

BUFF/07/175

December 20, 2007

**The Acting Chair's Summing Up**  
**The Gambia—Second Review Under the Three-Year Arrangement Under the Poverty**  
**Reduction and Growth Facility, and Request for Waiver and Modification of**  
**Performance Criteria; Enhanced Heavily Indebted Poor Countries Initiative—**  
**Completion Point Document and Multilateral Debt Relief Initiative**  
**Executive Board Meeting 07/111**  
**December 19, 2007**

Directors commended the Gambian authorities for their strong record of implementing the PRGF-supported program, which has helped to consolidate macroeconomic stability and sustain high economic growth. They welcomed that The Gambia has satisfied the conditions for reaching the completion point under the Enhanced Heavily Indebted Poor Countries Initiative (HIPC), and that it qualifies for debt relief under the Multilateral Debt Reduction Initiative. At the same time, Directors expressed concern about the risk of the country remaining in debt distress even after benefiting from debt relief. The mitigation of this risk will require continued strong program implementation and the support of international donors on appropriately concessional terms, as well as a sound debt management strategy.

Directors encouraged the authorities to continue to seek debt relief from The Gambia's non-Paris Club creditors within the framework of the HIPC Initiative. They urged all creditors to participate fully in providing debt relief to The Gambia.

The delivery of debt relief should help The Gambia make further progress toward achieving sustained growth and poverty reduction. To that end, Directors underscored the importance of maintaining fiscal discipline and debt sustainability after debt relief. They welcomed the establishment of limits on concessional borrowing under the program. They advised the authorities to avoid extrabudgetary expenditures, rely as much as possible on grants for financing the development program, and ensure that the government budget reflects priorities set out in the current Poverty Reduction Strategy Paper (PRSP).

Directors shared the authorities' concern about the weakening capacity in the civil service. While they agreed that civil service salaries need to be raised, they called for wage adjustments to be consistent with the comprehensive civil service reform program being prepared with World Bank support.

Most Directors regretted the lack of transparency in the sale of the government's share in The Gambia Telecommunications Company, and expressed disappointment that at a

time when The Gambia is seeking international assistance to finance its PRSP, a share of proceeds from that sale has been earmarked for spending on the military and security services. They recommended that more of the proceeds be allocated instead to high-priority PRSP-related expenditures, or to paying down domestic debt.

Directors supported the Central Bank of The Gambia's (CBG) strong commitment to maintaining price stability, and considered the current monetary policy stance broadly appropriate. The sharp appreciation of the dalasi in the third quarter of 2007 reflected a change in market sentiment rather than in economic fundamentals. Directors advised the CBG to continue to let market forces be the primary determinant of the level of the exchange rate. Directors welcomed the recent agreement between the government and the CBG to enhance cooperation to coordinate fiscal and monetary policies, while respecting the legal limits on CBG financing of government operations. Some Directors observed that financial intermediation could be furthered and private sector development supported by enacting legislation to clarify and better protect creditor rights.