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

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

- The staff report for the Second Review Under the Thee-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver and Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that November 10, 2007, with 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 December 10, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its December 19, 2007 discussion of the staff report that completed the review and request.

- A statement by the Executive Director for The Gambia.

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

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

*Also included in the Staff Report

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

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

Prepared by the African Department

(In consultation with other departments)

Approved by Hugh Bredenkamp and Matthew Fisher

December 10, 2007

- Discussions on the second review of the Poverty Reduction and Growth Facility (PRGF) arrangement were held in Banjul October 27–November 10, 2007. The mission met with President Jammeh; Mr. Bala-Gaye, Secretary of State for Finance and Economic Affairs; Mr. Saho, Governor, Central Bank of The Gambia); other senior officials; and representatives of the financial sector and the donor community.
- The mission team comprised Messrs. Tsikata (head), Srour, Sriram (all AFR), Marsh (PDR), and Segura (Resident Representative). Ms. Lephoto (OED) participated in the discussions.
- The Executive Board approved a three-year PRGF arrangement for The Gambia in February 2007 in the amount of SDR 14 million (45 percent of quota). The first review was completed on August 29, 2007. Upon completion of this second review, a disbursement of SDR 2.0 million (6.43 percent of quota) will become available.
- The Gambia reached the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative decision point in December 2000. Fund and World Bank staff are recommending that the Executive Boards determine that The Gambia has reached completion point.

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EXECUTIVE SUMMARY

The Gambia has enjoyed robust growth and relatively low inflation for the last three years, mainly because macroeconomic policy has been strengthened since late 2003.

Program performance has been commendable. All quantitative targets for end-September 2007 were met, and six of eight structural measures have either been met or are on schedule. The authorities are seeking a waiver for nonobservance of one structural performance criterion.

Given findings that The Gambia will be at high risk of debt distress even after HIPC and MDRI relief, the authorities agreed to limit contracting of new external loans. However, they intend to commission their own debt sustainability analysis when they formulate a national debt strategy and would like the limits to be revisited in future program reviews.

Maintaining fiscal discipline will be vital for achieving program objectives. This will require commitment at the highest political levels to avoid extra budgetary expenditures, keep public debt sustainable after debt relief, and ensure that budgets reflect PRSP priorities.

The mission expressed concern that much of the proceeds from the sale of GAMTEL shares has been earmarked for the military and security services. It urged the authorities to apply the resources to PRSP-related priorities or pay down domestic debt.

A sharp appreciation of the dalasi in the third quarter resulted mainly from a change in market sentiment as several banks unwound long net open positions. Significant purchases of foreign currency by the Central Bank of The Gambia (CBG) in September calmed the market and stabilized the exchange rate. Staff advised the CBG not to resist market corrections to the exchange rate.

Fund and World Bank staffs are recommending that the Boards approve the completion point for The Gambia under the Enhanced HIPC Initiative.

I. Introduction

1. **The Gambia's PRGF-supported program is designed to lower domestic public debt and stimulate private investment.** Structural reforms include measures to strengthen public financial management and accountability, enhance internal controls and the operational independence of the CBG, and deepen financial intermediation.

2. **Policy discussions for the second review focused mainly on debt sustainability, the 2008 government budget, and the recent appreciation of the dalasi.** Discussions were guided by the results of debt sustainability analyses (DSAs) by Fund and World Bank staffs, draft budget proposals, and staff analysis of factors driving recent foreign exchange market developments.

3. **Fund and World Bank staffs are recommending that the Boards approve the completion point for The Gambia under the Enhanced HIPC Initiative.**[1] The authorities intend to use resources freed by debt relief to increase poverty-reducing expenditures (MEFP, ¶35).

II. Recent Developments and Performance on the Program

4. **Macroeconomic stability over the last few years has sustained foreign exchange inflows and vibrant economic activity.** Real GDP growth averaged 6.2 percent for 2004–06, led by the tourism, construction, and telecommunications sectors. Growth is projected to reach 7 percent for 2007.

5. **Inflation stabilized at 6 percent in recent months after accelerating markedly in the first half of the year when food prices surged (Figure 1)** as a result of disruptions in the supply of some foodstuffs from Guinea and Guinea Bissau and increases in import costs (e.g., rice). Inflation pressures abated with the appreciation of the dalasi and a slowdown in the growth of broad money.

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

	2006	2007:Q1-Q3	2007	
	Act.	Act.	1st rev.	2nd rev.
Revenue	21.2	17.1	22.0	22.1
Grants	1.7	1.7	8.5	6.3
Expenditure and net lending	29.2	16.0	28.7	25.4
Current expenditure	18.1	12.0	15.4	16.6
Of which: domestic interest payments	4.8	4.1	3.8	3.7
Capital expenditure	10.5	3.5	12.5	8.4
Of which: externally financed	9.9	3.1	11.2	7.4
Net lending	0.4	0.5	0.5	0.4
Contingency	0.1	0.0	0.3	0.0
Basic balance[1]	1.5	4.2	4.4	4.1
Overall balance	-6.3	2.9	1.8	2.9
Statistical discrepancy	-0.5	-0.4	-0.2	-0.4
Financing	6.8	-2.4	-1.6	-2.5
External (net)	5.2	-1.2	3.2	0.8
Domestic	1.6	-1.2	-4.8	-3.3
Of which: net borrowing	2.4	-0.9	-2.2	-3.1
Of which: change in arrears (- decrease)	-1.6	-2.3	-2.7	-2.7

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Domestic revenue minus expenditure and net lending, excluding externally financed capital expenditures.

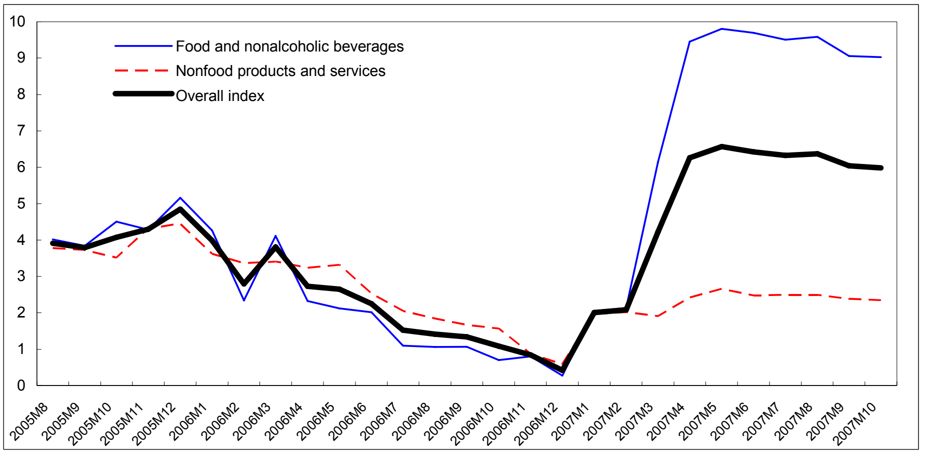
6. **Fiscal performance in the first three quarters of 2007 has been strong.** The fiscal basic balance registered a surplus of about 4 percent of annual GDP. Tax collections were unexpectedly high, interest payments lower, and telecommunication license fees due in 2006 were paid.[2] Wages stayed within budget bounds, but expenditures on goods and services were

[1] See www.imf.org.

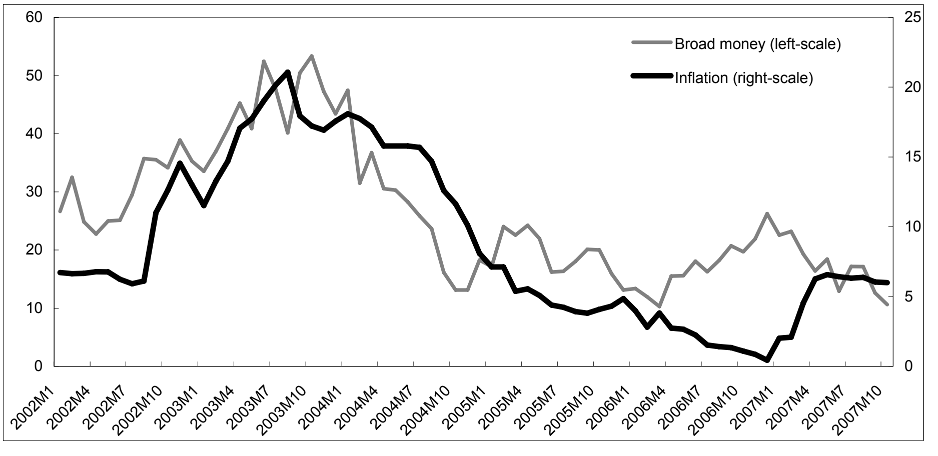
[2] The basic balance excludes externally financed capital spending.

Figure 1. The Gambia: Inflation, Money, and Exchange Rate Developments

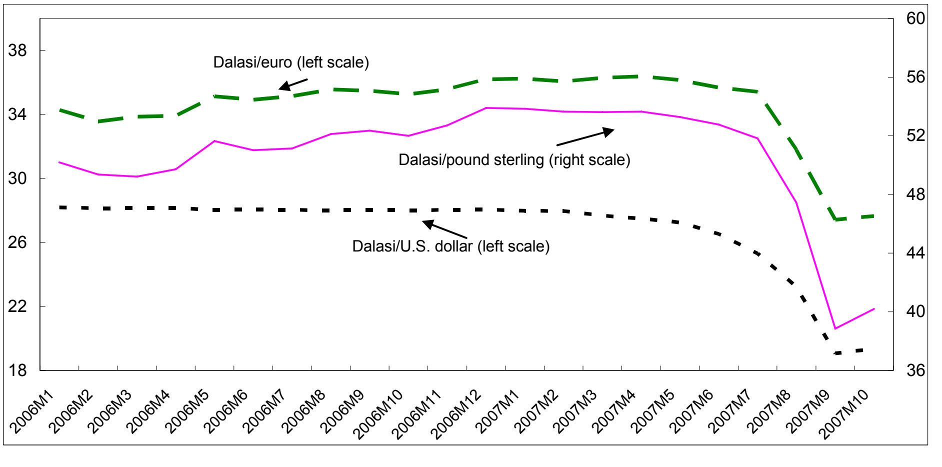
A spike in food prices drove inflation above 6 percent in 2007Q2.



But, looking ahead, a slowdown in broad money growth...



...and dalasi appreciation should ease inflationary pressures.



Source: Gambian authorities.

augmented by a supplementary budget (0.5 percent of GDP) and a drawdown of privatization proceeds (0.4 percent of GDP). Domestic arrears rose by about $2 million (0.3 percent of GDP), but the authorities are on track to fully repay all domestic arrears by the end of 2008 (MEFP, ¶5).

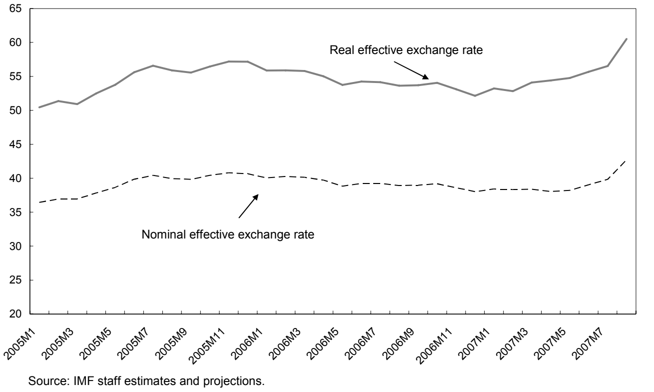
7. **Monetary growth slowed significantly in 2007 as fiscal performance improved.** In the 12 months ending September 2007 nearly all the growth in broad money came from an increase in banking system net foreign assets; net claims on the central government fell, and lending to the private sector stagnated. Banks point to weaknesses in the legal system and associated high credit risk as the main reason for minimal lending. In recent months, exchange rate volatility appears to have sidelined some major borrowers in redistributive trades.

8. **Reserve money growth also slowed.** Dalasi liquidity was tight early in the new year, when the CBG sterilized the impact of large foreign exchange purchases it made late in 2006, and again in August, when the CBG issued large amounts of treasury bills, partly to build up balances in the treasury bill special deposit account. The withdrawal of liquidity in August added to pressures on the dalasi to appreciate.

9. **After a spike in the first quarter, treasury bill yields have fallen.** The spike reflected CBG sterilization of the impact of very large purchases of foreign exchange in December 2006. Annual yields are now at 6–7 percent in real terms. Commercial bank lending rates remain high; the median is about 15 percent in real terms. As inflation accelerated, in June 2007 the CBG increased its rediscount rate from 14 percent to 15 percent. Although inflation pressures have abated, the CBG decided to leave the rate unchanged in October, citing the risks posed by rising oil prices.

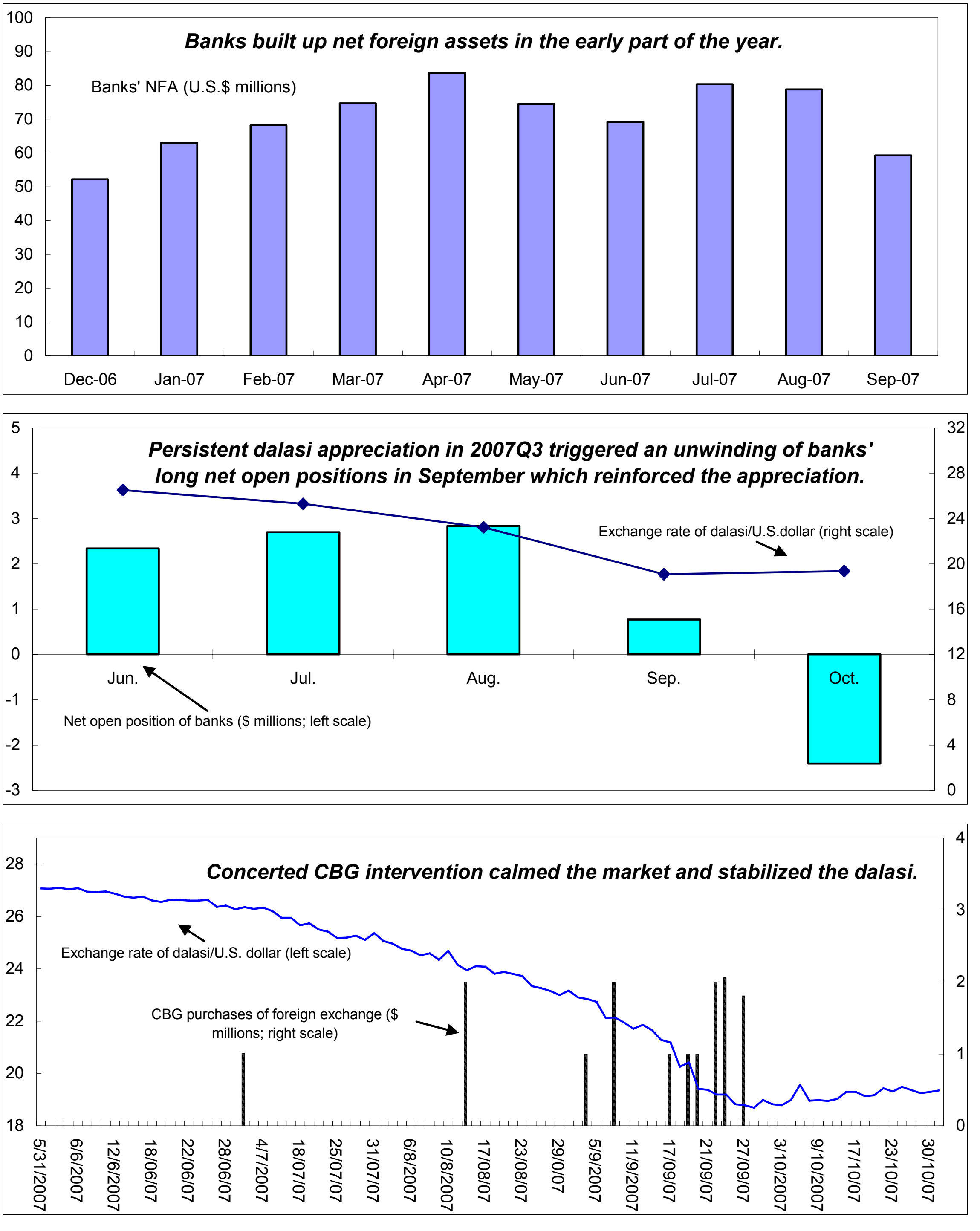
10. **The dalasi appreciated by about 30 percent in the third quarter on a marked shift in market sentiment (Figure 2).** A buildup of commercial bank net foreign assets earlier in the year contributed to a steady increase in demand for dalasi and a noticeable pickup in its appreciation in July. Banks confirmed to the mission that concerns about valuation losses from further dalasi appreciation led several of them to unwind long net open positions in September. This action reinforced the appreciation trend. It was only after determined intervention by the CBG starting in mid-September that the appreciation abated. The CBG also tightened its enforcement of prudential regulations related to net open positions. The real effective exchange rate has appreciated noticeably since July.

