

**The Gambia: Article IV Consultation,
Third Review under the Extended
Credit Facility Arrangement, Request
for Waivers of Nonobservance of
Performance Criteria, and Financing
Assurances Review-Press Release;
Staff Report; and Statement by the
Executive Director for The Gambia**



THE GAMBIA

December 2021

ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

In the context of the Article IV Consultation and Third Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 24, 2021, following discussions that ended on September 22, 2021, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangements under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 8, 2021.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for The Gambia.

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IMF Executive Board Completes Third Review Under the Extended Credit Facility (ECF), Approves US\$6.97 Million Disbursement, and Concludes 2021 Article IV Consultation with The Gambia

FOR IMMEDIATE RELEASE

- Economic activity shows signs of recovery, albeit fragile. The authorities are intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of activity, including tourism.
- The ECF arrangement helps address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms. The completion of the ECF review allows a disbursement of US\$6.97 million.
- The Gambian authorities recognize the need to foster sustainable development, address the infrastructure gap through improved spending efficiency and revenue mobilization, and maintain financial and external stability.

Washington, DC: On November 24, 2021, the Executive Board of the International Monetary Fund (IMF) completed the third review of the arrangement under the Extended Credit Facility (ECF).¹ The completion of the review enables the release of SDR 5.0 million (about US\$6.97 million), bringing total disbursements under the arrangement to SDR 40.0 million (about US\$55.75 million). The Gambia's 39-month ECF arrangement for SDR 35.0 million (56.3 percent of quota) was approved by the Executive Board on March 20, 2020 (see [Press Release No. 20/99](#)) and augmented in the context of the first review to SDR 55.0 million (88.4 percent of quota) to help meet financing needs associated with the COVID-19 pandemic (see [Press Release No. 21/12](#)). The ECF-supported program aims to address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms, including on public financial management, domestic revenue mobilization, business environment, and SOEs. The authorities are delivering on their commitment to the transparency of COVID-19 spending; they published the list of the related procurement contracts and their beneficial owners.

Following the Executive Board discussion, Mr. Bo Li, Deputy Managing Director and Acting Chair, made the following statement:

"The Gambia's performance under their economic program supported by the Extended Credit Facility has been broadly satisfactory despite the challenging pandemic context. The economy is showing some signs of recovery but the third wave of the pandemic in mid-2021 has hampered a vigorous rebound.

"Fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. The authorities are making strong

¹ The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems. For more details, see: <http://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/04/Extended-Credit-Facility>.

communication efforts on COVID-19 vaccination and are delivering on their commitments regarding the transparency of pandemic-related spending. In the context of a weak tax base and elevated spending needs, it would be paramount to further streamline tax exemptions, rationalize subsidies to state-owned enterprises, and enhance the prioritization of public investment projects.

“While the accommodative monetary policy stance is warranted at this stage, it should be reassessed if inflation pressures resume. It is important for the central bank to continue strengthening its financial safeguards to bolster policy credibility and to step up bank supervision.

“In view of lingering vulnerabilities, maintaining exchange rate flexibility and adequate external buffers will be critical. The authorities’ decision to use part of the IMF’s recent general SDR allocation while saving the remainder is commendable. Adherence to the external borrowing plan under the program and seeking grants and concessional financing will help secure debt sustainability.

“The authorities should persevere in their ambitious structural reform agenda, especially in view of the upcoming election cycle, to fully reap the benefits from the country’s remarkable socio-political turnaround in recent years. Pursuing governance reforms, fighting corruption, improving public procurement processes, and enhancing the business environment are crucial for achieving inclusive and sustainable growth.”

The Executive Board also concluded the 2021 Article IV consultation² with The Gambia.

Prior to the onset of the COVID-19 pandemic, The Gambia had shown strong macroeconomic performance during the few years following the political transition in 2016/17. Economic growth accelerated, debt vulnerabilities decreased, external stability strengthened, structural and legislative reforms advanced, and key social indicators improved. However, the COVID-19 pandemic has disrupted some of the hard-won progress and has heightened socio-economic fragility. The authorities promptly implemented strong policies starting early 2020 to contain the spread of COVID-19 and protect lives and livelihoods. They are currently intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of economic activity, including tourism.

