Annex I. Impact of COVID-19 Pandemic and Responses, 2020–21

Categories	Impact	The Authorities' Responses
Public Health	**Infection spread** i. From the first infection case recorded on March 18, the spread of COVID-19 infections remained slow until the easing of the lockdown conditions, which subsequently led to a sudden spike in new cases including through local transmission. The number of confirmed cases reached 146 as of July 23, with 5 fatalities and continued to accelerate until mid-September when the first wave of infections started to subside. Following the Christmas break and the surge in cases in Senegal, the country is going through a second wave of COVID-19 infections involving new strains of the virus. ii. Increased demand and pressure on health facilities and the use of PPEs.	Lockdown restrictions were introduced, and a state of public health emergency was declared on March 27. In parallel, the authorities: • Closed the airspace, land and sea borders. • Closed schools, places of worship, markets and non-essential businesses and limited public gatherings to 10 people. • Limited passenger numbers in commercial vehicles to half capacity. • Imposed a curfew during the pick of the first wave of the pandemic in the third quarter of 2020. • Procured PPEs and additional medical supplies from Turkey and benefitted from development partners' support including from the World Bank, EU, China and the Jack Ma Foundation. • Identified facilities and built new ones for quarantine and treatment purposes across the country. • Required testing and quarantine for incoming travelers, and recently, for passengers coming from countries affected by new strains of the virus. • Worked under the African Union's COVAX initiative and with World Bank support to procure and roll-out the COVID-19 vaccines.
Social	**Social Impact** i. Surge in the price of essential commodities. ii. Lack of market access for local onions and horticultural products. iii. Loss of earnings/salaries due to market closures, business closures and layoffs, affecting families live and livelihoods. iv. Suspension of in-person learning in schools and universities.	The authorities: • Froze the price, and banned the re-export, of all essential commodities. • Partnered with the private sector to organize supply chains and imposed a temporal ban on onions import. • Provided GMD 850 million food aid targeting 84 percent of households and GMD 224 million food support to be distributed through the WFP. • Partnered with the UNDP, World Bank, WFP, UNICEF and FAO to make cash handouts to vulnerable households, some formal and informal sector employees, and women, and provided seeds and fertilizers to farmers. • Introduced E-learning (via public and private media) in schools and universities and switched to conducting regular lessons on radio and televisions.
Economic	**Tourism and other economic activities** i. Airport arrivals in the first quarter of 2020 were 40 percent below 2019Q1, and dropped by 62 percent for entire year. ii. Non-essential private and public businesses were closed, or their activities reduced to a bare minimum. iii. Re-export trade suffered from border closures. Growth projection for 2020 revised down to 0 percent compared to 6.3 percent in initial projections.	The authorities: • Are using hotels as quarantine facilities. • Provided GMD 100 million to support the comprehensive recovery plan with end-to-end safe travel experience, prepared by the tourism corporations with the support of the IMF and other development partners. • Are supporting municipalities, the Gambia Tourism Board and the Gambia aviation services affected by the absence of tourists. • Accelerated the airport renewal plan to enhance safety and security in the context of COVID-19. The border reopening in Q4 and implementation of stimulus package of the SAP supported economic activities in the fourth quarter. The government and donors' food and cash transfer plans helped boost food trade.

Categories	Impact	The Authorities' Responses
Economic	**Fiscal** i. Companies faced difficulties in meeting tax obligations and filing of tax returns. ii. Slowdown in revenue intake prompted the GRA to revise downward its annual revenue target for 2020 by 2.2 percent of GDP. The actual shortfall turned out to be much lower at 10.5 percent of GDP. iii. Increased spending on health and COVID-19 containment programs (0.8 percent of GDP).	The authorities: • Extended the filing and payment of the 2019 and 2020Q1 tax returns until end-Q2. Provided tax break on rice and PPEs equipment. • Requested (and the IMF Board approved) a US$21.3 million (25 percent of quota) support under the RCF; requested (and IMF board approved) a US$28.8 million (33.3 percent of quota) ECF augmentation; benefitted from the CCRT, and are participating in the G20 DSSI. • Secured additional support from the AfDB, EU (partly frontloaded) and the World Bank disbursed COVID-assistance funds to help address the health and socio-economic impact of the pandemic. This, together with the IMF emergency assistance and a list of new spending priorities, was included in a Supplementary Appropriation Bill (SAP) that was approved by the National Assembly. • Prepared and approved a 2021 budget that includes contingencies to address a potential surge in infections and a post pandemic recovery stimulus package. • Opened a dedicated project account for COVID-19-related spending, reinforced the Internal Audit's presence at the Ministry of Health, published details of COVID-19-related spending and procurement contracts and initiated the audit of the COVID-19 spending, with a view to enhance transparency in the use of the COVID-19 resources.
	Banking system i. Financial intermediation moderated since 2020Q1, with some tourist operators having problems servicing loans. ii. Credit growth dipped to 0.8 percent at end-2020 (was 35.8 percent in 2019). iii. F/X currency transport abroad ceased. iv. CBR problems heightened, disrupting trade financing. v. Record high private FX inflows, resulting in a large accumulation of foreign assets by the CBG and the banks, driving a strong growth in broad money.	The authorities: • Reduced (i) the policy rate by 50 bps and increased the special deposit rate by the same amount in February 2020, and (ii) the policy rate and the statutory reserve requirements on banks by 200 bps to 10 percent and 13 percent respectively, in May 2020. • Are standing ready to discuss, on a bank-by-bank basis, client-specific loan servicing problems and advise on their resolution. • Strengthened banking supervision and re-prioritized (including frontloading TA on stress testing and crisis preparedness) in a strategic plan of actions to address the recommendations from the 2019 FSSR.

Source: The Gambian authorities.

Annex II. Risk Assessment Matrix[1]

Sources of risks	Relative Likelihood	Impact if Realized	Policy Response
External: Unexpected Shift in COVID-19 Pandemic	**Medium** **Asynchronous progress.** Limited access to, and longer-than-expected deployment of vaccines—combined with dwindling policy space—prompt a reassessment of growth prospects. **Prolonged pandemic.** The disease proves harder to eradicate), requiring costly containment efforts and prompting persistent behavioral changes rendering many activities unviable. **Faster containment.** Pandemic is contained faster than expected due to the rapid production and distribution of vaccines, boosting confidence and economic activity.	**High** Further collapse in Gambia's exports and tourism receipts. Failure of key domestic corporates in tourism, construction and services. Negative impact on growth, fiscal and external accounts Disruptions to economic activity. Employment pressures abroad reduce the inflow of remittances. Tourism is halted and exports are depressed. Negative impact on growth and the external position. Exports recover and tourism rebounds. Construction, services and other (tourism-related) activities pick up. The fiscal and external positions are strengthened.	• Strengthen fiscal, social, and health response to pandemic. Prioritize infrastructure projects with high fiscal multipliers and value-for-money. • Strengthen regional cross-border pandemic response. • Rollout targeted support for tourism, construction and services sectors for previously well-run and profitable corporates
External: Oversupply and volatility in the oil market	**Medium** Higher supply and lower demand lead to renewed weakness in energy prices. Uncertainty about production cuts and the pace of demand recovery lead to bouts of volatility.	**High** Dependence on HFO and sovereign guarantees pose a significant contingent liability risk. Increased use of ITFC facility could delay projects. High production costs hurt growth.	• Strengthen the fiscal oversight of NAWEC. • Accelerate implementation of national energy roadmap with World Bank support, including use of alternative energy production methods.
Financial Instability	**Medium** Rising NPLs due to COVID-19 raise concerns in some banks, even with ample domestic liquidity. Collapse of Travelex increase fears about FX cash obligations internationally. Lack of alternatives to sovereign debt reignites concerns around sovereign-bank nexus	**High** Reduced profitability and capital adequacy, negatively affecting financial intermediation.	• Increase provisions and bolster capital to absorb losses and resist temptation to weaken prudential standards. • Discuss loan reprofiling for clients with strong business models. • Implement FSSR recommendations. • Ensure Banks retain retail banking units to better meet private sector recovery needs.
Weak Fiscal Management	**Medium/High** An expansive COVID-19 fiscal policy without effective control of non-priority spending and lack of fiscal reforms. Fiscal shocks from SOEs.	**Medium** Increased domestic borrowing and pressure on public debt sustainability. Pressure on foreign reserves. Crowding out of private credit.	• Implement TA recommendations on PFM, cash management and budget execution. • Identify additional fiscal measures to create fiscal space for crisis support. • Implement SOE and governance reforms.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline scenario within the next three years. "Low" is meant to indicate a probability below 10 percent, "Medium" a probability between 10 percent and 30 percent, and "High" a probability of 30 percent or more. The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risk may interact and materialized jointly.

Social discontent and Political Instability	**Medium** Tribal politics and tensions among the coalition parties and government increase due to the upcoming elections (end 2021 and early 2022) and ineffectiveness of COVID-19 response.	**High** Political uncertainty hurts market confidence and private investment, delays economic and policy reforms, and weakens institutions.	• Give priority to socio-economic stability and strengthen COVID-19 response. • Involve CSOs in policy decisions. • Implement findings from governance commissions.
Natural disasters	**Medium** Recurring cycles of erratic rainfall and droughts.	**High** Negative impact on domestic production, especially rain-fed agriculture.	• Strengthen food security and rural feeding programs. • Build up fiscal and reserve buffers. • Build resilience to natural disasters.

Annex III. Lending into Arrears to Official Bilateral Creditors

Staff assesses that the conditions are met for the Fund to provide financing to The Gambia in line with the policy on arrears to official bilateral creditors, notwithstanding its outstanding arrears to Venezuela. In particular:

1. **Prompt financial support from the Fund is considered essential and the member is pursuing appropriate policies**. The Gambia is a long-standing fragile state, currently at high risk of debt distress caused by the heavy debt service payments on its external debt. The ECF arrangement will support the authorities' efforts to achieve debt sustainability, while catalyzing much needed international financial support. The Fund-supported program is expected to anchor macroeconomic stability and play a pivotal role in addressing this long-standing issue, building on the improvements in the medium-term debt profile as a result of debt service deferrals. The Gambia's policies in the context of the ECF-supported program covering 2020–23 will contribute markedly to growth and poverty reduction, notably by facilitating the creation of the much-needed fiscal space.

