



CENTRAL BANK OF THE GAMBIA

REMARKS BY GOVERNOR MOMODOU BAMBA SAHO

On the Occasion of the Official Inauguration and laying of foundation Stone
for Banque Sahelo-Saherienne Pour L'investissement et le Commerce
07 January 2008, Banjul The Gambia

Thank you Mr. Chairman.

- His Excellency The President of The Republic of The Gambia
- Distinguished Secretaries of State
- Chairman of the Banque Sahelo-Saharienne Pour L'Investissement et le Commerce (BSIC)
- Executives of the Banking Industry
- Distinguished Guests
- Ladies and Gentlemen

1. I am pleased to be invited here today to participate in the official inauguration and laying of the foundation stone for Banque Sahelo-Saharienne Pour L'Investissement et le Commerce (BSIC). The licensing of BSIC by the Central Bank in accordance with the Financial Institutions Act 2003 brings to ten the number of banks in The Gambia.
2. I extend my warmest congratulations to BSIC for successfully meeting the rigorous licensing requirements of the Central Bank and for making

an entry into the Gambian banking sector. BSIC is the first investment bank to set up in The Gambia. This will further increase the diversity of players and add vibrancy to the Gambian banking sector. The fact that you are investing in a Head Office building is tangible evidence of your long term commitment to The Gambia. We are pleased to see that you have confidence in, and are fully committed to, the future of this country.

3. The timing of BSIC's entry into the Gambian banking market could not have been better, taking place, as it does, in the context of optimism about the country's economic growth prospects. Under the strong leadership and guidance of His Excellency The President of The Republic, we are witnessing unprecedented change and progressive times for The Gambia. During the past few years, The Gambia has enjoyed relatively low inflation and robust economic growth. External and fiscal positions have strengthened substantially and the latest projections show further improvement in the economic and financial indicators. These encouraging results are the consequence of determined implementation of sound macro economic policies and strong performance in the tourism, telecommunications and construction sectors.
4. In line with these developments, the banking sector has also continuously progressed during the past few years. It has grown in strength as banks have recapitalized, improved their business processes and introduced new products for the benefit of their customers. The Central Bank has taken steps to encourage

competition and improve access to financial services. These measures included the licensing of new banks and the expansion of the structure of the financial system to include non-bank deposit taking financial institutions. This has resulted in significant changes to the competitive landscape. The banks that will do well in this more competitive environment are those that are able to be cut costs, innovate, implement appropriate risk management measures and provide cost effective services for their customers.

5. Ladies and Gentlemen, even though the Gambian banking sector is well capitalised, highly liquid and profitable, it still faces challenges to play a more significant role in supporting economic development and wealth creation in our country. The banking sector is still characterized by very high interest rate spreads. The difference between average lending rates and average deposit rates are among the highest in Africa. This limits the effectiveness of the banking system as it inhibits savings mobilization and reduces the pool of financial resources available to borrowers. This has resulted in relatively low loan to deposit ratios and private sector credit as a percentage of GDP is also relatively low. In order to become more responsive to the needs of the Gambian economy, banks, including BSIC, would need to rely less on earnings from government securities and foreign exchange transactions and instead increase lending to the private sector and provide convenient, cost effective services to their customers.
6. One of the most important constraints to increased lending is the lack of a computerised database of credit information on potential

borrowers. This has contributed to weak credit risk management and poor credit culture and is partly responsible for the current high non-performing loan ratios. To address this problem, the Central Bank is making progress towards establishing a Credit Reference Bureau by end-March 2008. This will enhance the capacity of banks to share information on borrowers enabling them to make informed and responsible lending decisions thereby reducing the risk of default or fraud.

7. The Central Bank is also encouraging financial institutions to modernize their information systems, increase the range of products they offer and provide better quality services to their customers. Thus the Central Bank has encouraged the introduction of ATMs, Point of Sale systems and debit/credit card technology. However, currently, each bank is developing its own systems without conscious regard for harmonization and interoperability with the systems of other banks. This is costly and an inconvenience to customers.
8. Therefore, during 2008, the Central Bank will work with the banks and the private sector to further develop the financial system infrastructure by building a National Switch. This will ease connectivity between the various banks' information systems and ATMs and provide an interbank payment gateway. This will also allow the banks to share their ATM networks and install common technology infrastructure which are compatible with international networks. We expect this to optimize costs for the banks, provide convenient services for their

customers and stimulate the development of e-commerce transaction activities in The Gambia.

9. Turning briefly to regional integration issues, I believe that being a bank of the CEN-SAD community, we can look forward with confidence that BSIC will play an important role in the regional integration process and help establish relationships between businesses and institutions in The Gambia and in other CEN-SAD member countries.
10. Ladies and Gentlemen, I would urge the shareholders and management of BSIC to always comply with the Financial Institutions Act 2003 and all Regulations and Guidelines issued by the Central Bank and to implement appropriate corporate governance and internal control processes to ensure the success of the new venture.
11. In this regard, the Central Bank, during 2007, introduced a Prompt Corrective Action (PCA) framework. Under the PCA, the Central Bank regularly monitors each bank's performance against five critical indicators. It allows the Central Bank to obtain early warning signals if a bank is in difficulty. This is a way to promote the safety and the soundness of the financial system and avoid bank failure. I also urge BSIC to comply fully with the reporting requirements of the PCA.
12. May I now once again congratulate the shareholders and staff of BSIC on this landmark event which symbolises the ongoing

institutional transformation of our financial system and is a positive step forward in His Excellency The President's vision to make The Gambia an important financial centre that is well integrated into the global economy.

13. I wish BSIC every success in its endeavours.

14. I thank you for your kind attention.

MOMODOU BAMBA SAHO
GOVERNOR
CENTRAL BANK OF THE GAMBIA
07 JANUARY 2008