

DOCUMENT OF INTERNATIONAL MONETARY FUND  
AND NOT FOR PUBLIC USE

FOR  
AGENDA

MASTER FILES  
ROOM C-130

0401

EBD/87/300

November 19, 1987

To: Members of the Executive Board  
From: The Secretary  
Subject: The Gambia - Policy Framework Paper

Attached for consideration by the Executive Directors is the policy framework paper under the structural adjustment facility for The Gambia, which will be brought to the agenda for discussion on a date to be announced.

Mr. Rothman (ext. 8652) or Mr. Dublin (ext. 8656) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

THE GAMBIA

Structural Adjustment Facility  
Policy Framework Paper for 1987/88-1989/90

Prepared by the Gambian authorities in collaboration  
with the staffs of the Fund and the World Bank

November 19, 1987

I. Background

1. From the mid-1970s onwards, the Gambia's economic and financial situation deteriorated markedly, and, by early 1985, the underlying internal and external imbalances had assumed major proportions owing to a combination of adverse external factors, expansionary financial policies, and inappropriate exchange rate and other pricing policies. In the latter part of this period, the growing imbalances were reflected in sporadic economic growth, accelerating inflation, and the emergence of external payments arrears (including to the Fund). In response to the deteriorating situation, the Government adopted in mid-1985 a comprehensive Economic Recovery Program (ERP), aimed at laying the basis for sustained economic growth while restoring domestic and external financial equilibrium. The ERP, which covers the period 1985/86 (July-June)- 1988/89, is being supported by a three-year IMF structural adjustment facility (SAF) arrangement, and, for 1986/87, was supported by a first annual arrangement under the SAF and by a 13-month stand-by arrangement. 1/ During 1986/87, the program was supported also by a World Bank structural adjustment credit (SAC -- including cofinancing) of US\$37.0 million. 2/ The Government's medium-term strategy under the ERP was described in the policy framework paper (PFP) that was reviewed by the World Bank Committee of the Whole on August 26, 1986 and by the Fund Executive Board on September 17, 1986. The present updated paper, which was prepared by the Gambian authorities in collaboration with the staffs of the IMF and World Bank, describes progress in implementing the program over the past year and recent developments in the economy; sets forth objectives and policies for the remaining years of the original three-year (1986/87-1988/89) SAF-supported program and for an additional

---

1/ The three-year SAF arrangement approved by the Fund in September 1986 has a presently effective amount of SDR 10.9 million, equivalent to 63.5 percent of The Gambia's quota, and the first annual arrangement thereunder was for SDR 3.42 million, equivalent to 20 percent of quota. The 13-month stand-by arrangement, approved at the same time, was for SDR 5.13 million, equivalent to 30 percent of quota. The Gambia purchased all SDR 5.13 million under the stand-by arrangement.

2/ US\$18.0 million from the Special Facility for Africa and IDA, US\$4.3 million in Special Joint Financing from the United Kingdom, and cofinancing of US\$11.5 million from the African Development Fund and US\$3.2 million from the Saudi Fund.

12-month period (mid-1989-mid-1990); examines external assistance and financing requirements; discusses the social impact of the adjustment effort; and outlines some long-term issues.

## II. Program Implementation and Recent Economic and Financial Performance

2. The ERP aimed specifically at achieving an annual rate of growth of real gross domestic product (GDP) of 3.3 percent over the period 1986/87-1988/89, while reducing the rate of inflation, as measured by the consumer price index and on an end-period to end-period basis, from 70 percent in 1985/86 to 10 percent by 1988/89. In the external sector, the program's main objectives were to build up official foreign exchange reserves, to reduce the large stock of external payments arrears, and to normalize relations with creditors through rescheduling agreements and the timely servicing of nonreschedulable obligations. Because of a drop in world groundnut prices during 1986 and the need to increase imports for investment and maintenance, the program envisaged an initial worsening of the current account deficit (excluding official transfers) from 21 percent of GDP in 1985/86 to 33 percent in 1986/87; thereafter, the current account deficit was expected to decline progressively to 21 percent of GDP by 1988/89.

3. In pursuit of these objectives, the Government adopted a strategy aimed both at reducing domestic absorption and promoting growth in output. To curtail inflationary pressures and restore external payments balance, the strategy emphasizes prudent demand management through appropriate fiscal, monetary, exchange rate, pricing, and external debt policies. To develop the productive sectors, the ERP aims at promoting private initiative through the provision of appropriate price and other incentives, particularly in agriculture, manufacturing, and fisheries. To achieve greater efficiency in public sector operations, the program calls for significant reductions in government employment and a reorganization of the civil service, rationalization and divestiture of major public enterprises, and more stringent project selection to improve the productivity of public investment.

4. Significant progress has been made in implementing the ERP, and The Gambia's economic and financial performance to date has, in many respects, exceeded the program's objectives. Real GDP growth in 1986/87 is estimated at 6 percent, compared with the program target of 3.3 percent (Annex Table I). This growth was broadly based and included a sharp increase in groundnut production (owing to favorable weather and a large increase in the domestic producer price) and expansion in private and public construction activity, commerce, and tourism. At the same time, the rate of increase in the consumer price index dropped to 20 percent. Although under the program the fiscal deficit on a partial commitment basis and excluding grants was expected to increase to 17.5 percent of GDP, owing mainly to a large transfer to the groundnut sector in support of a domestic producer price well above the world market

price and a substantial increase in development expenditure from a particularly low level in 1985/86, the budget deficit was constrained to 14.4 percent of estimated GDP (excluding the establishment of a Managed Fund <sup>1/</sup>). The growth in money supply (44 percent)--although considerably higher than had been initially expected (16 percent)--derived entirely from an increase in net foreign assets of the banking system, reflecting, importantly, the substitution of dalasis for foreign currency balances and thus can be viewed as a renewal of the financial deepening process.

5. In 1986/87, the external current account deficit (excluding official transfers) widened to about SDR 40 million (34 percent of GDP), or SDR 5 million above the program target, as increased receipts from tourism and private transfers were insufficient to offset a strong increase in imports, associated with more buoyant activity, and lower receipts from recorded groundnut and other domestic exports. However, the overall balance of payments (excluding exceptional financing), for which a deficit of SDR 20.4 million had been originally forecast, was virtually in balance, principally because of the emergence of a relatively large surplus in the private capital account, which reflected the domestic intermediation of foreign exchange transactions--largely associated with unrecorded exports--previously channelled outside of the banking system. In addition, exceptional financing associated with disbursements under the World Bank SAC (including cofinancing) was considerably larger than programmed. As a result, the buildup in gross official foreign reserves plus the cash reduction in external payments arrears (excluding the settlement in July 1986 of overdue obligations to the Fund--SDR 10.3 million) amounted to about SDR 35 million, compared with the initial program objective of SDR 5.5 million.