2. **The authorities have been making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program.**

- *In terms of process,* the Gambian authorities have relayed to staff that they had contacted the Venezuelan authorities bilaterally through letters and technical meetings (most recently in October 2019 in Banjul and some exchanges of correspondence around December 2020), offering to engage in substantive dialogue and start a collaborative process on resolving the outstanding arrears (which arose due to international sanctions). Relevant information has been shared with them on a timely basis. The Gambian authorities are committed to their continued good faith efforts until all the remaining arrears are resolved.

- *The terms offered* by the Gambian authorities to Venezuela are in line with the financing and debt objectives of the Fund-supported program and imply a contribution that is not disproportionate relative to those sought from other creditors under the official sector involvement.

3. **The decision to provide financing despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.** In staff's view, providing financing to The Gambia despite the arrears is not expected to have an undue negative effect on the Fund's ability to mobilize future financing packages, given strong support from the international community in the context of the Fund-supported program for The Gambia and The Gambian authorities' efforts to resolve this in a timely manner.

Annex IV. Technical Assistance Priorities, 2020–21

Priorities	Objectives
Revenue Administration	Implementation of new tax exemption policy and GIEPA Act. Strengthen the integrity of the taxpayer register; improve filing and payment compliance and reduce tax arrears; improve accuracy of reporting in the key economic sectors and taxpayer compliance. Improve customs procedures, compliance risk management capacity to undertake post-clearance audits, and take steps to implement ECOWAS customs integrity framework. Implementation of plans for embedding stable and effective tax administration information management systems that support revenue administration functions including: completing implementation of the GAMTAXNET remediation plan; development and implementation of an action plan for installing a new ITAS system.
Public Financial Management	Extend IFMIS on project and subvented agency accounts. Implement TSA roadmap and improve cash forecasting and debt data reconciliation. Prepare a 2022 gender sensitive budget by moving towards a gender responsive budget through means of sound PFM practices; create the conditions for moving to climate responsive budgeting by 2023. Support fiscal risk assessment of SOEs and PPPs, to improve risk monitoring and analysis—with the ultimate objective of limiting contingent support.
Governance	Identify future reforms under the ECF program to tackle weak governance and vulnerability to corruption.
Bank Supervision and Stress Testing	Continue to strengthen bank supervision and develop and implement stress testing procedures.
Macroprudential Policy	Strengthen the macroprudential awareness of the CBG and clarify the responsibilities and the mode of operations of the financial stability function and the monetary policy function.
Bank Safety Nets, Resolution and Crisis Management	Develop a safety net (notably, deposit insurance) and to strengthen the CBG's resolution and crisis preparedness, particularly in the context of heighten risks to banks' portfolios in the context of the COVID-19 pandemic.
Debt Management	Lengthen maturity of domestic debt and reduce rollover risk.
Government Finance Statistics	Continue efforts to collect the source data comprehensively and compile GFS for budgetary central government (monthly).
Real Sector Statistics	Further improve the quality and timeliness of national accounts, including developing quarterly GDP series and new GDP rebasing. Improve price statistics. Strengthen the statistical capacity in national accounts and compilation of price statistics.
External Sector Statistics	Enhance the quality and coverage of source data used for compiling The Gambia's balance of payments and international investment position statistics.
Strengthening AML/CFT Framework	Build capacity to strengthen regulatory and supervisory frameworks to mitigate risk of loss or reduction of correspondent banking relationships and the impediments to remittance services.

Annex V. Key Recommendations of the 2019 FSSR

Key recommendations	Planned activities	Status
I. Banking supervision		
Review and amend the Banking Act 2009.	Taskforce setup to work with the CBG legal unit.	Taskforce functional
Review of the manual of guidelines and instructions.	A team designated to review the guidelines.	Team functional
Define team in-charge of data quality functions.	A team to do quality control.	Team functional
Revisit the offsite supervision function.	Identify items and set thresholds in context of risk-based supervision (RBS).	RBS ongoing
Revisit the onsite supervision function.	Outline follow-up routines and visits.	RBS ongoing
II. Stress testing		
Develop high quality stress testing governance framework.	Leverage TA to develop framework.	On track
Process to conduct pre-stress testing preparations.	Put in place processes for stress testing.	On track
Building capacity in stress testing.	TA required.	Awaits resident advisor
III. Macroprudential policy		
Financial Stability report adopting forward looking approach.	Producing a stability report that would be forward looking	On track
Developing detailed macroprudential toolkit.	Working with partners and other stakeholders to develop the toolkit	On track
Assign macroprudential authority to the CBG.	Would seek to consult with MOFEA on this strategy	On track
IV. Bank safety net, resolution, and crisis management		
Strengthen capacity for stress detection and introduce recovery plans for banks.	Team set up to advise CBG Mgt.	Ontrack. Awaits resident advisor
Prepare deposit insurance legislation and strengthen resolution powers.	Negotiate with Government.	On track
Develop Emergency Liquidity Assistance (ELA) policy and processes.	Develop ELA framework	On track
Strengthen Prompt Corrective Action (PCA) framework.	Team to advise on PCA framework for timely bank intervention	On track
Strengthen banks' recovery plan.	Ensure effective recovery capacity in banks.	Working group functional
Develop bank resolution framework with adequate legal provisions.	Develop comprehensive resolution framework.	Working group functional
Strengthen domestic and cross-border corporation and co-ordination.	Work with MoFEA and regional authorities.	On track

V. Regulation and supervision of non-bank financial institutions		
Revisit approach to supervising deposit taking Finance Companies (FCs).	• Develop a tiered-capital framework for FCs. • Develop RBS framework for large FCs. • Augment regulatory capital for Reliance Financial Services.	Done TA required Done
The NBFIs Act 2016 is silent on permissible activities of NBFIs.	• Review the NBFI Act 2016 and guidelines for adequacy of licensing provisions. • Incorporate regulatory requirements related to permissible activities into the guidelines. • Develop regulatory guidelines for MMOs and Mortgage Finance Companies.	Guidelines drafted
Include non-bank lenders in the Credit Reference Bureau (CRB)	• Develop framework for the inclusion of FCs and large Credit Unions (CUs) into the CRB. • Reduce costs for NBFIs participation in the CRB, to reduce non-performing loans.	
Upgrade its oversight of mobile money operators (MMOs)	• Review and upgrade current guidelines on MMOs. • Develop onsite/off-site examination manual. • Develop off-site reporting templates to capture operations. (iv) Ensure enforcement.	
Strengthen supervision of CUs and their relationship with the National Association of Cooperative Credit Unions of The Gambia (NACCUG).	• Assume direct oversight of 11 largest CUs. • Develop regulatory guidelines and reporting templates for CUs. • Develop on/off-site examination framework. • Revise the delegated supervisory role of NACCUG.	On track. TA required.
Develop a more proportionate Strategy for overseeing Village Savings and Credit Associations (VISACAs).	• Develop proportionate supervision framework (reflecting risk profile) with the VISACAs apex body. • Conduct half-yearly onsite supervision to verify offsite returns.	Done. Piloting to revamp the concept of VISACAs.
Close gaps in legal authority for regulation and supervision of CUs.	• Legal Department to provide clarity on CBG's mandate (in the in the NBFI Act 2016) to regulate and supervise financial cooperatives. • Agree roles and responsibilities with NACCUG and the Department of Cooperatives.	12 largest CUs are incorporated and being regulated under the guidelines.
VI. Financial Inclusion		
Improve data quality for financial inclusion and information sharing.	• Automate and expand the CBG data system to include financial inclusion requirements. • Interface with regulated service providers. • Develop a supervisory software for data collection and supervision of NBFIs. • Develop nanotech to capture forex operations.	On track Done
Incorporate consumer protection into financial inclusion efforts.	• Collaborate with the Competition and Consumer Protection Commission, to develop a consumer protection framework for financial services.	On track
Develop a financial inclusion ecosystem for digital financial services along with a clear framework to support transactions.	• Strengthen the electronic payment system and guidelines for MMOs. • Build staff capacity to regulate and supervise digital finance.	On track
Source: The Central Bank of The Gambia.		

Appendix I. Letter of Intent

Banjul, The Gambia

May 12, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Madam Managing Director,

1. On behalf of the Government and the people of The Gambia, we express our gratitude to the IMF for its continued strong support to our country in helping address the health and socio-economic impacts of the COVID-19 pandemic. The completion by the IMF Executive Board in January 2021 of the first review under the ECF arrangement and the augmentation of access were timely. It helped the government in addressing the second wave of the COVID-19 pandemic and provided resources for implementing the 2021 budget. In addition, it helped prevent an increase in borrowing costs as observed in early 2020. We are also grateful for the IMF's support for the G20 Debt Service Suspension Initiative (DSSI) and the third extension of the debt service relief under the Catastrophe Containment and Relief Trust (CCRT).

2. The attached Memorandum of Economic and Financial Policies (MEFP) (i) outlines the progress we have made under the program since completion of the first review in January 2021 and (ii) updates our policies for the remainder of 2021 and beyond. Despite the pandemic, our commitment to the program remains unwavering. We observed all quantitative performance criteria (QPCs) and all indicative targets (ITs) at end-December 2020. The end-December 2020 structural benchmark (SB) was implemented in the first quarter of 2021, to allow incorporation of end-December 2020 information in the publication. All SBs at end-March 2021 were implemented timely. We will ensure that budget execution in 2021 is consistent with the fiscal path and debt sustainability under the ECF program.

3. We continued our efforts to strengthen the governance and autonomy of the central bank and will advance the implementation of outstanding recommendations of the 2020 safeguards assessment. The FY2020 audit of the CBG's financial statements is near completion and we are taking steps to strengthen our internal audit and financial reporting functions. We have agreed with the Auditor General on a joint audit arrangement, to be carried out by a local and an international firm, of the central bank's FY2021 financial statements.

4. We remain committed to fulfilling our commitment on fostering full transparency in all COVID-19-related spending. To this end, we included all COVID-19 spending items in the 2021 budget to ensure that they are implemented in line with the normal budget procedures. We have published on the website of the Gambia Public Procurement Agency (GPPA) a list of all COVID-19-

related procurement contracts and their beneficiary owners; the list has been updated to cover the full year of 2020 and the first quarter of 2021. The National Audit Office (NAO) has completed the first phase of an *ex-post* audit of all COVID-19-related spending during March-October 2020 and has launched an audit of all such spending executed in November and December 2020. We will consolidate the results of these audits with the audit of the 2020 fiscal accounts and submit to the National Assembly for deliberations and publication by end-September 2021.

