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INFORMATION

October 25, 1984

To: Members of the Executive Board
From: The Secretary
Subject: The Gambia - Staff Report for the 1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with The Gambia. A draft decision appears on page 20.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Enweze (ext. (5)8650) or Mr. Kalinga (ext. (5)8656).

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INTERNATIONAL MONETARY FUND

THE GAMBIA

Staff Report for the 1984 Article IV Consultation

Prepared by the African Department and the Exchange and
Trade Relations Department

(In consultation with the Fiscal Affairs, Legal, and
Treasurer's Departments)

Approved by J.B. Zulu and Eduard H. Brau

October 24, 1984

I. Introduction

The 1984 Article XIV consultation discussions with The Gambia were held in Banjul during the period May 25-June 8, 1984; subsequently, a small staff team visited Banjul during July 30-August 1. The Gambian representatives included the Honorable S.S. Sisay, Minister of Finance and Trade; Mr. T.G.G. Senghore, Governor of the Central Bank of The Gambia; Mr. M.G. Bala-Gaye, Permanent Secretary in the Ministry of Finance and Trade; and other senior officials concerned with economic and financial matters. Staff members participating in the discussions were (in May/June), Messrs. Enweze (head-AFR), McCarthy (AFR), Kalinga (AFR), Nawaz (EXR), and Richupan (FAD), and Mrs. Heflin (secretary-AFR); and (in July/August), Messrs. Enweze and Kalinga. During the May/June mission, Mr. Enweze was received by the President, His Excellency Sir Dawda K. Jawara.

On April 23, 1984, the Executive Board approved The Gambia's current 15-month stand-by arrangement in an amount equivalent to SDR 12.83 million, representing 75 percent of The Gambia's quota of SDR 17.1 million; of the total amount, SDR 6.415 million is being provided from ordinary resources; the balance, SDR 6.415 million, is from borrowed resources. So far, The Gambia has purchased SDR 2.63 million under the arrangement; the balance of the purchases under the stand-by arrangement is contingent on the observance of appropriate performance criteria, and the completion of the relevant reviews under the program. Meanwhile, The Gambia has not been able to make further purchases under the program as a result of the non-observance of the end-June 1984 performance criteria; the mid-term program review has also not yet been completed. The Gambia is also currently overdue in respect of a repurchase of SDR 683,984 which was due on September 7, 1984.

As of September 30, 1984, Fund holdings of Gambian dalasis subject to repurchase amounted to SDR 28.3 million or 165.5 percent of quota. Excluding purchases under the compensatory financing facility of SDR 8.6 million (50.3 percent of quota), purchases under credit tranches totaled SDR 19.7 million or 115.2 percent of quota. Full use of resources available under the stand-by arrangement, taking into account scheduled repurchases, would bring Fund holdings of Gambian dalasis subject to repurchase to SDR 31.8 million or 186.6 percent of quota.

The Gambia continues to avail itself of the transitional arrangements of Article XIV.

The Gambia's relations with the Fund and with the IBRD are contained in Appendices I and II, respectively.

II. Review of Recent Developments and Performance Under the Stand-By Program

Economic and financial developments in The Gambia through mid-1983 were reviewed in detail in both the staff report for the last consultation (SM/83/165) and in the report on recent economic developments (SM/83/185); a further review of developments in 1982/83 is contained in EBS/84/68 presenting The Gambia's request for the current stand-by arrangement. Consequently, only brief references are made here to developments in 1982/83.

The broad objectives of the Fund-supported adjustment program are to reduce internal and external imbalances, while at the same time supporting the Government's efforts to diversify and restructure the economy. In this context, the external current account deficit, excluding grants, was programed to be reduced from 29.5 percent of GDP in 1982/83 to 20.7 percent in 1983/84 and to 16.3 percent in 1984/85, while the overall balance of payments deficit, which amounted to 15.2 percent of GDP in 1982/83, was programed to decline to 3.3 percent in 1983/84, and brought to a surplus of 1.1 percent of GDP in 1984/85. These targets reflect the assumptions made at the time regarding groundnut exports and groundnut export prices, domestic supply of food grains, as well as the effects of policies being implemented by the authorities under the program.

The policies under the program included a 25 percent devaluation of the dalasi effected in February 1984; improvements in resource allocation through the implementation of economic pricing policies, such as increases in producer prices, fertilizer prices, and user charges; the retail price of rice was raised by 14.6 percent in February 1984. In the fiscal area the revenue measures announced in the 1983/84 budget and slated to yield 2.7 percent of GDP were implemented; the monitorable system of government expenditure controls was improved upon; measures were put in place limiting supplementary appropriations for the period

January-June 1984, and disallowing the filling of vacant posts except for pressing emergencies. Interest rates on savings and time deposits were raised by 2 percentage points in February 1984; quarterly quantitative credit guidelines were established for each of the commercial banks and were aligned to the ceilings on private sector credit implicit in the overall quarterly credit ceilings under the program; and the revised and stricter guidelines for external loan guarantees which were put in place under previous programs were continued.

Despite these measures, all the end-June performance criteria related to credit and external arrears were not met (Appendix V), partly because of unfavorable developments beyond the control of the authorities: first, unforeseen delays in transporting and processing the groundnut crop arose as a result of the diversion of The Gambia's limited barge facilities from the normal handling of groundnuts to the emergency distribution of unexpectedly large amounts of rice aid associated with the government's relief efforts, and crop processing, which is normally completed in June, was delayed by about two months; second, because of shipment delays, some D 20 million in groundnut export proceeds, which were expected by end-June, were received instead in July; third, the GPMB had been called upon to provide the cooperatives some D 6.8 million in fertilizer and groundnut seeds assistance, pending reimbursement by the Italian Government under ADP II, and this had been delayed; fourth, some D 3 million worth of groundnut cake could not be sold as planned for nontrade reasons, arising from the stringent application of aflatoxin restrictions in the main European market.

Reflecting mainly the adverse impact of the drought on total agricultural production, real GDP is estimated to have registered no growth in 1983/84 ^{1/} after showing impressive gains in 1981/82 and 1982/83 when real GDP is estimated to have increased by 11.3 percent and 13.4 percent, respectively (Table 1). Food grain production is estimated to have declined by 51 percent as against an estimated 30 percent decline under the program, while groundnut production, which was expected to decline by 20 percent, declined instead by 26.4 percent. However, as a result of better-than-anticipated export prices which averaged US\$570 a ton instead of the program assumption of US\$500 a ton, and better performance in other sectors such as tourism, total real incomes are estimated to have remained broadly unchanged. Meanwhile, largely because of the drought and the devaluation of the dalasi, the consumer price index, which rose by 9.3 percent in 1982/83, is estimated to have increased by 15.7 percent in 1983/84 as against a program projection of 11.0 percent.

^{1/} Some of the 1983/84 figures used in this report are still preliminary estimates and are subject to further revisions; however, the broad description of the developments in 1983/84 are not likely to be significantly affected by these prospective revisions.

