

**The Gambia: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for The Gambia**

In the context of the first review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for a waiver and modification of performance criteria, the following documents have been released and are included in this package:

- The staff report for the First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on June 23, 2007, with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 14, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the views of the Executive Board as expressed during its discussion of the staff report that completed the review and request.
- A statement by the Executive Director for The Gambia.

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

Letter of Intent, sent to the IMF by the authorities of The Gambia\*  
Memorandum of Economic and Financial Policies by the authorities of The Gambia\*  
Technical Memorandum of Understanding\*

\*Also included in Staff Report

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

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THE GAMBIA

**First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria**

Prepared by the African Department

(In consultation with other departments)

Approved by Sharmini Coorey and Matthew Fisher

August 14, 2007

- Discussions on the first review under the Poverty Reduction and Growth Facility (PRGF) arrangement were held in Banjul during June 8–23, 2007. The mission team met with Mr. Bala-Gaye (Secretary of State for Finance and Economic Affairs), Mr. Jatta (Governor, Central Bank of The Gambia (CBG)), other senior government officials, members of the national assembly, and representatives of the business, civil society, and donor communities.
- The mission team comprised Messrs. Tsikata (head), Srour, Sriram (all AFR), Marsh (PDR), and Segura (Resident Representative). Ms. Lephoto (OED) and World Bank staff participated in the discussions.
- A three-year PRGF arrangement for The Gambia was approved by the Executive Board in February 2007 in the amount of SDR 14 million (45 percent of quota).
- The Gambia reached the enhanced Heavily Indebted Poor Countries (HIPC) Initiative decision point in December 2000, and is expected to reach the completion point before the end of 2007.

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## Executive Summary

**The Gambia has enjoyed robust growth and relatively low inflation over the last few years.** Real GDP growth averaged 6.2 percent during 2004–06, and is expected to reach 7 percent in 2007. Consumer inflation has been on the rise in the first half of 2007 but is expected to be contained at an average rate of 5 percent for the year as a whole.

**Overall performance under the program has been strong.** All but one of the quantitative performance criteria and indicative targets were met. Fiscal performance has been impressive, reflecting higher-than-projected revenues and strengthened expenditure control. However, two (out of eight) structural performance criteria were not observed.

**The medium-term macroeconomic framework underlying the program has been modified slightly.** Larger surpluses on the fiscal basic balance are programmed to allow for the clearance of recently discovered domestic expenditure arrears. At the same time, increased availability of external financing allows for a more gradual adjustment in the external current account.

**Maintaining fiscal discipline remains key to lowering domestic public debt and protecting poverty-reducing expenditures.** Fiscal adjustment is designed to lower domestic interest rates in order to stimulate private investment and growth. The Integrated Financial Management Information System introduced in January 2007 has been instrumental in keeping expenditures in line with appropriations, and for monitoring PRSP-related expenditures.

**The current monetary policy stance is broadly appropriate.** The central bank increased its rediscount rate from 14 percent to 15 percent in late-June, in response to evidence of rising inflation. However, a favorable outlook for inflation suggests that there may be no need for further tightening in the second half of the year.

**The authorities should rely on grants and, as a second best, on highly concessional loans for the external financing of their development programs.** Preliminary results of a debt sustainability analysis (DSA) discussed with the authorities suggest that The Gambia will remain at a high risk of debt distress even after receiving HIPC and MDRI relief.

**The Gambia appears to have satisfied all but one of the HIPC completion point conditions.** The authorities hope to reach completion point before the end of 2007.

## I. BACKGROUND

1. **The Gambia's PRGF-supported program aims at consolidating recent macroeconomic achievements and promoting growth and poverty reduction.** Fiscal adjustment is needed to lower domestic public debt and interest rates in order to stimulate private investment. Structural reforms under the program include measures to strengthen public financial management and accountability, enhance internal controls and the operational independence of the Central Bank of The Gambia (CBG), and reduce lending risk faced by banks. The program's objectives are drawn from the country's second Poverty Reduction Strategy Paper (PRSP II) covering 2007–11.<sup>1</sup>

## II. RECENT ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

2. **Macroeconomic stability over the last few years has helped sustain capital inflows and boosted economic activity.** Real GDP growth has been robust, averaging an annual rate of 6.2 percent during 2004–06, and is expected to reach 7 percent in 2007. Growth has been led by strong performance in the tourism, construction, and telecommunications sectors.

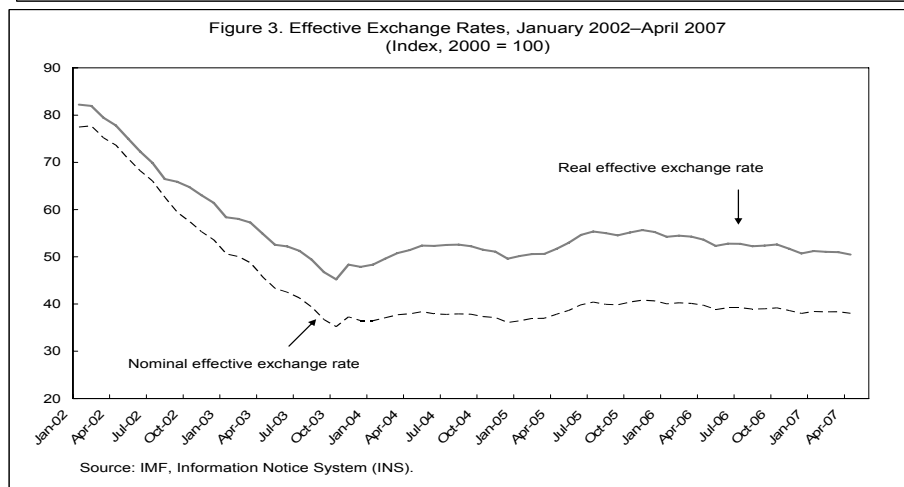
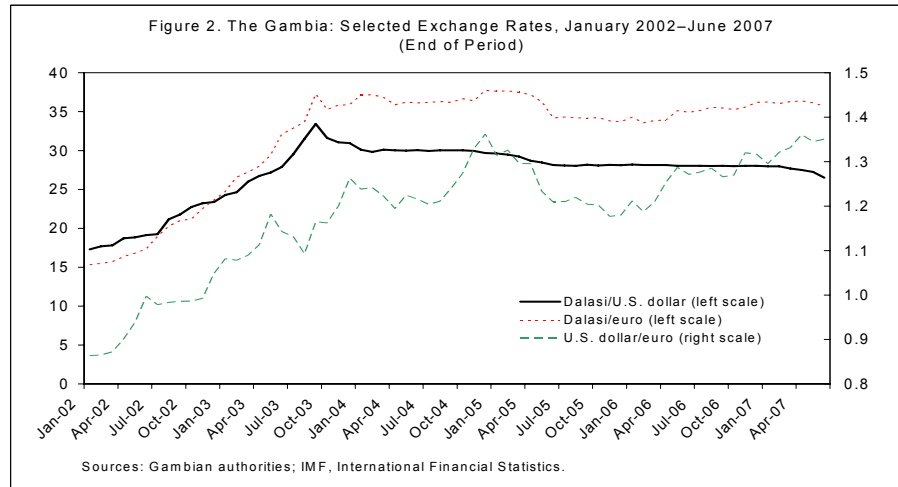
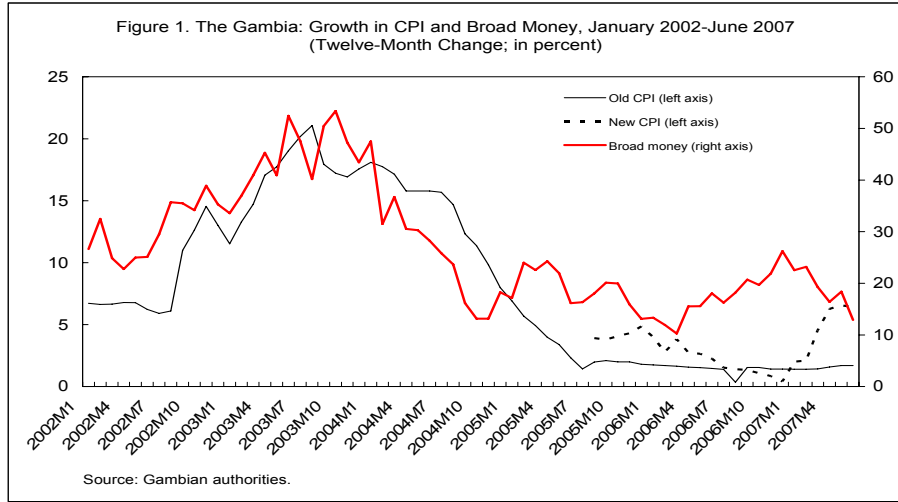
3. **Consumer price inflation accelerated in the first half of 2007, reflecting sharp increases in the prices of some imported food items.** A new consumer price index (CPI) indicates that year-on-year inflation rose to over 6 percent in the second quarter of 2007 (Figure 1).<sup>2</sup> The recent price increases reflect, in part, temporary disruptions in imports of some foodstuffs (e.g., due to unrest in Guinea) and increases in the world market price (e.g., rice).

4. **A slowdown in broad money growth and appreciation of the dalasi bode well for containing inflation.** The annual rate of growth in broad money fell from 26 percent in December 2006 to 13 percent in June 2007, reflecting a slow down in the accumulation of net foreign assets by the banking system. Lending to the private sector also grew more slowly as banks reduced their exposure to the groundnuts sector. The dalasi appreciated slightly against the US dollar and euro in the first half of 2007 (Figure 2). However, the nominal and real effective exchange rates have been broadly stable (Figure 3).

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<sup>1</sup> PRSP II and an accompanying Joint Staff Advisory Note were issued to the Board in June 2007 (see [www.imf.org](http://www.imf.org)).

<sup>2</sup> Publication of the new index started in April 2007. It is based on the results of the 2003 national integrated household survey and so is more representative of current consumption patterns than the old index which was based on a survey of low-income households in the Greater Banjul area in 1974.



5. **The external current account deficit (including official transfers) narrowed in 2006, driven by higher export and tourism earnings.** Groundnut exports recovered from the collapse of 2005, and tourist arrivals reached record levels during the 2006/07 season. The current account deficit has been financed largely by inflows of foreign direct investment and official loans (Figure 4).

6. **Fiscal performance improved in 2006 and was significantly stronger than expected in the first half of 2007.** The basic balance, a measure of the domestic fiscal adjustment effort, moved into surplus in 2006 and was in line with preliminary estimates.<sup>3</sup>

The overall deficit was higher than initially estimated as updated information showed considerably higher externally-financed capital spending. In the first half of 2007, the basic balance registered a surplus of 3 percent of full-year GDP—twice the level targeted under the program. The strong outcome reflects higher-than-projected revenue, driven by strong economic activity, improvement in tax collection, and late payment of telecommunication license fees that were due in 2006.

The Gambia: Summary of Central Government Operations, 2006–07  
(Percent of GDP)

	2005		2006		2007H1		2007	
	Act.	Prog.	Act.	Prog.	Prel.	Prog.	Rev.	
Revenue	19.7	21.6	21.2	10.7	11.8	21.3	22.0	
Grants	1.7	0.8	1.7	3.0	1.6	8.6	8.5	
Expenditure and net lending	30.0	27.1	29.2	14.3	10.6	28.4	28.7	
Current expenditure	18.4	18.9	18.1	7.9	7.9	15.5	15.4	
Of which: domestic interest payments	6.8	4.9	4.8	2.1	1.9	3.9	3.8	
Capital expenditure	11.0	7.7	10.5	6.0	2.3	12.0	12.5	
Of which: externally financed	10.2	6.8	9.9	5.2	1.9	10.2	11.2	
Net lending	-0.2	0.4	0.4	0.2	0.5	0.5	0.5	
Contingency	0.0	0.2	0.1	0.2	0.0	0.4	0.3	
Basic balance <sup>1</sup>	-0.1	1.3	1.5	1.5	3.0	3.1	4.4	
Overall balance	-8.6	-4.7	-6.3	-0.6	2.8	1.4	1.8	
Statistical discrepancy	-0.5	0.4	-0.5	0.0	-0.2	0.0	-0.2	
Financing	9.2	4.5	6.8	0.6	-2.6	-1.4	-1.6	
External (net)	5.5	2.2	5.2	0.6	-0.9	1.6	3.2	
Domestic	3.7	2.4	1.6	0.0	-1.7	-3.0	-4.8	
Of which: net borrowing	3.3	2.6	2.4	1.0	0.0	-1.1	-2.2	
Of which: change in arrears (- decrease)	0.0	-1.2	-1.6	-1.1	-1.7	-2.1	-2.7	

Sources: Gambian authorities; IMF staff estimates and projections.

<sup>1</sup>Domestic revenue minus expenditure and net lending, excluding externally financed capital expenditures.

7. **Estimates of pre-2006 domestic arrears have increased by D246 million (1.7 percent of GDP), reflecting new verified claims associated with road construction projects.** The authorities intend to clear all these arrears by 2008.

8. **The CBG's monetary operations in late-2006 and early 2007 sent confusing signals about its monetary policy stance.** Apparently, in December 2006, an estimation error led the CBG to purchase from the interbank foreign exchange market, about \$12 million more than it needed to meet its international reserves target. Subsequent attempts by the CBG to mop up the liquidity it had injected caused yields on treasury bills to rise steadily. However, the CBG left its rediscount rate unchanged until late June 2007 (Figure 5).

<sup>3</sup> The basic balance excludes externally-financed capital spending.

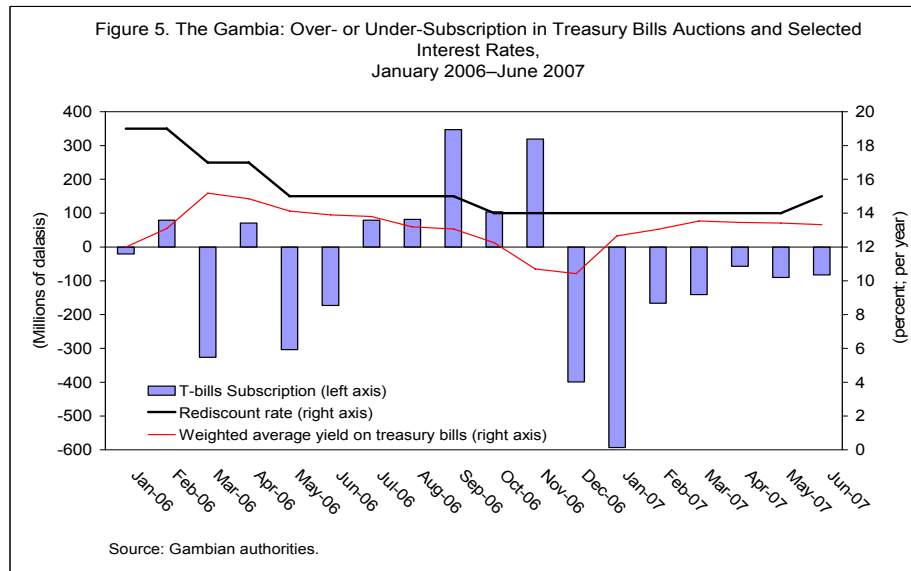
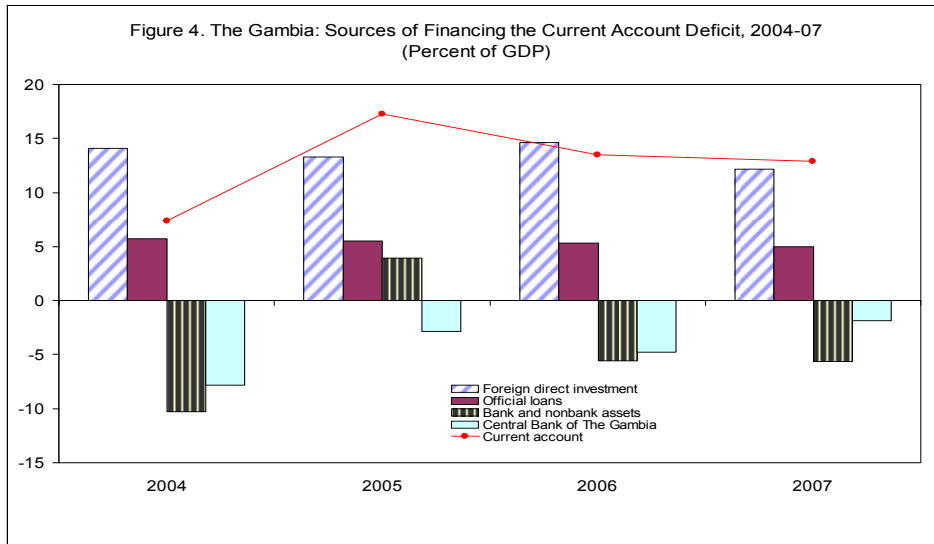


9. **Overall performance under the program has been strong; all the quantitative targets and most of the structural conditions for the first half of 2007 were met (MEFP, Tables 1 and 2).** However, a payment to the World Bank that was due at end-July was cleared in early August, thus leading to the nonobservance of the continuous performance criterion on the accumulation of new external payments arrears. All the structural measures, except two performance criteria, were implemented on time. One of these—submission of a special audit report on monetary data—was late because of delays in confirmations of account balances held abroad. The second—related to the establishment of a Central Project Management and Aid Coordination Directorate (CPMACD)—was partially implemented; its full implementation has been retained as a performance criterion for end-October 2007. The authorities are requesting waivers for the three unmet performance criteria.

### III. POLICY DISCUSSIONS

10. **The policy discussions were guided by an updated medium-term macroeconomic framework (Tables 1–5).** Compared to the original program, the main changes are: (i) slightly higher inflation in 2007; (ii) larger surpluses on the fiscal basic balance to allow for the clearance of the recently discovered domestic expenditure arrears; and (iii) a more gradual adjustment path for the external current account deficit, reflecting increased availability of external financing. Key assumptions and targets are as follows:

- Real GDP grows at 6–7 percent a year.
- Inflation falls from over 6 percent currently to 3 percent in 2009.
- Surpluses in the fiscal basic balance of 4.4 percent, 3 percent, and 2.7 percent in 2007, 2008, and 2009, respectively.
- Interest-bearing domestic public debt falls from 32 percent of GDP at end-2006 to 23 percent in 2009.
- The external current account deficit (including official transfers) falls from 13.5 percent of GDP in 2006 to 12.5 percent in 2009.
- International reserves are maintained at levels equivalent to about 5 months of imports.



