

INTERNATIONAL MONETARY FUND



Staff Country Reports

The Gambia: 2003 Article IV Consultation—Staff Report; Report on Noncomplying Disbursements and Recommendation for Corrective Action; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for The Gambia

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the Article IV consultation with The Gambia and review of the report on noncomplying disbursements and recommendation for corrective action, the following documents have been released and are included in this package:

- the staff report for the 2003 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on **March 8, 2004**, 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 February 23, 2004.** 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.
- the report on noncomplying disbursements and recommendation for corrective action dated **February 20, 2004.**
- a staff statement of **March 4, 2004** updating information on recent developments.
- a Public Information Notice (PIN) and Press Release summarizing the **views of the Executive Board as expressed during its March 8, 2004 discussion** of the staff report that concluded the Article IV consultation and the review, respectively.
- a statement by the Executive Director for The Gambia.

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

Selected Issues Paper and Statistical Appendix

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

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INTERNATIONAL MONETARY FUND

THE GAMBIA

Staff Report for the 2003 Article IV Consultation

Prepared by the Staff Representatives for the 2003 Consultation with The Gambia

(In consultation with External Relations, Finance, Fiscal Affairs, Legal, Monetary and Financial Systems, Policy Development and Review, and Statistics Departments)

Approved by Menachem Katz and Matthew Fisher

February 20, 2004

- Discussions for the 2003 Article IV consultations were held in Banjul during June 23-July 11 and October 2-16, 2003, and in Washington DC on October 28 and December 9-10, 2003. The missions met with the Vice President, the Secretary General, the Secretary of State for Finance and Economic Affairs, the Governor of the Central Bank, other Secretaries of State (Trade, Tourism) and senior officials of The Gambia. The missions also met with the majority and minority leaders in the National Assembly, representatives of nongovernmental organizations (NGOs), donors, and members of the business, finance, agriculture, fishing and labor sectors.
- Mission members were Messrs. Shields (head), Jacoby, Harjes, Bougha-Hagbe, Ms. Silman (administrative assistant) (all AFR), Ms. Alexandraki (PDR), and Mr. Dalton (MFD). The missions worked closely with parallel World Bank missions and other international agencies and donors.
- The program supported by the Poverty Reduction and Growth Facility (PRGF) approved by the Executive Board on July 10, 2002 in an amount equivalent to SDR 20.22 million (65 percent of quota) is now far off-track. Missions in October 2002 and February 2003 were unable to conclude the first PRGF review because of a failure to meet several quantitative performance criteria and benchmarks, critical policy slippages, and serious concerns about data reporting and other governance issues.
- This report covers Article IV issues, including concerns about data reporting which severely aggravated the assessment of the economy and the formulation of policy advice (see Executive Summary). The Managing Director is reporting separately to the Executive Board on noncomplying disbursements to The Gambia under the 1998-2001 PRGF arrangement (www.imf.org).
- The political situation in The Gambia is stable. President Jammeh was reelected for another 5-year term in October 2001, and his party secured all but three seats in parliamentary elections in January 2002. Both elections were considered broadly fair by international observers.
- Economic pressures and governance issues have recently led to a number of changes in the cabinet and the dismissal of most of the central bank's senior management, including the Governor. Charges of fraud in connection with foreign exchange transactions in Swiss francs have been levied against the former Governor and other former and current officials of the central bank.

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EXECUTIVE SUMMARY

The Gambia's PRGF-supported program is far off track. During 2002–03, excessive fiscal deficits, central bank losses, and poorly conducted monetary policy led to rising inflation, spiraling debt-service costs, and a depreciation of the exchange rate in terms of the euro of over 60 percent. Accentuating the impact of the policy lapses, **agricultural output fell by one-third in 2002**, following an unfavorable rainy season.

An insufficient commitment to contain public spending, compounded by weak governance, lay at the heart of the policy shortcomings. Substantial quasi-fiscal spending, including losses on questionable foreign exchange transactions by the central bank, together with fiscal deficits (excluding grants) of 8.1 percent of GDP in 2002 and 6.0 percent in 2003, led to a growth in reserve money of 34 percent during 2002 and 63 percent during 2003.

The authorities have acknowledged that data have been systematically misreported to the Fund. Two PRGF disbursements in 2001 may have been noncomplying. Public spending, estimated at equivalent to 7 percent of GDP, and which was financed directly out of the foreign exchange reserves, was not recorded in the accounts of the central government or international reserves in 2001. In addition, foreign currency, which was until recently frequently purchased at extremely high premiums, was sometimes not delivered to the central bank.

The recently concluded Fund safeguards assessment, which found severe weaknesses at the central bank in all risk categories, recommended a special audit of foreign exchange transactions to determine more precisely the magnitude and time path of hitherto unrecorded transactions. It also outlined a series of improvements that are urgently required in the internal organization, procedures and control mechanisms of the central bank.

The reestablishment of macroeconomic stability will require resolute actions to improve governance, reduce the sizable prospective fiscal deficit for 2004 and restore external budgetary support. Recent actions to tighten fiscal and monetary policies have included overall cash ceilings on allocations for discretionary public spending and an increase in treasury bill yields to 31 percent, considerably above current recorded CPI inflation of about 18 percent. At the same time, spending on poverty-related activities has been below the objectives of the PRSP, and one-third of current expenditure is devoted to debt interest payments.

The Gambian economy remains highly vulnerable to external shocks. Although capacity and arrivals in the tourist sector are rising sharply and the reexport trade remains buoyant, little progress has been made in increasing value added in tourism or in diversifying other parts of the economy beyond groundnuts and other agricultural production. **As a result, even if macroeconomic stability and budgetary support from donors were quickly restored, only modest GDP growth is in prospect in the medium term.** To achieve more substantial improvements in living standards and reductions in poverty, and take advantage of the recent gains in external price competitiveness and the possible exploitation of offshore hydrocarbon

deposits, quick and effective action will be required to strengthen governance, upgrade the currently inadequate infrastructure, implement well-targeted and coherent agricultural policies, and encourage innovative approaches to private finance.

Although substantial technical assistance has been provided by the international community in recent years, including under the Technical Cooperation Action Plan (TCAP), implementation has been weak, in particular at the central bank and in statistics. Planned reforms in public expenditure management and improvements in accountability have been impeded by the slow pace of work on updating, closing, and auditing government accounts.

Selected Economic Indicators, 1998-2003
(Average percentage change, unless otherwise specified)

	1998-2001	2002	2003
	Est.	Est.	Est.
Real GDP	6.1	-3.2	8.8
Groundnut production (metric tons, thousands)	121.4	71.5	127.0
Consumer price index	2.6	8.6	17.0
Exports, f.o.b. (in U.S. dollars)	-0.6	9.2	-8.1
Imports, c.i.f. (in U.S. dollars)	-3.2	10.7	-3.9
Current account, incl. official transfers (in percent of GDP)	-3.0	-2.2	-5.1
Broad money (end of period)	18.8	35.3	43.4
Private sector credit (end of period)	11.9	72.3	48.0
Fiscal balance, excluding grants (in percent of GDP)	-7.0	-8.1	-6.0

Sources: The Gambian authorities; and Fund staff estimates.

I. INTRODUCTION

1. The Executive Board concluded the 2002 Article IV consultation with The Gambia on July 10, 2002. Directors noted that economic performance in 2001 continued to be mixed, with positive developments on real GDP growth and inflation counterbalanced by fiscal slippages and a widening of the external current account deficit. They urged the authorities to adhere to plans to achieve cumulative reductions in the overall fiscal deficit up to 2005 and to develop a medium-term expenditure framework. Steps to contain public expenditure—particularly from below-the-line accounts—and enhanced transparency and accountability should be supported by improvements and reforms in tax administration. Welcoming the full poverty reduction strategy paper (PRSP), Directors stressed the importance of refining sectoral priorities, strengthening governance, and improving macroeconomic and social data.

2. Substantial errors have since been notified to staff in data reported to the Fund for this period (Box 1). The Managing Director has issued a report to the Executive Board on misreporting and associated noncomplying Fund disbursements under the 1998–2001 PRGF arrangement.¹

3. In 1993, The Gambia accepted the obligations under Article VIII, Section 2(a), 3, and 4 of the Fund's Articles of Agreement. The Gambia maintains an exchange system that is free of restrictions on payments and transfers for current transactions. Summaries of The Gambia's relations with the Fund, World Bank Group, and African Development Bank are contained in Appendices I, II, and III, respectively. Outstanding statistical issues are discussed in Appendix IV.

II. DATA REVISIONS

4. **The data revisions notified to staff in October 2003 imply a sharply different performance of the Gambian economy during the latter part of the 1998–2001 PRGF arrangement than was previously reported to the Executive Board** (Box 1). Few objectives of the program now appear to have been achieved. Inclusion of previously unrecorded payments of US\$28.5 million in 2001 would raise the level of public expenditure from 24 percent to 31 percent of GDP and the fiscal deficit (excluding grants) from 8 percent to 15 percent of GDP (Table 1A and Figure 1).² Corrections to the previously reported level of gross official foreign exchange reserves for unrecorded public spending, commission payments and undelivered foreign exchange would reduce estimates of import cover at end 2003 to around 4½ months of imports, compared with the 7 months of imports implied by previously provided data.

¹ www.imf.org.

² The authorities have more recently indicated that unrecorded payments were made in 2002 as well as in 2001. They did not specify whether these were part of the US\$28.5 million associated with 2001 or were additional to them.

5. The remainder of this report incorporates the main implications of these data revisions. However, as the staff is not yet in a position to confirm the precise magnitude or time path of the previously unreported transactions (see Section V below), the related assessments must be regarded as provisional.

Box 1. Revisions by the Central Bank of The Gambia to Data for the Foreign Exchange Reserves and Lending to the Central Government

Officials of the Central Bank of The Gambia (CBG) notified staff on October 28, 2003 of substantial revisions to data on foreign exchange reserves and lending to the central government submitted to the Fund during 2001-03, reflecting three major errors:

- No account had been taken in 2001 of payments made by the CBG of US\$28.5 million in foreign currencies on behalf of the government. This had led to an overstatement of gross foreign exchange reserves since the end of 2001 by 45 percent of the revised end-2001 level and an understatement of public spending and fiscal deficits equivalent to 6.8 percent of GDP.
- The international reserves had erroneously been credited, during 2001 and subsequently, with currency purchased from foreign exchange bureaus that had not been delivered. As a result, the reserves had been further overstated by up to US\$16 million.
- The CBG had paid an additional, unrecorded US\$1.84 million from the foreign exchange reserves in 2003 to finance commissions on recent foreign currency transactions. These transactions included a loan for US\$28 million from a commercial bank in the United States from March-May 2003 to secure a U.S. dollar deposit in order to mask the shortfall in the reserves.

Impact of Data Revisions on International Reserves, Government Spending and Lending by CBG

	2000	2001	2002	June 2003 ^{1/}
	(In millions of U.S. dollars; end of period)			
Net international reserves (as previously reported)	91.3	75.9	75.3	63.0
Additional advances to government (newly identified)	0.0	28.5	28.5	28.5 (30.3)
Advances outstanding to foreign exchange bureaus (previously classified as usable reserves)	0.0	10.3	11.5	11.2
Net international reserves (reflecting revised CBG data)	91.3	37.1	35.3	23.3 (21.5)
Gross international reserves (reflecting revised CBG data)	110.1	63.0	67.3	56.2 (54.4)
	(In percent of GDP)			
Total government spending (as previously reported)	22.1	24.3	25.4	...
Total government spending (reflecting revised CBG data)	22.1	31.1	25.4	...
Fiscal deficit excluding grants (as previously reported)	-3.7	-8.1	-8.1	...
Fiscal deficit excluding grants (reflecting revised CBG data)	-3.7	-14.9	-8.1	...

Sources: Central Bank of The Gambia (CBG); and staff calculations.

1/ Figures in parentheses include reported payments from the reserves of US\$ 1.84 million for commissions for recent foreign exchange transactions, which CBG officials indicated would probably be classified as an additional advance to government.

III. ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE PRGF-SUPPORTED PROGRAM

6. **The Gambia achieved an encouraging average GDP growth rate of 6 percent and an average inflation rate of below 3 percent under the 1998–2001 PRGF arrangement, largely reflecting a succession of good harvests** (Figure 1). This favorable performance was expected to be maintained under the macroeconomic framework of the poverty reduction strategy paper (PRSP), supported by the PRGF arrangement approved in July 2002.³

7. **Performance in 2002–03 fell a long way short of the PRSP assumptions.** GDP contracted in 2002, following a failure of the groundnut and other harvests, and recovered only to 6 percent above the 2001 level in 2003. Consumer price inflation surged, reaching 21 percent on a 12-month basis in August 2003. The exchange rate depreciated in terms of the euro by 60 percent in the two years to end-December 2003 (Figure 2).

8. **The declining internal and external value of the currency resulted largely from the poor execution of monetary and fiscal policy, reflecting serious deficiencies in governance.** Economic imbalances, which reemerged in the latter part of 2001, coinciding with presidential and national elections and substantial unrecorded public expenditure payments, worsened in 2002–03. **Critical quantitative performance targets and benchmarks under the PRGF-supported program were missed** (Table 10). Large fiscal deficits, supplemented by quasi-fiscal spending including substantial losses on questionable foreign exchange transactions by the CBG, led to average rates of growth in reserve money of nearly 50 percent (Figure 1). Action to tighten monetary policy was late and inadequate. Downward pressure on the exchange rate was accentuated by the impact on external budgetary support and investor confidence of concerns about policy implementation and governance.

9. **The vulnerability of the economy to external shocks remained largely unaddressed.** Tourism, the reexport trade, and groundnuts continued to provide the main domestically generated sources of foreign exchange, and only in the hotels and restaurants sector were there indications of a positive response to the improvement in external competitiveness (Figure 4). Most of the population remained dependent on groundnut farming and, hence, highly susceptible to weather variations.

10. In October 2003, President Jammeh launched **Operation No Compromise** to address concerns that unfair business practices and corruption were disrupting the economy and leading to an unwarranted depreciation of the exchange rate. The informal foreign exchange market was restricted; businesses and individuals were pressured to deposit or surrender all

³ In November 2002, The Gambia became the third African country to receive a sovereign credit rating (from Fitch Ltd).

foreign currency holdings; and some retailers were forced to reduce their selling prices for essential goods. Subsequently, charges of tax evasion and fraud were reportedly laid against several prominent businessmen and alleged collaborators in the public sector, and five officials and former officials of the central bank were indicted on offenses related to Swiss franc transactions by the CBG.

A. Macroeconomic Performance in 2002

11. **Real GDP shrank by about 3 percent in 2002.** An unusually short rainy season led to a halving of the groundnut harvest and a drop of nearly one-third in the output of other crops. Strong growth was confined to the construction, utilities, and the hotel and restaurants sectors (Table 2A). Within the small manufacturing sector, groundnut processing benefited from additional capacity and the availability of a good crop in 2001.

12. Reflecting the continuing high rates of monetary growth, the nominal effective exchange rate index declined by 34 percent during the year, and consumer price inflation rose to 13 percent on a 12-month basis.⁴ Although exports of processed groundnuts were at near record levels, project-related imports rose and the balance on factor services deteriorated as official interest receipts and private remittances declined; the current account deficit (excluding grants) is estimated to have been equivalent to about 13 percent of GDP in 2002 (Table 7A and Figure 3).

13. **The overall fiscal deficit (excluding grants) reached 8.1 percent of GDP in 2002, compared with a target of 5.0 percent⁵** (Figures 5 and 6). Most of the overshooting reflected stronger-than-expected foreign-financed capital spending and higher debt interest payments resulting from the exchange rate depreciation and the rise in treasury bill yields (Figure 7); the basic primary fiscal surplus for 2002 fell only slightly short of its target level, at 2.7 percent of GDP (Tables 3A and 4A).

14. **Reserve money grew by 34 percent during 2002, a substantial proportion of which appears to have resulted from liquidity injections by the CBG associated with losses on foreign exchange transactions.** (Table 5A). These losses arose in part from currency transactions with local foreign exchange bureaus involving exceptionally wide spreads (at times well in excess of 10 percent). The rapid depreciation in the dalasi exchange

⁴ Actual inflation was probably much higher than official consumer price index (CPI) figures, which are based on an outdated (1976) spending basket for the low-income urban population in the Banjul area and give a relatively small weight to exchange rate sensitive items, such as fuel.

⁵ As indicated in footnote 2, no revisions have been incorporated in fiscal data for 2002 although the authorities have indicated that some spending in that year may not have been recorded.

rate also led to losses from seasonal smoothing operations and the provision of foreign currency to oil importers at a rate based on lagged-average dealing rates.⁶

15. **The lax monetary conditions gave rise to a 72 percent increase in credit to the private sector during 2002, fuelling an increase in broad money of 35 percent and providing an opportunity for speculation in real estate and foreign assets.** In response, the yield on treasury bills was raised in steps from 15 percent in July to 20 percent in December (Figure 1). The government also instituted corrective fiscal measures in October 2002. Budget execution was shifted to a cash basis, and a new National Emergency Fiscal Committee (NEFCOM) was created to monitor and approve expenditure allocations. Fuel prices were doubled to eliminate government subsidies (see Box 2), increases were announced in selected excise taxes, and administrative fees were raised.

Box 2. Petroleum-Pricing Mechanism

The supply and pricing of petroleum products in The Gambia is determined by the authorities. Importation is confined to a single contractor, chosen by a competitive government tender based on the narrowest margin over the Platts reference price. Domestic pump prices are fixed intermittently taking account of the landed cost of petroleum in dalasi, with allowances added for financing costs, duties, excises, and trading and transportation margins. The financial consequences of sustained misalignments, such as during the 2001–02 election cycle, are borne by the government. Since October 2002, the authorities have sought to prevent costs falling on government by ensuring that dealers' margins fully reflect costs and adjusting pump prices quarterly.

B. Macroeconomic Performance in 2003

16. **Real GDP is estimated to have grown by 8.8 percent in 2003, on the basis of a provisional report by the Food and Agriculture Organization (FAO) of a full recovery in agricultural output following abnormally heavy and sustained rains.**⁷ Production and exports of groundnut products nevertheless dropped precipitously as a result of the failed crop in 2002, and the external current account deficit is estimated to have widened slightly despite higher tourism earnings and reduced imports for domestic use as a result of the real depreciation of the exchange rate. The dalasi declined by a further 34 percent in nominal effective terms in the 12 months to October 2003, and the official CPI rose by 18 percent during 2003.

17. **The fiscal deficit (excluding grants) declined to 6.0 percent of GDP in 2003, compared with a budget target of 4.5 percent.** Domestic revenue is estimated to have

⁶ Details are provided in Selected Issues (forthcoming).

⁷ The recovery in agricultural production contributed 5.3 percentage points to the estimated growth in GDP.

undershot the budget by 2.7 percent of GDP, almost entirely due to weak customs performance, but this was offset in part by the impact on noninterest current expenditure of the tight cash ceilings imposed by NEFCOM.

18. **Monetary growth escalated further in 2003.** With questionable central bank foreign exchange transactions continuing in the first quarter, and the entire financing of the fiscal deficit (including grants) being provided by the central bank (Figure 8 and Table 6A), reserve money grew by 63 percent during the year. Holdings of treasury and central bank bills by the private sector declined. Broad money grew by 43 percent, reflecting credit expansion of 48 percent to the private sector (which included finance for several major investment projects, as well as rising household overdrafts).

19. **The authorities progressively increased interest rates, and treasury bill yields reached 31 percent by September 2003.** As part of the monetary tightening, starting in April 2003, minimum reserve requirements were extended to include foreign currency deposits and were increased in two steps from 14 percent to 18 percent. However, the effectiveness of these measures was diluted because penalty mechanisms for shortfalls in required reserves were not properly implemented until July 2003.

C. Structural Issues

20. **Weaknesses persisted in all areas of fiscal management.** Although the Central Revenue Department successfully took over the administration of the sales tax from the Customs and Excise Department, collections performance in respect of customs duties deteriorated further as a result of ineffective management and excessive use of discretionary exemptions. The planning, execution and monitoring of public expenditure continued to be impeded by the failure to close the fiscal accounts beyond 1999 and the lack of progress in finalizing the general ledger, for which entries were not made beyond November 2001. However, the elimination of the majority of below-the-line accounts and imposition of cash budgeting under NEFCOM helped to restrain unbudgeted spending. Despite considerable technical assistance, public expenditure management systems remain well below the standard required for reliable reporting on HIPC and other poverty and program monitoring. The finances of public enterprises are also not subject to effective monitoring or control. A draft organic budget law, which should help to clarify procedures and responsibilities for public sector fiscal management, was presented to cabinet but has not yet been approved for submission to the National Assembly.

21. **Implementation of other structural reforms has been slower than planned, although three out of five structural benchmarks under the first annual program under the PRGF arrangement were completed before time, and a new household survey was launched** (Tables 11 and 12). To facilitate export growth, the Trade Gateway Project was launched with World Bank support and The Gambia Investment and Free Zones Authority was established. However, poor progress was made under the Technical Cooperation Action Plan, particularly on central bank governance and statistics (Table 13), and little was achieved on privatization.

D. Other Sectoral Issues

22. **The banking system in aggregate appears to be reasonably healthy**, with the overall capital adequacy ratio declining only marginally from 10.9 percent a year earlier to 10.6 percent at end-2002, well above the regulatory requirement for individual banks of 8 percent. Other indicators of financial sector stability, such as nonperforming loans and provisioning, also remained stable. However, there was a sizable increase in household overdrafts, which are not classified as non-performing if in default (Table 9). The regulatory environment of the financial sector has been strengthened through passage of the Financial Institutions, Insurance, and Money Laundering Acts.

23. **The Gambia has retained its generally open external environment.** Imports are subject to a maximum tariff of 18 percent. Export taxes are restricted to fish and fishing products (10 percent), and gold and diamonds (3 percent).⁸ Although The Gambia has been part of the exchange rate mechanism of the West African Monetary Zone (WAMZ) since April 2002, the exchange rate regime has been flexible in practice, with intervention generally limited to seasonal smoothing operations.⁹

24. **The real effective exchange rate declined by 46 percent between December 2001 and October 2003 (Figure 2).** The improvement in underlying external competitiveness may be considerably less than implied by this figure (because of measurement problems relating to the CPI and delayed pass-through of price increases), but The Gambia's relative cost structure would now appear to provide considerable incentives for expansion of exports of goods and services. However, apart from tourism-related activities, there are few signs yet of an increase in export-related activity.

E. Poverty Reduction Strategy and HIPC Initiative

25. **In 2001, The Gambia ranked 149th on the human development index.** Although few quantitative indicators are available to assess progress toward the Millennium Development Goals, it is likely that poverty has increased markedly since 2001, owing to the crop failures of 2002, rising inflation, and limited provision of income support and social services. Some of the priority social policy areas addressed in the PRSP have, however, shown improvement in recent years, including gross school enrollment rates at lower basic and secondary levels, particularly for girls, and immunization rates and the coverage of basic health facilities (Table 14). The substantial donor support which was offered at the Geneva roundtable in September 2002 has not as yet resulted in additional financing for the PRSP, partly because of unresolved issues over macroeconomic performance and governance. The first progress report on the PRSP is scheduled for completion in early 2004.

⁸ Further details of the trade regime and the outlook for exports are in Selected Issues (forthcoming).

⁹ The exchange rate regime is formally classified as a "managed float."

26. **The Gambia reached the decision point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC) in December 2000 (www.imf.org),** at which time creditors committed themselves, in aggregate, to debt relief of US\$66.6 million in net present value (NPV) terms at the completion point. Interim assistance has been provided by the IMF, World Bank, African Development Bank, European Investment Bank, and the OPEC Fund, and, as of January 9 2003, by the Paris Club in the form of a flow rescheduling on Cologne terms.¹⁰ However, since the PRGF-supported program went off track, the Paris Club has informed the authorities that the second tranche of the rescheduling, covering the period July 2003-July 2004, will not be enacted. Interim assistance by the Fund ceased on January 1, 2004. **The HIPC Initiative completion point cannot now be reached until 2005, at the earliest** (Table 15).

IV. ECONOMIC OUTLOOK AND POVERTY REDUCTION

27. **The immediate economic outlook is poor.** Despite a stabilization of the exchange rate in the last quarter of 2003, inflationary pressures remain very strong in the wake of persistently high rates of monetary growth. The fiscal deficit is projected to increase in 2004 and its financing—which relied entirely on the central bank in 2003—will be made more difficult by the current withholding of donor support because of concerns about policy implementation and governance. The debt outlook will worsen significantly and essential improvements in infrastructure and other structural measures will be further delayed.

28. **Decisive action to correct the growing macroeconomic imbalances and governance concerns could, however, mitigate some of the longer-term effects of the poor performance.** With The Gambia's generally liberal economic environment, the recent substantial improvement in external competitiveness, and the possible exploitation of offshore hydrocarbon deposits, offer considerable potential for achieving the overdue diversification of the economy beyond its four basic industries (production and processing of groundnuts, reexport trade, and low-value-added tourism).

29. **The economy is therefore at a critical juncture.** Accordingly, two contrasting outlooks are explored below:

- **Scenario A** (Tables 1A to 8A) is based on a continuation of the current policy stance. No additional fiscal measures are assumed in 2004 beyond the budget proposals, but monetary policy is tightened further to limit the extent of accumulation of inflationary pressures. Some additional fiscal action is assumed in later years.
- **Scenario B** (Tables 1B to 8B) assumes a more comprehensive policy response. Additional fiscal measures are incorporated in 2004 (2.1 percent of GDP), monetary policy is tightened substantially early in the year, and improvements are effected in

¹⁰ The rescheduling covers the period from July 17, 2002 through July 17, 2005.

governance and data provision. These actions are assumed to lead to a resumption of donor budgetary support and the HIPC Initiative completion point is reached during 2005.

30. **Under scenario A**, with no resumption of disbursements under the July 2002 PRGF arrangement or of external budgetary support, domestic financing is projected to surge to 9.6 percent of GDP in 2004 and remain high in later years. (Tables 3A and 4A). **As a result, high inflation and the depreciation of the dalasi would persist.** Foreign exchange reserves would gradually be depleted by capital outflows and high external debt service associated with not reaching the HIPC Initiative completion point. Debt sustainability would be threatened, and external arrears might start to accumulate in later years. This adverse macroeconomic scenario would further delay realization of delayed structural reforms, inhibit financial sector innovation, and discourage domestic savings. Although GDP growth rates might succeed in reaching to about 4 percent, the persisting uncertainty vis-à-vis the macroeconomic environment would exact a long-lasting toll on productive capacity.

Selected Economic Indicators, 2004-2006
(Average percentage change, unless otherwise specified)

	2004-06 Scenario A Proj.	2004-06 Scenario B Proj.
Real GDP	4.4	5.0
Groundnut production (metric tons, thousands)	123.6	123.6
Consumer price index	21.2	8.2
Exports, f.o.b. (in U.S. dollars)	14.3	14.4
Imports, c.i.f. (in U.S. dollars)	8.3	11.4
Current account, incl. official transfers (in percent of GDP)	-2.4	-0.3
Broad money (end of period)	28.5	13.6
Private sector credit (end of period)	23.5	12.8
Fiscal balance, excluding grants (in percent of GDP)	-7.7	-1.4

Source: Fund staff projections.

31. **Under scenario B**, the beneficial impact of resumed external budgetary support and fiscal measures on domestic financing, interest rates and exchange rate depreciation would lead to lower debt-servicing costs in 2004 and the fiscal deficit (excluding grants) would decline below 3 percent of GDP. Domestic financing requirements would be limited to 2 percent of GDP in 2004 (Tables 3B and 4B). Monetary growth would decelerate, which would help contain the nominal depreciation of the exchange rate. Even with no further fiscal measures, 12-month consumer price inflation could than be brought to below 5 percent by end-2005, allowing a restoration of stable macroeconomic conditions in subsequent years. However, under the enhanced HIPC Initiative, the NPV of public sector external debt would fall only to about 200 percent of exports by end-2008 from 300 percent at end-2003.

32. **Even under scenario B, however, the bulk of the population would remain dependent in the medium-term on agriculture, particularly groundnuts.** This dependence would limit the speed at which living standards could be expected to improve and probably imply a continuation of real GDP growth at around 4-5 percent. To achieve sustained GDP growth at rates of 6 percent, as envisaged in the PRSP for 2002-05 and, hence, to have a better prospect of progressing toward the Millennium Development Goals, would require an absence of adverse shocks, together with sharply favorable trends in donor and expatriate inflows and foreign direct investment, accompanied by an expansion in regional trade.

V. POLICY DISCUSSIONS

A. Governance and Data Revisions

33. **Discussions on the performance of the economy and options for macroeconomic policy were severely constrained by concerns about the integrity of key macroeconomic data and a series of unresolved governance issues.** Despite several requests from mid-2003 onward for information about apparent data inconsistencies, the staff and management were informed only at end-October 2003 that data on fiscal transactions and foreign exchange reserves had been substantially misstated for the period 2001–03. The audited financial statements of the central bank for 2001 and 2002 also became available only at this time, and the IMF safeguards assessment mission in November 2003 (Box 3) expressed serious concerns about their quality.

34. In response to the staff's requests for elaboration and explanation of the data revisions and measures taken to prevent a recurrence of these problems, the authorities explained that:

- The newly recorded government spending of US\$28.5 million from the foreign exchange reserves in 2001 was related to additional spending on infrastructure, social priorities, agriculture, and national security, made in anticipation of unspecified donor support that did not subsequently materialize. The payments made in 2001 had been retrospectively classified as a foreign currency loan by the central bank to the central government, repayable in domestic currency over 15 years from June 2004 at an interest rate of 4 percent.

- The nondelivery of foreign currency that had been purchased from foreign exchange bureaus reflected “undesirable” arrangements. The outstanding amounts, which had declined to about US\$11 million by end-June 2003, had been retrospectively classified as loans to the private sector. No interest charges had been applied, but full repayment would be required by end-October 2003.
- Spending of at least US\$0.8 million had been incurred in arranging a short-term US\$28 million loan from a foreign bank in February 2003. No details were provided of the classification of this payment.
- Oversight of foreign exchange transactions at the CBG would henceforth be the responsibility of a committee chaired by the General Manager. Changes had been made in the senior management of the CBG, including the Governor and the heads of the Foreign, Financial Control and Research Departments.

35. The staff also sought more information, unsuccessfully, about foreign exchange swaps apparently executed by the CBG since June 2002 and about instructions by the government to the CBG to lend US\$5 million to a newly created public enterprise in March 2003 for a three-dimensional seismic survey of offshore oil deposits, which had not been anticipated in the PRGF-supported program.

