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The Gambia: 2006 Article IV Consultation and Assessment of Performance Under the Staff-Monitored Program—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for The Gambia

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2006 Article IV consultation with The Gambia and assessment of performance under the staff-monitored program, the following documents have been released and are included in this package:

- the staff report for the 2006 Article IV Consultation and Assessment of Performance Under the Staff-Monitored Program, prepared by a staff team of the IMF, following discussions that ended on June 21, 2006, with the officials of The Gambia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on September 29, 2006. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its October 13, 2006 discussion of the staff report that concluded the Article IV consultation; and

- a statement by the Executive Director for The Gambia.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

THE GAMBIA

Staff Report for the 2006 Article IV Consultation and Assessment of Performance Under the Staff Monitored Program

Prepared by the Staff Representatives for the 2006 Consultation with The Gambia

(In consultation with Finance, Legal, Policy Development and Review, and Statistics Departments)

Approved by Michael Nowak and Carlo Cottarelli

September 29, 2006

- A mission visited The Gambia June 8–21, 2006, to conduct the 2006 Article IV consultation and to assess performance under the country's staff-monitored program (SMP). A previous mission (February 27–March 12, 2006) assessed SMP performance against targets set for December 2005. The teams comprised Mr. Tsikata (head), Mr. Srour, Mr. Sriram, Mr. Veyrune (February mission), Mr. Gilmour (June mission), and Mr. Tyaba (June mission), all from AFR. Mr. Gakunu (Alternate Executive Director) participated in some discussions during the February mission, and Ms. Lephoto (Advisor to the Executive Director) participated in both missions.

- The missions met with the Secretary of State for Finance and Economic Affairs, the Governor of the Central Bank of The Gambia (CBG), the Attorney-General, other senior government officials, the speaker and members of the Public Accounts Committee of the national assembly, and representatives of business, civil society, and donors.

- Political tensions have been rising since late March 2006, when the government announced that it had foiled a coup plot. President Jammeh was re-elected to a third term on September 22, 2006. He came to power in a coup in 1994 and won elections in 1996 and 2001. Parliamentary and local government elections are scheduled for early 2007.

- The Gambia has a de facto managed floating exchange rate system. It accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreement on January 21, 1993. There are no restrictions on making payments for current international transactions.

- Mr. Segura-Ubiergo has been appointed the Fund's Resident Representative to The Gambia and Senegal with effect from September 20, 2006. He will be based in Dakar.

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EXECUTIVE SUMMARY

- **Macroeconomic stability was sustained in 2005 and the first half of 2006.** Real GDP grew by 5 percent in 2005, year-on-year inflation has been about 2 percent since June 2005, and interest rates have fallen, though they remain high in real terms. The external current account widened in 2005 but increased capital inflows contributed to a slight appreciation of the dalasi in nominal and real effective terms. The net present value (NPV) of external debt was estimated at 312 percent of exports at the end of 2005, well above The Gambia's policy-related indicative sustainable threshold of 100 percent.

- **Performance under a Staff-Monitored Program (SMP) spanning October 2005–March 2006 was satisfactory.** All structural benchmarks were implemented, albeit a few with a delay. In particular, guidelines and procedures to strengthen internal controls at the Central Bank of The Gambia (CBG) are being implemented. Performance against quantitative targets was mixed; fiscal targets for December 2005 were missed, but on a cumulative basis all targets for the end of March 2006 were met.

- **Consolidating macroeconomic stability, achieving debt sustainability, and enhancing the country's external competitiveness were the principal themes in policy discussions.** Expenditure pressures are the main risk to the short-term outlook. Because spending on an African Union (AU) summit held in Banjul in July was higher than budgeted, staff emphasized the importance of avoiding extrabudgetary spending in the lead up to elections—presidential in September and parliamentary and local in early 2007—if the government's domestic borrowing is to be contained and fiscal room left to increase poverty-reducing and growth-promoting expenditures. Discussions on growth and poverty reduction covered investment climate issues that need to be addressed to enhance The Gambia's external competitiveness and prospects for benefiting from regional integration initiatives.

- **Recent political events cloud the outlook.** Several soldiers and civilians are on trial for treason related to an alleged coup plot in March 2006. In June 2006, the Millennium Challenge Corporation of the United States suspended The Gambia's eligibility for assistance, citing, among other factors, evidence of human rights abuses and increased government restrictions on political parties and press freedom.

- **The authorities are eager for a new PRGF arrangement so as to make progress toward the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative.** The HIPC completion point triggers could be satisfied by mid-2007 if good performance is sustained.

- **The authorities and Fund staff have held preliminary discussions on structural reforms that could be incorporated into a new PRGF-supported program.** The areas of emphasis identified were strengthening public financial management and accountability, enhancing CBG operational independence and internal controls, better aligning PRSP priorities with budget execution, and tackling data deficiencies that currently hinder economic analysis, policy formulation, and performance monitoring.

I. Introduction

1. **The Gambia is at a crossroad in its economic development.** Though over the past two and a half years the authorities have succeeded in achieving macroeconomic stability, the economy remains highly vulnerable to exogenous and policy-induced shocks. In recent years, shocks have included drought, a sharp depreciation of the exchange rate, disruptions to groundnut marketing arrangements, and closure of the borders with Senegal. To build on the recent stabilization, the authorities need to make a decisive long-term commitment to a reform agenda that will promote growth and reduce poverty. Such an agenda should include strengthening governance and accountability in public finances and at the central bank, a deepening of the financial system, and improving the investment climate to foster private sector development.

2. **A combination of exogenous shocks, fiscal slippages, and accommodating monetary policy derailed The Gambia's last PRGF-supported program soon after it was approved in 2002.** In 2003, staff discovered that data had been misreported to the Fund under the 1998–2001 Enhanced Structural Adjustment Facility (ESAF)/PRGF arrangement, and a Safeguards Assessment undertaken by the Fund revealed questionable audit practices and a breakdown in internal controls at the Central Bank of The Gambia (CBG). Following delays in implementing measures specified by Fund staff to address the weaknesses revealed by the Safeguards Assessment, the PRGF arrangement expired in July 2005 without a single review being completed.[1]

3. **The authorities' response to policy recommendations in the 2005 Article IV consultation has been generally positive (Box 1), and they successfully completed an SMP spanning October 2005–March 2006.**[2] They are eager for a new PRGF arrangement so that they can make progress toward the completion point under the Heavily Indebted Poor Countries (HIPC) initiative and benefit from debt relief under both the Enhanced HIPC initiative and the Multilateral Debt Relief Initiative (MDRI). The results of a debt sustainability analysis undertaken as part of the Article IV consultation indicate that the country is currently debt distressed—with all the key debt and debt service indicators well above indicative thresholds—and stress tests suggest that it will remain at modest risk of debt distress even after MDRI relief.

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[1] The specific measures included re-audits of the CBG's 2001 and 2002 financial statements and a special audit of CBG foreign exchange transactions during 2000-03.

[2] See the Public Information Notice on the Executive Board discussion of the 2005 Article IV consultation at http://www.imf.org/external/country/GMB/index.htm.

4. **Given recent political events and forthcoming elections, staff pointed out the potential adverse effects of political developments on the country's economic prospects.** In particular, donors are concerned about political governance issues. In June 2006, the Millennium Challenge Corporation (MCC) of the United States suspended The Gambia's eligibility for assistance, citing among other factors, human rights abuses and increased restrictions on political parties and press freedom.

Box 1. The Authorities' Response to the 2005 Article IV Consultation Recommendations

- **The authorities curtailed discretionary expenditures in the second half of 2005, but were unable to offset completely the impact of extrabudgetary expenditures early in the year.**

- **The retail prices of petroleum products were raised in July 2005 and again in January 2006 to curtail subsidies and shore up government revenues.** The authorities review prices every month and adjust them when warranted to avoid budget subsidies for these products in the aggregate. The price of kerosene is cross-subsidized by premium petrol and diesel prices.

- **The authorities have made good progress in implementing an Action Plan to strengthen internal controls at the CBG.** The plan approved by the CBG Board in July 2005 reflected recommendations of new external auditors and of the Fund's Safeguards Assessment.

- **A new Act aimed at strengthening the operational independence of the CBG was passed by the national assembly in December 2005; the president gave his assent in January 2006.**

- **The government took some steps to strengthen public financial management and to enhance transparency and accountability in the budget process.** Regulations to operationalize the Government Budget Management and Accountability Act (2004) are being implemented. A commitment control system has been introduced on a pilot basis with Fund technical assistance.

- **The monopoly of the Gambian Agricultural Marketing Corporation (GAMCO) in purchasing groundnuts was broken, but other reforms in the groundnut sector have stalled.** A government decision to increase substantially the financial requirement for licensing groundnut buyers/operators led to the then-new GAMCO monopolizing crop purchases and processing in the 2004/05 season. For the 2005/06 season, five operators were licensed, including the Gambia Groundnut Corporation (GGC) which previously had been limited to providing storage and transportation services. The authorities have fallen behind in their schedule to privatize GGC (a HIPC completion point trigger).

II. Recent Economic Developments and Performance Under the SMP

A. Recent Economic Developments

5. The macroeconomic environment has improved significantly over the last few years and was again favorable in the first half of 2006 (Figure 1, Table 1).

- **In spite of large adverse terms of trade movements, real GDP growth rebounded from a drought-induced decline in 2002 to an annual average of 5.7 percent per year for 2003-05** (Table 1), outpacing average annual population growth (estimated at 2.8 percent). Growth was broad-based, led by agriculture, construction, hotels and restaurants, and communications (Table 2).

The Gambia: Selected Economic and Financial Indicators, 2002–05

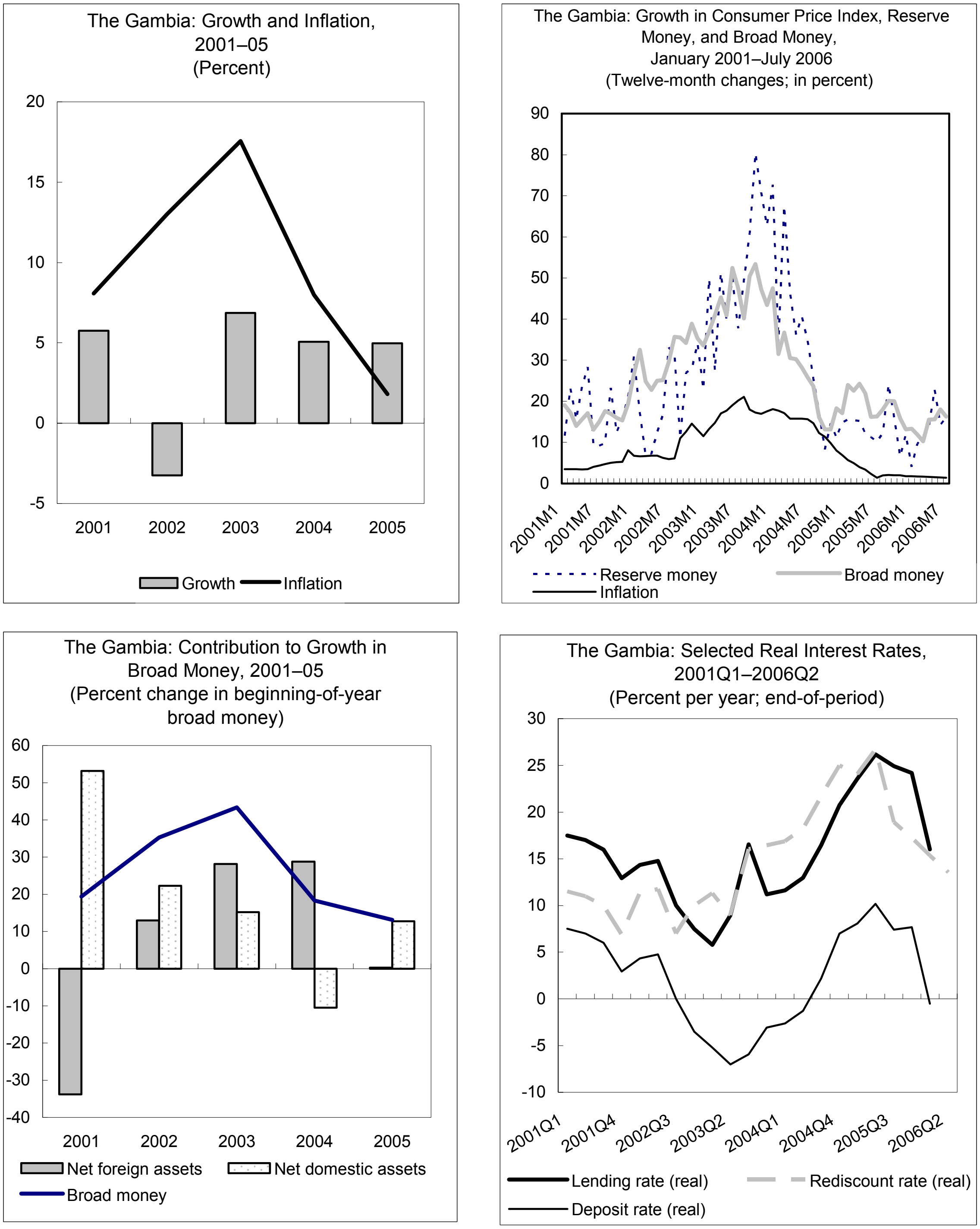
	2002	2003	2004	2005
	(Percent annually)			
Real GDP growth	-3.2	6.9	5.1	5.0
Inflation (end of period)	13.0	17.6	8.0	1.8
Broad money growth	35.3	43.4	18.3	13.1
Government sector	(Percent of GDP)			
Basic fiscal balance[1]	-2.4	-2.5	2.4	-0.1
Overall fiscal balance, including grants	-4.4	-4.7	-5.7	-8.6
Domestic revenue	16.3	15.7	20.9	19.8
Grants	4.4	2.5	4.5	1.7
Current expenditures	17.9	17.0	16.9	18.4
Of which : interest payments	5.0	6.1	7.2	8.6
Capital expenditure and net lending	7.3	5.8	14.2	10.8
External sector	(Millions of U.S. dollars, unless otherwise indicated)			
Current account balance[2]	-10.4	-18.0	-47.1	-66.8
Of which				
Exports, f.o.b.	109.3	101.0	127.0	144.5
Of which : domestic exports	31.1	17.5	25.9	11.8
Of which : reexports	78.2	83.5	101.2	132.7
Imports, c.i.f.	-171.6	-161.0	-235.4	-279.7
Travel income	47.7	51.1	57.5	62.2
Capital account	9.9	6.7	68.0	82.5
Overall balance	-0.1	-4.9	32.9	15.0
Gross official reserves	67.2	62.3	84.0	97.0
(Months of imports, c.i.f.)	4.7	4.6	4.3	4.2
	(Percent of GDP)			
Current account balance 2/	-2.8	-5.1	-11.8	-14.5

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
[2]Including official transfers.

- **Inflation fell to low single-digit levels, underpinned by a tightened monetary policy stance.** Year-on-year inflation as measured by the consumer price index fell from a peak of 21 percent in August 2003 to 8 percent in December 2004 and 1.8 percent in December 2005, and stayed below 2 percent in the first six months of 2006. The annual rate of growth in broad money fell from 43 percent at end-2003 to around 13 percent at end-June 2006.

Figure 1. The Gambia: Selected Economic and Financial Indicators, 2001–June 2006

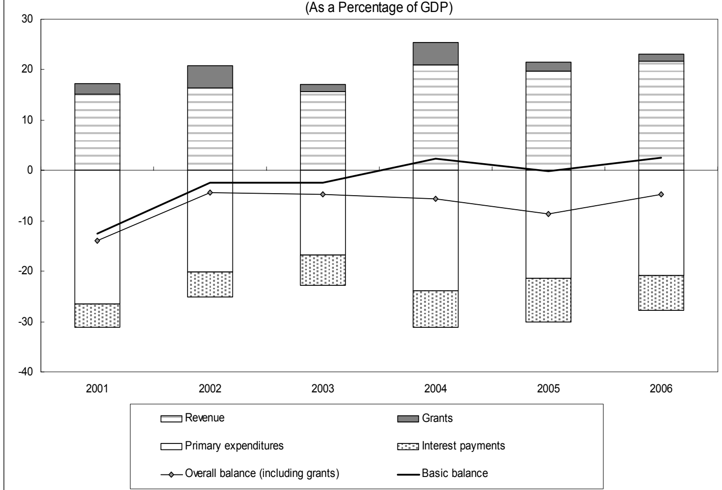


Sources: Gambian authorities; IMF staff estimates.

- **Though treasury bill yields and banks' lending rates have fallen, they are still very high in real terms**, reflecting high levels of government domestic borrowing in the past, and more recently the CBG's cautious approach to lowering its rediscount rate. The CBG reduced the rediscount rate gradually from 33 percent at the end of 2004 to 15 percent in May 2006. In the government securities market, the average yield on treasury bills fell from 30 percent at the end of December 2004 to 16 percent at the end of December 2005 and to 14.5 percent at the end of June 2006. The lending rates of commercial banks have declined more slowly; prime rates were reported to be around 19 percent in June 2006.

6. **The fiscal adjustment effort slackened in 2005 compared to 2004** (Figure 2, Table 3). After registering a surplus of 2.4 percent of GDP in 2004, the basic balance—a proxy for the domestic fiscal effort—was near balance in 2005, reflecting lower customs revenues and higher domestic interest payments.[3] A two-month closure of the border with Senegal pushed customs revenues down, and high domestic debt at the end of 2004 resulted in a substantial increase in domestic interest payments.

Figure 2. The Gambia: Fiscal Developments, 2001–06
(As a Percentage of GDP)



Source: Gambian authorities; IMF staff estimates and projections.

7. **Interest payments are taking a heavy toll.** In 2005, interest payments accounted for 47 percent of current expenditure (43 percent of domestic revenue). In the main, domestic interest payments (about 80 percent of total interest payments) represent the yields on treasury bills which, in The Gambia, are used for both government financing and monetary operations. The larger fiscal deficit and a relatively tight monetary stance increased domestic debt from 33 percent of GDP at the end of 2004 to 36 percent of GDP at the end of 2005.[4]

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[3] The basic balance is defined as domestic revenues minus total expenditure and net lending, excluding externally financed capital spending.

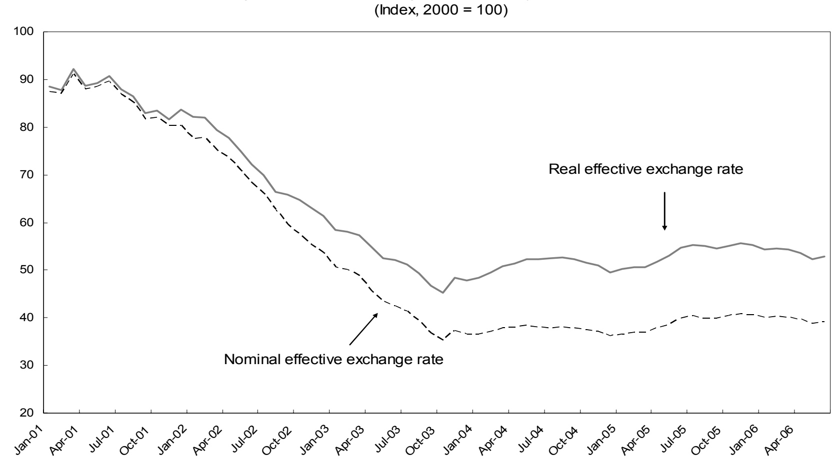
[4] Monetary operations to sterilize the impact of foreign capital inflows accounted for most of the build up in domestic public debt in 2004.

8. **PRSP-related spending in 2005 fell short of budget estimates.** A public expenditure review update led by the World Bank found that PRSP-related expenditures accounted for 24 percent of domestically financed expenditures in 2005, compared to a budgeted 30 percent. Within PRSP-related expenditures, agriculture and health had the largest shortfalls; the education sector was reasonably well protected.

9. **The external current account deficit (including official transfers) widened significantly** from 5 percent of GDP in 2003 to about 15 percent in 2005 (Table 8). This reflected a higher oil bill and increases in non-oil imports for externally financed projects. In addition, groundnut exports collapsed in 2005 as a result of failures in internal marketing arrangements; changes in licensing requirements removed the most established operator from the scene and breakdowns in GGC barges slowed transportation of the crop to processing plants. A bright spot in the current account was strong growth in tourism earnings; tourist arrivals rose by more than 20 percent in 2005. The current account deficit was financed by increased inflows of foreign direct investment (FDI) and official concessional loans. The ratio of nominal external debt to GDP fell from 145 percent at the end of 2004 to 136 percent at the end of 2005.

10. **The dalasi has appreciated modestly in nominal and real effective terms after massive depreciations in 2001-03** (Figure 3). The appreciation reflects the tightening of monetary policy and increased inflows of remittances, transfers, and FDI. The economy has stayed relatively competitive; tourism receipts (the main source of foreign exchange earnings) have increased sharply and gross international reserves are at a comfortable four months of imports.

Figure 3. Effective Exchange Rates, January 2001–June 2006
(Index, 2000 = 100)



Source: IMF, *Information Notice System* (INS).

B. Performance Under the SMP

11. **The principal purpose of the SMP was to help the authorities reestablish a policy track record.**[5] In line with the approach endorsed by the Board during the 2005 Article IV consultation discussion, the SMP sought to strengthen internal controls and the operational independence of the CBG, enhance public financial management and accountability, and begin to make progress toward fiscal sustainability. **Overall performance under the SMP was satisfactory.**

12. **Performance against structural benchmarks was strong (Table 9)**. The CBG made notable progress in strengthening its internal controls by instituting guidelines and procedures to strengthen accounting practices and controls in the management of international reserves. Quarterly audits of selected accounts undertaken by external auditors did not identify any significant discrepancies between accounting records and data reported to the Fund for program monitoring purposes. Furthermore, the CBG is now up to date with its audited financial statements, and the authorities are addressing remaining areas of weakness highlighted by the external auditors (e.g., violations of statutory limits on advances to government, and the central bank's negative equity position).[6] Some steps have also been taken to improve public financial management and accountability, including submission of government accounts for 2000 and 2001 to the Auditor-General for audit, and formulation of guidelines for closing below-the-line accounts.[7] The coverage and timeliness of data reporting have also improved.

13. **Performance against quantitative targets was mixed at the first test date (December 2005), but improved in the second half of the program (Table 10).** The two fiscal targets (on net domestic borrowing and the basic balance) for December 2005 were missed, due to a shortfall in revenues attributable to a two-month closure of the border with Senegal. There was a marked improvement in fiscal performance in the first quarter of 2006, which enabled the authorities to meet the fiscal targets on a cumulative basis through March 2006.

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[5] IMF Country Report No. 06/38 (February 2006).

[6] Audits of the accounts for 2003, 2004, and 2005 were completed in October 2005, February 2006, and June 2006, respectively.

[7] The Public Accounts Committee of the national assembly held public hearings in October 2005 to discuss the Auditor-General's report on the accounts for the 1992–99 fiscal years.

III. Report on Policy Discussions

14. **The discussions were organized around four main themes: consolidating macroeconomic stability; achieving public and external debt sustainability; promoting growth and reducing poverty; and steps toward a possible new PRGF arrangement.** Staff and the authorities also reviewed progress in implementing the HIPC completion point triggers.

A. Consolidating Macroeconomic Stability

15. **The authorities and staff agreed that the most pressing macroeconomic challenge is to rebalance the policy mix to help bring down real interest rates.** The authorities noted that high interest payments were crowding out priority PRSP-related expenditures and that high real interest rates had limited commercial bank lending to the private sector, with adverse consequences for private investment and growth. The discussions highlighted fiscal and monetary policies and related structural reforms needed to achieve updated medium-term objectives.

Medium-term macroeconomic framework

16. **The medium-term projections are driven by the twin objectives of making progress toward external sustainability, and limiting the government's domestic borrowing requirement in order to put downward pressure on interest rates and create fiscal space for increasing growth-promoting and poverty-reducing spending.** Fiscal adjustment contributes substantially to the envisaged adjustment in the external current account, especially in the first few years. However, the evolution of The Gambia's external current account deficit is influenced largely by the availability of official external financing and private capital inflows (mainly FDI), hence external sustainability requires focusing more on the burden of external debt and debt service, than on the size of the current account deficit per se. The baseline scenario assumes that The Gambia will reach the HIPC completion point around mid-2007, but does not incorporate the impact of MDRI debt relief on the government budget. It was agreed that discussions on the use of such relief would await the completion of the new PRSP; they could take place at the time of discussions on a possible new PRGF arrangement.

17. **Assumptions and objectives underlying the updated macroeconomic framework (Tables 1–8) are**:

- Average annual real GDP growth will be about 5 percent.

- Annual inflation will be in the range of 3–4 percent.

- The fiscal deficit (including grants) will be reduced from 8.6 percent of GDP in 2005 to 0.6 percent in 2011.

- The ratio of domestic public debt to GDP is projected to fall from 36 percent at the end of 2005 to about 24 percent in 2011. The pace of the reduction in the first two years takes into account the authorities' commitment to clear domestic expenditure arrears estimated at 3.7 percent of GDP.

- The external current account deficit (including official transfers) will be reduced from 14.5 percent of GDP in 2005 to 7.4 percent of GDP in 2011.

- International reserves will be maintained at the equivalent of about four months of import cover.

18. **The projected reduction in the external current account deficit reflects more official transfers and lower trade deficits.** The adjustment path maps a large reduction in the deficit between 2005 and 2007 driven by a boost in official transfers and recovery in groundnut exports. The increase for 2008–11 is more modest because official transfers taper off. Part of the increase in official transfers is associated with a switch in the composition of official external financing for projects from loans to grants which is expected to occur when The Gambia reaches HIPC completion point.[8] In addition, it is assumed that there will be a modest increase in available external financing as donors provide support to a new MDG-based PRSP expected to be completed in 2006. International reserves are projected to remain at the equivalent of about four months of import cover, on the assumption of strong FDI inflows and HIPC debt relief.

