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**FOR
AGENDA**

EBS/00/241
Correction 1

CONFIDENTIAL

December 7, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **The Gambia—Poverty Reduction and Growth Facility—Request for the Third Annual Arrangement Under the Poverty Reduction and Growth Facility, and Request for Extension of Commitment Period**

A staff paper on The Gambia—Poverty Reduction and Growth Facility—Second Review Under the Second Annual Arrangement and Request for the Third Annual Arrangement, and Request for Extension of Commitment Period was circulated as EBS/00/241 on November 28, 2000.

Because the Legal Department has indicated that it is no longer feasible to complete the second review under the second annual arrangement under the Poverty Reduction and Growth Facility for The Gambia, which expired on November 18, 2000, the paper is being corrected as referring only to the third annual arrangement.

The following corrections have been made in EBS/00/241 (11/28/00):

Note of transmittal, subject line and first para: revised

Page 1, document title: for “Second Review...and Request”
read “Request”

Page 5, para. 1, lines 14–16: for “SDR 6.87 million. The...second review”
read “SDR 6.87 million.”

para. 2, lines 1 and 2: for “requests the...(27.6 percent”
read “requests approval...(33.1 percent”

Page 24, para. 53, lines 6–8: for “Board (i) completion...arrangement (ii)...(iii) approval”
read “Board (i) approval...and (ii) approval”

Pages 25 and 26, Proposed Decision: revised

Page 27, line 6: revised

line 7, columns 3 and 4: for "1.718 5.5"
read "3.435 11.1"

Page 32, footnote 4: deleted

Pages 37–39, Proposed Text of Arrangement: revised

Page 40, para. 2: revised

Corrected pages are attached.

Att: (12)

Other Distribution:
Department Heads

**FOR
AGENDA**

EBS/00/241

Corrected: 12/6/00

CONFIDENTIAL

November 28, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **The Gambia—Poverty Reduction and Growth Facility—Request for
the Third Annual Arrangement, and Request for Extension of
Commitment Period**

Attached for consideration by the Executive Directors is The Gambia's request for the third annual arrangement under the Poverty Reduction and Growth Facility and its request for an extension of the commitment period. Draft decisions appear on pages 25 and 26. This subject, together with the interim poverty reduction strategy paper for The Gambia (EBD/00/99, 11/28/00), the joint staff assessment of the interim poverty reduction strategy paper (EBD/00/100, 11/28/00), and the decision point document for the enhanced HIPC Initiative for The Gambia (EBS/00/242, 11/28/00), is tentatively scheduled for discussion on Monday, December 11, 2000. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of The Gambia indicating whether or not they consent to its publication.

Questions may be referred to Mr. Kibuka (ext. 36941) and Mr. Tjirongo (ext. 34118).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Wednesday, December 6, 2000; and to the African Development Bank, the European Commission, and the Islamic Development Bank, following its consideration by the Executive Board.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

THE GAMBIA

**Request for the Third Annual Arrangement Under the Poverty Reduction and
Growth Facility and the Extension of the Commitment Period**

Prepared by the African Department

(In consultation with the Fiscal Affairs, Legal, Monetary and Exchange Affairs,
Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by Michael T. Hadjimichael and John Hicklin

November 27, 2000

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I. INTRODUCTION

1. On June 29, 1998, the Executive Board approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) in support of The Gambia's adjustment and reform efforts for the period 1998-2001, in an amount equivalent to SDR 20.61 million (66.3 percent of the new quota), and the first annual arrangement thereunder, in an amount equivalent to SDR 6.87 million (22.1 percent of quota) (EBS/98/102, Sup. 1; 6/30/98). However, the midterm review under the first annual arrangement could not be completed because of slippages in the implementation of the budget and structural reforms. Moreover, there were governance problems arising from the government's seizure of the property of the Gambia Groundnut Corporation (GGC)—a private marketing monopoly. On November 19, 1999, the Executive Board approved the second annual PRGF arrangement to support the program for the period October 1, 1999–September 30, 2000, in the amount of SDR 8.6 million (27.6 percent of quota; EBS/99/201, Cor.1; 11/8/99). With the completion of the first review in July 2000 (EBS/00/129), total disbursements under the second annual arrangement amounted to SDR 6.87 million.

