

EBS/82/17
Correction 1

CONFIDENTIAL

February 19, 1982

To: Members of the Executive Board

From: The Secretary

Subject: The Gambia - Request for Stand-By Arrangement and Approval
of Multiple Currency Practice

It will be recalled that on February 5, 1982 at Executive Board Meeting 82/13, the Executive Board approved an amendment to stand-by arrangements approved before February 23, 1982 on the utilization of supplementary financing and forms of stand-by and extended arrangements (SM/82/16, Sup. 1, 2/8/82). In accordance with the requirements of the decision taken at that time (Decision No. 7048-(82/13), adopted February 5, 1982), paragraph 3 of the proposed stand-by arrangement for The Gambia, as set forth on page 33 of EBS/82/17 (1/26/82), is amended to read as follows:

3. Purchases under this stand-by arrangement shall be made from borrowed resources until purchases under this arrangement reach the equivalent of SDR 679,027, then from ordinary and borrowed resources in the ratio of 2 to 1 until purchases under this arrangement reach the equivalent of SDR 3,704,447, and then from ordinary and borrowed resources in the ratio of 1 to 1.2 provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification; and provided further that amounts of supplementary financing may be substituted for borrowed resources as determined by the Managing Director at the time of a request by The Gambia for a purchase.

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In addition, paragraph 2a has been corrected as follows:

lines 2-4: for "SDR 8.12 million until April 30, 1982, SDR 12.51 million
until July 31, 1982, and SDR 16.90 million until
October 31, 1982"
read "SDR 5.58 million until April 30, 1982, SDR 8.12 million
until July 31, 1982, and SDR 12.51 million until
October 31, 1982"

A corrected page is attached.

Att: (1)

The Gambia--Stand-by Arrangement

Attached hereto is a letter, with annexed Memorandum on Economic and Financial Policies, dated January 14, 1982 from the Minister of Finance of The Gambia requesting a stand-by arrangement and setting forth:

- (a) the objectives and policies that the Government of The Gambia intends to pursue for the period of this stand-by arrangement;
- (b) the policies and measures that the Government of The Gambia intends to pursue for the first six months of this stand-by arrangement; and
- (c) understandings of The Gambia with the Fund regarding a review that will be made of progress in realizing the objectives of the program and of the policies and measures that the Government of The Gambia will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of one year from February , 1982 to February , 1983 The Gambia will have the right to make purchases from the Fund in an amount equivalent to SDR 16.9 million, subject to paragraphs 2, 3, 4, and 5, below, without further review by the Fund.
2. a. Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 5.58 million until April 30, 1982, SDR 8.12 million until July 31, 1982, and SDR 12.51 million until October 31, 1982.

b. None of these limits shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of The Gambia's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota.
3. Purchases under this stand-by arrangement shall be made from borrowed resources until purchases under this arrangement reach the equivalent of SDR 679,027, then from ordinary and borrowed resources in the ratio of 2 to 1 until purchases under this arrangement reach the equivalent of SDR 3,704,447, and then from ordinary and borrowed resources in the ratio of 1 to 1.2 provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification; and provided further that amounts of supplementary financing may be substituted for borrowed resources as determined by the Managing Director at the time of a request by The Gambia for a purchase.

4. The Gambia will not make purchases under this stand-by arrangement that would increase the Fund's holdings of The Gambia's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 per cent of quota:

- (a) during any period in which the data at the end of the preceding period indicate that
 - (i) the limit on total domestic credit described in paragraph 23 of the attached memorandum, or
 - (ii) the limit on net credit to the Government described in paragraph 23 of the attached memorandum, or
 - (iii) the targets in paragraph 24 for the reduction of external arrears, or
 - (iv) the limits on contracting of government and government-guaranteed external debt described in paragraph 25 of the attached memorandum and Attachment V thereto

are not observed, or

- (b) during the last six months of this stand-by arrangement until understandings have been reached with the Fund pursuant to paragraph 6 of the attached letter, and paragraph 27 of the annexed memorandum, and until suitable performance criteria have been established in consultation with the Fund as contemplated by paragraph 6 of the attached letter, and paragraph 27 of the annexed memorandum, or, after such performance criteria have been established, while they are not being observed; or
- (c) throughout the duration of the arrangement, if The Gambia
 - (i) imposes or intensifies restrictions on payments and transfers for current international transactions, or
 - (ii) introduces or modifies multiple currency practices, or
 - (iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or
 - (iv) imposes or intensifies import restrictions for balance of payments reasons, or