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**The Gambia: 2005 Article IV Consultation—Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for The Gambia**

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2005 Article IV consultation with The Gambia, the following documents have been released and are included in this package:

- the staff report for the 2005 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on May 13, 2005, with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 1, 2005. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- a staff statement of July 18, 2005 updating information on recent developments.

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its July 18, 2005 discussion of the staff report that concluded the Article IV consultation.

- a statement by the Executive Director for The Gambia.

The documents listed below have been or will be separately released.

Ex Post Assessment of Longer-Term Program Engagement
Statistical Appendix

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

THE GAMBIA

**Staff Report for the 2005 Article IV Consultation**

Prepared by the Staff Representatives for the 2005 Consultation with The Gambia

(In consultation with Finance, Legal, Policy Development and Review and Statistics Department)

Approved by Benedicte Vibe Christensen and Carlo Cottarelli

July 1, 2005

- Discussions for the 2005 Article IV consultation were held in Banjul during April 29-May 13, 2005. The mission met with the Honorable Mrs. Margaret Keita, Secretary of State, Department of State for Finance and Economic Affairs (DoSFEA); Mr. Famara Jatta, Governor, Central Bank of The Gambia (CBG); and other senior government officials of The Gambia. The mission also met with representatives of the business community and donors.

- Mission members were Mr. McDonald (head), Mrs. Randall, Mr. Sriram (all AFR), and Mr. Wu (PDR).

- The program supported by the Poverty Reduction and Growth Facility (PRGF) was approved by the Executive Board on July 18, 2002 in an amount equivalent to SDR 20.22 million (65 percent of quota), and is due to expire on July 17, 2005. It went off track shortly after the initial drawing of SDR 2.89 million. No review under the arrangement was completed.

- The political situation is stable. President Jammeh, who assumed power in a coup in 1994, was reelected to a second five-year term in October 2001. Elections are due to be held in 2006. Early in 2005, the president implemented a reshuffling of his cabinet and dismissed several government officials, in response to the poor performance of groundnut exports and to a report on corruption. Subsequent to the Article IV consultation mission, Mrs. Keita has been replaced as Finance Minister by Mr. Ngum, the Secretary General in the Office of the President.

- The Gambia has a de facto managed floating exchange rate system with no preannounced path for the exchange rate. The country has been part of the exchange rate mechanism of the West African Monetary Zone since April 2002. Appendix I discusses public and external debt sustainability. Summaries of The Gambia's relations with the Fund, World Bank Group, and African Development Bank are contained in Appendix II, III, and IV, respectively. Statistical issues are discussed in Appendix V, and Appendix VI contains a Public Information Notice.

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## EXECUTIVE SUMMARY

- **The Gambia's economic performance since the mid-1980s has been uneven owing to exogenous shocks, macroeconomic and structural policy slippages, poor governance, and weak institutions**. The economy's vulnerability to shocks stems in part from a lack of economic diversification; in addition, economic performance has been constrained by policy distortions and by recurrent weaknesses in fiscal policy. During 2002-03, excessive fiscal deficits, quasi-fiscal spending (including losses on questionable foreign exchange transactions by the central bank), and accommodating monetary policies led to rising inflation and a deteriorating external current account.

- **Macroeconomic performance has strengthened over the past 18 months, particularly through end-2004, in response to strong financial policies**. Real GDP growth rebounded in 2003-04, and inflation, which had peaked at 18 percent at end-2003, declined to about 5 percent by end-March 2005. The basic primary fiscal surplus more than doubled to about 9½ percent of GDP in 2004 and could be maintained at this level in 2005, and international reserves have recovered, reflecting increased official transfers, remittances, and foreign direct investments. The exchange rate has stabilized following a depreciation of over 30 percent vis-à-vis the U.S. dollar in 2003, and domestic interest rates have begun to decline.

- **Policies, however, weakened in the first quarter of 2005.** This principally reflects unbudgeted expenditures and the licensing of a quasi-public monopoly enterprise in the groundnut sector, which has had a near-disastrous effect on the marketing and export of processed groundnut. The government is determined to take corrective actions, and the outlook for 2005 is conditional on the timeliness and effectiveness of these actions.

- **The main medium-term challenge for The Gambia is to make a decisive break from the "stop-go" policies of the past and to institute policies that will establish the conditions for sustainable growth and rising living standards**. This assessment is supported by the ex post assessment of The Gambia's performance under Fund-supported programs. As part of a medium-term strategy, the authorities should (1) consolidate recent gains in macroeconomic stability; (2) stabilize and reduce the public debt burden, in part by ensuring that external flows are largely concessional or in the form of grants; and (3) address remaining structural weaknesses in the economy to foster private sector activity and improve competitiveness.

- **In the near and medium term, The Gambia also faces a critical need to strengthen governance and the overall capacity of economic management.** The core areas for capacity building will continue to be public expenditure management, domestic debt management, the statistical system, and governance at the CBG and its domestic and foreign exchange operations. As for foreign exchange operations, an urgent task is to accelerate the implementation of the action plan to strengthen internal controls of the central bank, as recommended by the recent audit reports and the Fund's Safeguard Assessment.

## I. BACKGROUND

1. **The Gambia's economic performance since the mid-1980s has been uneven owing to exogenous shocks, macroeconomic and structural policy slippages, poor governance, and weak institutions**. The economy's vulnerability to shocks stems from a lack of economic diversification; in addition, economic performance has been constrained by policy distortions and by recurrent slippages in fiscal policy. Expansionary policies have increased the government's recourse to domestic bank financing, which, in turn, has raised real interest rates, increased the domestic debt burden and tended to crowd out private investment.

**The Gambia and Sub-Saharan Africa (SSA): Selected Economic Indicators**

| | 1981-84 | | 1985-94 | | 1995-2001 | | 2002-04 | |
|---|---|---|---|---|---|---|---|---|
| | The Gambia | SSA | The Gambia | SSA | The Gambia | SSA | The Gambia | SSA |
| | (Percentage change) | | | | | | | |
| Real GDP growth | 4.3 | 1.6 | 3.7 | 1.7 | 4.6 | 3.5 | 3.7 | 4.2 |
| Coefficient of variation | 15.2 | 1.9 | 1.5 | 1.7 | 3.5 | 1.1 | 6.1 | 0.8 |
| Real per capita GDP growth | -0.1 | n.a. | -0.5 | -1.1 | 1.1 | 0.6 | 1.1 | 1.2 |
| Coefficient of variation | 15.3 | n.a. | 1.2 | 2.2 | 3.3 | 0.9 | 5.9 | 0.7 |
| Inflation (average) | 12.2 | 18.4 | 15.7 | 29.2 | 3.0 | 20.1 | 13.4 | 11.8 |
| Broad money growth | 17.9 | n.a. | 17.6 | 26.0 | 17.1 | 21.9 | 32.6 | 22.5 |
| Overall fiscal balance excluding grants 1/ | -15.0 | -9.5 | -7.7 | -6.1 | -8.9 | -4.3 | -8.1 | -3.1 |
| Primary fiscal balance 1/ | -12.2 | -2.0 | -3.7 | -2.6 | -4.3 | 0.4 | -2.0 | 0.2 |

Source: IMF, African Department WETA tables.
1/ In percent of GDP.

2. **In 1998, the authorities entered into a three-year program under the ESAF, which was converted into a PRGF arrangement**. This was followed by a successor PRGF arrangement in 2002, which quickly went off-track.[1] In 2003, it was discovered that The Gambia had misreported net international reserves to the Fund by US$38.8 million at end-December 2001 and failed to record US$28.5 million in government expenditures.[2] The Executive Board concluded that The Gambia had received two noncomplying disbursements, equivalent to SDR 3.435 million each in July and December 2001. The authorities repaid

[1] For further details, see the ex post assessment of The Gambia's performance under Fund-supported programs issued as a separate document.

[2] See IMF, 2004, "The Gambia: 2003 Article IV Consultation—Staff Report; Report on Noncomplying Disbursements and Recommendation for Corrective Action; Staff Assessment; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for The Gambia," IMF Country Report No. 04/143 (Washington).

these disbursements in 2004 in four equal installments, making the last payment ahead of schedule.

3. **During the 2003 Article IV consultation, Executive Directors urged the authorities to commission a new audit of the CBG's 2001 and 2002 financial statements on terms of reference agreed with Fund staff.** In addition, Directors stressed the need for a special audit of foreign exchange transactions between 2000 and 2003. These audits have now been completed and confirm the breakdown in internal controls at the central bank that were observed during the Fund's Safeguard Assessment, conducted in November 2003. The audit reports restate general ledger balances for external reserves for various test dates between end-December 2000 and end-September 2003, which are significantly lower than the originally recorded balances.

4. **The auditors have issued a disclaimer indicating that they are unable to express an opinion about the 2001 and 2002 accounts.** The disclaimer relates to substantial qualifications in the report, namely (1) the auditors' inability to gain access to the files of the previous auditors, (2) the impossibility of verifying opening balances as of January 1, 2001, and (3) the lack of supporting documents for some of the recorded foreign exchange transactions. The special audit of foreign exchange transactions also confirms that (1) there were significant withdrawals of foreign currencies from the central bank's reserves to individuals who were not deposit holders, in contravention of the Central Bank Act; (2) the provision of funds to various foreign exchange bureaus for the purchase of foreign exchange was unsecured; and (3) advances made to the government violated the Central Bank Act.

5. **The authorities' response to key policy challenges raised in previous Article IV consultations has been mixed** (Box 1). In the past few years, the Fund's policy advice has focused on The Gambia's need to strengthen overall fiscal performance; refine poverty reduction priorities; strengthen governance, both in public financial management and at the central bank; implement key structural reforms; and improve macroeconomic and other data.[3]

## II. Recent Economic Developments

6. **Macroeconomic performance has strengthened over the past 18 months, particularly through end-2004, in response to strong financial policies**. Real GDP growth rebounded in 2003-04 to an average annual rate of 6 percent following a contraction in 2002, owing to the recovery of groundnut crop production, and inflation, which had peaked at 18 percent in 2003, declined to about 5 percent by end-March 2005 (Figure 1).

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[3] See the summings-up of the last two Article IV consultations at http://www.imf.org/external/country/GMB/index.htm.

**Box 1. The Authorities' Response to Previous Article IV Recommendations**

- **The authorities' response to policy recommendations in the last two Article IV consultations has been mixed, although policies have decidedly strengthened in the past 18 months**. The macroeconomic environment deteriorated significantly through most of 2003. Overall fiscal imbalances remained large, monetary growth accelerated, and inflation reached 18 percent by end-2003, compared to 13 percent at end-2002. As a consequence, the exchange rate depreciated by over 30 percent vis-à-vis the U.S. dollar in 2003, and there was a loss in international reserves.

- **The authorities did attempt some corrective fiscal measures as early as October 2002 with the introduction of the National Emergency Fiscal Committee (NEFCOM).** NEFCOM shifted budget execution to a cash system, which, although not ideal, has given the authorities greater control over expenditures. NEFCOM's effectiveness improved further through 2004 with the result that expenditure allocations have now shifted from a monthly to a quarterly basis. The improvement in domestic fiscal operations, coupled with a tightening of monetary policy reversed the deterioration in the macroeconomic environment in 2004 and through the first half of 2005.

- **Steps are being taken to strengthen the public expenditure management system.** A new organic budget law has been passed, and the financial regulations are currently being implemented. With Fund technical assistance, public expenditure management capacity is also being enhanced. The authorities have generally sought to strengthen macroeconomic management by improving collaboration between the central bank and the finance ministry. Progress in finalizing and auditing the backlog of fiscal accounts has been slow, although there has been some recent progress.

- **The central bank has benefited from two recent Fund technical assistance missions on domestic and foreign exchange operations.** The authorities are seeking to strengthen governance at the central bank by implementing the recommendations of the Fund's Safeguard Assessment and the report of the external auditors on strengthening internal controls.

- **Structural reforms have lagged.** The authorities have fallen behind in their schedule to privatize the Gambia Groundnut Corporation (GGC), and developments in the groundnut sector discussed elsewhere in this report represent a step backward.

- **After a long delay, the authorities recently completed the first annual progress report of the poverty reduction strategy paper (PRSP) covering the period July 2002-December 2003.** There is still substantial scope to refine priorities and improve monitoring and evaluation of the poverty reduction strategy.

- In the area of **macroeconomic statistics**, the authorities are in the process of developing a statistical strategy to present to donors. Basic macroeconomic statistics, however, remain weak.

The overall fiscal deficit (including grants and on a commitment basis) is estimated at 5¾ percent of GDP in 2004 compared with 4¾ percent in 2003, largely reflecting much higher externally financed capital expenditures, and domestic interest payments. However, the basic primary surplus[4] more than doubled to about 9½ percent of GDP, indicating a significant tightening in domestic fiscal operations (Figure 2).

**The Gambia: Recent Developments**

| | 2002 | 2003 | 2004 |
|---|---|---|---|
| | (Annual percentage changes) | | |
| National income and prices | | | |
| GDP at constant prices | -3.2 | 6.9 | 5.1 |
| Groundnut production (mt) | -52.6 | 25.8 | 22.2 |
| Consumer prices (eop) | 13.0 | 17.6 | 8.0 |
| NEER (period average) | -22.6 | -37.4 | -12.9 |
| REER (period average) | -17.6 | -28.5 | -0.5 |
| Money and credit | | | |
| Broad money (Percent change) | 35.3 | 43.4 | 18.3 |
| Treasury bill rate (in percent; eop) | 20.0 | 31.0 | 30.0 |
| | (In percent of GDP) | | |
| Public finances | | | |
| Domestic revenue | 16.3 | 15.7 | 20.9 |
| Total expenditure and net lending | 25.4 | 22.9 | 31.2 |
| Overall balance, including grants | -4.6 | -4.7 | -5.7 |
| Basic Primary Balance | 2.7 | 3.6 | 9.6 |
| Overall balance, excluding grants | -9.1 | -7.2 | -10.2 |
| | (Annual percentage changes, unless otherwise indicated) | | |
| Balance of payments | | | |
| Exports, f.o.b. (in US$) | 7.1 | -7.1 | 25.8 |
| Imports, f.o.b. (in US$) | 12.8 | -6.2 | 46.2 |
| Current account balance 1/ | -2.8 | -5.1 | -11.8 |
| Gross official reserves (in Mill. US$) | 67.2 | 62.3 | 84.6 |
| In months of imports, c.i.f. | 4.5 | 4.4 | 4.1 |

Source: Gambian authorities.
1/ Including official transfers. Ratio to GDP.

7. **Broad money growth declined from a peak of 43 percent on a 12-month basis in 2003 to 18 percent in 2004.** The successful reduction in inflation and the stabilization of the exchange rate (the rate appreciated by 3 percent on a 12-month basis through end-March 2005) have paved the way for an easing of monetary policy. Consequently, treasury bill yields declined to 26 percent at end-March 2005 from a peak of 31 percent in August 2003 (Figure 3).

8. **The relatively high real interest rates that were necessary to reverse the deterioration in the macroeconomic environment have, however, placed a heavy burden on domestic debt service and on credit markets.** The total domestic debt stock increased from about 25 percent of GDP in 2003 to 31 percent in 2004. Hence, domestic interest payments rose from 4½ percent in 2003 to 5¼ percent of GDP in 2004. The tightening in domestic financial policies has also severely depressed credit to the private sector. In 2004, the stock of such credit is estimated to have declined by over 15 percent.

9. **The external current account deficit (including official transfers) deteriorated from 5 percent of GDP in 2003 to 12 percent in 2004**, partly reflecting the worsening in the balance of trade as strong import growth was driven by the recovery in output, the surge in donor-financed capital expenditures, foreign direct investment,[5] and higher international

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[4] Defined as domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

[5] Foreign direct investments in 2004 include the acquisition of a major hotel, reportedly for US$20 million.

oil prices (Figure 4). Gross international reserves rose by more than US$22 million or over 30 percent in 2004 as increased foreign inflows and a stabilizing exchange rate allowed the central bank to increase its purchases in the interbank market.

10. **Policies however, weakened in the first quarter of 2005.** There have been significant fiscal slippages owing primarily to unbudgeted expenditures of D 101 million (¾ of 1 percent of GDP),[6] which have led to a substantial increase in the government's net debt. Accommodating policies by the CBG led to excessive growth in monetary aggregates. The CBG decided during its April Monetary Policy Committee (MPC) meeting to maintain its policy interest rate—the treasury bill rediscount rate—at 29 percent. This decision reflects the CBG's assessment that inflation risks have increased because of the weakened fiscal position, as well as the possible "knock-on" effects of volatile international oil prices.

11. **Economic prospects for 2005 are further jeopardized by the decision to license a quasi-public monopoly enterprise, the Gambian Agricultural Marketing Corporation (GAMCO), to market and process groundnuts**. This decision has had a near disastrous effect on exports of processed groundnuts because GAMCO, which is undercapitalized, has been unable to raise the finances to purchase groundnuts from farmers that would have been further processed for exports. The mission estimates that up to 50 percent of groundnut exports could be lost in the 2004/05 crop season; however the impact on GDP is projected to be limited because of groundnut exports' small output share.

## III. Report on Policy Discussions

12. **The findings of the ex post assessment of The Gambia's performance under Fund-supported programs provided an important backdrop to the discussions.** The main focus was on future Fund relations, immediate policy priorities, and the medium-term overall macroeconomic and structural reform strategy for establishing the conditions for sustained growth and poverty reduction.

13. **The Gambia's macroeconomic and structural reform strategy over the medium term should be to implement policies that will raise growth rates and ensure fiscal and external sustainability.** Meeting this challenge requires a decisive break from previous "stop-go" policies and a determination to maintain policy consistency in order to establish credibility. To this end, the mission discussed (1) policies to stimulate growth and economic diversification, (2) a medium-term fiscal path that would stabilize and reduce the ratio of public debt to GDP, (3) an independent and prudent monetary and exchange rate policy, and (4) the conditions that would ensure external debt sustainability.

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[6] The expenditures were for acquisition of two aircrafts to spray insecticides to combat the spread of the locust plague, the provision of a loan to the Gambia International Airlines to repatriate Gambian citizens stranded at the Hajj, and payments of arrears in membership dues to the Economic Community of West African States (ECOWAS).

## A. The Authorities' Response to the Ex post Assessment

14. **The authorities viewed the ex post assessment as generally balanced.** They agreed with the broad assessment of both the performance of The Gambia under the ESAF and PRGF arrangements since 1998, and of the principal challenges it faces in the medium term. They felt that such an assessment would also have been useful after the 1998 PRGF arrangement.

15. **The authorities pointed to the strong measures they had taken over the past two years to return to macroeconomic stability by improving financial management.** In this context, they acknowledged that past problems with "stop-go" implementation of economic reforms were manifested in weak outcomes. They also noted the difficulties that resulted from the Fund's withdrawal of financial support and, more important, traditional donors' budget support.

16. **The authorities concurred with the importance of improving the accountability and transparency of public expenditures and strengthening the central bank's internal controls**. However, they stressed that some of the accounting problems—long lags in the closing and auditing of public accounts—dated back to the 1980s and emphasized that there were ongoing efforts to audit all of the government's outstanding fiscal accounts. They agreed with the importance of improving the capacity of key public institutions, including increasing the autonomy of the central bank in conducting its core functions.

17. **The government acknowledged the need to undertake ambitious structural reforms**. It conceded that various state interventions in the economy, particularly in the groundnut sector, had hampered economic activity and undermined private sector confidence. However, the government pointed to general weaknesses in the private sector, including its concentration on trading activities, which have contributed to disappointing outcomes with respect to economic diversification.

18. **The authorities noted that over ambitious targets may have contributed to failures to meet quantitative performance criteria and benchmarks under Fund arrangements.** They expressed some apprehension over the use of prior actions to mark the implementation of critical economic reforms in future Fund arrangements.

## B. Future Fund Relations

19. **The mission emphasized that key requirements for a future Fund-supported program in The Gambia would be continued strong macroeconomic policies and the country's commitment to the implementation of remedial measures and reforms at the central bank to strengthen governance.** Following the discovery of the misreporting of data to the Fund, staff envisaged that a six month SMP would have been agreed with the authorities as of July 2004. However, while the policies were discussed with the authorities, the SMP did not become operational because of delays in completing the re-audits of the CBG's 2001 and 2002 accounts and the special audit of foreign exchange transactions. Given

that the audits have now confirmed the breakdown of internal controls at the CBG, clear steps are needed before an SMP can be negotiated.

20. **Staff discussed the following conditions for an SMP with the authorities**:

- The adoption of an action plan to implement the external auditors' recommendations, designed to improve internal controls. The authorities indicated that such a plan was being drafted and would be presented to the CBG board shortly.

- The staff proposed that, for the foreseeable future and until the auditors were able to issue unqualified reports on the accounts, the authorities continue to conduct quarterly audits of the CBG's foreign reserve balances to ensure that reforms at the central bank were being implemented. The authorities resisted the idea, stressing that it would be costly and impose an undue burden on the central bank. However, they recognized its importance for a future SMP. If an SMP were to be agreed with the authorities covering the period September 2005 to March 2006, then a new PRGF arrangement could be negotiated for the second half of 2006. The Gambia could then reach the HIPC Completion Point following a minimum of six months of satisfactory performance under the PRGF in early 2007.

21. **The staff reviewed The Gambia's progress in implementing the recommendations of the Fund's Safeguard Assessment.** The authorities have (1) completed the new audits of the 2001 and 2002 accounts as well as the special audit of foreign exchange transactions, (2) established an audit committee to oversee the external audit process, and (3) prepared formal guidelines for foreign exchange operations and incorporation of the comments of the Monetary and Financial Systems Department (MFD) technical assistance missions. Moreover, they will soon submit the revised CBG bill, which strengthens the central bank's operational independence of the central bank, to the National Assembly. The CBG is also developing a timetable to initiate and complete the process of adopting international accounting standards.

## C. Short-Term Outlook and Immediate Policy Priorities

22. **The stability of The Gambian economy in the short-term will depend on how quickly corrective policies can be put in place**. The authorities agreed that corrective actions in the second quarter of 2005 to offset the fiscal overruns of the first quarter were absolutely critical to put budgetary projections back on track. Assuming that these measures are taken, the mission forecasts that the budget deficit could be about 5½ percent of GDP for 2005. It would be higher than budgeted primarily because of larger-than-expected domestic interest payments. However, the basic primary balance would be maintained at over 9 percent of GDP, somewhat higher than budgeted. Staff and the authorities agreed that this fiscal target for 2005 was appropriate, as it would allow the authorities to meet their inflation objectives so long as monetary policy remained prudent. Moreover, this target entails an adjustment of 2.1 percent of GDP relative to unchanged policies in the remaining three quarters of the year, Real GDP growth is projected at 4¾ percent in 2005 and end-period

inflation is likely to be about 5 percent. However, lower groundnut exports could lead to a higher-than-expected current account deficit.

23. **The mission agreed with the authorities' strategy of containing domestic borrowing for the rest of the year by limiting quarterly discretionary expenditure allocations to D 190 million (a compression of roughly 2 percent of GDP compared to the Budget, by the end of the year).** However, for this compression in expenditure to be feasible, clear changes in policy will be required. The government is implementing the following policy changes, which have been endorsed by the president and will be implemented through the issuance of relevant circulars: (1) limits on government travel, (2) new policies on the use of government vehicles, and (3) ceilings on expenditure on other charges. In addition, the government is seeking to increase public enterprises' repayments of government loans.

24. **The mission recommended a review of current retail prices for petroleum products, which the authorities concurred was long overdue**. According to the current mechanism, the government is expected to review domestic fuel prices in all categories on a monthly basis and, to adjust them on a quarterly basis to avoid subsidies. However, the government last adjusted retail prices for kerosene and gas oil in October 2004 and premium gasoline prices in December 2003. The mission estimates that the cost to the budget of subsidizing petroleum products was about D 17 million (0.1 percent of GDP) in 2004 and that, if oil prices remain at current levels and retail prices are not adjusted, this subsidy could reach D 70-80 million (½ of 1 percent of GDP) in 2005.

25. **While agreeing with the decision of the last central bank Monetary Policy Committee meeting, the mission expressed the view that interest rate reductions could resume in the near term if the recent slippage in fiscal policy could be reversed.** Although reserve money growth is currently above target, inflation has declined much faster than previously envisioned. In addition, the dalasi has remained strong in the foreign exchange market, while expansion in private sector credit remains weak. The CBG agreed with this assessment, but emphasized that it stood ready to reverse course if conditions changed.

26. **The mission urged the authorities to continue the reforms aimed at strengthening public financial management in the near term.** These include the issuance of the financial regulations to make the new organic budget law operational, the formation of the Cash Management Committee at the DOSFEA, and the finalization of the 2001 accounts and their submission to the Auditor General. The authorities informed the mission of the completion of the auditing of the 1991-99 accounts and the finalization of the 2000 accounts and their submission to the Auditor General. The mission was also informed that the Treasury Directorate plans to begin updating the general ledger for fiscal data for 2002-04 and staff encouraged the authorities to complete this task by end-2005.