19. **The projected improvement in the fiscal balance reflects a substantial increase in grants, lower interest payments, and an increase in revenues.** As mentioned, part of the increase in grants reflects a change in the composition of external financing. The decline in domestic interest payments assumes a steady fall in the average interest rate from 19 percent in 2005 to 15 percent in 2006 and 10 percent in 2009, premised on an improving macroeconomic environment and lower domestic borrowing by the government. Savings from declining interest payments over the projection period are used to boost poverty-reducing expenditures.[9] The bulk of the improvement in revenues occurs in 2006, reflecting revenue-enhancing measures, equivalent to about 2 percent of GDP, that were introduced in the budget.[10]

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[8] The World Bank and the African Development Bank are expected to provide more grants and less loans to The Gambia.

[9] Most of poverty-reducing expenditures fall under the category of "other charges" in the government accounts (Table 3). The decline in other charges observed in 2007 reflects the exceptional expenditures on the AU summit incurred in 2006.

[10] The measures included increases in the pump price of petroleum products and in license fees on telecommunication operators, an increase in the sales tax on non-oil imported goods from 10 percent to

(continued)

20. **Monetary policy will target an expansion in broad money slightly above the growth rate of nominal GDP over the medium term.** Low inflation is expected to boost the demand for money and steady fiscal consolidation should allow average interest rates to fall, stimulating credit to the private sector.

Fiscal policy and related structural reforms

21. **The updated fiscal projections for 2006 suggest a greater adjustment effort compared to 2005, but significant shortfalls when compared to the 2006 budget (Table 3).** The authorities provided staff with estimates of the cost to the budget of The Gambia hosting the African Union (AU) summit that took place in Banjul during June 25–July 2, 2006; the estimate amounted to 2.1 percent of GDP, more than twice the provision approved in the budget (0.8 percent of GDP). It appears that most of the expenditures on the summit had been incurred by the time of the Article IV mission, with modes of financing that included borrowing from parastatals at no interest (to be fully repaid by the end of 2007) and drawing down a government deposit abroad. Other commitments the authorities were proposing to honor in the second half of 2006 and beyond included equity contributions to a regional bank and to a subsidiary of the Islamic Development Bank, clearance of expenditure arrears, and capitalization of the CBG. The authorities did not foresee needing to provide additional budgetary resources for the forthcoming general elections. They expected that the amount approved in the budget (0.9 percent of GDP) would be supplemented by contributions from donors through a basket funding arrangement coordinated by UNDP.

22. **Total expenditures for 2006 are now projected at 27.7 percent of GDP, compared to the budget estimate of 26.4; a difference which is roughly equivalent to the extra spending on the AU summit.** The authorities proposed the sale of assets (including cars purchased for the AU summit) to partially finance the extra spending, and were willing to discuss new revenue measures and cuts in the recurrent budget to achieve the budget targets. In the view of staff, it was unrealistic to expect positive results from new measures; extensive revenue measures were introduced in the 2006 budget, and the discretionary budget was already severely constrained. Rather, staff suggested that because of the one-off nature of the expenditures associated with the AU summit, it would be preferable to allow slightly higher domestic borrowing. However, staff noted that this would have the effect of slowing down the effort to reduce domestic debt and put upward pressure on interest rates. The authorities and staff agreed on a revised outlook that calls for a 1.5 percent of GDP surplus in the basic balance in 2006, compared to the target of 3 percent of GDP in the budget. Domestic borrowing is now expected to amount to 2.5 percent of GDP, roughly 1 percentage point higher than initially budgeted.

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15 percent to make it the same as the domestic sales tax, and an increase in duties on certain goods from 18 percent to 20 percent to conform with the Economic Community of West African States (ECOWAS) common external tariff agreement.

23. **Domestic interest payments are projected to drop from 7 percent of GDP in 2005 to about 5 percent of GDP in 2006,** mainly on account of the lower yields on treasury bills observed since the second half of 2005. Gross domestic debt is also projected to fall in relation to GDP from 35.5 percent at the end of 2005 to about 33 percent at the end of 2006. This partly reflects an agreement between the Department of State for Finance and Economic Affairs (DoSFEA) and the CBG for the government to pay off half of a long-term government loan to the CBG by drawing down the sterilization account at the CBG into which proceeds of treasury bill auctions are deposited.

24. **Staff expressed concern about a lack of information on extrabudgetary spending financed by external grants.** The authorities were unable to provide an estimate of grants received from friendly countries toward defraying the cost of hosting the AU summit; they said they had received considerable assistance in kind. Staff noted that the difficulty in providing information pointed to an important weakness in the coverage of budget reports, and urged the authorities to redouble their effort to establish a central project management and aid coordination directorate at DoSFEA with responsibilities that will include compiling comprehensive information on aid flows into the country and the uses to which the resources are intended to be put.

25. **Failure to maintain fiscal discipline poses the greatest risk to the medium-term outlook.** In particular, over-commitments (e.g., on externally financed projects that require substantial local counterpart contributions), expenditure overruns, and extrabudgetary expenditures risk further accumulation of domestic arrears and/or increased domestic borrowing. Under such circumstances, the projected increase in fiscal space stemming from lower debt service would be unlikely to materialize. Staff also referred to anecdotal evidence about quasi-fiscal activities of some public enterprises and indicated that transparent reporting of such activities would be required as part of a possible new PRGF-supported program.

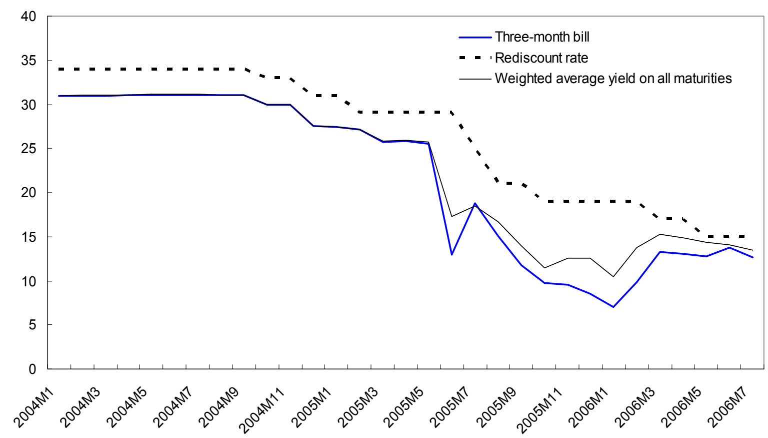
26. **The authorities acknowledged that weaknesses in budget formulation and execution have in the past led to large domestic payments arrears and fiscal slippages.** The arrears have reflected mainly inadequate provision in the budget for the government's contribution to projects financed by international development banks and donors. The authorities informed staff that there has been progress in implementing an Integrated Financial Management Information System (IFMIS) with the assistance of the World Bank. However, in view of continuing uncertainty about when IFMIS will become fully operational, staff urged the authorities to give high priority to extending the commitment control system (introduced on a pilot basis in 2005) to all budget units. The authorities said that more work was needed to sensitize stakeholders and to build capacity. They requested continued technical assistance from the Fund's regional fiscal adviser.

27. **Authorities and staff agreed on the need to improve the transparency and timeliness of reporting on government operations.** The authorities explained that they were taking steps to clear the remaining backlog of unaudited government accounts; they expect to submit accounts for 2002–04 to the Auditor-General by the end of 2006 and accounts for 2005–06 by the end of 2007. They agreed that timely audited reports are essential so that the national assembly can exercise its responsibilities to oversee public finances.

Monetary policy, the financial sector, and related structural reforms

28. **The CBG uses a money targeting framework to pursue its price stability objective, and uses its rediscount rate to signal changes in its policy stance.** It sets an intermediate target for growth in broad money (the nominal anchor of the system) and uses reserve money as its operational target. The main instrument used by the CBG to influence the path of reserve money is the issuance of treasury bills. A challenge for the CBG is to ensure consistency between its weekly monetary operations (guided by a reserve money path) and its announcements about the rediscount rate after bimonthly meetings of the Monetary Policy Committee (MPC). In the second half of 2005, a growing divergence between the CBG's rediscount rate and the 91-day treasury bill (Figure 4) sent conflicting signals to the market about the CBG's intentions and contributed to the maintenance of high commercial bank lending rates.[11]

Figure 4. The Gambia: Treasury Bill Yields and CBG's Rediscount Rate, January 2004–July 2006
(Percent; annualized)



Source: Gambian authorities; IMF staff estimates.

29. **Staff welcomed reductions in the CBG's rediscount rate that occurred during the first half of 2006** (from 19 percent at end-2005 to 15 percent in May 2006) which helped remove the uncertainty that prevailed in the treasury bill market in the second half of 2005. Staff agreed with the central bank that risks to the fiscal outlook for the second half of 2006 made it prudent to be cautious about the pace of further rate reductions. However, the CBG

[11] Before the MPC became operational (July 2004), the rediscount rate was calculated as a fixed markup over the market-determined treasury bill rate. The yield on the 91-day bill is widely perceived in the market as the "benchmark" rate.

should be sensitive to the potential for conflict between its open-market operations and its rediscount rate announcements.

30. **Though the financial sector in The Gambia is relatively sound, financial intermediation remains low.** The regulatory framework for the financial system was strengthened in 2003 with the enactment of a new Financial Institutions Act, as well as new laws on Insurance and Money Laundering. All the seven commercial banks in the country have met a new minimum paid-up capital requirement.[12] Profitability and liquidity ratios remain high, but the ratio of nonperforming loans to total loans increased slightly from 11 percent at the end of 2004 to 12 percent at the end of 2005 (Table 7). The loan-to-deposit ratio remains relatively low (43 percent as of March 2006). The CBG and representatives of the Bankers Association briefed staff about their ongoing discussions on aspects of the legal system that discourage lending, and about plans to establish a credit reference bureau to facilitate the lending process.

31. **A high degree of concentration and high profit ratios suggest that there may be room for more competition in the banking system.** Although there are seven banks in the country, two of them account for over 70 percent of the sector's total assets and three quarters of deposits. Staff analysis of the factors that have contributed to the persistent wide spread between banks' lending and deposit rates identified three main factors—payoff to shareholders, overhead costs, and the implicit costs of reserve and liquid asset requirements.[13] The CBG informed staff that it has licensed two new banks that are expected to start operations before the end of 2006, and expects that this would enhance competition in the sector.

32. **Staff recommended that the CBG consider lowering the unremunerated statutory reserve requirement from the current 18 percent, which is very high by international standards.** With inflation below 2 percent, the authorities and staff agreed that there was scope for allowing more growth in reserve money to accommodate a gradual reduction in reserve requirements. At worst, this might nudge the inflation rate upwards; but it could also put downward pressure on treasury bill yields if the impact on lending is negligible (e.g., for structural reasons).

B. Making Public and External Debt Sustainable

33. **At the end of 2005, the stock of external public debt stood at the equivalent of 136 percent of GDP.** Four-fifths of this debt is owed to multilateral creditors, and the

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[12] The CBG announced the new minimum capital requirement in April 2004 and gave banks up to March 31, 2006 to meet it.

[13] The mission shared with the CBG a draft of the Selected Issues Paper on interest rate spreads.

remainder to bilateral creditors. Gross domestic debt amounted to 36 percent of GDP at the end of 2005.

34. **The Gambia is currently debt distressed and is projected to remain at moderate risk of debt distress even after MDRI relief.** The mission shared with the authorities the results of a preliminary draft of an external debt sustainability analysis (DSA) undertaken jointly by staffs of the Fund and the World Bank (Appendix I).[14] The country's NPV of debt-to-exports ratio, estimated at 312 percent at the end of 2005, is well above the policy-based indicative threshold of 100 percent.[15] Other key indicative thresholds are also breached in 2005; the NPV of debt–to-GDP ratio stood at 84 percent (substantially higher than the threshold of 30 percent), and the debt service-to-export ratio was 21 percent (compared to a threshold of 15 percent). The debt indicators fall below the thresholds under a scenario in which The Gambia receives both HIPC and MDRI relief in 2007 (within three months of reaching HIPC completion point). However, the thresholds are again breached under stress testing, suggesting that there is still a moderate risk of debt distress. The stress tests indicate that the Gambia's debt sustainability is highly sensitive to export growth assumptions, projections of nondebt creating inflows, and the terms of new borrowing. Preliminary estimates indicate that MDRI stock relief from IDA, AfDB and the Fund reduce the NPV of debt-to-export ratio from 212 percent to 93 percent in 2007.

35. **The outcome of the public debt sustainability analysis mirrored the results of the external debt sustainability analysis** as external debt accounts for the bulk of total public debt. Under the baseline scenario, the NPV of public debt is projected to decline from about 121 percent of GDP in 2005 to about 78 percent of GDP in 2011 and to 46 percent in 2026. In relation to domestic revenue, the NPV of public debt is projected to fall from about 564 percent in 2005 to 206 percent in 2026. Under the MDRI scenario, the ratio remains above the indicative threshold (200 percent) through 2008 and then falls steadily to 169 percent in 2026. However, stress tests indicate a high risk of breaching the threshold.

36. **The continuing risk of debt distress indicated by the DSA highlights the importance of nondebt creating flows (e.g., grants and foreign direct investment) for The Gambia's external and fiscal sustainability.**

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[14] The DSA was refined and extended to cover domestic public debt after the mission.

[15] This is the threshold for poorly performing low-income countries, the category in which The Gambia is classified.

C. Promoting Growth and Reducing Poverty

Promoting growth

37. **Agriculture, tourism, and trade are the main sources of growth in The Gambia.** Groundnuts cultivation remains the mainstay of the agricultural sector (about one-third of value-added), although its share has been declining. The tourism sector has fared very well in recent years, growing at an annual average rate of 10 percent since 2002, and the rate of growth is projected to remain healthy at 6–7 percent annually. The Gambia has traditionally enjoyed a dynamic reexport trade sector that benefits from, among other things, competitive tariffs and a port that is very efficient by regional standards.

38. **Discussions on policies to promote growth centered on competitiveness and investment climate issues.** The authorities and staff agreed that the exchange rate regime and the current level of the exchange rate were both appropriate. The Gambia has a de facto managed floating exchange rate system. Since 2004, the CBG's intervention in the foreign exchange market has been minimal and limited to purchases to maintain international reserves at levels agreed with Fund staff (including under the SMP).[16] Given the economy's susceptibility to real shocks—demonstrated by the pervasive influence of weather conditions on agricultural output—a flexible exchange rate provides a useful adjustment mechanism.

39. **Staff analysis of the evolution of exchange-rate based indicators showed no evidence of significant or persistent misalignment of the exchange rate.**[17] The analysis also suggests that The Gambia's flexible exchange rate regime has facilitated reasonably rapid adjustment of the real exchange rate to conditions in Senegal which is an important market for reexports, a source of some imports, and a competitor in the groundnut export market.

40. **Regional commitments and a recent substantial increase in the sales tax on imports may erode profitability in the reexport trade area.** Staff discussed the likely impact on reexport trade of The Gambia's implementation of the ECOWAS common external tariff (CET) in January 2006; this was accompanied by an increase in the sales tax on imports from 10 percent to 15 percent to align it with the domestic sales tax. Implementing the CET implies a 2 percentage point increase in the tariff rate on consumer goods, which are the bulk of reexports. Together with the higher sales tax, this implies a 7 percentage point increase in applicable rates. This significant increase in costs to traders

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[16] CBG purchases of foreign currency accounted for about 6 percent and 4 percent of the market's turnover in 2004 and 2005, respectively. CBG sales of foreign currency to the market was negligible in 2004 and nil in 2005.

[17] See Selected Issues Paper on external competitiveness.

may adversely affect the reexport trade. Staff mentioned anecdotal evidence that imports of textiles for reexport were already beginning to slow.

41. **The authorities acknowledged the possible adverse impact of the CET on reexport trade, but stressed their belief that the potential benefits of greater regional integration through ECOWAS outweigh the costs.** In particular, given The Gambia's small population of about 1.5 million, the prospect of duty-free access to the whole ECOWAS region, which has a population of 234 million, should stimulate investment, trade and growth. Goods with a minimum of 35 percent value-added in the home country can be exported duty-free within ECOWAS.

42. **Authorities and staff agreed on the importance of improving the investment climate in order to promote private investment in export-oriented production and employment.** The authorities pointed out recent progress in implementing the World Bank Gateway Project (which aims to help The Gambia develop alternative sources of trade in such areas as the services sector and agribusiness), and taking measures to make the legal system and infrastructure more investor-friendly. They also spoke of the recent strong growth in investments in tourism, and, to a lesser degree, agriculture. While acknowledging recent progress, staff referred the authorities to independent assessments on competitiveness and investment climate that suggest The Gambia lags behind other countries in the region in government effectiveness, the rule of law, and control of corruption.[18]

Reducing poverty

43. **Implementation of the PRSP has been uneven.** The PRSP prepared in 2002 covered the period 2002–05. The authorities have prepared two annual progress reports (APRs); one for 2002–03 and one for 2004. The second APR and a Joint Staff Advisory Note (JSAN) were circulated to the Executive Boards of the Fund and the World Bank in June 2006.[19] The APRs indicate some progress in increasing access to basic social services, but not much progress in the divestiture and decentralization programs. The authorities noted that implementation of the first PRSP had been hampered by several factors, including: (i) capacity constraints; (ii) shortfalls in assistance from donors; (iii) a lack of clarity on output targets and indicators; and (iv) an inadequate system for monitoring and evaluation. They were hopeful that PRSP II which will include costed interventions required to meet the MDGs, will receive more donor support than the first.

44. **Staff agreed with the authorities that PRSP implementation needs to be better integrated into the budget process.** The authorities highlighted the decreasing share of poverty-reducing spending in the government budget as a major concern, and stressed the

[18] See the discussion of investment climate issues in the Selected Issues Paper on external competitiveness.

[19] IMF Country Report No. 6/397 (November 2006).

importance of additional fiscal space for reversing this trend. Staff suggested that reducing interest payments offered the best prospect for increased fiscal space and that this meant limiting the government's resort to domestic borrowing. Furthermore, staff noted, there is scope for better protecting poverty-reducing expenditures by limiting extra-budgetary spending and better prioritizing non-PRSP expenditures.

45. **The authorities said that though The Gambia was not likely to meet the poverty reduction target in the Millennium Development Goals (MDGs), it was likely to meet some other goals**, such as increasing primary school enrollment, improving maternal health, increasing access to safe drinking water, and curtailing the spread of HIV/AIDS (Table 12).

D. Toward a Possible New PRGF Arrangement and HIPC Completion Point

46. **Authorities and staff agreed that, to the extent possible, the macroeconomic framework underlying a possible new PRGF-supported program should be based on the new PRSP now being prepared.** Staff indicated that it would draw on results of "needs assessment" exercises being undertaken by the authorities (with assistance from the U.N. Millennium Project) if they are available at the time of program discussions.

47. **Authorities and staff held preliminary discussions on structural reforms that could be included in a new PRGF-supported program.** Areas of reform identified were: (i) measures to strengthen public financial management and accountability, including a more comprehensive coverage of government operations; (ii) progress on clearing the backlog of unaudited government accounts; (iii) measures to further strengthen internal controls and CBG operational independence; (iv) measures to improve the investment climate and promote private sector development; and (v) actions to tackle data deficiencies that currently hinder economic analysis, policy formulation, and performance monitoring. The authorities said they would need technical assistance to make progress in most of these areas.

48. **The HIPC completion point triggers could be satisfied by mid-2007, the authorities and Fund and World Bank staff agreed.** The triggers are grouped under five headings (Table 11). In two areas—poverty reduction and social sector reforms—the conditions appear to have been met. In two others—macroeconomic stability and structural reforms—the authorities have made solid progress toward meeting the conditions.[20] There has been slower progress in meeting the governance conditions, especially issuance of reports on overall budget execution and on the use of HIPC interim relief.

[20] The macroeconomic stability condition requires successful implementation of a PRGF-supported program for at least six months and the completion of at least one program review.

IV. Data and Technical Assistance Issues

49. **Severe data deficiencies, especially in the national accounts and balance of payments areas, make it hard to analyze economic developments.** National accounts are compiled using only the production approach and the constant price series use 1976/77 as the base year. Weaknesses in the official estimates have led staff to develop its own estimates, which differ substantially from the official estimates, especially for nominal GDP. Preliminary work undertaken by the Central Statistics Department (CSD) using the results of the 2003 household expenditure survey yielded an estimate of nominal GDP for 2003 that was slightly higher than the Fund staff estimate, thus validating staff doubts about the quality of the official estimates. Staff urged the authorities to speed up work on using the results from the 2003 household expenditure survey to produce independent estimates of gross domestic expenditure and to rebase the national accounts at constant prices. The survey results should also be used to update the basket of goods and services used for calculating the consumer price index (CPI).

The Gambia: Estimates of Nominal GDP at Factor Cost
(Millions of dalasi, unless otherwise indicated)

	CSD	**IMF**	**IMF/CSD ratio**
2000	4,303	4,736	1.10
2001	4,490	5,953	1.33
2002	4,726	6,642	1.41
2003	5,359	9,086	1.70
2004	6,796	10,909	1.61
2005	7,270	11,945	1.64

50. **The authorities are taking steps to improve the quality of balance of payments statistics along the lines recommended by STA.** The CBG has revamped its balance of payments unit, including allocating more staff to it. Several CBG staff benefited from Fund balance of payments statistics training programs during 2005–06 and the CBG is shifting to compiling balance of payments statistics according to the fifth edition of the Balance of Payments Manual.

51. **The authorities expressed appreciation for the Fund's technical assistance aimed at strengthening capacity in the areas of economic management and compilation of economic statistics.** They highlighted in particular, assistance received from a regional fiscal adviser, wide ranging assistance to the CBG from MFD, and assistance from STA to improve the quality of balance of payments and monetary statistics. They requested a replacement for the regional fiscal advisor who recently left the region.

V. Staff Appraisal

52. **Strengthening of macroeconomic polices since late 2003 has significantly improved macroeconomic performance in The Gambia.** Inflation has fallen to low single-digit levels and growth at over 5 percent a year has been respectable. However, poverty is widespread and the economy is still vulnerable to exogenous and policy-induced shocks. The

Article IV discussions focused on the challenges of consolidating macroeconomic stabilization while working to promote higher growth and reduce poverty.

53. **If the recent achievements are to have lasting effects, the authorities must avoid the mistakes of the past, especially stop-go policies, and make a long-term commitment to a reform agenda that will promote higher growth and reduce poverty.** The agenda should cover enhanced governance and accountability in public finances and at the central bank, improvements in the investment climate to foster private sector development, a judicious program to improve basic infrastructure, and better integration of PRSP priorities into the budget process.

54. **The authorities are rightly concerned that high domestic interest payments have crowded out poverty-reducing and growth-promoting spending, but must exercise fiscal discipline to address this concern.** In particular, to contain domestic borrowing, the authorities need to avoid extrabudgetary expenditures and expenditure overruns in nonpriority areas. The government also needs to pay more attention to the financing constraint in the budget process and avoid over commitments that risk creating new domestic arrears or unfavorable domestic debt dynamics. Staff urges the authorities that so long as external financing evolves broadly as projected, they should aim to achieve the projected surpluses on the fiscal basic balance (averaging 2.4 percent of GDP per year over the next five years) in order to make progress towards reducing the domestic debt burden. Staff also urges the authorities to give high priority to extending the commitment control system to all spending units.

55. **While The Gambia has made some progress toward strengthening public financial management and accountability, the authorities are correct that capacity constraints have held back the pace of progress.** Staff also agrees with the authorities that there is a need for comprehensive civil service reform and supports their request for World Bank assistance in this area.

56. **The CBG has made significant strides toward strengthening internal controls and addressing the governance problems that contributed to serious policy lapses in the early 2000s.** Staff encourages the authorities to implement the new CBG Act, especially with respect to limits on lending to the government.

57. **The current level of the exchange rate is appropriate, and the authorities are right to focus on structural reforms and the investment climate so as to enhance The Gambia's external competitiveness.** There is no evidence of significant or persistent misalignment of the exchange rate. At the request of the authorities, the World Bank has begun work that will be useful in formulation of a program for improving the investment climate.

58. **Satisfactory performance under a six-month SMP has been followed by fiscal slippages associated with hosting the AU summit.** In view of the one-off nature of the

expenditure overruns, and progress made in fiscal adjustment compared to 2005, staff believes that the impact of the slippages will be short-lived and that the fiscal situation can be put back onto a sustainable path reasonably quickly. While recognizing the risk of further slippages, staff believes that on balance, there is a basis for proceeding to discuss a new PRGF arrangement with the authorities. The authorities are eager for a new PRGF arrangement to help provide a framework for economic reforms and make progress toward the HIPC completion point and securing debt relief. At the same time, however, the authorities need to do more to achieve better alignment of the PRSP to budget execution and to promote greater transparency and accountability in public finances.

59. **Going forward, the main risks to the medium-term outlook are failure to maintain fiscal discipline, withholding of donor support on account of governance problems, exogenous shocks, and capacity constraints.** Following the fiscal slippage associated with the hosting of the AU summit, further fiscal slippages that undermine the objective of containing the government's domestic borrowing would jeopardize efforts to increase fiscal space for growth-promoting and poverty-reducing expenditures. The suspension of The Gambia's eligibility for assistance by the MCC underlines donors sensitivity to governance issues; withholding of donor support would condemn PRSP II to the same poor implementation fate as its predecessor. Improving the investment climate in critical for sustaining recent increases in FDI and for diversifying The Gambia's exports of goods and services and thus reducing its vulnerability to shocks. Staff encourages the authorities to continue to work closely with the World Bank on measures to improve the investment climate.