2. In the attached letter to the Managing Director dated November 27, 2000 (Appendix I), the government of The Gambia requests approval of the third annual arrangement under the PRGF and the rephrasing of the third loan under the second annual arrangement into the third annual arrangement, for a total amount equivalent to SDR 10.305 million (33.1 percent of quota).¹ The requested arrangement is in support of policies and measures outlined in the attached memorandum of economic and financial policies (MEFP) for 2000/01 (October-September). The authorities also request an extension of the three-year commitment period from June 28, 2001 to end-December 2001.

3. In concluding the 2000 Article IV consultation and the first review under the second annual PRGF arrangement last July (EBS/00/129, Cor.1; 7/7/00), Executive Directors noted that the authorities had achieved broadly encouraging results on the macroeconomic front through the first half of 2000, notwithstanding the request for waivers for the nonobservance of three quantitative performance criteria for end-March 2000. They also noted that performance with respect to structural reforms had been satisfactory. Directors welcomed the measures to enhance the participatory process for the preparation of the I-PRSP before the end of the year. However, Directors urged the authorities to continue to implement the rest of

¹ Discussions with the Gambian authorities regarding this request were held in Banjul during September 4–16, 2000. The staff representatives were Mr. Kibuka (head), Mr. Tjirongo, Ms. Kende-Robb, Mr. Christensen, Mr. Maynard (staff assistant) (all AFR), and Mr. Bannister (PDR), and Mr. Fontaine (STA). The mission worked closely with a concurrent World Bank mission.

the program, including strengthening fiscal performance, improving governance, and implementing further structural reforms.

4. On November 2 and 3, 2000, the Executive Boards of the World Bank and the Fund, respectively, discussed the preliminary enhanced Heavily Indebted Poor Countries (HIPC) Initiative document for The Gambia (EBS/00/208; 10/25/00) and agreed that The Gambia qualified for assistance under the Initiative and that a decision point could be reached before end-2000.

5. As of end-September 2000, The Gambia's outstanding use of Fund resources amounted to SDR 10.8 million, or 34.8 percent of quota. If the full amount under the third annual PRGF arrangement is disbursed, and taking into account scheduled repayments, The Gambia's use of Fund resources would rise to 66.3 percent of quota by end-December 2001 (Tables 1 and 2). The Gambia accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the Fund's Articles of Agreement in 1993, and maintains an exchange system that is free of restrictions on payments and transfers for current international transactions. The Gambia's technical memorandum of understanding and summaries of its relations with the Fund, the African Development Bank, and the World Bank Group are contained in Appendices II, III, IV, and V, respectively.

6. The outstanding statistical issues include the need to rebase the national accounts to a more recent period, broaden the coverage of the consumer price index, and improve the timeliness and quality of fiscal, balance of payments, monetary, and social data. While the data weaknesses do not prevent a meaningful assessment of economic policies, they require significant improvement to facilitate the analysis of economic developments (see Appendix VI) and, in this regard, The Gambia has accepted to participate in the Fund's General Data Dissemination System (GDSD).

II. PERFORMANCE UNDER THE 1999/2000 PROGRAM²

A. Macroeconomic Performance

7. **Macroeconomic performance was mixed during 1999/2000.** Output growth remained strong (6.4 percent) and inflation low (1.8 percent) in 1999, but slippages occurred in the implementation of the 1999 budget, and the overall fiscal deficit (excluding grants), at 4.8 percent of GDP, exceeded the program target of 3.1 percent (Tables 3, 4, and 5 and Figure 1). This outcome resulted mainly from a shortfall in customs duty receipts in the fourth quarter of the year, and higher-than-expected recurrent expenditure, including interest payments. Monetary policy was largely accommodating, and credit expansion to the

² Details of developments during 1999 through the first half of 2000 can be found in EBS/00/129 (7/7/00), which was discussed by the Executive Board on July 19, 2000, and in the attached MEFP (Appendix I).

governance missteps by removing the PSI scheme and settling the dispute regarding the GGC property.