6. The two basic objectives of the Government's civil service reform program were to create a smaller, better trained, professionally managed, and adequately remunerated civil service and to improve staff productivity by correcting the imbalance between expenditures on personnel and on materials. To this end, during 1986 the Government retrenched 2,625 temporary employees and 764 established government workers (constituting a reduction of more than 20 percent of total government employment and exceeding the original targets) and eliminated 848 vacant positions from the establishment roster. In addition, the Government developed a comprehensive Administrative Reform Program (ARP) for the period 1987-90, which includes, *inter alia*, measures to improve civil service personnel management, particularly the establishment of a new Personnel Management Office and the introduction of a new, consolidated civil service grade structure during the 1987/88 fiscal year. Moreover, the 1987/88 budget includes significantly increased allocations for materials and supplies.

---

<sup>1/</sup> The assumption by the Government 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.

7. To stimulate the development of economically efficient sectors while reducing the fiscal cost of investment incentives, the Government prepared a comprehensive new investment code, which is expected to be enacted by the end of 1987. The new code will limit tax benefits to those new companies which either export at least half of their output or generate domestic value-added of more than 60 percent.

8. To improve the productivity of public investment, in 1986/87 the Government introduced the concept of a "rolling" public investment program (PIP) based upon a three-year programming period and linked to the annual preparation of the recurrent budget. In collaboration with World Bank staff, a core program for 1986/87-1988/89 was identified. Stringent selection criteria were established for new projects, including the requirement of a minimum rate of return (where calculable) of at least 15 percent and a thorough study demonstrating the sustainability of the project's recurrent costs as well as its complementarity with private sector investments. As a result, there has been a significant shift in the composition of the PIP in favor of the rehabilitation and maintenance of basic infrastructure. Apart from those in agriculture, the core PIP includes no public investments in directly productive sectors.

9. The Government also adopted a comprehensive plan for rationalizing the public enterprise sector, involving the phased divestiture of most of the Government's holdings and the negotiation of performance contracts with those enterprises to remain within the Government's portfolio. Under the program, government holdings in banking, retail trade, tourism, and fisheries were identified as the priorities for sale to domestic and foreign private investors. The valuation of assets has been completed for six companies, and government shares in two companies (a bank and a retail chain) are being sold to the public. Negotiations on the sale of government holdings in two hotels to foreign investors are also under way. Finally, the Government developed proposals for the introduction of a domestic sales tax and reform of the income tax law to broaden the tax base and reduce reliance on taxes on international trade.

### III. Objectives and Policies for the Period 1987/88-1989/90

10. For the period 1987/88-1989/90, the Government is committed to pursuing the policies described in the original PFP (Annex Table II). Based mainly on a reassessment of medium-term external financing prospects, the macroeconomic targets of the program have been adjusted slightly. The target annual rate of growth for real GDP has been raised to 3.5-4.0 percent, with significant contributions to expanded output to derive from agriculture, manufacturing, and services. This would permit a steady, albeit modest, recovery in real per capita income and consumption and some improvement in private investment. The rate of inflation is expected to decline to about 8 percent by 1989/90, from 20

percent in 1986/87. The external current account deficit (excluding official transfers) is programmed to decline steadily from 33.6 percent of GDP in 1986/87 to 24.5 percent of GDP in 1989/90. Recorded groundnut exports are expected to rebound beginning in 1988/89; nongroundnut exports are anticipated to increase by about 6.5 percent per annum during 1987/88-1989/90, with important contributions from re-exports and fish; and receipts from tourism are also projected to increase by some 6.5 percent per annum over the three-year period. However, the projected reduction in the current account deficit is less than the three-year improvement envisaged in the original PFP (11.5 percentage points of GDP) largely because of lower-than-initially projected recorded groundnut exports, associated with reduced crop purchases by the Gambia Produce and Marketing Board (GPMB), and higher import levels, in line with the higher-than-originally projected economic growth. Nevertheless, with appropriate interest and exchange rate flexibility, continued inflows from unrecorded groundnut and other exports through the private capital account are expected. A main objective continues to be a scaling down of the stock of external payments arrears and a reconstitution of foreign reserves to support The Gambia's liberalized exchange and trade system. A major policy aim is to eliminate all external payments arrears and to accumulate official foreign reserves to the equivalent of about 3.5 months of imports by 1989/90.

#### Sectoral policies for expanding production

##### a. Agriculture

11. The performance of the agricultural sector over the past two years has been a major factor in the economy's recovery. During the first stage of the ERP, the Government increased domestic producer prices and liberalized commercial rice imports. During 1987/88, the Government's priorities in the agricultural sector are to rationalize the groundnut sector, reform the agricultural credit system, and streamline the Ministry of Agriculture.

12. In the groundnut subsector, the Government's priority is to rationalize pricing policy to eliminate progressively the subsidy element. For 1987/88, the Government reduced the producer price by almost 17 percent, narrowing the differential with export unit values from 23 percent in 1986/87 to a projected 7 percent in 1987/88. Beginning in 1988, the Government will no longer maintain groundnut seed stocks. Seed requirements will be met through direct storage by farmers and an expanded seed multiplication program for the dissemination of improved seeds, coordinated by the Ministry of Agriculture and involving an expanded role for private growers in seed production. Finally, beginning with the 1987/88 season, domestic marketing of groundnuts will be liberalized by effecting an initial significant reduction in the preferential buying allowance of the parastatal credit and marketing agency, the Gambia Cooperative Union (GCU), in order to place private groundnut traders on a more competitive footing than currently.

13. With respect to credit, the Government has begun implementing a plan agreed with the World Bank in the context of the SAC to restore the financial viability and improve the efficiency of the GCU. New credit eligibility criteria were instituted for the 1987/88 season, with the result that farmers in default were denied fresh loans. By end-November 1987, the GCU will prepare a consolidated record of defaulters since 1980 and, by January 1, 1988, the agency will prepare a time-bound action plan for recovery of outstanding loans. Before the 1988/89 planting season, appropriate loan documentation and new accounting procedures will also be in place. Along with a more cautious extension of institutional credit, the Government is actively encouraging the private sector to enter into input marketing (fertilizer, seeds, and implements) and credit provision. The Government's medium-term objective is to develop competitive private and public sector credit channels and to encourage private sector importation and distribution of inputs. As a first step, in June 1987 Government-held fertilizer stocks were auctioned to the public, and the 1987 retail prices to farmers were set by the GCU to reflect landed import plus distribution costs. The Government will maintain its policy of not subsidizing fertilizers.

