

## International Monetary Fund

[The Gambia](#) and the  
IMF

**Press Release:**  
[IMF Completes the  
Fifth Review Under  
The Gambia's PRGF  
Arrangement and  
Approves a US\\$8  
Million Disbursement](#)  
August 7, 2009

[Country's Policy  
Intentions Documents](#)

**E-Mail Notification**  
[Subscribe](#) or [Modify](#)  
your subscription

**The Gambia:** Letter of Intent, Memorandum of Economic and  
Financial Policies, and Technical Memorandum of Understanding

July 20, 2009

The following item is a Letter of Intent of the government of the Gambia, which describes the policies that the Gambia intends to implement in the context of its request for financial support from the IMF. The document, which is the property of the Gambia, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Banjul, The Gambia

July 20, 2009

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. The Gambia's three-year Poverty Reduction and Growth Facility (PRGF) arrangement was approved by the IMF Executive Board in February 2007. The fourth review was completed on February 18, 2009. At the same time, the Board approved an augmentation of access under the current PRGF arrangement in the amount of SDR 6.22 million (20 percent of quota). The augmentation is being disbursed in two equal installments of SDR3.11 million each (the second at the completion of the fifth review). The attached Memorandum of Economic and Financial Policies (MEFP) reviews progress in implementing the Government's PRGF-supported program in the period to March 2009, and sets out the policies the Government will pursue during the remainder of the program.
2. Performance under the program has been satisfactory. All quantitative performance criteria for end-March 2009 were met. Making the credit reference bureau operational was a structural performance criterion for end-March 2009. The credit reference bureau became operational in July 2009. The delay was necessary to allow parliament to consider an amendment to the Banking Act to allow banks to share confidential customer data through the credit bureau. All the structural measures scheduled for completion by end-March 2009 have now been implemented. On that basis, we request a waiver for the nonobservance of the structural measure on making the credit reference bureau operational.
3. In support of our policies described in the MEFP, the Government of The Gambia requests completion of the fifth review and the sixth disbursement under the PRGF arrangement in an amount equivalent to SDR5.11 million (including an augmentation of SDR3.11 million).
4. The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. However, stands ready to take any additional measures that may become appropriate to meet these objectives. The Gambia will consult with the IMF on adoption of these measures and in advance of any revisions to

policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The sixth review under the PRGF arrangement is expected to be completed by end-January 2010.

5. The government intends to make the contents of this letter, the attached MEFP and Technical Memorandum of Understanding available to the public. Therefore, it authorizes the IMF to arrange for these documents to be posted on the IMF website following Executive Board conclusion of the review.

Sincerely yours,

/s/

Abdou Kolley  
Minister  
Ministry of Finance and Economic Affairs

/s/

Momodou Bamba Saho  
Governor  
Central Bank of The Gambia

Attachments: Memorandum of Economic and Financial Policies  
Technical Memorandum of Understanding

## MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

### I. INTRODUCTION

1. This memorandum updates the Government of The Gambia's economic and financial program under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the International Monetary Fund (IMF). The program, which was approved by the Executive Board of the IMF in February 2007, aims at consolidating macroeconomic stability, fostering the conditions for sustaining high economic growth, and reducing poverty. The fourth review was completed on February 18, 2009.

### II. RECENT ECONOMIC DEVELOPMENTS

2. The Gambia is experiencing a slowdown in growth. Although the domestic financial system has not been affected directly by the global financial crisis, the real and external sectors are adversely impacted. Recessions in Europe and the US have adversely affected tourism receipts and remittances. A rebound in agriculture cushioned the slowdown during 2008. Tourism, among the main drivers of growth in recent years, recorded negative growth rates, while the rate of growth in communication services decelerated during 2008.

3. Inflation has been edging upward, peaking at 7.0 percent in February 2009, mainly due to the lagged pass-through of the depreciation of the dalasi during 2008. Food price inflation remains above non-food inflation, reflecting the high import content of the food basket. The exchange rate and food import prices stabilized in early 2009 and annual inflation fell to 6.7 percent in April.

