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The Gambia: Selected Issues and Statistical Appendix

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THE GAMBIA

Selected Issues and Statistical Appendix

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Approved by the African Department

October 10, 2006

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I. External Competitiveness Issues in The Gambia[1]

A. Introduction

1. **A substantial widening of the external current account deficit during 2003–05, partially linked to declines in export earnings (in 2003 and 2005), has raised concerns about the sustainability of The Gambia's external position and possible erosion in the country's external competitiveness.** Furthermore, the authorities' emphasis on regional integration as an important plank in their growth strategy has brought to the fore, the country's external competitiveness in relation to other countries in West Africa. In this regard, implementation of the common external tariff (CET) of the Economic Community of West African States (ECOWAS)—which entailed increases in Gambian tariffs in January 2006—is likely to adversely affect the profitability of the country's vibrant re-export trade. This chapter assesses The Gambia's external competitiveness by reviewing developments in several indicators, ranging from exchange-rate based indices to survey-based assessments of the investment climate.

2. **The average level of the external current account deficit rose from less than 4 percent of GDP during 1999–2003 to about 13 percent during 2004–05, reflecting mainly increased imports** (Table 1).[2] Tourism ("travel income" in Table 1) is the leading foreign exchange earner, followed by re-export trade and then exports of domestically produced goods. The main commodity export—groundnuts—is the principal crop in the agriculture sector. A drought-induced output decline in the 2002–03 season led to a decline in groundnut exports in 2003. By contrast, a collapse in groundnut exports in 2005 reflected failures in internal marketing arrangements. A change in licensing requirements for the 2004/05 crop season removed the most established operator from the scene, leaving a then-new company—the Gambian Agricultural Marketing Corporation (GAMCO)—as the sole purchaser/processor. In addition to teething problems of a new company, breakdowns in the barges of the state-owned Gambia Groundnut Corporation disrupted the evacuation of the crop from depots to Banjul for processing.

3. **Foreign direct investment (FDI) has replaced official loans as the principal source of financing for the current account deficit.** The average level of FDI increased from about 3 percent of GDP during 1999–2003 to 11 percent during 2004–05. In the last few years, the bulk of FDI has gone to building tourism sector infrastructure. In general, availability of external financing in the form of loans and foreign direct investment appears to drive the current account deficit. A debt sustainability analysis conducted jointly by staffs

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[1] Prepared by Andrew Gilmour, Tsidi Tsikata and Romain Veyrune. Magnus Saxegaard estimated the autoregressive distributed lag model discussed in Section B.

[2] A detailed presentation of the balance of payments is contained in Appendix I.

of the Fund and World Bank indicated that The Gambia is debt distressed, and that it will remain at moderate risk of falling back into debt distress even after it receives debt relief under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives.[3] Thus, sustainability of the external position will be enhanced by greater reliance on nondebt-creating flows such as FDI.

Table 1. The Gambia: Structure of the Balance of Payments

(In percent of GDP)

	1998	1999	2000	2001	2002	2003	2004	2005
Current account balance	**-3.6**	**-4.0**	**-4.3**	**-2.6**	**-2.8**	**-5.1**	**-11.8**	**-14.5**
Exports of domestic goods	5.0	3.7	5.0	6.3	8.4	5.0	6.5	2.5
of which: groundnuts & groundnut products	3.0	2.3	3.3	4.3	6.5	2.6	4.2	0.4
Imports for domestic use	-29.5	-25.8	-27.0	-23.0	-30.8	-28.4	-41.3	-39.4
of which: petroleum products	-3.2	-2.4	-5.4	-2.2	-4.5	-4.5	-8.4	-9.8
Reexport trade (net) 1/	5.7	6.2	6.9	4.8	5.6	6.4	7.9	7.6
Re-exports	26.0	24.2	25.1	18.1	21.1	23.6	25.2	28.8
Imports for re-export	-20.3	-17.9	-18.1	-13.4	-15.6	-17.2	-17.4	-21.2
Factor services (net)	-6.0	-6.0	-6.0	-5.5	-6.0	-5.4	-5.0	-3.4
Nonfactor services (net)	11.8	10.1	6.8	6.6	8.5	7.7	9.4	8.7
of which: Travel income	16.4	14.8	11.3	11.5	12.9	14.5	14.3	13.5
Private unrequited transfers	0.8	0.9	2.5	0.8	1.0	1.1	1.0	3.2
Official unrequited transfers	8.5	6.9	7.4	7.5	10.6	8.5	9.9	6.3
Capital account balance	**5.4**	**3.7**	**6.7**	**-10.1**	**0.9**	**2.4**	**16.7**	**14.8**
Official loans (net)	2.8	2.7	2.8	2.8	3.1	3.3	2.9	2.5
Private capital flows (net)	2.8	1.1	-0.1	3.5	-2.4	-2.7	10.8	12.4
Foreign direct investment	3.7	0.1	3.8	2.4	3.5	3.6	12.4	10.1
Other private capital flows	-0.9	1.0	-3.9	1.0	-5.9	-6.3	-1.6	2.4
Errors and omissions 2/	**-0.2**	**-0.1**	**4.1**	**-16.3**	**0.2**	**1.8**	**3.0**	**-0.2**
Overall balance	**1.6**	**-0.5**	**6.6**	**-28.9**	**-1.6**	**-0.9**	**7.9**	**0.1**
Memorandum items								
Official external financing (net) 3/	11.2	9.6	10.2	10.3	13.7	11.8	12.8	8.8
Real effective exchange rate index (1986=100)	103.5	101.1	96.6	83.9	69.2	50.1	49.4	51.6

Source: Gambian authorities and IMF staff estimates.

1/ Estimated margins added to the cost of imports to account for services provided by enterprises based in The Gambia.
2/ Includes unaccounted-for-loss in official reserves amounting to US$28.5 million (6.8 percent of GDP) in 2001.
3/ The sum of official transfers and official loans (net).

4. The rest of the chapter is organized as follows. Section B reviews the evolution of several multilateral and bilateral real exchange rate indices for The Gambia, and summarizes the results of a regression analysis that tests for misalignment of the exchange rate. In section C, a brief discussion of the likely impact on re-exports of implementing the ECOWAS CET is followed by a more extensive examination of how The Gambia compares with other countries (especially in the ECOWAS sub-region) in survey-based assessments of the business environment or investment climate. The government's recent efforts to improve the investment climate are highlighted in Section D. Section E presents conclusions.

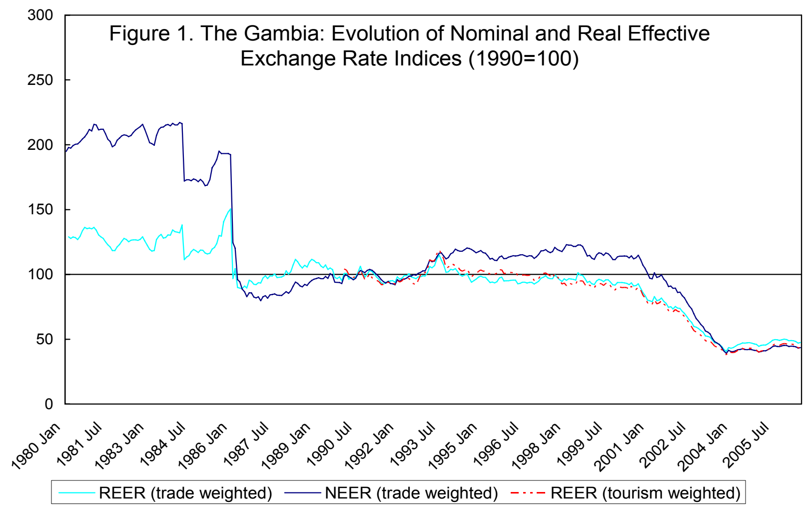
[3] See Appendix I in IMF Country Report No. 06/444.

B. Evolution of Exchange Rate Based Indicators

5. **Changes in real effective exchange rate (REER) indices are often used to provide a first look at possible changes in external competitiveness.** This approach presumes that the real exchange rate is constant, at least in the long run. More sophisticated approaches have been developed that revolve around various concepts of the equilibrium real exchange rate and factors that influence its evolution.[4] In this section, we review developments in several real exchange rate indices for The Gambia and report the results of a regression analysis that tests for misalignment of the real exchange rate based on the "fundamental effective exchange rate" (FEER) approach of Edwards (1989).

Multilateral and bilateral exchange rate indices[5]

6. **Using 1986 as a point of reference, the evolution of the REER suggests no significant loss of competitiveness over most of the last ten years, and a gain in competitiveness in the last few years (Figure 1).** As part of a comprehensive economic reform program aimed at improving The Gambia's external competitiveness, the authorities devalued the dalasi and changed the exchange rate regime from a pound sterling peg to a floating system (based on an inter-bank foreign exchange market) in January 1986. After a substantial depreciation in 1986 and a partial recovery during 1987–88, the REER remained relatively stable until 2001. A marked depreciation in both the nominal and real effective exchange rates during 2001–03 reflected the impact of loose fiscal and accommodative monetary policies that fueled inflation and led to a depletion of international reserves. Average annual inflation rose from less than 1 percent in 2000 to 17 percent in 2003. A tightening of monetary policy from late-2003 stabilized the nominal exchange rate and reduced inflation to low single-digit levels in 2005. In the last two years, the REER has remained well below pre-2001 levels.



Source: IMF (Information Notice System)

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[4] For a recent comprehensive survey of the literature, see Driver and Westaway (2004).

[5] This section updates some of the analysis in Beddies and Jones (1999).

7. **A review of other real exchange rate indices paints a more varied picture (Figure 2).** The real effective exchange rate in Figure 1 is based on the trade-weighted index calculated by the IMF.[6] This index understates the importance of services—especially tourism and re-export trade—in The Gambia's external sector. To overcome this shortcoming, we constructed a real exchange rate index using countries of origin of tourists as weights, and also examined movements in real bilateral exchange rates vis-à-vis the U.K. (country of origin of most tourists), continental Europe (source of most imports), and the U.S. (the dollar is the most traded currency in the inter-bank foreign exchange market). The real dollar rate not only fluctuated more widely than the other bilateral rates, it also went back to pre-1986 levels during the second half of the 1980s and the early 1990s.

8. **Comparisons of the real exchange rate indices for The Gambia and Senegal suggest significant shifts in relative competitiveness positions.** Senegal is important as a destination for re-exports, a source of some imports, and a competitor in the groundnut export market. The charts presented in Figure 2 suggest the following:

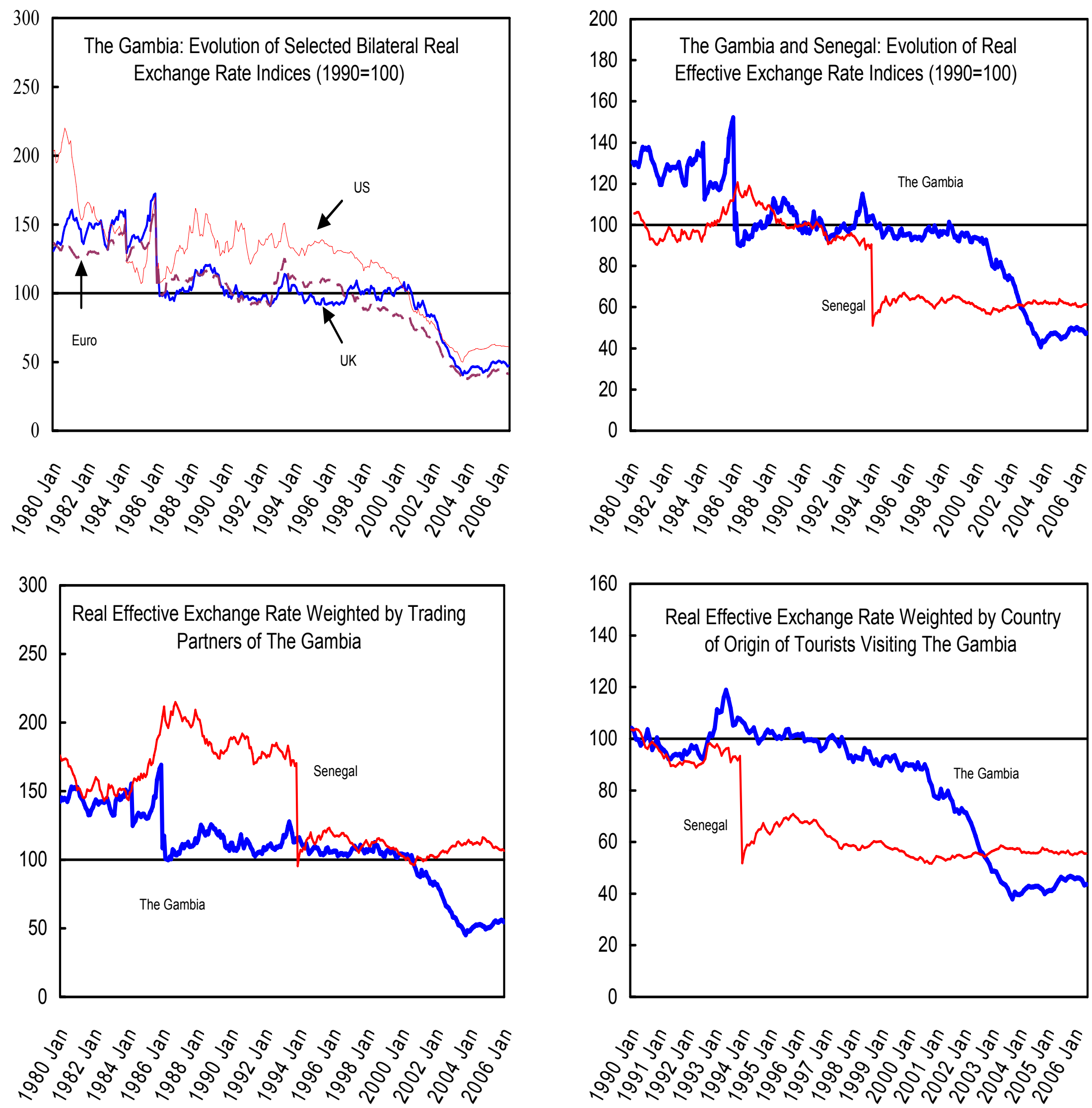
- The evolution of the respective REER indices indicate three turning points. The first was the 1986 devaluation of the dalasi which enhanced The Gambia's relative competitiveness position. The second was the devaluation of the CFA franc in 1994 which reversed the situation, making Senegal more competitive. The third, was the depreciation of the dalasi during 2001–03 which again gave The Gambia a competitive edge.

- Applying The Gambia's trade weights to both countries—to assess The Gambia's relative price competitiveness as if Senegal was competing on the same markets—suggests that the 1986 devaluation of the dalasi gave a comfortable price advantage to The Gambia. However, this advantage was canceled by the 1994 devaluation of the CFA franc and the bilateral real exchange rate remained in line until the dalasi plummeted during 2001–03, restoring a price advantage to The Gambia.

- We also applied the weights derived from the countries of origin of tourists visiting The Gambia to both countries, as if they competed for tourists in the same market. For the same tourist origins, prices in The Gambia became distinctly higher than prices in Senegal after the CFA franc devaluation. Subsequently, the real exchange rate depreciated until reaching a level close to the real exchange rate of Senegal.

[6] The weights are based on exports and gross imports.

Figure 2. The Gambia: Selected Exchange Rate Indicators, 1980–06.



Source: IMF (Information Notice System)

An assessment of real exchange rate misalignment

9. **This section reports the results of an estimation of The Gambia's equilibrium REER.** We draw on the FEER approach for the "fundamentals" that influence the path of the REER, estimated using the autoregressive distributed lag (ARDL) approach to co integration proposed by Pesaran and Shin (1999). The estimated model was as follows:

$$\ln(REER) = b0 + b1*\ln(TOT) + b2*\ln(GEGDP) + b3*\ln(IMGDP) + b4*\ln(PROD) + D2002$$

where ln denotes the natural logarithm of a variable; REER is the real effective exchange rate index; TOT is an index of the terms of trade for goods and services; GEGDP is the ratio of total government expenditure to GDP; IMGDP is the ratio of imports to GDP; PROD is an index of productivity calculated as The Gambia's real GDP relative to that of its trading partners; and D2002 is a step dummy used to capture the plummeting of the dalasi during 2001–03. Data limitations and degrees-of-freedom considerations dictated our choice and number of right hand side variables.[7]

10. **The expected signs of the fundamentals are as follows:**

- Positive for the terms of trade; a positive TOT shock is expected to boost domestic demand, increase the price of nontradables relative to tradables, and hence lead to a real appreciation of the REER.
- Ambiguous for government expenditure; the impact will depend on the composition (tradables vs nontradables) of government expenditure.
- Negative for imports.
- Positive for PROD, to the extent that it captures the Balassa-Samuelson effect.

11. **The long-run relationship between REER and the fundamental variables was:**[8]

$$\ln(REER) = -3.107 + 1.839\ln(TOT) + 0.668\ln(GEGDP) - 0.811\ln(IMPGDP) + 1.410\ln(PROD) - 0.367D2002.$$

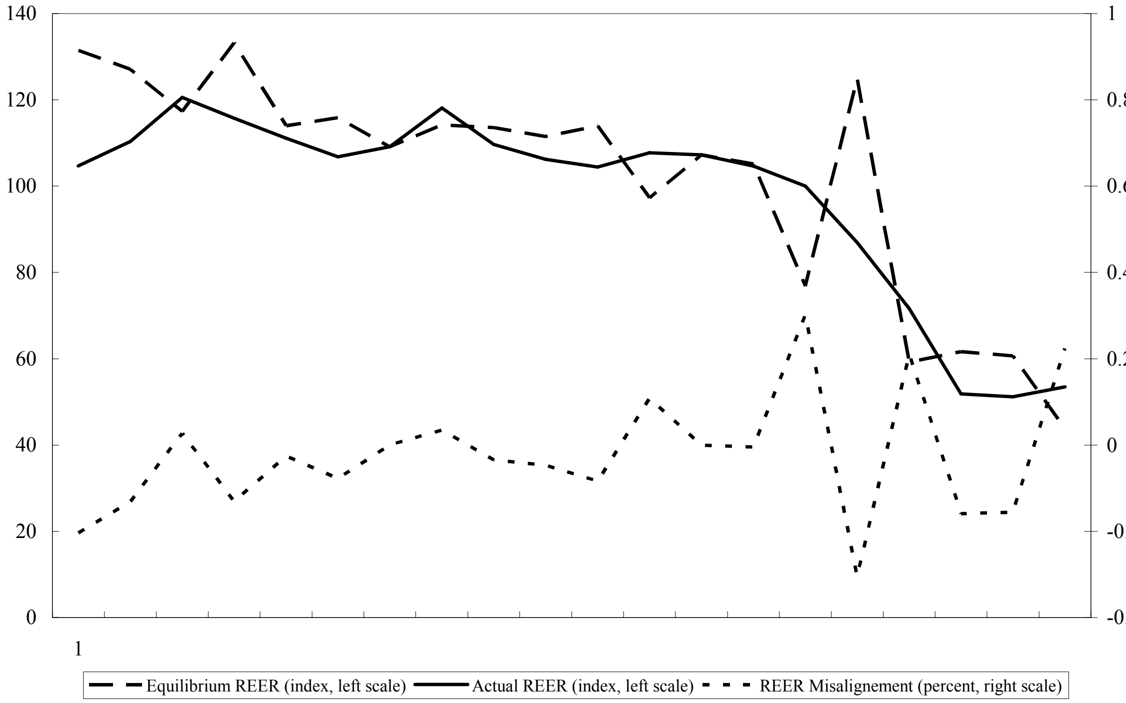
All the variables were significant at conventional levels of confidence and the terms of trade, imports, and productivity had the expected signs. Government expenditure had a positive

[7] Other studies have included investment and capital flows as "fundamental" variables; see for example Tsangarides (2005).

[8] See Appendix II for the full results for the long-run relationship as well as the Error Correction representation of the ARDL model.

sign suggesting a relatively high nontradable component of government spending. A comparison of the paths of the actual and estimated equilibrium REER shows no sign of persistent misalignment (Figure 3).

Figure 3. The Gambia: Equilibrium REER



C. Regional Integration and Investment Climate Issues

Regional Integration

12. **The Gambia liberalized its trade and investment regime earlier than other countries in the region**. It opened up its financial sector to foreign investment in the late-1980s, and streamlined and reduced its import tariffs in the late-1990s. Lower import tariffs and an efficient and advantageously located port in Banjul, have encouraged the development of re-export trade. This involves importation of goods for re-export to markets in neighboring countries—mainly Guinea, Guinea-Bissau, Mali, and Senegal.

13. **Implementation of the ECOWAS CET and an increase in the sales tax on imports will likely erode incentives for The Gambia's re-export trade.** A desire for greater integration within ECOWAS led to a decision that all countries in the sub-region adopt the common external tariff of the West African Economic and Monetary Union

(WAEMU) and move toward harmonizing taxes.[9] Moving to the WAEMU CET and a higher sales tax has resulted in a 7 percentage point increase in applicable rates for consumption goods, which constitute the bulk of re-exports. There has been a 5 percentage point increase for all other categories of goods (Table 2). The increase in costs will probably have to be borne by traders. A lack of reliable data precludes an analysis of the impact so far in 2006, but there is anecdotal evidence that imports of textiles for re-export may be slowing down.

Table 2. The Gambia: Import Duty and Sales Tax
(Percent)

	Import Duty		Sales Tax	
	Old	New [1]	Old	New [1]
Social	0	0	10	15
Capital	5	5	10	15
Intermediate goods	10	10	10	15
Consumption goods	18	20	10	15

[1] As of January

14. **The authorities are aware of the possible adverse impact of the CET on re-export trade, but believe that the potential benefits of greater regional integration under ECOWAS will outweigh the costs.** In particular, given its small population (around 1.5 million), they are hoping that the prospect of duty free access to the whole ECOWAS region with a population of about 230 million will provide a stimulus to investment, trade and growth. Under the ECOWAS free trade framework, goods with a minimum 35 percent valued added in the home country are able to export duty free within ECOWAS, once they satisfy appropriate rules of origin requirements.[10]

Investment Climate Assessments

15. **Greater focus on an agenda emphasizing growth opportunities associated with regional integration has brought investment climate and competitiveness issues to the fore.** While the merits of creating an environment conducive to foreign and domestic investment are almost universally accepted, there is no commonly accepted definition of “investment climate.” In reviewing The Gambia’s investment climate, this note has drawn on a variety of independent assessments and surveys conducted by several institutions—the World Bank, the World Economic Forum, the Heritage Foundation, and Fitch Ratings.

16. **Along with most African countries, The Gambia is perceived poorly on global survey-based indicators of the business climate.** In its first appearance in the World

[9] ECOWAS members who are not members of WAEMU are The Gambia, Ghana, Nigeria, Guinea, Cape Verde, Liberia and Sierra Leone

[10] See Secka and others (2003) for an assessment of the impact of the ECOWAS CET on The Gambia.

Bank's annual "doing business" survey, The Gambia ranked 113th out of 175 countries in 2006. Areas in which The Gambia was weakest were taxation of companies, protecting investors, getting credit, and registering property; it ranked in the bottom 50 countries in each of these categories. At the other end of the spectrum, The Gambia ranked in the top 25 countries in two areas: employing workers, and trading across borders. Its rankings in other areas were as follows: 53rd in enforcing contracts, 73rd in dealing with licenses, 76th in closing a business, and 124th in starting a business.

17. **The Gambia's performance in relation to other African countries is mixed.** It does relatively well in the "doing business" rankings (Table 3) and in the World Economic Forum's Business Competitiveness Index (BCI) for 2005 (Figure 4), but not as well in the World Economic Forum's Growth Competitiveness Index (GCI) for 2005 (Table 4). The GCI incorporates assessments of the quality of the macroeconomic environment, the state of the country's public institutions, and the level of its technological readiness. The BCI focuses on the underlying microeconomic factors that determine an economy's sustainable levels of productivity and competitiveness.

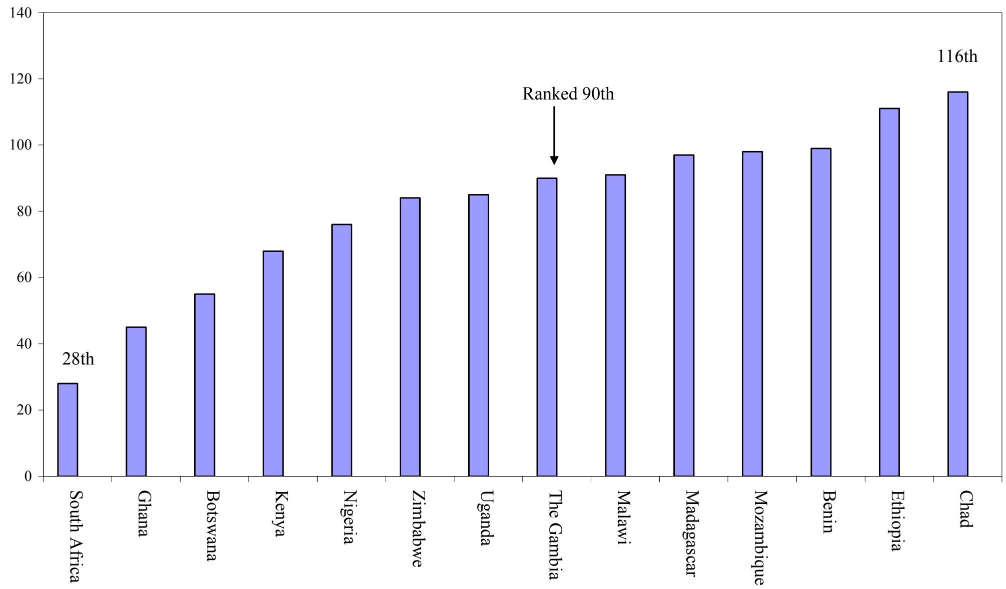
Table 3. Doing Business Rankings - ECOWAS Countries (2006) 1/

Country	World Ranking 2/	Ranking in SSA 3/
Ghana	94	8
Nigeria	108	12
Gambia, The	**113**	**14**
Cape Verde	125	16
Benin	137	18
Cote d'Ivoire	141	20
Senegal	146	23
Togo	151	27
Mali	155	31
Guinea	157	33
Niger	160	35
Burkina Faso	163	36
Sierra Leone	168	39
Guinea-Bissau	173	44

Source: World Bank

1/ The lower the number the more favorable the business climate.
2/ Out of a total of 175 countries that were ranked.
3/ Out of 45 Sub-Saharan Africa countries that were ranked.

Figure 4. World Economic Forum Business Competitiveness Index Rankings
(Selected African countries out of global sample of 116)



18. **Governance plays a key role in the development process and in determining the attractiveness of a country for FDI.** We reviewed The Gambia's ranking in the World Bank's comparative governance indicators and the Heritage Foundation's Index of Economic Freedom (IEF).[11] In the comparative governance indicators, relative to other countries in the region, The Gambia scores well on regulatory quality, and less well on government effectiveness, rule of law, and the control of corruption (Figure 5).[12] The Gambia is viewed as a laggard in perceptions of economic freedom; the IEF ranks the country 123rd out of

Table 4. Growth Competitiveness Index Rankings
(selected countries out of global sample of 117)

	2004	**2005**	**Change in Ranking**
Ghana	68	59	9
Tanzania	82	71	11
Uganda	79	87	-8
Nigeria	93	88	5
Mali	88	90	-2
Kenya	78	92	-14
The Gambia	**75**	**94**	**-19**
Malawi	87	105	-18

Source: World Economic Forum

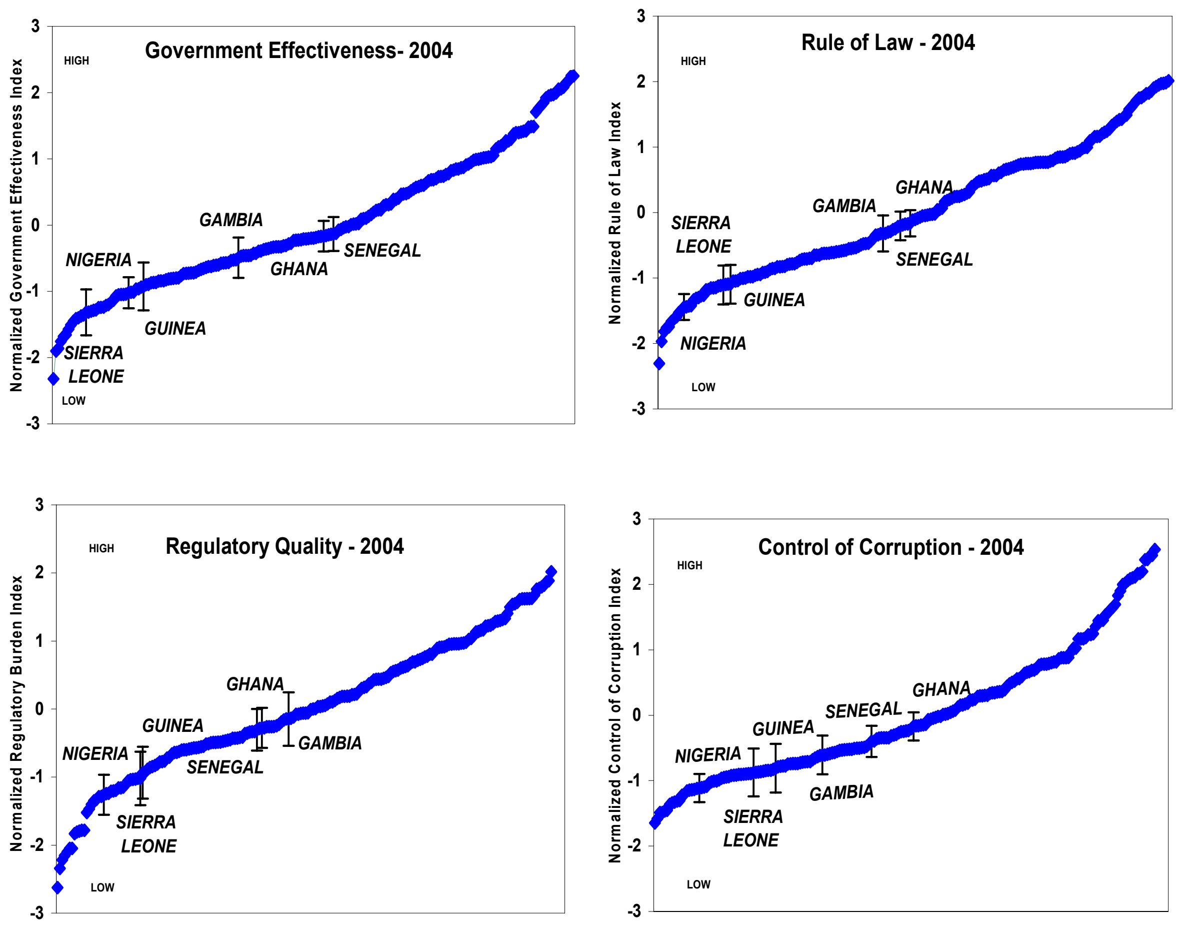
[11] The IEF covers institutional factors perceived to determine economic freedom: corruption in the judiciary, customs service and government bureaucracy, nontariff barriers to trade, the fiscal burden on government, the rule of law, regulatory burdens on business, restrictions on banks, labor market regulations, and informal market activities.

[12] Kaufmann, Kraay and Mastruzzi (2005).

161 countries, characterizing it as “mostly unfree” and indicating a deterioration in the assessment for 2006 compared to 2005.

19. **The Gambia’s international credit rating has deteriorated.** The Gambia secured an initial grade “B-minus” rating from Fitch Ratings in November 2002. At that time the relatively positive assessment was based on the country’s good external repayment record, and a favorable outlook for medium-term sustainability of its external debt, based on perceived good prospects for reaching the HIPC Initiative completion point quickly. The rating was revised down to “CCC” in January 2005, reflecting the deterioration in economic performance during 2002–03 and the inability of The Gambia to stay on track with an IMF-supported program, which has delayed progress toward the completion point. The “CCC” rating was affirmed in February 2006. Countries listed in The Gambia’s peer group include: Malawi (CCC); and Bolivia, Cameroon, Dominican Republic, Ecuador, Lebanon, Mali, and Moldova (B-minus).

Figure 5. The Gambia: Selected Governance Indicators



Source: Kaufmann, Kraay and Mastruzzi (2005).