14. To improve the efficiency of agricultural sector management, the Government has adopted a comprehensive plan to streamline the Ministry of Agriculture. This plan involves narrowing the focus of the Ministry's functions to those areas that cannot be handled by the private sector (e.g., research, extension, animal health support services, resource management, and sector planning) and effecting a corresponding reduction and redeployment of staff. Implementation of the reorganization plan, which is based on a study conducted under the SAC, will start during 1987/88.

b. Industry

15. The exchange rate reform of January 1986 (see paragraph 25) is providing a stimulus to export and import substitution activities, although a significant impact on the balance of payments can be expected only in the medium term. The revised investment code, which will be enacted by January 31, 1988, is expected to stimulate further investment from domestic and external sources. In addition, the Government is taking steps to encourage expanded term-lending by the commercial banks (in conjunction with the proposed IDA Enterprise Reform and Development Project) and to strengthen institutional support systems for small-scale enterprises.

c. Fisheries

16. Investment in the fisheries sector has increased significantly since the exchange rate reform and the elimination of fish export taxes under the ERP. From a small base, processing capacity has expanded by an estimated 30 percent over the past two years and another 25 percent expansion is expected over the next two. In view of this strong response by the private sector, government priorities are: (i) to

develop a fishing surveillance capability in order to prevent over-fishing; (ii) to tighten licensing agreements, in order to increase income accruing to the economy from the sector; (iii) to provide infrastructure, training, and credit facilities to artisanal fishermen in order to enable them to supply local processing companies; and (iv) to complete the divestiture of the government-owned fishing company.

d. Tourism

17. In response to improved profitability, the tourism sector has also begun to attract substantial private investment. The Government's strategy in this sector centers on the divestiture of government ownership and a continued moratorium on government loan guarantees (except as agreed with the World Bank). The Government is now completing external debt reschedulings for the major hotels.

Public sector management

18. An important medium-term policy aim of the program is to reduce the overall budgetary deficit in terms of GDP and to finance the deficits wholly from external resources. The deficit, which was equivalent to 21.3 percent of GDP in 1986/87 (inclusive of the establishment of the Managed Fund), is expected to remain high at 18.9 percent of GDP in 1987/88, due to the Government's use of part of its increasing creditor position with the Central Bank of The Gambia (CBG) to repay the GPMB's accumulated debt (equivalent to almost 8 percent of GDP) to the CBG--a move which is consistent with the objectives of reforming the GPMB financially and of achieving significant budgetary savings in the coming years. By 1989/90, however, the Government intends to bring the deficit down to about 5 percent of GDP, through both further revenue generation and continued expenditure restraint.

19. In the area of taxation, the Government is continuing to tighten tax administration through a strengthening of the central revenues and customs departments, which has produced substantial results to date. Some additional measures have already been adopted, and the Government expects that the forthcoming recommendations of a Fund/World Bank mission will provide a basis for reinforcement of these measures. Also, several new initiatives are being taken to enhance revenues. During 1987/88, a general sales tax will be introduced. This tax will be a single-stage tax levied at the manufacturer-importer level. The introduction of the tax is expected to yield a modest increase in revenue, despite the elimination of the import taxes it will replace, as its coverage will be more comprehensive and will include selected services. Second, to increase the efficiency of the income tax system and curtail widespread tax evasion, 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 also be implemented in 1987/88. Mainly as a result of the above measures, the rate of growth in revenues over the

period 1988/89-1989/90 is expected to exceed somewhat that of nominal GDP.

20. The Government will continue to exert strict control over expenditures, especially on subsidies and personal emoluments, and give priority to maintenance and development needs. Consistent with initial commitments to reduce the budgetary subsidy to the groundnut subsector sharply in 1987/88 and essentially to eliminate it by 1988/89, the producer price for 1987/88 was reduced by 16.7 percent. It had been estimated that this cut would enable the Government to reduce the budgetary subsidy to the equivalent of 4 percent of GDP, compared with a subsidy in 1986/87 of about 8 percent of GDP. In addition, as noted above, the Government has recently used part of its growing net creditor position with the CBG to repay the GPMB's accumulated debt to the CBG (D 95.8 million), which will further reduce the budgetary subsidy (to below 3 percent of GDP) by substantially alleviating the GPMB's interest burden. Moreover, for 1987/88, the increase in expenditures for personal emoluments will be modest and linked mainly to augmented allowances and the introduction on January 1, 1988 of a restructuring of salary grades, as no general wage increase is planned. Reflecting the Government's adherence to a core public investment program for the period 1986/87-1988/89, development outlays in 1987/88 will be limited to D 186 million, or some 15 percent of GDP.

21. Following the high level of expenditure in 1987/88, equivalent to 46.5 percent of GDP, due essentially to the additional transfer to the GPMB (equivalent to 6.5 percent of GDP) associated with the repayment of its accumulated debt, total outlays are projected to decline to about 33.5 percent of GDP by 1989/90, despite sustained levels of development spending (equivalent, on average, to almost 15 percent of GDP) over 1988/89-1989/90. Much of the curtailment of expenditure as a proportion of GDP will result from the virtual elimination by 1989/90 of the subsidy provided to the GPMB--an elimination made possible by the repayment of the GPMB's accumulated debt, further appropriate changes in producer prices for groundnuts, and efficiency gains accruing to the GPMB associated largely with the implementation in 1988 of a performance contract.

22. With external grants and net foreign borrowing projected to be well in excess of the budget deficits, the Government should continue to increase its net creditor position with the banking system throughout the 1987/88-1989/90 period.

23. Although the process of project selection has been greatly improved, the Government recognizes the need for closer monitoring of ongoing projects and for greater accuracy in expenditure estimates. The Government will agree with World Bank staff by June 1, 1988 on the size and composition of the PIP for 1988/89-1990/91, including all project-related technical assistance. In view of the need also for closer monitoring of nonproject technical assistance activities, by March 31, 1988, the Government will prepare a consolidated roster of all such

assistance, specifying the source of funding and projecting expenditure for the following three years. Prior to preparation of the 1988/89 budget, the Government will discuss with staffs of the Fund and World Bank appropriate adjustments to the budget to reflect the more complete accounting of all government operations.