4. Reserve money grew by 5.7 percent in 2008, compared to a contraction of 4.3 percent in 2007, owing primarily to the strong growth in net credit to government, mainly during the last quarter. Broad money grew by 18.4 percent in 2008, reflecting in large part the expansion of domestic credit by 53 percent. Indications for early 2009 suggest that broad money growth will continue at a high level in 2009 as a result of strong demand for credit from the corporate sector. Monetary policy remained reasonably tight throughout 2008 and early 2009, and average interest rates on T-bills have been moving up toward 15 percent in the first half of 2009.

5. During the third and fourth quarters of 2008, the fiscal situation deteriorated. External shocks caused domestic tax revenues to drop by more than 2 percentage points of GDP in 2008 compared to 2007. On the expenditure side, current expenditures increased by 0.4 percent of GDP, while domestic capital spending increased by approximately 0.8 percent of GDP. As a result, the fiscal basic balance deteriorated significantly. In response, the government scaled back plans to increase wages and salaries and domestic capital spending in 2009.

6. In early 2009, revenues in all categories have shown signs of recovery. The decline in international tax receipts was partially offset because the depreciation of the currency caused the tax base, as measured in dalasi, to increase. In addition, revenues from petroleum products increased because the domestic retail price was held constant despite the significant fall in world prices. The Government had decided to provide implicit subsidies on domestic petroleum prices during the period of high world prices in the first half of 2008. When world prices fell in the second half of 2008, the government maintained domestic price levels as a buffer against future price increases in the world market and as a way of recovering part of the government subsidies. On the expenditure side, interest payments declined.

7. The government's economic program aims to reduce domestic debt and interest payments to create room for more investment and spending on the poor. Therefore, it targets surpluses on the fiscal basic balance averaging 1-2 percent over the medium-term. These surpluses are expected to reduce interest-bearing debt from 25 percent of GDP at end-2008 at an annual rate of 2 percent up to 2014.

8. During exceptional circumstances in early 2009, government borrowed from the Central Bank of the Gambia (CBG) beyond the statutory limit of 10 percent of tax revenue of the preceding year. An agreement between MoFEA and CBG, sanctioning a temporary borrowing limit of 20 percent, was signed on January 23, 2009. The government plans to reduce its borrowing from the CBG to below the statutory limit in the next few months.

9. The external position weakened during late 2008 and early 2009. Falling earnings from tourism and remittances caused an increase in the current account deficit, despite falling import prices for oil and food commodities. Re-exports continue to decline in part because The Gambia is implementing the ECOWAS common external tariffs structure. As a result of these factors, the current account deficit (including official transfers) increased from 13.4 percent of GDP in 2007 to 16.7 percent in 2008.

10. In the second half of 2008, the dalasi fell 17.8 percent against the US dollar and 8.7 percent against the euro but appreciated by 9.7 percent against the pound sterling. During November and December 2008, the CBG intervened by providing foreign exchange to the banking sector. Partly as a result of the intervention, official reserves dropped sharply during the final quarter of 2008, declining from 5.5 months of imports in September 2008 to 3.8 months in December 2008. At the end of March 2009, official reserves equaled 3.3 months of imports.

### **III. PERFORMANCE UNDER THE PROGRAM**

11. All the quantitative performance criteria for end-March 2009 were met (Table 1). The indicative targets for December 2008 on net domestic assets of the central bank and net usable international reserves were missed, largely due to the impact of the global economic crisis on The Gambia. The government has since taken remedial action.

12. A structural performance criterion scheduled to be completed by end-March was not completed on time (Table 2). The credit reference bureau was staffed and its IT systems installed but it was not operational because the Financial Institutions Act (2003) had not been amended to allow for the sharing of information on bank clients. The Act has since been amended. The credit reference bureau became operational in July 2009. Quarterly balance of payments statistics were available on request at the end of March and were published in May 2009.

13. The government is working toward meeting the quantitative and structural targets for September 2009. It has reconciled the arrears and tax claims regarding the National Water and Electricity Corporation (NAWEC). An MOU has been signed between the government and NAWEC and a payments schedule has been agreed. The net arrears of D67 million will be repaid in two tranches, in 2009 and in 2010. Furthermore, the government has taken major steps toward preparing a national debt strategy. An expert funded by the African Development Bank has just completed a report on reconciling the external debt data and providing advice on appropriate strategy. The government expects to finalize the strategy by September 2009.

