IMF Country Report No. 17/179

THE GAMBIA

June 2017

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE GAMBIA

In the context of the request for disbursement under the Rapid Credit Facility, and proposal for a Staff-Monitored Program on The Gambia, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- **Staff Supplements** updating information on recent developments.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 26, 2017, following discussions that ended on April 12, 2017, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangement. Based on information available at the time of these discussions, the staff report was completed on June 13, 2017.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for The Gambia.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of The Gambia *****
Memorandum of Economic and Financial Policies by the authorities of The Gambia *****
Technical Memorandum of Understanding *****

***** Also included in Staff Report.

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 17/249
FOR IMMEDIATE RELEASE
June 26, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$16.1 Million Disbursement Under the Rapid Credit Facility for The Gambia

- The Board's approval enables the immediate disbursement of US$16.1 million, which is equivalent to 18.75 percent of The Gambia's quota in the IMF.
- The IMF financial assistance is intended to address urgent balance of payments needs that have arisen on account of the shocks.
- Determined and strong policy implementation under the staff monitored program will be critical to restoring macroeconomic stability, help catalyze further donor financing and establish a track record as the basis for future program engagement with the IMF.

The Executive Board of the International Monetary Fund (IMF) today approved emergency financial assistance under the Rapid Credit Facility (RCF)[1] in the amount equivalent to SDR11,662,500 (about US$16.1 million) for The Gambia to enable the authorities to meet their urgent balance of payment needs.

In addition, the Board was informed about the IMF Managing Director's approval of a one-year staff-monitored program (SMP)[2] to guide policy implementation.

With the recent political transition, the new government has inherited a dire economic situation and the country is faced with an urgent balance of payments need and a precariously low level of usable international reserves. The Gambia has been hit by a bad agricultural season, the political turmoil following the elections in December 2016 has greatly reduced tourism receipts in early 2017, and higher fuel and commodity prices put further strain on the balance of payments. These shocks have exacerbated an already fragile macroeconomic situation, reflecting past economic mismanagement.

[1] The RCF (http://www.imf.org/external/np/exr/facts/rcf.htm) is a lending arrangement that provides rapid financial support in a single, up-front payout for low-income countries facing urgent financing needs.

[2] An SMP is an informal agreement between country authorities and Fund staff, whereby the latter agree to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board.

The IMF financial assistance is intended to address urgent balance of payments needs that have arisen on account of the shocks. It will help fill budgetary gaps while the authorities implement economic and structural policies aimed at restoring macroeconomic stability and reducing poverty. The Executive Board's approval of the RCF disbursement will also enable the authorities to engage in further discussions with the donor community regarding assistance to meet their remaining financing needs. The Board's approval enables the immediate disbursement of the full amount of the RCF loan, which is equivalent to 18.75 percent of The Gambia's quota in the IMF.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The Gambia faces an urgent balance of payments need triggered by a weak agricultural season, lower tourism receipts due to the political turmoil early this year, and higher commodity prices. These shocks along with past economic mismanagement have exacerbated an already weak economic situation.

"The Gambian authorities are strongly committed to a break with past policies and to restoring macroeconomic stability and debt sustainability. To that end, they intend to implement strong fiscal measures in 2017 and beyond. They have committed to drastically reducing domestic borrowing, including by ending central bank deficit financing, and are taking substantive measures to increase non-tax revenue and reduce expenditures in 2017. The authorities also plan to undertake comprehensive reforms of key state-owned enterprises to secure the planned fiscal adjustment. These efforts are complemented by substantial external support from development partners. However, sustained further efforts beyond 2017 will be needed to secure fiscal sustainability.

"The Gambia's high public debt exposes it to significant vulnerabilities. To reduce these vulnerabilities, multilateral development banks have committed to provide additional support and assurances of highly concessional support have been received from some of The Gambia's major official bilateral creditors. The authorities are also committed to developing a strategy to reduce vulnerabilities stemming from domestic debt. These actions will help make debt sustainable over the medium term, although risks are expected to remain elevated. Over the coming months, it will be important for the authorities to continue to pursue a coordinated approach to secure assurances of support from other official creditors to reduce debt vulnerabilities.

"The IMF is supporting the efforts of The Gambia with resources from the Rapid Credit Facility. In addition, determined and strong policy implementation under the staff monitored program will be critical to restoring macroeconomic stability, help catalyze further donor financing and establish a track record as the basis for future program engagement with the IMF."

INTERNATIONAL MONETARY FUND

THE GAMBIA

June 22, 2017

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—SUPPLEMENTARY INFORMATION

Approved By
Roger Nord (AFR) and Zuzana Murgasova (SPR)

Prepared by the African Department

1. **This supplement provides an update on economic and policy developments since the issuance of the staff report on June 13, 2017**. The additional information does not change the thrust of the staff appraisal.

2. **Following the issuance of the staff report, staff has been informed of commitments of additional support from Multilateral Development Banks, and has received assurances of highly concessional support from some of The Gambia's major official bilateral creditors**. With these commitments and assurances, staff is able to conclude that The Gambia's total public debt is sustainable in the medium term, although risks remain very elevated, and its external risk rating is high. In this context, over the coming months, it will be important for the authorities to continue to pursue a coordinated approach to secure assurances of support from other official creditors. These assurances, together with the additional highly concessional resources expected to be committed at the donor conference, will be important to further reduce The Gambia's debt vulnerabilities

INTERNATIONAL MONETARY FUND

THE GAMBIA

June 23, 2017

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—SUPPLEMENTARY INFORMATION

Approved By
Roger Nord and Zuzana Murgasova

Prepared by
The African Department

1. **The Gambia has pre-HIPC arrears to the People's Republic of China,** the exact amount of which is still being verified by the two authorities. The Chinese authorities have indicated their consent to Fund financing notwithstanding the ongoing process of settling the issue associated with arrears.

INTERNATIONAL MONETARY FUND

THE GAMBIA

June 13, 2017

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM

KEY ISSUES

Background. The Gambia is at a historical turning point, with the transition to a democratically elected government committed to the rule of law, freedom of speech and socio-economic development ending the 22-year reign of the autocratic regime of former President Jammeh. However, the new government has inherited a dire economic situation and the country is faced with an urgent balance of payments need and a precariously low level of usable international reserves. The Gambia has been hit by a bad agricultural season, the political turmoil following the elections in December 2016 is expected to reduce tourism receipts in the first quarter of 2017 by about one third, and higher fuel and commodity prices put further strain on the balance of payments (BOP). The total BOP-impact of these shocks in 2017 is estimated at $31 million (3 percent of GDP). Finally, the new government is uncovering massive theft and embezzlement of funds by the previous regime mainly from state-owned enterprises (SOEs). International development partners have been quick to reengage and have indicated that substantive support is forthcoming.

Request. The authorities are requesting Fund support under the shocks-window of the RCF of SDR 11,662,500 equivalent to 18.75 percent of quota to cope with the urgent balance of payments needs and a one-year staff monitored program (SMP) to catalyze donor support, guide policy implementation and help build a track record of good performance for an eventual return to an ECF arrangement.

Main policy commitments. The authorities have committed to lowering net domestic borrowing (NDB) from 11.4 percent in 2016 to a fiscal anchor of 1 percent of GDP in 2017 and beyond, and refraining from monetary financing. External budget support of 7.2 percent of GDP will be complemented by a set of non-tax revenue and expenditure measures of 5 percent of GDP to achieve the NDB target. The authorities are also taking measures to resolve the financial problems of key SOEs to limit fiscal shocks from unbudgeted support. While debt is unsustainable in the baseline scenario, the authorities have committed to taking measures to make debt sustainable in the medium-term.

Staff's view. Staff supports the authorities' request. Staff views the package of measures the authorities have committed to as representing a very significant adjustment effort. The RCF disbursement, which is proposed to be on-lent for budget support given the large financing needs, would augment the authorities' own strong adjustment efforts, help catalyze additional donor financing, and give the authorities the time needed to establish a firm picture of state finances considering the massive theft of the previous regime that is being uncovered, firm up their medium-term consolidation strategy and ensure political consensus. The SMP will help guide policies and establish a track record of performance before moving to a future ECF which the authorities aspire to.

Approved By
Roger Nord and Zuzana Murgasova

Discussions were held in Banjul during March 30 – April 12, 2017 with President Barrow; Finance Minister Sanneh; former and current Central Bank Governors, Colley and Jammeh; other government officials, development partners, and representatives from the private sector and civil society, and continued on the margins of the Spring meetings during April 17-22, 2017. The staff team comprised Messrs. Jacoby (head), Norat, Wu, Mcloughlin, and Ms. Devine (all AFR). The team was assisted by Mr. Mendy (local economist), and supported by Ms. Njie (local office), Ms. Quartey, and Mr. Morán Arce. The mission coordinated closely with overlapping missions from the World Bank and the African Development Bank.

CONTENTS

APPENDIX

BACKGROUND

1. **Gambia has an urgent balance of payments need stemming from exogenous shocks.** Erratic weather has adversely affected the 2016-2017 agricultural season, halving the important groundnut cash crop harvest. Moreover, the political turmoil after the presidential elections in December 2016 severely reduced tourism during high season, and higher oil and commodity prices further negatively affect the balance of payments. Staff's preliminary estimate of the combined exogenous shocks amounts to $31 million (3 percent of GDP) in 2017 (Text Table 1). At the same time, gross international reserves have declined to around $60 million (1.6 months of prospective imports), predicated on foreign exchange swaps with commercial banks of about $33 million to shore up the CBG's foreign exchange holdings.

2. **Massive embezzlement by the previous regime depleted state and SOE revenues resulting in sizeable fiscal shocks**. The authorities are just beginning to establish the scope of theft of state resources by the previous regime mainly from SOEs, with preliminary findings of the finance ministry suggesting a scale of at least 4 percent of GDP per year since mid-2014 alone. This contributed to the need for unbudgeted bailouts of SOEs and additional SOE borrowing which in turn contributed to the significant increase in total public debt to 120 percent of GDP in 2016.

3. **Early parliamentary elections on April 6, 2017, delivered an absolute majority in support of President Barrow which bodes well for reform.** The election outcome gave a very strong mandate to President Barrow and reduced the former government party to less than 9 percent of seats.

4. **The Gambian authorities are requesting support under the RCF to cope with the urgent balance of payments needs and a staff-monitored program to guide policy implementation.** The urgent balance of payments need caused by the exogenous shocks, along with the depletion of state resources, have led to heightened economic fragilities at the starting point of the country's political transition to democracy. Addressing these economic problems will require substantial support by the international community as well as strong policy adjustment and reform measures. The authorities have requested Fund support through the RCF and a 12-month SMP to help guide policies, catalyze donor support, and establish a track record of good performance.

RECENT DEVELOPMENTS AND ECONOMIC OUTLOOK

5. **External shocks and economic mismanagement by the previous regime have considerably reduced economic growth in 2016.** GDP growth in 2016 is now estimated to have reached 2.2 percent, markedly lower than the 4.3 percent growth in 2015, due to limited availability of foreign exchange, weak agricultural output and the effect of the political impasse on tourism during high season. Headline annual inflation rose to 7.9 percent by end-2016, well

above the CBG's target of 5 percent, driven by high food prices and the depreciation of the dalasi.

6. The negative impact of the shocks on The Gambia's external accounts is estimated to be sizable in 2017. The impact of the external shocks in 2017 is projected at $31 million or 3 percent of GDP (Text Table 1), reflecting the weak cash crop harvest, the loss of about one third of tourism revenue in the first quarter due to the political turmoil, and higher commodity prices. The impact assessment does not fully capture second round effects, given tourism's large contribution to The Gambia's foreign exchange earnings which support imports and trade.

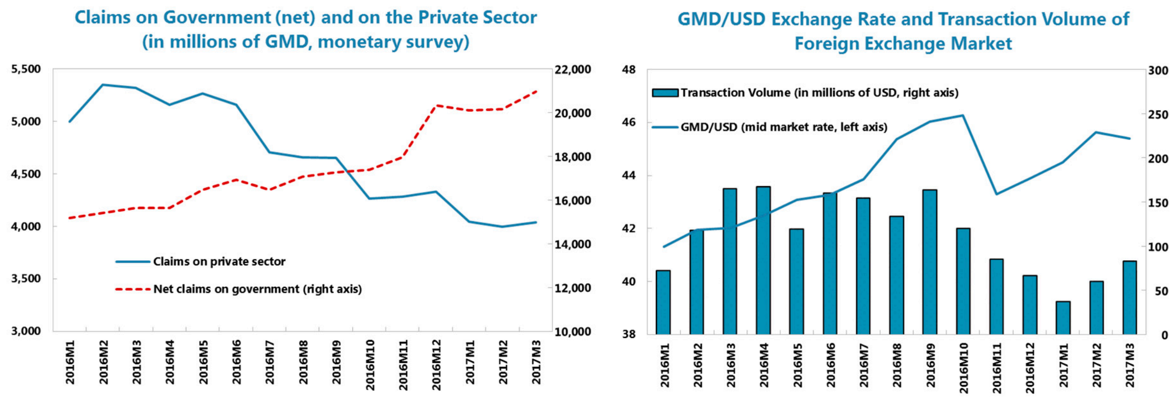
Text Table 1: Estimated BOP Impact of External Shocks in 2017

	US$ million	Pct. of GDP
Export crops decline due to erratic weather	**5.0**	**0.5**
Tourism receipts loss due to political impasse	**8.8**	**0.8**
Losses due to higher commodity prices	**17.3**	**1.7**
Higher oil prices	13.5	1.3
Higher sugar prices	2.7	0.3
Higher dairy prices	1.1	0.1
Total BOP Impact	**31.1**	**3.0**

7. The fiscal situation has been worsening in 2016. Domestic revenue collection fell from 17.6 percent of GDP in 2015 to 16.7 percent of GDP in 2016, reflecting import compression due to foreign exchange scarcity and low economic activity in the latter part of the year (in part due to the political turmoil), and arrears by SOEs. Total expenditures remained broadly unchanged at just under 30 percent of GDP in 2016. Net domestic borrowing reached 11.4 percent of GDP in 2016, slightly higher than in the preceding two years. With continued high borrowing, the total public debt stock reached 120 percent of GDP in 2016, rising from 105 percent in 2015, driven by the continued rise in domestic debt to 68 percent of GDP in 2016. The related high debt service on domestic debt absorbed 42 percent of government revenue in 2016.

8. Monetary policy continued to be undermined by the financing of the fiscal deficit. Although the CBG kept its policy rate at 23 percent throughout 2016, which is high in nominal and real terms, its signaling function has been significantly weakened by fiscal dominance which is increasingly crowding out private sector credit (Figure 1). While the exchange rate regime continues to be a float, new foreign exchange directives came into effect on November 1, 2016, introducing a compulsory requirement for commercial banks to sell 15 percent of their foreign exchange purchases to the CBG and establishing a reference rate to guide foreign exchange transactions. Since then, the dalasi has stabilized within a range of 43–48 dalasi per dollar and foreign exchange turnover has recently started to recover. In May 2017, the 15 percent surrender requirement was rescinded and the reference rate was put under review.

Text Figure 1



9. Growth for 2017 is expected to pick up marginally to 3 percent. The recovery is mainly predicated on the assumption of a normal agricultural season, following the bad 2016/17 harvest, and a gradual recovery in trade. Tourism is also forecast to recover, but unlikely to make up for the losses in early 2017 related to the political turmoil.

10. Over the medium to longer term, Gambia's growth is expected to move to a higher growth trajectory. While the Gambia has experienced growth episodes of 6-7 percent over the past 20 years, growth has been volatile due to weather related shocks, economic mismanagement and corruption of the previous regime, with average growth of 3.6 percent over that period. With the return to a government committed to the rule of law and restoration of macroeconomic stability, investment into tourism, agriculture and trade is expected to rebound, including from the large Gambian diaspora and foreigners previously deterred by seizures of foreign capital investments in the Gambia by the previous regime. A focus on commercial agriculture, irrigation and more drought resistant crops is expected to reduce the susceptibility of the economy to weather related shocks. Greatly improved relations with Senegal will help avoid border closures of the past and support trade and re-export trade with the subregion and, more generally, further regional integration. Greater and cheaper supply of electricity will support all economic activities, including light manufacturing, with significant enhancements expected over the next few years.[1] Finally, there may be scope to expand activity in sand and heavy metal mining and prospects for oil production, areas that had been entirely under the control of former President Jammeh.

[1] The Gambia's installed capacity amounts to 100 MW, entirely based on heavy fuel, but actual production is much lower at around 40–70 MW given outdated and non-functional generators. The World Bank, IsDB and BADEA are in the process of installing an additional 50 MW over the next 12-18 months, and The Gambia is expected to receive another 80 MW from 2020 from a regional hydropower project which is expected to reduce generation cost by 90 percent.

11. The Gambia's political transition from a deeply corrupt regime is likely to be growth enhancing in the near and medium term. As recent work by the Fund has shown, corruption can undermine the state's ability to deliver inclusive economic growth. When government functions are impaired, it can adversely affect many important determinants of economic performance, including macro financial stability, fiscal prudence and debt accumulation, investment, human capital accumulation, and total factor productivity (Box 1). The move to a more open and inclusive society and strengthening of governance and institutions should help The Gambia to sustain higher levels of growth. The boost to growth could be substantial, with studies suggesting that a one point increase in the corruption index could raise real GDP by 0.5 percentage points. Assuming a 5-point increase over 2017-22, this could add up to around 2.5 percent by 2023. [2] The growth dividend would be even greater if corruption were lowered to levels of Senegal or to those of SSAs top performers Botswana and Cabo Verde.

12. Macroeconomic projections have not fully factored in the positive outlook that the Gambia's structural break from the past would suggest. The structural break only just happened and there is still uncertainty about medium term plans of the authorities and development partners, and the private sector response. There is considerable upside potential for growth and FDI. External financial support is also likely to be substantially higher than reflected under current donor commitments.

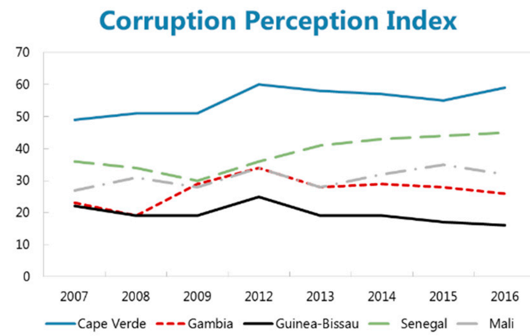
13. An updated Debt Sustainability Analysis (DSA) indicates that The Gambia is in external debt distress, and that total public debt is not sustainable (Annex I). The new government inherited an elevated public debt burden. Furthermore, the decline in institutional capacity during the previous regime lowered the 2013-15 average CPIA rating so that The Gambia is now classified as weak compared to medium in the last DSA, leading to substantial reductions in the debt threshold levels of the DSA. Driven largely by these factors, all five external debt burden indicators breach their respective indicative thresholds under the baseline and stress test scenarios of the DSA. The stock of public debt in the baseline as well as SOE contingent liabilities (not included in the baseline) also remain above its indicative benchmark for the entire projection horizon. While debt in the baseline is assessed to be unsustainable, the authorities have committed to taking measures to make the debt sustainable in the medium-term (¶31–32).

---

[2] Mo, Pak Hung (2001), *Corruption and Economic Growth*, Journal of Comparative Economics, Vol. 29, pp.66–79 and Ugur M. and Dasgupta N. (2011), *Evidence on the economic growth impacts of corruption in low-income countries and beyond: a systematic review*. London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

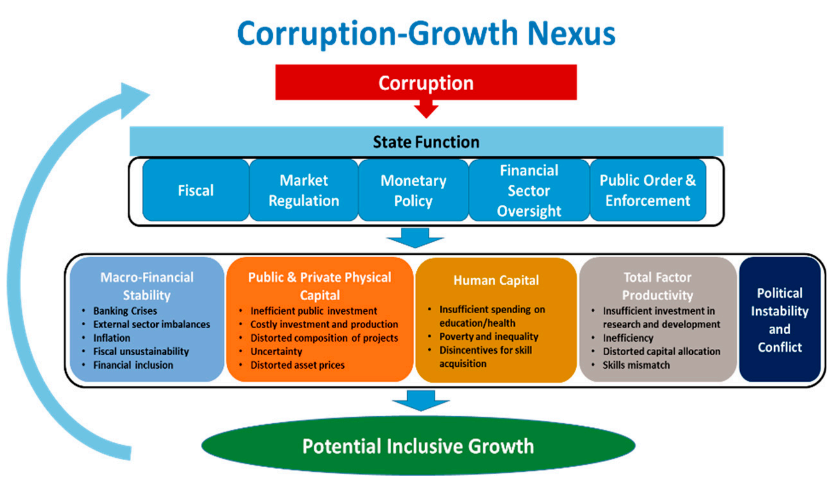
Box 1. Corruption Economic Growth and Macro Fiscal Implications

The Gambia ranked 145 out of 176 countries on the Transparency International Corruption Perception Index (CPI) in 2016. This poor performance reflected 22 years of the Jammeh regime, supported by a security apparatus that incited fear through extra-judicial detentions and killings, with massive theft depleting state coffers and hollowing out SOEs. Defining corruption is difficult as corrupt behavior varies across countries and time and is concealed from public view. Among the most widely accepted definitions is "the abuse of public office for private gain." It is a definition that fits the Jammeh regime - who through the Office of the President created a state within a state not subject to normal budgetary, legal, parliamentary and judicial constraints.



Most studies using perception-based measures of corruption have concluded that it hurts growth through a variety of channels (see chart). Corruption breeds public distrust in government and weakens the state's capacity to perform its core functions. The more corruption interferes with these functions, the more it distorts policies and their implementation. Depending on its pervasiveness, corruption affects some or all drivers of potential and inclusive growth, such as macro-financial stability, public and private investment, human capital accumulation, and total factor productivity. Low rates of inclusive growth can also lead to increased incidence of corruption, creating a negative feedback loop that can become self-enforcing and long lasting.

Empirical evidence confirms that corruption has significant negative effects on key channels that affect growth. The Gambia's political transition to a government committed to the rule of law and political and economic reform is thus likely to boost economic growth and tax revenue. Assuming a 5-point increase in the CPI (lower corruption) over 2017-22, the impact on growth (or per capita GDP growth) could be large, with lower corruption adding up to 2.5 percentage points to annual growth by 2022.