D. Recent Measures to Improve The Gambia's Investment Climate

20. Making The Gambia a gateway to West Africa and beyond is a long standing goal which the authorities have been pursuing with support from a World Bank-funded Gateway Project. The project aims to establish The Gambia as a globally competitive processing and export center by laying the foundation for expanded private investment in export-orientated production. Key measures include the establishment of a Free Zone and an improved institutional environment, as well as strengthening road and river transportation infrastructure.

Table 5. The Gambia Gateway Project

Objectives	Progress to date
Establish a self-sustaining Gambia Investment Promotion and Free Zone Agency (GIPFZA).	Done
Facilitate local and foreign investments in well targeted sectors.	Underway with a particular emphasis on tourism and agriculture where FDI inflows have already risen strongly.
Develop a Free Zone (FZ) at the airport.	Nearing completion, physical infrastructure is in place.
Promote privately financed and operated FZ-related businesses.	Underway.
Help implement the government's divestiture strategy.	Slow progress.
Improve transportation infrastructure.	A number of road projects are being implemented, including a recently approved Euro 44 million project funded by the European Union.
Open the energy and telecommunications sectors to private participation.	Energy Act passed in early 2006. A telecommunications bill has been prepared by the government.

21. **In support of these measures The Gambia has begun to strengthen its legal framework and the functioning of the legal system,** including speeding up court proceedings, and bringing the country's business regulatory framework into line with international standards. Recent developments include:

- **The establishment of a commercial court in 2005** as part of a restructuring of the court system which resulted in the formation of different divisions. The commercial court is intended to help speed up dispute resolution. However, with only one judge, a large backlog of cases has built up. The authorities are seeking assistance from the Commonwealth Secretariat in the form of judges to work exclusively on clearing the backlog.

- **An Alternative Dispute Resolution (ADR) Act was passed in 2005**, which the authorities hope will ease the pressure on the commercial court. Parties can now choose to include the ADR in business contracts. An ADR Secretariat is to be established.

- **A review of the Companies Act** is underway with a view to make its coverage more comprehensive and to strengthen the provisions on financial statements and audits, including incorporating International Financial Reporting Standards.

E. Conclusions

22. **Structural reforms hold the key to enhancing The Gambia's external competitiveness.** Improvements in the investment climate are required to maintain growth of services (especially tourism), encourage export diversification, and secure continued inflows of FDI. In this context, market perceptions of The Gambia's competitiveness and investment climate are mixed, indicating scope for improvements. Emerging priorities include:

- Address perceived concerns with the investment climate, including issues related to the business tax regime, the functioning of the legal system, and reducing the cost of credit. Many of the same issues were identified in a Diagnostic Assessment of Investment Climate study prepared by the International Finance Corporation and the World Bank in 2004.

- Strengthen the overall functioning of the government and regulatory regime so that The Gambia does not fall behind other countries in the region. Elements of this should include civil service reform and a more effective anti-corruption program.

- Improve infrastructure. The energy and water sectors are viewed as major constraints to private sector investment and growth, and their infrastructure needs to be updated and expanded and operations reformed. Port physical facilities need to be continuously improved and efficiency of port services maintained, as these are major factors in the profitability of the re-export trade. Cheaper river transport mechanisms also deserve attention.

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APPENDIX I

The Gambia: Balance of Payments, 1997-2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005
				In percent of GDP					
Current account balance	-2.5	-3.6	-4.0	-4.3	-2.6	-2.8	-5.1	-11.8	-14.5
Trade balance	-15.9	-18.8	-15.9	-15.0	-12.0	-16.9	-17.0	-27.0	-29.3
Exports of domestic goods	3.4	5.0	3.7	5.0	6.3	8.4	5.0	6.5	2.5
Groundnuts and groundnut products	1.2	3.0	2.3	3.3	4.3	6.5	2.6	4.2	0.4
Other domestic exports	2.2	2.0	1.4	1.8	2.0	1.9	2.4	2.2	2.1
Re-export trade (net) 1/	6.4	5.7	6.2	6.9	4.8	5.6	6.4	7.9	7.6
Re-exports	23.1	26.0	24.2	25.1	18.1	21.1	23.6	25.2	28.8
Imports for re-export	-16.7	-20.3	-17.9	-18.1	-13.4	-15.6	-17.2	-17.4	-21.2
Imports for domestic use	-25.7	-29.5	-25.8	-27.0	-23.0	-30.8	-28.4	-41.3	-39.4
Oil products	-3.0	-3.2	-2.4	-5.4	-2.2	-4.5	-4.5	-8.4	-9.8
Non-oil imports	-22.7	-26.2	-23.4	-21.6	-20.8	-26.3	-23.9	-32.9	-29.6
Factor services (net)	-5.9	-6.0	-6.0	-6.0	-5.5	-6.0	-5.4	-5.0	-3.4
Nonfactor services (net)	11.6	11.8	10.1	6.8	6.6	8.5	7.7	9.4	8.7
Travel income (net)	15.5	16.4	14.8	11.3	11.5	12.9	14.5	14.3	13.5
Other nonfactor services	-3.8	-4.6	-4.6	-4.5	-4.9	-4.4	-6.7	-4.9	-4.7
Private unrequited transfers (net)	0.8	0.8	0.9	2.5	0.8	1.0	1.1	1.0	3.2
Official unrequited transfers (net)	6.8	8.5	6.9	7.4	7.5	10.6	8.5	9.9	6.3
Capital account balance	4.2	5.4	3.7	6.7	-10.1	0.9	2.4	16.7	14.8
Official loans (net)	2.8	2.8	2.7	2.8	2.8	3.1	3.3	2.9	2.5
Private capital flows (net)	1.4	2.8	1.1	-0.1	3.5	-2.4	-2.7	10.8	12.4
Foreign direct investment	2.9	3.7	0.1	3.8	2.4	3.5	3.6	12.4	10.1
Other private capital flows	-1.5	-0.9	1.0	-3.9	1.0	-5.9	-6.3	-1.6	2.4
Errors and omissions 2/	-1.5	-0.2	-0.1	4.1	-16.3	0.2	1.8	3.0	-0.2
Overall balance	0.3	1.6	-0.5	6.6	-28.9	-1.6	-0.9	7.9	0.1
				In millions of US dollars					
Current account balance	-10.0	-15.3	-17.2	-18.1	-10.8	-10.4	-18.0	-47.1	-66.8
Trade balance	-65.2	-78.9	-68.7	-63.3	-50.0	-62.4	-60.0	-108.4	-135.2
Exports of domestic goods	14.0	21.0	15.8	21.1	26.2	31.1	17.5	25.9	11.7
Groundnuts and groundnut products	4.8	12.5	9.9	13.7	18.0	24.0	9.1	16.9	1.9
Other domestic exports	9.2	8.6	5.9	7.4	8.3	7.1	8.4	9.0	9.9
Re-export trade (net) 1/	26.2	24.0	26.9	29.2	19.9	20.5	22.7	31.5	34.9
Re-exports	94.7	109.3	104.4	105.4	75.8	78.2	83.5	101.2	132.7
Imports for re-export	-68.5	-85.3	-77.5	-76.3	-55.9	-57.7	-60.7	-69.7	-97.9
Imports for domestic use	-105.4	-124.0	-111.4	-113.6	-96.2	-114.0	-100.2	-165.7	-181.8
Oil products	-12.2	-13.7	-10.5	-22.6	-9.2	-16.7	-16.0	-33.8	-45.3
Non-oil imports	-93.2	-110.3	-101.0	-91.0	-87.0	-97.3	-84.2	-132.0	-136.5
Factor services (net)	-24.0	-25.2	-26.1	-25.3	-23.1	-22.4	-19.1	-19.9	-15.6
Nonfactor services (net)	47.7	49.7	43.8	28.7	27.4	31.6	27.4	37.7	40.3
Travel income (net)	63.3	69.2	63.8	47.7	47.9	47.7	51.1	57.5	62.2
Other nonfactor services	-15.7	-19.4	-19.9	-19.0	-20.4	-16.2	-23.8	-19.8	-21.9
Private unrequited transfers (net)	3.4	3.5	3.8	10.6	3.5	3.6	3.7	3.9	14.6
Official unrequited transfers (net)	28.1	35.6	30.0	31.3	31.4	39.2	30.0	39.6	29.1
Capital account balance	17.3	22.8	15.8	28.4	-42.0	3.5	8.5	66.7	68.1
Official loans (net)	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Private capital flows (net)	5.7	12.0	4.8	-0.6	14.4	-9.0	-9.4	43.2	57.3
Foreign direct investment	12.0	15.6	0.4	15.8	10.2	12.9	12.7	49.7	46.4
Other private capital flows	-6.3	-3.6	4.4	-16.4	4.3	-22.0	-22.1	-6.5	10.9
Errors and omissions 2/	-6.1	-0.8	-0.6	17.4	-68.1	0.9	6.3	12.0	-0.7
Overall balance	1.1	6.7	-2.0	27.7	-120.9	-6.1	-3.1	31.6	0.6
Memorandum items									
Nominal GDP (in US$ millions)	409.8	420.8	431.9	420.9	417.9	369.7	353.0	400.8	461.2

Source: The Gambian authorities and IMF staff estimates.

1/ Estimated margins added to the cost of imports to account for services provided by enterprises based in The Gambia.
2/ Includes unaccounted-for-loss in official reserves amounting to US$28.5 million (6.8 percent of GDP) in 2001.

APPENDIX II

The Gambia: Results of Estimation of Equilibrium Real Effective Exchange Rate

Estimated Long Run Coefficients using the ARDL Approach
ARDL(2,1,1,2,0) selected based on Schwarz Bayesian Criterion

Dependent variable is LREER
19 observations used for estimation from 1987 to 2005

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
LTOT2	1.8385	0.47346	3.8832[.006]
LGEGDP	0.66821	0.19127	3.4935[.010]
LIMPGDP	-0.81055	0.22995	-3.5249[.010]
LPROD	1.4101	0.24854	5.6736[.001]
C	-3.107	2.0281	-1.5320[.169]
D2002	-0.36697	0.083509	-4.3944[.003]

Error Correction Representation for the Selected ARDL Model
ARDL(2,1,1,2,0) selected based on Schwarz Bayesian Criterion

Dependent variable is dLREER
19 observations used for estimation from 1987 to 2005

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
dLREER1	0.37438	0.22832	1.6397[.132]
dlTOT2	0.26195	0.28157	.9303[.374]
dlGEGDP	0.15749	0.13014	1.2101[.254]
dLIMPGDP	-0.34341	0.21345	-1.6089[.139]
dLIMPGDP1	-0.24662	0.10777	-2.2883[.045]
dLPROD	1.3955	0.42812	3.2596[.009]
dC	-3.0749	2.1058	-1.4602[.175]
dD2002	-0.36318	0.07795	-4.6591[.001]
ecm(-1)	-0.98966	0.2129	-4.6486[.001]

List of additional temporary variables created:
dLREER = LREER-LREER(-1)
dLREER1 = LREER(-1)-LREER(-2)
dLTOT2 = LTOT2-LTOT2(-1)
dLGEGDP = LGEGDP-LGEGDP(-1)
dLIMPGDP = LIMPGDP-LIMPGDP(-1)
dLIMPGDP1 = LIMPGDP(-1)-LIMPGDP(-2)
dLPROD = LPROD-LPROD(-1)
dC = C-C(-1)
dD2002 = D2002-D2002(-1)
ecm = LREER -1.8385*LTOT2 -.66821*LGEGDP + .81055*LIMPGDP -1.4101*LPROD + 3.1070*C + .36697*D2002

R-Squared	.92090	R-Bar-Squared	.79660
S.E. of Regression	.044171	F-stat. F(8, 10)	10.1871[.001]
Mean of Dependent Variable	-.035362	S.D. of Dependent Variable	.097940
Residual Sum of Squares	.013657	Equation Log-likelihood	41.8003
Akaike Info. Criterion	29.8003	Schwarz Bayesian Criterion	24.1337
DW-statistic	2.2975		

II. An Analysis of Commercial Bank Interest Rate Spreads, 2000–04[1]

A. Introduction

1. **Interest rate spreads in The Gambia, measured as the difference between average lending rates and average deposit rates, are among the highest in Africa and elsewhere in the developing world** (Table 1).[2] The average spread in The Gambia during

Table 1. Commercial Bank Interest Rate Spreads, Cross-Country Comparison

	The Gambia 1/	Africa Small Banks 1/ 2002	Senegal 2002	Tunisia 2003	Portugal 2003	Greece 2003	USA 1/
Average Lending Rate 3/	19.3	...	11.3	6.8	4.8	4.7	6.9
Average Deposit Rate 4/	4.8	...	2.2	3.1	2.9	2.0	2.7
Spread	14.6	6.5	9.1	3.7	1.9	2.7	4.2
Memorandum item:							
Average Inflation	9.0	...	2.3	2.8	3.3	3.5	2.6

Sources: Sacerdoti (2005); Central Bank of The Gambia; US FDIC Statistics on Depository Institutions; and IMF Staff Estimates.

1/ Average for 2000-04.
2/ Small banks have assets less than US$1 billion. Used as a comparator since all banks in The Gambia are small banks.
3/ Calculated as interest income divided by the total stock of loans and advances.
4/ Calculated as interest expenses divided by the total deposits.

2000–04 was 14.6 percent, far above the regional average for African banks of 6.5 percent[3]—in itself a high rate by international standards. Thus, with researchers concerned that Africa's interest rate spreads are generally too high (e.g., Hauner and Peiris (2005), and Sacerdoti (2005)), rates in The Gambia warrant close examination.

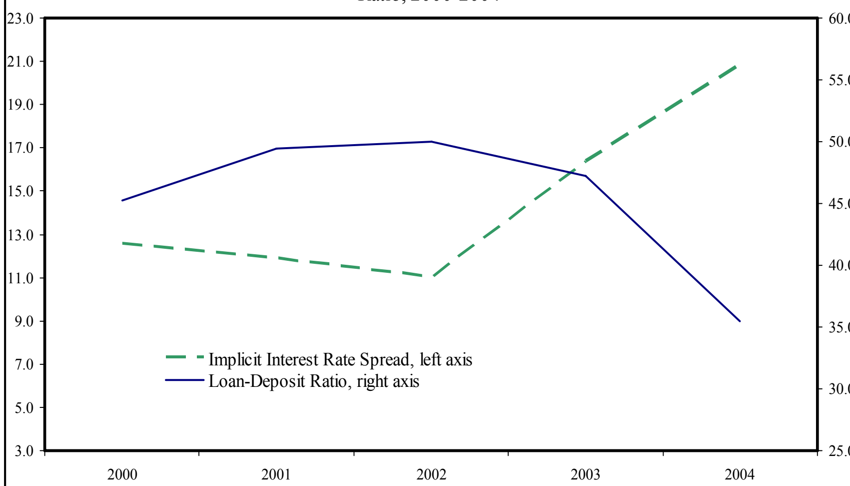
[1] Prepared by Ruby Randall.

[2] The choice of country comparisons was determined by data availability.

[3] Survey results from Financial System Stability Assessments, presented in Sacerdoti (2005).

2. **Wide spreads—by discouraging savings through low returns on deposits and limiting the financing available to potential investors—contribute to financial disintermediation**. From 2000 to 2004, as the implicit interest rate spread widened, the ratio of loans to deposits fell from 45.2 percent in 2000 to 35.5 percent in 2004 (Figure 1). Although not uniform over the period, the movement in the loan-deposit ratio correlated negatively with the movement in the spread. Moreover, the ratio declined as the interest rate spread rose steadily and sharply during 2002–04, a response that suggests wider spreads may have indeed weakened financial intermediation.

Figure 1. The Gambia. Implicit Interest Rate Spread and Average Loan-Deposit Ratio, 2000-2004



Source: Central Bank of the Gambia and IMF Staff Estimates.

3. **Some of the country's financial intermediation indicators are already low by regional standards, heightening concerns that high interest rate spreads could discourage savings and investment** (Table 2). The Gambia's loan-deposit ratio fell far short of both the mean and the median indicators for sub-Saharan Africa (SSA) during 2000–04. Its ratio of private credit to GDP was also below the mean for SSA during 2000–03, though it was higher than the median.

Table 2. Financial Intermediation in Sub-Saharan Africa
(In percent)

	Private Credit/GDP 1/	Loan-Deposit Ratio 2/
The Gambia	13.9	45.5
Mean for SSA	15.2	70.6
Median for SSA	11.8	66.9

Source: IFS Statistics and World Economic Outlook.
1/ Average for 2000-03, owing to limited data availability.
2/ Average for 2000-04.

4. **A decomposition of the interest rate spread in The Gambia reveals that the factors that contributed to wide spreads, included:** (i) large payoffs to shareholders; (ii) relatively high noninterest expenditures; (iii) rising required reserves and required liquid asset holdings; and (iv) declining noninterest income. The rest of the paper is organized as follows: Section II provides some background information on The Gambia's banking system, and analyzes trends in bank concentration, and bank profitability and efficiency. Section III

and Appendix I describe a formal framework for decomposing the interest rate spread, and apply it to the Gambian banking system. Section IV concludes the analysis by offering some policy recommendations.

B. Background

5. **The Gambia's relatively small banking system is highly concentrated**. In 2000, the banking system comprised five banks: Standard Chartered Bank (SCBG), Trust Bank, the International Bank for Commerce Ltd. (IBC), the Arab Islamic Bank, and First International Bank. The banking system is dominated by the top two banks, namely SCBG and Trust Bank, which together accounted for an average of 79.5 percent of total commercial bank assets in 2000–04.

6. **Despite their dominance, the top two banks' share of banking system assets declined somewhat during 2000–04 following the entry of a new bank, Guaranty Trust, in 2002.** An erosion in the market share of SCBG caused the market share of the top two banks to decline by 5.4 percentage points, to 75.1 percent in 2004 (Table 3). The data also show that the market shares of four banks increased over that period (i.e., Trust Bank, Arab Islamic

Table 3. The Gambia: Bank Share of Total Commercial Bank Assets

	2000	2001	2002	2003	2004	Average 2000-04
SCBG	52.7	55.4	55.7	49.1	42.8	51.1
Trust Bank	27.8	26.8	25.6	29.6	32.3	28.4
IBC	14.0	11.9	10.6	9.7	11.2	11.5
Arab Islamic	4.2	4.2	3.5	5.1	5.1	4.5
Guaranty Trust	0.0	0.0	2.9	5.0	6.2	2.8
First International Bank	1.2	1.7	1.7	1.6	2.4	1.7
Memorandum item:						
Share of top two banks	80.5	82.1	81.3	78.6	75.1	79.5

Source: Central Bank of The Gambia and Fund staff estimates.

Bank, Guaranty Trust, and First International Bank), while the shares of two banks, the largest and the third largest (i.e., SCBG and IBC) declined.

C. Bank Concentration

7. **The Herfindahl Index can be used to formalize the analysis of concentration in the banking industry**. It measures the degree of concentration in three key variables in commercial banks' balance sheets: assets, deposits, and loans and advances (Box 1).

BOX 1. THE HERFINDAHL INDEX

The Herfindahl Index, H, is defined as:

$$H = 100 * \sum_{i=1}^{N} a_i^{2}, \quad a_i = \frac{A_i}{\sum_{i=1}^{N} A_i}$$

Where:

A_i = the ith bank's attribute measuring its size (assets, deposits, or loans), and N is the number of banks during the period under consideration.

The higher is H, the greater the concentration of either assets, deposits, or loans in a few banks. The lower limit of H is 100/N, representing a totally even distribution of the bank attribute under consideration, and the upper limit of H is 100, representing a totally uneven distribution. Therefore, the difference between the H index and 100/N conveys an idea of the extent of the deviation from an even distribution, and thus of the degree of bank concentration.

8. **The Gambia's banking system assets appear to be more concentrated than those in other developing countries**. During 2000–04, asset concentration levels (H) in The Gambia were significantly higher than those observed in other developing countries. Moreover, the deviation from an even distribution worsened during 2000–03 before improving again in 2004 (Table 4). In addition, the average deviation in The Gambia (101 percent) was far above that in countries of the Eastern Caribbean Central Bank (33 percent during 1990–98) and in Barbados (19 percent during 1999–2001).

Table 4. The Gambia: Bank Concentration Indices

Indices	The Gambia 2000	2001	2002	2003	2004	Avg. 2000-04	Barbados Avg. 1999-01	ECCB Avg. 1990-98
Assets								
H	37.7	39.5	38.9	34.3	30.7	36.2	17.0	3.6
100/N	20.0	20.0	16.7	16.7	16.7	18.0	14.3	2.7
Deviation (in percent)1/	88.4	97.3	133.5	105.8	84.1	101.1	18.9	32.9
Deposits								
H	35.4	37.7	34.1	34.2	31.3	34.5	17.4	...
100/N	20.0	20.0	16.7	16.7	16.7	18.0	14.3	...
Deviation 1/	77.1	88.4	104.7	105.3	87.8	91.9	21.7	...
Loans and Advances								
H	30.9	31.7	33.6	33.2	29.1	31.7	41.9	...
100/N	20.0	20.0	16.7	16.7	16.7	18.0	14.3	...
Deviation 1/	54.6	58.6	101.6	99.0	74.7	76.1	192.8	...

Sources: Central Bank of The Gambia and Fund staff estimates; Juan-Ramón, Randall, and Williams (2001); and Randall (2002).
1/ Represents deviation from an even distribution.

9. The distribution of loans and advances became more skewed during 2000–04, with the deviation from an even distribution rising throughout much of the period, from 55 percent in 2000 to 75 percent in 2004. The data confirm that the underlying composition of bank portfolios changed, with loans and advances from SCBG and IBC accounting for a decreasing share of the banking system's total assets (from 15.5 percent in 2000 to 9.5 percent in 2004), and loans and advances from Trust Bank, Arab Islamic Bank, Guaranty Trust, and First International Bank accounting for a greater share of the banking system's total assets (from 11.6 percent in 2000 to 13.4 percent in 2004) (see later analysis of the two bank groups).

D. Bank Profitability and Efficiency

Cross-country comparisons

10. **In 2002, a common reference year for which comparative data were available, Bank spreads in The Gambia were far above the regional average for small African banks and other reference countries**. Table 5 presents available comparative revenue and cost performance indicators[4] for 2002, and includes data on the U.S., which is seen as a benchmark for efficiency. This Table reveals the following structural differences in underlying revenue and efficiency:

[4] Revenue and efficiency variables are expressed relative to average assets.

Table 5. Selected Commercial Bank Performance Indicators, Cross-Country Comparison
Ratios to Average Assets, 2002

	The Gambia	Africa Small Banks 2/	Senegal	Kenya	USA 1/
Interest income	5.8	...	...	...	5.1
Non-interest income	6.4	...	...	...	2.4
Overhead costs	5.5	6.1	3.4	5.6	3.3
Loan loss provisions	0.1	1.2	1.8	2.5	0.7
Profit (Before tax)	6.5	3.3	6.5	6.5	1.8
Memorandum item:					
Spread	11.0	6.5	9.1	14.9	4.4
Inflation	8.6	...	2.3	2.0	1.6

Sources: Sacerdoti (2005); Central Bank of The Gambia; US FDIC Statistics on Depository Institutions; and IMF Staff Estimates.
1/ U.S. estimates based on data obtained from FDIC "Statistics on Depository Institutions."
2/ Small banks have assets less than US$1 billion. Used as a comparator since all banks in The Gambia are small banks.

- In 2002, the average interest rate spread in The Gambia (11.0 percent) was among the highest in the sample and was considerably higher than the regional average for small African banks (6.5 percent).

- The return on assets (ROA) in The Gambia, where inflation was high, was the same as the rate in Senegal and Kenya (6.5 percent), where inflation was low. Thus, high inflation is just one of many determinants of shareholders' risk premia and may not be sufficient to predict bank spreads.

- Noninterest income in The Gambia was almost 2.5 times that of the United States in 2002, which suggests that Gambian banks rely more heavily on other income sources (e.g., "fees and other charges" and income from foreign exchange transactions) than their U.S. counterparts. Nevertheless, within The Gambia's banking system, interest income exceeds total noninterest income (Table 6).

- Overhead costs (primarily administrative expenses) in The Gambia were lower than the regional average for small banks (6.1 percent) and comparable to the level in Kenya, although they were 1.5 times those in the United States.

- Finally, The Gambia had the smallest ratio of loan loss provisions to average assets in the sample (0.1 percent compared with an average of 1.2 percent for small African banks). This finding suggests one of two things: either The Gambia had fewer nonperforming loans (NPLs) or its banks were less compliant with provisioning requirements. Although *time series* data on nonperforming loans was unavailable, the limited available data indicate that at end-2002, the ratio of NPLs/gross loans in The Gambia was 6.65 percent, which was favorable by regional standards. However, a number of large loans foundered in 2003, and by year-end, the ratio had more than doubled to 14.55 percent. In 2004, as many of those nonperforming loans were resolved, the ratio fell back to historical levels.

Gross NPL/Total Loans: Cross-Country Comparison 1/
(In percent)

Uganda	7.2	The Gambia	14.6
Cape Verde	7.4	Madagascar	16.7
Senegal	13.3	WAEMU	19.2
Gabon	13.8	Ethiopia	40.5

Source: Sacerdoti (2005).
1/ As of 2003.

Bank revenue and efficiency

11. **The Gambia's banking industry appears to fall into two groups: those with a *decreasing* share of loans (Group 1) and advances and those with an *increasing* share of loans and advances (Group 2).**[5] Table 6 presents bank performance indicators for The Gambia's banking system and for Groups 1 and 2. A comparison of the groups yields some interesting insights about underlying bank profitability and efficiency:

Table 6. Commercial Bank Profitability and Efficiency in The Gambia
Ratios to Average Total Assets, 2000-04 1/ 2/

	Pooled	Group 1	Group 2
	(In Percent)		
Net interest income	6.2	6.5	5.8
Interest Income	9.1	8.9	9.5
Interest Income on Loans and Advances	5.0	4.4	6.0
Other Interest Income	4.1	4.4	3.5
Interest Expense	2.8	2.3	3.7
Total Non-interest income	7.3	6.0	9.7
Fees and commission income	2.6	1.6	4.4
Income from foreign exchange operations	4.5	4.2	5.1
Other revenue	0.2	0.2	0.2
Total operating cost	5.8	6.1	5.2
Administrative expenses	5.2	5.6	4.6
Depreciation	0.6	0.5	0.6
Operating profit before provisioning	7.7	6.4	10.3
(Provisions)/recoveries for credit losses	0.5	0.2	1.0
Profit before tax (ROA)	7.3	6.3	9.3
Memorandum items:			
Implicit lending rate	19.3	19.2	19.5
Implicit deposit rate	4.8	4.2	5.6
Implicit interest spread	14.6	15.1	13.9
Average deposits/Average assets	59.3	55.6	65.9
Average inflation	9.0	9.0	9.0

Sources: Gambia data: Central Bank of The Gambia and Fund staff estimates.

1/ Excludes Arab Islamic Bank from the analysis, since not part of the interest rate analysis.
2/ Group 1 is comprised of Standard Chartered Bank and BICI, and Group 2 is comprised of Trust Bank, Guaranty Trust, and FIB.

[5] The subsequent analysis of interest rate spreads does not include the Arab Islamic Bank, which does not charge interest.

- Group 2 was much more profitable than Group 1, even though Group 1 had higher net interest income.[6] In particular, noninterest income in Group 2 was higher than in Group 1, owing both to higher revenues from fees and commissions as well as income from foreign exchange operations.[7]

- Interest rate spreads in Group 1 were 1.2 percentage points higher than in Group 2, primarily reflecting Group 1's much lower average implicit deposit rate.[8] Group 1's implicit lending rate (19.2 percent) was only marginally lower than Group 2's (19.5 percent).

- Group 1's interest income was evenly split between interest income on loans and advances and other interest income. By contrast, Group 2 banks relied more heavily on proceeds from loans and advances, consistent with its growing market share of those transactions.

- Group 2's provisioning costs were also somewhat higher than Group 1's, perhaps reflecting those banks' greater dependency on loans and advances. However, the difference was not statistically significant at the 10 percent level.[9]

- Although the data suggest that Group 2 banks may have been more efficient than Group 1, since their operating costs as a percentage of average assets were lower than Group 1's, this difference was not statistically significant.

---

[6] Difference of means based on Neter, John, Wasserman, William, and Whitmore (1982), p. 322. The difference in profitability between the two groups was statistically significant at the 99.5 percent significance level, as the calculated t-statistic was 7.7 (while t(0.995, 4)=4.604)

[7] The calculated t-statistic was statistically significant at the 99.95 percent confidence level (t(0.9995, 4)=8.61).

[8] The calculated t-statistic was 6.9, which was statistically significant at the 99.5 percent confidence level (t(0.995, 4)=4.604).

[9] The calculated t-statistic was 0.5 versus (t(0.90, 4)=1.533).

E. Anatomy of the Interest Rate Spread[10]

Analytical framework

12. **Appendix I shows a framework for decomposing the implicit interest rate spread into its underlying components, using the consolidated income statement of commercial banks**. The main equation is equation (3') from Appendix I:

$$i_L - i_D = \delta * i_L + \frac{\overline{Gov}}{D} i_L + \rho \frac{A}{D} + \frac{NIE}{D} + \frac{PROV}{D} - i_{Gov} \frac{Gov}{D} - \frac{NII}{D} + \varepsilon \qquad (3')$$

Where:

i_L= the average lending rate;
i_D,=the average deposit rate;
$\delta * i_L$ represents the opportunity cost of the required reserve ratio, since reserves are unremunerated.

$\frac{\overline{Gov}}{D} * i_L$ represents the opportunity cost of required liquid reserves;

$\frac{Gov}{D}$ = the ratio of actual holdings of government securities (required and excess holdings) to total deposits;
δ= the required reserve ratio;
ρ = the gross return on assets (ROA);
$i_{Gov} = II_{Gov}/Gov$; and
ε = a residual resulting from the combination of flow data from income statements and stock data from balance sheets.

Equation (3') states that the interest rate spread is *positively* related to *the opportunity cost* of both unremunerated required reserves (δi_L) and the mandated liquidity ratio ($\frac{\overline{Gov}}{D} i_L$), the payoff to shareholders (ρ*(A/D)), noninterest expenditures, and loan loss provisions, while it is *negatively* related to revenues from investment in government securities and noninterest income.

[10] The framework adopted in this paper is an accounting framework that disaggregates the underlying components of the spread into meaningful sub-entities for analytical purposes. It is not a general equilibrium framework based on profit maximization. For discussions and applications of the general equilibrium approach, see Kolari and Zardkoohi (1987), Pringle (1973), Randall (1998), and Revell (1980). The general equilibrium approach was not adopted here owing to data limitations, which would have prevented the estimation of statistically robust coefficients.

Bank interest rate spreads, 2000–04

13. **Despite a slight decline from 2000 to 2002, the average interest rate spread in The Gambia's banking system increased sharply, from 12.6 percent in 2000, to 20.9 percent in 2004**[11] (Table 7). The widening of the spread primarily stemmed from a sharp rise in the implicit average lending rate (8.3 percentage points).[12]

14. **The analysis of the components of the interest rate spread**[13] **reinforces earlier observations on bank revenue and efficiency**:

- **The movement in the interest rate spread was primarily driven by changes in bank costs**, which declined during 2000–02 and then rose sharply during 2003–04, following a large increase in noninterest expenditures costs.

- **Bank revenues declined** except in 2002 when the implicit rate on government securities exceeded the implicit lending rate. The secular decline in bank revenues, which stemmed primarily from reduced noninterest income, which was partly offset by rising interest income from government security holdings.

- **The nominal payoff to shareholders also contributed to wide interest rate spreads**, though it fell from 13.4 percent in 2000 to 11.4 percent in 2004, a decline that primarily reflected the decreasing ROA (from 8.0 percent in 2000 to 6.9 percent in 2004).

- **The highest cost component was noninterest expenditures** (i.e., overhead costs), which initially decreased from 9.2 percent in 2000 to 8.6 percent in 2001, then rose to 10.2 percent in 2004.

- **The implicit cost of required reserves and liquid asset holdings also rose**. Reserve requirements were initially increased to 16 percent of deposits in 2003 and then to 18 percent in 2004. Banks' holdings of liquid assets also increased although the statutory liquid asset ratio remained unchanged at 30 percent.

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[11] We examine 2000–04 because it was the period for which we had access to data for individual commercial banks.

[12] The rise in the implicit interest rate spread coincides with a period of severe economic dislocation in The Gambia. During 2002–03, excessive fiscal deficits and loose monetary policy gave rise to heightened inflation and a sharp depreciation of the exchange rate.

[13] Each component is expressed as percentage of total deposits, as in equation 3'.

