

International Monetary Fund

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IMF

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

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Extended Credit
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and US\\$14.2 Million
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Gambia](#)
May 25, 2012

May 4, 2012

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.

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LETTER OF INTENT

Banjul, The Gambia
May 4, 2012

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

Dear Ms. Lagarde:

1. The policies implemented by the Government of The Gambia (GoG) in recent years have been generally successful in maintaining macroeconomic stability, delivering strong growth, and improving the well-being of the Gambian people. These policies were supported by the International Monetary Fund (IMF) through an arrangement under the Extended Credit Facility (ECF) approved by the IMF Executive Board in February 2007. The arrangement was augmented in February 2009 and extended and augmented again in February 2010. However, the fiscal deficit began to widen over the latter part of the arrangement, which expired in March 2011 without completion of the final review because of fiscal slippages. The GoG's domestic debt, which was on a declining path, began to rise again. As of the end of 2010 domestic debt stood at nearly 30 percent of GDP, significantly increasing the debt burden and rollover risks.

2. During 2011, the GoG took important steps towards strengthening macroeconomic stability and fiscal sustainability. These included: (i) stabilizing revenue, particularly through stronger revenue administration and more regular adjustments of fuel prices to reduce subsidies that cut into tax collections; (ii) restraining expenditures through strict cash budgeting; (iii) curbing the growth in domestic debt; and (iv) reining in fiscal dominance and building up the independence of the central bank. In addition, in late 2011 the GoG launched the *Programme for Accelerated Growth and Employment (PAGE)*, which seeks to increase growth through investment in agriculture, infrastructure, and human capital.

3. A severe drought, however, has led to a major crop failure during the 2011-12 season, with harvest yields of key crops falling by 50-80 percent. Economic growth has been hit hard and the GoG anticipates additional spending needs of around 2½–3 percent of GDP for emergency food imports, as well as for immediate purchases of seeds and fertilizer, which are needed urgently to avoid another crop failure in the 2012-13 season. The current crop failure also means that exports of groundnuts, our main cash crop, will collapse this year.

4. The attached Memorandum of Economic and Financial Policies (MEFP) describes more fully these recent economic developments and presents our policies for the near and medium terms. Once we address the drought crisis, our focus will turn to reducing the

domestic debt burden. We will rebuild revenues and modernize tax administration, strengthen public financial management, enhance central bank independence, and strengthen financial sector stability. To support the *PAGE*, we will build up institutions that would ensure productive private sector participation in infrastructure investment.

5. To support stability during the current crisis and the implementation of our medium-term policy agenda, the GoG requests a new three-year ECF arrangement in an amount equivalent to SDR 18.66 million (60 percent of quota), of which, upon approval of the arrangement by the IMF Executive Board, the first disbursement be equivalent to SDR 9.33 million (30 percent of quota).

6. The GoG believes that the policies set forth in the attached MEFP and Technical Memorandum of Understanding are adequate to achieve the objectives of the programme, but stands ready to take any further measures that might become necessary for this purpose, in consultation with the IMF. The GoG will also continue to provide the staff of the IMF the information required to accurately assess The Gambia's progress in executing the policies contained in the attached MEFP. Furthermore, The GoG will consult regularly with the IMF and in advance of revisions to policies contained in the MEFP in accordance with the IMF's policies on such consultation, at the initiative of the Government or the IMF.

7. The Government intends to make available to the public this letter, the IMF staff's report, and all other documents related to the programme. Therefore, we authorize the IMF to arrange for these documents to be posted on the IMF website following the Executive Board's decision on the new ECF arrangement.

Sincerely yours,

/s/

Abdou Kolley

Minister

Ministry of Finance and Economic Affairs

/s/

Amadou Colley

Governor

Central Bank of The Gambia

Attachments:

- Memorandum on Economic and Financial Policies (MEFP)
- Technical Memorandum of Understanding (TMU)

THE GAMBIA
MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES
MAY 4, 2012

I. INTRODUCTION AND BACKGROUND

1. This memorandum reports on recent economic developments and outlines the economic and financial policy agenda of the Government of The Gambia for 2012–2014, which could be supported by the International Monetary Fund (IMF) with a three-year arrangement under the Extended Credit Facility (ECF). The policy agenda is based upon The Gambia’s new poverty reduction strategy, the Programme for Accelerated Growth and Employment (*PAGE*), which was launched in December 2011. *PAGE* priorities include support for agriculture, education, health, and stepped-up investment in infrastructure.

II. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

2. The Gambian economy performed well in recent years, with robust growth and low inflation, despite the global financial crisis and major shocks to fuel and food prices. During 2007–2010, real GDP growth averaged around 5.5 percent a year, driven mainly by a strong expansion in agriculture and services, including financial services and telecommunications. However, tourism and residential construction (financed by remittances) were hit hard by the global crisis. In 2011, growth is estimated to have fallen to about 3 percent, owing to the initial effects of a crop failure during the 2011-12 crop season. A strong rebound in tourism beginning late in the year helped to moderate the decline in overall GDP growth. Inflation averaged around 5 percent a year during 2007-11, as the Central Bank of The Gambia (CBG) generally maintained a restrained monetary stance over the years. Although the external current account deficit widened in recent years, official international reserves remained at a comfortable level, partly because of the IMF’s SDR allocation in 2009. As of the end of 2011, gross reserves stood at USD 182.5 million, which was equivalent to 5.1 months of imports of goods and services.

3. Strong economic growth, particularly in rural areas, contributed to a significant reduction in poverty. Based on the 2010 household income survey, the headcount poverty index, based on a poverty threshold of USD 1.25 a day, fell to 48.5 percent in 2010, compared with 58 percent in 2003.

