

**The Gambia: Fourth Review under the
Extended Credit Facility Arrangement,
Request for a Waiver of Nonobservance
and Modification of a Performance
Criterion, and Financing Assurances
Review - Press Release; Staff Report;
and Statement by the Executive Director
for The Gambia**



THE GAMBIA

June 2022

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE AND MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of The Gambia - Fourth Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance and Modification of a Performance Criterion, and Financing Assurances Review, 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 June 10, 2022, following discussions that ended on April 8, 2022, with the officials of the Gambia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 24, 2022.
- A **Debt Sustainability Analysis** prepared by the staff(s) of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Gambia.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Completes Fourth Review under the Extended Credit Facility Arrangement for The Gambia and Approves US\$ 6.72 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US\$ 6.72 million to The Gambia to help meet the country's financing needs, address the repercussions of the war in Ukraine, and support the post-pandemic recovery.
- Despite the various waves of the COVID-19 pandemic, the Gambian economy grew by 4.3 percent in 2021 and is expected to grow by 5.6 percent in 2022.
- The authorities remain committed to strong policy measures and structural reforms, including on fiscal management, State-Owned Enterprises, and governance.

Washington, DC – [June 10, 2022]: The Executive Board of the International Monetary Fund (IMF) today completed the fourth review under the Extended Credit Facility (ECF) arrangement for The Gambia. The completion of the review enables an immediate disbursement of SDR 5 million, about US\$ 6.72 million, to help meet the country's balance-of-payments and fiscal financing needs, support the post-pandemic recovery, and address challenges from the war in Ukraine. This brings total disbursements under the ECF arrangement to SDR 45 million. The Board also completed a financing assurances review and granted a waiver of nonobservance of a performance criterion on the ceiling on the net domestic borrowing of the central government.

The ECF arrangement for The Gambia was [approved by the IMF's Executive Board on March 23, 2020](#), with an initial total access of SDR 35 million (or 56.3 percent of quota) that [was augmented](#) to SDR 55 million (88.4 percent of quota) [at the time of the completion of the first review under the ECF, on January 15, 2021](#). The Gambia has also benefited from an IMF [Rapid Credit Facility disbursement](#) of SDR 15.55 million approved on April 15, 2020 and received debt service relief from the [IMF under the Catastrophe Containment and Relief Trust](#), totaling SDR 7.9 million.

The Gambia's economic growth is estimated at 4.3 percent in 2021 despite the various waves of the COVID-19 pandemic. Growth is projected to reach 5.6 percent in 2022, predicated on strong remittance inflows, a robust expansion of the construction sector, and large public investment projects. The repercussions of the war in Ukraine intensify inflationary pressures, exacerbate pandemic-related uncertainties, dampen tourism prospects, and disrupt the supply of food and agricultural inputs. The central bank took initial measures to contain inflationary pressures, as inflation reached 11.7 percent at end-April 2022. The authorities are advancing reforms on several fronts, including the transparency of COVID-19 spending, the institutional framework of State-Owned Enterprises, revenue administration, and public financial management.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, made the following statement:

"The Gambia's democratic progress is commendable, including the successful organization of peaceful and transparent presidential and parliamentary elections. Performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite challenges related to the COVID-19 pandemic and the electoral context. The economy is gradually recovering but the spillovers from the war in Ukraine are hampering a vigorous rebound and intensifying inflationary pressures.

"Fiscal and monetary policies aim at ensuring an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, containing inflationary pressures, and safeguarding debt sustainability. In the context of a weakened tax base and elevated spending needs, it would be paramount to further streamline tax exemptions, rationalize subsidies to SOEs, strengthen cash management, and better prioritize public investment projects. The authorities are advancing reforms on governance, including the transparency of COVID-19-related spending and the management of state-owned enterprises (SOEs).

"In view of lingering vulnerabilities, including anticipated increases in debt service at the expiry of the debt service rescheduling period, it would be important to maintain adequate fiscal and external buffers. To this end, it would be advisable to adhere to the external borrowing plan under the ECF-supported program and seek grants and highly concessional loans.

The authorities would be encouraged to persevere in their ambitious structural reform agenda, including on transitional justice reforms and the improvement of the business environment to support private sector-led growth and poverty reduction, as well as to build resilience to climate change."



THE GAMBIA

May 24, 2022

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR A WAIVER OF NONOBSERVANCE AND MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The Gambia is consolidating its democratic change by successfully organizing peaceful and transparent elections. President Barrow was reelected for a second five-year term in December 2021; his party and its alliance hold half of the parliamentary seats following an election in April 2022. A fourth wave of the COVID-19 pandemic hit the country in late 2021-early 2022. New infection cases have dropped to almost nil recently. The vaccination rate currently stands at about 20 percent of the adult population. The Gambia is already facing significant repercussions of the war in Ukraine.

