

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/87/236
Supplement 1

CONFIDENTIAL

December 30, 1987

To: Members of the Executive Board
From: The Secretary
Subject: The Gambia - Structural Adjustment Facility -
Second Annual Arrangement

Attached for the records of the Executive Directors is the text of the second annual arrangement under the structural adjustment facility for The Gambia, as agreed at Executive Board Meeting 87/179 (12/23/87).

Att: (1)



The Gambia - Structural Adjustment Facility:
Second Annual Arrangement

Attached hereto is a letter dated November 4, 1987 from the Minister of Finance and Trade and the Governor of the Central Bank of The Gambia requesting from the Fund the second annual arrangement under the three-year structural adjustment arrangement and setting forth the objectives and policies of the program to be supported by the second annual arrangement.

To support these objectives and policies, the International Monetary Fund grants the requested arrangement in accordance with the following provisions and subject to the regulations for the administration of the structural adjustment facility:

1. The second loan in the amount equivalent to SDR 5.13 million is available for disbursement at the request of The Gambia.
2. Before approving the third annual arrangement, the Fund will appraise the progress of The Gambia in implementing the policies and reaching the objectives of the program supported by the second annual arrangement, taking into account primarily:
 - a. the indicators specified in paragraphs 12 and 13 of the attached letter and set forth in Tables 4 and 5 of that letter;
 - b. imposition of restrictions on payments and transfers for current international transactions;
 - c. introduction of multiple currency practices;
 - d. conclusion of bilateral payments agreements which are inconsistent with Article VIII; and
 - e. imposition or intensification of import restrictions for balance of payments reasons.
3. In accordance with paragraph 15 of the attached letter, The Gambia will provide the Fund with such information as the Fund requests in connection with the progress of The Gambia in implementing the policies and reaching the objectives supported by the second annual arrangement.

4. In accordance with paragraph 15 of the attached letter, The Gambia will consult with the Managing Director of the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because of deviations from any of the indicators under paragraph 2 above or because he considers that consultation on the program is desirable. These consultations may include correspondence and visits of officials of the Fund to The Gambia or of representatives of The Gambia to the Fund.

THE REPUBLIC OF THE GAMBIA

November 4, 1987

Mr. M. Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus:

1. On September 17, 1986 the Fund approved for The Gambia a three-year arrangement with a presently effective amount equivalent to SDR 10.9 million (or 63.5 percent of The Gambia's quota in the Fund) and a first annual arrangement in an amount equivalent to SDR 3.42 million (or 20 percent of quota) under the structural adjustment facility (SAF) as well as a 13-month stand-by arrangement in an amount equivalent to SDR 5.13 million (or 30 percent of quota) in support of a continuation in 1986/87 (July-June) of our Economic Recovery Program adopted in 1985. In the context of the two reviews under the stand-by arrangement, we described in a letter to you dated March 19, 1987 and in the attached memorandum and in a letter to you dated July 21, 1987 progress in policy implementation and economic and financial developments. In brief, the adjustment program adopted by the Government in mid-1986 was implemented successfully, and, as a result, the major program objectives were achieved. In particular, the floating exchange rate system introduced in early 1986 continued to function satisfactorily, supported by a liberalized interest rate policy, and generally restrained financial policies were pursued. Also, to enhance our overall policy effort, a rescheduling agreement was concluded with Paris Club creditors, with the bilateral agreements signed broadly on schedule, and a rescheduling agreement with London Club creditors is expected to be signed by end-November. Favorable developments included higher-than-anticipated growth in real gross domestic product (GDP); a marked deceleration in the rate of inflation (as measured by the consumer price index on an end-period to end-period basis); and, most strikingly, an increase in gross official foreign reserves plus a reduction in external payments arrears considerably larger than planned.