#### **IV. MEDIUM-TERM OUTLOOK AND OBJECTIVES**

14. Economic growth is expected to slow during 2009 as declines in tourism and remittances continue. Depending on the world economic climate, tourism revenues are expected to start improving in 2010. Growth in agriculture production during 2009 is expected to be modest due to the very high base achieved in 2008, when a favorable monsoon led to an exceptionally good harvest.

15. Inflation is projected to decline to 6 percent at the end of the year and fall further during 2010. The easing of inflationary pressures depends on stable commodity prices and exchange rates.

16. Fiscal performance for 2009 is expected to be consistent with budget projections. Tax revenues are expected to be boosted by an increase in international taxes, but this is likely to be offset by lower than projected nontax revenues. Grants will be provided by the World Bank and the African Development Bank. Expenditures are projected to remain consistent with the budget, although interest payments on external debt will also increase due to the depreciation of the dalasi. The government will ensure that it continues to meet the basic fiscal balance target in the program.

17. The current account (excluding grants) is expected to widen during 2009 and 2010 but to improve in the medium term. During 2009, remittances are expected to fall significantly compared to 2008, and tourism income may also decline. Increased budget support will be available from 2009 onward. The World Bank and the AfDB are expected to disburse a total of US\$13 million in 2009, and the EU is expected to disburse budget support of €25 million over 2010–2013.

18. Risks to the outlook include the effects of the global economic downturn, worsening fiscal performance, and shortfalls in expected donor assistance. The global crisis could affect the external balance as well as domestic growth, especially if declines in remittances and tourism revenue are deeper or longer-lasting than projected.

19. Responding to the global economic crisis is the biggest near-term challenge for Gambian economic policy. The government intends to minimize the effect of the crisis, particularly on the economically vulnerable. At the same time, it seeks to lower domestic and foreign debt in the medium term, improve long-term growth prospects, and enhance Gambia's competitiveness. Macroeconomic targets for 2009 to 2011 include:

- returning to real GDP growth rates of about 5 percent a year;
- bringing inflation down to 6 percent in 2009 and about 5 percent in 2010;
- reducing government interest-bearing domestic debt from approximately 25 percent of GDP at end-2008 to approximately 18 percent at end-2011;
- bringing about a moderate reduction in the external current account deficit (including official transfers) over the medium term; and
- rebuilding international reserves to cover five months of imports.

## **V. THE REMAINDER OF THE PROGRAM**

20. The Gambia's debt burden remains high despite the country having reached the HIPC completion point. By September 2009, the government will adopt a national debt strategy that will ensure that external and domestic debt burden indicators are steadily reduced to more sustainable levels. The strategy will limit the amount of external borrowing so that the present value of the debt-to-exports ratio will fall below 100 percent by 2026. Also, it will stipulate a path for reducing domestic debt. Future borrowing plans will be assessed against this strategy. The debt strategy must therefore focus on attracting grants and highly concessional loans to finance The Gambia's poverty reduction program. The government will seek treatment comparable with the HIPC initiative from all external creditors, with the assistance of the IMF and the World Bank. It will limit new external borrowing to concessional loans with a grant element of at least 45 percent.

21. During 2009, the government will formulate its strategy for reforming the tax system, drawing on the recommendations of the IMF technical assistance mission. The objective of tax reform is to broaden the tax base, improve the efficiency of the tax system, and rationalize central and local government taxation. The government expects to incorporate some of the recommendations into the 2010 budget. Others will be considered for subsequent budgets. It is also seeking IMF technical assistance on tax administration and fiscal decentralization.