- **The ratio of provisioning to deposits accounted for a relatively small share of costs**. A spike in 2003 reflected a rapid rise in the ratio of large nonperforming loans to gross loans (from 6.65 percent at year-end 2002 to 14.55 at year-end 2003). As many such loans recovered, the provisioning ratio fell back to historical levels.

Table 7. The Gambia: The Interest Rate Spread Accounting Framework for the Banking System 1/ 2/

	Pooled					Pooled	Group 1	Group 2
	2000	2001	2002	2003	2004	Average 2000-04		
(In Percent)								
i_L	18.2	16.3	14.9	20.6	26.5	19.3	19.2	19.5
i_D	5.6	4.4	3.9	4.2	5.7	4.8	4.2	5.6
Spread	12.6	11.9	11.0	16.4	20.9	14.6	15.1	13.9
Cost	18.3	17.1	17.8	21.8	23.2	19.6	20.3	18.7
$(\delta)*i_L$	3.1	2.8	2.7	3.4	4.8	3.3	3.3	3.4
$\gamma*i_L$	5.5	4.9	4.5	6.2	8.0	5.8	5.8	5.8
NIE/D	9.2	8.6	10.4	10.3	10.2	9.7	11.0	7.9
PROV/D	0.5	0.9	0.3	1.8	0.3	0.8	0.3	1.5
ρ *(A/D)	13.4	11.8	12.3	12.5	11.4	12.3	11.2	14.0
Revenue	21.1	19.0	19.3	18.6	18.1	19.2	18.8	20.0
i_{Gov}*(Gov/D)	7.1	7.0	7.2	5.2	8.1	6.9	8.0	5.2
NII/D	13.9	12.0	12.0	13.4	10.0	12.3	10.7	14.8
ε	1.9	2.0	0.2	0.8	4.3	1.8	2.3	1.2
Memorandum items:								
ρ	8.0	7.2	6.5	7.7	6.9	7.3	6.3	9.3
Implicit earnings from Government Securities	10.2	10.2	16.7	24.4	23.9	17.1	17.4	16.6
Contribution to real spread from π	-0.2	-1.0	0.4	4.3	2.0	1.1	0.6	1.8
π	0.9	4.5	8.6	17.0	14.2	9.0	9.0	9.0

Sources: Central Bank of The Gambia, and Fund staff estimates.
1/ π = Inflation; ρ = the return on assets; δ = the required reserve ratio; γ = required holdings of government securities; NII=Non-interest income; NIE=Non-interest expense; and ε = a residual.
2/ Excludes the Islamic Development Bank, where interest information is not available.

15. **These observations at the aggregate level were not homogenous across both groups of banks**. In particular:

- Group 2 had a lower average spread than Group 1, owing primarily to a higher average implicit deposit rate—suggesting greater interest competitiveness in attracting depositors but not much competition with respect to lending rates.

- Group 2 also experienced higher profitability than Group 1: Its ROA was 25 percent higher than Group 1's.

- Although Group 2 had larger shareholder payments, reflecting higher profitability.

- Group 2 banks appeared to have been more efficient than Group 1 banks. However, the difference in efficiency also could not be confirmed by statistical tests.

- Finally, Group 2 had higher noninterest income, primarily reflecting its higher revenues from foreign exchange transactions.

F. Conclusion

16. **Since interest rate spreads in The Gambia are high, both by regional and international standards, and financial intermediation is low, investment and growth should be stimulated by a reduction in interest rate spreads, preferably achieved through a lowering of the implicit average lending rate**. Such a lowering can be achieved both through efforts to reduce bank costs—particularly since costs largely explained the rise in The Gambia's spreads during 2000–04. In this regard, the restoration of macroeconomic stability should pave the way for a reduction in risk premia, an outcome that would facilitate further reductions in shareholder payoffs, the largest component of bank costs. In addition, with the return to fiscal sustainability, the reduction in the public sector's borrowing requirement (PSBR) and (as a corollary) a subsequent decline in the implicit rate on government securities, should help reduce crowding out of the private sector. The reduced PSBR could also facilitate a reduction in the holdings of government securities. Such measures should increase the available supply of loanable funds, which, for a given level of loan demand, should reduce lending rates.

17. **The new Central Bank of The Gambia (CBG) Bill and ongoing efforts to strengthen the prudential and regulatory environment (including through the imposition of penalties and sanctions), coupled with macroeconomic stability, could facilitate a one-time reduction in the required reserve ratio**.[14] At 18 percent, The Gambia's required reserve ratio appears high relative to international standards (Table 8). A reduction in the ratio would both directly reduce bank costs and increase the supply of loanable funds, which should further reduce lending rates. However, because macroeconomic stability has only recently been achieved, a key question would be the appropriate size of the reserve adjustment, given the potential reputational risk should the need arise to raise the requirement once again. Moreover, care

Table 8. Required Reserve Ratio: Cross-Country Comparison 1/
(In percent)

Eurozone	2.0	Hungary	8.8
Switzerland	2.5	Ghana	9.0
Latvia	3.0	U.S.	10.0
Chile	4.5	Zambia	17.5
China	7.0	Croatia	19.0
Bulgaria	8.0	Tajikistan	20.0
Burundi	8.5	Suriname	35.0

Source: Wikipedia.Com.
1/ As of May 2006.

[14] The Gambia is currently receiving technical assistance in banking supervision. As a result, forthcoming guidelines will include penalties for reserve deficiencies instead of the current practice of moral suasion.

should be taken to assure investors and other observers that periodic adjustments in the reserve requirement will not replace other monetary policy tools, such as open market operations and use of the rediscount rate.

18. **An argument could also be made for reducing bank overhead costs, which appear to be somewhat high by international standards (though they met some regional standards)**. Higher costs are to some extent attributable to diseconomies of scale, since cross-country studies have shown that smaller banks and smaller financial systems have higher overhead costs and net interest margins relative to earning assets because of high fixed costs (Sacerdoti, 2005; Randall, 1998; Juan-Ramón, Randall, and Williams, 2001). Nonetheless, it is worth noting that Group 2's operating costs were lower (as a percentage of average assets) than Group 1's, even though Group 2 included all the smaller banks (ostensibly with greater diseconomies of scale). This finding that suggests there may still be room for efficiency gains particularly among Group 1 banks, despite the limitations of market size.[15] In addition, continued efforts are needed to lower bank overhead costs by redressing known deficiencies in the judicial system, including by facilitating the recovery of collateral (possibly through the introduction of out-of-court enforcement procedures) and strengthening the titles and land registration systems.[16]

19. **Finally, the analysis could not make any definitive conclusions about the impact of concentration on bank spreads in The Gambia, although economic literature contains sufficient empirical evidence to support the view that enhanced competition helps reduce bank spreads** (Sacerdoti, 2005; Barajas, Steiner, and Salazar, 1999). Such an analysis requires the estimation of an econometric model (assuming the availability of sufficiently long time series data) that isolates the influence of market power, controlling for the influence of other factors known to affect the spread. Although data constraints precluded such a formal analysis here, the fact that both lending and deposit rates differed across the two groups of banks suggests that interest rate collusion may not have been a problem in The Gambia during the review period. Moreover, the fact that the banking system appears to be heterogeneous is instructive, and efforts should be made to build on Group 2's best practices to enhance the banking sector's contribution to private investment and growth.

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[15] However, this observation must be qualified, since SCBG's (a Group 1 bank) investment in information technology during 2003 may have distorted the group comparisons.

[16] Sacerdoti, 2005; Mlachila and Chirwa, 2002; and staff consultations with banking industry representatives.

APPENDIX I

ANATOMY OF THE INTEREST RATE SPREAD

This appendix presents the analytical framework for decomposing the interest rate spread. The following variables are derived from income statements of commercial banks: (i) gross profit before taxes (P), defined as bank income minus bank expenses; (ii) bank income,[17] defined as interest earnings on loans and advances (II_L) *plus* interest earnings on government securities (II_{gov}) *plus* noninterest income (NII); (iii) bank expenses,[18] defined as interest expenses on deposits (IE_D) *plus* loan loss provisions (Prov) *plus* noninterest expenses (NIE).[19]

Algebraically:

$$P = II_L + II_{gov} + NII - IE_D - \Pr ov - NIE \qquad (1)$$

Rearranging (1) to obtain an expression for the *net interest margin*:

$$II_L - IE_D = P + NIE + PROV - II_{Gov} - II_{Lend} - NII \qquad (2)$$

Dividing (2) by average deposits (D), a scaling factor, and using average loans (L) and assets (A) from the consolidated bank balance sheet, the following expression results:

$$\frac{II_L}{L}\frac{L}{D} - \frac{IE_D}{D} = \frac{P}{A}\frac{A}{D} + \frac{NIE}{D} + \frac{PROV}{D} - \frac{II_{Gov}}{D} - \frac{NII}{D} \qquad (3)$$

Where:
P/A = gross return on assets (before taxes);
$II_L/L = i_L$, the average lending rate;
$IE_D/D = i_D$, the average deposit rate;
$II_{gov} = i_{gov} * Gov$, interest earnings on government securities (required and excess holdings);

By assumption, the supply of loanable funds is comprised of deposits net of the reserve requirement and statutory holdings of liquid assets, including government securities. So L/D can be expressed as follows:

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[17] Also referred to as "operating income."

[18] Also referred to as "operating expenses."

[19] This framework omits interest earnings and expenses on Interbank lending, owing to the unavailability of this data for The Gambia.

$$\frac{L}{D} = \frac{(1-\delta-\dfrac{\overline{Gov}}{D})D}{D} = 1-\delta-\frac{\overline{Gov}}{D};$$

Where:
δ= the required reserve ratio;

$\frac{\overline{Gov}}{D}$ = as a simplifying assumption, assumed to be required holdings of government securities as a percentage of total deposits (presently 30 percent).

$\frac{Gov}{D}$ = the ratio of actual holdings of government securities (required and excess holdings) to total deposits.

Substituting this ratio into (3) yields an expression for the implicit interest rate spread:

$$i_L - i_D = \delta * i_L + \frac{\overline{Gov}}{D} i_L + \rho\frac{A}{D} + \frac{NIE}{D} + \frac{PROV}{D} - i_{Gov}\frac{Gov}{D} - \frac{NII}{D} + \varepsilon \qquad (3')$$

Where:
$\delta * i_L$ represents the opportunity cost of the required reserve ratio, since reserves are unremunerated.

$\frac{\overline{Gov}}{D} * i_L$ represents the opportunity cost of required liquid reserves.

ρ = the gross return on assets (ROA);
$i_{Gov} = II_{Gov}/Gov$;
ε = a residual resulting from the combination of flow data from the consolidated income statement and stock data from the consolidated balance sheet.

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III. INDEPENDENCE OF THE CENTRAL BANK OF THE GAMBIA (CBG): WHAT DOES THE NEW *CBG ACT 2005* INDICATE?[1]

A. Introduction

1. **Central bank independence promotes successful implementation of monetary policy, and hence facilitates price stability, which is conducive for sustainable economic growth**.[2] Accountability, the flip side of independence, further promotes credibility in achieving the intended monetary policy objectives.[3] Increasingly, countries are making legal provisions to facilitate such independence. In fact, there is no truly independent central bank, although many central banks have autonomy to conduct monetary policy.

2. **This paper evaluates the degree of autonomy extended to the Central Bank of The Gambia (CBG) under the provisions of the new *Central Bank of The Gambia Act, 2005 (CBG Act 2005*)**. The *CBG Act 2005*, passed by the National Assembly in December 2005 and assented to by the president in January 2006, replaces the *Central Bank of The Gambia Act, 1992 (CBG Act 1992)*. In particular, the paper discusses to what extent the *CBG Act 2005* has strengthened the CBG's autonomy to conduct monetary policy. It also discusses whether the actual practices of the CBG are in line with the *CBG Act 2005.*

3. **The findings suggest that the *CBG Act 2005* has provisions of modern central bank acts allowing the CBG to conduct monetary policy with the objective of delivering price stability without undue interference from the government.** The act has been strengthened in many ways from the *CBG Act 1992*. However, many provisions of the act still need to be realized in practice for the CBG to enjoy the autonomy that has been envisioned in the act. In particular, claims on government need to be significantly reduced, CBG's financial position needs to be improved, and CBG's transparency and accountability should be enhanced.[4]

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[1] Prepared by Subramanian S. Sriram.

[2] See, for example, Jácome and Vázquez (2005), who examine the relationship between central bank independence and inflation.

[3] Although central banks in many countries have multiple objectives—sustainable growth, maintaining high employment, efficient use of resources, moderate long-term interest rates, and stability of the financial and payment systems—many economists argue (e.g., Lybek and Morris, 2004) that a central bank's primary objective should be to achieve and maintain price stability.

[4] See, Mehran and others (1998) for indicators of central bank autonomy and accountability in selected sub-Saharan African countries.

4. **The paper is organized as follows**: Section B provides background. Section C describes "best practices," as defined by the IMF, in designing central bank autonomy and accountability. Section D reviews to what extent the CBG's autonomy has been strengthened under the new act and whether the actual practices of the CBG vary from what the new act suggests. Section E summarizes the main conclusions.

B. Background

5. **Under the *CBG Act 1992*, the CBG had responsibility for monetary policy, financial institutions supervision, foreign exchange policy, and oversight of the payment system.** In several respects, however, the 1992 act did not reflect the best practices of modern central bank laws.[5] Experience has shown that, without clear autonomy and accountability, central banks have difficulty formulating and implementing monetary policy, and both the government and the public have less confidence in central bank actions.[6]

6. **The current trend in modernizing central bank laws focuses on insulating the central bank from the government's short-term influence on monetary policy, while ensuring that the central bank is fully accountable for both its monetary policy performance and the administration of its resources**. Effectively insulating a central bank from political influence in its day-to-day operations signals a political commitment to pursue sound economic policies. However, if the central bank is not made publicly accountable for its use of delegated authority, it may not act autonomously in carrying out its intended objectives. Transparency is a necessary condition for accountability. Generally, transparency refers to circumstances in which the objectives of monetary and fiscal policy, the legal and institutional framework, the policy decisions and their rationale, and data and information related to these policies are provided to the public on an understandable, accessible, and timely basis.[7]

7. **As is well documented, The Gambia's economic performance deteriorated significantly during 2002–03**. Coupled with a drought, which led to a collapse of the 2002 groundnut harvest, poor execution of monetary and fiscal policies reflecting serious deficiencies in governance caused the exchange rate to depreciate and inflation to surge. The

[5] For example, lack of either a single objective or clarity in the specification of CBG's primary objective, lack of clearly spelled out rules on permissible investments and transactions of the CBG, inadequate protection from government interference in the operations of the CBG, possibility for the minister of finance to override central bank policy, government's representation on the Board of the CBG, significant overdraft facilities to government, etc.; see IMF (2006).

[6] See Lybek (1998).

[7] See IMF (1999).

CBG financed much of the fiscal deficit in 2003, fueling reserve money to grow by 63 percent and broad money by 43 percent that year. At the same time, the CBG injected liquidity as a result of foreign exchange losses that the CBG incurred due in part to questionable currency transactions with local foreign exchange bureaus.[8] These incidents suggest that either (1) the *CBG Act 1992* was weak in terms of shielding the CBG from external pressures in executing monetary policy as well as having a strong internal control and being transparent; or (2) the act itself was largely ignored.

8. **Work began in the late 1990s to draft a new CBG bill**. The IMF provided technical assistance in reviewing the *CBG Act 1992* in order to modernize and bring it into line with international best practices.[9] Even before the new bill became the formal *CBG Act 2005*, the authorities began adopting certain provisions of the bill (e.g., forming the Monetary Policy Committee (MPC) in 2004 and establishing an audit committee in 2005). Nevertheless, all aspects of the *CBG Act 2005* have yet to be fully adopted, though the authorities are working to do so (for example, as required by the act, two new deputy governors were recently appointed).

C. Autonomy of the Central Bank

9. **Although, "independence" and "autonomy" are often used interchangeably in the literature, the terms have different meanings**. According to Lybek (1998), "autonomy entails operational freedom, while independence indicates a lack of institutional constraints." Even independent central banks typically have strong commitments either to pursue price stability, to follow a specific exchange rate policy, or to comply with a target explicitly stipulated by the government. Various types of independence referred to in the literature–personal independence, institutional independence, operational independence, and financial independence—can be considered as building blocks of central bank autonomy.[10]

10. **In defining "best practices" for central bank autonomy and accountability, the IMF sets out the following five broad criteria**: (1) defining the primary objective of the central bank; (2) instituting political autonomy for the execution of monetary policy; (3) granting economic autonomy; (4) establishing financial autonomy; and (5) defining accountability procedures. A thorough review of these criteria is found in Lybek (1998). Box 1 provides a summary of these criteria.

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[8] See IMF (2004).

[9] As shown in Lybek (1998) and IMF (1999 and 2000).

[10] See Chandavarkar (2005) and European Central Bank (2004).

Box 1. Summary of Best Practices on Central Bank Autonomy and Accountability[11]

Criteria	Best Practices
Clarity of objectives	Establish a single or primary objective in terms of preserving price stability. If there are multiple objectives (for example, price stability and financial system stability), policy conflicts should be resolved in favor of price stability.
Political autonomy	The central bank's board of directors must be nominated and appointed by the government and the legislative body in a two-step process, without any representation from the government or the private sector. They should be appointed for a term longer than that of the president, and grounds for dismissal should be solely legal in nature and clearly established in law. Although either the central bank's board of directors or the government should initiate the dismissal of a board member, the legislature or the judicial branch should make the final decision.
Economic autonomy	Provide central banks with *instrument independence*, that is, the freedom to use all instruments available to achieve price stability. Interest rate policy should be the exclusive responsibility of the central bank, though the selection of the exchange rate regime may be shared with the government, so that it does not interfere with the conduct of monetary policy and the achievement of the policy target. *Goal independence*, which implies stronger independence, assigns the central bank the responsibility of driving the short-term trade-off between inflation and unemployment, which is more in the nature of the political authorities' decision. Direct credit to the government should be prohibited or carefully limited in line with the policy objective.
Financial autonomy	Define clear rules governing the relationship between the central bank and the government in the treatment of central bank losses and profits. Government should commit to maintaining the central bank's capital, so that monetary policy is implemented without financial restrictions and focused on established policy objectives, while central bank profits should be transferred to the government after an appropriate accumulation of central bank legal reserves.
Accountability	The central bank should report to the government and the legislature on the conduct of monetary policy, particularly on the achievement of the long-run inflation policies and the implementation of actions and policies to that end. Such reports should be given broad public dissemination. Financial statements should be published at least once a year under generally accepted accounting standards, and should be certified by an independent auditor. Summary balance sheets with supplementary explanatory notes should be published more frequently using generally accepted accounting standards.

D. Autonomy of the Central Bank of The Gambia

11. To assess the autonomy of the CBG in conducting monetary policy, this section analyzes the provisions of the *CBG Act 2005* against the five best-practices criteria defined above, broken out into nine components—(1) *clarity of objectives*—objectives; (2) *political autonomy*—conflict resolution; the governor; and the board of directors; (3) *economic autonomy*—credit to the government, exchange rate policy, monetary policy, and targets and instruments; (4) *Financial autonomy*—financial conditions; and (5) *accountability*—publication and reporting. Appendix I presents relevant information from the *CBG Act 2005* and the *CBG Act 1992*, the workings of various committees, and actual practices followed by the CBG to support the arguments presented below.

[11] This section draws heavily from Jácome (2001), who draws on information presented in Lybek (1998).

Clarity of objectives

Objectives

12. **The *CBG Act 2005* specifies price stability as one of the primary objectives, but not as the sole objective of the CBG.** Article 5 of the act lays out the CBG's multiple objectives, but does not prioritize them. Though the listed objectives are interrelated or overlapping to various degrees, they may create conflicts at times. According to the authorities, the act does not list price stability as its primary objective because the Constitution of The Gambia did not specify this objective as one of the CBG's major objectives.[12] The act, however, has been strengthened as price stability is not even mentioned as one of the CBG's objectives in the *CBG Act 1992*; promotion of monetary stability is stated as one of the objectives, but such specification can give rise to conflict between a focus on internal and external value of the currency.

13. **In practice, the CBG appears to be pursuing price stability as its primary objective** because the act does say that the MPC will be responsible for initiating proposals for forming and adopting monetary policies of the CBG and setting the policy interest rate to achieve the CBG's objectives. The terms of reference of the MPC (see Appendix III) further specifies that the MPC shall be the CBG's highest monetary policymaking body and that its purpose is to deliver price stability.

Political autonomy

Conflict resolution

14. **The *CBG Act 2005*, like the *CBG Act 1992*, provides for some conflict resolution between the CBG and the government.** Because a central bank is a creature of the government, established by legislation, it remains ultimately accountable to the government and to the public. Both acts give the Secretary of State for Finance and Economic Affairs (SoS) [Minister of Finance] the right to override CBG policy that fails to meet the objectives set forth in the act, stating that the SoS shall inform the CBG of the determined policy of the government and that the government accepts responsibility for adopting the policy. Apparently, this provision serves to enhance the CBG's accountability and is meant to be used only in exceptional circumstances and for limited duration.[13] It would be more effective if the *CBG Act 2005* stated that such a decision would be publicly announced both by the

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[12] See Appendix II, which excerpts relevant sections from the Constitution relating to the CBG.

[13] The *CBG Act 2005* states in Article 5(2) that the CBG is subjected to the direction of the SoS. Article 36 gives further power to the SoS to override the CBG's policies if they do not meet the objectives set forth in Article 5. Thus, in practice, the CBG is still a government institution and is under the general direction of the SoS.

CBG and the Department of State for Finance and Economic Affairs (DoSFEA) and would stand only for a limited time.

15. **In practice, conflict resolution between the CBG and government has been enhanced** because (1) the MPC has two DoSFEA members, and (2) one of the board of directors is the permanent secretary of the DoSFEA (see discussion below).

Governor

16. **Based on the terms and conditions under which the governor is appointed, the *CBG Act 2005* provides for increased political autonomy.** The president has significant powers to appoint the CBG governor. Under both acts the president appoints the governor and the terms of both the president and the governor are five years. Both acts provide protection against arbitrary dismissal of the governor as there is an established legal process (including investigation by an independent tribunal). The *CBG Act 2005* has strengthened political autonomy because it requires the president appoint the governor on the recommendation of the Public Service Commission and the board of directors (rather than recommended by the SoS, as was the case under the previous act).

17. **There is a possibility that such increased political autonomy could be harder to realize** as the *CBG Act 2005* also provides for two deputy governors to be appointed by the president on the recommendation of the SoS. Because these deputy governors are full time staff members of the CBG, they may be independent from the SoS, although they could in practice pass on the agenda of the SoS.

Board

18. **According to the provisions of the *CBG Act 2005*, the board does not have full autonomy** from the government or president because (1) the president's term of the office (five years) exceeds that of the members of the board of directors (two years), although each member is eligible for reappointment for one more term upon expiration of the term and (2) each board member has an equal right to vote. If any board members are government representatives, the government can exert influence on the board.

19. **In some respects, the *CBG Act 2005* has been strengthened** as (1) the president appoints the directors in consultation with the Public Service Commission (whereas in the *CBG Act 1992*, the minister of finance makes recommendations to the president) and (2) the *CBG Act 2005* does not explicitly mention that the board of directors should include a representative from the DoSFEA, whereas the *CBG Act 1992* makes the permanent secretary of the DoSFEA a member.

20. **In some other respects, the CBG Act 2005 has been weakened** as (1) directors are appointed on a two-year basis (whereas the *CBG Act 1992* specifies an appointment of three

years); and (2) the legal process for removing the board of directors is more explicit and detailed in the *CBG Act 1992*.

21. **In practice, the political autonomy of the board has not changed** as the current board continues to include the permanent secretary of the DoSFEA as a member, who has an equal right to vote like other board of directors. The IMF's "best practices" recommend that the board should include a majority of nonexecutive, nongovernment directors; direct government representatives should be eliminated from the policy and monitoring boards; and if a government representative participates in a policy board, it should be at least without the right to vote, in order to shield the board from the government's influence.

Economic autonomy

Credit to government

22. **The *CBG Act 2005* strengthens the rules for providing credit to the government.** The *CBG Act 2005* makes it harder for the government to borrow from the CBG by limiting the amount of borrowing to 10 percent of the tax revenue during the past year. It also does not reference the possibility of extending credit to government agencies at preferred terms, a lending practice that can promote quasi-fiscal activities. By contrast, the *CBG Act 1992* (1) linked the amount that can be advanced to the government to the CBG's average demand liabilities during the preceding financial year of the CBG; (2) put a cap on borrowing period for six months, but provided the flexibility for extension; and (3) permitted government agencies and enterprises to borrow from the CBG under the terms negotiated, including interest rates. Such provisions tend to promote quasi-fiscal activities, leading to extensive loans, and can thus interfere with the conduct of monetary policy.

23. **Despite these more stringent rules, overdrafts to the government and other CBG activities suggest that its economic autonomy still has some limits.** Four observations support this conclusion: (1) the act stipulates that at the close of the financial year, the total loans, advances, purchases of treasury bills, and securities, together with any other borrowing by the government from the CBG should not exceed 10 percent of the tax revenue of the previous fiscal year; yet in 2005, CBG's claims on government amounted to 50 percent of 2004 tax revenues; (2) CBG's overdrafts are interest free; and (3) the CBG purchases treasury bills from the primary market (although recent activity has involved only unclaimed noncompetitive bids from the weekly auctions); and (4) though the *CBG Act 2005* does not state that the CBG can extend credit to government agencies and boards, it does not

explicitly prohibit such activities.[14] The CBG and the DoSFEA are in the process of working out an action plan to reduce the claims on government to be in line with the *CBG Act 2005*.

Exchange rate policy

24. **The *CBG Act 2005* spells out more clearly the role of government and the CBG in determining the exchange rate regime and exchange rate policy.** It states that the government determines the foreign exchange regime in The Gambia after consulting with the CBG, while the CBG formulates and conducts exchange rate policy. The *CBG Act* 1992 does not present such a clear cut responsibility between the government and the CBG.

25. **In practice, the CBG appears to have autonomy in implementing exchange rate policy.** As per the *CBG Act 2005*, the government determines the foreign exchange regime after consulting with the CBG. The CBG formulates and conducts exchange rate policy. Since 1986, The Gambia follows a managed floating regime. The exchange rates are market determined. As per Article 56 of the *CBG Act 2005* and the terms of reference for the MPC, the CBG is clearly given the responsibility to define policy relating to the CBG's intervention in foreign exchange markets (see Appendix III). Although the CBG intervened frequently and substantially in the foreign exchange markets during 2000–03 to halt the depreciation of the dalasi (that proved unsuccessful), beginning in 2004, such interventions have been limited to augmenting foreign exchange reserves only.

Monetary policy

26. **The *CBG Act 2005* has strengthened the CBG's autonomy to conduct monetary policy.** Together with the MPC procedures, the act provides for increased authority for the CBG to conduct monetary policy by explicitly stating in Article 6(1)(a) that the CBG formulates and implements monitory policy. The act also explains in detail how the CBG aims to conduct monetary policy by stating in Article 29 that the MPC initiates proposals for the formulation and adoption of the CBG's monetary policies and sets policy interest rate to achieve the CBG's objectives. In contrast the *CBG Act 1992* does not explicitly state how the CBG aims to conduct monetary policy to promote monetary stability.

27. **In practice, the CBG's autonomy in setting and implementing monetary policy under the *CBG Act 2005* might be lessened somewhat** because the MPC has two voting members from DoSFEA, who can exert influence on behalf of the government on the decisions of the MPC. However, the DoSFEA's influence is likely limited, because a

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[14] There is insufficient information to evaluate the degree of recent quasi-fiscal activities carried out by the CBG, though there were problems before (for example, purchases of foreign currencies made by the CBG were not delivered by the foreign exchange bureaus; and loans extended by the CBG to a private operator of a groundnut processing plant on the guarantee of the government).

majority is required to reach decisions during the MPC meetings and the votes from five CBG staff members can overrule the two votes of the DoSFEA staff. Nevertheless, the MPC meetings give the DoSFEA a chance to express its views. The DoSFEA can exert further influence through its participation in the Treasury Bills Auction Committee that decides the amount of treasury bills to be issued each week.

Targets and instruments

28. **The CBG has target autonomy**. The CBG operates under a money targeting regime using broad money as intermediate target and reserve money as the operating target. It uses various instruments such as purchases and sales of treasury bills to keep the actual growth of reserve money within the targets based on a short-term liquidity forecasting framework.

29. It appears that the CBG does not have full instrument autonomy in deciding the composition of instruments as the DoSFEA does participate in the Treasury Bills Auction Committee of the CBG as discussed above.

Financial autonomy

Financial conditions

30. **The *CBG Act 2005* strengthens financial autonomy of the CBG**. For the past several years, the CBG has been incurring losses. In order to make the financial position of the CBG stronger, the act (1) specifies the share capital of the CBG to be D 100 million, which cannot be altered without amendment to the act; (2) lays out more explicitly how the CBG's net profits will be determined and distributed; and (3) discusses how the government will need to replenish the accumulated losses of the CBG and to help the CBG to maintain minimum paid-up capital by providing marketable securities or foreign exchange. In contrast, the *CBG Act 1992* provides much flexibility to the government on the nature of the securities (negotiability or nonnegotiability) and on the amount of interest to be charged. *The CBG Act 1992* does not go that much in length like the *CBG Act 2005* does in discussing how the reserves and net profits will be determined.

31. **The CBG Act 2005 also enhances the financial accountability of the CBG** because (1) it requires the CBG to appoint (i) an audit committee to receive and examine the external auditor's report, and (ii) an internal auditor with the requirement that the auditor prepare a report to be submitted to the governor on a quarterly basis; (2) it stipulates that the CBG keep proper books of accounts and records with the financial statements of the CBG prepared according to an acceptable financial reporting framework to be determined by the board; and (3) it requires that the auditor general audit the books of accounts of the CBG. In contrast, the *CBG Act 1992* does not make any references to appointment of internal auditors. It only states that the accounts of the CBG should be audited at least once in each financial year by an auditor appointed by the board with the approval of the SoS. It also does not

explicitly state that the auditor general must audit the accounts of the CBG; rather the act provides for the possibility that the SoS may request the auditor general, from time to time, to audit the accounts of the CBG. Therefore, the *CBG Act 2005* provides more stringent rules in auditing of the CBG's accounts.

32. **In practice, the CBG has sufficient financial autonomy and has been making efforts to increase its financial accountability.** Its budget is not subject to normal annual appropriation procedures of the government. The government is planning to provide D20 million each year for five years from 2006 onward to bring the share capital of the CBG to D 100 million as the act requires; the government also extends securities (noninterest-bearing nonmarketable, despite the act calls for readily marketable securities) to cover the losses of the CBG; and the CBG is required to return these securities once it makes profits and sufficient funds are built up in the general reserve fund. The CBG's accounts are being audited by external auditors (Deloitte and Touche). Further to the recommendation of the IMF's safeguard assessment mission of 2003, the CBG appointed an audit committee in April 2005 well before the act became law, and strengthened the office of internal auditor with additional staff. It also plans to adopt International Financial Reporting Standards (IFRS) to prepare its financial statements.

Accountability

Publication and reporting

33. **The *CBG Act 2005* has strengthened the publication and reporting requirements of the CBG's accounts and dissemination of the CBG's polices to the public.** Although the *CBG Act* 1992 stipulated that the CBG's annual accounts and operations be published in its annual report, until recently, the annual reports only discussed macroeconomic developments and CBG's policies. The *CBG Act 2005* makes much more explicit recommendations about how and in what form the CBG's accounts as well as its policies should be disseminated to public.

34. **In practice, the performance of the CBG in terms of publication and reporting to foster accountability is mixed, but improving.** On the one hand, the CBG disseminates on its website—(1) press releases after each MPC meeting, (2) selected indicators of economic and financial activity, and (3) annual reports and quarterly bulletins—providing information to the public enabling it to form opinion on the CBG's activities. On the other hand, the CBG lags behind in publishing annual reports, quarterly bulletins, and economic and financial indicators on a current basis. Only recently (in August 2006) the CBG posted on its website, the annual reports for 2003 and 2004 and quarterly bulletins for 2004 (Q3 and Q4) and 2005 (Q1, Q3, and Q4); and these annual reports carried financial statements of the CBG audited by external auditors. The financial and economic data are posted on the website with a lag.

E. Conclusions

35. **The *CBG Act 2005* has provisions of modern central bank acts allowing the CBG to conduct monetary policy without undue interference from the government.** The act explicitly specifies that price stability is one of the major objectives (although not the sole objective) of the CBG. It provides for significant economic and financial autonomy, and enhances accountability of the CBG. There is a concern, however, on the political autonomy emanating from the appointment of the deputy governors and less specification on the legal process underlying the removal of board of directors.