### A. Fiscal Policy and Related Structural Reforms

11. **Maintaining fiscal discipline remains vital for lowering domestic debt.** So far, the Integrated Financial Management Information System (IFMIS), introduced at the beginning of 2007, has been critical to ensuring that budget execution is in line with budget appropriations. On the revenue side, the authorities are continuing their efforts to enhance tax administration and expand the tax base (MEFF, paragraph 17).

12. **The government is committed to protecting PRSP-related expenditures during budget execution.** A monthly report on PRSP-related spending is now being generated by IFMIS for monitoring purposes. The share of these expenditures is expected to increase over time as lower debt service and debt relief provide more fiscal space.

13. **The government lowered the sales tax on rice with effect from July 1, 2007, to mitigate the impact of recent increases in its international price on the poor (MEFP, paragraph 18).** To compensate fully for the revenue loss (equivalent to about 0.1 percent of GDP), the sales tax on spare parts for automobiles was increased. The mission cautioned against ad hoc changes to tax policy. The authorities agreed to consult Fund staff before any other changes in tax policy are implemented.

14. **The authorities should rely on grants and, as a second best, on highly concessional loans for the external financing of their development programs.** The results of a HIPC debt sustainability analysis (DSA) and a DSA using the low-income country template will be presented in the HIPC completion point document. However, preliminary assessments of the end-2006 external debt stock shows an increase in the NPV of debt of about 70 percent since decision point, or about 10 percent since the DSA presented in the 2006 Article IV staff report. Given that exports have underperformed relative to projections at decision point, and that a significant part of the new debt is not subject to MDRI relief, The Gambia will likely remain at high risk of debt distress even after HIPC and MDRI relief. The authorities said they intended to rely mainly on grants, but wanted to keep open the option of borrowing on highly concessional terms. The mission reached an understanding with the authorities to increase the program's minimum grant element for new external borrowing from 35 percent to 45 percent.

## B. Exchange Rate Regime, Monetary Policy, and Related Structural Reforms

15. **Staff assesses the de facto exchange rate regime to be a managed float.** The authorities argued that the regime is a free float, stressing that CBG intervention in the foreign exchange market occurs primarily to meet debt service payments falling due and to maintain an international reserves buffer. However, recent official interventions have boosted reserves significantly above the targets agreed under the PRGF-supported program.

16. **The CBG intends to continue using a money targeting framework to pursue its price stability objective.** It will also use its rediscount rate to signal changes in policy stance. Following the publication of the new CPI that showed inflation rising sharply, the CBG indicated that it will monitor price developments closely and tighten monetary policy as needed to meet the program's inflation objective. Staff agreed that if it is confirmed that the recent price rises reflect temporary shocks, there would be no need for further tightening of monetary policy.

17. **The mission welcomed progress on measures to strengthen the operational independence of the CBG.** The government has stayed within the limits on borrowing from the CBG contained in the Action Plan to bring such borrowing within the statutory limit by the end of 2007. However, the mission noted that a government withdrawal from the treasury bills special deposit account equivalent to about 10 percent of reserve money in December 2006 partially offset the impact of the CBG's monetary operations.<sup>4</sup> Staff discussed with the authorities the risks that such withdrawals pose to monetary policy and public debt. The CBG and the Department of State for Finance and Economic Affairs (DOSFEA) agreed to improve coordination between fiscal and monetary policies. In addition, they agreed that henceforth, the proceeds of treasury bills issued for liquidity management purposes will be maintained in a blocked "sterilization" account, under the control of the CBG (MEFP, paragraph 26).

## C. Program Monitoring and Risks

18. **The program's targets have been extended to mid-2008 (MEFP, Tables 1 and 3).** The quantitative targets on the fiscal basic balance for end-September and end-December 2007 have been revised upward by the increase in the scheduled amount of domestic arrears to be cleared. The focus of structural conditionality remains the same as in the original program, namely: (i) public financial management and accountability to underpin fiscal discipline, protect PRSP-related expenditures, and make progress toward debt sustainability;

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<sup>4</sup> Proceeds from the issuance of treasury bills are paid into the treasury bills special deposit account.

(ii) central bank governance and operational independence to safeguard macroeconomic stability; (iii) financial deepening to spur private investment and growth; and (iv) improved macroeconomic statistics to enhance the quality of economic analysis and policy making. The second and third program reviews are scheduled to be completed by end-January 2008 and end-July 2008, respectively (Table 6).

**19. The main risks to the program are a failure to maintain fiscal discipline, shortfalls in external assistance, and capacity constraints in the civil service.**

Maintaining prudent fiscal policies will require commitment at the highest political levels to avoid extrabudgetary expenditures and to ensure that budget formulation and execution reflect PRSP priorities. In the event that the government's domestic debt and interest payments do not fall as envisaged, or that additional arrears are uncovered, the program will require either cuts in non-PRSP-related spending or mobilization of additional revenues. Shortfalls in external assistance would jeopardize the program's growth and poverty-reduction objectives while capacity constraints could hinder program implementation.

**20. The mission noted that recent significant losses of staff could weaken DOSFEA's economic management capacity.** The authorities emphasized the urgent need for external support to implement pay and pension reforms in the civil service. The World Bank is assisting the authorities formulate a comprehensive civil service reform program. These issues will be taken up in the context of discussions of the government's 2008 budget. Staff supports the authorities' request for IMF technical assistance in the areas of public financial management, banking supervision, debt management, and economic statistics (MEFP, paragraph 31).

#### IV. TOWARD THE COMPLETION POINT UNDER THE ENHANCED HIPC INITIATIVE

**21. All the HIPC completion point triggers, except the condition related to privatizing public assets in the groundnut sector, appear to have been met (Table 7).** The government's efforts to sell the groundnut sector public assets did not attract interest from reputable foreign investors. Drawing on various recent studies, the government has adopted a comprehensive framework for revitalizing the sector (MEFP, paragraphs 34–37) which has been endorsed by World Bank staff. Specific measures include: (i) opening of all aspects of operations to the private sector; (ii) a greater role for an independent stakeholder body including in setting the producer price; and (iii) government clearance of some of the sector's outstanding liabilities to the banking sector. The authorities hope to reach completion point before the end of 2007.

#### V. STAFF APPRAISAL

**22. Performance under the program to date has been strong.** This reflects strong ownership by the authorities and generally good policy implementation. In particular, fiscal

performance has been solid, reflecting improvements in tax administration and strengthened public expenditure management.

23. **Maintaining fiscal discipline remains key to lowering domestic debt.** IFMIS has been critical for keeping expenditures in line with budget provisions. The authorities need to ensure that the system is not bypassed, and that no new arrears are created. With respect to tax policy, the authorities should avoid ad hoc changes to the tax regime.

24. **The current monetary policy stance is broadly appropriate.** The modest increase in the rediscount rate in June represented a measured response to evidence of rising inflation, which may be due to temporary shocks.

25. **The level of the real exchange rate remains broadly appropriate.** The real effective exchange rate has remained stable and there have been no significant shocks to the economy since the staff assessment made in the 2006 Article IV staff report.<sup>5</sup>

26. **In order to make progress toward debt sustainability, the authorities need to rely mainly on grants rather than loans for financing their development programs.**

27. **Staff recommends that the three waivers requested by the authorities be granted, and that the first review of the PRGF arrangement be completed.** The short-term arrears to the World Bank have been cleared, and the delay in submitting the report on the special audit was beyond the control of the authorities. In the case of the CPMACD, progress was made in establishing it and making it fully operational remains a performance criterion.

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<sup>5</sup> IMF Country Report 06/444.

Table 1. The Gambia: Selected Economic and Financial Indicators, 2004–09

	2004	2005	2006		2007		2008	2009
	Act.	Act.	Prog.	Act.	Prog.	Proj.	Proj.	Proj.
(Annual percentage changes, unless otherwise indicated)								
National income and prices								
Nominal GDP (millions of dalasis)	12,042	13,182	14,248	14,248	15,732	15,918	17,584	19,277
Nominal GDP	20.1	9.5	8.1	8.1	10.4	11.7	10.5	9.6
GDP at constant prices	7.0	5.1	6.5	6.5	7.0	7.0	6.0	6.0
Consumer price index (period average)	14.2	3.2	1.5	1.4	3.2	5.0	4.5	3.5
Consumer price index (end of period)	8.0	1.8	2.0	1.4	3.5	5.0	4.0	3.0
External sector								
Exports, f.o.b. <sup>1</sup>	10.5	-16.5	31.5	3.9	3.4	6.2	1.3	3.5
Of which: domestic exports	47.5	-72.4	276.7	143.7	3.9	10.8	1.4	6.0
Imports, f.o.b. <sup>1</sup>	46.2	10.2	11.8	-0.6	10.8	17.6	12.7	4.2
Terms of trade <sup>2</sup>	-10.2	-13.8	0.1	-3.0	3.4	-0.6	1.0	1.5
Nominal effective exchange rate (period average)	-11.3	4.2	1.9	3.0	...	...	...	...
Real effective exchange rate (period average)	-1.2	4.5	0.2	1.3	...	...	...	...
Money and credit								
(Percent change; in beginning-of-year broad money)								
Broad money	18.3	13.1	16.5	26.2	13.3	8.0	10.5	9.6
Net foreign assets	28.8	0.3	7.4	17.8	9.9	12.6	4.4	3.7
Net domestic assets	-10.5	12.8	9.1	8.5	3.3	-4.6	6.0	5.9
Credit to the government (net) <sup>3</sup>	-10.6	6.3	6.2	3.8	0.0	-1.6	-1.4	-1.8
Credit to the private sector and public enterprises	-6.5	5.5	9.1	8.4	5.9	2.6	3.3	3.5
Claims on foreign exchange bureaus	-1.2	0.0	-0.6	0.0	-0.4	0.0	0.0	0.0
Other items net	7.7	1.0	-5.6	-3.7	-2.2	-5.6	4.2	4.3
Velocity (GDP/average broad money)	2.4	2.3	2.1	1.9	2.1	2.0	2.0	2.0
Yield on treasury bills (percent per year) <sup>4</sup>	28.0	12.5	10.7	10.4	...	13.3	...	...
(Percent of GDP)								
Gross investment	29.0	26.8	23.1	27.9	26.2	27.7	25.4	24.2
Gross domestic savings	6.8	1.9	1.0	8.7	3.6	4.1	3.5	4.6
Gross national savings	21.6	9.6	8.7	14.4	13.3	13.3	13.1	12.5
Central government budget								
Domestic revenue	20.9	19.7	21.6	21.2	21.3	22.0	21.0	20.9
Grants	4.5	1.7	0.8	1.7	8.6	8.5	4.9	4.5
Total expenditure and net lending	31.1	30.0	27.1	29.2	28.4	28.7	27.8	27.5
Overall balance, including grants	-5.7	-8.6	-4.7	-6.3	1.4	1.8	-1.8	-2.1
Basic balance <sup>5</sup>	2.4	-0.1	1.3	1.5	3.1	4.4	3.0	2.7
Basic primary balance <sup>6</sup>	9.6	8.5	7.9	8.4	8.3	9.7	7.0	6.0
Net foreign financing	5.7	5.5	2.2	5.2	1.6	3.2	3.5	3.5
Net domestic financing	0.5	3.7	2.4	1.6	-3.0	-4.8	-1.7	-1.3
Stock of domestic public debt	32.9	35.5	31.6	32.2	29.8	28.8	25.7	21.9
External sector								
Current account balance								
Excluding official transfers	-15.9	-22.4	-18.3	-16.7	-21.9	-19.4	-19.7	-18.7
Including official transfers	-7.4	-17.3	-14.3	-13.5	-12.9	-12.9	-12.6	-12.5
(Millions of U.S. dollars, unless otherwise indicated)								
Current account balance								
Excluding official transfers	-63.9	-103.4	-92.5	-84.7	-121.9	-111.1	-125.8	-130.9
Including official transfers	-29.6	-79.6	-72.7	-68.4	-72.1	-73.8	-80.4	-87.7
Overall balance of payments	31.3	13.0	7.3	24.4	16.1	10.8	0.0	-1.7
Gross official reserves	84.0	96.6	101.5	118.6	109.5	120.2	132.0	142.0
In months of imports, c.i.f.	4.3	4.5	4.2	5.5	4.1	5.7	5.3	5.2
External public debt								
Stock <sup>7</sup>	580.7	614.7	633.3	665.6	249.9	266.9	305.9	346.3
Stock (percent of GDP)	144.8	133.2	125.0	131.4	44.9	46.1	47.9	49.4
Net present value of debt (percent of exports) <sup>8</sup>	...	215.4	128.0	176.6	82.7	114.0	113.0	114.8
External debt service (percent of exports) <sup>8</sup>	21.0	24.0	20.8	28.0	17.2	13.1	8.3	8.6
Use of Fund resources								
(Millions of SDRs)								
Purchases/disbursements	0.0	0.0	0.0	0.0	4.0	4.0	4.0	4.0
Repurchases/repayments	-7.6	-1.4	-2.7	-2.7	-2.8	-2.8	0.0	0.0
Credit outstanding	15.9	14.6	11.8	11.8	...	...	...	...

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

<sup>1</sup>Computed based on values in U.S. dollars.<sup>2</sup>Excluding reexports and imports for reexport.<sup>3</sup>Including advances to the government in foreign currencies.<sup>4</sup>Weighted average for all maturities based on weekly auction data for the month of December for 2004-06, and for June for 2007.<sup>5</sup>Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.<sup>6</sup>Defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditure.<sup>7</sup>Assuming HIPC and MDRI debt relief is delivered at end-2007.<sup>8</sup>Exports of goods and nonfactor services (not including reexports).

Table 2. The Gambia: Central Government Operations, 2005–09

	(Millions of dalasis, unless otherwise indicated)									
	2004		2005		2006		2007		2008	2009
	Act.	Act.	Proj	Act.	Prog.	Proj.	Proj.	Proj.		
Revenue and grants	3,065.0	2,823	3,192	3,261	4,699	4,854	4,559	4,897		
Revenue	2,517.8	2,603	3,084	3,021	3,350	3,504	3,698	4,038		
Direct tax	606.3	682	813	803	866	906	969	1,072		
Domestic tax on goods and services	291.4	375	466	475	588	592	654	716		
Tax on international trade	1,347.0	1,206	1,406	1,413	1,478	1,553	1,637	1,788		
Nontax revenue	273.1	340	400	330	418	453	438	462		
Grants	547.2	220	107	240	1,350	1,350	861	859		
Of which: projects	395.7	203	90	223	903	903	826	832		
Of which: MDRI assistance from IMF		0	0	0	398	398	0	0		
Expenditure and net lending	3,750.4	3,961	3,866	4,155	4,474	4,563	4,880	5,309		
Current expenditure	2,035.8	2,420	2,689	2,584	2,444	2,446	2,587	2,837		
Wages and salaries	517.5	554	701	653	765	765	840	969		
Other charges	583.8	736	1,056	1,010	782	853	905	1,095		
Interest	867.9	1,131	932	921	827	808	713	642		
External <sup>1</sup>	234.6	241	232	232	212	199	118	122		
Of which: saving from MDRI relief						-26	-99	-192		
Domestic	633.3	890	700	689	615	609	596	520		
HIPC and MDRI financed	66.6	0	0	0	71	20	129	131		
Capital expenditure and net lending	1,710.1	1,419	1,155	1,556	1,964	2,067	2,188	2,357		
Capital expenditure	1,733.5	1,450	1,096	1,493	1,892	1,995	2,117	2,269		
Externally financed	1,517.0	1,341	971	1,416	1,606	1,786	1,703	1,795		
Loans	1,121.3	1,138	864	1,176	704	883	877	963		
Grants	395.7	203	107	240	903	903	826	832		
GLF (Gambia Local Fund)	88.8	106	125	77	180	180	220	254		
HIPC and MDRI financed	127.7	2	0	0	106	30	194	220		
Net lending	-23.4	-30	59	63	72	72	71	88		
Contingency	0.0	0	22	15	65	50	105	115		
Overall balance	-685.5	-1,138	-675	-894	226	291	-321	-413		
Statistical discrepancy <sup>2</sup>	-62.6	-72	28	-75	0	-33	0	0		
Adjusted overall balance	-748.0	-1,210	-647	-969	226	258	-321	-413		
Financing	748.0	1,210	647	969	-226	-258	321	413		
External (net)	690	728	311	745	252	502	617	670		
Borrowing	1,121.3	1,138	864	1,176	704	883	877	963		
Amortization <sup>1</sup>	-479.1	-456	-575	-477	-452	-381	-260	-293		
Of which: saving from MDRI relief						77	364	364		
Domestic	57.7	482	336	224	-477	-759	-296	-257		
Net borrowing	57.7	433	371	337	-173	-355	-174	-257		
Bank	-578.0	340	381	231	-53	-125	-116	-171		
Of which: MDRI account		0	0	0	-358	-358	40	40		
Nonbank	635.7	93	-10	92	-27	-62	-58	-86		
Repayment of domestic debt	0.0	0	0	15	-93	-169	0	0		
Capital revenue	--	0	141	110	21	21	0	0		
Change in arrears (- decrease)	--	-5	-177	-224	-326	-425	-121	0		
<i>Memorandum items:</i>										
Basic balance <sup>3</sup>	284.4	-16	189	207	482	694	521	523		
Basic primary balance	1152.3	1,114	1,121	1,203	1,309	1,535	1,234	1,165		
Gross domestic interest-bearing debt	3957.2	4,675	4,506	4,583	4,691	4,587	4,522	4,225		
Total external financing	1237.5	948	418	985	1,263	1,479	1,573	1,623		
Stock of arrears		770	411	546	86	121	11	0		
Resources freed by MDRI debt relief		0	0		196	103	464	498		
Amortization		0	0			77	364	364		
Interest payments		0	0			26	99	192		

Sources: Gambian authorities; IMF staff estimates and projections.