____

Sources:
- *Corruption Costs and Mitigating Strategies, IMF Staff Discussion Note*, May 2016, SDN/16/05 http://www.imf.org/external/pubs/ft/sdn/2016/sdn1605.pdf.
- *Corruption and Economic Growth*, OECD *G20 Issues Paper*, September *2013 (also references cited therein)* (https://www.oecd.org/g20/topics/anti-corruption/Issue-Paper-Corruption-and-Economic-Growth.pdf).

POLICY DISCUSSIONS

14. The authorities are committed to returning to fiscal sustainability and recognize that this will require strong fiscal action to bring expenditures in line with resource availability while securing donor assistance to drastically reduce domestic borrowing and interest cost. They plan to anchor policies at an NDB target of 1 percent of GDP to limit monetary expansion and support the rebuilding of reserves, lower T-bill rates to reduce the interest burden, and gradually reduce the ratio of domestic debt to GDP by keeping the growth of new debt well below that of nominal GDP. There are strong indications of donor support that could total more than 7 percent of GDP, but to achieve the NDB target the authorities will need to implement measures in 2017 and beyond.

15. Resolving the difficulties of the SOEs will be key to avoiding fiscal shocks on the NDB. As a first step, the authorities plan to conduct special audits of all SOEs to uncover all fraud and embezzlement of funds in the past, and stop the substantial leakages of 4 percent of GDP annually over the past 2½ years which should go a long way in improving their financial situation. With support from the World Bank, audits of the first five SOEs most affected by the previous regime's embezzlement will start soon, and audits of the CBG and of other SOEs will follow. The audits will also provide a solid basis for a resolution of cross arrears between government and the SOEs. The authorities are also in discussions on a restructuring of the National Water and Electricity Company's (NAWEC) domestic debt. The authorities are also planning to strengthen SOE oversight going forward.

FISCAL POLICIES

16. The authorities are determined to abide by the NDB target of 1 percent of GDP from 2017, but face a large financing gap this year. The 2017 budget which was approved before the change in government foresaw broadly unchanged spending. However, compared to the budget, the authorities have revised their tax revenue projection for 2017 down by 2.8 percent of GDP in light of the hit on tourism and lower economic activity. Total financing needs now amount to 15 percent of GDP, of which 1 percent of GDP could be financed domestically, in line with the NDB objective. Donor support would contribute the lion share of 7.2 percent of GDP, and onlending of the RCF an additional 1.5 percent of GDP.

17. To close the remaining financing gap of 5.3 percent of GDP, the authorities have already taken some action and are committed to implementing a range of further measures in 2017 (Text Table 2).

- All outstanding CBG lending to the budget through various facilities was consolidated into a 30-year bond at an interest rate of 5 percent at end-2016, with projected interest savings of 0.7 percent of GDP per annum.

- The authorities have already made efforts in recent months to curtail spending. This has further supported the decline in T-bill rates, with average rates reaching 11.5 percent in early April 2017 compared to an average of 17 percent in 2016. This is expected to reduce domestic interest payments in 2017 by about 0.8 percent of GDP.
- Expenditure cuts of 1 percent of GDP mainly in goods and services, including from the large budget of the President's Office, have been identified for inclusion in the ongoing revision of the 2017 budget.
- Staff audits of the civil service and, for the first time, of the uniformed services (which have expanded strongly over recent years) have been launched recently and are expected to be completed in mid-2017. Elimination of ghostworkers from the payroll could deliver savings. The staff audits could also lay the basis for a more comprehensive civil service reform in the future.
- Policies governing the bloated state vehicle fleet and its cost will be reformed, with expected savings in spending on goods and services of 2 percent of GDP over three years.
- Asset sales are expected to yield 1 percent of GDP in 2017. These include the presidential plane and two others, and land, including in prime tourist areas which could generate investment.
- Recapturing of previously diverted non-tax revenue from the international voice gateway, sand and heavy metal mining concessions, and other fees, are expected to yield 1.2 percent of GDP.
- Finally, the authorities plan to vigorously pursue recovery of stolen assets that are still held in The Gambia, but timeframe and possible values are still unclear. To the extent possible, the authorities plan to use recovered assets to retire domestic debt.

In total, concrete measures amount to 5 percent of GDP. The authorities aim to close the remaining financing gap of 0.3 percent of GDP through savings from the elimination of ghostworkers and recovery of stolen assets.

Text Table 2. The Gambia: Measures to fill the Financing Gap in 2017

Measures	Projected Savings	
	Percent of GDP	GMD millions
Revisions of the 2017 Budget		
Expenditure	**2.8**	**1336**
Interest savings from consolidation into 30-year CBG bond	0.7	330
Interest savings from lower T-bill rates	0.8	377
Expenditure cuts in goods and services	1.0	471
Completion of staff audits to eliminate ghost workers in the Gambian civil and uniformed services	TBD	TBD
Reform policies to reduce the vehicle fleet	0.3	157
Revenue	**2.2**	**1013**
Sale of the presidential and two other defunct planes	0.5	236
Sale of land, including in prime tourist locations	0.5	236
Recapture previously diverted non-tax revenue from the international voice gateway, sand and heavy metal mining concessions, and fees for the use of the container scanner in the port	1.2	541
Recovery of stolen assets that are still held in The Gambia	TBD	TBD
Total Savings	**5.0**	**2348**

Sources: Gambian authorities; and IMF Staff

18. The authorities are also exploring options to further lengthen the maturity profile of domestic debt which could generate additional savings and would reduce rollover risk. The consolidation of government borrowing from the CBG into a 30-year bond has already reduced rollover risk considerably, and the drastic reduction of NDB to 1 percent of GDP from levels around 10 percent of GDP in the past suggests that rollover of existing T-bills by commercial banks should not be problematic, as evidenced by the recent decline in interest rates. The authorities are currently exploring the introduction of longer-term securities to further reduce rollover risks and possibly generate interest savings by retiring more expensive T-Bills. This would also meet the needs of banks and nonbanks to better maturity match longer term liabilities and reduce their liquidity risks, and could help to develop a benchmark yield curve. The authorities have requested technical assistance from the Fund and the World Bank to support them in exploring options for a maturity lengthening.

19. For the medium term, the authorities have identified additional measures, building and expanding on the 2017 measures (Text Table 3). These include the full impact of the vehicle fleet reform and the elimination of ghost-workers from the payroll. The authorities are also contemplating a broader streamlining of the civil service, including of embassies and their personnel, and reviewing memberships in non-financial international organizations.

Text Table 3. The Gambia: Measures to fill the Financing Gap, 2018-19

Measures	Projected Savings	
	Percent of GDP	GMD millions
Medium-term proposals, 2018-2019		
Ongoing reforms to vehicle fleet	1.7	891
Elimination of ghostworkers from payroll	TBD	TBD
Streamlining ministries and subvented agencies, downsizing and rationalizing of embassies, and streamlining of memberships in non-financial international organizations	1.0	524
Total Savings - Medium Term	**2.7**	**1415**

Sources: Gambian authorities; and IMF Staff

STATE-OWNED ENTERPRISE REFORMS

20. The success of the planned fiscal consolidation is particularly dependent on implementing comprehensive SOE reforms. In 2016, unbudgeted fiscal spending on behalf of NAWEC and GAMTEL/GAMCEL weighed heavily on fiscal performance. Taking steps to protect the budget from such problems in 2017 and beyond will be critical. The authorities have agreed with the World Bank on a broad SOE reform program for 2017–19. [MEFP ¶¶19-23].

21. Addressing the corruption, cost of service delivery, and debt servicing problems of NAWEC will go a long way in containing the SOE problem. Over many years NAWEC suffered from presidential directives that set electricity tariffs below cost recovery and imposed economically unviable projects in rural areas, while fuel supply cost was inflated from rent-seeking by a monopoly supplier associated with the former president. The authorities have committed to addressing these issues for NAWEC to better manage its cost of production. Fuel importation for NAWEC has been switched to competitive international tender which has reduced cost by 15 percent (based on first tender). NAWEC will also pursue more vigorously nonpayment of bills, including by municipalities. Generating capacity will also be increased by 50 MW (with funding from World Bank, IsDB and BADEA). World Bank support includes the purchase of refurbished generators and investment in upgraded transmission needed for the streaming of regional hydroelectric power from 2020 that will greatly improve electricity supply by another 80 MW while cutting generation cost by about 90 percent.

22. GAMTEL/GAMCEL will likely require restructuring to better prepare it for the dynamism of the telecom market and enable it to compete in the wireless segment. Since 2013, a significant share of its revenue was siphoned off by presidential directive. Oversight over GAMTEL/GAMCEL will be moved from the President's Office to the Ministry of Communications which will take charge of the reform agenda for the two companies, with support from the World Bank. The World Bank is also supporting an asset valuation as the basis for evaluating options for a restructuring and possible divestiture.

23. Ending embezzlement will improve prospects for dividend payments from other SOEs, and the authorities plan to step up oversight over all SOEs. This will improve the finances of the financially more stable SOEs and help them contribute dividend payments to MoFEA. MOFEA will also step up oversight and monitoring of SOEs' operations, financial position and contingent liabilities and fiscal risks emanating from them. Staff is also planning to help the authorities incorporate additional Fiscal Stress Tests to help identify early and manage SOE related financial risks.

24. Much of the unbudgeted support provided in recent years by MoFEA to SOEs has been related to on-lending and credit guarantees provided by MoFEA as well as stepping in when SOEs were unable to service their public and external debt. In the future, to limit the build-up of contingent liabilities to SOEs:

- MoFEA will not contract any credit/loan on behalf of SOEs and will not approve any more guarantees to beneficiary agencies, including SOEs, unless the preconditions established under the 2014 Public Finance Act (PFA) are fully met. [3]
- MoFEA, through its Directorate of Loans and Debt Management and its Directorate of Public Private Partnership, will create and regularly update a database of all government guarantees, and regularly make details of all guarantees public on the MoFEA website in line with PFA 2014;

[3] The PFA 2014 covers the approval process, and credit worthiness of borrowers and recording and disclosure/reporting requirements, including a supporting report confirming that the loan is fully compatible with maintaining external and public debt sustainability.

- MoFEA has also committed to publish the audit reports of SOEs on its website. Ideally these would be published six months after the fiscal year end.

25. Ring-fencing of SOE debt is underway. Discussions with commercial banks on a restructuring of NAWEC's domestic debt are ongoing. This would also provide breathing room for NAWEC to repay tax arrears and pursue urgently needed investment. The authorities will assess the impact of any potential restructuring on the solvency and liquidity of banks including full agreement of banks and nonbanks on the chosen option for restructuring [MEFP ¶17].

MONETARY AND EXCHANGE RATE POLICIES AND FINANCIAL SECTOR STABILITY

26. The authorities are committed to monetary policies aimed at price stability, and a flexible exchange rate policy. CBG officials look forward to the exit from fiscal dominance which will finally render monetary policy effective in terms of controlling liquidity. In tandem, they plan to reduce the policy rate—which is now at an elevated level of 20 percent—to provide a floor for market interest rates which are already well below the policy rate, pending inflation declining toward the CBG's objective of 5 percent or less. While the authorities see a potential need for limited new central bank financing until budget support is received, they agreed that this should be completely phased out by October 2017. The authorities agree that exchange rate flexibility is necessary to absorb external shocks and help rebuild international reserves [MEFP ¶24].

27. Continued efforts are needed to improve monetary analysis and operations. To further strengthen the operational implementation of monetary policy the CBG plans to strengthen its liquidity forecasting capacity, introduce new liquidity absorption tools such as repos, and establish overnight facilities to limit interest rate volatility around the policy rate.

28. The authorities intend to revise the CBG Act to strengthen the bank's autonomy, and reconstitute the Board of Directors to full membership. The authorities intend to submit amendments to the CBG act to the national assembly for approval by end-2017, and fully constitute the Board of Directors and the Audit Committee, in line with recommendations from a recent safeguards update mission. Central bank independence is expected to enhance monetary policy implementation and financial stability through strengthened financial supervision and regulation free from political influence.

29. Measures to safeguard financial stability will be stepped up. The financial sector continues to be stable and profitable, in large part due to the high asset share of government securities, at the detriment of intermediation for the private sector. However, profitability is predicated on large public interest payments, and financial stability indicators mask large vulnerabilities due to the high exposure to the public sector. Assets directly related to government and parastatals account for 49 percent of total assets of the banking sector and are about 3.5 times as much as paid-up capital. In the short run, the financial difficulties of SOEs significantly weaken the soundness of commercial banks with exposures. The CBG will closely monitor the health of the banking sector with a focus on the impact of declining interest rates and lower government borrowing, NPLs and exposure to SOEs. It also plans to develop its crisis management capacity and upgrade the bank resolution framework, including strategies to handle possible bank crisis [MEFP ¶26].

30. The CBG continues to move ahead with its forward-looking risk analysis to strengthen bank supervision and crisis management. The CBG is developing its forward-looking risk-based supervisory analysis as it moves away from a compliance approach. This change in strategy is helping the CBG develop its on-site and off-site banking supervision work and to further develop its crisis management recovery and resolution framework. Furthermore, the CBG is exploring options to introduce deposit insurance which would reinforce its crisis preparedness.

DEBT SUSTAINABILITY

31. The authorities are committed to taking measures to make debt sustainable. They are already working, with Bank and Fund support, on a strategy for lengthening the maturity of domestic debt, including SOE debt. They have also approached their official creditors—regional development institutions, major non-Paris Club creditors, and the Paris Club—for financial support (on highly concessional terms) sufficient to cover debt service due to them over the next four years. Should assurances on such support be received by the Board date, staff will have confidence that debt sustainability will be restored via a lowering of gross financing needs, attenuation of heightened external debt vulnerabilities, and reduction in the present value of total public debt. In addition, these assurances would also serve to meet the authorities' financing needs over the medium term; indeed, in the absence of significant official sector support, a substantial financing gap would likely emerge, assuming full payment of external debt service obligations.

32. It is important to note that while such a strategy could deliver a sustainable debt position, it will do so with little margin to spare. Accordingly, it will be important for the authorities to secure substantial additional concessional resources at the donor conference to be held later this year, both for the country's general development as well as to lower the debt burden. Assuming these resources are used in part for retiring expensive domestic debt as well as for public investment, each additional US$50 million in donor financing would help further reduce gross financing needs and the PV of public debt by about 2-3 percent of GDP in the medium term while supporting growth enhancing and poverty reducing investment.

Progress on Poverty Reduction and Key Strategic Directions

33. The Government reform agenda continues to be based on the country's national blueprints, the Vision 2020 long-term development plan and the medium-term Program for Accelerated Growth and Employment (PAGE). The PAGE, approved in 2012 through a participative process involving all national stakeholders, aims to accelerate and sustain economic growth and development while creating employment opportunities for Gambians to improve their socio-economic conditions. The authorities are intent on securing macroeconomic stability that is a precondition for sustainable growth, and policies under the Staff Monitored Program (SMP) seek to reduce NDB. This is expected to generate fiscal savings from lower interest costs which could eventually be redirected to spending on PAGE priorities, and to ease crowding out of the private sector.

34. A new National Development Plan, the PAGE II covering 2017–21, is close to finalization. The authorities are currently incorporating the findings of the Integrated Households Living Conditions Survey (IHS) and subsequent analytical studies and expect to finalize the PAGE II by mid-2017. Good implementation of the *PAGE* is key for inclusive growth and poverty reduction in The Gambia. Since 2012, almost 50 percent of total locally-financed expenditure has been dedicated to poverty reducing activities identified in the *PAGE*. Infrastructure supporting trade and re-exports such as the Trans-Gambia River Bridge and work to support agriculture in terms of rural road construction and water management will support inclusive growth and help reduce rural poverty. Progress on PAGE and PAGE II remain critical especially as fragility in the Gambia has grown and needs have become greater as it emerges from 22-years of Jammeh's regime (Box 2).

Box 2. The Gambia: Strategy for Addressing Fragility

The Gambia is marked by five aspects of fragility. First, the country is exiting from 22 years of Jammeh rule and embarking upon a historic transition to democracy. A newly-elected government took power in January 2017, after a tumultuous election and political impasse, and early parliamentary elections were held in April 2017. Second, decades of Jammeh rule have impeded economic institutions and institutional capacity, both of which hamper effective macroeconomic management. Third, The Gambia is also economically fragile, stemming from high susceptibility to weather related shocks, past fiscal slippages and theft of funds by the previous regime. Fourth, limited recent progress on improving socio-economic indicators may accentuate frailties in The Gambia's social fabric, such as inter-tribal rivalries. Fifth, provision of vital infrastructure and services, such as reliable electricity, is weak.

The strategy for engagement with The Gambia entails capacity building efforts aimed at rebuilding resilience going forward. Actions such as ensuring that all previously-diverted revenue streams and public expenditures are brought on-budget, SOE reform and improving fiscal oversight of SOEs to put them on a sound financial footing, aim to increase fiscal transparency and improve basic infrastructure provision. At the same time, reducing net domestic borrowing and improving the effectiveness of monetary policy will strengthen macroeconomic management. Furthermore, technical assistance aimed at alleviating capacity limitations will focus on buttressing fiscal institutions; strengthening monetary policy tools and financial sector supervision; and enhancing statistical capacity.

REQUEST FOR FUND SUPPORT

35. The authorities have requested financial assistance under the RCF's shocks window in an amount of SDR 11,662,500 (18.75 percent of quota), combined with a 12-month SMP. The country faces an urgent BOP need, which is predominantly caused by external shocks related to adverse climate's impact on agriculture, political turmoil that adversely impacted the tourism sector, and higher commodity prices. The net BOP impact of these shocks is estimated at $31 million (3 percent of GDP) in 2017. If not immediately addressed these shocks could result in a very costly and disruptive forced adjustment. The new government will need time to address the long-standing legacy issues around corruption, embezzlement and theft which have depleted buffers. A 12-month SMP (April 2017 to March 2018) with end-June and end December 2017 test dates will help guide policies and establish a track record of good performance.

36. The RCF disbursement would complement the authorities' own adjustment efforts to address the urgent BOP need and help catalyze additional donor financing. It would also provide the authorities the time needed to establish a firm picture of state finances considering the massive embezzlement of the previous regime that is being uncovered, firm up their medium-term consolidation strategy and ensure political consensus. The authorities' combined measures in 2017 amounting to 5 percent of GDP are expected to close more than one third of the fiscal gap in 2017 and help mitigate external pressures resulting from the shock. The approval of an RCF disbursement would be instrumental in facilitating external budget support disbursements amounting to about $75 million for 2017 (7.2 percent of GDP), including from the World Bank ($41 million), the EU ($27 million) and the AfDB ($7 million). In light of the large fiscal financing needs, staff proposes that the RCF disbursement of 18.75 percent of The Gambia's quota, the dalasi equivalent of about $15.6 million covering about 11 percent of the fiscal financing gap, be on-lent from the CBG to the government on the same financial terms as the Fund's RCF disbursement to The Gambia.[4] This would help to close the financing gap in 2017. The RCF disbursement together with solid implementation of the associated SMP would help the authorities to obtain the support required to close the remaining gaps in the outer years, ideally in the form of grants given the country's elevated debt vulnerabilities. The RCF disbursement would help to restore gross international reserves to about $85 million, adding 0.4 months to reach 2.0 months of prospective imports in 2017.

37. The Gambia's capacity to repay the Fund is weak (Table 8) but expected to strengthen once measures to make debt sustainable are fully implemented, with risks to the outlook. Failure to implement measures to make the debt sustainable are an important risk. The country remains susceptible to weather related shocks. If donor support were to fail to materialize, the authorities would likely not be able to contain spending pressures. Finally, there

[4] The government of The Gambia and the CBG will update the Memorandum of Understanding clarifying the responsibilities, operational modalities, and other issues relevant to repaying the Fund the RCF resources to be on-lent from the CBG to the government.

are also political risks as the country's political transition is ongoing, but not yet firmly entrenched.

38. A safeguards assessment monitoring staff visit was conducted in March. A number of areas were found to be in need of significant strengthening. These include the following: (i) vacancies at the Central Bank of The Gambia (CBG) Board should be filled as quickly as possible in order to properly support governance and oversight arrangements; (ii) update the Audit Committee charter to strengthen its oversight role, including review of the external audit firm's performance; (iii) amendments to the CBG Act are needed to strengthen the bank's autonomy, including curbing excessive lending to the government; and (iv) strengthening procedures for opening and closing accounts, and ensuring that government expenditures and revenues are properly reflected in the Integrated Financial Management Information System (IFMIS). The key weaknesses will be addressed through program measures proposed as part of the SMP (MEFP, Table 2).

Text Table 4. The Gambia: Fiscal and BOP Financing Needs and Sources, 2017

	GMD Million	Pct. of GDP
(A) Fiscal Financing Needs	**7064**	**15.0**
NDB without corrective actions	7064	15.0
(no fiscal cost of external shock assumed)		
(B) Financing Sources	**6922**	**14.7**
(B.1) NDB Target	471	1.0
(B.2) Expenditure cuts	612	1.3
(Budget revision, vehicle fleet reform)		
(B.3) Non-tax revenue	1037	2.2
(Asset sales, voice gateway, concessions and fees)		
(B.4) Interest payment savings	707	1.5
(30yr bond reconciliation and T-Bill savings)		
(B.5) Donor support	3385	7.2
(WB, EU, AfDB in 2017)		
(B.6) IMF RCF disbursement	710	1.5
(C=A-B) Residual Financing Gap	163	**0.3**
(A) BOP Financing Needs	**4095**	**8.7**
Financing gap	4095	8.7
(B) Financing Sources	**4095**	**8.7**
(B.1) Donor support	3385	7.2
(WB, EU, AfDB in 2017)		
(B.2) IMF RCF disbursement	710	1.5
(C=A-B) Residual Financing Gap	**0.0**	**0.0**
Memorandum items:		
RCF disbursement		
As share of BOP financing gap (percent)		17.3
As share of other donor support (percent)		21.0

STAFF APPRAISAL

39. External shocks are predominantly responsible for the urgent balance of payments need of The Gambia, exacerbated by the low level of international reserves. The Gambia has been hit by a bad agricultural season, the political turmoil at the height of the tourism season led to much weaker tourism revenues, and higher fuel and commodity prices put further strain on the BOP. The total BOP-impact of these shocks in 2017 is estimated at $31 million (3 percent of GDP). At the same time, net usable international reserves are precariously low at 0.8 months of prospective imports.

