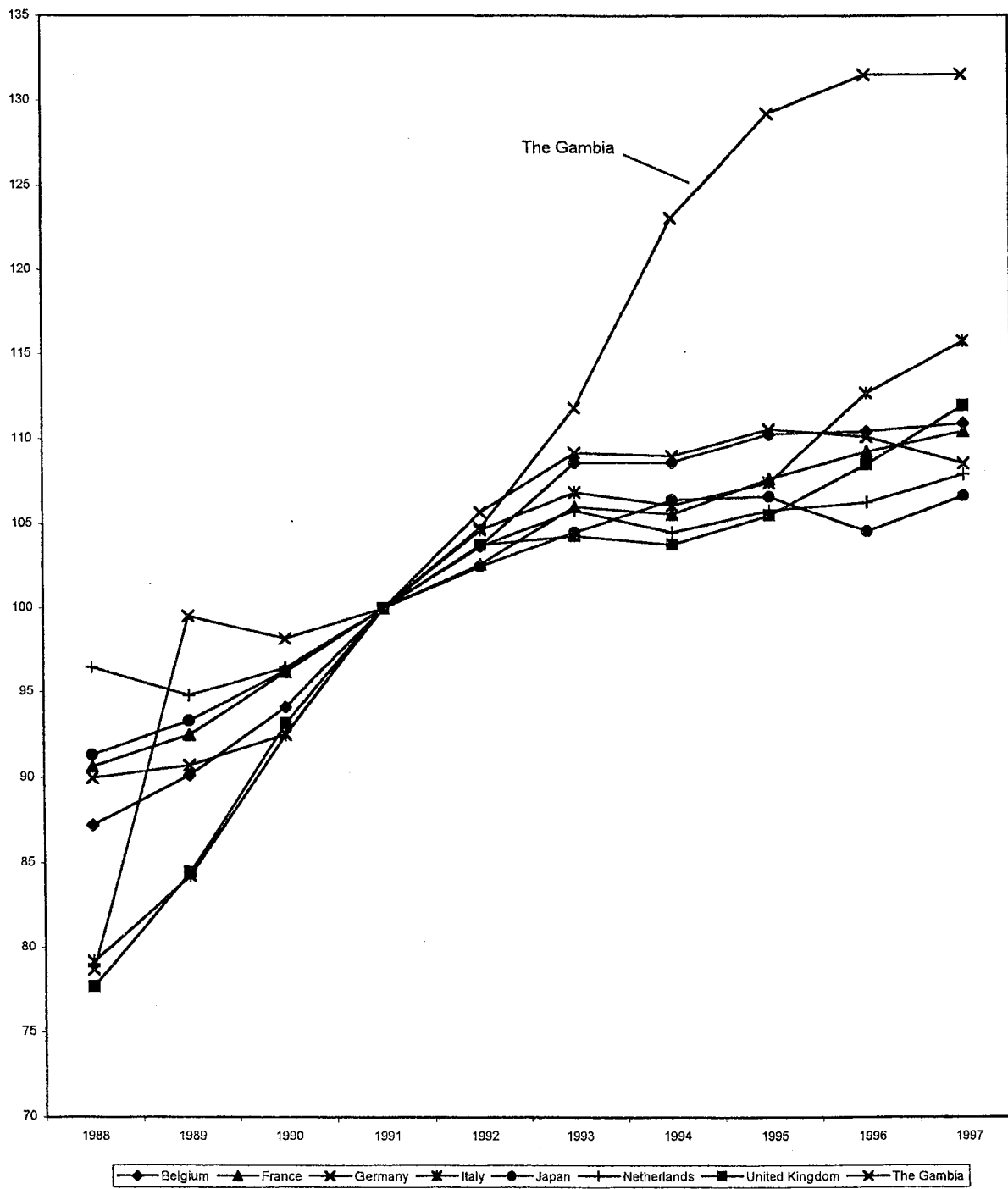
Labor Market Developments

This appendix discusses developments in the labor markets of The Gambia and its major trading partners, as well as the methodology used to construct the labor cost index for The Gambia. The annual wages in the public sector were used as an indicator for economy-wide wage developments, a proxy for labor cost. Labor force growth was approximated by population growth times the labor share in the total population. The proxy for productivity growth was then calculated as the difference between real GDP growth and labor force growth, ignoring the impact of changes in physical capital on productivity. On the basis of this proxy, the labor cost index was constructed. For an illustration, see Figure 6 below, which shows labor cost developments in the Gambia and its major industrial country trading partners. Table 3 gives an overview of some growth rates.

Table 3. The Gambia: Real GDP, Labor Market Developments, Population and Inflation. 1988-97

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Population Growth	4.94	3.53	4.55	4.35	3.25	3.52	4.85	2.78	2.70	2.67
Real GDP Growth	1.70	4.30	5.20	2.30	4.40	1.80	1.30	-4.00	3.10	4.90
Labor Force Growth	2.72	1.94	2.50	2.39	1.79	1.94	2.52	1.45	1.40	1.39
Productivity Growth	-1.02	2.36	2.70	-0.09	2.61	-0.14	-1.22	-5.45	1.70	3.51
CPI-Inflation	11.69	8.28	12.17	8.64	9.49	6.46	1.71	6.98	1.10	2.78

Figure 6. The Gambia: Labor Cost Developments Relative to Major Industrial Trading Partners, 1988-97



Sources: OECD, CSD of The Gambia; and staff estimates.

III. ISSUES IN TARIFF REFORM²¹

A. Introduction

62. Since the mid-1980s, The Gambia has been carrying out external tariff reforms in line with the comprehensive reform efforts undertaken under the auspices of the Economic Recovery Program (ERP) and its successor, the Program for Sustained Development (PSD), supported by the Fund and the World Bank. By July-1998, the authorities had lowered the maximum tariff rate from 90 percent to 25 percent and reduced the number of import duties from 30 to 18.²² In January 1999, the government further streamlined the tariff structure by lowering the top tariff rate to 20 percent and the number of tariff bands to 10. Separately, the tariff rates for alcoholic beverages, tobacco, and vehicles were lowered from a maximum of 87 percent to 20 percent. At the same time, the authorities introduced an excise tax on these goods to compensate in part for the potential revenue loss. This chapter reviews the tariff reforms implemented since the 1980s.

63. The rest of this chapter is organized as follows. Section B provides a review of the external tariff reforms in The Gambia since the mid-1980s. Section C outlines the 1998 and 1999 tariff reforms, in particular focusing on reform-related revenue losses and the impact of the introduction of compensating excise taxes. Section D presents a brief conclusion and some policy implications relating to the possibility of further streamlining the tariff structure of The Gambia.

B. Review of Tariff Policy

64. The ERP was started in 1985 with a six-year horizon as a response to an economic situation that had deteriorated mainly because of adverse oil shocks, unsustainable fiscal deficits, and subsequent balance of payments problems. It represented a shift toward extensive structural reforms, including a reform of the tariff structure (which took place in 1988), together with a sequence of measures aimed at stabilizing the economy in the aftermath of the financial and monetary crises. By the early 1990s, the economic situation in The Gambia had improved considerably. Several studies²³ attribute this success in part to the implementation of the ERP and the PSD.

Evolution of tariff policy

65. The basic features of the trade and tariff reform in the ERP involved the reform of international trade taxes, including the following measures:

²¹Prepared by Roman Arjona with Erik DeVrijer, Ivailo Izvorski, and Christian H. Beddies.

²²Excluding alcohol, tobacco, and vehicles.

²³See Radelet (1993), Hadjimichael, Rumbaugh, Verreydt (1992); and McPherson and Radelet (1995).

- the total elimination of quantitative restrictions;
- the rationalization of import duties;
- the replacement of all but three specific duties with ad valorem duties;
- the abolition of the import tax;
- the introduction of a sales tax; and
- the abolition of export taxes.

These were complemented by the following actions:

- exchange rate policy reform (including a devaluation of the dalasi); and
- liberalization of the foreign exchange market.

66. In the late 1980s, export taxes and duties were abolished and the import tax was replaced by a sales tax. As pointed out by Basu and Gemmell (1997), the reforms of the tariff system that were initiated under the auspices of the ERP were aimed at liberalizing trade and reducing price distortions. Public sector revenue considerations were at stake in the reform of the customs and tax administrations and collection procedures, as observed by Gray and McPherson (1995).

67. The ERP was followed by the PSD, which aimed at increasing growth through deregulation and by improving the links between the financial and the real sectors of the economy. The PSD also included a program for the computerization of the customs tax administration. An important part of the program was aimed at widening the tax base and reducing tax evasion and customs fraud. The program continued the policy stance initiated during the ERP to reduce the number of tariff lines and the dispersion of duty rates. Further modifications of the system were made, with the objective of reducing distortions caused by factors such as the excessive taxation of intermediate inputs.

68. The trade and tariff reforms in the ERP and PSD were accompanied by a more general objective of rationalizing the tax system and diversifying sources of tax revenues. Several factors contribute to a high dependence of The Gambia on customs revenues. From an economic perspective, the low level of GDP per capita, the small industrial base, the low productivity level, and the small labor force do not allow the authorities to generate sufficient revenue by taxing the domestic economy (McNamara and McPherson, 1995). Also, weaknesses in the administrative system do not allow proper recordkeeping of taxpayers and a

full assessment of what they owe the tax authorities.²⁴ Finally, the geographic location of the country and the corresponding importance of reexport trade make the collection of customs revenue popular as it is perceived as a tax on foreigners. These factors contribute to The Gambia's high reliance on customs revenue,²⁵ which, in turn, make the country vulnerable to fluctuations in international trade, a problem that both the ERP and PSD attempted to address.

69. The share of international trade taxes in total tax revenue of the government declined from about 80 percent in 1982 to about 66 percent in 1997 (Figure 7).²⁶ These changes partially reflect the reforms of the tax system that have been implemented throughout the period under analysis, such as the introduction of the national sales tax in 1989-90, which has emerged as an important source of revenue for the country.²⁷

Key features of the tariff structure before the 1998 tariff reform²⁸

70. At the beginning of the 1990s, The Gambia's tariff structure consisted of 30 tariff bands applying to about 5,000 tariff lines. The tariff rates ranged from zero (capital goods, raw materials, and government imports) to a maximum of 90 percent on alcoholic beverages (Table 4). In 1996, the unweighted average of statutory tariff rates was 13.7 percent, and the import-weighted average was 11.8 percent. Although there were no quantitative restrictions and no licensing requirements, there were three specific duties.²⁹ Tariff revenues were reduced as a result of several discretionary and statutory duty and tax exemptions.

²⁴ Saye (1992) presents an evaluation of the efforts of the Gambian authorities to bring potential taxpayers into the revenue system.

²⁵ Also see Basu and Gemmell (1997).

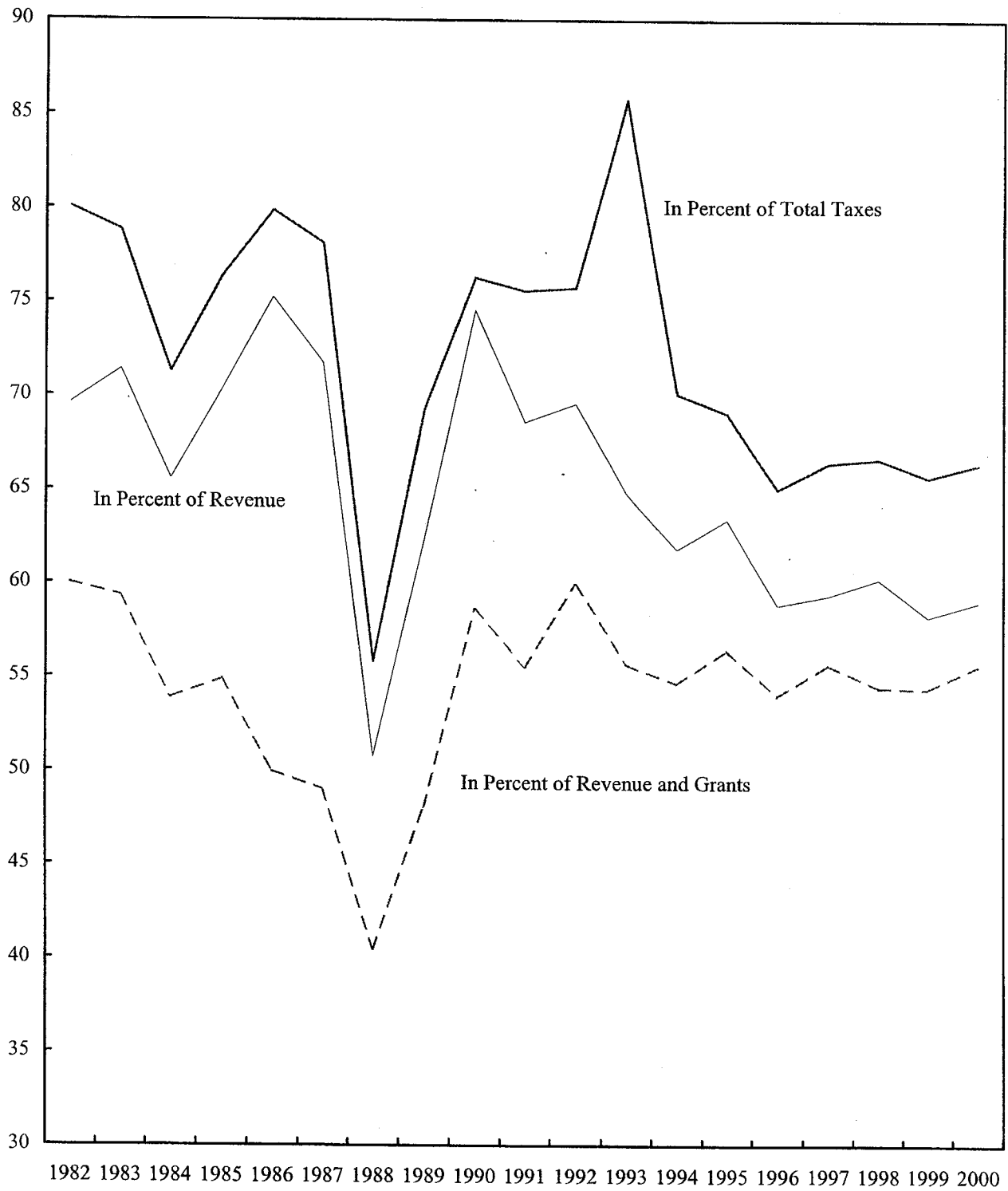
²⁶ However, the ERP led to an immediate increase in the revenue generated by international trade taxes, owing mainly to the large depreciation of the dalasi.

²⁷ According to Basu and Gemmell (1997), the sales tax levied on imports by The Gambia Utilities Company (GUC) and The Gambia Public Transport Company (GPTC) accounted for 26 percent of domestic revenue in the period 1990/91 (July-June). The government levied customs duties on both the GUC and GPTC (the latter at a reduced rate) in order to compensate for the loss of revenue on account of the tariff reforms incorporated in the ERP and PSD.

²⁸ The analysis in this section uses 1996 calendar-year data on c.i.f. import values at the eight-digit level of the Harmonized Commodity Description and Coding System Nomenclature (usually referred to as the Harmonized System, or HS), and the corresponding tariff book.

²⁹ The specific rates applied to Cigarettes (D 92 a kg or 50 percent), beer (D 35 a gallon or 87 percent) and wine (D 35 a liter or 87 percent), and petroleum (D 2.5 a liter or 30 percent). Under the ERP, the restrictions for health and safety reasons were eliminated.

Figure 7. The Gambia: Share of International Trade Taxes, 1982-2000



Source: The Gambian authorities; and staff estimates.

Table 4. The Gambia: Distribution of the High-Rated Products,
Pre-1998 Tariff System

Category	Rate (In percent)	c.i.f. (D ,000)	c.i.f. (In percent)
Beauty Products			
3303.00.00 Perfumes and toilet waters	50	1,628	0.0644
3304.10.00 Lip makeup preparation	50	45	0.0018
3304.20.00 Eye makeup preparations	50	0	0.0000
3304.30.00 Manicure or pedicure preparations	50	168	0.0066
3305.10.00 Shampoos	46	91	0.0036
3305.20.00 Preparations for permanent waving or straightening	46	195	0.0077
3305.30.00 Hair lacquers	46	71	0.0028
3305.90.00 Other	46	393	0.0155
3307.10.00 Preshave, shaving or aftershave preparations	46	33	0.0013
3307.20.00 Personal deodorants and antiperspirants	46	360	0.0142
3307.30.00 Perfumed bath salts and other bath preparations	46	102	0.0040
3307.90.00 Other	46	365	0.0144
Soap			
3401.19.00 Other (soap)	57	83	0.0033
Beer			
2203.00.00 Beer made from malt	87	1,124	0.0445
Alcohol			
2204.10.00 Sparkling wine	87	358	0.0142
2204.21.00 In containers holding 2 liters or less	87	206	0.0081
2204.29.00 Other	87	340	0.0135
2204.30.00 Other grape must	87	0	0.0000
2208.20.00 Spirits obtained by distilling grape wine or grape marc	90	61	0.0024
2208.30.00 Whiskies	90	1,115	0.0441
2208.40.00 Rum and tafia	90	293	0.0116
2208.50.00 Gin and Geneva	90	241	0.0095
2208.90.00 Other	90	1,434	0.0567
Tobacco			
2402.20.00 Cigarettes containing tobacco (D 92 per kg net)	50	40,910	1.6185
2402.90.00 Other	53	7	0.0003
2403.10.00 any proportion	53	1,922	0.0760
2403.91.00 Homogenized or "reconstituted" tobacco	53	0	0.0000
2403.99.00 Other	53	0	0.0000
Postcards			
4909.00.00 Printed or illustrated postcards; printed cards bearing personal greetings messages or announcement, whether or not illustrated, with or without envelopes or trimmings.	87	135	0.0053
Vehicles			
8703.23.00 Cylinder capacity exceeding 1,500 cc but not exceeding 2,000 cc	46	28,802	1.1395
8703.24.00 Cylinder capacity exceeding 2,000 cc	55	8,335	0.3298
8703.32.00 Cylinder capacity exceeding 1,500 cc but not exceeding 2,000 cc	46	5,969	0.2362
8703.33.00 Cylinder capacity exceeding 2,500 cc	55	14,686	0.5810

71. Table 5 (column "Pre-1998 System") shows the tariff structure of The Gambia prior to 1998 classified by tariff rates. It presents the statutory duty rates, the number of tariff lines for each of these rates, and the associated c.i.f. imports and statutory revenue share of the commodities over the total value of imports. The column also displays the simple average of statutory tariff rates (SSA) and the import-weighted average (IWA).³⁰ Based on the overall trade-restrictiveness measure developed by the IMF, The Gambia could be classified as a country with a relatively open tariff system and low non tariff barriers.³¹

72. Table 5 shows that most tariff lines were concentrated at the lower range of tariff rates: only 0.7 percent of all tariff lines had tariff rates exceeding 40 percent, although these accounted for 19 percent of the total tariff revenue. Moreover, 75 percent of tariff lines were in the range 0-20 percent, with 27.3 percent of them zero rated. Five duty rates accounted for 86.5 percent of the total number of tariff lines: 0, 10, 19, 23, and 28 percent. Most revenue was generated by the 10, 19, and 23 percent tariff rates, although large shares also came from the 46, 50, and 55 percent rates; the latter applying mostly to vehicles and tobacco (see Table 6 for a detailed list).

73. Table 7 examines the structure of the tariff system in The Gambia by sections of the Harmonized Tariff Schedule (HTS). From Table 6 it can be observed that sections 2 (vegetable products), 4 (beverages and tobacco), and 16 (machinery) accounted for 42.1 percent of the total import value of the country.³² Sections 5 (mineral products), 6 (chemical products, including soap), 17 (vehicles), 11 (textiles), and 15 (metals) follow in significance. The rest of the sections represent a small percentage of total c.i.f. import value. In terms of the statutory revenue that these sections generate, sections 4, 16 and 17

³⁰ These calculations are based on statutory rates and import values. No detailed data on customs revenue are available. Both the SSA and the IWA rates are calculated using the formula:

$$\frac{1}{N} \sum_i t_i n_i \text{ where } N = \sum_i n_i$$

where t_i stands for the tariff rate and n_i for the weights. The weights reflect the number of tariff lines (SSA) or the c.i.f. value of imports (IWA) associated with that rate. N stands for the total number of tariff lines (SSA) or for the total c.i.f. value of imports (IWA).

³¹ On a ten-point scale defined by the IMF, in which a value of 1 is allocated to most-open economies and a value of 10 to the least-open ones, The Gambia would be assigned a value of 2. The average import tariff rate is used as a basis for classifying the openness of the tariff regime. The number of quantitative restrictions is used as the main element for determining the degree of restrictiveness in non tariff barriers, together with state trade monopolies, restrictive foreign exchange practices, quality controls, and customs procedures that act as trade restrictions.

³² For a list of the sections in the Harmonized Tariff Schedule, see the Appendix.

Table 5. The Gambia: Tariff Structure by Statutory Rates.

Pre-1998 System 1/				1998 System 1/				1999 System 1/ 4/			
Tariff Rates (In percent)	Tariff Lines	c.i.f. Share 2/	Rev. Share 3/	Tariff Lines	c.i.f. Share 2/	Rev. Share 3/	Loss (D ,000)	Tariff Lines	c.i.f. Share 2/	Rev. Share 3/	Loss (D ,000)
0	1,435	27.31	0.00	1,435	27.31	0.00	0	1,435	27.31	0.00	0
5	21	0.66	0.28	21	0.66	0.28	0	21	0.66	0.34	0
7	20	2.77	1.65	20	2.77	1.68	0	20	2.77	1.99	0
7.5	18	12.53	7.99	18	12.53	8.14	0	18	12.53	9.66	0
9	1	0.09	0.07	1	0.09	0.07	0	1	0.09	0.09	0
10	839	22.38	19.03	839	22.38	19.40	0	839	22.38	23.02	0
14	137	7.27	8.66	137	7.27	8.82	0	137	7.27	10.47	0
18	85	0.89	1.36	85	0.89	1.38	0	85	0.89	1.64	0
19	1,161	8.81	14.23	1,161	8.81	14.50	0	1,161	8.81	17.21	0
20	65	2.68	4.56	65	2.68	4.65	0	1,320	17.29	35.57	-73,870
21	76	0.37	0.66	76	0.37	0.67	0	0	0	0	1,964
23	701	6.18	12.08	701	6.18	12.31	0	0	0	0	35,916
25	2	0.00	0.00	456	3.34	7.25	-21,126	0	0	0	21,144
28	220	0.53	1.26	0	0	0	3,737	0	0	0	0
29	58	0.42	1.04	0	0	0	3,104	0	0	0	0
30	11	0.29	0.73	0	0	0	2,186	0	0	0	0
32	112	1.23	3.34	0	0	0	9,943	0	0	0	0
37	37	1.14	3.58	3	0.53	1.71	5,656	0	0	0	4,982
40	4	0.01	0.03	0	0	0	100	0	0	0	0
41	1	0.11	0.40	0	0	0	1,186	0	0	0	0
46	10	1.44	5.63	2	1.38	5.48	741	0	0	0	15,994
50	5	1.70	7.19	0	0	0	21,376	0	0	0	0
53	4	0.08	0.34	5	1.70	7.78	-21,682	0	0	0	22,705
55	2	0.91	4.26	2	0.91	4.34	0	0	0	0	12,661
57	1	0.00	0.01	0	0	0	47	0	0	0	0
87	6	0.09	0.06	10	0.20	1.54	-2,618	0	0	0	4,499
90	5	0.12	0.95	0	0	0	2,830	0	0	0	0
Total	5,037	100	100	5,037	100	100	5,478	5,037	100	100	45,995
Rev.		D 297,245				D 291,767				D 245,772	
SSA		13.65				13.13				12.05	
IWA		11.76				11.54				9.72	
Bands		27 + 3 Specific				18				10	

Source: Staff calculations.

1/ Total c.i.f. value is D 2,527,624.

2/ As percent of total value of imports.

3/ As percent of total revenue.

4/ Excise taxes are not accounted for.

Table 6. The Gambia: Distribution of the High-Rated Products, 1998 Tariff System

Category	Rate (In percent)	c.i.f. (D ,000)	c.i.f. (In percent)
Beer			
2203.00.00 Beer made from malt.	87	1,124	0.0445
Alcohol			
2204.10.00 Sparkling wine	87	358	0.0142
2204.21.00 In containers holding 2 liters or less	87	206	0.0081
2204.29.00 Other	87	340	0.0135
2204.30.00 Other grape must	87	0	0.0000
2208.20.00 Spirits obtained by distilling grape wine or grape marc	87	61	0.0024
2208.30.00 Whiskies	87	1,115	0.0441
2208.40.00 Rum and tafia	87	293	0.0116
2208.50.00 Gin and geneva	87	241	0.0095
2208.90.00 Other	87	1,434	0.0567
Tobacco			
2402.20.00 Cigarettes containing tobacco (D 92 per kg net)	53	40,910	1.6185
2402.90.00 Other	53	7	0.0003
2403.10.00 Any proportion	53	1,922	0.0760
2403.91.00 Homogenized or "reconstituted" tobacco	53	0	0.0000
2403.99.00 Other	53	0	0.0000
Vehicles			
8703.23.00 Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,000 cc	46	28,802	1.1395
8703.24.00 Of a cylinder capacity exceeding 2,000 cc	55	8,335	0.3298
8703.32.00 Of a cylinder capacity exceeding 1,500 cc but not exceeding 2,000 cc	46	5,969	0.2362
8703.33.00 Of a cylinder capacity exceeding 2,500 cc	55	14,686	0.5810

Table 7. The Gambia: Tariff Structure by Sections of the HTS
(In percent, unless noted otherwise).