4. Despite these positive developments, the Government’s debt burden continued to weigh heavily on the economy. Although The Gambia received extensive relief under the Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) in December 2007, the country remains at high risk of distress on its external debt. The Government’s domestic debt, which stood at GMD 8,697 million (30.4 percent of GDP) at the end of 2011, also poses high risks, as three-fourths of the debt (GMD 6,522 million) was in the form of T-bills with maturities of one year or less, creating very high rollover risks. Moreover, interest on domestic debt has been very costly, consuming about 18 percent

of government revenues in 2011. In recent years, domestic debt has been rising (relative to GDP), as government revenues fell steadily from 17.3 percent of GDP in 2007 to 14.9 percent of GDP in 2011, while episodes of severe spending overruns resulted in large fiscal deficits. In particular, in 2010, the Government's net domestic borrowing (NDB) rose to GMD 1,245 million (4.7 percent of GDP), leading to increased pressures on inflation, interest rates, and the exchange rate.

5. In 2011, the Government initiated concerted actions to reverse the growing domestic debt problem. Since January 2011, the Ministry of Finance and Economic Affairs (MOFEA) has employed a disciplined cash-budgeting approach with monthly expenditure ceilings to curb the Government's domestic borrowing needs. This was instrumental in helping to avoid the end-year spending overruns that had occurred in previous years, despite extraordinary spending demands such as those for national elections. The combination of spending discipline and a surge in tax revenues toward the end of the year allowed the Government to reduce NDB to GMD 899 million (3.1 percent of GDP) for the year as a whole.

6. The Government has implemented multiple measures to bolster revenues and tax compliance:

- A new fuel pricing formula was introduced in January 2011 and monthly price adjustments were implemented through April. Although price adjustments were implemented irregularly the rest of the year, pump prices were 8.3 percent (weighted average) below the full pass-through level in December. The Government re-instated regular monthly adjustments to fuel prices in January 2012. Although import prices increased sharply in March and April, and the subsidy temporarily widened, monthly price increases were such that by May, the weighted average subsidy again stood at 8.3 percent of the full pass-through price.
- Since May 2011, the Gambia Revenue Authority (GRA) has decided to enforce the collection of excise taxes on domestically produced manufactured goods, including taxes owed since the beginning of the year. Two large companies are still not in compliance and the enforcement effort will continue in 2012 until all outstanding arrears of excise taxes are eliminated.
- By December 2011, the GRA collected outstanding arrears on GSM license fees. Arrears on sales and PAYE taxes owed by large taxpayers through December 2011 were also settled by early 2012.
- The GRA has implemented a detailed compliance improvement plan for large taxpayers. As a result, around 87 percent of large taxpayers had filed their income tax returns for the 2010 tax year by early 2012, up from less than 50 percent in mid-2011.
- As announced in the December 2011 budget speech, the Government started bringing holders of expired Special Investment Certificates (SICs) into the tax net, removed tax waivers on sugar and cement, and discontinued the fuel concession given to the

Gambia Port Authority (GPA). The Government also plans to introduce a quota system for duty exemptions on fuel for diplomatic missions.

- The Government has conducted a comprehensive survey of domestic arrears and will develop a payment schedule. Claims totaled GMD 479 million (about 1.6 percent of GDP), but need to be verified before a payment plan is developed.
- In the area of customs administration, ASYCUDA++ has been rolled out to headquarters, the airport, and the 3 busiest border stations. The GRA's Customs and Excise Department (CED) launched its risk management committee in April 2011.
- The Government also appointed the members of the Tax and Customs Tribunals in early 2012.

7. The Government has also continued to make progress toward a timely and smooth introduction of the value added tax (VAT) in January 2013, in line with its commitments to ECOWAS:

- The policy paper containing the main design features of the VAT was discussed and approved by Cabinet in February 2012, together with a costed VAT implementation plan.
- A draft of the VAT bill (which extends coverage of the VAT to the electricity sector and services such as equipment rental and repair and maintenance) was completed in February 2012 and will be submitted to the National Assembly by end-May 2012.
- A public communications campaign for the VAT was launched in February 2012.

8. On the expenditure side, the Government made further progress with public financial management (PFM) reforms in 2011, including improving budget preparation and execution:

- The Integrated Financial Management Information Systems (IFMIS) was fully rolled out to all 29 budget entities (ministries and public sector agencies) in January 2011.
- The interface of IFMIS with CBG's national payments system became operational in December 2011. It will ensure that government spending does not exceed available resources by enabling the Directorate of the National Treasury to access, in real time, government accounts and the automated Securities Settlement System.
- The audited government accounts for 2007 were submitted to the National Assembly in October 2011. The accounts for 2008-10 will be submitted to the National Audit Office (NAO) by end-April 2012 and those for 2011-12 by end-April 2013.

9. At the same time, to preserve The Gambia's progress toward the Millennium Development Goals (MDGs), the Government continued to prioritize programmes aimed at

reducing poverty, with the help of its development partners. The Government ring-fenced spending priorities for poverty reduction, including spending on education, which amounted to 15 percent of all spending financed by The Gambia Local Fund (GLF), and spending on agriculture, which amounted to 5 percent of total GLF-financed spending.