Nominal and Real Effective Exchange Rate Indexes, January 2005–August 2007 (2000 = 100)



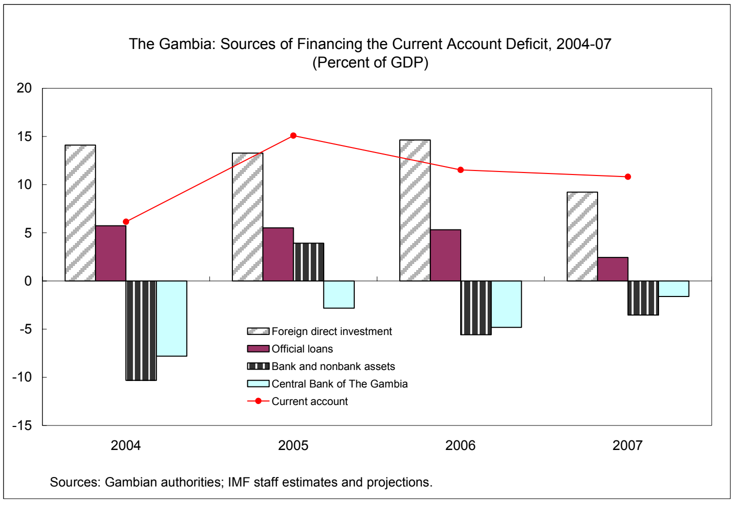
Source: IMF staff estimates and projections.

Figure 2. The Gambia: Dalasi Appreciation in 2007



Source: Gambian authorities.

11. **The external current account deficit (including official transfers) narrowed in 2006 and is expected to narrow further in 2007, driven by higher export and tourism earnings.** Groundnut exports have recovered from their 2005 collapse, and tourist arrivals reached record levels in 2006/07. The current account deficit has been financed largely by inflows of foreign direct investment and official loans.



12. **Performance on the program is still good.** The mission confirmed that all quantitative targets for end-September 2007 were met, and nearly all the structural measures slated for the second half of 2007 have either been met or are on track (MEFP, ¶10 and Tables 1 and 2). The performance criterion on monthly reporting on budget execution was only partially met; recent reports to staff have been incomplete and inconsistent with analytical fiscal tables submitted at the same time. The authorities are requesting a waiver.

III. Program Discussions

13. **The policy discussions were guided by an updated medium-term macroeconomic framework (Tables 1–5)**. The main changes since the first review are (i) slightly higher growth due to more externally financed public investment; (ii) slightly higher inflation, reflecting a revised global outlook and the impact of proposed civil service pay increases; (iii) lower fiscal basic balances for 2008 and 2009 because of civil service pay increases and spending on goods, services, and capital projects; and (iv) additional financing from privatization proceeds, contributing to a faster reduction of domestic debt.

The Gambia: Revisions to the Macroeconomic Framework
(Percent of GDP, unless otherwise indicated)

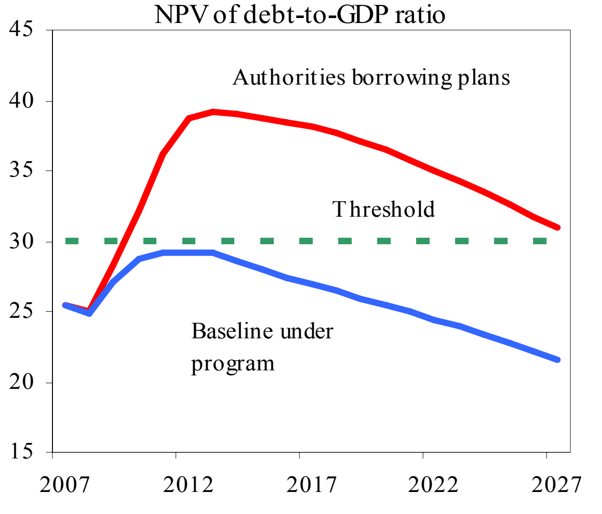
	Original Program			First Review			Second Review		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Real GDP growth (percent)	7.0	6.0	6.0	7.0	6.0	6.0	7.0	6.5	6.5
Annual average inflation (percent)	3.2	3.5	3.2	5.0	4.5	3.5	5.0	5.0	5.0
Fiscal basic balance	3.1	2.4	2.6	4.4	3.0	2.7	4.1	1.4	1.6
Government net domestic borrowing	-0.6	-1.0	-0.8	-2.2	-1.0	-1.3	-3.1	-1.8	-0.7
Gross domestic interest-bearing debt	29.8	25.9	22.6	29.0	25.9	22.1	29.6	24.3	20.8
External current account deficit, including official transfers	12.9	11.7	10.7	12.9	12.6	12.5	10.8	12.2	11.8
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	2.3	2.2	0.0
Net official external borrowing[1]	9.5	9.3	9.7	11.5	12.3	11.1	7.7	11.3	11.5

[1]Official transfers plus net official loans.

A. Debt Sustainability

14. **The mission presented analysis showing The Gambia to be at high risk of debt distress after HIPC and MDRI relief and advised that new borrowing be limited.** Even after HIPC and MDRI relief, debt ratios fall close to their policy-based thresholds, and disbursements of recent loans will increase debt ratios after the completion point. Staff urged the government to draft a comprehensive debt strategy and step up engagement with donors to obtain more grants.

15. **The authorities agreed to limit the contracting of new concessional loans.**[3] They provided a list of projects worth $300 million (50 percent of GDP) for which they hoped to sign loans of about $130 million by end-2008. They consider these projects—road, education, and energy infrastructure investments—central to their development strategy. Staff described the implications of these borrowing plans (see chart), and suggested that new loans be limited to keep the NPV of debt-to-GDP ratio below 30 percent (the LIC DSA sustainable threshold for The Gambia). Limits have been set through 2009; they will be revisited during program reviews (MEFP, ¶22).



The Gambia: Limits on New External Borrowing

(Millions of U.S. dollars)

	2007 1/	2008	2009
Nominal value of new loans	7.7	50.0	25.0
NPV of new loans	4.2	27.5	13.8
Cumulative indicative limit (NPV)	4.2	31.7	45.5

1/ From October 1, 2007.

[3] The program continues to have a zero limit on the contracting of nonconcessional loans (those with less than 45 percent grant element).

B. Fiscal Policy and Related Structural Reforms

16. **The recent sharp appreciation of the dalasi is likely to dampen revenue growth in the short term** by reducing revenue from import taxes (through the valuation effect) and corporate taxes (reflecting commercial banks losses on foreign exchange operations). Nonetheless, the overall fiscal position for 2007 is expected to be better than originally projected because tax administration has improved.

17. **The authorities intend to raise civil service salaries substantially in the medium term to stem the exodus of highly trained staff.**[4] They have scheduled an increase that will raise wages from an expected 4.5 percent of GDP in 2007 to 5.1 percent in 2008 and 6 percent in 2009. The 2009 increase will be implemented as part of a comprehensive civil service reform strategy being prepared with World Bank support (MEFP, ¶¶17–18).

18. **The mission expressed concern that much of the proceeds from the recent sale of 50 percent of the Gambia Telecommunications Company (GAMTEL) has been earmarked for spending on the military and security services (MEFP, ¶19).** It recommended that the resources be used for high priority PRSP-related spending or repayment of domestic debt. The authorities insisted that investment in military and security infrastructure was necessary to maintain stability. On the selection of the strategic investor, the mission cautioned that bypassing the established privatization procedures raises questions about whether the state got the best value from the sale. The authorities explained that GAMTEL was in such bad financial shape that urgent action was required and that the offer was carefully evaluated (MEFP, ¶4).

19. **Maintaining fiscal discipline is vital for achieving program objectives.** The Integrated Financial Management Information System (IFMIS) has contributed to ensuring that budget execution is in line with appropriations. However, IFMIS does not capture commitments related to externally financed projects. The authorities have agreed to establish a register of current and new capital projects to track the government's financial commitments under project agreements (MEFP, ¶20). On the revenue side, the authorities are continuing to enhance tax administration through increased staffing, training, and equipment for the Gambia Revenue Authority.

20. **In the medium term the fiscal stance is now looser than in the original program, but the domestic debt falls faster.** The cumulative basic balance surplus for 2007–09 is now projected to be lower than expected due to higher expenditures, but interest payments have come down faster than expected, and the proceeds from GAMTEL privatization (equivalent to 4.5 percent of GDP) are providing a nondebt-creating source of funding. Domestic debt is now projected to fall from about 32 percent of GDP as of 2006 to less than 21 percent by the end of 2009 (almost 2 percentage points of GDP lower than originally projected).

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[4] A recent World Bank civil service reform mission noted that even with an 80 percent increase proposed by a Salary Commission, civil service salaries in The Gambia will be low by LIC and African standards.

C. Monetary and Exchange Rate Policies and Related Structural Reforms

21. **The CBG will continue using money targeting to pursue price stability, but will also use the rediscount rate to signal changes in policy.** This will be done within a flexible exchange rate regime. The CBG characterizes the exchange rate regime as a free float but also has an intervention policy geared to meeting debt service obligations, maintaining an international reserves buffer, and addressing temporary market disorders. Staff classifies the exchange rate regime as a managed float.

22. **The mission discussed the significant shift in monetary policy that occurred in the third quarter.** Consistent with the decision to increase the rediscount rate in June, CBG monetary operations in July and August withdrew liquidity from the economy. However, an acceleration in dalasi appreciation forced the CBG to change tack in September, when it made substantial purchases of foreign exchange to calm the market. The mission recommended that since the sharp appreciation was driven by market sentiment rather than by fundamentals, the CBG should not resist market corrections to the rate.

23. **With hindsight, monetary policy in August may have been too tight.** Significant liquidity was being withdrawn from the market through treasury bill sales at a time when the dalasi was appreciating. Furthermore, it appears that the volume of treasury bills issued was partly intended to increase the balance in the treasury bill special deposit account, which was unusually low.[5] The CBG's unsterilized intervention in the foreign exchange market represented an appropriate easing of liquidity conditions.

24. **The mission welcomed the memorandum of understanding (MOU) on domestic debt management and monetary operations signed by the Department of State for Finance and Economic Affairs (DoSFEA) and CBG in September.** The MoU provides a framework for cooperation and coordination of policies. The mission noted that the government's transfer of substantial amounts from the treasury bill special deposit account in December 2006 and January 2007 constrained monetary operations during 2007. DoSFEA and the CBG agreed to find a way to gradually replenish the treasury bill special deposit account.

25. **The mission welcomed steps toward deepening financial intermediation.** Plans to make the Credit Reference Bureau fully operational by end-March 2008 are proceeding apace (MEFP, ¶28), and the CBG has introduced a Prompt Corrective Action Framework to ensure that banks stay sound (MEFP, ¶29).

D. Program Monitoring and Risks

26. **The program targets have been extended through 2008 (MEFP, Tables 3 and 4).** An indicative limit on the NPV of new external concessional borrowing has been added, and the targets on the fiscal basic balance for end-March and end-June 2008 have been revised

[5] The special deposit account is used for monetary operations involving the sale and redemption of treasury bills.

downward. Establishment of a central register of capital expenditure commitments and further efforts to clear the backlog of unaudited government accounts have been added to structural conditionality. The resubmission of corrected budget execution reports for July-September 2007 and the report for October are prior actions for Board consideration of the second review. The implementation of two end-December 2007 structural performance criteria will be assessed under the third review, which is expected to be completed by end-July 2008 (Table 6).

27. **The main risks to the program are failure to maintain fiscal discipline, excessive external borrowing, and capacity constraints in the civil service.** A commitment at the highest political levels is needed to avoid extra budgetary expenditures, keep public debt sustainable after debt relief, and ensure that budget formulation and execution reflect PRSP priorities. If domestic debt does not fall enough, or if additional arrears are identified, the program will require cuts in non-PRSP-related spending or mobilization of additional revenue. Shortfalls in external assistance would jeopardize the program's growth and poverty-reduction objectives, but for debt sustainability reasons external assistance should be mainly in the form of grants or very highly concessional loans. The proposed civil service reform program should help rebuild capacity in the civil service. A worrisome risk to The Gambia's debt sustainability is a significant weakening of the exchange rate. If that happens, the indicative limits on external borrowing will be tightened.

IV. Staff Appraisal

28. **Performance on the program is good.** This reflects strong ownership and policy implementation by the authorities. In particular, fiscal performance has been solid, thanks to better tax administration and expenditure control.

29. **To make progress toward debt sustainability, the authorities need to rely mainly on grants rather than loans to finance development.** The borrowing plans the authorities shared with the mission cast doubt on their commitment to limit external borrowing, but after staff presented the DSA results, they agreed to indicative limits on new borrowing to prevent debt ratios from rushing back to pre-decision-point levels.

30. **Lowering domestic debt requires fiscal discipline.** Though important for monitoring budgeted expenditures, IFMIS does not cover commitments associated with externally financed projects. The planned register of current and future capital projects, if properly maintained, should address this weakness in public financial management. **The authorities should use proceeds from the sale of shares in GAMTEL to boost PRSP-related expenditures and reduce domestic debt.**

31. **Current monetary policy seems generally appropriate because inflation pressures seem to be abating.** Because the appreciation of the dalasi in the third quarter, while helpful on the inflation front, seems to have reflected a change in market sentiment rather than fundamentals, the CBG should not resist market correction.

32. **Staff recommends that the waiver requested by the authorities be granted, and that the second review of the PRGF arrangement be completed.** The authorities have revised the monthly report on budget execution and corrected errors in the reports submitted in the third quarter.

