CENTRAL BANK OF THE GAMBIA

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FORWARD BY THE GOVERNOR

The global economy experienced a slowdown in 2013 for the third consecutive year as many advanced economies continued to grapple with fiscal sustainability challenges and activity levels moderated across many emerging and developing economies as a result of weak external demand. The slowdown of the global economy was caused by continued fiscal consolidation across the advanced economies, particularly across the Eurozone and the United States of America (US), persistent high unemployment, deleveraging among households and corporate in key mature markets and banking sector consolidation across the OECD economies in response to tougher requirements by regulators.

Other factors that constrained global output growth included deceleration in economic activity across many developing economies, on account of shocks emanating from mature economies, especially those of the Eurozone and the US in particular, uncertainties in international financial markets caused by fiscal gridlock in the US as well as announcement by the US Federal Reserve of plans to taper its quantitative easing programme (QE3), protracted political tensions across the Middle East and Africa, and spate of natural disasters that affected agricultural and industrial production in the US, Canada, China, India and Japan, among others.

Recovering from a drought-induced contraction in 2011, The Gambian economy rebounded strongly in 2012 and moderated slightly in 2013 suggesting that the economy is yet to fully recover and return to its pre-drought three-year (2008-2010) average growth rate. The gradual recovery in agriculture, underpinned by the resumption of good rains, use of better farm inputs as well as more crop cultivation, boosted growth. High hotel occupancy rate in major hotels estimated at about 90.0 percent during the peak season partly resulting from the arrival of tourists from new destinations including Germany and Poland supported the growth recovery process.

The rate of inflation rose during 2013 driven mainly by increases in food prices. Increases in the cost of health and transport services also exerted pressure on prices. Other contributory factors to the rise in inflation included the piecemeal withdrawal of subsidy from petroleum products as well as exchange rate depreciation.

Owing to the challenging macroeconomic conditions characterized by wider balance of payments deficit, increased net domestic borrowing, inflationary pressures and persistent exchange rate depreciation, monetary policy was kept tight in 2013. This was reflected in the three-step upward adjustment of the monetary policy rate from 12.0 percent in the first half of the year to subsequently 20.0 percent in the second half of the year. The reserve requirement on deposits was also raised in the second half of the year to further tighten liquidity conditions and help stem the depreciation of the dalasi as well as maintain confidence level of investors in the economy. The prescribed net open position was also lowered to 15.0 percent from 25.0 percent to ease supply conditions in the domestic foreign exchange market.

The year also witnessed further developments in the payments system infrastructure with the launching of the Securities Settlement System (SSS). The project has been completed, gone live and operating efficiently. In a related development, a national switching platform for retail payments (GAMSWITCH) went live in mid-2013 with three commercial banks successfully connected whilst the remaining banks are expected to be connected in due course.

At this juncture, I would like to seize this opportunity to thank the staff and management of the Bank for their support, commitment and co-operation towards our achievement. Likewise, my profound appreciation goes to the Board of Directors of the Bank for their stewardship and policy advice. I have no doubt in my mind that with the skilled and dedicated staff available at the Bank, together we can contribute effectively to the macroeconomic stability and overall growth and development of the country.

Thank you
Amadou Colley
Governor

1 BOARD OF DIRECTORS

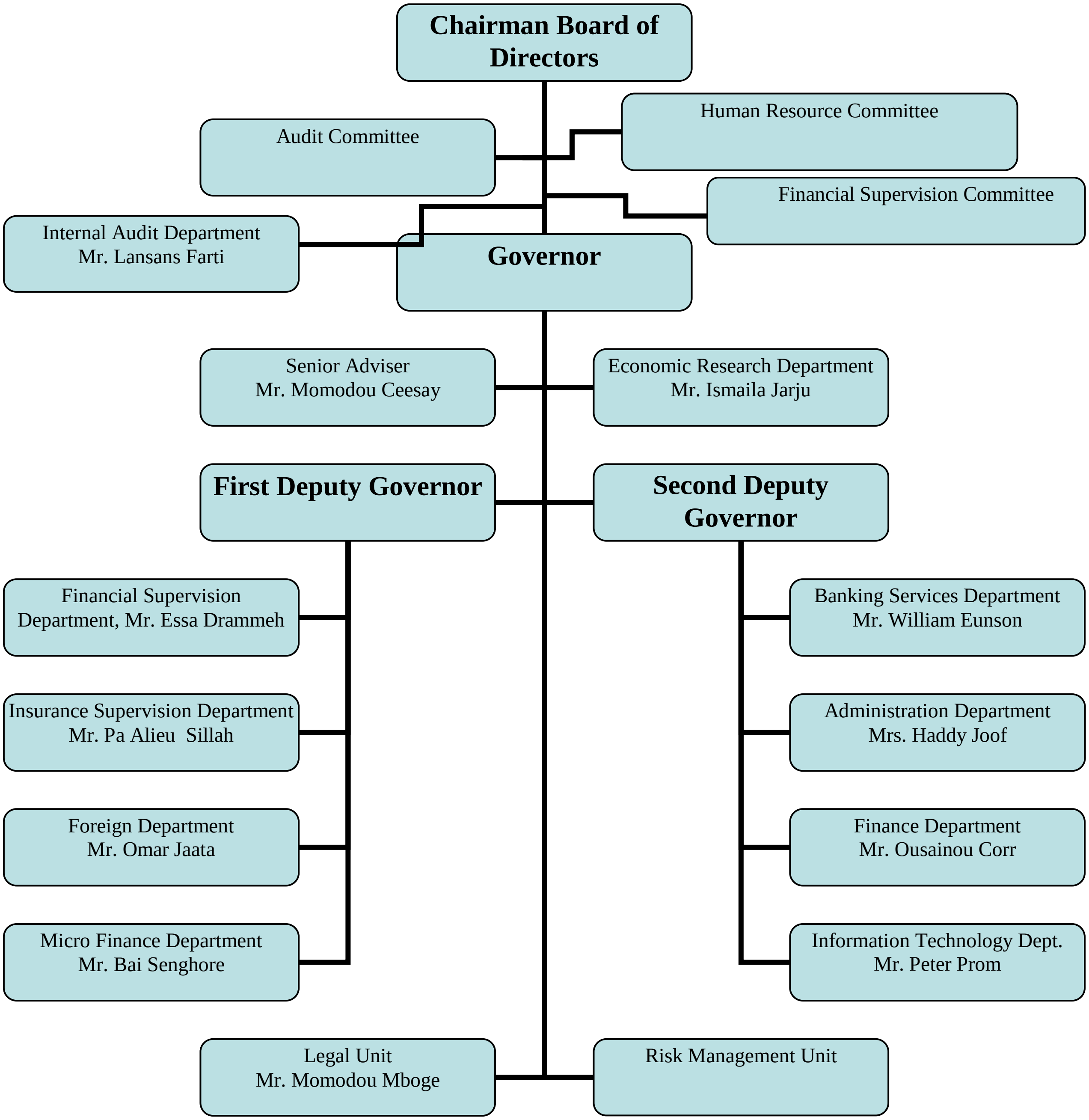
Amadou Colley
Governor/Chairman

Benjamin J. Carr

Mustapha A. Kah

Rene Geoffrey Renner

Mr. Momodou Mboge, Secretary of the Board


Chairman Board of Directors
Audit Committee
Human Resource Committee
Financial Supervision Committee
Internal Audit Department Mr. Lansans Farti
Governor
Senior Adviser Mr. Momodou Ceesay
Economic Research Department Mr. Ismaila Jarju
First Deputy Governor
Second Deputy Governor
Financial Supervision Department, Mr. Essa Drammeh
Insurance Supervision Department Mr. Pa Alieu Sillah
Foreign Department Mr. Omar Jaata
Micro Finance Department Mr. Bai Senghore
Banking Services Department Mr. William Eunson
Administration Department Mrs. Haddy Joof
Finance Department Mr. Ousainou Corr
Information Technology Dept. Mr. Peter Prom
Legal Unit Mr. Momodou Mboge
Risk Management Unit

1.0 GOVERNANCE

Overview

The Central Bank of the Gambia (CBG) is vested with numerous responsibilities. It has responsibility for achieving and maintaining price stability, conducting research and analysis of domestic and external economic and financial matters as well as ensuring that the financial system is safe and sound. The Bank supervises banks, insurance companies, foreign exchange bureaus and microfinance institutions in addition to its oversight responsibility of the country's payments systems. The Bank also serves as fiscal agent for the Government and manages the domestic debt. Additionally, the Bank has sole responsibility for issuing banknotes and coins. The governance framework is set by the Central Bank of The Gambia Act (2005), which provides for a Board of Directors, Committees of the Board and a Monetary Policy Committee.

1.1 The Board of Directors

The governing body of the Bank as stipulated in the CBG Act (2005) S.10 (1), is the Board of Directors. The Board consists of the Governor, who is also the Chairman, and four other Executive Directors. Members of the Board shall be appointed by the President in consultation with the Public Service Commission, from among persons of standing and experience in financial matters. The Board members, other than the Chairperson, shall be appointed for a term of two years and are eligible for re-appointment for a further term.

The Board is responsible for formulating policies necessary for the achievement of the Bank's mandate which is:

- Achieve and maintain price stability;
- Promote and maintain the stability of the currency of the Gambia;
- Direct and regulate the financial, insurance, banking and currency system in the interest of the economic development of the Gambia; and

- Encourage and promote sustainable economic development and the efficient utilization of the resources of the country through the smooth, effective and efficient operation of a financial system.

Among the issues discussed by the Board in 2013 include;

- Decisions of the MPC and its impact on economic growth
- Impact of the global economic crisis on the Gambian economy.
- Progress on the execution of the Extended Credit Facility with the International Monetary Fund (IMF).
- Code of conduct for participants in the foreign exchange market.
- The Bank's adoption of International Financial Reporting Standard (IFRS) as a financial reporting framework.

1.2 Committees of the Board

- Financial Supervision Committee
- Human Resource Committee
- Audit Committee

The Audit Committee

The CBG Act established the Audit Committee as a Committee of the Board. Under the Act, the functions of the Committee are to:

- Establish appropriate accounting procedures and controls;
- Monitor compliance with laws applicable to the Bank;
- Review the external auditor's report;
- Review the work of the Internal Audit Department;
- Make a decision on any matter brought to its attention by the Board or Bank Management.

The Financial Supervision Committee

The Financial Supervision Committee is responsible for overseeing the functions of the Financial Supervision Department. The Committee reviews onsite examination reports of financial institutions and takes decisions on appropriate actions to address shortcomings. It also examines the Prompt Corrective Action (PCA) framework reports and holds discussions with affected banks.

The Human Resources Committee

This Committee has responsibility for recruitment of professional staff and its mandate includes responsibility for staff retention, career development, and succession planning and remuneration policies.

1.3 The Monetary Policy Committee

The Monetary Policy Committee (MPC) to enables the Bank discharge its core function of price and exchange stability effectively. Price stability is an important pre-requisite to achieving balanced and sustainable growth. The MPC is responsible for:

- Providing the statistical data for the formulation of monetary policy
- Setting the policy interest rate to achieve the price stability objective of the Bank;

The MPC meets every quarter. The membership comprises the Governor, the two Deputy Governors, three other members from the Bank and two members appointed by the Minister of Finance and Economic Affairs. The MPC met four times in 2013. Members of the Committee were;

Amadou Colley	**-**	**Governor/Chairman**
Basiru Njai	-	First Deputy Governor, Member
Oumie Savage-Samba	-	Second Deputy Governor, Member
Ismaila Jarju	-	Director of Research, Member
Essa Drammeh	-	Director, Financial Supervision, Member
William Eunson	-	Director, Banking Department, Member
Mod A.K. Secka	-	Member, Permanent Secretary, MOFEA
Alagie Taal	-	Director, MOFEA, Member
Bakary Jammeh	-	Deputy Director, Research, Secretary

1.4 Departmental Overview

1.4.1 Administration Department

This Department performs critical support services including human resource management, coordinating training of Bank staff, procurement, protocol services as well as organizing meetings and conferences.

1.4.2 Banking Department

This Department is made up of the following Units:

- Banking and Payment Systems
- Open Market Operations
- Currency Unit

The Banking Unit is responsible for providing banking services to Government and commercial banks. The Unit is also responsible for ensuring that the payment and settlement systems are safe and efficient.

The Open Market Operations Unit plans and executes open market operations in line with the policy stance of the Bank. The frequent contact of the staff with money market participants enables them to contribute to the monetary policy formulation process. The Unit also manages the issue and redemption of the domestic debt.

The Currency Unit discharges the Bank's statutory obligation of ensuring that there are enough banknotes and coins to meet the demand of the public.

1.4.3 Economic Research Department

This Department is made up of the following Units:

- Money, Credit and Banking
- Balance of Payments
- Liquidity Forecasting and Public Finance
- Statistics
- Real Sector and Non-Bank Finance and a Library

The Economic Research Department (ERD) is responsible for providing the Bank with the economic analysis necessary to conduct monetary policy. Staff of the ERD performs research on developments in the Gambian and international economy and produce the quarterly Bulletins and Annual Reports. Staff of the Department also plays a key role in the Bank's relationship with the International Monetary Fund (IMF), West African Monetary Institute (WAMI) and West African Monetary Agency (WAMA). The Department provides reports for Monetary Policy Committee (MPC) meetings, in addition to conducting special studies for the Governor and the Board. The Statistics Unit compiles the monetary and other financial statistics.

1.4.4 Finance Department

This Department is made up of the following Units:

- Treasury
- Budget and Finance
- Verification and Implementation

The Department is responsible for financial planning. It prepares and monitors the budget to ensure that the financial transactions are consistent with the accounting procedures. Staff of the Department is also responsible for preparing the annual accounts, payroll and foreign currency budget as well as foreign currency payments and receipts and debt service payments on behalf of the Government.

Additionally, the Department provides back office services in the management of the external reserves, including settlement of interbank foreign exchange deals entered into by the Bank.

1.4.5 Financial Supervision Department

The maintenance of a sound and stable financial system is one of the most important functions of the Bank. The Financial Supervision Department is charged with this responsibility and also conducts on-site examination with a view to ensuring that the financial system as a whole is safe and sound.

Financial stability, a precondition for a strong and sustained growth, is achieved by regulating and supervising banks.

1.4.6 Insurance Department

This Department is responsible for evaluating application for insurance as well as preparing and implementing regulatory and supervisory guidelines but in a manner that does not stifle innovation and competition. The Department also conducts on-site examination with a view to ensuring that the insurance industry is safe and sound. The supervision of insurance companies was added to the mandate of the Bank by the 1997 Constitution.

1.4.7 Foreign Department

The Foreign Department is responsible, jointly with the Financial Supervision Department, for evaluating applicants to operate foreign exchange bureaus. The remit of the Department also includes the management of the foreign reserves portfolio in line with the Foreign Reserve Management Guidelines.

1.4.8 Internal Audit Department

The Internal Audit Department provides an independent appraisal of the adequacy and effectiveness of the Bank's internal control systems. The Department can delve into every aspect of the Bank’s work with the aim of providing independent advice to the Board and senior management that the Bank is taking appropriate levels of risk. Although the head of the Department reports to the Governor, the Department reports to the Audit Committee of the Board.

1.4.9 Micro Finance Department

This Department is made up of the following Units:

- Development
- Supervision

The Department performs functions similar to the Financial Supervision Department, but with a focus on the microfinance sector. Microfinance currently accounts for a small part of the Gambian financial system but has been growing rapidly.

The Development Unit formulates the institutional and operational framework and regulatory guidelines for the Microfinance Institutions (MFIs). The Unit also works with the stakeholders to prepare strategic action plans for the sector.

The Supervision Unit is responsible for registration, licensing and supervision to ensure the safety and soundness of MFIs. The Unit is also mandated to collect, analyze and disseminate data relating to MFIs as well as prescribes corrective action.

1.4.10 Legal Unit and Risk Management Unit

The Legal Unit provides advice on legal matters and ensures maximum protection of the Bank's interest with respect to contracts.

The Risk Management Unit is the middle office for external reserves management purposes. It is responsible for risk identification, risk management and financial performance measurement.

1.4.11 Information Technology Department

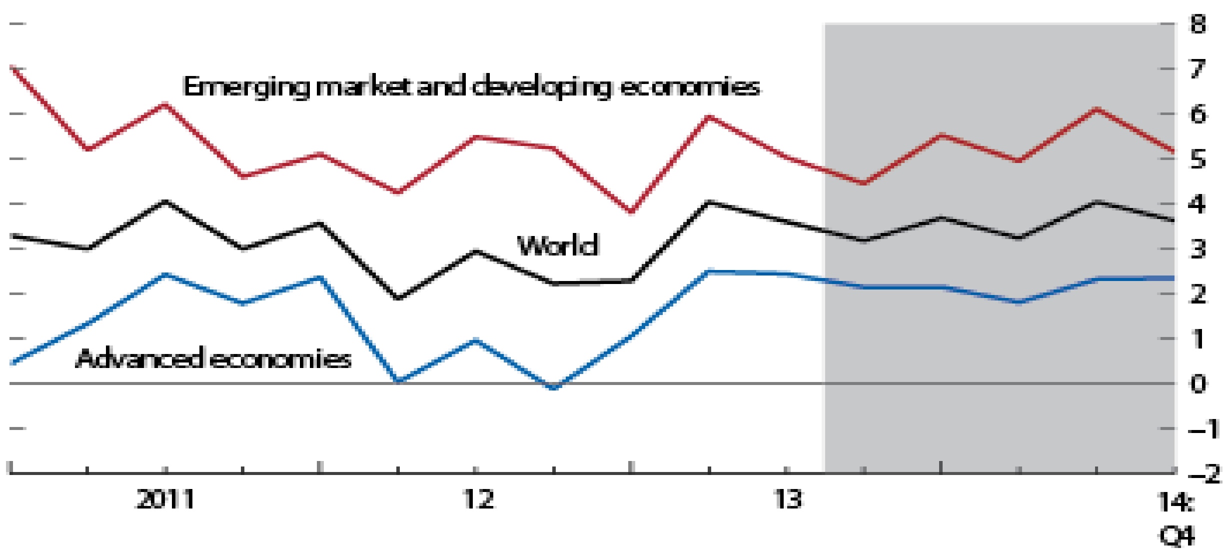
The department responsible for the management of the Bank's information system, provides information technology support to the departments and coordinates the development of new information system projects. The Department is also charged with the responsibility to manage the Bank's website.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Global Output Growth

Global economic activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (WEO). Activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015. Real GDP growth has disappointed in the emerging market and developing economies, while it has been broadly in line with projections in advanced economies. The reasons for the weaker growth differ across emerging market and developing economies and may include tightening capacity constraints, stabilizing or falling commodity prices, less policy support, and slowing credit after a period of rapid financial deepening.

Figure 2. Global GDP Growth
(Percent; quarter over quarter, annualized)



Source: IMF staff estimates.

Growth Dynamics Further Diverge.........

Global growth remains in low gear, averaging only 2½ percent during the first half of 2013, which is about the same pace as in the second half of 2012.

In a departure from previous developments since the Great Recession, the advanced economies have recently gained some speed, while the emerging market economies have slowed. The emerging market economies, however, continue to account for the bulk of global growth. Within each group, there are still broad differences in growth and position in the cycle. The latest indicators point to somewhat better prospects in the near term but different growth dynamics between the major economies.

The impulse to global growth is expected to come mainly from **the United States**, where activity will move into higher gear as fiscal consolidation eases and monetary conditions stay supportive. Following sharp fiscal tightening earlier this year, activity in the United States is already regaining speed, helped by a recovering real estate sector, higher household wealth, easier bank lending conditions, and more borrowing. The fiscal tightening in 2013 is estimated to be 2½ percent of GDP. However, this will ease to ¾ percent of GDP in 2014, helping raise the rate of economic growth to 2½ percent, from 1½ percent in 2013. This assumes that discretionary public spending is authorized and executed as projected and the debt ceiling is raised in a timely manner.

In Japan, the data point to an impressive pickup in output in response to the Bank of Japan's Quantitative and Qualitative Monetary Easing and the government's 1.4 percent of GDP fiscal stimulus to end deflation and raise growth. IMF staff estimates suggest that the new policies may have boosted GDP by about 1 percent, although wage increases have remained subdued. As stimulus and reconstruction spending unwind and consumption tax hikes are implemented, the structural deficit will drop—the projections assume a decline by 2½ percent of GDP in 2014, which is expected to drag down growth from 2 percent in 2013 to 1¼ percent in 2014. However, if another "stimulus package" does go ahead, fiscal drag would be lower and growth higher than presently projected.

In the euro area, business confidence indicators suggest that activity is close to stabilizing in the periphery and already recovering in the core economies. In 2014, a major reduction in the pace of fiscal tightening, to less than ½ percent of GDP from about 1 percent of GDP in 2013, is in the offing. However, the support for activity from the reduction in the pace of fiscal tightening is dampened by tight credit conditions in the periphery. Thus, economic growth is expected to reach only 1 percent, after contracting by about ½ percent in 2013.

Elsewhere in Europe, activity in the **United Kingdom** has been buoyed by easier credit conditions and increased confidence. Growth is expected to average 2¼ percent in 2014–15.

In emerging market and developing economies, exports driven by stronger advanced economy growth and solid consumption encouraged by low levels of unemployment are expected to support activity. Fiscal policies are projected to be broadly neutral, and real interest rates are still low in many economies, which should foster investment. However, external funding conditions have tightened and there is increasing evidence for supply-side constraints. Importantly, for many of these economies, the risks to growth are on the downside.

Table 1: Overview of Growth Projections (Percent change unless noted otherwise)

	Year over Year								
					Difference from October 2013 WEO Published		Q4 over Q4		
			Projections				Estimates	Projections	
	2012	2013	2014	2015	2014	2015	2013	2014	2015
World Output	**3.1**	**3.0**	**3.7**	**3.9**	**0.1**	**0.0**	**3.3**	**3.6**	**3.8**
Advanced Economies	1.4	1.3	2.2	2.3	0.2	–0.2	2.0	2.1	2.3
United States	2.8	1.9	2.8	3.0	0.2	–0.4	2.5	2.8	3.0
Euro Area	–0.7	–0.4	1.0	1.4	0.1	0.1	0.5	1.2	1.5
Germany	0.9	0.5	1.6	1.4	0.2	0.1	1.6	1.3	1.4
Japan	1.4	1.7	1.7	1.0	0.4	–0.2	3.1	0.9	0.6
United Kingdom	0.3	1.7	2.4	2.2	0.6	0.2	2.3	2.7	1.8
Other Advanced Economies	1.9	2.2	3.0	3.2	–0.1	–0.1	2.7	2.9	3.4
Emerging Market and Developing Economies	**4.9**	**4.7**	**5.1**	**5.4**	**0.0**	**0.1**	**4.8**	**5.4**	**5.6**
Developing Asia	6.4	6.5	6.7	6.8	0.2	0.2	6.4	6.8	7.0
China	7.7	7.7	7.5	7.3	0.3	0.2	7.8	7.6	7.3
India	3.2	4.4	5.4	6.4	0.2	0.1	4.6	5.5	7.0
Sub-Saharan Africa	**4.8**	**5.1**	**6.1**	**5.8**	**0.1**	**0.1**	**. . .**	**. . .**	**. . .**
South Africa	2.5	1.8	2.8	3.3	–0.1	0.0	1.9	3.2	3.3

The forecasts assume that Chinese authorities do not enact major stimulus and accept somewhat lower growth, consistent with the transition to a more balanced and sustainable growth path. The forecast for real GDP growth for **China** has thus been reduced to about 7½ percent for 2013–14. This slowdown will reverberate across developing Asia, where growth is expected to remain between 6¼ and 6½ percent in 2013–14.