<sup>1</sup> After MDRI debt relief from 2007 onward.<sup>2</sup> The difference between financing and the overall balance. For 2007, data are for first half of the year.<sup>3</sup> Domestic revenue - expenditure and net lending, excluding externally financed capital expenditure.



Table 2. The Gambia: Central Government Operations, 2005–09 (concluded)

	(In percent of GDP)									
	2004		2005		2006		2007		2008	2009
	Act.	Act.	Proj.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	
Revenue and grants	25.5	21.4	22.4	22.9	29.9	30.5	25.9	25.4		
Revenue	20.9	19.7	21.6	21.2	21.3	22.0	21.0	20.9		
Direct tax	5.0	5.2	5.7	5.6	5.5	5.7	5.5	5.6		
Domestic tax on goods and services	2.4	2.8	3.3	3.3	3.7	3.7	3.7	3.7		
Tax on international trade	11.2	9.2	9.9	9.9	9.4	9.8	9.3	9.3		
Nontax revenue	2.3	2.3	2.8	2.3	2.7	2.8	2.5	2.4		
Grants	4.5	1.7	0.8	1.7	8.6	8.5	4.9	4.5		
Of which: Projects	3.3	1.5	0.6	1.6	5.7	5.7	4.7	4.3		
Of which: MDRI assistance from IMF	0.0	0.0	0.0	0.0	2.5	2.5	0.0	0.0		
Expenditure and net lending	31.1	30.0	27.1	29.2	28.4	28.7	27.8	27.5		
Current expenditure	16.9	18.4	18.9	18.1	15.5	15.4	14.7	14.7		
Wages and salaries	4.3	4.2	4.9	4.6	4.9	4.8	4.8	5.0		
Other charges	4.8	5.6	7.4	7.1	5.0	5.4	5.1	5.7		
Interest	7.2	8.6	6.5	6.5	5.3	5.1	4.1	3.3		
External <sup>1</sup>	1.9	1.8	1.6	1.6	1.3	1.3	0.7	0.6		
Of which: saving from MDRI relief						-0.2	-0.6	-1.0		
Domestic	5.3	6.8	4.9	4.8	3.9	3.8	3.4	2.7		
HIPC and MDRI financed	0.6	0.0	0.0	0.0	0.5	0.1	0.7	0.7		
Capital expenditure and net lending	14.2	10.8	8.1	10.9	12.5	13.0	12.5	12.2		
Capital expenditure	14.4	11.0	7.7	10.5	12.0	12.5	12.0	11.8		
Externally financed	12.6	10.2	6.8	9.9	10.2	11.2	9.7	9.3		
Loans	9.3	8.6	6.1	8.3	4.5	5.5	5.0	5.0		
Grants	3.3	1.5	0.8	1.7	5.7	5.7	4.7	4.3		
GLF (Gambia Local Fund)	0.7	0.8	0.9	0.5	1.1	1.1	1.3	1.3		
HIPC and MDRI financed	1.1	0.0	0.0	0.0	0.7	0.2	1.1	1.1		
Net lending	-0.2	-0.2	0.4	0.4	0.5	0.5	0.4	0.5		
Contingency	0.0	0.0	0.2	0.1	0.4	0.3	0.6	0.6		
Extrabudgetary expenditure	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0		
Overall balance	-5.7	-8.6	-4.7	-6.3	1.4	1.8	-1.8	-2.1		
Statistical discrepancy <sup>2</sup>	-0.5	-0.5	0.2	-0.5	0.0	-0.2	0.0	0.0		
Adjusted overall balance	-6.2	-9.2	-4.5	-6.8	1.4	1.6	-1.8	-2.1		
Financing	6.2	9.2	4.5	6.8	-1.4	-1.6	1.8	2.1		
External (net)	5.7	5.5	2.2	5.2	1.6	3.2	3.5	3.5		
Borrowing	9.3	8.6	6.1	8.3	4.5	5.5	5.0	5.0		
Amortization <sup>1</sup>	-4.0	-3.5	-4.0	-3.3	-2.9	-2.4	-1.5	-1.5		
Of which: saving from MDRI relief			0.0			0.5	2.1	1.9		
Domestic	0.5	3.7	2.4	1.6	-3.0	-4.8	-1.7	-1.3		
Net borrowing	0.5	3.3	2.6	2.4	-1.1	-2.2	-1.0	-1.3		
Bank	-4.8	2.6	2.7	1.6	-0.3	-0.8	-0.7	-0.9		
Of which: MDRI account	0.0		0.0	0.0	-2.3	-2.2	0.2	0.2		
Nonbank	5.3	0.7	-0.1	0.6	-0.2	-0.4	-0.3	-0.4		
Repayment of domestic debt	0.0	0.0	0.0	0.1	-0.6	-1.1	0.0	0.0		
Capital revenue	0.0	0.0	1.0	0.8	0.1	0.1	0.0	0.0		
Change in arrears (- decrease)	0.0	0.0	-1.2	-1.6	-2.1	-2.7	-0.7	0.0		
Privatization proceeds	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0		
<i>Memorandum items:</i>										
Basic balance <sup>3</sup>	2.4	-0.1	1.3	1.5	3.1	4.4	3.0	2.7		
Basic primary balance	9.6	8.5	7.9	8.4	8.3	9.6	7.0	6.0		
Gross domestic interest-bearing debt	32.9	35.5	31.6	32.2	29.8	28.8	25.7	21.9		
Total external financing	10.3	7.2	2.9	6.9	8.0	9.3	9.0	8.4		
Stock of arrears		5.8	2.9	3.8	0.5	0.8	0.1	0.0		
Resources freed by MDRI debt relief	0.0	0.0			1.2	0.6	2.6	2.6		
Amortization						0.5	2.1	1.9		
Interest payments						0.2	0.6	1.0		

Sources: Gambian authorities; IMF staff estimates and projections.

<sup>1</sup> After MDRI debt relief from 2007 onward.<sup>2</sup> The difference between financing and the overall balance. For 2007, data are for first half of the year.<sup>3</sup> Domestic revenue - expenditure and net lending, excluding externally financed capital expenditure

Table 3. The Gambia: Monetary Survey, 2004-09

	2004	2005	2006		2007				2008	2009
	Dec.	Dec.	Dec. Prog.	Dec. Act.	Jun. Prog.	Jun. Act.	Dec. Prog.	Dec. Proj.	Dec. Proj.	Dec. Proj.
(Millions of dalasis, unless otherwise indicated; end of period)										
Net foreign assets	3,184	3,201	3,654	4,292	3,834	4,461	4,365	5,272	5,642	5,983
Net domestic assets	2,247	2,944	3,505	3,466	3,840	3,371	3,744	3,106	3,612	4,163
Domestic credit	2,870	3,510	4,417	4,259	4,794	4,009	4,811	4,334	4,491	4,641
Claims on government (net)	1,009	1,348	1,729	1,579	1,895	1,327	1,731	1,453	1,337	1,166
Claims on government (net) <sup>1</sup>	434	774	1,653	1,504	1,819	1,289	1,655	1,453	1,337	1,166
Advances to the government in foreign currencies <sup>2</sup>	575	575	76	75	76	38	76	0	0	0
Claims on the private sector and public enterprises <sup>3</sup>	1,677	1,979	2,541	2,497	2,767	2,499	2,962	2,698	2,971	3,292
Claims on public enterprises	223	260	265	268	268	212	270	270	276	281
Claims on private sector	1,454	1,719	2,276	2,230	2,500	2,287	2,692	2,428	2,695	3,011
Claims on foreign exchange bureaux <sup>4</sup>	183	183	147	183	132	183	117	183	183	183
Other items (net)	-622	-566	-911	-793	-954	-638	-1,067	-1,229	-879	-479
Broad money	5,432	6,145	7,160	7,758	7,674	7,832	8,109	8,378	9,255	10,146
Currency outside banks	1,416	1,424	1,647	1,937	1,650	1,644	1,703	1,927	2,129	2,334
Deposits	4,016	4,721	5,513	5,820	6,024	6,188	6,406	6,451	7,126	7,812
<i>Memorandum items:</i>										
Nominal GDP (calendar year)	12,042	13,182	14,248	14,248	15,732	15,918	15,732	15,918	17,584	19,277
(percentage change)	20.1	9.5	8.1	8.1	10.4	11.7	10.4	11.7	10.5	9.6
Velocity (GDP/average broad money)	2.4	2.3	2.1	1.9	2.0	2.0	2.1	1.9	2.0	2.0
Velocity (GDP/end-of-period broad money)	2.2	2.1	2.0	1.8	2.1	2.0	1.9	1.9	1.9	1.9
(Percent change in beginning-of-year broad money, unless otherwise indicated)										
Broad money	18.3	13.1	16.5	26.2	7.2	1.0	13.3	8.0	10.5	9.6
Net foreign assets	28.8	0.3	7.4	17.8	2.5	2.2	9.9	12.6	4.4	3.7
Net domestic assets	-10.5	12.8	9.1	8.5	4.7	-1.2	3.3	-4.6	6.0	5.9
Domestic credit	-18.3	11.8	14.8	12.2	5.3	-3.2	5.5	1.0	1.9	1.6
Claims on government (net)	-10.6	6.3	6.2	3.8	2.3	-3.3	0.0	-1.6	-1.4	-1.8
Claims on government (net) <sup>1</sup>	-12.6	6.3	14.3	11.9	2.3	-2.8	0.0	-0.7	-1.4	-1.8
Advances to the government in foreign currencies <sup>2</sup>	2.0	0.0	-8.1	-8.1	0.0	-0.5	0.0	-1.0	0.0	0.0
Claims on the private sector and public enterprises <sup>3</sup>	-6.5	5.5	9.1	8.4	3.2	0.0	5.9	2.6	3.3	3.5
Claims on public enterprises	-2.6	0.7	0.1	0.1	0.0	-0.7	0.1	0.0	0.1	0.1
Claims on private sector	-3.9	4.9	9.1	8.3	3.1	0.7	5.8	2.6	3.2	3.4
Claims on foreign exchange bureaux <sup>4</sup>	-1.2	0.0	-0.6	0.0	-0.2	0.0	-0.4	0.0	0.0	0.0
Other items (net)	7.7	1.0	-5.6	-3.7	-0.6	2.0	-2.2	-5.6	4.2	4.3
<i>Memorandum items:</i>										
Credit to the private sector and public enterprises										
Twelve-month change (percent)	-15.1	18.0	28.4	26.2	18.2	6.7	16.6	8.0	10.1	10.8
Percent of GDP	13.9	15.0	17.8	17.5	17.6	15.7	18.8	16.9	16.9	17.1
<i>Selected ratios (in percent)</i>										
Currency outside banks/broad money	26.1	23.2	23.0	25.0	21.5	21.0	21.0	23.0	23.0	23.0
Currency outside banks/deposits	35.3	30.2	29.9	33.3	27.4	26.6	26.6	29.9	29.9	29.9
Deposits/broad money	73.9	76.8	77.0	75.0	78.5	79.0	79.0	77.0	77.0	77.0
Money multiplier (broad money/reserve money)	2.64	2.66	2.83	2.71	2.89	2.97	2.90	2.76	2.79	2.81

Sources: Gambian authorities; IMF staff estimates and projections.

Note: MDRI debt relief, incorporated for end-2007, has increased net foreign assets and decreased net domestic assets by D406.8 millions.

<sup>1</sup>Excluding advances to the government in foreign currencies.

<sup>2</sup>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.

<sup>3</sup>In March 2003, the government instructed the CBG to lend the equivalent of D137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.

<sup>4</sup>Claims on foreign exchange bureaux reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 4. The Gambia: Analytical Account of the Central Bank of The Gambia (CBG), 2004-09  
(Millions of dalasis, unless otherwise indicated; end of period)

	2004	2005	2006		2007				2008	2009
			Dec. Prog.	Dec. Act.	Jun. Prog.	Jun. Act.	Dec. Prog.	Dec. Proj.		
Net foreign assets	1,757.8	2,132.3	2,354.4	2,827.7	2,469.5	2,626.7	2,935.3	3,138.9	3,295.7	3,401.9
Foreign assets	2,492.5	2,718.2	2,852.2	3,326.8	2,996.4	3,127.2	3,105.6	3,305.5	3,630.0	3,905.0
Foreign liabilities	-734.7	-585.9	-497.7	-499.1	-526.9	-500.6	-170.3	-166.6	-334.3	-503.1
Net usable reserves (millions of U.S. dollars)	55.4	71.1	77.8	94.9	81.5	91.9	97.6	107.2	112.9	116.8
Net domestic assets	303.0	174.3	173.2	38.7	184.0	9.8	-139.0	-103.5	21.3	208.7
Domestic credit	195.9	-29.2	-86.7	-164.0	-66.3	-287.1	-424.0	-454.2	-453.1	-410.8
Claims on government (net)	-186.8	-413.8	-433.9	-548.5	-398.9	-675.1	-741.9	-838.7	-837.6	-795.3
Claims on government (net) <sup>1</sup>	-761.6	-988.6	-509.9	-623.3	-474.9	-712.6	-817.9	-838.8	-837.6	-795.4
Advances to the government in foreign currencies <sup>2</sup>	574.8	574.8	76.0	74.7	76.0	37.5	76.0	0.0	0.0	0.0
Claims on banks (net) <sup>3</sup>	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
Claims on other resident sectors	349.0	351.0	313.6	350.9	299.0	354.4	284.3	350.9	350.9	350.9
Claims on private sector	28.8	30.8	30.1	30.7	30.1	34.2	30.1	30.7	30.7	30.7
Claims on public enterprises	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9
Claims on foreign exchange bureaus <sup>4</sup>	183.3	183.3	146.6	183.3	132.0	183.3	117.3	183.3	183.3	183.3
Other items (net)	107.1	203.5	259.9	202.7	250.4	296.9	284.9	350.7	474.4	619.5
Of which: holdings of government's noninterest-bearing securities	199.0	199.0	534.9	534.9	534.9	534.9	534.9	534.9	534.9	534.9
Reserve money	2,060.7	2,306.6	2,527.6	2,866.5	2,653.5	2,636.4	2,796.3	3,035.4	3,317.1	3,610.6
Currency in circulation outside banks	1,416.3	1,424.2	1,646.7	1,937.3	1,649.9	1,643.6	1,702.9	1,926.9	2,128.6	2,333.5
Bank reserves	644.5	882.4	880.9	929.2	1,003.6	992.8	1,093.3	1,108.5	1,188.5	1,277.1
Cash	69.3	113.4	176.2	149.9	200.7	125.8	218.7	221.7	237.7	255.4
Deposits at the central bank	575.2	769.0	704.8	779.3	802.9	867.0	874.7	886.8	950.8	1,021.7
Contribution to growth of reserve money			(Percent change in beginning-of-period reserve money)							
Reserve money	11.0	11.9	9.6	24.3	5.0	-8.0	10.6	5.9	9.3	8.8
Net foreign assets	49.0	18.2	9.6	30.1	4.6	-7.0	23.0	10.9	5.2	3.2
Net domestic assets	-38.0	-6.2	0.0	-5.9	0.4	-1.0	-12.4	-5.0	4.1	5.6
Domestic credit	-55.7	-10.9	-2.5	-5.8	0.8	-4.3	-13.3	-10.1	0.0	1.3
Claims on government (net)	-55.4	-11.0	-0.9	-5.8	1.4	-4.4	-12.2	-10.1	0.0	1.3
Claims on government (net) <sup>1</sup>	-60.3	-11.0	20.8	15.8	1.4	-3.1	-12.2	-7.5	0.0	1.3
Advances to the government in foreign currencies <sup>2</sup>	5.0	0.0	-21.6	-21.7	0.0	-1.3	0.0	-2.6	0.0	0.0
Claims on banks (net) <sup>3</sup>	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private and public enterprises	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Claims on public enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private enterprises	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Claims on foreign exchange bureaus <sup>4</sup>	-2.9	0.0	-1.6	0.0	-0.6	0.0	-1.2	0.0	0.0	0.0
Other items (net)	17.7	4.7	2.4	0.0	-0.4	3.3	1.0	5.2	4.1	4.4
<i>Memorandum items:</i>										
Twelve-month change (percent)										
Reserve money	11.0	11.9	9.6	24.3	9.0	8.3	10.6	5.9	9.3	8.8
Net foreign asset	107.4	21.3	10.4	32.6	7.6	14.4	24.7	11.0	5.0	3.2
Net domestic asset	-70.0	-42.5	-0.6	-77.8	33.1	-92.9	-180.3	-367.1	-120.6	879.0
Of which:										
Claims on government (net)	-122.2	121.6	4.8	32.5	8.7	84.0	71.0	52.9	-0.1	-5.0
Claims on banks (net)	-427.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public and private enterprises	2.5	1.2	-0.4	0.0	0.0	2.4	0.0	0.0	0.0	0.0
Claims on foreign exchange bureaus	-23.0	0.0	-20.0	0.0	-28.0	0.0	-20.0	0.0	0.0	0.0
Other items (net)	-148.4	90.0	27.7	-0.4	106.6	145.0	9.6	73.0	35.3	30.6
MDRI debt relief (millions of dalasis)							-415.3	-406.8		
Gross international reserves (millions of U.S. dollars)	84.0	96.6	101.5	118.6	106.1	117.9	109.5	120.2	132.0	142.0

Sources: Gambian authorities.

<sup>1</sup>Excluding advances to the government in foreign currencies.

<sup>2</sup>These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the CBG, and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

<sup>3</sup>Advances to commercial banks and commercial banks' holdings of central bank bills.

