

**DOCUMENT OF INTERNATIONAL MONETARY FUND
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**IMMEDIATE
ATTENTION**

EBS/89/64

CONFIDENTIAL

April 5, 1989

To: Members of the Executive Board

From: The Acting Secretary

Subject: The Gambia - Staff Report for the Midterm Review Under the
First Annual Arrangement Under the Enhanced Structural
Adjustment Facility

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Wednesday, April 12, 1989. In the absence of such a request, the draft decision that appears on page 11 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Rothman (ext. 8652) or Mr. Gunjal (ext. 8658) is available to answer technical or factual questions relating to this paper. the Board

Att: (1)

INTERNATIONAL MONETARY FUND

THE GAMBIA

Staff Report for the Midterm Review of the
First Annual Arrangement Under the
Enhanced Structural Adjustment Facility

Prepared by the African Department and the
Exchange and Trade Relations Department

(In consultation with the Fiscal Affairs,
Legal, and Treasurer's Departments)

Approved by Mamoudou Touré and A. Basu

April 4, 1989

I. Introduction

On November 23, 1988, the Fund approved for The Gambia a three-year arrangement under the enhanced structural adjustment facility (ESAF), in support of an economic and financial program covering the period 1988/89 (July/June)-1990/91, and the first annual arrangement thereunder, in support of the program for 1988/89 (EBS/88/214, 10/20/88). Total access under the ESAF arrangement, which replaced The Gambia's arrangement under the structural adjustment facility (SAF), amounts to the equivalent of SDR 20.52 million, representing 120 percent of The Gambia's quota in the Fund, with annual access equivalent to SDR 6.84 million (40 percent of quota) under each of the three annual arrangements. The first semiannual disbursement equivalent to SDR 3.42 million was effected on December 15, 1988, and the second semiannual disbursement equivalent to SDR 3.42 million will be available on May 31, 1989, subject to compliance with the end-December 1988 performance criteria and completion of the midterm review.

In the attached letter from the Minister of Finance and Trade and the Governor of the Central Bank of The Gambia dated March 20, 1989, the authorities have reviewed progress in policy implementation under the first annual ESAF arrangement and economic and financial developments through end-1988 and have assessed prospects for the remainder of 1988/89. 1/

1/ Discussions for the midterm review were held in Banjul during the period February 7-21, 1989 with a staff team comprising Messrs. S. Rothman (head-AFR), U. Gunjal (AFR), B. Nijathaworn (FAD), A. Miyauchi (ETR), and Ms. E. Fundafunda (secretary-AFR). Mr. J. Munthali, Assistant to the Executive Director for The Gambia, participated in the policy meetings.

The Fund and World Bank staffs have collaborated closely in assisting the authorities to redress The Gambia's economic and financial problems. On November 15, 1988, the Committee of the Whole of the World Bank considered The Gambia's updated policy framework paper (PFP) for 1988/89-1990/91. Moreover, negotiations on a second World Bank structural adjustment credit (SAC) of approximately SDR 25 million (including cofinancing) are expected to be concluded in May.

As of February 28, 1989, total outstanding Fund credit to The Gambia was equivalent to SDR 24.17 million, or 141.34 percent of quota (Table 1). Taking account of scheduled repurchases and the prospective second semiannual disbursement under the ESAF, total outstanding Fund credit at end-June 1989 would amount to SDR 26.15 million, or 152.92 percent of quota. By end-June 1991, when all the disbursements under the three-year ESAF arrangement would have taken place, total outstanding Fund credit would amount to SDR 32.01 million, or 187.19 percent of quota.

The staff report for the 1988 Article IV consultation and request for arrangements under the ESAF (EBS/88/214), as well as the PFP for 1988/89-1990/91 (EBD/88/289) and the report on recent economic developments (SM/88/245), were considered by the Executive Board on November 23, 1988. At that time, Executive Directors noted with satisfaction that The Gambia had continued to adhere to the policies under its SAF-supported program and had succeeded in 1987/88 in achieving most of the key objectives. Despite the broadly based improvements, Directors observed that The Gambia's external payments position remained vulnerable, which clearly called for efforts to accelerate economic growth and diversification and to strengthen further the external current account through the continuous vigorous implementation of structural adjustment, including supply-side, policies. For 1988/89, Directors supported the planned curbing of the groundnut subsidy and cautioned that strong efforts were required in other areas, citing in particular the implementation of the Civil Service reform and the long-delayed public sector wage and salary adjustment, the effective administration of the reformed income tax law, the prompt implementation of the new sales tax, and measures to minimize revenue leakages. Directors urged the authorities to accelerate the liquidation of external payments arrears.

Summaries of The Gambia's relations with the Fund and with the World Bank Group are contained in Appendices I and II, respectively.

II. The ESAF-Supported Program

The three-year ESAF-supported program aims at achieving an annual rate of growth in real gross domestic product (GDP) of 4 percent, a reduction in the rate of inflation (as measured by the consumer price index) to 6 percent, and a narrowing of the external current account

Table 1. The Gambia: Fund Position Through June 1991

	Feb. 28, 1989	1989			1990		1991
		March	April- June	July- Dec.	Jan.- June	July- Dec.	Jan.- June
(In millions of SDRs)							
Transactions under tranche policies (net) <u>1/</u>		-0.34	-1.10	-0.89	-0.42	-0.93	-1.45
Purchases		—	—	—	—	—	—
Ordinary resources		—	—	—	—	—	—
Borrowed resources		—	—	—	—	—	—
Repurchases		0.34	1.10	0.89	0.42	0.93	1.45
Ordinary resources		—	0.16	0.13	0.26	0.77	1.28
Borrowed resources		0.34	0.94	0.76	0.16	0.16	0.16
Transactions under special facilities (net) <u>2/</u>		—	—	-0.59	-1.18	-1.18	-1.18
Purchases		—	—	—	—	—	—
Repurchases		—	—	0.59	1.18	1.18	1.18
Transactions under the structural/enhanced structural adjustment facility (net)	—	3.42	3.42	3.42	3.42	3.42	3.42
Disbursements	—	3.42	3.42	3.42	3.42	3.42	3.42
Repayments	—	—	—	—	—	—	—
Total Fund credit outstanding (end of period)	24.17	23.83	26.15	28.09	29.91	31.22	32.01
Under tranche policies	7.49	7.15	6.05	5.16	4.74	3.81	2.36
Special facilities	4.71	4.71	4.71	4.12	2.94	1.76	0.58
Structural/enhanced structural adjustment facility	11.97	11.97	15.39	18.81	22.23	25.65	29.07
(As percent of quota)							
Total Fund credit outstanding (end of period)	141.34	139.35	152.92	164.27	174.91	182.57	187.19
Under tranche policies	43.80	41.81	35.38	30.18	27.72	22.28	13.80
Special facilities	27.54	27.54	27.54	24.09	17.19	10.29	3.39
Structural/enhanced structural adjustment facility	70.00	70.00	90.00	110.00	130.00	150.00	170.00

Source: IMF, Treasurer's Department.

1/ Ordinary and borrowed resources.

2/ Compensatory financing facility.

deficit to a level in 1990/91 that could be financed by normal concessional inflows and be consistent with declines in both the external debt service and debt/GDP ratios (Table 2). Moreover, the level of external financing is expected to be sufficient to enable The Gambia to eliminate its remaining external payments arrears by end-June 1990 and to accumulate official foreign reserves equivalent to six months of imports by end-June 1991.

