Statement by Ms. Mannathoko, Executive Director for the Gambia and Mr. Cham, Advisor to the Executive Director on The Gambia
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Introduction

1. Our Gambian authorities appreciate the candid engagement with staff during the recent fourth review of the Extended Credit Facility (ECF). They broadly share staff's assessment and appreciate the Fund's support at this difficult and uncertain time for Gambia and the global economy.

2. The new administration, following the December 2021 elections, remains committed to advancing the agreed ECF reform agenda. Despite the impact of the war in Ukraine, progress has been made since the last review with a range of reforms undertaken. Given the satisfactory program performance alongside implementation of key recommendations from the Fund's 2020 safeguards assessment, the authorities seek Executive Directors' support for the completion of the fourth review under the ECF arrangement and the financing assurances review, and for modification of performance criteria.

3. Beyond delivery on the ECF program, the authorities continue to adhere to IMF transparency and accountability for COVID-19 related spending. In this regard, all procurement contracts, including COVID-19 contracts, approved by the Gambia Public Procurement Agency since 2021 are published on its website, together with the beneficial owners for the COVID-19 contracts. The authorities have also published the report of the first phase audit of COVID-19 spending on the National Audit Office (NAO) website. Three out of five components of the second phase audit were completed, the full report is expected to be published after review by the National Assembly.

4. With the impacts of the pandemic still evident, donor and other external support has an important role in complementing authorities' efforts to restore macroeconomic stability and minimize scarring from the pandemic and the adverse impacts of spillovers from the war, especially on vulnerable segments of the population. The authorities appreciate support received from development partners and the Fund's extensive technical assistance that has been instrumental in enabling them to implement reforms. Significant progress has been made in strengthening public financial management, governance and improving transparency in the use of public spending, notwithstanding current difficult conditions.

Recent Economic Developments

5. Economic activity has rebounded following three waves of the pandemic in 2021. Real GDP growth is projected at 5.6 percent in 2022 up from 4.3 percent in 2021 backed by construction, remittance inflows and recovery in tourism. In the medium term, growth is expected to average 5.7 percent. This notwithstanding, the outlook is subject to downside risks including the possibility of new variants of COVID, prolonged war in Ukraine and financial tightening in advanced economies. To help limit impacts from any future waves, given that about 20 percent of the adult population is vaccinated, the authorities plan to ramp up vaccination now that a boost in vaccine supply is expected following a recently inaugurated ultracold facility and COVAX vaccine donations, as well as World Bank COVID-19 support.

6. Inflation accelerated to 11.7 percent at end-April 2022 from 7.6 percent at end-December 2021, fueled by rising global oil and food prices in the wake of the war in Ukraine, with import prices amplified by a weak domestic currency. However, inflation is expected to moderate to 8.2 percent at end-2022.

7. The current account deficit widened to 13.3 percent of GDP in 2022 from 8.8 percent of GDP in 2021, reflecting weak tourism receipts alongside a higher import bill driven by rising commodity prices and infrastructure-related imports. The deterioration in the current account also reflects some decline in budget support grants. Remittances, however, continue to increase, helping to temper the negative impact. Strong capital transfers and the general SDR allocation also helped to offset the deterioration in the current account. International reserves reached 6 months of import cover in 2021 and are projected to decline to 4.7 months in 2022.

Program Performance

8. Program performance remains broadly satisfactory. Five out of six quantitative performance criteria (QPCs) at end-December 2021 were met. The missed QPC, ceiling on net domestic borrowing (NDB), was missed due to lower than anticipated tax collection and budget support, and unforeseen spending related to election security and pandemic mitigation, as well as the acceleration of key road construction projects. The end-March 2022 NDB indicative target was also breached due to accelerated infrastructure projects with a large down payment on an Organization of Islamic Cooperation (OIC) project and the need for fertilizer subsidies. The authorities are taking measures to prevent fiscal slippages going forward, including strengthening cash management from 2022Q2, and continuously aligning rolling quarterly spending plans with the treasury and borrowing plans, consistent with the NDB target. The new public finance bill will also include a provision requiring that any additional spending be matched with additional revenue or spending reallocations in a supplementary budget.

9. Three out of four indicative targets (IT) were met for end-December 2021 including the floor on poverty-reducing spending, ceiling on stock of net domestic assets of the central bank, and monthly ceiling on central bank credit to the central government at non-market terms. The floor on domestic tax revenue was missed due to slower than expected recovery in economic activity and declines in trade volumes following the pandemic.

