May 2004
IMF Country Report No. 04/142

The Gambia: Selected Issues and Statistical Appendix

This Selected Issues paper and Statistical Appendix for **The Gambia** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **March 2, 2004.** The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of **The Gambia** or the Executive Board of the IMF.

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International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

THE GAMBIA

Selected Issues and Statistical Appendix

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Approved by the African Department

March 2, 2004

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The Gambia: Basic Data

Area, population, and GNP per capita

Area	10,700	sq. km.
Population		
Total (2003)	1.4	million
Growth rate (2000-2003; average)	2.8	percent
GDP per capita (2003) (staff est.)	256	US$

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
	(In millions of dalasis, unless otherwise indicated)					
National accounts						
GDP at constant 1976/77 prices	659.0	701.2	739.9	782.5	757.1	823.5
Of which						
Agriculture	121.4	157.0	173.4	188.9	135.7	175.7
Manufacturing	34.7	35.2	35.9	36.9	38.5	39.5
Services	383.4	390.5	403.7	432.9	451.4	469.7
Nominal GDP	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,275.2
Gross domestic investment						
(in percent of GDP)	18.3	17.8	17.3	17.4	21.2	19.6
Gross domestic savings						
(in percent of GDP)	11.4	11.9	9.0	11.3	14.7	11.6
Central government finance						
Total revenue and grants	919.9	944.5	1,117.2	1,125.7	1,528.7	1,776.4
Domestic revenue	831.5	878.7	995.4	989.9	1,201.8	1,569.1
Foreign grants	88.5	65.8	121.8	135.9	326.9	207.2
Total expenditure and net lending	1,028.2	1,118.2	1,192.1	2,037.4	1,870.7	2,327.9
Recurrent	799.8	887.0	985.2	1,237.1	1,318.2	1,703.3
Development and net lending 1/	228.7	231.2	206.3	800.3	552.5	624.6
Overall deficit (commitment basis) 1/						
Excluding grants	-197.0	-239.5	-196.8	-1,047.5	-668.9	-758.7
Including grants	-108.5	-173.7	-75.0	-911.6	-342.0	-551.5
Adjustment to cash basis (float)	-24.5	-34.5	-23.7	-34.7	17.8	-39.4
Overall deficit (cash basis) 1/	-133.0	-208.2	-98.7	-946.3	-324.2	-590.9
Financing	133.0	208.2	98.7	946.3	324.2	590.9
Foreign	54.5	30.0	-45.6	-23.6	140.9	57.9
Domestic	78.5	178.2	144.3	969.9	183.3	533.0
Money and credit 2/						
Net domestic assets	-1.7	11.2	12.3	53.2	22.3	14.2
Credit to the government 3/	0.5	3.4	3.1	49.8	1.0	12.5
Credit to the private sector 4/	5.4	7.8	4.4	13.2	27.7	19.0
Broad money	10.2	12.1	34.8	19.4	35.3	43.4

The Gambia: Basic Data (continued)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
	(In millions of U.S dollars, unless otherwise indicated)					
Balance of payments						
Trade balance	-78.9	-68.7	-63.3	-43.1	-49.1	-51.8
Exports, f.o.b.	130.4	120.2	126.6	101.6	111.0	102.0
Imports, c.i.f.	-209.3	-188.9	-189.9	-144.7	-160.1	-153.8
Services (net)	29.7	22.7	8.2	-5.4	-1.5	-2.4
Transfers	39.1	33.8	41.8	34.0	42.6	35.4
Private	3.5	3.8	10.6	3.5	3.6	3.7
Official	35.6	30.0	31.3	30.5	39.0	31.6
Current account balance						
Excluding official transfers	-45.7	-42.2	-44.5	-45.0	-47.0	-50.5
Including official transfers	-10.1	-12.2	-13.2	-14.5	-8.0	-18.9
Capital account	17.3	7.5	5.7	-5.8	21.4	4.3
Official	5.4	2.7	6.3	8.4	34.0	8.6
Private	12.0	4.8	-0.6	14.3	-13.1	-4.4
Unaccounted-for loss in reserves	0.0	0.0	0.0	-28.5	0.5	0.0
Errors and omissions	-0.8	-0.6	17.6	-31.4	-18.3	3.2
Overall balance	6.5	-5.3	10.1	-51.7	-4.9	-11.4
Current account balance (in percent of GDP)						
Excluding official transfers	-10.9	-9.8	-10.6	-10.8	-12.7	-13.8
Including official transfers	-2.4	-2.8	-3.1	-3.5	-2.2	-5.1
Gross official reserves						
In millions of SDRs	75.2	71.7	84.5	50.1	49.5	42.0
In months of imports, c.I.f.	5.8	6.2	7.0	5.3	4.8	4.6
External public debt 5/						
In millions of U.S. dollars	460.5	451.5	455.1	475.5	560.4	562.0
In percent of GDP	109.4	104.5	108.1	113.8	151.6	153.2
	(In percent of exports and travel income)					
Debt-service ratio 6/						
Including the Fund	11.1	11.8	15.4	18.5	7.8	9.8
Excluding the Fund	8.4	9.6	14.3	18.1	7.6	9.7

1/ Data for 2001 include US$28.5 million capital expenditure financed by a retroactive loan by the Central Bank of The Gambia (CBG) which the authorities indicated in October 2003 had not been recorded in official accounts.
2/ In percent of broad money at the beginning of the period.
3/ Includes the central bank's foreign currency advance to the government in 2001.
4/ Includes public enterprises and central bank credit to foreign exchange bureaus.
5/ 2003 figure is preliminary and does not fully incorporate all disbursements by the African Development Bank. It therefore underestimates total debt.
6/ As a percentage of exports and travel income. After interim debt relief and HIPC grants. Excludes any accumulation of esternal arrears.

I. Recent Economic Developments

A. Background

1. **The Gambia is a small, open economy on the west coast of Africa**. It extends inland for 180 miles along both banks of the Gambia River, at widths varying from 15 to 30 miles. The only land borders of the country are with Senegal. The population was provisionally recorded by the 2003 census at 1.4 million, with a recent average growth rate of 2.8 percent. Three-fourths of the population is rural, and the remainder is largely located in the urban areas around the capital, Banjul. The 1998 household poverty survey indicated an overall poverty rate of 67 percent. [1]

2. **Following independence in 1965, The Gambia maintained broadly stable macroeconomic conditions and achieved modest rates of economic growth.** However, economic performance deteriorated significantly after 1983 because of adverse terms of trade shocks and large budget deficits financed by domestic borrowing. Increased reliance on government intervention in allocating credit and promoting economic development–primarily in the agricultural sector—and the lack of competition in the economy further destabilized the economic environment. To address the situation, the authorities embarked in 1985 on an ambitious Economic Reform Program (ERP), succeeded in 1990 by the Program for Sustained Development (PSD). However, the ongoing economic reforms were disrupted by the military coup in July 1994. In the aftermath of the coup, donors cut assistance to The Gambia, and tourism receipts dropped markedly. In addition, the reexport trade was adversely affected by controls imposed by the neighboring countries before and after the devaluation of the CFA franc in 1994 and by the impact of the devaluation on The Gambia's external competitiveness. Economic performance deteriorated substantially.

3. Presidential and parliamentary elections, in 1996 and 1997, respectively, marked the end of the transition from military to civilian government and helped to establish conditions for a resumption of donor support and economic reforms. In June 1998, the government entered into a three-year arrangement under the IMF Enhanced Structural Adjustment Facility (ESAF)—subsequently the Poverty Reduction and Growth Facility (PRGF). Economic performance improved substantially during 1998-2001. Although student disturbances and election-related incidents during 2000, accompanied by the withdrawal of a major tourist operator, adversely affected the tourism sector for a period, arrivals picked up strongly in subsequent years. Meanwhile, in January 1999, the government seized the groundnut processing plant belonging to the Gambia Groundnut Corporation (GGC), a private groundnut marketing monopoly. Compensation was subsequently paid, with financial support from the European Union (EU), and the company

[1] The Gambia: *Millennium Development Goals Report 2003*.

is being prepared for resale. The establishment of a second company producing other groundnut derivatives expanded processing capacity.

4. Parliamentary, presidential, and local elections were held in 2001–02, and were assessed to be generally fair by international observers. President Jammeh was reelected by a large majority, and his party won all but three seats in the elections to the National Assembly.

B. Output and Inflation

5. **During 1998-2001, real output growth averaged 6 percent in The Gambia**. This mainly reflected a strong performance in the agricultural sector (roughly one-fourth of the GDP), which grew on average by about 9 percent as a result of successive good harvests. Services, representing over half of total output, grew on average by 6 percent, mainly driven by trade, transport and communications; however tourism services experienced some difficulties in the 2000-01 season. The industrial sector grew on average by just under 5 percent and accounted for about 10 percent of real output; most of the growth reflected activity in construction, while manufacturing output stayed fairly flat (Figure I.1).

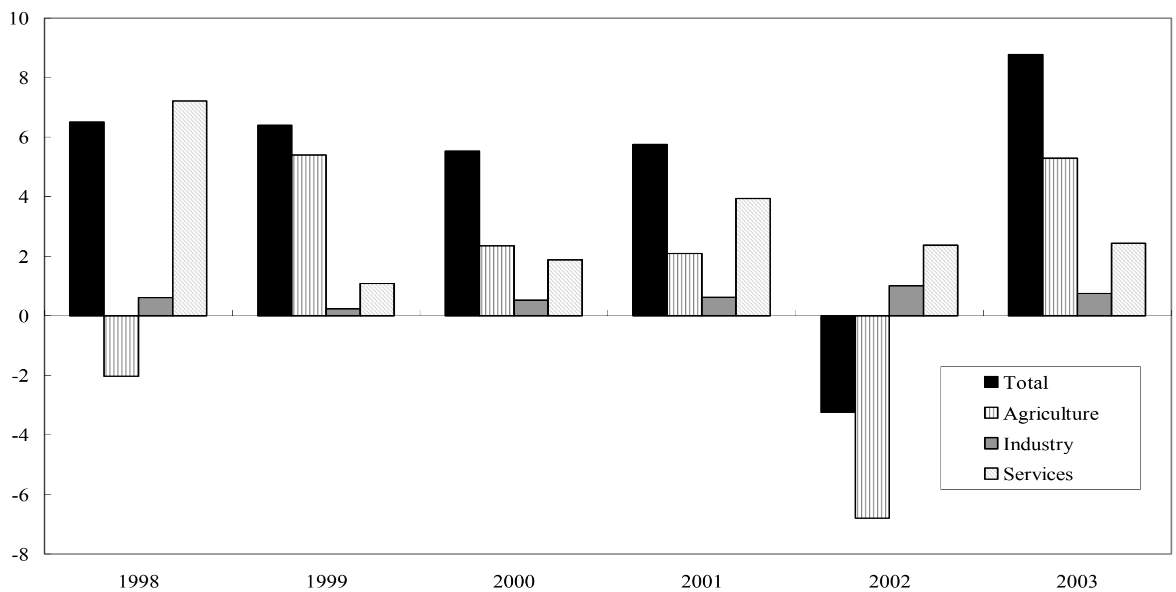
6. **Economic performance deteriorated sharply in 2002**, as sparse rainfall led to a decline of one-third in agricultural output. Real GDP shrank by 3 percent. However, sectors other than agriculture fared reasonably well: the tourism sector benefited from greater political stability and improved competitiveness; industrial production growth accelerated (largely reflecting the processing of a record 2001 groundnuts crop); and the construction sector boomed as a result of some donor-financed infrastructure projects, prospects of a resurgence in tourism, and low real interest rates.

7. **In 2003, favorable weather conditions led to a strong rebound in the agricultural sector**. Provisional crop reports from the United Nations Food and Agricultural Organization (FAO) imply a growth in agricultural output of 30 percent, resulting in GDP growth estimated at just under 9 percent. However, in level terms, the GDP would still be significantly below the trend established in previous years.

8. **Groundnuts**, the predominant cash crop in The Gambia, have continued to form the mainstay of the agricultural sector (about one-third of value added). In 2000 and 2001, above-average rainfall led to a very strong performance in the groundnut sector: total production rose to 138,000 and 151,000 tons, respectively, compared with an average of 121,000 tons during 1998-2001. In 2002, however, production plummeted to about 72,000 tons due to a shortened rainy season. In 2003, according to first estimates from the FAO, groundnut production recovered to about 127,000 tons. Although there were above-average rains in the year, this represents a surprisingly strong outcome, given the difficulties experienced by farmers, particularly in the North Bank Division of the country, in obtaining seeds, fertilizers, and other inputs following the poor 2002 season. Quality may however, have been poor, implying a much lower value added than assumed in the

provisional GDP estimates, even if the provisional estimates of quantity turn out to be well founded.

Figure I.1. The Gambia: Annual Contribution to GDP Growth by Sector, 1998-2003
(In percent)



Sources: The Gambian authorities; and IMF staff estimates.

9. **Agricultural production** in The Gambia is shifting slowly away from groundnuts to other crops, which currently represent over 40 percent of total agricultural output (including livestock). These other products include millet, maize, rice, and sorghum, and newer growth areas such as sesame and exotic vegetables. While the output of most of these crops was hit hard by inadequate rains in 2002, the impact on rice and horticultural production was mitigated by irrigation facilities, which covered about 8 percent of the total crop area in 2002. In 2003, the output of millet, maize, and rice grew strongly, according to the provisional FAO report. Horticultural activities gained importance with improved export conditions, following an increase in air traffic between Europe and The Gambia, and improved competitiveness following the depreciation of the dalasi, but they still represented only a small proportion of commercial farming activity. Production in the **fisheries** sector improved further, supported by additional, donor-financed facilities for the production of ice, a previous bottleneck for export-oriented industrial fish production.

10. **Industrial production** grew by about 10 percent in 2002, boosted by the entry of a large manufacturing company into the groundnut processing sector. By providing facilities to produce groundnut cake and oil, the company has raised significantly the value added of groundnut-related exports. Following the purchase of several electricity generators, electricity production also increased by 10 percent in 2002. However, the supply of

electricity is still subject to large fluctuations. In 2003, growth in industrial production is estimated to have decreased slightly to about 7 percent from 10 percent in 2002 as the poor 2002 groundnuts crop left the processing plants largely idle despite the prospect of much higher unit profits as a result of increased world prices and the depreciation of the dalasi.

11. **Services** contributed positively to GDP growth in 2002, although by less than in the two previous years. The tourism sector and reexport trade performed well, benefiting from a more competitive situation as a result of the depreciation of the dalasi exchange rate, but growth in transport and communications slowed due to lower incomes and an increase in prices toward the end of the year. These trends continued into 2003, and services are estimated to have grown by only about 4 percent.

12. Data on **investment and savings** in The Gambia are extremely rudimentary because of limited information on the allocation of expenditure. National saving is estimated to have increased by 5 percentage points of GDP to 19 percent of GDP in 2002, on the basis of a decline in the current account deficit to 2.2 percent in 2002, from 3.5 percent in 2001 and total investment is estimated at about 21 percent of GDP in 2002, up from 17.4 percent in 2001. Public investment, which included several donor-financed projects, grew strongly, while private investment in the tourism sector was boosted by improved prospects for tourist arrivals and the lengthening of the season; meanwhile, domestic interest rates were low in real terms. In 2003, an estimated current account deficit of about 5 percent and domestic investment estimated at about 20 percent of GDP imply that national saving returned to former levels of about 15 percent. Private investment slowed due to higher real interest rates, and fewer public investment projects were undertaken.

13. **During 1998-2001, prices, as measured by the consumer price index (CPI) for low-income households in the greater Banjul area, increased by about 2.6 percent on average**. However, toward the end of this period, inflation started to accelerate, with consumer prices rising by 8 percent in the 12 months to December 2001. By the end of 2002, the 12-month consumer price inflation rate had risen to 13 percent. The 12-month inflation rate peaked at 21 percent in August 2003, before declining to 18 percent by December 2003.

14. Imported goods represented the strongest rising prices during this period, reflecting a depreciation of the dalasi in domestic currency terms of 108 percent against the U.S. dollar and 182 percent against the euro between December 2000 and December 2003. In 2002, food and drink prices (which account for about 60 percent of the index) increased by about 18 percent, while the other components, including housing, firewood, electricity, and clothing increased only by 2–5 percent. However, the CPI is based on weights established in 1976/77 and probably substantially understates the current importance of imported goods and of domestic goods and services, such as transport, which are heavily dependent on fuel and other imports. In addition, the published index is based on a basket applying to low-income households only. **As a consequence, the index would appear to have been substantially understating average consumer price inflation throughout 2001-03**.

15. No recent data are available on an economy-wide basis for employment or earnings.

16. The relatively subdued increase recorded in the consumer price index (CPI), compared with the rapid depreciation of the dalasi exchange rate, resulted in a decline in the index of the real effective exchange of 46 percent between December 2001 and October 2003 (Table 39). Although the probable bias in the CPI discussed above would imply that this figure exaggerates the improvement in external competitiveness during the period, The Gambia's relative cost structure would appear now to strongly favor export activities.

17. Following the launch of "Operation No Compromise" by President Jammeh in September 2003 to address unfair and corrupt business practices and foreign exchange dealings, many retailers of essential commodities, such as beef and rice, were pressured to reduce their selling prices. Some supermarkets were also accused of overcharging and misleading labeling. As a result, prices may have been temporarily held below trend levels.

C. Fiscal Developments

18. **The conduct and impact of fiscal policy have deteriorated substantially during the last three years**. The fiscal deficit (excluding grants) rose from 3.7 percent of GDP in 2000 to 15 percent in 2001 and fell back only to 6 percent by 2003. Unbudgeted spending contributed substantially to the overshooting of the fiscal deficit, particularly in 2001. The extended election cycle, covering presidential elections in October 2001, parliamentary elections in January 2002, and local elections in April 2002, may also have contributed to the expenditure overruns. Although some progress has been made on budget execution and monitoring (Box I.1), unbudgeted spending has continued, parliamentary scrutiny and control have been limited, and provision of information to the public has been rudimentary. **A substantial backlog in the documentation, closure, and auditing of the fiscal accounts has undermined the principles of accountability, transparency, and coherence in fiscal management**.

2000

19. **The fiscal deficit (excluding grants) narrowed from 4.9 percent of GDP in 1999 to 3.7 percent in 2000.** This was the result of improved revenue collection (0.6 percent of GDP), mainly due to higher customs revenue resulting from the termination of the contract for the flawed preshipment inspection scheme that had been introduced in 1999; an additional factor was a drop in expenditures of 0.6 percent of GDP, due to lower externally financed capital expenditure.[2] This relatively good performance was accompanied by a substantial increase in program financing (from the EU) to 1.2 percent of GDP, compared

[2] The introduction of the preshipment inspection scheme led to a substantial drop in imports as administrative delays as well as the associated cost (1.4 percent of the c.i.f. value of imports, payable in U.S. dollars) reduced the attractiveness of importing through Gambian ports.

with 0.2 percent of GDP in 1999. The authorities also reached agreement with Alimenta, a Swiss company, whose groundnut processing plant the authorities had seized in 1999. Under the settlement, Alimenta was to receive US$11.4 million, of which US$3.5 million was payable in 2000, and the remaining amount in 2001. The EU eventually contributed €7 million in grants for the financing of this settlement.

20. With the enhancement of the Heavily Indebted Poor Countries (HIPC) Initiative in September 2000, implying a substantial lowering of the threshold values, The Gambia became eligible for debt relief under the initiative. It reached its decision point in December 2000. At this point, the international community committed itself to providing overall debt relief of US$66.6 million in net present value (NPV) terms during the interim period and at the completion point.

2001

21. **On the basis of revised data provided by the authorities in October 2003, it would appear that the fiscal deficit deteriorated extraordinarily sharply in 2001, reflecting huge unbudgeted payments, together with election-related spending.** The overall deficit (excluding grants) surged to 15 percent of GDP, and the basic primary balance reverted from a surplus of nearly 5 percent of GDP in 2000 to a deficit of more than 8 percent of GDP in 2001.[3] Of this deterioration of 13 percent of GDP, 7 percentage points were due to unbudgeted expenditures;[4] an additional 2 percentage points reflected unprogrammed on-lending to the National Water and Electricity Company (NAWEC) for the purchase of three generators; and domestic revenue dropped by 3.5 percentage points, almost entirely due to weak performance in customs administration. Owing to the deterioration of macroeconomic policies and unresolved governance concerns, the EU withheld payments of budgetary assistance in 2001. However, interim assistance under the enhanced HIPC Initiative provided about 1 percent of GDP in debt-service grants from multilateral creditors.

[3] The basic primary balance is defined as domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

[4] The authorities indicated in October 2003 that expenditures of US$ 28.5 million—financed directly from the foreign currency reserves—had been made in 2001, but had not previously been reported in public accounts. The authorities indicated that the money had been spent on development projects, agriculture, social programs and national security. No evidence was provided of the precise nature of this unrecorded activity. The spending has been provisionally classified as capital expenditure and retrospectively added to the fiscal accounts in 2001, with a counterpart entry in domestic central bank financing (although lending of this magnitude would appear to contravene the Central Bank of the Gambia Act). In 2003, the financing was retroactively converted into a loan from the CGB to the central government with a maturity of 15 years, including 2 years grace, and an interest rate of 4 percent.

Box I.1. Public Expenditure Management

Assisted by the United Kingdom Department for International Development (DfID) and the World Bank, public expenditure reviews (PERs) were conducted in 2001 in key sectors (agriculture, education, and health) in order to improve sectoral linkages to the priorities set in the interim poverty reduction strategy paper (I-PRSP) and to the budget. The Fund and the World Bank also assisted the authorities in developing an Assessment and Action Plan (AAP) to strengthen the capacity for tracking overall poverty reducing expenditure, including debt relief under the enhanced HIPC Initiative.

The Fund resident budget advisor assisted the authorities in closing the government accounts for the years 1992–99, and in setting up a "flash" reporting system to provide some regular monthly data on budget execution. Also with the assistance of the Fund resident budget advisor, a review was undertaken of the below-the-line (BTL) accounts, which for years had been a source of expenditure that was neither budgeted nor scrutinized. The review resulted in the closure of about 80 percent of the roughly 500 BTL accounts by end-2002, and incorporation of most of the substantial remaining accounts into the budget; however, some potential remains for unbudgeted expenditure. In September 2002, the National Emergency Financial Committee (NEFCOM) was established to oversee execution of the budget and to control cash expenditure through monthly allocations to departments.

Through end-2003, the PERs in agriculture, health, and education from 2001 had not been updated as initially planned and thus could not feed into the preparation of the budget. This was a major failure, since these PERs provide the main link between the PRSP and the budget formulation. Progress has also been minimal in updating, closing and auditing of the government accounts: they have not been audited since 1991, or closed since 1999, and data entry into the general ledger has stalled at November 2001. Capacity problems have been cited, including an outdated computer system, but there has been little evidence of any serious commitment by the authorities to overcome these difficulties despite available donor assistance. Lack of a sufficiently clear delineation of competences between the Department of State for Finance and Economic Affairs and the Accountant General's Office may also have been a factor. The lack of progress in these areas continues to severely hamper financial reporting and control, as well as parliamentary oversight and control of budget execution.

2002

22. **On the assumption that the amount of unbudgeted expenditure was trivial in 2002, the overall fiscal deficit (excluding grants) in that year dropped to about 8 percent of GDP, thus retracting toward pre-2001 levels.**[5] However, this was well above the program projection of 5 percent of GDP, despite the adoption of several measures in the second half of the year. Domestic revenue rebounded strongly, by about 3.5 percent of GDP, with gains in all taxation categories except customs duties, which stagnated at about 8 percent of GDP. Expenditure and net lending returned to more normal levels, to about 25.5 percent of GDP, with capital expenditure of 7.5 percent of GDP and current expenditure of 18 percent of GDP. The basic primary balance was almost 3 percent of GDP. Starting in September 2002, the execution of the budget was shifted to a cash basis, with a newly created National Emergency Financial Committee (NEFCOM) to oversee execution and control of noninterest, nonwage domestic expenditure. An announcement was made of increases in excise duties on alcohol, soft drinks, and cigarettes, and domestic petroleum prices were raised substantially in an effort to recover part of the losses incurred through the strong increase in international fuel prices and the previous subsidization for political considerations (Box I.2). While NEFCOM proved to be very successful in limiting discretionary spending, control of the overall fiscal position was increasingly hampered by the rising burden of debt service due to high domestic financing and rising interest rates, as well as the depreciation of the dalasi.

[5] In December 2003, the authorities indicated that further unbudgeted expenditures had occurred in 2002; however, no details were provided.

Box I.2. Petroleum Pricing Mechanism

The supply and pricing of petroleum products in The Gambia are determined by the authorities. Importation of petroleum supplies is confined to a single contractor, chosen by competitive government tender and based on the narrowest margin over the Platts reference price. The role of the four oil companies operating in The Gambia is limited to organizing the distribution chain, for which they receive fixed margins. The appropriateness of domestic pump prices is reviewed periodically (about quarterly), based on the landed cost of petroleum, converted into dalasi at current market rates, with allowances added for financing cost, duties, excises, and trading and transportation margins. The authorities can change pump prices at any time. The financial consequences of sustained misalignments are buffered by combining or offsetting any windfall loss or profit (FLUMARA) with oil import duties due.

In the past, there have been prolonged periods of continued losses, such as during the 2001-02 election cycle. Quasi-fiscal costs were also incurred due to the provision of foreign exchange at favorable rates for oil importation by the central bank. Since October 2002, however, the authorities have sought to correct previous misalignments, ensure that dealers' margins fully reflect costs, and adjust pump prices more systematically. Pump prices were doubled between October 2002 and February 2003. The provision of foreign exchange at favorable rates was discontinued as of end-2002. The authorities have committed themselves to undertaking regular quarterly reviews of petroleum prices.

23. On the positive side, external grants surged by 2.3 percent of GDP to 4.4 percent in 2002, program grants (by the EU) resumed after the Fund's Executive Board approved a new three-year PRGF arrangement, and both project grants and debt-service grants (provided as interim assistance under the enhanced HIPC Initiative) rose strongly. External project loans also doubled to about 5 percent of GDP, mainly reflecting increased disbursements from the World Bank, as implementation of some of their projects started to accelerate. Lastly, Paris Club creditors agreed in January 2002 to provide interim assistance under the enhanced HIPC Initiative through a flow rescheduling on Cologne terms.

24. **Progress on structural reforms was slow.** Privatization came practically to a halt as the authorities decided that the sale of major public enterprises should not precede the establishment of a multisector regulatory agency. However, even though the latter event was a trigger for reaching the HIPC Initiative completion point and initially envisaged to be in place by end-2002, no progress was made in this direction. The authorities submitted their first full PRSP in May 2002 (Box I.3.), and the Executive Boards of the Fund and the Bank found this to be a sound basis for Fund and IDA concessional assistance and debt relief.

Box I.3. PRSP Implementation

The Gambia presented its I-PRSP in December 2000 and its first full PRSP in June 2002, coinciding, respectively, with the decision point under the enhanced HIPC Initiative and the approval of a new PRGF arrangement. Early formulation of a poverty program in the mid-1990s known as the Strategy for Poverty Alleviation (SPA), had given The Gambia a head start in producing a PRSP, which was formulated in an exemplary participatory process. However, implementation of the PRSP was hampered by a number of factors:

- Economic growth severely undershot the projections underlying the PRSP, with GDP declining in 2002 due to a crop failure.
- There is a distinct lack of output data on social and health indicators.
- There are no reliable input data from budget execution, and the budget classification system makes it very difficult, if not impossible, to retrieve data in the relevant aggregation or disaggregation. This, in turn, makes it very difficult to link and monitor input and output, and to make adjustments in budget execution during the year.
- The linkages from the PRSP to budget formulation are weak. The latter relies mainly on the submissions of line ministries, whereas the PRSP coordinating unit (SPACO) has had only very limited input.
- The PERs conducted in 2001 fed into budget formulation, mitigating somewhat the deficiencies in linkages between the PRSP and the budget; however, they have not been updated since.
- Donor assistance fell considerably short of the substantial pledges in support of the PRSP made at the roundtable conference in Geneva in September 2002.