The program builds upon the major progress already made in key areas, emphasizing the continuation of appropriate exchange rate, demand-management, and external debt and reserve policies. ^{1/} An important policy objective is to reduce the government budget deficit (excluding grants) from 21.5 percent of GDP in 1987/88 to just below 6 percent in 1990/91. At the same time, structural adjustment efforts are being intensified and are to be supported also by the prospective second SAC from the World Bank. These include the elimination of the subsidy to the groundnut sector in 1989/90; the implementation of specific policies to promote growth in agriculture, fisheries, industry, and tourism; the continued reform of the public enterprises, including stepped-up divestiture of government holdings; and the further improvement in the allocative efficiency of government expenditure.

The basic objectives of the first annual program under the ESAF are a rate of growth of 4.3 percent in real GDP, a deceleration in the rate of inflation to 7.5 percent (from 9.2 percent in 1987/88), a reduction in the external current account deficit (excluding official transfers) to about 22.5 percent of GDP (from 24 percent in 1987/88), a further reduction in external payments arrears, and another increase in official foreign reserves.

III. Discussions for the Midterm Review of the First Annual Arrangement Under the ESAF

The discussions for the midterm review covered overall economic and financial developments over the six-month period ended December 1988 and prospects for the remainder of 1988/89, with particular regard to the adequacy of policy implementation for achieving the growth, inflation, and balance of payments targets of the program. Although the focus was on fiscal policy (especially progress in implementing new revenue measures and efforts to contain the subsidy to the groundnut sector and "other charges"), monetary and credit policy (particularly the conduct of the flexible interest rate policy), and exchange rate policy (the overall functioning of the interbank market), considerable attention was also accorded policies affecting the key productive sectors, reform of the public enterprises, and public investment planning.

^{1/} The currency of The Gambia is the dalasi, and, on February 28, 1989, SDR 1 = D 9.19.

Table 2. The Gambia: Selected Economic and Financial Indicators, 1985/86-1990/91

	1985/86	1986/87	1987/88	1988/89		1989/90	1990/91
				Prog.	Proj.	Original ESAP proj.	
(Annual percentage changes, unless otherwise specified)							
National income and prices							
GDP at constant prices	-0.3	5.4	5.5	4.3	4.3	3.9	3.9
GDP deflator	28.1	19.0	12.1	9.5	9.5	8.0	7.0
Consumer prices							
Average annual basis	35.0	46.0	12.4	9.4	12.7 1/	7.0	6.2
End-period to end-period	70.4	22.3	9.2	7.5	5.6 1/	6.5	6.0
External sector							
Exports, f.o.b. (in SDRs)	-4.5	-3.1	5.7	6.8	38.1 2/	6.6	6.6
Imports, f.o.b. (in SDRs)	-2.0	10.9	1.2	7.7	25.8 2/	6.4	6.2
Export volume (excluding re-exports)	9.0	-5.3	45.5	12.2	-10.1	3.5	3.5
Import volume (excluding imports for re-export)	-4.1	14.5	—	4.8	8.3	3.7	3.3
Terms of trade (in SDRs; deterioration -)	-41.7	-2.8	-6.2	-6.3	-5.7	2.6	2.6
Nominal effective exchange rate (depreciation -)	-15.7	-43.6	4.7	...	4.6 3/	...	...
Real effective exchange rate (depreciation -)	-1.2	-18.3	7.1	...	1.5 3/	...	...
Government budget							
Revenue (excluding grants)	41.1	51.9	6.1	14.2	22.0	9.6	5.3
Expenditure and net lending	8.6	90.3	12.0	-16.5	-20.1	2.6	5.8
Of which: development expenditure	(-16.5)	(76.7)	(9.4)	(16.4)	(-3.5)	(7.4)	(7.3)
(Annual changes as percent of beginning-of-period stock of broad money)							
Money and credit							
Domestic credit	38.5	-77.1	-21.3	-27.7	-40.3	...	...
Government	4.5	-72.6	8.4	-48.0	-51.9	...	...
Gambia Produce Marketing Board (GPMB)	13.3	10.2	-30.6	8.1	-0.5	...	...
Other public enterprises	7.3	-10.5	-4.6	2.3	2.3	...	...
Private sector	13.4	-4.1	5.5	9.8	9.8	...	...
Money plus quasi-money	24.6	43.9	20.5	25.3	23.1	...	...
Velocity of circulation	3.7	3.6	3.5	3.3	3.4	...	...
Interest rate on Treasury bills (end of period)	15.0	19.0	16.8	...	17.7 4/	...	...
(In percent of GDP)							
Consumption	92.3	93.8	93.6	89.7	90.2	87.9	87.3
Investment	15.8	20.4	18.9	19.3	16.9	18.8	18.6
Resource gap	-8.5	-17.5	-12.6	-12.9	-10.7	-12.2	-11.5
Government surplus/deficit (-) (cash basis)							
Excluding grants	-13.0	-22.0	-21.5	-8.3	-6.1	-6.0	-5.8
Of which: transfers to the GPMB	(-1.5)	(-7.7)	(-10.3)	(-0.9)	(-0.9)	(-)	(-)
Including grants	-6.1	-7.1	-9.2	1.6	2.9	1.9	0.8
Of which: domestic financing (net)	(5.2)	(-15.3)	(1.4)	(-13.2)	(-13.4)	(-11.7)	(-4.8)
foreign financing (net)	(0.8)	(22.4)	(5.8)	(11.6)	(10.5)	(9.8)	(4.0)
External current account (excluding official transfers)	-29.7	-33.0	-24.0	-22.4	-19.9	-21.1	-19.5
External public debt outstanding (end of period) 5/	202.5	182.3	168.8	161.8	160.5	155.8	151.3
(In percent of net exports 6/ and travel income)							
External debt service 7/	23.9	106.0	49.2	54.9	50.0	49.7	27.3
(In SDRs per ton)							
Official groundnut exports							
Export unit value	266	129	138	151	148	161	171
Domestic producer price	223	199	163	120	123	...	...
(In millions of SDRs)							
External current account (excluding official transfers)	-32.2	-39.1	-31.1	-31.3	-27.8	-31.5	-31.2
Overall balance of payments (before exceptional financing)	-11.6	27.3	12.1	21.2	21.6	19.3	11.9
External payments arrears	88.2 8/	38.3	28.8 9/	15.4	15.8	—	—
Gross official reserves	1.4	10.9	20.4	32.8	32.8	44.4	58.5
In months of imports, c.i.f.	0.2	1.4	2.5	3.8	3.2	4.8	6.0

Sources: EBS/88/214; data provided by the Gambian authorities; and staff estimates and projections.

1/ July-December 1988.

2/ Reflects in part a more comprehensive coverage of re-exports and imports for re-exports, owing to improvements in customs administration.

3/ July-November 1988.

4/ End-December 1988.

5/ Disbursed public and publicly guaranteed debt, including outstanding use of Fund credit.

6/ Net exports defined as total exports minus imports used for re-exports.

7/ Includes IMF charges and repurchases and cash payments for arrears reduction.

8/ Includes SDR 10.3 million in arrears to the Fund as of end-June 1986.