10. All four structural benchmarks (SBs) for end-December 2021 were satisfied, though two were met with delays. Online publication of audited SOE financial statements, signing of new tax expenditure regulations, and preparation of a framework for stress testing banks' balance sheets were all done by the December 2021 target date. However, the submission of a revised SOEs bill to the National Assembly was completed in early April 2022. Publication of the first phase report of the COVID-19 spending audit was also completed in 2022, and publication of the audit report for the second phase is reset as a Structural Benchmark for end-September 2022.

Fiscal Policy and Debt Sustainability

11. The authorities remain committed to fiscal prudence and a sustainable fiscal path. They expect to turn around the primary balance from a deficit of 1.6 percent of GDP at end-2021 to zero percent of GDP in 2023 and are targeting an average surplus of about 1¼ percent of GDP in the medium term. This will be achieved through a combination of strong revenue and expenditure policies and support from development partners.

12. Measures are being taken to bolster revenue collection. 2022 so far shows strong tax revenue collection, above target by 6.5 percent in the first quarter, reflecting higher-than-expected outturns on personal and corporate income taxes, value added tax and excise duties as economic activity resumes, including in the tourism and hospitality sectors. The authorities are also accelerating assets sales following the Janneh Commission, adding 0.3 percent of GDP in revenues relative to the original budget. They will also accelerate the sale of some government financial assets. They have launched a taxpayer charter to improve compliance, and intend among other things, to rationalize tax exemptions, use an electronic payment platform to improve revenue collection, increase tax audit and data matching capacity to improve compliance across major taxpayers, and extend the tax base to include the commercial real estate sector. A one-off receipt of US$30 million is also expected from the petroleum sector. Efforts will continue with the implementation of the Gambia Revenue Authority (GRA)'s Corporate Strategic Plan, including by digitalizing tax administration. Revenue reform measures are expected to increase the tax-to-GDP ratio from 10.25 percent of GDP in 2021 to 12.5 percent in 2027.

13. The authorities have also initiated the tax exemption rationalization process and will improve the collection process through the electronic payment platform, upgrade the taxpayer registry, audit tax exempted entities under Special Investment Certificates (SIC), and draft, approve and commence implementation of the ITAS roadmap. They are developing and implementing a strategy for managing tax arrears, setting up a fully functional Internal Affairs Unit at the GRA to enhance the internal assurance and integrity mechanism, and developing and implementing a national policy for customs control and risk management.

14. With respect to expenditure, the authorities' spending rationalization efforts will help reduce primary current spending and domestically financed infrastructure spending by 2 percent of GDP between 2022-27. The plan is for pandemic-related spending to unwind and capital spending pressures to ease as major projects reach completion. In addition the authorities have banned non-essential travel in government and reduced official allowances related to travel, communication and fuel. Public financial management (PFM) measures will also support this effort, including by rationalizing the wage bill using electronic systems to better control the payroll, reigning in subsidies to and improving governance of SOEs, and rationalizing foreign missions and subvented agencies. The authorities also plan to strengthen the Treasury Single Account, implement strict cash management, effect civil service reforms, and introduce a new pay and grading system. They will also expand the social registry to ensure that social safety net programs are effective in targeting those in poverty and the most vulnerable segments of the population.

15. The authorities are also committed to bringing public debt onto a sustainable, downward trajectory. In addition to adhering to the agreed borrowing plan and relying primarily on

grants and highly concessional borrowing, the authorities have plans to reduce debt vulnerabilities. They aim to reduce the present value of total public debt from 83 percent of GDP in 2021 to below the benchmark of 55 percent of GDP around 2025, supported by a strong medium term fiscal framework. Work on debt transparency also continues with the regular publication of a quarterly debt bulletin, and of annual borrowing plans and monthly bond issuance plans. Validation and reconciliation of public debt data in the electronic Meridien system continues. Efforts to bolster data collection and reconciliation continue. There are plans to initiate data reconciliation with all major creditors that fail to provide regular disbursement updates and coordinate with managers of foreign-financed projects to ensure that their disbursement requests are processed through the ministry of finance's Directorate for Loans.

Monetary and Financial Sector Policies

16. Cognizant of rising inflationary pressures, the Central Bank (CBG) is taking measures to contain mounting inflationary pressures. the CBG reduced forex purchases and issued CBG bills in December 2021, reducing excess liquidity and monetary pressures. As global inflationary pressures continue, the central bank will pursue issuance of CBG bills and consider complementing this with other instruments, such as forex sales and an increase in the special deposit facility rate. There was a marginal increase in the policy rate in May 2022 and the Monetary Policy Committee is leaving open the possibility of more direct monetary tightening, but for now wishes to avoid being overly aggressive and undermining the fragile recovery.