## D. Medium-Term Macroeconomic and Structural Reform Strategy

27. **A key medium-term challenge for The Gambia is to maintain GDP growth rates at between 4 and 5 percent**. The mission and the authorities agreed that past hopes of economic diversification had not materialized and that the economy remained significantly dependent on the agricultural sector as one of its main sources of growth. Moreover, the volatility of GDP largely reflects the volatility of agriculture, and the effects can be lasting. In 2002, for example, real agricultural output declined by 28 percent, but, by 2003, was still well below its 2001 level.

28. **The mission emphasized that, although the authorities had little control over exogenous shocks that affected agriculture, they did have control over policy-induced shocks.** Further, the staff's own analysis shows that the volatility of growth in The Gambia over the past 25 years declined substantially during periods of comprehensive reforms. The staff and the authorities agreed that maintaining a good policy environment not only encouraged growth but could also help mitigate the impact of shocks. To this end, the discussion focused on creating an environment conducive to private sector activity.

29. **The mission stressed the importance of adopting an ambitious medium-term structural reform program to address the costs and risks of doing business in The Gambia.** The authorities concurred that acceleration of the privatization of Track 1[7] enterprises would be essential for facilitating private investment, increasing efficiency, and reducing the burden on the budget. In addition, the World Bank's recent Diagnostic Assessment of The Gambia's Investment Climate identified several reform priority areas. These include, for example, the centralization of business taxes, the granting of autonomy to the courts to hire and staff themselves appropriately, the review of the legal framework to ensure consistency of the laws and regulations, and the deregulation of the land market and privatization of state land.

30. **The Gambia needs a comprehensive strategy to address structural problems in the agricultural sector**. Policy advice in this area is being led by the World Bank and other donors and includes (1) privatization of the GGC;[8] (2) promotion of private sector

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[7] These enterprises include: the National Water and Electricity, the Gambia Ports Authority, the Gambia Telecommunications Company Ltd., the Gambia Public Transport Corporation, the Gambia Civil Aviation Authority, the Social Security and Housing Finance Corporation, the Gambia International Airline, the National Printing and Stationary Corporation and the Gambia Groundnut Corporation, for which a feasibility study has already been conducted.

[8] The privatization of the GCC is a HIPC completion point trigger. There has been little progress made towards the attainment of HIPC completion point triggers in all 5 required categories, namely: poverty reduction, macroeconomic stability, governance, social sector reforms, and structural reforms. An exception is the establishment of the Public Utilities Regulatory Agency (PURA); however, it still needs to be staffed and made operational.

participation in marketing and, extension services, as well as in providing seeds, fertilizer, and other inputs; (3) delegation to the government the provision of basic infrastructural facilities—including improvements in the irrigation system; and (4) development of innovative approaches to ensure that smallholders and small and medium-sized enterprises have better access to financing. The authorities acknowledged that recent policy shifts in the groundnut sector had unintended consequences. They indicated that these policies were now being reversed through the abolishment of GAMCO's monopoly, and agreed that their main objective was to enhance the efficiency of the sector.

31. **The government was urged to take into account the assessment of the Joint Staff Advisory Note (JSAN) of the first annual PRSP progress report in future reviews of the poverty reduction strategy.**[9] The authorities responded that a task force had been set up to consider the JSAN. In the JSAN, the staff encouraged the authorities to allocate more resources to poverty reduction and to improve monitoring and evaluation within the context of strengthened macroeconomic and structural policies in order to improve The Gambia's chances of achieving the Millennium Development Goals (MDGs). There are indications that the poverty rate has increased—the percentage of people living on less than US$1 a day increased from 54 percent in 1992 to 59 percent in 1998—and the MDG target for 2015 is 27 percent. The most recent data on changes in the poverty rate based on the 2003 household survey have not yet been processed. Nevertheless, The Gambia has made some progress in health and education: the MDGs for net primary school enrollment and the ratio of girls to boys in primary education are on track, as are most of the MDG health indicators (except for the under-5 child mortality ratio). The authorities intend to complete the next annual (2004) progress report of the PRSP during 2005 and begin the comprehensive review of the poverty reduction strategy by end-2005.

32. **An overall fiscal deficit of 1 percent of GDP over the medium term is consistent with a declining path for the ratio of public sector debt to GDP, in both nominal and NPV terms**. However, the threshold will still remain above the level deemed appropriate for low income weak performers. The overall net present value (NPV) of public debt is projected at 118 percent of GDP in 2005. Under the staff's medium-term scenario (the "active" scenario), which assumes that The Gambia reaches the HIPC completion point in 2007 and includes average annual real GDP growth of 4½ percent, the NPV of the public debt/GDP ratio would decline to 77.2 percent of GDP in 2010 and remain relatively stable in the face of plausible shocks (Appendix I).

33. **Nevertheless, external debt sustainability will require that The Gambia's future external financing needs be met largely through non-debt-creating flows**. Under the scenario in which The Gambia borrows only on highly concessional terms and reaches the HIPC completion point in 2007, the NPV of the external debt/GDP ratio is projected to

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[9] The JSAN was issued to the Executive Board for its information on April 22, 2005, together with the authorities first annual progress report of the PRSP (http://www.imf.org/external/country/GMB/index.htm).

decline from 89 percent in 2005 to 63 percent by 2010, and the NPV of the debt-to-exports ratio[10] is projected to decline from 312 percent in 2005 to 183 percent by 2010. Stress tests, however, underscore that the impact of vulnerabilities, while declining, will remain significant and that policies, and possibly external support, will have to respond rapidly to unanticipated shocks (Appendix I).

34. **In this context, staff also considered additional scenarios in order to assess The Gambia's vulnerability to shocks, including unchanged fiscal policies from 2005 and an adverse terms of trade shock**. If fiscal policies were unchanged and the fiscal deficit were to remain in the range of 8-8.5 percent of GDP over the medium term, the debt to GDP ratio would decline to a much higher threshold in 2010 than under the baseline scenario (namely, 141.8 versus 121.2 percent) as will the NPV of public sector debt (namely 97.7 versus 77.2 percent). If there was a terms of trade shock comprised of a 30 percent decline in groundnut export prices and a temporary 10 percent increase in import prices during 2006-08, the current account deficit would be about 3 percent higher, which could lead to exchange rate depreciation, a lower accumulation of foreign reserves, or higher external borrowing.

**Fiscal policy**

35. **The mission discussed possible fiscal policies over the medium term that would allow The Gambia to make progress toward public debt sustainability**. The authorities agreed with a fiscal path that reflects modest capital expenditures over the medium term given The Gambia's limited absorptive capacity. While concurring with the need to lower the fiscal deficit over the medium term, the authorities emphasized the importance of restoring PRSP expenditures, which had been compressed in 2004. The mission agreed, but argued that it was important to adhere to budgetary priorities during the fiscal year and to avoid unbudgeted expenditures (such as those that arose during the first quarter of 2005) that may crowd out these priorities.

36. **The authorities agreed that a decline in the fiscal deficit by 1 percent of GDP in 2006 would be realistic**. This would reflect a reduction in externally-financed capital expenditures, in line with The Gambia's absorptive capacity, and the decline in domestic interest payments following a resumption of interest rate reductions in the context of macroeconomic stability. In 2007 the deficit is projected to contract by a further 2.3 percent of GDP, reflecting further declines in domestic interest payments, owing to interest rate reductions and the decline in the debt/GDP ratio; further reductions in capital expenditure to more historical norms; and the resumption of HIPC grant inflows following The Gambia's attainment of the Completion Point.

37. **The shift in the composition of government spending to pro-poor areas is expected to exert upward pressure on noninterest, nonwage recurrent expenditures.** As

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[10] Following the practice in the decision point document, only the value added component of reexports is included.

a result, the medium-term fiscal path assumes that these expenditures will gradually increase by about 2 percentage points of GDP by 2010 after the severe compression in 2004 and the expected tight ceilings on allocations in 2005. Over the medium term, the ratio of wages and salaries to GDP is expected to rise to reflect both productivity gains and the catching up of real wages after a period of compression.

38. **A key concern of the authorities is the high domestic debt-service burden on the budget.** In the medium-term scenario, the staff projects that the stock of domestic debt will decline gradually from 29 percent of GDP in 2005 to about 15 percent by 2010. Domestic interest payments in the budget are assumed to decline from 25 percent of domestic revenues to about 7 percent by the end of the period. But this projection depends on continued strong financial polices and the maintenance of low inflation.

39. **The revenue outlook reflects the maintenance of recent gains in revenue mobilization.** Domestic revenue is projected at roughly 21 percent of GDP in 2005, and the underlying effort is assumed to be maintained over the medium term. The authorities expressed an interest in receiving follow-up technical assistance from the Fund to study ways of broadening the tax base. Possible changes in tax policy over the medium term could include limiting exemptions and extending the sales tax to services such as electricity. Significant improvements have been made in customs administration. For example, the change in management has had a marked impact on revenue collections. Other changes, such as the use of new scanning machines and the updating of the Automated System of Customs Data Administration, should further strengthen revenue administration.

**Monetary and financial sector policies**

40. **The authorities have successfully reduced inflation and stabilized the exchange rate, and, in doing so, they have enhanced the transparency of their operations through an effective communications strategy.** The MPC now meets every two months and issues a comprehensive press release explaining its decisions, steps welcomed by the banking and financial community. The staff and the authorities agreed that the money-based monetary framework is appropriate given the CBG's familiarity with the mechanics of monetary targeting and the past evidence of a close relationship between money and inflation.

41. **The conduct of monetary policy is hampered by the underdevelopment of the domestic capital market and the inadequacy of financial instruments.** As recommended by recent MFD technical assistance missions, the authorities are taking steps to introduce a new 14-day instrument that will separate monetary operations from the financing of the budget. Other recommendations the authorities are considering are the introduction of an overnight instrument to manage liquidity on a day-to-day basis, a secured credit facility designed to encourage banks to engage in interbank transactions, and the phasing out of the rediscount facility.

42. **The financial sector in The Gambia is relatively sound.** In 2004, the CBG introduced new minimum capital standards for banks of D 60 million. All existing banks are expected to meet this requirement by March 2006, while new entrants have to meet it

immediately. Profitability and liquidity ratios are high, and nonperforming loans fell from about 25 percent of total loans in 1998 to about 10 percent in early 2005.

43. **Financial intermediation remains low, and the lack of access to credit constrains the productive sector.** The loan-to-deposit ratio is relatively low at 38 percent, which is attributed to the high interest rate environment, the attractiveness of government securities to the banking sector, and the weak legal environment—in particular, the lack of a well-functioning commercial court to enforce contracts. The government agreed that to deepen financial intermediation it would have to pursue both sound macroeconomic policies, so as to foster a lasting reduction in interest rates, and key medium-term structural reforms designed to strengthen creditor rights.

**External sector policies**

44. **The Gambia's current account deficit over the medium term reflects the expected slow improvement in domestic savings and the continued strong inflows of foreign direct investments and remittances.** Although moderating somewhat in 2005, imports are expected to remain high in subsequent years and would be financed from expected foreign direct investment flows, mostly in the tourism sector. Thus, the current account deficit (including official transfers) would remain above 6 percent of GDP and decline only slowly over the medium term. However, strong remittance inflows that have already been observed over the last two years are expected to grow and contribute to the improvement in the current account. The prospects are also good for continued improvement in tourism receipts.

45. **The economy's overall external competitiveness can be improved.** However, whereas the real exchange rate has depreciated in recent years, the current account response has been minimal. For example, between 1998 and 2004, the real effective exchange rate depreciated by about 50 percent, while export volumes were volatile. Agricultural products (especially groundnut-based), which are the Gambia's major exports, are subject to weather-related and policy-induced shocks and are not particularly sensitive to exchange rate developments. The high import component of most exports also limits the effectiveness of the exchange rate in stimulating exports, although the tourism sector appears to be somewhat sensitive to developments in the exchange rate. Imports have responded to changes in the real exchange rate, but this effect has been more than offset by the impact of project-related inflows and foreign direct investment. In general, the staff believes that the current level of the real effective exchange rate is appropriate.

46. **The authorities concurred that raising productivity and improving external competitiveness would require the removal of structural bottlenecks, so as to reduce the agricultural sector's vulnerability to exogenous shocks.** The Gambia has maintained a liberal trade regime with a simple average tariff of 12.7 percent (six bands ranging from zero to 18 percent) and low nontariff barriers. Nevertheless, there are ongoing initiatives to further identify bottlenecks to The Gambia's external competitiveness. The Gambia has been selected as one of the countries under the interagency initiative, the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries. The first step under

the initiative, to be spearheaded by the Bank, would be to complete the Diagnostic Trade Integration Studies, with the ultimate goal of mainstreaming trade into development strategies. The authorities were urged to identify suitable local counterparts to participate in this study.

47. **The authorities agreed with the staff's view that the exchange rate should be largely market-determined, with interventions limited to smoothing volatility and maintaining a minimum international reserve cover.** Gross international reserves are projected to increase to about US$125 million (5.4 months of imports) over the medium term, reflecting moderate purchases by the CBG of foreign exchange. Broad money is expected to serve as the nominal anchor for prices, with the purchase and sale of government securities and the level of interest rates as the principal policy instruments.

## IV. Capacity Building and Data Issues

48. **The mission discussed the critical need to strengthen the overall capacity of economic management to improve The Gambia's medium-term economic performance.** The authorities have been making progress in strengthening their economic management capacity through the creation of the MPC, a high-level macroeconomic committee, and a treasury bill committee. However, capacity remains weak. They agreed with the mission that the core areas for capacity building would continue to be public financial management, governance at the CBG and its domestic and foreign exchange monetary operations, public debt management, and the statistical system.

49. **The authorities expressed appreciation for the wide-ranging technical assistance being provided by FAD's regional advisor, and recently requested that it continue beyond 2005 to enable the advisor to finish developing a commitments control system**. They also requested additional training for government officials on a variety of public expenditure management issues.

50. **The CBG has set up the Reforms Implementation Committee (RIC) to monitor and report on the implementation of a variety of recommendations designed to strengthen its operations.** These include the recommendations of the two recent MFD missions, the Fund's Safeguard Assessment mission, and the external auditors to strengthen internal controls. The RIC produces monthly reports for the CBG's management that, in addition to monitoring progress in the implementation of the reform agenda, identify problems or capacity constraints that need to be addressed.

51. **The mission stressed the urgent need to address the weaknesses in the quality and timeliness of economic and financial statistics.** In particular, staff expressed concerns over (1) the use of 1976/77 as the base year and the narrow scope of the CPI, which is limited to the low income population of the greater Banjul area; (2) persistent discrepancies between the fiscal deficit measured from above- and below-the-line; (3) the poor reliability of external debt data; and (4) the absence of comprehensive balance of payments statistics. The authorities concurred and have begun to implement the recommendations of the Fund's recent data ROSC mission, including by preparing a comprehensive statistics reform package

that could be presented to donors for funding. The mission informed the authorities of the Fund's readiness to assist the government in its core areas of expertise.

## V. Staff Appraisal

52. **The Gambia's economic performance in recent years has been characterized by inconsistent implementation of sound macroeconomic policies and poor economic governance.** These policy-induced shocks have exacerbated the negative effects of weather-related shocks to agricultural output, which, in 2003, culminated in a surge in inflation rates, a significant depreciation of the dalasi, and a drop in international reserves. The poor policy environment and the country's inability to complete a review under the Fund-supported program led to a marked reduction in donor support.

53. **Since mid-2003, the authorities have been implementing strong financial policies.** They significantly raised domestic interest rates, and the central government strengthened domestic fiscal operations and reduced its domestic financing requirement. In 2004, these steps led to a marked reduction in inflation, the stabilization of the dalasi, and the rebuilding of international reserves. Tight financial conditions, however, hurt credit markets by reducing private sector credit demand and made treasury bills more attractive than loans and advances.

54. **In the staff's assessment, these tightened policies were necessary.** With the stabilization of the exchange rate, the improvement in the government's basic fiscal balance, and the fall in the inflation rate, the staff welcomes the recent shift in monetary policy toward interest rate reductions. The authorities should also persevere with efforts to strengthen public debt management.

55. **The staff was disappointed by the fiscal policy slippage in the first quarter of 2005.** It is, however, encouraged by the authorities' early recognition of the problem and determined efforts to take corrective actions during the rest of the year. In the staff's view, the central bank's decision (reached during its April MPC meeting) to defer further reductions in interest rates was appropriate. Nevertheless, since the short-term outlook for the economy remains stable, the central bank should be able to lower interest rates in the not-too-distant future. But sustaining recent interest rate reductions will depend on the success of the government's fiscal actions—in particular, the effectiveness of the cap on discretionary expenditures in 2005. With the proposed corrective actions for 2005, staff believes the fiscal target is consistent with maintaining macroeconomic stability.

56. **The Gambia's main medium-term challenge is to make a decisive break from its past "stop-go" policies—a view supported by the findings of the ex post assessment of The Gambia's performance under Fund-supported programs**. It needs to implement clear, consistent macroeconomic policies and key structural reforms to encourage growth and economic diversification. The authorities' medium-term macroeconomic strategy should focus on achieving domestic and external debt sustainability. To contain domestic debt growth, a reduction in the overall deficit will be necessary, and external debt sustainability hinges on ensuring that foreign resource flows are highly concessional and largely in the

form of grants. However, The Gambia's external current account deficit is likely to remain significant because its domestic savings are expected to rise only slowly. At the same time, the country's development needs are expected to be met largely through foreign direct investments and concessional external loans and grants, which would finance significant imports.

57. **The staff believes that the current level of the real effective exchange rate is appropriate, and that improvements in external competitiveness should be addressed through the removal of structural bottlenecks, which currently constrain productivity.** The authorities need to announce a consistent policy of private sector participation in the groundnut sector. They should avoid their past practice of intervening in the sector and accelerate implementation of the sectoral reform strategy agreed with major donors, including the privatization of the GGC. Improving the overall competitiveness of the economy should also include removal of administrative and other bottlenecks that deter investment and strengthening of creditor rights to spur a deepening of credit markets.

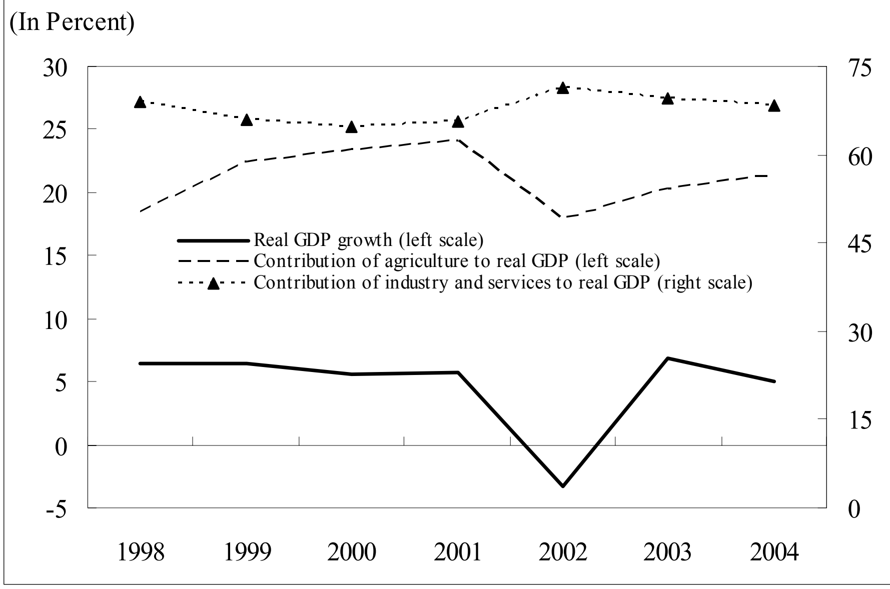
58. **The Gambia's medium-term prospects also hinge on a further strengthening of macroeconomic management capacity and on improvements in economic governance**. The authorities are making good use of recent Fund technical assistance in public expenditure management and in the domestic and foreign operations of the central bank, which should be continued. A top priority should also be to strengthen the statistical data whose weaknesses significantly constraint the effectiveness of macroeconomic management, as well as Fund surveillance. Capacity building should be stressed in the upcoming annual report on the PRSP implementation and in the comprehensive review of the strategy expected to start by year-end.

59. **A future Fund-supported program in The Gambia should depend on the continued implementation of strong macroeconomic policies and clear steps to address the breakdown in internal controls at the Central Bank**. The staff looks forward to the implementation of an action plan reflecting the recommendations of the Fund's Safeguard Assessment and the Review of Selected Internal Controls prepared by the external auditors. The staff also proposes that, until the auditors are able to issue unqualified reports on the CBG's accounts, the authorities continue to conduct quarterly audits. These would be essential steps for agreeing on an SMP, which could pave the way for a new PRGF.

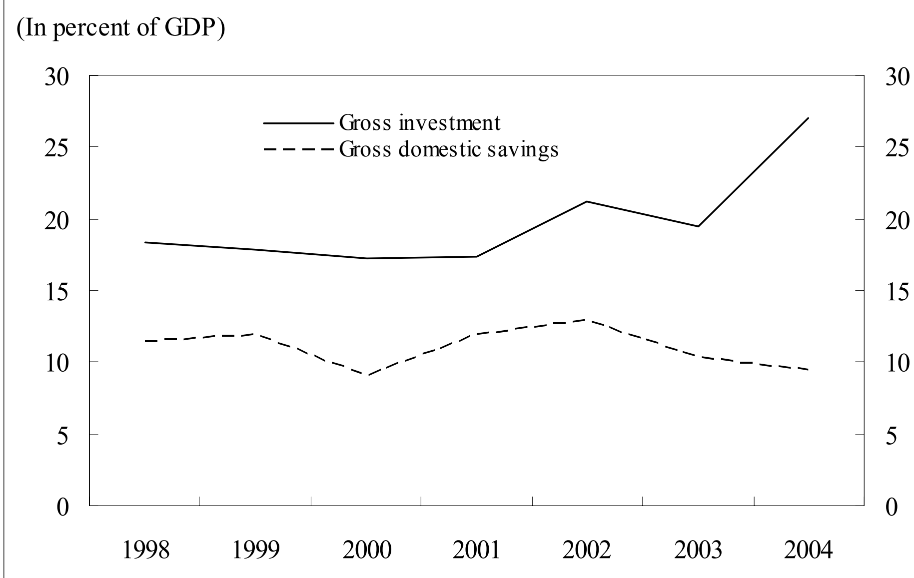
60. **It is proposed that the next Article IV consultation take place on the standard 12-month cycle.**

Figure 1. The Gambia: Real Sector Developments, 1998-2004

***Despite an increase in groundnut production, real GDP growth slowed in 2004 because of lower growth in industry and services.***

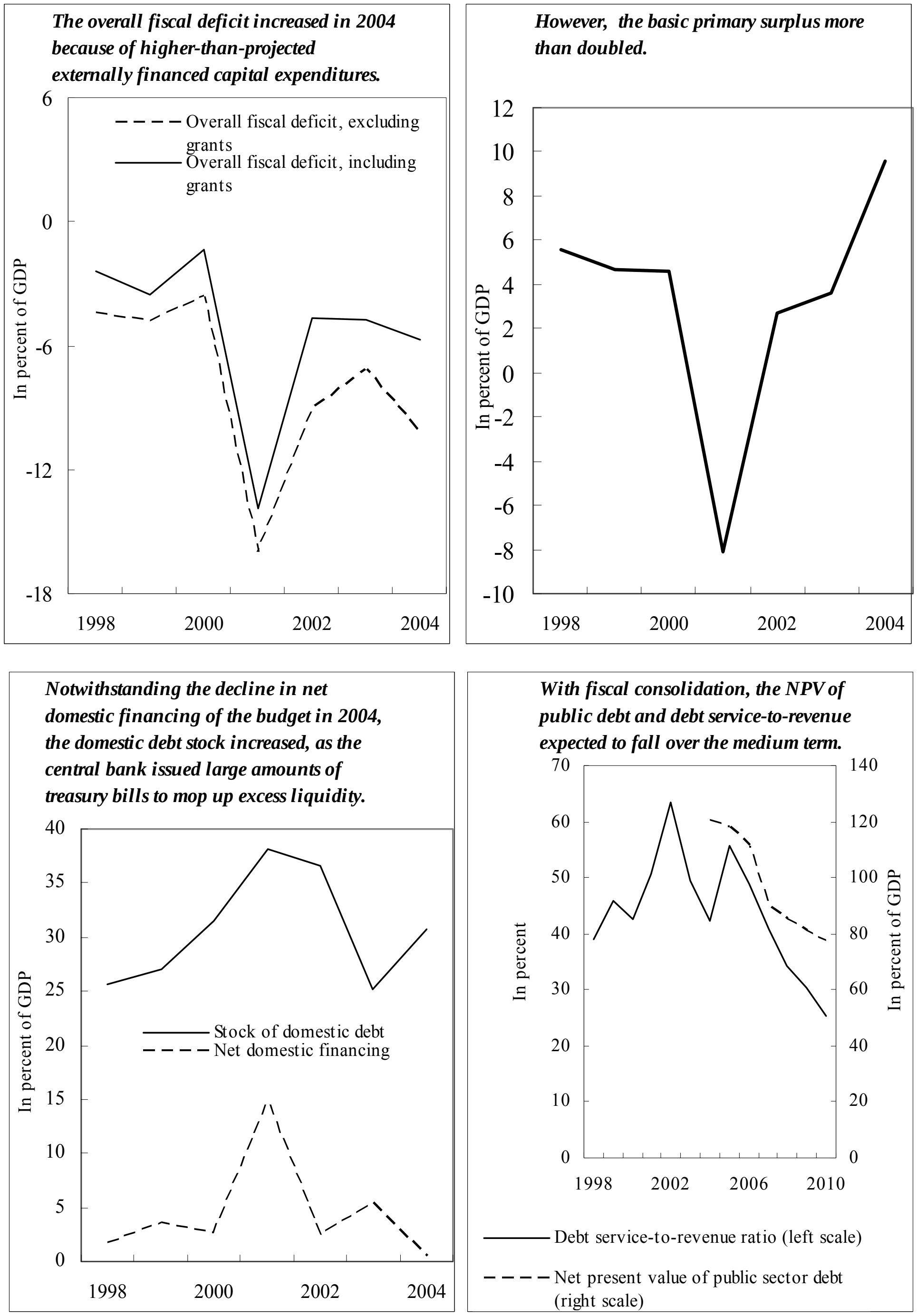



***Gross investment increased with foreign inflows in 2004; the rise in savings was more modest.***




Sources: Gambian authorities; and IMF staff estimates.