2. Regarding the structural benchmarks for the first year SAF program, as indicated in Table 1, notwithstanding two slight slippages, substantial and timely progress was made in all of the specified areas. A thorough revision of the investment code was undertaken; a large civil service retrenchment program was carried out and a comprehensive, multi-year administrative reform program prepared; stringent criteria for project selection were instituted for the public investment program and a core program for 1986/87-1988/89 was identified; a comprehensive plan for rationalizing the public enterprise

sector was adopted; and specific proposals were put forward for increasing the share of revenues from domestic taxes. Moreover, apart from the nonobservance of one performance criterion at end-September 1986 (i.e., on net bank credit to Government) for largely technical reasons, The Gambia met all the stand-by arrangement's performance criteria, which served also as quantitative benchmarks under the SAF arrangement, and all the indicative targets (Tables 2 and 3).

3. In collaboration with the staffs of the Fund and World Bank, we have recently updated our initial policy framework paper (PPF), which covered the period 1986/87-1988/89. The new PPF covers the period 1987/88-1989/90 and thus elaborates objectives and policies for the remaining two years of the original three-year period and for an additional year. The PPF is being transmitted today to you and the President of the World Bank. To underpin our continuing efforts to promote adjustment with growth in the context of our updated PPF, this letter sets out the objectives and policies that the Government of The Gambia intends to pursue for the period July 1, 1987-June 30, 1988, for which balance of payments assistance is needed. In support of these objectives and policies, the Government of The Gambia hereby requests from the Fund a second annual arrangement under the SAF, equivalent to SDR 5.13 million, corresponding to 30 percent of The Gambia's quota in the Fund. Although we are submitting our request for a second annual arrangement several months after the beginning of our fiscal year (July 1), we request that The Gambian fiscal year be retained as the program year, as the Government determines its policies on this basis. In this regard and in the context of the second review under our recent stand-by arrangement, the Government made important policy commitments and has already implemented the associated measures relating to groundnut producer pricing policy and the overall fiscal stance for 1987/88.

4. The revised PPF includes as medium-term objectives: (i) growth in real GDP of 3.5-4.0 percent per annum, compared with the initial annual target of 3.3 percent, thus permitting a steady, albeit modest, recovery in real per capita income and consumption and an improvement in private investment; (ii) a further deceleration in the rate of inflation to about 8 percent by 1989/90, from the initial target rate of 10 percent for 1988/89; (iii) a narrowing of the external current account deficit (excluding official transfers) from 33.6 percent of GDP in 1986/87 to 24.5 percent in 1989/90, compared with the original PPF three-year improvement of 11.5 percentage points of GDP; and (iv) the complete elimination of external payments arrears plus a substantial buildup in external reserves to the equivalent of about 3.5 months of imports to support The Gambia's liberalized exchange and trade system.

5. For the period 1987/88-1989/90, in addition to the continued conduct of appropriate exchange rate, interest rate, demand management, and external debt and reserve policies, the PPF contains specific policies for promoting growth in agriculture (rationalizing the groundnut sector, reforming the credit system, and streamlining the

Ministry of Agriculture), industry (revising the investment code and encouraging term lending), fisheries (improving surveillance, infrastructure, training, and credit facilities), and tourism (divestiture); improving public sector management (strengthening tax administration, implementing a sales tax and reforming the income tax law, restructuring the civil service, improving investment project selection and the monitoring of project expenditure and technical assistance, and divestiture of major public sector enterprises); and rationalizing the price structure (particularly for petroleum products, selected public utilities, and transportation).

6. The Government's program for 1987/88, in support of which a second loan under the SAF is being requested, has as its main objectives a rate of growth of 4 percent in real GDP; a lower rate of inflation (12.5 percent, compared with 20 percent in 1986/87); a narrowing of the external current account deficit in relation to GDP (to 31.6 percent from 33.6 percent in 1986/87); and another reduction in the level of external payments arrears plus a further reconstitution of gross official foreign reserves.

7. To achieve the above objectives, further substantial progress will be made in the implementation of structural policies as detailed in the updated PFP, while emphasis will continue to be accorded the proper functioning of the interbank exchange rate system and the flexible interest rate policy. Attainment of the objectives for 1987/88 will depend also on adherence to the specific measures relating to groundnut producer pricing and fiscal policies agreed upon in the context of the second review under the recent stand-by arrangement.

