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TABLE XVIII: DISTRIBUTION OF OUTSTANDING GOVERNMENT SECURITIES (Face Value)

(end December figures, in millions of Dalasi)

	1999	2000	2001	2002	2003
Gambia Govt. Treasury Bills	**1,273.33**	**1,643.09**	**2,066.70**	**2,352.72**	**2,272.16**
Central Bank	12.84	2.54	34.96	218.34	212.56
Commercial banks	615.56	852.61	1,133.19	970.12	713.58
Non-banks	644.93	787.94	898.55	1,164.26	1,346.02
of which: public enterprises	*549.57*	*660.34*	*767.73*	*988.13*	*1,091.12*
Gambia Govt. Development stocks	**23.18**	**23.18**	**23.18**	**23.18**	**23.18**
Central Bank	0.00	0.00	0.00	0.00	0.00
Commercial banks	5.50	5.50	5.50	5.50	5.50
Non-banks	17.68	17.68	17.68	17.68	17.68
of which: public enterprises	*17.18*	*17.18*	*17.18*	*17.18*	*17.18*
Gambia Govt. Discount Note Series	**103.78**	**106.33**	**106.10**	**103.78**	**95.10**
Central Bank	0.00	0.00	0.00	0.00	0.00
Commercial banks	0.00	0.00	0.00	0.00	0.00
Non-banks	103.78	106.33	106.10	103.78	95.10
of which: public enterprises	*102.39*	*102.39*	*102.39*	*100.65*	*92.23*
TOT. OUTSTAND. GOVT. DOMESTIC DEBT	**1,400.29**	**1,772.60**	**2,195.98**	**2,479.68**	**2,390.44**
Gambia Govt. Treasury Bills 1/	***1201.59***	***1564.02***	***1919.53***	***2117.61***	***1948.12***
Central Bank	*12.36*	*2.44*	*30.66*	*197.08*	*192.20*
Commercial banks	*582.36*	*814.23*	*1073.43*	*908.14*	*648.46*
Non-banks	*606.87*	*747.35*	*815.42*	*1012.39*	*1107.46*
of which: public enterprises	*516.27*	*625.34*	*625.34*	*848.76*	*881.52*

Source : Central Bank of The Gambia

1/ At discounted value

Other Charges	219.1	216.6	335.3	295.6	330.6
Interest Payments	248.4	224.8	293.7	370.6	607.4
Internal	187.5	160.0	225.0	286.6	444.1
External	60.9	64.8	68.7	84.0	163.3
Emergency Relief (Rural road repairs)	0.0	0.0	0.0	0.0	0.0
HIPC II Expenditure		0.0	68.0	39.9	82.5
Subsidies & Current Transfers	99.8	133.2	198.1	216.9	221.6
Development Expenditure	**261.0**	**353.6**	**285.4**	**585.3**	**657.8**
Extra budgetary Expenditure	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net Lending	**-29.8**	**-35.0**	**67.8**	**-32.8**	**-22.6**
Overall Balance (Commitment Basis)					
Excluding Grants (with HIPC II)	-239.5	-196.8	-600.4	-668.9	-763.5
Excluding Grants (w/o HIPC II)			-532.4	-596.6	-681.0
Including Grants (w/o HIPC II)	-173.7	-75.0	-464.5	-342.0	-490.1
Adjustment to cash basis (Float)	-34.5	-23.7	-34.7	17.8	43.8
Overall Balance - Including Grants (Cash Basis)	**-208.2**	**-98.7**	**-499.2**	**-324.2**	**-446.3**
Financing	**194.4**	**95.9**	**499.3**	**324.1**	**381.3**
External (net)	30.0	-45.6	-23.6	140.9	60.8
Borrowing	*155.2*	*135.2*	*233.6*	*725.8*	*340.5*
Project			*156.6*	*368.4*	*340.5*
Program			*0.0*	*0.0*	*0.0*
Other Loans			*77.0*	*357.4*	*0.0*
Amortization	*-125.2*	*-180.8*	*-257.2*	*-584.9*	*-279.7*
of which; Alimenta			*-110.7*		
Debt Relief	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Domestic	**164.4**	**141.5**	**522.9**	**183.2**	**320.5**
Bank	*71.2*	*45.0*	*505.8*	*22.9*	*225.4*
Non-Bank	*93.2*	*139.5*	*68.1*	*197.0*	*95.1*
Accumulation of arrears	*0.0*	*-19.0*	*-51.0*	*-36.7*	*0.0*
Privatization Proceeds	*0.0*	*-24.0*	*0.0*	*0.0*	*0.0*
Nominal GDP	***4921.9***	***5391.4***	***6124.9***	***7364.3***	***10005.9***

Source: Department of State for Finance and Economic Affairs

TABLE XVII: CENTRAL GOVERNMENT FISCAL OPERATIONS

In D'millions

	1999	2000	2001	2002	2003
Revenue and Grants	**944.4**	**1,066.4**	**1,125.7**	**1,518.6**	**1,846.4**
Total Revenue	**878.6**	**983.7**	**989.8**	**1,201.7**	**1,573.1**
Tax Revenue	**773.6**	**848.7**	**853.8**	**1,040.2**	**1,379.8**
Direct Taxes	201.8	221.0	251.0	318.0	441.1
Indirect Taxes	571.8	627.7	602.8	722.2	938.7
Domestic Taxes on Goods & Services	77.3	92.3	73.9	124.9	205.3
Stamp Duty	1.6	2.0	2.6	6.1	5.7
Excise Duties	11.0	15.0	11.5	10.8	13.6
Domestic Sales Tax	64.7	75.3	59.8	108.0	185.9
Airport Levy	0.0	0.0	0.0	0.0	0.0
Taxes on International Trade	494.5	535.4	528.9	597.3	733.4
Customs Duty	183.0	196.7	199.5	226.1	291.7
Sales Tax on Imports	158.6	145.5	179.9	209.5	279.0
Petroleum Taxes	152.9	193.2	149.5	161.7	162.7
Duty	132.3	170.5	128.0	141.6	124.0
Sales Tax	20.6	22.7	21.5	20.1	38.7
Nontax Revenue	**105.0**	**135.0**	**136.0**	**161.5**	**193.3**
Government Services & Charges	75.1	80.0	97.6	134.8	166.9
Interest and Property	22.0	46.5	34.2	24.1	23.1
Contribution to Pension Fund	3.3	3.9	4.2	2.6	3.3
Central Bank Profit / Loss	4.6	4.6	0.0	0.0	0.0
Other Non tax Revenues	0.0	0.0	0.0	0.0	0.0
Grants	**65.8**	**82.7**	**135.9**	**316.9**	**273.3**
Program	11.3	15.3	0.0	68.0	0.0
Projects	54.5	67.4	67.9	126.8	143.8
HIPC II Assistance	0.0	0.0	68.0	122.1	129.5
Total Expenditure and Net Lending	**1,100.2**	**1,212.1**	**1,590.3**	**1,870.7**	**2,336.5**
Current Expenditure	**869.0**	**893.5**	**1,237.1**	**1,318.2**	**1,701.3**
Expenditure on Goods & Services	520.8	535.5	677.3	690.8	789.8
Salaries	301.7	318.9	342.0	395.2	459.2

TABLE XVI : THE GAMBIA : ENERGY STATISTICS

	1999	2000	2001	2002	2003
ELECTRICITY (000'S KWH)					
Total Production	**94,738**	**87,900**	**146,860**	**161,361**	**160,958**
Residential consumption	48,851	45,676	55,324	62,060	
Business consumption (incl. Govt.)	23,213	21,530	25,698	24,934	
Hotels, Industries and Clubs	10,820	9,467	12,859	17,237	
Agriculture	13	39			
Local Authorities	504	841			
Street Lighting	0	0	740	507	
Other consumption	11,337	10,347	58	64	
Losses (incl. power house consumption)			52,181	56,559	
RETAIL ELECTRICITY PRICE PER KWH					
Residential	D1.55 - 2.21	D1.55 - 2.21	1.81	1.81	
Commercial & Local Government	2.21	2.21	2.21	2.21	
Hotels, clubs & industries	2.54	2.54	2.54	2.54	
PETROLEUM IMPORTS (M / litres)					
Total imports					
PMS					
HEAVY FUEL					
KEROSENE					
GAS OIL					
Petroleum oils and oils obtained from Bituminous mineral, crude.					
Petroleum oils and oils obtained from Bituminous mineral, other than crude.					
RETAIL PETROLEUM PRICE PER LITRE					
PMS	D8.95	D8.95			
DIESEL	D6.50	D6.50			
JET/ KEROSENE	D4.75	D4.75			

Source: State Department For Trade, Industry & Employment

BOARD OF DIRECTORS

31ST DECEMBER 2003

Governor (Chairman)	-	F. L. Jatta
Director	-	I. Hydara
Director	-	F. Faal
Director	-	B.J. Carr
Permanent Secretary Department of State for Finance & Economic Affairs (EX-Officio)	-	D.B. Jagne

TABLE XV: DISTRIBUTION OF AIR CHARTER TOURISTS BY NATIONALITY, SEX AND LENGTH OF STAY

Nationality	1999	2000	2001	2002	2003
-					
British	40,588	37,594	34,399	39,447	
Swedish	5,556	4,997	4,043	5,391	
French	555	612	481	1,725	
German	25,393	12,156	3,065	12,265	
Danish	2,956	3,597	1,605	2,138	
Norwegian	612	654	542	727	
Others	20,462	19,100	13,096	17,200	
TOTAL	**96,122**	**78,710**	**57,231**	**78,893**	**89,116**
Sex					
Male	48,841	33,559	24,609	33,924	
Female	47,281	45,151	32,622	44,969	
Length of stay					
-					
Average length of stay (in days)	13.25	11.91	12.90	12.90	12.90
AVERAGE OUT-OF-POCKET EXPENDITURE PER DAY (in Dalasi)	414.19	477.48	549.10	250.00	250.00

Source: Central Statistics Department

Financing	879.9	2.7	139.4
Change in gross official reserves (increase = -)	739.4	-84.4	139.4
Use of IMF resources			
Repayments	-3.7	0.0	0.0
Disbursements	137.2	74.5	0.0
Exceptional Financing 1/	0.0	7.0	0.0
Memorandum items:			
Current account balance (in percent of GDP)			
Excluding official transfers	-10.1	-13.4	-13.6
Including official transfers	-2.6	-2.8	-5.1
Gross official reserves (end of period)			
In millions of USDs	63.0	67.2	62.3
In months of imports, CIF	5.0	4.5	4.4
External Debt Service ratio 2/			
Including the Fund	16.4	16.9	8.5
Excluding the Fund	16.0	16.8	8.4

Sources: The Gambian authorities; and staff estimates and projections

1/ Includes debt relief by Paris Club; Interim relief by multilaterals is treated as grants.

2/ As a percentage of exports and travel income. After interim debt relief and HIPC grants. Excludes any accumulation of external arrears.

SENIOR OFFICERS OF THE BANK

AS AT 31ST DECEMBER 2003

Governor	-	F. L. Jatta
General Manager	-	H.A. Salla (Ms)
Senior Manager, Banking Services Department	-	M.B. Saho
Senior Manager, Internal Audit Department	-	B.A. Ceesay
Ag. Director, Economic Research Department	-	B.A.O. Njai
Ag. Senior Manager, Finance and Information Systems Department	-	O. Savage-Samba (Mrs)
Ag. Senior Manager, Banking Supervision Department	-	O.A. Sowe
Manager, Administration and Human Resource Department	-	H.M.V. Carr
Manager, Special Assistant to the Governor and Secretary to the Board	-	M.B. Mboge
Manager, Economic Research Department	-	A.Jobe-Sallah (Mrs)
Ag. Manager, Foreign Exchange Department	-	O. Jatta
Ag. Manager, Micro- Finance Department	-	B. Senghore
Ag. Manager, Banking Services Department	-	A. Colley
Legal Advisor	-	E. Janneh-Jagana (Mrs)
Principal Banking Officer, Banking Services Department	-	A.B.S. Gaye
Principal Insurance Compliance Officer, Administration Department	-	P.A. Sillah
Principal Personnel and Training Officer, Administration Dept.	-	H. Joof (Ms)
Principal Librarian, Economic Research Department	-	F. Jagne (Ms)
Principal Currency Officer, Banking Services Department	-	B. Koita
Principal Economist, Economic Research Department	-	B. Saidy
Principal Economist, Microfinance Department	-	F. Deen Touray (Mrs)
Principal Bank Examiner, Banking Supervision Department	-	A. Jallow
Principal Bank Examiner, Banking Supervision Department	-	P. Mendy
Principal Foreign Department Officer, Foreign Department	-	E.A.C. Ndong
Principal Banking Officer, Banking Services Department	-	W.M. Eunson
Principal Banking Officer, Banking Services Department	-	M.M.Jammeh
Principal Administrative Officer, Administration Department	-	O.K. Janneh
Principal Accountant, Finance and Information Systems Department	-	O.Corr

KEY ECONOMIC INDICATORS

DEMOGRAPHY	2000	2001	2002	2003
Population (in Millions)	1.26	1.29	1.33	1.36
Population Density (Person Per Sq/Km)	115	117	121	127
Population Growth Rate	2.8	2.8	2.8	2.8

OUTPUT	2000	2001	2002	2003
GDP at Current Market Prices (D'millions)	5,391.4	6,125.3	7,117.4	8749.7
Per Capita GDP at Market Prices	3,415	3,347	5,351	6430
GDP at Constant Market Prices (D' millions)	634.5	665.9	670.6	720.3
Agriculture	196.6	215.0	196.2	209.6
Industry	72.8	75.5	79.2	81.9
Services	365.1	375.4	395.1	429.8

END-PERIOD INFLATION RATE	2000	2001	2002	2003
January	1.5	3.5	6.7	11.5
February	1.5	3.5	6.6	13.3
March	1.4	3.5	6.7	14.7
April	1.5	3.4	6.8	17.1
May	1.5	3.5	6.8	17.7
June	1.5	4.0	6.2	19.0
July	0.3	4.3	5.9	20.2
August	0.3	4.7	6.1	21.1
September	0.2	5.0	11.0	18.0
October	0.2	5.2	12.6	17.2
November	0.2	5.2	14.6	16.9
December (Point to point)	**0.2**	**8.1**	**13.0**	**17.6**
Annual Average	**0.8**	**4.5**	**8.6**	**17.0**

TABLE XIV : BALANCE OF PAYMENTS

(in millions of Dalasi)

imports are in fob	2000	2001	2002	2003
Trade balance		**-486.5**	**-814.5**	**-1131.8**
Exports, f.o.b.		1601.4	2176.7	2868.0
Groundnuts/groundnut products		281.6	478.0	259.7
Other domestic exports		129.9	141.3	238.3
Re-Exports		1189.9	1557.4	2370.1
Imports, f.ob.		-2087.9	-2991.2	-3999.8
For domestic use		-1320.2	-1986.4	-2490.7
Of which: projects related imports		-478.7	-921.0	-502.6
Of which: oil products		-125.9	-291.6	-398.4
For re-export		-767.7	-1004.8	-1509.2
Factor services (net)		-362.6	-445.3	-541.9
Net Interest Income		-498.6	-669.3	-888.1
Remittances		136.0	224.0	346.2
Non-factor services		131.8	200.8	204.9
Of which: travel income		751.2	951.1	1452.6
Other transportation		203.7	266.6	418.7
Other services		-524.5	-589.1	-1094.5
Freight & Insurance (imports)		-298.6	-427.7	-572.0
Private unrequited transfers (net)		54.7	71.7	105.8
Official unrequited transfers (net)		492.6	779.9	852.9
Current account balance				
Excluding official transfers		-662.5	-987.3	-1363.1
Including official transfers		-169.9	-207.5	-510.2
Capital account		357.8	197.5	190.5
Official loans (net)		131.2	376.9	458.1
Project related		388.4	943.9	751.7
Program loans		0.0	24.9	0.0
Amortization		-257.2	-591.9	-293.6
Private capital inflow		226.6	-179.5	-267.6
Foreign direct investment (net)		159.8	257.9	360.7
Other Investment (net)		66.8	-437.4	-628.3
Of which: suppliers' credits		264.4	-245.4	122.2
Unaccounted-for loss in Official Reserves		-447.1	9.8	0.0
Errors & Omissions		-620.7	-2.5	180.3

TABLE XIII: EXTERNAL TRADE

TABLE XIII (A) : COMPOSITION OF EXPORTS - FOB

(in millions of Dalasi)

	1998	1999	2000	2001	2002
Groundnuts/Groundnut Products	139.85	140.85	12.08	27.90	
Other Exports	59.40	59.40	182.92	69.86	
Re-Exports 1/	50.19	51.19	11.74	4.78	
TOTAL EXPORTS - FOB	**249.44**	**251.44**	**206.74**	**102.54**	

Source : Central Statistics Department.

1/ Excludes estimates of unrecorded re-exports which are included in the Balance of Payments.