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

	2004	2005	2006	2007		2008	2009
	Act.	Act.	Act.	1st rev.	Proj. 2nd rev.	Proj. 2nd rev.	Proj. 2nd rev.
	(Annual percentage changes, unless otherwise indicated)						
National income and prices							
Nominal GDP (millions of dalasis)	12,042	13,182	14,248	15,918	16,007	17,900	20,017
Nominal GDP	20.1	9.5	8.1	11.7	12.4	11.8	11.8
GDP at constant prices	7.0	5.1	6.5	7.0	7.0	6.5	6.5
Consumer price index (period average)	14.3	5.0	2.1	5.0	5.0	5.0	5.0
Consumer price index (end of period)	8.1	4.8	0.4	5.0	5.0	5.0	5.0
External sector							
Exports, f.o.b.[1]	10.5	-16.5	3.9	6.2	4.5	3.9	4.5
Of which: domestic exports	47.5	-72.4	143.7	10.8	17.7	3.5	4.7
Imports, f.o.b.[1]	46.2	10.2	-0.6	17.6	21.5	17.8	0.9
Terms of trade[2]	-10.2	-13.8	-3.0	-0.6	-0.3	0.7	1.6
Nominal effective exchange rate (period average)	-11.3	4.2	3.0	…	...	...	...
Real effective exchange rate (period average)	-1.2	4.5	1.3	…	...	...	...
Money and credit	(Percent change; in beginning-of-year broad money)						
Broad money	18.3	13.1	26.2	8.0	8.6	11.8	11.8
Net foreign assets	28.8	0.3	17.8	12.6	-3.6	4.1	3.9
Net domestic assets	-10.5	12.8	8.5	-4.6	12.2	7.7	7.9
Credit to the government (net)[3]	-10.6	6.3	3.8	-1.6	-3.8	-2.1	-0.6
Credit to the private sector and public enterprises	-6.5	5.5	8.4	2.6	2.8	3.7	4.0
Claims on foreign exchange bureaus	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Other items net	7.7	1.0	-3.7	-5.6	13.2	6.1	4.5
Velocity (GDP/average broad money)	2.4	2.3	1.9	2.0	2.0	2.0	2.0
Yield on treasury bills (percent per year)[4]	28.0	12.5	10.4	…	11.6	…	…
	(Percent of GDP)						
Gross investment	29.0	26.8	27.9	27.7	23.6	24.9	24.0
Gross domestic savings	8.0	4.1	10.6	4.1	5.3	5.0	5.7
Gross national savings	22.8	11.7	16.4	13.3	12.8	12.8	13.2
Central government budget							
Domestic revenue	20.9	19.7	21.2	22.0	22.1	21.1	21.1
Grants	4.5	1.7	1.7	8.5	6.3	3.9	4.1
Total expenditure and net lending	31.1	30.0	29.2	29.1	25.4	29.1	29.6
Overall balance, including grants	-6.2	-9.2	-6.8	1.4	2.9	-4.1	-4.3
Basic balance[5]	2.4	-0.1	1.5	4.3	4.1	1.4	1.6
Basic primary balance[6]	9.6	8.5	8.4	9.2	9.0	4.9	4.7
Net foreign financing	5.7	5.5	5.2	3.2	0.8	4.6	5.0
Net domestic financing	0.5	3.7	1.6	-4.7	-3.3	-0.5	-0.7
Stock of domestic public debt	32.9	35.5	32.2	28.9	29.6	24.3	20.8
External sector							
Current account balance							
Excluding official transfers	-14.7	-20.2	-14.7	-19.4	-16.1	-17.5	-17.0
Including official transfers	-6.1	-15.1	-11.5	-12.9	-10.8	-12.2	-11.8
	(Millions of U.S. dollars, unless otherwise indicated)						
Current account balance							
Excluding official transfers	-58.9	-93.4	-74.7	-111.1	-104.1	-138.7	-146.3
Including official transfers	-24.6	-69.6	-58.4	-73.8	-70.1	-96.7	-101.4
Overall balance of payments	31.3	13.0	24.4	10.8	10.4	-3.1	-2.1
Gross official reserves	84.0	96.6	118.6	120.2	120.0	130.0	140.0
In months of imports, c.i.f.	4.3	4.5	5.5	5.7	4.8	4.9	4.5
External public debt							
Stock[7]	580.7	628.2	676.7	266.9	323.4	377.0	436.7
Stock (percent of GDP)	146.5	134.7	133.6	46.1	49.9	47.5	50.7
Net present value of debt (percent of exports)[8]	...	215.4	101.9	114.0	106.8	118.5	130.6
External debt service (percent of exports)[8]	17.7	17.7	16.5	13.1	18.5	7.0	7.0
Use of Fund resources	(Millions of SDRs)						
Purchases/disbursements	0.0	0.0	0.0	4.0	4.0	4.0	4.0
Repurchases/repayments	-7.6	-1.4	-2.7	-2.8	-2.8	0.0	0.0
Credit outstanding	15.9	14.6	11.8	…	…	…	…

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

[1] Computed based on values in U.S. dollars.

[2] Excluding reexports and imports for reexport.

[3] Including advances to the government in foreign currencies.

[4] Weighted average for all maturities based on weekly auction data for the month of December for 2004-06, and for October for 2007.

[5] Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.

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

[7] Assuming HIPC and MDRI debt relief is delivered at end-2007.

[8] Exports of goods and nonfactor services (not including reexports).

Table 2. The Gambia: Central Government Operations, 2005–10

(Millions of dalasis, unless otherwise indicated)

	2004	2005	2006	2007			2008		2009	2010
	Act.	Act.	Act.	Budget	1st rev.	Proj. 2nd rev.	1st rev.	Proj. 2nd rev.	Proj. 2nd rev.	Proj. 2nd rev.
Revenue and grants	3,065.0	2,823	3,261	4,402	4,854	4,536	4,559	4,476	5,062	5,539
Revenue	2,517.8	2,603	3,021	3,322	3,504	3,535	3,698	3,771	4,232	4,699
Direct tax	606.3	682	803	861	906	929	969	1,017	1,130	1,255
Domestic tax on goods and services	291.4	375	475	581	592	576	654	645	717	796
Tax on international trade	1,347.0	1,206	1,413	1,463	1,553	1,588	1,637	1,701	1,922	2,134
Nontax revenue	273.1	340	330	416	453	441	438	408	464	515
Grants	547.2	220	240	1,080	1,350	1,001	861	705	829	840
Of which: Projects	395.7	203	223	903	903	554	826	669	803	822
Of which: MDRI assistance from IMF		0	0	0	398	398	0	0	0	0
Expenditure and net lending	3,750.4	3,961	4,155	4,512	4,630	4,064	4,882	5,205	5,918	6,153
Current expenditure	2,035.8	2,420	2,584	2,531	2,513	2,653	2,589	2,812	3,118	3,371
Wages and salaries	517.5	554	653	765	765	724	840	918	1,193	1,324
Other charges	583.8	736	1,010	920	920	1,147	905	1,143	1,189	1,320
Interest	867.9	1,131	921	846	808	782	715	622	605	589
External[1]	234.6	241	232	231	199	197	118	72	83	90
Of which: saving from MDRI relief					-26	-10	-99	-117	-109	-103
Domestic	633.3	890	689	615	609	585	598	550	522	499
HIPC and MDRI financed	66.6	0	0	…	20	0	129	129	131	138
							0	0	0	0
Capital expenditure and net lending	1,710.1	1,419	1,556	1,936	2,067	1,411	2,188	2,333	2,720	2,693
Capital expenditure	1,733.5	1,450	1,493	1,864	1,995	1,339	2,117	2,223	2,589	2,553
Externally financed	1,517.0	1,341	1,416	1,606	1,786	1,188	1,703	1,694	2,013	2,083
Loans	1,121.3	1,138	1,176	704	883	634	877	1,024	1,211	1,261
Grants	395.7	203	240	903	903	554	826	669	803	822
GLF (Gambia Local Fund)	88.8	106	77	151	180	151	220	336	356	263
Movements in project accounts		0	0	0	0	0	0	0	0	0
HIPC and MDRI financed	127.7	2	0	106	30	0	194	194	220	207
Net lending	-23.4	-30	63	72	72	72	71	110	130	140
Contingency	0.0	0	15	46	50	0	105	60	80	89
Overall balance	-685.5	-1,138	-894	-111	224	472	-323	-730	-856	-614
Statistical discrepancy[2]	-62.6	-72	-75	0	18	-71	0	0	0	0
Adjusted overall balance	-748.0	-1,210	-969	-111	242	401	-323	-730	-856	-614
Financing	748.0	1,210	969	111	-242	-401	323	730	856	614
External (net)	690	728	745	116	502	129	617	826	1,002	1,053
Borrowing	1,121.3	1,138	1,176	704	883	634	877	1,024	1,211	1,261
Amortization[1]	-479.1	-456	-477	-588	-381	-506	-260	-198	-209	-208
Of which: saving from MDRI relief					77	101	364	380	401	420
Domestic	57.7	482	224	-5	-744	-530	-294	-96	-145	-439
Net borrowing	57.7	433	337	222	-339	-494	-172	-318	-145	-439
Bank	-578.0	340	231	0	-114	-217	-115	-174	-59	-293
Of which: MDRI account		0	0	0	-358	-358	40	40	40	40
Nonbank	635.7	93	92	0	-57	-109	-57	-87	-29	-104
Repayment of domestic debt	0.0	0	15	-93	-169	-169	0	-57	-57	-42
Capital revenue	--	0	110	21	21	21	0	15	0	0
Change in arrears (- decrease)	--	-5	-224	-326	-425	-425	-121	-184	0	0
Privatization proceeds	0.0	54	0	0	0	368	0	390	0	0
Memorandum items:										
Basic balance[3]	284.4	-16	207	416	678	659	518	259	328	629
Basic primary balance[4]	1152.3	1,114	1,203	1,262	1,468	1,441	1,234	882	933	1,218
Gross domestic interest-bearing debt	3957.2	4,675		4,644	4,603	4,744	4,540	4,349	4,164	3,685
Stock of arrears		770	546	0	121	184	0	0	0	0
Resources freed by MDRI debt relief		0		0	103	108	464	502	510	326
Amortization		0		0	77	101	364	380	401	420
Interest payments		0		0	26	10	99	117	109	103
Exp. financed by privatization proceeds						70		301	134	

Sources: Gambian authorities; IMF staff estimates and projections.

[1] After MDRI debt relief from 2007 onward.

[2] The difference between financing and the overall balance of revenue and expenditure.

[3] Domestic revenue - expenditure and net lending, excluding externally financed capital spending.

[4] Domestic revenue - expenditure and net lending, excluding interest payments and externally financed capital spending.

Table 2. The Gambia: Central Government Operations, 2005–10

(Percent of GDP)

	2004	2005	2006	2007			2008		2009	2010
	Act.	Act.	Act.	Budget	1st rev.	Proj. 2nd rev.	1st rev.	Proj. 2nd rev.	Proj. 2nd rev.	Proj. 2nd rev.
Revenue and grants	25.5	21.4	22.9	28.4	30.5	28.3	25.9	25.0	25.3	24.9
Revenue	20.9	19.7	21.2	21.4	22.0	22.1	21.0	21.1	21.1	21.1
Direct tax	5.0	5.2	5.6	5.6	5.7	5.8	5.5	5.7	5.6	5.6
Domestic tax on goods and services	2.4	2.8	3.3	3.7	3.7	3.6	3.7	3.6	3.6	3.6
Tax on international trade	11.2	9.2	9.9	9.4	9.8	9.9	9.3	9.5	9.6	9.6
Nontax revenue	2.3	2.3	2.3	2.7	2.8	2.8	2.5	2.3	2.3	2.3
Grants	4.5	1.7	1.7	7.0	8.5	6.3	4.9	3.9	4.1	3.8
Of which: Projects	3.3	1.5	1.6	5.8	5.7	3.5	4.7	3.7	4.0	3.7
Of which: MDRI assistance from IMF	0.0	0.0	0.0	0.0	2.5	2.5	0.0	0.0	0.0	0.0
Expenditure and net lending	31.1	30.0	29.2	29.1	29.1	25.4	27.8	29.1	29.6	27.7
Current expenditure	16.9	18.4	18.1	16.3	15.8	16.6	14.7	15.7	15.6	15.2
Wages and salaries	4.3	4.2	4.6	4.9	4.8	4.5	4.8	5.1	6.0	6.0
Other charges	4.8	5.6	7.1	5.9	5.8	7.2	5.1	6.4	5.9	5.9
Interest	7.2	8.6	6.5	5.5	5.1	4.9	4.1	3.5	3.0	2.6
External[1]	1.9	1.8	1.6	1.5	1.3	1.2	0.7	0.4	0.4	0.4
Of which: saving from MDRI relief					-0.2	-0.1	-0.6	-0.6	-1.0	
Domestic	5.3	6.8	4.8	4.0	3.8	3.7	3.4	3.1	2.6	2.2
HIPC and MDRI financed	0.6	0.0	0.0	0.0	0.1	0.0	0.7	0.7	0.7	0.6
									0.0	0.0
Capital expenditure and net lending	14.2	10.8	10.9	12.5	13.0	8.8	12.5	13.0	13.6	12.1
Capital expenditure	14.4	11.0	10.5	12.0	12.5	8.4	12.0	12.4	12.9	11.5
Externally financed	12.6	10.2	9.9	10.4	11.2	7.4	9.7	9.5	10.1	9.4
Loans	9.3	8.6	8.3	4.5	5.5	4.0	5.0	5.7	6.0	5.7
Grants	3.3	1.5	1.7	5.8	5.7	3.5	4.7	3.7	4.0	3.7
GLF (Gambia Local Fund)	0.7	0.8	0.5	1.0	1.1	0.9	1.3	1.9	1.8	1.2
Movements in project accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC and MDRI financed	1.1	0.0	0.0	0.7	0.2	0.0	1.1	1.1	1.1	0.9
Net lending	-0.2	-0.2	0.4	0.5	0.5	0.4	0.4	0.6	0.7	0.6
Contingency	0.0	0.0	0.1	0.3	0.3	0.0	0.6	0.3	0.4	0.4
Extrabudgetary expenditure	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-5.7	-8.6	-6.3	-0.7	1.4	2.9	-1.8	-4.1	-4.3	-2.8
Statistical discrepancy[2]	-0.5	-0.5	-0.5	0.0	0.1	-0.4	0.0	0.0	0.0	0.0
Adjusted overall balance	-6.2	-9.2	-6.8	-0.7	1.5	2.5	-1.8	-4.1	-4.3	-2.8
Financing	6.2	9.2	6.8	0.7	-1.5	-2.5	1.8	4.1	4.3	2.8
External (net)	5.7	5.5	5.2	0.7	3.2	0.8	3.5	4.6	5.0	4.7
Borrowing	9.3	8.6	8.3	4.5	5.5	4.0	5.0	5.7	6.0	5.7
Amortization[1]	-4.0	-3.5	-3.3	-3.8	-2.4	-3.2	-1.5	-1.1	-1.0	-0.9
Of which: saving from MDRI relief					0.5	0.6	2.1	2.1	2.0	
Domestic	0.5	3.7	1.6	0.0	-4.7	-3.3	-1.7	-0.5	-0.7	-2.0
Net borrowing	0.5	3.3	2.4	1.4	-2.1	-3.1	-1.0	-1.8	-0.7	-2.0
Bank	-4.8	2.6	1.6	0.0	-0.7	-1.4	-0.7	-1.0	-0.3	-1.3
Of which: MDRI account				0.0	-2.2	-2.2	0.2	0.2	0.2	0.2
Nonbank	5.3	0.7	0.6	0.0	-0.4	-0.7	-0.3	-0.5	-0.1	-0.5
Repayment of domestic debt	0.0	0.0	0.1	-0.6	-1.1	-1.1	0.0	-0.3	-0.3	-0.2
Capital revenue	0.0	0.0	0.8	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Change in arrears (- decrease)	0.0	0.0	-1.6	-2.1	-2.7	-2.7	-0.7	-1.0	0.0	0.0
Privatization proceeds	0.0	0.4	0.0	0.0	0.0	2.3	0.0	2.2	0.0	0.0
Memorandum items:										
Basic balance[3]	2.4	-0.1	1.5	2.7	4.3	4.1	3.0	1.4	1.6	2.8
Basic primary balance[4]	9.6	8.5	8.4	8.1	9.2	9.0	7.0	4.9	4.7	5.5
Gross domestic interest-bearing debt	32.9	35.5	32.2	29.9	28.9	29.6	25.8	24.3	20.8	16.6
Stock of arrears		5.8	3.8	0.0	0.8	1.1	0.0	0.0	0.0	0.0
Resources freed by MDRI debt relief	0.0	0.0			0.6	0.7	2.6	2.8	2.6	1.5
Amortization					0.5	0.6	2.1	2.1	2.0	
Interest payments					0.2	0.1	0.6	0.7	0.5	
Exp. financed by privatization proceeds						0.4		1.7	0.7	

Sources: Gambian authorities; IMF staff estimates and projections.

[1] After MDRI debt relief from 2007 onward.

[2] The difference between financing and the overall balance of revenue and expenditure.

[3] Domestic revenue - expenditure and net lending, excluding externally financed capital spending.

[4] Domestic revenue - expenditure and net lending, excluding interest payments and externally financed capital spending.