Section	Pre-1998 System 1/					1998 System 1/				1999 System 1/ 6/				
	Tariff Lines	c.i.f. Share 2/	Rev. Share 3/	IWA 4/	SSA 5/	Rev. Share 3/	IWA 4/	SSA 5/	Loss (D '000)	Rev. Share 3/	IWA 4/	SSA 5/	Loss (D '000)	
1	194	2.31	1.30	6.60	19.25	1.17	5.86	18.05	428	1.17	4.95	16.56	535	
2	271	15.88	6.76	5.01	15.09	6.89	5.01	15.09	0	8.18	5.01	15.09	0	
3	52	2.80	2.94	12.37	17.31	3.00	12.37	17.31	0	3.56	12.37	17.31	0	
4	185	13.29	18.43	16.30	21.45	19.02	16.52	20.76	-731	15.27	11.16	15.84	17,979	
5	158	9.92	6.19	7.34	1.39	6.31	7.34	1.39	0	7.49	7.34	1.39	0	
6	765	8.79	4.52	6.05	5.04	4.21	5.53	4.60	1,170	4.80	5.31	4.43	482	
7	182	1.62	2.28	16.58	16.24	2.32	16.58	16.24	0	2.75	16.58	16.23	0	
8	75	0.29	0.45	18.21	15.90	0.46	18.21	15.89	0	0.55	18.21	15.89	0	
9	79	0.55	0.55	11.87	12.68	0.56	11.87	12.68	0	0.67	11.87	12.61	1	
10	144	3.01	3.28	12.82	20.63	3.31	12.71	20.20	84	3.42	11.05	17.81	1,263	
11	804	6.89	6.81	11.63	18.99	6.86	11.49	18.36	239	7.85	11.08	16.35	720	
12	56	1.27	1.57	14.47	21.02	1.60	14.47	20.80	2	1.87	14.30	19.05	53	
13	138	1.48	2.01	16.01	14.04	2.05	16.01	14.01	0	2.32	15.28	13.17	272	
14	54	0.03	0.03	12.51	26.46	0.02	10.90	22.44	11	0.02	9.07	18.52	12	
15	596	6.05	6.58	12.78	12.11	6.70	12.78	12.06	0	7.58	12.18	11.41	928	
16	765	12.94	15.05	13.67	10.71	14.50	12.93	10.06	2,431	16.08	12.08	9.32	2,799	
17	132	8.41	17.48	24.44	10.72	17.62	24.19	9.87	520	12.88	14.90	7.95	19,758	
18	230	1.40	0.85	7.11	17.50	0.85	6.97	16.43	47	0.90	6.26	14.79	254	
19	17	0.05	0.12	27.10	22.82	0.11	22.74	20.76	60	0.11	19.62	19.29	43	
20	132	1.38	2.80	23.85	21.26	2.44	20.36	19.94	1,218	2.52	17.79	18.93	896	
21	7	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00	0.00	0	
22	1	1.60	0.00	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00	0.00	0	
Total	5,037	100	100	11.76	13.65	100	11.54	13.13	5,478	100	9.72	12.05	45,995	
Rev.		D 297,245					D 291,767				D 245,772			
Bands		30					18				10			

Source: Staff calculations.

1/ Total c.i.f. value is D 2,527,624.

2/ As percent of total value of imports.

3/ As percent of total revenue.

4/ Import-weighted average

5/ Simple average of statutory tariff rates.

6/ Excise taxes are not accounted for.

(beverages and tobacco, vehicles, and machinery, respectively) accounted for 50.9 percent of total revenue.

74. For sections 5, 6, 8, 13, 16, 17, 19, and 20, the IWA rates are significantly higher than the SSA rates; this suggests that the imports in these sections are concentrated on tariff lines with higher duty rates.³³

C. The 1998 and 1999 Tariff Reforms

Implications of the 1998 tariff reform

75. The 1998 reform of the external tariff structure of The Gambia was characterized by the following three features:

- The number of tariff bands was reduced to 18.
- The three specific duties were eliminated.
- The top tariff rate was reduced to 25 percent for all items except tobacco, alcohol and vehicles. The tariff rates on the latter commodities remained virtually unaltered from the previous tariff structure.³⁴

76. As a result of the reform, the unweighted average of the statutory tariff rates declined by about ½ of 1 percentage point to 13.1 percent, while the import-weighted average dropped by ¼ of 1 percentage point to 11.5 percent. The reform also led to a modification of the distribution of statutory revenue shares: sections 1, 6, 14, 19, and 20 experienced a decrease in value, while the rest remained constant or slightly increased. The specific duties were eliminated. Tables 5 and 7 ("1998 System" columns) summarize the tariff structure of The Gambia after the reform was implemented.³⁵ Ten percent of all tariff lines had an associated tariff rate of 25 percent, representing a c.i.f. import share of 3.4 percent and a corresponding revenue share of 7.3 percent. Most revenue was still generated by the 10, 19, and 23 percent tariff rates, but a large share also came from the 25 percent rate. The revenue loss associated with the 1998 reform was relatively small (D 5.5 million, or 0.1 percent of GDP).³⁶ This loss was basically caused by the elimination of specific rates and the considerable reduction in the

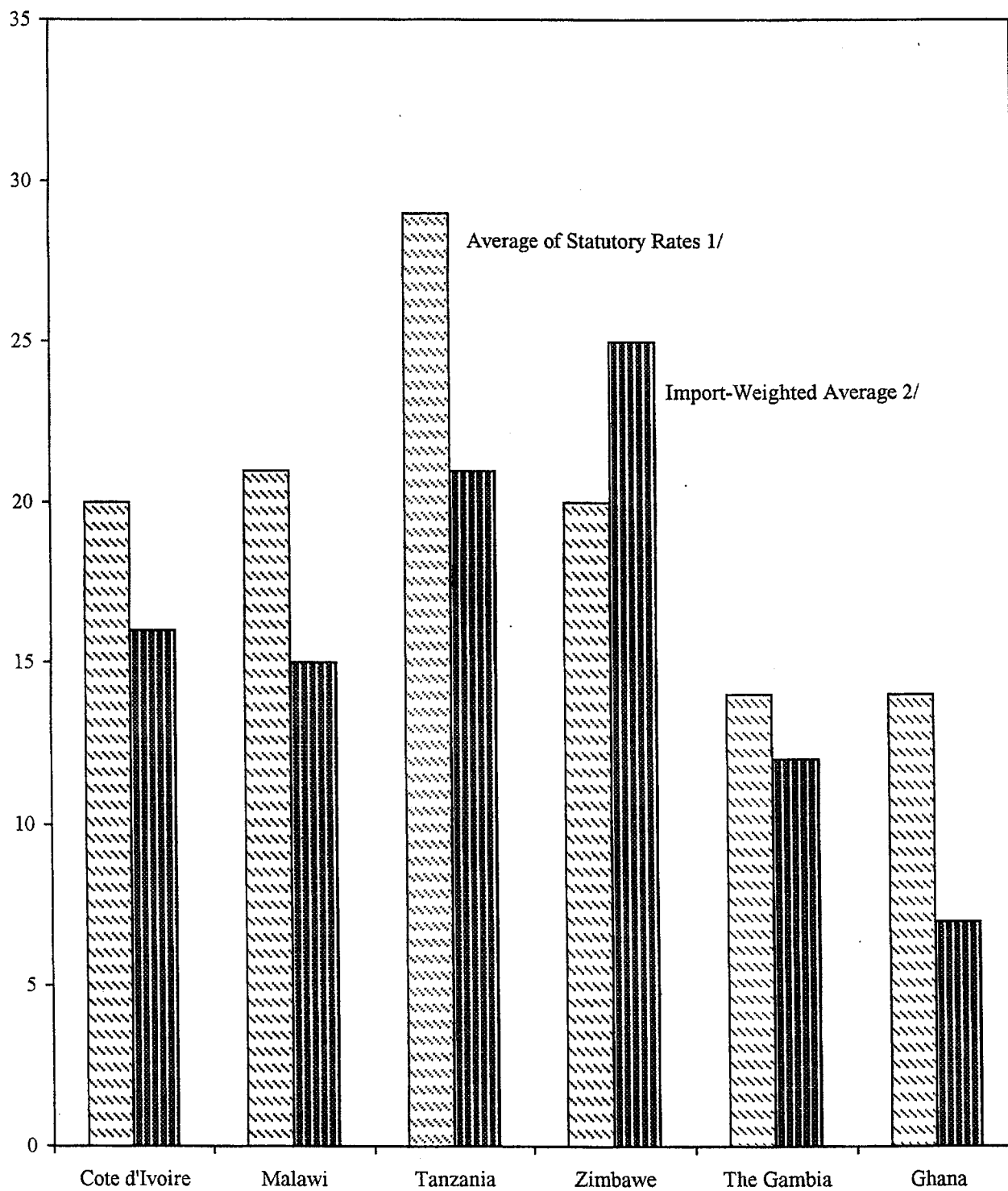
³³ See Figure 8 for a comparison with other African countries.

³⁴ The taxation on spirits, whiskies, rum and tafia, gin and geneva and other similar alcoholic drinks was reduced from 90 percent to 87 percent, in line with the taxation on beer and wine (Table 7).

³⁵ In order to perform the calculations in this section, 1996 calendar year data for imports and the tariff book after the 1998 tariff reform have been used.

³⁶ Note that losses are calculated on the basis of statutory tariff rates.

Figure 8. The Gambia: Statutory and Import-Weighted Averages of Tariff Rates in Selected African Countries



1/ Data for 1994 from Kirmani (1994).

2/ Data for 1997 from Aksoy (1998); staff estimates for Ghana and The Gambia.

number of tariff bands. Complementary measures to limit revenue losses were taken, including the extension of the sales tax to professionals and the controlling of duty exemptions more rigorously.

Implications of the 1999 tariff reform

77. Beginning January 1999, the government of The Gambia implemented a further tariff reform with the following features:

- The number of tariff bands was reduced from 18 to 10.
- The maximum tariff rate was reduced from 25 percent to 20 percent.
- The rates on tobacco, alcohol and vehicles were reduced to 20 percent as well; however, in order to partly offset the revenue loss associated with this reduction, excise taxes were introduced.

78. Because the duty rates on tobacco, alcohol and vehicles have been brought down to 20 percent from previous rates ranging from 37 percent to 87 percent, the direct overall revenue loss is estimated to be about D 46 million in 1999. Had the rates on these commodities been kept unaltered, as in the 1998 tariff reform, the resulting revenue loss from reducing the top rate to 20 percent is estimated to be limited to about D 9 million. Given the objective of the tariff reform on alcohol, tobacco, and vehicles to be revenue neutral, the newly introduced excise taxes should thus compensate for about D 37 million. These excise taxes range from 20 percent to 35 percent on the value of new vehicles; D 80 per carton of cigarettes; and D 25 per liter of alcohol (Table 8). Using the c.i.f. import values for the respective categories of vehicles, the excise tax revenue on vehicles is estimated at some D 15 million, thus lowering the total loss resulting from the 1999 tariff reform to D 31 million. As excise taxes on cigarettes and alcoholic beverages are based on quantities for which data is not available, a precise calculation of the reduction in revenue losses through these taxes is not possible with the available data.

79. The unweighted average of the statutory tariff rates will decline to 12.1 percent in 1999 while the import weighted average tariff rate will fall to just below 10 percent. The reform will also lead to a decline of statutory revenue shares of alcoholic beverages, tobacco, and vehicles respectively. Tables 5 and 6 summarize the main features of both the 1998 and the 1999 reforms.

80. Table 9 summarizes the significant impact of the 1998 and 1999 reforms on the tariff system through the reduction of the number of bands from 30 to 18 (the 1998 reform), and 10 (the 1999 reform), the elimination of the specific rates, and the reduction of the maximum rate to 25 percent (the 1998 reform),³⁷ and 20 percent (the 1999 reform).

³⁷ Excluding vehicles, tobacco, and alcoholic beverages.

Table 8. The Gambia: Excise Taxes, 1999

	Duty (in percent, unless otherwise indicated)	Sales Tax (in percent)	Excise Tax (in percent, unless otherwise indicated)	Environment Tax
Cigarettes	20	10	D 80/ctn.	D 13.62/kg
New vehicles				
from 1000 cc-2000 cc	20	10	20	--
from 2000 cc-above	20	10	35	--
Used vehicles				
c.i.f. values less than D 10,000	D 10,000	10	--	D 1,000
All Alcoholic Beverages	20	10	D 25/l	--
Soap	20	10	D 5.5/kg	--
Wheelbarrows	20	10	5	--
Sugar Confectionery	20	10	5	--
Nails	20	10	5	--

Table 9. The Gambia: Main Characteristics of the Tariff System

	Maximum Rate (In percent)	Tariff Bands	Specific Rates
Pre-1998	90	30	3
1998 1/	25	18	None
Current	20	10	None

1/ Excluding vehicles, tobacco, and alcoholic beverages with rates in the range of 37 percent to 87 percent.

81. The main implications of the current tariff reform are presented in Table 10. Both the 1998 and 1999 reforms brought about a decrease in statutory and import-weighted average duty rates of the tariff system of The Gambia, with a relatively small associated revenue loss (D 5.5 million, or 0.1 percent of GDP) for the 1998 reform and a substantial loss (D 46.0 million, or 0.98 percent of GDP) for the 1999 reform. The loss resulting from the 1998 reform was basically due to the elimination of specific rates and the considerable reduction in the number of tariff bands, while the loss associated with the 1999 reform is due to the abolition of the high duty rates, in particular on alcohol, tobacco, and vehicles. However, these estimates do not yet take into account the various excise taxes implemented in the 1999 reform (Table 8). Assuming that these excise taxes achieve the objective of largely compensating for the loss resulting from the reduction in duty rates on alcohol, tobacco, and vehicles, the effective loss associated with the 1999 reform would be limited to about D 9 million or 0.2 percent of GDP (see paragraph 78).

Table 10. The Gambia: Implications of Tariff Reforms

	IWA 1/ (In percent)	SSA 2/ (In percent)	Revenue (D ,000)	Loss (D ,000)	Loss (In percent of GDP)	Loss (In percent)
Pre-1998	11.76	13.65	297,245	0	0.00	0.00
1998	11.54	13.13	291,767	5,478	0.12	1.84
Current Structure	9.72	12.05	245,772	45,995	0.98	15.76

1/ Import-weighted average.

2/ Simple average of statutory tariff rates.

D. Conclusion and Policy Implications

82. Prior to the 1998 tariff reform, The Gambia's tariff structure consisted of 30 tariff bands applying to about 5,000 tariff lines. Tariff rates ranged from zero to a maximum of 90 percent. The unweighted average of statutory tariff rates was 13.7 percent, and the import weighted average was 11.8 percent. The 1998 reform of the external tariff structure was characterized by the following features:

- Reduction of the number of tariff bands from 30 to 18.
- Elimination of specific duties (on beer, wine, petroleum and cigarettes).
- Reduction of the top tariff rate to 25 percent, except for tobacco, alcohol and vehicles.

As a result, the unweighted average of statutory tariff rates declined to 13.1 percent, while the import weighted average dropped to 11.5 percent. The 1999 tariff reform had the following features:

- Further reduction in the number of tariff bands from 18 to 10.
- Reducing the top rate to 20 percent.
- Reduction of the rate on alcohol, tobacco, and vehicles to 20 percent as well.

The average of the statutory tariff rates is estimated to decline to 12.1 percent, while the import weighted average is estimated to decline to just below 10 percent.

83. The revenue loss that resulted from the 1998 tariff reform was relatively small and primarily due to the reduction in tariff bands and the abolition of specific rates. The more significant revenue losses that will result from the 1999 tariff reform are primarily due to the reduction of the rates for high rated items—alcohol, tobacco, and vehicles—from a maximum of 87 percent to 20 percent. Complementary measures taken to compensate for losses have

been the control of duty exemptions and the extension of the sales tax to professionals under the 1998 reform, and the introduction of excise taxes in the context of the 1999 reform.

84. Even with the implementation of these reforms, there is still scope for further streamlining of the tariff structure in The Gambia, taking account of the West African Economic and Monetary Union (WAEMU) common external tariff (SET). Several reasons can be put forward in favor of simplifying the current structure of the tariff system in The Gambia: such a simplification would encourage investment, promote trade, avoid discretionary exemptions, reduce administrative and collection costs, and keep The Gambia in step with developments in the WAEMU countries. In particular, further efforts could focus on:

- classifying commodities according to their economic use, employing the Broad Economic Categories (BEC) classification;
- reducing the number of duty rates further by streamlining the duty rates on raw materials, intermediate goods, capital goods, and consumer goods; and
- reallocating zero-rated items to each of the defined economic categories, with only a limited number of essential goods left at a zero rate.

References

- Aksoy, Ataman, 1998, "Preliminary Results from Africa Regional Trade Study," paper presented at World Bank - International Monetary Fund Workshop, Washington.
- Basu, Priya and Norman Gemmill, 1997, "Fiscal Adjustment in The Gambia: A Case Study," in *Fiscal Reform in the Least Developed Countries*, edited by Chandra K. Patel, Brookfield, Vermont: Elgar Publishing, pp. 110-49.
- Gray, Clive S. and Malcolm F. McPherson, 1995, "Tax Reform," *Economic Recovery in The Gambia: Insights for Adjustment in Sub-Saharan Africa*, edited by Malcolm McPherson, and Steven C. Radelet, Harvard Studies in International Development, Cambridge Massachusetts: Harvard University Press, pp. 125-44.
- Hadjimichael, Michael T., Thomas Rumbaugh, and Eric Verreydt, 1992, *The Gambia: Economic Adjustment in a Small Open Economy*, IMF Occasional Paper No. 100, (Washington: International Monetary Fund).
- Kirmani, Naheed and Nur Calika, 1994, *International Trade Policies: The Uruguay Round and Beyond. Volume II: Background Papers*, World Economic and Financial Surveys, (Washington: International Monetary Fund).
- McNamara, Paul E. and Malcolm F. McPherson, 1995, "Customs Reform," *Economic Recovery in The Gambia: Insights for Adjustment in Sub-Saharan Africa*, edited by Malcolm McPherson, and Steven C. Radelet, Harvard Studies in International Development, Cambridge Massachusetts: Harvard University Press, pp. 251-63.
- McPherson, Malcolm and Steven C. Radelet, eds., 1995, *Economic Recovery in The Gambia: Insights for Adjustment in Sub-Saharan Africa*, Harvard Studies in International Development, Cambridge Massachusetts: Harvard University Press.
- Radelet, Steven C., 1993, "The Gambia's Economic Recovery: Policy Reforms, Foreign Aid, or Rain?" *Journal of Policy Modeling*, Vol. 15 (June), pp. 251-76.
- Saye, Samba E., 1992, "Taxing the 'Hard To Tax' in The Gambia," *Tax Notes International*, Vol. 5 (July), pp. 71-72.

Sections of the Harmonized System

Section I. Live animals; animal products.

Section II. Vegetable products.

Section III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes.

Section IV. Prepared foodstuffs; beverages, spirits, and vinegar; tobacco and manufactured tobacco substitutes.

Section V. Mineral products.

Section VI. Products of the chemical or allied industries.

Section VII. Plastics and articles thereof; rubber and articles thereof.

Section VIII. Rawhides and skins, leather, fur skins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut).

Section IX. Wood and articles of wood; wood charcoal, cork and articles of cork; manufacturers of straw, of esparto or of other plaiting materials; basketware and wickerwork.

Section X. Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard and articles thereof.

Section XI. Textile and textile articles.

Section XII. Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seatsticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair.

Section XIII. Articles of stone, plaster, cement, asbestos, mica, or similar materials; ceramic products; glass and glassware.

Section XIV. Natural or cultured pearls, precious or semiprecious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewelry; coins.

Section XV. Base metals and articles of base metals.

Section XVI. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.

Section XVII. Vehicles, aircraft, vessels, and associated transport equipment.

Section XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof.

Section XIX. Arms and ammunition; parts and accessories thereof.

Section XX. Miscellaneous manufactured products.

Section XXI. Works for art, collectors' pieces, and antiques.

Section XXII. Special classification provisions.

IV. FINANCIAL SECTOR REFORM³⁸

A. Introduction

85. The financial system of The Gambia comprises the Central Bank of The Gambia (CBG), 5 commercial banks, 7 insurance companies, 47 Village Savings and Credit Associations (VISACAs), and numerous informal credit clubs. These institutions operate under the 1992 CBG Act, the 1992 Financial Institutions Act (FIA), and the 1974 Insurance Act. The current state of the financial system has been shaped by the reform efforts initiated in the mid-1980s in conjunction with a comprehensive stabilization program, aimed at liberalizing the foreign exchange market, dealing with the sizeable portfolio of nonperforming loans of the banking system, promoting efficiency, encouraging competition, and strengthening the authority of the CBG. This chapter discusses the developments in The Gambia in restructuring the financial system and the issues that the authorities face at present. The rest of the chapter is organized as follows. Section B briefly reviews the history of the financial system after independence. Section C discusses the efforts of rehabilitation of the banking system and the process of restructuring and privatization of The Gambia Commercial and Development Bank (GCDB), the major commercial bank in the 1970s and 1980s. Section D analyzes the progress achieved in strengthening the authority and independence of the CBG. Section E discusses the formal banking system and Section F focuses on the nonbank financial sector and the role of its most important component, the VISACAs, in mobilizing savings and providing retail credit. Section G concludes this chapter.

B. Historical Background

86. During the first decade after independence in 1965, broadly stable macroeconomic conditions existed in The Gambia. In the decade up to 1985, however, a variety of external shocks and inappropriate policy responses led to a decline in real growth, accelerating inflation, and emergence of external payments arrears. Dissatisfied with the performance of the banking system in promoting economic development, the government started to intervene more actively in the development process through subsidized directed credits. The institutionalization of agricultural credit through the Gambia Cooperative Union (GCU) and the GCDB ultimately led to serious imbalances and relegated the financial system to a secondary role in allocating credit, mobilizing the savings of the population, and developing the economy.

87. The GCU was established in 1959 to assist the groundnut farmers in the provision of agricultural inputs (mainly seeds and fertilizers) and credit, and the procurement of the groundnut crop. The number of primary societies (cooperatives) that were members of GCU rose from less than 25 in 1970 to 86 by 1980, thus enabling the GCU to develop a countrywide network. In 1972, the government created the GCDB. Throughout its existence, the GCDB had operated as a mixture between a financial institution and a development bank, and was the main channel for providing farmers with subsidized directed credits through the

³⁸Prepared by Ivailo Izvorski.

intermediation of the GCU and its member cooperatives. In 1973, the government established the Gambia Produce Marketing Board (GPMB) with monopoly rights over the export of the groundnut crop. In addition, in the early 1980s, the government granted the GCU monopoly power over the distribution of fertilizers and seeds, thus effectively eliminating all competition in the cycle of production, financing, and marketing of the groundnut crop. The GCU provided inputs to farmers at highly concessional terms and practiced a liberal loan forgiveness policy, thus exacerbating the inefficiencies of its monopoly position and leading to the accumulation of sizable nonperforming loans. The GCDB was also faced with mounting nonperforming loans which, coupled with insufficient collection efforts and inadequate loan provisioning, created a continuous need for CBG financing (see below). As a consequence, at end-1985, over 44 percent of the GCDB's liabilities were to the CBG.

88. By the mid-1980s, in addition to the GCDB, two commercial banks were operating in the country: the Standard Chartered Bank of The Gambia (SCBG), in which the London-based Standard Chartered Group held about 75 percent of the capital and the government had a minority share; and the International Bank for Commerce and Industry, a branch of the Banque Internationale pour le Commerce et l'Industrie, a Senegalese-based bank owned by a consortium of American, Belgian, French, and German banks.³⁹ The Post-Office Savings Bank and two insurance companies, the Gambian National Insurance Company (created in 1974 as a subsidiary of the GCDB) and the Northern Insurance Company, completed the financial system. The Agricultural Development Bank (ADB), which started operations in 1981, was issued a "cease and desist order" in 1982 and was in liquidation by 1990.

C. Rehabilitation of the Banking System

89. In June 1985, The Gambia began implementing a comprehensive adjustment program, the Economic Recovery Program (ERP),⁴⁰ as the development model pursued by the authorities thus far had proved unsustainable. In particular, the high default rates on state-guaranteed credits to agriculture necessitated a reform of the agricultural sector. At issue was mainly the vertical integration between the GCU, the GCDB, and the GPMB, and their dependence on government financing. The GCDB, the largest bank in The Gambia, was owned by the government (51.7 percent), the GCU (31.7 percent), and the GPMB (16.6 percent). To address the crux of the matter, the government in 1989 privatized the GCU and abolished the export monopoly of the GPMB. Initially, the GCU was able to operate more efficiently in the new environment, as it could also export the groundnuts it was procuring from the farmers. By contrast, the GPMB, which had no procurement network of its own, suffered heavy losses, and was sold in 1992 to The Gambia Groundnut Corporation (GGC), a

³⁹The International Bank for West Africa was licensed by the CBG in 1983, but it never started operations.

⁴⁰In 1990, the ERP was succeeded by the Program for Sustainable Development (PSD).

unit of the Swiss-based Alimenta SA.⁴¹ Resolving the issue of the nonperforming loans of the banking system and reforming the institutional environment, however, remained the two most important issues facing the authorities after 1985.

90. During 1986-89, The Gambia undertook the financial restructuring of the GCDB with assistance from the World Bank, including a payment by the government of D 6 million of call capital, the conversion to capital of a D 6 million IDA credit, and the conversion of D 35 million of short- and medium-term loans into long-term loans. In 1987, the government established a Managed Fund that took over the government-guaranteed loans of the GCDB (D 72.6 million, or 40 percent of total private sector credit) and was responsible for their recovery. After new management was installed and the recapitalization of its balance sheet was completed, in 1991 the GCDB was converted into a limited liability company, and was sold to the Meridien Bank in July 1992.⁴² The deposits and a small fraction of the (performing) loans of the GCDB were sold to the Meridien Bank, while the bulk of the assets (D 223 million, or US\$26.2 million), including a sizable portfolio of nonperforming loans (D 188.5 million), were transferred to the newly established Asset Management and Recovery Company (AMRC). The claim of the CBG on the GCDB (about D 45.4 million) was also passed to the AMRC. To cover the transfer of all deposits, the government issued about D 73 million in treasury bills, ultimately to be covered through the collection of the AMRC assets. After the failure of the Meridien Bank/BIAO, the government took control of the Meridien Bank and has been operating it under the name of the Trust Bank. In 1998, following its successful rehabilitation, the Trust Bank was offered for sale.

91. The AMRC was established under the AMRC Act in December 1992 to recover the securities on the nonperforming loans of the GCDB. The gross direct assets to be managed by the AMRC, a total of D 308 million (US\$36 million), consisted of the nonperforming loans of the GCDB, the claim of the CBG on the GCDB, and D 84 million from the Managed Fund which was merged into the AMRC; D 40 million in interest accrued but not received was also included in the portfolio. The AMRC aimed to recover 60 percent of the collateral; as of end-1998, about D 128 million (40 percent of assets), has been recovered. Of this amount, D 75 million has been returned to the government and the rest is still on the books of the AMRC. The original life span of the AMRC of five years, was extended as it was believed that more of the collateral could be recovered. In March 1998, an additional portfolio of properties acquired under the Commission of Enquiry (following the transition from military to civilian rule), with an estimated value of about D 50 million, was transferred to the AMRC. Currently, the AMRC has a preferred creditor status in liquidation or seizure, and, unlike other creditors, it does not have to go to court to legalize the seizure and sale of property. In October 1998,

⁴¹In 1996, however, the government, the GCU, the GGC, and Alimenta SA agreed that the GCU would sell all of its groundnuts "purchased and received on account from their members" to the GGC, thus restoring the monopoly that had existed prior to the privatization of the GPMB.

⁴²The Lusaka-based Meridien International Bank controlled the Meridien Bank/BIAO, which operated in 20 African countries. It began operations in 1984 and failed in April 1995.

the authorities set up a commercial chamber in the High Court to simplify bankruptcy and collateral liquidation procedures. However, staffing constraints do not allow the court to function properly and it will require additional efforts to shorten the time involved in the recovery of collateral (currently about 2-4 years). The government is also considering turning the AMRC into a private debt recovery agency, which would involve the AMRC's surrendering its preferred creditor status.