TABLE XIII (B): COMPOSITION OF IMPORTS - CIF

(in millions of Dalasi)

S I T C Section	1998	1999	2000	2001	2002
Food and Live Animals	756.68	709.33	764.84	481.69	
Beverages and Tobacco	74.38	83.08	57.89	223.96	
Crude Materials	26.56	36.52	19.51	61.74	
Mineral Fuel, Lubricants, etc.	142.81	121.30	289.40	148.85	
Animal and Vegetable Oil and Fats	98.73	66.76	77.03	117.85	
Chemicals	131.17	161.11	168.24	141.39	
Manufactured Goods	241.09	253.90	296.24	289.63	
Machinery and Transport Equipments	502.71	456.39	458.14	353.52	
Others	252.44	301.49	296.99	288.35	
TOTAL IMPORTS - CIF	**2,226.56**	**2,189.88**	**2,428.28**	**2,106.98**	**0.00**

CHANGES IN MONETARY AGGREGATES (%)	2000	2001	2002	2003
MONETARY SURVEY				
Money Supply	34.8	19.4	35.3	43.4
Narrow Money	37.0	14.4	56.1	63.5
Quasi Money	32.6	24.3	16.4	19.0
Net Foreign Assets	29.5	-64.9	152.5	64.2
Net Domestic Assets	45.8	176.6	7.5	31.9
Domestic Credit	16.1	162.4	31.9	39.2
Government (net)	117.4	1185.7	2.4	36.2
Public Sector	28.9	539.0	-1.5	358.9
Private Sector	9.6	29.3	71.0	25.4

CENTRAL BANK OF THE GAMBIA	2000	2001	2002	2003
Net Foreign Assets	1285.0	501.1	1002.9	865.6
Net Domestic Assets	-	349.3	137.6	990.3
Reserve Money	16.8	21.0	34.1	62.7
Money Multiplier (Broad Money)	**2.82**	**2.78**	**2.81**	**2.47**
Velocity (Broad Money)	**2.17**	**1.84**	**2.2**	**1.9**

INTEREST RATES	2000	2001	2002	2003
Commercial Banks Lending Rates				
Agriculture	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
Manufacture	18.0-22.5	18.0-22.5	17.0-24.0	21.0-36.5
Building	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
Trading	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
Tourism	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
Other	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
* Deposit rates				
Savings bank account	8.0-10.0	8.0-10.0	8.0-9.0	8.0-17.0
* Time Deposits				
Three months	9.5-12.5	9.5-12.5	6.0-13.0	7.0-22.0
Six months	10.0-12.5	10.0-12.5	6.0-13.0	8.0-22.0
Nine months	10.75-12.5	10.75-12.5	7.0-13.0	8.0-22.0
12 months and over	11.0-12.5	11.0-12.5	7.0-13.0	10.0-22.0
GOVERNEMENT				
Treasury bills	12	12	20	31.0
Discount Notes	15	15	15	25.5
Govt. Dev. Loans				
1999-2002 (F)	15	15		
1999-2002 (G)	14	14		
2002 (H)			15.5	
2002 (I)			20	
2005 (H)				15.5
2005 (I)				20.0
CENTRAL BANK				
Bank Rate	10	10	18	29.0
Rediscount Rate	15	15	23	34.0

TABLE: XII(C) VOLUME OF INTERBANK FOREX TRANSACTIONS 1/
BREAKDOWN BY CURRENCY

(Figures represent Dalasi equivalents; in D' millions)

Period		GBP	USD	DEM	SEK	CFA 2/	FRF	Others	TOTAL
1999	December	82.10	236.85	26.24	5.72	11.460	95.77	182.54	**640.68**
2000	December	87.90	248.48	11.77	14.66	5.848	29.16	172.91	**570.73**
2001	December	133.24	461.29	5.23	7.78	5.852	79.19	333.42	**1,026.00**
2002	January	238.21	580.70		19.81	7.029	203.95	239.77	**1,289.47**
	February	155.68	453.36		13.73	8.374	125.60	148.37	**905.11**
	March	203.20	579.48		11.73	3.277	124.56	41.39	**963.64**
	April	150.67	493.95		13.64	8.033	125.14	20.96	**812.39**
	May	226.90	584.70		20.54	5.796	236.33	90.46	**1,164.73**
	June	141.63	534.01		8.95	5.741	183.29	71.51	**945.13**
	July	119.08	309.15		10.14	2.685	179.97	57.43	**678.46**
	August	108.13	370.15		8.15	11.892	69.32	56.41	**624.05**
	September	121.64	645.79		4.41	14.150	158.83	80.63	**1,025.45**
	October	163.48	419.88		8.62	10.177	200.44	14.18	**816.78**
	November	182.68	526.40		10.94	13.312	210.69	74.04	**1,018.06**
	December	169.07	635.27		16.87	8.789	139.18	86.52	**1,055.70**
2003	January	224.05	609.97		12.05	9.327	284.56	136.14	**1,276.10**
	February	193.54	377.87		12.36	9.982	129.24	89.15	**812.14**
	March	190.54	554.65		11.61	7.700	143.90	24.65	**933.05**
	April	130.47	314.61		15.26	15.377	71.46	26.06	**573.24**
	May	166.42	486.86		9.54	4.703	80.47	60.42	**808.41**
	June	146.68	430.47		10.26	15.791	102.37	16.79	**722.36**
	July	167.22	533.81		10.88	4.543	115.58	19.45	**851.48**
	August	203.28	497.56		9.40	15.197	143.07	12.22	**880.73**
	September	172.73	490.39		7.63	12.312	113.23	11.59	**807.88**
	October	269.02	720.64		8.67	12.394	224.64	11.65	**1,247.01**
	November	308.28	774.66		11.78	4.838	254.51	19.05	**1,373.12**
	December	397.03	1076.35		20.30	11.591	311.69	30.13	**1,847.09**

Source : Central Bank of The Gambia

TABLE XII(B) : PERIOD AVERAGE MID-MARKET RATES 1/

(Dalasi per unit of foreign currency) 2/

Period		GBP	USD	DEM	SEK (100)	CFA (5,000) 3/	FRF (100)
1999	December	18.3784	11.6855	6.3652	139.0552	90.4651	191.4727
2000	December	21.0929	14.4883	6.6629	153.5923	99.5696	196.3714
2001	December	24.8717	16.6852	8.0180	159.0686	117.8858	231.5361
2002	January	25.0909	17.3934		163.5321	119.2434	15.3029
	February	25.2752	17.5383		167.4829	121.5238	15.4827
	March	25.4404	17.8774		173.8145	123.7380	15.6662
	April	26.2446	18.3021		176.9289	124.7522	16.0067
	May	26.5768	18.6585		178.4586	126.4120	16.4085
	June	27.1424	19.0173		187.2491	131.1308	16.9966
	July	27.2669	19.2114		195.5458	134.9341	18.2396
	August	30.1223	20.4591		202.5848	147.1107	19.6831
	September	32.0095	21.5387		216.1307	156.5496	20.7396
	October	34.0331	22.3606		224.0796	170.4645	21.2292
	November	35.0353	23.1009		238.9426	170.9871	21.8372
	December	35.6825	23.5562		214.5339	174.9403	22.7520
2003	January	36.7634	24.3230		271.3316	186.1326	24.9256
	February	38.9342	24.4918		279.4315	188.7785	25.8134
	March	39.3007	25.1372		293.8265	195.5686	26.4845
	April	40.8867	26.7201		301.6205	217.2214	27.8424
	May	42.1665	27.1947		317.6434	225.7101	29.2023
	June	43.6094	27.5266		329.0712	219.2197	30.7631
	July	46.1866	28.9660		348.9231	241.2671	32.5755
	August	47.8531	30.3285		352.8381	247.9653	32.8936
	September	51.0958	32.5178		364.3987	266.9036	36.1610
	October	52.6590	32.9854		368.9110	232.9500	35.9959
	November	51.6856	31.1161		374.6535	234.4129	35.6402
	December	51.8146	31.0589		376.7330	237.2917	35.9709

Source: Central Bank of The Gambia

1. The mid-market exchange rate is the mid point between the weighted average of buying and selling
2. Unless otherwise stated
3. Since January 1994, participants in the interbank market have stopped trading in CFA franc
4. Commencing January 2002, the EURO replaces the DEM and FRF

	2000	2001	2002	2003
Nominal GDP	5,391.4	6,124.9	7,117.4	10,005.9

GOVERNMENT FINANCE (percent of GDP)	**2000**	**2001**	**2002**	**2003**
Domestic Revenue	18.5	16.2	16.3	15.7
Tax Revenue	16.1	13.9	14.1	13.8
Direct Tax	4.1	4.1	4.3	4.4
Indirect Tax	12.0	9.8	9.8	9.4
Domestic	1.3	1.2	1.7	2.1
International Trade	10.6	8.6	8.1	7.3
Nontax	2.3	2.2	2.3	1.9

	2000	**2001**	**2002**	**2003**
Expenditure and Net Lending (D'millions)	**1,192.2**	**1,590.3**	**1,870.7**	**2336.5**
Current Expenditure	985.9	1,237.1	1,318.2	1701.3
Capital Expenditure	245.6	285.4	585.3	657.8
Net Lending	-39.3	67.8	-32.8	-22.6
Budget Deficit, Excluding Grants				
(without HIPC Assistant)	-196.8	-532.4	-596.6	-681.0
(with HIPC Assistant)		-600.4	-668.9	-763.5
Budget Deficit, Including Grants	-75.0	-464.5	-342.0	-490.1
Deficit Financing	**95.9**	**499.3**	**324.2**	**381.3**
Foreign	-45.6	-23.6	140.9	60.8
Domestic	141.5	522.9	183.3	320.5
Government Debt	**8,944.2**	**9,384.8**	**13,301.2**	**17,800**
Foreign	7,348.2	7,335.8	11,054.1	15,700
Domestic	1,596.0	2,049.0	2,247.1	2,100

External Finance (D'millions)	2000	2001	2002	2003
Trade Balance	**-805.9**	**-486.5**	**-814.5**	**-1,131.8**
Imports	2,166.4	-2087.9	-2991.2	-3999.8
Exports	1,360.5	1601.4	2176.7	2868.0
Service Balance	**-16.5**	**-230.8**	**-244.5**	**-337**
Factor Service Balance	-83.5	-362.6	-445.3	-541.9
Non-factor Service Balance	67.0	131.8	200.8	204.9
Private Transfer	-	54.7	71.7	105.8
Current Account,				
- Excluding official transfers	-658.4	-662.5	-987.3	-1363.1
- Including official transfers	-377.3	-169.9	-207.5	-510.2
Capital Account	**515.1**	**357.8**	**197.5**	**190.5**
Official Loans (net)	23.8	131.2	376.9	458.1
Private Capital (net)	491.3	226.6	-179.5	-267.6
Overall Balance	**-137.8**	**-879.9**	**-2.7**	**-139.4**
Financing/Change in Official Reserves	-225.7	739.4	-84.4	139.4
Repurchase/Repayments	-28.9	-3.7	0.0	0.0
Purchases/Loans	116.8	137.2	74.5	0.0

TABLE XII : INTERBANK EXCHANGE RATES

TABLE XII(A) : END OF PERIOD MID-MARKET RATES 1/

(Dalasi per unit of foreign currency) 2/

Period		GBP	USD	DEM	SEK (100)	CFA (5,000) 3/	FRF (100)
1999	December	18.6483	11.5476	6.3705	145.8906	92.9090	189.9392
2000	December	21.0941	14.8875	6.4848	156.2492	95.4998	195.0804
2001	December	25.0084	16.9313	8.0548	161.2723	120.8943	231.2074
2002	January	25.1492	17.3037		164.4939	115.2531	15.3311
	February	25.4588	17.6906		170.7978	122.8403	15.4862
	March	25.8088	17.8191		174.8283	120.3595	15.7218
	April	26.5063	18.7236		176.8160	125.9650	16.3599
	May	26.9237	18.8443		182.3652	129.4860	16.8081
	June	27.4022	19.1357		190.9720	124.2251	17.3439
	July	28.1948	19.2648		195.0121	130.1495	18.9701
	August	30.6669	21.1627		197.9362	142.5795	20.3007
	September	32.6032	21.7896		224.6068	168.5284	20.9901
	October	34.9007	22.7601		240.0550	170.9514	21.2114
	November	35.2331	23.2140		240.0996	170.2139	22.5507
	December	35.4878	23.3924		263.1515	174.4489	23.6402
2003	January	37.7894	24.2859		273.4117	186.7879	24.7316
	February	38.6861	24.6325		281.8235	193.4014	26.5857
	March	39.9990	26.0043		304.1790	205.2416	27.2315
	April	41.0624	26.7473		305.2168	201.4262	27.9852
	May	42.3952	27.1855		320.1995	229.8090	29.4181
	June	44.7886	27.8810		338.5804	218.9416	32.0940
	July	47.3907	29.5229		353.1014	243.5082	32.8667
	August	48.7685	31.4890		342.4134	255.4801	33.6638
	September	53.0125	33.4290		364.1265	273.5709	37.2718
	October	50.9802	31.6082		341.1941	233.1320	35.2587
	November	51.2922	31.0700		374.3256	242.1746	35.8133
	December	51.9065	30.9577		367.7336	220.1900	35.9003

Source : Central Bank of The Gambia

TABLE XI : CONSUMER PRICE INDEX
(for Banjul and Kombo St. Mary low-income population)
(end December figures)

	1999	2000	2001	2002	2003
Percentage change from same period of previous year	*1.7*	*0.2*	*8.1*	*13.0*	*17.6*
All Items Index	**1,523.8**	**1,526.9**	**1,650.1**	**1,864.7**	**2,192.2**
Food and Drinks	1,630.8	1,633.6	1,784.2	2,109.4	2,499.8
Cereal and cereal products	1,188.7	1,189.9	1,195.1	1,291.1	1,616.5
Roots, Pulses, nuts and seeds	1,614.1	1,616.0	1,710.3	1,765.4	2,003.4
Vegetables and fruits	1,625.6	1,628.0	1,784.4	1,793.7	1,925.0
Meat, Poultry, eggs and Fish	2,426.3	2,434.8	2,697.6	3,862.1	4,536.4
Milk, dairy products, oils & fat	1,654.0	1,655.6	1,843.6	2,008.6	2,341.8
Other Food	1,308.3	1,308.7	1,497.5	1,617.9	2,023.5
Housing	1,428.6	1,428.6	1,623.4	1,655.8	1,883.1
Fuel and Light	2,255.3	2,277.5	2,404.0	2,461.2	3,208.2
Clothing, textiles and footwear	1,000.1	1,000.5	1,018.1	1,078.7	1,181.3
Miscellaneous	1,411.7	1,412.3	1,510.9	1,558.5	1,748.9

Source: Central Statistics Department

PART I

DEVELOPMENTS IN THE DOMESTIC ECONOMY

OVERVIEW

(1.0) Economic Output

In 2003, Gross Domestic Product (GDP) grew by 8.8 per cent in real terms compared to the revised growth of 1.3 per cent in 2002.

Agricultural value-added contracted by 3.0 per cent, but was higher than the negative growth of 8.7 per cent in 2002. However, industrial and services output grew by a robust 8.6 percent and 15.8 percent compared to 5.0 percent and 6.4 percent respectively in 2002.

(1.2) Agricultural Production

Agricultural production was estimated at 306,274 metric tonnes compared to 208,563 metric tonnes in 2002. The production of groundnuts, the main agricultural activity, increased to 92,937 metric tonnes, or 29.9 percent. Production of food crops, consisting of rice, maize, sorghum and millet rose to 213,337 metric tonnes, or 55.7 per cent. The increase in output is attributed to plentiful and well-distributed rainfall, availability of vital inputs, higher prices and expansion in cultivated area.

(1.3) Tourism

According to the Central Statistics Department (CSD), tourist arrivals increased to 90,638, or 5.6 from 2002. The year witnessed further consolidation in The Gambia's biggest source market, the United Kingdom, which accounted for 52.0 per cent of total chartered arrivals.

(1.4) Inflation

Against the backdrop of declining world inflation, end-period consumer price inflation, as measured by the consumer price index (CPI), rose from 13.0 per cent at end-December 2002 to 17.6 per cent in December 2003. Food and non-food consumer price inflation rose to 18.5 per cent and 15.6 per cent compared to 18.2 per cent and 3.6 per cent respectively in December 2002. Average inflation (12-month moving average) was 17.0 per cent compared to 8.6 per cent in 2002. Core inflation, which excludes prices of energy and volatile food items increased to 11.6 per cent relative to 6.9 per cent at end-December 2002.

(1.5) Monetary Developments

Monetary policy focused on making further progress towards achieving price and exchange rate stability. The policy was conducted in a highly unstable domestic environment characterized by acceleration in inflationary pressures and an unstable exchange rate.

The Central Bank continues to use monetary targeting in the conduct of monetary policy. More specifically, reserve money is used as the operating target and money supply as the intermediate target.

Reserve money grew by a staggering 62.7 per cent compared to 34.1 per cent in 2002, reflecting solely the 779.6 per cent increase in the net domestic assets (NDA) of the Central Bank. The net foreign assets of the Central Bank, on the other hand, contracted by 35.7 per cent.

Money supply grew strongly by 43.4 per cent compared to 34.1 per cent in 2002. Of the components of money supply, the growth of narrow money (63.5 per cent) was higher than that of quasi money (18.9 per cent).

(1.6) Foreign Exchange Developments

The Gambia continues to manage its exchange rate flexibly with a view to ensuring sustainable balance of payments as well as efficient allocation of resources.

The volume of transactions (purchases and sales) in the inter-bank foreign exchange market was significantly higher than in 2002, attributed to increased inflows from tourism, re-exports and remittances.