Figure 2. The Gambia: Fiscal Developments

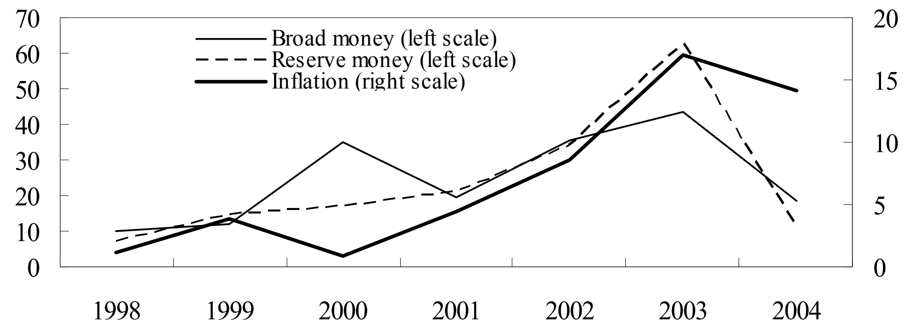



Sources: Gambian authorities; and IMF staff estimates.

Figure 3. The Gambia: Monetary Sector Developments, 1998-2004

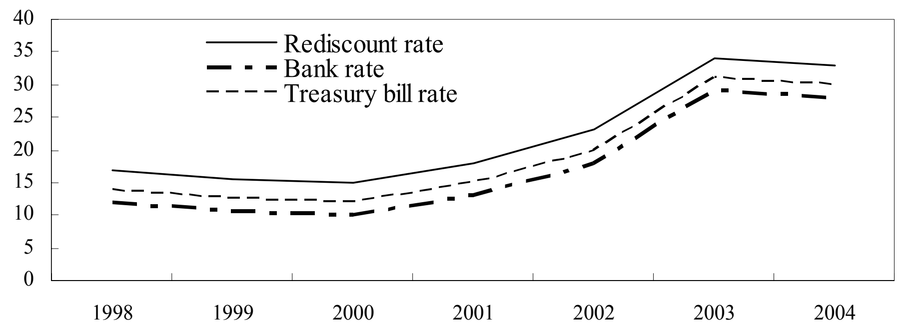
***Growth in both reserve and broad money declined in 2004, and there was a marked reduction in inflation.***

In percent



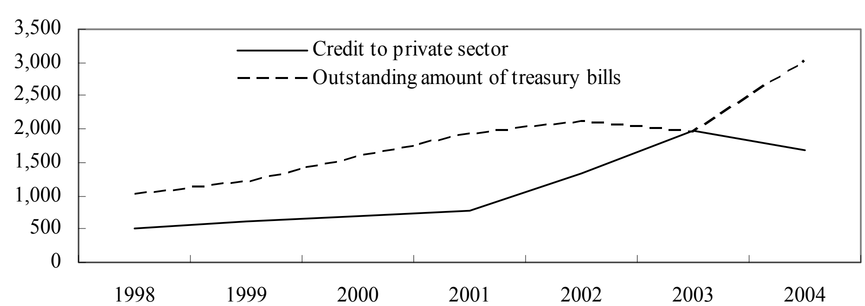

***Interest rates were raised in 2003 to stabilize the macroconomic environment and then subsequently reduced in late 2004.***

In percent



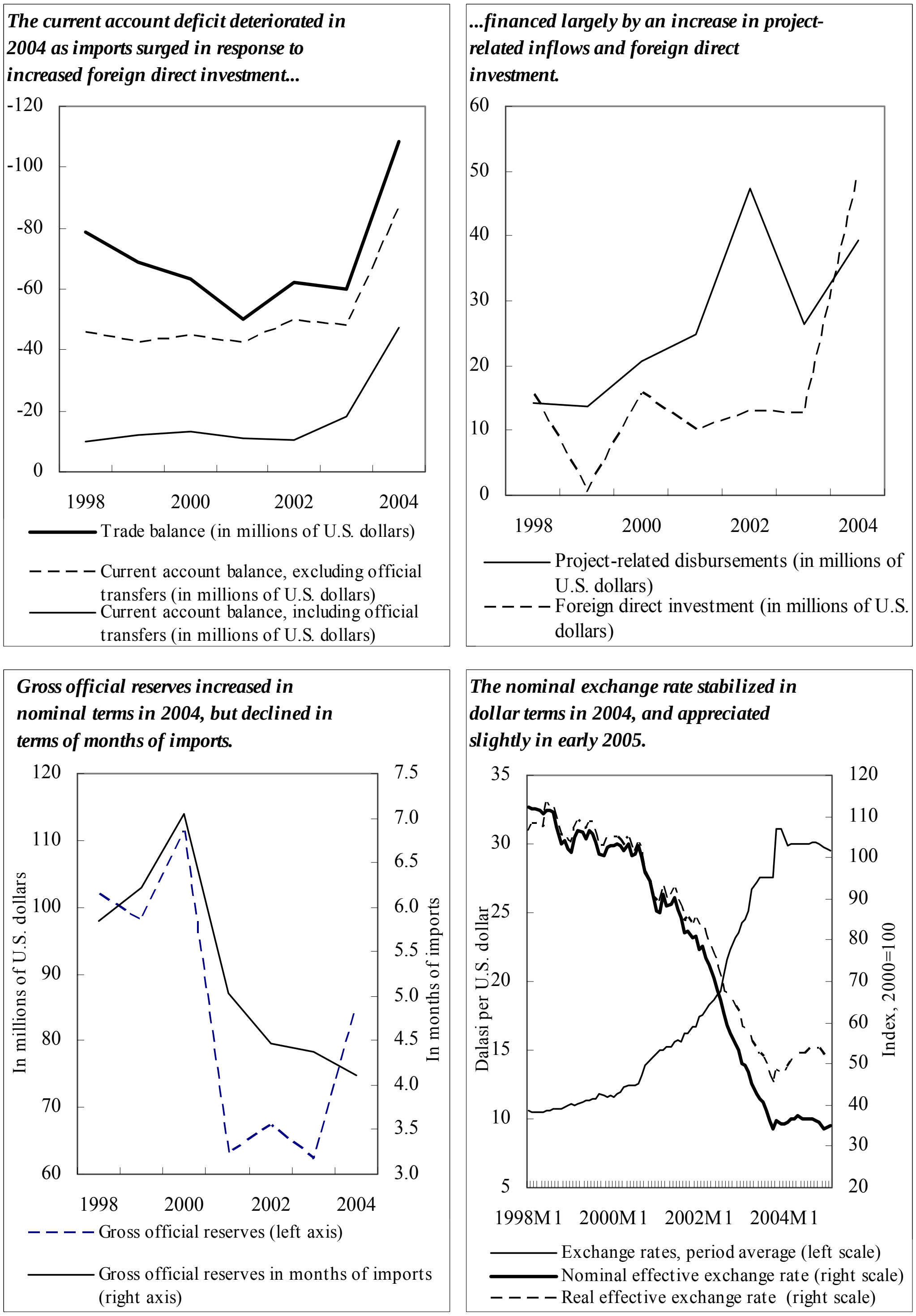

***Credit to the private sector declined in 2004, while the outstanding amount of treasury bills increased.***

In millions of Dalasi




Sources: Gambian authorities; and IMF staff estimates.

Figure 4. The Gambia: External Developments, 1998-2004




Sources: Gambian authorities; and IMF staff estimates.

Table 1. The Gambia: Selected Economic and Financial Indicators, 2002-10

| | 2002 | 2003 | 2004 | 2005 Proj. | 2006 Proj. | 2007 Proj. | 2008 Proj. | 2009 Proj. | 2010 Proj. |
|---|---|---|---|---|---|---|---|---|---|
| | (Annual percentage change, unless otherwise indicated) | | | | | | | | |
| National income and prices | | | | | | | | | |
| GDP at constant prices | -3.2 | 6.9 | 5.1 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 |
| GDP deflator | 16.1 | 27.3 | 14.2 | 5.0 | 5.2 | 4.2 | 3.2 | 3.0 | 3.0 |
| Consumer price index (period average) | 8.6 | 17.0 | 14.2 | 5.0 | 5.2 | 4.2 | 3.2 | 3.0 | 3.0 |
| Consumer price index (end of period) | 13.0 | 17.6 | 8.0 | 5.4 | 5.0 | 3.5 | 3.0 | 3.0 | 3.0 |
| External sector | | | | | | | | | |
| Exports, f.o.b. (in U.S. dollars) | 7.1 | -7.6 | 25.8 | -2.0 | 7.3 | 3.8 | 4.7 | 4.3 | 4.4 |
| Imports, f.o.b. (in U.S. dollars) | 12.8 | -6.2 | 46.2 | 2.3 | 1.7 | 1.6 | 3.8 | 4.0 | 3.9 |
| Terms of trade 1/ | 8.3 | 18.2 | -7.0 | ... | ... | ... | ... | ... | ... |
| Nominal effective exchange rate (period ave | -22.6 | -37.4 | -12.9 | ... | ... | ... | ... | ... | ... |
| Real effective exchange rate (period averag | -17.6 | -28.5 | -0.5 | ... | ... | ... | ... | ... | ... |
| | (Change in percent of beginning-of-year broad money) | | | | | | | | |
| Money and credit | | | | | | | | | |
| Broad money | 35.3 | 43.4 | 18.3 | 9.9 | 10.2 | ... | ... | ... | ... |
| Net foreign assets | 13.0 | 28.2 | 29.2 | 8.1 | 10.0 | ... | ... | ... | ... |
| Net domestic assets | 22.3 | 15.2 | -10.9 | 1.8 | 0.2 | ... | ... | ... | ... |
| Credit to the government (net) | 1.0 | 12.5 | -12.6 | 0.3 | 1.3 | ... | ... | ... | ... |
| Advances to the government in fore | 0.0 | 0.0 | 2.0 | 0.0 | -1.9 | ... | ... | ... | ... |
| Credit to the private sector and publ | 23.7 | 20.0 | -6.5 | 6.8 | 1.7 | ... | ... | ... | ... |
| Claims on foreign exchange bureaus | 4.0 | -1.0 | -1.2 | 0.0 | -0.6 | ... | ... | ... | ... |
| Other items net | -6.4 | -16.3 | 7.3 | -5.2 | -0.2 | ... | ... | ... | ... |
| Velocity (GDP/end-of-period broad money) | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | ... | ... | ... | ... |
| Treasury bill rate (in percent; end of period) | 20.0 | 31.0 | 30.0 | ... | ... | ... | ... | ... | ... |
| | (In percent of GDP) | | | | | | | | |
| Gross domestic investment and savings | | | | | | | | | |
| Gross investment | 21.2 | 19.5 | 27.1 | 26.1 | 23.4 | 23.0 | 23.0 | 23.1 | 23.1 |
| Gross national savings | 18.4 | 14.4 | 15.3 | 14.0 | 15.0 | 15.5 | 16.4 | 16.6 | 16.8 |
| Central government budget | | | | | | | | | |
| Balance, excluding grants 3/ | -9.1 | -7.2 | -10.2 | -7.4 | -5.9 | -4.8 | -4.3 | -4.0 | -3.9 |
| Balance, including grants | -4.6 | -4.7 | -5.7 | -5.6 | -4.5 | -2.2 | -1.6 | -1.4 | -1.3 |
| Basic primary balance | 2.7 | 3.6 | 9.6 | 9.4 | 9.5 | 7.8 | 7.2 | 6.5 | 5.7 |
| Current balance | -1.6 | -1.3 | 4.0 | 2.7 | 3.1 | 3.5 | 4.3 | 4.6 | 4.8 |
| Total expenditure and net lending | 25.4 | 22.9 | 31.2 | 28.3 | 26.3 | 25.1 | 25.3 | 24.8 | 24.7 |
| Domestic revenue | 16.3 | 15.7 | 20.9 | 20.8 | 20.4 | 20.4 | 21.0 | 20.9 | 20.9 |
| Net foreign financing | 1.9 | 0.6 | 5.7 | 2.7 | 3.3 | 3.0 | 3.2 | 3.1 | 3.3 |
| Net domestic financing | 2.5 | 5.4 | 0.5 | 2.9 | 1.1 | -0.8 | -1.5 | -1.7 | -2.0 |
| Stock of domestic debt | 36.6 | 25.2 | 30.7 | 28.9 | 27.6 | 24.6 | 21.2 | 18.0 | 14.7 |
| External sector | | | | | | | | | |
| Current account balance | | | | | | | | | |
| Excluding official transfers | -13.4 | -13.6 | -21.6 | -18.8 | -14.3 | -14.2 | -13.3 | -12.8 | -12.4 |
| Including official transfers | -2.8 | -5.1 | -11.8 | -12.1 | -8.4 | -7.5 | -6.6 | -6.5 | -6.3 |
| | (In millions of U.S. dollars, unless otherwise indicated) | | | | | | | | |
| Current account balance | | | | | | | | | |
| Excluding official transfers | -49.6 | -48.0 | -86.7 | -83.1 | -68.1 | -72.4 | -71.5 | -72.9 | -74.4 |
| Including official transfers | -10.4 | -18.0 | -47.1 | -53.5 | -39.9 | -38.1 | -35.7 | -37.0 | -37.9 |
| Overall balance of payments | 0.1 | -4.9 | 33.5 | 7.9 | 12.5 | 5.5 | 5.8 | 5.0 | 6.1 |
| Gross official reserves | 67.2 | 62.3 | 84.6 | 90.9 | 99.2 | 106.0 | 112.3 | 118.5 | 125.2 |
| In months of imports, c.i.f. | 4.5 | 4.4 | 4.1 | 4.5 | 4.9 | 5.1 | 5.2 | 5.3 | 5.4 |
| Use of Fund resources | (In millions of SDRs) | | | | | | | | |
| Purchases/disbursements | 2.9 | 0.0 | 0.0 | … | … | … | … | … | … |
| Repurchases/repayments | 0.0 | 0.0 | 7.6 | … | … | … | … | … | … |
| Credit outstanding | 23.5 | 23.5 | 15.9 | … | … | … | … | … | … |

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

1/ Excluding reexports and imports for reexport.

2/ Includes public enterprises.

3/ Excluding heavily indebted poor countries initiative and expenditure under poverty reduction strategy paper.

Table 2. The Gambia: Selected National Accounts Indicators, 2002-10
(Annual percentage change; in constant prices)

| | 2002 | 2003 | 2004 | 2005 Proj. | 2006 Proj. | 2007 Proj. | 2008 Proj. | 2009 Proj. | 2010 Proj. |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | -28.2 | 20.5 | 11.4 | 4.5 | 4.5 | 4.5 | 4.5 | 4.4 | 4.4 |
| Groundnuts | -52.6 | 29.9 | 29.6 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Other crops | -32.0 | 30.0 | 8.5 | 6.6 | 5.0 | 5.0 | 4.8 | 4.6 | 4.6 |
| Livestock | 5.0 | 5.0 | 3.2 | 2.3 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Forestry | 5.0 | 5.0 | 3.1 | 3.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Fishing | 5.0 | 7.0 | 10.0 | 3.8 | 3.8 | 3.8 | 5.0 | 5.0 | 5.0 |
| Industry | 9.8 | 6.4 | 3.3 | 2.7 | 5.9 | 5.0 | 5.0 | 5.0 | 5.0 |
| Manufacturing | 4.5 | 2.6 | 5.7 | 1.2 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Large and medium manufacturing | 5.0 | 2.0 | 6.0 | 1.1 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Small manufacturing | 3.5 | 4.0 | 5.0 | 1.3 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Construction and mining | 15.0 | 10.0 | 3.5 | 3.8 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Electricity and water supply | 10.0 | 5.0 | -13.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Services | 4.3 | 4.1 | 3.2 | 5.1 | 4.6 | 4.5 | 4.5 | 4.5 | 4.6 |
| Trade | 4.1 | 0.4 | 0.4 | 2.4 | 5.5 | 4.7 | 4.7 | 4.7 | 4.7 |
| Groundnuts | 5.0 | 3.0 | 2.5 | -1.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Others | 4.0 | 0.0 | 0.0 | 3.0 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Hotels and restaurants | 7.0 | 15.0 | 8.4 | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Transport and communications | 4.6 | 5.0 | 5.1 | 9.2 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Transport | 4.0 | 5.0 | 3.0 | 2.8 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Communications | 5.0 | 5.0 | 6.5 | 13.5 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Real estate and business services | 4.0 | 3.0 | 2.2 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Public administration | 3.0 | 2.0 | 0.0 | 2.3 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 |
| Other services | 3.0 | 3.0 | 2.2 | 0.0 | 3.0 | 3.0 | 8.0 | 8.0 | 8.0 |
| GDP at factor cost | -3.8 | 7.7 | 5.1 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 |
| Indirect tax (net) | 1.7 | 0.2 | 5.1 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 |
| GDP at market prices | -3.2 | 6.9 | 5.1 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 |
| GDP deflator | 16.1 | 27.4 | 14.2 | 5.0 | 5.2 | 4.2 | 3.2 | 3.0 | 3.0 |

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

Table 3. The Gambia: Central Government Operations, 2002-10
(In millions of dalasis)

| | 2002 | 2003 | 2004 | 2005 | 2005 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Budget | Passive | Active | Proj. | Proj. | Proj. | Proj. | Proj. |
| Revenue and grants | 1,528.7 | 1,820.4 | 3,065.0 | 3,064.3 | 3,002.4 | 3,002.4 | 3,177.3 | 3,636.9 | 4,059.5 | 4,324.3 | 4,647.8 |
| Domestic revenue | 1,201.8 | 1,574.2 | 2,517.8 | 2,818.1 | 2,756.2 | 2,756.2 | 2,970.3 | 3,233.0 | 3,599.2 | 3,850.7 | 4,146.5 |
| Tax revenue | 1,040.2 | 1,380.7 | 2,244.7 | 2,412.7 | 2,359.8 | 2,359.8 | 2,594.5 | 2,827.3 | 3,052.1 | 3,284.4 | 3,536.9 |
| Direct tax | 318.0 | 441.0 | 606.3 | 676.7 | 672.6 | 672.6 | 736.0 | 802.0 | 865.8 | 930.2 | 1,001.8 |
| *Of which* : personal | 122.4 | 154.2 | 207.2 | 227.2 | 226.4 | 226.4 | 249.4 | 271.7 | 293.3 | 315.9 | 340.2 |
| corporate | 176.8 | 265.8 | 367.1 | 399.4 | 395.8 | 395.8 | 436.0 | 475.1 | 512.8 | 552.2 | 594.7 |
| Indirect tax | 722.2 | 939.7 | 1,638.4 | 1,736.1 | 1,687.2 | 1,687.2 | 1,858.5 | 2,025.3 | 2,186.3 | 2,354.1 | 2,535.2 |
| Domestic tax on goods and services | 124.9 | 205.7 | 291.4 | 333.9 | 365.6 | 365.6 | 402.7 | 438.8 | 473.7 | 510.1 | 549.3 |
| Tax on international trade | 597.3 | 734.0 | 1,347.0 | 1,402.1 | 1,321.7 | 1,321.7 | 1,455.8 | 1,586.5 | 1,712.6 | 1,844.1 | 1,985.9 |
| Nontax revenue | 161.5 | 193.5 | 273.1 | 405.4 | 396.4 | 396.4 | 375.8 | 405.8 | 547.1 | 566.3 | 609.6 |
| Grants | 326.9 | 246.2 | 547.2 | 246.2 | 246.2 | 246.2 | 207.1 | 403.9 | 460.4 | 473.6 | 501.2 |
| Program | 94.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Projects | 109.9 | 132.0 | 395.7 | 203.0 | 203.0 | 203.0 | 207.1 | 211.2 | 215.4 | 219.7 | 224.1 |
| HIPC | 122.1 | 114.2 | 151.4 | 43.2 | 43.2 | 43.2 | 0.0 | 192.7 | 244.9 | 253.8 | 277.1 |
| Expenditure and net lending 1/ | 1,870.7 | 2,292.7 | 3,750.4 | 3,686.8 | 4,044.8 | 3,739.4 | 3,826.5 | 3,993.8 | 4,336.0 | 4,585.4 | 4,915.2 |
| Current expenditure | 1,318.2 | 1,707.0 | 2,035.8 | 2,369.0 | 2,629.4 | 2,394.6 | 2,517.6 | 2,670.7 | 2,867.0 | 2,999.2 | 3,185.7 |
| Wages and salaries | 395.2 | 452.6 | 517.5 | 541.6 | 551.2 | 551.2 | 661.8 | 771.6 | 891.3 | 1,007.7 | 1,150.3 |
| Other charges | 512.5 | 594.5 | 583.8 | 860.4 | 895.6 | 660.8 | 782.6 | 900.6 | 1,081.8 | 1,228.2 | 1,407.4 |
| Interest | 370.5 | 607.6 | 867.9 | 949.7 | 1,157.2 | 1,157.2 | 1,073.2 | 921.5 | 796.0 | 661.9 | 517.1 |
| External | 84.0 | 163.4 | 234.6 | 226.9 | 226.9 | 226.9 | 208.0 | 214.0 | 218.7 | 223.8 | 228.8 |
| Domestic | 286.6 | 444.2 | 633.3 | 722.8 | 930.3 | 930.3 | 865.2 | 707.4 | 577.3 | 438.0 | 288.4 |
| HIPC Initiative funded expenditure | 39.9 | 52.3 | 66.6 | 17.3 | 25.4 | 25.4 | 0.0 | 77.1 | 98.0 | 101.5 | 110.8 |
| Capital expenditure and net lending 1/ | 552.5 | 585.7 | 1,714.6 | 1,317.8 | 1,415.4 | 1,344.8 | 1,308.9 | 1,323.1 | 1,469.0 | 1,586.2 | 1,729.6 |
| Capital expenditure | 585.3 | 608.3 | 1,733.5 | 1,347.1 | 1,295.9 | 1,239.6 | 1,345.8 | 1,360.7 | 1,505.9 | 1,623.4 | 1,769.6 |
| External | 495.2 | 472.7 | 1,517.0 | 1,071.2 | 1,071.2 | 1,071.2 | 1,170.3 | 1,082.7 | 1,181.7 | 1,279.2 | 1,394.2 |
| Loans | 368.4 | 340.7 | 1,121.3 | 868.2 | 868.2 | 868.2 | 963.2 | 871.5 | 966.3 | 1,059.4 | 1,170.1 |
| Grants | 126.8 | 132.0 | 395.7 | 203.0 | 203.0 | 203.0 | 207.1 | 211.2 | 215.4 | 219.7 | 224.1 |
| Gambia Local Fund | 57.7 | 57.2 | 88.8 | 250.0 | 198.8 | 142.5 | 175.5 | 162.4 | 177.3 | 191.9 | 209.1 |
| HIPC Initiative funded expenditure | 32.4 | 78.4 | 127.7 | 25.9 | 25.9 | 25.9 | 0.0 | 115.6 | 147.0 | 152.3 | 166.3 |
| Extrabudgetary expenditure 1/ | 0.0 | 0.0 | 4.5 | 0.0 | 101.5 | 101.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net lending | -32.8 | -22.6 | -23.4 | -29.3 | 18.0 | 3.7 | -36.9 | -37.6 | -36.9 | -37.2 | -40.1 |
| Overall balance (commitment basis), Including grant | -342.0 | -472.3 | -685.5 | -622.5 | -1,042.4 | -737.0 | -649.1 | -356.9 | -276.4 | -261.1 | -267.5 |
| Excluding grants | -668.9 | -718.5 | -1,232.6 | -868.7 | -1,288.6 | -983.2 | -856.2 | -760.8 | -736.8 | -734.7 | -768.7 |
| Adjustment to cash basis (float) | 17.8 | -123.6 | -62.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (cash basis) | | | | | | | | | | | |
| Including grants | -324.2 | -595.9 | -748.0 | -622.5 | -1,042.4 | -737.0 | -649.1 | -356.9 | -276.4 | -261.1 | -267.5 |
| Excluding grants | -651.1 | -842.1 | -1295.2 | -868.7 | -1288.6 | -983.2 | -856.2 | -760.8 | -736.8 | -734.7 | -768.7 |
| Financing | 324.2 | 596.0 | 748.0 | 622.5 | 575.7 | 690.2 | 649.1 | 356.9 | 276.4 | 261.1 | 267.5 |
| External (net) | 140.9 | 59.7 | 690.3 | 351.7 | 351.7 | 351.7 | 486.9 | 482.2 | 541.1 | 580.1 | 663.9 |
| Borrowing | 725.8 | 340.7 | 1,121.3 | 868.2 | 868.2 | 868.2 | 963.2 | 871.5 | 966.3 | 1,059.4 | 1,170.1 |
| Project | 368.4 | 340.7 | 1,121.3 | 868.2 | 868.2 | 868.2 | 963.2 | 871.5 | 966.3 | 1,059.4 | 1,170.1 |
| Program | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other loans 2/ | 357.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | -591.9 | -293.6 | -431.0 | -516.5 | -516.5 | -516.5 | -476.3 | -559.6 | -599.7 | -652.3 | -656.7 |
| HIPC Initiative debt relief | 7.0 | 12.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 170.3 | 174.6 | 173.0 | 150.6 |
| Change in arrears (+ increase) | ... | ... | ... | 0.0 | 46.8 | 46.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic | 183.3 | 536.3 | 57.7 | 270.8 | 224.0 | 338.5 | 162.2 | -125.3 | -264.7 | -319.0 | -396.5 |
| Bank 1/ | 22.9 | 401.2 | -578.0 | 65.8 | 65.8 | 65.8 | 72.9 | 79.4 | 85.7 | 92.3 | 99.4 |
| Nonbank | 197.0 | 95.1 | 635.7 | 205.0 | 158.2 | 272.7 | 621.6 | 274.4 | 201.6 | 165.3 | -88.5 |
| Accumulation / repayment (minus) of arrears | -36.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayment of domestic debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -532.3 | -479.1 | -552.0 | -576.6 | -407.4 |
| CBG (unrealized profits) | ... | 40.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 466.7 | 46.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Basic primary balance 3/ | 196.8 | 361.8 | 1,152.3 | 1,152.1 | 939.8 | 1,245.2 | 1,387.3 | 1,243.4 | 1,240.9 | 1,206.3 | 1,142.7 |
| Memorandum items: | | | | | | | | | | | |
| Stock of domestic debt | 2,694.2 | 2,513.5 | 3,697.4 | 3,697.4 | 3,662.0 | 3,776.5 | 3,980.7 | 3,855.4 | 3,590.7 | 3,271.7 | 2,875.2 |

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

1/ Data for 2001 include US$28.5 million capital expenditure financed from a retroactive loan from the Central Bank of The Gambia (CBG), which the authorities indicated in October 2003 had not been recorded in official accounts.