92. Although the authorities created the AMRC to resolve the issue of the nonperforming loans of the GCDB, no mechanism was established to deal with the nonperforming loans of the GCU to the government and to the SCBG. The government's claim on the GCU was initially transferred to the AMRC which then transferred it back to the government. An agreement between the government and the SCBG on the nonperforming loans of the GCU was reached only in 1998 in conjunction with the liquidation of the GCU (see below).

D. Central Bank Reform

93. In the mid-1980s, the government began, together with the rehabilitation of the GCDB, the process of liberalization of the financial sector with the purpose of promoting the development of a more competitive banking system and efficient financial markets. The CBG Act and the FIA, both passed in 1992, were designed to stimulate the development of a formal financial system. One of the main elements of the financial sector reform was the strengthening of the role and authority of the CBG. The CBG Act clearly defined the objectives of the CBG and improved its ability to formulate and implement independent monetary policy. In addition to operational independence, the FIA empowered the CBG as the sole regulator and licensor of financial institutions in The Gambia in accordance with the Basle core principles.

94. Currently, the CBG uses exclusively indirect instruments for monetary policy. The major instruments for liquidity management are the three and six-month treasury bills that the CBG has been auctioning on behalf of the Department of State for Finance and Economic Affairs (DoSFEA) biweekly since 1986. Prior to each auction, the CBG announces the amount offered and participants submit their sealed bids (amount and yield). The CBG then proceeds to satisfy the bids starting from the lowest bid (in terms of yield) until it fills the auctioned amount. The auction format, therefore, is discriminatory and competitive, as bidders pay their winning bids. To improve liquidity management, in September 1990, the CBG started issuing CBG-bills, with characteristics identical to those of the treasury bills and using auctions of similar format. Although the CBG limits the amount of CBG-bills issued in order not to endanger its profitability, the amount outstanding has more than doubled, rising from 2½ percent of treasury bills outstanding at end-1997 to more than 6 percent at end-1998.

95. The discount rate, announced by the CBG after each treasury bill auction, is determined by rounding to the nearest ½ of one percentage point of the weighted average of the accepted bids. The small and known number of bidders in the auctions and the high concentration of the banking system raise concerns about the competitiveness of the auctions and the market determination of the treasury bill rate. Proceeds from the auctions are deposited in the treasury bill account at the CBG and transferred as needed to the treasury account (the "212 account"). In 1998, the CBG issued D 160 million in treasury bills; of that

amount, about D 75 million (or less than 50 percent of the total amount issued) was used for domestic financing of the budget deficit which illustrates the use of treasury bills as an instrument for liquidity management and highlights the operational independence of the CBG.

96. The high fiscal deficits and continuous need for budget financing in The Gambia, together with the operational independence of the CBG in conducting a tight monetary policy and issuing treasury bills, has led to a combination of low inflation (Table 22), and high real interest rates. In particular, the discount rate stayed at 16 percent from October 1995 until September 1998, when it started to decline to its current level of 14 percent. Average annual inflation, as measured by the consumer price index (CPI), declined from 4 percent in 1995 to 1 percent in 1998. The rigidity of the treasury bill rate translates into lack of flexibility for the economy, as almost all other interest rates are explicitly linked to it.⁴³ Because of the high real interest rates, public enterprises and commercial banks have been the largest holders of treasury bills (42 percent and 49 percent, respectively as of end-1998),⁴⁴ which keeps them from engaging in more productive activities. In addition, the limited array of maturities for the treasury securities, the absence of a rate providing a signal as to the intentions of monetary policy, as well as the small and constant spread between the treasury bill and the resale rates, neither facilitate the development of a money market nor promote competition among the financial institutions.

97. In the periods between auctions, the CBG uses transactions in treasury bills and CBG-bills to mop up or provide liquidity as necessary, and it outright purchases, discounts, and rediscounts treasury bills maturing within 93 days of CBG acquisition to provide liquidity to the system. In addition to this standing facility, the CBG outright purchases, discounts, and rediscounts (i) bills of exchange and promissory notes for bonafide commercial, industrial, or agricultural purposes, maturing within 124 days of CBG acquisition; and (ii) loans of maturity up to 180 days, secured by collateral in the above categories. Because of the standing CBG facility and the large fraction of treasury bills in banks' portfolios, an interbank market in treasury securities has not been able to develop and the CBG is party to virtually all transactions involving treasury bills. The lack of an interbank market also affects adversely the outcome of the treasury bill auctions, as banks tend to roll over the maturing treasury bills in their portfolios, thus keeping the amounts bid at fairly constant levels.

⁴³For example, the treasury bill resale rate is equal to the treasury bill rate minus 1 percentage point, the rediscount rate is set at the treasury bill rate plus 3 percentage points, and the penalty rate for not meeting the required reserve ratio is the treasury bill rate plus 5 percentage points. In addition, rates on time deposits cannot be lower than the treasury bill rate minus 5 percentage points.

⁴⁴For CBG bills, the commercial banks and the private sector are the biggest holders with 65 percent and 34 percent, respectively.

E. The Banking System

98. At end-1998, five commercial banks in The Gambia were registered and regulated by the CBG under the FIA: the SCBG, the International Bank for Commerce, the Trust Bank, the Continent Bank, and the Arab-Gambia Islamic Bank (AGIB) (Table 40).⁴⁵ With the exception of the government-owned Trust Bank, all other banks are fully privately owned. The Trust Bank was offered for sale in August 1998 and bids continue to be received; the CBG expects to complete the sale by mid-1999. So far, no bank has applied for a license under the 1993 Offshore Company Act.

99. The banking system is highly concentrated, with the largest bank in the country, the SCBG, dominating the market both in terms of deposits (51 percent of the total for the banking system) and of loans extended (51 percent, Table 11). The top three banks account for almost 90 percent of the market in terms of loans and more than 90 percent in terms of deposits; the Herfindahl index of the top five banks in The Gambia is 0.34 (0.37) in terms of loans (deposits), close to the average for sub-Saharan Africa (0.38 in 1996 in terms of deposits).⁴⁶

Table 11. The Gambia: Selected Ratios of Banking Sector Institutions 1/

	Market Share		Capital Adequacy Ratio 2/	Liquidity Ratio 3/
	By Loans	By Deposits		
SCBG	51	55	16.3	78.9
IBCL	15	19	14.1	93.4
TBL	22	18	12.0	60.3
CBL	8	6	11.7	19.9
AGIB	4	1	16.3	56.3

Source: Central Bank of The Gambia.

1/ Standard Chartered Bank of The Gambia (SCBG); International Bank for Commerce, Ltd. (IBCL); Trust Bank Limited (TBL); Continent Bank, Ltd. (CBL); and the Arab-Gambia Islamic Bank (AGIB).

2/ The required capital adequacy ratio is 8 percent.

3/ The required liquidity ratio is 30 percent of total deposit liabilities and other short-term borrowing.

⁴⁵The FIA was amended in 1994 to allow the licensing of the AGIB.

⁴⁶The Herfindahl index, which is calculated as the sum of squares of the market shares of the firms in a particular industry, has a value of 0 in a perfectly competitive industry and 1 in a purely monopolistic setup.

100. In comparison with sub-Saharan Africa, the indicators of financial deepening for The Gambia reflect a modest degree of financial intermediation in the economy despite the ongoing reform efforts (Figure 9). The ratio of broad money to GDP increased during the period 1984-96, and at 24 percent at end-1996, it is still below the level for sub-Saharan Africa (about 25 percent). The holdings of currency declined slightly from 6.6 percent of GDP in 1988 to 6.2 percent in 1997. Credit to the private sector⁴⁷ in percent of GDP declined rapidly from more than 40 percent in 1984 to 9.2 percent in 1997, and, since 1989, it has been consistently below the level for sub-Saharan Africa. The high levels of credit in the early to mid-1980s reflect the significant amount of subsidized directed credit to agriculture. Moreover, the ratio of narrow to broad money was lower than that for the sub-Saharan Africa during 1984-96 and declined from 59 percent in 1987 to less than 50 percent at end-1997.

101. As of end-1998, holdings of treasury bills and CBG-bills comprised more than 50 percent of the net domestic assets of the commercial banks, while claims on the private sector accounted for about 48 percent. The high real interest rates give an incentive to banks to hold treasury securities, while commercial lending is severely constrained. In addition to the high real interest rates, the liquid asset requirement, adopted by the CBG in 1994, also tends to favor government securities over commercial loans on the banks' books. The liquid asset requirement stipulates that all commercial banks must hold liquid assets equivalent to 30 percent of their total deposit liabilities and other short-term borrowing. As of end-December 1998, all commercial banks except the Continent Bank met this requirement by a substantial margin (Table 11).

102. At end-June 1998, commercial banks derived D 24 million in income from treasury securities (more than one-third of total income) and more than D 42 million from commercial activity. However, only D 16 million of the latter income comes from loans and advances, while the larger part, D 26 million, is from commissions and fees, mainly related to trade. The total stock of loans extended by the banking system was about 13 percent of GDP. Banks tend to lend for high turnover, short-term projects with expected returns in line with the high real returns on treasury securities. As a result, loans to distributive trade (commerce), related primarily to the booming reexport trade, have risen significantly since the mid-1980s and now account for more than 40 percent of the total loan portfolio of the banking system, while tourism accounts for only 3½ percent, after reaching a peak of 12 percent at end-1991. After bottoming at 7½ percent in 1991, the fraction of agricultural loans in the total loan portfolio has been relatively stable over the last several years at about 11-12 percent (Figure 10). The decline of new loans to agriculture is related to the demise of the GCU and the large stock of agriculture-related nonperforming loans. During 1997-98, personal loans represented a sizable fraction of the loan portfolio—more than 23 percent—but this increase was also largely related to the reexport trade.

103. Despite the efforts made in settling the issue of bad debts burdening the banking system and enforcing the prudential regulations of the CBG, nonperforming loans still constitute a sizable fraction of bank portfolios. At end-1998, nonperforming loans accounted

⁴⁷Including public enterprises.

for 22½ percent of total bank loans, although for the individual banks the amounts ranged from 3 percent to 53 percent (Table 12). More than 90 percent of the nonperforming loans were over a year past due and more than one-third of the total portfolio was accounted for by the D 45 million bad debt of the now defunct GCU to the SCBG. Almost ¾ of all bad debts are in distributive trade (commerce) and agriculture. Of the agricultural sector nonperforming loans, more than 90 percent are accounted for by the bad debt of the ex-GCU. However, the amount of bad loans to commerce as a proportion of total loans is in line with the share of new loans to the sector (Figure 10), while the proportion of nonperforming loans to agriculture is much higher than the share of fresh loans to the sector. That is, at end-1998, the old nonperforming agricultural loans remained a major burden for the banking system. In early 1999, the authorities reached an important agreement with the SCBG on dealing with the nonperforming loans of the ex-GCU to the SCBG. The agreement envisages that after a substantial write-off, the remaining debt of D 30 million will be settled as follows: D 12 million of the GCU assets would be transferred to the SCBG, the government will make a cash payment of D 5 million to the SCBG in 1999, and the SCBG will get D 13 million in tax credits over 6 years, starting in 1999.

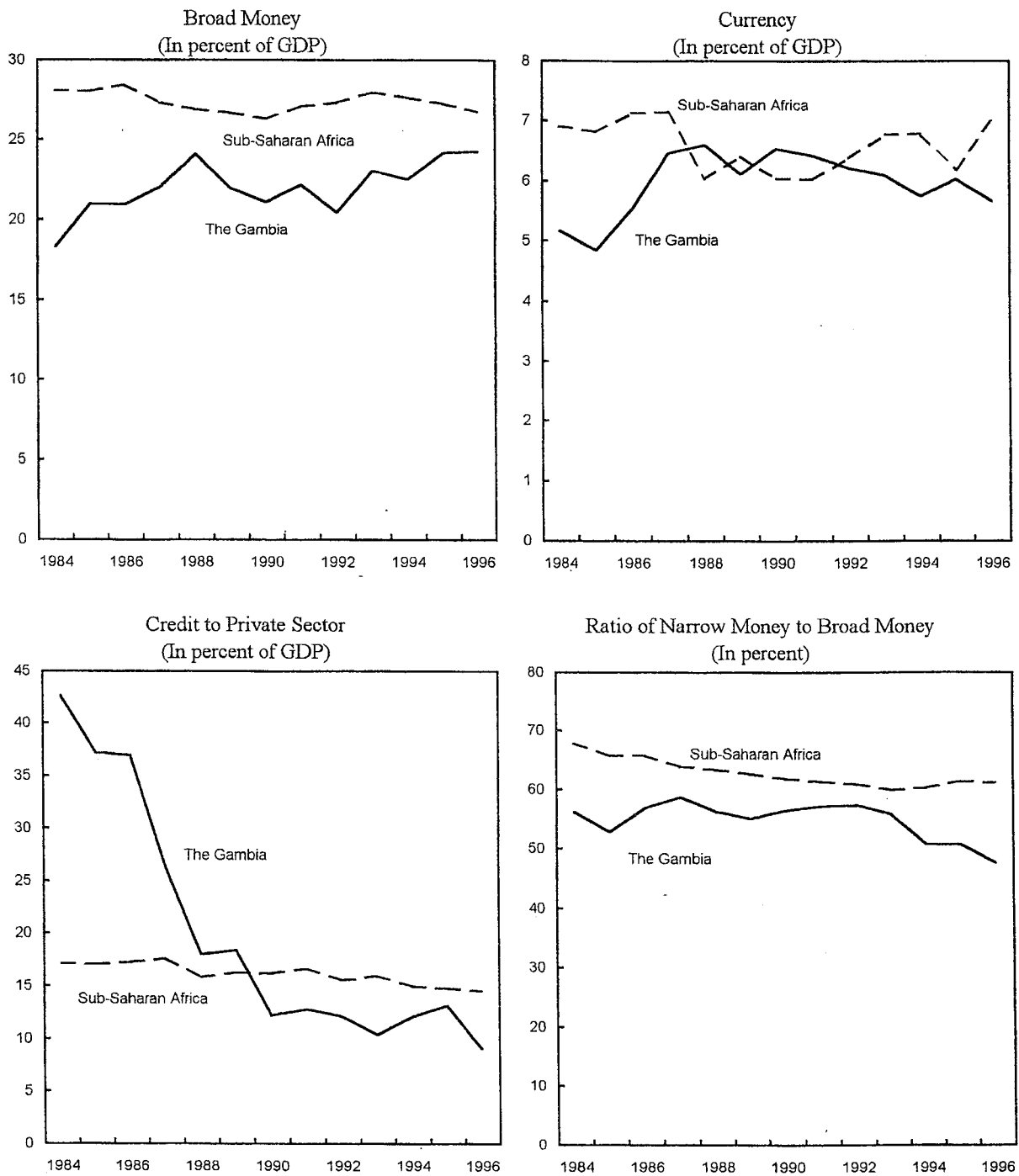
104. The difficulty in resolving the nonperforming loan issue has focused the attention of the CBG on the importance of full reserve provisioning for ensuring a stable and efficient banking system. Although financial regulations in place required banks to provision for non-accrual credits and potential unforeseen losses, commercial banks reported a significant underprovisioning prior to 1998.⁴⁸ As of end-1998, commercial banks' bad loan provisions significantly improved, increasing from 54 percent of required at end-1997 to 90 percent. The improvement is in line with the agreement on full reserve provisioning, reached in December 1998, between the CBG and the commercial banks, which stipulates that by mid-1999 all banks would be fully provisioned.

105. The CBG Act of 1992 introduced reserve requirements for all Gambian financial institutions.⁴⁹ Required reserves are not remunerated and failure to meet average targets results in a hefty penalty of 5 percentage points above the treasury bill rate for each day of non-compliance. Since June 28, 1998, the required reserve ratios have been unified at 14 percent and interbank deposits have been exempted from the deposit base for the purpose of calculating required reserves. Because of their higher risk and difficulty in monitoring, non-bank financial institutions have higher reserve requirements, as discussed in Section F.

⁴⁸Commercial banks are required to provide for 20 percent for credits past due from 3 to 6 months, 50 percent for credits past due from 6 to 12 months, and 100 percent for credits due over a year. Credits past due over 2 years have to be written off. Banks also have to provide an additional 3 percent for potential but unforeseen losses on renegotiated credits and 1 percent on the remainder of the portfolio.

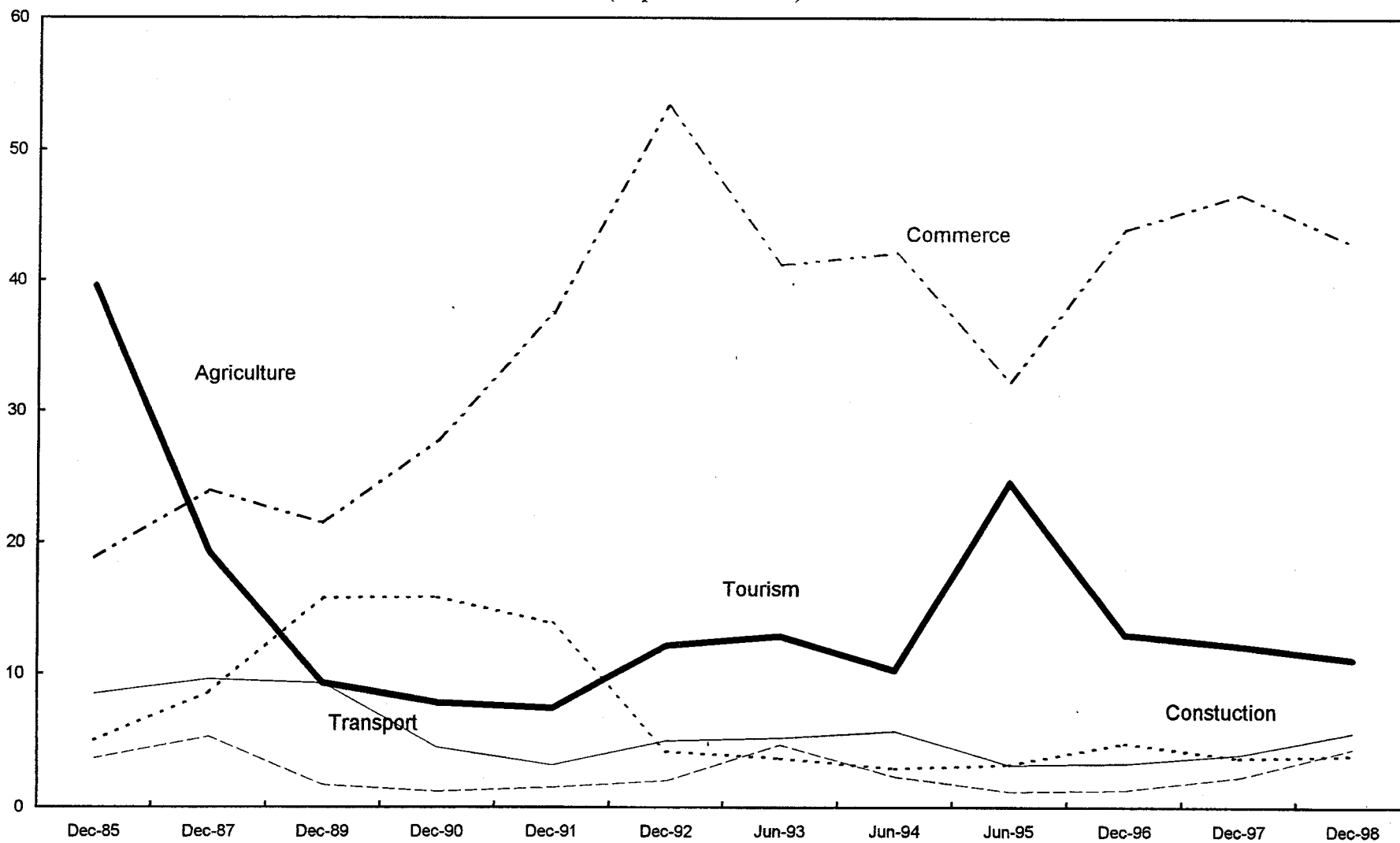
⁴⁹ For commercial banks, the ratio was initially set at 24 percent for demand deposits and 8 percent for time and savings deposits, with an effective average reserve requirement of slightly less than 14 percent.

Figure 9. The Gambia: Indicators of Financial Deepening, 1984-96 1/



Sources: The Gambian authorities; and Fund staff estimates.
1/ Data for sub-Saharan Africa are unweighted averages.

Figure 10. The Gambia: Distribution of Credit by Commercial Banks, December 1985-December 1998
(In percent of total)



106. Commercial banks are the most important players in the interbank foreign exchange market. Besides the commercial banks, a number of exchange bureaus are engaged in carrying out foreign exchange operations. Since 1986, the dalasi has floated freely and the CBG intervenes only to smooth seasonal fluctuations and to maintain its gross official reserve position above five months of import cover. The foreign exchange market is completely liberalized, except that commercial banks are not allowed to accept foreign currency deposits. The authorities are carefully evaluating the issue before making a decision on allowing such deposits. In addition, there is a prudential limit on the amount of foreign exchange that commercial banks can hold; the amount is determined by the CBG on the basis of the banks' share in the interbank foreign exchange market and their capital. Any amount above the limit must be offered for sale within seven days of the weekly meeting of the foreign currency review committee which is chaired by the CBG and includes representatives of the commercial banks and the foreign exchange bureaus. Compliance with this measure has been satisfactory, although it sometimes makes some banks dependent on short-term credit from their overseas parents or partners in order to meet demand for foreign exchange.

F. The Nonbank Financial Sector

107. After independence, the existing formal banking sector was not adapted to support The Gambia's development needs or to intermediate foreign donor assistance. As a result, several nongovernmental organizations (NGOs) that had been engaged primarily in projects related to education, health, and agricultural extension services began to promote financial sector development. Despite the success of the NGOs and the efforts of the formal banking system, a significant proportion of the population still lacks access to institutional credit. The inadequate financial infrastructure in rural areas, ultimately determined by large differences in income between urban and rural dwellers,⁵⁰ as well as by the low average level of income, acts as a barrier for individuals to enter into relationships with formal financial institutions. Thus, microentrepreneurs and individuals who need financing or saving mechanisms have to rely on informal financial arrangements and nonbank financial institutions (NBFIs). With the liberalization of the exchange regime in 1986 under the ERP, the authorities began to create more favorable conditions for the development of the nonbank financial sector, namely the NBFIs (VISACAs, credit unions, and other informal financial clubs and arrangements) and the insurance industry.

108. The VISACA is the most important component of the nonbank financial sector. The VISACA concept was introduced in 1988 under the initiative and financial support of the International Fund for Agricultural Development (IFAD) and the Centre International de Développement et de Recherche through the Jahally-Pacharr Rice Project, with financing provided by the African Development Bank (AfDB), the Kreditanstalt für Wiederaufbau from Germany, and the Government of The Gambia. In the initial stage of the project, three VISACAs were established in the Jahally-Pacharr area. As of end-1998, 47 VISACAs had

⁵⁰Esim (1996) claims that the average income of urban dwellers in The Gambia is 50 percent higher than that of rural ones.

Table 12. The Gambia: Nonperforming Loans of the Commercial Banks, December 1998 1/
(In dalasis, unless otherwise indicated)

	Gross Loans	Nonperforming Loans (NPL) by Age				Total	Provision		Provision as Percent of	
		Newly Classified	Up to Six months	Six months to one year	Over one year		Required	Actual	Required	NPL
SCBG	302,847	521	0	2,479	47,980	50,980	51,375	41,939	81.6	82.3
IBCL	82,049	3,750	0	0	40,110	43,860	41,242	37,240	90.3	84.9
TBL	125,381	6,452	2,442	1,741	15,916	26,551	19,269	21,511	111.6	81.0
CBL	48,842	558	112	324	8,531	9,525	9,202	7,667	83.3	80.5
AGIB	24,902	748	118	0	0	866	448	675	150.7	77.9

Sources: The Gambia authorities; and Fund staff calculations.

started operation in The Gambia, supported by six promoters (facilitators) which had been granted the status of NGOs,⁵¹ and four more VISACAs were in the process of being set-up. Under the FIA, a NBFIs with paid-up capital of at least D 3,000 that meets certain basic requirements⁵² is registered as a financial intermediary, while an institution with paid-up capital of at least D 500,000 is registered as a finance company. Currently, only six VISACAs are registered as financial intermediaries (Table 13) and one (The Gambia's Women's Finance Association) is registered as a finance company.

109. Under the 1992 FIA, NBFIs are subject to regulatory requirements similar to those established for the formal banking sector. Reserve requirements for the NBFIs, however, are set at 20 percent, higher than the 14 percent unified required reserve ratio for commercial banks. VISACAs must also meet a cash on hand regulation (a more stringent requirement than the liquidity ratio regulation for commercial banks), which stipulates that cash on hand with the NBFIs must be not less than 15 percent or more than 40 percent of total deposits. In addition, VISACAs cannot make a loan if it would cause liquid assets to fall below 15 percent of deposit liabilities. Like banks, VISACAs are required to submit financial statements and technical information on a periodic (at least quarterly) basis; as of end-September 1998, 31 VISACAs had statements on file with the CBG.

110. The VISACAs operate on a village basis and membership is automatic, as long as members pay the annual fee of about D 10-20. The village general assembly outlines the broad policy of the VISACA, and elects its management committee, cashiers, and internal auditors. The management committee is responsible for all loan appraisals and subsequent recovery, while cashiers are responsible for the daily bookkeeping activities. The primary function of the VISACAs is to mobilize savings through time and sundry (passbook savings) accounts; however, VISACAs cannot issue checking accounts and are required to pay deposits on demand. Since VISACAs cannot attract medium- or long-term financing, they are able to provide only short-term, retail-size loans. According to CBG estimates, more than one-half of the loans extended by the VISACAs in 1998 were for trading activities and about one-quarter were for personal use, figures roughly comparable to those for the commercial banks. At end-September 1998, loans outstanding for the 31 VISACAs that had submitted financial statements to the CBG, amounted to D 2.2 million, and the loan repayment ratio exceeded 95 percent.

111. The VISACAs' success built on the basis of several types of informal financial practices to be found in The Gambia, most notably the *kafos* and the *osusus*. The *kafos* are village-based groups whose members have similar characteristics, such as age, gender, ethnicity, or occupation, and typically run small businesses. *Kafos* mobilize savings and extend

⁵¹These include: the most important facilitator, the VISACA Promotion Center (VPC); the European Development Fund (EDF); Freedom from Hunger Campaign (FFHC); the Association of Farmers, Educators, and Traders (AFET); and a Norwegian-based promoter.

⁵²These include: at least 50 customers, expected paid-up capital of at least D 10,000 within 3 years, permanent place of business, and affiliation with a facilitator.

emergency assistance to their members; however, they do not provide any financial services, and thus resemble rotating savings and credit associations.⁵³ In 1988, loans extended by the *kafos* typically ranged in size from D 10 to D 100 at interest rates of 10-60 percent per annum.⁵⁴ *Osusus*, on the other hand, are informal savings associations that provide financial services but are unregulated by the CBG. Members pay monthly contributions at regular intervals and in every period some member has the right to take the whole amount of savings.