22. The government remains committed to the targets in the 2009 budget for current expenditures and domestic capital spending. If revenues for the year are higher than budgeted, the surplus will be used primarily to finance propoor expenditure in the social sectors and also to reduce domestic debt.
23. Over the medium term the government will seek to finance more social spending from external grants rather than loans. The government needs to mobilize more external resources (grants and highly concessional loans) to finance infrastructure and other priority economic development projects. It plans to use the fiscal space created by lower interest payments on domestic debt to boost domestic investment and spending on the poor.
24. If there is an SDR allocation from the IMF, it will be used to increase official reserves. The government does not intend to draw on this allocation because the interest rate payable would not be concessional.
25. Monetary policy will continue to aim at maintaining price stability. The Gambia has a floating exchange rate regime, with no predetermined path for exchange rates. Intervention in the foreign exchange market will be limited to smoothing exchange rate volatility and be carried out with due regard for achieving the CBG's reserve targets. Liquidity forecasting will be improved to enhance the implementation of monetary policy.
26. The government will conclude its review of the Investment Promotion Act and propose amendments to be enacted in 2009. These amendments will streamline investment promotion procedures, protect the attractiveness of The Gambia as a destination for foreign direct investment, and improve transparency in the fiscal treatment of foreign investment.
27. With the granting of approval-in-principle to five prospective banks, the number of licensed commercial banks is expected to increase to at least 15 by the end of 2009 from 11 in 2008. During 2008, the minimum capital requirement for commercial banks was increased in two stages, from D60 million to D150 million effective end-2010 and to D200 million effective end-2012. The new minimum capital requirement applies with immediate effect to new applicants for bank licenses. The authorities recognize the need to strengthen capacities at the Banking Supervision Department of the CBG. In view of the need to strengthen its bank supervision capacity, the CBG will be vigilant in issuing new commercial bank licenses.
28. The government is implementing its civil service reform strategy and program. The three main areas are a pay and incentive system, a capacity building and human resources development program, and pensions reform, including development of a new pension scheme and an actuarial valuation. The government is funding the pay and incentive scheme; the World Bank and other donors are expected to fund the other schemes. Government is in discussions with the World Bank about its support.



## **VI. PROGRAM MONITORING**

29. The program will continue to be monitored based on agreed quantitative targets (Table 1), structural benchmarks (Table 3), and program reviews. The quantitative financial targets for end-September 2009 are performance criteria, and those for end-June 2009 and end-December 2009 are indicative targets. The sixth review is scheduled to be completed by end-January 2010. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU).

30. To ensure effective monitoring of program implementation, the PRGF Monitoring Committee, headed by the Minister for Finance and Economic Affairs will continue to meet regularly to review performance under the program. It will also ensure that data are reported to the IMF as per the schedule agreed in the TMU and will provide any other information deemed necessary or requested by IMF staff in order to monitor the program. The committee will also take remedial actions if there are gaps or delays in reporting reliable statistics.

Table 1: Quantitative Performance Criteria and Indicative Targets, End-December 2006 to End-December 2009

	2006		2007		2008				2009													
	End-Dec.		End-Dec. <sup>1</sup>		End-Mar.	End-Jun.		End-Sep.		End-Dec.		End-Mar.	End-Jun.	End-Sep.	End-Dec.							
	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.							
<b>Performance criteria <sup>2</sup></b>	(Stock)				(Cumulative change from end-December 2006)																	
	(Millions of dalasis)																					
Net domestic assets of the central bank (ceiling)	38.7	504.5			603.2			581.7			-48.8			-97.0			759.0			859.0	964.6	914.5
Adjusted for privatization proceeds and budget support <sup>3</sup>		262.5	-270.4		361.2	-334.5		339.7	-393.2		94.2	-365.9		46.0	617.8		913.0	556.6				
Basic balance (floor) <sup>4</sup>	...	659.4	613.6		628.5	760.6		746.2	722.7		793.4	781.1		859.3	480.4		616.9	681.3		745.5	772.7	685.6
New external payments arrears of the central government (ceiling) <sup>5</sup>	0.0	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
	(Millions of U.S. dollars)																					
Net usable international reserves (floor)	94.9	12.3			15.8			16.2			27.0			36.5			-2.9			-6.1	-5.9	-13.7
Adjusted for privatization proceeds and budget support <sup>6</sup>		23.3	32.0		26.8	27.5		27.2	29.0		20.5	32.7		30.0	1.5		-9.9	1.6				
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling) <sup>7</sup>	0.0	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
Outstanding stock of external public debt with original maturity of one year or less (ceiling) <sup>8</sup>	0.0	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
<b>Indicative targets</b>	(Millions of dalasis)																					
Domestic budgetary arrears <sup>9</sup>	561.5	-440.2	-369.5		-486.5	-441.6		-532.5	-494.3		-561.5	-494.3		-561.5	-561.5		-561.5	-494.3		-531.3	-531.3	-531.3
	(Millions of U.S. dollars)																					
Net present value of new contracted external debt (cumulative ceiling) <sup>10</sup>		4.2	0.0		20.7	4.2		20.7	4.2		31.7	4.2		31.7	30.2		40.1	36.7		40.1	45.6	45.6
<i>Memorandum item:</i>																						
Program exchange rate (D/\$)		22.0	22.0		22.0	22.0		22.0	22.0		22.0	22.0		22.0	22.0		22.0	22.0		22.0	22.0	22.0
Privatization proceeds (\$ millions)	...	17.5	28.5		17.5	28.5		17.5	28.5		35.0	28.5		35.0	28.5		28.5	28.9		29.9	29.9	29.9
Privatization proceeds (D millions at program exchange rate)	...	385.0	627.0		385.0	627.0		385.0	627.0		770.0	627.0		770.0	627.0		627.0	634.7		657.8	657.8	657.8
Expenditure from privatization receipts (D millions)	...	70.0	158.6		179.0	180.1		288.0	612.0		548.6	612.0		612.0	612.0		612.0	612.0		612.0	657.8	657.8
Budget support grants (\$ million)		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		7.0	0.0		11.5	11.5	11.5
Budget support grants (D millions at program exchange rate)		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		154.0	0.0		253.0	253.0	253.0