2/ Includes loan disbursements (D 287.8 million in January and D 94.7 million in April) from Taiwan Province of China for electricity generators and improvement of distribution network. The generators were delivered to the National Water and Electricity Corporation in October 2001. The inflows were used to pay the suppliers.

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

Table 4. The Gambia: Central Government Operations, 2002-10
(In percent of GDP, unless otherwise indicated)

| | 2002 | 2003 | 2004 | 2005 Budget | 2005 Passive | 2005 Active | 2006 Proj. | 2007 Proj. | 2008 Proj. | 2009 Proj. | 2010 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue and grants | 20.8 | 18.2 | 25.5 | 23.2 | 22.7 | 22.7 | 21.8 | 22.9 | 23.7 | 23.4 | 23.4 |
| Domestic revenue | 16.3 | 15.7 | 20.9 | 21.3 | 20.8 | 20.8 | 20.4 | 20.4 | 21.0 | 20.9 | 20.9 |
| Tax revenue | 14.1 | 13.8 | 18.6 | 18.2 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 |
| Direct tax | 4.3 | 4.4 | 5.0 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.0 | 5.0 |
| Of which: personal | 1.7 | 1.5 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| corporate | 2.4 | 2.7 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Indirect tax | 9.8 | 9.4 | 13.6 | 13.1 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 | 12.8 |
| Domestic tax on goods and services | 1.7 | 2.1 | 2.4 | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Tax on international trade | 8.1 | 7.3 | 11.2 | 10.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Nontax revenue | 2.2 | 1.9 | 2.3 | 3.1 | 3.0 | 3.0 | 2.6 | 2.6 | 3.2 | 3.1 | 3.1 |
| Grants | 4.4 | 2.5 | 4.5 | 1.9 | 1.9 | 1.9 | 1.4 | 2.5 | 2.7 | 2.6 | 2.5 |
| Program | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Projects | 1.5 | 1.3 | 3.3 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 |
| HIPC Initiative | 1.7 | 1.1 | 1.3 | 0.3 | 0.3 | 0.3 | 0.0 | 1.2 | 1.4 | 1.4 | 1.4 |
| Expenditure and net lending 1/ | 25.4 | 22.9 | 31.2 | 27.9 | 30.6 | 28.3 | 26.3 | 25.1 | 25.3 | 24.8 | 24.7 |
| Current expenditure | 17.9 | 17.0 | 16.9 | 17.9 | 19.9 | 18.1 | 17.3 | 16.8 | 16.7 | 16.2 | 16.0 |
| Wages and salaries | 5.4 | 4.5 | 4.3 | 4.1 | 4.2 | 4.2 | 4.5 | 4.9 | 5.2 | 5.5 | 5.8 |
| Other charges | 7.0 | 5.9 | 4.9 | 6.5 | 6.8 | 5.0 | 5.4 | 5.7 | 6.3 | 6.7 | 7.1 |
| Interest | 5.0 | 6.1 | 7.2 | 7.2 | 8.7 | 8.7 | 7.4 | 5.8 | 4.6 | 3.6 | 2.6 |
| External | 1.1 | 1.6 | 1.9 | 1.7 | 1.7 | 1.7 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 |
| Domestic | 3.9 | 4.4 | 5.3 | 5.5 | 7.0 | 7.0 | 5.9 | 4.5 | 3.4 | 2.4 | 1.5 |
| HIPC Initiative funded expenditure | 0.5 | 0.5 | 0.6 | 0.1 | 0.2 | 0.2 | 0.0 | 0.5 | 0.6 | 0.5 | 0.6 |
| Capital expenditure and net lending 1/ | 7.5 | 5.8 | 14.2 | 10.0 | 10.7 | 10.2 | 9.0 | 8.3 | 8.6 | 8.6 | 8.7 |
| Capital expenditure | 7.9 | 6.1 | 14.4 | 10.2 | 9.8 | 9.4 | 9.2 | 8.6 | 8.8 | 8.8 | 8.9 |
| External | 6.7 | 4.7 | 12.6 | 8.1 | 8.1 | 8.1 | 8.0 | 6.8 | 6.9 | 6.9 | 7.0 |
| Loans | 5.0 | 3.4 | 9.3 | 6.6 | 6.6 | 6.6 | 6.6 | 5.5 | 5.6 | 5.7 | 5.9 |
| Grants | 1.7 | 1.3 | 3.3 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 |
| Gambia Local Fund | 0.8 | 0.6 | 0.7 | 1.9 | 1.5 | 1.1 | 1.2 | 1.0 | 1.0 | 1.0 | 1.1 |
| HIPC Initiative funded expenditure | 0.4 | 0.8 | 1.1 | 0.2 | 0.2 | 0.2 | 0.0 | 0.7 | 0.9 | 0.8 | 0.8 |
| Extrabudgetary expenditure 1/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net lending | -0.4 | -0.2 | -0.2 | -0.2 | 0.1 | 0.0 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 |
| Overall balance (commitment basis), Including grant | -4.6 | -4.7 | -5.7 | -4.7 | -7.9 | -5.6 | -4.5 | -2.2 | -1.6 | -1.4 | -1.3 |
| Excluding grants | -9.1 | -7.2 | -10.2 | -6.6 | -9.7 | -7.4 | -5.9 | -4.8 | -4.3 | -4.0 | -3.9 |
| Adjustment to cash basis (float) | 0.2 | -1.2 | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (cash basis), including grants | -4.4 | -5.9 | -6.2 | -4.7 | -7.9 | -5.6 | -4.5 | -2.2 | -1.6 | -1.4 | -1.3 |
| Excluding grants | -8.8 | -8.4 | -10.8 | -6.6 | -9.7 | -7.4 | -5.9 | -4.8 | -4.3 | -4.0 | -3.9 |
| Financing | 4.4 | 5.9 | 6.2 | 4.7 | 4.7 | 5.6 | 4.5 | 2.2 | 1.6 | 1.4 | 1.3 |
| External (net) | 1.9 | 0.6 | 5.7 | 2.7 | 2.7 | 2.7 | 3.3 | 3.0 | 3.2 | 3.1 | 3.3 |
| Borrowing | 9.9 | 3.4 | 9.3 | 6.6 | 6.6 | 6.6 | 6.6 | 5.5 | 5.6 | 5.7 | 5.9 |
| Project | 5.0 | 3.4 | 9.3 | 6.6 | 6.6 | 6.6 | 6.6 | 5.5 | 5.6 | 5.7 | 5.9 |
| Program | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other loans 2/ | 4.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | -8.0 | -2.9 | -3.6 | -3.9 | -3.9 | -3.9 | -3.3 | -3.5 | -3.5 | -3.5 | -3.3 |
| HIPC Initiative debt relief | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 1.0 | 0.9 | 0.8 |
| Change in arrears (+ increase) | ... | ... | ... | 0.0 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic | 2.5 | 5.3 | 0.5 | 2.0 | 2.0 | 2.9 | 1.1 | -0.8 | -1.5 | -1.7 | -2.0 |
| Bank 1/ | 0.3 | 4.0 | -4.8 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Nonbank | 2.7 | 0.9 | 5.3 | 1.5 | 1.5 | 2.4 | 4.3 | 1.7 | 1.2 | 0.9 | -0.4 |
| Accumulation / repayment (minus) of arrears | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization proceeds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayment of domestic debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -3.7 | -3.0 | -3.2 | -3.1 | -2.0 |
| CBG (unrealized profits) | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Basic primary balance 3/ | 2.7 | 3.6 | 9.6 | 8.7 | 7.1 | 9.4 | 9.5 | 7.8 | 7.2 | 6.5 | 5.7 |
| Memorandum item: | | | | | | | | | | | |
| Stock of domestic debt | 36.6 | 25.1 | 30.7 | 27.9 | 28.0 | 28.9 | 27.6 | 24.6 | 21.2 | 18.0 | 14.7 |

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

1/ Data for 2001 include US$28.5 million capital expenditure financed by a retroactive loan by the Central Bank of The Gambia (CBG), which the authorities indicated in October 2003 had not been recorded in official accounts.

2/ Includes loan disbursements (D 287.8 million in January and D 94.7 million in April) from Taiwan Province of China for electricity generators and improvement of distribution network. The generators were delivered to the National Water and Electricity Corporation in October 2001. The inflows were used to pay the suppliers.

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

Table 5. The Gambia: Monetary Survey, December 2002-December 2006

| | 2002 Dec. | 2003 Dec. | 2004 Dec. | 2005 Mar. | 2005 Jun. Proj. | 2005 Sep. Proj. | 2005 Dec. Proj. | 2006 Dec. Proj. |
|---|---|---|---|---|---|---|---|---|
| | (In millions of dalasis, unless otherwise indicated; end of period) | | | | | | | |
| Monetary survey | | | | | | | | |
| Net foreign assets 1/ | 958 | 1,861 | 3,202 | 3,442 | 3,570 | 3,378 | 3,641 | 4,236 |
| Net domestic assets | 2,244 | 2,732 | 2,230 | 2,506 | 2,099 | 2,454 | 2,330 | 2,341 |
| Domestic credit | 2,699 | 3,709 | 2,870 | 3,088 | 2,995 | 3,363 | 3,253 | 3,279 |
| Claims on government (net) 2/ | 612 | 1,012 | 434 | 540 | 495 | 450 | 450 | 525 |
| Advances to the gov. in foreign currencies 3/ | 483 | 483 | 575 | 575 | 575 | 575 | 575 | 460 |
| Claims on the private sector and public enterprises 4/ | 1,335 | 1,977 | 1,677 | 1,790 | 1,742 | 2,155 | 2,045 | 2,148 |
| Claims on foreign exchange bureaus 5/ | 269 | 238 | 183 | 183 | 183 | 183 | 183 | 147 |
| Other items (net) | -454 | -977 | -640 | -582 | -897 | -909 | -923 | -938 |
| Broad money | 3,203 | 4,593 | 5,432 | 5,948 | 5,668 | 5,831 | 5,971 | 6,577 |
| Currency outside banks | 797 | 1,183 | 1,416 | 1,535 | 1,446 | 1,801 | 1,557 | 1,715 |
| Deposits | 2,405 | 3,410 | 4,016 | 4,412 | 4,222 | 4,030 | 4,414 | 4,862 |
| Memorandum items: | | | | | | | | |
| Nominal GDP (calendar year) | 7,364 | 10,026 | 12,037 | 12,501 | 12,560 | 12,922 | 13,231 | 14,574 |
| (percentage change) | 12.3 | 36.1 | 20.1 | 3.9 | 4.3 | 7.4 | 9.9 | 10.2 |
| Velocity (calendar-year GDP/end-of-period broad money) | 2.3 | 2.2 | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 |
| | (Change, in percent of beginning-of-year stocks) | | | | | | | |
| Broad money | 35.3 | 43.4 | 18.3 | 9.5 | 4.3 | 7.4 | 9.9 | 10.2 |
| Reserve money | 34.1 | 62.7 | 11.0 | 9.4 | 7.0 | 22.6 | 14.1 | 10.2 |
| Total deposits | 36.2 | 41.8 | 17.8 | 9.9 | 5.1 | 0.4 | 9.9 | 10.2 |
| | (In percent of beginning-of-year broad money, unless otherwise indicated) | | | | | | | |
| Contribution to growth of broad money | | | | | | | | |
| Net foreign assets | 13.0 | 28.2 | 29.2 | 4.4 | 6.8 | 3.2 | 8.1 | 10.0 |
| Net domestic assets | 22.3 | 15.2 | -10.9 | 5.1 | -2.4 | 4.1 | 1.8 | 0.2 |
| Domestic credit | 28.6 | 31.5 | -18.3 | 4.0 | 2.3 | 9.1 | 7.1 | 0.4 |
| Claims on government (net) 2/ | 1.0 | 12.5 | -12.6 | 2.0 | 1.1 | 0.3 | 0.3 | 1.3 |
| Advances to the government in foreign currencies 3/ | 0.0 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | -1.9 |
| Claims on the private sector and public enterprises 4/ | 23.7 | 20.0 | -6.5 | 2.1 | 1.2 | 8.8 | 6.8 | 1.7 |
| Claims on foreign exchange bureaus 5/ | 4.0 | -1.0 | -1.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.6 |
| Other items (net) | -6.4 | -16.3 | 7.3 | 1.1 | -4.7 | -4.9 | -5.2 | -0.2 |
| Credit to the private sector and public enterprises (excl. foreign exchange bureaus) | | | | | | | | |
| Twelve-month change in percent | 72.3 | 48.0 | -15.1 | 3.4 | 14.5 | 36.9 | 21.9 | 5.0 |
| In percent of GDP | 18.1 | 19.7 | 13.9 | 14.3 | 13.9 | 16.7 | 15.5 | 14.7 |
| Percent ratios | | | | | | | | |
| Currency/broad money | 24.9 | 25.8 | 26.1 | 25.8 | 25.5 | 30.9 | 26.1 | 26.1 |
| Currency/deposits | 33.2 | 34.7 | 35.3 | 34.8 | 34.2 | 44.7 | 35.3 | 35.3 |
| Deposits/broad money | 75.1 | 74.2 | 73.9 | 74.2 | 74.5 | 69.1 | 73.9 | 73.9 |

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

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

3/ These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia (CBG), and the previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

4/ In March 2003, the government instructed the CBG to lend the equivalent of D 137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.

5/ Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 6. The Gambia: Summary Accounts of the Central Bank and Commercial Banks, December 2002-December 2006
(In millions of dalasis, unless otherwise indicated; end of period)

| | 2002 Dec | 2003 Dec. | 2004 Dec. | 2005 Mar. | 2005 Jun. Proj. | 2005 Sep. Proj. | 2005 Dec. Proj. | 2006 Dec. Proj. |
|---|---|---|---|---|---|---|---|---|
| Central Bank of The Gambia | | | | | | | | |
| Net foreign assets 1/ | 816.2 | 847.5 | 1,775.6 | 1,871.2 | 1,924.5 | 2,021.0 | 2,072.9 | 2,508.7 |
| Foreign assets | 1,563.7 | 1,928.6 | 2,510.3 | 2,559.9 | 2,623.3 | 2,714.3 | 2,752.5 | 3,063.3 |
| Foreign liabilities | -747.4 | -1,081.1 | -734.7 | -688.7 | -698.8 | -693.3 | -679.6 | -554.6 |
| Net domestic assets | 324.3 | 1,008.4 | 285.2 | 382.2 | 281.3 | 505.5 | 278.5 | 81.4 |
| Domestic credit | 381.1 | 1,229.8 | 195.9 | 214.1 | 451.0 | 702.1 | 503.7 | 354.8 |
| Claims on government (net) 2/ | -297.6 | 358.0 | -761.6 | -742.1 | -767.1 | -792.1 | -792.1 | -717.2 |
| Advances to the gov. in foreign currencies 3/ | 482.5 | 482.5 | 574.8 | 574.8 | 574.8 | 574.8 | 574.8 | 459.8 |
| Claims on private sector | 23.7 | 24.8 | 28.8 | 29.5 | 29.7 | 29.7 | 29.7 | 29.7 |
| Claims on banks (net) | -96.3 | -10.3 | 33.6 | 31.8 | 293.4 | 569.5 | 371.1 | 299.0 |
| Claims on public enterprises 4/ | 0.0 | 136.9 | 136.9 | 136.9 | 136.9 | 136.9 | 136.9 | 136.9 |
| Claims on foreign exchange bureaus 5/ | 268.8 | 237.9 | 183.3 | 183.3 | 183.3 | 183.3 | 183.3 | 146.6 |
| Other items (net) | -56.8 | -221.4 | 89.3 | 168.1 | -169.7 | -196.6 | -225.2 | -273.5 |
| Reserve money | 1,140.5 | 1,855.9 | 2,060.7 | 2,253.5 | 2,205.8 | 2,526.5 | 2,351.4 | 2,590.1 |
| Currency outside banks | 797.4 | 1,182.9 | 1,416.3 | 1,535.2 | 1,445.7 | 1,801.1 | 1,556.8 | 1,714.9 |
| Bank reserves | 343.2 | 673.0 | 644.5 | 718.3 | 760.0 | 725.5 | 794.6 | 875.2 |
| Cash | 52.0 | 68.0 | 69.3 | 98.1 | 84.4 | 80.6 | 88.3 | 97.2 |
| Deposits at the central bank | 291.2 | 605.0 | 575.2 | 620.2 | 675.6 | 644.9 | 706.3 | 778.0 |
| Required reserves | 336.7 | 613.8 | 722.8 | 794.2 | 760.0 | 725.5 | 794.6 | 875.2 |
| Excess reserves | 6.4 | 59.2 | -78.4 | -76.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial banks | | | | | | | | |
| Net foreign assets 1/ | 142.0 | 1,013.9 | 1,426.7 | 1,570.7 | 1,645.1 | 1,356.6 | 1,568.3 | 1,727.5 |
| Foreign assets | 568.1 | 1,055.6 | 1,507.2 | 1,729.1 | 1,689.8 | 1,424.1 | 1,656.8 | 1,825.0 |
| Foreign liabilities | -426.1 | -41.7 | -80.5 | -158.4 | -44.7 | -67.5 | -88.5 | -97.5 |
| Net domestic assets | 2,263.2 | 2,396.3 | 2,589.0 | 2,841.6 | 2,577.4 | 2,673.7 | 2,845.9 | 3,134.8 |
| Domestic credit | 2,221.2 | 2,468.9 | 2,707.3 | 2,905.6 | 2,837.9 | 3,229.9 | 3,120.4 | 3,223.2 |
| Claims on government (net) | 909.7 | 654.0 | 1,195.6 | 1,282.3 | 1,262.3 | 1,241.9 | 1,241.9 | 1,241.9 |
| Claims on private sector and public enterprises | 1,311.5 | 1,814.9 | 1,511.7 | 1,623.3 | 1,575.6 | 1,988.0 | 1,878.5 | 1,981.3 |
| *Of which:* in foreign currency | 94.6 | ... | ... | ... | ... | ... | ... | ... |
| claims on public enterprises | 86.7 | 205.9 | 86.5 | 89.7 | 64.8 | 78.0 | 95.0 | 104.7 |
| Reserves | 343.2 | 673.0 | 644.5 | 718.3 | 760.0 | 725.5 | 794.6 | 875.2 |
| Cash | 52.0 | 68.0 | 69.3 | 98.1 | 84.4 | 80.6 | 88.3 | 97.2 |
| Deposits at the central bank | 291.2 | 605.0 | 575.2 | 620.2 | 675.6 | 644.9 | 706.3 | 778.0 |
| Net claims on central bank | 96.3 | 10.3 | -33.6 | -31.8 | -293.4 | -569.5 | -371.1 | -299.0 |
| Other items (net) | -397.5 | -755.9 | -729.2 | -750.5 | -727.2 | -712.1 | -698.0 | -664.7 |
| Total deposit liabilities | 2,405.2 | 3,410.2 | 4,015.7 | 4,412.3 | 4,222.5 | 4,030.3 | 4,414.2 | 4,862.3 |
| *Of which* : foreign currency deposits | 273.4 | 895.2 | ... | ... | ... | ... | ... | … |
| Demand deposits | 959.4 | 1,690.1 | 1,691.4 | 1,874.3 | 1,952.8 | 1,706.5 | 1,859.2 | 2,047.9 |
| Savings deposits | 1,084.2 | 1,374.6 | 1,786.0 | 1,878.4 | 1,796.8 | 1,813.8 | 1,963.3 | 2,162.6 |
| Time deposits | 361.6 | 345.4 | 538.3 | 659.6 | 472.8 | 510.1 | 591.7 | 651.8 |
| Memorandum items: 6/ | | | | | | | | |
| TMU exchange rate (dalasis per SDR) | 22.2 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 |
| Central Bank of The Gambia | | | | | | | | |
| Net foreign assets | 562.7 | 847.4 | 1,794.1 | 1,982.3 | 1,976.2 | 2,045.8 | 2,069.1 | 2,456.6 |
| Net foreign assets (in millions of SDRs) | 25.3 | 18.4 | 39.0 | 43.1 | 43.0 | 44.5 | 45.0 | 53.4 |
| Net usable reserves (in millions of SDRs) 7/ | | 17.0 | 36.4 | 40.5 | 40.4 | 41.9 | 42.4 | 50.8 |
| Foreign assets | 1,084.8 | 1,928.4 | 2,527.5 | 2,699.9 | 2,693.8 | 2,747.6 | 2,747.4 | 2,999.7 |
| (In millions of SDRs) | 48.8 | 41.9 | 54.9 | 58.7 | 58.6 | 59.7 | 59.7 | 65.2 |
| Foreign liabilities | -522.2 | -1,081.0 | -733.4 | -717.6 | -717.6 | -701.8 | -678.3 | -543.1 |
| (In millions of SDRs) | -23.5 | -23.5 | -15.9 | -15.6 | -15.6 | -15.3 | -14.7 | -11.8 |
| Net domestic assets | 577.9 | 1,008.5 | 266.6 | 271.1 | 229.6 | 480.8 | 282.3 | 133.5 |
| Domestic credit | 381.1 | 1,229.8 | 195.9 | 214.1 | 451.0 | 702.1 | 503.7 | 354.8 |
| Other items (net) | 196.8 | -221.3 | 70.7 | 57.0 | -221.4 | -221.4 | -221.4 | -221.4 |

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

1/ Valued at current exchange rates.
2/ Excluding advances to the government in foreign currencies.
3/ These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia (CBG), and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.
4/ In March 2003, the government instructed the CBG to lend the equivalent of D 137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.
5/ Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.
6/ Using exchange rates as specified in 2004 technical memorandum of understanding (TMU).
7/ Basis for net international reserves targets. Net usable reserves do not include capital shares at West African Monetary Union, African Development Bank, etc.