In Sub-Saharan Africa, commodity-related projects are expected to support higher growth. Exchange rates adjusted sharply, but external financing has resumed and the forecasts include no further disruptions. Activity in sub-Saharan Africa remained strong in the beginning of 2013, although marginally down from 2012, supported in most countries by domestic demand. Growth was particularly strong in low-income and fragile states, with the notable exceptions of **Mali and Guinea-Bissau**, which were affected by internal civil conflicts. **In Nigeria**, still high oil prices underpinned strong growth, notwithstanding temporary downdrafts from security problems in the north and oil theft. With a few exceptions, inflation remained broadly stable in the region.

West African Monetary Zone (WAMZ)

The West African Monetary Zone recorded a growth of 6.7 per cent in 2013 from 6.4 per cent in 2012. This was mainly driven by services and agriculture sectors. It was observed that **Nigeria** was the only country to meet the four primary criteria followed by **Liberia and Sierra Leone** which satisfied three each. **The Gambia**, **Ghana and Guinea** satisfied two criteria.

Liberia missed external reserves criterion and Sierra Leone could not meet the inflation criterion. The Gambia missed fiscal deficit and the central bank financing criteria while Ghana and Guinea did not satisfy the inflation and fiscal deficit criteria. The last two criteria were the main challenge of the Zone while central bank financing and external reserves were the more commonly and consistently satisfied criteria.

The overall assessment of convergence indicated that member States compliance with the primary macroeconomic convergence criteria deteriorated between 2009 and 2012. Only Liberia satisfied all the four criteria in 2009 and 2010 while Ghana was the only country that satisfied all the criteria in 2011. This compared similarly to the performance between 2005 and 2008 when two countries, the Gambia and Nigeria satisfied all the four primary criteria in 2006 and 2007 and The Gambia alone in 2008.During the first half of 2013, only Nigeria satisfied all the primary criteria.

It is noted that Ghana, Guinea and Sierra Leone needed to make relatively more effort in achieving the primary criteria than the other member States. It is also recognized that intra-regional trade remained low due partly to limited complementarily of trade structures, infrastructural challenges such as poor roads and communications system as well as inadequate energy supply.

Recent global financial market volatility has affected several economies in the world, although most low income countries experienced little impact given their limited links with global financial markets. Among frontier markets, Nigeria’s currency weakened against the U.S. dollar at the peak of the volatility, although financial conditions have since stabilized.

2.2 Inflation

The differing growth dynamics between the major economies are projected to come with subdued inflation pressure, for two reasons. First, the pickup in activity in the advanced economies will not lead to a major reduction in output gaps, which remain large. Second, commodity prices have fallen amid improved supply and lower demand growth from key emerging market economies, notably China.

Among the emerging risks are those associated with very low inflation in advanced economies, especially the euro area, which have come to the fore. With inflation likely to remain below target for some time, longer-term inflation expectations might drift down. This raises the risks of lower-than-expected inflation, which increases real debt burdens, and of premature real interest rate increases, as monetary policy is constrained in lowering nominal interest rates. It also raises the likelihood of deflation in the event of adverse shocks to activity.

In the United States, the decline in the unemployment rate partly reflects reductions in labor force participation due to demographic trends as well as discouraged workers dropping out of the labor force. Discouraged workers are likely to return to the labor market as prospects improve, and thus wage growth will be sluggish for some time.

In the euro area, a weak economy and downward pressure on wages in the periphery are forecast to hold inflation to about 1½ percent in the medium term, falling short of the European Central Bank's (ECB's) inflation objective. Annual inflation was 0.8 percent in December 2013, down from 0.9 percent in November. A year earlier the rate was 2.2 percent.

For Japan, the projection reflects a temporary surge in the price level in response to the consumption tax hikes in 2014 and 2015; excluding the effect of the consumption tax hike, inflation is projected to move up only very gradually, reaching the 2 percent target sometime in 2016–17.

Inflation is expected to move broadly sideways at around 5-6 percent in **emerging market and developing economies**. The drop in commodity prices and the downshift in growth will reduce price pressures, but capacity constraints and the pass-through from weakening exchange rates will offset this downward pressure to some degree. Another counter push to lower inflation will be strong domestic demand pressure in a few of these economies.

2.3 Global unemployment increased by 5 million people in 2013…

The uneven economic recovery and successive downward revisions in economic growth projections have had an impact on the global employment situation. Almost 202 million people were unemployed in 2013 around the world, an increase of almost 5 million compared with the year before. This reflects the fact that employment is not expanding sufficiently fast to keep up with the growing labour force.

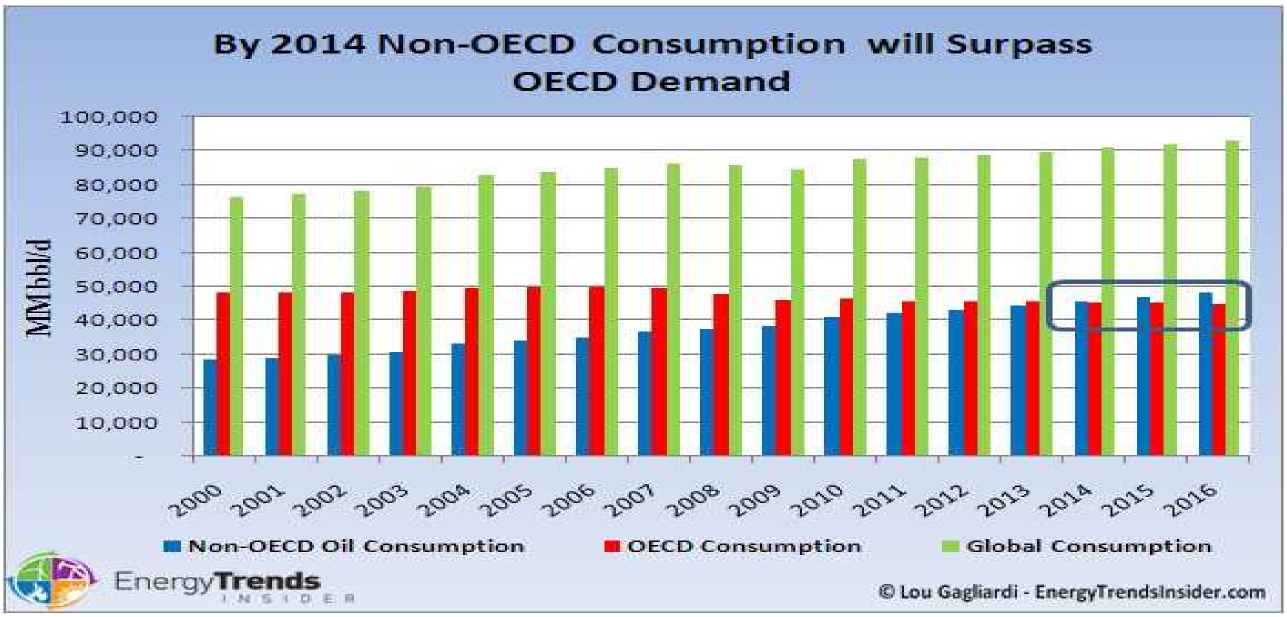
Overall, the crisis-related global jobs gap that has opened up since the beginning of the financial crisis in 2008, over and above an already large number of jobseekers, continues to widen. In 2013, this gap reached 62 million jobs, including 32 million additional jobseekers, 23 million people that became discouraged and no longer look for jobs and 7 million economically inactive people that prefer not to participate in the labour market.

2.4 Commodity Prices

In December, the value of the OPEC Reference Basket rebounded by $2.70 after two months of losses to settle at $107.67/b. Looking at its annual performance, the Basket averaged near $106/b in 2013. The Basket also showed its first y-o-y losses, after three consecutive yearly gains.

2.4.1 World oil demand averaged 89.86 mb/d in 2013, an increase of 0.94 mb/d over a year earlier, reflecting actual data and indicating a significant improvement in demand in OECD Americas. For 2014, growth is expected to be around 1.05 mb/d, up by a marginal 10 tb/d, to reach 90.91 mb/d.

Chart 1: Oil Consumption



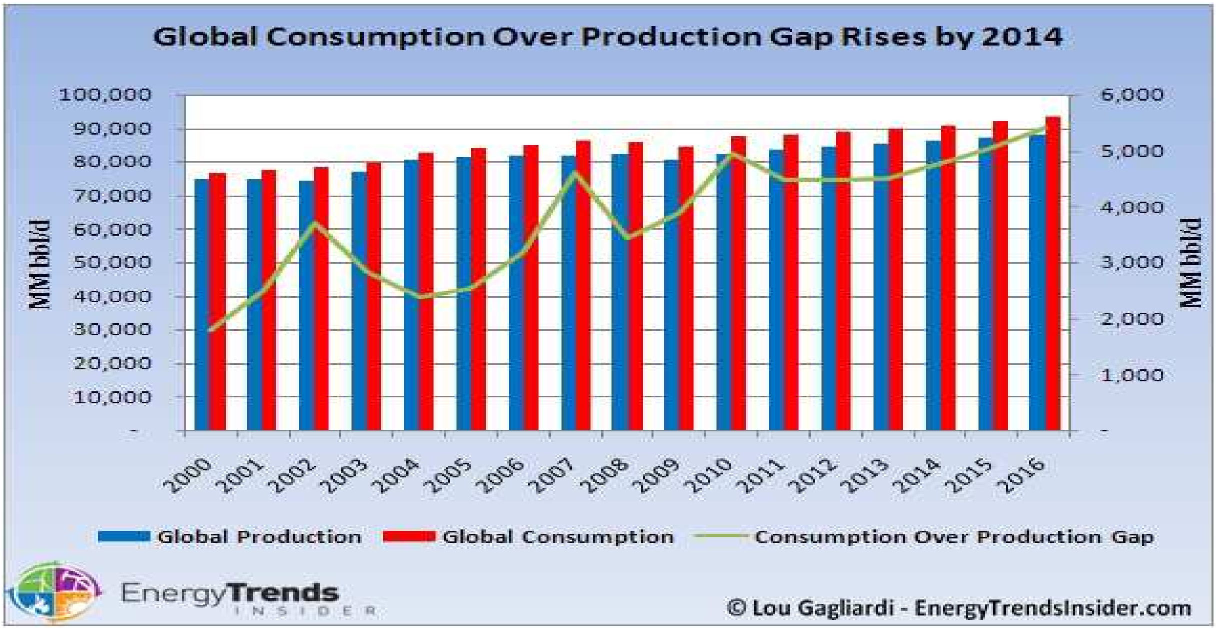
Source:

Non-OPEC oil supply is estimated to have averaged 54.11 mb/d in 2013, an increase of 1.24 mb/d over 2012, up by 50 tb/d from the previous MOMR report, driven by strong growth from OECD Americas. In 2014, non-OPEC oil supply is projected to grow by 1.27 mb/d, up by 70 tb/d from the previous assessment, to average 55.38 mb/d. Growth is seen coming mainly from the US, Canada, Brazil and the Sudans, while Norway, UK and Mexico are seen declining in 2014.

Non-oil activity will remain generally robust in the oil-exporting economies, thanks in part to high public spending. By contrast, many oil-importing economies continue to struggle with difficult socio-political and security conditions.

The latest projections for both fuel and nonfuel prices indicate modest declines in both 2013 and 2014.

Chart 2: Global oil consumption and production



Source: Energy Trends

2.4.2 Non-oil

The **FAO Food Price Index** averaged 206.7 points in December 2013, nearly unchanged from November, as a sharp increase in dairy prices and firming meat values largely balanced out a steep decline in sugar quotations and lower cereal and oil prices. Over the full 2013 year, the Index averaged 209.9 points, down 1.6 percent from 2012, but still the third highest annual value on record. Large supplies pushed down international prices of cereals (with the exception of rice), oils and sugar. However, dairy values peaked in 2013, while meat also hit a record

Cereals

FAO's latest forecast for world cereal production in 2013 has been revised upward marginally (2 million tonnes) since November to a new high of almost 2,500 million tonnes (including rice in milled terms), 8.4 percent more than last year and some 6 percent above the previous record in 2011.

Chart 3: Cereal Production, utilization and stock

Source:

The FAO forecast for global cereal **utilization** in 2013/14 has been lowered to 2,413 million tonnes, slightly below the November forecast but still 4 percent higher than in 2012/13. The projected growth in world utilization of cereals in 2013/14 concerns mostly food and feed, which are expected to increase by 1.7 percent and 6.3 percent respectively compared to the previous season.

Rice

Under the current forecasts, world rice production, in milled rice equivalent, is poised to reach 494.2 million tonnes in 2013, about 1.0 percent, or 5.1 million tonnes more than in the preceding season and the second consecutive year of below average growth.

Chart 4: Selected International Cereal Prices

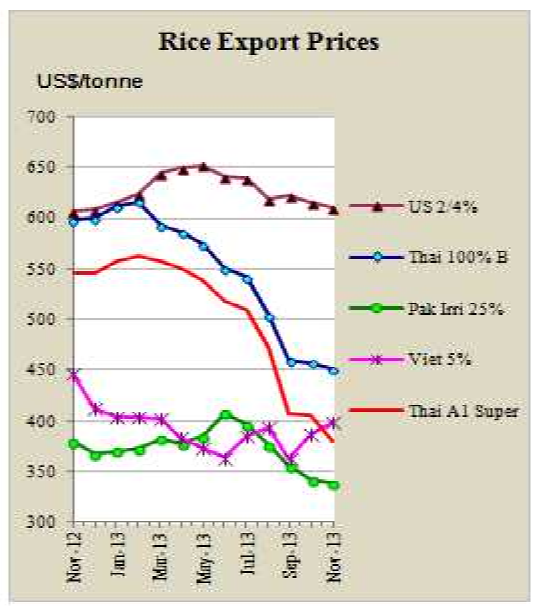
Sources: FAO

The global production outlook closely mirrors prospects in **Asia**, where overall production is set to progress by 1.1 percent to 448.6 million tonnes. While most countries in the region are heading towards bumper harvests, the largest absolute increase in output is expected **in Bangladesh, Cambodia, India, Indonesia, Myanmar and Thailand,** where producers have generally benefited from attractive prices.

Table 2: FAO Rice price Indices

FAO Rice Price Indices (2002-2004=100)

		All	Indica		Japonica	Aromatic
			High quality	Low quality		
2009		**253**	**224**	**196**	**317**	**231**
2010		**227**	**206**	**212**	**252**	**229**
2011		**242**	**232**	**250**	**258**	**220**
2012		**231**	**225**	**241**	**235**	**222**
2012	November	237	230	243	241	231
	December	235	226	236	236	244
2013	January	235	227	237	231	254
	February	238	229	241	228	269
	March	238	228	241	226	273
	April	237	226	238	225	274
	May	238	224	237	231	273
	June	237	222	235	229	274
	July	237	222	235	233	273
	August	238	215	223	248	269
	September	226	206	206	235	263
	October	226	207	209	233	259
*	November	225	211	205	231	256
2012	Jan.-Nov.	231	225	241	235	220
2013	Jan.-Nov.	234	220	228	232	267
% Change		1.4	-2.4	-5.5	-1.5	21.6



Source: FAO

N.B. - The FAO Rice Price Index is based on 16 rice export quotations. "Quality" is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent brokens. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

**Three weeks only.*

China, where production looks set to fall by about 0.7 percent, or 1 million tonnes, for the first time since 2003. China's contraction is to result from a failed late rice crop, now expected to end 6 percent lower than last year, largely due to belated rains, while drought also wiped out expectations of an increase of the intermediate crop.

Production in **Africa** is now expected to reach 17.5 million tonnes, about 300 000 tonnes more than anticipated in October and virtually unchanged compared to last year.

In Western Africa, in several parts of the Sahel, especially in Chad, Mali, Mauritania, Niger and Senegal, crops and pastures have been affected this year by a late onset and early cessation of rains, which could lead to a new surge in food insecurity and malnutrition in the 2013/14 marketing year.

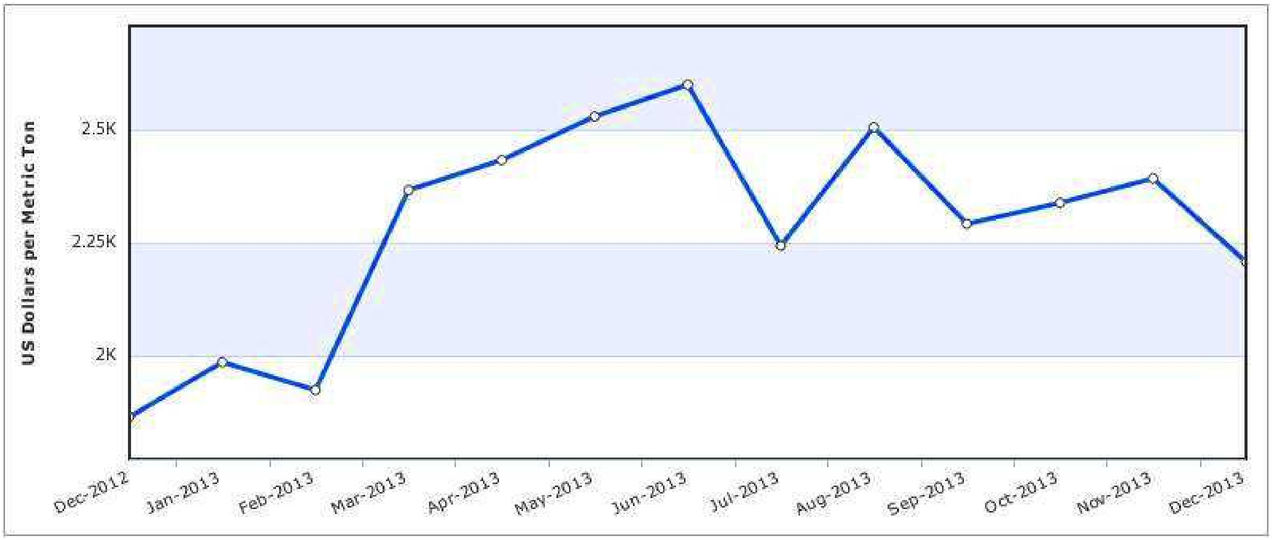
Table 3: World rice market

World rice market						
	2009/10	2010/11	2011/12	2012/13 estimate	2013/14 forecast	
					Previous (07 Nov 2013)	**Current (05 Dec 2013)**
	(............ *million tonnes* ....)					
Production[1]	456.4	469.7	486.1	489.1	494.1	**494.2**
Supply[2]	587.7	607.3	631.3	650.2	668.6	**668.6**
Utilization	448.9	461.3	470.6	476.2	489.0	**489.4**
Trade[3]	31.3	36.3	38.4	37.5	37.4	**38.3**
Ending Stocks[4]	137.6	145.2	161.1	174.4	179.8	**179.0**
	(............ *percent* ....)					
World stock-to-use ratio	29.8	30.9	33.8	35.6	36.0	**35.9**
Major exporters' stock-to-disappearance ratio[5]	21.6	20.7	25.2	28.2	28.2	**28.1**

Groundnuts

Total world production of groundnuts in 2012-13 may amount to approximately 37.19 million tonnes (2011-12: 35.33 million tonnes). China, India, United States, Nigeria, Burma, Argentina and Indonesia are the major producers of groundnut globally.

Chart 5: Groundnut Prices

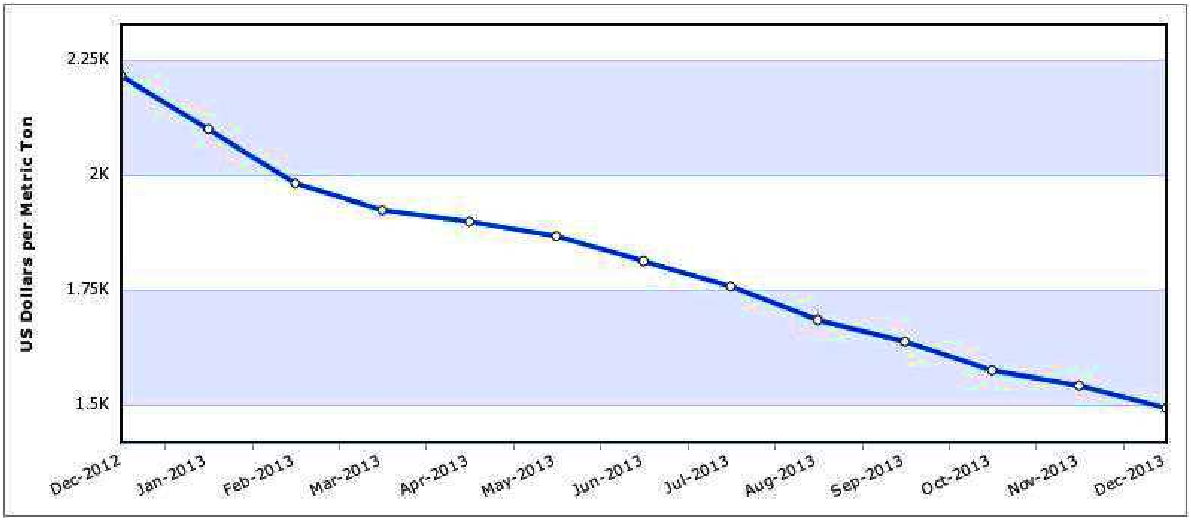


Source: FAO

Gambia Groundnut Corporation (GGC), offered 16, 500 Dalasis per ton of groundnut delivered to depots, in comparison with the official producers price pegged at 14,500 Dalasi per ton (US$401). Over 600 million Dalasis (over US$ 15 million) was earmarked for the purchase of the targeted 40,000 metric tonnes of groundnut in the 2013/2014 season.

Groundnut Oil

Global oilseed production is forecast to rebound strongly in 2012/13 – up 5 percent from last season's depressed outcome and 2 percent higher than the historic record set in 2010/11. Its prices eased, as forecasts of a full rebound and possibly a record performance in total oilseed production in 2012/13 allayed market concerns regarding global supply tightness.



Peanut oil production in Senegal is forecast at 200,000 tons in 2012-13 from 113,000 tons a year earlier, The Gambia remains at 18,000 tons compared to the previous year while the U.S production dropped from 95,000 tons to 76,000 tons.

3.0 DEVELOPMENTS IN THE DOMESTIC ECONOMY

3.1 OVERVIEW

Coming from a drought-induced contraction in 2011, The Gambian economy recovered somewhat in 2012 and moderated slightly in 2013 suggesting that the economy is yet to fully recover and return to its pre-drought three-year (2008-2010) average growth rate. The gradual recovery in agriculture, underpinned by the resumption of good rains, use of better farm inputs as well as more crop cultivation, boosted growth. High hotel occupancy rate in major hotels estimated at about 90.0 percent during the peak season partly resulting from the arrival of tourists from new destinations including Germany and Poland supported the growth recovery process.

The rate of inflation rose during 2013 driven mainly by increases in food prices. Increases in the cost of health and transport services also exerted pressure on prices. Other contributory factors to the rise in inflation included the piecemeal withdrawal of subsidy from petroleum products as well as exchange rate depreciation.

Owing to the challenging macroeconomic conditions characterized by wider balance of payments deficit, increased net domestic borrowing, inflationary pressures and persistent exchange rate depreciation, monetary policy was kept tight in 2013. This was reflected in the three-step upward adjustment of the monetary policy rate from 12.0 percent in the first half of the year to subsequently 20.0 percent in the second half of the year. The reserve requirement on deposits was also raised in the second half of the year to further tighten liquidity conditions and help stem the depreciation of the dalasi as well as maintain confidence level of investors in the economy. The prescribed net open position was also lowered to 15.0 percent from 25.0 percent to ease supply conditions in the domestic foreign exchange market.

The Securities Settlement System (SSS) has been completed, gone live and operating efficiently. In a related development, a national switching platform for retail payments (GAMSWITCH) went live in mid-2013 with three commercial banks successfully connected whilst the remaining banks are expected to be connected in due course.