60. **It is proposed that the next Article IV consultation take place on a standard 12-month cycle.**

Table 1. The Gambia: Selected Economic and Financial Indicators, 2002–11

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
	(Annual percentage changes, unless otherwise indicated)									
National income and prices										
Nominal GDP (in millions of dalasis)	7,364	10,026	12,037	13,180	14,333	15,613	16,924	18,301	19,795	21,413
Nominal GDP	12.3	36.1	20.1	9.5	8.7	8.9	8.4	8.1	8.2	8.2
GDP at constant prices	-3.2	6.9	5.1	5.0	4.5	5.0	5.0	5.0	5.0	5.0
GDP deflator	16.1	27.4	14.3	4.3	4.0	3.8	3.2	3.0	3.0	3.0
Consumer price index (period average)	8.6	17.0	14.2	3.2	2.9	3.7	3.2	3.0	3.0	3.0
Consumer price index (end of period)	13.0	17.6	8.0	1.8	4.0	3.5	3.0	3.0	3.0	3.0
External sector										
Exports, f.o.b.[1]	7.1	-7.6	25.8	13.7	17.1	5.6	5.6	3.3	4.3	4.9
Of which: domestic exports	18.5	-43.6	47.5	-54.6	102.2	8.1	21.7	15.8	20.5	22.8
Imports, f.o.b.[1]	12.8	-6.2	46.2	18.8	9.6	4.3	5.4	2.4	3.0	0.8
Terms of trade [2]	8.3	18.2	-10.2	-16.1	-10.8	4.7	3.4	3.4	3.2	1.8
Nominal effective exchange rate (period average)	-22.4	-36.4	-11.3	4.2	...	...	...	...	...	...
Real effective exchange rate (period average)	-17.5	-27.7	-1.2	4.5	...	...	...	...	...	...
Money and credit	(Percent change in beginning-of-year broad money)									
Broad money	35.3	43.4	18.3	13.1	13.0	10.0	10.0	10.0	10.0	10.0
Net foreign assets	13.0	28.2	28.8	0.3	5.9	4.6	5.3	4.7	4.4	3.1
Net domestic assets	22.3	15.2	-10.5	12.8	7.0	5.4	4.7	5.3	5.7	6.9
Credit to the government (net)[3]	1.0	12.5	-10.6	6.3	5.9	3.3	2.4	-0.4	0.2	0.6
Credit to the private sector and public enterprises	23.7	20.0	-6.5	5.5	2.6	3.1	2.9	4.5	4.9	5.2
Claims on foreign exchange bureaus	4.0	-1.0	-1.2	0.0	-0.6	-0.4	-0.3	-0.2	-0.2	-0.1
Other items net	-6.4	-16.3	7.7	1.0	-0.9	-0.6	-0.3	1.5	0.8	1.2
Velocity (GDP/average broad money)	2.7	2.6	2.4	2.3	2.2	2.1	2.1	2.1	2.0	2.0
Yields on 91-day treasury bill (percent per year)[4]	20.0	30.9	27.5	8.5	13.8	...	...	...		...
Gross domestic investment and savings	(Percent of GDP)									
Gross investment	21.0	19.5	27.1	26.3	23.2	25.1	24.2	23.2	23.3	22.6
Gross domestic savings	12.6	10.2	9.4	6.6	3.9	7.6	7.4	8.2	9.5	12.6
Gross national savings	18.2	14.4	15.3	11.8	11.3	18.0	15.6	14.2	13.8	15.2
Central government budget										
Domestic revenue	16.3	15.7	20.9	19.8	21.5	21.3	21.2	21.1	21.1	21.0
Grants	4.4	2.5	4.5	1.7	1.5	7.0	6.2	5.8	5.5	5.0
Total expenditure and net lending	25.2	22.9	31.2	30.1	27.7	28.5	27.3	26.7	26.7	26.6
Balance, including grants	-4.4	-4.7	-5.7	-8.6	-4.8	-0.2	0.1	0.2	-0.1	-0.6
Basic balance [5]	-2.4	-2.5	2.4	-0.1	1.5	2.5	2.6	2.5	1.9	1.3
Basic primary balance [6]	2.7	3.6	9.6	8.5	8.2	8.1	7.2	6.4	5.5	4.6
Net foreign financing	1.9	0.6	5.7	5.5	2.6	0.8	0.7	0.6	0.4	0.4
Net domestic financing	2.5	5.3	0.5	3.7	2.2	-0.6	-0.8	-0.8	-0.3	0.2
Stock of domestic public debt	36.6	27.6	32.9	35.5	32.9	31.4	29.8	27.2	25.4	23.9
External sector										
Current account balance										
Excluding official transfers	-13.4	-13.6	-21.6	-20.8	-17.6	-17.9	-18.4	-18.2	-18.1	-15.4
Including official transfers	-2.8	-5.1	-11.8	-14.5	-11.9	-7.1	-8.6	-9.0	-9.5	-7.4
	(Millions of U.S. dollars, unless otherwise indicated)									
Current account balance										
Excluding official transfers	-49.6	-48.0	-86.7	-95.9	-89.1	-97.4	-107.8	-114.4	-122.7	-112.3
Including official transfers	-10.4	-18.0	-47.1	-66.8	-60.3	-38.4	-50.2	-56.6	-64.4	-54.3
Overall balance of payments	-0.1	-4.9	32.9	15.0	13.3	6.1	9.0	8.2	7.9	3.7
Gross official reserves	67.2	62.3	84.0	97.0	103.2	105.3	109.5	113.8	118.9	122.5
In months of imports, c.i.f.	4.7	4.6	4.3	4.2	4.0	4.0	3.9	4.0	4.0	4.1
Use of Fund resources	(Millions of SDRs)									
Purchases/disbursements	2.9	0.0	0.0	0.0	…	…	…	…	…	…
Repurchases/repayments	0.0	0.0	7.6	1.4	…	…	…	…	…	…
Credit outstanding	23.5	23.5	15.9	14.6	…	…	…	…	…	…

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Computed based on values in U.S. dollars.

[2]Excluding reexports and imports for reexport.

[3]Including advances to the government in foreign currencies.

[4]Data presented in 2006 represent the yield as of June 27, 2006.

[5]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.

[6]Defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditure.

Table 2. The Gambia: Selected National Accounts Indicators, 2002–11
(Annual percentage changes in constant prices)

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
Agriculture	-28.2	20.5	11.4	5.0	4.5	4.5	4.5	4.5	4.6	4.6
Groundnuts	-52.6	29.9	29.6	5.0	3.0	3.0	3.0	3.0	3.0	3.0
Other crops	-32.0	30.0	8.5	6.6	5.0	5.0	5.0	5.0	5.0	5.0
Livestock	5.0	5.0	3.2	2.3	5.0	5.0	5.0	5.0	5.0	5.0
Forestry	5.0	5.0	3.1	3.7	5.0	5.0	5.0	5.0	5.0	5.0
Fishing	5.0	7.0	10.0	3.8	3.8	3.8	5.0	5.0	5.0	5.0
Industry	9.8	6.4	3.3	2.8	4.9	5.5	5.6	5.6	5.6	5.6
Manufacturing	4.5	2.6	5.7	1.2	4.7	5.0	5.0	5.0	5.0	5.0
Large and medium manufacturing	5.0	2.0	6.0	1.1	5.0	5.0	5.0	5.0	5.0	5.0
Small manufacturing	3.5	4.0	5.0	1.3	4.0	5.0	5.0	5.0	5.0	5.0
Construction and mining	15.0	10.0	3.5	4.0	5.0	6.0	6.0	6.0	6.0	6.0
Electricity and water supply	10.0	5.0	-13.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Services	4.3	4.1	3.2	5.4	4.5	5.0	5.0	5.1	5.1	5.1
Trade	4.1	0.4	0.4	2.2	4.0	5.7	5.7	5.7	5.7	5.7
Groundnuts	5.0	3.0	2.5	-2.0	4.0	4.0	4.0	4.0	4.0	4.0
Others	4.0	0.0	0.0	3.0	4.0	6.0	6.0	6.0	6.0	6.0
Hotels and restaurants	7.0	15.0	8.4	5.0	6.0	6.0	7.0	7.0	7.0	7.0
Transport and communications	4.6	5.0	5.1	9.2	5.3	5.6	5.0	5.0	5.0	5.0
Transport	4.0	5.0	3.0	2.8	4.0	5.0	5.0	5.0	5.0	5.0
Communications	5.0	5.0	6.5	13.5	6.0	6.0	5.0	5.0	5.0	5.0
Real estate and business services	4.0	3.0	2.2	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Public administration	3.0	2.0	0.0	2.3	3.0	3.0	3.0	3.0	3.0	3.0
Other services	3.0	3.0	2.2	0.0	3.0	4.0	8.0	8.0	8.0	8.0
GDP at factor cost	-3.8	7.7	5.1	5.0	4.5	5.0	5.0	5.0	5.0	5.0
Indirect tax (net)	1.7	0.2	5.1	5.0	4.5	5.0	5.0	5.0	5.0	5.0
GDP at market prices	-3.2	6.9	5.1	5.0	4.5	5.0	5.0	5.0	5.0	5.0
GDP deflator	16.1	27.4	14.3	4.3	4.0	3.8	3.2	3.0	3.0	3.0

Sources: Gambian authorities; IMF staff estimates and projections.

Table 3: The Gambia: Central Government Operations

	2002	2003	2004	2005	2006 Budget	2006 proj.	2007 proj.	2008 proj.	2009 proj.	2010 proj.	2011 proj.
					(Millions of dalasis)						
Revenue and grants	1528.7	1820.4	3,065.0	2,823.4	3,314.3	3,292.2	4,414.0	4,636.9	4,925.7	5,249.4	5,572.0
Revenue	1201.8	1574.2	2,517.8	2,603.3	3,125.0	3,081.2	3,322.6	3,588.2	3,868.2	4,170.7	4,499.0
Direct tax	318.0	441.0	606.3	682.5	737.8	741.2	815.4	892.9	975.3	1,065.3	1,163.7
Domestic tax on goods and services	124.9	205.7	291.4	374.5	495.3	469.1	510.5	552.9	597.5	645.7	697.7
Tax on international trade	597.3	734.0	1,347.0	1,206.2	1,488.9	1,433.4	1,552.4	1,672.0	1,800.4	1,938.4	2,087.5
Nontax revenue	161.5	193.5	273.1	340.1	403.0	437.4	444.3	470.4	495.0	521.3	550.1
Grants	326.9	246.2	547.2	220.1	189.3	211.0	1,091.4	1,048.7	1,057.6	1,078.7	1,073.0
Of which: HIPC debt relief	122.1	114.2	151.4	17.1	0.0	0.0	177.3	222.7	227.4	244.6	234.6
Expenditure and net lending	1853.8	2,292.7	3,750.4	3,961.1	3,780.5	3,974.3	4,451.7	4,613.2	4,890.3	5,278.0	5,704.6
Current expenditure	1318.2	1707.0	2,035.8	2,420.4	2,544.1	2,538.9	2,520.7	2,665.7	2,872.0	3,197.5	3,516.1
Wages and salaries	395.2	452.6	517.5	554.0	701.0	701.0	788.6	880.0	1,001.7	1,113.4	1,229.1
Other charges	512.5	594.5	583.8	735.6	887.2	887.2	782.2	918.0	1,072.8	1,285.3	1,490.0
Interest	370.5	607.6	867.9	1,130.9	955.9	950.7	874.5	778.6	706.5	701.0	703.1
HIPC expenditure	39.9	52.3	66.6	0.0	0.0	0.0	75.4	89.1	91.0	97.8	93.8
Capital expenditure and net lending	535.6	585.7	1,710.1	1,419.2	1,196.0	1,217.5	1,839.0	1,857.6	1,910.9	1,954.4	2,032.2
Capital expenditure	568.4	608.3	1,733.5	1,449.6	1,214.2	1,235.7	1,857.0	1,874.6	1,910.9	1,954.4	2,032.2
External	478.3	472.7	1,517.0	1,341.3	1,091.5	1,113.0	1,516.5	1,470.4	1,477.8	1,484.9	1,492.5
GLF (Gambia Local Fund)	57.7	57.2	88.8	106.3	122.7	122.7	227.5	270.6	296.7	322.7	398.9
HIPC-funded	32.4	78.4	127.7	2.0	0.0	0.0	113.0	133.6	136.4	146.7	140.8
Net lending	-32.8	-22.6	-23.4	-30.5	-18.2	-18.2	-18.0	-17.0	0.0	0.0	0.0
Additional expenditure	0.0	0.0	0.0	0.0	0.0	195.9	12.0	0.0	0.0	0.0	0.0
Contingency	0.0		0.0	0.0	40.5	22.0	80.0	90.0	107.3	126.1	156.4
Extrabudgetary expenditure	0.0	0.0	4.5	121.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-325.1	-472.3	-685.5	-1,137.6	-466.2	-682.1	-37.7	23.7	35.5	-28.5	-132.6
Statistical discrepancy	0.9	-123.6	-62.6	-72.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted overall balance	-324.2	-595.9	-748.0	-1,209.8	-466.2	-682.1	-37.7	23.7	35.5	-28.5	-132.6
Financing	324.2	595.9	748.0	1,209.8	466.2	682.1	37.7	-23.7	-35.5	28.5	132.6
External	140.9	59.7	690.3	727.7	371.5	372.6	130.9	112.0	102.3	85.8	96.1
Borrowing	725.8	340.7	1,121.3	1,138.3	902.2	902.0	613.5	644.4	647.6	650.8	654.1
Amortization	-591.9	-293.6	-431.0	-410.6	-576.7	-575.4	-645.7	-691.1	-700.3	-697.9	-669.2
HIPC debt relief	7.0	12.6	0.0	0.0	0.0	0.0	163.1	158.7	155.0	132.9	111.2
Exceptional financing			0.0	0.0	46.0	46.0	0.0	0.0	0.0	0.0	0.0
Domestic	183.3	536.3	57.7	482.1	95.8	309.5	-93.2	-135.7	-137.8	-57.2	36.5
Net borrowing	219.9	496.3	57.7	433.1	200.0	362.8	196.9	130.5	-49.8	30.8	104.5
Capital revenue			--	0.0	40.0	168.6	0.0	0.0	0.0	0.0	0.0
Change in arrears (- decrease)	-36.7		--	-5.0	-144.2	-144.2	-202.1	-178.2	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	54.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank capitalization						-77.6	-88.0	-88.0	-88.0	-88.0	-68.0
Memoramdum items:											
Basic balance	-173.7	-245.8	284.4	-16.4	436.0	219.9	387.4	445.4	455.7	377.7	286.9
Primary balance		135.3	182.4	-6.8	489.6	268.6	836.8	802.2	742.0	672.5	570.5
Basic primary balance (in dalasis)		361.8	1,152.3	1,114.4	1,391.8	1,170.6	1,261.9	1,223.9	1,162.2	1,078.7	990.0
Domestic stock of debt	2694.2	2763.5	3,957.2	4,675.1	4,875.1	4,709.3	4,906.1	5,036.6	4,986.8	5,017.6	5,122.1
Post-MDRI											
Total MDRI relief (including IMF) in millions USD							3.8	12.6	12.3	12.1	9.6
in Dalasi							110.2	364.5	358.7	354.3	281.4
Total expenditures							4,451.7	4,839.8	5,176.5	5,625.0	5,985.2
Overall balance							72.6	161.6	108.0	-21.3	-131.9
Stock of debt							4,795.9	4,898.6	4,914.4	5,010.4	5,121.4

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Domestic revenue - expenditure and net lending, excluding capital spending financed by external loans

[2]Domestic revenue -expenditure and net lending, excluding interest payments and externally financed capital spending [It includes HIPC-funded expenditures on capital.]

Table 3: The Gambia: Central Government Operations (continued)

	2002	2003	2004	2005	2006 Budget	2006 proj.	2007 proj.	2008 proj.	2009 proj.	2010 proj.	2011 proj.
	(Percent of GDP)										
Revenue and grants	20.8	18.2	25.5	21.4	23.1	23.0	28.3	27.4	26.9	26.5	26.0
Revenue	16.3	15.7	20.9	19.8	21.8	21.5	21.3	21.2	21.1	21.1	21.0
Direct tax	4.3	4.4	5.0	5.2	5.2	5.2	5.2	5.3	5.3	5.4	5.4
Domestic tax on goods and services	1.7	2.1	2.4	2.8	3.5	3.3	3.3	3.3	3.3	3.3	3.3
Tax on international trade	8.1	7.3	11.2	9.2	10.4	10.0	9.9	9.9	9.8	9.8	9.8
Nontax revenue	2.2	1.9	2.3	2.6	2.8	3.1	2.8	2.8	2.7	2.6	2.6
Grants	4.4	2.5	4.5	1.7	1.3	1.5	7.0	6.2	5.8	5.5	5.0
Of which: HIPC debt relief	1.7	1.1	1.3	0.1	0.0	0.0	1.1	1.3	1.2	1.2	1.1
Expenditure and net lending	25.2	22.9	31.2	30.1	26.4	27.7	28.5	27.3	26.7	26.7	26.6
Current expenditure	17.9	17.0	16.9	18.4	17.8	17.7	16.1	15.8	15.7	16.2	16.4
Wages and salaries	5.4	4.5	4.3	4.2	4.9	4.9	5.1	5.2	5.5	5.6	5.7
Other charges	7.0	5.9	4.9	5.6	6.2	6.2	5.0	5.4	5.9	6.5	7.0
Interest	5.0	6.1	7.2	8.6	6.7	6.6	5.6	4.6	3.9	3.5	3.3
HIPC expenditure	0.5	0.5	0.6	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.4
Capital expenditure and net lending	7.3	5.8	14.2	10.8	8.3	8.5	11.8	11.0	10.4	9.9	9.5
Capital expenditure	7.7	6.1	14.4	11.0	8.5	8.6	11.9	11.1	10.4	9.9	9.5
External	6.5	4.7	12.6	10.2	7.6	7.8	9.7	8.7	8.1	7.5	7.0
GLF (Gambia Local Fund)	0.8	0.6	0.7	0.8	0.9	0.9	1.5	1.6	1.6	1.6	1.9
HIPC-funded	0.4	0.8	1.1	0.0	0.0	0.0	0.7	0.8	0.7	0.7	0.7
Net lending	-0.4	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Additional expenditure	0.0	0.0	0.0	0.0	0.0	1.4	0.1	0.0	0.0	0.0	0.0
Contingency	0.0	0.0	0.0	0.0	0.3	0.2	0.5	0.5	0.6	0.6	0.7
Extrabudgetary expenditure	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-4.4	-4.7	-5.7	-8.6	-3.3	-4.8	-0.2	0.1	0.2	-0.1	-0.6
Statistical discrepancy	0.0	-1.2	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted overall balance	-4.4	-5.9	-6.2	-9.2	-3.3	-4.8	-0.2	0.1	0.2	-0.1	-0.6
Financing	4.4	5.9	6.2	9.2	3.3	4.8	0.2	-0.1	-0.2	0.1	0.6
External	1.9	0.6	5.7	5.5	2.6	2.6	0.8	0.7	0.6	0.4	0.4
Borrowing	9.9	3.4	9.3	8.6	6.3	6.3	3.9	3.8	3.5	3.3	3.1
Amortization	-8.0	-2.9	-3.6	-3.1	-4.0	-4.0	-4.1	-4.1	-3.8	-3.5	-3.1
HIPC debt relief	0.1	0.1	0.0	0.0	0.0	0.0	1.0	0.9	0.8	0.7	0.5
Exceptional financing	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Domestic	2.5	5.3	0.5	3.7	0.7	2.2	-0.6	-0.8	-0.8	-0.3	0.2
Net borrowing	3.0	4.9	0.5	3.3	1.4	2.5	1.3	0.8	-0.3	0.2	0.5
Capital revenue	0.0	0.0	0.0	0.0	0.3	1.2	0.0	0.0	0.0	0.0	0.0
Change in arrears (- decrease)	-0.5	0.0	0.0	0.0	-1.0	-1.0	-1.3	-1.1	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank capitalization				0.0	0.0	-0.5	-0.6	-0.5	-0.5	-0.4	-0.3
Memoramdum items:											
Basic balance[1]	-2.4	-2.5	2.4	-0.1	3.0	1.5	2.5	2.6	2.5	1.9	1.3
Primary balance	0.6	1.3	1.5	-0.1	3.4	1.9	5.4	4.7	4.1	3.4	2.7
Basic primary balance (in dalasis)[2]	2.7	3.6	9.6	8.5	9.7	8.2	8.1	7.2	6.4	5.5	4.6
Domestic stock of debt	36.6	27.6	32.9	35.5	34.0	32.9	31.4	29.8	27.2	25.4	23.9
Post-MDRI											
Total MDRI relief (including IMF)							0.7	2.2	2.0	1.8	1.3
Total expenditures							28.5	28.6	28.3	28.4	28.0
Overall balance							0.5	1.0	0.6	-0.1	-0.6
Stock of debt							30.7	28.9	26.9	25.3	23.9

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Domestic revenue - expenditure and net lending, excluding capital spending financed by external loans

[2]Domestic revenue -expenditure and net lending, excluding interest payments and externally financed capital spending [It includes HIPC-funded expenditures on capital.]

Table 4. The Gambia: Monetary Survey, 2002-11

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
	(Millions of dalasis, unless otherwise indicated; end of period)									
Net foreign assets	958	1,861	3,184	3,201	3,566	3,883	4,289	4,684	5,089	5,407
Net domestic assets	2,244	2,732	2,247	2,944	3,376	3,752	4,111	4,560	5,083	5,785
Domestic credit	2,699	3,709	2,870	3,510	3,994	4,409	4,789	5,112	5,560	6,139
Claims on government (net)	1,095	1,494	1,009	1,348	1,710	1,940	2,120	2,082	2,097	2,155
Claims on government (net)[1]	612	1,012	434	774	1,423	1,672	1,871	1,852	1,886	1,963
Advances to the government in foreign currencies[2]	483	483	575	575	287	268	249	230	211	192
Claims on the private sector and public enterprises[3]	1,335	1,977	1,677	1,979	2,137	2,352	2,575	2,954	3,403	3,936
Claims on public enterprises	87	343	223	260	265	270	276	281	287	293
Claims on private sector	1,249	1,634	1,454	1,719	1,872	2,082	2,300	2,673	3,116	3,643
Claims on foreign exchange bureaus[4]	269	238	183	183	147	117	94	75	60	48
Other items (net)	-454	-977	-622	-566	-619	-657	-678	-552	-477	-354
Broad money	3,203	4,593	5,432	6,145	6,942	7,636	8,400	9,244	10,172	11,192
Currency outside banks	797	1,183	1,416	1,424	1,609	1,770	1,947	2,142	2,357	2,594
Deposits	2,405	3,410	4,016	4,721	5,333	5,866	6,453	7,102	7,814	8,598
Memorandum items:										
Nominal GDP (calendar year)	7,364	10,026	12,037	13,180	14,333	15,613	16,923	18,301	19,795	21,413
(percentage change)	12.3	36.1	20.1	9.5	8.7	8.9	8.4	8.1	8.2	8.2
Velocity (calendar-year GDP/average broad money)	2.7	2.6	2.4	2.3	2.2	2.1	2.1	2.1	2.0	2.0
Contribution to growth of broad money	(Percent of beginning-of-year broad money, unless otherwise indicated)									
Broad money	35.3	43.4	18.3	13.1	13.0	10.0	10.0	10.0	10.0	10.0
Net foreign assets	13.0	28.2	28.8	0.3	5.9	4.6	5.3	4.7	4.4	3.1
Net domestic assets	22.3	15.2	-10.5	12.8	7.0	5.4	4.7	5.3	5.7	6.9
Domestic credit	28.6	31.5	-18.3	11.8	7.9	6.0	5.0	3.8	4.9	5.7
Claims on government (net)	1.0	12.5	-10.6	6.3	5.9	3.3	2.4	-0.4	0.2	0.6
Claims on government (net)[1]	1.0	12.5	-12.6	6.3	10.6	3.6	2.6	-0.2	0.4	0.8
Advances to the government in foreign currencies[2]	0.0	0.0	2.0	0.0	-4.7	-0.3	-0.3	-0.2	-0.2	-0.2
Claims on the private sector and public enterprises[3]	23.7	20.0	-6.5	5.5	2.6	3.1	2.9	4.5	4.9	5.2
Claims on public enterprises	0.5	8.0	-2.6	0.7	0.1	0.1	0.1	0.1	0.1	0.1
Claims on private sector	23.2	12.0	-3.9	4.9	2.5	3.0	2.9	4.4	4.8	5.2
Claims on foreign exchange bureaus[4]	4.0	-1.0	-1.2	0.0	-0.6	-0.4	-0.3	-0.2	-0.2	-0.1
Other items (net)	-6.4	-16.3	7.7	1.0	-0.9	-0.6	-0.3	1.5	0.8	1.2
Memorandum items:										
Credit to the private sector and public enterprises										
Twelve-month change (percent)	72.3	48.0	-15.1	18.0	8.0	10.0	9.5	14.7	15.3	15.7
Percent of GDP	18.1	19.7	13.9	15.0	14.9	15.1	15.2	16.1	17.2	18.4
Selected ratios (in percent)										
Currency outside banks/broad money	24.9	25.8	26.1	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Currency outside banks/deposits	33.2	34.7	35.3	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Deposits/broad money	75.1	74.2	73.9	76.8	76.8	76.8	76.8	76.8	76.8	76.8
Money multiplier (broad money/reserve money)	2.8	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7

Sources: Gambian authorities; IMF staff estimates and projections.

[1]Excluding advances to the government in foreign currencies.

[2]These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia (CBG), and the previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

[3]In March 2003, the government instructed the CBG to lend the equivalent of D137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.