Table 7. The Gambia: Balance of Payments, 2002–10

(In millions of U.S. dollars, unless otherwise indicated)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Trade balance | -62.4 | -60.0 | -108.4 | -116.4 | -111.5 | -110.4 | -113.4 | -117.6 | -121.4 |
| Exports, f.o.b. | 109.3 | 101.0 | 127.0 | 124.5 | 133.6 | 138.6 | 145.1 | 151.4 | 158.0 |
| Groundnuts/groundnut products | 24.0 | 9.1 | 16.9 | 11.2 | 15.7 | 16.9 | 18.0 | 18.5 | 18.9 |
| Other domestic exports | 7.1 | 8.4 | 9.0 | 9.4 | 10.1 | 10.7 | 11.4 | 12.3 | 13.3 |
| Reexports | 78.2 | 83.5 | 101.2 | 103.8 | 107.8 | 111.1 | 115.6 | 120.6 | 125.7 |
| Imports, c.i.f. | -171.6 | -161.0 | -235.4 | -240.9 | -245.1 | -249.0 | -258.6 | -268.9 | -279.4 |
| For domestic use | -114.0 | -100.2 | -165.7 | -165.5 | -166.1 | -167.1 | -173.3 | -180.0 | -186.7 |
| *Of which:* oil products | -16.7 | -16.0 | -33.8 | -39.8 | -41.0 | -40.9 | -41.6 | -42.8 | -44.2 |
| For reexport | -57.7 | -60.7 | -69.7 | -75.4 | -78.9 | -81.9 | -85.3 | -88.9 | -92.7 |
| Factor services (net) | -22.4 | -19.1 | -19.9 | -17.7 | -21.3 | -36.3 | -41.3 | -46.4 | -47.7 |
| Net interest income | -33.6 | -31.3 | -38.9 | -45.2 | -53.0 | -70.1 | -77.4 | -85.0 | -88.9 |
| Net remittances | 11.2 | 12.2 | 19.0 | 27.5 | 31.6 | 33.8 | 36.2 | 38.6 | 41.2 |
| Nonfactor services | 31.6 | 27.4 | 37.7 | 47.0 | 60.5 | 69.8 | 78.7 | 86.5 | 90.2 |
| *Of which:* travel income | 47.7 | 51.1 | 57.5 | 69.2 | 85.1 | 96.7 | 107.6 | 117.2 | 122.9 |
| Private unrequited transfers (net) | 3.6 | 3.7 | 3.9 | 4.1 | 4.3 | 4.5 | 4.5 | 4.5 | 4.5 |
| Official unrequited transfers (net) | 39.2 | 30.0 | 39.6 | 29.6 | 28.1 | 34.3 | 35.8 | 35.9 | 36.5 |
| Current account balance | | | | | | | | | |
| Excluding official transfers | -49.6 | -48.0 | -86.7 | -83.1 | -68.1 | -72.4 | -71.5 | -72.9 | -74.4 |
| Including official transfers | -10.4 | -18.0 | -47.1 | -53.5 | -39.9 | -38.1 | -35.7 | -37.0 | -37.9 |
| Capital account | 9.9 | 6.7 | 68.0 | 59.9 | 52.4 | 43.6 | 41.5 | 42.0 | 44.0 |
| Official loans (net) | 18.9 | 16.1 | 24.9 | 13.2 | 17.5 | 11.4 | 13.0 | 14.1 | 17.2 |
| Project-related | 47.4 | 26.5 | 39.2 | 30.4 | 33.1 | 29.3 | 31.9 | 34.2 | 37.1 |
| Program loans | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | -29.7 | -10.3 | -14.4 | -17.2 | -15.6 | -17.9 | -18.9 | -20.1 | -19.8 |
| Private capital inflow | -9.0 | -9.4 | 43.2 | 46.7 | 34.9 | 32.2 | 28.4 | 27.8 | 26.8 |
| Foreign direct investment (net) | 12.9 | 12.7 | 49.7 | 49.7 | 36.5 | 33.5 | 30.4 | 30.4 | 30.4 |
| Other investment (net) | -22.0 | -22.1 | -6.5 | -3.1 | -1.6 | -1.3 | -2.0 | -2.6 | -3.6 |
| *Of which* : supplier's credits | -12.3 | 4.3 | 6.3 | 6.4 | 6.6 | 6.7 | 6.9 | 7.2 | 7.5 |
| Unaccounted-for loss in official reserves | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions | -0.1 | 6.3 | 12.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | -0.1 | -4.9 | 33.5 | 6.3 | 12.5 | 5.5 | 5.8 | 5.0 | 6.1 |
| Financing | 0.1 | 4.9 | -33.5 | -6.3 | -12.5 | -5.5 | -5.8 | -5.0 | -6.1 |
| Change in gross official reserves (increase = -) | -4.2 | 4.9 | -22.3 | -6.3 | -8.3 | -6.8 | -6.2 | -6.3 | -6.6 |
| Use of IMF resources | | | | | | | | | |
| Repayments | 0.0 | 0.0 | -11.2 | -1.6 | -4.2 | -4.2 | -5.1 | -4.0 | -4.0 |
| Disbursements | 3.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptional financing 1/ | 0.6 | 0.0 | 0.0 | 1.6 | 0.0 | 5.5 | 5.5 | 5.3 | 4.5 |
| Debt relief | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 5.5 | 5.5 | 5.3 | 4.5 |
| Change in arrears (+ increase) | .. | .. | .. | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memorandum items: | | | | | | | | | |
| Current account balance (in percent of GDP) | | | | | | | | | |
| Excluding official transfers | -13.4 | -13.6 | -21.6 | -18.8 | -14.3 | -14.2 | -13.3 | -12.8 | -12.4 |
| Including official transfers | -2.8 | -5.1 | -11.8 | -12.1 | -8.4 | -7.5 | -6.6 | -6.5 | -6.3 |
| Gross official reserves (end of period) | | | | | | | | | |
| In millions of U.S. dollars | 67.2 | 62.3 | 84.6 | 90.9 | 99.2 | 106.0 | 112.3 | 118.5 | 125.2 |
| In months of imports, c.i.f. | 4.5 | 4.4 | 4.1 | 4.5 | 4.9 | 5.1 | 5.2 | 5.3 | 5.4 |
| External debt-service ratio 2/ | | | | | | | | | |
| Including the Fund | 16.9 | 8.5 | 15.9 | 13.5 | 12.7 | 7.7 | 7.3 | 6.9 | 6.6 |
| Excluding the Fund | 16.8 | 8.4 | 9.7 | 12.5 | 10.6 | 5.8 | 5.2 | 5.4 | 5.1 |

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

1/ Includes debt relief from Paris Club; interim relief from multilaterals is treated as grants.

2/ As a percentage of exports and travel income. After interim debt relief and HIPC Initiative grants. Excludes any accumulation of external arrears.

Table 8. The Gambia: Financial and External Vulnerability Indicators, 2000-04

(In percent of GDP, unless otherwise indicated)

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Financial indicators | | | | | |
| Broad money (percent change, 12-month basis) | 34.8 | 19.4 | 35.3 | 43.4 | 18.3 |
| Private sector credit (percent change, 12-month basis) | 10.0 | 3.6 | 78.6 | 30.9 | -11.0 |
| Three-month treasury bill rate (end of period) | 12.0 | 15.0 | 20.0 | 31.0 | 30.0 |
| Three-month treasury bill rate (real) | 11.8 | 6.9 | 7.0 | 13.4 | 22.0 |
| External indicators | | | | | |
| Exports of goods and services (percent change, 12-month basis in U.S. dollars) | -4.8 | -13.8 | 4.6 | -2.1 | 21.1 |
| Imports of goods and services (percent change, 12-month basis in U.S. dollars) | 0.0 | -17.0 | 8.4 | -0.8 | 36.7 |
| Current account balance (including official transfers) | -3.1 | -2.6 | -2.8 | -5.1 | -11.8 |
| Capital account balance | 1.4 | 5.5 | 2.7 | 1.9 | 17.0 |
| Gross official reserves (in millions of U.S. dollars, end of period) | 111.4 | 63.0 | 67.2 | 62.3 | 84.6 |
| External debt (nominal) | 107.9 | 109.7 | 130.1 | 144.9 | 144.9 |
| Exchange rate (per U.S. dollar, end of period) | 14.9 | 16.9 | 23.4 | 31.0 | 29.7 |
| Real effective exchange rate (period average) | -4.9 | -12.2 | -17.6 | -28.5 | -0.5 |

Sources: Central Bank of The Gambia; and IMF staff estimates and projections.

Table 9. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2002-10
(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | Estimate | Projections | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | Historical Average 5/ | Standard Deviation 5/ | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Public sector debt 1/ | 163.8 | 168.6 | 167.8 | | | 162.9 | 154.4 | 144.6 | 136.0 | 128.4 | 121.5 |
| *Of which:* foreign-currency-denominated | 127.2 | 143.4 | 144.9 | | | 134.0 | 126.8 | 120.0 | 114.8 | 110.5 | 106.8 |
| Change in public sector debt | 22.9 | 4.8 | -0.8 | | | -4.9 | -8.5 | -9.8 | -8.6 | -7.6 | -7.0 |
| Identified debt-creating flows | 24.4 | -9.1 | -28.9 | | | -7.2 | -8.1 | -10.4 | -9.2 | -8.4 | -7.3 |
| Primary deficit | -0.4 | -1.3 | -1.5 | 1.3 | 4.5 | -3.2 | -2.9 | -3.6 | -3.0 | -2.2 | -1.3 |
| Revenue and grants | 20.8 | 18.2 | 25.5 | | | 22.7 | 21.8 | 22.9 | 23.7 | 23.4 | 23.4 |
| *Of which*: grants | 4.4 | 2.5 | 4.5 | | | 1.9 | 1.4 | 2.5 | 2.7 | 2.6 | 2.5 |
| Primary (noninterest) expenditure | 20.4 | 16.8 | 23.9 | | | 19.5 | 18.9 | 19.3 | 20.6 | 21.3 | 22.1 |
| Automatic debt dynamics | 24.9 | -6.5 | -26.1 | | | -3.7 | -5.2 | -4.6 | -3.8 | -4.0 | -3.9 |
| Contribution from interest rate/growth differential | 2.7 | -13.6 | -6.5 | | | -2.8 | -3.9 | -4.3 | -4.6 | -5.1 | -5.6 |
| *Of which:* contribution from average real interest rate | -2.0 | -3.0 | 1.6 | | | 4.7 | 3.5 | 2.4 | 1.7 | 0.9 | 0.0 |
| contribution from real GDP growth | 4.7 | -10.5 | -8.1 | | | -7.5 | -7.4 | -6.7 | -6.3 | -5.9 | -5.6 |
| Contribution from real exchange rate depreciation | 22.2 | 7.1 | -19.7 | | | -0.9 | -1.3 | -0.2 | 0.9 | 1.1 | 1.7 |
| Other identified debt-creating flows | -0.1 | -1.3 | -1.3 | | | -0.3 | 0.0 | -2.3 | -2.4 | -2.3 | -2.2 |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt relief (HIPC Initiative and other) | -0.1 | -1.3 | -1.3 | | | -0.3 | 0.0 | -2.3 | -2.4 | -2.3 | -2.2 |
| Other (specify, e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residual, including asset changes | -1.6 | 13.9 | 28.1 | | | 2.3 | -0.4 | 0.6 | 0.7 | 0.9 | 0.3 |
| Other Sustainability Indicators | | | | | | | | | | | |
| Net present value of public sector debt | ... | ... | 120.4 | | | 118.0 | 111.7 | 89.9 | 85.4 | 81.3 | 77.4 |
| Of which: foreign-currency-denominated | ... | ... | 97.5 | | | 89.1 | 84.0 | 65.4 | 64.2 | 63.3 | 62.7 |
| external | ... | ... | 97.5 | | | 89.1 | 84.0 | 65.4 | 64.2 | 63.3 | 62.7 |
| NPV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... |
| Gross financing need 2/ | ... | ... | 9.3 | | | 9.5 | 7.7 | 5.8 | 5.1 | 4.9 | 4.6 |
| NPV of public sector debt-to-revenue ratio (in percent) 3/ | ... | ... | 472.8 | | | 520.1 | 512.2 | 392.8 | 360.6 | 347.0 | 331.0 |
| Of which: external | ... | ... | 383.0 | | | 392.7 | 385.5 | 285.5 | 271.0 | 270.3 | 268.2 |
| Debt service-to-revenue ratio (in percent) 3/ 4/ | ... | ... | 42.4 | | | 55.7 | 48.8 | 40.7 | 34.4 | 30.4 | 25.3 |
| Primary deficit that stabilizes the debt-to-GDP ratio | ... | ... | -0.7 | | | 1.7 | 5.6 | 6.3 | 5.5 | 5.4 | 5.7 |
| Key macroeconomic and fiscal assumptions | | | | | | | | | | | |
| Real GDP growth (in percent) | -3.2 | 6.9 | 5.1 | 3.9 | 3.2 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 |
| Average nominal interest rate on foreign exchange debt (in percent) | 1.2 | 1.7 | 1.6 | 1.5 | 0.2 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| Average real interest rate on domestic currency debt (in percent) | -4.0 | -8.6 | 9.5 | 6.7 | 8.4 | 27.4 | 16.6 | 12.8 | 11.2 | 8.8 | 5.5 |
| Real exchange rate depreciation (in percent, + indicates depreciatior | 21.0 | 5.9 | -14.5 | 4.9 | 11.7 | -0.7 | -1.0 | -0.2 | 0.8 | 1.0 | 1.6 |
| Inflation rate (GDP deflator, in percent) | 16.1 | 27.4 | 14.3 | 9.6 | 8.4 | 5.0 | 5.2 | 4.3 | 3.2 | 3.0 | 3.0 |
| Growth of real primary spending (deflated by GDP deflator, in perc | -25.9 | -11.8 | 49.7 | 8.4 | 29.7 | -14.7 | 1.4 | 7.0 | 11.6 | 7.6 | 8.8 |

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

1/ Pertains to the central government accounts. Gross debt concept is used.
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues including grants.
4/ Debt service is defined as the sum of interest and amortization of medium- and long-term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 10. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2005-10

| | Estimate | Projections | | | | |
|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Net present value of debt-to-GDP ratio | | | | | | |
| Baseline | 118 | 112 | 90 | 85 | 81 | 77 |
| A. Alternative scenarios | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 118 | 117 | 100 | 100 | 99 | 98 |
| A2. Primary balance is unchanged from 2004 | 120 | 114 | 95 | 91 | 88 | 84 |
| A3. Permanently lower GDP growth 1/ | 118 | 113 | 92 | 88 | 85 | 82 |
| A4. Non-adjustment scenario 2/ | 120 | 111 | 93 | 93 | 95 | 98 |
| B. Bound tests | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviation in 2006-07 | 118 | 117 | 99 | 96 | 93 | 90 |
| B2. Primary balance is at historical average minus one standard deviation in 2006-07 | 118 | 120 | 106 | 102 | 97 | 93 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 118 | 120 | 107 | 102 | 97 | 93 |
| B4. One time 30 percent real depreciation in 2006 | 118 | 149 | 119 | 114 | 109 | 105 |
| B5. Ten percent of GDP increase in other debt-creating flows in 2006 | 118 | 121 | 99 | 94 | 90 | 86 |
| Net present value of debt-to-revenue ratio 3/ | | | | | | |
| Baseline | 520 | 512 | 393 | 361 | 347 | 331 |
| A. Alternative scenarios | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 520 | 534 | 434 | 419 | 421 | 417 |
| A2. Primary balance is unchanged from 2004 | 527 | 525 | 413 | 385 | 374 | 357 |
| A3. Permanently lower GDP growth 1/ | 520 | 516 | 399 | 371 | 361 | 350 |
| A4. Non-adjustment scenario 2/ | 530 | 508 | 427 | 418 | 429 | 445 |
| B. Bound tests | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviation in 2006-07 | 520 | 535 | 431 | 402 | 394 | 383 |
| B2. Primary balance is at historical average minus one standard deviation in 2006-07 | 520 | 549 | 465 | 429 | 415 | 399 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 520 | 552 | 464 | 428 | 414 | 397 |
| B4. Onetime 30 percent real depreciation in 2006 | 520 | 682 | 518 | 479 | 465 | 448 |
| B5. Ten percent of GDP increase in other debt-creating flows in 2006 | 520 | 555 | 432 | 398 | 384 | 368 |
| Debt-service-to-revenue ratio 3/ | | | | | | |
| Baseline | 56 | 49 | 41 | 34 | 30 | 25 |
| A. Alternative scenarios | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 56 | 49 | 47 | 44 | 41 | 36 |
| A2. Primary balance is unchanged from 2004 | 56 | 51 | 44 | 38 | 35 | 28 |
| A3. Permanently lower GDP growth 1/ | 56 | 49 | 41 | 35 | 32 | 27 |
| A4. Non-adjustment scenario 2/ | 56 | 50 | 48 | 48 | 50 | 53 |
| B. Bound tests | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviation in 2006-07 | 56 | 51 | 45 | 40 | 36 | 31 |
| B2. Primary balance is at historical average minus one standard deviation in 2006-07 | 56 | 49 | 53 | 52 | 38 | 30 |
| B3. Combination of B1-B2 using one-half standard deviation shocks | 56 | 50 | 52 | 49 | 38 | 30 |
| B4. Onetime 30 percent real depreciation in 2006 | 56 | 50 | 44 | 38 | 34 | 29 |
| B5. Ten percent of GDP increase in other debt-creating flows in 2006 | 56 | 49 | 55 | 40 | 34 | 28 |

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

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

2/ Extends the passive scenario over the medium term

3/ Definition of revenues includes grants; debt service is commitment based.

Table 11. The Gambia: External Debt Sustainability Framework, Passive Scenario, 2002-25 1/
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Historical | Standard | Estimate | Projections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | Average 2/ | Deviation 2/ | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2005-10 Average | 2015 | 2025 | 2011-25 Average |
| External debt (nominal) 1/ | **130.1** | **144.9** | **144.9** | | | **134.0** | **126.8** | **120.0** | **114.8** | **110.5** | **106.8** | | **83.2** | **51.8** | |
| *Of which:* public and publicly guaranteed (PPG) | 130.1 | 144.9 | 144.9 | | | 134.0 | 126.8 | 120.0 | 114.8 | 110.5 | 106.8 | | 83.2 | 51.8 | |
| Change in external debt | 20.5 | 14.8 | -0.1 | | | -10.9 | -7.2 | -6.8 | -5.2 | -4.3 | -3.7 | | -4.3 | -2.5 | |
| Identified net debt-creating flows | 14.7 | 7.6 | -17.9 | | | -5.6 | -5.1 | -4.5 | -4.2 | -3.8 | -3.5 | | -2.7 | -2.7 | |
| Non-interest current account deficit | **1.6** | **3.4** | **10.0** | **2.5** | **3.2** | **10.7** | **6.9** | **6.1** | **5.3** | **5.2** | **5.1** | | **4.3** | **1.8** | 3.3 |
| Deficit in balance of goods and services | 9.3 | 10.6 | 20.3 | | | 18.3 | 13.1 | 10.2 | 8.6 | 7.6 | 6.1 | | 3.6 | 0.4 | |
| Exports | 29.5 | 28.8 | 30.4 | | | 28.5 | 31.1 | 32.0 | 32.8 | 33.3 | 34.2 | | 33.8 | 33.8 | |
| Imports | 38.8 | 39.3 | 50.6 | | | 46.8 | 44.2 | 42.1 | 41.5 | 40.9 | 40.4 | | 37.4 | 34.2 | |
| Net current transfers (negative = inflow) | -11.6 | -9.6 | -10.9 | -9.4 | 1.4 | -7.6 | -6.8 | -7.6 | -7.5 | -7.1 | -6.8 | | -4.1 | -2.1 | -3.6 |
| Other current account flows (negative = net inflow) | 3.8 | 2.4 | 0.5 | | | 0.1 | 0.6 | 3.5 | 4.2 | 4.7 | 5.8 | | 4.8 | 3.4 | |
| Net foreign direct investment (negative = inflow) | **-2.5** | **-3.6** | **-12.4** | **-3.9** | **3.6** | **-11.3** | **-7.7** | **-6.6** | **-5.6** | **-5.3** | **-5.1** | | **-4.1** | **-2.6** | -3.6 |
| Endogenous debt dynamics 3/ | **15.5** | **7.8** | **-15.5** | | | **-5.1** | **-4.4** | **-4.0** | **-3.8** | **-3.7** | **-3.6** | | **-2.9** | **-1.9** | |
| Contribution from nominal interest rate | 1.2 | 1.7 | 1.8 | | | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | | 0.8 | 0.5 | |
| Contribution from real GDP growth | 4.0 | -9.4 | -6.0 | | | -6.5 | -5.9 | -5.4 | -5.2 | -4.9 | -4.8 | | -3.7 | -2.3 | |
| Contribution from price and exchange rate changes | 10.3 | 15.5 | -11.2 | | | … | … | … | … | … | … | | … | … | |
| Residual (3-4) 4/ | **5.8** | **7.2** | **17.9** | | | **-5.3** | **-2.1** | **-2.3** | **-1.0** | **-0.5** | **-0.2** | | **-1.6** | **0.2** | |
| *Of which:* exceptional financing | -0.1 | 0.0 | 0.0 | | | 0.0 | 0.0 | -1.1 | -1.0 | -0.9 | -0.8 | | -0.4 | 0.0 | |
| | | | | | | | | | | | | | | | |
| Net present value of external debt 5/ | ... | ... | 97.5 | | | 89.1 | 84.0 | 79.4 | 75.6 | 72.4 | 69.6 | | 54.4 | 33.8 | |
| In percent of exports | ... | ... | 321.3 | | | 312.3 | 270.3 | 248.4 | 230.2 | 217.2 | 203.3 | | 161.0 | 99.8 | |
| Net present value of PPG external debt | **...** | **...** | **97.5** | | | **89.1** | **84.0** | **79.4** | **75.6** | **72.4** | **69.6** | | **54.4** | **33.8** | |
| In percent of exports | ... | ... | 321.3 | | | 312.3 | 270.3 | 248.4 | 230.2 | 217.2 | 203.3 | | 161.0 | 99.8 | |
| Debt-service-to-exports ratio (in percent) | 24.6 | 12.2 | 24.1 | | | 19.5 | 18.5 | 18.2 | 17.7 | 16.7 | 15.2 | | 11.2 | 7.5 | |
| PPG debt-service-to-exports ratio (in percent) | 24.6 | 12.2 | 24.1 | | | 19.5 | 18.5 | 18.2 | 17.7 | 16.7 | 15.2 | | 11.2 | 7.5 | |
| Total gross financing need (millions of U.S. dollars) | 23.6 | 11.7 | 19.6 | | | 22.2 | 23.7 | 27.1 | 29.5 | 31.1 | 31.8 | | 33.0 | 26.5 | |
| Noninterest current account deficit that stabilizes debt ratio | -18.9 | -11.4 | 10.0 | | | 21.6 | 14.1 | 12.8 | 10.5 | 9.6 | 8.8 | | 8.5 | 4.3 | |
| | | | | | | | | | | | | | | | |
| Key macroeconomic assumptions | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | -3.2 | 6.9 | 4.7 | 4.6 | 3.6 | 4.9 | 4.7 | 4.5 | 4.6 | 4.5 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 |
| GDP deflator in U.S. dollar terms (change in percent) | -8.6 | -10.7 | 8.4 | -4.5 | 6.3 | 5.0 | 3.1 | 2.2 | 1.2 | 1.0 | 1.0 | 2.2 | 1.9 | 1.9 | 1.9 |
| Effective interest rate (percent) 6/ | 1.0 | 1.2 | 1.4 | 1.2 | 0.2 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 | 1.2 | 1.0 | 0.9 | 1.0 |
| Growth of exports of goods and services (U.S. dollar terms, in percent) | 5.4 | -7.0 | 19.8 | 1.9 | 11.9 | 3.5 | 17.7 | 9.8 | 8.8 | 7.1 | 8.4 | 9.2 | 7.0 | 6.0 | 6.5 |
| Growth of imports of goods and services (U.S. dollar terms, in percent) | 10.8 | -3.3 | 46.3 | 7.5 | 19.9 | 1.8 | 1.9 | 1.9 | 4.2 | 4.3 | 4.1 | 3.0 | 5.5 | 5.7 | 5.4 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | ... | ... | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 |
| | | | | | | | | | | | | | | | |
| Memorandym item: | | | | | | | | | | | | | | | |
| Nominal GDP (millions of U.S. dollars) | 369.7 | 353.0 | 400.8 | | | 441.5 | 476.8 | 509.3 | 539.1 | 569.1 | 600.8 | | 825.4 | 1557.7 | |

Source: IMF staff simulations, no assumption of HIPC completion point incorporated.

1/ Includes both public and private sector external debt.
2/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
3/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with $r$ = nominal interest rate; $g$ = real GDP growth rate, and $\rho$ = growth rate of GDP deflator in U.S. dollar terms.
4/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections, also includes contribution from price and exchange rate changes.
5/ Assumes that NPV of private sector debt is equivalent to its face value.
6/ Current-year interest payments devided by previous/period debt stock.