The first PRSP progress report is expected in early 2004.

2003

25. **Projections for 2003, based on preliminary actual data through September 2003, indicate some fiscal consolidation stemming from tight expenditure control.** The basic primary balance is projected at 3½ percent of GDP and the overall deficit (excluding grants) at 6 percent of GDP, 2 percentage points lower than in 2002. Total expenditure and net lending is expected to have dropped by more than 2 percent of GDP, mostly on account of lower foreign-financed capital expenditures. Current expenditures declined by 0.8 percent of GDP despite rising cost pressures, including from a 6.5 percent average increase in public sector wages and an increase in interest payments by 1 full percentage point to 6 percent of GDP.[6] This is a clear indication of the tight expenditure control exercised by NEFCOM, whose mandate was extended through end-2003. Against this, domestic revenue

[6] Public sector wages had last been raised in 2000.

further declined by more than 1 percent of GDP, owing to the continued weakening of customs administration.

26. Following the failure to complete the first review under The Gambia's PRGF arrangement, the Paris Club informed the authorities that the second annual tranche of the debt rescheduling, covering the period July 2003 to July 2004, would not be implemented. There were also no disbursements of program grants or loans by the EU or by other donors. **Faced with the prospect of rising debt-service obligations and a continued loss in external financing, the authorities embarked on a number of remedial measures beginning in the fourth quarter of 2003.** These included management changes in the Customs and Excise Department, reinvigorated efforts to collect tax and duty arrears and to limit the granting of exemptions, increases in fuel prices and in processing and license fees, and acceleration of the establishment of a central revenue authority (Box I.4). With external financial support declining due to the weak policy performance, financing of the deficit relied totally on domestic borrowing, which almost doubled to about 6 percent of GDP. The privatization of the assets of the GGC was further delayed, along with the establishment of a multisector regulatory agency and the revitalization of the rest of the privatization program. On the positive side, the preparation of the 2004 budget marked the beginning of the transition to an improved budget classification scheme as part of the ongoing efforts to implement a medium-term expenditure framework.

27. **Little information is available about the performance of public enterprises.**[7] Over the past few years, only the Gambia Ports Authority (GPA) and the Gambia Telecommunications Company (GAMTEL) have been paying dividends to the central government. NAWEC is in a particularly poor state, as the tariffs, which are set by the government, do not cover production costs.[8] In aggregate, public enterprises are in a net arrears position toward the central government, mainly due to debt-service arrears and some tax and duty arrears owed by NAWEC, in total amounting to 0.7 percent of GDP at end-September 2003.

28. **The central government's domestic debt had nearly doubled in absolute terms from D 1.3 billion in 1999 to D 2.5 billion by end-2003, with most of the debt buildup occurring before end-2001.** As a percent of GDP, it rose from 27 percent in 1999 to 38 percent in 2001, but, with nominal debt stagnating and inflation picking up strongly from late 2002 onward, the ratio subsequently declined to about 25 percent in 2003.

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[7] There is a regular section on the major public enterprises in the budget speech by the Secretary of State for Finance and Economic Affairs to the National Assembly.

[8] In February 2003, tariffs were raised for the first time since 1992. However, the electricity tariff covers only 60 percent of NAWEC's production costs, and the water and sewer services are also lossmakers.

Box I.4. Enhancing the Revenue Base

Customs duty collection has steadily fallen behind in recent years—in spite of rising imports and the dalasi's depreciation—on account of poor management, apparent corrupt practices, and the undisciplined provision of duty waivers. Procedures have remained outdated, data provision has been incomplete and unreliable, and implementation of recommendations from donors' technical assistance has been marginal. However, the authorities have recently taken action by changing the senior management of customs, tightening internal controls, limiting the extension of duty waivers and other exemptions, and taking a tough stance on arrears collection.

In contrast to customs, the collection of inland revenue by the Central Revenue Department (CRD) has improved considerably, following tight management procedures and implementation of technical assistance recommendations. This has also been noticeable in the transfer of the collection of domestic sales tax from the Customs Department to CRD, effective January 1, 2003, which has boosted revenue strongly. In part this is also because the income tax information available in CRD facilitates the assessment of domestic sales taxes.

Other revenue-enhancing measures that are being prepared are the creation of a large taxpayers unit, and the establishment of a National Revenue Authority; the latter would unify customs and inland revenue in a modern administrative setting that would, inter alia, allow the introduction of targeted performance incentives for staff. The reform of the Income and Sales Tax Act is well advanced and expected to be implemented in 2004, with a view to broadening the tax base. Large sales of land, mainly to the tourism sector, commenced late in 2003. The authorities are determined to keep domestic fuel prices at levels that will generate a moderate surplus for the budget.

D. Monetary Sector

29. **During the late 1990s, The Gambia experienced relative price stability**. Consumer price inflation was contained below 5 percent[9] and there was only a limited depreciation in the nominal effective exchange rate. Monetary conditions remained stable, with growth in broad money and reserve money averaging about 15 percent during 1997-99, little net bank credit to the government, and a modest improvement in net foreign assets of the monetary sector. Interest rates on treasury bills with three months' maturity, which stood at 16 percent during 1996-97, were lowered to 14 percent in the fourth quarter of 1998 and to 12.5 percent at the end of 1999.

30. **Monetary conditions deteriorated substantially in 2000-03**, leading to an acceleration of CPI inflation and very sharp declines in the nominal and real effective exchange rates.[10]

31. **In 2000, broad money growth rose to about 35 percent and the nominal effective exchange rate depreciated by 12 percent during the year**. However, reported consumer prices remained broadly unchanged. A large part of the increase in broad money reflected an increase in the net foreign assets positions of the central bank and commercial banks, which closed their open positions in foreign currencies. Much smaller contributions came from net bank credit to the government and private sector credit (which remained at around 12.5 percent of GDP). Commercial bank reserves at the central bank dropped from 20 percent of total deposits at end-1999 to 11 percent at end-2000.[11] The relatively slow growth in reserve money of 17 percent reflected the effect of sterilization operations by the CBG involving sales of treasury bills on behalf of the government, the proceeds of which were kept in a special account at the CBG. The sterilization caused the central bank's net credit to the government to fall by 26.6 percent of the beginning-of-period stock of reserve money and offset the impact on reserve money of the buildup in the foreign reserves of the central bank and large losses of the central bank (resulting from foreign exchange transactions).[12] Treasury bill yields remained virtually unchanged at 12 percent.

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[9] As discussed in the previous subsection on output and inflation, the current CPI is likely to understate inflation, against the background of a depreciating domestic currency.

[10] A fuller account of the causes and effects of the deterioration in monetary policy in 2000-03 is provided in Section II.

[11] This drop in the reserves-to-deposits ratio of 9 percentage points is difficult to explain as minimum reserve requirements remained unchanged at 14 percent. However, deficient penalty enforcement procedures, which were not corrected until mid-2003, allowed banks considerable discretion over their reserves in practice.

[12] See Section III.

32. **In 2001, broad money growth was 20 percent, while the nominal effective exchange rate depreciated by about 11 percent during the year**. Annual inflation reached 8 percent. With election pressures contributing to higher public expenditure and constraining monetary policy responses, net bank credit to the government grew substantially and exceeded the total increase in broad money. In addition, the government received a foreign currency loan from the central bank for US$28 million that was paid out of the foreign exchange reserves. Reserve money grew by 21 percent, driven by central bank credit to the government and central bank loans to foreign exchange bureaus, which, until recently, had been misclassified as part of the foreign exchange reserves. The foreign exchange reserves of the central bank in U.S. dollar terms fell by about 60 percent as a result. In the fourth quarter of 2001, treasury bill interest rates were raised to 15 percent.

33. **In 2002, the impact of the lax monetary conditions became more evident**. The nominal effective exchange rate fell by 34 percent, and consumer price inflation reached 13 percent by the end of the year. Low real interest rates induced a surge in private sector credit, which grew by more than 70 percent.[13] While several major investment projects, including the purchase of new ferries and the construction of a new ferry terminal, accounted for a large part of the high private sector credit growth, there may also have been some use of bank lending in support of speculation in foreign exchange and real estate. From the beginning of the year, residents were allowed to open foreign currency deposits at commercial banks, and these had grown to about 11 percent of total deposits by the end of the year. **Broad money growth rose to 35 percent**. Reserve money grew by 34 percent, driven by central bank credit to the government and further large losses stemming from the foreign exchange transactions of the central bank. Treasury bill interest rates were raised in several steps from 15 percent to 20 percent between October and December.

34. **The depreciation of the dalasi and the rapid increase in consumer prices continued in 2003, despite several moves to tighten monetary conditions**. Minimum reserve requirements, which were extended to include foreign currency deposits, were increased from 14 percent to 16 percent at the end of March and to 18 percent at the end of June. Yields on treasury bills were raised substantially, reaching 31 percent by September 2003. **In the 12 months to December, the CPI increased by 18 percent, the nominal effective exchange rate depreciated by more than 30 percent, and broad money grew by 43 percent.** While private sector credit growth, though still substantial at more than 40

[13] As discussed in the subsection on output and inflation, the current CPI for low-income households is likely to understate actual inflation. It is a particularly poor indicator for the consumption basket of more affluent households with access to the banking system. While it is therefore difficult to determine an appropriate measure for the level of real interest rates, movements in nominal interest rates and the current CPI indicate a significant decline in real interest rates during 2001-02. Annual inflation based on reported consumer prices rose by 13 percentage points during December 2000-December 2002, while nominal interest rates increased only by 8 percentage points.

percent, slowed, domestic bank financing of the fiscal deficit grew strongly and accounted for more than 12 percentage points of broad money growth. Commercial banks further reduced their treasury bill holdings by more than D 300 million, equivalent to about 3 percent of estimated 2003 GDP, in order to meet the more profitable demand for private credit and to comply with the tightened minimum reserve requirements. **With no budgetary support from foreign donors, all the financing of the government's fiscal deficit was provided by the central bank**. Net foreign assets of commercial banks rose in line with foreign currency deposits at commercial banks, while foreign reserves of the central bank fell further. Overall, net foreign assets of the consolidated banking sector, including the central bank, increased by about 30 percent, or US$15 million, and the accumulation of net foreign assets, adjusted for revaluation effects, accounted for about 12 percent of broad money growth.

35. In January 2002, Continent Bank, a small bank that catered mainly to low-income customers and that had been facing difficulties for several years, was put into liquidation by the central bank. Liquidation procedures are still ongoing. **Overall, the banking sector seemed to be healthy, with nonperforming loans in mid-2003 of less than 7 percent of total loans and only 2 percent of total assets**. However, there has also been a sizable increase in household overdrafts, which, if in default, are not included in nonperforming loans.

E. External Sector

36. **The Gambia's key sources of foreign exchange earnings** in recent years have been the tourism sector, reexport trade and groundnut-related exports. Net earnings from these sectors averaged about US$75 million in the last five years, equivalent to about three-fourths of the value of The Gambia's merchandise imports for domestic use. As described in Section III, the relative importance of the sectors has fluctuated considerably, reflecting the sensitivity of groundnut production to climatic conditions, changes in the role of the port of Banjul as a trade hub (affected in part by political developments in the West African region, as well as The Gambia's actual and perceived competitiveness) and the impact on tourist arrivals of world developments and concern about local political events. Tourism revenues, which largely depend on relatively low-spending visitors, declined between 1998 and 2002, but recovered in 2003 following a drive to upgrade existing facilities, increase off-season arrivals and rebrand the Gambian "tourism product." As discussed in the subsection on output and inflation, there has been a substantial improvement in The Gambia's external competitiveness since 2000, but evidence of its impact on trade in goods and services is, to date, mainly limited to the observed recovery in tourism and some apparent compression in imports in 2003.

37. **Sizable foreign assistance has enabled The Gambia to maintain high current account deficits, of the order of 10 percent of GDP, excluding grants, in recent years**. However, measurement of the precise magnitude and time path of these deficits has been handicapped by the inadequate coverage and poor quality of the available data. Substantial revisions have recently been made to the estimates shown in Table 33, on the basis of new

indicators and revised methods of calculation (see Section IV), but considerable uncertainties remain regarding all the data series. Information on the capital account is also very limited. A further complication is the reporting by the authorities in October 2003 of a payment of US$28.5 million from the foreign exchange reserves in 2001 without accompanying information on the use of this payment.

38. **In 2000 and 2001, the current account deficit (excluding official transfers) is estimated to have been about 11 percent of GDP**. Exports of groundnut products were substantially above previous years' levels, and recorded imports were well below trend (particularly in 2001). These factors led to a relatively low recorded trade deficit, below 11 percent of GDP in 2001, which offset the impact on the current account of a large drop in factor services and private transfers. However, against a background of high real GDP growth during 2001, the drop in imports is more likely to reflect inadequate customs controls, thereby raising further concerns about the robustness of conclusions drawn from official current account data.[14] Large swings were recorded in the 2000 and 2001 capital and financial accounts, reflecting extraordinary items, such as compensation payments to the Swiss company, Alimenta, for the seizure of its assets by the government in 1999 and a supplier's credit to finance the importation of three electricity generators.

39. **The current account deficit widened to 13 percent of GDP in 2002**, as a surge in exports of groundnut products, reflecting a good 2001 crop and utilization of additional processing capacity, was more than offset by higher recorded imports despite the depreciation in the exchange rate. However, in 2003, groundnut-related exports dropped precipitously (by 3.6 percent of GDP measured in U.S. dollars) as a result of the scarce supply of raw groundnuts following poor rainfall during the 2002 growing season. The fall in volumes far outweighed the impact of higher world prices for groundnut products (which nevertheless were sufficiently large to boost substantially The Gambia's terms of trade in 2002 and 2003). A contraction in imports, in part due to the real exchange rate depreciation, only partially offset the decrease in exports, and **the current account deficit is estimated to have widened in 2003 to 14 percent of GDP**. Meanwhile, the available data from which estimates are derived for reexport trade[15] do not indicate any expansion in activity during 2002-03, despite the improved external competitiveness of The Gambia and the diversion of trade away from conflict-laden Cote d'Ivoire, Sierra Leone, and Liberia. Political tensions with Senegal, leading to border closures, as well as the steady erosion of The Gambia's price advantage following liberalization of WAEMU members' trade regimes, may have in part accounted for the relative stagnation. Nevertheless, performance in other, smaller export sectors was positive, owing to a recovery in the fisheries sector, the

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[14] There are also indications that imports that have been granted duty waivers or are awaiting determination on duty waivers may sometimes not be included in import data. See Section IV.

[15] See Section IV.

embryonic diversification into horticulture and the successful extraction of zirconium; the latter contributed an estimated US$1.6 million to export revenues in 2002 and 2003. An estimated 17 percent rise in travel income also helped ease pressures on the current account during 2003, following a surge in tourist arrivals that was helped by an the increase in competitiveness and extension of the season beyond the European winter.

40. **Official project-related lending was boosted in 2002** by a US$20 million loan disbursement from the Export-Import Bank of Taiwan Province of China to support the previous year's importation of three new electricity generators and the upgrading of the electricity distribution network. Meanwhile, the steep depreciation of the dalasi appears to have prompted a surge in private capital outflows—of the order of 4 percent of GDP during 2003—either in the form of an increase in the net foreign assets of commercial banks (facilitated by swelling foreign currency deposits at home) or through unofficial channels. At the same time, new construction and upgrading of hotels, in line with the drive to move the tourism sector up market, helped to increase the level of foreign direct investment**. As a result, the capital and financial account is estimated to have deteriorated from an overall US$20 million surplus in 2002 to a US$1 million deficit in 2003**.

41. **Gross official reserves** declined from SDR 84.5 million in 2000 (US$110 million at end-of-period exchange rates) to SDR 42 million in 2003 (US$62.3 million). Of this decrease, SDR 34 million (US$44 million)—equivalent to 10 percent of GDP—occurred during 2001, reflecting in part unspecified and previously unreported public expenditure. The import cover dropped from 7 months in 2000 to 4 ½ months in 2003.[16]

42. **Since reaching its decision point under the enhanced HIPC initiative in December 2000, The Gambia has been receiving interim debt relief,** including contributions from the IMF, World Bank, African Development Bank, European Investment Bank and the OPEC Fund. The HIPC Initiative completion point was originally targeted for end-2002 but it has been delayed by serious policy slippages, which have put the program supported by the IMF Poverty Reduction and Growth Facility (PRGF) offtrack. As of December 2003, the ratio of the NPV of external debt to exports[17] stood at around 300 percent, compared with 196 percent at the decision point at end-2000; the rise reflected in part an accumulation of new (official) debt.

43. **The Gambia rationalized the structure of its import tariffs in July 2000** by reducing its maximum tariff rate from 20 percent to 18 percent and the number of bands

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[16] Import cover figures in 2000 are higher than previously reported owing to a revision in official data on imports.

[17] A three-year export average is used. The NPV reflects only the interim assistance under the enhanced HIPC Initiative.

from eight to four (0, 10, 15, and 18 percent).[18] This cut the import-weighted average tariff from 12 percent to 11.8 percent. Duty exemptions were commonly in use during this period, either on a discretionary basis or on the basis of two acts introduced in 2001: The Free Zones Act (exempting licensed companies operating in free zones from duties on goods imported into a zone); and the Investment Promotion Act (exempting eligible companies operating in strategic sectors from duties on imports of raw materials and capital goods). The authorities are reportedly working toward switching from the Brussels definition of value to the WTO-based customs valuation system.

44. **Export duties** continue to be levied on fish and fish products (10 percent)[19], and gold and diamonds (3 percent). Following the 2003 groundnut harvest, the government has attempted to impose a ban on exports of unprocessed groundnuts. Since September 2000, The Gambia has benefited from preferential access to the EU market under the Everything-But-Arms initiative for least-developed countries. Also, since January 2003, it has been eligible for preferential access to the U.S. market under the U.S. African Growth and Opportunity Act (AGOA).

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[18] Information on the tariff structure was provided by the Customs and Excise Department. However, six tariff bands were identified by The Gambian authorities in submitting evidence for the World Trade Organization (WTO) Trade Policy Review.

[19] Exports to the EU are exempt.

II. On the Conduct of Monetary Policy in The Gambia[20]

A. Introduction

45. This section provides an assessment of the conduct of monetary policy in The Gambia during the period 1998 to 2003 and argues that the serious deterioration in the internal and external value of the local currency in The Gambia after 2000 was mainly caused by an excess supply of money. Fiscal dominance accounted for much of the surge in money supply. However, significant losses incurred by the Central Bank of The Gambia (CBG) through its conduct of foreign exchange transactions also contributed to the excessive monetary growth. These losses stemmed from three major sources: implicit subsidies to the government or other parties by providing foreign exchange below market rates; large premiums paid for foreign currencies, compared with market rates; and interventions in foreign exchange markets to influence the exchange rate.

46. Subsection B reviews briefly the institutional framework under which the CBG operates. Subsection C presents the evolution of the main monetary variables during the period 1998 to 2003 and analyzes the sources of reserve money growth. For 2002, a detailed analysis of central bank losses incurred through foreign exchange transactions is provided. Subsection D discusses the changes in the institutional and operational framework of the CBG that would be needed to ensure a return to a stable monetary environment in The Gambia.

B. Institutional Framework

47. The Central Bank of The Gambia Act of 1992 (the CBG Act) constitutes the current legal framework for monetary policy in The Gambia. Among the multiple objectives listed in the CBG Act, the CBG has chosen price stability as its principal policy objective. However, limited policy autonomy, in practice, over interest rates has restricted the choice of effective monetary policy instruments, while a weak internal control system has eroded the efficiency of policy implementation.

48. The CBG Act contains several provisions that allow for direct government intervention in monetary policy and limit the autonomy of the CBG. The Minister of Finance can override CBG policy if he determines that the policy pursued by the CBG is not adequate for the achievement of the objectives of the central bank.[21] Moreover, officials of the Ministry of Finance participate actively in several policy committees of the CBG (and the Permanent Secretary of the Ministry of Finance is a member of the CGB board).

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[20] Prepared by Thomas Harjes.

[21] Article 44 of the CBG Act provides for a government override but also states that, during the period of any override, the government accepts responsibility for the policy adopted.

Finally, the CBG Act allows for the removal of the Governor or appointive directors without investigation or other process requirements.

49. In an effort to deliver price stability, the CBG uses reserve money as its main operational target.[22] To control reserve money, the CBG has primarily relied on indirect monetary policy instruments.[23] In view of the CBG's modest capital base and relatively shallow domestic securities markets, primary issues of treasury bills for monetary policy purposes served as the main policy instrument of the CBG during the 1990s. More recently, the CBG has increasingly issued its own bills as an alternative to treasury bills and has twice raised reserve requirements to restrain the growth in broad money. Outright sales and purchases of foreign currencies have frequently been used in an attempt to influence the exchange rate, in recognition of its impact on the price level.

C. Recent Developments in Monetary Aggregates and Prices, 1998-2003

50. Starting from a period of low inflation during 1998-2000, The Gambia experienced a sharp decline in the external value of the domestic currency and inflation rose significantly in the 2001-03 period. The pickup in inflation and the sharp decline in the external value of the domestic currency initially lagged and then accompanied the monetary expansion that started in early 2000.[24] Figure II.1 shows the close comovement of these variables over the past two years. Table II.1 provides information on annual inflation, the depreciation of the dalasi, and monetary aggregates for the period 1998-2003.

51. In 2000, broad money grew by about 35 percent. A large part of this increase reflected a buildup in the domestic banking sector's net foreign assets position. In 2001, broad money growth slowed to about 20 percent. In 2002, broad money rose by 35 percent,

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[22] The conduct of monetary policy has been severely complicated by the lack of a comprehensive price index. The current consumer price index, measured by the Central Statistics Department, reflects a consumption basket for low-income households in the capital city, Banjul, and its weights have not been updated since 1977. It consists overwhelmingly of domestically produced food items. Imported consumption goods, including oil products, have very small weights in this index, and some are not included at all. Given the recent sharp decline in the external value of the domestic currency and the sharp increase in prices of imported consumption goods, the current measurement of inflation understates significantly actual inflation.

[23] See William Alexander, Tomas Balino, and Charles Enoch, *The Adoption of Indirect Instrument of Monetary Policy*. IMF Occasional Paper No. 126 (Washington: International Monetary Fund, 1995). for a classification of monetary policy instruments. The CBG began using indirect monetary policy instruments in the mid-1980s.

[24] Some negative exogenous shocks, including a drought in 2002 and the peak in oil prices in early 2003, contributed to the pressure on the exchange rate and the profile of prices.

mainly driven by a sharp rise in credit extension to the private sector. This trend continued into 2003, and broad money grew by 43 percent, while private sector credit growth was about 48 percent. The dalasi depreciated against the SDR by a cumulative 190 percent in dalasi terms during December 1999 – December 2003, and inflation rose steadily during this period, starting from virtually zero in 2000 and reaching 18 percent in 2003.

Table II.1. The Gambia: Inflation, Depreciation and Money Growth, 1998-2003
(Percentage change of end-of-period stocks, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003
Reserve money	7.2	14.5	16.8	21.0	34.1	62.7
Broad money (M2)	10.2	12.1	34.8	19.4	35.3	43.4
Private sector credit	15.0	21.0	10.3	12.8	72.3	48.0
CPI index	4.8	1.7	0.2	8.1	13.0	17.6
Dalasi–SDR exchange rate 1/	8.9	2.4	22.4	9.7	49.4	44.7
Dalasi–U.S. dollar exchange rate 1/	4.4	5.1	28.9	13.7	38.1	32.3
Treasury bill interest rate (three-month maturity; in levels)	14.0	12.5	12.0	15.0	20.0	31.0

Sources: CBG and Central Statistics Department.
1/ Increase implies depreciation.

The sources of reserve money growth

52. The high and rising broad money growth during 1998-2003 was sustained by large and increasing liquidity injections by the monetary authorities (Figure II.2). Reserve money growth rose from 7.2 percent in 1998 to 62.7 percent in 2003. In principle, changes in reserve money can originate from transactions affecting either side of the central bank's balance sheet. Usually, changes in holdings of foreign reserves or central government assets—determined primarily by the share of the central government that is not financed by the private or external sectors—are the main driving force. Sometimes, however, other transactions can become just as important, such as payments for the operating expenses of the central bank, loans to the private sector, or any quasi-fiscal activities—involving implicit subsidies—undertaken by the central bank.

53. To determine the sources of the rise in reserve money growth in The Gambia, therefore, requires a detailed analysis of changes in the balance sheet of the CBG and particularly of movements in the individual components of its net foreign and net domestic assets. There is, however, a major complication to be faced. As reserve money can be

generated only by actual transactions, revaluations of items in the balance sheet to reflect price movements cannot have a net impact on reserve money. This means that the CBG's accounts, which are constructed on the basis of current costs—and so require all changes in market prices (particularly for foreign currency) to be reflected immediately in the daily balances—have also to include offsetting adjustments. These adjustments are incorporated within a separate "revaluation account" in the balance sheet within "Other items, net" (OIN). A meaningful breakdown of the sources of reserve money growth can therefore be obtained only by both reversing the impact of price changes on individual items in the balance sheet and removing the offsetting adjustments within OIN.

54. In the case of the CBG, such a process is, however, not straightforward because the revaluation account includes realized gains and losses from foreign exchange transactions, as well as unrealized gains and losses stemming from revaluations.[25] For the purposes of this exercise, therefore, foreign exchange transactions and revaluations had to be separately identified so that rigorous calculations could be made of the required adjustments. The procedures are described in Box II.1. These resulted in a set of adjustments for the stocks of net foreign assets, net domestic assets, and OIN which were applied to the raw balance sheet data.

55. Table II.2 displays movements in both the unadjusted and adjusted components of the balance sheet.[26] They tell very different stories. While the unadjusted data seem to imply that reserve money growth stemmed overwhelmingly from net credit to government, with net foreign assets providing a relatively small overall net contractionary influence, the adjusted data demonstrate a strong impact from OIN, with a much larger contractionary influence for net foreign assets. Furthermore, it emerges from the detailed data that the OIN component is itself the result of sizable injections of liquidity stemming from losses on foreign exchange transactions. These come, inter alia, from the following sources:

- implicit subsidies to the government or other parties by providing foreign exchange below market rates;
- large premiums paid for foreign currencies, compared with market rates; and
- interventions in foreign exchange markets to influence the exchange rate.

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[25] Realized gains and losses should not be booked into the revaluation account but should directly enter the income statement. The CBG officials reported that, given their current technical accounting system, they cannot differentiate between realized and unrealized gains and losses of foreign exchange transactions without manually going through all individual transactions.

[26] Detailed net foreign asset data are available only starting from December 1999. Therefore, the valuation adjustments are confined to the period 2000 – 2003.