Source: IMF staff estimates.

<sup>1</sup>MDRI debt relief took place in the fourth quarter of 2007.<sup>2</sup>March 2008, September 2008, March 2009, and September 2009 are performance criteria; December 2007, June 2008, December 2008, June 2009, and December 2009 are indicative targets.<sup>3</sup>Adjusted upward (downward) by the dalasi equivalent of the extent to which actual receipts fall short of (exceed) projected level of privatization receipts and budget support grants.<sup>4</sup>Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.<sup>5</sup>Adjusted downward by the dalasi equivalent of the amount of external budget support in excess of the projected levels up to a cumulative maximum in of US\$10 million in 2009.<sup>6</sup>To be applied on a continuous basis.<sup>7</sup>Adjusted upward (downward) by the extent to which actual receipts exceed (fall short of) projected level of privatization receipts and budget support grants.<sup>8</sup>External debt contracted or guaranteed other than that with a grant element equivalent to 45 percent or more, calculated using a discount rate based on the Organization for Economic Cooperation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.<sup>9</sup>Excluding normal import-related credits.<sup>10</sup>Actual domestic budgetary arrears have been revised upwards for December 2007 and March 2008 to exclude loans that were initially included in arrears.

Arrears for March 2009 were revised upwards to account for new arrears owed to the National Water and Electricity Corporation (NAWEC).

<sup>10</sup>Cumulative from October 1, 2007.

Table 2: Structural Conditionality, January - June 2009 1/

Measure	Target date	Status
<b>Public financial management and accountability</b>		
1. Verify claims of government and NAWEC on each other and draw up timetable for settlement of net claims (PC)	End-June 2009	Met
<b>Central bank governance</b>		
2. Prepare pro-forma financial statements for 2008 based on IFRS and have this reviewed by the CBG's external auditors (B)	End-June 2009	Met
<b>Financial deepening</b>		
3. Make the credit reference bureau operational (PC)	End-March 2009	Met with a delay
<b>Statistics</b>		
4. Publish quarterly balance of payments statistics, with a one quarter lag (B)	(i) End-March 2009 (2008Q4 data)	Met with a delay
	(ii) End-June 2009 (2009 Q1 data)	Met

1/ PC and B denote performance criterion and benchmark, respectively.

Table 3: Structural Benchmarks, July-December 2009

Measure	Target date	Macro rationale
<b>Public financial management and accountability</b>		
1. Auditing of government accounts: submit to the national assembly audited government accounts for 2005, 2006, and 2007	End-Sept 2009	To improve fiscal accountability and control.
2. Prepare a national debt strategy after receiving TA	End-Sept 2009	To promote debt sustainability.
<b>Statistics</b>		
3. Publish quarterly balance of payments statistics, with a one quarter lag	(i) End-Sept 2009 (2009 Q2 data) (ii) End-Dec 2009 (2009 Q3 data)	To facilitate policy formulation through timely provision of economic statistics.

