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January 13, 2021

**Statement by Mr. Bhalla and Mr. Natarajan on The Gambia
(Preliminary)
Executive Board Meeting
January 15, 2021**

1. We thank the staff for the detailed report and Ms. Mannathoko and Mr. Cham for the detailed Buff. COVID-19 pandemic has severely affected Gambia's economy and the uncertainty due to recent surge in cases has dampened the prospects of a swift economic recovery. The country has obtained IMF's support under the Extended Fund Facility (ECF) and Rapid Credit Facility (RCF) in 2020 to meet the balance of payment and fiscal financing needs. The authorities have requested waiver of non-observance of a program condition and augmentation of access under ECF in the wake of these uncertainties. Considering the commitment of the authorities to macroeconomic stability and reforms, we support the staff proposal for completion of first review of ECF and related requests.
2. The GDP in 2020 is projected to remain at the same level as 2019. The economic recovery which is expected to be gradual significantly depends on the return of tourism to pre-pandemic levels. Capital investment is expected to increase from about 7.8 percent in 2020 to 14.5 percent of GDP in 2021. It is important to expedite economic revival by channelizing capital investments into sectors with high growth appetite and large multiplier effect. *Can the staff comment on the nature of proposed capital investments and how it can help in catalyzing economic recovery and growth?*
3. The short-term fiscal policy is aimed to frontload fiscal stimulus in 2021 to counteract the sluggish activity and support health and social support measures. The budget estimates indicate change in fiscal deficit from 1.7 percent in 2019 to 1.2 percent in 2020. We are encouraged by the reform measures to improve tax administration and public financial management. The debt sustainability analysis indicates that the public debt estimated at 67.5 percent of GDP is challenging but sustainable. However, we encourage the authorities to take measures to mitigate the risk arising due to difficult external debt position.

4. Accommodative monetary policy measures comprising of reduction in policy rate and reserve requirements by the central bank has helped to ease the liquidity conditions. This has been aided by fall in inflation from 7.1 percent in 2019 to 6.1 percent in 2020. The asset quality of banks and nonbanks has deteriorated in the wake of the pandemic. We encourage the authorities to closely monitor the weak banks and strengthen the supervision of non-banking financial institutions.

5. We commend the authorities for their efforts in enacting anti-corruption law and strengthening the AML/CFT framework to curb illicit financial flows. Sustained efforts are required to address the fiscal risks arising due to financial difficulties of state-owned enterprises. We recognize the commitment to enhance governance which will play a critical role in creating a strong business environment to promote inclusive growth. Finally, we wish the authorities the best in their efforts.