Box II.1. Revaluation Adjustments of the CBG's Balance Sheet

Changes in stocks of those balance sheet items that are affected by exchange rate fluctuations are decomposed into changes due to transactions and changes due to valuation. These valuation adjustments are also explained in Abdessatar Ouanes and Subhash Thakur, 1997, *Macroeconomic Accounting and Analysis in Transition Economics*, (Washington: International Monetary Fund). The decomposition is based on the detailed foreign reserve data provided by the CBG, which include all individual foreign currencies and foreign securities held by the CBG. The starting point is the actual stock of net foreign assets in dalasi, valued at current exchange rates at the beginning of the period under investigation. For the initial period, the adjusted stock of net foreign assets is set equal to the actual stock of net foreign assets. Each consecutive year, the actual net transactions in each currency, converted into dalasi at the average annual exchange rate, are added to the adjusted stock of net foreign assets to arrive at the following year's adjusted stock of net foreign assets, as described by the formula below:

$$R_t^L = R_{t-1}^L + \sum_{i=1}^{n} (A_t^i - A_{t-1}^i) * e_{ti}, \qquad R_0^L \equiv A_0^L, \qquad Vadj_t = R_t^L - A_t^L, \text{ where}$$

R_t^L = net foreign assets (adjusted) in local currency units at historic prices at time t;

A_t^L = net foreign assets in local currency units at current prices at time t;

A_t^i = net foreign assets in foreign currency units i=1, 2... n at time t; and

e_i = exchange rate (local currency units per foreign currency unit i), period average.

The valuation adjustment is then added to the OIN position, removing the estimated unrealized gains and losses due to valuation changes for that year. Annual average exchange rates are used to convert foreign currency-denominated transactions into dalasis. This reflects the assumption that these transactions took place evenly throughout the period. Valuation adjustments that refer to foreign currency deposits of the government at the CBG are added to the government deposits position. Table II.2 presents the detailed net foreign assets and net domestic assets, including various components, which are contributions to reserve money growth before and after these adjustments. Changes in the OIN position after valuation adjustments reflect realized gains and losses of the CBG, as the other components subsumed under the OIN position—other assets and liabilities, including fixed assets and capital and reserves—stayed roughly constant. Operating losses, excluding losses due to foreign exchange transactions, remained steadily in the range of D 20-30 million during 1998 – 2002. We estimate the annual gain or loss due to foreign exchange transactions as the difference between these operating losses and the change in the adjusted OIN position.

Table II.2. The Gambia: Sources of Reserve Money Growth, 1998-2003
(In percent of beginning-of-period reserve money, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003
Reserve Money	7.2	14.5	16.8	21.0	34.1	62.7
Net foreign assets	30.9	19.9	35.9	-92.3	13.9	5.6
Net domestic assets	-23.8	-5.4	-19.1	113.3	20.2	57.1
Domestic credit	-20.4	-6.7	-34.1	130.5	28.5	74.4
Net claims on government /1	-12.9	-5.0	-31.1	35.1	22.1	69.5
Advances to gov. in foreign currencies	0.0	0.0	0.0	68.7	0.0	0.0
Net claims on banks	-7.6	-1.7	-3.1	2.0	-4.8	7.6
Claims on foreign exchange bureaus in foreign currencies	0.0	0.0	0.0	24.7	11.2	-2.7
Other items, net	-3.3	1.3	15.0	-17.2	-8.3	-17.3
Adjusted for revaluation effects						
Net foreign assets	...	...	19.6	-120.3	-11.3	-23.8
Net domestic assets	...	...	-2.8	141.4	45.4	86.5
Domestic credit	...	...	-32.8	129.9	20.7	66.5
Net claims on government 1/	-12.9	-5.0	-29.7	34.5	24.6	70.3
Advances to gov. in foreign currencies	0.0	0.0	0.0	68.7	0.0	0.0
Net claims on banks	-7.6	-1.7	-3.1	2.0	-4.8	7.6
Claims on foreign exchange bureaus in foreign currencies	0.0	0.0	0.0	24.7	0.9	-11.5
Other items, net	...	...	30.0	11.5	24.7	20.1
Of which : est. foreign exchange losses	...	...	25.5	7.5	21.2	13.7
Memorandum items:			(in units indicated)			
Change in reserve money (in millions of dalasis)	35.2	76.1	101.0	147.8	290.0	715.3
Est. CBG foreign exchange losses (in millions of dalasis)	...	...	153.5	52.7	180.0	156.8
Domestic financing (fiscal deficit; in millions of dalasis) 2/	78.5	178.2	144.3	522.9	183.3	533.0
Sterilization account (in millions of dalasis)	...	632.3	738.1	498.8	266.9	...
CBG holdings of treasury bills (in millions of dalasis)	1.3	12.4	1.8	30.7	197.1	192.2
Treasury bills outstanding (in millions of dalasis)	1020.7	1201.6	1564.0	1919.5	2117.6	1948.1
Dalasi-SDR exchange rate (end of period)	15.5	15.8	19.4	21.3	31.8	46.0

Source: CBG; and IMF staff estimates.

1/ 2003 figure includes the credit in the amount of US$5 million to a newly founded public enterprise on behalf of the government for the conduct of an offshore oil survey. The 2001 figure does not include advances in foreign currencies, which are listed separately.
2/ The 2001 figure does not include advances in foreign currencies. The 2003 figure is an estimate.

56. In this context, the definition of losses includes transactions that lead to the issuance of reserve money and that do not result from the acquisition of additional assets. Such transactions may not have an immediate impact on the measurement of profits or losses in the income statement, but the additional liquidity that the CBG injects as a result clearly represents a cost and is, therefore, included in the measure of domestic currency losses associated with foreign exchange transactions.

57. Looking in more detail at changes in the adjusted components of the balance sheet in Table II.2 reveals the following major sources of the growth in reserve money during 2000-03:

Table II.3. The Major Sources of Reserve Money Growth, 2000-03
(In percent of beginning-of-period reserve money)

	2000	2001	2002	2003
Reserve money	16.8	21.0	34.1	62.7
Adjusted for revaluation effects				
Net Foreign Assets	19.6	-120.3	-11.3	-23.8
Net Domestic Assets	-2.8	141.4	45.4	86.5
Of which:				
Net claims on government	-29.7	34.5	24.6	70.3
Estimated foreign exchange losses	25.5	7.5	21.2	13.7

Source: Table II.2.

58. **Net credit to government provided by the CBG amounted to D 1,090 million (10 percent of GDP, or 60 percent of end-of period reserve money, in 2003) during 2001-03 and reflected the following main facts:**

- In 2001, domestic financing amounted to more than D 500 million, or about 8 percent of GDP.[27] The government produced a record fiscal deficit, which more than tripled

[27] This number does not include the CBG foreign currency advance to the government in the amount of US$28.5 million. This foreign currency advance was most likely used to pay outlays abroad and, therefore, did not affect domestic monetary aggregates or reserve money.

domestic financing needs, compared with the year before.[28] In addition, the government made payments in the amount of D 50 million to reduce arrears. While a large part, about D 350 million, was financed with additional treasury bills, the government financed the rest by drawing down the deposit in the sterilization account at the CBG.

- In 2002, the domestic financing needs of the government more or less returned to former levels and amounted to about D 180 million, or about 2 percent of GDP. However, at the given interest rates, the CBG was not able to sell any substantial additional amounts of treasury bills, and the government made further withdrawals from the sterilization account at the CBG to cover its domestic financing needs.[29]

- This trend continued into 2003, and the CBG financed the bulk of the fiscal deficit and, in addition, a large amount of domestic public debt that commercial banks were no longer willing to finance.

59. **Losses stemming from foreign exchange transactions which together are estimated to explain D 540 million of the increase in reserve money during 2000-03 (5 percent of GDP, or 29 percent of end-of-period reserve money in 2003) followed the following path:**

Table II.4. Estimated Foreign Exchange Losses, 2000-03
(In dalasi millions)

	2000	2001	2002	2003
Estimated foreign exchange losses	154	53	180	157

Source: Staff estimates.

[28] About 15 percent of domestic financing reflected a settlement payment to Alimenta, a Swiss company that had been operating in the Gambian groundnut sector and whose property had been seized in 1999.

[29] In the 1990s, the CBG used primary issues of government securities as its main policy instrument and issued treasury bills on behalf of the government in excess of domestic financing needs in order to reduce excess liquidity. The proceeds of these sales were initially kept in a special government deposit, the sterilization account, at the CBG.

Foreign exchange losses in 2002

60. To decompose the losses among the different sources requires a detailed analysis of the complete set of daily transaction data of the CBG. This has been completed in full for 2002, as described below.

Implicit subsidies

61. The CBG manages the foreign exchange activities of the central government by using its reserve assets to balance shortfalls or surpluses in the foreign currency budget of the government. In conducting foreign exchange transactions with the government, the CBG applies official market exchange rates that are based on realized rates in the official market of the previous week.[30] Given the relatively small volumes of market transactions in some currencies, such as the Swiss franc, the official exchange rates of these currencies can be highly volatile, and the implied exchange rates can substantially differ at times from international market exchange rates.

62. This means that the government can at times obtain or sell foreign currencies to the CBG at rates that vary considerably from implied international market rates. For example, during the week of June 24-28, 2003, the CBG recorded official market exchange rates of 18.96, 17.01 and 11.39 dalasi to the U.S. dollar, the euro, and the Swiss franc, respectively. According to IMF exchange rate data on June 28, 2003 for cross exchange rates between the U.S. dollar, euro, and Swiss franc, the implicit exchange rates for the euro and the Swiss franc would have been 18.66 and 12.85, respectively on the basis of a dalasi-U.S. dollar rate of 18.96. Hence, compared with international markets, the euro and the Swiss franc were undervalued in the local market by 8.8 percent and 11.4 percent. According to the daily trial balances, on June 28, the CBG purchased from the government US$ 17.7 million and sold to the government EUR 6.5 million and CHF 19.1 million at official rates. **Using the above rates, the CBG provided to the government an estimated implicit subsidy of about D 38.7 million by selling to the government foreign currencies that were substantially undervalued.[31] For 2002, the total estimate of these implicit subsidies is about D 50 million.**

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[30] In The Gambia, the official market includes all commercial banks and licensed foreign exchange bureaus. The CBG calculates trade-weighted buying and selling rates using realized rates of all transactions in which either a commercial bank or a foreign exchange bureau is a counterpart. Transactions that involve the CBG are excluded. The official market exchange rates are unweighted averages of these buying and selling rates.

[31] We do not have detailed information that would prove whether these foreign currency amounts went directly to the government, thus giving the government an implicit subsidy, or whether other parties earned some rents through these transactions.

63. The use of official exchange rates that lagged market rates also gave rise to implicit subsidies to other parties. On several occasions, the government instructed the CBG to provide foreign currencies to companies that were involved in the importation of oil. Although the CBG sold foreign currencies to these companies at official rates, these rates were lagging market rates by up to a week and were based on average market rates rather than market selling rates. **In 2002, these payments could have led to subsidies to various companies in the amount of D 10 million. In total, during the year 2002, the CBG is estimated to have provided a total of about D 60 million in indirect subsidies to the government and other parties.**

Premiums paid for foreign currencies

64. Losses due to foreign exchange transactions can also emerge if the CBG pays large premiums, compared with international market rates. For example, in 2002, the CBG bought about CHF 41 million from foreign exchange bureaus, paying large premiums at times exceeding 15 percent compared to both official CBG market rates and international cross market rates between the U.S. dollar and the Swiss franc. Losses incurred through these transactions are estimated by comparing the actual rates of these transactions to market rates based on the official dalasi-U.S. dollar rates and international Swiss franc-U.S. dollar rates.[32] **In 2002, the CBG may have incurred losses of up to D 70 million due to premiums paid.** No clear explanation has been made for these transactions. CBG officials reported that, because the commercial banks were not willing to sell a sufficient amount of foreign currencies at reasonable rates, they, therefore, had to revert to the use of foreign exchange bureaus. However, in 2002, the official foreign exchange market volume was about US$550 million, of which more than 95 percent of the transactions were conducted in U.S. dollars, euros, the U.K. pound sterling and CFA francs. Yet, the CBG bought only US$ 16 million from commercial banks, compared with purchases of CHF 41 million.

Foreign exchange interventions

65. The CBG has frequently intervened in foreign exchange markets to influence the exchange rate. At times of excess demand for foreign currencies, the CBG has sold foreign reserves to ease the pressure on the exchange rate. Eventually, though, the CBG has had to replenish its reserves to maintain an adequate level of reserves. Against the backdrop of a steadily depreciating exchange rate, these temporary interventions have proved very costly and, overall, led to significant injections of liquidity over time. In addition, in 2002 the CBG apparently entered into forward contracts (or swaps) in U.S. dollars with commercial banks; these swaps proved very costly against the rapidly depreciating exchange rate, as the

[32] As noted above, official exchange rates for several currencies, including the Swiss franc, are highly volatile due to the very small volumes traded. Therefore, it is more reasonable to assume that the CBG could have purchased U.S. dollars locally close to the official rate and converted them into Swiss francs abroad at international market rates.

CBG provided the dalasi amounts without any interest charges and purchased and repurchased these U.S. dollars at the same rate. **In 2002, the costs incurred through these currency swaps are estimated at about D 20 million, whereas other intervention costs that year are estimated at about D 40 million.**

66. Adding up the different loss components estimated on the basis of the set of daily foreign exchange transactions, we arrive at an annual loss estimate of D 190 million, which is very close to the estimate of D 180 million derived from the annual aggregate data provided by the CBG.

D. Conclusion and Policy Recommendations

67. This section has argued that excessive money supply was responsible for the sharp depreciation of the dalasi and the rise in inflation in the past years. The persistent and increasing overshooting of reserve money growth during 2000-03 raises serious issues about the monitoring and control of monetary conditions in The Gambia. On the basis of the above analysis, a series of factors would seem to require urgent attention:

- **Fiscal deficits**. Budget and program targets were consistently exceeded. With limited available external financing, domestic sources had to fill the gap. Continuing large deficits and insufficient adjustments in interest rates of treasury bills shifted the provision of domestic financing to the central bank. **A return to stable monetary conditions will require fiscal policies that avoid central bank financing of the deficit.**

- **Insufficient policy autonomy.** Policy autonomy of the CBG could be strengthened by reducing the cap on government borrowing and by appointing technical experts to the board of the CBG. In view of the limited capital base of the CBG, the government and the CBG need to agree on a formal framework that ensures a sufficient endowment of marketable assets of the CBG to safeguard its operational independence. From an institutional point of view, a revised Central Bank Act will need to ensure a sufficient degree of operational independence of the CBG in conducting monetary policy.

- **Indirect subsidies**. The official exchange rate of the dalasi to the U.S. dollar, which is applied to foreign currency transactions with the government, is being determined daily on the basis of actual transactions conducted by commercial banks and other licensed dealers. In view of the small size of the Gambian foreign exchange market, it might be preferable for the CBG to use the U.S. dollar, the most commonly traded foreign currency in The Gambia, as the vehicle currency. Official exchange rates of the dalasi against other convertible currencies would then be determined by using international market cross-currency exchange rates against the U.S. dollar.

- **Quasi-fiscal deficits**. The government should refrain from instructing the CBG to sell foreign currencies to non-government-related parties for payments that are not captured by the foreign currency budget of the government. Although the change in the procedure for fixing official exchange rates may have reduced the risks associated with this, the system remains open to abuse.

- **Other losses related to foreign exchange transactions of the CBG**. To prevent a recurrence of the large losses stemming from foreign exchange transactions with foreign exchange bureaus, formal guidelines for foreign reserve management have to be established addressing procedural responsibilities and ensuring a segregation of duties in foreign exchange operations. Especially with regard to foreign reserve management and other potential conflicts of interest, a code of conduct for bank employees should be in place.

- **Central bank interventions**. Attempts to influence the exchange rate have been very costly and of limited effectiveness and are better avoided.

- **Unrecorded foreign currency payments**. To ensure that all payments made by the CBG will be recorded correctly, internal procedures for reporting and monitoring need to be improved, including an independent daily check that all transactions have been entered correctly into the accounting system. In this regard, the International Financial Reporting Standards (IFRS) should be adopted as the underlying accounting framework. The external audit process should be strengthened by rotating internationally approved external auditors more frequently and ensuring a steady information flow between the auditor and the entire board of the CBG.

- **Data and accounting issues**. To improve the monitoring and transparency of central bank operations, the CBG will need to establish a methodology that determines and accounts for unrealized gains and losses due to revaluations separately from realized gains and losses.

Figure II.1. The Gambia. Broad Money, Depreciation and Inflation, 1998 – 2003
(Three-month moving average of 12-month rates, in percent)

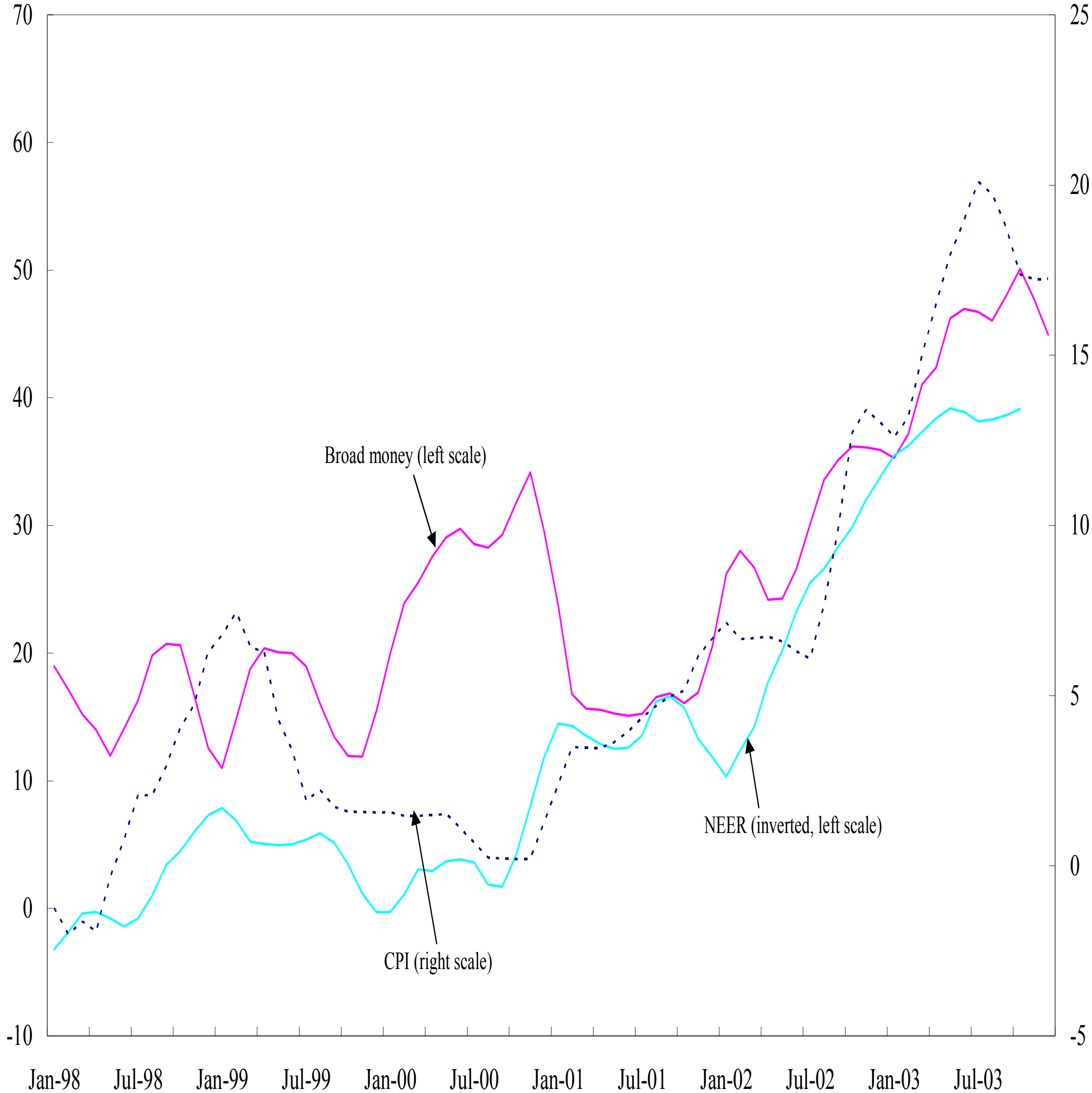
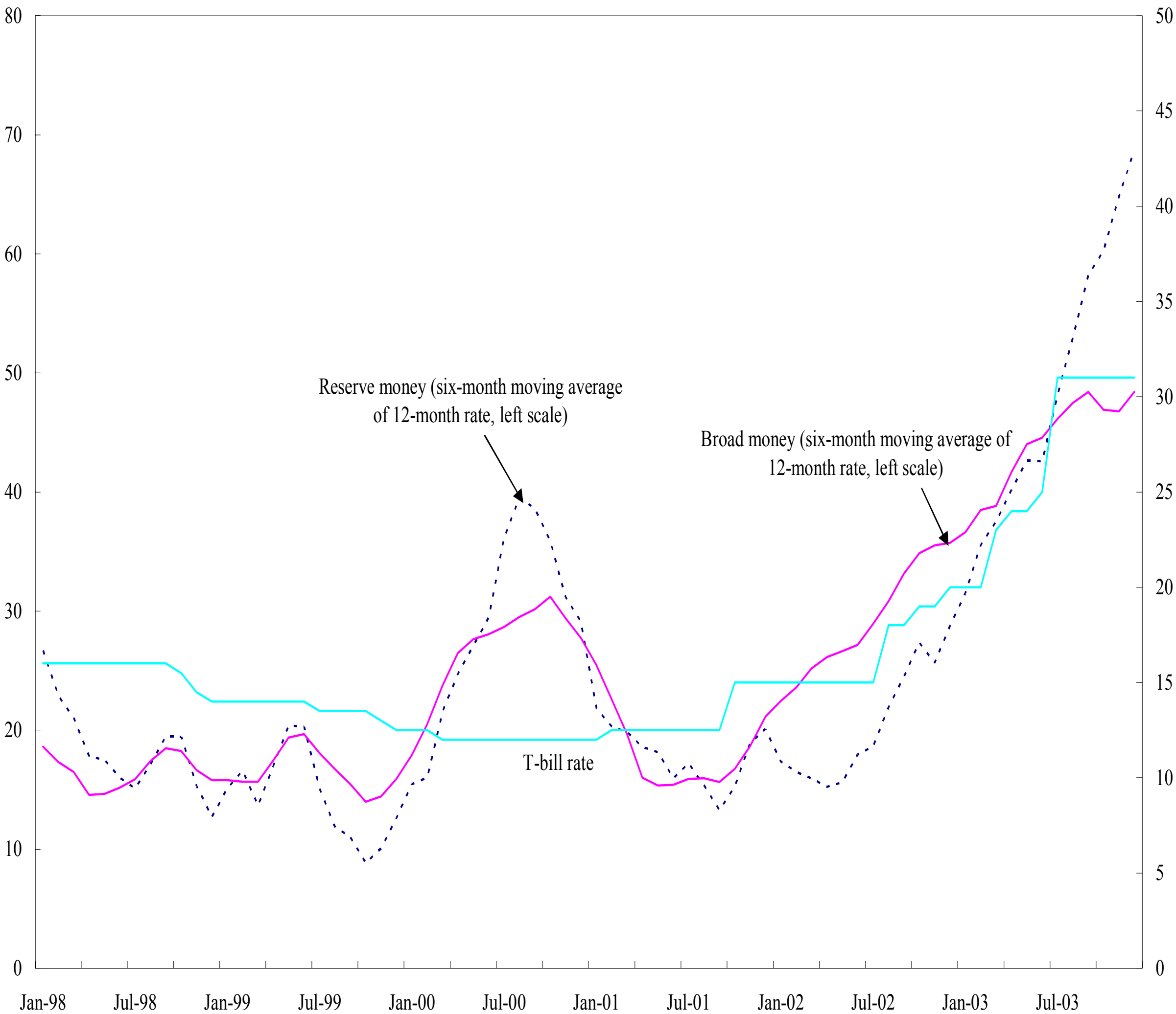


Figure II.2. The Gambia: Broad Money and Reserve Money Growth, 1998 – 2003



III. The Gambia's External Position and Vulnerabilities to Shocks[33]

A. Background

68. **The Gambia's revenue-generating capacity is primarily concentrated in tourism, reexport trade, and the groundnut sector and has been supported by remittances from expatriates** (Table III.1). Foreign exchange earnings have been vulnerable to shocks, including adverse weather conditions, regional conflicts, domestic politics, and changes in the terms of trade, while structural impediments across the economy have worked to accentuate the impact of these shocks on the current account.

Table III.1. The Gambia's Foreign Exchange Earnings, 1997–2003
(In percent of total, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002	2003	Average
Groundnuts	3.8	8.7	7.3	10.7	15.3	19.6	9.0	10.6
Other domestic merchandise exports	7.2	6.0	4.4	5.8	7.1	7.3	9.4	6.7
Of which: fisheries	3.4	2.2	2.3	2.0	1.9	2.3	2.7	2.4
Reexport trade, net	20.5	16.9	19.9	22.7	17.3	16.8	17.9	18.8
Transportation	10.1	10.0	10.8	11.4	11.3	11.0	10.9	10.8
Travel income (net)	40.0	40.2	37.3	28.0	26.9	27.2	33.1	33.2
Remittances (inflows from expatriates)	18.4	18.2	20.4	21.4	22.1	18.1	19.5	19.8
Total (U.S. dollars, million)	127.8	142.5	135.5	128.6	115.1	122.2	117.5	

Sources: The Gambia authorities, and staff estimates.

69. **The country has historically run large current account deficits, reflecting its low national savings—compared with its investment needs—and the provision of sizable foreign assistance**. Mobilization of national savings has been traditionally poor, in part due to an underdeveloped financial sector and the lack of access to banking services by rural households (microfinance has only recently become available). At the same time, the substantial investment needs in infrastructure and services have been met primarily by external financing, largely from official sources.

70. **Financing of the current account has primarily consisted of official grants and concessional loans, amounting on average to about 11 percent of GDP (Table III.2)**. Official financing has recently targeted capacity building—such as education, health, and private sector development— and infrastructure projects in priority sectors vital for the country's development (e.g., the electricity sector or the expansion of the road network).

[33] Prepared by Katerina Alexandraki.

Table III.2. The Gambia: Composition of External Financing, 1998–2003
(In percent of GDP)

	1998	1999	2000	2001	2002	2003	Average
Official grants	8.5	6.9	7.4	7.3	10.5	8.6	8.2
Official loans	1.3	0.6	1.5	2.0	9.2	2.4	2.8
FDI (net)	3.7	0.1	3.8	2.4	2.5	3.5	2.7
Other investment 1/	-1.0	0.9	0.3	-6.5	-10.9	-3.8	-3.5
IMF (net)	-0.1	0.3	1.8	2.0	1.0	0.0	0.8
Exceptional financing	0.0	0.0	0.0	0.0	0.1	0.2	0.1
Total	12.3	8.8	14.8	7.1	12.4	10.9	11.5

Sources: The Gambia authorities; and staff estimates.
1/ Includes short-and medium-term capital flows, suppliers' credits, and errors and omissions.

71. **Foreign direct investment (FDI) has been the second-biggest source of current account financing, although a clear assessment of the size of flows is constrained by data deficiencies**. FDI has been directed toward The Gambia's principal economic sectors—groundnuts, banking, tourism, and wholesale/retail trade—and its composition has reflected profitability considerations, liberalization policies (e.g., the rationalization and reduction of import tariffs and the opening of the financial sector to foreign investment in the late 1980s), and the recent drive to revitalize and upgrade the tourism and trade industries.

72. **The Gambia's reliance on foreign debt for its external financing needs had resulted in an accumulation of foreign debt of US$258 million by end-1999 in net present value (NPV) terms** (217 percent of exports of goods and nonfactor services). In November 2000, The Gambia was declared eligible for debt relief under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). This provided for a reduction of US$66.6 million in NPV terms at the completion point, originally envisaged for end-2002. The completion point has been subsequently postponed until 2005 at the earliest, due to serious policy slippages that put the program supported by the IMF's Poverty Reduction and Growth Facility (PRGF) far off track in July 2003.