Table 1. The Gambia: Selected Economic and Financial Indicators, 1979/80-1983/84

	1979/80	1980/81	1981/82	1982/83	1983/84	
					Prog.Est.	Rev.Est.
(Annual percentages, unless otherwise specified)						
National income and prices						
GDP at constant prices	-9.9	-0.8	11.3	13.4	--	--
GDP deflator	10.7	4.5	7.3	-3.1	12.7	12.7
Consumer prices	5.0	7.9	8.2	9.3	11.0	15.7
External sector						
(on the basis of SDRs)						
Exports, f.o.b.	15.8	-21.4	-2.0	-3.1	35.4	36.1
Imports, c.i.f.	43.9	-9.3	-6.2	-4.7	1.5	6.3
Export volume, f.o.b.	43.4	-40.5	15.6	61.4	2.3	-19.2
Import volume, c.i.f.	21.4	-19.4	-23.6	3.0	-1.9	1.8
Terms of trade						
(- deterioration) ^{1/}	-32.0	11.5	-31.4	-20.6	53.0	54.0
Nominal effective						
exchange rate						
(- depreciation) ^{2/}	4.6	5.1	-4.1	-3.7	...	...
Real effective						
exchange rate						
(- depreciation) ^{2/}	-3.5	1.5	-1.2	--	...	...
Government finances						
Revenue and grants	18.1	-4.1	42.6	-17.4	28.2	24.7
Total expenditure	17.6	11.1	17.5	-3.2	17.7	18.6
Money and credit						
Domestic credit	38.2	15.6	16.1	35.8	12.8	17.8
Government	...	...	-8.8	47.5	25.8	32.7
GPMB	...	...	101.5	90.8	-7.1	9.4
Private sector	...	...	6.9	15.4	20.3	20.3
Money and quasi-money	--	18.3	14.4	35.1	4.8	7.4
Velocity (GDP relative						
to M2)	5.6	4.6	4.7	3.9	4.2	4.1
Interest rate (annual						
rate) ^{3/}	8.0	8.0	9.0	12.0	14.0	14.0
(In percent of GDP)						
Central Government						
Overall deficit (excluding						
grants)	11.0	19.6	20.1	14.4	12.2	13.6
Overall budget deficit						
(including grants)	8.4	13.6	7.9	11.1	7.6	10.1
Domestic bank financing	1.0	1.0	-0.4	4.6	2.5	4.1
Foreign financing	7.4	12.5	7.5	6.1	4.9	5.5
Gross domestic investment	29.0	26.9	24.4	20.8	18.0	18.3
Gross domestic savings	-4.5	4.1	4.1	7.3	8.7	7.6
Current account deficit	-38.0	-45.9	-34.6	-29.5	-20.7	-23.5
External debt ^{4/}						
Including IMF	29.4	44.1	71.0	87.0	102.0	102.0
Excluding IMF	25.4	32.5	51.0	65.0	86.0	86.0
Debt service (ratio to exports)	...	2.0	7.2	17.0	19.9	19.0
(In millions of SDRs, unless otherwise specified)						
Overall balance of payments						
deficits	16.6	-8.6	-14.5	-28.5	-6.4	-13.1
Gross official reserves						
(weeks of imports,						
end of period)	2.4	8.5	2.2	1.4	1.7	1.4
External payments arrears						
(end of period)	8.96	19.7	8.4	37.8	41.2	51.8

Sources: Data provided by the Gambian authorities; and staff estimates.

^{1/} The export price index reflects groundnut prices only.

^{2/} Import-weighted; averages of quarterly figures.

^{3/} Level in percent.

^{4/} 1979/80 and 1980/81 debt figures not comparable to the rest.

In the fiscal sector, the overall deficit excluding grants, which amounted to 14.4 percent of GDP in 1982/83 declined to 13.5 percent of GDP (program target 12.2 percent). With net external financing estimated at D 32.4 million, bank financing of the Government, which had risen by D 27.2 million or 4.6 percent of GDP by December 1983 (the first six months of FY 1983/84), was programed to amount to D 15.0 million or 2.5 percent of GDP, for all of FY 1983/84, compared with D 23.7 million or 4.6 percent of GDP in 1982/83. Revised 1983/84 estimates indicate that bank financing amounted to D 24.1 million or 4.1 percent of GDP (Table 2).

Where monetary and credit developments through June 1984 are concerned, total domestic credit increased by 17.8 percent (program target 12.8 percent) largely as a result of the inability of the GPMB to retire the projected levels of crop credits on time. The net foreign assets of the banking system declined sharply in 1983/84. Money supply (broadly defined), which was projected to increase by 4.8 percent, is estimated to have risen by 7.4 percent, compared with an increase of 35 percent in 1982/83 (Table 3).

The revised current account deficit in 1983/84 at 23.5 percent of GDP was higher than programed (20.7 percent of GDP) (Table 4), largely because imports, at SDR 86.9 million, were higher than the program estimate of SDR 83.0 million as a result of additional rice imports following the drought; in addition, export receipts were delayed for the reasons noted earlier. Reflecting these developments, external arrears which were projected to increase by SDR 3.5 million rose instead by SDR 14 million. Consequently, instead of the required SDR 1.35 million reduction in external arrears during the six-month period ending June 1984, arrears rose by SDR 2.4 million from the base level of SDR 49.38 million on January 18, 1984 to SDR 51.78 million by end-June 1984.

The dalasi is pegged to the pound sterling at the rate of five dalasis to one pound sterling; before the 25 percent devaluation of the dalasi in February 1984, the rate was four dalasis per pound sterling. The real effective exchange rate, which on an annual basis depreciated by 2.4 percent from 1978 to 1981, appreciated by 1.9 percent between 1982 and 1983 (see Chart). Reflecting largely the 25 percent depreciation of the dalasi in February 1984 and the depreciation of the pound sterling against the dollar, the real exchange rate has depreciated by about 15 percent during the period January-June 1984.

The Gambia continues to maintain a relatively liberal system of trade and payments.

Table 2. The Gambia: Central Government Operations, 1981/82-1984/85

	1981/82	1982/83 Provisional actual	1983/84 Program Est. Revised Est.		1984/85 Budget
(In millions of dalasis)					
Revenue and grants	148.18	122.45	163.91	152.65	189.06
Revenue	91.38	105.55	136.61	132.12	162.43
Grants <u>1/</u>	56.80	16.90	27.30	20.53	26.63
Expenditures and net lending	184.91	179.08	208.80	212.43	231.68
Current expenditures	116.11	112.58	138.40	138.40	149.60
Development expenditures	68.80	66.50	71.40	75.03	84.40
Net lending	...	...	-1.00	-1.00	-2.32
Overall surplus or deficit					
Excluding grants	-93.53	-73.53	-72.19	-80.31	-69.25
Including grants	-36.73	-56.63	-44.89	-59.78	-42.62
Financing	36.73	56.63	44.89	59.78	42.62
Foreign (net) <u>2/</u>	34.66	31.21	28.80	32.41	29.42
Domestic (net)	2.07	25.42	16.09	27.37	13.20
Banking system	-1.70	23.70	15.00	24.12	11.00
Other	3.77	1.72	1.09	3.25	2.20
<u>MEMORANDUM ITEMS</u>					
GDP at current market prices	464.30	512.40	591.70	591.70	686.90
Beginning money stock	86.10	98.50	133.10	133.10	142.90
(In percent)					
Ratio of foreign finance to overall deficit including grants	94.36	55.11	64.16	54.22	69.03
(In percent of GDP)					
Overall deficit excluding grants	20.14	14.35	12.20	13.57	10.08
Overall deficit including grants	7.91	11.05	7.59	10.10	6.20
Revenue	19.68	20.60	23.09	22.33	23.65
Expenditures and net lending	39.83	34.95	35.29	35.90	33.73
Bank financing	-0.37	4.63	2.54	4.07	1.60
Foreign financing	7.47	6.09	4.87	5.48	4.28
Ratio of bank financing to money stock	-1.97	24.06	11.27	18.12	7.70

