Letter of Intent

Banjul, April 27, 2019

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde:

1. We thank the International Monetary Fund (IMF) for its continued support of our economic reform agenda through sound policy advice and valuable technical assistance. With The Gambia still in a fragile situation, the IMF's support has helped to catalyze much-needed financial support from the international community and remains pivotal for fostering macroeconomic stability and accelerating reforms. The Staff-Monitored Program (SMP), which started in April 2017 ran its course through September 2018, yet our commitments to macroeconomic stability have continued to be informed by the progress so far made. In this context, we are requesting a new SMP, to help consolidate earlier gains and lay a sound track record for a possible ECF arrangement.

2. The Gambia's economic recovery continues at a good pace. Tourists are returning, and private sector activity in construction and services is picking up. Foreign exchange availability has increased with substantial external financial support and private inflows. The renewed confidence in the dalasi has facilitated the accumulation of international reserves. With this palpable sense of optimism about The Gambia's economic prospects and improved policy framework, growth momentum has strengthened, and consumer price inflation is on a downward trend.

3. Our performance under the previous SMP was affected by implementation challenges. Several policy missteps caused delays in the disbursements of budget support, which compounded the difficulties with meeting our fiscal policy targets in the second and third quarters of 2018. As a result, the end-September ceiling on central government's net domestic borrowing was missed by some 1.8 percent of GDP. The floor on poverty-related spending was also missed at end-September albeit by a small margin. On the positive side, the ceiling on the domestic assets of the central bank of the Gambia (CBG) and the floor on net international reserves were met. No new external payments arrears were accumulated, and no non-concessional debt nor short-term debt was contracted. We also made progress on the structural reform agenda. We met all structural benchmarks for end-September except the politically sensitive vehicle policy reform. The impact of its non-implementation is absorbed in the 2019 budget and will be moderated through vigilant management of our vehicle fleet and transportation allowances for civil servants.

4. Our debt sustainability outlook has improved partly due to the recent GDP rebasing, which reduced our public debt-to-GDP ratio from nearly 130 percent to less than 88 percent at end-2017. Nevertheless, debt service consumes a large proportion of our fiscal revenues and export earnings.

To reduce our debt vulnerabilities, we are seeking external debt relief from our plurilateral, bilateral, and private creditors and recommit not to contract external debt with grant element of less than 50 percent, and only for essential projects for which grant financing is not available. Maintaining fiscal discipline under the requested SMP will help put our public financing on a sustainable footing. We also plan to improve cost efficiency in state-owned enterprises (SOEs), to enhance the quality of service delivery, boost their net worth, curb domestic arrears, and avoid contingent liabilities on public resources.

5. By requesting the new SMP, we seek to consolidate recent macroeconomic gains and strengthen our commitment to fiscal discipline through enhanced domestic revenue mobilization and vigilant public financial management. In parallel, we will better prioritize and synchronize our investment and overall spending plans to bolster efficiency, while protecting priority social and infrastructure spending. We will strengthen oversight in SOEs, through strict compliance with reporting requirements and implementation of recommendations from recently completed special audits of the six SOEs that were included in the first batch of special audits initiated under the previous SMP and will soon extend them to the remaining seven SOEs. Monetary policy will remain active to curb inflation pressures, and banking supervision vigilant to promote healthy and inclusive financial intermediation.

6. The attached Memorandum of Economic and Financial Policies (MEFP) describes our policy commitments for the SMP, through end-2019. We will consult with the IMF staff prior to any revisions to the policies contained therein, in accordance with the IMF's policies on such consultations. We will provide to the IMF staff on a timely basis all information required to monitor the program and fully cooperate with the IMF to achieve our policy objectives. We undertake not to introduce or increase restrictions on payments and transfers related to current international transactions or impose or intensify any import restrictions that would worsen The Gambia's protracted balance-of-payments difficulties.

7. We agree to the publication of this Letter of Intent and the attached MEFP and Technical Memorandum of Understanding, as well as the IMF staff report related to our request for a Staff-Monitored Program. We hereby authorize their publication and posting on the IMF website in accordance with IMF procedures.

Sincerely yours,

/s/	/s/
Mambury Njie	Bakary Jammeh
Minister of Finance and Economic Affairs	Governor, Central Bank of The Gambia

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Banjul, April 27, 2019

This memorandum assesses implementation of The Gambia's Staff-Monitored Program (SMP) with the International Monetary Fund (IMF) covering the period from April 2017 through end-September 2018 and sets out economic and financial policy commitments to support our request for a new SMP for 2019. The new SMP is focused at consolidating the macroeconomic gains so far attained and other policies necessary for establishing a sound track record for an ECF arrangement.

A. Background

1. Since the transition to a democratically elected government, The Gambia has made progress in addressing its socio-economic challenges. The political situation remains calm, but expectations are high as Gambians seek their share of socio-economic gains and call for more inclusive growth. With the civil society, unions and private sector increasingly vocal in expressing their interests and aspirations, the utmost responsibility of the Government of The Gambia is to ensure the pace of reforms in support of economic adjustment on the road to prosperity.

2. Tackling our tenuous public debt situation remains a key economic policy challenge. Entrenching debt sustainability is critical to give The Gambian authorities the flexibility needed to develop the economy and counteract the exogenous and weather-related shocks that The Gambia is exposed to, being largely dependent on rain-fed agriculture, tourism, and trade. Estimated at 87 percent of GDP in 2018, the public debt burden remains large. In addition, the public finances are heavily exposed to contingent liabilities, notably from SOEs, which are yet to be fully quantified.

B. Recent Economic Developments

3. The Gambia's economic growth has strengthened, while inflation moderated. Following a recovery from 0.4 percent in 2016 to 4.6 percent in 2017, growth reached an estimated 6.6 percent in 2018. Key drivers included a rebound in tourism and private sector activity in construction, trade and other services. Credit to the private sector, which declined by 2 percent in 2017, expanded by 33 percent in 2018. Reflecting relative stability in the dalasi, abundant food supply, and a softening of global oil prices, headline inflation, which peaked at 8.8 percent in January 2017, declined to 6.4 percent at end-2018, and further down to 6.2 percent in February 2019.

4. The external position also benefitted from rebounding confidence and support of development partners. The current account deficit declined from 11 percent of GDP in 2017 to an estimated 10.4 percent in 2018, despite increased imports to support the rebound in construction, agriculture, and tourism. The overall balance of payments remained in surplus in 2018, continuing the surplus attained in 2017, due to donor disbursements for project and budget support, and increases in remittances and foreign direct investment. These positive developments supported a continued expansion in gross official reserves, which at end-2018 reached 3.0 months of fast-growing imports of goods and services.

5. **Budget execution in 2018 was affected by domestic challenges and a shortfall in budget support**. Preliminary data indicate that domestic revenue in 2018 was 0.3 percent of GDP lower than the projection made at the second SMP review, mainly because of weaker than expected tax revenue. Nontax revenue exceeded the projected level by 0.4 percent of GDP helped by the implementation of the Treasury Single Account (TSA), which enabled a better capture of nontax revenues that were not previously recorded by the treasury. At the same time, expenditure pressures developed in the second half of the year, stemming from non-disbursement of anticipated budget support (creating a revenue shortfall of 3.5 percent of GDP) and spending overruns, including due to (i) lack of progress on the vehicle policy reform; (ii) travel expenses; (iii) unanticipated increases in foreign embassy staff; and (iv) injections of support to SOEs and transfers to subvented agencies. In the last quarter of the year, we initiated measures to rein in spending, including through travel bans and other expenditure-cutting measures (such as freezing expenditure on celebration of events, except Independence Day). These measures helped contain the overall fiscal deficit to 6.3 percent of GDP (compared to the program projection of 2.6 percent of GDP). As a result, the net domestic borrowing (NDB) by the government in 2018 reached 3.4 percent of GDP, based on the program definition of NDB, or 4.1 percent of GDP, including the balances transferred to the TSA corresponding to the previously unrecorded nontax revenues collected before 2018.