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

	2004	2005	2006	2007					2008				2009
	Dec.	Dec.	Dec.	Mar. Act.	Jun. Act.	Sep. Proj. 1st rev.	Sep. Act.	Dec. Proj. 2nd rev.	Mar. Proj. 2nd rev.	Jun. Proj. 2nd rev.	Sep. Proj. 2nd rev.	Dec. Proj. 2nd rev.	Dec. Proj. 2nd rev.
	(Millions of dalasis, unless otherwise indicated; end of period)												
Net foreign assets	3,184	3,201	4,292	4,600	4,461	4,637	3,480	4,010	4,181	4,191	4,192	4,358	4,730
Net domestic assets	2,247	2,944	3,466	3,223	3,371	3,443	4,416	4,415	4,747	4,714	4,713	5,063	5,805
Domestic credit	2,870	3,510	4,259	4,124	4,009	4,253	4,151	4,187	4,028	4,115	4,098	4,320	4,640
Claims on government (net)	1,009	1,348	1,579	1,602	1,327	1,607	1,475	1,287	1,243	1,152	1,138	1,110	1,051
Claims on government (net)[1]	434	774	1,504	1,527	1,289	1,569	1,438	1,287	1,243	1,152	1,138	1,110	1,051
Advances to the government in foreign currencies[2]	575	575	75	75	38	37	38	0	0	0	0	0	0
Claims on the private sector and public enterprises[3]	1,677	1,979	2,497	2,339	2,499	2,463	2,493	2,716	2,602	2,779	2,776	3,027	3,406
Claims on public enterprises	223	260	268	207	212	241	244	270	272	273	274	276	281
Claims on private sector	1,454	1,719	2,230	2,132	2,287	2,223	2,249	2,446	2,330	2,506	2,502	2,751	3,125
Claims on foreign exchange bureaus[4]	183	183	183	183	183	183	183	183	183	183	183	183	183
Other items (net)	-622	-566	-793	-901	-638	-810	265	229	719	600	615	743	1,165
Broad money	5,432	6,145	7,758	7,823	7,832	8,080	7,896	8,425	8,928	8,906	8,906	9,421	10,535
Currency outside banks	1,416	1,424	1,937	1,833	1,644	1,697	1,560	1,980	2,098	2,093	2,093	2,167	2,423
Deposits	4,016	4,721	5,820	5,990	6,188	6,383	6,336	6,445	6,830	6,813	6,813	7,254	8,112
Memorandum items:													
Nominal GDP (calendar year)	12,042	13,182	14,248	15,918	15,918	15,918	15,918	16,007	17,900	17,900	17,900	17,900	20,017
(percentage change)	20.1	9.5	8.1	11.7	11.7	11.7	11.7	12.4	11.8	11.8	11.8	11.8	11.8
Velocity (GDP/average broad money)	2.4	2.3	1.9	2.0	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0
Velocity (GDP/end-of-period broad money)	2.2	2.1	1.8	2.0	2.0	2.0	2.0	1.9	2.0	2.0	2.0	1.9	1.9
Contribution to growth of broad money	(Percent change in beginning-of-year broad money, unless otherwise indicated)												
Broad money	18.3	13.1	26.2	0.8	1.0	4.2	1.8	8.6	6.0	5.7	5.7	11.8	11.8
Net foreign assets	28.8	0.3	17.8	4.0	2.2	4.4	-10.5	-3.6	2.0	2.2	2.2	4.1	3.9
Net domestic assets	-10.5	12.8	8.5	-3.1	-1.2	-0.3	12.2	12.2	3.9	3.5	3.5	7.7	7.9
Domestic credit	-18.3	11.8	12.2	-1.7	-3.2	-0.1	-1.4	-0.9	-1.9	-0.9	-1.1	1.6	3.4
Claims on government (net)	-10.6	6.3	3.8	0.3	-3.3	0.4	-1.3	-3.8	-0.5	-1.6	-1.8	-2.1	-0.6
Claims on government (net)[1]	-12.6	6.3	11.9	0.3	-2.8	0.8	-0.9	-2.8	-0.5	-1.6	-1.8	-2.1	-0.6
Advances to the government in foreign currencies[2]	2.0	0.0	-8.1	0.0	-0.5	-0.5	-0.5	-1.0	0.0	0.0	0.0	0.0	0.0
Claims on the private sector and public enterprises[3]	-6.5	5.5	8.4	-2.0	0.0	-0.4	-0.1	2.8	-1.4	0.7	0.7	3.7	4.0
Claims on public enterprises	-2.6	0.7	0.1	-0.8	-0.7	-0.3	-0.3	0.0	0.0	0.0	0.0	0.1	0.1
Claims on private sector	-3.9	4.9	8.3	-1.3	0.7	-0.1	0.2	2.8	-1.4	0.7	0.7	3.6	4.0
Claims on foreign exchange bureaus[4]	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	7.7	1.0	-3.7	-1.4	2.0	-0.2	13.6	13.2	5.8	4.4	4.6	6.1	4.5
Memorandum items:													
Credit to the private sector and public enterprises													
Twelve-month change (percent)	-15.1	18.0	26.2	9.7	6.7	0.3	1.5	8.8	11.2	11.2	11.4	11.4	12.5
Percent of GDP	13.9	15.0	17.5	14.7	15.7	15.5	15.7	17.0	14.5	15.5	15.5	16.9	17.0
Selected ratios (in percent)													
Currency outside banks/broad money	26.1	23.2	25.0	23.4	21.0	21.0	19.8	23.5	23.5	23.5	23.5	23.0	23.0
Currency outside banks/deposits	35.3	30.2	33.3	30.6	26.6	26.6	24.6	30.7	30.7	30.7	30.7	29.9	29.9
Deposits/broad money	73.9	76.8	75.0	76.6	79.0	79.0	80.2	76.5	76.5	76.5	76.5	77.0	77.0
Money multiplier (broad money/reserve money)	2.64	2.66	2.71	2.98	2.97	3.01	3.00	2.76	2.77	2.77	2.78	2.79	2.81

Sources: Gambian authorities; IMF staff estimates and projections.

Note: MDRI debt relief, incorporated for end-2007, has increased net foreign assets and decreased net domestic assets by D307 millions.

[1] Excluding advances to the government in foreign currencies.

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

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

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

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

	2003	2004	2005	2006	2007					2008				2009
		Dec.	Dec.	Dec.	Mar. Act.	Jun. Act.	Sep. Proj. 1st rev.	Sep. Act.	Dec. Proj. 2nd rev.	Mar. Proj. 2nd rev.	Jun. Proj. 2nd rev.	Sep. Proj. 2nd rev.	Dec. Proj. 2nd rev.	Dec. Proj. 2nd rev.
Net foreign assets	847.5	1,757.8	2,132.3	2,827.7	2,531.0	2,626.7	2,597.9	2,348.9	2,509.3	2,605.4	2,631.6	2,648.2	2,708.1	2,914.5
Foreign assets	1,928.7	2,492.5	2,718.2	3,326.8	3,080.4	3,127.2	3,171.0	2,757.7	2,644.4	2,809.7	2,837.5	2,924.8	2,986.8	3,345.1
Foreign liabilities	-1,081.1	-734.7	-585.9	-499.1	-549.4	-500.6	-573.1	-408.8	-135.1	-204.3	-205.9	-276.6	-278.7	-430.6
Net usable international reserves (millions of U.S. dollars)	25.4	55.4	71.1	94.9	84.5	91.9	87.6	113.4	107.2	110.7	111.0	110.9	112.8	118.6
Net domestic assets	1,008.4	303.0	174.3	38.7	97.1	9.8	86.5	286.6	543.2	623.5	583.4	561.0	668.6	834.7
Domestic credit	1,229.8	195.9	-29.2	-164.0	-126.0	-287.1	-251.0	-563.4	-552.2	-502.2	-471.4	-440.7	-429.1	-380.5
Claims on government (net)	840.5	-186.8	-413.8	-548.5	-511.8	-675.1	-636.7	-953.2	-936.7	-886.7	-856.0	-825.2	-813.7	-765.0
Claims on government (net) [1]	358.0	-761.6	-988.6	-623.3	-586.5	-712.6	-674.1	-990.7	-936.8	-886.8	-856.0	-825.2	-813.7	-765.0
Advances to the government in foreign currencies [2]	482.5	574.8	574.8	74.7	74.7	37.5	37.4	37.5	0.0	0.0	0.0	0.0	0.0	0.0
Claims on banks (net) [3]	-10.3	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
Claims on other resident sectors	399.6	349.0	351.0	350.9	352.1	354.4	352.1	356.2	350.9	350.9	350.9	350.9	350.9	350.9
Claims on private sector	24.8	28.8	30.8	30.7	31.9	34.2	31.9	36.0	30.7	30.7	30.7	30.7	30.7	30.7
Claims on public enterprises	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9
Claims on foreign exchange bureaus [4]	237.9	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3	183.3
Other items (net)	-221.4	107.1	203.5	202.7	223.1	296.9	337.4	850.0	1,095.5	1,125.7	1,054.9	1,001.7	1,097.8	1,215.2
Of which: Holdings of government's noninterest-bearing securities	199.0	199.0	199.0	534.9	534.9	534.9	534.9	534.9	534.9	534.9	534.9	534.9	534.9	534.9
Reserve money	1,855.9	2,060.7	2,306.6	2,866.5	2,628.1	2,636.4	2,684.4	2,635.5	3,052.5	3,228.9	3,215.0	3,209.2	3,376.8	3,749.2
Currency in circulation outside banks	1,182.9	1,416.3	1,424.2	1,937.3	1,833.3	1,643.6	1,696.8	1,560.0	1,979.9	2,098.0	2,092.8	2,092.8	2,166.9	2,423.1
Bank reserves	673.0	644.5	882.4	929.2	794.7	992.8	987.6	1,075.5	1,072.7	1,130.8	1,122.2	1,116.4	1,209.9	1,326.1
Cash	68.0	69.3	113.4	149.9	124.1	125.8	197.5	126.9	214.5	226.2	224.4	223.3	242.0	265.2
Deposits at the central bank	605.0	575.2	769.0	779.3	670.7	867.0	790.1	948.6	858.1	904.7	897.8	893.1	967.9	1,060.9
Contribution to growth of reserve money					(Percent change in beginning-of-period reserve money)									
Reserve money	62.7	11.0	11.9	24.3	-8.3	-8.0	-6.4	-8.1	6.5	5.8	5.3	5.1	10.6	11.0
Net foreign assets	2.7	49.0	18.2	30.1	-10.4	-7.0	-8.0	-16.7	-11.1	3.1	4.0	1.4	6.5	6.1
Net domestic assets	60.0	-38.0	-6.2	-5.9	2.0	-1.0	1.7	8.6	17.6	2.6	1.3	-2.0	4.1	4.9
Domestic credit	74.4	-55.7	-10.9	-5.8	1.3	-4.3	-3.0	-13.9	-13.5	1.6	2.6	2.0	4.0	1.4
Claims on government (net)	57.5	-55.4	-11.0	-5.8	1.3	-4.4	-3.1	-14.1	-13.5	1.6	2.6	2.0	4.0	1.4
Claims on government (net) [1]	57.5	-60.3	-11.0	15.8	1.3	-3.1	-1.8	-12.8	-10.9	1.6	2.6	2.0	4.0	1.4
Advances to the government in foreign currencies [2]	0.0	5.0	0.0	-21.7	0.0	-1.3	-1.3	-1.3	-2.6	0.0	0.0	0.0	0.0	0.0
Claims on banks (net) [3]	7.5	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private and public enterprises	12.1	0.2	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public enterprises	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private enterprises	0.1	0.2	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Claims on foreign exchange bureaus [4]	-2.7	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	-14.4	17.7	4.7	0.0	0.7	3.3	4.7	22.6	31.1	1.0	-1.3	-4.1	0.1	3.5
Memorandum items:														
Twelve-month change (percent)														
Reserve money	62.7	11.0	11.9	24.3	4.7	8.3	12.3	10.2	6.5	22.9	21.9	21.8	10.6	11.0
Net foreign asset	3.8	107.4	21.3	32.6	10.7	14.4	11.6	0.9	-11.3	2.9	0.2	12.7	7.9	7.6
Net domestic asset	210.9	-70.0	-42.5	-77.8	-56.7	-92.9	39.6	362.8	1,302.2	542.3	5,882.2	95.7	23.1	24.8
Of which:														
Claims on government (net)	354.6	-122.2	121.6	32.5	39.0	84.0	55.7	133.1	70.8	73.3	26.8	-13.4	-13.1	-6.0
Claims on banks (net)	-89.3	-427.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public and private enterprises	581.6	2.5	1.2	0.0	1.0	2.4	1.1	3.5	0.0	-0.7	-2.0	-3.1	0.0	0.0
Claims on foreign exchange bureaus	-11.5	-23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	290.1	-148.4	90.0	-0.4	7.1	145.0	288.1	877.7	440.4	404.6	255.3	17.8	0.2	10.7
MDRI debt relief (millions of dalasis)									-306.8					
Gross international reserves (millions of U.S. dollars)	62.3	84.0	96.6	118.6	111.3	117.9	115.3	144.6	120.2	126.8	127.2	130.2	132.0	144.0

Sources: Gambian authorities.

[1] Excluding advances to the government in foreign currencies.
[2] These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the CBG, and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.
[3] Advances to commercial banks and commercial banks' holdings of central bank bills.
[4] Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 5. The Gambia: Balance of Payments, 2004-13

	2004 Est.	2005 Est.	2006 Est.	2007 Proj. 2nd rev.	2008 Proj. 2nd rev.	2009 Proj. 2nd rev.	2010 Proj. 2nd rev.	2011 Proj. 2nd rev.	2012 Proj. 2nd rev.	2013 Proj. 2nd rev.
1. Current account										
A. Goods and Services	**-84.1**	**-104.9**	**-87.6**	**-118.6**	**-159.6**	**-160.9**	**-162.1**	**-160.6**	**-148.7**	**-151.5**
Trade balance	-105.9	-142.6	-138.1	-182.1	-221.7	-218.4	-223.7	-225.5	-222.7	-235.1
Exports, f.o.b.	96.8	80.9	84.0	87.8	91.2	102.4	106.8	110.3	112.5	120.1
Groundnuts/groundnut products	16.9	2.0	10.2	12.6	13.1	13.6	15.0	16.6	18.2	20.1
Other domestic exports	9.0	5.2	7.2	7.8	8.0	8.6	9.1	9.8	10.4	11.2
Reexports	71.0	73.7	66.6	67.4	70.1	80.2	82.6	83.9	83.8	88.8
Imports, f.o.b.	-202.8	-223.4	-222.2	-270.0	-317.9	-320.8	-330.4	-335.8	-335.2	-355.2
For domestic use	-131.8	-149.7	-155.5	-202.6	-247.9	-240.6	-247.8	-251.8	-251.4	-266.4
Of which: oil products	-23.2	-29.9	-16.2	-26.6	-28.3	-29.7	-31.2	-32.7	-34.4	-36.1
For reexport	-71.0	-73.7	-66.6	-67.4	-70.1	-80.2	-82.6	-83.9	-83.8	-88.8
Services balance	21.8	37.6	50.5	63.5	62.2	57.5	61.5	64.9	74.0	83.6
Travel income	53.1	67.5	75.4	81.2	84.9	88.4	91.7	99.2	107.4	116.3
Other services	-66.2	-66.2	-67.7	-59.4	-65.5	-81.4	-82.2	-87.3	-86.2	-88.7
Reexport earnings	35.0	36.3	42.9	41.8	42.7	50.5	52.0	52.9	52.8	55.9
B. Income	**-35.1**	**-43.5**	**-48.1**	**-46.9**	**-41.3**	**-39.5**	**-38.6**	**-41.5**	**-39.4**	**-42.2**
Income	-35.1	-43.5	-48.1	-46.9	-41.3	-39.5	-38.6	-41.5	-39.4	-42.2
C. Current transfers	**94.6**	**78.8**	**77.2**	**95.5**	**104.2**	**106.1**	**109.2**	**113.6**	**98.4**	**102.2**
Remittances	52.4	47.7	51.6	52.2	52.7	51.4	53.5	55.6	57.9	60.2
Private transfers	8.0	7.4	9.3	9.3	9.5	9.7	9.9	10.1	10.3	10.5
Official transfers	34.2	23.7	16.3	34.0	42.0	45.0	45.9	47.9	30.3	31.5
Current account (excluding official transfers)	**-58.9**	**-93.4**	**-74.7**	**-104.1**	**-138.7**	**-139.3**	**-137.4**	**-136.4**	**-119.9**	**-123.1**
Current account (including official transfers)	**-24.6**	**-69.6**	**-58.4**	**-70.1**	**-96.7**	**-94.4**	**-91.5**	**-88.5**	**-89.6**	**-91.5**
2. Capital and financial account										
A. Capital account				**387.1**						
Capital transfers				14.1						
Debt forgiveness (IDA/AfDF-MDRI relief)				362.5						
B. Financial account	**48.0**	**103.1**	**77.6**	**-306.4**	**95.4**	**90.3**	**91.1**	**88.1**	**87.7**	**89.9**
Private capital	25.0	77.6	50.6	40.2	47.8	36.6	41.3	48.7	58.0	64.9
Foreign direct investment (net)	56.6	61.2	74.2	60.0	60.2	53.4	57.9	60.8	63.8	64.9
Other investment (net)	-31.6	16.4	-23.6	-19.8	-12.4	-16.8	-16.6	-12.0	-5.8	0.0
Of which: Bank NFA (increase is -ve)	-15.3	10.1	-14.2	-16.1	-4.7	-5.2	-6.0	-5.4	-2.9	0.7
Nonbank NFA (increase is -ve)	-26.0	8.0	-14.0	-6.8	-4.0	-11.6	-10.6	-6.6	-2.9	-0.7
Official loans (net)	23.0	25.5	26.9	15.9	47.6	53.7	49.9	39.4	29.7	25.0
Loans	37.3	39.8	43.9	36.5	56.5	62.8	58.7	48.8	41.2	40.0
Amortization	-14.4	-14.4	-17.0	-20.6	-8.9	-9.1	-8.8	-9.4	-11.5	-15.0
Other capital (IDA, AfDF loans)				-362.5						
Capital and financial account balance	**48.0**	**103.1**	**77.6**	**80.7**	**95.4**	**90.3**	**91.1**	**88.1**	**87.7**	**89.9**
Errors and omissions	70.2	-20.4	5.2	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Overall balance	93.6	13.0	24.4	10.6	-1.3	-4.1	-0.4	-0.4	-2.0	2.4
Financing	-93.6	-13.0	-24.4	-10.6	1.3	4.1	0.4	0.4	2.0	-2.4
Change in gross official reserves (increase is -ve)	-84.0	-12.6	-22.0	-1.6	-11.8	-8.0	-8.0	-4.0	-2.2	-4.7
Use of IMF resources (net)	-11.2	-2.0	-4.0	-11.1	6.0	6.1	3.0	0.0	0.0	-1.9
Repayments	-11.2	-2.0	-4.0	-17.1	0.0	0.0	0.0	0.0	0.0	-1.9
Disbursements	0.0	0.0	0.0	6.0	6.0	6.1	3.0	0.0	0.0	0.0
Exceptional financing[1]	1.6	1.6	1.6	2.1	7.1	6.0	5.3	4.4	4.2	4.2
Memorandum items:										
Current account balance (percent of GDP)										
Excluding official transfers	-14.7	-20.2	-14.7	-16.1	-17.5	-16.2	-14.8	-13.6	-11.1	-10.8
Including official transfers	-6.1	-15.1	-11.5	-10.8	-12.2	-11.0	-9.8	-8.8	-8.3	-8.0
Gross official reserves (end of period)										
Millions of U.S. dollars	84.0	96.6	118.6	120.2	132.0	140.0	148.0	152.0	154.2	158.9
Months of imports, c.i.f.	4.3	4.5	5.5	4.8	5.0	4.5	4.6	4.7	4.7	4.6
New public borrowing/GDP	9.3	8.6	8.7	5.6	7.1	7.3	6.3	4.9	3.8	3.5
Nominal GDP (millions of U.S. dollars)	401.0	461.3	506.7	648.4	793.8	861.4	929.4	1005.1	1079.8	1144.4
Exchange rate (dalasis per U.S. dollar)	30.0	28.6	28.1	24.5	22.3	22.9	23.5	24.0	24.5	25.2