8. With respect to groundnut producer pricing, on June 26, 1987 the domestic producer price was reduced by 16.7 percent for the 1987/88 crop season, thus narrowing the differential with export unit values from 23 percent in 1986/87 to a projected 7 percent in 1987/88. It had been estimated that this cut would enable the Government to reduce the budgetary subsidy to the Gambia Produce Marketing Board (GPMB) to the equivalent of 4 percent of GDP, compared with a subsidy in 1986/87 of about 8 percent of GDP. In addition, the Government has recently used part of its growing net creditor position with the Central Bank of The Gambia (CBG) to repay the GPMB's accumulated debt to the CBG (D 95.8 million, or almost 8 percent of GDP), which will further reduce the budgetary subsidy in 1987/88 to below 3 percent of GDP by alleviating heavy GPMB interest payments. Reflecting these two actions, the government transfer to the GPMB in 1987/88 is D 130.7 million, or 10.6 percent of GDP.

9. The Government's fiscal stance for 1987/88, which takes into account the large transfer to the GPMB, aims at containing the budget deficit on a partial commitment basis and excluding grants to D 233.8 million, or 18.9 percent of GDP, compared with a deficit of D 225.9 million, or 21.3 percent of GDP in 1986/87--a deficit which included the assumption by the Government in January 1987 of

government-guaranteed loans (equivalent to about 7 percent of GDP) extended by the Gambia Commercial and Development Bank to certain private and public enterprises, as had been agreed under the stand-by arrangement. To adhere to the 1987/88 budget deficit target, efforts are currently under way both to boost revenues and restrain expenditures. With regard to revenues, improvements continue to be made in tax administration through the strengthening of the central revenues and customs departments. Moreover, in late 1987/88 a general sales tax will be introduced and a reform of the income tax law (involving a reduction in the number of tax brackets, the elimination of the highest marginal tax rates, and the incorporation of certain sources of nonwage income) will be implemented. Concerning expenditures, outlays on personal emoluments are projected to rise by a modest 11 percent, reflecting mainly augmented allowances and the implementation on January 1, 1988 of a recommended restructuring of salary grades, with the additional cost of these adjustments estimated to be below the full-year reduction in expenditure associated with the recent retrenchment exercise. No general salary increase is planned in 1987/88 for the public sector. However, a relatively large increase (23 percent) is being provided for "other charges," especially for urgently required maintenance and more adequate levels of materials and supplies. Following the steep rise (78 percent) in development expenditure in 1986/87 from a particularly low level in 1985/86, the Government will limit the increase in 1987/88 to 15 percent, to a level of D 186 million, in accord with the core public investment program agreed with the World Bank. As in 1986/87, external grants plus net foreign borrowing is projected to be well in excess of the budget deficit, and the Government is therefore expected to increase its net creditor position with the banking system by D 87.9 million.

10. The monetary and credit program for 1987/88 takes account principally of a possible further financial deepening in the economy (i.e., allows for another decline in the income velocity of money) and the projected increase in the net foreign assets of the banking system--mainly the buildup in gross official foreign reserves and the reduction in external payments arrears. Thus, based on a projected increase in money balances of 17 percent (or 26 percent on an average annual basis, compared with an increase in nominal GDP of almost 16.5 percent) and a rise in the net foreign assets of the banking system of D 281.4 million, net domestic assets of the banking system (defined to exclude the counterpart of valuation changes in the net foreign assets of the CBG) are programmed to decline by D 224.9 million, equivalent to 69 percent of beginning-of-period money supply. This is consistent with the programmed decrease in net bank credit to Government (equivalent to 27 percent of beginning-of-period money supply); a decline in credit to the GPMB (equivalent to 25 percent of beginning-of-period money supply); adequate growth in credit to the private sector and other public enterprises (20 percent); and a further decline in other domestic assets associated with the reduction in external payments arrears. Therefore, for the second consecutive year, the increase in demand for money in 1987/88 would be accommodated entirely by an increase in net foreign assets.