6. **The bulk of the spending overruns has been regularized through a supplementary budget appropriation (SAP)**. In late December, we submitted to parliament a request in the amount of 1.1 billion dalasi (1.4 percent of GDP) to cover (i) additional personnel emoluments resulting from increases in vehicle and transport allowances (203.7 million dalasi), (ii) operational costs of newly established commissions (236.1 million dalasi), (iii) external obligations to international organizations (226.4 million dalasi), (iv) maintenance of newly opened foreign embassies and allowances to related staff (65.9 million dalasi), and (vi) transfers and subsidies to support the operations of the National Food Security Processing and Marketing Corporation (NFSPMC, formerly Gambia Groundnut Corporation, GGC) and NAWEC (for settlement of confirmed debt and arrears to MDAs) (402.6 million dalasi). Of this request, The National Assembly approved 562 million dalasi: (i) 159 million dalasi in personnel emoluments for ministries of defense, interior, and basic and secondary education; and (ii) 403 million dalasi in subsidies for the GGC and NAWEC, which in the event were used to amortize their credits outstanding to the Islamic Trade Finance Corporation (ITFC). The amounts that have not been approved in the SAP were handled through a reallocation of budget credits. Preliminary data on the 2018 budget execution indicate that no new domestic arears were accumulated in 2018.

7. **Monetary policy gained traction in the context of strong foreign exchange inflows and rapidly expanding credit**. The dalasi has remained relatively stable since September 2018, depreciating by only 3.2 percent (year-on-year) as of end-January 2019. Despite a shortfall of US$55 million in budget support, the CBG boosted its gross reserves from US$144 million at

end-2017 to US$157 million at end-2018—broadly as projected under the program—and further to US$195 million at end-January 2019, following the disbursement of budget support from the EU and bringing import coverage of prospective imports to an estimated 3.0 months. To bolster the effectiveness of its liquidity management, the CBG introduced in October 2018 its own bills at the short end of the market (14, 28 and 56 days) for monetary policy purposes, effectively separating the policy instrument from the Treasury financing instrument (T-Bills). Guidelines on the nature and operation of this new instrument were circulated to commercial banks prior to its commencement. In view of these benign developments and weakening inflation expectations in the context of softening global oil prices and positive domestic business sentiments, the CBG reduced its policy rate by 100 basis points to 12.5 percent in its recent monetary policy committee meeting on February 28, 2019. It kept the rate on its deposit facility at 2 percent and increased the reserve maintenance period from one week to two weeks, with full averaging, and maintained the lending facility rate at 100 basis points above the monetary policy rate. The CBG continues to critically assess the rapid expansion (at 33 percent, year-on-year as of end-2018) of private credit. The banking system remains well capitalized, liquid, and profitable, with non-performing loans relative to gross loans at 3.3 percent at end-2018. Meanwhile, the CBG is strengthening banking supervision, to act promptly on risks to financial intermediation, particularly in view of banks' increasing appetite for real estate lending in the face of a decline in treasury bill rates.

C. Performance under the Staff-Monitored Program

8. **All but two out of eight quantitative targets for end-September were met** (Table 1). The ceiling on central government net domestic borrowing (NDB) was missed by 1.8 percent of GDP mainly because of difficulties in re-phasing discretionary spending when a substantial amount of budget support (1.3 percent of GDP) was postponed. In the process, our spending on poverty-reducing activities fell short of its program floor by some 0.3 percent of GDP. In contrast, the ceiling on the CBG net domestic assets and the floor on its international stock of international reserves were met (both with comfortable margins), along with the zero-ceilings on new external payments arrears, non-concessional debt, and the stock of public short-term debt.

9. **Progress on the structural agenda was challenged by political pressures and capacity shortfalls** (Table 2). While all but one benchmark (submission of the Medium-Term Economic and Fiscal Framework, MTEFF) for end-September were observed, two measures earmarked for end-June were not carried out as anticipated. The missed two benchmarks for end-June, comprised (i) implementation of the vehicle policy reform, and (ii) institution of debt reconciliation with our external creditors; while implementation of the former was challenged by political pressures and weak motivation stemming from relatively low remuneration. The latter was started but not completed as the minister and other top-level personnel were changed. On the positive side, two structural benchmarks for end-June and end-September were met; an amended CBG bill was submitted to the National Assembly as anticipated and was passed at end-July, and the CBG audit was completed in September (with an interim management letter issued in October). In parallel, the ministry also implemented successfully a set of measures aimed at the establishment of a Treasury

Single Account (TSA) and launched special audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC), which were concluded in February 2018.

D. Macroeconomic Policies and Structural Reforms

10. **Pursuit of macroeconomic stability supported by progress on our structural reform agenda is our key near-term objective**. In this regard, building on the early gains in macroeconomic stability, we will (i) put public finances on a sustainable path, as outlined in the 2019 budget, consistent with debt sustainability, while allowing adequate spending on urgent infrastructure and poverty-reducing initiatives; (ii) pursue external debt relief from our bilateral, plurilateral, and private creditors to support our efforts to strengthen debt management; (iii) strengthen monetary policy operations and oversight of the financial sector, to mute inflation pressures and bolster healthy financial intermediation; and (iv) continue to strengthen governance (especially in SOEs) to enhance efficiency in public service delivery, while countering corruption and rent seeking and ensuring a sound business environment for private sector development.

11. **The positive growth momentum is expected to continue in 2019, the external position to strengthen, and inflation to decline further toward the medium-term target of 5 percent**. We expect economic growth of nearly 6 percent in 2019 driven by thriving construction and tourism sectors and supported by the implementation of public projects, and a steady improvement in the provision of electricity. Private sector growth will also be helped by a strong growth of credit, projected at about 20 percent (from a low base), enabled by comfortable bank liquidity reflecting the expected continuation of foreign exchange inflows. We also intend to capitalize on the continued strong inflows of foreign exchange and abundance of budget support to increase the CBG's gross reserves to above 3 months of prospective imports. With inflation expectations anchored on the medium-term target of 5 percent, inflation is projected to moderate further to about 5¾ percent by year's end, despite the expected temporary pressures from public wage increases.

Fiscal Policies for 2019 and Public Financial Management Reforms

12. **To shore up fiscal sustainability, we intend to reduce reliance on domestic borrowing while strengthening the focus on development spending**. The 2019 budget projects a domestic primary deficit (excluding budget support) of 4.9 percent of GDP, that is 0.7 percent of GDP higher relative to 2018. The projected disbursements of budget support (3.9 percent of GDP), which excludes 1.5 percent of GDP from the EU that was approved in 2018 and disbursed in early 2019 and an additional 0.3 percent of GDP in budget grants pledged by AfDB, is expected to enable a significant reduction in the domestic borrowing requirement and public debt-to-GDP ratio, if budget implementation adheres to the stated deficit objective. The budget foresees a 50-percent increase in the basic wage rate, bringing the public wage bill to a projected 4.8 percent of GDP, while other current spending is assumed at 4.3 percent of GDP (i.e., 0.5 percent of GDP higher than in 2018). Regarding investment spending, the budget assumes an increase in the implementation of

foreign-financed projects from a 7.1 percent of GDP in 2018 (as estimated on a preliminary basis) to 16.6 percent of GDP in 2019, of which 70 percent grant-financed and the remainder financed from the existing project loans pipeline geared toward priority areas, with 1.2 percent of GDP in domestically-financed investment spending.