3.2 MONETARY DEVELOPMENTS

3.2.1 Monetary Policy Instruments

The Central Bank of the Gambia operates a money-targeting regime where reserve money is the operating target and broad money the intermediate target. The Bank sets targets for key monetary aggregates as well as end-of-year inflation. To meet the reserve money target, open market operations (weekly auctions of Treasury Bills) remains the major tool for liquidity management. Other complimentary policy tools including foreign exchange intervention and the statutory reserve requirement ratio may also be used. In addition, the Bank uses its rediscount interest rate to signal changes in the policy stance. The rediscount rate is set by the Bank's Monetary Policy Committee (MPC) in its bi-monthly meetings.

Open Market Operations

The issuance of Gambia Government Treasury Bills is the primary instrument used for liquidity management in the Gambia. The amount of treasury bills to be auctioned each week is determined by the Treasury Bills Committee. Stock of Treasury bills, including Sukuk Al-Salaam (SAS) bills, at end-December 2013 stood at D8.1 billion from D8.6 billion in 2012. Commercial banks are the major holders of Treasury and Sukuk Al-Salaam bills, accounting for 80.0 percent of total stock compared to 81.7 percent a year ago. The Non-bank holdings accounted for 12.2 percent compared to 14.0 percent in December 2012.

Foreign Exchange Intervention

The Central Bank may intervene in the domestic foreign exchange market through buying and selling of foreign exchange to complement other monetary policy tools for liquidity management. The Bank may also intervene to achieve a desired level of international reserves and to maintain the stability of the local currency. Volume of transactions in the domestic foreign exchange market, measured by aggregate purchases and sales of foreign exchange in the year to end- December 2013 significantly decreased to US$1.3 billion from US$1.6 billion for the twelve months to December 2012.

Interest Rates

The Central Bank of the Gambia uses the rediscount rate as its policy rate to signal its policy stance. The Monetary Policy Committee (MPC) of the Bank meets periodically to set the policy rate. The rediscount rate was raised three times during the year from 12.0 percent at the beginning of the year to 20.0 percent reflecting increased volatility in the exchange rate with rising inflationary pressures.

Reserve Requirements

Deposit money banks are required by law to maintain reserve deposits with the Central Bank. Certain percentage of commercial bank deposits are kept with the Central Bank in line with statutory requirement. Interest is not paid on such deposits but a penalty equivalent to 3.0 percentage points above the policy rate may be charged on a daily basis on banks that fail to meet the reserve requirement. Of recent, particularly in the months of May and June 2013, the reserve requirement became an active monetary policy instrument to complement open market operations. The reserve requirement was increased by 500 basis points to 15 percent in May (2.0 percent) and June (3.0percent) sittings of the Monetary Policy Committee.

3.2.2 Monetary Policy

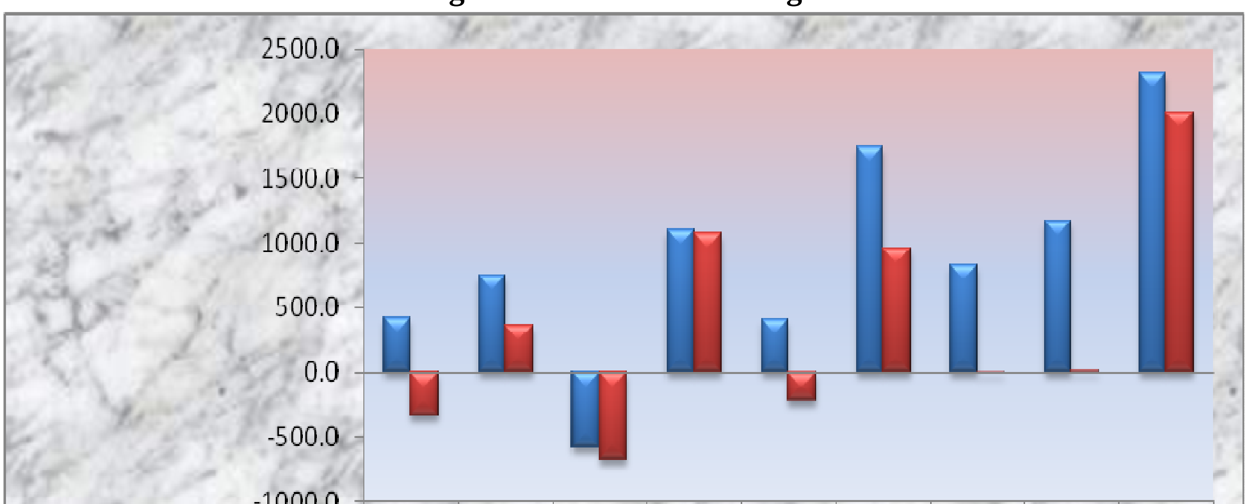
The focus of monetary policy remains the maintenance of stability and the support of Government's overall macroeconomic objective of sustaining high growth for poverty reduction. In 2013, the objective was to contain inflation below 5.0 percent after a one off increase to 6.0 percent in 2012 mainly as a result of the introduction of the Value Added Tax (VAT) system.

The challenge for monetary policy in 2013 was the resurgence of exchange rate pressures and rising inflationary pressures mainly as a result of the continued depreciation of the Dalasi as well as high import demand from the energy sector. The continued depreciation of the domestic currency vis-à-vis major international currencies and expansionary fiscal policy ensured continued presence of inflationary pressures. The Monetary Policy Committee increased the Required Reserve ratio and reduced limits on Net Open Position (NOP) of banks with the sole purpose of encouraging investment in Dalasi denominated assets and dampen demand for foreign exchange in the market. Consumer price inflation, measured by the National Consumer Price Index (NCPI), increased to 5.6 percent in December 2013 compared to the 4.9 percent recorded in 2012.

Although the Dalasi was broadly stable in the first half of 2013, it depreciated significantly in the second half of the year. To this end and with the expectation that inflation will rise slightly above target in the face of an upward pressure on the Dalasi, the MPC tightened its policy stance during the course of the year by increasing the rediscount rate three times as well as the reserve requirement ratio.

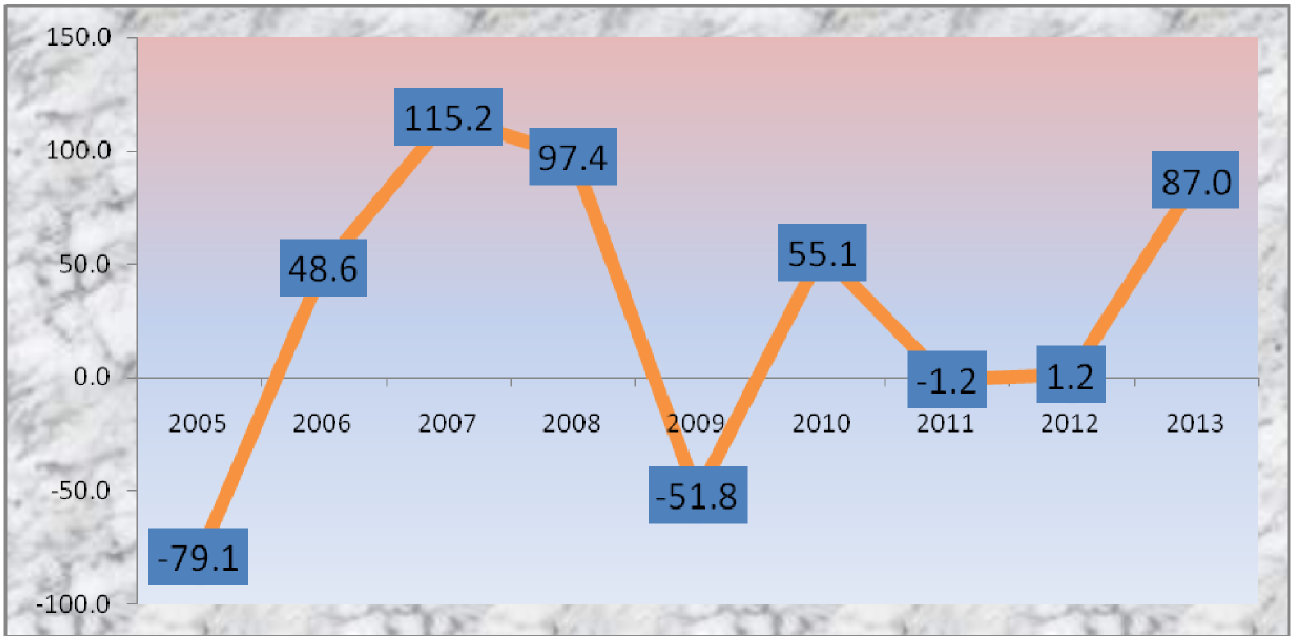
Another major challenge to monetary policy implementation in 2013 was the high domestic debt (39 percent of GDP). Government's attempt to rein in on the domestic debt in 2011 could not be sustained in 2012 and 2013 as net domestic borrowing from the banking system ballooned. Substantial portion of government borrowing was from the Central Bank which posed significant risk to inflation and exchange rate. The marked increase in CBG financing of government activities in 2013 was largely on account of the monthly securitization of government's over drawn accounts on the Bank's balance sheet. The Central Bank converts government overdrafts to short-term treasury bills and charge market interest on them so as to discourage borrowing from the Bank.

Chart 6: Net Domestic Borrowing and CBG Net Financing in D'millions



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Domestic Borrowing	425.0	752.0	-582.3	1102.7	414.7	1741.3	833.9	1175.5	2309.6
Net CBG Financing	-336.2	365.4	-670.8	1074.6	-214.9	959.4	-9.7	14.2	2009.5

Chart 7: Central Bank net financing (12 month percent change)



3.2.3 Monetary Policy Committee Meetings and Policy Decisions

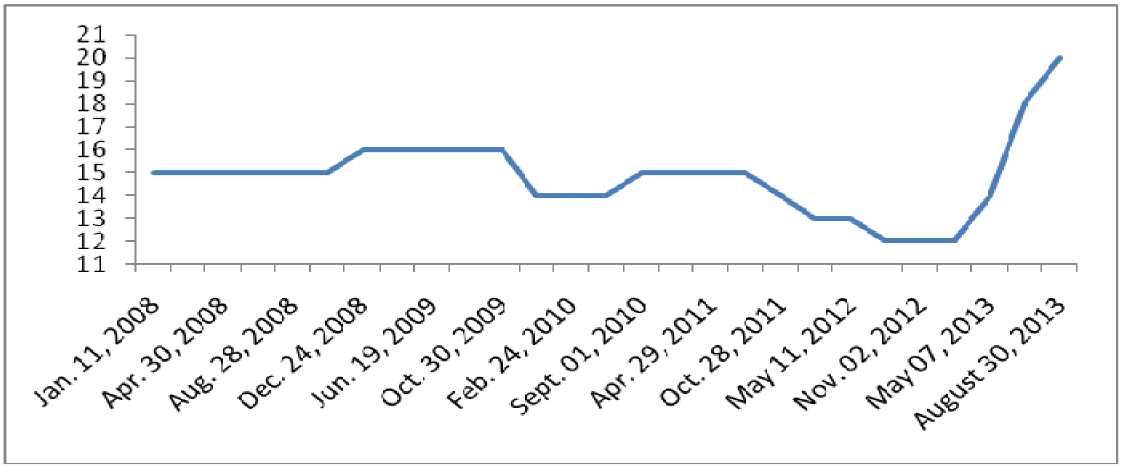
The MPC is the Bank's apex policy decision making body. The Committee met four times during the year in February, May, June and August to review major domestic and international economic developments and monetary policy decisions were taken. Voting at the MPC was mainly by consensus and decisions were communicated to the public through a press briefing by the Governor who is the Chairman of the Committee. The minutes of the meetings were also posted on the Bank's website.

The year 2013 proved to be a challenging period for policy. The year was characterized by heightened inflationary pressures amid sharp depreciation of the exchange rate and expansionary fiscal policy. At least one emergency meeting of the Bank's apex policy making body was held and difficult policy decisions were made.

Table 4: Monetary Policy Committee (MPC) Decisions in 2013

Date	Policy Decision	Rate(%)
February 04, 2013	Policy rate left unchanged	12
May 07, 2013	Policy rate increased by 200 basis points	14
June 21, 2013	Policy rate increased by 400 basis points	18
August 30, 2013	Policy rate increased by 200 basis points	20

Chart 8: Monetary Policy Committee Decisions Since 2008



February Meeting

The first Monetary Policy Committee meeting of the year took place on February 04, 2013. The Committee reviewed the developments in the economy in the previous year and noted that inflation outcomes in 2012 were in line with expectations. Although inflation was envisaged to rise in 2013, it was expected to remain in a low single digit. Major challenges for policy continued to be the fragile global economic environment, worsening fiscal situation and the persistent depreciation pressures on the domestic currency.

Growth in monetary aggregates was moderate and expected to remain so in the short to medium term as yields on government securities increased. Risks from the financial sector were projected to remain weak given strong macro-prudential indicators. As a result, inflation outlook was projected to remain favourable in the short-term.

However, the Committee identified major risks to the outlook as the continued uncertain fiscal situation, sharp depreciation of the Dalasi and the fragile global economic environment. Although global inflation was low and subdued with limited risk to domestic inflation outlook, there remains considerable fragility in global recovery with the potential of posing considerable policy challenges going forward.

In light of the above developments, the Committee was of the view that existing monetary policy was appropriate and left the key policy rate unchanged at 12 percent but would continue to monitor price and exchange rate developments and take action as deemed appropriate.

May Meeting

The continued weakness of the domestic currency in the foreign exchange market and rising consumer prices were the main highlights of deliberations at the May meeting. From the fourth quarter of 2012 to the first quarter 2013, the Dalasi depreciated against the Great Britain Pound by 12.62 percent, US Dollar (11.87 percent) and Euro (12.0 percent). Domestic developments including expansionary fiscal policy were the main factors that accounted for the exchange rate depreciation. Although supply conditions in foreign exchange market improved in the first quarter, demand pressures emanating from the country's high import propensity were unrelenting.

Headline inflation accelerated to 12-month high at 5.3 percent in March 2013 from 4.9 percent in December 2012. The Committee observed that the marked increase in food inflation to 6.4 percent was the main driver of headline inflation. It was noted that the Gambian economy benefited but a little from the declining global inflation including the relatively subdued oil prices because of the rapid depreciation of the Gambian Dalasi.

Going forward, it was evident that the outlook of the exchange rate hinged greatly on the stance of fiscal policy. Consumer prices were projected to accelerate but remain within the target of 6.0 percent. However, upside risks to the inflation outlook include further depreciation of the exchange rate and the fiscal policy stance as wells as developments in the global economy.

Taking the above factors into consideration, including the anticipated worsening of the fiscal situation and further currency depreciation, it was viewed appropriate to take proactive action by increasing the policy rate by 200 basis points to 14 percent.

June Meeting

The Monetary Policy Committee of the Central Bank of The Gambia held an emergency meeting on June 21, 2013, barely a month after the previous meeting in May, prompted by the continued volatility in exchange rate and rising inflationary pressures. Policy options were re-assessed in a bid to arrest the unprecedented decline in the value of the domestic currency and rising inflationary pressures.

The Dalasi weakened against all the major international currencies as the fiscal situation continued to worsen and speculative attacks mounted. At end May 2013, the Dalasi depreciated year-on-year against the US Dollar by 21.4 percent, Euro (21.0 percent) and pound sterling (16.4 percent). Inflationary expectations also heightened during the period and yields on government securities continued to increase. The National Consumer Price inflation increased sharply to 5.7 percent in May 2013 from 4.1 percent a year ago

In reviewing the Policy Rate, the Committee noted the upward trend in the yields in government securities and re-aligned its monetary policy stance accordingly by increasing the Rediscount Rate from 14.0 percent to 18.0 percent. The move was expected to encourage investment in domestic currency-denominated assets.

The meeting followed a press statement on May 23, 2013 by the MPC on the pace of depreciation of the dalasi. The statement pointed out that although the depreciation of the domestic currency clearly reflected macroeconomic fundamentals at the time, the existence of speculative activities in foreign exchange market had put undue pressures on exchange rate that led to high volatility and created heightened inflationary pressures. Reacting to restore stability in the market, the MPC decided to raise the reserve requirement by two (2) percentage points to 12 percent, and reduced overnight net open position of banks for each currency from 15 percent of adjusted capital and reserves to 10 percent and the overall net open position from 25 percent of adjusted capital and reserves to 15 percent.

August Meeting

The Monetary Policy Committee on August 29, 2013 convened for the fourth time in 2013 to review developments in the economy and re-assess its short-term policy stance. The Committee increased the policy rate further to 20 percent as the depreciation of the exchange rate and inflationary pressures persisted.

The Committee noted that the larger-than-expected increase in the fiscal deficit affected progress toward fiscal consolidation and contributed to the widening of the current account deficit. Interest rates on government securities rose substantially reflecting current monetary policy stance and rising domestic debt.

3.2.4 Analysis of Monetary Aggregates

Annual Money Supply Growth

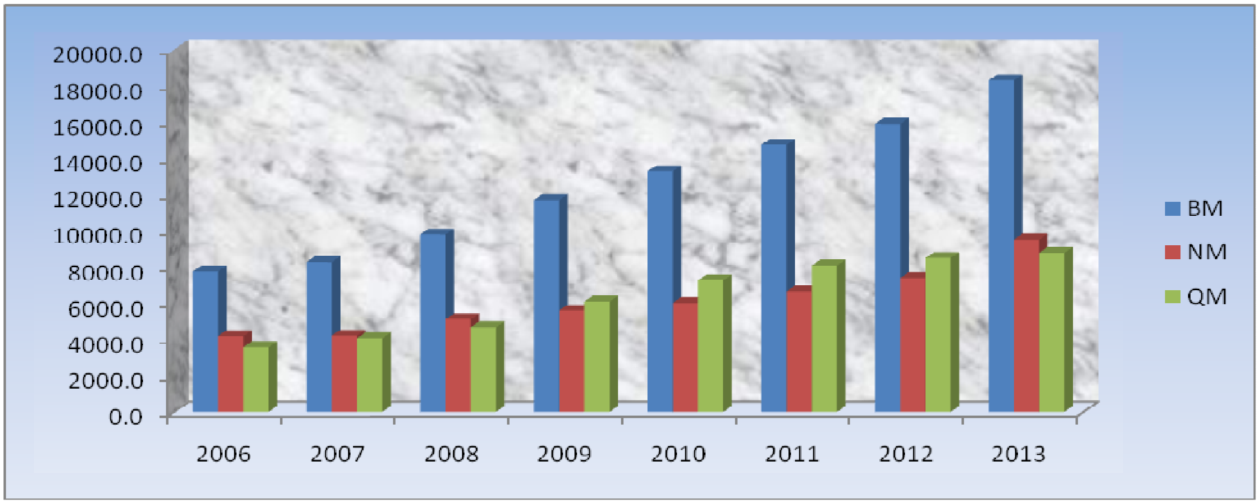
Growth in monetary aggregates picked up 2013 broadly in line with expectations. Broad Money grew by 15.1 percent in December 2013 compared to 7.8 percent a year earlier. Expansion in broad money over the twelve months period was due entirely to growth in the net domestic assets of the banking system. Narrow money grew by 28.7 percent in the review period relative to 10.9 percent in the corresponding twelve months of 2012 whilst quasi money contracted by 1.9 percentage points.

Table 5: Monetary Survey

Monetary Survey	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
NFA	**4,596.4**	**4,448.4**	**4,282.2**	**4,909.6**	**4,642.8**	**5,076.7**	**4,043.9**	**4,480.7**
NDA	**10,469.3**	**10,499.8**	**10,885.4**	**10,992.4**	**11,754.0**	**12,079.43**	**12,837.52**	**13,828.29**
Domestic Credit	11,736.8	11,503.3	12,333.1	12,628.1	13,269.3	13,912.16	15,388.33	15,791.69
Claims on Gov't, net	6,479.2	6,257.0	6,329.2	7,041.6	7,354.8	7,667.17	8,454.30	9,178.52
Claims on Pub. Ent.	653.1	601.7	830.2	764.9	877.2	965.91	878.56	807.13
Private Sec. Credit.	4,592.5	4,632.7	5,161.4	4,809.4	5,028.6	5,270.4	6,046.0	5,796.5
Claims on OFIs	12.0	12.0	12.3	12.3	8.7	8.7	9.5	9.50
Other items, net	-1,267.4	-1,003.5	-1,447.7	-1,635.8	-1,515.3	-1,832.7	-2,550.8	-1,963.4
BROAD MONEY	**15,065.7**	**14,948.2**	**15,167.5**	**15,902.0**	**16,396.8**	**17,156.1**	**16,881.42**	**18,309.02**
Narrow Money	**6,806.6**	**6,634.2**	**6,651.4**	**7,395.8**	**7,917.0**	**8,312.1**	**8,191.9**	**9,518.4**
Quasi-money	**8,259.2**	**8,314.0**	**8,516.2**	**8,506.2**	**8,479.8**	**8,844.0**	**8,689.6**	**8,790.6**
				Change from previous year				
NFA	**19.4**	**10.8**	**6.7**	**7.9**	**1.0**	**14.1**	**-5.6**	**-8.7**
NDA	**4.9**	**3.9**	**7.1**	**7.7**	**12.3**	**15.0**	**17.9**	**25.8**
Domestic Credit	8.3	5.0	7.6	10.4	13.1	20.9	24.8	25.1
Claims on Gov`t, net	17.7	11.6	4.2	17.3	13.5	22.5	33.6	30.3
Claims on Pub. Ent.	-18.1	-16.9	7.4	-5.7	34.3	60.5	5.8	5.5
Private Sector Credit	1.4	0.5	12.1	4.3	9.5	13.8	17.1	20.5
Claims on OFIs	23.8	23.8	15.0	5.1	-27.6	-27.6	-22.6	-22.6
Other items, net	46.6	18.9	11.6	32.7	19.6	82.6	76.2	20.0
BROAD MONEY	**9.0**	**5.8**	**7.0**	**7.8**	**8.8**	**14.8**	**11.3**	**15.1**
Narrow Money	**8.6**	**3.4**	**4.7**	**10.9**	**16.3**	**25.3**	**23.2**	**28.7**
Quasi-money	**9.3**	**7.9**	**8.9**	**5.2**	**2.7**	**6.4**	**2.0**	**3.3**
				Change from previous quarter				
NFA	1.0	-3.2	-3.7	14.7	-5.4	9.3	-12.9	10.8
NDA	2.6	0.3	3.7	1.0	6.9	2.8	9.2	7.7
Domestic Credit	2.6	-2.0	7.2	2.4	5.1	4.8	16.0	2.6
Claims on Gov't, net	8.0	-3.4	1.2	11.3	4.4	4.2	14.9	8.6
Claims on Pub. Ent.	-19.5	-7.9	38.0	-7.9	14.7	10.1	0.2	-8.1
Private Sec. Credit	-0.4	0.9	11.4	-6.8	4.6	4.8	20.2	-4.1
Claims on OFIs	2.6	0.0	2.5	0.0	-29.3	0.0	9.6	0.0
Other items, net	2.8	-20.8	44.3	13.0	-7.4	20.9	68.3	-23.0
BROAD MONEY	2.1	-0.8	1.5	4.8	3.1	4.6	3.0	8.5
Narrow Money	2.1	-2.5	0.3	11.2	7.0	5.0	3.5	16.2
Quasi-money	2.1	0.7	2.4	-0.1	-0.3	4.3	2.5	1.2

Source: Central Bank of The Gambia

Chart 9: Broad Money and its Components in (D'millions)



The annual growth in narrow money was due entirely to the marked increase in demand deposits. Demand deposits rose by 36.8 percent to D6.3 billion whilst growth in currency outside banks declined to 15.5 percent in 2013 relative to 18.6 percent in 2012. Consequently, the share of narrow money to broad money rose to 52.0 percent in December 2013 from 46.5 percent in December 2012.