Table 12. The Gambia: Passive Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2005-25
(In percent)

| | Estimate | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | **2015** | 2025 |
| **Net present value of debt-to-GDP ratio** | | | | | | | | |
| Baseline | 89 | 84 | 79 | 76 | 72 | 70 | **54** | 34 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 89 | 86 | 83 | 81 | 79 | 78 | **67** | 51 |
| B. Bound tests | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2006-07 | 89 | 87 | 85 | 81 | 78 | 75 | **58** | 36 |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 89 | 87 | 88 | 84 | 81 | 78 | **62** | 37 |
| B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2006-07 | 89 | 97 | 105 | 100 | 96 | 92 | **72** | 45 |
| B4. Net non-debt-creating flows at historical average minus one standard deviation in 2006-07 3/ | 89 | 87 | 85 | 81 | 78 | 75 | **59** | 36 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 89 | 98 | 110 | 105 | 101 | 97 | **77** | 46 |
| B6. Onetime 30 percent nominal depreciation relative to the baseline in 2006 4/ | 89 | 119 | 112 | 107 | 102 | 98 | **77** | 48 |
| **Net present value of debt-to-exports ratio** | | | | | | | | |
| Baseline | 312 | 270 | 248 | 230 | 217 | 203 | **161** | 100 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 312 | 276 | 259 | 245 | 237 | 227 | **198** | 150 |
| B. Bound tests | | | | | | | | |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 312 | 368 | 441 | 410 | 388 | 364 | **292** | 175 |
| B4. Net non-debt-creating flows at historical average minus one standard deviation in 2006-07 3/ | 312 | 280 | 266 | 247 | 233 | 219 | **175** | 106 |
| B5. Combination of B2 and B4 using one-half standard deviation shocks | 312 | 341 | 379 | 352 | 333 | 312 | **250** | 151 |
| **Debt-service ratio** | | | | | | | | |
| Baseline | 19 | 19 | 18 | 18 | 17 | 15 | **11** | 8 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 19 | 19 | 18 | 18 | 18 | 16 | **13** | 11 |
| B. Bound tests | | | | | | | | |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 19 | 24 | 29 | 29 | 27 | 25 | **19** | 13 |
| B4. Net non-debt-creating flows at historical average minus one standard deviation in 2006-07 3/ | 19 | 19 | 18 | 18 | 17 | 16 | **12** | 8 |
| B5. Combination of B2 and B4 using one-half standard deviation shocks | 19 | 23 | 26 | 25 | 24 | 22 | **16** | 11 |
| Memorandum item: | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 5/ | 53 | 53 | 53 | 53 | 53 | 53 | **53** | 53 |
| NPV of debt-to-exports ratio using HIPC Initiative rules 6/ | 352 | 316 | 288 | 260 | 241 | 226 | **175** | 100 |

Source: IMF staff projections and simulations, no assumption of HIPC completion point incorporated.

1/ Assumes that the interest rate on new borrowing is 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
2/ Export values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
3/ Includes official and private transfers and foreign direct investment.
4/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
5/ Applies to all stress scenarios except for A2 (less favorable financing), in which the terms on all new financing are as specified in footnote 2.
6/ Uses currency-specific discount and exchange rates and three-year averages of exports.

Table 13. The Gambia: External Debt Sustainability Framework, Active Scenario, 2002-25 1/
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Historical Average 2/ | Standard Deviation 2/ | Estimate | Projections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2005-10 Average | 2015 | 2025 | 2011-25 Average |
| External debt (nominal) 1/ | **130.1** | **144.9** | **144.9** | | | **134.0** | **126.8** | **120.0** | **114.8** | **110.5** | **106.8** | | **83.2** | **51.8** | |
| *Of which:* public and publicly guaranteed (PPG) | 130.1 | 144.9 | 144.9 | | | 134.0 | 126.8 | 120.0 | 114.8 | 110.5 | 106.8 | | 83.2 | 51.8 | |
| Change in external debt | 20.5 | 14.8 | -0.1 | | | -10.9 | -7.2 | -6.8 | -5.2 | -4.3 | -3.7 | | -4.3 | -2.5 | |
| Identified net debt-creating flows | 14.7 | 7.6 | -17.9 | | | -5.6 | -5.1 | -4.5 | -4.2 | -3.8 | -3.5 | | -2.7 | -2.7 | |
| Noninterest current account deficit | **1.6** | **3.4** | **10.0** | **2.5** | **3.2** | **10.7** | **6.9** | **6.4** | **5.6** | **5.6** | **5.4** | | **4.3** | **1.8** | 3.3 |
| Deficit in balance of goods and services | 9.3 | 10.6 | 20.3 | | | 18.3 | 13.1 | 10.2 | 8.6 | 7.6 | 6.1 | | 3.6 | 0.4 | |
| Exports | 29.5 | 28.8 | 30.4 | | | 28.5 | 31.1 | 32.0 | 32.8 | 33.3 | 34.2 | | 33.8 | 33.8 | |
| Imports | 38.8 | 39.3 | 50.6 | | | 46.8 | 44.2 | 42.1 | 41.5 | 40.9 | 40.4 | | 37.4 | 34.2 | |
| Net current transfers (negative = inflow) | -11.6 | -9.6 | -10.9 | -9.4 | 1.4 | -7.6 | -6.8 | -7.6 | -7.5 | -7.1 | -6.8 | | -4.1 | -2.1 | -3.6 |
| Other current account flows (negative = net inflow) | 3.8 | 2.4 | 0.5 | | | 0.1 | 0.6 | 3.8 | 4.5 | 5.1 | 6.1 | | 4.8 | 3.4 | |
| Net foreign direct investment (negative = inflow) | **-2.5** | **-3.6** | **-12.4** | **-3.9** | **3.6** | **-11.3** | **-7.7** | **-6.6** | **-5.6** | **-5.3** | **-5.1** | | **-4.1** | **-2.6** | -3.6 |
| Endogenous debt dynamics 3/ | **15.5** | **7.8** | **-15.5** | | | **-5.1** | **-4.4** | **-4.3** | **-4.2** | **-4.0** | **-3.9** | | **-2.9** | **-1.9** | |
| Contribution from nominal interest rate | 1.2 | 1.7 | 1.8 | | | 1.4 | 1.5 | 1.1 | 1.0 | 1.0 | 0.9 | | 0.8 | 0.5 | |
| Contribution from real GDP growth | 4.0 | -9.4 | -6.0 | | | -6.5 | -5.9 | -5.4 | -5.2 | -4.9 | -4.8 | | -3.7 | -2.3 | |
| Contribution from price and exchange rate changes | 10.3 | 15.5 | -11.2 | | | … | … | … | … | … | … | | … | … | |
| Residual (3-4) 4/ | **5.8** | **7.2** | **17.9** | | | **-5.3** | **-2.1** | **-2.3** | **-1.0** | **-0.5** | **-0.2** | | **-1.6** | **0.2** | |
| *Of which:* exceptional financing | -0.1 | 0.0 | 0.0 | | | 0.0 | 0.0 | -1.1 | -1.0 | -0.9 | -0.8 | | -0.4 | 0.0 | |
| | | | | | | | | | | | | | | | |
| Net present value of external debt 5/ | ... | ... | 97.5 | | | 89.1 | 84.0 | 65.4 | 64.2 | 63.3 | 62.7 | | 54.3 | 33.7 | |
| In percent of exports | ... | ... | 321.3 | | | 312.3 | 270.3 | 204.5 | 195.3 | 189.9 | 183.1 | | 160.6 | 99.8 | |
| NPV of PPG external debt | **...** | **...** | **97.5** | | | **89.1** | **84.0** | **65.4** | **64.2** | **63.3** | **62.7** | | **54.3** | **33.7** | |
| In percent of exports | ... | ... | 321.3 | | | 312.3 | 270.3 | 204.5 | 195.3 | 189.9 | 183.1 | | 160.6 | 99.8 | |
| Debt-service-to-exports ratio (in percent) | 24.6 | 12.2 | 24.1 | | | 19.5 | 18.5 | 12.6 | 10.3 | 9.7 | 9.0 | | 9.6 | 7.5 | |
| PPG debt-service-to-exports ratio (in percent) | 24.6 | 12.2 | 24.1 | | | 19.5 | 18.5 | 12.6 | 10.3 | 9.7 | 9.0 | | 9.6 | 7.5 | |
| Total gross financing need (millions of U.S. dollars) | 23.6 | 11.7 | 19.6 | | | 22.2 | 23.7 | 19.5 | 18.1 | 19.6 | 20.6 | | 28.7 | 26.3 | |
| Noninterest current account deficit that stabilizes debt ratio | -18.9 | -11.4 | 10.0 | | | 21.6 | 14.1 | 13.1 | 10.8 | 9.9 | 9.1 | | 8.6 | 4.3 | |
| | | | | | | | | | | | | | | | |
| Key macroeconomic assumptions | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | -3.2 | 6.9 | 5.1 | 4.6 | 3.6 | 4.7 | 4.7 | 4.5 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 |
| GDP deflator in US dollar terms (change in percent) | -8.6 | -10.7 | 8.4 | -4.5 | 6.3 | 5.0 | 3.1 | 2.2 | 1.2 | 1.0 | 1.0 | 2.2 | 1.9 | 1.9 | 1.9 |
| Effective interest rate (percent) 6/ | 1.0 | 1.2 | 1.4 | 1.2 | 0.2 | 1.1 | 1.2 | 0.9 | 0.9 | 0.9 | 0.8 | 1.0 | 1.0 | 0.9 | 1.0 |
| Growth of exports of goods and services (US dollar terms, in percent | 5.4 | -7.0 | 19.8 | 1.9 | 11.9 | 3.5 | 17.7 | 9.8 | 8.8 | 7.1 | 8.4 | 9.2 | 7.0 | 6.0 | 6.5 |
| Growth of imports of goods and services (US dollar terms, in percen | 10.8 | -3.3 | 46.3 | 7.5 | 19.9 | 1.8 | 1.9 | 1.9 | 4.2 | 4.3 | 4.1 | 3.0 | 5.5 | 5.7 | 5.4 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | ... | ... | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 | 54.6 |
| | | | | | | | | | | | | | | | |
| Memorandum item: | | | | | | | | | | | | | | | |
| Nominal GDP (millions of U.S. dollars) | 369.7 | 353.0 | 400.8 | | | 441.5 | 476.8 | 509.3 | 539.1 | 569.1 | 600.8 | | 825.4 | 1557.7 | |

Source: IMF staff simulations, assumed HIPC completion point in 2007, but did not reflect any of the recent G-8 proposals on debt cancellation.

1/ Includes both public and private sector external debt.
2/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
3/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with $r$ = nominal interest rate; $g$ = real GDP growth rate, and $\rho$ = growth rate of GDP deflator in U.S. dollar terms.
4/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
5/ Assumes that NPV of private sector debt is equivalent to its face value.
6/ Current-year interest payments devided by previous/period debt stock.

Table 14. The Gambia: Active Scenario Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2005-25
(In percent)

| | Estimate | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2015 | 2025 |
| Net present value of debt-to-GDP ratio | | | | | | | | |
| Baseline | 89 | 84 | 65 | 64 | 63 | 63 | **54** | 34 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 89 | 86 | 69 | 69 | 70 | 71 | **67** | 51 |
| B. Bound tests | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2006-07 | 89 | 87 | 70 | 69 | 68 | 67 | **58** | 36 |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 89 | 87 | 74 | 73 | 72 | 71 | **62** | 37 |
| B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2006-07 | 89 | 97 | 87 | 85 | 84 | 83 | **72** | 45 |
| B4. Net non-debt-creating flows at historical average minus one standard deviation in 2006-( | 89 | 87 | 71 | 70 | 69 | 68 | **59** | 36 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 89 | 98 | 92 | 91 | 90 | 89 | **77** | 46 |
| B6. Onetime 30 percent nominal depreciation relative to the baseline in 2006 4/ | 89 | 119 | 92 | 90 | 89 | 88 | **77** | 48 |
| Net present value of debt-to-exports ratio | | | | | | | | |
| Baseline | 312 | 270 | 205 | 195 | 190 | 183 | **161** | 100 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 312 | 276 | 215 | 210 | 209 | 207 | **197** | 150 |
| B. Bound tests | | | | | | | | |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 312 | 368 | 371 | 354 | 344 | 332 | **292** | 175 |
| B4. Net non-debt-creating flows at historical average minus one standard deviation in 2006-( | 312 | 280 | 222 | 212 | 206 | 199 | **174** | 106 |
| B5. Combination of B2 and B4 using one-half standard deviation shocks | 312 | 341 | 318 | 303 | 295 | 284 | **250** | 151 |
| Debt-service ratio | | | | | | | | |
| Baseline | 19 | 19 | 13 | 10 | 10 | 9 | **10** | 8 |
| A. Alternative scenarios | | | | | | | | |
| A1. New public sector loans on less favorable terms in 2006-25 1/ | 19 | 19 | 13 | 11 | 11 | 10 | **12** | 11 |
| B. Bound tests | | | | | | | | |
| B2. Export value growth at historical average minus one standard deviation in 2006-07 2/ | 19 | 24 | 20 | 17 | 16 | 15 | **17** | 13 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2006-( | 19 | 19 | 13 | 11 | 10 | 9 | **10** | 8 |
| B5. Combination of B2 and B4 using one-half standard deviation shocks | 19 | 23 | 18 | 15 | 14 | 13 | **14** | 11 |
| Memorandum item: | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 5/ | 53 | 53 | 53 | 53 | 53 | 53 | **53** | 53 |
| NPV of debt-to-exports ratio using HIPC Initiative rules 6/ | 352 | 316 | 242 | 224 | 214 | 206 | **176** | 100 |

Source: IMF staff simulations, assumed HIPC completion point in 2007, but did not reflect any of the recent G-8 proposals on debt cancellation.

1/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
2/ Export values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
3/ Includes official and private transfers and foreign direct investment.
4/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
5/ Applies to all stress scenarios except for A2 (less favorable financing), in which the terms on all new financing are as specified in footnote 2.
6/ Uses currency-specific discount and exchange rates and three-year averages of exports.

Table 15. The Gambia: Millennium Development Goals, 1990-2003

| | 1990 | 1994 | 1997 | 2000 | 2003 |
|---|---|---|---|---|---|
| **Goal 1: Eradicate extreme poverty and hunger** | | | | | |
| Percentage share of income or consumption held by poorest 20% | .. | .. | *4.8* | .. | .. |
| Population below $1 a day (%) | .. | .. | .. | .. | .. |
| Population below minimum level of dietary energy consumption (%) | .. | .. | 31 | .. | *27* |
| Poverty gap ratio at $1 a day (incidence x depth of poverty) | .. | .. | .. | .. | .. |
| Poverty headcount, national (% of population) | .. | .. | *57.6* | .. | .. |
| Prevalence of underweight in children (under 5 years of age) | .. | .. | *26.2* | 17.2 | .. |
| **Goal 2: Achieve universal primary education** | | | | | |
| Net primary enrollment ratio (% of relevant age group) | 48 | .. | *66.7* | 72.9 | *78.8* |
| Primary completion rate, total (% of relevant age group) | *45* | 46 | *57* | 70 | .. |
| Proportion of pupils starting grade 1 who reach grade 5 | .. | .. | .. | .. | .. |
| Youth literacy rate (% ages 15-24) | .. | .. | .. | .. | .. |
| **Goal 3: Promote gender equality and empower women** | | | | | |
| Proportion of seats held by women in national parliament (%) | 8 | .. | *2* | 2 | 13 |
| Ratio of girls to boys in primary and secondary education (%) | 64 | .. | *79.5* | 85.4 | *89.6* |
| Ratio of young literate females to males (% ages 15-24) | 67.6 | 70.8 | 73.2 | 75.6 | *77.3* |
| Share of women employed in the nonagricultural sector (%) | 24 | .. | .. | .. | .. |
| **Goal 4: Reduce child mortality** | | | | | |
| Immunization, measles (% of children ages 12-23 months) | 86 | 89 | 92 | 85 | 90 |
| Infant mortality rate (per 1,000 live births) | 103 | *96* | .. | 92 | 90 |
| Under 5 mortality rate (per 1,000) | 154 | *137* | .. | 128 | 123 |
| **Goal 5: Improve maternal health** | | | | | |
| Births attended by skilled health staff (% of total) | 44.1 | .. | .. | 54.6 | .. |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | .. | .. | .. | 540 | .. |
| **Goal 6: Combat HIV/AIDS, malaria, and other diseases** | | | | | |
| Contraceptive prevalence rate (% of women ages 15-49) | .. | .. | .. | *18* | .. |
| Incidence of tuberculosis (per 100,000 people) | 190.5 | 202.7 | 212.4 | 222.6 | 233.2 |
| Number of children orphaned by HIV/AIDS | .. | .. | .. | *1500* | 2000 |
| Prevalence of HIV, total (% of population aged 15-49) | .. | .. | .. | *1.2* | 1.2 |
| Tuberculosis cases detected under DOTS (%) | .. | *75.9* | 72.5 | .. | 70.1 |
| **Goal 7: Ensure environmental sustainability** | | | | | |
| Access to an improved water source (% of population) | .. | .. | .. | .. | *82* |
| Access to improved sanitation (% of population) | .. | .. | .. | .. | *53* |
| Access to secure tenure (% of population) | .. | .. | .. | .. | .. |
| CO2 emissions (metric tons per capita) | 0.2 | 0.2 | 0.2 | 0.2 | .. |
| Forest area (% of total land area) | 43.6 | .. | .. | 48.1 | .. |
| GDP per unit of energy use (2000 PPP $ per kg oil equivalent) | .. | .. | .. | .. | .. |
| Nationally protected areas (% of total land area) | .. | .. | .. | .. | 2.3 |
| **Goal 8: Develop a global partnership for development** | | | | | |
| Aid per capita (current US$) | 106.8 | 64.5 | 32.7 | 37.4 | 42.1 |
| Debt service (% of exports) | 22 | 13 | 11 | 19 | 14 |
| Fixed line and mobile phone subscribers (per 1,000 people) | 6.7 | 18 | 25.3 | 29.9 | *100.8* |
| Internet users (per 1,000 people) | .. | *0.1* | 0.5 | 9.2 | .. |
| Personal computers (per 1,000 people) | .. | 0.3 | 2.6 | 11.5 | *13.8* |
| Unemployment, youth female (% of female labor force ages 15-24) | .. | .. | .. | .. | .. |
| Unemployment, youth male (% of male labor force ages 15-24) | .. | .. | .. | .. | .. |
| Unemployment, youth total (% of total labor force ages 15-24) | .. | .. | .. | .. | .. |
| **Other** | | | | | |
| Fertility rate, total (births per woman) | 5.9 | .. | 5.2 | .. | 4.8 |
| Gross national investment per capita, atlas method (current US$) | 310 | 340 | 340 | 320 | 270 |
| Gross national investment, atlas method (current US$) (billions) | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Gross capital formation (% of GDP) | 22.3 | 18.1 | 17.2 | 17 | 19.2 |
| Life expectancy at birth, total (years) | 49.3 | .. | 53.2 | .. | 53.4 |
| Literacy rate, adult total (% of people ages 15 and above) | .. | .. | .. | .. | .. |
| Population, total (millions) | 0.9 | 1.1 | 1.2 | 1.3 | 1.4 |
| Trade (% of GDP) | 131.5 | 102.7 | 95 | 104.8 | 85.9 |

Source: World Bank, World Development Indicators database, April 2005.

Note: Figures in italics refer to periods other than those specified.

## The Gambia: Public and External Debt Sustainability

1. Under the staff's medium-term projections, where the overall fiscal deficit is reduced to 1.3 percent of GDP by 2010, and The Gambia is assumed to reach the HIPC completion point in 2007 (the active scenario), the country's public sector debt ratio is projected to decline, in both nominal and NPV terms (Table 9). The public sector debt ratio is projected to decline from about 175.6 percent of GDP in 2004 to 121.2 percent in 2010, and the NPV of public sector debt declines from 128.2 percent of GDP in 2004 to 77.2 percent in 2010.

2. **Although the public sector debt is falling in the medium term, it remains well above the level deemed appropriate for low-income poor performers.** The decline in the NPV of public sector debt to GDP proves to be robust to alternative scenarios and bound tests (Table 10). In particular, the NPV of public sector debt/GDP ratio declines between 2005 and 2010 when growth and the primary balance are at the historical averages minus one standard deviation in 2006-07, under the assumption of a combination of historical averages minus one-half a standard deviation in 2006-07 for growth and the primary balance, the assumption of a 10 percent of GDP increase in other debt-creating flows in 2006, and to the most extreme assumption of a one-time 30 percent real depreciation in 2006. The level of public sector debt, however, is still well above the desirable debt-burden threshold even under the baseline scenario. This suggests debt sustainability will be a main challenge for The Gambia over the medium term.

3. **External debt sustainability[1] will require that The Gambia's future external financing needs be met largely through non-debt-creating flows**. Under a passive scenario, which assumes that The Gambia does not reach the HIPC completion point but borrows only on highly concessional terms, the NPV of debt to GDP declines from 89 percent in 2005 to 70 percent in 2010, while the NPV of debt to exports declines from 312 in 2005 percent to 203 percent in 2010. By contrast, under the active scenario, which also assumes borrowing only on highly concessional terms, but includes an assumption that The Gambia reaches the HIPC Initiative completion point in 2007, the NPV of the ratio of external debt to GDP is projected to decline from 89 percent in 2005 to 63 percent by 2010. However, under a combined scenario of one-half standard deviation shocks to real GDP and export growth and net non-debt-creating flows, the NPV of the ratio of external debt to GDP will increase to 89 percent by 2010. Similarly, the NPV of the debt-to-exports ratio is projected to decline from 312 percent in 2005 to 183 percent by 2010. Stress tests indicate that combined negative shocks as described above could raise the NPV of the debt-to-exports ratio to 284 percent in 2010. This projection is also not robust to the assumption that export values grow at historical averages minus one standard deviation in 2006-07.

[1] The external debt sustainability assessment has been undertaken by the Fund only, but has incorporated comments from the World Bank.

4. **In short, the stress tests underscore that vulnerabilities, while declining, will remain significant and that policies, and possibly external support, will have to respond rapidly to unanticipated shocks**. The substantially higher NPV of debt to exports ratios compared with what were projected at the time of decision point is mainly due to (1) lower exports of goods and nonfactor services, (2) lower discount rates and the depreciation of U.S. dollar, and (3) higher disbursements (in U.S. dollar term) during 2000-2004. In particular, the 2004 exports were 26 percent lower than what was envisaged at the decision point due to lower tourism receipts and reexports, while discount and exchange rate changes caused a 28 percent increase of NPV of end-1999 debt stock.[2] This suggests that more grant financing would be needed in the future to reach the more desirable NPV of debt-to-exports ratio of 100 percent for The Gambia.

[2] Decision point simulations were run using the end-2004 discount and exchange rates.

## The Gambia: Relations with the Fund
(As of May 31, 2005)

**Membership status.** Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993.

| General Resources Account | SDR Million | % Quota |
|---|---|---|
| Quota | 31.10 | 100.0 |
| Fund holdings of currency | 29.62 | 95.23 |
| Reserve position in Fund | 1.48 | 4.77 |

| SDR Department | SDR Million | % Allocation |
|---|---|---|
| Net cumulative allocation | 5.12 | 100.0 |
| Holdings | 0.14 | 2.72 |

| Outstanding Purchases and Loans | SDR Million | % Quota |
|---|---|---|
| Poverty Reduction and Growth Facility (PRGF) arrangements | 15.26 | 49.05 |

**Latest Financial Arrangements**

| Type | Approval Date | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| PRGF | Jul 18, 2002 | Jul 17, 2005 | 20.22 | 2.89 |
| PRGF | Jun 29, 1998 | Dec. 31, 2001 | 20.61 | 20.61 |
| PRGF | Nov 23, 1988 | Nov 25, 1991 | 20.52 | 18.02 |

**Projected Obligations to the Fund** (SDR million; based on existing use of resources and present holdings of SDRs)

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Principal | 0.69 | 2.75 | 2.75 | 3.33 | 2.64 |
| Charges/interest | 0.14 | 0.19 | 0.18 | 0.16 | 0.15 |
| Total | 0.83 | 2.94 | 2.92 | 3.49 | 2.79 |

Implementation of HIPC Initiative

| | Enhanced Framework |
|---|---|
| Commitment of HIPC assistance | |
| Decision point date[1] | Dec 11, 2000 |
| Assistance committed (end-2000 NPV terms)[2] | |
| Total assistance (US$ million) | 66.6 |
| *Of which*: IMF assistance (US$ million) | 2.3 |
| SDR equivalent, million | 1.8 |
| Completion point date | Floating |
| Disbursement of IMF assistance (SDR million) | |
| Assistance disbursed | 0.08 |
| Interim assistance | 0.08 |
| Completion point balance | … |
| Additional disbursement of interest income [3] | … |

**Safeguards assessments**

The safeguards assessment of the Central Bank of The Gambia (CBG) was completed on February 3, 2004. A summary of the findings and recommendations of the safeguards assessment is outlined in Box 3 of the 2003 Article IV consultation report (Country Report No. 04/143).[4]

[1] Decision was approved by the Fund on 12/15/2000 through Decision 12365-(00/126). World Bank Board decision was taken on 12/14/00.

[2] Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

[3] Under the enhanced HIPC Initiative, additional disbursements corresponding to interest on amounts committed but not disbursed during the interim period are made after the completion point.

[4] IMF, 2004, "The Gambia: 2003 Article IV Consultation—Staff Report; Report on Noncomplying Disbursements and Recommendations for Corrective Action; Staff Assessment; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for The Gambia," IMF Country Report No. 04/143 (Washington).

**Exchange rate arrangement**

Prior to January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D 5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange arrangement of The Gambia was reclassified to managed float with no preannounced path for the exchange rate from independently floating. At end-April 2005, the midpoint exchange rate in the interbank market was D 28.70 per U.S. dollar.

The Gambia has been part of the Exchange Rate Mechanism of the West African Monetary Zone (WAMZ) since April 2002.