13. We are stepping up domestic revenue mobilization through revisions in excise rates, user charges and fees. To this effect, we aim to increase domestic revenue intake from GMD 9.5 billion (12.1 percent of GDP) in 2018 to GMD 11.9 billion (13.6 percent of GDP) in 2019, out of which GMD 10.4 billion (11.9 percent of GDP) from tax revenues. This is expected to build on the good revenue performance in 2018 and supported by the following measures with expected yield of some 1 billion dalasi (of which 0.7 billion in tax revenue):

- increases in excise tariffs on new cars (a 5-pp. increase to 25 percent) and income tax rates on commercial rentals (a 5-pp. increase to 15 percent);
- higher ad valorem excise taxes on domestically produced alcoholic drinks (from 10–5 percent to 60–75) and increased per liter charge on the imported equivalents (from 100–175 dalasi to 175–240);
- revisions in user fees and charges, some of which have remained unchanged since 1977, including for marriage registration, deeds, rentals of state lands, and development permits;
- full enforcement of capital gains tax on land and real estate sales, which will be paid henceforth through the banking system; and
- revenue administration measures to strengthen GRA's performance (see below).

We recognize the implementation risks associated with the revenue measures and other challenges involved in attaining the fiscal objectives enshrined in the 2019 budget. Consequently, we have strengthened the package of fiscal measures by an additional 0.6 percent of GDP. Of this amount, 0.2 percent of GDP will come from revenue measures, notably, the imposition of a fuel levy of 1 dalasi per liter and adjustment of ECOWAS contributions, which appear to have been overstated in the previous fiscal year. The remaining 0.4 percent of GDP will come from the rationalization of expenditure on goods and services and non-priority capital spending. The implementation of these measures will help ensure the maintenance of the budgetary contingency against spending that were not foreseen in the 2019 budget (e.g., subsidy needs of SOEs, see ¶29 below) while keeping to the net domestic borrowing targets under the requested SMP.

14. We will strengthen tax and customs administration, to support our revenue mobilization efforts. In this context, we will undertake the following measures by end-June 2019: (i) verify and update our large taxpayer database, using appropriate third-party data and results from our data cleansing project; and (ii) empower a risk management committee within the GRA with appropriate terms of reference (Table 4). We will also conduct two risk-based post-clearance audits of high-risk businesses in accordance with the GRA's post-clearance audit (PCA) manual (structural benchmark for end-December 2019). Further, our broader reform agenda, which is aimed at enhancing the efficiency of our tax collection and strengthening compliance enforcement, will be guided by the recommendations of the IMF's Tax Administration Diagnostic Assessment Tool (TADAT) mission of April 2018 and subsequent follow-up TA. Regarding nontax revenue, we aim to implement measures carried over from 2018, including sales of land and mobile assets such as presidential planes and cars, the recovery of stolen assets (both domestically and abroad), and prospective divestment from commercial banks and public enterprises. We will vigorously pursue international voice gateway receipts and adjust regularly, in line with our fuel price adjustment mechanism, domestic petroleum prices to reflect changes in global fuel prices.

15. The 2019 budget features incentives and measures to foster accountability and efficiency in public service delivery. The budgetary impact of a 50-percent increase in basic wages will be moderated by re-assessing our membership in nonfinancial international organizations, and streamlining the number of our embassies and their staff abroad, which will reduce the public wage bill by 0.3 percent of GDP on a recurrent basis (of which, 0.1 percent in 2019 with the implementation envisaged starting in mid-year). To this effect, we have started to revoke the appointments of embassy staff that were posted in 2018 without proper budget authorization and will repatriate these staff before end-June 2019. We intend to revisit the vehicle policy reform (a missed structural benchmark for end-June 2018 under the previous SMP) and adopt a more efficient vehicle fleet management procedure. Concrete measures in this area will be fleshed out by June and their key components reflected in program conditionality at the first SMP review. The budget also features a progressive clearance of audited domestic arrears to suppliers of GMD 262 million that were validated by the internal audit in April 2018. To prevent a re-emergence of arrears in the future, we are strengthening internal audit, commitment controls, and accountability of officers for willful breach of appropriated allocations. Over the medium term, we will seek to launch a comprehensive reform of the civil service following completion of ongoing public expenditure reviews (including in the security sector) being undertaken with the assistance of our international partners. We recognize that our revenue objectives set out in the 2019 budget will be difficult to attain, especially if insufficient progress in discussions on debt relief holds back a large share (about 2 percent of GDP) of multilateral budget support. A resolute effort will be needed to align budgetary spending to available resources and to meet the NDB target of 2 percent of GDP under the proposed SMP.

16. We envisage further reforms in public financial management (PFM) to strengthen expenditure control and cash management, and intent to expedite the audits of the public accounts. We established a Treasury Single Account (TSA) in 2018 to help provide a unified structure of government bank accounts and ensure optimal management of government cash balances, and to smooth borrowing. We also strengthened coordination between MoFEA and the CBG, to improve the projection of our domestic borrowing needs, liquidity forecasting and cash management. To link the civil service payroll directly to government personnel records (which will allow for the addition of the Human Resources Module to IFMIS) and mitigate the risk of a recurrence of ghost-workers, the Accountant General's Department and the Personal Management Office (PMO) will migrate to EPICOR-10 by mid-2020. These institutional improvements will support our plans to institute frequent cash management meetings (i.e., at least monthly and at any time in between should unexpected pressures arise) to ensure better budget execution in line with the quarterly domestic borrowing targets (structural benchmark for April 2019). Efforts are underway to expedite the audits of the public accounts. The Auditor General completed the audit of the 2016 public accounts of The Gambia and submitted the related report to the National Assembly in March. The audits of the 2017 and 2018 public accounts are expected to be completed by the end of the year. The key adverse findings from the audit of the 2016 accounts pertained to the treatment of arrears, imprest accounts, and payment vouchers.

17. We are working to improve the timeliness and consistency of fiscal reporting. Persistent inaccuracies and delays in statement of government operations and an absence of reconciliation of government accounts hinder budget execution reporting and planning. To address these deficiencies, we are working to coordinate across MoFEA departments to ensure high frequency monthly and quarterly reporting on a timely, consistent and accurate basis. This requires increased monitoring and recording of transfers between government accounts with commercial banks (e.g. scanning fee receipts) and the TSA needed for reconciliation of revenues and financing requirements. As part of this effort we endeavor to improve timeliness in reporting of project grants and loans, are being recorded with significant delays, through more frequent engagement with project managers and donors. We also recognize the need for co-ordination between the CBG, MoFEA, Ministry of Foreign Affairs and the NGO Affairs Agency, to increase the coverage and quality of data recording on international aid flows, which would also contribute to increasing the reliability of balance-of-payments data.

18. We continue to attach high priority to poverty-reducing spending and are working with our development partners to improve their targeting. Our efforts to reduce extreme poverty as expressed in the NDP continues to be characterized by the need to adopt policies and programs to support vulnerable households, to promote efficient labor markets, and to equip households with the means to protect themselves from loss of income. We increased poverty-reducing spending, as defined under the previous SMP and reported in our IFMIS, from 3.4 billion dalasi (4.9 percent of GDP) in 2017 to 4.4 billion dalasi (5.6 percent of GDP) in the 2018 budget and implemented 93 percent of it despite expenditure adjustments in the context of lower budget support and unanticipated spending pressures. In the 2019 budget we increased this envelope to 5 billion dalasi (5.7 percent of GDP). In the coming years, we will refine our targeting of vulnerable households and monitor the implementation of a more narrowly-defined concept of poverty-reducing spending, encompassing such programs as school feeding and youth empowerment, social production services, and other initiatives to support livelihoods and strengthen food and nutrition security. We will continue to refine these initiatives, including to develop a Social Registry, to provide a common gateway for inclusion of the poor and vulnerable in programs that aim to reduce economic and social vulnerabilities. To this effect, we are following the National Social Protection Policy and Implementation Plan adopted in 2015, established a new Ministry of Women, Children and Social Welfare in early 2019, and plan to support a Social

Protection Secretariat to better coordinate our social protection interventions and improve their effectiveness.