45. Against this background, the authorities have formulated a program for 2000/01 for which they seek the support of the Fund with the third annual PRGF arrangement. The program provides a framework for their continued efforts to consolidate macroeconomic stability, deepen structural reforms, and enhance investor confidence, all of which are essential for achieving a more durable and broad-based economic growth. At the same time, the authorities have drawn on their experience with SPA I in drafting the I-PRSP, which incorporates a more comprehensive framework for poverty alleviation on the basis of a broader public participation. The linking of the medium-term macroeconomic framework to the PRSP process thus ensures not only significantly more program ownership by The Gambia but also a much better coordination of overall economic and social policies critical to a durable reduction in poverty. In order to realize these objectives, it is crucial that the authorities continue with determined policy and reform implementation beyond the first commendable steps that they have already taken in a number of areas.

46. With regard to fiscal policy, the authorities will need to consolidate fiscal retrenchment, which would also permit a reduction in the high level of government domestic debt. Such an outcome is dependent on a timely implementation of reforms both on the revenue side—improvements in tax administration, including computerization and better coordination among the tax departments—and on the expenditure side. For the latter, measures have been introduced to strengthen the expenditure-reporting and control process, computerize accounts, and expedite their reconciliation (including with the accounts of the central bank) and their timely audit. These reforms, and the setting up of an accounting framework for poverty reduction expenditure, as well as measures designed to improve the prioritization and targeting of social services—inter alia, through developing better links between the budget and the social objectives—need to be expeditiously implemented. The staff also urges the authorities to step up their efforts to expedite the resolution of the outstanding issues with regard to the auditing of public accounts and the development of the MTEF.

47. Monetary policy has been accommodating, but would be tightened in the period ahead through the targeted net government repayments to the banking system and use of improved indirect instruments, with a view to keeping a low and stable inflation rate. The central bank plans more timely and regular sale of foreign exchange in the market for smoothing purposes. In addition, it is taking measures to improve the operation of the interbank foreign exchange market that should help minimize the spread between the parallel and interbank foreign exchange rates and thus maintain The Gambia's external competitiveness. These measures need to be supported by prudent financial policies to reduce the pressure on the exchange rate. The staff welcomes the measures to improve the soundness of the financial system and encourages the authorities to broaden the operations of the money market and introduce foreign currency deposits. The staff notes and supports the authorities' request for Fund technical assistance in this regard.

48. The consolidation and broadening of other structural reforms remain key to improved private sector activity and a speedier reduction in poverty. The key reforms include measures designed to accelerate economic growth by targeting the reforms in leading production sectors, namely agriculture, trade, and tourism. The staff urges that timely and coordinated reforms be implemented in these areas to contribute to the attainment of the I-PRSP objectives. It would also welcome further reductions in the external tariffs.

49. The staff has worked closely with the authorities and the World Bank staff in preparing the enhanced HIPC Initiative decision point paper, which is before the Executive Directors for their consideration. On the basis of the updated DSA, The Gambia qualifies for assistance under the enhanced HIPC Initiative and has met the other requirements for reaching the decision point. The challenge for The Gambia is to effectively implement these measures to benefit the poor.

50. The staff notes the considerable progress that has been made with the PRSP process and the authorities' schedule for completing the PRSP by end-2001, and it urges the authorities to adhere to the target date.

51. The staff notes the progress that has been made in improving economic and financial data and The Gambia's commitment to participate in the GDDS; it urges the authorities to continue their efforts to improve the timeliness and quality of data, especially in the national accounts and prices, fiscal, balance of payments, social, and poverty areas. While the provision of data to the Fund does not prevent effective surveillance or program monitoring, the delays in reporting and the quality of data need significant improvement to facilitate the analysis of economic developments.

52. Possible risks to the implementation of the program include delays in implementing a number of structural reforms, especially in the budget area. At the same time, the heavy burden of implementing the broad range of the program measures poses a major test of the limited economic management capacity in the country. Accordingly, the staff welcomes the authorities' intention to intensify collaboration with donors, the World Bank, and the Fund to ensure timely access to technical assistance.

53. The staff notes the broadly encouraging economic and financial developments in The Gambia since the onset of the three-year PRGF arrangement and welcomes the corrective measures and reforms that the authorities have initiated to address the underlying performance problems and deepen structural reforms. On this basis, and on the strength of the program for 2000/01, as described in the attached MEFP, the staff recommends to the Executive Board (i) approval of the extension of the commitment period from June 28, 2001 to end-December 2001; and (ii) approval of the authorities' request for the third annual arrangement under the PRGF.