**Last Article IV consultation**

The 2003 Article IV consultation (Country Report No. 04/143) was concluded by the Executive Board on March 8, 2004.

**Technical assistance**

Recent technical assistance projects:

- An FAD peripatetic regional advisor is assisting the authorities in putting the new organic budget law into effect, strengthening the cash-management system, and improving the reporting of budget execution.

- An MFD advisory mission visited The Gambia in October 2004 and made recommendations for improving monetary and foreign exchange operations and for reorganizing the central bank. A follow-up mission took place in March 2005.

- A Data ROSC mission took place in February 2005 to assess data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003). The mission assessed The Gambia's dissemination practices against the recommendations of the General Data Dissemination System (GDDS).

A long-term Fund resident macroeconomic advisor's assignment was extended by another year through April 2004.

An STA peripatetic statistical advisor assisted the Central Statistics Department in updating the consumer price index (CPI) data and improving national accounts statistics from 2002 to 2004.

An FAD peripatetic advisor assisted the Department of State for Finance and Economic Affairs with revenue administration reforms, including customs, implementation of a large taxpayer unit, and establishment of a central revenue authority from November 2001 to October 2003.

The long-term Fund (FAD) resident budget expert's assignment was extended until October 2003.

An FAD mission visited The Gambia in January 2004 to work jointly with the World Bank on the Assessment and Action Plan (AAP).

A FIN Safeguards Assessment mission visited The Gambia in November 2003 and in March 2003 to conduct the Stage 1 on-site assessment.

An STA monetary and banking statistics mission visited The Gambia in May 2003 and successfully developed an integrated database to link automatically data sheets used for all IMF data submissions.

An FAD technical assistance advisor visited The Gambia in December 2002 to assist the authorities in drafting an organic budget bill.

An FAD technical assistance advisor visited The Gambia in October 2002 and April 2003 to review the reform in public expenditure management.

A technical assistance diagnostic mission from MAE visited The Gambia in July 2002 with a focus on financial supervision and the insurance sector. Further assistance was provided in reviewing the Central Bank Act and in drafting the Financial Institutions and Insurance Act.

A long-term Fund resident macroeconomic advisor arrived in Banjul in April 2002, initially for a one-year assignment.

The long-term Fund resident budget expert assisting the authorities in strengthening budgetary expenditure reporting and control returned to The Gambia in March 2002, initially for another one-year term.

A technical assistance diagnostic mission from MAE visited The Gambia in December 2001 with a focus on strengthening the central bank, including monetary policy formulation and implementation and its foreign exchange operations, and the financial system.

A technical assistance mission from STA on monetary and financial statistics visited Banjul in August 2001.

A technical assistance mission from FAD visited Banjul in July 2001 to assess the authorities' capacity to track poverty-related spending.

An MAE short-term expert visited Banjul in May 2001 to assist the authorities in designing appropriate operational, prudential, and policy safeguards (including assessing the adequacy of existing legislation) for the introduction of foreign-currency-denominated accounts.

An MAE short-term expert visited Banjul in April 2001 to assist the authorities in setting up a book-entry system.

A technical assistance mission from STA on balance of payments statistics visited The Gambia in September 2000.

An MAE short-term expert visited Banjul in May 2000 to assist the authorities in setting up a short-term liquidity forecasting system.

A long-term Fund resident budget expert to assist the authorities in strengthening budgetary expenditure reporting and control was in Banjul from August 2000 through August 2001.

An STA mission visited The Gambia in November 1999 to review the statistical collection in order to develop GDDS metadata for The Gambia.

An FAD technical assistance mission—aimed at assisting the authorities in expenditure management, budget execution issues, cash and debt management, short-term financial planning, fiscal reporting, and information systems—visited The Gambia in early September 1999.

An MAE short-term expert visited Banjul in November 1999 to assist the authorities in designing appropriate operational, prudential, and policy safeguards (including assessing the adequacy of existing legislation) for the introduction of foreign-currency-denominated accounts in the banking system.

A technical assistance mission from STA on the balance of payments statistics visited The Gambia in June-July 1999.

A technical assistance mission from STA on the national accounts visited The Gambia in November-December 1998.

An MAE technical assistance mission took place in August 1998 to assist the Central Bank of The Gambia in developing market-based monetary policy instruments and to review its program for strengthening banking supervision.

An MAE technical expert provided assistance to the central bank in foreign exchange operations in December 1996.

A joint FAD/United Nations Development Program (UNDP) technical assistance mission took place in January/February 1996 to help establish a system for monitoring the financial operations of public enterprises.

An MAE technical assistance mission on monetary management and bank supervision visited The Gambia in January/February 1994.

**Resident representative**

Provision of a resident representative in The Gambia is currently being discussed with the authorities.

**The Gambia: Relations with the World Bank Group**
(As of June 3, 2005)

1. The Bank and the Fund has continued to closely cooperate in providing support for the implementation of the country's development strategy. The development strategy is set forth in country's Poverty Reduction Strategy Paper (PRSP), called the "Strategy for Poverty Alleviation II," which was finalized in April 2002 and approved by the Boards of the World Bank and IMF in July 2002. It outlines a medium-term development strategy to reduce poverty through the following five key objectives: (1) macroeconomic stability and effective public resource management; (2) promotion of pro-poor growth and employment through private sector development, particularly in the rural agricultural sector; (3) improved basic social services and infrastructure; (4) capacity building of local communities and civil society organizations (CSOs); and (5) strengthened multisectoral programs to reduce population growth, gender inequality, HIV/AIDS, malnutrition, and environmental degradation. The strategy covers the period from 2003 to 2005. The PRSP included a multidimensional poverty analysis, an outline of a monitoring and evaluation framework, preliminary key performance indicators and targets, cost estimates of implementation, and an indicative financing gap. The authorities finalized its first annual progress report in December 2004, covering the period mid-2002 to end-2003, and the Joint Staff Advisory Note was submitted to the Boards in April 2005.

2. As outlined in its Country Assistance Strategy (CAS), the Bank focuses its support for the implementation of the PRSP in the following areas: (1) establishment of a macroeconomic and sectoral environment conducive to economic growth; (2) rehabilitation and development of infrastructure; (3) development of human capital through the provision of more efficient social services; and (4) capacity building in departments that have a key role in economic management. The Fund has traditionally led the policy dialogue on macroeconomic policy, including fiscal, monetary, and exchange rate policies. Areas of close collaboration include public expenditure management reform and government statistics. In the near future, collaboration on trade issues should increase with the planned Integrated Framework analysis by the Bank.

3. Instruments used in supporting these objectives have been sector-based investment projects. Currently, there are no adjustment credits, although there were two structural adjustment credits in the past, Structural Adjustment Loan (SAL) I and SAL II. In February 2003, the Bank's Board approved the CAS for The Gambia for fiscal-years (FY) 2003–05, which is currently under implementation.

4. As of April 7, 2005, IDA had approved 30 credits worth a total of about US$271 million, of which about US$33 million remain undisbursed. The current portfolio consists of six projects in health, HIV/AIDS, education, poverty alleviation (infrastructure), capacity building for economic management, and private sector development (trade gateway), totaling US$99 million.

5. In **health**, the Participatory Health/Population/Nutrition operation was approved in March 1998. It aims at improving the quality of services related to reproductive health, infant and child health, and nutrition for infants, children, and women of reproductive age. It also aims at improving the quality of management and implementation of a family health program. An HIV/AIDS rapid response operation was approved in January 2001. The project aims at (1) containing the HIV/AIDS pandemic, (2) reducing the spread of the pandemic and mitigating its effects, and (3) increasing access to prevention services, as well as treatment, care, and support for those infected and affected by HIV/AIDS.

6. In **education**, the Third Education Sector Project was approved in September 1998 to support the implementation of the second half of the government's Education Sector Policy Framework, 1988–2005, and its accompanying investment program.

7. A **Poverty Alleviation and Municipal Development** operation was approved in March 1999, with the following objectives: (1) to reduce the backlog in public infrastructure development and improve the maintenance of public assets; (2) to alleviate poverty through the creation of temporary jobs and improvements in the selection of small- and medium-sized investments, which should aim at upgrading the living environment of the poor; and (3) to strengthen the technical and managerial capacity of local authorities (with an emphasis on their financial situation), local private firms (namely, consultants and contractors), and Gamworks (a procurement agency). In addition to the original credit amount of SDR10.7 million (approximately US$15 million), the Bank has recently approved a supplemental credit of SDR2.7 million (US$4.0 million equivalent) to upgrade the infrastructure in water supply, roads and sanitation facilities.

8. A **Capacity Building for Economic Management** Project was approved in July 2001 to help (1) build government capacity for economic planning, policy formulation, and execution, and (2) build the capacity of the judicial and financial systems to facilitate private sector development. Key reforms supported by the project include the establishment of the Revenue Authority, the implementation of the Integrated Financial Management Information System (IFMIS), capacity building of the Central Statistics Department (CSD), and the establishment of an alternative dispute resolution (ADR) court system.

9. The **Trade Gateway** Project was approved in February 2002 to help the country establish itself as a globally competitive export and processing center by laying the foundations for expanded private investment, export-oriented production, and employment through the establishment of a free zone and an improved institutional environment.

10. The next education project and a combined community-based rural development and health project are currently being prepared, with expected Board approval in FY 2006.

11. As of April 30, 2002, the IFC's portfolio had two investments with a balance of about US$0.6 million. The current portfolio includes investments for a medical clinic (Ndebaan) and commercial fishing (Lyefish).

IDA, MIGA, and the IFC will continue to coordinate their respective roles to support development activities in The Gambia. These activities are being enhanced by the IFC's office in Dakar, which also oversees the IFC's activities in The Gambia.

Summary of Statement of IDA Credits in The Gambia
(As of April 7, 2005; in millions of U.S. dollars)

| Projects | Commitment | Disbursed | Undisbursed |
|---|---|---|---|
| Twenty four credits closed | 171.8 | 172.8 | 0.0 |
| Ongoing projects | | | |
| Gateway | 16.0 | 6.1 | 12.2 |
| CB for Economic Mgmt Project | 15.0 | 6.7 | 10.7 |
| HIV/AIDS Rapid Response | 15.0 | 11.2 | 6.1 |
| Participatory Health/Pop./Nutrition | 18.0 | 16.3 | 2.4 |
| Third Education | 20.0 | 19.8 | 0.4 |
| Poverty Alleviation and Municipal Dev. | 15.0 | 13.3 | 1.6 |
| Subtotal | **99.0** | **73.4** | **33.4** |
| Total | **270.8** | **246.2** | **33.4** |

Source: The World Bank Integrated Controller's System.

The Gambia—Statement of IFC's Held and Disbursed Portfolio
(As of April 30, 2002; in millions of U.S. dollars)

| | | Committed/Held | | | | Disbursed | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ------------IFC------------ | | | | ------------IFC------------- | | | |
| **FY Approval** | **Company** | **Loan** | **Equity** | **Quasi** | **Partic** | **Loan** | **Equity** | **Quasi** | **Partic** |
| 1993 | AEF Ndebaan (Medical Clinic) | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| 1994 | AEF Lyefish (Commercial Fishing) | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 |
| | **Total portfolio** | **0.6** | **0.0** | **0.0** | **0.0** | **0.6** | **0.0** | **0.0** | **0.0** |
| Pending commitments | | 0.0 | 0.0 | 0.0 | 0.0 | | | | |

Source: IFC.

## Bank-Fund Structural Priorities

| Measures | Lead Institution | Target Date |
|---|---|---|
| **Fiscal sector** | | |
| Establish a donor coordination unit in the Department of State for Finance and Economic Affairs (DOSFEA) to follow up on pledges made at roundtable, access requirements against millennium development goals (MDGs), monitor disbursements, and coordinate with debt unit to ensure maintenance of debt database | IMF | Aug. 2004 |
| Update government accounts to 2001 | IMF, Bank | Oct. 2004 |
| Expand and fully operationalize ASYCUDA, the customs information technology (IT) system | Bank | Nov. 2005 |
| Revitalize tax administration IT system | Bank | Apr. 2006 |
| Establish a national Revenue Authority | Bank | Sep. 2006 |
| Complete phase I of Integrated Financial Management Information System (IFMIS) | Bank | Dec. 2006 |
| **Monetary sector** | | |
| Submit CBG Law to National Assembly | IMF | Dec. 2004 |
| Receipt by the Fund of the 2003 audited financial statements of the CBG | IMF | Dec. 2004 |
| **External sector** | | |
| Provide monthly data on imports (cif) by tariff band, exemptions, and duty collected to enable analysis of revenue-collection performance of customs department | IMF | Oct. 2004 |
| **Macroeconomic statistics** | | |
| Publish analytical reports on 2003/04 integrated household survey | Bank | Nov. 2005 |
| Publish analytical reports on 2003 population census | Bank | Dec. 2005 |
| Enact new Statistics Bill to establish a semi-autonomous Statistics agency | Bank | Dec. 2005 |
| Publish results of 2005 economic census | Bank | Feb. 2006 |
| Publish new national accounts in line with *1993 System of National Accounts* | Bank | Sep. 2006 |
| Establish new semi-autonomous Statistics agency | Bank | Dec. 2006 |
| **Legal sector** | | |
| Finalize legal sector reform strategy and submit cabinet paper | Bank | Jun. 2005 |
| Operationalize alternative dispute resolution system | Bank | Oct. 2005 |
| Prepare registries restructuring strategy | Bank | Dec. 2005 |
| Operationalize court case management system | Bank | Aug. 2006 |
| **Enterprises** | | |
| Operationalize business park/free trade zone | Bank | Jun. 2006 |
| Divest several Track II enterprises of government's divestiture plan and complete divestiture action plans for Track I enterprises | Bank | Early 2007 |

Questions may be referred to Mr. Soh Hoon (email: hsoh@worldbank.org).

**The Gambia: Relations with the African Development Bank**
(As of May 23, 2005)

The African Development Bank (AfDB) Group began lending operations in The Gambia in 1974 and has since approved as of end-2004, 56 projects for a total amount of UA 201.1 million (US$302.6 million), (11 of which were financed by grants) in the transport, social, public utilities, agricultural, and industrial sectors. As of December 31, 2004, 33 projects had been completed while 19 projects were ongoing, amounting to total commitments of UA 56.8 million (US$85.5 million), and 4 operations have been cancelled at the government's request.[1] The portfolio has a relatively low project at risk (PAR) rate, though the disbursement rates continue to remain low, with only UA 13.52 million (US$20.34 million) or 23.8 percent of the active portfolio having been disbursed as of December 31, 2004. The AfDB is also a major participant in The Gambia's enhanced Heavily Indebted Poor Countries (HIPC) Initiative program, under which it is due to grant debt relief of US$15.7 million in net present value (NPV) terms (23.6 percent of the total debt relief under the program).

The AfDB's most recent strategy for The Gambia covers the period 2002–04 and aims at assisting the country in its efforts to meet the Millennium Development Goals (MDGs) by addressing specific institutional and human capacity constraints. The plan is based on The Gambia's poverty reduction strategy (SPA-II), and the base-case scenario focuses on the following lending and nonlending (grant) interventions.

AfDB Country Strategy 2002–04 for The Gambia

| Objective | Instrument and Amount | Focus |
|---|---|---|
| Meet the MDGs | Third education project (UA 10.0 million) | Increase access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country. |
| Improve macroeconomic environment | Budgetary support (UA 4.38 million) | Complement efforts of other donors in consolidating the fragile macroeconomic environment and in meeting The Gambia's exceptional financing needs during 2002–04. |
| Implement multisector capacity building | Capacity-building project (Grant of UA 2.0 million) | Strengthen capacity of key departments and institutions involved in the preparation and implementation of the PRSP/SPA-II. Support to be |

[1] On April 27, 2005, the Executive Board of the AfDB approved the farmer-managed rice irrigation project for an amount of UA 5.5 million. UA stands for unit of account (equivalent to US$1.5).

| | |
|---|---|
| | extended to institutions dealing in economic and political governance, including the Department of Justice, Auditor General's Department, Public Divestiture Agency, parliament, and the Public Procurement Agency. |

If the current policy and institutional framework for The Gambia improves—as proxied by the country's performance in implementing the IMF's Poverty Reduction and Growth Facility (PRGF) arrangement, the fulfillment of some required conditions for reaching the completion point of its HIPC Initiative program, and improvement in the implementation of the AfDB Group portfolio—the country will move to a higher-case scenario, and an additional UA 4.38 million will be allocated to the country to finance an agricultural-related project. Conversely, the low-case scenario will apply if there is a deterioration in the current policy and institutional framework, in which case The Gambia will qualify for only UA 1.74 million of its basic allocation. Under this scenario, the already appraised policy-based operation will not be granted. The Gambia's AfDB strategy for 2005–07 will be prepared in early 2005.

Implementation of the AfDB's strategy is achieved through lending and nonlending activities. The extent of the former is dependent on a satisfactory performance under the IMF-supported PRGF, progress made toward reaching the HIPC Initiative completion point, advances in strengthening public expenditure management, and improved performance of the AfDB-sponsored projects themselves. Intervention through the nonlending program aims at strengthening policy dialogue with the government and stakeholders and focuses mainly on studies, funded through grants, to improve governance, mainstream gender, fight HIV/AIDS and communicable diseases, and improve the energy supply.

## The Gambia: Statistical Issues

There are substantial weaknesses in The Gambia's economic and financial statistics, especially in the national accounts, balance of payments, and external debt statistics. The poor quality of certain data and complete lack of others have hampered recent analysis of economic developments. Data reporting by the authorities to the Fund is somewhat irregular. The Gambia participates in the General Data Dissemination System (GDDS) and its metadata have been posted on the Fund's Dissemination Standards Bulletin Board (DSBB) since May 2000. A data ROSC mission visited The Gambia in February 2005 to assess data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003). The Gambia's dissemination practices were also assessed against the recommendations of the GDDS. The mission recommended the establishment of an interim Statistics Council to spearhead the passage of the Statistics Act and eventual creation of an autonomous Bureau of Statistics and preparation of a comprehensive statistics reform package, to be costed and presented to a donor roundtable meeting later in 2005.

### Real sector

Annual national accounts estimates are compiled using only the production approach and rely heavily on indicators in the absence of more comprehensive information. Accordingly, following STA assistance on national accounts since 1998, a program has been prepared by the Central Statistics Department (CSD) focusing on (i) improving the quality of source statistics by improving and expanding existing surveys; (ii) improving the coverage and methodology of the GDP estimates, including the implementation of the *System of National Accounts (1993 SNA)*; (iii) rebasing the constant price estimates—currently 1976/77—to a more recent period; and (iv) developing independent estimates of the expenditure aggregates. STA assistance has been followed by regular visits by a peripatetic adviser who is also assisting with price statistics. Currently, the CSD produces data on consumer price index (CPI) based on the 1976/77 weights for the low income population of the greater Banjul area only. As with the national accounts, improvements in the CPI will require that the CSD—which is particularly weak—is provided adequate high quality resources.

### Government finance

The authorities provide data central government transactions with a lag of about eight weeks for both revenue and expenditure, based on "flash" reporting. Reporting in the treasury ledger is subject to considerable delay; the central government accounts for 1991–99 have not been audited and those for later period have yet to be closed. Particular weaknesses persist in compiling data on an economic basis and in tracking foreign-financed expenditure, including HIPC debt relief. Data on domestic government financing are available on a monthly basis with a delay of some six to eight weeks. The three-year rolling public investment program has not been updated for some time, and the execution of public investment needs closer monitoring. The authorities have also acknowledged that substantial payments were made in 2001 and 2002 but were not recorded in the government accounts; current fiscal data have been revised accordingly.

**Monetary data**

Data reporting by the Central Bank of The Gambia (CBG) remains slightly irregular. Its monthly balance sheet data should be available within two weeks following after the reference month, and data for the monetary survey should be provided with a delay of about three weeks. The coverage of commercial banks in the monetary survey is comprehensive, although there has been no follow-up on the recommendations of the August 2001 STA mission regarding the inclusion of noncommercial bank depository corporations (the Postal Savings Bank and Village Savings and Credit Associations) in the monetary survey. The commercial banks follow a uniform chart of accounts to report financial data to the CBG. Flash reports of key monetary data are also sent from the banks to the CBG on a weekly basis. Over the past two years, the CBG has introduced several reclassifications of the monetary accounts in an attempt to improve sectorization and coverage, as well as to harmonize the data reported to STA and AFR. In particular, there were substantial revisions to data on foreign exchange transactions and lending to the central government for the period 2001–03.

**Balance of payments**

A significant proportion of The Gambia's external transactions, including reexports, are conducted through informal channels. Inclusion of these activities in the balance of payments assuming that reexports are a fixed share of total imports, and tourism revenue is a simple function of tourist arrivals. Data on trade, customs collection, and tourist arrivals are available with long delays. Data on private capital flows are poor. Official grant and loan disbursements and repayments are relatively well recorded (but there are some gaps in project disbursements). Data on the gross and net international reserves of the central bank are available with a short lag, but were substantially revised for 2001–03.

The Fund provided technical assistance on balance of payment statistics in June-July 1999 and September 2000. In reviewing progress, the 2000 mission noted that some progress had been made in the compilation of balance of payments statistics in that several of the previous mission’s recommendations had been implemented. Based largely on the mission’s recommendations, the CBG established a balance of payments unit, equipped with computer resources, and initiated surveys of the banking sector, insurance companies, travel and shipping agents, hotels, and foreign embassies. However, this unit is currently understaffed and most trained balance of payments statisticians have either left or are away on long-term study leave. As a result, the unit has not produced reliable and timely balance of payments data. With assistance from the U.K. Department for International Development, the CBG conducted an enterprise survey to collect data for the International Investment Position. However, several other STA recommendations remain outstanding including, the implementation of a survey of major importers and exporters, collection of data on foreignowned construction enterprises, and the conduct of periodic surveys of Gambians traveling abroad.

Following recommendation of the February 2005 data ROSC mission, CBG revamped the balance of payments unit by elevating it to a full section with additional staff. To strengthen capacity for balance of payments compilation a CBG staff member attended STA's Balance of Payments Statistics course in May-June 2005 through the IMF Institute. STA is also planning a balance of payments statistics mission early in 2006.

The government has recently installed the Commonwealth Secretariat's debt-reporting and management system with the assistance of the World Bank.

**Publication**

The only regular provision of macroeconomic data to the public is through references in the annual budget speech. The CBG's annual report and quarterly bulletins, which serve to disseminate y much of the nation's macroeconomic data, have not been published since 2000; in addition, the CSD's publications are not being issued regularly.

There has been no reporting of data for publication in the *Government Finance Statistics Yearbook* since 1993 or in the *Balance of Payments Statistics* and *International Financial Statistic (IFS)*, other than monetary and CPI data, since 1997.

## The Gambia: Table of Common Indicators Required for Surveillance

(As of January 31June 176, 2005)

| | Date of latest observation | Date received | Frequency of Data[6] | Frequency of Reporting[6] | Frequency of publication[6] |
|---|---|---|---|---|---|
| Exchange Rates | 4/30/05 | 5/12/05 | W | W | W |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | 3/31/05 | 4/29/05 | W | W | A |
| Reserve/Base Money | Mar 2005 | 4/29/05 | M | M | A |
| Broad Money | Mar 2005 | 4/29/05 | M | M | A |
| Central Bank Balance Sheet | Mar 2005 | 4/29/05 | M | M | A |
| Consolidated Balance Sheet of the Banking System | Mar 2005 | 4/29/05 | M | M | A |
| Interest Rates[2] | 3/31/05 | 4/29/05 | W | W | W |
| Consumer Price Index | 3/31/05 | 5/05/05 | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4] | | | | | |
| Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government | 12/04 | 4/29/05 | M | M | A |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | | | | | |
| External Current Account Balance | Dec 2004 | 4/29/05 | A | A | A |
| Exports and Imports of Goods and Services | | | | | |
| GDP/GNP | 2004 | 4/29/05 | M | M | A |
| Gross External Debt | Dec 2004 | 4/29/05 | M | Q | A |

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA)

**Statement by the IMF Staff Representative on The Gambia**
**July 18, 2005**

This statement provides additional information on developments since the issuance of the staff report for the 2005 Article IV Consultation for The Gambia. This information does not materially change the staff appraisal.

**Recent Macroeconomic Developments**

1. Macroeconomic conditions continued to improve in the second quarter of 2005. Inflation continued to trend downwards, with the 12-month increase in consumer prices registering just 4 percent at end-April compared with 15.8 percent in April 2004. The growth in broad money abated slightly and rose by 22 percent on a 12-month basis at end-May 2005 compared to 24.3 percent at end-April 2005 and 30.3 percent at end-May 2004. The preliminary fiscal outturn through May suggests a significant compression in nondiscretionary spending vis-à-vis the 2005 budget, in line with the quarterly ceilings of D 190 million that were recently established. The overall budget deficit on a commitment basis through May was 50 percent lower than that which underlies the projection in the staff report.

2. At its last meeting held on July 7, 2005, the Monetary Policy Committee of the Central Bank decided to reduce the Rediscount Rate (its policy rate), by 4 percentage points to 25 percent. Staff believes that this interest rate reduction is appropriate given the continued decline in inflation, the strength of the dalasi in the foreign exchange market, and improvements in fiscal performance.