B. Principal Sources of Vulnerability in the Gambian Balance of Payments

73. The vulnerabilities of The Gambia's balance of payments stem from persistent macroeconomic imbalances, which are largely financed with debt flows; a high level of foreign currency debt; and a narrow-based and volatile revenue stream that is subject to external shocks. Thus, over the medium term, the sustainability of The Gambia's external position will depend on (*i*) the country's ability to raise foreign exchange revenues; (*ii*) its capacity to attract non-debt-creating capital inflows, especially as debt-servicing requirements begin to rise; and (*iii*) its progress in implementing structural reforms that would aim at mitigating the impact of exogenous shocks on the agricultural, reexport trade, or other sectors. Specific sources of vulnerability include the factors identified below.

74. **The country's principal exportables—groundnuts and derivatives—are excessively dependent on exogenous factors, including climatic conditions and changes in the terms of trade.** As an example, poor rainfall in 2002 caused the groundnut harvest to drop by half, with the quality[34] of groundnuts also adversely affected. Other agricultural crops showed declines in volumes of around 30 percent. This had a drastic negative impact on 2003 groundnut exports,[35] as domestic consumption and efforts to secure seeds for the following year's harvest absorbed the bulk of output (the volume of groundnuts available for export in 2003 is estimated to have dropped by 63 percent). In addition, exports of high-value-added groundnut oil dropped precipitously, as the small volumes made the costs of processing and freight prohibitive. As a result, groundnut-related exports dropped by 56 percent in dollar terms during 2003.

75. **The volatility of groundnut exports due to heavy dependence on rainfall is exacerbated by structural obstacles in The Gambia that constrain farmers' capacity to respond to sudden changes in weather conditions or price incentives**. The lack of irrigation facilities[36] continues to be a major problem, while inadequate storage facilities and the absence of an efficient policy for seed management may protract the negative effects of a bad year into subsequent years by limiting the availability of seeds for the following year's harvest. Moreover, weak infrastructure for transportation, distribution, and marketing reduce exporters' ability to respond quickly and effectively to price movements.

76. **The range of domestically produced exports is not diversified, reflecting The Gambia's narrow—and to a large degree unsophisticated—productive capacity** and the failure so far to create economies of scale by generating linkages among different economic sectors.

77. **Sporadic closures at the Gambian-Senegalese border are reported to have caused temporary slowdowns in reexport trade**. These border closures have sometimes reflected political tensions (including in the aftermath of a Senegal-The Gambia football game in June 2003). Although the direct magnitude of their impact is not clear owing to the absence of relevant data, there may also be indirect adverse effects that harm The Gambia's image as a stable trade gateway in the region or increase the country's cost competitiveness for the transport/transit of goods in the region.

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[34] The "quality" determines the recovery rate of usable groundnuts after the shelling process. During 2002–03, the recovery rate dropped, due to poor quality.

[35] Owing to the timing of the groundnut season, groundnuts harvested in the summer of one year are considered as available for export in the following year.

[36] At present, only 8 percent of cultivable land is estimated to be irrigated, and this is mostly for rice crops.

78. **Tourism revenues have been vulnerable to domestic and external shocks,** including the impact of the 1994 coup d'état and the international slowdown in the travel industry in the aftermath of the 2001 terrorist attacks in the United States.

79. **Official grants and loans, which are the primary financing source**, can be erratic and time limited. In addition, and despite the concessional nature of official financing to The Gambia, loans augment the country's already large external debt stock. **FDI inflows remain limited, perpetuating The Gambia's dependence on debt financing.** Exogenous factors—including small market size, limited natural resources, and lack of proximity to big markets—as well as internal determinants—poor infrastructure, uncertainty with regard to macroeconomic policy commitments, unskilled labor, weak enforcement of contracts, governance concerns, etc.—have been an obstacle to larger FDI inflows and need to be tackled in order to ensure the sustainability of FDI flows in the future.

80. **The capital and financial account is very vulnerable to shocks in confidence or to slippages in monetary and/or fiscal policies.** The openness of The Gambia's capital account, while desirable for fostering a market-based economy, enhances the sensitivity of capital flows to shocks in confidence stemming from policy errors or adverse events in the real sector. Recent high rates of growth in private sector credit may have rendered the economy particularly susceptible to capital outflows.

C. Mitigating Balance of Payments Vulnerabilities Through Growth in Exports of Goods and Services: Structural Impediments and Ongoing Measures

81. Structural impediments have often amplified The Gambia's vulnerability to external shocks. This subsection explores these factors in more depth and presents some of the steps that are being taken—or that *could* be taken—to address these impediments. The subsection focuses on The Gambia's principal economic sectors, including reexport trade, tourism, groundnut, and fisheries.

Reexport and transit trade

82. **Reexport and transit trade appear to be holding up well despite continuing border problems**. They have benefited particularly from the superior efficiency and speed of the Banjul port in handling and clearing cargo compared with its regional rivals, The Gambia's liberal exchange system that poses no restrictions to capital flows, and the large trading community in Banjul. At the same time, The Gambia has benefited from political shocks in the west African region (including the civil conflicts in Côte d'Ivoire, Liberia, and Guinea Bissau), which have led to the diversion of trade from the ports of Abidjan and Monrovia to Banjul. Until recently, The Gambia's lower import duties had been another factor encouraging the routing of trade to Banjul and its subsequent reexport to other destinations in the region. However, against a background of increasing trade liberalization

in the countries of the WAEMU,[37] the profitability of trade through The Gambia appears to be increasingly relying on the avoidance of duty payments in Banjul as well as at the Senegalese border (Table III.3).

Table III.3. Average Tariff Protection (Import Duties) in the West African Region, 1996 and 2002

	The Gambia	Senegal	Guinea-Bissau	Mali	Guinea	Côte d'Ivoire
2002	11.8	12.0 1/	12.0 1/	12.0 1/	12.0 1/	12.0 1/
1996	16.5	20.0	27.6	16.7	33.0	19.1

1/ This simple average tariff does not include a number of import surcharges permitted within the WAEMU framework, which typically raise the average duties to about 14.5 percent.

83. **Looking ahead, despite the Banjul port's current edge in cargo handling and clearance, its outdated infrastructure and capacity constraints are likely to hinder future traffic growth unless action is taken**. To address these concerns, the emphasis at present is on upgrading the port's infrastructure and improving its productivity. In this context, the port authority commissioned the creation of a master plan that has provided a framework for the modernization and expansion of the Banjul port. Investment needs for these projects are estimated at around €48 million over the period 2003–06, and are likely to be financed in part by foreign donors and in part by the private sector. The latter could be especially involved in the area of cargo-handling services, warehousing, and security.

84. **In the case of transit trade**, there is substantial growth potential from an impending agreement with Mali to reroute part of its trade from the Senegalese port of Dakar to Banjul. The port authority estimates that the agreement would increase annual port traffic by up to 25 percent over the next three years, provided the necessary facilities are established, including an upgrading of river transport. Political impediments would also have to be addressed, if transit and reexport trade are to continue to flourish in the future. Border closures with Senegal are a persistent source of uncertainty and could deter the sustainability of any bilateral transit trade agreement between The Gambia and regional partners.

85. Finally, **in the area of customs**, first steps are being taken to harmonize the customs valuation system with World Trade Organization (WTO) standards, in line with The Gambia's obligations under WTO membership, while progress is being made in the creation of a training center for customs officers. However, maintaining an advantage as a regional entrepôt would require more efforts toward streamlining customs procedures and formulating a transparent, economically efficient, and administratively friendly framework for providing duty exemptions. In this latter context, there is a need for increased

[37] West African Economic and Monetary Union.

coordination between the finance and trade ministries in the setting of investment-related incentives and better communication with the Customs and Excise Department regarding implementation. Coordination would also encourage better analysis of the cost-effectiveness of incentives against the background of The Gambia's poor revenue-raising capacity and pervasive rent-seeking activities in the customs area, as evidenced by recent arrests of high-ranking customs and other officials. Enhanced cooperation among the ministries would also assist in making trade policy more supportive of the government's overall macroeconomic and development strategy.

Agriculture

Groundnuts (peanuts)

86. The volatility of the groundnut sector's contribution to export earnings—between 4 percent and 20 percent over the past six years—reflects the harvest's high sensitivity to climatic conditions. The lack of irrigation facilities—exacerbated by the high saline content in the Gambian waters—means that the prospects of mitigating the impact of weather on output and exports will be limited in the near term. Improvements in irrigation are further hampered by the inadequacies of the electricity generation and distribution system.

87. **One major issue in the sector has been the supply of high-quality seeds**. The impact of the government's role as the primary provider of seeds, fertilizer, and credit to farmers on production efficiency is ambiguous. While it addresses the inability of many small farmers to save and store safely groundnut seeds (due to unavailability of storage space, transport facilities, and liquidity) it may also work towards distorting the incentive structure. Farmers have, in practice, often sold their seeds to the informal domestic or foreign (primarily Senegalese) markets, instead of engaging in effective seed management and storage, expecting that the government will provide seeds regardless.[38] This in turn has had a negative impact on export earnings because of the reduced availability of groundnuts for processing into higher-value-added exportables.

88. **Another issue is the availability of credit** both, at the beginning of the groundnut season, to farmers (for the purchase of fertilizers, seeds, etc.); and to cooperatives, during the final stages of the season (for the purchase of nuts from the farmers to sell on to the processing operators). In past years, the biggest society of cooperatives, FACS, has been observed to buy unshelled groundnuts from farmers on credit but then to have difficulty paying on time, thus forcing cash-constrained farmers to sell their seeds to Senegal rather than to Gambian depots for onward processing. Notwithstanding the urgent need to improve the availability of credit, it is not clear whether the government's contribution in

[38] Farmers do engage to some extent in seed storage, even in adverse conditions, as evidenced by the experience in 2002–03 season: while the government failed to secure the targeted quantities of seeds for distribution following a calamitous drop in output in 2002, the unexpected jump in estimated 2003 output demonstrates that farmers had in fact stored seeds for multiplication and sowing.

this area has so far been optimal. Government loans in the past to farmers[39] have often been soft in nature, fostering further the informal seed/groundnut market by encouraging farmers to default and sell their seeds at a higher price at home or abroad. Anecdotal reports also suggest that such credit has been provided selectively, with considerable potential for corruption.

89. **An important step for improving efficiency in the sector will be to expand private sector involvement** into areas such as provision of credit or financing of related infrastructure. Microfinance activities in rural areas, while growing, are still at an embryonic stage and, to some extent, are still dependent on external financing from official or nongovernmental organizations. Given the importance of access to credit, measures to encourage the provision of private sector led financial services in rural areas (e.g., mobile bank branches), or to improve risk-assessment mechanisms by creditors, should receive high priority. In the same context, the implications of macroeconomic policies for interest rates and credit to the private sector need to be borne in mind. Poor infrastructure—and, in particular, road and river transport—has also been an obstacle to efficiency and an area where private sector led investment is needed.

90. **The privatization of the largest groundnut processing company, Gambian Groundnut Corporation (GGC) would be a step in this direction.** The privatization scheme is driven by the need to increase GGC's operating efficiency and includes plans to expand activities into transport, operations and trading. However, administrative bottlenecks and prolonged deliberations over the role of the privatized GGC in the sector have delayed the privatization process.[40] The company was first sold to Swiss company Alimenta in 1993, but was subsequently renationalized amid concerns over abuse of its monopoly status. Monopoly considerations are no longer of such concern due to the presence of a second processing company—Premier Agro—in The Gambia since 2001.

91. **Nevertheless, limitations to growth in the sector are inevitable,** given the small size of the Gambian land and market and its limited manufacturing base, which forces operators to import all machinery and spare parts, thus raising the time and cost of production.

Other agricultural crops

92. One area of potential diversification is the production of **fruit and vegetables and of exotic or medicinal plants**, for which The Gambian soil is believed to be propitious. The bulk of horticultural production occurs during the dry season, making it less dependent on irrigation facilities and providing a natural hedge against shortfalls in the groundnut

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[39] Farmers are expected to repay the government in kind, once the harvest has been collected, but repayment rates are reportedly low.

[40] Although a target date of December 2002 was originally set to bring GGC to the point of sale, it has still not been put on the market.

harvest arising from insufficient rainfall. To some degree, diversification toward horticulture is already occurring, primarily at the subsistence farming level, as the volatility in groundnut production has forced farmers to experiment with the cultivation of alternative crops. However, so far only one company, Radville Farm—a subsidiary of U.K.-based Wilmore—has managed to translate this potential to horticultural exports, as structural difficulties—including the lack of access to credit and insurance schemes or to transportation facilities, such as cheap air cargo—have inhibited the commercialization of the sector.

93. Another obstacle has been that of market penetration for the Gambian exports. Although The Gambia now enjoys preferential access to the European Union (EU) market under the Everything-But-Arms (EBA) initiative and, as of January 1st, 2003, to the U.S. market under the US Africa Growth and Opportunity Act (AGOA), it will have to address supply-side constraints that have so far limited the utilization of preferential access.[41] These constraints include achieving economies of scale in order to cover fixed costs, such as those related to meeting required standards (e.g., the EU standards on agricultural imports, EUREP, for which each farm needs to obtain a certification that is too costly for small-scale farmers) or to marketing local produce abroad. A higher mobilization by the government to raise awareness on eligibility for preferential schemes would also be crucial. In the case of AGOA for example, it appears that The Gambia has yet to apply for eligibility for the so-called “Wearing Apparel Provision”[42], in order to be able to export textiles to the United States duty-free. This would encourage development of the textiles and clothing industry as well as boost FDI flows into the sector.

94. To some extent, the above difficulties seem to stem from one common factor, which is the **fragmentation of agricultural production and lack of economies of scale**. To address this problem, the Department of Agriculture has been promoting the creation of cooperatives that would pool farmer resources to finance projects of common use, such as road transport, collective credit schemes, and the purchase of fertilizers, as are already functioning to some extent in the groundnut sector. In addition, the possibility of synergies with other economic sectors are being explored, either in the form of supply linkages (e.g., with the tourism industry) or in the form of pooling to cover costs for air transport etc. (e.g., with the fisheries sector). Finally, consideration should be given on the role of regional integration in fostering economies of scale through a freer flow of goods, lower

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[41] In 2003—the year of eligibility under AGOA—15 percent of The Gambia’s exports to the United States entered preferentially, under the GSP scheme, while none entered under the—more preferential—AGOA scheme. While 2003 is not a good indicator for the future due to the adverse impact of weather on exports, the statistics still show both the low utilization rates of existing preferential schemes, as well as the minimal awareness and use of export opportunities.

[42] In order to be able to export apparel (and certain textile items) to the U.S. duty free under AGOA, countries have to ensure that they have implemented a 'Visa System' that ensures compliance with the AGOA Rules of Origin.

transaction costs and increased specialization. In this context, The Gambia could play an active role within ECOWAS, aiming at nurturing the political will necessary for the implementation of the group's integration objectives. ECOWAS could also provide a context for fostering more constructive economic relations with Senegal, which is crucial given The Gambia's geography.

Fisheries

95. The fisheries sector has registered a real growth of 76 percent over the past decade, primarily as a result of the establishment of a number of fishing-village facilities—financed by Japanese grants—providing high-standard storage, processing, and distribution which have reduced losses from inadequate storage from 35 percent to 5 percent of the daily catch. However, the growth in output has failed to translate into an equivalent growth in recorded fish exports due to capacity constraints in the *industrial* fishing sector, which is the one primarily catering to the foreign markets.[43] Such constraints include the lack of appropriate factory facilities, a poor marketing and distribution system, inadequate facilities for the maintenance, repair, and refueling of fishing boats, difficult access to credit, and scarcity of trained personnel for the management of industrial fishing companies. The absence of a fisheries port has been another major factor hampering export growth, as it deprives The Gambia from earnings stemming from processing. This latter impediment is being addressed by a project to establish such a port—financed by the African Development Bank (AfDB) and the Arab Bank for Economic Development in Africa (BADEA)—and is expected to considerably boost export revenues from value-added products over the coming decade.[44] Other efforts to expand foreign exchange revenues include the establishment of joint ventures with foreign operators fishing in Gambian waters; a tighter supervision of Gambian waters to minimize usurpation by foreign users; a more aggressive search for new markets, from Nigeria to Europe; and the signing of fishing agreements with other countries that safeguard Gambian interests and avoid overexploitation of resources. Currently, The Gambia has a reciprocal fishing agreement with Senegal and a tuna-fishing agreement with Japan's Tuna-Fishing Association, and it is seeking to conclude one with Spain.

[43] As opposed to the smaller-scale artisanal sector, which primarily caters to the domestic market as well as being exported informally.

[44] The Ministry of Fisheries believes that, given the present capacity, output/export of value-added fish as a result of the new port facilities, upgraded technology and new fishing agreements could increase fivefold over the next decade, which would translate into the doubling in the share of fishing revenues in total foreign exchange revenues to 10 percent.

Services

Tourism

96. **The tourism sector is The Gambia's largest source of foreign exchange, accounting for around 33 percent of total foreign exchange earnings after allowing for associated imports**. The sector's reliance on imports is indicative of the absence of strong linkages between the tourism industry and the domestic economy (e.g., the agricultural or handicraft sectors), and suggests that measures to improve such linkages could have a beneficial impact on the current account.

97. Tourist arrivals have also been highly seasonal—concentrated in the European "winter" season—thus contributing to a seasonal volatility of the Gambian current account (and exchange rate) during the course of each year. Given the sector's substantial share in total foreign exchange earnings, shocks to tourism can pose a significant threat to the stability of the current account.

98. Monitoring the sector's performance in recent years has been hampered by inadequate statistical data; however, a qualitative assessment shows that the industry is still far from reaching its full potential. Structural, as well as sector/country-specific constraints—including limited air access, weak marketing strategy, poor infrastructure outside the Banjul area, capacity constraints, strong seasonality, etc—have been the primary obstacles to a rapid growth of tourism in The Gambia. As a result, advantages such as cost-competitiveness, an English-speaking population, and relative geographic proximity with Europe and the United States,[45] have not been exploited fully by the industry.

99. The absence of a dedicated marketing and promotion strategy has also hampered tourism growth, especially with regard to attracting more upscale tourism and increasing the levels of visitors' out-of-pocket expenditure while in the country. Weakness in this area is compounded by poor infrastructure (including availability of electricity or extensive road networks), outdated hotel facilities, beach erosion, insufficient capacity, inadequately trained personnel, the lack of a classification system of hotels, and the absence of facilities for value-added activities such as water sports or ecotourism. However, significant steps to address some of these issues have been recently taken.

100. **As part of a strategy to tackle these constraints, the authorities are taking action to improve tourist access to The Gambia and rebrand the country as a tourist destination**. More charter links between The Gambia and major European markets such as the Netherlands and Belgium, have boosted package tour business, while upgrading measures—including a donor-financed beach recovery project, incentives to invest in the renovation and improvement of hotels, and the adoption of the international star-classification system for Gambian hotels—are being implemented to improve perceptions

[45] Six hours' flying time from the eastern seaboard.

of the Gambian tourist "product" abroad. The recent boom in hotel construction by foreign and domestic investors—ten new hotels are expected to be built over the next two years around the coastal zone—and the resulting expansion in capacity should create a considerable potential for growth, as well as encourage the influx of more upscale tourism.

101. In addition, to address the marketing "vacuum" that has characterized the industry so far, the authorities have established the Gambian Tourism Authority, which has a mandate to promote The Gambia abroad—including to new markets—and conduct an analysis of the industry's performance and priorities (which also involves efforts to improve data collection in the sector). A Tourism Master Plan is currently being prepared under the sponsorship of the AfDB. The government has also been upgrading the tourism program in the training school for employees in the sector, as part of the strategy to improve tourism services in The Gambia. Finally, apart from efforts to increase the quantity and value added associated with tourist arrivals, the government aims at further moderating the seasonality in the sector by building on recent initiatives that have successfully promoted tourism during the European summer.

102. **Besides the promotion of tourism per se, there is a growing awareness of the potential benefits of increased linkages between a high-growth tourism industry and other sectors in the economy**. Steps taken to enhance such linkages have included the establishment of an Association of Small-Scale Enterprises in Tourism, which is in charge of organizing farmers into cooperatives that would market and supply their produce to hotels in a reliable manner, thus reducing hotels' reliance on imported goods and improving The Gambia's trade balance. The association also conducts similar activities with other parts of the economy, such as small-scale manufacturers of crafts and cultural goods.

Other Services

103. **The financial services sector has, along with tourism, attracted the bulk of FDI inflows, in particular following the liberalization drive in the early 1990s, which considerably reduced restrictions on foreign ownership**. However, the sector's growth potential remains underutilized due to the high perception of risk in local projects, which has impeded financial intermediation, and caused persisting macroeconomic uncertainty.

104. Given the constraints faced by the manufacturing sector—including lack of economies of scale, insufficient domestic natural resources and raw materials, and high transport costs—financial or telecommunication services may provide a more promising source of export earnings. The recent success of a local Internet-service provider in exporting services in the west African region serves to confirm the reality of this potential. The present lack of skilled labor could be addressed by undertaking appropriate capacity-building projects and gradual knowledge transfers through spillover effects from FDI, as well as by attracting skilled Gambian expatriates who would be willing to invest capital and labor in the country.

105. At the same time, the impediments mentioned above, as well as regulatory barriers—including the absence of a transparent competition law—would need to be urgently addressed, in order to attract the necessary foreign capital to jump-start a sustainable growth in these sectors.

Exploitation of natural resources

Oil exploration

106. **The Gambian government has devoted substantial attention and resources to oil (hydrocarbon) exploration in recent years** and has sought the collaboration of a number of foreign oil companies in the assessment of the country's potential reserves. The country's hydrocarbon prospects are believed to be good, as it is located at the northern extent of the Casamance-Bissau subbasin, where studies have indicated the existence of petroleum systems.

107. Recent exploration efforts have included a six-year petroleum production license to the Australian company Fusion Oil and Gas, signed in October 1999, for the survey of a 5,000-square-kilometer offshore block off Banjul and the potential drilling of two wells. Fusion carried out an in-depth study of the data available for the deepwater areas offshore The Gambia, and in December 1999, it conducted a two-dimensional seismic survey. In August 2002, the company signed an agreement with Amerada Hess, under which the latter would conduct a three-dimensional seismic survey on Fusion's block and have the right to drill the two wells. However, the Gambian government terminated the license agreement with Fusion before the survey on drilling could commence.[46]

108. In early 2003, The Gambian government signed a US$5 million contract with a consortium led by Buried Hill Energy Incorporated. Under the contract, that company would conduct a three-dimensional seismic survey that would aim at quantifying any commercially viable resources within particular onshore and offshore blocks in the Gambian territory.

109. The consortium is said to have completed an evaluation of the oil potential of 500 square kilometers (out of the 2,000 square kilometers of deepwater and the 3,000 square kilometers of shallow water) of The Gambia's maritime offshore territory. While the results of the survey have not been made public, **in February 2004, the Gambian President announced that preliminary indications suggest that "there exists oil in The Gambia in very large quantities, especially in the [surveyed] area**." The government intends to conduct an exploratory well drill during 2004 in order to confirm the results of the survey.

[46] Fusion Oil later reported that it had agreed to a settlement with the government at undisclosed terms.

Mining

110. **The growth potential of the Gambian mining sector will depend on the heavy-mineral content of the country's beach deposits, the assessment of which has been the objective of a joint venture between the Gambian government and the Australian company Carnegie Corporation over the past four years**. Carnegie explored the mineral content of the Brufut deposits, located along the Gambian coast, during which it found a high-grade zircon concentration of about 25 percent.

111. In June 2002, Carnegie signed a joint venture agreement with Atlantic Mines to bring the zircon stockpile into production by the end of 2002. Up to June 2003, around 12,000 tones of zircon, worth some US$1.1 million, had been exported from The Gambia.

D. Conclusion

112. **External and internal factors continue to render The Gambia's balance of payments vulnerable to shocks**. The country's small market size, limited natural resources, and lack of proximity to big markets are exacerbated by the macroeconomic uncertainty, poor infrastructure, unskilled labor, weak enforcement of contracts, and governance concerns. As a result, the potential for growth in private sector activity has been hampered, reliance on official financing has persisted in order to meet external needs, and debt accumulation has continued.

113. **Looking ahead, the sustainability of The Gambia's external position will rely on a quick resolution of macroeconomic imbalances**, including steps to allow the resumption of IMF support under the PRGF arrangement, in conjunction with parallel efforts to undertake medium-term structural reforms at the institutional as well as sectoral levels, along the lines described above. The involvement of the private sector (domestic and foreign) in the structural reforms will be key, but will be possible only in a transparent and stable macroeconomic and institutional environment.

IV. Data Deficiencies in The Gambia's Balance of Payments[47]

114. Figures reported for the Gambia's balance of payments (Tables 33) are based on submissions of raw data by the Gambian authorities (including on imports and official financing), together with a series of assumptions about key variables based on past and present trends in the country and on the experience of comparator countries. The figures reflect significant revisions in import data for the 1997-2002 period, which seem to suggest that data previously identified as "imports, f.o.b." actually reported "imports, c.i.f." No official balance of payments statistics are currently published.

115. This note describes the methodology used to compile the IMF's data for The Gambia balance of payments, the most important constraints and data deficiencies faced in the compilation, and the implications for the interpretation of balance of payments figures.

A. Current Account

Exports of Goods

116. Merchandise exports comprise groundnut products, "other" domestic exports, and reexports (Table 34). Data provided by the Central Statistics Department (CSD) appear to substantially underestimate actual exports, in part because they do not capture exports occurring informally at the Gambia-Senegal border. To address this handicap, exports have been estimated as follows:

- **Groundnut products**. The quantity of groundnuts available for exports is deduced from actual figures on the total annual production of groundnuts (issued by the CSD) and an assumption about the level of domestic consumption. A percentage of this quantity is assumed to be exported informally (not necessarily in a processed form and, therefore, yielding a relatively low unit price) while the remainder is divided into high- and low-quality processed groundnuts (the so-called HPS and FAQ types), groundnut oil, and groundnut cakes, on the basis of information provided to the IMF by the biggest private groundnut processing and exporting company in The Gambia, Premier Agro. One caveat in the methodology is that it relies on anecdotal estimates about the level of domestic consumption (including seed accumulation) and ad hoc estimates on the portion exported informally, and it is not clear in which direction the bias would go.

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[47] Prepared by Katerina Alexandraki.

- **Reexport trade**. Exports classified under "reexport trade" are goods entering the Gambian territory as if The Gambia were their final destination, but then reexported to neighboring countries by land. This distinguishes them from *transit* trade, where goods are officially marked with their final destination and are thus charged no customs duties and sales taxes while passing through The Gambia. Goods for reexport are—officially—charged the full amount of duties and sales taxes. In the balance of payments, the value of reexports is based on assumptions about the total amount of imports for reexport, to which an estimate of a markup is applied. As a rough estimate, the markup should include the following: sales tax of 10 percent; an average customs duty of 12 percent; a profit margin of 10 percent; and a cost of freight and insurance of 14.3 percent (12.4 percent for freight and 1.9 percent for insurance)[48]. The value of reexports is thus estimated at 1.55 times the value of imports for reexport f.o.b.. or around 1.35 times the value of imports for reexport, c.i.f..

Imports of Goods

117. Data on imports, c.i.f. from the Customs and Excise Department have been used, with the qualification that they are likely to underestimate actual imports, owing to the following factors:

- There seems to have been a practice of not recording items that have been either duty exempt or have been granted (or waiting to be granted) duty waivers. This, and other deficiencies in recording proceedings, may explain the sharp drop in recorded imports during 2001, rather than a proportionate drop in domestic absorption.

- Informal cross-border imports of items such as cooking oil, animals, footwear, and cereals have been unrecorded (given the porousness of the border).

118. Another uncertainty concerns the share of the category of "imports for reexport" in total imports. Numerous studies based on surveys have arrived at estimates for this share that range from 35 percent to 75 percent of total imports. To compute the entries in the balance of payments tables, a figure near the lower bound of this range has been adopted.