112. At end-1998, seven insurance companies and four insurance brokers, licensed under the 1974 Insurance Act, operated in The Gambia. All companies are privately owned and operated. Despite the large number of entities, two companies, The Gambia National Insurance Company (GNIC) and GAMSTAR, dominate the industry. In January 1998, as required by the new constitution adopted in 1997, the Commissioner of Insurance was placed under the supervision of the CBG. Under the current law, the companies must submit their annual audited accounts to the CBG; under the proposed revision of the Insurance Act, expected to be implemented in 1999, the companies would also have to submit solvency ratios. Any rate changes in the industry must be approved by the CBG, although staffing constraints do not permit the full and efficient supervision of the sector. As of end-1997, about 50 percent of all outstanding policies were for motor insurance, 20 percent for fire insurance, 14 percent for company accidents, and about 13 percent for marine accidents.

G. Conclusion

113. After more than a decade of reform, the financial system of The Gambia has made limited progress in achieving significant penetration or financial intermediation. Nonperforming loans, although declining, continue to present a persistent problem, and with continuing high real interest rates, credit to the private sector remains constrained. The significant domestic debt buildup, which continued in 1998, provides a strong incentive for commercial banks to hold treasury securities in their portfolios and to finance primarily high turnover, short-term projects. The lack of an interbank market in treasury securities significantly impedes financial development, as banks continue to rely on the CBG for rebalancing their liquidity positions. Therefore, the authorities must aim for sustained fiscal restraint and a significant reduction in domestic debt as the main avenue for improving the macroeconomic environment and creating the conditions for development of the banking system.

114. The authorities must complete the sale of the Trust Bank and carry out their plan for settling the nonperforming debt of the now defunct GCU to the SCBG. Drawing on past experience, prudential regulations on full reserve provisioning must also be enforced in order to avoid a fresh accumulation of substantial nonperforming loans. Streamlining the bankruptcy and liquidation process and the related commercial legislation, and making the commercial

⁵³Esim (1996). On rotating savings and credit associations, see Besley, Coate, and Loury (1994).

⁵⁴Besley, Coate, and Loury (1994).

Table 13. The Gambia: Selected Data for Non-Bank Financial Intermediaries, September 1998
(In dalasis, unless otherwise indicated)

	Facilitator	Total Membership	Paid-up Capital	Reserves	Deposits		Loans and Advances	Net Profit
					Sundry	Time		
Registered								
Sanyang	EDF	1,385	60,040	41,642	93,715	438,855	488,751	5,899
Kabekel	EDF	242	23,947	5,990	22,814	133,942	77,004	-614
Jiffarong	FFHC	941	38,743	518	6,787	146,816	202,800	24,261
Darsilameh	VPC	559	26,071	3,925	23,698	32,943	120,155	13,151
Wassu	AFET	200	21,695	...	6,823	40,142	93,400	14,908
Jarumeh	AFET	391	24,215	7,400	10,078	65,981	153,960	4,299
Total registered		3,718	194,711	59,475	163,915	858,679	1,136,070	61,904
Total unregistered 1/		7,126	265,201	12,230	61,547	460,817	1,038,636	133,583
Total		10,844	459,912	71,705	225,462	1,319,496	2,174,706	195,487

Source: Central Bank of The Gambia.

1/ Data for 25 unregistered VISACAs which have submitted financial statements to the CBG.

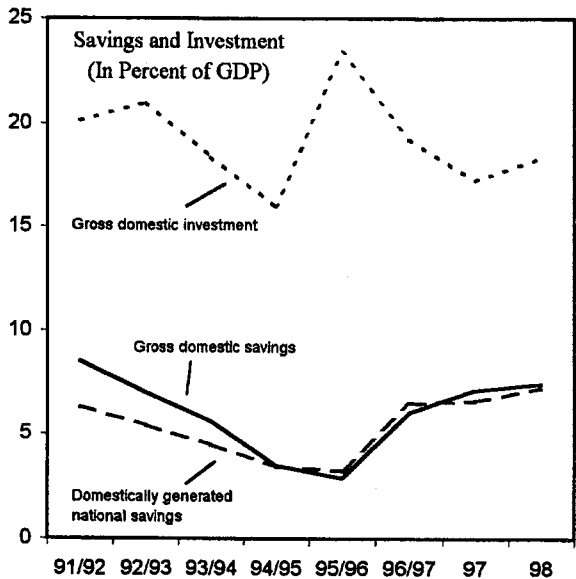
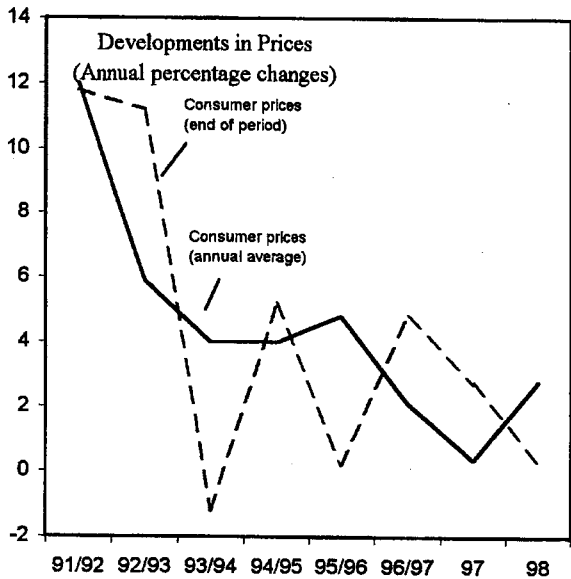
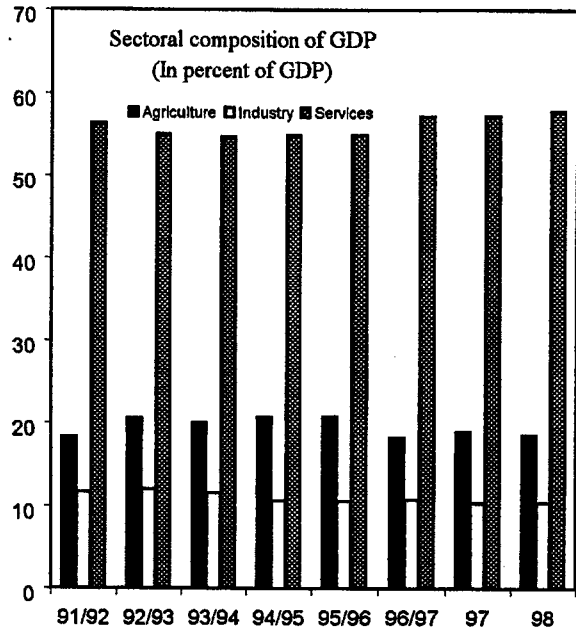
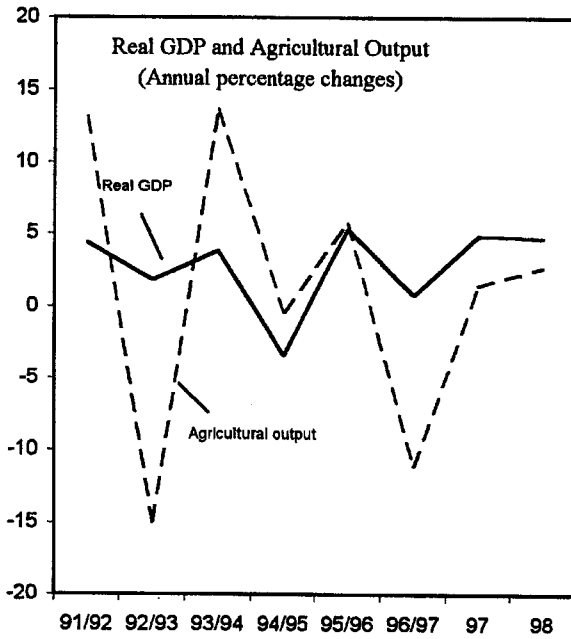
chamber in the High Court effectively operational, would improve collection efforts and provide important security needed to encourage private sector lending.

115. The banking system remains highly concentrated. The authorities must take steps to encourage competition, especially from foreign banks, in order to improve the penetration of the banking system and access to institutional credit. At the same time, the CBG should step up the enforcement of the prudential regulations already in place with view to safeguard the soundness of the banking system while ensuring that efficiency is substantially improved.

References

- Besley, Timothy, Stephen Coate, and Glenn Loury, 1994, "Rotating Savings and Credit Associations, Credit Markets and Efficiency," *Review of Economic Studies*, Vol. 61 (October), pp. 701-19.
- Central Bank of The Gambia, "The Way Forward for the VISACA concept in The Gambia," undated manuscript.
- Central Bank of The Gambia, 1993, Regulatory Guidelines.
- Esim, Simel, 1996, "The Gambia" in *The Informal Sector and Microfinance Institutions in West Africa*, ed. by Leila Webster and Peter Fidler, (Washington: World Bank), pp. 115-26.
- Heldridge, Dan and Mack Ott, 1994, "The Gambia: Financial Environment and Its Ability to Support Sustained Economic Development," manuscript, (Washington: United States Agency for International Development).
- International Monetary Fund, 1998, "The Gambia: MAE Technical Assistance Report."
- Mehran, Hassanali, Piero Ugolini, Jean Philippe Briffaux, George Iden, Tonny Lybek, Stephen Swaray, and Peter Hayward, 1998, *Financial Sector Development in Sub-Saharan African Countries*, IMF Occasional Paper no. 169, (Washington: International Monetary Fund).

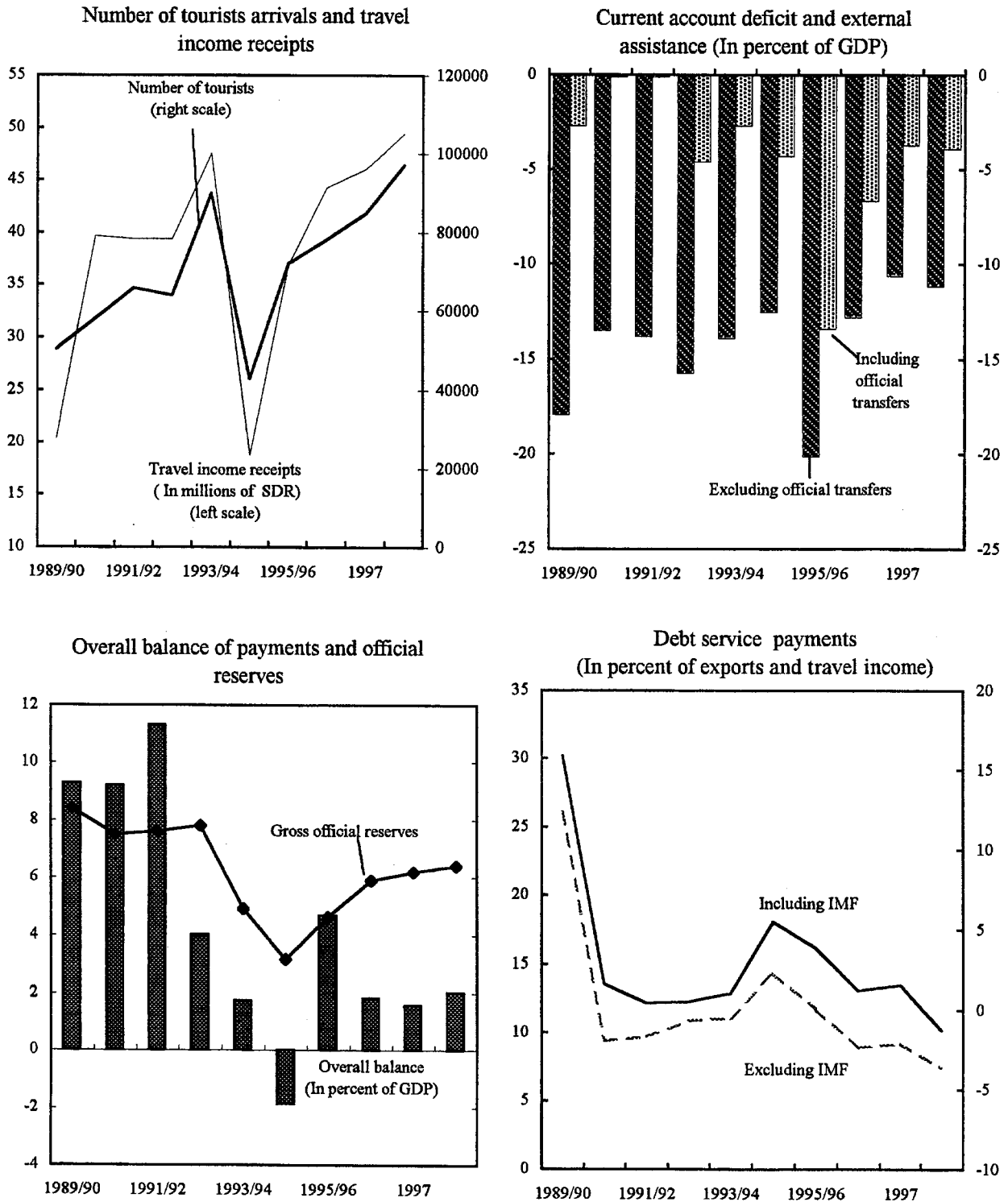
Figure 11. The Gambia: Developments in Output and Prices, 1991/92-1998 1/



Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

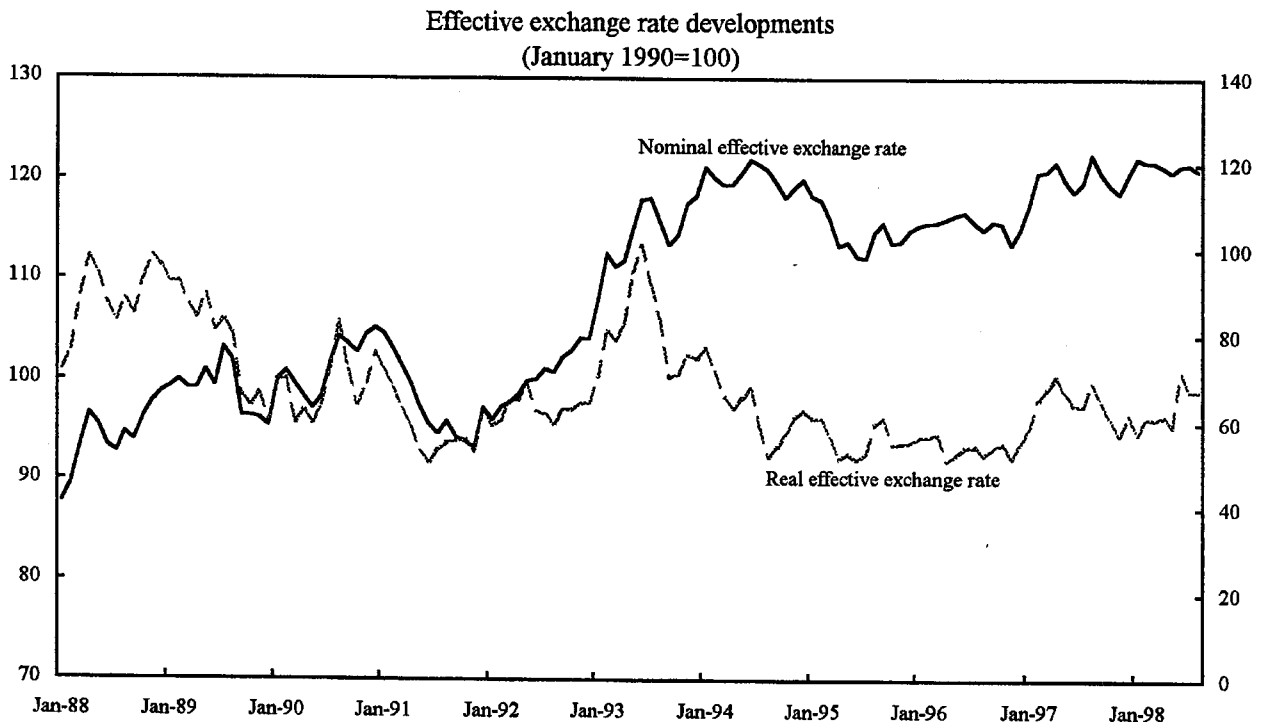
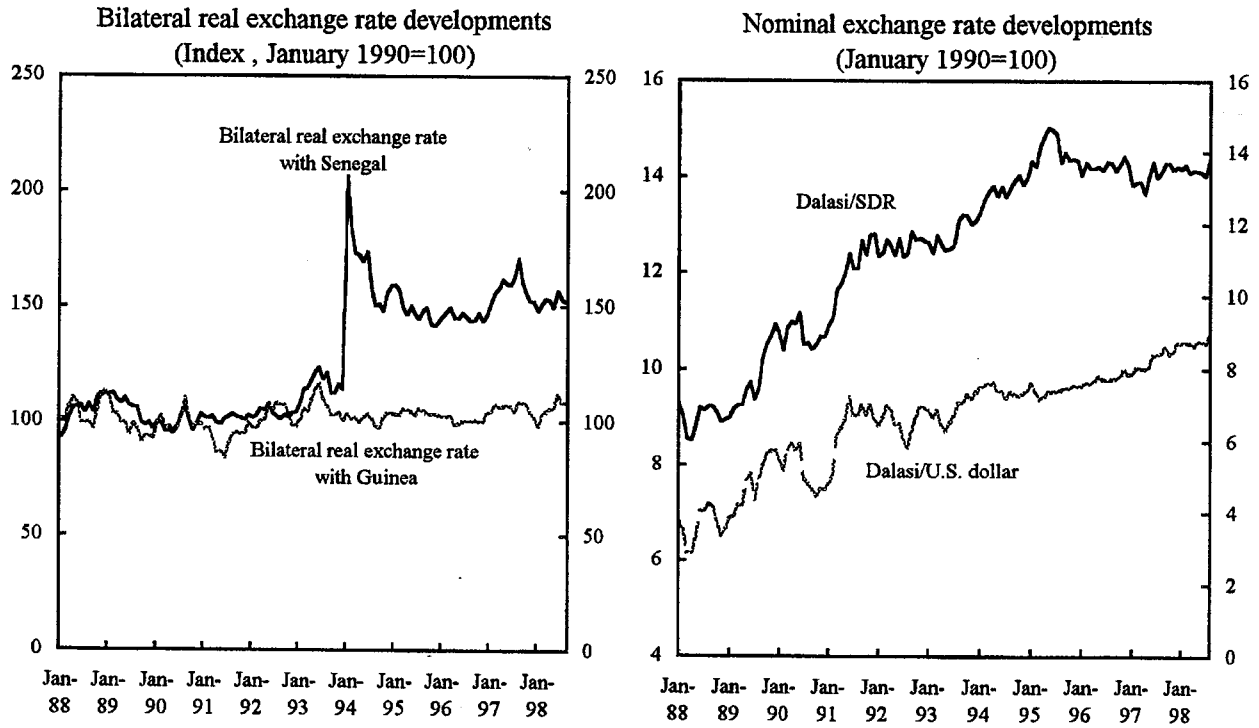
Figure 12. Gambia: External Sector Developments, 1989/90-98



Source: The Gambian authorities; and Fund staff estimates.

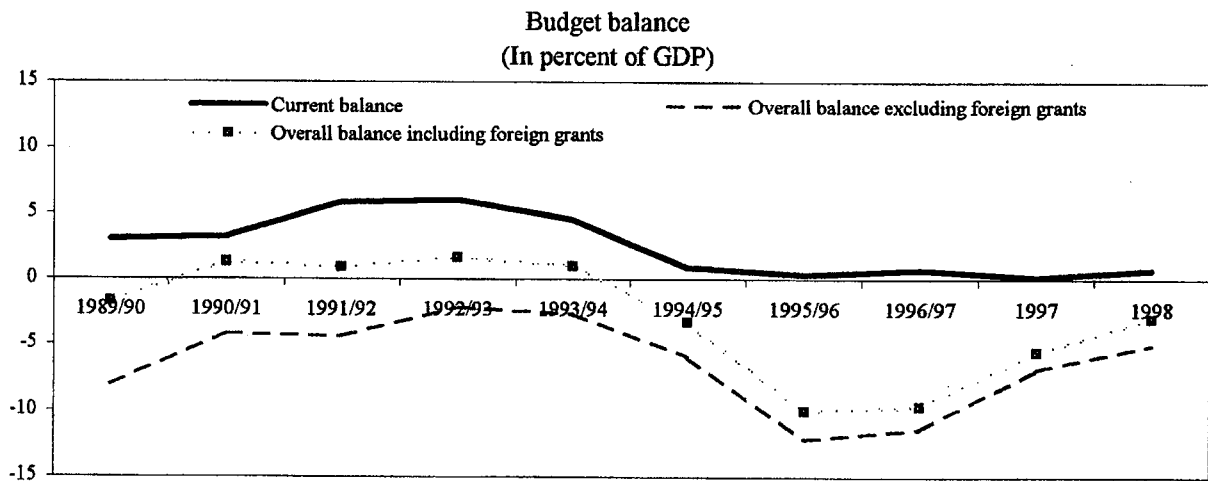
1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Figure 13. Gambia: Exchange Rate Developments, January 1988-August 1998

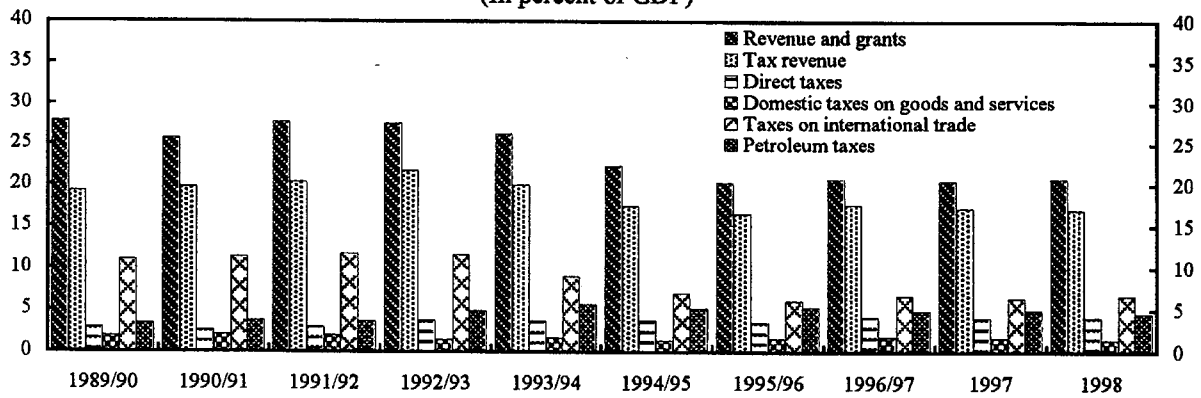


Source: IMF, *Information Notice System*.

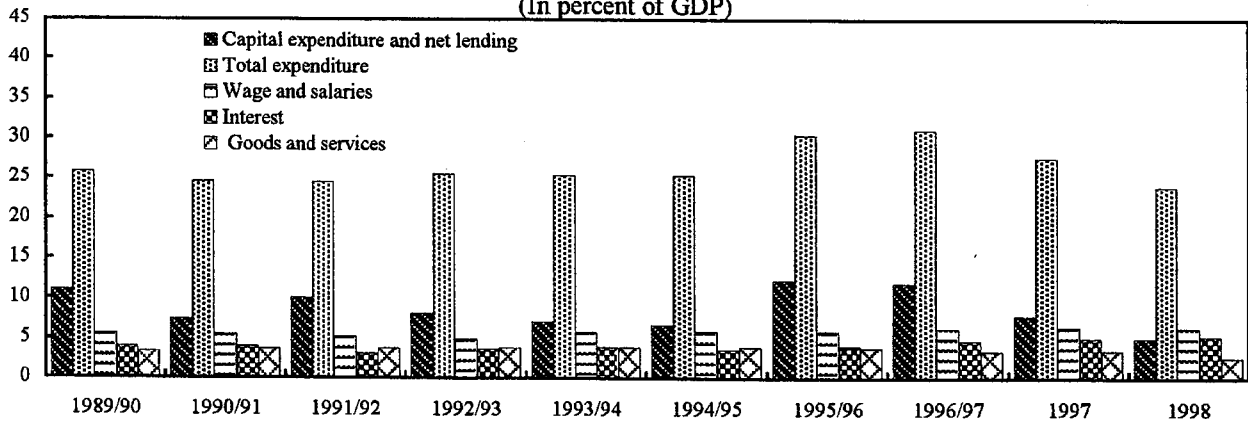
Figure 14. Gambia: Fiscal Developments, 1989/90-98 1/



Government revenue and its composition
(In percent of GDP)