VI. Proposed Decision

The following draft decision, which may be adopted by a majority of votes cast, is proposed for adoption by the Executive Board:

1. The Gambia has requested (i) that the amount of the third loan under the second annual arrangement of the three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) (EBS/98/102, Sup. 1) be rephased and that a total amount in the equivalent of SDR 10.305 million be made available during the third annual arrangement, (ii) that the commitment period of the three-year arrangement be extended from June 28, 2001 to December 31, 2001, and (iii) that the third annual arrangement be approved.

2. The Fund determines that the interim Poverty Reduction Strategy Paper (PRSP) for The Gambia set forth in EBD/00/99 provides a sound basis for the development of a fully participatory PRSP, for reaching the decision point under the enhanced HIPC Initiative and for Fund concessional financial assistance.

3. The Fund extends the commitment period under the PRGF arrangement for The Gambia approved on June 29, 1998 (EBS/98/102; Sup. 1) to December 31, 2001.

4. The Fund approves the third annual arrangement under the PRGF for The Gambia set forth in EBS/00/241 and decides that disbursements may be made under the arrangement, on the condition that the information provided by The Gambia on the implementation of the measure specified as item 1 in Table 11 attached to the letter dated

November 27, 2000 from the Secretary of State for Finance and Economic Affairs and the Governor of the Central Bank of The Gambia is accurate.

5. The Fund approves in principle the third annual PRGF arrangement. The approval shall become effective on the date when the Fund decides that the World Bank has concluded that the interim PRSP provides a sound basis for the development of a fully participatory PRSP, for reaching the decision point under the enhanced HIPC Initiative and for World Bank concessional financial assistance.

Table 1. The Gambia: Second and Third Annual Arrangements Under the Existing PRGF Arrangement, 1999-2001

Dates	Event	Disbursement	
		(In millions of SDRs)	(In percent of quota)
October 1, 1999	Program period begins		
November 19, 1999	Second annual arrangement approved	3.435	11.1
March 31, 2000	Test date		
July 19, 2000	First review completed	3.435	11.1
September 30, 2000	Test date		
November 18, 2000	Expiration of the second annual arrangement		
December 11, 2000	Third annual arrangement approved 1/	3.435	11.1
March 31, 2001	Test date		
July 1, 2001	First midyear review completed		
July 15, 2001		3.435	11.1
September 30, 2001	Test date		
December 1, 2001	Second review completed		
December 15, 2001		3.435	11.1
December 31, 2001	Arrangement expires		

1/ In conjunction with the request for the third annual arrangement, the authorities have also requested an extension of the three-year commitment period through end-December 2001 to allow for the last disbursement.

Table 2. The Gambia: Fund Position During the Period of the PRGF Arrangement, 1999-2001

	Outstanding September 30, 1999	1999 Oct.- Dec.	2000 Jan.- Mar. Apr.- Jun. Jul.- Sep. Oct.- Dec.				2001 Jan.- Mar. Apr.- Jun. Jul.- Sep. Oct.- Dec.			
(In millions of SDRs)										
Net use of Fund credit		2.4	-0.1	2.8	-0.1	3.1	-0.1	3.4	3.3	0.0
Transactions under tranche policies		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary resources		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowed resources		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary resources		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowed resources		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transactions under special facilities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans under:		2.4	-0.1	2.8	-0.1	3.1	-0.1	3.4	3.3	0.0
Structural Adjustment Facility		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Drawings		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enhanced Structural Adjustment Facility		2.4	-0.1	2.8	-0.1	3.1	-0.1	3.4	3.3	0.0
Drawings		3.4	0.0	3.4	0.0	3.4	0.0	3.4	3.4	0.0
Repayments		-1.0	-0.1	-0.7	-0.1	-0.3	-0.1	0.0	-0.1	0.0
Total Fund credit outstanding	5.9	8.3	8.2	10.9	10.8	13.9	13.8	17.3	20.6	20.6
Under tranche policies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under special facilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under Structural Adjustment Facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under Enhanced Structural Adjustment Facility	5.9	8.3	8.2	10.9	10.8	13.9	13.8	17.3	20.6	20.6
(In percent of quota)										
Total Fund credit outstanding	18.8	26.6	26.3	35.1	34.8	44.8	44.5	55.5	66.3	66.3
Under tranche policies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under special facilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under Structural Adjustment Facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Under Enhanced Structural Adjustment Facility	18.8	26.6	26.3	35.1	34.8	44.8	44.5	55.5	66.3	66.3

Source: IMF, Treasurer's Department.