11. The external current account deficit in 1987/88 is projected to remain virtually unchanged at about SDR 40 million, which implies a decline in its ratio to GDP by two percentage points (to 31.6 percent), as higher imports, consistent with the projected expansion in output and investment, are expected to be compensated by lower net interest payments, growing tourism receipts, and a recovery in nongroundnut exports, including re-exports. Although world groundnut prices are expected to improve, recorded groundnut exports are forecast to decline in volume by about 14 percent, in line with a projected reduction in GPMB purchases. However, with the anticipated strong growth in groundnut production and continued confidence in exchange and interest rate policies, inflows from unrecorded groundnut exports through the private capital account are expected to increase. This, together with modest increases in official transfers and net official loans, is expected to result in a surplus of SDR 3 million in the overall balance of payments (excluding exceptional financing). Exceptional financing for 1987/88, although significantly lower than in 1986/87, is expected to amount to SDR 35 million, including, inter alia, purchases of SDR 2.05 million under the recent stand-by arrangement, the second annual disbursement of SDR 5.13 million under the SAF, disbursements of SDR 13 million associated with a second World Bank SAC (including cofinancing), and a first disbursement of SDR 1.6 million under a USAID African Economic Policy Reform Program. During 1987/88 The Gambia aims to reduce external payments arrears on a cash basis by at least SDR 18 million, while continuing to build up gross official foreign reserves by at least SDR 8 million, to the equivalent of 3.1 months of imports.

12. Structural policies for 1987/88 are spelled out in the updated PFP, and the benchmarks for monitoring structural policy implementation are shown in Table 4 and relate to (i) enactment of the revised investment code; (ii) the action plan for agricultural credit reform; (iii) the liberalization of domestic groundnut marketing channels through a reduction in the preferential buying allowance of the Gambia Cooperative Union (GCU); (iv) actions under the Administrative Reform Program; (v) preparation of a public investment program for 1988/89-1990/91; (vi) more complete accounting of technical assistance activities; (vii) the signing of performance contracts with several major public enterprises--the GPMB, the Gambia Utilities Corporation (GUC), and the Gambia Port Authority (GPA); and (viii) the introduction of the general sales tax and implementation of the reform of the income tax law.

13. The quantitative benchmarks for 1987/88 set forth in Table 5 comprise limits for October 1987 and quarterly thereafter on (i) the net domestic assets of the banking system (defined to exclude the counter-part of valuation changes in the net foreign assets of the CBG); (ii) net bank credit to Government; (iii) gross bank credit to the GPMB; (iv) the government transfer to the GPMB; (v) total external payments arrears; (vi) short-term external public debt outstanding; and (vii) new external loans on nonconcessional terms contracted or guaranteed by the Government in the maturity range of 1-12 years. There are also targets

for October 1987 and quarterly thereafter on the minimum level of gross foreign reserves to be held by the CBG.

14. The Gambia will maintain its present arrangement for the advance acquisition of SDRs to be used to service The Gambia's obligations to the Fund for the remainder of its SAF arrangement.

15. The Government of The Gambia believes that the policies and measures described in this letter and in its updated PFP are appropriate to attain the objectives of its program for 1987/88, but it will take any further measures that may become necessary for this purpose. The Government will consult with the Managing Director of the Fund on the adoption of any measure which may become appropriate, either on its own initiative, or if the Managing Director requests such consultations. In addition, the Government will remain in close contact with the staffs of the Fund and the World Bank on developments and progress in implementing these policies, and the PFP will be updated annually as the program is implemented. The Gambia will provide the Fund with such information as the Fund requests in connection with its progress in implementing the policies and achieving the objectives of the program. The Government of The Gambia remains convinced of the need to sustain its medium-term adjustment efforts, and, in this endeavor, counts on the continued assistance of the Fund.