5. In light of the resolve and commitment we have shown in implementing the agreed macroeconomic policies and reforms, and based on the strength of our policies and measures going forward, the Government of The Gambia requests completion by the IMF Executive Board of the second review of our ECF-supported program and the disbursement of the third ECF tranche of SDR 10 million. We also request that this disbursement be on-lent to the Government and made available to the Treasury to provide budget support upon the signature of an MoU between the Ministry of Finance and Economic Affairs and the Central Bank of The Gambia defining their respective roles and responsibilities for servicing the related financial obligations to the IMF.

6. The Government believes that the policies and measures set forth in the MEFP for the first review, as supplemented by this MEFP, will help achieve the program objectives. Nonetheless, the Government will take any additional measures that may be required, particularly in response to COVID-19-related needs. The Government will consult with the IMF, or whenever the Managing Director requests such consultation, prior to adopting any such measures or revising the policies in the MEFP. We will continue to provide the IMF staff with all information needed to monitor our implementation of the economic and financial policies geared toward achieving the program objectives.

7. The Government consents to make public the content of the IMF staff report, including this letter, the attached supplemental MEFP and Technical Memorandum of Understanding (TMU). We, therefore, authorize the IMF to publish these documents on its website in accordance with IMF procedures once the IMF Executive Board approves the completion of the second review under the ECF arrangement.

Sincerely yours,

/s/	/s/
Mambury Njie	Buah Saidy
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum of Economic and Financial Policies (MEFP) summarizes our achievements under the ECF-supported economic and financial program since the completion of the first review in January 2021. It updates our policies, measures and the structural reform agenda to strengthen our response to the humanitarian and economic challenges stemming from the COVID-19 pandemic, support a rapid recovery from the pandemic-induced economic shock, ensure macroeconomic stability, and foster inclusive growth.

Background

1. **The new wave of COVID-19 cases in The Gambia and globally in early 2021 has dampened the prospects of a rapid recovery in the tourism sector**. The new surge in COVID-19 cases around the world and the easing of health restrictions, including the opening of the country's international borders, led to a resumption of increases in the number of COVID-19 cases in early 2021 and a spread of new strains of the virus in The Gambia. The government reintroduced restrictions on travelers in early January including a requirement of an additional COVID-19 test upon arrival and a mandatory quarantine at own cost, for travelers coming from countries affected by the new strains of COVID-19. While these measures helped curb the new wave, they also led to flight cancellations and further delays in the reopening of The Gambia routes by many airlines, causing delays in the recovery of the tourism sector.

2. **We started a COVID-19 vaccination campaign in early March, with support from the COVAX initiative and the World Bank**. We expect to cover 20 percent of the population under the COVAX initiative. We plan to cover an additional 40 percent of the population with a grant financing of US$8 million from the World Bank. By late April , we had vaccinated around 20,000 people, or about 1percent of the population. We intend to complete this vaccination campaign of a total of 60 percent of the population by [end-2022], which corresponds to all adult population.

3. **We continue to execute COVID-19 spending transparently**. We included all COVID-19 spending items in the 2021 budget to ensure that they are implemented in line with normal budget procedures. We have published on the website of the Gambia Public Procurement Agency (GPPA) a list of all COVID-19-related procurement contracts and their beneficiary owners; the list has been updated to cover the full year of 2020 and the first quarter of 2021. The amount of COVID-19-related spending is shown in the monthly budget execution reports for 2020, published on the finance ministry's website. The National Audit Office (NAO) has completed the first phase of an *ex-post* audit of all COVID-19-related spending covering March through October 2020. The audit of the COVID-19 spending executed in November and December 2020 has also been launched. We will consolidate the results of these audits with the audit of the 2020 fiscal accounts and submit to National Assembly for deliberations and publication by end-September 2021.

4. **We are pursuing our ambitious transitional justice reforms, including to bring the stalled constitutional reform process back on track ahead of the presidential election in**

December 2021. We have adopted a multi-pronged approach, supported by the international community, and mediated by the former President of Nigeria, Goodluck Jonathan, to unlock the impasse on the constitutional reform. The civil society and religious leaders have been invited to help build a consensus. The outcome of this process remains uncertain at this stage. Nonetheless, political parties have put in place an Inter-Party Committee (IPC) and agreed to work together toward peaceful, transparent, and credible elections. We are making progress on our other transitional justice reforms, including the public hearings of the Truth, Reconciliation and Reparation Commission (which is expected to conclude and submit its final report and recommendations in early July), human trafficking, discrimination against women, and criminal code. In the bid to continue supporting our fragile transition, we have agreed with our partners to transform the mandate of the sub-regional peace keeping force, ECOMIG, into a police force with the Gambia Armed Forces restoring their full military defense duties at end-2020.

Recent Economic Developments

5. Economic activity in The Gambia was flat in 2020. The Covid-19 pandemic hit the country hard with the tourism sector distressed by a 62-percent decline in airport arrivals and other sectors significantly impacted by the lockdown and border closure measures. The central bank's (CBG) business sentiment survey and the composite index of economic activity (CIEA) pointed to a weakening in economic activity during the year. On the positive side, a good rainfall supported strong agricultural production, while record-high private foreign exchange remittance inflows boosted the construction sector. In addition, the economy benefitted from the government's stimulus package included in the supplementary budget appropriation (SAP) and the food and cash distribution programs. As a result, economic growth is estimated at around 0 percent in 2020. Inflation (year-on-year) declined from 7.7 percent at end-2019 to 5.7 percent at end-2020 on account of weak demand. Inflation spiked temporarily in January 2021 but decelerated in February. The exchange rate has been broadly stable.

6. We managed to bring end-December 2020 fiscal outturns broadly in line with projections, despite the COVID-19-related challenges. The overall deficit, at 2.1 percent of GDP, was slightly higher than projected as the EU delayed the disbursement of a budget support (EUR 5.5 million) expected in late 2020. However, the domestic primary balance was stronger than projected by 0.6 percent of GDP, due primarily to a better-than-expected domestic revenue performance on account of better GRA's performance, the sale of assets authorized by the Janneh Commission, and the distribution of accumulated profits by the CBG. Total expenditure was lower than projected by 1.3 percent of GDP due to lower execution of foreign-financed capital expenditure as current spending was broadly as projected. This led to lower domestic borrowing (of 0.1 percent of GDP compared to a program ceiling of 0.5 percent of GDP), and a decline of the public debt-to-GDP ratio (from 80.1 percent at end-2019 to 77.2 percent at end-2020). The SAP was executed at 95 percent, with the implementation of some of its spending, particularly the road construction, the second phase of the food distribution implemented by World Food Program (WFP), and some health-related spending, to continue in early 2021.

7. The balance of payments strengthened in 2020, supported by record-high private forex inflows and donor support. The current account deficit narrowed from 6.2 percent of GDP in 2019 to an estimated 2.6 percent of GDP in 2020, despite the halt in tourism since March 2020. While re-exports weakened due to border closures, and imports of goods and services remained broadly unchanged from the previous year, significant inflow of remittances helped strengthen the current account balance. Remittances reached record-high levels in 2020, showing a 78-percent increase (y/y) (of which around 20 percent is estimated to be attributed to a shift from informal to formal money transfer operations due to the border closures and reduction in international travels). The rise in remittances inflow, coupled with the increased support from the IMF and other development partners, helped boost gross official reserves to US$352.0 million (about 4.7 months of prospective imports) at end-December 2020.

8. Liquidity expanded on account of large accumulation of foreign exchange reserves, but private credit stagnated. Broad money expanded by 22.0 percent (y/y) at end-2020, driven by an accumulation of net foreign assets by both the commercial banks (63 percent increase) and the Central Bank (27 percent increase). The central bank purchased foreign currency from commercial banks, using opportunities of abundant foreign currency and favorable prices to strengthen its foreign reserves in anticipation of government's external payments, which contributed to liquidity expansion. However, credit to the private sector merely grew (0.8 percent y/y at end-2020 compared to 35.8 percent in 2019) as banks remained prudent in lending given the heightened uncertainty in the evolution of economic activity. As a result, banks' excess reserves beyond the required ratio remained high.

9. The banking sector was broadly resilient, with balance sheet weaknesses localized in a few entities. The end-2020 financial soundness indicators show an improvement of the system-wide capital adequacy ratio to a comfortable 32.6 percent, compared to a statutory requirement of 10 percent. The liquidity ratio stood at 93.5 percent. Profitability declined slightly but remained positive. The deterioration of the asset quality (NPL ratio from 4.5 percent at end-2019 to 6.8 percent at end-2020) seems to be caused by one large and three small banks exposed to the tourism sector; these banks accounted for 27.9 percent of total assets and 36.7 of gross loans. As at end-February, however, one large bank (accounting for 16 percent and 21 percent of total banking system assets and NPLs, respectively, as at end-2020) had resolved its NPL problems, as the clients in question settled their obligations. Reflecting the balance sheet weakening the aggregate provisioning level increased from 73.4 percent in 2019 to 80.1 percent in 2020. The CBG avoided a blanket weakening of regulatory requirements, apart from a temporary suspension, until end-2020, of provisioning rules on a case-by-case basis for the banks exposed to pandemic-affected clients.

10. Despite some mounting vulnerabilities, the non-bank financial sector continued to expand and play an important role in fostering financial inclusion. During 2020, two Finance Companies (FCs) were granted licenses to operate as microfinance institutions (MFIs), bringing the number of FCs to six (6). Their total assets grew by 33.6 percent to GMD 2,006 million and deposits grew by 31 percent. The capital adequacy remained stable around 32 percent, well above the benchmark of 20 percent, and they remain profitable. However, their loans portfolio contracted by

20 percent by Q3 before recovering in Q4, ending in an annual growth of 2.3 percent. The liquidity ratio deteriorated from 75 percent to 58 percent in 2020. NPLs more than doubled going from 5 percent to 11 percent. Mobile money continued to expand; the number of transactions more than doubled between June and December 2020 and cash transactions increased by 53 percent during the same period.

