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THE GAMBIA

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

In the context of the Request for Disbursement Under the Rapid Credit Facility, cancellation of the Extended Credit Facility and proposal for a Staff-Monitored Program, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 2, 2015, following discussions that ended on February 26, 2015, with the officials of The Gambia on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility and Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on March 9, 2015.
- An **Informational Annex** prepared by the staff of the IMF.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Press Release** including a statement by the Chair of the Executive Board.
- A **Statement by the Executive Director** for The Gambia.

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

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

*Also included in Staff Report

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

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March 4, 2015

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

KEY ISSUES

Background. The Gambian economy is facing urgent balance of payments needs triggered mostly by the impact of the regional Ebola outbreak on tourism. Although the country remains Ebola free, the regional outbreak is expected to cut by more than half tourism receipts for the 2014/15 season. During 2014–15, the impact of the shocks on the balance of payments, offset in part by lower global fuel prices, is estimated to be $40 million (over 5 percent of 2015 GDP). Policy slippages and persistent financial difficulties in public enterprises have exacerbated the problems and pushed The Gambia's ECF arrangement off track. In their Letter of Intent the authorities have notified the Fund of their decision to cancel the arrangement.

Request. The authorities are requesting support under the RCF—in an amount of SDR 7.775 million or equivalent to 25 percent of quota—to cope with the urgent balance of payments needs and a one-year staff-monitored program (SMP) to guide policy implementation before returning to a successor ECF arrangement, provided policies remain on track.

Main policy commitments. The authorities have taken a number of upfront policy actions. The approved 2015 budget envisages lowering net domestic borrowing (NDB) to 1 percent of GDP in 2015 from 12¼ percent in 2014, anchored by a set of revenue and expenditure measures, and complemented by some $22 million in external budget support. The authorities have taken steps to resolve the financial problems of key public enterprises and intend to take measures to secure their medium-term fiscal consolidation and poverty reduction objectives.

Staff's view. Staff supports the authorities' request. Staff views the package of measures articulated in the attached letter of intent as representing a considerable effort. The RCF disbursement would augment the authorities' own strong adjustment efforts, help catalyze additional donor financing, and give the authorities the time needed to develop their medium-term adjustment plans. The SMP will provide the

Gambian authorities an opportunity to establish a track record before moving to a successor ECF to which they aspire. A period of monitoring will also allow the time needed to assess the impact of the shocks fully and hence better tailor the objectives of a successor ECF arrangement.

Approved By
Roger Nord and Luis Cubeddu

Discussions were held in Banjul during January 8–14, 2015 with the Honorable Kebba Touray, Minister of Finance and Economic Affairs, Governor of the Central Bank of The Gambia Colley, and other high-level officials. The staff team comprised Mr. Mukhopadhyay (head), Mr. Konuki, Mr. Boutin-Dufresne (all AFR) and Mr. Wiseman (SPR). The team was assisted by Mr. Mpatswe (resident representative) and Mr. Cham (local economist). Staff from the World Bank participated in some of the discussions. Other contributors include Mmes. Ye and Ourigou and Mr. Narvaez (all AFR).

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BACKGROUND

1. **The impact of the regional Ebola outbreak on tourism has led to the emergence of urgent balance of payments needs.** Although the country remains Ebola free, the disease's regional outbreak is expected to cut by more than half tourism receipts for the 2014/15 season. The impact of the shocks on the balance of payments, offset in part by lower global fuel prices, is estimated to amount to $12 million in 2014 and $28 million in 2015. Furthermore, the delayed summer rains have led to 15 percent of the year's crop being lost with serious implications for real GDP growth and food security. On the political front, an attempted coup at end-December was thwarted quickly. There appears to be no overt signs of political tension in the aftermath of the coup or on account of the economic shocks.

2. **Significant policy slippages have added to the economic problems and rendered The Gambia's ECF arrangement off track.** The Gambia's ECF arrangement was approved in May 2012 and the 1st review completed with delay in May 2013. Since that time, significant government overspending financed by the central bank led to all end-2013 program targets being missed by wide margins, with attendant pressures on the exchange rate and international reserves, and a sharp increase in T-bill rates. The authorities undertook to implement an informally monitored program during the 1st half of 2014, but massive fiscal slippages re-emerged in the 2nd half of the year, and together with legacy problems in state-owned enterprises coming to a head, have put the ECF objectives out of reach. In their Letter of Intent (LOI) the Gambian authorities have notified the Fund of their decision to cancel the ECF arrangement.

Text Table 1. The Gambia: Quantitative Targets under the ECF and Informal Staff Monitoring

Quantitative targets under the ECF and informal staff monitoring

	Dec 2013		Dec 2014	
	Prog.	Act.	Prog.	Act.
Ceiling on NDB of central government (GMD million)	611	2,310	943	4,216
Floor on the stock of NIR of the central bank (USD millions, TMU exchange rates)	130.8	107.1	126.5	68.9
Ceiling on the stock of NDA of the central bank (GMD millions, TMU exchange rates)	1,283	2,957	3,026	4,890

3. **The Gambian authorities are requesting support under the RCF's "shocks window" to cope with the urgent balance of payments needs and a staff-monitored program to guide policy implementation.** The urgent balance of payments needs caused predominantly by the shocks coming on the heels of an extended period of poor economic performance has left The Gambia facing very serious economic difficulties. Addressing these problems will require strong policy adjustment and significant levels of external assistance.

RECENT DEVELOPMENTS AND ECONOMIC OUTLOOK

4. **The negative impact of the shocks on The Gambia's external and fiscal accounts is estimated to be sizable in 2014–15.** The BOP impact of the external shocks in 2015—$28 million or 3½ percent of GDP, after accounting for the positive impact from lower international fuel prices—is due to the adverse impact of the Ebola outbreak on tourism receipts.[1] Neighboring countries are also reporting a substantial impact on their tourism sectors, but the impact on The Gambia's BOP is more severe since tourism provides a much larger contribution to its foreign exchange earnings (Box 1). The revenue loss caused by the slump in tourism and the spending to deal with the crop loss and the regional Ebola epidemic are estimated to worsen the fiscal position considerably in 2014–15 (see text table).

Text Table 2. The Gambia: BOP and Fiscal Impact of External Shocks

	2014	2015
BOP impact		
(In millions of US dollars)		
Tourism receipt loss due to the regional Ebola outbreak	15	46
Positive impact from lower oil prices	-3	-18
Total net BOP impact	12	28
Fiscal impact		
(In percent of GDP)		
Fiscal impact of Ebola and drought	0.7	1.5
Revenue loss	0.6	1.2
Spending	0.1	0.2

5. **Policy implementation has been characterized by very large fiscal slippages, including quasi-fiscal spending to address financial difficulties in key public enterprises.** The government's net domestic borrowing (NDB) is estimated to have reached 12¼ percent of GDP in 2014, compared to 2¾ percent targeted under informal staff monitoring prior to the 2nd ECF review. The government undertook significant emergency spending (5¼ percent of GDP) on behalf of key public enterprises (see Box 2), other unbudgeted spending (1¾ percent of GDP), and while incurring revenue loss related to the Ebola shocks (more than ½ percent of GDP).[2] Delays in privatizing some government properties, budget support disbursements that were withheld, as well as some other factors also contributed to pushing up the government's NDB. Commercial banks' have very limited resources to meet the government's financing needs, including because the Central Bank of The Gambia (CBG) has maintained reserve requirements at elevated levels, while increasing the policy rate to 22 percent. As a result, the government's NDB is being monetized by the CBG although in recent months there has been one instance of a significant purchase by a non-resident in the domestic T-bill market.[3]

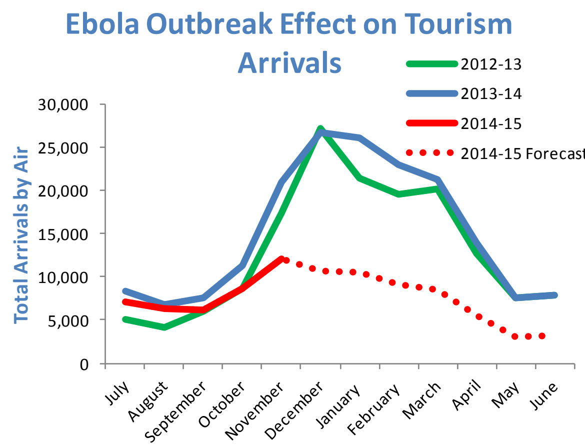
[1] The tables in this Staff Report reflect the latest GAS announced on January 20th, 2015.

[2] All estimates in terms of projected GDP including shocks. Although The Gambia is still Ebola free, the regional outbreak has led to unbudgeted expenditure on medical equipment for preventions, an aggressive public campaign, and donations to the Ebola-hit countries (US$1 million).

[3] The non-resident purchase of T-bills amounted to some $20 million (2½ percent of GDP) in the 2nd half of 2014.

Box 1. The Gambia: Balance of Payments Shock from the Ebola Crisis

While The Gambia remains free of Ebola, the regional outbreak and characterization in the press as occurring in "West Africa" generally has had a dramatic effect on The Gambia's tourism industry. Bookings in hotels indicate a 60 percent decline in tourist arrivals during the 2014/15 season, and causing deterioration in the current account of more than $60 million.



The months from November to April are the peak season for Gambian tourism. Representatives of the tourism industry confirmed 50 percent occupancy rates in the 5-star hotels that are typically fully booked at this time of the year. Secondary hotels usually benefit from primary hotel overflow and are likely to see much deeper declines in occupancy. All market participants confirmed a 60 percent decline as a consensus best estimate consistent with available information.

Tourism services is The Gambia's largest export, accounting for more than $80 million in earnings on average in the three years before the crisis, about two thirds of total exports of goods and services, excluding re-exports. The balance of payments effect of this shock is estimated at around $60 million, affecting the second half of 2014 and all of 2015. There are additional BOP effects that have not been included in these estimates. It is difficult to tell how long it will take for tourists to return. The evolution of the outbreak in the affected countries, media coverage, and delays in expanding into new markets in eastern Europe may imply BOP effects well into the medium term. The Ebola outbreak also had a number of indirect negative effects on the balance of payments, most significantly the reduction in re-export goods and services being disrupted by border closings. These effects are difficult to estimate and are not included in the projection reported here.

Recent months have also seen a dramatic decline in the price of oil in world markets. Fuel imports are a major component of the Gambian import bill. Oil price declines through the end of 2014 are estimated to have reduced the current account deficit by $3 million dollars and are forecast to reduce the 2015 deficit by $18 million under the current WEO price assumptions. The net effect of both shocks is a $40 million increase in the current account deficit over 2014 and 2015.

	Percent decline from previous year	BOP Impact (USD Millions)	
		2014	2015
Tourism Services	60	-15	-46
Commodity Prices	50	3	18
Total		**-12**	**-28**

Box 2. The Gambia: Reforms of State Owned Enterprises (SOEs)

Context. Persistent financial difficulties in a number of state owned enterprises (SOEs) affected The Gambia's fiscal performance in 2014 in several ways, including:

- *Shortfall in tax collection, especially VAT*. Due to liquidity distress, which in large part is a result of cumulated financial losses, several SOEs have regularly failed to make tax payments in full. In 2014, the amount of tax due, but not paid stood at GMD193.7 million (0.6 percent of GDP), of which GMD 145.9 million (about 0.4 percent of GDP) were withheld VAT collections.

SOEs Tax Arrears as of Dec. 2014 (GMD million)

	Prior 2014	2014	Total
National Radio and TV (GRTS)	2.6	1.5	4.1
National Lotery (GNL)	10.0	-	10.0
National Petroleum Corp. (GNPC)	11.6	0.2	11.9
Groundnuts Coopration (GGC)	28.1	1.5	29.6
Gambia Ports Authority (GPA)	33.2	0.3	33.6
International Airlines (GIA)	154.3	-	154.3
National Water & Electricy (NAWEC)	56.2	101.8	158.0
Gambia Cellphone (GAMCEL)	208.0	64.3	272.2
Civil Aviation Authority (GCAA)	290.6	-	290.6
Gambia Telecom (GAMTEL)	364.2	24.0	388.2
TOTAL	**1,158.7**	**193.7**	**1,352.4**
In Percent of 2014 GDP	3.4	0.6	4.0

Sources: The Gambia's authorities (preliminary estimates)

- *Additional budgetary spending*. To avoid defaulting on publicly-guaranteed liabilities to a major multilateral lender, and a subsequent suspension of the lender's portfolio in the country, the budget incurred additional spending amounting to GMD1,550.2 million (about 4.5 percent of GDP) to meet external debt service obligations on behalf of three SOEs (namely NAWEC, GAMTEL and GGC). Additional GMD221 million (about 0.6 percent of GDP) were spent to meet NAWEC's emergency fuel needs. This emergency spending accounted for more than half of the deviation in government's NDB from the end-2014 target, while the total direct impact on the CBG's foreign reserves amounted to about US$38.6 million.

Reforms. The focus of the government reform agenda is twofold: (i) strengthening the SOEs cash flow to limit a continuing strain on budget, and (ii) operational and financial restructuring to make SOEs financially sound.

- *Reform of NAWEC and the energy sector*. Outdated infrastructure, weak bill collections, tariffs set at well below the cost recovery level, and mounting fuel costs, led to a huge amount of loss in NAWEC. Fuel imports were liberalized in July 2014, bringing down input costs. The authorities have also increased the electricity and water tariffs starting in February 2015, which together with other measures and the decline in global oil prices should eliminate the deficit in NAWEC's 2015 cash flow. With the help of experts funded by the World Bank, the authorities are also developing a medium-term strategy for the energy sector, and based on the consultant's initial findings they have prepared a time-bound plan of key actions for implementation over the next two years.
- *National Telecom operators*. The national landline telecom operator (GAMTEL) and the State-owned Cellular Company (GAMCEL) experienced financial distress in large part because of declining revenues, inefficient and costly operating processes, and the sharp increase in domestic interest rates. To reverse this trend, the authorities will quickly develop a strategy, including taking steps to separate GAMTEL/GAMCEL and reposition GAMTEL in the local telephony market. In the meanwhile, they will exercise close scrutiny to ensure that it limits its spending to revenues collected.

6. The policy slippages, together with the negative impact of the shocks, have led to a significant deterioration in The Gambia's economic situation.

- Real GDP is now estimated to have declined by ¼ percent in 2014 due to the lost tourism receipts and crops. With tourism receipts continuing to be negatively affected in the first part of 2015, even under the best-case scenario the 2015 recovery will be dampened. However, assuming that the regional Ebola outbreak is brought under control by the third quarter of 2015, real GDP is projected to grow by about 5 percent in 2015 driven by the recovery of agriculture and 8¾ percent in 2016 as tourism activity also rebounds (Tables 1–7).[4]

- T-bill rates have remained at very high levels of 14-19 percent (Figure 1), and public debt had risen to 100 percent of GDP by end-2014.

- Due to the slump in tourism and fiscal slippages, at end-2014 the level of gross international reserves declined to 4 months of import cover, compared to almost 6 months at end-2012. At the same time, faced with mounting pressures, the exchange rate depreciated by 7¾ percent in the 2nd half of 2014.

- The annual inflation rate picked up from 5½ percent until August to 7 percent by January 2015 due to the exchange rate depreciation and the food supply shock.

Text Table 3. The Gambia: Economic Outlook without Corrective Policy Adjustments

Economic outlook without corrective policy adjustments

	2013	2014	2015
NDB of the government (in percent of GDP)	7.1	12.3	6.4
Public debt (in percent of GDP)	83.3	100.2	105.6
Gross international reserves			
In millions of US dollars	161.1	111.9	96.6
in months of next year's imports	5.2	3.8	3.1
Private credit growth (in percent)	20.5	-7.6	-5.0

7. In the absence of strong corrective actions by the authorities, The Gambia would risk undergoing a forced adjustment. With elevated T-bill rates and half of the public debt from domestic sources, interest payments account for more than one third of the government's revenue in 2015. In the absence of corrective actions, it is projected that the NDB would reach nearly 6½ percent of GDP in 2015 and crowd out completely room for private credit, the public debt to GDP ratio would edge up further to 105 percent by year-end, and the gross reserves' import coverage would decline to 3¼ months (see text table). However, this calculation assumes

[4] With the crop arriving late in the year and the tourist season running from November-April the beneficial impact of this rebound will mostly be realized in 2016–17.

that there is no additional fiscal spending related to the state-owned enterprises, the regional Ebola outbreak is brought under control by mid-2015, and discretionary domestic spending remains constant in real terms, assumptions that may well prove optimistic.[5] But even under these assumptions, leaving aside further downside risks, pressures on the dalasi and T-bill rates may intensify in coming months. These developments would escalate substantially the rollover risks of domestic public debt and push it onto an unsustainable path, increasing significantly the risk of a loss of confidence in the currency as international reserves fall to an uncomfortable level, and potentially triggering a banking crisis given the elevated level of commercial banks' exposure to government debt.[6] Such a scenario would have long-lasting economic repercussions and drastic corrective policies would be required to address such problems.

POLICY DISCUSSIONS

8. The Gambian authorities' recognized that determined adjustment efforts are essential to address the deteriorating situation. In particular, they see an urgent need to achieve lower T-bill rates to put fiscal policy on a sustainable path. To this end, they expressed their commitment to implement strong upfront fiscal measures and take steps to put NAWEC and GAMTEL/GAMCEL on a sound financial footing in order to protect fiscal outcomes in 2015. Given the size of the adjustment, they also plan to approach their development partners for assistance to help meet the substantial financing needs in 2015. In the medium-term, a deeper restructuring of the government budget and key public enterprises, especially the energy and telecom sectors more broadly, will be needed to ensure sustainability.

A. Fiscal Policies

9. The authorities consider that an NDB target of 1 percent of GDP in 2015 will permit a significant decline in T-bill rates and help secure sustainability. In the face of substantial fiscal slippages and the consequently tightened monetary stance, the elevated T-bill rates have persisted for 18 months. Given the continued need for a tight monetary stance (see below) and The Gambia's precarious public debt situation, the staff supports this ambitious NDB target to ensure that T-bill rates decline promptly. Such an NDB target as a first step towards further adjustment over the medium-term is consistent with a steady decline in the public debt ratio over the medium term (see Annex I—Debt Sustainability Analysis (DSA)).

[5] This also assumes regular budget support disbursements from the World Bank and the AfDB in the pipeline, amounting of $7.7 million, and the receipt of privatization proceeds that was previously expected in 2014.

[6] 56 percent of commercial banks' assets are held in government securities.

Text Table 4. The Gambia: Fiscal Consolidation Efforts in 2015

(In percent of GDP)

Fiscal consolidation efforts in 2015
(In percent of GDP)

Revenue side	
Reforms of energy and telecom secotrs	0.4
New domestic fuel levy	0.2
Higher import levy on premix oil	0.2
Higher GSM levy	0.1
Higher taxes on cigarettes	0.1
New levy on poultry imports	0.0
Elimination of fuel subsidies 1/	1.0
Expenditure side	
Downsizing embassies	0.2
Stricter travel policy for civil services	0.2
New official vehcle policy	0.1

1/ Excluding the impact of lower international fuel prices.

10. The authorities have put in place a set of revenue enhancing and expenditure saving measures in support of their ambitious NDB target in 2015.

- The approved 2015 budget introduces a number of revenue measures—improved collections from public enterprises, higher levies on the imports oil and poultry products, levies on telecom services and fuel, and tobacco excises—whose impact is estimated at around 1¼ percent of GDP in 2015. [MEFP ¶12] The authorities will also enjoy substantial revenue gains associated with the decline in global fuel prices. A new price structure for fuel products was introduced in July 2014 which led to the elimination of fuel subsidies. The authorities intend to leave unchanged retail prices of fuel products, which given the lower import prices will result in higher revenues of 1½ percent of GDP relative to 2014.

- On the expenditure side, the government plans to streamline expenditures in 2015 by ½ percent of GDP through a downsizing of embassies, a reform in the travel policy for civil servants, and cost saving measures in operating the fleet of government vehicles. [MEFP ¶13] The authorities also expect to realize savings of 1¾ percent of GDP, relative to 2014, associated with the elimination of one-off expenditures incurred in 2014. Staff urged the authorities to implement fully the saving measures and adhere strictly to a zero ceiling on unbudgeted spending in order to maintain expenditure within the level envisaged in the 2015 budget.

11. Sizable amounts of external budget support, complementing the authorities' efforts, will be needed to achieve the 2015 NDB target. The 2015 budget assumes total budget support of $30 million—3¾ percent of GDP—in 2015. The World Bank and the African Development Bank (AfDB) have indicated that they have plans to disburse budget support amounting to $15¾ million in 2015. A key condition for such disbursements would be for the

Fund to move ahead with a disbursement under the RCF.[7] The authorities intend to engage their development partners for additional assistance to help The Gambia address the challenges it is facing on account of the external shocks. The authorities' commitment to implementing the strong corrective measures noted above, as well as key reforms in the energy sector, will be instrumental to garner additional financing support from donors. [MEFP ¶14]

12. The authorities have developed a contingency plan to protect budgetary outcomes in 2015. The authorities have identified government spending programs in the 2015 budget amounting to GMD 423 million—1.1 percent of GDP—that could potentially be canceled or postponed in case revenue and/or external budget support fall short of the budget estimates.[8] The staff advised the authorities to ensure that the poorest segments of the population are protected from the impact of the cuts should the contingency need to be utilized. [MEFP ¶15].

13. The authorities are committed to lowering the government's NDB to 0.5 percent of GDP starting in 2016. They understand that such adjustment will be important to put public finances on a solid footing. This is particularly important since commercial banks' high exposure to government debt increases the risk that a domestic debt restructuring could trigger a banking crisis. In 2015, exceptional external budget support of 2¾ percent of GDP and budgeted privatization receipts of some 0.6 percent of GDP are one-off items supporting the adjustment in NDB. Staff projections indicate that in the absence of such support and further fiscal adjustment NDB in 2016 would jump back up to 2½ percent of GDP. The authorities indicated their intention to develop further measures to realize a deep budget restructuring beginning in 2016. [MEFP ¶17] In particular, the authorities plan to articulate measures, including in civil service reform, to create permanent savings and room for growth-oriented expenditures. This should also help the authorities in their efforts to secure additional budget support from donors during 2015.