**ATTACHMENT II****TECHNICAL MEMORANDUM OF UNDERSTANDING****(May–December 2009)****I. INTRODUCTION**

1. This memorandum sets out the understandings between the Gambian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of quantitative performance criteria, indicative targets, structural performance criteria, and structural benchmarks that will be used to monitor the Poverty Reduction and Growth Facility (PRGF)-supported program covering the period of 2007–09. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative performance criteria.

**II. QUANTITATIVE PERFORMANCE CRITERIA****A. Net Domestic Assets of the Central Bank**

2. **Definitions:** 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.

3. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted first into U.S. dollars at the prevailing cross-rates and then converted into dalasi using the program exchange rate of D22/US\$. This is an accounting exchange rate only and should not be construed as a projection.

4. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual privatization receipts fall short of (exceed) the programmed levels specified in the budget.

5. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual budget support receipts fall short of (exceed) the programmed levels specified in the budget.

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 rate) 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.

7. **Supporting material:** The CBG will report data on privatization receipts in the currency it is received in as well as equivalent amounts in U.S. dollars and in dalasis on a monthly basis within two weeks of the end of the month. The Ministry of Finance and Economic Affairs (MoFEA) will report data on a monthly basis within two weeks of the end of the month on expenditures made from the privatization receipts.

### **B. Basic Balance of the Central Government**

8. **Definition:** The *basic balance* of the central government is defined as revenue (tax and nontax) minus total expenditure and net lending, excluding externally financed capital expenditure, excluding the statistical discrepancy. Central government excludes local and regional governments and public enterprises.

9. **Supporting material:** Reporting on the basic balance will form part of the consolidated budget report described in paragraph 29 below.

### **C. New External Payments Arrears of the Central Government**

10. **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 Paris Club members) or HIPC. 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.

11. **Supporting material:** An accounting of nonreschedulable 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 entities to Paris Club and non-Paris-Club creditors.

### **D. Net Usable International Reserves of the Central Bank of The Gambia**

12. **Definition:** *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 foreign convertible currencies. They include 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.

13. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual privatization receipts exceed (fall short of) the programmed level specified in the budget.

14. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual budget support receipts exceed (fall short of) the programmed level specified in the budget.

15. **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.

16. **Supporting material:** End-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month. The CBG will identify the U.S. dollar equivalent of privatization receipts within net usable international reserves as a memorandum item.

#### **E. New Nonconcessional Debt Contracted or Guaranteed by the Central Government with Original Maturity of More Than One Year**

17. **Definition:** This target refers to new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government. 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 24, 2000 (Decision No. 12274–00/85), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this target are loans or purchases from the IMF and debts with a grant element of at least 45 percent.<sup>1</sup> Also excluded are two loans from the OPEC Fund for International Development with grant elements of 39.5 percent each, which were approved in the first half of 2007.

18. **Supporting material:** A comprehensive record, including a loan-by-loan accounting of all new concessional and nonconcessional 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. Nonconcessional external debt over one year includes

---

<sup>1</sup>To be considered concessional in IMF arrangements, a loan should have a grant element of at least 35 percent, calculated on the basis of the commercial interest reference rates (CIRR) and following the methodology set out in the staff paper on “Limits on External Debt or Borrowing in Fund Arrangements – Proposed Change in Implementation of the Revised Guidelines” approved by the IMF Executive Board on April 15, 1996.

financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms.

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

19. **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 central government.<sup>2</sup> The public sector consists of the central and regional governments and other public agencies, including the CBG. Excluded from this target are normal import-related credits.

20. **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.

### **III. QUANTITATIVE INDICATIVE TARGETS**

#### **A. Domestic Budgetary Arrears**

21. **Definition:** *Domestic budgetary arrears* are defined as the sum of all bills that have been received by a central government spending unit or line ministry under the recurrent expenditure budget (including rents and utilities) or the development expenditure budget, and for which payment has not been made within 30 days. Arrears can be cleared in cash or through debt swaps.

22. **Supporting material:** A comprehensive record of all domestic budgetary arrears, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

#### **B. Net Present Value of New Contracted External Debt**

23. **Definition:** The net present value (NPV) of new external debt contracted or guaranteed by the government from October 2007 onward is calculated by discounting the future stream of payments of debt service due by the country-specific commercial interest reference rates (CIRRs) as published by the Organization for Economic Cooperation and Development (OECD). The new external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted (ratified by parliament). Disbursed debt will be converted to U.S. dollars, based on prevailing WEO test date exchange rates; for

---

<sup>2</sup> 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 24, 2000 (Decision No. 12274–00/85).



loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with the Fund staff.