19. We have resumed the work on a medium-term economic and fiscal framework (MTEFF), to complete it in time for the preparation of the 2020 budget. The MTEFF will be consistent with our medium-term debt strategy (MTDS) and will feature reasonable expectations on the pledges from the International Conference of May 2018 in support of our National Development Plan (NDP). We plan to submit the MTEFF to cabinet for approval by end-June 2019 (structural benchmark). The MTEFF will help in the formulation of the 2020 budget and aligning it with the implementation of the NDP. Notably, it will allow us to reduce fiscal and debt vulnerabilities in the near to medium term, while also meeting critical social and poverty-alleviating needs, and energy and infrastructure priorities. Relatedly, we recognize the need to improve the budget preparation process in line with the procedures prescribed in the Public Finance Act and accompanying regulations.

Securing Debt Sustainability

20. Our tenuous public debt position calls for broad-based improvements in debt management. To this effect, we are expediting formulation and implementation of our medium-term debt strategy (MTDS) and the associated Borrowing Plan. The MTDS is currently being updated and will encompass further maturity lengthening of domestic debt and the outcome of the ongoing discussions with our external creditors on possible debt relief. In this context, and in addition to our efforts to minimize resort to domestic borrowing, we will also refrain from contracting of non-concessional debt and seek mainly grant financing for priority projects. The resultant reduction in the public debt will create room for private sector credit expansion to support further growth. To better monitor external debt, we will reconcile with our creditors their outstanding claims as of end-2018 (structural benchmark) and prepare regular semi-annual reports on debt commitments, agreements, and disbursements (structural benchmark). We are migrating our public debt recording systems to Meridian, supported by TA from the Commonwealth Secretariat, which should support our attempts to enhance monitoring of SOE debts and other contingent liabilities.

21. We remain committed to achieving debt sustainability notwithstanding our difficult legacy position. In this regard, we commit not to contract additional external debt except a few highly concessional loans (with grant element of at least 50 percent) for projects of special importance, until the IMF–WB DSA shows that there is enough space for less concessional loans. We are pursuing debt relief from our official creditors, and we have hired financial and legal advisors that are helping to coordinate the process and to ensure it proceeds on a sound legal basis (prior action). The advisors submitted a report on their initial discussions with our creditors to MoFEA in late February, and their mandate has been subsequently extended. Saudi Arabia responded favorably in early 2018 to our appeal for debt relief with a restructuring agreement consisting of a four-year extension of both the grace and maturity of the principal, covering the period January 1, 2018 to December 31, 2021. Most other bilateral creditors (Kuwait, India, UAE and Venezuela) have also expressed their willingness to participate in a restructuring. Among our plurilateral creditors, the Islamic Development Bank (IsDB), OPEC Fund for International Development (OFID) and Arab Bank for Economic Development in Africa (BADEA) have also indicated that they would be prepared to restructure, although the IsDB is still exploring how this request can be accommodated within its policies. Preliminary indications from the roundtable discussions with our main creditors during the IMF-World Bank Spring Meetings are that most creditors would be willing to provide some form of debt relief, while some creditors called for ensuring a comparable and coordinated treatment. The creditors agreed to continue discussions with a view to reaching a decision by end-June 2019.

22. We are strengthening monitoring and controls around the trade credit facilities contracted with the Islamic Trade Financing Corporation (ITFC) on behalf of SOEs. Three revolving facilities with the ITFC provide up to US$70 million in short-term financing to NAWEC, GNPC and NFSPMC (formerly GGC) for imports of fuel and fertilizer, and purchases of groundnuts from domestic farmers. We are cognizant that the usage of this credit must be carefully monitored as defaults by SOEs on any of these facilities, as occurred in late-2018, can be highly disruptive, resulting in a suspension of the entire portfolio of IsDB Group financing in the country. The facilities also pose large fiscal risks and have contributed to weak budget discipline at the SOEs, through reliance on government subsidies for repayment. Under a potential future ECF arrangement, we recognize that these facilities would likely be included in a continuous performance criterion on external arrears. Given these risks, we intend to eliminate our reliance on these facilities once the current arrangement expires. In the near-term, reporting of all disbursements and repayments to MOFEA has been made a condition for SOEs' continued use of these facilities, and we have introduced escrowing arrangements to ensure that resources for repayment are mobilized ahead of time.

23. Continued prudent debt management is required, in view of risks associated with the large public debt and the need to accommodate development financing requirements. We will also refrain from extending government guarantees or assuming other contingent liabilities, including for SOE operations. We are also committed to following due process and applying closer scrutiny to the selection of investment projects within the framework of the ministerial Investment Implementation Task Force which will be convened shortly. We have requested an IMF Public Investment Management Assessment (PIMA), to help guide our project planning, allocation (including appraisal and selection), and implementation, and facilitate the development of our borrowing plan, encompassing all external financing. We also intend to consult in writing with IMF staff before contracting or guaranteeing any new external loans, guaranteeing any new external or domestic loans to SOEs, or entering into contingent liabilities of any other kind such as those related to public-private partnerships (PPPs) or power purchasing agreements (PPAs).

Monetary Policy and Financial Intermediation

24. We will continue to strengthen the balance sheet of the CBG to enable appropriate use of its policy instruments. In keeping with the IMF safeguards recommendations, an audit of the CBG was conducted jointly by a local auditor and a large international audit firm with central banking experience (a structural benchmark completed at end-September 2018). The CBG will publish by end-May its audited FY2017 financial statements once adopted by the National Assembly (structural benchmark). It has appointed an international audit firm that will partner with a local firm to audit the FY2018 financial statements (prior action) in accordance with international standards. The audit of the FY2018 statements is expected to be completed significantly faster than the audit of the FY2017 statements, building on that prior experience, so that the audited FY2018 financial statements will be published by end-September 2019 (structural benchmark). Following the recommendations of the 2017 audit, particularly regarding the impairment of the CBG balance sheet, the CBG and MoFEA agreed on August 27, 2018 to increase the interest rate on the CBG-held 30-year bond from 5 percent to 7 percent. This comes on the heels of a strengthening of instrument independence and autonomy of the CBG in the context of a revision of the CBG act in early 2018. We will adhere to a continuous zero limit on new credit from the central bank to government at below-market interest rates, and any such credit will need to be repaid by the end of the year. The Ministry of Finance and Economic Affairs will increase the capital of the CBG to the minimum GMD 1 billion envisaged in the Central Bank Act, through the issuance of government securities at interest rates appropriately benchmarked on the local T-Bill market. These securities will be cashed by the CBG as they mature. A memorandum to this effect has been signed by MoFEA and the CBG on April 17, 2019. The value of these securities will be excluded from the program definition of net domestic borrowing. Proceeds from the sale of the government's stake in the intervened bank could be used to partially cover the redemption of the bonds.

25. The CBG will pursue a prudent monetary policy while remaining committed to a flexible exchange rate policy. The CBG will continue to rely on the interest rate as a policy instrument and will progressively narrow the interest corridor to ensure that CBG-bill rates provide an anchor for the interbank money market. While setting the policy rate (effectively, the 14-week CBG-bill rate, to be primarily used to ensure adequate liquidity within the reserve maintenance period) based on its inflation target, the CBG will also take into consideration its impact on the build-up of foreign assets from strong autonomous balance-of-payments inflows and the exchange rate movements. In this context, the CBG will be mindful of the need to prevent large deviations of the real exchange rate from the equilibrium level, which has likely appreciated in the wake of the optimism regarding The Gambia's economic prospects. This will be examined in consultation with Fund staff during the forthcoming Article IV discussions. In the meantime, the CBG will refrain from intervening in the foreign exchange market except to ensure orderly market conditions or purchase foreign exchange to meet its needs for external obligations.