B. Public Enterprise Reforms

14. The success of the planned fiscal consolidation also hinges upon implementing comprehensive public enterprise reforms. In 2014, quasi-fiscal spending on behalf of NAWEC, GAMTEL/GAMCEL, and GGC weighed heavily on fiscal performance, accounting for more than half of the deviation from the target established under the informally monitored program.[9] Taking steps to protect the budget from a recurrence of such problems in 2015 will be critical, although comprehensive reforms of such enterprises will take longer. The authorities have

[7] Out of US$15 million of budget support in 2015 from the World Bank and AfDB, US$7.7 million of budget support grants were originally scheduled to be disbursed during 2014, conditioned on a completion of the 2nd ECF review.

[8] The amount of this contingency is larger than the external budget support that still needs to be identified.

[9] The 2014 figures do not include an external debt service payment of €0.8 million by NAWEC to a Paris Club creditor due in late 2014, which was guaranteed by The Gambian government. The authorities have indicated they will clear these arrears prior to the Board meeting.

committed to implementing measures to put NAWEC and GAMTEL/GAMCEL on a sound financial footing in 2015 and beyond.[10]

15. On NAWEC, the measures committed to by the authorities and the lower global fuel prices should put NAWEC on a sound financial footing in 2015 and beyond. Steps informed by the financial plan that the World Bank-financed consultants have prepared are being implemented. As a first step, energy tariffs have been raised by 12 percent and water tariffs by an average of 14 percent, starting February 1, 2015, which will increase NAWEC's revenue by about ¾ percent of GDP. The authorities have also liberalized NAWEC's fuel imports and this has lowered costs substantially and put it in a position to enjoy the benefits of lower global fuel prices. In addition, they have reached preliminary agreement on how NAWEC's debt to suppliers and domestic banks will be restructured. This agreement is in the process of being ratified by the banks' boards, with two banks still to complete the process. The second installment of the ECOWAS grant, amounting of $12½ million, to cover fuel purchase costs will also help improve NAWEC's cash flow in 2015.[11] With a view to closing the remaining shortfall in NAWEC's cash flow, the authorities have articulated various measures to be implemented in 2015, including support for NAWEC's efforts to reduce the level of uncollectable bills from 15 percent to 10 percent in 2015, and tight budget controls by NAWEC.[12] These revenue enhancing and cost cutting measures, together with the tariff increases, the decline in global fuel prices, restructuring of NAWEC's domestic liability, and ECOWAS grants, will help eliminate NAWEC's operational loss and ensure that its operations do not impinge on the budget in 2015. The authorities have also delineated a time-bound plan of key actions to be implemented over the next two years and have advanced in their discussion with the World Bank on an energy sector loan to support its implementation. [MEFP ¶16]

16. On GAMTEL/GAMCEL, the government will formulate a medium-term restructuring plan to secure the financial health of the sector, while these companies have adopted an action plan to significantly improve their cash flow in 2015. With the assistance from the World Bank experts, the government is committed to articulating by March 2016 a comprehensive time-bound action plan to overhaul the telecommunication sector in the medium term, including privatizing GAMCEL to a selected strategic investor. Over the medium term, GAMTEL/GAMCEL will be repositioned with new business models in a competitive environment, with a view to reaping the full benefits of the developments in the information technology

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[10] The government's financial support to GGC in 2014 was due to temporary factors: the amount paid on behalf of GGC will be repaid by GGC and the authorities do not envisage a need for further support in 2015. [MEFP ¶6]

[11] To help improve NAWEC's cash flow, the authorities secured a grant of $31.9 million from ECOWAS to allow NAWEC to purchase fuel during 2014–15. The first installment of the grant, amounting $19½ million, was disbursed in July 2014.

[12] A large portion of NAWEC's uncollected bills are on account of government agencies and public enterprises that are not as yet on pre-paid metering schemes. To address this problem, the government intends to move some remaining budget entities from post-paid to pre-paid power plans. They have also prohibited the use of budget allocations for electricity and water bills to other expenditures. Installation of new heavy fuel engines and a reduction of the number of power plants will help cut the operational costs in 2015. [MEFP ¶16]

infrastructure in The Gambia in recent years. In the meanwhile, GAMTEL and GAMCEL are committed to implementing measures to cut operational costs significantly to avoid further financial support by the government in 2015. The government has imposed tight budget controls on GAMTEL/GAMCEL. Nonetheless, in case the cost-cutting measures introduced by GAMTEL/GAMCEL are not sufficient to close their financing gap in 2015 and need fiscal support, the government is working out additional contingency measures in the 2015 budget to protect the NDB target. [MEFP ¶20]

17. The government will tighten its grip on the financial health of key public enterprises. It aims to complete the database on debt and contingent liabilities of state-owned enterprises by end-2015. The authorities will shortly start a monthly monitoring of the cash flows of NAWEC, GAMTEL/GAMCEL, and the GGC, which will serve as an early warning mechanism for the government budget execution. [MEFP ¶20]

C. Monetary and Exchange Rate Policies and Financial Sector Stability

18. The CBG will use measures under its control to lean against inflationary pressures while allowing greater exchange rate flexibility. Inflationary pressures in recent months have been largely driven by temporary food price increases caused by the agriculture supply shock. The CBG concurred with the staff that such inflationary pressures are likely to intensify in the months ahead, as the impact of the shock on tourism and the expansion of the CBG's balance sheet since 2013 are manifested as pressures on the exchange rate. There was an agreement that the CBG should remain cautious and maintain the required reserve ratio and the CBG policy rate at their currently elevated levels until there are clear signs that pressures have abated and that public confidence has returned. The staff stressed that greater flexibility of the exchange rate, including allowing some depreciation in view of the substantial loss of international reserves, would help weather the impact of the current external shocks. The staff advised that the CBG should intervene in the market only to ensure orderly market conditions. [MEFP ¶21]

19. The CBG is stepping up measures to safeguard financial stability. The Gambia's financial sector indicators are broadly satisfactory at present, but they mask the growing risks associated with commercial banks' exposure to government debt. In light of the recent episode with the two problem banks which were intervened by the CBG, the CBG requested technical assistance from the Fund in the field of credit risk stress testing and with regard to the development of a resolution framework to deal with problem banks (Box 3).[13] One of the intervened commercial banks remains under the CBG's control and is gradually improving its financial situation. The authorities have separated out its bad assets of the bank and turned them over to a special purpose vehicle (SPV) for collecting its bad debt. The bank with the good assets will be put up for sale in 2016 based on its end-2015 audited financial accounts. [MEFP ¶23-25]

[13] Two small Nigeria-based banks that were financially distressed were intervened by the CBG in May 2014 with limited impact on financial stability.

Box 3. The Gambia: Restructuring Two Commercial Banks

In May 2014, the CBG injected GMB 600 million (1¾ percent of GDP) into two commercial banks. Following deteriorating liquidity and capital adequacy positions since late 2013 of two foreign owned bank subsidiaries, the CBG preventively recapitalized two financially distressed Nigeria-based banks. Those two banks together account for only about 10 percent of the Gambia's banking industry both in terms of assets and deposit liabilities. Within a few weeks from the intervention, one of the banks was returned to its owners after they reimbursed the CBG, where its shareholders agreed to inject $20 million of fresh capital and to implement a turnaround strategy under the CBG's supervision. The other bank still remains under the control of the CBG, but an exit strategy which includes the creation of a special purpose vehicle that will collect non-performing assets of the bad bank is being implemented. The bank with the remaining performing assets shall have a valuation audit done for its 2015 financial statements to prepare it for privatization in 2016.

The Gambia: Financial Soundness Indicators (period averages in percent)

	2011	2012	2013	2014Q4	
				All Banks	Excluding 2 troubled banks
Capital Adquacy					
Regulatory Capital to risk weighted assets	27.1	30.2	27.7	29.8	25.6
Tier 1 Capital to risk weighted assets	28.2	31.2	28.5	30.5	25.8
Asset Quality					
Non-performing loan ratio	12.9	11.6	20.5	7.2	6.4

Source: Central Bank of the Gambia

The recent recapitalizations have had no systemic spillover effects on the overall banking system. Deposits continued to hold up, non-performing loans (NPLs) trended down, and the banking sector remained well-capitalized throughout 2014. Gambia has limited links to regional banking groups while recent economic developments in neighboring countries have had relatively little impact on the development of the sector. Over the medium term, the CBG will continue to strengthen its basic bank supervision, improve the framework for dealing with weak banks, develop a resolution framework (legal powers and capacity) and develop a crisis preparedness and management framework that addresses systemic risks as they arise. To this end, the Fund will continue assisting the CBG in the fields of banking supervision, stress testing, development of IT systems and overall banking legislation.

D. Programme for Accelerated Growth and Employment and Debt Sustainability

20. Good implementation of the *Programme for Accelerated Growth and Employment (PAGE)* is a key for inclusive growth and poverty reduction in The Gambia. Since 2012, almost 50 percent of total locally-financed expenditure has been dedicated to poverty reduction activities identified in the *PAGE*. The Gambia has several large infrastructure building projects in the pipeline: the AfDB has recently approved grants over US$100 million to build the Trans-Gambia River Bridge; development partners have committed about US$130 million to support agriculture and water management; and the World Bank has conducted a strategic study of GAMTEL/GAMCEL with a view to maximizing the growth potential from the substantially increased bandwidth capacity for international communications. [MEFP ¶19] These projects could boost the country's growth potential significantly and help address rural poverty. In light of the limited budget resources, private sector participation will be needed for timely implementation of the major infrastructure projects. In this context, the government has made the public-private partnership (PPP) unit in the Ministry of Finance and Economic Affairs (MOFEA) operational with a view to strengthening the capacity to design and negotiate PPPs.

21. A DSA conducted jointly by the World Bank and Fund staff indicates a moderate risk of external debt distress for The Gambia. However, its high level of public debt and rollover risks associated with domestic debt are sources of concern. In case of delays in the public enterprise reforms, contingent liabilities would significantly raise the already-high level of public debt for a prolonged period of time. To assure public debt sustainability and preempt the escalation of rollover risks, the staff urged the authorities to articulate action plans to shore up the financial health of NAWEC, GAMTEL/GAMCEL, and GGC promptly. The authorities concurred with the staff that, if there are any unbudgeted fiscal costs related to any public enterprises in 2015 and beyond, they will be met by offsetting savings. [MEFP ¶20] With a view to better preparing for potential fiscal risks in the future, the authorities plan to institutionalize a mechanism for monitoring and reporting domestic arrears by mid-2015. [MEFP ¶13]

FUND SUPPORT

22. The authorities have requested financial assistance under the RCF's "shocks window" in an amount of SDR 7.775 million (25 percent of quota). The country faces an urgent BOP need, which is predominantly caused by the external shocks to the tourism sector—the net BOP impact of the shocks is estimated to be about $28 million during 2015 ($40 million in 2014–15 combined).[14] If not immediately addressed these shocks could result in a very costly and disruptive forced adjustment.

[14] While The Gambia also faces a protracted BOP problem, the Gambian authorities are requesting the RCF disbursement to address the urgent BOP need which has arisen in the context of the recent shocks and which, if left unaddressed, would risk severe economic problems and disruption.

Text Table 5. The Gambia: Fiscal Financing Needs for 2015

	GMD million	In percent of GDP
NDB without corrective actions (A) 1/	2,441	6.4
of which: Fiscal impact of Ebola and drought	556	1.5
NDB target (B)	386	1.0
Gap to be filled (C=A-B)	2,055	5.4
Corrective actions by the authorities (C) 2/	968	2.5
Financing gap (D=A-B-C)	1,087	2.8
Additional budget support from WB and AfDB (E)	392	1.0
RCF disbursement for a budget support (F)	392	1.0
Residual gap (G=D-E-F)	304	0.8

Sources: IMF staff estimates and projections

1/ Assuming US$7.7 million of budget support from the World Bank and AfDB.

2/ Saving impact of measures listed in MEFP ¶12 and ¶13 and elimination of fuel subsidies.

23. The RCF disbursement would complement the authorities' own adjustment efforts to address the urgent BOP need and help catalyze additional donor financing. It would also give the authorities the time needed to firm up their medium-term consolidation strategy. The authorities' corrective actions in 2015, which reaches 2¾ percent of GDP (¶10), are expected to close about half of the fiscal gap in 2015 and help mitigate external pressures resulting from the shock. As noted above, the approval of an RCF disbursement would be instrumental in facilitating budget support disbursements amounting to about $15¾ million from the World Bank and the AfDB. In this context, staff proposes that about one-third of the fiscal financing gap—the dalasi equivalent of about $8 million, i.e., about two-thirds of the RCF disbursement of 25 percent of The Gambia's quota—be met out of RCF proceeds that would be on-lent from the CBG to the government on the same financial terms as the Fund's RCF disbursement to The Gambia (Text Table).[15] The authorities' efforts to secure additional financing from other donors are still ongoing, and such financing would ideally be in the form of budget support grants in view of The Gambia's debt vulnerabilities. The RCF disbursement together with solid implementation of the associated SMP would help the authorities to obtain the support required to close the remaining gap and keep the end-2015 reserve coverage close to four months of prospective imports, a similar level as at end-2014. .

[15] The government of The Gambia and the CBG intend to sign an agreement clarifying the responsibilities, operational modalities, and other issues relevant to repaying the Fund the RCF resources to be on-lent from the CBG to the government.

24. The Gambia's capacity to repay the Fund is adequate (Table 10) but the outlook is subject to important risks. The regional Ebola outbreak may not be contained prior to the start of the 2015–16 tourism season, contrary to the assumption in this Staff Report. If the outbreak persists longer, the negative economic and fiscal impacts would be magnified considerably. Furthermore, were the Ebola outbreak to spread into The Gambia, it would severely test its limited health infrastructure and weigh on economic activity. The country also faces risks of policy slippages as the recent experience suggests. The authorities may not be able to contain spending pressures, particularly in the second half of the year 2015—justifying the 12-month period of staff monitoring. Staff emphasized to the authorities the potentially serious economic consequences of such policy slippages.

25. The last safeguards assessment was completed in July 2012. An assessment update will take place before a successor IMF arrangement is put in place, as required by the Fund's safeguards assessment policy.

STAFF APPRAISAL

26. The on-going regional Ebola outbreak is predominantly responsible for an urgent need emerging in The Gambia's balance of payments. While The Gambia remains Ebola-free, tourists are avoiding the entire region and this has seriously impacted tourism, The Gambia's main source of foreign exchange receipts. The BOP impact of this external shock, net of the substantial decline of international oil prices, is expected to reach 3½ percent of GDP in 2015, while the fiscal impact is estimated at 1½ percent of GDP. In addition, the delayed rains in 2014 led to a substantial decline in crop production, and together with the decline in tourism, lowered real GDP in 2014 by ¼ percent.

27. The shocks, coming in the wake of an extended period of weak policy implementation have exacerbated an already fragile macroeconomic situation. Fiscal policy implementation has been characterized by repeated episodes of serious expenditure overruns. In 2014 such overruns were largely on account of long-standing financial difficulties in some key state-owned enterprises coming to a head. The resulting sharp increase in domestic public debt and domestic interest rates will weigh heavily on the budget in 2015. Furthermore, with the deficit being monetized by the CBG to a significant extent, pressures on the dalasi and on inflation have emerged.

28. To address their difficulties the Gambian authorities will need to take strong corrective actions and receive significant levels of external support. The BOP and fiscal impact of the shocks and the required level of fiscal adjustment are very large. The Gambian authorities will need to implement urgently difficult adjustment measures to prevent a further deterioration in their macroeconomic situation that could bring about a disruptive forced adjustment. In addition, they must also diligently seek financial assistance from their development partners to help them mitigate the impact of the adjustment on vulnerable groups of the population. To this end, allowing for greater exchange rate flexibility should also help buffer the economy from additional external shocks and to avoid further losses in reserves.

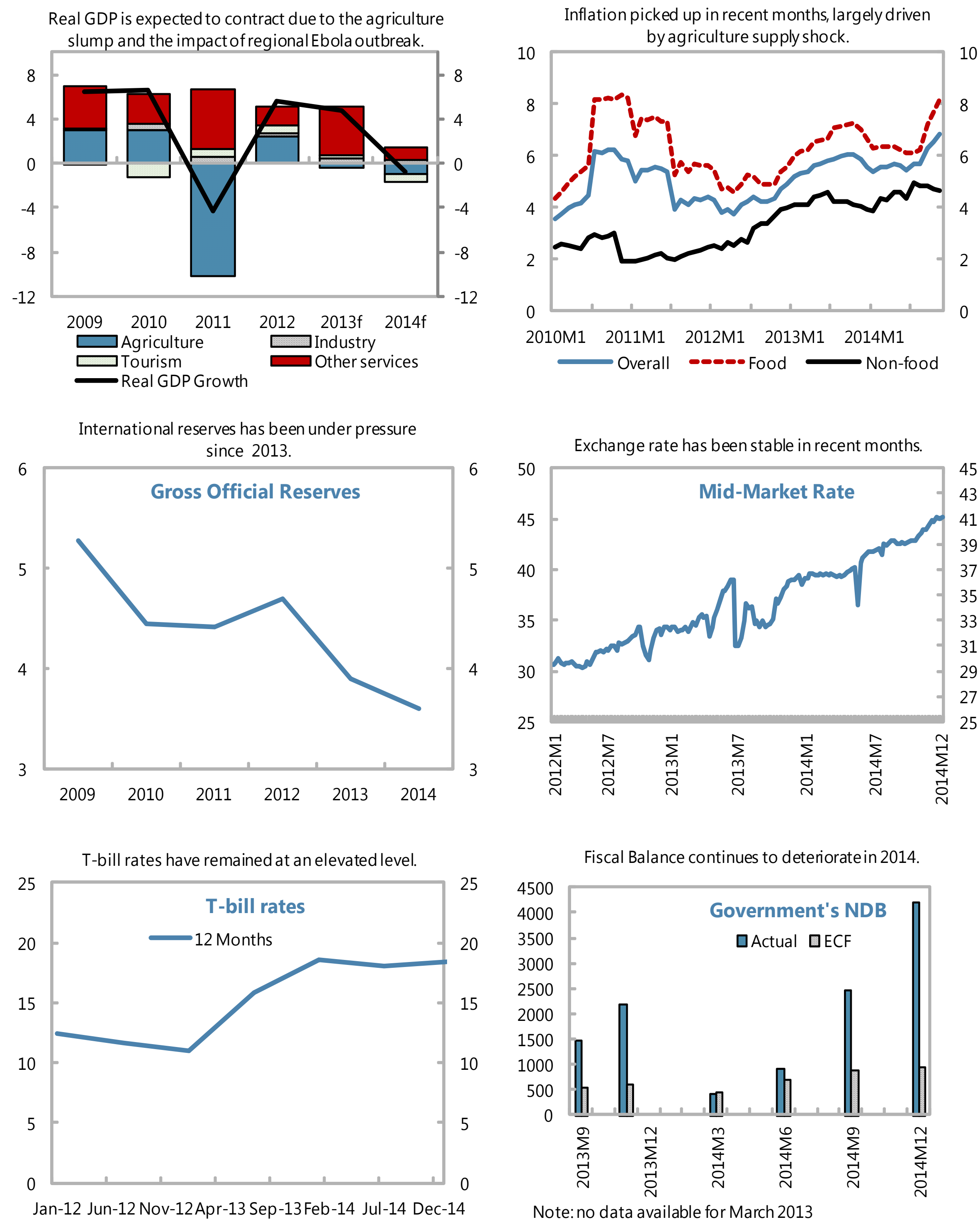
29. Staff considers that the package of measures articulated in the MEFP represents a significant effort. The authorities have already taken upfront actions, including the approval of the 2015 budget consistent with the NDB target under the SMP and the recent increases in electricity and water tariffs. Furthermore, in the event that the external budget support and the savings impact of measures listed in MEFP fall short of expectations, the authorities have identified contingency spending cuts of about 1 percent of GDP and stand ready to take additional measures to secure the NDB target in 2015. The proposed adjustment, if properly implemented, would represent an ambitious consolidation and contribute significantly to addressing The Gambia's present difficulties. Such adjustment should also help lower domestic interest rates and thus alleviate medium-term spending pressures associated with the currently very high level of domestic interest costs. Further measures beyond those incorporated in the 2015 budget will, however, be required to undertake a deeper restructuring of the budget to put the medium-term fiscal position on a sound footing. These will take more time to develop and put in place and the authorities should begin immediately the needed preparatory work.

30. Comprehensive reforms of key state-owned enterprises, and in particular the energy and telecom sectors, are critical to secure the planned fiscal adjustment in 2015 and over the medium term. Staff welcomes the steps taken to secure NAWEC's finances in 2015, including the increase in electricity and water tariffs implemented recently, as well as the liberalization of NAWEC's fuel imports. The authorities should ensure that their recently adopted plan of key energy sector reforms is implemented on a timely basis. The authorities should also quickly develop a strategy to reposition and return to profitability the two state-owned telecommunications companies, while ensuring that their strategy is consistent with them meeting their financial obligations in 2015.

31. Notwithstanding the authorities' efforts thus far and stepped-up external support, the risks to the outlook are significant. The Gambia's dependence on tourism and policy slippages in the past few years are sources of significant vulnerabilities. However, if the authorities follow through on their commitment to the ambitious policies listed in the MEFP, and strong support from the international community is forthcoming, it offers The Gambia a unique opportunity to restore stability and credibility.

32. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 7.775 million (25 percent of quota). In light of the large financing need to achieve the 2015 fiscal target, staff also supports the request for part of the disbursement to be used for budget support. The RCF disbursement would supplement the authorities' own strong adjustment efforts, help catalyze additional donor financing, and give the authorities the time needed to develop their medium-term adjustment plans.