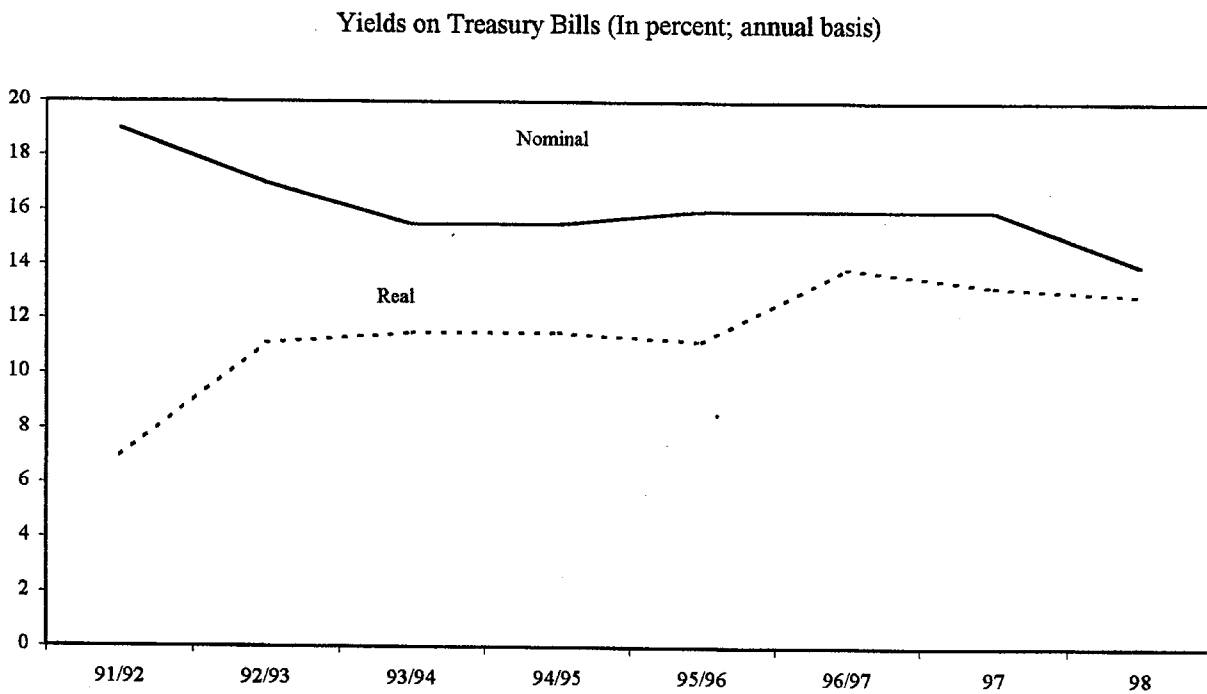
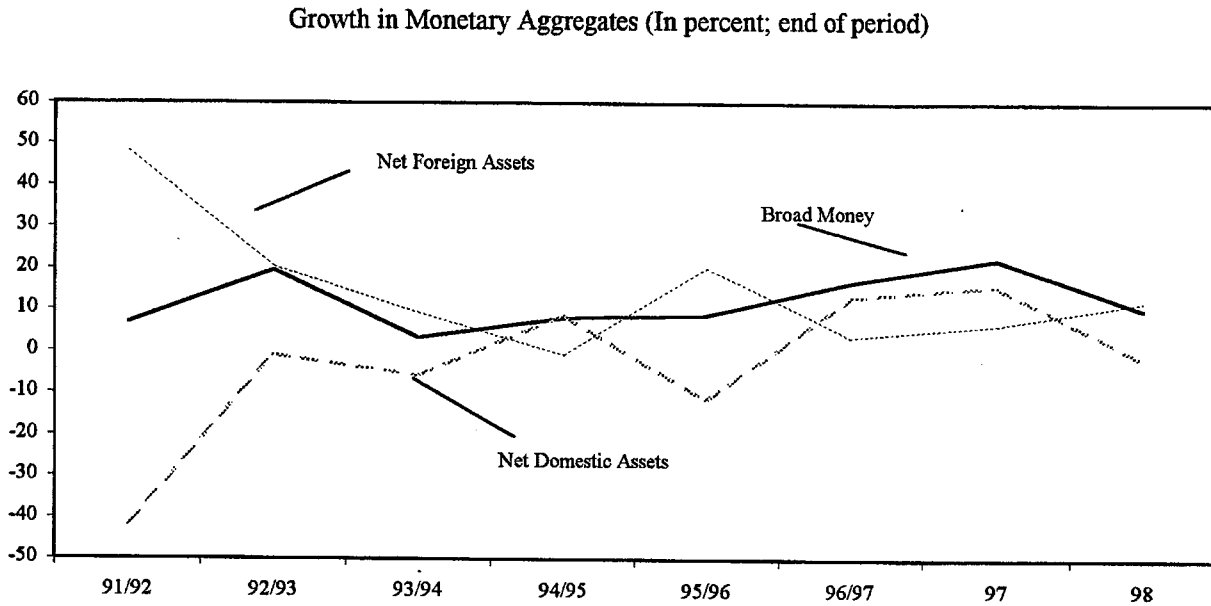
Government expenditure and its composition
(In percent of GDP)



Source: The Gambian authorities; and Fund staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Figure 15. The Gambia: Monetary Developments, 1991/92-1998 1/



Sources: The Gambian authorities ; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Table 14. The Gambia: Gross Domestic Product by Sector at Constant Prices, 1991/92-1998 1/

(In millions of dalasis; at constant 1976/77 prices)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
						Est.		
Agriculture	123.1	104.7	119.0	118.5	125.3	111.4	121.3	124.6
Groundnuts	30.2	19.7	27.5	29.0	26.9	16.4	28.0	30.0
Other crops	54.0	48.1	52.9	49.9	56.6	51.3	50.1	54.3
Livestock	25.1	26.1	26.5	27.4	28.7	29.8	30.8	32.0
Forestry	3.1	3.0	3.0	3.1	3.3	3.4	3.6	3.7
Fisheries	10.7	7.8	9.1	9.2	9.7	10.4	8.9	4.6
Industry	66.5	66.8	68.9	61.7	64.2	65.7	66.7	70.2
Manufacturing	31.7	33.1	33.8	34.1	33.8	34.1	33.9	34.7
Construction	31.6	30.3	31.5	24.0	26.7	27.7	28.1	30.3
Electricity and water	3.2	3.4	3.5	3.6	3.8	4.0	4.7	5.2
Services	300.3	322.5	325.2	315.3	332.4	348.8	366.3	387.4
Trade	87.4	89.8	79.0	80.0	73.8	73.3	74.1	79.0
Groundnut trade	10.3	8.7	10.8	13.4	12.6	10.0	10.3	11.0
Other trade	77.1	81.1	68.2	66.6	61.2	63.2	63.9	68.0
Hotels and restaurants	24.2	23.5	33.1	15.8	26.5	30.3	31.1	35.6
Transport and communications	81.0	93.6	97.1	104.8	116.8	127.1	139.7	148.2
Business services and housing	32.8	34.8	35.2	35.5	36.3	37.6	38.4	38.8
Government services	57.6	58.7	59.5	59.9	60.9	62.3	64.9	67.5
Other services 2/	17.3	22.1	21.3	19.3	18.1	18.2	18.0	18.3
GDP at constant factor cost	490.0	494.0	513.0	495.5	521.9	525.9	554.3	582.2
Indirect taxes (net)	72.2	78.1	81.1	78.3	82.5	83.1	84.9	87.1
GDP at constant market prices	562.2	572.1	594.1	573.9	604.4	609.1	639.2	669.3
Memorandum items:								
GDP at current prices (in millions of dalasis)	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3
Real GDP growth (in percent)	4.4	1.8	3.8	-3.4	5.3	0.8	4.9	4.7
GDP deflator (in percent)	7.4	7.6	3.2	4.4	3.3	4.5	2.3	1.8
Nominal GDP growth (in percent)	12.1	9.5	7.2	0.9	8.8	5.3	7.3	6.6

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Includes banking and insurance; imputed bank service charges; personal and household services; and social, recreational, and related services.

Table 15. The Gambia: Gross Domestic Product by Sector at Current Prices, 1991/92-1998 1/

(In millions of dalasis)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
						Est.		
Agriculture	663.0	641.9	761.7	868.8	1,030.5	946.4	983.6	1,056.2
Groundnuts	125.6	100.9	156.2	186.8	192.8	115.3	198.0	204.9
Other crops	261.4	233.7	264.4	307.6	400.2	356.7	339.3	402.3
Livestock	177.0	205.1	210.9	232.7	267.4	287.8	286.3	338.9
Forestry	30.5	33.4	37.2	44.3	51.8	55.6	51.2	46.1
Fisheries	68.5	68.8	93.0	97.4	118.3	131.0	108.7	64.0
Industry	340.9	385.8	408.5	395.3	453.5	473.6	506.1	527.7
Manufacturing	166.4	188.3	187.6	172.6	211.2	217.4	223.3	225.7
Construction	148.9	166.1	186.0	186.3	189.3	200.1	216.2	229.8
Electricity and water	25.6	31.4	34.9	36.5	53.1	56.1	66.5	72.1
Services	1,430.2	1,619.4	1,733.7	1,758.3	1,829.3	2,049.8	2,115.9	2,274.4
Trade	555.0	636.8	527.2	537.0	431.4	458.3	440.4	477.0
Groundnut trade	4.0	3.2	6.3	10.3	7.6	6.2	6.5	7.1
Other trade	551.0	633.6	520.9	526.7	423.8	452.0	433.9	469.9
Hotels and restaurants	92.0	101.7	156.7	82.1	134.9	161.1	230.9	264.5
Transport and communications	280.8	335.2	384.7	396.1	491.6	604.1	565.8	600.7
Business services and housing	171.8	194.9	225.3	248.8	250.7	274.2	276.0	299.6
Government services	196.9	227.3	258.9	317.4	344.9	368.2	383.9	407.1
Other services 2/	133.7	123.5	180.9	177.0	175.9	184.0	218.9	225.4
GDP at current factor cost	2,434.1	2,647.1	2,903.9	3,022.5	3,313.3	3,469.9	3,605.5	3,858.3
Indirect taxes (net)	513.5	581.5	556.9	469.5	486.8	531.7	545.7	566.0
GDP at current market prices	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Includes banking and insurance; imputed bank service charges; personal and household services; and social, recreational, and related services.

Table 16. The Gambia: Supply and Use of Resources, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
						Est.		
(In millions of dalasis, at current prices)								
Supply of resources	5,204.3	5,654.7	5,817.9	5,446.1	6,366.6	6,376.6	6,454.3	7,170.8
GDP at current prices	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3
Imports of goods and nonfactor services	2,256.7	2,426.1	2,357.1	1,954.1	2,566.6	2,375.0	2,303.1	2,746.5
Use of resources	5,204.3	5,654.7	5,819.3	5,446.1	6,366.6	6,376.6	6,454.3	7,170.9
Gross domestic absorption	3,290.1	3,681.7	3,897.8	3,927.3	4,579.4	4,531.9	4,570.8	4,908.7
Consumption	2,697.8	3,003.8	3,271.2	3,370.2	3,690.9	3,760.4	3,855.7	4,095.7
Nongovernment	2,155.8	2,427.7	2,657.3	2,754.7	3,067.4	3,070.1	3,120.6	3,352.5
Government	542.0	576.1	613.9	615.5	623.5	690.3	735.1	743.2
Gross fixed investment	592.3	677.9	626.6	557.1	888.5	771.5	715.1	812.9
Nongovernment	412.0	475.3	427.7	344.1	397.5	264.1	365.3	553.0
Government	180.3	202.6	198.9	213.0	491.0	507.4	349.8	259.9
Change in stocks	...	...	...	...	...	...	...	...
Exports of goods and nonfactor services	1,914.2	1,973.0	1,921.5	1,518.8	1,787.2	1,844.7	1,883.5	2,262.2
(In percent of GDP)								
Memorandum items:								
Consumption	91.5	93.0	94.5	96.5	97.1	94.0	92.9	92.6
Nongovernment	73.1	75.2	76.8	78.9	80.7	76.7	75.2	75.8
Government	18.4	17.8	17.7	17.6	16.4	17.3	17.7	16.8
Domestic savings 2/	8.5	7.0	5.5	3.5	2.9	6.0	7.1	7.4
Domestic investment	20.1	21.0	18.1	16.0	23.4	19.3	17.2	18.4
Imports of goods and nonfactor services	76.6	75.1	68.1	56.0	67.5	59.4	55.5	62.1
Exports of goods and nonfactor services	64.9	61.1	55.5	43.5	47.0	46.1	45.4	51.1

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Defined as GDP minus consumption.

Table 17. The Gambia: Savings and Investment Balance, 1991/92-1998 1/

(In percent of GDP)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
1. GDP market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. GNP market prices	94.2	94.8	95.1	95.8	95.9	96.2	95.3	95.6
Unrequited transfers (net) 2/	17.3	14.7	14.9	12.3	11.2	10.4	11.1	11.5
of which : official transfers	13.6	11.1	11.1	8.2	6.7	6.1	6.9	7.2
3. Gross disposable national income	111.5	109.5	109.9	108.2	107.1	106.6	106.4	107.1
4. Private consumption 3/	73.1	75.2	76.8	78.9	80.7	76.7	75.2	75.8
5. Government consumption 4/	18.4	17.8	17.7	17.6	16.4	17.3	17.7	16.8
6. Gross domestic savings [1 - 4 - 5]	8.5	7.0	5.5	3.5	2.9	6.0	7.1	7.4
Government domestic savings 5/	4.1	5.9	4.5	1.9	1.3	2.1	1.6	2.0
Private domestic savings 3/	4.4	1.1	0.9	1.6	1.6	3.9	5.6	5.4
7. Gross national savings [3 - 4 - 5]	20.0	16.5	15.4	11.7	10.0	12.6	13.5	14.5
Government national savings	17.8	17.0	15.6	10.1	8.0	8.2	8.5	9.2
of which : domestically generated	4.1	5.9	4.5	1.9	1.3	2.1	1.6	2.0
Private national savings 3/	2.2	-0.5	-0.2	1.6	2.0	4.4	5.0	5.2
Total domestically generated 6/	6.3	5.4	4.4	3.4	3.3	6.5	6.6	7.2
8. Gross domestic investment	20.1	21.0	18.1	16.0	23.4	19.3	17.2	18.4
Government investment 7/	6.1	6.3	5.7	6.1	12.9	12.7	8.4	5.9
Private investment 3/	14.0	14.7	12.4	9.9	10.5	6.6	8.8	12.5
Memorandum items:								
External current account								
Including transfers	-0.1	-4.6	-2.7	-4.3	-13.4	-6.7	-3.7	-3.9
Excluding transfers	-13.8	-15.7	-13.7	-12.5	-20.1	-12.8	-10.6	-11.2
Government financial balance 8/	-2.0	-0.4	-1.2	-4.2	-11.6	-10.6	-6.9	-3.9
Government savings	4.1	5.9	4.5	1.9	1.3	2.1	1.6	2.0
Government investment	6.1	6.3	5.7	6.1	12.9	12.7	8.4	5.9
Private financial balance 8/	-11.8	-15.3	-12.5	-8.3	-8.5	-2.2	-3.8	-7.3
Private savings	2.2	-0.5	-0.2	1.6	2.0	4.4	5.0	5.2
Private investment	14.0	14.7	12.4	9.9	10.5	6.6	8.8	12.5

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Consists of both official and private transfers.

3/ Includes public enterprise sector.

4/ Government current expenditure (excluding Gambia Local Fund), less capital component of recurrent budget, plus current component of development budget.

5/ Domestic revenue (excluding capital revenue) less government consumption.

6/ Gross national savings excluding official transfers.

7/ Development expenditure (excluding net lending), plus capital component of recurrent budget, less current component of development budget.

8/ Domestically generated financial balances.

Table 18. The Gambia: Agricultural Production, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
						Est.		
(In thousand of hectares)								
Acreage								
Export crops	82.8	70.8	69.2	84.8	83.7	68.1	75.8	72.3
Groundnuts	79.8	67.0	65.4	79.7	78.8	68.1	73.3	72.3
Cotton	3.0	3.8	3.8	5.1	4.9	...	2.5	...
Food crops	100.6	91.8	91.7	95.5	101.1	102.7	119.6	113.6
Rice (paddy)	14.4	12.7	10.4	14.4	16.4	19.1	16.9	16.8
Irrigated 2/	1.1	1.7	...	...	...	...	1.3	1.3
Rainfed	13.3	11.0	10.4	14.4	16.4	19.1	15.6	15.5
Sorghum 3/	12.6	14.3	9.6	9.4	14.9	13.6	14.6	14.2
Millet 3/	56.3	49.2	55.6	58.8	57.1	59.6	78.2	70.8
Maize	17.3	15.6	16.1	12.9	12.7	10.4	9.8	11.7
(In thousands of metric tons)								
Production								
Export crops	86.5	57.2	79.8	83.3	76.8	46.9	80.0	83.7
Groundnuts	84.2	54.9	76.7	80.8	75.2	45.8	78.1	83.7
Cotton	2.3	2.3	3.1	2.5	1.6	1.1	1.9	...
Food crops	111.0	96.3	...	98.9	103.5	103.4	115.2	121.0
Rice (paddy)	20.5	19.4	...	23.9	23.9	18.2	24.1	26.3
Irrigated 2/	5.7	4.9	...	3.6	5.0	...	7.5	7.8
Rainfed	14.8	14.5	12.1	20.3	19.0	18.2	16.7	18.5
Sorghum 3/	12.2	12.3	9.0	8.9	11.9	13.7	13.0	13.6
Millet 3/	57.9	46.3	52.1	52.9	54.0	61.5	69.6	69.0
Maize	20.4	18.3	23.8	13.3	13.6	10.0	8.4	12.1
(In metric tons per hectare)								
Yield								
Export crops								
Groundnuts	1.1	0.8	1.2	1.0	1.0	0.7	1.1	1.2
Cotton	0.8	0.6	0.8	0.5	0.3	...	0.7	...
Food crops								
Rice (paddy)	1.4	1.5	...	...	...	...	1.4	1.6
Irrigated 2/	5.3	2.9	...	...	...	...	5.6	5.8
Rainfed	1.1	1.3	1.2	1.4	1.2	1.0	1.1	1.2
Sorghum 3/	1.0	0.9	0.9	0.9	0.8	1.0	0.9	1.0
Millet 3/	1.0	0.9	0.9	0.9	0.9	1.0	0.9	1.0
Maize	1.2	1.2	1.5	1.0	1.1	1.0	0.9	1.0

Source: The Gambian authorities.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Including double-cropped area.

3/ Including area intercropped with groundnuts.

Table 19. The Gambia: Minimum Producer Prices for Agricultural Commodities, 1991/92-1998 1/

(In dalasis per ton)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
Cotton	2,200	1,800	2,900	2,900	3,400	3,400	3,400	3,400
Groundnuts (undecorticated) 2/	1,700	2,000	2,200	2,100-2,200	2,200	2,250-2,275	2,720-2,920	2,700-2,750
Rice (paddy)	1,200	1,500	1,550	1,600	1,968	1,750	...	...
Maize	2,007	1,639	1,688	1,658	4,000	...	...	...
Millet	2,007	1,639	1,688	1,688	3,713	...	...	...

Sources: The Gambian authorities, The Gambia Cooperative Union, and The Gambia Groundnut Corporation.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ The producer price for groundnuts was eliminated with effect from the 1989/90 crop season and replaced by a purchase price for the delivery of groundnuts to the buying depots.

Table 20. The Gambia: Indicators of Tourism Activity, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Number of tourists	65,771	63,940	89,997	42,919	72,098	78,056	84,751	97,103
Germany	8,061	7,138	7,435	5,539	5,697	...	18,460	...
Sweden	7,909	5,818	6,746	1,844	6,496	5,727	5,478	...
Other Scandinavian	6,375	5,776	4,851	1,820	3,832	3,033	3,022	...
United Kingdom	32,247	36,298	61,062	20,899	29,585	38,896	38,378	...
Other	11,179	8,910	9,903	12,817	26,488	30,400	19,413	...
Average length of stay (in days)	11.8	12.1	12.5	12.5	12.5	12.9	12.9	...
Average daily expenditure (in dalasis) 2/	302.0	311.6	315.2	302.7	346.4	309.1	347.8	...
Gross earnings (in millions of dalasis)	234.4	241.5	354.6	162.4	312.2	311.7	380.9	...

Source: The Gambian authorities.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years. Indicators refer to air charter tourists.

2/ Amount spent in The Gambia; excludes the cost of package tours.

Table 21. The Gambia: Energy Statistics, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998
(In thousands of kilowatt-hours)								
Electricity								
Total production	78,000	85,291	79,798	81,198	86,023	93,631	110,493	122,187
Residential consumption	26,275	30,354	25,942	26,397	27,647	25,053	29,911	37,462
Business consumption (including government)	31,208	29,791	23,150	23,556	25,412	25,496	31,645	33,405
Street lighting	235	266	523	323	297	351	440	462
Other consumption	3,113	4,410	4,113	3,892	3,021	3,248	1,101	7,274
Losses (including power- house consumption)	17,169	20,470	26,070	27,030	29,646	39,483	47,396	43,584
(In dalasis per kilowatt-hour)								
Retail electricity prices								
Residential	1.44	2.08	2.08	2.08	2.08	2.08	2.08	2.08
Business	2.11	2.21	2.21	2.21	2.21	2.21	2.21	2.21
Hotels/industries	2.11	2.54	2.54	2.54	2.54	2.54	2.54	2.54
(In millions of liters)								
Petroleum imports								
Total imports	61.1	59.4	61.9	254.46	269.77	72.81	69.68	84.52 2/
PMS	21.1	24.2	24.9	18.1	17.50	16.96	16.87	17.65
Heavy fuel	...	...	...	19.73	20.83	...	...	26.38
Kerosene	...	...	...	...	11.33	15.69	17.13	2.33
Gas oil	40.0	35.2	37.0	...	43.28	40.16	35.68	21.52
Petroleum oils and oils obtained from bituminous mineral, crude	...	...	...	1.81	5.68	...	...	16.64
Petroleum oils and oils obtained from bituminous mineral, other than crude	...	...	...	183.92	171.15	...	...	...
(In dalasis per liter)								
Retail petroleum prices								
Gasoline	7.00	7.50	8.00	8.00	8.50	8.50	8.50	8.50
Diesel oil	5.00	5.50	6.00	6.00	6.50	6.50	6.50	6.50
Jet/kerosene	...	...	...	3.27	3.27	3.27	3.27	3.27

Sources: The Gambian authorities; and the National Water and Electricity Company Ltd.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ January-June 1998 figures.

Table 22. The Gambia: Overall Consumer Price Index for Low-Income Households in Banjul and Kombo St. Mary, January 1991-December 1998

(Base year 1974=100)

	1991	1992	1993	1994	1995	1996	1997	1998
January	1043.6	1170.9	1215.3	1276.0	1349.3	1396.7	1421.1	1379.7
February	1044.5	1171.1	1226.8	1278.0	1355.4	1394.3	1422.8	1407.0
March	1055.9	1213.5	1256.6	1279.5	1360.9	1404.2	1436.1	1407.2
April	1058.6	1212.9	1281.8	1282.0	1365.1	1365.6	1446.3	1420.5
May	1057.6	1222.4	1318.0	1298.0	1371.7	1371.2	1442.9	1413.9
June	1068.1	1194.0	1328.0	1311.8	1380.4	1383.5	1450.4	1490.3
July	1098.9	1182.2	1295.3	1282.2	1405.1	1408.3	1453.7	1477.3
August	1103.8	1188.1	1297.2	1261.0	1428.0	1418.4	1468.1	1495.2
September	1130.8	1199.0	1263.6	1289.2	1423.3	1415.7	1457.1	1497.5
October	1148.6	1199.4	1268.5	1324.0	1404.4	1418.6	1439.8	1499.4
November	1148.9	1201.0	1270.2	1336.9	1407.0	1425.7	1427.5	1502.2
December	1163.5	1212.9	1275.1	1339.4	1393.5	1424.9	1429.3	1492.2
Memorandum items:								
Overall index 1/ (period average)	1093.6	1197.3	1274.7	1296.5	1387.0	1402.3	1441.3	1456.9
Annual percentage change 1/ (period average)	8.6	9.5	6.5	1.7	7.0	1.1	2.8	1.1
Annual percentage change 1/ (end of period)	11.6	4.3	5.1	5.0	4.0	2.3	0.3	4.4
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Overall index 2/ (period average)	1039.9	1164.9	1234.1	1282.9	1334.6	1398.1	1427.6	1432.8
Annual percentage change 2/ (period average)	9.1	12.0	5.9	4.0	4.0	4.8	2.1	0.4
Annual percentage change 2/ (end of period)	5.4	11.8	11.2	-1.2	5.2	0.2	4.8	2.8

Source: The Gambian authorities.

1/ Based on calendar years.

2/ Based on the old fiscal years (July-June).

Table 23. The Gambia: Public Sector Wage Scale, 1991/92- 1998 1/

(In dalasis per year)

	1991/92		1992/93		1993/94		1994/95		1995/96		1996/97		1997		1998	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Grade 1	3,816	4,448	4,045	4,715	4,284	5,124	4,584	5,508	4,584	5,508	4,860	5,784	4,860	5,784	4,860	5,784
Grade 2	4,644	5,400	4,923	5,724	5,220	6,144	5,580	6,588	5,580	6,588	5,916	7,008	5,916	7,008	5,916	7,008
Grade 3	5,556	6,396	5,889	6,780	6,240	7,248	6,672	7,764	6,672	7,764	7,068	8,244	7,068	8,244	7,068	8,244
Grade 4	6,552	8,232	6,945	8,726	7,368	9,216	7,884	9,900	7,884	9,900	8,352	10,536	8,352	10,536	8,352	10,536
Grade 5	8,496	10,596	9,006	11,232	9,540	11,976	10,212	12,816	10,212	12,816	10,824	13,596	10,824	13,596	10,824	13,596
Grade 6	10,896	13,416	11,550	14,221	12,240	15,096	13,092	16,116	13,092	16,116	13,872	17,148	13,872	17,148	13,872	17,148
Grade 7	13,812	16,332	14,641	17,312	15,516	18,372	16,608	19,632	16,608	19,632	17,604	20,880	17,604	20,880	17,604	20,880
Grade 8	16,704	19,392	17,706	20,556	18,768	21,792	20,076	23,268	20,076	23,268	21,276	24,636	21,276	24,636	21,276	24,636
Grade 9	19,752	22,440	20,937	23,786	22,200	25,224	23,748	26,940	23,748	26,940	25,176	28,536	25,176	28,536	25,176	28,536
Grade 10	22,836	26,280	24,206	27,857	25,656	29,604	27,456	31,656	27,456	31,656	29,100	33,552	29,100	33,552	29,100	33,552
Grade 11	26,772	31,056	28,378	32,919	30,084	34,872	32,184	37,308	32,184	37,308	34,116	39,576	34,116	39,576	34,116	39,576
Grade 12	31,692	36,732	33,594	38,936	35,604	41,316	38,088	44,220	38,088	44,220	40,368	46,920	40,368	46,920	40,368	46,920

Source: The Gambian authorities.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Table 24. The Gambia: Minimum Daily Wages, 1991-1998

(In dalasis)

	1991	1992	1993	1994	1995	1996	1997	1998
General workers (private and public sectors)								
Foreman	21.70	21.70	21.70	21.70	21.70	22.33	28.43	...
Artisan (second class)	12.73	12.73	12.73	12.73	12.73	17.53	...	...
Head laborer	9.88	9.88	9.88	9.88	9.88	12.94	12.94	...
Laborer	9.00	9.00	9.00	9.00	9.00	11.79	11.79	...
Dockworkers (private sector)								
Supervisor/foreman	27.56	36.40	36.40	36.40	36.40	36.10	36.10	36.40
Headman (Banjul)	17.05	22.50	22.50	22.50	22.50	22.33	22.33	22.50
Headman (river ports)	18.47	24.40	24.40	24.40	24.40	24.90	24.19	22.50
Tally clerk (Banjul, Grade A)	16.89	16.89	16.89	16.89	16.89	22.12	22.12	...
Tally clerk (Banjul, Grade B)	15.66	16.89	16.89	16.89	16.89	20.51	20.51	...
Winchman (Banjul)	15.34	20.25	20.25	20.25	20.25	20.10	20.10	20.25
Winchman (river ports)	16.40	21.65	21.65	21.65	21.65	21.48	21.48	22.50
Gangwayman (Banjul)	14.03	18.50	18.50	18.50	18.50	18.38	18.38	18.50
Gangwayman (river ports)	14.77	19.50	19.50	19.50	19.50	19.35	19.35	...
Laborer (Banjul)	13.38	17.70	17.70	17.70	17.70	17.53	17.53	...
Laborer (river ports)	14.03	18.50	18.50	18.50	18.50	18.38	18.38	...

Source: The Gambian authorities.