The uncertain and volatile conditions observed in the foreign exchange market in 2002 continued during the first 9 months of 2003. However, in the last quarter of 2003, the Dalasi stabilised and even appreciated slightly against the US Dollar.

(1.7) Developments In The Financial Sector

The financial sector in The Gambia comprised of the Central Bank, 6 deposit money banks, 11 insurance companies, 35 foreign exchange bureaux, 62 village savings and credit associations (VISACAs), 3 credit companies, 1 post office savings “bank” and myriad savings and credit groups, including credit unions.

The banking sector dominates the financial system. The industry is highly concentrated with two banks accounting for 77.5 per cent of total assets.

The total assets of deposit money banks rose to D5.5 billion, or 23.8 per cent from 2002. All components of assets with the exception of investments and acceptance, endorsement and guarantees increased.

Deposit money banks' interest and non-interest income rose by 54.2 per cent and 67.2 per cent respectively. Total expenditure also increased by 57.9 per cent. Aggregate profit before tax totalled D4154.2 million, considerably higher than D295.1 million in 2002.

(1.8) Balance of Payments (BOP) Developments

The overall balance in a deficit of D164.6 million, deteriorated compared to a surplus of D2.9 million in 2002. The lower-than-expected outcome stemmed primarily from a substantial deterioration in the current account balance.

The current account balance including official transfers was in a deficit of D478.8 million compared to D207.5 million in 2002, largely reflecting worsening in the trade balance and factor services (net) balance. Excluding official transfers, the current account deficit widened to D1.3 billion compared to D987.3 million in 2002. The capital account, including short-term capital and errors and omissions was estimated at a surplus D192.1 million compared to D120.1 million in 2002.

TABLE X: INTEREST RATE STRUCTURE

(end December figures, in percent per annum)

	1999	2000	2001	2002	2003
Commercial banks					
Lending rates					
Agriculture	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.0	21.0-36.5
Manufacturing	18.0-22.5	18.0-22.5	18.0-22.5	17.0-24.1	21.0-36.5
Building	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.2	21.0-36.5
Trading	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.3	21.0-36.5
Tourism	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.4	21.0-36.5
Other	18.0-24.0	18.0-24.0	18.0-24.0	17.0-24.5	21.0-36.5
Deposit rates					
Short-term deposit account	7.0	7.0	7.0		6.5
Savings bank account	9.0-10.0	8.0-10.0	8.0-10.0	8.0-9.0	8.0-17.0
Time deposits					
Three months	9.5-12.5	9.5-12.5	9.5-12.5	6.0-13.0	7.0-22.0
Six months	10.25-12.5	10.00-12.5	10.00-12.5	6.0-13.1	8.0-22.0
Nine months	11.0-12.5	10.75-12.5	10.75-12.5	6.0-13.2	8.0-22.0
12 months and over	12.0-12.5	11.0-12.5	11.0-12.5	6.0-13.3	10.0-22.0
Post office savings bank					
Savings deposits	N/A	N/A	N/A	N/A	N/A
Government					
Treasury bills	12.5	12.0	12.0	20.0	31.0
Discount Notes	15.0	15.0	15.0	15.0	25.5
Government development loans					
1994-1999	15.5	-	-	-	-
1999-2002 (F)	15.0	15.0	15.0	15.5	-
1999-2002 (G)	14.0	14.0	14.0	20.0	-
2002 (H)					15.5
2002 (I)					20.0
Central Bank of The Gambia					
Bank rate	10.5	10.0	12.0	18.0	29.0
Rediscount rate	15.5	17.0	18.0	23.0	34.0

Source: Central Bank of The Gambia

1/ Loans at 9 per cent represent non-performing loans of a commercial bank.

TABLE IX: TREASURY BILLS DISCOUNT RATES 1/

(in percent per annum)

	1998	1999	2000	2001	2002	2003
January	16.00	14.00	12.50	12.00	15.00	20.00
February	16.00	14.00	12.50	12.50	15.00	20.00
March	16.00	14.00	12.00	12.50	15.00	23.00
April	16.00	14.00	12.00	12.50	15.00	24.00
May	16.00	14.00	12.00	12.50	15.00	24.00
June	16.00	14.00	12.00	12.50	15.00	25.00
July	16.00	13.50	12.00	12.50	15.00	26.00
August	16.00	13.50	12.00	12.50	18.00	31.00
September	16.00	13.50	12.00	12.50	18.00	31.00
October	15.50	13.50	12.00	15.00	19.00	31.00
November	14.50	13.00	12.00	15.00	19.00	31.00
December	14.00	12.50	12.00	15.00	20.00	31.00

Source : Central Bank of The Gambia

1/ The floatation of Treasury Bills started in July 1986

(1.9) Fiscal Developments

Fiscal policy, the range of the Governments' tax and spending decisions, continued to support and reinforce the poverty reduction objective of Government.

Total revenue and grants increased significantly to D1.9 billion compared to D1.5 billion in 2002 but was below projection by D158.5 million. Domestic revenue amounted to D1.6 billion, or an increase of 30.8 per cent. Both tax and non-tax revenue rose by 32.7 per cent and 19.7 per cent respectively.

Total expenditure and net lending rose to D2.3 billion, or 24.8 per cent on account of increased current and capital expenditure. Current expenditure rose to D1.7 billion against D1.3 billion in 2002. Capital expenditure also increased to D657.8 million, or 12.4 per cent. Capital expenditure was financed by external loans (51.7 per cent), external grants (41.6 per cent) and The Gambia Local Fund (6.7 per cent).

The budget deficit on cash basis including grants amounting to D446.3 million was financed by from foreign sources (net) of D60.8 million and domestic sources (D320.5 million).

1. GROSS DOMESTIC PRODUCT (GDP)

Economic growth is essential for sustainable development and improving social outcomes. Growth in most instances benefit the poor. According to the IMF, in about 90 per cent of the cases in which countries have experienced per capita GDP growth of at least 2.0 per cent per year over a five-year period, the poor also experienced rising real incomes.

In 2003, Gross Domestic Product (GDP) grew by 8.8 per cent in real terms compared to the revised growth rate of 1.3 per cent in 2002. The high growth rate was more profound considering that it was achieved in an environment of macroeconomic instability.

Figure1: GDP at Factor Cost

GDP at current market prices increased to D8.75 billion, or 22.9 per cent from the previous year. With a population of 1.36 million, per capita income rose to D6430.0 compared to D5351.0 in 2002. Real economic growth rate of over and above the 6-7 per cent commonly used as a marker is required if the country is to significantly reduce poverty.

The IMF also found a strong linkage between economic growth and improvements in non-income dimensions of poverty. For example, a 10.0 per cent increase in GDP per capita typically results in 3-5 per cent decrease in infant and child mortality rates. Similarly, disparities between male and female literacy rates fall markedly as GDP increases.

If the Gambia is to maintain and sustain the strong growth rate, domestic investment would have to be raised to between 25-30 per cent of GDP, assuming a significant increase in productivity. Given the low level of domestic savings, estimated at 10.2 per cent of GDP in 2003, The Gambia would continue to rely on concessional foreign aid to supplement domestic savings and raise investment to the required magnitude. Gross domestic investment as a ratio of GDP declined to 19.5 per cent from 21.2 per cent in 2002. External borrowing largely financed the savings investment gap of 9.3 per cent.

The substantial growth in GDP was achieved as a result of increased value-added from all the major sectors of the economy: agriculture, industry and services.

TABLE VIII: COMMERCIAL BANKS: LOANS AND ADVANCES TO MAJOR ECONOMIC SECTORS *

(End December figures, in millions of Dalasi)

Sectors	1998	1999	2000	2001	2002	2003
Agriculture	64.93	48.42	102.83	39.63	71.70	139.45
Fishing	10.82	1.03	3.46	5.47	5.94	10.50
Mining and Quarrying	0.00	0.00	0.00	0.00	0.00	0.00
Building & Construction	33.08	32.32	51.11	58.41	78.36	94.99
Transportation	26.26	49.71	27.70	50.16	93.61	150.78
Distributive Trade	252.98	297.19	311.87	349.60	539.95	598.19
Tourism	23.10	24.71	24.95	32.84	21.47	100.12
Personal Loans	141.12	113.53	107.85	196.05	314.35	399.52
Other	38.29	53.76	47.22	60.61	212.03	372.26
Total	**590.58**	**620.67**	**676.99**	**792.77**	**1337.41**	**1865.81**

Source : Central Bank of The Gambia

* Excludes bills purchased and discounted and other investment in the private sector.

TABLE VII: LIQUIDITY POSITION OF COMMERCIAL BANKS

(end December figures, in millions of Dalasi)

	1999	2000	2001	2002	2003
Total Liquid Assets	**798.82**	**1034.56**	**1274.02**	**972.31**	**1707.39**
Reserves	129.00	108.48	174.33	76.81	1045.88
Deposits at CBG	187.53	127.03	196.31	292.17	592.05
Cash Holdings	26.14	35.55	55.64	49.83	68.02
Foreign Cash Holdings	15.84	20.87	17.14	63.88	167.50
Foreign Bank Balances	-100.51	-74.97	-94.76	-329.07	218.31
Treasury Bills	667.32	923.58	1097.19	893.00	659.01
Govt. Dev. Stock (182 Days) 1/	0.00	0.00	0.00	0.00	0.00
Other Liquid Assets	2.50	2.50	2.50	2.50	2.50
Required Liquid Assets 2/	318.28	408.53	511.74	689.25	1003.59
Excess Liquidity 3/	480.54	626.03	762.28	283.06	703.8
in % of requirement	151%	153%	149%	41%	70%
Required Cash Reserves 4/	149.43	187.99	236.01	291.21	596.10
Excess Cash Reserves 5/	-20.43	-79.51	-61.68	-214.40	449.78
in % of requirement	-14%	-42%	-26%	-74%	75%

Source: Central Bank of The Gambia

1/ Introduced March 21, 1993.

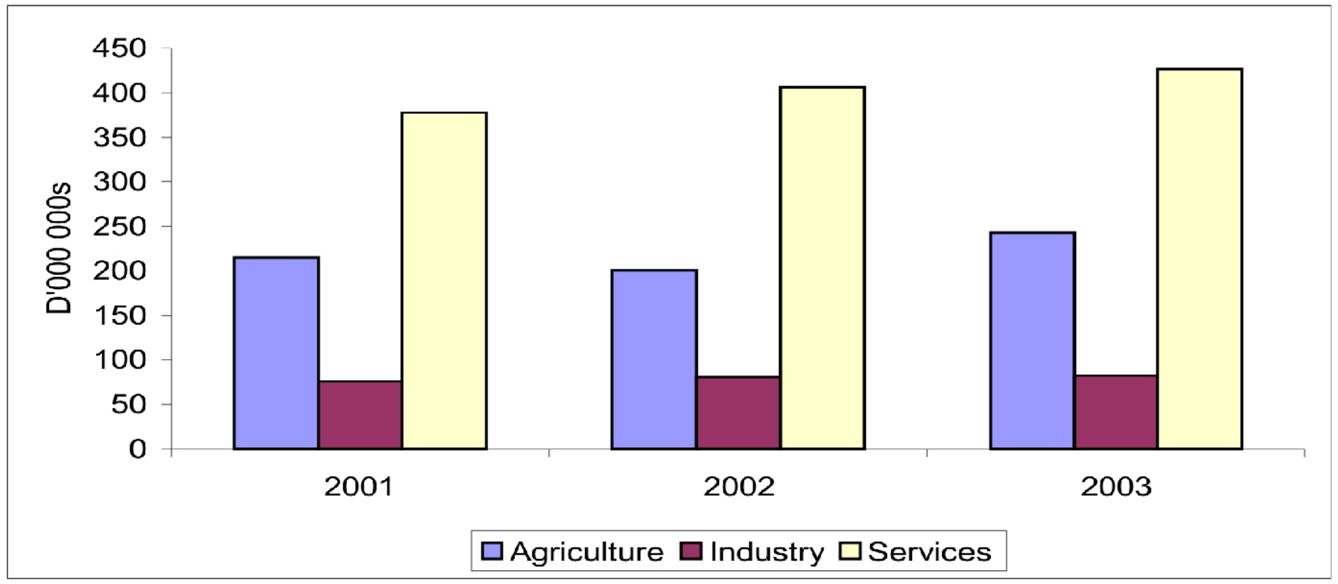
2/ Based statutory requirements of 30% of total liabilities to the public.

3/ Total liquid assets less statutory requirements.

4/ In June 1998 reserves requirements have been unified at 14 percent.

5/ Reserves less required reserves

Figure 2: Sectoral Contribution of GDP at Factor Cost



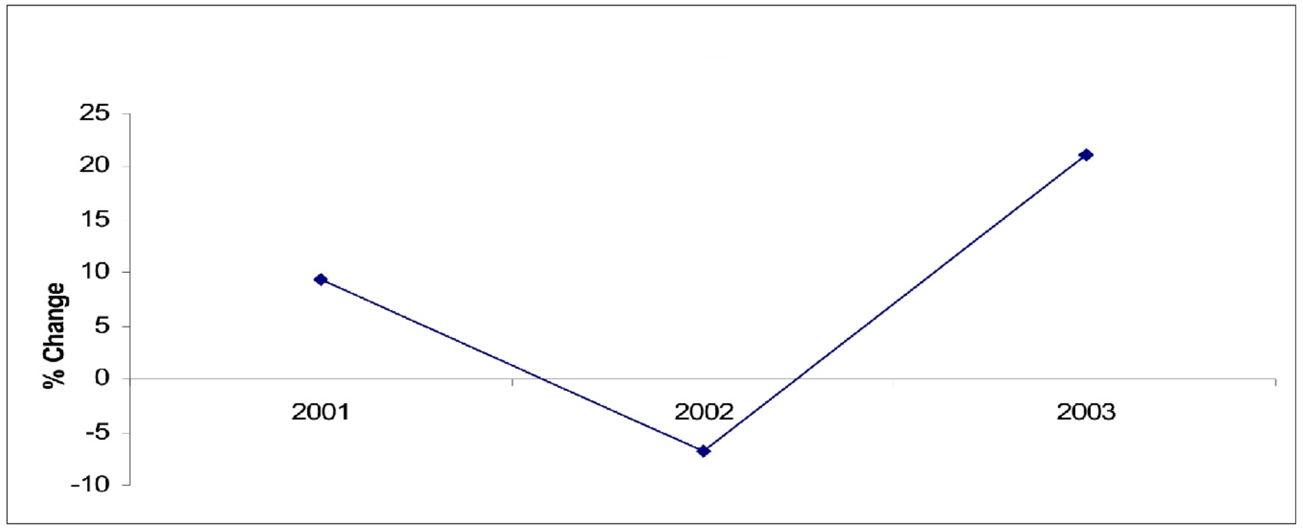
A. Agricultural Sector

Agriculture is the dominant sector of the economy and accounted for 30.0 per cent of GDP at factor cost. The sector directly employs over 70.0 per cent of the work force and remains one of the major sources of foreign exchange.

Agriculture value-added contracted by 3.0 per cent, but higher than the negative growth of 8.7 per cent in 2002. All the sub-sectors recorded increased output with the exception of groundnuts. Groundnut output contracted by 38.5 per cent on the heels of decreased output of 20.0 per cent in 2002.

Other crops value-added increased by 7.9 per cent relative to negative growth of 10.0 per cent in the previous year. Other crops benefited from attractive producer prices, plentiful and evenly distributed rainfall and availability of fertilizer and other inputs.

Figure 3: Value-added Agriculture



Livestock value-added increased by 6.1 per cent, higher than 3.0 per cent in the previous year. Stronger performance of the sub-sector was severely constrained by acute shortage of livestock feed and water owing to poor weather conditions in 2002. To improve production, Government through the Department of Livestock Services (DLS) embarked on the distribution of selected ruminant stocks to farmers. In the same vein, the DLS is collaborating with International Tripanotolerance Centre (ITC) in a cross breeding programme to produce first generation cross bred cows capable of producing over 8 litres of milk per day, compared to the indigenous N'Dama cow production of only 1 litre per day. In addition, under the five-year Peri-urban Small holder Improvement Project jointly funded by Government and the African Development Bank (ADB), wholesale and "Lumo"(weekly) markets and small-scale slaughter-houses are to be constructed through out the country.

Value-added from forestry grew by 7.2 per cent compared to 4.1 per cent in the previous year. The slight increase in output reflects better forestry management. Low incidence of bush fires was reported throughout the country compared to last year. This is attributed to the successful campaign against bush fires supported by The Gambia German Forestry Project.

The fisheries sub-sector is of strategic importance to the country. As such, it is being increasingly challenged to provide the populace with good quality fish at affordable prices and to create more employment opportunities.

Owing to increased investment in production, preservation and marketing facilities, the sub-sector's value-added increased by a robust 29.7 per cent following a marked output growth of 17.9 per cent in 2002.

B. Industrial Sector

The main objectives of Government's industrial policy are the expansion, diversification and upgrading of the domestic industrial base, efficient management of physical and manpower resources, creation of employment opportunities and export promotion. These objectives are to be realized by ensuring a conducive macroeconomic environment, encouraging private sector participation, promoting foreign direct investment (FDI), facilitating expansion of small and medium industries and promoting linkages across industries.

Industrial output, accounting for 11.4 percent of GDP, grew by 8.6 per cent compared to 5.0 per cent in 2002. Value-added of all the industrial sub-sectors increased.