24. The Government continues to accord high priority to the rationalization of the public enterprise sector. During 1987/88, it will continue to implement the parastatal divestiture program adopted during 1986/87. It will also negotiate full-year performance contracts with the three largest public enterprises--the GPMB, the Gambia Utilities Corporation (GUC), and the Gambia Port Authority (GPA). These contracts will be signed before January 1, 1988. In view of the Government's assessment that the development of performance contracts has been a useful exercise, work on contracts for some other parastatals will begin during 1987/88. It is expected that these contracts-- for GAMTEL (the telecommunications company), the Gambia Public Transport Corporation, and the Social Security and Housing Finance Corporation--will be negotiated before the end of calendar 1988.

#### Exchange rate and other pricing policies

25. A central element of the Government's adjustment strategy was the introduction in January 1986 of a floating exchange rate system within the framework of an interbank market. To strengthen the system, the Government removed all restrictions on current international transactions, established foreign exchange surrender requirements for public enterprises, and set limits on the foreign exchange working balances of the commercial banks. By mid-March 1986 the interbank rate of the dalasi had depreciated to D 10 per pound sterling (compared with the prefloat rate of D 5 per pound sterling). Since then, the rate has moved narrowly between D 10.95 and D 11.85 per pound sterling. The interbank exchange system, supported by a liberalized interest rate policy, has functioned smoothly and has resulted in the virtual elimination of the differential between the interbank and parallel market rates, greatly increased bank intermediation of foreign exchange receipts previously channelled through the parallel market, and a substantial increase in gross official reserves. The Government will continue to monitor carefully the evolution of the system to ensure its proper functioning.

26. With a view to ensuring a pass-through of exchange rate effects on prices to consumers, the Government has adopted a pragmatic approach to the pricing of petroleum products, public utilities, and bus transport. During January-June 1986, the prices of premium gasoline and gas oil were raised by a cumulative 103 percent and 40 percent, respectively. Water and electricity tariffs were increased by 15 percent and 9 percent, respectively, in July 1986; by 15 percent and 6 percent, respectively, in January 1987; and by a uniform 15 percent in July 1987. Further increases of 15 percent and 6 percent, respectively, are planned for January 1988. Bus fares were raised on average by

40 percent in April 1987, following a similar increase in 1986. The pass-through effects of the sharp depreciation of the dalasi in early 1986 have already occurred, and the Government will continue to review these prices and tariffs and make adjustments when necessary to reflect developments in costs, including those associated with further exchange rate movements.

#### Monetary and credit policies

27. The Government intends to buttress its fiscal policy with a monetary and credit policy aimed at further moderating inflation, generating domestic financial savings, and achieving its external targets. In establishing the annual credit program, principal consideration will continue to be given to a prudent rate of monetary growth and the projected buildup in gross official foreign reserves and reduction in external payments arrears. For 1987/88, credit policy has been established based on a further decline in the income velocity of money and thus an average annual increase in money plus quasi-money of 26 percent, compared with growth in nominal GDP of almost 16.5 percent. As in 1986/87, consistent with the projected monetary growth and an increase in the net foreign assets of the banking system, appropriate limits are being placed on the net domestic assets of the banking system, with sub-limits on net bank credit to Government and on gross bank credit to the GPMB. The program for 1987/88 envisages no domestic contribution to monetary growth for the second consecutive year. To help ensure adherence to the limits on net domestic assets, the lending activities of the commercial banks will continue to be monitored closely in relation to the ceilings established for individual banks. Moreover, any necessary steps will be promptly taken, including further increasing bank reserve requirements, to maintain restraint in the growth of credit to the private sector and public enterprises. Also, in 1987/88, improved allocation mechanisms for credit to agriculture, as discussed in paragraph 13 above, are being adopted.

28. To mobilize increased financial savings and to promote greater efficiency in credit allocation, the authorities have adopted a flexible interest rate policy. Since July 1986, key interest rates have been determined on the basis of a biweekly tender system for treasury bills, and rates have fluctuated between 16 percent and 20 percent (compared with the earlier fixed rate of 15 percent). Under the system, the central bank rediscount rate and the minimum rate on three-month savings deposits are linked to the treasury bill rate, while other deposit and lending rates are freely determined. In practice, commercial bank rates have responded promptly to changes in the treasury bill rate. Moreover, new government securities that were marketed to the nonbank public in late June 1987 carried an effective yield of 21 percent. Given the recent decline in the rate of inflation, real rates of return on available financial assets have become positive. The present flexibility in the conduct of interest rate policy will be maintained in view of the need to stem possible pressures on domestic prices and the foreign exchange market.

#### IV. External Assistance and Financing Requirements

29. In 1986/87, external assistance and financing available to The Gambia was significantly higher than programmed. Official transfers (excluding commodity aid and STABEX) totalled an estimated SDR 27.3 million, SDR 5.5 million above the program projection, on the strength of augmented technical assistance. While net project-related disbursements were broadly in line with the initial projection, balance-of-payments support inflows were substantially higher, mainly because of faster-than-anticipated disbursements under the World Bank SAC (including cofinancing), which amounted to SDR 25 million and exceeded the program projection by about SDR 10 million. Furthermore, the private capital account (which includes inflows from unrecorded trade), for which a deficit of about SDR 9 million had been initially projected, registered a surplus of about SDR 8 million, reflecting enhanced confidence in the new exchange rate regime and interest rate policy. Although the current account deficit was larger than anticipated and debt relief in respect of current maturities fell somewhat short of original expectations, <sup>1/</sup> the sharply higher transfers and capital inflows enabled The Gambia to effect a large cash reduction in arrears (an estimated SDR 29 million, including the settlement of SDR 10.3 million in overdue obligations to the Fund in July 1986) and a much needed reconstitution of gross official reserves, to a level equivalent to 2.3 months of imports by end-June 1987.

30. The turnaround in The Gambia's balance of payments over the past year is encouraging. Nonetheless, the country's medium-term external position remains vulnerable. Despite an expected rebound in recorded groundnut exports, a favorable outlook for nongroundnut exports and tourism receipts, and a projected reduction in interest payments in the coming years, the narrowing of the current account deficit is now projected to be less than that expected in the original PFP. This is mainly attributable to the lower-than-originally anticipated receipts from recorded groundnut exports and to higher import levels, reflecting rising investment and output. The revised medium-term projections also take into account the need to maintain adequate levels of reserves (about 3.5 months' imports) and the Government's aim to complete the

---

<sup>1/</sup> Due to data problems, the original program overestimated reschedulable maturities falling due in 1986/87 by about SDR 1.8 million. The rescheduling of current maturities falling due during the period October 1, 1986 to September 30, 1987 amounted to SDR 2.3 million and SDR 1.6 million under Paris and London Club agreements, respectively. However, debt relief in respect of arrears substantially exceeded initial projections. Arrears effectively rescheduled under Paris Club agreements amounted to SDR 11.4 million, and SDR 13.4 million of arrears are expected to be rescheduled by end-November 1987 under the London Club agreement.

normalization of debtor-creditor relations by eliminating all outstanding payments arrears by 1989/90.