Table 5. The Gambia: Central Government Financial Operations, 1997 - 2003

	1997	1998	1999	2000						2001		2002	2003	
					Q1		Q3		Q1-Q4					
	Est.	Prel.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Rev. Est.	Prog.	Rev. Prog.	Rev. Proj.	Rev. Proj.
(In millions of dalasis)														
Revenue and grants	852.5	919.9	989.8	944.5	255.1	279.5	271.9	287.8	1,143.4	1,205.0	1301.0	1,312.3	1,421.3	1,537.6
Domestic revenue	799.5	831.5	924.3	878.7	229.3	257.2	237.5	252.9	1,060.7	1,073.7	1176.6	1,176.0	1,278.3	1,382.6
Tax revenue	714.7	751.1	822.8	773.7	203.9	231.7	200.3	219.9	894.5	915.5	1015.7	1,030.9	1,125.0	1,225.6
Direct tax	168.5	185.1	198.0	201.8	44.6	67.4	47.6	53.0	221.0	221.0	242.6	240.4	259.4	277.6
Indirect tax	546.2	566.0	624.8	571.8	159.3	164.3	152.8	166.9	673.5	694.5	773.1	790.5	865.6	948.0
Domestic tax on goods and services	71.5	65.3	72.8	77.3	20.7	18.7	13.8	16.8	60.0	73.0	109.8	99.0	105.0	111.3
Tax on international trade	474.7	500.7	552.0	494.5	138.6	145.6	138.9	150.1	613.5	621.5	663.3	691.5	760.6	836.7
Nontax revenue	84.8	80.4	101.5	105.0	25.5	25.5	37.2	33.0	166.2	158.2	160.9	145.2	153.2	157.0
Grants	53.0	88.5	65.5	65.8	25.8	22.3	34.4	34.9	82.7	131.3	124.4	136.3	143.0	155.0
Program	0.0	25.6	11.3	11.3	18.0	0.0	25.5	0.0	45.3	60.0	57.5	65.0	65.0	65.0
Projects	53.0	62.9	54.2	54.5	7.8	22.3	8.9	34.9	37.4	71.3	66.9	71.3	78.0	90.0
Expenditure and net lending	1,123.6	1,028.4	1,072.1	1,118.2	254.2	297.0	287.2	296.6	1,201.2	1,262.4	1324.7	1,374.8	1,475.1	1,566.0
Current expenditure	794.6	799.8	831.6	887.0	204.8	252.6	214.7	215.7	882.6	965.2	903.3	996.9	1,031.8	1,060.6
Wages and salaries	269.3	282.9	296.0	301.7	78.2	101.1	69.7	71.8	320.0	330.0	328.0	346.5	355.1	380.0
Other charges	310.6	279.9	304.0	336.9	77.3	91.4	81.8	88.9	336.8	383.9	347.6	410.7	433.1	446.9
Interest	214.7	236.9	231.6	248.3	49.2	60.1	63.2	55.0	225.8	251.4	227.7	239.7	243.7	233.7
External	59.5	56.4	57.6	60.9	22.5	19.5	23.8	22.4	65.8	60.1	67.7	67.7	73.7	73.7
Domestic	155.2	180.4	174.0	187.5	26.7	40.6	39.4	32.6	160.0	191.3	160.0	172.0	170.0	160.0
Capital expenditure and net lending	329.0	228.7	240.5	231.2	49.4	44.4	72.5	80.9	318.6	297.2	421.4	377.9	443.3	505.4