9/ Revised to include the disclosure of SDR 2.8 million of arrears.

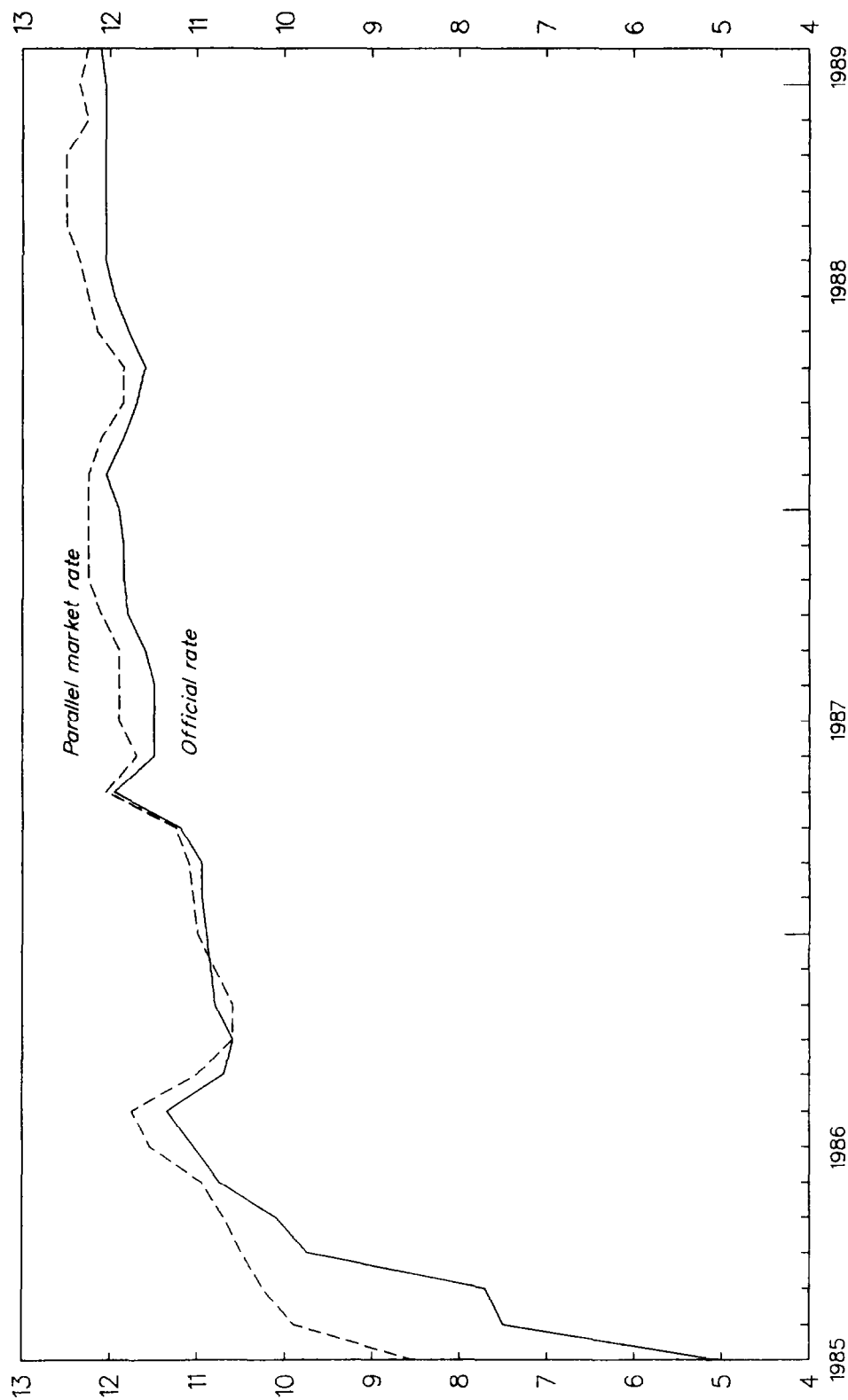
A detailed statement of the outcome of the discussions is contained in the attached letter from the Gambian authorities and provides the basis for the staff appraisal of the present report. In brief, during the first half of 1988/89 the Gambian authorities made further significant progress in policy implementation, economic activity has remained buoyant, and there are now prospects of smaller-than-programmed government budget and external current account deficits (Tables 3 and 4). In the fiscal area, revenue performance has been particularly encouraging, with the most marked gains having accrued from the effective implementation of the general sales tax and the stepped-up collection of customs duties, and, notwithstanding some slippage on the wage bill associated with a larger general wage and salary adjustment than initially envisaged, total government expenditures are likely to be below the programmed level. Restraint has been maintained in credit policy, and the flexible administration of interest rate policy has contributed to a further financial deepening in the economy (Table 5). Moreover, the floating exchange rate system has continued to function smoothly, and there has been an appreciable broadening of the interbank market (Chart 1). Finally, discernible progress has been made in the implementation of policies in the key productive sectors and in the reform of the public enterprises, although there have been delays in the preparation of performance contracts for certain major institutions and in the overall reform of the largest (government-owned) commercial bank (The Gambia Commercial and Development Bank).

The program's benchmarks for monitoring structural policy implementation in 1988/89 relate to: (i) implementation of a new Civil Service grade structure; (ii) preparation of a public investment program for 1989/90-1991/92; (iii) full implementation of the new sales tax; (iv) progress in minimizing revenue leakages from the misclassification of imports as duty-free items; and (v) the signing of performance contracts with The Gambia Telecommunications Company, the Social Security and Housing Finance Corporation, and The Gambia Public Transport Corporation.

The quantitative benchmarks for 1988/89 comprise quarterly limits on: (i) the net domestic assets of the banking system (defined to exclude the counterpart of valuation changes in the net foreign assets of the Central Bank of The Gambia--CBG); (ii) net bank credit to Government; (iii) gross bank credit to The Gambia Produce Marketing Board (GPMB); (iv) the Government transfer to the GPMB; (v) total external payments arrears; (vi) short-term external public debt outstanding; (vii) new external loans on nonconcessional terms contracted or guaranteed by the Government in the maturity ranges of 1-5 years and 1-12 years; and (viii) the minimum level of gross foreign reserves to be held by the CBG. The quantitative performance criteria for end-December 1988 include (i), (ii), and (v-viii).

As shown in Table 1 of the letter from the Gambian authorities, there was broad adherence to the ESAF arrangement's structural benchmarks through December 1988, and, as indicated in Table 2 of

CHART 1
THE GAMBIA
EVOLUTION OF EXCHANGE RATES: D/£, DECEMBER 1985 – JANUARY 1989
(End of period)



Source: Data provided by the Gambian authorities.