31. In the context of this medium-term scenario, and if The Gambia is to achieve the economic growth and diversification needed to remove eventually the systemic obstacles to external viability, significant external assistance and financing (about SDR 220 million -- Annex Table III) will be required. While the Government will continue to observe the moratorium on contracting or guaranteeing new nonconcessional external debt, it is expected that bilateral and multilateral donors will continue to support The Gambia's adjustment efforts and structural reforms. In particular, crucial financing over the 1987/88-1989/90 period will be sought from (i) a second World Bank SAC (including cofinancing) amounting to about SDR 26.5 million over 1987/88-1988/89; (ii) the second and third annual arrangements under the SAF (SDR 7.4 million over 1987/88-1988/89); and (iii) a three-year USAID African Economic Policy Reform Program (SDR 1.6 million per year, starting in 1987/88). These inflows are expected to be complemented by modest increases in technical assistance grants and by existing and new project-related grant and loan commitments from multilateral and bilateral donors. Based on the above, and assuming sustained surpluses in the private capital account supported by the continued application of flexible interest and exchange rate policies and a steady inflow of foreign direct investment, financing requirements are envisaged to be met.

#### V. Social Impact

32. The Gambia's ERP has produced sharp changes in production and savings incentives, the rural-urban terms of trade, and labor market conditions over the past two years. These shifts are all the more striking when viewed against the backdrop of the previous decade, during which an overall decline in per capita income masked a growing divergence between incomes in the urban and rural areas, with average income in the former estimated to be 3-5 times that in the latter. <sup>1/</sup> This trend has been sharply reversed by a substantial improvement in agricultural production incentives and by the combined effects upon the urban population of the exchange rate depreciation, other pricing policy reforms (such as decontrol of imported rice prices), and the Government's aggressive program of public sector retrenchment.

33. Although in the absence of household income and consumption data it is impossible to quantify these developments with precision, there are indications that the shift in the rural-urban terms of trade has indeed occurred on an appreciable scale. Sharp increases in agricultural

---

<sup>1/</sup> See Basic Needs in The Gambia, World Bank, 1981. After 1982, this disparity almost certainly worsened, as a result of increased taxation of agricultural income and growing subsidies for urban consumption, particularly of imported rice.

producer prices combined with average growth of 8.5 percent in production have boosted real farm incomes over the past two years. Despite the reduction in the domestic groundnut producer price, farm incomes should continue to grow moderately, reflecting sustained unrecorded groundnut sales and growth of food crop production (projected at more than 4 percent per year through 1991), associated with improvements in the efficiency of extension services and marketing and input supply channels, and prices.

34. By contrast, the program has implied a decline in urban incomes. During the past two years, average government wage and salary scales have been compressed by about one half in real terms as a result of a general public sector wage freeze and consumer price inflation. The retrenchment program directly affected over 3,200 government workers, almost three-quarters of whom were unskilled, daily-paid workers. Nonetheless, these effects were anticipated, and the Government has initiated actions to ease the burden of adjustment and protect vulnerable groups.

35. Despite severe constraints on the overall government budget, the basic social services have been protected. With donor assistance, total expenditures on health and education have increased by more than 160 percent in real terms over the past two years. Maternal and child health services (including family planning) are being expanded, the nationwide immunization campaign revived, and a new peri-urban polyclinic will be constructed in 1988, offering improved public health services to the substantial, relatively low-income population dwelling on the outskirts of the capital (Banjul). Nutrition programs targeted to the poorest urban neighborhoods and rural areas have also been expanded with the help of nongovernmental organizations. Despite the retrenchments in education staff last year, no schools were closed, and the supply of textbooks and writing materials for this year has been increased, which educators expect will improve schooling effectiveness.

36. To address the problem of transitional unemployment among retrenched public sector workers, in late 1986 the Government established a Civil Service Resettlement Program under the auspices of the Indigenous Business Advisory Service (IBAS) and the National Investment Board (NIB). Under the program, retrenched workers are given: (a) employment counselling; (b) access to basic "entrepreneurship" training and more specialized technical training, if appropriate; and (c) credit for the establishment of business ventures in priority sectors (agriculture, fishing, small-scale manufacturing, the tourism-related crafts). In the first six months of the program, over 500 individuals have applied, of which 320 have received counselling and basic training and 106 have qualified for the credit scheme. Over half of the credit applicants thus far have elected to go into agriculture and have resettled outside the Banjul area.

37. In general, indications are that the retrenched workers have been absorbed into private employment more readily than initially expected.

The major reason for this and for the relatively low number of applicants for government assistance is probably the revived economy and demand pulls in the private labor market, particularly from the agricultural sector, where nominal wage rates for daily labor have increased by about 40 percent over the past eight months and are now about one-fourth higher than unskilled wage rates in the Banjul area. Reinforcing these trends, several new donor-assisted programs are being undertaken in rural areas, such as labor-intensive road maintenance and locally-administered construction schemes.

38. Although the initial results of the ERP are regarded as highly positive, the Government is cognizant of the need to monitor the economic and social impact of the program closely. To this end, it has requested African Development Bank/World Bank/UNDP assistance in establishing a nation-wide living standards survey in the context of the regional Social Dimensions of Adjustment Project. Over time, the survey will generate the detailed social data required for a deeper understanding of the adjustment process and the more effective design of both economic policies and social programs to help ensure the participation of all income groups in the benefits of development.

#### VI. Long-term Issues

39. The ERP aims at reducing The Gambia's economic and financial imbalances and at promoting the structural changes needed to alleviate the country's long-term development constraints. The Gambia, with a per capita income in 1987 estimated at US\$230, is one of Africa's least developed countries. Given the small domestic market and the relative lack of resources, development of the manufacturing sector has been limited. The long-term potential of the country appears to be in agricultural intensification and development of export-oriented horticulture (soils are reasonably good and, in most years, rainfall during the one growing season is adequate), fisheries, tourism, export-oriented manufacturing, and entrepot trade and services. Without substantial improvement in the long-term international price for groundnuts, the importance of this crop in the economy can be expected to diminish.

