INTERNATIONAL MONETARY FUND EXTERNAL RELATIONS DEPARTMENT

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Statement by an IMF Staff Mission to The Gambia

An International Monetary Fund staff mission led by Mr. Tsidi Tsikata visited The Gambia during May 11-25, 2008, to conduct discussions for the 2008 Article IV consultation and the third review under the Poverty Reduction and Growth Facility (PRGF) arrangement.[1] The mission met with Secretary of State for Finance and Economic Affairs Mousa Gibril Bala-Gaye, Governor of the Central Bank of The Gambia (CBG) Momodou Bamba Saho, Chairman of the National Planning Commission Alieu Ngum, other senior officials of the government and the CBG, the Speaker and other members of the national assembly, and representatives of the business community, civil society, and The Gambia's development partners.

At the conclusion of the visit, the mission issued the following statement:

"Since the last Article IV consultation in 2006, the authorities' policy strategy has been successful in maintaining macroeconomic stability and sustaining high growth. Fiscal performance has been good, and monetary policy has been geared to maintaining low inflation.

"Real GDP growth has been strong at over 6 percent a year, a performance that compares favorably with the record of other countries in the region. Growth has been led by the construction, tourism, and telecommunications sectors, facilitated by a steady inflow of foreign direct investment and remittances. A relatively tight monetary policy stance and appreciation of the dalasi have helped contain the impact of rising world food and oil prices on inflation in The Gambia. Inflation rose to 6-7 percent during most of 2007 from less than 1 percent in December 2006, but has been falling thus far in 2008. However this trend may be reversed if world prices remain high. The mission commended the government for adjusting the pump price of petroleum products in order to safeguard the budget from the

[1] The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the country's Poverty Reduction Strategy Paper. This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5 1/2-year grace period on principal payments.

heavy burden that would be associated with subsidizing these products, which would tend to benefit the better off segment of the population more than the poor. In this connection, the mission understands the government's recent decision to remove the sales tax on rice imports in order to provide some relief, especially to poor households. Possible further mitigation measures for the most vulnerable households could include the expansion of existing social programs such as school feeding programs. The mission recommended that the authorities avoid generalized subsidies, which tend to be ineffective and have created budgetary problems in neighboring countries.

"The marked appreciation of the dalasi over the last year appears to have reduced the profitability of the tourism industry and the re-export trade, and would likely contribute to slower growth in 2008. The main factors affecting The Gambia's international competitiveness, however, include weak infrastructure, lack of access to long-term financing, and the burden of a multiplicity of taxes and local government charges. These problems will need to be addressed through further structural reforms.

"The mission welcomed the government's intention to use the savings from debt relief to boost poverty reducing expenditures in line with the priorities in the PRSP and also to pay down domestic debt in order to put downward pressure on interest rates. The mission urged the authorities to speed up the preparation of a national debt strategy to help the country avoid falling back into debt distress.

"With regard to the PRGF-supported program, the mission found that performance against the quantitative financial targets has been strong. However, progress has been slower than expected in implementing some structural reform measures such as establishing a fully functioning credit reference bureau.

"The Executive Board of the IMF is tentatively scheduled to discuss the report of the mission in early August 2008. The mission wishes to express its gratitude to the authorities for their hospitality and the very constructive spirit in which the discussions were held."