17. The financial sector remains sound, and well capitalized with ample liquidity. This notwithstanding, work continues with the help of technical assistance to strengthen regulation and supervision and safeguard financial sector stability, and to advance financial sector development and access to finance. The authorities intend, with the help of IMF, to build in- house expertise to stress test banks for early signs of distress and will conduct balance sheet stress tests on two sizable banks by end-September 2022. They are strengthening risk-based supervision of banks, and supervisory capacity, and implementing recommendations from the 2020 safeguards assessment. The Capital Market and Securities Bill approved by the National Assembly in November 2021 will help develop capital markets in The Gambia that will support the mobilization of long-term financing for development. Implementation of the donor-supported National Financial Inclusion Strategy launched early 2022 seeks to improve access to financial services, leveraging new technology, fintech, and mobile money, and will help to foster healthy financial intermediation.

18. The authorities continue to strengthen their Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework. Among other things, they have issued guidelines for reporting entities, and conducted offsite and onsite examination of all banks. They are revising the AML/CFT Act 2012 along with related regulations to enable better compliance with FATF standards. Other measures taken to enhance the effectiveness of the AML/CFT framework, include pursuing the proceeds from corruption and related money laundering, through tighter cooperation with law enforcement agencies.

Structural Reforms

19. With the ending of NDP 2018-2021 (extended into 2022), the preparation of a Green Recovery-Focused National Development Plan (RF-NDP) with the support of development partners, and of the Long-Term Development Vision (LTDV) 2050 is at an advanced stage. The authorities expect the new plan to set the country back on track towards achieving the Sustainable Development Goals (SDGs) by 2030. Given its high vulnerability, the authorities are strengthening policies to build the Gambia's resilience to climate change and have started pursuing green investments. Beyond this, the authorities are also focusing on improving the business climate and development of the private sector as the central feature of their post-pandemic recovery plan which seeks to create jobs, reduce poverty and limit scarring from the pandemic. An expanded and strengthened role for The Gambia Investment and Export Promotion Agency (GIEPA) will support private sector development across the country. Other investment climate weaknesses are being addressed such as the efficacy of the business registration single window and replacement of obsolete IT infrastructure and addressing judicial bottlenecks with acceleration of commercial cases pending in court. The authorities are revising fiscal provisions in the GIEPA Act, to address issues of growing concern in the investment environment.

20. Work is also continuing to strengthen the governance and financial management of SOEs and minimize contingent liabilities. The SOEs bill was submitted to the National Assembly in April 2022. Measures have been taken to improve the transparency and accountability of SOEs, including production of the 2020 SOE annual performance report using the IMF's SOE health check tool to identify persistent vulnerabilities in the sector, and online publication of audited financial statements of SOEs. Adoption of IFRS standards by all SOEs is also being pursued, leveraging on ongoing IMF training. The authorities have completed the institutional framework for SOEs, and a performance contract was signed between the government and SOEs to strengthen governance and support the efficiency of public spending.

21. The authorities are making notable progress in building more effective systems to fight corruption and enhance governance. They are strengthening the relevant legislative framework and have constituted a committee to advance the anti-corruption bill. The bill has passed all required stages at the National Assembly and the government will engage the new National Assembly to expedite its approval and re-opening of discussions on the new constitution. The authorities also plan to request a governance diagnostic mission from the IMF. A white paper has also been published on the final report of the Truth, Reconciliation and Reparations Commission (TRRC) to shed light on the way forward to national reconciliation and justice for the victims of the Jammeh regime

22. The authorities have also strengthened collaboration with the US embassy on implementing recommendations of the 2021 US State Department report on countering the trafficking of persons. They have also strengthened the National Agency Against Trafficking in Persons (NAATIP), increased the number of prosecutions, conducted sensitization and training of various stakeholders, and enhanced the witness protection program.

Conclusion

23. The Gambian authorities remain committed to reforms agreed under the ECF program, notwithstanding the challenges due to major shocks such as the COVID-19 pandemic and the war in Ukraine. Fund support has played a valuable role helping them to stabilize the economy while also contributing to the development of capacity and effective implementation of policies needed to sustain the recovery. The authorities consider Fund support an important complement to their own reform agenda and national economic objectives as articulated in the NDP.