[4]Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 5. The Gambia: Analytical Account of the Central Bank of The Gambia (CBG), 2002-11
(Millions of dalasis, unless otherwise indicated; end of period)

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
Net foreign assets	816.2	847.5	1,757.8	2,132.3	2,443.0	2,645.0	2,923.8	3,179.0	3,430.2	3,578.9
Foreign assets	1,563.7	1,928.7	2,492.5	2,718.2	2,947.1	3,037.1	3,174.0	3,315.2	3,481.1	3,604.4
Foreign liabilities	-747.4	-1,081.1	-734.7	-585.9	-504.0	-392.1	-250.3	-136.2	-50.9	-25.5
Net domestic assets	324.3	1,008.4	303.0	174.3	156.8	214.8	222.2	283.2	380.1	613.9
Domestic credit	381.1	1,229.8	195.9	-29.2	29.2	30.7	38.1	0.2	-33.9	-6.5
Claims on government (net)	184.9	840.5	-186.8	-413.8	-318.2	-287.3	-256.5	-275.6	-294.7	-255.3
Claims on government (net)[1]	-297.6	358.0	-761.6	-988.6	-605.6	-555.6	-505.6	-505.6	-505.6	-447.1
Advances to the government in foreign currencies[2]	482.5	482.5	574.8	574.8	287.4	268.3	249.1	230.0	210.9	191.8
Claims on banks (net)[3]	-96.3	-10.3	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
Claims on other resident sectors	292.5	399.6	349.0	351.0	313.8	284.4	261.0	242.2	227.2	215.2
Claims on private sector	23.7	24.8	28.8	30.8	30.2	30.2	30.2	30.2	30.2	30.2
Claims on public enterprises	0.0	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9	136.9
Claims on foreign exchange bureaus[4]	268.8	237.9	183.3	183.3	146.6	117.3	93.8	75.1	60.1	48.0
Other items (net)	-56.8	-221.4	107.1	203.5	127.6	184.1	184.1	282.9	414.0	620.4
Reserve money	1,140.5	1,855.9	2,060.7	2,306.6	2,599.8	2,859.8	3,146.0	3,462.1	3,810.3	4,192.8
Currency in circulation outside banks	797.4	1,182.9	1,416.3	1,424.2	1,608.8	1,769.6	1,946.7	2,142.3	2,357.8	2,594.5
Bank reserves	343.2	673.0	644.5	882.4	991.1	1,090.2	1,199.3	1,319.8	1,452.5	1,598.3
Cash	52.0	68.0	69.3	113.4	198.2	218.0	239.9	264.0	290.5	319.7
Deposits at the central bank	291.2	605.0	575.2	769.0	792.9	872.1	959.4	1,055.8	1,162.0	1,278.6
Contribution to growth of reserve money	(Percent of beginning-of-period reserve money)									
Reserve money	34.1	62.7	11.0	11.9	12.7	10.0	10.0	10.0	10.1	10.0
Currency in circulation outside banks	23.1	33.8	12.6	0.4	8.0	6.2	6.2	6.2	6.2	6.2
Bank reserves	11.0	28.9	-1.5	11.5	4.7	3.8	3.8	3.8	3.8	3.8
Cash	-0.4	1.4	0.1	2.1	3.7	0.8	0.8	0.8	0.8	0.8
Deposits at the central bank	11.4	27.5	-1.6	9.4	1.0	3.0	3.1	3.1	3.1	3.1
Net foreign assets	13.9	2.7	49.0	18.2	13.5	7.8	9.7	8.1	7.3	3.9
Net domestic assets	20.2	60.0	-38.0	-6.2	-0.8	2.2	0.3	1.9	2.8	6.1
Domestic credit	28.5	74.4	-55.7	-10.9	2.5	0.1	0.3	-1.2	-1.0	0.7
Claims on government (net)	22.1	57.5	-55.4	-11.0	4.1	1.2	1.1	-0.6	-0.6	1.0
Claims on government (net)[1]	22.1	57.5	-60.3	-11.0	16.6	1.9	1.7	0.0	0.0	1.5
Advances to the government in foreign currencies[2]	0.0	0.0	5.0	0.0	-12.5	-0.7	-0.7	-0.6	-0.6	-0.5
Claims on banks (net)[3]	-4.8	7.5	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private and public enterprises	0.0	12.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public enterprises	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	0.0	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Claims on foreign exchange bureaus[4]	11.2	-2.7	-2.9	0.0	-1.6	-1.1	-0.8	-0.6	-0.4	-0.3
Other items (net)	-8.3	-14.4	17.7	4.7	-3.3	2.2	0.0	3.1	3.8	5.4
Memorandum items:										
Twelve-month change (percent)										
Reserve money	34.1	62.7	11.0	11.9	12.7	10.0	10.0	10.0	10.1	10.0
Net foreign asset	16.9	3.8	107.4	21.3	14.6	8.3	10.5	8.7	7.9	4.3
Net domestic asset	113.0	210.9	-70.0	-42.5	-10.0	37.0	3.4	27.4	34.2	61.5
Of which:										
Claims on government (net)	-6,044.3	354.6	-122.2	121.6	-23.1	-9.7	-10.7	7.5	6.9	-13.4
Claims on banks (net)	72.3	-89.3	-427.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on public and private enterprises	-1.3	581.6	2.5	1.2	-0.3	0.0	0.0	0.0	0.0	0.0
Claims on foreign exchange bureaus	54.7	-11.5	-23.0	0.0	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0
Other items (net)	-522.3	290.1	-148.4	90.0	-37.3	44.3	0.0	53.7	46.3	49.9

Sources: Gambian authorities.

[1] Excluding advances to the government in foreign currencies.

[2] These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the CBG, and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.

[3] Advances to commercial banks and commercial banks' holdings of central bank bills.

[4] Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 6. The Gambia: Summary Accounts of the Commercial Banks, 2002–11
(Millions of dalasis, unless otherwise indicated; end of period)

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
Net foreign assets	142.0	1,013.9	1,426.7	1,068.4	1,122.9	1,238.3	1,365.2	1,504.9	1,658.6	1,827.8
Foreign assets	568.1	1,055.6	1,507.2	1,105.9	1,161.1	1,277.3	1,405.0	1,545.5	1,700.0	1,870.0
Foreign liabilities	-426.1	-41.7	-80.5	-37.5	-38.2	-39.0	-39.8	-40.6	-41.4	-42.2
Net domestic assets	2,263.2	2,396.3	2,589.0	3,652.6	4,209.9	4,627.8	5,087.8	5,596.6	6,157.0	6,772.5
Domestic credit	2,221.2	2,468.9	2,707.3	3,573.3	3,998.7	4,412.4	4,784.7	5,145.0	5,629.1	6,182.1
Claims on government (net)	909.7	654.0	1,195.6	1,762.2	2,028.3	2,227.5	2,376.6	2,358.0	2,391.3	2,410.4
Claims	913.6	654.0	1,195.6	1,762.2	...	...	...	...	...	...
Deposits	-4.0	0.0	0.0	0.0	...	...	...	...	...	...
Claims on private sector	1,224.8	1,609.0	1,425.3	1,688.2	1,842.3	2,051.5	2,269.3	2,642.8	3,088.0	3,616.1
Claims on public enterprises	86.7	205.9	86.5	122.9	128.0	133.3	138.7	144.3	149.9	155.6
Reserves	343.2	673.0	644.5	882.4	991.1	1,090.2	1,199.3	1,319.8	1,452.5	1,598.3
Cash	52.0	68.0	69.3	113.4	198.2	218.0	239.9	264.0	290.5	319.7
Deposits at the central bank	291.2	605.0	575.2	769.0	792.9	872.1	959.4	1,055.8	1,162.0	1,278.6
Net claims on central bank	96.3	10.3	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6
Other items (net)	-397.5	-755.9	-729.2	-769.4	-746.2	-841.1	-862.5	-834.6	-891.0	-974.3
Total deposit liabilities	2,405.2	3,410.2	4,015.7	4,721.0	5,332.8	5,866.0	6,453.0	7,101.5	7,815.7	8,600.3
Of which: foreign currency deposits	273.4	895.2	675.4	701.8	…	…	…	…	…	…
Demand deposits	959.4	1,690.1	1,691.4	1,896.4	2,142.2	2,356.4	2,592.2	2,852.6	3,139.5	3,454.7
Savings deposits	1,084.2	1,374.6	1,786.0	1,955.6	2,209.0	2,429.9	2,673.1	2,941.7	3,237.5	3,562.5
Time deposits	361.6	345.4	538.3	869.0	981.6	1,079.8	1,187.8	1,307.2	1,438.6	1,583.1
Memorandum items:										
Credit to the private sector and public enterprises	1,311.5	1,814.9	1,511.7	1,811.1	1,970.3	2,184.9	2,408.1	2,787.0	3,237.9	3,771.7
Twelve-month change (percent)	74.7	38.4	-16.7	19.8	8.8	10.9	10.2	15.7	16.2	16.5
Percent of GDP	17.8	18.1	12.6	13.7	13.7	14.0	14.2	15.2	16.4	17.6
Twelve-month change (percent)										
Net foreign assets	-397.2	614.2	40.7	-25.1	5.1	10.3	10.3	10.2	10.2	10.2
Net domestic assts	24.7	5.9	8.0	41.1	15.3	9.9	9.9	10.0	10.0	10.0
Claims on government (net)	-15.4	-28.1	82.8	47.4	15.1	9.8	6.7	-0.8	1.4	0.8
Credit to the private sector and public enterprises	74.7	38.4	-16.7	19.8	8.8	10.9	10.2	15.7	16.2	16.5
Of which: credit to private sector	81.5	31.4	-11.4	18.4	9.1	11.4	10.6	16.5	16.8	17.1
Reserves	37.4	96.1	-4.2	36.9	12.3	10.0	10.0	10.0	10.1	10.0
Net claims on CBG	72.3	-89.3	-427.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items net	25.4	90.1	-3.5	5.5	-3.0	12.7	2.5	-3.2	6.8	9.4
Deposit liabilities	36.2	41.8	17.8	17.6	13.0	10.0	10.0	10.0	10.1	10.0

Sources: Gambian authorities; IMF staff estimates and projections.

Table 7. The Gambia: Financial Soundness Indicators for the Banking Sector, 2000–05

(Percent at year's end, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005
Capital adequacy						
Regulatory capital to risk-weighted assets	22	21	18	17	20	54
Percentage of banks greater or equal to 10 percent	80	100	83	100	67	100
Percentage of banks below 10 and above 6 percent minimum	20	0	17	0	33	0
Percentage of banks below 6 percent minimum	0	0	0	0	0	0
Capital (net worth) to assets	16	11	12	13	12	12
Asset quality						
Foreign exchange loans to total loans	…	…	…	…	…	…
Past-due loans to gross loans	12	10	7	15	11	12
Nonperforming loans (in millions of dalasi)	85	85	89	271	182	238
Watch-listed loans	…	…	…	…	…	…
Provision (percent of past-due loans)	85	86	82	42	80	74
Earnings and profitability						
Net profit (before tax)/net income	152	148	148	126	154	153
Return on assets[1]	10	6	11	20	9	6
Return on equity[2]	80	46	72	142	76	48
Expense/income	…	…	…	…	…	…
Interest rate spread (deposit money banks)						
Lending rate minus demand deposit rates[3]	14.0	14.0	13.5	22.3	22.3	23.4
Saving deposit rates	8-10	8-10	8-10	8-17	10-17	5-10
Liquidity						
Liquid assets/total assets	…	…	28	36	40	57
Liquid assets/short-term liabilities	…	…	…	…	…	…
Loan/deposits	46	37	50	43	34	42
Liquid assets/total deposits	…	…	41	47	53	79
Foreign exchange liabilities/total liabilities	…	…	…	…	…	…
Excess reserves/broad money[4]	2.13	1.78	3.17	0.52	2.24	3.27
Sensitivity to market risk						
Net foreign exchange assets (liabilities) to shareholders' funds	…	…	75	43	85	94

Sources: Gambian authorities; IMF staff estimates.

[1]Net income before extraordinary items and taxes divided by the average value of total assets (average of current and preceding end-year values).
[2]Net income before extraordinary items and taxes divided by the average value of total capital and reserves (average of current and preceding end-year values).
[3]Based on mid-rate for the range of lending rates.
[4]Based on excess reserves for the end of the last week of each month as provided by the banks, and broad money as of month's end.

Table 8. The Gambia: Balance of Payments, 2002–11
(Millions of U.S. dollars, unless otherwise indicated)

	2002	2003	2004	2005	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.
Trade balance	-62.4	-60.0	-108.4	-135.2	-137.3	-140.9	-148.0	-149.9	-151.8	-144.9
Exports, f.o.b.	109.3	101.0	127.0	144.5	169.2	178.7	188.7	195.0	203.4	213.3
Groundnuts/groundnut products	24.0	9.1	16.9	1.9	13.0	15.8	17.1	18.5	20.6	22.6
Other domestic exports	7.1	8.4	9.0	9.9	10.7	11.2	11.8	12.8	14.2	15.8
Reexports	78.2	83.5	101.2	132.7	145.5	151.7	159.8	163.7	168.6	174.9
Imports, c.i.f.	-171.6	-161.0	-235.4	-279.7	-306.5	-319.6	-336.7	-344.8	-355.3	-358.2
For domestic use	-114.0	-100.2	-165.7	-181.8	-199.2	-207.7	-218.8	-224.1	-230.9	-229.2
Of which: projects-related imports	-52.9	-20.2	-34.0	-25.4	-31.2	-36.0	-35.1	-34.3	-34.5	-34.7
Of which: oil products	-16.7	-16.0	-33.8	-45.3	-56.2	-60.7	-61.4	-62.3	-63.5	-64.6
For reexport	-57.7	-60.7	-69.7	-97.9	-107.3	-111.8	-117.8	-120.7	-124.3	-128.9
Factor services (net)	-22.4	-19.1	-19.9	-15.6	-11.3	-20.8	-28.9	-38.0	-47.5	-48.4
Net income	-33.6	-31.3	-38.9	-36.5	-36.1	-47.3	-57.3	-68.4	-79.9	-82.9
Net remittances	11.2	12.2	19.0	20.9	24.8	26.5	28.4	30.4	32.4	34.6
Nonfactor services	31.6	27.4	37.7	40.3	44.1	48.5	53.2	57.6	60.8	64.9
Of which: travel income	47.7	51.1	57.5	62.2	68.4	75.4	82.7	90.6	97.5	106.2
Private unrequited transfers (net)	3.6	3.7	3.9	14.6	15.4	15.8	15.8	15.9	15.9	16.1
Official unrequited transfers (net)	39.2	30.0	39.6	29.1	28.8	59.0	57.6	57.8	58.3	57.9
Of which: HIPC grants						6.2	7.7	7.8	8.4	8.0
Current account balance										
Excluding official transfers	-49.6	-48.0	-86.7	-95.9	-89.1	-97.4	-107.8	-114.4	-122.7	-112.3
Including official transfers	-10.4	-18.0	-47.1	-66.8	-60.3	-38.4	-50.2	-56.6	-64.4	-54.3
Capital account	9.9	6.7	68.0	82.5	66.6	44.5	59.2	64.8	72.3	58.0
Official loans (net)	18.9	16.1	24.9	25.2	20.2	1.4	1.6	0.0	0.7	2.1
Project-related	47.4	26.5	39.2	39.8	40.5	23.9	25.5	24.2	24.5	24.9
Program loans	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-29.7	-10.3	-14.4	-14.6	-20.3	-22.5	-23.9	-24.1	-23.9	-22.8
Private capital inflow	-9.0	-9.4	43.2	57.3	46.4	43.1	57.6	64.7	71.6	56.0
Foreign direct investment (net)	12.9	12.7	49.7	46.4	47.7	50.3	53.8	59.6	65.7	69.0
Other investment (net)	-22.0	-22.1	-6.5	10.9	-1.3	-7.2	3.9	5.1	5.9	-13.0
Of which: supplier's credits	-12.3	4.3	6.3	6.6	7.0	8.5	9.0	9.2	9.5	9.6
Errors and omissions[1]	0.4	6.3	12.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.1	-4.9	32.9	15.0	6.2	6.1	9.0	8.2	7.9	3.7
Financing	0.1	4.9	-32.9	-15.0	-6.2	-6.1	-9.0	-8.2	-7.9	-3.7
Change in gross official reserves (increase = –)	-4.2	4.9	-21.7	-12.9	-6.2	-2.1	-4.2	-4.3	-5.1	-3.7
Use of IMF resources										
Repayments	0.0	0.0	-11.2	-2.0	-4.0	-4.0	-4.8	-3.8	-2.8	0.0
Use of Fund credit and loans inc. MDRI	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing[2]	0.6	0.0	0.0	0.0	0.0	5.7	5.5	5.3	4.6	3.8
Memorandum items:										
MDRI stock relief IDA, IMF, AfDB (estimate)	…	…	…	…	…	381	0.0	0.0	0.0	0.0
MDRI flow relief IDA, IMF, and AfDB (estimate)	…	…	…	…	…	3.8	12.6	12.3	12.1	9.6
Current account balance (percent of GDP)										
Excluding official transfers	-13.4	-13.6	-21.6	-20.8	-17.6	-17.9	-18.4	-18.2	-18.1	-15.4
Including official transfers	-2.8	-5.1	-11.8	-14.5	-11.9	-7.1	-8.6	-9.0	-9.5	-7.4
Gross official reserves (end of period)										
Millions of U.S. dollars	67.2	62.3	84.0	97.0	103.2	105.3	109.5	113.8	118.9	122.5
Months of imports, c.i.f.	4.7	4.6	4.3	4.2	4.0	4.0	3.9	4.0	4.0	4.1
External debt-service ratio[3]										
Including the Fund	15.6	7.7	14.5	11.0	12.4	8.0	7.9	7.2	6.6	5.4
Excluding the Fund	15.4	7.6	8.9	10.1	10.8	6.5	6.2	5.9	5.6	5.3

Sources: Gambian authorities; IMF staff estimates and projections.

[1] Include $0.5 million of unaccounted-for loss in official reserves for 2002.

[2] Includes debt relief from Paris Club in 2002; and assumed HIPC relief from 2007 .

[3] As a percentage of exports of goods and nonfactor services, after interim debt relief and HIPC Initiative grants. Excludes any accumulation of external arrears.

Table 9. The Gambia: Structural Benchmarks Under the SMP

Measures	Expected Date of Implementation	Status
Strengthening internal controls and operational independence of the Central Bank of The Gambia (CBG)		
Provide quarterly audit reports on selected accounts of the CBG to Fund staff as follows:		
(1) 2005 Q4 report	(1) End-February 2006	(1) Met (with delay)
(2) 2006 Q1 report	(2) End-May 2006	(2) Met (with delay)
Provide to Fund staff a copy of audited financial statements for 2004, including auditors' report and management letter.	End-January 2006	Met (with delay)
Strengthen controls in foreign reserves management at the CBG, including separation of duties between front and back office functions (in line with Appendix B, Section 3.3 of the Action Plan).	End-March 2006	Met
Formalize and implement regulations and procedures to strengthen the accounting function, including specific measures to ensure that (1) all transactions are reviewed and approved, (2) transactions are recorded accurately and on a timely basis, (3) supporting documentation exists and is adequately safeguarded, and (4) reconciliation of foreign balances and of government accounts are performed regularly.[1]	End-December 2005	Met
Strengthening public financial management		
Review all below-the-line accounts and develop guidelines for the opening and closing of such accounts.	End-December 2005	Met
Provide Fund staff with a one-month lag, copies of the following monthly reports:		
(1) flash reports on government expenditure (from the Treasury Main Accounts) and revenue (from revenue departments)	(1) Starting with provision of October 2005 reports by end-November 2005	(1) Met regularly from January 2006
(2) poverty-reducing expenditures in the GLF budget.	(2) Starting with provision of January 2006 reports by end-February 2006	(2) Met
Reduce backlog of unaudited public accounts:		
(1) Submit to the Auditor-General the restated accounts for 2000.	End-December 2005	Met
(2) Submit to the Auditor-General the accounts for 2001.	End-March 2006	Met

[1] Evidence will include updated operations manuals.

Table 10. The Gambia: Quantitative Targets and Projections, End-December 2004–End-March 2006

	2004	2005								2006		Comments on Targets	
	End-Dec.	End–Mar.		End-Jun.		End-Sep.		End-Dec.		End-Mar.[1]			Cumulative
	Act.	Act.	Rev.	Act.	Rev.	Proj.	Act.	Target	Act.	Target	Act.	End-Dec. 2005	End-Mar. 2006
	(Stock)	(Change from End-December 2004)											
		(Millions of dalasis)											
Net domestic borrowing by the central government (ceiling)[2]		…		…		…		359.7	420.3	450.7	220.2	Not met	Met
Net domestic assets of the central bank (ceiling)	303.0	59.1		-78.8		9.2	-76.4	-44.3	-194.3	-74.1	-168.6	Met	Met
Basic balance (floor)[3]		-178.6	-193.5	-108.4	-133.7	-73.3	-107.0	45.0	-16.4	88.6	205.0	Not met	Met
External payments arrears of the central government (ceiling)[4]	0.0	0.0		0.0		0.0		0.0	0.0	0.0		Met	
		(Millions of U.S. dollars)											
Net usable international reserves (floor)	55.4	5.5		8.5		11.3	10.6	13.3	15.7	15.8	20.9	Met	Met
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling)[5]	5.9	0.0		0.0		0.0		0.0	0.0	0.0		Met	
Outstanding stock of external public debt with a maturity of less than one year (ceiling)[6]	0.0	0.0		0.0		0.0		0.0	0.0	0.0		Met	

[1]Cumulative from December 2004.
[2]As defined in the technical memorandum of understanding in IMF Country Report No. 06/38 (February 2006).
[3]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
[4]To be applied on a continuous basis.
[5]External debt contracted or guaranteed other than that with a grant element equivalent to 35 percent or more, calculated using a discount rate based on the Organization for Economic Corporation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.
[6]Excluding normal import-related credits.

Table 11. The Gambia: HIPC Initiative Completion Point Triggers

Measures	Status
1. **Poverty reduction** (i) A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the Joint Staff Assessment of the country's annual progress report.	Met
(ii) Improvement of the poverty data base and monitoring capacity, as evidenced by progress in restructuring the Central Statistics Department or developing its capacity.	In progress
2. **Macroeconomic stability** Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.	Not met. Requires completion of one review under a new PRGF after at least six months of implementation.
3. **Governance** Progress in strengthening public expenditure management as evidenced by (i)the issuance of annual public reports on budget execution; and (ii) semiannual reports on the use of interim HIPC Initiative debt relief, the latter to be reviewed by the Task Force and High-Level Economic Committee (HILEC).	(i) Not met (ii) In progress
4. **Social sector reforms** (i) Budgetary savings from HIPC interim debt service will be used in accordance with the annual budgets approved by the Task Force and the HILEC.	Not met
(ii) Measures and targets regarding progress in implementing education and health reform programs include:	
(a) Increase by at least 45 percent (from 192 graduates in the base academic year 2000/01) the number of teachers for lower basic education graduating from The Gambia College; this measure will help The Gambia raise the quality of teaching in the most important grades.	Met
(b) Ensure appropriate funding of a trust fund for girls' scholarships in the poorest regions and make progress in raising such rates by expanding this scholarship scheme to no less than 2,000 girls annually in at least 3 regions.	Met
(c) Increase by at least 5 percent each year (from 44 percent in the base year of 1998) the number of births attended by a person trained in antenatal care. This should reduce the relatively high maternal death rate; monitoring mechanisms for this indicator have also been defined in the Participatory Health, Population, and Nutrition Project (PHPNP).	Met
(d) Increase the share of primary and secondary health care within the recurrent budget for health. The recurrent budget for primary and secondary health care is understood to comprise health centers; dispensaries and subdispensaries; health promotion and protection; family health; disease control; and nurses' training. These are covered by budget lines 06 to 11 under heading 21 of the budget; they do not include expenditures incurred directly or indirectly on (i) foreign personnel; and (ii) all the referral hospitals. The base year for measurement is 1999.	In progress
5. **Structural reforms** Measures to promote private sector development:	
(i) Establish a functional multisector regulatory agency.	Met
(ii) Bring to the point of sale The Gambia's two major public groundnut processing plants.	In progress

Table 12. The Gambia: Millennium Development Goals, 1990–2004[1]

	1990	1994	1997	2000	2003	2004
Goal 1: Eradicate extreme poverty and hunger						
Income share held by lowest 20 percent	...	...	...	...	...	...
Malnutrition prevalence, weight for age (percentage of children under 5)	...	...	*26.0*	17.0	...	...
Poverty gap at $1 a day (PPP) (percent)	...	...	...	...	...	...
Poverty headcount ratio at $1 a day (PPP) (percentage of population)	...	...	...	...	...	...
Poverty headcount ratio at national poverty line (percentage of population)	...	...	...	...	...	...
Prevalence of undernourishment (percentage of population)	...	...	31.0	...	27.0	*27.0*
Goal 2: Achieve universal primary education						
Literacy rate, youth total (percentage of people ages 15–24)	42.0	...	...	...	...	...
Persistence to grade 5, total (percentage of cohort)	...	...	...	...	...	...
Primary completion rate, total (percentage of relevant age group)	*43.1*	40.9	*50.8*	*53.7*	...	...
School enrollment, primary (percentage, net)	...	...	...	67.0	...	...
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (percent)	8.0	...	...	2.0	13.0	13.0
Ratio of girls to boys in primary and secondary education (percent)	...	...	...	80.1	...	...
Ratio of young literate females to males (percentage ages 15–24)	67.6	...	...	...	...	...
Share of women employed in the nonagricultural sector (percent of total nonagricultural employment)	21.0	...	...	...	...	...
Goal 4: Reduce child mortality						
Immunization, measles (percentage of children ages 12–23 months)	86.0	89.0	92.0	85.0	90.0	90.0
Mortality rate, infant (per 1,000 live births)	103.0	...	...	92.0	...	89.0
Mortality rate, under-5 (per 1,000)	154.0	...	...	128.0	...	122.0
Goal 5: Improve maternal health						
Births attended by skilled health staff (percent of total)	44.1	...	...	54.6	...	...
Maternal mortality ratio (modeled estimate, per 100,000 live births)	...	...	...	540.0	...	...
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children orphaned by HIV/AIDS	...	...	...	...	2,000	*2,000*
Contraceptive prevalence (percentage of women ages 15–49)	...	...	...	...	...	...
Incidence of tuberculosis (per 100,000 people)	193.4	...	...	...	...	233.3
Prevalence of HIV, female (percentage ages 15–24)	...	...	...	...	...	...
Prevalence of HIV, total (percentage of population ages 15–49)	...	...	...	...	1.0	*1.0*
Tuberculosis cases detected under DOTS (percent)	...	...	72.4	...	70.4	65.7
Goal 7: Ensure environmental sustainability						
CO2 emissions (metric tons per capita)	0.2	0.2	0.2	0.2	*0.2*	...
Forest area (percentage of land area)	44.0	...	...	46.0	...	...
GDP per unit of energy use (constant 2000 PPP U.S. dollars per kilogram of oil equivalent)	...	...	...	...	...	...
Improved sanitation facilities (percentage of population with access)	...	...	...	...	*53.0*	...
Improved water source (percentage of population with access)	...	...	...	...	*82.0*	...
Nationally protected areas (percentage of total land area)	...	...	...	...	2.3	2.3
Goal 8: Develop a global partnership for development						
Aid per capita (current U.S. dollars)	105.9	64.7	32.5	37.3	43.7	42.5
Debt service (PPG and IMF only, percentage of exports, excluding workers' remittances)	22.0	13.0	11.0	19.0	12.0	23.0
Fixed line and mobile phone subscribers (per 1,000 people)	6.6	17.7	24.8	29.6	*99.0*	...
Internet users (per 1,000 people)	0.0	...	0.5	9.1	24.3	33.2
Personal computers (per 1,000 people)	...	0.3	2.5	11.4	14.6	15.6
Total debt service (percentage of exports of goods, services, and income)	22.0	14.0	11.0	...	...	...
Unemployment, youth female (percentage of female labor force ages 15–24)	...	...	...	...	...	...
Unemployment, youth male (percentage of male labor force ages 15–24)	...	...	...	...	...	...
Unemployment, youth total (percentage of total labor force ages 15–24)	...	...	...	...	...	...
Other						
Fertility rate, total (births per woman)	5.8	...	5.2	4.9	4.6	4.5
GNI per capita, Atlas method (current U.S. dollars)	310	340	340	320	270	280
GNI, Atlas method (billions of current U.S. dollars)	0.3	0.4	0.4	0.4	0.4	0.4
Gross capital formation (percent of GDP)	22.3	18.1	17.2	17.4	19.2	23.9
Life expectancy at birth, total (years)	50.0	...	53.6	54.7	55.9	56.3
Literacy rate, adult total (percentage of people ages 15 and above)	25.6	...	...	...	...	...
Population, total (millions)	0.9	1.1	1.2	1.3	1.4	1.5
Trade (percent of GDP)	131.5	102.7	94.8	104.8	96.2	94.5

Source: World Development Indicators database, August 2006.