Table 25. The Gambia: Civil Service Structure, 1992/93-1999 1/

	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998	1999
	(In number of employees)							
Executive and legislative offices 2/	588	668	723	711	765	747	806	784
Defense	25	25	25	25	26	26	27	29
Interior 3/	216	250	45	38	39	39	39	38
Information and tourism	328	326	295	68	64	64	64	63
External affairs	152	66	64	69	69	72	71	73
Finance and economic affairs	625	625	573	580	576	577	569	572
Local government and lands	511	513	433	435	415	415	413	434
Agriculture 4/	1,112	1,112	838	1,468	1,492	1504	928	920
Natural resources	573	568	532	... 5/	...	...	551	575
Works and communications	361	360	351	469	477	477	371	370
Trade and industry	175	175	166	164	186	186	178	179
Education, youth, and sports	3,233	3,561	3,605	3,907	4,397	4,787	5073	5037
<i>Of which</i>								
Gambia Technical Institute	129	129	129	129	128	128	128	129
Gambia College	159	159	159	159	162	162	162	212
National Council for Arts & Culture	46	47	51	51	54	55	51	52
Health	2,135	2,260	2,306	2,405	2,486	3,091	2,927	3,068
<i>Of which</i>								
Royal Victoria Hospital	772	810	830	841	859	870	874	866
Bansang Hospital	154	178	200	212	244	261	264	274
Autonomous organizations 6/	148	174	338	261	288	272	272	278
<i>Of which</i>								
Agricultural Research (NARI)	...	...	159	127	134	134	134	137
National Environmental Agency	...	26	31	32	33	36	36	39
Total	10,182	10,683	10,294	10,600	11,280	12,257	12,289	12,420
	(Share in percent)							
Executive and legislative offices 2/	5.8	6.3	7.0	6.7	6.8	6.1	6.6	6.3
Defense	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Interior	2.1	2.3	0.4	0.4	0.3	0.3	0.3	0.3
Information and tourism	3.2	3.1	2.9	0.6	0.6	0.5	0.5	0.5
External affairs	1.5	0.6	0.6	0.7	0.6	0.6	0.6	0.6
Finance and economic affairs	6.1	5.9	5.6	5.5	5.1	4.7	4.6	4.6
Local government and lands	5.0	4.8	4.2	4.1	3.7	3.4	3.4	3.5
Agriculture	10.9	10.4	8.1	13.8	13.2	12.3	7.6	7.4
Natural resources	5.6	5.3	5.2	... 5/	...	...	4.5	4.6
Works and communications	3.5	3.4	3.4	4.4	4.2	3.9	3.0	3.0
Trade and industry	1.7	1.6	1.6	1.5	1.6	1.5	1.4	1.4
Education, youth, and sports	31.8	33.3	35.0	36.9	39.0	39.1	41.3	40.6
Health	21.0	21.2	22.4	22.7	22.0	25.2	23.8	24.7
Autonomous organizations 6/	1.5	1.6	3.3	2.5	2.6	2.2	2.2	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Gambian authorities.

1/ Budgetary allocations. Excludes staff in the uniformed services (estimated for 1994/95 at 3,500, for 1996/97 at 3,620, for 1998 at 4200, and for 1999 at 4181). Until 1996/97, fiscal year (July-June); from 1997, calendar years.

2/ Includes the Office of the President, legislature, judiciary, Public Service Commission, Ministry of Justice, and audit bureau.

3/ Figures for 1994/95 reflect change of status of staff to uniformed services.

4/ Figures for 1994/95 reflect change of status of staff transferred to the National Agricultural Research Institute (NARI).

5/ The Ministry of Agriculture and the Ministry of Natural Resources were merged into the Ministry of Agriculture and Natural Resources.

6/ Includes the Management Development Institute, National Investment Board, National Library, National Environmental Agency, and NARI.

Table 26. The Gambia: Central Government Operations, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(In millions of dalasis, unless otherwise indicated)								
Total revenue and grants	820.0	890.2	897.6	770.3	755.8	844.7	852.5	919.9
Revenue	663.7	766.9	771.1	680.7	672.6	775.3	799.5	831.5
Foreign grants 2/	156.3	123.3	126.5	89.6	83.2	69.4	53.0	88.5
Total expenditure and net lending	775.4	836.0	856.2	853.9	1,133.8	1,231.8	1,123.6	1,028.4
Current expenditure	476.4	570.7	613.3	618.3	668.5	738.5	794.6	799.8
Personal emoluments, pensions, and allowances	156.7	161.0	198.6	208.1	225.0	254.4	269.3	282.9
Interest	93.2	117.9	133.9	125.5	154.7	192.7	214.7	236.9
Of which: external	45.2	45.2	49.0	46.3	45.1	48.2	59.5	56.4
Other charges	224.1	283.8	270.9	284.8	288.9	291.3	310.6	279.9
Transfers to parastatals	2.4	8.0	9.9	0.0	0.0	0.0	0.0	0.0
Development expenditure 3/	229.0	253.2	248.6	239.3	491.1	507.4	349.9	259.9
Net lending	70.0	12.1	-5.7	-3.7	-25.7	-14.0	-20.9	-31.2
Overall balance (commitment basis)								
Excluding foreign grants	-111.7	-69.1	-85.1	-204.4	-461.3	-456.5	-324.1	-197.0
Including foreign grants	44.6	54.2	41.4	-114.8	-378.0	-387.2	-271.1	-108.5
Adjustment to cash basis (float)	...	...	...	...	...	...	...	6.1
Errors and omissions	17.5	3.4	5.8	...	6.8	19.5	38.6	-30.6
Overall balance (cash basis)								
Excluding foreign grants	-94.2	-65.7	-79.3	-204.4	-454.5	-437.0	-285.5	-221.5
Including foreign grants	62.1	57.6	47.2	-114.8	-371.2	-367.7	-232.5	-133.0
Financing	-62.1	-57.6	-47.2	114.8	371.2	367.6	232.5	133.0
Foreign (net)	163.5	90.3	46.5	5.1	209.9	295.6	171.9	54.5
Borrowing	246.8	204.7	154.9	117.5	359.9	398.2	260.1	148.3
Repayments	-83.3	-114.4	-108.4	-112.4	-150.0	-102.6	-95.4	-93.8
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0
Domestic	-225.6	-147.9	-93.7	109.7	161.4	72.0	60.6	78.5
Banking system	-250.8	-188.2	-128.6	75.1	68.1	25.1	23.1	-20.0
Nonbank	25.2	40.3	24.3	26.9	93.3	46.9	37.5	86.5
Sinking funds 4/	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0
Accumulation of arrears	0.0	0.0	0.0	7.7	0.0	0.0	0.0	12.0
(In percent of GDP)								
Domestic revenue	22.5	23.8	22.3	19.5	17.7	19.4	19.3	18.8
Total expenditure and net lending	26.3	25.9	24.7	24.5	29.8	30.8	27.1	23.2
Overall balance (commitment basis)								
Excluding foreign grants	-3.8	-2.1	-2.5	-5.9	-12.1	-11.4	-7.8	-4.5
Including foreign grants	1.5	1.7	1.2	-3.3	-9.9	-9.7	-6.5	-2.5
Basic primary balance 5/	4.9	8.4	7.2	3.7	3.6	5.1	4.9	5.7
Current balance	6.4	6.1	4.6	0.9	0.1	0.9	0.1	0.7
Memorandum items:								
Nominal GDP	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Foreign grants correspond to official unrequited transfers in the balance of payments less technical assistance grants.

3/ Includes foreign-financed extrabudgetary expenditures for 1995/96 and 1996/97.

4/ Sinking funds for asset recovery for 1993/94.

5/ Domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

Table 27. The Gambia: Central Government Revenue, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(In millions of dalasis)								
Revenue and grants	820.0	890.2	897.6	770.3	755.8	844.7	852.5	919.9
Total revenue	663.7	766.9	771.1	680.7	672.6	775.3	799.5	831.5
Tax revenue	602.4	704.4	682.9	600.3	617.5	701.2	714.7	751.1
Direct taxes	88.9	122.9	126.0	130.8	130.8	160.2	168.5	185.1
Personal	32.6	40.4	36.4	56.0	60.4	61.7	72.3	76.4
Corporate	50.8	76.6	80.6	68.2	65.1	93.0	81.8	93.7
Capital gains and other	1.0	1.9	1.5	1.7	2.2	2.5	10.0	8.7
Parastatal turnover	2.6	2.0	4.0	2.5	0.4	0.0	0.0	0.0
Payroll	1.9	2.1	3.5	2.4	2.7	3.0	4.5	6.3
Indirect taxes	513.5	581.5	556.9	469.5	486.7	531.7	546.2	566.0
Domestic taxes on goods and services	58.2	47.9	57.1	48.7	60.1	75.6	71.5	65.3
Stamp duties	1.5	1.3	1.4	1.1	1.3	1.1	1.8	2.3
Excise duties	0.0	0.1	0.2	0.7	0.2	0.0	0.0	0.0
Domestic sales tax	44.9	46.5	54.7	38.4	46.6	52.9	57.1	63.0
Airport levy and other	11.8	0.0	0.8	8.6	12.0	21.6	12.6	0.0
Taxes on international trade	346.9	374.2	306.5	239.9	226.9	456.1	266.2	295.0
Customs duties	187.6	196.1	156.9	133.6	108.3	110.3	119.7	145.1
Sales tax on imports	159.0	178.1	149.1	105.7	118.4	142.0	146.4	149.9
Other	0.3	0.0	0.5	0.6	0.2	0.2	0.1	0.0
Petroleum taxes	108.4	159.4	193.3	181.0	199.7	203.5	208.5	205.8
Duty	88.2	136.8	166.8	155.1	168.9	177.0	178.6	177.3
Sales tax	20.2	22.6	26.5	25.9	30.8	26.5	29.9	28.5
Nontax revenue	61.3	62.5	88.2	80.4	55.1	74.1	84.8	80.4
Government services and charges	26.4	18.8	22.8	35.8	31.6	41.4	40.1	35.1
Interest, dividends, and property	1.4	19.8	10.3	10.1	0.9	12.4	23.0	38.6
Contribution to pension fund	2.0	0.0	2.4	5.8	2.6	2.9	4.3	2.7
Capital revenue	0.5	0.6	4.0	3.7	0.0	0.0	0.0	0.0
Other	31.0	5.5	20.7	0.0	0.0	0.0	0.0	0.0
Central bank profit/loss	0.0	17.7	28.0	25.0	20.0	17.4	17.4	4.0
Grants	156.3	123.3	126.5	89.6	83.2	69.4	53.0	88.5
Program	116.3	63.3	77.3	0.0	0.0	0.0	0.0	25.6
Projects	40.0	60.0	49.2	89.6	83.2	69.4	53.0	62.9
(In percent of GDP)								
Revenue and grants	27.8	27.6	26.3	22.1	19.9	21.1	20.5	20.8
Total revenue	22.5	23.8	22.3	19.5	17.7	19.4	19.3	18.8
Tax revenue	20.4	21.8	20.0	17.2	16.3	22.4	17.2	17.0
Direct taxes	3.0	3.8	3.7	3.7	3.4	4.0	4.1	4.2
Indirect taxes	17.4	18.0	16.3	13.4	12.8	18.4	13.2	12.8
Domestic taxes on goods and services	2.0	1.5	1.7	1.4	1.6	1.9	1.7	1.5
Taxes on international trade	11.8	11.6	9.0	6.9	6.0	11.4	6.4	6.7
Petroleum taxes	3.7	4.9	5.7	5.2	5.3	5.1	5.0	4.7
Nontax revenue	2.1	1.9	2.6	2.3	1.4	1.9	2.0	1.8
Grants	5.3	3.8	3.7	2.6	2.2	1.7	1.3	2.0
(In percent of total revenue)								
Total revenue	100.0	100.0	100.0	100.0	100.0	125.1	100.0	100.0
Tax revenue	90.8	91.9	88.6	88.2	91.8	115.5	89.4	90.3
Direct taxes	13.4	16.0	16.3	19.2	19.4	20.7	21.1	22.3
Indirect taxes	77.4	75.8	72.2	69.0	72.4	94.8	68.3	68.1
Domestic taxes on goods and services	8.8	6.2	7.4	7.2	8.9	9.8	8.9	7.8
Taxes on international trade	52.3	48.8	39.7	35.2	33.7	58.8	33.3	35.5
Petroleum taxes	16.3	20.8	25.1	26.6	29.7	26.2	26.1	24.7
Nontax revenue	9.2	8.1	11.4	11.8	8.2	9.6	10.6	9.7
GDP (millions of dalasis)	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	4,424.3

Sources: The Gambian authorities; and staff estimates.

Table 28. The Gambia: Economic Classification of Central Government Expenditure, 1991/92-1998 1/
(In millions of dalasis)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Current expenditure	476.3	570.7	613.3	618.3	668.5	738.5	794.6	799.8
Expenditure on goods and services	310.9	369.4	414.3	394.4	418.3	443.2	470.9	447.5
Salaries 2/	156.7	161.0	198.6	208.1 3/	225.0	254.4	269.3	282.9
Other charges	154.2	208.4	215.7	186.3	193.3	188.8	201.6	164.5
Goods and services	112.0	123.8	133.5	137.6	145.2	138.9	147.3	116.3
Maintenance and equipment	41.3	49.0	65.0	30.8	31.4	36.7	41.5	31.9
Other expenditure	0.9	35.6	17.2	18.0	16.7	13.2	12.8	16.3
Interest payments	93.2	117.9	133.9	125.5	154.7	192.7	214.7	236.9
Internal	48.0	72.7	84.9	79.2	109.6	144.5	155.2	180.4
External	45.2	45.2	49.0	46.3	45.1	48.2	59.5	56.4
Subsidies and current transfers	72.2	83.4	65.1	98.4	95.5	102.5	109.0	115.4
To households	5.8	6.8	7.5	7.3	4.3	5.0	12.4	14.0
To nonprofit institutions	49.4	54.4	44.9	77.5	78.0	83.5	78.5	87.1
To parastatals	2.4	8.0	1.8	0.0	0.0	0.0	0.0	0.0
Abroad	14.6	14.2	10.9	13.5	13.2	14.1	18.1	14.4
Area councils	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Development expenditure 4/	229.0	253.2	248.6	239.3	491.1	507.4	349.9	259.9
Externally financed	...	233.1	214.1	207.1	443.2	467.6	313.1	211.2
Gambia Local Fund	...	20.1	34.5	32.2	47.9	39.8	36.8	48.7
Net lending	70.0 5/	12.1	-5.7	-3.7	-25.7	-14.0	-20.9	-31.2
Total expenditure and net lending	775.4	836.0	856.2	853.9	1,133.8	1,231.8	1,123.6	1,028.4

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Personal emoluments, allowances, and pensions. Figures from 1993/94 onwards include D 21.3 million in provisions for teacher pay in nonprofit institutions.

3/ Includes provisions of D 11 million, a one-month salary advance to be repaid in 1995/96.

4/ Includes foreign-financed extrabudgetary expenditures of D 179.5 million for 1995/96, D 150.4 million for 1996/97, and D 60.6 million in 1997.

5/ Includes capital transfers (D 73.0 million) for the replacement of net nonperforming assets of the Gambia Commercial and Development Bank (GCDB).

Table 29. The Gambia: Functional Classification of Central Government Current Expenditure, 1991/92-1998

(In millions of dalasis)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Total current expenditure	476.3	570.7	613.3	618.3	668.5	738.5	794.6	799.8
General public services	...	200.9	212.2	216.9	219.2	224.4	227.8	225.5
Defense	38.6	23.7	22.9	21.5	33.6	43.3	42.6	40.8
Education	80.4	94.6	106.5	115.3	127.0	140.4	149.6	139.5
<i>Of which: elementary education</i>	29.7	41.6	34.1	46.1	53.3	54.7	50.6	48.0
Health	38.8	53.8	58.9	62.5	56.2	62.0	63.3	79.2
Social welfare	0.5	0.4	0.4	0.5	0.8	0.6	0.9	1.1
Housing 2/	0.7	1.7	1.7	1.0	0.8	1.6	8.5	14.2
Economic affairs and services	...	54.9	56.0	51.6	52.1	53.4	53.8	52.8
Other	...	140.7	154.7	149.1	178.9	212.9	248.1	246.6
<i>Of which: interest on government debt</i>	93.2	117.9	133.9	125.5	154.7	192.7	214.7	236.9

Source: The Gambian authorities.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Includes community development for 1997 and 1998.

Table 30. The Gambia: Central Government Social Expenditure and Social Indicators, 1991/92-1998

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(In millions of dalasis)								
Education expenditure	105.1	122.6	170.7	164.5	206.3 2/	192.6 2/	149.6	152.9
<i>Of which:</i>								
Primary education	38.9	53.9	54.6	65.8	86.6	79.0	50.6	63.0
Secondary education	15.8	27.0	39.3	32.9	35.1	42.4	12.5	64.2
Higher education	8.4	13.5	18.8	19.7	37.1	34.7	15.0	41.3
Health expenditure	50.4	68.8	69.0	75.0	83.3 2/	79.9 2/	63.6	86.0
Primary and secondary health care	20.9	...	30.0	...	36.8	...	...	...
Tertiary health care	19.3	...	30.1	...	34.2	...	...	...
Administration and training	10.2	...	8.9	...	12.2	...	...	...
(In percent, unless otherwise indicated)								
Social indicators								
Illiteracy rate	73 3/	...	...	...	61	...	61	...
Gross school enrollment rate								
Primary school enrollment	65	67	73	76	...	...	73	...
Female	53	56	61	65	...	...	61	...
Secondary school enrollment	16	19	...	...	...	...	19	...
Female	11	13	...	...	...	...	13	...
Life expectancy at birth (years)	...	45	...	...	46	53	...	...
Population with access to health care	...	...	...	...	...	...	...	...
Population with access to safe water	64 3/	...	...	...	76	...	...	...
Population below the poverty line	...	...	...	...	...	...	...	...
Infant mortality rate (per 1,000 live births)	...	132	...	...	126	...	79	...

Sources: The Gambian authorities; and World Bank, *World Development Indicators 1998*.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Excluding foreign-financed extrabudgetary expenditures.

3/ Data for 1990/91.

Table 31. The Gambia: List of Public Enterprises
(As of December 1998)

Name	Sector	Legal Status	Government Participation (In percent)	Capital			Personnel
				Capital	Turnover	Expenditure	
				(In millions of dalasis)			
Social Security and Housing Finance Corporation	Social security and housing	...	100	464.4	216.0	...	157
National Water and Electricity Corporation	Energy	Limited Company	100	68.5	96.0	34.5	818
Gambia Ports Authority	Marine	Authority	100	16.3	37.0	12.2	376
Gambia International Airlines	Air transport	Limited Company	100	16.8	233.0	4.9	244
Gambia Telecommunications Company Ltd.	Telecommunications	Limited Company	100	60.0	73.0	197.0	887
Gambia Public Transport Corporation	Transport	Limited Company	100	38.8	4.7	76.3	749
Maintenance Services Agency Company Ltd.	Maintenance	Limited Company	100	3.0	58.6	...	83
Gambia Civil Aviation Authority	Aviation	Authority	100	231.9	36.0	7.6	315
Atlantic Hotel	Tourism	...	100	...	...	...	275
Asset Management and Recovery Corporation	Asset recovery	...	100	...	...	...	...

Source: The Gambian authorities.

Table 32. The Gambia: Monetary Survey, 1991/92-1998 1/

(In millions of dalasis; end of period)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Net foreign assets	425.7	553.6	622.3	616.4	785.6	816.8	807.2	808.1	815.4	836.3	951.6
Monetary authorities	415.3	564.5	614.3	624.1	745.2	812.6	847.6	852.4	847.3	904.6	1,020.8
Foreign assets	874.6	940.8	972.5	934.9	1,003.7	994.3	989.0	988.8	965.7	1,068.3	1,166.8
Foreign liabilities	459.3	376.3	358.2	310.8	258.5	181.7	141.4	136.4	118.4	163.7	146.0
Commercial banks	10.4	-10.9	8.0	-7.7	40.4	4.2	-40.4	-44.3	-32.0	-68.3	-69.3
Net domestic assets	197.8	191.4	147.0	215.1	119.2	238.6	382.8	362.1	361.2	381.7	360.0
Domestic credit	279.5	247.9	197.6	311.5	265.9	311.3	434.7	462.2	477.2	469.9	481.7
Claims on the government (net)	94.6	-88.3	-216.9	-141.8	-73.7	-48.6	-12.8	3.2	-6.3	-30.2	-32.8
Claims on public enterprises and the private sector	184.9	336.2	414.6	453.3	339.6	359.9	447.5	459.1	483.4	500.2	514.5
GPMB 2/	8.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other public enterprises (non-GPMB)	0.0	4.1	3.0	0.3	0.2	0.3	1.1	1.0	1.4	0.9	3.9
Private sector	176.7	329.5	411.6	453.0	339.4	359.7	446.3	458.1	482.0	499.3	510.7
Revaluation account	27.0	56.8	76.4	32.8	49.4	106.9	165.2	166.9	182.4	166.0	142.3
SDR allocation	-64.1	-63.4	-68.0	-68.0	-72.6	-72.6	-73.0	-73.0	-72.4	-73.7	-77.0
Other items (net)	-44.6	-49.8	-59.0	-61.2	-123.5	-107.0	-144.1	-194.0	-226.0	-180.5	-187.0
Broad money	623.5	745.0	769.3	831.5	904.8	1,055.4	1,190.1	1,170.2	1,176.6	1,218.0	1,311.6
Money	375.9	416.1	390.2	421.8	430.9	521.9	629.4	600.4	575.4	591.8	626.6
Quasi money	247.6	328.9	379.1	409.7	473.8	533.6	560.7	569.8	601.2	626.2	685.0
Memorandum items:											
Nominal GDP (in millions of dalasis)	2,947.6	3,228.6	3,460.8	3,492.0	3,800.1	4,001.6	4,151.2	...	...	...	4,424.3
(percentage change)	12.1	9.5	7.2	0.9	8.8	5.3	7.3	...	...	...	6.6
Velocity											
(GDP relative to end-period broad money)	4.7	4.3	4.5	4.2	4.2	3.8	3.5	...	...	...	3.4
Percentage change from previous year											
Net domestic assets	-55.1	-3.2	-23.4	46.8	-44.6	100.2	67.6	33.7	51.4	18.7	-6.0
Broad money	6.7	19.5	3.3	8.1	8.8	16.7	22.3	17.6	11.5	21.9	10.2
Contribution to the growth of broad money 3/											
Net foreign assets	48.3	20.5	9.2	-0.8	20.3	3.5	6.4	8.4	-0.1	15.9	12.1
Net domestic assets	-41.6	-1.0	-6.0	8.9	-11.5	13.2	15.9	28.0	6.7	47.0	-1.9

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

2/ The Gambia Produce Marketing Board.

3/ Twelve-month change divided by the beginning-of-period money stock.

Table 33. The Gambia: Summary Accounts of the Monetary Authorities, 1991/92-1998 1/

(In millions of dalasis; end of period)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Net foreign assets	415.3	564.5	614.3	624.1	745.2	812.6	847.6	852.4	847.3	904.6	1,020.8
Foreign assets	874.6	940.8	972.5	934.9	1,003.7	994.3	989.0	988.8	965.7	1,068.3	1,166.8
Foreign liabilities	459.3	376.3	358.2	310.8	258.5	181.7	141.4	136.4	118.4	163.7	146.0
Net domestic assets	-157.0	-289.0	-322.9	-314.1	-443.2	-423.3	-357.2	-385.3	-428.4	-482.3	-495.2
Domestic credit	-126.9	-256.2	-310.5	-263.6	-379.6	-454.3	-433.3	-471.1	-516.0	-569.2	-557.1
Claims on the government (net)	-142.7	-273.7	-326.6	-282.5	-395.8	-469.8	-456.1	-488.9	-504.2	-540.0	-545.4
Gross claims	675.1	260.3	302.5	275.3	273.4	267.6	261.9	280.2	265.8	263.1	262.3
Of which : replacement of revaluation losses 2/	624.7	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
Government deposits	817.8	534.0	629.1	557.8	669.1	-737.4	-718.0	769.2	770.0	803.1	807.7
Claims on public enterprises	8.2	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on the private sector 3/	12.9	14.9	16.1	18.9	21.4	21.3	21.1	21.3	21.0	21.1	20.9
Net claims on banks	-5.3	0.0	0.0	0.0	-5.3	-5.8	1.7	-3.5	-32.8	-50.3	-32.6
Revaluation accounts	27.0	56.8	76.4	32.8	49.4	106.9	165.2	166.9	182.4	166.0	142.3
SDR allocation	-64.1	-63.4	-68.0	-68.0	-72.6	-72.6	-73.0	-73.0	-72.4	-73.7	-77.0
Other items (net)	7.0	-26.2	-20.8	-15.3	-40.4	-3.3	-16.1	-8.1	-22.4	-5.4	-3.3
Reserve money	258.3	275.5	291.4	310.0	302.0	389.3	490.4	467.0	418.9	422.3	525.7
Currency outside banks	182.2	196.8	195.9	207.2	211.1	244.5	360.5	336.5	282.2	279.9	347.6
Liabilities to commercial banks	76.1	78.7	95.5	102.8	90.9	144.8	129.9	130.6	136.7	142.4	178.1
Memorandum items:											
Broad money multiplier 4/	2.4	2.7	2.6	2.7	3.0	2.7	2.4	2.5	2.8	2.9	2.5
Reserve money (annual percentage change)	14.9	6.7	5.8	6.4	-2.6	28.9	26.8	24.3	7.6	18.9	7.2

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

2/ Outstanding claims on the government, representing the exchange rate conversion differential.

3/ Staff loans.

4/ Broad money divided by reserve money.