24. **Supporting material:** Data on the NPV of the stock of outstanding external debt contracted or guaranteed by the government since October 2007 will be provided on a monthly basis within five weeks of the end of each month.

#### **IV. STRUCTURAL BENCHMARKS**

##### **A. Auditing of Government Accounts**

25. The government shall submit to the national assembly audited government accounts for 2005, 2006, and 2007.

##### **B. National Debt Strategy**

26. The government shall prepare a national debt strategy. The strategy will outline comprehensive measures to reduce external and domestic debt to appropriate levels, consistent with the IMF and World Bank LIC Debt Sustainability Framework (DSF).

##### **C. Quarterly Balance of Payments Statistics**

27. **Supporting material:** Quarterly balance of payments data are to be transmitted to the IMF with a one quarter lag.

#### **V. OTHER DATA REQUIREMENTS AND REPORTING STANDARDS**

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

##### **A. Prices**

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

##### **B. Government Accounts Data**

30. A monthly consolidated central government budget report (the analytical table) on budget execution during the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of the month. The report will comprise (i) revenue data by major item, including tax (direct tax, taxes on domestic goods and services, and taxes on international trade) and nontax; (ii) external grants by type (e.g., project, program); (iii) details of recurrent expenditure (including data on wages and

salaries, interest payments, and other charges); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditures from the Gambia Local Fund, and net lending); (v) the overall balance and the basic balance (defined in paragraph 7); and (vi) details of budget financing (including net domestic borrowing and its gross components, external grants, net external borrowing and its gross components, utilization of privatization proceeds, and arrears).

31. Net domestic borrowing by the central government over a given period is defined as the difference between the net domestic debt at the end of the period and the net domestic debt at the beginning of the period. The central government's net domestic debt is defined as: claims on the central government by the banking system minus deposits of the central government with the banking system plus claims by the nonbanking sector, including public enterprises. Central government excludes local and regional governments and public enterprises. The banking system comprises the CBG and commercial banks.

### **C. Poverty Reducing Expenditures**

32. A monthly report on poverty-reducing expenditures, by functional and economic classifications, will be transmitted within four weeks of the end of each month. Poverty-reducing expenditures comprise line items in the budget that have been specifically tagged as PRSP-related. For 2007, they include expenditure on the construction of trunk roads.

### **D. Monetary Sector Data**

33. The balance sheets 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 should explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, interest and non-interest-bearing government bonds, advances to the government in foreign currency, and other claims. Liabilities include balances in the treasury main, treasury expenditure, consolidated revenue fund, and other revenue accounts, and treasury bill special deposit, privatization, special projects, foreign projects, and other deposit accounts.

34. The consolidated balance sheet of the commercial banks and a monetary survey (consolidating the accounts of the CBG and the 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.

35. The CBG will also forward, within four weeks of the end of each month, data on bank reserves held at the CBG to meet statutory reserve requirements during the last week of each month (broken down by total reserves, and excess reserves or deficits). Data will be provided for each commercial bank as well as for the industry as a whole.

36. The CBG will also forward within four weeks of the end of each month, data on government borrowing from the CBG as defined in the CBG Act 2005. The data shall indicate the limit on government borrowing from the CBG based on the government's tax revenues in the preceding year.

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

#### **E. Treasury Bills**

38. Weekly data on the amount offered, issued, net issuance, over-/under-subscription, and yields (interest rates) of the various instruments will be transmitted on a monthly basis within seven days of the end of the month. Data on treasury bills outstanding (including information on the distribution by bank and nonbank 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.

#### **F. External Sector Data**

39. The following standards will be adhered to in reporting data on exchange rates: (i) the interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week; and (ii) the CBG's published monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within two weeks of the end of the month.

40. The CBG will also forward monthly data on 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 dalasis within two weeks of the end of the month.

#### **G. CBG Report on Monetary Program Data**

41. The CBG shall forward a report prepared by the Internal Audit Department verifying the accuracy of monetary data submitted to the IMF. The report shall be submitted within one quarter after each test date. The first test date for which the report is to be prepared is September 2008.