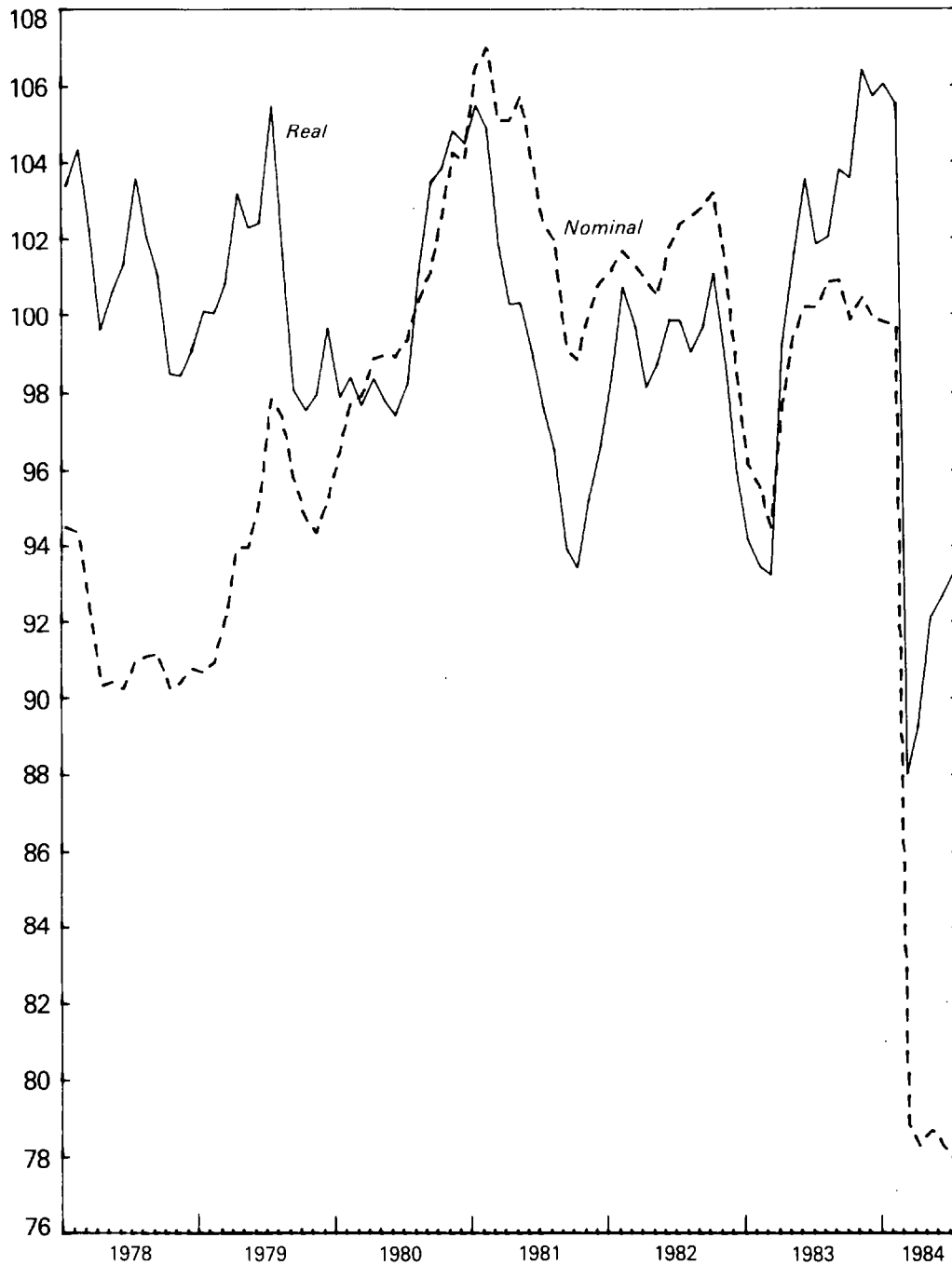
Sources: Data provided by the Gambian authorities; and staff estimates.

1/ Excluding technical assistance grants.

2/ Excluding data for the waiver of loans by the United Kingdom and the Federal Republic of Germany in 1978/79.

CHART
THE GAMBIA
REAL AND NOMINAL EFFECTIVE EXCHANGE RATES,
1978-84

(Index: 1980 = 100)¹



Source: IMF, Exchange and Trade Relations Department.
¹Trade-weighted.

Table 3. The Gambia: Monetary Survey, June 1981-June 1984

(In millions of dalasis)

	<u>1981</u>	<u>1982</u>		<u>1983</u>		<u>1984</u>	
	End- June	End- June	End- Dec.	End- June	End- Dec.	End- Mar.	End- June
Net foreign assets	-112.5	-126.3	-132.4	-179.7	-195.3	-241.3	-246.4
Foreign assets	53.2	32.6	33.0	18.3	13.2	24.0	18.6
Foreign liabilities	-165.7	-158.9	-165.4	-198.0	-208.5	-265.3	-265.0
Domestic credit	218.4	253.5	285.3	344.3	378.4	387.3	405.5
Claims on Government (net)	54.7	49.9	57.7	73.6	102.5	94.2	97.7
Claims on GPMB	26.4	53.2	47.8	101.4	73.9	101.2	110.9
Claims on private sector	137.3	150.4	179.8	169.3	202.0	191.9	196.9
Money and quasi-money	86.2	98.5	126.1	133.1	159.3	151.2	142.9
Other items	19.7	28.7	26.8	31.5	23.8	-5.2	16.2

Sources: Data provided by the Central Bank of The Gambia; and program projections.

Table 4. The Gambia: Balance of Payments, 1981/82-1984/85

(In millions of SDRs)

	1981/82	1982/83	1983/84	
			Prog. Est.	Rev. Est.
Merchandise trade, f.o.b.	-36.07	-33.56	-17.77	-21.38
Exports, f.o.b.	49.67	48.15	65.20	65.51
Imports, f.o.b.	-85.74	-81.71	-82.97	-86.89
Services and private transfers	-25.88	-22.85	-22.55	-24.12
Freight and insurance	-41.31	-13.64	-13.84	-14.50
Travel	10.16	14.12	16.02	19.25
Other services	-24.34	-20.03	-27.21	-31.35
Private transfers	2.61	2.34	2.48	2.48
Current account	-61.95	-56.41	-40.32	-45.50
Capital account	47.44	27.94	33.91	32.36
Official loans and transfers (net)	54.00	34.56	34.36	35.68
Official transfers	38.71	23.74	25.32	25.30
Official loans	15.29	10.82	9.04	10.38
Private capital (net)	-6.56	-6.62	-0.45	-3.32
Long-term	5.47	2.91	0.71	0.75
Short-term, errors and omissions	-12.92	-13.10	-1.16	-4.07
Commercial banks	-1.21	3.57	--	--
GPMB	2.10	--	--	--
Overall balance	-14.51	-28.47	-6.41	-13.14
Financing	14.51	28.47	6.41	13.14
SDRs	0.18	--	--	--
IMF reserve position	--	--	--	--
Use of Fund resources	6.99	6.65	0.74	0.74
Foreign exchange and other items	13.86	-6.89	2.19	-1.57
Arrears	-6.52	28.71	3.48	13.97
<u>Memorandum item:</u>				
Exchange rate				
Dalasis/SDR	2.4679	2.7488	3.4975	3.4975

Sources: The Gambian authorities; staff estimate.