Capital expenditure	289.3	259.9	270.5	261.0	53.5	46.5	75.5	81.4	353.6	342.2	456.4	417.9	483.3	545.4
External	252.5	211.2	225.5	221.0	45.6	42.8	62.3	66.5	304.8	293.4	403.9	356.9	415.4	470.4
Loans	199.5	148.3	160.0	155.2	37.8	20.5	53.4	31.6	222.1	222.1	279.5	240.6	292.4	333.4
Grants	53.0	62.9	65.5	65.8	7.8	22.3	8.9	34.9	82.7	71.3	124.4	116.3	123.0	137.0
The Gambia Local Fund	36.8	48.7	45.0	40.1	8.0	3.7	13.2	14.9	48.8	48.8	52.5	61.0	67.9	75.0
Extrabudgetary expenditure	60.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-20.9	-31.2	-30.0	-29.8	-4.2	-2.1	-3.0	-0.5	-35.0	-45.0	-35.0	-40.0	-40.0	-40.0
Overall balance (commitment basis)														
Excluding grants	-324.1	-197.0	-147.7	-239.5	-24.8	-39.8	-49.7	-43.7	-140.5	-188.7	-148.1	-198.7	-196.8	-183.3
Including grants	-271.1	-108.5	-82.2	-173.7	1.0	-17.5	-15.3	-8.8	-57.8	-57.4	-23.7	-62.4	-53.8	-28.3
Adjustment to cash basis (float)	0.0	6.1	8.9	-34.5	0.0	-0.8	10.0	2.1	0.0	0.0	-13.0	0.0	0.0	0.0
Errors and omissions	38.6	-30.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)														
Including grants	-232.5	-133.0	-73.3	-208.2	1.0	-18.3	-5.3	-6.7	-57.8	-57.4	-36.7	-62.4	-53.8	-28.3
Financing	232.5	133.0	73.3	208.2	-1.0	18.3	5.3	6.7	57.8	57.4	36.7	62.4	53.8	28.3
External (net)	171.9	54.5	44.4	30.0	0.1	-4.7	22.1	-9.8	105.9	40.2	110.1	-23.5	111.3	165.1
Borrowing	260.1	148.3	160.0	155.2	37.8	20.5	53.4	31.6	222.1	222.1	279.5	240.6	292.4	333.4
Project	199.5	148.3	160.0	155.2	37.8	20.5	53.4	31.6	222.1	222.1	279.5	240.6	292.4	333.4
Other loans 1/	60.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-95.4	-93.8	-115.6	-125.2	-37.6	-25.2	-31.3	-41.4	-116.2	-137.0	-169.5	-264.0	-181.1	-168.3
Of which: payment to Alimenta	...	...	...	...	...	...	...	...	...	-44.8	0.0	-103.1	...	...
Domestic	60.6	78.5	28.9	178.2	-1.1	23.0	-16.7	16.5	-48.1	17.2	-73.4	10.0	-57.5	-136.8
Bank	23.1	-20.0	8.9	71.2	-1.0	12.3	-30.0	-28.3	-40.1	-15.2	-40.1	-40.1	-38.9	-67.7
Nonbank	37.5	86.5	20.0	93.2	-0.1	17.7	10.3	52.7	-6.1	34.3	-33.3	30.1	-18.6	-69.1
Accumulation of arrears	0.0	12.0	0.0	13.9	0.0	-7.0	-7.0	-7.9	-25.9	-25.9	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	...	...	0.0	...	...	10.0	0.0	24.0	24.0	0.0	20.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	75.9	0.0	0.0