Source: Gambian authorities, IMF staff estimates and projections.

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

Table 6. The Gambia: Proposed Schedule of Disbursements

Date	Disbursement SDRs	Percent of quota [1]	Conditions
December 19, 2007	2,000,000	6.43	Completion of second review (end-September 2007 test date)
July 31, 2008	2,000,000	6.43	Completion of third review (end-March 2008 test date)
January 31, 2009	2,000,000	6.43	Completion of fourth review (end-September 2008 test date)
July 31, 2009	2,000,000	6.43	Completion of fifth review (end-March 2009 test date)
January 30, 2010	2,000,000	6.43	Completion of sixth review (end-September 2009 test date)
Total	10,000,000	32.15	

[1]The Gambia's quota is SDR 31.10 million.

Appendix I

Banjul, The Gambia
December 7, 2007

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

The Gambia's three-year Poverty Reduction and Growth Facility (PRGF) arrangement was approved by the IMF's Executive Board in February 2007. The first review was completed on August 29, 2007. The attached Memorandum of Economic and Financial Policies (MEFP) reviews progress in implementing the Government's PRGF-supported program during the second half of 2007, and sets out the policies that the Government will pursue in 2008. We are committed to continue maintaining macroeconomic stability and fostering reforms conducive to higher growth and poverty reduction.

Performance under the program has been strong. All the quantitative targets for end-September were met, and six out of eight structural measures either have been met on schedule or are track to be met by end-2007 as scheduled (MEFP, paragraph 10). With respect to the performance criterion on submission of monthly budget execution reports, technical difficulties led to inconsistencies between these reports and analytical fiscal tables submitted in the third quarter. We have revised the format of the report to remove the source of inconsistency and have submitted reports in the new format to Fund staff. On that basis we request a waiver for the nonobservance of the performance criterion.

In support of our policies described in the MEFP, the Government of The Gambia requests the completion of the second review and third disbursement under the PRGF arrangement in an amount equivalent to SDR 2 million.

The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. However, it will stand ready to take any additional measures that may become appropriate to meet these objectives. The Gambia will consult with the IMF on the adoption of these measures and in advance of revisions to policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The third and fourth reviews under the PRGF arrangement are expected to be completed by no later than end-July 2008, and end-January 2009, respectively.

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

Sincerely yours,

/s/ /s/

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

Momodou Bamba Saho
Governor
Central Bank of The Gambia

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

Attachment I

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. INTRODUCTION

1. This memorandum updates the Government of The Gambia's economic and financial program under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the International Monetary Fund (IMF). The program, which was approved by the Board of Executive Directors of the IMF on February 21, 2007, aims at consolidating macroeconomic stability and fostering the conditions for sustaining high economic growth and reducing poverty. The first review under the PRGF was successfully completed on August 29, 2007. This memorandum provides information on recent developments, reviews performance under the program, and updates the government's strategy for pursuing its financial and economic policies.

II. RECENT ECONOMIC DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

2. **Growth remains robust and inflation has stabilized.** Real GDP grew at an annual average rate of 6.4 percent during 2003–06, and is projected to grow at 7 percent in 2007. Growth has been broad-based, led by the construction, telecommunications, and tourism sectors. Based on the 12-month moving average of the consumer price index, inflation rose from 1.7 percent in December 2006 to 4 percent in September 2007. On a year-on-year basis, inflation rose from 0.4 percent in December 2006 to a peak of 6.6 percent in May 2007 before falling to 6.0 percent in September 2007. Recent appreciation of the dalasi, slower growth in broad money, improving supply conditions for certain imported food items (e.g., fruits and vegetables, palm oil, nuts), and falling prices for other commodities (e.g., cement), suggest an easing of inflation pressures.

3. **Fiscal performance in the first three quarters of 2007 has been stronger than anticipated in the budget, reflecting higher revenues and restrained spending.** The fiscal basic balance registered a surplus of around 4 percent of GDP from January through September. Revenue performance was associated with improvements in tax administration—including the expansion of the coverage of tax identification numbers (TINs)—as well as the late payment of telecommunication license fees initially due in 2006. On the expenditure side, interest payments and the wage bill are below budget; the latter reflecting a high rate of attrition and rising vacancies. In the fourth quarter, public expenditures on a number of goods and services increased modestly, in line with the government's supplementary budget approved by the national assembly in September (0.5 percent of GDP) and the use of privatization proceeds (0.4 percent of GDP).

4. **The government decided to sell 50 percent of its shares in the Gambia Telecommunication Company (GAMTEL).** This decision was driven by the need to induce efficiency improvements in the sector and ensure greater coverage, equity and quality of services. The sale of the government's stake was conducted without open tender procedures, due to the need to act urgently to avoid a deepening of the crisis in this key sector. However, the government acted cautiously and created a broad-based technical committee to assess

three offers it had received over the last few years and determine which one would offer the highest value for money. The strategic investor agreed to pay US$35 million, of which the government has received US$17.5 million to date. The balance is expected to be paid by end-December 2007.

5. **Strong fiscal performance made it possible to significantly reduce the stock of arrears.** The objective of eliminating all domestic payment arrears by end 2008 is on track**.** However, a shortfall in donor funds for an ongoing development project led to the emergence of US$2.3 million arrears, which the government will fully repay in 2008. It represents a claim initially submitted by a contractor to an external funding agency but which the government had to assume; the agency had fully disbursed its loan to the government when it received the claim. Public finance management reforms currently under way (see below) will prevent these difficulties from recurring. The government also repaid in full, early in 2007, the loan of D93 million that was contracted from public enterprises to finance the African Union summit in 2006.

6. **Growth in broad money and reserve money slowed significantly during 2007, reflecting improved fiscal performance.** The annual rate of growth in broad money fell from 26 percent in December 2006 to 13 percent in September 2007. Over the twelve month period ending in September 2007, nearly all the growth in broad money came from an increase in the banking system's net foreign assets; lending to the private sector was stagnant, while the banking system's net claims on the central government fell. The slowdown in the growth of reserve money was more pronounced than that for broad money, reflecting the impact of the Central Bank of The Gambia (CBG) sterilization operations.

7. **In response to signs of rising inflation pressures earlier in the year, the CBG increased the rediscount rate from 14 percent to 15 percent in June 2007.** At its meeting in October, the Monetary Policy Committee (MPC) noted that inflationary pressures were receding but cited risks to the outlook related to rising oil prices to justify its decision to leave the rediscount rate unchanged. Treasury bill yields have trended downwards since July.

8. **The dalasi appreciated sharply against all major currencies in the third quarter, after remaining relatively stable in the first half of 2007.** By end-September, the appreciation against the U.S. dollar was close to 32 percent. While the dalasi is likely to remain relatively strong in the medium term—thanks to strong macroeconomic fundamentals—the magnitude and speed of the appreciating observed in the third quarter (especially during August-September) is more likely to have been driven by a change in market sentiment. Some banks, which had accumulated long net open positions in foreign currencies, decided to unwind those positions as the appreciation of the dalasi became more pronounced, and in doing so they reinforced the trend. During September, the CBG intervened to purchase about US$10 million which calmed the market. By late-October, the situation in the foreign exchange market had stabilized, with the dollar hovering around 19-20 dalasis.

9. **The external current account deficit narrowed further in 2007 due to strong tourist trade and increased transfers.** Reflecting vibrant economic activity and foreign investment, imports over the first three quarters increased by 10 percent in dollar terms

compared with the same period in 2006. However, the current account deficit was contained by record tourist arrivals through April, large private transfers, and an upturn in donor financing for new infrastructure projects. As a result, the current account deficit as a percent of GDP is estimated to have narrowed from a revised 2006 deficit of 11.5 percent of GDP to an expected 11 percent of GDP in 2007. Foreign direct investment—in particular, in the telecommunications and tourism sectors—and official borrowing continued to provide financing for the current account deficit, while allowing for a comfortable level of net international reserves. Nominal external debt reached 133 percent of GDP at end-2006, but should fall to sustainable levels over the medium term after HIPC completion point (see below).

III. PERFORMANCE UNDER THE PROGRAM

10. **Overall performance under the program has been strong.** All the quantitative targets for end-September were met (Table 1). The targets for net usable reserves, net domestic assets (NDA) of the CBG, and the fiscal balance were met comfortably even after adjusting for the impact of privatization proceeds that were not anticipated at the time of the last review. Six out of eight structural measures slated for implementation in the second half of 2007 have either been met on time or are on track to be met by end-2007 as scheduled (Table 2). The government accounts for 2006 were submitted to the Auditor-General at the end of September, three months ahead of schedule, and the Central Project Management and Aid Coordination Directorate(CPMACD) at the Department of State for Finance and Economic Affairs (DoSFEA) has become operational. There was a slight delay in meeting the benchmark on the submission of quarterly financial information on selected public enterprises. With respect to the performance criterion related to monthly budget execution reports, there were errors in the reports submitted to Fund staff in the third quarter due to difficulties in reconciling data from the Integrated Financial Management Information System (IFMIS) budget reports and the analytical fiscal tables. The government has revised the format of the report to make the links between the budget execution and analytical fiscal tables more transparent. Reports in the new format have been submitted to Fund staff as the basis for the government's request for a waiver for the nonobservance of the performance criterion.

11. **DoSFEA and the CBG have agreed on a framework for coordinating monetary and fiscal policy.** In line with the MEFP for the PRGF first review, the CBG and DoSFEA signed a memorandum of understanding to guide domestic debt management and monetary operations. In view of constraints to the CBG's monetary operations arising from low balances in the treasury bill special deposit account, DoSFEA and the CBG will agree on a mechanism to gradually replenish the account for the amounts that were withdrawn in January 2007 to jump-start IFMIS.

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

12. **The government will continue to maintain prudent macroeconomic policies, consolidating the gains of recent achievements and fostering reforms conducive to higher growth and poverty reduction**. Macroeconomic stability has been preserved in the last two years, with low inflation, adequate international reserve levels; and lower fiscal

deficits. Going forward the successful implementation of the PRGF-supported program, which draws on the country's second Poverty Reduction Strategy Paper (PRSP II), will help to consolidate recent macroeconomic achievements and the attainment of the Gambia's economic and social objectives. Under the current scenario for 2008-09, the government aims to:

- Sustain real GDP growth rates of 6-7 percent.
- Contain end-year inflation below 5 percent.
- Maintain a basic fiscal balance surplus of 1-2 percent of GDP.
- Reduce the ratio of domestic debt to GDP from 32 percent of GDP at the end of 2006 to below 21 percent of GDP by 2009.
- Maintain an external current account deficit (including official transfers) around 12 percent of GDP.
- Maintain a level of international reserves equivalent to about four months of imports.

13. **The baseline macroeconomic scenario takes into account the importance of preserving fiscal discipline, containing inflation, and ensuring the sustainability of the external current account.** It seeks to reduce gradually the burden of domestic debt to ease upward pressure on interest rates and create much needed fiscal space for social sectors. It also aims at maintaining an external current account position that is sustainable in light of medium-term projections of capital inflows. Projected growth rates are higher than the 4.5 percent average annual growth rate assumed in the PRSP II. However, the government believes that upward revisions of recent growth performance and indications of strong and sustained growth of some key sectors of the economy (tourism, construction, and transportation and telecommunication services) justify this more ambitious projection. The government intends to produce the first annual progress report on PRSP II implementation by mid-2008; it will cover implementation in 2007.

V. Policies for 2008

A. Fiscal Policy and PFM Reforms

14. **The government is committed to the maintenance of a prudent fiscal policy, as one of the cornerstones of the program**. The fiscal stance will be defined with due regard to (i) maintaining public debt on a sustainable path, (ii) the need to continuously limit the government's domestic borrowing requirements (and hence avoid putting upward pressure on interest rates), (iii) the importance of avoiding inflationary pressures that might be associated with excessively high aggregate demand, and (iv) the sustainability of the external current account, given medium-term projections of capital inflows.

15. **Fiscal performance over the medium term is expected to remain broadly in line with the original program.** The cumulative fiscal basic balance surplus for 2007–09 is now

projected to be around 1 percent of GDP lower than in the original program due to the higher scheduled public expenditures. However, a fraction of the increase in public spending will be financed by the recent privatization proceeds, and therefore will not generate additional debt. Moreover, interest payments have come down faster than expected, while growth in revenue and GDP have been higher. As a result, domestic debt at end-2009 is projected to decline to 21 percent of GDP, more than 1 percentage point lower than initially targeted under the program.

16. **Revenue performance is going to be negatively affected by the sharp appreciation of the dalasi.** In particular, the tax-to-GDP ratio is projected to decline from 22 percent of GDP in 2007 to 21 percent of GDP in 2008. This is because the appreciation of the exchange rate may reduce international trade taxes, a key source or revenues for the Gambian economy. In addition, corporate tax receipts may be affected by the losses incurred by commercial banks in their foreign exchange operations. However, overall revenue performance will continue to be strong, supported by strong economic activity and continuous efforts to improve tax administration. In addition, the effect of these potential revenue losses on public finances are likely to be partially offset by higher custom duties on oil imports and lower debt service payments.

17. **The government has decided to raise civil service salaries to attract and retain highly qualified staff.** Low pay levels in the public sector have led to a high rate of attrition of professional staff, preventing The Gambia from pursuing its development objectives in an efficient and consistent manner. The wage bill in 2007 is expected to be contained around 4.5 percent of GDP (0.3 percentage points lower than projected in the budget), due to recruitment difficulties to fill existing vacancies. In 2008, the government anticipates an increase in base salaries which will lead to an increase in the wage bill to 5.1 percent of GDP. In 2009, the wage bill is expected to increase further to 6 percent of GDP. However, the second phase of salary increases will be implemented within the context of a comprehensive civil service reform program, which is under preparation with World Bank support.