Figure 1. The Gambia: Recent Economic Developments, 2009–2014



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

Table 1. The Gambia: Selected Economic Indicators

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
National account and prices	(Percent change; unless otherwise indicated)									
Nominal GDP (millions of dalasi)	26,662	26,465	29,191	32,320	34,387	38,254	43,505	48,384	53,710	59,622
Nominal GDP	11.1	-0.7	10.3	10.7	6.4	11.2	13.7	11.2	11.0	11.0
GDP at constant prices	6.5	-4.3	5.6	4.8	-0.2	5.1	8.7	6.2	5.9	5.9
GDP per capita (US$)	551	506	499	479	428	395	401	423	446	470
GDP deflator	4.3	3.7	4.5	5.7	6.6	5.8	4.7	4.8	4.8	4.8
Consumer prices (average)	5.0	4.8	4.6	5.2	6.3	6.2	5.2	5.0	5.0	5.0
Consumer prices (end of period)	5.8	4.4	4.9	5.5	6.9	5.3	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b.	0.9	7.0	22.6	5.4	-14.1	-2.1	12.3	14.9	12.2	9.4
Of which: domestic exports	1.0	0.9	66.1	-37.2	7.1	-11.3	-2.4	16.3	6.4	6.4
Imports, f.o.b.	5.3	-6.1	11.3	-5.6	4.3	-8.7	2.2	11.9	10.9	9.0
Terms of trade (deterioration -)	-1.1	18.0	2.3	12.2	9.6	15.0	1.4	-2.5	-0.8	0.0
NEER change (depreciation -)[1]	-1.2	-6.5	-11.2	-10.6	...	...	...	...	...	...
REER (depreciation -)[1]	0.6	-5.7	0.3	-7.5	...	...	...	...	...	...
	(Percent change; in beginning-of-year broad money)									
Broad money	13.7	11.0	7.8	15.1	11.3	14.0	16.0	14.0	12.0	12.0
Net foreign assets	1.3	5.6	2.3	-2.5	0.5	0.8	6.4	8.2	6.9	5.8
Net domestic assets, of which:	12.3	5.4	5.5	17.7	10.8	13.2	9.6	5.8	5.1	6.2
Credit to the government (net)	16.8	8.2	6.1	13.4	17.5	7.8	3.5	0.9	0.9	0.8
Credit to the private sector (net)	4.7	2.8	1.3	6.2	-2.4	3.8	6.4	4.9	4.2	4.8
Other items (net)	-10.1	-5.2	-1.7	-2.2	-3.8	0.9	-0.4	-0.1	-0.1	0.5
Velocity (level)	2.0	1.8	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.5
Average treasury bill rate (in percent)[2]	11.3	8.0	9.6	15.9	...	...	...	...	...	...
Central government budget	(In percent of GDP; unless otherwise indicated)									
Domestic revenue (taxes and other revenues)	14.9	16.1	16.4	16.3	18.7	21.0	21.5	21.9	22.2	22.2
Grants	4.0	5.1	8.9	2.2	3.7	6.1	3.6	3.4	3.3	3.3
Total expenditures and net acquisition of financial assets	24.7	25.8	29.8	27.2	35.4	30.3	26.7	27.3	26.4	26.4
Net incurrence of liabilities	5.3	4.3	4.3	8.8	13.2	3.2	1.6	2.0	1.0	1.1
Foreign	1.5	0.8	1.1	1.8	1.1	1.6	1.1	1.5	0.4	0.5
Domestic	3.8	3.5	3.2	7.0	12.1	1.6	0.5	0.5	0.5	0.5
Basic balance	-3.3	-2.1	-2.1	-5.2	-8.3	-2.7	1.0	0.9	0.8	-0.1
Public debt	69.6	77.3	77.0	83.3	100.2	100.0	91.0	85.0	78.6	73.0
Domestic public debt	29.4	33.2	33.3	37.1	47.0	43.8	39.0	35.6	32.5	30.0
External public debt	40.2	44.1	43.7	46.2	53.2	56.2	52.0	49.4	46.1	43.1
External public debt (millions of US$)	377.6	386.2	375.8	394.1	403.0	409.4	418.5	431.8	436.0	441.1
External sector										
Current account balance										
Excluding budget support	-16.3	-12.3	-8.9	-10.7	-12.7	-18.0	-11.1	-10.3	-9.9	-9.8
Including budget support	-16.3	-12.3	-7.9	-10.7	-12.7	-13.5	-10.3	-9.5	-9.1	-9.0
Current account balance	(Millions of U.S. dollars; unless otherwise indicated)									
Excluding budget support	-155.1	-110.3	-81.3	-96.1	-105.1	-140.6	-90.6	-90.7	-94.7	-101.8
Including budget support	-155.1	-110.3	-72.1	-96.1	-105.1	-105.9	-83.7	-84.2	-87.4	-93.6
Overall balance of payments	-23.8	8.4	0.1	-23.6	-38.6	5.2	29.1	37.1	28.1	30.1
Gross official reserves	157.6	169.7	183.8	161.1	111.9	122.8	145.7	175.2	195.1	218.5
in months of next year's imports of goods and services	5.1	5.1	5.9	4.9	3.7	3.9	4.2	4.6	4.7	4.9
Net present value of debt (percent of exports)										
External debt service (percent of exports)										
Use of Fund resources	(Millions of SDRs)									
Disbursements	2.0	2.3	9.3	1.6	0.0	7.8	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	-0.2	-1.0	-2.1	-3.8	-4.3	-5.2	-5.5	-4.6
Financing gap (possible ECF financing)	0.0	0.0	0.0	0.0	0.0	6.8	0.0	0.0	0.0	0.0

Sources: Gambian authorities and Fund staff estimates and projections.

[1] Percentage change between December of the previous year and December of the current year.

[2] Average for the month of December.

Table 2. The Gambia: Statement of Central Government Operations

(In millions of local currency)

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
Revenue	5,026	5,619	7,397	5,992	7,720	10,062	10,927	12,236	13,684	15,172
Taxes	3,528	3,780	4,221	4,579	5,529	6,973	8,138	9,260	10,410	11,570
Taxes on income, profits, and capital gains	1,109	1,225	1,520	1,384	1,595	1,673	1,910	2,127	2,364	2,622
Domestic taxes on goods and services	1,500	1,683	1,833	1,899	2,349	2,666	3,060	3,463	3,887	4,323
Taxes on international trade and transactions	867	830	856	1,286	1,544	2,589	3,117	3,612	4,095	4,553
Other taxes	53	42	12	10	41	46	52	58	64	71
Grants	1,065	1,355	2,611	725	1,285	2,028	1,578	1,628	1,775	1,939
Budget support	0	0	296	0	0	769	366	359	411	470
Project grants	1,065	1,355	2,315	725	1,285	1,259	1,212	1,268	1,364	1,469
Other revenues	433	484	565	688	906	1,061	1,211	1,349	1,499	1,663
Expenditures	6,403	6,871	8,675	8,753	10,797	11,719	11,627	13,193	14,144	15,704
Expenses	4,059	4,579	5,068	6,451	7,250	8,511	8,179	8,434	8,528	9,112
Compensation of employees	1,516	1,693	1,804	1,889	1,910	2,150	2,260	2,373	2,492	2,766
Use of goods and services	1,216	1,273	1,540	2,009	2,117	2,153	2,182	2,291	2,405	2,670
Interest	766	967	1,079	1,307	1,895	2,828	2,392	2,357	2,148	2,029
External	137	183	202	250	213	357	359	385	418	455
Domestic	629	785	877	1,057	1,682	2,471	2,033	1,972	1,729	1,573
Subsidies	561	646	645	1,246	1,328	1,380	1,346	1,413	1,483	1,647
Net acquisition of nonfinancial assets	2,344	2,292	3,607	2,302	3,547	3,208	3,448	4,759	5,616	6,592
Acquisitions of nonfinancial assets	2,344	2,292	3,607	2,302	3,547	3,208	3,448	4,759	5,616	6,592
Foreign financed[1]	1,744	1,985	3,308	1,823	2,888	2,530	2,723	3,023	2,709	2,483
Gambia local fund	599	307	299	479	659	678	724	1,737	2,907	4,109
Gross Operating Balance	967	893	2,328	-459	470	1,552	2,748	3,802	5,155	6,060
Net lending (+)/borrowing (–)	-1,377	-1,252	-1,278	-2,760	-3,077	-1,656	-700	-957	-461	-532
Net acquisition of financial assets	178	-56	24	26	1,375	-121	0	0	50	50
Net incurrence of liabilities	1,410	1,150	1,261	2,852	4,533	1,232	700	957	511	582
Domestic	1,023	926	945	2,273	4,161	612	218	230	271	292
Net borrowing[2]	1,120	904	1,042	2,310	4,216	386	218	230	271	292
Bank	1,324	1,094	906	2,137	3,209	1,586	818	230	271	292
Nonbank	-204	-190	136	173	1,007	-1,200	-600	0	0	0
Change in arrears	-97	16	-98	-37	-54	0	0	0	0	0
Privatization proceeds	0	6	0	0	0	226	0	0	0	0
Foreign	387	224	317	579	372	620	483	727	240	290
Loans	387	224	317	579	372	620	483	727	240	290
Borrowing	742	630	852	1,135	1,604	1,662	1,511	1,755	1,345	1,448
Amortization	-355	-406	-535	-556	-1,232	-1,042	-1,029	-1,028	-1,105	-1,158
Statistical discrepancy[3]	144	46	40	-66	-80	304	0	0	0	0
Memorandum items:										
Government revenue (excluding grants)	3,961	4,264	4,786	5,267	6,435	8,034	9,349	10,609	11,908	13,233
Overall balance	-1,555	-1,195	-1,302	-2,852	-4,453	-1,535	-700	-957	-511	-582
Basic balance[4]	-876	-565	-605	-1,688	-2,849	-1,033	446	438	423	-38
Basic primary balance[5]	-110	402	474	-381	-954	1,795	2,837	2,795	2,571	1,991
Domestic public debt	7,847	8,773	9,718	11,991	16,152	16,764	16,982	17,212	17,483	17,868
Interest payments as a percent of government rev	19.3	22.7	22.5	24.8	29.4	35.2	25.6	22.2	18.0	15.3

Sources: Gambian authorities and Fund staff estimates and projections.

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

[2] In 2012, target under the ECF was adjusted downwrad to GMD 667 million reflecting donor-provided drought relief.

[3] The difference between financing and the overall balance of revenue and expenditures. In 2015, it is the remaining financing gap.

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

[5] Basic balance, excluding interest payments.

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

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
Revenue	18.9	21.2	25.3	18.5	22.4	26.3	25.1	25.3	25.5	25.4
Taxes	13.2	14.3	14.5	14.2	16.1	18.2	18.7	19.1	19.4	19.4
Taxes on income, profits, and capital gains	4.2	4.6	5.2	4.3	4.6	4.4	4.4	4.4	4.4	4.4
Domestic taxes on goods and services	5.6	6.4	6.3	5.9	6.8	7.0	7.0	7.2	7.2	7.3
Taxes on international trade and transactions	3.3	3.1	2.9	4.0	4.5	6.8	7.2	7.5	7.6	7.6
Other taxes	0.2	0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Grants	4.0	5.1	8.9	2.2	3.7	5.3	3.6	3.4	3.3	3.3
Budget support	0.0	0.0	1.0	0.0	0.0	2.0	0.8	0.7	0.8	0.8
Project grants	4.0	5.1	7.9	2.2	3.7	3.3	2.8	2.6	2.5	2.5
Other revenues	1.6	1.8	1.9	2.1	2.6	2.8	2.8	2.8	2.8	2.8
Expenditures	24.0	26.0	29.7	27.1	31.4	30.6	26.7	27.3	26.3	26.3
Expenses	15.2	17.3	17.4	20.0	21.1	22.2	18.8	17.4	15.9	15.3
Compensation of employees	5.7	6.4	6.2	5.8	5.6	5.6	5.2	4.9	4.6	4.6
Use of goods and services	4.6	4.8	5.3	6.2	6.2	5.6	5.0	4.7	4.5	4.5
Interest	2.9	3.7	3.7	4.0	5.5	7.4	5.5	4.9	4.0	3.4
External	0.5	0.7	0.7	0.8	0.6	0.9	0.8	0.8	0.8	0.8
Domestic	2.4	3.0	3.0	3.3	4.9	6.5	4.7	4.1	3.2	2.6
Subsidies	2.1	2.4	2.2	3.9	3.9	3.6	3.1	2.9	2.8	2.8
Net acquisition of nonfinancial assets	8.8	8.7	12.4	7.1	10.3	8.4	7.9	9.8	10.5	11.1
Acquisitions of nonfinancial assets	8.8	8.7	12.4	7.1	10.3	8.4	7.9	9.8	10.5	11.1
Foreign financed[1]	6.5	7.5	11.3	5.6	8.4	6.6	6.3	6.2	5.0	4.2
Gambia local fund	2.2	1.2	1.0	1.5	1.9	1.8	1.7	3.6	5.4	6.9
Gross Operating Balance	3.6	3.4	8.0	-1.4	1.4	4.1	6.3	7.9	9.6	10.2
Net lending (+)/borrowing (–)	-5.2	-4.7	-4.4	-8.5	-8.9	-4.3	-1.6	-2.0	-0.9	-0.9
Net acquisition of financial assets	0.7	-0.2	0.1	0.1	4.0	-0.3	0.0	0.0	0.1	0.1
Net incurrence of liabilities	5.3	4.3	4.3	8.8	13.2	3.2	1.6	2.0	1.0	1.0
Domestic	3.8	3.5	3.2	7.0	12.1	1.6	0.5	0.5	0.5	0.5
Of which										
Net borrowing[2]	4.2	3.4	3.6	7.1	12.3	1.0	0.5	0.5	0.5	0.5
Bank	5.0	4.1	3.1	6.6	9.3	4.1	1.9	0.5	0.5	0.5
Nonbank	-0.8	-0.7	0.5	0.5	2.9	-3.1	-1.4	0.0	0.0	0.0
Change in arrears	-0.4	0.1	-0.3	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Foreign	1.5	0.8	1.1	1.8	1.1	1.6	1.1	1.5	0.4	0.5
Loans	1.5	0.8	1.1	1.8	1.1	1.6	1.1	1.5	0.4	0.5
Borrowing	2.8	2.4	2.9	3.5	4.7	4.3	3.5	3.6	2.5	2.4
Amortization	-1.3	-1.5	-1.8	-1.7	-3.6	-2.7	-2.4	-2.1	-2.1	-1.9
Statistical discrepancy[3]	0.5	0.2	0.1	-0.2	-0.2	0.8	0.0	0.0	0.0	0.0
Memorandum items:										
Taxes (in percent of non-agricultural GDP)	18.6	17.6	18.2	17.5	19.5	22.2	22.7	23.2	23.5	23.5
Government revenue (excluding grants)	14.9	16.1	16.4	16.3	18.7	21.0	21.5	21.9	22.2	22.2
Overall balance	-5.8	-4.5	-4.5	-8.8	-12.9	-4.0	-1.6	-2.0	-1.0	-1.0
Basic balance[4]	-3.3	-2.1	-2.1	-5.2	-8.3	-2.7	1.0	0.9	0.8	-0.1
Basic primary balance[5]	-0.4	1.5	1.6	-1.2	-2.8	4.7	6.5	5.8	4.8	3.3
Domestic public debt	29.4	33.2	33.3	37.1	47.0	43.8	39.0	35.6	32.5	30.0

Sources: Gambian authorities and Fund staff estimates and projections.

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

[2] In 2012, target under the ECF was adjusted downwrad to GMD 667 million reflecting donor-provided drought relief.

[3] The difference between financing and the overall balance of revenue and expenditures. In 2015, it is the remaining financing gap.

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

[5] Basic balance, excluding interest payments.

Table 4. The Gambia: Monetary Accounts[1]

(In millions of local currency, unless otherwise indicated)

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
I. Monetary Survey										
Net foreign assets	3,808	4,548	4,883	4,481	4,574	4,735	6,213	8432	10555	12,544
in millions of U.S. dollars	134	150	144	118	101	90	115	152	186	215
Net domestic assets	9,485	10,205	11,019	13,828	15,810	18,502	20,742	22,297	23,861	26,002
Domestic credit	10,161	11,570	12,628	15,792	18,470	20,972	23,308	24,887	26,478	28,462
Claims on central government (net)	5,041	6,135	7,042	9,179	12,387	13,973	14,791	15,021	15,291	15,584
Claims on other financial corporations	10	12	12	10	6	6	6	6	6	6
Claims on other public sector[2]	870	811	765	807	721	864	895	930	963	997
Claims on private sector	4,240	4,612	4,809	5,797	5,356	6,128	7,616	8,930	10,217	11,875
Other items (net)[3]	-677	-1,365	-1,609	-1,963	-2,661	-2,470	-2,565	-2,590	-2,616	-2,460
Broad money	13,292	14,753	15,902	18,309	20,383	23,237	26,955	30,729	34,416	38,546
Currency outside banks	2,065	2,376	2,819	3,255	3,527	4,189	4,859	5,540	6,204	6,949
Deposits, of which:	11,228	12,377	13,083	15,054	16,857	19,048	22,096	25,189	28,212	31,597
	7,270	8,087	8,506	8,791	9,882	11,097	12,873	14,675	16,436	18,408
II. Central Bank Survey										
Net foreign assets	2,452	3,088	3,415	2,834	1,486	1,648	3,242	5,342	7,038	8,938
Foreign assets	4,637	5,517	6,618	6,454	5,415	6,447	7,874	9,698	11,074	12,719
Foreign liabilities	-2,185	-2,429	-3,203	-3,620	-3,929	-4,799	-4,632	-4,356	-4,036	-3,781
Net domestic assets	1,052	846	788	2,548	4,535	5,398	4,932	3,976	3,398	2,750
Domestic credit	644	703	593	2,604	5,105	5,105	5,105	5,105	5,105	4,725
Claims on central government (net)	588	649	529	2,539	4,718	4,718	4,718	4,718	4,718	4,718
Claims on other financial corporations	10	12	12	10	6	6	6	6	6	6
Claims on private sector	46	42	51	56	80	80	80	80	80	0
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0
Other items (net)[3]	408	143	196	-56	-570	293	-173	-1,129	-1,707	-1,975
Reserve money	3,503	3,934	4,203	5,383	6,021	7,046	8,174	9,318	10,436	11,688
Currency outside banks	2,065	2,376	2,819	3,255	3,527	4,189	4,859	5,540	6,204	6,949
Commercial bank deposits	1,439	1,558	1,384	2,127	2,495	2,857	3,314	3,778	4,232	4,740

Sources: Gambian authorities and Fund staff estimates and projections.

[1] End of period.

[2] Includes public enterprises and the local government.

[3] Including valuation.

Table 5. The Gambia: Monetary Accounts[1]

(Percent change, unless otherwise indicated)

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
I. Monetary Survey (Percent change; in beginning of period broad money)										
Broad money	13.7	11.0	7.8	15.1	11.3	14.0	16.0	14.0	12.0	12.0
Net foreign assets	1.3	5.6	2.3	-2.5	0.5	0.8	6.4	8.2	6.9	5.8
Net domestic assets	12.3	5.4	5.5	17.7	10.8	13.2	9.6	5.8	5.1	6.2
II. Central Bank Survey (Percent change; in beginning of period monetary base)										
Reserve money	10.5	12.3	6.8	28.1	11.9	17.0	16.0	14.0	12.0	12.0
Net foreign assets	-16.7	18.2	8.3	-13.8	-25.0	2.7	22.6	25.7	18.2	18.2
Net domestic assets	27.2	-5.9	-1.5	41.9	36.9	14.3	-6.6	-11.7	-6.2	-6.2
Memorandum Items:										
Growth of credit to the private sector	14.8	8.8	4.3	20.5	-7.6	14.4	24.3	17.2	14.4	16.2
Growth of currency in circulation	3.0	15.1	18.6	15.5	8.3	18.8	16.0	14.0	12.0	12.0
Growth of demand deposits	10.1	8.4	6.7	36.8	11.4	14.0	16.0	14.0	12.0	12.0
Growth of time and savings deposits	19.3	11.2	5.2	3.3	12.4	12.3	16.0	14.0	12.0	12.0
Net usable international reserves (in millions of U.S. dollars)[2]	126.5	135.1	135.1	111.4	68.3	74.6	103.2	139.7	167.2	196.7
Money velocity (levels)	2.01	1.79	1.84	1.77	1.69	1.65	1.61	1.57	1.56	1.55
Money multiplier (levels)	3.79	3.75	3.78	3.40	3.39	3.30	3.30	3.30	3.30	3.30
Broad money (percent of GDP)	49.9	55.7	54.5	56.6	59.3	60.7	62.0	63.5	64.1	64.7
Credit to the private sector (percent of GDP)	15.9	17.4	16.5	17.9	15.6	16.0	17.5	18.5	19.0	19.9
Central bank financing of central government (in millions of local currency)	488	61	-119	2010	2179	0	0	0	0	0
Commercial bank financing of central government (in millions of local currency)	986	1034	1025	127	1029	1586	818	230	271	292

Sources: Gambian authorities and Fund staff estimates and projections.

[1] End of period.

[2] In 2012, target under the ECF was adjusted upward by US$ 14.1 million reflecting donor-provided drought relief. After this adjustment, NIR targets under the original ECF, measured at the market exchange rate, would be US$ 142.6 million at end-2012 and US$ 151.5 million at end-2013.