119. Caution should also be applied in using the data for oil import levels, which, for the years 1997-2002, have been taken from CSD data. As reported, the value of oil imports is highly volatile, which, even given the changes in world oil prices, implies very volatile changes in the volume of oil imports. In turn, such fluctuations in volume terms are difficult to account for on the basis of changes in demand or in other economic fundamentals. This supports the conclusion that CSD data on imports are not very reliable, in part due to inadequate customs controls.

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[48] Based on information compiled by an IMF statistics mission in 1999.

Nonfactor services

120. **Travel Income.** Travel income is effectively set equal to an estimate of the revenue from tourism, given that no data are currently available on the expenditure of Gambians traveling abroad. The estimate of tourism revenues is based on data from the CSD and Tourism Authority on tourist arrivals, daily expenditure and average length of stay, as well as data on the average price of a hotel bed and the amount of airport tax. However, data on tourist arrivals are believed to underestimate actual figures, and the CSD has not published data on daily expenditure and average length of stay since 1996. The resulting underestimation could be partly offsetting the absence of negative travel income by Gambian travelers abroad.

121. **Other transport services**. The category "other transport" includes services provided by the Gambian Port Authority (GPA) (ferry-crossing fees, etc.), the Civil Aviation Authority (GCAA) (e.g., landing fees and sale of fuel) and the Gambian Public Transport Corporation (GPTC) (which operates trucks) to nonresidents. Revenues of the GPA should grow along with port traffic, those of the GCAA should grow in line with airport traffic and air cargo, and those of the GPTC should grow in line with transit trade. However, in the absence of actual data on either form of revenues and/or growth rates (only the GPA has provided data on growth in traffic), the balance of payments estimate of "other transport" is rather weak.

122. **Other services**. An estimate for "other services" (which, in the case of The Gambia, should include tele/postal communications, fees on financial services, construction services, etc., paid to nonresidents) was made by looking at the share of such services in GDP in comparable countries.

Income and transfers

123. The key sources of uncertainty in this category are remittances and net interest income by the private sector.

124. **Remittances**. Remittances in the balance of payments consist of two components: outflows, which are assumed to be a particular percentage of technical assistance (TA) funds received by The Gambia (the rationale being that most TA funds are directed to salaries of expatriate consultants in The Gambia); and inflows, which are in part based on Western Union data on money transfers to The Gambia from abroad, and in part on assumptions about the portion of inflows that enter the country informally. Equally, the estimation of outflows ignores repatriation of earnings by seasonal foreign workers who come to work in Gambian farms during the summer harvest season. Finally, there is some uncertainty over the amount of TA funds on which the figure for outflows is based.

125. **Net interest income of the private sector**. Components of net interest income of the private sector include dividend payments to nonresidents and—in the absence of data on net interest income of the nonbank private sector—net interest income of (resident) banks' net foreign assets. The underlying assumption for the latter is that banks receive/pay

the London interbank offered rate (LIBOR) on their net foreign assets. In the case of dividend payments, data from a business survey (published in February 2002) have been used to derive estimates for the return on foreign investment in the Gambia—estimated at about 20 percent in 2002 (or around 15 percent above the LIBOR). Of this, a portion is assumed to be distributed as dividends (between two-thirds and 80-90 percent, depending on the year) and the remainder is assumed to be reinvested.

126. **Private transfers**. The level of private transfers is set equal to the amount of transfers by private residents abroad to the Gambian government, as cited in the foreign currency budget of the Central Bank of The Gambia (CBG). No data are available on any other form of private transfers into (and out of) the country.

127. **Official transfers**. The accuracy of data on official transfers is compromised by the lack of clarity in the submissions of such data by the Department of State for Finance and Economic Affairs (DOSFEA) and the difficulty of reconciling the DOSFEA data with those by the CBG. Given that not all transfers are disbursed via the CBG, more weight is placed on the DOSFEA submissions, as shown in the central government budget execution report. This underestimates the total amount granted annually, as it excludes off-budget project aid.

B. Capital and Financial Account

128. **Official budgetary loans**. As in the case of official transfers, the accuracy of data on budgetary official loans is constrained by unclear DOSFEA data—especially with regard to the disbursement schedule—and difficulties in reconciling CBG and DOSFEA data.

129. **Official nonbudgetary (project) loans**. In the absence of such data, the relevant balance of payments entry sets this equal to zero and therefore underestimates the actual amounts.

130. **Foreign direct investment (FDI)**. Reliable FDI data are not available. A business survey, published in February 2002, contained estimates that appeared to substantially underreport actual FDI flows, given anecdotal evidence of FDI in the tourism, banking, groundnut processing, and other sectors, and was therefore not adopted as the source of FDI data. Instead, current FDI data are based on on-the-ground discussions with the authorities and various agencies in key sectors (e.g., the Tourism Authority) and have been cross-checked—on an order-of-magnitude basis—with UNCTAD data[49] on FDI inflows to The Gambia (up to 1999). The unavailability of reliable FDI data places a serious constraint on the assessment of the level of private capital flows. Further efforts should thus be made by the authorities to collect data from the foreign companies themselves and reconcile them with data from organizations such as the Gambian Investment Promotion

[49] UNCTAD, "*FDI in Least Developed Countries at a Glance*," 2001.

and Free Zones Authority (GIPFZA), the Gambian Tourism Authority, the Chamber of Commerce, and the CBG (for data on the banking sector).

131. **Other private capital inflows.** These consist primarily of "other investments" (including profits of resident trading companies taken offshore and the change in the net foreign assets position of commercial banks) and suppliers' credits. For the latter, data on the net (short-term) credit position of the wholesale/retail sector were taken from a business survey for the year 2000, the assumption being that the large majority of these credits were trade related. Projecting forward, the 2000 data are assumed to grow in line with total imports.

C. Institutional Weaknesses and Steps Forward

132. Two technical assistance missions from IMF Statistics Department visited the Gambia between 1999 and 2001 to help build capacity in the compilation of the Gambian balance of payments, as well as the collection of data. The main "institutional" weaknesses identified during these missions were the lack of a special balance of payments unit at the central bank (subsequently established), insufficient collaboration among the balance of payments unit and potential providers of data—including the Department of State for Finance and Economic Affairs (including the Customs and Excise Department, and the CSD) the Chamber of Commerce, and the Tourism Authority, —and an inadequate mobilization of key companies and banks to submit data for balance of payments purposes–partly due to the absence of legislation enabling the CBG to solicit relevant data from banks and enterprises.

133. Other recommendations of the statistics missions that have yet to be adequately implemented included developing a register of all firms and establishments that could provide relevant data for the balance of payments; undertaking surveys of major importers and exporters—including companies involved in reexport trade—with a view to determining the size of The Gambia's external trade; identifying foreign firms and the systematic assessment of the international investment position; and collaborating more closely with the United Nations Development Program (UNDP) to obtain information on current and capital transfers.

134. The Gambian authorities have taken steps to address some of the weaknesses, including training local personnel in balance of payments accounting methodology, amending the Financial Institutions Act to cover statistical reporting obligations of commercial banks, and conducting surveys on the banking sector, travel agents, hotels, etc. However, these surveys seem to have been incomplete and only part of a one-off exercise.

135. Significant challenges thus remain, especially in the area of monitoring informal trade flows and capital flows, that can be addressed only through a general mobilization of key contributors, a closer collaboration among relevant government units, a clear division of labor, the de jure as well as de facto ability of the CBG to enforce compliance in data

submission, and the provision of incentives to trained personnel to prevent high rates of employee turnover.

Table 1. The Gambia: GDP by Sector at Constant Prices, 1998-2003

(In millions of dalasis, at constant 1976/77 prices, unless otherwise indicated)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
Agriculture	121.4	157.0	173.4	188.9	135.7	175.7
Groundnuts	26.3	44.1	49.5	54.2	25.7	45.5
Other crops	51.6	67.6	77.2	84.9	57.7	75.1
Livestock	32.0	33.3	34.3	36.3	38.1	40.0
Forestry	3.7	3.8	4.0	4.2	4.4	4.6
Fishing	7.7	8.2	8.4	9.3	9.7	10.4
Industry	70.2	71.8	75.5	80.1	88.0	93.6
Manufacturing	34.7	35.2	35.9	36.9	38.5	39.5
Large and medium manufacturing	23.5	23.8	24.3	25.0	26.3	26.8
Small manufacturing	11.2	11.4	11.6	11.9	12.3	12.8
Construction and mining	30.3	31.3	34.4	37.9	43.6	47.9
Electricity and water supply	5.2	5.3	5.1	5.3	5.9	6.2
Services	383.4	390.5	403.7	432.9	451.4	469.7
Trade	79.5	75.9	81.1	87.0	90.6	91.0
Groundnuts	9.7	10.0	11.2	12.9	13.6	14.0
Others	69.8	65.9	69.9	74.0	77.0	77.0
Hotels and restaurants	33.4	34.6	30.1	33.1	35.5	40.8
Transport and communications	145.9	153.2	161.0	175.1	183.1	192.3
Transport	64.2	64.4	66.8	71.4	74.3	78.0
Communications	81.7	88.8	94.2	103.7	108.8	114.3
Real estate and business services	38.8	39.0	39.8	41.8	43.5	44.8
Public administration	67.5	69.4	72.6	76.2	78.5	80.1
Other services	18.3	18.5	19.0	19.6	20.2	20.8
GDP at factor costs	574.9	619.3	652.6	701.8	675.0	739.1
Indirect tax (net)	84.1	81.9	87.4	80.7	82.1	84.4
GDP at constant market prices	659.0	701.2	739.9	782.5	757.1	823.5
Real GDP growth (in percent)	6.5	6.4	5.5	5.8	-3.2	8.8

Sources: The Gambian authorities; and staff estimates.

Table 2. The Gambia: GDP by Sector at Current Market Prices, 1998-2003

(In millions of dalasis, unless otherwise indicated)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
Agriculture	1,228.1	1,493.3	1,654.3	2,042.3	1,832.7	3,054.8
Groundnuts	236.2	347.1	389.7	464.7	284.5	866.5
Other crops	471.5	566.0	662.7	838.3	655.6	1,039.7
Livestock	358.0	390.1	405.8	494.6	597.3	765.1
Forestry	48.9	58.5	60.8	73.4	88.7	113.6
Fishing	113.4	131.6	135.3	171.1	206.7	269.8
Industry	507.1	545.4	584.4	736.8	964.4	1,274.2
Manufacturing	219.0	233.0	244.8	301.6	378.2	485.4
Large and medium manufacturing	146.0	155.3	163.2	201.7	254.1	324.0
Small manufacturing	73.1	77.7	81.7	100.0	124.1	161.4
Construction and mining	218.2	234.4	265.5	350.5	483.7	665.1
Electricity and water supply	70.0	78.0	74.0	84.7	102.5	123.7
Services	2,177.8	2,311.4	2,497.3	3,174.0	3,845.0	4,989.7
Trade	466.3	462.8	490.6	650.5	778.6	1,012.7
Groundnuts	6.8	6.4	7.4	10.3	12.9	17.3
Others	459.5	456.4	483.2	640.2	765.7	995.4
Hotels and restaurants	181.1	194.3	213.8	305.7	408.9	611.4
Transport and communications	656.8	693.8	798.5	1,040.4	1,279.8	1,740.8
Transport	336.9	364.1	378.7	486.3	581.6	824.4
Communications	319.9	329.7	419.8	554.2	698.2	916.4
Real estate and business services	282.1	312.5	331.5	400.3	478.8	567.1
Public administration	394.1	438.0	455.3	525.8	607.7	712.9
Other services	197.5	210.0	207.6	251.2	291.1	344.8
GDP at factor costs	3,913.1	4,350.1	4,736.1	5,953.1	6,642.1	9,318.7
Indirect tax (net)	566.0	571.8	646.3	602.8	722.2	956.6
GDP at market prices	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,275.2
Nominal GDP growth (in percent)	7.2	9.9	9.4	21.8	12.3	39.5
Real GDP growth (in percent)	6.5	6.4	5.5	5.8	-3.2	8.8
GDP deflator (in percent)	0.6	3.3	3.6	15.2	16.1	28.3
CPI (annual average change, in percent)	1.1	3.8	0.9	4.5	8.6	17.0

Sources: The Gambian authorities; and staff estimates.

Table 3. The Gambia: GDP Growth by Sector at Constant Prices, 1998-2003

(Percentage changes)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
Agriculture	-9.4	29.4	10.5	8.9	-28.2	29.5
Groundnuts	-5.9	67.4	12.3	9.4	-52.6	77.5
Other crops	-17.7	31.0	14.2	10.0	-32.0	30.0
Livestock	4.0	4.0	3.0	6.0	5.0	5.0
Forestry	3.9	4.1	3.9	5.0	5.0	5.0
Fishing	-13.1	5.9	2.9	10.0	5.0	7.0
Industry	5.7	2.3	5.1	6.1	9.8	6.4
Manufacturing	2.4	1.4	2.0	2.7	4.5	2.6
Large and medium manufacturing	2.6	1.3	2.0	3.0	5.0	2.0
Small manufacturing	2.1	1.8	2.0	2.0	3.5	4.0
Construction and mining	6.4	3.3	10.0	10.0	15.0	10.0
Electricity and water supply	27.1	1.9	-3.0	4.0	10.0	5.0
Services	13.2	1.9	3.4	7.2	4.3	4.1
Trade	8.9	-4.5	6.8	7.2	4.1	0.4
Groundnuts	6.7	3.1	12.3	15.0	5.0	3.0
Others	9.2	-5.5	6.0	6.0	4.0	0.0
Hotels and restaurants	7.5	3.4	-12.8	10.0	7.0	15.0
Transport and communications	26.6	5.0	5.1	8.8	4.6	5.0
Transport	7.0	0.3	3.7	7.0	4.0	5.0
Communications	47.8	8.7	6.1	10.0	5.0	5.0
Real estate and business services	1.1	0.4	2.2	5.0	4.0	3.0
Public administration	7.0	2.8	4.6	5.0	3.0	2.0
Other services	1.4	1.1	3.0	3.0	3.0	3.0
GDP at factor costs	6.6	7.7	5.4	7.5	-3.8	9.5
Indirect tax (net)	5.6	-2.6	6.7	-7.7	1.7	2.8
GDP at constant market prices	6.5	6.4	5.5	5.8	-3.2	8.8

Sources: The Gambian authorities; and staff estimates.

Table 4. The Gambia: Implicit GDP Deflators, 1998-2003
(Base year, 1976/77=100)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
Agriculture	1,012.1	951.3	954.1	1,081.3	1,350.7	1,738.5
Groundnuts	897.2	787.6	787.4	858.2	1,109.2	1,902.7
Other crops	913.8	837.3	858.4	987.1	1,135.2	1,385.0
Livestock	1,119.2	1,172.5	1,184.1	1,361.7	1,565.9	1,910.4
Forestry	1,326.1	1,523.4	1,524.6	1,753.3	2,016.3	2,459.9
Fishing	1,465.3	1,604.9	1,603.4	1,844.0	2,120.5	2,587.1
Industry	722.4	759.6	774.3	920.1	1,096.4	1,360.9
Manufacturing	631.2	661.9	681.9	818.2	981.7	1,227.3
Large and medium manufacturing	621.1	652.5	672.1	806.5	967.8	1,209.8
Small manufacturing	652.3	681.6	702.3	842.7	1,011.3	1,264.1
Construction and mining	720.0	748.9	771.3	925.5	1,110.6	1,388.3
Electricity and water supply	1,345.3	1,471.7	1,439.9	1,583.9	1,742.3	2,003.6
Services	568.1	591.9	618.6	733.3	851.8	1,062.2
Trade	586.9	609.7	605.1	748.1	859.8	1,113.3
Groundnuts	69.9	64.0	66.3	79.6	95.5	124.1
Others	658.8	692.6	691.7	864.6	994.3	1,292.6
Hotels and restaurants	541.6	562.2	709.8	922.7	1,153.3	1,499.3
Transport and communications	450.2	452.9	496.0	594.2	698.9	905.3
Transport	524.7	565.4	567.3	680.8	782.9	1,056.9
Communications	391.6	371.3	445.5	534.6	641.5	801.9
Real estate and business services	726.9	802.1	832.4	957.3	1,100.9	1,266.0
Public administration	583.9	631.1	627.0	689.7	773.9	890.0
Other services	1,079.0	1,135.1	1,089.9	1,280.6	1,440.7	1,656.8
GDP at factor costs	680.6	702.4	725.8	848.3	984.0	1,260.9
Indirect tax (net)	704.6	712.4	739.6	747.0	879.9	1,133.3
GDP at constant market prices	679.7	701.9	727.4	837.8	972.7	1,247.8

Sources: The Gambian authorities; and staff estimates.

Table 5. The Gambia: Supply and Use of Resources, 1998-2003

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
			(In millions of dalasis)			
Supply of resources	7,063.9	7,473.5	8,241.7	9,435.7	11,170.5	15,660.9
GDP at current prices	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,275.2
Imports of goods and nonfactor services	2,584.8	2,551.6	2,859.3	2,879.8	3,806.2	5,385.7
Use of resources	7,063.9	7,473.5	8,241.7	9,435.7	11,170.5	15,660.9
Gross domestic absorption	4,789.6	5,210.4	5,824.8	6,952.3	7,846.6	11,101.2
Consumption	3,969.9	4,334.1	4,895.7	5,814.6	6,284.8	9,084.6
Private	3,226.6	3,508.0	3,970.0	4,199.2	5,050.6	7,567.5
Public	743.3	826.1	925.6	1,615.4	1,234.2	1,517.1
Gross fixed investment	819.7	876.3	929.1	1,137.7	1,561.8	2,016.6
Private	559.9	615.2	683.6	852.3	1,008.9	1,428.3
Public	259.9	261.0	245.6	285.4	552.9	588.3
Change in stocks	...	...	...	...	...	...
Exports of goods and nonfactor services	2,274.2	2,263.1	2,416.9	2,483.4	3,323.9	4,559.7
Memorandum items:						
			(In percent of GDP)			
Consumption	88.6	88.1	91.0	88.7	85.3	88.4
Private	72.0	71.3	73.8	64.1	68.6	73.6
Public	16.6	16.8	17.2	24.6	16.8	14.8
Domestic savings 1/	11.4	11.9	9.0	11.3	14.7	11.6
Domestic investment	18.3	17.8	17.3	17.4	21.2	19.6
Imports of goods and nonfactor services	57.7	51.7	53.1	44.1	51.7	52.4
Exports of goods and nonfactor services	50.8	46.0	44.9	37.9	45.1	44.4

Sources: The Gambian authorities; and staff estimates.

1/ Defined as GDP minus consumption.

Table 6. The Gambia: Savings-Investment Balance, 1998-2003

(In percent of GDP)

	1998	1999	2000	2001 Est.	2002 Prel.	2003 Prel.
GDP market prices	100.0	100.0	100.0	100.0	100.0	100.0
Factor services, net	-4.8	-5.0	-4.9	-5.6	-7.1	-6.7
Remittances of technical assistance staff	-6.2	-6.9	-7.3	-7.6	-9.1	-8.6
Interest receipts, net	1.4	1.9	2.4	2.1	2.0	1.8
GNP market prices	95.2	95.0	95.1	94.4	92.9	93.3
Unrequited transfers, net 1/	9.3	8.0	9.9	8.1	11.5	9.6
Of which: official transfers	8.5	7.1	7.4	7.3	10.5	8.6
Gross disposable national income	104.5	103.0	105.1	102.6	104.4	102.9
Total consumption	88.6	88.1	91.0	88.7	85.3	88.4
Private consumption 2/	72.0	71.3	73.8	64.1	68.6	73.6
Government consumption 3/	16.6	16.8	17.2	24.6	16.8	14.8
Gross domestic savings	11.4	11.9	9.0	11.3	14.7	11.6
Government domestic savings 4/	2.0	1.1	1.3	-9.5	-0.4	0.5
Private domestic savings 5/	9.4	10.9	7.7	20.8	15.1	11.1
Gross national savings	15.9	14.9	14.1	13.9	19.0	14.5
Government national savings	10.4	8.1	8.7	-2.2	10.1	9.1
Of which: domestically generated	2.0	1.1	1.3	-9.5	-0.4	0.5
Private national savings 4/	5.5	6.8	5.4	16.1	8.9	5.4
Total domestically generated 5/	7.4	7.9	6.7	6.6	8.5	5.9
Gross domestic investment	18.3	17.8	17.3	17.4	21.2	19.6
Government investment 6/	5.8	5.3	4.6	4.4	7.5	5.7
Private investment 2/	12.5	12.5	12.7	13.0	13.7	13.9
Private investment rate (% of GDP)	12.5	12.5	12.7	13.0	13.7	13.9
Memorandum items:						
External current account						
Including transfers	-2.4	-2.9	-3.1	-3.5	-2.2	-5.1
Excluding transfers	-10.9	-9.9	-10.6	-10.8	-12.7	-13.8
Government financial balance 7/	-3.8	-4.2	-3.3	-13.9	-7.9	-5.2
Government savings	2.0	1.1	1.3	-9.5	-0.4	0.5
Government investment	5.8	5.3	4.6	4.4	7.5	5.7
Private financial balance 7/	-7.0	-5.7	-7.3	3.1	-4.8	-8.5
Private savings	5.5	6.8	5.4	16.1	8.9	5.4
Private investment	12.5	12.5	12.7	13.0	13.7	13.9

Sources: The Gambian authorities; and staff estimates.

1/ Consists of both official and private transfers.
2/ Includes public enterprise sector.
3/ Government current expenditure (excluding Gambia Local Fund), less capital component of recurrent budget, plus current component of development budget.
4/ Domestic revenue (excluding capital revenue) less government consumption.
5/ Gross national savings excluding official transfers.
6/ Development expenditure (excluding net lending), plus capital component of recurrent budget, less current component of development budget.
7/ Domestically generated financial balances.

Table 7. The Gambia: Agricultural Production, 1998-2003

	1998	1999	2000	2001 Prel.	2002 Prel.	2003
Acreage			(In thousands of hectares)			
Export crops	77.7	113.0	125.7	140.1	106.8	...
Groundnuts	75.3	112.2	124.9	138.9	105.6	...
Cotton	2.4	0.8	0.8	1.2	1.2	...
Food crops	119.5	125.3	136.2	#REF!	133.7	...
Rice (paddy)	18.3	15.7	16.7	18.1		...
Irrigated 1/	...	2.2	2.3	...	...	...
Rainfed	18.3	13.5	14.4	...	...	...
Sorghum 2/	14.2	18.5	24.4	26.2	18.3	...
Millet 2/	75.3	76.3	80.3	97.4	97.0	...
Maize	11.7	14.8	14.8	17.2	18.4	...
Production			(In thousands of metric tons)			
Export crops	75.0	123.4	138.2	151.7	72.0	...
Groundnuts	73.5	123.0	138.0	151.1	71.5	...
Cotton	1.5	0.4	0.2	0.6	0.5	...
Food crops	114.1	150.8	175.6	199.8	138.7	...
Rice (paddy)	26.5	31.5	34.1	32.4	20.3	...
Irrigated 1/	7.8	13.2	13.4	...	...	...
Rainfed	18.7	18.3	20.7	...	...	...
Sorghum 2/	9.9	17.9	24.9	33.4	15.2	...
Millet 2/	64.7	81.0	94.6	105.0	84.6	...
Maize	13.0	20.4	22.0	29.0	18.6	...

Source: The Gambian authorities.

1/ Including double-cropped area.

2/ Including area intercropped with groundnuts.

Table 8. The Gambia: Minimum Producer Prices for Agricultural Commodities, 1998-2003
(In dalasis per ton)

	1998	1999	2000 Prel.	2001 Prel.	2002 Prel.	2003
Cotton	3,400	3,400	3,750	3,650	4,150	…
Groundnuts (undecorticated)	2,790	2,700	2,600	2,650	4,250	…
Rice (paddy)	1,750	1,750	1,750	2,250	2,500	…

Source: The Gambian authorities.

Table 9. The Gambia: Purchases and Disposition of Groundnuts, 1998-2003

(in metric tons)

	1998	1999	2000 Prel.	2001 Prel.	2002 Prel.	2003 Proj.
Delivery purchases (undecorticated)	…	…	41,912	42,813	62,203	12,833
Export sales	…	…	20,105	25,484	40,803	7,700
Decorticated FAQ groundnuts 1/	…	…	15,204	8,228	2,097	3,000
Decorticated HPS groundnuts 2/	…	…	672	7,267	3,290	4,000
Oil	…	…	3,000	1,438	15,707	700
Cake	…	…	1,229	2,581	19,709	0
Local sales 3/	…	…	20,700	22,400	…	…
Seednuts	…	…	…	…	…	…
Wastage in shelling/processing 4/	…	…	13,412	13,700	21,400	5,133

Source: The Gambian authorities.

1/ FAQ= fair average quality.
2/ HPS= handpicked selected.
3/ Estimated as 15 percent of total production, including seeds.
4/ Estimated as 32 percent of delivery purchases.

Table 10. The Gambia: Indicators of Tourism Activity, 1998-2003

	1998	1999	2000 Prel.	2001 Prel.	2002 Prel.	2003 Prel.
Air charter tourists						
Number of tourists	91,106	94,207	82,117	75,212	78,893	...
Germany	22,189	25,393	19,708	...	...	...
Sweden	5,574	5,556	4,927	...	...	...
Other Scandinavian	3,720	4,141	3,285	...	...	...
United Kingdom	37,437	40,588	35,310	...	...	...
Other	22,186	18,529	18,887	...	...	...
Average length of stay (in days)	12.9	12.9	12.9	...	...	...
Average daily expenditure (in dalasis) 1/	327.8	306.0	290.0	...	...	...
Gross earnings (in millions of dalasis)	734.4	726.9	608.2	...	...	...

Source: The Gambian authorities.

1/ Amount spent in The Gambia; excludes the cost of package tours.

Table 11. The Gambia: Energy Statistics, 1998-2003

	1998	1999	2000	2001	2002 Prel.	2003 Prel.
Electricity	(In thousands of kilowatt-hours)					
Total production	122,187	123,401	117,553	134,001	144,124	...
Residential consumption	37,462	48,851	45,676	55,324	62,060	...
Business consumption (including government)	33,405	23,213	21,530	25,698	24,934	...
Street lighting	462	...	...	740	507	...
Other consumption	7,274	11,337	10,347	12,917	17,301	...
Losses (including powerhouse consumption)	43,584	40,000	40,000	39,322	39,322	...
	(In dalasis per kilowatt-hour)					
Retail electricity prices						
Residential	2.08	1.55-2.21	1.55-2.21	...	...	...
Business	2.21	2.21	2.21	...	...	...
Hotels/industries	2.54	2.54	2.54	...	...	...
	(In millions of liters)					
Petroleum imports	44.0	...	...	...	...	...
Gas oil	17.7	...	...	...	...	...
Diesel oil	26.4	...	...	...	...	...
Retail petroleum prices						
Gasoline	8.50	8.95	8.95	...	...	...
Diesel oil	6.50	6.50	6.75	...	...	...

Sources: The Gambian authorities; and the National Water and Electricity Company Ltd.