18. **The government's civil service reform program will seek to increase the attractiveness of public sector employment and better adapt civil service salaries to performance**. In particular, the reform strategy will aim at (i) improving the Civil Service remuneration package so as to retain highly trained and professional staff; (ii) strengthening institutional capacity for policy formulation and monitoring of public sector management and programs; and (iii) promoting ethical values and standards in order to create a merit-based system within the Public Service. As a first step, the government will set up by March 2008 a capacity building task force that will operationalize this program and prepare a detailed schedule for its implementation.

19. **Of the approximately D700 million expected from the sale of 50 percent shares in GAMTEL, D500 million has been allocated to finance projects during 2007–09.** About two-thirds of the allocated amount will be spent on military and security infrastructure in 2008-09. The remainder of the resources will be used to finance education and health projects, the construction and renovation of government residences, and the establishment of a science academy. The government will also consider using a portion of the unallocated resources to reduce the domestic debt.

20. **Public Finance Management reform will be key to support fiscal policy objectives and improve the transparency and efficiency in the use of public resources**. In this regard, the launch of the IFMIS system in January 2007 has gone a long way in introducing a comprehensive system of commitment control aimed at ensuring that budget execution is in line with budget appropriations. However, the system to allocate and monitor government counterpart funds to externally financed capital projects needs to be strengthened. The government believes that the recently established (CPMACD) will help address this issue. On the revenue side, efforts to enhance tax administration through increased staffing, training and equipment for the Gambia Revenue Authority, as well as efforts to expand the tax base through the issuance of tax identification numbers and taxpayer education, will be pursued.

21. **The DOSFEA and the National Planning Commission will pursue efforts to enhance accountability in the use of public resources and obtain better value-for-money in the implementation of public projects.** To this end,

- *CPMACD has become operational and produced its first report in October 2007*. It has started to collect information on donor projects following standardized forms. In order to assist it establish a register of ongoing and new development projects, it will collect information using a format such as that shown in Annex I.

- *Efforts to clear the backlog of unaudited government accounts are continuing.* The government accounts for 2000–04 are being audited and are due to be presented to the national assembly by end-December 2007. The government accounts for 2005 2006 were submitted to the Auditor-General in July and September, respectively.

- *A Public Investment Process (PIP) will be introduced once the National Planning Commission becomes operational by early 2009*. The PIP will be based on projects of high technical quality and proven feasibility.

22. **The government is committed to the careful management of external debt after HIPC completion point.** HIPC and MDRI debt relief will reduce the stock of nominal external debt from about 130 percent of GDP at end-2006 to 50 percent by the end of this year. However, while debt relief should move The Gambia to a sustainable external debt path, the government recognizes debt relief is only the first step towards maintaining external sustainability. With this in mind, careful management of external debt will be promoted through a strategy of donor engagement and prudent debt management designed to attain PRSP priorities without compromising debt sustainability. The government is committed to respecting the indicative targets for 2008 (US$50 million) and 2009 (US$25 million) established under the PRGF-supported program. However, these limits will be revisited in the context of program reviews, which will take into account the result of the government's own debt sustainability analyses. The government will also ensure that new loans have a minimum grant element of 45 percent.

23. **Beginning with the forthcoming donor conference, the government will present for discussion with development partners the Gambia's Aid Effectiveness Action Plan**. The plan will be based on the Paris declaration and a PRSP II Results Matrix as a basis for

increased donor engagement, and tracking of implementation of the PRSP II, while signaling areas of financing shortfalls.

24. **A comprehensive debt management strategy will be prepared by end-July 2008**. The strategy will be inspired by best international practices and will incorporate the following principles: (i) a clear definition of the debt management objectives; (ii) a well-defined institutional framework; (iii) an adequate mechanism to prevent the accumulation of arrears and monitor contingent liabilities; and (iv) a commitment to implement cost effective cash management policies.

B. Monetary and Exchange Rate Policies and Related Structural Reforms

25. **The CBG will continue to use a money targeting framework to pursue its price stability objective.** It will also use its rediscount rate to signal changes in its policy stance. In setting the rediscount rate, the CBG will analyze developments in the economy and the inflation outlook. It will strengthen the short-term liquidity forecasting framework through efforts to improve forecasts for government revenues and expenditures.

26. **The CBG will intervene in exchange markets to prevent disorderly adjustments and according to its well-defined intervention policy**. The CBG guidelines envisage intervention: (i) to accumulate foreign reserve assets to meet targets or prevent reserves from being depleted, which is essential to build investor confidence and strengthen the government's debt repayment capacity and external liquidity position; (ii) to correct misalignment or stabilize the exchange rate of the local currency by influencing domestic market liquidity of major trading currencies; and (iii) to calm disorderly markets, including exchange rate volatility and market illiquidity.

27. **In order to strengthen the CBG's operational independence, the government and the CBG will ensure compliance with provisions of the CBG Act (2005) on CBG capital requirements and limits on lending to the government**. The recapitalization of the CBG has already started and will reach D100 million (the amount stipulated in the CBG Act) over a five-year period. The contributions for 2006 and 2007, D20 million each year, have already been disbursed. The government will also comply with the 2005 CBG Act stipulation that CBG's lending to the government should not exceed 10 percent of government tax revenues in the previous year. To this end, the government and the CBG have been implementing an Action Plan to bring government borrowing from the CBG within the statutory limit by the end of 2007.

28. **Progress is being made toward making the Credit Reference Bureau fully operational by end-March 2008.** Banks are expected to start providing data on customers and to be able to access the full database in December 2007. Initially, information will be maintained in a spread sheet while negotiations continue for the installation of a more sophisticated software package by March 2007.

29. **A Prompt Corrective Action (PCA) Framework was introduced in March 2007.** The PCA is a means to promote a safe and sound financial system by monitoring each bank's compliance and performance against five critical indicators, including capital adequacy,

nonperforming loans, liquidity ratios, earnings, and foreign exchange exposure. Within 90 days following the end of each calendar year, the Financial Supervision Department (FSD) will complete a PCA review for each bank and notify each bank's Board of Directors of the results of the PCA review**.**

30. **The CBG intends to adopt International Financial Reporting Standards (IFRS) as its accounting framework**. To this end, a gap analysis (between current accounting policies and the requirements of IFRS) and an Action Plan for moving to IFRS over a three-year period, will be completed by December 2007. Accordingly, the CBG has contracted Deloitte and Touche to carry out the gap analysis on the 2006 financial statements. Work has already begun.

C. Program Monitoring

31. **The program will continue to be monitored based on the agreed quantitative financial targets (Table 3), a set of structural performance criteria and benchmarks (Table 4), and program reviews**. The quantitative financial targets for end-March and end-September 2008 are performance criteria, and those for end-June and end-December 2008 are indicative targets. The third and fourth program reviews are scheduled to be completed by end-July 2008 and end-January 2009, respectively. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU).

32. **To ensure effective monitoring of program implementation, the PRGF Monitoring Committee, headed by the Secretary of State for Finance and Economic Affairs will continue to meet regularly to review performance under the program**. It will also ensure that the data are reported to the IMF as per the schedule agreed in the TMU as well as any other information deemed necessary or requested by IMF staff in order to monitor the program. The committee will also take any remedial actions in case there are gaps or delays in reporting reliable statistics.

VI. Toward HIPC Completion Point

33. **The Gambia has met the spirit and letter of nearly all the HIPC completion point triggers.** Of the eleven triggers, two—an annual increase of at least 5 percent in the share of births attended by trained antenatal personnel, and the bringing to the point of sale of public assets in the groundnut sector—were only partially met. The government is requesting waivers for these two triggers. Births attended by trained personnel increased, but the target set for the trigger did not anticipate a long lag before completion point. Since completion point was delayed, the government believes that achieving an increase from 44 percent in 1998 to 56.3 percent in 2005, a figure that compares favorably in the region, meets the spirit of this trigger.

34. **The government has taken corrective action to move beyond the requirement to bring the public sector groundnut processing plants to the point of sale.** Efforts to attract private investors have been unsuccessful. At the same time a consensus has emerged among stakeholders that revitalization of the sector—crucial for poverty reduction and growth—

should go beyond the simple sale of assets that does not address core weaknesses in the sector. Instead, the government has adopted a comprehensive Groundnut subsector Roadmap Implementation Framework based on various recent studies undertaken with support from the World Bank, European Union and IMF. As part of this roadmap, the government has taken several specific actions ahead of the 2007/08 season, including opening all aspects of operations in the sector to the private sector and assigning responsibility for managing key aspects of the sector (e.g., the setting of producer prices) to the Agribusiness Service Plan Association (ASPA). The government believes it has done enough to warrant waivers of the two triggers that were not fully met.

35. **Resources freed by debt relief under the HIPC and multilateral debt relief initiatives will be used to increase poverty-reducing expenditures, in line with PRSP II priorities.** Resources freed by debt relief will amount to nearly $22 million in 2008. These resources will be allocated among various uses, including increased social sector expenditures, reduced domestic debt, and pay and pension reform in the civil service. The government will continue to make careful use of debt relief in the context of the ongoing PRGF program and future budgets.

ANNEX I.- STANDARD FORMAT FOR PROJECT IMPLEMENTATION REPORTS.

I/ GENERAL PROJECT DATA

Name of the Project:___Project Manager:____________________
Project Duration:__________________________ Overall Costs ____________________
Date of Project Commencement____
Supervisory Ministry:_______________________

II/ INITIAL PROJECT OBJECTIVES AND PROGRESS ACHIEVED TO DATE:

[Please provide a detailed description of the project's objectives, the different components of the project, progress achieved to date, and future expected disbursements]

III/ PROBLEMS OBSERVED DURING THE IMPLEMETATION PERIOD

Please note the main difficulties observed since the inception of the project [e.g. problems with procurement, insufficient staff assigned to the project, lack of coordination with other Departments of State, etc.], and suggestions for improvement. What would help the project be more successful if it had to start all over again

IV/ OTHER OBSERVATIONS

[*Please provide any other information that may help the Central Project Management and Aid Coordination Directorate evaluate progress with this project]*

Table 1. The Gambia: Quantitative Targets and Projections, End-December 2005–End-September 2007[1]

	2005	2006	2007						
	End-Dec.	End-Dec.	End-Mar.		End-Jun.		End-Sep.		
	Act.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Rev.	Act.
	(Stock)		(Change from End-December 2005)						
Performance criteria[2]									
			(Millions of dalasis)						
Net domestic assets of the central bank (ceiling)	174.3	-135.5	41.2	-121.3	9.7	-334.4	12.3	-87.8	-926.1
Basic balance (floor)[3]	…	207.3	292.9	446.0	419.5	703.8	487.1	537.1	834.7
New external payments arrears of the central government (ceiling)[4]	0.0	0.0	0.0	0.0 [5]	0.0	0.0	0.0	0.0	0.0
			(Millions of U.S. dollars)						
Net usable international reserves (floor)	71.1	23.8	9.2	13.4	10.4	20.8	9.7	16.5	42.3
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling)[6]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external public debt with original maturity of one year or less (ceiling)[7]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets			(Millions of dalasis)						
Domestic budgetary arrears[8]	770.3	-223.8	-258.2	-448.5	-339.6	-499.4	-421.0	-574.3	-585.0

Source: IMF staff estimates.

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

Table 2. The Gambia: Structural Conditionality for July-December 2007[1]

Measure	Target Date	Status
Public financial management and accountability		
1. Clear the backlog of unaudited government accounts		
(i) Submit to the national assembly the audited accounts for 2000-04 (B)	End-December 2007	On track
(ii) Submit to the Auditor-General the accounts for 2006 (PC)	End-December 2007	Met (9/28/07)
2. Make operational the Central Project Management and Aid Coordination Directorate at DoSFEA (PC)	October 2007	Met
3. Issue a comprehensive monthly budget execution report, including information on commitments, with a one-month lag, starting with the report for April 2007 (PC)	Monthly	Partially met.
4. Provide quarterly financial information on selected public enterprises with a one-quarter lag, starting with reports for end-March 2007 (B)	End-September 2007 (report for end-June 2007)	Met (with a delay).
Central bank governance and operational independence		
5. Implement the action plan to bring government borrowing from the CBG in line with the limit under the CBG Act within one year (PC)	End-December 2007	Met
6. Provide to Fund staff special audit report on monetary program data at program test date at end-September 2007 (PC)	End-December 2007	On track
7. Complete a gap analysis and establish an Action Plan for moving to IFRS (PC).	December 2007	On track
Statistics		
8. Publish quarterly balance of payments statistics, with one quarter lag beginning with 2007Q1 (B)	From end-June 2007	Met

[1] PC and B denote performance criterion and benchmark, respectively.

Table 3. The Gambia: Quantitative Targets and Projections, End-December 2007–End-December 2008

	2005	2007				2008					
	End-Dec.	End-Dec.[1]				End-Mar.		End-Jun.		End-Sep.	End-Dec.
	Act.	Prog.	Rev. (1st review)	Rev. with new exch. rate base	Rev. (2nd review)	Prog. (1st review)	Rev. (2nd review)	Prog. (1st review)	Rev. (2nd review)	Prog. (2nd review)	Prog. (2nd review)
	(Stock)	(Change from End-December 2005)									
Performance criteria[2]											
		(Millions of dalasis)									
Net domestic assets of the central bank (ceiling)[3]	174.3	-313.3	-277.8	350.0	369.0	385.5	467.7	385.0	446.2	442.2	569.5
Basic balance (floor)[4]	…	671.3	771.3		866.7	969.3	835.8	1042.1	953.5	977.5	1031.6
New external payments arrears of the central government (ceiling)[5]	0.0	0.0	0.0			0.0		0.0	0.0	0.0	0.0
		(Millions of U.S. dollars)									
Net usable international reserves (floor)[6]	71.1	26.5	36.1	36.1	36.1	39.6	39.6	39.9	39.9	39.8	41.6
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling)[7]	0.0	0.0	0.0			0.0		0.0	0.0	0.0	0.0
Outstanding stock of external public debt with original maturity of one year or less (ceiling)[8]	0.0	0.0	0.0			0.0		0.0	0.0	0.0	0.0
Indicative targets		(Millions of dalasis)									
Domestic budgetary arrears[9]	770.3	-502.3	-649.0		-649.0	-679.4	-695.0	-709.8	-741.0	-786.9	-832.9
		(Millions of U.S. dollars)									
Net present value of new contracted external debt (cumulative ceiling)[10]					4.2		20.7		20.7	31.7	31.7
Memorandum item:											
Program exchange rate (D/$)			27.5	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0

Source: IMF staff estimates.

[1]MDRI debt relief is assumed to take place in the fourth quarter of 2007.
[2]March 2008 and September 2008 are performance criteria; December 2007, June 2008, and December 2008 are indicative targets.
[3]Will be adjusted downward from December 2007 onward by the dalasi equivalent of 100 percent of privatization receipts exceeding $35 million.
[4]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
[5]To be applied on a continuous basis.
[6]Will be adjusted upward from December 2007 onward by 100 percent of privatization receipts exceeding $35 million.
[7]External debt contracted or guaranteed other than that with a grant element equivalent to 45 percent or more, calculated using a discount rate based on the Organization for Economic Corporation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.
[8]Excluding normal import-related credits.
[9]The stock of domestic arrears at end-2005 was previously estimated at D524.5 million.
[10]Cumulative from October 1, 2007.

Table 4. The Gambia: Structural Conditionality for January-September 2008[1]

Measure	Target Date
Public financial management and accountability	
1. Issue a comprehensive monthly budget execution report, including information on commitments, with a one-month lag, starting with the report for April 2007 (PC)	Monthly
2. Re-submit corrected monthly budget execution reports for July and August 2007, and complete reports for September and October, 2007 (PA)	End-November 2007
3. Establish (in the Central Project Management and Aid Coordination Directorate of DOSFEA) a central register of capital expenditure commitments related to externally financed projects for ongoing and new projects (PC)	End-April 2008
4. Prepare a national debt strategy after receiving TA (B)	End-July 2008
5. Auditing of government accounts	
(i) Submit to the national assembly the audited accounts for 2005 and 2006 (B)	End-September 2008
(ii) Submit to the Auditor-General the accounts for 2007 (PC)	End-September 2008
Financial deepening	
6. Make the credit reference bureau operational (PC)	End-March 2008
Central bank governance	
7. Provide to Fund staff special audit report on monetary program data at program test date of end-March 2008 (PC)	End-June 2008
Statistics	
8. Publish quarterly balance of payments statistics, with one quarter lag beginning with 2007 Q1 (B)	From end-June 2007
9. Rebase the national accounts to 2003/04 prices and begin estimating GDP by expenditure components (B)	June 2008

[1] PA, PC and B denote prior action, performance criterion and benchmark, respectively.