**Action Plan for Strengthening Internal Controls at the Central Bank**

3. The Central Bank has adopted an Action Plan to strengthen internal controls drawing on the report of the new external auditors and the Fund's Safeguard Assessment recommendations. The Action Plan establishes a timetable and identifies the additional resource requirements necessary for helping the Central Bank to develop international best practices in accounting and auditing. In particular, the plan seeks to address weaknesses with respect to the following Central Bank functions: (1) custodian of foreign reserves; (2) banking services to the government; (3) public debt management and open market operations; (4) custodian of banks' cash reserves; and (5) issuance of banknotes and coins.

4. The Action Plan contains provisions for the establishment of an Audit Committee, in charge of overseeing internal and external audit arrangements, and for the implementation of foreign exchange reserve management guidelines designed to address procedural responsibilities and ensure a proper separation of duties in foreign reserve operations. In staff's view, the Action Plan is comprehensive. Additional work is needed to spell out more clearly the reform priorities (in particular to address the findings of the reaudits of the 2001-02 accounts and the special audit on foreign reserves), the timeline for certain actions, and the specific technical assistance needs.

INTERNATIONAL MONETARY FUND

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International Monetary Fund
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Washington, D. C. 20431 USA

## IMF Executive Board Concludes 2005 Article IV Consultation with The Gambia

On July 18, 2005, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with The Gambia.[1]

### Background

The Gambia's economic performance since the mid-1980s has been uneven owing to exogenous shocks, macroeconomic and structural policy slippage, poor governance, and weak institutions. The economy's vulnerability to shocks stems from a lack of economic diversification. In addition, economic performance has been constrained by policy distortions and by recurrent weaknesses in fiscal policy. Expansionary policies have increased the government's recourse to domestic bank financing, which, in turn, has raised real interest rates, increased the domestic debt burden, and tended to crowd out private investment.

In 1998, the authorities entered into a three-year program under the Enhanced Structural Adjustment Facility (ESAF), which was converted into a Poverty Reduction and Growth Facility (PRGF) arrangement. In July 2002, the Board approved a new three-year PRGF arrangement (See News Brief No. 02/74 and Press Release No. 02/32), but the first review was not completed because of weak policy implementation and governance problems. It was discovered in 2003 that The Gambia had misreported to the Fund net international reserves by US$38.8 million at end-December 2001 and failed to record US$28.5 million in government expenditures. The Executive Board concluded that The Gambia had received two

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

noncomplying disbursements, equivalent to SDR 3.435 million each in July and December 2001 (See Press Release No. 04/49). The authorities repaid these disbursements in 2004 in four equal installments, with the last payment made ahead of schedule.

The Executive Directors urged the authorities, during the Article IV consultation in 2004, to commission a reaudit of the Central Bank of The Gambia's (CBG's) 2001 and 2002 financial statements on terms of reference agreed with Fund staff. The Directors also stressed the need for a special audit of foreign exchange transactions between 2000 and 2003. These audits have now been completed and confirm the breakdown of internal controls at the central bank that were observed during the IMF's Safeguard Assessment mission conducted in November 2003. The audit reports restate general ledger balances for external reserves for various test dates between end-December 2000 and end-December 2003, which are significantly lower than the originally recorded balances. The auditors have issued a disclaimer indicating that they were unable to express an opinion on the 2001 and 2002 accounts largely because of the lack of documentation supporting several foreign exchange transactions.

Macroeconomic performance has strengthened over the past 18 months, particularly through end-2004, in response to strong financial policies. Despite an increase in groundnut production, real GDP growth slowed in 2004 to 5.1 percent (from 6.9 percent in 2003) due to lower growth in industry and services. Inflation reached 18 percent at end-2003 and declined to 5 percent by March 2005. The central bank's rediscount rate (policy rate) was reduced by 5 percentage points from September 2004 to 29 percent in March 2005.

The overall fiscal deficit (including grants and on a commitment basis) increased to 5¾ percent of GDP in 2004 from 4¾ percent in 2003, mainly due to much higher externally-financed capital expenditures. However, the basic primary surplus more than doubled to 9½ percent of GDP, indicating a significant tightening in domestic fiscal operations. Broad money growth declined from a peak of 43 percent on a 12-month basis in 2003 to 18 percent in 2004. The nominal exchange rate has been stable since 2003 when it depreciated by 25 percent in U.S. dollar terms.

The relatively high interest rates that were necessary to reverse the deterioration in the macroeconomic environment have, however, placed a heavy burden on domestic debt service, and on credit markets. The total domestic debt stock increased from around 25 percent of GDP in 2003 to 31 percent in 2004 and domestic interest payments have risen from 4½ percent in 2003 to 5¼ percent of GDP in 2004. The tightening in domestic financial policies has also severely depressed credit to the private sector. In 2004, the stock of such credit is estimated to have fallen by 6 percent.

The external current account deficit (including official transfers) deteriorated from 5 percent of GDP in 2003 to 12 percent in 2004, partly reflecting the worsening in the balance of trade, as strong import growth was driven by the recovery in output, the surge in donor-financed capital expenditures, foreign direct investment, and higher international oil prices. Gross international reserves rose by more than US$22 million or by over 30 percent in 2004 as increased foreign inflows and a stabilizing exchange rate allowed the central bank to increase its purchases in the interbank market.

Policies, however, weakened in the first quarter of 2005. There have been significant fiscal slippages owing primarily to unbudgeted expenditures of D 101 million (¾ percent of GDP). These expenditures have led to a substantial increase in the net debt of the government. Accommodating policies by the central bank led to excessive growth in monetary aggregates. Prospects for 2005 are further jeopardized by the decision to license a monopoly quasi-public enterprise, the Gambian Agricultural Marketing Corporation (GAMCO), to market and process groundnuts. This has had a near disastrous effect on exports of processed groundnuts, as GAMCO has been unable to raise the finances to purchase what was a bumper harvest for groundnuts. The mission estimates that a substantial proportion of groundnut exports could be lost in the 2004/05 crop season.

After a long delay, the authorities recently completed the first annual progress report of the Poverty Reduction Strategy Paper covering the period July 2002–December 2003. Progress on structural reforms has been mixed. The authorities have fallen behind in their schedule to privatize the Gambia Groundnut Corporation. On the fiscal side, the National Emergency Fiscal Committee (NEFCOM) had some positive effects in ensuring greater control over expenditures. Further, steps are being taken to strengthen the public expenditure management system. A new organic budget law has been passed and the financial regulations are currently being implemented. The authorities are in the process of developing a statistical strategy to be presented to donors. However, basic macroeconomic statistics remain weak.

**Executive Board Assessment**

Executive Directors observed that The Gambia’s economic performance in recent years was marked by inconsistent implementation of sound macroeconomic policies, poor governance, exogenous and policy-induced shocks, and inappropriate policy responses to those shocks. Directors concurred that the main medium-term challenge for The Gambia is to make a decisive break from the past “stop-go” policies, and embark on a comprehensive economic program that would establish the conditions for sustainable growth and poverty reduction. Key elements of such a program should include measures to preserve macroeconomic stability and to achieve debt sustainability. The program should also incorporate reforms aimed at promoting faster growth and poverty reduction through improvements in the investment climate, and the strengthening of public expenditure management, governance, and accountability.

In this context, Directors commended the authorities for their implementation of strong financial policies over the past 18 months, which has led to an improvement in the basic primary fiscal surplus, a reduction in inflation, the stabilization of the exchange rate, and the rebuilding of international reserves. Directors noted that the improved macroeconomic conditions had paved the way for the recent easing in interest rates.

While welcoming this progress, Directors expressed disappointment with the fiscal slippage—stemming from extrabudgetary expenditures—that occurred in the first quarter of 2005. They urged the authorities to address it by fully implementing the proposed quarterly ceilings on discretionary expenditure, improving cash management, and enforcing the public enterprises’ repayment of government loans. In this process, it will be important to avoid adverse effects on pro-poor spending. Directors also urged the authorities to phase out the subsidization of petroleum products by adjusting prices and enforcing the terms of the petroleum price mechanism, bearing in mind the social implications of the adjustment. In addition, they recommended strengthening revenues by improving tax administration, and broadening the tax base by phasing out tax exemptions.

Directors were encouraged by the recent implementation of reforms to promote enhanced fiscal transparency. They welcomed the passage of the organic budget law and encouraged the authorities to finalize implementation of the supporting financial regulations. They also noted the progress being made in auditing the government accounts, and urged the authorities to intensify efforts to bring the accounts up to date.

Directors commended the progress made in reducing inflation, and stressed that further fiscal consolidation would provide room for easing monetary policy and permit further reductions in interest rates. Directors concurred with the use of broad money as a nominal anchor for prices. They welcomed the progress made to enhance the conduct of monetary policy, and encouraged the authorities to move ahead with the introduction of new instruments designed to separate monetary operations from the financing of the budget, and by adopting other key recommendations made by recent Fund technical assistance missions. Also, Directors welcomed the increased attention being paid to better coordination of fiscal and monetary management, and saw the creation of the Monetary Policy Committee and Treasury Bill Committee as important first steps in this regard. Efficient use of Fund technical assistance in public expenditure management and in the domestic and foreign operations of the central bank, together with the strengthening of the authorities' statistical capacity, should help to further improve The Gambia's macroeconomic management capacity.

Directors expressed disappointment with the continued weaknesses in internal controls at the Central Bank, and stressed the need for the prompt and effective implementation of appropriate remedial measures. In this regard, they welcomed the recent adoption by the Central Bank of an Action Plan to strengthen internal controls drawing on the report of the new external auditors. The establishment of an Audit Committee, drafting of guidelines for foreign reserves management, as well as the recent reorganization of the Bank were also welcomed. In addition, Directors encouraged the authorities to fully implement the recommendations from the recent Safeguards Assessment, including the passage of the revised Central Bank Act designed to strengthen the Bank's operational independence.

Directors observed that the fundamentals of the financial sector appear sound with adequate capitalization and high profitability and liquidity ratios. They welcomed the reduction in nonperforming loans, and urged the authorities to pursue the further deepening of the financial sector, including by enhancing the legal framework and reinforcing creditor rights.

Directors agreed that the current level of the real effective exchange rate is appropriate, and that improvements in external competitiveness should be addressed through the removal of structural bottlenecks, which currently constrain productivity.

Directors concurred that The Gambia's external competitiveness and growth prospects would be enhanced by the adoption of a comprehensive structural reform strategy designed to reduce the costs and risks of doing business in the country, and removing key structural bottlenecks in the agricultural sector. They encouraged the authorities to accelerate the privatization program, and enhance the investment climate through fiscal, judicial, and legislative reforms, as recommended by the Foreign Investment Advisory Service and the World Bank's Diagnostic Assessment of the Investment Climate in The Gambia. In this connection, strengthening institutions and improving governance would be major priorities. In the groundnut sector, Directors expressed disappointment with the decision to license a public monopoly, The Gambia Agricultural Marketing Corporation to market and process groundnuts. They noted that the authorities had agreed to license firms to compete with the Gambia Agricultural Marketing Corporation, but emphasized that it will be essential to avoid further government intervention and accelerate implementation of the sectoral strategy agreed with major donors. including the privatization of the Gambia Groundnut Corporation.

Directors concurred that clear steps would be needed as part of a staff-monitored program (SMP). Directors agreed with staff that the main elements of an SMP should include implementation of an action plan to address the external auditor's recommendations to improve internal controls, and in that regard they welcomed the authorities' intention to conduct quarterly audits of the Central Bank's foreign reserve balances. They also agreed that emphasis will need to be placed on public financial management and accountability. Successful performance under an SMP could be expected to lead to a new PRGF arrangement and debt relief under the HIPC Initiative.

Directors welcomed the ex post assessment report and generally agreed with its main findings. They identified as key lessons to be learned for future program design the importance of structuring conditionality so as to give greater emphasis to the resolution of problems in public expenditure management and in the internal controls at the central bank. A few Directors noted the authorities' view that over ambitious targets may have contributed to program failures, and they saw a possible need for greater realism and streamlining of program conditionality. Directors also observed that governance problems and insufficient commitment to reforms had hampered program implementation over the course of the last two arrangements with the Fund and emphasized the need to continue strengthening transparency in the use of public resources.

***Public Information Notices (PINs)*** form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case. The staff report for the Article IV consultation with The Gambia may be made available at a later stage if the authorities consent.

The Gambia: Selected Economic Indicators

| | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|
| | (Annual Percentage changes, unless otherwise indicated) | | | |
| Domestic economy | | | | |
| Real GDP | 5.8 | -3.2 | 6.9 | 5.1 |
| Nominal GDP | 21.8 | 12.3 | 36.1 | 20.1 |
| GDP deflator | 15.2 | 16.1 | 27.4 | 14.3 |
| Consumer price index (period average) | 4.5 | 8.6 | 17.0 | 14.2 |
| Groundnut production (in thousands of metric tons) | 151.0 | 71.5 | 92.9 | 120.5 |
| | (In percent of GDP) | | | |
| External sector | | | | |
| Current account balance | | | | |
| Excluding official transfers | -10.1 | -13.4 | -13.6 | -21.6 |
| Including official transfers | -2.6 | -2.8 | -5.1 | -11.8 |
| | (Annual percentage changes, unless otherwise) indicated) | | | |
| Exports, f.o.b. (in U.S. dollars) | -19.4 | 7.1 | -7.6 | 25.8 |
| Imports, c.i.f. (in U.S. dollars) | -19.9 | 12.8 | -6.2 | 46.2 |
| Money and credit (end-of-period stocks) | | | | |
| Broad money | 19.4 | 35.3 | 43.4 | 18.3 |
| Credit to the private sector and public enterprises | 12.8 | 72.3 | 48.0 | -15.1 |
| Reserve money | 21.0 | 34.1 | 62.7 | 11.0 |
| Treasury Bill rate (in percent; end-of-period) | 15.0 | 20.0 | 31.0 | 30.0 |
| | (In percent of GDP) | | | |
| Central government budget 1/ | | | | |
| Balance, excluding grants | -16.0 | -9.1 | -7.2 | -10.2 |
| Balance, including grants | -13.9 | -4.6 | -4.7 | -5.7 |
| Total expenditure and net lending | 31.1 | 25.4 | 22.9 | 31.2 |
| Domestic revenue | 15.1 | 16.3 | 15.7 | 20.9 |
| Stock of domesti debt | 38.1 | 36.6 | 25.2 | 30.7 |
| | (In millions of U.S. dollars, unless otherwise indicated) | | | |
| Current account balance | | | | |
| Excluding official transfers | -42.2 | -49.6 | -48.0 | -86.7 |
| Including official transfers | -10.8 | -10.4 | -18.0 | -47.1 |
| Gross official reserves 2/ | 63.0 | 67.2 | 62.3 | 84.6 |
| In months of imports, c.i.f. | 5.0 | 4.5 | 4.4 | 4.1 |
| | (In percent of exports and travel income) | | | |
| External debt service 3/ | 16.4 | 16.9 | 8.5 | 15.9 |

Sources: The Gambian authorities; and IMF Staff estimates.
1/ Adjustment have been incorporated for previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia.
2/ Adjustments have been incorporated for previously unrecorded depletion of foreign exchange reserves in 2001-03, as reported by the authorities on October 28, 2003.
3/ Servicing of public external debt after HIPC grants in percent of exports and travel income. In 2001, the increase in debt service reflects in part payments to Alimenta. Any accumulation of arrears is excluded.

**Statement by Peter Gakunu, Alternate Executive Director, and John Steytler, Advisor to the Executive Director, on The Gambia**
**July 18, 2005**

1. The Gambian authorities appreciate the candid exchange of views during the 2005 Article IV Consultation and Ex-Post Assessment (EPA) discussions. They agree with the thrust of the staff assessments, which give a fair account of recent economic developments in The Gambia and the challenges ahead.

## Background

2. The Gambia is a small open economy, dominated by agricultural production and is highly vulnerable to external shocks. This notwithstanding, The Gambia was considered one of the best performers in Sub-Saharan Africa during the past 25 years, owing mainly to the pursuit of prudent policies. Real GDP growth has been higher than the average for Sub-Saharan Africa and inflation consistently lower than the Sub-Saharan African average. The Growth Competitiveness Index (GCI) of the 2004 Global Competitiveness Report, ranked The Gambia number 52 out of 102 countries and number 6 in Africa. In the sub index on public institutions, The Gambia was ranked number 39 in the world and 4 in Africa.

3. Notwithstanding this excellent record of accomplishment, the authorities recognize that the country continues to face enormous developmental challenges, including a narrow economic base and one of the highest incidences of poverty on the continent and indeed in the world. Against this backdrop, my authorities' strategy in going forward rest on three pillars, namely to (i) consolidate recent gains in macroeconomic stability; (ii) to stabilize and reduce the public debt burden; (iii) and to address remaining structural weaknesses in the economy to support private sector driven growth.

4. Recently, in 2002 the authorities' PRGF arrangement went off track due to misreporting on net international reserves and government expenditure. The authorities reacted quickly to repay the resultant non-complying disbursements, making the last payment ahead of schedule. Moreover, the authorities have implemented a number of remedial measures and reforms to strengthen external controls of the central bank as recommended by the Fund Safe Guard Assessments and the independent audit report, as well as to strengthen the public expenditure management system to prevent similar situations from occurring again. These actions attest to the importance that the authorities attach to their relationship with the Fund.

5. However, the absence of a Fund program has put a tremendous burden on the authorities in terms of domestic debt servicing and their pursuit of reaching the MDGs. They,

therefore, request the support of Executive Directors for a staff monitored program leading to a new PRGF program to enable them to reach the HIPC completion point as soon as possible.

6. Notwithstanding lack of external support, The Gambia's macroeconomic performance has strengthened significantly since 2003. Thanks to improved fiscal operations, coupled with tight monetary policy, the authorities have managed to successfully stabilize the economy, following the slippages of 2002. Real GDP rebounded to an average annual rate of 6 percent in 2003-04 following a contraction of 3.2 percent in 2002. Inflation decelerated to 4.0 percent in April 2005 from a peak of 17 percent in 2003 and net international reserves rose by more than US$22 million or over 30 percent in 2004. The overall fiscal balance deteriorated slightly in the first 5 months of 2005, due to additional expenditure needs related to external shocks, as well as a one off expenditure to clear arrears in membership dues to the Economic Community of West African States. However, it should be noted that the basic primary surplus more than doubled to about 9½ percent of GDP, indicating an improved fiscal performance.

**Issues in 2005**

7. Looking ahead, real GDP is estimated at a robust 5.0 percent in 2005, and inflation is expected to remain at a low rate.

***Fiscal Policy***

8. Key to the stabilization of economic conditions in The Gambia, has been tight fiscal policy, as reflected in the primary fiscal surplus as a ratio of GDP, which more than doubled in the current fiscal year. The authorities remain committed to prudent fiscal policies and will contain domestic borrowing for the rest of the year by limiting discretionary expenditure allocations to D 190 million (a compression of roughly 2 percent of GDP compared to the Budget), by the end of the year. The authorities will not entertain any extra-budgetary spending or central bank borrowing during the remainder of the year.

9. Although the authorities are committed to prudent fiscal policies aimed at attaining debt sustainability, they are equally concerned about the importance of restoring the level of poverty related expenditure, which was severely compressed in 2004. In this connection, a key concern of my authorities is the high domestic debt service burden on the budget, which leaves very little fiscal space for pro-poor expenditure. The recent downward trend in interest rates will, provide additional fiscal space for pro-poor expenditure, but this will not be enough. The authorities, therefore, request the assistance of the international community, including the IMF, to provide additional resources to enable them to implement their PRSP agenda. Moreover, additional resources would also be necessary to implement capital projects crucial to put the country on a higher and sustainable growth path.

10. Learning from past mistakes, my authorities have started to implement a number of measures to strengthen public financial management, including the issuance of financial regulations to make their new organic budget operational, the formation of a Cash Management Committee at the DOSFEA, and the 2001 public accounts has been finalized

and adopted by the National Assembly. In addition, they have also completed the auditing of the 1991-99 accounts, and have finalized and submitted the 2000 accounts to the Auditor General. At the same time, the authorities have started to update the general ledger for fiscal data for 2002-05, and intend to finalize it by year-end.

***Monetary and Financial Sector Issues***

11. The authorities have implemented a number of measures to strengthen governance of the Central Bank of The Gambia. Most notable measures include completion of the new audits for the 2001 and 2002 accounts, as well as the special audit of foreign transactions; establishment of an audit committee to oversee the external audit process; preparation of formal guidelines for foreign exchange operations; and development of a timetable to initiate and complete the process of adopting international accounting standards. Moreover, the authorities will soon submit to the National Assembly, the revised CBG bill, which will significantly strengthen the operational independence of the central bank. In addition, at its latest meeting on July 13, 2005, the Board of the Bank of The Gambia adopted a comprehensive action plan to implement the external auditors' recommendation to further strengthen internal controls. The Board also approved operating guidelines for the currency office, the internal audit department and foreign currency operations, and adopted the audited financial statements for 2003.

12. The Central Bank of The Gambia has successfully managed to reduce inflation to single digit level and to stabilize the exchange rate, while at the same time enhancing the transparency of their operations through an effective communications strategy. The authorities believe that the current money-based monetary framework has served them well, given the close relationship between money and inflation in The Gambia. To further enhance and strengthen the monetary framework, they are taking steps to introduce a new 14-day instrument that will separate monetary operations from the financing of the budget. The authorities are also considering the introduction of an overnight instrument to manage liquidity on a day-to-day basis, a secured credit facility aimed at encouraging banks to engage in interbank transactions, and the phasing out of the rediscount facility.

13. The authorities broadly agree with the staff's overall assessment of The Gambia's financial system. According to the latest Monetary Policy Statement of July 07, 2005, the fundamentals of the banking system remain solid. The industry average risk weighted capital adequacy ratio was 82.8 percent at end March 2005, and all banks observed the minimum capital requirement of 8.0 percent. In addition, the quality of banks' assets improved. Non-performing loans fell from about 25 percent in 1998 to about 10 percent in early 2005, and were adequately provisioned for.

14. The low level of financial intermediation remains an issue of concern for the authorities. To deepen financial intermediation, the authorities will continue to pursue sound macroeconomic policies to further bring down and ensure lasting low interest rates, as well as design medium-term structural reforms to strengthen creditor rights, which have been identified as a key constraint for the development of the financial system. Recently the CBG

lowered its lead interest rate by 4.0 percent, which should assist in attainment of this objective.

***Structural Issues***

15. The Gambian authorities agree with staff that structural reforms are critical to promoting private sector development, reducing the costs and risks of doing business, generating employment and putting the economy on a higher and sustainable growth path. In this regard, they will carefully study the World Bank's recent Diagnostic Assessment of The Gambia's Investment Climate, with a view to coming up with an appropriate action plan.

16. Progress on the trade liberalization front has been significant and The Gambia has one of the most open and liberal trade regimes in sub-Saharan Africa, with a simple average tariff of only 12.7 percent compared to the sub-Saharan average of 20 percent, and low non-tariff barriers. The authorities are committed to further trade liberalization, and there are ongoing initiatives to further identify bottlenecks to the country's competitiveness. For instance, The Gambia has been selected as one of the countries under the interagency initiative, the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

**Ex-Post Assessment**

17. The Authorities concur broadly with the findings of the Ex-Post Assessment. They, however, feel that such an assessment could have been more valuable if it was done at an earlier stage. They also concur with the importance of improving accountability and transparency of public expenditures and strengthening of the central bank's internal controls. They want to stress, however, that some of the accounting problems dated back to the 1980s and would like to emphasize that there are ongoing efforts to audit all of the government's outstanding fiscal accounts.

18. The authorities recognize that slow progress was made in implementing structural reforms and diversifying the economy. Their intention is to create an environment conducive for private sector activities, which at this stage is mainly concentrated on trading activities. In addition, the authorities are of the view that over ambitious targets may have contributed to failures to meet quantitative criteria and benchmarks under Fund arrangements.

**Other Issues**

19. The authorities realize the importance of timely, accurate and reliable macroeconomic statistics for policy formulation and are committed to strengthening the statistical system. Attesting to this is the fact that the authorities have voluntarily subscribed to the Fund's General Data Dissemination Standard (GDDS), and have already posted its meta data, which describes the current data practices, weaknesses, as well as improvement plans on the Fund Data Dissemination Bulletin Board. In addition, the authorities have in all earnest, started to implement the recommendations of the Fund's recent data ROSC mission, including preparation of a comprehensive statistics reform package that they intend to present to donors

for funding. They hope that they can continue to count on Fund TA in its core areas of expertise to strengthen the statistical system.

20. In conclusion, we believe that the continued dialogue between the authorities and the staff has been fruitful. We want to reiterate the strong commitment of the authorities on the reforms and in addressing the economic challenges ahead. We believe that the authorities have done enough to demonstrate their commitment towards sound policies, and shown their eagerness to engage with the Fund again under a PRGF-supported program. This will enable the authorities to reach the HIPC completion point, which is essential to alleviate the high debt overhang, and to benefit from the much needed donor support to enable The Gambia to reach the MDGs by 2015. This is critical because as evidenced by the experience of The Gambia's economic performance without access to resources is clearly not sufficient to effectively combat poverty.