Figure 4: Value-added of Industry

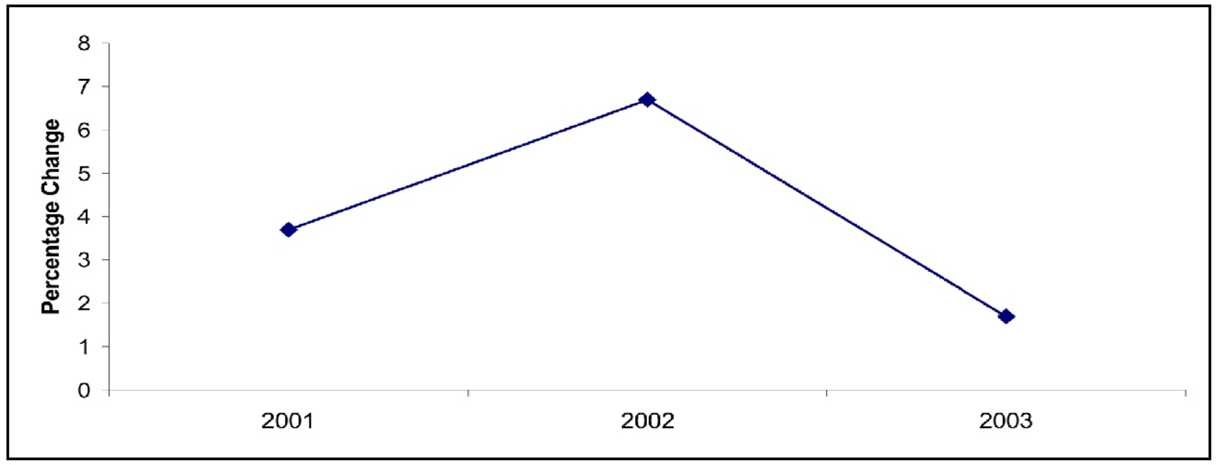


TABLE VI : COMPONENTS OF MONEY SUPPLY

(end December figures, in millions of Dalasi)

	1999	2000	2001	2002	2003
Narrow Money (M1)	717.75	983.53	1125.41	1756.77	2873.03
Currency outside banks	379.72	540.26	600.75	797.37	1182.89
Demand deposits	338.03	443.27	524.66	959.40	1690.14
Quasi-Money	753.28	998.82	1241.90	1445.75	1720.00
Savings deposits	556.09	705.49	831.91	1084.19	1374.60
Time deposits	197.19	293.33	409.99	361.56	345.40
Broad Money (M2)	**1,471.03**	**1,982.35**	**2,367.31**	**3,202.52**	**4,593.03**

Source : Central Bank of The Gambia

TABLE V : MONETARY SURVEY

(End December figures, In millions of Dalasi)

	1999	2000	2001	2002	2003
NET FOREIGN ASSETS	**996.52**	**1,290.29**	**453.31**	**1,144.86**	**1,879.48**
Monetary Authorities (net)	**1,066.41**	**1,284.96**	**501.12**	**1,002.89**	**865.60**
Foreign Assets	1,253.38	1,596.98	1,066.53	1,530.04	1,934.63
Foreign Liabilities	186.97	312.02	565.41	527.15	1,069.03
Commercial Banks (net)	**-69.89**	**5.33**	**-47.81**	**141.97**	**1,013.88**
NET DOMESTIC ASSETS	**474.51**	**692.06**	**1,914.00**	**2,057.66**	**2,713.55**
Domestic Credit	**663.53**	**770.12**	**2,020.48**	**2,664.49**	**3,708.57**
Claims on Public Sector	47.55	95.23	1,147.65	1,171.85	1,837.21
-Claims on Govt.(net)	38.35	83.37	1,071.86	1,097.16	1,494.43
. Central Bank (net)	-545.55	-732.40	-485.61	184.56	840.47
. Commercial Banks (net)	583.90	815.77	1,153.72	912.60	653.96
-Claims on Public Entities	9.20	11.86	75.79	74.69	342.78
Claims on Private Sector	615.98	674.89	872.83	1,492.64	1,871.36
Other Items (net)	**-189.02**	**-78.06**	**-106.48**	**-606.83**	**-995.02**
O/W : Revaluation account	*55.10*	*130.29*	*105.22*	*-573.23*	*-536.26*
SDR allocation	*-78.45*	*-83.22*	*-98.78*	*-113.74*	*-173.63*
Money Supply (M1)	717.75	983.53	1,125.41	1,756.77	2,873.03
Quasi-Money	753.28	998.82	1,241.90	1,445.75	1,720.00
TOTAL MONEY SUPPLY (M2)	**1,471.03**	**1,982.35**	**2,367.31**	**3,202.52**	**4,593.03**

Source: Central Bank of The Gambia.

Manufacturing output grew by 6.4 per cent compared to 4.7 per cent a year earlier. Manufacturing continues to be negatively impacted by supply-side constraints including inadequate and high cost of energy, poor infrastructure, small domestic market, paucity of skilled personnel and dearth of investment in appropriate technology. Rapid development of the sector, therefore, hinges on removing the bottlenecks and promoting both domestic and foreign investment into the sector.

It is anticipated that the launching of the Trade Gateway Project in the latter part of 2002 and the subsequent establishment of The Gambia Investment and Free Zones Agency (GIPFZA) should give a significant boost to the manufacturing sub-sector in the medium to long-term. GIPFZA is charged with providing one-stop-shop services to investors, coordinating all aspects of investment in both the customs territory and free zones and promoting domestic and foreign investment.

The Gambia was included among the list of sub-Saharan African countries eligible for tariff preference under the US African Growth and Opportunity Act (AGOA) in January 2003. This development, in tandem with the Free Zones is expected to spur the creation of competitive export-oriented enterprises and processing centers, enhance The Gambia's competitiveness in the global economy and more importantly, increase exports to the US, the most lucrative market in the world.

Building and construction value-added increased by 11.9 per cent, significantly high-than the 4.0 per cent in 2002. Although there was a slowdown in civil works, particularly road construction owing to funding constraints, the rapid pace in housing construction witnessed over the past five years continued.

Infrastructure works and the construction of housing units under the Brusubi Housing Project Phase 2 and Extension will commence in 2003. The Project, at a total cost of over D114.0 million, is estimated to provide employment and housing units to 2000 and 566 Gambians respectively.

In 2004, building and construction activity is expected to be more robust than in 2003 premised on increasing demand for housing and office space, continuing work on the 115 kilometre long Farafenni-Laminkoto road, commencement of the Kerewan-Farafenni road and the delayed five main roads that the European Commission has pledged to finance.

Mining and quarrying continued to record significant output growth. The sub-sector, presently limited to sand and stone mining grew markedly by 19.6 per cent compared to 8.9 per cent in 2002, boosted in large part by growth in housing construction.

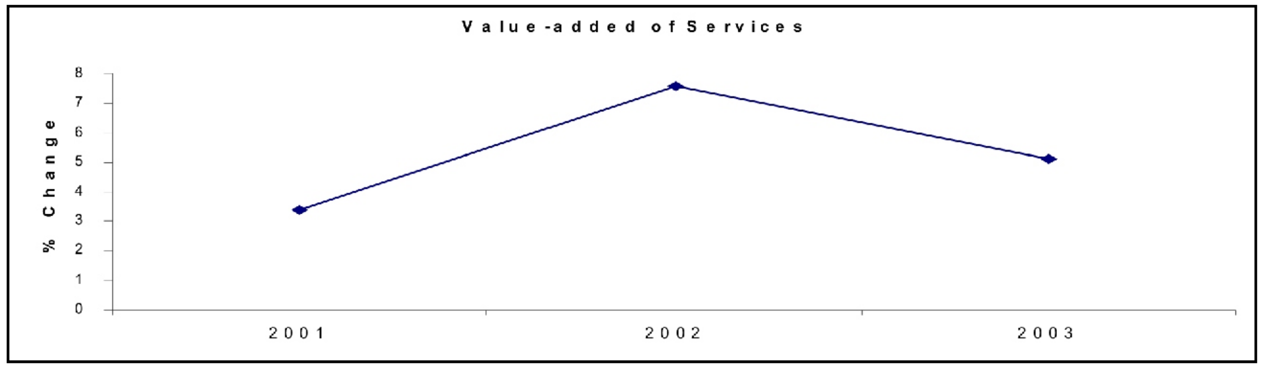
Following the massive investment in electricity generating capacity and the Greater Banjul network modernization and extension, electricity and water output grew substantially by 11.5 per cent in 2002. However, in 2003 water and electricity value-added increased by only 2.7 per cent. Mechanical problems and the increase in the price of crude oil caused supply disruptions.

The sole electricity and water producer, National Water and Electricity Company (NAWEC) is to rehabilitate two idle generators in order to increase generating capacity. This coupled with the completion of the Rural Electrification Project and the proposed Greater Banjul Water Supply Project should significantly increase electricity and water output in 2004.

C. Services Sector

The services sector, accounting for 59.7 per cent of GDP at factor cost, registered a strong growth rate of 15.8 per cent compared to 6.4 per cent in 2002. All the sub-sectors recorded positive and robust output growth.

Figure 5:



The trade sub-sector, which accounts for 13.5 per cent of GDP at factor cost, grew markedly by 26.4 per cent following a robust growth of 10.6 per cent in 2002. While "other trade" grew by 27.2 per cent from 10.6 per cent in 2002, groundnut trade value-added increased by 22.0 per cent compared to 11.0 per cent in the previous year.

Value-added of hotels and restaurants, accounting for 4.5 per cent of GDP also rose spectacularly by 54.4 per cent from a contraction of 16.1 per cent in 2002, reflecting partly, increase in tourist arrivals by 5.6 per cent from a year ago and partly base effect.

Transport and communication grew by 11.4 per cent from 8.9 per cent in 2002. The transport sub-sector, which includes passenger and freight transport, recorded 6.0 growth compared to 7.5 per cent in 2002. This may be due to the fact that mining and quarrying, manufacturing and construction that directly impact the sub-sector all posted strong growth rates.

The telecommunication industry grew at a slower pace of 5.0 per cent compared to 9.9 per cent in 2002. The sole fixed line provider, the Government owned Gambia Telecommunications Company (GAMTEL), continue its rabid investment drive. During the year under review, GAMTEL signed a contract for the provision of Wireless Local Loop Systems, which would provide 2000 lines to 30 villages. Additionally, switches are being upgraded in the Greater Banjul Area to create an additional 3000 lines. These projects are in line with GAMTEL's Global Expansion Project, whose aim is to create 230,000 lines over the next five years. This should render The Gambia the highest telephone penetration ratio in Africa of 1 telephone line for every 5 inhabitants compared to the existing ratio of 2.7 lines for every 100 inhabitants.

Gamcel, GSM provider and a subsidiary of GAMTEL, has also embarked on a programme to increase its network capacity to 120,000 lines and 38 radio sites, including a new Intelligent Network Platform. Additionally, plans are underway to install a second switch with an initial capacity of 60,000m in the latter part of 2004 to cater for the growing demand for cellular services. This will include 12 additional cell sites, most of which will be located in the rural areas to complement GAMTEL's efforts to improve rural communication.

TABLE IV: COMMERCIAL BANKS : ASSETS AND LIABILITIES

(end December figures, In millions of Dalasi)

	1999	2000	2001	2002	2003
Cash Holdings	32.30	35.15	55.06	51.97	67.96
Balance with Central Bank	189.63	127.28	194.59	291.19	605.03
Treasury bills & Other Govt. securities	587.86	819.73	1157.68	916.56	653.96
Loans, Advances, Discount & Other Investments	603.26	660.94	750.71	1,274.82	1,814.91
Official Entities	9.20	11.86	75.79	74.69	205.87
Private Sector	594.06	649.08	674.92	1,200.13	1,609.04
Foreign Assets	105.65	137.47	128.02	568.06	1,055.55
Foreign Currency	10.96	19.85	12.49	21.25	211.08
Balance held abroad	94.69	117.62	115.53	546.81	844.47
Fixed Assets	90.08	98.27	116.01	224.38	234.77
Other Assets	131.30	188.96	145.28	329.22	298.62
Total Assets = Total Liabilities	**1,740.08**	**2,067.80**	**2,547.35**	**3,656.20**	**4,730.80**
Demand Deposits	338.03	443.27	524.66	959.40	1,690.14
Official Entities	20.97	32.09	55.11	68.44	160.28
Private Sector	317.06	411.18	469.55	890.96	1,529.86
Time & Savings Deposits	753.28	998.82	1,241.90	1,445.75	1,720.00
Official Entities	5.24	38.59	46.91	45.52	63.84
Private Sector	748.04	960.23	1,194.99	1,400.23	1,656.16
Borrowings from Central Bank	0.00	0.00	0.00	0.00	0.00
Other Domestic Borrowings	0.00	0.00	0.00	0.00	0.00
Foreign Liabilities	175.54	132.14	175.83	426.09	41.67
Capital & Reserves	189.59	246.75	315.19	491.54	604.35
Other Liabilities	283.64	246.82	289.77	333.42	674.64

Source: Central Bank of The Gambia

TABLE III : CENTRAL BANK OF THE GAMBIA: ASSETS AND LIABILITIES

(End December figures in millions of Dalasi)

	1999	2000	2001	2002	2003
Foreign Reserves	**1,253.37**	**1,596.98**	**1,066.53**	**1,530.04**	**1,934.63**
Claims on non-banks:	284.84	274.71	306.24	1,227.83	1,644.24
Government	262.92	252.00	282.11	935.32	1,245.01
Public entities	0.00	0.00	0.00	0.00	136.91
Private sector	21.92	22.71	24.13	292.51	262.32
Claims on Banks	0.00	0.00	0.00	0.00	21.20
Seasonal Advance	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	21.20
Revaluation Account	55.10	130.29	105.22	0.00	0.00
Fixed Assets	21.63	22.46	23.88	22.86	24.86
Other Assets	217.27	193.71	937.81	375.46	-233.69
Total Assets = Total Liabilities	**1,832.21**	**2,218.15**	**2,439.68**	**3,156.19**	**3,391.24**
Currency Issued	412.02	575.41	655.81	849.34	1,250.85
Notes	397.71	558.61	637.70	829.25	1,228.05
Coins	14.31	16.80	18.11	20.09	22.80
Deposits	998.10	1,111.68	962.31	1,041.95	1,009.57
Banks	189.63	127.28	194.59	291.19	605.03
Government	808.47	984.40	767.72	750.76	404.54
Others	0.00	0.00	0.00	0.00	0.00
Allocation of SDR	78.45	83.22	98.78	113.74	173.63
Revaluation Account	0.00	0.00	0.00	573.23	536.26
Foreign Liabilities	186.97	312.02	565.41	527.15	1,069.03
Capital and Reserves	8.31	8.31	8.31	8.31	8.31
Other Liabilities	148.36	127.51	149.06	42.47	-656.41

Source: Central Bank of The Gambia

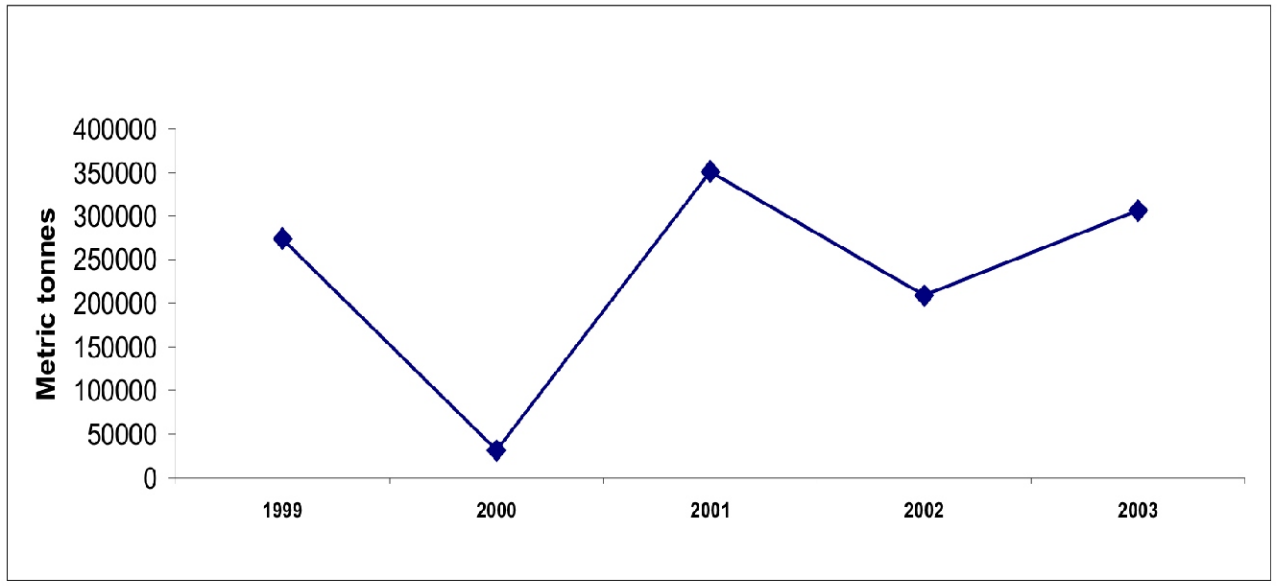
The entry of AFRICEL in the market as a private GSM operator in 2002 caused an increase in telephone density in addition to ensuring competition. AFRICEL successfully increased its subscriber base in 2002 and 2003 and is poised to raise it further in 2004.