36. **The *CBG Act 2005* has been strengthened from the *CBG Act 1992* in many ways.** In particular, compared with the previous act, the *CBG Act 2005*

- sets out clearer objectives;
- gives the CBG more authority to conduct monetary policy without undue government interference;
- establishes better procedures for appointing the governor and board of directors to give the CBG more autonomy by specifying that the president makes these appointments in consultation with the Public Service Commission (not as recommended by the SoS, as per the previous act);
- applies more stringent rules for extending credit to the government and discouraging quasi-fiscal activities;
- clarifies the government's and the CBG's roles in exchange rate policy, indicating that the government sets the exchange rate regime in consultation with the CBG and that the CBG conducts the exchange rate policy;
- requires the CBG to prepare financial statements in accordance with an accepted financial reporting framework to be determined by the board;
- establishes much improved procedures to determine and distribute net profits of the CBG, and strengthens the capital base of the CBG; and
- makes the CBG more accountable through internal and external audits of its accounts, as well as by requiring the CBG to disseminate audited financial statements, policy statements, and data to the public on a periodic basis.

37. **The act also has been weakened somewhat from the *CBG Act 1992*** in the following ways: (1) the *CBG Act 1992* spells out much clearly on the legal process that

should be followed to remove a director of the board; and (2) the act requires that two deputy governors be appointed to the CBG on the recommendation of the SoS. Although they are full time staff members of the CBG, they may pass on the SoS's agenda. However, it appears a balance is struck between the CBG and the government as the *CBG Act 2005* does not explicitly state that one of the board of directors be a government representative.

38. **In practice, the CBG's objective is well rooted from the terms of reference of the MPC**, which explicitly states that the objective of the CBG is to deliver price stability. **However, the CBG experiences less autonomy and accountability than what were provided for in the *CBG Act 2005* because** (1) with reference to ***political autonomy***, the current CBG Board has the permanent secretary of the DoSFEA as a member, who may influence the agenda of the government on the CBG; (2) with reference to ***economic autonomy***, the claims on government as a percent of the previous year's tax revenue significantly exceeds what was stipulated in the act, thereby government borrowing may limit monetary policy options of the CBG; (3) with reference to ***financial autonomy***, the CBG's financial position is weak; and the government is providing nonmarketable noninterest bearing securities instead of marketable securities to cover the losses; and (4) in terms of ***accountability***, except for releasing the MPC's press releases, the CBG lags behind in the publication of annual reports and quarterly bulletins. Although, the CBG has made progress in recent periods, it is not current in disseminating data that are necessary for the public to follow the movements in various macroeconomic variables.

39. **To conclude**, the *CBG Act 2005* has provisions of modern central bank acts allowing the CBG to conduct monetary policy without undue interference from the government with the objective of delivering price stability. The act has been strengthened in many ways from the *CBG Act 1992*. However, in practice, many provisions of the act still need to be realized for the CBG to enjoy the autonomy that has been envisioned in the act. For example, claims on government need to be significantly reduced, CBG's financial position needs to be improved, and CBG's transparency and accountability should be enhanced. Such measures will increase the ability of the CBG to conduct monetary policy and enhance its credibility to be a successful central bank in delivering price stability.

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
Objectives and targets: *Price stability, as the best contribution monetary policy can make to balanced sustainable growth, is the preferable formulation for the primary objective. Consistent with this broad objective, a specific target—which could, e.g., involve direct inflation targets, maintenance of a fixed exchange rate, or monetary aggregate targets—should be established and published. To facilitate accountability, the target should be easy to monitor. Consideration should be given to explicit, but limited "escape clauses" in the face of significant exogenous shocks*		
Art. 4: The principal objects of the Bank shall be (a) to regulate the issue, supply availability, and international exchange of money; (b) to promote monetary stability; and (c) to promote a sound financial structure and credit and exchange conditions conducive to the orderly and balanced economic development of the country. Art. 44: If, after consultation between the Minister and the Bank, the Minister is of the opinion that a policy being pursued by the Bank is not adequate for, or conducive to, the achievement of the objects of the Bank set out in section 4, the Minister shall inform the Bank of the policy so determined and that Government accepts responsibility for the adoption of the policy. The Bank shall thereupon give effect to that policy while the directive remains in operation.	Art 5: (1) The primary objectives of the Bank are to (a) achieve and maintain price stability; (b) promote and maintain the stability of the currency of The Gambia; (c) direct and regulate the financial, insurance, banking, and currency system in the interest of the economic development of The Gambia; and (d) encourage and promote sustainable economic development and the efficient utilization of the resources of The Gambia through the effective and efficient operation of a financial system. (2) Without prejudice to subsection (1), the Bank shall support the general economic policy of the Government and promote economic growth and effective and efficient operations of a financial system in The Gambia, subject to the direction of the Secretary of State. Art. 36: (1) If, after consultation between the Secretary of State and the Bank, the Secretary of State is of the opinion that a policy being pursued by the Bank is not adequate for, or conducive to, the achievement of the objects of the Bank set out in section 5(1), the Secretary of State shall inform the Bank of the policy so determined and that Government accepts responsibility of the policy; (2) The Bank shall being informed under subsection (1), give effect to that policy while the	The *CBG Act 2005*, together with the terms of reference for the MPC, indicates that the primary objective of the CBG is to deliver price stability. The *CBG Act 1992* has multiple objectives without assigning any priority. Price stability is not even mentioned as one of the objectives. Furthermore, the use of "monetary stability" can give rise to conflicts between a focus on internal and the external value of the currency.

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
	directive remains in operation.	
Monetary Policy: *A central bank should determine and implement monetary policy to achieve its target. To this end, the bank should have authority to determine quantities and interest rates on its own transactions without interference from the government.*		
Art. 4: The principal objects of the Bank shall be (a) to regulate the issue, supply availability, and international exchange of money; (b) to promote monetary stability; and (c) to promote a sound financial structure and credit and exchange conditions conducive to the orderly and balanced economic development of the country.	Art. 6: (1) The Bank shall, for the purposes of section 5, perform the following functions: (a) formulate and implement monetary policy aimed at achieving the objectives of the Bank. Art. 29: (1) There is hereby established a committee of the Bank to be known as the Monetary Policy Committee; (2) The Monetary Policy Committee is responsible for (a) setting the policy interest rate to achieve the objectives of the Bank; (b) initiating proposals for the formulation and adoption of monetary policies of the Bank; (c) providing the statistical data and advice necessary for the formulation of monetary policies; (3) The members of the Monetary Policy Committee are (a) the Governor; (b) the Deputy Governors; (c) the head of the Economic Research Department of the Bank; (d) the head of banking operations of the Bank; (e) the head of the Financial Supervision Department of the Bank; and (f) two other persons appointed by the Secretary of State being persons with knowledge or experience relevant to the functions of the Monetary Policy Committee.	The *CBG Act 1992* refers to as one of its objectives the promotion of monetary stability. However, it is not explicit with reference to how the CBG aims to conduct monetary policy in promoting monetary stability. The *CBG Act 2005* elaborates in detail how the CBG aims to conduct monetary policy.
Conflict resolution: *A clear and open process should be established to resolve any policy conflict between the central bank and the government. Some of the aspects below (e.g., the nature of government representation on the board) are potential channels for such a resolution; another approach is to allow the government to direct or overrule the central bank, but such a power should be constrained, to avoid other than exceptional use. It should be*		

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
absolutely clear to the executive, legislature, and the general public that responsibility for the results lies with the government, not the central bank, if the latter is overruled, its advice ignored, or its effectiveness significantly limited by government policies.		
Art. 44: If, after consultation between the Minister and the Bank, the Minister is of the opinion that a policy being pursued by the Bank is not adequate for, or conducive to, the achievement of the objects of the Bank set out in section 4, the Minister shall inform the Bank of the policy so determined and that Government accepts responsibility for the adoption of the policy. The Bank shall thereupon give effect to that policy while the directive remains in operation. Art. 9: (3) The Board shall consist of five directors comprising the Governor, the Permanent Secretary of the Ministry of Finance or a representative, and three directors appointed in accordance with section 12(1). Art. 12: (1) The three appointive directors referred to in section 9(3) shall be appointed from among persons of standing and experience in financial matters by the President on the recommendation of the Minister for a term not exceeding three years or such shorter period as may be required to ensure, so far as possible, that not more than one director's term of office shall expire in any one year. An appointive director shall be eligible for reappointment.	Art. 36: (1) If, after consultation between the Secretary of State and the Bank, the Secretary of State is of the opinion that a policy being pursued by the Bank is not adequate for, or conducive to, the achievement of the objects of the Bank set out in section 5(1), the Secretary of State shall inform the Bank of the policy so determined and that Government accepts responsibility of the policy; (2) The Bank shall being informed under subsection (1), give effect to that policy while the directive remains in operation. Art. 10. (2): The members of the Board shall be appointed from among persons of standing and experience in financial matters by the President, in consultation with the Public Service Commission. Art. 19: (2) The President shall appoint (a) the Governor after consultation with the Board and the Public Service Commission; and (b) the Deputy Governors on the recommendation of the Secretary of State. Art. 29: (3) The members of the Monetary Policy Committee are (f) two other persons appointed by the Secretary of State being persons with knowledge or experience relevant to the functions of the Monetary Policy Committee.	Both the *CBG Act 1992* and the *CBG Act 2005* are similar in giving authority to the SoS to assume responsibility in case the policies pursued by the CBG are not in line with the objectives of the CBG. Both acts do not explicitly state that when the government overrides the decision of the CBG, it should publicly announce that it is taking responsibility for the policies that it is adopting. According to the *CBG Act 1992*, the permanent secretary of the ministry of finance or a representative of the ministry is appointed as one of the board of directors of the CBG. The current board established recently according to the *CBG Act 2005* reappointed the previous board

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
		established under the *CBG Act 1992* and one of the directors is the permanent secretary of the DoSFEA. Hence, in practice, there is a conflict resolution system is in place. Furthermore, under the *CBG Act 2005*, the SoS will recommend two deputy governors to the president for appointment. In addition, the MPC has two DoSFEA members who provide an increased avenue for resolving conflicts between the CBG and the government.
Governor: ***Nomination and appointment/ confirmation*** *of the governor should be by separate bodies to provide some measure of balance. The* ***term*** *should be longer than the election cycle of the body with the predominant role in selecting the governor.* ***Dismissal*** *should be only for breaches of qualification requirements, or misconduct: lack of performance could also be grounds if clearly defined in terms of the primary objective and specific targets. The latter could be ruled upon by the supreme court or an independent tribunal, and perhaps be with the consent of the legislature.*		
Art. 10: (1) The Governor shall be a person of recognized financial experience and shall be appointed by the President on the recommendation of the Minister for a term of five years on such terms and conditions as may be specified in the letter of appointment. The Governor shall be eligible for reappointment. Art. 13: (3)(a) If the President considers that the question of removing the Governor or any appointive director under this	**Nomination and appointment/confirmation.** Art. 19: (2) The President shall appoint (a) the Governor after consultation with the Board and the Public Service Commission; and (b) the Deputy Governors on the recommendation of the Secretary of State. **Term**. Art. 19: (3) The Governor and the Deputy Governors shall be appointed for a term of five years	Under both acts, president makes appointment of the governor. In the *CBG Act 1992*, the recommendation is made by the SoS, whereas in the *CBG Act 2005*, the Board of the

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
section sought to be investigated, the President shall appoint an independent tribunal, the chairman of which shall be a person with judicial experience, to investigate the matter and report to the President. Art. 13: (3)(b) If the finding of the independent tribunal is that the Governor or appointive director has, (i) become permanently incapable of carrying out the duties of office; (ii) become bankrupt or has suspended payments or has compounded with creditors generally; (iii) been convicted of a felony or of any offense involving dishonesty; (iv) been found guilty of serious misconduct in relation to the duties; or (v) in the case of a person possessed of professional qualifications, been disqualified of suspended (otherwise than at the person's own request) from practicing that profession by the order of any competent authority made in respect of the person personally, the President shall terminate the appointment of the Governor or appointive director as the case may be.	each and shall each be eligible for reappointment; (4) Subject to the Constitution and this section, the Governor and the Deputy Governors shall be appointed on terms and conditions determined by the President, which shall not be altered to their disadvantage during their tenure of office. **Dismissal**. Art. 19: (9) If the President considers that the question of removing the Governor or a Deputy Governor ought to be investigated, the President shall appoint an independent tribunal, the chairman of which shall be a person with judicial experience, to investigate the matter and report to the President; (10) If the finding of the independent tribunal is that the Governor or Deputy Governor has (a) become permanently incapable of carrying out the duties of office; (b) become bankrupt or has suspended payments or has compounded with creditors generally; (c) been convicted of a felony or of any offence involving dishonesty; (d) been found guilty of serious misconduct in relation to the duties; or (e) being a person possessed of professional qualifications, been disqualified or suspended (otherwise than at the person's own request) from practicing that profession by the order of a competent authority made in respect of the person personally, the President shall terminate the appointment of the Governor or Deputy Governor, as the case may be.	CBG and the Public Service Commission provide input to the president. In this case, the *CBG Act 2005* enhances political autonomy in the appointment of the governor. The *CBG Act 2005* also spells out in detail the term and conditions under which the governor is appointed. However, the appointment of two deputy governors by the president on the recommendation of the SoS may weaken the political autonomy of the CBG under the *CBG Act 2005*. With respect to dismissal of the governor both acts are the same.
Board *Composition* *of the board should ensure a reasonably well informed or balanced view, but avoid conflicts of interest. Precisely what is reasonable depends in part on the role of the board (decision-making, monitoring, or purely advisory), and whether it is a single, or multiple board*		

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
structure. The highest level board should include a majority of nonexecutive, nongovernment directors. Indeed, ***direct government representatives*** *should be eliminated from a policy board and probably also from a monitoring board. If a government representative does participate in a policy board, it should at least be without the right to vote (though it might be with a limited, temporary veto power). As with the governor,* ***nomination and appointment/confirmation*** *should be by different bodies;* ***terms*** *should be longer than the election cycle of the main body in the appointment process, and should be staggered; and* ***dismissal*** *of board members should occur only for breaches of qualification requirements and misconduct, and on performance grounds only if clearly defined. The latter could be ruled upon by the supreme court or an independent tribunal, and be with the other board members' prior consent.*		
Art. 9: (1) The powers of the Bank shall be vested in the Board which shall be responsible for the policy and general administration of the Bank. (2) The Board shall have power to make by-laws and issue directives to regulate the conduct of the Bank's business and with the approval of the Minister make regulations for the purpose of giving effect to the provisions of this Act. (3) The Board shall consist of five directors comprising the Governor, the Permanent Secretary of the Ministry of Finance or a representative, and three directors appointed in accordance with section 12(1). Art. 12: (1) The three appointive directors referred to in section 9(3) shall be appointed from among persons of standing and experience in financial matters by the President on the recommendation of the Minister for a term not exceeding three years or such shorter period as may be required to ensure, so far as possible, that not more than one director's term of office shall expire in any one year. An Appointive director shall be eligible for reappointment. Art. 15: (2) Decisions shall be adopted by a simple majority of the votes of the members present and in the event of an equality	Art. 10: (1) The authority of the Bank shall vest in the Board of Directors which shall comprise, (a) chairperson, who shall be the Governor of the Bank, and (b) four other Directors. (2) The members of the Board shall be appointed by the President, in consultation with the Public Service Commission, from among persons of standing and experience in financial matters. Art. 12: (1) Subject to the provisions of this section, the members, other than the Chairperson (a) shall be appointed for a term of two years and the appointments shall be made with a view to ensuring that no more than two such Directors' terms of office expire in any one year; and (b) are eligible for reappointment for a further term. Art. 15: (6). A decision of the Board shall be determined by a simple majority of the members present and voting, and where there is an equality of votes on an issue before the Board, the person presiding shall have a casting vote. Art. 13: (1) A member may be removed from office by	The *CBG Act 2005* does not explicitly state that one of the directors of the board should be from the DoSFEA (contrary to the provisions of the *CBG Act 1992*). Furthermore, under this act, the president appoints the board of directors in consultation with the Public Service Commission (in comparison to the recommendations made by the SoS in the case of the *CBG Act 1992*). Both acts provide for the appointments made on a staggered basis, although the *CBG Act 1992* provides for the appointment on a three-year basis, while the

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
of votes, the chairman shall have a second or deciding vote. Art. 13: (3)(a) If the President considers that the question of removing the Governor of any appointive director under this section ought to be investigated, the President shall appoint an independent tribunal, the chairman of which shall be a person with judicial experience, to investigate the matter and report to the President.	the President if he or she (a) is convicted of an offense involving dishonesty or fraud; (b) is declared bankrupt or makes a composition with his or her creditors; (c) is unable to perform the functions of his or her office due to infirmity of mind or body or for any other cause; or (d) knowingly engages in any activity detrimental to the interests of the Bank.	*CBG Act 2005* provides for a two-year basis. The *CBG Act 1992* makes more explicit reference on the legal process that will underlie in case a Board member needs to be removed, whereas the *CBG Act 2005* does not.
Credit to Government: *If not prohibited, direct credit to the government should be carefully limited to what is consistent with monetary policy objectives and targets. For example, temporary advances and loans could be allowed if (1) they are explicitly limited to a small ratio of average recurrent revenue of preceding fiscal years (say, 5 percent); (2) they bear a market-related interest rate; and (3) they are securitized by negotiable securities. The central bank should not underwrite and participate as a buyer in the primary market for government securities, except with noncompetitive bids and within the overall limit for credit to government. Indirect credit to government, i.e., buying outright existing government securities held by the market, or accepting them as collateral, should be guided by monetary policy objectives. The central bank should not finance quasi-fiscal activities.*		
Art. 47: (1) The Bank may grant temporary advances to Government subject to repayment within six months following the end of the financial year in which they were granted, at such rate or rates of interest as the Board may prescribe. Art. 49: The Bank may, with the approval of the Minister, grant advances and credit facilities to Government boards, agencies, and local government bodies for periods not exceeding one year on such terms and conditions as the Board may determine provided that any enterprise established under the authority or with the approval of the Government may be deemed by the Minister to be a Government board of agency for the purposes of this section.	Art. 32: (1) The Bank may make—(a) advances and loans to the government on overdraft or in any other form that the Board may determine; (b) direct purchase from the government of treasury bills or securities representing the obligations of the government. (2) The total of the loans, advances, purchase of treasury bills and securities together with money borrowed by the government from the Bank at the close of a financial year under subsection (1) shall not exceed 10 percent of the tax revenue of the previous fiscal year. (5) The Bank shall charge interest on advances granted	The *CBG Act 1992* (1) links the amount that can be advanced to the government by the CBG to the demand liabilities of the CBG; (2) puts a cap on borrowing period for six months, but provides the flexibility for extension; (3) allows for government agencies or enterprises to borrow from the CBG under the terms

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
Art. 51: (1) Except, in accordance with section 6(2), 32(2), 34, 47, 49, and 50 the Bank shall not directly or indirectly acquire the securities of, or grant any advances to the Government, or advances and credit facilities to its boards, agencies, or local government bodies. (2) Except as provided in subsection (4), the total of outstanding advances and credit facilities granted by the Bank in accordance with sections 47(1) and 49 and the Bank's holdings securities issued or guaranteed by the Government, whether held as collateral security in accordance with section 34(3)(a)(i) or purchased in accordance with section 50 shall at no time exceed fifty percent of the Bank's average demand liabilities during the preceding financial year of the Bank. Provided that advances granted in accordance with section 49 to finance the production or marketing of agricultural crops and secured by letters of hypothetication or pledge of such crops, documents of title, warehouse warrants or other mercantile instruments, shall be excluded from the aforesaid total. (3) In the event that, in the judgment of the Bank, the limitation provided in subsection (2) shall threaten to be exceeded, the Bank shall submit to the Minister a report on the Bank's outstanding advances and credit facilities and holdings of securities, and the causes which may lead to such excess together with recommendations as it deems appropriate to forestall or otherwise remedy the situation. The Bank shall make further reports and recommendations at intervals not to exceed six months until such time as, in its judgment, the situation has been rectified.	under this section at such rate as the Board may determine.	negotiated, including on interest rate. These provisions allows the CBG to carry out quasi-fiscal activities and extend loans to a significant amount to government agencies or enterprises, which would interfere with the CBG's conduct of monetary policy. The *CBG Act 2005* made the rules for the government to borrow from the CBG more stringent by limiting the amount of borrowing to 10 percent of the tax revenue during the past year.

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
(4) In the event that the limitation provided in subsection (2) shall have been exceeded, the Bank forthwith shall advise the Minister of the fact and shall permit no further increase, whether directly or indirectly, in the Bank's total advances, credit facilities and holdings of securities referred to in the said subsections: Provided that the Minister may direct the Bank to permit further increases in the aforesaid total on such terms and conditions as may be determined by the Government for a period not to exceed six months. The Minister shall advise the Bank that Government accepts responsibility for the adoption of the policy so determined. The Bank shall thereupon give effect to that policy while the directive remains in operation.		
Exchange Rate Policy: *Basic consistency needs to be ensured between exchange rate and monetary policy. If exchange rate policy (including choice of regime) is not solely the responsibility of the central bank, the bank should nevertheless have sufficient authority to implement monetary policy within the constraint of exchange rate policy (i.e., in a fixed rate regime, to support the exchange rate, as the specific target of monetary policy), and should be the principal advisor on exchange rate policy issues (e.g., as to whether the current regime is most suitable for the fundamental price stability objective). In case of a conflict with the government on exchange rate issues, the conflict resolution procedures as above should come into effect.*		
Art. 20: The arrangements for determining the exchange value of the dalasi and any change thereof shall be declared by the President on the recommendation of the Minister after consultation with the Bank having due regard for any obligation arising under any international monetary agreement to which The Gambia is a party or to which it has adhered. The Bank shall cause to be published in the Gazette, at the earliest opportunity, notice of the arrangements and any change thereof.	Art. 55: (1) The foreign exchange regime of The Gambia shall be (a) determined by the Government after consulting the Bank; and (b) shall be consistent with the obligations of any international treaty to which The Gambia is a party or which it has ratified. (2) The Government may declare an external value for the dalasi and any change in its value. (3) Where the Government does not declare an external value for the dalasi or any other exchange system, the	The *CBG Act 2005* spells out much more clearly than the *CBG Act 1992* on the role of government and the CBG in determining the exchange rate regime and exchange rate policy. The *CBG Act 1992* is ambiguous about who has the authority to set

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
	exchange rates for the dalasi against other currencies shall be determined in the market. Art. 56: (1). The Bank shall formulate and execute the exchange rate policy in The Gambia. Art. 57: Without prejudice to section 58, the Bank shall (a) make rules governing foreign exchange market operations; (b) license, revoke the licenses of, supervise and regulate foreign exchange dealers and financial institutions pursuant to exchange regulations made by the Bank; (c) set limits on open foreign exchange positions of financial institutions; and (d) own, maintain, and manage international reserves.	exchange rate policy. In that case, the *CBG Act 2005* has been strengthened from the *CBG Act 1992.*
Financial Conditions: *The law should ensure that the central bank has sufficient financial autonomy to support policy autonomy, but with matching financial accountability. Its budget should not be subject to normal annual appropriation procedures (but could be subject to a longer-term appropriation—e.g., on a cycle consistent with the term of the governor). Only realized net profits, after prudent provisioning by the central bank and appropriate allocations to general reserves, should be returned to the government. The government should ensure the solvency of the central bank by transferring interest-bearing negotiable securities if the authorized capital is depleted. The body to which the central bank is accountable should be allowed to ask external auditors of the auditor general to review the central bank's accounts and procedures.*		
Art. 6: (1) The authorized capital of the Bank shall be determined by the Board and agreed by the Minister. The Government shall pay such further amounts as may be proposed by the Board from time to time and agreed by the Minister. All the paid-up capital shall be subscribed and held exclusively by the Government. No reduction of capital shall be effected except by an amendment to this Act. (2) Notwithstanding any other provision of this Act, the Minister shall cause to be issued to the Bank securities issued by the Government from time to time on such terms, including	Art. 7: (1) The authorized share capital of the Bank is one hundred million dalasis and shall not be altered except by amendment to this Act; (2) the Board shall, with the approval of the Secretary of State, determine the minimum paid-up capital of the Bank; (3) paid-up capital shall be subscribed and held exclusively by the Government; (4) the Government shall pay up such amount as the Board, may, in consultation with the Secretary of State, determine; (5) the Secretary of State may by warrant authorize the payment from the	Both acts appear to provide sufficient financial autonomy for the CBG to conduct its operations although the exact details differ. One important aspect is the continued involvement of SoS in deciding the minimum paid-up capital under both

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
negotiability or nonnegotiability, and at such rate or rates of interest or without interest as the Government may determine, and for such an amount as is necessary for the purpose of preserving the paid-up capital from any impairment, whenever, in the judgment of the Board, the assets of the Bank are less than the sum of its liabilities and paid-up capital. Art. 7: (1) The net profit of the Bank for each financial year shall be determined after allowing for the expenses of operations for that year and after providing: (a) for bad and doubtful debts, depreciation in assets, and contributions to staff, funds and superannuation funds; and (b) with the approval of the Minister, for such other purposes as the Board may deem necessary. (2) The Bank shall establish and maintain a General Reserve. Art. 8: (1) At the end of each financial year there shall be transferred to the General Reserve an amount of twenty percent of the net profit until the Reserve amounts to three times the paid-up capital of the Bank. With the approval of the Minister, the amount to be transferred to the General Reserve may be increased to exceed that annual ratio, or the total amount of the General Reserve may be increased beyond three times the paid-up capital of the Bank. (2) After transfers to the General Reserve have been made under subsection (1): (a) twenty-five percent of the remainder of the net profit for the financial year shall be applied to the redemption of any securities of the Government held by the Bank which have been issued under section 6(2) or section 32 in such proportionate amounts as the Board may prescribe; and (b) the remaining balance of the net profits for the financial year	Consolidated Fund of such terms as may be required for the purpose of subscribing to the paid-up capital of the Bank; (6) without prejudice to the provisions of subsections (3) and (4), the Secretary of State may seek credit for the purpose of subscribing to the paid-up capital of the Bank; (7) where, in the opinion of the Board, the assets of the Bank are less than the sum of its liabilities and minimum paid-up capital, the Board shall notify the Secretary of State; (8) notwithstanding any other provision of this Act, the Secretary of State shall, on receiving a notification under subsection (7), authorize the transfer to the Bank of funds, readily marketable securities or foreign exchange for the purpose of preserving the minimum paid-up capital of the Bank from impairment. Art. 8. (1): The Board shall determine the net profits of the Bank for each financial year after making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and for all other matters for which provision is made by or under this Act; (2) the Bank shall establish a General Reserve to which shall be allocated at the end of each financial year of the Bank (a) does not exceed the minimum paid-up capital of the Bank, one-third of the net profits of the Bank for the financial year, or (b) exceeds the minimum paid-up capital of the Bank but does not exceed four times the paid-up capital of the Bank, one sixth of the net profits of the Bank for the financial year; (3) After appropriate allocations have been made to the General Reserve under subsection (2), one-quarter of	acts. The *CBG Act 2005* is much more explicit with regard to the role of internal and external auditors in auditing the CBG's accounts. The *CBG Act 1992* does not make any reference to internal audit committee, whereas the *CBG Act 2005* does. The *CBG Act 2005* explicitly mentions that the securities provided by the government to replenish the minimum paid-up capital to the CBG should be negotiable bearing market-related terms, whereas the *CBG Act 1992* provides flexibility to the government in terms of negotiability or nonnegotiability.

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
shall be transferred to the Government. (3) No deduction under subsections (1) and (2)(a) shall be required to be made, nor shall any deduction under section (7)(1)(b) be made or payment authorized under subsection 2(b) if in the judgment of the Board, such transfer, deduction or a payment, would impair the paid-up capital of the Bank. Art. 57: (1) The accounts of the Bank shall be audited at least once every financial year by an auditor appointed by the Board with the approval of the Minister. (2) The auditor shall conduct such interim and final examination of the accounts and operations of the Bank as the Board may from time to time request. (3) The Minister may from time to time, in addition to any audit carried out under subsection (2), require the Auditor General to audit the accounts of the Bank.	the remainder of the net profits for the financial year shall be applied to the redemption of any securities of the Government held by the Bank, which have been issued under section 7; (4) further allocation may, with the approval of the Secretary of State, be made from time to time, to the General Reserve to increase it beyond four times the minimum paid-up capital of the Bank; (5) the residue of the net annual profits for the financial year shall, after all deductions authorized by subsections (2), (3), and (4) and section 9 have been made, be paid into the Consolidated Fund within six months after the end of each financial year; (6) a deduction authorized under subsections (2), (3), and (4) shall not be required to be made and a payment shall not be made under subsection (5) if, in the opinion of the Board, the assets of the Bank are, or after the deduction or payment, will be, less than the sum of its liabilities and minimum paid-up capital; (7) a net loss incurred by the Bank during a financial year shall be charged to the General Reserve Fund, and if the General Reserve Fund is inadequate to cover the entire amount of the loss, the balance of loss shall be carried forward in an account for accumulated losses; (8) the balance of accumulated losses shall be replenished by Government by transferring to the Bank funds, negotiable securities bearing market related terms and conditions or foreign exchange as specified in section 7(8). Art. 17: (1): The Board shall appoint an Audit Committee which shall consist of three members who	

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
	shall select one of their number to be the chairperson; (2) the Audit Committee (d) receive and examine the external auditor's report and recommend to the Board any appropriate action to be taken. Art. 24: (1) The Board shall appoint for the Bank an Internal Auditor; (3) the Internal Auditor shall (a) at intervals of three months, prepare a report on the internal audit which he or she work carried out during the period of three months immediately preceding the preparation of the report; and (b) submit the report to the Governor; (4) The Governor shall submit to the Board a report received by him or her under subsection (3). Art. 66: (1) The Bank shall keep proper books of accounts and records in relation to those accounts; (2) the financial statements of the Bank shall be prepared in accordance with an acceptable financial reporting framework to be determined by the Board; (3) the Auditor-General shall (a) audit the books of accounts of the Bank.	
Publication and Reporting: *Policy and financial accountability should be clearly established. The central bank should prepare formal statements on monetary policy performance at, say, six month intervals, without prior approval by the government. Whoever the bank is directly accountable to, these statements should be forwarded to both the executive and the legislature, and should be published. Annual financial statements audited by external auditors should similarly be forwarded and published. Summary balance sheets should be published more frequently (for instance, on a weekly or monthly basis).*		
Art. 58: (1) Within three months of the close of each financial year the Board shall: (a) transmit to the Minister a copy of its annual accounts certified by the auditor or an interim statement	Art. 64: For the purpose of providing the Board with information necessary for the proper formulation of monetary and credit policies and for informing the public	The *CBG Act 1992* suggests that the annual accounts and the

Appendix I. Comparison of CBG Acts of 1992 and 2005 for Nine Major Elements on Central Bank Autonomy and Accountability as in Lybek (1998)

CBG Act 1992	*CBG Act 2005*	Comparison of *CBG Act 1992* with *CBG Act 2005*
thereof in the event that after the close of the financial year it proves impossible within the time specified to transmit such annual accounts; (b) submit to the Minister a report on its operations during the year; (c) make available to the public as its Annual Report, a reasonable number of copies of the information required by paragraphs (a) and (b) in such form as the Board shall determine. (2) The Minister shall lay a copy of the annual accounts of the Bank, together with the certificate of the auditor and the report on the Bank's operations for the year, before the House of Representatives at its next meeting after he has received such accounts, certificate, and report. (3) The Bank shall, as soon as may be after the end of every month, make up a statement of condition of the Bank as at the close of business on the last business day of each month, and shall transmit a copy of this statement to the Minister, who shall cause it to be published in the Gazette.	about economic financial developments, the Bank shall (a) collect and prepare statistics on money and banking, public finance, prices, wages, production, the balance of payment and any other statistical data that the Board may direct; (b) publish a quarterly bulletin on economic and financial indicators; (c) prepare and publish the annual report of the Bank which shall include (i) statements about monetary policies pursued in the year under review; (ii) a review of internal and external factors affecting the outcome of monetary policy; and (iii) future policy actions; and (d) perform any other duties that the Board may direct. Art. 67: (1) The Bank shall, within three months after the end of each financial year (a) transmit a copy of the annual accounts certified by the Auditor-General to the Secretary of State who shall, not later than one month after receipt of the annual accounts, cause the annual account to be published in the *Gazette*. (2) The Bank shall (a) after the fifteenth day and the last day of each month, prepare and publish return of its assets and liabilities as at the close of business on those days, or if either of those days is a holiday, then at the close of business on the last preceding business day; (b) transmit, to the Secretary of State, a copy of the return prepared under paragraph (a); and (c) publish the return in the *Gazette* within one month after receipt of the return by the Secretary of State.	operations of the CBG to be published in *Annual Report*s of the CBG. However, in the past, many *Annual Report*s did not show the accounts of the CBG, although they discussed macroeconomic developments and policies of the CBG. Only in August 2006, the CBG posted annual reports for 2003 and 2004 on its website (and these reports included financial statements of the CBG, audited by the external auditors). The *CBG Act 2005* makes much more explicit recommendations with regard to where and how the CBG's accounts as well as the CBG's policies should be disseminated to public.

