

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



# THE GAMBIA

December 2022

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR AUGMENTATION OF ACCESS, WAIVER FOR NONOBSERVANCE OF A PERFORMANCE CRITERION, 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 - Fifth Review Under the Extended Credit Facility Arrangement, Requests for Augmentation of Access, Waiver for Nonobservance of a Performance Criterion, 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 December 14, 2022, following discussions that ended on October 31, 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 November 28, 2022.
- A **Debt Sustainability Analysis Update** 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 the Fifth Review under the Extended Credit Facility Arrangement for The Gambia and Approves US\$27.41 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US\$27.41 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.
- The Gambian economy is expected to grow by 4.5 percent in 2022 and 6.0 percent in 2023. The repercussions of the war in Ukraine threaten economic and social stability.
- The authorities are taking the necessary measures to address the implications of external shocks. They remain committed to strong policies and reforms.

**Washington, DC – December 14, 2022:** Today, the Executive Board of the International Monetary Fund (IMF) completed the fifth review under the Extended Credit Facility (ECF) arrangement for The Gambia. The completion of the review enables the immediate disbursement of the equivalent of SDR20.55 million, about US\$27.41 million, to help meet the country's balance-of-payments and fiscal financing needs amid challenges, including the repercussions of the war in Ukraine and the lingering impact of the COVID-19 pandemic. This brings total disbursements under the ECF arrangement to SDR 65.55 million (about US\$87.44 million).

The Executive Board also approved an augmentation of access under the ECF arrangement from SDR55 million to SDR70.55 million (or 113.4 percent of The Gambia's quota in the Fund), which is the second augmentation of access under this ECF arrangement. Further, the Executive Board completed the financing assurances review and granted a waiver of nonobservance of a performance criterion on external arrears.

The ECF arrangement with The Gambia was [approved by the IMF's Executive Board on March 23, 2020](#), with an initial total access of SDR35 million (or 56.3 percent of quota) that [was augmented at the completion of the first ECF review on January 15, 2021](#) to SDR55 million (88.4 percent of quota). The Gambia has also benefited from an IMF [Rapid Credit Facility disbursement](#) of SDR15.55 million and received debt service relief from the [IMF under the Catastrophe Containment and Relief Trust](#), totaling SDR7.9 million.

The Gambian economy is facing multiple exogenous shocks, including the repercussions of the war in Ukraine, the lingering impact of the COVID-19 pandemic, and a major flooding. Growth projections in 2022 have been revised downward from 5.6 percent to 4.5 percent. Inflation reached a record-high level of 13.2 percent (year-on-year) in October 2022. The Central Bank of The Gambia increased further its policy rate to 13 percent in December 2022 to tackle inflationary pressures. The balance of payments is adversely affected by disruptions of timber and cashew exports, weaker-than-expected tourist arrivals, lower remittance inflows, high food and fuel import bills, and elevated freight costs. These shocks are generating foreign exchange shortages and weighing on forex reserves. Budget execution is facing pressures,

including civil service salary increase and fuel revenue losses to alleviate the impact of the high global fuel prices on the population.

### **Executive Board Assessment<sup>1</sup>**

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

The Gambia's performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite economic and social challenges stemming from the repercussions of the war in Ukraine, the lingering impacts of the COVID-19 pandemic, and a recent major flooding. Owing to these exogenous shocks, economic recovery and tax collection are weaker than anticipated, while inflationary pressures and foreign exchange shortages are intensifying.

The central bank is tightening the monetary policy stance to tackle inflation. It would be paramount to allow smooth functioning of the foreign exchange market and ensure that the exchange rate reflects market forces, which would help restore equilibrium.

Fiscal policy aims at alleviating the impact of the high global fuel and food prices on the population while safeguarding debt sustainability. To keep public debt on a downward path, it would be important to bolster domestic revenue mobilization, streamline tax exemptions, rationalize subsidies to SOEs, strengthen cash management, and further prioritize public investment projects.

In view of lingering vulnerabilities, including anticipated increases in debt service obligations at the expiry of the debt service rescheduling period, it would be important to maintain sufficient fiscal and external buffers. To this end, it would be advisable to contain domestic borrowing, strictly adhere to the external borrowing plan, and seek grants and highly concessional loans.

The authorities continue implementation of their ambitious structural reform agenda, including on justice reforms, audits of COVID-19-related spending, public procurement legal framework, and an upcoming governance diagnostic. The authorities are encouraged to further strengthen the business environment to promote private sector-led growth and reduce poverty.

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<sup>1</sup> 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>.