Real estate and business services, Government services and other services (banking and insurance, personal and household services social, and recreational and related services) output grew by 9.4 per cent, 7.5 per cent and 6.3 per cent higher than 4.2 per cent, 5.4 per cent and 4.2 per cent respectively in 2002

2. AGRICULTURAL PRODUCTION

Agriculture is the mainstay of the Gambian economy with the production and export of groundnuts being the predominant activity. Agriculture's contribution to GDP has averaged 32.0 per cent over the five years. Following a decline in output owing to intermittent rainfall, the sector rebounded sharply in 2003 thanks to improved weather conditions. Agricultural production was estimated at 306,274 metric tonnes compared to 208,563 metric tonnes in 2002.

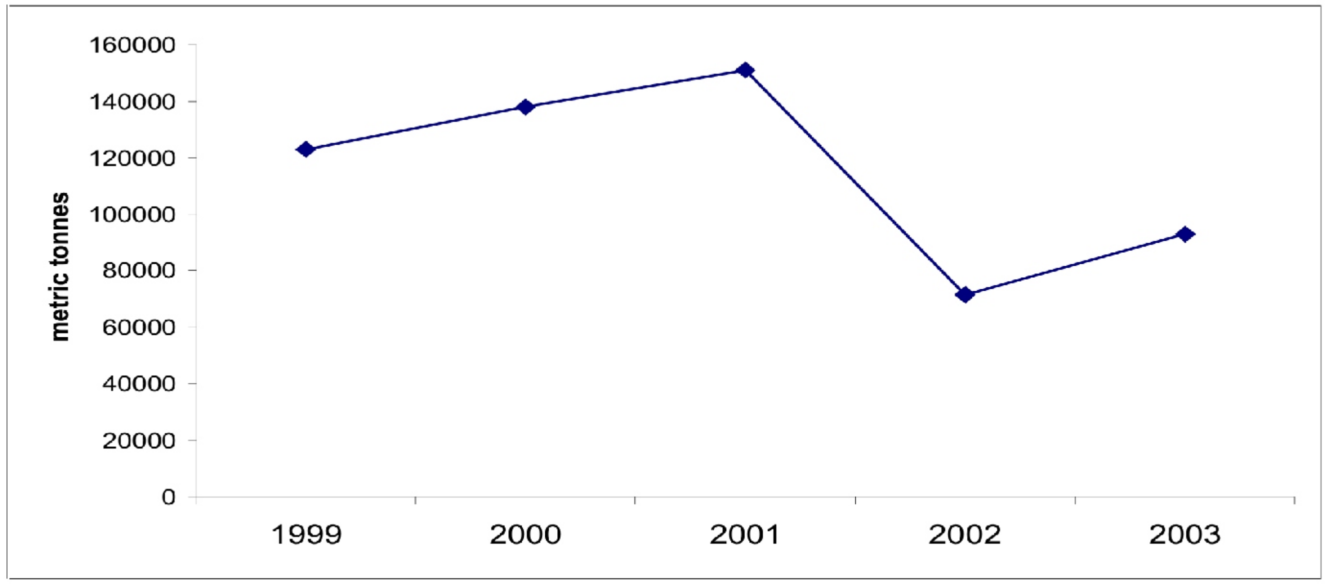
Figure 6: Agricultural Production



A. Groundnut Production

The production of groundnuts increased to 92,937 metric tonnes, or 29.9 per cent from the previous year attributed, in the main, to better rainfall, availability of vital inputs, higher producer prices and expansion in cultivated area. At 107,937 hectares, total area under groundnut cultivation rose by 2.2 per cent from the previous year.

Figure 7: Groundnut Production



Under the European Union (EU) groundnut revitalisation programme, the Agric-Business Service Plan Association (ASPA) comprising producer organizations, donors, industrialists and Government continued to determine the farm gate price of groundnuts.

The producer price of groundnuts was initially set at D4, 250 per metric tonne but was subsequently raised to D8, 000 per metric tonne compared to D2,700 per metric tonne in 2002. Notwithstanding, difficulties were experienced in groundnut marketing particularly relating to the availability of cash, culminating in credit buying. To solve this problem for good, Government with assistance from the EU is to elaborate a plan to ensure a more effective and efficient marketing of groundnuts.

Government's policy to add value to groundnut exports is beginning to bear fruit. Premier Agro Oils expanded its oil and groundnut cake output with the installation of a new groundnut processing plant at Denton Bridge in Banjul. The company intends to export its entire output in 2004.

A. Food Crops

The production of food crops, consisting of rice, maize, sorghum and millet rose to 213,337 metric tonnes, or 55.7 per cent from the previous year. The output of all food crops, except irrigated rice increased markedly.

TABLE II (C): YIELD OF PRINCIPAL CROPS

(in kg/ha)

	1999	2000	2001	2002	2003
GROUNDNUTS	**1,745**	**1,958**	**1,524**	**603**	**681**
COTTON	**0**	**0**	**0**	**0**	**0**
FOOD CROPS	**8,481**	**9,541**	**9,787**	**4,757**	**12,261**
(a) Rice	*2,498*	*2,436*	*2,237*	*1,325*	*7,417*
(b) Other Food Crops	*5,983*	*7,105*	*7,550*	*3,432*	*4,844*
Sanyo / Late Millet	610	1,168	1,823	696	917
Sorghum	1,338	2,044	2,057	829	1,221
Suno / Early Millet	1,214	1,467	1,404	894	1,121
Maize	2,821	2,426	2,266	1,013	1,585
Findo					

Source: Department of Planning, Department of state for Agriculture

TABLE II : AGRICULTURAL PRODUCTION

TABLE II (A) : AREA UNDER CULTIVATION

	1999	2000	2001	2002	2003
GROUNDNUTS	**112.20**	**124.80**	**138.90**	**105.60**	**107.94**
FOOD CROPS	**125.30**	**146.34**	**159.00**	**145.60**	**173.41**
(a) Rice	*15.80*	*16.70*	*18.20*	*12.00*	*17.75*
(b) Other Food Crops	*109.50*	*129.64*	*140.80*	*133.60*	*155.66*
Sanyo / Late millet	10.40	16.30	16.10	10.40	14.40
Sorghum	18.50	24.40	26.20	18.30	24.68
Suno / Early millet	65.90	74.10	81.30	86.50	95.54
Maize	14.70	14.84	17.20	18.40	21.04
Findo	0.00	0.00	0.00	0.00	0.00
TOTAL	**237.50**	**271.14**	**297.90**	**251.20**	**281.35**

Source: Department of Planning, Department of State for Agriculture

TABLE II (B) : OUTPUT OF PRINCIPAL CROPS

(in '000 tonnes)

	1999	2000	2001	2002	2003
GROUNDNUTS	**123.00**	**138.00**	**151.10**	**71.53**	**92.94**
COTTON					
FOOD CROPS	**151.00**	**175.70**	**200.00**	**137.04**	**213.33**
(a) Rice	*31.70*	*34.10*	*32.60*	*18.63*	*29.51*
(b) Other Food Crops	119.30	141.60	167.40	118.41	183.82
Sanyo / Late Millet	8.30	16.10	16.00	7.28	13.20
Sorghum	18.00	25.00	33.40	15.21	30.13
Suno / Early Millet	72.60	78.50	89.00	77.34	107.14
Maize	20.40	22.00	29.00	18.58	33.35
Findo					
TOTAL	**274.00**	**313.70**	**351.10**	**208.57**	**306.27**

Source: Department of Planning, Department of State for Agriculture

(i) Coarse Grains

Coarse grains, comprising millet, maize and sorghum, recorded 55.2 per cent increase in production to 183,824 metric tonnes. Area under cultivation expanded by 16.5 per cent while average yield (kg/ha) increased by 33.3 per cent.

The output of late millet rose to 13,204 metric tones, or 81.4 per cent. Both planted area and average yield rose by 37.7 per cent and 31.8 per cent respectively. Production of early millet increased to 107,138 metric tonnes, or 38.5 per cent. Area planted and average yield rose by 10.4 per cent and 25.4 per cent respectively.

The production of sorghum and maize also rose by 98.1 per cent and 79.5 per cent to 30,130 metric tonnes and 33,353 metric tonnes respectively also underpinned by significant increase in planted area (34.6 per cent and 14.7 per cent) and yield per hectare (47.3 percent and 56.5 per cent) respectively.

(ii) Rice Production

Rice production was estimated at 29,513 metric tonnes compared with 18,630 metric tonnes in 2002. Area under cultivation and average yield increased by 46.1 per cent and 15.5 per cent respectively. While upland rice production rose markedly by 111.2 per cent, output of irrigated rice was unchanged.

To increase rice production, a rice variety, New Rice Variety for Africa (NERICA) developed by the West Africa Rice Development Agency (WARDA) is undergoing on-farm trials by the National Agricultural Research Institute (NARI). If successful, the seeds will be distributed to farmers.

The agricultural sector, though crucial to the economic development of The Gambia, continues to be saddled with myriad constraints. These include inadequate investment, increased salinity and acidity of lowlands, low soil fertility, degradation and depletion of the natural flora and fauna, unaffordability of inputs and reliance on labour-intensive and rudimentary implements. More importantly, the sector remains vulnerable to the vagaries of the weather despite attempts to expand tidal irrigation.

To fully develop the sector, three projects with the potential to increase food security are presently being appraised. They are the Integrated Watershed Management Project (IWMP), Farmer Management Tidal Irrigation Project (FMTIP) and the Integrated Livestock Development Project (ILDP). If these projects are found to be viable, they will be operationalised with funding from the Government of The Gambia and the African Development Bank.

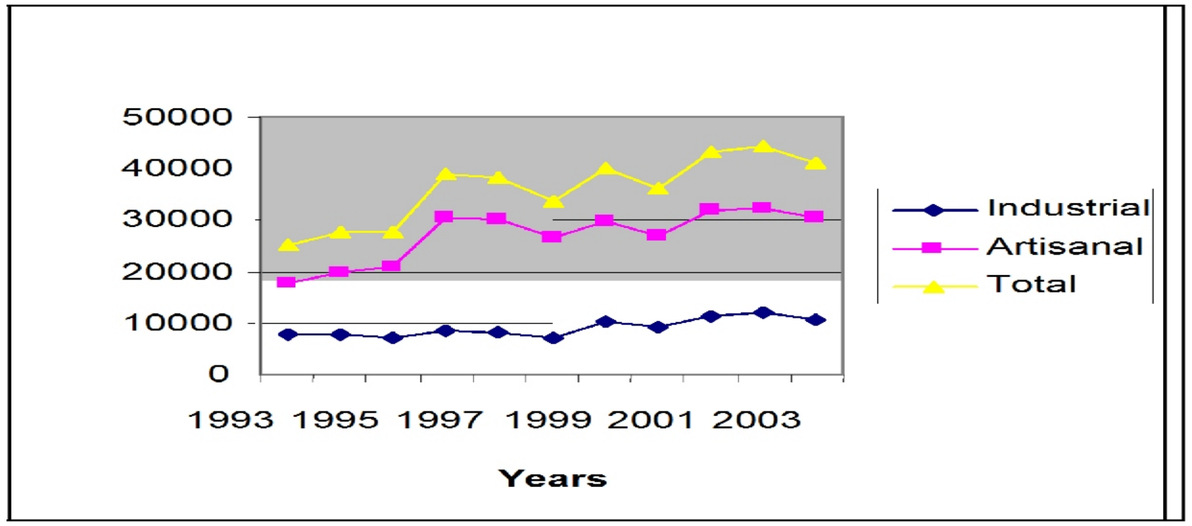
Other projects and programmes that have been fully implemented include the Lowland Agricultural Development Project (LADEP), Rural Finance and Community Initiative Project (RFCIP), Peri-Urban Smallholder Improvement Project (PSIP), Irrigated Rice Development Project (IRRDP) and the Package Deal Programme (PDP) to Improve Crop Production. The objective of the PDP is to support farmers with improved inputs such as seeds, fertilizers and information on best practices with respect to crop production.

C. Fisheries Sector

The fisheries sector is crucial in the quest to enhance food security and economic development. Although the sector provides employment opportunities to an estimated 20, 000 Gambians its contribution to GDP is well below potential.

In 2003, fish output decreased to 41, 075 metric tonnes, or 7.6 per cent owing to the decline in output from both the artisanal and industrial sectors.

Figure 8: Fish Production 1993 -2003



Output from the industrial sector totaling 10, 469 metric tonnes, declined by 13.9 per cent. However, actual production may have been underestimated given that many foreign vessels fail to land the required minimum 10.0 per cent of their catch in The Gambia as required by law owing partly to the lack of a fisheries port and partly to the dearth of well equipped fish processing plants.

Data from the Fisheries Department indicate that export of fish and fishery products totaled 448 metric tonnes slightly lower than the 484 metric tonnes in 2002. Domestic fish consumption was estimated at 25.0 kg per person, compared to the sub-Saharan Africa average of 8.2 kg.

To further develop the sector, myriadof projects have been implemented with support from development partners. The Banjul Ice Plant Project executed with funding from the Republic of China, Taiwan, has greatly reduced post harvest losses in the production and processing of fish and fish products in the city. This facility, inaugurated in July 2002, generated revenue of over D1.0 million Dalasis in 2003.

The British Government's Department for International Development (DFID) approved a three-year US $500,000 pilot project for the improvement of livelihood in the artisanal fisheries sector. Women, as dominant players in fish processing and marketing, would be the main beneficiaries. Additionally, BADEA has finalised a US$350,000 project aimed at providing technical assistance and equipment for the food hygiene and quality control laboratory. The project is expected to enhance the competitiveness of fisheries products in the international market and foreign exchange earnings.

The Gambia is also co-operating with France in Fisheries research within the framework of two projects: Dynamics of Management, Exploitation and Valorisation of Estuarine Fisheries of West Africa, and the one year IRD/Fisheries Department Research on Estuarine areas and the River Gambia. These projects would help to better gauge the resource potential of The Gambia territorial waters and to better harness those resources in a sustainable manner.

TABLE I(B) : GROSS DOMESTIC PRODUCT (in D' millions)

At Current Market Prices 1/

INDUSTRIAL ORIGIN	1999	2000	2001	2002	2003
AGRICULTURE	**1,041.31**	**1,160.19**	**1,280.49**	**1,292.45**	**1,598.54**
Groundnuts	299.19	335.87	367.60	339.66	500.52
Other Crops	438.12	508.54	565.93	534.80	594.52
Livestock	204.05	212.75	227.90	279.68	349.04
Forestry	20.17	20.98	22.25	24.07	28.79
Fishing	79.78	82.05	96.81	114.24	125.67
INDUSTRY	**385.53**	**394.58**	**403.32**	**438.47**	**495.53**
Manufacturing	169.39	172.78	175.71	183.80	186.92
Building & Construction	173.52	177.51	181.59	200.04	245.30
Mining & Quarrying	1.13	1.22	1.32	1.43	
Electricity and Water	41.49	43.07	44.70	53.20	63.31
SERVICES	**2,584.15**	**2,748.22**	**2,805.78**	**2,995.51**	**3,264.99**
Trade	1,343.21	1,421.14	1,371.48	1,435.63	1,503.56
Groundnut Trade	80.71	84.45	88.26	101.08	115.63
Other Trade	1,262.50	1,336.69	1,283.22	1,334.55	1,387.93
Hotels & Restaurants	213.30	189.03	207.99	228.85	315.35
Transport & Communication	381.00	457.87	500.34	553.26	592.01
Real Estate & Business Services	258.12	273.83	290.48	308.16	326.90
Government Services	241.85	251.53	272.05	297.08	330.65
Other Services 2/	146.67	154.82	163.44	172.53	196.52
GDP at Factor Cost	**4,010.99**	**4,302.99**	**4,489.59**	**4,726.43**	**5,359.06**

Source : Central Statistics Department

1/ Sectoral estimates are at factor cost

2/ Includes banking and insurance; imputed bank service charges; personal and household services; social, recreational and related services.