26. The CBG is enhancing liquidity forecasting and management capabilities to support monetary policy. It is utilizing new liquidity forecasting and monitoring templates developed with Technical Assistance from AFRITAC West 2 and has dedicated a database specifically for liquidity forecasting purposes. Continued TA support from AFRITAC West 2, supported by the EU-financed resident PFM advisor at MoFEA, is expected to help refine the CBG's liquidity forecasting and operations in coordination with effective use of the monetary policy rate and other instruments for liquidity management.

27. We are strengthening banking supervision to support healthy financial intermediation. The financial sector remains well capitalized, profitable, and with low non-performing loans (at 3.3 percent of gross loans at end-2018). High bank-sovereign exposures, declining interest rates, and the prospects of rapid expansion of private sector credit (particularly for real estate activities) entail risks that merit vigilant supervision. Accordingly, the CBG is transitioning to risk-based supervision with the support of Fund TA, to focus supervisory resources on areas that are judged to be highly susceptible to risks. The CBG is strengthening its crisis management capacity and is upgrading the bank resolution framework and devising strategies to handle bank crises. Within the scope for this work, we are building adequate safety nets and a deposit insurance scheme, for which we have requested TA.

Governance and Public Service Efficiency

28. We are strengthening financial oversight of SOEs and working to improve their governance. Findings and recommendations from the special audits of SOEs, which have been referred to the concerned SOEs for their comments and will subsequently be discussed by cabinet, will inform our renewed approach to governance and financial management of these enterprises with the support of development partners. In parallel, we will complete the validation of audited domestic arrears (including cross arrears between SOEs and the government) and prepare a strategy with explicit timelines for the clearance of legitimate claims (structural benchmark for June 2019). The public utility, NAWEC, has started to implement actions detailed in the action plan adopted by the NAWEC Board on February 28, 2019. Its organizational restructuring process is also underway and will be led by NAWEC Board and supported by a service contractor. Regarding GAMTEL/GAMCEL operations, the results from an options study completed in late 2018 will inform modalities for repositioning these enterprises for more efficient communication services delivery. A cabinet decision to this effect was taken on February 21, 2019. We are working on efficient management and use of the Gambia National Broadband Network (GNBN) and related networks (such as the ECOWAN), to ensure adequate resources to meet the debt service costs associated with the China Exim-Bank loan contracted in 2018. For GNPC, we intend to progressively re-orient its operations toward representing the state in upstream activities in the oil industry and developing capacity in this area. We will also enforce the SOEs' compliance with monthly, quarterly and annual reporting requirements, compile a database of SOE financial data and document the terms of all domestic debt issued by SOEs, drawing on TA from development partners. We are cognizant of the political challenges involved in implementing a comprehensive SOE reform and intend to seek support and guidance for it from the highest executive level of the government.

29. We commit to ensuring a realistic minimum level of financial support to SOEs to help ensure reliable and adequate provision of public services. In the 2019 budget, we have provided a contingency of GMD 500 million (0.6 percent of GDP) for the clearance of domestic interagency arrears and other large fiscal pressures, notably from the SOEs. A large part of this contingency (GMD 350 million) has already been used in 2019 to clear arrears of the NFSPMC to ITFC, incurred after the 2018 groundnut campaign. Going forward, we commit to reconstituting this contingency through expenditure restraint to enable us to meet the budgeted schedule for the clearance of arrears and any additional unbudgeted subsidies to SOEs.

30. We are committed to good governance, fighting corruption and improving the environment for private sector development. Noting that The Gambia's ranking on the Ease of Doing Business has dropped in 2018 (after a remarkable improvement in 2017), we are stepping up efforts to address the key factors weighing on the business climate. To this effect, efforts are under way to address our sizable energy gap in a sustainable manner, adhering to the established energy roadmap. We will also seek to deepen the financial sector while safeguarding financial stability, streamline and improve the business regulatory environment, and strengthen our governance and anti-corruption efforts. In this regard, we fully supported the work of the Janneh Commission of Inquiry in the execution of its statutory functions and we will implement the recommendations from its report, which has been finalized in March 2019 and submitted to the Office of the President for review. It is intended that the Janneh Commission findings and recommendations will be summarized by the Ministry of Justice and published in a White Paper within three months from the issuance of the report. The closure of this process will serve as a basis for initiating the recovery of assets stolen by the former president and his close associates. The Government of The Gambia is also implementing a set of justice sector reforms to align the governance architecture with best practice, including the establishment of a Truth, Reconciliation and Reparations Commission; Constitutional Review Commission; and Human Rights Commission. We are in the process of establishing an Anti-Corruption Commission, with assistance of the UNDP. We will also enforce strict adherence to our procurement processes across MDAs and SOEs, guided by the value-for-money principle and consistent with our procurement legislation.

31. Legislative revisions are under way to enhance efficiency and good governance at the SOEs. With the private sector expected to play a significant role in financing the NDP, we have revised our PPP Law with the support of *Expertise France* and international financial institutions. Subsequently, we will submit the draft law for parliamentary approval after cabinet review expected in June 2019. We also plan to conduct an assessment using the PPP Fiscal Risk Assessment Model (PFRAM), with the focus on identifying and addressing the risks involved in PPPs. In the context of the ongoing SOE reforms, we are revising the SOE law, which we plan to submit to the National Assembly by end-June 2019. We recognize that the implementation of this critically important law, which, among others, is intended to abrogate executive prerogatives of the President in relation to

SOEs introduced under the previous regime, will require transitional arrangements until constitutional amendments are passed to align the law and the constitution in this area. In the meantime, the MoFEA, which represents the State as an owner on SOE Boards will make every effort to ringfence the SOEs' day-to-day operations from executive directives and political interference in the appointments of Board members. We recognize that this will require support from the highest political level. Further, with the prospects for the oil sector quite promising, we will seek to learn from best practice and implement a sound and transparent legal framework for the management of prospective oil revenues. Our efforts in this area are being supported by TA from the IMF and other development partners.

Table 1. The Gambia: Quantitative Targets for 2017–18

(Stocks; unless otherwise indicated)

	2017	2018									
		March			June			Sept.			Dec.
	Actual	**Prog.**	**Actual**	**Status**	**Prog.**	**Actual**	**Status**	**Prog.**	**Actual**	**Status**	**Prel.**
Indicative quantitative targets											
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	-1,097	526	466	**Met**	450	897	**Not Met**	450	1,873	**Not Met**	2,623
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,104	10,707	6,835	**Met**	8,000	7,727	**Met**	8,000	7,211	**Met**	7,335
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	91.2	78.8	112.2	**Met**	105	109	**Met**	95	108	**Met**	124
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	25	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	**Met**	0	0	**Met**	0	0	**Met**	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	413	0	-597	**Met**	0	373	**Not Met**	0	-73	**Met**	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	3,356	949	992	**Met**	2,018	2,003	**Not Met**	3,163	2,920	**Not Met**	4,085
Memorandum Items:											
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	3,455		0		360	360		360	360		815
Base Money (GMD millions)	9,796		10,448		10,953	11,335		11,531	10,998		11,849
Exchange Rate (GMD/USD)	47.88	45.39	47.26		45.39	47.43		45.39	49.47		49.48

[1] The proposed targets to be adjusted by the dalasi equivalent of the shortfall of the receipts of the external budget support grants.

[2] The proposed targets to be adjusted by the US dollar equivalent of the shortfall of the receipts of the external budget support grants.

[3] Measured at the TMU exchange rates of GMD 45.39/US dollar and relevant cross rates.

[4] Monitored on a continuous basis.