40. The shocks come in the wake of a political transition from a 22-year rule during which state coffers were depleted, to an elected government committed to macroeconomic stability and the rule of law. The authorities have only just begun to assess the scope of theft from state resources by the previous regime, which has hollowed out SOEs and significantly contributed to the massive fiscal overruns in the past and the rapid build-up of domestic debt, interest rates and the large share of tax revenue absorbed by interest payments. Furthermore, monetization of the deficit by the CBG has created significant pressures on inflation, the exchange rate, and international reserves. The new government is committed to breaking with the economic mismanagement and corruption of the past.

41. To address their difficulties the Gambian authorities will need strong external donor support preferably as grants, complement by strong fiscal measures to which they are committed. The BOP and fiscal impact of the shocks and the required level of fiscal adjustment remain large. International financial institutions and other development partners have been quick to reengage and are preparing to provide substantial budget support. The Gambian authorities are committed to implementing both near and medium-term adjustment measures to prevent a disruptive forced adjustment. Exchange rate flexibility will help to buffer the economy from external shocks and rebuild reserves.

42. Staff considers the package of measures articulated in the MEFP a strong and significant effort by the new government. The authorities have already taken upfront actions and are in the process of further revising the 2017 budget with measures supporting the NDB target of 1 percent of GDP under the SMP. The envisaged adjustment would represent an ambitious consolidation and contribute significantly to addressing The Gambia's present difficulties. It would also support a further decline in domestic interest rates and thus alleviate medium-term spending pressures. Further medium-term measures will include deeper savings from staff audits, reform of the vehicle fleet, and streamlining of the civil service. Moreover, the reestablishment of previously siphoned-off state funds and possible proceeds from the recovery of stolen assets in the Gambia and abroad should also help to put the medium-term fiscal position on a sound footing and create more fiscal space for poverty reducing measures.

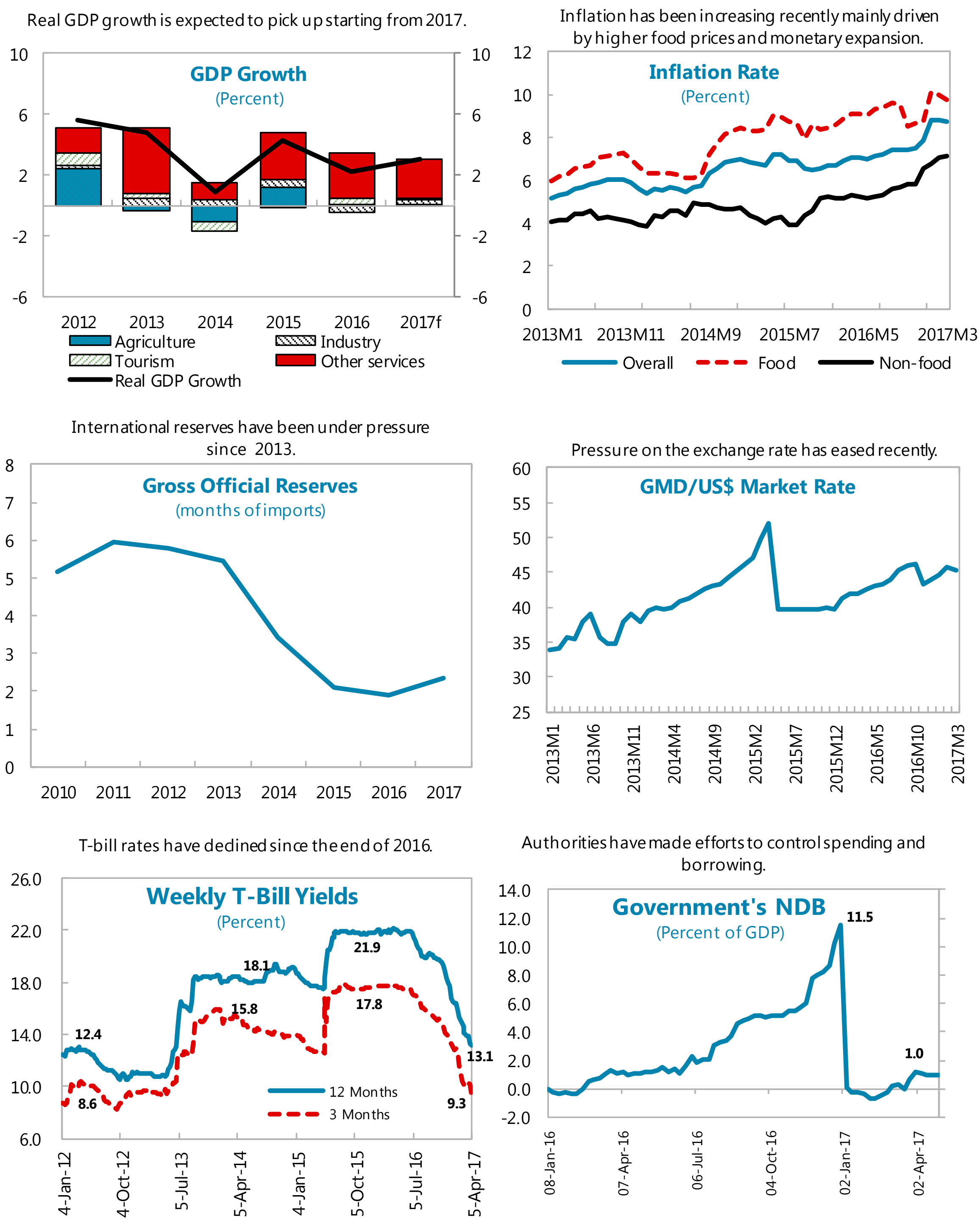
43. Comprehensive reforms of key state-owned enterprises, and the energy and telecom sectors remain critical to securing the planned fiscal adjustment in 2017 and beyond. Staff welcomes the special SOE audits to identify and stop all leakages, establish a clearer picture of public finances. Staff also welcomes the steps taken and envisaged to address the cost of service delivery of NAWEC and GAMTEL/GAMCEL, with support from development partners, and general SOE reforms envisaged under the agreement with the World Bank. Staff urges the authorities to swiftly deal with NAWEC's domestic debt obligations, ideally by lengthening its maturity in consultation with creditors and considering the impact of a debt restructuring on financial sector stability.

44. Risks to the outlook and to The Gambia's political transition to democracy are significant. Notwithstanding the authorities' efforts thus far and stepped-up external donor support. The Gambia's vulnerability to the weather, its commodity and import dependence, reliance on tourism revenues, and high debt remain as sources of significant vulnerabilities. However, the transition to a new elected government provides the break with the past to finally address long-standing economic vulnerabilities. If the authorities follow through on their commitment to the ambitious policies listed in the MEFP, and strong support from the international community is forthcoming, this would provide the basis for The Gambia to make the most of its historical turning point and restore macroeconomic stability and foster long-term fiscal and debt sustainability.

45. The authorities' strategy to restore debt sustainability is critical. The immediate steps envisaged, i.e. lengthening domestic debt maturities, and refinancing external debt service obligations, will bring debt to a sustainable position, but only just. It will be important for the authorities to mobilize substantial additional and highly concessional official financing at the planned donor conference later this year—to improve medium-term economic prospects, and strengthen debt sustainability, including by replacing expensive domestic debt.

46. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 11,662,500 (18.75 percent of quota). Considering the large financing need to achieve the 2017 fiscal target, staff would be able to support the request for on-lending the RCF for budget support, once the requested assurances on official concessional support are received from creditors. The RCF disbursement would supplement the authorities' own adjustment efforts, help catalyze additional donor financing, and give the authorities the time needed to develop and follow-through on their medium-term reform plans.

Figure 1. The Gambia: Recent Economic Developments, 2010–17



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

Table 1. The Gambia: Selected Economic Indicators

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.		Projection					
National account and prices	(Percent change; unless otherwise indicated)								
Nominal GDP (millions of dalasi)	34,774	38,581	42,252	47,139	52,041	57,169	62,617	68,663	75,187
Nominal GDP	7.6	10.9	9.5	11.6	10.4	9.9	9.5	9.7	9.5
GDP at constant prices	0.9	4.3	2.2	3.0	3.5	4.0	4.5	4.8	4.8
GDP per capita (US$)	432	448	469	488	499	509	518	527	536
GDP deflator	6.6	6.4	7.1	8.3	6.6	5.6	4.8	4.7	4.5
Consumer prices (average)	6.3	6.8	7.2	8.3	7.1	5.8	5.0	4.7	4.7
Consumer prices (end of period)	6.9	6.7	7.9	7.6	6.4	5.2	4.7	4.7	4.7
External sector	(Percent change; unless otherwise indicated)								
Trade balance (in percent of GDP, deficit -)	-19.3	-25.7	-17.9	-22.8	-23.9	-24.4	-23.9	-23.0	-21.3
Exports of goods and services	-7.7	-9.5	5.0	-6.0	13.3	8.8	9.3	8.1	8.6
Imports of goods and services	9.5	11.3	-10.2	12.3	12.0	8.0	6.1	4.6	3.1
	(Percent change; in beginning-of-year broad money)								
Broad money	11.2	-0.9	15.3	11.4	9.6	9.2	8.5	8.0	7.8
Net foreign assets	0.5	-11.6	-4.5	4.3	6.5	4.6	3.8	2.9	3.2
Net domestic assets, of which:	10.7	10.7	19.8	7.1	3.1	4.6	4.7	5.1	4.7
Credit to the government (net)	15.8	16.0	24.8	4.4	1.2	1.2	1.2	1.3	1.3
Credit to the private sector (net)	-2.4	-2.1	-3.0	2.8	2.9	3.0	3.2	3.4	3.6
Other items (net)	-2.2	-5.8	-1.1	-0.1	-0.9	0.4	0.3	0.4	-0.2
Velocity (level)	1.7	1.9	1.8	1.8	1.8	1.8	1.9	1.9	1.9
Central government budget	(Percent of GDP; unless otherwise indicated)								
Domestic revenue (taxes and other revenues)	18.5	19.7	18.4	18.7	17.4	18.0	18.7	19.5	20.3
Grants	3.7	1.9	1.7	6.8	5.5	4.8	4.1	3.6	3.2
Total expenditures and net acquisition of financial assets	32.0	29.7	29.8	28.0	26.5	25.8	25.5	24.8	24.6
Of which: Interest payments (percent of government revenue)	29.4	36.8	42.0	31.5	28.5	25.4	22.5	19.8	18.0
Net lending (+)/borrowing (–)	-5.8	-8.1	-9.7	-2.5	-3.6	-3.0	-2.7	-1.7	-1.1
Net incurrence of liabilities	10.0	12.1	13.7	2.3	3.6	3.0	2.6	1.7	1.1
Foreign	-2.0	0.0	1.1	-0.3	3.1	2.4	2.1	0.7	0.1
Domestic	12.0	12.0	12.6	2.5	0.5	0.5	0.5	1.0	1.0
Primary balance	-4.3	-0.9	-2.0	3.3	1.3	1.6	1.5	2.1	2.6
Public debt	104.9	105.3	120.2	112.7	108.1	103.8	99.8	94.9	90.0
Domestic public debt	46.4	53.9	67.9	61.8	57.0	52.9	49.2	45.9	42.8
External public debt	58.4	51.4	52.4	50.9	51.2	50.9	50.6	49.0	47.1
External public debt (millions of US$)	448.8	499.0	504.2	517.2	551.0	578.9	604.4	613.8	614.9
External sector	(Percent of GDP; unless otherwise indicated)								
Current account balance									
Excluding budget support	-13.2	-16.9	-9.7	-14.4	-15.8	-16.2	-15.8	-15.0	-13.5
Including budget support	-10.8	-15.0	-8.9	-9.4	-12.0	-13.0	-13.4	-13.1	-12.0
	(Millions of U.S. dollars; unless otherwise indicated)								
Current account balance									
Including budget support	-90.2	-133.9	-85.7	-97.0	-131.4	-150.5	-162.2	-167.1	-160.2
Overall balance of payments	-46.0	-41.3	-10.3	13.4	34.0	21.8	25.1	15.7	25.4
Gross official reserves	111.9	76.1	59.8	84.8	111.4	127.0	147.3	157.6	177.6
(months of next year's imports of goods and services)	3.0	2.3	1.6	2.0	2.4	2.6	2.9	3.0	3.1
Use of Fund resources	(Millions of SDRs)								
Disbursements	0.0	7.7	0.0	11.7	0.0	0.0	0.0	0.0	0.0
Repayments	-2.1	-3.8	-4.3	-3.0	-5.5	-4.6	-3.6	-4.1	-4.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table 2. The Gambia: Statement of Central Government Operations
(Millions of local currency)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.		Projection					
Revenue	7,720	8,335	8,466	11,980	11,892	13,057	14,285	15,843	17,669
Taxes	5,529	6,808	7,052	7,167	8,447	9,632	10,992	12,588	14,404
Taxes on income, profits, and capital gains	1,595	1,717	1,831	1,730	1,753	1,926	2,071	2,271	2,533
Domestic taxes on goods and services	2,349	2,925	3,055	3,184	3,774	4,348	4,922	5,683	6,645
Taxes on international trade and transactions	1,544	2,109	2,110	2,195	2,856	3,288	3,923	4,550	5,134
Other taxes	41	57	56	58	64	70	77	84	92
Grants	1,285	722	708	3,183	2,850	2,770	2,575	2,468	2,404
Budget support	0	0	0	2,401	1,965	1,799	1,512	1,310	1,141
Project grants	1,285	722	708	782	885	971	1,063	1,159	1,263
Other revenues	906	805	706	1,630	595	655	717	787	861
Expenditures	9,740	11,469	12,585	13,183	13,778	14,748	15,950	17,036	18,483
Expenses	7,250	9,095	9,876	10,112	10,046	10,800	11,625	12,516	13,617
Compensation of employees	1,910	1,826	2,117	2,343	2,559	2,816	3,084	3,382	3,704
Use of goods and services	2,117	2,066	2,747	2,605	2,724	3,031	3,342	3,675	4,080
Interest	1,895	2,798	3,261	2,770	2,577	2,608	2,631	2,644	2,750
External	213	499	456	343	343	385	423	456	472
Domestic	1,682	2,299	2,805	2,427	2,234	2,224	2,209	2,188	2,279
Subsidies	1,328	2,405	1,752	2,395	2,186	2,344	2,567	2,815	3,083
Net acquisition of nonfinancial assets	2,490	2,374	2,709	3,071	3,731	3,948	4,325	4,519	4,867
Acquisitions of nonfinancial assets	2,490	2,374	2,709	3,071	3,731	3,948	4,325	4,519	4,867
Foreign financed[1]	1,831	1,699	1,954	2,234	2,700	2,530	2,533	2,282	2,364
Gambia local fund	659	675	755	837	1,031	1,418	1,792	2,237	2,502
Gross Operating Balance	470	-760	-1,410	1,868	1,846	2,258	2,660	3,327	4,053
Net lending (+)/borrowing (–)	-2,020	-3,134	-4,119	-1,201	-1,886	-1,691	-1,665	-1,193	-814
Net acquisition of financial assets	1,375	0	6	0	0	0	0	0	0
Net incurrence of liabilities	3,476	4,660	5,787	1,063	1,885	1,690	1,649	1,192	813
Domestic	4,161	4,641	5,315	1,182	278	305	334	687	752
Net borrowing	4,216	4,556	4,808	1,182	520	572	626	687	752
Bank	2,897	3,503	5,013	1,027	300	339	380	425	474
o/w CBG lending RCF				711					
Nonbank	1,319	1,053	-205	156	220	233	246	261	278
Change in arrears	-54	86	507	0	-243	-267	-292	0	0
Privatization proceeds	0	0	0	0	0	0	0	0	0
Foreign	-686	19	471	-120	1,608	1,385	1,315	505	62
Loans	-686	19	471	-120	1,608	1,385	1,315	505	62
Borrowing	546	976	1,246	1,452	3,712	3,649	3,704	3,029	2,582
Amortization	-1,232	-958	-775	-1,571	-2,104	-2,264	-2,389	-2,523	-2,520
Statistical discrepancy/Financing Gap[2]	-80	-1,526	-1,662	139	0	0	16	0	0
Memorandum items:									
Government revenue (excluding grants)	6,435	7,613	7,759	8,797	9,042	10,287	11,710	13,375	15,265
Overall balance	-3,395	-3,134	-4,125	-1,201	-1,886	-1,691	-1,665	-1,193	-814
Basic balance[3]	-2,849	-2,158	-2,878	-2,153	-2,035	-1,931	-1,707	-1,379	-854
Basic primary balance[4]	-954	640	382	617	541	677	925	1,265	1,897
Primary balance	-1,501	-336	-864	1,568	691	918	967	1,452	1,936
Domestic public debt	16,152	20,794	28,670	29,141	29,660	30,225	30,837	31,498	32,209
Interest payments as a percent of government revenue	29.4	36.8	42.0	31.5	28.5	25.4	22.5	19.8	18.0

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

[1] Equals the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2017 and beyond, is the remaining financing gap.

[3] Overall balance, excluding statistical discrepancy, less expenditures financed by project grants and external borrowing.

[4] Basic balance, excluding interest payments.

Table 3. The Gambia: Statement of Central Government Operations
(Percent of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.				Projection			
Revenue	22.2	21.6	20.0	25.4	22.9	22.8	22.8	23.1	23.5
Taxes	15.9	17.6	16.7	15.2	16.2	16.8	17.6	18.3	19.2
Taxes on income, profits, and capital gains	4.6	4.5	4.3	3.7	3.4	3.4	3.3	3.3	3.4
Domestic taxes on goods and services	6.8	7.6	7.2	6.8	7.3	7.6	7.9	8.3	8.8
Taxes on international trade and transactions	4.4	5.5	5.0	4.7	5.5	5.8	6.3	6.6	6.8
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	3.7	1.9	1.7	6.8	5.5	4.8	4.1	3.6	3.2
Budget support	0.0	0.0	0.0	5.1	3.8	3.1	2.4	1.9	1.5
Project grants	3.7	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Other revenues	2.6	2.1	1.7	3.5	1.1	1.1	1.1	1.1	1.1
Expenditures	28.0	29.7	29.8	28.0	26.5	25.8	25.5	24.8	24.6
Expenses	20.8	23.6	23.4	21.5	19.3	18.9	18.6	18.2	18.1
Compensation of employees	5.5	4.7	5.0	5.0	4.9	4.9	4.9	4.9	4.9
Use of goods and services	6.1	5.4	6.5	5.5	5.2	5.3	5.3	5.4	5.4
Interest	5.4	7.3	7.7	5.9	5.0	4.6	4.2	3.9	3.7
External	0.6	1.3	1.1	0.7	0.7	0.7	0.7	0.7	0.6
Domestic	4.8	6.0	6.6	5.1	4.3	3.9	3.5	3.2	3.0
Subsidies	3.8	6.2	4.1	5.1	4.2	4.1	4.1	4.1	4.1
Net acquisition of nonfinancial assets	7.2	6.2	6.4	6.5	7.2	6.9	6.9	6.6	6.5
Acquisitions of nonfinancial assets	7.2	6.2	6.4	6.5	7.2	6.9	6.9	6.6	6.5
Foreign financed[1]	5.3	4.4	4.6	4.7	5.2	4.4	4.0	3.3	3.1
Gambia local fund	1.9	1.8	1.8	1.8	2.0	2.5	2.9	3.3	3.3
Gross Operating Balance	1.4	-2.0	-3.3	4.0	3.5	3.9	4.2	4.8	5.4
Net lending (+)/borrowing (–)	-5.8	-8.1	-9.7	-2.5	-3.6	-3.0	-2.7	-1.7	-1.1
Net acquisition of financial assets	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	10.0	12.1	13.7	2.3	3.6	3.0	2.6	1.7	1.1
Domestic	12.0	12.0	12.6	2.5	0.5	0.5	0.5	1.0	1.0
Net borrowing	12.1	11.8	11.4	2.5	1.0	1.0	1.0	1.0	1.0
Bank	8.3	9.1	11.9	2.2	0.6	0.6	0.6	0.6	0.6
o/w CBG lending RCF	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0
Nonbank	3.8	2.7	-0.5	0.3	0.4	0.4	0.4	0.4	0.4
Change in arrears	-0.2	0.2	1.2	0.0	-0.5	-0.5	-0.5	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-2.0	0.0	1.1	-0.3	3.1	2.4	2.1	0.7	0.1
Loans	-2.0	0.0	1.1	-0.3	3.1	2.4	2.1	0.7	0.1
Borrowing	1.6	2.5	2.9	3.1	7.1	6.4	5.9	4.4	3.4
Amortization	-3.5	-2.5	-1.8	-3.3	-4.0	-4.0	-3.8	-3.7	-3.4
Statistical discrepancy/Financing Gap[2]	-0.2	-4.0	-3.9	0.3	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Taxes (in percent of non-agricultural GDP)	19.2	21.3	20.1	18.2	19.4	20.2	21.0	21.9	22.9
Government revenue (excluding grants)	18.5	19.7	18.4	18.7	17.4	18.0	18.7	19.5	20.3
Overall balance	-9.8	-8.1	-9.8	-2.5	-3.6	-3.0	-2.7	-1.7	-1.1
Basic balance[3]	-8.2	-5.6	-6.8	-4.6	-3.9	-3.4	-2.7	-2.0	-1.1
Basic primary balance[4]	-2.7	1.7	0.9	1.3	1.0	1.2	1.5	1.8	2.5
Primary balance	-4.3	-0.9	-2.0	3.3	1.3	1.6	1.5	2.1	2.6
Domestic public debt	46.4	53.9	67.9	61.8	57.0	52.9	49.2	45.9	42.8

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

[1] Equals the sum of project grants, external project loans, and changes in project accounts.

[2] The difference between financing and the overall balance of revenue and expenditures. In 2017 and beyond, is the remaining financing gap.

[3] Overall balance, excluding statistical discrepancy, less expenditures financed by project grants and external borrowing.

[4] Basic balance, excluding interest payments.