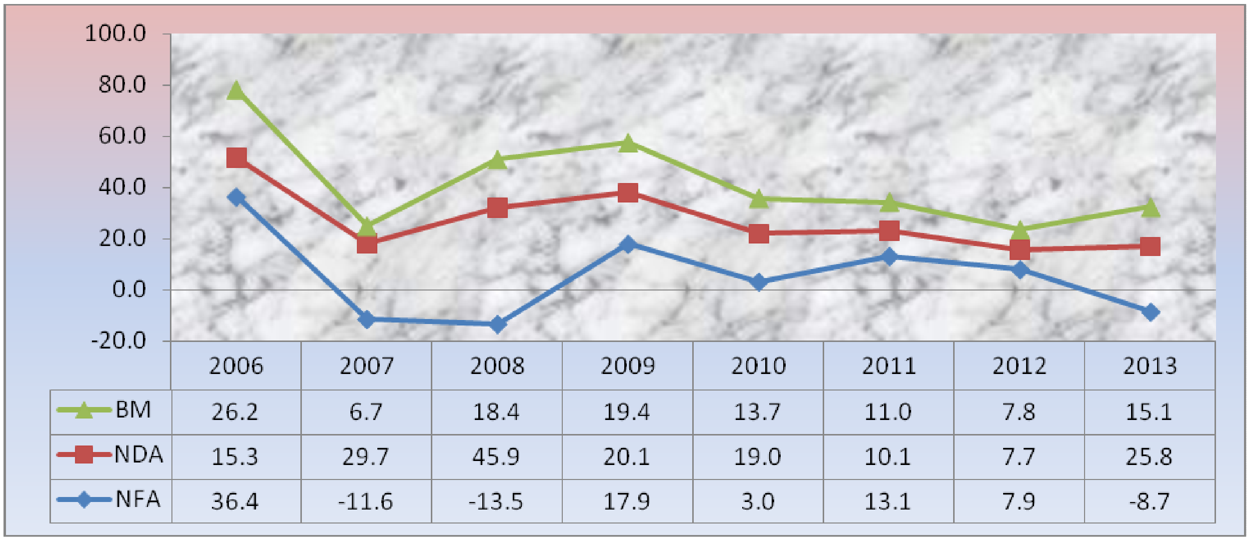
Quasi money, comprising savings and time deposits, grew at an annual rate of 3.3 percent in December 2013 to D8.8 billion compared to 5.2 percent in December 2012. Growth in both savings and time deposits decelerated from 14.7 percent to 12.8 percent and from negative 6.7 percent to negative 11.1 percent respectively. Consequently, the ratio of quasi money to broad money declined to 48.0 percent from 53.5 percent a year ago.

Net Foreign Assets (NFA)

The NFA of the banking system contracted to D4.5 billion, or 8.7 percent in December 2013 owing to the decline in the net foreign assets of the Central Bank.

The NFA of the Bank declined to D2.8 billion at the end of 2013 from D3.4 billion in 2012 thanks to a 2.8 percent contraction in the foreign assets of the Bank. The external obligation of the Bank also increased reflecting disbursements from the IMF related to the Extended Credit Facility (ECF).

Chart 10: Sources of Liquidity



	2006	2007	2008	2009	2010	2011	2012	2013
BM	26.2	6.7	18.4	19.4	13.7	11.0	7.8	15.1
NDA	15.3	29.7	45.9	20.1	19.0	10.1	7.7	25.8
NFA	36.4	-11.6	-13.5	17.9	3.0	13.1	7.9	-8.7

The net foreign assets of deposit money banks, on the other hand, grew by 12.2 percent in December 2013 compared to a sluggish growth of 0.6 percent in the corresponding period in 2012. The growth in the NFA of deposit money banks was aided by the increase in the foreign assets of banks which more than offset the increase in liabilities.

The foreign assets of deposit money banks rose to D2.9 billion or by 8.1 percent in December 2013 relative to 39.9 percent growth in the same period a year ago. Foreign cash holdings and foreign investments supported the growth in the foreign assets of DMBs as balances held with foreign banks declined by 7.0 percent during the review period.

Similarly, foreign liabilities of deposit money banks increased by D41.50 million in 2013 from D1.3 billion in 2012. The increase in foreign liabilities was due to the increase in foreign borrowing and deposits at other banks abroad by 10.8 percent and 34.4 percent respectively.

3.2.5 Net Domestic Assets (NDA)

The NDA of the banking system rose to D13.8 billion in 2013, or 25.8 percent compared to 7.7 percent in the same period in 2012. There was a substantial growth in credit in 2013 reflecting increased borrowing by government and the private sector. Domestic credit rose at a robust pace of 25.1 percent compared to 2.6 percent in 2012. The banking system's net claims on government rose to D9.2 billion, or 30.3 percent compared to 17.3 percent in 2012, reflecting government's increased appetite for private funds to finance budget deficit.

Credit to the private sector rose to D5.8 billion, or by 5.6 percent relative to a contraction of 0.1 percent in the preceding year. Credit to the tourism sector grew by 21.6 percent compared to a decline of 10.5 percent in 2012. Distributive trade, accounting for 31.6 percent of total credit, rose by 10.8 percent relative to 15.6 percent in the preceding period. Conversely, credit extended to agriculture, fishing and manufacturing decreased by 37.5 percent, 16.7 percent and 9.4 percent in 2013 from 8.7 percent, 40.9 percent and 2.1 percent in 2012 respectively.

Reserve Money Growth

Reserve money grew by 28.1 percent in the twelve months to December 2013 compared to 6.8 percent in the preceding year. Reserve money growth was equal to the forecast of 28.1 percent for the year on account of the marked increase in the net domestic assets of the Central Bank by 234.8 percent to D2.55 billion. Central Bank's financing of government deficit increased to D2.54 billion, or 379.5 percent over 2012. Other items net, of the Bank declined to negative D56.17 million, or 133.3 percent.

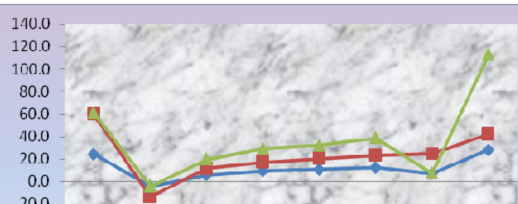
On the other hand, the NFA of the Bank contracted to D2.8 billion or 17.7 percent relative to a positive growth of 14.4 percent a year earlier. The contraction in the NFA of the Bank was largely due to the marked increase in foreign liabilities from D3.2 billion in December 2012 to D3.6 million. In contrast, foreign assets of the Bank declined by 2.8 percent to D6.5 billion. The decline in the foreign assets of the Bank was mainly on account of the unfavourable external sector position.

Table 6: Summary Accounts of The Central Bank in *D'millions*

Key Variables				***Yearly % Change***	
	2011	**2012**	**2013**	**2012**	**2013**
Net Foreign Assets	3089.6	3441.8	2834.5	**11.4**	**-17.6**
Foreign Assets	5518.7	6641.2	6454.3	**20.3**	**-2.8**
Foreign Liabilities	2429.0	3199.4	3619.9	**31.7**	**13.1**
Net Domestic Assets	844.6	761.2	2548.1	**-9.9**	**234.8**
Domestic Credit	569.4	592.6	2604.3	**4.1**	**339.5**
Net Claims	515.3	529.5	2539.0	**2.7**	**379.5**
Gross Claims	2291.8	2469.1	4489.8	**7.7**	**81.8**
Gov't Deposits	1776.5	1939.7	1950.8	**9.2**	**0.6**
Reserve Money	3934.2	4203.0	5382.6	**6.8**	**28.1**
Currency In Circulation	2700.5	3183.8	3635.5	**17.9**	**14.2**
Reserves of DMBs	1233.7	1019.1	1747.1	**-17.4**	**71.4**

Source: Central Bank of The Gambia

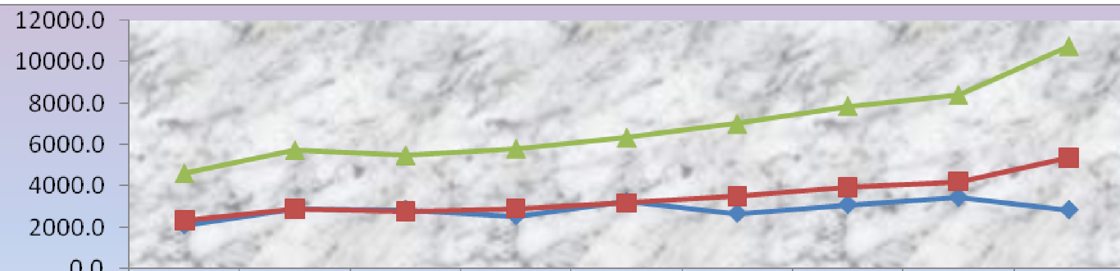
Components of Reserve Money



	2006	2007	2008	2009	2010	2011	2012	2013
RDMBs	1.3	9.2	8.3	12.1	11.8	15.6	-17.4	71.4
CIC	35.7	-9.3	5.7	8.1	9.9	10.8	17.9	14.2
BM	24.3	-4.3	5.7	9.3	10.5	12.3	6.8	28.1

Both components of reserve money increased. From year to end-December 2013, currency in circulation grew by 14.2 percent, down from 17.9 percent in the corresponding period a year earlier. Reserves of commercial banks rose by 71.1 percent from a contraction of 17.4 percent a year ago reflecting the increase in the statutory reserve requirement by the Central Bank in June 2013.

Table 7: Sources of Liquidity



	2005	2006	2007	2008	2009	2010	2011	2012	2013
BM	2306.6	2866.5	2744.5	2902.1	3171.4	3503.3	3934.2	4203.0	5382.6
NDA	200.9	0.2	-110.5	354.0	-60.1	838.3	844.6	761.2	2548.1
NFA	2105.7	2866.3	2855.0	2548.2	3231.5	2665.0	3089.6	3441.8	2834.5

3.3 Developments in Deposit Money Banks' Credit

Private sector credit expansion recovered in 2013. Year-on-year, the banking system's claims on the private sector (net of provisions) rose by 9.31 percent in November 2013 after growing by 4.60 percent and 4.18 percent in October and September 2013, respectively. However, private sector credit growth grew substantially to 9.8 percent in December 2013 compared to a marginal decline of 0.1 percent a year earlier.

Commercial Banks' outstanding gross loans and advances to major sectors of the economy rose by 9.8 percent to D5.9 billion in December 2013 compared to a marginal decline of 0.05 percent in 2012. Sectorial allocation of credit flow shows no major shifts in the pattern of distribution among key economic sectors. Distributive trade and other unclassified loans absorbed more than half (56.2 percent) of overall commercial loans and advances. Credit to all sectors of the economy grew with the exception of agriculture, fishing, manufacturing, and personal loans.

Chart 11: Growth in Outstanding Loans and Advances to Major Economic Sectors

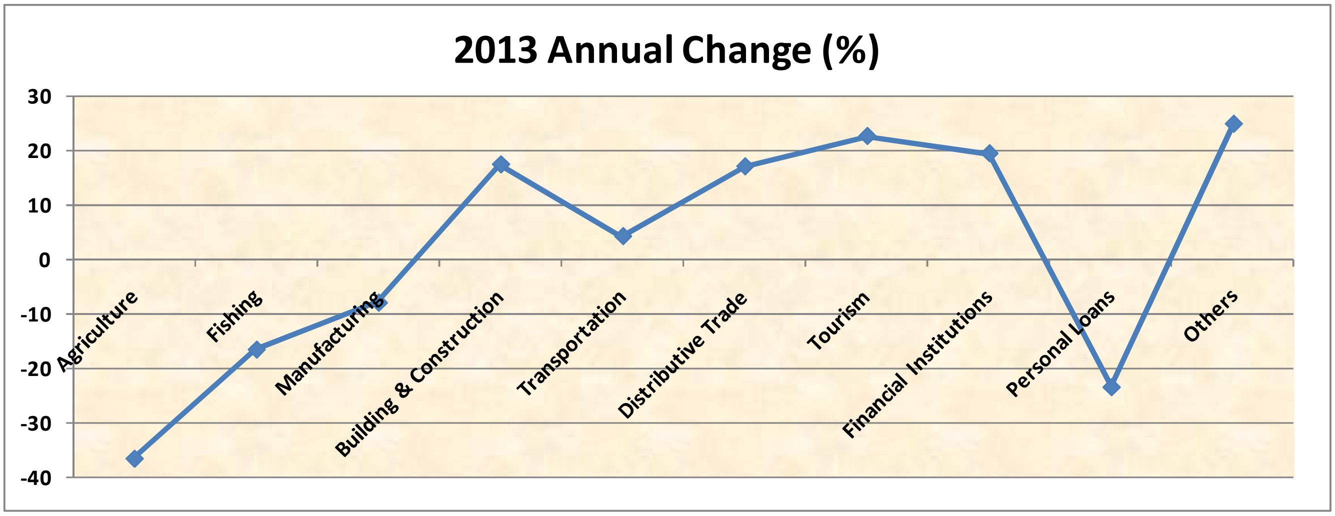
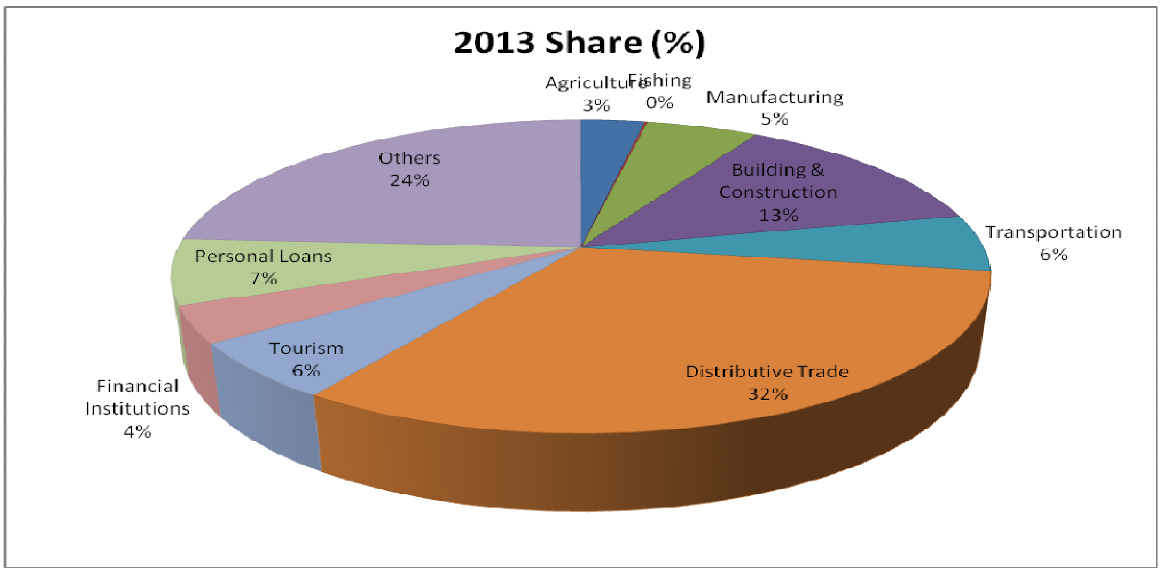


Chart 12: Distribution of Commercial Banks' Loans and Advances



Agriculture, the second biggest contributor to GDP after services sector, continues to be the least recipient of credit from commercial banks. The sector attracted 3.0 percent of overall credit in 2013 compared to 5.2 percent in 2012. Total credit to the sector, mainly for production and marketing, contracted to D180.0 million, or 36.7 percent in 2013 compared to 8.6 percent in 2012. Agricultural production declined substantially in 2011 due to poor rains but rains resumed in 2013 that resulted partial recovery in the sector.

Lending to the manufacturing sector contracted to D316.2 million, or 8.1 percent compared to a marginal declined of 2.1 percent in 2012. The sector absorbed 5.3 percent of overall credit relative to 6.3 percent in 2012. Manufacturing sector in the Gambia is small and undeveloped and contributes less than 5 percent of gross domestic product.

Table 8: Outstanding Loans and Advances to Major Sectors of the Economy

	2011			2012			2013		
	In million	Share (%)	**Annual Change (%)**	In million	Share (%)	**Annual Change (%)**	In million	Share (%)	**Annual Change (%)**
Agriculture	311	5.7	**7.3**	284.3	5.2	**-8.6**	180.0	3.0	**-36.7**
Fishing	14.5	0.3	**-26.3**	8.5	0.2	**-40.9**	7.1	0.12	**-16.7**
Manufacturing	351.5	6.4	**25.7**	344.1	6.3	**-2.1**	316.2	5.29	**-8.1**
Building & Construction	492.7	9	**-4**	670.8	12.3	**36.1**	786.6	13.15	**17.27**
Transportation	330.4	6.1	**-8.6**	334.6	6.1	**1.3**	348.1	5.8	**4.1**
Distributive Trade	1418.5	26	**-8.3**	1640.3	30.1	**15.6**	1917.6	32.1	**16.9**
Tourism	318.3	5.8	**11.7**	284.9	5.2	**-10.5**	348.9	5.83	**22.46**
Financial Institutions	242	4.4	**23.6**	188.7	3.5	**-22**	225.1	3.76	**19.29**
Personal Loans	576.6	10.6	**21.1**	535.5	9.8	**-7.1**	409.2	6.8	**-23.6**
Others	1395.7	25.6	**8**	1157	21.2	**-17.1**	1442.3	24.1	**24.7**
Total	5,451.30	100	**3.6**	5448.7	100	**-0.05**	5981.1	100	**9.8**

The fishing industry attracted a minuscule 0.12 percent of overall commercial bank credit. Credit to the sector contracted markedly in 2013 by 16.7 percent compared to a whopping 40.9 percent in 2012. Likewise personal loans contracted to D409.2 million or 23.6 percent in the review period and attracted 6.8 percent of overall commercial bank credit.

Credit extended to building and construction rebounded from a contraction of 4.0 percent in 2011 to grow by 36.1 percent to D670.8 million in 2012 before growing further to D786.6 million or by 17.3 percent in 2013. Consequently, the share of credit to the sector rose to 13.2 percent from 12.3 percent and 9.0 percent in 2012 and 2011 respectively.

Distributive trade sector remains the dominant sector in the credit market accounting for 32.1 percent of total credit from 30.1 percent a year ago. Total loans and advances extended to the sector rose to D1.9 billion or 16.9 percent in 2013 from a growth rate of 15.6 percent in 2012.

Total credit to the tourism sector rose to D384.9 million or 22.5 percent compared to a decline of 10.5 percent in 2012. Tourism sector contributed about 6.4 percent of GDP in 2013 but attracted only 5.8 percent of overall credit compared to 5.2 percent and 5.8 percent in 2012 and 2011 respectively. The sector provides employment opportunities for many Gambians.

Commercial banks' loans and advances to other financial institutions also rose to D225.1 million or 19.3 percent compared to a decline of 22.1 percent a year ago. A substantial portion of commercial banks loans and advances (24.6 percent in 2013) is unclassified. Unclassified loans and advances increased to D1.4 billion or 24.6 percent in 2013 and accounted for 24.1 percent of the total loan portfolio in the review period.

3.4 Interest Rates Developments

The Central Bank of the Gambia's policy rate generally trended upwards during the year under review reflecting tight monetary policy stance of the Bank following heightened inflationary pressures and sharp exchange rate depreciation. The rediscount rate, the policy rate of the CBG, was increased three times in May, June and August. In addition, the MPC increased the reserve requirement by two percentage points to help curb increased volatility in the exchange rate with rising inflationary pressures.

The weighted average interest rate on the 91-day Treasury bills and 182-day bills which stood at 9.53 percent and 10.21 percent in December 2012 increased to 15.95 percent and 17.11 percent in December 2013 respectively. Similarly the weighted average rate on the 364-day Treasury bills rate increased from 10.95 percent to 18.54 percent during the same period.

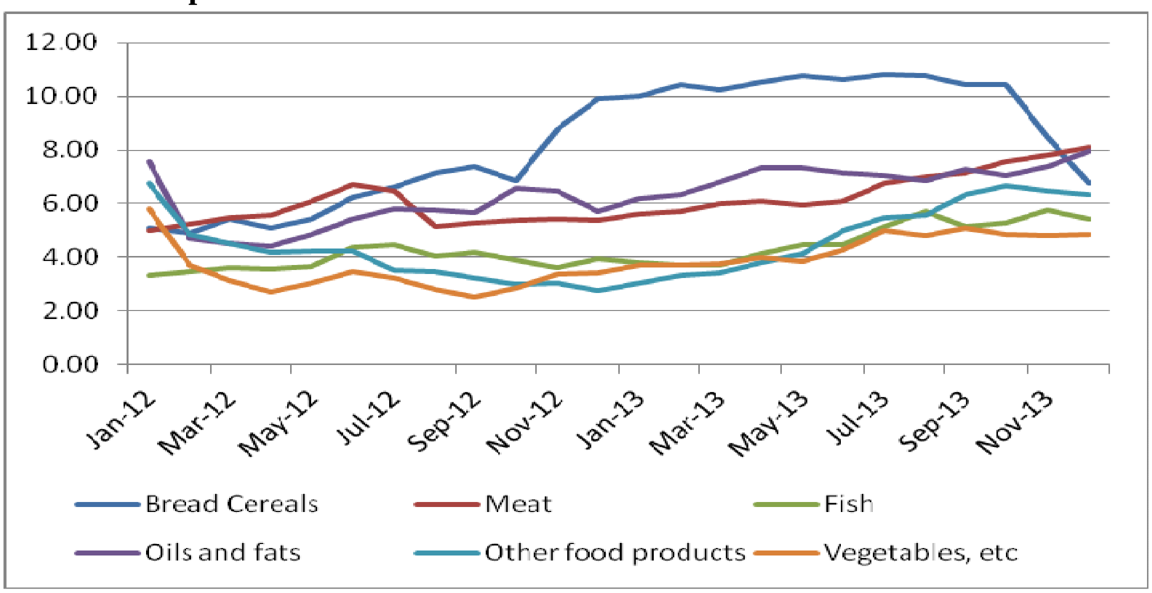
The minimum rate on 3-month time deposit rate remained unchanged at 5.0 percent in December 2013 whilst the maximum 3-month time deposit rates increased from 11.5 percent in December 2012 to 16.85 percent in December 2013. A 6-month time deposit attracted a minimum rate of 6.0 percent as at end-December 2013 virtually unchanged from December 2012. Maximum interest rate on a 6-month time deposit increased to 18.61 percent from 13.0 percent in December 2012. Time deposits for duration of nine and 12 months attracted maximum interest rates of 12.0 percent and 19.0 percent respectively. Deposit money banks' average lending rate to the major sectors of the economy remained unchanged at 21.5 in December 2013 compared to the preceding year.

3.5 Price Developments

Consumer price inflation measured by the National Consumer Price Index (NCPI) increased to 5.6 percent in December, 2013 from 4.9 percent and 4.4 percent in the same period in 2012 and 2011 respectively. Food items, which make up more than half the weight of the inflation basket of goods and services, continued to be the main driver of headline inflation. Average inflation (12-month moving average) also increased from 4.3 percent in 2012 to 5.7 percent in 2013.

Consumer food inflation rose to 6.7 percent in 2013 compared to 5.6 percent and 5.7 percent in 2012 and 2011 respectively. The increase in food price inflation was due to the increases in the prices of bread cereals which accounts for nearly a quarter of the weight of the food basket.