10. The CBG has taken actions to bolster its operational independence, contain pressures on inflation and the exchange rate, and improve liquidity forecasting and management:

- The growth rates of end-period reserve and broad money were limited to 12 and 11 percent, respectively, in 2011. The stock of average daily reserve money in December 2011 was only 3 percent above its level a year ago. The slow growth in reserve money partly reflected necessary tightening to accommodate the 2 percentage point reduction in the reserve requirement (to 12 percent), which went into effect in late April 2011. Credit to the private sector grew by 9 percent in 2011, mainly reflecting conservative lending practices by banks in an effort to minimize nonperforming loans (NPLs) on their balance sheets.

Since June, on a monthly basis, the Government has refrained from accessing credit from the CBG at below-market interest rates, including overdrafts. (November was an exception, but the breach was small and it was reversed immediately.) Indeed, the entire overdrawn balance in the Treasury Expenditure Account was fully eliminated through sales of T-bills by the end of September. The Government, however, incurred new arrears of around GMD 70 million on interest due to the CBG late in the year. For the most part, these arrears were cleared in January 2012.¹

- Following the resumption of regular meetings of the interagency committee, the CBG started forecasting auction sizes one month ahead in September 2011, on a pilot basis. The quality of forecasts has been improving gradually, and the CBG started announcing publicly rolling quarterly projections for the estimated sizes of T-bill auctions (by maturity) in January 2012. Going forward, these projections will be updated every month.

11. The installation of CBG's new national payment system is now complete. The Real-Time Gross Settlement System (RTGS) and the Automated Cheque Processing and Clearing House (ACP/ACH) were launched in December. The Core Banking Application (CBA) became operational in January. Work has progressed on the National Switch and the Securities Settlement System (SSS), which are expected to be operational by the end of 2012. All these measures will help reduce the overhead expenses of commercial banks. The CBG anticipates that commercial banks will pass these significant cost savings to consumers of financial products. Still, the requirement that a court order be granted prior to liquidating collateral on NPLs, notably mortgages, increases the cost and risk of lending by banks.

¹ Treatment of interest on redeemable interest bearing notes is under discussion between Government and the CBG.

12. The quality of statistics is crucial for macroeconomic policy-making and surveillance. To improve the quality of BOP statistics, in 2011 the CBG conducted surveys of tourist expenditures and re-exports, and is currently undertaking a survey of trade credits. Regular quarterly meetings on re-exports are now taking place among The Gambia Bureau of Statistics (GBoS), CBG, the GRA's Customs and Excise Department, and the National Transport Union. The chairmanship of this committee will shift from GRA to CBG during the first half of 2012.

III. ECONOMIC AND FINANCIAL POLICIES FOR 2012–2014

13. As highlighted in the *PAGE*, macroeconomic stability is essential for achieving high growth rates and increased employment. In this context, continued progress on reducing the burden and risks associated with the Government's domestic debt will be the anchor to the macroeconomic policy framework over the medium term. A gradual approach to reducing this burden has been adopted, under which the Government's annual net domestic borrowing requirement will be reduced to ½ percent of GDP by 2014.²

14. In addition to a sound macroeconomic framework, the *PAGE* has mapped out strategies for enhancing growth across all sectors of the Gambian economy. However, substantial financial resources will be needed to implement the medium-term investment plans in the *PAGE*. The Government will seek to generate such resources through a multi-pronged approach, including a rebuilding of government revenues, savings from reduced interest costs on domestic debt, increased access to external financing with improved debt and public financial management, and harnessing private sector participation in viable sectors. The Government will work closely with its development partners to ensure that efforts to engage the private sector in infrastructure development are transparent and productive. Given the constrained resource envelope for 2012-2014 and the continued high risk of debt distress, the Government has launched a sustained effort to engage development partners and attract support.

A. Key Objectives and Parameters of the Programme

15. Under the overarching goal of accelerating economic growth and reducing poverty, the key objectives of the Gambian authorities' policy agenda are: (i) pursuing gradual fiscal adjustment over the medium term in order to reduce interest costs and rollover risks, and to create fiscal space; (ii) pursuing tax and revenue administration reforms to increase revenues, make the tax system simpler and more efficient, and improve the business environment; (iii) further strengthening public financial management, with a focus on budget planning and execution and fiscal transparency; (iv) strengthening central bank independence and further improving the conduct of monetary policy; (v) promoting financial stability and increasing access to credit for the private sector; (vi) catalyzing private sector development and competition; and (vii) improving economic statistics.

² In light of additional domestic borrowing required to address the severe crop failure in 2012, if domestic revenues exceed their targets in 2013 and 2014, at least half of the additional revenue will be directed toward domestic debt reduction.

16. Given these objectives, the key parameters of the medium-term policy framework will be as follows:

- at least 5-6 percent annual growth in real GDP;
- 5 percent annual inflation;
- NDB gradually declining to ½ percent of GDP by 2014;
- a growth rate for broad money slightly higher than the growth rate of nominal GDP, to allow for financial deepening (around 13 percent in the medium term);
- a growth rate for reserve money consistent with the growth rate for broad money (around 11 percent in the medium term);
- maintain gross international reserves at around 5 months of imports of goods and services;
- maintain a flexible exchange rate to help preserve The Gambia's external competitiveness, with central bank interventions in the foreign exchange market only to maintain orderly market conditions. Other sales and purchases by the CBG on the foreign exchange market, for example, to mop up liquidity injections caused by foreign-financed government spending, and, if necessary, to obtain foreign exchange to meet its targets for international reserves, will be conducted in a manner that minimizes the impact on the exchange rate.