[1]Figures in italics refer to periods other than those specified.

APPENDIX I
THE GAMBIA: JOINT FUND-WORLD BANK DEBT SUSTAINABILITY ANALYSIS

1. **This debt sustainability analysis (DSA), prepared jointly by the staffs of the International Monetary Fund and the World Bank, uses the standard Debt Sustainability Framework (DSF) for low-income countries.**[1] The external and domestic debt data underlying this DSA are from the authorities. A full reconciliation of external debt will be conducted before The Gambia reaches the Heavily Indebted Poor Country (HIPC) completion point, expected to occur in 2007, an assumption that is factored into the DSA baseline scenario. The analysis also assesses the impact of the Multilateral Debt Relief Initiative (MDRI), which would likely be delivered within three months of the completion point.

2. **Without the full delivery of both HIPC and MDRI debt relief, The Gambia is deemed to be in debt distress.** The baseline framework, which assumes delivery of HIPC completion point relief, indicates a significant and sustained breach of the relevant policy-dependent thresholds.[2] Only with the assumed delivery of MDRI relief do the debt indicators fall below the relevant thresholds. However, these thresholds are again breached under stress testing, indicating that the risk of debt distress remains moderate even after the delivery of MDRI relief.

External Debt Indicators

	Indicative Threshold 1/	2005
NPV of debt in percent of		
GDP	30	83.7
Exports	100	312.3
Debt service ratio	15	21.1

1/Policy indicative thresholds for a poor policy performer in the joint IMF-World Bank low-income country DSA

I. EVOLUTION OF THE GAMBIA'S PUBLIC DEBT SINCE THE HIPC DECISION POINT

3. **The Gambia reached the Decision Point under the Enhanced HIPC Initiative in December 2000.** Based on external debt data at the end of 1999, the Boards of the International Development Association (IDA) and the IMF approved debt relief worth US$66.6 million in NPV terms assuming the participation of all creditors. Interim relief in

[1] The last DSA was prepared solely by Fund staff in the context of the 2005 Article IV consultation.

[2] According to the latest World Bank's Country Policy and Institutional Assessment, which summarizes the quality of a country's policies, The Gambia is a "poor performer." The relevant indicative thresholds for the category are 30 percent for the net present value (NPV) of the debt-to-GDP ratio, 100 percent for the NPV of debt-to-exports ratio, 200 percent for the NPV of debt-to-revenues ratio, 15 percent for the debt service–to-exports ratio, and 25 percent for the debt service–to-revenues ratio. These ratios are applicable to public and publicly guaranteed external debt.

the form of debt service reductions was provided by IDA,[3] the IMF,[4] and the African Development Bank (AfDB). Reaching the HIPC completion point, originally expected at around the end of 2002, was delayed by serious policy slippages, which derailed the program supported by the IMF's Poverty Reduction and Growth Facility (PRGF).

4. **At the end of 2005, the latest date for which comprehensive data are available, the stock of external public debt stood at US$628 million (136 percent of GDP), with an NPV of US$385.7 million.** Four-fifths of this debt was owed to multilateral creditors, and the remainder to bilateral creditors. The total external debt stock has increased 36 percent since the end of 1999, the base year of the HIPC decision point, through 2005. Most of this increase can be attributed to new disbursements, estimated at about US$217 million, from the World Bank, AfDB, the Islamic Development Bank, and other multilateral donors.

The Gambia: Debt Outstanding at End-2005

Creditor	US$ Million	Percent
Multilateral, of which:	**525.2**	**83.6**
IDA	254.9	40.5
AfDB	168.4	26.8
IMF	14.6	2.3
Bilateral	**103.1**	**16.4**
Commercial	**0**	**0**
Total	**628.2**	**100.0**

Sources: Gambian authorities and IMF staff estimates.

5. **The stock of gross domestic debt stood at 35.5 percent of GDP at the end of 2005, up 8.5 percentage points from its level at the end of 1999.** Large extrabudgetary spending was responsible for raising domestic debt from 31.5 percent of GDP in 2000 to just over 38 percent in 2001. After declining to 27.5 percent of GDP in 2003, owing to an inflation-driven spike in nominal GDP, the stock of domestic debt grew more than 7 percentage points

[3] IDA interim relief in the amount US$31.8 million was delivered through a 50 percent reduction on debt service obligations until the one-third prescribed limit was reached. The IDA guidelines on interim relief stipulate that "cumulative interim relief in net present value terms should not exceed one-third of the total NPV debt relief committed by IDA" (*Enhanced HIPC Initiative: Provision of Interim HIPC Debt Relief on IBRD Loans and IDA Credits*, August 25, 2004).

[4] The Fund's interim assistance amounted to SDR 0.8 million, covering 9.6 percent of each repayment obligation falling due until 31 December 2001 (IMF Country Report No. 04/42, February 2004).

between 2003 and 2005, largely on account of the central bank's sale of government debt to sterilize the impact of capital inflows.

II. Methodology and Key Assumptions

6. **The baseline DSA assumes that The Gambia will reach the HIPC completion point in mid-2007.** The DSA incorporates a simulation of debt relief consistent with the formulations agreed to in the HIPC decision point document. The impact of the delivery of stock debt relief under the MDRI is also estimated[5]. These estimates are provided for illustrative purposes only and are subject to changes to the assumed completion point timing and/or exchange rate assumptions and revisions pending full reconciliation of the debt data.

7. **The key macroeconomic assumptions in the DSA are presented in Box 1.** For the reasons given in the decision point document for The Gambia,[6] reexports are excluded from the export and import projections. The service-related costs of the reexport trade (i.e., transportation and insurance rendered by enterprises in The Gambia) as well as traders' estimated profit margins are included in nonfactor services receipts.[7]

Key Macroeconomic Assumptions
(Percent, unless otherwise stated)

Period averages	2001–05	2006–10	2011–26
Real GDP growth	4.3	4.9	5.0
Inflation	9.5	3.2	3.0
Growth in exports of goods and services	3.5	9.3	8.2
Current account deficit (in percent of GDP)[1]	6.2	9.2	4.5
Overall fiscal balance (in percent of GDP)[1]	-6.5	-1.0	-1.5

[1] Including official transfers and grants.

III. External Debt Sustainability

8. **The Gambia's NPV of debt-to-exports ratio, estimated at 312 percent in 2005, is well above the relevant policy-based indicative threshold of 100 percent.** Under the baseline projections (Tables 1 and 2 and Figure 1), which assumes that HIPC completion point relief is secured in mid-2007, this ratio declines steadily to 184.7 percent by 2011, and

[5] The relevant cut-off dates are end-2003 for IDA and end-2004 for AfDB debt.

[6] See Box 5, page 21, "The Gambia: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Decision Point Document," November 28, 2000.

[7] The current account data used in the DSA differ from those presented in the 2006 Article IV staff report; trade data in the latter include reexports.

falls below the indicative threshold by 2021. The NPV of debt-to-GDP is estimated at 83.7 percent in 2005 and is expected to continue to breach the indicative threshold (30 percent) for most of the projection period. The debt service-to-export ratio, estimated at 21.2 percent in 2005, falls below the threshold (15 percent) in 2011. Thus The Gambia would remain in debt distress even after the delivery of HIPC debt relief at completion point.

9. **Only the delivery of MDRI relief from IDA and the AfDB would substantially improve The Gambia's debt sustainability outlook.** Under the MDRI scenario, which assumes delivery of MDRI relief within three months of the HIPC completion point, the NPV of the debt to exports ratio would plummet to 93 percent in 2007 (Table 3 and Figure 2), below the 100 percent threshold. The NPV of debt to GDP would also fall below the 30 percent threshold, reaching 27 percent in 2007. The application of stress tests, however, once again pushes the debt indicators above the thresholds, indicating that the risk of debt distress would remain moderate.

Box 1: Macroeconomic Assumptions 2006–26

The medium-term assumptions in the baseline scenario for 2006–26 are consistent with the framework presented in the IMF staff report on the 2006 Article IV consultation. Key macroeconomic assumptions include the maintenance of sustained real GDP growth and a stable macroeconomic environment.

- **Real GDP growth is projected to average 5 percent per year,** with business climate improvements and foreign direct investment (FDI) inflows further boosting agricultural-related production and tourism activity. Nonetheless, the economy remains vulnerable to weather shocks. Under the fiscal and monetary policy assumptions, annual inflation would stay at about 3 percent, and the real exchange rate would remain stable.

- **Exports of goods and services are projected to recover, growing by an average of close to 8 percent a year.** The projections are relatively optimistic compared to previous years, based on the assumption that the authorities will continue to implement market reforms in support of private sector development. In addition, the higher growth reflects a recovery following relatively poor performance in recent years, including a slump in tourism activity in 2001 and declines in groundnut exports both in 2003 (owing to a drought) and in 2005 (owing to marketing problems). While clearly subject to risk, including the effect of severe weather, the projections assume that the groundnut sector resolves its problems, prompting an initial export rebound in 2006, followed by modest production increases (3 percent per year). Growth in exports is supported by increased export diversification, including through agribusiness development, and a projected decline in the reexport trade as a share of total exports. After growing a robust 22 percent in 2005, growth in tourist arrivals moderates to an average of about 5–6 percent a year over the medium term, supported by further tourism investments and improved services.

- **After deteriorating in 2006, owing to higher oil prices and lower groundnut prices, the terms of trade are projected to improve steadily**. The current account deficit (including transfers) is assumed to remain relatively high in the first few years, reflecting strong FDI-financed imports, before declining to less than 5 percent of GDP. Reserves are projected to stay at 4.0–5.5 months of import cover.

- **External support is projected to rise moderately following the completion point,** as donors step in to support both the Poverty Reduction Strategy Paper (PRSP) and progress toward the Millennium Development Goals. Efforts to enhance the investment climate and boost external competitiveness are expected to yield sustained FDI inflows. While strong, current inflows mainly support tourism and agricultural projects.

- **Reflecting new measures implemented in the 2006 budget, revenues are expected to increase from roughly 20.0 percent of GDP in 2005 to 21.5 percent of GDP in 2006, though they decline slightly over the projection period.** Average interest rates on government debt are projected to decline steadily, from 16 percent in 2006 to about 10 percent in 2010 and 9.5 percent in 2026.

10. **Stress tests indicate that even with MDRI relief, The Gambia's debt sustainability is highly sensitive to (i) export growth assumptions, (ii) projections of nondebt-creating inflows,[8] and (iii) the terms of new borrowing.** Under these stress tests, the DSA results exceed the relevant indicative debt thresholds. Moreover, the baseline and MDRI scenarios hinge on the avoidance of the types of policy mistakes that weakened macroeconomic performances in recent years. Indeed, under a "historical scenario" that assumes similar policy missteps, the path of the debt indicators deteriorates markedly (Alternative scenario A1, Table 3).

IV. Public Debt Sustainability

11. **The outcome of the public debt analysis is driven principally by the external debt assumptions, as external debt accounts for the major share of total public debt.** Under the baseline scenario (Tables 4 and 5 and Figure 3), the primary balance is projected to increase from near-balance in 2005 to a surplus of 1.9 percent of GDP in 2006, reflecting enhanced revenues, and a surplus of 5.4 percent in 2007, reflecting a marked shift in the composition of external financing from loans to grants (assumes grants from AfDB and other donors, and HIPC relief from multilateral creditors at completion point). The primary balance surplus is then projected to shrink steadily to about 1 percent of GDP in 2014, and to stay near that level through 2026. The decline in the primary balance mainly stems from a steady increase in noninterest domestic spending, which partly offsets somewhat lower external financing inflows (and is partly offset by a decrease in interest payments). Accordingly, the overall position (including grants) is projected to be fairly stable from 2007 to 2026, ranging from near-balance to a deficit of 2 percent of GDP.

12. **The NPV of public debt is projected to decline from about 120 percent of GDP in 2005 to close to 77 percent of GDP in 2011 and to 46 percent of GDP in 2026, mostly reflecting the decline in external debt (Table 4).** As a ratio of domestic revenues, the NPV of public debt is projected to fall from about 564 percent in 2005 to just over 206 percent at the end of the projection period.

13. **Under the MDRI scenario (Table 6 and Figure 4), all additional relief after the first three years would be spent on poverty-reduction; in the first three years, a small fraction of the relief would be used to pay down domestic debt more quickly.** Thus, from 2010 on, the stock of domestic debt matches that in the baseline scenario, so that the difference between the stock of debt in the two scenarios stems solely from differences in

[8] Such inflows comprise official and private transfers and foreign direct investment.

external debt. Thus, the NPV of the public debt–to-GDP ratio drops sharply, to about 74 percent of GDP in 2007 and to 38 percent in 2026. In terms of public revenue, the NPV of public debt is projected to decline to 170 percent at the end of the projection period.

V. Conclusion

14. **As shown by the DSA results, without the delivery of HIPC and MDRI debt relief—supported by grant financing and a reduction in the level of domestic debt—The Gambia will remain in debt distress.** After the delivery of MDRI relief, a shift in the composition of external financing from concessional loans to grants, combined with lower domestic debt, is necessary to keep debt to sustainable levels and provide room for poverty-reducing development expenditures. Given the continuing risks, development of a comprehensive public debt management strategy that includes public enterprise and contingent liabilities should be a priority.

Table I.1. Country: External Debt Sustainability Framework, Baseline Scenario, 2006-26 [1]
(Percent of GDP, unless otherwise indicated)

	Actual						Historical Average [6]	Standard Deviation [6]	Projections									
	2000	2001	2002	2003	2004	2005			2006	2007	2008	2009	2010	2011	2006-11 Average	2016	2026	2012-26 Average
External debt (nominal) [1]	**107.9**	**109.7**	**130.1**	**144.9**	**144.9**	**136.3**			**127.9**	**112.3**	**104.6**	**97.6**	**90.9**	**84.9**		**59.7**	**31.4**	
Of which: public and publicly guaranteed (PPG)	107.9	109.7	130.1	144.9	144.9	136.3			127.9	112.3	104.6	97.6	90.9	84.9		59.7	31.4	
Change in external debt	3.3	1.7	20.5	14.8	-0.1	-8.6			-8.3	-15.6	-7.7	-7.0	-6.7	-6.1		-4.1	-2.0	
Identified net debt-creating flows	5.8	0.2	18.4	7.6	-17.9	-14.5			-3.0	-3.6	-7.2	-5.4	-5.0	-4.4		-4.6	-3.4	
Non interest current account deficit	**3.5**	**1.3**	**5.0**	**3.4**	**10.0**	**12.5**	**4.2**	**4.3**	**9.9**	**9.8**	**5.4**	**6.9**	**7.3**	**7.9**		**4.7**	**1.9**	3.7
Deficit in balance of goods and services	9.7	6.2	9.3	10.6	20.0	22.0			19.7	18.3	17.4	15.8	14.6	12.1		5.9	-2.1	
Exports	25.3	24.8	29.5	28.8	30.6	26.8			29.0	29.2	29.3	29.1	28.8	28.7		28.9	28.9	
Imports	35.0	31.0	38.8	39.3	50.7	48.7			48.7	47.5	46.7	44.9	43.4	40.7		34.8	26.8	
Net current transfers (negative = inflow)	-9.9	-8.3	-11.6	-9.6	-10.9	-9.5	-9.4	1.3	-8.7	-13.7	-12.6	-11.7	-10.9	-10.1		-7.5	-3.9	-6.5
Other current account flows (negative = net inflow)	3.7	3.4	7.3	2.4	0.8	0.0			-1.1	5.3	0.5	2.7	3.7	6.0		6.2	7.9	
Net FDI (negative = inflow)	**-1.6**	**-3.1**	**-2.1**	**-3.6**	**-12.4**	**-10.1**	**-4.4**	**4.1**	**-8.7**	**-8.8**	**-8.6**	**-8.5**	**-8.8**	**-9.0**		**-6.9**	**-4.0**	-6.0
Endogenous debt dynamics [2]	**3.9**	**1.9**	**15.5**	**7.8**	**-15.5**	**-16.9**			**-4.2**	**-4.6**	**-4.0**	**-3.7**	**-3.5**	**-3.3**		**-2.4**	**-1.3**	
Contribution from nominal interest rate	1.2	1.2	1.2	1.7	1.8	2.0			1.4	1.3	1.2	1.1	1.0	0.9		0.6	0.3	
Contribution from real GDP growth	-5.9	-6.3	4.0	-9.4	-6.5	-6.3			-5.6	-5.9	-5.2	-4.9	-4.5	-4.2		-3.0	-1.5	
Contribution from price and exchange rate changes	8.7	7.0	10.3	15.5	-10.8	-12.7			…	…	…	…	…	…		…	…	
Residual (3-4) [3]	**-2.5**	**1.6**	**2.1**	**7.2**	**17.9**	**5.9**			**-5.3**	**-12.0**	**-0.5**	**-1.6**	**-1.7**	**-1.6**		**0.5**	**1.4**	
Of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0			-0.3	0.0	-1.0	-0.9	-0.8	-0.6		-0.3	0.0	
NPV of external debt [4]	...	...	...	...	...	83.7			77.1	61.9	59.5	57.2	55.0	53.0		40.0	19.6	
percent of exports	...	...	...	...	...	312.3			266.2	211.8	203.3	196.8	190.9	184.7		138.1	67.8	
NPV of PPG external debt	**...**	**...**	**...**	**...**	**...**	**83.7**			**77.1**	**61.9**	**59.5**	**57.2**	**55.0**	**53.0**		**40.0**	**19.6**	
percent of exports	...	...	...	...	...	312.3			266.2	211.8	203.3	196.8	190.9	184.7		138.1	67.8	
Debt service-to-exports ratio (percent)	20.8	17.1	24.3	12.7	23.9	21.2			18.7	18.5	18.3	17.2	16.0	14.4		9.2	5.5	
PPG debt service-to-exports ratio (percent)	20.8	17.1	24.3	12.7	23.9	21.2			18.7	18.5	18.3	17.2	16.0	14.4		9.2	5.5	
Total gross financing need (billions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Non-interest current account deficit that stabilizes debt ratio	0.2	-0.4	-15.5	-11.4	10.0	21.1			18.3	25.4	13.1	13.8	14.0	13.9		8.8	3.9	
Macroeconomic assumptions																		
Real GDP growth (percent)	5.5	5.8	-3.2	6.9	5.1	5.0	3.9	3.3	4.5	5.0	5.0	5.0	5.0	5.0	4.9	5.0	5.0	5.0
GDP deflator in US dollar terms (percent change)	-7.7	-6.1	-8.6	-10.7	8.1	9.6	-1.5	7.6	4.9	2.5	2.5	2.5	2.5	2.5	2.9	3.0	3.0	3.0
Effective interest rate (percent) [5]	1.1	1.1	1.0	1.2	1.4	1.6	1.2	0.2	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.0	0.9	1.0
Growth of exports of G&S (US dollar terms; percent)	-8.9	-2.7	5.4	-7.0	21.0	0.6	3.5	11.3	18.6	8.6	7.7	6.9	6.7	7.1	9.3	9.4	5.0	8.2
Growth of imports of G&S (US dollar terms; percent)	0.9	-12.0	10.8	-3.3	46.3	10.7	10.5	18.5	9.6	4.9	5.8	3.5	4.0	1.1	4.8	3.3	5.0	5.2
Grant element of new public sector borrowing (percent)		...	...	...	...	...	...	...	55.1	55.3	54.2	54.2	53.9	54.5	47.1	54.3	56.9	54.3
Memorandum item:																		
Nominal GDP (millions of US dollars)	420.9	417.9	369.7	353.0	400.8	461.0			505.6	544.0	585.3	629.8	677.7	729.4		1079.7	2366.1	

Source: IMF Staff simulations.

[1] Includes both public and private sector external debt.
[2] Derived as [r - g - r(1+g)]/(1+g+r+gr) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and r = growth rate of GDP deflator in U.S. dollar terms.
[3] Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. Projections also include contribution from price and exchange rate changes.
[4] Assumes that NPV of private sector debt is equivalent to its face value.
[5] Current-year interest payments devided by previous-period debt stock.
[6] Historical averages and standard deviations are generally derived over the past five years, subject to data availability.

Table I.2. The Gambia: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2006-26
(Percent)

	Projections							
	2006	2007	2008	2009	2010	2011	2016	2026
NPV of debt-to-GDP ratio								
Baseline	77	62	59	57	55	53	40	20
A#. Alternative Scenarios								
A1. Assuming that the HIPC completion point is not reached	80	76	71	67	62	59	42	20
A2. Key variables at their historical averages in 2007-26 [1]	77	64	66	67	68	68	72	65
A3. New public sector loans on less favorable terms in 2007-26 [2]	77	64	63	62	60	59	49	29
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	77	64	64	61	59	57	43	21
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	77	64	65	63	60	58	44	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	77	70	76	73	70	67	51	25
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	77	69	72	69	67	64	49	23
B5. Combination of B1-B4 using one-half standard deviation shocks	77	73	83	80	77	74	57	27
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	77	88	84	81	78	75	57	28
NPV of debt-to-exports ratio								
Baseline	266	212	203	197	191	185	138	68
A. Alternative Scenarios								
A1. Assuming that the HIPC Completion Point is not reached	275	260	243	230	217	204	145	70
A2. Key variables at their historical averages in 2007-26 [1]	266	220	225	230	235	239	248	226
A3. New public sector loans on less favorable terms in 2007-26 [2]	266	219	215	212	210	206	168	102
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	266	212	203	197	191	185	138	68
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	266	258	307	298	289	280	210	101
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	266	212	203	197	191	185	138	68
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	266	234	246	238	231	224	169	80
B5. Combination of B1-B4 using one-half standard deviation shocks	266	251	286	277	269	261	197	94
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	266	212	203	197	191	185	138	68
Debt service ratio								
Baseline	19	19	18	17	16	14	9	5
A. Alternative Scenarios								
A1. Assuming that the HIPC completion point is not reached	19	17	17	16	15	13	8	3
A2. Key variables at their historical averages in 2007-26 [1]	19	19	20	20	19	18	15	16
A3. New public sector loans on less favorable terms in 2007-26 [2]	19	19	19	18	17	15	11	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	19	19	18	17	16	14	9	5
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	19	22	25	24	22	20	13	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	19	19	18	17	16	14	9	5
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	19	19	19	18	17	15	10	6
B5. Combination of B1-B4 using one-half standard deviation shocks	19	21	23	22	20	18	12	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	19	19	18	17	16	14	9	5
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) [6]	53	53	53	53	53	53	53	53

Source: Staff projections and simulations.

[1] Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), noninterest current account as percent of GDP, and nondebt-creating flows.
[2] Assumes that the interest rate on new borrowing is 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
[3] Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
[4] Includes official and private transfers and FDI.
[5] Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
[6] Applies to all stress scenarios except for A2 (less favorable financing), in which the terms on all new financing are as specified in footnote 2.

Table I.3. The Gambia: MDRI Scenario Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2006-26
(Percent)

	Projections							
	2006	2007	2008	2009	2010	2011	2016	2026
NPV of debt-to-GDP ratio								
Baseline MDRI	41	27	27	27	27	27	24	15
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 [1]	41	29	32	33	35	37	46	49
A2. New public sector loans on less favorable terms in 2007-26 [2]	41	29	30	31	32	33	33	69
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	41	28	29	29	28	28	26	17
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	41	29	33	33	32	32	28	17
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	41	31	34	34	34	34	30	20
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	41	34	40	39	39	38	33	19
B5. Combination of B1-B4 using one-half standard deviation shocks	41	35	44	43	43	43	37	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	41	38	38	38	38	38	34	22
NPV of debt-to-exports ratio								
Baseline	142	93	92	92	92	93	82	54
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 [1]	142	100	108	115	122	128	158	171
A2. New public sector loans on less favorable terms in 2007-26 [2]	142	100	103	107	111	114	113	241
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	142	93	92	92	92	93	82	54
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	142	118	155	154	154	154	135	82
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	142	93	92	92	92	93	82	54
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	142	116	136	135	134	133	115	66
B5. Combination of B1-B4 using one-half standard deviation shocks	142	119	151	150	150	149	130	77
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	142	93	92	92	92	93	82	54
Debt service ratio								
Baseline	19	17	14	13	11	10	5	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007-26 [1]	19	18	15	14	13	12	8	11
A2. New public sector loans on less favorable terms in 2007-26 [2]	19	17	14	13	12	11	6	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	19	17	14	13	11	10	5	3
B2. Export value growth at historical average minus one standard deviation in 2007-08 [3]	19	20	19	18	16	14	7	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	19	17	14	13	11	10	5	3
B4. Net nondebt-creating flows at historical average minus one standard deviation in 2007-08 [4]	19	17	14	13	12	11	6	4
B5. Combination of B1-B4 using one-half standard deviation shocks	19	19	17	16	14	13	7	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2007 [5]	19	17	14	13	11	10	5	3
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) [6]	51	51	51	51	51	51	51	51

Source: Staff projections and simulations.