Table 3. The Gambia: Central Government Operations, 1985/86-1990/91

	1985/86	1986/87	1987/88	1988/89		1989/90	1990/91
				Prog.	Proj.	Original	ESAF proj.
(In millions of dalasis)							
Revenue and grants	268.6	479.8	494.7	530.2	543.6	551.9	565.1
Revenue	209.5	318.6	337.9	385.9	412.2	422.9	445.5
Grants ^{1/}	59.1	161.2	156.8	144.3	131.4	129.0	119.6
Expenditure and net lending	284.8	542.0	607.1	507.1	485.2	520.2	550.4
Current expenditure	189.1	313.8	432.0	304.2	314.8	302.2	316.4
Personal emoluments, pensions, and allowances	(62.9)	(66.1)	(68.6)	(85.0)	(92.7)	(91.8)	(98.2)
Interest due	(37.7)	(68.4)	(73.4)	(74.8)	(77.1)	(70.0)	(67.9)
Internal	[15.7]	[26.6]	[37.3]	[29.7]	[33.7]	[26.5]	[24.3]
External	[22.0]	[41.8]	[36.1]	[45.1]	[43.4]	[43.5]	[43.6]
Other charges	(61.9)	(87.9)	(126.2)	(130.0)	(130.0)	(140.4)	(150.2)
Transfers to parastatals	(26.6)	(91.4)	(163.9)	(14.4)	(15.0)	(--)	(--)
Of which: GPMB	[12.4]	[83.0]	[130.7]	[13.2]	[13.2]	[--]	[--]
Development expenditure ^{1/}	91.1	161.0	176.1	204.9	170.0	220.0	236.1
Net lending	3.7	68.5	-2.7	-2.0	-2.0	-2.0	-2.0
Of which: Managed Fund	(--)	(72.6)	(-2.7)	(-2.0)	(-2.0)	(-2.0)	(-2.0)
Unallocated expenditure	0.9	-1.3	1.7	--	2.3	--	--
Change in arrears (decrease -)	-35.0	-14.1	-5.4	--	-16.7	--	--
Overall surplus/deficit (-) (cash basis)							
Excluding grants	-110.3	-237.5	-274.6	-121.2	-89.7	-97.3	-104.9
Including grants	-51.2	-76.4	-117.8	23.1	41.7	31.7	14.7
Financing	51.2	76.4	117.8	-23.1	-41.7	-31.7	-14.7
Foreign (net)	7.1	241.4	73.8	169.5	153.8	160.0	71.8
Gross borrowing	(36.6)	(301.0)	(129.1)	(247.5)	(221.1)	(239.7)	(142.6)
Amortization due	(-29.5)	(-64.2)	(-60.4)	(-78.0)	(-67.3)	(-79.7)	(-70.8)
Net debt relief	(--)	(4.6)	(5.1)	(--)	(--)	(--)	(--)
Domestic	44.1	-165.0	44.0	-192.6	-195.5	-191.7	-86.5
Banking system	(20.4)	(-165.0)	(27.4)	(-189.1)	(-204.6)	(-188.2)	(-83.0)
Other	(23.7)	(--)	(20.1)	(--)	(12.6)	(--)	(--)
Sinking fund for debt relief	(--)	(--)	(-3.5)	(-3.5)	(-3.5)	(-3.5)	(-3.5)
(In percent of GDP)							
Surplus/deficit (-) (cash basis)							
Excluding grants	-13.0	-22.0	-21.5	-8.3	-6.1	-6.0	-5.8
Including grants	-6.1	-7.1	-9.2	1.6	2.9	1.9	0.8

Sources: EBS/88/214; data provided by the Gambian authorities; and staff estimates and projections.

^{1/} Grants are on an estimated basis and correspond to grants in the balance of payments (less technical assistance grants). The grant-financed portion of development expenditure is also on an estimated basis.

Table 4. The Gambia: Balance of Payments, 1985/86-1992/93

(In millions of SDRs)

	1985/86	1986/87	1987/88	1988/89		1989/90	1990/91	1991/92	1992/93
				Prog.	Proj.	Original ESAP projections			
Current account (excluding official transfers)	-32.2	-39.1	-31.1	-31.3	-27.8	-31.5	-31.2	-30.9	-31.6
Exports, f.o.b.	59.3	57.4	60.7	64.8	83.8 ^{1/}	69.1	73.7	78.6	83.2
Of which: groundnuts	(8.5)	(9.8)	(13.5)	(14.3)	(10.7)	(15.6)	(17.0)	(18.6)	(19.6)
re-exports	(46.6)	(45.3)	(43.6)	(46.2)	(68.8) ^{1/}	(48.7)	(51.4)	(54.2)	(57.2)
Imports, f.o.b.	-73.7	-81.7	-82.7	-89.0	-104.0 ^{1/}	-94.7	-100.6	-106.8	-133.3
Of which: for re-exports	(-26.6)	(-25.9)	(-24.9)	(-26.4)	(-39.3) ^{1/}	(-27.8)	(-29.4)	(-31.0)	(-32.7)
Net interest	-12.2	-15.2	-10.6	-8.3	-8.0	-6.9	-5.5	-4.3	-3.6
Other services (net)	-10.4	-5.6	-5.0	-5.7	-6.6	-5.9	-5.8	-5.4	-4.8
Of which: travel income	(20.6)	(27.5)	(28.0)	(29.4)	(31.4)	(31.2)	(33.3)	(36.0)	(38.9)
Private transfers (net)	4.8	6.0	6.6	7.0	7.0	7.0	7.0	7.0	7.0
Capital account	20.6	66.4	43.2	52.5	49.5	50.8	43.1	37.8	37.1
Official transfers	31.0	32.4	34.6	33.5	32.3	32.3	33.5	33.1	33.2
Official loans (net)	-4.6	28.5	6.5	16.8	15.0	16.1	7.0	1.9	0.9
Project-related loans	6.6	12.1	12.6	13.4	11.2	14.5	15.5	15.3	15.3
World Bank SAC	—	25.0	1.7	13.5	13.5	11.6	—	—	—
Amortization	-11.2	-8.6	-7.8	-10.1	-9.7	-10.1	-8.5	-13.4	-14.4
Private capital	2.0	5.0	2.5	2.2	2.2	2.4	2.6	2.8	3.0
Net errors and omissions	-7.8	0.5	-0.4	—	—	—	—	—	—
Overall balance (before exceptional financing)	-11.6	27.3	12.1	21.2	21.6	19.3	11.9	6.9	5.5
Financing	11.6	-27.3	-12.1	-21.2	-21.6	-19.3	-11.9	-6.9	-5.5
Gross official reserves	0.4	-9.5	-9.5	-12.4	-12.4	-11.7	-14.1	-3.8	-3.8
Repurchases/repayments IMF	-9.1	-5.9	-4.2	-3.2	-3.2	-3.1	-4.7	-3.1	-1.7
Reduction in arrears	20.3	-29.0	-6.9	-13.0	-13.4	-13.0	—	—	—
Exceptional financing	—	17.1	8.5	7.3	7.3	8.4	6.8	—	—
USAID (BOF-support grant)	—	—	1.6	1.6	1.6	1.6	—	—	—
IMF	—	11.2	7.2	6.8	6.8	6.8	6.8	—	—
Debt relief	—	3.0	1.5	—	—	—	—	—	—
Other ^{2/}	—	2.9	-1.8	-1.1	-1.1	—	—	—	—
Residual financing gap (-)	—	—	—	—	—	—	—	—	—
Memorandum items:									
Current account (excluding official transfers)									
(percent of GDP)	-29.7	-33.0	-24.0	-22.4	-19.9	-21.1	-19.5	-18.1	-17.2
External public debt ^{3/}									
(percent of GDP)	202.5	182.3	168.8	161.8	160.5	155.8	151.3	140.7	131.0
Debt service ^{4/}									
(percent of net exports ^{5/} and travel income)	24.9	106.0	49.2	54.9	50.0	49.7	27.3	29.0	25.7
Gross official reserves									
End-of-period stock	1.4	10.9	20.4	32.8	32.8	44.4	58.5	62.3	66.1
In months of imports, c.i.f.	0.2	1.4	2.5	3.8	3.2	4.8	6.0	6.0	6.0

Sources: EBS/88/214; data provided by the Gambian authorities; and staff estimates and projections.

