



THE GAMBIA

June 2021

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW; PRESS RELEASE; AND STAFF REPORT

In the context of the Second Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on April 1, 2021, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 12, 2021.

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IMF Executive Board Concludes Second Review under the Extended Credit Facility Arrangement with The Gambia and Approves US\$ 14.4 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US\$ 14.4 million to The Gambia to help meet the country's financing needs and support the post-pandemic recovery.
- The second wave of the COVID-19 pandemic has dampened economic activity, with attendant socio-economic costs. However, with the global vaccine rollout, development partners' support of The Gambia's vaccination campaign, and the resilience of some economic sectors, growth is expected to rebound to 4.9 percent in 2021.
- The authorities deserve praise for the strong performance under the IMF-supported program and their ability to maintain macroeconomic stability, despite the challenges posed by the pandemic.

Washington, DC – May 27, 2021: The Executive Board of the International Monetary Fund (IMF) today completed the second review under the Extended Credit Facility (ECF) arrangement with The Gambia. The completion of the review enables an immediate disbursement of SDR 10 million, about US\$ 14.4 million, to help meet the country's balance-of-payments and fiscal financing needs as well as support the post-pandemic recovery. This brings total disbursements under the ECF arrangement to SDR 35 million, about US\$ 50.5 million. The Executive Board's decision was taken on a lapse-of-time basis.¹

The ECF arrangement with The Gambia was [approved by the IMF's Executive Board on March 23, 2020](#), with an initial total access of SDR 35 million that [was augmented at the completion of the first ECF review on January 15, 2021](#) to SDR 55 million (88.4 percent of quota). The Gambia has also benefited from an IMF [Rapid Credit Facility disbursement](#) of SDR 15.55 million and is receiving debt service relief from the [IMF under the Catastrophe Containment and Relief Trust](#), expected to total SDR 7.9 million, of which SDR 6.1 million has already been approved.

The second wave of the COVID-19 pandemic has dampened economic activity, with attendant socio-economic costs. For 2020, economic growth is estimated at zero percent; the tourism sector was hit hard while the agricultural and the construction sectors have shown resilience. For 2021, economic growth is expected to rebound to 4.9 percent, supported by the global and domestic vaccine rollout as well as the continued resilience of some economic sectors.

¹ The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

The authorities deserve praise for the strong program performance and their ability to maintain macroeconomic stability, despite the significant challenges posed by the pandemic. At the onset of the COVID-19 pandemic, the authorities relaxed the fiscal and monetary policy stances to help meet pandemic-related humanitarian needs and support economic activity, while keeping within program limits. Inflation dropped from 7.7 percent (year-on-year) at end-2019 to 5.7 percent (year-on-year) at end-2020 before picking up to 7.4 percent at end-March 2021 due to seasonal factors. Large official and private forex inflows helped boost reserves to 4.7 months of imports at end-2020. Public debt declined.

Going forward, ensuring continuation of strong policies is paramount to maintain good program performance. Adequate fiscal policy prioritization will be key to addressing the pandemic and supporting economic recovery, while reducing debt vulnerabilities. Tax exemptions will be further streamlined, and savings will be made on subsidies to State-Owned-Enterprises (SOEs). Pursuing a prudent fiscal policy will ensure reducing the high risk of debt distress in the medium term. Monetary policy remains appropriately accommodative, while liquidity and inflation developments need to be monitored and pockets of financial vulnerabilities tackled. Given the slow credit growth in a context of ample liquidity, structural obstacles to credit should be addressed.

It is critical to persevere in the ambitious structural reform agenda, especially in the context of upcoming presidential and parliamentary elections, to fully reap the benefits from the country's remarkable turn-around in recent years. Swift implementation of the business environment strategy will support strong and inclusive growth. The Public Procurement Act should be enacted to improve the value-for-money of spending. The SOE Bill, which is on hold because of the stalled constitutional reform, should be finalized to improve SOEs' performance and reduce their reliance on the state budget.