Performance Under the ECF Program

11. We met all quantitative performance criteria and indicative targets at end-December 2020 with large margins. The ceiling on the central government's net domestic borrowing (NDB) was observed with a margin of about GMD 400 million or 0.4 percent of GDP. The floor on the stock of net usable international reserves (NIR) was exceeded by US$99 million or about 50 percent above the target. The other five QPCs were also met, namely the ceiling on the net domestic assets of the Central Bank, the zero-ceiling on non-concessional external debt contracted and guaranteed, the zero-ceiling on the outstanding stock of external public debt with original maturity less than one year, the non-accumulation of external payment arrears, and the ceiling on new concessional external debt contracted or guaranteed by the government. All end-December 2020 indicative targets were also, including the floor on domestic revenue and the floor on poverty-reducing spending.

12. Preliminary data at end-March 2021 suggests that the ceiling on net domestic borrowing, the floor on net useable international reserves, and all debt related indicators were met. Tax revenue collection fell below the indicative floor due to the pandemic.

13. We also met all structural benchmarks (SBs) through end-March 2021, except one that was implemented with delay. (Table 3).

(i) The end-December 2020 SB on the publication of an annual statement on MDAs' compliance with the internal audit recommendations was completed in March 2020. The delay was due to the need to wait for the availability of end-December 2020 information to be able to reflect the entire year in the publication.

(ii) The CBG agreed in December 2020 with the Auditor General that the CBG's 2021 financial statements will be audited jointly by a local and international firm with central bank auditing experience. This joint audit was recommended by the 2020 safeguards assessment mission. The CBG has initiated the recruitment of the auditors to ensure a timely conduct of the exercise.

(iii) The Ministry of Finance published on March 26, 2021, the quarterly debt bulletin for 2020Q4 which included a monthly domestic debt issuance calendar for the second quarter of 2021. The calendar will be updated on a monthly basis. With IMF and WB support, the MoFEA (DLDM) and the CBG have published an annual borrowing plan for 2021 and have been publishing on their websites a monthly domestic debt issuance plan, ahead of the start of the month.

Macroeconomic Outlook

14. Despite the large uncertainty, we expect a recovery of economic activity from 2021 onwards. The agricultural sector is expected to continue satisfactory performance. Private foreign exchange and remittances inflows continued at high levels in early 2021 and are expected to sustain a strong performance of the construction sector. The execution of public investment projects related to the preparation of the 2022 OIC conference is accelerating. Other large public investment projects are also underway, including the extension of the Port of Banjul and the modernization of the airport. The roll-out of COVID-19 vaccines in The Gambia and worldwide invites some optimism on a recovery of the tourism sector from the second semester of 2021. Based on the above considerations, economic growth is projected at 4.9 percent in 2021. Nonetheless, this projection is subject to significant downside risks, particularly possible delays in controlling the Covid-19 pandemic in The Gambia and worldwide.

Macroeconomic Policies and Structural Reforms

A. The National Development Plan

15. We will continue to anchor the ECF program on our National Development Plan (NDP), whose coverage has been extended to 2022 due to the COVID-19 pandemic. With the development partners' support, the government has produced a Mid-Term-Evaluation (MTE) report of the NDP. The MTE was validated in February 2021 and the report is being finalized incorporating comments and inputs from the validation seminar. The initial findings of the MTE report indicate that after three years of implementation, 60 percent of all outcomes are already achieved or are on track to be achieved by end-December 2021. We have initiated a process of formulating a new long-term development vision which is expected to be finalized around the end of the second quarter of 2021. The long-term development vision would serve as a strategic framework for the development of successive medium-term national development plans. The formulation of a new medium-term development plan will start during the third quarter and it is scheduled to be finalized in 2022 in time for the start of the 2023 budgetary process.

16. In collaboration with the World Bank, we are currently drafting a Turn Around Allocation (TAA) strategy aimed at addressing fragility and building resilience. The current COVID-19 pandemic and the breakdown in the political coalition agreement that led to the political change in 2017, increasingly suggest a highly fragile socio-political and economic environment, to a large extent compromising the potentials of growth and productivity of the country. The TAA strategy, which is aimed at addressing these challenges and building resilience, features five strategic goals namely: (i) security and political stability; (ii) governance and transitional justice; (iii) land management; (iv) environment and climate change; (v) human capital development and inclusive growth and economic stability. The TAA could top up a country's IDA allocation by 125 percent, up to a national top-up cap of US$1.25 billion per country per replenishment. In this regard, it is expected to avail the country with much-needed resources and create the necessary environment for reforms.

B. Fiscal Policy

17. We are facing some important fiscal challenges in 2021 related to global, regional, and Gambia-specific circumstances. Revenue collection for the January-February 2021 was below projections by 6 percent, which is due to several factors. Corporate and personal income taxes in the first quarter of the year depend largely on the performance of the tourism sector during the last quarter of the previous year (the peak season in The Gambia); airport arrivals in 2020Q4 was more than 85 percent below 2019Q4. A large increase in freight costs with some trading partners led to lower volume of import of essential goods and lower customs revenue collection. The reemergence of bottlenecks in transit trade with Senegal and the closure of Guinean borders (affecting traders in Mali and Guinea Bissau) are adversely impacting revenue collection. Non-tax revenue is suffering from a lower traffic on the Senegambia-bridge and delays in lifting the suspension on the sale of stolen assets under the Janneh Commission, due to a recent court ruling. Some pressures are also emerging on the expenditure side. Additional financing will likely be needed for the organization of the presidential and parliamentary elections in end-2021 and early-2022. Payments on some large infrastructure projects, such as the Banjul Rehabilitation project and the Hakkalan road project, are coming due at a faster-than-anticipated pace. The government may also need to prefinance the rehabilitation of the Banjul port.

18. The 2021 fiscal framework will help tackle the impacts of the pandemic and support the recovery. We have phased out measures that are deemed no longer warranted, including payment deferrals of tax obligations, the suspension of penalty and interest charges for late filing and payments, the suspension of enforcement and tax field audit activities, and the granting of duty payment deferrals on fuel sales to oil marketing companies that invest in jet fuel supply and were affected by the abrupt closure of the airspace. We are of the view that those measures should be rolled back to allow the government to secure revenue to finance programs that are more targeted to the vulnerable population. Instead, the 20-percent reduction on the customs valuation of some basic food and hygiene items will be pursued to alleviate the impact of the pandemic on the population. The food distribution program, supported by the WFP, will also be continued. In addition to the Covid-19 vaccination campaign supported by our development partners, we have also factored a contingency of GMD 300 million (0.3 percent of GDP) to cater for emergency spending pertaining to the Health sector. To support the recovery of economic activity, we introduced the following measures. We reduced the incorporation fees from GMD 10,000 to GMD 4,000, and business registration certificate from GMD 1,000 to GMD 500 to encourage the expansion and formalization of micro, small and medium-sized enterprises in the country. We are exempting investors and sole proprietors in the informal sector from paying payroll tax in order to reduce their cost of doing business in the country. We reduced the fringe benefit tax rate from 35 percent to 27 percent to align with the current corporate income tax rate. These measures are expected to help incentivize economic activity while addressing some administrative distortions and not creating large revenue loss.

19. Despite the various challenges, we will ensure that the 2021 budget execution stays consistent with program objectives:

- **On the revenue side**: the implementation of fiscal measures announced in the 2021 budget will help mitigate the revenue shortfall. We are rationalizing tax exemptions and duty waivers, which has already started yielding positive results. A new tax expenditure policy will be approved and implemented, including a review of investment tax incentives, a new GIEPA Act, and streamlining of all tax incentives (structural benchmark end-June 2021). The voluntary value added tax (VAT) threshold was increased from GMD 500,000 to GMD 1 million to minimize the administrative burden and align with the mandatory VAT threshold and avoid any VAT leakages. All taxpayers categorized as Large Taxpayers are required to file their audited financial statements along with their annual tax returns to ensure adequate payment of tax obligations. Various taxes and excises on tobacco products were increased to comply with global and regional commitments to increase the share of excise tax on tobacco products to at least 70 percent of the retail price. The annual threshold of capital gains tax was increased from GMD 18,000 to GMD 24,000 to align to the current personal income tax rate. We expect revenue from the privatization of *MegaBank* and will further take all necessary measures to ensure the successful sale of assets from the Janneh commission to complement government revenue. We are also making efforts to complete reforms in financing programs from our partners (budget support and project grants).

- **On the spending side**: the operational, organizational, and financial reforms recently introduced in two key SOEs will reduce reliance on government subsidies in 2021. For the utility company (NAWEC), the budget originally envisaged subsidies of about 0.3 percent of GDP, which may potentially be reduced as the financial situation of the company has significantly improved. A new management team has been put in place. With World Bank support, all top-management positions are about to be filled on a competitive basis and a revised performance contract is being finalized. Following the completion of the overdue maintenance of most of its generators, NAWEC's generation capacity has improved. Revenue collection also improved following the use of prepaid meters. The company is procuring an APC contract for the construction of 30 MW capacity with the support of African Legal Facility to replace the more costly Karpower arrangement. For the groundnut company (GGC), the amount of subsidies in the budget will likely not be fully used. The 2020-21 yield of the groundnut campaign was significantly below target, thus requiring significantly lower subsidies. Despite this low yield, the company plans to build on this year's positive operational experience to improve performance in future years' campaign (e.g. direct purchase from farmers, payment to farmers on the spot, collaboration with a local bank to finance the campaign). The company has modernized its payroll systems and digitalized its inventory management helping enhance efficiency. It has also set up an internal audit department, which helped improve the company's business processes and controls, culminating in GMD 1.2 billion saving on overpricing and unnecessary procurements. Furthermore, the contingency spending envelops that we budgeted for the education sector will likely not be fully utilized based on the current pace of execution.

C. Debt Sustainability

20. Given the high risk of debt distress, our policies will continue to aim at reducing debt vulnerabilities in the medium term. Our public debt continues to be deemed sustainable but at high risk of external and overall debt distress. Total public debt declined from 80.1 percent of GDP at end-2019 to 77.2 percent of GDP at end-2020. We aim to reduce the present value of total public debt below the benchmark of 55 percent of GDP around 2024. This objective will be achieved through a combination of a strong medium-term fiscal framework and a prudent borrowing policy.