Table 9: Components of Food Inflation

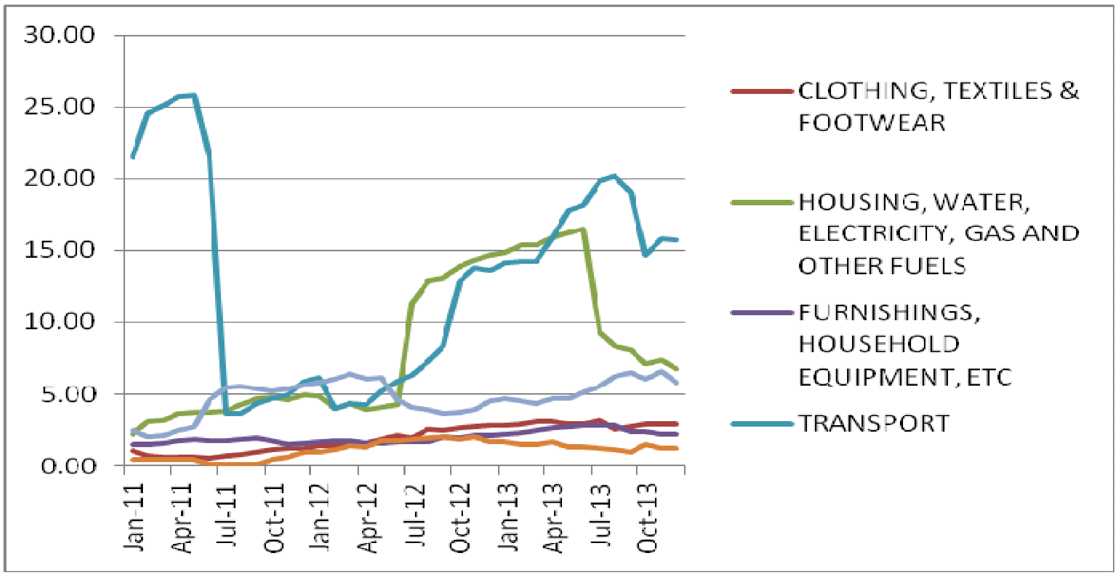


Source:Central Bank of The Gambia

Non-Food Inflation

Consumer non-food inflation has been largely low and stable at below 2.0 percent in 2010, 2011 and the first half of 2012. However, given the depreciation of the Dalasi against most of the major currencies traded in the FX market (since September 2012) and also the cost of fuel and energy, consumer non food inflation is reaching new record highs. Non-food inflation, on the other hand, declined to 3.7 percent in December 2013 relative to 4.0 percent a year earlier. The increase in non-food inflation was due largely to the rise in the consumer prices of housing, water, electricity, gas and other fuels as well as transportation cost.

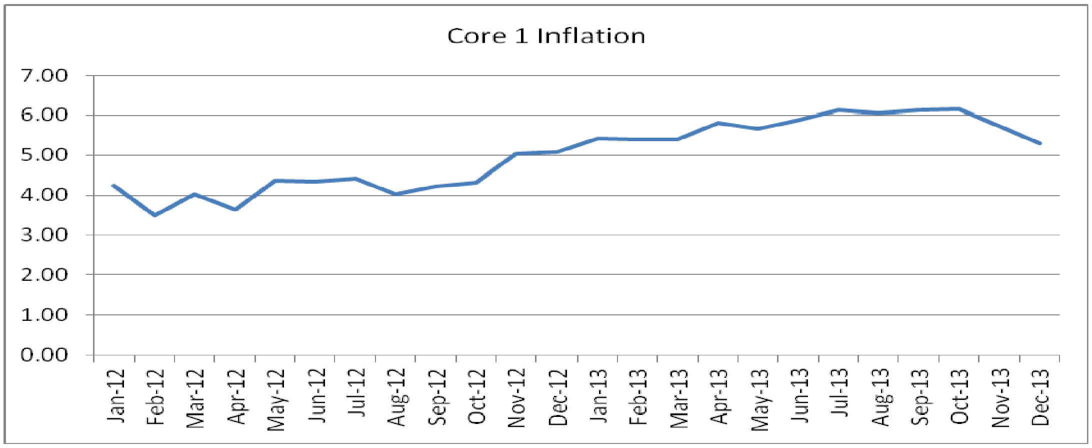
Chart 13: Components of Non-food Inflation



Source:Central Bank Of The Gambia

The Central Bank of the Gambia's core measure of inflation excludes prices of products that can have temporary price shocks because these disturbances can diverge from the overall long term trend. The first measure of the underlying inflation (excluded price effects of energy and utility) increased from 5.1 percent in December 2012 to 5.4 percent in March 2013. It further increased to 6.2 percent in October 2013 and slightly declined to 5.7 percent and 5.3 percent in November and December 2013 respectively.

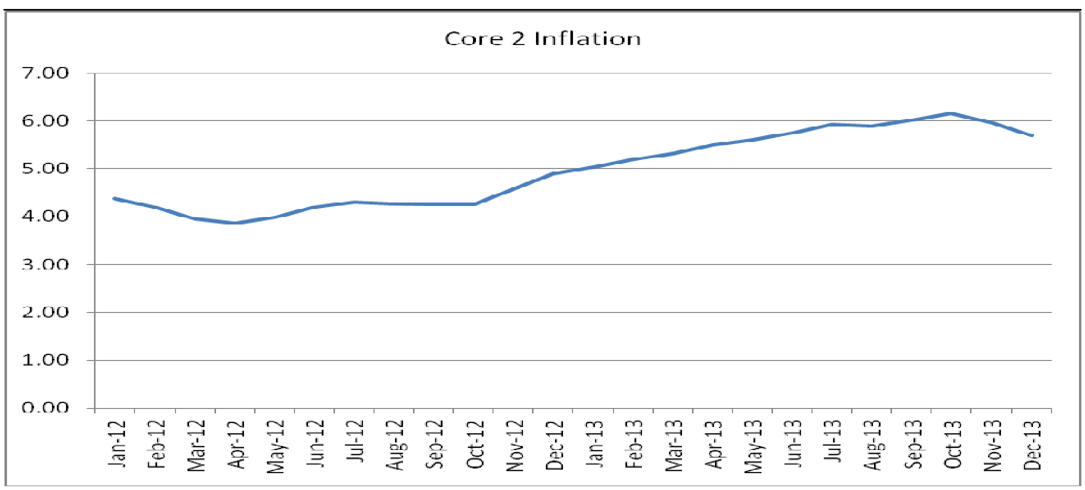
Chart 14: Core 1 Inflation



Source: Central Bank of The Gambia

The second measure of core inflation (which further excludes prices of volatile food items) stood at 4.9 percent in December 2012. It further increased to 5.3 percent and 5.8 percent in March and June 2013 respectively. It recorded a new high at 6.2 percent in October 2013 before then trending downwards to 6.0 percent and 5.7 percent in November and December 2013 respectively.

Chart 15: Core 2 Inflation



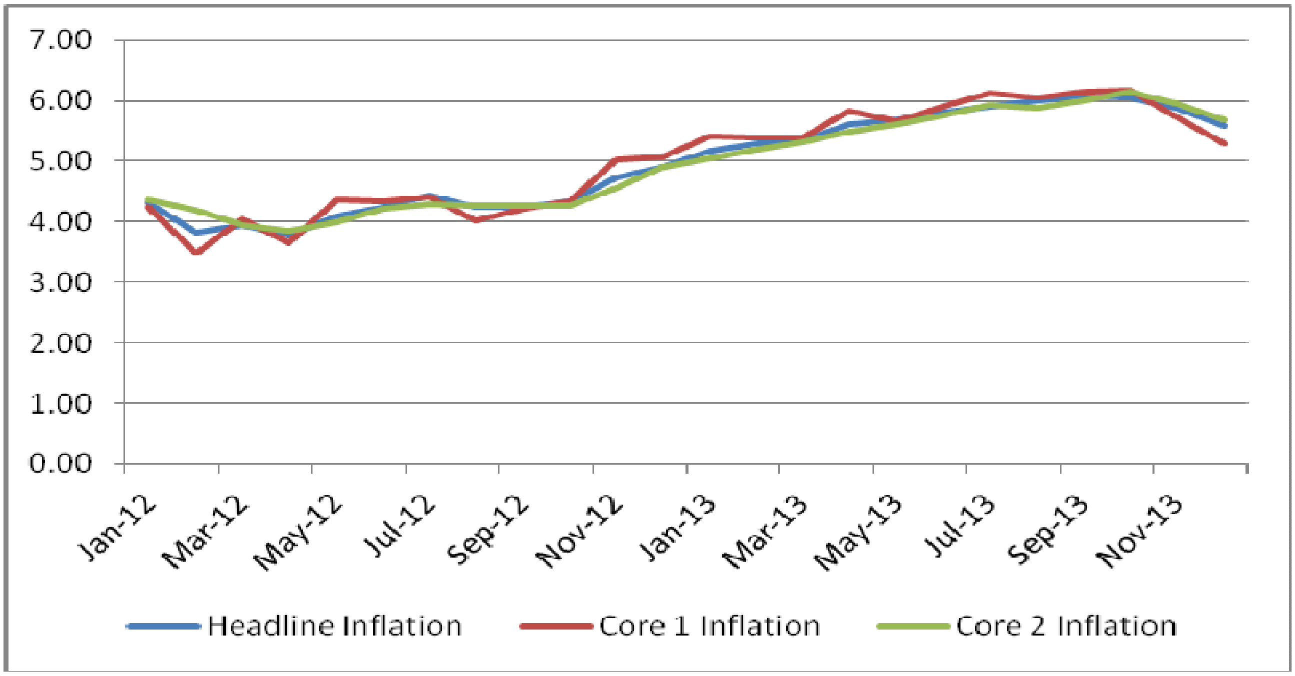
Source: Central Bank of The Gambia

Chart 16: Measures of Inflation (Year-on-Year)

	Dec. 11	Mar. 12	Jun. 12	Sept. 12	Dec. 12	Mar. 13	Dec.13
Headline	4.38	3.94	4.30	4.23	4.90	5.35	5.58
Core 1	4.40	4.03	4.34	4.22	5.08	5.39	5.30
Core 2	4.32	3.95	4.21	4.25	4.89	5.32	5.68

Source: Central Bank of the Gambia

Chart 17: Headline, Core 1 and Core 2 Inflation

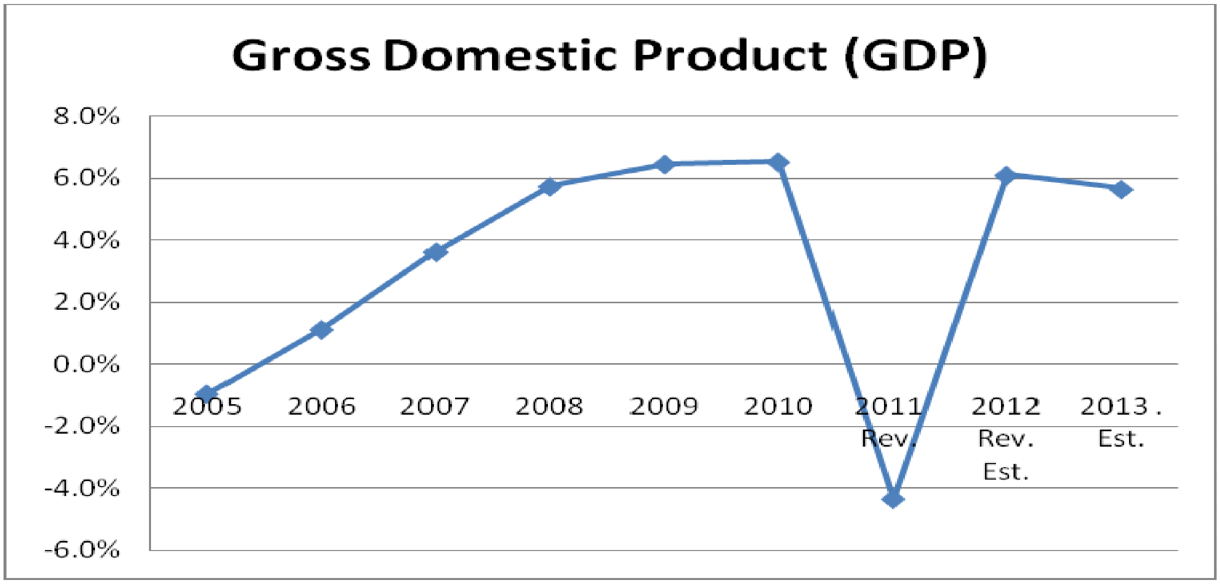


Source:Central Bank of The Gambia

3.6 Real Sector Developments

The Gambian economy recovered partially in 2012 from a temporary decline 2011 which was due to massive decline in crop production. Real GDP growth was rebounded in 2012 on account of the moderate recovery of the agricultural sector from the 2011 drought and strong performance of the tourism sector. The economy was estimated to have grown by 5.6 percent in 2013, down from 6.1 percent in 2012 on the back of slow growth in the services sector.

Chart 18: Real GDP Growth Rates over the years (2005-2013)



The services sector remains the leading sector in terms of contribution to GDP, accounting for 58 percent and 57 percent of GDP in 2012 and 2013 respectively. The agricultural sector followed the services sector with 22 per cent in 2013 which has been the average for the past three years.

Chart 19: Sectoral Contributions to GDP in 2013

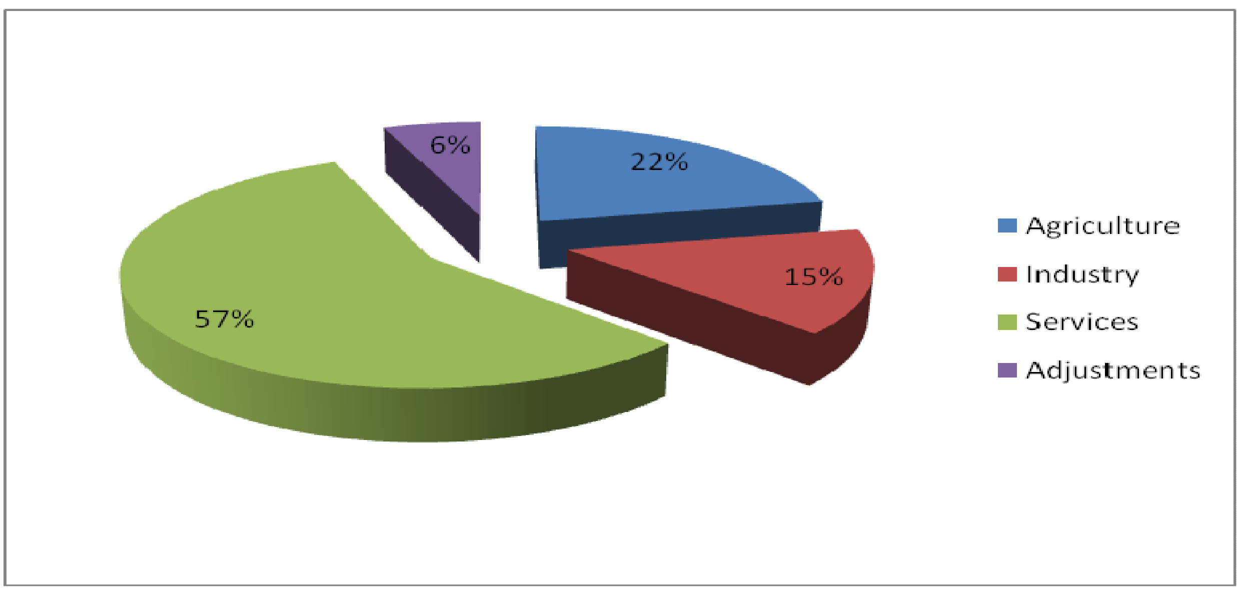
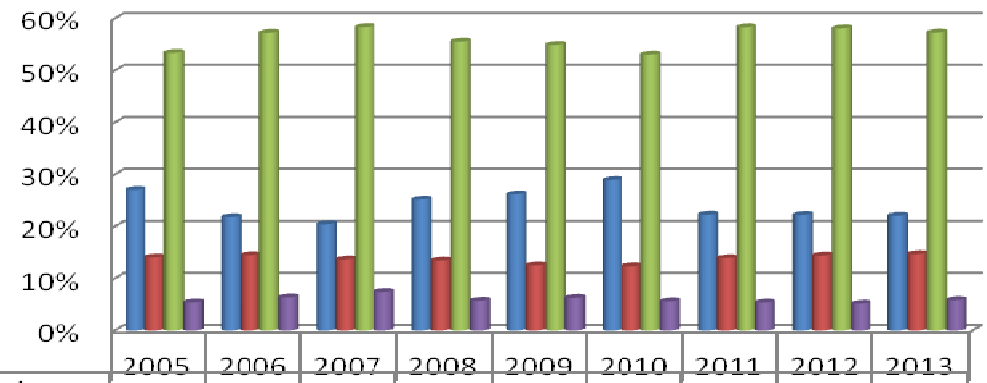


Chart 20: Sectoral Contributions to GDP over the years (2005-2013)



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture	27%	22%	20%	25%	26%	29%	22%	22%	22%
Industry	14%	15%	14%	13%	13%	12%	14%	14%	15%
Services	53%	57%	58%	56%	55%	53%	58%	58%	57%
Adjustments	5%	6%	7%	6%	6%	6%	5%	5%	6%

Agriculture is a major sector which employs an estimated 80 percent of the labour force. The sector depends highly on rainfall which has been highly erratic and less reliable for sustained agricultural activities. As a result, government has given the sector special attention over the years to boost output levels. The government of The Gambia continues to reaffirm its commitment to transforming the agricultural sector into a major food supplier for both local and international markets in the medium term.

The initiation of The Gambia National Agricultural Investment Program (GNAIP) in 2010, the increase in budgetary allocation towards the agricultural sector, among others, is a clear testimony of government's commitment towards increasing output levels. GNAIP which aims at boosting the output of the agriculture sector and other natural resources through higher productivity for industrial and commercial purpose was further improved in the Programme for Accelerated Growth and Employment (PAGE) in which agriculture is a key focus.

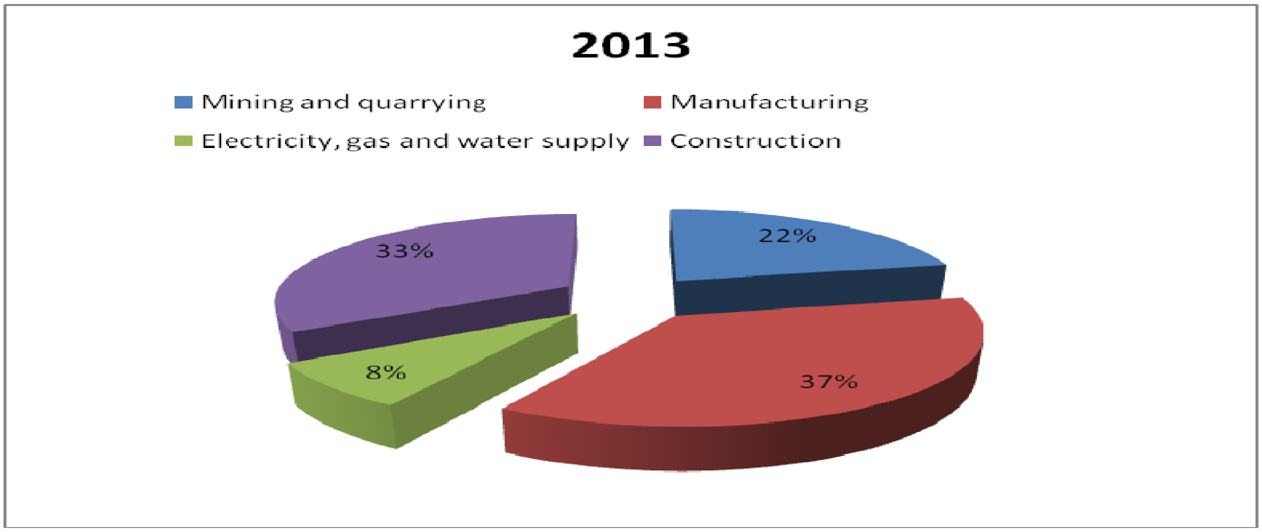
Chart 21: Growth Rates of Agricultural Sub-Sectors (2005-2013)

	2005	2006	2007	2008	2009	2010	2011 Rev.	2012 Rev. Est.	2013 . Est.
Crops	-4.1%	-26.3	-15.2	55.2%	24.4%	15.7%	-40.4	8.5%	14.8%
Livestock	0.9%	1.4%	12.2%	2.9%	-4.6%	5.0%	3.4%	3.8%	4.6%
Forestry	3.0%	3.0%	-4.0%	1.0%	0.1%	3.0%	3.5%	3.1%	3.4%
Fishing	-2.2%	7.8%	18.0%	3.5%	1.1%	1.7%	3.9%	3.4%	4.0%

Crop production has remained the major driver in the agricultural sector accounting for 52.65 percent and 54.69 percent in 2012 and 2013 respectively. Crop production was estimated to have grown in 2012 by 8.5 percent while the estimated growth for 2013 was 14.8 percent. Similarly, all other sub-sectors including livestock, forestry and fishing also recorded improvements by 4.6 percent, 3.4 percent and 4.0 percent in 2013 compared to the previous year's revised estimates of 3.8 percent, 3.1 percent and 3.4 percent respectively.

The growth in the industrial sector was estimated to be 7.0 percent in 2013 compared to a revised growth of 6.4 percent in 2012, reflecting good performance in the manufacturing, construction, mining & quarrying, and electricity, gas and water supply sub-sectors. The construction sub-sector recorded the highest growth level of 14.5 percent in 2013 from 12.7 percent in the previous year and accounted for 33.0 percent of the industrial sector in 2013. Mining & quarrying and Electricity, gas & water supply sub-sectors accounted for 8.0 percent and 22.0 percent respectively in 2013.

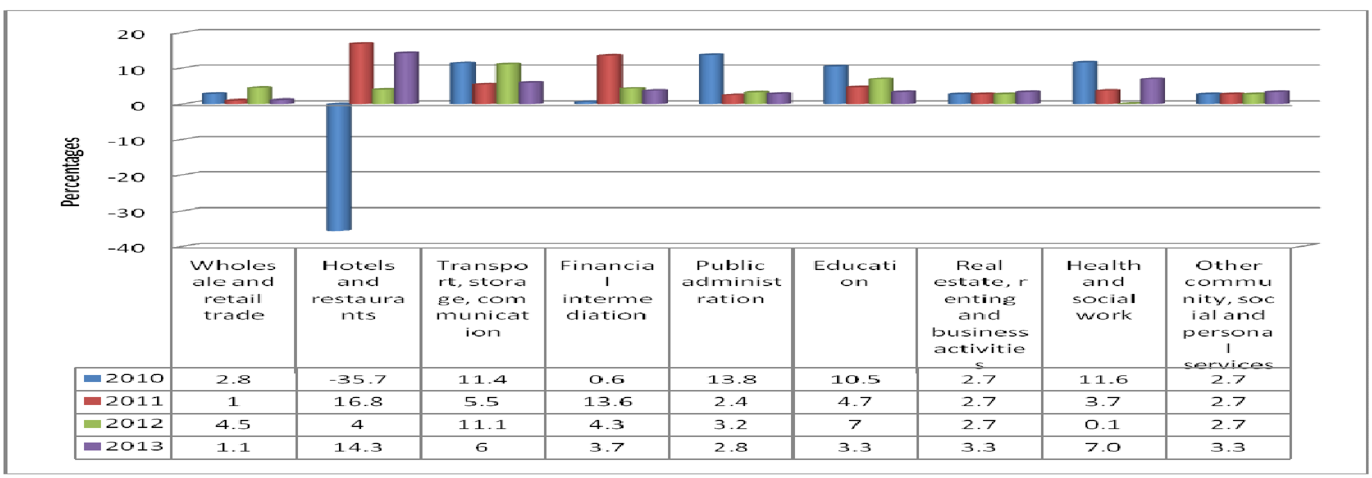
Chart 22: Sub-sectorial share of the Industrial sector (2013)



The services sector, the dominant sector of the Gambian economy, accounting for 58 percent of GDP in both 2011 and 2012, grew by 5.0 percent and 5.8 percent respectively. However, the sector was estimated to have grown by 3.7 percent in 2013.