Macroeconomic developments and outlook. Economic growth is estimated at 4.3 percent in 2021, supported by record-high remittances and robust construction sector. Tourist arrivals started to recover but remained largely below pre-pandemic levels. Inflation accelerated to 8.2 percent in March 2022, exacerbated by pressures on global fuel and commodity prices originating from the war in Ukraine. Forex reserves reached 5.8 months of imports in March 2022. Budget execution has been adversely impacted by pressures from the organization of the elections and COVID-19 pandemic in 2021, and by fuel revenue losses resulting from the authorities' decision to reduce fuel taxation to contain domestic fuel price increases in 2022. The outlook is clouded by significant downside risks. A potential resurgence of the COVID-19 pandemic and protraction of the war in Ukraine would endanger the fragile economic recovery, particularly of the tourism sector. Domestic food and fuel prices would soar further. Fiscal and debt sustainability would be challenged by additional pandemic spending and further fuel revenue loss.

Program performance. Performance under the ECF-supported program was broadly satisfactory, despite the difficult pandemic and electoral environments. All but one quantitative performance criteria (QPCs) as well as all but one indicative target (ITs) at end-December 2021 were met. Of the four structural benchmarks (SBs) for end-December 2021, two were met and the remaining two were satisfied with delays.

Program objectives in 2022. The fiscal framework in 2022 aims to ensure an appropriate balance between supporting the post-pandemic economic recovery, addressing the repercussions of the war in Ukraine, and safeguarding debt sustainability. This balance will be achieved through a policy mix consisting of domestic fuel price adjustment, revenue collection efforts, prioritization of spending, and some relaxation of the fiscal deficit and financing. Some tightening of the monetary policy stance will be initiated to address the mounting inflationary pressures while safeguarding the nascent economic recovery. The structural reform agenda will continue to be centered on revenue administration, public financial management, and governance, including digitalization, public procurement, prioritization of public investment, state-owned enterprises, and fight against corruption.

Staff's views. Considering the satisfactory implementation of the program and the strong policy commitments going forward, staff recommends completion of the fourth ECF review and supports the authorities' requests for a waiver of nonobservance and modification of a performance criterion.

Approved By
Montfort Mlachila
(AFR) and Geremia
Palomba (SPR)

The mission took place in hybrid format during March 28–April 8, 2022, and comprised Messrs. Razafimahefa (head), Kemoe, Kumah, and Nachega, and Ms. Singh (all AFR), Ms. Han (FAD), and Messrs. Suryakumar (SPR), Barry (resident representative), and Mendy (local economist). The team met with President Adama Barrow and Vice President Isatou Touray, and held discussions with Finance Minister Mambury Njie, Central Bank Governor Buah Saidy, other public officials, and private sector operators. The mission briefed development partners and held a press conference. Mr. Cham (advisor, OEDAE) participated in the meetings. Staff from the African Development Bank, the European Union, and the World Bank attended several meetings. Following the Cabinet reshuffle in early May 2022, staff held discussions with new Finance Minister Seedy Keita. Ms. Barry (local office manager) helped on the organization of the mission. Ms. Jaghori and Pilouzoue assisted in the preparation of this report.

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Acronyms

AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
BoP	Balance of Payments
BRP	Banjul Rehabilitation Project
CBG	Central Bank of The Gambia
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EU	European Union
FSSR	Financial Sector Stability Review
FX	Foreign Exchange
GAMTAXNET	Gambia Tax Management System
GBoS	The Gambia Bureau of Statistics
GDP	Gross Domestic Product
GIABA	The Inter-Governmental Action Group against Money Laundering in West Africa
GIEPA	Gambia Investment and Export Promotion Agency
GMD	The Gambian dalasi
GNPC	The Gambia National Petroleum Corporation
GPPA	The Gambia Public Procurement Authority
GRA	The Gambia Revenue Authority
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IsDB	Islamic Development Bank
IT	Indicative Target
ITAS	Integrated Tax Management System
ITFC	Islamic Trade Finance Corporation
LOI	Letter of Intent
MDAs	Ministries, Departments, and Agencies
MEFP	Memorandum of Economic and Financial Policies
MFCs	Microfinance companies
MoFEA	Ministry of Finance and Economic Affairs
MOU	Memorandum of Understanding
MTDS	Medium-Term Debt Strategy
MTFF	Medium-Term Fiscal Framework
NAWEC	National Water and Electricity Corporation
NDB	Net Domestic Borrowing
NDP	National Development Plan
NFSPMC	National Food Security, Processing, and Marketing Corporation (previously GGC: The Gambia Groundnut Corporation)
NPLs	Non-Performing Loans
OIC	Organization of Islamic Cooperation
PACD	Program for Accelerated Community Development
PC	Performance Criterion
PFM	Public Financial Management
PIMA	Public Investment Management Assessment

RAM	Risk Assessment Matrix
SB	Structural Benchmark
SDF	Standing Deposit Facility
SMP	Staff-Monitored Program
SOEs	State-Owned Enterprises
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Tool
TMU	Technical Memorandum of Understanding
TRRC	Truth, Reconciliation and Reparations Commission
TSA	Treasury Single Account