36. The staff noted that, in addition to the serious governance issues implied by the unprogrammed and unrecorded payments, and the inadequate supporting information, the loans to the central government and foreign exchange bureaus appeared to contravene aspects of the Central Bank of The Gambia Act, which places requirements on the time period, size, and interest rates charged for such loans.

37. **Management and staff have advised the authorities that a special audit of foreign exchange activity at the central bank since December 2000, conducted under an agreed terms of reference, would be a critical step toward establishing comprehensive information on the unprogrammed government expenditure and necessary revisions to the fiscal accounts and foreign reserve positions.** It would provide essential material on the basis of which a resumption of discussions towards a possible Fund-supported program might be initiated.

Box 3. Safeguards Assessment

The safeguards assessment concluded that there were severe vulnerabilities at the CBG in all five areas assessed (the external audit mechanism, the independence of the bank and the legal structure, the financial reporting framework, the internal audit mechanism, and the internal control system). The principal recommendations proposed by the staff included the following:

- A new external auditor with proven experience and expertise in central banking operations should replace the current auditor.
- A special audit should be conducted by the new audit firm to ascertain the nature and magnitude of possible misreporting to the Fund.
- The new audit firm should reaudit the 2001 and 2002 financial statements.
- The CBG should agree to retain future disbursements under the current or a new PRGF-supported arrangement in the SDR holdings account and to commission quarterly audits of essential quantitative performance criteria under such a program, until adequate controls are in place.
- International accounting standards (IAS) should be adopted as the permanent accounting framework of the CBG.
- A review of internal controls should be commissioned and an action plan developed to remedy observed weaknesses.

The authorities agreed with the findings of the report and committed to implement some of the recommendations with regard to adoption of international accounting standards and establishment of an independent audit committee to oversee audit processes and internal controls. However, they made no commitments on any of the critical recommendations, including the first three items listed above.

B. Macroeconomic Policies and Developments

38. In light of staff's concerns about the need for urgent and resolute action to restore macroeconomic stability, discussions focused on possible fiscal policy measures, the appropriate settings for monetary instruments, and central bank governance.

Fiscal policy

39. **The staff suggested urgent consideration of quick-acting revenue measures to reduce a fiscal financing gap for 2004 that was projected at about 9 percentage points of GDP in the absence of external budgetary support.**¹¹ In seeking to minimize the adverse distributional effects of any tax increases, staff suggested broadening the base of the sales tax

¹¹ The projections included increases in public sector wage rates of 10 percent.

and raising the rate applied to imported goods in line with that of domestic services. Measures might also be considered which impacted particularly on spending and profits in the tourism and reexport sectors, bearing in mind the beneficial impact on these sectors of the exchange rate depreciation. Amongst other possible measures, the staff also advocated stronger enforcement procedures to collect revenue arrears and to redress serious shortcomings in customs procedures and duty exemptions, together with accelerated privatization, and continued tight control on discretionary expenditure through NEFCOM, although the adverse consequences of cash budgeting for spending prioritization would need to be addressed.

40. **The authorities expressed reservations about possible new measures aimed at the tourism sector, or measures with a direct effect on the domestic price level.** They argued that exporters should retain both windfall rents and larger future margins as an incentive to expand their activities, noting concerns that prices paid in foreign currencies to hotels had been squeezed by foreign tour operators, and that measures with a direct negative impact on living standards could cause an adverse social reaction. However, the authorities confirmed that NEFCOM's mandate would be continued through 2004 (with more flexible monthly limits) and that measures to collect tax arrears and improve customs performance would be reinforced.¹² The latter step would be facilitated by the accelerated establishment, by mid-2004, of the new Revenue Authority, which would benefit from the use of private sector expertise and well-targeted incentives, and by the creation of a large taxpayer unit, using technical assistance from the IMF and World Bank. In addition, the budget presented to the national assembly on December 19, 2003 proposed that some government charges, licensing, and other fees be increased and additional parcels of land sold (together yielding an additional 0.7 percent of GDP in 2004).

Monetary policy

41. **The staff welcomed the further tightening in monetary policy since February 2003, which was viewed as overdue.** However, noting the overshooting in the monetary aggregates, the prospective fiscal deficit, the reluctance of the private sector to increase holdings of government bills and the continued expansion in private credit, the current level of interest rates was unlikely to be sufficient to achieve the required restraint in monetary growth.

42. **The staff expressed concern regarding the deficiencies that had been exposed in the operating procedures of the central bank,** including the lack of separation of back-office from dealing functions, the absence of clear policies guiding investment operations in foreign exchange, and the ineffectiveness of internal control procedures; these factors may have contributed to the high costs incurred in foreign exchange transactions, the resultant

¹² A recent high-profile case, involving Youth Enterprise Development, has attracted considerable media attention.

surge in monetary growth, and the nonrecording of payments from foreign exchange reserves on behalf of the government. Attention would need to be focused urgently on the operation of control mechanisms in the central bank, the overdue review of the Central Bank of The Gambia Act, and ways of ensuring that the central bank acts in practice with due independence from the central government, but with full accountability.

43. **The staff provided calculations indicating that the high cost of foreign exchange transactions by the CBG may have been responsible for over half of the 34 percent increase in reserve money in the 12 months to December 2002.**¹³ While accepting the thrust of the staff's calculations, the then Governor of the CBG disputed the magnitudes involved and pointed out that the foreign exchange had been provided to oil importers on explicit government instructions.

44. **The staff expressed concern about the implications for the conduct of monetary policy of the dependence of liquidity management on the primary issuance of treasury bills for monetary policy purposes.** This exposes the central bank to pressure from the central government in the determination of interest rates and opens the possibility of unwarranted spending from the "sterilization account" into which proceeds from treasury bill issues are placed. The authorities indicated that current arrangements are under review.

C. Structural Reforms

45. **The staff noted that The Gambia's open trading environment and improvements in external competitiveness and preferential market access¹⁴ offered considerable opportunities for diversification of the economy, including into horticulture, fishing, upscale tourism, and extraction of offshore oil and other mineral resources.**¹⁵ This would require that infrastructure deficiencies be addressed, particularly in the provision of electricity and water, as well as in the availability of private finance. The rejuvenation of the privatization program, encouragement of the relatively undeveloped microfinance sector, and certain aspects of land reform could play key roles. Improvements in governance and the working of the judicial system would also be crucial so that investors would have confidence that property rights could be respected and enforced and disputes resolved.

46. **The staff noted the authorities' concerns about the impact on The Gambia's reexport and transit trades of actions by Senegal regarding border closures, restrictive**

¹³ See paragraph 14.

¹⁴ The Gambia is eligible for preferential access under the European Union's Everything But Arms initiative and, since January 2003, under the U.S. African Growth and Opportunity Act.

¹⁵ A fuller discussion of measures to encourage diversification of the economy is in Selected Issues (forthcoming).

transport regulations, and other apparent nontariff barriers. While the effect has in the past been relatively small because of the informal—and thus highly flexible—basis on which much of the trade has operated, recent reductions in Senegal’s external tariffs, which have brought them close to those applying in The Gambia, have reduced the relative profitability of informal imports through The Gambia. The potential development of the port of Banjul, and associated freight-related businesses, might therefore be usefully facilitated by further progress in recent bilateral discussions over customs-related and other issues.¹⁶

47. **Although the groundnut harvest seemed to have recovered well in late 2003, the staff observed that there had been substantial shortages of good-quality groundnut seeds and other inputs in the planting season.** This appeared to have reflected insufficient coordination within and between government departments, compounding the impact of ineffective extension services. In the longer run, irrigation could play a vital role in mitigating the vulnerability of groundnuts to weather variations. To encourage further agricultural diversification, steps to promote the development of vegetable gardening, horticulture, and sesame are under consideration, including by strengthening marketing and transportation links with the tourism sector.

D. Data Issues

48. **The staff stressed the urgency of implementing the improvements in data production and dissemination recommended by Fund technical assistance missions.** Data are often late and of inadequate quality, and methodological problems or outdated weights limit the usefulness of time series on real activity and prices. Data have been perceived in the past as generally adequate for Fund surveillance, but recent substantial revisions, apparent internal inconsistencies, and delayed submissions raise serious questions about data reliability and integrity and whether the provisions of IMF Article VIII Section 5 are being satisfied. These issues will be further addressed during future staff missions. The staff is also concerned that macroeconomic data are now being published only once a year—in the budget speech—and only in partial form.

VI. STAFF APPRAISAL

49. **Policy and governance shortcomings in the last two years have taken a heavy toll on the economy and set back the country’s medium-term development strategy.** Performance has fallen well short of the targets envisaged in the PRSP’s macroeconomic framework. Poverty has probably increased, GDP growth has been erratic, inflation has risen strongly, and the exchange rate has depreciated very sharply. The completion point under the enhanced HIPC Initiative cannot now be reached until 2005, at the earliest.

¹⁶ The recent agreement to process much of Mali’s transit trade through Banjul may increase port activity by 25 percent.

50. **The fiscal slippages of 2001, which undermined progress made under the 1998–2001 PRGF arrangement, continued throughout the period, amplified by quasi-fiscal spending, including through central bank losses associated with the conduct of questionable foreign exchange transactions.** Measures to restrain the resultant excessive growth in the money supply were late and inadequate.

51. **A detailed assessment of economic performance and policies has, however, been hampered by the absence of a complete and verified set of data revisions** following the recent acknowledgement by the authorities of serious misstatements in data previously provided for the period 2001–03. Also, the fiscal accounts have neither been closed since 1999 nor audited since 1991. Regular provision of data to the Fund, particularly by the CBG, during the period of the PRGF-supported program was deficient in coverage, quality and timeliness.

52. **The resumption of discussions on a possible Fund-supported program will require that these concerns, which involve the integrity of key macroeconomic data, be addressed. A special audit of the foreign exchange transactions of the CBG and reaudits of the 2001 and 2002 financial statements would be major steps in this direction.**

Considerable external technical assistance is potentially available to improve the quality and production of essential statistics, including under the Technical Cooperation Action Plan, assuming the authorities demonstrate their ability to use such assistance effectively.

Systematic publication of economic data should be resumed.

53. **Execution of monetary policy has been unsatisfactory throughout much of the period.** The conduct of certain foreign currency transactions by the CBG contributed to a sharp acceleration in the growth of reserve money. There was also an unprecedented growth in private sector credit. The delayed policy response—increasing interest rates and raising minimum reserve requirements—was not sufficient to stabilize monetary conditions. **Further strong action will be required to rein back excessive monetary growth rates.**

54. **Improvements are required in the CBG’s internal organization, procedures, and controls to address the severe vulnerabilities identified in the Fund safeguards assessment. Monitoring of monetary data should be enhanced and arrangements for determining the issue of treasury bills should be subject to further consideration.** The review of the Central Bank of The Gambia Act to conform to modern central bank law is overdue.

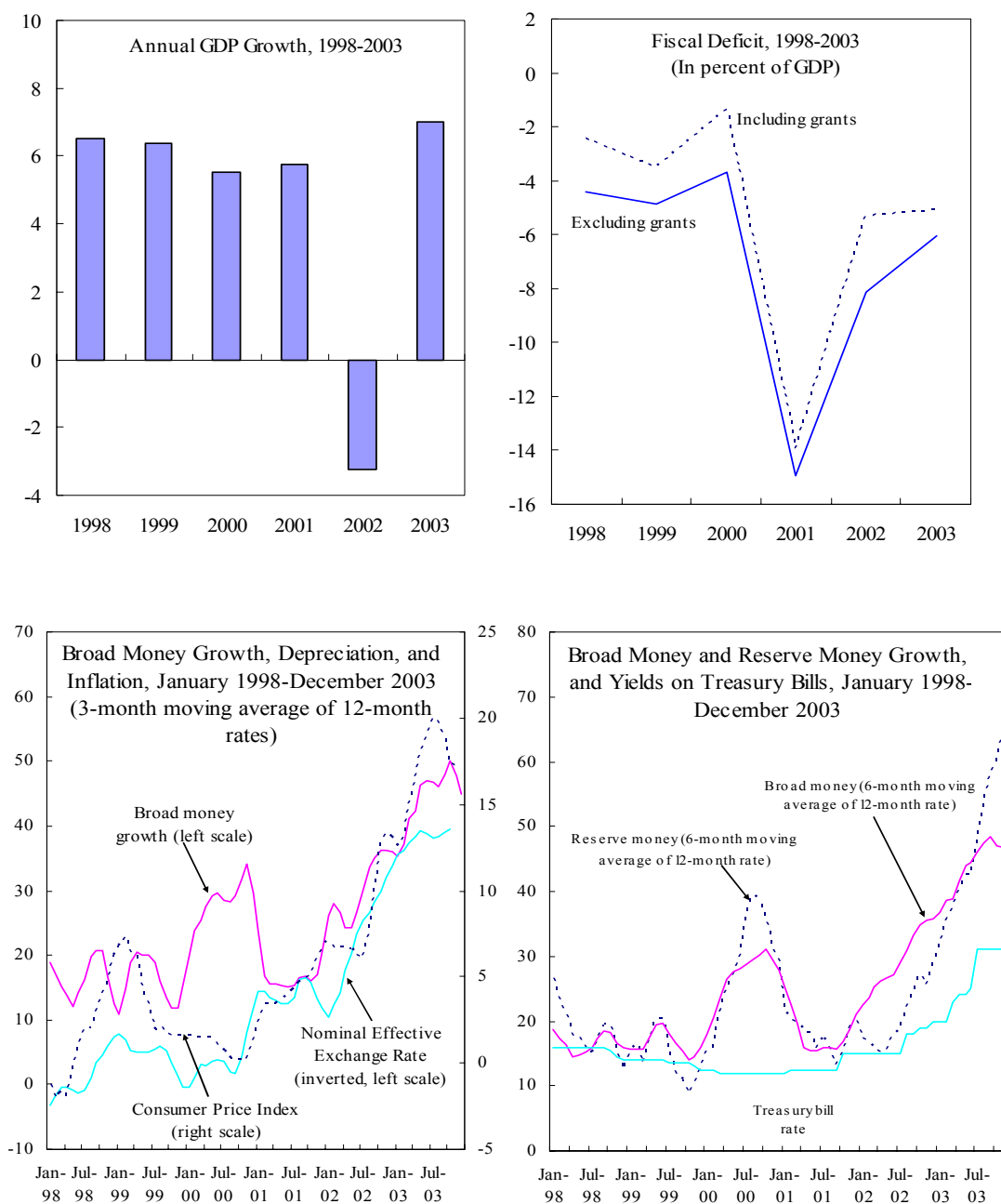
55. **More recently, implementation of fiscal policy has improved.** Control of outlays on discretionary items by NEFCOM has imposed more rigid spending discipline on departments and has successfully restrained overall noninterest expenditure despite unprogrammed wage increases. Tax revenue administration is also being tightened. Nevertheless, the prospective fiscal deficit for 2004 is too large. **To provide the basis for a return to macroeconomic stability, additional fiscal measures will be required, together with actions that will allow the resumption of external budgetary support.**

56. **No sustained improvement in economic conditions will be possible without a fundamental enhancement in governance.** Action is urgently required to prevent further unprogrammed public expenditure and unauthorized action by the CBG, tighten customs procedures and tax exemptions, and scrutinize effectively the actions of public enterprises.

57. **Medium-term prospects, in particular for raising the living standards of the poor, will continue to depend largely on the performance of agriculture, including groundnuts.** While weather-related shocks are inevitable, a coordinated policy approach to ensure the security of high-quality seed supply and other agricultural inputs, and improved marketing arrangements (as well as irrigation), could lessen substantially the adverse impact. It will also be important for access to finance to be improved for smallholders, as well as, more generally, for small and medium-sized enterprises. The recent sharp decline in the real exchange rate has substantially increased export incentives, improving prospects for the long-overdue diversification of the economy.

58. It is proposed that the next Article IV consultation be held in accordance with the provisions of the decision on consultation cycles approved on July 15, 2002.

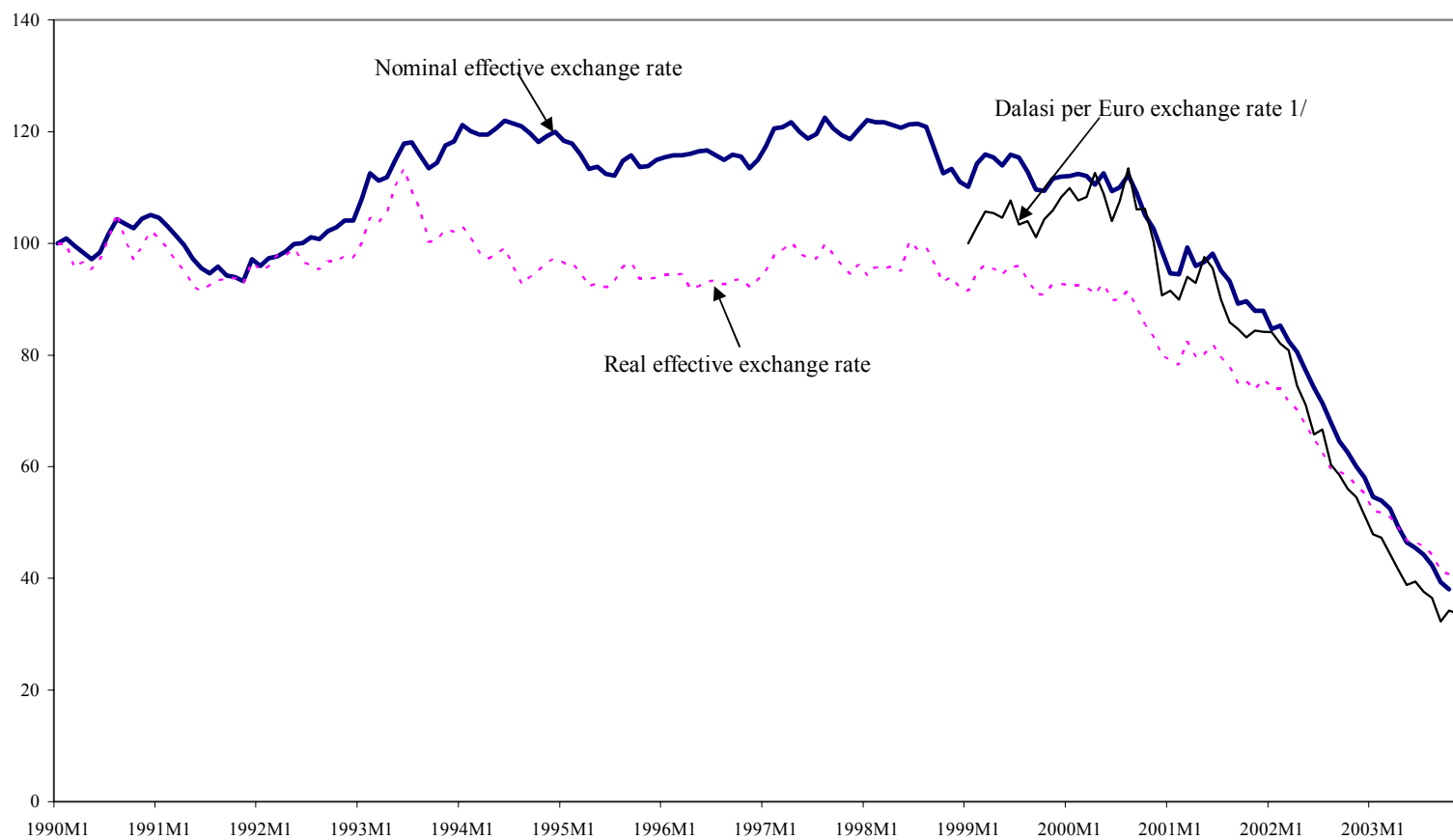
Figure 1. The Gambia: Selected Economic and Financial Indicators, 1998-2003
(In percent, unless otherwise indicated)



Sources: The Gambian authorities; and IMF staff estimates. Data series have been revised to reflect previously unreported transactions from 2001 onwards.



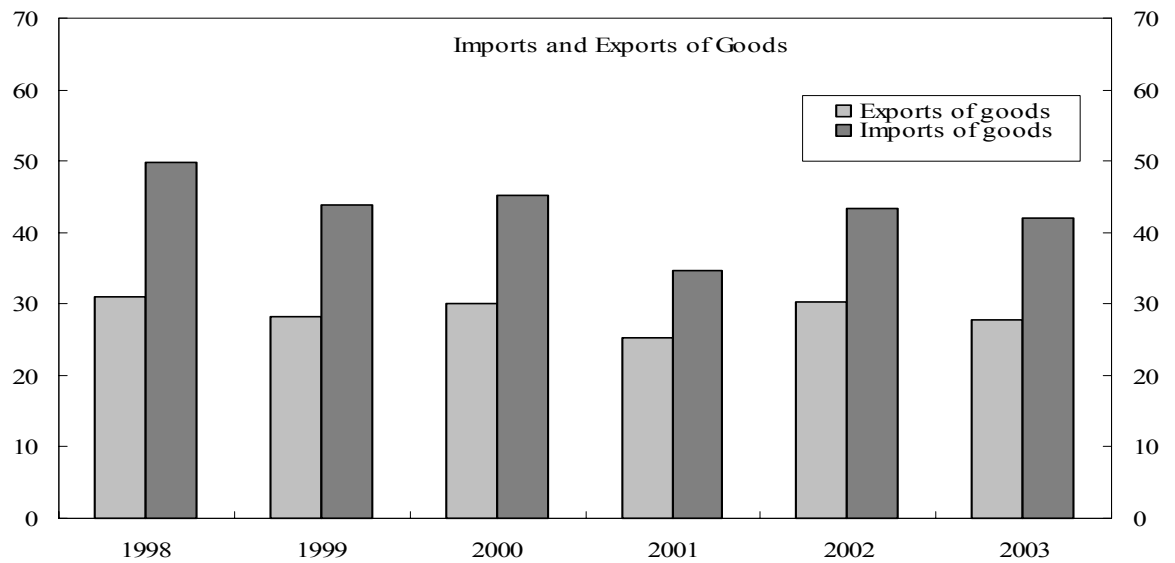
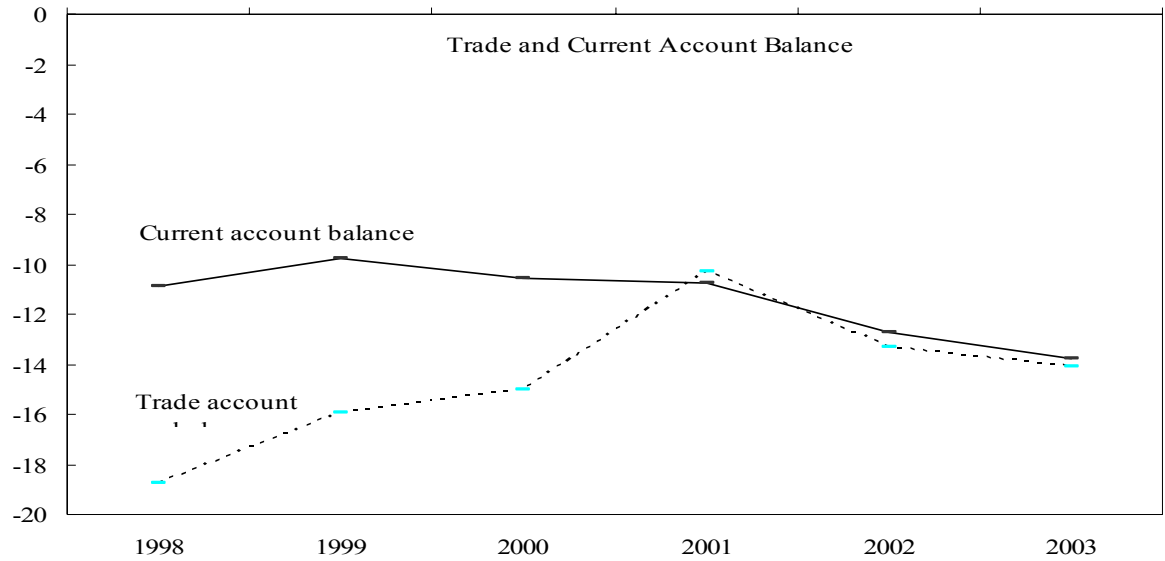
Figure 2. The Gambia: Real and Nominal Effective Exchange Rates, January 1990 - December 2003
(Index, 1990=100)



Sources: The Gambian authorities; and IMF staff estimates.

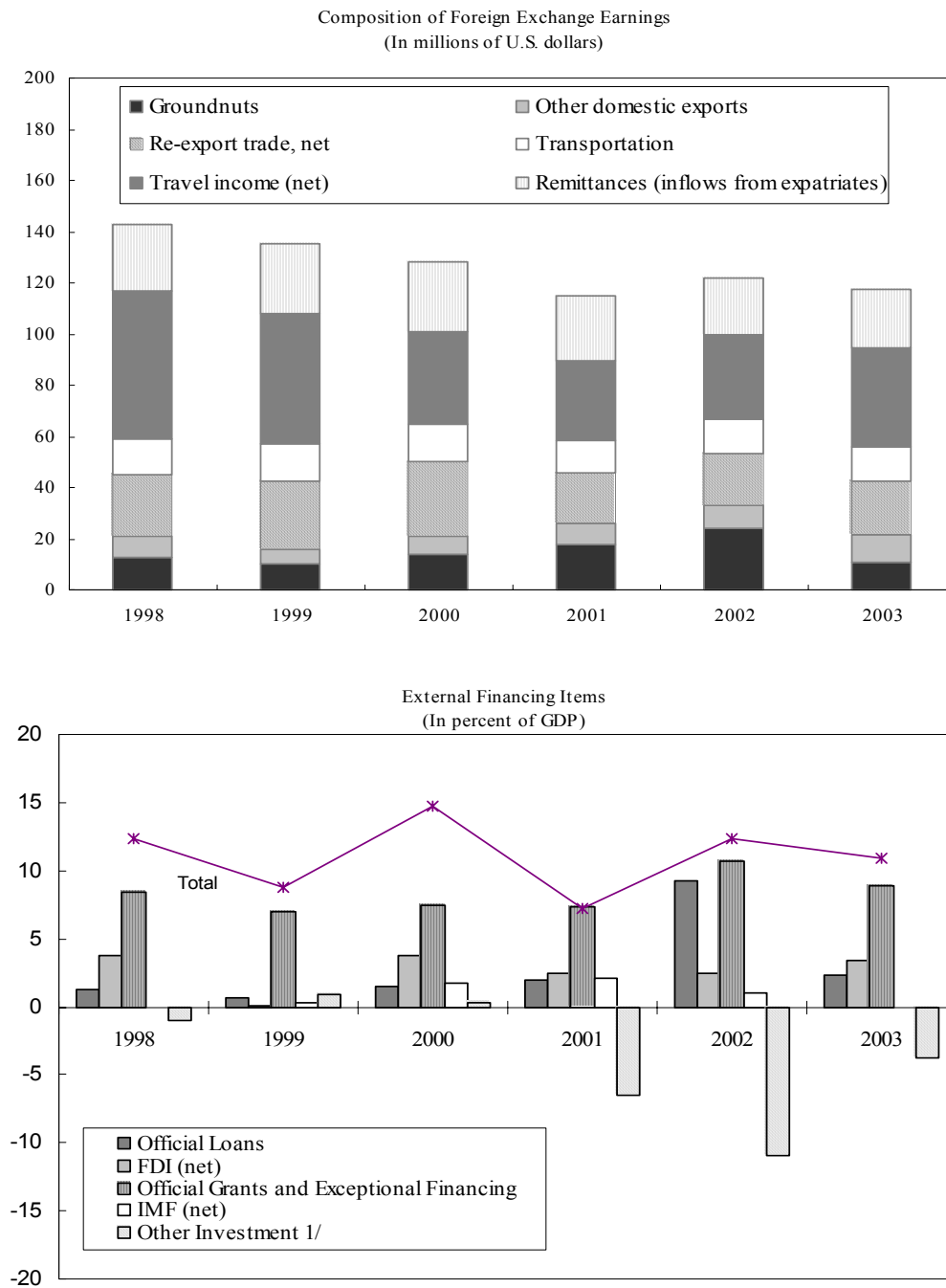
1/ 1999=100

Figure 3. The Gambia: Trade and Current Account, 1998-2003
(In percent of GDP)



Sources: The Gambian authorities; and IMF staff estimates.

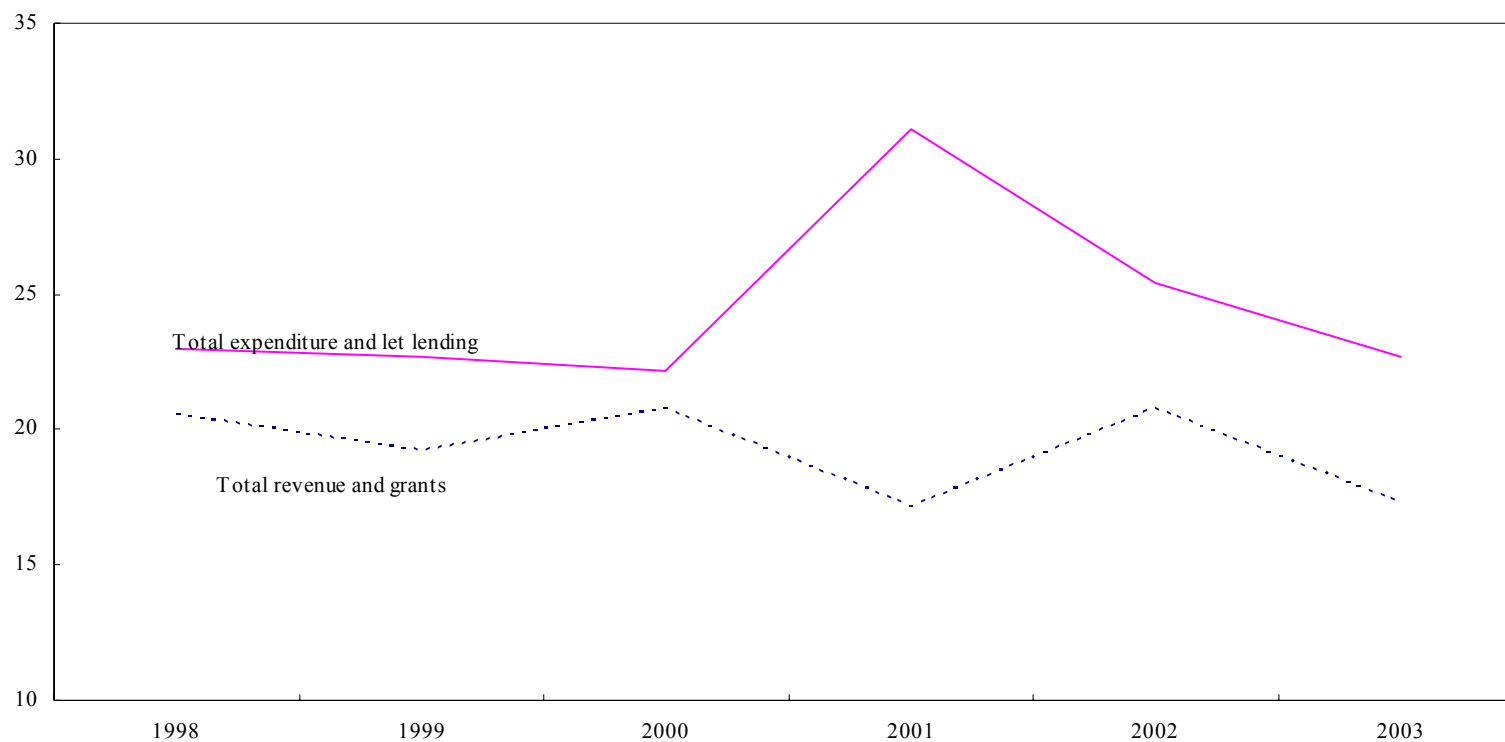
Figure 4. The Gambia: Foreign Exchange Earnings and External Financing, 1998-2003



Sources: The Gambian authorities; and IMF staff estimates.