Sincerely,

/s/
S.S. Sisay
Minister of Finance
and Trade

/s/
T.G.G. Senghore
Governor
Central Bank of The Gambia

Table 1. The Gambia: Benchmarks of Implementation of
Structural Policy Measures for the 1986/87 Program
Under the Structural Adjustment Facility

Policy measures	Dates	
	Program	Actual
<u>1. Sectoral policies</u>		
Revise investment code	Dec. 1986	May 1987
<u>2. Civil service reform</u>		
Fully implement the government employment retrenchment program	Oct. 1986	Oct. 1986
Prepare an Administrative Reform Program, including pay and grading reforms	Feb. 1987	March 1987
<u>3. Public investment</u>		
Prepare revised public investment program for 1986/87-1988/89	Dec. 1986	Dec. 1986
<u>4. Public enterprises</u>		
Prepare divestiture and rationalization plan for 1986/87-1988/89	Dec. 1986	Nov. 1986
<u>5. Fiscal policy</u>		
Elaborate proposals for increasing the revenue contribution of domestic taxes, for implementation in fiscal year 1987/88	March 1987	March 1987

Sources: EBS/86/189; and information provided by the Gambian authorities.

Table 2. The Gambia: Quantitative Performance Criteria
Under Stand-By Arrangement, End-September
and End-December 1986

	Stock at June 30, 1986	Maximum Cumulative Change from July 1, 1986 to	
		Sept. 30, 1986	Dec. 31, 1986
(In millions of dalasis)			
Net domestic assets <u>1/</u>	555.4		
Program		28.8 <u>2/</u>	-43.3 <u>3/</u>
Actual		-141.5	-269.7
Margin (-) or excess		-170.3	-226.4
Net credit to Government	100.3		
Program		3.2 <u>2/</u>	-134.3 <u>3/</u>
Actual		26.1	-137.6
Margin (-) or excess		22.9	-3.3
Gross credit to the GPMB	132.8 <u>4/</u>		
Program		-13.6	-9.2
Actual		-42.6	-29.6
Margin (-) or excess		-29.0	-20.4
(In millions of SDRs)			
	Stock at June 30, 1986	Maximum Stock At the End of	
		Sept. 30, 1986	Dec. 31, 1986
Total external arrears	77.82 <u>5/</u>		
Program		77.82	77.82 <u>6/</u>
Actual		73.03	70.93 <u>6/</u>
Margin (-) or excess		-4.79	-6.89
Short-term public sector debt outstanding	9.62 <u>5/</u>		
Program		8.62	8.62
Actual		8.24	7.83
Margin (-) or excess		-0.38	-0.79
Contracting or guaranteeing of new nonconcessional external debt by the public sector in the 1-12 year maturity range during period			
Program		--	--
Actual		--	--
Margin (-) or excess		--	--

Sources: EBS/86/189; and data provided by the Gambian authorities.

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

2/ Adjusted to reflect the shortfall of D 34.2 million in external cash loans and grants and commodity assistance (loans and grants) from the original program estimate for July-September 1986.

3/ Adjusted to reflect the excess of D 70.3 million of external cash loans and grants and commodity assistance (loans and grants) over the original program estimate for July-December 1986.

4/ Revised to include the GPMB's suspense account (D 15.6 million) with the CBG.

5/ Revised to reflect updated exchange rates, cancellations of certain loans before end-June 1986, and the disclosure of additional short-term debt at the Paris Club.

6/ Excludes debt relief provided by the rescheduling exercise.

Table 3. The Gambia: Quantitative Performance Criteria and Indicative Targets Under Stand-by Arrangement, End-March and End-June 1987

	Stock at June 30, 1986	Maximum Cumulative Change from July 1, 1986 to	
		March 31, 1987	June 30, 1987
(In millions of dalasis)			
Net domestic assets <u>1/</u>	555.4		
Program		-179.9	-329.6 <u>2/</u>
Actual		-212.9	-391.0
Margin (-) or excess		-33.1	-61.4
Net credit to Government	100.3		
Program		-27.9	-159.2 <u>2/3/</u>
Actual		-31.3	-168.0
Margin (-) or excess		-3.4	-8.8
Gross credit to the GPMB	132.8 <u>4/</u>		
Program		36.1	26.3
Actual		35.2	24.4
Margin (-) or excess		-0.9	-1.9
(In millions of SDRs)			
Total external arrears	56.2 <u>5/</u>		
Program		54.7	47.9 <u>6/</u>
Actual		54.2	47.7
Margin (-) or excess		-0.5	-0.2
Short-term public sector debt outstanding <u>7/</u>	7.8		
Program		7.3	6.9
Actual		6.4	6.7
Margin (-) or excess		-0.9	-0.1
Contracting or guaranteeing of new nonconcessional external debt by the public sector in the 1-12 year maturity range during period			
Program		--	--
Actual		--	--
Margin (-) or excess		--	--
(In millions of SDRs)			
Gross official foreign reserves	1.3 <u>8/</u>		
Program		0.5	6.0
Actual		7.9	16.4
Margin (+) or shortfall (-)		7.4	10.4