Table 12. The Gambia: Public Sector Wage Scale, 1998-2003
(In dalasis per year)

	1998		1999		2000		2001		2002 1/		2003	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Grade 1	4,860	5,784	5,100	6,108	5,352	6,444	5,352	6,444	5,352	6,444	5,673	6,830
Grade 2	5,916	7,008	6,168	7,260	6,168	7,260	6,168	7,260	6,168	7,260	6,988	8,146
Grade 3	7,068	8,244	7,344	8,604	7,716	9,060	7,716	9,060	7,716	9,060	8,299	9,723
Grade 4	8,352	10,536	8,652	10,920	9,084	11,436	9,084	11,436	9,084	11,436	9,845	12,338
Grade 5	10,824	13,596	10,980	13,836	11,532	14,556	11,532	14,556	11,532	14,556	12,440	15,645
Grade 6	13,872	17,148	13,872	17,148	14,568	18,012	14,568	18,012	14,568	18,012	15,778	19,428
Grade 7	17,604	20,880	17,604	20,880	18,480	21,924	18,480	21,924	18,480	21,924	19,589	23,239
Grade 8	21,276	24,636	21,276	24,636	22,344	25,872	22,344	25,872	22,344	25,872	23,685	27,424
Grade 9	25,176	28,536	25,176	28,536	26,436	29,964	26,436	29,964	26,436	29,964	28,022	31,761
Grade 10	29,100	33,552	29,100	33,552	30,552	34,752	30,552	34,752	30,552	34,752	32,385	36,837
Grade 11	34,116	39,578	34,116	39,576	35,820	40,020	35,820	40,020	35,820	40,020	37,969	42,421
Grade 12	40,368	46,920	40,368	46,920	40,368	46,920	40,368	46,920	40,368	46,920	42,790	49,735

Source: The Gambian authorities.

1/ In 2002, an additional cost of living allowance of 10 percent of the basic salary was paid to staff at grades 1-3.

Table 13. The Gambia: Minimum Daily Wages, 1998-2003
(In dalasis)

	1998	1999	2000	2001	2002	2003
General workers						
Foreman	...	...	...	...	...	...
Artisan (second class)	...	...	...	...	...	...
Head laborer	...	...	...	...	...	...
Laborer	...	...	...	...	...	...
Dockworkers						
Supervisor/foreman	36.40	36.40	36.40	36.40	38.58	48.23
Headman (Banjul)	22.50	22.50	22.50	22.50	23.85	29.81
Headman (river ports)	22.50	...	...	...	...	...
Tally clerk (Banjul, Grade A)	...	...	...	...	...	...
Tally clerk (Banjul, Grade B)	...	...	...	...	...	...
Winchman (Banjul)	20.25	20.25	20.25	20.25	21.47	26.84
Winchman (river ports)	22.50	...	...	...	...	...
Gangwayman (Banjul)	18.50	18.50	18.50	18.50	19.61	24.51
Gangwayman (river ports)	...	...	...	...	...	...
Laborer (Banjul)	17.70	17.70	17.70	17.70	18.76	23.45
Laborer (river ports)	...	...	...	...	...	...

Source: The Gambian authorities.

Table 14. The Gambia: Civil Service Structure, 1998-2003 1/

	1998	1999	2000	2001	2002	2003
	(Number of employees)					
Executive and legislative offices 2/	951	948	1,007	814	827	857
Defense	1,456	1,573	1,708	...	...	...
Interior	2,448	2,567	2,586	...	...	...
Information and tourism	51	51	66	66	40	45
External affairs	64	68	72	93	104	126
Finance and economic affairs	470	462	466	584	598	612
Local government and lands	383	377	381	415	416	413
Agriculture	1,146	916	913	920	896	934
Works and communications	619	827	816	346	349	226
Trade and industry	160	154	155	170	172	146
Education, youth, and sports	6,022	5,969	5,903	5,064	5,067	5,455
Of which						
Gambia Technical Institute	128	129	...	...	...	...
Gambia College	162	212	...	...	...	...
National Council of Arts and Culture	51	52	...	...	...	...
Health	1,474	1,517	1,586	1,859	1,878	1,569
Of which						
Royal Victoria Hospital	874	866	887	902	938	936
Bansang Hospital	264	274	272	307	305	305
Autonomous organizations 3/	272	278	281	283	299	296
Of which						
Agricultural Research (NARI)	134	137	137	137	148	148
Environmental Agency	36	39	42	42	47	47
Communication, Information, and Technology	...	...	...	...	...	148
Total	15,516	15,707	15,659	...	...	...
	(In percent)					
Executive and legislative offices 2/	6.1	6.0	6.4	...	...	...
Defense	9.4	10.0	10.9	...	...	...
Interior	15.8	16.3	16.5	...	...	...
Information and tourism	0.3	0.3	0.4	...	...	...
External affairs	0.4	0.4	0.5	...	...	...
Finance and economic affairs	3.0	2.9	3.0	...	...	...
Local government and lands	2.5	2.4	2.4	...	...	...
Agriculture	7.4	5.8	5.8	...	...	...
Works and communications	4.0	5.3	5.2	...	...	...
Trade and industry	1.0	1.0	1.0	...	...	...
Education, youth, and sports	38.8	38.0	37.7	...	...	...
Health	9.5	9.7	10.1	...	...	...
Autonomous organizations 3/	1.8	1.8	1.8	...	...	...
Total	100.0	100.0	100.0	...	...	...

Source: The Gambian authorities.

1/ From 2000 onward, data are based on budget figures.
2/ Includes the Office of the President, legislature, judiciary, Public Service Commission, and National Audit Office.
3/ Includes the Management Development Institute, National Library, National Environmental Agency, and National Agricultural Research Institute (NARI).

Table 15. The Gambia: Private Employment by Industry, 1998 - 2003

	1998	1999	2000	2001	2002	2003
Public 1/	15,429	...	...	...	...	...
Agriculture, fishing, and forestry	5,487	...	...	...	...	...
Manufacturing	947	...	...	...	...	...
Construction	764	...	...	...	...	...
Trade, hotels, and restaurants	6,084	...	...	...	...	...
Transport	2,664	...	...	...	...	...
Business services	1,453	...	...	...	...	...
Community, social, and personal services	2,505	...	...	...	...	...
Electricity	2,128	...	...	...	...	...
Total private	22,032	...	...	...	...	...
Total employment	37,461	...	...	...	...	...
Memorandum items:						
Population	1,215,940	1,286,155	1,324,740	1,361,832	1,397,240	...
Labor force 2/	575,140	...	...	...	...	...
Percent of labor force in formal employment	6.5	...	...	...	...	...

Sources: The Gambian authorities; and World Bank, *World Development Indicators* .

1/ Includes government and parastatals. For 1998, data are based on employment surveys.
2/ Estimate. The economically active population is supposed to be 47.3 percent of the population, based on the 1983 census.

Table 16. The Gambia: Private Sector Employment by Size of Establishments and Industry, 1997-1998

	Size of Establishments														Total	
	1-4		5-9		10-19		20-49		50-99		100-199		200+			
Economic Activity	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
Agriculture, hunting, and forestry	8	9	21	22	45	48	148	156	150	158	0	0	4,824	5,094	5,196	5,487
Manufacturing	43	45	217	229	122	129	171	181	62	65	282	298	…	…	897	947
Construction	9	10	0	0	28	30	62	65	309	326	315	333	0	0	723	764
Wholesale and retail trade	464	490	329	348	155	164	353	373	54	57	123	130	208	220	1,686	1,782
Hotels and restaurants	69	73	131	138	63	67	105	111	378	399	774	818	2,553	2,696	4,073	4,302
Transport, storage, and communication	21	22	86	91	139	147	104	110	199	210	250	264	1,723	1,820	2,522	2,664
Financial, business, and real estate services	30	32	33	35	148	156	259	274	355	375	338	357	212	224	1,375	1,453
Community, social, and personal services	321	340	291	307	315	333	610	644	684	722	150	159	0	0	2,371	2,505
Electricity, gas, and water supply	3	3	37	39	27	29	28	30	220	232	436	461	1,263	1,334	2,014	2,128
Total	968	1,024	1,145	1,209	1,042	1,103	1,840	1,944	2,411	2,544	2,668	2,820	10,783	11,388	20,857	22,032

Source: The Gambian authorities.

Table 17. The Gambia: Overall Consumer Price Index for Low-Income Households in Banjul and Kombo St. Mary, January 1998-December 2003

(Base year, 1974=100, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003
January	1,379.7	1,501.3	1,523.9	1,576.7	1,682.6	1,876.4
February	1,407.0	1,501.8	1,524.0	1,577.1	1,681.7	1,904.9
March	1,407.2	1,502.6	1,524.0	1,577.3	1,682.3	1,929.7
April	1,420.5	1,502.7	1,525.3	1,577.4	1,684.3	1,971.7
May	1,413.9	1,502.5	1,525.4	1,578.3	1,685.1	1,983.9
June	1,490.3	1,502.6	1,525.6	1,586.7	1,685.6	2,006.2
July	1,477.3	1,522.5	1,526.4	1,592.6	1,686.7	2,026.9
August	1,495.2	1,523.1	1,527.1	1,599.4	1,697.0	2,054.6
September	1,497.5	1,523.8	1,526.8	1,603.2	1,779.5	2,098.9
October	1,499.4	1,523.0	1,526.0	1,605.3	1,807.9	2,119.2
November	1,502.2	1,523.8	1,526.5	1,606.3	1,840.1	2,151.6
December	1,497.6	1,523.8	1,526.9	1,650.1	1,864.7	2,192.2
Memorandum items:						
Overall index (period average)	1,457.3	1,512.8	1,525.7	1,594.2	1,731.5	2,026.4
Annual percentage change (period average)	1.1	3.8	0.9	4.5	8.6	17.0
Annual percentage change (end of period)	4.4	1.7	0.2	8.1	13.0	17.6

Source: The Gambian authorities.

Table 18. The Gambia: Central Government Operations, 1998-2003

(In millions of dalasis)

	1998	1999	2000	2001	2002 Prel.	2003 Est.
Revenue and grants	919.9	944.5	1,117.2	1,125.7	1,528.7	1,776.4
Domestic revenue	831.5	878.7	995.4	989.9	1,201.8	1,569.1
Tax revenue	751.1	773.7	869.9	853.8	1,040.2	1,371.4
Direct tax	185.1	201.8	223.6	251.0	318.0	414.8
Of which : personal	76.4	81.3	90.4	102.6	122.4	149.3
corporate	93.7	102.2	115.0	132.7	176.8	244.9
Indirect tax	566.0	571.8	646.3	602.8	722.2	956.6
Domestic tax on goods and services	65.3	77.3	72.8	73.9	124.9	233.6
Of which: excise duties	0.0	11.0	18.4	11.5	10.8	25.6
domestic sales tax	63.0	64.7	52.4	59.8	108.0	203.0
Tax on international trade	500.7	494.5	573.5	528.9	597.3	722.9
Duty	322.4	315.3	360.0	327.4	367.7	420.4
Sales tax on imports	178.3	179.2	213.6	201.5	229.6	302.6
Nontax revenue	80.4	105.0	125.4	136.0	161.5	197.8
Of which: government services and charges	35.1	75.1	97.7	97.6	134.8	152.2
interests and dividends	38.6	22.0	22.9	34.2	24.1	42.1
Grants	88.5	65.8	121.8	135.9	326.9	207.2
Program	25.6	11.3	60.3	0.0	94.9	0.0
Projects	62.9	54.5	61.5	67.9	109.9	97.2
HIPC	0.0	0.0	0.0	68.0	122.1	110.0
Expenditure and net lending 1/	1,028.4	1,118.2	1,192.1	2,037.4	1,870.7	2,327.9
Current expenditure	799.8	887.0	985.8	1,237.1	1,318.2	1,703.3
Wages and salaries	282.9	301.7	341.2	342.0	395.2	450.4
Other charges	279.9	336.9	397.4	533.4	512.5	561.5
Interest	236.9	248.3	247.3	293.8	370.5	620.8
External	56.4	60.9	60.2	68.7	84.0	186.2
Domestic	180.4	187.5	187.1	225.0	286.6	434.6
HIPC expenditure	...	...	...	68.0	39.9	70.7
Capital expenditure and net lending 1/	228.7	231.2	206.3	800.3	552.5	624.6
Capital expenditure	259.9	261.0	245.6	732.5	585.3	656.2
External	211.2	221.0	196.7	224.5	495.2	511.0
GLF (Gambia Local Fund)	48.7	40.1	48.9	60.9	57.7	77.4
HIPC funded	...	...	...	...	32.4	67.9
PRSP-related expenditure	...	...	...	...	0.0	0.0
Extrabudgetary expenditure 1/	0.0	0.0	0.0	447.1	0.0	0.0
Net lending	-31.2	-29.8	-39.3	67.8	-32.8	-31.6
Overall balance (commitment basis)	-108.5	-173.7	-75.0	-911.6	-342.0	-551.5
Excluding grants	-197.0	-239.5	-196.8	-1,047.5	-668.9	-758.7
Excluding grants, HIPC and PRSP expenditure	-197.0	-239.5	-196.8	-979.5	-596.6	-620.2
Adjustment to cash basis (float)	6.1	-34.5	-23.7	-34.7	17.8	-39.4
Errors and omissions	-30.6	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)						
Including grants	-133.0	-208.2	-98.7	-946.3	-324.2	-590.9
Financing	133.0	208.2	98.7	946.3	324.2	590.9
External (net)	54.5	30.0	-45.6	-23.6	140.9	57.9
Borrowing	148.3	155.2	135.2	233.6	725.8	413.8
Project	148.3	155.2	135.2	156.6	368.4	413.8
Program	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	0.0	0.0	77.0	357.4	0.0
Amortization	-93.8	-125.2	-180.8	-257.2	-591.9	-368.3
HIPC debt relief	...	...	...	0.0	7.0	12.4
Domestic	78.5	178.2	144.3	969.9	183.3	533.0
Bank 1/	-20.0	71.2	45.0	952.8	22.9	399.9
Nonbank	86.5	93.2	139.5	68.1	197.0	95.1
Accumulation / repayment (minus) of arrears	12.0	13.9	-40.2	-51.0	-36.7	-6.5
Privatization proceeds	...	...	0.0	0.0	0.0	4.5
CBG (unrealized profits)	...	...	...	...	...	40.0
Basic primary balance 3/	251.1	229.8	247.2	-529.2	196.8	373.0
Memorandum items:						
Nominal GDP	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,275.2
Stock of domestic debt	1,146.8	1,328.6	1,693.5	2,496.1	2,694.2	2,524.7

Sources: The Gambian authorities; and staff estimates.

1/ Data for 2001 include US$28.5 million capital expenditure financed by a retroactive loan by the Central Bank of The Gambia (CBG) which the authorities indicated in October 2003 had not been recorded in official accounts.

2/ Includes loan disbursements (D 287.8 million in January and D 94.7 million in April 2001) from Taiwan Province of China for electricity generators and improvement of distribution network. The generators were delivered to the National Water and Electricity Corporation in October 2001. The inflows were used to pay the suppliers.

3/ Domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

Table 19. The Gambia: Central Government Operations, 1998-2003

(In percent of GDP)

	1998	1999	2000	2001	2002 Prel.	2003 Est.
Revenue and grants	20.5	19.2	20.8	17.2	20.8	17.3
Domestic revenue	18.6	17.9	18.5	15.1	16.3	15.3
Tax revenue	16.8	15.7	16.2	13.0	14.1	13.3
Direct tax	4.1	4.1	4.2	3.8	4.3	4.0
Of which : personal	1.7	1.7	1.7	1.6	1.7	1.5
corporate	2.1	2.1	2.1	2.0	2.4	2.4
Indirect tax	12.6	11.6	12.0	9.2	9.8	9.3
Domestic tax on goods and services	1.5	1.6	1.4	1.1	1.7	2.3
Of which: excise duties	0.0	0.2	0.3	0.2	0.1	0.2
domestic sales tax	1.4	1.3	1.0	0.9	1.5	2.0
Tax on international trade	11.2	10.0	10.7	8.1	8.1	7.0
Duty	7.2	6.4	6.7	5.0	5.0	4.1
Sales tax on imports	4.0	3.6	4.0	3.1	3.1	2.9
Nontax revenue	1.8	2.1	2.3	2.1	2.2	1.9
Of which: government services and charges	0.8	1.5	1.8	1.5	1.8	1.5
interests and dividends	0.9	0.4	0.4	0.5	0.3	0.4
Grants	2.0	1.3	2.3	2.1	4.4	2.0
Program	0.6	0.2	1.1	0.0	1.3	0.0
Projects	1.4	1.1	1.1	1.0	1.5	0.9
HIPC	0.0	0.0	0.0	1.0	1.7	1.1
Expenditure and net lending 1/	23.0	22.7	22.1	31.1	25.4	22.7
Current expenditure	17.9	18.0	18.3	18.9	17.9	16.6
Wages and salaries	6.3	6.1	6.3	5.2	5.4	4.4
Other charges	6.2	6.8	7.4	8.1	7.0	5.5
Interest	5.3	5.0	4.6	4.5	5.0	6.0
External	1.3	1.2	1.1	1.0	1.1	1.8
Domestic	4.0	3.8	3.5	3.4	3.9	4.2
HIPC expenditure	0.0	0.0	0.0	1.0	0.5	0.7
Capital expenditure and net lending 1/	5.1	4.7	3.8	12.2	7.5	6.1
Capital expenditure	5.8	5.3	4.6	11.2	7.9	6.4
External	4.7	4.5	3.7	3.4	6.7	5.0
GLF (Gambia Local Fund)	1.1	0.8	0.9	0.9	0.8	0.8
HIPC funded	0.0	0.0	0.0	0.0	0.4	0.7
PRSP-related expenditure	0.0	0.0	0.0	0.0	0.0	0.0
Extrabudgetary expenditure 1/	0.0	0.0	0.0	6.8	0.0	0.0
Net lending	-0.7	-0.6	-0.7	1.0	-0.4	-0.3
Overall balance (commitment basis)	-2.4	-3.5	-1.4	-13.9	-4.6	-5.4
Excluding grants	-4.4	-4.9	-3.7	-16.0	-9.1	-7.4
Excluding grants, HIPC and PRSP expenditure	-4.4	-4.9	-3.7	-14.9	-8.1	-6.0
Adjustment to cash basis (float)	0.1	-0.7	-0.4	-0.5	0.2	-0.4
Errors and omissions	-0.7	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)						
Including grants	-3.0	-4.2	-1.8	-14.4	-4.4	-5.8
Financing	3.0	4.2	1.8	14.4	4.4	5.8
External (net)	1.2	0.6	-0.8	-0.4	1.9	0.6
Borrowing	3.3	3.2	2.5	3.6	9.9	4.0
Project	3.3	3.2	2.5	2.4	5.0	4.0
Program	0.0	0.0	0.0	0.0	0.0	0.0
Other loans 2/	0.0	0.0	0.0	1.2	4.9	0.0
Amortization	-2.1	-2.5	-3.4	-3.9	-8.0	-3.6
HIPC debt relief	0.0	0.0	0.0	0.0	0.1	0.1
Domestic	1.8	3.6	2.7	14.8	2.5	5.2
Bank 1/	-0.4	1.4	0.8	14.5	0.3	3.9
Nonbank	1.9	1.9	2.6	1.0	2.7	0.9
Accumulation / repayment (minus) of arrears	0.3	0.3	-0.7	-0.8	-0.5	-0.1
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0
CBG (unrealized profits)	0.0	0.0	0.0	0.0	0.0	0.4
Basic primary balance 3/	5.6	4.7	4.6	-8.1	2.7	3.6
Memorandum items:						
Stock of domestic debt	25.6	27.0	31.5	38.1	36.6	24.6

Sources: The Gambian authorities; and staff estimates.

1/ Data for 2001 include US$28.5 million capital expenditure financed by a retroactive loan by the Central Bank of The Gambia (CBG) which the authorities indicated in October 2003 had not been recorded in official accounts.

2/ Includes loan disbursements (D 287.8 million in January and D 94.7 million in April 2001) from Taiwan Province of China for electricity generators and improvement of distribution network. The generators were delivered to the National Water and Electricity Corporation in October 2001. The inflows . were used to pay the suppliers

3/ Domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

Table 20. The Gambia: Functional Classification of Central Government Current Expenditure, 1998-2003

(In millions of dalasis)

	1998	1999	2000	2001	2002	2003
			Prel.	Prel.	Prel.	Prel.
Total current expenditure	1,266.6	1,295.4	1,437.5	1,237.1	1,318.2	1,707.3
General public services	…	…	…	…	…	…
Defense	43.1	40.1	42.5	38.5	48.6	51.1
Education	130.4	146.0	148.2	142.0	177.6	208.3
Of which: elementary education	87.5	86.9	…	…	…	…
Health	81.5	88.7	94.3	127.8	133.6	180.9
Of which: basic health care	17.7	24.8	…	…	…	…
Social welfare	…	…	…	…	…	…
Housing	…	…	…	…	…	…
Economic affairs and services	…	…	…	…	…	…
Other	…	…	…	…	…	…
Of which: interest on government domestic debt	290.0	264.7	187.1	225.0	286.6	434.6

Source: The Gambian authorities.

Table 21. The Gambia: Central Government Social Expenditure and Social Indicators, 1998-2003

	1998	1999	2000	2001	2002	2003
	(In millions of dalasis)					
Education expenditure	154.5	273.0	331.6	297.8	354.6	…
Of which						
Primary education	63.3	111.9	136.0	…	…	…
Secondary education	34.0	60.1	73.0	…	…	…
Higher education	27.8	49.1	59.7	…	…	…
Health expenditure	83.0	175.0	253.9	192.8	225.3	…
Primary and secondary health care	36.7	77.4	112.2	…	…	…
Tertiary health care	34.1	71.9	104.4	…	…	…
Administration and training	12.2	25.7	37.3	…	…	…
	(In percent, unless otherwise indicated)					
Social indicators						
Illiteracy rate	65.7	64.5	63.4	62.2	61.1	…
Gross school enrollment rate						
Primary school enrollment	…	69.8	…	75.0	91.0	…
Of which: female	…	…	…	…	…	…
Secondary school enrollment	…	…	…	…	…	…
Of which: female	…	…	…	…	…	…
Life expectancy at birth (years)	53.2	53.2	…	53.7	…	…
Population with access to health care	…	…	…	…	…	…
Population with access to safe water	…	…	62.0	…	…	…
Population below the poverty line	…	…	…	…	…	…
Infant mortality rate						
(per 1,000 live births)	76.4	74.8	…	91.0	…	…

Sources: The Gambian authorities; and World Bank, *World Development Indicators,* 1998.

Table 22. The Gambia: Public Investment Program and Its Financing, 1998-2003

(In millions of dalasis)

	1998	1999	2000	2001	2002	2003
Agricultural/natural resources	55.8	68.4	134.3	…	…	…
Jahally/Pacharr rice project	1.9	…	…	…	…	…
Rice development project	4.8	…	…	…	…	…
Cotton development project	1.4	0.3	1.8	…	…	…
Livestock development	0.1	0.4	0.1	…	…	…
Small-scale water project	1.9	…	…	…	…	…
Other	45.7	67.7	132.4	…	…	…
Industry	0.2	0.1	0.1	…	…	…
Public utilities	22.7	25.3	12.4	…	…	…
Improvement of transmission/distribution						
Urban water supply	…	…	…	…	…	…
Rural water supply	21.9	17.2	12.1	…	…	…
Banjul sewerage and drainage project	…	…	…	…	…	…
Other	0.8	8.1	0.3	…	…	…
Transportation and communications	192.1	223.8	158.3	…	…	…
Banjul Serrekunda and other highways	152.4	176.4	104.5	…	…	…
Banjul streets rehabilitation	0.5	…	…	…	…	…
Feeder roads	…	…	…	…	…	…
Banjul port development	…	…	…	…	…	…
Yundum Airport, Phase IV	…	…	…	…	…	…
Other	39.2	47.4	53.8	…	…	…
Education	127.0	171.7	97.4	…	…	…
Health	86.3	159.6	80.8	…	…	…
Other public investment	26.4	32.7	93.9	…	…	…
Housing and community development	20.0	11.8	58.3	…	…	…
Tourism, trade, and finance	0.9	1.5	6.3	…	…	…
General public services	5.4	19.3	29.2	…	…	…
Unallocated expenditure	0.1	0.1	0.1	…	…	…
Total public investment financed by:	575.2	745.0	662.0	…	…	…
Foreign grants	121.8	163.1	226.5	…	…	…
Foreign loans	353.4	474.1	305.6	…	…	…
Gambia local fund (GLF)	100.0	107.8	129.9	…	…	…

Source: The Gambian authorities.

Table 23. The Gambia: List of Public Enterprises, End-2002

Name	Sector	Legal Status	Government Participation (In percent)	Capital	Turnover	Personnel
				(In millions of dalasis)		
Social Security and Housing Finance Corporation	Social security and housing	...	100	. . .	. . .	206
National Water and Electricity Corporation	Energy	Limited company	100	68.5	323.5	886
Gambia Ports Authority	Marine	Authority	100	16.3	231.1	423
Gambia International Airlines	Air transport	Limited company	100	16.8	155.5	300
Gambia Telecommunications Company Ltd.	Telecommunications	Limited company	100	60.0	489.3	1,066
Gambia Public Transport Corporation	Transport	Limited company	100	38.0	25.2	380
Maintenance Services Agency Company Ltd.	Maintenance	Limited company	100	3.0	5.0	82
Gambia Civil Aviation Authority	Aviation	Authority	100	20.6	148.1	466
Asset Management and Recovery Corporation	Asset recovery	...	100	. . .	. . .	. . .

Source: The Gambian authorities.

Table 24. The Gambia: Monetary Survey, December 1998-December 2003

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Monetary survey	(In millions of dalasis, unless otherwise noted; end of period)					
Net foreign assets 1/	977	989	1,320	650	958	1,894
Net domestic assets	335	482	663	1,717	2,244	2,699
Domestic credit	508	661	770	2,020	2,699	3,709
Claims on government (net) 2/	-7	38	83	589	612	1,012
Advances to the gov. in foreign currencies 3/	0	0	0	483	483	483
Claims on the private sector and public enterprises 4/	515	623	687	775	1,335	1,977
Claims on foreign exchange bureaus 5/	0	0	0	174	269	238
Other items (net)	-173	-179	-107	-303	-454	-1,010
Broad money	1,312	1,470	1,982	2,367	3,203	4,593
Currency outside banks	348	380	540	601	797	1,183
Deposits	964	1,091	1,442	1,767	2,405	3,410
Memorandum items:						
Nominal GDP (calendar year)	4,479.1	4,922	5,382	6,556	7,364	10,275
(percentage change)	7.2	9.9	9.4	21.8	12.3	39.5
Velocity (calendar-year GDP/avg. broad money)	...	3.6	3.0	3.2	2.7	2.8
Reserve money multiplier (broad/reserve money)	2.5	2.4	2.8	2.8	2.8	2.5
	(Annual percentage change)					
Broad money	10.2	12.1	34.8	19.4	35.3	43.4
Reserve money	7.2	14.5	16.8	21.0	34.1	62.7
Total deposits	16.2	13.1	32.2	22.5	36.2	41.8
Contribution to growth of broad money	(In percent of beginning-of-period broad money, unless otherwise noted)					
Net foreign assets	11.9	0.9	22.5	-33.8	13.0	29.2
Net domestic assets	-1.7	11.2	12.3	53.2	22.3	14.2
Domestic credit	6.2	11.7	7.4	63.1	28.6	31.5
Claims on government (net) 2/	0.5	3.4	3.1	25.5	1.0	12.5
Advances to the gov. in foreign currencies 3/	0.0	0.0	0.0	24.3	0.0	0.0
Claims on the private sector and public enterprises 4/	5.4	7.8	4.4	4.4	23.7	20.0
Claims on foreign exchange bureaus 5/	0.0	0.0	0.0	8.8	4.0	-1.0
Other items (net)	-7.8	-0.5	4.9	-9.9	-6.4	-17.4
Credit to the private sector and public enterprises (excl. foreign exchange bureaus)						
Rate of growth in percent	15.0	21.0	10.3	12.8	72.3	48.0
In percent of GDP	11.5	12.6	12.8	11.8	18.1	19.2
Percent ratios						
Currency/broad money	26.5	25.8	27.3	25.4	24.9	25.8
Currency/deposits	36.1	34.8	37.5	34.0	33.2	34.7
Deposits/broad money	73.5	74.2	72.7	74.6	75.1	74.2

Sources: The Gambian authorities; and staff estimates.