Table 4. The Gambia: Monetary Accounts[1]

(Millions of local currency, unless otherwise indicated)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.		Projection					
				I. Monetary Survey					
Net foreign assets	4,574	2,201	1,296	2,301	3,980	5,293	6,477	7,463	8,618
in millions of U.S. dollars	101	55	30	50	82	105	124	136	150
Net domestic assets	15,791	17,978	21,963	23,610	24,418	25,722	27,175	28,881	30,577
Domestic credit	18,164	21,534	25,739	27,410	28,453	29,647	31,012	32,572	34,353
Claims on central government (net)	12,076	15,333	20,346	21,373	21,673	22,012	22,392	22,817	23,291
Claims on other financial corporations	6	5	5	5	5	5	5	5	5
Claims on other public sector[2]	721	1,257	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Claims on private sector	5,361	4,940	4,333	4,977	5,720	6,575	7,560	8,695	10,002
Other items (net)[3]	-2,373	-3,556	-3,775	-3,800	-4,034	-3,925	-3,837	-3,691	-3,777
Broad money	20,365	20,179	23,259	25,911	28,398	31,016	33,652	36,344	39,195
Currency outside banks	3,508	3,641	4,726	5,264	5,563	5,848	6,093	6,305	6,499
Deposits, of which:	16,857	16,538	18,534	20,647	22,835	25,168	27,559	30,039	32,696
				II. Central Bank Survey					
Net foreign assets	1,486	-144	-536	47	1,674	2,819	4,238	5,092	6,830
Foreign assets	5,415	3,374	2,977	4,284	5,732	6,741	8,065	8,790	10,387
Foreign liabilities	-3,929	-3,518	-3,514	-4,238	-4,059	-3,922	-3,828	-3,697	-3,557
Net domestic assets	4,535	6,770	8,832	9,685	9,173	9,005	8,642	8,768	8,033
Domestic credit	4,499	6,441	9,051	9,762	9,403	9,043	8,684	8,325	7,966
Claims on central government (net)	4,407	5,409	8,953	9,664	9,304	8,945	8,586	8,226	7,867
Claims on other financial corporations	6	5	5	5	5	5	5	5	5
Claims on private sector	86	117	94	94	94	94	94	94	94
Claims on public enterprises	0	911	0	0	0	0	0	0	0
Other items (net)	36	328	-220	-77	-230	-39	-42	444	67
Reserve money	6,021	6,626	8,295	9,731	10,846	11,824	12,880	13,861	14,863
Currency outside banks	3,508	3,641	4,726	5,264	5,563	5,848	6,093	6,305	6,499
Commercial bank deposits	2,513	2,984	3,570	4,467	5,283	5,976	6,787	7,556	8,364

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

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 5. The Gambia: Monetary Accounts[1]

(Percent change, unless otherwise indicated)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.				Projection			
			(Percent change; in beginning of period broad money)						
Broad money	11.2	-0.9	15.3	11.4	9.6	9.2	8.5	8.0	7.8
Net foreign assets	0.5	-11.6	-4.5	4.3	6.5	4.6	3.8	2.9	3.2
Net domestic assets	10.7	10.7	19.8	7.1	3.1	4.6	4.7	5.1	4.7
			II. Central Bank Survey (Percent change; in beginning of period monetary base)						
Reserve money	11.9	10.0	25.2	17.3	11.5	9.0	8.9	7.6	7.2
Net foreign assets	-25.0	-27.1	-5.9	7.0	16.7	10.6	12.0	6.6	12.5
Net domestic assets	36.9	37.1	31.1	10.3	-5.3	-1.6	-3.1	1.0	-5.3
Memorandum Items:									
Growth of credit to the private sector	-7.5	-7.9	-12.3	14.9	14.9	15.0	15.0	15.0	15.0
Growth of currency in circulation	7.8	3.8	29.8	11.4	5.7	5.1	4.2	3.5	3.1
Growth of demand deposits	11.4	-3.3	11.9	11.4	10.6	9.2	8.5	8.0	7.8
Growth of time and savings deposits	12.4	-0.9	12.2	11.4	10.6	10.9	10.2	9.7	9.5
Net usable international reserves (in millions of U.S. dollars)	68.3	28.9	19.8	33.4	67.3	89.1	114.2	130.1	155.9
Money velocity (levels)	1.7	1.9	1.8	1.8	1.8	1.8	1.9	1.9	1.9
Money multiplier (levels)	3.4	3.0	2.8	2.7	2.6	2.6	2.6	2.6	2.6
Broad money (percent of GDP)	58.6	52.3	55.0	55.0	54.6	54.3	53.7	52.9	52.1
Credit to the private sector (percent of GDP)	15.4	12.8	10.3	10.6	11.0	11.5	12.1	12.7	13.3
Central bank financing of central government (in millions of local currency)	1,868	1,002	3,543	711	-359	-359	-359	-359	-359
Commercial bank financing of central government (in millions of local currency)	1,029	2,254	1,470	316	660	698	739	784	833

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

[1] End of period.

Table 6. The Gambia: Balance of Payments
(Millions of U.S. dollars, unless otherwise indicated)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.				Projection			
1. Current account									
A. Goods and services	**-160.7**	**-229.5**	**-172.7**	**-236.2**	**-261.9**	**-281.1**	**-289.6**	**-292.5**	**-284.4**
Goods (net)	-211.5	-261.9	-220.1	-274.8	-299.2	-319.3	-334.1	-343.4	-340.0
Exports, f.o.b.	123.5	108.3	106.6	101.6	117.4	127.0	139.5	150.3	163.2
Imports, f.o.b.	-335.0	-370.2	-326.7	-376.4	-416.6	-446.3	-473.7	-493.7	-503.2
Services (net)	50.7	32.4	47.4	38.6	37.3	38.2	44.6	50.9	55.6
Services exports	120.1	112.1	124.9	116.1	129.2	141.3	153.7	166.7	181.0
Of which: travel income	60.5	63.9	70.7	61.9	75.1	85.5	96.7	108.8	122.0
Services imports	-69.4	-79.7	-77.5	-77.5	-91.9	-103.1	-109.1	-115.8	-125.4
B. Income (net)	**-23.5**	**-28.3**	**-27.8**	**-28.7**	**-29.6**	**-30.7**	**-31.8**	**-32.9**	**-36.4**
Income credits	1.8	2.2	2.2	2.2	2.3	2.4	2.5	2.6	2.8
Income debits	-25.3	-30.5	-30.0	-30.9	-31.9	-33.1	-34.2	-35.5	-39.2
C. Current transfers	**94.0**	**123.9**	**114.8**	**167.8**	**160.1**	**161.2**	**159.1**	**158.3**	**160.6**
Official transfers	19.5	17.0	7.7	52.9	41.3	36.3	29.3	24.3	20.3
Remittances	59.3	93.6	93.5	101.1	106.5	112.4	117.2	123.1	129.1
Other transfers	15.3	13.3	13.6	13.9	12.3	12.6	12.6	10.9	11.2
Current account (excl. budget support)	**-109.7**	**-151.0**	**-93.4**	**-149.9**	**-172.7**	**-186.8**	**-191.5**	**-191.4**	**-180.5**
Current account (incl. budget support)	**-90.2**	**-133.9**	**-85.7**	**-97.0**	**-131.4**	**-150.5**	**-162.2**	**-167.1**	**-160.2**
2. Capital and financial account									
A. Capital account	**28.8**	**23.2**	**16.2**	**25.9**	**18.6**	**19.6**	**20.6**	**21.7**	**22.7**
B. Financial account	**98.2**	**72.6**	**45.5**	**84.5**	**146.7**	**152.7**	**166.7**	**161.1**	**162.9**
Foreign direct investment	76.8	73.2	72.7	83.2	90.5	98.9	108.1	118.6	129.7
Portfolio investment	-2.1	2.9	3.1	3.8	4.0	3.8	3.7	3.4	3.6
Other investment	23.6	-3.5	-30.3	-2.5	52.2	50.0	54.9	39.1	29.5
Capital and financial account	**127.0**	**95.8**	**61.6**	**110.4**	**165.3**	**172.3**	**187.3**	**182.8**	**185.6**
Errors and omissions	-82.8	-3.1	13.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-46.0**	**-41.3**	**-10.3**	**13.4**	**34.0**	**21.8**	**25.1**	**15.7**	**25.4**
Financing									
Net international reserves (increase -)	46.0	41.3	10.3	-13.4	-34.0	-21.8	-25.1	-15.7	-25.4
Change in gross international reserves	49.2	35.8	16.3	-25.0	-26.5	-15.6	-20.2	-10.3	-20.0
Use of IMF resources (net)	-3.2	5.4	-5.9	11.7	-7.4	-6.2	-4.9	-5.3	-5.3
Disbursements	0.0	10.8	0.0	15.7	0.0	0.0	0.0	0.0	0.0
Repayments	-3.2	-5.4	-5.9	-4.0	-7.4	-6.2	-4.9	-5.3	-5.3
Memorandum items:									
Exports of goods and services	243.6	220.4	231.5	217.7	246.6	268.3	293.2	317.0	344.2
Imports of goods and services	-404.4	-449.9	-404.2	-453.9	-508.5	-549.4	-582.8	-609.5	-628.6
GMD per US dollar, period average	41.73	43.2	43.8	45.4	47.6	49.6	51.6	53.9	56.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross International Reserves									
US$ millions	111.9	76.1	59.8	84.8	111.4	127.0	147.3	157.6	177.6
Months of current year's imports of goods and services	3.3	2.0	1.8	2.2	2.6	2.8	3.0	3.1	3.4
Months of next year's imports of goods and services	3.0	2.3	1.6	2.0	2.4	2.6	2.9	3.0	3.1
Net usable international reserves									
US$ millions	68.3	28.9	19.8	33.4	67.3	89.1	114.2	130.1	155.9
Months of current year's imports of goods and services	2.0	0.8	0.6	0.9	1.6	1.9	2.4	2.6	3.0
Months of next year's imports of goods and services	1.8	0.9	0.5	0.8	1.5	1.8	2.2	2.5	2.7

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

Table 7. The Gambia: Balance of Payments
(Percent of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Act.	Prel.				Projection			
1. Current account									
A. Goods and services	**-19.3**	**-25.7**	**-17.9**	**-22.8**	**-23.9**	**-24.4**	**-23.9**	**-23.0**	**-21.3**
Goods (net)	**-25.4**	**-29.4**	**-22.8**	**-26.5**	**-27.4**	**-27.7**	**-27.5**	**-27.0**	**-25.4**
Exports, f.o.b.	14.8	12.1	11.0	9.8	10.7	11.0	11.5	11.8	12.2
Imports, f.o.b.	-40.2	-41.5	-33.9	-36.3	-38.1	-38.7	-39.0	-38.8	-37.6
Services (net)	6.1	3.6	4.9	3.7	3.4	3.3	3.7	4.0	4.2
Services exports	14.4	12.6	13.0	11.2	11.8	12.3	12.7	13.1	13.5
Of which: travel	7.3	7.2	7.3	6.0	6.9	7.4	8.0	8.5	9.1
Services imports	-8.3	-8.9	-8.0	-7.5	-8.4	-8.9	-9.0	-9.1	-9.4
B. Income (net)	**-2.8**	**-3.2**	**-2.9**	**-2.8**	**-2.7**	**-2.7**	**-2.6**	**-2.6**	**-2.7**
Income credits	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Income debits	-3.0	-3.4	-3.1	-3.0	-2.9	-2.9	-2.8	-2.8	-2.9
Of which: interest on government debt	0.6	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.6
C. Current transfers	**11.3**	**13.9**	**11.9**	**16.2**	**14.6**	**14.0**	**13.1**	**12.4**	**12.0**
Official transfers	2.3	1.9	0.8	5.1	3.8	3.1	2.4	1.9	1.5
Remittances	7.1	10.5	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Other transfers	1.8	1.5	1.4	1.3	1.1	1.1	1.0	0.9	0.8
Current account (excl. budget support)	**-13.2**	**-16.9**	**-9.7**	**-14.4**	**-15.8**	**-16.2**	**-15.8**	**-15.0**	**-13.5**
Current account (incl. budget support)	**-10.8**	**-15.0**	**-8.9**	**-9.4**	**-12.0**	**-13.0**	**-13.4**	**-13.1**	**-12.0**
2. Capital and financial account									
A. Capital account	**3.5**	**2.6**	**1.7**	**2.5**	**1.7**	**1.7**	**1.7**	**1.7**	**1.7**
B. Financial account	**11.8**	**8.1**	**4.7**	**8.1**	**13.4**	**13.2**	**13.7**	**12.6**	**12.2**
Foreign direct investment	9.2	8.2	7.5	8.0	8.3	8.6	8.9	9.3	9.7
Portfolio investment	-0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Other investment	2.8	-0.4	-3.1	-0.2	4.8	4.3	4.5	3.1	2.2
Capital and financial account	**15.2**	**10.7**	**6.4**	**10.6**	**15.1**	**14.9**	**15.4**	**14.4**	**13.9**
Errors and omissions	-9.9	-0.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-5.5**	**-4.6**	**-1.1**	**1.3**	**3.1**	**1.9**	**2.1**	**1.2**	**1.9**
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table 8. The Gambia: Indicators of Capacity to Repay the Fund, 2017–27

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
					Projections						
Fund obligations based on existing credit											
Principal (in millions of SDRs)	3.0	5.5	4.6	3.6	4.0	2.8	1.7	1.6	0.8	0.0	0.0
Charges and interest (in millions of SDRs)[1]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective											
Principal (in millions of SDRs)	3.0	5.5	4.6	3.6	4.0	4.0	4.0	3.9	3.1	2.3	1.2
Charges and interest (in millions of SDRs)[1]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective											
Millions of SDRs	3.1	5.7	4.7	3.8	4.1	4.1	4.2	4.0	3.2	2.5	1.3
Millions of US$	4.3	7.6	6.3	5.0	5.5	5.5	5.6	5.4	4.4	3.3	1.7
Percent of Gross International Reserves	5.0	6.8	5.0	3.4	3.5	3.1	3.0	2.7	2.1	1.5	0.8
Percent of exports of goods and services	4.1	6.1	4.5	3.2	3.3	3.0	2.9	2.6	2.0	1.4	0.7
Percent of debt service [1]	11.2	17.6	14.2	10.7	11.7	12.2	12.8	13.4	11.8	12.2	8.1
Percent of GDP	0.4	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.2	0.1
Percent of quota	5.0	9.1	7.6	6.0	6.6	6.6	6.7	6.5	5.2	4.0	2.1
Outstanding Fund credit											
Millions of SDRs	36.2	30.7	26.1	22.5	18.5	14.5	10.5	6.6	3.5	1.2	0.0
Millions of US$	50.3	41.2	35.0	30.2	24.9	19.5	14.1	8.9	4.7	1.6	0.0
Percent of Gross International Reserves	59.3	37.0	27.6	20.5	15.8	11.0	7.5	4.5	2.3	0.7	0.0
Percent of exports of goods and services	48.0	32.8	24.7	19.2	14.7	10.6	7.4	4.3	2.1	0.7	0.0
Percent of debt service [1]	131.8	95.6	78.6	64.3	52.9	43.3	32.2	22.1	12.8	5.8	0.0
Percent of GDP	4.8	3.8	3.0	2.5	2.0	1.5	1.0	0.6	0.3	0.1	0.0
Percent of quota	58.2	49.3	41.9	36.1	29.7	23.4	16.9	10.6	5.6	1.9	0.0
Net use of Fund credit (millions of SDRs)	8.7	-5.5	-4.6	-3.6	-4.0	-4.0	-4.0	-3.9	-3.1	-2.3	-1.2
Disbursements	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	3.0	5.5	4.6	3.6	4.0	4.0	4.0	3.9	3.1	2.3	1.2
Memorandum items:											
Nominal GDP (millions of US$)	1,037.6	1,093.8	1,153.5	1,213.4	1,273.9	1,337.5	1,398.1	1,466.3	1,537.7	1,612.6	1,691.2
Exports of goods and services (millions of US$)	104.8	125.6	141.4	157.4	168.9	184.7	190.2	206.8	220.1	234.1	244.5
Gross International Reserves (millions of US$)	84.8	111.4	127.0	147.3	157.6	177.6	187.6	197.6	207.6	217.6	227.6
Debt service (millions of US$) [1]	38.2	43.1	44.6	46.9	47.0	45.1	43.8	40.2	36.8	27.0	21.7
Quota (millions of SDRs)	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2	62.2

Sources: IMF staff estimates and projections.

[1] PRGT interest waived through end-2016, total debt service includes IMF repurchases and repayments.

Appendix I. Letter of Intent

Banjul, The Gambia
June 9, 2017

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde:

1. The Gambia is at a historical turning point, with the transition to a democratically elected government committed to the rule of law, freedom of speech and socio-economic development ending the 22-year reign of the autocratic regime of former President Jammeh. However, the new government has inherited a country and an economy that are broken. We are uncovering massive theft and embezzlement of funds, mainly from state-owned enterprises (SOEs) by the previous regime, and state coffers are empty. On top of our difficult starting position, the economy has been hit by a bad agricultural season which reduced our main cash crop by about half, the political turmoil following the elections in December 2016 which cut tourism receipts in the first quarter of 2017 by about one third, and higher fuel and commodity prices that put additional strain on the balance of payments. The economic situation is dire and the country is faced with an urgent balance of payments need and a precariously low level of usable international reserves. Accordingly, we would like to request support under the Rapid Credit Facility (RCF).

2. Our government has only been in office since February 2017, and our immediate priority has been to prevent the situation escalating into crisis. The parliamentary elections on April 6, 2017, resulted in an absolute majority in support of the government and a strong mandate for reform. We will now work expeditiously to restore macroeconomic stability and debt sustainability, and put policy implementation on a sound and sustainable footing. Our international development partners have been quick to reengage and have indicated that substantial financial support could be forthcoming which is necessary to cope with the acute impact of the shock and the legacies of the past. Domestically, we are committed to implementing strong upfront fiscal measures and mitigate fiscal shocks, including drastically reducing net domestic borrowing, taking steps to put the public utility and telecom companies on a sound financial footing, and ensuring the sustainability of the public debt. To assist us in fulfilling the pressing priorities and to shore up our low international reserves, we are asking the IMF to provide immediate support in the form of a disbursement under the RCF in an amount equivalent to 18.75 percent of quota, or SDR 11,662,500 that would be disbursed to the Central Bank of The Gambia (CBG).

3. We are interested in a future ECF arrangement to help maintain economic stability and make progress towards inclusive growth and poverty reduction over the medium term, in line with the national development plan. We will need close engagement with the IMF staff to guide policy implementation and articulate medium-term adjustment measures over the coming year, and recognize the need to establish a track record of strong policy implementation. Therefore, we request that IMF staff monitors the implementation of our economic program covering the period April 2017 to March 2018.

4. The attached Memorandum of Economic and Financial Policies (MEFP) describes the policies that we plan to implement over that period. It emphasizes policies—particularly fiscal policy, public enterprise reforms, and measures to make the debt sustainable—that will enable us to obtain rapid results to address our chronic fiscal problems and restore confidence in economic policies. In turn, this will also help stabilize our balance of payments position. The Government will revive a high level economic committee comprised of the Vice-President, the Secretary General, the Minister of Finance and the Governor of the CBG to provide the political leadership required to ensure that the program remains on track. We believe that the policies and measures included in this MEFP are adequate to achieve the immediate objectives of our program to avert crisis and restore macroeconomic stability, but we will take any further measures that may become appropriate for this purpose. We will need more time to fully assess the economic and financial situation, and to formulate a comprehensive medium-term economic program that will support growth, poverty reduction and broader socio-economic development.

5. We will consult with the IMF staff prior to any revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations. We will continue to provide to the IMF staff on a timely basis the information required to monitor accurately the staff-monitored program. We will fully cooperate with the IMF to achieve our policy objectives, and furthermore undertake not to introduce measures to compound the current balance of payments difficulties in The Gambia, including but not limited to an introduction or intensification of exchange and trade restrictions. The CBG will undergo a safeguards assessment before a successor IMF arrangement is in place. We will authorize the external auditors of the CBG to share relevant documents and hold discussions with the IMF staff.

6. The Gambian authorities agree to the publication of this Letter of Intent (LOI) and the attached MEFP and Technical Memorandum of Understanding (TMU), as well as the IMF staff report related to the request for a disbursement under the RCF and the proposed staff-monitored program. We hereby authorize their publication and posting on the IMF website after approval by the Executive Board of the IMF.

Sincerely yours,

/s/	/s/
Amadou Sanneh	Bakary Jammeh
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments:

I. Memorandum of Economic and Financial Policies (MEFP)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

INTRODUCTION

1. Context. We are facing an urgent balance of payments need and a precariously low level of usable international reserves due to shocks to agriculture and tourism, and the adverse impact of higher fuel and commodity prices. These shocks come at a time when—following the historical transition to a democratically elected government—we are uncovering massive theft and embezzlement of funds by the previous regime which have depleted state coffers. We request the IMF's support under the RCF to cope with the acute impact of the external shocks. In addition, we are also requesting that IMF staff monitors the implementation of our economic program covering the period April 2017 to March 2018 to help us undertake the needed policy corrections.

2. This memorandum lays out the Gambian authorities' economic program and reform agenda for the period ahead.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3. Macroeconomic developments in 2016 have been impacted considerably by the economic mismanagement of the previous regime and external shocks. Economic growth in 2016 is now estimated to have reached 2.2 percent, markedly lower than the 4.3 percent growth in 2015, due to limited availability of foreign exchange, weak agricultural output and the effect of the political impasse on tourism during high season. With erratic rainfall during the summer, about half of the groundnut cash crop will be lost according to the pre-harvest report. Headline annual inflation stood at 8.7 percent in March 2017, well above the CBG's target of 5 percent, driven by high food prices and the depreciation of the dalasi against the U.S. dollar by about 5 percent since November 2016. Net international reserves have fallen to a precariously level of only US$21.5 million in March 2017, less than one month of prospective imports. Even this low level is predicated on foreign exchange swap arrangements with two commercial banks totaling US$33.2 million.

