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Statement by Mr. Sangare on The Gambia
Executive Board Meeting 82/152
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I should like to thank the staff for the work they have done in preparing the mid-term review report on The Gambia. The preparation of these papers is often accompanied by difficult discussions during consultations. However, the authorities have been able to reach understanding with the staff on measures to be taken during the remainder of the program.

Directors may recall that when the request for the stand-by arrangement in support of the Gambian authorities' stabilization program was discussed last February, the Board expressed general satisfaction with the program's objectives. These include reducing internal and external imbalances as well as a further diversification of the economy. Directors felt that the targets set under the program were realistic and that the measures the authorities were taking to achieve them were adequate. Since then, the authorities have implemented all the measures and have been successful in meeting all the performance criteria for September 1982. As noted by the staff, the small slippage in total domestic credit in June was due to a delay in the shipment of groundnut exports as a result of factors over which the authorities had no control.

The general performance of the economy has also been impressive. The growth of real GDP at 11.2 per cent, though slightly lower than programmed for 1981/82 is still remarkable. The growth in output reflects, among others, substantial gains in the agricultural sectors as a result of adequate price incentives and good weather conditions. In the meantime, the success on the inflationary front has been better than envisaged under the program with the GDP deflator decreasing from 12.2 per cent in 1980/81 to 7.8 per cent in 1981/82.

With regard to performance in the fiscal sector, revenue outturn was basically in line with program target while total expenditure is now expected to be lower than initially projected. Thus, the overall deficit as a percentage of GDP was reduced from 10 per cent in 1980/81 to 8.6 per cent in 1981/82 and Government's borrowing from the banking system is now under 1 per cent of GDP which is lower than originally envisaged.

The balance of payments position also improved in 1981/82 as the current account deficit narrowed from SDR 75.8 million in 1980/81 to SDR 53.9 million reflecting mainly better export performance as well as a substantial reduction in import demand. Despite the offsetting effect of the reduced level of capital inflow, the overall deficit declined from 4.0 per cent of GDP in 1980/81 to 0.8 per cent of GDP in 1981/82. Consequently, external payments arrears were reduced by about 35 per cent from D 46.6 million in June 1981 to D 30.5 million in June 1982, exceeding the program target by a wide margin.

The program for 1982/83 is designed to strengthen the gains made in the previous year within the framework of the Five-Year Development Plan which aims at, among others, improving and diversifying the country's economic base. GDP will grow at a slightly lower pace than in the previous year but it will remain strong at 9.7 per cent. In the meantime, the rate of inflation is projected to remain at about the 1981/82 level.

In order to achieve these objectives the authorities have increased the allocation to the agricultural sector in the 1982/83 budget. Furthermore, they intend to maintain producer prices at remunerative levels. In this regard, they have announced a 4 per cent increase in the price of groundnuts on top of the 8.7 per cent increase in 1981/82. The price of rice will be maintained at a level that covers costs following a 20.6 per cent increase in 1981/82. To complement the pricing measures, the authorities continue to restructure the capital base in the GPMB and the GCU through, among others, the transfer of a proportion of STABEX receipts to them. Measures are also being taken to improve the management of the GCU.

In the fiscal area, the authorities intend to reduce the overall deficit to 8.1 per cent of GDP in 1982/83. To this effect, the authorities have taken measures to raise additional revenue through further increases in petroleum tax of between 13 and 17 per cent, the reform of the company income tax collection procedure, renewed efforts in the collection of tax arrears, and the strengthening of the administrative infrastructure. On the expenditure side the authorities intend to extend the pre-auditing system which would involve monitoring expenditure at the provincial level. Moreover, the full cost of imported petroleum products is being passed on to consumers while the price of fertilizer has been raised with a view to eventually eliminating all subsidies by 1984/85.

The authorities are aware of the need to strengthen the financial position of public corporations. In this connection, they intend to implement measures for monitoring their operations during the course of the current fiscal year. In addition, bus fares will be raised as soon as the rehabilitation of the existing fleet and the receipt of a new fleet of 50 buses is completed.

In the monetary field real interest rates remain positive following the increase in rates in November 1981. Nevertheless, the Gambian authorities remain committed to further reinforce their monetary policy in line with the need to to contain inflation and achieve a viable balance of payments position.

The balance of payments projections for 1982/83 indicate further improvement reflecting in part satisfactory export performance and recovery of the tourist industry. The overall deficit is expected to be reduced further to the equivalent of 0.5 per cent of GDP. The authorities are committed to the elimination of arrears. However, because of foreign exchange constraints, they intend to reduce external payments arrears to D 23 million in 1982/83 as programmed.

The staff agrees that the measures being taken are adequate to achieve the program's objectives. I therefore urge the Board to approve the proposed decision on pages 17 and 18 of EBS/82/195.