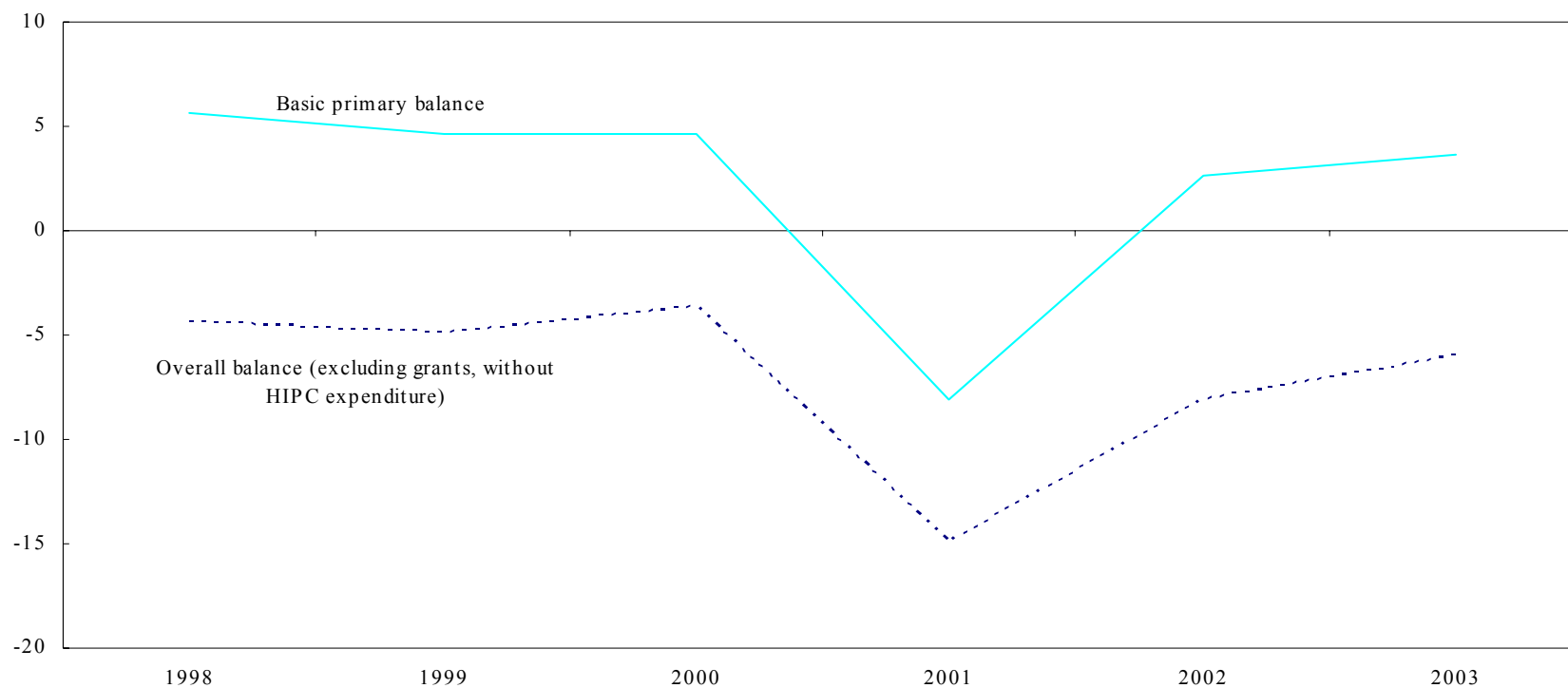
1/ Includes short- and medium-term capital flows, suppliers' credits, and errors and omissions.

Figure 5. The Gambia: Revenue and Expenditure, 1998-2003
(In percent of GDP)



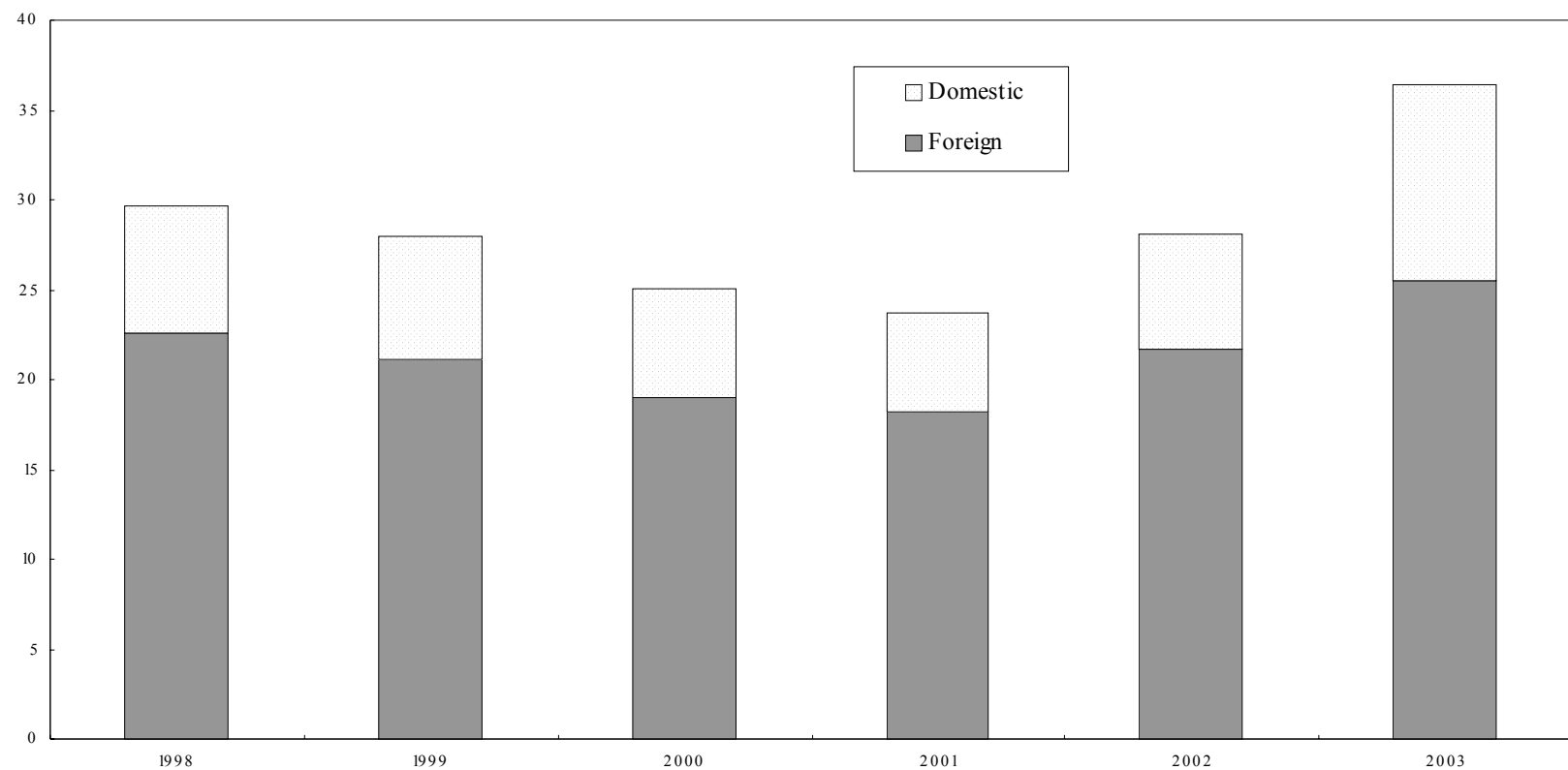
Sources: The Gambian authorities; and IMF staff estimates. Data series have been revised to reflect previously unreported transactions from 2001 onwards.

Figure 6. The Gambia: Fiscal Balances, 1998-2003
(In percent of GDP)



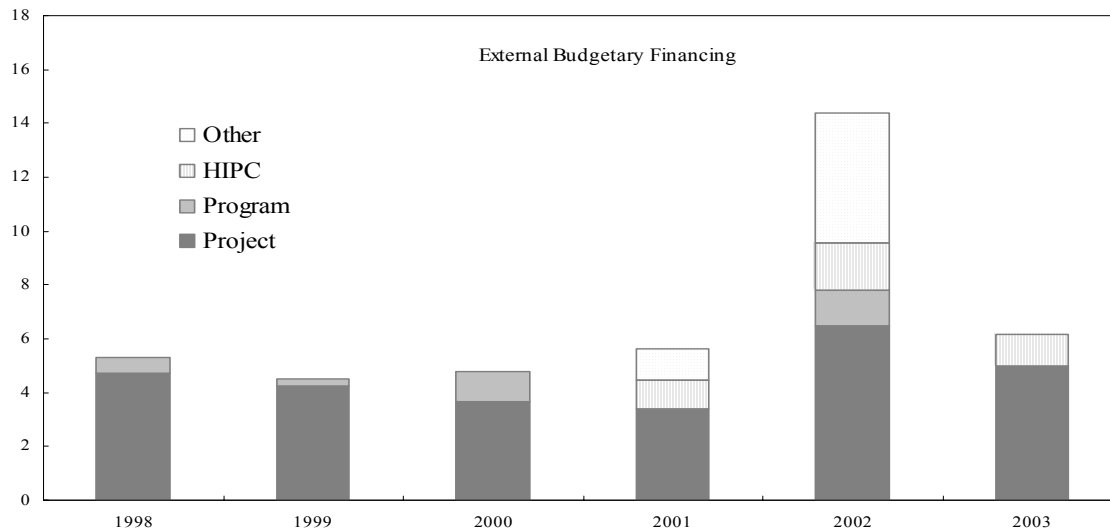
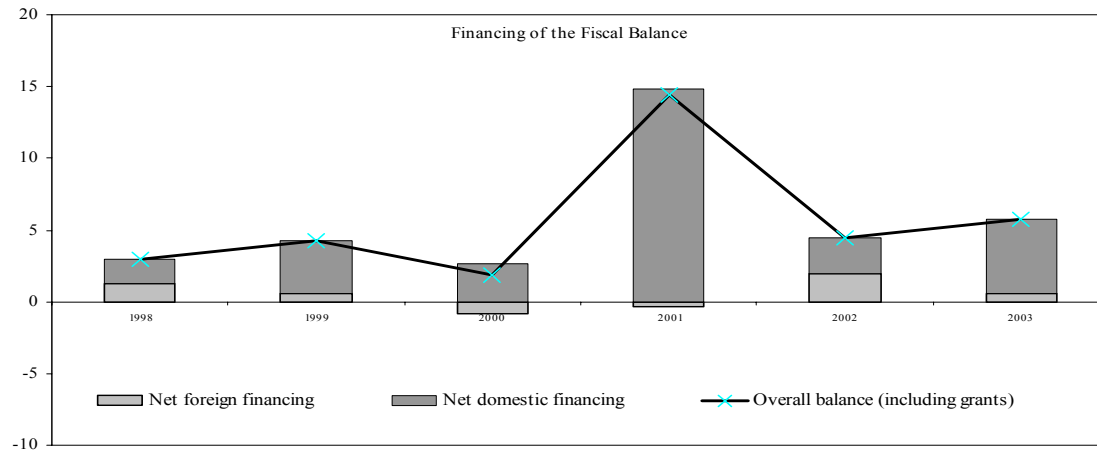
Sources: The Gambian authorities; and IMF staff estimates. Data series have been revised to reflect previously unreported transactions from 2001 onwards.

Figure 7. The Gambia: Share of Scheduled Interest Payments in Current Government Expenditure, 1998-2003
(In percent of GDP)



Sources: The Gambian authorities; and IMF staff estimates.

Figure 8. The Gambia: Budgetary Financing, 1998-2003 1/
(In percent of GDP)



Sources: The Gambian authorities; and IMF staff estimates.

1/ Data series have been revised to reflect previously unreported transactions from 2001 onwards.

Table 1A. The Gambia: Selected Economic and Financial Indicators, Scenario A, 2000-08

	2000	2001	2002		2003	2004	2005	2006	2007	2008
	Est.	Est.	Prog.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage changes, unless otherwise indicated)										
National income and prices										
GDP at constant prices	5.5	5.8	6.0	-3.2	8.8	4.6	4.4	4.2	4.1	4.1
GDP deflator	3.6	15.2	6.7	16.1	28.3	27.0	28.5	22.5	22.8	20.0
Consumer price index (period average)	0.9	4.5	5.5	8.6	17.0	21.0	22.5	20.0	20.0	17.5
Consumer price index (end of period)	0.2	8.1	3.8	13.0	17.6	25.0	20.0	20.0	20.0	15.0
External sector										
Exports, f.o.b. (in U.S. dollars)	5.3	-19.7	10.1	9.2	-8.1	34.0	5.9	5.2	4.2	4.2
Imports, c.i.f. (in U.S. dollars)	0.5	-23.8	4.5	10.7	-3.9	22.4	1.7	2.0	1.7	3.1
Terms of trade 1/	-3.5	-0.4	1.4	9.6	13.8	...	...	...	...	...
Nominal effective exchange rate (period average)	-3.7	-14.1	...	-22.6	...	...	...	...	...	...
Real effective exchange rate (period average)	-4.8	-12.2	...	-17.6	...	...	...	...	...	...
Money and credit										
(Change in percent of beginning-of-year broad money, unless otherwise indicated)										
Broad money	34.8	19.4	13.2	35.3	43.4	31.5	30.7	23.4	20.3	19.3
Net foreign assets 2/	22.5	-33.8	18.3	13.0	29.2	14.5	3.3	4.8	2.7	6.8
Net domestic assets 2/	12.3	53.2	-5.1	22.3	14.2	17.0	27.4	18.6	17.6	12.5
Credit to the government	3.1	25.5	0.8	1.0	12.5	23.8	21.5	13.3	9.9	7.2
CBG foreign currency advance to the government	0.0	24.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the private sector and public enterprises	4.4	4.4	0.0	23.7	20.0	9.1	9.2	9.8	10.2	9.7
Claims on foreign exchange bureaux	0.0	8.8	0.0	4.0	-1.0	0.0	0.0	0.0	0.0	0.0
Other items, net	4.9	-9.9	-6.0	-6.4	-17.4	-15.9	-3.3	-4.5	-2.5	-4.4
Velocity (GDP/period avg. broad money)	3.0	3.2	2.6	2.7	2.7	2.6	2.6	2.7	2.8	2.9
Treasury bill rate (in percent; end of period)	12.0	15.0	...	20.0	31.0	...	...	...	...	...
Gross domestic investment and savings										
(In percent of GDP)										
Gross investment	17.3	17.4	19.4	21.2	19.6	18.0	17.9	17.4	17.1	17.4
Gross domestic savings	9.0	11.3	4.8	14.7	11.6	14.7	16.4	17.1	17.9	18.6
Gross national savings	14.1	13.9	14.4	19.0	14.5	16.4	14.8	14.9	15.6	15.7
Central government budget 2/ 3/										
Balance, excluding grants 4/	-3.7	-14.9	-5.0	-8.1	-6.0	-8.3	-7.5	-4.2	-2.7	-1.4
Balance, including grants	-1.4	-13.9	-2.2	-4.6	-5.4	-7.4	-6.6	-3.5	-2.2	-1.0
Basic primary balance	4.6	-1.3	3.3	2.7	3.6	5.1	8.5	6.7	7.2	7.8
Total expenditure and net lending	22.1	31.1	23.7	25.4	22.7	25.0	25.1	23.1	22.2	20.4
Domestic revenue 3/	18.5	15.1	17.5	16.3	15.3	15.4	17.6	18.9	19.5	19.0
Net foreign financing	-0.8	-0.4	-0.4	1.9	0.6	-2.2	-1.9	-2.4	-2.5	-2.8
Net domestic financing	2.7	14.8	2.3	2.5	5.2	9.6	8.5	6.0	4.7	3.8
Stock of domestic debt	31.5	38.1	31.0	36.6	24.6	27.9	29.4	29.0	27.3	25.6
External sector										
Current account balance										
Excluding official transfers	-10.6	-10.8	-13.2	-12.8	-13.8	-10.6	-10.2	-9.2	-8.0	-7.9
Including official transfers	-3.1	-3.5	-5.0	-2.2	-5.1	-1.6	-3.1	-2.5	-1.5	-1.6
External debt service 5/										
(In percent of exports and travel income)										
Including IMF	15.4	18.5	11.9	7.8	9.8	10.3	11.4	11.8	12.2	12.4
(In millions of U.S. dollars, unless otherwise indicated)										
Current account balance										
Excluding official transfers	-44.5	-45.0	-29.9	-47.0	-50.5	-38.8	-37.2	-34.3	-30.3	-30.4
Including official transfers	-13.2	-14.5	-11.2	-8.0	-18.8	-5.9	-11.4	-9.2	-5.8	-6.3
Overall balance of payments 2/	10.1	-51.7	-10.2	-4.9	-11.4	-5.5	-8.9	-8.2	-10.6	-9.6
Gross official reserves 2/	111.4	63.8	119.3	64.1	58.7	56.1	45.4	33.1	16.5	4.5
In months of imports, c.i.f. 2/	7.0	5.3	5.1	4.8	4.6	3.6	2.8	2.0	1.0	0.3
Use of IMF resources										
(In millions of SDRs)										
Purchases/disbursements	6.9	6.9	...	2.9	0.0	...	...	...	...	...
Repurchases/repayments	1.2	1.1	...	0.0	0.0	...	...	...	...	...
Credit outstanding	13.9	20.6	...	23.5	23.5	...	...	...	...	...
(Ratios in percent)										
Net present value of debt/exports 6/	196.4	241.9	197.8	283.9	303.4	270.3	246.4	220.2	213.0	203.1
Net present value of debt/revenues 6/	309.0	404.6	353.1	476.9	537.4	551.1	560.6	537.4	509.8	471.0

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

1/ Excluding reexports and imports for reexport.

2/ Adjustments have been incorporated for previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia, and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

3/ Projection includes unspecified revenue measures in 2005-2008

4/ Excluding HIPC Initiative and PRSP expenditure.

5/ Servicing of public external debt after HIPC grants and debt relief in percent of exports and travel income. In 2000 and 2001, the increase in debt service reflects in part payments to Alimenta. Any accumulation of arrears is excluded.

6/ Assumes completion point under the HIPC Initiative is not reached, and interim assistance is exhausted by end-2004. This series has been revised to reflect new loan disbursements since the debt sustainability analysis was completed in 2000.

Table 1B. The Gambia: Selected Economic and Financial Indicators, Scenario B, 2000-2008

	2000	2001	2002		2003	2004	2005	2006	2007	2008
	Est.	Est.	Prog.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage changes, unless otherwise indicated)										
National income and prices										
GDP at constant prices	5.5	5.8	6.0	-3.2	8.8	5.3	5.0	4.8	4.6	4.6
GDP deflator	3.6	15.2	6.7	16.1	28.3	15.4	6.0	4.6	2.9	2.7
Consumer price index (period average)	0.9	4.5	5.5	8.6	17.0	13.5	7.2	4.2	3.7	3.2
Consumer price index (end of period)	0.2	8.1	3.8	13.0	17.6	10.0	4.5	4.0	3.5	3.0
External sector										
Exports, f.o.b. (in U.S. dollars)	5.3	-19.7	10.1	9.2	-8.1	34.4	5.9	5.2	4.2	4.2
Imports, c.i.f. (in U.S. dollars)	0.5	-23.8	4.5	10.7	-3.9	25.8	4.8	4.9	4.0	5.0
Terms of trade 1/	-3.5	-0.4	1.4	9.6	13.8	...	...	...	...	...
Nominal effective exchange rate (period average)	-3.7	-14.1	...	-22.6	...	...	...	...	...	...
Real effective exchange rate (period average)	-4.8	-12.2	...	-17.6	...	...	...	...	...	...
Money and credit										
(Change in percent of beginning-of-year broad money, unless otherwise indicated)										
Broad money	34.8	19.4	13.2	35.3	43.4	20.8	11.3	9.1	6.9	6.7
Net foreign assets 2/	22.5	-33.8	18.3	13.0	29.2	19.6	11.7	9.0	8.7	8.7
Net domestic assets 2/	12.3	53.2	-5.1	22.3	14.2	1.2	-0.4	0.1	-1.9	-2.0
Credit to the government	3.1	25.5	0.8	1.0	12.5	1.3	1.2	1.2	1.2	1.2
CBG foreign currency advance to the government	0.0	24.3	0.0	0.0	0.0	-0.7	-0.6	-0.5	-0.5	-0.4
Credit to the private sector and public enterprises	4.4	4.4	0.0	23.7	20.0	8.3	4.5	3.6	3.1	2.8
Claims on foreign exchange bureaus	0.0	8.8	0.0	4.0	-1.0	-1.0	-0.9	-0.8	-0.7	-0.7
Other items net	4.9	-9.9	-6.0	-6.4	-17.4	-6.7	-4.7	-3.4	-5.0	-4.9
Velocity (GDP/period avg. broad money)	3.0	3.2	2.6	2.7	2.7	2.5	2.4	2.4	2.4	2.4
Treasury bill rate (in percent; end of period)	12.0	15.0	...	20.0	31.0	...	...	...	...	...
Gross domestic investment and savings										
(In percent of GDP)										
Gross investment	17.3	17.4	19.4	21.2	19.6	18.3	19.0	19.0	19.0	19.3
Gross domestic savings	9.0	11.3	4.8	14.7	11.6	14.4	16.3	16.6	17.1	17.5
Gross national savings	14.1	13.9	14.4	19.0	14.5	18.1	18.6	18.6	19.2	19.1
Central government budget 2/ 3/										
Balance, excluding grants 4/	-3.7	-14.9	-5.0	-8.1	-6.0	-2.8	-1.5	0.1	1.5	2.3
Balance, including grants	-1.4	-13.9	-2.2	-4.6	-5.4	-1.7	-1.7	-0.4	0.8	1.5
Basic primary balance	4.6	-8.1	3.3	2.7	3.6	4.0	2.4	2.5	2.7	3.1
Total expenditure and net lending	22.1	31.1	23.7	25.4	22.7	24.8	23.0	21.3	20.2	19.4
Domestic revenue 3/	18.5	15.1	17.5	16.3	15.3	18.9	16.8	16.7	16.9	17.2
Net foreign financing	-0.8	-0.4	-0.4	1.9	0.6	-0.4	0.6	0.0	-0.4	-0.7
Net domestic financing	2.7	14.8	2.3	2.5	5.2	2.1	1.0	0.4	-0.4	-0.8
Stock of domestic debt	31.5	38.1	31.0	36.6	24.6	22.0	21.0	19.6	17.7	15.4
External sector										
Current account balance										
Excluding official transfers	-10.6	-10.8	-13.2	-12.7	-13.8	-11.0	-10.7	-9.9	-8.9	-8.8
Including official transfers	-3.1	-3.5	-5.0	-2.2	-5.1	-0.2	-0.5	-0.4	0.2	-0.2
External debt service 5/										
(In percent of exports and travel income)										
Including IMF	15.4	18.5	11.9	7.8	9.8	9.6	6.1	6.9	7.2	7.6
(In millions of U.S. dollars, unless otherwise indicated)										
Current account balance										
Excluding official transfers	-44.5	-45.0	-29.9	-47.0	-50.5	-41.7	-42.3	-42.0	-39.8	-41.3
Including official transfers	-13.2	-14.5	-11.2	-8.0	-18.9	-0.9	-1.8	-1.7	0.9	-1.1
Overall balance of payments 2/	10.1	-51.7	-10.2	-4.9	-11.4	8.9	9.6	6.4	6.4	3.8
Gross official reserves 2/	111.4	63.8	119.3	64.1	58.7	80.5	101.2	115.6	118.8	118.3
In months of imports, c.i.f. /2	7.0	5.3	5.1	4.8	4.6	5.0	6.0	6.5	6.4	6.1
Use of IMF resources										
(In millions of SDRs)										
Purchases/disbursements	6.9	6.9	...	2.9	0.0	...	...	...	...	...
Repurchases/repayments	1.2	1.1	...	0.0	0.0	...	...	...	...	...
Credit outstanding	13.9	20.6	...	23.5	23.5	...	...	...	...	...
(Ratios in percent)										
Net present value of debt/exports 6/	196.4	241.9	197.8	283.9	300.3	270.8	219.8	200.3	195.2	188.2
Net present value of debt/revenues 6/	309.0	404.6	353.1	476.9	531.7	489.0	431.5	421.8	404.8	385.6

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

1/ Excluding reexports and imports for reexport.

2/ Adjustments have been incorporated for previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia, and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

3/ Projection includes unspecified revenue measures in 2004

4/ Excluding HIPC Initiative and PRSP expenditure.

5/ Servicing of public external debt after HIPC grants and debt relief in percent of exports and travel income. In 2000 and 2001, the increase in debt service reflects in part payments to Alimenta. Any accumulation of arrears is excluded.

6/ The calculations are based on the working assumption of a completion point for the enhanced HIPC Initiative in early 2005, although in practice this would not be possible before late 2005. The NPV of debt for 2000-2004 shows only the effect of interim assistance.