Table 6. The Gambia: Balance of Payments

(In millions of U.S. dollars, unless otherwise indicated)

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
1. Current account										
A. Goods and services	**-180.2**	**-131.2**	**-122.2**	**-110.0**	**-156.6**	**-173.5**	**-121.6**	**-123.6**	**-129.4**	**-138.5**
Trade balance	-216.6	-190.7	-200.6	-175.7	-207.7	-182.2	-175.1	-192.4	-211.5	-229.9
Exports, f.o.b.	95.6	102.3	125.4	132.2	113.6	111.2	124.9	143.4	160.9	176.0
Of which: domestic goods [1]	10.9	11.0	18.3	11.5	12.3	10.9	10.7	12.4	13.2	14.1
Imports, f.o.b.	-312.2	-293.1	-326.0	-307.9	-321.3	-293.4	-300.0	-335.8	-372.5	-406.0
Of which: oil	-40.9	-69.7	-94.3	-76.2	-90.4	-55.4	-53.2	-60.6	-66.9	-72.0
Services (net)	36.4	59.5	78.4	65.7	51.1	8.7	53.5	68.8	82.1	91.5
Services exports	130.7	135.4	155.3	131.7	120.5	80.0	128.3	149.1	167.9	182.9
Of which: travel income	70.9	78.1	94.4	72.1	63.5	30.6	62.5	73.1	81.9	88.4
Services imports	-94.3	-75.8	-76.9	-66.0	-69.4	-71.3	-74.7	-80.3	-85.8	-91.4
B. Income (net)	**-29.9**	**-31.9**	**-29.3**	**-22.4**	**-25.2**	**-27.2**	**-32.5**	**-33.9**	**-35.5**	**-37.1**
	2.3	2.5	2.3	1.7	2.0	2.1	2.5	2.6	2.8	2.9
Income debits	-32.2	-34.4	-31.5	-24.2	-27.2	-29.3	-35.0	-36.6	-38.2	-40.0
Of which: interest on government debt	-7.3	-7.5	-7.6	-7.0	-5.2	-6.4	-6.7	-7.0	-7.5	-7.9
C. Current transfers	**55.0**	**52.8**	**79.3**	**36.3**	**76.6**	**94.8**	**70.4**	**73.3**	**77.5**	**82.0**
Official transfers [2]	0.0	0.0	9.2	0.0	19.5	47.3	6.9	6.6	7.3	8.2
Remittances	45.2	27.2	61.8	48.7	50.0	53.1	56.0	59.1	62.3	65.7
Other transfers	9.8	25.6	8.3	-12.5	7.1	7.3	7.5	7.7	7.9	8.1
Current account (excl. budget support)	**-155.1**	**-110.3**	**-81.3**	**-96.1**	**-124.6**	**-140.6**	**-90.6**	**-90.7**	**-94.7**	**-101.8**
Current account (incl. budget support)	**-155.1**	**-110.3**	**-72.1**	**-96.1**	**-105.1**	**105.9**	**-83.7**	**-84.2**	**-87.4**	**-93.6**
2. Capital and financial account										
A. Capital account [3]	**38.0**	**46.0**	**81.4**	**20.2**	**28.8**	**25.7**	**25.8**	**26.2**	**27.3**	**28.6**
B. Financial account	**139.0**	**103.1**	**108.2**	**71.3**	**52.3**	**85.4**	**87.0**	**95.1**	**88.1**	95.2
Foreign direct investment	85.6	60.6	101.6	85.7	75.9	76.0	81.5	85.0	86.6	92.6
Portfolio investment	-1.5	-1.1	-1.1	-2.1	-2.1	-1.6	-1.5	-1.1	-0.8	-0.4
Other investment	54.8	43.6	7.7	-12.3	-21.5	10.9	7.0	11.2	2.2	3.0
Of which: Change in the NFA of commercial banks (increase -)	-22.9	-0.5	5.0	-0.2	-24.6	9.2	3.8	-0.8	-6.2	0.0
Official other investment (net)	11.1	11.4	11.2	18.3	9.0	6.4	9.1	13.3	4.3	5.0
Loans	23.6	25.3	27.7	34.7	38.5	26.0	28.4	32.1	24.0	25.2
SDR Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-12.6	-13.9	-16.5	-16.4	-29.5	-19.6	-19.3	-18.8	-19.7	-20.2
Capital and financial account	**177.0**	**149.1**	**189.6**	**91.4**	**81.1**	**111.1**	**112.8**	**121.3**	**115.4**	**123.7**
Errors and omissions	-45.7	-30.3	-117.4	-18.9	-14.6	0.0	0.0	0.0	0.0	0.0
Overall balance	**-23.8**	**8.4**	**0.1**	**-23.6**	**-38.6**	**5.2**	**29.1**	**37.1**	**28.1**	**30.1**
Financing										
Net international reserves (increase -)	23.8	-8.4	-0.1	23.6	38.6	-16.5	-29.1	-37.1	-28.1	-30.1
Change in gross international reserves	20.7	-12.1	-14.0	22.7	41.8	-10.9	-22.9	-29.5	-19.9	-23.4
Use of IMF resources (net)	3.1	3.7	14.0	0.8	-3.2	-5.5	-6.2	-7.6	-8.1	-6.8
Disbursements	3.1	3.7	14.3	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	-0.3	-1.5	-3.2	-5.5	-6.2	-7.6	-8.1	-6.8
Financing gap (possible RCF financing)	0.0	0.0	0.0	0.0	0.0	11.2	0.0	0.0	0.0	0.0
Memorandum items:										
Exports of goods and services	226.4	237.7	280.8	263.9	234.1	191.2	253.1	292.5	328.9	358.9
Imports of goods and services	-406.6	-368.9	-403.0	-373.9	-390.7	-364.7	-374.7	-416.0	-458.3	-497.4
Gross International Reserves [2]										
US$ millions	157.6	169.7	183.8	161.1	111.9	122.8	145.7	175.2	195.1	218.5
Months of current year's imports of goods and services	4.7	5.5	5.5	5.2	3.4	4.0	4.7	5.1	5.1	5.3
Months of next year's imports of goods and services	5.1	5.1	5.9	4.9	3.7	3.9	4.2	4.6	4.7	4.9

Sources: Gambian authorities and Fund staff estimates and projections.

[1] Domestic goods consist of (in decreasing order of importance): groundnuts, fruits and vegetables, zircon, fish, and cotton.

[2] The figure for 2012 includes US$ 14.3 million in donor assistance for drought relief, which was not included in the 2012 prog. column.

[3] Project grants explain the entire amount of capital account.

[4] The numbers are affected by a reclassification of equity stakes in various international organizations from "official reserves assets" to "other foreign assets"on the CBG's balance sheet. After these adjustments, effective GIR targets underthe original ECF would be US$ 193.9 million at end-2012, US$ 205.6 million at end-2013, US$ 222.3 million at end-2014, and US$ 235.9 million at end-2015.

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

	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
1. Current account										
A. Goods and services	**-18.9**	**-14.6**	**-13.4**	**-12.2**	**-19.0**	**-22.2**	**-14.9**	**-14.0**	**-13.5**	**-13.4**
Trade balance	**-22.8**	**-21.2**	**-22.0**	**-19.6**	**-25.2**	**-23.3**	**-21.4**	**-21.8**	**-22.1**	**-22.2**
Exports, f.o.b.	10.0	11.4	13.8	14.7	13.8	14.2	15.3	16.2	16.8	17.0
Of which: domestic goods [1]	1.1	1.2	2.0	1.3	1.5	1.4	1.3	1.4	1.4	1.4
Imports, f.o.b.	-32.8	-32.6	-35.8	-34.3	-38.9	-37.5	-36.7	-38.0	-38.9	-39.1
Of which: oil	-4.3	-7.8	-10.4	-8.5	-10.9	-7.1	-6.5	-6.9	-7.0	-6.9
Services (net)	3.8	6.6	8.6	7.3	6.2	1.1	6.6	7.8	8.6	8.8
Of which: travel	7.5	8.7	10.4	8.0	7.7	3.9	7.7	8.3	8.5	8.5
B. Income (net)	**-3.1**	**-3.5**	**-3.2**	**-2.5**	**-3.1**	**-3.5**	**-4.0**	**-3.8**	**-3.7**	**-3.6**
Income credits	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Income debits	-3.4	-3.8	-3.5	-2.7	-3.3	-3.8	-4.3	-4.1	-4.0	-3.9
Of which: interest on government debt	0.8	0.8	0.8	0.8	0.6	0.8	0.8	0.8	0.8	0.8
C. Current transfers	**5.8**	**5.9**	**8.7**	**4.0**	**9.3**	**12.1**	**8.6**	**8.3**	**8.1**	**7.9**
Official transfers[2]	0.0	0.0	1.0	0.0	2.4	6.0	0.8	0.7	0.8	0.8
Remittances	4.7	3.0	6.8	5.4	6.1	6.8	6.9	6.7	6.5	6.3
Other transfers	1.0	2.8	0.9	-1.4	0.9	0.9	0.9	0.9	0.8	0.8
Current account (excl. budget support)	**-16.3**	**-12.3**	**-8.9**	**-10.7**	**-12.7**	**-18.0**	**-11.1**	**-10.3**	**-9.9**	**-9.8**
Current account (incl. budget support)	**-16.3**	**-12.3**	**-7.9**	**-10.7**	**-12.7**	**-13.5**	**-10.3**	**-9.5**	**-9.1**	**-9.0**
2. Capital and financial account										
A. Capital account[3]	**4.0**	**5.1**	**8.9**	**2.2**	**3.5**	**3.3**	**3.2**	**3.0**	**2.9**	**2.8**
B. Financial account	**14.6**	**11.5**	**11.9**	**7.9**	**6.3**	**10.9**	**10.7**	**10.8**	**9.2**	**9.2**
Foreign direct investment	9.0	6.7	11.2	9.5	9.2	9.7	10.0	9.6	9.0	8.9
Portfolio investment	-0.2	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2	-0.1	-0.1	0.0
Other investment	5.8	4.9	0.8	-1.4	-2.6	1.4	0.9	1.3	0.2	0.3
Of which: Change in the NFA of commercial banks (increase -)	-2.4	-0.1	0.5	0.0	-3.0	1.2	0.5	-0.1	-0.6	0.0
Official other investment (net)	1.2	1.3	1.2	2.0	1.1	0.8	1.1	1.5	0.4	0.5
Loans	2.5	2.8	3.0	3.9	4.7	3.3	3.5	3.6	2.5	2.4
SDR Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-1.3	-1.6	-1.8	-1.8	-3.6	-2.5	-2.4	-2.1	-2.1	-1.9
Capital and financial account	**18.6**	**16.6**	**20.8**	**10.2**	**9.8**	**14.2**	**13.8**	**13.7**	**12.0**	**11.9**
Errors and omissions	-4.8	-3.4	-12.9	-2.1	-1.8	0.0	0.0	0.0	0.0	0.0
Overall balance	**-2.5**	**0.9**	**0.0**	**-2.6**	**-4.7**	**0.7**	**3.6**	**4.2**	**2.9**	**2.9**
Financing gap (possible RCF financing)	0.0	0.0	0.0	0.0	0.0	1.4	0.0	0.0	0.0	0.0

Sources: Gambian authorities and Fund staff estimates and projections.

[1] Domestic goods consist of (in decreasing order of importance): groundnuts, fruits and vegetables, zircon, fish, and cotton.

[2] The figure for 2012 includes US$ 14.3 million in donor assistance for drought relief, which was not included in the 2012 prog. column.

[3] Project grants explain the entire amount of capital account.

Table 8. The Gambia: Indicators of Capacity to Repay the Fund, 2013–21

	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Actual		Projections						
Fund obligations based on existing credit									
Principal (in millions of SDRs)	1.0	2.1	3.8	4.3	5.2	5.5	4.6	2.8	2.4
Charges and interest (in millions of SDRs)1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit									
Principal (in millions of SDRs)	1.0	2.1	3.8	4.3	5.2	5.5	4.6	3.6	4.0
Charges and interest (in millions of SDRs)1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit									
In millions of SDRs	1.0	2.1	3.8	4.3	5.2	5.5	4.6	3.6	4.0
In millions of US$	1.5	3.2	5.8	6.2	7.6	8.1	6.7	5.4	5.9
In percent of Gross International Reserves	1.0	2.9	4.8	4.2	4.3	4.1	3.1	2.2	2.2
In percent of exports of goods and services	1.3	3.2	8.7	6.0	6.3	6.1	4.7	3.4	3.5
In percent of debt service 1/	7.8	9.1	22.7	22.9	28.2	30.4	26.4	20.3	25.4
In percent of GDP	0.2	0.4	0.7	0.8	0.9	0.8	0.7	0.5	0.5
In percent of quota	3.2	6.8	12.3	13.8	16.8	17.8	14.8	11.7	12.8
Outstanding Fund credit									
In millions of SDRs	32.2	30.1	34.1	29.8	24.5	19.0	14.4	10.8	6.8
In millions of US$	49.3	45.8	51.7	42.9	35.5	27.7	21.2	16.0	10.2
In percent of Gross International Reserves	30.6	40.9	42.1	29.4	20.2	14.2	9.7	6.5	3.7
In percent of exports of goods and services	40.3	45.2	77.4	41.5	29.7	20.8	14.7	10.2	6.1
In percent of debt service 1/	251.4	129.5	200.9	159.6	132.2	104.6	82.9	60.4	43.6
In percent of GDP	5.5	5.5	6.6	5.3	4.0	2.9	2.0	1.4	0.8
In percent of quota	103.5	96.8	109.5	95.8	78.9	61.1	46.4	34.8	22.0
Net use of Fund credit (millions of SDRs)	0.6	-2.1	3.9	-4.3	-5.2	-5.5	-4.6	-3.6	-4.0
Disbursements	1.6	0.0	7.8	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	1.0	2.1	3.8	4.3	5.2	5.5	4.6	3.6	4.0
Memorandum items:									
Nominal GDP (in millions of US$)	898.8	825.4	781.4	816.6	884.4	958.1	1,037.2	1,122.6	1,215.0
Exports of goods and services (in millions of US$)	122.4	101.2	66.8	103.4	119.6	133.0	143.9	155.7	167.7
Gross International Reserves (in millions of US$)	161.1	111.9	122.8	145.7	175.2	195.1	218.5	246.2	276.0
Debt service (in millions of US$) 1/	19.6	35.3	25.8	26.9	26.8	26.4	25.5	26.4	23.4
Quota (millions of SDRs)	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1

Sources: IMF staff estimates and projections.

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

Appendix I. Letter of Intent

Banjul, The Gambia
March 4, 2015

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

Dear Ms. Lagarde:

1. The regional Ebola outbreak has had a major impact on The Gambia's balance of payments and fiscal outlook. Although The Gambia remains Ebola free, we are facing an urgent balance of payments need triggered by the shock's impact on tourism. The fiscal impact of the shock, at a time when we were dealing with fiscal pressures from legacy problems of key public enterprises and some policy slippages, has pushed off track the economic and financial programme supported by the Extended Credit Facility (ECF) that was approved by the IMF's Executive Board on May 25, 2012. We need urgent financial assistance to help us cope with the shock, but recognize that it will not be possible to complete any further reviews under the ECF. Accordingly, as detailed below, we would like to request support under the Rapid Credit Facility (RCF) and notify our decision to cancel the ECF arrangement effective immediately prior to the approval of the RCF disbursement.

2. Our immediate priority is to restore macroeconomic stability and bring policy implementation back on track. To this end, we are committed to implementing strong upfront fiscal measures, taking steps to put the public utility companies on a sound financial footing expeditiously, and safeguarding foreign exchange reserves. To assist us in fulfilling the pressing priority, we are counting on the financial support from the international community, which is necessary to cope with the acute impact of the shock. We are asking the IMF to provide immediate support in the form of a disbursement under the RCF in an amount equivalent to 25 percent of quota, or SDR 7.775 million that would be disbursed to the Central Bank of The Gambia (CBG). The CBG will then on-lend SDR 5.67 million to the Government for budgetary support.

3. We are interested in a successor ECF arrangement to help maintain economic stability and make progress towards inclusive growth and poverty reduction over the medium term. We recognize the need to re-establish a track record of strong policy implementation before moving to a new arrangement. We will need close engagement with the IMF staff to guide policy implementation and articulate medium-term adjustment measures during 2015. Therefore, we

request that IMF staff monitors the implementation of our economic programme covering the period March 2015 to March 2016.

4. The attached Memorandum of Economic and Financial Policies (MEFP) describes the policies that we plan to implement during the year 2015. It emphasizes policies—particularly fiscal policy and public enterprise reforms—that will enable us to obtain rapid results to address our chronic fiscal problems and restore confidence in economic policies. In turn, this will also help stabilize our balance of payments position. The Government has revived a high level economic committee comprised of the Vice-President, the Secretary General and Minister for Presidential Affairs, the Minister of Finance and the Governor of the CBG to provide the political leadership required to ensure that the programme remains on track.

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

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

Sincerely yours,

/s/	/s/
Kebba Touray	Amadou Colley
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments:

1. Memorandum on Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I: Memorandum of Economic and Financial Policies

Introduction

1. Context. We are facing an urgent balance of payments need due to a shock to agriculture and the impact of the regional Ebola outbreak on tourism. The fiscal impact of the shocks, policy slippages, and quasi-fiscal spending to support the public utility, have rendered the end-2014 targets of our informally monitored program out of reach. We understand that the 2nd ECF review could not have been completed before the ECF was to expire in May 2015 and we notify our decision to cancel the ECF arrangement as noted in our letter. We recognize that there is an urgent need to bring policy implementation back on track. We request the IMF's support under the RCF to cope with the acute impact of the external shocks. In addition, we are also requesting that IMF staff monitors the implementation of our economic program covering the period March 2015 to March 2016 to help us undertake the needed policy corrections.

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

Recent Economic Developments

3. Macroeconomic developments in 2014 have been impacted considerably by the external shocks. With erratic rainfall during the summer, some 15 percent of the crop will be lost according to the pre-harvest report. Furthermore, although The Gambia is still Ebola free, the impact of the regional outbreak is expected to cut by more than half tourism receipts for the 2014/15 season. Thus, real GDP is estimated to have declined by ¼ percent in 2014 and the recovery in 2015 is projected to be dampened. This has led to pressures on the dalasi since the end of June, with the currency depreciating by 7.8 percent against the U.S. dollar in the second half of 2014. The level of net international reserves declined to $68¼ million by end-December 2014 from US$113 million at end-June. The rate of annual inflation picked up to 7 percent in January 2015 from around 5½ percent in earlier months.

4. We took a number of steps to improve policy implementation during 2014:

- *Fiscal policy.* We liberalized fuel imports and introduced a new fuel pricing structure with higher pump prices on July 1, 2014. Fuel subsidies, which led to a sizable revenue loss in the past, were completely eliminated in September 2014. Strategic planning exercises in compliance with the MTEF have also been rolled over to other Ministries beyond those included in the initial pilot exercise and five ministries have completed their strategic plans. Going forward these strategic plans will inform the budget process as we move into the program-based budgeting.

- *Monetary and exchange rate policy.* We continued to pursue a flexible exchange rate regime and maintained a tight monetary policy stance to support macroeconomic and exchange rate stability following the period when the government rescinded the exchange directives in October 2013. In particular, the CBG increased the rediscount rate to 22 percent at the beginning of August 2014, kept the reserve requirements at 15 percent, and tightened the permissible foreign exchange net open position of commercial banks.

- *High-level Economic Council (HILEC).* The HILEC, comprised of the Vice President, the Minister of Finance and Economic Affairs, the Governor of the CBG, and the Secretary General of the Office of the President, was revived in order to take on a more active role in strengthening the monitoring of policy implementation. Its procedures and protocols were established at end-2013. Since then, meetings have been held regularly, and minutes of some meetings shared with the IMF staff.

5. However, the external shocks, policy slippages, and persistent financial difficulties in the public utility company, have pushed our end-2014 targets out of reach. Significant emergency spending (5¼ percent of GDP) on the National Water and Electricity Company (NAWEC), The Gambia Telecommunication (GAMTEL), and The Gambia Groundnut Corporation's (GGC) behalf for the reasons described below, weighed heavily on the government's finances. In addition, other unbudgeted spending (1¼ percent of GDP), together with the expected revenue loss and spending related to the external shocks (¾ percent of GDP), non-receipt of budget support from World Bank and African Development Bank (1 percent of GDP), as well as some other factors pushed up the government's net domestic borrowing (NDB) to some 12¼ percent of GDP in 2014. This significantly exceeded the 2¾ percent of GDP targeted under our informally monitored program. Commercial banks' capacity to finance the budget is largely tapped out and the government's NDB is being monetized by the central bank (CBG). T-bill rates remain at very high levels of 14-19 percent. The level of public debt had risen to 100 percent of GDP by end-2014.

6. A number of factors contributed to the public enterprises falling into financial distress in 2014.

- The national telecom and mobile operator (GAMTEL/GAMCEL) has been constrained in the implementation of their annual activities (including investment) in 2014 by debt service payments of short-term loans from the Domestic Money Banks (DMBs) amounting to GMD 614 million. As a consequence they were unable to meet their long-term loan repayment obligations, which Government had to intervene to settle on their behalf given the fact that Government is the guarantor of the long-term loan.

- The Gambia Groundnut Corporation (GGC) in 2014 had a consignment of their export returned as a result of not meeting quality standards. The product has been re-processed and will be re-exported in due course. In the interim, Government intervened to settle a payment on their behalf as result of the expected funds from the sale of groundnut products not realized. The amount paid on behalf of GGC will be reimbursed to the budget and a repeat of such payment by Government is not expected in 2015 as GGC is now better equipped to check quality prior to exporting.

7. The still on-going regional Ebola outbreak is having a considerable impact on our external accounts and budget. Although The Gambia is still Ebola free, the tourists are avoiding the entire region and regional transit trade is also being disrupted. We estimate that the two external shocks' negative net BOP impact will reach $12 million in 2014 and $28 million in 2015, after taking into account of the positive impact of lower international oil price.[1] We were able to contain the budgetary impact of the Ebola outbreak in 2014 to GMD 7 million (in addition to a contribution of $1 million to Ebola affected countries as part of The Gambia's contribution to the African Union initiative). In 2015, we have made a budget allocation of GMD 86 million to meet expenditures related to the shock.

8. In the absence of strong corrective measures and/or substantial external support, the Government's NDB in 2015 will rise to an unsustainable level. In particular, due to the fiscal impact of the shocks and the very high levels of domestic interest payments, even if all discretionary expenditures are held constant in real terms, the NDB in 2015 could reach 6½ percent of GDP. We recognize that, under such a scenario, T-bill rates will fail to decline from the already elevated levels, or even rise further, pushing public debt onto an unsustainable path.

Macroeconomic Policies and Structural Reforms for 2015 and the Medium Term

A. Main Macroeconomic Objectives

9. We are committed to pursuing prudent macroeconomic policies to restore macro-stability and boost growth. Fiscal and monetary policies will be targeted to keeping inflation under control, and the CBG will steadily build up gross international reserves with the aim of achieving about 5 months of import coverage in the medium term. Prudent macroeconomic policies and structural reforms should help establish a firm basis for real GDP growth. While growth in 2014, impacted by the delayed rains and the regional Ebola outbreak, is likely to contract by ¼ percent, the subsequent recovery in agriculture and tourism should push up real GDP growth to 5–8¾ percent during 2015–17. With good implementation and sound financing of our Program for Accelerated Growth and Employment (*PAGE)* and infrastructure projects, including structural reforms in telecommunications and the energy sector, there is some upside potential for longer-term growth rates, currently expected at about 5½ percent. Restraint on the Government's NDB in 2015 is expected to help safeguard exchange rate stability and ease pressure on T-bill yields and domestic borrowing costs, thus creating space for *PAGE*-related spending to promote growth and social objectives, as well as for private sector credit growth.