^{1/} Reflects in part a more comprehensive coverage of re-exports and imports for re-exports due to improvements in customs administration.

^{2/} Deposits with the Bank of England in respect of Paris Club rescheduling of September 1986.

^{3/} Disbursed public and publicly guaranteed debt, including outstanding use of Fund credit.

^{4/} Includes IMF charges and repurchases and cash payments for arrears reduction.

^{5/} Net exports defined as total exports minus imports used for re-exports.

Table 5. The Gambia: Monetary Survey, June 1986-June 1989

(In millions of dalasis; end of period)

	<u>1986</u>	<u>1987</u>	<u>1988</u>				<u>1989</u>				
	<u>June</u>	<u>June</u>	<u>June</u>	<u>September</u>		<u>December</u>		<u>March</u>		<u>June</u>	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Prog.</u>	<u>Actual</u>	<u>Prog.</u>	<u>Actual</u>	<u>Prog.</u>	<u>Proj.</u>	<u>Prog.</u>	<u>Proj.</u>
Net foreign assets	-584.7	-313.2	-176.0	-219.5	-190.4	-231.6	-215.8	-92.1	-195.1 1/	33.1	31.6
Monetary authorities	-595.4	-333.4	-192.1	-235.6	-202.7	-247.7	-228.9	-108.2	-208.2 1/	17.0	18.5
Foreign assets	(11.4)	(97.7)	(255.8)	(189.5)	(200.5)	(180.3)	(186.8)	(280.2)	(186.8) 1/	(369.8)	(363.5)
Foreign liabilities	(606.8)	(431.1)	(447.9)	(425.1)	(403.2)	(428.0)	(415.7)	(388.4)	(395.0)	(352.9)	(345.0)
Commercial banks	10.7	20.2	16.1	16.1	12.3	16.1	13.1	16.1	13.1	16.1	13.1
Net domestic assets	594.2	294.5	224.9	253.8	216.2	268.8	250.5	236.7	299.5 1/	115.6	98.0
Domestic credit	501.3	326.0	256.2	285.3	253.8	300.3	249.8	268.2	298.8 1/	147.1	97.3
Government (net)	(100.3)	(-64.9)	(-37.5)	(-5.8)	(-40.8)	(-17.0)	(-66.5)	(-142.6)	(-64.3) 1/	(-226.4)	(-242.1)
Public enterprises	(217.4)	(216.7)	(101.4)	(89.2)	(94.6)	(105.8)	(104.8)	(189.7)	(142.0)	(142.7)	(108.6)
GPMB	[132.8]	[156.0]	[56.0]	[46.8]	[46.3]	[47.8]	[43.7]	[115.6]	[67.9]	[88.1]	[54.0]
Non-GPMB	[84.6]	[60.7]	[45.5]	[42.4]	[48.3]	[58.0]	[61.1]	[74.1]	[74.1]	[54.6]	[54.6]
Private sector	(183.6)	(174.2)	(192.3)	(201.9)	(200.0)	(211.5)	(211.5)	(221.1)	(221.1)	(230.8)	(230.8)
Other	92.9	-31.6	-31.3	-31.5	-37.6	-31.5	0.7	-31.5	0.7	-31.5	0.7
Revaluation account	237.4	392.8	392.2	392.2	391.0	392.2	402.5	392.2	402.5	392.2	402.5
SDR allocation	-19.5	-46.8	-46.8	-46.8	-46.8	-46.8	-46.7	-46.8	-46.7	-46.8	-46.7
Money plus quasi-money	227.4	327.3	394.3	379.7	370.0	382.6	390.5	490.0	460.2	494.1	485.4
Money	129.5	192.4	222.1	...	194.4	...	209.9	...	...	...	...
Quasi-money	97.9	134.9	172.2	...	175.5	...	180.7	...	...	...	...

Sources: EBS/88/214; data provided by the Gambian authorities; and staff projections.

1/ Projected to differ from program largely because of a delay in the prospective second SAC from the World Bank.

the letter, all the quantitative benchmarks for end-September 1988 and quantitative performance criteria and benchmarks for end-December 1988 were observed.

IV. Staff Appraisal

There has been broad adherence to the ESAF arrangement's structural benchmarks, and all the quantitative benchmarks for end-September 1988 and quantitative performance criteria and benchmarks for end-December 1988 were observed.

For the remainder of 1988/89, the authorities are encouraged to hold steadfastly to the present overall policy stance and make additional efforts to complete the negotiation of the remaining performance contracts with major public enterprises and to further advance the reform of The Gambia Commercial and Development Bank. In addition, and taking especially into account the ESAF program's inflation target, if the Government's net creditor position vis-à-vis the banking system increases as currently expected, the authorities should ensure that this improvement not be dissipated through excessive expansion in credit to other sectors of the economy. Moreover, should overall balance of payments developments turn out to be more favorable than currently projected, the authorities are urged to accelerate the pace for the liquidation of external payments arrears, while still reconstituting official foreign reserves as envisaged under the program.

The authorities are to be particularly commended for keeping the exchange rate for the dalasi fully market-determined, and the staff notes that the present exchange arrangements continue to support favorable developments in the external sector despite the decline in groundnut exports that was induced by poor weather. For the future, more rapid reserves accumulation should be considered once the external payments arrears have been eliminated.

For 1989/90, it will be important for the authorities to respect their commitment to eliminate the subsidy to the groundnut sector through both appropriate producer price policy and improved efficiency in marketing and processing. It will also be essential that the authorities not relax their efforts to achieve the initially established government budget deficit target. In this context, the establishment of Civil Service wage and salary scales for the period after June 30, 1989 will have to take into careful consideration the ESAF program's fiscal deficit target, as well as heightened concern for the possible impact on nongovernment pay scales, domestic prices, and export competitiveness.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board on a lapse of time basis:

The Fund determines that the midterm review specified in paragraph 2(c) of the three-year and first annual arrangements under the enhanced structural adjustment facility (EBS/88/214, 10/20/88) has been completed.