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

Table 5. The Gambia: Balance of Payments, 2004–09  
(Millions U.S. dollars)

	2004	2005	2006		2007		2008		2009	
	Est.	Est.	Proj.	Est.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
<b>1. Current account</b>										
<b>A. Goods and services</b>	<b>-89.1</b>	<b>-114.9</b>	<b>-112.2</b>	<b>-97.6</b>	<b>-126.0</b>	<b>-126.5</b>	<b>-122.2</b>	<b>-141.9</b>	<b>-125.8</b>	<b>-143.4</b>
Trade balance	-105.9	-142.6	-133.9	-138.1	-156.9	-171.9	-159.4	-203.9	-165.8	-213.2
Exports, f.o.b.	96.8	80.9	115.0	84.0	118.9	89.3	126.5	90.4	128.6	93.6
Groundnuts/products	16.9	2.0	16.2	10.2	16.8	11.4	17.5	11.5	18.2	12.2
Other domestic exports	9.0	5.2	10.7	7.2	11.1	7.8	12.4	8.0	13.2	8.5
Reexports	71.0	73.7	88.1	66.6	91.0	70.0	96.5	70.9	97.2	72.9
Imports, f.o.b.	-202.8	-223.4	-248.9	-222.2	-275.8	-261.2	-285.9	-294.4	-294.4	-306.8
For domestic use	-131.8	-149.7	-160.8	-155.5	-184.8	-191.2	-189.4	-223.4	-197.3	-233.9
Of which: oil products	-23.2	-29.9	-29.5	-16.2	-33.5	-19.7	-39.0	-17.8	-41.3	-18.7
For reexport	-71.0	-73.7	-88.1	-66.6	-91.0	-70.0	-96.5	-70.9	-97.2	-72.9
Services balance	16.8	27.6	21.7	40.5	30.8	45.4	37.2	62.1	40.0	69.8
Travel income	53.1	67.5	64.8	75.4	77.4	77.7	83.2	97.8	87.6	108.3
Other services	-71.2	-76.2	-66.5	-77.7	-70.8	-77.4	-71.7	-81.4	-73.4	-85.5
Reexport earnings	35.0	36.3	23.4	42.9	24.2	45.1	25.7	45.7	25.8	46.9
<b>B. Income</b>	<b>-35.1</b>	<b>-43.5</b>	<b>-45.8</b>	<b>-48.1</b>	<b>-51.9</b>	<b>-46.0</b>	<b>-54.4</b>	<b>-46.1</b>	<b>-58.2</b>	<b>-50.4</b>
Income	-35.1	-43.5	-45.8	-48.1	-51.9	-46.0	-54.4	-46.1	-58.2	-50.4
<b>C. Current transfers</b>	<b>94.6</b>	<b>78.8</b>	<b>85.3</b>	<b>77.2</b>	<b>105.8</b>	<b>98.8</b>	<b>105.9</b>	<b>107.5</b>	<b>113.5</b>	<b>106.1</b>
Remittances	52.4	47.7	51.7	51.6	46.8	52.2	50.0	52.7	57.5	53.2
Private transfers	8.0	7.4	13.8	9.3	9.2	9.3	9.7	9.5	10.1	9.7
Official transfers	34.2	23.7	19.8	16.3	49.7	37.3	46.2	45.3	45.9	43.2
<b>Current acc. (ex. off. trans.)</b>	<b>-63.9</b>	<b>-103.4</b>	<b>-92.5</b>	<b>-84.7</b>	<b>-121.9</b>	<b>-111.1</b>	<b>-117.0</b>	<b>-125.8</b>	<b>-116.4</b>	<b>-130.9</b>
<b>Current acc. (inc. off. trans.)</b>	<b>-29.6</b>	<b>-79.6</b>	<b>-72.7</b>	<b>-68.4</b>	<b>-72.1</b>	<b>-73.8</b>	<b>-70.7</b>	<b>-80.4</b>	<b>-70.5</b>	<b>-87.7</b>
<b>2. Capital and financial account</b>										
<b>A. Capital account</b>					<b>387.1</b>	<b>387.1</b>				
Capital transfers (IMF MDRI relief)					14.1	14.1				
Debt forgiveness (IDA/AfDF-MDRI relief)					373.0	373.0				
<b>B. Financial account</b>	<b>49.0</b>	<b>105.1</b>	<b>81.9</b>	<b>79.6</b>	<b>-298.8</b>	<b>-302.5</b>	<b>70.1</b>	<b>80.4</b>	<b>71.6</b>	<b>86.0</b>
Private capital	26.0	79.6	71.6	52.6	71.1	41.8	60.0	47.4	66.9	51.7
Direct investment (net)	56.6	61.2	73.9	74.2	69.1	69.5	60.6	67.0	66.2	67.7
Other investment (net)	-30.6	18.4	-2.2	-21.6	2.1	-27.7	-0.6	-19.6	0.8	-16.0
o/w Bank NFA (- increase)	-15.3	10.1	-8.3	-14.2	-4.2	-25.5	-5.0	-7.8	-4.9	-8.5
Non-bank NFA (- increase)	-26.0	8.0	...	-14.0	...	-6.8	...	-8.0	...	-8.0
Official loans (net)	23.0	25.5	10.3	26.9	3.0	28.6	10.1	33.0	4.7	34.3
Loans	37.3	39.8	30.7	43.9	22.0	42.4	22.6	42.5	22.6	45.0
Amortization	-14.4	-14.4	-20.5	-17.0	-19.0	-13.7	-12.5	-9.5	-17.8	-10.7
Other capital (IDA, AfDF loans)					-373.0	-373.0				
<b>Capital and financial account</b>	<b>49.0</b>	<b>105.1</b>	<b>81.9</b>	<b>79.6</b>	<b>88.3</b>	<b>84.6</b>	<b>70.1</b>	<b>80.4</b>	<b>71.6</b>	<b>86.0</b>
Errors and omissions	12.0	-12.4	-1.9	13.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	31.3	13.0	7.3	24.4	16.1	10.8	-0.6	0.0	1.1	-1.7
Financing	-31.3	-13.0	-7.3	-24.4	-16.1	-10.8	0.6	0.0	-1.1	1.7
Change in gross official reserves (- increase)	-21.7	-12.6	-4.9	-22.0	-8.0	-1.6	-11.0	-11.8	-12.5	-10.0
Use of IMF resources (net)	-11.2	-2.0	-4.0	-4.0	-11.1	-11.1	6.0	6.0	6.0	6.1
Repayments	-11.2	-2.0	-4.0	-4.0	-17.1	-17.1	0.0	0.0	0.0	0.0
Disbursements	0.0	0.0	0.0	0.0	6.0	6.0	6.0	6.0	6.0	6.1
Exceptional financing <sup>1</sup>	1.6	1.6	1.6	1.6	2.9	1.9	5.6	5.8	5.4	5.6
<i>Memorandum items:</i>										
Current account balance (percent of GDP)										
Excluding official transfers	-15.9	-22.4	-18.3	-16.7	-21.9	-19.4	-19.3	-19.7	-17.7	-18.7
Including official transfers	-7.4	-17.3	-14.3	-13.5	-12.9	-12.9	-11.7	-12.6	-10.7	-12.5
Gross official reserves (end of period)										
Millions of U.S. dollars	84.0	96.6	101.5	118.6	109.5	120.2	120.5	132.0	133.0	142.0
Months of imports, c.i.f.	4.3	4.5	4.2	5.5	4.1	5.7	4.3	5.3	4.6	5.2
Nominal GDP (millions U.S. dollars)	401.0	461.3	506.7	506.7	557.3	573.1	605.6	639.0	658.0	701.0
Exchange rate (dalasis per U.S. dollar)	30.0	28.6	28.1	28.1	28.2	27.8	28.5	27.5	28.7	27.5

Sources: Gambian authorities, IMF staff estimates and projections.

<sup>1</sup> Includes arrears and debt relief. From 2007, includes debt relief from Paris Club; interim multilaterals' relief treated as grants.

Table 6. The Gambia: Proposed Schedule of Disbursements

Date	Disbursement		Conditions
	SDRs	Percent of quota <sup>1</sup>	
August 29, 2007	2,000,000	6.43	Completion of first review (end-March 2007 test date)
January 31, 2008	2,000,000	6.43	Completion of second review (end-September 2007 test date)
July 31, 2008	2,000,000	6.43	Completion of third review (end-March 2008 test date)
January 31, 2009	2,000,000	6.43	Completion of fourth review (end-September 2008 test date)
July 31, 2009	2,000,000	6.43	Completion of fifth review (end-March 2009 test date)
January 30, 2010	2,000,000	6.43	Completion of sixth review (end-September 2009 test date)
Total	12,000,000	38.59	

<sup>1</sup>The Gambia's quota is SDR 31.10 million.

Table 7. The Gambia: HIPC Initiative Completion Point Triggers

Measures	Status
<b>1. Poverty Reduction</b>	
(i) A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the Joint Staff Assessment of the country's annual progress report.	<b>Two full PRSPs have been completed.</b>
(ii) Improvement of the poverty data base and monitoring capacity, as evidenced by progress in restructuring the Central Statistics Department or developing its capacity.	<b>Implemented.</b>
<b>2. Macroeconomic stability</b>	<b>Ongoing.</b> Completion of the first PRGF review (covering the first half of 2007) is proposed.
Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.	
<b>3. Governance</b>	
Progress in strengthening public expenditure management as evidenced by: (i) the issuance of annual public reports on the overall budget execution; and (ii) semi-annual reports on the use of interim HIPC Initiative debt relief, the latter to be reviewed by the Task Force and HILEC.	<b>Implemented.</b>
<b>4. Social sector reforms</b>	
(i) Budgetary savings from the HIPC interim debt service will be used in accordance with the annual budgets approved by the Task Force and the HILEC.	<b>Implemented.</b>
(ii) Measures and targets regarding progress in implementing education and health reform programs include:	
(a) Increase by at least 45 percent (from 192 graduates in the base academic year 2000/01) the number of teachers for Lower Basic Education graduating from The Gambia College; this measure will help The Gambia raise the quality of teaching in the most important grades;	<b>Implemented.</b>
(b) Ensure appropriate funding of a trust fund for girls' scholarships in the poorest regions and make progress in raising such rates by expanding this scholarship scheme to no less than 2000 girls annually in at least 3 regions;	<b>Implemented.</b>
(c) Increase by at least 5 percent each year (from 44 percent in the base year of 1998) the number of births attended by a person trained in antenatal care. This should reduce the relatively high maternal rate; monitoring mechanisms for this indicator have also been defined in the PHPNP (see Chapter IV);	<b>Implemented.</b>
(d) Increase the share of primary and secondary health care within the overall recurrent budget for health. The recurrent budget for primary and secondary health care is understood to comprise: health centers; dispensaries and sub-dispensaries; health promotion and protection; family health; disease control; and nurses' training. These are covered by budget lines 06 to 11 under heading 21 of the budget, to the exclusion of expenditures incurred directly or indirectly on (i) foreign personnel; and (ii) all the referral hospitals. The base year for measurement is 1999.	<b>Implemented.</b>
<b>5. Structural reforms</b>	
Measures to promote private sector development include:	
(i) Establish a functional multi-sector regulatory agency; and	<b>Implemented.</b>
(ii) Bring to the point of sale the two major public groundnut processing plants in the country.	<b>Not implemented.</b>

## INTERNATIONAL MONETARY FUND

## THE GAMBIA

**First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria—  
Supplement, and Amendment to Letter of Intent and Memorandum of Economic and  
Financial Policies**

Prepared by the African Department

(In consultation with other departments)

Approved by Sharmini Coorey and Carlo Cottarelli

August 27, 2007

1. **The authorities have amended their letter of intent (Appendix I) to reflect the accumulation and clearance of arrears amounting to about \$240,000 to the African Development Bank (AfDB).** The original letter of intent (LOI), dated August 14, 2007, only referred to arrears to the World Bank. In the amended LOI, the authorities acknowledge short-term arrears to both the World Bank and the African Development Bank. The authorities have also amended paragraph 9 of the Memorandum of Economic and Financial Policies (MEFP) to make it consistent with the LOI. These arrears arose during March-August 2007. Staff has received confirmations from both institutions that all the arrears have been cleared.
2. **Loss of key staff has weakened capacity in the External Debt Office (EDO) of the Department of Finance and Economic Affairs (DOSFEA).** The authorities moved relatively quickly to settle the arrears once they received correspondence on the matter from the World Bank and the AfDB. The authorities have also informed staff that in order to prevent the recurrence of new external payments arrears, EDO is now required to submit to the senior management of DOSFEA a monthly report indicating payments falling due over the coming three months. A copy of the report will be provided to Fund staff.
3. **Staff's assessment that performance under the program to date has been strong, remains unchanged.** The waiver requested with respect to the accumulation of arrears to the World Bank will also cover the arrears to the African Development Bank.

**Appendix I**

Banjul, The Gambia  
August 20, 2007

Mr. Rodrigo de Rato  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. de Rato:

1. The Gambia's three-year Poverty Reduction and Growth Facility (PRGF) arrangement was approved by the IMF's Executive Board in February 2007. The attached Memorandum of Economic and Financial Policies (MEFP) reviews progress in implementing the Government's PRGF-supported program during the first half of 2007, and sets out the policies that the Government will pursue for the remainder of the year. We are committed to continue maintaining macroeconomic stability and fostering reforms conducive to higher growth and poverty reduction.
2. Performance under the program has been quite strong. All but one of the quantitative targets for end-March and end-June were met comfortably, and eight out of ten structural measures we undertook to implement by July 2007 were done on time. We incurred short-term arrears to the World Bank and the African Development Bank, and so did not observe the continuous quantitative performance criterion on the nonaccumulation of new external payments arrears. Furthermore, the two unmet structural measures were performance criteria. One requiring the submission of a special audit report on monetary data was implemented with a delay of about one month due to circumstances beyond the control of the Central Bank of The Gambia (see MEFP paragraph 11). The second measure, on the Central Project Management and Aid Coordination Directorate (CPMACD) was partially implemented. The Directorate has been established and is now expected to become fully operational in October 2007. This measure remains a performance criterion under the program. Since we have cleared the short-term arrears to the World Bank and the African Development Bank, submitted the special audit report on monetary data, and have taken steps to fully implement the CPMACD, we are requesting waivers for the nonobservance of the three performance criteria.
3. In support of our policies described in the MEFP, the Government of The Gambia requests the completion of the first review and second disbursement under the PRGF arrangement in an amount equivalent to SDR 2 million.
4. The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. However, it will stand ready to take any additional measures that may become appropriate to meet these objectives. The Gambia will consult with the IMF on the adoption of these measures and in advance of revisions to



policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The second and third reviews under the PRGF arrangement are expected to be completed by no later than end-January 2008, and end-July 2008, respectively.

5. The government intends to make the contents of this letter and the attached MEFP and Technical Memorandum of Understanding available to the public. Therefore, it authorizes the IMF to arrange for these documents to be posted on the IMF website following Executive Board conclusion of the review.

Sincerely yours,

/s/

Mousa Gibril Bala-Gaye  
Secretary of State  
Department of State for Finance and Economic Affairs

/s/

Momodou Bamba Saho  
Governor  
Central Bank of The Gambia

Attachments: Memorandum of Economic and Financial Policies  
Technical Memorandum of Understanding

## Attachment I

### MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

#### I. INTRODUCTION

1. **This memorandum updates the Government of The Gambia's economic and financial program under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the International Monetary Fund (IMF).** The program, which was approved by the Board of Executive Directors of the IMF on February 21, 2007, aims at consolidating macroeconomic stability and fostering the conditions for sustaining high economic growth and reducing poverty.<sup>6</sup> This memorandum provides information on recent economic developments, reviews performance under the PRGF-supported program, and updates the government's strategy for pursuing its financial and economic policies.

#### II. RECENT ECONOMIC DEVELOPMENTS

2. **The performance of The Gambia's economy in 2006 was strong and the outlook for 2007 remains broadly positive.** Real GDP grew at an annual average rate of 6.4 percent during 2003–06, reflecting strong growth in the construction, telecommunications, and tourism sectors. Preliminary data for the first half of the year suggest that this positive trend is likely to continue in 2007, with GDP growth expected to reach 7 percent. Fueled by sharp increases in the prices of some key imported commodities, the annual rate of inflation measured on a year-on-year basis rose from less than 1 percent in December 2006 to over 6 percent during the second quarter of 2007.<sup>7</sup> The increases reflected a combination of rising world prices (e.g., rice), disruption in the sources of supply from neighboring countries (the case for some fruits and vegetables and cooking oil), and strong demand outstripping current levels of supply (e.g., cement). We expect an easing of the supply constraints in due course. This and the recent strengthening of the dalasi (associated with sustained foreign exchange inflows) should help lower inflation to the projected level of about 5 percent at end-December 2007.

3. **Fiscal performance in 2006 was broadly in line with program projections.** The overall fiscal deficit was larger than initially anticipated due to larger-than-expected

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<sup>6</sup> The previous memorandum described the strategy for poverty alleviation of the Government of The Gambia (See IMF Country Report No 07/116, p. 29).

<sup>7</sup> The Gambia Bureau of Statistics reports headline inflation based on a 12-month moving average. According to that measure, annual inflation increased from 1.7 percent in December 2006 to 2.8 percent in June 2007.

externally-financed capital spending. However, the surplus on the basic fiscal balance (which provides a better measure of the government's fiscal effort) was slightly higher than programmed. Lower nontax revenues due to delays in payments of telecommunications license fees were offset by lower domestically-financed capital expenditures. The higher basic balance surplus in 2006, combined with a lower level of external amortization than initially projected allowed the government to reduce further the stock of domestic arrears. The level of government arrears has been revised upward by 1.7 percent of GDP, reflecting new verified claims associated with road construction projects.

4. **Fiscal performance in the first half of 2007 was significantly stronger than programmed.** Higher-than-expected revenues were driven by the strong performance of corporate tax revenues, receipts from overdue telecommunication license fees, and strong tax returns from non-oil imports. Current expenditures were in line with the budget and capital expenditures lower than expected due to delays in the implementation of a large donor-funded road project. The introduction of the Integrated Financial Management Information System (IFMIS) in January 2007 improved public expenditure management and also facilitated meeting program targets. In particular, it ensured that wages and other charges stayed in line with budget appropriations and prevented the accumulation of further government arrears.

5. **The Central Bank of The Gambia (CBG) continued to pursue a prudent monetary policy.** A new CPI that the Gambia Bureau of Statistics (GBoS) started publishing in April 2007 suggests that inflation was somewhat higher and more variable than reported by the old index. In light of rising inflation, the CBG increased its rediscount rate in late-June from 14 percent to 15 percent. It will continue to monitor the situation closely and take appropriate action to contain inflation at low single digit levels.