[1] Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), noninterest current account as percent of GDP, and nondebt-creating flows.
[2] Assumes that the interest rate on new borrowing is 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
[3] Export values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
[4] Includes official and private transfers and FDI.
[5] Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
[6] Applies to all stress scenarios except for A2 (less favorable financing), in which the terms on all new financing are as specified in footnote 2.

Table I.4. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2026
(Percent of GDP, unless otherwise indicated)

	Actual								Estimate	Projections								
	2000	2001	2002	2003	2004	2005	Historical Average 5/	Standard Deviation 5/	2006	2007	2008	2009	2010	2011	2006-11 Average	2016	2026	2012-26 Average
HIPC																		
Public sector debt [1]	157.1	156.4	189.4	185.5	176.0	173.7			161.7	144.3	134.6	125.1	116.5	109.0		83.9	55.9	
Of which: foreign-currency denominated	125.7	118.4	152.8	158.0	143.2	138.2			128.9	112.9	104.9	97.9	91.1	85.1		62.4	36.2	
Change in public sector debt	24.1	-0.7	33.0	-3.9	-9.5	-2.3			-12.0	-17.4	-9.7	-9.5	-8.6	-7.5		-3.6	-2.4	
Identified debt-creating flows	16.1	0.1	27.8	-8.9	-30.8	-13.9			-6.9	-11.0	-10.2	-10.2	-9.1	-8.0		-3.9	-3.1	
Primary deficit	-3.2	9.4	-0.6	-1.3	-1.5	0.1	0.5	3.9	-1.9	-5.4	-4.7	-4.1	-3.4	-2.7	-3.7	-0.7	-1.2	-1.0
Revenue and grants	20.8	17.2	20.8	18.2	25.5	21.4			23.0	28.3	27.4	26.9	26.5	26.0		23.6	22.2	
Of which: grants	2.3	2.1	4.4	2.5	4.5	1.7			1.5	7.0	6.2	5.8	5.4	5.0		2.8	1.4	
Primary (noninterest) expenditure	17.6	26.6	20.1	16.8	23.9	21.5			21.1	22.9	22.7	22.9	23.1	23.4		22.9	21.0	
Automatic debt dynamics	19.3	-9.3	28.5	-7.4	-29.3	-13.6			-5.4	-6.5	-6.0	-5.8	-5.4	-5.1		-3.4	-1.9	
Contribution from interest rate/growth differential	-7.0	-10.1	3.1	-15.3	-7.5	-3.5			-4.9	-5.4	-5.1	-5.2	-4.9	-4.6		-2.2	-1.2	
Of which: contribution from average real interest rate	2.3	-1.6	-2.2	-3.1	1.5	4.9			2.6	2.3	1.7	1.2	1.1	1.0		2.1	1.6	
Of which: contribution from real GDP growth	-7.0	-8.5	5.2	-12.2	-8.9	-8.3			-7.6	-7.6	-6.9	-6.4	-6.0	-5.6		-4.2	-2.8	
Contribution from real exchange rate depreciation	26.3	0.8	25.4	7.9	-21.9	-10.1			-0.5	-1.1	-0.9	-0.6	-0.5	-0.5		...	...	
Other identified debt-creating flows	0.0	0.0	-0.1	-0.1	0.0	-0.4			0.4	0.8	0.6	-0.4	-0.2	-0.2		0.2	0.0	
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	-0.4			-1.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0			1.0	1.3	1.1	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	-0.1	-0.1	0.0	0.0			0.0	-1.0	-0.9	-0.8	-0.7	-0.5		0.0	0.0	
Other (specify, e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0			0.5	0.6	0.5	0.5	0.4	0.3		0.2	0.0	
Residual, including asset changes	8.0	-0.8	5.2	5.0	21.3	11.5			-5.1	-6.4	0.5	0.7	0.4	0.5		0.2	0.7	
NPV of public sector debt	31.5	38.1	36.6	...	130.4	120.8			112.1	92.6	88.9	84.4	80.9	77.6		65.8	45.8	
Of which: foreign currency–denominated	0.0	0.0	0.0	...	97.5	85.3			79.2	61.2	59.1	57.2	55.6	53.7		44.3	26.0	
Of which: external	...	...	...	...	97.5	85.3			79.2	61.2	59.1	57.2	55.6	53.7		44.3	26.0	
NPV of contingent liabilities (not included in public sector debt)	...	...	...	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need [2]	6.1	17.2	11.4	...	11.2	12.4			8.8	4.4	4.0	3.7	3.7	3.8		4.1	2.5	
NPV of public sector debt-to-revenue ratio (percent) [3]	151.6	221.7	176.2	...	512.1	563.8			488.0	327.7	324.3	313.8	305.1	298.1		278.8	206.4	
without external	...	...	...	...	383.0	398.2			345.0	216.5	215.7	212.5	209.6	206.2		187.7	117.3	
Debt service-to-revenue ratio (percent) [3 4]	45.0	45.4	57.9	...	49.8	57.6			46.5	34.5	32.0	28.8	26.9	24.9		20.3	16.7	
Primary deficit that stabilizes the debt-to-GDP ratio				...	8.0	2.4			10.1	12.0	5.0	5.5	5.2	4.8		3.0	1.2	
Key macroeconomic and fiscal assumptions																		
Real GDP growth (in percent)	5.5	5.8	-3.2	6.9	5.1	5.0	4.2	3.1	4.5	5.0	5.0	5.0	5.0	5.0	4.9	5.0	5.0	5.0
Average nominal interest rate on forex debt (percent)	1.2	1.0	1.1	1.5	1.5	1.4	1.3	0.2	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.1	0.9	1.0
Average real interest rate on domestic currency debt (percent)	10.1	-1.6	-4.0	-8.6	7.6	17.4	8.1	9.9	11.6	10.2	8.2	6.8	6.8	6.8	8.4	6.8	6.9	6.8
Real exchange rate depreciation (percent, + indicates depreciation)	26.2	0.7	20.9	5.6	-14.6	-7.4	4.7	11.9	-0.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.6	15.2	16.1	27.4	14.3	4.3	9.0	8.9	4.0	3.8	3.2	3.0	3.0	3.0	3.3	3.0	2.9	3.0
Growth of real primary spending (deflated by GDP deflator, percent)	4.8	60.2	-26.7	-10.8	49.7	-5.9	5.4	28.5	2.7	14.0	3.8	5.9	6.2	6.1	6.5	2.9	4.1	4.3
Grant element of new external borrowing (percent)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	...	...	...

Sources: Gambia authorities; Fund staff estimates and projections.
[1] Pertains to the central bank government accounts. Gross debt is used.
[2] Gross financing need is defined as the primary deficit plus debt service plus the short-term debt at the end of the last period.
[3] Revenues including grants.
[4] Debt service is defined as the sum of interest and amortization of medium- and long-term debt.
[5] Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table I.5.The Gambia: Sensitivity Analysis for Key Indicators of Public Debt 2006-2026

	Estimate	Projections						
	2006	2007	2008	2009	2010	2011	2016	2026
NPV of Debt-to-GDP Ratio								
Baseline	112	93	89	84	81	78	66	46
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	112	99	100	101	101	101	97	87
A2. Primary balance is unchanged from 2006	112	96	95	92	90	87	70	41
A3. Permanently lower GDP growth [1]	112	93	90	87	84	82	77	77
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2007-2008	112	97	98	95	92	90	84	73
B2. Primary balance is at historical average minus one standard deviations in 2007-2008	112	102	106	101	97	93	80	56
B3. Combination of B1-B2 using one-half standard deviation shocks	112	102	107	102	98	94	79	55
B4. One-time 30 percent real depreciation in 2007	112	123	118	113	109	105	88	59
B5. 10 percent of GDP increase in other debt-creating flows in 2007	112	101	97	93	89	85	73	51
NPV of Debt-to-Revenue Ratio [2]								
Baseline	488	328	324	314	305	298	279	206
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	488	349	365	372	378	384	406	388
A2. Primary balance is unchanged from 2006	488	339	345	342	338	334	299	185
A3. Permanently lower GDP growth [1]	488	330	329	322	316	314	324	345
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2007-2008	488	340	352	346	343	341	352	325
B2. Primary balance is at historical average minus one standard deviations in 2007-2008	488	360	387	375	366	358	337	253
B3. Combination of B1-B2 using one half standard deviation shocks	488	359	387	375	365	357	335	249
B4. One-time 30 percent real depreciation in 2007	488	435	432	421	411	403	375	267
B5. 10 percent of GDP increase in other debt-creating flows in 2007	488	359	355	344	335	328	308	230
Debt Service-to-Revenue Ratio [2]								
Baseline	46	35	32	29	27	25	20	17
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	46	35	39	39	37	36	30	40
A2. Primary balance is unchanged from 2006	46	35	36	34	32	29	20	16
A3. Permanently lower GDP growth [1]	46	35	32	30	28	27	25	32
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2007-2008	46	35	35	33	32	30	27	30
B2. Primary balance is at historical average minus one standard deviations in 2007-2008	46	35	44	45	34	29	24	24
B3. Combination of B1-B2 using one-half standard deviation shocks	46	35	43	43	34	29	24	23
B4. One-time 30 percent real depreciation in 2007	46	35	34	31	29	27	23	20
B5. 10 percent of GDP increase in other debt-creating flows in 2007	46	35	44	34	30	27	22	21

Sources: Country authorities; Fund staff estimates and projections.

[1] Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

[2] Revenues are defined inclusive of grants.

[3] Definition of revenues includes grants; debt service is commitment based.

Table I.6. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2026
(Percent of GDP, unless otherwise indicated)

	Actual						Historical Average [5]	Standard Deviation [5]	Estimate	Projections								
	2000	2001	2002	2003	2004	2005			2006	2007	2008	2009	2010	2011	2006-11 Average	2016	2026	2012-26 Average
HIPC-MDRI																		
Public sector debt [1]	157.1	156.4	189.4	185.5	176.0	173.7			161.7	74.7	71.1	67.7	64.7	62.1		56.5	48.6	
Of which: foreign-currency denominated	125.7	118.4	152.8	158.0	143.2	138.2			128.9	44.0	42.2	40.8	39.4	38.2		35.1	28.9	
Change in public sector debt	24.1	-0.7	33.0	-3.9	-9.5	-2.3			-12.0	-87.0	-3.6	-3.5	-3.0	-2.6		-0.4	-1.2	
Identified debt-creating flows	16.1	0.1	27.8	-8.9	-30.8	-13.9			-6.9	-11.0	-3.7	-4.2	-3.2	-3.0		-0.5	-1.8	
Primary deficit	-3.2	9.4	-0.6	-1.3	-1.5	0.1	0.5	3.9	-1.9	-4.1	-2.1	-1.3	-0.6	-0.4	-1.7	1.3	-0.2	0.8
Revenue and grants	20.8	17.2	20.8	18.2	25.5	21.4			23.0	28.3	27.4	26.9	26.5	26.0		23.6	22.2	
Of which: grants	2.3	2.1	4.4	2.5	4.5	1.7			1.5	7.0	6.2	5.8	5.4	5.0		2.8	1.4	
Primary (noninterest) expenditure	17.6	26.6	20.1	16.8	23.9	21.5			21.1	24.2	25.3	25.6	25.9	25.6		24.9	22.0	
Automatic debt dynamics	19.3	-9.3	28.5	-7.4	-29.3	-13.6			-5.4	-7.7	-2.3	-2.5	-2.4	-2.4		-2.0	-1.6	
Contribution from interest rate/growth differential	-7.0	-10.1	3.1	-15.3	-7.5	-3.5			-4.9	-6.7	-1.9	-2.2	-2.2	-2.2		-1.3	-1.1	
Of which: contribution from average real interest rate	2.3	-1.6	-2.2	-3.1	1.5	4.9			2.6	1.0	1.6	1.1	1.0	0.9		1.4	1.3	
Of which: contribution from real GDP growth	-7.0	-8.5	5.2	-12.2	-8.9	-8.3			-7.6	-7.6	-3.5	-3.4	-3.2	-3.1		-2.7	-2.4	
Contribution from real exchange rate depreciation	26.3	0.8	25.4	7.9	-21.9	-10.1			-0.5	-1.1	-0.4	-0.2	-0.2	-0.2		...	...	
Other identified debt-creating flows	0.0	0.0	-0.1	-0.1	0.0	-0.4			0.4	0.8	0.6	-0.4	-0.2	-0.2		0.2	0.0	
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	-0.4			-1.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0			1.0	1.3	1.1	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	-0.1	-0.1	0.0	0.0			0.0	-1.0	-0.9	-0.8	-0.7	-0.5		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0			0.5	0.6	0.5	0.5	0.4	0.3		0.2	0.0	
Residual, including asset changes	8.0	-0.8	5.2	5.0	21.3	11.6			-5.1	-76.0	0.2	0.7	0.3	0.4		0.1	0.6	
NPV of public sector debt	...	...	...	...	...	81.4			73.9	57.8	55.7	53.5	51.9	50.5		46.4	37.6	
Of which: foreign-currency–denominated	...	...	...	...	...	46.0			41.0	27.1	26.8	26.7	26.6	26.6		25.0	17.8	
Of which: external	...	...	...	...	...	46.0			41.0	27.1	26.8	26.7	26.6	26.6		25.0	17.8	
NPV of contingent liabilities (not included in public sector debt)	...	...	...	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need [2]	6.1	17.2	11.4	6.8	11.2	12.4			8.8	4.1	2.8	2.5	2.5	2.6		2.9	1.9	
NPV of public sector debt-to-revenue ratio (percent) [3]	...	...	...	...	...	380.2			321.7	204.5	203.5	198.9	195.7	194.0		196.9	169.4	
Of which: external	...	...	...	...	...	214.6			178.6	95.8	97.8	99.1	100.2	102.1		105.9	80.3	
Debt service-to-revenue ratio (percent) [3,4]	45.0	45.4	57.9	45.1	49.8	57.6			46.5	28.9	22.7	19.9	18.2	16.7		12.3	12.5	
Primary deficit that stabilizes the debt-to-GDP ratio				...	8.0	2.4			10.1	82.9	1.5	2.1	2.4	2.2		1.7	1.0	
Macroeconomic and fiscal assumptions																		
Real GDP growth (percent)	5.5	5.8	-3.2	6.9	5.1	5.0	4.2	3.1	4.5	5.0	5.0	5.0	5.0	5.0	4.9	5.0	5.0	5.0
Average nominal interest rate on forex debt (percent)	1.2	1.0	1.1	1.5	1.5	1.4	1.3	0.2	1.1	1.1	3.0	2.8	2.7	2.6	2.2	2.0	1.2	1.8
Average real interest rate on domestic currency debt (percent)	10.1	-1.6	-4.0	-8.6	7.6	17.4	8.1	9.9	11.6	6.1	3.9	2.8	2.8	2.9	5.0	3.6	5.2	4.1
Real exchange rate depreciation (percent, + indicates depreciation)	26.2	0.7	20.9	5.6	-14.6	-7.4	4.7	11.9	-0.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, percent)	3.6	15.2	16.1	27.4	14.3	4.3	9.0	8.9	4.0	3.8	3.2	3.0	3.0	3.0	3.3	3.0	2.9	3.0
Growth of real primary spending (deflated by GDP deflator, percent)	4.8	60.2	-26.7	-10.8	49.7	-5.9	5.4	28.5	2.7	20.4	10.0	6.1	6.3	3.7	8.2	2.5	3.7	4.0
Grant element of new external borrowing (percent)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	...	...	...

Sources: Gambia authorities; and Fund staff estimates and projections.

[1] Pertains to the central government accounts. Gross debt is used.

[2] Gross financing need is defined as the primary deficit plus debt service plus short-term debt at the end of the last period.

[3] Revenues including grants.

[4] Debt service is defined as the sum of interest and amortization of medium and long-term debt.

[5] Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table I.7. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt, 2006-2026

	Estimate	Projections						
	2006	2007	2008	2009	2010	2011	2016	2026
NPV of Debt-to-GDP Ratio								
Baseline	74	58	56	54	52	50	46	38
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	74	62	63	63	62	62	57	53
A2. Primary balance is unchanged from 2006	74	60	58	55	52	49	34	12
A3. Permanently lower GDP growth [1]	74	58	57	55	54	54	58	74
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviation in 2007-2008	74	61	62	61	61	61	64	69
B2. Primary balance is at historical average minus one standard deviation in 2007-2008	74	66	69	66	64	63	58	51
B3. Combination of B1-B2 using one-half standard deviation shock	74	65	68	66	63	61	57	49
B4. One-time 30 percent real depreciation in 2007	74	103	98	93	89	86	73	55
B5. 10 percent of GDP increase in other debt-creating flows in 2007	74	67	64	62	60	58	54	48
NPV of Debt-to-Revenue Ratio [2]								
Baseline	322	204	203	199	196	194	197	169
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	322	221	229	231	233	236	239	236
A2. Primary balance is unchanged from 2006	322	212	211	204	196	190	142	54
A3. Permanently lower GDP growth [1]	322	206	207	204	204	206	242	329
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviation in 2007-2008	322	213	223	224	226	230	269	310
B2. Primary balance is at historical average minus one standard deviation in 2007-2008	322	232	253	247	243	241	248	229
B3. Combination of B1-B2 using one-half standard deviation shock	322	230	247	241	237	234	238	219
B4. One-time 30 percent real depreciation in 2007	322	366	359	347	337	330	309	248
B5. 10 percent of GDP increase in other debt-creating flows in 2007	322	235	234	229	225	223	231	216
Debt Service-to-Revenue Ratio [2]								
Baseline	46	29	23	20	18	17	12	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	46	29	28	27	26	25	18	28
A2. Primary balance is unchanged from 2006	46	29	25	23	21	19	9	6
A3. Permanently lower GDP growth [1]	46	29	23	22	22	22	22	37
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviation in 2007-2008	46	30	25	25	25	25	24	35
B2. Primary balance is at historical average minus one standard deviation in 2007-2008	46	29	33	33	26	24	20	27
B3. Combination of B1-B2 using one-half standard deviation shock	46	29	31	31	25	23	19	26
B4. One-time 30 percent real depreciation in 2007	46	30	25	24	23	23	20	24
B5. 10 percent of GDP increase in other debt-creating flows in 2007	46	29	35	26	24	22	19	25

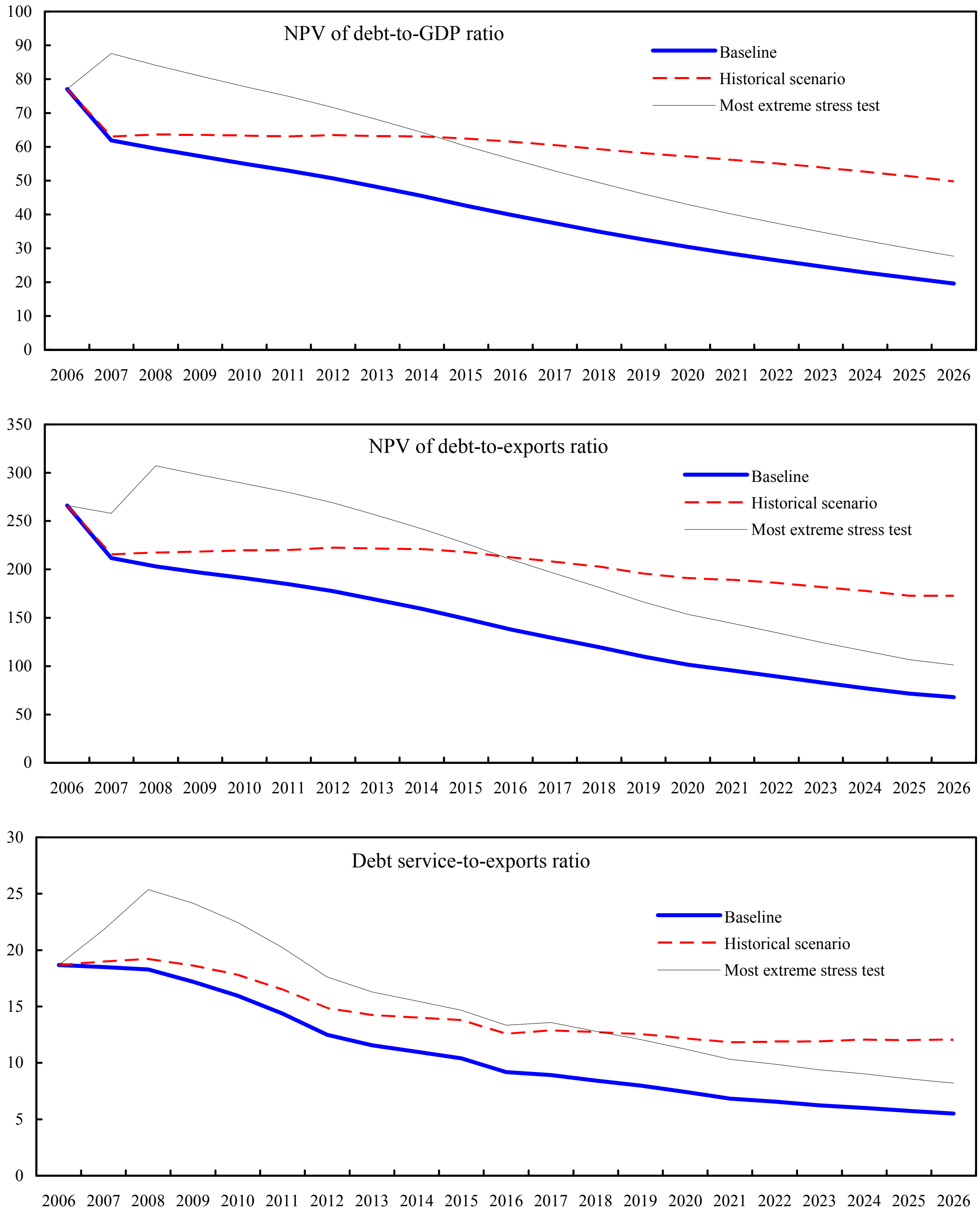
Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

2/ Revenues are defined inclusive of grants.

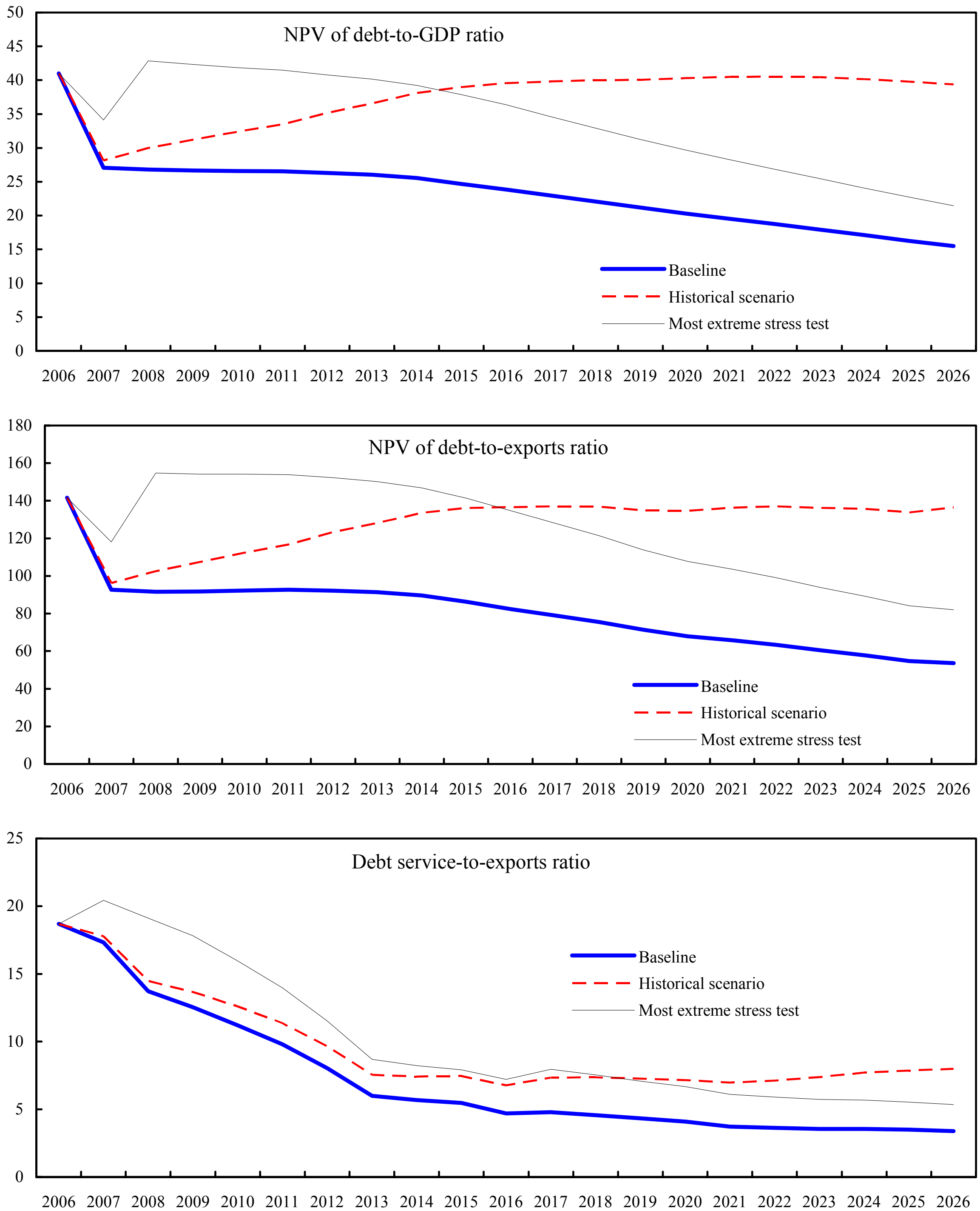
3/ Definition of revenues includes grants; debt service is commitment based.