Some signs of economic recovery have emerged, albeit fragile. Economic growth is projected to rebound from a contraction of 0.2 percent in 2020 to an expansion of 4.9 percent in 2021 and an annual average of 6 percent in the medium term. Inflation accelerated during the first half of 2021 but eased to about 7 percent in recent months and is expected to decline to the central bank’s target of 5 percent in the medium term. The fiscal policy remains prudent despite the pandemic-induced challenges. The monetary policy remains accommodative; credit to the private sector resumed and the banking system remains broadly liquid. Foreign exchange reserves exceed 5 months of imports, bolstered by the general SDR allocation, development partners’ disbursements, and record-high private remittances.

² Under Article IV of the IMF’s Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country’s economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

The overall macroeconomic outlook is turning somewhat positive, but risks are tilted to the downside, including the uncertainty about the pandemic at the global level and the upcoming presidential and parliamentary elections at the national level.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' prompt and effective response to the COVID-19 pandemic, which has supported the economic recovery. They welcomed the authorities' satisfactory implementation of their ECF-supported program and their commitment to maintain macroeconomic stability and pursue reforms.

Directors noted that fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. They welcomed the authorities' efforts to reinforce domestic revenue mobilization, further fiscal discipline, and improve public spending efficiency and transparency, including in pandemic-related spending. They recommended a further streamlining of tax exemptions, reduction of subsidies to state-owned enterprises, and prioritization of public investment projects. They also urged the authorities to adhere to the external borrowing plan and focus on seeking grants and concessional financing. They recommended addressing shortcomings in debt data.

Directors agreed that the accommodative monetary policy stance remains appropriate. They supported the central bank's intention to tighten the policy stance if inflation pressures resume. They underscored the need to continually strengthen financial supervision, sharpen macroprudential tools, step up preemptive crisis preparedness, and enhance the AML/CFT framework.

Directors stressed the importance of maintaining adequate external buffers. They welcomed the authorities' balanced approach in using part of the general SDR allocation to address immediate financing needs while saving the remainder to further strengthen external buffers. Maintaining exchange rate flexibility will also support external reserves.

Directors encouraged the authorities to press ahead with their comprehensive structural reform agenda, in particular in governance, public procurement, and the business environment. Policies related to access to finance, promoting digitalization, supporting women and youth, and adopting climate resilience and adaptation will also be important. Capacity development support for policy design and data provision is also needed.

It is expected that the next Article IV consultation with The Gambia will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

³ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

The Gambia: Selected Economic Indicators, 2019–26

| | 2019 | 2000 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------------------------------|-------|-------|------------------------------------------------|-------|--------|--------|-------|--------|
| | Act. | Prel. | Projections | | | | | |
| National account and prices | | | (Percent change; unless otherwise indicated) | | | | | |
| GDP at constant prices | 6.2 | -0.2 | 4.9 | 6.0 | 6.5 | 6.5 | 5.8 | 5.6 |
| GDP deflator | 6.3 | 4.0 | 4.9 | 5.1 | 5.3 | 4.5 | 5.2 | 4.2 |
| Consumer prices (average) | 7.1 | 5.9 | 7.0 | 6.3 | 6.1 | 5.5 | 5.0 | 5.0 |
| Consumer prices (end of period) | 7.7 | 5.7 | 6.5 | 6.2 | 6.0 | 5.0 | 5.0 | 5.0 |
| External sector | | | | | | | | |
| Exports, f.o.b (US\$ values) | 23.9 | -51.2 | 57.3 | 39.1 | 23.1 | 8.8 | 8.2 | 6.3 |
| Imports, f.o.b (US\$ values) | 14.4 | -5.0 | 33.6 | 25.6 | 5.0 | 6.1 | 2.1 | 7.8 |
| Real effective exchange rate (depr. = -) | -4.6 | 11.1 | ... | ... | ... | ... | ... | ... |
| Money and credit | | | (Contributions to broad money growth; percent) | | | | | |
| Broad money | 27.1 | 22.0 | 11.2 | 6.6 | 7.2 | 9.7 | 9.7 | 5.4 |
| Net foreign assets | 18.9 | 17.6 | 2.6 | -0.1 | 3.4 | 5.9 | 5.1 | 0.0 |
| Net domestic assets | 8.2 | 4.4 | 8.6 | 6.7 | 3.9 | 3.7 | 4.6 | 5.5 |
| Of which: | | | | | | | | |
| Credit to central govt. (net) | 4.0 | 3.6 | 6.6 | 3.0 | 1.0 | 0.0 | 0.7 | 0.2 |
| Credit to the private sector (net) | 6.0 | 0.1 | 1.9 | 3.8 | 2.9 | 3.7 | 3.9 | 5.3 |
| Velocity (GDP/broad money) | 2.1 | 1.8 | 1.8 | 1.9 | 1.9 | 2.0 | 2.0 | 2.1 |
| Central government finances | | | (Percent of GDP; unless otherwise indicated) | | | | | |
| Domestic revenue | 14.0 | 14.4 | 14.8 | 15.2 | 13.9 | 14.2 | 14.4 | 14.9 |
| Of which: Tax Revenue | 11.0 | 11.0 | 10.9 | 11.0 | 11.5 | 11.9 | 12.0 | 12.5 |
| Grants | 7.1 | 8.4 | 6.5 | 10.7 | 8.4 | 7.8 | 6.4 | 5.7 |
| Total expenditures | 23.7 | 24.9 | 25.4 | 28.9 | 23.5 | 22.4 | 20.0 | 20.6 |
| Of which: Interest (percent of revenue) | 22.3 | 21.9 | 18.9 | 19.6 | 17.0 | 16.3 | 14.0 | 12.0 |
| Net lending (+)/borrowing (-) | -2.5 | -2.2 | -4.0 | -3.0 | -1.2 | -0.5 | 0.8 | 0.0 |
| Net incurrence of liabilities | 3.2 | 1.7 | 4.2 | 2.3 | 1.4 | 0.5 | -0.8 | 0.0 |
| Foreign | 2.7 | 0.9 | 1.4 | 1.2 | 0.9 | 0.5 | -1.1 | -0.1 |
| Domestic | 0.5 | 0.8 | 2.8 | 1.1 | 0.5 | 0.0 | 0.3 | 0.1 |
| Primary balance | 0.6 | 1.0 | -1.2 | -0.1 | 1.2 | 1.8 | 2.8 | 1.8 |
| Public debt | 83.0 | 85.0 | 82.9 | 77.3 | 72.0 | 64.4 | 58.1 | 53.4 |
| Domestic public debt | 35.8 | 36.1 | 34.0 | 30.3 | 27.5 | 23.2 | 21.3 | 19.6 |
| External public debt | 47.2 | 49.0 | 48.9 | 47.0 | 44.4 | 41.2 | 36.7 | 33.8 |
| External public debt (millions of US\$) | 837.9 | 893.8 | 951.6 | 987.7 | 1015.5 | 1027.7 | 997.6 | 987.8 |
| External current account balance | | | | | | | | |
| Excluding official transfers | -9.2 | -7.7 | -13.3 | -18.2 | -14.8 | -13.0 | -10.2 | -10.3 |
| Including official transfers | -6.1 | -3.2 | -12.5 | -16.0 | -12.3 | -10.7 | -8.9 | -9.3 |
| Gross official reserves (millions of US\$) | 225.0 | 352.1 | 496.5 | 472.9 | 484.3 | 488.5 | 490.9 | 486.8 |
| (months of next year's imports) | 4.0 | 4.7 | 5.4 | 4.9 | 4.7 | 4.6 | 4.3 | 4.0 |
| Savings and investment | | | | | | | | |
| Gross investment | 19.5 | 20.0 | 25.9 | 27.9 | 23.4 | 23.4 | 22.4 | 23.6 |
| Of which: Central government | 9.1 | 7.0 | 10.2 | 13.9 | 10.1 | 9.5 | 7.8 | 8.8 |
| Gross savings | 13.4 | 16.9 | 13.4 | 12.0 | 11.1 | 12.7 | 13.4 | 14.3 |
| Memorandum items: | | | | | | | | |
| Nominal GDP (billions of dalasi) | 90.8 | 94.3 | 103.7 | 115.5 | 129.4 | 144.1 | 160.3 | 176.4 |
| GDP per capita (US\$) | 768.9 | 755.4 | 804.0 | 830.7 | 877.0 | 924.8 | 978.7 | 1023.1 |
| Use of Fund resources (millions of SDRs) | | | | | | | | |
| Disbursements | 0.0 | 20.6 | 35.0 | 10.0 | 5.0 | 0.0 | 0.0 | 0.0 |
| Of which: 2020 RCF | ... | 15.6 | ... | ... | ... | ... | ... | ... |
| Of which: ECF Augmentation | ... | ... | 20.0 | ... | ... | ... | ... | ... |
| Repayments | -4.3 | -3.6 | -3.0 | -2.8 | -4.1 | -3.9 | -5.2 | -9.5 |
| CCRT debt relief ¹ | 0.0 | 3.2 | 4.0 | 0.8 | ... | ... | ... | ... |
| PV of overall debt-to-GDP ratio | 70.8 | 73.5 | 71.5 | 66.6 | 62.2 | 55.8 | 50.8 | 46.7 |

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

¹ The grant for debt service falling due through January 10, 2022 is available under the CCRT. Subject to availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022.