Table 34. The Gambia: Summary Accounts of the Commercial Banks, 1991/92-1998 1/

(In millions of dalasis; end of period)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Net foreign assets	10.4	-10.9	8.0	-7.7	40.4	4.2	-40.4	-44.3	-32.0	-68.3	-69.3
Foreign assets	15.7	28.1	64.0	29.3	74.9	69.3	112.5	61.0	59.9	49.2	72.9
Foreign liabilities	5.3	39.0	56.0	37.0	34.5	65.1	152.9	105.3	91.8	117.5	142.2
Net domestic assets	430.9	559.1	565.4	632.0	653.4	806.8	869.9	878.0	926.3	1006.4	1033.3
Domestic credit	401.0	504.0	508.2	575.0	640.3	759.8	869.7	929.8	960.4	988.9	1006.3
Claims on the government (net)	237.2	185.3	109.7	140.6	322.1	421.1	443.3	492.1	497.9	509.8	512.7
Gross claims	241.2	189.3	113.7	144.6	326.0	425.1	447.3	496.1	501.9	513.7	516.6
Government deposits	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Claims on public enterprises	0.0	4.1	3.0	0.3	0.2	0.3	1.1	1.0	1.4	0.9	3.9
Claims on the private sector	163.8	314.6	395.5	434.1	318.0	338.4	425.3	436.7	461.1	478.2	489.8
Reserves	79.4	78.9	95.2	98.1	98.0	144.8	129.9	130.6	136.7	142.4	178.1
Currency	16.6	12.9	10.4	12.4	15.1	16.6	28.6	22.7	23.0	27.2	14.6
Deposits at the central bank	62.8	66.0	84.8	85.7	82.8	128.2	101.3	107.9	113.7	115.2	163.5
Net claims on the central bank	0.0	0.0	0.0	0.0	5.3	5.8	-1.7	3.5	32.8	50.3	32.6
Other items (net)	-49.5	-23.8	-37.9	-41.1	-90.1	-103.7	-128.0	-185.9	-203.6	-175.1	-183.7
Net claims on other deposit money banks	1.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous items	-50.7	-27.0	-37.9	-41.1	-90.1	-103.7	-128.0	-185.9	-203.6	-175.1	-183.7
<i>Of which</i>											
Capital account	33.4	56.1	79.5	65.6	69.0	98.8	113.8	103.2	119.4	134.7	126.3
Total deposit liabilities	441.3	548.2	573.4	624.3	693.7	811.0	829.6	833.7	894.3	938.0	964.0
Demand deposits	193.7	219.3	194.3	214.6	219.8	277.4	268.9	263.9	293.2	311.9	279.0
Savings deposits	189.1	232.7	258.7	273.2	324.0	367.6	392.8	403.1	419.0	425.8	462.3
Time deposits	58.5	96.2	120.4	136.5	149.9	166.0	167.8	166.7	182.2	200.4	222.7

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

Table 35. The Gambia: Monthly Interest Rates on Treasury Bills, January 1991-December 1998

(In percent per annum)

	1991	1992	1993	1994	1995	1996	1997	1998
January	18.5	17.5	17.5	15.5	15.5	16.0	16.0	16.0
February	18.5	17.5	17.5	15.5	15.5	16.0	16.0	16.0
March	19.0	17.5	17.5	15.5	15.5	16.0	16.0	16.0
April	19.0	18.0	16.5	15.5	15.5	16.0	16.0	16.0
May	18.5	18.0	16.5	15.5	15.5	16.0	16.0	16.0
June	18.5	19.0	17.0	15.5	15.5	16.0	16.0	16.0
July	18.5	19.5	17.0	15.5	15.5	16.0	16.0	16.0
August	18.0	19.5	17.5	15.5	15.5	16.0	16.0	16.0
September	18.0	19.5	17.5	15.5	15.5	16.0	16.0	16.0
October	18.0	19.5	17.5	15.5	16.0	16.0	16.0	15.5
November	18.0	19.5	17.5	15.5	16.0	16.0	16.0	14.5
December	17.5	19.5	15.5	15.5	16.0	16.0	16.0	14.0

Source: Central Bank of The Gambia.

Table 36. The Gambia: Structure of Interest Rates, 1991/92-1998 1/

(In percent per annum; end of period)

	1991/92	1992/93	1993/94	1994/95	1996/97	1997 Dec.	1998			
							March	June	Sep.	Dec.
Commercial bank lending rates 2/										
Agriculture	22.5-27.0	18.5-27.0	20.5-25.0	20.0-25.0	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-24.0
Manufacturing	22.5-27.0	20.0-27.0	20.5-25.0	20.0-25.0	19.0-23.5	19.0-23.5	19.0-23.5	19.0-23.5	19.0-23.5	19.0-24.0
Building	22.5-27.0	20.0-27.0	20.5-25.0	20.0-25.0	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-24.0
Trading	22.5-27.0	20.0-27.0	20.5-25.0	20.5-25.0	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-24.0
Tourism	20.0-27.0	20.0-27.0	20.5-25.0	20.5-25.0	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-24.0
Other	20.0-27.0	20.0-27.0	20.5-25.0	20.5-25.0	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-25.5	19.0-24.0
Deposit rates										
Short-term deposit account	9.5-12.5	9.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Savings bank account	12.5-13.5	9.5-12.5	9.5-11.5	9.5-12.0	9.5-11.5	9.5-11.5	9.5-11.5	9.5-11.5	9.5-11.5	9.5-11.5
Time deposits										
Three months	13.5-14.5	11.5-13.0	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5
Six months	13.5-15.0	11.5-13.5	11.5-13.0	11.5-13.0	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5	11.5-12.5
Nine months	13.0-15.0	12.5-14.0	12.5-13.5	12.5-13.5	12.0-13.0	12.0-13.0	12.0-13.0	12.0-13.0	12.0-13.0	12.0-13.0
Twelve months and over	13.0-16.0	12.5-15.0	13.5-14.0	12.5-14.0	12.0-15.0	12.0-15.0	12.0-15.0	12.0-15.0	12.0-15.0	12.0-15.0
Government										
Treasury bills	19.0	17.0	15.5	15.5	16.0	16.0	16.0	16.0	16.0	14.0
Discount notes	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Government development loans										
1989-94	15.0	15.0	15.0	15.0	...	...	...	...	...	...
1989-94	15.0	15.0	15.0	15.0	...	...	...	...	...	...
1993-96	...	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
1994-99	...	...	...	...	...	15.5	15.5	15.5	15.5	15.5
1994-99	...	...	...	...	...	15.5	15.5	15.5	15.5	15.5
Central bank										
Bank rate	17.0	15.0	13.5	13.5	14.0	14.0	14.0	14.0	14.0	12.0
Crop advances	...	...	...	...	...	...	...	...	...	...
Nonseasonal advances	...	...	...	...	...	...	...	...	...	...
Secondary market operations										
Discount rate	18.0	17.0	...	...	...	...	...	...	...	...
Rediscount rate	22.0	20.0	18.5	18.5	19.0	19.0	19.0	19.0	19.0	17.0
Gambia Produce Marketing Board 2/	19.0	...	...	...	...	...	...	...	...	...

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

2/ One commercial bank retains historical nonperforming loans on its books that were made at 9 percent. Figures from 1990 onward reflect prevailing lending rates.

Table 37: The Gambia: Distribution of Commercial Bank Credit by Sector, 1991/92-1998 1/

(In percent; end of period)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Agriculture	4.5	12.8	10.2	24.5	12.3	12.7	12.1	11.5	11.3	11.8	11.0
Fishing	2.5	1.8	2.1	2.3	3.6	2.7	1.9	1.7	1.6	2.0	1.8
Mining and quarrying	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Building and construction	8.3	5.2	5.7	3.2	2.4	3.3	4.0	4.0	4.9	5.0	5.6
Transportation	3.0	4.7	2.3	1.2	1.5	1.9	2.3	2.7	4.4	1.6	4.4
Distributive trade	73.9	41.2	42.1	32.3	39.3	43.2	46.6	45.7	43.9	52.5	42.8
Tourism	6.9	3.7	2.9	3.2	4.6	4.8	3.7	3.2	3.5	3.4	3.9
Personal loans	0.0	13.3	14.2	21.1	25.6	26.6	23.3	23.7	23.9	17.2	23.9
Other	0.0	17.3	20.5	12.3	10.6	4.8	6.2	7.6	6.4	6.4	6.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

Table 38. The Gambia: Distribution of Outstanding Government Securities, 1991/92-1998 1/

(In millions of dalasis; end of period)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Government treasury bills	405.1	353.0	357.8	398.3	678.6	826.4	868.7	958.7	974.7	1018.4	1020.8
Central bank	43.3	2.6	36.9	14.2	12.3	6.5	0.8	18.4	4.3	2.4	1.3
Commercial banks	187.8	133.5	65.4	108.9	297.9	404.5	423.4	472.2	485.6	497.4	503.6
Nonbanks	174.0	216.9	255.5	275.2	368.5	415.4	444.6	468.2	484.8	518.7	515.9
<i>Of which</i>											
Public enterprises	153.0	186.0	219.0	244.3	330.7	303.1	370.1	393.8	410.7	426.6	429.2
Government development stocks	23.5	23.5	24.4	24.4	24.4	24.4	24.4	24.4	24.4	24.4	24.4
Central bank	7.0	7.0	7.0	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1
Commercial banks	10.5	10.5	10.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Nonbanks	6.0	6.0	6.9	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
<i>Of which</i>											
Public enterprises	4.4	4.4	5.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Government discount note series	27.5	32.2	38.0	44.4	44.4	86.4	86.4	86.4	101.6	101.6	101.6
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanks	27.5	32.2	38.0	44.4	44.4	86.4	86.4	86.4	101.6	101.6	101.6
<i>Of which</i>											
Public enterprises	23.2	26.3	30.5	44.4	42.1	85.4	85.4	85.4	100.4	100.4	100.4

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June; discounted value.

Table 39. The Gambia: Liquidity Position of Commercial Banks, 1991/92-1998 1/

(End-of-period data; in millions of dalasis, unless otherwise specified)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997 Dec.	1998			
								Mar.	June	Sep.	Dec.
Liquid assets	267.2	212.5	160.6	242.7	424.0	569.9	555.5	610.0	658.7	693.3	720.8
Reserves	79.4	78.9	95.2	98.1	98.0	144.8	129.9	130.6	136.7	142.4	178.1
Deposits at central bank	62.8	66.0	84.8	85.7	82.8	128.2	101.3	107.9	113.7	115.2	163.5
Cash holdings	16.6	12.9	10.4	12.4	15.1	16.6	28.6	22.7	23.0	27.2	14.6
Treasury bills	187.8	133.5	65.4	108.9	297.9	404.5	423.4	472.2	485.6	497.4	503.6
Groundnut bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Required cash reserves 2/	66.3	78.9	77.0	84.3	90.7	109.3	109.4	108.9	118.5	131.3	135.0
Excess cash reserves 3/	13.1	0.0	18.2	13.8	7.3	35.5	20.5	21.6	18.2	11.1	43.1
Required liquid assets 4/	132.4	164.5	172.0	187.3	208.1	243.3	248.9	250.1	268.3	281.4	289.2
Excess liquidity 5/	134.8	48.0	-11.4	55.4	215.9	326.6	306.6	359.9	390.4	411.9	431.6
Required reserves/total deposits (in percent)	15.0	14.4	13.4	13.5	13.1	13.5	13.2	13.1	13.3	14.0	14.0
Memorandum items:											
Total liabilities	441.3	548.2	573.4	624.3	693.7	811.0	829.5	833.7	894.3	938.0	964.1

Source: Central Bank of The Gambia.

1/ Before 1997, financial years were July-June.

2/ Based on reserve requirements of 24 percent of demand deposits and 8 percent of time and savings deposits; calculated on the basis of end-of-period data. From September 1998 onward the unified rate of 14 percent on all deposits has been applied.

3/ Actual reserves less required reserves.

4/ Based on statutory requirements of 30 percent of total liabilities to the public.

5/ Liquid assets less statutory requirement.

Table 40. The Gambia: List of Commercial Banks

(As of December 1998)

Name	Date of Establishment	Shareholders 1/		Capital and Reserves 2/	Deposits 2/	Gross Loans 2/ 3/	Number of Branches	Number of Personnel
		Public	Private					
Standard Chartered Bank of The Gambia	1895	0	100	80.6	523.5	302.8	4	118
International Bank for Commerce and Industry	1997	0	100	18.8	182.4	82.0	2	67
Trust Bank Ltd. (formerly Meridien BIAO 1992)	1997	100	0	16.0	175.4	125.4	2	115
Continent Bank Ltd.	1990	0	100	5.0	48.0	48.8	1	57
Arab-Gambia Islamic Bank	1996	0	100	5.8	34.7	25.0	0	26

Source: Central Bank of The Gambia.

1/ In percent.

2/ In millions of dalasis.

3/ Includes D 94 million provisioning for bad loans.

Table 41. The Gambia: Balance of Payments, 1991/92-1998 1/
(In millions of SDRs)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Exports, f.o.b.	105.8	110.7	89.2	82.5	80.3	78.1	78.8	97.5
Groundnuts 2/	11.9	8.3	7.6	7.6	6.8	3.5	3.5	9.7
Other domestic exports	7.0	5.4	6.4	7.4	7.1	7.3	6.5	5.8
Reexports	86.9	97.0	75.2	67.5	66.4	67.3	68.8	82.1
Imports, f.o.b.	-140.5	-151.9	-138.8	-108.6	-139.0	-131.0	-127.9	-148.5
For domestic use	-87.3	-92.4	-92.4	-66.9	-96.4	-87.6	-84.3	-96.5
For reexports	-53.2	-59.5	-46.4	-41.6	-42.6	-43.4	-43.6	-52.0
Trade balance	-34.7	-41.2	-49.6	-26.1	-58.7	-52.8	-49.0	-50.9
Factor services (net)	-3.9	-3.3	-3.7	-3.5	-3.9	-4.8	-6.0	-5.8
Nonfactor services (net)	-2.2	-5.0	7.7	-11.4	-2.7	9.1	11.2	9.5
Of which: travel income	39.4	39.4	47.5	18.8	37.0	44.3	46.0	49.4
Private transfers (net)	8.5	9.2	9.9	10.1	11.9	12.1	12.4	13.0
Current account, excluding official transfers	-32.3	-40.3	-35.8	-30.8	-53.4	-36.3	-31.4	-34.2
Official transfers	32.0	28.6	28.8	20.3	17.8	17.4	20.4	22.2
Current account, including official transfers	-0.3	-11.7	-7.0	-10.6	-35.6	-19.0	-11.0	-12.0
Capital account	26.8	22.0	11.5	6.0	47.9	24.2	15.7	18.2
Official loans (net)	13.0	7.2	4.6	7.0	25.1	12.4	8.4	5.9
Project related	11.2	13.2	11.6	15.1	35.6	19.7	15.2	12.4
Program loans	8.4	3.1	1.1	0.0	0.0	0.0	0.0	0.0
Amortization	-6.6	-9.1	-8.2	-8.2	-10.5	-7.3	-6.8	-6.5
Private capital	7.6	7.8	4.9	3.2	4.6	5.9	6.2	6.4
Short-term capital 3/	6.2	7.0	2.1	-4.1	18.2	5.9	1.1	5.9
Overall balance	26.5	10.3	4.5	-4.6	12.4	5.2	4.7	6.2
Financing	-26.5	-10.3	-4.5	4.6	-12.4	-5.2	-4.7	-6.2
Gross reserves (increase -)	-23.9	-5.7	1.2	10.8	-7.6	-0.4	0.0	-5.8
IMF repurchases/repayments	-3.1	-1.7	-2.1	-3.4	-4.8	-4.8	-5.1	-3.9
IMF purchases/loans	3.4	0.0	0.0	0.0	0.0	0.0	0.0	3.4
London Club	-2.9	-2.9	-3.1	-2.8	0.0	0.0	0.0	0.0
Other liabilities (net) 4/	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Memorandum items:								
Current account balance (in percent of GDP)								
Excluding official transfers	-13.8	-15.7	-13.9	-12.5	-20.1	-12.8	-10.6	-11.2
Including official transfers	-0.1	-4.6	-2.7	-4.3	-13.4	-6.7	-3.7	-3.9
Gross official reserves (end of period)								
In millions of SDRs	68.8	74.5	73.3	62.5	70.1	70.4	69.6	75.4
In months of imports, c.i.f.	5.0	5.1	5.5	5.9	5.2	5.5	5.6	5.2
Debt-service ratio 5/								
IMF	2.5	1.4	1.8	3.7	4.3	4.2	4.3	2.8
Others	9.7	10.9	11.1	14.4	11.8	8.9	9.2	7.4

Sources: The Gambian authorities; and Fund staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Including undecorticated groundnut exports.

3/ Including private suppliers' credits, and errors and omissions.

4/ Change in payments arrears and cash payments in connection with Paris Club and London Club reschedulings.

5/ In percent of exports and travel income.

Table 42. The Gambia: Composition of Merchandise Exports, 1991/92-1998 1/

(In thousands of SDRs)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Total exports	105,800	110,695	89,194	82,454	80,273	78,134	78,845	97,526
Groundnut products	11,900	8,300	7,579	7,571	6,799	3,510	3,507	9,671
Fish and fish products	2,075	2,233	1,500	1,702	2,000	2,485	3,151	2,094
Cotton products	170	95	2,800	3,123	1,955	1,408	778	626
Other domestic products	4,755	3,067	2,083	2,534	3,095	3,455	2,591	3,040
Reexports	86,900	97,000	75,232	67,524	66,424	67,277	68,818	82,095

Sources: The Gambian authorities; and Fund staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Table 43. The Gambia: Composition of Merchandise Imports, 1991/92-1998 1/

(In thousands of SDRs)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
Total imports, c.i.f.	163,901	176,400	160,300	126,699	162,191	152,837	149,207	173,225
Food and live animals	50,838	45,688	39,594	34,753	45,386	46,894	45,890	59,450
Beverages and tobacco	7,748	6,527	6,120	5,925	5,593	6,016	5,327	4,708
Raw materials	1,273	2,117	1,443	1,730	2,537	2,649	2,189	2,891
Minerals, fuel, lubricants, and related materials	19,223	14,641	14,375	16,231	17,222	13,329	12,256	14,760
Animal and vegetable oil	3,456	5,292	3,687	3,871	4,585	5,452	4,491	6,753
Chemicals	9,400	8,820	8,175	7,529	13,690	10,697	11,610	10,206
Manufactured goods classified by material	31,018	37,220	38,014	20,401	22,976	19,459	18,124	21,515
Machinery and transport equipment	26,457	41,101	37,671	24,669	28,960	30,304	30,777	32,659
Others	14,488	14,994	11,221	11,590	21,242	18,037	18,543	20,283

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

Table 44. The Gambia: Direction of Trade, 1991-1998 1/

(In percent of total)

	1991	1992	1993	1994	1995	1996	1997	1998 Est.
Exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial countries	90.8	91.9	85.6	88.3	91.7	93.2	92.8	94.2
United States	1.0	0.4	5.7	1.5	1.2	1.1	1.6	1.4
Japan	23.3	14.3	22.0	26.4	11.6	8.6	4.7	6.8
Belgium and Luxembourg	56.5	51.5	51.0	48.1	68.3	74.2	78.5	72.1
France	2.6	0.5	0.6	3.3	2.9	4.0	1.8	7.1
Germany	0.2	0.2	0.0	0.8	0.7	0.6	0.3	1.3
Italy	0.5	19.7	0.0	0.0	0.8	0.1	0.3	0.3
The Netherlands	0.0	0.1	0.0	0.4	0.4	0.7	0.3	0.4
Spain	1.8	2.2	1.3	2.8	2.5	0.8	1.9	1.5
Switzerland	1.4	0.7	0.0	0.2	0.0	0.0	0.4	0.0
United Kingdom	2.9	2.1	5.0	4.4	2.8	2.8	2.9	3.2
Other	0.6	0.2	0.0	0.3	0.4	0.3	0.2	0.2
Developing countries	9.2	8.1	14.4	11.7	8.3	6.8	7.2	5.8
Africa	5.0	4.1	6.3	2.3	0.6	0.9	1.0	1.3
Of which: Ghana	0.2	0.4	0.6	0.5	0.2	0.3	0.3	0.4
Guinea	4.5	3.5	5.7	0.6	0.0	0.1	0.1	0.2
Senegal	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Guinea Bissau	0.2	0.1	0.0	0.2	0.0	0.2	0.2	0.2
Asia	3.0	2.9	4.4	8.4	7.4	5.0	4.7	3.0
Of which: China, mainland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hong Kong	2.2	2.2	2.5	5.3	3.6	2.9	1.9	0.5
Thailand	0.1	0.1	1.9	0.3	1.5	0.6	0.8	0.2
Other	1.2	1.1	3.7	1.0	0.2	0.9	1.6	1.5
Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial countries	55.2	48.3	49.2	41.9	41.3	45.1	43.6	39.9
United States	3.4	2.9	2.9	1.6	2.4	3.0	3.2	3.2
Japan	4.1	3.1	3.7	2.6	2.2	2.5	1.8	2.1
Belgium and Luxembourg	7.0	5.7	7.9	4.3	5.6	3.9	5.7	5.6
France	8.3	6.2	7.9	5.3	5.2	6.3	5.8	4.1
Germany	7.8	4.2	3.9	5.5	2.7	3.7	2.8	2.5
Italy	3.6	7.0	3.2	2.6	2.9	3.1	2.3	2.5
The Netherlands	3.9	4.7	5.8	5.3	7.5	5.6	7.2	7.9
Spain	1.0	1.6	1.1	1.0	1.6	2.6	1.9	1.6
Switzerland	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.2
United Kingdom	13.0	10.1	10.3	10.4	8.4	8.9	10.4	7.8
Other	2.9	2.5	2.2	3.1	2.7	5.4	2.3	2.6
Developing countries	44.9	50.7	50.8	58.1	58.7	54.9	56.4	60.1
Africa	2.6	5.0	7.4	8.6	9.3	12.0	14.1	16.3
Of which: Guinea	0.1	0.1	0.3	0.1	0.0	0.1	0.1	0.1
Senegal	2.3	1.9	2.9	2.9	3.4	4.4	4.0	4.6
Cote d'Ivoire	...	...	4.0	3.6	3.7	5.7	6.1	6.9
Asia	34.6	41.0	35.6	47.3	44.6	39.0	37.2	37.4
Of which: China, mainland	16.0	14.8	20.3	28.6	22.6	16.0	13.9	13.7
Hong Kong	9.0	16.0	11.1	9.4	11.2	13.5	10.9	11.3
Thailand	5.3	4.5	4.2	5.8	5.4	2.2	2.2	2.4
Other	7.7	4.7	7.8	2.1	4.8	3.9	5.1	6.4

Source: IMF, *Direction of Trade Statistics*.

1/ Based on The Gambia's trading partners' data.

Table 45. The Gambia: Foreign Trade Indicators, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(Annual percentage changes)								
Values, in SDR terms								
Exports, f.o.b.	3.5	4.6	-19.4	-7.8	-2.6	-2.7	-0.5	23.7
Groundnuts 2/	7.4	-30.1	-8.7	-0.4	-10.2	-48.4	-48.4	175.8
Other domestic exports	18.6	-22.9	18.3	15.0	-4.2	4.2	-9.4	-11.7
Reexports	1.9	11.6	-22.4	-10.5	-1.6	1.3	2.9	19.3
Travel income	-0.8	0.0	20.5	-60.5	96.6	19.8	13.3	7.4
Imports, f.o.b.	2.9	8.1	-8.6	-22.1	28.2	-5.8	-5.3	16.1
For domestic use	3.4	5.8	0.0	-27.9	44.3	-9.2	-8.3	14.4
For reexports	1.9	11.8	-22.0	-10.5	2.3	1.9	1.3	19.3
Price indices, in SDR terms								
Exports, f.o.b.	0.8	1.1	1.7	3.7	-3.0	0.3	2.0	-1.1
Groundnuts 2/	-3.8	-7.4	0.0	8.3	2.3	5.6	10.1	-13.5
Other domestic exports	7.0	-5.6	0.7	16.9	-4.5	4.0	9.8	-10.6
Reexports	1.0	2.8	1.9	2.1	-3.4	-0.7	0.8	0.5
Travel income	-5.0	-1.1	-15.9	-17.4	17.7	1.6	9.8	-6.3
Imports, f.o.b.	1.0	3.0	2.5	2.1	2.2	2.0	-0.8	-1.4
For domestic use	1.0	3.0	2.5	-2.7	2.1	0.9	-0.8	-2.4
For reexports	1.0	3.0	2.5	2.1	0.4	0.0	-0.8	0.5
Volume indices								
Exports, f.o.b.	2.6	3.5	-20.8	-11.1	0.4	-2.9	-2.4	25.0
Groundnuts 2/	11.6	-24.4	-8.7	-8.0	-12.2	-51.1	-53.2	218.8
Other domestic exports	10.8	-18.3	17.5	-1.7	0.4	0.2	-17.5	-1.2
Reexports	0.9	8.5	-23.9	-12.3	1.9	2.0	2.2	18.7
Travel income	4.5	1.1	43.4	-52.2	67.0	18.0	3.2	14.6
Imports, f.o.b.	1.9	4.9	-10.8	-23.7	25.5	-7.7	-4.5	17.8
For domestic use	2.4	2.8	-2.4	-25.9	41.2	-10.0	-7.6	17.2
For reexports	0.9	8.5	-23.9	-12.3	1.9	2.0	2.2	18.7
Terms of trade								
Domestic trade	-1.0	-9.5	-2.2	14.8	-1.4	4.8	10.8	-9.4
Total trade	-0.2	-1.8	-0.8	1.6	-5.1	-1.8	2.9	0.4
Goods and services	-1.4	-2.5	-0.5	-3.9	4.1	1.9	3.3	-0.7
(In percent of GDP)								
Exports, f.o.b.	45.1	43.0	34.7	33.5	30.3	27.5	26.7	31.8
Groundnuts 2/	5.1	3.2	2.9	3.1	2.6	1.2	1.2	3.2
Other domestic exports	3.0	2.1	2.5	3.0	2.7	2.6	2.2	1.9
Reexports	37.0	37.7	29.3	27.4	25.0	23.7	23.3	26.8
Travel income	16.8	15.3	18.5	7.6	13.9	15.6	15.6	16.1
Imports, f.o.b.	59.9	59.1	54.0	44.1	52.4	46.2	43.2	48.4
For domestic use	37.2	35.9	36.0	27.2	36.3	30.9	28.5	31.5

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ Including undecorticated groundnut exports.

Table 46. The Gambia: Public External Debt Outstanding and Debt Service, 1991/92-1998 1/

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997	1998 Est.
(In millions of SDRs)								
External public debt	266.2	268.8	268.1	268.9	294.7	303.7	308.7	315.4
Medium and long term	237.0	241.3	242.7	246.9	277.5	291.3	299.1	306.2
IMF	29.2	27.5	25.4	22.0	17.2	12.4	9.6	9.2
Non-Trust Fund	29.2	27.5	25.4	22.0	17.2	12.4	9.6	9.2
Trust Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External public debt service	17.7	18.4	17.7	18.3	19.0	16.0	16.9	15.1
Principal	12.6	13.7	13.4	14.3	15.7	12.4	12.2	10.7
Medium and long term	9.5	12.0	11.3	10.9	10.9	7.6	7.1	6.8
IMF repurchases/repayments	3.1	1.7	2.1	3.4	4.8	4.8	5.1	3.9
Interest	5.1	4.7	4.3	4.0	3.2	3.6	4.7	4.4
Medium and long term	4.6	4.3	3.9	3.7	2.9	3.3	4.4	4.1
Short term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF charges	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.3
IMF	3.6	2.1	2.5	3.7	5.1	5.1	5.4	4.2
Others	14.1	16.3	15.2	14.6	13.9	10.9	11.5	10.9
(In units indicated)								
Memorandum items:								
External public debt (in percent of GDP)	113.4	104.5	104.2	109.2	111.1	107.0	104.4	102.9
Debt service (in percent of GDP)	7.6	7.2	6.9	7.4	7.2	5.7	5.7	4.9
Debt-service ratio 2/ IMF	12.2	12.3	12.9	18.1	16.2	13.1	13.5	10.2
Others	2.5	1.4	1.8	3.7	4.3	4.2	4.3	2.8
IMF repayments and charges (in percent of total debt- service payments)	9.7	10.9	11.1	14.4	11.8	8.9	9.2	7.4
IMF repayments and charges (in percent of gross international reserves)	20.3	11.4	14.1	20.2	26.9	32.0	31.9	27.8
IMF repayments and charges (in percent of gross international reserves)	5.2	2.8	3.4	5.9	7.3	7.3	7.7	5.6

Sources: The Gambian authorities; and staff estimates.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.

2/ In percent of exports and travel income.