THE REPUBLIC OF THE GAMBIA

March 20, 1989

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Camdessus:

1. Under our first annual arrangement under the enhanced structural adjustment facility (ESAF), during the first half of 1988/89, further significant progress was made in policy implementation. Importantly, the program's fiscal policy stance was adhered to; restraint in overall credit policy was maintained; interest rate policy was again administered in a flexible manner; the floating exchange rate system for the dalasi continued to function smoothly; and successful efforts were made in implementing the planned structural reforms.
2. Despite a decline in groundnut production (attributable in large measure to adverse agro-climatic factors), the overall economic growth target for 1988/89 may well be achieved owing to a sharp rebound in re-export trade, a strong tourism season, brisk private sector construction activity, and generally buoyant activity in other areas, as evidenced by higher-than-projected collections of the newly introduced and broadly based sales tax. Over the period July-October 1988, there was a jump in the consumer price index of 5.3 percent, but the index was essentially unchanged during November-December. In the external sector, the evolution of official reserves was slightly more favorable than envisaged, while another reduction in payments arrears was effected.
3. As shown in Table 1, there was broad adherence to the ESAF arrangement's structural benchmarks through December 1988, and, as indicated in Table 2, all of the arrangement's quantitative benchmarks for end-September 1988 and quantitative performance criteria and benchmarks for end-December 1988 were observed.
4. With the objective of curtailing the budgetary subsidy to The Gambia Produce Marketing Board (GPMB) for current operations to D 13.2 million, or about 1 percent of GDP, in 1988/89, compared with a subsidy for current operations of some 4 percent of GDP in 1987/88, in June 1988 the domestic producer price for groundnuts was reduced by about 27 percent. Despite a substantial shortfall in purchases by the GPMB (about 20,000 tons, compared with a program projection of 70,000 tons, reflecting the lower output and considerable unrecorded groundnut sales), the GPMB's deficit is now expected to be only

D 5.5 million as a result of unanticipated substantial sales of stocks at higher-than-initially projected world market prices. As the subsidy to the GPMB was already transferred in early 1988/89 and the GPMB's credit requirements associated with crop purchases have been markedly lower than projected, outstanding domestic bank credit to the GPMB at end-March and end-June 1989 will be well below that provided for under the ESAF arrangement.

5. Regarding fiscal policy, the Government's objective for 1988/89 was to limit the overall budgetary deficit to D 121.2 million, or 8.3 percent of GDP. Much of the reduction in the deficit was to result from the nonrecurrence of two exceptional transfers totaling 8.3 percent of GDP that were made in 1987/88 for the repayment of public enterprise debts to the Central Bank of The Gambia (CBG). In addition, as noted above, the subsidy to the GPMB has been sharply curtailed. Also, "other charges" (which include outlays for maintenance, travel, embassies, supplies, and services) are being contained near their 1987/88 level, after an unusually sharp rise (43.5 percent) that year. Over the July-December 1988 period, "other charges" were somewhat below one half of the annual programmed level.

6. The program for 1988/89 provided for an increase of 24 percent (to D 85 million) in personal emoluments for permanent Civil Service staff to take account of both the cost of a new grade structure and a prospective, long-delayed general wage and salary adjustment; the real wage level of civil servants had fallen by about two thirds over the five-year period ended June 1988. The new Civil Service grade structure was implemented on November 1, 1988, retroactive to January 1, 1988, at an estimated annual cost of about D 4 million (or about 6.5 percent of the 1987/88 wage and salary component for permanent staff). In early January 1989, an interim wage and salary adjustment (for the period January 1-June 30, 1989) for established posts was implemented, providing for an average increase of about 55 percent. As a result of these two actions, personal emoluments are now estimated at D 92.7 million for 1988/89 as a whole, with the excess over the programmed level expected to be more than compensated for by unanticipated revenue gains. Nevertheless, as on a full year basis the interim adjustment would imply a level of personal emoluments (D 110 million) exceeding that in the ESAF program's medium-term projections, the Government intends to consider carefully the pay scale for the period after June 30, 1989 within the context of the preparation of the 1989/90 budget. This examination, with the Fund staff, will pay particular regard to the sustainability of the unanticipated revenue gains in 1988/89, possible budgetary savings, and the ESAF program's fiscal deficit targets for 1989/90 and 1990/91.

7. Development expenditure during the first half of 1988/89 amounted to only some 28 percent of the programmed annual level, reflecting inadequate preparatory work for the execution of several new projects and the incomplete processing of payments for a major project (the Banjul-Serrekinda Highway). However, the pace of spending is expected

to pick up, and, for 1988/89 as a whole, development outlays are now projected at 83 percent of the budgeted level--approximating the implementation rate recorded in recent years.

8. Revenue performance was particularly encouraging over the July-December 1988 period, with total collections 14 percent above the program's envisaged level. The most marked gain derived from the effective implementation of the general sales tax. The tax (which is applied at a 10 percent rate and replaces the previous import tax of 6 percent and other excise duties and special levies) is being applied, as planned, to all economic sectors, with the exception of international tour packages contracted for the 1988/89 tourist season. Through December 1988 sales tax collections had already reached 72 percent of the total initially projected for 1988/89. Also, customs duties are being collected at the program's envisaged stepped-up pace, aided by a reorganization of customs administration, a tightening up of customs procedures, and a regular update of indicative values for the proper valuation of imports. Moreover, to minimize revenue leakages from the misclassification of imports as duty-free items, a special team is conducting on-site inspections of the usage of goods accorded duty-free privileges.

9. Taking into account fiscal developments through December 1988 and the outlook for the six-month period ending June 1989, it is now projected that, reflecting mainly the expected shortfall in development outlays and the strong tax performance (some 7 percent above the programmed level), the overall budget deficit will be D 89.7 million (or 6.1 percent of GDP). As a result, although net foreign financing is expected to be lower than expected, owing to the lower-than-programmed development spending, the Government's net creditor position with the banking system over 1988/89 is now projected to increase by the equivalent of 52 percent of beginning-of-period broad money, compared with the program's initial projection of 48 percent.

10. At end-December 1988, money plus quasi-money was some 2 percent above the program's projected level, attributable entirely to higher-than-projected net foreign assets of the banking system. In addition, as positive real interest rates were maintained, there was a further increase in the share of quasi-money in broad money to 46 percent, from 44 percent at end-June 1988. For 1988/89 as a whole, the growth rate of broad money is now projected to be 23 percent, closely in line with the anticipated continued decline in the velocity of money on which the program was premised. Progress has been made in improving the maturity structure and marketability of government securities. In particular, a larger volume of one-year discount notes has been tendered, bids are being accepted for securities in amounts lower than the customary D 100,000, and private sector participants are being especially encouraged through help with administrative procedures, the acceptance by the CBG of marginally lower bid offers, and wider publicity of upcoming tenders. Nonbank holdings of government securities increased from D 46.3 million at end-June 1988 to D 58.9 million at end-1988.

11. In the external sector, notwithstanding a shortfall in groundnut exports, the current account deficit for 1988/89 is now projected to be, at SDR 27.8 million (or 19.9 percent of GDP), smaller than the program target (SDR 31.3 million), owing largely to a stronger-than-envisaged rebound in net re-exports. With the capital account surplus expected to be SDR 3 million smaller than programmed, in line with the lower-than-expected level of government development outlays, present prospects are for an overall balance of payments surplus (SDR 21.6 million) approximating that contained in the program. On this basis, external payments arrears in 1988/89 would be reduced about as projected under the program (SDR 13 million), while gross official foreign reserves would be reconstituted by the initially projected amount (SDR 12.4 million), to the equivalent of 3.2 months of imports.

12. Over the six-month period ended December 1988, exchange rates for the dalasi within the interbank market, supported by a continued appropriately flexible interest rate policy (with the key Treasury Bill rate trending upward), were particularly stable, with the rate for the pound sterling unchanged at D 12.05 from early July through end-year. Moreover, premia in the parallel foreign exchange market remained negligible. In addition, there was a further broadening of the interbank market, as the volume of transactions amounted to US\$44.5 million during July-December 1988, compared with US\$34.9 million over the comparable period in 1987. Net central bank purchases were US\$5.4 million over the first half of 1988/89, compared with US\$7.4 million in the July-December 1987 period.