- **Medium-term fiscal framework**: some of the measures implemented in 2021 to address the impacts of the pandemic and support the recovery are expected to be rolled back from 2022. This unwinding is expected to improve the primary balance from a deficit of 1.4 percent of GDP in 2021 to a surplus of 0.5 percent of GDP in 2022 and an average surplus of 1.5 percent of GDP during 2023-26. This fiscal consolidation effort will be mainly driven: (i) on the revenue side, by an improvement in tax administration through the modernization of revenue collection systems and the rationalization of tax expenditure; and (ii) on the expenditure side, through civil service reforms (including the elimination of ghost workers and improved efficiency in public service delivery, which will help to contain spending on wages and improve productivity), rationalization of subvented agencies, and improvement of the financial conditions of SOEs to contain subsidies. All these measures will ensure a steady decline in the public debt-to-GDP ratio, which is essential to firmly anchoring sustainability and lowering the risk of debt distress.

- **Borrowing policy**: we will continue to adhere to the borrowing plan and rely primarily on grants and highly concessional borrowing. The government will continue prudence in the contracting of new loans. Discussions with the EIB and AfDB are now at an advanced stage to ensure the financing of the Banjul port extension on a concessional term. In preparation for the OIC summit, three out of four financiers of the Bertil-Harden highway have agreed to provide concessional financing, namely BADEA, the Kuwaiti fund, and the Abu-Dhabi fund. Discussions are underway with the fourth financier (OFID) to improve the terms of its financing offer.

- **We are strengthening debt management and transparency**. The recording of the domestic debt in the Meridian system has begun and the first cycle is expected to be completed in December 2021, which will be followed by reconciliation with the CBG debt recording system. The update of the debt strategy and the revision and publication of annual borrowing plans and monthly bond issuance plans will be made systematic. In addition to the publication of quarterly debt bulletins, we are publishing a monthly domestic debt issuance calendar for the next three months, which will be reviewed and updated on a monthly basis. We have requested an extension of the DSSI through end-June 2021 and are planning to request extension through end-December 2021. Additionally, the extension of the CCRT relief through October 2021 reduces debt service owed to the IMF by SDR1.9 million.

21. We will continue our efforts to improve the governance and financial situation of SOEs to minimize contingent liabilities. The fiscal risks associated with the use of trade credit facility from the ITFC have significantly declined as GGC will exit the facility after paying its last obligation due in 2021Q2; NAWEC renewed the facility in late 2020 for two years but is now honoring its obligations up to six months ahead of schedule. The adoption of the SOEs bill is expected to durably reduce contingent liabilities.

D. Monetary Policy and Financial Sector

22. Our monetary policy will continue to address pandemic-driven pressures and we are closely monitoring developments, including on liquidity, credit, and inflation expectations. At the wake of the pandemic, we loosened the monetary policy stance to help alleviate the impact of the pandemic on the economy. We reduced the policy rate from 12.5 percent to 10 percent (in two steps) and the reserve requirements ratio from 15 percent to 13 percent and increased the interest rate on the special deposit facility by 50 basis points to 3 percent. During our monetary policy committee meeting in March 2021, we maintained the accommodative policy stance. We will continue monitoring developments. The strong foreign exchange inflows of private remittances in 2020 continued in early 2021 (monthly average of US$50.9 million in January-February 2021, compared to a monthly average of US$49.2 million in 2020 and US$27.5 million in 2019); these strong forex inflows are expected to continue throughout 2021. Using opportunities of abundant foreign currency and favorable market conditions, the central bank has been purchasing foreign currency from commercial banks through a bidding process to further strengthen its international reserves and anticipate any external payment by the government. These foreign currency purchases and the disbursements from international partners further boosted the central bank's international reserves (US$383 million at end-February 2021). Accordingly, reserve money and liquidity expanded. However, we do not foresee strong inflation pressures at this stage. Inflation eased in 2020, but spiked in January and March 2021 due to increases in some food prices caused by bordure closures in some neighboring countries. Also, government deposits at the CBG increased by about 1 percent of GDP, helping to sterilize some of the FX inflows and also providing a buffer for future fiscal uncertainties. The expansion of liquidity has not translated into an expansion of private credit, which broadly stagnated in 2020. This weak private credit growth is due primarily to banks' prudence in providing loans under the current uncertain economic environment. Beyond the current context, we will endeavor to tackle structural obstacles hindering credit extension by banks, such as access constraints, collateral recovery problems, and default risks.

23. We will monitor and address emerging localized vulnerabilities in the financial sector. The overall financial sector appears broadly resilient to the impact of the pandemic except in a few banks and non-banks financial institutions exposed to sectors affected by the pandemic. Thus, we continue to shun a blanket weakening of prudential requirements, as the situation is neither widespread nor systemic. We are implementing the recommendations from the Fund's 2019 Financial Sector Stability Review, for which purpose we had drawn up a strategic plan. In this context, we introduced a Regulatory, Compliance and Supervision System (vRegCoSS) software in April 2020 to access real-time information for the supervision of banks, reviewed the organogram of our Financial Services Department, and continue to strengthen risk-based supervision of banks. Furthermore, we have set up a taskforce to collect information for a review of our Business Continuity Plan and a crisis management and resolution team to strengthen our crisis preparedness.

In addition, we are preparing a framework for stress testing banks' balance sheets (SB for end-June 2021) with the technical assistance from the Fund. A parallel approach is being adopted for strengthening the supervision of NBFIs for which purpose we will require technical assistance.

24. We are strengthening financial safeguards in line with recommendations from the 2020 safeguards assessment. Our Internal Audit Department has commenced preparation of quarterly reports covering program monitoring data submitted to the Fund (the report for end-2020 will be completed once the audit of the 2020 financial statements is finalized), additional members of the audit committee were appointed, and the audit committee charter will be updated by end-May 2021 to reflect the recommendations of the safeguards mission. Furthermore, our Board has approved the transfer of all foreign exchange cash handlings to the purview of our Currency Unit at the Banking Department and an update of the foreign exchange management guidelines will be completed in line with ongoing IMF technical assistance. For the audit of the central bank's 2021 financial statements, we agreed an arrangement with the Auditor General for a joint audit by a local firm and an international firm with central bank auditing experience (SB for end-March 2021).

E. Structural Reforms

Domestic Revenue Mobilization

25. The post-TADAT reforms as anchored in the 2020-2024 Corporate Strategic Plan (CSP) continue to guide our reforms at the Gambia Revenue Authority (GRA):

- **Tax registry cleaning**: the exercise entails updating taxpayers' information, such as contact details, demographic information, taxpayer's tax office, segmentation, ISIC coding, and trading information. The exercise is completed for the Large Taxpayer Unit (LTU) and the seven tax Offices located in the greater Banjul area (Banjul, Kanifing, Serrekunda, Tallinding, Brusubi, Brikama and Wellingara). The campaign is ongoing for the remaining tax offices in the provinces Barra, Farafenni, Soma, Brikama-ba and Basse, and is expected to be finalized by end-December 2021. The completion of the cleaning exercise will be followed by the migration of current cleaned registry data held in excel files to the GAMTAXNET platform. This will allow the reconstruction of the taxpayer ledges to better monitor tax obligations, including tax arrears.
- **GAMTAXNET enhancement**: three modules (Registration, Returns fillings and Payments) of the remediation plan to enhance the system were rolled out to the four offices identified in the pilot phase (Banjul, Kanifing, Serrekunda and Tallinding). The four offices are now using the enhanced version of the system. The enforcement module has also been deployed to those four pilots, including Brikama, Wellingara and Brusubi. We will continue to work with the developer to complete the other modules (Audit, Refunds, MIS Report and Administration). In the meantime, a manual block management method is currently being used to manage compliance levels of taxpayers. Each block is assigned to an enforcement officers who is responsible for ensuring that taxpayers in their block file and pay their taxes on time and the enforcement officers provide quarterly compliance reports.

- **Digital transformation**: we will continue our IT initiatives to achieve the digital transformation of the GRA, including the migration from ASYCUDA++ to the ASYCUDA World with the support of the AfDB and the acquisition of a new Integrated Tax Administration System (ITAS) with the support of the World Bank under the Fiscal Management Development (FMD) project to replace GAMTAXNET. The FMD project has commenced. Contract negotiations are currently underway with the selected service provider. The implementation of this new ITAS includes e-registration and e-filing components with mobile payment solutions interfaces. The MoFEA has also approved funding for GRA to connect its systems across the country to the GAMTEL broadband fiber network which will significantly improve GRA's network capabilities and therefore its digital footprint with increased taxpayer communication channels and improved usage of the GAMTAXNET system.
- **Tax expenditure policy (TEP)**: we are making efforts to implement recommendations from the TEP report as outlined in the 2021 budget speech. A consultant has been recruited with the support of the World Bank to assist MOFEA with the implementation of the TEP report recommendations. A tax unit has been created at the MoFEA and a committee established comprising the MoFEA, the Ministry of Trade (MoT) and GRA to strengthen controls on enforcement and eligibility for tax exemptions. The committee ensures a holistic decision-making approach to investments, incentives, and exemptions. The work of the consultant on the revision of the GIEPA Act is progressing with a view to request approval by Cabinet at end-June 2021.
- **Other measures**: the GRA is enhancing its capacity to audit the finance and telecommunications sectors. All our current reform activities are expected to improve operational efficiency through strengthening taxpayer services, audit and enforcement, which will in turn improve voluntary compliance by taxpayers and have a positive impact on revenue collections. Customs committed to improving their adherence to all policy measures and operational protocols, especially regarding exemptions, to ensure accuracy in valuations and charges. Customs will also focus on facilitating exports and ensuring bilateral trade agreements, in particular with Senegal, are strictly adhered to, to also facilitate trade through The Gambia. GRA has started engagements with Guinea Bissau Customs Administration in December 2020 and has just started with the Malian authorities to foster trade between these countries in the context of the African Free Trade Agreement.

Public Financial Management

26. Our reforms in public financial management (PFM) will be guided by the newly adopted 2021–25 PFM reform strategy. With the development partners' support, we have finalized and published the strategy. Our reforms include the following key areas.

- **Public procurement**: we have made significant progress on our procurement process. Single sourcing has been reduced markedly. The bulk of our public contracts is now awarded based on "requests for proposal". We will continue our efforts to enhance the share of "open bidding" contracts. Such efforts will include training on procurement processes and better planning by ministries, departments, and agencies. The procurement act (GPPA act) has undergone two readings at the National Assembly and has been approved at the Committee level. Its approval at the plenary is delayed by the heavy legislative agenda of the National Assembly. We are making efforts to accelerate the approval and effectiveness of this act by simultaneously requesting a fast-tracking at the National Assembly, preparing the regulations, and drafting the manuals.