Table 1. The Gambia: Selected Economic Indicators, 2019–26

	2019	2020	2021	2022	2023	2024	2025	2026		
	Prel.	RCF	Proj.	RCF	Proj.	Projections				
(Percent change; unless otherwise indicated)										
National account and prices										
GDP at constant prices	6.1	0.0	0.0	6.0	4.9	6.5	7.0	6.5	5.8	5.6
GDP deflator	7.1	7.2	7.1	4.3	4.2	4.3	4.1	4.1	5.3	4.6
Consumer prices (average)	7.1	6.1	5.9	6.0	6.0	5.5	5.1	5.0	5.0	5.0
Consumer prices (end of period)	7.7	6.5	5.7	5.8	5.8	5.2	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US\$ values)	23.8	-10.7	-50.8	23.1	62.9	35.9	26.	8.9	5.6	7.2
Imports, f.o.b (US\$ values)	14.6	-1.7	-2.4	17.9	27.7	12.2	7.1	2.0	2.8	2.4
Terms of trade (deterioration = -)	-4.8	1.4	1.4	-1.7	-1.7	-1.4	-1.0	-0.5	1.9	2.8
Real effective exchange rate (depreciation = -)	-4.4	...	11.0	...	...	...	...	...	...	...
(Contributions to broad money growth; percent)										
Money and credit										
Broad money	27.1	15.5	22.0	9.5	12.6	...	...	...	...	...
Net foreign assets	18.9	9.7	17.6	-1.2	3.1	...	...	...	...	...
Net domestic assets	8.2	5.9	4.4	10.7	9.6	...	...	...	...	...
Of which:										
Credit to central government (net)	4.0	4.9	3.6	7.1	6.7	...	...	...	...	...
Credit to the private sector (net)	6.0	1.3	0.1	3.6	2.9	...	...	...	...	...
Velocity (GDP/broad money)	2.1	2.0	1.9	2.0	1.8	...	...	...	...	...
(Percent change; unless otherwise indicated)										
Central government finances										
Domestic revenue (taxes and other revenues)	13.9	13.3	13.8	14.1	13.8	14.0	14.4	14.	14.7	14.9
Of which: Tax Revenue	10.9	10.4	10.5	11.2	10.9	11.6	12.0	12.	12.4	12.7
Grants	7.1	10.3	8.1	7.4	7.7	8.0	7.3	6.5	6.0	5.7
Total expenditures and net acquisition of	23.6	25.2	24.0	25.4	25.5	24.0	22.9	21.	21.0	20.8
Of which: Interest (percent of government	22.3	22.5	21.9	18.4	18.8	18.9	16.3	15.	13.5	12.2
Net lending (+)/borrowing (-)	-2.5	-1.7	-2.1	-3.9	-4.0	-2.1	-1.2	-0.6	-0.2	-0.1
Net incurrence of liabilities	3.1	1.0	1.6	4.0	4.0	2.2	1.4	0.6	0.2	0.1
Foreign	2.6	0.2	0.9	1.6	1.7	1.8	1.4	0.9	0.3	0.5
Domestic	0.5	0.8	0.8	2.3	2.4	0.4	0.0	-0.3	-0.1	-0.4
Primary balance	0.6	1.3	1.0	-1.3	-1.4	0.5	1.1	1.6	1.8	1.7
Public debt	80.2	76.4	77.2	74.4	76.7	72.7	66.3	61.	56.3	51.0
Domestic public debt	35.6	33.6	34.0	31.1	31.9	29.4	25.0	22.	20.3	17.2
External public debt	44.6	42.8	43.2	43.3	44.8	43.3	41.3	38.9	36.0	33.8
External public debt (millions of US\$)	798.1	813.8	820.4	888.0	905.6	953.1	993.0	1015.	1023.6	1040.6
External current account balance										
Excluding official transfers	-9.2	-10.9	-8.3	-14.1	-14.5	-16.3	-15.0	-12.6	-11.0	-10.3
Including official transfers	-6.2	-6.2	-4.0	-11.9	-12.4	-13.9	-13.0	-11.0	-9.4	-8.8
Gross official reserves (millions of US\$)	225.0	330.	352.0	389.8	412.3	432.8	449.1	458.4	473.8	506.4
(months of next year's imports)	3.9	4.6	4.7	4.6	4.6	4.5	4.5	4.5	4.5	4.6
Savings and investment										
Gross investment	19.4	18.5	19.4	21.8	24.2	23.9	23.7	22.9	23.1	22.7
Of which: Central government	9.0	7.8	6.7	10.0	10.1	9.9	9.6	8.7	8.3	8.3
Gross savings	13.2	12.	15.4	9.9	11.8	10.0	10.7	12.0	13.7	13.9
Memorandum items:										
Nominal GDP (billions of dalasi)	91.4	98.0	98.0	108.3	107.1	119.0	132.6	146.9	163.7	180.8
GDP per capita (US\$)	774.2	787.4	785.3	830.0	819.4	865.8	917.6	967.9	1025.7	1075.7
Use of Fund resources (millions of SDRs)										
Disbursements	0.0	20.6	20.6	35.0	35.0	10.0	5.0	0.0	0.0	0.0
Of which: 2020 RCF	...	15.6	15.6	...	...	...	...	...	...	...
Of which: Proposed ECF Augmentation	...	...	...	20.0	20.0	...	...	...	...	...
Repayments	-4.3	-3.6	-3.6	-4.0	-4.0	-2.8	-4.1	-3.9	-5.2	-9.5
CCRT debt relief ¹	0.0	3.2	3.2	4.0	4.0	0.8	...	...	...	...
PV of overall debt-to-GDP ratio	70.4	67.5	67.4	65.9	66.7	63.0	57.1	52.9	48.6	43.8