Table 2A. The Gambia: Selected National Accounts Indicators, Scenario A, 2000-08
(Annual percentage change)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
				Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Agriculture	10.5	8.9	-28.2	29.5	3.7	4.7	4.7	4.7	4.5
Groundnuts	12.3	9.4	-52.6	77.5	-5.5	3.0	3.0	3.0	3.0
Other crops	14.2	10.0	-32.0	30.0	8.0	5.0	5.0	5.0	4.8
Livestock	3.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Forestry	3.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fishing	2.9	10.0	5.0	7.0	7.0	7.0	7.0	7.0	5.0
Industry	5.1	6.1	9.8	6.4	5.0	5.0	4.1	4.1	4.1
Manufacturing	2.0	2.7	4.5	2.6	5.0	5.0	4.0	4.0	4.0
Large and medium manufacturing	2.0	3.0	5.0	2.0	5.0	5.0	4.0	4.0	4.0
Small manufacturing	2.0	2.0	3.5	4.0	5.0	5.0	4.0	4.0	4.0
Construction and mining	10.0	10.0	15.0	10.0	5.0	5.0	4.0	4.0	4.0
Electricity and water supply	-3.0	4.0	10.0	5.0	5.0	5.0	5.0	5.0	5.0
Services	3.4	7.2	4.3	4.1	4.9	4.2	4.0	3.9	4.0
Trade	6.8	7.2	4.1	0.4	5.0	4.7	4.7	4.7	4.7
Groundnuts	12.3	15.0	5.0	3.0	5.0	3.0	3.0	3.0	3.0
Others	6.0	6.0	4.0	0.0	5.0	5.0	5.0	5.0	5.0
Hotels and restaurants	-12.8	10.0	7.0	15.0	15.0	8.0	6.0	5.0	5.0
Transport and communications	5.1	8.8	4.6	5.0	5.0	4.0	4.0	4.0	4.0
Transport	3.7	7.0	4.0	5.0	5.0	4.0	4.0	4.0	4.0
Communications	6.1	10.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
Real estate and business services	2.2	5.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Public administration	4.6	5.0	3.0	2.0	1.0	3.0	3.0	3.0	2.0
Other services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	8.0
GDP at factor costs	5.4	7.5	-3.8	9.5	4.6	4.4	4.2	4.1	4.1
Indirect tax (net)	6.7	-7.7	1.7	2.8	4.5	4.4	4.2	4.1	4.1
GDP at market prices	5.5	5.8	-3.2	8.8	4.6	4.4	4.2	4.1	4.1
GDP deflator	3.6	15.2	16.1	28.3	27.0	28.5	22.5	22.8	20.0

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

Table 2B. The Gambia: Selected National Accounts Indicators, Scenario B, 2000-2008
(Annual percentage change)

	2000	2001	2002	2003 Est.	2004 Proj.	2005 Proj.	2006 Proj.	2007 Proj.	2008 Proj.
Agriculture	10.5	8.9	-28.2	29.5	3.7	4.7	4.7	4.7	4.5
Groundnuts	12.3	9.4	-52.6	77.5	-5.5	3.0	3.0	3.0	3.0
Other crops	14.2	10.0	-32.0	30.0	8.0	5.0	5.0	5.0	4.8
Livestock	3.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Forestry	3.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fishing	2.9	10.0	5.0	7.0	7.0	7.0	7.0	7.0	5.0
Industry	5.1	6.1	9.8	6.4	5.9	5.9	5.9	5.0	5.0
Manufacturing	2.0	2.7	4.5	2.6	6.0	6.0	6.0	5.0	5.0
Large and medium manufacturing	2.0	3.0	5.0	2.0	6.0	6.0	6.0	5.0	5.0
Small manufacturing	2.0	2.0	3.5	4.0	6.0	6.0	6.0	5.0	5.0
Construction and mining	10.0	10.0	15.0	10.0	6.0	6.0	6.0	5.0	5.0
Electricity and water supply	-3.0	4.0	10.0	5.0	5.0	5.0	5.0	5.0	5.0
Services	3.4	7.2	4.3	4.1	5.8	5.0	4.6	4.5	4.5
Trade	6.8	7.2	4.1	0.4	7.5	5.6	5.6	4.7	4.7
Groundnuts	12.3	15.0	5.0	3.0	5.0	3.0	3.0	3.0	3.0
Others	6.0	6.0	4.0	0.0	8.0	6.0	6.0	5.0	5.0
Hotels and restaurants	-12.8	10.0	7.0	15.0	20.0	10.0	6.0	6.0	6.0
Transport and communications	5.1	8.8	4.6	5.0	5.0	5.0	5.0	5.0	5.0
Transport	3.7	7.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Communications	6.1	10.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Real estate and business services	2.2	5.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Public administration	4.6	5.0	3.0	2.0	1.0	3.0	3.0	3.0	2.0
Other services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	8.0
GDP at factor costs	5.4	7.5	-3.8	9.5	5.3	5.0	4.8	4.6	4.6
Indirect tax (net)	6.7	-7.7	1.7	2.8	5.3	5.0	4.8	4.6	4.6
GDP at market prices	5.5	5.8	-3.2	8.8	5.3	5.0	4.8	4.6	4.6
GDP deflator	3.6	15.2	16.1	28.3	15.4	6.0	4.6	2.9	2.7

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

Table 3 A. The Gambia: Central Government Operations (Scenario A), 2000-2008

	(In millions of dalasis)								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
			Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1,117.2	1,125.7	1,528.7	1,776.4	2,396.1	2,982.4	3,829.2	4,976.9	6,421.6
Domestic revenue	995.4	989.9	1,201.8	1,569.1	2,101.7	2,815.0	3,673.7	4,820.4	6,269.6
Tax revenue	869.9	853.8	1,040.2	1,371.4	1,763.5	2,361.3	3,064.5	4,002.9	5,173.2
Direct tax	223.6	251.0	318.0	414.8	494.1	660.1	882.7	1,181.4	1,582.0
Of which: personal	90.4	102.6	122.4	149.3	176.8	237.2	318.4	427.2	573.4
corporate	115.0	132.7	176.8	244.9	292.8	393.0	527.4	707.8	949.8
Indirect tax	646.3	602.8	722.2	956.6	1,269.4	1,701.2	2,181.8	2,821.6	3,591.3
Domestic tax on goods and services	72.8	73.9	124.9	233.6	284.7	382.1	512.8	688.2	923.5
Tax on international trade	573.5	528.9	597.3	722.9	984.6	1,319.1	1,669.0	2,133.4	2,667.7
Nontax revenue	125.4	136.0	161.5	197.8	338.2	453.7	609.2	817.5	1,096.3
Grants	121.8	135.9	326.9	207.2	294.4	167.5	155.5	156.5	152.1
Program	60.3	0.0	94.9	0.0	0.0	0.0	0.0	0.0	0.0
Projects	61.5	67.9	109.9	97.2	119.0	167.5	155.5	156.5	152.1
HIPC	0.0	68.0	122.1	110.0	175.4	0.0	0.0	0.0	0.0
Expenditure and net lending 1/	1,192.11	2,037.4	1,870.7	2,327.9	3,407.4	4,593.5	5,406.8	6,640.1	7,633.3
Current expenditure	985.8	1,237.1	1,318.2	1,703.3	2,787.6	3,909.9	4,760.7	5,884.1	6,787.4
Wages and salaries	341.2	342.0	395.2	450.4	528.1	708.7	904.4	1,156.2	1,444.6
Other charges	397.4	533.4	512.5	561.5	665.6	893.2	1,140.0	1,457.3	1,820.8
Interest	247.3	293.8	370.5	620.8	1,523.8	2,308.0	2,716.3	3,270.6	3,521.9
External	60.2	68.7	84.0	186.2	271.6	311.7	386.6	480.3	569.9
Domestic	187.1	225.0	286.6	434.6	1,252.2	1,996.3	2,329.7	2,790.3	2,952.0
HIPC expenditure	...	68.0	39.9	70.7	70.2	0.0	0.0	0.0	0.0
Capital expenditure and net lending 1/	206.3	800.3	552.5	624.6	619.8	683.6	646.1	756.0	845.9
Capital expenditure	245.6	732.5	585.3	656.2	653.8	717.6	680.1	790.0	879.9
External	196.7	224.5	495.2	511.0	484.6	624.0	591.4	687.0	765.2
GLF (Gambia Local Fund)	48.9	60.9	57.7	77.4	63.9	93.6	88.7	103.0	114.8
HIPC funded	...	...	32.4	67.9	105.3	0.0	0.0	0.0	0.0
PRSP-related expenditure	...	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extrabudgetary expenditure 1/	0.0	447.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-39.3	67.8	-32.8	-31.6	-34.0	-34.0	-34.0	-34.0	-34.0
Overall balance (commitment basis), without new measures	-75.0	-911.6	-342.0	-551.5	-1,011.3	-1,611.0	-1,577.6	-1,663.2	-1,211.6
Excluding grants	-196.8	-1,047.5	-668.9	-758.7	-1,305.8	-1,778.5	-1,733.1	-1,819.7	-1,363.7
Excluding grants, HIPC and PRSP expenditure	-196.8	-979.5	-596.6	-620.2	-1,130.3	-1,778.5	-1,733.1	-1,819.7	-1,363.7
Overall balance (cash basis), without new measures									
Including grants	-98.7	-946.3	-324.2	-590.9	-1,011.3	-1,611.0	-1,577.6	-1,663.2	-1,211.6
Unspecified measures	...	...	...	...	0.0	400.0	750.0	1,000.0	850.0
Overall balance (after measures)	...	...	...	...	-1,011.3	-1,211.0	-827.6	-663.2	-361.6
Financing	98.7	946.3	324.2	590.9	1,011.3	1,211.0	827.6	663.2	361.6
External (net)	-45.6	-23.6	140.9	57.9	-298.1	-349.5	-567.7	-747.9	-1,049.8
Borrowing	135.2	233.6	725.8	413.8	365.6	456.5	435.9	530.5	613.1
Project	135.2	156.6	368.4	413.8	365.6	456.5	435.9	530.5	613.1
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	77.0	357.4	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-180.8	-257.2	-598.9	-368.3	-663.8	-806.0	-1,003.6	-1,278.4	-1,662.9
HIPC debt relief	...	0.0	14.0	12.4	0.0	0.0	0.0	0.0	0.0
Domestic	144.3	969.9	183.3	533.0	1,309.4	1,560.6	1,395.2	1,411.1	1,411.4
Bank 1/	45.0	952.8	22.9	399.9	1,092.8	1,299.1	1,052.6	964.1	844.9
Nonbank	139.5	68.1	197.0	95.1	218.8	293.7	374.8	479.1	598.7
Accumulation / repayment (minus) of arrears	-40.2	-51.0	-36.7	-6.5	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	4.5	30.0	0.0	0.0	0.0	0.0
Repayment of domestic debt	0.0	0.0	0.0	0.0	-32.2	-32.2	-32.2	-32.2	-32.2
CBG (unrealized profits)	...	...	...	40.0	0.0	0.0	0.0	0.0	0.0
Basic primary balance, excl. measures 3/	247.2	-529.2	196.8	373.0	702.6	1,153.4	1,574.6	2,137.9	2,923.4
Memorandum items:									
Nominal GDP	5,382.4	6,555.9	7,364.3	10,275.2	13,646.9	18,314.5	23,373.4	29,879.5	37,333.1
Overall balance, incl. measures	...	...	...	...	-1,011.3	-1,211.0	-827.6	-663.2	-361.6
Excluding grants, HIPC and PRSP expenditure	...	...	...	...	-1,130.3	-1,378.5	-983.1	-819.7	-513.7
Stock of domestic debt	1,693.5	2,496.1	2,694.2	2,524.7	3,804.2	5,383.2	6,788.3	8,167.3	9,546.5

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

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

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

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

Table 3 B. The Gambia: Central Government Operations (Scenario B), 2000-2008

	(In millions of dalasis)								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
			Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1,117.2	1,125.7	1,528.7	1,776.4	2,620.0	2,967.4	3,185.5	3,437.2	3,684.2
Domestic revenue	995.4	989.9	1,201.8	1,569.1	2,101.7	2,335.8	2,546.8	2,775.7	3,026.6
Tax revenue	869.9	853.8	1,040.2	1,371.4	1,763.5	1,959.5	2,128.3	2,310.2	2,508.9
Direct tax	223.6	251.0	318.0	414.8	494.1	549.4	610.8	679.1	755.2
Of which: personal	90.4	102.6	122.4	149.3	176.8	196.8	219.0	243.8	271.4
corporate	115.0	132.7	176.8	244.9	292.8	325.9	362.8	403.8	449.5
Indirect tax	646.3	602.8	722.2	956.6	1,269.4	1,410.2	1,517.5	1,631.1	1,753.7
Domestic tax on goods and services	72.8	73.9	124.9	233.6	284.7	316.9	352.8	392.7	437.1
Tax on international trade	573.5	528.9	597.3	722.9	984.6	1,093.3	1,164.7	1,238.4	1,316.6
Nontax revenue	125.4	136.0	161.5	197.8	338.2	376.2	418.5	465.5	517.7
Grants	121.8	135.9	326.9	207.2	518.3	631.6	638.7	661.5	657.6
Program	60.3	0.0	94.9	0.0	245.0	262.1	267.3	272.7	278.2
Projects	61.5	67.9	109.9	97.2	119.0	133.1	126.9	126.9	126.9
HIPC	0.0	68.0	122.1	110.0	154.3	236.4	244.5	261.9	252.6
Expenditure and net lending 1/	1,192.11	2,037.4	1,870.7	2,327.9	3,095.3	3,202.1	3,248.1	3,305.7	3,416.8
Current expenditure	985.8	1,237.1	1,318.2	1,703.3	2,277.9	2,112.2	2,183.5	2,257.5	2,345.5
Wages and salaries	341.2	342.0	395.2	450.4	528.1	565.7	619.9	666.8	716.4
Other charges	397.4	533.4	512.5	561.5	665.6	740.9	811.8	873.3	938.2
Interest	247.3	293.8	370.5	620.8	1,022.5	711.1	654.0	612.6	589.9
External	60.2	68.7	84.0	186.2	224.9	206.0	209.0	210.1	207.5
Domestic	187.1	225.0	286.6	434.6	797.6	505.1	445.0	402.6	382.4
HIPC expenditure	...	68.0	39.9	70.7	61.7	94.6	97.8	104.8	101.0
Capital expenditure and net lending 1/	206.3	800.3	552.5	624.6	817.4	1,089.9	1,064.6	1,048.3	1,071.3
Capital expenditure	245.6	732.5	585.3	656.2	851.4	1,123.9	1,098.6	1,082.3	1,105.3
External	196.7	224.5	495.2	511.0	467.4	489.4	422.0	359.8	351.0
GLF (Gambia Local Fund)	48.9	60.9	57.7	77.4	61.4	73.4	63.3	54.0	52.7
HIPC funded	...	...	32.4	67.9	92.6	141.8	146.7	157.1	151.5
PRSP-related expenditure	...	...	0.0	0.0	230.0	419.3	466.7	511.4	550.1
Extrabudgetary expenditure 1/	0.0	447.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-39.3	67.8	-32.8	-31.6	-34.0	-34.0	-34.0	-34.0	-34.0
Overall balance (commitment basis), without new measures	-75.0	-911.6	-342.0	-551.5	-475.3	-234.7	-62.7	131.5	267.4
Excluding grants	-196.8	-1,047.5	-668.9	-758.7	-993.6	-866.3	-701.3	-530.1	-390.2
Excluding grants, HIPC and PRSP expenditure	-196.8	-979.5	-596.6	-620.2	-609.3	-210.6	9.8	243.2	412.4
Overall balance (cash basis), without new measures									
Including grants	-98.7	-946.3	-324.2	-590.9	-475.3	-234.7	-62.7	131.5	267.4
Unspecified measures	...	...	...	...	265.4	0.0	0.0	0.0	0.0
Overall balance (after measures)	...	...	...	...	-209.9	-234.7	-62.7	131.4	267.4
Financing	98.7	946.3	324.2	590.9	209.9	234.7	62.7	-131.4	-267.4
External (net)	-45.6	-23.6	140.9	57.9	-48.0	89.2	4.0	-71.9	-119.8
Borrowing	135.2	233.6	725.8	413.8	453.4	468.6	409.7	349.8	343.3
Project	135.2	156.6	368.4	413.8	348.4	356.3	295.1	232.9	224.1
Program	0.0	0.0	0.0	0.0	105.0	112.3	114.6	116.9	119.2
Other loans 2/	0.0	77.0	357.4	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-180.8	-257.2	-591.9	-368.3	-535.6	-512.3	-513.7	-524.0	-566.4
HIPC debt relief	...	0.0	7.0	12.4	34.2	132.9	108.0	102.3	103.2
Domestic	144.3	969.9	183.3	533.0	257.8	145.5	58.7	-59.5	-147.6
Bank 1/	45.0	952.8	22.9	399.9	60.0	66.8	73.2	78.7	84.6
Nonbank	139.5	68.1	197.0	95.1	200.0	222.6	243.9	262.4	281.9
Accumulation / repayment (minus) of arrears	-40.2	-51.0	-36.7	-6.5	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	4.5	30.0	0.0	0.0	0.0	0.0
Repayment of domestic debt	0.0	0.0	0.0	0.0	-32.2	-143.9	-258.4	-400.7	-514.1
CBG (unrealized profits)	...	...	...	40.0	0.0	0.0	0.0	0.0	0.0
Basic primary balance, excl. measures 3/	247.2	-529.2	196.8	373.0	496.3	334.1	374.7	442.4	550.8
Memorandum items:									
Nominal GDP	5,382.4	6,555.9	7,364.3	10,275.2	12,486.8	13,899.1	15,230.1	16,382.9	17,601.3
Overall balance, incl. measures	...	...	...	...	-209.9	-234.7	-62.7	131.4	267.4
Excluding grants, HIPC and PRSP expenditure	...	...	...	...	-343.9	-210.7	9.7	243.2	412.5
Stock of domestic debt	1,693.5	2,496.1	2,694.2	2,524.7	2,752.5	2,916.6	2,985.1	2,893.4	2,713.7

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

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

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

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

Table 4 A. The Gambia: Central Government Operations (Scenario A), 2000-2008
(In percent of GDP, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
			Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	20.8	17.2	20.8	17.3	17.6	16.3	16.4	16.7	17.2
Domestic revenue	18.5	15.1	16.3	15.3	15.4	15.4	15.7	16.1	16.8
Tax revenue	16.2	13.0	14.1	13.3	12.9	12.9	13.1	13.4	13.9
Direct tax	4.2	3.8	4.3	4.0	3.6	3.6	3.8	4.0	4.2
<i>Of which</i> : personal	1.7	1.6	1.7	1.5	1.3	1.3	1.4	1.4	1.5
corporate	2.1	2.0	2.4	2.4	2.1	2.1	2.3	2.4	2.5
Indirect tax	12.0	9.2	9.8	9.3	9.3	9.3	9.3	9.4	9.6
Domestic tax on goods and services	1.4	1.1	1.7	2.3	2.1	2.1	2.2	2.3	2.5
Tax on international trade	10.7	8.1	8.1	7.0	7.2	7.2	7.1	7.1	7.1
Nontax revenue	2.3	2.1	2.2	1.9	2.5	2.5	2.6	2.7	2.9
Grants	2.3	2.1	4.4	2.0	2.2	0.9	0.7	0.5	0.4
Program	1.1	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Projects	1.1	1.0	1.5	0.9	0.9	0.9	0.7	0.5	0.4
HIPC	0.0	1.0	1.7	1.1	1.3	0.0	0.0	0.0	0.0
Expenditure and net lending 1/	22.15	31.1	25.4	22.7	25.0	25.1	23.1	22.2	20.4
Current expenditure	18.3	18.9	17.9	16.6	20.4	21.3	20.4	19.7	18.2
Wages and salaries	6.3	5.2	5.4	4.4	3.9	3.9	3.9	3.9	3.9
Other charges	7.4	8.1	7.0	5.5	4.9	4.9	4.9	4.9	4.9
Interest	4.6	4.5	5.0	6.0	11.2	12.6	11.6	10.9	9.4
External	1.1	1.0	1.1	1.8	2.0	1.7	1.7	1.6	1.5
Domestic	3.5	3.4	3.9	4.2	9.2	10.9	10.0	9.3	7.9
HIPC expenditure	0.0	1.0	0.5	0.7	0.5	0.0	0.0	0.0	0.0
Capital expenditure and net lending 1/	3.8	12.2	7.5	6.1	4.5	3.7	2.8	2.5	2.3
Capital expenditure	4.6	11.2	7.9	6.4	4.8	3.9	2.9	2.6	2.4
External	3.7	3.4	6.7	5.0	3.6	3.4	2.5	2.3	2.0
GLF (Gambia Local Fund)	0.9	0.9	0.8	0.8	0.5	0.5	0.4	0.3	0.3
HIPC funded	0.0	0.0	0.4	0.7	0.8	0.0	0.0	0.0	0.0
PRSP-related expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extrabudgetary expenditure 1/	0.0	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.7	1.0	-0.4	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1
Overall balance (commitment basis), without new measures	-1.4	-13.9	-4.6	-5.4	-7.4	-8.8	-6.7	-5.6	-3.2
Excluding grants	-3.7	-16.0	-9.1	-7.4	-9.6	-9.7	-7.4	-6.1	-3.7
Excluding grants, HIPC and PRSP expenditure	-3.7	-14.9	-8.1	-6.0	-8.3	-9.7	-7.4	-6.1	-3.7
Overall balance (cash basis), without new measures									
Including grants	-1.8	-14.4	-4.4	-5.8	-7.4	-8.8	-6.7	-5.6	-3.2
Unspecified measures	...	...	...	...	0.0	2.2	3.2	3.3	2.3
Overall balance (after measures)	...	...	...	...	-7.4	-6.6	-3.5	-2.2	-1.0
Financing	1.8	14.4	4.4	5.8	7.4	6.6	3.5	2.2	1.0
External (net)	-0.8	-0.4	1.9	0.6	-2.2	-1.9	-2.4	-2.5	-2.8
Borrowing	2.5	3.6	9.9	4.0	2.7	2.5	1.9	1.8	1.6
Project	2.5	2.4	5.0	4.0	2.7	2.5	1.9	1.8	1.6
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	1.2	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-3.4	-3.9	-8.1	-3.6	-4.9	-4.4	-4.3	-4.3	-4.5
HIPC debt relief	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Domestic	2.7	14.8	2.5	5.2	9.6	8.5	6.0	4.7	3.8
Bank 1/	0.8	14.5	0.3	3.9	8.0	7.1	4.5	3.2	2.3
Nonbank	2.6	1.0	2.7	0.9	1.6	1.6	1.6	1.6	1.6
Accumulation / repayment (minus) of arrears	-0.7	-0.8	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Repayment of domestic debt	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.1	-0.1	-0.1
CBG (unrealized profits)	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Basic primary balance, excl. measures 3/	4.6	-8.1	2.7	3.6	5.1	6.3	6.7	7.2	7.8
Memorandum items:									
Overall balance, incl. measures	...	...	...	...	-7.4	-6.6	-3.5	-2.2	-1.0
Excluding grants, HIPC and PRSP expenditure	...	...	...	...	-8.3	-7.5	-4.2	-2.7	-1.4
Stock of domestic debt	31.5	38.1	36.6	24.6	27.9	29.4	29.0	27.3	25.6

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

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

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

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

Table 4 B. The Gambia: Central Government Operations (Scenario B), 2000-2008

(In percent of GDP, unless otherwise indicated)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
			Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	20.8	17.2	20.8	17.3	21.0	21.3	20.9	21.0	20.9
Domestic revenue	18.5	15.1	16.3	15.3	16.8	16.8	16.7	16.9	17.2
Tax revenue	16.2	13.0	14.1	13.3	14.1	14.1	14.0	14.1	14.3
Direct tax	4.2	3.8	4.3	4.0	4.0	4.0	4.0	4.1	4.3
<i>Of which</i> : personal	1.7	1.6	1.7	1.5	1.4	1.4	1.4	1.5	1.5
corporate	2.1	2.0	2.4	2.4	2.3	2.3	2.4	2.5	2.6
Indirect tax	12.0	9.2	9.8	9.3	10.2	10.1	10.0	10.0	10.0
Domestic tax on goods and services	1.4	1.1	1.7	2.3	2.3	2.3	2.3	2.4	2.5
Tax on international trade	10.7	8.1	8.1	7.0	7.9	7.9	7.6	7.6	7.5
Nontax revenue	2.3	2.1	2.2	1.9	2.7	2.7	2.7	2.8	2.9
Grants	2.3	2.1	4.4	2.0	4.2	4.5	4.2	4.0	3.7
Program	1.1	0.0	1.3	0.0	2.0	1.9	1.8	1.7	1.6
Projects	1.1	1.0	1.5	0.9	1.0	1.0	0.8	0.8	0.7
HIPC	0.0	1.0	1.7	1.1	1.2	1.7	1.6	1.6	1.4
Expenditure and net lending 1/	22.15	31.1	25.4	22.7	24.8	23.0	21.3	20.2	19.4
Current expenditure	18.3	18.9	17.9	16.6	18.2	15.2	14.3	13.8	13.3
Wages and salaries	6.3	5.2	5.4	4.4	4.2	4.1	4.1	4.1	4.1
Other charges	7.4	8.1	7.0	5.5	5.3	5.3	5.3	5.3	5.3
Interest	4.6	4.5	5.0	6.0	8.2	5.1	4.3	3.7	3.4
External	1.1	1.0	1.1	1.8	1.8	1.5	1.4	1.3	1.2
Domestic	3.5	3.4	3.9	4.2	6.4	3.6	2.9	2.5	2.2
HIPC expenditure	0.0	1.0	0.5	0.7	0.5	0.7	0.6	0.6	0.6
Capital expenditure and net lending 1/	3.8	12.2	7.5	6.1	6.5	7.8	7.0	6.4	6.1
Capital expenditure	4.6	11.2	7.9	6.4	6.8	8.1	7.2	6.6	6.3
External	3.7	3.4	6.7	5.0	3.7	3.5	2.8	2.2	2.0
GLF (Gambia Local Fund)	0.9	0.9	0.8	0.8	0.5	0.5	0.4	0.3	0.3
HIPC funded	0.0	0.0	0.4	0.7	0.7	1.0	1.0	1.0	0.9
PRSP-related expenditure	0.0	0.0	0.0	0.0	1.8	3.0	3.1	3.1	3.1
Extrabudgetary expenditure 1/	0.0	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.7	1.0	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2
Overall balance (commitment basis), without new measures	-1.4	-13.9	-4.6	-5.4	-3.8	-1.7	-0.4	0.8	1.5
Excluding grants	-3.7	-16.0	-9.1	-7.4	-8.0	-6.2	-4.6	-3.2	-2.2
Excluding grants, HIPC and PRSP expenditure	-3.7	-14.9	-8.1	-6.0	-4.9	-1.5	0.1	1.5	2.3
Overall balance (cash basis), without new measures									
Including grants	-1.8	-14.4	-4.4	-5.8	-3.8	-1.7	-0.4	0.8	1.5
Unspecified measures	...	...	...	...	2.1	0.0	0.0	0.0	0.0
Overall balance (after measures)	...	...	...	...	-1.7	-1.7	-0.4	0.8	1.5
Financing	1.8	14.4	4.4	5.8	1.7	1.7	0.4	-0.8	-1.5
External (net)	-0.8	-0.4	1.9	0.6	-0.4	0.6	0.0	-0.4	-0.7
Borrowing	2.5	3.6	9.9	4.0	3.6	3.4	2.7	2.1	2.0
Project	2.5	2.4	5.0	4.0	2.8	2.6	1.9	1.4	1.3
Program	0.0	0.0	0.0	0.0	0.8	0.8	0.8	0.7	0.7
Other loans 2/	0.0	1.2	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-3.4	-3.9	-8.0	-3.6	-4.3	-3.7	-3.4	-3.2	-3.2
HIPC debt relief	0.0	0.0	0.1	0.1	0.3	1.0	0.7	0.6	0.6
Domestic	2.7	14.8	2.5	5.2	2.1	1.0	0.4	-0.4	-0.8
Bank 1/	0.8	14.5	0.3	3.9	0.5	0.5	0.5	0.5	0.5
Nonbank	2.6	1.0	2.7	0.9	1.6	1.6	1.6	1.6	1.6
Accumulation / repayment (minus) of arrears	-0.7	-0.8	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Repayment of domestic debt	0.0	0.0	0.0	0.0	-0.3	-1.0	-1.7	-2.4	-2.9
CBG (unrealized profits)	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Basic primary balance, excl. measures 3/	4.6	-8.1	2.7	3.6	4.0	2.4	2.5	2.7	3.1
Memorandum items:									
Overall balance, incl. measures	...	...	...	...	-1.7	-1.7	-0.4	0.8	1.5
Excluding grants, HIPC and PRSP expenditure	...	...	...	...	-2.8	-1.5	0.1	1.5	2.3
Stock of domestic debt	31.5	38.1	36.6	24.6	22.0	21.0	19.6	17.7	15.4

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

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

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

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

Table 5A. The Gambia: Monetary Survey, Scenario A, December 2000-December 2008

	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec. Proj.	2005 Dec. Proj.	2006 Dec. Proj.	2007 Dec. Proj.	2008 Dec. Proj.
Monetary survey	(In millions of dalasis, unless otherwise indicated; end of period)								
Net foreign assets 1/	1,320	650	958	1,894	2,561	2,762	3,139	3,406	4,202
Net domestic assets	663	1,717	2,244	2,699	3,477	5,132	6,600	8,311	9,781
Domestic credit	770	2,020	2,699	3,709	5,218	7,074	8,897	10,852	12,832
Claims on government (net) 2/	83	589	612	1,012	2,105	3,404	4,456	5,421	6,265
Advances to the gov. in foreign currencies 3/	0	483	483	...	...	...	...	...	...
Claims on the private sector and public enterprises 4/	687	775	1,335	1,977	2,394	2,950	3,721	4,712	5,847
Claims on foreign exchange bureaux 5/	0	174	269	...	...	...	...	...	...
Other items (net)	-107	-303	-454	-1,010	-1,741	-1,942	-2,297	-2,541	-3,051
Broad money	1,982	2,367	3,203	4,593	6,038	7,894	9,739	11,717	13,982
Currency outside banks	540	601	797	1,183	1,555	2,033	2,508	3,018	3,601
Deposits	1,442	1,767	2,405	3,410	4,483	5,861	7,231	8,700	10,381
Memorandum items:									
Nominal GDP (calendar year)	5,382	6,556	7,364	10,275	13,647	18,314	23,373	29,879	37,333
(percentage change)	9.4	21.8	12.3	39.5	32.8	34.2	27.6	27.8	24.9
Velocity (calendar-year GDP/avg. broad money)	3.0	3.2	2.7	2.7	2.6	2.6	2.7	2.8	2.9
Reserve money multiplier (broad/reserve money)	2.8	2.8	2.8	2.5	2.5	2.5	2.5	2.5	2.5
	(Annual percentage change)								
Broad money	34.8	19.4	35.3	43.4	31.5	30.7	23.4	20.3	19.3
Reserve money	16.8	21.0	34.1	62.7	28.5	30.7	23.4	20.3	19.3
Total deposits	32.2	22.5	36.2	41.8	31.5	30.7	23.4	20.3	19.3
Contribution to growth of broad money	(In percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	22.5	-33.8	13.0	29.2	14.5	3.3	4.8	2.7	6.8
Net domestic assets	12.3	53.2	22.3	14.2	17.0	27.4	18.6	17.6	12.5
Domestic credit	7.4	63.1	28.7	31.5	32.9	30.7	23.1	20.1	16.9
Claims on government (net) 2/	3.1	25.5	1.0	12.5	23.8	21.5	13.3	9.9	7.2
Advances to the gov. in foreign currencies 3/	0.0	24.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on the private sector and public enterprises 4/	4.4	4.4	23.7	20.0	9.1	9.2	9.8	10.2	9.7
Claims on foreign exchange bureaux 5/	0.0	8.8	4.0	-1.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	4.9	-9.9	-6.4	-17.4	-15.9	-3.3	-4.5	-2.5	-4.4
Credit to the private sector and public enterprises (excl. foreign exchange bureaux)									
Rate of growth in percent	10.3	12.8	72.3	48.0	21.1	23.3	26.1	26.6	24.1
In percent of GDP	12.8	11.8	18.1	19.2	14.7	13.6	13.6	13.6	13.6
Percent ratios									
Currency/broad money	27.3	25.4	24.9	25.8	25.8	25.8	25.8	25.8	25.8
Currency/deposits	37.5	34.0	33.2	34.7	34.7	34.7	34.7	34.7	34.7
Deposits/broad money	72.7	74.6	75.1	74.2	74.2	74.2	74.2	74.2	74.2

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

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

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

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

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

Table 5B. The Gambia: Monetary Survey, Scenario B, December 2000-December 2008

	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec. Proj.	2005 Dec. Proj.	2006 Dec. Proj.	2007 Dec. Proj.	2008 Dec. Proj.
Monetary survey	(In millions of dalasis, unless otherwise indicated; end of period)								
Net foreign assets 1/	1,320	650	958	1,894	2,795	3,444	3,997	4,586	5,213
Net domestic assets	663	1,717	2,244	2,699	2,754	2,733	2,742	2,616	2,474
Domestic credit	770	2,020	2,699	3,709	4,072	4,311	4,528	4,737	4,947
Claims on government (net) 2/	83	589	612	1,012	1,072	1,139	1,212	1,291	1,375
Advances to the gov. in foreign currencies 3/	0	483	483	483	450	418	386	354	322
Claims on the private sector and public enterprises 4/	687	775	1,335	1,977	2,359	2,611	2,835	3,045	3,250
Claims on foreign exchange bureaux 5/	0	174	269	238	190	143	95	48	0
Other items (net)	-107	-303	-454	-1,010	-1,317	-1,578	-1,786	-2,121	-2,473
Broad money	1,982	2,367	3,203	4,593	5,550	6,177	6,739	7,201	7,686
Currency outside banks	540	601	797	1,183	1,429	1,591	1,736	1,855	1,979
Deposits	1,442	1,767	2,405	3,410	4,120	4,586	5,003	5,347	5,707
Memorandum items:									
Nominal GDP (calendar year)	5,382	6,556	7,364	10,275	12,487	13,899	15,230	16,383	17,601
(percentage change)	9.4	21.8	12.3	39.5	21.5	11.3	9.6	7.6	7.4
Velocity (calendar-year GDP/avg. broad money)	3.0	3.2	2.7	2.8	2.5	2.4	2.4	2.4	2.4
Reserve money multiplier (broad/reserve money)	2.8	2.8	2.8	2.5	2.5	2.6	2.7	2.7	2.7
	(Annual percentage change)								
Broad money	34.8	19.4	35.3	43.4	20.8	11.3	9.1	6.9	6.7
Reserve money 6/	16.8	21.0	34.1	62.7	19.2	7.2	4.9	6.9	6.7
Total deposits	32.2	22.5	36.2	41.8	20.8	11.3	9.1	6.9	6.7
Contribution to growth of broad money	(In percent of beginning-of-period broad money, unless otherwise indicated)								
Net foreign assets	22.5	-33.8	13.0	29.2	19.6	11.7	9.0	8.7	8.7
Net domestic assets	12.3	53.2	22.3	14.2	1.2	-0.4	0.1	-1.9	-2.0
Domestic credit	7.4	63.1	28.6	31.5	7.9	4.3	3.5	3.1	2.9
Claims on government (net) 2/	3.1	25.5	1.0	12.5	1.3	1.2	1.2	1.2	1.2
Advances to the gov. in foreign currencies 3/	0.0	24.3	0.0	0.0	-0.7	-0.6	-0.5	-0.5	-0.4
Claims on the private sector and public enterprises 4/	4.4	4.4	23.7	20.0	8.3	4.5	3.6	3.1	2.8
Claims on foreign exchange bureaux 5/	0.0	8.8	4.0	-1.0	-1.0	-0.9	-0.8	-0.7	-0.7
Other items (net)	4.9	-9.9	-6.4	-17.4	-6.7	-4.7	-3.4	-5.0	-4.9
Credit to the private sector and public enterprises (excl. foreign exchange bureaux)									
Rate of growth in percent	10.3	12.8	72.3	48.0	19.4	10.7	8.6	7.4	6.7
In percent of GDP	12.8	11.8	18.1	19.2	18.9	18.8	18.6	18.6	18.5
Percent ratios									
Currency/broad money	27.3	25.4	24.9	25.8	25.8	25.8	25.8	25.8	25.8
Currency/deposits	37.5	34.0	33.2	34.7	34.7	34.7	34.7	34.7	34.7
Deposits/broad money	72.7	74.6	75.1	74.2	74.2	74.2	74.2	74.2	74.2

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

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

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

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

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

6/ Reserve requirements are assumed to be lowered to 16 percent in 2005, and to 14 percent in 2006.