B. Policy Objectives

Fiscal policies to safeguard the NDB target in 2015

[1] Regional Ebola outbreak is estimated to lower tourism receipts by $15 million in 2014 and $46 million in 2015, while lower international oil price is estimated to lower imports by $3 million in 2014 and $18 million in 2015.

10. The Government will limit its NDB needs to 1 percent of GDP in 2015. As T-bill rates have hovered stubbornly at elevated levels for 18 months and the domestic debt ratio had reached 45 percent of GDP at end-2014, domestic interest payments alone will consume more than one-third of the Government's revenue in 2015. We understand that achieving this ambitious NDB target in 2015 is a necessary step to lower the T-bill rates. We will implement strong fiscal measures, both on the revenue and expenditure sides. These have been incorporated in the 2015 budget (see ¶10-11 below). We will also take steps to put NAWEC on a sound financial footing expeditiously, and seek substantial amounts of donor assistance.

11. To achieve the NDB target for 2015, we will aim to raise revenue collection relative to the 2014 outturn by about 1½ percent of GDP. To this end, we intend to maintain pump prices for fuel at the increased levels that were set in September 2014 despite falling international oil prices in the context of eliminating the fuel subsidy. In light of the substantial decline in global fuel prices since then, this will entail a significant increase in the government's tax collection from fuel. Achieving the revenue target will also require the pursuit of improvements in tax administration, as envisaged at the time of the 1st review under the ECF arrangement. In the course of 2015, we will complete the process of amending the legislation that provided the authority to grant tax incentives to the Ministry of Trade and Industry (based on the advice of the designated inter-agency committee as provided for under the GIEPA Act), and transferred that authority to the Minister of Finance and Economic Affairs. For any new tax incentive under consideration, the near and medium-term tax revenue implications will be presented to the Minister of Finance and Economic Affairs. It is our intention to ensure that any new tax incentive, should it entail an adverse impact on revenue, will only be approved if a similarly near-term spending cut or revenue increase can be identified.

12. We have also introduced the following revenue measures to shore up the 2015 NDB target (saving impact of each measure is in parenthesis):

- Reforming of energy and telecom sectors (see ¶16 and ¶19 below), including to enhance VAT and company tax collections from SOEs. (GMD 172 million.
- We have introduced a levy of GMD 1 per liter for Road Maintenance Fund. (GMD 88 million)
- We have increased the import levy on premix oil from GMD 4.76 per liter to GMD 11.42 per liter. (GMD 60 million).
- Raising the GSM levy from 1.25 percent to 2.5 percent. (GMD 33 million)
- Increasing excise tax and environment tax on cigarettes and tobacco products. (GMD 25 million)
- Introducing 35 percent levy on imported poultry products. (GMD 15 million)

- Sales of 200 government plots. (GMD 226 million)[2]

13. The Government will also take strong measures on the expenditure side:

- *Streamlining expenditures.* We will pursue aggressively avenues to streamline spending. To this end, we have begun implementing the plan to downsize our embassies with expected savings of about GMD 80 million in 2015. We have introduced a new, streamlined, and stricter travel policy for civil servants (GMD 60 million). In addition, we will introduce a comprehensive vehicle policy, including a freeze on purchases of new cars in 2015, disposal of all older government vehicles, and identifying designated garages with whom we will sign maintenance and repair contracts. We expect to generate savings on maintenance and running costs of GMD 50 million.

- *Expenditure controls and budget process.* Starting on April 1, 2015, all cash management functions will be transferred to the Directorate of the National Treasury, while the Budget Directorate will be responsible for cash allocation to further strengthen the cash-budgeting approach to control spending. We intend to complete the strategic planning exercise in all ministries by 2016 to facilitate more efficient allocation of scarce public resources. We will continue to strictly adhere to a zero ceiling on unbudgeted spending, and implement concrete measures to minimize abuses and inefficiencies in the system.

- *No domestic arrears accumulation.* We will not accumulate domestic arrears in 2015 as they would violate the spirit and objectives of the NDB targets. We will also, by end-June 2015, institutionalize a mechanism for monitoring, reporting and evaluating domestic arrears, and implement it to determine the stock of arrears at end-2014.

14. To complement our fiscal adjustment efforts in 2015, we are engaging with donors to step up external budget support. The 2015 budget assumes receipt of external budget support amounting to about $30 million. Of this, discussions are advanced on grants of $11.2 million from the World Bank and $4.5 million from the African Development Bank (AfDB). We also intend to use $8 million from the RCF proceeds of $11¼ million for budget support.

15. We have established a contingency mechanism to protect the NDB target for 2015. Specifically, we have identified Government spending programs in the 2015 budget amounting to GMD 423 billion (see Table 3) that could potentially be canceled or postponed, in case the revenue or budget support grant fall short of our expectation. Implementation of these programs will not begin until the level of budget support assumed in the 2015 budget has been firmed up. In deciding which programs in this list to be canceled or postponed if needed, we will stick to our principle to protect the poorest segmentation of the population.

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[2] This measure was originally planned to be implemented in 2014.

Energy and water sectors' reforms

16. We are developing a comprehensive strategy to address the quasi-fiscal costs associated with NAWEC's financial distress. In 2015, NAWEC cash flow will benefit from the second installment of the ECOWAS grant amounting to $12½ million, and the fuel prices which are significantly lower than those in 2014. With a view to closing the remaining cash flow gap to a manageable level and put the utility on sound financial footing, we are implementing the following additional measures:

- *Revenue increase*. We have increased average electricity tariffs by 12 percent, and increased average water tariffs by 14 percent starting February 1, 2015. In addition, the Government is committed to support NAWEC's efforts to reduce the level of uncollectable bills from 15 percent to 10 percent of sale revenue. To this end, we have taken steps to move some remaining budget entities from post-paid to pre-paid power plans, and we will ensure regularly and timely payments of utility bills of the budget institutions that will remain on post-paid power plans by prohibiting virement of budget allocations for electricity and water bills. We will also introduce in July 2015 a levy of GMD10 on each bill issued by NAWEC to partly cover for the payment of street lights. Review of NAWEC tariff conditions will be conducted on semi-annually basis.

- *Cost reduction and control.* NAWEC is implementing tight budgetary controls in 2015, including by eliminating all new vacancies in the budget. As part of the Rural Electrification Extension Project, financed by the ECOWAS Bank for Investment and Development (EBID), NAWEC is currently installing two Heavy Fuel Engines in two provincial towns to drastically minimize the high costs of diesel for the existing plants. Under the same project, we plan to reduce the number of Power Plants in the Provinces from six to two by running a transmission line to link the smaller Power stations to the two major ones for operational efficiency. NAWEC will continue to subject all major procurements to competitive bidding especially for fuel, lubricating oil and machinery.

- *Restructuring of liabilities.* We have already started to take some actions towards establishing a financially viable and efficient public utility. In particular, we have reached preliminary agreement with commercial banks on the terms under which NAWEC will service its restructured debt (including banks' exposure to NAWEC's main supplier). The Boards of all but two banks have ratified the agreement. We are also in discussions with one of NAWEC's main supplier (the Euro-Africa Group) on an agreement to restructure its direct claims on the utility. Reconciliation of cross-claims/debts between NAWEC and government, as well as with other public entities, will be finalized by end- April 2015 and the implementation of an offsetting arrangement will follow thereafter.

- *Medium-term reform. F*or the medium-term, a complete restructuring of the utility will be needed to make it financially viable. With the assistance of the World Bank, we have engaged a consultant to prepare a comprehensive energy strategy that will provide a roadmap to address NAWEC's problems and restructure the energy sector. Based on the consultant's initial findings, and in collaboration with World Bank's staff, we have prepared a time-bound plan of key actions that will be required over the next two years and will adopt comprehensive energy and water sectoral strategies once the full report of the consultant is ready. The Government is also committed to ensuring that PURA fulfills its role as a strong and independent regulator.

- *Mobilization of financing.* For 2016, we expect that some grant financing will be needed and we are pursuing a number of different options to secure such assistance, including a request to ECOWAS to renew their grant. A loan amounting to about US$45 million has been secured from EXIM Bank of India to finance the restructuring of the power and water sectors. We have also significantly advanced our discussions with the World Bank on an energy sector loan to finance critical investments for power generation, transport and distribution network, and building institutional capacity in the sector. A donor round table will be organized by end-June 2015, which will provide an opportunity to present our strategies, mobilize additional financing and improve coordination of various interventions.

Medium-term measures to secure fiscal sustainability and enhance growth potential

17. We will target the NDB at or below ½ percent of GDP in 2016 and beyond, in line with our medium-term objective envisaged in the PAGE 2012–15. We recognize that the stepped-up external budget support in 2015 is one-off and additional saving measures on top of those implemented in 2015 would be needed to shore up the NDB target in 2016 and beyond. During the course of 2015, we will articulate measures for deeper restructuring of the budget. In particular, with the help of the World Bank, we will work out civil service reform measures by end-June 2015. We will consult with the Fund staff later in 2015 to discuss the list of fiscal consolidation measures to be implemented starting in 2016. We will postpone the implementation of the minimum wage policy, which will cost 0.4 percent of GDP, until such time as the civil service reform measures produce offsetting savings.

18. Over the medium term, the Government also intends to reform business taxation to enhance the business environment. To provide key inputs to simplify and rationalize business taxation, the Government will initiate a detailed study on tax expenditures during the second half of 2015 with the help of technical assistance from the Fund. Eliminating the numerous "nuisance" business fees currently in place in the medium term would make The Gambia a more attractive destination for foreign direct investment. To replace the revenue loss associated with this measure in the future, the Government will update the basis for property valuations used in the property tax by end-December 2015.

19. We are aiming at improving the business environment and strengthening project design and execution capacity to take full advantage of major infrastructure projects.

- Bandwidth capacity for international telecommunications has increased dramatically. In this context, building on the findings of the strategic study we conducted with assistance from the World Bank, the Government will complete within one year, and submit to the World Bank, a detailed time-bound action plan setting out steps and policies to achieving substantially improved performance of the telecommunications sector over the next three years. The envisaged reform efforts will include: (i) liberalizing the international voice gateway; (ii) promoting open access to telecommunications infrastructure and acceleration of broadband access; (iii) privatizing GAMCEL to a selected strategic investor; (iv) repositioning GAMTEL in the local telephony market; and (v) modernizing the regulatory and institutional frameworks for the telecommunications sector to reflect international best practice.

- We recognize that while these medium-term measures are being formulated and implemented, there is a need to operate GAMTEL/GAMCEL in a manner that will ensure it does not have an impact on the 2015 government spending. To ensure that the problems experienced in 2014 do not re-occur in 2015, GAMTEL/GAMCEL will not undertake any major investment during 2015. Government has made it categorically clear to GAMTEL/GAMCEL that it will not settle any of their external obligations and that they should raise within their budget the necessary funds needed to settle any external debt obligations. Government has also rejected application from GAMTEL for short-term financing arrangements in 2015.

- The AfDB has recently approved over $100 million in grants to build the Trans-Gambia River Bridge. Given the limited budget resources, private sector participation would be necessary to implement this major infrastructure project in a timely manner. To strengthen the capacity to design and negotiate public-private partnerships (PPPs), the government has made the PPP unit in the MOFEA operational. The Government is working closely with a coordinated group of development partners to make the most of the donors' support in agriculture and water management—about $130 million has been committed by development partners to support this effort. This will create the opportunity to introduce commercialization of agriculture and attract private investment into the sector to achieve the objectives of Vision 2016.

20. Prudent debt management is needed to manage the risks associated with a large public debt while meeting the financing needs of investment plans identified in the PAGE. Improved information exchange between the relevant departments of MoFEA and the CBG on both domestic and external debt will lead to better forecasting of interest payments. The Government recently started to compile the database on the debt and contingent liabilities of state-owned enterprises (SOEs), including liabilities not guaranteed by the Government. The Government will continue to seek external grants and concessional loans to finance public investment with a minimum grant element of 35 percent. We will not incur any new external payments arrears and will not contract or guarantee any new non-concessional external debt or any external debt with original maturity of one year or less. We will also ensure that in case any fiscal costs related to NAWEC, GAMTEL/GAMCEL, GGC, or any other SOEs arise in 2015 and beyond, it will be met by additional resources or savings in other areas. To this end, the Government will articulate contingency measures by end-June 2015 to create the necessary savings in the 2015 budget to help meet the NDB target. The MoFEA will monitor the cash flow of NAWEC, GAMTEL/GAMCEL, and GGC on a monthly basis starting in January 2015. This will serve as an early warning mechanism to protect the NDB target.

Pursue price stability, maintain a flexible exchange rate, and strengthen CBG independence

21. We are committed to continue implementing a flexible exchange rate policy and a monetary policy which aims at price stability. The CBG will intervene in the market only to ensure orderly market conditions. If necessary, the CBG may enter the market to obtain foreign exchange to meet its targets for international reserves.[3] The CBG will continue to (i) use a money targeting framework to pursue its price stability objective (inflation at or below 5 percent by end-2015 and thereafter); (ii) use its rediscount rate to signal changes in the policy stance; and (iii) actively monitor energy and food prices. We will monitor average daily reserve money, with a view to shifting to an average daily reserve money target by [end-December 2015], once an effective market tool for managing daily liquidity is available and fully tested, and control over fiscal policy implementation has been re-established. Monetary policy in 2015 will aim at limiting growth in average reserve money and broad money to 16¼ percent and14 percent, respectively.

22. Curbing the monetization of government deficits is of paramount importance, but other challenges remain. The Government will continue adhering to a zero limit, on a monthly basis, on new credit from the central bank at below-market interest rates and adhere strictly to the schedule for payments of principal and interest on CBG-held government securities (see Table 1). We also need to strengthen the independence of the CBG, continue improving liquidity forecasting and management, and empower the CBG to proactively set a consistent and predictable path for monetary policy and liquidity. To this end, the MoFEA will regularly participate with the CBG in the meetings of the interagency committee to improve liquidity forecasting. The existence of a working tool for daily liquidity management and durable exit from fiscal dominance will allow the CBG to start targeting average daily reserve money by end-2015, and to gradually switch to a fortnightly schedule for T-bill auctions by end-2015, making auctions more competitive and helping to lower interest rates.

Strengthen Financial Sector Stability and Support Private Sector Credit Growth

23. The immediate priority is to set a strategy to deal with recently intervened banks. In May 2014, two financially distressed banks were seized by the CBG but with limited impact on financial stability. One of the banks has been returned to its owners after they injected additional capital, reimbursed the CBG, and agreed to implement a turnaround strategy under CBG's supervision. This incident appears to have not contributed to a loss of confidence in the banking sector. While the other bank remains under the CBG's control, a detailed time-bound plan with

[3] The CBG will continue to closely monitor the foreign exchange market in order to limit the potential size of deviation of the rate at auction dates from the official market rate. To this end, the CBG will introduce an official foreign exchange monitoring mechanism and will communicate the latter with the IMF on a quarterly basis.

clear benchmarks for the CBG to divest from this bank will be adopted by the CBG and Government by end-March 2015. Essentially, our strategy, which will be encapsulated in the action plan entails separating the bad assets of the bank and then offering the remaining "good bank" for sale. Steps taken to improve the efficiency of the bank have resulted in its returning to profitability and we intend to use its audited financial statement for 2015 as a basis to establish an initial asking price for the bank. To help recovery of the assets in the bad bank, we expect to set up a special purpose vehicle by end-June 2015.

24. To ensure financial sector stability going forward, the CBG is pursuing a series of structural reforms. Loan classification and provisioning rules have already been tightened by introducing a new category of "special mention loans", which capture loans that are 30–90 days past due, with a provisioning rate of 5 percent in 2013. With this measure, the CBG believes that its provisioning rules are adequate. The capacity for macro-prudential analysis, including stress testing, will continue to be enhanced to ensure that banks' capital and liquidity buffers are assessed correctly and timely. A new credit risk stress-testing model is being developed with MCM assistance and in-house TA sessions will be provided in early 2015.

25. Continuous capacity building of CBG's supervisory staff is absolutely critical for keeping pace with a rapidly changing banking system. The CBG will continue to maintain adequate staffing levels and provide training for the staff of the Financial Supervision Department (FSD), with a particular focus on IT-related needs. The launching of the new automated system, the V-RegCoss, for the electronic filing of regulatory returns will improve the speed and accuracy of the FSD staff in validating regulatory returns. This will free-up staff resources that will be shifted to on-site supervision.

26. Policies to increase access to private sector investment are underway. The very high interest rates on loans from commercial banks are not only due to crowding out by the public sector, but also to high reserve requirements, high overheads, and legal and institutional difficulties in recovering loans and realizing collateral. To increase access to credit for the private sector, the CBG is working with other stakeholders, such as the Ministry of Finance and Economic Affairs, the Ministry of Trade, Regional Integration and Employment and the Ministry of Justice, on developing a Collateral Registry. The Security Interest in Movable Assets Act was passed into law by the National Assembly, and assented to by the President in October 2014. The Law took effect from January 1, 2015. The infrastructure for the registry is in place and will be fully operational by end of March 2015.

C. Improve the Quality of Macroeconomic Statistics

27. We keep improving the quality of macroeconomic statistics which are a key component of the economic development of The Gambia:

- *Staffing and resources*. The Government has allocated more resources for GBoS to enable the Bureau to recruit and train more staff. The conduct of an economic census and an establishment survey has been budgeted under the World Bank's IFMIS and Trust Fund for

Statistical Capacity Building (TFSCB) project proposal. The economic census was carried out in November/December 2014 and the establishment survey has been scheduled for April 2015 in order to capture 2013 business operations for benchmarking GPD estimates. CBG also plans to re-build staffing levels and continuously build up capacity in the BOP unit at the Economic Research Department, in line with recommendations from IMF technical assistance.

- *Collaboration.* Under the MoFEA leadership, the joint IFIs (IMF, World Bank, AfDB and IFAD) and UNDP initiative to improve national accounts in The Gambia will help to focus attention among the National Account stakeholders (GBoS, CBG, MOFEA and the line ministries) on improving inter-agency collaboration on improving national accounts. Line ministries will contribute to the development of sectoral statistics, particularly in agriculture, health, education, transport, and construction through the timely submission to GBoS of all necessary data. MOFEA, GBoS, Gambian Tourist Board, Ministry of Agriculture, GRA, and CBG will improve collaboration on the production and sharing of administrative data for input into the national accounts.

- *Data availability and standardization.* The National Accounts unit at GBoS has developed GDP estimates by the expenditure approach, which will be disseminated by June 2015. GBoS, CBG, the GRA's Customs and Excise Department, and the National Transport Union will resume holding regular quarterly meetings on re-exports, in order to standardize procedures and reports for border stations. The procedures and reports for border stations will be standardized by end-March 2015, with a particular focus on recording re-exports correctly and consistently

D. Progress on Poverty Reduction and Key Strategic Directions

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

29. A new National Development Plan (NDP) to succeed the PAGE will cover the period 2017-2020 to coincide with the last phase of our Vision 2020. The formulation period for the successor program will start in 2015 and be finalized by mid 2016 to feed into the 2017 budget. This will allow the plan to benefit from the findings of the Integrated Households Living Conditions Survey (IHS) being conducted in 2015 and subsequent analytical studies. The Ministry of Finance and Economic Affairs (MoFEA) will prepare an addendum, informed by the Midterm Evaluation (MTE) of the PAGE, to guide poverty reduction efforts in 2016. As the year 2020 is nearing, the transition period will also offers an opportunity to take stocks of progress so far in the implementation of the Vision 2020 goals, strategically realign our policy actions under the PAGE and its successor NDP with the Vision 2020's main pillars, and along form a strong basis for the design of the next long-term development cycle.

Table 1. The Gambia: Schedule of Payments on Government Securities Held by the CBG Due by End-2015

(in GMD million)

	30-year Bond		10-year Bond		Perpetual	Advance to the government 1/	
Due date	principal	interest	principal	interest	interest	principal	interest
JANUARY 30,2015						55.78	55.78
MARCH 1,2015	30.42	51.40					
JUNE 30,2015			10.42	3.75	6.25		
JULY 30,2015						55.78	54.39
SEPTEMBER 1,2015	30.42	50.41					
DECEMBER 30,2015			10.42	3.43	6.25		

1/ Both the interest and Principal repayments on CBG Advance to Government is proposed to be converted to a 20-Year Bond. So the interest and the principal repayments shown here were based on the proposed 20-Year Bond, and it is yet to be converted to a 20-year Bond.

Table 2: The Gambia: Proposed Quantitative Targets under a Staff-Monitored Program

(Stocks; unless otherwise indicated)

	Mar. 2015	Jun. 2015	Sep. 2015	Dec. 2015
	Proposed	Proposed	Proposed	Proposed
Indicative quantitative targets				
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	103	-510	-158	386
2. Ceiling on the stock of net domestic assets of the central bank (GMD millions, TMU exchange rates)	5,099	5,075	4,887	5,345
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2,3]	70.2	77.7	77.5	74.6
4. Continuous ceiling on new external payments arrears of the central government (USD millions)	0	0	0	0
5. Continuous ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	28	28	28	28
6. Continuous ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)	0	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	0	0	0	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	1,149	2,874	3,736	5,747

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

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

[3] Measured at the TMU exchange rates, which was revised at the beginning of 2013 (see TMU of the MEFP for the 1st ECF review).

[4] The non-zero limit starting in December 2012 is tied to a specific loan financing a specific project, as defined in the TMU.

[5] Zero ceiling applies to outstanding credits (for example, overdrafts) at non market terms as of the end of each month during the quarter.