Table 1. The Gambia: Selected Economic Indicators, 2020–2027

	2020	2021	2022		2023		2024	2025	2026	2027
	Act.	Prel.	Prog.	Proj.	Prog.	Proj.	Projections			
<b>National account and prices</b>										
GDP at constant prices	0.6	4.3	5.6	4.5	6.2	6.0	6.5	5.8	5.0	5.0
GDP deflator	2.2	7.8	6.1	9.0	6.8	9.3	6.7	5.3	4.1	4.4
Consumer prices (average)	5.9	7.4	8.1	11.4	8.0	11.1	8.4	6.1	5.0	5.0
Consumer prices (end of period)	5.7	7.6	8.5	12.4	7.5	9.7	7.1	5.0	5.0	5.0
<b>External sector</b>										
Exports, f.o.b. (US\$ values)	-48.6	6.2	33.1	-38.3	22.5	151.1	27.1	7.2	6.0	5.9
Imports, f.o.b. (US\$ values)	-5.2	6.9	37.1	26.2	13.1	18.3	7.4	5.3	3.4	5.5
Terms of trade (deterioration = -)	1.4	-7.5	-3.0	-3.9	-0.9	-1.0	-1.2	-0.9	-0.8	2.1
Real effective exchange rate (depreciation = -)	-0.8	...	...	...	...	...	...	...	...	...
<b>Money and credit</b>										
Broad money	22.0	19.5	6.1	4.1	6.5	6.5	10.6	10.9	6.8	6.1
Net foreign assets	17.6	8.8	0.4	-10.7	1.6	1.6	6.4	5.5	0.6	0.4
Net domestic assets	4.4	10.7	5.7	14.7	4.9	4.8	4.3	5.4	6.2	5.6
Of which:										
Credit to central government (net)	3.6	9.3	5.6	5.5	2.0	3.1	1.4	1.0	0.4	0.0
Credit to the private sector (net)	0.1	3.1	2.1	6.1	2.9	1.7	2.8	4.4	5.9	5.6
Velocity (GDP/broad money)	1.8	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.2
<b>Central government finances</b>										
Domestic revenue (taxes and other revenues)	14.5	14.3	14.7	11.9	13.5	12.5	13.3	14.3	15.0	15.3
Of which: Tax Revenue	11.1	10.3	10.1	9.3	10.9	9.8	10.6	11.4	12.0	12.3
Grants	8.5	2.5	4.9	5.9	6.8	6.6	6.1	6.4	5.5	5.2
Total expenditures	25.2	21.4	23.8	22.7	22.5	21.7	21.2	21.6	21.0	21.4
Of which: Interest (percent of government revenue)	21.9	21.2	18.1	21.4	16.3	16.9	19.9	17.5	14.1	0.0
Net lending (+)/borrowing (-)	-2.2	-4.6	-4.2	-4.8	-2.2	-2.7	-1.8	-0.9	-0.5	-0.9
Fiscal financing	2.2	4.6	4.2	4.8	2.3	2.7	1.8	0.9	0.5	0.9
Foreign	0.9	2.5	1.2	0.9	1.4	1.2	1.2	1.1	0.5	0.4
Domestic	1.3	2.1	3.0	3.9	1.0	1.5	0.6	-0.2	0.0	0.5
Primary balance	1.0	-1.6	-1.5	-2.3	0.0	-0.6	0.9	1.6	-1.6	0.9
<b>Public debt</b>										
Domestic public debt	85.9	83.8	79.5	80.8	74.6	75.4	70.2	63.6	57.9	52.7
External public debt	36.4	35.4	33.0	32.4	30.1	29.5	26.6	23.0	19.6	16.5
External public debt (millions of US\$)	49.5	48.4	46.5	48.4	44.5	45.9	43.6	40.6	38.3	36.2
External public debt (millions of US\$)	893.8	965.9	985.8	1003.7	1024.7	1,038.2	1,066.1	1,073.5	1,072.4	1,080.9
<b>External current account balance</b>										
Excluding official transfers	-7.5	-4.6	-14.2	-16.8	-14.1	-14.6	-10.8	-10.3	-9.0	-8.6
Including official transfers	-3.0	-3.8	-13.3	-14.7	-11.8	-12.6	-8.7	-9.0	-8.3	-7.9
Gross official reserves (millions of US\$)	352.1	530.4	467.7	424.6	459.5	416.4	429.6	441.2	447.7	448.0
(months of next year's imports of goods and services)	5.8	7.0	4.7	4.8	4.4	4.4	4.3	4.3	4.1	3.9
<b>Savings and investment</b>										
Gross investment	20.2	20.7	23.6	22.2	23.5	22.5	22.5	23.9	23.7	24.3
Of which: Central government	7.1	6.2	9.3	8.9	9.0	9.0	8.8	9.7	9.0	9.3
Gross savings	17.2	16.9	10.3	7.5	11.7	9.9	13.8	14.9	15.4	16.4
<b>Memorandum items:</b>										
Nominal GDP (billions of dalasi)	93.3	104.9	117.6	119.5	133.4	138.5	157.4	175.3	191.7	210.2
GDP per capita (US\$)	747.9	816.4	847.9	845.2	889.9	881.7	920.3	956.0	984.2	1,017.3
Use of Fund resources (millions of SDRs)										
Disbursements	20.6	35.0	10.0	26.4	5.0	5.0	0.0	0.0	0.0	0.0
Of which: 2020 RCF	15.6	...	...	...	...	...	...	...	...	...
Of which: ECF Augmentation	...	20.0	...	...	...	...	...	...	...	...
Repayments	-4.6	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0
CCRT debt relief <sup>1</sup>	3.2	4.0	0.8	0.8	...	...	...	...	...	...
PV of overall debt-to-GDP ratio	73.5	71.0	66.7	67.9	62.6	63.3	59.1	53.6	48.3	43.5