Sources: EBS/87/66; 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 44.1 million in external cash loans and grants and commodity assistance (loans and grants) over the program estimate for the period July 1986-June 1987 (D 269.5 million).

3/ Adjusted to reflect the cumulative recovery of principal by the Government with respect to the Managed Fund in the period January-June 1987 (D 0.8 million).

4/ Revised to include the GPMB's suspense account (D 15.6 million) with the CBG.

5/ After rescheduling and calculated at end-December 1986 exchange rates.

6/ Adjusted to reflect the cumulative excess of SDR 5.3 million in certain exceptional foreign financing over the program estimate for the period January-June 1987 (SDR 5.5 million).

7/ Excludes import-related credits and specified bridging finance.

8/ Revised.

Table 4. The Gambia: Benchmarks of Implementation of
Structural Policy Measures for the 1987/88 Program
Under the Structural Adjustment Facility

Policy measures	Dates
<u>1. Sectoral policies</u>	
Enact revised investment code	By January 31, 1988
Prepare time-bound action plan for recovery of all outstanding GCU loans	By January 1, 1988
Reduce preferential buying allowance of the GCU	By November 15, 1987
<u>2. Administrative Reform Program</u>	
Establish new Personnel Management Office	By January 1, 1988
Implement new civil service grade structure	By January 1, 1988
<u>3. Public expenditure</u>	
Prepare public investment program for 1988/89-1990/91 in consultation with the World Bank	By June 1, 1988
Prepare roster of all nonproject technical assistance activities	By March 31, 1988
<u>4. Public enterprises</u>	
Sign performance contracts with GPMS, GUC, and GPA	By January 1, 1988
<u>5. Fiscal policy</u>	
Introduce the general sales tax and implement reform of income tax law	By March 31, 1988

Table 5. The Gambia: Quantitative Benchmarks Under the Structural Adjustment Facility Arrangement for 1987/88

	Stock at June 30, 1987	Maximum Cumulative Change from July 1, 1987 to			
		Oct. 31, 1987	Dec. 31, 1987	March 31, 1988	June 30, 1988
(In millions of dalasis)					
Domestic sector					
Net domestic assets <u>1/2/3/</u>	257.9	-46.3	-32.5	-61.9	-224.9
Net credit to					
Government <u>2/3/4/</u>	-67.7	91.6	56.3	20.0	-87.9
Gross credit to the GPMB	157.2	-122.9	-118.4	-57.5	-93.0
Government transfer to the GPMB		130.7	130.7	130.7	130.7

	Stock at June 30, 1987	Maximum Stock at the End of			
		Oct. 31, 1987	Dec. 31, 1987	March 31, 1988	June 30, 1988
(In millions of SDRs)					
External sector					
Total external arrears <u>5/</u>	46.7 <u>6/</u>	44.0	42.2	33.2	28.7
Short-term public sector debt outstanding <u>7/</u>	7.0 <u>8/</u>	7.0	7.0	7.0	7.0
Contracting or guaranteeing of new medium- or long- term nonconcessional external debt by the public sector in the 1-12 year maturity range during period <u>9/</u>		--	--	--	--

	Stock at June 30, 1987	Minimum Cumulative Increase from July 1, 1987 to			
		Oct. 31, 1987	Dec. 31, 1987	March 31, 1988	June 30, 1988
(In millions of SDRs)					
Gross official foreign reserves	17.7	1.2	1.6	4.9	8.0

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

2/ The limits for October, December, and March will be adjusted downward or upward by the full amount of the cumulative excess or shortfall of external cash loans and grants and commodity assistance (loans and grants), compared with the program estimates for the periods July-October 1987, July-December 1987, and July 1987-March 1988, respectively; and the limit for June will be adjusted downward by the full amount of the cumulative excess of such loans and grants over the program estimate for the period July 1987-June 1988 (Table 6).