Table 3: Expenditure Items/Programs that Could Be Delayed or Cut Back Should Fiscal Shocks Occurs in 2015

Dalasi

	Name of Ministry and Institutions	Projects	Budget 2015	Amount delayed
1	**Ministry of H/Edu, Research,Science&Tech**			**215,000,000**
	i. University of The Gambia Campus Project	Schools, Laboratories and Facilities	207,333,333	170,000,000
	i. University of The Gambia Campus Project	Furniture and Fittings	10,000,000	5,000,000
	ii. Technical and Vocational Education & Training-ROC	Schools, Laboratories and Facilities	50,000,000	40,000,000
2	**Ministry of Transport, Works & Infrastructure**			**38,000,000**
	Road Transport Management	Transfers to Development Fund	88,000,000	38,000,000
3	**Ministry of Basic and Secondary Educatio**			**33,000,000**
	Third Education Sector Project -Special Programmes	Schools, Laboratories and Facilities	10,000,000	5,000,000
	Third Edu Sector Proj-Phase 2 Expansion	Other Major Rehabilitation Works	10,000,000	5,000,000
	Third Edu. Sector Proj-In-Service Teacher Training	Training	18,000,000	10,000,000
	Third Education Sector Project - Girl's Education	Specialized and Technical Materials	10,000,000	5,000,000
	Third Education Sector Project - Girl's Education	Improving the Quality of Teach&Learning	13,000,000	8,000,000
4	**Ministry of Agriculutre**			**30,000,000**
	Regional Agricultural Directorate	Land Levelling and Fencing	60,000,000	30,000,000
5	**Ministry of Enviroment, Climate Change, Water Resources and Wildlife**			**5,000,000**
	Construction of Office Building	Construction of Office Building	5,000,000	**5,000,000**
6	**Ministry of Health and Social Welfare**			**20,000,000**
	Reproductive And Family Health Program	Support to Local organisation (RCH Commo	100,000,000	20,000,000
7	**Office of the President**			**3,500,000**
	Office of the Vice President	Construction Of Office Buildings	3,500,000	3,500,000
8	**Gambia Embassy-South Africa**			**18,047,210**
9	**Not Filling Vacancy Position**			**60,000,000**
	Total			**422,547,210**

Table 4. The Gambia: Proposed Structural Agenda, 2015

	Measures	Implementation Date
	I. Strengthen Expenditure Controls/ Budget Preparation	
I.	Transfer all cash management functions to the Directorate of the National Treasury.	End-March 2015
II.	Submit the strategic plans of three more line ministries to the Cabinet.	End-June 2015
III.	Institutionalize a mechanism for monitoring and reporting of domestic arrears and for evaluation and valuation of the stock of arrears for 2013 and every end of each year starting 2014.	End-June 2015
	II. Strengthen Revenue Collection	
IV.	Update the basis for property valuations used in the property tax	End-December 2015
	III. Shore up Medium-term Fiscal Sustainability	
V.	Complete the database on debt and contingent liabilities of State Owned Enterprises (SOEs)	End-December 2015
VI.	Increase the water and electricity tariff in line with PURA's recommendations.	February 2015
VII.	Submit a policy note outlining medium-term reform strategy on telecommunication sector to the World Bank.	End-April 2015
VIII.	Articulate a civil service reform plan with a view to starting implementation in 2016.	End-June 2015
	IV. Strengthen Monetary Operations and Financial Intermediation	
IX.	Submit to the National Assembly amendments to the Banking Act 2009	End-June 2015
X.	Submit to the National Assembly amendments to the CBG Act	End-June 2015
XI.	Adopt a time bound action plan to implement a strategy for the CBG to terminate its ownership position in Keystone Bank	End-March 2015

Attachment II: Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative indicative targets, and structural benchmarks that will be used to monitor under the staff-monitored program (SMP) covering the period of the year 2015. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative targets of the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

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

2. **Adjuster:** The quarterly NDB targets for each quarter will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants received in that quarter relative to the program forecasts for the quarter as specified in the table below.

Program forecasts of external budget support grants in 2015
(flow in each quarter, in millions of US dollars)

2015			
Q1	Q2	Q3	Q4
0	15.7	6.2	0

3. **Supporting material:** Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 29 below.

B. Net Domestic Assets of the Central Bank

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

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing end-of-period market exchange rates for end-December 2014: 45.28 GMD/USD, 1.21 USD/EUR, 1.56 USD/GBP, 1.01 USD/CHF, 1.45 USD/SDR. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for December 2014, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

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

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

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

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in paragraph 6 above.

Program forecasts of external budget support grants in 2015
(flow in each quarter, in millions of US dollars)

2015			
Q1	Q2	Q3	Q4
0	15.7	6.2	0

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

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

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

D. New External Payments Arrears of the Central Government

12. **Definition:** External payments arrears are defined as the stock of external arrears on loans contracted or guaranteed by the Central Government, except on debts subject to rescheduling or a stock of debt operation. Debts subject to rescheduling include debts covered under traditional mechanisms (bilateral creditors, such as the Paris Club members) or the enhanced HIPC Initiative. External payments arrears occur when undisputed interest and amortization payments on the above-referenced loans are not made within the terms of the debt contract or in conformity with the terms for interim relief provided under the enhanced HIPC Initiative. This performance criterion will be assessed on a continuous basis.

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

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

14. **Definition:** This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian Dalasi. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 3, 1979 (Decision

No. 6230–(79/140), as amended by Decision No. 14415–(09/91), but also to commitments contracted or guaranteed for which value has not been received. Loans or purchases from the IMF and debts with a grant element of at least 35 percent [1]are excluded from this target. This performance criterion will be assessed on a continuous basis.

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

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

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

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

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

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

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

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

19. **Supporting material:** Reporting on new central bank credit to the government at non-market terms will form part of the monetary sector data described in paragraphs 31 and 32 below.

H. Total Government Revenues

20. **Definition:** Total government revenues are defined as the sum of tax revenues and non-tax revenues. External grants are not included. Revenue from the ECOWAS Community Levy is not included.

21. **Supporting material:** Reporting on total government revenues will form part of the consolidated budget report described in paragraph 29 below.

I. Poverty-Reducing Expenditures

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

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

J. Average Daily Reserve Money

24. **Definition:** Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. This indicative target applies to the monthly average of the daily stocks of reserve money.

25. **Supporting material:** See paragraph 33 below.

Other Data Requirements and Reporting Standards

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

K. Prices

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

L. Government Accounts Data

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

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

M. Monetary Sector Data

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

31. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

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

N. Treasury Bill Market and Interbank Money Market

33. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills outstanding (both at face value and at discounted value, and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month. The weekly Short-Term Liquidity Forecast will be transmitted following each meeting of the Treasury Bills Committee. The monthly Liquidity Management Report, reflecting the data as of the last working day of the month, will be transmitted within seven days after the end of each month. Three-month ahead forecasts of T-bill auctions, broken down by date and maturity, will be transmitted on a monthly basis.

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

O. External Sector Data

35. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves. Further, the CBG will forward the foreign exchange liquidity forecast following each meeting of the Foreign Reserves Management Committee.

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

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

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

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

K. Public Enterprises' Data

40. The MOFEA will forward within four weeks of the end of each month, data on monthly cash flow of NAWEC, GAMTEL, GAMCEL and GGC.

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

Table 1. The Gambia: List of Projects Accounts at the CBD Excluded from the Calculation of NDB

Account number	Account name
1101000124	Livestock Development Project
1101000306	Small Scale Water Ctl. Project
1101001633	UNICEF PRIMARY EDUC. PROJECT]
1101001822	ENERGY INSFRASTRUCTURE (ROC)
1101002692	IDA 3RD EDUC PHASE II GLF
1101002881	Proj.Impl.Mngmt A/C PIMA
1101003039	INST.SUPPORT PROJ.ECON/FIN.G…
1101003125	Livestock H/Development Proj.
1101003204	WORLD BK DEV. POLICY OP.ACCO
1101003527	IFMIS PHASE II
1103000654	LOWER BASIC EDUC.SUPP.PROJ
1103000908	SDF (EPMDP) PROJECT
1103000915	SDF (EPMDP) CREDIT FUNDS
1103000939	IDA 3RD EDUCATIO PHASE(II)
1103001008	IFAD RURAL FINANCE PROJ. USD
1103001053	INST. SUPPORT ECON/FIN GOV A/C
1103001118	IDB/GOTG WATER SUPPLY PROJECT
1103001156	Livestock H/Development Proj.
1103001259	Education for All-Fast Track II
1103001266	GAMBIA ARTISANAL FISHERIES
1103001280	LIVESTOCK H/Development Proj.(IFAD)
1103001297	IDB SUPPORTED MALARIA PROJECT
1103001307	IFMIS II
1103001321	GCP
1103000685	Global Fund/Malaria
1109000058	Global Fund Round 8 HIV/AIDS
1103001345	GLOBAL FUND TUBERCULOSES RND 9
1103001314	GAMBIA EMERGENCY AGRIC. PRO
1103000702	EDUC FOR FAST TRACK INITIATIVE
1103001046	Proj.Impl.Mngmt.A/C PIMA

INTERNATIONAL MONETARY FUND

THE GAMBIA

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

March 4, 2015

Approved By
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Prepared by the Staff of the International Monetary Fund (IMF) and the International Development Association (IDA).[1]

This debt sustainability analysis for low-income countries (DSA) confirms[2] a moderate risk of external debt distress for The Gambia, while public debt continues to pose significant risks. With one exception, Gambian external debt indicators remain below established thresholds in baseline and historical projections. The debt to exports ratio breaches the established threshold for only one year, 2015, driven by a temporary, exogenous shock to exports. This and another indicator, the present value of debt to GDP, breach their thresholds under a one-time depreciation shock before subsiding. The stock of total public debt is significantly above the indicative threshold and is a major source of concern. Considering the elevated level and recent rapid growth of public debt, The Gambia faces a heightened overall risk of debt distress.

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[1] The DSA was prepared jointly by Bank and Fund staff, in consultation with the Debt Management Unit of the Gambian Ministry of Finance and Economic Affairs. The fiscal year for The Gambia is January 1- December 31.

[2] The previous DSA was prepared in May 2013 (IMF Country Report No. 13/139).

UNDERLYING ASSUMPTIONS

1. **The macroeconomic framework underlying the DSA incorporates estimated shocks to tourism exports and agricultural output as well as the authorities' consolidation program.** The regional Ebola outbreak has deterred tourists from traveling to The Gambia, likely resulting in a 60 percent decline in the country's principal export in 2014/15 tourism season. Erratic rainfall patterns and border closures due to the Ebola crisis have also weighed on traditional exports and related imports causing a short term decline in the growth of trade flows. Both are expected to recover after 2016 and long-run growth forecasts remain roughly unchanged compared with the previous DSA. Downside risks to growth remain, particularly in the recovery in tourism, and are captured in the negative growth shock scenario.

2. **Debt accumulation has been significantly larger anticipated in the 2013 DSA due to fiscal slippages.** Fiscal execution fell short of program targets in the second half of 2013, while further slippages, support for SOEs, and losses associated with Ebola caused further significant accumulation of debt in 2014. In total, the net present value of public debt rose by six percent of GDP from end-2012 to end-2014, against a forecast of a 7 percent fall. This number difference would be even starker but for the change in discount rate used to assess public debt between the last DSA and this one (see below). Continuing trends identified in the previous DSA, new debt accumulation was primarily domestic. Domestically denominated debt accounted for two thirds of net borrowing and raising the domestic share of public debt to 45 percent, up from 33 percent in

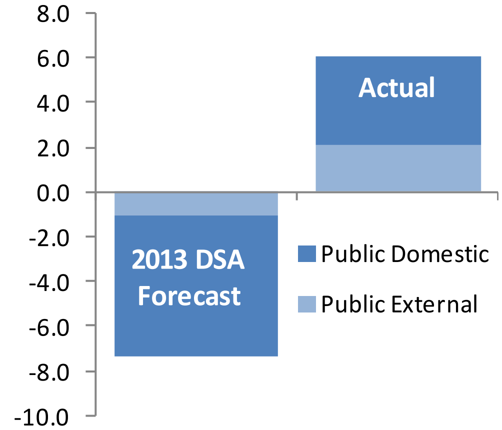
Text Table 1. The Gambia: Selected Macroeconomic Indicators

	2013	2014	2015	2016	2017	2018	2019	2020-2034
Real GDP Growth (percent)								
Current DSA	4.8	-0.2	5.1	8.7	6.2	5.9	5.9	5.9
Previous DSA[1]	9.0	8.5	6.5	5.9	5.9		5.5	
CA deficit (percent of GDP)[2]								
Current DSA	10.7	12.6	13.5	10.2	9.5	9.1	9.0	8.6
Previous DSA	16.2	14.4	13.6	13.3	13		13.6	
Exports of goods and services growth (percent)[3]								
Current DSA	-6.0	-11.3	-26.1	42.7	15.5	12.4	9.1	7.7
Previous DSA	6.6	7.4	7.6	7.6	7.8		7.0	
Imports of goods and services growth (percent)[3]								
Current DSA	-7.2	-0.9	-9.9	10.3	10.9	10.1	8.5	7.5
Previous DSA	0.6	4.4	5.7	6.6	6.7		7.5	
Overall fiscal deficit[4]								
Current DSA[5]	8.6	13.3	3.2	1.6	1.9	0.9	1.0	1.1
Previous DSA	1.7	1.7	1.7	1.3	1.3		0.9	

[1] May 2013 (IMF Country report No. 13/139)
[2] Includes worker's remittances
[3] In currnt dollar terms, including reexports.
[4] Includes reexports and grants.
[5] Deficit forecast through 2028

2008. Domestic debt is shorter in duration and comes at a higher interest rate increasing both the costs and the risks of the debt stock.

Public Debt Accumulation
(2013-2014, percent of GDP)



3. **The medium-term fiscal outlook includes the fiscal consolidation the authorities committed to in the MEFP, recovery of growth, and therefore improved revenue performance.** Revenues are expected to perform well over the medium term owing to recent improvements in revenue collection efficiency with the help of Fund technical assistance, as well as the various revenue measures listed in the MEFP, including the elimination of fuel subsidies that took place in late 2014. The government has also committed to finding solutions to SOE's financial problems which will also boost revenue collection going forward. The fiscal consolidation anticipated in the previous DSA did not take place during 2013–14, but the authorities have committed to a strong fiscal adjustment starting in 2015 in order to return to fiscal sustainability and have begun implementing necessary actions to realize their ambitious fiscal consolidation target.

4. **A recent revision to historical BOP estimates has reduced historical and forecast debt dynamics residuals.** The IMF's BOP estimates have recently been harmonized with the authorities' estimates. At the time of the last DSA, staff maintained separate estimates for BOP data from those of the authorities. Staff estimated, for example, a current account deficit of 16.2 percent for 2013, while the authorities estimated a current account surplus (see Text Table 1). Staff estimates had difficulty explaining actual rates of accumulated external debt (see Text Table 2). Recent TA from the IMF and DFID, along with a sustained revision effort at the CBG, have brought the authorities estimates into better alignment with external debt data and the rest of the macroframework. Staff has adopted these estimates in the current macroeconomic framework and this DSA. While these revisions have not significantly affected the forecast path of external debt, the current account deficits are now in the high single digits and historical debt dynamics residuals are smaller and unbiased compared with the previous DSA.

Text Table 2. The Gambia: BOP Data Revision and Debt Dynamics, 2011

	Authorities' Previous Estimates	Staff's Pevious Estimates	Harmonized Estimates
External debt (percent GDP)	**46.0**	**46.0**	**46.0**
Change in external debt	2.8	2.8	2.8
Identified net debt-creating flows	-7.4	11.8	8.4
of which: Non-interest current account deficit	**-11.1**	**14.7**	**11.3**
Residual (3-4) 3/	**10.2**	**-9.0**	**-5.6**

5. **The adoption of a uniform 5 percent discount rate on NPV calculations has improved the debt outlook.** Consistent with the policy adopted by the IMF Board of Directors, the net present value of debt is now assessed at a uniform 5 percent discount rate. The discount rate used in the previous DSA was 3 percent. This change reduced the NPV of the stock of external debt by about 4 percent of GDP and that of total public debt by about 5 percent. These reductions were offset by unanticipated borrowing during 2013–14.

EXTERNAL DSA

6. **External debt indicators are not projected to breach established debt thresholds for a sustained period.**[3] Due to the dramatic decline in tourism and erratic rains, most debt indicators are projected to spike in 2015, temporarily breaching the threshold for the present value of external debt to exports ratio. This is a denominator-driven effect which is anticipated to fall back below the threshold after 2016, failing to meet the standard of a sustained breach. All other indicators peak below established thresholds and moderate further over the forecast horizon.

7. **Alternative scenarios indicate different long-run paths for debt distress indicators but remain below established thresholds.** Forecast indicator paths under a historical scenario are slightly more optimistic than those under the baseline, principally due to a slightly lower current account deficit in the initial years of the forecast (9.2 percent of GDP). An alternative scenario with less favorable financing yields results similar to the baseline scenario with mildly more pessimistic long run implications. In that scenario the present value of debt never falls below 27 percent of GDP and rises to 30 by the end of the forecast period. Both alternative scenarios remain below established thresholds for all indicators in all periods except, as with the baseline, in the case of the exports ratio in 2015 driven by the external shock.

8. **The thresholds are breached for sustained periods under the shock scenarios, most notably under a 30 percent depreciation scenario.** Shock scenario indicators based on exports roughly track the

[3] This DSA was prepared with a base year of 2013 and a first year of projection of 2014. Many of the underlying data for 2014 remain staff estimates in absence of finalized data from the authorities. In addition, 2015 forecasts present a poor basis for shock scenarios as the extreme shock which forms the basis of the RCF is already part of the baseline.

extremely poor baseline path anticipated for 2015, for example in the debt to exports ratio, indicating that the current Ebola shock is of the order of magnitude intended to be captured by the shock scenarios. The only indicator to feature a sustained breach in established thresholds is the debt to GDP ratio, where a 30 percent depreciation would cause external debt to spike at nearly 50 percent of GDP in 2015 and remain above the threshold until 2020. These results highlight the small, open character of the Gambian economy and its exposure to exchange rate variation. Prudent fiscal and monetary policies of the kind designed in the rapid credit facility (RCF) arrangement with the staff-monitored program will be critical to minimizing the risk of such a scenario materializing.

PUBLIC DSA

9. Total public debt is currently significantly in excess of its indicative threshold and is not expected to fall below it until 2019. The Gambia's total public debt currently stands at 100 percent of GDP in nominal terms and just above 80 percent of GDP in net present value terms, more than 25 percent above the indicative threshold for public debt distress. Even under the significant fiscal consolidation foreseen under the baseline of our framework, public debt would not fall below the threshold until 2019.

10. Public debt dynamics are vulnerable to a shock to domestic interest rates. All domestic public debt is in T-bills with maturity less than one year. A spike in T-bill rates since mid-2013, as well as the significantly larger-than-expected domestic borrowing during 2013–14, largely explains the noticeable increase in public debt to GDP ratio over the past two years.[4] The baseline scenario assumes that T-bill rates gradually will decline to the levels observed in early 2013 by 2017 as the strong fiscal consolidation brings down the net domestic borrowing to GDP ratio from over 12 percent in 2014 to 1 percent in 2015 and ½ percent in 2016 and thereafter. If T-bill rates stay at the levels observed in late 2014 for the next several years, public debt would remain above 80 percent of GDP at end-2019, even assuming the same primary deficit path as in the baseline. This highlights the importance for the authorities of implementing strictly their ambitious fiscal consolidation plan to bring down the T-bill rates.

11. Given the short maturity and elevated stock of domestic debt, The Gambia is subject to a high rollover risk of domestic debt. The government's medium-term debt strategy envisages issuing longer-term bonds which would eventually help reduce the high rollover risk. However, as domestic interest rates are prohibitively high at this time, issuing longer-term bonds will need to wait until the authorities' fiscal adjustment is firmly in place and has helped to reduce T-bill yields.

12. Alternative scenarios indicate a more tenuous path to return to a lower overall risk of debt distress. Under the historical scenario, which features a relatively mild primary deficit of 0.2 percent of GDP, the public debt ratio would fall more slowly, declining only to 65 percent of GDP in the next 10 years and remaining above the indicative threshold for the entire forecast period. Fixing the primary balance at its estimated level in 2014, a deficit of 7.4 percent of GDP yields an explosive path for public debt which rises

[4] The 12-month T-bill rate increased from 10¾ percent in April 2014 to 18½ percent in October 2013 and has hovered around that level since then, reflecting the fiscal slippages since mid-2013 and impact of the regional Ebola outbreak starting in mid-2014. ,

continuously over the forecast period. 2014 featured an exceptionally high fiscal deficit, so this scenario should not be considered a likely outcome, but it serves to illustrate the unsustainable nature of recent fiscal slippages.

13. Shock scenarios remain closer to the baseline forecast than the historical scenarios. For all three indicators, the 30 percent depreciation scenario was the most extreme shock, as in the external DSA. These results highlight again the country's exposure to external conditions and the centrality of prudent policy-making. The authorities' commitment not to intervene in foreign exchange markets paired with determined fiscal consolidation will help prevent such a sharp depreciation scenario from materializing. Unlike the alternative scenarios, the shock scenarios have the same long-run features as the baseline, with public debt indicators falling substantially with consolidation once the shock has run its course.

CONCLUSION

14. This debt sustainability analysis confirms the finding of the previous DSA of a moderate risk of external debt distress in The Gambia. While the export ratio breaches the threshold in the baseline this is a temporary breach driven by the shock to tourism services exports, the motivation for the authorities; request for the Fund support under the RCF. In all other years and for all other indicators forecast remain below established thresholds in the baseline and historical scenarios. The shocks scenarios, the 30 percent depreciation in particular, drive indicators to sustained breaches as in the previous DSA.

15. The indicators of total public debt distress risk are much more elevated, justifying a heightened overall risk of debt distress. Public debt levels are well above indicative thresholds. The authorities will need to take concerted and sustained efforts to bring the public debt below established thresholds of acceptable risk. The fiscal outcomes of the past two years and the exogenous shocks exerting pressure on the Gambian economy make the authorities' current consolidation plan all the more critical.