APPENDIX II

THE 1997 CONSTITUTION OF THE REPUBLIC OF THE GAMBIA: REFERENCES TO THE CENTRAL BANK OF THE GAMBIA[46]

Article 161 (Establishment of central bank)

(1) There shall be a Central Bank of The Gambia.

(2) The Central Bank shall be the only authority to issue the currency of The Gambia.

(3) The Central Bank shall be the sole banker of the Government and it shall be the principal depository bank for all funds raised for, or on behalf of, the government.

(4) The Central Bank shall
- (a) promote and maintain the stability of the currency of The Gambia;
- (b) direct and regulate the financial, insurance, banking and currency system in the interest of the economic development of The Gambia;
- (c) encourage and promote sustainable economic development and the efficient utilization of the resources of The Gambia through the effective and efficient operation of a banking and credit system;
- (d) exercise such other functions as may be conferred on the Central Bank by an Act of the National Assembly.

(5) It shall be the duty of the Central Bank to ensure that the money paid to or received for and on behalf of the Government is recorded in proper books of account in accordance with recognized accounting standards. It shall ensure that all withdrawals from the various Government accounts with itself are properly authorized in accordance with this Constitution and any Act of the National Assembly and that the overdrawing on any of the Government's accounts with itself is permitted only if so authorized.

Article 162 (The Board of the Central Bank)

(1) The authority of the Central Bank shall vest in the Board of Directors of the Bank which shall comprise
- (a) a Chairman, who shall be the Governor and Chief Executive of the Bank; and
- (b) four other Directors.

(2) The members of the Board of Directors shall be appointed from among persons of standing and experience in financial matters by the President, in consultation with the Public Service Commission.

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[46] Refer to The Republic of The Gambia (2002), pp. 151–55.

(3) Subject to the provisions of this section the Directors, other than the Chairman, shall be appointed for a term of two years and the appointments shall be made with a view to ensuring that no more than two such Directors' terms of office expire in any one year. Such Directors may be reappointed for a further term.

(4) Any Director may be removed from office by the President if
- (a) he or she is convicted of an offense involving dishonesty or fraud;
- (b) he or she is declared bankrupt or makes a composition with his or her creditors;
- (c) he or she is unable to perform the functions of his or her office due to infirmity of mind or body or for any other cause; or
- (d) he or she knowingly engages in any activity detrimental to the interests of the Central Bank.

(5) A Director shall have the right to be heard in person or by his or her legal representative against any proposal to remove him or her.

(6) Where a Director is, by reason of illness which is believed to be of limited duration, unable to perform the functions of his or her office, the President may appoint a suitably qualified person to act for such Director.

(7) Except with the approval of the National Assembly, neither the Governor nor any General Manager of the Central Bank shall hold any other office of profit or emolument or occupy any other position carrying the right to remuneration for the rendering of services.

(8) Nothing in this section shall be construed as prohibiting any Director, other than the Governor, from conducting business with the Central Bank or any other person or authority, provided he or she declares his or her interest in writing to the Board of Directors and abstains from participating in any meeting of the Board at which a matter in which he or she has such an interest is a subject for discussion.

(9) The Board of Directors shall regulate its own procedures and may make rules and give directions to regulate the administration of the Central Bank and the conduct of its business.

(10) Within three months following the end of the financial year, the Central Bank shall submit to the National Assembly a report of the activities and business for the previous year.

(11) In the performance of its functions, the Central Bank shall be subject to the direction and control of the Ministry of Finance, in accordance with the Central Bank Act, or any Act of the National Assembly amending or replacing the said Act.

(12) The Central Bank shall have regular consultations with the President and any other relevant authorities or agencies.

APPENDIX III

CENTRAL BANK OF THE GAMBIA: TERMS OF REFERENCE FOR THE MONETARY POLICY COMMITTEE[47]

A. Purpose

1. The Monetary Policy Committee (MPC) shall be the CBG's highest monetary policy making body. The purpose of the MPC is to deliver price stability. It will also support the government's growth and employment objectives without losing slight of its core function.

B. Responsibilities

2. To consider all relevant data and advice the Governor on issues relating to the formulation and implementation of monetary policy.

3. To set short-term interest rates for The Gambia with a view to meeting the inflation objective. The Gambia's inflation target shall be set by the government.

4. Provide a framework for the analysis of data on current economic developments.

5. Monitor the performance criteria as agreed with the IMF and issue directives for corrective action where necessary.

6. Define policy relating to the Bank's intervention in the foreign exchange markets.

C. Membership

7. The membership of the MPC shall comprise of the following

   The Governor
   (Acting) General Manager
   (Acting) Director of Research
   (Acting) Senior Manager, BFISD
   (Acting) Manager, Banking Services Department, and
   Two members nominated by the Secretary of State for Finance and Economic Affairs.

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[47] The first meeting of the MPC took place during May 25–26, 2004.

D. MPC chair

8. The Governor shall chair the meetings of the MPC.

E. Meetings

9. The MPC shall meet once every two months, on the last Tuesday of the month. This will allow enough time to gather data for the previous month.

10. The MPC may meet at such other times as called by the Chair.

11. In the absence of legislation governing the operations of the MPC, the MPC will act as an advisory body. It will provide advice to the Governor to enable him to make decisions relating to monetary policy.

F. Public disclosure

12. The MPC shall announce its interest rate decision at a press briefing to be held on the day after its meeting. This shall be published in the local print and electronic media.

13. All minutes of the MPC meetings shall be published 30 days after the date of the meeting.

14. The MPC, at its discretion shall publish other reports related to its work.

G. Additional procedures

15. Section 44 of the CBG Act 1992 provides that if after consultations, the Secretary of State for Finance and Economic Affairs is of the view that the policy being pursued by the Bank is not adequate for the achievement of the Bank's objects, the Secretary of State shall inform the Bank of the new policy and that Government accepts responsibility for the policy. The Bank shall implement that policy whilst the directive remains in operation.[48]

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[48] The *CBG Act 2005* was not effective when the MPC was formed in 2004.

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The Gambia: Basic Data

Area, population, and GDP per capita

Area	11,300	sq. km.
Population		
Total (2004)	1.5	million
Growth rate (2000–04; average)	2.9	percent
GDP per capita (2004) (staff est.)	271	US$

	1998	1999	2000	2001	2002	2003	2004	2005
	(In millions of dalasis, unless otherwise indicated)							
National accounts								
GDP at constant 1976/77 prices	659.0	701.2	739.9	782.5	757.1	809.1	850.1	892.4
Of which								
Agriculture	121.4	157.0	173.4	188.9	135.7	163.5	182.2	191.3
Industry	70.2	71.8	75.5	80.1	88.0	93.6	96.8	99.5
Services	383.4	390.5	403.7	432.9	451.4	469.7	484.7	510.8
Nominal GDP	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,025.9	12,036.6	13,179.9
Gross domestic investment								
(in percent of GDP)	18.3	17.8	17.3	24.9	21.0	19.5	27.1	26.3
Gross domestic savings								
(in percent of GDP)	11.4	11.9	7.6	19.5	12.6	10.2	9.4	6.6
Central government finance								
Total revenue and grants	919.9	944.4	1,117.2	1,125.7	1,528.7	1,820.4	3,065.0	2,823.5
Domestic revenue	831.5	878.6	995.4	989.9	1,201.8	1,574.2	2,517.8	2,603.4
Foreign grants	88.5	65.8	121.8	135.9	326.9	246.2	547.2	220.1
Total expenditure and net lending	1,028.4	1,106.9	1,192.1	2,037.4	1,853.8	2,292.7	3,750.4	3,839.6
Recurrent	799.8	887.0	985.8	1,237.1	1,318.2	1,707.0	2,035.8	2,420.4
Development and net lending 1/	228.7	219.9	206.3	800.3	535.6	585.7	1,714.6	1,419.2
Overall deficit (commitment basis) 1/								
Excluding grants	-197.0	-228.3	-196.8	-1,047.5	-652.0	-718.5	-1,232.6	-1,357.7
Including grants	-108.5	-162.5	-75.0	-911.6	-325.1	-472.4	-685.5	-1,137.6
Adjustment to cash basis (float)	6.1	-45.7	-23.7	-34.7	0.9	-123.6	-62.6	-72.2
Overall deficit (cash basis) 1/	-133.0	-208.2	-98.7	-946.3	-324.2	-596.0	-748.0	-1,209.8
Financing	133.0	208.2	98.7	946.3	324.2	596.0	748.0	1,209.8
Foreign	54.5	30.0	-45.6	-23.6	140.9	59.7	690.3	727.7
Domestic	78.5	178.2	144.3	969.9	183.3	536.3	57.7	482.1
Money and credit 2/								
Net domestic assets	-1.7	11.2	12.3	53.2	22.3	15.2	-10.5	12.8
Credit to the government (net) 3/	0.5	3.4	3.1	49.9	1.0	12.5	-10.6	6.3
Credit to the private sector 4/	5.6	8.2	4.4	13.2	27.7	19.1	-7.7	5.5
Broad money	10.2	12.1	34.8	19.4	35.3	43.4	18.3	13.1

The Gambia: Basic Data (concluded)

	1998	1999	2000	2001	2002	2003	2004	2005
	(In millions of U.S dollars, unless otherwise indicated)							
Balance of payments								
Trade balance	-78.9	-68.7	-63.3	-50.0	-62.4	-60.0	-108.4	-135.2
Exports, f.o.b.	130.4	120.2	126.6	102.1	109.3	101.0	127.0	144.5
Imports, c.i.f.	-209.3	-188.9	-189.9	-152.1	-171.6	-161.0	-235.4	-279.7
Services (net)	29.7	22.7	8.2	4.3	9.2	8.3	17.8	24.7
Transfers	39.1	33.8	41.8	34.9	42.8	33.8	43.5	43.7
Private	3.5	3.8	10.6	3.5	3.6	3.7	3.9	14.6
Official	35.6	30.0	31.3	31.4	39.2	30.0	39.6	29.1
Current account balance								
Excluding official transfers	-45.7	-42.2	-44.5	-42.2	-49.6	-48.0	-86.7	-95.9
Including official transfers	-10.1	-12.2	-13.2	-10.8	-10.4	-18.0	-47.1	-66.8
Capital account	17.3	7.5	6.0	22.8	9.9	6.7	68.0	82.5
Official	5.4	2.7	6.6	8.4	18.9	16.1	24.9	25.2
Private	12.0	4.8	-0.6	14.4	-9.0	-9.4	43.2	57.3
Unaccounted-for loss in reserves	0.0	0.0	0.0	-28.5	0.5	0.0	0.0	0.0
Errors and omissions	-0.8	-0.6	17.4	-39.6	-0.1	6.3	12.0	-0.7
Overall balance	6.5	-5.3	10.1	-56.1	-0.1	-4.9	32.9	15.0
Current account balance (in percent of GDP)								
Excluding official transfers	-10.9	-9.8	-10.6	-10.1	-13.4	-13.6	-21.6	-20.8
Including official transfers	-2.4	-2.8	-3.1	-2.6	-2.8	-5.1	-11.8	-14.5
Gross official reserves								
In millions of U.S. dollars	102.0	98.0	111.4	63.0	67.2	62.3	84.0	97.0
In months of imports, c.i.f.	5.8	6.2	7.0	5.0	4.7	4.6	4.3	4.2
External public debt								
In millions of U.S. dollars	460.7	452.0	454.3	458.3	481.1	511.6	580.7	628.2
In percent of GDP	106.7	107.4	107.9	109.7	130.1	144.9	144.9	136.3
	(In percent of exports and nonfactor services)							
Debt-service ratio 5/								
Including the Fund	11.1	11.8	15.4	16.4	15.6	7.7	14.5	11.0
Excluding the Fund	8.4	9.6	14.3	16.3	15.4	7.6	8.9	10.1

Sources: Gambian authorities; IMF staff estimates; and World Bank, *World Development Indicators* .

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/ In percent of broad money at the beginning of the period.
3/ Includes the central bank's foreign currency advance to the government in 2001.
4/ Includes claims on the private sector and public enterprises, and central bank credit to foreign exchange bureaus.
5/ For 1998–2001, as a percentage of exports and travel income; and from 2002 onward, as a percentage of exports of goods and nonfactor services, after interim debt relief and HIPC grants. Excludes any accumulation of external arrears.

Table 1. The Gambia: GDP by Sector at Constant Prices, 1998–2005

(In millions of dalasis, at constant 1976/77 prices, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture	121.4	157.0	173.4	188.9	135.7	163.5	182.2	191.3
Groundnuts	26.3	44.1	49.5	54.2	25.7	33.3	43.2	45.4
Other crops	51.6	67.6	77.2	84.9	57.7	75.1	81.5	86.8
Livestock	32.0	33.3	34.3	36.3	38.1	40.0	41.3	42.3
Forestry	3.7	3.8	4.0	4.2	4.4	4.6	4.8	4.9
Fishing	7.7	8.2	8.4	9.3	9.7	10.4	11.5	11.9
Industry	70.2	71.8	75.5	80.1	88.0	93.6	96.8	99.5
Manufacturing	34.7	35.2	35.9	36.9	38.5	39.5	41.8	42.3
Large and medium manufacturing	23.5	23.8	24.3	25.0	26.3	26.8	28.4	28.7
Small manufacturing	11.2	11.4	11.6	11.9	12.3	12.8	13.4	13.6
Construction and mining	30.3	31.3	34.4	37.9	43.6	47.9	49.6	51.6
Electricity and water supply	5.2	5.3	5.1	5.3	5.9	6.2	5.4	5.6
Services	383.4	390.5	403.7	432.9	451.4	469.7	484.7	510.8
Trade	79.5	75.9	81.1	87.0	90.6	91.0	91.3	93.3
Groundnuts	9.7	10.0	11.2	12.9	13.6	14.0	14.3	14.0
Others	69.8	65.9	69.9	74.0	77.0	77.0	77.0	79.3
Hotels and restaurants	33.4	34.6	30.1	33.1	35.5	40.8	44.2	46.4
Transport and communications	145.9	153.2	161.0	175.1	183.1	192.3	202.1	220.7
Transport	64.2	64.4	66.8	71.4	74.3	78.0	80.3	82.6
Communications	81.7	88.8	94.2	103.7	108.8	114.3	121.7	138.1
Real estate and business services	38.8	39.0	39.8	41.8	43.5	44.8	45.8	47.2
Public administration	67.5	69.4	72.6	76.2	78.5	80.1	80.1	81.9
Other services	18.3	18.5	19.0	19.6	20.2	20.8	21.3	21.3
GDP at factor costs	574.9	619.3	652.6	701.8	675.0	726.9	763.7	801.6
Indirect tax (net)	84.1	81.9	87.4	80.7	82.1	82.3	86.4	90.7
GDP at constant market prices	659.0	701.2	739.9	782.5	757.1	809.1	850.1	892.4
Memorandum item:								
Real GDP growth (in percent)	6.5	6.4	5.5	5.8	-3.2	6.9	5.1	5.0

Sources: Gambian authorities; and IMF staff estimates.

Table 2. The Gambia: GDP by Sector at Current Market Prices, 1998–2005

(In millions of dalasis, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture	1,228.1	1,493.3	1,654.3	2,042.3	1,832.7	2,822.4	3,610.0	3,899.6
Groundnuts	236.2	347.1	389.7	464.7	284.5	634.1	1,066.6	1,119.9
Other crops	471.5	566.0	662.7	838.3	655.6	1,039.7	1,230.6	1,374.9
Livestock	358.0	390.1	405.8	494.6	597.3	765.1	861.3	915.0
Forestry	48.9	58.5	60.8	73.4	88.7	113.6	127.8	137.6
Fishing	113.4	131.6	135.3	171.1	206.7	269.8	323.7	352.2
Industry	507.1	545.4	584.4	736.8	964.4	1,274.2	1,451.2	1,565.4
Manufacturing	219.0	233.0	244.8	301.6	378.2	485.4	582.8	617.9
Large and medium manufacturing	146.0	155.3	163.2	201.7	254.1	324.0	390.2	413.5
Small manufacturing	73.1	77.7	81.7	100.0	124.1	161.4	192.5	204.4
Construction and mining	218.2	234.4	265.5	350.5	483.7	665.1	751.0	818.5
Electricity and water supply	70.0	78.0	74.0	84.7	102.5	123.7	117.4	128.9
Services	2,177.8	2,311.4	2,497.3	3,174.0	3,845.0	4,989.7	5,847.3	6,479.7
Trade	466.3	462.8	490.6	650.5	778.6	1,012.7	1,151.3	1,230.4
Groundnuts	6.8	6.4	7.4	10.3	12.9	17.3	20.2	20.5
Others	459.5	456.4	483.2	640.2	765.7	995.4	1,131.1	1,209.8
Hotels and restaurants	181.1	194.3	213.8	305.7	408.9	611.4	753.1	836.3
Transport and communications	656.8	693.8	798.5	1,040.4	1,279.8	1,740.8	2,073.9	2,404.7
Transport	336.9	364.1	378.7	486.3	581.6	824.4	964.8	1,049.1
Communications	319.9	329.7	419.8	554.2	698.2	916.4	1,109.1	1,355.6
Real estate and business services	282.1	312.5	331.5	400.3	478.8	567.1	658.6	714.2
Public administration	394.1	438.0	455.3	525.8	607.7	712.9	810.0	872.5
Other services	197.5	210.0	207.6	251.2	291.1	344.8	400.5	421.6
GDP at factor costs	3,913.1	4,350.1	4,736.1	5,953.1	6,642.1	9,086.3	10,908.5	11,944.7
Indirect tax (net)	566.0	571.8	646.3	602.8	722.2	939.7	1,128.1	1,235.3
GDP at market prices	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,025.9	12,036.6	13,179.9
Memorandum items:								
Nominal GDP growth (in percent)	7.2	9.9	9.4	21.8	12.3	36.1	20.1	9.5
Real GDP growth (in percent)	6.5	6.4	5.5	5.8	-3.2	6.9	5.1	5.0
GDP deflator (in percent)	0.6	3.3	3.6	15.2	16.1	27.4	14.3	4.3
CPI (annual average change, in percent)	1.1	3.8	0.9	4.5	8.6	17.0	14.2	3.2

Sources: Gambian authorities; and IMF staff estimates.

Table 3. The Gambia: GDP Growth by Sector at Constant Prices, 1998–2005

(In percent)

	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture	-9.4	29.4	10.5	8.9	-28.2	20.5	11.4	5.0
Groundnuts	-5.9	67.4	12.3	9.4	-52.6	29.9	29.6	5.0
Other crops	-17.7	31.0	14.2	10.0	-32.0	30.0	8.5	6.6
Livestock	4.0	4.0	3.0	6.0	5.0	5.0	3.2	2.3
Forestry	3.9	4.1	3.9	5.0	5.0	5.0	3.1	3.7
Fishing	-13.1	5.9	2.9	10.0	5.0	7.0	10.0	3.8
Industry	5.7	2.3	5.1	6.1	9.8	6.4	3.3	2.8
Manufacturing	2.4	1.4	2.0	2.7	4.5	2.6	5.7	1.2
Large and medium manufacturing	2.6	1.3	2.0	3.0	5.0	2.0	6.0	1.1
Small manufacturing	2.1	1.8	2.0	2.0	3.5	4.0	5.0	1.3
Construction and mining	6.4	3.3	10.0	10.0	15.0	10.0	3.5	4.0
Electricity and water supply	27.1	1.9	-3.0	4.0	10.0	5.0	-13.0	5.0
Services	13.2	1.9	3.4	7.2	4.3	4.1	3.2	5.4
Trade	8.9	-4.5	6.8	7.2	4.1	0.4	0.4	2.2
Groundnuts	6.7	3.1	12.3	15.0	5.0	3.0	2.5	-2.0
Others	9.2	-5.5	6.0	6.0	4.0	0.0	0.0	3.0
Hotels and restaurants	7.5	3.4	-12.8	10.0	7.0	15.0	8.4	5.0
Transport and communications	26.6	5.0	5.1	8.8	4.6	5.0	5.1	9.2
Transport	7.0	0.3	4.0	7.0	4.0	5.0	3.0	2.8
Communications	47.8	8.7	6.1	10.0	5.0	5.0	6.5	13.5
Real estate and business services	1.1	0.4	2.2	5.0	4.0	3.0	2.2	3.0
Public administration	7.0	2.8	4.6	5.0	3.0	2.0	0.0	2.3
Other services	1.4	1.1	3.0	3.0	3.0	3.0	2.2	0.0
GDP at factor costs	6.6	7.7	5.4	7.5	-3.8	7.7	5.1	5.0
Indirect tax (net)	5.6	-2.6	6.7	-7.7	1.7	0.2	5.1	5.0
GDP at constant market prices	6.5	6.4	5.5	5.8	-3.2	6.9	5.1	5.0

Sources: Gambian authorities; and IMF staff estimates.

Table 4. The Gambia: Implicit GDP Deflators, 1998–2005
(Base year, 1976/77=100)

	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture	1,012.1	951.3	954.1	1,081.3	1,350.7	1,726.2	1,981.2	2,038.4
Groundnuts	897.2	787.6	787.4	858.2	1,109.2	1,902.7	2,469.2	2,469.2
Other crops	913.8	837.3	858.4	987.1	1,135.2	1,385.0	1,510.8	1,583.5
Livestock	1,119.2	1,172.5	1,184.1	1,361.7	1,565.9	1,910.4	2,084.0	2,164.2
Forestry	1,326.1	1,523.4	1,524.6	1,753.3	2,016.3	2,459.9	2,683.4	2,786.6
Fishing	1,465.3	1,604.9	1,603.4	1,844.0	2,120.5	2,587.1	2,822.2	2,957.8
Industry	722.4	759.6	774.3	920.1	1,096.4	1,360.9	1,499.9	1,573.4
Manufacturing	631.2	661.9	681.9	818.2	981.7	1,227.3	1,394.5	1,461.5
Large and medium manufacturing	621.1	652.5	672.1	806.5	967.8	1,209.8	1,374.7	1,440.8
Small manufacturing	652.3	681.6	702.3	842.7	1,011.3	1,264.1	1,436.4	1,505.4
Construction and mining	720.0	748.9	771.3	925.5	1,110.6	1,388.3	1,514.4	1,587.2
Electricity and water supply	1,345.3	1,471.7	1,439.9	1,583.9	1,742.3	2,003.6	2,185.7	2,285.5
Services	568.1	591.9	618.6	733.3	851.8	1,062.2	1,206.3	1,268.4
Trade	586.9	609.7	605.1	748.1	859.8	1,113.3	1,260.7	1,318.1
Groundnuts	69.9	64.0	66.3	79.6	95.5	124.1	141.1	146.5
Others	658.8	692.6	691.7	864.6	994.3	1,292.6	1,468.8	1,525.3
Hotels and restaurants	541.6	562.2	709.8	922.7	1,153.3	1,499.3	1,703.7	1,802.0
Transport and communications	450.2	452.9	496.0	594.2	698.9	905.3	1,026.4	1,089.4
Transport	524.7	565.4	567.3	680.8	782.9	1,056.9	1,200.9	1,270.2
Communications	391.6	371.3	445.5	534.6	641.5	801.9	911.2	981.3
Real estate and business services	726.9	802.1	832.4	957.3	1,100.9	1,266.0	1,438.6	1,514.7
Public administration	583.9	631.1	627.0	689.7	773.9	890.0	1,011.3	1,064.8
Other services	1,079.0	1,135.1	1,089.9	1,280.6	1,440.7	1,656.8	1,882.6	1,982.2
GDP at factor costs	680.6	702.4	725.8	848.3	984.0	1,250.1	1,428.4	1,490.0
Indirect tax (net)	704.6	712.4	739.6	747.0	879.9	1,142.1	1,305.1	1,361.3
GDP at constant market prices	679.7	701.9	727.4	837.8	972.7	1,239.1	1,415.9	1,476.9

Sources: Gambian authorities; and IMF staff estimates.

Table 5. The Gambia: Supply and Use of Resources, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
				(In millions of dalasis)				
Supply of resources	7,063.9	7,468.6	2,293.9	3,645.0	3,356.3	4,359.6	3,846.0	3,964.6
GDP at current prices	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,025.9	12,036.6	13,179.9
Imports of goods and nonfactor services	2,584.8	2,546.7	-3,088.4	-2,910.9	-4,008.0	-5,666.3	-8,190.5	-9,215.3
Use of resources	7,063.9	7,468.6	2,293.9	3,645.0	3,356.3	4,359.6	3,846.0	3,964.6
Gross domestic absorption	4,789.6	5,210.4	5,904.9	6,910.6	7,978.0	10,952.9	14,159.5	15,775.3
Consumption	3,969.9	4,334.1	4,975.8	5,279.9	6,433.1	8,999.3	10,899.9	12,310.6
Private	3,226.6	3,508.0	4,371.5	4,534.7	5,702.3	8,121.6	9,913.7	10,999.7
Public	743.3	826.1	604.3	745.2	730.8	877.7	986.2	1,310.9
Gross fixed investment	819.7	876.3	929.1	1,630.6	1,544.9	1,953.6	3,259.7	3,464.7
Private	559.9	615.2	683.6	898.2	1,008.9	1,423.7	1,653.8	2,014.1
Public	259.9	261.0	245.6	732.5	536.0	529.9	1,605.8	1,450.6
Change in stocks	..	..	..	..	..	..	..	..
Exports of goods and nonfactor services	2,274.2	2,263.1	2,565.9	2,556.3	3,394.4	4,739.3	6,067.5	6,815.8
Memorandum items:								
				(In percent of GDP)				
Consumption	88.6	88.1	92.4	80.5	87.4	89.8	90.6	93.4
Private	72.0	71.3	81.2	69.2	77.4	81.0	82.4	83.5
Public	16.6	16.8	11.2	11.4	9.9	8.8	8.2	9.9
Domestic savings 1/	11.4	11.9	7.6	19.5	12.6	10.2	9.4	6.6
Domestic investment	18.3	17.8	17.3	24.9	21.0	19.5	27.1	26.3
Imports of goods and nonfactor services	57.7	51.7	-57.4	-44.4	-54.4	-56.5	-68.0	-69.9
Exports of goods and nonfactor services	50.8	46.0	47.7	39.0	46.1	47.3	50.4	51.7

Sources: Gambian authorities; and IMF staff estimates.

1/ Defined as GDP minus consumption.

Table 6. The Gambia: Savings-Investment Balance, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
				(In percent of GDP)				
GDP market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Factor services, net	-4.8	-5.0	-4.9	-5.5	-6.0	-5.4	-5.0	-4.3
Remittances of technical assistance staff	1.4	1.9	2.4	2.1	3.0	3.5	4.7	5.6
Interest receipts, net	-6.2	-6.9	-7.3	-7.6	-9.1	-8.9	-9.7	-9.8
GNP market prices	95.2	95.0	95.1	94.5	94.0	94.6	95.0	95.7
Unrequited transfers, net 1/	9.3	8.0	9.9	8.3	11.6	9.6	10.9	9.5
Of which: official transfers	8.5	7.1	7.4	7.5	10.6	8.5	9.9	6.3
Gross disposable national income	104.5	103.0	105.1	102.8	105.5	104.2	105.9	105.2
Total consumption	88.6	88.1	91.0	81.2	87.4	89.8	90.6	93.4
Private consumption 2/	78.6	77.7	79.7	63.1	77.4	81.0	82.4	83.5
Government consumption 3/	10.0	10.3	11.2	18.2	9.9	8.8	8.2	9.9
Gross domestic savings	11.4	11.9	9.0	18.8	12.6	10.2	9.4	6.6
Government domestic savings 4/	8.6	7.5	7.3	-3.1	6.4	6.9	12.7	9.8
Private domestic savings 5/	2.8	4.4	1.8	21.9	6.2	3.3	-3.3	-3.2
Gross national savings	15.9	14.9	14.1	21.6	18.2	14.4	15.3	11.8
Government national savings	17.0	14.6	14.7	4.4	17.0	15.5	22.6	16.1
Of which: domestically generated	8.6	7.5	7.3	-3.1	6.4	6.9	12.7	9.8
Private national savings 4/	-1.1	0.4	-0.6	17.2	1.2	-1.1	-7.3	-4.3
Total domestically generated 5/	7.4	7.9	6.7	14.1	7.6	5.9	5.5	5.5
Gross domestic investment	18.3	17.8	17.3	24.2	21.0	19.5	27.1	26.3
Government investment 6/	5.8	5.3	4.6	11.2	7.3	5.3	13.3	11.0
Private investment 2/	12.5	12.5	12.7	13.0	13.7	14.2	13.7	15.3
Private investment rate (in percent of GDP)	12.5	12.5	12.7	13.0	13.7	14.2	13.7	15.3
Memorandum items:								
External current account								
Including transfers	-2.4	-2.9	-3.1	-2.6	-2.8	-5.1	-11.8	-14.5
Excluding transfers	-10.9	-9.9	-10.6	-10.1	-13.4	-13.6	-21.6	-20.8
Government financial balance 7/	2.8	2.2	2.7	-14.3	-0.9	1.7	-0.6	-1.2
Government savings	8.6	7.5	7.3	-3.1	6.4	6.9	12.7	9.8
Government investment	5.8	5.3	4.6	11.2	7.3	5.3	13.3	11.0
Private financial balance 7/	-13.6	-12.1	-13.3	4.2	-12.5	-15.3	-21.0	-19.6
Private savings	-1.1	0.4	-0.6	17.2	1.2	-1.1	-7.3	-4.3
Private investment	12.5	12.5	12.7	13.0	13.7	14.2	13.7	15.3

Sources: Gambian authorities; and IMF staff estimates.

1/ Consists of both official and private transfers.
2/ Includes public enterprise sector.
3/ Government current expenditure (excluding Gambia Local Fund), less capital component of recurrent budget, plus current component of development budget.
4/ Domestic revenue (excluding capital revenue) less government consumption.
5/ Gross national savings excluding official transfers.
6/ Development expenditure (excluding net lending), plus capital component of recurrent budget, less current component of development budget.
7/ Domestically generated financial balances.

Table 7. The Gambia: Agricultural Production, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Acreage				(In thousands of hectares)				
Export crops	77.7	113.8	126.4	138.9	105.6	107.9	116.6	137.3
Groundnuts	75.3	112.2	124.8	138.9	105.6	107.9	116.6	137.3
Cotton	2.4	1.6	1.6	...	...	...	...	...
Food crops	117.5	125.3	146.3	159.0	148.3	176.9	194.3	199.4
Rice (paddy)	18.3	15.8	16.7	18.20	12.00	17.75	16.61	17.81
Sorghum 1/	14.2	18.5	24.4	26.20	18.30	24.68	26.05	22.95
Millet 1/	73.3	76.3	90.4	97.40	96.9	109.9	123.1	127.3
Maize	11.7	14.7	14.8	17.20	18.40	21.04	24.20	27.58
Sesame	...	...	...	...	2.70	3.50	4.30	1.79
Findo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.89
Total area	195.2	239.1	272.7	297.9	253.9	284.9	310.9	336.6
Production				(In thousands of metric tons)				
Export crops	75.0	123.4	138.2	151.7	72.0	92.9	135.7	140.7
Groundnuts	73.5	123.0	138.0	151.1	71.5	92.9	135.7	140.7
Cotton	1.5	0.4	0.2	0.6	0.5	...	...	...
Food crops	106.4	151.1	175.6	199.9	139.7	216.2	213.2	201.0
Rice (paddy)	18.8	31.7	34.1	32.6	20.4	31.2	21.1	18.1
Sorghum 1/	9.9	18.0	24.9	33.4	15.2	30.1	29.0	28.5
Millet 1/	64.7	81.0	94.6	104.9	84.6	120.3	132.5	125.4
Maize	13.0	20.4	22.0	29.0	18.6	33.4	29.2	27.7
Sesame	...	...	...	...	0.9	1.2	1.4	0.7
Findo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Total production	181.3	274.4	313.8	351.6	211.7	309.2	348.9	341.7

Source: Gambian authorities.