Table 47. The Gambia: Exchange Rate Indicators, 1991-98

(Period average, unless otherwise indicated)

	Dalasis per U.S. dollar	Dalasis per SDR 1/	Effective Exchange Rates (Index 1990=100) 2/	
			Nominal	Real
1991	8.803	12.813	96.27	95.66
1992	8.888	12.673	99.07	97.70
1993	9.129	13.096	113.01	105.59
1994	9.576	13.983	118.62	97.76
1995	9.546	14.330	113.23	94.67
1996	9.789	14.225	114.05	93.89
1997	10.200	14.207	118.46	98.14
1998	10.643	15.476	117.09	96.61
1991				
1st quarter	7.782	11.636	101.67	99.67
2nd quarter	8.942	12.403	96.22	93.79
3rd quarter	9.306	12.668	93.67	94.06
4th quarter	9.181	12.813	93.52	95.14
1992				
1st quarter	9.027	12.690	95.75	97.07
2nd quarter	9.031	12.722	98.17	98.75
3rd quarter	8.476	12.874	100.01	96.94
4th quarter	9.017	12.673	102.34	98.05
1993				
1st quarter	9.097	12.788	109.13	103.63
2nd quarter	8.801	12.514	113.40	110.53
3rd quarter	9.181	13.224	114.27	105.86
4th quarter	9.437	13.096	115.23	102.35
1994				
1st quarter	9.644	13.704	118.68	101.37
2nd quarter	9.713	13.790	119.11	98.81
3rd quarter	9.453	13.910	119.12	94.27
4th quarter	9.493	13.983	117.54	96.57
1995				
1st quarter	9.498	14.625	115.89	96.15
2nd quarter	9.473	14.969	111.70	92.86
3rd quarter	9.575	14.506	112.71	95.44
4th quarter	9.640	14.330	112.63	94.23
1996				
1st quarter	9.683	14.174	114.12	95.01
2nd quarter	9.782	14.130	114.88	93.18
3rd quarter	9.783	14.120	114.01	93.64
4th quarter	9.908	14.225	113.18	93.72
1997				
1st quarter	9.972	13.890	118.02	98.08
2nd quarter	10.083	14.297	118.58	99.40
3rd quarter	10.324	14.268	119.32	98.86
4th quarter	10.422	14.207	117.91	96.24
1998				
1st quarter	10.539	14.075	120.22	96.21
2nd quarter	10.558	14.092	119.49	98.13
3rd quarter	10.651	14.645	117.99	98.43
4th quarter	10.824	15.476	110.64	93.68

Source: IMF, *International Financial Statistics*.

1/ End of period.

2/ Relative consumer price indices in common currency. Weights for partner countries (numbering 19) are based on the Fund's multilateral trade model using 1988-90 average trade weights.

Table 48. The Gambia: Interbank and Parallel Market Exchange Rates, January 1996-December 1998

(Dalasis per unit of foreign currency, unless otherwise indicated; end of period)

		U.K. Pound Sterling			U.S. Dollar			CFA Franc 1/		
		Interbank Mid-market	Parallel Mid-market	Spread (percent)	Interbank Mid-market	Parallel Mid-market	Spread (percent)	Interbank Mid-market	Parallel Mid-market	Spread (percent)
1996	January	14.94	15.05	0.74	9.66	9.78	1.24	94.75	96.00	1.32
	February	14.98	15.18	1.34	9.56	9.78	2.30	95.00	96.25	1.32
	March	14.97	15.19	1.47	9.75	10.06	3.18	93.25	97.25	4.29
	April	14.97	15.17	1.34	9.77	10.03	2.66	92.80	97.00	4.53
	May	15.01	15.23	1.47	9.89	10.13	2.43	95.00	97.00	2.11
	June	15.03	15.22	1.26	9.74	10.06	3.29	95.00	96.00	1.05
	July	15.04	15.21	1.13	9.56	9.91	3.66	98.25	97.25	-1.02
	August	15.04	15.24	1.33	9.78	9.99	2.15	94.64	97.50	3.02
	September	15.10	15.35	1.66	9.82	10.12	3.05	95.00	98.25	3.42
	October	15.15	15.64	3.23	9.88	10.13	2.53	95.00	97.50	2.63
	November	15.28	16.05	5.04	9.99	10.04	0.50	95.00	94.00	-1.05
	December	15.64	16.15	3.26	9.89	10.12	2.33	94.50	95.50	1.05
1997	January	15.86	16.53	4.22	9.91	10.20	2.93	92.98	91.75	-1.32
	February	16.06	16.60	3.36	10.03	10.55	5.18	89.09	93.13	4.54
	March	16.08	16.05	-0.19	10.01	10.03	0.20	88.50	96.25	8.76
	April	16.00	16.05	0.31	9.99	10.03	0.40	91.97	96.25	4.66
	May	16.07	16.75	4.21	10.06	10.52	4.62	88.93	89.75	0.93
	June	16.44	16.75	1.91	10.30	10.52	2.14	85.83	89.75	4.57
	July	16.73	16.75	0.10	10.29	10.52	2.27	85.48	89.75	4.99
	August	16.68	16.68	0.00	10.34	10.67	3.21	85.01	84.38	-0.74
	September	16.65	16.60	-0.28	10.45	10.57	1.13	87.24	86.50	-0.84
	October	16.69	16.60	-0.52	10.31	10.57	2.50	87.71	86.50	-1.38
	November	16.78	17.44	3.94	10.39	10.62	2.24	91.74	90.75	-1.08
	December	16.80	17.23	2.57	10.53	10.76	2.19	86.67	88.25	1.83
1998	January	16.86	17.15	1.69	10.52	10.62	0.91	88.29	87.25	-1.18
	February	16.91	17.23	1.87	10.55	10.76	1.96	88.88	88.25	-0.71
	March	16.85	17.53	4.01	10.54	10.87	3.17	86.91	89.25	2.69
	April	16.99	17.64	3.83	10.49	10.88	3.71	87.32	88.50	1.35
	May	16.98	17.80	4.84	10.57	10.93	3.41	86.29	88.50	2.56
	June	17.10	17.53	2.54	10.58	10.87	2.72	86.56	89.25	3.11
	July	17.33	17.97	3.69	10.53	10.97	4.17	89.85	89.50	-0.39
	August	17.03	17.53	2.92	10.72	10.87	1.38	86.39	89.25	3.31
	September	16.96	17.53	3.35	10.68	10.87	1.78	88.80	89.25	0.50
	October	17.38	18.50	6.44	10.73	11.20	4.36	91.01	98.25	7.95
	November	17.65	18.45	4.53	10.90	11.23	3.04	95.25	98.00	2.89
	December	17.28	18.83	8.97	10.99	11.45	4.17	97.61	99.50	1.94

Source: The Gambian authorities.

1/ Dalasis per CFAF 5,000.

The Gambia: Summary of Tax System as of January 31, 1999

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits			
1.1 Taxes on companies and corporations			
1.11 Company tax	<p>Tax on companies having income accruing in, derived from, brought into, or received in The Gambia. "Company" is defined as any company or corporation incorporated or registered in The Gambia or elsewhere.</p> <p>Profit of a life insurance company is defined as investment income less management expenses (including commission). Where premiums are received outside The Gambia, the profit is taken to be the same proportion of the company's total investment income as The Gambia premiums bear to the total premiums, less The Gambia agency expenses and a fair proportion of the head office expenses. For other insurance companies having profits arising partly outside The Gambia, the profit for tax purposes is based on the gross premiums, interest, and other income received or receivable in The Gambia (adjusted for premiums returned, reinsurances, and unexpired risks). The actual losses, agency expenses in The Gambia, and a fair proportion of head office expenses are deductible.</p> <p>Companies exploiting a mine, oil well, or other sources of mineral deposits of an exhaustible nature are granted a depletion allowance. Expenditure taken into account for this purpose includes expenditure on acquisition of the deposits, on exploitation, and on the construction of works that will be of little or no value when the mineral source is no longer worked; it does not include expenditure on the acquisition of any site, on machinery or plant, on works for processing the raw products, or on buildings for workers or for use as offices. Provision is made</p>	<p>Income exempted includes the income or profits of (a) a local authority, district authority, government institution; The Gambia Produce Marketing Board or the Central Bank of The Gambia; (b) a registered cooperative society; (c) an ecclesiastical, charitable, or educational institution of a public character where such income is not derived from a trade or business; (d) a body of persons (which excludes companies and partnerships) formed for the purpose of promoting social or sporting amenities not involving gain by the body or its members; (e) a registered trade union insofar as such income is not derived from a trade or business; (f) the operation of ships or aircraft carried on by a nonresident person subject to an equivalent exemption being granted by the country of his residence to persons resident in The Gambia; and (g) the investment income of an approved pension or provident society fund.</p> <p>Deductions allowed include (a) the written-down value (after deductions for depreciation) of plant, machinery, or fixtures sold or discarded, less any sum realized by the sale of an asset (or its market value if greater). The excess of the sale price (or market value) over the written-down value is treated as income up to the excess of the original cost over the written-down value; (b) expenditure on repair of premises, plant, machinery, or fixtures, and for the renewal, repair, or alterations of articles used in acquiring the income; © deduction of allowances in respect of capital expenditure on, and depreciation by wear and tear of plant, machinery, or fixtures arising from their use in a trade, business, profession, vocation, or employment: (i) an initial allowance of 20 percent</p>	<p>35 percent of net profits or 2 percent of turnover, whichever is higher. However, small companies incorporated and controlled in The Gambia after 1954 may benefit from relief as follows: (a) for the year of assessment in which the company commences trading and the subsequent year at a rate equal to the full rate of tax; (b) for the next two assessment years at a rate equal to the full rate of tax; and (c) for the next two assessment years at a rate equal to one third of the rate of tax. Such relief is subject to a reduction as follows: where the company's chargeable income exceeds D 5,000 the amount of chargeable income to be wholly or partly relieved from tax is restricted to any balance of such D 5,000 remaining after deducting one-half of the amount by which such chargeable income exceeds D 5,000. Relief is given only if the company (a) is engaged in a manufacturing activity approved by the Minister of Finance and (b) is not eligible for concessional treatment under the Development Act.</p> <p>For companies in the following sectors: health, education, agriculture, agrotech, fish processing, aquaculture, hotels, inland tourism, manufacturing, and development Banking, commencing business in the years of assessment 1998 and thereafter, the tax payable shall be as follows: (i) two-third of the tax rate of 35 percent for the first three years after commencement, (ii) thereafter, one-third of the tax rate of 35 percent from the</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company tax (continued)	<p>for an initial allowance of 25 percent of the capital expenditure on the construction of works and 20 percent for plant and machinery; and an annual allowance for any qualifying expenditure of 4 percent or 15 percent determined according to a special formula. There is also a balancing allowance on the sale by a going concern of any assets representing qualifying expenditure equal to the excess, if any, of the residual of the expenditure on those assets over the proceeds of their sale. Conversely, a balancing charge applies on the amount by which the proceeds exceed the residual. The full profits of a nonresident shipowner or charterer arising from the carriage of passengers, mail, livestock, or goods shipped in The Gambia are taxable there, except where the profits arise from passengers, brought in solely for transshipment, or from a casual call. Similar provisions apply to the profits of air transport and cable and wireless telegraph undertakings carried on by nonresidents.</p> <p>Starting in 1998, an accelerated capital allowance, to be determined by the Commissioner, shall be granted for companies operating in the following sectors: health, education, agriculture, agrotech, fish processing, aqua culture, new hotels, inland tourism, manufacturing, and development banking.</p>	<p>of the total cost (after deducting any sum contributed by another person), and (ii) an annual allowance of such sum as the Commissioner considers reasonable. Where the assets and the business, etc., do not have the same ownership, the deduction may not reduce the written-down value to less than the market value of the assets at the end of the relevant period; (d) subject to certain limitations, contributions by employers to pension and provident funds, approved by the Commissioner; (e) a deduction of a reasonable amount for the depreciation by wear and tear of premises, buildings, structures, and works of a permanent nature used for commercial, industrial, or banking purposes (including property used for the occupation or welfare of employees and property owned by property-dealing companies); the amount allowable is limited to: (i) 4 percent of the capital cost for the period in which it was incurred; (ii) for subsequent years, an annual allowance of 4 percent of the written-down value. However, for property other than mills, factories, and similar property, the erection of which commenced before January 2, 1953, the annual allowance is limited to 2 percent of the written-down value; and (f) any loss on the sale, demolition, or permanent disuse of property, etc., for which a deduction as at (e) has been given. The allowance given is equal to the written-down value (calculated by reference to such deductions less the proceeds of sale or any recoveries under an insurance policy. The excess of any such proceeds or recoveries over the written-down value is liable to capital gains tax (see below, 1.31).</p>	<p>fourth to the sixth year after commencement, and (iii) after the sixth year the full tax rate of 35 percent shall be payable, (iv) companies in these sectors will not be subject to turnover tax.</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates													
1.2 Taxes on individuals																
1.21 Individual income tax	<p>Tax on income accruing in, derived from, brought into, or received in The Gambia. Temporary residents who have no intention of establishing residence, and who have not resided in The Gambia for a period equal in aggregate to six months in the year of assessment, are not taxed on income arising outside and received in The Gambia. Income, wherever received, from any employment exercised in The Gambia is treated as having been derived there. The income other than the earned income of a married woman living with her husband is deemed to be the income of her husband. The earned income of a married woman is assessed in her hands separately.</p>	<p>Exemptions include (a) the official salaries and emoluments of the President (and his leave emoluments) or acting President and diplomatic staff; (b) certain lump sums received by way of retirement or death gratuities arising out of compensation schemes, and any sums payable to public officers as a gratuity under any contract or service agreement; (c) lump sums withdrawn by individuals on retirement from any pension, provident, or other approved society or fund; (d) wound and disability pensions granted to members of Commonwealth forces; (e) pensions granted under certain legislation concerning widows and orphans; (f) the income of bona fide students in full-time attendance at a school, training center, etc.; (g) certain emoluments payable to noncitizens under an agreement with another government, organization, etc., for technical assistance; etc.; and (h) income from employment, trade, business, or profession exercised outside The Gambia and received therein.</p>	<p>Either (a) <u>Income range</u></p> <table border="1"> <tr><td>0 to D 7,500</td><td>0</td></tr> <tr><td>D 7,501 - 17,500</td><td>10</td></tr> <tr><td>D 17,501 - 27,500</td><td>15</td></tr> <tr><td>D 27,501 - 37,500</td><td>20</td></tr> <tr><td>D 37,501 - 47,500</td><td>25</td></tr> <tr><td>Over D 47,500</td><td>35</td></tr> </table>	0 to D 7,500	0	D 7,501 - 17,500	10	D 17,501 - 27,500	15	D 27,501 - 37,500	20	D 37,501 - 47,500	25	Over D 47,500	35	<p><u>Tax Rate</u> <u>Percent</u></p>
0 to D 7,500	0															
D 7,501 - 17,500	10															
D 17,501 - 27,500	15															
D 27,501 - 37,500	20															
D 37,501 - 47,500	25															
Over D 47,500	35															
	<p>Income includes (a) gains or profits from any trade, profession, or vocation; (b) gains or profits from any employment including allowances paid in money other than reimbursements for expenditure actually incurred, but excluding (i) the value of any quarters or residence if the employee earns less than D 625 a month or is employed by a government or quasi-government corporation, etc., or approved non-profit-making institution, and (ii) the value of any passage from or to The Gambia provided by the employer and the amount of any reimbursement of expenses actually incurred; (c) dividends, interest, or discounts; the income of a shareholder in a company controlled by not more than five persons may be deemed to include undistributed income of the company; (d) pensions, charges, or annuities; (e) rents, royalties, premiums, and any other profits arising from property, but excluding the annual value of owner-occupied property; and (f) income arising outside The Gambia and brought therein, except accumulated and taxed profits abroad.</p>	<p>A standard deduction of D 7,500 is allowed to every taxpayer, starting January 1993.</p>	<p>Or (b) 3 percent of turnover or gross receipts, whichever is the higher. Standard allowance: D 7,500.</p>													

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.21 Individual income tax continued)	<p>For residential properties, a withholding tax of 10 percent of gross rents is applied.</p> <p>"Assessable income" is income from all sources, excluding exempt income and after permitted deductions; "total income" is assessable income less any offset for losses; and "chargeable income" is total income less allowances for individuals.</p> <p>The amount of a loss incurred by the taxpayer in the year of assessment in any trade, business, profession, or vocation is deductible from assessable income in determining total income, providing it is claimed within 12 months after the end of the year of assessment. There is provision for the carry-forward of any loss not allowed against assessable income up to a maximum of six years, but only by the person who incurred the loss, and for the same business.</p> <p>Tax is levied for the year of assessment ending on December 31 upon the income of the same calendar year, or the accounting year ended in the preceding year. There are special provisions for allocating the income in respect of the commencement and cessation of a business, employment, etc. Partners are required to make a joint return in respect of their partnership income, but they are liable to tax only in their separate, individual capacities.</p>		<p>The tax rate chargeable on the income of companies for the year of assessment within which the due date for payment of the interest falls (35 percent). The rate paid or payable by the company on the assessed income of the year of assessment within which the dividend is declared payable (35 percent).</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.22 Withholding at source	<p>(a) Monthly deductions from public emoluments, subject to adjustment when the liability is finally determined. Any other employer is obliged to collect the tax payable by an employee in monthly installments, as prescribed by the Commissioner; (b) persons paying mortgage or debenture interest, deductible in ascertaining their income to nonresidents; (c) companies resident in The Gambia on dividends paid to shareholders (the tax so deducted can be credited against the shareholder's tax liability); (d) the Commissioner may, if necessary, appoint any person as the agent of a taxpayer for the purposes of the Act and require him to pay any tax due from any money, including remuneration or pensions, payable from him to the taxpayer. Pensions are no longer taxable.</p>		
1.31 Capital gains tax	<p>Tax on net capital gains arising from transfer of capital assets (namely, premises, buildings, or land, structures or works, and permanent fixtures) or on the selling price of transferred capital assets, whichever is higher. Transfers include sale, exchange, or extinction of interest or compulsory acquisition of capital assets. Gains include those arising from transfer of assets under a gift or will and distribution of assets or dissolution of business.</p>	<p>Capital losses can be offset against capital gains in the same year of assessment. Gains on transfer of land used for agricultural purposes and property being used for residential purposes are not chargeable if owner occupied the house/land for two years before sale and reinvested profits within three years of sale.</p>	<p>Gains of D 5,000 and below are exempt. Rates of tax: companies, 25 percent of net gains or 10 percent of selling price; individuals, 15 percent of net gains or 5 percent of selling price.</p>
2. Payroll tax	<p>Fixed annual levy on expatriates in executive, managerial, and supervisory grades in commerce and industry.</p>	<p>Expatriates in the public service, international organizations, and charitable institutions are exempt.</p>	<p>D 30,000 per person.</p>
3. Taxes on goods and services			
3.1 Turnover tax	<p>Tax on turnover of parastatals and other government institutions in surplus positions and which are exempted by legislation from payments of taxes on profits.</p>		<p>2 percent for audited accounts or 3 percent for noncomplying companies.</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 Sales tax	Tax imposed on the sale price of all goods manufactured or imported and on services such as: hotel accommodations, telecommunications, insurance, air services, restaurants and bars, cinematographs, night clubs and casinos, and gambling houses.	(a) Educational, technical, cultural, and religious institutions; (b) food and drinks not imported or industrially processed; (c) feeds for animals; (d) semifinished products to produce (b); and (c); (e) medicines; (f) production equipment excluding office equipment, motor vehicles, and electric generators; (g) butane gas and gas cookers; (h) school textbooks; (I) imported day-old chicks; and (j) packaging and freight for exports.	10 percent. 15 percent for GAMTEL telecommunications services.
3.3 Selective taxes on activities			
3.31 Business and professional licenses			
3.31.1 Business registration tax	Business registration fee		Annual fees are set at D 1,000 for externally registered firms with local branches, D 500 for local companies and partnerships, and D 250 for other local businesses. Nonincorporated shopkeepers at the wholesale level are assessed an annual fee of D 500, while retail shopkeepers with a turnover of more than D 10,000 per year are assessed a fee of D 200; those with turnover below D 10,000 are assessed a fee of D 150.
3.31.2 Professional tax	Tax on professionals working in the country. This tax is tied to the issue of an annual license that is renewable and levied on doctors, lawyers, accountants, and surveyors.		D 10,000 per annum.

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.32 Motor vehicle taxes			
3.32.1 Motor vehicle licenses	License fee on the gross weight of commercial goods vehicles, the carrying capacity of commercial passenger vehicles, and the net weight of private vehicles.		<p>Commercial goods vehicles: D 137.85 per year on trucks not exceeding 100 cwt. gross weight to D 278.58 per year on trucks in the 100-120 cwt. weight bracket, with D 11.98 per 5 cwt. additional on trucks over 120 cwt. and D 25 additional on vehicles over 125 cwt. Trailers: D 19.97 per cwt.</p> <p>Commercial passenger vehicles: D 149.83 per year for three-passenger vehicles to D 433.35 per year for buses carrying more than 24 passengers.</p> <p>Private vehicles: D 96.85 per year on cars not exceeding 20 cwt. to D 168.75 per year on cars in the 40-50 cwt. weight bracket; Motor scooters: D 40.97 per year. Motorcycles: D 48.96 per year. There are also corresponding half-yearly or December-only rates.</p>
3.32.2 Road tax	Additional to vehicle licenses.		<p>Motorcycles D 20 per year; private motor vehicles D 70 per year; commercial taxis, D 150 per year; and commercial trucks and buses D 1,050 per year.</p>
3.32.3 Driving license			D 20 per year.

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. Taxes on international trade and transactions	<p>Tax on value of imported goods to be declared on customs entries. Normally for goods imported under a contract of sale negotiated in fully open market conditions, the value is represented by the price made under that contract, adjusted as necessary to a c.i.f. basis. Items are identified by the Harmonized Commodity Description and Coding System.</p>	<p>General exemptions include goods in transit; goods for use as aircraft's or ship's stores; advertising material having no commercial value as such; mosquito-proof gauze and netting; personal effects; certain goods imported by, or on behalf of, the government, privileged persons (within prescribed limits) and institutions; and certain goods (building materials, plant, and machinery) purchased by the holders of development certificates during their tax holiday period.</p>	<p>For all goods, there is one unified tariff rate irrespective of country of origin, varying from 0 percent to 20 percent. Generally, luxury goods are charged an internal tax which is called revenue tax. These commodities are liquor, cigarettes, and new motor vehicles. Revenue tax attached to liquor and cigarettes are specific rates - i.e., D 80 per kilo net for cigarettes. Motor vehicles are charged at a revenue of ad valorem rate - i.e., 20 percent for engine capacity - 1,000 cc to 1,999 cc and 35 percent for engine capacity above 2,000 cc..</p>
4.1 Import duties	<p>If there is no invoice, the value is the price that the goods would fetch on sale in the open market in The Gambia, including freight, insurance, commission, and all other costs up to the port or place of importation.</p>		<p>Secondhand vehicles are dutied at a specific rate of D 1,000, while sales tax calculation of these imported vehicles depends on the type of the engine capacity.</p>
4.11 Customs duties			<p>Duties on fuel are calculated at a specific duty rate - i.e., D 4.00 per liter (petrol) and D 2.35 on gas oil.</p>
			<p>The National Water and Electricity Company pays 20 percent of the normal duty rate on imports of petroleum products.</p>
			<p>Rates of duty are specific and vary according to the nature of the instrument, the matter to which it relates and the value thereof.</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.11 Customs duties (continued)			<p>Following the introduction of the flexible exchange rate system, in February 1986 specific rates of duty on beverages, potable spirits, oil, tobacco, sugar, and certain other products were converted to equivalent ad valorem rates. Alternative specific duty rates have been reintroduced to combat undervaluation. Duties on imported spirits range from 87 percent for brandy to 90 percent for wine. Duties on fuel oil are calculated according to a formula agreed with the oil companies based on specific duty rates. Following the introduction of a 10 percent sales tax. In July 1988, which replaces the 6 percent import tax, import duties have been lowered by an average of 4 percent. The National Water and Electricity Company pays 20 percent of the normal duty rate on imports of petroleum products.</p>
5. Other taxes			
5.1 Stamp duties	<p>Instruments Subject to Duty</p> <p>agreements</p> <p>awards</p> <p>bills of exchange</p> <p>conveyances</p> <p>insurance policies</p> <p>leases</p> <p>mortgages</p> <p>Persons Liable partial thereto</p> <p>person making or executing the award</p> <p>drawer or acceptor</p> <p>transferee</p> <p>issuer</p> <p>lessee or tenant</p> <p>mortgagees</p>	<p>General exemptions include (a) instruments effecting the payment of money to or for acknowledging any such payment to or receipt by or on behalf of the government; (b) instruments for the conveyance of any property or any interest therein to the government; (c) instruments whereby any contract is made by the government or on its behalf with another person; (d) contracts or instruments made or executed by any responsible officer of the government under the authority of any act; (e) instruments of which the duty would be payable by any consular officer arising out of his official functions, subject to reciprocity by the government he represents; and (f) instruments for the acquisition of land by any foreign state for the purpose of a consular office, subject to reciprocity.</p> <p>Certain other exemptions are provided within the categories of instruments generally liable to duty.</p>	<p>Rates of duty are specific and vary according to the nature of the instrument, the matter to which it relates, and the value thereof.</p>

The Gambia: Summary of Tax System as of January 31, 1999 (continued)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
Development Act, 1988	Tax Incentives		
The Development Act is presently suspended and is being reviewed.	<p>Any person engaged in a development project (in manufacturing industry; agriculture, livestock, fishing, and forestry; mining and quarrying; and tourism) may apply for a Development Certificate, which specifies, inter alia, the factory construction (or alteration, extension, etc.) date, the production date, the tax credits to be granted, and their duration. The provision of tax credits is limited to companies that either export at least one-half their output or of which 70 percent or more of their total current inputs originate from The Gambia. All development certificate holders are eligible for: (a) a tax credit certificate equivalent to 10 percent of local content used in the capital and construction phase, and in the first five fiscal years following production; (b) an offset against taxation equivalent to double the cost of training provided to management and employees in skills relating to the operations of the enterprise; and (c) accelerated depreciation at twice the normal rate for infrastructure supplied that is also available to other users.</p>		
	<p>In accordance with the terms of the Development Certificate, a tax credit certificate is granted for a period of no more than two years for (a) the total or partial exemption of customs duties on the following items: (i) the approved capital equipment, plant, building material, machinery, and appliances to be used in establishing the project; and (ii) the approved quantity of semifinished products, spare parts, and other supplies to be used in the production operations; and (b) the total or partial exemption from payment of company tax or turnover tax.</p>		

The Gambia: Summary of Tax System as of January 31, 1999 (concluded)

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
Development Act, 1988 (continued)	<p>The tax credit certificate shall indicate the amount of money the Government should forgo, and the holder of a Development Certificate may, at the end of the tax holiday period, set off unused tax credits against future tax or customs duty liabilities.</p> <p>The Development Certificate does not confer any special status with respect to the income tax.</p>		