6. **Interest rates declined during 2006, but increased again in the first quarter of 2007.** Between July and November 2006, the average yields on treasury bills declined from 14 percent to 11 percent. However, yields rose again to 13.5 percent by March 2007 due to market under-subscription. There are some indications that private banks (the primary holders of T-bills) did not increase their purchases due to their short dalasi positions. In fact, during April–May 2007 banks began to rediscount some of their treasury bills with the CBG.

7. **The dalasi remained stable in 2006 and strengthened vis-à-vis major currencies in the first half of 2007.** Sustained foreign exchange inflows combined with the CBG's policy of limited intervention in the foreign exchange market led to nominal appreciations of the dalasi of 5.5 percent, 2.1 percent and 1.4 percent vis-à-vis the U.S. dollar, the pound sterling, and the euro, respectively, between end-December 2006 and end-June 2007.

8. **The external current account deficit as a share of GDP narrowed significantly in 2006, thanks to a recovery in exports and strong growth in tourism and private transfers.** Between 2005 and 2006 the deficit fell from 17 percent to 13.5 percent of GDP.

Export recovered from the collapse of 2005 and tourist arrivals reached record levels. The current account deficit was mainly financed by foreign direct investment and concessional loans. The ratio of nominal external debt to GDP fell from 133 percent at the end of 2005 to 131 percent at the end of 2006. In 2007, conditional on reaching HIPC completion point, external debt should fall to around 46 percent of GDP.

### III. PERFORMANCE UNDER THE PROGRAM

9. **All but one of the quantitative targets for March 2007 and June 2007 were met (Table 1).** Specifically, the March performance criteria and June indicative targets on net useable international reserves, net domestic assets (NDA) of the Central Bank, and fiscal basic balance were met comfortably. In addition, the government made a particular effort to reduce its stock of domestic arrears, making payments that exceeded substantially the indicative targets under the program. However, the government incurred short-term arrears to the World Bank and the African Development Bank, and so did not observe the continuous quantitative performance criterion on the accumulation of new external payments arrears.

10. **The record of implementation of structural reforms through July 2007 was strong (Table 2).** The schedule to clear the backlog of unaudited government accounts was strictly respected. Moreover, the IFMIS, which was launched according to schedule in January 2007, quickly introduced a comprehensive commitment control system, and facilitated the preparation of comprehensive monthly execution reports by May 2007. As regards Central Bank governance and operational independence, the plan to limit government borrowing from the CBG in accordance with the CBG Act is being implemented, and the segregation of duties in the management of international reserves was completed by March. The CBG also established and staffed the Credit Reference Bureau in March. The GBoS produced a new CPI series ahead of schedule.

11. **Two structural performance criteria were missed.** One—submission of a special audit report on monetary data—was implemented with a month's delay due to circumstances beyond the control of the CBG; there were delays in correspondent banks' responses to the auditors' requests for confirmation of account balances. The second measure related to the establishment and making fully operational a Central Project Management and Aid Coordination Directorate in the Department of State for Finance and Economic Affairs. The directorate has been established and is now expected to become operational by October 2007. We underestimated how much time would be needed to fully staff the office with qualified staff and to make it fully operational.

### IV. MEDIUM-TERM OBJECTIVES AND THE PRGF-SUPPORTED PROGRAM

12. **The government will continue to maintain prudent macroeconomic policies, consolidating the gains of recent achievements, and fostering reforms conducive to higher growth and poverty reduction.** Macroeconomic stability has been preserved in the

last two years, with low inflation and adequate international reserve levels. Going forward the successful implementation of the PRGF-supported program, which draws on the country's second Poverty Reduction Strategy Paper (PRSP II), will help consolidate recent macroeconomic achievements and the attainment of the Gambia's economic and social objectives. Under the current baseline scenario for 2007–09, the government aims to:

- Sustain real GDP growth rates of 6–7 percent.
- Contain end-year inflation below 5 percent in 2007, and to 4 percent in 2008, and to 3 percent by 2009.
- Reduce the ratio of domestic debt to GDP from 32 percent at the end of 2006 to about 23 percent by 2009.
- Reduce the external current account deficit (including official transfers) from 13.5 percent of GDP in 2006 to 12 percent of GDP in 2009.
- Maintain a level of international reserves equivalent to about 5 months of imports.

13. **The baseline macroeconomic scenario takes into account the importance of preserving fiscal discipline, containing inflation, and ensuring the sustainability of the external current account.** It seeks to reduce gradually the burden of domestic debt service in order to create much needed fiscal space for PRSP-related expenditures. It also aims at maintaining an external current account position that is sustainable in light of medium-term projections of capital inflows. Projected growth rates are higher than the 4.5 percent average annual growth rate assumed in PRSP II. However, we believe that upward revisions of recent growth performance and indications of strong and sustained growth of some key sectors of the economy (tourism, construction, and transportation and telecommunication services) justify this more ambitious projection.

14. **Preliminary results of an updated debt sustainability analysis (DSA) suggests that The Gambia will remain at high risk of debt distress even after receiving relief under the HIPC and multilateral debt relief initiatives.** The DSA was undertaken by staffs of the IMF and World Bank, in collaboration with government and CBG officials. In order to mitigate the risk, the government intends to rely mainly on grants for funding its development programs. Plans are underway for convening a donor conference in November 2007 to solicit financial assistance to support the full implementation of PRSP II. In view of the large gap that remains between the estimated required resources and the levels of external assistance committed by development partners, it is unlikely that we can rely solely on grants to fill the financing gap.

15. **The government intends to limit the accumulation of new debt, and will ensure that all new borrowing is on highly concessional terms.** As a first step in signaling our

commitment to achieving debt sustainability, we have agreed to increase the minimum grant element in new external borrowing under the program from 35 percent to 45 percent. Furthermore, in order to enhance the monitoring of new borrowing, we have agreed to provide information to IMF staff on new loans as soon as they are approved by the lender. Typically, it takes several months after the loan is approved by the lender for it to become effective; the steps after approval include signing, ratification, and implementation of conditions of effectiveness.

## V. POLICIES FOR THE REMAINDER OF 2007

### A. Fiscal Policy and Related Structural Reforms

16. **The government recognizes that maintaining fiscal discipline is critical for achieving debt sustainability and lowering domestic interest rates.** The overall fiscal balance is expected to show a marked improvement from a deficit of 6.8 percent of GDP in 2006 to a surplus of 1.6 percent of GDP in 2007. The surplus on the fiscal basic balance is also expected to increase from 1.5 percent of GDP in 2006 to 4.4 percent of GDP in 2007.

17. **Revenue performance is expected to remain strong.** Tax policy will be guided by the principle of revenue neutrality, the need to avoid distortions and the importance of maintaining an attractive business environment for investors. Efforts to improve tax administration will continue, including through increased staffing, training and equipment for The Gambia Revenue Authority. Ongoing measures to broaden the tax base include the issuance of tax identification numbers and taxpayer education campaigns.

18. **Given that rice is an essential commodity in the consumption basket of the poor, and in light of the recent increases in international prices, the Government has decided to lower the sales tax on rice from 15 percent to 5 percent to support low income consumers.** However, mindful of the importance of neutralizing any ensuing revenue loss (estimated at 0.1 percent of GDP), the sales tax on automobile spare parts will increase from 10 percent to 20 percent. These measures are revenue neutral and broadly progressive. The government will consult IMF staff should the need arise for further tax policy changes.

19. **Expenditure policy will be guided by the need to contain the fiscal deficit, better align budget priorities with the PRSP, and improve the efficiency and transparency in the use of public resources.** Total expenditures and net lending will decline slightly from 29.2 percent of GDP in 2006 to 28.7 percent of GDP in 2007. Lower interest payments, falling by 1 percentage point of GDP, will facilitate an increase in primary spending without undermining the overall fiscal policy objectives. In particular, wages and salaries will increase slightly to 4.8 percent of GDP, while capital expenditures increase by about 1.5 percent of GDP, reflecting the implementation of large donor-funded road projects.

20. **The government will strictly enforce the new commitment control system, pursue its efforts to fully identify the stock of existing arrears and avoid the accumulation of new arrears to domestic suppliers.** The successful launch of the IFMIS system in January 2007 goes a long way to avoid the emergence of new arrears. However, strictly enforcing fiscal discipline and the further extension of the IFMIS system to all government agencies and spending units is essential. The government has requested financial assistance from the World Bank to implement the second phase of the IFMIS project.

21. **The Department of State for Finance and Economic Affairs (DOSFEA) and the National Planning Commission will pursue efforts to enhance accountability in the use of public resources and obtain better value-for-money in the implementation of public projects.** To this end:

- The Central Project Management and Aid Coordination Directorate will become fully operational and start producing reports by October 2007.
- Efforts to clear the backlog of government accounts and publish more information on the budget and its execution will be pursued. The government submitted the accounts for 2005 to the Auditor-General in July, and expects to submit the 2006 accounts well before December 2007.
- A comprehensive debt management strategy will be prepared by end-July 2008. The strategy will set limits on the amount and terms of new loans, taking into account that The Gambia may remain at high risk of debt distress even after receiving HIPC and MDRI debt relief. It will also define a proper institutional framework for debt management in the country.

22. **In order to improve fiscal transparency and track fiscal risks, the reporting framework for public enterprises will be strengthened.** By administrative order, the Secretary of State for Finance and Economic Affairs has authorized The Gambia Divestiture Agency (GDA) to formally request timely financial reports from the Social Security and Housing Finance Corporation, the Gambia Port Authority, the Gambia Telecommunications Cellular Company (GAMCEL), and the Gambia Groundnut Corporation (GGC).

23. **Special attention will be paid to the operations and financial position of GGC in view of the government's commitment to open up all aspects of the groundnut sector to the private sector (see paragraph 35 below).** The government will not provide any transfers or subsidies to GGC, nor will it provide guarantees for borrowing from commercial banks.

## **B. Monetary Policy, CBG Governance, and Related Structural Reforms**

24. **The CBG will continue to use a money targeting framework to pursue its price stability objective.** It will also use its rediscount rate to signal changes in policy stance. In setting the rediscount rate, the CBG will pay due regard to the evolution of the market determined treasury bill rates and inflation outlook.
25. **In order to strengthen the CBG's operational independence, the government and the CBG have undertaken to ensure compliance with two key provisions of the CBG Act (2005) related to CBG capital and limits on lending to the government.** The CBG will be recapitalized to the tune of D100 million (the amount stipulated in the CBG Act) over a five-year period beginning in 2006. The government has already paid the 2006 contribution of D20 million and has appropriated another D20 million in the 2007 budget. The 2005 CBG Act stipulates that the CBG's lending to the government should not exceed 10 percent of government tax revenues in the previous year. The CBG's claims on the government exceeded this limit throughout 2006. Since June 2006, the government has acted to reduce substantially the level of its outstanding borrowing from the CBG. The government and the CBG are implementing an Action Plan to bring government borrowing from the CBG within the statutory limit by the end of 2007.
26. **In order not to undermine the effectiveness of the CBG's monetary operations, the government has agreed not to use the proceeds from treasury bills issued by CBG to mop-up liquidity.** To operationalize this decision, the proceeds from treasury bills issued for such purposes will be put in a blocked "sterilization" account. As required by Article 38 (4) of the Government Budget Management and Accountability Act (2004), the CBG will submit to DoSFEA regular reports on this account. DoSFEA and CBG will adopt a memorandum of understanding by end-September 2007 that will address issues related to this account as well as provide guidance on other areas of fiscal-monetary policy coordination while safeguarding the operational independence of the CBG.
27. **The CBG will continue implementing the Action Plan aimed at strengthening internal controls that was approved by the CBG Board in 2005.** Accordingly, it has already made operational the segregation of duties in foreign reserves management as stipulated in the CBG's Policy Guidelines on Segregation of Duties of Foreign Exchange Market Operations.
28. **The CBG intends to adopt International Financial Reporting Standards (IFRS) as its accounting framework.** To this end, a gap analysis (between current accounting policies and the requirements of IFRS) and an Action Plan for moving to IFRS over a three-year period, will be completed by December 2007. The CBG is also undertaking reforms aimed at strengthening its monetary policy framework and operations, internal audit, and banking supervision. It will also continue work on its research agenda aimed at enhancing the effectiveness of monetary policy.



### C. Deepening financial intermediation

29. **The banking system in The Gambia is relatively sound, but financial intermediation remains low.** Profitability has been high and the proportion of nonperforming loans has remained relatively stable at 12–14 percent. However, the loan-to-deposit ratio is very low (38 percent) suggesting scope for increased lending activities. Nevertheless banks are citing high risks and limited bankable projects as the reasons for that low ratio. In order to reduce the risks and promote lending, a Credit Reference Bureau to share information on potential clients has been established and the CBG is working with the banks and software consultants to operationalize the bureau. It is expected that the bureau will become fully operational by end-March 2008.

### D. Capacity Building

30. **Capacity constraints have adversely affected the formulation and implementation of government policies and reform efforts.** As noted in PRSP II, low capacity was a major constraint in the implementation of PRSP I. At the government's request, the World Bank is undertaking a study that will inform a comprehensive civil service reform.

31. **The government has requested IMF technical assistance to support its capacity building efforts, especially in the areas of public financial management (PFM), central bank operations, and economic statistics.** A formal request has been submitted for a PFM diagnostics mission to help improve budget planning, execution and control, and contribute to the government's efforts to enhance the transparency and efficiency in the use of public resources. The CBG has requested assistance in the areas of monetary policy framework and operations, debt management, and banking supervision. In the areas of statistics, the government wishes to request assistance in the areas of national accounts, producer prices, and government finance statistics.

### E. Program Monitoring

32. **The program will continue to be monitored based on the agreed quantitative financial targets (Table 1), a set of structural performance criteria and benchmarks (Table 3), and program reviews.** The quantitative financial targets for end-September 2007 and end-March 2008 are performance criteria, and those for end-December 2007 and end-June 2008 are indicative targets. The second and third program reviews are scheduled to be completed by end-January 2008 and end-July 2008, respectively. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU).

33. **To ensure effective monitoring of program implementation, the PRGF Monitoring Committee, headed by the Secretary of State for Finance and Economic**

**Affairs will continue to meet regularly to review performance under the program.** It will also ensure that data are reported to the IMF as per the schedule agreed in the TMU, and will stand ready to provide any other information requested by IMF staff for monitoring the program. The committee will take remedial actions in case there are gaps or delays in program implementation or the reporting of data to the IMF.

## VI. TOWARD HIPC COMPLETION POINT

34. **The Gambia has met all but one of the HIPC completion point triggers.** The government was unable to bring the groundnut processing plants in the public sector to a point of sale; efforts to attract private investors were unsuccessful. Meanwhile, a consensus has emerged among major stakeholders that revitalization of the sector—which is very important for the government’s poverty reduction strategy—needs to go beyond the mere privatization of public assets. The experience of neighboring countries suggests that privatization is not a panacea. The government has adopted a comprehensive Groundnut Sub sector Roadmap Implementation Framework aimed at moving the sector onto a firm recovery path. The road map is based on various recent studies undertaken by or with the support of the World Bank, IMF and the EU. On the basis of the “roadmap” and specific measures we have agreed to implement before the upcoming 2007/08 season, the government wishes to request a waiver of the groundnut sector trigger to allow The Gambia to reach the HIPC completion point before the end of 2007 and benefit from much needed debt relief.

35. **Key elements of the groundnut sector “roadmap” include free entry of private sector actors in all areas of operations, and government withdrawal from licensing and producer price setting roles.** The Agribusiness Service Plan Association (ASPA), which has representatives of all major stakeholders, will now have the responsibility for registering traders, operators, producer organizations and industrialists. ASPA will also determine the producer price (based on a transparent pricing mechanism), and fix the dates for the opening and closing of the groundnut marketing season each year. The government has also decided to put GGC under a performance-based management contract from July 2008.

36. **The government has agreed to take over groundnut sector related loans amounting to D 157 million (1 percent of GDP) guaranteed by the Social Security and Housing Finance Corporation that are in default.** The loans were extended by two banks to the Gambia Agricultural Marketing Company (GAMCO), a joint private-public company in which SSHFC holds minority shares.<sup>8</sup> The government approved the guarantee extended by SSHFC. In order to avoid a substantial loss of pensioner’s funds, the government and

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<sup>8</sup> GAMCO was formed in 2004 and benefited from a change in licensing rules that resulted in it becoming the sole operator during the 2004/05 season. The company did not participate in the 2006/07 buying season.

SSHFC renegotiated the terms of the loans with the banks. Under the new terms, the government will repay the loans over a three year period, beginning in 2008.

**37. Resources freed by debt relief under the HIPC and multilateral debt relief initiatives will be used to increase poverty-reducing expenditures, in line with PRSP II priorities.** The resources—currently estimated at about US\$15 million a year—will be allocated among various uses including: boosting expenditures on the social sectors, reducing domestic debt, and in support of pay and pension reform in the civil service (to address the increasing difficulty the government is having in attracting and retaining highly skilled personnel in core areas). Discussions on further details of the planned use of debt relief will take place in the context of the medium-term framework for the 2008 budget and the second PRGF review, to be held during a mission scheduled for late-October/early-November 2007.

Table 1. The Gambia: Quantitative Targets and Projections, End-December 2005–End-June 2008

	2005		2006		2007				2008				
	End-Dec. Act.	End-Dec. Est.	End-Dec. Act.	End-Dec. Est.	End-Jun. Prog.	End-Jun. Act.	End-Sep. Prog.	End-Dec. Prog.	End-Mar. Prog.	End-Jun. Prog.			
	(Change from End-December 2005)												
	(Stock)												
<b>Performance criteria<sup>2</sup></b>	(Millions of dalasis)												
Net domestic assets of the central bank (ceiling)	174.3	-1.1	-140.9	41.2	-121.3	9.7	-334.4	12.3	-87.8	-313.3	-277.8	-261.3	-263.8
Basic balance (floor) <sup>3</sup>	...	189.1	207.3	292.9	446.0	419.5	686.1	487.1	537.1	671.3	771.3	969.3	1042.1
New external payments arrears of the central government (ceiling) <sup>4</sup>	0.0	0.0	0.0	0.0	0.0 <sup>8</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(Millions of U.S. dollars)												
Net usable international reserves (floor)	71.1	6.7	23.8	9.2	13.4	10.4	20.8	9.7	16.5	26.5	36.1	39.6	39.9
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling) <sup>5</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external public debt with original maturity of one year or less (ceiling) <sup>6</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Indicative targets</b>	(Millions of dalasis)												
Domestic budgetary arrears <sup>7</sup>	770.3	-176.8	-223.8	-258.2	-448.5	-339.6	-499.4	-421.0	-574.2	-502.3	-649.0	-679.4	-709.8

Source: IMF staff estimates.