PART V

STATISTICAL TABLES

TABLE I(A) : **GROSS DOMESTIC PRODUCT (in D' millions)**
At Constant (1976/77) Market Prices 1/

INDUSTRIAL ORIGIN	1999	2000	2001	2002	2003
AGRICULTURE	**178.11**	**196.58**	**215.00**	**196.22**	**208.57**
Groundnuts	44.07	49.47	54.14	43.32	33.31
Other Crops	88.20	99.87	110.81	99.72	119.61
Livestock	33.27	34.27	35.30	36.36	37.45
Forestry	3.84	3.99	4.15	4.32	4.45
Fishing	8.73	8.98	10.60	12.50	13.75
INDUSTRY	**70.65**	**72.79**	**75.48**	**79.24**	**81.94**
Manufacturing	34.90	35.60	36.19	37.88	38.51
Building & Construction	30.28	31.36	32.48	33.78	36.34
Mining & Quarrying	0.46	0.51	0.56	0.61	0.67
Electricity and Water	5.01	5.32	6.25	6.97	6.42
SERVICES	**355.12**	**363.86**	**371.30**	**395.09**	**429.78**
Trade	74.22	78.13	77.17	85.37	97.58
Groundnut Trade	10.53	10.61	10.67	11.84	13.02
Other Trade	63.69	67.52	66.50	73.53	84.56
Hotels & Restaurants	34.56	28.88	21.00	17.61	32.42
Transport & Communication	124.29	130.63	142.58	155.24	158.89
Real Estate & Business Services	38.96	39.82	40.70	42.40	44.52
Government Services	64.84	67.84	70.97	74.80	76.30
Other Services 2/	18.25	18.56	18.88	19.67	20.07
GDP at Factor Cost	**603.88**	**633.23**	**661.78**	**670.55**	**720.29**

Source : Central Statistics Department

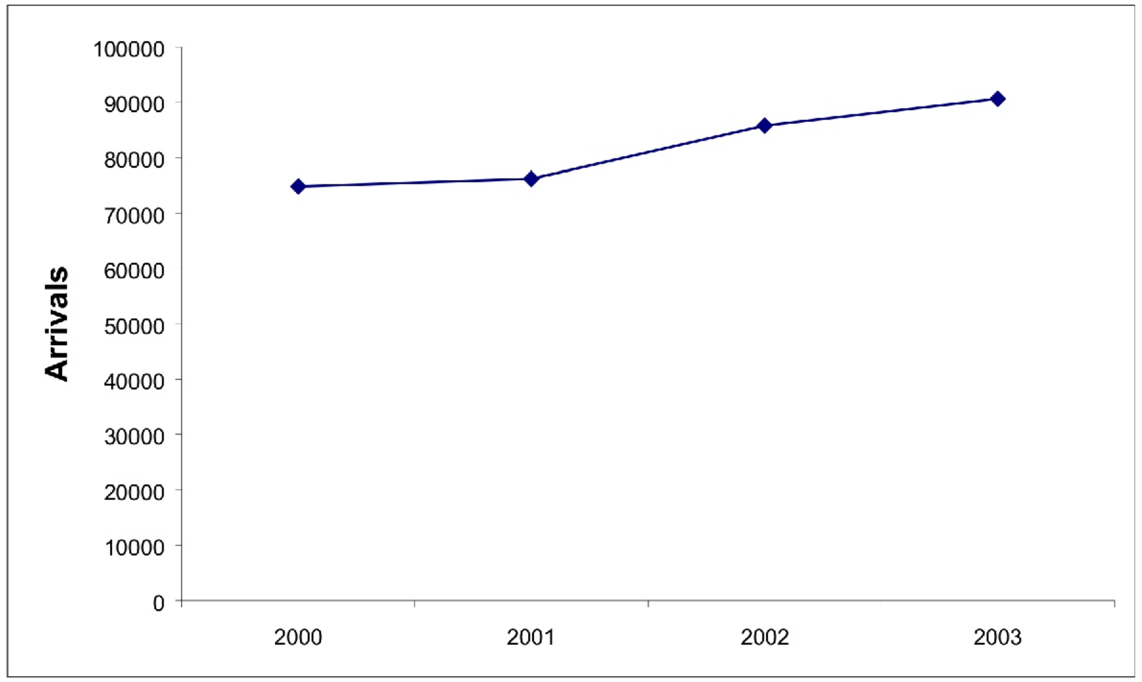
1/ Sectoral estimates are at factor cost

2/ Includes banking and insurance; imputed bank service charges; personal and household services; social, recreational and related services.

3. TOURISM

Tourism continues to play an important role in The Gambia's economic development, evidenced by its growing contribution to GDP in addition to being the second largest source of foreign exchange. Although the contribution of the sector has increased over the years, its potentialities are yet to be fully realized. As a result, Government, through the Gambia Tourism Authority (GTA), is to address the marketing, standards and quality and human resource constraints saddling the sector.

Figure 9: Air-Chartered Tourist Arrivals



According to the Central Statistics Department (CSD), tourist arrivals increased to 90,638, or 5.6 percent from 2002. The year witnessed further consolidation of The Gambia's biggest source market, the United Kingdom, accounting for 52.0 percent of chartered arrivals. Arrivals from Germany totalled 19,215 (21.2 percent) and Swedes 6,163 (6.8 percent).

Income from Tourism

As part of continuing efforts to enhance earnings, GTA introduced a “tourist tax” of GBP 5.00 in the second half of 2002. Assuming out-of-pocket expenditure of D250.00, average length of stay of (13 days), hotel rate per night of (GBP17.00), departure fee of (D170.00), income from chartered tourist arrivals is estimated at D1,375.2 million compared to D991.6 million in 2002. This comprised total out-of-pocket expenditure of D294.6 million, income from departure fees (D15.4 million) and income

Table 1: Total Income from Air-Chartered Tourists

	2001	2002	2003
Number of air charter tourists	76,207	85,811	90,638
Average out-of-pocket expenditure (Dalasis)	250	250	250
Average length of stay	13	13	13
Hotel Rate per Night (GBP)	17	17	17
Departure Fees (Dalasis)	170	170	170
Tourists Arrival Tax (GBP)		5	5
Average Exchange Rate (Dal./GBP)	25.0	36.0	52.0
Income from Hotel Beds (D'000 000s)	421.0	682.7	1,041.6
Total out-of-pocket expenditure (D'000 000s)	247.7	278.9	294.6
Income from Arrival Fees (D'000 000s)	0	15.4	23.6
Income from Departure Fees (D'000 000s)	12.9	14.6	15.4
Total Income from Air-Chartered Tourists (D'000 000s)	**681.6**	**991.6**	**1,375.2**

Outlook for 2004

Initial projections are that air-chartered tourist arrivals would increase by at least 14.0 per cent in 2004, premised on improved quality of tourism products, entry of new tour operators in the market, increase in the number of flights from UK but more importantly, the depreciation of the real effective exchange rate of the Dalasi which has enhanced the competitiveness of The Gambian market.

17. STATEMENT OF RESERVE MOVEMENT

	Share Capital reserve	*Statutory reserve*	*Revaluation reserve*	*Other reserve*	**Total**
	D.OOO	D.OOO	DOOO	D.OOO	**D'OOO**
Balance at beginning of year	1,000	3,000	422,295	4,314	**430,609**
Transfers			180,144		**180,144**
					-
Balance as at end of year	**1,000**	**3,000**	**602,439**	**4,314**	**610,753**

18. CASH GENERATED FROM OPERATIONS

	31-Dec-03	31-Dec-02
	D'000	D'000
Net loss for the year	**(125,447)**	(93,444)
Adjusted for the following	**3,949**	3,063
Depreciation	**831**	26
Loss on disposal of assets	**126,621**	288,329
Transfer to revaluation Movement	**14,861**	66,000
In bad debt provision		
Changes in working capital		
Net increase in loans and advances	**(219,906)**	(286,003)
Net increase in accounts receivable	**(85,459)**	(4,421)
Net (decrease)/increase in deposits	**(106,585)**	132,190
Net increase (decrease) in accounts payable	**17,992**	(16,703)
Cash (outflow)/inflow from operating activities	**(373,143)**	89,037

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14. DEPOSITS

	31-Dec-03 D'000	3l-Dec-02 D'000
Government deposits	424,449	752,196
International Monetary Funds deposits	-	9,113
World Bank deposits	258	176
Local commercial banks	530,700	291,191
Sundry deposits	30,856	40,303
Credit Institution deposits	131	
	986,394	1,092,979

The Central Bank of The Gambia receives deposits from the Government of The Gambia, local commercial banks, the International Monetary Fund and the World Bank. Interests are not paid on these deposits nor are bank charges levied on these accounts. The Central Bank is not allowed to receive deposits from persons other than those mentioned above.

15. OTHER LIABILITIES

	31-Dec-03 D'000	3l-Dec-02 D'000
Accrued interest payable	13,960	2,743
Staff Pension fund	6,437	7,434
Staff welfare fund	348	353
Treasury bills	-	(3337)
Payment orders	23,536	16,299
Miscellaneous other	179	(864)
Spot positions	-	3,840
	44,460	26,468

16. LONG-TERM LIABILITIES

	31-Dec-03 D'000	3l-Dec-02 D'000
Central bank bills	31,233	99,269
Special drawing rights allocations	173,632	113,738
IMF E.SAF (1998-2000)	113,347	74,248
International Monetary Fund poverty reduction growth facility	677,201	443,600
	995,413	730,855

(4.0) INFLATION

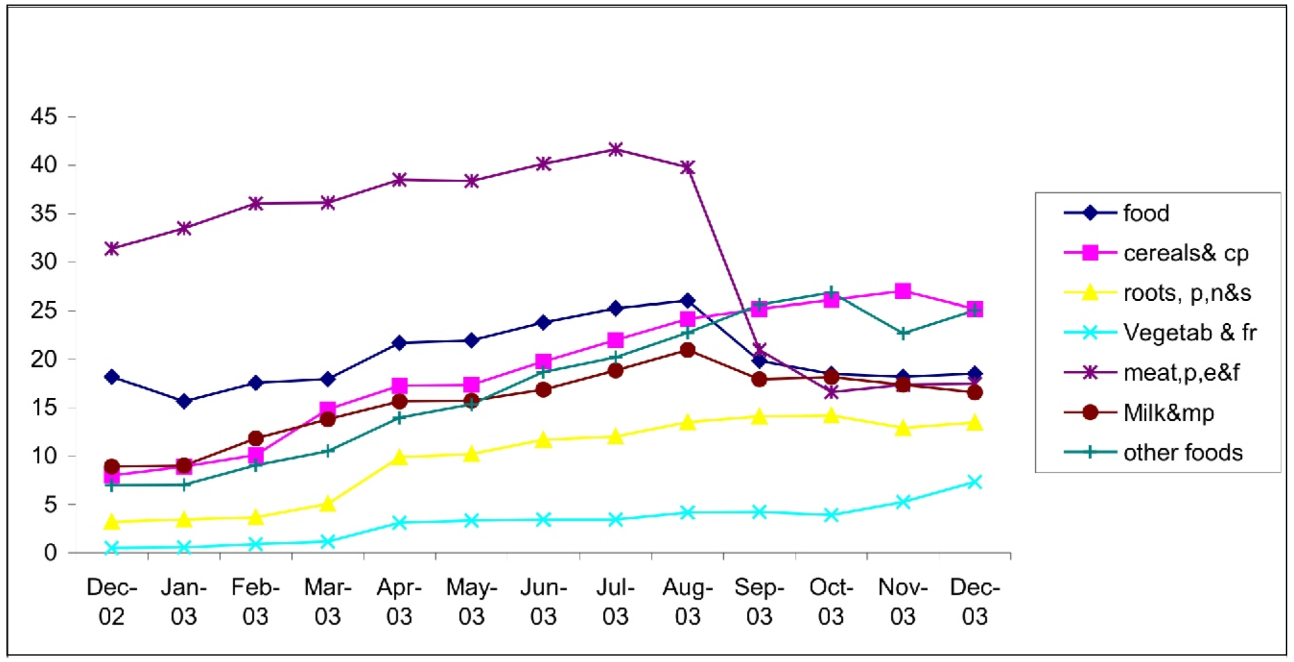
(4.1) Consumer Price Index (CPI)

Against the backdrop of declining world inflation, end-period consumer price inflation, as measured by the consumer price index of low income population of Banjul and Kombo Saint Mary area, rose from 13.0 per cent at end-December 2002 to 17.6 at end-December 2003. The most important factors for the acceleration in the rate of inflation include expansionary monetary and fiscal policies and the concomitant depreciation of the Dalasi, increase in the international prices of food products, drought conditions in some parts of the country in 2002 which caused reduced availability of food in 2003 and the increase in international crude oil prices.

(4.2) Food Inflation

Food consumer price inflation rose to 18.5 per cent at end-December 2003 compared to 18.2 percent in December 2002. Prices of "cereals and cereal products" rose by 25.2 per cent, "roots, pulses, nuts and seeds" (13.5 per cent) "Vegetables and fruits" (7.3 per cent), "milk and milk products" (16.6 per cent) and other foods (25.1 per cent) compared to 8.0 percent, 3.2 percent, 0.5 percent, 8.9 percent and 7.0 percent in the previous year. However, prices of "meat, poultry, eggs and fish", declined to 17.5 percent compared to 31.4 per cent a year earlier.

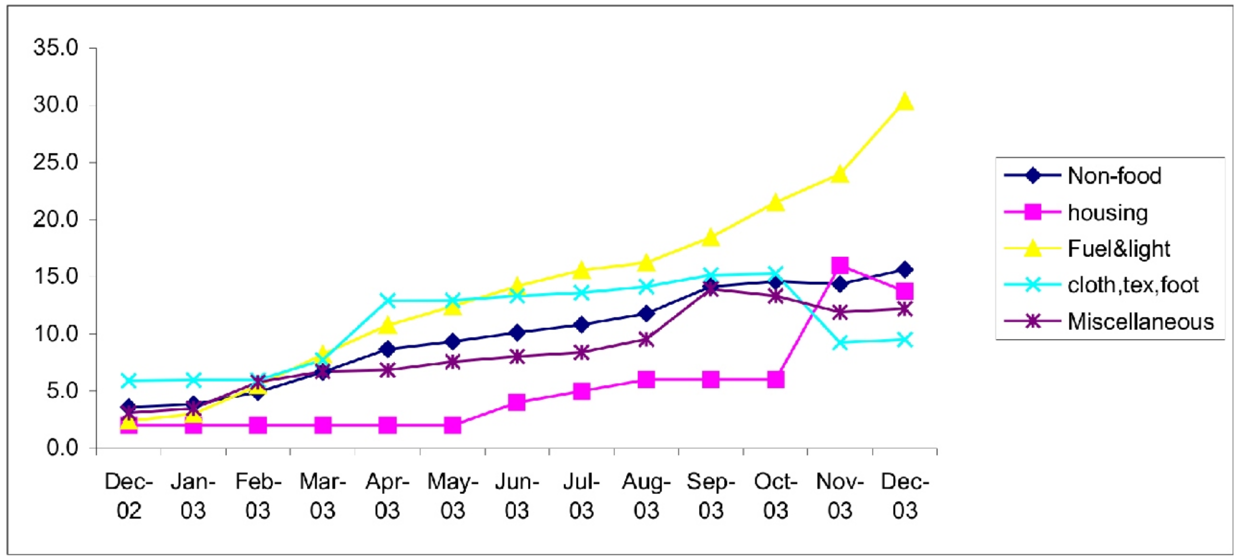
Figure 10: Food Inflation



(4.3) Non-Food Inflation

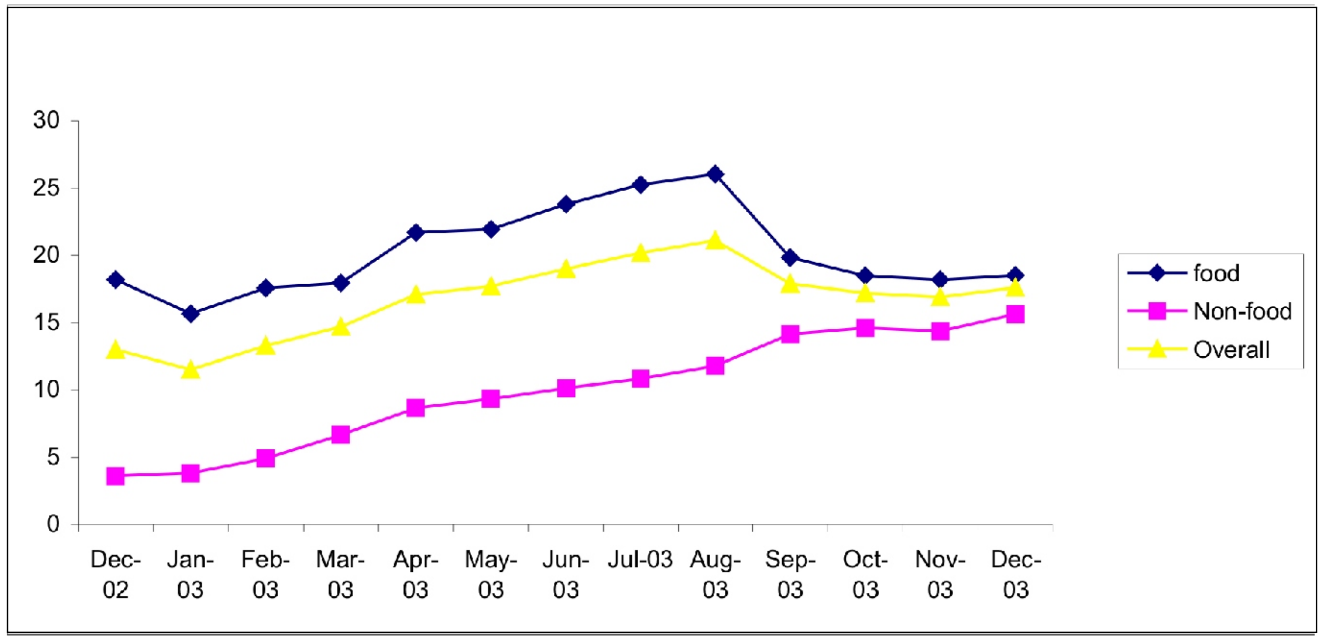
Non-food consumer price inflation rose by 15.6 per cent compared to 3.6 per cent at end-December 2002. Prices of all the components of the non-food sub group increased.

Figure 11: Non-food Inflation



Prices of "housing" accelerated by 13.7 per cent, "clothing, textiles and footwear" (9.5 per cent), "fuel and light" (30.4 per cent) and "miscellaneous" (12.2 per cent) compared to 2.0 percent, 5.9 percent, 2.4 percent and 3.1 percent respectively a year ago.