1/ Including area intercropped with groundnuts.

Table 8. The Gambia: Minimum Producer Prices for Agricultural Commodities, 1998–2005
(In dalasis per ton)

	1998	1999	2000	2001	2002	2003	2004	2005
Cotton	3,400	3,400	3,750	3,650	4,150	…	…	…
Groundnuts (undecorticated)	2,790	2,700	2,600	2,650	4,250	7,500	8,100	7,500
Rice (paddy)	1,750	1,750	1,750	2,250	2,500	…	…	…

Source: Gambian authorities.

Table 9. The Gambia: Purchases and Disposition of Groundnuts, 2000–05
(In metric tons)

	2000	2001	2002	2003	2004	2005
Delivery purchases (undecorticated)	41,912	42,813	62,203	12,833	19,145	…
Export sales	20,105	25,484	40,803	7,700	…	…
Decorticated FAQ groundnuts 1/	15,204	8,228	2,097	3,000	…	…
Decorticated HPS groundnuts 2/	672	7,267	3,290	4,000	…	…
Oil	3,000	1,438	15,707	700	…	…
Cake	1,229	2,581	19,709	0	…	…
Local sales 3/	20,700	22,400	…	…	…	…
Seednuts	…	…	…	…	…	…
Wastage in shelling/processing 4/	13,412	13,700	21,400	5,133	…	…

Source: Gambian authorities.

1/ FAQ = fair average quality.
2/ HPS = handpicked selected.
3/ Estimated as 15 percent of total production, including seeds.
4/ Estimated as 32 percent of delivery purchases.

Table 10. The Gambia: Indicators of Tourism Activity, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Number of tourists	91,106	96,122	78,710	57,231	81,005	89,116	90,095	110,815
Germany	22,189	25,393	12,156	3,065	3,707	5,160	2,891	…
Sweden	5,574	5,556	4,997	4,043	5,594	5,106	3,954	…
Other Scandinavian countries	3,720	4,141	4,801	2,551	3,535	5,150	8,210	…
United Kingdom	37,437	40,588	37,594	34,399	48,894	49,611	48,297	…
Other	22,186	20,444	19,162	13,173	19,275	24,089	26,743	…
Average daily expenditure (in dalasis) 1/	320.3	414.2	477.5	499.0	542.0	634.0	724.0	500.0

Sources: Gambian authorities; and IMF staff estimates.

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

Table 11. The Gambia: Energy Statistics, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Electricity				(In thousands of kilowatt-hours)				
Total production	122,187	123,401	117,553	146,860	161,361	150,307	128,061	156,268
Residential consumption	37,462	48,851	45,676	55,324	62,060	48,458	38,833	52,944
Business consumption (including government)	33,405	23,213	21,530	25,698	24,934	44,693	41,132	44,317
Street lighting	462	...	...	740	507	383	279	…
Other consumption	7,274	11,337	10,347	12,917	17,301	…	…	4,752
Losses (including powerhouse consumption)	43,584	40,000	40,000	52,181	56,559	56,773	47,817	54,255
				(In dalasis per kilowatt-hour)				
Retail electricity prices								
Residential	2.08	1.55-2.21	1.55-2.21	1.55-3.75	1.55-3.75	1.55-3.75	1.55-6.98	1.55-6.98
Business	2.21	2.21	2.21	3.90	3.90	3.90	7.25	7.25
Hotels/industries	2.54	2.54	2.54	4.30	4.30	4.30	8.02	8.02
				(In millions of dalasis)				
Imports of mineral fuels and products 1/	…	121.30	289.41	149.08	341.69	455.36	…	…
				(Dalasis/litre)				
Retail petroleum prices								
Gasoline	8.50	8.95	8.95	10.50	15.00	22.00	22.00	30.00
Diesel oil	6.50	6.25	6.75	9.50	12.00	15.00	21.50	28.00

Sources: Gambian authorities; and the National Water and Electricity Company Ltd. (NAWEC).

1/ Includes mineral fuels, mineral oils and products of their distillation, bitminous substances, and mineral waxes; c.i.f. value.

Table 12. The Gambia: Public Sector Wage Scale, 1998–2005
(In dalasis per year)

	1998		1999		2000		2001		2002 1/		2003		2004		2005	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Grade 1	4,860	5,784	5,100	6,108	5,352	6,444	5,352	6,444	5,352	6,444	5,352	6,444	6,240	7,511	6,240	7,511
Grade 2	5,916	7,008	6,168	7,260	6,168	7,260	6,168	7,260	6,168	7,260	6,168	7,260	7,687	8,957	7,687	8,957
Grade 3	7,068	8,244	7,344	8,604	7,716	9,060	7,716	9,060	7,716	9,060	7,716	9,060	9,129	10,692	9,129	10,692
Grade 4	8,352	10,536	8,652	10,920	9,084	11,436	9,084	11,436	9,084	11,436	9,084	11,436	10,830	13,571	10,830	13,571
Grade 5	10,824	13,596	10,980	13,836	11,532	14,556	11,532	14,556	11,532	14,556	11,532	14,556	13,684	17,203	13,684	17,203
Grade 6	13,872	17,148	13,872	17,148	14,568	18,012	14,568	18,012	14,568	18,012	14,568	18,012	17,356	21,368	17,356	21,368
Grade 7	17,604	20,880	17,604	20,880	18,480	21,924	18,480	21,924	18,480	21,924	18,480	21,924	21,548	25,560	21,548	25,560
Grade 8	21,276	24,636	21,276	24,636	22,344	25,872	22,344	25,872	22,344	25,872	22,344	25,872	26,054	30,165	26,054	30,165
Grade 9	25,176	28,536	25,176	28,536	26,436	29,964	26,436	29,964	26,436	29,964	26,436	29,964	30,824	34,936	30,824	34,936
Grade 10	29,100	33,552	29,100	33,552	30,552	34,752	30,552	34,752	30,552	34,752	30,552	34,752	35,624	40,521	35,624	40,521
Grade 11	34,116	39,578	34,116	39,576	35,820	40,020	35,820	40,020	35,820	40,020	35,820	40,020	41,766	46,663	41,766	46,663
Grade 12	40,368	46,920	40,368	46,920	40,368	46,920	40,368	46,920	40,368	46,920	40,368	46,920	47,069	54,707	47,069	54,707

Source: Gambian authorities.

1/ In 2002, an additional cost of living allowance of 10 percent of the basic salary was paid to staff at grades 1-3.

Table 13. The Gambia: Minimum Daily Wages, 1998–2005
(In dalasis)

	1998	1999	2000	2001	2002	2003	2004	2005
General workers								
Foreman	28.43	28.43	28.43	28.43	28.43	28.43	28.43	28.43
Artisan (second class)	28.43	28.43	28.43	28.43	28.43	28.43	28.43	28.43
Head laborer	16.18	16.18	16.18	16.18	16.18	16.18	16.18	16.18
Laborer	12.94	12.94	12.94	12.94	12.94	12.94	12.94	12.94
Dockworkers								
Supervisor/foreman	36.40	36.40	36.40	36.40	38.58	48.23	48.23	48.23
Headman (Banjul)	22.50	22.50	22.50	22.50	23.85	29.81	29.81	29.81
Headman (river ports)	22.50	...	...	...	...	...	...	...
Tally clerk (day rate)	58.80	58.80	58.80	58.80	58.80	75.50	75.50	75.50
Tally clerk (night rate)	87.40	87.40	87.40	87.40	87.40	109.25	109.25	109.25
Winchman (Banjul)	20.25	20.25	20.25	20.25	21.47	26.84	26.84	26.84
Winchman (river ports)	22.50	...	...	...	...	...	...	...
Gangwayman (Banjul)	18.50	18.50	18.50	18.50	19.61	24.51	24.51	24.51
Gangwayman (river ports)	...	...	...	...	...	...	...	
Laborer (Banjul)	17.70	17.70	17.70	17.70	18.76	23.45	23.45	23.45
Laborer (river ports)	...	...	...	...	...	...	...	...

Source: Gambian authorities.

Table 14. The Gambia: Civil Service Structure, 1998–2005 1/

	1998	1999	2000	2001	2002	2003	2004	2005
	(Number of employees)							
Executive and legislative offices 2/	951	948	1,007	814	827	857	850	860
Defense 3/	...	...	...	...	...	...	81	79
Interior	...	...	...	...	...	...	50	48
Information and tourism	51	51	66	66	40	45	45	44
External affairs	64	68	72	93	104	126	119	120
Finance and economic affairs	470	462	466	584	598	612	620	649
Local government and lands	383	377	381	415	416	413	420	411
Agriculture	1,146	916	913	920	896	934	961	962
Fisheries, natural resources, and environment 4/	...	...	...	...	...	...	577	593
Works, construction, and infrastructure	619	827	816	346	349	226	227	227
Trade, industry, and employment	160	154	155	170	172	146	148	143
Education, youth, and sports	6,022	5,969	5,903	5,064	5,067	5,455	6,034	6,264
Health and social welfare	2,612	2,657	2,965	3,480	3,536	3,244	3,262	3,342
Of which								
Royal Victoria Hospital	874	866	887	902	938	946	947	948
Bansang Hospital	264	274	272	307	305	305	314	314
AFPRC Hospital	...	...	220	229	251	260	267	289
Sulayman Junkung Hospital	...	...	...	183	164	164	165	199
Autonomous organizations 5/	272	278	281	283	299	296	296	296
Of which								
Agricultural Research (NARI)	134	137	137	137	148	148	148	148
Environmental Agency	36	39	42	42	47	47	47	47
Total 6/	12,750	12,707	13,025	12,235	12,304	12,354	13,690	14,038
	(In percent) 6/							
Executive and legislative offices 2/	7.5	7.5	7.7	6.7	6.7	6.9	6.2	6.1
Defense 3/	...	...	...	...	...	...	0.6	0.6
Interior	...	...	...	...	...	...	0.4	0.3
Information and tourism	0.4	0.4	0.5	0.5	0.3	0.4	0.3	0.3
External affairs	0.5	0.5	0.6	0.8	0.8	1.0	0.9	0.9
Finance and economic affairs	3.7	3.6	3.6	4.8	4.9	5.0	4.5	4.6
Local government and lands	3.0	3.0	2.9	3.4	3.4	3.3	3.1	2.9
Agriculture	9.0	7.2	7.0	7.5	7.3	7.6	7.0	6.9
Fisheries, natural resources, and environment 4/	...	...	...	...	...	...	4.2	4.2
Works and communications	4.9	6.5	6.3	2.8	2.8	1.8	1.7	1.6
Trade, industry, and employment	1.3	1.2	1.2	1.4	1.4	1.2	1.1	1.0
Education, youth, and sports	47.2	47.0	45.3	41.4	41.2	44.2	44.1	44.6
Health and social welfare	20.5	20.9	22.8	28.4	28.7	26.3	23.8	23.8
Autonomous organizations 5/	2.1	2.2	2.2	2.3	2.4	2.4	2.2	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Gambian authorities.

1/ From 2000 onward, data are based on budget figures.
2/ Includes the Office of the President, legislature, judiciary, Public Service Commission, and National Audit Office.
3/ Auxiliary staff only.
4/ Made up of two ministries—(1) Fisheries and Natural Resources; and (2) Forestry and Environment—from 2004 onward.
5/ Includes the Management Development Institute, National Library, National Environmental Agency, and National Agricultural Research Institute (NARI).
6/ Excluding Departments of State for Defense and Interior for 1998–2003.

Table 15. The Gambia: Overall Consumer Price Index for Low-Income Households in Banjul and Kombo St. Mary, January 1998-June 2006

(Base year, 1974=100, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	1,379.7	1,501.3	1,523.9	1,576.7	1,682.6	1,876.4	2,216.0	2,369.3	2,410.7
February	1,407.0	1,501.8	1,524.0	1,577.1	1,681.7	1,904.9	2,243.0	2,370.6	2,410.9
March	1,407.2	1,502.6	1,524.0	1,577.3	1,682.3	1,929.7	2,260.3	2,371.7	2,410.9
April	1,420.5	1,502.7	1,525.3	1,577.4	1,684.3	1,971.7	2,282.8	2,373.8	2,411.1
May	1,413.9	1,502.5	1,525.4	1,578.3	1,685.0	1,983.9	2,296.9	2,374.7	2,411.1
June	1,490.3	1,502.6	1,525.6	1,586.7	1,685.6	2,006.2	2,322.8	2,376.6	2,411.3
July	1,477.3	1,522.5	1,526.4	1,592.6	1,686.7	2,027.0	2,344.7	2,378.3	
August	1,495.2	1,523.1	1,527.1	1,599.4	1,697.0	2,054.6	2,356.3	2,402.9	
September	1,497.5	1,523.8	1,526.8	1,603.2	1,779.5	2,098.9	2,357.5	2,406.8	
October	1,499.4	1,523.0	1,526.0	1,605.3	1,807.9	2,119.2	2,360.0	2,406.9	
November	1,502.2	1,523.8	1,526.5	1,606.3	1,840.1	2,151.6	2,363.2	2,410.1	
December	1,497.6	1,523.8	1,526.9	1,650.1	1,864.7	2,192.2	2,367.4	2,410.4	
Memorandum items:									
Overall index (period average)	1,457.3	1,512.8	1,525.7	1,594.2	1,731.5	2,026.4	2,314.2	2,387.7	2,411.0
Annual percentage change 1/ (period average)	1.1	3.8	0.9	4.5	8.6	17.0	14.2	3.2	1.6
Annual percentage change 2/ (end of period)	4.4	1.7	0.2	8.1	13.0	17.6	8.0	1.8	1.5

Source: Gambian authorities.

1/ Data presented for 2006 are based on the averages for January to June 2005 and for January to June 2006.
2/ Data presented for 2006 are based on the June 2006 data.

Table 16. The Gambia: Central Government Operations, 1998–2005
(In millions of dalasis)

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue and grants	919.9	944.4	1,117.2	1,125.7	1,528.7	1,820.4	3,065.0	2,823.5
Domestic revenue	831.5	878.6	995.4	989.9	1,201.8	1,574.2	2,517.8	2,603.4
Tax revenue	751.1	773.6	869.9	853.8	1,040.2	1,380.7	2,244.7	2,263.2
Direct tax	185.1	201.7	223.6	251.0	318.0	441.0	606.3	682.5
Of which : personal	76.4	81.3	90.4	102.6	122.4	154.2	207.2	231.1
corporate	93.7	102.2	115.0	132.7	176.8	265.8	367.1	406.6
Indirect tax	566.0	571.8	646.3	602.8	722.2	939.7	1,638.4	1,580.8
Domestic tax on goods and services	65.3	77.3	72.8	73.9	124.9	205.7	291.4	374.5
Tax on international trade	500.7	494.5	573.5	528.9	597.3	734.0	1,347.0	1,206.2
Nontax revenue	80.4	105.0	162.5	136.0	161.5	193.5	273.1	340.1
Grants	88.5	65.8	121.8	135.9	326.9	246.2	547.2	220.1
Program	25.6	11.3	60.3	0.0	94.9	0.0	0.0	0.0
Projects	62.9	54.5	61.5	67.9	109.9	132.0	395.7	203.0
HIPC	0.0	0.0	0.0	68.0	122.1	114.2	151.4	17.1
Expenditure and net lending 1/	1,028.4	1,106.9	1,192.1	2,037.4	1,853.8	2,292.7	3,750.4	3,961.1
Current expenditure	799.8	887.0	985.8	1,237.1	1,318.2	1,707.0	2,035.8	2,420.4
Wages and salaries	282.9	301.7	341.2	342.0	395.2	452.6	517.5	554.0
Other charges	279.9	336.9	397.4	533.4	512.5	594.5	583.8	735.6
Interest	236.9	248.3	247.3	293.8	370.5	607.6	867.9	1,130.9
External	56.4	60.9	60.2	68.7	84.0	163.4	234.6	240.8
Domestic	180.4	187.5	187.1	225.0	286.6	444.2	633.3	890.1
HIPC Initiative funded expenditure		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure and net lending 1/	228.7	219.9	206.3	800.3	535.6	585.7	1,714.6	1,419.2
Capital expenditure	259.9	249.7	245.6	285.4	568.4	608.3	1,733.5	1,449.6
External	211.2	209.7	196.7	224.5	478.3	472.7	1,517.0	1,341.3
Loans	148.3	155.2	135.2	156.6	368.4	340.7	1,121.3	1,138.3
Grants	62.9	54.5	61.5	67.9	109.9	132.0	395.7	203.0
Gambia Local Fund	48.7	40.1	48.9	60.9	57.7	57.2	88.8	106.3
HIPC Initiative funded expenditure		0.0	0.0	0.0	32.4	78.4	127.7	2.0
Extrabudgetary expenditure 1/	0.0	0.0	0.0	447.1	0.0	0.0	4.5	121.5
Net lending	-31.2	-29.8	-39.3	67.8	-32.8	-22.6	-23.4	-30.4
Overall balance (commitment basis), including grants	-108.5	-162.5	-75.0	-911.6	-325.1	-472.4	-685.5	-1,137.6
Basic balance		-18.6	-0.1	-823.0	-173.7	-245.8	284.4	-16.4
Adjustment to cash basis (float)	6.1	-45.7	-23.7	-34.7	0.9	-123.6	-62.6	-72.2
Overall balance (cash basis)								
Including grants	-133.0	-208.2	-98.7	-946.3	-324.2	-596.0	-748.0	-1,209.8
Financing	133.0	208.2	98.7	946.3	324.2	596.0	748.0	1,209.8
External (net)	54.5	30.0	-45.6	-23.6	140.9	59.7	690.3	727.7
Borrowing	148.3	155.2	135.2	233.6	725.8	340.7	1,121.3	1,138.3
Project	148.3	155.2	135.2	156.6	368.4	340.7	1,121.3	1,138.3
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	0.0	0.0	77.0	357.4	0.0	0.0	0.0
Amortization	-93.8	-125.2	-180.8	-257.2	-591.9	-293.6	-431.0	-410.6
HIPC Initiative debt relief	…	0.0	0.0	0.0	7.0	12.6	0.0	0.0
Change in arrears (+ increase)	...	...	...	...	...	...	...	...
Domestic	78.5	178.2	144.3	969.9	183.3	536.3	57.7	482.1
Bank 1/	-20.0	71.2	45.0	952.8	22.9	401.2	-578.0	339.7
Nonbank	86.5	93.2	139.5	68.1	197.0	95.1	635.7	93.4
Accumulation / repayment (minus) of arrears	12.0	13.9	-40.2	-51.0	-36.7	0.0	0.0	-5.0
Privatization proceeds	...	0.0	0.0	0.0	0.0	0.0	0.0	54.0
Repayment of domestic debt		0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBG (unrealized profits)	...	0.0	0.0	0.0	0.0	40.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic primary balance 3/	251.1	229.8	247.2	-529.2	196.8	361.8	1,152.3	1,114.4
Memorandum items:								
Stock of domestic debt	1,146.8	1,328.6	1,693.5	2,496.1	2,694.2	2,763.5	3,957.2	4,675.1

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 17. The Gambia: Central Government Operations, 1998–2005
(In percent of GDP, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
Revenue and grants	20.5	19.2	20.8	17.2	20.8	18.2	25.5	21.4
Domestic revenue	18.6	17.9	18.5	15.1	16.3	15.7	20.9	19.8
Tax revenue	16.8	15.7	16.2	13.0	14.1	13.8	18.6	17.2
Direct tax	4.1	4.1	4.2	3.8	4.3	4.4	5.0	5.2
Of which: personal	1.7	1.7	1.7	1.6	1.7	1.5	1.7	1.8
corporate	2.1	2.1	2.1	2.0	2.4	2.7	3.0	3.1
Indirect tax	12.6	11.6	12.0	9.2	9.8	9.4	13.6	12.0
Domestic tax on goods and services	1.5	1.6	1.4	1.1	1.7	2.1	2.4	2.8
Nontax revenue	1.8	2.1	3.0	2.1	2.2	1.9	2.3	2.6
Grants	2.0	1.3	2.3	2.1	4.4	2.5	4.5	1.7
Program	0.6	0.2	1.1	0.0	1.3	0.0	0.0	0.0
Projects	1.4	1.1	1.1	1.0	1.5	1.3	3.3	1.5
HIPC Initiative	0.0	0.0	0.0	1.0	1.7	1.1	1.3	0.1
Expenditure and net lending 1/	23.0	22.5	22.1	31.1	25.2	22.9	31.2	30.1
Current expenditure	17.9	18.0	18.3	18.9	17.9	17.0	16.9	18.4
Wages and salaries	6.3	6.1	6.3	5.2	5.4	4.5	4.3	4.2
Other charges	6.2	6.8	7.4	8.1	7.0	5.9	4.9	5.6
Interest	5.3	5.0	4.6	4.5	5.0	6.1	7.2	8.6
External	1.3	1.2	1.1	1.0	1.1	1.6	1.9	1.8
Domestic	4.0	3.8	3.5	3.4	3.9	4.4	5.3	6.8
HIPC Initiative funded expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure and net lending 1/	5.1	4.5	3.8	12.2	7.3	5.8	14.2	10.8
Capital expenditure	5.8	5.1	4.6	4.4	7.7	6.1	14.4	11.0
External	4.7	4.3	3.7	3.4	6.5	4.7	12.6	10.2
Loans	3.3	3.2	2.5	2.4	5.0	3.4	9.3	8.6
Grants	1.4	1.1	1.1	1.0	1.5	1.3	3.3	1.5
Gambia Local Fund	1.1	0.8	0.9	0.9	0.8	0.6	0.7	0.8
Movements in Project Accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative funded expenditure	...	...	...	...	...	...	...	...
Extrabudgetary expenditure 1/	0.0	0.0	0.0	6.8	0.0	0.0	0.0	0.9
Net lending	-0.7	-0.6	-0.7	1.0	-0.4	-0.2	-0.2	-0.2
Overall balance (commitment basis), including grants	-3.0	-4.2	-1.8	-14.4	-4.4	-4.7	-5.7	-8.6
Basic balance	0.0	-0.4	0.0	-12.6	-2.4	-2.5	2.4	-0.1
Adjustment to cash basis (float)	0.1	-0.9	-0.4	-0.5	0.0	-1.2	-0.5	-0.5
Overall balance (cash basis), including grants	-3.0	-4.2	-1.8	-14.4	-4.4	-5.9	-6.2	-9.2
Financing	3.0	4.2	1.8	14.4	4.4	5.9	6.2	9.2
External (net)	1.2	0.6	-0.8	-0.4	1.9	0.6	5.7	5.5
Borrowing	3.3	3.2	2.5	3.6	9.9	3.4	9.3	8.6
Project	3.3	3.2	2.5	2.4	5.0	3.4	9.3	8.6
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	0.0	0.0	1.2	4.9	0.0	0.0	0.0
Amortization	-2.1	-2.5	-3.4	-3.9	-8.0	-2.9	-3.6	-3.1
HIPC Initiative debt relief	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0
Change in arrears (+ increase)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	1.8	3.6	2.7	14.8	2.5	5.3	0.5	3.7
Bank 1/	-0.4	1.4	0.8	14.5	0.3	4.0	-4.8	2.6
Nonbank	1.9	1.9	2.6	1.0	2.7	0.9	5.3	0.7
Accumulation / repayment (minus) of arrears	0.3	0.3	-0.7	-0.8	-0.5	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Repayment of domestic debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBG (unrealized profits)	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic primary balance 3/	5.6	4.7	4.6	-8.1	2.7	3.6	9.6	8.5
Memorandum item:								
Stock of domestic debt	25.6	27.0	31.5	38.1	36.6	27.6	32.9	35.5

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 18. The Gambia: Functional Classification of Central Government Current Expenditure, 1998-2005

	1998	1999	2000	2001	2002	2003	2004	2005
	(In millions of dalasis)							
Total current expenditure	1,266.6	1,295.4	1,437.5	1,237.1	1,318.2	1,707.0	2,035.8	2,420.4
Of which								
General public services	…	…	…	…	…	…	…	…
Defense	43.1	40.1	42.5	38.5	45.0	57.0	58.0	84.0
Education	130.4	146.0	148.2	142.0	126.9	130.0	224.2	262.0
Of which: elementary education	87.5	86.9	…	…	…	…	…	…
Health	81.5	88.7	94.3	127.8	120.4	123.0	221.9	218.0
Of which: basic health care	17.7	24.8	…	…	…	…	…	…
Social welfare	…	…	…	…	…	…	…	…
Housing	…	…	…	…	…	…	…	…
Economic affairs and services	…	…	…	…	…	…	…	…
Other	…	…	…	…	…	…	…	…
Of which: interest on government domestic debt	290.0	264.7	187.1	225.0	286.6	444.2	633.3	890.1

Source: Gambian authorities.

Table 19. The Gambia: Central Government Social Expenditure and Social Indicators, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
	(In millions of dalasis)							
Education expenditure	154.5	273.0	331.6	297.8	354.6	112.0	293.5	269.5
Of which								
Primary education	63.3	111.9	136.0	96.0	125.6	111.5	153.5	185.1
Secondary education	34.0	60.1	73.0	…	…	…	…	…
Higher education	27.8	49.1	59.7	…	…	…	…	…
Health expenditure	83.0	175.0	253.9	192.8	225.3	146.7	164.5	145.6
Primary and secondary health care	36.7	77.4	112.2	…	…	79.7	116.1	…
Tertiary health care	34.1	71.9	104.4	…	…	66.8	48.1	…
Administration and training	12.2	25.7	37.3	…	…	2.0	3.0	…
	(In percent, unless otherwise indicated)							
Social indicators								
Illiteracy rate	65.7	64.5	63.4	62.2	61.1	…	…	…
School enrollment rate								
Primary school enrollment (in percent of net)	…	66.7	66.7	72.8	…	…	…	…
Of which : female	…	62.3	62.3	69.7	…	…	…	…
Secondary school enrollment (in percent of net)	…	25.9	27.2	32.8	32.8	32.7	…	…
Of which : female	…	20.7	22.3	27.1	27.2	26.5	…	…
Life expectancy at birth (years)	…	…	54.7	…	55.4	55.9	56.3	…
Population with access to health care	…	…	…	…	…	…	…	…
Population with access to safe water	…	…	…	…	…	…	…	…
Population below the poverty line	…	…	…	…	…	…	…	…
Infant mortality rate (per 1,000 live births)	…	…	92.0	…	…	…	89.0	…

Sources: Gambian authorities; and World Bank, *World Development Indicators, 2005.*

Table 20. The Gambia: Public Investment Program and Its Financing, 1998–2005

(In millions of dalasis)

	1998	1999	2000	2001	2002	2003	2004	2005
Agricultural/natural resources	53.9	68.4	134.3	100.0	154.2	114.3	291.3	284.6
Rural finance and community initiative project	…	…	…	…	…	…	24.0	24.2
Rice development project	4.8	…	…	…	11.0	9.0	28.7	27.9
Saudi Sahel project	…	…	…	…	…	…	85.0	85.0
Cotton development project	1.4	0.3	1.8	1.8	0.8	0.2	…	…
Livestock development	0.1	0.4	0.1	6.7	4.8	4.4	0.8	0.4
Artisanal fisheries project	1.9	…	…	…	…	…	59.6	39.0
Other	45.7	67.7	132.4	91.5	137.6	100.7	93.2	108.1
Industry	0.2	0.1	0.1	0.5	0.7	0.7	2.5	…
Public utilities	22.7	25.3	12.4	5.6	19.7	16.6	0.0	0.0
Improvement of transmission/distribution	…	…	…	…	…	…	…	…
Urban water supply	…	…	…	…	…	…	…	…
Rural water supply 1/	21.9	17.2	12.1	0.2	16.3	12.3	…	…
Banjul sewerage and drainage project	…	…	…	…	…	…	…	…
Other	0.8	8.1	0.3	5.4	3.4	4.4	…	…
Transportation and communications	192.1	223.8	158.3	186.1	326.7	600.6	482.3	314.9
Banjul Serrekunda and other highways	152.4	176.4	104.5	161.5	91.8	512.2	453.3	302.0
Banjul streets rehabilitation	0.5	…	…	…	…	1.0	…	…
Feeder roads	…	…	…	10.6	54.8	3.6	…	…
Banjul port development	…	…	…	…	…	…	…	…
Yundum Airport, Phase IV	…	…	…	…	…	…	…	…
Other	39.2	47.4	53.8	14.0	180.1	83.8	29.0	12.9
Education	127.0	171.7	97.4	119.5	176.1	112.0	294.0	183.0
Health	86.3	159.6	80.8	83.5	80.7	146.7	164.5	204.8
Other public investment	26.4	32.7	93.9	226.7	218.1	236.1	374.1	331.2
Housing and community development	20.0	11.8	58.3	78.2	98.7	70.0	42.0	31.4
Tourism, trade, and finance	0.9	1.5	6.3	1.6	18.9	14.9	274.2	229.0
General public services	5.4	19.3	29.2	146.9	100.5	151.2	57.9	70.8
Unallocated expenditure	0.1	0.1	0.1	…	…	…	…	…
Total public investment financed by	575.2	745.0	662.0	721.7	1,016.0	1,146.6	1,538.2	1,321.2
Foreign grants	121.8	163.1	226.5	235.7	381.6	315.5	240.9	203.0
Foreign loans	353.4	474.1	305.6	425.0	567.9	764.2	1,177.0	868.2
Gambia local fund (GLF)	100.0	107.8	129.9	61.0	66.5	66.9	120.3	250.0

Source: Gambian authorities.

1/ Rural water supply has become a part of agriculture and natural resources since 2004.

Table 21. The Gambia: List of Public Enterprises, End-2005

Name	Sector	Legal Status	Government Participation (In percent)	Capital (In millions of dalasis)	Turnover 1/	Personnel
Social Security and Housing Finance Corporation (SSHFC) 2/	Social security and pension fund management and housing	Corporation	Owned by scheme members	…	483.4	232
National Water and Electricity Company Limited (NAWEC)	Electricity, water, and sewerage	Limited company	97%	68.5	708.4	878
Gambia Telecommunucations Company Limited (GAMTEL)	Telecommunication and information technology services	Limited company	99%	60.0	1,065.2	1,242
Gambia Ports Authority (GPA)	Marine	Authority	100%	16.3	429.1	485
Gambia International Airlines (GIA)	Ground handling	Limited company	99%	16.8	261.2	271
Gambia Telecommunications Cellular Company Limited (GAMCEL)	Mobile phone service provider	Limited company	100% subsidiary of GAMTEL	94.3	455.0	135
Gambia Printing and Publishing Corporation (GPPC)	Printing and publishing	Corporation	100%	7.0	11.2	78
Gambia Public Transport Corporation (GPTC)	Public transport	Corporation	100%	18.8	15.9	350
Gambia Radio and Television Services (GRTS)	Radio and television	Corporation	100%	…	31.8	242
Maintenance Services Agency Company Limited (MSA)	Vehicle and plant maintenance	Limited company	99%	3.0	8.9	78
Gambia Civil Aviation Authority (GCAA)	Airport operations	Authority	100%	231.9	188.0	561
Asset Management and Recovery Corporation (AMRC) 3/	Debt recovery services	Corporation	100%	…	24.5	35

Source: Gambian authorities.

1/ Taken from unaudited accounts.

2/ Net assets of all the Funds of SSHCF as of end-2005 was D 2,268 million. The figure under the turnover column represents income from contributions, investment income, and mortgage income.

3/ AMRC's accumulated fund as of end-2005 was D 40.1 million.