1/ Valued at current exchange rates.
2/ Excluding advances to the government in foreign currencies.
3/ These advances reflect previously unrecorded public spending and borrowing in 2001, financed by the Central Bank of The Gambia (CBG), and previously unrecorded depletion of foreign exchange reserves in 2001-03 as reported by the authorities on October 28, 2003.
4/ In March 2003, the government instructed the CBG to lend the equivalent of D 137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.
5/ Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 25. The Gambia: Summary Accounts of the Central Bank, December 1998 - December 2003

(In millions of dalasis; end of period)

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Net foreign assets 1/	1,047	1,059	1,314	698	816	881
Foreign assets	1,185	1,206	1,594	1,137	1,564	1,962
Foreign liabilities	-138	-147	-280	-439	-747	-1,081
Net domestic assets	-521	-457	-612	152	324	975
Domestic credit	-537	-573	-778	139	381	1,230
Claims on government (net) 2/	-519	-546	-732	-486	-298	358
Advances to the gov. in foreign currencies 3/	0	0	0	483	483	483
Claims on private sector	21	22	23	24	24	25
Claims on banks (net)	-39	-49	-68	-56	-96	-10
Claims on public enterprises 4/	0	0	0	0	0	137
Claims on foreign exchange bureaus 5/	0	0	0	174	269	238
Other items (net)	16	115	166	13	-57	-255
Reserve money	526	602	703	851	1,141	1,856
Currency outside banks	348	380	540	601	797	1,183
Bank reserves	178	222	162	250	343	673
Cash	15	32	35	55	52	68
Deposits at the central bank	163	190	127	195	291	605
Required reserves	135	153	202	247	337	614
Excess reserves	43	69	-39	2	6	59

Sources: The Gambian authorities; and staff estimates.

1/ Valued at current exchange rates.

2/ Excluding advances to the government in foreign currencies.

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

4/ In March 2003, the government instructed the CBG to lend the equivalent of D 137 million in U.S. dollars to a newly created public enterprise for a seismic survey of offshore oil deposits.

5/ Claims on foreign exchange bureaus reflect the delayed delivery of foreign currency purchased on a spot basis.

Table 26. The Gambia: Summary Accounts of the Commercial Banks, December 1998 - December 2003
(In millions of dalasis; end of period)

	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Net foreign assets 1/	-70	-70	5	-48	142	1,014
Foreign assets	72	126	137	128	568	1,056
Foreign liabilities	-142	-196	-132	-176	-426	-42
Net domestic assets	1,034	1,161	1,437	1,814	2,263	2,396
Domestic credit	1,006	1,185	1,480	1,826	2,221	2,469
Claims on government (net)	513	584	816	1,075	910	654
Claims on private sector and public enterprises	490	591	664	751	1,312	1,815
Of which: in foreign currency	0	0	0	95	95	...
Reserves	178	222	162	250	343	673
Cash	15	32	35	55	52	68
Deposits at the central bank	163	190	127	195	291	605
Net claims on central bank	39	49	68	56	96	10
Other items (net)	-189	-294	-274	-317	-398	-756
Total deposit liabilities	964	1,091	1,442	1,767	2,405	3,410
Of which : foreign currency deposits	0	0	0	0	273	...
Demand deposits	279	336	443	525	959	1,690
Savings deposits	462	556	705	832	1,084	1,375
Time deposits	223	198	293	410	362	345

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

1/ Valued at current exchange rates.

Table 27. The Gambia: Monthly Interest Rates on Treasury Bills,
January 1998-December 2003
(In percent per annum)

	1998	1999	2000	2001	2002	2003
January	16.0	14.0	12.5	12.0	15.0	20.0
February	16.0	14.0	12.5	12.5	15.0	20.0
March	16.0	14.0	12.0	12.5	15.0	23.0
April	16.0	14.0	12.0	12.5	15.0	24.0
May	16.0	14.0	12.0	12.5	15.0	24.0
June	16.0	14.0	12.0	12.5	15.0	25.0
July	16.0	13.5	12.0	12.5	15.0	26.0
August	16.0	13.5	12.0	12.5	15.0	31.0
September	16.0	13.5	12.0	12.5	15.0	31.0
October	15.5	13.5	12.0	15.0	18.0	31.0
November	14.5	13.5	12.0	15.0	19.0	31.0
December	14.0	12.5	12.0	15.0	20.0	31.0

Source: Central Bank of The Gambia.

Table 28. The Gambia: Structure of Interest Rates, 1998-June 2003 1/
(In percent per annum; end of period)

	1998	1999	2000	2001	2002	2003
Commercial bank lending rates 2/						
Agriculture	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	...
Manufacturing	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.1	...
Building	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.2	...
Trading	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.3	...
Tourism	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.4	...
Other	19.0-24.0	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.5	...
Deposits						
Short-term deposit account	9.0	7.0	7.0	7.0	7.0	...
Savings bank account	9.5-11.5	9.0-10.0	8.0-10.0	8.0-10.0	8.0-10.0	...
Time deposits						
Three months	11.5-12.5	9.5-12.5	9.5-12.5	9.5-12.5	6.0-13.0	...
Six months	11.5-12.5	10.2-12.5	10.0-12.5	10.0-12.5	6.0-13.0	...
Nine months	12.0-15.0	11.0-12.5	10.8-12.5	10.8-12.5	7.0-13.0	...
Twelve months and over	12.0-15.0	12.0-12.5	11.0-12.5	11.0-12.5	7.0-13.0	...
Government						
Treasury bills	14.0	12.5	12.0	15.0	20.0	31.0
Government development loans						
1994-99	15.5	15.5	15.0	15.0	15.0	...
1999-2002	…	14.0	14.0	14.0	14.0	...
Central bank						
Bank rate	12.0	10.5	10.0	13.0	18.0	29.0
Secondary market operations						
Discount rate	…	…	…	…	…	…
Rediscount rate	17.0	15.5	15.0	18.0	23.0	34.0

Source: Central Bank of The Gambia.

1/ Until 1996/97, fiscal years (July-June); from 1997, calendar years.
2/ One commercial bank retains historical nonperforming loans on its books that were made at 9 percent.
Figures from 1990 onward reflect prevailing lending rates.

Table 29. The Gambia: Distribution of Commercial Bank Credit by Sector, 1998-2003

(In percent, unless otherwise specified; end of period)

	1998	1999	2000	2001	2002	2003
Agriculture	11.0	7.8	15.2	5.0	5.4	...
Fishing	1.8	0.2	0.5	0.7	0.4	...
Mining and quarrying	0.0	0.0	0.0	0.0	0.0	...
Building and construction	5.6	5.2	7.5	7.4	5.9	...
Transportation	4.4	8.0	4.1	6.3	7.0	...
Distributive trade	42.8	47.9	46.1	44.1	40.4	...
Tourism	3.9	4.0	3.7	4.1	1.6	...
Personal loans	23.9	18.3	15.9	24.7	23.5	...
Other	6.5	8.7	7.0	7.6	15.9	...
Total	100.0	100.0	100.0	100.0	100.0	...
Total commercial bank credit (in millions of dalasis)	590.6	620.7	677.0	792.8	1,337.4	...

Source: Central Bank of The Gambia.

Table 30. The Gambia: Liquidity Position of Commercial Banks, 1998 - 2003

(End-of-period data; in millions of dalasis, unless otherwise specified)

	Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Liquid assets	720.8	798.8	1,034.6	1,368.0	972.3	...
Reserves	178.1	213.7	162.6	248.9	342.0	...
Deposits at central bank	163.5	187.5	127.0	193.3	292.2	...
Cash holdings	14.6	26.1	35.6	55.6	49.8	...
Treasury bills	503.6	667.3	923.6	1,191.2	893.0	...
Required cash reserves 1/	135.0	152.7	201.9	247.0	337.0	...
Excess cash reserves 2/	43.1	61.0	(39.3)	1.9	5.0	...
Required liquid assets 3/	289.2	318.3	408.5	511.7	689.3	...
Excess liquidity 4/	431.6	480.5	626.0	856.3	283.0	...
Required reserves/total deposits (in percent)	14.0	14.0	14.0	14.0	14.0	...
Memorandum item:						
Total deposit liabilities	964.1	1,090.6	1,442.0	1,767.0	2,405.0	...

Source: Central Bank of The Gambia.

1/ Based on reserve requirements of 24 percent of demand deposits and 8 percent of time and savings deposits; calculated on the basis of end-of-period data. From September 1998 onward, the unified rate of 14 percent on all deposits has been applied.
2/ Actual reserves less required reserves.
3/ Based on statutory requirements of 30 percent of total liabilities to the public.
4/ Liquid assets less statutory requirement.

Table 31. The Gambia: Commercial Banks, December 2002
(In millions of dalasis, unless otherwise specified)

	Date of Establishment	Shareholders 1/		Capital and Reserves	Total Deposits	Total Loans	Number of Branches	Minimum Deposits
		Public	Private 2/					
Standard Chartered Bank (Gambia)	1895	0	100	200.0	1,123.9	630.3	5	3,000
International Bank of Commerce and Industry	1968	0	100	72.7	252.0	158.7	3	3,000
Trust Bank Limited	1997	0	100	154.3	785.7	387.1	8	1,000
Arab Gambia Islamic Bank	1996	0	100	13.2	118.8	109.5	1	1,000
First International Bank	1999	0	100	20.4	34.4	36.7	2	500
Guaranty Trust Bank (Gambia) LTD	2002	0	100	32.3	86.4	15.8	...	...

Source: Central Bank of The Gambia.

1/ In percent.
2/ Including Social Security and Housing Finance Corporation (SSHFC).

Table 32. The Gambia: Distribution of Outstanding Government Securities, 1998-2003
(In million of dalasis, unless otherwise indicated; end of period)

	1998	1999	2000	2001	2002	2003			
						Mar.	Jun.	Sep.	Dec.
Government treasury bills	1,020.8	1,201.6	1,564.0	1,919.5	2,117.6	2,037.1	1,868.1	2,179.2	1,948.1
(as percent of total debt)	89.0	90.4	92.4	93.7	94.2	94.0	93.5	94.4	93.8
Central bank	1.3	12.4	2.4	30.7	197.1	194.3	169.6	553.3	192.2
Commercial banks	503.6	582.4	814.2	1,073.4	908.1	801.9	579.3	552.6	648.5
Nonbanks	515.9	606.9	747.3	815.4	1,012.4	1,040.9	1,119.2	1,073.3	1,107.5
Of which: public enterprises	429.2	516.3	625.3	692.2	848.8	860.3	906.5	890.0	881.5
Government development stocks	24.4	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Central bank	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Nonbanks	7.8	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Of which: public enterprises	7.3	17.7	17.7	17.7	17.7	17.2	17.2	17.2	17.2
Government discount note series	101.6	103.8	106.3	106.3	106.3	106.3	106.3	106.3	106.3
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbanks	101.6	103.8	106.3	106.3	106.3	106.3	106.3	106.3	106.3
Of which									
Public enterprises	100.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4	102.4
Total domestic debt	1,146.8	1,328.6	1,693.5	2,049.0	2,247.1	2,166.6	1,997.6	2,308.7	2,077.6
Central bank	12.4	12.4	2.4	30.7	197.1	194.3	169.6	553.3	192.2
Commercial banks	509.1	587.9	819.7	1,078.9	913.6	807.4	584.8	558.1	654.0
Nonbanks	625.3	728.3	871.4	939.4	1,136.4	1,164.9	1,243.2	1,197.3	1,231.5
Of which									
Public enterprises	536.9	636.3	745.4	812.3	968.8	979.9	1,026.1	1,009.5	1,001.1
As a percent of total domestic debt									
Central bank	1.1	0.9	0.1	1.5	8.8	9.0	8.5	24.0	9.3
Commercial banks	44.4	44.2	48.4	52.7	40.7	37.3	29.3	24.2	31.5
Nonbanks	54.5	54.8	51.5	45.8	50.6	53.8	62.2	51.9	59.3
Of which: parastatals	46.8	47.9	44.0	39.6	43.1	45.2	51.4	43.7	48.2
Memorandum items:									
Total securitized debt									
(in percent of GDP)	25.6	27.0	31.5	31.3	30.5	21.1	19.4	22.5	20.2
Long-term central bank loan									
(in percent of GDP)	…	…	…	6.8	6.1	…	…	…	4.4

Source: The Gambian authorities.

Table 33. The Gambia: Balance of Payments, 1998-2003
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003 Prel.
Trade balance	-78.9	-68.7	-63.3	-43.1	-49.1	-51.8
Exports, f.o.b.	130.4	120.2	126.6	101.6	111.0	102.0
Groundnuts/groundnut products	12.5	9.9	13.7	17.6	23.9	10.6
Other domestic exports	8.6	5.9	7.4	8.2	8.9	11.1
Reexports	109.3	104.4	105.4	75.8	78.2	80.3
Imports, c.i.f.	-209.3	-188.9	-189.9	-144.7	-160.1	-153.8
For domestic use	-124.0	-111.4	-113.6	-88.7	-102.4	-94.6
Of which: oil products	-13.7	-10.5	-22.6	-9.2	-17.0	-17.7
For reexport	-85.3	-77.5	-76.3	-55.9	-57.7	-59.2
Factor services (net)	-20.0	-21.1	-20.5	-23.2	-26.4	-24.7
Nonfactor services	49.7	43.8	28.7	17.8	24.9	22.3
Of which: travel income	69.2	63.8	47.7	38.2	41.1	48.0
Private unrequited transfers (net)	3.5	3.8	10.6	3.5	3.6	3.7
Official unrequited transfers (net)	35.6	30.0	31.3	30.5	39.0	31.6
Current account balance						
Excluding official transfers	-45.7	-42.2	-44.5	-45.0	-47.0	-50.5
Including official transfers	-10.1	-12.2	-13.2	-14.5	-8.0	-18.9
Capital account	17.3	7.5	5.7	22.7	20.9	4.3
Official loans (net)	5.4	2.7	6.3	8.4	34.0	8.6
Project related	14.2	13.7	20.5	24.8	47.4	21.8
Amortization	-8.8	-11.0	-14.1	-16.4	-14.6	-13.2
Private capital inflow						
Foreign direct investment (net)	15.6	0.4	15.8	10.2	9.1	12.7
Other investment (net)	-3.6	4.4	-16.4	4.1	-22.2	-17.0
Of which : suppliers' credits	3.6	3.3	3.3	16.7	-12.5	3.1
Unaccounted-for loss in official reserves	0.0	0.0	0.0	-28.5	0.5	0.0
Errors and omissions	-0.8	-0.6	17.6	-31.4	-18.3	3.2
Overall balance (excl. PRSP)	6.5	-5.3	10.1	-51.7	-4.9	-11.4
Financing	-6.5	5.3	-10.1	51.7	4.9	11.4
Change in gross official reserves (increase = -)	-5.5	4.8	-16.9	43.8	0.8	10.5
Of which						
Repurchases/repayments (IMF)	-4.9	-3.5	-1.6	-0.2	0.0	0.0
Purchases/loans (IMF)	4.7	4.7	9.1	8.7	3.7	0.0
Exceptional financing 1/	0.0	0.0	0.0	0.0	0.4	0.9
Memorandum items:						
Current account balance (in percent of GDP)						
Excluding official transfers	-10.9	-9.8	-10.6	-10.8	-12.7	-13.8
Including official transfers	-2.4	-2.8	-3.1	-3.5	-2.2	-5.1
Gross official reserves (end of period)						
In millions of U.S. dollars	102.0	98.0	111.4	63.8	64.1	58.7
In months of imports, c.i.f.	5.8	6.2	7.0	5.3	4.8	4.6
In months of imports, c.i.f.						
Over the next 12 months	6.5	6.0	8.9	4.9	5.4	3.9
Plus all other services payments	4.8	4.4	6.1	3.5	3.7	2.8
External debt-service ratio 2/						
Including the Fund	11.1	11.8	15.4	18.5	7.8	9.8
Excluding the Fund	8.4	9.6	14.3	18.1	7.6	9.7
Nominal GDP	420.8	431.9	420.9	417.9	369.7	367.0
Nominal GDP (in millions of dalasis)	4,479.1	4,921.9	5,382.4	6,555.9	7,364.3	10,275.2
Official rate (average)	10.64	11.40	12.79	15.69	19.92	28.00

Sources: The Gambian authorities; and staff estimates.

1/ Includes debt relief by Paris Club; interim relief by multilaterals is treated as grants

2/ As a percentage of exports and travel income. After interim debt relief and HIPC grants.

Table 34. The Gambia: Composition of Merchandise Exports, 1998-2003
(In thousands of U.S. dollars)

	1998	1999	2000	2001	2002	2003 Prel.
Total exports, f.o.b.	130,352	120,192	126,579	101,607	110,989	101,968
Groundnut products	12,464	9,916	13,738	17,553	23,920	10,622
Fish and fish products	3,130	3,154	2,562	2,199	2,857	3,124
Fruit and vegetables	1,714	1,641	3,561	4,467	4,089	4,868
Cotton products	1,422	307	171	421	319	467
Other domestic products	2,311	793	1,104	1,118	1,614	2,634
Reexports	109,312	104,381	105,442	75,849	78,190	80,253

Sources: The Gambian authorities; and staff estimates.

Table 35. The Gambia: Composition of Merchandise Imports, 1998-2003
(In thousands of U.S. dollars)

	1998	1999	2000	2001	2002	2003
Total imports, c.i.f.	209,203	189,944	189,858	144,659	160,105	...
Food and live animals	71,096	61,721	59,800	29,642	37,581	...
Beverages and tobacco	6,989	7,288	4,527	13,782	8,231	...
Raw materials	2,496	3,203	1,526	3,799	7,188	...
Minerals, fuel, lubricants, and related materials	13,418	10,640	22,627	9,160	17,008	...
Animal and vegtable oils	9,277	5,856	6,023	7,252	6,078	...
Chemicals	12,324	14,133	13,154	8,701	16,201	...
Manufactured goods classified by material	22,652	22,272	23,162	17,823	24,294	...
Machinery and transport equipment	47,234	39,034	35,820	36,755	27,262	...
Miscellaneous manufactured articles	19,497	23,308	21,561	12,557	15,563	...
Commodities and transactions not classified according to kind	4,222	2,489	1,660	5,188	700	...

Source: The Gambian authorities.

Table 36. The Gambia: Direction of Trade, 1998-2002 1/
(In percent of total)

	1998	1999	2000	2001	2002	2003
Exports	100.0	100.0	100.0	100.0	100.0	...
Industrial countries	81.9	75.1	83.7	82.6	78.4	...
Of which						
United States	0.4	3.2	0.7	2.1	1.0	...
Japan	1.7	2.2	8.7	2.1	0.5	...
EU-15	79.7	69.7	73.5	70.0	76.6	...
Developing countries	18.1	24.9	16.3	17.4	21.6	...
Of which						
Africa	10.9	18.1	4.0	3.6	3.8	...
Of which						
Ghana	1.0	1.8	0.4	0.7	0.7	...
Guinea	2.5	4.2	0.2	0.1	0.1	...
Senegal	2.5	2.8	0.7	1.2	1.2	...
Guinea Bissau	2.3	6.4	0.4	0.0	0.6	...
Asia	3.3	5.8	7.0	10.6	16.7	...
Of which						
China	2.2	1.5	0.0	0.0	0.0	...
Hong Kong SAR	0.5	0.8	1.9	0.9	1.0	...
Thailand	0.2	0.2	0.8	3.3	0.6	...
Other	3.9	1.1	5.3	3.2	1.0	...
Imports	100.0	100.0	100.0	100.0	100.0	...
Industrial countries	42.3	57.4	35.5	39.6	36.3	...
Of which						
United States	3.2	5.0	2.5	2.4	2.6	...
Japan	2.2	3.2	2.0	1.4	1.7	...
EU-15	36.3	48.6	30.4	35.4	31.0	...
Developing countries	57.7	42.6	64.5	60.4	63.7	...
Of which						
Africa	11.7	8.7	16.6	13.1	15.1	...
Of which						
Guinea	0.4	0.0	0.0	0.0	0.0	...
Senegal	5.4	2.3	11.0	7.5	9.2	...
Côte d'Ivoire	4.5	4.1	3.9	3.4	3.6	...
Asia	39.0	20.3	38.9	34.7	36.6	...
Of which						
China	17.0	6.4	20.6	20.3	22.3	...
Hong Kong SAR	11.5	4.4	8.8	4.3	3.5	...
Thailand	1.0	1.2	1.0	2.1	1.3	...
Other	7.0	13.6	9.0	12.5	12.0	...

Source: IMF, *Direction of Trade Statistics*.

1/ Based on The Gambia's trading partners' data.

Table 37. The Gambia: Foreign Trade Indicators, 1998-2003

	1998	1999	2000	2001	2002	2003
	(Annual percentage changes)					
Value (U.S. dollar terms)						
Exports, f.o.b.	19.9	-7.8	5.3	-19.7	9.2	-8.1
Groundnuts 1/	158.3	-20.4	38.6	27.8	36.3	-55.6
Other domestic exports	-6.7	-31.3	25.5	10.9	8.2	24.9
Reexports	15.4	-4.5	1.0	-28.1	3.1	2.6
Travel income	9.2	-7.8	-25.1	-19.9	7.4	16.9
Imports, c.i.f.	20.3	-9.7	0.5	-23.8	10.7	-3.9
For domestic use	17.6	-10.1	2.0	-21.9	15.4	-7.6
Of which: oil products	12.0	-23.4	116.2	-59.5	85.4	4.2
For reexports	24.5	-9.2	-1.5	-26.7	3.1	2.6
Price indices (U.S. dollar terms)						
Exports, f.o.b.	-2.0	-6.3	-5.1	-2.6	5.6	18.8
Groundnuts 1/	-9.1	-11.9	-2.9	-19.0	41.8	19.1
Other domestic exports	-34.8	-24.8	-6.9	-12.8	-4.0	145.6
Reexports	-10.1	0.7	-3.3	-4.1	3.1	14.0
Travel income	1.0	-30.7	17.7	-17.5	5.1	1.7
Imports, c.i.f.	-5.0	-1.6	-0.7	-3.2	3.0	14.2
For domestic use	-6.3	2.0	2.7	-3.2	3.0	14.3
Of which: oil products	-32.1	37.5	57.0	-13.8	2.5	15.8
For reexports	-3.1	-4.2	-5.7	-2.2	3.1	14.0
Volume indices						
Exports, f.o.b.	22.4	-1.6	11.0	-17.6	3.5	-22.7
Groundnuts 1/	184.2	-9.7	42.7	57.7	-3.9	-62.7
Other domestic exports	43.0	-8.6	34.8	27.1	12.8	-49.1
Reexports	28.4	-5.2	4.4	-25.0	0.0	-10.0
Travel income	8.1	33.0	-36.4	-2.9	2.3	15.0
Imports, c.i.f.	26.7	-8.3	1.2	-21.3	7.4	-15.9
For domestic use	25.6	-11.9	-0.8	-19.3	12.1	-19.2
Of which: oil products	65.0	-44.3	37.7	-52.9	80.8	-10.0
For reexports	28.4	-5.2	4.4	-25.0	0.0	-10.0
Terms of trade						
Domestic trade	11.8	-18.0	-3.5	-0.4	9.6	13.8
Total trade	3.1	-4.9	-4.4	0.6	2.5	4.0
	(In percent of GDP)					
Exports, f.o.b.	31.0	27.8	30.1	24.3	30.0	27.8
Groundnuts 1/	3.0	2.3	3.3	4.2	6.5	2.9
Other domestic exports	2.0	1.4	1.8	2.0	2.4	3.0
Reexports	26.0	24.2	25.1	18.1	21.1	21.9
Travel income	16.4	14.8	11.3	9.1	11.1	13.1
Imports, c.i.f.	49.7	43.7	45.1	34.6	43.3	41.9
Of which: for domestic use	29.5	25.8	27.0	21.2	27.7	25.8

Sources: The Gambian authorities; and staff estimates.

1/ Including undecorticated groundnut exports.

Table 38. The Gambia: Public External Debt Outstanding and Debt Service, 1998-2003

	1998	1999	2000	2001	2002	2003
External public debt 1/ 2/	460.5	451.5	455.1	475.5	560.4	562.0
Medium and long term	450.4	440.0	453.2	462.2	496.6	502.4
IMF	10.0	11.5	18.4	26.2	30.4	32.9
External public debt service	22.8	21.2	14.8	21.4	19.1	20.0
Principal	16.8	15.0	9.4	16.6	14.6	13.2
Medium and long term	8.8	11.0	14.1	16.4	14.6	13.2
IMF repurchases/repayments	4.9	3.5	1.6	0.2	0.0	0.0
Interest	6.0	6.2	5.3	4.8	4.5	6.8
Medium and long term	5.6	5.7	5.0	4.4	4.2	6.7
Short term	0.0	0.0	0.0	0.0	0.0	0.0
IMF charges	0.4	0.5	0.3	0.4	0.3	0.1
IMF	5.3	4.0	1.9	0.6	0.3	0.1
Others	17.5	17.2	12.9	20.8	18.8	19.9
Memorandum items:						
External public debt (in percent of GDP)	109.4	104.5	108.1	113.8	151.6	153.2
Debt service (in percent of GDP)	5.4	4.9	3.5	5.1	5.2	5.4
Debt-service ratio 3/	11.4	11.5	8.5	15.3	12.6	13.3
IMF	2.7	2.2	1.1	0.4	0.2	0.1
Others	8.8	9.3	7.4	14.9	12.4	13.2
IMF repayments and charges						
(in percent of total debt-service payments)	23.2	19.0	12.9	2.9	1.4	0.6
(in percent of gross international reserves)	5.2	4.1	1.7	1.0	0.4	0.2

Sources: Staff estimates based on 1999 debt-stock data at decision point; and submissions by the authorities on subsequent disbursements and debt-servicing.

1/ After revaluation for changes in the exchange rate between the U.S. dollar and other currencies of denomination of the debt.

2/ 2003 figure is preliminary and does not fully incorporate all disbursements by the African Development Bank. It therefore underestimates total debt.

3/ In percent of exports and travel income. Debt service presented on a commitment basis.