- **SOEs bill**: while the approval process of the SOEs bill is on hold because of the stalled constitutional reform, we are exploring alternative legal approaches to help finalize and submit it to the National Assembly by end-2021 (SB for end-December 2021).

- **Civil service reforms**: the reforms continued with the validation in January 2021 of the Performance Management System policy that is expected to be implemented in 2022. Since February 2021, all salaries are paid electronically through commercial banks, microfinance institutions, mobile money service providers, and credit unions. In addition, the Cabinet has given the technical specifications and authorized all permanent secretaries to purchase the Biometric Time and Attendance Register System to better control the payroll in their departments.

- **IFMIS**: despite the challenging environment created by the COVID-19 pandemic, the extension of IFMIS has recorded significant progress, including the preparation and implementation of a roadmap to extend it to all projects and subvented agencies (SB for end-June 2021). Since January 2021, IFMIS is deployed to all local government councils around the country. By end-June, IFMIS will be deployed to all self-accounting projects and to the embassies. The embassies of Guinea Bissau, Saudi Arabia, Senegal, and those in Europe are already connected. Two subvented agencies, the office of the Ombudsman and the Human Right Commission have also been connected to IFMIS. For the remaining subvented agencies, a need assessment has been conducted, and the AGD is seeking arrangement with them on how to deploy the system.

- **Cash management**: the Cash Management Committee has established the annual cash plan for 2021 and it meets monthly to update it and define the monthly borrowing plan. This process has significantly helped align the spending to the available resources, henceforth preventing fiscal slippages. The cash management system will be strengthened by the ongoing progress towards the operationalization of the TSA by end-2021, with the full deployment of the recently procured payment gateway. The gateway will facilitate the centralization and instantaneous recording of all government revenues not collected by the GRA which will be integrated to the IFMIS. The process of consolidation of accounts at commercial banks and at the Central Bank continued with the Senegambia bridge toll revenue now moved from commercial banks to the Treasury.

- **Public Finance Act**: its revision is subject to the pending approval of the new constitution. A consultant is being recruited with UNDP support for the drafting of the new Public Finance Act with the aim of submitting the draft to National assembly at the end of the year (SB for end-December 2021).

- **COVID-19 spending**: the field work for the first phase of the audit of the COVID-19 spending, which covers the purchase and distribution of medical items and equipment as well as food items from March through October 2020 for the greater Banjul area, has been completed by the National Audit Office, which has shared its findings for comments with relevant entities. MoFEA's Directorate of Internal Audit is also finalizing its report on the purchase and distribution of COVID-19 emergency food relief. The second part of the audit will be submitted to the National Assembly and published by end-September 2021.

- **Investment selection**: we (The Gambia Strategic Review Board and the Directorate of Aid Coordination, which serves as Secretariat for the GSRB) have developed project appraisal guidelines, in line with sound practices, with support from IMF-FAD and the World Bank. These guidelines will help standardize methodologies to assess economic, financial, and technical analysis for all projects and facilitate the new project selection procedures. The Gambia Strategic Review Board (GSRB) is enforcing these guidelines and criteria for the appraisal and selection of foreign-financed public investment projects. Some projects have been approved and some others have been rejected following the selection. This selection process has yet to be expanded to domestically financed projects. We have prepared the selection guidelines and shared the selection criteria with the line ministries, directorates, and agencies; the next step is the implementation of the self-selection of infrastructure investment projects from MDAs before sending projects to the GSRB for approval.

- **Vehicle policy**: a draft policy reform has been formulated by the Ministry in charge of transportation aimed at improving efficiency in the handling of government vehicles. The new policy is very comprehensive and includes: (i) the identification of the individuals who are entitled to a government vehicle; (ii) the possibility of directors to choose between a car loan and a government vehicle; (iii) the centralization of the procurement, the management and maintenance of government vehicles; and (iv) the definition of stringent requirements for being a government vehicle driver; among others.

Governance, Tackling Corruption and Trafficking in Persons

27. **We continued our efforts to strengthen governance, the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework**. We reiterate our great interest in working with the IMF on a governance diagnostic. This, with the expected approval by the National Assembly of the anticorruption Bill, will strengthen our governance framework. Other progress includes:

- **Human trafficking**: the Gambia has made significant strides to combat human trafficking leading to its upgrade to Tier 2 Watchlist in 2020Q2 by the US Department of State. The National Agency Against Trafficking in Persons (NAATIP) is actively implementing the recommendations made in the US 2020 Trafficking in Persons (TIP) Report especially in raising awareness through training of key stakeholders, in protecting the victims, and in advancing the cases in court. We have also reinforced the cooperation with the US State Department in filling the survey.

- **AML/CFT**: the Gambia's first national AML/CTF Risk Assessment exercise completed in 2019 was finalized and submitted to Cabinet for approval in January 2021. The GoAML application is provided to the Gambia Financial Intelligence Unit (FIU) by UNODC to enhance and digitize the AML/CFT reporting regime for The Gambia. The staff of the FIU was trained on the use of the software and process to domesticate the application has started. The Gambia is working closely with the GIABA on undertaking the steps required for the completion of the second round of the Mutual Evaluation Exercise scheduled in 2021. A pre-assessment workshop was held in February 2021 and the Mutual Evaluation report is expected to be discussed at the GIABA Plenary and Technical Committee meeting in May 2022.

Business Environment

28. **We are working towards improving the business environment to boost private sector's contribution to growth**. The MoFEA, in collaboration with the Ministry of Trade and Regional Integration, has finalized a US$ 22.7 million Business Environment reforms plan. This plan will leverage on six strategic objectives: (i) simplified business regulation, (ii) improved reliability and affordability of electricity (iii) increased access to finance, (iv) improved tax administration (v) improved access to markets through trade and custom reforms and (vi) improved land titles, registration and administration, among others. The plan further details the milestones of the reform agenda such as (i) functional electronic business registration system; (ii) upgraded single window registry (iii) re-establishment of commercial courts; (iv) licensing of credit reference bureau; (v) enactment of credit reporting bill , (vi) development of centralized food testing laboratory, (vii) digital cadastral mapping, and (viii) enactment of national land policy, etc. To finance this plan, the MoFEA is seeking support from development partners including the World Bank that is currently reviewing the government's funding request to kick start the reform plan.

Poverty Reduction, Gender Issues, and Climate Change

29. **Poverty reduction**: the government continues its commitment under social safety programs, including annual contribution of GMD 10 million as counterpart fund to the World Bank-supported social safety net program. We are pressing ahead with the implementation of the Program for Accelerated Community Development aiming at addressing poverty and inequality at community level. We intend to fast-track the approval by the National Assembly of the National Health Insurance bill.

30. **We are working toward embracing gender and climate sensitive budget**. The MOFEA, with support from the IMF, will commence in 2021 the gradual implementation of gender responsive budgeting with the goal of integrating gender policies in the overall budget process. The Ministry of Gender has also disbursed funds to 46 different women groups in 2020 and an additional 51 groups in 2021 through the Women Enterprise Development Fund to provide support for women entrepreneurs. All discriminatory laws against women are currently being reviewed jointly with the Ministry of Justice, namely the Marriage Act, Women Act, Sexual Offence Act, and the Labor Act. The Ministry has also formulated a medium-term strategy aimed at addressing gender issues, whilst the existing gender policy is currently being reviewed. Moreover, the Budget

Directorate will start exploring, with support of the IMF resident expert, the implementation of a Climate Change budget coding with the goal of quantifying and assessing our interventions towards addressing the impact of climate change on our economy.

31. Capacity development: we will continue working with technical assistance from our development partners to strengthen project appraisal and selection processes, macroeconomic statistics production, debt management, and our monetary policy design and banking supervision capacity.

F. Program Monitoring

32. The government will continue to take all measures needed to meet quantitative targets and observe structural benchmarks under the program. The program will be subjected to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 2 and 4 of this Memorandum and defined in the attached Technical Memorandum of Understanding (which also sets out the requirements for data reporting to IMF staff). The third and fourth program reviews will be based on targets and benchmarks through end-June 2021 and end-December 2021, respectively.

Table 1. The Gambia: Quantitative Targets for 2020

(Cumulative from beginning of calendar year to end of month indicated; millions of dalasi, unless otherwise indicated)

	2019	2020													
	Dec.	March		June				Sept.				Dec.			
	Prel.	Prog.	Act.	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status
Performance criteria[1]															
1. Net domestic borrowing of the central government (ceiling)	1,063	1,650	760	550	2,050	550	**Met**	750	393	-338	**Met**	500	-511	112	**Met**
2. Stock of net domestic assets of the central bank (ceiling)	5,696	6,843	5,978	6,979	...	6,231	**Met**	7,001	...	5,556	**Met**	7,058	...	4,918	**Met**
3. Stock of net usable international reserves of the central bank (floor, US$ million)	189	170	193	168.0	138.1	204	**Met**	173	...	254	**Met**	193	...	292	**Met**
4. New external payment arrears of the central government (ceiling, US$ million)[2]	...	0.0	0.0	0.0	...	7.8	**Not Met**	0.0	...	6.3	**Not Met**	0.0	...	0	**Met**
5. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0	...	0	**Met**
6. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0	...	0	**Met**
7. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2]	...	60.0	0.0	60.0	...	12.0	**Met**	60.0	...	12.0	**Met**	60	...	12	**Met**
Indicative targets															
8. Total domestic tax revenue (floor)	9,978	2,500	2,913	4,700	...	5,378	**Met**	7,350	...	7,740	**Met**	10,000	...	10,326	**Met**
9. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[3]	0.0	0.0	0.0	0.0	...	0.0	**Met**	0.0	...	0	**Met**	0.0	...	0	**Met**
10. Poverty-reducing expenditure (floor)	5,267	1,300	1,328	2,700	...	2,641	**Not Met**	4,000	...	4,322	**Met**	5,600	...	6,975	**Met**
Memorandum Items:															
Budget Support (grants, US$ millions)[4]	54.6	0.0	0.0	40.0	...	10.1	...	46.9	...	53.9	...	62.1	...	81.9	...
Of which: COVID-19 assistance	...	...	...	...	...	10.1	...	...	...	17.0	...	...	...	19.8	...
Base Money (stock, GMD millions)	13,888	15,500	14,562	14,778	...	15,380	...	14,916	...	17,256	...	15,386	...	18,595	...
Nominal Exchange Rate (GMD/US$)	51.10	51.10	50.94	51.10	...	51.73	...	51.10	...	51.85	...	51.10	...	51.78	...
ECF disbursements (SDR millions, flow)[5]	...	5.0	5.0	...	...	...	...	...	...	...	...	5.0	...	0.0	...
RCF disbursement (SDR millions, flow)	...	...	...	15.6	...	15.6	...	...	...	...	...	...	...	...	...
CCRT debt relief (SDR millions, flow)	...	...	...	1.1	...	1.1	...	0.2	...	0.2	...	1.9	...	1.9	...