THE GAMBIA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

November 8, 2021

EXECUTIVE SUMMARY

Context. Prior to the onset of the pandemic, The Gambia had shown strong macroeconomic performance in the few years following the remarkable political transition in 2016-17. Economic growth accelerated, debt vulnerabilities decreased, external stability strengthened, structural and legislative reforms advanced, and key social indicators improved. However, the COVID-19 pandemic halted some of the hard-won progress, stagnating economic activity and re-igniting extreme poverty. The Gambia experienced a third wave of the pandemic in mid-2021, which has receded recently. The COVID-19 vaccination rate currently stands at about 12 percent of the adult population. Presidential and parliamentary elections are planned for December 2021 and April 2022, respectively.

Macroeconomic developments and outlook. Economic activity is showing signs of recovery, albeit fragile (growth of 4.9 percent in 2021, compared with -0.2 percent in 2020). Budget execution is facing challenges but remains prudent. Monetary policy was appropriately expansive. Inflation edged up in H1 2021 but has decelerated recently. Foreign exchange reserves strengthened further, exceeding five months of prospective imports at end-September 2021. Nonetheless, significant downside risks surround the baseline economic outlook, stemming from the unpredictable evolution of the pandemic, the global economic recovery, the resumption of tourism, and upcoming elections.

Program performance. Program implementation is broadly satisfactory, notwithstanding the difficult pandemic environment. All quantitative performance criteria (QPCs) and three out of four indicative targets (ITs) at end-June 2021 were met. One out of the three structural benchmarks (SBs) at end-June 2021 was completed. The authorities are delivering on their commitment related to the transparency of COVID-19 spending.

Article IV and ECF Program: Policy Discussions

- Support the post-pandemic recovery and lay the foundations for inclusive growth: in the near term, policies will focus on expanding the COVID-19 vaccine coverage and improving the targeting of social programs. From a medium-term perspective, it will be paramount to unlock the full potential of digitalization, implement the financial inclusion strategy, improve the business environment, develop climate-related policies, and pursue the ambitious legislative reforms (including on human rights and gender equality).

- Address COVID 19-related spending and development needs, while reducing debt vulnerabilities: for 2021, the authorities will pursue strict cash management to align spending with available resources. For 2022, the fiscal framework accommodates pandemic and development spending but continues debt reduction. From a medium-term perspective, efforts will be made to close the revenue collection gap, expand investment project prioritization, accelerate SOE reforms, adhere to the agreed borrowing plan, and pursue governance measures (including on procurement and anti-corruption).
- Sustain external and financial stability: in the near term, the monetary policy stance will remain accommodative to support the fragile recovery. If inflation pressures resume, some tightening could be envisaged. From a medium-term perspective, the CBG will maintain a flexible exchange rate regime; the authorities will save part of the new SDR allocation to bolster external reserves in anticipation of the expiration of the debt service deferral period and build buffers for unanticipated shocks.

Staff's views. Staff recommends conclusion of the 2021 Article IV consultation and completion of the third ECF review, considering the satisfactory implementation of the program and the strong policy commitments going forward.

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

The mission took place virtually during September 9–22, 2021, and comprised Messrs. Razafimahefa (head), Barry, Kemoe, Kumah, and Nachega (all AFR), Ms. Han (FAD), and Mr. Suryakumar (SPR), with support from Mr. Mendy (local economist) and Ms. Barry (local office manager). The team met with Finance Minister Njie, Central Bank Governor Saidy, National Assembly Speaker Denton, the National Assembly committees of public accounts and public enterprises, the Inter-Party Committee, other public officials, development partners, private sector operators, and NGOs. The mission held a virtual press conference. Mr. Osana Jackson Odonye (Alternate Executive Director for The Gambia) joined the opening and closing meetings, and Mr. Cham (advisor, OEDAE) participated in the mission. Ms. Singh provided research assistance and Ms. Jaghori and Mr. Treilly provided administrative assistance in the preparation of this report.

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