Attachment II

Technical Memorandum of Understanding

(October 2007–December 2008)

I. Introduction

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

II. Quantitative Performance Criteria

A. Net Domestic Assets of the Central Bank

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

3. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted first into U.S. dollars at the prevailing cross-rates and then converted into dalasi using the D/USD program exchange rate of 22. This is an accounting exchange rate only and should not be construed as a projection.

4. **Adjuster:** The net domestic assets of the CBG from December 2007 onward will be adjusted downward by the dalasi equivalent of 100 percent of privatization receipts exceeding $35 million.

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

B. Basic Balance of the Central Government

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

7. **Supporting material:** Reporting on the basic balance will form part of the consolidated budget report described in paragraph 31 below.

C. New External Payments Arrears of the Central Government

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

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

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

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

11. **Adjuster:** Net usable international reserves of the CBG from December 2007 onward will be adjusted upward by 100 percent of privatization receipts exceeding $35 million.

12. **Supporting material:** End-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month. The CBG will identify the U.S. dollar equivalent of privatization receipts within net usable international reserves as a memorandum item.

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

13. **Definition:** This target refers to new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 24, 2000 (Decision No. 12274–00/85), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this target are loans or purchases from the IMF and debts with a grant element of at least 45 percent.

14. [1] Also excluded are two loans from the OPEC Fund for International Development with grant elements of 39.5 percent each, which were approved in the first half of 2007.

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

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

16. **Definition**: This target refers to the stock of outstanding external public sector debt with original maturity of one year or less, owed or guaranteed by the central government.[2] Public sector consists of the central and regional governments and other public agencies, including the CBG. Excluded from this target are normal import-related credits.

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

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

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

III. Quantitative Indicative Targets

A. Domestic Budgetary Arrears

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

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

B. Net Present Value of New Contracted External Debt

20. **Definition:** The net present value (NPV) of new external debt contracted or guaranteed by the government from October 2007 onward is calculated by discounting the future stream of payments of debt service due by the country-specific commercial interest reference rates (CIRRs) as published by the Organization for Economic Cooperation and Development (OECD). The new external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted. Disbursed debt will be converted to U.S. dollars, based on prevailing WEO test date exchange rates; for loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with the Fund staff.

21. **Supporting material:**. Data on the NPV of the stock of outstanding external debt contracted or guaranteed by the government since October 2007 will be provided on a monthly basis within five weeks of the end of each month.

IV. Structural Performance Criteria and Benchmarks

A. Central Register of Capital Expenditure Commitments

22. **Definition:** The register in the Central Project Management and Aid Coordination Directorate of the Department of State for Finance and Economic Affairs is deemed established when the directorate compiles and maintains up-to-date database on capital

expenditure commitments made by the government in relation to ongoing and new externally financed projects.

23. **Supporting material:** A comprehensive record of capital expenditure commitments made by the government in relation to ongoing and new externally financed projects will be transmitted on a quarterly basis within four weeks of the end of each quarter. The record shall explicitly identify commitments made for each project.

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

B. Special Audit Report on Monetary Program Data

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

C. Credit Reference Bureau

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

D. Quarterly Balance of Payments Statistics

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

E. National accounts

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

V. Other Data Requirements and Reporting Standards

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

A. Prices

30. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

B. Government Accounts Data

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

32. A monthly consolidated central government budget report (i.e., the analytical table) on budget execution during the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of the month. The report will comprise: (i) revenue data by major item, including tax (direct tax, taxes on domestic goods and services, and taxes on international trade) and nontax; (ii) external grants by type (e.g., project, program); (iii) details of recurrent expenditure (including data on wages and salaries, interest payments, and other charges); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditures from the Gambia Local Fund, and net lending); (v) the overall balance and the basic balance (defined in paragraph 6); and (vi) details of budget financing (including net domestic borrowing and its gross components, external grants, net external borrowing and its gross components, utilization of privatization proceeds, and arrears).

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

C. Poverty Reducing Expenditures

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

D. Monetary Sector Data

35. The balance sheets of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet should explicitly identify all claims on, and liabilities

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

E. Treasury Bills and CBG Bills

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

F. External Sector Data

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

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

G. Privatization Receipts

The CBG will report data on privatization receipts in the currency it received as well as equivalent amounts in U.S. dollars and in dalasis on a monthly basis within two weeks of the end of the month

INTERNATIONAL MONETARY FUND

THE GAMBIA

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

Prepared by the African Department

(In collaboration with other departments)

Approved by Hugh Bredenkamp and Matthew Fisher

December 10, 2007

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 13.76 million (44.24 percent of quota) at end-October 2007.
- **Relations with the World Bank.** Describes the World Bank Group program and portfolio, including a statement of IFC investments.
- **Relations with the African Development Bank.** Describes the African Development Bank Group program and portfolio.
- **Statistical Issues.** Assesses the quality of statistical data. The authorities have made some progress in improving the compilation of economic and financial statistics; however, weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

The Gambia: Relations with the Fund
(As of October 31, 2007)

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

General Resources Account	SDR Million	% Quota
Quota	31.10	100.00
Fund holdings of currency	29.62	95.23
Reserve position in Fund	1.48	4.77

SDR Department	SDR Million	% Allocation
Net cumulative allocation	5.12	100.00
Holdings	0.11	2.21

Outstanding Purchases and Loans	SDR Million	% Quota
Poverty Reduction and Growth Facility (PRGF) arrangements	13.76	44.24

Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Feb. 21, 2007	Feb. 20, 2010	14.00	4.00
PRGF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89
PRGF	Jun. 29, 1998	Dec. 31, 2001	20.61	20.61
PRGF	Nov. 23, 1988	Nov. 25, 1991	20.52	18.02

Projected Payments to Fund (without HIPC Assistance) (SDR million; based on current use of resources and present holdings of SDRs)[1]

	Forthcoming				
	2007	2008	2009	2010	2011
Principal	0.69	3.33	2.64	1.95	0.58
Charges/interest	0.08	0.25	0.24	0.22	0.22
Total	0.77	3.58	2.88	2.18	0.80

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Projected Payments to Fund (with Board-Approved HIPC Assistance) (SDR million; based on current use of resources and present holdings of SDRs)

	Forthcoming				
	2007	2008	2009	2010	2011
Principal	0.63	3.21	2.64	1.95	0.58
Charges/interest	0.08	0.25	0.24	0.22	0.22
Total	0.71	3.46	2.88	2.18	0.80

Implementation of HIPC Initiative

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date[2]	Dec. 11, 2000
Assistance committed (yearend 2000 NPV terms)[3]	
Total assistance (US$ million)	66.60
Of which: IMF assistance (US$ million)	2.30
SDR equivalent, million	1.80
Completion point date	Floating
Disbursement of IMF assistance (SDR million)	
Assistance disbursed	0.44
Interim assistance	0.44
Completion point balance	…
Additional disbursement of interest income[4]	…

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

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

[4] Under the enhanced HIPC Initiative, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Safeguards assessments

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

Exchange rate arrangement

Until January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange rate arrangement of The Gambia was reclassified from independently floating to managed float with no preannounced path. As of October 31, 2007, the midpoint exchange rate in the interbank market was D19.35 per U.S. dollar.

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

Last Article IV consultation

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

Technical assistance

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

Fiscal Affairs Department

Aug./Sep. 2007	TA mission assessed all areas of public financial management and provided an action plan to secure the actual implementation of reforms initiated in the recent past.
Sep. 2004–May 2006	Peripatetic regional advisor assisted the authorities in putting the new organic budget law into effect, strengthening public

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

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

Sept. 2007	Mission advised in improving the monetary policy framework and in enhancing the effectiveness of monetary, foreign exchange, and debt management operations for the CBG to achieve its monetary policy objectives.
Mar./May 2007	Technical expert advised the CBG on banking supervision.
Mar./Apr 2007	Technical expert advised the CBG in strengthening its capacity in internal auditing.

Jan./Feb. 2007	Technical expert advised the CBG on improving monetary operations.
Jul./Aug. 2006	Technical expert advised the CBG on banking supervision.
Jul./Aug. 2006	Mission reviewed progress made in strengthening the CBG's capacity in monetary operations and liquidity forecasting, foreign exchange operations, and foreign reserves management.
Apr./May 2006	Technical expert advised the CBG on banking supervision.
Apr./May 2006	Technical expert advised the CBG on improving monetary operations.
Nov. 2005	Technical expert advised the CBG on improving monetary operations.
Mar. 2005	Follow-up to the October 2004 mission.
Oct. 2004	Advisory mission made recommendations for improving monetary and foreign exchange operations and for reorganizing the central bank.
Jul. 2002	TA diagnostic mission focused on financial supervision and the insurance sector; and helped review the Central Bank Act and draft the Financial Institutions and Insurance Act.
Dec. 2001	TA diagnostic mission focused on strengthening CBG ability to , formulate and implement monetary policy and manage its foreign exchange operations and the financial system.
May 2001	Short-term expert helped the authorities to design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts.
Apr. 2001	Short-term expert helped the authorities to set up a book-entry system.
May 2000	Short-term expert helped the authorities to set up a short-term liquidity forecasting system.
Nov. 1999	Short-term expert helped the authorities design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts in the banking system.
Aug. 1998	TA mission helped the CBG draft market-based monetary policy instruments and review its program for strengthening banking supervision.
Dec. 1996	Technical expert helped the CBG in foreign exchange operations.

Jan./Feb. 1994	TA mission worked on monetary management and bank supervision.

Statistics Department

Oct./Nov. 2007	Second visit of the U.K. Department of International Development (DfID)-funded TA mission helped the authorities improve the compilation of national accounts statistics, particularly in rebasing the GDP series with results from the 2004 Economic Census..
Sep. 2007	The DfID-funded TA mission helped to improve the compilation of balance of payments statistics.
Aug. 2007	The DfID-funded TA mission advised in improving the compilation of national accounts statistics, particularly in rebasing the GDP series with results from the 2004 Economic Census.
Apr./May 2006	TA mission helped to improve the compilation and analytical soundness of monetary and financial statistics.
Feb. 2006	TA mission advised on compilation of balance of payments statistics.
Feb. 2005	Report on the Observance of Standards and Codes (ROSC)—Data Module—mission assessed data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003) and The Gambia's dissemination practices against the recommendations of the General Data Dissemination System (GDDS).
2002–04	Peripatetic statistical advisor helped the Central Statistics Department update CPI data and improve the compilation of national accounts statistics.
May 2003	Mission advised on building an integrated database to report monetary statistics for all IMF data submissions.
Aug. 2001	TA mission advised on compilation of monetary and financial statistics.
Sep. 2000	TA mission advised on compilation of balance of payments statistics.
Nov. 1999	Mission reviewed collection of statistics to develop GDDS metadata for The Gambia.

Jun./Jul. 1999	TA mission advised on compilation of balance of payments statistics.
Nov./Dec. 1998	TA mission advised on national accounts statistics.

Others

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

Resident Representative

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

The Gambia: Relations with the World Bank Group
(As of November 20, 2007)

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

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

As of November 20, 2007, IDA had approved 35 credits worth a total of about US$299 million. The current portfolio consists of five projects in capacity building for economic management, private sector development (trade gateway), education, community-driven development, and locust prevention (regional), totaling US$55.9 million, of which US$30.5 million is undisbursed.

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

An additional financing for the project was approved in October 2007, which extends the closing date to end-December 2008.

The **Trade Gateway Project** was approved in February 2002 to help the country establish itself as a globally competitive business park by laying the foundations for expanded private investment, export-oriented production, and employment through a free zone and an improved institutional environment. The current closing date for the project is December 31, 2007. The project is currently being restructured and is likely to be extended for about 18 months.

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

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

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

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

IFC has identified two banks as candidates for the Global Trade Finance Program. In addition, Foreign Investment Advisory Service will provide assistance in developing the regulatory and legal framework for a free trade zone being developed under the World Bank-financed Gateway project. Private Enterprise Partnership for Africa and African Management Services Company are seeking opportunities to build the capacity of micro, small and medium size enterprises (MSMEs) and institutions that support MSMEs. No new IFC projects have been approved in The Gambia since 1998.

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

Summary of IDA Credits in The Gambia
(As of November 20, 2007; millions of U.S. dollars)

Projects	Commitment	Disburse d	Undisburse d
Ongoing projects			
Community-Driven Development	12.0	0.0	13.0
Education Phase II	8.0	2.2	6.5
Gateway	16.0	12.7	5.7
Capacity Building for Economic Management	15.0	16.5	0.7
Capacity Building for Economic Management Supplement	3.0	0.0	3.1
Africa Emergency Locust	1.9	0.5	1.4
Subtotal	55.9	31.9	30.5

Source: The World Bank Integrated Controller's System.

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

The Gambia: Relations with the African Development Bank
(As of September 30, 2007)

The African Development Bank (AfDB) Group began lending to The Gambia in 1974. As of September 30, 2007, it had approved 53 operations with total commitments (net of cancellations) of UA204.7 million (US$318.6 million) in the following sectors: transport (25 percent); agriculture (21.7 percent); social (24.6 percent); public utilities (12.1 percent); multi-sectoral (8.8 percent); environment (5.8 percent); and industry (2.0 percent).[5] About 84.7 percent of the Bank Group's net commitments were made from the resources of the African Development Fund (ADF), 8.6 percent from the AfDB non concessional window, and 6.7 percent from the Nigeria Trust Fund (NTF).

As of September 30, 2007, 37 operations had been completed, 2 were cancelled at the government's request, and 14 others continue, including 3 multinational projects, all in agriculture. Implementation of the portfolio is generally satisfactory; it achieved a rating score of 2.01 (on a scale from 0 to 3) during the Bank Group's 2005 portfolio review. The portfolio has a relatively low project-at-risk (PAR) rate of 33.3 percent, which compares well with the Bank-wide average of 43 percent stated in the AfDB's 2004 Annual Portfolio Performance Review (APPR). Total disbursement rates for the portfolio are also satisfactory. By the end of May 2007, they were 86 percent (overall), 100 percent (AfDB-financed projects), 87.2 percent (ADF), and 66.2 percent (NTF). The disbursement rate for the ongoing portfolio was 49.1 percent as of September 30, 2007. The satisfactory performance of the portfolio is attributed to the supervision missions conducted by the AfDB, especially since 2003.

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

The AfDB is currently preparing a Joint Assistance Strategy (JAS) with the World Bank to cover 2008–11. The draft JAS is based on two main pillars—(1) strengthening the institutional framework for economic management and public service delivery, and (2) enhancing growth and competitiveness and the productive capacity of the poor. The JAS will help support the Government's national priorities through the main channels of budget and project support in the context of growth poles and enhanced service delivery. The strategy is yet to be approved. The last Country Strategy Paper (CSP) for The Gambia, which covered 2002–04, was designed to help the country in its efforts to meet the Millennium Development Goals (MDGs) by addressing specific institutional and human capacity constraints. Both the previous CSP and the JAS currently under preparation are anchored to the Gambia's poverty reduction strategies as specified in the Poverty Reduction Strategy

[5] UA stands for unit of account = 1 SDR (equivalent to about $1.55665 as of September 30, 2007).

Paper (PRSP I), which is also known as Strategy for Poverty Alleviation II (SPA-II), and PRSP II (2007-2011). The base-case scenario focuses on the interventions shown in the table below.

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

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

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

The Gambia: Statistical Issues

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

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

Real sector

Annual national account estimates are compiled using only the production approach. In the absence of more comprehensive information, there is heavy reliance on activity indicators. The CSD, with STA assistance, prepared a program to (1) enhance the quality of source statistics by improving and expanding existing surveys; (2) improve the coverage and methodology of GDP estimates, including implementation of the *System of National Accounts (1993 SNA)*; (3) rebase the constant price estimates—the current baseline is 1976/77—to a more recent period; and (4) prepare independent estimates of expenditure aggregates. In May 2007, the country began participating in the second phase of the U.K. Department for International Development (DfID)-funded GDDS Project for Anglophone Africa on national accounts. An STA mission on national accounts in November 2007 assisted the GBoS to complete reprocessing of the data collected for the 2004 Economic Census, as a benchmark for the annual GDP estimates.