III. Report on the Discussions

Although the Gambian authorities had made some progress in the two fiscal years ended June 1983 in reducing the imbalances facing the economy, no significant continuous attempts were made to consolidate these achievements until in early 1984. At that time, the authorities initiated a Fund-supported stabilization program, aimed at arresting the deterioration which had set in in the economic and financial situation. The consultation discussions focused on a broad assessment of developments in 1983/84, the effects of the stabilization measures, and the problems being encountered in the implementation of the adjustment program, with a view to delineating appropriate policies for the future.

1. Production and investment policies

The growth in real GDP in the Gambian economy in the two preceding years stalled in 1983/84. Although nominal GDP increased by about 12.7 percent, real GDP, which registered annual average increases of 12.4 percent in the preceding two fiscal years, registered no change in 1983/84.

The Gambian representatives stated that the performance of the economy had been adversely affected by the unfavorable weather conditions in the Sahel region: production of food crops (including rice, maize, sorghum) had fallen by an estimated 51 percent in 1983/84 and value added in the agricultural sector as a whole fell by about 23-25 percent; production of export crops also registered a decline of 25 percent. Consequently, other sectors which complement crop production showed hardly any gains in 1983/84. However, largely because of the favorable export prices, the GPMB's financial position is estimated to have registered a trading surplus in 1983/84, for the first time in five years. The livestock and fishing sectors performed relatively well in 1983/84: the Livestock Marketing Board realized an operating surplus in 1983/84, and fish exports, which have increased steadily in recent years, are estimated to have doubled in 1983/84. Similarly, for the second year in a row (since the aborted coup d'état of July 1981 led to a marked drop in tourist arrivals), the number of visitors to The Gambia rose substantially in 1983/84.

The Gambian representatives stated that the Government intends to continue in 1984/85 with the implementation of measures designed to further its objectives of diversifying the economy, in line with the policy framework laid down in its second Five-Year Development Plan; that draft plan is currently being revised and extended to cover the period 1984/85 to 1987/88. In this context, and consistent with the provisions of the Government's stabilization program, the authorities have increased the producer prices for groundnuts by 11.1 percent to D 500.0 per ton, as discussed with the IBRD and the Fund staffs; the Government has also announced increases of 20 percent and 10 percent, respectively, in the producer prices for cotton and rice. The increased prices have been announced ahead of the planting season, in order to assist farmers in making resource allocation decisions.

Where pricing policies are concerned, the Gambian representatives reaffirmed the Government's commitment to the principle of economic pricing. In the case of rice, in accordance with this principle, the authorities stated that they implemented in February an increase of 14.6 percent in the retail price of rice which had been required, at the then prevailing import prices for rice, to enable the GPMB to remain viable on its rice operations. However, the impact of the Sahelian drought has resulted in a substantially higher-than-programed level of rice imports, at prices which are 17 percent higher than the original contract prices. Consequently, the GPMB will now make a small loss on its rice operations, but this would be more than covered by the surplus on its groundnut operations. However, consistent with their long-standing commitment to the economic pricing of imported rice, they have stated that, if the prevailing high import price of rice were to continue, a schedule for phasing out the rice subsidy would have to be considered. In the case of petroleum products, the authorities have increased retail prices by 15.2 percent, effective March 13, 1984, with the result that prices of petroleum products continue to involve no subsidies.

The consumer price index, which rose at an annual average rate of 8.5 percent in the three fiscal years ended June 1983 rose by an estimated 15.7 percent in 1983/84, largely because of the drought and the devaluation of the dalasi.

2. Fiscal policy

Concerning fiscal developments, the Gambian representatives indicated that revised estimates for 1983/84 show that the overall budgetary deficit (excluding grants) declined from 14.4 percent of GDP in 1982/83 to 13.6 percent in 1983/84. However, the outturn for 1983/84 is higher than the programed level; consequently, the actual level of the associated bank financing of the deficit is estimated to have been higher than expected at 18.1 percent of beginning money stock (program target 11.3 percent of beginning money stock). The Gambian representatives explained that a large part of the reason for the unfavorable budgetary performance is attributable to revenues which were about 3.3 percent lower than programed. The revenue shortfall was mainly on account of lower nontax revenues, including interest payments from parastatals which continue to encounter financial difficulties; income tax receipts were actually some D 6.7 million (or 53.5 percent) higher than programed partly on account of a return to normal conditions in the business sector. In addition, although development expenditures were somewhat higher than programed, the authorities' initiative in floating government stocks led to an increase in nonbank financing of the budget; despite this factor, and the slightly higher-than-programed level of net foreign financing notwithstanding (D 32.4 million, compared with a programed level of D 28.8 million), bank financing amounted to D 24.12 million (4.1 percent of GDP), or some D 9.1 million higher than programed.

The Gambian representatives stated that their budget for 1984/85 is aimed at a further reduction in the overall budgetary deficit from 13.6 percent of GDP in 1983/84 to 10.0 percent of GDP in 1984/85; bank financing of the deficit is also budgeted to be contained to D 11 million or 1.6 percent of GDP (7.7 percent of beginning money stock) in 1984/85. To this end, the budget includes some D 23.1 million (3.4 percent of GDP) in new fiscal measures; the main revenue measures include further increases in import duties on petroleum products, tobacco products, alcoholic beverages, and automobiles, as well as increases in imports and excise taxes. On the expenditure side, the budget calls for continued restraint and improved expenditure control. In this context, Supplementary Appropriations (SAPs) will not be authorized in 1984/85, without equivalent savings elsewhere in the budget; the authorities have targeted a savings of D 3 million on the 1984/85 budget provision for wages and salaries; an additional D 3 million savings is anticipated in light of the Government's review of its membership in international organizations with a view to withdrawing from some of these; the quarterly expenditure and allotment system will be continued, and the authorities have introduced a system of precommitment control of expenditures, beginning 1984/85.

With respect to parastatals, the Gambian representatives stated that measures were in place, effective November 1983, strengthening the role of the National Investment Board (NIB) in monitoring the performance of nonfinancial public enterprises (NPEs). In addition, the NIB has embarked on a major effort to delineate intra-public sector debts, with a view to completing the study by the end of fiscal year 1984/85. Studies were also under way to review the pricing structures of a number of parastatals, including the Gambia Utilities Corporation (GUC) and the Gambia Public Transport Corporation (GPTC). The Gambian representatives explained that, although the GUC's financial performance had been aided by a 25 percent increase in electricity and water rates in April 1983, while the recent increases in bus fares (33.3 percent) had ameliorated the financial difficulties of the GPTC, these parastatals still remain in serious financial difficulties.