3/ The limits for October, December, March, and June will be adjusted downward by the full amount of the cumulative shortfall in the payment of the domestic counterpart of all nonreschedulable government debt service obligations falling due during the periods July-October 1987, July-December 1987, July 1987-March 1988, and July 1987-June 1988, respectively (Table 6).

4/ The limits for October, December, March, and June will be adjusted downward by the full amount of the cumulative excess of recovery of principal by the Government with respect to the Managed Fund, compared with the program estimates for the periods July-October 1987, July-December 1987, July 1987-March 1988, and July 1987-June 1988 (Table 6).

5/ The limits for October, December, and March will be adjusted downward or upward by the full amount of the cumulative excess or shortfall of certain exceptional foreign financing, compared with the program estimates for the periods July-October 1987, July-December 1987, and July 1987-March 1988, respectively; and the limit for June will be adjusted downward by the full amount of the cumulative excess of such financing over the program estimate for the period July 1987-June 1988 (Table 6). Also, these limits will be adjusted downward or upward by the full amount of additional rescheduling or by the full amount of disclosure of arrears which modifies the end-June 1987 stock.

6/ After rescheduling and valued at end-August 1987 exchange rates.

7/ Excludes import-related credits.

8/ Valued at end-August 1987 exchange rates.

9/ Excludes refinancing loans contracted in the context of possible multilateral rescheduling arrangements.

Table 6. The Gambia: Program Estimates of Nonproject External Financing, Debt Service, Repayments Under Managed Fund, and Exceptional Financing, 1987/88

	July-Oct. 1987	July-Dec. 1987	July 1987- March 1988	July 1987- June 1988
<u>(In millions of dalasis)</u>				
Cash loans	16.0	23.6	65.0	157.7
SAC <u>1/</u>	(16.0)	(23.6)	(65.0)	(157.7)
Cash and commodity grants	49.5	57.0	62.5	74.1
STABEX	(35.6)	(35.6)	(35.6)	(35.6)
Fuel	(7.3)	(11.0)	(16.5)	(23.5)
Rice	(6.6)	(10.4)	(10.4)	(15.0)
Total nonproject external financing	<u>65.5</u>	<u>80.6</u>	<u>127.5</u>	<u>231.8</u>
<u>(In millions of SDRs)</u>				
Interest <u>2/3/</u>	3.4	3.7	5.3	6.0
Principal <u>2/</u>	2.3	2.8	5.7	6.7
Total debt service	<u>5.7</u>	<u>6.5</u>	<u>11.0</u>	<u>12.7</u>
<u>(In millions of dalasis)</u>				
Repayments under Managed Fund	--	<u>5.3</u>	<u>5.3</u>	<u>5.3</u>
<u>(In millions of SDRs)</u>				
Cash loans	1.8	2.6	7.1	17.3
First SAC	(1.8)	(2.6)	(3.4)	(4.3)
World Bank	0.4	0.4	0.4	0.4
ADF	1.3	1.3	1.3	1.3
SF	--	0.8	1.6	2.5
Second SAC	(--)	(--)	(3.7)	(13.0)
World Bank	--	--	--	7.0
United Kingdom	--	--	3.7	3.7
ADF	--	--	--	2.3
Cash grants	3.9	3.9	5.5	5.5
STABEX	(3.9)	(3.9)	(3.9)	(3.9)
USAID	(--)	(--)	(1.6)	(1.6)
Total exceptional financing	<u>5.7</u>	<u>6.5</u>	<u>12.6</u>	<u>22.8</u>

1/ Includes disbursements under first and possible second SACs from the World Bank (including cofinancing).

2/ After debt relief.

3/ Includes moratorium interest payments.