Note: the revised targets on the net domestic assets of the central bank for September 2007 and December 2007 are based on an exchange rate of 27.5 dalasis/U.S. dollar.

<sup>1</sup>MDRI debt relief is assumed to take place in the fourth quarter of 2007.<sup>2</sup>September 2007 and March 2008 are performance criteria; December 2007 and June 2008 are indicative targets.<sup>3</sup>Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.<sup>4</sup>To be applied on a continuous basis.<sup>5</sup>External debt contracted or guaranteed other than that with a grant element equivalent to 45 percent or more, calculated using a discount rate based on the Organization for Economic Corporation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.<sup>6</sup>Excluding normal import-related credits.<sup>7</sup>The stock of domestic arrears at end-2005 was previously estimated at D524.5 million<sup>8</sup>The Gambia accumulated temporary arrears to the World Bank and the African Development Bank which have been cleared.

**Table 2. The Gambia: Structural Conditionality for December 2006-July 2007<sup>1</sup>**

Measure	Target Date	Status
<b>Public financial management and accountability</b>		
1. Clear the backlog of unaudited government accounts		
(i) Submit to the Auditor-General the accounts for 2003 (PA)	End-December 2006	Met
(ii) Submit to the Auditor-General the accounts for 2004 (PC)	End-February 2007	Met
(iii) Submit to the Auditor-General the accounts for 2005 (PC)	End-July 2007	Met
2. Make operational the central project management and aid coordination directorate at DoSFEA (PC)	End-June 2007	Not met. Established but not yet fully operational
3. Launch IFMIS by mid-January 2007 (B)	Mid-January, 2007	Met
4. Establish a comprehensive commitment control system (PC)	End-April 2007	Met
5. Prepare and issue a comprehensive monthly budget execution report, including information on commitments, with a one-month lag, starting with the report for April 2007 (PC)	From May 2007	Met
<b>Central bank governance and operational independence</b>		
6. Prepare an action plan to bring government borrowing from the CBG in line with the limit under the CBG Act within one year (PA)	January 15, 2007	Met
7. Implement segregation of duties in the management of international reserves (PC).	End-March 2007	Met
8. Provide to Fund staff special audit report on monetary program data at program test date of end-March 2007 (PC)	End-June 2007	Met, with a delay.
<b>Financial deepening</b>		
9. Establish and staff the credit reference bureau (B)	End-May 2007	Met
<b>Statistics</b>		
10. Start publishing monthly CPI series based on 2003 household survey weights (PC)	End-June 2007	Met
11. Prepare and publish quarterly balance of payments statistics, with one quarter lag beginning with 2007 Q1 (B)	From end-June 2007	Met

<sup>1</sup> PA, PC and B denote prior action for approval of the arrangement, performance criterion, and benchmark, respectively.

**Table 3. The Gambia: Structural Conditionality for August 2007–July 2008<sup>1</sup>**

Measure	Target Date
<b>Public financial management and accountability</b>	
1. Clear the backlog of unaudited government accounts	
(i) Submit to the national assembly the audited accounts for 2000-04 (B)	End-December 2007
(ii) Submit to the Auditor-General the accounts for 2006 (PC)	End-December 2007
2. Make operational the central project management and aid coordination directorate at DoSFEA (PC)	October 2007
3. Issue a comprehensive monthly budget execution report, including information on commitments, with a one-month lag, starting with the report for April 2007 (PC)	Monthly
4. Prepare a national debt strategy after receiving TA (B)	End-July 2008
5. Provide quarterly financial information on selected public enterprises (B)	
<b>Central bank governance and operational independence</b>	
6. Implement the action plan to bring government borrowing from the CBG in line with the limit under the CBG Act within one year (PC)	End-December 2007
7. Provide to Fund staff special audit report on monetary program data at program test date at end-September 2007 (PC)	End-December 2007
8. Complete a gap analysis and establish an Action Plan for moving to IFRS (PC).	December 2007
<b>Financial deepening</b>	
9. Make the credit reference bureau operational (PC)	End-March 2008
<b>Statistics</b>	
10. Publish quarterly balance of payments statistics, with one quarter lag beginning with 2007 Q1 (B)	From end-June 2007
11. Rebase the national accounts to 2003/04 prices and begin estimating GDP by expenditure components (B)	June 2008

<sup>1</sup>PC and B denote performance criterion and benchmark, respectively.

## Attachment II

### Technical Memorandum of Understanding

(August 2007–July 2008)

#### I. INTRODUCTION

1. This memorandum sets out the understandings between the Gambian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of quantitative performance criteria, indicative targets, structural performance criteria, and structural benchmarks that will be used in monitoring the Poverty Reduction and Growth Facility (PRGF)-supported program covering the period of 2007–09. It also sets out the related reporting requirements.

#### II. QUANTITATIVE PERFORMANCE CRITERIA

##### A. Net Domestic Assets of the Central Bank

2. **Definition:** The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

3. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted first into U.S. dollars at the prevailing cross-rates and then converted into dalasi using the D/USD program exchange rate of 27.5. This is an accounting exchange rate only and should not be construed as a projection.

4. **Supporting material:** Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rate) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

##### B. Basic Balance of the Central Government

5. **Definition:** The basic balance of the central government is defined as revenue (tax and nontax) minus total expenditure and net lending, excluding externally financed capital expenditure. Central government excludes local and regional governments and public enterprises.

6. **Supporting material:** Reporting on the basic balance will form part of the consolidated budget report described in paragraph 27 below.

### C. New External Payments Arrears of the Central Government

7. **Definition:** External payments arrears are defined as the stock of external arrears on loans contracted or guaranteed by the central government, except on debts subject to rescheduling or a stock of debt operation. Debts subject to rescheduling include debts covered traditional mechanisms (bilateral creditors, such as the Paris Club members) or HIPC. External payments arrears occur when undisputed interest and amortization payments on the above-referenced loans are not made within the terms of the debt contract or in conformity with the terms for interim relief provided under the enhanced HIPC Initiative. This performance criterion will be assessed on a continuous basis.

8. **Supporting material:** An accounting of nonreschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the central government and other public sector entities to Paris Club and non-Paris-Club creditors.

### D. Net Usable International Reserves of the Central Bank of The Gambia

9. **Definition:** *Net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities. *Usable reserve assets* are readily available claims on nonresidents denominated in foreign convertible currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). *Reserve liabilities* are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF.

10. **Supporting material:** End-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

### E. New Nonconcessional Debt Contracted or Guaranteed by the Central Government with Original Maturity of More Than one Year

11. **Definition:** This target refers to new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government. It



applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 24, 2000 (Decision No. 12274–00/85), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this target are loans or purchases from the IMF and debts with a grant element of at least 45 percent.<sup>9</sup> Also excluded are two loans from the OPEC Fund for International Development with grant elements of 39.5 percent each, which were approved in the first half of 2007.

12. **Supporting material:** A comprehensive record, including a loan-by-loan accounting of all new concessional and nonconcessional debt contracted or guaranteed by the central government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. Nonconcessional external debt over one year includes financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms.

#### **F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less**

13. **Definition:** This target refers to the stock of outstanding external public sector debt with original maturity of one year or less, owed or guaranteed by the central government.<sup>10</sup> Public sector consists of the central and regional governments and other public agencies, including the CBG. Excluded from this target are normal import-related credits.

14. **Supporting material:** A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

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<sup>9</sup> A loan is concessional if its grant element is at least 35 percent, calculated on the basis of the commercial interest reference rates (CIRR) and following the methodology set out in staff paper on Limits on External Debt or Borrowing in Fund Arrangements – Proposed Change in Implementation of the Revised Guidelines approved by the IMF Executive Board on April 15, 1996.

<sup>10</sup> The term “debt” has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 24, 2000 (Decision No. 12274–00/85).

### III. QUANTITATIVE INDICATIVE TARGETS

#### A. Domestic Budgetary Arrears

15. **Definition:** Domestic budgetary arrears are defined as the sum of all bills that have been received by a central government spending unit or line ministry under the recurrent expenditure budget (including rents and utilities) or the development expenditure budget, and for which payment has not been made within 30 days. Arrears can be cleared in cash or through debt swaps.

16. **Supporting material:** A comprehensive record of all domestic budgetary arrears, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

### IV. STRUCTURAL PERFORMANCE CRITERIA AND BENCHMARKS

#### A. Central Project Management and Aid Coordination Directorate

17. **Definition:** The directorate is deemed operational when it is staffed and begins establishing a database on external aid received by all departments of government.

18. **Supporting material:** A comprehensive record of external aid received by all departments of government, by donor and project, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

#### B. Monthly Budget Execution Report

19. **Supporting material:** The report shall contain information on expenditure appropriations, commitments, payment orders, and actual payments by broad category of spending for all government departments and agencies covered by the central government budget. It will be transmitted to IMF staff within four weeks of the end of each month.

#### C. Financial Information on Selected Public Enterprises

20. **Supporting material:** Quarterly financial data in the format of Annex I will be transmitted to the IMF within four weeks of the end of the quarter for the following four public financial and nonfinancial corporations: (1) Social Security and Housing Finance Corporation; (2) The Gambia Port Authority; (3) The Gambia Telecommunications Cellular Company (GAMCEL); and (4) The Gambia Groundnut Corporation (GGC).

#### D. Action Plan to Bring Government Borrowing from the CBG in Line with the Law

21. The Action Plan includes quarterly limits on the extent to which the legal limit may be breached in the transition to full compliance by end-2007.

### **E. Special Audit Report on Monetary Program Data**

22. The special audit will be conducted on the basis of the terms of reference agreed between CBG and IMF staffs in March 2007.

### **F. Credit Reference Bureau**

23. The Bureau is deemed operational when it is staffed, begins compiling a database on commercial bank customers, and commercial banks are able to obtain information from the database.

### **G. Quarterly Balance of Payments Statistics**

24. **Supporting material:** Quarterly balance of payments data transmitted to the IMF with a one quarter lag.

### **H. National Accounts**

25. **Supporting material:** Gambia Bureau of Statistics publication of national accounts series showing expenditure components (consumption, investment, net exports) as well as sector of origin of GDP, in both current and constant (2003/04) market prices.

## **V. OTHER DATA REQUIREMENTS AND REPORTING STANDARDS**

26. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

### **A. Prices**

27. The monthly disaggregated consumer price index, including weights for each major category, based on the 2003 integrated household survey, will be transmitted within four weeks of the end of each month. The old CPI data will continue to be submitted within the same time frame until it ceases to be published.

### **B. Government Accounts Data**

28. The following monthly reports will be transmitted to the IMF within two weeks of the end of the month: (i) revenue flash report; and (ii) expenditure flash report.

29. A monthly consolidated central government budget report (i.e., the analytical table) on budget execution during the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of the month. The report will comprise: (i) revenue data by major item, including tax (direct tax, taxes on domestic goods

and services, and taxes on international trade) and nontax; (ii) external grants by type (e.g., project, program); (iii) details of recurrent expenditure (including data on wages and salaries, interest payments, and other charges); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditures from the Gambia Local Fund, and net lending); (v) the overall balance and the basic balance (defined in paragraph 5); and (vi) details of budget financing (including net domestic borrowing and its gross components, external grants, net external borrowing and its gross components, utilization of privatization proceeds, and arrears).

30. Net domestic borrowing by the central government over a given period is defined as the change in the net domestic debt at the end of the period minus the net domestic debt at the beginning of the period. The central government's net domestic debt is defined as: claims on the central government by the banking system minus deposits of the central government with the banking system plus claims by the nonbanking sector, including public enterprises. Central government excludes local and regional governments and public enterprises. The banking system comprises the CBG and commercial banks.

### **C. Poverty Reducing Expenditures**

31. A monthly report on poverty-reducing expenditures, by functional and economic classifications, will be transmitted within four weeks of the end of each month. Poverty reducing expenditures comprise line items in the budget that have been specifically tagged as PRSP-related. For 2007, they include expenditure on the construction of trunk roads.

### **D. Monetary Sector Data**

32. The balance sheets of the CBG, prepared on the bases of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet should explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, interest and noninterest-bearing government bonds, advances to the government in foreign currency, and other claims. Liabilities include balances in the treasury main, treasury expenditure, sterilization, special projects, foreign projects, and other deposit accounts. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., consolidation of the accounts of the CBG and the commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month. The CBG will also forward, within four weeks of the end of each month, data on banks' reserves held at the CBG to meet statutory reserve requirements during the last week of each month (broken down by total reserves, and excess reserves or deficits). Data will be provided for each commercial bank as well as for the industry as a whole.

### **E. Treasury Bills and CBG Bills**

33. Weekly data on the amount offered, issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a monthly basis within seven days of the end of the month. Data on treasury bills outstanding (including information on the distribution by bank and nonbank holders) will be transmitted on a monthly basis within six weeks of the end of each month. The monthly Liquidity Management Report, reflecting the data as of the last working day of the month, will be transmitted within seven days after the end of each month.

### **F. External Sector Data**

34. The following standards will be adhered to in reporting data on exchange rates: (i) the interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week; and (ii) the CBG's published monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within two weeks of the end of the month.

35. The CBG will also forward monthly data on volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasis within two weeks of the end of the month.

## ANNEX I

## QUARTERLY REPORTING SYSTEM FOR PUBLIC ENTERPRISES

Name of the Enterprise: \_\_\_\_\_

Supervisory Authority: \_\_\_\_\_

Regulatory Authority (if any): \_\_\_\_\_

Law Establishing the Company: \_\_\_\_\_

Government Shares (percent of total capital): \_\_\_\_\_

Date of Last Audited Accounts: \_\_\_\_\_

Fiscal Year _____	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue				
(Cost of sales)				
<b>Gross profit</b>				
(Administrative expenditures)				
(Depreciation)				
Net financing income/cost				
<b>Net operating profit</b>				
<b>Memorandum items:</b>				
<b>Taxes paid</b>				
• Sales tax				
• Income tax				
• International trade				
• Other taxes				
<b>Dividends to government</b>				
<b>Transfers received</b>				
• From government				
• Other				
<b>Stock of debt</b>				
• Government				
• Banking system				
<b>New investment</b>				
<b>Available cash</b>				
• In banks				
• Other				
<b>Stock of arrears</b>				

INTERNATIONAL MONETARY FUND

THE GAMBIA

**First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria—  
Informational Annex**

Prepared by the African Department  
(In collaboration with other departments)

Approved by Sharmini Coorey and Matthew Fisher

August 14, 2007

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 12.45 million (40.02 percent of quota) at end-June 2007.
- **Relations with the World Bank.** Describes the World Bank Group program and portfolio, including a statement of IFC investments.
- **Relations with the African Development Bank.** Describes the African Development Bank Group program and portfolio.
- **Statistical Issues.** Assesses the quality of statistical data. The authorities have made some progress in improving the compilation of economic and financial statistics; however, weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

**The Gambia: Relations with the Fund**  
(As of June 30, 2007)

**Membership status.** Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993. It maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

<b>General Resources Account</b>	<u>SDR Million</u>	<u>% Quota</u>
Quota	31.10	100.00
Fund holdings of currency	29.62	95.23
Reserve position in Fund	1.48	4.77
<b>SDR Department</b>	<u>SDR Million</u>	<u>% Allocation</u>
Net cumulative allocation	5.12	100.00
Holdings	0.73	14.25
<b>Outstanding Purchases and Loans</b>	<u>SDR Million</u>	<u>% Quota</u>
Poverty Reduction and Growth Facility (PRGF) arrangements	12.45	40.02

**Latest Financial Arrangements**

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
PRGF	Feb. 21, 2007	Feb. 20, 2010	14.00	2.00
PRGF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89
PRGF	Jun. 29, 1998	Dec. 31, 2001	20.61	20.61
PRGF	Nov. 23, 1988	Nov. 25, 1991	20.52	18.02

**Projected Obligations to the Fund (without HIPC Assistance)** (SDR million; based on current use of resources and present holdings of SDRs)<sup>11</sup>

	<u>Forthcoming</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Principal	1.37	3.33	2.64	1.95	0.58
Charges/interest	0.13	0.23	0.22	0.21	0.20
Total	1.50	3.56	2.86	2.16	0.78

<sup>11</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.



### Projected Obligations to the Fund (with Board-Approved HIPC Assistance)

(SDR million; based on current use of resources and present holdings of SDRs)

	Forthcoming				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Principal	1.19	3.21	2.64	1.95	0.58
Charges/interest	<u>0.13</u>	<u>0.23</u>	<u>0.22</u>	<u>0.21</u>	<u>0.20</u>
Total	<u>1.32</u>	<u>3.44</u>	<u>2.86</u>	<u>2.16</u>	<u>0.78</u>

### Implementation of HIPC Initiative

Commitment of HIPC assistance	<u>Enhanced Framework</u>
Decision point date <sup>12</sup>	Dec. 11, 2000
Assistance committed (yearend 2000 NPV terms) <sup>13</sup>	
Total assistance (US\$ million)	66.60
<i>Of which:</i> IMF assistance (US\$ million)	2.30
SDR equivalent, million	1.80
Completion point date	Floating
Disbursement of IMF assistance (SDR million)	
Assistance disbursed	0.44
Interim assistance	0.44
Completion point balance	...
Additional disbursement of interest income <sup>14</sup>	...

<sup>12</sup> The Fund approved the decision on 12/15/2000 as Decision 12365-(00/126). The World Bank Board decision was taken on 12/14/2000.