Table 22. The Gambia: Monetary Survey, 1998–June 2006

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec.	2005 Dec.	2006 Jun.
Monetary survey	(In millions of dalasis, unless otherwise noted; end of period)								
Net foreign assets	976.7	988.7	1,319.7	650.5	958.2	1,861.3	3,184.5	3,200.7	3,624.8
Net domestic assets	334.8	481.6	662.6	1,716.9	2,244.3	2,731.7	2,247.5	2,944.5	3,311.6
Domestic credit	508.0	660.9	770.1	2,020.4	2,698.6	3,708.9	2,869.5	3,510.4	4,040.0
Claims on government (net)	-6.5	38.4	83.4	1,071.8	1,094.5	1,494.4	1,008.8	1,348.4	1,514.8
Claims on government (net) 1/	-6.5	38.4	83.4	589.3	612.0	1,011.9	434.0	773.6	1,227.4
Advances to the government in foreign currencies 2/	0.0	0.0	0.0	482.5	482.5	482.5	574.8	574.8	287.4
Claims on the private sector and public enterprises 3/	514.5	622.5	686.8	774.8	1,335.3	1,976.6	1,677.5	1,978.8	2,341.9
Claims on public enterprises	3.9	9.2	11.9	75.8	86.7	342.8	223.4	259.8	252.8
Claims on private sector	510.6	613.3	674.9	699.0	1,248.5	1,633.8	1,454.1	1,719.0	2,089.1
Claims on foreign exchange bureaus 4/	0.0	0.0	0.0	173.8	268.8	237.9	183.3	183.3	183.3
Other items (net)	-173.1	-179.3	-107.5	-303.5	-454.3	-977.2	-622.0	-565.9	-728.3
Broad money	1,311.6	1,470.3	1,982.4	2,367.4	3,202.5	4,593.0	5,432.0	6,145.2	6,936.4
Currency outside banks	347.6	379.7	540.3	600.8	797.4	1,182.9	1,416.3	1,424.2	1,532.6
Deposits	964.0	1,090.6	1,442.1	1,766.5	2,405.2	3,410.2	4,015.7	4,721.0	5,403.8
Memorandum items:									
Nominal GDP (calendar year)	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,025.9	12,036.6	13,180.0	14,332.6
(percentage change)	7.2	9.9	9.4	21.8	12.3	36.1	20.1	9.4	8.7
Velocity (calendar-year GDP/average broad money)	3.6	3.6	3.0	3.2	2.7	2.6	2.4	2.3	2.1
Reserve money multiplier (broad money/reserve money)	2.5	2.4	2.8	2.8	2.8	2.5	2.6	2.7	2.9
	Change (in percent of beginning-of-year stocks)								
Broad money	10.2	12.1	34.8	19.4	35.3	43.4	18.3	13.1	12.9
Reserve money	7.2	14.5	16.8	21.0	34.1	62.7	11.0	11.9	5.5
Total deposits	16.2	13.1	32.2	22.5	36.2	41.8	17.8	17.6	14.5
Contribution to growth of broad money	(In percent of beginning-of-period broad money, unless otherwise noted)								
Net foreign assets	11.9	0.9	22.5	-33.8	13.0	28.2	28.8	0.3	6.9
Net domestic assets	-1.7	11.2	12.3	53.2	22.3	15.2	-10.5	12.8	6.0
Domestic credit	6.2	11.7	7.4	63.1	28.6	31.5	-18.3	11.8	8.6
Claims on government (net)	0.5	3.4	3.1	49.9	1.0	12.5	-10.6	6.3	2.7
Claims on government (net) 1/	0.5	3.4	3.1	25.5	1.0	12.5	-12.6	6.3	7.4
Advances to the government in foreign currencies 2/	0.0	0.0	0.0	24.3	0.0	0.0	2.0	0.0	-4.7
Claims on the private sector and public enterprises 3/	5.6	8.2	4.4	4.4	23.7	20.0	-6.5	5.5	5.9
Claims on public enterprises	0.2	0.4	0.2	3.2	0.5	8.0	-2.6	0.7	-0.1
Claims on private sector	5.4	7.8	4.2	1.2	23.2	12.0	-3.9	4.9	6.0
Claims on foreign exchange bureaus 4/	0.0	0.0	0.0	8.8	4.0	-1.0	-1.2	0.0	0.0
Other items (net)	-7.8	-0.5	4.9	-9.9	-6.4	-16.3	7.7	1.0	-2.6
Credit to the private sector and public enterprises									
Twelve-month change (in percent)	15.00	21.00	10.32	12.81	72.35	48.03	-15.13	17.96	24.92
In percent of GDP	11.50	12.60	12.76	11.82	18.13	19.70	13.94	15.02	16.34
Percent ratios									
Currency outside banks/broad money	26.50	25.83	27.25	25.38	24.90	25.75	26.07	23.18	22.10
Currency outside banks/deposits	36.05	34.82	37.46	34.01	33.15	34.69	35.27	30.17	28.36
Deposits/broad money	73.50	74.17	72.75	74.62	75.10	74.25	73.93	76.82	77.90

Sources: Gambian authorities; and IMF staff estimates.

1/ Excluding advances to the government in foreign currencies.

2/ 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.

3/ 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.

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

Table 23. The Gambia: Summary Accounts of the Central Bank, 1998–June 2006

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec.	2005 Dec.	2006 Jun.
	(In millions of dalasis; end of period)								
Net foreign assets	1,047.1	1,059.2	1,314.4	698.3	816.2	847.5	1,757.8	2,132.3	2,295.4
Foreign assets	1,184.9	1,206.0	1,594.2	1,136.8	1,563.7	1,928.6	2,492.5	2,718.2	2,843.4
Foreign liabilities	-137.8	-146.8	-279.8	-438.5	-747.4	-1,081.1	-734.7	-585.9	-548.0
Net domestic assets	-521.4	-457.5	-611.7	152.3	324.3	1,008.4	303.0	174.3	138.3
Domestic credit	-537.5	-572.7	-778.1	138.8	381.1	1,229.8	195.9	-29.2	17.1
Claims on government (net)	-519.2	-545.6	-732.4	-3.1	184.9	840.5	-186.8	-413.8	-366.8
Claims on government (net) 1/	-519.2	-545.6	-732.4	-485.6	-297.6	358.0	-761.6	-988.6	-654.2
Advances to the government in foreign currencies 2/	0.0	0.0	0.0	482.5	482.5	482.5	574.8	574.8	287.4
Claims on private sector	20.9	21.9	22.7	24.0	23.7	24.8	28.8	30.8	30.1
Claims on banks (net)	-39.1	-49.0	-68.4	-55.9	-96.3	-10.3	33.6	33.6	33.6
Claims on public enterprises 3/	0.0	0.0	0.0	0.0	0.0	136.9	136.9	136.9	136.9
Claims on foreign exchange bureaus 4/	0.0	0.0	0.0	173.8	268.8	237.9	183.3	183.3	183.3
Other items (net)	16.0	115.2	166.4	13.4	-56.8	-221.4	107.1	203.5	121.2
Reserve money	525.6	601.7	702.7	850.5	1,140.5	1,855.9	2,060.7	2,306.6	2,433.7
Currency outside banks	347.6	379.7	540.3	600.8	797.4	1,182.9	1,416.3	1,424.0	1,532.6
Bank reserves	178.1	221.9	162.4	249.7	343.2	673.0	644.5	882.4	901.1
Cash	14.6	32.3	35.2	55.1	52.0	68.0	69.3	113.4	136.8
Deposits at the central bank	163.5	189.6	127.3	194.6	291.2	605.0	575.2	769.0	764.3
Required reserves	135.0	152.7	201.9	247.3	336.7	613.8	722.8	849.8	972.7
Excess reserves	43.1	69.2	-39.5	2.4	6.4	59.2	-78.4	32.6	-71.6
Contribution to growth of reserve money	(In percent of beginning-of-period reserve money)								
Reserve money	7.2	14.5	16.8	21.0	34.1	62.7	11.0	11.9	5.5
Currency in circulation outside banks	-2.6	6.1	26.7	8.6	23.1	33.8	12.6	0.4	4.7
Bank reserves	9.8	8.3	-9.9	12.4	11.0	28.9	-1.5	11.5	0.8
Cash	-2.9	3.4	0.5	2.8	-0.4	1.4	0.1	2.1	1.0
Deposits at the central bank	12.7	5.0	-10.4	9.6	11.4	27.5	-1.6	9.4	-0.2
Net foreign assets	35.0	2.3	42.4	-87.7	13.9	2.7	49.0	18.2	7.1
Net domestic assets	-27.8	12.2	-25.6	108.7	20.2	60.0	-38.0	-6.2	-1.6
Domestic credit	-20.4	-6.7	-34.1	130.5	28.5	74.4	-55.7	-10.9	2.0
Claims on government (net)	-12.9	-5.0	-31.1	103.8	22.1	57.5	-55.4	-11.0	2.0
Claims on government (net) 1/	-12.9	-5.0	-31.1	35.1	22.1	57.5	-60.3	-11.0	14.5
Advances to the government in foreign currencies 2/	0.0	0.0	0.0	68.7	0.0	0.0	5.0	0.0	-12.5
Claims on banks (net) 3/	-7.5	-1.9	-3.2	1.8	-4.8	7.5	2.4	0.0	0.0
Claims on private and public enterprises	0.0	0.0	0.2	0.1	0.0	12.1	0.2	0.1	0.0
Claims on public enterprises	0.0	0.0	0.0	0.0	0.0	12.0	0.0	0.0	0.0
Claims on private enterprises	0.0	0.2	0.1	0.2	0.0	0.1	0.2	0.1	0.0
Claims on foreign exchange bureaus 4/	0.0	0.0	0.0	24.7	11.2	-2.7	-2.9	0.0	0.0
Other items (net)	-7.3	18.9	8.5	-21.8	-8.3	-14.4	17.7	4.7	-3.6

Sources: Gambian authorities; and IMF staff estimates.

1/ Excluding advances to the government in foreign currencies.
2/ 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.
3/ 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.
4/ Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 24. The Gambia: Summary Accounts of the Commercial Banks, 1998–June 2006
(In millions of dalasis)

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec.	2005 Dec.	2006 Jun.
Net foreign assets	-70.3	-70.4	5.3	-47.8	142.0	1,013.9	1,426.7	1,068.4	1,329.4
Foreign assets	71.9	126.1	137.5	128.1	568.1	1,055.6	1,507.2	1,105.9	1,362.6
Foreign liabilities	-142.2	-196.5	-132.1	-175.8	-426.1	-41.7	-80.5	-37.5	-33.2
Net domestic assets	1,034.3	1,161.0	1,436.8	1,814.3	2,263.2	2,396.3	2,589.0	3,652.6	4,074.4
Domestic credit	1,006.3	1,184.5	1,479.8	1,825.6	2,221.2	2,468.9	2,707.3	3,573.3	4,056.4
Claims on government (net)	512.7	583.9	815.8	1,074.9	909.7	654.0	1,195.6	1,762.2	1,881.6
Claims on private sector and public enterprises	493.7	600.6	664.0	750.7	1,311.5	1,814.9	1,511.7	1,811.1	2,174.8
Claims on public enterprises	3.9	9.2	11.9	75.8	86.7	205.9	86.5	122.9	115.9
Claims on private sector	489.8	591.4	652.2	674.9	1,224.8	1,609.0	1,425.3	1,688.2	2,059.0
Of which: in foreign currency	0.0	0.0	0.0	94.8	94.6	...	...	...	...
Reserves	178.1	221.9	162.4	249.7	343.2	673.0	644.5	882.4	901.1
Cash	14.6	32.3	35.2	55.1	52.0	68.0	69.3	113.4	136.8
Deposits at the central bank	163.5	189.6	127.3	194.6	291.2	605.0	575.2	769.0	764.3
Net claims on central bank	39.1	49.0	68.4	55.9	96.3	10.3	-33.6	-33.6	-33.6
Other items (net)	-189.2	-294.5	-273.9	-316.9	-397.5	-755.9	-729.2	-769.4	-849.5
Total deposit liabilities	964.0	1,090.6	1,442.1	1,766.5	2,405.2	3,410.2	4,015.7	4,721.0	5,403.8
Of which: foreign currency deposits	0.0	0.0	0.0	0.0	273.4	895.2	675.4	701.8	852.8
Demand deposits	279.0	336.3	443.3	524.7	959.4	1,690.1	1,691.4	1,896.4	2,155.4
Savings deposits	462.3	556.1	705.5	831.9	1,084.2	1,374.6	1,786.0	1,955.6	2,246.1
Time deposits	222.7	198.1	293.3	410.0	361.6	345.4	538.3	869.0	1,002.3
Memorandum items:									
Credit to the private sector and public enterprises	493.6	600.6	664.0	750.7	1,311.5	1,814.9	1,511.7	1,811.1	2,174.8
Twelve-month change (in percent)	15.8	21.7	10.6	13.1	74.7	38.4	-16.7	19.8	27.3
In percent of GDP	11.0	12.2	12.3	11.5	17.8	18.1	12.6	13.7	15.2

Sources: Gambian authorities.

Table 25. The Gambia: Monthly Interest Rates on Treasury Bills, January 1998–June 2006 1/
(In percent per annum)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	16.0	14.0	12.5	12.0	15.0	20.0	31.0	28.0	15.0
February	16.0	14.0	12.5	12.5	15.0	20.0	31.0	28.0	14.9
March	16.0	14.0	12.0	12.5	15.0	23.0	31.0	26.0	14.9
April	16.0	14.0	12.0	12.5	15.0	24.0	31.0	26.0	15.8
May	16.0	14.0	12.0	12.5	15.0	24.0	31.0	26.0	15.4
June	16.0	14.0	12.0	12.5	15.0	25.0	31.0	26.0	14.5
July	16.0	13.5	12.0	12.5	15.0	26.0	31.0	22.0	...
August	16.0	13.5	12.0	12.5	15.0	31.0	31.0	18.0	...
September	16.0	13.5	12.0	12.5	15.0	31.0	31.0	18.0	...
October	15.5	13.5	12.0	15.0	18.0	31.0	30.0	18.0	...
November	14.5	13.5	12.0	15.0	19.0	31.0	30.0	16.0	...
December	14.0	12.5	12.0	15.0	20.0	31.0	30.0	16.0	...

Source: Central Bank of The Gambia.

1/ Weighted average for all maturities.

Table 26. The Gambia: Structure of Interest Rates, 1998–March 2006
(In percent per annum; end of period)

	1998	1999	2000	2001	2002	2003	2004	2005	March 2006
Commercial bank lending rates 1/									
Agriculture	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-30.0	21-30.0
Manufacturing	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-30.0	21-30.0
Building	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-31.0	21-31.0
Trading	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-31.0	21-31.0
Tourism	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-31.0	21-31.0
Other	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5	21-36.5	21-31.0	21-31.0
Deposits									
Short-term deposit account	9.0	7.0	7.0	7.0	7.0	6.5	6.5	1.25-4.0	1.25-4.0
Savings bank account	9.5-11.5	9.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	8.0-17.0	10.0-17.0	5.0-10.0	5.0-10.0
Time deposits									
Three months	11.5-12.5	9.5-12.5	9.5-12.5	9.5-12.5	6.0-13.0	7.0-22.0	8.0-22.0	5.0-14.0	5.0-14.0
Six months	11.5-12.5	10.2-12.5	10.0-12.5	10.0-12.5	6.0-13.0	8.0-22.0	8.0-22.0	7.0-15.0	7.0-15.0
Nine months	12.0-15.0	11.0-12.5	10.8-12.5	10.8-12.5	7.0-13.0	8.0-22.0	8.0-22.0	7.0-14.0	7.0-14.0
Twelve months and over	12.0-15.0	12.0-12.5	11.0-12.5	11.0-12.5	7.0-13.0	10.0-22.0	12.0-23.0	7.0-17.0	7.0-17.0
Government									
Treasury bills 2/	14.0	12.5	12.0	15.0	20.0	31.0	30.0	16.0	14.9
Government development loans									
1994-99	15.5	15.5	15.0	15.0	15.0	...	...	...	...
1999-2002	…	14.0-15.5	14.0-15.5	14.0-15.5	...	...	...	...	...
2005	...	...	...	...	15.5-20.0	15.5-20.0	15.5-20.0	15.5-20.0	15.5-20.0
Central bank									
Bank rate	12.0	10.5	10.0	13.0	18.0	29.0	28.0	14.0	12.0
Secondary market operations									
Rediscount rate	17.0	15.5	15.0	18.0	23.0	34.0	33.0	19.0	17.0

Source: Central Bank of The Gambia.

1/ One commercial bank retains historical nonperforming loans on its books that were made at 9 percent.
2/ Weighted average for all maturities.

Table 27. The Gambia: Distribution of Commercial Bank Credit by Sector, 1998–March 2006

	1998	1999	2000	2001	2002	2003	2004	2005	March 2006
					(In millions of dalasis)				
Agriculture	64.9	48.4	102.8	39.6	71.7	139.5	181.4	301.0	419.7
Fishing	10.8	1.0	3.5	5.5	5.9	10.5	16.7	32.0	32.8
Mining and quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Building and construction	33.1	32.3	51.1	58.4	78.4	95.0	89.1	144.4	144.6
Transportation	26.3	49.7	27.7	50.2	93.6	150.8	128.0	133.4	127.1
Distributive trade	253.0	297.2	311.9	349.6	540.0	598.2	499.4	478.7	535.1
Tourism	23.1	24.7	25.0	32.8	21.5	100.1	102.9	75.4	164.8
Personal loans	141.1	113.5	107.9	196.1	314.4	399.5	367.6	533.9	380.9
Other	38.3	53.8	47.2	60.6	212.0	372.3	228.9	283.9	350.2
Total	590.6	620.7	677.0	792.8	1,337.4	1,865.8	1,613.9	1,982.6	2,155.2
					(In percent of total credit)				
Agriculture	11.0	7.8	15.2	5.0	5.4	7.5	11.2	15.2	19.5
Fishing	1.8	0.2	0.5	0.7	0.4	0.6	1.0	1.6	1.5
Mining and quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Building and construction	5.6	5.2	7.5	7.4	5.9	5.1	5.5	7.3	6.7
Transportation	4.4	8.0	4.1	6.3	7.0	8.1	7.9	6.7	5.9
Distributive trade	42.8	47.9	46.1	44.1	40.4	32.1	30.9	24.1	24.8
Tourism	3.9	4.0	3.7	4.1	1.6	5.4	6.4	3.8	7.6
Personal loans	23.9	18.3	15.9	24.7	23.5	21.4	22.8	26.9	17.7
Other	6.5	8.7	7.0	7.6	15.9	20.0	14.2	14.3	16.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of The Gambia.

Table 28. The Gambia: Liquidity Position of Commercial Banks, 1998–June 2006
(End-of-period data; in millions of dalasis, unless otherwise specified)

	1998	1999	2000	2001	2002	2003	2004	2005	June 2006
Liquid assets	657.1	798.8	1,034.6	1,368.0	972.3	1,707.4	2,162.7	2,150.8	3,171.2
Reserves	85.3	129.0	108.5	174.3	76.8	1,045.9	1,358.7	1,469.8	2,440.0
Deposits at central bank	163.5	187.5	127.0	196.3	292.2	592.1	573.9	762.3	853.0
Cash holdings	14.6	26.1	35.6	55.6	49.8	68.0	69.0	112.4	142.0
Foreign cash holdings	7.2	15.8	20.9	17.1	63.9	167.5	203.9	179.5	108.2
Foreign bank balances	-99.9	-100.5	-75.0	-94.8	-329.1	218.3	511.9	415.5	1,336.8
Treasury bills	570.3	667.3	923.6	1,191.2	893.0	659.0	801.5	678.5	728.7
Government development stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liquid assets	1.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Required cash reserves	130.1	149.4	188.0	236.0	291.2	596.1	684.2	792.4	921.0
Excess cash reserves 1/	-44.8	-20.4	-79.5	-61.7	-214.4	449.8	674.5	677.4	1,519.0
Required liquid assets 2/	288.1	318.3	408.5	511.7	689.3	1,003.6	1,162.2	1,331.2	1,539.8
Excess liquidity 3/	369.1	480.5	626.0	856.3	283.0	703.8	1,000.5	819.6	1,631.4
Required reserves/total deposits (in percent)	14.0	14.0	14.0	14.0	14.0	18.0	18.0	18.0	18.0
Memorandum item:									
Total deposit liabilities	964.1	1,090.6	1,442.0	1,767.0	2,405.0	3,410.2	4,015.7	4,721.0	5,403.8

Source: Central Bank of The Gambia.

1/ Actual reserves less required reserves.
2/ Based on statutory requirements of 30 percent of total liabilities to the public.
3/ Liquid assets less statutory requirement.

Table 29. The Gambia: Commercial Banks, December 2005
(In Thousands of dalasis, unless otherwise specified)

	Year of Establishment	Shareholders 1/		Capital and Reserves	Total Deposits	Total Loans	Number of Branches	Minimum Deposits 3/
		Public	Private 2/					
Standard Chartered Bank (Gambia)	1895	…	100	308,135	1,890,765	446,829	5	4,000
International Bank for Commerce and Industry	1968	…	100	98,567	340,186	174,702	4	150
Trust Bank Limited	1997	…	100	278,163	1,620,119	916,092	11	1,500
Arab Gambia Islamic Bank	1996	…	100	37,072	350,146	223,712	3	1,000
First International Bank	1999	…	100	57,064	154,262	88,123	3	500
Guaranty Trust Bank (Gambia) Limited	2002	…	100	61,211	308,803	131,487	3	500
International Commercial Bank	2005	…	100	61,881	58,973	8,336	0	1,000

Source: Central Bank of The Gambia.

1/ In percent.
2/ Including Social Security and Housing Finance Corporation (SSHFC).
3/ In dalasis.

Table 30. The Gambia: Distribution of Outstanding Government Securities, 1998–June 2006
(In million of dalasis, unless otherwise indicated; end of period)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	
									Mar.	Jun.
Government treasury bills	1,020.8	1,201.6	1,564.0	1,919.5	2,117.6	1,948.1	3,018.5	3,809.0	3,677.6	3,742.9
(as percent of total government securities)	89.0	90.4	92.4	93.7	94.2	93.8	96.4	99.7	99.7	99.7
Central bank	1.3	12.4	2.4	30.7	197.1	192.2	80.9	110.3	111.8	46.9
Commercial banks	503.6	582.4	814.2	1,073.4	908.1	648.5	1,190.1	1,762.2	1,838.5	1,881.6
Nonbanks	515.9	606.9	747.3	815.4	1,012.4	1,107.5	1,747.5	1,936.6	1,727.3	1,814.4
Of which: public enterprises	429.2	516.3	625.3	692.2	848.8	881.5	1,098.0	1,156.0	1,066.0	1,103.5
Government development stocks	24.4	23.2	23.2	23.2	23.2	23.2	23.2	11.9	11.9	11.9
Central bank	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	5.5	5.5	5.5	5.5	5.5	5.5	5.5	0.0	0.0	0.0
Nonbanks	7.8	17.7	17.7	17.7	17.7	17.7	17.7	11.9	11.9	11.9
O f which: public enterprises	7.3	17.7	17.7	17.7	17.7	17.2	17.2	11.9	11.9	11.9
Government discount note series	101.6	103.8	106.3	106.3	106.3	106.3	90.8	0.0	0.0	0.0
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanks	101.6	103.8	106.3	106.3	106.3	106.3	90.8	0.0	0.0	0.0
Of which : public enterprises	100.4	102.4	102.4	102.4	102.4	102.4	88.0	0.0	0.0	0.0
Total government securities	1,146.8	1,328.6	1,693.5	2,049.0	2,247.1	2,077.6	3,132.4	3,820.9	3,689.5	3,754.7
Central bank	12.4	12.4	2.4	30.7	197.1	192.2	80.9	110.3	111.8	46.9
Commercial banks	509.1	587.9	819.7	1,078.9	913.6	654.0	1,195.6	1,762.2	1,838.5	1,881.6
Nonbanks	625.3	728.3	871.4	939.4	1,136.4	1,231.5	1,855.9	1,948.4	1,739.2	1,826.3
Of which : public enterprises	536.9	636.3	745.4	812.3	968.8	1,001.1	1,203.2	1,167.9	1,077.9	1,115.4
As a percent of total government securities										
Central bank	1.1	0.9	0.1	1.5	8.8	9.3	2.6	2.9	3.0	1.2
Commercial banks	44.4	44.2	48.4	52.7	40.7	31.5	38.2	46.1	49.8	50.1
Nonbanks	54.5	54.8	51.5	45.8	50.6	59.3	59.2	51.0	47.1	48.6
Of which: public enterprises	46.8	47.9	44.0	39.6	43.1	48.2	38.4	30.6	29.2	29.7
In percent of GDP	25.6	27.0	31.5	31.3	30.5	20.7	26.0	29.0	25.7	26.2

Sources: Gambian authorities; and IMF staff estimates.

Table 31. The Gambia: Balance of Payments, 1998–2005
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005
Trade balance	-78.9	-68.7	-63.3	-50.0	-62.4	-60.0	-108.4	-135.2
Exports, f.o.b.	130.4	120.2	126.6	102.1	109.3	101.0	127.0	144.5
Groundnuts/groundnut products	12.5	9.9	13.7	18.0	24.0	9.1	16.9	1.9
Other domestic exports	8.6	5.9	7.4	8.3	7.1	8.4	9.0	9.9
Reexports	109.3	104.4	105.4	75.8	78.2	83.5	101.2	132.7
Imports, c.i.f.	-209.3	-188.9	-189.9	-152.1	-171.6	-161.0	-235.4	-279.7
For domestic use	-124.0	-111.4	-113.6	-96.2	-114.0	-100.2	-165.7	-181.8
Of which: oil products	-13.7	-10.5	-22.6	-9.2	-16.7	-16.0	-33.8	-45.3
For reexport	-85.3	-77.5	-76.3	-55.9	-57.7	-60.7	-69.7	-97.9
Factor services (net)	-20.0	-21.1	-20.5	-23.1	-22.4	-19.1	-19.9	-15.6
Nonfactor services	49.7	43.8	28.7	27.4	31.6	27.4	37.7	40.3
Of which: travel income	69.2	63.8	47.7	47.9	47.7	51.1	57.5	62.2
Private unrequited transfers (net)	3.5	3.8	10.6	3.5	3.6	3.7	3.9	14.6
Official unrequited transfers (net)	35.6	30.0	31.3	31.4	39.2	30.0	39.6	29.1
Current account balance								
Excluding official transfers	-45.7	-42.2	-44.5	-42.2	-49.6	-48.0	-86.7	-95.9
Including official transfers	-10.1	-12.2	-13.2	-10.8	-10.4	-18.0	-47.1	-66.8
Capital account	17.3	7.5	6.0	22.8	9.9	6.7	68.0	82.5
Official loans (net)	5.4	2.7	6.6	8.4	18.9	16.1	24.9	25.2
Project related	14.2	13.7	20.7	24.8	47.4	26.5	39.2	39.8
Amortization	-8.8	-11.0	-14.1	-16.4	-29.7	-10.3	-14.4	-14.6
Private capital inflow								
Foreign direct investment (net)	15.6	0.4	15.8	10.2	12.9	12.7	49.7	46.4
Other investment (net)	-3.6	4.4	-16.4	4.3	-22.0	-22.1	-6.5	10.9
Of which : suppliers' credits	3.6	3.3	3.3	16.9	-12.3	4.3	6.3	6.6
Unaccounted-for loss in official reserves	0.0	0.0	0.0	-28.5	0.5	0.0	0.0	0.0
Errors and omissions	-0.8	-0.6	17.4	-39.6	-0.1	6.3	12.0	-0.7
Overall balance (excl. PRSP)	6.5	-5.3	10.1	-56.1	-0.1	-4.9	32.9	15.0
Financing	-6.5	5.3	-10.1	56.1	0.1	4.9	-32.9	-15.0
Change in gross official reserves (increase = -)	-5.5	4.8	-16.9	47.1	-4.2	4.2	8.3	-2.4
Of which								
Repurchases/repayments (IMF)	-4.9	-3.5	-1.6	-0.2	0.0	0.0	-11.2	-2.0
Purchases/loans (IMF)	4.7	4.7	9.1	8.7	3.7	0.0	0.0	0.0
Exceptional financing 1/	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Memorandum items:								
Current account balance (in percent of GDP)								
Excluding official transfers	-10.9	-9.8	-10.6	-10.1	-13.4	-13.6	-21.6	-20.8
Including official transfers	-2.4	-2.8	-3.1	-2.6	-2.8	-5.1	-11.8	-14.5
Gross official reserves (end of period)								
In millions of U.S. dollars	102.0	98.0	111.4	63.0	67.2	62.3	84.0	97.0
In months of imports, c.i.f.	5.8	6.2	7.0	5.0	4.7	4.6	4.3	4.2
External debt-service ratio 2/								
Including the Fund	11.1	11.8	15.4	16.4	15.6	7.7	14.5	11.0
Excluding the Fund	8.4	9.6	14.3	16.3	15.4	7.6	8.9	10.1

Sources: Gambian authorities; and IMF staff estimates.

1/ Includes debt relief by Paris Club; interim relief by multilaterals is treated as grants.
2/ For 1998-2001, as a percentage of exports of goods and travel income; and from 2002 onward, as a percentage of exports of goods and nonfactor services, after interim debt relief and HIPC Initiative grants. Excludes any accumulation of external arrears.

Table 32. The Gambia: Composition of Merchandise Exports, 1998–2005
(In thousands of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	2005 Prel.
Total exports, f.o.b.	130,352	120,192	126,579	102,084	109,282	100,986	127,044	144,465
Groundnut products	12,464	9,916	13,738	17,951	23,999	9,143	16,897	1,860
Fish and fish products	3,130	3,154	2,562	2,277	1,071	421	0	0
Fruit and vegetables	1,714	1,641	3,561	4,467	4,089	5,100	6	77
Cotton products	1,422	307	171	421	319	235	6,045	6,683
Other domestic products	2,311	793	1,104	1,118	1,614	2,634	3,158	3,111
Reexports	109,312	104,381	105,442	75,849	78,190	83,454	101,190	132,733

Sources: Gambian authorities; and IMF staff estimates.

Table 33. The Gambia: Composition of Merchandise Imports, 1998–2005
(In thousands of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	2005
Total imports, c.i.f. 1/	209,287	188,912	189,895	152,126	171,647	160,980	235,430	279,657
Food and live animals	71,096	61,721	59,800	29,642	37,581	40,456	64,687	…
Beverages and tobacco	6,989	7,288	4,527	13,782	8,231	8,592	12,374	…
Raw materials	2,496	3,203	1,526	3,799	7,188	3,922	5,134	…
Minerals, fuel, lubricants, and related materials	13,418	10,640	22,627	9,160	17,008	21,777	23,921	…
Animal and vegetable oils	9,277	5,856	6,023	7,252	6,078	6,104	11,404	…
Chemicals	12,324	14,133	13,154	8,701	16,201	9,965	17,414	…
Manufactured goods classified by material	22,652	22,272	23,162	17,823	24,294	18,481	30,617	…
Machinery and transport equipment	47,234	39,034	35,820	36,755	27,262	26,325	42,778	…
Miscellaneous manufactured articles	19,497	23,308	21,561	12,557	15,563	14,559	24,536	…
Commodities and transactions not classified according to kind	4,222	2,489	1,660	5,188	700	2,426	3,738	…

Source: Gambian authorities.

1/ Data do not include the imports of three generators in 2001, and some of the imports of Youth Development Enterprise (YDE) during 2001-2003. Data for 2004 are converted from the Harmonized System codes.