[1] The performance criteria, indicative targets, and relevant adjustors are defined in the Technical Memorandum of Understanding (TMU). June and December 2020 are the test dates for the first and the second reviews, respectively. Targets for end-March and end-September are indicative, except for continuous targets.

[2] These criteria apply on a continuous basis, including beyond end-December 2020.

[3] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non-market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

[4] Excludes grants under the CCRT.

[5] First disbursement of SDR 5.0 million (8.0 percent of quota) was made on March 31, 2020.

Table 2. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets, 2021

(Cumulative from beginning of the calendar year to end of month indicated; local currency millions, unless otherwise indicated)

	2020	2021			
	Dec.	Mar.	Jun.	Sep.	Dec.
	Prel.	Program			
Performance criteria[1]					
1. Net domestic borrowing of the central government (ceiling)	112	1,000	500	1,100	1,250
2. Stock of net usable international reserves of the central bank (floor, US$ million)	292	250	260	270	280
3. New external payment arrears of the central government (ceiling, US$ million)[2]	0	0.0	0.0	0.0	0.0
4. New nonconcessional external debt contracted or guaranteed by central government (ceiling, US$ million)[2]	0	0.0	0.0	0.0	0.0
5. Outstanding stock of external public debt with original maturity of one year or less (ceiling, US$ million)[2]	0	0.0	0.0	0.0	0.0
6. New concessional external debt contracted or guaranteed by central government (annual ceiling, US$ million)[2, 3]	12	115	115	115	115
Indicative targets[1]					
7. Total domestic tax revenue (floor)	10,326	3,000	6,000	8,700	11,400
8. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[4]	0.0	0.0	0.0	0.0	0.0
9. Stock of net domestic assets of the central bank (ceiling)[5]	4,918	8,171	8,034	8,284	8,034
10. Poverty-reducing expenditure (floor)	6,975	1,300	2,800	4,400	6,000
Memorandum Items:					
Budget Support (grants, US$ millions)[6]	81.9	0.0	20.0	27.1	43.7
Base Money (stock, GMD millions)	18,595	19,628	21,079	20,918	20,590
IMF disbursements (SDR millions)	20.6	20.0	30.0	30.0	35.0
ECF disbursements	5.0	20.0	30.0	30.0	35.0
Of which : augmentation	...	15.0	20.0	20.0	20.0
CCRT debt relief (SDR millions)[7]	3.2	0.2	2.1	2.1	4.0

[1] For definitions and related adjustors, see the Technical Memorandum of Understanding (TMU). End-June and End-December are proposed test dates. End-March and end-September targets are indicative, except for continuous performance criteria.

[2] These criteria apply on a continuous basis, including beyond end-December 2021.

[3] This includes US$65 million for Banjul Port expansion, of which US$50 million on concessional terms and US$15 million in nonconcessional borrowing, which is expected to blended with a grant to meet the required 35-percent grant-element requirement.

[4] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non-market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

[5] A performance criterion at end-December 2020.

[6] Excludes grants under the CCRT.

[7] 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.

Table 3. The Gambia: Structural Benchmarks, 2020

Measures	Macro Rationale	Timing	Status
Domestic revenue mobilization (GRA/MOFEA)			
GRA to complete tax registry clean-up at tax offices in the greater Banjul area (collecting over 90 percent of tax revenue).	To speed up payment processing and bolster enforcement actions.	End-June 2020	Met
MoFEA to produce a draft tax exemptions policy for Cabinet approval.	To reduce revenue leakage and better define the legitimate scope for tax exemptions.	End-September 2020	Not met[1]
Public financial management (MOFEA/CBG)			
Develop a monthly cashflow plan for the whole year, consistent with the 2020 Budget.	To strengthen Treasury cash management.	End-March 2020	Met
Prepare a set of criteria for project selection to be approved by GSRB.	PIMA recommendation to strengthen governance and reduce corruption risk.	End-June 2020	Met
MoFEA to submit an assessment report on subvented agencies to Cabinet with proposals for their rationalization.	To reassess the number and performance of subvented agencies in line with current policies.	End-September 2020	Not met[1]
Debt management (MoFEA/CBG)			
Update the MTDS and publish a new domestic debt management strategy document. The debt management strategy will envisage the use of longer-term instruments to manage rollover risk.	To reduce rollover risk, optimize issuance decisions, and strengthen benchmark pricing through extension of the yield curve.	End-September 2020	Not met[1]
Central bank governance and bank supervision (CBG)			
Develop and publish a strategic plan addressing the key recommendations of the 2019 Financial Sector Stability Review.	To highlight financial system development and stability needs.	End-June 2020	Met
Governance and transparency (MoFEA)			
Publish an annual statement (that is regularly provided to the National Assembly) on MDAs' compliance with internal audit recommendations.	To strengthen accountability to public of articulating and addressing governance failings in MDAs.	End-December 2020	Not met[1]

1/ The target date was missed but the action was subsequently completed.

Table 4. The Gambia: Proposed Structural Benchmarks, 2021			
Measures	**Macro Rationale**	**Timing**	**Status**
Domestic revenue mobilization (GRA/MOFEA)			
Approve and implement a new Tax Expenditure Policy in line with recent TA, including a review of investment tax incentives, the development of a new GIEPA Act, and streamlining all tax incentives.	To reduce tax expenditures and create room for urgent social and infrastructure spending.	end-June 2021	
Public financial management (MOFEA/CBG)			
Prepare a roadmap for extending IFMIS to all flows to project and subvented agency accounts.	To enhance fiscal transparency and oversight of project accounts and subvented agencies.	end-June 2021	
Revise, in consultation with the fund staff a new Public Finance Bill, with a view to strengthen budgetary processes, including exceptional budget procedures, treasury management, internal controls and fiscal reporting, and submit to the National Assembly.	To bring it to standard and strengthen transparency and accountability in light with the new constitution and recent reforms.	end-December 2021	
Debt management (MoFEA/CBG)			
In addition to the publication of the quarterly debt bulletins, publish a rolling monthly domestic debt issuance calendar for the ensuing three months.	To improve domestic debt management and transparency.	end-March 2021 and quarterly thereafter	Met
Central bank governance and bank supervision (CBG)			
The CBG to sign a Memorandum of Understanding with the Auditor General, to formalize an arrangement for a joint audit (by a local audit firm and an international audit firm with central banking experience) of its FY2021 financial statements.	To strengthen the CBG Internal controls.	end-March 2021	Met
Prepare a framework for banking sector stress testing, in line with the recommendations from the 2019 FSSR.	To strengthen assessment of banking sector health as an early warning signal for distress.	end-June 2021	
Governance and SOE reforms (MoFEA)			
Submit to the National Assembly a revised SOE bill, in line with IMF staff recommendations, that will: (i) limit political interference and (ii) strengthen the SOE governance framework with greater control by the ministry of finance to ensure management accountability.in terms of reducing SOEs' fiscal risk, enhancing their cooperate governance and reduce the pollical interference.	To strengthen the governance of the SOEs.	end-December 2021	

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between The Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative targets and structural benchmarks that will be used to monitor performance under the ECF-supported program through end-2021. It also sets out the related reporting requirements and describes the adjustors that will be applied to certain quantitative targets under the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

1. Definition: The *net domestic borrowing* of the Central Government is defined as the change in net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the change in the discounted value of domestic government securities held by the non-monetary sector. Net domestic borrowing also covers the change in any other net claims on the Central Government by the domestic non-monetary sector, as well as the change in government arrears on domestic debt service obligations. Central Government excludes local and regional governments and public enterprises. In computing the net domestic borrowing of the Central Government, the following components are excluded: (i) on-lending of the IMF credit (under RCF or ECF) to the budget, (ii) changes in the balances of the project accounts listed in Table 1, (iii) the face value of government securities issued to increase the CBG's capital to the value mandated in the CBG Act, and (iv) the face value of the government securities issued for the purpose of transferring the CBG stake in MEGA-Bank to the treasury.

2. Adjuster: The NDB targets (ceilings) will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that period relative to the program forecasts specified in the table below. The upward adjustment of the NDB targets at each quarter's end for the shortfall in the disbursements of budget support, including the ECF tranches expected to be onlent to the budget, may not exceed GMD 1.0 billion. The NDB targets will be adjusted downward by the deviation of the amount of privatization proceeds from zero. The downward adjustment will not apply to budget support grants and loans provided to The Gambia for spending needs arising from the COVID-19 emergency, to the extent the latter raise the total amount of budget support and loans above the program forecasts.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in ¶32 below.

Text Table 1. The Gambia: Program Forecasts of External Budget Support in 2021
(Quarterly flow, in millions of U.S. dollars)

	Q1	Q2	Q3	Q4
	Projections			
Budget Support	28.6	40.9	0.0	16.6
Loans	28.6	14.3	0.0	0.0
Of which: ECF Disbursement	28.6	14.3	...	...
Grants	0.0	26.6	0.0	16.6
Of which: AfDB	...	...	...	...
Of which: EU	...	6.6	...	16.6
Of which: World Bank	...	20.0	...	...

Sources: IMF staff estimates and projections

B. Net Domestic Assets of the Central Bank

4. **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.

5. **For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the end-of-period market exchange rates prevailing at end-October 2020: 51.84 GMD/USD, 1.17 USD/EUR, 1.30 USD/GBP, 0.92 CHF/USD, 1.41 USD/SDR, 104.58 JPY/USD**. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for end-October 2020, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

6. **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 rates) 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**.

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

7. **Definition: The *net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities.** To this effect, ***usable reserve assets*** are readily available claims on nonresidents denominated in convertible foreign 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, but excluding any liabilities to the IMF's SDR Department.

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in ¶5 above.