Table 6A. The Gambia: Summary Accounts of the Central Bank and Commercial Banks, Scenario A, December 2000 - December 2008
(In millions of dalasis, unless otherwise indicated; end of period)

	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec. Proj.	2005 Dec. Proj.	2006 Dec. Proj.	2007 Dec. Proj.	2008 Dec. Proj.
Central Bank of The Gambia									
Net foreign assets 1/	1,314	698	816	881	948	570	131	-753	-1,427
Foreign assets	1,594	1,137	1,564	1,962	2,528	2,551	2,326	1,452	476
Foreign liabilities	-280	-439	-747	-1,081	-1,580	-1,981	-2,195	-2,205	-1,903
Net domestic assets	-612	152	324	975	1,437	2,547	3,715	5,380	6,949
Domestic credit	-778	139	381	1,229	1,681	2,436	3,200	4,065	5,014
Claims on government (net) 2/	-732	-486	-298	358	778	1,533	2,297	3,162	4,111
Advances to the gov. in foreign currencies 3/	0	483	483	483	483	483	483	483	483
Claims on private sector	23	24	24	25	25	25	25	25	25
Claims on banks (net)	-68	-56	-96	-10	21	21	21	21	21
Claims on public enterprises 4/	0	0	0	137	137	137	137	137	137
Claims on foreign exchange bureaus 5/	0	174	269	238	238	238	238	238	238
Other items (net)	166	14	-57	-254	-244	112	515	1,314	1,935
Reserve money	703	851	1,141	1,856	2,385	3,117	3,846	4,627	5,522
Currency outside banks	540	601	797	1,183	1,555	2,033	2,508	3,018	3,601
Bank reserves	162	250	343	673	829	1,084	1,338	1,609	1,921
Cash	35	55	52	68	90	117	145	174	208
Deposits at the central bank	127	195	291	605	740	967	1,193	1,435	1,713
Required reserves	202	247	337	614	807	1,055	1,302	1,566	1,869
Excess reserves	-39	2	6	59	22	29	36	43	52
Commercial banks									
Net foreign assets 1/	5	-48	142	1,014	1,614	2,192	3,008	4,159	5,629
Foreign assets	137	128	568	1,056	...	...	...	...	...
Foreign liabilities	-132	-176	-426	-42	...	...	...	...	...
Net domestic assets	1,437	1,814	2,263	2,396	2,870	3,670	4,223	4,541	4,753
Domestic credit	1,480	1,826	2,221	2,469	3,559	4,660	5,718	6,808	7,840
Claims on government (net)	816	1,075	910	654	1,327	1,871	2,159	2,258	2,155
Claims on private sector and public enterprises	664	751	1,312	1,815	2,232	2,789	3,559	4,550	5,685
Of which: in foreign currency	0	95	95	...	...	...	...	...	...
Reserves	162	250	343	673	829	1,084	1,338	1,609	1,921
Cash	35	55	52	68	90	117	145	174	208
Deposits at the central bank	127	195	291	605	740	967	1,193	1,435	1,713
Net claims on central bank	68	56	96	10	-21	-21	-21	-21	-21
Other items (net)	-274	-317	-398	-756	-1,497	-2,053	-2,812	-3,856	-4,986
Total deposit liabilities	1,442	1,767	2,405	3,410	4,483	5,861	7,231	8,700	10,381
of which : foreign currency deposits	0	0	273	...	...	...	...	...	...
Demand deposits	443	525	959	1,690	2,222	2,905	3,584	4,312	5,145
Savings deposits	705	832	1,084	1,375	1,807	2,363	2,915	3,507	4,185
Time deposits	293	410	362	345	454	594	732	881	1,051
Memorandum items: 6/									
TMU exchange rate (dalasis per SDR)	16.5	21.3	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Central Bank of The Gambia									
Net foreign assets	1,171	619	564	397	313	150	28	-127	-200
Net foreign assets (in millions of SDRs)	71.0	29.0	25.4	17.9	14.1	6.8	1.2	-5.7	-9.0
Foreign assets	1,409	1,058	1,086	920	835	672	490	244	67
(in millions of SDRs)	85.4	49.7	48.9	41.4	37.6	30.3	22.0	11.0	3.0
Foreign liabilities	-238	-439	-522	-522	-522	-522	-462	-371	-267
(in millions of SDRs)	-14.4	-20.6	-23.5	-23.5	-23.5	-23.5	-20.8	-16.7	-12.0
Net domestic assets	-468	232	577	1,459	2,071	2,967	3,818	4,754	5,722
Domestic credit	-778	139	381	1,229	1,681	2,436	3,200	4,065	5,014
Other items (net)	310	93	196	229	391	531	618	689	708

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

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

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

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

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

6/ Using exchange rates as specified in 2002 technical memorandum of understanding (TMU).

Table 6B. The Gambia: Summary Accounts of the Central Bank and Commercial Banks, Scenario B, December 2000 - December 2008
(In millions of dalasis, unless otherwise indicated; end of period)

	2000 Dec	2001 Dec.	2002 Dec	2003 Dec.	2004 Dec. Proj.	2005 Dec. Proj.	2006 Dec. Proj.	2007 Dec Proj.	2008 Dec Proj.
Central Bank of The Gambia									
Net foreign assets 1/	1,314	698	816	881	1,307	1,815	2,197	2,581	2,883
Foreign assets	1,594	1,137	1,564	1,962	2,805	3,593	4,187	4,385	4,458
Foreign liabilities	-280	-439	-747	-1,081	-1,498	-1,778	-1,990	-1,804	-1,575
Net domestic assets	-612	152	324	975	905	556	289	76	-48
Domestic credit	-778	139	381	1,230	1,274	1,147	1,050	1,130	1,310
Claims on government (net) 2/	-732	-486	-298	358	496	462	459	632	906
Advances to the gov. in foreign currencies 3/	0	483	483	483	450	418	386	354	322
Claims on private sector	23	24	24	25	25	25	25	25	25
Claims on banks (net)	-68	-56	-96	-10	-10	-10	-10	-10	-10
Claims on public enterprises 4/	0	0	0	137	123	110	96	82	68
Claims on foreign exchange bureaux 5/	0	174	269	238	190	143	95	48	0
Other items (net)	166	13	-57	-255	-369	-592	-761	-1,055	-1,358
Reserve money	703	851	1,141	1,856	2,212	2,371	2,486	2,657	2,835
Currency outside banks	540	601	797	1,183	1,429	1,591	1,736	1,855	1,979
Bank reserves	162	250	343	673	783	780	751	802	856
Cash	35	55	52	68	82	92	100	107	114
Deposits at the central bank	127	195	291	605	700	688	650	695	742
Required reserves	202	247	337	614	742	734	700	749	799
Excess reserves	-39	2	6	59	41	46	50	53	57
Commercial banks									
Net foreign assets 1/	5	-48	142	1,014	1,488	1,629	1,800	2,004	2,329
Foreign assets	137	128	568	1,056	...	...	...	...	...
Foreign liabilities	-132	-176	-426	-42	...	...	...	...	...
Net domestic assets	1,437	1,814	2,263	2,396	2,632	2,957	3,203	3,342	3,377
Domestic credit	1,480	1,826	2,221	2,469	2,787	3,153	3,467	3,597	3,626
Claims on government (net)	816	1,075	910	654	576	676	753	659	469
Claims on private sector and public enterprises	664	751	1,312	1,815	2,211	2,477	2,714	2,938	3,157
Of which: in foreign currency	0	95	95	...	...	...	...	...	...
Reserves	162	250	343	673	783	780	751	802	856
Cash	35	55	52	68	82	92	100	107	114
Deposits at the central bank	127	195	291	605	700	688	650	695	742
Net claims on central bank	68	56	96	10	10	10	10	10	10
Other items (net)	-274	-317	-398	-756	-948	-986	-1,025	-1,067	-1,115
Total deposit liabilities	1,442	1,767	2,405	3,410	4,120	4,586	5,003	5,347	5,707
of which: foreign currency deposits	0	0	273	...	...	...	...	...	...
Demand deposits	443	525	959	1,690	2,062	2,295	2,504	2,676	2,856
Savings deposits	705	832	1,084	1,375	1,540	1,714	1,870	1,998	2,133
Time deposits	293	410	362	345	518	577	629	673	718
Memorandum items: 6/									
TMU exchange rate (dalasis per SDR)	16.5	21.3	22.2	22.2	22.2	22.2	22.2	22.2	22.2
Central Bank of The Gambia									
Net foreign assets	1,171	619	564	397	558	758	898	1,033	1,131
Net foreign assets (in millions of SDRs)	71.0	29.0	25.4	17.9	25.1	34.1	40.4	46.5	50.9
Foreign assets	1,409	1,058	1,086	920	1,198	1,500	1,711	1,755	1,748
(in millions of SDRs)	85.4	49.7	48.9	41.4	53.9	67.5	77.0	79.0	78.7
Foreign liabilities	-238	-439	-522	-522	-640	-742	-813	-722	-618
(in millions of SDRs)	-14.4	-20.6	-23.5	-23.5	-28.8	-33.4	-36.6	-32.5	-27.8
Net domestic assets	-468	232	577	1,459	1,654	1,613	1,588	1,623	1,705
Domestic credit	-778	139	381	1,230	1,274	1,147	1,050	1,130	1,310
Other items (net)	310	93	196	229	380	465	538	493	394

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

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

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

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

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

6/ Using exchange rates as specified in 2002 technical memorandum of understanding (TMU).

Table 7A. The Gambia: Balance of Payments Scenario A 1997 - 2008
In millions of U.S. dollars, unless otherwise indicated

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	-65.2	-79.0	-68.7	-63.3	-43.0	-49.1	-51.8	-51.5	-46.6	-42.8	-39.8	-39.3
Exports, f.o.b.	108.7	130.3	120.2	126.6	101.6	111.0	102.0	136.7	144.8	152.3	158.6	165.3
Groundnuts/groundnut products	4.9	12.5	9.9	13.7	17.6	23.9	10.6	30.2	26.7	26.8	27.3	27.8
Other domestic exports	9.1	8.5	5.9	7.4	8.2	8.9	11.1	12.5	13.4	14.1	15.0	15.9
Reexports	94.7	109.3	104.4	105.4	75.8	78.2	80.3	94.0	104.7	111.3	116.3	121.5
Imports, c.i.f.	-173.9	-209.3	-188.9	-189.9	-144.7	-160.1	-153.8	-188.3	-191.4	-195.1	-198.4	-204.6
For domestic use	-105.4	-124.0	-111.4	-113.6	-88.7	-102.4	-94.6	-118.9	-114.2	-113.0	-112.6	-114.9
Of which: oil products	-12.2	-13.7	-10.5	-22.6	-9.2	-17.0	-17.7	-19.5	-18.6	-18.9	-19.5	-20.1
For reexport	-68.5	-85.3	-77.5	-76.3	-55.9	-57.7	-59.2	-69.3	-77.2	-82.1	-85.8	-89.6
Factor services (net)	-18.8	-20.0	-21.1	-20.5	-23.2	-26.4	-24.7	-30.5	-35.7	-36.9	-36.9	-39.1
Net interest income	-24.3	-26.0	-29.4	-30.7	-31.9	-33.6	-31.5	-37.2	-44.9	-45.9	-48.2	-50.4
Remittances	5.5	6.0	8.3	10.2	8.7	7.2	6.8	6.7	9.2	9.0	11.3	11.3
Nonfactor services:	47.7	49.7	43.8	28.7	17.8	24.9	22.3	39.4	41.1	41.7	42.6	44.2
of which: travel income	63.3	69.2	63.8	47.7	38.2	41.1	48.0	59.8	61.1	62.1	63.4	65.3
Private unrequited transfers (net)	3.4	3.5	3.8	10.6	3.5	3.6	3.7	3.9	3.9	3.8	3.8	3.8
Official unrequited transfers (net)	28.1	35.6	30.0	31.3	30.5	39.0	31.6	32.9	25.8	25.1	24.5	24.1
Current account balance												
Excluding official transfers	-32.9	-45.8	-42.2	-44.5	-45.0	-47.0	-50.5	-38.8	-37.2	-34.3	-30.3	-30.4
Including official transfers	-4.9	-10.1	-12.2	-13.2	-14.5	-8.0	-18.8	-5.9	-11.4	-9.2	-5.8	-6.3
Capital account	17.3	17.3	7.5	5.7	22.6	20.9	4.3	0.4	2.5	1.0	-4.9	-3.3
Official loans (net)	11.6	5.4	2.7	6.3	8.3	34.0	8.6	4.6	5.2	1.7	-2.0	-3.6
Project related	20.9	14.2	13.7	20.5	24.7	47.4	21.8	20.9	19.8	16.0	12.3	11.6
Program loans	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-9.4	-8.8	-11.0	-14.1	-16.4	-14.6	-13.2	-16.3	-14.6	-14.3	-14.3	-15.2
Private capital inflow	5.7	12.0	4.8	-0.6	14.3	-13.1	-4.4	-4.3	-2.7	-0.7	-2.8	0.3
Foreign direct investment (net)	12.0	15.6	0.4	15.8	10.2	9.1	12.7	13.8	9.8	10.0	10.3	10.5
Other Investment (net)	-6.3	-3.6	4.4	-16.4	4.1	-22.2	-17.0	-18.1	-12.5	-10.7	-13.1	-10.3
of which: suppliers' credits	3.0	3.6	3.3	3.3	16.7	-12.5	3.1	3.8	3.8	3.9	4.0	4.1
Unaccounted-for loss in Official Reserves	0.0	0.0	0.0	0.0	-28.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors & Omissions	-6.1	-0.7	-0.6	17.6	-31.3	-18.3	3.2	0.0	0.0	0.0	0.0	0.0
Overall balance (excl. PRSP)	6.3	6.5	-5.3	10.1	-51.7	-4.9	-11.4	-5.5	-8.9	-8.2	-10.6	-9.6
Financing, of which:	-6.3	-6.5	5.3	-10.1	51.7	4.9	11.4	5.5	8.9	8.2	10.6	9.6
Change in gross official reserves (increase = -)	0.0	-5.5	4.8	-16.9	43.8	0.8	10.5	6.5	11.0	12.4	16.6	12.0
of which:												
repurchases/repayments (IMF)	-6.4	-4.9	-3.5	-1.6	-0.2	0.0	0.0	-1.0	-2.1	-4.1	-6.2	-7.1
purchases/loans (IMF)	0.0	4.7	4.7	9.1	8.7	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing 1/	0.7	0.0	0.0	0.0	0.0	0.4	0.9	0.0	0.0	0.0	0.2	4.6
Memorandum items:												
Current account balance (in percent of GDP)												
Excluding official transfers	-8.0	-10.9	-9.8	-10.6	-10.8	-12.8	-13.8	-10.6	-10.2	-9.2	-8.0	-7.9
Including official transfers	-1.2	-2.4	-2.8	-3.1	-3.5	-2.2	-5.1	-1.6	-3.1	-2.5	-1.5	-1.6
Gross official reserves (end of period)												
In millions of U.S. dollars	97.8	102.0	98.0	111.4	63.8	64.1	58.7	56.1	45.4	33.1	16.5	4.5
In months of imports, c.i.f.	6.8	5.8	6.2	7.0	5.3	4.8	4.6	3.6	2.8	2.0	1.0	0.3
In months of imports, c.i.f.												
Over the next 12 months	5.5	6.5	6.0	8.9	4.9	5.4	4.0	3.5	2.8	2.0	1.0	0.3
Plus all other services payments	4.3	4.9	4.4	6.3	3.5	3.4	2.9	2.5	2.0	1.4	0.7	0.2
External debt-service ratio 2/												
Including the Fund	13.1	11.1	11.8	15.4	18.5	7.8	9.8	10.3	11.4	11.8	12.2	12.4
Excluding the Fund	9.2	8.4	9.6	14.3	18.1	7.6	9.7	9.6	10.3	9.7	9.3	9.2

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

1/ Includes debt relief by Paris Club; interim assistance by multilaterals is treated as grants. For 2007 and 2008, an accumulation of external arrears is assumed.

2/ As a percentage of exports and travel income. Debt service calculated after HIPC grants and debt relief granted up to 2004 but before any accumulation of arrears.

Table 7B. The Gambia: Balance of Payments Scenario B 1997 - 2008
In millions of U.S. dollars unless otherwise indicated

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Rev.est.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	-65.2	-78.9	-68.7	-63.3	-43.1	-49.1	-51.8	-56.4	-57.6	-60.0	-62.2	-66.6
Exports, f.o.b.	108.7	130.4	120.2	126.6	101.6	111.0	102.0	137.0	145.2	152.8	159.1	165.8
Groundnuts/groundnut products	4.8	12.5	9.9	13.7	17.6	23.9	10.6	30.2	26.7	26.9	27.3	27.8
Other domestic exports	9.2	8.6	5.9	7.4	8.2	8.9	11.1	12.8	13.8	14.6	15.5	16.4
Reexports	94.7	109.3	104.4	105.4	75.8	78.2	80.3	94.0	104.7	111.3	116.3	121.5
Imports, c.i.f.	-173.9	-209.3	-188.9	-189.9	-144.7	-160.1	-153.8	-193.5	-202.7	-212.7	-221.3	-232.4
For domestic use	-105.4	-124.0	-111.4	-113.6	-88.7	-102.4	-94.6	-124.1	-125.5	-130.6	-135.5	-142.8
<i>of which:</i> oil products	-12.2	-13.7	-10.5	-22.6	-9.2	-17.0	-17.7	-19.7	-18.9	-19.3	-20.1	-20.8
For reexport	-68.5	-85.3	-77.5	-76.3	-55.9	-57.7	-59.2	-69.3	-77.2	-82.1	-85.8	-89.6
Factor services (net)	-18.8	-20.0	-21.1	-20.5	-23.2	-26.4	-24.7	-30.6	-35.3	-35.7	-35.2	-36.7
Net interest income	-24.3	-26.0	-29.4	-30.7	-31.9	-33.6	-31.5	-37.2	-44.6	-44.7	-46.5	-48.0
Remittances	5.5	6.0	8.3	10.2	8.7	7.2	6.8	6.7	9.2	9.0	11.3	11.3
Nonfactor services	47.7	49.7	43.8	28.7	17.8	24.9	22.3	41.5	46.7	49.8	53.7	58.0
<i>of which:</i> travel income	63.3	69.2	63.8	47.7	38.2	41.1	48.0	62.5	68.5	73.6	79.1	84.8
Private unrequited transfers (net)	3.4	3.5	3.8	10.6	3.5	3.6	3.7	3.9	3.9	3.9	3.9	3.9
Official unrequited transfers (net)	28.1	35.6	30.0	31.3	30.5	39.0	31.6	40.8	40.5	40.4	40.7	40.2
Current account balance												
Excluding official transfers	-32.9	-45.7	-42.2	-44.5	-45.0	-47.0	-50.5	-41.7	-42.3	-42.0	-39.8	-41.3
Including official transfers	-4.8	-10.1	-12.2	-13.2	-14.5	-8.0	-18.9	-0.9	-1.8	-1.7	0.9	-1.1
Capital account	17.3	17.3	7.5	5.7	22.7	20.9	4.3	9.7	11.5	8.0	5.5	5.0
Official loans (net)	11.6	5.4	2.7	6.3	8.4	34.0	8.6	7.9	8.9	5.3	1.6	0.0
Project related	20.9	14.2	13.7	20.5	24.8	47.4	21.8	21.1	20.3	16.4	12.7	12.0
Program loans	0.0	0.0	0.0	0.0	0.0	1.3	0.0	3.2	3.2	3.2	3.2	3.2
Amortization	-9.4	-8.8	-11.0	-14.1	-16.4	-14.6	-13.2	-16.3	-14.6	-14.3	-14.3	-15.2
Private capital inflows	5.7	12.0	4.8	-0.6	14.3	-13.1	-4.4	1.8	2.6	2.7	4.0	5.0
Foreign direct investment (net)	12.0	15.6	0.4	15.8	10.2	9.1	12.7	13.8	11.3	11.6	11.9	12.2
Other investment (net)	-6.3	-3.6	4.4	-16.4	4.1	-22.2	-17.0	-12.0	-8.7	-8.8	-7.9	-7.2
<i>of which:</i> suppliers' credits	3.0	3.6	3.3	3.3	16.7	-12.5	3.1	3.9	4.1	4.3	4.4	4.6
Unaccounted-for loss in official reserves	0.0	0.0	0.0	0.0	-28.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-6.1	-0.8	-0.6	17.6	-31.4	-18.3	3.2	0.0	0.0	0.0	0.0	0.0
Overall balance (excl. PRSP)	6.3	6.5	-5.3	10.1	-51.7	-4.9	-11.4	8.9	9.6	6.4	6.4	3.8
Financing, <i>of which:</i>	-6.3	-6.5	5.3	-10.1	51.7	4.9	11.4	-8.9	-9.6	-6.4	-6.4	-3.8
Change in gross official reserves (increase = -)	0.0	-5.5	4.8	-16.9	43.8	0.8	10.5	-17.9	-20.4	-14.3	-3.0	0.5
<i>of which:</i>												
repurchases/repayments (IMF)	-6.4	-4.9	-3.5	-1.6	-0.2	0.0	0.0	-1.0	-2.1	-4.1	-6.2	-7.1
purchases/loans (IMF)	0.0	4.7	4.7	9.1	8.7	3.7	0.0	9.0	9.0	9.0	0.0	0.0
Exceptional financing 1/	0.0	0.0	0.0	0.0	0.0	0.4	0.9	1.0	3.8	3.0	2.8	2.8
Memorandum items:												
Current account balance (in percent of GDP)												
Excluding official transfers	-8.0	-10.9	-9.8	-10.6	-10.8	-12.7	-13.8	-11.0	-10.7	-9.9	-8.9	-8.8
Including official transfers	-1.2	-2.4	-2.8	-3.1	-3.5	-2.2	-5.1	-0.2	-0.5	-0.4	0.2	-0.2
Gross official reserves (end of period)												
In millions of U.S. dollars	97.8	102.0	98.0	111.4	63.8	64.1	58.7	80.5	101.2	115.6	118.8	118.3
In months of imports, c.i.f.	6.8	5.8	6.2	7.0	5.3	4.8	4.6	5.0	6.0	6.5	6.4	6.1
In months of imports, c.i.f.												
Over the next 12 months	5.5	6.5	6.0	8.9	4.9	5.4	3.9	4.8	5.7	6.3	6.1	5.8
Plus all other services payments	4.2	4.8	4.4	6.1	3.5	3.7	2.8	3.4	4.0	4.4	4.3	4.2
External debt-service ratio 2/												
Including the Fund	13.1	11.1	11.8	15.4	18.5	7.8	9.8	9.6	6.1	6.9	7.2	7.6
Excluding the Fund	9.2	8.4	9.6	14.3	18.1	7.6	9.7	9.0	5.0	4.9	4.5	4.7

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

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

2/ As a percentage of exports and travel income. Debt service calculated after HIPC grants and debt relief.

Table 8A. The Gambia: External Financing Requirements and Sources - Scenario A
(In millions of U.S. dollars)

	Actual					IMF Staff Projections	
	1998	1999	2000	2001	2002	2003	2004
Gross financing requirements	68.1	53.7	83.9	26.3	61.2	53.8	50.3
Current account deficit (excluding official transfers)	45.8	42.2	44.5	45.0	47.0	50.5	38.8
Debt amortization	11.9	12.8	20.8	24.9	15.0	13.8	17.1
Medium- and long-term debt	11.9	12.8	20.8	24.9	15.0	13.8	17.1
Public sector	9.5	11.7	19.4	23.9	14.6	13.2	16.3
Amortization	9.5	11.7	14.8	17.0	14.6	13.2	16.3
Other	0.0	0.0	4.7	6.9	0.0	0.0	0.0
Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate private sector	2.4	1.1	1.4	1.0	0.4	0.6	0.7
Short-term debt 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in gross official reserves (increase = -)	5.5	-4.8	16.9	-43.8	-0.8	-10.5	-6.5
Repurchases/repayments (IMF)	4.9	3.5	1.6	0.2	0.0	0.0	1.0
Available financing	68.1	53.7	83.9	26.3	61.2	53.8	50.3
Foreign direct investment (net)	15.6	0.4	15.8	10.2	9.1	12.7	13.8
Debt financing from private creditors	-1.2	5.5	-10.4	12.0	-21.7	-16.5	-17.4
Medium- and long-term financing	-4.8	2.3	-13.7	-4.8	-9.2	-19.5	-21.1
To public sector	0.0	12.2	0.0	0.0	0.0	0.0	0.0
To commercial banks	2.7	-0.6	-6.3	2.9	-8.7	-26.7	-4.5
To corporate private sector	-7.5	-9.3	-7.4	-7.6	-0.5	7.2	-16.6
Suppliers' credits	3.6	3.3	3.3	16.7	-12.5	3.1	3.8
Official creditors 2/	49.8	43.6	51.7	55.2	87.6	53.5	53.9
Official unrequited transfers (net)	35.6	30.0	31.3	30.5	39.0	31.6	32.9
Loans 3/	14.2	13.7	20.5	24.7	48.6	21.8	20.9
To public sector	14.2	13.7	20.5	24.7	48.6	21.8	20.9
To private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/loans (IMF)	4.7	4.7	9.1	8.7	3.7	0.0	0.0
Exceptional Financing 4/	0.0	0.0	0.0	0.0	0.4	0.9	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other flows 5/	-0.7	-0.6	17.6	-59.8	-17.9	3.2	0.0
Errors and omissions	-0.7	-0.6	17.6	-31.3	-18.3	3.2	0.0
Unaccounted-for loss in official reserves	0.0	0.0	0.0	-28.5	0.5	0.0	0.0

1/ Original maturity of less than 1 year. Stock at the end of the previous period.

2/ Includes both loans and grants.

3/ Excluding the IMF.

4/ Includes accumulation of arrears and debt relief by bilateral creditors

5/ Includes all other net financial flows, and errors and omissions. In 2001, it includes an unaccounted-for loss in reserves.

Table 8B. The Gambia: External Financing Requirements and Sources - Scenario B
(In millions of U.S. dollars)

	Actual					IMF Staff Projections	
	1998	1999	2000	2001	2002	2003	2004
Gross financing requirements	68.1	53.7	83.9	26.3	61.2	53.8	77.6
Current account deficit (excluding official transfers)	45.7	42.2	44.5	45.0	47.0	50.5	41.7
Debt amortization	11.9	12.8	20.8	24.9	15.0	13.8	17.1
Medium and long-term debt	11.9	12.8	20.8	24.9	15.0	13.8	17.1
Public sector	9.5	11.7	19.4	23.9	14.6	13.2	16.3
Amortization	9.5	11.7	14.8	17.0	14.6	13.2	16.3
Other	0.0	0.0	4.7	6.9	0.0	0.0	0.0
Commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate private sector	2.4	1.1	1.4	1.0	0.4	0.6	0.7
Short-term debt 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in gross official reserves	5.5	-4.8	16.9	-43.8	-0.8	-10.5	17.9
Repurchases/repayments (IMF)	4.9	3.5	1.6	0.2	0.0	0.0	1.0
Available financing	68.1	53.7	83.9	26.3	61.2	53.8	77.6
Foreign direct investment (net)	15.6	0.4	15.8	10.2	9.1	12.7	13.8
Debt financing from private creditors	-1.2	5.5	-10.4	12.0	-21.7	-16.5	-11.3
Medium- and long-term financing	-4.8	2.3	-13.7	-4.8	-9.2	-19.5	-15.2
To public sector	0.0	12.2	0.0	0.0	0.0	0.0	0.0
To commercial banks	2.7	-0.6	-6.3	2.9	-8.7	-26.7	-3.0
To corporate private sector	-7.5	-9.3	-7.4	-7.6	-0.5	7.2	-12.2
Suppliers' credits	3.6	3.3	3.3	16.7	-12.5	3.1	3.9
Official creditors 2/	49.8	43.6	51.7	55.3	87.6	53.5	65.1
Official unrequited transfers (net)	35.6	30.0	31.3	30.5	39.0	31.6	40.8
Loans 3/	14.2	13.7	20.5	24.8	48.6	21.8	24.2
To public sector	14.2	13.7	20.5	24.8	48.6	21.8	24.2
To private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/loans (IMF)	4.7	4.7	9.1	8.7	3.7	0.0	9.0
Exceptional Financing 1/	0.0	0.0	0.0	0.0	0.4	0.9	1.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other flows 5/	-0.8	-0.6	17.6	-59.9	-17.8	3.2	0.0
Errors & Omissions	-0.8	-0.6	17.6	-31.4	-18.3	3.2	0.0
Unaccounted-for loss in Official Reserves	0.0	0.0	0.0	-28.5	0.5	0.0	0.0

1/ Original maturity of less than 1 year. Stock at the end of the previous period.