Figure I.1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2006-26
(Percent)



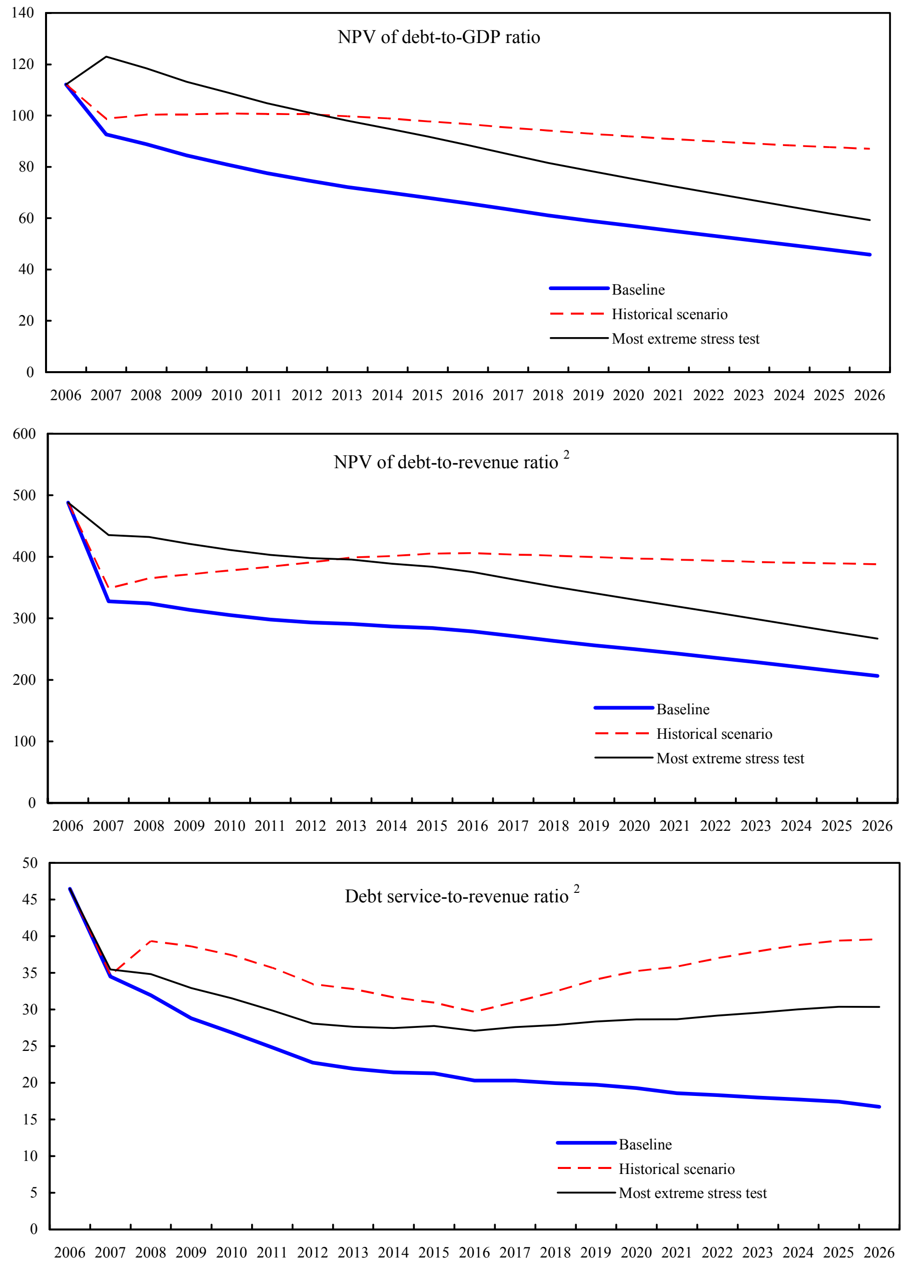
Source: IMF staff projections and simulations.

Figure I.2. The Gambia: Indicators of Public and Publicly Guaranteed External Debt
Under Alternative Scenarios including MDRI, 2006-26
(Percent)



Source: IMF staff projections and simulations.

Figure I.3. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2006-2026 [1]

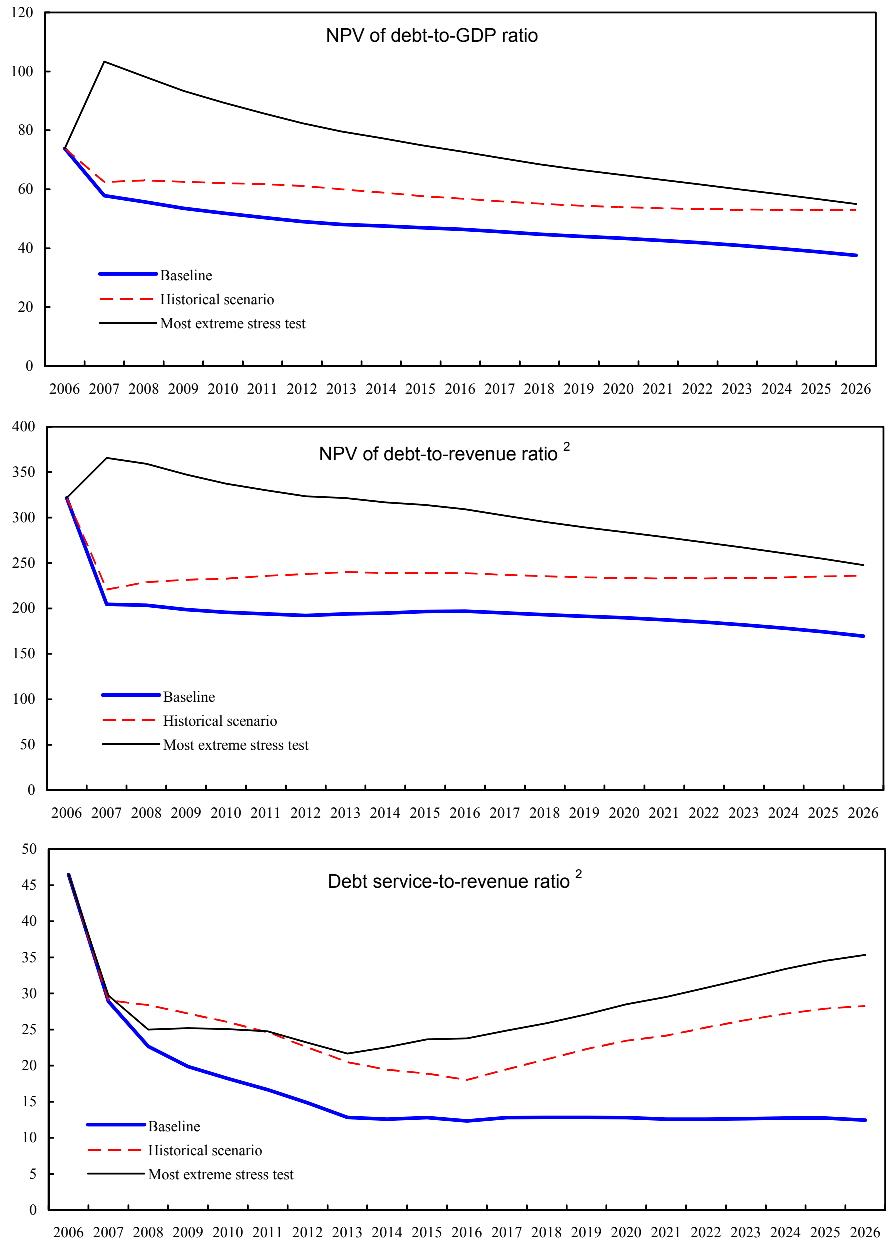


Source: IMF staff projections and simulations.

[1] Most extreme stress test is test that yields highest ratio in 2016.

[2] Revenue, including grants.

Figure I.4. The Gambia: Indicators of Public Debt Under Alternative Scenarios including MDRI, 2006-2026 [1]



Source: IMF staff projections and simulations.

[1] Most extreme stress test is test that yields highest ration in 2016.

[2] Revenue including grants.

APPENDIX II

The Gambia: Relations with the Fund

(As of August 31, 2006)

Membership status. Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993.

General Resources Account	SDR Million	% Quota
Quota	31.10	100.0
Fund holdings of currency	29.62	95.23
Reserve position in Fund	1.48	4.77

SDR Department	SDR Million	% Allocation
Net cumulative allocation	5.12	100.0
Holdings	0.15	2.85

Outstanding Purchases and Loans	SDR Million	% Quota
Poverty Reduction and Growth Facility (PRGF) arrangements	12.51	40.22

Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89
PRGF	Jun. 29, 1998	Dec. 31, 2001	20.61	20.61
PRGF	Nov. 23, 1988	Nov. 25, 1991	20.52	18.02

Projected Obligations to the Fund (SDR million; based on current use of resources and present holdings of SDRs)

	Forthcoming				
	2006	2007	2008	2009	2010
Principal	0.69	2.75	3.33	2.64	1.95
Charges/interest	0.08	0.25	0.23	0.22	0.20
Total	0.77	2.99	3.56	2.86	2.16

Implementation of HIPC Initiative

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date[1]	Dec. 11, 2000
Assistance committed (yearend 2000 NPV terms)[2]	
Total assistance (US$ million)	66.60
Of which: IMF assistance (US$ million)	2.30
SDR equivalent, million	1.80
Completion point date	Floating
Disbursement of IMF assistance (SDR million)	
Assistance disbursed	0.08
Interim assistance	0.08
Completion point balance	…
Additional disbursement of interest income [3]	…

Safeguards assessments

A FIN Safeguards Assessment mission visited The Gambia in March 2003 and in November 2003 to conduct a Stage 1 onsite assessment of the Central Bank of The Gambia (CBG). The assessment was completed on February 3, 2004. A summary of its findings and recommendations is outlined in Box 3 of the IMF Country Report No. 4/143 (May 2004).

Exchange rate arrangement

Until January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective June 30, 2002, the exchange rate arrangement of The Gambia was reclassified from

[1] The Fund approved the decision on 12/15/2000 as Decision 12365-(00/126). The World Bank Board decision was taken on 12/14/2000.

[2] Assistance committed under the enhanced HIPC Initiative is expressed in net present value (NPV) terms at the decision point.

[3] Under the enhanced HIPC Initiative, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim.

independently floating to managed float with no preannounced path. As of July 31, 2006, the midpoint exchange rate in the interbank market was D28.0296 per U.S. dollar.

The Gambia has been part of the exchange rate mechanism of the West African Monetary Zone (WAMZ) since April 2002.

Last Article IV consultation

The Executive Board concluded the 2005 Article IV consultation on July 18, 2005 (IMF Country Report No. 6/8, January 2006).

Technical assistance

The Fund has been providing The Gambia with extensive technical assistance in macroeconomic, fiscal, and monetary areas, and in improving the compilation of macroeconomic statistics. Specific technical assistance projects are the following:

Fiscal Affairs Department

Sep. 2004–May 2006	Peripatetic regional advisor assisted the authorities in putting the new organic budget law into effect, strengthening public expenditure management, and improving the reporting of budget execution.
Feb./Mar. 2004	Mission worked jointly with the World Bank on the Assessment and Action Plan (AAP).
Apr. 2003	TA advisor reviewed reforms in public expenditure management.
Mar. 2003–Oct. 2003	Long-term Fund resident budget expert helped the authorities to strengthening budgetary expenditure reporting and control.
Dec. 2002	TA advisor advised the authorities on drafting an organic budget bill.
Oct. 2002	TA advisor reviewed reforms in public expenditure management.
Mar. 2002–Oct. 2003	Long-term Fund resident budget expert helped the authorities to strengthen budgetary expenditure reporting and control, initially for a year beginning from March 2002. The assignment was later extended until October 2003.
Nov. 2001–Oct. 2003	Peripatetic advisor assisted the DoSFEA in revenue administration reforms, including customs, implementing a large-taxpayer unit, and establishing a central revenue authority.
Jul. 2001	TA mission assessed the authorities’ capacity to track poverty-related spending.

Aug. 2000–Aug. 2001	Long-term Fund resident budget expert assisted the authorities in strengthening budgetary expenditure reporting and control.
Sep. 1999	TA mission assisted the authorities in expenditure management, budget execution issues, cash and debt management, short-term financial planning, fiscal reporting, and information systems.
Jan./Feb. 1996	Joint FAD/United Nations Development Program (UNDP) TA mission helped set up a system for monitoring the financial operations of public enterprises.

Monetary and Exchange Affairs Department/Monetary and Financial Systems Department

Jul./Aug. 2006	Mission advised on technical assistance needs.
Apr./May 2006	Technical expert advised the CBG on banking supervision.
Apr./May 2006	Technical expert advised the CBG on improving monetary operations.
Nov. 2005	Technical expert advised the CBG on improving monetary operations.
Mar. 2005	Follow-up to the October 2004 mission.
Oct. 2004	Advisory mission made recommendations for improving monetary and foreign exchange operations and for reorganizing the central bank.
Jul. 2002	TA diagnostic mission focused on financial supervision and the insurance sector; and helped review the Central Bank Act and draft the Financial Institutions and Insurance Act.
Dec. 2001	TA diagnostic mission focused on strengthening CBG ability to , formulate and implement monetary policy and manage its foreign exchange operations and the financial system.
May 2001	Short-term expert helped the authorities to design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts.
Apr. 2001	Short-term expert helped the authorities to set up a book-entry system.
May 2000	Short-term expert helped the authorities to set up a short-term liquidity forecasting system.

Nov. 1999	Short-term expert helped the authorities design operational, prudential, and policy safeguards (including assessing the adequacy of legislation) for introducing foreign-currency-denominated accounts in the banking system.
Aug. 1998	TA mission helped the CBG draft market-based monetary policy instruments and review its program for strengthening banking supervision.
Dec. 1996	Technical expert helped the CBG in foreign exchange operations.
Jan./Feb. 1994	TA mission worked on monetary management and bank supervision.

Statistics Department

Apr./May 2006	TA mission helped to compile monetary and financial statistics.
Feb. 2006	TA mission advised on compilation of balance of payments statistics.
Feb. 2005	Report on the Observance of Standards and Codes (ROSC)—Data Module—mission assessed data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003) and The Gambia's dissemination practices against the recommendations of the General Data Dissemination System (GDDS).
2002–04	Peripatetic statistical advisor helped the Central Statistics Department update CPI data and improve the compilation of national accounts statistics.
May 2003	Mission advised on building an integrated database to report monetary statistics for all IMF data submissions.
Aug. 2001	TA mission advised on compilation of monetary and financial statistics.
Sep. 2000	TA mission advised on compilation of balance of payments statistics.
Nov. 1999	Mission reviewed collection of statistics to develop GDDS metadata for The Gambia.
Jun./Jul. 1999	TA mission advised on compilation of balance of payments

	statistics.
Nov./Dec. 1998	TA mission advised on national accounts statistics.

Others

Apr. 2002–Apr. 2004	A long-term Fund resident macroeconomic advisor was assigned initially for a year beginning from April 2002, and later the assignment was extended by one more year through April 2004.

Resident representative

Mr. Alex Segura-Ubiergo was appointed the Fund's first Resident Representative to The Gambia in September 2006. He is also the Resident Representative to Senegal and will be based in Dakar.

Appendix III
The Gambia: Relations with the World Bank Group
(As of August 31, 2006)

1. The Bank and the Fund cooperate closely in providing support for implementation of The Gambia's development strategy, which is set forth in the Poverty Reduction Strategy Paper (PRSP), the Strategy for Poverty Alleviation II. The PRSP was finalized in April 2002 and endorsed by the Boards of the World Bank and IMF in July 2002. It outlines a medium-term strategy to reduce poverty that has five objectives: (1) macroeconomic stability and effective public resource management; (2) promotion of propoor growth and employment through private sector development, particularly in the rural agricultural sector; (3) improved basic social services and infrastructure; (4) building the capacity of local communities and civil society organizations (CSOs); and (5) strengthened multisectoral programs to reduce population growth, gender inequality, HIV/AIDS, malnutrition, and environmental degradation. The PRSP contains a multidimensional poverty analysis, an outline of a monitoring and evaluation framework, preliminary performance indicators and targets, estimates of the cost of implementation, and an indicative financing gap. The current PRSP covered the period from 2003 to 2005. The authorities are now preparing a second PRSP covering 2007 to 2011; it is expected to be completed toward the end of 2006.

2. The Bank's support to The Gambia is outlined in its Country Assistance Strategy (CAS). The CAS is aligned with the PRSP, particularly in the following areas: (1) establishing a macroeconomic and sectoral environment conducive to economic growth; (2) rehabilitating and building infrastructure; (3) enhancing human capital by providing more efficient social services; and (4) building capacity in departments responsible for economic management. The Bank's direct support in recent years has mainly been sector-based investment projects and analytical work. The Fund has traditionally led the dialogue on macroeconomic policy, including fiscal, monetary, and exchange rate policies. Areas of close collaboration include public expenditure management reform and government statistics. Collaboration on trade issues should soon increase with the planned Integrated Framework analysis led by the Bank. The next CAS is being prepared for FY07.

3. As of August 2006, IDA had approved 34 credits worth a total of about US$296 million. The current portfolio consists of seven projects in HIV/AIDS, poverty alleviation (infrastructure), capacity building for economic management, private sector development (trade gateway), education, community-driven development, and locust prevention (regional), totaling US$86.9 million, of which US$38.0 million is undisbursed.

4. An **HIV/AIDS rapid response operation** was approved in January 2001. The project is designed to (1) contain the HIV/AIDS pandemic, (2) reduce the spread of the pandemic and mitigate its effects, and (3) increase access to prevention services, treatment, care, and support for those infected and affected by HIV/AIDS.

5. A **Poverty Alleviation and Municipal Development** operation was approved in March 1999 to (1) reduce the backlog in public infrastructure development and improve the maintenance of public assets; (2) alleviate poverty by creating temporary jobs and improve the selection of small- and medium-sized investments, which should be directed at upgrading the living environment of the poor; and (3) strengthen the technical and managerial capacity of local authorities (with an emphasis on their financial situation), local private firms (namely, consultants and contractors), and Gamworks (a procurement agency). In addition to the original credit of SDR10.7 million (US$15 million equivalent), the Bank approved a supplemental credit of SDR2.7 million (US$4.0 million equivalent) to upgrade the infrastructure in water supply, roads, and sanitation facilities.

6. A **Capacity Building for Economic Management** Project was approved in July 2001 to help build (1) government capacity for economic planning, policy formulation, and execution, and (2) the capacity of the judicial and financial systems to facilitate private sector development. Reforms supported by the project include establishment of the Revenue Authority, implementation of the Integrated Financial Management Information System (IFMIS), capacity building and restructuring of the Central Statistics Department (CSD), and establishment of an alternative dispute resolution (ADR) court system.

7. The **Trade Gateway Project** was approved in February 2002 to help the country establish itself as a globally competitive business park by laying the foundations for expanded private investment, export-oriented production, and employment through a free zone and an improved institutional environment.

8. The second phase of the **Education Project** was approved on June 1, 2006, to help The Gambia improve conditions for teaching and learning in basic education by (1) improving the performance of students, teachers, and schools, (2) strengthening capacity building and performance management, and enhancing monitoring and evaluation, and (3) expanding access to underserved communities.

9. A regional **Emergency Locust Project** covering Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal, and The Gambia was approved in December 2004. To help reduce the hardships imposed on people and the environment by current and future locust invasions, it supports improved strategies for prevention, early warning, reaction, and mitigation at both the national and regional levels.

10. A **Community-based Rural Development Project** was approved on August 31, 2006, to help rural communities, in partnership with local government authorities, plan, implement and maintain their priority social and economic investments.

11. As of July 31, 2006, the IFC's portfolio had three investments in The Gambia with a balance of about US$0.75 million. The investments are for a medical clinic (Ndebaan) and commercial fishing (Lyefish).

12. IDA, MIGA, and the IFC will continue to coordinate their efforts to support development activities in The Gambia. Their activities are enhanced by the IFC office in Dakar, which also oversees IFC activities in The Gambia.

Summary of IDA Credits in The Gambia
(As of August 31, 2006; millions of U.S. dollars)

Projects	Commitment	Disbursed	Undisbursed
Ongoing projects			
Community-Driven Development	12.0	0.0	12.0
Education Phase II	8.0	0.0	8.3
Gateway	16.0	10.2	7.9
Capacity Building for Economic Management Project	15.0	11.7	5.5
HIV/AIDS Rapid Response	15.0	16.6	0.5
Poverty Alleviation and Municipal Development	19.0	16.7	2.1
Africa Emergency Locust	1.9	0.2	1.7
Subtotal	86.9	55.4	38.0

Source: The World Bank Integrated Controller's System.

The Gambia: IFC's Held and Disbursed Portfolio
(As of July 31, 2006; millions of U.S. dollars)

		Committed/Held				Disbursed			
		------------IFC------------				------------IFC-------------			
FY Approval	Company	Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1993	AEF Ndebaan (Medical Clinic)	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0
1994	AEF Lyefish (Commercial Fishing)	0.36	0.0	0.0	0.0	0.36	0.0	0.0	0.0
1997	KKF II	0.19				0.19			
	Total portfolio	0.75	0.0	0.0	0.0	0.75	0.0	0.0	0.0
Pending commitments		0.0	0.0	0.0	0.0				

Source: IFC.

Questions may be referred to Mr. Soh Hoon (email: hsoh@worldbank.org) or Ms. Françoise Perrot (email: fperrot@worldbank.org).

The Gambia: Relations with the African Development Bank

(As of August 31, 2006)

1. The African Development Bank (AfDB) Group began lending to The Gambia in 1974. As of August 31, 2006, it had approved, 52 operations with total commitments, net of cancellations of UA197.2 million (US$298.9 million) in the following sectors: transport (26 percent); agriculture (22.6 percent); social (21.5 percent); public utilities (12.6 percent); multisectoral (9.1 percent); environment (6.1 percent); and industry (2.1 percent).[1] About 84 percent of the Bank Group's net commitments were made from the resources of the African Development Fund (ADF), 9 percent from the AfDB nonconcessional window , and 7 percent from the Nigerian Trust Fund (NTF).

2. As of August 31, 2006, 35 operations had been completed, 3 were cancelled at the government's request, and 14 others continue, including 3 multinational projects, all in agriculture. Implementation of the portfolio is generally satisfactory; it achieved a rating score of 2.01 (on a scale from 0 to 3) during the Bank Group's 2006 portfolio review. The portfolio has a relatively low project-at-risk (PAR) rate of 33.3 percent, which compares well with the Bank-wide average of 43.3 percent stated in the AfDB's 2004 Annual Portfolio Performance Review (APPR). Total disbursement rates for the portfolio are also satisfactory. By the end of August 2006, they were 84.3 percent (overall), 100 percent (AfDB-financed projects), 83.8 percent (ADF), and 44.5 percent (NTF). The satisfactory performance of the portfolio is attributed to the supervision missions conducted by the AfDB, especially since 2003.

3. The AfDB is also a major participant in The Gambia's enhanced Heavily Indebted Poor Countries (HIPC) Initiative program, under which it is due to grant debt relief of US$15.7 million in net present value (NPV) terms (23.6 percent of total debt relief under the program).

4. The AfDB's strategy for The Gambia for the period 2005–09 is still being prepared and is awaiting finalization of the country's new Poverty Reduction Strategy Paper (PRSP). The draft Country Strategy Paper (CSP) proposes to improve productive capacity through microfinance management and credit projects and to enhance economic management. The CSP has yet to be approved. The last CSP for The Gambia, which covered 2002–04, was designed to help the country in its efforts to meet the Millennium Development Goals (MDGs) by addressing specific institutional and human capacity constraints. The plan is based on The Gambia's poverty reduction strategy (SPA-II), and the base-case scenario focuses on the interventions shown in Table IV.1.

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[1] UA stands for unit of account = 1 SDR (currently equivalent to about $1.43).

Objective	Instrument and Amount	Focus
Meet the MDGs	Third education project, UA10.0 million	Increase access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country.
Entrepreneurship Development and Livelihood Promotion	UA8.0 million	Enhance entrepreneurial skills and improve capacity and income generation ability by providing microfinance. Focus is poverty reduction.
Implement multisector capacity building (planned for ADF–X lending cycle in the context of the CSP being prepared)	Capacity-building project, grant of UA2.0 million	Strengthen capacity of departments and institutions involved in preparing and implementing the PRSP/SPA-II. Extend support to institutions dealing in economic and political governance, including the Department of Justice, Auditor General's Department, Public Divestiture Agency, parliament, and the Public Procurement Agency.

5. Under ADF–X, The Gambia is a grants-only recipient. Additional resources can be made available if there is improvement in both performance under the Country Policy Institutional Assessment (CPIA) and portfolio performance.

6. The AfDB's strategy is implemented through both lending and nonlending activities. The extent of lending depends on finalization of the new PRSP, satisfactory performance under the IMF-supported PRGF, progress toward reaching the HIPC Initiative completion point, advances in strengthening public expenditure management, and improved performance of AfDB-sponsored projects. Nonlending intervention is designed to strengthen policy dialogue between the government and stakeholders and focuses mainly on studies, funded through grants, to improve governance, mainstream gender, fight HIV/AIDS and communicable diseases, and improve the energy supply.