Major growth was seen in wholesale and retail (4.5 percent), hotels and restaurants (4.0 percent), transport, storage and communication (11.1 percent), finance (4.3 percent), public administration (3.2 percent) and education (7.0 percent) in 2012.

Chart 23: Growth in the Services Sub-Sectors



3.7 Fiscal Developments

Estimates of government fiscal operations in 2013 showed higher fiscal deficit compared to 2012. Total revenue and grants generated declined compared to 2012 due to the less-than-expected grants. On the other hand, total expenditure increased markedly. Budget balance was financed mainly by domestic borrowing including Central Bank financing.

Revenue and Grants

Revenue and grants for 2013 was estimated to have declined by D525.2 million to D5.9 billion (17.5 percent of GDP) from an outturn of D6.5 billion in 2012 (22.5 percent of GDP). The decline was mainly on account of the decline in grants from D1.86 billion in 2012 to D725.1 million in 2013. Domestic revenue outturn rose by 10.6 percent to D5.2 billion. Revenue generated from taxes stood at D4.6 billion, an increase of 9.3 percent over 2012 level. Tax revenue generated from international trade was D2.1 billion or 46.6 percent of total tax revenue.

Domestic taxes on goods and services at D1.1 billion, which constituted 23.5 percent of total tax revenue increased to D1.1 billion, or 28.7 percent. Revenue collected from personal taxes contracted to D573.7 million, or 24.3 percent whilst receipts due to corporate taxes rose to D685.4 million, or 4.9 percent respectively. Non-tax revenue collections grew by D117.4 million from 2012 to D677.52 million in 2013.

Chart 24: Components of Government Receipts

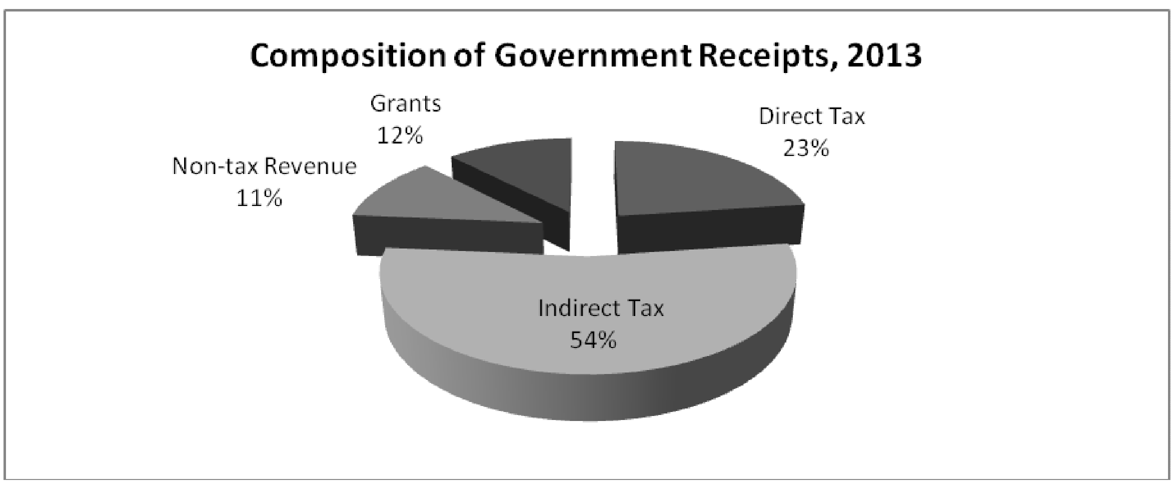


Table 10: Revenue and Grants

	2010	2011	2012	2013
RECEIPTS (In Millions of Dalasis)				
Total Revenue & Grants	**5,011.2**	**5,597.19**	**6,476.95**	**5,951.75**
Percent of GDP	17.1	16.1	29.5	17.5
Domestic Revenue	**3,945.8**	**4,242.01**	**4,723.75**	**5,226.61**
Percent of GDP	13.5	12.9	21.5	15.4
Tax Revenue	**3,480.6**	**3,718.6**	**4,163.37**	**4,549.09**
Percent of GDP	11.9	11.4	19	13.4
Direct Tax	1,108.7	1,207.6	1,497.48	1,359.52
Personal	559.6	620.2	757.97	573.72
Corporate	447.5	510	653.19	685.43
Indirect Tax	2,371.9	2,511	2,665.89	3,189.56
Domestic Tax on gds & svs	607.3	732.9	829.65	1,067.93
Tax on Int'l. Trade	1,764.6	1,778.1	1,836.24	2,121.63
Duty	872.2	840.1	855.06	1,283.61
Sales tax on imports	892.4	938	981.19	838.02
Non-tax Revenue	**465.2**	**523.44**	**560.38**	**677.52**
Percent of GDP	1.6	1.5	2.6	2
Grants	**1,065.5**	**1,355.18**	**1,753.2**	**725.14**
Percent of GDP	3.6	3.1	8	2.1
Program	**0**	**0**		
Projects	**1,065.5**	**1,355.18**	**1,753.2**	**725.14**

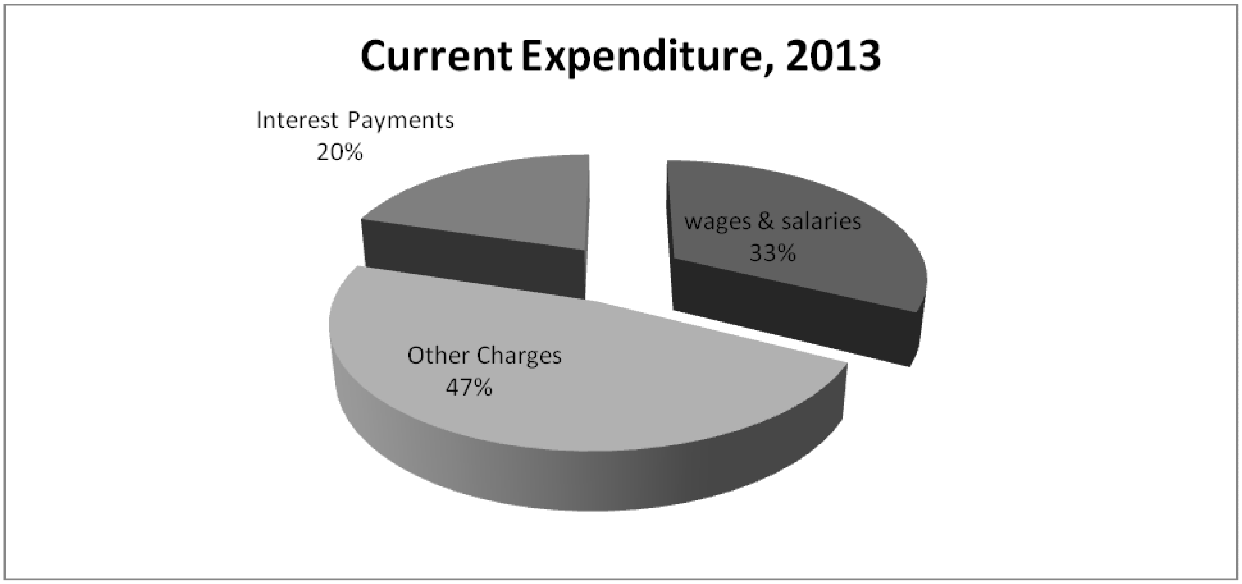
Source: MOFEA

Expenditure and Net Lending

Total expenditure and net lending in 2013 was estimated at D8.7 billion (25.5 percent of GDP), or 11.8 percent over 2012 outlay. Capital expenditure has been slashed by 9.7 percent from its last year level while current expenditure has been raised by 22.4 percent over the same period.

Total current spending amounted to D6.4 billion (18.6 percent of GDP), an increase of D1.2 billion from 2012. Other charges constituted the largest component of current expenditure, amounting to D3.0 billion or 47.0 percent. Payments for goods and services grew by D469.2 million to D2.0 billion. The wage bill for the year was D2.0 billion or 33.0 percent of current budget. This is equivalent to 45.2 percent of the annual tax revenue and recorded an increase of D271.6 million over the 2012 bill.

Chart 25: Expenditure Components



Interest payments which constituted 20.0 percent of current budget amounted to D1.3 billion, of which domestic interest payments absorbed D1.1 billion while external interest payments amounted to D229.5 million.

Capital expenditure and net lending amounted to D2.3 billion in 2013, a decline of 9.7 percent from the previous year. Capital expenditure was financed by external loans (D1.1 billion), foreign grants (D687.9) million and Gambia Local Fund (D479.0 million).

Chart 26: Expenditure Categories

	2010	2011	2012	2013
PAYMENTS in D'millions				
Expenditure & NL	**6049**	**6807.4**	**7764.2**	**8678.4**
Percent of GDP	20.6	18.8	35.4	25.5
Current Expenditure	**3902.9**	**4514.4**	**5186.3**	**6350.6**
Percent of GDP	13.3	13.6	23.6	18.7
Personnel Emoluments	1515.9	1693.1	1804.19	2054.32
o/w: wages & salaries	1520.4	1682.39	1793.26	2064.89
Other Charges	1614.7	1918.5	2185.1	3010.77
Interest Payments	772.4	902.81	1197	1285.52
External	136.6	182.53	186.2	229.46
Domestic	635.7	720.28	1010.78	1056.06
Capital Expenditure	2178	2292.94	2577.9	2327.75
Percent of GDP	7.4	5.3	11.7	10.6
Externally Financed	1807.8	1985.16	2240.26	1822.98
Loans	742.3	629.98	487.06	1135.12
Grants	1065.5	1355.18	1753.2	687.86
GLF Capital	370.3	307.8	298.71	478.99
Net Lending	**-32**	**0**	**38.89**	**25.79**

Source: MOFEA

Budget Balance and Financing

The overall deficit (including grants) increased to D2.7 billion (8.0 per cent of GDP) in 2013 from a deficit of D1.3 billion (5.9 per cent of GDP) in 2012. On the other hand, the primary balance contracted from a surplus of D455.7 million (1.8 per cent of GDP) in 2012 to a deficit of D343.3 million (1.0 per cent of GDP) in 2013. Bank financing constituted 71.1 percent of total financing at D2.5 billion while a repayment of D172.66 million or 7.0 per cent, was made to the non-bank sector, with the remaining D578.82 million financed from external sources.

Chart 27: Fiscal Balance and Sources of Financing in GMD'millions

	Outturn	Outturn
	2012	**2013**
Budget balance including Grants	-1,289.80	-2726.61
% of GDP	**-6**	**-8**
Basic balance	-769.1	-1628.78
% of GDP	**-2.7**	**-5**
Basic Primary Balance	455.7	-343.25
Financing	1,208.20	2474.66
External (net)	-48	578.82
Borrowing	487.1	1135.12
Project	487.1	1135.12
Amortisation	-535.1	-556.29
Domestic	1,256.20	1895.84
Borrowing	1,183.60	1932.34
Bank	1,047.60	1759.68
Nonbank	135.9	172.66
Change in Arrears (- decrease)	72.7	-36.5

Domestic Debt

The Gambia's domestic debt stock has picked up significantly in recent years raising concerns over sustainability. Attempts over the years to rein in on the rising domestic debt were frustrated by large fiscal deficits. Issuance of short-term Treasury bills has been increasing dramatically mainly to finance government fiscal operations. Consequently, outstanding domestic debt stock rose markedly mainly in the form of short-term treasury bills. The consequences of financing the fiscal deficit through advances by Central Bank (monetization) contribute to macroeconomic instability by increasing inflationary pressures and thus stifling growth. Financing the deficit by deposit money banks causes a reduction of loanable funds available to private sector thereby crowding out private investment. Borrowing externally would increase the external debt while non-bank financing would lead to higher interest rates.

The CBG plans and executes operations in the money market to ensure that interest rates are in line with the policy stance of the Monetary Policy Committee (MPC) of the Bank. It uses open market operations, interest rates, reserve requirements, the discount and rediscount window to conduct its monetary policy.

Table 11: Outstanding domestic debt stock as at end-December, 2013

No	Security Type	Amount(D) (GMD'Millions)	Percentage Change
1	Treasury Bills	11,080.68	**81.96**
2	Sukuk Al-Salaam Bills	400.26	**2.96**
3	Government Bond	250.00	**1.85**
4	10-Year Govt. Bond	145.92	**1.08**
5	30-Year Govt. Bond	1,642.48	**12.15**
	TOTAL	**13,519.34**	**100.00**

Chart 28: Distribution of outstanding domestic debt by instrument as at December 2013

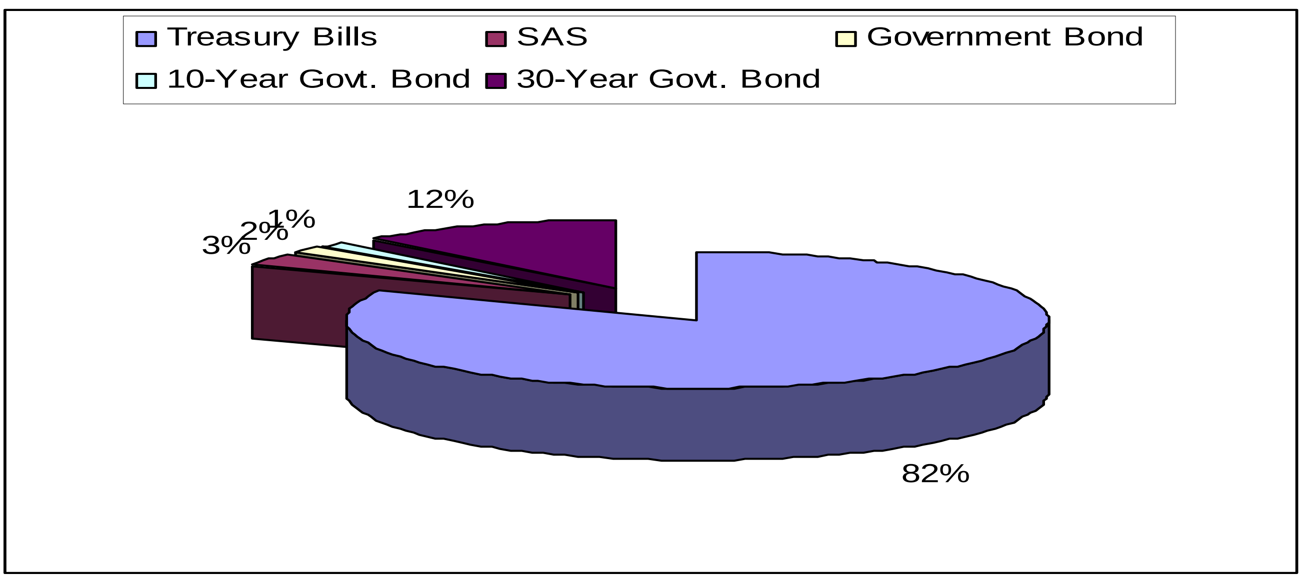


Table 12: Distribution of Domestic Debt Stock (2012 – 2013)

SECURITY TYPE GMD'Millions	DEC. 2012	DEC. 2013	% ∆(CHANGE)
TREASURY BILLS	8,239.62	11,080.68	**34.48**
SAS BILLS	352.30	400.26	**13.61**
3 YEAR GOVT. BOND	25.00	0.00	**-100.00**
GOVT. BOND	250.00	250.00	**0.00**
30 YEAR GOVT. BOND	1,703.32	1,642.48	**-3.37**
10 YEAR GOVT. BOND	166.77	145.92	**-12.50**
GOVT. RIB NOTES	70.68	0.00	**-100.00**
TOTAL	**10,807.68**	**13,519.34**	**25.09**

As at December 2013, the total outstanding domestic debt stock grew to D13, 519.34 million from D10, 807.68 million in December 2012 registering 25.09 percent increase year-on- year. This increase was mainly driven by Treasury Bills which rose by 34.48 percent and the SAS Bills 13.61 percent.

3.8 External Sector Developments

Revised balance of payments estimates indicate that the overall surplus improved to US$9.8 million in 2013 compared to US$3.64 million in 2012 reflecting the improvement in the current account. The current account deficit narrowed from US$124.2 million in 2012 to US$77.5 million in 2013 mainly mirroring the improvement in the goods account.Conversely, the surplus in the capital and financial account declined to US$86.74 million in 2013 relative to US$127.8 million a year earlier due to the decline in both the capital and financial account surpluses.

Current Account Developments

Goods Account

The estimated goods account improved to a deficit of $169.7 million in 2013 as against a deficit of $256.8 million and US$187.38 million recorded in 2012 and 2011 respectively due to the marked decrease in imports.

Total imports amounted to US$301.95 million compared to US$375.60 million in 2012. Imports for domestic consumption and re-exports were estimated at US$352.34million and US$ 70.47 million compared to US$ 438.28 million and US$ 87.66 million respectively in the previous year. Exports on the other hand, declined from US$111.65 million in 2012 to US$ 105.92 million in 2013, or 5.4 per cent.

Current Account (millions of Dollars)

	2011	2012	2013
Current Account	**(84.56)**	**(124.17)**	**(77.46)**
Goods	(187.38)	(256.81)	(169.73)
Exports FOB	100.43	111.65	105.92
Imports FOB	(294.97)	(375.60)	(301.95)
Services	58.88	70.14	67.71
Income	(31.87)	(29.26)	(22.41)
Transfers	75.80	91.76	46.98

Services

The services account balance decreased on a net basis in 2013 relative to 2012, recording US$67.71 million against US$70.14 million, a decrease by 3.46 percent. The main contributing factor being the decrease in income earned from tourism which decelerated significantly in 2013 to US$68.5 million from US$94.73 million a year earlier.

Proceeds from transportation increased from a deficit of US$9.6 million to a surplus of US$5.0 million in 2013.Payments with respect to insurance services during the period under review improved on a net basis from a deficit of US$11.4 million to US$6.5 million whilst income from construction services also improved from US$1.0 million to US$1.1 million or by 11.96 percent.

Income Account

The deficit in the income account improved in 2013 relative to 2012, from US$29.26 million to US$22.41 million and was on account of the net decrease in payments on compensation of employees from US$21.57million in 2012 to US$ 7.54 million in 2013.All other components of the income account worsened especially the investment income and portfolio income which deteriorated from US$7.69 million and US$5.73 million in 2012 to US$14.87 million and US$10.81 million in 2013 respectively.

Transfers

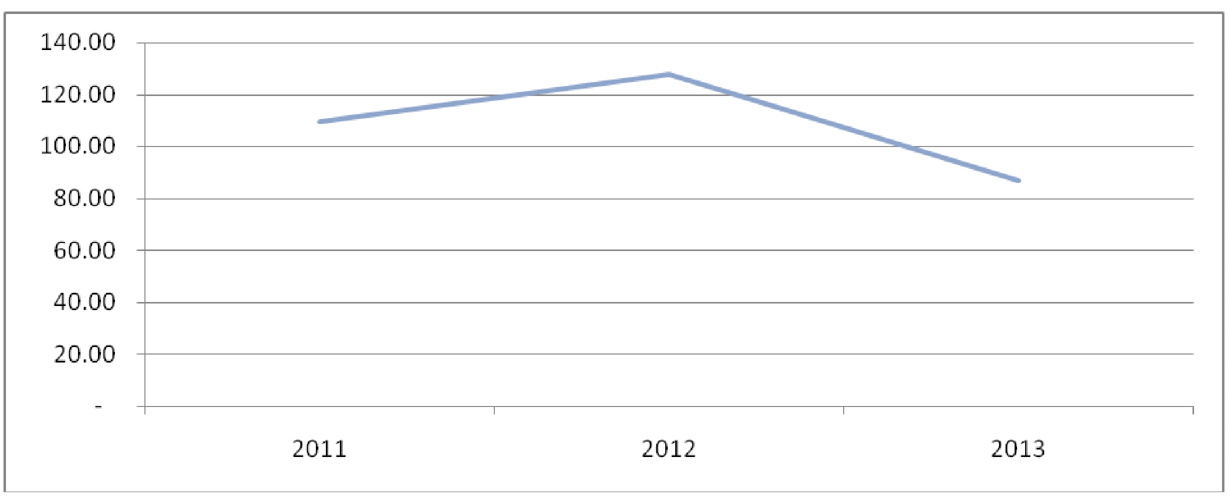
Current Transfers in 2013 recorded US$46.98 million against US$91.76 million last year, a decrease by 48.80 percent. Transfers to general government in 2013 recorded US$10.68 million and accounted for 22.74 percent of total current transfers compared to US$21.66 million recorded last year representing23.61 percent of total transfers. Worker remittances amounted to US$ 48.75 million in 2013, down from US$ 61.81 million in 2012.

Current Account Balance

Capital and Financial Account

The Capital and Financial Account registered a reduced surplus of US$86.74 million in 2013 relative to a surplus of US$127.81 million in 2012, mainly on account of the reduction in FDI from US$32.90 million to US$ 18.0 million, and from equity capital which also decelerated from US$32.90 million to US$21.76 million. The decline is also on account of the underperformance of currency and deposits which declined from US$23.33 million to US$ 6.37 million and drawings on new loans to general government.

Capital and Financial Account (In Millions of US dollars)



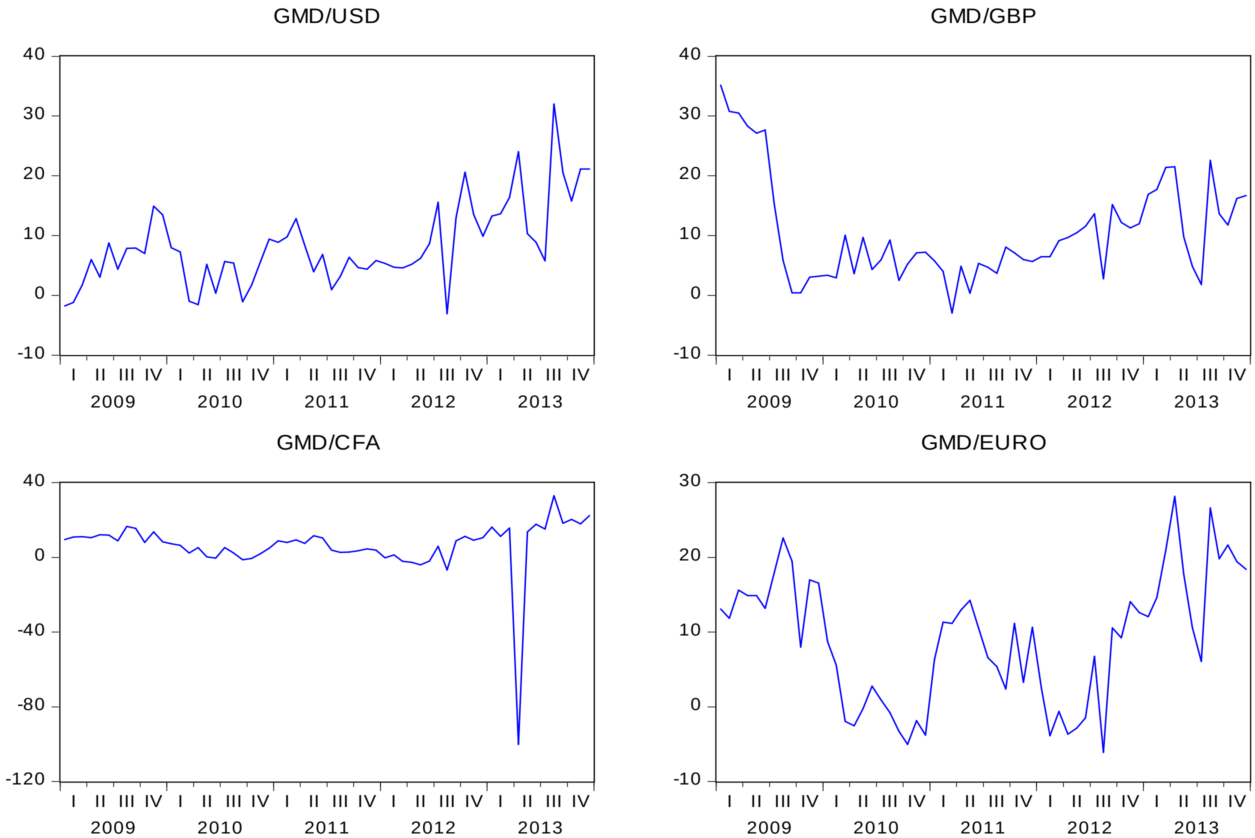
Foreign Exchange Developments

Volume of transactions in the domestic foreign exchange market, measured by aggregate purchases and sales of foreign exchange in the year to end-December 2013 decreased to US$1.3 billion from US$1.6 billion in 2012. Demand pressures that started in the second quarter of 2012 continued through the rest of 2013. Although inflows due to private remittances improved significantly, foreign direct investments and groundnut trade considerably fell below expectations. Further, expansionary fiscal policy resulted to a system wide excess money supply, which exerted considerable level of pressure on the exchange rate as the dalasi depreciated considerably. As a result, level of external reserves declined markedly. Efforts to finance the fiscal gap created upward and sustained pressure on the exchange rate and interest rates.