Table 1. The Gambia: External Debt Sustainability Framework, Baseline Scenario, 2011–2034 1/
(in percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**46.0**	**48.0**	**50.3**			**57.7**	**60.3**	**55.9**	**53.2**	**49.7**	**46.6**		**34.8**	**21.8**	
of which: public and publicly guaranteed (PPG)	44.1	43.7	46.2			54.6	57.6	53.2	50.5	47.0	43.9		32.1	19.1	
Change in external debt	2.7	2.0	2.3			7.4	2.7	-4.4	-2.7	-3.5	-3.1		-1.9	-0.9	
Identified net debt-creating flows	8.1	-3.8	1.8			3.6	0.7	-4.7	-3.3	-2.9	-2.7		-1.6	-0.9	
Non-interest current account deficit	**11.4**	**7.1**	**9.9**	**9.2**	**3.6**	**12.6**	**13.5**	**10.1**	**9.4**	**9.0**	**8.8**		**8.6**	**8.0**	8.4
Deficit in balance of goods and services	14.6	13.4	12.2			16.5	20.6	14.9	13.9	13.5	13.3		12.5	11.1	
Exports	26.5	30.9	29.4			28.4	22.1	30.2	32.2	33.4	33.7		33.0	31.5	
Imports	41.1	44.3	41.6			44.9	42.7	45.1	46.2	46.9	47.0		45.5	42.6	
Net current transfers (negative = inflow)	-5.9	-8.7	-4.0	-8.0	2.8	-6.9	-10.5	-8.6	-8.3	-8.1	-7.9		-6.7	-5.0	-6.2
of which: official	0.0	-1.0	0.0			0.0	-4.4	-0.8	-0.7	-0.8	-0.8		-0.5	-0.4	
Other current account flows (negative = net inflow)	2.7	2.4	1.7			3.0	3.4	3.9	3.7	3.6	3.4		2.8	1.9	
Net FDI (negative = inflow)	**-6.7**	**-11.2**	**-9.5**	**-9.3**	**1.5**	**-9.2**	**-9.7**	**-10.0**	**-9.6**	**-9.0**	**-8.9**		**-8.4**	**-7.9**	-8.3
Endogenous debt dynamics 2/	**3.4**	**0.3**	**1.4**			**0.1**	**-3.1**	**-4.9**	**-3.1**	**-2.8**	**-2.6**		**-1.8**	**-1.0**	
Contribution from nominal interest rate	0.9	0.9	0.8			0.0	0.1	0.1	0.1	0.1	0.2		0.2	0.3	
Contribution from real GDP growth	2.0	-2.5	-2.3			0.1	-3.1	-5.0	-3.2	-2.9	-2.7		-2.0	-1.2	
Contribution from price and exchange rate changes	0.6	1.9	2.9			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-5.4**	**5.8**	**0.5**			**3.8**	**2.0**	**0.3**	**0.6**	**-0.6**	**-0.5**		**-0.3**	**0.0**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	31.9			36.3	38.4	36.0	34.6	32.8	31.1		24.1	15.4	
In percent of exports	...	...	108.8			128.0	173.7	119.2	107.5	98.1	92.3		73.1	49.0	
PV of PPG external debt	**...**	**...**	**27.9**			**33.2**	**35.7**	**33.3**	**31.9**	**30.1**	**28.4**		**21.4**	**12.7**	
In percent of exports	**...**	**...**	**95.0**			**117.2**	**161.2**	**110.3**	**99.1**	**90.1**	**84.3**		**64.9**	**40.3**	
In percent of government revenues	**...**	**...**	**171.1**			**179.5**	**170.9**	**154.1**	**144.8**	**135.1**	**127.4**		**97.7**	**60.1**	
Debt service-to-exports ratio (in percent)	**9.0**	**8.6**	**8.9**			**8.3**	**11.7**	**8.2**	**7.0**	**6.6**	**6.3**		**5.6**	**3.9**	
PPG debt service-to-exports ratio (in percent)	**9.0**	**8.6**	**8.9**			**8.3**	**11.7**	**8.2**	**7.0**	**6.6**	**6.3**		**5.6**	**3.9**	
PPG debt service-to-revenue ratio (in percent)	**14.8**	**16.2**	**16.0**			**12.7**	**12.4**	**11.4**	**10.3**	**9.9**	**9.5**		**8.4**	**5.8**	
Total gross financing need (Millions of U.S. dollars)	92.5	3.7	66.3			84.0	74.9	43.2	39.9	44.2	46.9		69.4	131.0	
Non-interest current account deficit that stabilizes debt ratio	8.7	5.1	7.6			5.2	10.8	14.6	12.1	12.4	12.0		10.5	8.9	
Key macroeconomic assumptions															
Real GDP growth (in percent)	-4.3	5.6	4.8	3.6	3.8	-0.2	5.1	8.7	6.2	5.9	5.9	5.3	5.9	5.9	5.9
GDP deflator in US dollar terms (change in percent)	-1.4	-4.1	-5.7	2.7	9.4	-8.0	-9.9	-3.8	2.0	2.3	2.2	-2.5	2.2	2.2	2.2
Effective interest rate (percent) 5/	1.9	1.9	1.7	1.6	0.4	0.0	0.1	0.2	0.2	0.3	0.3	0.2	0.7	1.2	0.8
Growth of exports of G&S (US dollar terms, in percent)	5.0	18.1	-6.0	3.4	7.0	-11.3	-26.1	42.7	15.5	12.4	9.1	7.1	7.7	7.8	7.7
Growth of imports of G&S (US dollar terms, in percent)	-9.3	9.2	-7.2	3.5	8.3	-0.9	-9.9	10.3	10.9	10.1	8.5	4.8	7.5	7.6	7.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	45.0	38.8	44.8	44.7	44.6	44.5	43.7	41.8	35.2	39.8
Government revenues (excluding grants, in percent of GDP)	16.1	16.4	16.3			18.5	20.9	21.6	22.1	22.3	22.3		21.9	21.1	21.7
Aid flows (in Millions of US dollars) 7/	71.3	109.1	54.9			67.3	62.4	57.8	61.6	55.4	58.7		74.1	111.9	
of which: Grants	46.0	81.4	20.2			28.8	47.6	29.6	29.7	31.7	33.7		40.7	65.4	
of which: Concessional loans	25.3	27.7	34.7			38.5	14.7	28.2	31.8	23.7	24.9		33.4	46.6	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.6	7.4	5.2	5.0	4.4	4.3		3.6	2.5	3.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			68.5	78.4	73.0	71.4	76.3	76.4		73.1	70.5	72.3
Memorandum items:															
Nominal GDP (Millions of US dollars)	898.3	910.0	898.8			825.4	781.4	816.6	884.4	958.1	1037.2		1540.7	3399.6	
Nominal dollar GDP growth	-5.6	1.3	-1.2			-8.2	-5.3	4.5	8.3	8.3	8.3	2.6	8.2	8.2	8.2
PV of PPG external debt (in Millions of US dollars)			237.8			251.7	259.9	268.2	279.2	285.1	291.2		325.8	426.3	
(PVt-PVt-1)/GDPt-1 (in percent)						1.5	1.0	1.1	1.3	0.7	0.6	1.0	0.5	0.5	0.5
Gross workers' remittances (Millions of US dollars)	27.2	61.8	48.7			50.0	53.1	56.0	59.1	62.3	65.7		85.5	144.6	
PV of PPG external debt (in percent of GDP + remittances)	...	...	26.5			31.3	33.4	31.2	29.9	28.3	26.7		20.3	12.2	
PV of PPG external debt (in percent of exports + remittances)	...	...	80.2			96.6	123.3	89.9	82.1	75.4	71.0		55.5	35.5	
Debt service of PPG external debt (in percent of exports + remittance	...	...	7.5			6.8	9.0	6.7	5.8	5.5	5.3		4.8	3.4	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt. Debt values may vary marginally from those in the accompanying staff report due to exchange rate conventions.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

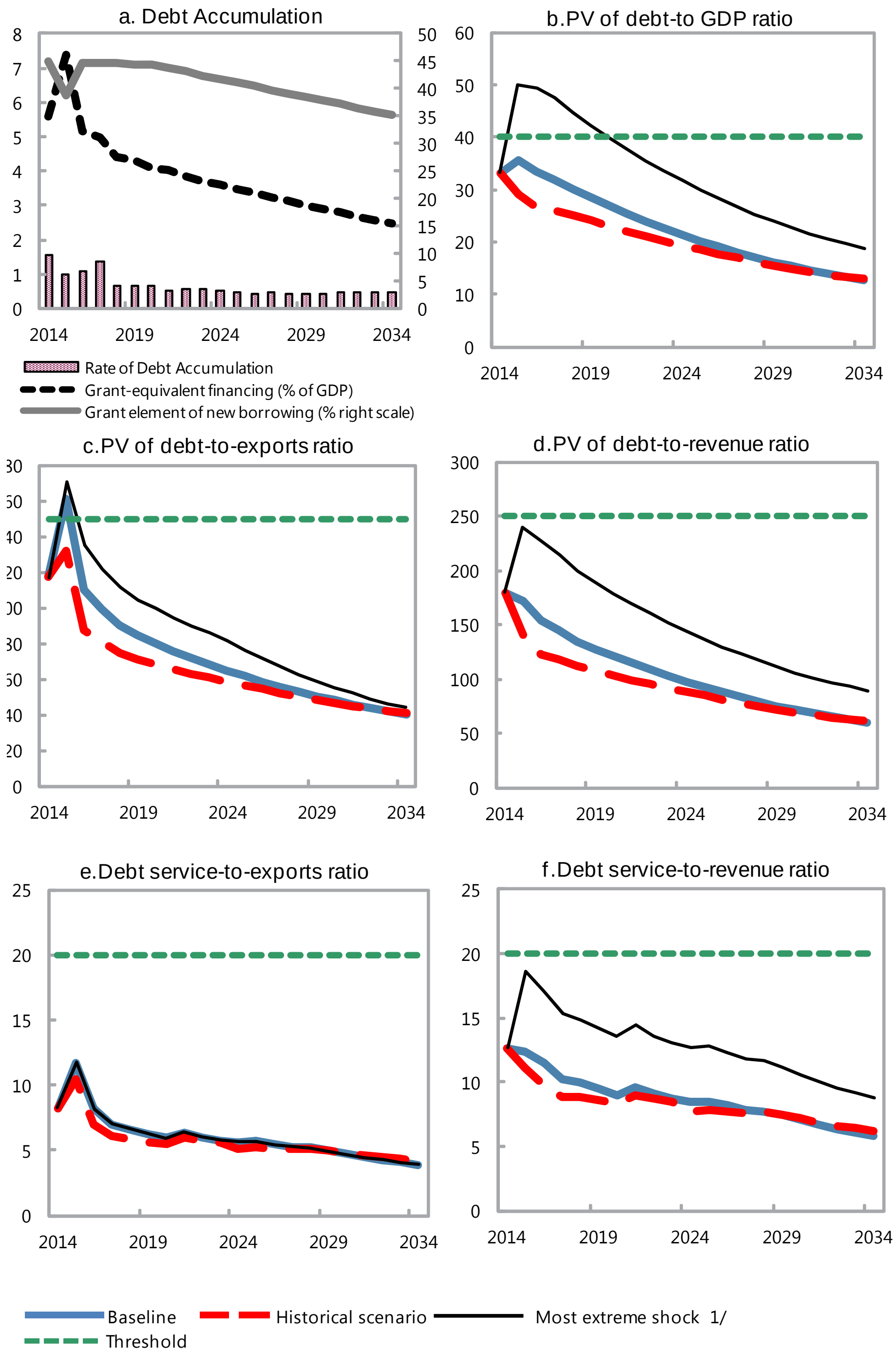
5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Figure 1. The Gambia: Indicators of Public and Publicly Guaranteed External Debt under Alternates Scenarios, 2014–2034 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a One-time depreciation shock; in c. to a Non-debt flows shock; in d. to a One-time depreciation shock; in e. to a Growth shock and in figure f. to a One-time depreciation shock

Table 2a. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–2034

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	33	36	33	32	30	28	**21**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	33	29	26	26	25	24	**19**	13
A2. New public sector loans on less favorable terms in 2014-2034 2	33	34	34	34	32	31	**26**	21
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	33	35	38	36	34	32	**24**	14
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	33	29	31	30	28	26	**20**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	33	32	33	31	30	28	**21**	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	33	38	41	39	37	35	**27**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	33	29	34	32	30	29	**22**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	33	50	49	47	45	42	**32**	19
PV of debt-to-exports ratio								
Baseline	117	161	110	99	90	84	**65**	40
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	117	132	88	81	75	71	**58**	41
A2. New public sector loans on less favorable terms in 2014-2034 2	117	153	113	105	97	93	**80**	65
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	117	150	109	98	89	83	**64**	40
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	117	100	116	104	94	88	**68**	44
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	117	150	109	98	89	83	**64**	40
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	117	171	135	122	111	104	**81**	44
B5. Combination of B1-B4 using one-half standard deviation shocks	117	104	118	106	96	90	**70**	43
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	117	150	109	98	89	83	**64**	40
PV of debt-to-revenue ratio								
Baseline	180	171	154	145	135	127	**98**	60
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	180	140	122	118	112	108	**88**	61
A2. New public sector loans on less favorable terms in 2014-2034 2	180	162	159	153	146	140	**121**	97
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	180	168	174	164	153	144	**111**	68
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	180	139	143	134	125	118	**91**	58
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	180	154	151	142	133	125	**96**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	180	181	189	178	166	157	**122**	65
B5. Combination of B1-B4 using one-half standard deviation shocks	180	141	155	146	136	129	**99**	60
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	180	239	228	215	200	189	**145**	89

Table 2b. The Gambia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–2034 (continued)

(In percent)

	Debt service-to-exports ratio							
Baseline	8	12	8	7	7	6	**6**	4
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	8	10	7	6	6	6	**5**	4
A2. New public sector loans on less favorable terms in 2014-2034 2	8	12	8	7	7	7	**6**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	8	12	8	7	7	6	**6**	4
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	8	9	9	8	7	7	**5**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	8	12	8	7	7	6	**6**	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	8	12	9	8	7	7	**7**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	8	9	8	7	7	7	**6**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	8	12	8	7	7	6	**6**	4
	Debt service-to-revenue ratio							
Baseline	13	12	11	10	10	9	**8**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	13	11	10	9	9	9	**8**	6
A2. New public sector loans on less favorable terms in 2014-2034 2	13	12	11	11	11	10	**10**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	13	13	13	12	11	11	**10**	7
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	13	12	11	10	10	9	**7**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	13	12	11	10	10	9	**8**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	13	12	12	11	11	10	**10**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	13	12	11	10	10	10	**8**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	13	19	17	15	15	14	**13**	9
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	38	38	38	38	38	38	**38**	38

Sources: Country authorities; and staff estimates and projections.

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

Table 3. The Gambia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011–2034 1/

	Actual					Estimate	Projections								
	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	77.3	77.0	83.3			101.7	101.5	92.3	86.1	79.6	73.9		51.2	27.3	
of which: foreign-currency denominated	44.1	43.7	46.2			54.6	57.6	53.2	50.5	47.0	43.9		32.1	19.1	
Change in public sector debt	7.6	-0.3	6.4			18.4	-0.2	-9.2	-6.2	-6.5	-5.7		-3.7	-1.6	
Identified debt-creating flows	7.7	2.2	5.9			16.9	0.0	-9.2	-6.2	-6.5	-5.9		-3.6	-1.7	
Primary deficit	0.7	0.6	4.6	0.2	2.3	8.4	-3.3	-3.2	-2.2	-2.4	-1.8	-0.8	-0.5	-0.1	-0.4
Revenue and grants	21.2	25.3	18.5			22.0	27.0	25.3	25.4	25.6	25.6		24.6	23.0	
of which: grants	5.1	8.9	2.2			3.5	6.1	3.6	3.4	3.3	3.3		2.6	1.9	
Primary (noninterest) expenditure	21.9	26.0	23.1			30.4	23.7	22.1	23.2	23.2	23.7		24.0	23.0	
Automatic debt dynamics	7.0	1.5	1.3			8.5	3.9	-6.0	-4.0	-4.0	-4.0		-3.0	-1.6	
Contribution from interest rate/growth differential	4.5	-2.5	-1.8			1.9	-1.6	-6.1	-4.1	-4.1	-4.1		-3.0	-1.6	
of which: contribution from average real interest rate	1.4	1.6	1.7			1.8	3.4	2.0	1.3	0.7	0.4		0.1	0.0	
of which: contribution from real GDP growth	3.1	-4.1	-3.5			0.2	-5.0	-8.1	-5.4	-4.8	-4.5		-3.1	-1.6	
Contribution from real exchange rate depreciation	2.5	4.0	3.1			6.5	5.5	0.1	0.1	0.1	0.0		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	-0.6	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	-0.6	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	0.0	-2.5	0.5			1.5	-0.2	0.0	0.0	0.0	0.1		-0.1	0.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	65.0			80.3	79.6	72.4	67.6	62.7	58.5		40.6	20.9	
of which: foreign-currency denominated	...	...	27.9			33.2	35.7	33.3	31.9	30.1	28.4		21.4	12.7	
of which: external	...	...	27.9			33.2	35.7	33.3	31.9	30.1	28.4		21.4	12.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	35.7	36.3	40.5			50.5	48.1	42.6	39.3	35.1	32.3		21.5	9.8	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	350.5			365.1	295.2	286.9	265.9	245.0	228.5		165.1	90.9	
PV of public sector debt-to-revenue ratio (in percent)	...	...	398.8			433.9	381.5	335.0	306.5	281.3	261.8		185.0	99.1	
of which: external 3/	...	...	171.1			179.5	170.9	154.1	144.8	135.1	127.4		97.7	60.1	
Debt service-to-revenue and grants ratio (in percent) 4/	25.2	22.3	31.7			32.7	33.6	28.3	24.9	21.2	18.6		13.3	7.8	
Debt service-to-revenue ratio (in percent) 4/	33.2	34.5	36.0			38.9	43.4	33.1	28.7	24.4	21.3		14.9	8.5	
Primary deficit that stabilizes the debt-to-GDP ratio	-6.9	0.9	-1.8			-9.9	-3.1	6.0	4.0	4.1	3.9		3.1	1.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-4.3	5.6	4.8	3.6	3.8	-0.2	5.1	8.7	6.2	5.9	5.9	5.3	5.9	5.9	5.9
Average nominal interest rate on forex debt (in percent)	2.0	2.0	1.9	1.7	0.4	0.0	0.1	0.2	0.2	0.3	0.4	0.2	0.7	1.4	0.9
Average real interest rate on domestic debt (in percent)	6.1	5.3	4.9	31.6	72.4	6.8	8.9	7.1	6.5	5.0	4.0	6.4	2.6	2.1	2.5
Real exchange rate depreciation (in percent, + indicates depreciation	5.9	9.6	7.3	0.4	11.6	14.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.7	4.5	5.7	4.7	2.9	6.6	5.8	4.7	4.8	4.8	4.8	5.2	4.8	4.8	4.8
Growth of real primary spending (deflated by GDP deflator, in percer	-2.6	24.9	-6.7	1.7	8.4	31.4	-18.3	1.5	11.4	5.9	8.6	6.7	5.8	5.3	5.7
Grant element of new external borrowing (in percent)	...	...	...	...	...	45.0	38.8	44.8	44.7	44.6	44.5	43.7	41.8	35.2	...

Sources: Country authorities; and staff estimates and projections.