4. High deficits in recent years, financed by issuing expensive domestic securities, have led to rising debt levels and interest payments. Net domestic borrowing reached 11.4 percent of GDP in 2016. The total public debt stock reached 120.3 percent of GDP at the end of 2016, rising from 105.3 percent in 2015. The related high debt service on debt absorbed almost half of government revenue in 2016 and, together with weak revenue collection due to the economic slowdown and import compression, and unbudgeted support for SOEs, is exerting severe fiscal pressures. As we are now uncovering, the previous regime was systematically siphoning off or stealing funds from SOEs, with more than $100 million (10.4 percent of 2016 GDP) diverted over the regime's last 2½ years alone. This greatly contributed to their financial difficulties and the need for fiscal bailouts, as well as exchange rate pressures. Our findings so far indicate that this affected mainly the National Water and Electricity Company (NAWEC) and the Gambia Telecom and Cellular Companies (GAMTEL/GAMCEL).

5. **Monetary policy was largely ineffective in the face of fiscal dominance.** While the CBG kept its policy rate unchanged at 23 percent, it was unable to absorb the large excess liquidity in the banking system. With the slowdown of economic activity, T-bill rates have declined from their peak in mid-2016, with the 12-month rate falling from 22 percent to around 13 percent and the 3-month rate from 17.8 percent to just around 10 percent by March 2017. However, lending rates have remained high and banks' risk aversion increased in light of the political developments which, together with the massive government borrowing, has continued to crowd out private sector credit.

6. **Growth for 2017 is expected to pick up marginally to 3 percent, but in the medium term we expect a return to a substantially higher growth trajectory around 5 percent**. The recovery in 2017 is mainly predicated on the assumption of a normal agricultural season, following the bad 2016/17 harvest, and a gradual recovery in trade and re-exports. Tourism is also expected to recover, but unlikely to make up for the losses related to the political turmoil. Beyond 2017 we are optimistic that economic growth will return to a substantially higher trajectory of about 5 percent. The return to the rule of law and policy predictability, lower interest rates and a resumption of private sector credit growth, we expect investment as well as FDI to rise strongly, in particular the tourism sector and in commercial agriculture. Greatly improved relations with Senegal will support re-exports and trade with the subregion and, more generally, regional integration. And greater and cheaper energy supply will support all economic activities, including in light manufacturing.

MACROECONOMIC POLICIES AND STRUCTURAL REFORMS FOR 2017 AND THE MEDIUM TERM

A. Main Macroeconomic Objectives

7. **We are committed to breaking with the economic mismanagement of the past regime and to pursuing prudent macroeconomic policies to restore macroeconomic stability and fiscal sustainability, and boost growth.** Fiscal and monetary policies will be targeted to keeping inflation under control in line with the CBG's target of 5 percent or less, and the CBG will steadily rebuild international reserves toward the optimal level of 5 months of import coverage in the medium term. Prudent macroeconomic policies and structural reforms should help establish a firm basis for higher real GDP growth, including a strong rebound of private sector activity. We expect to finalize over the next few months the formulation of our national development plan *Program for Accelerated Growth and Employment II* (PAGE II) which will help guide our concerted efforts to boost growth and support poverty reduction and socio-economic development. Infrastructure projects and structural reforms in the telecommunications and energy sectors should further contribute to the expected upswing. Overall, we expect the recovery in tourism, agriculture and trade to push up real GDP growth to 4.5 percent during 2018–20 and longer term growth rates to about 4.8 percent. Restraint on the Government's NDB in 2017 is expected to help safeguard exchange rate stability and facilitate a continued decline in interest rates, thus creating space for *PAGE*-related spending to promote growth and social objectives, as well as for private sector credit growth.

8. **We are firmly committed to take measures to make debt sustainable, including with the help of our development partners.** The high debt burden that we have inherited is placing a very severe burden on The Gambia and could hold back development for years to come. To reduce this burden and make the debt sustainable, we are committed to take a number of measures. With help from the World Bank and the Fund we will develop a debt strategy to deal with domestic debt that would include extending its maturity and possibly lower interest cost, and will implement it in the course of the SMP. We are already engaging with creditors on the restructuring of NAWEC's debt and are committed to conclude discussions in the next few months. We have also approached our official creditors for concessional financial support sufficient to alleviate the burden of debt service due to them over the next four years. We are conscious that these steps, while they will restore The Gambia's debt sustainability, will leave very elevated debt vulnerabilities. Accordingly, we are seeking to raise substantial additional official financing on highly concessional terms at a donor conference later this year. Additional resources could be used in part to retire expensive domestic debt, in part to support growth enhancing and poverty reducing investment.

B. Policy Objectives

Fiscal policies

9. **Returning to fiscal sustainability will require strong fiscal action to bring expenditures in line with resource availability while securing donor assistance to drastically reduce domestic borrowing and interest cost.** Policies will be anchored at an NDB target of 1 percent of GDP which would help to slow monetary expansion and ultimately support the rebuilding of reserves. There are strong indications of donor support which could total about 7.2 percent of GDP, but the timing of actual disbursements is still uncertain and it is important to take measures now that deliver quick results, including to bolster donor support. However, it is equally important to take measures that may take longer to yield results and lay the basis for sustained and inclusive growth. In this context, it is also critical to resolve the difficulties of SOEs to protect fiscal outcomes, resolve NAWEC's external and domestic debt service arrears, and work toward resolution of cross arrears between government and the SOEs.

10. **Our development partners have given indications that substantial financial support will be forthcoming.** Indications of external budget support received so far amount to about $75 million for 2017, including from the World Bank ($41 million), the EU ($27 million) and the AfDB ($7 million). We also intend to use the RCF proceeds of $15.6 million for budget support, and will update the Memorandum of Understanding between MOFEA and the CBG concerning the onlending and repayment accordingly.

11. **Nonetheless, the fiscal outlook for 2017 points to a substantial remaining financing gap which we plan to close with measures**. Tax revenue is expected to decline by 1.5 percent of GDP to 15.2 percent of GDP due to the hit on tourism and the slowdown of business, as well as substantial business closings over the last two years. Expenditures are expected to decline by 1.8 percent of GDP to 29.8 percent of GDP reflecting spending cuts and savings on interest payments, roughly offsetting the decline in revenue. Budget support will help to greatly reduce the remaining

deficit, however, a financing gap of 0.3 percent of GDP will remain which we intend to close through additional measures.

12. Measures that we have already taken or are underway to achieve the reduction in total spending include:

- We have regularly adapted fuel prices to avoid any implicit subsidies from the budget and will continue doing so.
- We have liberalized the fuel supply to NAWEC with the help of the World Bank. Fuel importation will now be done through competitive tender which so far has reduced the cost to NAWEC by 15 percent, thus reducing its operational losses and the need for budget resources.
- We have consolidated all outstanding CBG lending to the budget through various facilities into a 30-year bond at an interest rate of 5 percent with a view to not add further borrowing. We estimate that this will lead to budgetary savings in interest payments of about 0.7 percent of GDP in 2017. While we are cognizant that this will ultimately lead to the need to recapitalize the CBG at a later stage, this will provide some short-term relief to public finances.
- We have made every effort to keep NDB in recent months low through careful prioritization of spending. Along with the decline in T-bill rates this is expected to reduce domestic interest payments in 2017 by about 0.8 percent of GDP.
- We are in the process of revising the 2017 budget to reduce expenditures by about 1 percent of GDP, including through substantial cuts in the budget of the President's Office which is rather large, reflecting the previous regime's priorities.
- To eliminate ghost workers, we have launched staff audits of the civil service and, for the first time, of the uniformed services which have expanded strongly over recent years. These could deliver substantial savings and would provide a sound basis for a more comprehensive civil service reform in the future that would also include subvented agencies.
- We plan to conduct special audits of all SOEs to uncover all fraud and embezzlement of funds in the past, stop leakages and strengthen SOE oversight going forward. With assistance from the World Bank we expect soon to start these audits for five SOEs that have been most affected by the previous regime's embezzlement (NAWEC, GNPC, GAMTEL/GAMCEL, GPA, SSHFC). Audits of the CBG and of other SOEs will follow.
- We have issued a circular to the effect that government will not issue any more guaranties for borrowing by SOEs or other state entities unless consistent with the Public Finance Act. This will help to contain unbudgeted spending in the future.

13. Further measures are needed to fill the remaining financing gap for 2017 and beyond. To that end we plan to implement the following measures, in addition to the spending cuts already foreseen in the revised 2017 budget, later in 2017.

- The elimination of ghost workers as a result of the staff audits is likely to generate savings, but it is not possible to estimate these before we have the audit results. Elimination of ghost workers among the uniformed services may also need to be drawn out for security and social reasons. A political decision on the appropriate size of these services at a later stage may necessitate programs to facilitate transition into other, preferably private employment. In the interim, we will consider stepping up our participation in peacekeeping missions of the UN and other international organizations to reduce cost.
- Reform policies to reduce the bloated vehicle fleet, strengthen accountability, reducing fuel and maintenance cost and generating receipts from the sale of excess cars. This would generate estimated savings of 2 percent of GDP over the next three years.
- Sell the presidential plane and two others that are defunct. This could yield about 0.5 percent of GDP.
- Sell land, including in prime tourist areas. This could yield about 0.5 percent of GDP and could trigger tourism related investment.
- Ensure all fees and revenue sources previously diverted are now channeled to the budget, including from the international voice gateway, heavy metal and sand mining, and fees for the use of the container scanner in the port. We estimate that this could yield up to 1.2 percent of GDP in non-tax revenue in 2017.
- Recover assets stolen by the previous regime that are still held in The Gambia. We plan to vigorously pursue recovery of all stolen assets with support by the UN/World Bank StAR Initiative, but realize that recovering assets held outside of the Gambia will be a much lengthier process. Recovered assets would preferably be used to retire domestic debt.
- As part of the debt strategy, explore options for lengthening the maturity structure of domestic debt by issuing securities with longer maturities and retiring commensurate amounts of T-bills. This would help reduce rollover risk and could potentially lead to further interest savings. We are already receiving technical assistance support from the World Bank and would much appreciate IMF support in this undertaking, too.

Over the medium term we will also consider streamlining ministries and subvented agencies, downsizing and rationalizing of embassies, and streamlining of memberships in non-financial international organizations which could yield up to 1 percent of GDP.

14. The Government will also take strong measures to improve financial management:

- We will set up a Cash Management Committee (CMC) to oversee determination of the NDB requirement, and approve and monitor implementation of the consolidated government cash plan.
- In line with earlier IMF technical assistance recommendations, we will issue a clear definition of payment arrears, and clearly defined procedures for their monitoring and validation. In a next step, we will compile an inventory of existing payment arrears, and cross-arrears between government and SOEs; define and approve a strategy for reducing the existing

stock, and start implementing it from 2018 at an appropriate pace (total of the expenditure arrears/3 years).

- The CBG should develop a policy for opening and closing accounts to align it with the Public Finance Act of 2014.
- Start publishing detailed monthly budget execution data, including all extra-budgetary spending, on the MoFEA's website no later than 6-weeks after execution to foster greater fiscal transparency and monitoring. Prepare a report identifying all extra-budgetary spending.
- Establish additional procedures adopted by MoFEA to ensure all government expenditures and revenues are entered through IFMIS.
- Prepare a complete inventory of all government and other public sector bank accounts at the CGB and commercial banks, and prepare an action plan to restore the Treasury single account.

15. To oversee program implementation under the SMP, we will revive the *High-level Economic Council (HILEC)*. The HILEC, comprised of the Vice President, the Minister of Finance and Economic Affairs, the Governor of the CBG, and the Secretary General of the Office of the President, will be revived in order to take on a more active role in strengthening the monitoring of policy implementation. Its procedures and protocols were established at end-2013

Debt management

16. We are cognizant of the elevated risks related to the high public debt, but are already taking measures to contain them. While we appreciate the IMF/World Bank methodology in preparing debt sustainability analyses, we have some misgivings that the lowering of the debt threshold values reflects the decline in the CPIA index during the previous regime, thus holding the country hostage to legacies of the past that we have just overcome politically.

17. We are in the process of ringfencing contingent liabilities from SOEs, in particular NAWEC. Negotiations with commercial banks on a restructuring of NAWEC's domestic debt, including its 5-year bond, are advancing and we are confident that an agreement will be reached soon that will be commensurate with NAWEC's ability to repay its debt over the medium term. We are equally confident that any potential future rescheduling needs on domestic debt can be agreed with creditors, taking into account the financial implications for them, given the friendly relations with commercial banks and the mutual interest in viable and consensual solutions.

18. Prudent debt management is needed to manage the risks associated with the large public debt while accommodating financing needed for development. We have facilitated clearance of the NAWEC's and GAMTEL's external debt service arrears. We will set up a debt management advisory committee to improve coordination and information exchange between the relevant departments of MoFEA and the CBG, and relevant SOEs, on both domestic and external debt to better forecast debt service payments. The Government will continue to seek external grants and highly concessional loans. We will not incur any new external payments arrears and will not contract or guarantee any new non-concessional external debt or any external debt with original maturity of one year or less. Given The Gambia's elevated debt level and the importance of tight controls on new borrowing, the government agrees to consult with IMF staff before contracting or guaranteeing new concessional external loans, and guaranteeing any new domestic loans to SOEs.

SOE reforms

19. **We are developing a comprehensive strategy to address the operational and financial difficulties of NAWEC and GAMTEL/GAMCEL, with support from the World Bank.** NAWEC and, to a lesser degree, GAMTEL/GAMCEL have been incurring financial losses, which has required repeated unbudgeted fiscal bailouts and/or debt restructuring to avoid defaults, thus contributing to the expansion of NDB. There exist substantial cross arrears between SOEs and government.

20. **NAWEC**. **Over many years NAWEC suffered from presidential directives that set electricity tariffs well below cost recovery and imposed economically unviable projects in rural areas, while fuel supply cost was inflated from rent seeking by a monopoly supplier as part of a scheme to siphon off funds. No real investment occurred and generators became obsolete and expensive in operation and maintenance**. World Bank support includes the purchase of refurbished generators, advice on the best options to increase power supply fast and cost efficient while diversifying energy sources, and investment in upgraded transmission needed for the streaming of regional hydroelectric power from 2020 that will greatly improve electricity supply while cutting generation cost by about 90 percent. Current electricity tariffs are among the highest in the region, stifling business and making electricity hardly affordable for the population, given the dependence on expensive fuel. Our strategy thus aims at gradually reducing operating cost through new sources of energy outlined above, greater efficiency in the supply of fuel through competitive tender, and cost reductions in NAWEC's operations. Furthermore, NAWEC's non-operating cost has been bloated by legacies of the past and arrears by its customers, including government, other SOEs and municipalities. To account for these cost factors, we have budgeted some resources to partially support debt service on the rescheduled NAWEC bond which will provide the company some breathing room until it has regained a sound financial footing and can resume paying this debt service; and, as a next step, we plan to resolve the issue of cross arrears taking into account the results of the special audits.

21. **GAMTEL/GAMCEL has been struggling with structural changes to the telecom market and competitors in the wireless segment.** In addition, since 2013, a significant share of its revenue was siphoned off by presidential directive. We will shift oversight over GAMTEL/GAMCEL from the President's Office to the Ministry of Communications (MOCI) which will be in charge of the reform agenda for the two companies. With assistance from the World Bank, we plan to conduct an asset valuation of government owned assets in the telecommunications sector. In the next step, we plan to evaluate options for restructuring and possible divestiture, i.e., tendering for a strategic investor or management contract. In evaluating these options, we will take into account the revenue each would bring to the government under both short- and long-term scenarios.

22. **Other SOEs are financially more stable albeit may not have contributed to the budget through dividend payments, including possibly due to embezzlement of funds during the previous regime (e.g., the Gambia port authority (GPA)).** Having ended all embezzlement in SOEs will improve their situation, and we are confident that implementation of the 2017-19 SOE reform program agreed with the World Bank will put them on a sound footing.

23. **We are committed to conduct special audits of all SOEs to uncover and stop all leakages, with support from our development partners**. We also plan to step up MOFEAs oversight and monitoring of SOEs' operations, financial position and contingent liabilities and fiscal risks emanating from them.

PURSUE PRUDENT MONETARY AND EXCHANGE RATE POLICIES, AND STRENGTHEN CBG INDEPENDENCE

24. **We are committed to continue implementing a flexible exchange rate policy and a monetary policy which aims at price stability.** We realize that it is essential to let the exchange rate fluctuate to absorb external shocks and increase the resilience of the economy. The CBG will intervene in the market only to ensure orderly market conditions, or purchase foreign exchange to meet its needs for external obligations. The CBG will continue to use a money targeting framework to pursue its price stability objective of keeping inflation at or below 5 percent, and use its rediscount rate to signal changes in the policy stance. After exiting from fiscal dominance, monetary policy will become effective in terms of controlling liquidity. In tandem, the policy rate—which is now at an elevated level of 20 percent—should be reduced to provide a floor for market interest rates which are already well below the policy rate.

25. **Curbing the monetization of government deficits is of paramount importance, but other challenges remain.** With still some time before budget support is received, there may be a need for some limited financing from the CBG over the next few months within an overall NDB limit of 2 percent of GDP through end-September 2017. However, starting October 1, 2017, the Government will adhere to a zero limit, on a monthly basis, on new credit from the central bank at below-market interest rates. Separately, we will adhere strictly to the schedule for payments of principal and interest on the CBG-held 30-year bond. We also need to strengthen the independence of the CBG, to align with leading practices for central banks particularly in the areas of autonomy, credit to government, governance and oversight, and audit mechanisms. We will also continue improving liquidity forecasting and management. To this end, the MoFEA will work closely with the CBG to improve liquidity forecasting.

Safeguard Financial Sector Stability

26. **The financial sector continues to be stable and profitable, but large exposure to the public sector bears risks**. Profitability is predicated on large public interest payments, and financial stability indicators mask large vulnerabilities due to the high exposure to the public sector. The CBG will step up the monitoring of the health of the banking sector with a focus on the impact of declining interest rates and lower government borrowing, NPLs and exposure to SOEs. We will also

expeditiously develop our crisis management capacity and upgrade the bank resolution framework, including strategies to handle possible bank crisis.

C. Progress on Poverty Reduction and Key Strategic Directions

27. The Government reform agenda continues to be based on the country's national blueprints, the Vision 2020 long-term development plan and the medium-term Program for Accelerated Growth and Employment (PAGE). The PAGE, approved in 2012 through a participative process involving all national stakeholders, aims to accelerate and sustain economic growth and development while creating employment opportunities for Gambians in order to improve their socio-economic conditions. Given the expensive nature and other macroeconomic effects of domestic debt financing, our macroeconomic framework for implementation under the Staff Monitored Program (SMP) seeks to reduce the government borrowing needs. In this regard, we expect to generate fiscal savings from lower interest costs—that could eventually be redirected to spending on PAGE priorities—and to ease crowding out of the private sector. Since The Gambia is a small open economy that is vulnerable to wide range of external shocks, the requested access under the RCF will support our efforts to rebuild international reserves buffers, which serve as a shock absorber.

28. A new National Development Plan, the PAGE II covering 2017–2021, is close to finalization. We are currently incorporating the findings of the Integrated Households Living Conditions Survey (IHS) and subsequent analytical studies and expect to finalize the PAGE II by mid-2017. We have also prepared an Accelerated National Development Plan synthesizing key priorities for 2017 to garner support from development partners.

Table 1. The Gambia: Proposed Indicative Targets under a Staff-Monitored Program

(Stocks; unless otherwise indicated)

	Mar. 2017 Projected	Jun. 2017 Proposed	Sep. 2017 Proposed	Dec. 2017 Proposed
Indicative quantitative targets				
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	545	943	943	471
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	8,897	9,704	10,525	9,685
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	-10.2	-23.9	9.9	-0.1
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	0	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	1,187	943	943	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	575	843	1,112	1,380

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates as at 31 March 2017 (see TMU of the MEFP for the RCF and SMP).

[4] Monitored on a continuous basis

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 2. The Gambia: Proposed Structural Agenda	
Measures	**Implementation**
Clear all external debt service arrears on government and government guaranteed debt to official creditors.	Prior Action
Establish a debt management advisory committee comprising MOFEA the CBG, and relevant SOEs, and hold quarterly meetings. Enhance monitoring and coordination to avoid recurrence of arrears.	End-July 2017
Enhance the timely and comprehensive provision and monitoring of debt data by establishing a back-up system.	End-March 2018
Finalize audits of all SOEs and the CBG (with donor support).	End-March 2018
Prepare up-to date position on financial status and contingent liabilities of key SOEs, and regularly monitor SOE operations and fiscal risks.	End-December 2017
Issue a clear definition of payment arrears, and clearly defined procedures for their monitoring and validation.	End-September 2017
Compile an inventory of existing payment arrears, and cross-arrears between government and SOEs; define and approve a strategy for reducing the existing stock, and start implementing it at an appropriate pace (total of the expenditure arrears/3 years).	End-March 2018
Set up a Cash Management Committee (CMC) to oversee determination of the NDB requirement, and approve and monitor implementation of the consolidated government cash plan.	End-July 2017
The CBG should develop a policy for opening and closing accounts to align it with the Public Finance Act of 2014.	End-July 2017
Start publishing detailed monthly budget execution data, including all extra-budgetary spending, on the MoFEA's website no later than 6-weeks after execution to foster greater fiscal transparency and monitoring.	End-September 2017
Establish additional procedures adopted by MoFEA to ensure all government expenditures and revenues are entered through IFMIS.	End-December 2017
Prepare a complete inventory of all government and other public sector bank accounts at the CGB and commercial banks.	End-September 2017
Prepare an action plan to restore the Treasury single account.	End-March 2018
The CBG to draft amendments to the CBG Act to align with leading practices for central banks particularly in the areas of autonomy, credit to government, governance and oversight, and audit mechanisms.	December 2017
Submit draft amendments to the CBG Act to the National Assembly, in coordination with the Ministry of Justice and the MOFEA.	March 2018

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative indicative targets, and structural benchmarks that will be used to monitor under the staff-monitored program (SMP) covering the period of April 2017 to March 2018. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative targets of the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

1. **Definition: The *net domestic borrowing* of the Central Government is defined as the change in net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the change in the discounted value of domestic government securities held by the non-monetary sector**. Net domestic borrowing also covers the change in any other net claims on the Central Government by the domestic non-monetary sector, as well as the change in government arrears on domestic debt service obligations. Central Government excludes local and regional governments and public enterprises. In computing the net domestic borrowing of the Central Government, on-lending of the RCF to the budget, as well as changes in the balances of the project accounts listed in Table 1 will be excluded.