Table 39. The Gambia: Exchange Rate Indicators, 1990-2003

(Period average)

	Market Rate Dalasis per US Dollar	Market Rate Dalasis per SDR	Exchange Rate Index Dalasis per SDR (1995=100)	Nominal Effective 1/ Exchange Rate (1995=100)	Real Effective 1/ Exchange Rate (1995=100)
1990	7.88	10.77	121.5	88.3	104.7
1991	8.80	12.38	109.4	85.0	100.2
1992	8.89	12.51	86.4	87.5	102.8
1993	9.13	12.75	88.0	99.8	111.2
1994	9.58	13.71	94.7	104.8	103.2
1995	9.55	14.48	100.0	100.0	100.0
1996	9.79	14.21	98.1	100.7	98.9
1997	10.20	14.03	96.9	104.6	103.3
1998	10.64	14.44	99.7	103.5	101.6
1999	11.40	15.58	107.6	98.5	99.4
2000	12.79	16.85	116.3	94.9	94.5
2001	15.69	19.97	137.9	81.5	82.9
2002	19.92	25.86	178.6	63.1	68.4
2003	28.53	40.03	276.4	40.0	49.3
1997					
1st quarter	9.97	13.89	95.9	104.2	103.1
2nd quarter	10.08	13.94	96.2	104.7	104.5
3rd quarter	10.32	14.08	97.2	105.4	104.3
4th quarter	10.42	14.24	98.3	104.1	101.3
1998					
1st quarter	10.54	14.18	97.9	106.2	101.0
2nd quarter	10.56	14.15	97.7	105.5	103.0
3rd quarter	10.65	14.28	98.6	104.3	104.0
4th quarter	10.82	15.16	104.7	97.9	98.6
1999					
1st quarter	11.08	15.32	105.7	98.9	99.9
2nd quarter	11.30	15.22	105.1	100.3	101.0
3rd quarter	11.55	15.71	108.5	98.2	99.2
4th quarter	11.66	16.08	111.0	96.7	97.6
2000					
1st quarter	11.83	16.00	110.5	97.8	98.0
2nd quarter	12.40	16.45	113.6	96.6	96.7
3rd quarter	12.73	16.65	115.0	96.3	95.5
4th quarter	14.20	18.28	126.2	89.0	87.8
2001					
1st quarter	14.96	19.32	133.4	83.8	84.8
2nd quarter	15.38	19.38	133.8	84.5	85.4
3rd quarter	15.85	20.14	139.1	80.7	82.2
4th quarter	16.56	21.03	145.2	77.1	79.4
2002					
1st quarter	17.60	21.99	151.8	73.4	77.7
2nd quarter	18.66	23.85	164.7	67.4	71.6
3rd quarter	20.40	27.02	186.5	59.2	64.1
4th quarter	23.01	30.60	211.3	52.4	60.0
2003					
1st quarter	24.65	33.74	232.9	46.8	54.7
2nd quarter	27.15	37.94	262.0	41.0	50.3
3rd quarter	30.60	42.64	294.4	36.6	46.5
4th quarter	31.72	45.81	316.3	33.6	44.2

Sources: Central Bank of The Gambia; and IMF, *International Financial Statistics* .

1/ 2003 figures reflect indices up to November 2003.

Table 40. The Gambia: Interbank and Parallel Market Exchange Rates, 1998 - 2003
(Dalasis per unit of foreign currency, unless otherwise indicated; end of period)

		U.K. Pound Sterling			U.S. Dollar			CFA Franc 1/		
		Interbank mid-market	Parallel mid-market	Spread (percent)	Interbank mid-market	Parallel mid-market	Spread (percent)	Interbank mid-market	Parallel mid-market	Spread (percent)
1998	January	16.80	17.15	2.08	10.56	10.62	0.57	88.32	87.25	-1.21
	February	16.86	17.23	2.19	10.53	10.76	2.18	88.72	88.25	-0.53
	March	16.84	17.53	4.10	10.53	10.87	3.23	88.76	89.25	0.55
	April	16.96	17.64	4.01	10.54	10.88	3.23	87.48	88.50	1.17
	May	16.98	17.80	4.83	10.54	10.93	3.70	86.90	88.50	1.84
	June	17.00	17.53	3.12	10.59	10.87	2.64	87.51	89.25	1.99
	July	17.27	17.97	4.05	10.59	10.97	3.59	89.69	89.50	-0.21
	August	17.02	17.53	3.00	10.68	10.87	1.78	89.38	89.25	-0.15
	September	17.08	17.53	2.63	10.68	10.87	1.78	91.20	89.25	-2.14
	October	17.22	18.55	7.75	10.73	11.20	4.36	91.01	98.25	7.95
	November	17.32	18.45	6.53	10.90	11.23	3.04	101.19	98.00	-3.15
	December	17.35	18.53	6.80	10.99	11.45	4.17	95.55	99.50	4.13
1999	January	17.47	18.25	4.46	11.04	11.43	3.54	88.05	97.00	10.16
	February	17.48	18.40	5.28	11.07	11.45	3.40	93.84	95.50	1.77
	March	17.85	18.40	3.09	11.07	11.45	3.41	93.37	95.50	2.29
	April	17.84	18.93	6.13	11.25	12.03	6.95	94.61	96.25	1.74
	May	17.69	19.28	9.01	11.49	12.10	5.31	94.68	96.50	1.92
	June	18.12	19.40	7.06	11.30	12.30	8.84	94.42	95.50	1.14
	July	18.00	19.20	6.64	11.37	12.20	7.32	94.52	94.50	-0.02
	August	17.85	19.28	8.03	11.42	12.15	6.36	95.18	96.50	1.38
	September	17.96	19.18	6.81	11.66	12.33	5.76	95.22	94.00	-1.28
	October	18.16	19.20	5.72	11.53	12.20	5.81	94.30	94.50	0.21
	November	18.39	19.28	4.86	11.75	12.15	3.43	90.73	96.50	6.36
	December	18.65	19.20	2.96	11.55	12.20	5.65	92.91	94.50	1.71
2000	January	18.45	20.28	9.90	11.68	12.60	7.89	94.47	95.50	1.09
	February	18.64	20.05	7.56	12.01	12.68	5.60	93.49	92.50	-1.06
	March	18.58	20.55	10.58	12.14	13.20	8.74	94.92	94.50	-0.44
	April	18.80	20.95	11.45	12.29	13.45	9.48	94.82	94.50	-0.33
	May	19.70	20.50	4.05	12.41	13.75	10.82	94.30	95.00	0.74
	June	19.53	20.78	6.38	12.65	13.80	9.11	94.74	97.50	2.91
	July	20.49	21.03	2.64	12.64	14.13	11.78	95.11	98.50	3.57
	August	20.04	21.60	7.76	12.43	14.55	17.03	94.88	99.00	4.34
	September	20.91	21.88	4.62	13.52	15.05	11.31	95.48	100.00	4.73
	October	20.94	21.68	3.53	14.06	15.35	9.18	100.50	100.00	-0.49
	November	21.33	21.80	2.22	14.44	15.50	7.36	96.41	100.50	4.24
	December	21.09	22.40	6.19	14.89	15.55	4.45	95.50	106.50	11.52
2001	January	21.48	21.75	1.25	14.78	14.78	0.00	94.01	104.50	11.16
	February	21.53	21.98	2.06	15.12	15.12	0.01	99.57	106.50	6.96
	March	21.57	22.20	2.93	15.14	15.14	0.02	97.41	106.50	9.33
	April	21.81	22.80	4.54	15.24	16.00	5.01	101.23	108.50	7.18
	May	21.47	23.65	10.16	15.20	16.93	11.38	108.77	111.00	2.05
	June	21.44	23.40	9.12	15.50	16.75	8.05	105.84	108.50	2.52
	July	21.95	23.85	8.64	15.97	16.95	6.16	110.79	111.50	0.64
	August	23.23	24.90	7.17	15.97	17.50	9.57	107.07	118.50	10.68
	September	21.83	24.48	12.12	16.25	17.05	4.92	106.63	117.50	10.19
	October	24.56	24.95	1.58	16.70	17.83	6.71	116.68	119.50	2.42
	November	24.54	24.95	1.69	16.75	17.78	6.15	120.11	117.50	-2.17
	December	25.01	25.55	2.17	16.93	18.13	7.05	120.89	120.50	-0.33
2002	January	25.15	25.65	1.99	17.30	18.45	6.62	115.25	120.50	4.55
	February	25.46	27.05	6.25	17.69	19.08	7.83	122.84	126.50	2.98
	March	25.81	27.20	5.39	17.82	19.23	7.89	120.36	126.50	5.10
	April	26.51	27.23	2.71	18.72	19.15	2.25	125.97	125.95	-0.01
	May	26.92	28.12	4.44	18.84	19.48	3.35	129.49	132.30	2.17
	June	27.40	28.92	5.52	19.14	19.68	2.82	124.23	134.40	8.19
	July	28.19	31.34	11.14	19.26	20.49	6.36	130.15	150.50	15.64
	August	30.67	32.47	5.86	21.16	22.35	5.61	142.58	155.90	9.34
	September	32.60	36.13	10.80	21.79	23.70	8.77	168.53	172.00	2.06
	October	34.90	36.55	4.73	22.76	23.75	4.35	170.95	175.50	2.66
	November	35.23	37.05	5.16	23.21	23.75	2.31	170.21	179.50	5.46
	December	35.49	38.13	7.43	23.39	24.75	5.80	174.45	187.75	7.62
2003	January	37.79	39.15	3.60	24.29	24.65	1.50	186.79	191.50	2.52
	February	38.69	40.20	3.91	24.63	27.00	9.61	193.40	204.00	5.48
	March	40.00	42.35	5.88	26.00	27.75	6.71	205.24	221.00	7.68
	April	41.06	42.93	4.54	26.75	27.78	3.84	201.43	224.50	11.46
	May	42.40	45.13	6.44	27.19	28.10	3.36	229.81	239.50	4.22
	June	44.79	…	…	27.88	…	…	218.94	…	…
	July	47.39	…	…	29.52	…	…	243.51	…	…
	August	48.77	…	…	31.49	…	…	255.48	…	…
	September	53.01	…	…	33.43	…	…	273.57	…	…
	October	50.98	…	…	31.61	…	…	233.13	…	…
	November	51.29	…	…	31.07	…	…	242.17	…	…
	December	51.91	…	…	30.96	…	…	220.19	…	…

Source: The Gambian authorities.

1/ Dalasis per CFAF 5,000.

Table 41. The Gambia: Summary of Tax System as of December 31, 2003

(All amounts in dalasis)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits			
1.1 Taxes on companies and corporations			
1.11 Company tax	Tax on companies having income accruing in, derived from, brought into, or received in The Gambia. "Company" is defined as any company or corporation incorporated or registered in The Gambia or elsewhere. Profit of a life insurance company is defined as investment income less management expenses (including commission). Where premiums are received outside The Gambia, the profit is taken to be the same proportion of the company's total investment income as The Gambia premiums bear to the total premiums, less The Gambia agency expenses and a fair proportion of the head office expenses. For other insurance companies having profits arising partly outside The Gambia, the profit for tax purposes is based on the gross premiums, interest, and other income received or receivable in The Gambia (adjusted for premiums returned, reinsurances, and unexpired risks). The actual losses, agency expenses in The Gambia, and a fair proportion of head office expenses are deductible. Companies exploiting a mine, oil well, or other sources of mineral deposits of an exhaustible nature are granted a depletion allowance. Expenditure taken into account for this purpose includes expenditure on acquisition of the deposits, on exploitation, and on the construction of works that will be of little or no value when the mineral source is no longer worked; it does not include expenditure on the acquisition of any site, on machinery or plant, on works for processing the raw products, or on buildings for workers or for use as offices. Provision is made	Income exempted includes the income or profits of (a) a local authority, district authority, government institution; the Central Bank of The Gambia; (b) a registered cooperative society; (c) an ecclesiastical, charitable, or educational institution of a public character where such income is not derived from a trade or business; (d) a body of persons (which excludes companies and partnerships) formed for the purpose of promoting social or sporting amenities not involving gain by the body or its members; (e) a registered trade union insofar as such income is not derived from a trade or business; (f) the operation of ships or aircraft carried on by a nonresident person subject to an equivalent exemption being granted by the country of his residence to persons resident in The Gambia; and (g) the investment income of an approved pension or provident society fund. Deductions allowed include (a) the written-down value (after deductions for depreciation) of plant, machinery, or fixtures sold or discarded, less any sum realized by the sale of an asset (or its market value if greater). The excess of the sale price (or market value) over the written-down value is treated as income up to the excess of the original cost over the written-down value; (b) expenditure on repair of premises, plant, machinery, or fixtures, and for the renewal, repair, or alterations of articles used in acquiring the income; (c) deduction of allowances in respect of capital expenditure on, and depreciation by wear and tear of, plant, machinery, or fixtures arising from their use in a trade, business, profession, vocation, or employment: (i) an initial allowance of 20 percent	35 percent of net profits or 2 percent of turnover, whichever is higher. However, small companies incorporated and controlled in The Gambia after 1954 may benefit from relief as follows: (a) for the year of assessment in which the company commences trading and the subsequent year at a rate equal to the full rate of tax; (b) for the next two assessment years at a rate equal to the full rate of tax; and (c) for the next two assessment years at a rate equal to one third of the rate of tax. Such relief is subject to a reduction as follows: where the company's chargeable income exceeds D5,000 the amount of chargeable income to be wholly or partly relieved from tax is restricted to any balance of such D5,000 remaining after deducting one-half of the amount by which such chargeable income exceeds D5,000. Relief is given only if the company (a) is engaged in a manufacturing activity approved by the Minister of Finance and (b) is not eligible for concessional treatment under the Development Act. For companies in the following sectors: health, education, agriculture, agrotech, fish processing, aquaculture, hotels, inland tourism, manufacturing, and development banking, commencing business in the years of assessment 1998 and thereafter, the tax payable shall be as follows: (i) two-thirds of the tax rate of 35 percent for the first three years after commencement, (ii) thereafter, one-third of the tax rate of 35 percent from the

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Company tax (continued)	for an initial allowance of 25 percent of the capital expenditure on the construction of works and 20 percent for plant and machinery, and an annual allowance for any qualifying expenditure of 4 percent or 15 percent determined according to a special formula. There is also a balancing allowance on the sale by a going concern of any assets representing qualifying expenditure equal to the excess, if any, of the residual of the expenditure on those assets over the proceeds of their sale. Conversely, a balancing charge applies on the amount by which the proceeds exceed the residual. The full profits of a nonresident ship-owner or charterer arising from the carriage of passengers, mail, livestock, or goods shipped in The Gambia are taxable there, except where the profits arise from passengers, brought in solely for transshipment, or from a casual call. Similar provisions apply to the profits of air transport and cable and wireless telegraph undertakings carried on by nonresidents. Starting in 1998, an accelerated capital allowance, to be determined by the Commissioner, shall be granted for companies operating in the following sectors: health, education, agriculture, agrotech, fish processing, aquaculture, new hotels, inland tourism, manufacturing, and development banking.	of the total cost (after deducting any sum contributed by another person), and (ii) an annual allowance of such sum as the Commissioner considers reasonable. Where the assets and the business, etc., do not have the same ownership, the deduction may not reduce the written-down value to less than the market value of the assets at the end of the relevant period; (d) subject to certain limitations, contributions by employers to pension and provident funds, approved by the Commissioner; (e) a deduction of a reasonable amount for the depreciation by wear and tear of premises, buildings, structures, and works of a permanent nature used for commercial, industrial, or banking purposes (including property used for the occupation or welfare of employees and property owned by property-dealing companies); the amount allowable is limited to: (i) 4 percent of the capital cost for the period in which it was incurred; and (ii) for subsequent years, an annual allowance of 4 percent of the written-down value. However, for property other than mills, factories, and similar property, the erection of which commenced before January 2, 1953, the annual allowance is limited to 2 percent of the written-down value; and (f) any loss on the sale, demolition, or permanent disuse of property, etc., for which a deduction as at (e) has been given. The allowance given is equal to the written-down value (calculated by reference to such deductions less the proceeds of sale or any recoveries under an insurance policy. The excess of any such proceeds or recoveries over the written-down value is liable to capital gains tax (see below, 1.31).	fourth to the sixth year after commencement, and (iii) after the sixth year the full tax rate of 35 percent shall be payable, (iv) companies in these sectors will not be subject to turnover tax.
1.2 Taxes on individuals 1.21 Individual income tax	Tax on income accruing in, derived from, brought into, or received in The Gambia. Temporary residents who have no intention of establishing residence, and who have not resided in The Gambia for a period equal in aggregate to six months in the year of assessment, are not taxed on income arising outside and received in The Gambia. Income, wherever received, from any employment exercised in The Gambia is treated as having been derived there. The income other than the earned income of a married woman living with her husband is deemed to be the income of her husband. The earned income of a married woman is assessed in her hands separately.	Exemptions include (a) the official salaries and emoluments of the President (and his leave emoluments) or acting President and diplomatic staff; (b) certain lump sums received by way of retirement or death gratuities arising out of compensation schemes, and any sums payable to public officers as a gratuity under any contract or service agreement; (c) lump sums withdrawn by individuals on retirement from any pension, provident, or other approved society or fund; (d) wound and disability pensions granted to members of Commonwealth forces; (e) pensions granted under certain legislation concerning	Either (a) *Income range* — Tax Rate *Percent* 0 to D7,500 — 0 D7,501 - 17,500 — 10 D17,501 - 27,500 — 15 D27,501 - 37,500 — 20 D37,501 - 47,500 — 25 Over D47,500 — 35 Or (b)

Tax	Nature of Tax	Exemptions and Deductions	Rates
	Income includes (a) gains or profits from any trade, profession, or vocation; (b) gains or profits from any employment including allowances paid in money other than reimbursements for expenditure actually incurred, but excluding (i) the value of any quarters or residence if the employee earns less than D625 a month or is employed by a government or quasi-government corporation, etc., or approved non-profit-making institution, and (ii) the value of any passage from or to The Gambia provided by the employer and the amount of any reimbursement of expenses actually incurred; (c) dividends, interest, or discounts—the income of a shareholder in a company controlled by not more than five persons may be deemed to include undistributed income of the company; (d) pensions, charges, or annuities; (e) rents, royalties, premiums, and any other profits arising from property, but excluding the annual value of owner-occupied property; and (f) income arising outside The Gambia and brought therein, except accumulated and taxed profits abroad.	widows and orphans; (f) the income of bona fide students in full-time attendance at a school, training center, etc.; (g) certain emoluments payable to noncitizens under an agreement with another government, organization, etc., for technical assistance; etc.; and (h) income from employment, trade, business, or profession exercised outside The Gambia and received therein. A standard deduction of D7,500 is allowed to every taxpayer, starting January 1993.	3 percent of turnover or gross receipts, whichever is the higher. Standard allowance: D7,500.
1.21 Individual income tax (continued)	For residential properties, a withholding tax of 10 percent of gross rents is applied. "Assessable income" is income from all sources, excluding exempt income and after permitted deductions; "total income" is assessable income less any offset for losses; and "chargeable income" is total income less allowances for individuals. The amount of a loss incurred by the taxpayer in the year of assessment in any trade, business, profession, or vocation is deductible from assessable income in determining total income, providing it is claimed within 12 months after the end of the year of assessment. There is provision for the carry-forward of any loss not allowed against assessable income up to a maximum of six years, but only by the person who incurred the loss, and for the same business.		

Tax	Nature of Tax	Exemptions and Deductions	Rates
	Tax is levied for the year of assessment ending on December 31 upon the income of the same calendar year, or the accounting year ended in the preceding year. There are special provisions for allocating the income in respect of the commencement and cessation of a business, employment, etc. Partners are required to make a joint return in respect of their partnership income, but they are liable to tax only in their separate, individual capacities.		The tax rate chargeable on the income of companies for the year of assessment within which the due date for payment of the interest falls (35 percent). The rate paid or payable by the company on the assessed income of the year of assessment within which the dividend is declared payable (35 percent).
1.22 Withholding at source	(a) Monthly deductions from public emoluments, subject to adjustment when the liability is finally determined. Any other employer is obliged to collect the tax payable by an employee in monthly installments, as prescribed by the Commissioner; (b) persons paying mortgage or debenture interest, deductible in ascertaining their income to nonresidents; (c) companies resident in The Gambia on dividends paid to shareholders (the tax so deducted can be credited against the shareholder's tax liability); (d) the Commissioner may, if necessary, appoint any person as the agent of a taxpayer for the purposes of the act and require him to pay any tax due from any money, including remuneration or pensions, payable from him to the taxpayer. Pensions are no longer taxable.		
1.31 Capital gains tax	Tax on net capital gains arising from transfer of capital assets (namely, premises, buildings, or land, structures or works, and permanent fixtures) or on the selling price of transferred capital assets, whichever is higher. Transfers include sale, exchange, or extinction of interest or compulsory acquisition of capital assets. Gains include those arising from transfer of assets under a gift or will and distribution of assets or dissolution of business.	Capital losses can be offset against capital gains in the same year of assessment. Gains on transfer of land used for agricultural purposes and property being used for residential purposes are not chargeable if owner occupied the house/land for two years before sale and reinvested profits within three years of sale.	Gains of D5,000 and below are exempt. Rates of tax: companies, 25 percent of net gains or 10 percent of selling price; individuals, 15 percent of net gains or 5 percent of selling price.
2. Payroll tax	Fixed annual levy on expatriates in executive, managerial, and supervisory grades in commerce and industry.	Expatriates in the public service, international organizations, and charitable institutions are exempt.	Reduced to D20,000 per person from D30, 000, effective January 2001; further reduced to D10,000 per person from January 2002.

Tax	Nature of Tax	Exemptions and Deductions	Rates
3. Taxes on goods and services			
3.1 Turnover tax	Tax on turnover of parastatals and other government institutions in surplus positions and which are exempted by legislation from payments of taxes on profits.		2 percent for audited accounts or 3 percent for noncomplying companies.
3.2 Sales tax	Tax imposed on the sale price of all goods manufactured or imported and on services such as hotel accommodations, telecommunications, insurance, air services, restaurants and bars, cinematographs, night clubs and casinos, and gambling houses.	(a) Educational, technical, cultural, and religious institutions; (b) food and drinks not imported or industrially processed; (c) feeds for animals; (d) semi finished products to produce (b) and (c); (e) medicines; (f) production equipment, excluding office equipment, motor vehicles, and electric generators; (g) butane gas and gas cookers; (h) school textbooks; (i) imported day-old chicks; and (j) packaging and freight for exports.	10 percent for imports. 15 percent for domestic manufacturing and services, except for 18 percent for telecommunication services (GAMTEL and others).
3.3 Selective taxes on activities			
3.31 Business and professional licenses			
3.31.1 Business registration tax	Business registration fee.		Annual fees are set at D1,000 for externally registered firms with local branches, D500 for local companies and partnerships, and D250 for other local businesses. Nonincorporated shopkeepers at the wholesale level are assessed an annual fee of D500, while retail shopkeepers with a turnover of more than D10,000 per year are assessed a fee of D200; those with turnover below D10,000 are assessed a fee of D150.
3.31.2 Professional tax	Tax on professionals working in the country. This tax is tied to the issue of an annual license that is renewable and levied on doctors, lawyers, accountants, and surveyors.		D10,000 per annum. Currently not applicable.
3.32 Motor vehicle taxes			
3.32.1 Motor vehicle licenses	License fee on the gross weight of commercial goods vehicles, the carrying capacity of commercial passenger vehicles, and the net weight of private vehicles.		Commercial goods vehicles: D137.85 per year on trucks not exceeding 100 cwt. gross weight to D278.58 per year on trucks in the 100-120 cwt. weight bracket, with D11.98 per 5 cwt. additional on trucks over 120 cwt. and D25 additional on vehicles over 125 cwt. Trailers: D19.97 per cwt. Commercial passenger vehicles: D149.83 per year for three-passenger vehicles to

Tax	Nature of Tax	Exemptions and Deductions	Rates
			D433.35 per year for buses carrying more than 24 passengers. Private vehicles: D96.85 per year on cars not exceeding 20 cwt. to D168.75 per year on cars in the 40-50 cwt. weight bracket. Motor scooters: D40.97 per year. Motorcycles: D48.96 per year. There are also corresponding half-yearly or December-only rates.
3.32.2 Road tax	Additional to vehicle licenses.		Motorcycles D20 per year; private motor vehicles D70 per year; commercial taxis, D150 per year; and commercial trucks and buses D1,050 per year.
3.32.3 Driving license			D20 per year.
4. Taxes on international trade and transactions			
4.1 Import duties 4.11 Customs duties	Tax on value of imported goods to be declared on customs entries. Normally for goods imported under a contract of sale negotiated in fully open market conditions, the value is represented by the price made under that contract, adjusted as necessary to a c.i.f. basis. Items are identified by the Harmonized Commodity Description and Coding System identify items. If there is no invoice, the value is the price that the goods would fetch on sale in the open market in The Gambia, including freight, insurance, commission, and all other costs up to the port or place of importation. A levy of sales tax on the total earnings of lawyers was introduced effective August 1998.	General exemptions include goods in transit; goods for use as aircraft's or ship's stores; advertising material having no commercial value as such; mosquito-proof gauze and netting; personal effects; certain goods imported by, or on behalf of, the government, privileged persons (within prescribed limits), and institutions; and certain goods (building materials, plant, and machinery) purchased by the holders of development certificates during their tax holiday period.	For all goods, there is one unified tariff rate irrespective of country of origin, ranging from 0 percent to 18 percent. Generally, luxury goods are charged an excise tax, in addition to the maximum duty rate. These commodities include liquor, cigarettes, and vehicles. Effective January 2003, excise taxes (revenue tax) are charged at D50/kg net for cigarettes, D25/liter for beer, D50/liter for wine spirit, D5/liter for mineral water, soft drinks, and canned fruit, and 5 percent of the c.i.f. value for vehicles. As per end-2003, these taxes are not levied on domestic goods. An environmental tax is charged on non-manufactured tobacco at D13.02/kg, and at D1,000 for used motor vehicles.

Tax	Nature of Tax		Exemptions and Deductions	Rates
				Duties on fuel are calculated according to a formula agreed with the oil companies based on specific duty rates. The National Water and Electricity Company pays 18 percent of the normal duty rate on imports of petroleum products. Customs processing fees are charged at 1.55 percent of c.i.f. and ECOWAS duty at 0.50 percent of c.i.f.
5. Other taxes				
5.1 Stamp duties	Instruments Subject to Duty	Persons Liable	General exemptions include (a) instruments effecting the payment of money to or for acknowledging any such payment to, or receipt by, or on behalf of, the government; (b) instruments for the conveyance of any property or any interest therein to the government; (c) instruments whereby any contract is made by the government or on its behalf with another person; (d) contracts or instruments made or executed by any responsible officer of the government under the authority of any act; (e) instruments of which the duty would be payable by any consular officer arising out of his official functions, subject to reciprocity by the government he represents; and (f) instruments for the acquisition of land by any foreign state for the purpose of a consular office, subject to reciprocity.	Rates of duty are specific and vary according to the nature of the instrument, the matter to which it relates, and the value thereof.
	agreements	partial thereto		
	awards	person making or executing the award		
	bills of exchange	drawer or acceptor		
	conveyances	transferee		
	insurance policies	issuer		
	leases	lessee or tenant	Certain other exemptions are provided within the categories of instruments generally liable to duty.	Stamp duty on tenancy agreement was reduced from 40 percent to 20 percent, effective January 2001.
	mortgages	mortgagees		
Development Act, 1988	Tax Incentives			
The Development Act is presently suspended and is being reviewed.	Any person engaged in a development project (in manufacturing industry; agriculture, livestock, fishing, and forestry; mining and quarrying; and tourism) may apply for a Development Certificate, which specifies, inter alia, the factory construction (or alteration, extension, etc.) date, the production date, the tax credits to be granted, and their duration. The provision of tax credits is limited to companies that either export at least one-half their output or of which 70 percent or more of their total current inputs originate from			

Tax	Nature of Tax	Exemptions and Deductions	Rates
	The Gambia. All development certificate holders are eligible for (a) a tax credit certificate equivalent to 10 percent of local content used in the capital and construction phase, and in the first five		
Development Act, 1998 (continued)	fiscal years following production; (b) an offset against taxation equivalent to double the cost of training provided to management and employees in skills relating to the operations of the enterprise; and (c) accelerated depreciation at twice the normal rate for infrastructure supplied that is also available to other users. In accordance with the terms of the Development Certificate, a tax credit certificate is granted for a period of no more than two years for (a) the total or partial exemption of customs duties on the following items: (i) the approved capital equipment, plant, building material, machinery, and appliances to be used in establishing the project; and (ii) the approved quantity of semi finished products, spare parts, and other supplies to be used in the production operations; and (b) the total or partial exemption from payment of company tax or turnover tax. The tax credit certificate shall indicate the amount of money the Government should forgo, and the holder of a Development Certificate may, at the end of the tax holiday period, set off unused tax credits against future tax or customs duty liabilities. The Development Certificate does not confer any special status with respect to the income tax.		