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Statement by Ms. Shortino and Ms. Robitaille on The Gambia
(Preliminary)
Executive Board Meeting
January 15, 2021

We thank staff for their informative report and Ms. Mannathoko and Mr. Cham for their helpful Buff. The Gambia was hit hard by the COVID-19 pandemic, particularly given its dependence on revenues from tourism. The authorities appropriately took steps to support households and businesses, with COVID-19 financial assistance estimated to amount to 4 percent of GDP. Despite the challenges from the pandemic, The Gambia's performance under its ECF so far has been strong and the outlook for a solid recovery is very promising, driven by a surge in externally-financed capital investment. **We support the authorities' request for an augmentation of the ECF of SDR 20 million, about 1 percent of 2019 GDP, to help support the economic recovery and help meet the needs of the most vulnerable. Furthermore, we support the request for a waiver on the continuous performance criteria on new external payment arrears, as the arrears have been cleared, and the authorities are taking steps to prevent the SOEs from falling behind on their obligations.**

Fiscal policy. We are pleased that the authorities leveraged grant resources to provide COVID-19-related financial support and still adhered to fiscal prudence. That said, we encourage the authorities to maintain fiscal discipline this year, especially with elections scheduled for December. **Further, as the economic recovery takes a firm hold, given the high public debt burden, it will be crucial to pursue fiscal reforms**. Tax revenues are low relative to GDP, and removing tax exemptions and re-establishing the authority of the finance ministry to grant such exemptions could help to raise tax revenues.

State owned enterprises. Staff notes that the new reform of state-owned enterprises (SOEs)—a critical measure for near-term debt sustainability and the reduction of reliance short-term financing—is dependent on the promulgation of the new constitution which has failed to gain support from the national assembly. *Could staff comment on whether SOE reform can proceed in the absence of the new constitution? Can staff provide insights on the authorities' backup strategy, including for example through privatization of SOEs, in the event that SOE reform cannot proceed as a result of delays to the constitutional referendum?* Other

countries, particularly in Latin America, have dealt with the SOE problems by privatizing them, although that region's experience also shows that having a strong antitrust framework is also crucial.

Governance and transparency. **We are very encouraged that the authorities are in the process of strengthening governance and transparency of fiscal spending,** including creating a Treasury Single Account, strengthening the internal audit process at the Ministry of Health, and improving procurement procedures.

Monetary policy/external sector. The central bank was able to lower its policy rate to help support the economy, but the policy rate of 10 percent remains quite high, even as interbank rates (in Text Figure 2) are closer to 5 percent. Future staff reports would benefit from further discussion about the monetary policy framework and the extent to which the policy rate serves to establish an upper limit on an interest rate corridor. We echo the staff's observation with respect to the safeguards assessment for the Central Bank of Gambia (CBG) that the CBG needs a higher level of capital to preserve its integrity and autonomy. The robust flow of remittances and private capital has helped support the balance of payments despite a large drop in exports receipts from tourism. *Could staff elaborate more on why remittances have held up?*

Trafficking in persons. We are pleased that the authorities have strengthened their efforts to combat trafficking in persons. We welcome that the authorities have brought themselves into compliance with the minimum standards of the Trafficking Victims Protection Act of 2000, with the result that the Presidential determination on this Act no longer applies to The Gambia. We also look forward to U.S. entities such as the Millennium Challenge Corporation and Treasury's Office of Technical Assistance being able to re-engage more fully in the Gambia going forward.