B. Fiscal Policy and Related Structural Reforms

17. The Government will continue to seek external grants and concessional loans to finance infrastructure investment plans with a minimum grant element of 35 percent. It will not incur any new external payments arrears and it will not contract or guarantee any new non-concessional external debt or any external debt with original maturity of one year or less. The Government will also explore productive opportunities for public-private partnerships. As market conditions allow, the Government will aim to extend the maturity of domestic public debt by launching longer-term bonds in order to reduce rollover risks. Finally, the Government will continue to conduct annual debt sustainability analyses in consultation with the IMF and World Bank to ensure that all debt indicators will fall and remain below their corresponding thresholds.

18. The Government will pursue tax policy and revenue administration reforms to increase revenues, make the tax system simpler and more efficient, and improve the business environment. The cornerstone of these reforms will be the launch of a VAT in January 2013. Beyond the VAT, the Government intends to pursue a comprehensive tax reform aimed at broadening the tax base, eliminating certain taxes which do not meet a cost-benefit test³, and simplifying direct taxes, including by reducing both the number of tax brackets and the levels of tax rates. Important studies to be conducted include:

- A comprehensive survey and estimate of tax expenditures in 2012. (High Priority)

³ Examples include the environment taxes on salaries and on imported vehicles, the entertainment tax, the tax on games and betting, and the national education levy.

- Informed by a study on tax expenditures, a comprehensive study of tax reform to assess the scope for broadening the income tax base and lowering tax rates—possibly to a single rate of 15 percent for both the personal and corporate income taxes—consistent with revenue targets; review the tax on allowances, with a view toward eventually applying it consistently to all civil servants (in addition to the employees of public corporations) and private sector employees; assess the effectiveness and impact of withholding tax on interest income, as well as a creditable 1 percent income tax withholding on imports for casual and noncompliant importers.
 - The Government will re-engage IMF technical assistance to assess the need to realign excise taxes on alcohol, tobacco, and other products.
 - The Government plans to simplify small business taxation by imposing a single 0.5 percentage point tax on turnover of all businesses not registered for income tax or the VAT. For the smallest businesses (with turnover below GMD 25,000), the Government will simplify the current rate schedule consisting of 16 different rates to one with a flat fee of around GMD 500.
19. Further reforms in the area of tax policy and revenue administration include:
- To rebuild revenues from fuel taxes, especially in light of the resources needed to provide relief to vulnerable groups suffering from the crop failure, the Government will steadfastly adjust fuel prices on the 26th day of the month, to gradually allow the full pass-through of import prices to retail prices.
 - In addition to the compliance improvement plan for large taxpayers, a similar plan will be designed and implemented for medium and small taxpayers by June 2012.
 - To maximize filing compliance by large taxpayers, the Government will submit to the National Assembly by end-June 2012 amendments to the relevant law that will shift the setting of law enforcement parameters (such as the size of penalties for late lodgment or non-lodgment of tax returns) to regulations.
 - The Government will continue to strengthen the GRA's Large Taxpayer Unit (LTU) with more staff, toward meeting the targets of 50 people by July 2012 and 60 people by January 2013.
 - The Government will update and better utilize the Taxpayer Identification Number (TIN) register, for example, by linking it to national ID numbers.
 - In the area of customs administration, the Government will aim to mobilize revenue and reduce the burden of compliance. ASYCUDA++ will be rolled out to all border stations. The GRA's Board will approve a risk management program and a training and technical assistance plan for the Customs and Excise Department by end-December 2012. By end-2013, the GRA will move toward self-assessment and toward reducing the rate of physical inspections to 50 percent or less.

20. The Government will aim to tighten expenditure controls while maintaining the focus on poverty reduction. Wage bill increases will depend on effective civil service reform aimed at retaining qualified staff. The government will seek technical assistance to conduct such reform. The monthly cash budgeting framework introduced in 2011 will be refined further. Unforeseen spending pressures will be limited to the contingency reserve in the budget. If necessary, the annual budget will be adjusted through a supplementary bill, while maintaining the target for NDB.⁴

21. The Government will track poverty-reducing expenditures in the context of the *PAGE* through improved data collection, better definition, and better targeting of spending. A minimum of 44 percent of total GLF-financed expenditure will be dedicated to poverty-reducing spending identified in the *PAGE*. To meet requirements for donor support, 20 percent of total current expenditures (excluding interest payments) will be directed to education. Government also plans to eventually raise its spending on agriculture from six to ten percent of total government expenditures, in line with the 2003 Maputo Declaration.

22. A primary objective of the Government is to strengthen further budget planning and execution and PFM in order to enhance fiscal transparency and expenditure control. Next steps include:

- To strengthen budget execution and monitoring, the Government will publish quarterly budget execution reports, starting in Q2 of 2012.
- The Government will prepare a budget framework paper for 2013 with indicative budget projections for 2013-2015, to be submitted to the National Assembly as part of the annual budget documentation by end-October 2012. The budget framework paper will include an indicative Medium-Term Expenditure Framework (MTEF).
- In 2012, the Government will update and prioritize the strategic plan of the Ministry of Basic and Secondary Education. It will also review, update, and cost MOFEA's strategic plan and that of one other line ministry.
- In 2013, the Ministry of Basic and Secondary Education will pilot an MTEF.

C. Monetary and Exchange Rate Policies

23. The CBG will continue to use a money targeting framework to pursue its price stability objective (inflation at or below 5 percent). The CBG intends to limit reserve and broad money growth to 7 percent and 9 percent, respectively, in 2012. It will also continue to use its rediscount rate to signal changes in policy stance.⁵ The central bank will monitor energy and food prices, and will be prepared to tighten monetary policy if shocks to energy and food prices start sifting into the general price level. The CBG will continue to maintain

⁴ In 2012, disbursements of budget support from the World Bank and the AfDB will require a budget supplement.