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) on non-market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

Table 2. The Gambia: Proposed Indicative Quantitative Targets for 2018–19

(Stocks; unless otherwise indicated)

	2018	2019			
	Dec.	April	June [6]	Sept.	Dec. [6]
	Prel.	Program			
Indicative quantitative targets					
1. Ceiling on net domestic borrowing of the central government (cumulative flows from the beginning of the calendar year, GMD millions)[1]	2,623	500	1,000	500	1,750
2. Ceiling on the stock of net domestic assets of the central bank (including RCF onlending, GMD millions, TMU exchange rates)	7,335	7,297	7,336	6,486	7,235
3. Floor on the stock of net usable international reserves of the central bank (USD millions, TMU exchange rates)[2 3]	124	130	120	140	140
4. Ceiling on new external payments arrears of the central government (USD millions)[4]	0	0	0	0	0
5. Ceiling on new nonconcessional external debt contracted or guaranteed by the central government (USD millions)[4]	0	0	0	0	0
6. Ceiling on the outstanding stock of external public debt with original maturity of one year or less (USD millions)[4]	0	0	0	0	0
7. Monthly ceiling on central bank credit to the central government at non-market terms (GMD millions)[5]	0	0	0	0	0
8. Floor on poverty-reducing expenditures (cumulative flows from the beginning of the calendar year, GMD millions)	4,085	1,000	2,000	4,000	5,000
Memorandum Items:					
Budget Support (cumulative flows from the beginning of the calendar year, GMD millions)	815	1,420	1,420	3,038	3,038
Base Money (GMD millions)	11,849	12,807	12,625	12,502	12,960
Program Exchange Rate (GMD/USD)	49.48	49.48	49.48	49.48	49.48

[1] The proposed targets to be adjusted by the dalasi equivalent of the excess/shortfall of external budget support grants, subject to the limits specified in TMU ¶2.

[2] The proposed targets to be adjusted by the US dollar equivalent of the excess/shortfall of external budget support grants, subject to limits in TMU ¶9.

[3] Measured at the GMD/US dollar exchange rate and cross rates at December 31, 2018.

[4] Monitored on a continuous basis.

[5] The zero ceiling applies to all outstanding credit (for example, overdrafts and advances) at non market terms as of the end of each quarter, excluding the RCF onlending and the 30-year bond held by the CBG.

[6] Test dates for reviews of the SMP.

Table 3. The Gambia: Structural Benchmarks, 2018			
Measures	**Desired Results**	**Timing**	**Status**
Minister of Finance to authorize cancelation of the previous (local) tender for the special purpose audits of 5 key SOEs.	Enable the appointment of an auditor of international renown to perform special purpose audits of 13 SOEs.	Prior Action	Met. Audit contracts signed in early November.
TSA and Segregation of Accounts (PFM Reform and Monetary Architecture)			
MoFEA to inform Ministries and CBG about establishing TSA Implementation Committee.	TSA Implementation Committee meets on a monthly basis to review implementation of TSA action plan/roadmap.	End-June 2018	Met. TSA committee established. Meetings commenced May 11.
AGD to produce inventory of bank accounts used for the TSA.	Inventory of bank accounts allows to define the perimeter of TSA.	End-June 2018	Met.
CBG to separate and ringfence from TSA the account for operations in T-bills used for liquidity management.	Funds obtained from liquidity absorption by CBG use of T-bills not available for government financing.	End-September 2018	Met.
Adopt improved liquidity templates for liquidity forecasting purposes and use for liquidity absorption/injection operations.	Using new liquidity templates provided by Fund TA to determine size of monetary operations.	End-September 2018	Met.
Debt Monitoring and Recording			
Minister of Finance to institute a semi-annual (June and December) debt reconciliation exercise with external creditors.	Reliable and complete information on end-year starting with end-2017, and mid-year debt stocks available within 8 weeks of period end.	End-June 2018	Not Met.
Addressing fiscal risks related to SOEs			
Issue tenders for the audits of six key SOEs (GAMTEL/GAMCEL, GCAA, GNPC, GPA, NAWEC, and SSHFC).	Audit tenders to be issued for six key SOEs. The measure aims to address fraud, uncover hidden liabilities, prevent embezzlement of funds and stop leakages through governance changes. Audit engagement letters are to be signed with a reputable international audit company.	End-July 2018	Met. Audit contracts have been signed.
Validate all cross and payment arrears between government and SOEs by Office of Internal Audit.	Audit of payment and cross arrears between SOEs and government completed, final validation required. Clearance to start and be completed over 2018–20.	End-September 2018	Met.
Safeguards			
Submit draft amendments to the CBG Act - in line with safeguards assessment recommendations - to the National Assembly.	Align the central bank law with leading practices to strengthen the bank's autonomy and governance arrangements.	End-June 2018	Met. The CBG bill, submitted on time, was enacted on July 31, 2018.

Table 3. The Gambia: Structural Benchmarks, 2018 (concluded)			
Measures	**Desired Results**	**Timing**	**Status**
Finalize the 2017 CBG statutory joint audit.	Joint audit (external and domestic auditors) complete a draft form which highlight the key issues for safeguard purposes.	End-September 2018	Met. Draft report submitted.
Fiscal Policy and Planning			
Implement Vehicle Policy Reform.	Implementation of agreed vehicle policy in the 2018 Budget Law.	End-June 2018	Not Met. Implementation started only in a few MDAs.
MoFEA to submit to cabinet an MTEFF consistent with the MTDS, NDP and May donor conference outcomes.	MTEFF serves as a credible anchor for the medium-term reform and investment program ensuring fiscal and debt sustainability.	End-September 2018	Not Met. A revised draft will seek to incorporate rebased GDP series and debt relief details. MoFEA expects full integration in time for the 2020 budget.

Table 4. The Gambia: Proposed Structural Benchmarks, 2019			
Measures	**Macro Rationale**	**Timing**	**Status**
Prior actions			
Sign letters of engagement with financial and legal advisors that will assist in discussions with creditors on debt relief.	Debt relief is critical for achieving sustainability. Advisors are needed to coordinate the process and ensure it proceeds on a sound legal basis.	Prior to submission of SMP program to IMF Management.	Met
Establish end-December 2017 external debt data reconciled with external creditors, indicating exceptions.	Reliable and complete information on end-2017 debt stocks.	Prior to submission of SMP program to IMF Management.	Met
Appoint an international audit firm to conduct jointly with a local firm an audit of the 2018 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	Prior to submission of SMP program to IMF Management.	Met
Revenue mobilization (GRA)			
Verify and update all large taxpayer data on the tax registry using appropriate 3rd party data and analysis and results from the data cleansing project.	Large taxpayers contribute 80 percent of tax revenue.	June 2019	
Provide terms of reference for a risk management committee within the Gambia Revenue Authority (GRA).	Enhance strategic support for the risk-based approach to embed a risk-based approach to all GRA operations.	June 2019	
Conduct two risk-based post clearance audits by customs on large high-risk businesses in accordance with the GRA's post-clearance audits (PCA) manual.	Enhance customs revenue mobilization through improvement in compliance by targeting high-risk entities.	December 2019	
Public financial management (MoFEA)			
Institute monthly cash management committee meetings and report to IMF staff its deliberations and actions, to ensure attainment of the quarterly net domestic borrowing targets.	Strengthen public financial management. Weekly reports from meetings will help better monitoring of quarterly NDB targets under the SMP.	April 2019 and monthly thereafter	
Revise the draft MTEFF, incorporating the rebased GDP series, and ensuring consistency with the MTDS (including debt relief outcomes) and the National Development Plan (NDP).	The MTEFF serves as a credible anchor for medium-term reform and investment planning and debt sustainability.	June 2019	
Debt management (MoFEA)			
Prepare a report on debt relief anticipated/received from The Gambia's main creditors, as an annex to the MTDS.	Enhance debt management capacity.	June 2019	

Table 4. The Gambia: Proposed Structural Benchmarks, 2019 (concluded)