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

Government finance

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

foreign-financed expenditure. Monthly data on domestic government financing are available with a delay of six to eight weeks. At a meeting with STA in October 2007, the authorities expressed interest in receiving technical assistance to facilitate the migration to *GFSM2001*.

Monetary data

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

Balance of payments

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

The Gambia is making steady progress in improving balance of payments statistics in line with the recommendations of the 2005 data ROSC mission and the February 2006 mission. The CBG produced balance of payments statistics for 2006 according to the *Balance of Payments Manual*, 5th edition *(BPM5)*. These statistics are to be published in the November 2007 issue of *International Financial Statistics (IFS)* and in the 2007 IMF *Balance of Payments Statistics Yearbook (BOPSY 2007*). The CBG is also undertaking work to compile quarterly balance of payments statistics through Fund administered technical assistance project funded by DfID.

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

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

Publication

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

Reporting of data for publication in the *Government Finance Statistics Yearbook* and in the *IFS* has been quite limited for a long time. However, the authorities have made good progress in submitting the BOP data for publication in *BOPSY* and *IFS*. As noted above, they have recently reported BOP statistics for 2006 for publication.

The Gambia: Table of Common Indicators Required for Surveillance

(As of November 16, 2007)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]	Memo Items: Data Quality Methodological Soundness[7]	Memo Items: Data Quality Accuracy and Reliability[8]
Exchange rates	10/31/07	11/06/07	W	W	W		
International reserve assets and reserve liabilities of the monetary authorities[1]	10/31/07	11/09/07	M	M	A		
Reserve/base money	09/30/07	10/27/07	M	M	M	LO, LO, LO, LO	LNO, LO, O, LO, LNO
Broad money	Sep. 2007	10/27/07	M	M	M		
Central Bank balance sheet	Sep. 2007	10/27/07	M	M	M		
Consolidated balance sheet of the banking system	Sep. 2007	10/27/07	M	M	M		
Interest rates[2]	10/31/07	11/08/07	W	W	W		
Consumer Price Index	Oct. 2007	11/15/07	M	M	M		
Revenue, expenditure, balance, and composition of financing[3] – general fovernment[4]						LO, LO, O, O	LNO, LO, LO, LNO, NO
Revenue, expenditure, balance, and composition of financing[3]– central government	Oct. 2007	11/15/07	M	M	A		
Central government and central government–guaranteed debt[5]							
External current account balance	Jun. 2007	09/30/07	A	A	A	LNO, LNO, LNO, LO	LNO, LNO, LNO, LO, NO
Exports and imports of goods and services	Sep. 2007	10/30/07	A	A	A		
GDP/GNP	2006	06/07/07	A	A	A	LNO, LNO, O, LO	LNO, O, LNO, LO, NO
Gross external debt	Dec. 2006	03/26/07	M	Q	A		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes, and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A); irregular (I); not available (NA).
[7] Reflects the assessment provided in the data ROSC published on November 8, 2005, and based on the findings of the mission in February 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).
[8] Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies

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December 19, 2007

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second Review Under PRGF Arrangement with The Gambia and Approves US$3.1 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the second review of The Gambia's economic performance under a program supported by a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the second review enables the release of an amount equivalent to SDR 2 million (about US$3.1 million).

The Board also approved the authorities' request for a waiver of nonobservance of one structural performance criterion pertaining to the submission of monthly budget execution reports.

The PRGF arrangement with The Gambia was approved on February 21, 2007 (see Press Release No 07/28) for an amount equivalent to SDR 14 million (about US$21.9 million).

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the country's Poverty Reduction Strategy Paper. This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½ -year grace period on principal payments.

Following the Executive Board's discussion on The Gambia, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"The Gambian authorities' implementation of the program supported by the Poverty Reduction and Growth Facility (PRGF) has been strong, helping to consolidate macroeconomic stability and sustain high economic growth. The Gambia has met the conditions for reaching the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Consequently, it qualifies for additional assistance under the Multilateral Debt Reduction Initiative (MDRI).

"Looking ahead, the achievement of the country's medium-term objectives of sustained growth and poverty reduction will depend on maintaining fiscal discipline, limiting external borrowing, and promoting the private sector. The authorities should ensure that

extrabudgetary expenditures are avoided, that public debt remains on a sustainable path, and that budgets reflect the priorities set out in The Gambia's current Poverty Reduction Strategy Paper (PRSP). In this context, it is important that the bulk of the resources obtained from the sale of shares in the Gambia Telecommunications Company be allocated to high priority PRSP-related expenditures and to paying down the domestic debt.

"In order to mitigate the high risk of The Gambia remaining in debt distress even after receiving HIPC and MDRI debt relief, the authorities should rely mostly on external grants for financing their development program. To the extent they need to borrow, loans need to be on highly concessional terms and within the limits agreed under the PRGF-supported program.

"The government is taking steps to enhance the capacity of the civil service to formulate and implement policies. In the 2008 budget, provision has been made for an initial increase in salaries. Further adjustments in pay should be tied to a comprehensive civil service reform program, which is currently under preparation.

"The current stance of monetary policy appears broadly appropriate. Inflation pressures are expected to ease, owing to recent exchange rate appreciation and a slowdown in monetary growth," Mr. Portugal said.

Statement by Peter Gakunu, Executive Director for The Gambia and Leonia Lephoto, Advisor to the Executive Director December 19, 2007

The Gambian authorities thank the Fund Executive Board and management for their continued engagement and support. They are grateful for the constructive policy dialogue and advice proffered by staff during the review missions and other consultations. The authorities are in general agreement with the thrust of the staff reports.

The Gambia's performance under the program has continued to be strong, comfortably meeting all the quantitative performance criteria. All but one of the structural measures for the second half of 2007 have either been implemented or are on track. The missed performance criteria was related to the submission of monthly budget execution reports to the Fund due to difficulties in reconciling data from the IFMIS-based budget reports and the analytical fiscal tables. The authorities have since taken corrective action and are therefore requesting a waiver.

The authorities are also seeking completion point under the enhanced HIPC initiative so that the country may be eligible for debt relief under both HIPC and MDRI. This will significantly alleviate The Gambia's public debt position. The Gambia has fully met nine of the eleven HIPC completion point triggers and are requesting waivers for the two triggers which were partially met. These were triggers related to an annual increase of at least 5 percent in the share of births attended by trained antenatal personnel and the bringing to the point of sale of public assets in the groundnut sector**.** Births attended by trained personnel increased from 44 percent in 1998 to 56.3 percent in 2005, but the target set for the trigger did not anticipate a long lag before completion point. The authorities believe that achieving this increase, which compares favorably in the region, meets the spirit of this trigger. With regard to the privatization of public assets in the groundnut sector, the authorities' previous efforts failed to attract interest from reputable investors in the sector. Consequently, in consultation with the World Bank, IMF and EU they developed and are implementing a roadmap with the strategic focus on fully liberalizing the sector.

1. Recent Economic Developments

The Gambia's economic performance remained strong with real GDP growth estimated at 7 percent in 2007. Growth has been broad-based and mainly supported by the construction, telecommunications, and tourism sectors. Following acceleration due to increased food prices in the first half of the year, inflation has stabilized at around 6.0 percent during the second half of the year.

During the first three quarters of 2007, stronger than anticipated fiscal performance was realized, due to the higher revenue collection which was facilitated by improvements in tax administration as well as some expenditure restraint. The fiscal basic balance registered a surplus of around 4 percent of GDP from January through September. The strong fiscal performance made it possible to significantly reduce the stock of arrears and to fully repay

the loans contracted from public enterprises in 2006. However, a shortfall in donor support for an ongoing development project led to the emergence of $2.3 million arrears, which the government will fully repay in 2008.

After remaining relatively stable in the first half of 2007, the dalasi appreciated sharply against all major currencies in the third quarter**.** Given that the macroeconomic fundamentals remained strong, the appreciation observed in the third quarter was mainly driven by changes in market sentiments. Following the CBG intervention, which started in September, the situation in the foreign exchange market has stabilized. The dalasi is expected to remain relatively strong in the medium-term.

The external current account deficit narrowed further in 2007 as a result of the strong tourism earnings, improved export performance, increased private transfers and donor financing for new infrastructure projects**.** Foreign direct investment and official borrowing continued to finance the current account deficit, while allowing for the maintenance of an appropriate level of net international reserves.

2. **Performance under the program**

The authorities' commitment to improved macroeconomic management and successful implementation of the program has resulted in strong overall performance. All the quantitative targets for end-September were comfortably met, with some even exceeding targets. All but one of the structural measures for the second half of 2007 have either been implemented or are on track. The government accounts for 2006 were submitted to the Auditor-General three months ahead of schedule, and the Central Project Management and Aid Coordination Directorate at DoSFEA has become operational. The one measure that was not met, which constitutes performance criteria for which the authorities are requesting a waiver*,* was the submission of monthly budget execution reports to the Fund due to difficulties in reconciling data from the Integrated Financial Management Information System (IFMIS) based budget reports and the analytical fiscal tables. The authorities have since rectified the situation and submitted the corrected reports to the Fund.

3. **Macroeconomic policies**

The Gambia's macroeconomic policies continue to be geared toward consolidating macroeconomic stability and fostering conditions conducive to high and sustainable growth as well as poverty reduction. The considerable progress achieved towards macroeconomic stability in recent years bears testimony to the authorities' commitment to prudent macroeconomic management.

Fiscal policy

Maintenance of prudent fiscal policies and consolidation of recent gains in macroeconomic stability remain at the top of the authorities' economic agenda. Fiscal policy will be aimed at

containing public debt and related interest payments to sustainable levels as well as avoiding inflationary pressures that might be associated with excessively high aggregate demand. Fiscal performance is expected to remain broadly in line with the original program over the medium term albeit with a lower cumulative fiscal basic balance surplus for 2007- 2009 than in the original program due to the higher scheduled public expenditures. However, some of the increase in public spending will be financed by the recent privatization proceeds, and therefore will not generate additional debt.

Overall revenue performance is expected to continue to be strong, supported by robust economic activity and the authorities' persistent efforts to improve tax administration. However, the recent sharp appreciation of the dalasi is expected to have some negative effect on revenue performance through a reduction in international trade taxes, as well as a possible decline in corporate tax receipts as a result of the losses incurred by commercial banks in their foreign exchange operations. Higher customs duty collections on oil imports and lower debt service payments are likely to offset the effect of these potential revenue losses.

On the expenditure side, spending will be affected by the planned increase in civil service salaries, starting in 2008 fiscal year to attract and retain highly qualified staff in order to stem the high rate of attrition of professional staff in the public sector. The wage bill is anticipated to increase from 4.5 percent of GDP in 2007 to 5.1 and 6 percent of GDP in 2008 and 2009 respectively. The second phase of salary increases will be implemented within the context of a comprehensive civil service reform program, which is under preparation with the support of the World Bank.

The authorities will continue to make every effort to align budget priorities with the PRSP as well as to enhance the efficiency and transparency of fiscal operations. The introduction of IFMIS in January 2007 has strengthened commitment controls and facilitated the execution of the budget in line with budget appropriations as well as the monitoring of PRSP related spending. The authorities are also taking steps to strengthen the system for allocation and monitoring of government counterpart funds to externally-financed capital projects. They will maintain their efforts to enhance accountability in the use of public resources and improve the quality of public projects.

The authorities are committed to prudent management of external debt and plan to prepare a comprehensive debt management strategy by end-July 2008. Until it is able to undertake its own independent debt sustainability analysis (DSA), the government has established indicative limits, under the PRGF-supported program, on contracting of new debt in 2008 and 2009. However, these limits will be revisited in the context of program reviews and the result of the government's own DSAs. New borrowing will also be limited to highly concessional terms, with a minimum grant element of 45 percent.

Monetary Policy and financial sector

In pursuit of the monetary policy objective of maintaining price stability the Central bank of

Gambia (CBG) will continue to use a money targeting framework and to use the rediscount rate to signal changes in its policy stance. The CBG remains committed to maintaining a flexible exchange rate system. However, it will intervene in exchange markets to prevent disorderly adjustments and according to its well-defined intervention policy.

In order to further enhance the CBG's capacity in execution of monetary policy, the authorities will continue to strengthen the CBG's operational independence by ensuring compliance with the provisions of the CBG Act (2005) on its capital requirements and limits on lending to government. The recapitalization of the CBG has already started and will be done over a five-year period. The government and the CBG have been implementing an Action Plan to bring government borrowing from the CBG within the legal limit of 10 percent of the previous year's tax revenue by the end of 2007. As of end-October 2007, government borrowing from the CBG was well within the limit.

The CBG continues to place great importance in improving its internal controls and intends to adopt International Financial Reporting Standards (IFRS) as its accounting framework. Currently, a gap analysis between current accounting policies and the requirements of IFRS is being conducted and an Action Plan for moving to IFRS over a three-year period is envisaged to be completed by December 2007.

The authorities recognize the importance of coordination of monetary and fiscal policies and have agreed on a framework for doing so. To facilitate this, the Department of State for Finance and Economic affairs (DoSFEA) and the CBG have signed a memorandum of understanding to guide domestic debt management and monetary operations. To enhance the effectiveness of monetary policy and mitigate the constraints to the CBG's monetary operations arising from low balances in the treasury bill special deposit account, the government intends to gradually replenish the account for the amounts it withdrew in January 2007 to jump-start IFMIS. A mechanism for doing so will be agreed on by the CBG and DoSFEA.

While the financial sector in The Gambia continues to be sound, financial intermediation remains weak as the banks continue to be risk averse. In an effort to facilitate bank lending, the CBG is establishing a credit bureau which will provide reference on credit worthiness of potential borrowers seeking credit from the financial sector. Banks are expected to provide data on their customers and to begin accessing the database by the end of 2007. The credit bureau is expected to be operational by end-March 2008. The authorities are continuously strengthening prudential supervision of banks. To this end they have introduced the Prompt Corrective Action (PCA) framework for monitoring bank compliance and performance against a number of critical indicators.

4. **HIPC Completion Point**

The authorities are seeking completion point under the enhanced HIPC initiative so that the country may be eligible for debt relief under both HIPC and MDRI. This will significantly alleviate The Gambia's public external debt position, lowering it from the current from

around 84 percent of GDP to approximately 25 percent of GDP after HIPC and MDRI debt relief.

Of the eleven HIPC completion point triggers, only two-an annual increase of at least 5 percent in the share of births attended by trained antenatal personnel and the bringing to the point of sale of public assets in the groundnut sector-were partially met. The government is requesting waivers for these two triggers. Births attended by trained personnel increased, but the target set for the trigger did not anticipate a long lag before completion point. Since completion point was delayed, the government believes that achieving an increase from 44 percent in 1998 to 56.3 percent in 2005, a figure that compares favorably in the region, meets the spirit of this trigger.

The government has taken corrective action to move beyond the requirement to bring the public sector groundnut processing plants to the point of sale. Previous efforts to attract private investors have been unsuccessful. At the same time a consensus has emerged among stakeholders that revitalization of the sector-crucial for poverty reduction and growth-should go beyond the simple sale of assets that does not address core weaknesses in the sector. To rehabilitate the sector, the government has adopted a comprehensive Groundnut sub sector Roadmap Implementation Framework, based on various recent studies undertaken with support from the World Bank, EU and IMF. As part of this roadmap, the government has taken several actions ahead of the 2007/08 season, including the opening of all aspects of operations in the sector to the private sector and assigning responsibility for managing key aspects of the sector, including the setting of producer prices, to the Agribusiness Service Plan Association (ASPA).

5. Conclusion

In conclusion, we would like to reiterate the authorities' commitment to the sound macroeconomic management and growth promotion as a step toward improving the livelihood of the Gambian people. They appreciate the support they continue to receive from Fund and the international community and hope they can count on the continuation of such support to alleviate the enormous capacity and financial constraints that they face in the pursuit of their macroeconomic policy objectives. Debt relief will go a long way in creating some fiscal space which will facilitate allocation of resources to development and poverty reducing activities.