APPENDIX V

THE GAMBIA: STATISTICAL ISSUES

1. The poor quality of some data and complete lack of others make it hard to analyze economic developments. There are substantial weaknesses in The Gambia's economic and financial statistics, especially in national accounts, balance of payments, and external debt statistics. Data reporting by the authorities to the Fund is somewhat irregular. The Gambia participates in the General Data Dissemination System (GDDS) and its metadata have been posted on the Fund's Dissemination Standards Bulletin Board (DSBB) since May 2000.

2. A data ROSC mission visited The Gambia in February 2005 to assess data quality in four main areas of macroeconomic statistics (national accounts, government finance, monetary, and balance of payments) based on the Fund's Data Quality Assessment Framework (DQAF, July 2003). Data dissemination was also assessed in terms of the GDDS recommendations. The mission recommended establishment of an interim Statistics Council to spearhead passage of the Statistics Act, eventual creation of an autonomous Bureau of Statistics, and preparation of a comprehensive statistics reform package. Accordingly, the National Assembly passed a new statistics act in December 2005. Work began in June 2006 to implement the plan for transforming the Central Statistics Department (CSD) to The Gambia Bureau of Statistics (GBOS).

Real sector

3. Annual national account estimates are compiled using only the production approach. In the absence of more comprehensive information, they rely heavily on indicators. In response to STA assistance on national accounts since 1998, the CSD has prepared a program to (1) improve the quality of source statistics by improving and expanding existing surveys; (2) improve the coverage and methodology of GDP estimates, including implementation of the *System of National Accounts (1993 SNA)*; (3) rebase the constant price estimates—the current baseline is 1976/77—to a more recent period; and (4) make independent estimates of expenditure aggregates. An STA peripatetic adviser helped the authorities compile national accounts and price statistics.

4. **C**urrently, the CSD produces data on the consumer price index (CPI) based only on the 1976/77 weights for the low-income population of the greater Banjul area. The World Bank has been providing technical assistance to the CSD to update CPI weights using the 2003 household expenditure survey to better reflect current consumption patterns, and update the national accounts and expand the compilation to include independent estimates of gross domestic expenditure. The authorities are making progress in these efforts. As in the case of the national accounts, improvements in the CPI will require that the CSD have adequate resources.

Government finance

5. The authorities release data on central government transactions with a lag of about eight weeks for both revenue and expenditure. Reporting in the treasury ledger is subject to considerable delay; the central government accounts for 1991–2001 were not audited until 2005. Inadequacies persist in compiling data on an economic basis and in tracking foreign-financed expenditure, including HIPC debt relief. Monthly data on domestic government financing are available with a delay of six to eight weeks.

Monetary data

6. Data reporting by the Central Bank of The Gambia (CBG) is irregular. The commercial banks follow a uniform chart of accounts to report financial data to the CBG. They also transmit flash reports of key monetary data to the CBG on a weekly basis. Over the past few years, the CBG has several times reclassified the monetary accounts to improve sectorization and coverage, as well as to harmonize the data reported to STA and AFR. In particular, there were substantial revisions to data on foreign exchange transactions and lending to the central government for 2001–03. The monetary and financial statistics mission in April-May 2006 made further recommendations to expand the coverage of depository corporations to include credit unions. The mission also recommended that accrued interest be included in the value of financial instruments. Given the significant influence of the Social Security and Housing Development Corporation in monetary developments, the mission recommended compilation of a financial survey. To improve the accuracy and classification of government accounts, it designed a supplementary form for reporting government positions at the CBG, to be reported to the IMF monthly. It also introduced standardized report forms to make it easier for the authorities to report data to the Fund for the use of both AFR and STA.

Balance of payments

7. A significant proportion of The Gambia's external transactions, including reexports, are informal. Including reexport trade in the balance of payments assumes that reexports are a fixed share of total imports. Tourism receipts are derived from a simple function of tourist arrivals and average length of stay in The Gambia. Data on private capital flows are poor but the CBG has taken recent initiatives to improve on them. Official grant and loan disbursements and repayments are relatively well recorded, but there are some gaps in project disbursements. Data on the gross and net CBG international reserves bank are available with a short lag, but had to be substantially revised for 2001–03.

8. STA provided technical assistance on balance of payment statistics in June–July 1999, September 2000, and most recently in February 2006. However, until the

February 2005 ROSC mission, progress in implementing STA recommendations on balance of payments had been slow.

9. On the recommendation of the ROSC mission, the CBG revamped the balance of payments unit by elevating it to a full section with additional staff. To strengthen capacity to compile balance of payments data, the Fund provided substantial training to the CBG staff in 2005–06. A member of the CBG staff attended STA's Balance of Payments Statistics course in May–June 2005 and another attended in May–June 2006. CBG staff also participated in the regional balance of payments seminar offered by STA in Banjul early in 2006.

10. In line with the recommendations of the February 2006 balance of payments technical assistance mission, the CBG has speeded up the process of compiling balance of payments statistics according to the *Balance of Payments Manual*, 5th edition *(BPM5)*. The preliminary data are expected to be ready in September 2006. With assistance from the U.K. Department for International Development, the CBG conducted an enterprise survey in March 2006 to collect data for the International Investment Position. In April 2006, the CBG also initiated a survey funded by the World Bank to collect data on selected components of the current account.

11. The government, with the assistance of the World Bank, recently installed the new version of the Commonwealth Secretariat's debt-reporting and management system.

Publication

12. The CBG has begun to regularly disseminate some macroeconomic statistics on its website. Until last year, macroeconomic data was provided to the public only through references in the annual budget speech. The CBG's annual report and quarterly bulletins, which disseminate much of the nation's macroeconomic data, have not been published since 2000; the CSD's publications are not being issued regularly either.

13. There has been no reporting of data for publication in the *Government Finance Statistics Yearbook* since 1993 or in the *Balance of Payments Statistics* and *International Financial Statistics (IFS)*, other than monetary and CPI data, since 1997.

The Gambia: Table of Common Indicators Required for Surveillance
(As of August 31, 2006)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]	Memo Items: Data Quality Methodological Soundness[7]	Memo Items: Data Quality Accuracy and Reliability[8]
Exchange rates	07/31/06	08/29/06	W	W	W		
International reserve assets and reserve liabilities of the monetary authorities[1]	07/31/06	08/29/06	M	M	A		
Reserve/base money	July 2006	08/29/06	M	M	M	LO, LO, LO, LO	LNO, LO, O, LO, LNO
Broad money	July 2006	08/29/06	M	M	M		
Central Bank balance sheet	July 2006	08/29/06	M	M	M		
Consolidated balance sheet of the banking system	July 2006	08/29/06	M	M	M		
Interest rates[2]	08/23/06	08/29/06	W	W	W		
Consumer Price Index	07/31/06	08/29/06	M	M	M		
Revenue, expenditure, balance, and composition of financing[3] – general fovernment[4]						LO, LO, O, O	LNO, LO, LO, LNO, NO
Revenue, expenditure, balance, and composition of financing[3] – central government	July 2006	08/25/06	M	M	A		
Central government and central government–guaranteed debt[5]							
External current account balance	Dec 2005	06/08/06	A	A	A	LNO, LNO, LNO, LO	LNO, LNO, LNO, LO, NO
Exports and imports of goods and services	Dec 2005	06/08/06	A	A	A		
GDP/GNP	2005	06/08/06	A	A	A	LNO, LNO, O, LO	LNO, O, LNO, LO, NO
Gross external debt	June 2006	07/01/06	M	Q	A		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, and rates on treasury bills, notes, and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A); irregular (I); not available (NA).
[7] Reflects the assessment provided in the data ROSC published on November 8, 2005, and based on the findings of the mission in February 2005. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).
[8] Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.

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October 20, 2006

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2006 Article IV Consultation with The Gambia

On October 13, 2006, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with The Gambia, and also assessed the country's performance under a staff monitored program (SMP).[33]

Background

The Gambia has achieved macroeconomic stability over the last two and a half years. Real GDP growth rebounded from a drought-induced decline in 2002 to an annual average of 5.7 percent per year for 2003–05. Underpinned by a tight monetary policy stance, year-on-year inflation—as measured by the consumer price index—fell to low single digit levels in 2005 and stayed below 2 percent in the first six months of 2006. Though treasury bill yields and bank lending rates have fallen, they remain very high in real terms. The average yield on treasury bills fell from 30 percent at the end of December 2004 to 14.5 percent at the end of June 2006.

The overall fiscal deficit increased from 5.7 percent of GDP in 2004 to 8.6 percent in 2005, reflecting lower revenues and higher domestic interest payments. A two-month closure of the border with Senegal depressed customs revenues, and higher domestic debt at the end of 2004 resulted in a substantial increase in domestic interest payments. In 2005, interest payments accounted for 47 percent of current expenditure (43 percent of domestic revenue). PRSP-related spending in 2005 (23 percent of domestically financed expenditures) fell short of the level envisaged in the budget (30 percent).

[33] 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. 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.

The updated fiscal outlook for 2006 suggests a greater fiscal adjustment effort compared to 2005, but a shortfall when compared to the 2006 budget. In particular, higher-than-budgeted expenditure on the African Union summit held in Banjul in July 2006 is the principal factor behind projected overspending amounting to about 1 ½ percent of GDP.

The external current account deficit (including official transfers) widened significantly from 5 percent of GDP in 2003 to about 15 percent in 2005, due mainly to higher imports. In addition, groundnut exports collapsed in 2005 as a result of failures in internal marketing arrangements. A bright spot in the current account was strong growth in tourism earnings; tourist arrivals rose by more than 20 percent in 2005. The current account deficit was financed by increased inflows of foreign direct investment (FDI) and official concessional loans. The ratio of nominal external debt to GDP fell from 145 percent at the end of 2004 to 136 percent at the end of 2005.

The dalasi appreciated modestly in nominal and real effective terms during 2004–05 after massive depreciations in 2001–03. The appreciation reflects a tighter monetary policy stance and increased inflows of remittances, transfers, and FDI. The economy has stayed relatively competitive; tourism receipts (the main source of foreign exchange earnings) have increased sharply and gross international reserves are at a comfortable level, equivalent to four months of imports.

The Gambia is classified as a Highly Indebted Poor Country (HIPC). It reached the decision point under the HIPC Initiative in December 2000 and is eligible for debt relief under both the Enhanced HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) when it reaches completion point. The results of a debt-sustainability analysis undertaken as part of the Article IV consultation indicate that the country is currently debt-distressed with all the key debt and debt service indicators well above indicative thresholds. Stress tests suggest that The Gambia will remain at moderate risk of debt distress even after MDRI relief.

A combination of exogenous shocks, fiscal slippages, and accommodating monetary policy stance derailed The Gambia's last Poverty Reduction and Growth Facility (PRGF)-supported program soon after it was approved in 2002. Following delays in implementing measures to address weaknesses revealed by a Safeguards Assessment, the PRGF arrangement expired in July 2005 without a single review being completed.

In order to re-establish a track record of policy implementation with the IMF, the authorities undertook an SMP spanning October 2005–March 2006. Performance under the program was satisfactory. All structural benchmarks were implemented, although some with a delay. In particular, guidelines and procedures to strengthen internal controls at the Central Bank of The Gambia (CBG) are being implemented, and steps have been taken to clear a backlog of unaudited government accounts. Performance against quantitative targets was mixed; fiscal targets for December 2005 were missed, but the slippages were made up by the end of March 2006.

Executive Board Assessment

Executive Directors commended the authorities on stabilizing the economy over the last two and a half years, which helped achieve low inflation and respectable economic growth. Directors noted, however, that the country continues to face severe challenges, in view of the high debt burden, narrow productive base, vulnerability to exogenous and policy-induced shocks, and widespread poverty. In these circumstances, and recalling the stop-go policies of the past, Directors urged the authorities to make a long-term commitment to a reform agenda that would promote higher growth and reduce poverty. They considered that such an agenda should include improving fiscal discipline, strengthening governance and accountability in the management of public resources, deepening the financial system, and enhancing the investment climate to foster private sector development. While recognizing that continued technical assistance will help support these efforts, Directors noted that more effective use of such assistance will enhance capacity building.

Directors were encouraged by The Gambia's performance under the Staff-Monitored Program that ended in March 2006. They especially welcomed the progress made by the Central Bank of The Gambia in addressing governance problems that had contributed to monetary policy lapses several years previously, and commended its success in reducing inflation and building up reserves. Directors called for full implementation of the new Act designed to strengthen the operational independence of the CBG.

Directors noted the authorities' concern that high interest payments are crowding out Poverty Reduction Strategy Paper (PRSP) priority expenditures, but considered that the authorities need to exercise fiscal discipline to address this concern. They stressed that limiting the government's domestic borrowing is critical for lowering interest rates, and consequently creating fiscal space for increasing growth-promoting and poverty-reducing public spending. In that context, they expressed disappointment that, subsequent to the SMP, fiscal slippages have emerged in connection with The Gambia's hosting of an African Union summit.

Directors stressed that the authorities should strengthen public financial management, including through the Integrated Financial Management Information System. In particular, it would be crucial to avoid expenditure overruns, extra-budgetary expenditures, and over-commitments on externally financed projects with substantial local counterpart funding requirements. Directors urged the authorities to extend the commitment control system beyond its current pilot phase to all spending units. They highlighted the need to better integrate the PRSP into the budget process, and to ensure that the resources released by debt relief contribute effectively toward reducing poverty.

Directors observed that, although the financial sector is relatively sound, financial intermediation is low. They noted that a high degree of concentration and high profit ratios in the banking system suggest room for more competition, but noted that structural impediments to lending should also be addressed. Directors encouraged the authorities to review laws that discourage lending, and to take steps to improve the efficiency of the court system and facilitate the establishment of a credit reference bureau.

Directors were of the view that The Gambia's floating exchange rate regime has served the country well and that the current level of the real effective exchange rate is broadly appropriate. At the same time, they underscored the importance of structural reforms to enhance external competitiveness and reduce the vulnerability of the economy to exogenous shocks. In this regard, they welcomed the authorities' request for assistance from the World Bank in the formulation of a program to improve the investment climate. Improvements in education and health would also strengthen capacity building and enhance productivity. Several Directors expressed concern about the recent weakness in the groundnut sector, and recommended that the remaining impediments to its efficient operation be removed.

Directors noted that stress tests in the debt sustainability analysis undertaken jointly by Fund and World Bank staff suggest that The Gambia will likely remain at a moderate risk of falling back into debt distress even if debt relief under the MDRI is provided. They underscored the importance of reliance on nondebt creating flows and further efforts to strengthen debt management. Directors also noted the importance of strengthening domestic revenue mobilization to supplement, and reduce dependency on, external resources.

Directors expressed concern about the severe data deficiencies that hamper the analysis of economic developments. They urged the authorities to speed up work on using the results of the 2003 household budget survey to improve the quality of the national accounts and the consumer price index. Additional steps are also necessary to improve the quality of balance of payments statistics along the lines recommended by the Fund.

Directors generally considered that there is a basis for proceeding to discuss with the authorities a program that could be supported under a three-year PRGF arrangement. They expected that a new arrangement would provide a framework for consolidating the implementation of sound macroeconomic policies and also assist the authorities make progress toward the HIPC completion point in order to benefit from debt relief. Directors urged the authorities to redouble their reform efforts, noting that credible fiscal consolidation and improved governance would be important for a new PRGF arrangement.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

The Gambia: Selected Economic and Financial Indicators, 2002–05

	2002	2003	2004	2005
	(Annual percentage changes, unless otherwise indicated)			
Domestic Economy				
Real GDP	-3.2	6.9	5.1	5.0
Nominal GDP	12.3	36.1	20.1	9.5
GDP deflator	16.1	27.4	14.3	4.3
Consumer price index (period average)	8.6	17.0	14.2	3.2
External sector	(Percent of GDP)			
Current account balance				
Excluding official transfers	-13.4	-13.6	-21.6	-20.8
Including official transfers	-2.8	-5.1	-11.8	-14.5
	(Annual percentage changes, unless otherwise indicated)			
Exports, f.o.b.[1]	7.1	-7.6	25.8	13.7
Imports, c.i.f.[1]	12.8	-6.2	46.2	18.8
Money and credit (end-of-period stocks)				
Broad money	35.3	43.4	18.3	13.1
Credit to the private sector and public enterprises	23.7	20.0	-6.5	5.5
Reserve money	34.1	62.7	11.0	11.9
Yields on 91-day treasury bill (percent per year; end of period)	20.0	30.9	27.5	8.5
Central government budget	(Percent of GDP)			
Balance, including grants	-4.4	-4.7	-5.7	-8.6
Basic balance[2]	-2.4	-2.5	2.4	-0.1
Basic primary balance[3]	2.7	3.6	9.6	8.5
Domestic revenue	16.3	15.7	20.9	19.8
Total expenditure and net lending	25.2	22.9	31.2	30.1
Stock of public debt				
External	130.1	144.9	144.9	136.3
Domestic	36.6	27.6	32.9	35.5
Current account balance	(Millions of U.S. dollars)			
Excluding official transfers	-49.6	-48.0	-86.7	-95.9
Including official transfers	-10.4	-18.0	-47.1	-66.8
Gross official reserves	67.2	62.3	84.0	97.0
In months of imports, c.i.f.	4.7	4.6	4.3	4.2
	(Percent of exports of goods and nonfactor services)			
External debt service[4]	15.6	7.7	14.5	11.0

Sources: Gambian authorities; IMF staff estimates and projections.
[1]Computed based on values in U.S. dollars.
[2]Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
[3]Defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditure.
[4]After interim debt relief and HIPC Initiative grants, including the IMF. Excludes any accumulation of external arrears.

Statement by Peter Ngumbullu, Executive Director for The Gambia
October 13, 2006

On behalf of the Gambian authorities we thank staff for the candid and constructive dialogue during the Article IV consultations and the review of the country's performance under the SMP. We also thank the Executive Board and Management for their continued support. The authorities appreciate the advice extended by the Fund and are in general agreement with the thrust of the staff report. As a result of the strengthened macroeconomic management, The Gambia has made significant progress towards macroeconomic stability in recent years. However, the economy continues to be vulnerable to external shocks including drought and higher oil prices. Public debt also continues to be high and unsustainable. The authorities look forward to negotiating a new PRGF arrangement with the Fund, which will be critical in anchoring their reform program, unlocking donor support, obtaining debt relief under enhanced HIPC and MDRI and realizing some fiscal space which will allow allocation of resources to development and poverty reducing activities.

Macroeconomic performance in 2005 was broadly favorable with growth in real GDP being supported by agriculture, construction and services sectors. The level of inflation remained in the low single-digits for over a year as a result of the tight monetary policy regime adopted by the authorities. The dalasi also continued to be stable, supported by the strong economic fundamentals and robust foreign exchange inflows.

Fiscal performance weakened somewhat in 2005 as a result of slightly lower revenues, a marked decline in grants and increased expenditures. Lower international trade tax revenue—attributable in part to a two-month closure of the border with Senegal—was largely responsible for the lower revenue performance. On the expenditure side, higher domestic interest payments were the main factors behind the increase. The size of domestic interest payments, at 47 percent of current spending in 2005, was a reflection of the high interest rates and domestic debt in 2004 which was issued to finance the much needed poverty reducing expenditure in the absence of adequate donor support as well as for monetary policy operations.

The external current account deficit (including official transfers) widened markedly in 2005, largely as a result of increased imports, in particular, the higher oil import bill. In spite of a marked increase in production in the 2004/05 crop season, the export of groundnuts and their products almost collapsed in 2005 on account of a failure in marketing arrangements. The current account deficit was financed by increased private capital inflows and some official concessional loans. The overall external position remained comfortable, with the level of gross international reserves of about four months of imports.

The Gambia's good performance under the SMP is an indicator of the authorities' commitment to improve macroeconomic management and establish a track record of sound policy implementation. All the quantitative targets and structural benchmarks were met, albeit a few with a slight delay. Internal controls at the CBG were strengthened by putting in place guidelines and procedures for improving accounting practices and controls in reserves management. The authorities have also begun improving public financial management and accountability by reducing the backlog of unaudited government accounts.

Significant progress has been made in improving fiscal performance over the past year and the authorities are committed to stepping up their efforts to sustain this performance. They have reassured that the slippage in budget implementation as a result of higher than budgeted expenditure on the AU summit was a once off occurrence that would not be repeated again. This was mainly a result of the significant shortfall in external assistance that the country expected for financing the summit. To mitigate against the impact created by hosting the summit, the authorities plan to sell some of the assets acquired for the summit. The basic fiscal balance is still expected to generate a surplus, thus indicating improved fiscal effort relative to last year.

High interest payments continue to exert tremendous strain on the budget and divert resources away from poverty reducing and growth promoting expenditures. This is evident in the fact that PRSP related spending fell short of the budget estimates in 2005. The high interest payments reflect the high level of domestic debt for financing the deficit and the tight monetary policy. The authorities therefore plan to contain domestic borrowing and to finance future budget shortfalls through concessional borrowing and grants. This is expected to alleviate the problem of high interest payments through reductions in the stock of domestic debt and interest rates. The authorities also plan to pay off half of their CBG long term loan.

The authorities are committed to improving budget formulation processes and stem the problem of arrears arising from inadequate budgetary provision for counterpart funding of donor funded projects. They are currently in the process of implementing the Integrated Financial Management Information System (IFMS), with the assistance of the World Bank, to improve public financial management. To facilitate performance in the interim, they plan to extend the commitment control system that was introduced on a pilot basis in 2005 to cover all budget units. Technical assistance from the Fund's regional advisor has been requested to build capacity in this regard. On the revenue side the authorities are taking measures to improve tax administration and promote tax compliance.

The authorities are also taking steps to improve transparency and timeliness of reporting on fiscal operations. They are currently in the process of clearing the backlog of unaudited government accounts and their submission to the Auditor General is expected to be brought up to date by the end of 2007.

The primary objective of monetary policy will continue to be the pursuit of price stability, through monetary targeting. The tight monetary policy stance adopted by the authorities has succeeded in bringing inflation to low single digits. Implementation of the new central Bank legislation which provides for enhanced central bank independence is also expected to further the CBG's capacity in execution of monetary policy.

The financial sector remains sound with banks well capitalized and profitable. However, credit extension to the private sector is low. To address this, the CBG in collaboration with representatives of the Banking Association, is undertaking a review of the legal system with a view to identifying and addressing impediments to lending. They also plan to establish a credit bureau which will provide reference on credit worthiness of individuals and private entities seeking credit from the financial sector. The authorities agree with staff that there may be room for increased competition in the banking sector. In view of this they hope that the two new banks that the CBG has licensed to begin business by the end of 2006 would enhance competition. The spread between commercial bank deposit and lending rates in the Gambia continues to be wide indicating that the bank costs may be high. Staff has identified the payoff to shareholders, overhead costs and the implicit cost of reserves as the main factors behind high bank costs. The reduction in the current high levels of government domestic borrowing, due to a return to fiscal stability, is expected to facilitate a reduction in risk premia and the decline in the implicit rate on government securities. This is expected to reduce bank holdings of treasury bills, and increase the supply of loanable funds thereby improving financial intermediation. The CBG will also consider staff's recommendation to help reduce bank costs by lowering the levels of statutory reserves.

As indicated by the joint Fund-Bank debt sustainability analysis, the level of public debt is high and unsustainable and without full delivery of debt relief The Gambia is deemed to be under debt distress. It is therefore very important for the country to enter into a PRGF arrangement which will facilitate reaching the HIPC completion point and further debt relief under the MDRI. The Gambia has made significant progress towards meeting completion point triggers and it is expected that the completion point will be reached by mid 2007 and the fiscal space provided by the debt relief will be used to increase pro-poor spending.

Achievement of high, sustainable and broad based growth is necessary for The Gambia to reduce poverty and meet the MDGs. Significant progress has been made in the promotion of the tourism sector which has attracted a lot of investment and has been growing at an annual average growth rate of 10 percent since 2002. The authorities are cognizant of the important role of competitiveness and the investment climate in promoting private sector led growth. The recent implementation of the ECOWAS common external tariff and the increase of sales tax to be in line with regional taxes is likely to have a negative effect on the competitiveness of the Gambia's re-export trade to neighboring countries. However, the authorities believe that, given the small size of the economy, the potential benefits of regional integration and duty free access to the whole ECOWAS region will outweigh the costs.

The authorities agree with staff that fast tracking structural reforms aimed at improving Gambia's external competitiveness and the investment climate is imperative. In this regard they have, with the support of the World Bank, implemented the "Gateway" project which aims to make Gambia a globally competitive export and processing centre through the expansion of private investment in export oriented production and employment. Significant progress under the project has been made. This includes the establishment of the Gambia Investment Promotion and Free Zone Agency (GIPFZA), implementation of several road projects to improve transportation infrastructure, development of physical infrastructure for the free zone and opening up of the energy and telecommunications sectors to private participation.

Action has also been taken to strengthen the country's legal framework and align the business regulatory framework with the rest of the world. To this end, a commercial court was established in 2005 with the goal of speeding up dispute resolution and the authorities have requested the Commonwealth Secretariat to assist with judges to clear the backlog of cases before the commercial court. An Alternative Dispute Resolution Act has also been passed to alleviate the pressure on the commercial court and work is underway to make it functional. In addition, the authorities are also undertaking a review of the Companies Act to enhance its comprehensiveness and strengthen its financial reporting provisions. The authorities acknowledge that more still needs to be done to improve the business climate and they are committed to taking additional measures to make the country a more attractive investment location.

The authorities acknowledge that the significant deficiencies in statistics complicate macroeconomic analysis and policy formulation. They are therefore taking appropriate action to alleviate this problem. In light of the capacity constraints being experienced in dealing with this issue the authorities request continued technical assistance from the Fund in order to enhance progress in this area.

In conclusion, we would like to reiterate the authorities' commitment to consolidating progress made towards macroeconomic stability, promotion of growth and implementation of their reform agenda. They hope they can continue to count on the continued support of the Fund and the international community in general in mitigating the enormous capacity and financial constraints that they face in their pursuit of these objectives. This is particularly important for the country to reduce poverty and make progress towards achieving the MDGs. The authorities look forward to the negotiation of the new PRGF program later this month and to its successful implementation which will pave the way for debt relief and creation of fiscal space to tackle poverty reduction.