⁵ The CBG will continue to monitor average daily reserve money, with a view toward shifting to an average daily reserve money target, once an effective tool for managing daily liquidity is available and fully tested. The CBG will also conduct a study of alternative policy interest rates.

a flexible exchange rate, intervening in the market only to maintain orderly market conditions or to mop up liquidity injections caused by foreign-financed government spending. If necessary, the CBG may purchase foreign exchange to meet its targets for international reserves. To ensure exchange rate stability, the CBG will maintain international reserves at around 5 months of imports of goods and services.

24. Difficulties in predicting government financing needs have led in the past to greater monetary instability and to higher interest rates. The Government accomplished a series of measures in 2011, outlined in Section II, to strengthen central bank independence and to improve liquidity forecasting and management. Going forward, these measures should empower the CBG to proactively set and implement a consistent and predictable path for monetary policy and liquidity management. Next steps include:

- The Government will continue to adhere to a zero limit, on a monthly basis, on new credit from the central bank at below-market interest rates, including a zero balance on overdrafts. The Government will adhere strictly to the schedule for payments of principal and interest on CBG-held government securities (see Table 1).
- MOFEA will continue to collaborate with CBG to strengthen liquidity forecasting, both by participating in the regular meetings of the interagency committee and by improving its weekly forecasts of the public sector borrowing requirement.
- With technical assistance from the IMF, the CBG plans to launch the market for daily repos in January 2013. The CBG will bear the interest costs of repo operations.
- The existence of a working tool for daily liquidity management will allow the CBG to switch to a fortnightly schedule for T-bill auctions by the end of June 2013, which will make auctions more competitive and help lower interest rates.

D. Financial Intermediation

25. Improving the framework for financial supervision and prudential regulation will be important to support economic growth and stability. The CBG continues to regard the continuous capacity building of its supervisory staff as absolutely critical for keeping pace with a rapidly changing banking system. It also recognizes the fact that supervision is labor intensive. Therefore, the CBG will continue to maintain adequate staffing levels and provide training for staff of the Financial Supervision Department (FSD).

26. To boost financial sector stability, the Government intends to pursue a series of structural reforms, in addition to the ones accomplished in 2011 (and outlined in Section II):

- The technical problems at the Credit Reference Bureau, which have delayed the updating of borrowers' credit information, will be corrected by mid-2012.
- By August 2012, CBG will launch V-RegCoSS, an electronic reporting system for commercial banks which will facilitate the accurate and timely submission of

statutory returns. V-RegCoSS will enable the CBG to access information from banks in real time which will improve offsite and onsite supervision.

- The CBG will also review the Manual of Guidelines and Instructions by June 2012, so that concurrently with the launch of V-RegCoSS, it will start the regular collection of new data, including on the term structure of commercial banks' assets and liabilities, on weighted interest rates on loans and deposits, and on the largest credit exposures.
- The minimum capital requirement for commercial banks will be raised from GMD 150 million to GMD 200 million by end-December 2012. The CBG will enforce this requirement with no forbearance. To ensure the smooth implementation of this regulation, the CBG will review by end-June 2012 each bank's plan for raising the necessary resources. It will also encourage banks to meet at least 50 percent of the capital increase by end-September 2012.
- By June 2013, the CBG will submit to the National Assembly amendments to the Banking Act 2009, which will tighten loan classification and provisioning rules by introducing a new category of "special mention loans" capturing loans which are 30-90 days past due, with a provisioning rate of 5 percent. If necessary, the CBG will tighten further provisioning rules for loans more than 90 days past due. The CBG will also introduce hard limits on individual and aggregate large exposures (with equal treatment for secured and unsecured loans). Additionally, it will require the disclosure of banks' ultimate beneficial shareholders. The CBG will require shareholders holding more than 5 percent interest to be subjected to a fit and proper test and it will empower the FSD to suspend the shareholder rights of unfit and improper shareholders.
- By end-2013, the CBG will require all commercial banks to start preparing their audited financial statements and annual reports in accordance with International Financial Reporting Standards (IFRS).
- The capacity for macro-prudential analysis, including stress testing, will be enhanced through further technical assistance from the IMF.
- Finally, the CBG plans to gradually migrate from a hybrid (compliance and risk-based) to a fully risk-based supervisory framework.

27. The private sector continues to face extremely high interest rates on loans from commercial banks. These are due not only 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 will continue reviewing the reserve requirement in the context of liquidity conditions prevailing in the market.⁶
- The CBG will continue to push the banking sector to reduce overheads further and to become even more competitive.
- The Ministry of Local Government will reduce the value of stamp duty on new mortgages (currently set at 5 percent of the value of each mortgage).
- With help from IMF technical assistance and in consultation with commercial banks, the private sector, and other stakeholders, the CBG will review the Sheriffs and Mortgages Acts in 2013 to see if amendments in those could reduce the cost, uncertainty, and complexity of dealing with non-performing loans.
- The CBG will encourage commercial banks to create a market for distressed loans by 2013.
- The CBG will work with other stakeholders, such as MOFEA and the Ministry of Justice, on developing a Collateral Registry, which should be operational by 2013.