2/ Includes both loans and grants.

3/ Excluding the IMF.

4/ Includes accumulation of arrears and debt relief by bilateral creditors

5/ Includes all other net financial flows, and errors and omissions. In 2001 it includes an unaccounted-for loss in reserves.

Table 9. The Gambia: Financial Sector Indicators, 2001-03 1/

(In million of dalasi, unless otherwise indicated)

	2001 Dec.	2002 Dec.	2003 March
Total assets	2,903.0	4,338.5	5,012.2
Total loans 2/	743.5	1,317.2	1,586.8
Holdings of government and CBG bills	1,129.3	1,004.5	1,014.6
Total capital and reserves	315.1	460.6	480.9
Nonperforming loans (NPLs) 3/	84.6	88.9	87.5
Provisions against NPLs	67.6	68.5	62.1
NPLs/total loans (in percent)	11.4	6.7	5.5
NPLs/total assets (in percent)	2.9	2.0	1.7
Total capital / total assets (in percent) (simple capital adequacy ratio)	10.9	10.6	9.6

Source: Central Bank of The Gambia.

1/ Currently, the banking sector in The Gambia consists of six banks: the Standard Chartered Bank, Trust Bank, International Bank for Commerce, Arab Gambia Islamic Bank, Guaranty Trust Bank and First International Bank. In 2001, the data include the Continent Bank, a small bank that catered mainly to lower-income customers, which was put into liquidation by the CBG in January 2002.

2/ The large increase in loans outstanding since December 2001 reflects both several major investment projects (new ferries and a new ferry terminal, a large loan to Gamtel, oil sector loans) and a sizable increase in household overdrafts.

3/ Overdrafts in default are not included in NPLs.

Table 10. The Gambia: Performance Criteria and Indicative Targets Under the First Annual Program Under the Three-Year PRGF, June - December 2002

	End-Jun.			End-Sep.			End-Dec.		
	Quantitative Benchmarks	Quantitative Benchmarks (adj.) 1/	Prel.	Performance Criteria	Performance Criteria (adj.) 1/	Prel.	Quantitative Benchmarks	Quantitative Benchmarks (adj.) 1/	Prel.
(In millions of dalasis; change from beginning of the calendar year)									
Net bank credit to the central government (ceiling) 1/ 2/	-50.1	-0.1	45.4	-95.8	-13.1	44.7	-75.5	19.9	22.7
Net domestic assets of the central bank (ceiling) 1/ 3/	14.1	64.1	116.5	-33.3	-31.3	158.2	-17.5	-17.5	345.1
Basic primary balance of the central government (floor) 4/ 5/	67.4	17.4	-141.5	141.8	139.8	81.8	225.7	225.7	169.8
External payments arrears of the central government (ceiling) 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(In millions of SDRs; change from beginning of the calendar year)									
Net official international reserves (floor) 7/	0.8	-1.8	-3.9	4.0	4.0	-4.4	8.3	8.3	-3.7
New nonconcessional debt contracted or guaranteed by the government (ceiling), 1-12 year maturity 8/	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 a maturity of less than 1 year (ceiling) 9/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(In millions of dalasis; change from beginning of the calendar year)									
Financial indicators									
Total domestic government revenue (floor)	604.9	604.9	582.8	892.8	892.8	878.6	1,211.5	1,211.5	1,201.8
Government wage bill (ceiling)	192.2	192.2	194.8	277.4	277.4	282.0	371.6	371.6	395.2
Memorandum item:									
External budgetary assistance 5/	50.0	0.0	0.0	70.0	68.0	68.0	90.0	90.0	94.9

1/ Adjustments reflect differences in the amount of external budgetary assistance from that programmed. The adjustments also reflect technical revisions.

2/ Defined as claims on government (net) in the monetary survey.

3/ Defined as the difference between the net official international reserves and reserve money.

4/ The basic primary balance is defined as domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

5/ Including grants and loans, but excluding project aid.

6/ Applied on a continuous basis.

7/ The floor is adjusted by the difference between the amount of external budgetary assistance from that programmed.

8/ External debt contracted or guaranteed other than that with a grant element equivalent to 35 percent or more, calculated using a discount rate based on OECD commercial interest reference rates.

9/ Excluding normal import-related credits.

Table 11. The Gambia: Structural Benchmarks Under the First Annual Program
Under the Three-Year Poverty Reduction and Growth Facility, April 1, 2002 - March 31, 2003

Measures	Expected Date of Completion	Status
Quarterly schedule towards eliminating cross arrears between government and public enterprises based on a review of public enterprise study and cabinet paper.	End-July 2002	Completed in May 2002.
Completion of the enterprise survey in order to compile data on the international investment position.	End-July 2002	Completed end-July 2002.
Completion of stage I of the household survey (dry season) as basis for constructing an updated and comprehensive consumer price index.	End-September 2002	Delays due to technical problems and changes in conduct of survey.
Completion of ASYCUDA II	End-October 2002	Delays due to technical problems.
Public reports on poverty-reducing expenditure.	End-November 2002	Completed end-November 2002.

Table 12. The Gambia: Additional Structural Benchmarks Under
the Three-Year Poverty Reduction and Growth Facility, 2003 1/

Measures	Expected Date of Completion	Status
Cabinet approval and submission to the National Assembly of the Anti-Money-Laundering Bill	End-April 2003	Submitted to National Assembly in June 2003 and approved in July 2003.
Public reports on poverty-reducing expenditure.	End-May 2003	Not submitted.
Cabinet approval and submission of the new Organic Budget Law, containing the key elements recommended by FAD, to the National Assembly.	End-June 2003	Considered by cabinet in November 2003. Targeted for submission to National Assembly early in 2004.
Agreement on a schedule for the reconciliation of the Accountant General's cash books and the general ledger with the accounts of the central bank, and the regular updating of the general ledger to a more recent date—with a lag of two months.	End-July 2003	A schedule for 2003 was agreed in early August but has not been achieved.
Changing of the petroleum product pricing mechanism to ensure permanent full cost recovery on a consignment basis.	End-December 2003	Full cost recovery has been established, and there will be quarterly reviews of price adjustments.
Closing of public accounts for 2000-02.	End-December 2003	Little progress.
Completion of the household survey. 2/	End-December 2003	Data collection largely completed.
Implementation of interim measures as specified by the Fund expert to stabilize and fully utilize ASYCUDA version 2.7. 3/	End-December 2003	Delay due to technical problems.

1/ Agreed subsequent to July 2002

2/ For technical reasons, the authorities decided to conduct the survey continuously rather than breaking it up in two stages (dry and wet season).

3/ The targets were revised after the review by the Fund expert.

Table 13. The Gambia: Structural Reforms Under the Technical Cooperation Plan (TCAP)

Area	Status
Macroeconomic policy formulation and management	Resident macroeconomic advisor in place. Macroeconomic and monetary policy committees have been established. Little progress has been made in improving analytical or debt-management capacity.
Revenue administration	
Overall revenue administration reform	Administration of the domestic sales tax has been transferred from the Customs Department to the revenue department. The Income and Sales Tax Bill and the Revenue Authority Bill are scheduled to be sent to the National Assembly by early 2004.
Tax and customs administration	A tax systems headquarters and a large taxpayer unit are being established. Self-assessment is commencing. Little progress has been made on customs operations, ASYCUDA, or a review of tariffs.
Public Expenditure Management (PEM)	
Budget preparation	A new revenue and expenditure classification system was introduced for the 2004 budget. Finalization of the organic budget law is now expected in early 2004. A resident MTEF consultant is in place.
Budget execution and treasury functions	A national expenditure commitment control regime (NEFCOM) was established to control monthly cash releases. Most of the below-the-line accounts of the central government have been closed. A flash reporting system has been introduced. Little progress has been made in closing and auditing the fiscal accounts.
Central Bank and the Financial System	Acts have been passed on financial institutions, insurance and money laundering. A revised Central Bank Act is still under consideration. Implementation has been negligible in respect of other parts of the comprehensive set of financial sector reform measures recommended by MFD missions.
Macroeconomic statistics	The household survey is nearing completion. There has been little progress on institutional reform or in improving data quality or coverage.

Note: Implementation of the government's medium-term economic and financial reform program, as supported by the PRGF arrangement, is underpinned by a Technical Cooperation Action Plan (TCAP) for 2002-05. Financial support for some of the technical assistance envisaged under the TCAP was pledged at the Round Table Conference in September 2002. Responsibility for coordinating technical assistance from various donors and the Fund and for reviewing the TCAP annually rests with the Department of State for Finance and Economic Affairs. An in-depth external evaluation is scheduled after its completion in 2005.

Table 14. The Gambia: Income and Social Indicators, 1970 - 2002

	Unit of Measurement	Latest Single Year			1998	1999	2000	2001	2002
		1970-75	1980-85	1992-97					
Population									
Total population	Millions	0.5	0.7	1.2	1.2	1.3	1.3	1.4	1.4
Population growth rate	Percent	3.3	3.0	2.8	3.0	4.2	3.0	2.8	2.6
Total fertility rate	Births per woman	6.5	6.5	5.7	...	5.5	...	...	...
Poverty									
Total	Percent of population	...	...	40.0	...	...	...	...	...
Urban poverty	Percent of population	...	...	37.0	...	...	...	...	...
Rural poverty	Percent of population	...	...	41.0	...	...	...	...	...
National head count index	Percent of population	...	...	64.0	...	...	...	...	...
Income									
GNI per capita (Atlas method)	U.S. dollars	...	...	348	340	340	340	320	280
GDP per capita (staff est.)	U.S. dollars	...	...	342	341	336	318	307	265
Social indicators									
Primary school enrollment									
Total	Percent of age group	21.0	62.0	65.0	...	69.8	...	75.0	91.0
Male	Percent of age group	...	77.0	72.0	...	...	...	...	...
Female	Percent of age group	...	48.0	57.0	...	...	...	...	...
Literacy									
Total	Percent of age group	...	...	...	34.3	...	...	37.8	38.9
Female	Percent of age group	...	...	...	27.6	...	...	30.9	31.9
Access to safe water									
Total	Percent of population	12.0	45.0	50.0	...	...	62.0	...	...
Urban	Percent of population	...	...	...	...	...	...	...	...
Rural	Percent of population	3.0	33.0	39.0	...	...	53.0	...	...
Immunization rate									
Measles	Percent under 12 months	...	75.0	91.0	...	87.0	...	90.0	...
DPT	Percent under 12 months	...	77.0	96.0	...	...	74.4	...	...
Children's (under age of 5) malnutrition rate									
malnutrition rate	Percent	...	20.0	26.0	...	...	17.0	...	...
Life expectancy at birth									
Total	Years	37.0	41.0	53.0	53.2	53.2	...	53.7	...
Male	Years	36.0	39.0	51.0	51.4	51.6	...	...	...
Female	Years	39.0	43.0	55.0	55.0	55.0	...	...	...
Mortality									
Infant mortality rate	Per thousand live births	179.0	154.0	78.0	76.4	74.8	...	91.0	...
Under-age-of-5 mortality rate	Per thousand live births	319.0	216.0	110.0	...	110.0	...	126.0	...
Male	Per thousand live births	...	...	138.0	...	...	...	...	...
Female	Per thousand live births	...	...	120.0	...	...	...	...	...
Adult (ages 15-59) mortality rate	Per thousand population	...	...	...	...	...	...	...	...
Male	Per thousand population	655.0	584.0	404.0	408.0	411.0	...	...	...
Female	Per thousand population	519.0	466.0	339.0	344.0	349.0	...	...	...
Maternal mortality ratio									
Maternal mortality ratio	Per thousand live births	...	15.0	11.0	...	10.5	...	...	...

Sources: World Bank; United Nations; the Gambian authorities; and staff estimates.

Table 15. The Gambia: Status of HIPC Initiative Completion Point Triggers

Area	Status
Poverty reduction	
Preparation of a full PRSP through a participatory process and satisfactory implementation for one year.	PRSP launched mid-2002. First full-year progress report due in early 2004.
Improvement of the poverty database and monitoring capacity, as evidenced by progress in restructuring the Central Statistics Department (CSD) or developing its capacity.	Making progress. CSD has developed a restructuring strategy and is receiving technical assistance from the World Bank and IMF. The household survey and census are being conducted; the economic census will be launched in 2004.
Macroeconomic stability	
Continued maintenance of macroeconomic stability, as evidenced by satisfactory implementation of the PRGF-supported program.	PRGF-supported program off track.
Governance	
Progress in strengthening public expenditure management, as evidenced by the issuance of annual public reports on the overall budget execution and semiannual reports on the use of interim HIPC Initiative debt relief.	First two semiannual reports submitted in May and November 2002; no subsequent updates. National budget reports annual budget execution with a two-year lag.
Social sector reforms	
Budgetary savings from interim HIPC debt relief to be used in accordance with the annual budgets approved by the Task Force and the HILEC.	Good progress.
Measures and targets regarding progress in implementing education and health reform programs, including the following:	
<ul style="list-style-type: none"> 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; 	Attained.
<ul style="list-style-type: none"> 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 2,000 girls annually in at least three regions; 	Attained.
<ul style="list-style-type: none"> 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; and 	PHPNP indicates 53 percent in 2001 (maternal mortality rate survey)
<ul style="list-style-type: none"> increase the share of primary and secondary health care within the overall recurrent budget for health. 	On course.
Structural reforms	
Measures to promote private sector development, including the following:	
<ul style="list-style-type: none"> establish a functional multisector regulatory agency; and 	In progress; should become operational in early 2004.
<ul style="list-style-type: none"> bring to the point of sale the two major public groundnut-processing plants in the country. 	Ongoing; should be achievable early in 2004.

The Gambia: Relations with the Fund
(As of October 31, 2003)

Membership Status: Joined 09/21/1967;
Accepted Article VIII, Sections 2,3 and 4 on 01/21/1993

VII. GENERAL RESOURCES ACCOUNT	SDR Million	% Quota
Quota	31.10	100.0
Fund holdings of currency	29.62	95.23
Reserve position in Fund	1.48	4.77

VIII. SDR DEPARTMENT	SDR Million	% Allocation
Net cumulative allocation	5.12	100.0
Holdings	0.04	0.78

IX. OUTSTANDING PURCHASES AND LOANS	SDR Million	% Quota
Enhanced Structural Adjustment Facility (ESAF)/ Poverty Reduction and Growth Facility (PRGF) arrangements	23.50	75.56

X. LATEST FINANCIAL ARRANGEMENTS

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	07/18/2002	07/17/2005	20.22	2.89
ESAF/PRGF	06/29/1998	12/31/2001	20.61	20.61
ESAF	11/23/1988	11/25/1991	20.52	18.02

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

	Overdue 04/30/2003	Forthcoming				
		2003	2004	2005	2006	2007
Principal			0.7	1.4	2.8	4.1
Charges/interest		0.1	0.2	0.2	0.2	0.2
Total		0.1	0.9	1.6	2.9	4.3

Implementation of HIPC Initiative

	<u>Enhanced framework</u>
Commitment of HIPC assistance	
Decision point date ¹⁷	12/11/2000
Assistance committed (end-2000 NPV terms) ¹⁸	
Total assistance (US\$ million)	66.6
<i>Of which:</i> IMF assistance (US\$ million)	2.3
SDR equivalent, million	1.8
Completion point date	Floating
Disbursement of IMF assistance (SDR million)	
Assistance disbursed	0.08
Interim assistance	0.08
Completion point balance	...
Additional disbursement of interest income ¹⁹	...

Safeguards Assessments

The safeguards assessment of the CBG was completed on February 3, 2004. A summary of the findings and recommendations of the safeguards assessment is outlined in Box 3 of the report.

Exchange rate arrangement

Prior to January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D 5 = £1. On January 20, 1986, an interbank market for foreign exchange

¹⁷ Decision was approved by the Fund on December 15, 2000 through Decision 12365-(00/126). World Bank Board decision was taken on December 14, 2000.

¹⁸ Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

¹⁹ Under the enhanced HIPC Initiative, additional disbursements corresponding to interest on amounts committed but not disbursed during the interim period are made after the completion point.

was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange arrangement of The Gambia was reclassified to managed float with no preannounced path for the exchange rate, from independently floating. At end-December 2003, the midpoint exchange rate in the interbank market was D 30.96 per U.S. dollar.

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

Last Article IV Consultation

The 2002 Article IV consultation (www.imf.org) was concluded by the Executive Board on July 18, 2002. Since the conclusion of the first review under the PRGF arrangement was delayed, the next Article IV consultation was due by July 2003, with the usual three months' grace.

Technical assistance

Recurrent technical assistance projects as follows:

- The long-term Fund resident macroeconomic advisor's assignment was extended by another year through April 2004.
- A Statistics Department (STA) peripatetic statistical advisor assists the Central Statistics Department in updating the consumer price index (CPI) data and improving national accounts statistics.
- A Fiscal Affairs Department (FAD) peripatetic advisor assists the Department of State for Finance and Economic Affairs with revenue administration reforms, including customs, implementation of a large taxpayer unit, and establishment of a central Revenue Authority.
- The long-term Fund (FAD) resident budget expert's assignment was extended until October 2003.

A Finance Department (FIN) safeguards assessment mission visited The Gambia in November and March 2003 to conduct the Stage One on-site assessment.

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

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

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

A technical assistance diagnostics mission from the Monetary and Exchange Affairs Department (MAE) visited The Gambia in July 2002, with a focus on financial supervision and the insurance sector. Further assistance was provided in reviewing the Central Bank Act and in drafting the Financial Institutions and Insurance Acts.

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

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

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

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

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

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

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

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

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

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

An STA mission visited The Gambia in November 1999 to review the statistical collection in order to develop GDDS (General Data Dissemination System) metadata for The Gambia.

An FAD technical assistance mission—aimed at assisting the authorities in expenditure management, budget execution issues, cash and debt management, short-term financial

planning, fiscal reporting, and information systems—visited The Gambia in early September 1999.

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

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

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

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

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

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

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

Resident Representative

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

The Gambia: Relations with the World Bank Group

(As of November 17, 2003)

The World Bank, through IDA, has assisted the Gambian government in pursuing four main objectives: (i) establishment of a macroeconomic and sectoral environment conducive to economic growth; (ii) rehabilitation and development of infrastructure; (iii) development of human capital through the provision of more efficient social services; and (iv) capacity building in departments that have a key role for economic management. Instruments used in supporting these objectives have been sector-based investment projects. Currently, there are no adjustment credits, although there were two structural adjustment credits in the past, Structural Adjustment Loan (SAL) I and SAL II. In February 2003, the Bank's Board approved the Country Assistance Strategy (CAS) for The Gambia for fiscal-years (FY) 2003–05, which is currently under implementation.

As of November 17, 2003, IDA had approved 30 credits worth a total amount of about US\$271 million, of which about US\$60 million remain undisbursed. The current portfolio consists of six projects in health, HIV/AIDS, education, poverty alleviation (infrastructure), capacity building for economic management, and private sector development (trade gateway), totaling US\$99 million.

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

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

A **Poverty Alleviation and Municipal Development** operation was approved in March 1999, with the following objectives: (i) to reduce the backlog in public infrastructure development and improve the maintenance of public assets; (ii) to alleviate poverty through the creation of temporary jobs and improvements in the selection of small and medium-sized investments, which should aim at upgrading the living environment of the poor; and (iii) to strengthen the technical and managerial capacity of local authorities (with an emphasis on their financial situation), local private firms (namely, consultants and contractors), and Gamworks (a procurement agency).

A **Capacity Building for Economic Management** Project was approved in July 2001 to help (i) build government capacity for economic planning, policy formulation, and execution,

and (ii) build the capacity of the judicial and financial systems to facilitate private sector development.

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

The next education and health projects, as well as a community-based rural development project, are being prepared, with expected Board approval in FY 2005.

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

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

Summary of Statement of IDA Credits in The Gambia
(As of November 16, 2003; in millions of U.S. dollars)

Projects	Commitment	Disbursed	Undisbursed
24 credits closed	171.8	172.8	0.0
Ongoing projects			
Gateway	16.0	2.4	13.6
CB for Economic Mgmt Project	15.0	3.9	11.1
HIV/AIDS Rapid Response	15.0	2.9	12.1
Participatory Health/Pop./Nutrition	18.0	11.1	6.9
Third Education	20.0	17.3	2.7
Poverty Alleviation and Municipal Dev.	15.0	8.5	6.5
Subtotal	99.0	46.1	52.9
Total	270.8	217.3	59.9

Source: The World Bank Integrated Controller's System.

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

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

The Gambia: Relations with the African Development Bank

The African Development Bank (AfDB) Group began lending operations in The Gambia in 1974 and has since approved 46 projects (11 of which financed by grants) in the transport, social, public utilities, agricultural, and industrial sectors. As of September 2003, 23 projects had been completed while 18 projects were ongoing, amounting to total commitments of UA 79.7 million (US\$103.6 million.) The AfDB is also a major participant in The Gambia's enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) program, under which it is due to grant debt relief of US\$15.7 million in net present value (NPV) terms (23.6 percent of the total debt relief under the program.)

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

AfDB Country Strategy 2002–04 for The Gambia—Objectives

Objective	Instrument and Amount	Focus
Meet the MDGs	Third Education Project	Increase access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country.
Improve macroeconomic environment	(UA 10.0 million) 1/ Budgetary support	Complement efforts of other donors in consolidating the fragile macroeconomic environment and in meeting The Gambia's exceptional financing needs during 2002–04.
Implement multisector capacity building	Capacity-Building Project (Grant of UA 2.0 million)	Strengthen capacity of key departments and institutions involved in the preparation and implementation of the PRSP/SPA-II. Support to be extended to institutions dealing in economic and political governance, including the Department of Justice, Auditor General's Department, Public Divestiture Agency, parliament, and the Public Procurement Agency.

1/ 1 UA = US\$1.3.

If the current policy and institutional framework for The Gambia improves—as proxied by the country's performance in implementing the IMF's Poverty Reduction and Growth Facility (PRGF) arrangement, the fulfillment of some required conditions for reaching the completion point of its HIPC Initiative program, and improvement in the implementation of the AfDB Group portfolio—the country will move to a higher-case scenario, and an additional UA 4.38 million will be allocated to the country for financing an agricultural-related project. Conversely, the low-case scenario will apply if there is a deterioration in the current policy and institutional framework, in which case The Gambia will qualify for only UA 1.74 million of its basic allocation. Under this scenario, the already

appraised policy-based operation will not be granted. The Gambia's AfDB strategy for 2005–07 will be prepared in early 2005.

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

The Gambia: Statistical Issues

There are substantial weaknesses in The Gambia's economic and financial statistics, especially in the national accounts, balance of payments, and external debt statistics. The poor quality of some of the data and complete lack of others have hampered recent analysis of economic developments. Data reporting by the authorities to the Fund has become increasingly irregular over the past year. The Gambia participates in the General Data Dissemination System, and its metadata have been posted on the Fund's Dissemination Standards Bulletin Board (DSBB) since May 2000.

Real sector

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

Government finance

The authorities provide the staff with information on central government transactions with a lag of about five-six weeks for revenue data, and with a lag of up to two months for expenditure data based on “flash” reporting. Reporting in the treasury ledger is subject to considerable delay, and central government accounts have neither been audited since 1991 nor closed since 1999. Particular weaknesses also persist in compiling data on an economic basis, and in tracking foreign-financed expenditure, in particular resources provided in the context of the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) and of the poverty reduction strategy paper (PRSP) implementation. Data on domestic government financing are available on a monthly basis with a lag of three-four weeks. The three-year rolling public investment program has not been updated for some time, and the execution of public investment needs closer monitoring. The authorities have also acknowledged that substantial payments were made in 2001 and 2002 but not recorded in the government accounts.

Monetary data

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

Balance of payments

A large proportion of The Gambia's external transactions, including reexports, are in the informal sector. Inclusion of these activities in the balance of payments statistics is handled by using a crude estimation procedure, including the assumption that reexports are a fixed share of total imports and tourism revenue is a simple function of tourist arrivals. Data on trade, customs collection, and tourist arrivals are available with long lags. Data on private capital flows are poor. Official grant and loan disbursements and repayments are relatively well recorded (with some gaps in project disbursements). Data on the gross and net international reserves of the central bank are available with short lags, but have recently been substantially revised for 2001–03.

The Fund provided technical assistance (TA) on balance of payment statistics in June-July 1999 and September 2000. In reviewing progress, the 2000 mission noted that some advances had been made in the compilation of balance of payments statistics and that several of the 1999 mission's recommendations had been implemented. Based largely on the mission's recommendations, the CBG established a balance of payments unit, equipped with computer resources, and initiated surveys of the banking sector, insurance companies, travel and shipping agents, hotels, and foreign embassies. With assistance from the UK Department for International Development, the CBG conducted an enterprise survey to collect data for the International Investment Position. However, several recommendations from TA mission remain outstanding, and little further progress is being made. These recommendations include, among other things, obtaining better estimates of the reexport trade by undertaking a survey of the major importers/exporters, collecting data on foreign-owned construction enterprises involved in major construction activity, and conducting periodic surveys of Gambians traveling abroad.

The government has fully computerized its database on the stock of external public debt and the related debt-service obligations, using the Commonwealth Secretariat's debt-reporting and management system with technical assistance from The World Bank. Recently, there have been some problems in operating the system due to staff changes in the debt unit of the finance ministry and the data have become unreliable.

Publication

The only regular provision of macroeconomic data to the public is through references in the annual budget speech. The central bank's annual report and quarterly bulletins, which are intended to convey much of the nation's macroeconomic data, have not been published since 2000 and the Central Statistics Department's (CSD) publications have also not been appearing.

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

The Gambia: Statistical Indicators

(As of January 31, 2004)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP	External Debt
Date of latest observation	31/1/2004	31/1/2004	12/2003	12/2003	12/2003	31/1/2004	12/2003	12/2002	12/2002	9/2003	2002	12/2002
Date received	5/02/2004	5/02/2004	1/2004	1/2004	1/2004	5/02/2004	1/2004	2/2003	2/2003	10/2003	7/2003	2/2003
Frequency of data 1/	W	W	M	M	M	W	M	M	A	M	A	M
Frequency of reporting 1/	W	W	M	M	M	W	M	M	A	M	A	Q
Source of data 2/	A	A	A	A	A	A	A	A	A	A	A	A
Mode of reporting 3/	C, V	C	C	C	C	C	C	V	V	C, V	V	C, V
Confidentiality 4/	C	D	D	D	D	C	C	D	D	D	C	D
Frequency of publication 1/	W	A	A	A	A	W	M	A	A	A	A	A

1/ A=annually; D=daily; M=monthly; Q=quarterly; and W=weekly.

2/ A=direct reporting by Central Bank of The Gambia, Ministry of Finance, or other official agency.

3/ C=cable or facsimile; and V=staff visits.

4/ C=unrestricted use; and D=restricted until officially published.

February 20, 2004

To: Members of the Executive Board

From: The Managing Director

Subject: **The Gambia—Report on Noncomplying Disbursements and Recommendation for Corrective Action**

I. INTRODUCTION

1. The authorities of The Gambia have acknowledged misreporting to the Fund during 2001, affecting performance criteria on net official international reserves, net domestic assets of the central bank, net lending to the central government, and the basic primary fiscal balance of the central government under the 1998–2001 Poverty Reduction and Growth Facility (PRGF) arrangement for The Gambia. As a result, The Gambia received two noncomplying disbursements in an amount equivalent to SDR 3.435 million each in July and December 2001 after completion of the first and second reviews under the third annual PRGF arrangement, respectively. This report discusses the circumstances that led to this misreporting and recommends that The Gambia repay these disbursements (SDR 6.87 million) plus accrued interest in four equal installments during 2004.

II. BACKGROUND

2. A three-year PRGF arrangement for The Gambia was approved by the Executive Board on June 29, 1998 in an amount equivalent to SDR 20.6 million (66.5 percent of quota). All the resources available under the arrangement were disbursed. A successor arrangement was approved by the Executive Board in July 2002 in an amount equivalent to SDR 20.22 million (65 percent of quota). The first review under this arrangement has not yet been completed.

3. The issue of misreporting relates to the nonobservance of the end-March 2001 and end-September 2001 performance criteria on net official international reserves, net domestic assets of the central bank, net bank credit to the central government, and the central government basic primary fiscal balance. When completing the first review under the third annual PRGF arrangement on July 13, 2001, the Executive Board granted waivers in respect of The Gambia's nonobservance of these four performance criteria for end-March 2001. Subsequently, the Executive Board granted a waiver for nonobservance of the end-September 2001 performance criterion on net bank credit to the central government. These waivers were conditioned on the accuracy of the data and information reported by the authorities with respect to performance under these criteria. Moreover, with respect to the second review, the

end-September 2001 performance criteria on net official international reserves, net domestic assets of the central bank, and the central government basic primary fiscal balance were originally reported by the authorities as observed, and therefore, no waivers regarding the nonobservance of these performance criteria were requested by the authorities nor granted by the Executive Board. However, as the revised data now shows, these three end-September 2001 performance criteria were also not observed as further explained below.

III. NONCOMPLYING DISBURSEMENTS

4. In correspondence in June 2003 with the Governor of the Central Bank of The Gambia (CBG), and during a Fund staff mission to Banjul in June–July 2003, the staff drew the attention of the authorities to a series of concerns relating to data provided by the CBG over an extended period. These concerns indicated that the authorities might have misstated information to the Fund relating to foreign currency activity during the current and previous PRGF arrangements:

- Earnings from the foreign exchange reserves during 2001–03 were substantially lower than would have been expected on the basis of the reported level and composition of foreign currencies and contemporaneous market yields.
- A foreign currency deposit of US\$28 million with an overseas commercial bank had apparently been included in the total of The Gambia's net international reserves at end-March 2003, despite being fully encumbered.
- A number of foreign exchange transactions had been executed by the CBG with local foreign exchange bureaus during 2001–03 at extremely wide spreads in a currency (Swiss francs) not generally traded in The Gambia.
- The daily trial balances of the CBG included several entries indicating large transactions and revaluations without equivalent counterpart entries.