3. Credit and monetary policies

With regard to monetary and credit developments, the Gambian representatives stated that private sector credit continues to be heavily influenced by the measures which were initiated under the previous and present stabilization programs. They explained that, although there had been a hiatus between the last and the present stabilization programs, they had continued to control and monitor private sector credit through the allocation of quantitative credit guidelines to each of the commercial banks, as they had found such guidelines useful. In the case of crop financing, the "imprest" system, under which crop credits were released on a revolving, bi-weekly basis for crop purchases, has also been continued, given the highly satisfactory experience with the system in curbing the diversion of crop credits to commercial purposes. Consequently,

they expected to continue along these lines in 1984/85. Similarly, net credit to Government had been brought under very tight control in the context of the stabilization program, thereby reversing part of the large expansion which had taken place in the first six months of FY 1983/84. Largely because of developments on private sector credit, the rate of increase in total domestic credit has been substantially reduced from some 35.8 percent in 1982/83 to an estimated 17.8 percent in 1983/84. Money supply (broadly defined) increased by 7.4 percent (program target 4.8 percent) in 1983/84, compared with an increase of 35.1 percent in 1982/83.

Concerning overall monetary and credit policies in 1984/85, the Gambian representatives stated that these will continue to reflect the restrictive stance adopted in the previous year, with a view to moderating demand and inflationary pressures, while ensuring that the credit needs of the productive sectors of the economy continue to be met. Regarding institutional aspects of the monetary sector, a World Bank team was in Banjul to discuss the Bank's financial sector survey of The Gambia: some of the recommendations of the IBRD survey are now being implemented. In this context, the IBRD, in conjunction with the authorities, is preparing a technical assistance project aimed at strengthening the management capacity of the Gambia Commercial and Development Bank (GCDB).

4. External financial policies

The improvement which began two years ago in The Gambia's external current account continued in 1983/84: the deficit in the current account of the balance of payments has continued to decline, and, as a ratio to GDP, has fallen sharply and steadily by an average of 14.1 percentage points in the two-year period ended 1982/83; in 1983/84 the ratio fell further by 6.0 percentage points to an estimated 23.5 percent of GDP. Despite the continued improvement in the current account, pressures on the balance of payments intensified in 1982/83, when external payments arrears, which had been reduced in the previous year, rose substantially by some SDR 35 million; foreign exchange pressures also remained strong in 1983/84. Meanwhile, The Gambia's gross external reserves remain at a low level, and the ratio of debt service payments to export earnings average some 20 percent.

The Gambian representatives expressed continuing concern over their ongoing balance of payments difficulties: their efforts to ease the external constraints facing the economy had been made more difficult by the substantial deterioration in the terms of trade in the two-year period ended 1982/83; consequently, although the volume of groundnut exports had increased from the low levels of 1980/81, export earnings in the two-year period ended 1982/83 averaged only SDR 48.9 million, or SDR 3.2 million more than in 1980/81, with the result that import demand continued to bear the brunt of the adjustment to the worsened external situation. At

the same time, capital inflows continued to drop sharply, from a high of SDR 70 million in 1980/81 to SDR 27 million or less than one half the 1980/81 level; official loans and transfers fell from SDR 52.4 million in 1980/81 to SDR 34 million in 1982/83. These trends were exacerbated by net outflows of private capital in both 1981/82 and 1982/83. While the current account continued to improve, the overall balance was deteriorating with the result that external arrears built up in 1982/83. However, in 1983/84 export earnings rose substantially by 36.1 percent, despite a decline in volume, as the terms of trade improved markedly. The volume of groundnut exports at 57.5 thousand tons was 19.2 percent lower than in 1982/83 and 22 percent less than the program projection because of lower groundnut purchases and because a higher volume had to be retained by the GPMB for domestic use in the form of oil and seed. Nevertheless, despite this development, the value of exports is estimated to have attained the program target of SDR 65.5 million mainly because of higher groundnut prices.

Although import payments increased in 1983/84, for the first time in three years, the increase reflected higher payments for rice imports, both on account of an increased volume due to the drought and an increase in the import price of rice. The Gambian representatives explained that rice imports were projected to total 32,000 tons and to cost US\$6.2 million; however, since the impact of the drought on domestic food production was more severe than anticipated, additional rice had to be imported, increasing total rice imports for FY 1983/84 to 50,000 tons, at an estimated total cost of US\$10.8 million. Meanwhile, however, reflecting improvement in the tourism industry (tourist arrivals increased sharply in 1983/84), gross receipts from travel are estimated to have increased by 36 percent as against a programed increase of only 13.5 percent. Consequently, in spite of higher-than-programed payments on other services (mostly payments on account of investment incomes, interest and other charges, technical assistance payments and other services), the deficit on services and private transfers is estimated to have exceeded the program estimate by only SDR 1.57 million. Although official capital inflows were higher than programed (because of higher development expenditures), short-term capital (inclusive of errors and omissions) registered an estimated outflow of SDR 3.3 million, and the overall deficit is estimated to have declined from SDR 28.5 million in 1982/83 to SDR 13.1 million (program target SDR 6.4 million). Reflecting these developments, external arrears, which were projected to increase by SDR 3.5 million, rose instead by SDR 14.0 million.

With regard to exchange rate policy, the Gambian representatives felt that, while it was too early to assess fully their experience with the devaluation of late February 1984, indications are that the devaluation has improved the competitiveness of The Gambia in the tourist sector. Similarly, livestock exports have also reportedly benefited from the devaluation, as entry into markets in neighboring countries has been facilitated. Furthermore, the devaluation has led to an increase in import prices, with repercussions on import demand.

Despite the continuing balance of payments pressures, the Gambian representatives reaffirmed their intentions not to impose quantitative import controls. They also intend to continue to exercise care with respect to the provision of government guarantees and the incurring of short-term external borrowing, in view of their implications for the debt service profile.

IV. Medium-Term Outlook

The Second Five-Year Development Plan (SFYDP) 1981/82-1985/86 is being revised and extended to cover the period 1984/85-1987/88 in the context of a UNDP-sponsored donors' conference scheduled for late November 1984. Meanwhile, in the absence of official information regarding the investment program and the supporting macro-aggregates for the period 1984/85 to 1988/89, the staff has prepared balance of payments projections for the period (Table 5), based on the assumption that the groundnut sector will continue to play a dominant role in the economy. In this context, it is assumed that purchases of groundnuts by the GPMB which declined from 127 thousand tons in 1982/83 to 92,000 tons in 1983/84 will recover gradually to about 126.8 thousand tons in 1988/89, while the export price of a ton of decorticated groundnuts is projected to decline from US\$570.0 a ton in 1983/84 to US\$431.0 in 1984/85 and then to an average of about US\$415.0 during the period 1985/86-1988/89. Consequently, exports which are projected to increase from SDR 61.1 million in 1984/85 to SDR 67.6 million in 1988/89 will decline from 31.3 percent of GDP in 1984/85 to 25.5 percent in 1988/89. Imports are projected to increase from SDR 71.5 million in 1984/85 to SDR 90.3 million in 1988/89, or at an annual average rate of 6 percent, and are expected to register a slight decline from 36.7 percent of GDP in 1984/85 to 34.0 percent in 1988/89, largely because most of the increase in GDP is expected to come from a recovery in the production of non-monetary food items such as sorghum and millet, which use minimal imported inputs.