2. **Adjuster: The quarterly NDB targets for each quarter will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table below.** In the event that budget support is lower than programmed, upward adjustment of the net domestic borrowing may not exceed 472 million GMD.

Program Forecasts of External Budget Support Grants and Loans in 2017/18 (Flow in each quarter, in millions of US dollars)			
June 2017	September 2017	December 2017	March 2018
0	66.80	7.0	0

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 25 below.

B. Net Domestic Assets of the Central Bank

4. Definition: The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing end-of-period market exchange rates for March 2017: 45.39 GMD/USD, 1.07 USD/EUR, 1.25 USD/GBP, 1.00 USD/CHF, 1.36 USD/SDR. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for March 2017, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

6. Supporting material: Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rates) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

C. Net Usable International Reserves of the Central Bank of The Gambia

7. Definition: The ***net usable international reserves (NIR)*** **of the CBG are defined as the difference between usable reserve assets and reserve liabilities. *Usable reserve assets* are readily available claims on nonresidents denominated in convertible foreign currencies.** They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities*** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF, but excluding any liabilities to the IMF's SDR Department.

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in paragraph 5 above.

9. Adjuster: The quarterly NIR targets for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table above.

10. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

11. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

D. New External Payments Arrears of the Central Government

12. Definition: External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate external payment arrears on its debt, except arrears arising from obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. No accumulation of new external arrears by the government is a benchmark, to be observed continuously.

13. Supporting material: An accounting of non-reschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the Central Government and other public sector entities to Paris Club and non-Paris-Club creditors.

E. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

14. Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian Dalasi. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 3, 1979 (Decision No. 6230–(79/140), as amended by Decision No. 14415–(09/91), but also to commitments contracted or guaranteed for which value has not been received. Loans or purchases from the IMF and debts with a grant element of at least 35 percent[1] are excluded from this target. This performance criterion will be assessed on a continuous basis.

15. Supporting material: A comprehensive record, including a loan-by-loan accounting of all new concessional and non-concessional debt contracted or guaranteed by the Central Government with detailed explanations, **will be transmitted on a quarterly basis within four weeks of the end of each quarter. Non-concessional external debt includes financial leases**

[1] To be considered concessional under this arrangement, a loan should have a grant element of at least 35 percent, calculated using the discount rate as 5 percent.

and other instruments giving rise to external liabilities, contingent or otherwise, on non-concessional terms.

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

16. Definition: **This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.**[2] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Normal import-related credits are excluded from this target.

17. Supporting material: A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

G. Central Bank Credit to the Central Government at Non-Market Terms

18. Definition: **This target refers to the consolidated balance on the Treasury Expenditure Account, the Consolidated Revenue Fund, and other revenue accounts.** It also covers all gross claims on the Central Government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for Treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Central Government securities held by the central bank. This performance criterion will be assessed at the end of each month.

19. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in paragraphs 27 and 28 below.

H. Poverty-Reducing Expenditures

20. Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Programme; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programmes; Support to Cross-Cutting Programmes; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Programme.

---

[2] The term "debt" has the meaning set forth in point No 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF o August 3, 1979 (Decision No. 6230-(79/140), as amended by Decision No. 14415-(09/91). "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

21. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

22. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and structural benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

I. K. Prices

23. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

J. Government Accounts Data

24. A monthly consolidated Central Government budget report (i.e., the analytical table) on budget execution for the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; and (vi) details of budget financing (including net domestic and net external borrowing and their components).

25. End-week data on net domestic borrowing (including data on the project accounts listed in Table 1) will be transmitted weekly within five business days of the end of each week.

K. Monetary Sector Data

26. The balance sheet of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet will explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and other claims on the government. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

27. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency

deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

28. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

L. Treasury Bill Market and Interbank Money Market

29. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills outstanding (both at face value and at discounted value, and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

30. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

M. External Sector Data

31. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

32. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

33. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

34. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

35. The CBG will also forward monthly data on the volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasi within seven days of the end of each month.

N. Public Enterprises' Data

36. The MOFEA will forward within four weeks of the end of each month, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC and NFSPMC.

37. The MOFEA will forward within four weeks of the end of each month, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

O. Concessional External Debt Contracted or Guaranteed by the Central Government

38. The MOFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new domestic or external loan, the loan's terms and conditions including disbursement schedule, interest rate, grace period, maturity, interest and principal payment schedule.

39. For existing loans, the MOFEA will provide on a loan-by-loan basis, within four weeks of the Board discussion of the SMP, the outstanding disbursed stock, disbursement schedule, and interest and principal payment schedule.

Table 1. The Gambia: List of Projects Accounts at the CBD Excluded from the Calculation of NDB	
ACCOUNT NUMBER	**PROJECT ACCOUNT NAME**
1101004067	NATIONAL AGRICULTURAL LAND & WATER MANAGEMENT DEV. PROJECT (NEMA)
1103002218	BUILDING RESILIENCE TO RECURRING FOOD INSECURITY IN THE GAMBIA IDB COMPONENT
1101005064	AGRICULTURAL VALUE CHAIN PROJECT (GCAV)
1101004689	BUILDING RESILIENCE AGAINST FOOD & NUTRITION INSECURITY IN THE SAHEL PROJECT.
1101004483	GAMBIA COMMERCIAL AGRICULTURE VALUE CHAIN PROJECT.
1101004201	FOOD & AGRICULTURE SECTOR DEV. PROJECT. FASDEP
1103001613	BILINGUAL EDUCATION SUPPORT PROJECT
1101003606	DEV. OF THE UNI. OF THE GAMBIA PROJECT.
1101003709	AFRICA CENTRE OF EXCELLENCE (ACE)
1103001974	RESULTS FOR EDUC. ACHIEVEMENT & DEV. (READ)
1101000832	RURAL WATER & SANITATION PROJECT
1103001754	TRANS GAMBIA CORRIDOR PROJ.
1103000685	GLOBAL FUND MALARIA GRANT
1101003864	GEF PROJ. IMPLEMENTATION IN THE GAMBIA UNIDO/GEF 5 PROJ. MNGMNT. OFFICE
1101004304	IFMIS ADDITIONAL FINANCING PROJ.
1101004988	INST. SUPPORT ECON/FIN GOV (ISEFG) III PROJ.
1101004902	NDEMBAN ULTRA MODERN TVET CENTRE PROJ.
1201200015	LIVESTOCK DEVELOPMENT PRJ
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF

Table 1. The Gambia: List of Projects Accounts at the CBD Excluded from the Calculation of NDB (concluded)	
ACCOUNT NUMBER	**PROJECT ACCOUNT NAME**
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200434	LIVESTOCK H/DEVELOPMENT PROJ
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200360	SDF (EDMDP) PRJ
3201200361	SDF (EDMDP) CREDIT FUNDS
3201200363	IDA 3RD EDUC. PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200483	IDB SUPPORTED MALARIA PROJECT
3201200486	IFMIS II
3201200495	GCP
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV
3201200497	GLOBAL FUND/ TB
3201200400	PROJ. IMPL. MNGMT A/C PIMA

INTERNATIONAL MONETARY FUND

THE GAMBIA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS

June 13, 2017

Approved By
Roger Nord and Zuzana Murgasova (IMF), and Paloma Anos-Casero (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association

An updated debt sustainability analysis (DSA) indicates that The Gambia's is currently in external debt distress, a deterioration from the previous moderate risk rating.[1] The main drivers of this change were the weakening in The Gambia's overall institutional capacity in the most recent CPIA assessment and deterioration of several debt burden indicators at the start of the projection horizon associated with past fiscal slippages.[2] All five external debt burden indicators breach their respective indicative thresholds for a sustained period under the baseline scenario signaling that The Gambia is in debt distress. All five external debt burden indicators also breach the respective thresholds under the most extreme stress tests. The ratios of debt service to exports and to revenue are vulnerable to an exports shock and one-time depreciation shock, respectively, with the remaining indicators vulnerable to a combination shock. The stock of total public debt in the baseline as well as including SOE contingent liabilities (not included in the baseline) remains above its indicative benchmark for the entire projection horizon which, combined with risks from higher domestic interest rates, rollover risks from short-maturity public debt and bank exposures to sovereign debt, indicates a heightened overall risk of debt distress. Overall, our analysis suggests that Gambia's debt is not sustainable under staff's baseline scenario.

[1] The last full DSA was undertaken in April 2015 (Country Report 15/104).

[2] With the latest CPIA rating for 2015, The Gambia was reclassified as a weak policy performer, from previously being a medium performer. This yields a fairly substantial tightening of thresholds for both solvency and liquidity indicators in the DSF framework.

RESULTS OF DEBT SUSTAINABILITY ANALYSIS[3]

1. **The short-term outlook for public and publicly guaranteed (PPG) external debt remains challenging.** The Gambia's stock of PPG external debt, while elevated above 52 percent of GDP, is expected to remain highly concessional, with new borrowing to contain a minimum grant element of 35 percent to limit further increases in debt servicing costs. Central government external debt is mainly owed to multilateral creditors (about 71 percent of total external debt) and official bilateral creditors (about 29 percent of total external debt) (Text Table 1). Both multilateral and bilateral debt is on highly concessional terms, with long maturities, grace periods, and low interest rates. PPG external debt ratios remain elevated, in part reflecting weaker economic growth in 2016 due to a bad agricultural season and the effects of the political turmoil on tourism during high season.

Text Table 1. The Gambia: Structure of External Public Debt at end-2016

	$US millions	Percent of Total Debt	Percent of GDP
Total	**504.7**	**100.0**	**52.4**
Multilateral creditors	**358.8**	**71.1**	**37.3**
IMF	38.8	7.7	4.0
IDA	58.2	11.5	6.0
AfDB	50.9	10.1	5.3
Other Multilaterals	210.9	41.8	21.9
Of which: Islamic Development Bank	101.6	20.1	10.6
Of which: Arab Bank for Economic Development in Africa	38.6	7.6	4.0
Bilateral Creditors	**145.9**	**28.9**	**15.2**
Paris Club	8.1	1.6	0.8
Non Paris Club	137.9	27.3	14.3
Of which: Kuwait Fund for Arab Economic Development	32.6	6.5	3.4
Of which: Export-Import Bank of India	29.3	5.8	3.0
Of which: Saudi Fund for Development	23.5	4.7	2.4
Other Borrowing	**0.0**	**0.0**	**0.0**

Sources: Gambian authorities; and IMF Staff.

[3] The DSA was prepared jointly by Bank and Fund staff.

Text Table 2. The Gambia: Structure of Public Domestic Debt at end-2016

		Percent of	
	GMD millions	Total Debt	GDP
Total	**28670**	**100.0**	**67.9**
T-Bills	**17891**	**62.4**	**42.3**
held by CBG	307	1.1	0.7
held by Banks	13218	46.1	31.3
held by Non Banks	4367	15.2	10.3
CBG Bond (30-Year)	**10779**	**37.6**	**25.5**

Sources: Gambian authorities; and IMF Staff.

MACROECONOMIC AND FISCAL ASSUMPTIONS

2. **The assumptions underpinning the DSA are those of the baseline scenario of this Staff Report.** Real GDP growth is estimated at 2.2 percent in 2016 and 3 percent in 2017, reflecting weak agricultural output, foreign exchange scarcity and the impact of the political turmoil on tourism. Growth is expected to recover and then gradually accelerate over the next few years. The authorities are focused on restoring macroeconomic stability and reducing the potential for fiscal shocks from domestic and external debt of state owned enterprises (SOEs). With the return to the rule of law and policy predictability, lower interest rates and a resumption of private sector credit growth, investment as well as FDI is expected to rise strongly, in tourism, commercial agriculture, mining, and oil and gas. Greatly improved relations with Senegal should support re-exports and trade within the sub-region and, more generally, serve to foster regional integration. And greater and cheaper energy supply, including with the coming on stream of a regional hydropower project in 2020, will support economic activity across a broad range of sectors, including light manufacturing. However, given significant uncertainties around the baseline scenario, growth is projected lower at 4.8 percent over the longer term compared to 5.9 percent in the previous DSA (Text Table 3). The current account deficit is expected to narrow in the medium to long term, while the fiscal outlook has deteriorated further, with larger projected deficits in the medium term.

3. **Inflation is projected to fall below the central bank's 5 percent target over the medium term with rapidly falling public debt-to-GDP.** Reduction of monetary financing and the normalization of monetary policy resulting from greater central bank independence brings inflation below the central bank's 5 percent target. Moreover, while total public debt-to-GDP is now higher in 2016 at around 120 percent (67.9 percent is domestic, Text Table 2), this reflects a more transparent recognition of SOE's publicly guaranteed domestic and external debt that is serviced by the government as part of the baseline. Public debt is expected to fall to 90 percent by 2022 reflecting growth of domestic debt at a much slower rate than nominal GDP growth, lower T-Bill rates, concessional budget support and robust growth.[4]

[4] Average T-Bill rates have fallen from highs around 20 percent in 2016 to around 12 percent in March, and are expected to gradually decline further in line with inflation and fiscal discipline anchored by the NDB target of 1 percent of GDP.

Text Table 3. Selected Macroeconomic Indicators

	2014	2015	2016	2017	2018	2019	15-year average[1]
Real GDP Growth (percent)							
Current DSA	0.9	4.3	2.2	3.0	3.5	4.0	4.8
Previous DSA[2]	-0.2	5.1	8.7	6.2	5.9	5.9	5.9
CA deficit (percent of GDP)[3]							
Current DSA	10.8	15.0	8.9	9.4	12.0	13.0	8.0
Previous DSA	12.6	13.5	10.2	9.5	9.1	9.0	8.6
Exports of goods and services growth (percent)[4]							
Current DSA	-7.7	-9.5	5.0	-6.0	13.3	8.8	7.2
Previous DSA	-11.3	-26.1	42.7	15.5	12.4	9.1	7.7
Imports of goods and services growth (percent)[4]							
Current DSA	9.5	11.3	-10.2	12.3	12.0	8.0	6.5
Previous DSA	-0.9	-9.9	10.3	10.9	10.1	8.5	7.5
Overall fiscal deficit[5]							
Current DSA	9.8	8.1	9.8	2.6	3.6	3.0	2.8
Previous DSA	13.3	3.2	1.6	1.9	0.9	1.0	1.1

[1] Defined as the simple (and annual compund for highlighted) average of the last 15 years of the projection period. For the Current DSA, the 15-year average covers the years of 2023-2037. For the prevous DSA, the 15-year average ranges from 2020-2034.

[2] March 2015 (Debt Sustainability Analysis)

[3] Includes worker's remittances

[4] In current dollar terms, including re-exports.

[5] Includes re-exports and grants.

DEBT COVERAGE

4. **The updated DSA has, to the greatest extent possible, accounted for SOE liabilities as part of overall public debt on a loan by loan basis.** SOE liabilities incorporated into overall public debt include domestic and external SOE debt that arises from government on-lending and guarantees. The special audits of the SOEs that will be undertaken may provide a fuller picture of SOE liabilities. The updated DSA also provides a contingent liability shock scenario that accounts for additional SOE debt (based on the information available) not incorporated in the baseline scenario.

EXTERNAL DSA

5. **All five external debt burden ratios breach the now lower respective indicative thresholds under the baseline scenario in the near and medium term (Figure 1).** The immediate breach in the baseline scenario results mainly from the downgrade to the 2015 CPIA rating and the corresponding lowering of all indicative threshold levels, and because of the higher debt stock and debt service indicators which point to significant vulnerabilities in the first projection years.[5] The higher debt ratios also reflect the effects of exogenous shocks (higher commodity prices, reduced tourism, bad harvest), and an overall

[5] The lower CPIA rating reflects the deterioration in institutional quality under the previous regime. It is expected to improve if the new democratically elected government undertakes strong policy action to address recent gaps in institutional capacity and quality. This could then help to further improve debt sustainability.

weaker economic outlook. The analysis also incorporates budget support (grants and concessional loans) already committed by the World Bank, EU and AfDB for the next few years, with less concessional support thereafter. In addition, any remaining fiscal financing gaps are assumed to be closed with bilateral concessional external financing.

6. **The different shock scenarios also indicate breaches of the thresholds in the near and medium term, although the most extreme shock differs across the external debt indicators.** The analysis shows that the external debt outlook of The Gambia is vulnerable to both domestic and external shocks. A combined shock to real GDP growth and international factors such as the exchange rate and exports is the most extreme stress test for three out of five external debt burden indicators (PV of debt to GDP ratio, PV of debt-to-exports ratio, and the PV of debt to revenue ratio). The debt service-to exports ratio and debt service-to-revenue ratio, are vulnerable to a decline in exports and to a large depreciation of the exchange rate, respectively.

PUBLIC DSA

7. **The high level of public debt and its high rollover risks remain a source of concern.** Though declining, the present value of public debt-to-GDP remains well above its indicative benchmark for the entire forecast horizon (Figure 2). Elevated public debt ratios reflect weaker growth outturns and past fiscal slippages including unbudgeted SOE support, compounded by the massive theft mainly from SOEs of the previous regime. Public debt dynamics are highly vulnerable to shocks to domestic interest rates. This highlights the importance of the authorities following a prudent fiscal consolidation strategy. Almost three quarters of T-bills are held by commercial banks (around one-third of bank assets), and another quarter by non-banks. Banks' exposure to the sovereign represents a potential source of financial stability risk. This underlines the need to make progress towards developing appropriate crisis resolution tools and financial safety nets to address such potentially adverse spillovers.

8. **Bringing public debt to safer levels would require additional measures and donor support.** The authorities remain committed to address fiscal shocks from SOEs through a structured reform program involving governance reform, the removal of long-term credit guarantees and on-lending by government, and privatizations when feasible. Together with a commitment to the fiscal anchor of a 1 percent NDB target and return to stronger growth in the longer term, this results in declining present-value of public debt-to-GDP ratios both in the baseline scenario and in the customized scenario including SOE contingent liabilities. However, the decline is not sufficient to bring debt below its benchmark. The authorities are working on options for gradually moving to longer maturity public debt instruments which would help reduce rollover risks and could help lower near-term debt servicing costs. It would also help to meet demand for longer-dated instruments by banks and nonbanks and help establish an incipient yield curve aimed at securities market development. They are also engaging with domestic creditors to restructure the debt of NAWEC which would provide further breathing room.

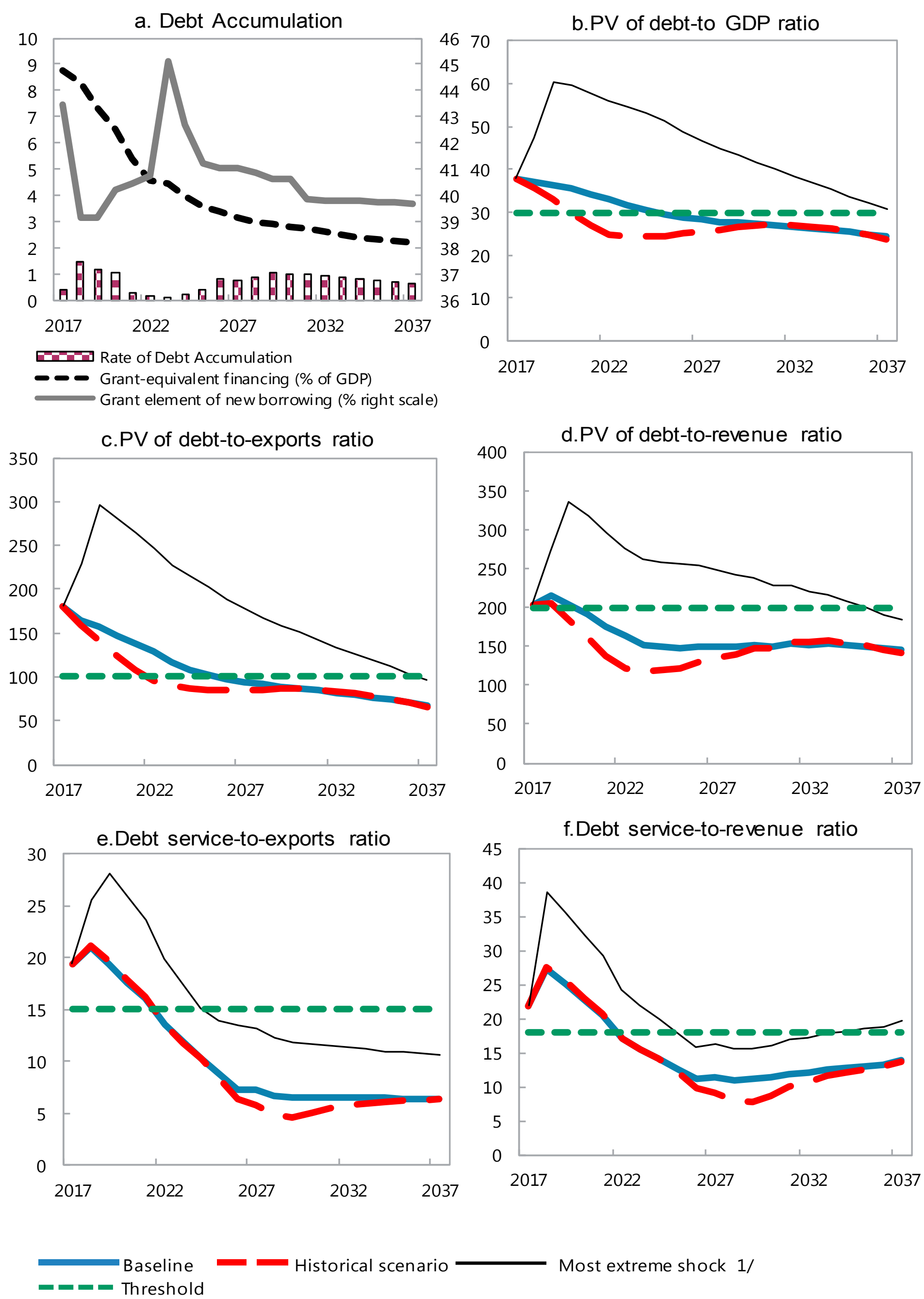
DEBT DISTRESS CLASSIFICATION AND SUSTAINABILITY ASSESSMENT

9. **Based on the external debt burden indicators, the current DSA finds that The Gambia is in external debt distress**. All external debt burden indicators breach their thresholds for a sustained period, and in some cases the breaches are substantial. Furthermore, external debt sustainability remains sensitive to shocks or a combination of shocks. Under the baseline, most debt burden indicators fall below their respective thresholds after 2022.