5. The mission also noted that the Fund safeguards assessment mission to Banjul in March 2003, which had been delayed several times, had been unable to verify data provided to the Fund on foreign exchange against the CBG's overall balance sheet because the financial statements for 2001 and 2002 had not then been audited or made available. This was particularly disquieting in light of the requirements under the Central Bank of The Gambia Act to provide audited accounts to the government within three months of the end of the calendar year.

6. In the absence of a substantive response by the authorities to the mission's observations, the staff wrote to the then Secretary of State for Finance and Economic Affairs, Mr. Famara Jatta, in August 2003 about the possibility of misreporting to the Fund and about wider concerns relating to the governance of the central bank and to the incursion of seemingly large losses by the central bank. The staff suggested that a special audit of foreign exchange transactions from end-December 2000 to end-June 2003 at the CBG be carried out

by an independent, internationally recognized auditing firm to establish the facts. In responding to the substantive data issues raised in the letter, Mr. Jatta accepted that there might have been an error in the classification of some items reported to the Fund. However, he rejected consideration of a special audit of the central bank until the regular audit of the financial statements for 2001 and 2002 had been completed.

7. On September 9, 2003, I wrote to His Excellency Yahya Jammeh, President of The Gambia, informing him that the staff had received information suggesting overstatement by the CBG of The Gambia's foreign exchange reserves and urging the authorities to conduct a special audit (Appendix II).

8. In his response of October 28, 2003 (Appendix III), the President acknowledged that unprogrammed public expenditure in 2001 had not been recorded and that the path of foreign exchange reserves and lending by the CBG to the central government had been misstated to the Fund. He also explained some of the general context for the unrecorded public expenditure, including its origins and purposes. At the same time, audited financial statements of the central bank for 2001 and 2002, and additional information on the previously unrecorded data items, were provided to the staff by a delegation to Washington led by the new Secretary of State, Mr. Bala Gaye, and the then Governor of the CBG, Mr. Clarke Bajo.

9. The Gambian delegation to Washington supplied the staff with a revised data series for January 2001 to June 2003 for foreign exchange reserves, reflecting both the payments that the President had acknowledged had been made by the CBG on behalf of the central government and further corrections that adjusted the level of foreign exchange reserves for the nondelivery of foreign currency that had been purchased by the CBG but not delivered by foreign exchange bureaus. The delegation also reported that the deposit of US\$28 million at an overseas commercial bank, which had been included in the previously reported data on the foreign exchange reserves at end-March 2003, had been financed through a short-term loan from the same bank in order to help restore gross foreign currency holdings to levels consistent with figures previously supplied to the Fund.

10. The revised data implied that net international reserves had been overstated by US\$38.8 million (51 percent of the previously reported level) at end-December 2001 as a result of the erroneous incorporation in the total of foreign currency deposits at overseas banks of (i) US\$28.5 million paid out of the reserves during 2001 on behalf of the central government, and (ii) US\$10.3 million due from local foreign exchange bureaus for currency purchased by the GBG but not delivered by that date.¹ The nonrecording of public expenditure of US\$28.5 million in 2001 had led to an understatement of 7 percent of GDP in

¹ Up to US\$16 million of payments by foreign exchange bureaus had been outstanding during 2001–03.

public expenditure, fiscal deficits, and lending by the central bank to the central government in 2001.

11. As explained in detail in Appendix I to this report, the revised data also indicated that data relating to the end-March 2001 and end-September 2001 performance criteria on net official international reserves, net domestic assets of the central bank, net bank credit to the central government, and the central government basic primary fiscal balance had been substantially misreported to the Fund. Appendix I provides comparisons of the targets set under the original performance criteria with the data reported during the first and second reviews under the third annual PRGF arrangement, and with the latest revised data.

12. The implications of the revised data for the performance criteria, after adjustment for deviations from the expected provision of external budgetary support and base effects,² are summarized in the table below.

Performance Criteria and Revised Data

Test Date	Performance Criterion	Adjusted Program Target 1/	Reported Data as of Oct. 2003 2/	Deviation from Target
		(In millions of SDRs; change since Dec. 2000)		(In percent of end-2001 NIR)
March 31, 2001 (first review)	Net official international reserves (NIR) (floor)	-8.1	-15.6	-25.8
		(In millions of dalasis; change since Dec. 2000)		(In percent of 2001 GDP)
	Net bank credit to the central government (ceiling)	-18.0	377.4	6.0
	Net domestic assets of the central bank (ceiling)	25.0	409.8	5.9
	Basic primary balance of the central government (floor)	117.4	-205.5	-4.9
		(In millions of SDRs; change since Dec. 2000)		(In percent of end-2001 NIR)
September 30, 2001 (second review)	Net official international reserves (NIR) (floor)	-16.3	-28.5	-42.1
		(In millions of dalasis; change since Dec. 2000)		(In percent of 2001 GDP)
	Net bank credit to the central government (ceiling)	323.0	769.6	6.8
	Net domestic assets of the central bank (ceiling)	100.2	501.9	6.1
	Basic primary balance of the central government (floor)	66.7	-434.0	-7.6

1/ The targets have been adjusted for shortfalls in programmed external assistance and data revisions relating to the stock of NIR at December 2000.

2/ Staff estimates based on revised CBG data for net official international reserves.

² The performance criteria for movements in net international reserves were set in the previous calendar year and were evaluated after taking account of deviations during the remainder of that year.

13. The revised data on foreign exchange reserves and lending by the central bank to the central government for 2001 appear to be consistent with the audited financial statements provided to the Fund by the CBG on October 28, 2003. However, the Fund safeguards assessment mission to Banjul during November 13–19, 2003 expressed concern about the quality of the audit and recommended a reaudit of both the 2001 and 2002 financial statements. Such a reaudit has not been conducted.

IV. THE AUTHORITIES' RESPONSE AND CORRECTIVE ACTION

14. Following receipt of the revised data, I wrote to the Secretary of State for Finance and Economic Affairs on December 9, 2003 to inform him that The Gambia may have received noncomplying disbursements during the period when the 1998-2001 PRGF arrangement was in effect (Appendix IV). In his response, Mr. Bala Gaye acknowledged that inaccurate data had been provided to the Fund on international reserves and provided assurances that strong corrective actions were being taken to prevent future occurrences of misreporting of data (Appendix V). The CBG has also informed the staff that measures have been taken to enforce immediate payment by the foreign exchange bureaus of the overdue foreign currency, including financial penalties. Senior management has been changed at the CBG, including the Governor and the heads of the foreign, financial control, and research departments.³

15. In respect of the program supported by the current PRGF arrangement for The Gambia, Mr. Bala Gaye stated in his letter that policy had been significantly tightened in the second half of 2003 and that, consequently, the rapid depreciation of the dalasi had slowed significantly and inflation had moderated. The authorities, however, have not yet replied positively to the suggestion by Fund management and staff of a special audit of the foreign exchange transactions of the central bank.

V. ASSESSMENT AND RECOMMENDATION

16. The authorities' provision of inaccurate information relating to the four performance criteria in the first and second reviews under the third annual PRGF arrangement is a very serious matter. It gave rise to two noncomplying disbursements in 2001 and resulted in a misleading impression of satisfactory performance under the Fund-supported program. Furthermore, the misreported data for 2001 and continued provision of inaccurate information to the Fund distorted the framework under which a successor PRGF arrangement was approved in July 2002.⁴

³ Criminal charges in connection with Swiss franc transactions by the CBG have recently been laid against five senior current and former employers of the CBG, including the former Governor.

⁴ There may also have been implications for the performance criteria established under the first annual program under the current PRGF arrangement for The Gambia. However, since the first
(continued)

17. It is evident that information on the unrecorded transactions, and on the failure to report them to the Fund, was available to the authorities throughout the period in question. No notification was made to the Fund for an extended time. The authorities have indicated that part of the unrecorded reduction in the foreign exchange reserves arose from spending in 2001 by the central government on unprogrammed infrastructural, social, agricultural, and national security programs, in anticipation of earlier expressed support from an unspecified bilateral donor that never materialized. Finance for this has now been classified, retrospectively, as "lending by the central bank to the central government." The remainder of the unrecorded reduction in the foreign exchange reserves arose from inclusion of foreign currency purchased from foreign exchange bureaus, commencing in June 2001, that had not been delivered. This has now been classified, retrospectively, as "unsecured advances to the private sector."⁵ Important additional information on the unrecorded items has yet to be provided by the authorities, whose cooperation in these matters has so far been limited.

18. Under the PRGF misreporting guidelines, the Managing Director, after determining that a member country has received a noncomplying disbursement, must submit to the Executive Board a report, together with recommendations. Based on this report and recommendations, the Executive Board may decide either that (i) the member will be called upon to make an early repayment, or (ii) the nonobservance will be waived. Waivers will "normally" be granted "only if the deviation from the relevant performance criterion was minor or temporary or if, subsequent to the disbursement, the member had adopted additional measures appropriate to achieve the objectives of the program supported by the relevant decision."

19. As discussed above, the deviations from the end-March and end-September 2001 performance criteria on net official international reserves, net domestic assets of the central bank, net bank credit to the central government, and the central government basic primary fiscal balance were neither minor nor temporary. On the contrary, they were substantial and long-lasting. Policy actions by the authorities during and immediately after the program to offset the underlying deterioration in the economy were not sufficiently large or quick acting to correct the growing imbalances. As a result, the program's objectives were not met. Moreover, the authorities are reluctant to conduct a special audit of the foreign exchange activities of the central bank.

review under the current arrangement has not been yet completed and therefore, the second loan has not been yet disbursed, any misreporting related to these performance criteria has not given rise to a noncomplying disbursement under the current arrangement.

⁵ The staff considers that, under the terms indicated, both the lending to the central government and to the foreign exchange bureaus would be in violation of the Central Bank of The Gambia Act.

20. In these circumstances, I recommend that The Gambia repay the two noncomplying disbursements (totaling SDR 6.87 million), together with accrued interest (totaling SDR 21,328), in four equal installments, with the first installment falling due within 30 days of the date of the Board decision on noncomplying disbursements, the second by June 30, 2004, the third by September 30, 2004, and the fourth by December 31, 2004. I note that revised data indicate that The Gambia's gross international reserves stood at SDR 42.0 million on December 31, 2003.

REPORTED REVISIONS TO PERFORMANCE CRITERIA

Net official international reserves

1. The end-March and end-September 2001 performance criteria on net official international reserves specified floors for movements in the stock of reserves from end-December 2000 onward. The floor for the period to end-March 2001 was an increase of at least SDR 1.7 million, and for the period to end-September 2001, it was a reduction of no more than SDR 2.6 million, subject to the provision that adjustments be made for any shortfalls or excesses in official foreign assistance, compared with projections made when the performance criteria had been established.
2. Information available at the time of the first review under the third annual Poverty Reduction and Growth Facility (PRGF) arrangement, including revisions to the path of net official international reserves during 2000 and foreign assistance disbursed during 2001 indicated that, to be consistent with the values set for the end-March 2001 performance criterion, net official international reserves should have fallen by no more than SDR 3.4 million between end-December 2000 and end-March 2001. The outturn shown by the reported data was a fall of SDR 6.3 million, a shortfall of SDR 2.9 million. Based on this data, a waiver for nonobservance of the end-March 2001 performance criterion on net official international reserves was granted at the time of the first review. According to the most recent information, however, net official international reserves should have fallen by no more than SDR 8.1 million between end-December 2000 and end-March 2001 if the overperformance of net international reserves at the end of 2000 is taken into account. The corresponding outturn shown by the reported data (which incorporate the revisions by the authorities on October 28, 2003) is now a fall of SDR 15.6 million, a shortfall of SDR 7.5 million.
3. Information available at the time of the second review under the third annual PRGF arrangement, including revisions to the path of net official international reserves during 2000 and foreign assistance disbursed during 2001, indicated that net official international reserves should have fallen by no more than SDR 10.1 million between end-December 2000 and end-September 2001 to be consistent with the end-September 2001 performance criterion. The outturn data based on this information indicated a rise of SDR 1.3 million, some way above the floor. However, the most recent information indicates that net official international reserves should have fallen by no more than SDR 16.3 million between end-December 2000 and end-March 2001 if the overperformance of net international reserves at the end of 2000 is taken into account. The corresponding outturn data indicate that net official international reserves actually fell by SDR 28.5 million, a shortfall of SDR 12.2 million. As a result, the end-September performance criterion was not observed. The authorities did not, however, request a waiver for nonobservance of this performance criterion at the time of the second review because at that time they reported this performance criterion as observed.

Net domestic assets of the central bank

4. The end-March and end-September 2001 performance criteria on net domestic assets for the central bank established ceilings for movements in dalasi terms¹ in the net domestic assets of the central bank from end-December 2000 onward. The ceiling for the period to end-March 2001 was an increase of no more than D 9 million and for the period to end-September 2001 an increase of no more than D 6 million, subject to the provision that adjustments would be made for any shortfalls or excesses in official foreign assistance, compared with projections made when the performance criteria were established.

5. Information available at the time of the first review under the third annual PRGF arrangement indicated that, compared with the level at end-December 2000, the net domestic assets of the central bank had risen by D 275.5 million at end-March 2001, an overshooting of D 250.5 million, given a shortfall in foreign assistance of D 16 million. Based on this data, a waiver for nonobservance of the end-March 2001 performance criterion on net domestic assets of the central bank was granted at the time of the first review. The most recent information establishes, however, that the net domestic assets of the central bank actually rose by D 409.8 million between end-December 2000 and end-March 2001, an overshooting of D 384.8 million.

6. Similarly, information available at the time of the second review of the third annual PRGF arrangement showed that, compared with the level at end-December 2000, the net domestic assets of the central bank had fallen by D 51.2 million at end-September 2001, comfortably below the ceiling for the end-September 2001 performance criterion, which had been adjusted upward by D 94.5 million to D 100.2 million to reflect a shortfall in foreign assistance. Nonetheless, the most recent data indicate that the net domestic assets of the central bank actually rose by D 501.9 million between end-December 2000 and end-September 2001, an overshooting of D 401.7 million. As a result, the end-September 2001 performance criterion was not met. The authorities did not, however, request a waiver for nonobservance of this performance criterion at the time of the second review because at that time they reported this performance criterion as observed.

Net bank credit to the central government

7. The end-March and end-September 2001 performance criteria on net bank credit to the central government specified ceilings for movements in net bank credit to the central government compared with end-December 2000. The ceiling for the period to end-March 2001 was a reduction of no more than D 34 million, and, for the period to end-September 2001, it was an increase of no more than D 228.8 million, subject to the provision

¹ At end-December, 2001, the official exchange rate for the dalasi in the interbank market was D 16.9 per U.S. dollar; at end-December 2003 it was D 31.0 per U.S. dollar.

that adjustments be made for any shortfalls or excesses in official foreign assistance, compared with projections made when the performance criteria were established.

8. Information available at the time of the first review under the third annual PRGF arrangement indicated that, compared with the level at end-December 2000, net bank credit to the central government had risen by D 228.8 million by end-March 2001, an overshooting of D 246.8 million, given a shortfall in foreign aid of D 16 million. Information available at the time of the second review of the third annual PRGF arrangement showed that, compared with the level at end-December 2000, net bank credit to the central government had risen by D 365.1 million by end-September 2001, D 42.1 million above the ceiling established under the performance criterion, which had been adjusted upward for the shortfall in external assistance in the amount of D 94.2. Waivers for nonobservance of the end-March 2001 and end-September 2001 performance criteria on net bank credit to the central government were granted at the first and second reviews, respectively. The most recent data establish, however, that net bank credit to the central government actually rose by D 377.4 million between end-December 2000 and end-March 2001, an overshooting of D 395.4 million, and by D 769.6 million between end-December 2000 and end-September 2001, an overshooting of D 446.6 million.

Basic primary balance of the central government²

9. The performance criteria for end-March and end-September 2001 on the basic primary balance of the central government specified floors for movements of the basic primary balance of the central government during the period from end-December 2000 onward. The floor for the period to end-March 2001 was an increase of at least D 133.4 million, and for the period to end-September 2001 it was an increase of at least D 160.9 million, subject to the provision that adjustments be made for any shortfalls or excesses in official foreign assistance, compared with projections made when the performance criteria were established.

10. Information available at the time of the first review under the third annual PRGF arrangement indicated a basic primary deficit of D 25.1 million in the three months to end-March 2001, a shortfall of D 142.5 million, compared with the performance criterion of D 117.4 million, which had been adjusted downward to reflect a shortfall in foreign assistance of D 16 million. A waiver for nonobservance of the end-March 2001 performance criterion on the basic primary balance of the central government was granted at the time of the first review based on the data reported then. The most recent data show a deficit of D 205.5 million, a shortfall of D 322.9 million.

² Defined as domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

11. Data available at the time of the second review of the third annual PRGF arrangement indicated a basic primary balance in the nine months to end-September 2001, of D 124 million, D 57.3 million above the floor of the adjusted performance criterion, which had been revised downward following the shortfall in foreign assistance of D 94.2 million. The most recent information indicates however that there was actually a deficit of D 434 million, implying that the balance was D 500.7 million below the floor. Thus, the end-September 2001 performance criterion was not observed. The authorities did not, however, request a waiver for nonobservance of this performance criterion at the time of the second review because at that time they reported this performance criterion as observed.

The Gambia: Performance Criteria for the First and Second Reviews Under the Third Annual PRGF Arrangement

Test Date	Disbursement Date		Performance Criterion	Original Target	Adjusted Target	Reported Data	Waiver Granted	Revised Target	Reported Data		
		(in SDR millions)				as at Review			As at Sep. 2003	As at Oct. 2003	1/
(In millions of SDRs; change since Dec. 2000)											
31-Mar-01 (first review)	20-Jul-01	3.435	Net official international reserves (floor)	1.7	-3.4 2/	-6.3 (-2.2) 3/	Yes	-8.1 4/	-9.0		-15.6
(In millions of dalasi; change since Dec. 2000)											
			Net bank credit to the central government (ceiling)	-34.0	-18.0 5/	228.8 (228.8) 3/	Yes	-18.0	206.1		377.4
			Net domestic assets of the central bank (ceiling)	9.0	25.0 5/	275.5 (275.5) 3/	Yes	25.0	302.4		409.8
			Basic primary balance of the central government (floor)	133.4	117.4 5/	-25.1 (-25.1) 3/	Yes	117.4	-34.2		-205.5
(In millions of SDR; change since Dec. 2000)											
30-Sep-01 (second Review)	19-Dec-01	3.435	Net official international reserves (floor)	-2.6	-10.1 6/	1.3 (6.2) 7/	-	-16.3 4/	-4.6		-28.5
(In millions of dalasi; change since Dec. 2000)											
			Net bank credit to the central government (ceiling)	228.8	323.0 6/	365.1 (270.9) 7/	Yes	323.0	365.1		769.6
			Net domestic assets of the central bank (ceiling)	6.0	100.2 6/	-51.2 (-145.4) 7/	-	100.2	45.8		501.9
			Basic primary balance of the central government (floor)	160.9	66.7 6/	124.0 (218.2) 7/	-	66.7	-29.5		-434.0

Source: The Gambian authorities; and staff calculations.

1/ Staff estimates based on revised data for net official international reserves that now exclude advances to the government and loans to local foreign exchange bureaus, both in foreign currency, which had previously been recorded under "net official international reserves."

2/ The target has been adjusted, according to the technical memorandum of understanding (TMU), for shortfalls in external assistance. It has also been adjusted ("in the spirit of the agreement") for a revision in end-December 2000 net international reserves (NIR) stock known in June 2001.

3/ The reported data in the staff report (July 2001) are in parentheses. Instead of adjusting the target, the actual outcome for the NIR had been adjusted for the data revision relating to Dec. 2000. The shortfall in external assistance (SDR 1 million) was not incorporated.

4/ Adjusted for a revision in end-December 2000 NIR stock known in September 2003.

5/ The targets have been adjusted, according to the TMU, for shortfalls in external assistance.

6/ The target has been adjusted, according to the TMU, for shortfalls in external assistance. It has also been adjusted for a revision in end-December 2000 NIR stock known in November 2001.

7/ The reported data in the staff report (November 2001) are in parentheses. Instead of adjusting the target, the actual outcome had been adjusted for the shortfall in external assistance (SDR 4.9 million). The data revision relating to the NIR December 2000 stock



HORST KÖHLER
MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

CABLE ADDRESS
INTERFUND

September 9, 2003

His Excellency
Yahya Jammeh
President of The Gambia
State House
Banjul, The Gambia

Dear Mr. President:

I was very glad that you were able to visit the IMF headquarters in June. I recall our cordial discussion, particularly your firm commitment to the PRGF-supported economic program and your resolute stance on good governance. Our discussion also covered several specific issues on the agenda of the recent staff mission to Banjul. These issues have, unfortunately, turned out to be more serious than we then envisaged and have been at the core of recent correspondence between Mr. Bio-Tchané, Director of the IMF African Department, and the Secretary of State for Finance and Economic Affairs (the "Secretary of State").

The PRGF-supported program is now seriously off track. This is partly the result of large unprogrammed payments earlier this year for a survey of offshore oil reserves. There has also been a series of worrisome developments at the Central Bank of The Gambia (CBG). Firstly, the CBG has still not produced audited financial statements for 2001 and 2002, thus precluding the conclusion of the IMF's safeguards assessment, which is designed to ensure accountability for IMF disbursements. Secondly, there seem to have been serious failures of internal control in the CBG's foreign exchange operations, leading to substantial losses. Thirdly, we have received information which would suggest that the CBG overstated The Gambia's usable foreign exchange reserves earlier this year by at least one third. If substantiated, this would be a serious case of misrepresentation of information to the IMF and might indicate a misuse of public funds. If it also is determined that the level of the reserves was misreported under the previous PRGF arrangement, there could have been noncomplying disbursements in the case of those made on the basis of the misreported information.

Among the suggested measures outlined in the recent letter from Mr. Bio-Tchané to the Secretary of State, I would put particular emphasis on actions to identify, in a rigorous and transparent manner, any unrecorded foreign currency transactions that might affect the assets and liabilities of the CBG. This would then permit the recalculation of the level of foreign exchange reserves. The verification should be undertaken expeditiously by the commission of a special audit of foreign exchange activity at the CBG, under agreed terms of reference.

While I welcome the prompt implementation of economic policy measures since the visit of the IMF mission in July, it would seem that the governance issues at the CBG now require your personal attention. Given their potential negative impact on economic management, these issues need to be addressed urgently.

I trust in your commitment to sound economic policies and unwavering support for good governance and look forward to a continued close and productive relationship between The Gambia and the IMF.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'F. Kühler'. The signature is fluid and cursive, with a large 'F' and a stylized 'K'.

cc: The Honorable Famara Jatta
Secretary of State
Department of State for Finance and Economic Affairs
The Quadrangle
Banjul, The Gambia

Mr. Momodou Clarke Bajo
Governor
Central Bank of The Gambia
1-2 ECOWAS Avenue
Banjul, The Gambia

Mr. Alieu Ngum
Secretary-General
State House
Banjul, The Gambia



REPUBLIC OF THE GAMBIA
OFFICE OF THE PRESIDENT, STATE HOUSE, BANJUL

28 October 2003

Dear Mr Kohler,

I wish to acknowledge receipt of your letter dated September 9, 2003 in which you raised issues of grave concern relating to the conduct of public policy. I thank you for the frank manner these concerns have been pointed out and wish to respond to the issues raised in your letter.

To address the worrisome developments at the Central Bank of The Gambia and in recognition of the importance of completing the audit of the Bank expeditiously, I gave strict instructions for the audit to be concluded. The audited financial statements of the Central Bank of The Gambia for 2001 and 2002 have now been signed. I have instructed that copies be sent to the IMF immediately. This should facilitate the completion of the IMF's safeguard assessment. I have received full assurances that all unprogrammed expenditures have now been fully and correctly recorded in the accounting records of the CBG.

**Mr Horst Kohler
Managing Director
International Monetary Fund
700 19th Street, N W
WASHINGTON, D C 20431
U S A**

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I acknowledge that there have been lessons to learn as the Government has tried to fulfill the main priorities of its economic programmes. A significant proportion of the unprogrammed expenditure was for infrastructural and social programmes. In fact, a major and vital road project was abandoned on the insistence of the IMF Mission as funding was not completely available. Other expenditure is related to our effort to improve agricultural production in The Gambia. The improvement and maintenance of road infrastructure and agriculture are high on my development agenda. The urgency of the situation and the commitment of my Government to improve the living conditions of all Gambians is indeed a difficult task especially given the paucity of national resources and the almost nonexistent donor support. In fact, the reason why my Government resorted to this bridge financing from the CBG was in anticipation of earlier expressed support from a bilateral donor quarter that never materialised.

In addition, we have been deeply concerned at the deteriorating security environment in the region and the threat of global terrorism. Therefore, the Government of The Gambia has taken steps to safeguard national security and our democratic system.

This notwithstanding, the issues you raised were critically looked at especially with regards to their implications on governance.

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I take this opportunity to assure the IMF of the Government of The Gambia's absolute commitment to transparency and accountability. The manner in which some transactions were recorded may not have strictly conformed to acceptable financial reporting frameworks. However, this does not imply that public funds were misused.

The operational details relating to the correct path of foreign exchange reserves over the relevant period will be provided by the CBG within the framework of the audited financial statements.

I take this opportunity to thank you and your colleagues for the reception you accorded me during my visit to Washington in June this year. Under the circumstances, I wish to reassure the IMF of my Government's continued commitment to sound economic policies. The Government of The Gambia looks forward to continued close cooperation with the IMF to improve the living standards of the Gambian people.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Yahya A J J Jammeh".

**Yahya A J J Jammeh
President of the Republic of The Gambia**



HORST KÖHLER
MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

CABLE ADDRESS
INTERFUND

December 9, 2003

The Honorable Mousa Bala Gaye
Secretary of State for Finance and Economic Affairs
The Quadrangle
Banjul, The Gambia

Dear Mr. Secretary:

During the visit of the Gambian delegation to the IMF on October 28, 2003, IMF staff was provided with a set of revisions to the series for the net official international reserves of The Gambia between March 2001 and June 2003 that had previously been provided to the IMF by the Central Bank of The Gambia (CBG). Copies were also given to the staff of the audited financial statements and management letters of the CBG for the years 2001 and 2002. Together with explanations given by Mr. Bajo, then Governor of the CBG, for the changes that had been made to the reserves data, these documents indicated that there had also been misstatements of central government borrowing from the central bank and government expenditure and fiscal balances in 2001 that had previously been provided to the IMF.

As was noted during the visit, two disbursements were made by the IMF to The Gambia in 2001 under the Poverty Reduction and Growth Facility (PRGF).

Based on the above information, under the Guidelines on Misreporting and Noncomplying Disbursements in Arrangements under the PRGF, I am required to inform The Gambian authorities that it may have received noncomplying disbursements during the period the previous PRGF arrangement was in effect. If, after consultations with The Gambia, I determine that it did receive one or more noncomplying disbursements, I shall notify this to you immediately and submit a report to the Executive Board together with recommendations. In these circumstances, the Board may decide to remedy any noncomplying disbursements by either, requesting that The Gambia make an early repayment of the disbursements, or by granting a waiver for the nonobservance. A waiver may be granted only if the nonobservance of the relevant performance criterion is minor or temporary, or if corrective action has been subsequently taken to achieve the objectives of the program supported by the arrangement under which the noncomplying disbursements were made.

In order to clarify this matter further, and as I have indicated to the President of The Gambia in my letters of September 9 and December 9, 2003, a special audit on the foreign exchange

activity of the CBG should be conducted by an external audit firm of proven reputation and under an agreed terms of reference. The recent IMF safeguards mission to Banjul also recommended the replacement of the CBG's current external auditor, who has served in that capacity for 32 years, with an international firm with expertise and experience in central banking operations, who would undertake the special audit as well as a re-audit of financial years 2001 and 2002.

In the meantime, I would appreciate receiving your views on the matter before I make a recommendation to the Executive Board on how to proceed. Since the Board must resolve the issue before considering any further request by The Gambia for disbursements under the PRGF arrangement, I would welcome a response at your earliest convenience. I also hope that the special audit of the foreign exchange activity of the CBG, together with the other measures referred to above, can be undertaken as expeditiously as possible.

Sincerely yours,



cc: Mr. Famara Jatta
Governor
Central Bank of The Gambia
1-2 ECOWAS Avenue
Banjul, The Gambia

Mr. Alieu Ngum
Secretary-General
State House
Banjul, The Gambia

THE REPUBLIC OF



THE GAMBIA

Department of State for Finance
and Economic Affairs
The Quadrangle
Banjul

MF/C/116/(181)

6th January 2004

Horst Kohler
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
United States of America

Dear Mr. Kohler

I refer to your letter dated 09 December 2003 relating to the revision of external reserves data provided by the Gambian authorities.

I write to assure you that the Gambian authorities are aware that reliable information is essential in maintaining trust between the IMF and its members, and in the design of appropriate poverty reduction strategies. It is, therefore, regrettable that inaccurate data on the official international reserves situation of The Gambia has been reported to the IMF. Following discovery of the discrepancies, action was quickly taken to provide IMF staff with revised data on the official international reserves of The Gambia. The Gambia had also received disbursements during the recent PRGF arrangement.

The Government had now ensured the completion of the audit of The Central Bank of The Gambia for 2001 and 2002 as a positive first step in establishing transparency and accountability. Additional measures have been implemented at CBG to strengthen the monitoring and reporting of external reserves at the Central Bank of The Gambia. Also, sufficiently strong corrective actions are being taken to prevent future occurrences of misreporting of data. However, the Government is willing to accept technical assistance from the IMF to enhance institutional capacity in this area.

Recently, the Gambian authorities have continued to make progress in policy implementation and to preserve the objectives of the PRGF-supported program. Monetary policy has been significantly tightened during the second half of 2003. Consequently, the rapid depreciation of the Dalasi has slowed significantly, and inflation has moderated. The Government will continue to maintain tight fiscal and monetary policies in the period ahead.

The support of the IMF, and other donors, is, therefore, crucial to consolidate these gains. The Government of The Gambia stands ready, in consultation with the IMF, to implement additional measures designed to achieve sustainable growth and poverty reduction under a PRGF-supported program.