Measures	Macro Rationale	Timing	Status
Prepare quarterly reports on external debt commitments, agreements and disbursements as published in the debt bulletin.	Enhance debt management and transparency.	June, September, and December 2019	
Reconcile end-December 2018 debt data with external creditors.	Reliable and complete information on end-year debt stocks at end-2018.	June 2019	
Payments system stability and financial governance (CBG)			
Set up a dedicated unit at the Banking Department of the CBG, separate from payments system operations, to oversee developments in the payments system.	To strengthen payments system oversight.	April 2019	
Publish the audited 2017 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	May 2019	
Publish the audited 2018 financial statements of the CBG.	To foster transparency and strengthen the financial governance of the CBG.	September 2019	
Governance (MoFEA & CBG)			
Complete the validation of audited domestic arrears (including to SOEs) and prepare a strategy with amounts and timeline for clearance of legitimate claims and accounting for outcomes from SOE special audits.	To improve service delivery by, and financial sustainability of, public enterprises.	June 2019	

Attachment II. Technical Memorandum of Understanding

Introduction

This memorandum sets out the understandings between the Gambian authorities and the staff of the International Monetary Fund (IMF) regarding the definitions of quantitative indicative targets, and structural benchmarks that will be used to monitor the performance under the staff monitored program (SMP) covering the period of January 2019 to December 2019. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative targets of the program.

Quantitative Targets

A. Net Domestic Borrowing of the Central Government

1. **Definition: The *net domestic borrowing* of the Central Government is defined as the change in net claims on the Central Government by the domestic monetary sector (monetary authorities and deposit money banks) plus the change in the discounted value of domestic government securities held by the non-monetary sector.** Net domestic borrowing also covers the change in any other net claims on the Central Government by the domestic non-monetary sector, as well as the change in government arrears on domestic debt service obligations. Central Government excludes local and regional governments and public enterprises. In computing the net domestic borrowing of the Central Government, (i) on-lending of the RCF to the budget, (ii) changes in the balances of the project accounts listed in Table 1, and (iii) the face value of government securities issued to increase the CBG's capital to the value mandated in the CBG Act.

2. **Adjuster: The NDB targets will be adjusted downward/upward by the excess/shortfall of the dalasi equivalent of the total budget support grants and loans received in that period relative to the program forecasts specified in the table below.** The upward adjustment of the NDB target to compensate for the shortfall in the disbursements of budget support may not exceed GMD 1 billion at end-September 2019 and GMD 0.5 billion at end-December 2019.

Program Forecasts of External Budget Support Grants and Loans in 2019[1]
(Cumulative flow in millions of US dollars)

April 2019	June 2019	September 2019	December 2019
28.7	28.7	61.4	61.4

[1]This assumes disbursements of: €25 million from the EU in Q1 and in Q3; and US$4 million from AfDB in Q3.

3. Supporting material: Reporting on net domestic borrowing will form part of the consolidated budget report described in paragraph 26 below.

B. Net Domestic Assets of the Central Bank

4. Definition: The *net domestic assets* of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

5. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted at the prevailing end-of-period market exchange rates prevailing at end-December 2018: 49.48 GMD/USD, 1.15 USD/EUR, 1.27 USD/GBP, 0.98 CHF/USD, 1.39 USD/SDR, 110 JPY/USD. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for end-December 2018, and then into dalasi at the rate listed above. These are accounting exchange rates only and should not be construed as projections.

6. Supporting material: Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rates) on a monthly basis within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

C. Net Usable International Reserves of the Central Bank of The Gambia

7. Definition: The *net usable international reserves (NIR)* of the CBG are defined as the difference between usable reserve assets and reserve liabilities. *Usable reserve assets* are readily available claims on nonresidents denominated in convertible foreign currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities*** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF, but excluding any liabilities to the IMF's SDR Department.

8. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted at the exchange rates listed in paragraph 5 above.

9. Adjuster: The quarterly NIR targets for each quarter will be adjusted downward/upward by the US dollar equivalent of the shortfall/excess of total budget support grants and loans received in that quarter relative to the program forecasts for the quarter as specified in the table above. The downward adjustment to the NIR targets will be capped at US$20 million at end-September 2019 and at US$10 million at end-December 2019.

10. Adjuster: In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

11. Supporting material: A detailed reserve statement with end-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month.

D. New External Debt Payment Arrears of the Central Government

12. Definition: External debt payment arrears are defined as external debt obligations of the central government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods).

13. For program purposes, external arrears exclude financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment, and arrears on trade credits. Non-accumulation of new external debt payment arrears by the central government is a target, to be observed continuously.

14. Supporting material: An accounting of non-reschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the Central Government and other public sector entities to Paris Club, non-Paris-Club, private, plurilateral and multilateral creditors.

E. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

15. Definition: This target refers to new non-concessional external debt contracted or guaranteed by the Central Government denominated in any currency other than the Gambian Dalasi. It applies not only to debt as defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014), but also to commitments contracted or guaranteed for which value has not been received. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of the central government to service a debt owed by a third-party debtor (involving payments in cash or in kind). A debt will be considered contracted when conditions for its entrance into effect have been met, including approval by the National Assembly. Loans or purchases from the IMF and concessional debts as defined below, are excluded from this target as is any debt with maturity of one year or less. This performance criterion will be assessed on a continuous basis

16. For program purposes, a debt is concessional if it includes a grant element of at least 50 percent, calculated as the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[1] For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

17. Supporting material: **A comprehensive record, including a loan-by-loan accounting of all new concessional and non-concessional debt contracted or guaranteed by the Central Government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.**

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

18. Definition: **This target refers to the stock of outstanding external public debt with original maturity of one year or less, owed or guaranteed by the public sector.**[2] Public sector consists of the Central Government and regional governments and other public agencies, including the central bank. Trade credits are excluded from this target.

19. Supporting material: A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

[1] For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 3.26 percent and will remain fixed for the duration of the program. The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -100 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

[2] The term "debt" has the meaning set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014. "Domestic debt" is defined as debt denominated in Gambian dalasi, while "external debt" is defined as debt denominated in any currency other than the Gambian dalasi.

G. Central Bank Credit to the Central Government at Non-Market Terms

20. Definition: **This target refers to the consolidated balance on the Treasury Main Account, the Consolidated Revenue Fund, and other revenue accounts.** It also covers all gross claims on the Central Government on the balance sheet of the central bank, with terms (including maturity and yield) materially different from the ones prevailing in the market for Treasury bills and bonds around the time of acquisition of these claims. The target also covers any overdue payments of principal and interest on Central Government securities held by the central bank. This performance criterion will be assessed at the end of each month.

21. Supporting material: Reporting on new central bank credit to the government at nonmarket terms will form part of the monetary sector data described in paragraphs 28 and 29 below.

H. Poverty-Reducing Expenditures

22. Definition: Poverty-reducing expenditures consist of expenditures financed out of The Gambia Local Fund (GLF) on the following areas: Agriculture and Natural Resources; Education; Health; Nutrition, Population and HIV-AIDS; Infrastructure Programme; Social Fund for Poverty Reduction; Implementation and Monitoring of Poverty Reduction Programmes; Support to Cross-Cutting Programmes; ICT Research and Development; Decentralization and Local Government Capacity Building; Governance and Civil Service Reform Programme.

23. Supporting material: A monthly report on poverty-reducing expenditures will be transmitted within four weeks of the end of each month.

Other Data Requirements and Reporting Standards

24. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and structural benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

I. Prices

25. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

J. Government Accounts Data

26. A monthly consolidated Central Government budget report (i.e., the analytical table) on budget execution for the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of each month. The report will cover: (i) revenue data by major items (such as taxes on income, profits, and capital gains; domestic taxes on goods and services; taxes on international trade and transactions; other taxes; non-tax revenue); (ii) external grants by type (e.g., budget support grants, project grants); (iii) details of recurrent expenditure (including goods and services, interest payments, and subsidies and other current transfers); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditure from the Gambia Local Fund, and net lending); (v) the overall balance, the primary and the basic balance; and (vi) details of budget financing (including net domestic and net external borrowing and their components).