10. **Staff assesses that Gambia's debt is unsustainable under the baseline scenario**. Total public debt remains high throughout the entire projection horizon, well above the country's debt carrying capacity. This assessment takes into account the significant near-term risks captured by the external debt burden indicators, persistently high public debt levels and gross financing needs, and absence of fiscal and external buffers.

11. **With the assurances the authorities are seeking from official creditors in respect of debt service falling due, debt would be sustainable, but with little margin for error.** Specifically, the highly concessional terms of the new financing should significantly reduce external financing needs and debt service in the medium term, while the present value of external public and total public debt would immediately fall closer to the thresholds.

Figure 1. The Gambia: Indicators of Public- and Publicly-Guaranteed External Debt Under Alternative Scenarios, 2017-37[1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2014-37[1]

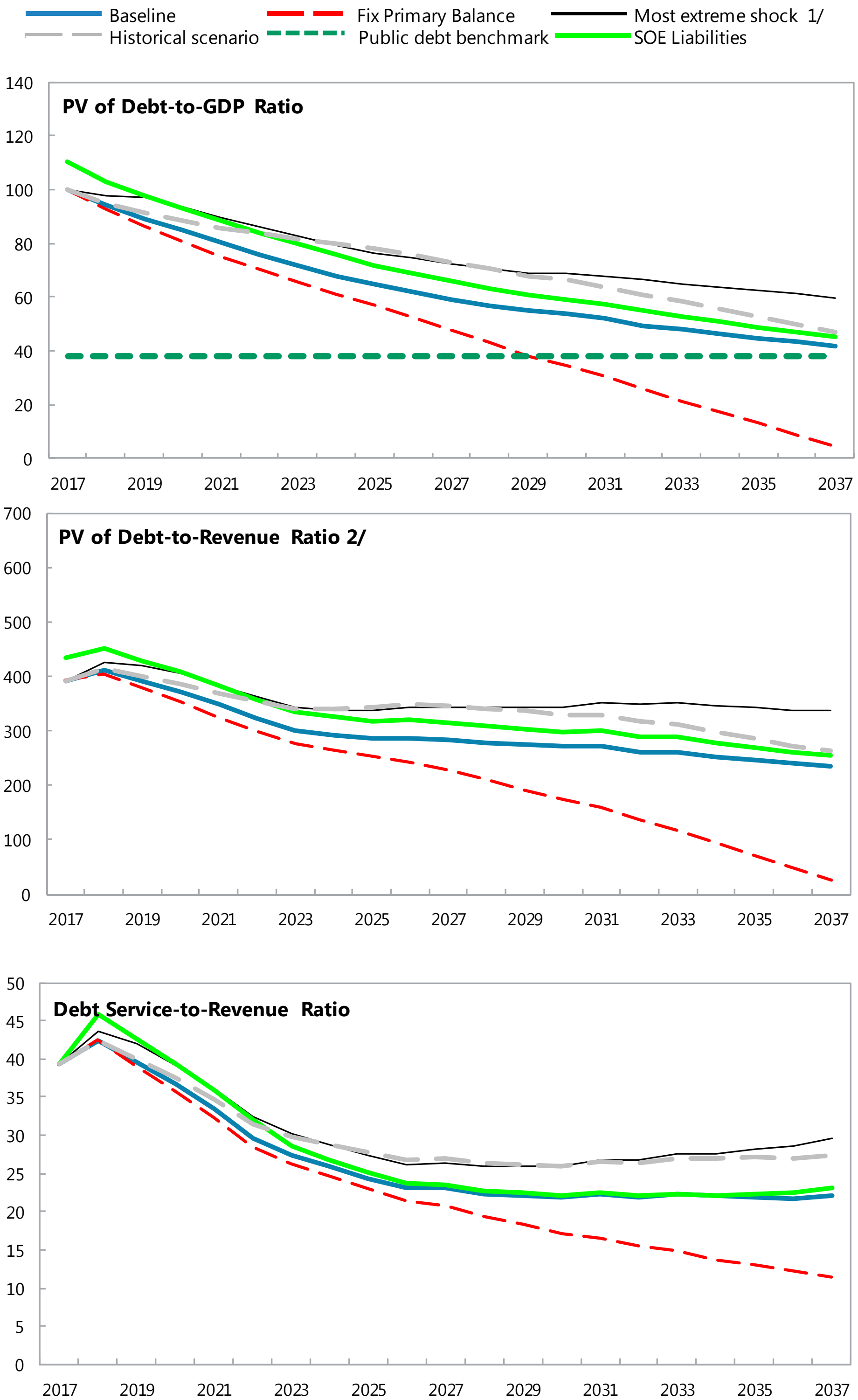
	Actual			Historical Average 6/	Standard Deviation 6/	Projections													
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-2022 Average	2023	2024	2025	2026	2027	2037	2023-2037 Average
External debt (nominal) 1/	**61.5**	**55.5**	**56.2**			**54.0**	**55.2**	**56.3**	**57.9**	**58.2**	**58.1**		**54.0**	**50.3**	**48.0**	**46.8**	**45.5**	**37.7**	
of which: public and publicly guaranteed (PPG)	58.4	51.4	52.4			50.9	51.2	51.1	50.9	49.6	48.2		46.5	44.8	43.2	42.0	40.9	34.2	
Change in external debt	11.2	-6.0	0.7			-2.2	1.2	1.1	1.6	0.3	-0.1		-4.0	-3.8	-2.3	-1.2	-1.3	0.2	
Identified net debt-creating flows	5.6	2.8	-2.9			-0.2	1.9	2.4	2.1	1.2	-0.4		-4.0	-3.7	-3.1	-2.7	-2.4	-0.2	
Non-interest current account deficit	**10.2**	**14.1**	**8.1**	**9.1**	**3.9**	**8.6**	**11.3**	**12.4**	**12.7**	**12.5**	**11.4**		**7.5**	**7.5**	**7.6**	**7.6**	**7.6**	**7.7**	7.6
Deficit in balance of goods and services	19.3	25.7	17.9			22.8	23.9	24.4	23.9	23.0	21.3		22.3	21.6	21.0	21.1	21.0	23.4	
Exports	29.2	24.7	24.0			21.0	22.5	23.3	24.2	24.9	25.7		27.1	28.1	28.8	29.5	29.9	35.8	
Imports	48.5	50.4	41.9			43.7	46.5	47.6	48.0	47.8	47.0		49.5	49.6	49.8	50.6	50.9	59.2	
Net current transfers (negative = inflow)	-11.3	-13.9	-11.9	-9.9	5.1	-16.2	-14.6	-14.0	-13.1	-12.4	-12.0		-12.4	-12.2	-12.1	-12.1	-12.0	-12.3	-12.1
of which: official	-2.3	-1.9	-0.8			-5.1	-3.8	-3.1	-2.4	-1.9	-1.5		-2.0	-1.9	-1.7	-1.7	-1.5	-1.2	
Other current account flows (negative = net inflow)	2.2	2.2	2.1			2.0	2.0	2.0	2.0	2.0	2.2		-2.4	-1.8	-1.4	-1.4	-1.4	-3.4	
Net FDI (negative = inflow)	**-9.2**	**-8.2**	**-7.5**	**-8.7**	**1.4**	**-8.0**	**-8.3**	**-8.6**	**-8.9**	**-9.3**	**-9.7**		**-9.4**	**-9.3**	**-8.8**	**-8.5**	**-8.3**	**-6.5**	-7.7
Endogenous debt dynamics 2/	**4.6**	**-3.0**	**-3.4**			**-0.8**	**-1.1**	**-1.4**	**-1.7**	**-2.0**	**-2.1**		**-2.1**	**-2.0**	**-1.9**	**-1.8**	**-1.8**	**-1.4**	
Contribution from nominal interest rate	0.7	1.0	0.7			0.7	0.7	0.7	0.7	0.6	0.6		0.5	0.5	0.4	0.4	0.4	0.3	
Contribution from real GDP growth	-0.5	-2.5	-1.1			-1.6	-1.8	-2.1	-2.4	-2.6	-2.6		-2.7	-2.5	-2.3	-2.2	-2.1	-1.7	
Contribution from price and exchange rate changes	4.5	-1.6	-3.0			...	...	...	...	...	...		...	...	...	...	...	...	
Residual (3-4) 3/	**5.6**	**-8.8**	**3.6**			**-1.9**	**-0.8**	**-1.3**	**-0.5**	**-0.9**	**0.2**		**0.0**	**0.0**	**0.8**	**1.5**	**1.1**	**0.3**	
of which: exceptional financing	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	0.0	
PV of external debt 4/	...	...	43.5			41.1	41.2	41.6	42.6	42.8	42.9		39.2	35.9	34.3	33.6	32.8	27.8	
In percent of exports	...	...	181.2			195.9	182.9	178.8	176.1	172.0	166.8		144.5	127.9	119.1	114.0	109.7	77.7	
PV of PPG external debt	**...**	**...**	**39.7**			**37.9**	**37.2**	**36.4**	**35.6**	**34.3**	**33.1**		**31.6**	**30.4**	**29.4**	**28.9**	**28.2**	**24.3**	
In percent of exports	**...**	**...**	**165.3**			**180.8**	**165.0**	**156.5**	**147.3**	**137.7**	**128.5**		**116.6**	**108.3**	**102.3**	**97.9**	**94.4**	**67.9**	
In percent of government revenues	**...**	**...**	**216.0**			**203.3**	**214.2**	**202.3**	**190.4**	**175.9**	**162.9**		**152.0**	**148.5**	**146.8**	**149.6**	**149.7**	**146.1**	
Debt service-to-exports ratio (in percent)	**14.2**	**14.7**	**10.7**			**19.4**	**20.9**	**19.4**	**17.6**	**16.1**	**13.5**		**11.8**	**10.2**	**8.8**	**7.3**	**7.2**	**6.4**	
PPG debt service-to-exports ratio (in percent)	**14.2**	**14.7**	**10.7**			**19.4**	**20.9**	**19.4**	**17.6**	**16.1**	**13.5**		**11.8**	**10.2**	**8.8**	**7.3**	**7.2**	**6.4**	
PPG debt service-to-revenue ratio (in percent)	**22.5**	**18.4**	**14.0**			**21.8**	**27.2**	**25.1**	**22.7**	**20.5**	**17.1**		**15.4**	**14.0**	**12.6**	**11.2**	**11.4**	**13.8**	
Total gross financing need (Millions of U.S. dollars)	79.3	110.0	66.4			85.3	117.7	139.7	157.6	176.2	178.1		150.4	122.8	101.0	94.3	101.9	160.1	
Non-interest current account deficit that stabilizes debt ratio	-1.0	20.1	7.4			10.8	10.1	11.3	11.1	12.2	11.5		11.5	11.3	9.9	8.8	8.9	7.5	
Key macroeconomic assumptions																			
Real GDP growth (in percent)	0.9	4.3	2.2	3.6	3.3	3.0	3.5	4.0	4.5	4.8	4.8	4.1	4.8	4.8	4.8	4.8	4.8	4.8	4.8
GDP deflator in US dollar terms (change in percent)	-8.1	2.7	5.8	0.8	9.6	4.4	1.8	1.4	0.7	0.2	0.2	1.5	-0.2	0.1	0.1	0.1	0.1	0.1	0.1
Effective interest rate (percent) 5/	1.2	1.8	1.4	1.7	0.3	1.4	1.4	1.3	1.2	1.1	1.0	1.3	0.9	0.9	0.9	0.9	0.8	0.9	0.9
Growth of exports of G&S (US dollar terms, in percent)	-7.7	-9.5	5.0	0.7	8.0	-6.0	13.3	8.8	9.3	8.1	8.6	7.0	10.2	8.6	7.4	7.4	6.5	7.0	7.2
Growth of imports of G&S (US dollar terms, in percent)	9.5	11.3	-10.2	3.1	9.6	12.3	12.0	8.0	6.1	4.6	3.1	7.7	10.0	5.3	5.2	6.5	5.5	8.8	6.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	43.4	39.2	39.2	40.2	40.5	40.8	40.5	45.1	42.7	41.2	41.1	41.0	39.7	40.8
Government revenues (excluding grants, in percent of GDP)	18.5	19.7	18.4			18.7	17.4	18.0	18.7	19.5	20.3		20.8	20.5	20.0	19.3	18.9	16.6	18.3
Aid flows (in Millions of US dollars) 7/	115.0	80.0	31.6			102.0	137.9	129.5	121.7	102.0	88.7		86.7	82.1	78.3	79.5	78.9	106.5	
of which: Grants	30.8	16.7	16.2			70.1	59.9	55.9	49.9	45.8	42.8		42.0	40.2	38.6	36.9	35.3	28.4	
of which: Concessional loans	84.2	63.3	15.4			32.0	78.0	73.6	71.8	56.2	45.9		44.7	41.9	39.8	42.6	43.6	78.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.7	8.3	7.3	6.5	5.4	4.6		4.4	4.0	3.6	3.4	3.1	2.2	2.9
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			77.1	65.6	65.4	64.7	67.2	69.3		71.7	70.8	70.2	68.4	67.4	55.8	63.0
Memorandum items:																			
Nominal GDP (Millions of US dollars)	833.2	892.2	964.6			1037.6	1093.8	1153.5	1213.4	1273.9	1337.5		1398.1	1466.3	1537.7	1612.6	1691.2	2721.4	
Nominal dollar GDP growth	-7.3	7.1	8.1			7.6	5.4	5.5	5.2	5.0	5.0	5.6	4.5	4.9	4.9	4.9	4.9	4.9	4.8
PV of PPG external debt (in Millions of US dollars)			381.9			385.8	400.9	413.6	425.6	429.3	431.6		432.9	436.5	443.0	455.4	467.4	648.0	
(PVt-PVt-1)/GDPt-1 (in percent)						0.4	1.5	1.2	1.0	0.3	0.2	0.8	0.1	0.3	0.4	0.8	0.7	0.6	0.7
Gross workers' remittances (Millions of US dollars)	59.3	93.6	93.5			101.1	106.5	112.4	117.2	123.1	129.1		133.9	140.2	147.5	155.6	164.3	285.7	
PV of PPG external debt (in percent of GDP + remittances)	...	...	36.2			34.6	33.9	33.2	32.5	31.3	30.2		28.9	27.8	26.9	26.3	25.7	22.0	
PV of PPG external debt (in percent of exports + remittances)	...	...	117.7			123.5	115.3	110.3	105.3	99.2	93.5		86.2	80.8	76.7	73.8	71.2	52.5	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	7.6			13.3	14.6	13.7	12.6	11.6	9.8		8.7	7.6	6.6	5.5	5.4	5.0	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt. Debt values may vary marginally from those in the accompanying staff report due to exchange rate conventions.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = 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. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2017-37[1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.

2/ Revenues are defined inclusive of grants.

Table 2. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014–37[1]

	Actual					Estimate	Projections								
	2014	2015	2016	Average 5/	Standard Deviation 5/	2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	104.9	105.3	120.2			112.7	108.2	104.0	100.2	95.5	91.0		71.8	51.6	
of which: foreign-currency denominated	58.4	51.4	52.4			50.9	51.2	51.1	50.9	49.6	48.2		40.9	34.2	
Change in public sector debt	21.6	0.4	14.9			-7.5	-4.5	-4.2	-3.8	-4.7	-4.5		-3.2	-1.7	
Identified debt-creating flows	12.3	-8.7	5.5			-7.3	-5.0	-4.8	-4.5	-4.9	-4.9		-2.5	-0.1	
Primary deficit	4.3	1.2	2.3	-0.6	5.3	-3.3	-1.4	-1.6	-1.5	-2.1	-2.5	-2.1	-0.4	1.3	0.1
Revenue and grants	22.2	21.6	20.0			25.4	22.9	22.8	22.8	23.1	23.5		20.9	17.7	
of which: grants	3.7	1.9	1.7			6.8	5.5	4.8	4.1	3.6	3.2		2.1	1.0	
Primary (noninterest) expenditure	26.5	22.8	22.4			22.1	21.5	21.2	21.3	21.0	21.0		20.5	19.0	
Automatic debt dynamics	8.0	-9.9	3.1			-3.9	-3.7	-3.2	-2.9	-2.9	-2.4		-2.1	-1.4	
Contribution from interest rate/growth differential	1.7	0.0	1.0			-3.8	-3.7	-3.7	-3.7	-3.0	-3.3		-2.7	-1.8	
of which: contribution from average real interest rate	2.4	4.3	3.3			-0.3	0.1	0.5	0.7	1.6	1.0		0.8	0.6	
of which: contribution from real GDP growth	-0.7	-4.3	-2.3			-3.5	-3.8	-4.2	-4.5	-4.6	-4.4		-3.4	-2.4	
Contribution from real exchange rate depreciation	6.3	-9.9	2.1			-0.1	0.1	0.5	0.8	0.1	1.0		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	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	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	9.3	9.2	9.4			-0.3	0.5	0.6	0.7	0.3	0.4		-0.7	-1.6	
Other Sustainability Indicators															
PV of public sector debt	...	...	107.5			99.8	94.2	89.3	84.9	80.1	75.9		59.1	41.7	
of which: foreign-currency denominated	...	...	39.7			37.9	37.2	36.4	35.6	34.3	33.1		28.2	24.3	
of which: external	...	...	39.7			37.9	37.2	36.4	35.6	34.3	33.1		28.2	24.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	47.8	52.7	60.8			44.6	44.3	41.7	39.6	37.0	34.4		28.4	20.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	536.6			392.5	412.3	390.8	371.9	347.3	323.0		282.1	235.7	
PV of public sector debt-to-revenue ratio (in percent)	...	...	585.6			534.6	542.2	496.1	453.7	411.4	373.9		313.3	250.5	
of which: external 3/	...	...	216.0			203.3	214.2	202.3	190.4	175.9	162.9		149.7	146.1	
Debt service-to-revenue and grants ratio (in percent) 4/	40.5	44.4	46.0			39.3	42.5	39.6	36.6	33.4	29.7		23.0	22.0	
Debt service-to-revenue ratio (in percent) 4/	48.6	48.6	50.2			53.5	55.9	50.2	44.7	39.6	34.4		25.6	23.4	
Primary deficit that stabilizes the debt-to-GDP ratio	-17.3	0.8	-12.5			4.2	3.1	2.6	2.3	2.6	2.0		2.7	3.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	0.9	4.3	2.2	3.6	3.3	3.0	3.5	4.0	4.5	4.8	4.8	4.1	4.8	4.8	4.8
Average nominal interest rate on forex debt (in percent)	1.3	1.9	1.5	1.8	0.3	1.5	1.5	1.4	1.4	1.3	1.2	1.4	0.9	0.9	1.0
Average real interest rate on domestic debt (in percent)	6.9	7.4	5.9	6.7	1.1	0.1	1.0	1.8	2.4	2.3	2.6	1.7	3.2	4.1	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	13.8	-17.3	4.2	2.2	12.9	-0.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.6	6.4	7.1	5.0	1.5	8.3	6.6	5.6	4.8	4.7	4.5	5.8	4.5	4.5	4.5
Growth of real primary spending (deflated by GDP deflator, in percent)	15.9	-10.2	0.3	0.7	6.3	1.6	0.7	2.8	4.8	3.4	4.7	3.0	4.4	3.1	4.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	43.4	39.2	39.2	40.2	40.5	40.8	40.5	41.0	39.7	...

Sources: Country authorities; and staff estimates and projections.

1/ Comprises domestically denominated central government debt, and general government external debt, gross.

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

3/ Revenues excluding 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.

INTERNATIONAL MONETARY FUND

THE GAMBIA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, AND PROPOSAL FOR A STAFF-MONITORED PROGRAM—INFORMATIONAL ANNEX

June 13, 2017

Prepared By

The staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of May 30, 2017)

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. It maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

General Resources Account	**SDR Million**	**% Quota**
Quota	62.20	100.00
Fund holdings of currency	52.91	85.06
Reserve Tranche Position	9.35	15.03

SDR Department	**SDR Million**	**% Allocation**
Net cumulative allocation	29.77	100.00
Holdings	3.05	10.25

Outstanding Purchases and Loans	**SDR Million**	**% Quota**
RCF Loans	7.78	12.50
ECF arrangements	19.75	31.75

Latest Financial Arrangements

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	May 25, 2012	May 20, 2015	18.66	10.89
ECF	Feb. 21, 2007	Mar. 31, 2011	24.88	22.55
ECF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89

Projected Payments to Fund (SDR million; based on current use of resources and present holdings of SDRs)[1]

	Forthcoming				
	2017	**2018**	**2019**	**2020**	**2021**
Principal	2.99	5.53	4.58	3.62	3.97
Charges/interest	0.07	0.15	0.12	0.15	0.15
Total	3.06	5.68	4.72	3.77	4.11

[1]When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date[1]	Dec 2000
Assistance committed (year-end 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	Dec 2007
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	1.80
Interim assistance	0.44
Completion point balance	1.36
Additional disbursement of interest income[3]	0.49
Total disbursement	2.29

Implementation of Multilateral Debt Relief Initiative (MDRI)

MDRI-eligible debt (SDR million)[4]	9.42
Financed by: MDRI Trust	7.44
Remaining HIPC resources	1.98

Debt Relief by Facility (SDR million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
December 2007	N/A	9.42	9.42

[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 period.

[4] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end–2004 that remains outstanding at the time the member qualifies for such debt relief.

Safeguards assessments

Safeguards at the CBG have weakened since the 2012 assessment. A monitoring visit by staff in March 2017 identified areas that need to be strengthened such as governance and oversight arrangements, autonomy, controls over government transactions, and audit mechanisms. Recommendations included: (i) amending the CBG Act to align it with leading practices for central banks; (ii) reconstituting the Audit Committee to full membership upon appointment of new Board members; (iii) phasing out any further credit to government at below market rates; and (iv) revising the procedures for opening and closing accounts to ensure that all required information is provided, and that transactions are properly authorized by the Accountant General's Department of the Minister of Finance and Economic Affairs. These measures are included as part of the 2017 SMP.