40. Important constraints to The Gambia's development are the high rate of population growth (currently estimated at 3.2 percent per annum) and underdevelopment of The Gambia's human resources. However, the Government is openly committed to family planning and, with the rapid expansion of family planning services currently under way, a slight decline in population growth is expected by 1990.

41. The expansion of the education system achieved over the past decade has been impressive, but the rate of adult literacy is still estimated to be below 20 percent, and, even today, less than 50 percent of all primary school age children attend school. Similarly, although The Gambia's innovative village-based primary health care system has been a

model for other African countries, reported maternal and infant mortality rates remain high, due to widespread seasonal malnutrition and the prevalence of chronic infectious diseases. An excellent start has been made in each of these areas, but sustained expansion of education and health care systems over at least the next decade will be required. In order to achieve these objectives during a period of relatively severe financial constraints, the Government has progressively introduced in the health care system direct cost recovery for many types of services and consumables. Attainment of The Gambia's development potential will depend importantly upon improvement of the population's health, education, and productivity.

Annex Table I. The Gambia: Selected Economic and Financial Indicators, 1984/85-1989/90

	1984/85	1985/86	1986/87		1987/88	1988/89	1989/90
			Prog.	Est.			
(Annual percentage change; unless otherwise specified)							
National income and prices							
GDP at constant prices	-0.2	5.6	3.3	6.1	4.0	3.6	3.8
GDP deflator	16.6	18.0	10.5	15.2	11.8	8.1	6.8
Consumer prices							
Average annual basis	21.8	35.0	15.0	46.0 <sup>1/</sup>	15.0	10.0	8.0
End-period to end-period	12.4	70.4	...	20.2	12.5	8.5	7.5
External sector							
Exports, f.o.b. (in SDRs)	-27.9	-4.5	-2.3	-12.1	4.5	6.5	6.5
Imports, f.o.b. (in SDRs)	-22.1	-2.0	-1.3	6.8	8.2	7.2	7.4
Export volume (excluding re-exports)	-34.7	9.0	...	-28.0	-6.5	4.5	5.0
Import volume (excluding imports for re-export)	-9.2	-4.1	...	3.1	4.8	5.0	5.0
Terms of trade (in SDRs; deterioration -)	-1.5	-41.7	...	-12.4	1.8	3.0	3.4
Nominal effective exchange rate (depreciation -) <sup>2/</sup>	-12.7	-20.1	...	-41.4	...	...	...
Real effective exchange rate (depreciation -) <sup>2/</sup>	-5.1	-3.4	...	-18.0	...	...	...
Government budget							
Revenue (excluding grants)	16.4	41.1	43.0	52.1	6.7	13.4	11.8
Expenditure (commitment basis)	24.4	8.6	62.5	91.2	5.4	-13.0	2.3
Of which: development expenditure	(55.1)	(-16.5)	(81.1)	(77.6)	(15.0)	(10.2)	(7.3)
(Annual changes as percent of beginning-of-period stock of broad money)							
Money and credit							
Domestic credit	13.6	38.5	-31.5	-77.7	-37.9	...	...
Government	10.6	4.5	-59.8	-73.9	-26.9	...	...
GPMB	-13.3	13.3	9.8	10.7	-25.4	...	...
Other public enterprises	15.9	7.3	3.6	-10.5	3.7	...	...
Private sector	0.4	13.4	14.9	-4.1	10.7	...	...
Money plus quasi-money	32.8	24.6	16.3	43.9	17.2	...	...
Velocity of circulation	4.2	3.7	3.7	3.6	3.3	...	...
Interest rate (end of period) <sup>3/</sup>	9.5	13.0	...	15.0	...	...	...
(In percent of GDP)							
Gross domestic investment	20.1	16.7	...	21.8	21.1	21.0	21.0
Gross national savings	-0.7	-4.2	...	-9.7	-5.1	-1.7	2.3
Resource gap	11.2	7.7	...	13.4	12.9	13.1	12.9
Government deficit (partial commitment basis excluding grants)	-16.3	-8.7	-17.5	-21.3	-18.9	-8.2	-5.2
Of which: transfer to the GPMB	(-)	(-1.4)	(-8.8)	(-7.8)	(-10.6)	(-0.9)	(-0.3)
Government deficit (cash basis)							
Excluding grants	-13.0	-12.7	-17.5	-22.6	-18.9	-8.2	-5.2
Including grants	-8.4	-5.9	-3.0	-7.3	-8.4	-0.3	2.2
Of which: domestic financing (net)	(2.9)	(5.1)	(-14.0)	(-15.2)	(-7.4)	(-10.9)	(-4.5)
foreign financing (net)	(5.5)	(0.8)	(17.0)	(22.6)	(15.8)	(11.2)	(2.4)
External current account	-20.8	-20.9	-32.6	-33.6 <sup>4/</sup>	-31.6 <sup>4/</sup>	-28.1	-24.5
External public debt outstanding (disbursed) <sup>5/</sup>	94.3	100.3	...	160.4	165.4	166.4	158.2
(In percent of domestic exports of goods and nonfactor services)							
External debt service <sup>6/</sup>	45.6	82.6	74.3	54.7 <sup>7/</sup>	53.2 <sup>7/</sup>	52.8	48.6
(In millions of SDRs)							
External current account	-34.9	-33.2	-35.1	-39.4 <sup>4/</sup>	-39.9 <sup>4/</sup>	-38.1	-35.5
Overall balance of payments (before exceptional financing)	-3.8	-19.3	-20.4	-0.4	3.0	2.4	5.1
External payments arrears	66.0	88.2 <sup>8/</sup>	77.8	47.7	25.5	5.7	—
Gross official reserves	4.0	1.3	6.8	17.7	29.3	31.3	34.4
In months of imports, c.i.f.	0.6	0.2	1.0	2.3	3.5	3.5	3.6

Sources: Data provided by the Gambian authorities; and staff estimates and projections.

<sup>1/</sup> Owing to a sharp acceleration in inflation in the first half of 1986, the average rate of inflation in 1986/87 was high, despite a deceleration through the period.

<sup>2/</sup> Trade-weighted.

<sup>3/</sup> Minimum three-month time deposit rate.

<sup>4/</sup> Includes moratorium interest due Paris Club creditors.

<sup>5/</sup> End of period, medium- and long-term public and publicly guaranteed debt; excludes outstanding use of Fund credit.

<sup>6/</sup> Includes IMF charges and repurchases, but excludes interest on short-term debt.

<sup>7/</sup> After rescheduling.

