Statement by Ms. Ita Mary Mannathoko and
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INTRODUCTION

1. Our Gambian authorities appreciate the effective engagement and candid discussions they had with staff during this first review of their Extended Credit Facility (ECF) program. The COVID-19 pandemic had a severe impact on The Gambian economy, disrupting the very strong growth performance seen in 2018 and 2019. While the authorities implemented aggressive response measures that effectively contained the spread of the virus, as a result of this, the economy stagnated in 2020. Fund support in the form of the ECF approval alongside timely provision of emergency financing by the IMF in April catalyzed donor support, backing the authorities' efforts to preserve macroeconomic stability, counter the economic and health impacts of the pandemic, and protect vulnerable households. Looking ahead, while a v-shaped recovery is expected, growth prospects nevertheless remain subject to significant risks, including the resurgence of the virus in major source markets for tourism and associated travel restrictions.

2. To help bridge the balance of payments gap and support a durable recovery, the authorities seek Directors' support for the completion of the first review of The Gambia's ECF-supported program and the financing assurances review. They also request a waiver for nonobservance of a PC and augmentation of access under the ECF arrangement. The additional financing will bolster the fiscal position allowing the authorities to strengthen the health care system, and further broaden the coverage of social support.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3. Economic growth is estimated to have declined markedly from 6.1 percent in 2019 to zero percent in 2020, due to a standstill in tourism, the mainstay of the Gambian economy, and a slowdown in other contact dependent service sectors. This notwithstanding, the decline in tourism was moderated by expansion in the agriculture sector and an increase in foreign exchange inflows that helped finance activity in construction and commerce. Going forward, growth is expected to rebound to 6.0 percent in 2021 and average 6.5 percent per year in the medium-term, benefitting from a robust

fiscal stimulus in the FY 2021 budget, recovery in the tourism sector, absorption of new technology that is expected to boost factor productivity; and a resumption in public investment.

4. Inflation declined from 7.7 percent in December 2019, to 5.6 percent in October 2020 due to low fuel prices and stability in the dalasi, as private remittance and capital inflows, and official transfers improved reserve coverage of imports, and boosted confidence in the currency. Looking ahead, renewed inflationary pressures could emanate from rising food prices attributed among other things, to logistical challenges in global supply chains.

5. The current account deficit widened to 5.6 percent of GDP in September 2020 from 2.0 percent of GDP in the corresponding period of 2019, reflecting the virtual halt in tourism receipts due to the COVID-19 pandemic. Continued support from the IMF and development partners will be important to shore up reserve buffers and reduce pressure on the exchange rate.

PROGRAM PERFORMANCE

6. Program performance remains strong. Six out of the seven quantitative performance criteria (PC) through the end-June test date were met. These include the program ceiling on central government net domestic borrowing (NDB), and the ceilings on the stock of net domestic assets (NDA) of the central bank, new non-concessional external debt contracted and guaranteed, and the outstanding stock of external public debt with original maturity less than one year guaranteed by central government. In addition, the floors on the stock of net usable international reserves (NIR) of the central bank for the end-June 2020 and for end-September 2020 were exceeded with significant margins. The single PC that was missed was for a continuous zero-ceiling on new external payments arrears of the central government, however the arrears were subsequently cleared and corrective action was taken to prevent recurrence of arrears with the relevant SOE required to make provisions to settle future payments on time and to alert the Ministry of Finance and Economic Affairs if there’s likely to be a delay.

7. Two out of three indicative targets (IT) were met for end June 2020, the exception being the floor on poverty-reducing spending. All the ITs for end September 2020 were met, including the floor for poverty-reducing spending. Structural benchmarks (SBs) for the program for end June 2020 were also met, benefitting from robust technical assistance from the IMF. While three end September 2020 SBs were missed as their implementation was impacted by capacity constraints induced by the COVID-19 pandemic, the related program commitments have since been implemented. Updating the Medium-Term Debt Strategy (MTDS) and its publication were completed in October 2020, while policy actions agreed with staff to launch the reform of tax exemptions policy, and the rationalization of subvented agencies were completed and are articulated in the 2021 budget speech.

POLICY OBJECTIVES

Fiscal Policy and Debt Management

8. Fiscal policy has focused on addressing the emergency measures needed to mitigate the impact of the pandemic. The FY 2021 budget will also support the economic recovery. Given the uncertainty around the recovery stage, the authorities remain mindful of the need for prudent policies and orderly execution of the FY 2021 budget, guided by the medium-term fiscal framework, consistent with the program. While the budget aims to deliver a strong stimulus to support the recovery, the authorities plan to tighten fiscal policy once the economic recovery takes hold in order to safeguard debt sustainability. The authorities recognize the importance of maintaining fiscal prudence.

9. Efforts to bolster revenue collection continue. Notwithstanding the increase in domestic revenues in 2020 due to one-off non-tax receipts from the sale of assets authorized by the Janneh Commission, the authorities continue to intensify revenue collection. They are taking steps to eliminate all ad-hoc tax exemption, while restoring full authority to approve tax exemptions, implement new tax exemption policy and strengthen tax compliance, to the Ministry of Finance and Economic Affairs. Other revenue-enhancing measures include the realignment of the taxpayers registration and reporting thresholds for selected tax items, and the increase of excise tax rates on tobacco products.

10. Our authorities attach great importance to PFM reforms, consistent with commitments under the program. To this end, the ongoing civil service reform by the Personal Management Office (PMO) is critical to addressing associated inefficiencies in public spending. A nationwide staff audit was conducted, with the final report to be shared with ministries in the near future. The PMO has also developed a Civil Service Grading, Pay and Incentive Policy that will recommend a reasonable minimum salary for civil servants. There also plans to effect salary payments electronically (bank or mobile money) starting in 2021.

