

**EXECUTIVE
BOARD
MEETING**

EBS/20/13

Correction 1

March 26, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **The Gambia—First Review of the Staff-Monitored Program and Request for a 39-Month Arrangement Under the Extended Credit Facility**

Board Action: The attached corrections to EBS/20/13 (3/5/20) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

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Questions: Mr. Wieczorek, AFR (ext. 37338)
Mr. Kumah, AFR (ext. 34108)
Mr. Norat, AFR (ext. 36328)

cash buffers built as a result of better than expected revenue performance in 2019 and is accommodated in the quarterly program. Staff will discuss with the authorities' ways to address these pressures if the finalization of the offers from OFID and EBID takes longer than expected.

Capacity to Repay the Fund

33. The Gambia's capacity to repay is assessed as adequate, based on the country's good record of Fund borrowing and repayment. Moreover, the CBG is strengthening its financial safeguards (see ¶35), further bolstering the safety of IMF lending to the country. Debt service to the Fund would ~~increase-decrease~~ from ~~0.7-2.0~~ percent of exports of goods and services in 2020 to ~~4.9-1.8~~ percent in 2023 (Table 12). The updated DSA indicates that the risk of debt distress would decline considerably during the program period in the absence of major shocks.

Program Risks and Mitigation Measures

34. Weak institutional capacity could undermine the fiscal strategy and compromise debt sustainability. Capacity challenges that surfaced during the 2019 SMP resulted in external and domestic arrears as well as weaknesses in debt contracting, project selection, and procurement, calling for continued scrutiny. A failure to advance efforts to strengthen governance, including at the SOEs, and reduce vulnerability to corruption could undermine the goal of advancing inclusive growth and the efficient use of public resources. In addition, a deterioration in the political situation and related lapses in expenditure control could undermine the macroeconomic gains so far attained. To mitigate these risks, a well-tailored capacity development is proposed to support program implementation (see Annexes IV and V). The gradual fiscal adjustment (focusing on growing out of domestic debt rather than its aggressive reduction) and the pursuit of "low hanging fruits" on the reform agenda will help strengthen the political buy-in for the program, as will the new initiatives to protect the vulnerable.

Safeguards Assessment

35. An update of the safeguards assessment has been initiated and will be completed by the time of the first program review. The CBG has reappointed the joint auditors for 2019 and took steps to prevent delays encountered during the audit of the 2018 financial statements. It also implemented most of the recommendations of the 2017 safeguards assessment. The remaining issues relate to establishing a capacity building plan for the risk management function and quarterly reporting by the Legal Compliance Unit to the CBG Board on compliance with the 2018 CBG Act.

STAFF APPRAISAL

36. The Gambia deserves credit for attaining important milestones since the democratic transition in 2016/17. The authorities have advanced the transitional justice agenda and are pursuing economic policies, which have bolstered confidence in the economy and helped build external buffers. Consolidating these achievements will require further measures to strengthen fiscal and monetary management and to advance the structural agenda. In this context, the success of the