Table 5. The Gambia: Central Government Financial Operations, 1997 - 2003 (concluded)

	1997	1998	1999		2000						2001		2002	2003
					Q1		Q3		Q1-Q4					
	Est.	Prel.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Rev. Est.	Prog.	Rev. Prog.	Rev. Proj.	Rev. Proj.
Memorandum items:														
(In percent of GDP, unless otherwise indicated)														
Domestic revenue	19.1	18.8	19.6	17.8	5.1	4.8	4.4	4.7	19.7	20.0	20.1	20.3	20.3	20.3
Total expenditure and net lending	26.9	23.2	22.7	22.6	5.7	5.5	5.4	5.5	22.3	23.6	22.7	23.7	23.5	23.0
Current expenditure	19.0	18.0	17.6	17.9	4.6	4.7	4.0	4.0	16.4	18.0	15.5	17.2	16.4	15.6
Primary current expenditure	13.9	12.7	12.7	12.9	3.5	3.6	2.8	3.0	12.2	13.3	11.6	13.0	12.5	12.2
Capital expenditure	6.9	5.9	5.7	5.3	1.2	0.9	1.4	1.5	6.6	6.4	7.8	7.2	7.7	8.0
Overall fiscal deficit														
Excluding grants	-7.8	-4.4	-3.1	-4.8	-0.6	-0.7	-0.9	-0.8	-2.6	-3.5	-2.5	-3.4	-3.1	-2.7
Including grants	-6.5	-2.4	-1.7	-3.5	0.0	-0.3	-0.3	-0.2	-1.1	-1.1	-1.1	-1.1	-0.9	-0.4
Basic primary balance 2/	4.9	5.7	6.6	4.6	1.6	1.2	1.4	1.5	7.3	6.6	8.3	6.9	7.4	7.7
Basic primary balance (in dalasis) 2/	203.7	251.1	309.4	229.8	70.0	63.1	75.7	77.8	390.1	356.1	483.5	397.8	462.2	520.8
Current balance	0.1	0.7	2.0	-0.2	0.5	0.1	0.4	0.7	3.3	2.0	4.7	3.1	3.9	4.7
Stock of domestic debt	0.0	25.9	...	27.0	...	27.6	...	29.2	...	26.6	25.3	24.6	22.7	21.0
Tax on international trade														
In percent of imports, c.i.f.	22.7	20.0	21.2	19.0	4.8	4.8	4.6	4.9	20.2	20.4	21.7	22.6	24.9	27.3
Of which: Duty	14.2	12.9	13.6	12.1	3.0	3.0	3.0	3.0	12.5	12.4	13.8	13.6	15.0	16.5
(In percent of current spending)														
Education 3/	25.9	23.2	23.3	...	...	...	...	...	24.3	22.4	...	24.4	25.8	28.3
Health 3/	10.9	14.5	14.8	...	...	...	...	...	14.4	14.4	...	16.2	16.7	17.7
Defense 3/	...	7.7	6.4	...	...	...	...	...	6.5	5.9	...	5.8	5.7	5.6
(In millions of dalasis)														
Treasury bills outstanding	868.7	1,020.8	1,049.7	1,201.6	...	1,231.0	...	1,439.6	...	1,300.0	...	1,300.0	1,300.0	1,300.0

Sources: The Gambian authorities; and Fund staff estimates and projections.

1/ To finance extrabudgetary expenditures carried out during 1995/96 and 1996/97 (July-June).

2/ Domestic revenue minus total expenditure and net lending, excluding interest payments and externally financed capital expenditure.

3/ Current spending only (wages and other charges).

The Gambia

Third Annual Arrangement under the Poverty Reduction and Growth Facility

Attached hereto is a letter (the "Letter") dated November 27, 2000, with its annexed Memorandum on Economic and Financial Policies for 2000/2001 (the "Memorandum") and Technical Memorandum of Understanding, from the Secretary of State for Finance and Economy and the Governor of the Central Bank of The Gambia requesting from the International Monetary Fund as Trustee of the Poverty Reduction and Growth Facility Trust (the "Trustee") the third annual arrangement under the Poverty Reduction and Growth Facility, and setting forth the objectives and policies of the program to be supported by the arrangement.

To support these objectives and policies, the Trustee grants the requested arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust, as amended.

1. Under the third annual arrangement, The Gambia will have the right to request three loan disbursements in a total amount equivalent to SDR 10.305 million, as follows:
 - (a) the first loan, in an amount equivalent to SDR 3.435 million, will be available on December 11, 2000 at the request of The Gambia;
 - (b) the second loan, in an amount equivalent to SDR 3.435 million, will be available on July 15, 2001 at the request of The Gambia subject to paragraph 2 below; and
 - (c) the third loan, in an amount equivalent to SDR 3.435 million, will be available on December 15, 2001 at the request of The Gambia subject to paragraph 2 below.
2. The Gambia will not request disbursement of the second or third loan specified respectively in paragraphs 1(b) and 1(c) above:
 - (a) if the Managing Director of the Trustee finds that, with respect to the second loan, the data as of end-March 2001, and with respect to the third loan, the data as of end-September 2001, indicate that:
 - (i) the ceiling on the net bank credit to the central government, or
 - (ii) the ceiling on the net domestic assets of the Central Bank of The Gambia, or
 - (iii) the floor on the basic primary balance of the central government, or

(iv) the floor on the net official international reserves, or

(v) the ceiling on contracting or guaranteeing by the public sector of new non-concessional external debt with a maturity of one year and up to and including five years, or

(vi) the ceiling on contracting or guaranteeing by the public sector of new non-concessional external debt with a maturity of one year and up to and including twelve years, or