11. The authorities are also extending the integrated financial management information system (IFMIS) to self-accounting agencies in order to strengthen expenditure management and reporting. In this regard, the functionalities and coding of the IFMIS system have been upgraded to facilitate the timely production of comprehensive reports on public expenditure; including poverty related spending. The authorities have completed a capacity assessment for the rollout of IFMIS to projects and subvented agencies with a view to enabling fiscal transparency and oversight. In addition, they have taken steps to fast-track the completion of Treasury Single Account (TSA) and to strengthen the functioning of the cash management framework to optimize the available resources.

12. The authorities have made significant progress in the area of debt sustainability including meeting the net domestic borrowing (NDB) target, as well as that for new non-concessional external debt contracted or guaranteed by the central government. There is significant improvement in debt management and the updated Medium-Term Debt Strategy (MTDS) was completed and published in October 2020. It will guide efforts to optimize government borrowing policy while reducing rollover risk; and will serve as a plan for the development of a secondary market in government debt instruments. Meanwhile, the authorities continue to rely on grant financing and highly concessional borrowing for foreign-financed projects. The authorities continue to step up efforts to strengthen oversight of contingent liabilities in order to ameliorate fiscal risks arising

from SOEs. This includes ensuring timely debt service payments on debt guaranteed by the government. At the same time, the authorities are strengthening their debt recording and reporting capacity.

Monetary and Financial Sector Policies

13. An accommodative monetary policy stance remains consistent with the low inflation environment and weak economic activity in the wake of the pandemic. The central bank of The Gambia (CBG) reduced the policy rate to 10 percent in May 2020 from 12.5 percent end-December 2019; and lowered reserve requirement to 13 percent from 15 percent (while advising banks to postpone the distribution of dividends). The CBG will continue to use interest rate-based instruments to support the recovery, boosting aggregate demand while containing inflationary pressures. The central bank remains committed to a flexible exchange rate regime; it continues to serve the authorities well in adjusting to shocks. The CBG will only intervene in the foreign exchange market occasionally to smoothen disorderly movements in the market.

14. Central bank autonomy remains high on the authorities' agenda. In this regard, significant progress has been made in strengthening the legal framework, modernizing the internal audit function, and improving financial reporting. The CBG also continues to strengthen its control and audit processes with active oversight by the Bank's Board and the Audit Committee.

15. In the financial sector, the COVID-19 pandemic has impacted asset quality in banks and nonbank financial institutions, particularly those with exposure to tourism- related sectors. In this regard, the authorities continue to address liquidity-stressed bank clients on a case- by- case basis, and the CBG continues to urge financial institutions to delay dividend distributions to preserve capital buffers. The authorities are implementing the 2019 FSSR recommendations to develop their macroprudential tools. They are also taking steps to develop a framework for banking sector stress testing, strengthening the supervision of Non-Bank Financial Institutions (NBFIs), and partnering with telecommunication companies to develop FINTECH and reinforce confidence in mobile banking that will improve financial inclusion.

Governance and Structural Policies

16. Our authorities continue to implement structural reforms to support competitiveness, enhance inclusive growth and bolster governance. With respect to the latter, the anti-corruption bill, which seeks to strengthen the fight against rent-seeking by public officials, has been submitted to the National Assembly for timely enactment. Furthermore, in line with the recommendations of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) the authorities are strengthening the AML/CFT framework to help curb illicit financial flows.

17. On competitiveness, the authorities recognize the importance of improving the business environment to support private sector-led growth. They are taking steps to improve The Gambia's ranking in the Global Competitiveness Index. This includes expanding the seaport, improving the port's IT infrastructure, implementing an ambitious energy

roadmap, and upgrading IT infrastructure in the Gambia Revenue Authority (GRA) to enhance transparency and boost tax compliance. The authorities are also working to improve digitalization of the economy and the related regulatory environment.

18. The authorities remain committed to building transparency. In compliance with the RCF, the authorities have pledged full transparency in the use of the COVID-related resources. To this end, they will publish all COVID-19 related procurement contracts online, and further strengthen emergency-related procurement practices drawing on the provisions of the revised GPPA Act soon to be approved by the National Assembly. The authorities have also created a sub-account in the Treasury Single Account, for the COVID-19 spending, and a committee that oversees the account. They also strengthened the internal audit function at the Ministry of Health and arranged for an independent ex-post audit by the National Audit Office (NAO), of all COVID-19 related expenditure which will be finalized by end-September 2021.

19. Our authorities have continued to implement the strategy to counter trafficking in persons (TIP) and made significant progress. They have ramped up investigations and improved coordination with partner organizations to scale up the training of public officials working on human trafficking issues. In addition, they have strengthened the internal capacity to identify trafficking victims, while further building public awareness and carrying out an engagement campaign on TIP and child sex trafficking. As part of the anti-human trafficking strategy, the authorities will accelerate work on investigations and prosecutions to swiftly bring perpetrators to justice. The notable progress made is recognized in the latest US State Department human trafficking report, with the country's rating elevated from Tier 3 to Tier 2.

CONCLUSION

20. The Gambian authorities remain steadfast in pursuing reforms under the program, notwithstanding significant challenges brought about by the pandemic. They continue to value Fund support in building capacity and implementing prudent policies to support inclusive growth. They consider this Fund support an important complement to their efforts to realize national economic objectives as articulated in the National Development Plan. The authorities look forward to Director's support in completion of this first review under the extended credit facility, and the associated financing assurances review.