E. Other Structural Reforms

28. To ensure greater private sector participation, promote competition, and reduce quasi-fiscal risks, the Government will, in consultation with the World Bank, initiate a strategic study of the state-owned telephone company (GAMTEL) and mobile phone operator (GAMCEL) by September 2012. The study will generate policy options for the Government's consideration, including the option to re-privatize GAMCEL, in line with *PAGE* objectives. Given the limited budget resources for the *PAGE*, the Government will explore productive opportunities for public-private partnerships for other public enterprises (such as GAMTEL, Banjul seaport, GGC, NAWEC, ferries, roads, and bridges). To ensure that PPPs are critically evaluated, the MOFEA will set up a qualified PPP assessment unit in 2012. Also, in consultation with the World Bank, the Government will elaborate a national energy strategy by end-2012. In this context, the Government is committed to strengthening regulatory bodies such as the public utility regulator (PURA), as well as improving the performance and financial health of the state electricity company (NAWEC). To protect consumers from unnecessarily high energy prices, the Government will explore a restructuring of the fuel import market with a view toward introducing greater competition or stricter regulation.

F. Statistics

29. Improving the quality of macroeconomic statistics is a key component of the overall program for the economic development of The Gambia. The Government is planning the following measures:

⁶ A lower reserve requirement will necessitate a correspondingly tighter target for reserve money, to offset the expansionary impact of the reduction.

- To strengthen GBoS and boost the quality of national accounts (NA) and price statistics, the Government will recruit additional qualified staff at the NA and price units, and will provide more resources for training and IT (including computers and software).
- CBG also plans to continuously build up capacity in the BOP unit at the Economic Research Department, in line with recommendations from IMF technical assistance.
- Line ministries will contribute to the development of sectoral statistics, particularly in agriculture, health, education, transport, and construction. Line ministries and government agencies will cooperate closely with GBoS and submit all necessary data in a timely manner. The Government will resume the annual conference on official statistics.
- To improve further the quality of BOP statistics, the CBG will conduct a new survey of FDI in the first half of 2012.
- By June 2012, the GBoS will start posting on its external website Excel files with national account and CPI data, as well as detailed methodological information, and a calendar of upcoming data releases.
- By June 2012, (GBoS) will draft a strategy for backing-up and protecting its data, together with a costed implementation plan, which will be approved by MOFEA and implemented by end-2012.
- In consultation with GBoS, CBG, and the National Transport Union, the GRA will standardize procedures and reports for border stations by end-2012, with a particular focus on recording re-exports correctly and consistently.
- GBoS will update the Business Register, based on the list of establishments that will be provided by the GRA.
- The NA unit at GBoS will develop GDP estimates by the expenditure approach by 2013 and quarterly GDP estimates by 2014.

IV. ADDRESSING THE 2011-12 CROP FAILURE EMERGENCY

30. Because of poor weather conditions in many parts of the country, key crops (rice, millet, and groundnuts) have suffered losses of 50-80 percent during the 2011-12 crop season, compared with production in 2010-11. The Government has publicly declared a state of food and seed emergency and has requested assistance from development partners and aid agencies. It is projected that the cost of food aid and seeds and fertilizer for the upcoming crop season will amount to USD 23 million. The Government has taken immediate steps to generate the necessary resources to address this crisis, including the gradual increase in fuel prices to reduce and eventually eliminate subsidies and collect the full value of the fuel excise tax. The Government has also had to issue higher-than-budgeted amounts of T-bills in 2012:Q1. It is expected that NDB during the first half of 2012 will

amount to GMD 799 million. This additional borrowing will be reduced over the course of the year as donor assistance becomes available, including expected budget support grants from the World Bank (about USD 6 million) and the African Development Bank (USD 2.9 million). Official international reserves of the CBG will also be used to meet the additional foreign exchange requirements of the emergency imports. As donor assistance, including the aforementioned budget support, is received, official international reserves will be restored. The impact of the crisis is reflected in the proposed program targets.

V. PROGRAM MONITORING FOR 2012

31. Performance under the program would be monitored through a set of quantitative performance criteria, indicative targets, and structural benchmarks (see Tables 2 and 3). Quantitative performance criteria include ceilings on net domestic borrowing of the Central Government and on net domestic assets of the central bank; floors on the net usable international reserves of the central bank; continuous ceilings on new external payments arrears of the Central Government, on new non-concessional external debt contracted or guaranteed by the Central Government, and on the outstanding stock of external public debt with original maturity of one year or less; and a monthly ceiling on new central bank credit to the Central Government at non-market terms. Indicative targets include floors on total government revenues and on poverty-reducing expenditures.

32. Proposed performance criteria and indicative targets for the ECF arrangement have been set for June and December 2012, and indicative targets have been set for September 2012. The program's structural agenda would target improvements in tax policy and revenue administration, public financial management, monetary policy, and financial sector stability. The program will also continue to encourage improvements in economic statistics, notably for the national accounts and BOP. The first program review would be completed before end-December 2012, based on the end-June 2012 test date, and the second review would be completed before end-June 2013, based on the end-December 2012 test date. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU).

**Table 1. The Gambia: Schedule of Payments on Government Securities Held by the CBG for 2012
(GMD millions)**

Due date	30-year bond		10-year bond		perpetual bond
	principal	interest	principal	interest	interest
March 1, 2012	30.42	57.34			
June 30, 2012			10.42	5.63	6.25
September 1, 2012	30.42	56.35			
December 31, 2012			10.42	5.32	6.25

**Table 2. The Gambia: Proposed Quantitative Performance Criteria and Indicative Targets for a New ECF
(Cumulative flows from the beginning of 2012; unless otherwise indicated)**

	<u>Jun. 2012</u>	<u>Sep. 2012</u>	<u>Dec. 2012</u>
Quantitative performance criteria and indicative targets¹			
1. Ceiling on net domestic borrowing of the central government (GMD millions) ²	799	464	1,094
2. Ceiling on the stock of net domestic assets of the central bank (GMD millions, TMU exchange rates) ²	1,608	1,257	1,429
3. Floor on the stock of net usable international reserves of the central bank (stocks, USD millions, TMU exchange rates) ³	112.7	124.9	125.5
4. Continuous ceiling on new external payments arrears of the central government (USD millions)	0	0	0
5. Continuous ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)	0	0	0
6. Continuous ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)	0	0	0
7. Monthly ceiling on new central bank credit to the central government at non-market terms (GMD millions) ⁴	0	0	0
Quantitative indicative targets			
8. Floor on total government revenues (GMD millions)	2,473	3,644	4,651
9. Floor on poverty-reducing expenditures (GMD millions)	905	1,358	1,811

¹ Numbers for June and December 2012 are performance criteria. Numbers for September 2012 are indicative targets.