The Dalasi maintained a stable path from the last quarter of 2012 until mid-2013 when it took a steep depreciation against major international currencies, from a low of D33.92 per US Dollar in January 2013 to a high of D37.95 in May 2013.

Year-on-year, the Dalasi depreciated against the US Dollar by 14.8 percent, Euro (21.0 percent) and Pound Sterling (14.7 percent) in 2013. It also depreciated against the CFA by 15.1 percent. The depreciation of the Dalasi during the period under review has been partly influenced by the gradual decline in the supply side coupled with high level of system wide domestic currency liquidity. This is despite an increase in the Policy rate (interest) from a low of 12 percent to a high of 20 percent in an endeavor to mitigate the exchange rate depreciation by making Dalasi deposits more attractive. It was, however, evident that the tight monetary policy stance by the Bank was stifled by excess fiscal slippages which had to be absorbed by an economic variable and in this case the exchange rate came to the fore.

Chart 29: Exchange rate movements (12 month percent change)



3.9 External Debt

The Government continued to contract loans from development partners and international financial institutions to complement its efforts in financing development programmes.

In 2013, disbursed outstanding debt (DOD) amounted to $408.16 million relative to $384.91 million in 2012 representing an increase of 6.0 percent. Debt service comprising of principal and interest repayments increased to $22.3 million or by 12.6 percent from $19.8 million in 2012.

Both principal and interest repayments rose to $15.7 million and $6.6 million in 2013 relative to $14.1 million and $5.7 million respectively.

Table: External Debt Service Payments (in millions of US Dollars)

	2011	2012	2013	2012	2013
				Growth	Rates
Principal Repayments	13.45	14.09	15.65	4.76	11.07
Interest Payments	5.11	5.66	6.60	10.76	16.61
Total Debt Service	**18.57**	**19.76**	**22.25**	6.41	12.60
Disbursed Outstanding Debt	**381.06**	**384.91**	**408.16**	1.01	6.04

Debt Indicators and Debt Sustainability

The standard measurement of debt sustainability indicated that The Gambia's external debt burden remains high. Since the country was relieved of its debt in 2007 under the Highly Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI), The Gambia has been contracting externally funded loans to the extent that it has now been classified as being at high risk of debt distress.

According to the indicators that measure debt sustainability, the disbursed outstanding debt to GDP ratio of The Gambia in 2013, stood at 47.7 percent compared to 44.5 percent in 2012 and 42.3 percent in 2011 respectively. The increase in this ratio is a cause for concern since it raises the fears by foreign creditors on the country's ability and willingness to repay its debt, thus limiting its borrowing and eventually leading to debt crisis.

The debt service to revenue ratio indicates that the country is currently at 16.1 percent in 2013 rising from 13.2 percent in 2011 edging closer to the IMF threshold of 25-35 percent limit. The overall debt service to exports of goods and services declined to 17.7 percent in 2012 from 18.5 percent in 2011 before rising to 21.0 percent in 2013. Although the ratio is still below the 20-25 percent threshold, the capability of the country in acquiring foreign currencies is weaning given the depreciation of the Dalasi.

4.0 DEVELOPMENTS IN BANK AND NON-BANK FINANCIAL INSTITUTIONS

4.1 THE BANKING SECTOR

The banking industry of the Gambia as at end-December 2013 consists of twelve banks one of which is an Islamic bank and eleven commercial banks, instead of the thirteen in the beginning of 2013. This was due to the Prime Bank Gambia Ltd. Parent's decision to divest its investments in the Gambia. Out of the twelve banks, three were under capitalized i.e. capital and reserves was below the minimum capital requirement of D200 million as at December 2013 which led the banks to be put under prescription to address the issue.

The banking industry continues to be stable with banks continuing to strengthen their marketing strategies and gain more market share in the system. This is evidenced by the entry of one of the banks into the category of large size banks thus increasing the amount from two in 2012 to 3 in 2013. The banking industry's high non-performing loan ratio of 20 percent and the under provisioning of D472.55 million by commercial banks was an issue by the end of 2013.

4.1.1 Assets and Liabilities

The industry's total assets went up by D3.074 billion or 12.9 percent from 2012 compared to 2013 when it stood at D20.74 billion. This was mainly due to the increase in almost all the components of assets in the industry except a few which slightly dropped.

Gross loans and advances accounted for 25.36 percent of the industry's total assets.

Assets of Commercial Banks

	2011		2012		2013	
	GMD 000	**Annual % Change**	**GMD 000**	**Annual % Change**	**GMD 000**	**Annual % Change**
Cash-in-hand	609 471	-21.3	630 874	3.5	906 931	43.75
Balances due from other banks	2,692,077	12.14	3,284,518	22	4 100 717	24.87
Cheques & other items in transit	136 446	10.41	79 610	41.65	26 891	(66.22)
Government sector investment	5,898,434	17.10	7,187, 562	21.85	8 040 683	11.86
Investment account securities	377 805	173.88	169 373	55.16	223 812	32.14
Bills purchased and discounted	220	(98.90)	105 000	47,627	140 000	33.33
loans and advances	5,055,291	3.16	5 130 053	1.47	5 599 597	9.15
Fixed assets	1,142,605	3.69	1 231 761	7.8	1 228 413	(0.27)
Acceptance endorsement and guarantees	1,883,697	22.80	2 145 136	13.87	2 799 128	30.48
Other assets	798, 364	6.36	781 980	2.05	753 073	(3.69)
TOTAL	**18, 594 410**	**4.96**	**20, 745, 867**	**11.57**	**23,819 245**	**14.8**

Commercial banks' cash-in-hand, balances due from other banks, government sector investments, investment account securities, bills purchased and discounted, loans and advances and acceptance endorsements and guarantees all went up in 2013 by 43.75 percent, 24.87 percent, 11.86 percent, 32.14 percent, 33.33 percent, 9.15 percent, and 30.48 percent respectively when compared to the previous year.

However, cheques and other items in transit significantly dropped by 66.22 percent and both fixed assets and other assets dropped slightly by 0.27 percent and 3.69 percent respectively.

Liabilities of Commercial Banks

	2011		2012		2013	
	GMD 000	**ANNUAL % CHANGE**	**GMD 000**	**ANNUAL % CHANGE**	**GMD 000**	**ANNUAL % CHANGE**
Capital & reserves	2,887, 272	12.69	3 ,029, 963	4.94	3, 038, 812	0.29
Long term borrowing	163, 776	32.47	235 493	43.78	220 ,256	(6.47)
Balances due to other banks	59, 442	(36.28)	72 483	21.93	5 816	(91.97)
Deposits	12,377,061	10.2	13, 188, 681	6.5	15 ,192, 762	15.19
Other borrowings	290, 241	6.25	976, 598	236.47	1, 620, 307	65.91
Acceptance endorsement & guarantees	1, 883, 697	(22.80)	2, 145, 136	13.87	2,799 ,127	30.48
Other liabilities	1, 024, 775	2.96	1, 097, 510	7.09	942 ,166	(14.15)
Total	**18, 594, 410**	**4.96**	**20, 745, 867**	**11.57**	**23, 819, 245**	**14.81**

The deposits of the banking industry went up by 15.19 percent as at end-December 2013 when compared with the prior year. This was mainly due to the increase in both demand and savings deposit. However, time deposit dropped in the year under review from the prior year.

Other deposits and acceptances, endorsements & guarantees both went up significantly by 65.91 percent and 30.48 percent respectively in the year under review compared 2012.

However, balances due to other banks dropped by 91.97 percent by end-December 2013 compared to end-December 2012.

4.1.2 Financial Soundness Indicators

Capital Adequacy Ratio (CAR)

The industry's capital adequacy ratio dropped by 2 percentage points from December 2012 to 28.0 percent in December 2013 reflecting the decrease in adjusted capital.

The capital and reserves of three banks were below the minimum capital requirement of D200 million by the end of December 2013 which led to them being put under prescription to address the issue. It is also important to note that all the banks except one met the minimum capital adequacy ratio of 10 percent.

Assets & Quality

The industry's total assets went up by 12.9 percent in 2013 from D20.74 billion in 2012. This growth is mainly due to the increment in almost all the components of assets except few.

Gross loans and advances amounted to D6.04 billion and accounted for 25.36 percent of the industry's total assets as at end of 2013, down from 26.34 percent in 2012 indicating a slight reduction in the risk appetite of the banks. The non-performing loan ratio of the banks stood at 20 percent in 2013 from 12.7 percent in the preceding year. The high NPL ratio by end-2013 was mainly attributable to the huge volume of NPLs from one bank. However, the industry recorded an under provisioning of D472.55 million indicating inadequate cushion to absorb loan losses.

Credit Concentration

Distributive trade and other commercial loan constitute 31.6 percent and 23.7 percent of the industry's loans and advances respectively. Agriculture and fishing constituted the least by 3.1 percent and 0.12 percent respectively as at end December 2013.

However, in the prior year, distributive trade constituted 30 percent and other commercial loans and advances 21 percent whilst financial institutions and fishing constituted the least with 3 percent and 0.15 percent respectively. This however, shows that the loans and advances of the industry is highly concentrated in distributive trade. Thus any huge default in this sector could lead to systemic crisis.

Earnings and Profitability

The industry registered a profit of D107.26 million in 2013, increasing by D89.73 million from the prior year when it stood at D17.53 million. This was mainly due to the high profit recorded by one of the banks in the year under review. Return on Assets (ROA) was recorded at 2 percent as at end-December 2013 compared to 0.4 percent in the prior year increasing by 1.6 percentage points. Return on Equity (ROE) also went up by 11.9 percentage points from the prior year when it stood at 2.1 percent. The industry was generally profitable as evident by the registered increase in returns on assets and equity though there is some loss making banks in the industry.

Total interest income went up by D110.58 million from the prior year to D517.32 million in 2013. Interest expenses stood at D181.59 million as at end-December 2013 and in the prior year it stood at D157.1 million, increasing by D24.48 million.

Liquidity

The liquidity ratio of the banks stood at 76 percent as at December 2013 and at 80.9 percent in the prior year representing a reduction of 4.9 percentage points indicating ability to meet short-term liabilities. Though there is a reduction in the liquidity ratio of the banking industry, nonetheless, there is still excess liquidity of 46 percent as at end-December 2013.

The loan to deposit ratio of the industry stood at 36.85 percent as at end December 2013 reflecting low financial intermediation.

4.1.3 Financial Infrastructure Developments

International Financial Reporting Standards (IFRS)

A directive was issued to all banks that they needed to be in compliance with IFRS by end-December 2013. As a result, a draft guide for financial reporting for banks was circulated to provide clarity on some of the issues raised by the industry.

A series of trainings on IFRS were also carried out by consultants for both CBG and commercial banks staff to enhance more knowledge in IFRS as banks were required to submit their 2013 audited accounts in accordance with IFRS.

Financial Intelligence Unit (FIU)

The FIU by end 2013 was independent and housed in the Central Bank with the appointment of a new Director. The 2013 budget has been tripled for 2014 to enable the independent FIU to effectively carry out its mandate. Also, a number of training and capacity building workshops are scheduled to take place in 2014.

Credit Reference Bureau

The credit reference bureau has encountered some challenges identified by the banks which led to the negotiation between the CBG and Valtech on how to correct the deficiencies. As at end-2013, the credit reference bureau was modified and sitting on the V-RegCoSS and has been functioning satisfactorily.

Collateral Registry

Preparations are still under away for the introduction of the Collateral Registry whilst awaiting the bill 'Security Interest in Moveable Property' to be enacted into law. However, training was conducted for the CBG staff on how to use the collateral registry.

GamSwitch

The national switch – Gamswitch - went live in 2013 with three banks successfully connected and the remaining banks joining gradually. This is believed to be a deliberate strategy in ensuring that institutions are carefully scrutinized in terms of serious interface connectivity.

4.2 The Non-Bank Sector

4.2.1. The Insurance Industry

The Gambia's industry comprises 13 insurers, 9 brokers and about 50 agents. Ten of the insurance companies including a Takaful/Islamic operator underwrite general business (non-life business) only, one s a composite insurer (i.e. underwriting both Life and non-life businesses) and two are wholly life insurers.

The industry is regulated and governed by the Insurance Act 2003, Insurance Regulations 2005, and the Insurance Amendment Act 2006 which, caters for the operation of Takaful (Islamic Insurance).

4.2.2 Assets and Liabilities

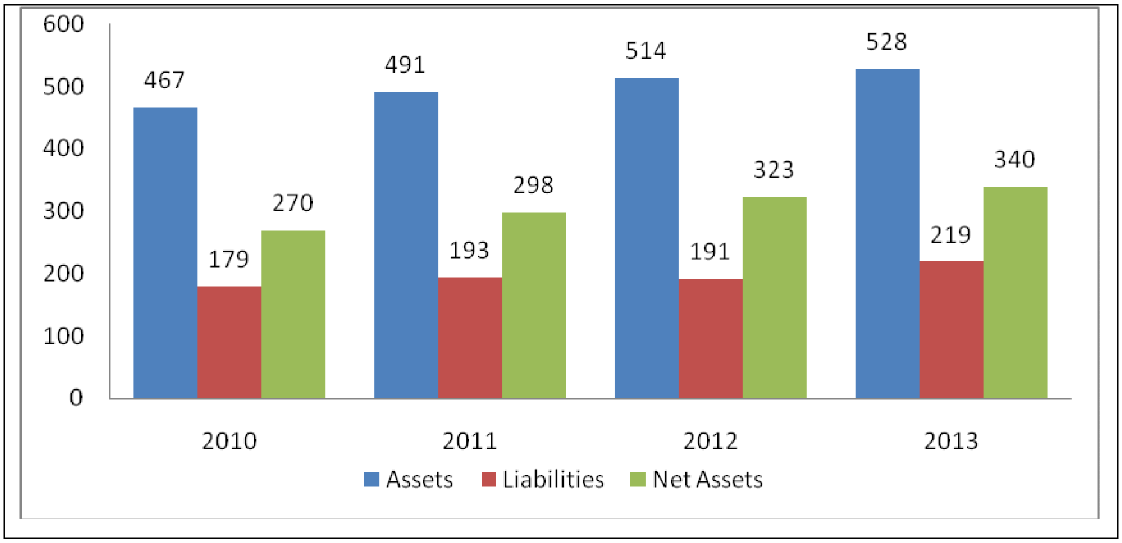
Total assets of the industry grew by 2.8 percent to stand at D528.13 million from D513.74 million in 2012. Current assets stood at D270.31 million which indicated an increase of 24.73 percent from D216.724 million in 2012. However, total fixed assets dropped by 13.20 percent to stand at D257.82 million from D297.02 million in 2012.

Total external liabilities (i.e. excluding owners' equity) increased by 14.84 percent to stand at D219.17 million from D190.86 million in 201. Consequently, industry net assets (shareholders funds) rose by 5.33 percent to D340.11 million from D322.88 million in 2012. The table below illustrates these points, among others.

Assets, liabilities & Net Assets (Shareholders' Funds)

Details	2010 D'000	2011 D'000	2012 D'000	2013 D'000	% +(-)
Total Fixed Assets (TFA)	228,830	254,843	297,015	257,820	-13.20
Total Current Assets (TCA)	237,820	236,127	216,724	270,313	24.73
Total Assets (TA)	**466,650**	**490,970**	**513,739**	**528,133**	**2.80**
Total Current Liabilities (TCL)	179,026	192,846	190,174	216,986	14.10
Total Noncurrent Liabilities (TNL)	0	0	683	2,185	219.91
Total Liabilities (TL)	**179,026**	**192,846**	**190,857**	**219,171**	**14.84**
Net Current Assets (NCA)	58,794	43,281	26,550	53,327	100.85
Net Assets (Shareholders' funds)	**269,624**	**298,124**	**322,882**	**340,105**	**5.33**
Paid-up Capital	**196,120**	**196,154**	**211,154**	**211,154**	**0**

Growth in Assets, Liabilities & Net Assets



4.2.3 Income and Expenditure

Total industry gross premium income rose by 10.21 percent to D227.16 million from D206.12 million in 2012. Written premium (i.e. Gross premium less refunds and sales tax) also increased by 15.18 percent to D227.08 million from D197.16 million in 2012. Reinsurance (ceded) premium which accounted for 12.81 percent of the written premium, decreased notably by 45.10 percent from D52.94 million in 2012 to D29.06 million. Resultantly, the industry's risk exposure (retained premium) representing 78.23 percent of written premium, increased by 22.95 percent to D177.44 million from D144.32 million in 2012.

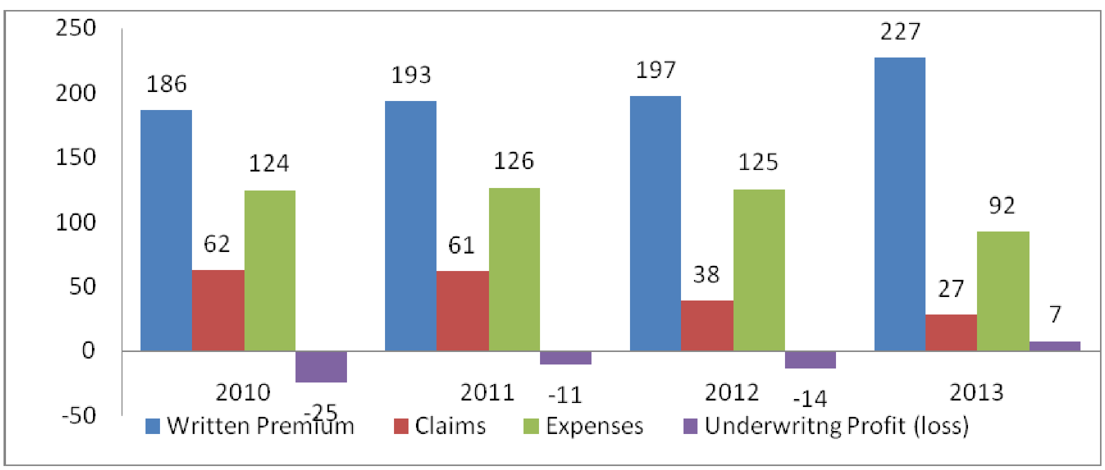
Total industry claims dropped by 29.043 percent in 2013 to stand at D26.84 million from D37.83 million. Total expenses also decreased by 26.72 percent from D124.92 million in 2012 to D91.54 million.

Thus, the industry's underwriting performance improved by 23.5 percent, from a loss of D13.695 million in 2012 to a loss of D10.48 million. Profit (loss) before tax also improved remarkably by 152.6 percent from a loss of D2.76 million to a profit of D1.45 million. Consequently, the industry's net loss position dropped further by 26.5 percent to D5.24 million from D7.13 million in 2012. Table 2 and figure 2 below further illustrate this information.

Industry Premiums, Claims, Expenses, and earnings

Details	2010 D'000	2011 D'000	2012 D'000	2013 D'000	% +(-)
Premium Income	189,060	194,817	206,120	227,164	10.21
Refunds	3,131	1,698	5,094	341	-93.31
Written Premium	185,929	193,119	197,158	226,823	15.00
Retained Premium	146,379	146,310	144,318	177,442	22.95
Other operating Income	4,024	12,409	5,516	6,672	20.96
Reinsured Premium	39,594	46,809	52,940	29,063	-45.10
Claims	62,367	61,309	37,825	26,841	-29.04
Expenses	124,105	125,971	124,923	91,539	-26.72
Underwriting Profit(Loss)	-25,392	-10,719	-13,695	-10,475	-23.51
Pre-tax Profit(Loss)	-4,214	5,063	-2,761	1,453	-152.63
Post-tax Profit(Loss)	-11,191	-2,502	-7,134	-5,242	-26.52
Retained Profit(Loss)	-39,448	-46,069	-61,305	-75,129	22.55

Trending of WP, Claims, Expenses, & UP(L)



4.2.4 Profitability Ratios

To expatiate further on the industry's profitability performance, the following ratios have been deduced from the tables above.

Table 3 Profitability Ratios (percentages)

Details	2010	2011	2012	2013
Net Returns on Assets (ROA)	-2.4	-0.5	-1.4	-0.99
Net Returns on Equity (ROE)	-4.2	-0.9	-2.2	-1.54
Claims Ratio (Claims/WP)	33.6	31.8	19.2	11.83
Expense Ratio (Exp./WP)	66.8	65.3	64.4	40.36
Combine Ratio (CR+ER)	100.4	97.1	83.6	52.19

The profitability-ratio table indicated that the industry was better profitable in 2013 compared to the previous periods.

4.2.5 Insurance Penetration

This is the measure of the contribution of insurance market activity to the GDP. The table below illustrated the insurance penetration (i.e. gross premium income as a ratio of GDP), which rose from 0.75 percent in 2010 to 0.94 percent in 2011 and 2012, then to 0.98 percent in 2013.

Details	*2010*	*2011*	*2012*	*2013*
	D'000	*D'000*	*D'000*	*D'000*
Gross Domestic Product(GDP)	*25,183,506*	*20,696,801*	*21,958,228*	*23,197,972*
GDP Growth	*7%*	*-4.3*	*6.1*	*5.65%*
Gross premium income to GDP	*0.75%*	*0.94%*	*0.94%*	*0.98%*

4.2.6 Other Developments in the Industry

Taskforce for the Review of the Insurance Legislation

A taskforce was set up by the Bank to review the Insurance Act 2003. The review exercise was completed and a draft has been submitted to Bank Management for further consideration.

New Registration of Insurance Institutions

In 2013, we issued full operating licence to two insurance brokerage companies, and one Non-life Insurance Company.

The Integration of the Insurance Sector in the West African Monetary Zone (WAMZ)

A regional initiative led by the ECOWAS Commission, the West African Monetary Institute (WAMI) and WAICA for insurance sector integration in the WAMZ region was launched in July 2013 in Abuja, Nigeria. Consequently, the first meeting of the Technical Committee took place in Banjul in October 2013.