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

Annex Table II. The Gambia: Summary and Time Frame for Implementation of Macroeconomic Structural Adjustment Policies, 1987/88-1989/90

Issues	Objectives and Policies	Strategies and Measures	Phasing and Implementation
<b>1. Agricultural policy</b>			
a. Produce marketing and prices	To develop an efficient and diversified agricultural sector and improve the balance of payments prospects through export promotion and efficient import substitution.	To place private groundnut traders on a competitive footing with The Gambia Cooperative Union (GCU).	Beginning with 1987/88 season, gradually eliminate preferential buying allowance of GCU.
		To align progressively the domestic producer price of groundnuts with world market prices.	Reduce producer price of groundnuts by 17 percent for 1987/88 season and, over the program period, align it further toward a level based on world market prices adjusted for processing, transportation, and other costs.
		To stimulate efficient production of local cereals.	Maintain 35 percent duty on imported rice and review regularly imported rice prices in relation to domestic production costs.
b. Input marketing and prices	To achieve economic pricing and efficient distribution of inputs.  To accelerate development of improved seed varieties.	To increase the role of the private sector and allow prices to reflect market conditions.	Maintain policy of not subsidizing fertilizers.
		To involve nongovernmental organizations and increasingly private growers.	Implement agreed action plan for decentralized seed multiplication system in order to meet production targets set for 1988/89.
c. Agricultural credit	To support the objectives and strategies stated in (a) and (b) above.	Implement the action plan for institutional credit reform agreed with the World Bank under SAC. To encourage expansion of alternative credit channels.	By end-November 1987, the GCU will prepare a consolidated record of defaulters since 1979 and will appoint a new credit manager.
			By January 1, 1988, GCU will prepare a time-bound action plan for recovery of all outstanding loans.  By end-February 1988, GCU will establish lending budget for 1988/89, confirm sources of funds, and begin preparation of credit performance contract to be signed with the Government.  By end-March 1988, GCU will start viability studies of Cooperative Produce Marketing Board Societies (CPMS).  By end-April 1988, GCU will collect 1988/89 loan applications.  During May 1988, GCU will process loan applications.  During June 1988, GCU will disburse 1988/89 loans with appropriate loan documentation and out in place new accounting procedures.
d. Restructuring of the Ministry of Agriculture (MOA)	To limit the MOA's functions to those areas that cannot be handled effectively by the private sector (research, extension, animal health support services, resource management, and sector planning); and strengthen MOA as an agency for strategic planning and monitoring of agricultural activities.	Implement restructuring plan as recommended in study carried out under SAC, including divestiture, privatization, retrenchment, retraining, and redeployment.	Appoint Project Coordinator and prepare detailed implementation program, including action plans for reorganization of MOA, the exact timing to be determined in consultation with the World Bank. In line with the above, MOA will retrench and redeploy staff.

Annex Table II (continued). The Gambia: Summary and Time Frame for Implementation of Macroeconomic Structural Adjustment Policies, 1987/88-1989/90

Issues	Objectives and Policies	Strategies and Measures	Phasing and Implementation
<b>2. Other sectoral policies</b>			
a. Industry	To encourage private (domestic and foreign) investment in industry, especially in export activities.	Enact revised investment code.	Revised investment code to be enacted by January 31, 1988.
b. Fisheries	To stimulate private investment and increase exports.	Strengthen surveillance to improve management of fisheries, especially by preventing over-fishing.  Divest remaining government holdings.	With external assistance, undertake an assessment of current constraints to improving resource surveillance and monitoring of the sector. Draft overall resource management plan, including action program for implementation by June 1988.  Complete divestiture of Seagull during 1987/88.
c. Tourism	To encourage development of the sector and maximize its contribution to the economy.	Elaborate a medium-term development strategy.	Strategy to be worked out, with external assistance, by May 1988.
<b>3. Public enterprises</b>			
	To reduce burden on Government's scarce financial and human resources; and increase efficiency of remaining public enterprises.	Privatize nonstrategic enterprises, and rationalize enterprises which are to remain in the public sector.  Conclude performance contracts with selected enterprises remaining in the public sector.	Implement first stage of divestiture and rationalization plan during 1987/88.  Sign full-year contracts with GPMB, GUC, and CPA by January 1, 1988. Start preparing performance contracts for GAMTEL, GPTC, and the Social Security and Housing Finance Corporation in 1987/88, with the contracts to be signed during 1988/89.
		Implement scheduled increases in utility tariffs under three-year tariff program of GUC, and review and adjust tariffs, if necessary, in line with cost developments.	Raise water and electricity tariffs by 15 and 6 percent, respectively, in January 1988 and make subsequent adjustments as needed.
<b>4. Public expenditure</b>			
	To increase the contribution of public investment to development.	Improve accuracy and comprehensiveness of three-year PIP.	Roll over program by June 1, 1988 to cover period 1988/89-1990/91. Improve monitoring and reporting of PIP expenditures and physical execution.
	To improve recurrent cost budgeting.	Complete ministry-by-ministry review of investments and related recurrent expenditure in each sector.	Review of recurrent costs in four largest ministries (Agriculture, Health, Education, and Public Works) to be completed by June 1988.
	To improve monitoring/effectiveness of external technical assistance.	Prepare a consolidated roster of all external technical assistance.	By March 31, 1988, specifying the source of funding, purpose, and expenditure projections for 1988/89-1990/91.
<b>5. Civil service reform</b>			
	To improve efficiency in the provision of government services. To tighten control over personnel expenditure.	Streamline civil service grade structure. Improve personnel management.  Continue job counselling and retraining program.	With effect from January 1, 1988, implement new pay and grading reforms. Establish new Personnel Management Office by January 1, 1988.  Seek donor support to extend job counselling and retraining program through June 1988.
<b>6. Fiscal policy</b>			
a. Expenditure control	To increase effectiveness of control and monitoring.	Strengthen overall expenditure monitoring procedures. Strengthen control over personnel expenditure as indicated in item 5.	Continue policies adopted in 1986/87.
	To reduce transfers to the public enterprises.	Gradually eliminate subsidy to GPMB.  Repay GPMB's accumulated debt to the Central Bank of The Gambia to substantially alleviate GPMB's interest burden.	Following reduction in subsidy to GPMB from 8 percent of GDP in 1986/87 to below 3 percent of GDP in 1987/88, virtually eliminate subsidy by 1989/90.  October 1987

Annex Table II (concluded). The Gambia: Summary and Time Frame for Implementation of Macroeconomic Structural Adjustment Policies, 1987/88-1989/90