9. Adjuster: The quarterly NIR targets (floors) for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants and loans (excluding the IMF resources expected to be onlent to the budget) received in the period preceding quarter's end relative to the program forecasts, as specified in Text Table 1. The downward adjustment to the quarterly NIR floors, on account of shortfall in budget support will be capped at US$20 million.

10. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

11. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

D. New External Debt Payment Arrears of the Central Government

12. Definition: External debt payment arrears are defined as external debt obligations of the central government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).

13. For program purposes, external arrears exclude (i) financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment; (ii) arrears on claims which the government has represented as being disputed; (iii) arrears on claims that cannot be settled due to international sanctions; and (iv) arrears on trade credits, with the exception of arrears on payments due to the International Islamic Trade Finance Corporation (ITFC). Non-accumulation of new external debt payment arrears by the central government is a target, to be observed continuously.

14. Supporting material: An accounting of non-reschedulable 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, non-Paris-Club, private, plurilateral and multilateral creditors.

E. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

15. Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi. It applies not only to debt as defined in ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014), but also to commitments contracted or guaranteed for which value has not been received. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of the central government to service a debt owed by a third-party debtor (involving payments in cash or in kind). A debt will be considered contracted when conditions for its entrance into effect have been met, including approval by the National Assembly. Loans or purchases from the IMF and concessional debts as defined below, are excluded from this target as is any debt with maturity of one year or less. This performance criterion will be assessed on a continuous basis

16. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 2.42 percent and will remain fixed for the duration of the program. The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -150 basis points. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

17. Supporting material: A comprehensive record, including a loan-by-loan accounting of all new concessional and non-concessional 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.

18. MoFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new external loan, the loan's terms and conditions including interest rate, grace period, maturity, interest, fees, and principal payment schedule with all annexes.

F. New Concessional External Debt Contracted or Guaranteed by the Central Government

19. Definition: This target refers to new concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian dalasi. It applies to debt as defined in ¶15. Concessionality of debt is as defined in ¶16.

20. For borrowing packages comprising both loan and grant components to meet the concessionality requirement (grant element of 35 percent), only the loan components will count toward the borrowing limit.

21. Supporting material and data provision: Refer to ¶17 and ¶18.

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

22. Definition: This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.[1] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Trade credits are excluded from this target including the ITFC credits.

23. 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.

H. Tax Revenue

24. Definition: This indicative target refers to taxes and duties collected by the Domestic Taxes Department and Customs and Excises Department of the Gambia Revenue Authority (GRA). Tax revenue is the sum of revenues collected against all the tax codes outlined below (Text Table 2). Nontax revenue, such as licensing fees, fines, and levies collected by the GRA are excluded from this target. Levies collected by the GRA on behalf of other organizations are also excluded (National Education & Technology Training Levy, AU Levy, ECOWAS Levy).

25. Supporting material: A monthly report on revenue collected by the GRA will be transmitted within four weeks of the end of each month.

[1] The term "debt" has the meaning set forth in ¶8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014. "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

Text Table 2. The Gambia: Tax Revenues Collected by The Gambia Revenue Authority

Domestic Taxes		Customs and Excise	
Revenue Code	**Revenue Item**	**Revenue Code**	**Revenue Item**
111101	Personal Tax	115101	Import Duty Oil
111201	Company Tax	--	Import Excise Tax Oil
113301	Capital Gains	115102	Import Duty Non-Oil
112010	Payroll Tax	114121	Import VAT Oil
114523	Business Registration Fees	114122	Import VAT Non-Oil
114404	Entertainment	114201	Import Excise Tax
142250	Pool Betting Levy	114202	Domestic Excise Duty
--	Informal Sector	115602	Environmental Tax on Imports
114402	Air Transport Levy	115201	Export Duties
111102	Stamp Duty	111301	Miscellaneous
114111	Environmental Tax		
114123	Excise Telecom		
114521	Casino, Gaming & Machines Licences		
114533	Value Added Tax (VAT)		
142231	Road tax		
114528	Firearms and games licenses		
142205	International Certificate for Motor Vehicles		
142206	General Dealers License		
142230	Mandatory Fine for Motor Traffic Violation		
--	Cattle Tax		

I. Central Bank Credit to the Central Government at Non-Market Terms

26. **Definition: This target refers to the consolidated balance on the Treasury Main Account, the Consolidated Revenue Fund, and other revenue accounts.** It also covers all gross claims on the Central Government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for Treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Central Government securities held by the central bank. This performance criterion will be assessed at the end of each month.

27. **Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in ¶34 and ¶35 below.**

J. Poverty-Reducing Expenditures

28. **Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas**: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Programme; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programs; Support to Cross-Cutting Programs; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Program. Starting Q1 2021, the poverty-reducing expenditure will include the COVID-19 spending implemented through the COVID-19 project accounts.

29. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

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

K. Prices

31. The monthly disaggregated consumer price index, including weights for each major category, with January 2020 = 100, will be transmitted within four weeks of the end of each month.

L. Government Accounts Data

32. A monthly consolidated Central Government budget report (i.e., the analytical table) on budget execution for the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; and (vi) details of budget financing (including net domestic and net external borrowing and their components).

33. End-week data on net domestic borrowing (including data on the project accounts listed in Table 1) will be transmitted weekly within five business days of the end of each week.

M. Monetary Sector Data

34. The balance sheet 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 will explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and other claims on the government. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

35. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and 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.

36. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

N. Treasury Bill Market and Interbank Money Market

37. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills and CBG bills outstanding (both at face value and at discounted value and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

38. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

O. External Sector Data

39. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

40. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

41. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

42. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

43. The CBG will also forward monthly data on the 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 dalasi within seven days of the end of each month.

P. Public Enterprises' Data

44. MoFEA will forward within eight weeks of the end of each quarter, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC, and NFSPMC.

45. MoFEA will forward within eight weeks of the end of each quarter, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

Table 1. The Gambia: List of Projects Accounts at the CBG Excluded from the Calculation of NDB

ACCOUNT NUMBER	PROJECT ACCOUNT NAME
1101004067	NATIONAL AGRICULTURAL LAND & WATER MANAGEMENT DEV. PROJECT (NEMA)
1103002218	BUILDING RESILIENCE TO RECURRING FOOD INSECURITY IN THE GAMBIA IDB COMPONENT
1101005064	AGRICULTURAL VALUE CHAIN PROJECT (GCAV)
1101004689	BUILDING RESILIENCE AGAINST FOOD & NUTRITION INSECURITY IN THE SAHEL PROJECT.
1101004483	GAMBIA COMMERCIAL AGRICULTURE VALUE CHAIN PROJECT.
1101004201	FOOD & AGRICULTURE SECTOR DEV. PROJECT. FASDEP
1103001613	BILINGUAL EDUCATION SUPPORT PROJECT
1101003606	DEV. OF THE UNI. OF THE GAMBIA PROJECT.
1101003709	AFRICA CENTRE OF EXCELLENCE (ACE)
1101000832	RURAL WATER & SANITATION PROJECT
1103001754	TRANS GAMBIA CORRIDOR PROJ.
1103000685	GLOBAL FUND MALARIA GRANT
1101003864	GEF PROJ. IMPLEMENTATION IN THE GAMBIA UNIDO/GEF 5 PROJ. MNGMNT. OFFICE
1101004304	IFMIS ADDITIONAL FINANCING PROJ.
1101004988	INST. SUPPORT ECON/FIN GOV (ISEFG) III PROJ.
1101004902	NDEMBAN ULTRA MODERN TVET CENTRE PROJ.
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200486	IFMIS II
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV

Table 2. The Gambia: Data Reporting Requirements

Responsible Institution	Data Type	Frequency	Reporting Deadline
Central Bank of The Gambia (CBG)	T-bills auction data, Inter-banks rates & other accompanying data & tables	Weekly	7 days after week-end
	Project accounts data	Weekly	7 days after week-end
	International reserves and Foreign & Domestic Assets data (NIR, NFA & NDA)	Weekly	7 days after week-end
	Foreign exchange liquidity forecasts statement/report	Weekly	7 days after week-end
	Commercial banks' balance sheets	Monthly	30 days after month-end
	Commercial banks' Forex net open position statement/report	Monthly	30 days after month-end
	CBG balance sheet (including NDA)	Monthly	30 days after month-end
	CBG reserves statement/report	Monthly	30 days after month-end
	Statement/report on CBG credit to Gov. at non-market interest rates; and Gov.'s overdue payments to CBG	Monthly	30 days after month-end
	Statement/report of transactions in official reserves	Monthly	30 days after month-end
	Financial Soundness Indicators	Monthly	30 days after month-end
	Commercial banks' income statements	Quarterly	30 days after quarter-end
	Balance of payments (BOP)	Quarterly	30 days after quarter-end
	Stock of outstanding public debt of maturity not exceeding 1year	Quarterly	30 days after quarter-end
	Statement/report on concessional & non-concessional debts contracted or guaranteed by government	Quarterly	30 days after quarter-end
Ministry of Finance & Economic Affairs (MoFEA)	Statement of Government Operations (SGO)	Monthly	30 days after month-end
	Poverty-reducing expenditure data	Monthly	30 days after month-end
	Consolidated Central Gov. budget execution	Monthly	30 days after month-end
	SOE cash flow statements (i.e. 13 SOEs)	Monthly	30 days after month-end
	External debt reports	Monthly	30 days after month-end
	Statement of external payment arrears by Central Government & SOEs	Monthly	30 days after month-end
	Staff Monitored Program (SMP) implementation matrix	Monthly	30 days after month-end
Gambia Revenue Authority (GRA)	Monthly Revenue Report	Monthly	30 days after month-end
	Oil volumes and tax collected on oil imports	Monthly	30 days after month-end
	Revenue collection by tax type	Monthly	30 days after month-end
	Tax exceptions\duty waivers	Monthly	30 days after month-end
Gambia Bureau of Statistics (GBoS)	Consumer price index (CPI)	Monthly	30 days after month-end
	Producer price index (PPI)	Monthly	30 days after month-end
	Data on exports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Data on imports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Gross domestic product (GDP)	Annually	90 days after year-end
Ministry of Agriculture (MoA)	Crop field cultivation per hectare	Quarterly	90 days after year-end
	Crop yield	Quarterly	90 days after year-end
	Livestock population by region	Quarterly	90 days after year-end
Gambia Tourism Board (GTB)	Tourists arrivals by nationality	Monthly	30 days after month-end
	Out-of-pocket tourists expenditures	Monthly	30 days after month-end