4.3 The Microfinance Sector

4.3.1 Microfinance Summit

The Microfinance Department of the Bank in collaboration with the Rural Finance Project (RFP) and Social Development Fund (SDF) organized the Second National Microfinance Summit from October 30th to November 1st, 2013. The First Microfinance Summit was held in 2003. The following were some of the objectives of the summit:

1. To create a forum for stakeholders to share their diverse experiences and to come up with suitable recommendations for the way forward
2. To promote the development of standards and best practices for the sector
3. To serve as a platform for building an effective network of stakeholders
4. Revitalization of an effective and vibrant coordinating framework for the sector
5. Promote the sector by increasing public awareness about microfinance and its role in poverty alleviation

The summit was conducted over a three day period and brought together a diverse group of participants and presenters The Vice President Dr Isatou Njie Saidy delivered the keynote address, the Honourable Minister of Finance represented by the Permanent Secretary, Mr Abdoulie Jallow, the Honourable Minister of Agriculture, Mr Solomon Owens, the Honourable Governor of the Central Bank of the Gambia also delivered statements, Project Coordinators and Fund Managers, Members of the Diplomatic Community and Donors including the Head of the IFAD Mission, Dr Jonathan Agwe, Technical Adviser, key stakeholders and the print and electronic media. Participants at the summit also included the Deputy Director (Other Financial Institutions), Bank of Nigeria, Mr AdeYemi Bedu.

The following are some of the recommendations made in the communiqué at the end of the summit:

a. There is the need to revisit the regulatory tool and ensure that they are adequate for the development of the sector
b. Enforce regulation on good governance and ensure that regulated institutions have a competent board and qualified and capable staff at all levels.
c. Encourage commercial banks and insurance institutions to invest in microfinance
d. Active sensitization to encourage private sector participation in microfinance
e. Increase capacity building training for microfinance stakeholders
f. For the microfinance sector to be allowed access to the Credit Reference Bureau housed at the CBG.
g. For stakeholders to lobby the National Assembly and Cabinet to support the enactment of the NBFI Bill to become the NBFI Act. The Bill was drafted since 2008.

4.3.2. Village Savings and Credit Associations (VISACAs)

Village Savings and Credit Associations (VISACAs) registered significant growth in membership and deposits in 2013. Membership rose from 38,389 in 2012 to 42,104 by end-December 2013, an annual increase of 9.68 percent. Total deposit liabilities increased to D18.5 million in 2013 from D15.2 million in 2012 or by 21.71 percent. Total loans extended to members in 2013 fell by 21.01 percent to D20.3 million from D28.2 million in 2012. Eleven VISACAs met the minimum capital requirement of D100, 000 in 2013. There are five more VISACAs which have the potential to meet this requirement before the end of 2014.

Managerial quality has generally improved in many VISACAS as a result of continuing support from RFP and technical backstopping from the VISACA APEX. This intervention has revived several VISACAs that have been dormant for several years thus increasing the number of active VISACAs to 68 in 2013 from 62 the previous year. Despite these efforts however, the VISACAs still suffer from lack of adequate training of their cashiers and management committees.

Village Savings and Credit Association Indicators

Year	Total Membership	Total Savings(GMD)	Loans Outstanding(GMD)	Capital
Dec. 2012	38,389	15.2 million	28.2 million	3.6 million
Dec. 2013	42,104	18.5 million	20.3 million	3.5 million
Growth%	9.68	21.71	-28.01	-2.78

4.3.3. Credit Unions

The National Association of Cooperative Credit Unions (NACCUG) is the apex institution for Credit Unions in the Gambia. NACCUG is regulated and supervised by the CBG as a financial institution. NACCUG in turn is delegated to supervise the Credit Unions. During the year ended December 2013, a total of seventy-two (72) Credit Unions were active.

The table below shows a summary of data for 72 credit unions as at end December 2012 and December 2013. As shown in the table above, membership increased by 9.37 percent during the review period. Savings and loans have increased by 22.31 percent and 28.25 percent respectively. Investments have dropped by 5.63 percent indicating a movement away from investments and towards more loans.

Credit Union Statistics for December 2012 and 2013

	Membership	Savings	Loans	Cash at Bank	Cash in Hand	Investments
Dec-12	47632	440.1 m	340.0 m	60.5 m	3.3 m	70.3 m
Dec-13	52094	538.3 m	436.1 m	66.4 m	2.6 m	66.3 m
Growth	9.37%	22.31%	28.25%	9.72%	-20.56%	-5.63%

4.3.4. Finance Companies

The Central Bank renewed the operating licenses of only two finance companies, namely Reliance Financial Services Ltd, and NACCUG in 2013. Gambia Women Finance Association (GAWFA) still remains as an NGO MFI following its downgrade in 2011 due to non-fulfilment of minimum capital requirements. Notwithstanding, the overall performance of the finance companies improved during the year with increases in total deposits, total assets and capital base. Total deposits increased by 19.8 percent to D273.10 million in 2013 while total assets rose to D387.4 million in the same year. Aggregate loans outstanding decreased by 3.4 percent to D71.19 million in 2013 from D73.7 million in 2012.

Capital and reserves increased by 40.9 percent to D78.2 million in 2012. The two companies have met the minimum capital requirement and Capital Adequacy Ratio (CAR) of 16 percent. Reliance Financial Services Ltd., due to her operations and size was subjected to a different minimum capital regime and required to augment its capital by December 2013 to D50 million up from D10 million. It is worth mentioning that the company has complied and has met the new capital requirements as at December 31, 2013.

Finance Companies Major Indicators (Millions)

	Deposits		Loans		Total Assets		Capital & Reserves	
MFI	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
A	206	247.5	72.2	70.1	310.6	333.4	33	53.8
B	22	25.6	1.5	1.09	47.2	53.95	22.5	24.4
Total	**228**	**273.1**	**73.7**	**71.19**	**357.8**	**387.35**	**55.5**	**78.2**
Growth		19.8%		-3.4%		8.3%		40.9%

5.0 OPERATION AND ADMINISTRATION OF THE BANK

5.1 Board of Directors

The composition of the Board of Directors remained unchanged as mentioned in the 2012 report. The Board held four (4) regular meetings for the year 2013.

5.2 Staff Component

The staff strength of the Bank totalled 276 as at December 31, 2013 of which 176 are male and 100 are female corresponding to 63.6 percent and 36.4 percent respectively. For the year 2013, 7 officers were recruited and one support staff. In terms of turnover, six members of staff left the Bank as a result of the following:

- 3 retirements
- 1 voluntary retirement
- 1 dismissal
- 1 resignation

5.3 Staff Training

The Bank continues to uphold the value of excellence in staff performance and continues to play an active role in building capacity by providing relevant academic and professional training both locally and overseas. For the 2013 academic year, four members of staff were offered sponsorship for post graduate training in the UK and USA in the areas of Finance, Development Finance, Banking and Finance, and Economics.

In addition, a significant proportion of the clerical staff continued to benefit from local sponsorship by pursuing professional courses such as AAT, CAT, Banking and Finance, ACCA, Auditing and Purchasing and Supply Management. Also several members of staff benefited from short term courses tenable in UK, USA, Europe and the West Africa Sub-Region.

5.4 Supports to the Social Sector

The Bank continues its active participation in its discharge of its corporate social responsibility through the provision of financial assistance in the areas of health, education, sports, and other various social activities.

5.5. Currency Issued

As at end December, 2013 currency in circulation increased to D3.64 billion or 14.47 percent from D3.18 billion in 2012. Dalasi notes accounted for 98.78 percent of currency issued and coins accounted for 1.22 percent. The D100 note was the most popular accounting for 69.53 percent of bank notes in circulation followed by the D50 note (23.95 percent) and D25 note (3.92 percent). The D10 and D5 notes on the other hand, accounted for 1.28 percent and 1.29 percent respectively. Currency in circulation was at a seasonal high in the fourth quarter of 2013 coinciding with a period when economic activity was at its peak.

Amongst the family of Gambian coins, the 1 Dalasi coin accounted for 66.86 percent of coins in circulation, the 50 Butut coin (19.74 percent) and the 25 butut and the rest accounted for 13.40 percent.

5.6. Commemorative Coins

The Central Bank of the Gambia continued to sell gold and silver commemorative coins during the period under review. The coins are issued to commemorate important events and to stimulate interest in the Gambia. The Bank also derives substantial income from royalties on the sale of these coins worldwide.

The last occasion celebrated and honoured with issue of Commemorative coins was the Africa Union Summit hosted by The Gambia in 2006. It is a gold coin that is available in stock for sale as well as other commemorative coins as follows.

The 25th Independent anniversary –The Gambia Silver Jubilee

Papal visit Gold & Silver

UN 50th Anniversary

World Wildlife Conservation Coin

Africa Union Summit –Gold coin

5.7. Deposits

Government deposits increased by 0.58 percent to D 1,950.80 million in 2013, compared to D1, 939.64 million as at end-2012. Commercial banks' deposit at the Central Bank also increased by 71.44 percent to D 1,747.11 million in 2013 compared to D 1,019.13 million in 2012.

5.8. WAMZ Payment and Settlement System Project

The Central Bank of the Gambia successfully accomplished the implementation of the West African Monetary Zone (WAMZ) Payment and Settlement System Project. This project seeks to, among other things, modernise the payment and settlement systems of member countries of the WAMZ. In other words, it is a complete overhaul of the banking system in the Gambian economy.

The system comprises different components such as Real Time Gross settlement (RTGS), Core Banking Application (CBA), Security Settlement System (SSS), Automated Clearing House (ACH), Automated Cheque Processing (ACP) and finally Infrastructure.

5.9. Investments

As at end-December 2013, investments in Gambia government securities held by the Central Bank of The Gambia stood at D2,617.12 million compared to D2,469.12 million in 2012 indicating an increase of D148.0 million or 6.0 percent. There were principal repayments of D60.84 million and D20.84 million in the 30-year and 10-year government bonds respectively in 2013.

6.0 INTERNATIONAL CO-OPERATION

6.1 Overview

In 2013, the Bank continued its international co-operation and collaboration at both the regional and international level in enhancing macroeconomic policy formulation and implementation. The Bank worked with international financial institutions and other central banks within ECOWAS and beyond in harmonizing policies and statistics that are critical for sustained economic stability and poverty reduction. The Bank also co-operated with key development partners such as the World Bank, African Development Bank (AfDB) and International Monetary Fund and the Islamic Development Bank Group in resource mobilization and policy formulation.

6.2 The West African Monetary Zone (WAMZ) and West African Monetary Agency (WAMA)

As a key stakeholder in the drive towards the formation of a single monetary union in the West African Monetary Zone, the Bank in 2013 participated in the mid-year and end-of-year statutory meetings held in Nigeria and Ghana respectively. Most of the deliberations during 2013 centered on the assessment of deadlines for the creation of the single economic zone for the WAMZ in 2015 and the ECOWAS single currency in 2020. It was observed that macroeconomic stability in a monetary union could not be guaranteed without sound economic policies. As a result, the convergence benchmarks guiding the convergence process sought to ensure that sound monetary and fiscal policies prevailed in Member States prior to and after the launch of the monetary union. Compliance with the primary convergence criteria, therefore, remained a necessary condition for the formation of the single monetary union and Member States were urged to redouble efforts to achieve and sustain the quantitative and qualitative benchmarks.

An assessment of compliance with convergence criteria indicated that inflation and fiscal deficits were the more challenging criteria for Member States, while central bank financing and external reserves were the more commonly and consistently satisfied criteria. Member States attained a performance score averaging 67 percent in 2013 on the primary convergence scale. Furthermore, an evaluation of business cycle synchronization to identify channels of risk sharing that exist in the region indicated that that there were generally weak links and synchronization among Member States in terms of real GDP, inflation, broad money supply, nominal interest rates, fiscal deficit/GDP ratios and gross external reserves in months of import cover.

Overall, the Report on the State of Preparedness for the launch of the single currency noted that the key challenges confronting Member States pertained to compliance with the convergence criteria, ratification and domestication of legal statutes, payment of contributions to the statutory funds such as the Stabilization and Co-operation Fund (SCF), capital of the West African Central Bank (WACB), asymmetric shocks, intra-regional trade, and capital account liberalization.

6.2.1 College of Supervisors

The changing global economic landscape has led to proliferation of banks in the Sub-region and more financial integration. This development implies that risks have spread across the region and can no longer be assessed only at national level. The West African College of Supervisors (CSWAMZ) was meant to facilitate the exchange of information, views and assessments among supervisors for efficient and effective supervision. In 2013, in addition to the joint on-site supervision in the WAMZ, t he CSWAMZ was tasked to review the computation, mode of classification and reporting of the Non-performing Loans in Member States based on standard industrial classification with a view to promoting common treatment.

6.3 West African Institute for Financial and Economic Management (WAIFEM)

The Bank also attended the meetings of the West African Institute for Financial and Economic Management (WAIFEM) in 2013 in Ghana and Nigeria respectively. Key issues at the meetings relate to the approval of WAIFEM's capacity building training activities and budget for 2013.

The Bank also participated in the Second Biennial Regional Conference organized by WAIFEM in collaboration with the African Capacity Building Foundation (ACBF) under the theme "Financing Infrastructure for Sustainable Development in West Africa". The conference was held from November 4-5, 2013 at the Golden Tulip Hotel in Festac, Lagos, Nigeria with the objective to review current infrastructure policies in the sub-region and proffer practical solutions that would address the inherent challenges using different financing options. The conference observed that the infrastructure challenges that continue to inhibit the full realization of the growth potential of the region ranges from water and sanitation, energy, transportation (rail, road, air and sea), and information and communications technology (ICT) to capacity, governance and rule of law, among others.

The following recommendations emanated from the deliberations during the conference:

1. Development partners should be encouraged to increase financial support while domestic policy frameworks should be flexible to facilitate increased budgetary allocations to public infrastructure.
2. The private sector should lead infrastructure investment and management of infrastructure services while governments should explore and encourage management arrangements that accelerate costs recovery.
3. The PPP agencies should be able to handle market development, regulation, facilitation, assessment, and implementation of infrastructure projects in a single hull: there should be specialized PPP agencies for strategic infrastructure projects.

6.4 Africa Export-Import Bank (AFREXIMBANK)

The Central Bank of The Gambia continues to be an active member of the Afrieximbank which has been contributing to trade financing in The Gambia. In 2013, as in previous years, the operations and activities of the Afrieximbank impacted trade and economic development across the continent through several channels, including the promotion of local content across Africa's enclave extractive industries; financing of trade-supporting infrastructure, especially in the spheres of power and telecommunications; development of manufacturing industries in member countries via provision of financial and technical assistance for extension and/modernization of capacity for processing of goods for domestic and foreign markets; supporting continent-wide efforts at diversification of trade by financing the processing of commodities; and leveraging of external financing to support the continent's trade and economic development, among others.

In addition, the Bank's operations and activities contributed in extending capacity to support higher level of activity in the continent's manufacturing sector; facilitated effective participation of Africans in the continent's extractive industries; continued to support desired growth in export revenues, extra- and intra-African trade, and export diversification; and supported on-going improvements in the quality of trade-supporting infrastructure across the continent.

Looking ahead, the forecast strengthening of the global economy and improvement in international financing conditions in 2014 in particular, would contribute in lifting activity in the syndications and bond markets, offering the Bank better access to financing. The anticipated pick-up in global demand is also expected to positively impact export earnings and debt service capacity of commodity dependent economies in Africa. Such a situation would raise the level of demand for the Bank's credit facilities and thereby offer it an opportunity to grow its loan assets in 2014.

6.5 International Monetary Fund (IMF)

The Gambia's Memorandum of Economic and Financial Policies is supported by an arrangement with the IMF under the Extended Credit Facility (ECF). The ECF arrangement, which was approved by the Executive Board of the IMF on May 25, 2012, aims at consolidating macroeconomic stability in order to support The Gambia's new poverty reduction strategy, the Program for Accelerated Growth and Employment (PAGE). Although there were slippages in the first half of 2013, the Gambian authorities have set sights on targets for the first half of 2014 that will allow the restoration of macroeconomic stability and allow the economy to get back on the path to achieve the broad objectives of the ECF-supported programme. In light of this, the authorities committed themselves to executing and implementing some indicative quantitative targets and structural measures for the first two quarters of 2014. Once these targets are successfully implemented through end-June 2014, the Gambian authorities will request the completion of the 2nd review of the ECF-supported program by the Executive Board of the IMF. The 1st Review was successfully conducted (end-June 2012 test date) having met almost all the performance criteria excepting two; (i) arrears were incurred briefly on some external debt service; and (ii) the Government contracted a loan from the Islamic Development Bank that did not meet the minimal grant element. In both cases, however, the Government of The Gambia took quick corrective actions.

As a member of the global financial system, the Bank also participated in the Spring and Annual meetings of the IMF at its headquarters in Washington DC. During the deliberations of the International Monetary and Financial Committee (IMFC) of the IMF, members noted that new risks are arising in the global economy while several old risks remain. There was the recognition of the need to act decisively to nurture a sustainable recovery and restore the resilience of the global economy. Financial sector repair and reform remain a priority. Advanced economies need to balance supporting domestic demand with reforms to tackle structural weaknesses that weigh on growth, while implementing credible fiscal plans. Emerging market and developing economies that are experiencing relatively high growth should begin to rebuild policy space while those exposed to volatile capital flows should avoid financial vulnerabilities.

The IMFC maintained that members ought to ensure sustainable recovery for a vibrant world economy. Credible medium-term fiscal consolidation plans remain crucial, in particular for the

United States and Japan. Accommodative monetary policy is still needed to help bolster growth but needs to be accompanied by credible medium-term fiscal consolidation plans and stronger progress on financial sector and structural reforms. This will also help contain any potential impacts of monetary easing on capital flows and exchange rates. Eventual exit from monetary expansion will need to be carefully managed and clearly communicated.

6.5.1 Restoring Resilience

The IMFC welcomed the work of the Fund on jobs and growth as a basis for tailored policy advice, in collaboration with other organizations. Reforms to put debt on a sustainable trajectory are critical. The IMFC therefore called on the Fund to draw lessons from experiences of dealing with high debt. Renewed commitment to implement financial reforms is needed. Further progress should be made on closing data gaps. Global imbalances have continued to narrow, but more needs to be done to reduce the structural sources of these imbalances. To support rebalancing, deficit countries must continue to raise national savings and surplus economies must boost domestic sources of growth. In addition, fiscal and structural reforms, supported by greater exchange rate flexibility where appropriate, are needed to ensure that the correction continues. Implementation of the strengthened surveillance framework is necessary to improve the integration of multilateral perspectives in bilateral surveillance and the Fund's analysis of risks and spillovers. The Integrated Surveillance Decision, the outcome of the Fund's work on capital flows, the pilot External Sector Report, and the Spillover Report have been welcome ideas. The impact of unconventional monetary policy on capital flows and asset and commodity prices, the role of capital flows in driving exchange rates, and global liquidity is necessary for further analysis.

6.5.2 Governance Reforms

The communiqué reported that members who have yet to complete the necessary steps to ratify the 2010 reforms should to do so without delay. IMFC is committed to complete the reform of the Fund's quota and governance structure, which is key to its credibility, legitimacy, and effectiveness. It's prepared to integrate work on a new quota formula with work on the Fifteenth General Review of Quotas. The quota formula should transparent and consistent with the multiple roles of quotas, produce results that are generally acceptable to the membership, and be practical to implement statistically based on timely, high quality and widely available data. The Executive Board is urged to agree on a new quota formula as part of the Fifteenth General Review of Quotas. Any realignment is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps shall be taken to protect the voice and representation of the poorest members. The Fifteenth Review is expected to complete by January 2014 and the conclusions of the second external evaluation of the Independent Evaluation Office is welcome and the implementation of its recommendations is expected as well.

6.6 World Bank Group (WBG)

In 2013 during the annual meetings of the World Bank Development Committee, members noted that recovery among developed economies remains encouraging but uneven, and the growth of some emerging economies is slowing. Appropriate measures should be taken to ensure a balanced and sustainable global growth. Intensified efforts must prevail to ensure growth and job creation and to facilitate risk and vulnerability analysis and also the impact of global policy on countries. Safeguarding and further building on the openness and fairness of the international trading system remains vital to global growth and in this context there was need for further progress at the World Trade Organization’s upcoming Bali Ministerial Conference.

The two ambitions to end extreme poverty by 2030 and promote shared prosperity, offer an important contribution to the post 2015-agenda. In order to achieve the goals, the new WBG Committee endorsed the Strategy and the repositioning of the institution as “One World Bank Group” that works with the public and private sectors in partnership, contributes to the global development agenda through dialogue and action, supports clients in delivering customized development solutions, and helps advance knowledge about what works in development was recognized.

The WBG has an important role to play in delivering global development results, supporting countries with their specific development challenges, and helping them eradicate poverty and build resilience to future financial, economic, social, and environmental challenges. The meeting stressed the need for a continued strong client orientation that recognizes the diversity and development needs of countries. Special attention must be paid to countries and regions with the highest incidence of poverty as well as to the unique challenges facing small states. It also reaffirms the crucial role of the

WBG in helping the international community address major global challenges, including climate change. To achieve maximum impact, the WBG needs to be selective in its efforts, while collaborating with partner organizations and the private sector at both national and global levels, and facilitating south-south cooperation and regional integration in pursuit of its goals.

A robust IDA 17 replenishment, with strong participation from all members, is fundamental for delivering on the WBG Strategy. Needs and demands among IDA countries remain high, and efforts should be devoted to the replenishment with the scale, quality and policy content that will allow IDA to achieve substantial results.

Emphasis was made on the importance of further mainstreaming and strengthening WBG support for gender equality through better analysis, targeted actions, and more robust monitoring and evaluation. Gender equality is important, both in its own right and also as a means of pursuing the overarching goals for poverty reduction and shared prosperity.

6.7 African Development Bank (AfDB)

The 2013 Annual Meetings of the AfDB was held in Marrakesh, Morocco. During the deliberations, the Bank presented its Ten Year Strategy which articulated the direction of travel which corresponds to what Africa needs and what the bank is best positioned to do. The meetings also acknowledged the progress Africa has made, while pointing out what has to be done to ensure sustainability. One of the areas of focus for sustainability is sound natural resource management. Member countries urged the Bank to deepen its work in this area – to scale up and strengthen its internal capabilities to provide greater support from work related to legal issues, to best practices. There were debates on transformation and natural resources which showed a wide consensus on what has to be done and what the Bank should do.

6.7.1 Infrastructure Financing

There was a consensus that with Africa's economies at a turning point, the infrastructure deficit is an important binding constraint. It is not the only constraint, but it is a key obstacle.

Drawing on experience from other countries, the meeting agreed that unless African countries can unblock this, at some point the current growth momentum will be interrupted and will not be sustained.

At the same time, there was broad recognition that the existing means of financing infrastructure cannot take Africa to the scale that is needed. Members concurred that it was time for innovation. It was time for greater mobilization of internal resources. The idea was that African countries must do more for their own development, in particular infrastructure. It was time for better husbandry of natural resources to finance more infrastructures. It was time to leverage external support, internal savings and capital markets for infrastructure. There was overwhelmingly warm response to the proposal for the special vehicle for scaling up Infrastructure finance that is the Africa50 Fund. Member countries requested the bank to provide greater details and deepen the work on Africa50 Fund together with the Board of Directors.

6.7.2 African Development Fund (ADF 13)

There was discussion on the much needed ADF 13 replenishment. The meeting reaffirmed the importance of the work done by the African Development Fund in this area and that its track record was stellar. As we approach 2015, there was general agreement from a strategic viewpoint that the aim must be a stronger ADF, or at the very least, to avoid at all costs a weaker ADF. As negotiations for the Fund was about to resume, the arrival of new members, in particular African contributors, was viewed as a strong signal of ownership and the growing relevance of the Fund as a force for good.

6.7.3 Return to Abidjan

The final takeaway was the return of the Bank to Abidjan. With the ratification of the recommendations on the roadmap, the task of safely returning the Bank to its headquarters was set to begin in earnest. In this vein, four key themes have been consistent namely;

- a rigorous respect of the Roadmap and its triggers.
- ensuring at all costs that the exercise will not perturb the operations of the Bank or diminish its effectiveness
- good communication, both internally and externally
- Close collaboration between the Bank and the Governments of Cote d'Ivoire and Tunisia.

It was agreed that there should neither be undue precipitation nor unnecessary delays which would cause process cost overrun.