<sup>13</sup> Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

<sup>14</sup> Under the enhanced HIPC Initiative, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

### **Safeguards assessments**

An update Safeguards Assessment of the Central Bank of The Gambia (CBG) was conducted in November 2006. This update assessment was performed against the backdrop of previous safeguards findings, which identified significant vulnerabilities in the CBG's safeguards framework. While the CBG has instituted a series of control reforms since that assessment, a key challenge looking forward is to build on existing progress to strengthen remaining vulnerabilities in the CBG's safeguards framework, including controls over international reserves and procedures for extending credit to the government. The update assessment, completed on February 10, 2007, recommended certain priority actions to be taken, including semi-annual audits of monetary program data, the implementation of segregation of duties in the reserves management function, a phased implementation of International Financial Reporting Standards, and an action plan to ensure that government borrowing from the CBG is brought within the statutory limits. The CBG is progressively implementing these recommendations.

### **Exchange rate arrangement**

Until January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange rate arrangement of The Gambia was reclassified from independently floating to managed float with no preannounced path. As of June 30, 2007, the midpoint exchange rate in the interbank market was D26.5164 per U.S. dollar.

The Gambia has been part of the exchange rate mechanism of the West African Monetary Zone (WAMZ) since April 2002.

### **Last Article IV consultation**

The Executive Board concluded the 2006 Article IV consultation (IMF Country Report No. 06/444) on October 13, 2006.

### **Technical assistance**

The Fund has been providing The Gambia with extensive technical assistance in macroeconomic, fiscal, and monetary areas, and in improving the compilation of macroeconomic statistics. Specific technical assistance projects are the following:

#### **Fiscal Affairs Department**

Sep. 2004–May 2006	Peripatetic regional advisor assisted the authorities in putting the new organic budget law into effect, strengthening public expenditure management, and improving the reporting of budget execution.
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Feb./Mar. 2004	Mission worked jointly with the World Bank on the Assessment and Action Plan (AAP).
Apr. 2003	TA advisor reviewed reforms in public expenditure management.
Mar. 2003–Oct. 2003	Long-term resident budget expert helped the authorities to strengthen budgetary expenditure reporting and control.
Dec. 2002	TA advisor advised the authorities on drafting an organic budget bill.
Oct. 2002	TA advisor reviewed reforms in public expenditure management.
Mar. 2002–Oct. 2003	Long-term resident budget expert helped the authorities to strengthen budgetary expenditure reporting and control, initially for a year beginning from March 2002. The assignment was later extended until October 2003.
Nov. 2001–Oct. 2003	Peripatetic advisor assisted the DoSFEA in revenue administration reforms, including customs, implementing a large-taxpayer unit, and establishing a central revenue authority.
Jul. 2001	TA mission assessed the authorities' capacity to track poverty-related spending.
Aug. 2000–Aug. 2001	Long-term resident budget expert assisted the authorities in strengthening budgetary expenditure reporting and control.
Sep. 1999	TA mission assisted the authorities in expenditure management, budget execution issues, cash and debt management, short-term financial planning, fiscal reporting, and information systems.
Jan./Feb. 1996	Joint FAD/United Nations Development Program (UNDP) TA mission helped set up a system for monitoring the financial operations of public enterprises.

**Monetary and Capital Markets Department/ Monetary and Financial Systems Department /Monetary and Exchange Affairs Department**

Mar./May 2007	Technical expert advised the CBG on banking supervision.
Mar./Apr 2007	Technical expert advised the CBG in strengthening its capacity in internal auditing.
Jan./Feb. 2007	Technical expert advised the CBG on improving monetary operations.
Jul./Aug. 2006	Technical expert advised the CBG on banking supervision.

Jul./Aug. 2006	Mission reviewed progress made in strengthening the CBG's capacity in monetary operations and liquidity forecasting, foreign exchange operations, and foreign reserves management.
Apr./May 2006	Technical expert advised the CBG on banking supervision.
Apr./May 2006	Technical expert advised the CBG on improving monetary operations.
Nov. 2005	Technical expert advised the CBG on improving monetary operations.
Mar. 2005	Follow-up to the October 2004 mission.
Oct. 2004	Advisory mission made recommendations for improving monetary and foreign exchange operations and for reorganizing the central bank.
Jul. 2002	TA diagnostic mission focused on financial supervision and the insurance sector; and helped review the Central Bank Act and draft the Financial Institutions and Insurance Act.
Dec. 2001	TA diagnostic mission focused on strengthening CBG ability to , formulate and implement monetary policy and manage its foreign exchange operations and the financial system.
May 2001	Short-term expert helped the authorities to design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts.
Apr. 2001	Short-term expert helped the authorities to set up a book-entry system.
May 2000	Short-term expert helped the authorities to set up a short-term liquidity forecasting system.
Nov. 1999	Short-term expert helped the authorities design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts in the banking system.
Aug. 1998	TA mission helped the CBG draft market-based monetary policy instruments and review its program for strengthening banking supervision.
Dec. 1996	Technical expert helped the CBG in foreign exchange operations.
Jan./Feb. 1994	TA mission worked on monetary management and bank supervision.

## **Statistics Department**

Apr./May 2006	TA mission helped to improve the compilation and analytical soundness of monetary and financial statistics.
Feb. 2006	TA mission advised on compilation of balance of payments statistics.
Feb. 2005	Report on the Observance of Standards and Codes (ROSC)—Data Module—mission assessed data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund’s Data Quality Assessment Framework (DQAF, July 2003) and The Gambia’s dissemination practices against the recommendations of the General Data Dissemination System (GDDS).
2002–04	Peripatetic statistical advisor helped the Central Statistics Department update CPI data and improve the compilation of national accounts statistics.
May 2003	Mission advised on building an integrated database to report monetary statistics for all IMF data submissions.
Aug. 2001	TA mission advised on compilation of monetary and financial statistics.
Sep. 2000	TA mission advised on compilation of balance of payments statistics.
Nov. 1999	Mission reviewed collection of statistics to develop GDDS metadata for The Gambia.
Jun./Jul. 1999	TA mission advised on compilation of balance of payments statistics.
Nov./Dec. 1998	TA mission advised on national accounts statistics.

## **Others**

Mar./Apr. 2007	A Poverty and Social Impact Analysis (PSIA) mission analyzed the planned reform of the groundnut sector and discussed with the authorities the implications of these reforms.
Apr. 2002–Apr. 2004	A long-term resident macroeconomic advisor was assigned initially for a year beginning from April 2002, and later the assignment was extended by one more year through April 2004.

**Resident Representative**

Mr. Alex Segura-Ubiergo was appointed the Fund's first Resident Representative to The Gambia in September 2006. He is also the Resident Representative to Senegal.

## **The Gambia: Relations with the World Bank Group** (As of July 26, 2007)

The Bank and the Fund cooperate closely in providing support for the implementation of The Gambia's development strategy. The country's strategy is set forth in the Poverty Reduction Strategy Paper (PRSP). The second PRSP covers the period from 2007 to 2011. It outlines a medium-term development strategy to reduce poverty through the following five key objectives: (i) macroeconomic stability and effective public resource management; (ii) promotion of pro-poor growth and employment through private sector development; (iii) improved basic social services; (iv) strengthened local communities and civil society organizations (CSOs); and (v) mainstreamed multisectoral programs on gender, environment, nutrition, and population. The PRSP includes a multidimensional poverty analysis, an outline of a monitoring and evaluation framework, preliminary performance indicators and targets, estimates of the cost of implementation, and an indicative financing gap. The second PRSP and the Joint Staff Advisory Notes (JSAN) were discussed at the Bank's Board on July 19, 2007.

The Bank's support to The Gambia is outlined in its 2003 Country Assistance Strategy (CAS). A new Joint Assistance Strategy (JAS) for the period FY08-11 is being prepared jointly by the World Bank and the African Development Bank. The CAS is aligned with the PRSP, particularly in the following areas: (1) establishing a macroeconomic and sectoral environment conducive to economic growth; (2) rehabilitating and building infrastructure; (3) enhancing human capital by providing more efficient social services; and (4) building capacity in departments responsible for economic management. The Bank's direct support in recent years has mainly been sector-based investment projects and analytical work. The Fund has traditionally led the dialogue on macroeconomic policy, including fiscal, monetary, and exchange rate policies. Areas of close collaboration include public expenditure management reform and government statistics. Collaboration on trade issues has increased with the ongoing Diagnostic Trade Integration Study exercise led by the Bank.

As of July 26, 2007, IDA had approved 34 credits worth a total of about US\$296 million. The current portfolio consists of five projects in capacity building for economic management, private sector development (trade gateway), education, community-driven development, and locust prevention (regional), totaling US\$52.9 million, of which US\$29.3 million is undisbursed.

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

The current closing date for the project is December 2007. However, the authorities have requested additional financing for the project, which is expected to extend the closing date to December 2008.

The **Trade Gateway Project** was approved in February 2002 to help the country establish itself as a globally competitive business park by laying the foundations for expanded private investment, export-oriented production, and employment through a free zone and an improved institutional environment. The current closing date for the project is August 31, 2007.

The second phase of the **Education Project** was approved on June 1, 2006, to help The Gambia improve conditions for teaching and learning in basic education by (1) improving the performance of students, teachers, and schools, (2) strengthening capacity building and performance management, and enhancing monitoring and evaluation, and (3) expanding access to underserved communities. The current closing date for the project is March 31, 2011.

A **Community-Driven Development Project** was approved on August 31, 2006, to help rural communities, in partnership with local government authorities, plan, implement and maintain their priority social and economic investments. The current closing date for the project is April 30, 2012.

A regional **Emergency Locust Project** covering Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal, and The Gambia was approved in December 2004. To help reduce the hardships imposed on people and the environment by current and future locust invasions, the project supports improved strategies for prevention, early warning, reaction, and mitigation at both the national and regional levels. The current closing date for the project is June 30, 2009.

In addition to investment projects, the Bank is currently conducting several analytical initiatives, some of them jointly with other donors: (i) civil service reform and capacity assessment; (ii) poverty assessment; (iii) Diagnostic Trade Integrated Framework study; and (iv) Investment Climate Assessment (ICA).

**IFC** is not currently active in The Gambia. Nonetheless, IFC has identified two or three commercial banks as possible candidates for the Global Trade Finance Program. In addition, Foreign Investment Advisory Service will provide assistance in developing the regulatory and legal framework for a free trade zone being developed under the World Bank-financed Gateway project. Private Enterprise Partnership for Africa and African Management Services Company are seeking opportunities to build the capacity of micro, small and medium size enterprises (MSMEs) and institutions that support MSMEs. No new IFC projects have been approved in The Gambia since 1998. As of February 28, 2007, IFC's outstanding portfolio in The Gambia was US\$760,000.



IDA, MIGA, and the IFC will continue to coordinate their efforts to support development activities in The Gambia. Their activities are enhanced by the IFC office in Dakar, which also oversees IFC activities in The Gambia.

Summary of IDA Credits in The Gambia  
(As of July 14, 2007; millions of U.S. dollars)

Projects	Commitment	Disbursed	Undisbursed
Ongoing projects			
Community-Driven Development	12.0	0.0	12.6
Education Phase II	8.0	0.7	7.8
Gateway	16.0	12.1	6.1
Capacity Building for Economic Management Project	15.0	16.0	2.1
Africa Emergency Locust	1.9	0.5	1.5
Subtotal	52.9	29.3	30.1

Source: The World Bank Integrated Controller's System.

The Gambia: IFC's Held and Disbursed Portfolio  
(As of July 31, 2006; millions of U.S. dollars)

		Committed/Held				Disbursed			
		-----IFC-----				-----IFC-----			
FY Approval	Company	Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1993	AEF Ndebaan (Medical Clinic)	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0
1994	AEF Lyefish (Commercial Fishing)	0.36	0.0	0.0	0.0	0.36	0.0	0.0	0.0
1997	KKF II	0.19				0.19			
	Total portfolio	0.75	0.0	0.0	0.0	0.75	0.0	0.0	0.0
	Pending commitments	0.0	0.0	0.0	0.0				

Source: IFC.

Questions may be referred to Mr. Soh Hoon (email: [hsoh@worldbank.org](mailto:hsoh@worldbank.org)) or Ms. Françoise Perrot (email: [fperrot@worldbank.org](mailto:fperrot@worldbank.org)).

**The Gambia: Relations with the African Development Bank**  
(As of May 31, 2007)

The African Development Bank (AfDB) Group began lending to The Gambia in 1974. As of 31 May, 2007, it had approved 53 operations with total commitments (net of cancellations) of UA205.2 million (US\$305.5 million) in the following sectors: transport (25 percent); agriculture (21.7 percent); social (24.6 percent); public utilities (12.1 percent); multisectoral (8.8 percent); environment (5.8 percent); and industry (2.0 percent).<sup>15</sup> About 84.7 percent of the Bank Group's net commitments were made from the resources of the African Development Fund (ADF), 8.6 percent from the AfDB nonconcessional window, and 6.7 percent from the Nigeria Trust Fund (NTF).

As of 31 May, 2007, 36 operations had been completed, 2 were cancelled at the government's request, and 15 others continue, including 3 multinational projects, all in agriculture. Implementation of the portfolio is generally satisfactory; it achieved a rating score of 2.01 (on a scale from 0 to 3) during the Bank Group's 2005 portfolio review. The portfolio has a relatively low project-at-risk (PAR) rate of 33.3 percent, which compares well with the Bank-wide average of 43 percent stated in the AfDB's 2004 Annual Portfolio Performance Review (APPR). Total disbursement rates for the portfolio are also satisfactory. By the end of May 2007, they were 83.1 percent (overall), 100 percent (AfDB-financed projects), 83.6 percent (ADF), and 44.5 percent (NTF). The disbursement rate for the ongoing portfolio was 41.7 percent as of May 31, 2007. The satisfactory performance of the portfolio is attributed to the supervision missions conducted by the AfDB, especially since 2003.

The AfDB is also a major participant in The Gambia's enhanced Heavily Indebted Poor Countries (HIPC) Initiative program, under which it is due to grant debt relief of US\$15.7 million in net present value (NPV) terms (23.6 percent of total debt relief under the program).

The AfDB is currently preparing a Joint Assistance Strategy (JAS) with the World Bank to cover 2008–11. The draft JAS is based on two main pillars—(1) strengthening the institutional framework for economic management and public service delivery, and (2) supporting private sector development and productive capacity of the poor. The JAS will help support the Government's national priorities through the main channels of budget and project support in the context of growth poles and enhanced service delivery. The strategy is yet to be approved. The last Country Strategy Paper (CSP) for The Gambia, which covered

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<sup>15</sup> UA stands for unit of account = 1 SDR (equivalent to about \$1.52418 as of May 31, 2007).

2002–04, was designed to help the country in its efforts to meet the Millennium Development Goals (MDGs) by addressing specific institutional and human capacity constraints. Both the previous CSP and the JAS currently under preparation are anchored to the Gambia’s poverty reduction strategies as specified in the Poverty Reduction Strategy Paper (PRSPI), which is also known as Strategy for Poverty Alleviation II (SPA-II), and PRSP II (2007-2011). The base-case scenario focuses on the interventions shown in the table below.

Objective	Instrument and Amount	Focus
Meet the MDGs	Basic Education Project, UA10.0 million	Increase access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country.
Entrepreneurship development and livelihood promotion	UA8.0 million	Enhance entrepreneurial skills and improve capacity and income generation ability by providing microfinance. Focus is poverty reduction.
Implement multisector capacity building (planned for early 2008; articulated in the 2006 CSP update)	Institutional Support Project for Economic Management and Governance, grant of UA1.4 million	Strengthen capacity of departments and institutions involved in preparing and implementing the PRSP/SPA-II. Extend support to institutions dealing in economic and political governance, including the new Directorate of Central Project Management and Aid Coordination in the Department of State for Finance and Economic Affairs (DoSFEA), National Audit Office (NAO), parliament, and the Gambia Bureau of Statistics.

Under ADF–X, The Gambia is a grants-only recipient. Additional resources can be made available if there is improvement in both performance under the Country Policy Institutional Assessment (CPIA) and portfolio performance.

The AfDB’s strategy is implemented through both lending and nonlending activities. The extent of lending depends on finalization of the new PRSP, satisfactory performance under the IMF-supported Poverty Reduction Growth Facility (PRGF) arrangement, progress toward reaching the HIPC Initiative completion point, advances in strengthening public expenditure management, and improved performance of AfDB-sponsored projects. Nonlending intervention is designed to strengthen policy dialogue between the government and stakeholders and focuses mainly on studies, funded through grants, to improve governance, mainstream gender, fight HIV/AIDS and communicable diseases, and improve the energy supply. The AfDB has recently prepared a Governance Profile for The Gambia and is currently working jointly with the World Bank to prepare a study on Civil Service Reform.

## The Gambia: Statistical Issues

The authorities have made some progress in improving the compilation of economic and financial statistics. Nevertheless, the poor quality of some data and complete lack of others hamper the analysis of economic developments. There are substantial weaknesses in national accounts, balance of payments, and external debt statistics. Data reporting to the Fund is somewhat irregular. The Gambia participates in the General Data Dissemination System (GDDS) and its metadata were posted on the Fund's Dissemination Standards Bulletin Board on May 22, 2000.

A data ROSC mission in February 2005 assessed data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments statistics) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003), with dissemination assessed in terms of the GDDS recommendations. The National Assembly passed a new Statistics Act in December 2005 and work began in June 2006 to implement the plan for transforming the Central Statistics Department (CSD) into The Gambia Bureau of Statistics (GBoS). Recently, a Statistics Council and a Statistician General have been appointed. The GBoS is expected to be fully staffed by August 2007.

### Real sector

Annual national account estimates are compiled using only the production approach. In the absence of more comprehensive information, there is heavy reliance on activity indicators. The CSD, with STA assistance, prepared a program to (1) improve the quality of source statistics by improving and expanding existing surveys; (2) improve the coverage and methodology of GDP estimates, including implementation of the *System of National Accounts (1993 SNA)*; (3) rebase the constant price estimates—the current baseline is 1976/77—to a more recent period; and (4) prepare independent estimates of expenditure aggregates. In May 2007, The Gambia began participating in the second phase of the U.K. Department for International Development (DfID)-funded GDDS Project for Anglophone Africa on national accounts.