Sincerely yours

Moussa G. Bala-gaye
MOUSA G. BALA-GAYE,
SECRETARY OF STATE FOR FINANCE
AND ECONOMIC AFFAIRS

c.c. The Governor
Central Bank of The Gambia
Ecowas Avenue
Banjul

The Secretary General
Office of The President
State House
Banjul



INTERNATIONAL MONETARY FUND

WASHINGTON, D.C. 20431

HORST KÖHLER
MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

December 9, 2003

His Excellency
Yahya Jammeh
President of the Republic of The Gambia
State House
Banjul, The Gambia

Dear Mr. President:

Thank you for your letter of October 28, 2003. I appreciate the information you have provided on the unprogrammed expenditure by the government, which was financed by the Central Bank of The Gambia (CBG). I note also the assurances that these expenditures have now been fully and correctly recorded in the accounts of the CBG. In addition, the CBG has provided IMF staff with revised aggregate figures for the foreign exchange reserves for the past three years. We have also taken note of the recently announced changes in the management of the CBG.

There remain, however, two important issues outstanding from my earlier letter, and we need to consider the implications of the information already provided.

The first issue relates directly to the serious failures of internal control over the CBG's foreign exchange operations. This seems to have led both to substantial losses on foreign exchange transactions in recent years and to the non-delivery by foreign exchange bureaus of currency purchased by the government. Our understanding is that some CHF 11 million was still outstanding from the foreign exchange reserves at the end of September 2003 as a result of the latter problem. An IMF safeguards mission recently visited Banjul and evaluated the CBG's internal controls. Two of the mission's initial principal recommendations are the replacement of the CBG's current external auditor, who has served in that capacity for 32 years, with an international firm with expertise and experience in central banking operations, and a re-audit of financial years 2001 and 2002. The Safeguards Assessment, once completed, will propose additional measures to help ensure the proper functioning of the central bank's internal controls and reporting mechanisms, and to give assurances to the IMF that its disbursements are adequately safeguarded.

The second issue is the need to undertake a special audit of foreign exchange activity at the CBG since December 2000. This will be a critical step in establishing comprehensive

information on the timing and amounts of the unprogrammed government expenditure referred to above and the associated adjustments in the central government accounts as well as the path of foreign exchange reserves over the period. The undertaking of such an audit, under agreed terms of reference, is, I believe, essential in order for the IMF to continue its close and productive relationship with The Gambia.

I am writing separately to the Secretary of State for Finance and Economic Affairs about the procedures that now need to be set in motion to determine whether noncomplying disbursements from the IMF were made during the last PRGF-supported program and the measures that may need to be taken as a result.

I look forward to receiving the full cooperation of the authorities so that we can address these issues satisfactorily and as rapidly as possible.

Sincerely yours,



cc: The Honorable Mousa Bala Gaye
Secretary of State
Department of State for Finance
and Economic Affairs
The Quadrangle
Banjul, The Gambia

Mr. Famara Jatta
Governor
Central Bank of The Gambia
1-2 ECOWAS Avenue
Banjul, The Gambia

Mr. Alieu Ngum
Secretary-General
State House
Banjul, The Gambia



REPUBLIC OF THE GAMBIA
OFFICE OF THE PRESIDENT, STATE HOUSE, BANJUL

12 February 2004

Dear Mr Kohler,

I thank you for your letter of December 09, 2003 relating to internal control issues at the Central Bank of The Gambia (CBG) and the status of the IMF disbursements during the last PRGF-supported programme.

The issues relating to internal control in the Central Bank of The Gambia are being addressed. After several unsuccessful attempts to achieve a consensual resolution to the problem of outstanding foreign currency purchase contracts, the CBG has now taken steps to initiate litigation to recover amounts due from the foreign exchange bureaux. In addition, new foreign exchange bureau licensing regulations have been implemented. The licenses of the bureaux with outstanding contracts have not been renewed. The Government of

**Mr Horst Kohler
Managing Director
International Monetary Fund
700 19th Street, NW
Washington, D C 20431
U S A**

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The Gambia will take the actions required under the Laws of The Gambia in relation to this issue. Since September 2003, some of the Swiss Francs have been received. The balance outstanding now stands at CHF9.28 million.

In order to address the concerns about the quality of the previous audits of the Central Bank of The Gambia, I am willing to give audience to an IMF Delegation in Banjul to discuss:

- (a) the possible change of auditors for CBG; and**
- (b) the possible re-audit of the CBG for financial years 2001 and 2002, including a separate and independent examination of the CBG external reserves.**

The re-audit and the examination of the CBG reserves will be done on the basis of Terms of Reference acceptable to the Gambia Government. I will communicate, through the Secretary of State for Finance and Economic Affairs, the exact date for the audience in Banjul.

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The Government of The Gambia remains committed to sound economic policies and to implement risk management processes that will prevent a recurrence. I look forward to a quick resolution of the issues mentioned in your letter and a continuation of the relationship between The Gambia and the IMF. This is crucial to the efforts of the Government of The Gambia to reduce poverty and maintain security. The Gambian authorities will work with the IMF to ensure that the relationship remains strong and positive.

Yours sincerely,

Yahya A. J. Jammeh
President of the Republic of The Gambia

**Statement by the IMF Staff Representative
March 8, 2004**

1. This statement reports on: (i) the response of President Jammeh to a letter from the Managing Director concerning internal controls and the auditing of foreign exchange activity at the Central Bank of The Gambia; (ii) an announcement by President Jammeh about potential oil reserves and exploitation; and (iii) data on the foreign exchange reserves, groundnuts production and customs revenue that have been received since the issuance of the staff report and the Managing Director's Report on Noncomplying Disbursements. The authorities have indicated that they would like both these reports to be published. The information in this statement does not alter the thrust of the staff appraisal or the Managing Director's recommendation on corrective action.

2. A letter was received by the Managing Director on February 20, 2004 from the President of The Republic of The Gambia (dated February 12, 2004) in response to the Managing Director's letter of December 9, 2004 (EBS/04/30, Supplement 1). In his letter, President Jammeh indicated that a number of actions had been taken by The Gambian authorities in respect of the outstanding foreign currency purchase contracts from foreign exchange bureaus. President Jammeh also expressed his willingness to meet with IMF staff in Banjul to discuss (i) a possible change in the auditor of the CBG; (ii) possible reaudits of the 2001 and 2002 CBG financial statements; and (iii) a possible "separate and independent examination of the CBG external reserves". No indication of the prospective timing of the proposed meeting with the President has yet been received by staff.

3. President Jammeh announced on February 13, 2004 that the results of a three-dimensional seismic survey of the oil potential of 500 square kilometers of maritime territory had been "very positive". He referred to the existence of large quantities of oil in The Gambia, especially in the study area. The President said that it was intended to have a test well drill before the end of this year.

4. As regards the recent provision of data:

- Weekly data provided by the Central Bank of The Gambia indicate that The Gambia's gross international reserves stood at SDR49.0 million on February 27, 2004 compared with SDR42.0 million on December 31, 2003.
- The authorities' current estimate for groundnut production in 2003 is 90,000 tons compared with the provisional figure from the Food and Agriculture Organization (FAO) of 127,000 tons used in the staff report. This would imply real GDP growth in 2003 of about 7 percent, rather than 8.8 percent.
- The authorities have reported that collection of revenue by the Customs and Excise Department improved in the last quarter of 2003 and continued at a high level into January and February 2004.



INTERNATIONAL MONETARY FUND

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Press Release No. 04/49
FOR IMMEDIATE RELEASE
March 8, 2004

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Reviews Noncomplying Disbursement to The Gambia

The Executive Board of the International Monetary Fund (IMF) has reviewed matters related to two noncomplying disbursements to The Gambia, each in an amount equivalent to SDR 3.435 million (about US\$5.1 million), that were made in July and December 2001 following the completion by the Executive Board of the first and second review under the third annual Poverty Reduction and Growth Facility (PRGF) arrangement. The Executive Board agreed that The Gambia would be expected to repay the two noncomplying disbursements totaling SDR 6.87 million (US\$10.1 million), together with any accrued interest. The first of four equal repayments must be made within 30 days.

The issue of misreporting arose because of inaccurate information provided to the Fund relating to the end-March 2001 and end-September 2001 performance criteria on net official international reserves, net domestic assets of the central bank, net bank credit to the central government, and the central government basic primary fiscal balance. While the Executive Board had granted waivers for nonobservance of these performance criteria at the first review, and for net bank credit to the central government at the second review, these waivers were based on information provided at the time by the authorities with respect to performance under these criteria, which has subsequently been shown to be inaccurate.

Following the Executive Board's discussion on The Gambia, Agustín Carstens, Deputy Managing Director and Acting Chairman, stated:

“The provision by the Gambian authorities of inaccurate information relating to the first and second review under the third annual PRGF arrangement raises deep concern. The failure to record spending from the foreign exchange reserves and the non-delivery of foreign currency purchased from foreign exchange bureaus resulted in a misleading impression of satisfactory performance under the Fund-supported program. Furthermore, there have been extensive delays in providing information on the unrecorded spending to the Fund, despite the authorities’ knowledge of the situation, and continued withholding of relevant details.

“Deviations from the performance criteria of end-March 2001 and end-September 2001 were both substantial and long-lasting and subsequent policy actions by the authorities did not correct the imbalances, resulting in a failure to meet the program objectives. Moreover, the authorities

have not yet given an indication that they propose to commission a special audit of the foreign exchange activities of the central bank.

“Under these circumstances, the Executive Board has decided to require The Gambia to make full repayment of the noncomplying disbursements during 2004, together with any interest accrued thereon, with the strong expectation of early repayment,” Mr. Carstens said.

**Statement by Mr. Ismaila Usman, Executive Director for The Gambia
and Peter J. Ngumbullu, Alternate Executive Director
March 8, 2004**

Key Points

- GDP grew by 6 percent and inflation fell below 3 percent largely due to good performance of the agricultural sector during the period 1998-2001.
- Tourism, the re-export trade, and groundnuts provided the main domestically generated sources of foreign exchange
- The authorities have eliminated subsidies, doubled the price of fuel products, increased excise taxes on selected items and raised administrative fees.
- To support monetary tightening the authorities have extended the requirements for minimum reserves to include foreign currency deposits.
- Government is on track in establishing the Revenue Authority scheduled by mid 2004.
- The exchange rate has now been relatively stable.
- The authorities intend to intensify efforts to build upon the gains already achieved to ensure fiscal prudence, strengthen governance, and institute broad-based economic and financial reforms to reduce poverty.
- The authorities request a period of twelve months within which to complete repayment of the non-complying disbursement in view of the lean foreign exchange inflows into the country particularly during the June to October 2004 period, and the need to further stabilize the exchange rate.
- The authorities agree to the publication of the staff report.

1. Introduction

We thank staff for the candid discussions held with the authorities and the set of reports. Favorable conditions in the agricultural sector during the period 1998-2001, led to an average GDP growth rate of 6 percent and an average inflation rate of below 3 percent. During 2002, however, GDP contracted as a result of a fall in groundnut production due largely to unfavorable weather conditions but it recovered in 2003. The economy remains highly vulnerable to external shocks.

2. Developments during 2002 and 2003

In 2002, GDP fell by about 3 percent. However, despite this decline, strong growth was registered in the construction and the services sector. Tourism, the re-export trade, and groundnuts provided the main sources of foreign exchange revenue. Most of the population, however, remain dependent on agriculture which is highly susceptible to the vagaries of the weather. Within the manufacturing sector, groundnut processing benefited from additional capacity due to the availability of a good crop in 2001. As a result of high monetary growth,

nominal exchange rate declined and inflation rose to 13 percent year on year. The current account deficit (excluding grants) was estimated to be about 13 percent of GDP in 2002. The overall fiscal deficit (excluding grants) reached 8.1 percent of GDP in 2002, although the basic primary fiscal surplus fell only slightly short of its target level at 2.7 percent of GDP. The authorities shifted budget execution to a cash basis with the creation of the National Emergency Fiscal Committee (NEFCOM) to monitor and approve expenditure allocations. Other measures taken by the authorities include the elimination of government subsidies, doubling of fuel prices, increase in selected excise taxes and the raising of administrative fees for various services.

In 2003, heavy and sustained rain, which facilitated full recovery in agricultural output led to real GDP growth of 8.8 percent. However, the local currency, the dalasi depreciated by 34 percent in nominal terms with inflation rising to 18 percent as a result of a drop in groundnut exports and barriers in the re-export trade due to the border problems with neighboring Senegal. The fiscal deficit, excluding grants declined to 6 percent due to unfavorable performance of projected revenue receipts. Monetary growth increased due largely to the entire financing of fiscal deficit by the CBG. The progressive increase in interest rates compelled the authorities to take measures to support monetary tightening by extending the requirements for minimum reserves to include foreign currency deposits.

3 . Structural Reforms undertaken

The Central Revenue Department successfully took over the administration of the sales tax from the Customs and Excise Department. Majority of the below-the-line accounts were eliminated. A draft organic budget law, expected to help clarify and put in place procedures and responsibilities for public sector fiscal management is to be discussed by the cabinet prior to its submission to the National Assembly. Regulatory reforms in the financial sector have been strengthened through the passage of the Financial Institutions, Insurance and Money Laundering Acts. In addition, three out of the five structural benchmarks under the first annual program under the PRGF arrangement were completed before time. Furthermore, the Trade Gateway Project was launched with World Bank support and the Free Zones Authority of The Gambia was established, to facilitate growth in exports.

The authorities launched “operation no compromise” to address unfair business practices and poor governance. Furthermore, the authorities have taken legal action against tax evasion and fraud by several businesses as well as alleged collaborators. Five senior officials of the CBG were also indicted for offences relating to foreign currency transactions.

4. Macroeconomic Policies and Developments for 2003 - 2005

Suspension of donor support will have adverse impact on the fiscal deficit which is projected to increase as a result of increased reliance on bank financing. However, the authorities are committed to taking decisive action to correct the growing fiscal imbalances to be supported by the recent substantial improvement in external competitiveness, and the possible exploitation of offshore hydrocarbon deposits that would help in the diversification of the

economy. As natural shocks cannot be predicted, favorable trends in donor and external inflows, foreign direct investment and expansion in regional trade would ensure the achievement of sustained GDP growth rates at 6 percent as outlined in the PRSP for 2002-2005, and make it possible to meet targets of the Millennium Development Goals (MDGs).

a. Fiscal Policy

The authorities, realize the benefits of achieving macroeconomic stability and are committed to implement revenue measures to reduce the fiscal financing gap projected at about 9 percent of GDP for 2004, in the absence of external budgetary support. They would broaden the sales tax base and raise the applicable rate to imported goods in line with domestic services. They will also undertake measures to reduce spending, and increase revenues, especially in the tourism and re-export sectors, as these will have a positive impact on the exchange rate. The authorities will also enforce revenue collection measures, especially collection of tax arrears and would redress the shortcomings in customs procedures and tax exemption regime. As outlined in the 2004 budget, licensing and other fees will be increased and it is expected that such action will yield an additional revenue of about 0.7 percent of GDP in 2004.

b. Monetary and exchange rate policy

The banking sector remains reasonably healthy. Non performing loans and provisioning considered as indicators of financial sector stability are also stable. The Central Bank of The Gambia will continue to tighten monetary policy. The authorities will continue to pursue measures that would ensure favorable rates of interest to reduce the overshooting in monetary aggregates including reducing bank borrowing and encouraging the no-banking sector to increase its holdings of government treasury bills, thereby impacting on expansion in private sector credit. The CBG will focus attention on streamlining foreign exchange operating procedures of the bank by separating back-office from trading functions, provision of clear investment guidelines with regards to foreign exchange and ensuring effective control procedures.

c. Structural Reforms

In order to take advantage of the country's open trading policy that has created opportunities for diversification of the economy, the authorities are determined to address the deficiencies in infrastructure, especially in the provision of electricity, water as well as attract private finance to investors. They will continue with the privatization program, encourage the microfinance sector and ensure implementation of needed reforms in the land tenure system. Improvements will also be made in the legal and judicial areas considered crucial to building investor confidence and the protection of property rights.

They will ensure a speedy review of the CBG Act as well as facilitate the process for the independence of the central bank from the government with full accountability.

The establishment of the Revenue Authority scheduled for mid-2004 will be accelerated to enable it to benefit from the creation of a large taxpayer unit with assistance from the IMF and World Bank.

5. The PRSP and HIPC Initiative

Implementation of the PRSP and progress towards meeting targets of the MDGs during the last two years have been hampered by crop failures of 2002, resulting in rising inflation and declining resources for spending on social services and poverty reduction. Financial support from the international community would have ensured that linkages between PRSP objectives and budget execution are strengthened to achieve growth targets. However, given the substantial shortfall of donor assistance in the pledges in support of the PRSP the authorities are facing a big shortage in resources for financing the PRSP priorities, and other recurrent expenditure needs. This development envisages a delay in meeting the HIPC completion point.

However, despite the above developments, the authorities have made considerable effort in financing social priority sectors which have shown marked improvements, namely; gross school enrollment rates at the lower basic and secondary levels for girls and immunization rates as well as provision of basic health facilities.

6. Non-complying disbursement

Weaknesses in the operational accounting and internal control procedures in the CBG were the primary causes of the misreporting that have led to the non-complying disbursements. The authorities have expressed their strong commitment to addressing these weaknesses to ensure safeguarding all resources at the disposal of the Bank. A series of measures have already been taken to enforce the immediate payment by foreign exchange bureaus of the overdue foreign currency through imposition of financial penalties. Legal action has been taken on defaulting forex bureaus and new foreign exchange bureau licensing regulations are being enforced. Several senior management personnel at the CBG have been replaced, including the Governor as well as the respective heads of the foreign exchange, financial control, and research departments. Other measures include the tightening of policy in the second half of 2003 which has led to a slow down in the rapid depreciation of the dalasi and moderate inflation.

In order to address the concerns on the quality of the previous audits of the CBG, the authorities have agreed to invite Fund staff to discuss the re-audit for financial years 2001 and 2002, including a separate and independent examination of the CBG external reserves to facilitate conducting the special audit.

Given the pattern of very low foreign exchange inflows into the country, particularly during the June to October 2004 period, and the need to further stabilize the exchange rate, the authorities are requesting to be allowed a period of twelve months within which to repay the non-complying disbursement.

7. Conclusion

The authorities are committed to implementing sound economic policies despite these unexpected setbacks they are experiencing. They are making efforts to address all issues in full cooperation with the Fund staff including adoption of an appropriate macroeconomic

framework for 2003 and beyond. The authorities intend to intensify efforts to build upon the gains already made to ensure fiscal prudence, strengthen governance, and implement broad-based economic and financial reforms to reduce poverty and achieve sustainable growth. They hope they can continue to count on the understanding and support of the IMF and indeed the rest of the international community in this endeavor.



INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 04/58
FOR IMMEDIATE RELEASE
May 18, 2004

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes 2003 Article IV Consultation with The Gambia

On March 8, 2004, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with The Gambia.¹

Background

Economic performance in The Gambia deteriorated substantially in 2002-2003. A collapse of the groundnut harvest in 2002 led to a contraction of real GDP by 3 percent while also affecting export revenues in 2003. At the same time, poor execution of monetary and fiscal policy, reflecting serious deficiencies in governance, caused the exchange rate to depreciate and inflation to surge: the dalasi depreciated by 60 percent in terms of the euro and by 45 percent in terms of the dollar in the two years to end December 2003, and the consumer price index rose by 18 percent in the year to December 2003. Critical quantitative performance targets and benchmarks under the IMF's Poverty Reduction and Growth Facility (PRGF) arrangement were missed and the program is now far off track.

In 2002, the reported overall fiscal deficit (excluding grants) reached 8.1 percent of GDP, compared with a target of 5.0 percent. Reserve money grew by 34 percent during the year, reflecting both the fiscal deficit and liquidity injections by the Central Bank of The Gambia (CBG) associated with foreign exchange losses. These losses resulted in part from questionable currency transactions by the CBG with local foreign exchange bureaus involving exceptionally

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

wide spreads. The lax monetary conditions in turn gave rise to a 70 percent increase in credit to the private sector and a 35 percent increase in broad money during 2002.

The government instituted some corrective measures during 2002 and 2003. Fuel prices were raised substantially from October 2002 to eliminate associated fiscal losses and a new National Emergency Fiscal Committee was created to monitor and approve expenditure allocations on a weekly basis. The majority of below-the-line government accounts were also closed. These actions helped to curtail unbudgeted spending and restrict the growth of noninterest current expenditure below budget projections. Treasury bill yields were raised from 15 percent in July 2002 to 31 percent by September 2003 and, starting in April 2003; minimum reserve requirements on deposits held by commercial banks were extended to include foreign currency as well as dalasi deposits and were increased in two steps from 14 percent to 18 percent.

In 2003, the fiscal deficit is estimated to have declined to 6.0 percent of GDP, compared with a budget target of 4.5 percent. Domestic revenue is estimated to have undershot the budget in 2003 by 2.7 percent of GDP, almost entirely due to a weaker than expected performance by the Customs and Excise Department in the first nine months of the year, but there was also compression in public expenditure. The fiscal deficit (including grants) was financed in full by the central bank, fuelling an increase in reserve money of 63 percent during the year. Broad money grew by 43 percent.

The authorities informed the IMF staff in October 2003 of a series of substantial errors in data transmitted to the IMF for the period 2001-2003: (i) US\$28.5 million of public spending from the foreign exchange reserves had not been recorded in central government or central bank accounts in 2001; (ii) the foreign exchange reserves had been wrongly credited during 2001-2003 with receipts of up to US\$16 million from foreign exchange bureaus which had not been delivered, and (iii) nearly US\$2 million in payments from the foreign exchange reserves for commissions on various external transactions had not been reported. Including these items in government accounts would, *inter alia*: (i) raise the level of public expenditure from 24 percent to 31 percent of GDP in 2001; (ii) raise the fiscal deficit (excluding grants) in 2001 from 8 percent to 15 percent of GDP; and (iii) reduce the level of gross official foreign exchange reserves at end-2003 from around 7 months of imports' cover to around 4½ months.

Progress with structural reforms in 2002-03 was limited. To facilitate export growth, the Trade Gateway Project was launched with World Bank support and The Gambia Investment and Free Zones Authority was established. The Gambia became eligible in January 2003 for preferential access under the U.S. African Growth and Opportunities Act. However, little was achieved on privatization or on the improvements in central bank governance and statistics identified under the Technical Cooperation Action Plan with the IMF.

Weaknesses persisted in all areas of fiscal management. In particular the planning, execution and monitoring of public expenditure was impeded by the failure to audit the fiscal accounts since 1991, to close and finalize the fiscal accounts beyond 1999, and to complete entries into the general ledger beyond November 2001.

In 2001, The Gambia ranked 149th on the human development index. It is likely that poverty has increased markedly since 2001, owing to the crop failures of 2002, rising inflation, and limited provision of income support and social services. Macroeconomic performance has fallen well short of the framework laid out in The Gambia's Poverty Reduction Strategy Paper (PRSP). The completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative cannot now be reached before 2005, at the earliest. The first progress report on the PRSP is scheduled for completion in early 2004.

Executive Board Assessment

Directors observed that sustained shortcomings in governance and the conduct of economic policy, compounded by poor weather in 2002, had contributed to a deteriorating macroeconomic performance in The Gambia in recent years. They noted, with concern that the rising rates of monetary growth since 2000, reflecting the Central Bank of The Gambia's financing of high fiscal deficits, quasi-fiscal expenditure, and central bank losses, had led to a sharp depreciation in the exchange rate and a surge in inflation. At the same time, policy and governance concerns held up external budgetary assistance. They saw these conditions as contributing to an increase in poverty and to setting back the country's medium-term development strategy.

Directors observed that restoring macroeconomic stability and re-establishing the conditions for sustainable growth and poverty reduction requires resolute actions on the authorities' part to improve governance, without which no sustained improvement in economic conditions is possible, and to enhance the management of fiscal and monetary policy, and to pursue structural reforms.

Directors stressed the urgency of combating incipient inflationary pressures by taking immediate measures to tighten fiscal and monetary policy. They observed that, despite efforts to rein in public expenditure through cash budgeting, fiscal slippages had continued throughout the period, boosted by large unbudgeted spending. They saw the need to rein in the budget deficit, which is projected to rise in 2004, to reduce financing demands on the CBG and crowding out of private investment.

In this regard, Directors welcomed the recent improvement in the control of cash outlays on non-interest, non-wage expenditures by the National Emergency Fiscal Committee (NEFCOM) and measures to strengthen tax administration. They looked forward to passage of the organic budget law and further controls over spending as well as the formation of the Revenue Authority and a large taxpayer unit in 2004, reinforced by further efforts to collect arrears and improve customs procedures and the administration of duty exemptions. Most Directors also recommended revenue raising measures, including broadening the sales tax base and raising its rate on imported goods, and enhancing taxation of the tourist and re-export sectors. They noted the importance of minimizing any potential adverse effects on the poor.

Directors also stressed the need to strengthen monetary policy, and the vital importance of improving the CBG's internal organization, procedures, and controls. To help achieve the monetary growth targets, they recommended that the authorities use greater flexibility in interest

rates and strictly enforce reserve requirements. While recognizing the urgent need to increase holding of official bills by the private sector, some Directors advised separating liquidity management from government debt management, and in particular, reducing reliance on primary issuance of treasury bills for liquidity management. Directors underscored the importance of reviewing the Central Bank of The Gambia Act with a view to ensuring its conformity with a modern central bank law, and within this context, providing more operational independence for the CBG.

Directors expressed strong disappointment with the authorities for the serious misstatements in data previously provided to the Fund for the period 2001-2003, and the inadequate provision of detailed revisions to Fund staff. They welcomed the recently expressed willingness of the authorities to discuss measures with Fund staff to verify the CBG's financial statements and the foreign exchange reserves, but stressed the need to conduct a special audit covering the CBG's foreign exchange activities since end-2000 and a re-audit of the 2001 and 2002 financial statements. Directors also underscored the need for improvements in management of the CBG to prevent a recurrence of losses, such as those incurred in recent foreign exchange transactions.

Directors emphasized that the country's compliance with the Fund's safeguards assessment policy is critical to regaining access to Fund resources. They stressed the need for the CBG to comply rigorously with agreed disclosure and accounting procedures so that regular monitoring of monetary developments, including provision of data to the Fund, could be fully resumed.

To further strengthen disclosure, Directors also advocated immediate measures to bring the recording of government accounts up to date and to close expeditiously the accounts from 2000 onwards; they indicated that there should be no further delay in the auditing of the 1991-99 accounts. As poor economic data have seriously impaired the assessment of recent economic developments and policy adjustments, Directors emphasized the urgency of improving the quality of a wide range of economic statistics. They noted also their concern whether The Gambia is meeting the provisions of Article VIII, Section 5. Directors strongly urged the resumption of systematic publication of economic data.

Directors noted that medium-term prospects, in particular for raising the living standards of the poor, would continue to depend largely on the performance of agriculture, including groundnuts. They observed that a coordinated policy approach to ensure the security of high-quality seed supply and other agricultural inputs, and extended irrigation schemes and improved marketing arrangements could lessen substantially the adverse impact of inevitable weather-related shocks.

Directors also stressed the need for improved access to finance for smallholders, as well as, more generally, for small and medium-sized enterprises. They assessed that the recent sharp decline in the real exchange rate had substantially increased export incentives and had thereby improved prospects for the long-overdue diversification of the economy. They added that a resumption of the stalled privatization program and the implementation of measures under

consideration to provide redress against abuse of property or contractual rights would further improve the business environment.

Directors regretted that the program supported by the PRGF had gone far off track during 2003, and that prospect for reaching the completion point under the enhanced HIPC Initiative had receded. They observed that if the authorities take actions to address the deteriorating economic situation and major governance issues, this would facilitate a resumption of discussions, leading to further possible support under a PRGF arrangement.

Directors noted that technical assistance, including that under the Technical Cooperation Action plan, would help improve the quality of monetary and fiscal institutions, and also of essential statistics. In view of the assistance the authorities have already received, they stressed that resolute action is now needed to implement previous recommendations.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board. The Staff Report for the 2003 Article IV Consultation with The Gambia is also available.

The Gambia: Selected Economic and Financial Indicators, 2000-03

	2000 Prel.	2001 Prel.	2002 Prel.	2003 Proj.
(Annual percentage changes, unless otherwise indicated)				
Domestic economy				
Real GDP	5.5	5.8	-3.2	8.8 1/
Nominal GDP	9.4	21.8	12.3	39.5 1/
GDP deflator	3.6	15.2	16.1	28.3
Consumer price index (period average)	0.9	4.5	8.6	17.0
Groundnut production (in thousands of metric tons)	138.0	151.0	71.5	127.0 1/
External sector				
(In percent of GDP)				
Current account balance				
Excluding official transfers	-10.6	-10.8	-12.8	-13.8
Including official transfers	-3.1	-3.5	-2.2	-5.1
(Annual percentage changes, unless otherwise indicated)				
Exports, f.o.b. (in U.S. dollars)	5.3	-19.7	9.2	-8.1
Imports, c.i.f. (in U.S. dollars)	0.5	-23.8	10.7	-3.9
Money and credit (end-of-period stocks)				
Broad money	34.8	19.4	35.3	43.4
Credit to the private sector and public enterprises	10.3	12.8	72.3	48.0
Reserve money	16.8	21.0	34.1	62.7
Treasury bill rate (in percent; end of period)	12.0	15.0	20.0	31.0
(In percent of GDP)				
Central government budget 2/				
Balance, excluding grants 3/	-3.7	-14.9	-8.1	-6.0
Balance, including grants	-1.4	-13.9	-4.6	-5.4
Total expenditure and net lending	22.1	31.1	25.4	22.7
Domestic revenue	18.5	15.1	16.3	15.3
Stock of domestic debt	31.5	38.1	36.6	24.6
(In millions of U.S. dollars, unless otherwise indicated)				
Current account balance				
Excluding official transfers	-44.5	-45.0	-47.0	-50.5
Including official transfers	-13.2	-14.5	-8.0	-18.8
Gross official reserves 4/	111.4	63.8	64.1	58.7
In months of imports, c.i.f.	7.0	5.3	4.8	4.6
(In percent of exports and travel income)				
External debt service 5/	15.4	18.5	7.8	9.8

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

1/ Projection based on the crop survey conducted by the FAO in October 2003. The authorities now estimate the groundnut crop to be around 90,000 metric tons, which would imply lower real GDP growth of about 7 percent in 2003.

2/ Adjustments have been incorporated for previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia.

3/ Excluding HIPC Initiative and PRSP expenditure.

4/ Adjustments have been incorporated for previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

5/ Servicing of public external debt after HIPC grants in percent of exports and travel income.

In 2000 and 2001, the increase in debt service reflects in part payments to Alimenta. Any accumulation of arrears is excluded.