(v) the ceiling on the outstanding stock of short-term external debt with a maturity of less than one year owed by the public sector,

referred to in paragraph 38 and Table 10 of the Memorandum, was not observed; or

(b) if, by end-December 2000, The Gambia has not established and started the implementation of an accounting framework to monitor expenditure on poverty reduction, including expenditure funded from debt relief under the enhanced HIPC Initiative, as specified in paragraph 38 and Table 11 of the Memorandum; or

(c) if, at any time during the period of the third annual arrangement, the central government accumulates any external payment arrears as specified in paragraph 38 and Table 10 of the Memorandum; or

(d) if The Gambia has:

(i) imposed or intensified restrictions on payments and transfers for current international transactions, or

(ii) introduced or modified multiple currency practices, or

(iii) concluded bilateral payments agreements that are inconsistent with Article VIII, or

(iv) imposed or intensified import restrictions for balance of payments reasons; or

(e) until the Trustee has determined that with regard to the second loan, the first review of The Gambia's program scheduled for completion no later than July 1, 2001, and with regard to the third loan, the second program review scheduled for completion no later than December 1, 2001, referred to in paragraph 39 of the Memorandum has been completed.

If The Gambia is prevented from requesting disbursements under this arrangement because of this paragraph 2, such disbursements may be made available only after consultation has

taken place between the Trustee and The Gambia and understandings have been reached regarding the circumstances in which The Gambia may request further disbursements.

3. In accordance with paragraph 3 of the Letter, The Gambia will provide the Trustee with such information as the Trustee requests in connection with the progress of The Gambia in implementing the policies and reaching the objectives of the program supported by this arrangement.

4. In accordance with paragraph 4 of the Letter, during the period of this arrangement, The Gambia shall consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after the period of this arrangement and while The Gambia has outstanding financial obligations to the Trustee arising from loan disbursements under this arrangement, The Gambia will consult with the Trustee from time to time, at the initiative of the government or whenever the Managing Director of the Trustee requests consultation on The Gambia's economic and financial policies. These consultations may include correspondence and visits of officials of the Trustee to The Gambia or of representatives of The Gambia to the Trustee.

November 27, 2000

Mr. Horst Köhler
Managing Director
International Monetary Fund
Washington D.C. 20431

Dear Mr. Köhler:

1. The attached memorandum of economic and financial policies (MEFP) of the government of The Gambia describes the progress made in implementing the 1999/2000 program supported by the second annual arrangement (October–September) under the Poverty Reduction and Growth Facility (PRGF), which was approved by the Executive Board of the Fund on November 19, 1999. The MEFP also sets out the objectives and policies that the government intends to pursue during 2000/01 for the program for the third annual arrangement under the PRGF, and for the medium term. The government intends to make the contents of this letter, and those of the attached MEFP and Technical Memorandum of Understanding (TMU) available to the public and authorizes you to arrange for them to be posted on the IMF website, subsequent to Board approval.
2. In support of these objectives and policies, the government of The Gambia hereby requests the third annual arrangement under the PRGF. Since the second annual arrangement expired on November 18, 2000, we request that the undisbursed amount from the third loan under the second annual arrangement equivalent to SDR 1.718 million be rephased and made available during the third annual arrangement. Thus, the third annual arrangement will be in an amount equivalent to SDR 10.305 million and the government requests the first disbursement in an amount equivalent to SDR 3.435 million following approval by the Fund's Executive Board. The government is also requesting the extension of the three-year commitment period from June 28, 2001 to end-December 2001. Moreover, in support of the economic program, the government will also be requesting support from the World Bank and from bilateral and multilateral donors and creditors.
3. The government of The Gambia will provide the Fund with such information as the Fund requests in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program.
4. The government of The Gambia believes that the policies and measures set forth in the attached memorandum are adequate to achieve the objectives of the program, but it will take any further measures that may prove necessary to this end. During the period of the third annual PRGF arrangement, the government will consult with the Managing Director on the adoption of any measures that may be appropriate, at the initiative of The Gambia or whenever the Managing Director requests such a consultation. Moreover, after the period of the third annual arrangement and while The Gambia has outstanding financial obligations to the Fund arising from loans under that arrangement, The Gambia will consult with the Fund