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

¹ The grant for debt service falling due through October 15, 2021 is available under the CCRT. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.



THE GAMBIA

May 12, 2021

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Gambia is experiencing a second wave of COVID-19 cases. The vaccination campaign started in early March 2021, but the pace is slow, due to vaccine availability and hesitancy. Presidential and parliamentary elections are planned for December 2021 and April 2022, respectively.

Macroeconomic developments and outlook. Under the impact of the pandemic, growth is estimated to have slowed to zero percent in 2020, with the tourism sector particularly hard hit; it is expected to rebound in 2021, to 4.9 percent. Overall, macroeconomic stability has been maintained, including foreign exchange reserves reaching 4.7 months of import coverage at end-2020. The economic outlook is subject to high uncertainty and downside risks, notably the evolution of the pandemic, the global economic recovery, and the resumption of tourism.

Program performance. The authorities continued good implementation of the program, despite the difficult pandemic environment. All quantitative performance criteria (PC) at end-December 2020 were met, some with significant margins. The two structural benchmarks (SBs) for end-March 2021 were met, one of them well ahead of the deadline, while the completion of the end-December 2020 SB was delayed until March 2021.

Program objectives in 2021. Budget execution in 2021 aims to ensure an appropriate balance between addressing the impact of the pandemic and supporting economic recovery while reducing debt vulnerabilities. The weaker-than-expected revenue collection and unforeseen spending pressures (including from the organization of the elections) will be addressed through streamlining of tax expenditures and savings from subsidies to state-owned enterprises (SOEs). Revenue administration and public financial management (PFM) reforms will also continue, including on digitalization, public procurement, and better prioritization of public investment. The monetary policy stance will remain accommodative to support economic recovery, while closely monitoring liquidity and inflation developments. The emerging pockets of vulnerabilities in select financial institutions are being tackled. The authorities will seek to finalize and enact the SOE bill and Public Finance Bill despite complications from the stalled constitutional reform.

Staff's views. Staff recommends completion of the second ECF review, considering the satisfactory implementation of the program and the strong policy commitments going forward.

Approved By
Annalisa Fedelino
(AFR) and Geremia
Palomba (SPR)

The mission took place virtually during March 22–April 1, 2021, and comprised Messrs. Razafimahefa (head), Barry, Kemoe, Kumah, and Nachega, and Ms. Singh (all AFR), with support from Mr. Mendy (local economist) and Ms. Barry (local office manager). The team met with Finance Minister Njie, Central Bank Governor Saidy, other public officials and private sector operators. The mission briefed development partners and held a virtual press conference. Ms. Ita Mannathoko (Executive Director for The Gambia) joined the opening discussions, and Mr. Cham (advisor, OEDAE) participated in the meetings. Mr. Treilly and Ms. Jaghori assisted in the preparation of this report.

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