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 February 2, 2009, the classification of the de facto exchange rate arrangement has been changed from managed floating with no predetermined path for the exchange rate to floating, retroactively to April 30, 2008, due to the revision of the classification methodology. The Gambia has accepted the obligations of Article VIII, Sections 2(a), 3 and 4 and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for restrictions maintained solely for the preservation of national or international security, which have been notified to the Fund in accordance with the procedures set forth in Executive Board decision 144-(52/51). However, since end-2012, a series of presidential directives imposing fixed, overly appreciated exchange rates were issued during October 22-November 15, 2012; June 26-July 15, 2013; July 26-October 9, 2013 and more recently, on May 4 2015 to January 1, 2017. The 2012, 2013 and 2015 directives have all been rescinded.

Last Article IV consultation

The Executive Board concluded the 2015 Article IV consultation (SM/15/272) on September 18, 2015.

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 since 2008 are the following:

Fiscal Affairs Department

February 2016	TA mission to strengthening Budget Formulation within a Medium-term Framework
April/May 2015	TA mission advised on tax expenditure budgeting and property tax evaluation.
April/May 2015	TA mission advised on the identification, management and clearance of expenditure arrears and cash management
August 2014	TA mission advised on revenue administration
February/March 2014	TA mission advised on the implementation of the Medium Term Expenditure Framework and program based budgeting
February 2013	TA mission advised on tax policy reform options
January/February 2013	TA mission advised on reorganization of MOFEA to strengthen budget and MTEF reforms and fiscal reporting
June 2012 -	A resident advisor advised on PFM.
June 2012 -	A resident advisor advised on revenue administration.
April 2012 -	A resident advisor advised on VAT preparations and implementations.
February/March 2012	A couple of experts advised on PFM.
January/February 2012	An IMF regional advisor visited twice to provide TA on revenue administration and VAT preparations.
September 2011	A couple of experts advised on PFM (preparing a Budget Framework Paper) and on VAT preparations.
August 2011	Peripatetic expert advised on improving compliance and tax administration.
April/May 2011	TA mission advised on VAT preparations.
April 2011	TA mission reviewed the pricing formula for petroleum products.

February/March 2011	TA mission reviewed status of revenue administration reforms, including VAT implementation plans.
November/December 2010	Peripatetic expert advised on VAT preparations.
August 2010	Peripatetic expert advised on VAT preparations.
June 2010	TA mission on public financial management (PFM).
April/May 2010	TA mission advised on improvements in revenue administration and provided input into the design of tax reforms.
April 2009	TA mission advised on measures to reform the tax system.
July 2008	Peripatetic regional advisor followed up on the work of the August/September 2007 FAD mission.
Monetary and Capital Markets Department	
April 2017	TA mission to improve monetary policy analysis and monetary operations
Sept 2016	TA mission to enhancing risk based onsite supervision
Aug 2016	TA mission to improve monetary analysis and review of monetary policy toolkit
June 2016	Implementation of Liquidity Forecasting and Liquidity Management
Jun 2016	Regional Workshop on Basel Core Principles
Jan 2016	Enhancing Risk-Based Onsite Supervision
Sept 2015	TA mission on International Financial Reporting Standards Principles Part II
Jul 2015	TA mission on introducing International Financial Reporting Standards Principles
Jul 2015	TA mission to assess the Basel Core Principles
June 2015	TA mission on liquidity forecasting and management
May 2015	TA mission on banking supervision (offsite supervision framework)
February 2015	TA mission on banking supervision (stress testing)
March 2014	TA mission on banking supervision (manual of guidelines for regulatory returns)
March 2014	TA mission advised on monetary operations and liquidity management

April/May 2013	TA mission on banking supervision.
September/October 2012	Technical expert advised on monetary operations and liquidity forecasting.
January 2012	Technical expert advised the CBG on amending its Manual of Guidelines and Instructions to strengthen bank supervision.
September 2011	TA mission conducted stress testing and helped built capacity in this area.
February/March 2011	TA mission conducted a diagnostic assessment of the banking system.
March/April 2010	Technical expert advised the CBG on banking supervision.
January 2010	Technical expert advised on monetary operations and liquidity forecasting.
January 2009	Technical expert advised the CBG on banking supervision.
	Statistics Department
March 2017	TA mission on the National Accounts.
Sept 2016 (Ongoing)	Ongoing TA support on National Accounts with ARFITAC West 2.
Oct 2015 (Ongoing)	Ongoing TA support on Producer Price Index with ARFITAC West 2
June/July 2015	Mission advised on the compilation of price statistics
May 2015	TA mission on the Balance of Payments and External Sector Statistics
February 2015	Mission advised on the compilation of financial soundness indicators for the banking sector.
February/March 2015	Mission advised on economic census, national accounts and quarterly national accounts.
January/ February 2015	DfID-funded TA mission advised on the compilation of mutually consistent BOP and IIP statements.
October 2014	Mission on advised on national accounts and economic census.
October/November 2013	Mission advised on the compilation of national accounts.
July/ August 2013	Mission advised the compilation of price statistics.
February/March 2013	DfID-funded TA mission advised the authorities on improving BOP statistics.
January/February 2012	Technical expert advised on improving the compilation of price statistics.
September 2011	DfID-funded TA mission advised the authorities on improving BOP statistics.

July 2011	DfID-funded short-term expert advised the authorities on improving national accounts statistics.
March/April 2011	DfID-funded TA mission advised the authorities on improving BOP statistics.
September 2010	DfID-funded short-term expert advised the authorities on improving national accounts statistics.
August/September 2010	DfID-funded TA mission advised the authorities on improving BOP and IIP statistics.
February 2010	TA mission advised on measures to improve monetary and financial statistics.
June 2008	Fourth visit of the DfID-funded TA mission assisted the authorities in improving the compilation of national accounts statistics, particularly in rebasing the GDP series and in calculating GDP by the expenditure approach, using the results from the 2004 Economic Census.
April/May 2008	Follow-up visit of a 2006 TA mission to assist the CBG in improving the compilation of monetary and financial statistics and in preparing the standardized report forms for reporting monetary data to the IMF.
March 2008	Third visit of the DfID-funded TA mission assisted the authorities in improving the compilation of national accounts statistics, particularly in rebasing the GDP series and in calculating GDP by the expenditure approach, using the results from the 2004 Economic Census.
	Others
March 2017	A staff visit of FIN safeguards monitoring.
February 2012	An LEG expert held a VAT workshop for stakeholders and helped finalize the new VAT law and related background materials.
December 2011	An LEG expert helped draft the new VAT law.

Resident Representative

The position of the Fund’s Resident Representative in The Gambia is currently vacant but is expected to be filled soon.

JOINT BANK-FUND WORK PROGRAM

The Gambia: Joint Bank-Fund Work Program, June 2017–June 2018			
Title	**Products**	**Timing of Missions**	**Target Board Date**
A. Mutual Information on Relevant Work Program			
Bank work program in next 12 months	**Economic Management and Public Financial Management** 1. Gambia DPO series **Energy** 2. Gambia Energy Project	December 2017 (tentative) December 2017 (tentative)	To be determined To be determined
Fund work program in next 12 months	**Policy Advice** 1. Article IV consultation and SMP review mission 2. Staff visit 3. SMP review / ECF negotiation mission	September 2017 December 2017 (tentative) March 2018 (tentative)	November 2017 n.a To be determined
B. Requests for Work Program Inputs			
Fund request to Bank	Periodic updates on: CPIA, PFM reform, and civil service reform.		
Bank request to Fund	Periodic updates on macroeconomic framework.	July and Sep/Oct 2017 and Feb/Mar 2018 (tentative)	n.a
C. Agreement on Joint Products and Missions			
Joint products in next 12 months	Joint DSA	March 2018	n.a.

STATISTICAL ISSUES

As of May 30, 2017

I. Assessment of Data Adequacy for Surveillance
General: Data have serious shortcomings that significantly hamper surveillance but efforts are underway to improve statistics. The most affected areas are monetary and financial data, balance of payments, and external debt statistics.
National Accounts (NA): The Gambia Bureau of Statistics (GBoS) disseminated in March 2015 a set of annual GDP estimates—by activity and by expenditure approaches—for 2004-13 based on the 2006 Economic Census with 2004 as the benchmark year. Using the 2016 Economic Census, GDP estimates of production are likely to be rebased in late 2017 while expenditure estimates will likely be rebased in early 2018. Collaboration between stakeholders has improved somewhat and line ministries will continue to contribute to the development of sectoral statistics, particularly in agriculture, health, education, transport, and construction. The timeliness and accessibility of GDP figures remain a concern. The GBoS continues to face capacity and financial constraints to process data in a timely manner.
Price Statistics: The current CPI with a weight reference period of 2004 was introduced in January 2007. The GBoS had a target to rebase the CPI using the results of the 2010 integrated household survey and to release the rebased by January 2015. This target was missed with the rebased CPI now scheduled to be released from January 2016 onward. In addition to rebasing, GBoS is also revising its methodology for calculation of CPI elementary aggregates. Once completed, these changes are expected to improve compilation significantly and to make CPI movements more reflective of the underlying price movements.
Government Finance Statistics: The authorities release data on central government transactions with a lag of about four weeks for both revenues and expenditures. With the introduction of the IFMIS in 2010, the compilation of expenditure data by functional category and by administration is now possible. However, the authorities have not yet started to make them available to the public at regular intervals, contrary to best practices. The compilation of project grant disbursements and project grant use has been a challenge, leading to financing discrepancies. Monthly data on domestic government financing are available with a delay of about four weeks.
Monetary and Financial Statistics: The Central Bank of The Gambia (CBG) has suspended reporting monetary and financial statistics to STA (the latest data refer to April 2015). The CBG is addressing capacity weaknesses with a view to resume regular reporting.
Financial sector surveillance: Data quality has improved significantly following the introduction of an automated platform for regulatory returns. This paved the way for the recent implementation of comprehensive stress tests for the first time. However, cross border exposure data for financial corporations are not available. The CBG started reporting financial soundness indicators (FSIs) to STA in October 2016. The Gambia reports 11 of the 12 core FSIs and some encouraged FSIs.

External sector statistics: Despite some improvements, balance of payments statistics continue to be affected by serious shortcomings. These include delays in the collection of trade, customs, and tourist arrival data; outdated methods for estimating the re-export trade; poor data on capital flows; poor classification of balance of payments data; and lack of a consistent methodology. Institutional weaknesses have also been a major impediment to improving statistics. Official grant and loan disbursements and repayments are generally well recorded, but there are some gaps in project disbursements. Due to the various data shortcomings, there was a large discrepancy between the balance of payments data reported by the authorities to STA (outdated and available only up to the third quarter of 2013) and the adjusted data used by AFR. Efforts are under way to resume reporting to STA. The CBG produces quarterly balance of payments statistics according to the *Balance of Payments Manual*, 5th edition *(BPM5)*. An IIP statement in the standard format has not yet been prepared but this remains a primary goal, following the last TA mission (February 2015). To improve the quality of BOP statistics, the CBG conducted surveys of tourism expenditures and re-exports in 2011, and surveys of FDI and trade credits and advances in 2012. GBoS, CBG, and the Gambian Revenue Authorities (GRA) have been holding regular quarterly meetings on re-exports, in order to standardize procedures and reports for border stations. Recent improvements include the update of the enterprise registry and increased response rate (currently around 52 percent), and the launching of report forms to real estate agencies on a quarterly basis (where the response rate remains low).

II. Data Standards and Quality	
The Gambia has participated in the General Data Dissemination System (GDDS) since 2003, and currently participates in the successor initiative, the enhanced GDDS. Metadata and GDDS improvement plans have not been updated since 2003, except for the national accounts, balance of payments and gross official reserves which were updated in 2011.	A data ROSC was published on December 1, 2005.

III. Reporting to STA
The authorities provide most financial soundness indicators (FSIs) to the IMF database; however, not all core FSIs are reported and the reported indicators are not timely. The Gambia has suspended reporting GFS data to the *Government Finance Statistics Yearbook* from the fiscal year 2010 onwards.

The Gambia: Common Indicators Required for Surveillance

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]	Memo Items:[8]	
						Data Quality – Methodological soundness[9]	Data Quality – Accuracy and reliability[10]
Exchange Rates	04/2017	05/2017	D	W	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	04/2017	04/2017	W	W	M		
Reserve/Base Money	04/2017	04/2017	D	W	M	LO, LO, LO, LO	LNO, LO, O, LO, LNO
Broad Money	03/2017	05/2017	M	M	M		
Central Bank Balance Sheet	03/2017	05/2017	M	M	M		
Consolidated Balance Sheet of the Banking System	03/2017	05/2017	M	M	M		
Interest Rates[2]	04/2017	05/2017	W	W	M		
Consumer Price Index	03/2017	04/2017	M	M	M		
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	N/A	N/A				LO, LO, O, O	LNO, LO, LO, LNO, NO
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	02/2017	02/2017	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	04/2017	04/2017	M	M	M		
External Current Account Balance	12/2016	03/2017	Q	I	A	LNO, LNO, LNO, LO	LNO, LNO, LNO, LO, NO
Exports and Imports of Goods and Services	12/2017	03/2017	Q	I	A		
GDP/GNP	12/2016	03/2017	A	A	A	LNO, LNO, O, LO	LNO, O, LNO, LO, NO
Gross External Debt	12/2016	04/2017	Q	I	A		
International Investment Position[6]	N/A	N/A					

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, 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, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[8] These columns should only be included for countries for which Data ROSC (or a Substantive Update) has been published.
[9] This reflects the assessment provided in the data ROSC or the Substantive Update (published on ., and based on the findings of the mission that took place during...) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).
[10] Same as footnote 7, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

Statement by Executive Director, Mr. Maxwell M. Mkwezalamba, and Advisor of the Executive Director, Mr. Bernard W. Jappah
June 26, 2017

I. Introduction

Our Gambian authorities thank staff for the recent frank and productive program discussions, and convey their appreciation to Management and Staff for their continued engagement, particularly during this period of political transition. The authorities broadly agree with staff's assessment of the economy, and reiterate their strong commitment to achieve macroeconomic stability and promote inclusive growth.

The Gambia is facing formidable challenges, arising from a legacy of macroeconomic imbalances, occasioned by weak governance and a challenged public sector. In addition, irregular rainfall patterns have disrupted agriculture, significantly reducing crop production, while political uncertainty after the recent elections dampened tourism receipts. Consequently, the country is facing urgent balance of payments needs, projected at about 3 percent of GDP, and low levels of usable international reserves. This notwithstanding, the new democratically-elected government is committed to restoring the country's political and economic situation and has already taken bold steps to avoid a crisis, restore fiscal stability, ensure debt sustainability, and implement critical reforms, subject to resource constraints.

For the medium term, they are finalizing the successor growth plan to the Accelerated National Response Plan (ANRP) for the period July- December 2017, the Program for Accelerated Growth and Employment (PAGE II, 2017-2010), to consolidate the gains made to address poverty, inequality, and private sector-led growth, among others.

II. Request for a Program

With a total financing gap of 15 percent of GDP, the authorities are requesting immediate support from the IMF under the Rapid Credit Facility (RCF) in an amount equivalent to 18.75 percent of quota, or SDR 11,662,500, to address the *immediate balance of payment crisis*. They are also requesting for a one year staff- monitored program (SMP), covering the period April 2017 to March 2018, to guide implementation of their economic program and build a good track record of performance. Thereafter, they intend to request for support under the Extended Credit Facility (ECF) arrangement to help maintain economic stability and make progress towards inclusive growth and poverty reduction over the medium term, consistent with their national development plan. The balance of the financing gap will be covered by donors' commitment (7.2 percent of GDP), concrete fiscal measures by the authorities (5.3 percent of GDP), and domestic financing (1 percent of GDP). The authorities recognize that some key challenges are structural in nature and will take a while to resolve. Hence, they will be seeking a more expansive program.

III. Recent Economic Developments, Risks, and Outlook

Following a series of shocks and a challenging domestic and external environment, economic growth in 2016 is estimated to have declined to 2.2 percent, from 4.3 percent in 2015. Debt levels and interest payments have risen in tandem with the growing total public debt stock which rose from 105.3 percent of GDP in 2015 to 120 percent of GDP at end-2016. This followed several years of high deficits financed by domestic security issuances. Net domestic borrowing was estimated at 11.4 percent of GDP in 2016, while the related high debt service on domestic debt absorbed almost half of government revenue in 2016. Gross international reserves have fallen to 1.6 months of prospective imports. Other pressures include weak revenue collection due to the economic slowdown, and unbudgeted support for state-owned enterprises (SOEs).

Growth is projected to rebound to 3 percent in 2017, spurred by benign weather conditions and recovery in tourism and export sectors. Within the medium term, GDP growth, averaging 4.5 percent, will be supported by economic governance reforms, resumption of private sector growth, strong commercial farming, tourism growth, and rise in foreign direct investments. These improvements would be gradual, considering the lingering political after-effects.

Headline annual inflation reached 8.7 percent in March 2017, from 7.9 percent at the end of 2016, well above the Central Bank of The Gambia's (CBG) target of 5 percent, driven by high food prices and the depreciation of the dalasi against the U.S. dollar, since November 2016. Inflation would abate to 7.1 percent by 2018, benefitting from the normalization of monetary policy and a rebound in agricultural production. The current account deficit narrowed in 2016 due to favorable terms of trade, decline in exports and moderate rebound in trade.

IV. Fiscal Policy and Public Financial Management

The authorities are faced with the challenge of tightening fiscal policy, while promoting growth and creating space for priority infrastructure and social spending. Nevertheless, they remain committed to fiscal sustainability, and agree that policy focus should be placed on aligning public spending with available resources and drastically reducing domestic borrowing and interest costs. They also appreciate the urgency of restructuring public enterprises, especially the Gambia Telecommunications Company Limited (GAMTEL), Gambia Telecommunications Cellular Company Limited (GAMCEL), and the National Water and Electricity Company (NAWEC), to place them on a sound financial footing and limit their drain on the budget. To determine the level of financial distress within the sector, the authorities commissioned audits of all SOEs, and consequently published their audited financial statements on the Ministry of Finance and Economic Affairs' website. They are also working with the World Bank in an exercise to consider options for divestiture, in addition to restructuring.

To restore fiscal management and enhance credibility, the authorities have legislated a budget for 2017, consistent with stabilization objectives to contain the deficit to 2.5 percent of GDP in 2017, from 9.8 percent in 2016, as well as reduce the financing gap. As further attestation of their commitment to reforms, the authorities have, among others, reduced expenditure in the 2017 budget by about 1 percent of GDP, with substantial cuts in the budget of the Presidency; ensured all fees and revenue sources are channeled to the budget, including from petroleum fee concessions; and have taken steps, with the help of the World Bank, to liberalize fuel supply to NAWEC which has witnessed a reduction in the cost of fuel by 15 percent. With respect to SOEs, the government has issued a circular stating that the government would not approve any more guarantees in their favor, unless consistent with the tenets of the Public Finance Act. In addition, they have transferred the oversight role of GAMTEL, from the Presidency to the Ministry of Information and Communication Infrastructure to restore viability and improve its competitiveness.

Several reforms have been undertaken regarding public financial management (PFM), including putting in place policies to reduce the bloated vehicle fleet; strengthening accountability; reducing fuel and maintenance cost; generating receipts from the sale of excess cars; and initiating a nationwide payroll verification audit of the civil service and security forces. They are also considering streamlining ministries and sub-vented agencies, downsizing and rationalizing embassies, and streamlining memberships in non-financial international organizations.

V. Debt Management

The authorities have noted the recent DSA which suggests that The Gambia is at high risk of debt distress. While the authorities recognize challenges to debt repayment, they are taking bold steps to restore debt sustainability, including avoiding contracting new non-concessional debt and reducing interest charges, while all outstanding CBG lending has been consolidated into a 30-year bond. With the help of the Fund and the World Bank, they have also launched the preparation of a domestic debt strategy that would include curbing net domestic borrowing, extending maturities and possibly lowering interest costs, and gradually reducing the ratio of domestic debt to GDP. The debt strategy will be implemented within the course of the proposed SMP. Further, the authorities are in negotiations with commercial banks to restructure NAWEC's loans. With these initiatives, interest rates which averaged 17 percent in 2016 have since April 2017 declined to 11.5 percent.

On the external front, the authorities have engaged official creditors with a view of debt restructuring at concessional terms. Any additional public investments would be financed through external grants and concessional loans. They are committed to stabilize external payment arrears and do not intend to contract or guarantee any new non-concessional external debt**.** To further tighten controls on borrowing, the government has committed to consult with the Fund before contracting and guaranteeing any new concessional external loans.

VI. Monetary and Financial Sector Policies

Monetary policy effectiveness has been undermined by monetization of the fiscal deficit over time. Going forward, monetary policy will aim to bring down inflation within target over the medium term. The authorities are committed to maintain exchange rate flexibility to absorb external shocks and increase the resilience of the economy. Regarding CBG's independence, amendments are expected to be submitted to parliament by end 2017. At the same time, the CBG's Board is expected to be fully constituted and an Audit Committee set up.

Though large exposures to the banking sector present considerable risks, the authorities' policy to consolidate current facilities, limit borrowing, and contain SOE financing is expected to help curb vulnerabilities. To ensure stability in the sector, the CBG has stepped up monitoring of the impact of recent debt policies and initiated work on upgrading the bank resolution framework. It is also developing its crisis management capabilities.

VII. Conclusion

The difficult balance between efforts to restore stability and the need to boost growth underscores the critical importance of the support of the international community. In addition to the vital support provided by the Fund, our Gambian authorities appreciate the substantial financial support pledged by several cooperating partners, including the World Bank, the European Union, and the African Development Bank. This will support the authorities' efforts to move swiftly on stabilization and reforms, and help unlock other resources essential for the country's achievement of its comprehensive development agenda.

The Gambian authorities express their strong commitment to prudent fiscal and monetary policies, sustained debt management practices, and deeper structural reforms to boost competitiveness, promote inclusive growth, and accelerate poverty reduction. They remain optimistic that growth will pick up in 2017 as tourism and trade recover, reforms become broadly institutionalized, and investors return. The Fund's support through the RCF and in building a track record for an ECF would be critical in playing a catalytic role in unlocking funding from other donors and providing impetus to the implementation of the country's economic reform agenda.