

February 19, 1982 - 82/18

Statement by Mr. Kiingi on The Gambia  
Executive Board Meeting 82/22  
February 22, 1982

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Since the discussion of the last Article IV consultation with The Gambia, the economic and financial situation has not shown any marked improvement. The production of groundnuts, which accounts for 90 per cent of exports continues to be below potential after having reached 167,000 tons in 1978/79. The terms of trade have also deteriorated. This, together with expansionary monetary and fiscal policies, has led to continued pressure on the balance of payments.

The authorities have recognized the problems as well as the need to effect structural adjustment and have adopted a stabilization program for which they are requesting the Fund's assistance in the form of a one year stand-by arrangement. To achieve the broad objectives of the program, a number of corrective measures are being taken to strengthen the productive base of the economy and contain the growth in aggregate demand. These are expected to lay the foundation for a medium-term program which the authorities hope will be supported by an extended arrangement with the Fund.

In the agricultural sector, the authorities are taking measures to increase the production of groundnuts and to achieve self-sufficiency in food. Producer prices for groundnuts and rice have been increased and further increases are expected in the 1982/83 crop season. Infrastructural facilities, designed to support the agricultural sector are also being developed.

In the energy sector, the authorities are placing emphasis on conservation measures to reduce the import bill for oil. All increases in petroleum prices are to be passed on to the consumer. Recently, prices of petroleum products were increased by between 54 per cent and 200 per cent and electricity tariffs were raised. The authorities are encouraging the use of local sources of energy including groundnut shell briquettes. The World Bank is also assisting in a comprehensive Integrated Energy Survey and Master Plan for The Gambia.

With regard to fiscal policy, the authorities have introduced several tax measures in the 1981/82 budget. These include increases in duties on a number of imports and re-exports. Expenditure control measures are being strengthened. In this regard, expenditures are now pre-audited and monitored on a regular basis. A high level Financial Management Committee, under the chairmanship of the Permanent Secretary of the Ministry of Finance, has also been established. Furthermore, measures have been taken to strengthen the financial position of public corporations. These measures are expected to reduce the budget deficit from 10 per cent of GDP in 1980/81 to 8.2 per cent in 1982/83.

In the monetary sector, interest rates have been increased and growth in liquidity restricted in accordance with the policy of restraining aggregate demand and achieving a sustainable balance of payments position. Meanwhile adequate credit is being made available for crop financing. Furthermore a new Agricultural Development Bank has been established to commence operations by the middle of 1982.

In order to improve the external account, measures have been taken to strengthen administrative procedures governing the surrender of foreign exchange. The authorities have also adopted guidelines on the guarantee of external private debt and are paying particular attention to the reduction of external arrears.

The staff believes that the implementation of the measures contained in the program should improve the Government's financial position, the balance of payments and reduce inflationary pressures in the economy. The authorities have indicated their willingness to take further measures as may be necessary to achieve the objectives of the program. I, therefore, commend to the Board for approval the request for a stand-by arrangement in the amount of SDR 16.9 million.