The rate of increase of invisible exports, mainly tourism, is projected to decline from the 38 percent annual average growth experienced in 1982/83 and 1983/84 to about 6 percent, reflecting the fact that further expansion of the sector should come from increased use of facilities during the off-peak season. In spite of the expected improvement in travel receipts, the deficit on services is expected to register no substantial improvement primarily because of the estimated 8 percent annual increase in technical assistance payments and because of large interest payments on public debt which are projected at about SDR 8 million per annum during the forecast period. Interest charges on Fund obligations are projected to decline because these obligations are assumed to decline substantially after FY 1985/86 when repurchases with respect to the SDR 9.0 million compensatory financing facility of June 1981 are completed. Reflecting developments on the trade and services accounts, the current account deficit is expected to show a modest decline from an estimated 18.7 percent of GDP in 1984/85 to 16.9 percent in 1988/89.

Table 5. The Gambia: Balance of Payments Projections, 1984/85-1988/89

(In millions of SDRs)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Merchandise trade, f.o.b.	-21.38	-10.40	-17.61	-18.32	-19.98	-22.71
Exports, f.o.b.	65.51	61.12	58.20	62.04	65.20	67.58
Imports, f.o.b.	-86.89	-71.52	-75.81	-80.36	-85.18	-90.29
Services and private transfers	-24.12	-26.00	-23.91	-22.38	-22.56	-22.25
Freight and insurance	-14.50	-11.25	-12.64	-13.40	-14.20	-15.05
Travel	19.25	19.25	20.41	21.64	22.94	24.32
Other services	-31.35	-35.89	-34.40	-33.50	-33.75	-34.75
Private transfers	2.48	2.57	2.72	2.88	3.05	3.23
Current account	-45.50	-36.40	-41.72	-40.70	-42.54	-44.96
Capital account	32.36	29.08	36.47	39.81	42.82	47.09
Official loans and transfers (net)	35.68	33.82	37.08	40.46	43.40	47.33
Official transfers	25.30	24.08	26.88	29.10	31.47	34.05
Official loans	10.38	9.74	10.20	11.36	11.93	13.28
Private capital (net)	-3.32	-4.74	-0.61	-0.65	-0.58	-0.24
Long-term	0.75	0.71	0.71	0.71	0.71	0.71
Short-term, errors and omissions	-4.07	-5.45	-1.32	-1.36	-1.29	-0.95
Commercial banks	--	--	--	--	--	--
GPMB	--	--	--	--	--	--
Overall balance	-13.14	-7.32	-5.25	-0.89	0.28	2.13
Financing,	13.14	7.32	-7.93	-6.01	-5.26	-6.59
SDRs	--	--	--	--	--	--
IMF reserve position	--	--	--	--	--	--
Use of Fund resources	0.74	3.56	-7.93	-6.01	-5.26	-6.59
Foreign exchange and other items	-1.57	--	--	--	--	--
Arrears	13.97	...	--	--	--	--
Financing gap ^{1/}	--	3.76	13.18	6.90	4.98	4.46

Sources: Data provided by the Gambian authorities; and staff estimates.

^{1/} Arrears reduction from 1985/86 onward are as assumed in the debt service projections in Table 6.

Present indications are that the Gambian economy is not likely to generate substantially higher levels of domestic resources for the development budget and still meet the increasing requirements for the recurrent budget; accordingly, it is expected that development expenditure will continue to be constrained to an annual increase of about 8 percent, which provides for virtually no increase in real expenditure. Capital inflows on account of project grants and technical assistance are also projected to increase by 8 percent. However, since loan repayments on external debt are expected to increase from SDR 4.2 million in 1983/84 to about SDR 7.0 million in 1988/89, the flow of net official loans is expected to register no substantial increase during the period. The medium-term scenario also indicates that The Gambia's debt service burden which is expected to peak in 1985/86 at 35.6 percent of exports of goods and services should decline to about 27 percent in 1988/89 (Table 6). The new borrowing is assumed to have an average interest rate of 2.7 percent, the average interest rate on The Gambia's outstanding external debt.

Reflecting the Government's policy of emphasizing improved utilization of existing capital assets, especially in the hotel industry, long-term private capital inflows are not expected to be substantial. The overall balance of payments is projected to improve from a deficit of SDR 7.3 million in 1984/85 to a surplus of about SDR 2 million in 1988/89. It should be noted, however, that the export projections made by the staff and based on a conservative scenario developed with respect to GPMB groundnut operations. Indeed, an alternative simulation, based on a scenario which assumes the attainment of the 1982/83 level of groundnut purchases and groundnut export volumes by 1986/87 (as a result of the implementation of the IBRD's ADP II, which is effective from July 1984, and which has a large groundnut-production input augmenting component), would have resulted in a significant reduction in the projected financing gaps. However, these projections are predicated on a continuation of prudent fiscal and credit policies, including a supply-oriented investment program.

Table 6. The Gambia: Debt Service Projections, 1983/84-1988/89

(In million of SDRs) 1/

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
A. Service on external public debt <u>2/</u>						
Principal	4.23	12.87	8.73	8.85	9.66	9.80
Interest	5.77	6.50	6.27	6.59	6.92	7.10
Total	10.00	19.37	15.00	15.44	16.58	16.98
B. Service on IMF debt (including Trust Fund)						
Repurchases	2.30	6.21	10.45	7.74	6.55	7.54
Charges	2.48	2.57	2.52	1.93	1.41	0.68
Total	4.78	8.78	12.97	9.67	7.96	8.22
C. Total debt service (A+B+C)						
Principal	6.53	19.08	19.18	16.59	16.21	17.34
Interest	8.25	9.07	8.79	8.52	8.33	7.78
Total	14.78	28.15	27.97	25.11	24.54	25.12
<u>Memorandum items:</u>						
Exports of goods and services	84.76	80.37	78.61	83.08	88.14	91.90
Debt service ratio, including repayment of arrears (%)	17.4	35.0	35.6	30.2	27.8	27.3
Of which: IMF	(5.6)	(10.9)	(16.5)	(11.6)	(9.0)	(8.9)
External debt outstanding <u>3/</u>	179	187	193	194	198	204

Sources: Ministry of Finance; and staff estimates.

1/ Excludes service on private nonguaranteed debts. Service on debt outstanding as of July 1983 plus new borrowing for development projects. Service on existing debt is on a commitment basis. On new borrowing, assumed a 10-year grace period and an interest rate of 2.7 percent per year.

2/ Service payments include an annual arrears reduction of SDR 3 million based on an assumed rescheduling of SDR 15 million of outstanding external arrears.

3/ End of period; includes external public debt, Fund holdings of dalasis subject to repurchases, the stock of external arrears, and debt incurred to close the projected financing gap.