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

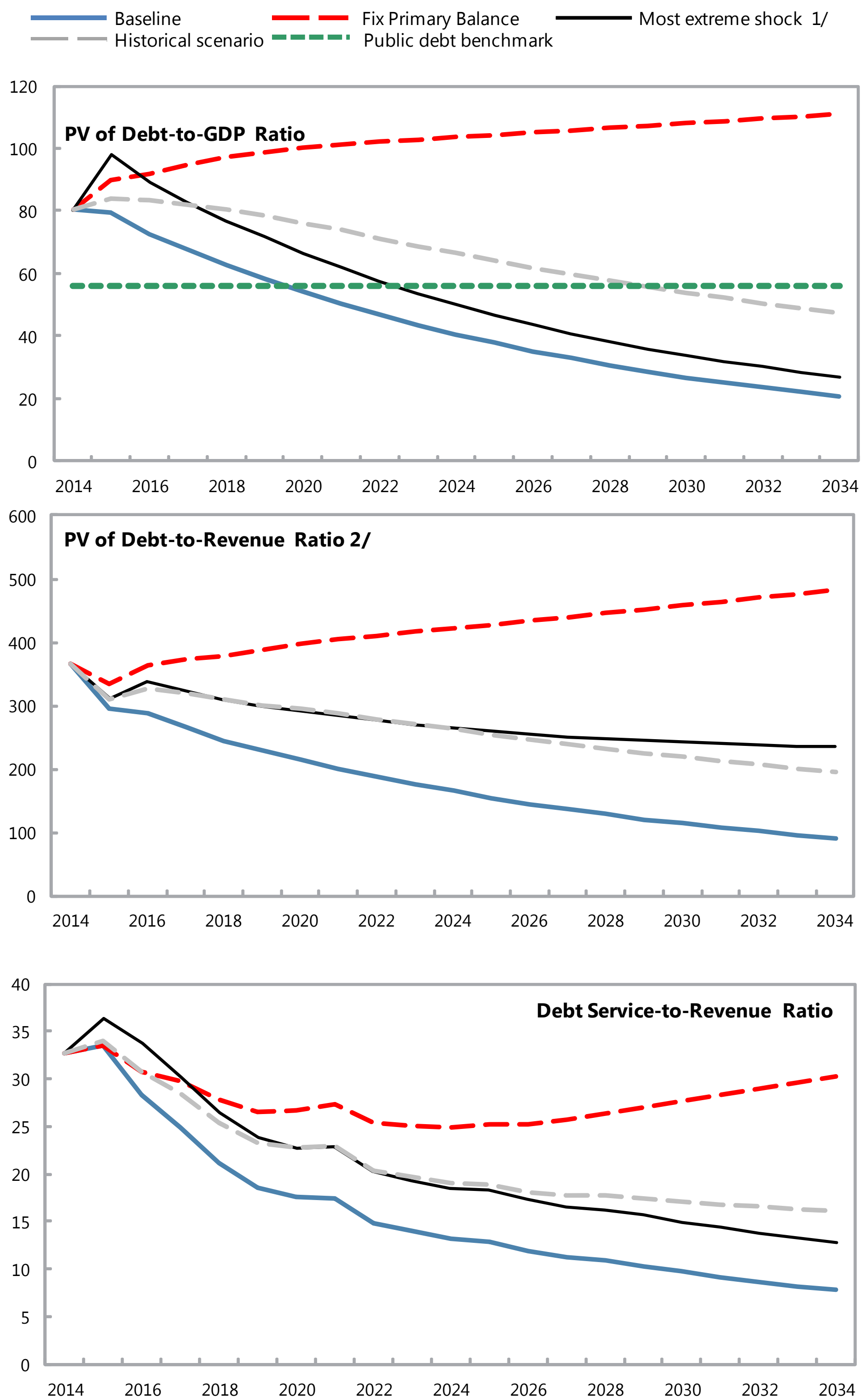
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

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

Figure 2. The Gambia: Indicators of Public Debt Under Alternative Scenarios, 2014–2034 [1/]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Table 4. The Gambia: Sensitivity Analysis for Key Indicators of Public Debt 2014–2034

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	80	80	72	68	63	58	41	21
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	80	84	83	82	80	78	66	47
A2. Primary balance is unchanged from 2014	80	90	92	95	97	99	104	111
A3. Permanently lower GDP growth 1/	80	80	74	70	66	63	51	47
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	80	85	87	84	81	78	66	55
B2. Primary balance is at historical average minus one standard deviations in 2015-201	80	85	82	76	71	66	46	24
B3. Combination of B1-B2 using one half standard deviation shocks	80	87	88	84	80	77	62	47
B4. One-time 30 percent real depreciation in 2015	80	98	89	83	77	72	50	27
B5. 10 percent of GDP increase in other debt-creating flows in 2015	80	89	80	75	69	64	45	24
PV of Debt-to-Revenue Ratio 2/								
Baseline	365	295	287	266	245	229	165	91
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	365	311	327	318	309	301	263	196
A2. Primary balance is unchanged from 2014	365	334	364	373	379	387	422	482
A3. Permanently lower GDP growth 1/	365	298	292	275	257	244	205	202
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	365	311	337	323	309	299	264	235
B2. Primary balance is at historical average minus one standard deviations in 2015-201	365	315	325	300	276	257	187	105
B3. Combination of B1-B2 using one half standard deviation shocks	365	319	345	327	309	296	249	203
B4. One-time 30 percent real depreciation in 2015	365	364	353	325	300	280	203	117
B5. 10 percent of GDP increase in other debt-creating flows in 2015	365	328	318	294	270	252	184	103
Debt Service-to-Revenue Ratio 2/								
Baseline	33	34	28	25	21	19	13	8
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	33	34	31	28	25	23	19	16
A2. Primary balance is unchanged from 2014	33	34	31	30	28	27	25	30
A3. Permanently lower GDP growth 1/	33	34	29	26	22	20	16	14
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	33	35	32	29	25	23	19	16
B2. Primary balance is at historical average minus one standard deviations in 2015-201	33	34	30	27	23	20	14	9
B3. Combination of B1-B2 using one half standard deviation shocks	33	34	32	29	25	23	18	15
B4. One-time 30 percent real depreciation in 2015	33	36	34	30	26	24	19	13
B5. 10 percent of GDP increase in other debt-creating flows in 2015	33	34	30	27	23	20	14	9

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

THE GAMBIA

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

March 4, 2015

Prepared By

Staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of January 31, 2015)

Membership status. Joined September 21, 1967. The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreements on January 21, 1993. It maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

General Resources Account	SDR Million	% Quota
Quota	31.10	100.00
Fund holdings of currency	29.59	95.14
Reserve Tranche Position	1.54	4.96

SDR Department	SDR Million	% Allocation
Net cumulative allocation	29.77	100.00
Holdings	21.04	70.69

Outstanding Purchases and Loans	SDR Million	% Quota
ECF arrangements	31.28	100.57

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	May 25, 2012	May 24, 2015	18.66	10.89
ECF	Feb. 21, 2007	Mar. 31, 2011	24.88	22.55
ECF	Jul. 18, 2002	Jul. 17, 2005	20.22	2.89

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

	Forthcoming				
	2015	2016	2017	2018	2017
Principal	3.64	4.28	5.24	5.53	4.58
Charges/interest	0.00	0.00	0.00	0.00	0.03
Total	3.65	4.28	5.25	5.54	4.60

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

Implementation of HIPC Initiative

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date[2]	Dec. 11, 2000
Assistance committed (year-end 2000 NPV terms)[3]	
Total assistance (US$ million)	66.60
Of which: IMF assistance (US$ million)	2.30
SDR equivalent, million	1.80
Completion point date	Dec. 19, 2007
Disbursement of IMF assistance (SDR million)	2.29
Assistance disbursed to the member	1.80
Interim assistance	0.44
Completion point balance	1.36
Additional disbursement of interest income[4]	0.49

Implementation of Multilateral Debt Relief Initiative (MDRI)

MDRI-eligible debt (SDR million)[5]	9.42
Financed by: MDRI Trust	7.44
Remaining HIPC resources	1.98

Debt Relief by Facility (SDR million)

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

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

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

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

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

Safeguards assessments

Safeguards assessments of the Central Bank of The Gambia (CBG) were completed in February 2004, February 2007, November 2009, and July 2012. The 2012 update report concluded that the CBG governance has strengthened since the 2009 assessment. The recent assessment stressed that continued and effective oversight by both the Board and the Audit Committee will be important to ensure that key areas of CBG operations such as transactions with the government, controls around IT systems, and compilation of program data are adequately monitored to mitigate heightened risk. The CBG is facing capacity issues in accounting and internal audit that need to be addressed in the near term. Future amendment of the CBG Law would provide the opportunity to strengthen CBG autonomy by the incorporation of safeguards recommendations in this area.

Exchange rate arrangement

Until January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D5 = £1. On January 20, 1986, an interbank market for foreign exchange was introduced, and since then the exchange rate has been determined by market forces. Effective February 2, 2009, the classification of the de facto exchange rate arrangement has been changed from managed floating with no predetermined path for the exchange rate to floating, retroactively to April 30, 2008, due to the revision of the classification methodology. As of end–January 2015, the midpoint exchange rate in the interbank market was D45.23 per U.S. dollar. The Gambia has accepted the obligations of Article VIII, Sections 2(a), 3 and 4 and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for restrictions maintained solely for the preservation of national or international security, which have been notified to the Fund in accordance with the procedures set forth in Executive Board decision 144-(52/51). In October 2012, a presidential directive was issued that attempted to impose a fixed, overly appreciated exchange rate on The Gambia's FX market. The directive was lifted a few weeks later. LEG in discussion with MCM later concluded that the FX measures adopted under the directive did not give rise to an exchange restriction or multiple currency practice in breach of the obligations under Article VIII, Sections 2(a) and 3. Staff continues to engage with the authorities in order to finalize its assessment of The Gambia's exchange system.

Last Article IV consultation

The Executive Board concluded the 2013 Article IV consultation (IMF Country Report No. 13/289) on September 11, 2013.

Technical assistance

The Fund has been providing The Gambia with extensive technical assistance in macroeconomic, fiscal, and monetary areas, and in improving the compilation of macroeconomic statistics. Specific technical assistance projects since 2008 are the following:

Fiscal Affairs Department	
August 2014	TA mission advised on revenue administration
February/March 2014	TA mission advised on the implementation of the Medium Term Expenditure Framework and program based budgeting
February 2013	TA mission advised on tax policy reform options
January/February 2013	TA mission advised on reorganization of MOFEA to strengthen budget and MTEF reforms and fiscal reporting
June 2012 -	A resident advisor advised on PFM.
June 2012 -	A resident advisor advised on revenue administration.
April 2012 -	A resident advisor advised on VAT preparations and implementations.
February/March 2012	A couple of experts advised on PFM.
January/February 2012	An IMF regional advisor visited twice to provide TA on revenue administration and VAT preparations.
September 2011	A couple of experts advised on PFM (preparing a Budget Framework Paper) and on VAT preparations.
August 2011	Peripatetic expert advised on improving compliance and tax administration.
April/May 2011	TA mission advised on VAT preparations.
April 2011	TA mission reviewed the pricing formula for petroleum products.
February/March 2011	TA mission reviewed status of revenue administration reforms, including VAT implementation plans.

November/December 2010	Peripatetic expert advised on VAT preparations.
August 2010	Peripatetic expert advised on VAT preparations.
June 2010	TA mission on public financial management (PFM).
April/May 2010	TA mission advised on improvements in revenue administration and provided input into the design of tax reforms.
April 2009	TA mission advised on measures to reform the tax system.
July 2008	Peripatetic regional advisor followed up on the work of the August/September 2007 FAD mission.
Monetary and Capital Markets Department	
March 2014	TA mission on banking supervision (manual of guidelines for regulatory returns)
March 2014	TA mission advised on monetary operations and liquidity management
April/May 2013	TA mission on banking supervision.
September/October 2012	Technical expert advised on monetary operations and liquidity forecasting.
January 2012	Technical expert advised the CBG on amending its Manual of Guidelines and Instructions to strengthen bank supervision.
September 2011	TA mission conducted stress testing and helped built capacity in this area.
February/March 2011	TA mission conducted a diagnostic assessment of the banking system.
March/April 2010	Technical expert advised the CBG on banking supervision.
January 2010	Technical expert advised on monetary operations and liquidity forecasting.
January 2009	Technical expert advised the CBG on banking supervision.
Statistics Department	
February 2015	Mission advised on the compilation of financial soundness indicators for the banking sector.

February 2015	Mission advised on economic census.
January/ February 2015	DfID-funded TA mission advised on the compilation of mutually consistent BOP and IIP statements.
October 2014	Mission on advised on national accounts and economic census.
October/November 2013	Mission advised on the compilation of national accounts.
July/ August 2013	Mission advised the compilation of price statistics.
February/March 2013	DfID-funded TA mission advised the authorities on improving BOP statistics.
January/February 2012	Technical expert advised on improving the compilation of price statistics.
September 2011	DfID-funded TA mission advised the authorities on improving BOP statistics.
July 2011	DfID-funded short-term expert advised the authorities on improving national accounts statistics.
March/April 2011	DfID-funded TA mission advised the authorities on improving BOP statistics.
September 2010	DfID-funded short-term expert advised the authorities on improving national accounts statistics.
August/September 2010	DfID-funded TA mission advised the authorities on improving BOP and IIP statistics.
February 2010	TA mission advised on measures to improve monetary and financial statistics.
June 2008	Fourth visit of the DfID-funded TA mission assisted the authorities in improving the compilation of national accounts statistics, particularly in rebasing the GDP series and in calculating GDP by the expenditure approach, using the results from the 2004 Economic Census.
April/May 2008	Follow-up visit of a 2006 TA mission to assist the CBG in improving the compilation of monetary and financial statistics and in preparing the standardized report forms for reporting monetary data to the IMF.
March 2008	Third visit of the DfID-funded TA mission assisted the authorities in improving the compilation of national accounts statistics, particularly in rebasing the GDP series and in calculating GDP by

	the expenditure approach, using the results from the 2004 Economic Census.
Others	
February 2012	An LEG expert held a VAT workshop for stakeholders and helped finalize the new VAT law and related background materials.
December 2011	An LEG expert helped draft the new VAT law.

Resident Representative

Mr. Gaston, K Mpatswe was appointed the Fund's Resident Representative to The Gambia in August 2013.

JOINT BANK-FUND WORK PROGRAM

The Gambia: Joint Bank-Fund Work Program, April 2013 – April 2014

Title	Products	Timing of Missions	Target Board Date
A. Mutual Information on Relevant Work Program			
Bank work program in next 12 months	**Economic Management and Public Financial Management** 1. Economic Governance Reform Grant **Human Development** 2. Maternal and Child Nutrition and Health Results Based Financing	 April 2015 (tentative) February 2015	 May 2015 April 24, 2015
Fund work program in next 12 months	**Policy Advice** 1. Staff Visit 2. Article IV consultation 3. SMP Review 4. Successor ECF discussion **Technical Assistance** 5. Monetary operations 6. Bank supervision	 April 2015 June 2015 November 2015 February 2016 March 2015 March 2015	 August 2015 April 2016
B. Requests for Work Program Inputs			
Fund request to Bank	Periodic updates on: CPIA, PFM reform, and civil service reform.		
Bank request to Fund	Periodic updates on macroeconomic framework.	April/May 2015 (tentative)	n.a.
C. Agreement on Joint Products and Missions			
Joint products in next 12 months	Joint DSA	June 2014	August 2015

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$10.8 Million Disbursement Under the Rapid Credit Facility for The Gambia

The Executive Board of the International Monetary Fund (IMF) today approved emergency financial assistance under the Rapid Credit Facility (RCF) [1] in the amount equivalent to SDR7.775 million (about US$10.8 million) for The Gambia to enable the authorities to meet their urgent balance of payment and fiscal needs.

The Executive Board noted the authorities' cancellation of the Extended Credit Facility (ECF) arrangement for The Gambia that was approved on May 25, 2012 to support the government's economic program (see Press Release No. 12/191). In addition, the Board was informed about the IMF Managing Director's approval of a one-year staff-monitored program (SMP)[2] to guide policy implementation.

Though The Gambia remains completely free of Ebola, the crisis has caused a deep decline in tourism related activities, the economy's principal foreign currency earner. A projected decline of about 60 percent in tourism, The Gambia's principal export, will strain the country's balance of payments. The shocks, coming in the wake of an extended period of weak policy implementation have exacerbated an already fragile macroeconomic situation. To address their difficulties, the Gambian authorities have taken bold steps in their 2015 budget, developed an ambitious reform agenda for public enterprises in the energy and telecommunication sectors, and made strong efforts to secure donor support.

The IMF financial assistance is intended to address urgent balance of payments needs that have arisen on account of the shock. It will help fill budgetary gaps while the authorities implement economic and structural policies aimed at restoring macroeconomic stability, and reducing poverty. The Executive Board's approval of the RCF disbursement will also enable

[1] The RCF provides rapid financial support in a single, up-front payout for low-income countries facing urgent financing needs. Financial assistance under the RCF is provided as an outright disbursement to Poverty Reduction and Growth Trust (PRGT)-eligible members that face an urgent balance of payments need, and where a full-fledged economic program is either not necessary or not feasible.

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

the authorities to engage in further discussions with the donor community regarding assistance to meet their remaining financing needs. The Board's approval enables the immediate disbursement of the full amount of the RCF loan, which is equivalent to 25 percent of The Gambia's quota in the IMF.

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

"The Gambia is facing urgent balance of payments needs triggered mostly by the impact of the regional Ebola outbreak on tourism. Although the country remains free of Ebola, the regional outbreak is expected to cut by more than half tourism receipts for the 2014/15 season, giving rise to an urgent balance of payments need. At the same time, the delayed summer rain has led to a significant drop in agricultural production with serious implications for growth in 2014 and food security. Policy slippages and persistent financial difficulties in public enterprises have exacerbated the problems and pushed The Gambia's Extended Credit Facility (ECF) arrangement off track.

"The authorities have taken a number of upfront policy actions. The 2015 budget envisages lowering net domestic borrowing, anchored by revenue and expenditure measures, and complemented by stepped-up budget support from external donors. The authorities have taken steps to begin resolving the financial problems of key public enterprises and intend to take measures to secure their medium-term fiscal consolidation and poverty reduction objectives.

"The envisaged adjustment and structural reforms, if properly implemented, would contribute significantly to addressing The Gambia's present difficulties and achieving the targets envisaged in the Programme for Accelerated Growth and Employment. Such measures should also help lower domestic interest rates and thus alleviate medium-term spending pressures associated with the currently very high level of domestic interest costs. In light of the large fiscal cost of poor performing public enterprises in 2014, the authorities should promptly identify contingency plans to protect budgetary outcomes in 2015 from unexpected shocks. They should also meet their external debt obligations in a timely manner. Further measures, beyond those incorporated in the 2015 budget, are also required to undertake a deeper restructuring of the budget and public enterprises to put the medium-term fiscal position on a sound footing.

"Determined and strong policy implementation under the Rapid Credit Facility is critical to restore macroeconomic stability and to catalyze the critical donor financing. The Staff-Monitored Program will help enhance policy implementation and establish a good track record, which remain fundamental for a possible future Fund-supported program."

Statement by Ms. Kapwepwe, Executive Director and Mr. Saidy, Senior Advisor to the Executive Director for The Gambia
April 2, 2015

Introduction

The Gambian authorities extend their appreciation to staff for the constructive policy dialogue and broadly share the thrust of the staff report. They are especially thankful to the Executive Board and Fund Management for their continued support and policy guidance against the backdrop of a challenging domestic and international environment. Cognizant of options to restore fiscal prudence and maintain macroeconomic stability while promoting inclusive growth, they have embarked on improving macroeconomic management through increased fiscal consolidation and public financial management reforms. Accordingly, measures to enhance domestic revenue mobilization have been introduced while commitment to prudent expenditure management has been renewed.

While The Gambia remains Ebola free, the indirect impact of the Ebola outbreak in the sub-region through tourism and trade has been significant. In addition, the poor crop harvest due to the drought has led to lower exports. In light of these developments, the external shocks have exerted additional pressure to the already fragile fiscal and external positions. Consequently, the 2nd ECF Review could not be completed before the program expires in May 2015. However, given the significant weakening of the balance of payments position due to the severe impact of the shocks, the authorities are requesting IMF support under the Rapid Credit Facility (RCF). They also wish to pair the RCF with a Staff Monitored Program to enhance implementation of their planned fiscal adjustment measures and the Program for Accelerated Growth and Employment (PAGE).

Recent economic developments, outlook and policies

The Gambian economy has been severely impacted by the drought and crop failure. The situation has been made worse by the regional effect of the Ebola outbreak, which has cut tourism receipts by more than half for the 2014/15 season. As a result, real GDP is estimated to contract by ¼ percent in 2014 and a slower recovery is projected for 2015. Consumer price developments show an acceleration in inflationary pressures as inflation rose to 7 percent in January 2015 from 5.5 percent in earlier months. The external current account deficit including budget support widened relative to a year earlier. Gross international reserves in months of import cover declined to 3.6 at end-2014 from 5.2 at end-2013.

My authorities' principal policy objective over the near and medium term is to maintain a stable macroeconomic environment to support robust and sustainable inclusive growth. GDP growth is expected to return to trend in the medium term as government pursues prudent fiscal and monetary policies, and increase investment in infrastructure and agriculture. The external current account deficit is expected to narrow in the medium term, on account of the expected recovery in exports and increase in services. Gross international reserves are projected to increase to 5.1 months of imports of goods and services by the end of 2018. The exchange rate is expected to maintain its relative stability over the medium term, while inflation is targeted at 5 percent.

On the fiscal front, the authorities are committed to implement strong fiscal measures, both on the revenue and expenditure sides. This is a necessary condition which will complement the efforts of the Central Bank in its conduct of monetary policy. Government has made the commitment not to take-up any contingent liabilities on behalf of any Public Enterprises (PEs) going forward and existing liabilities incurred by PEs will be restructured for eventual repayments. In addition, government has undertaken to reform all PE's to improve efficiencies and put them on a sound financial footing. This will include among others, helping institutions like the National Water and Electricity Company to improve collection of outstanding payments.

Fiscal policy

My Gambian authorities remain committed to ensuring fiscal discipline to reduce the deficit and domestic borrowing in order to maintain medium-to long-term fiscal sustainability. To this end, the budget was anchored on limiting NDB to 1 percent of GDP by year-end. This will generate savings, rebuild buffers and support macroeconomic stability and growth. Given the challenges in scaling-up resources to effectively implement PAGE, far-reaching policy measures will be pursued to strengthen mobilization of domestic resources to complement donor financing of government programs and projects. In addition, the authorities plan to introduce performance contracts, management contracts, and leasing as part of the public sector reform. Furthermore, my authorities have established the Public Private Partnership (PPP) Unit in the Ministry of Finance and Economic Affairs and a PPP policy has already been developed to provide the framework for government to partner with the private sector in national development.

On the expenditure front, my authorities are committed to pursuing tight expenditure controls while switching spending towards their strategic priority infrastructure and social sector projects. Accordingly, the authorities have started implementing the plan to reduce embassies, restrict travel of civil servants and will introduce a comprehensive vehicle policy. Furthermore, the strategic planning exercise in all ministries to facilitate more efficient allocation of public finances is expected to be completed by 2016.

Debt management policy

My authorities are concerned that the recent debt sustainability analysis conducted by the IMF and World Bank indicates that the country faces heightened overall risk of debt distress. Cognizant of the threats to debt sustainability, external financing of infrastructural and other social sector projects will be at concessional terms, while innovative ways of mobilizing external resources are crafted. On the domestic front, as market conditions allow, the authorities will endeavor to extend the maturity of domestic public debt by introducing longer-term instruments such as bonds aimed at reducing rollover risks. Finally, the authorities remain committed to their ambitious fiscal consolidation plan to bring down the public debt level and the T-bill rates.

Monetary policy

The monetary policy stance will be geared towards ensuring macroeconomic stability. In this regard, further strengthening of the monetary policy framework will be pursued including, through continued improvement of liquidity forecasting and management. In addition, the fiscal authorities will collaborate with the central bank by participating in the regular meetings of the interagency committee and by improving its weekly forecasting of the public sector borrowing requirement. Furthermore, monetary operation will be deepened to enhance the effectiveness of monetary instruments in sterilizing domestic liquidity.

Financial sector policy

The banking sector continued to be sound, safe and resilient. There has been strong asset growth and increased competition in deposit mobilization. Also, solvency remains strong and all banks were within the capital adequacy ratio prudential limit.

Looking ahead, the monetary authority will pursue series of structural reforms to guarantee financial stability. This will include developing a national crisis resolution framework, which will be extended to cross border in the sub-region. Plans are underway to migrate from a hybrid (compliance and risk-based) to a fully risk-based supervisory framework, once the architecture to implement risk-base supervision is completed. In addition, the central bank will continue to conduct top-down stress testing using simple sensitivity-based models to assess the resilience of the banking system to various shocks. Furthermore, an electronic reporting system for commercial banks for the timely reporting of data as well as facilitation of onsite and offsite supervision has been established. Finally, capacity for macro-prudential analysis will continue to be enhanced.

Conclusion

The authorities remain commitment to sound macroeconomic management and inclusive growth underpinned by prudent public financial management. In this context, they intend to direct policy efforts towards narrowing the budget deficit as the key to reducing the debt burden and related interest payments. They appreciate the support from the Fund and the international community and count on the continuation of such support to realize their development goals.