Table 34. The Gambia: Direction of Trade, 1998–2005 1/
(In percent of total)

	1998	1999	2000	2001	2002	2003	2004	2005
Exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial countries	81.9	75.1	76.7	78.9	78.0	47.4	55.0	29.3
Of which								
United States	0.4	3.2	0.7	2.1	1.0	0.0	1.2	1.0
Japan	1.7	2.2	8.0	2.1	0.5	1.6	2.2	2.2
EU-25	80.1	70.7	67.7	67.0	76.3	46.2	53.2	26.3
Developing countries	18.1	24.9	23.3	21.1	22.0	52.6	45.0	70.7
Of which								
Africa	10.9	18.1	8.5	7.9	4.8	8.0	9.8	14.2
Of which								
Ghana	1.0	1.8	0.4	0.7	0.7	1.4	0.9	1.3
Guinea	2.5	4.2	0.2	0.1	0.1	0.4	0.6	1.0
Guinea Bissau	2.5	2.8	0.6	1.1	1.2	2.2	1.4	2.1
Senegal	2.3	6.4	0.3	0.0	0.6	0.1	3.7	4.6
Asia	3.3	5.8	6.5	10.1	16.2	40.6	33.5	54.5
Of which								
China	2.2	1.5	0.1	0.0	0.0	7.7	0.3	0.6
Hong Kong SAR	0.5	0.8	1.8	0.9	1.0	1.9	0.3	0.6
India	0.0	0.4	0.7	1.1	10.5	19.6	23.0	40.4
Thailand	0.2	0.2	0.8	3.1	0.6	3.2	5.7	3.7
Other	3.9	1.1	8.3	3.0	1.1	4.0	1.7	2.0
Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial countries	42.3	57.4	35.0	39.1	35.3	35.0	28.9	28.4
Of which								
United States	3.2	5.0	2.5	2.3	2.5	5.8	4.4	5.2
Japan	2.2	3.2	2.0	1.3	1.6	1.1	0.6	0.6
EU-25	36.6	50.3	30.1	35.2	30.5	27.9	23.9	21.9
Developing countries	57.6	42.6	65.0	60.9	64.7	65.0	71.1	71.6
Of which								
Africa	11.7	8.7	17.1	14.2	16.7	15.9	19.7	24.0
Of which								
Côte d'Ivoire	4.5	4.1	3.9	3.3	4.8	3.5	3.4	8.4
Guinea	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Senegal	5.4	2.3	10.9	7.4	8.8	9.1	12.3	11.3
Asia	39.0	20.3	38.3	34.3	35.6	36.4	35.3	33.3
Of which								
China	17.0	6.4	20.3	20.0	21.6	25.3	23.6	21.3
Hong Kong SAR	11.5	4.4	8.6	4.3	3.4	3.0	2.3	1.5
India	5.2	4.3	5.1	4.7	3.7	3.0	2.7	2.9
Thailand	1.0	1.2	1.0	2.1	1.3	0.8	1.0	2.5
Other	6.9	13.6	9.5	12.4	12.3	12.7	16.0	14.3

Source: IMF, *Direction of Trade Statistics.*

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

Table 35. The Gambia: Foreign Trade Indicators, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
	(Annual percentage changes)							
Value (in U.S. dollar terms)								
Exports, f.o.b.	19.9	-7.8	5.3	-19.4	7.1	-7.6	25.8	13.7
Groundnuts 1/	158.3	-20.4	38.6	30.7	33.7	-61.9	84.8	-89.0
Other domestic exports	-6.7	-31.3	25.5	12.0	-14.4	18.3	6.8	10.2
Reexports	15.4	-4.5	1.0	-28.1	3.1	6.7	21.3	31.2
Travel income	9.2	-7.8	-25.1	0.3	-0.3	7.1	12.4	8.1
Imports, c.i.f.	20.3	-9.7	0.5	-19.9	12.8	-6.2	46.2	18.8
For domestic use	17.6	-10.1	2.0	-15.3	18.5	-12.1	65.3	9.7
Of which: oil products	12.0	-23.4	116.2	-59.5	82.4	-4.2	110.5	34.2
For reexports	24.5	-9.2	-1.5	-26.7	3.1	5.3	14.8	40.4
Price indices (in U.S. dollar terms)								
Exports, f.o.b.	-2.0	-6.3	-5.1	-2.4	5.3	15.3	8.8	-10.7
Groundnuts 1/	-9.1	-11.9	-2.9	-17.1	39.1	-11.5	50.5	-94.5
Other domestic exports	-0.4	-21.0	8.1	8.4	8.0	18.0	8.1	3.8
Reexports	-10.1	0.7	-3.3	-4.1	3.1	12.3	13.9	27.4
Travel income	1.0	-30.7	17.7	3.0	-4.6	-5.1	11.2	-11.4
Imports, c.i.f.	-5.0	-1.6	-0.7	-3.1	3.0	11.3	12.2	7.6
For domestic use	-6.3	2.0	2.7	-3.2	3.0	11.5	14.8	10.1
Of which: oil products	-32.1	37.5	57.0	-13.8	2.5	15.8	48.4	41.3
For reexports	-3.1	-4.2	-5.7	-2.2	3.1	10.9	7.8	1.7
Volume indices								
Exports, f.o.b.	22.4	-1.6	11.0	-17.4	1.7	-19.8	15.6	27.3
Groundnuts 1/	184.2	-9.7	42.7	57.7	-3.9	-57.0	22.8	99.2
Other domestic exports	-6.3	-13.0	16.0	3.3	-20.7	0.3	-1.3	6.1
Reexports	28.4	-5.2	4.4	-25.0	0.0	-5.0	6.5	3.0
Travel income	8.1	33.0	-36.4	-2.6	4.5	12.9	1.1	22.0
Imports, c.i.f.	26.7	-8.3	1.2	-17.3	9.5	-15.8	30.4	10.4
For domestic use	25.6	-11.9	-0.8	-12.5	15.0	-21.2	43.9	-0.4
Of which: oil products	65.0	-44.3	37.7	-52.9	77.8	-17.3	41.9	-5.0
For reexports	28.4	-5.2	4.4	-25.0	0.0	-5.0	6.5	38.0
Terms of trade								
Domestic trade 2/	11.8	-18.0	-3.5	0.7	8.3	18.2	-10.2	-14.3
Total trade	3.1	-4.9	-4.4	0.8	2.2	5.0	-4.7	-6.9
	(In percent of GDP)							
Exports, f.o.b.	30.2	28.6	30.1	24.4	29.6	28.6	31.7	31.3
Groundnuts 1/	2.9	2.4	3.3	4.3	6.5	2.6	4.2	0.4
Other domestic exports	2.0	1.4	1.8	2.0	1.9	2.4	2.2	2.1
Reexports	25.3	24.8	25.1	18.1	21.1	23.6	25.2	28.8
Travel income	16.0	15.1	11.3	11.5	12.9	14.5	14.3	13.5
Imports, c.i.f.	48.5	44.9	45.1	36.4	46.4	45.6	58.7	60.7
Of which: for domestic use	28.7	26.5	27.0	23.0	30.8	28.4	41.3	39.4

Sources: Gambian authorities; and IMF staff estimates.

1/ Including undecorticated groundnut exports.
2/ Pertains to exports of domestically produced goods.

Table 36. The Gambia: Public External Debt Outstanding and Debt Service, 1998–2005
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004	2005
External public debt	460.7	452.0	454.3	458.3	481.1	511.6	580.7	628.2
Medium- and long-term	450.4	441.6	443.0	440.1	455.2	479.7	545.8	603.4
IMF	10.2	10.4	11.3	18.1	25.9	31.9	34.9	24.8
External public debt service 1/	20.0	15.7	16.5	16.4	18.3	22.0	34.5	26.3
Principal	16.8	9.7	11.1	11.2	11.6	13.7	25.9	16.9
Medium- and long-term	8.8	6.1	9.5	11.0	11.6	13.7	14.2	15.8
IMF repayments	5.1	3.5	1.6	0.2	0.0	0.0	11.7	2.0
Interest	6.0	6.1	5.4	5.2	6.7	8.3	8.5	8.6
Medium- and long-term	5.6	5.6	4.8	4.2	5.2	7.3	6.2	7.5
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF interest	0.6	0.5	0.6	1.0	1.5	1.0	2.3	1.1
IMF	5.6	4.0	2.2	1.2	1.5	1.0	14.1	3.0
Others	14.4	11.7	14.3	15.2	16.8	21.0	20.4	23.3
Memorandum items:								
External public debt (in percent of GDP)	106.7	107.4	107.9	109.7	130.1	144.9	144.9	136.3
Debt service (in percent of GDP)	4.6	3.7	3.9	3.9	4.9	6.2	8.6	5.7
Debt-service ratio 2/	10.3	11.0	14.2	15.1	15.6	7.7	14.5	11.0
IMF	2.5	2.0	1.0	0.4	0.2	0.1	5.7	0.9
Others	7.9	8.9	13.2	14.7	15.4	7.6	8.9	10.1
IMF repayments and interest								
(in percent of total debt-service payments)	28.2	25.4	13.2	7.3	8.1	4.7	40.8	11.6
(in percent of gross international reserves)	5.5	4.1	2.0	1.9	2.2	1.6	16.7	3.1

Sources: Staff estimates based on 1999 debt-stock data at decision point; and submissions by the authorities on subsequent disbursements and debt-servicing.

1/ Debt service presented on a commitment basis and includes payments to Alimenta.
2/ In percent of exports and nonfactor servcies.

Table 37. The Gambia: Exchange Rate Indicators, 1998–June 2006

(Period average)

	Market Rate: Dalasis per U.S. Dollar	Market Rate: Dalasis per SDR	Exchange Rate Index: Dalasis per SDR (2000=100)	Nominal Effective Exchange Rate (2000=100)	Real Effective Exchange Rate (2000=100)
1998	10.64	14.44	85.61	107.84	107.24
1999	11.40	15.58	92.39	102.88	104.67
2000	12.79	16.86	100.00	100.00	100.00
2001	15.69	19.97	118.42	85.65	86.92
2002	19.92	25.79	152.93	66.46	71.68
2003	27.31	38.20	226.49	42.27	51.84
2004	30.03	44.50	263.90	37.48	51.20
2005	28.58	42.22	250.33	39.07	53.47
1998					
1st quarter	10.54	14.18	84.10	110.45	106.87
2nd quarter	10.56	14.15	83.90	109.76	108.54
3rd quarter	10.65	14.28	84.68	108.71	109.40
4th quarter	10.82	15.16	89.89	102.44	104.15
1999					
1st quarter	11.08	15.31	90.81	103.07	104.99
2nd quarter	11.30	15.22	90.28	104.24	105.90
3rd quarter	11.55	15.71	93.14	102.50	104.39
4th quarter	11.66	16.08	95.35	101.70	103.41
2000					
1st quarter	11.83	16.00	94.89	102.73	103.83
2nd quarter	12.40	16.45	97.53	101.74	102.45
3rd quarter	12.73	16.66	98.77	101.73	101.23
4th quarter	14.20	18.28	108.42	93.80	92.50
2001					
1st quarter	14.96	19.32	114.56	88.48	89.48
2nd quarter	15.38	19.38	114.94	88.73	89.57
3rd quarter	15.85	20.14	119.40	84.50	85.76
4th quarter	16.56	21.03	124.72	80.90	82.88
2002					
1st quarter	17.60	21.99	130.39	76.80	81.19
2nd quarter	18.66	23.85	141.40	70.87	75.02
3rd quarter	20.40	26.99	160.02	62.72	67.42
4th quarter	23.01	30.59	181.41	55.47	63.08
2003					
1st quarter	24.65	33.74	200.05	49.82	57.89
2nd quarter	27.15	37.91	224.81	43.83	53.21
3rd quarter	27.53	38.27	226.95	39.12	49.13
4th quarter	29.90	43.04	255.23	36.32	47.13
2004					
1st quarter	30.08	44.82	265.77	37.09	49.57
2nd quarter	30.02	43.86	260.08	38.09	52.02
3rd quarter	30.04	44.05	261.19	37.88	52.48
4th quarter	29.97	45.29	268.56	36.87	50.73
2005					
1st quarter	29.48	44.88	266.14	36.79	50.49
2nd quarter	28.59	42.64	252.85	38.78	53.10
3rd quarter	28.10	41.05	243.39	40.07	54.95
4th quarter	28.13	40.36	239.32	40.63	55.35
2006					
1st quarter	28.15	40.55	240.46	40.15	54.34
2nd quarter	28.07	41.34	245.13	39.26	52.92

Sources: Central Bank of The Gambia; and IMF, *International Financial Statistics.*

Table 38. The Gambia: Interbank and Parallel Market Exchange Rates, 1998–June 2006 1/
(Dalasis per unit of foreign currency, unless otherwise indicated; end of period)

		U.S. Dollar			Euro			U.K. Pound Sterling			CFA Franc 2/		
		Interbank	Parallel	Spread (in percent)	Interbank	Parallel	Spread (in percent)	Interbank	Parallel	Spread (in percent)	Interbank	Parallel	Spread (in percent)
1998	March	10.53	10.87	3.23	…	…	…	16.84	17.53	4.10	88.76	89.25	0.55
	June	10.59	10.87	2.64	…	…	…	17.00	17.53	3.12	87.51	89.25	1.99
	September	10.68	10.87	1.78	…	…	…	17.08	17.53	2.63	91.20	89.25	-2.14
	December	10.99	11.45	4.17	…	…	…	17.35	18.53	6.80	95.55	99.50	4.13
1999	March	11.07	11.45	3.41	…	…	…	17.85	18.40	3.09	93.37	95.50	2.29
	June	11.30	12.30	8.84	…	…	…	18.12	19.40	7.06	94.42	95.50	1.14
	September	11.66	12.33	5.76	…	…	…	17.96	19.18	6.81	95.22	94.00	-1.28
	December	11.55	12.20	5.65	…	…	…	18.65	19.20	2.96	92.91	94.50	1.71
2000	March	12.14	13.20	8.74	…	…	…	18.58	20.55	10.58	94.92	94.50	-0.44
	June	12.65	13.80	9.11	…	…	…	19.53	20.78	6.38	94.74	97.50	2.91
	September	13.52	15.05	11.31	…	…	…	20.91	21.88	4.62	95.48	100.00	4.73
	December	14.89	15.55	4.45	…	…	…	21.09	22.40	6.19	95.50	106.50	11.52
2001	March	15.14	15.14	0.02	…	…	…	21.57	22.20	2.93	97.41	106.50	9.33
	June	15.50	16.75	8.05	…	…	…	21.44	23.40	9.12	105.84	108.50	2.52
	September	16.25	17.05	4.92	…	…	…	21.83	24.48	12.12	106.63	117.50	10.19
	December	16.93	18.13	7.05	…	…	…	25.01	25.55	2.17	120.89	120.50	-0.33
2002	March	17.82	19.23	7.89	15.72	…	…	25.81	27.20	5.39	120.36	126.50	5.10
	June	19.14	19.68	2.82	17.34	…	…	27.40	28.92	5.52	124.23	134.40	8.19
	September	21.79	23.70	8.77	20.99	…	…	32.60	36.13	10.80	168.53	172.00	2.06
	December	23.39	24.75	5.80	23.64	…	…	35.49	38.13	7.43	174.45	187.75	7.62
2003	March	26.00	27.75	6.71	27.23	…	…	40.00	42.35	5.88	205.24	221.00	7.68
	June	27.88	…	…	32.09	…	…	44.79	…	…	218.94	…	…
	September	33.43	…	…	37.27	…	…	53.01	…	…	273.57	…	…
	December	30.96	…	…	35.90	…	…	51.91	…	…	220.19	…	…
2004	March	30.11	…	…	36.84	…	…	53.71	…	…	265.34	…	…
	June	30.06	…	…	36.13	…	…	53.79	…	…	260.86	…	…
	September	30.02	…	…	36.17	…	…	54.08	…	…	269.72	…	…
	December	29.67	…	…	37.75	…	…	54.67	…	…	281.83	…	…
									…	…		…	…
2005	January	29.63	…	…	37.63	…	…	54.61	…	…	277.25	…	…
	February	29.49	…	…	37.69	…	…	54.54	…	…	275.86	…	…
	March	29.22	…	…	37.47	…	…	54.32	…	…	285.21	…	…
	April	28.70	…	…	37.19	…	…	54.25	…	…	272.36	…	…
	May	28.48	…	…	36.26	…	…	52.31	…	…	274.99	…	…
	June	28.15	…	…	34.21	…	…	50.81	…	…	271.70	…	…
	July	28.08	…	…	34.32	…	…	49.45	…	…	246.32	…	…
	August	28.05	…	…	34.20	…	…	49.89	…	…	253.69	…	…
	September	28.19	…	…	34.17	…	…	50.22	…	…	249.61	…	…
	October	28.09	…	…	34.24	…	…	49.73	…	…	252.56	…	…
	November	28.16	…	…	33.81	…	…	49.60	…	…	253.73	…	…
	December	28.13	…	…	33.71	…	…	49.79	…	…	251.90	…	…
2006	January	28.19	…	…	34.27	…	…	50.19	…	…	259.94	…	…
	February	28.14	…	…	33.56	…	…	49.36	…	…	251.69	…	…
	March	28.14	…	…	33.86	…	…	49.22	…	…	256.62	…	…
	April	28.16	…	…	33.92	…	…	49.72	…	…	252.08	…	…
	May	28.03	…	…	35.13	…	…	51.63	…	…	263.28	…	…
	June	28.05	…	…	34.92	…	…	51.01	…	…	267.35	…	…

Source: Gambian authorities.

1/ Mid-market exchange rates defined as the mid-point between the buying and selling rates.
2/ Dalasis per CFAF 5,000.

Table 39. The Gambia: Summary of Tax System[1]

(As of January 01, 2006)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits			
1.1 Taxes on companies and Corporations (company tax)	Tax on companies having income accruing in, derived from, brought into, or received in The Gambia. "Company" is defined as any company or corporation incorporated or registered in The Gambia or elsewhere. Profit of a life insurance company is defined as investment income less management expenses (including commission). Where premiums are received outside The Gambia, the profit is taken to be the same proportion of the company's total investment income as The Gambia premiums bear to the total premiums, less The Gambia agency expenses and a fair proportion of the head office expenses. For other insurance companies having profits arising partly outside The Gambia, the profit for tax purposes is based on the gross premiums, interest, and other income received or receivable in The Gambia (adjusted for premiums returned, reinsurances, and unexpired risks). The actual losses, agency expenses in The Gambia, and a fair proportion of head office expenses are deductible. Companies exploiting a mine, oil well,	Income exempted includes the income or profits of (a) a local authority, district authority, government institution; the Central Bank of The Gambia; (b) a registered cooperative society; (c) an ecclesiastical, charitable, or educational institution of a public character where such income is not derived from a trade or business; (d) a body of persons (which excludes companies and partnerships) formed for the purpose of promoting social or sporting amenities not involving gain by the body or its members; (e) a registered trade union insofar as such income is not derived from a trade or business; (f) the operation of ships or aircraft carried on by a nonresident person subject to an equivalent exemption being granted by the country of his residence to persons resident in The Gambia; and (g) the investment income of an approved pension or provident society fund. Deductions allowed include (a) the written-down value (after deductions for depreciation) of plant, machinery, or fixtures sold or discarded, less any sum realized by the sale of an asset (or its market value if greater). The excess of the sale price (or market value) over the	35 percent of net profits or 2 percent of turnover, whichever is higher. However, small companies incorporated and controlled in The Gambia after 1954 may benefit from relief as follows: (a) for the year of assessment in which the company commences trading and the subsequent year at a rate equal to the full rate of tax; (b) for the next two assessment years at a rate equal to the full rate of tax; and (c) for the next two assessment years at a rate equal to one-third of the rate of tax. Such relief is subject to a reduction as follows: where the company's chargeable income exceeds D5,000 the amount of chargeable income to be wholly or partly relieved from tax is restricted to any balance of such D5,000 remaining after deducting one-half of the amount by which such chargeable income exceeds D5,000. Relief is given only if the company (a) is engaged in a manufacturing activity approved by the Minister of

Tax	Nature of Tax	Exemptions and Deductions	Rates
	or other sources of mineral deposits of an exhaustible nature are granted a depletion allowance. Expenditure taken into account for this purpose includes expenditure on acquisition of the deposits, on exploitation, and on the construction of works that will be of little or no value when the mineral source is no longer worked; it does not include expenditure on the acquisition of any site, on machinery or plant, on works for processing the raw products, or on buildings for workers or for use as offices. Provision is made for an initial allowance of 25 percent of the capital expenditure on the construction of works and 20 percent for plant and machinery, and an annual allowance for any qualifying expenditure of 4 percent or 15 percent determined according to a special formula. There is also a balancing allowance on the sale by a going concern of any assets representing qualifying expenditure equal to the excess, if any, of the residual of the expenditure on those assets over the proceeds of their sale. Conversely, a balancing charge applies on the amount by which the proceeds exceed the residual. The full profits of a nonresident ship-owner or charterer arising from the carriage of passengers, mail, livestock, or goods shipped in The Gambia are taxable there, except where the profits arise from	written-down value is treated as income up to the excess of the original cost over the written-down value; (b) expenditure on repair of premises, plant, machinery, or fixtures, and for the renewal, repair, or alterations of articles used in acquiring the income; (c) deduction of allowances in respect of capital expenditure on, and depreciation by wear and tear of, plant, machinery, or fixtures arising from their use in a trade, business, profession, vocation, or employment: (i) an initial allowance of 20 percent of the total cost (after deducting any sum contributed by another person), and (ii) an annual allowance of such sum as the Commissioner considers reasonable. Where the assets and the business, etc., do not have the same ownership, the deduction may not reduce the written-down value to less than the market value of the assets at the end of the relevant period; (d) subject to certain limitations, contributions by employers to pension and provident funds, approved by the Commissioner; (e) a deduction of a reasonable amount for the depreciation by wear and tear of premises, buildings, structures, and works of a permanent nature used for commercial, industrial, or banking purposes (including property used for the occupation or welfare of employees and property owned by property-dealing companies); the amount allowable is limited to: (i) 4 percent of the capital cost for the period in which it was incurred; and (ii) for subsequent years, ar	Finance and (b) is not eligible for concessional treatment under the Development Act. For companies in the following sectors: health, education, agriculture, agrotech, fish processing, aquaculture, hotels, inland tourism, manufacturing, and development banking, commencing business in the years of assessment 1998 and thereafter, the tax payable shall be as follows: (i) two-thirds of the tax rate of 35 percent for the first three years after commencement; (ii) thereafter, one-third of the tax rate of 35 percent from the fourth to the sixth year after commencement; and (iii) after the sixth year the full tax rate of 35 percent shall be payable, (iv) companies in these sectors will not be subject to turnover tax.

Tax	Nature of Tax	Exemptions and Deductions	Rates
	passengers, brought in solely for transshipment, or from a casual call. Similar provisions apply to the profits of air transport and cable and wireless telegraph undertakings carried on by nonresidents. Starting in 1998, an accelerated capital allowance, to be determined by the Commissioner, shall be granted for companies operating in the following sectors: health, education, agriculture, agrotech, fish processing, aquaculture, new hotels, inland tourism, manufacturing, and development banking.	annual allowance of 4 percent of the written-down value. However, for property other than mills, factories, and similar property, the erection of which commenced before January 2, 1953, the annual allowance is limited to 2 percent of the written-down value; and (f) any loss on the sale, demolition, or permanent disuse of property, etc., for which a deduction as at (e) has been given. The allowance given is equal to the written-down value (calculated by reference to such deductions less the proceeds of sale or any recoveries under an insurance policy. The excess of any such proceeds or recoveries over the written-down value is liable to capital gains tax (see below, 1.31).	
1.2 Taxes on individuals			
1.2.1 Individual income tax	Tax on income accruing in, derived from, brought into, or received in The Gambia. Temporary residents who have no intention of establishing residence, and who have not resided in The Gambia for a period equal in aggregate to six months in the year of assessment, are not taxed on income arising outside and received in The Gambia. Income, wherever received, from any employment exercised in The Gambia is treated as having been derived there. The income other than the earned income of a married woman living with her husband is deemed to	Exemptions include (a) the official salaries and emoluments of the President (and his leave emoluments) or acting President and diplomatic staff; (b) certain lump sums received by way of retirement or death gratuities arising out of compensation schemes, and any sums payable to public officers as a gratuity under any contract or service agreement; (c) lump sums withdrawn by individuals on retirement from any pension, provident, or other approved society or fund; (d) wound and disability pensions granted to members of Commonwealth forces; (e) pensions	Either (a) *Income range* — Tax Rate *Percent* 0 to D7,500 — 0 D7,501 - 17,500 — 10 D17,501 - 27,500 — 15 D27,501 - 37,500 — 20 D37,501 - 47,500 — 25 Over D47,500 — 35 Or (b) 3 percent of turnover or gross receipts, whichever is the higher.

Tax	Nature of Tax	Exemptions and Deductions	Rates
	be the income of her husband. The earned income of a married woman is assessed in her hands separately. Income includes (a) gains or profits from any trade, profession, or vocation; (b) gains or profits from any employment including allowances paid in money other than reimbursements for expenditure actually incurred, but excluding (i) the value of any quarters or residence if the employee earns less than D625 a month or is employed by a government or quasi-government corporation, etc., or approved nonprofit-making institution, and (ii) the value of any passage from or to The Gambia provided by the employer and the amount of any reimbursement of expenses actually incurred; (c) dividends, interest, or discounts—the income of a shareholder in a company controlled by not more than five persons may be deemed to include undistributed income of the company; (d) pensions, charges, or annuities; (e) rents, royalties, premiums, and any other profits arising from property, but excluding the annual value of owner-occupied property; and (f) income arising outside The Gambia and brought therein, except accumulated and taxed profits abroad. For residential properties, a withholding tax of 10 percent of gross rents is	granted under certain legislation concerning widows and orphans; (f) the income of bona fide students in full-time attendance at a school, training center, etc.; (g) certain emoluments payable to noncitizens under an agreement with another government, organization, etc., for technical assistance; etc.; and (h) income from employment, trade, business, or profession exercised outside The Gambia and received therein. A standard deduction of D7,500 is allowed to every taxpayer, starting January 1993.	Standard allowance: D7,500.

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

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2.2 Withholding at source	(a) Monthly deductions from public emoluments, subject to adjustment when the liability is finally determined. Any other employer is obliged to collect the tax payable by an employee in monthly installments, as prescribed by the Commissioner; (b) persons paying mortgage or debenture interest, deductible in ascertaining their income to nonresidents; (c) companies resident in The Gambia on dividends paid to shareholders (the tax so deducted can be credited against the shareholder's tax liability); (d) the Commissioner may, if necessary, appoint any person as the agent of a taxpayer for the purposes of the act and require him to pay any tax due from any money, including remuneration or pensions, payable from him to the taxpayer. Pensions are no longer taxable.		
1.2.3 Capital gains tax	Tax on net capital gains arising from transfer of capital assets (namely, premises, buildings, or land, structures or works, and permanent fixtures) or on the selling price of transferred capital assets, whichever is higher. Transfers include sale, exchange, or extinction of interest or compulsory acquisition of capital assets. Gains include those	Capital losses can be offset against capital gains in the same year of assessment. Gains on transfer of land used for agricultural purposes and property being used for residential purposes are not chargeable if owner occupied the house/land for two years before sale and reinvested profits within three years of sale.	Gains of D5,000 and below are exempt. Rates of tax: companies, 25 percent of net gains or 10 percent of selling price; individuals, 15 percent of net gains or 5 percent of selling price.

Tax	Nature of Tax	Exemptions and Deductions	Rates
	arising from transfer of assets under a gift or will and distribution of assets or dissolution of business.		
2. Payroll tax	Fixed annual levy on expatriates in executive, managerial, and supervisory grades in commerce and industry.	Expatriates in the public service, international organizations, and charitable institutions are exempt.	Reduced to D20,000 per person from D30, 000, effective January 2001; further reduced to D10,000 per person from January 2002.
3. Taxes on goods and services			
3.1 Turnover tax	Tax on turnover of parastatals and other government institutions in surplus positions and which are exempted by legislation from payments of taxes on profits.		2 percent for audited accounts or 3 percent for noncomplying companies.
3.2 Sales tax	Tax imposed on the sale price of all goods manufactured or imported and on services such as hotel accommodations, telecommunications, insurance, air services, restaurants and bars, cinematographs, night clubs and casinos, and gambling houses.	(a) Educational, technical, cultural, and religious institutions; (b) food and drinks not imported or industrially processed; (c) feeds for animals; (d) semi finished products to produce (b) and (c); (e) medicines; (f) production equipment, excluding office equipment, motor vehicles, and electric generators; (g) butane gas and gas cookers; (h) school textbooks; (i) imported day-old chicks; and (j) packaging and freight for exports.	15 percent for imports. 15 percent for domestic manufacturing and services, except for 18 percent for telecommunication services (GAMTEL and others).
3.3 Selective taxes on activities			
3.3.1 Business and professional licenses			

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.3.1.1 Business registration tax	Business registration fee.		Annual fees are set at D1,000 for externally registered firms with local branches, D500 for local companies and partnerships, and D250 for other local businesses. Nonincorporated shopkeepers at the wholesale level are assessed an annual fee of D500, while retail shopkeepers with a turnover of more than D10,000 per year are assessed a fee of D200; those with turnover below D10,000 are assessed a fee of D150.
3.3.1.2 Professional tax	Tax on professionals working in the country. This tax is tied to the issue of an annual license that is renewable and levied on doctors, lawyers, accountants, and surveyors.		D10,000 per annum. Currently not applicable.
3.3.2 Motor vehicle taxes			
3.3.2.1 Motor vehicle licenses	License fee on the gross weight of commercial goods vehicles, the carrying capacity of commercial passenger vehicles, and the net weight of private vehicles.		Commercial goods vehicles: D137.85 per year on trucks not exceeding 100 cwt. Gross weight to D278.58 per year on trucks in the 100-120 cwt. Weight bracket, with D11.98 per 5 cwt. Additional on trucks over 120 cwt. and D25 additional on vehicles over

Tax	Nature of Tax	Exemptions and Deductions	Rates
			125 cwt. Trailers: D19.97 per cwt.
			Commercial passenger vehicles: D149.83 per year for three-passenger vehicles to D433.35 per year for buses carrying more than 24 passengers.
			Private vehicles: D96.85 per year on cars not exceeding 20 cwt. to D168.75 per year on cars in the 40-50 cwt. weight bracket. Motor scooters: D40.97 per year.
			Motorcycles: D48.96 per year. There are also corresponding half-yearly or December-only rates.
3.3.2.2 Road tax	Additional to vehicle licenses.		Motorcycles D20 per year; private motor vehicles D70 per year; commercial taxis, D150 per year; and commercial trucks and buses D1,050 per year.
3.3.2.3 Driving license			D20 per year.

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. Taxes on international trade and transactions			
4.1 Import duties 4.1.1 Customs duties	Tax on value of imported goods to be declared on customs entries. Normally for goods imported under a contract of sale negotiated in fully open market conditions, the value is represented by the price made under that contract, adjusted as necessary to a c.i.f. basis. Items are identified by the Harmonized Commodity Description and Coding System identify items. If there is no invoice, the value is the price that the goods would fetch on sale in the open market in The Gambia, including freight, insurance, commission, and all other costs up to the port or place of importation. A levy of sales tax on the total earnings of lawyers was introduced effective August 1998.	General exemptions include goods in transit; goods for use as aircraft's or ship's stores; advertising material having no commercial value as such; mosquito-proof gauze and netting; personal effects; certain goods imported by, or on behalf of, the government, privileged persons (within prescribed limits), and institutions; and certain goods (building materials, plant, and machinery) purchased by the holders of development certificates during their tax holiday period.	For all goods, there is one unified tariff rate irrespective of country of origin, ranging from 0 percent to 20 percent. Generally, luxury goods are charged an excise tax, in addition to the maximum duty rate. These commodities include liquor, cigarettes, and vehicles. Effective January 2006, excise taxes (revenue tax) are charged at D50/kg net for cigarettes, D70/liter for beer, D50/liter for 10wine spirit, D5/liter for mineral water, soft drinks, and canned fruit, and 5 percent of the c.i.f. value for vehicles. As per end-2003, these taxes are not levied on domestic goods. An environmental tax is charged on nonmanufactured tobacco at D13.02/kg, and at D1,000 for used motor vehicles. Duties on fuel are calculated according to a formula agreed with the oil companies based on specific duty rates. The National Water and Electricity Company pays 18 percent of the normal duty rate on imports of

Tax	Nature of Tax		Exemptions and Deductions	Rates
				petroleum products. Customs processing fees are charged at 1.55 percent of c.i.f. and ECOWAS duty at 0.50 percent of c.i.f.
5. Other taxes				
5.1 Stamp duties	Instruments Subject to Duty	Persons Liable	General exemptions include (a) instruments effecting the payment of money to or for acknowledging any such payment to, or receipt by, or on behalf of, the government; (b) instruments for the conveyance of any property or any interest therein to the government; (c) instruments whereby any contract is made by the government or on its behalf with another person; (d) contracts or instruments made or executed by any responsible officer of the government under the authority of any act; (e) instruments of which the duty would be payable by any consular officer arising out of his official functions, subject to reciprocity by the government he represents; and (f) instruments for the acquisition of land by any foreign state for the purpose of a consular office, subject to reciprocity. Certain other exemptions are provided within the categories of instruments generally liable to duty.	Rates of duty are specific and vary according to the nature of the instrument, the matter to which it relates, and the value thereof. Stamp duty on tenancy agreement was reduced from 40 percent to 20 percent, effective January 2001.
	Agreements	Partial thereto		
	Awards	Person making or executing the award		
	Bills of exchange	Drawer or acceptor		
	Conveyances	Transferee		
	Insurance policies	Issuer		
	Leases mortgages	lessee or tenant mortgagees		
Development Act, 1988	Tax Incentives			

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

Tax	Nature of Tax	Exemptions and Deductions	Rates
	partial exemption of customs duties on the following items: (i) the approved capital equipment, plant, building material, machinery, and appliances to be used in establishing the project; and (ii) the approved quantity of semi finished products, spare parts, and other supplies to be used in the production operations; and (b) the total or partial exemption from payment of company tax or turnover tax. The tax credit certificate shall indicate the amount of money the Government should forgo, and the holder of a Development Certificate may, at the end of the tax holiday period, set off unused tax credits against future tax or customs duty liabilities. The Development Certificate does not confer any special status with respect to the income tax.		

[1] A new Income and Sales Tax Act has been passed but not yet implemented. Implementation of the new Act is likely to take place after the appointment of a new Commissioner General of the Revenue Authority