Figure 12: Inflation



West African Monetary Agency

The West African Monetary Agency was set up as an autonomous specialized agency of the Ecowas to serve as a multi lateral facility to improve sub regional trade in West Africa. The balance of W*AUA* 579,930 is the Central Bank of The Gambia's intersettlement account balance within the region. It has been retranslated using the rates of exchange ruling at the balance sheet date.

International Monetary Fund

The International Monetary Fund is an organisation working to foster global monetary cooperation, secure financial stability, facilitate international trade amongst other things. The balance of D44 Million is the net effect of the IMF quota account and other IMF liabilities.

13. TANGIBLE FIXED ASSETS

	Land & Building	Furniture & Equipment	Computer equipment & software	Motor vehicles	**Total**
	D'000	D'000	0'00 0	D'000	**D'000**
Cost					
At 01-Jan-03	18,297	13,487	9,702	4,887	**46,373**
Additions	1,047	413	2,495	2,112	**6,067**
Disposals		(122)		(1,387)	**(1,509)**
At 31-Dec-03	**19,344**	**13,778**	**12,197**	**5,612**	**50,931**
Accumulated depreciation					
At 01-Jan-03	4,341	10,053	6,679	2,466	**23,539**
Charge for the year	168	783	1,675	1,323	**3,949**
Disposals		(35)		(550)	**(585)**
At 31-Dec-03	**4,509**	**10,801**	**8,354**	**3,239**	**26,903**
Net book value					
At 31-Dec-03	**14,835**	**2,977**	**3,843**	**2,373**	**24,028**
At 31-Dec-02	13,956	3,434	3,023	2,421	22,834

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11. LOANS AND ADVANCES

	Notes	31-Dec-03 D'000	31-Dec-02 D'000
Loans to Government	lla	**715,335**	565,010
Loans to Forex bureaus	llb	**219,181**	338,352
Overdrawn Government deposit accounts		**314,935**	
Overdrawn sundry deposit accounts		**3,443**	3,294
		1,252,894	906,656
Less:			
Provision for sundry deposit accounts		**(3,443)**	(3,294)
Provision for credit losses (Forex Bureaus)		**(168,849)**	(42,666)
		1,080,602	860,696

lla. Related Party Transactions

The loan to Government arose through various disbursements made on behalf of the Government of The Gambia. The loan is repayable over 15 years commencing 31 December 2005 at an interest rate of 4%. In advancing the loan facility equivalent to $28million, the Bank applied to the Department of State for Finance and Economic Affairs and obtained a waiver under section 51 (4) of the Central Bank of the Gambia Act in respect of the limitation imposed by section 51(2) of the same Act. Section 51(4) stipulates that although the Minister may direct the Bank to permit further increases that cause the outstanding advances to exceed fifty percent of the bank's average demand liabilities, these further increases may not exceed a period of six months. However, additional advances to Government have exceeded this limit.

11b. The loans to forex bureaus represent advances to various foreign bureaus in respect of spot foreign exchange deals for swiss franc. CHF 2.3 million was received post balance sheet out of the balance outstanding at the year end of CHF 10.1 million. The remaining balance of CHF 7.8 million has been fully provided for as these advances are unsecured.

12. OTHER ASSETS

	31-Dec-03 D'000	31-Dec-02 D'000
Accrued interest receivable	**1,976**	2,212
Treasury Bills accrued interest	**4,980**	6,827
West African Monetary Agency	**25,795**	15,878
International Monetary Fund	**44,004**	-
Staff loans	**25,283**	24,717
Provision for bad debts	**(7,031)**	(21,892)
Others	**4,404**	1,071
At end of year	**99,411**	28,813

(4.4) Core Measures of Inflation

Core or underlying inflation strips out the effects of temporary disturbances from the headline inflation.

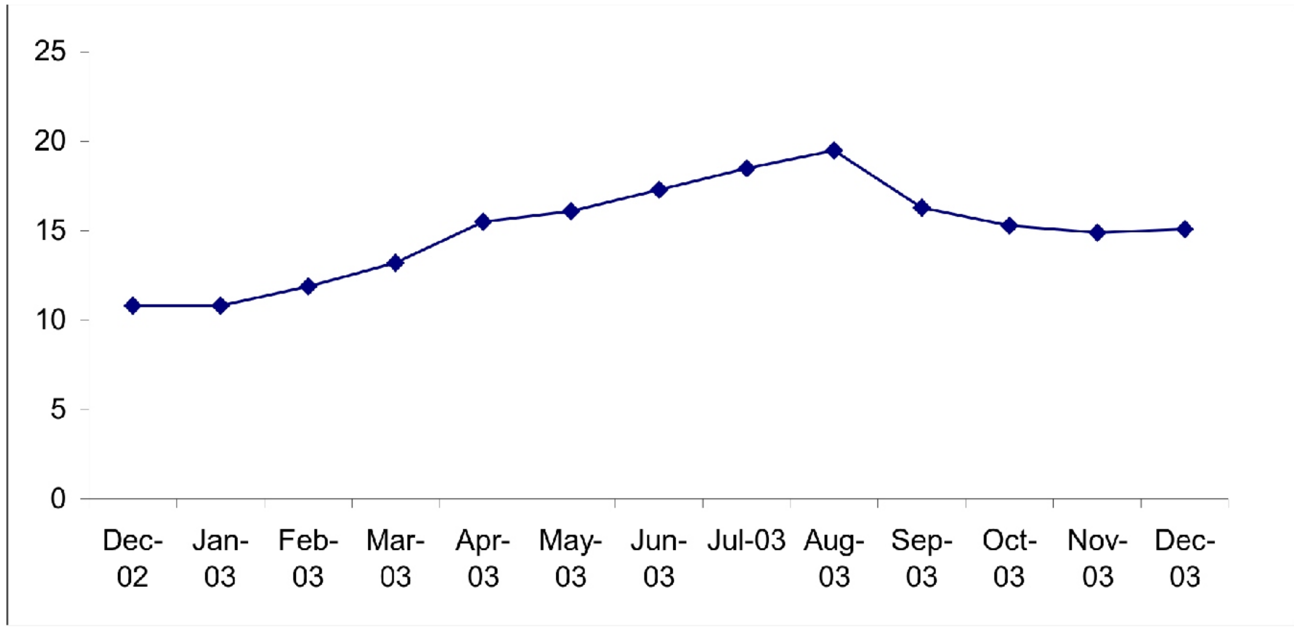
The so-called noise in headline inflation is striped out by excluding prices of energy and utilities (fuel, light and transportation) and volatile food items.

The first measure of core inflation, which excludes energy (fuel, light and transportation), prices indicated a 15.1 per cent increase in prices compared to 10.8 per cent a year earlier.

Table 2: Core1 (excluding energy and transportation)

	Dec-02	Mar-03	Jun-03	Sept-03	Oct-03	Nov-03	Dec-03
Core CPI	1860.7	1891.2	1960.0	2043.3	2058.2	2086.2	2116.5
Mthly Change	0.6	1.2	1.1	2.0	0.7	1.4	1.5
Yr-on-yr inflation	10.8	13.2	17.3	16.3	15.3	14.9	15.1

Figure 13: Core 1 Implied year-on year Inflation

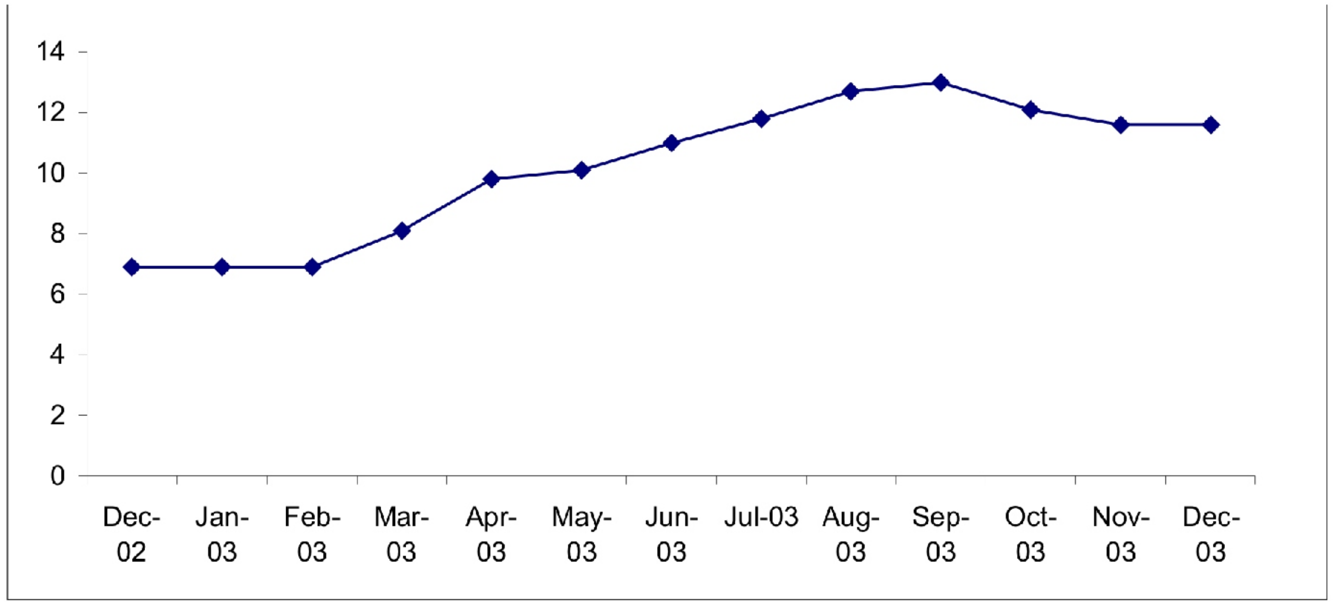


The second measure of core inflation, strips out prices of energy and volatile food items. The index shows an increase in prices of 11.6 per cent compared to 6.9 per cent at end-December 2002.

Table 3: Core 2 (excluding energy, transportation and volatile food items)

	Dec-02	Mar-03	Jun-03	Sept-03	Oct-03	Nov-03	Dec-03
Core CPI	961.4	979.7	1007.4	1043.2	1046.9	1060.0	1072.2
Mthly Change	-0.1	1.1	0.9	1.8	0.4	1.3	1.1
Yr-on-yr inflation	6.9	8.1	11.0	13.0	12.1	11.6	11.6

Figure 14: Core 2 implied year-on year Inflation



9.	FOREIGN SECURITIES	31-Dec-03 D'000	31-Dec-02 D'000
	US Treasury bills	**179,215**	349,404
		179,215	349,404

10.	OTHER INVESTMENTS	31-Dec-03 D'000	31-Dec-02 D'000
	GPMB	-	(5)
	Africa Export Import bank	12,388	9,356
	Africa Re-insurance	13,627	4,340
	Africa Bank for Development Commerce	36,030	23,640
	ECOW AS credit guarantee scheme	9,640	5,701
	West African Central Bank	**54,198**	
		125,883	43,032

Central Bank of the Gambia Subscription to Africa Export Import Bank

The balance represents 100 shares of US$10,000 each 40 percent of which is fully paid up. This investment is denominated in foreign currency and is retranslated at the rate of exchange ruling at the balance sheet date.

Africa Re insurance
The investment of shares in Africa Re- Insurance is the stake holding that the Central Bank of The Gambia owns in the Re- Insurance Company. The balance represents 4,400 shares of US$100 each. This investment is retranslated into dalasis at the rate of exchange ruling at the balance sheet date.

African Bank for Development Commerce
The ABDC was formed in order to promote Economic and Commercial Development in the surrounding geographical area. The Republic of The Gambia was asked to join the Bank with a 5% shareholding in 2001. The total value of the 5% stake holding amounts to €5,000,000. During 2001, the Central Bank paid an amount of €1,000,000 to the organisation. The remaining amount of €4,000,000 has not yet been paid and due to the unlikelihood of this amount ever being paid, the amount has not been provided for. The amount already paid is retranslated using the rate of exchange ruling at the balance sheet date.

ECOWAS Community of West African States (ECOWAS)
The ECOWAS credit guarantee fund was set up in August 1997 by the Committee of Governors of ECOWAS Central Banks to provide short term credit facilities to member central banks to enable them to settle their debt positions within the clearing system. The above amount represents the Central Bank of The Gambia's contribution to the initial paid up capital of the fund and is retranslated using the rate of exchange ruling at the balance sheet date.

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7. CASH AND BANK BALANCES

	31-Dec-03 D'000	31-Dec-02 D'000
Balances with foreign banks (Nostros)	1,313,670	928,924
Cash holdings	15,911	34,673
	1,329,581	963,597

8. GOVERNMENT SECURITIES

	31-Dec-03 D'000	31-Dec-02 D'000
5% Bonds	250,000	250,000
Gambia Government treasury bills	211,222	202,819
Non-interest bearing notes (NIB notes)	198,963	198,963
	660,185	651,782

5% Government bonds

In 1993, The Central Bank of The Gambia converted D250,000,000 worth of Non Interest Bearing Notes into 5% Interest bearing Government Bonds. The Bonds were solely issued for the purposes of the Central Bank and not traded publicly.

The conversion was done in order to relieve the liquidity stricken position of the Bank at that state. Interest on the bonds accrues at 5% on a half yearly basis, and is netted off against the Government's Treasury Main Account.

GG *Treasury bills*

The money market in The Gambia is undeveloped and there is no secondary securities exchange market as yet. The lack of the secondary market forces the Central Bank of The Gambia to act as the secondary market and to purchase any unwanted or excessive Government Treasury Bills out of the market place. The resulting effect is that CBG is a holder of Government Treasury Bills until they are resold, or held until maturity.

Non Interest Bearing Notes

Non Interest Bearing Notes have been issued in terms of The Central Bank of Gambia Act 1992 Section 32(2). The Investments in Non Interest Bearing Notes represents non negotiable, non interest bearing bonds that the Government of The Gambia issue to cover any operating or foreign exchange losses that the Bank incurs. Non Interest Bearing Notes are also issued to account for any shortfall in Capital that may occur during the financial year in accordance with Section 6(2) of the CBG Act 1992.

The Non Interest Bearing Notes are issued on request of the Governor of the Bank.

5. MONETARY POLICY AND OPERATIONS

(5.1) Monetary Policy

The Central Bank of The Gambia is solely responsible for the formulation and implementation of monetary policy. Monetary policy focused on making further progress towards achieving price and exchange rate stability. The policy was conducted in a highly unstable domestic economic environment characterized by high rates of inflation and an unstable exchange rate through out most of the year under review.

(5.2) Monetary Policy Instruments

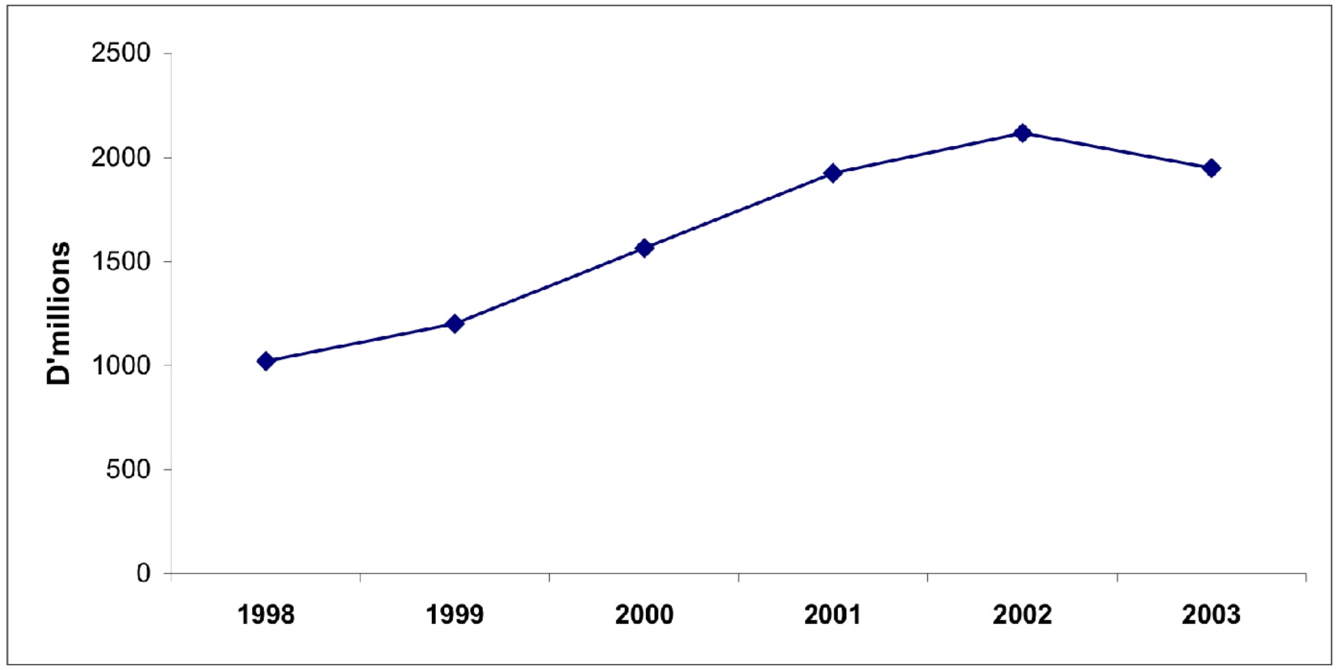
The Central Bank uses myriad of instruments in the conduct of monetary policy: open market operations; interest rates; foreign exchange intervention; reserve requirements and discount and rediscount window.