13. Regarding implementation of sectoral policies, discernible progress has been made since June 1988 in agriculture (specific modalities have been established for the privatization of the Ministry of Agriculture's poultry hatchery, animal feed mill, and mechanical workshop, and an updated credit action program for The Gambia Cooperative Union to further recover outstanding loans has been adopted); in fisheries (the provision of infrastructure, training, and credit facilities to artisanal fishermen is being undertaken through EC- and Italian-funded projects, the surveillance capability is being enhanced with the recent acquisition of boats from China, and steps have been taken to encourage purse seining to conserve deepwater fish resources); and, finally, in tourism (an action program is under active consideration for the promotion of the economic utilization of the Tourism Development Area).

14. Reform of the public enterprises is proceeding. Second-year budgets within the existing performance contracts with The Gambia Utilities Corporation and The Gambia Port Authority have already been signed, while that for the GPMB is being finalized. However, delays have been experienced in the hiring of consultants for the preparation of performance contracts with The Gambia Telecommunications Company, the Social Security and Housing Finance Corporation, and The Gambia Public Transport Corporation. With respect to the divestiture of government holdings, the National Trading Corporation has been transformed into a limited liability company and its shares have been offered for sale;

strategies for the privatization of The Gambia River Transport Company, Ferry Services, and Dockyard have been formulated; and bids are being awaited for the sale of shares in the African Hotel. On the other hand, only halting progress has been made on the financial, managerial, and operational reform of The Gambia's largest commercial bank (The Gambia Commercial and Development Bank).

15. Preparation of the draft public investment program (PIP) for 1989/90-1991/92 has begun as scheduled, and, currently, the status of ongoing projects is being evaluated, while new projects are being considered for possible inclusion with reference to the rigorous selection criteria established in 1986/87. The draft PIP will be ready for review by the World Bank in early May at the time of the preparation of the Government's overall budget for 1989/90.

16. Based on the above, it is currently anticipated that the structural benchmarks under the first annual ESAF arrangement (as shown in Table 1) will have been substantially adhered to by end-June 1989 and that all of the quantitative benchmarks for end-March and end-June 1988 (as presented in Tables 4 and 5 attached to the Government's letter of October 11, 1988 requesting arrangements under the ESAF) will be observed.

17. A Fund staff visit is tentatively scheduled for May to review further performance under the current program and to reach understandings on the groundnut producer price policy and the fiscal policy stance for 1989/90, both of which will be important elements of the second annual arrangement under the ESAF.

18. As stated in its letter of October 11, 1988, the Government believes that the policies and measures set forth in the Memorandum on Economic and Financial Policies attached to that letter are adequate to achieve the objectives of its program, but will take any further measures that may become appropriate for this purpose. Moreover, during the remaining period of the first annual 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.

Sincerely yours,

/s/

S.S. Sabally
Minister of Finance
and Trade

/s/

Abdou N'Jie
Governor
Central Bank of The Gambia

Table 1. The Gambia: Structural Benchmarks for the
First Annual Arrangement Under the Enhanced
Structural Adjustment Facility, 1988/89

Policy Measures	Status of Observance
1. A new Civil Service grade structure to be introduced by September 30, 1988.	Implemented on November 1, 1988, retroactive to January 1, 1988.
2. A public investment program for 1989/90-1991/92 to be prepared in consultation with the World Bank by April 30, 1989.	Preparation began as scheduled. Ongoing projects are being evaluated and new projects are being considered for possible inclusion.
3. The new sales tax to be fully implemented by June 30, 1989.	The tax is being applied, as planned, to all economic sectors, with the exception of international tour packages contracted for the 1988/89 tourist season.
4. Actions to be taken during 1988/89 to minimize revenue leakages from the misclassification of imports as duty-free items.	A special team is conducting on-site inspections of the usage of goods accorded duty-free privileges.
5. Performance contracts to be signed with The Gambia Telecommunications Company, the Social Security and Housing Finance Corporation, and The Gambia Public Transport Corporation by June 30, 1989.	Delays experienced in the hiring of consultants for the preparation of these contracts.

Sources: EBS/88/214; and information provided by the Gambian authorities.

Table 2. The Gambia: Quantitative Performance Criteria and Benchmarks for the First Annual Arrangement Under the Enhanced Structural Adjustment Facility, End-September and End-December 1988

Performance criteria and quantitative benchmarks	Stock at June 30, 1988	Maximum cumulative change from July 1, 1988 to	
		September 30, 1988	December 31, 1988
		Benchmarks	Performance criteria
(In millions of dalasis)			
Domestic sector			
Net domestic assets <u>1/</u>	224.9		
Program		16.6 <u>2/</u>	42.3 <u>3/</u>
Actual		-8.7	25.6
Margin (-) or excess		-25.3	-16.7
Net credit to Government	-37.5		
Program		18.6 <u>2/ 4/</u>	18.0 <u>3/ 5/</u>
Actual		-3.3	-29.0
Margin (-) or excess		-21.9	-47.0
Performance criteria and quantitative benchmarks	Stock at June 30, 1988	Maximum stock at the end of	
		September 30, 1988	December 31, 1988
		Benchmarks	Performance criteria
(In millions of SDRs)			
External sector			
Total arrears <u>6/</u>	28.8 <u>7/</u>		
Program		27.1 <u>7/</u>	25.4 <u>7/</u>
Actual		26.9	24.7
Margin (-) or excess		-0.2	-0.7
Short-term public sector debt outstanding <u>8/</u>	--		
Program		--	--
Actual		--	--
Margin (-) or excess		--	--
Performance criterion and quantitative benchmark	Stock at June 30, 1988	Maximum stock at the end of	
		September 30, 1988	December 31, 1988
		Benchmark	Performance criterion
(In millions of SDRs)			
Contracting or guaranteeing of new medium- or long-term nonconcessional debt by the public sector in the 1-5 and 1-12 year maturity ranges during period			
	--		
Program		--	--
Actual		--	--
Margin (-) or excess		--	--

Table 2 (concluded). The Gambia: Quantitative Performance Criteria and Benchmarks for the First Annual Arrangement Under the Enhanced Structural Adjustment Facility, End-September and End-December 1988

Performance criterion and quantitative benchmark	Stock at June 30, 1988	Minimum stock at the end of	
		September 30, 1988 Benchmark	December 31, 1988 Performance criterion
<hr/>			
(In millions of SDRs)			
External sector			
Gross official reserves	20.4		
Program		12.0	12.0
Actual		14.3	13.1
Margin (+) or shortfall (-)		2.3	1.1
<hr/>			
Quantitative benchmark	Stock at June 30, 1988	Maximum cumulative change from July 1, 1988 to	
		September 30, 1988	December 31, 1988
<hr/>			
(In millions of dalasis)			
Domestic sector			
Gross bank credit to the GPMB	56.0		
Program		-9.2	-8.2
Actual		-9.7	-12.3
Margin (-) or excess		-0.5	-4.1
<hr/>			
Quantitative benchmark		Maximum level at end of	
		September 30, 1988	December 31, 1988
<hr/>			
(In millions of dalasis)			
Domestic sector			
Government transfer to the GPMB			
Program		13.2	13.2
Actual		13.2	13.2
Margin (-) or excess		--	--

Sources: EBS/88/214; and data provided by the Gambian authorities.