V. Staff Appraisal

The Gambian authorities have continued to make determined efforts to deal with the large internal and external imbalances facing the economy: comprehensive adjustment policies in the areas of producer pricing, economic pricing, fiscal, monetary, and exchange rate policies are being implemented in the course of the Government's stabilization program. As a result of these measures, the internal and external imbalances, which had widened in the first half of FY 1983/84, had been prevented from deteriorating further in early 1984. Nevertheless, care needs to be exercised to enhance the chances of significant adjustment in the economy in the period ahead.

In this context, staff estimates indicate that The Gambia's economic and financial difficulties will persist in the near and medium term. Specifically, indications are that The Gambia's economic development will continue to be limited by the present severe financial constraints; reserves will remain low; external payments arrears and the debt service burden will remain high; and the foreign exchange situation will continue to be tight in the next few years, as reflected in the medium-term discussions. For these reasons, the adjustment effort must be strengthened in order to make further progress in reducing internal and external imbalances, in fostering improved economic and financial management and decision-making, and in providing appropriate incentives to the private sector, including agricultural producers. With increased adherence to prudent fiscal and credit policies, including a supply-oriented investment program, The Gambia's external current account would register some improvement in the medium term, even under relatively conservative assumptions regarding likely trends in the volume and prices of groundnut exports and in tourism. In this context, the staff urges the authorities to implement fully the policies underlying the current stand-by arrangement. While The Gambia has made commendable effort in the past few years in improving its revenue effort, in light of the sharp decline in external grants in recent years, future policies in this area would also need to be directed to the area of tax compliance and administration, and increased expenditure control. In addition, efforts need to be intensified to improve the performance of parastatals, with emphasis on the implementation of economic pricing policies. While the recent exchange rate adjustment has assisted in improving the competitiveness of some of The Gambia's exports, the staff urges the authorities to continue to view the exchange rate as an important instrument of economic policy.

The Gambia's accumulation of commercial and official arrears in respect of current international transactions constitutes an exchange restriction subject to approval under Article VIII. The Gambia also maintains a multiple currency practice arising from costs to purchasers of foreign exchange of counterpart deposits required for arrears. The staff does not propose that the Fund approve these restrictions at this time.

Consistent with the 12-month cycle envisaged for consultation discussions with The Gambia, the authorities have proposed that the next Article IV consultation discussions take place around the period March-May 1985.

VI. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to The Gambia's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1984 Article XIV consultation with The Gambia, in the light of the 1984 Article IV consultation with The Gambia conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").
2. The Gambia's exchange system contains restrictions on payments and transfers for current international transactions, involving external payments arrears, and a multiple currency practice, as described in SM/84/ , which are subject to approval under Article VIII. The Fund urges the authorities to remove these restrictions as soon as possible.

The Gambia--Fund Relations
(As of September 30, 1984)

I. Membership status

- (a) Date of membership: September 21, 1967
(b) Status: Article XIV

A. Financial Relations

II. General Department (General Resources Account)

- (a) Quota: SDR 17.10 million
(b) Fund holdings of Gambian dalasis: SDR 45.3 million (265.2 percent of quota)
- | | <u>SDR
million</u> | <u>Percent of
quota</u> |
|--|------------------------|-----------------------------|
| (c) Fund holdings subject to repurchase and charges: | 28.30 | 165.5 |
| Of which: compensatory financing facility | 8.60 | 50.1 |
| credit tranches | 9.50 | 55.6 |
| supplementary financing facility | 4.79 | 28.0 |
| enlarged access resources | 5.41 | 31.6 |
| (d) Reserve tranche position: | SDR 38,636 | |

III. Current stand-by and special facilities

- (a) Current stand-by arrangement:
- (i) Duration: From April 23, 1984 to July 22, 1985
 (ii) Amount: SDR 12.83 million
 (iii) Utilization: SDR 2.63 million
 (iv) Undrawn balance: SDR 10.20 million
- (b) 1982/83 stand-by arrangement:
- (i) Duration: From Feb. 22, 1982 to Feb. 21, 1983
 (ii) Amount: SDR 16.90 million
 (iii) Utilization: SDR 16.90 million
 (iv) Undrawn balance: --

(c) Compensatory financing facility:

(i) Date of approval	June 3, 1981
(ii) Amount	SDR 9.00 million

IV. SDR Department

(a) Net cumulative allocation:	SDR 5.12 million
(b) Holdings:	SDR 25,369 (0.05 percent of net cumulative allocation)

V. Administered accounts

(a) Trust Fund loans:	
(i) Disbursed	SDR 6.84 million
(ii) Outstanding	SDR 6.35 million
(b) SFF Subsidy Account:	
(i) Donations to Fund	--
(ii) Loans to Fund	--
(iii) Payments by Fund	SDR 0.24 million

VI. <u>Overdue obligations to the Fund</u>	SDR 683,984
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B. Nonfinancial Relations

VII. Exchange rate arrangement

The Gambian currency, the dalasi, is pegged to the pound sterling at a fixed rate of D 5 = £1. (Before the 25 percent devaluation of February 25, 1984 the exchange rate was D 4 = £1.) The Gambia has exchange restrictions arising from external payments arrears which are subject to Article VIII. Fund approval for their retention until August 31, 1984 or the completion of the 1984 Article IV consultation with The Gambia, whichever is earlier, was granted on April 23, 1984.

VIII. Article IV consultation

The last Article IV consultation discussions with The Gambia were held in Banjul during the period April 20-May 6, 1983. The staff report (EBS/83/165) was discussed by the Executive Board on August 26, 1983, and the decision was:

1. The Fund takes this decision relating to The Gambia's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1983 Article XIV consultation with The Gambia, in the light of the 1983 Article IV consultation with The Gambia conducted under Decision No. 5392(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. The Gambia's exchange system involves payments arrears, as described in SM/83/185, which are subject to approval under Article VIII. The Fund urges the authorities to eliminate this restriction as soon as possible.

The Gambia is on the standard 12-month cycle for consultations.

IX. Technical assistance

(a) CBD:

A member of the CBD panel of experts is assigned to the Central Bank of The Gambia where he is heading the Research and Statistics Department.

(b) Fiscal:

A member of the FAD panel of experts is assigned to the Ministry of Finance to advise on fiscal operations.

(c) Other:

A member of the CBD panel of experts on internal debt has been assigned to the Ministry of Finance for a six-month period to review the country's external public debt statistics.

The Gambia - World Bank Lending Operations
(As of September 30, 1984)

(In millions of U.S. dollars)

	<u>Amount</u>	
	<u>Disbursed</u>	<u>Undisbursed</u>
Purpose		
Five credits fully disbursed	19.38	--
Rural and urban enterprises project	2.97	0.03
Highway maintenance project	3.29	1.71
Energy project <u>1/</u>	0.75	0.62
Second Banjul port project <u>1/</u>	<u>2.80</u>	<u>3.45</u>
Total	29.19	5.81

Source: IDA.

1/ Disbursed balance computed at the rate on dates of disbursements.