Issues	Objectives and Policies	Strategies and Measures	Phasing and Implementation
b. Government sector wage policy	To contain personnel expenditure; improve balance between personnel and other current expenditure.	Exercise wage restraint and increase budgetary allocations for materials and supplies.	Following increase in allowances, no general wage increase in public sector in 1987/88 beyond salary scale adjustment associated with new civil service grade structure. Expenditures for materials, supplies, and maintenance in 1987/88 increased by 23 percent.
c. Revenue	To increase budgetary revenue and diversify tax base.	Strengthen collection procedures, introduce general sales tax and reform of income tax law.	Introduce one-stage sales tax and implement reform of income tax law by March 31, 1988.
d. Domestic arrears	To prevent accumulation of domestic arrears, including arrears between Government and the rest of the public sector.	Monitor domestic arrears by regularly updating arrears survey prepared with Fund technical assistance in May 1986 and settle all government/enterprise cross debts.	Regular monitoring by the National Investment Board throughout the program period. Implementation of plan for settling GOZ debts to Government by December 31, 1987.
7. <u>Monetary and credit policies</u>	To minimize pressures likely to destabilize domestic prices and the exchange rate; provide positive real returns on financial savings; and improve efficiency of financial sector intermediation.	Continue prudent credit policies and maintain flexible interest rate policy.  Develop and implement comprehensive rehabilitation plan for GOZB.	During the program period, continue tender system for treasury bills introduced in July 1986.  Plan to complete by March 1, 1988. Implementation of first stage by end-June 1988.
8. <u>External policies</u>			
a. Exchange rate	To promote efficient resource allocation.	Maintain flexible exchange rate system introduced in January 1986. Monitor evolution of interbank market.	Over the program period.
b. External reserves	Promote inflow of foreign exchange into the banking system.  Increase availability of foreign exchange for pressing external obligations.	Continue review of and make further revisions, if necessary, to regulations concerning foreign exchange holdings and working balances of public enterprises.  Based on foreign currency budget, maintain limits on government foreign exchange requirements from central bank sources or from the interbank market.  Gradually increase gross official reserves.	Over the program period.  Review limits by December 1987.  Minimum annual buildup in reserves during program period.
c. External borrowing	Reduce debt service burden and improve profile of external public debt.	No contracting or guaranteeing of new public sector external debt on nonconcessional terms in the 1-12 year maturity range. Limits on public sector short-term debt outstanding.	Over the program period.
d. Relations with external creditors	Continue to improve relations with external creditors with the objective of restoring normal debtor-creditor relations as The Gambia's debt servicing capacity improves.	Conclude already initiated rescheduling agreements and remain current on nonreschedulable obligations.  Reduce nonreschedulable arrears.	Sign rescheduling agreement with London Club creditors by November 31, 1987.  Minimum annual arrears reduction during program period.

Annex Table III. The Gambia: External Financing Requirements, 1986/87-1991/92

(In millions of SDRs)

	<u>1986/87</u> Est.	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
		Projections				
Current account (excluding official transfers)	-39.4	-39.9	-38.1	-35.5	-37.1	-39.8
Amortization	-8.6	-8.8	-11.4	-12.5	-11.9	-13.9
Arrears (increase +) <sup>1/</sup>	-29.0	-22.2	-19.8	-5.7	--	--
Gross official reserves (increase -)	-16.3	-11.6	-2.1	-3.1	-5.2	-4.2
IMF repurchases	-5.9	-4.2	-3.2	-3.1	-4.1	-1.5
<b>Total financing requirement</b>	<b><u>99.3</u></b>	<b><u>86.7</u></b>	<b><u>74.5</u></b>	<b><u>59.8</u></b>	<b><u>58.3</u></b>	<b><u>59.4</u></b>
Disbursements (existing commitments)	<u>85.5</u>	<u>55.8</u>	<u>42.9</u>	<u>37.7</u>	<u>28.2</u>	<u>19.1</u>
Official transfers	37.2	35.5	30.0	25.9	20.1	13.8
Borrowing by the Government	37.1	16.7	11.3	10.2	8.1	5.3
Bilateral creditors	1.8	1.4	1.1	0.8	--	--
Multilateral creditors	35.3	15.3	10.2	9.4	8.1	5.3
Of which:						
World Bank project loans	3.4	4.1	4.0	3.8	3.6	1.0
SAC (World Bank) <sup>2/</sup>	13.7	0.4	--	--	--	--
SAC (cofinancing) <sup>2/</sup>	11.3	3.8	--	--	--	--
Private creditors	--	--	--	--	--	--
IMF purchases	11.2	2.1	--	--	--	--
USAID (BOP-support grant)	--	1.6	1.6	1.6	--	--
Disbursements (expected commitments)	--	<u>20.5</u>	<u>25.4</u>	<u>17.1</u>	<u>27.1</u>	<u>37.4</u>
Official transfers	--	2.4	6.3	11.6	18.5	25.2
Borrowing by the Government	--	13.0	16.8	5.5	8.6	12.2
Bilateral creditors	--	--	0.5	1.0	1.5	2.8
Multilateral creditors	--	13.0	16.3	4.5	7.1	9.4
Of which:						
World Bank project loans	--	--	1.8	3.0	3.7	4.1
SAC (World Bank)	--	7.0	7.0	--	--	--
SAC (cofinancing)	--	6.0	6.5	--	--	--
Private creditors	--	--	--	--	--	--
IMF purchases	--	5.1	2.3	--	--	--
<b>Financing gap</b>	<b><u>13.8</u></b>	<b><u>10.4</u></b>	<b><u>6.2</u></b>	<b><u>5.0</u></b>	<b><u>3.0</u></b>	<b><u>3.0</u></b>
Private capital account	8.3	9.6	6.2	5.0	3.0	3.0
Debt relief <sup>3/</sup>	3.0	0.8	--	--	--	--
Other	2.5 <sup>4/</sup>	--	--	--	--	--

Sources: Data provided by the Gambian authorities; and IMF and World Bank staff estimates and projections.

<sup>1/</sup> Excludes change in arrears due to rescheduling.

<sup>2/</sup> Amounts in 1987/88 pertain to the first SAC package to be disbursed after June 30, 1987 (SDR 0.44 million from the IDA/SFA pool, SDR 1.31 million from the African Development Fund, and SDR 2.5 million from the Saudi Fund).

<sup>3/</sup> Debt relief spills over into 1987/88 because the consolidation period was from October 1, 1986 to September 30, 1987.

<sup>4/</sup> Deposits in respect of Paris Club reschedulings, undrawn by creditors as of June 30, 1987.