1/ Excludes the counterpart of valuation changes in net foreign assets of the CBG.

2/ Adjusted to reflect the cumulative excess of D 4.8 million in external cash loans and grants and commodity assistance (loans and grants) over the program estimate for the period July-September 1988 and the cumulative shortfall of D 7.5 million in the payment of the domestic counterpart of all nonreschedulable government debt service obligations falling due during this period.

3/ Adjusted to reflect the cumulative excess of D 1.6 million in external cash loans and grants and commodity assistance (loans and grants) over the program estimate for the period July-December 1988.

4/ Adjusted to reflect the cumulative excess of D 0.6 million of recovery of principal by the Government with respect to the Managed Fund over the program estimate for the period July-September 1988.

5/ Adjusted to reflect the cumulative excess of D 0.7 million of recovery of principal by the Government with respect to the Managed Fund over the program estimate for the period July-December 1988.

6/ After rescheduling and valued at end-June 1988 exchange rates.

7/ Revised to include the disclosure of SDR 2.8 million of arrears.

8/ Excludes trade-related credits.

The Gambia - Relations with the Fund
(As of February 28, 1989)

I. Membership status

- (a) Date of membership: September 21, 1967
- (b) Status: Article XIV

A. Financial Relations

II. General department

- (a) Quota: SDR 17.1 million
- (b) Fund holdings of Gambian dalasis: SDR 29.3 million
(171.1 percent of quota)

	<u>SDR million</u>	<u>Percent of quota</u>
(c) Fund holdings subject to repurchase and charges:	12.2	71.3
Of which: compensatory financing facility	4.7	27.5
credit tranches	5.3	31.0
supplementary financing facility	1.2	7.0
enlarged access resources	1.0	5.8
(d) Structural adjustment facility	9.7	56.8
(e) Reserve tranche position	0.05	0.3

III. Previous stand-by arrangements and special facilities

- (a) Stand-by arrangements during the last ten years:

<u>Arrangement</u>	<u>Duration</u>	<u>Amount</u>	<u>Utilization</u>	<u>Undrawn balance</u>
(In millions of SDRs)				
Stand-by	9/17/86-10/16/87	5.13	5.13	--
Stand-by	4/23/84-4/22/85	12.83	2.63	10.20
Stand-by	2/22/82-2/21/83	16.90	16.90	--
Stand-by	11/2/79-11/1/80	1.60	1.60	--

The Gambia - Relations with the Fund (continued)

(b) Special facilities:

Compensatory financing facility	09/25/86	SDR 4.7 million
	06/03/81	SDR 9.0 million
	11/22/78	SDR 4.5 million
	03/16/77	SDR 3.5 million

IV. SDR department

(a) Net cumulative allocation:	SDR 5.12 million
(b) Holdings:	SDR 1.94 million

V. Administered accounts

(a) Trust Fund loans:	
(i) Disbursed	SDR 6.84 million
(ii) Outstanding	SDR 0.93 million
(b) SFF Subsidy Account:	
(i) Donations to Fund	--
(ii) Loans to Fund	--
(iii) Payments by Fund	SDR 0.61 million
(c) ESAF loans: Trust Accounts	
(i) Disbursed	SDR 2.27 million
(ii) Outstanding	SDR 2.27 million

VI. Financial obligations due to the Fund

	Overdue Financial Obligations Feb. 28, 1989	Principal and Interest Due		
		1989 March-Dec.	1990	1991

(In millions of SDRs)

Principal	--	3.27	3.92	4.39
Repurchases	--	2.58	3.71	4.37
TF repayments	--	0.69	0.21	0.03
Charges and interest, including SDR, TF, and SAF and ESAF (prov.)	--	0.97	1.09	0.69
Total	--	4.24	5.01	5.08

The Gambia - Relations with the Fund (continued)

B. Nonfinancial Relations

VII. Exchange rate arrangement

Prior to January 20, 1986, the Gambian currency, the dalasi, was pegged to the pound sterling at a rate of D 5 = £1. On January 20, 1986, a flexible system was introduced under which the exchange rate is fully determined by market forces in an interbank market. The Gambia has exchange restrictions arising from external payments arrears which are subject to approval under Article VIII.

VIII. Article IV consultation

The 1988 Article IV consultation discussions with The Gambia were held in Banjul during the period August 2-23, 1988. The staff report (EBS/88/214) was discussed by the Executive Board on November 23, 1988, and the decision was as follows:

1. The Fund takes this decision relating to The Gambia's exchange measures subject to Article VIII, Sections 2(a) and 3, in concluding the 1988 Article XIV consultation with The Gambia and in light of the 1988 Article IV consultation with The Gambia conducted under Decision No. 5392-(77/63), adopted April 29, 1977 as amended ("Surveillance over Exchange Rate Policies").

2. The exchange restrictions evidenced by the commercial external payments arrears and a multiple currency practice arising from the cost of domestic currency counterpart deposits required of purchasers of foreign exchange prior to the payment of external obligations in arrears maintained by The Gambia are subject to Fund approval under Article VIII, Sections 2(a) and 3, respectively. The Fund notes the intention of the authorities to remove these restrictions and the multiple currency practice as soon as possible, and, in the circumstances of The Gambia, the Fund grants approval for their retention until November 22, 1989, or the conclusion of the next Article IV consultation with The Gambia, whichever is earlier.

The Gambia is on the standard 12-month cycle for consultations.

IX. Technical assistance

CBD: Two members of the CBD panel of experts are currently assigned to the Central Bank of The Gambia as Economic Advisor and Foreign Exchange Advisor, and Research Advisor, respectively.

The Gambia - Relations with the Fund (concluded)

Missions:

<u>Subject</u>	<u>Staff member</u>	<u>Date</u>
Balance of payments	Mr. Hoeszoo	May 1985
Government finance	Mr. Lim	January 1986

No money and banking missions have visited The Gambia in recent years, although Mr. Kennedy provided some technical assistance in money and banking during the course of a consultation mission from May 19-June 6, 1986.

The Gambia: World Bank Lending Operations
as of January 31, 1989

(In millions of U.S. dollars)

	Total	Disbursed	Undisbursed
IDA			
Structural adjustment <u>1/</u>	17.46	17.46	--
Agriculture	16.64	9.97	6.67
Urban development	13.62	7.54	6.08
Transport	23.17	17.87	5.30
Public utilities	8.26	0.21	8.05
Tourism	4.00	4.00	--
Energy	1.45	1.38	0.07
Education	5.50	5.50	--
Population, health, and nutrition	6.20	1.37	4.83
Development finance	3.00	3.00	--
Enterprise development	<u>9.57</u>	<u>--</u>	<u>9.57</u>
Total	108.87	68.30	40.57
Repayments	<u>0.73</u>		
Total outstanding (including undisbursed)	108.14		
IFC investment	2.90	2.90	--

Source: IBRD.

1/ IDA and Special Facility for Africa (SFA) portions of the SAC package only. Total SAC package was approximately US\$36 million, including U.K. grant of US\$4.3 million equivalent, African Development Bank cofinancing of US\$11 million equivalent, and a Saudi Fund contribution of US\$3.2 million equivalent. All portions except the Saudi Fund grant have been fully disbursed.