# THE GAMBIA

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

November 28, 2022

### EXECUTIVE SUMMARY

**Context.** The repercussions of the war in Ukraine are threatening economic and social stability. Following a slight uptick in July-August, new COVID-19 cases have declined to almost nil recently while the vaccination rate remains low at around 22 percent of the population. The Gambia is also suffering from more frequent climatic shocks, including a recent major flooding. The country continues to advance social and justice reforms. Following a parliamentary election, President Barrow reshuffled the Cabinet in May 2022, without any expected change in the overall direction of economic policies.

**Macroeconomic developments and outlook.** The economic recovery is weaker than anticipated owing primarily to the repercussions of the war in Ukraine. Inflation reached a several decades record high of 13.3 percent (y-o-y) at end-September 2022. The balance of payments is facing multiple shocks, including disruptions of timber and cashew exports, weaker-than-expected tourist arrivals, lower remittance inflows, high food and fuel import bills, and elevated freight costs. These shocks are generating forex shortages and weighing on forex reserves. Budget execution has been adversely impacted by fuel revenue losses, delays in the collection of non-tax revenue, and a 30-percent increase in civil servants' basic salaries. The outlook is clouded by significant downside risks, including uncertainties about the war in Ukraine and the COVID-19 pandemic.

**Program performance.** Performance under the ECF-supported program was broadly satisfactory. At end-June 2022, all quantitative performance criteria (QPCs), three out of four indicative targets (ITs) and all three structural benchmarks (SBs) were met. However, the continuous QPC on external arrears was temporary breached. At end-September 2022, six out of nine indicative quantitative targets and three out of five SBs were met. The prior action on the submission to the National Assembly of the second phase audit report on Covid-19-related spending has been completed.

**Program objectives.** The program aims at addressing the immediate pressures from multiple exogenous shocks while improving macroeconomic sustainability:

- To address the foreign exchange shortages, the CBG will allow smooth functioning of the forex market and ensure that the exchange rate reflects market forces. The authorities are requesting augmentation of access under the ECF arrangement to help address the widening external financing gap.
- To address persistent inflationary pressures, the CBG intends to tighten further the monetary policy stance, including through additional policy rate hikes and absorption of excess liquidity.
- To address the fiscal pressures, the authorities are taking revenue and spending measures while the targets will be slightly loosened relative to previous plans to mitigate the impact of the shocks on the population. The fiscal framework will broadly keep public debt on the previously programmed downward path.
- To support the fiscal efforts and the business environment, structural reforms 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 the fight against corruption.

**Staff's views.** Considering the broadly satisfactory program performance and the authorities' strong policy commitments going forward, staff recommends completion of the fifth ECF review and the financing assurances review. Staff also supports the authorities' requests for a modification of a performance criterion and indicative targets, a waiver for non-observance of a performance criterion, and the augmentation of access of SDR 15.55 million (25 percent of quota) under the ECF arrangement to address urgent balance of payments financing needs stemming from lower exports and remittances, and higher global food and fuel prices.

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

The mission took place in hybrid format during September 21–October 4, 2022; discussions continued during the 2022 Annual Meetings and on October 31, 2022. The team comprised Messrs. Razafimahefa (head), Kemoe, Kwende, and Nachega, and Ms. Singh (all AFR), Mrs. Han (FAD), and Messrs. Tong (SPR), Barry (resident representative), and Mendy (local economist). The team met with President Adama Barrow and Vice President Badara Alieu Joof, and held discussions with Minister of Finance Seedy Keita, Minister of Tourism Hamat Bah, Minister of Transport Works and Infrastructure Ebrima Sillah, Minister of Agriculture Demba Sabally, Central Bank Governor Buah Saidy, other public officials, private sector operators, and civil society organizations. The mission briefed development partners and held a press conference. Mr. Cham (advisor, OEDAE) participated in the meetings. Staff from the World Bank and European Union joined some meetings. Mr. Kwende contributed to this report. Ms. Barry (local office manager) helped on the organization of the mission. Mss. Pilouzoue and Jaghori 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
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