THE GAMBIA - Basic Data

Area, population, and GDP per capita

Area	10,360 square km
Population: Total (1984)	720,000
Growth rate	3.5 percent
GDP per capita (1983/84)	SDR 235

<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u> Revised estimate
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Gross domestic product

GDP (at 1976/77 market prices) (millions of dalasis)	431.9	323.1	360.7	409.1	409.1
Agriculture (percent of total)	20.6	22.2	28.8	30.1	23.2
Manufacturing (percent of total)	3.8	5.0	4.8	4.4	4.4
Trade and commerce (percent of total)	17.3	14.5	13.0	12.3	11.0
Tourism and hotels (percent of total)	2.4	2.2	1.9	2.6	2.8
GDP (in millions of dalasis at current market prices)	403.7	399.3	464.3	525.0	591.6
Gross domestic investment (as percent of GDP)	28.1	26.9	24.4	20.8	18.3
Gross domestic savings (as percent of GDP)	0.2	-4.1	4.1	7.3	7.6
Annual real rate of change of GDP and prices					
GDP at constant 1976/77 prices	-9.9	-5.5	11.3	13.4	--
GDP deflator	9.9	4.5	7.3	-3.1	12.7
Consumer price index	5.0	7.9	8.2	9.3	15.7

Central government finance

(In millions of dalasis)

Recurrent revenue	98.2	80.2	91.4	105.6	132.1
Foreign grants	10.8	24.3	56.8	16.9	20.5
Total expenditure	142.8	158.6	184.9	179.1	212.4
Recurrent	87.7	89.3	116.1	112.6	138.4
Development	53.1	69.8	68.8	66.5	75.0
Net lending	2.0	-0.5	...	...	-1.0
Overall deficit (excluding grants)	-44.6	-78.4	-93.5	-73.5	-80.3
Overall deficit (including grants)	-33.8	-54.1	-36.7	-56.6	-59.8
Financing	33.8	54.1	36.7	56.6	59.8
Foreign (net)	29.8	50.1	34.7	31.2	27.4
Domestic (net)	4.0	4.1	2.0	25.4	24.1
Banking system	-0.3	7.3	-1.7	23.7	3.3

THE GAMBIA - Basic Data (concluded)

	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u> Revised estimate
<u>Money and credit</u>	<u>(Percent change)</u>				
Domestic credit	38.2	15.6	16.1	35.8	17.8
Government	-1.0	25.3	-8.8	47.5	32.7
GPMB	(49.8	(13.6	101.5	90.6	9.4
Private sector	(	(	6.9	12.6	16.3
Money and quasi-money	-0.1	18.3	14.4	35.1	7.4
<u>Balance of payments</u>	<u>(In millions of SDRs)</u>				
Exports, f.o.b.	58.1	45.7	49.7	48.2	65.5
Imports, f.o.b.	-106.7	-104.3	-85.7	-81.7	-86.9
Trade balance	-48.6	-58.6	-36.0	-33.5	-21.4
Services and private transfers (net)	-17.3	-20.5	-25.9	-22.9	-24.1
Current account (net)	-65.9	-79.1	-61.9	-56.4	-45.5
Capital account (net)	49.3	70.4	47.4	27.9	32.4
Official	46.1	52.4	54.0	34.6	35.7
Private	3.2	18.0	-6.6	-6.6	-3.3
Overall surplus or deficit	-16.6	-8.7	-14.5	-28.5	-13.1
Current account deficit (as percent of GDP)	38.0	43.6	32.9	29.5	23.5
<u>Gross official foreign reserves</u> (end of period)					
Amount	5.5	19.8	4.3	2.6	2.9
In weeks of imports	2.7	9.9	2.6	1.7	1.7
<u>External public debt</u>					
Disbursed and outstanding (end of period)	118.7	176.0	329.7	456.8	603.4
Debt service as percent of exports of goods and nonfactor services	...	2.2	7.2	9.6	19.0
Excluding the Fund	...	0.7	3.4	4.4	5.6
Including the Fund	...	1.5	3.8	5.2	13.4

The Gambia - Statistical Issues

1. Coverage, Currentness, and Reporting of Data in IFS

		<u>Latest Data in October 1984 IFS</u>
Real Sector	- National Accounts (GDP only)	1982
	- Prices	March 1984
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	1978
	- Financing	1978
	- Debt	1978
Monetary Accounts	- Central Bank	June 1984
	- Deposit Money Banks	June 1984
	- Other Financial Institutions	May 1984
External Sector	- Merchandise Trade: Values	March 1984
	- Merchandise Trade: Prices	March 1984
	- Balance of Payments	1981
	- International Reserves	August 1984
	- Exchange Rates	August 1984

During the past year, the reporting of data for inclusion in IFS has been irregular.

2. Outstanding Statistical Issues

Real Sector

The present mission collected data on the volume of production of export and food crops, and producer prices of agricultural products, which are not presently being reported to the Bureau.

Government Finance

IFS data are annual and correspond to data reported for the Government Finance Statistics Yearbook. The latest data available for publication relate to 1978 and no new data have been received in response to the GFS questionnaire.

Monetary Accounts

In comparing IFS data with those in the RED and the Quarterly Bulletin of the Central Bank of the Gambia, there are some differences in sectorization, which affect the accounts of the monetary authorities.

Firstly, the Bulletin classifies credit to the Gambia Produce Marketing Board as credit to Government, while the RED and IFS (from July 1984) identify this item separately as claims on official entities, and secondly the treatment of Fund accounts causes differences in net claims on Government and capital accounts. These differences can be fairly easily reconciled. However, monetary data are reported irregularly and sometimes three or four months are received at a time. Furthermore, there are often problems with the consistency of the data sent on report forms, e.g., assets and liabilities frequently do not balance.

Balance of Payments

No balance of payments data have been received for 1982 and 1983. All data reported by the Central Bank are for fiscal years ending June 30; data for calendar years are not available. Furthermore, the data reported for 1980 and 1981 show a deteriorating coverage of both the current and the capital accounts, a subject which has been under continuous review by Fund missions.

The Gambia: Quantitative Performance Targets
for June 1984

	1983		1984
	June	December	June
Net credit to Government from the banking system			
Ceiling			
Original			73.10
Revised <u>1/</u>			91.35
Actual			
Original	58.10	84.20	
Revised	73.57	102.45	97.70
Net credit to the Gambia Produce Marketing Board from the banking system			
Ceiling			94.36
Actual	101.40	73.90	110.89
Total domestic bank credit			
Ceiling			
Original			371.10
Revised <u>1/</u>			384.20
Actual			
Original	328.70	365.30	
Revised <u>1/</u>	344.30	378.40	405.50
(In millions of SDRs)			
External payments arrears			
Ceilings			41.22
Original			48.43
Revised <u>1/</u>			
Actual	37.81	42.57 <u>2/</u>	
Original	37.81	49.38	51.78
Revised <u>1/</u>			
New nonconcessional external borrowing in 1-12-year maturity range cumulative (millions of U.S. dollars)			
Ceiling	--	--	--
Actual	--	--	--
External borrowing of non-trade credit of less than 1-year maturity, exclud- ing SDR 7.0 million of bridging loans			
Ceiling	--	--	--
Actual	--	--	--

Sources: Data provided by the Gambian authorities; and program projections.

1/ Following adjustments made to the December 1983 base figures to take account of government external payments due but not effected which were not debited to the Government's special deposit account.

2/ Stock of arrears as of January 13, 1984, using an exchange rate of SDR 0.3464 = D 1 and SDR 0.2770 after February 25, 1984.