The World Bank has been providing technical assistance to the GBoS to update the consumer price index (CPI) using the 2003 household expenditure survey to better reflect current consumption patterns, and update the national accounts. The GBoS has begun to publish a new CPI series with the base of August 2004=100. In due course, it will phase out publication of the old CPI which was based on weights derived from a 1974 survey of low-income households in the Greater Banjul area.

### Government finance

The authorities release data on central government transactions with a lag of about eight weeks for both revenue and expenditure. Reporting in the treasury ledger is subject to considerable delay; the central government accounts for 1991–99 were not audited until 2005. Inadequacies persist in compiling data on an economic basis and in tracking foreign-financed expenditure. Monthly data on domestic government financing are available with a delay of six to eight weeks.

## **Monetary data**

The Central Bank of The Gambia (CBG) has improved data reporting to the Fund, but sometimes it reports data with delay. The commercial banks follow a uniform chart of accounts to report financial data to the CBG. They also transmit flash reports of key monetary data to the CBG on a weekly basis. Several times over the past few years, the CBG has reclassified the monetary accounts to improve sectorization and coverage, as well as to harmonize the data reported to STA and AFR. In particular, there were substantial revisions to data on foreign exchange transactions and lending to the central government for 2001–03. An STA mission in April–May 2006 made further recommendations to expand the coverage of depository corporations to include credit unions. The mission also recommended that accrued interest be included in the value of financial instruments. Given the significant influence of the Social Security and Housing Development Corporation in monetary developments, the mission recommended compilation of a financial survey. To improve the accuracy and classification of government accounts, it designed a supplementary form for reporting government positions at the CBG, to be reported to the IMF monthly. It also introduced standardized report forms (SRFs). A follow-up mission in FY08 will continue the work on the SFRs for reporting data on the central bank and other depository corporations to STA. The mission also envisages establishing an integrated monetary database, which would generate alternative outputs for use by the CBG and STA for publication purposes and to support AFR in the context of program monitoring and surveillance.

## **Balance of payments**

A significant proportion of external transactions, including reexports, are informal. Reexport trade data assume that reexports are a fixed share of total imports. Tourism receipts are derived from a simple function of tourist arrivals and average length of stay. Data on private capital flows are weak, but the CBG is working toward improvement. Official grant and loan disbursements and repayments are generally well recorded, but there are some gaps in project disbursements. Data on the gross and net CBG international reserves are available with a short lag, but had to be substantially revised for 2001–03.

Since June 1999, STA has provided The Gambia with technical assistance on balance of payment statistics in several forms including through missions as well as training. However, until the February 2005 ROSC mission, progress in implementing STA recommendations on balance of payments had been slow.

On the recommendation of the ROSC mission, the CBG revamped the balance of payments unit by elevating it to a full section with additional staff. In support of the authorities' efforts to strengthen capacity for compiling balance of payments statistics, the Fund has provided substantial training to the CBG staff in 2005–07 through seminars held at the Fund headquarters as well as in regional workshops organized in collaboration with the West African Institute for Financial and Economic Management (WAIFEM).

As a result, and in line with the recommendations of the February 2006 technical assistance mission, the CBG produced balance of payments statistics for 2003–05 according to the *Balance of Payments Manual*, 5<sup>th</sup> edition (*BPM5*), in October 2006. These statistics were

published in the November 2006 issue of *International Financial Statistics (IFS)* and in the 2006 IMF *Balance of Payments Statistics Yearbook (BOPSY 2006)*, for the first time since 1997. The CBG also has begun to compile quarterly balance of payments statistics beginning from the first quarter of 2007.

With assistance from the DfID, the CBG conducted an enterprise survey in March 2006 to collect data for the international investment position (IIP). In April 2006, the CBG also initiated a survey funded by the World Bank to collect data on selected components of the current account. The Fund is administering a technical assistance project funded by DfID to improve the compilation of balance of payments and IIP statistics during FY2008–10.

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

### **Publication**

The CBG has begun to regularly disseminate some macroeconomic statistics on its website. Until 2005, macroeconomic data were provided to the public only through references in the annual budget speech. The CBG has also resumed the publication of its annual reports and quarterly bulletins by posting in August 2006 its annual reports for 2003 and 2004 as well as several quarterly bulletins for 2004 and 2005. The CSD/GBoS's publications are not issued on a regular basis.

There has been no reporting of data for publication in the *Government Finance Statistics Yearbook* since 1993 or in the *IFS*, other than monetary and CPI data, since 1997. As noted above, the authorities have recently reported balance of payments statistics for 2003–05 for publication in *BOPSY* and in *IFS*.

**The Gambia: Table of Common Indicators Required for Surveillance**  
(As of July 26, 2007)

	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of Publication <sup>6</sup>	Memo Items:	
						Data Quality Methodological Soundness <sup>7</sup>	Data Quality Accuracy and Reliability <sup>8</sup>
Exchange rates	06/30/07	07/10/07	W	W	W		
International reserve assets and reserve liabilities of the monetary authorities <sup>1</sup>	06/30/07	07/10/07	M	M	A		
Reserve/base money	June 2007	07/26/07	M	M	M	LO, LO, LO, LO	LNO, LO, O, LO, LNO
Broad money	June 2007	07/26/07	M	M	M		
Central Bank balance sheet	June 2007	07/26/07	M	M	M		
Consolidated balance sheet of the banking system	June 2007	07/26/07	M	M	M		
Interest rates <sup>2</sup>	06/30/07	07/10/07	W	W	W		
Consumer Price Index	June 2007	07/16/07	M	M	M		
Revenue, expenditure, balance, and composition of financing <sup>3</sup> – general government <sup>4</sup>						LO, LO, O, O	LNO, LO, LO, LNO, NO
Revenue, expenditure, balance, and composition of financing <sup>3</sup> – central government	June 2007	07/16/07	M	M	A		
Central government and central government-guaranteed debt <sup>5</sup>							
External current account balance	Dec. 2006	03/26/07	A	A	A	LNO, LNO, LNO, LO	LNO, LNO, LNO, LO, NO
Exports and imports of goods and services	Dec. 2006	03/26/07	A	A	A		
GDP/GNP	2006	06/07/07	A	A	A	LNO, LNO, O, LO	LNO, O, LNO, LO, NO
Gross external debt	Dec. 2006	03/26/07	M	Q	A		

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes, and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A); irregular (I); not available (NA).

<sup>7</sup> Reflects the assessment provided in the data ROSC published on November 8, 2005, and based on the findings of the mission in February 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

<sup>8</sup> Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.



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FOR IMMEDIATE RELEASE  
August 30, 2007

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Completes First Review Under the PRGF Arrangement with The Gambia and Approves US\$3.1 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) has completed the first review of The Gambia's economic performance under a program supported by a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. In completing the review, the Board approved the authorities' request for waivers of nonobservance of two structural performance criteria pertaining to the submission of an audit report on monetary data and the implementation of the Central Project Management and Aid Coordination Directorate (CPMACD), and one quantitative performance criterion relating to the nonaccumulation of external payments arrears. The completion of the first review enables the release of an amount equivalent to SDR 2 million (about US\$3.1 million).

The Gambia's PRGF arrangement was approved on February 21, 2007 (see [Press Release No 07/28](#)) for an amount equivalent to SDR 14 million (about US\$21.5 million).

Following the Executive Board discussion of The Gambia's economic performance, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

“The Gambia has made good progress toward macroeconomic stability and higher economic growth. Performance under the PRGF-supported program has been strong.

“Fiscal discipline will be vital to achieving debt sustainability and protecting social spending. The government is seeking to curtail its domestic borrowing requirement in order to keep real interest rates down and stimulate private investment. To this end, it will continue to strengthen tax administration, fully implement the Integrated Financial Management Information System that has been crucial in keeping expenditures in line with appropriations, and avoid extra-budgetary spending. Budget formulation and execution will be guided by the priorities set out in the new Poverty Reduction Strategy Paper.



“The government is committed to maintaining price stability and increasing the effectiveness of monetary policy. To this end, steps are underway to strengthen the operational independence of the Central Bank of The Gambia (CBG), including implementation of an Action Plan to bring CBG lending to the government within statutory limits. The CBG and the government are also working toward improving the coordination of fiscal and monetary operations in order to enhance the effectiveness of the CBG’s liquidity management.

“The authorities have made good progress toward reaching the completion point under the enhanced Heavily Indebted Poor Countries Initiative. Reaching the completion point will also make The Gambia eligible for assistance under the Multilateral Debt Relief Initiative. In order to ensure that debt relief moves the country’s external debt to a sustainable path, the authorities intend to rely as much as possible on grants rather than external loans to finance their development program. To the extent that loans are contracted, they would be on highly concessional terms,” Mr. Portugal said.

**Statement by Peter Gakunu, Executive Director for The Gambia  
and Leonia Lepphoto, Advisor to Executive Director  
August 29, 2007**

**Introduction**

On behalf of our Gambian authorities, we would like to thank staff for the candid discussions during the last consultations on the review of the country's performance under the PRGF arrangement and the Executive Board and Management for their continued support. The authorities value the advice proffered by the Fund and are in general agreement with the thrust of the staff report.

**Performance Under the Program**

The Gambia's performance under the program has been generally robust, with all but one of the quantitative performance criteria and indicative targets having been met and six of the eight structural performance criteria being observed. The government ensured that its stock of domestic arrears was reduced significantly by making payments above indicative targets. However, it missed performance criterion on non-accumulation of new external arrears to the World Bank and the African Development Bank due to capacity constraints in debt management. With regard to structural performance, the submission of a special audit report on monetary data was late due to delays in the confirmation of external balances held abroad. The establishment of the Central Project Management and Aid Coordination Directorate (CPMACD) was partially implemented and is now expected to become fully operational by October. The authorities are requesting a waiver for the three missed performance criteria.

The significant progress towards macroeconomic stability in recent years bears testimony to the authorities' commitment to prudent macroeconomic management. Overall economic performance has largely been in line with program objectives. However, the economy's vulnerability to external shocks and public debt remains high. The authorities remain committed to the full implementation of the PRGF supported program and hope to fulfill the remaining HIPC completion point trigger and qualify for debt relief under the enhanced HIPC and MDRI by the end of 2007.

**Recent Economic Developments**

The robust macroeconomic performance realized since 2004 continued to be sustained, with real GDP estimated to be slightly above 6 percent in 2006 and expected to reach 7 percent in 2007. Growth has been generally broad based, supported mainly by the construction, telecommunications and tourism sectors. Inflation accelerated during the first quarter of 2007 but remained in the single-digits. Inflationary pressures emanated largely from external factors such as the increases in world market prices, especially for rice and temporary disruptions in imports of some food stuffs. The significant slowdown in money supply and the slight nominal strengthening of the dalasi that occurred during the first half of the year augured well with the containment of inflation. In real and nominal effective terms, the dalasi

continued to be stable.

Fiscal performance strengthened further in 2007, building on the improvement in performance attained in 2006. Revenue performance was broadly in line with the budget while spending was higher than budgeted as a result of the one-off expenditures on the AU summit. Interest payments fell from 46.7 percent of current spending in 2005 to about 35.6 percent at the end of 2006, as a result of lower interest rates.

As a result of the record growth in tourism earnings, and the rebound of groundnut exports following their collapse in 2005 on account of a failure in marketing arrangements, the external current account deficit (including official transfers) narrowed significantly in 2006. Foreign direct investment and official concessional loans continued to be the main source of financing for the current account deficit. The overall external position remained comfortable, with gross international reserves equivalent to about four months of imports.

### **Macroeconomic Policies for 2007 -2009**

The authorities remain fully committed to maintaining strong macroeconomic policies, which will be important towards consolidating the gains of recent achievements. In this regard, they will ensure that, the second PRGF supported program, which is consistent with the government's PRSPII, is implemented successfully, to facilitate preservation of fiscal discipline, containment of inflation and sustainability of current account. The authorities are confident that the PRGF supported program, which was approved by the IMF Board on February 21, 2007 and aims at consolidating macroeconomic stability and fostering conditions conducive to high and sustainable growth as well as poverty reduction, is fully consistent with the government's broad objectives.

In the medium term (2007-09), the program envisages a real GDP growth of 6-7 percent, a decline in annual inflation to 3 percent and improvement in the fiscal basic balance to a surplus of about 2.7 percent of GDP. The improvement in the fiscal basic balance will be supported by lower interest payments, associated with reduced domestic borrowing by the government. The external current account deficit (including official transfers) is expected to fall from 13.5 percent of GDP in 2006 to 12.5 percent of GDP in 2009, supported by strong growth in tourism earnings. Gross official reserves will be maintained at the equivalent of about five months of imports.

### ***Fiscal Policy***

The authorities remain committed to the maintenance of prudent fiscal policies and consolidating recent gains in macroeconomic stability. In this regard, they will continue to maintain fiscal discipline in order to contain domestic borrowing and reduce the domestic public debt and related interest payments to sustainable levels. The overall fiscal balance is expected to improve significantly, registering a surplus in 2007 while the surplus on the basic balance will increase more than twofold. These fiscal surpluses will enable the country to pay off some of the recently discovered domestic expenditure arrears. The reduction in domestic debt will ease budgetary pressure imposed by the currently high interest payments. The authorities therefore, plan to contain domestic borrowing and to finance the future

budget shortfalls through concessional borrowing and grants.

On the revenue side, the authorities will increase their revenue effort through efficiency gains from further improvements in tax administration. The Gambia Revenue Authority will also continue to implement measures to broaden the tax base and increase tax compliance. Tax policy will be based on the principle of revenue neutrality, avoid any distortions and will endeavor to maintain an attractive investment climate. The authorities recognize the importance of avoiding ad hoc tax changes but the recent reduction in the sales tax on rice could not be avoided due to the seriousness of the social impact of the high prices of rice. The tax reduction was revenue neutral as it was offset by the increase in sales tax on automobile spare parts.

Expenditure policy will strive to align budget priorities with the PRSP as well as to enhance the efficiency and transparency of fiscal operations. The authorities are making efforts to improve the budget formulation processes. Their efforts to implement measures to strengthen expenditure management have started to bear fruits. The introduction of the Integrated Financial Management Information System (IFMIS) in January 2007 has facilitated the execution of the budget in line with budget appropriations as well as the monitoring of PRSP related spending through the generation of monthly reports. IFMIS will be instrumental in curtailing the emergence of new expenditure arrears that could arise as a result of unbudgeted expenditures.

The authorities are taking further steps to improve transparency, comprehensiveness and timeliness in reporting. The CPMACD has been established and will be fully operational by October 2007. The responsibilities of CPMACD will include compiling comprehensive information on aid flows into the country and the uses to which the resources are put. A reporting framework for public enterprises has been strengthened to facilitate monitoring of fiscal risk and improve fiscal transparency. With regard to the improvement of accountability, substantial progress has been made in the clearance of the backlog of unaudited government accounts. The 2005 accounts were submitted to the Auditor General in July 2007 and it is expected that by the end of the year, the 2006 accounts will also have been submitted.

### ***Monetary Policy and Financial Sector***

The monetary targeting framework will continue to be used in pursuit of the price stability objective, building on the recent success in bringing inflation down to the low single digits. In order to further enhance the Central Bank of Gambia's (CBG's) capacity in execution of monetary policy, the government will continue to strengthen the operational independence of the central bank in line with the provisions of the CBG Act (2005). In this regard, the CBG will be recapitalized to the tune of D100 million over a period of five years, covering 2006-2010. The Government has already paid D20 million of this and plans to pay an equivalent amount by the end of the year. The authorities have (since June 2007) taken measures to substantially reduce government borrowing from the central bank with the aim of bringing it down to the legally stipulated limit of 10 percent of the previous year's tax revenue by the end of 2007. A plan on how this will be executed has been jointly developed by the CBG and

the government.

In order to enhance the effectiveness of monetary policy the government has agreed to refrain from using the proceeds of treasury bills issued by the Central Bank for monetary policy purposes and has agreed to block the proceeds in a special account established for this purpose.

In line with the action plan approved by the CBG board in 2005, the CBG will continue to strengthen internal controls. The CBG intends to adopt the International Financial Reporting Standards (IFRS) as its accounting framework. It is also undertaking reforms aimed at strengthening its operations as well as financial supervision.

The financial sector in The Gambia continues to be sound. However, financial intermediation remains weak as the banks continue to be risk averse. In an effort to facilitate bank lending, the CBG is establishing a credit bureau which will provide reference on credit worthiness of potential borrowers seeking credit from the financial sector. The credit bureau is expected to be operational by end-March 2008.

### ***Capacity Building***

The reform efforts of the government of The Gambia have been very adversely affected by capacity constraints. The implementation of the PRSPI for example, was very negatively affected by inadequate capacity. The authorities have requested for technical assistance in budget planning, execution and control from PFM diagnostics mission, which they also hope would contribute to their efforts to enhance transparency and in the use of government funds. We hope that the request by the central bank to improve the monetary policy framework, debt management and banking supervision will receive favorable consideration by the IMF.

### **HIPC Completion Point**

The Gambia has met all the HIPC completion point triggers except for the privatization of public assets in the groundnut sector. This was due to the failure of the authorities' previous efforts to attract interest from reputable investors in the sector. In line with the general consensus and drawing from experiences of other countries, which suggest that privatization alone may not be sufficient to turn the sector around, the authorities have, with assistance from the World Bank, adopted a comprehensive Groundnut Sector Roadmap Implementation Framework to rehabilitate the sector. The roadmap facilitates free entry of private investors into all areas of the sector and the government withdrawal from licensing and producer price setting roles. The Gambia Groundnut Corporation (GGC) will be placed under a performance based management contract from July 2008. Government will takeover the ground nut sector related loans to the tune of D157 million that are in default.

The authorities have already established satisfactory performance for at least six months under the PRGF supported program; the fulfillment of the remaining HIPC completion point trigger will facilitate reaching completion point and make the country eligible for debt relief under both HIPC and MDRI. This will alleviate The Gambia's public debt situation. It is

hoped that the completion point will be reached by the end of 2007.

### **Conclusion**

In conclusion, we would like to reiterate the authorities' commitment to the successful implementation of the program, which underpins consolidating progress made towards macroeconomic stability and growth promotion. They appreciate the support they have so far received from Fund and the international community and hope they can count on the continuation of such support to alleviate the enormous capacity and financial constraints that they face in their pursuit of their macroeconomic policy objectives.