27. End-week data on net domestic borrowing (including data on the project accounts listed in Table 1) will be transmitted weekly within five business days of the end of each week.

K. Monetary Sector Data

28. The balance sheet of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet will explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, government bonds, advances to the government in foreign currency, and other claims on the government. Liabilities include balances in the treasury expenditure account, the consolidated revenue fund and other revenue accounts, the treasury bill special deposit account, the privatization proceeds account, and other deposit accounts. The transmission will include the individual balances on the government accounts listed in Table 1.

29. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., a consolidation of the accounts of the CBG and commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

30. Daily data on reserve money will be transmitted weekly within five business days of the end of each week.

L. Treasury Bill Market and Interbank Money Market

31. Weekly data on the amounts offered and issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a weekly basis within five business days of the end of each week. Data on treasury bills and CBG bills outstanding (both at face value and at discounted value and including information on the distribution by bank and non-bank holders) will be transmitted on a monthly basis within six weeks of the end of each month.

32. Daily data on the interbank money market (interest rates, maturities, and volumes of transactions) will be transmitted weekly within five business days of the end of each week.

M. External Sector Data

33. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves.

34. Daily interbank market exchange rates, defined as the simple average of the daily weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week. Weekly interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a monthly basis within seven days of the end of the month. The CBG's monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within seven days after the end of each month.

35. Daily data on foreign exchange intervention by the central bank will be transmitted weekly within five business days of the end of each week.

36. A detailed reserve statement with end-week data on net usable international reserves of the CBG will be transmitted weekly within five business days of the end of each week.

37. The CBG will also forward monthly data on the volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasi within seven days of the end of each month.

N. Public Enterprises' Data

38. MoFEA will forward within four weeks of the end of each month, data on monthly cash flow of NAWEC, GNPC, GAMTEL, GAMCEL, GCAA, SSHFC and NFSPMC.

39. MoFEA will forward within four weeks of the end of each month, data on the stock of consolidated Central Government's stock of payment arrears to NAWEC at the end of each month.

O. Concessional External Debt Contracted or Guaranteed by the Central Government

40. MoFEA will forward, within four weeks of the Central Government contracting or guaranteeing any new domestic or external loan, the loan's terms and conditions including disbursement schedule, interest rate, grace period, maturity, interest and principal payment schedule.

Table 1. The Gambia: List of Projects Accounts at the CBG Excluded from the Calculation of NDB	
ACCOUNT NUMBER	**PROJECT ACCOUNT NAME**
1101004067	NATIONAL AGRICULTURAL LAND & WATER MANAGEMENT DEV. PROJECT (NEMA)
1103002218	BUILDING RESILIENCE TO RECURRING FOOD INSECURITY IN THE GAMBIA IDB COMPONENT
1101005064	AGRICULTURAL VALUE CHAIN PROJECT (GCAV)
1101004689	BUILDING RESILIENCE AGAINST FOOD & NUTRITION INSECURITY IN THE SAHEL PROJECT.
1101004483	GAMBIA COMMERCIAL AGRICULTURE VALUE CHAIN PROJECT.
1101004201	FOOD & AGRICULTURE SECTOR DEV. PROJECT. FASDEP
1103001613	BILINGUAL EDUCATION SUPPORT PROJECT
1101003606	DEV. OF THE UNI. OF THE GAMBIA PROJECT.
1101003709	AFRICA CENTRE OF EXCELLENCE (ACE)
1101000832	RURAL WATER & SANITATION PROJECT
1103001754	TRANS GAMBIA CORRIDOR PROJ.
1103000685	GLOBAL FUND MALARIA GRANT
1101003864	GEF PROJ. IMPLEMENTATION IN THE GAMBIA UNIDO/GEF 5 PROJ. MNGMNT. OFFICE
1101004304	IFMIS ADDITIONAL FINANCING PROJ.
1101004988	INST. SUPPORT ECON/FIN GOV (ISEFG) III PROJ.
1101004902	NDEMBAN ULTRA MODERN TVET CENTRE PROJ.
1201200228	UNICEF PRIMARY EDUC. PRJ
1201200252	ENERGY INFRASTRUCTURE (ROC)
1201200371	IDA 3RD EDUC. PHASE 11 GLF
1201200399	PROJ. IMPL.MNGMT A/C PIMA
1201200451	WORLD BANK DEV. POLICY OP ACCO
1201200491	IFMIS PHASE II
3201200403	INST. SUPPORT ECON/FIN GOV A/C
3201200486	IFMIS II
3201200290	GLOBAL FUND/ MALARIA
9201200436	GOLBAL FUND/HIV

Table 2. The Gambia: Data Reporting Requirements

Responsible Institution	Data Type	Frequency	Reporting Deadline
Central Bank of The Gambia (CBG)	T-bills auction data, Inter-banks rates & other accompanying data & tables	Weekly	7 days after week-end
	Project accounts data	Weekly	7 days after week-end
	International reserves and Foreign & Domestic Assets data (NIR, NFA & NDA)	Weekly	7 days after week-end
	Foreign exchange liquidity forecasts statement/report	Weekly	7 days after week-end
	Commercial banks' balance sheets	Monthly	30 days after month-end
	Commercial banks' Forex net open position statement/report	Monthly	30 days after month-end
	CBG balance sheet (including NDA)	Monthly	30 days after month-end
	CBG reserves statement/report	Monthly	30 days after month-end
	Statement/report on CBG credit to Gov. at non-market interest rates; and Gov.'s overdue payments to CBG	Monthly	30 days after month-end
	Statement/report of transactions in official reserves	Monthly	30 days after month-end
	Financial Soundness Indicators	Monthly	30 days after month-end
	Commercial banks' income statements	Quarterly	30 days after quarter-end
	Balance of payments (BOP)	Quarterly	30 days after quarter-end
	Stock of outstanding public debt of maturity not exceeding 1year	Quarterly	30 days after quarter-end
	Statement/report on concessional & non-concessional debts contracted or guaranteed by government	Quarterly	30 days after quarter-end
Ministry of Finance & Economic Affairs (MoFEA)	Statement of Government Operations (SGO)	Monthly	30 days after month-end
	Poverty-reducing expenditure data	Monthly	30 days after month-end
	Consolidated Central Gov. budget execution	Monthly	30 days after month-end
	SOE cash flow statements (i.e. 13 SOEs)	Monthly	30 days after month-end
	External debt reports	Monthly	30 days after month-end
	Statement of external payment arrears by Central Government & SOEs	Monthly	30 days after month-end
	Staff Monitored Program (SMP) implementation matrix	Monthly	30 days after month-end
Gambia Revenue Authority (GRA)	Monthly Revenue Report	Monthly	30 days after month-end
	Oil volumes and tax collected on oil imports	Monthly	30 days after month-end
	Revenue collection by tax type	Monthly	30 days after month-end
	Tax exceptions\duty waivers	Monthly	30 days after month-end
Gambia Bureau of Statistics (GBoS)	Consumer price index (CPI)	Monthly	30 days after month-end
	Producer price index (PPI)	Monthly	30 days after month-end
	Data on exports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Data on imports (by product type, quantity, country, etc.)	Monthly	30 days after month-end
	Gross domestic product (GDP)	Quarterly	90 days after year-end
Ministry of Agriculture (MoA)	Crop field cultivation per hectare	Quarterly	90 days after year-end
	Crop yield	Quarterly	90 days after year-end
	Livestock population by region	Quarterly	90 days after year-end
Gambia Tourism Board (GTB)	Tourists arrivals by nationality	Monthly	30 days after month-end
	Out-of-pocket tourists expenditures	Monthly	30 days after month-end