² To be adjusted downward by the dalasi equivalent of donor-provided drought relief beyond the budget support grants from the World Bank and the African Development Bank (totaling USD 8.9 million in 2012), up to a maximum of USD 14.1 million.

³ To be adjusted upward by the U.S. dollar equivalent of donor-provided drought relief beyond the budget support grants from the World Bank and the African Development Bank (totaling USD 8.9 million in 2012), up to a maximum of USD 14.1 million.

⁴ Zero ceiling applies to outstanding credits (for example, overdrafts) at non market terms effected since the beginning of 2012 as of the end of each month during the quarter.

Table 3. The Gambia: Proposed Structural Agenda, June 2012 – June 2013

Measures	Implementation Date	Macroeconomic Rationale
<i>Broadening the Tax Base and Strengthening Revenue Administration</i>		
Implement actions to introduce VAT.		Strengthen revenue mobilization
<ul style="list-style-type: none"> Submit VAT bill to the National Assembly 	End-May 2012	
<ul style="list-style-type: none"> Introduce VAT¹ 	January 1, 2013	
Take measures to achieve near full filing compliance by large taxpayers.		Solidify the revenue base to strengthen revenue mobilization
<ul style="list-style-type: none"> Submit to Parliament amendments to the relevant law that would shift the setting of law enforcement parameters (such as the size of penalties for late lodgment or non-lodgment of tax returns) to regulations 	End-June 2012	
Fully implement risk management for customs administration.		Strengthen revenue mobilization
<ul style="list-style-type: none"> GRA Board approval of a risk management program, and a training and technical assistance plan 	End-December 2012	
<i>Strengthening Budget Preparation, Execution and PFM</i>		
Strengthen budget execution and monitoring using the Integrated Financial Management and Information System (IFMIS).		Improve efficiency and transparency in the use of government resources
<ul style="list-style-type: none"> Publish quarterly budget execution reports on MOFEA's website 	Continuous, beginning with Q2/2012	
Introduce a medium-term and performance focus to the budget.		Improve allocation of government resources in line with the PAGE
<ul style="list-style-type: none"> Submit to the National Assembly a budget framework paper for 2013 with indicative budget projections for 2013-2015 	End-October 2012	
<ul style="list-style-type: none"> Submit the updated strategic plan of the Ministry of Basic and Secondary Education to the High Level Economic Committee 	End-December 2012	
Eliminate backlog of and delays to the auditing of government accounts.		Improve oversight of the use of public resources
<ul style="list-style-type: none"> Submit for audit the government accounts for 2011-12 to the National Audit Office. 	End-April 2013	

¹ See the Technical Memorandum of Understanding for specifics.

Table 3. The Gambia: Proposed Structural Agenda, June 2012 – June 2013 (continued)

Measures	Implementation Date	Macroeconomic Rationale
<i>Improving the Conduct of Monetary Policy</i>		
Launch the market for daily repos and reverse repos.	January 2013	Improve liquidity management.
Switch to a fortnightly schedule for T-bill auctions.	June 2013	Increase competition in the T-bill market.
<i>Strengthening Financial Stability</i>		
Review the Manual of Guidelines and Instructions. ²	June 2012	Boost financial stability.
Submit to the National Assembly amendments to the Banking Act 2009. ³	June 2013	Boost financial stability.
<i>Improving Macroeconomic Statistics</i>		
Start posting on the GBoS external website national account and CPI data, as well as detailed methodological information, and a calendar of upcoming data releases.	June 2012	Facilitate macroeconomic policy-making and surveillance.
Standardize procedures and reports for border stations, with a particular focus on recording re-exports correctly and consistently at all border stations.	December 2012	Strengthen BOP statistics.
<i>Other Structural Reforms</i>		
Initiate a strategic study of GAMTEL and GAMCEL. ⁴	September 2012	Eliminate major contingent liability on government.

² See the Technical Memorandum of Understanding for specifics.³ See the Technical Memorandum of Understanding for specifics.⁴ See the Technical Memorandum of Understanding for specifics.

THE GAMBIA
TECHNICAL MEMORANDUM OF UNDERSTANDING

I. INTRODUCTION

1. This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative performance criteria, indicative targets, and structural benchmarks that will be used to monitor the Extended Credit Facility (ECF)-supported program covering the period of 2012–14. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative performance criteria and indicative targets of the program.

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Net domestic borrowing of the Central Government

2. **Definition:** The *net domestic borrowing* of the Central Government is defined as the net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the discounted value of domestic government securities held by the non-monetary sector. Net domestic borrowing also covers any other net dalasi claims on the Central Government by the non-monetary sector, as well as 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, the project accounts listed in Table 1 will be excluded, together with the government accounts at the CBG that handle revenues from the ECOWAS levy.

3. **Adjuster:** The quarterly targets for net domestic borrowing for 2012 will be adjusted downward by the dalasi equivalent of donor-provided drought relief beyond the budget support grants from the World Bank and the African Development Bank (totaling USD 8.9 million in 2012), up to a maximum of USD 14.1 million.

4. **Supporting material:** Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 32 below.

B. Net Domestic Assets of the Central Bank

5. **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.

6. 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 December 2011: 30.24 GMD/USD, 1.29 USD/EUR, 1.55 USD/GBP, 1.06 USD/CHF, 1.54 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 2011, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

7. **Adjuster:** The quarterly targets for net domestic assets of the CBG for 2012 will be adjusted downward by the dalasi equivalent of donor-provided drought relief beyond the budget support grants from the World Bank and the African Development Bank (totaling USD 8.9 million in 2012), up to a maximum of USD 14.1 million. The amounts of additional budget support will be converted at the exchange rates listed in paragraph 6 above.

8. **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

9. **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.

10. 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.

11. **Adjuster:** The quarterly targets for net usable international reserves of the CBG for 2012 will be adjusted upward by the U.S. dollar equivalent of donor-provided drought relief

beyond the budget support grants from the World Bank and the African Development Bank (totaling USD 8.9 million in 2012), up to a maximum of USD 14.1 million. The amounts of additional budget support will be converted at the exchange rates listed in paragraph 6 above.

12. **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.

13. **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

14. **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.

15. **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

16. **Definition:** This target refers to new non-concessional external debt 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 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 percent¹ are excluded from this target. This performance criterion will be assessed on a continuous basis.

17. **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

18. **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.

19. **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. New Central Bank Credit to the Central Government at Non-Market Terms

20. **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

¹ To be considered concessional under this arrangement, 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.

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).

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.

21. **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 34 and 35 below.

III. QUANTITATIVE INDICATIVE TARGETS

A. Total Government Revenues

22. **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 levy is not included.

23. **Supporting material:** Reporting on total government revenues will form part of the consolidated budget report described in paragraph 32 below.

B. Poverty-Reducing Expenditures

24. **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.

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

IV. STRUCTURAL BENCHMARKS

A. VAT

26. “Introduction of the VAT” refers to the law’s taking effect.

B. Review of Manual of Guidelines and Instructions

27. This structural benchmark will be deemed to have been met when the CBG Manual of Guidelines and Instructions is amended so that the CBG starts the regular collection of data on the term structure of commercial banks’ assets and liabilities, on weighted interest rates on loans and deposits, and on the largest credit exposures.

C. Amendments to the Banking Act 2009

28. This structural benchmark will be deemed to have been met when the CBG submits to the National Assembly amendments to the Banking Act 2009 which:

- tighten loan classification and provisioning rules by introducing a new category of “special mention loans” capturing loans which are 30-90 days past due, with a provisioning rate of 5 percent;
- introduce hard limits on individual and aggregate large exposures (with equal treatment for secured and unsecured loans);
- require the disclosure of banks’ ultimate beneficial shareholders;
- require shareholders holding more than 5 percent interest to be subjected to a fit and proper test;
- empower the CBG’s Financial Supervision Department to suspend the shareholder rights of unfit and improper shareholders.

D. Strategic Study of GAMTEL and GAMCEL

29. “Initiate” refers to the signing of a contract with consultants who will conduct the study.

V. OTHER DATA REQUIREMENTS AND REPORTING STANDARDS

30. 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:

A. Prices

31. 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.

B. Government Accounts Data

32. 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).

33. End-week data on net domestic borrowing will be transmitted weekly within five business days of the end of each week.

C. Monetary Sector Data

34. 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.

35. 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.

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

D. Treasury Bill Market and Interbank Money Market

37. 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. One month ahead forecasts of T-bill auctions, broken down by date and maturity, will be transmitted on a monthly basis.

38. 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.

E. External Sector Data

39. 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.

40. 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.

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

42. 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.

43. 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.

**Table 1. The Gambia: List of Project Accounts at the CBG
Excluded from the Calculation of NDB**

Account number	Account name
1201200015	Livestock Development Project
1201200039	Small Scale Water Ctl. Project
1201200228	UNICEF PRIMARY EDUC. PROJECT]
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC PHASE II GLF
1201200399	Proj.Impl.Mngmt A/C PIMA
1201200417	INST.SUPPORT PROJ.ECON/FIN.G...
1201200434	Livestock H/Development Proj.
1201200451	WORLD BK DEV. POLICY OP.ACCO
1201200491	IFMIS PHASE II
3201200269	LOWER BASIC EDUC.SUPP.PROJ
3201200360	SDF (EPMDP) PROJECT
3201200361	SDF (EPMDP) CREDIT FUNDS
3201200363	IDA 3RD EDUCATIO PHASE(II)
3201200385	IFAD RURAL FINANCE PROJ. USD
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200424	IDB/GOTG WATER SUPPLY PROJECT
3201200435	Livestock H/Development Proj.
3291200456	Education for All-Fast Track II
3201200457	GAMBIA ARTISANAL FISHERIES
3201200464	LIVESTOCK H/Development Proj.(IFAD)
3201200483	IDB SUPPORTED MALARIA PROJECT
3201200495	GCP
1103000685	Global Fund/Malaria
1109000058	Global Fund/HIV
1103001345	Global Fund/TB
3201200298	EDUC FOR FAST TRACK INITIATIVE
3201200400	Proj.Impl.Mngmt.A/C PIMA
3201200486	IFMIS II
3201200489	GAMBIA EMERGENCY AGRIC. PRO