(5.2.1) Open Market Operations

Open market operations continued to be the primary instrument of monetary policy, with the Treasury bill discount rate serving as the key signaling mechanism. The principal objectives of open market operations are to mop up excess liquidity, achieve positive real interest rates and contribute to price stability.

Treasury bills were primarily used to conduct open market operations. Although open market operations were intensified, auctions were largely under subscribed resulting in a decrease in outstanding Treasury bills by 8.0 per cent from a year ago. The roll over ratio also fell to 93.0 per cent from 104.0 per cent in 2002.

Figure 15: Treasury Bills Outstanding (Discounted Value)



The banking system holdings of Treasury bills decreased to D840.7 million, or 23.9 per cent. Although Central Bank holdings fell by a minuscule 2.5 per cent, commercial banks' holdings decreased precipitously by 28.6 per cent.

Non-bank holdings of Treasury bills, on the other hand, rose albeit modestly by 9.4 per cent to D1.1 billion. Holdings by public entities and the private sector increased by 3.8 per cent and 38.1 per cent to D881.5 million and D225.9 million respectively.

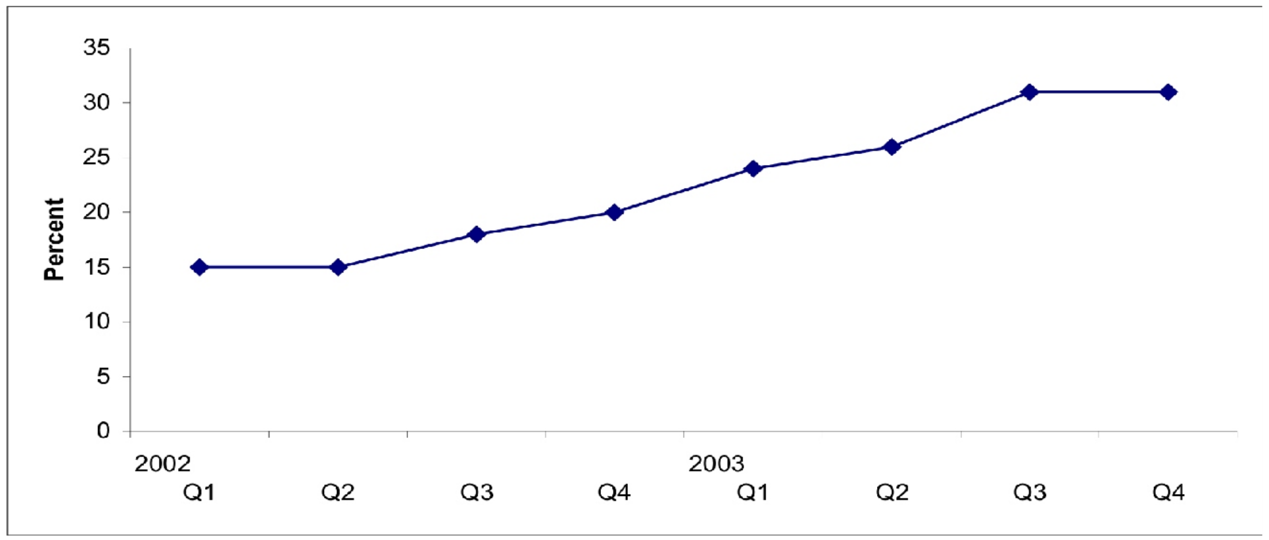
Central Bank securities continued to be available on tap throughout the year to supplement Government securities for mopping up operations. Central Bank securities are issued under the same terms and conditions with Government securities. Outstanding Central Bank bills fell by D31.6 million from D109.5 million in 2002 partly due to decreased demand for Dalasi denominated assets and partly owing to the fact that the portfolio of Treasury bills was sufficient for open market operations. Open market sales of Government paper or Central Bank bills have a contractionary effect on credit to Government and net indebtedness of the Central Bank to commercial banks and the public.

(5.2.2) Interest Rates

Interest rate policies were aimed at achieving efficient allocation of investible funds, effective domestic resources mobilization and more importantly, to attain macroeconomic stability. Changes in official interest rates are transmitted to the money market and then to the rest of the economy. Normally, an increase in interest rates curbs domestic demand and reduces capital outflows which, in turn, reduce downward pressure on the exchange rate.

The Treasury bill discount rate, the policy rate, increased at a robust pace throughout the year. It rose from 20.0 per cent at end-December 2002 to 23.0 per cent at end-March 2003. The rate increased further to 25.0 per cent in June 2003 and by an additional 6.0 percentage points to 31.0 per cent in September 2003. The policy rate was maintained at 31.0 per cent in the fourth quarter. Following the same trend, other short-term rates, that is, the Bank rate and the rediscount moved upwards to 29.0 per cent and 34.0 per cent respectively.

Figure 16: Policy Rate



Commercial banks adjust their lending and deposit rates and this may have strengthened the monetary policy transmission mechanism. Interest rates on long-term discount notes and Government development loans were unchanged at 15.0 per cent relative to 2002.

5. PERSONNEL COSTS

The average number of staff employed (including directors) during the year were xxx (2002: xxx)

	31-Dec-03 D'000	31-Dec-02 D'000
Salaries	**10,816**	9,772
Transport Allowance	**1,796**	1,891
Leave Allowance	**95**	77
Cashier's Allowance	**8**	9
Directors fees and Allowances	**42**	42
Contribution to Provident Fund	**890**	855
Medical Expenses	**2,593**	2,085
Other Pension Cost	**1,422**	2,008
	17,662	16,739

6. PROFIT/LOSS) BEFORE LOAN LOSSES

Profit/(loss) before loan losses is stated after charging:

		31-Dec-03 D'000	31-Dec-02 D'000
Auditor's remuneration:	local	**500**	126
	overseas	**9,208**	-
Directors fees and sitting allowances		**9,208 42**	42
Gains on disposal of investments assets		**(285)**	(608)
Depreciation		**3,949**	3,063
Impairment of investments		**-**	18,200

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2. INTEREST INCOME

	31-Dec-03 D'000	31-Dec 02 D'000
Interest on securities USD	5,763	0
Interest on deposits GDP	390	474
Interest on deposits USD	2,963	3,717
Interest on deposits FRF	0	0
Discount on treasury bills USD	3,541	5,651
Interest on deposits WAUA	7	0
Interest on deposits EURO	4,869	5,832
Interest on deposits SDR	307	254
Interest on deposits CHF	112	988
Interest on securities GMD	12,500	12,500
Interest on loans and Advances	175	168
Discount on treasury bills GMD	76,642	20,841
Discount on CBG GMD	10,759	0
	118,028	50,449

3. INTEREST EXPENSE

	31-Dec-03 D'000	31-Dec-02 D'000
Interest payments to IMF	6,089	4,290
Interest payments on CBG bills	35,030	10,323
	41,119	14,613

4. OTHER INCOME

	31-Dec-03 D'000	31-Dec-02 D'000
Profit on sale of investments	285	608
Rental income	73	45
Miscellaneous income	759	1,134
Sale of commemorative coins	85	204
	1,202	**1,991**

(5.2.3) Foreign Exchange Intervention

The Bank intervenes in the foreign exchange market, buying and selling foreign exchange to defend the exchange rate, avoid build-up of external arrears as well as to achieve the desired level of international reserves. Foreign exchange intervention also impacts the banking system liquidity and stance of monetary policy. Bank sales of foreign exchange will reduce foreign assets and increase domestic liquidity while purchases will increase foreign assets and reduce liquidity. The Bank purchased and sold foreign exchange totaling D553.0 million and D396.3 million compared to D609.1 million and D663.4 million in 2002.

(5.2.4) Reserve Requirements

Commercial banks are required to maintain reserve deposits with the Central Bank. The commercial banks hold the required reserves on a bi-weekly basis but are allowed to go below the required ratio at times provided that on average the ratio is maintained. Balances held to fulfill the reserve requirement are not remunerated. Banks that failed to meet the reserve requirement incur a penalty on the shortfall equivalent to 5.0 percentage points above the discount rate.

Reflecting the tight policy stance, the reserve requirement was raised in two steps from 14.0 per cent of deposit liabilities at end-December 2002 to 16.0 per cent at end-March 2003 and to 18.0 per cent at end-June 2003.

(5.2.5) Rediscount and Discount Window

The Central Bank is obliged to rediscount Treasury and Central Bank bills in the rediscount window at a penalty rate equivalent to 3.0 percentage points above the policy rate.

Banks in need of short-term liquidity may also borrow from the discount window at the market rate. The facility is rarely used partly because banks can resort to rediscounts and mainly because banks are generally liquid.

(5.3) Reserve Money

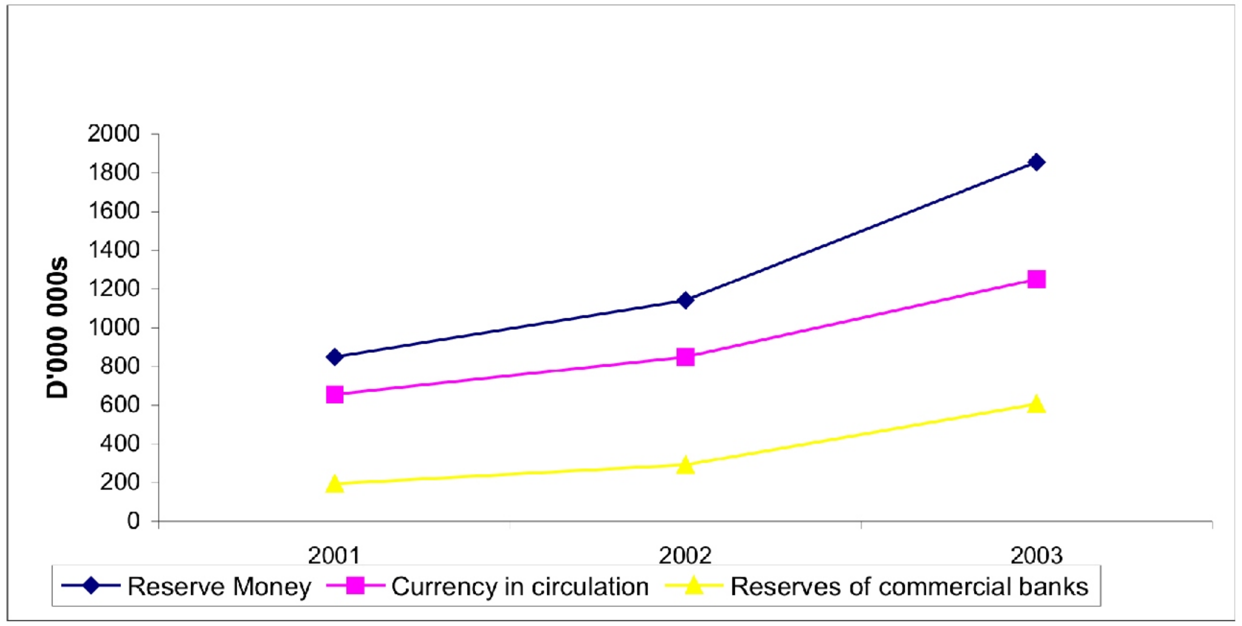
Reserve money consists of currency issued and banks' deposits with the Central Bank. It is a measure of the Central Bank's monetary liabilities and captures the impact of all Central Bank's operations on banks' liquidity and its potential for credit expansion in the economy.

Monetary policy was conducted using reserve money as the operating target. Accordingly, policies were directed at preventing an excessive expansion in reserve money, which could lead to the build up of inflationary pressures while at the same time providing sufficient liquidity to ensure that economic activity was unhindered by liquidity constraints.

The monetary framework sets a ceiling on the net domestic assets (NDA) and a floor on the net foreign assets (NFA) of the Central Bank.

Reserve money grew by a staggering 62.7 per cent in 2003 compared to 34.1 per cent in 2002. On the demand side, currency in circulation and reserves of commercial banks increased by 47.3 per cent and 107.8 per cent respectively. With regards to factors affecting reserve money supply, although the NFA of the Central Bank decreased by 13.7 per cent, NDA rose substantially by 619.5 per cent. The decline in the NFA of the Central Bank was as a result of 102.8 per cent increase in foreign liabilities to D1.1 billion.

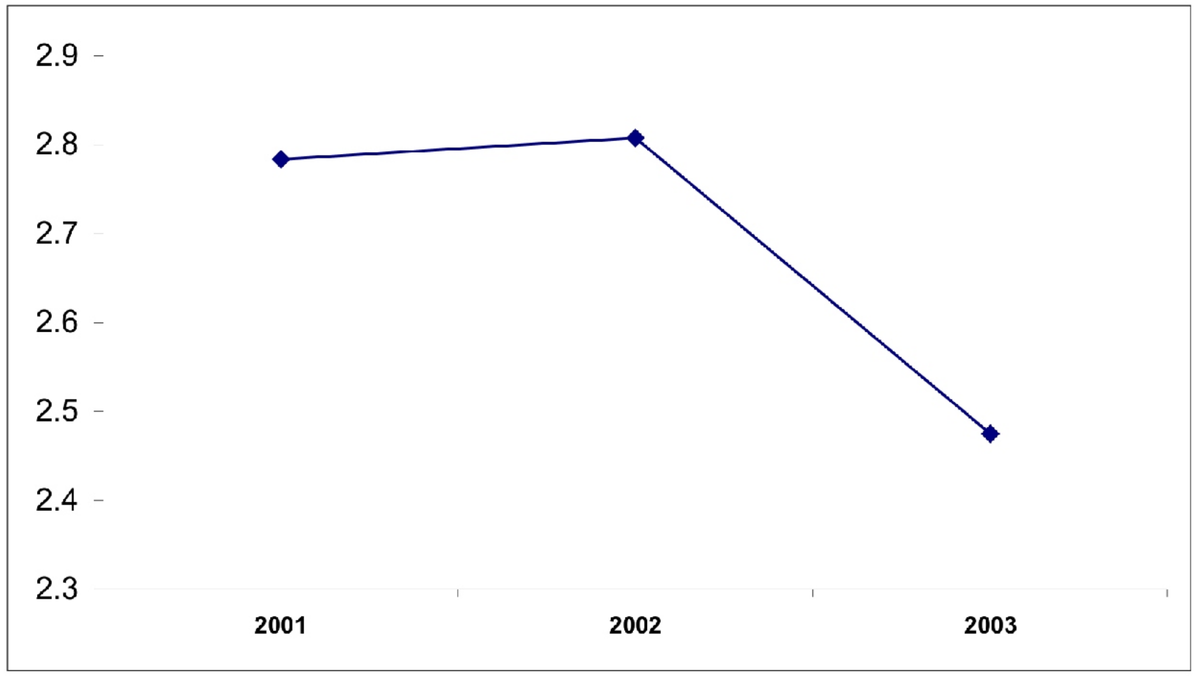
Figure 17: Reserve Money



The marked increase in the NDA was largely as a consequence of the substantially (222.9 percent) expansion of domestic credit by the Central Bank. Government deposits fell by 46.1 per cent to D404.5 million while gross claims on Government rose to D1.2 billion, or 33.1 per cent, reflecting increased monetisation of the budget deficit. Other items (net) decreased from negative 226.6 million in 2002 to D264.2 million in 2003 mainly owing to the substantial increase in other liabilities by 216.6 per cent.

The money multiplier (mm), the ratio of broad money to reserve money, decreased from 2.8 in 2002 to 2.5 in 2003 reflecting the increase in the reserve requirement.

Figure 18: Money Multiplier



1.8) Provisions

Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

1.9) Revenue recognition

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Interest on the 5% government bonds is accrued half yearly and is netted off against the Government's treasury main account.

Discount on treasury bills is recognised on the maturity of the bills. If the bills are resold before maturity, the difference between the purchase and the selling price is recognised as income at the date of sale.

1.10) Impairment of assets

The carrying amount of the bank's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

Central Bank of The Gambia

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1.3) Property, Plant and Equipment

Property, plant and equipment are stated at cost less any depreciation accumulated to the balance sheet date. Depreciation of tangible fixed assets is calculated and charged to the profit and loss account on a straight line basis by reference to the expected useful lives of the assets at the following rates:

	Rate
Land & Buildings	1%
Furniture and equipment	10%
Office machines	20%
Computer equipment	20%
Vehicles	20%

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised and depreciated when the asset becomes operational in the business. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of the assets. All other expenditure of a revenue nature are charged to the profit and loss account as incurred. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

1.4) Foreign currency activities

Assets and liabilities in foreign currencies are converted to Dalasi at the rates ruling at the close of the financial year. Exchange profits and losses of the Bank are for the account of the Government and are transferred to the foreign exchange revaluation reserve account in accordance with section 32 of the Central Bank of The Gambia Act 1992. Losses that cannot be covered by gains are converted to non-negotiable, non-interest bearing securities under section 32(2) of the Act after the issue of the statutory accounts for the year.

Transactions in foreign currencies are translated to Dalasi at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Dalasi at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies are translated to Dalasi at the foreign exchange rate ruling at the date of the transaction.

1.5) Taxation

In terms of section 59 of the Central Bank of The Gambia Act 1992, the Bank is exempt from all forms of taxation. Accordingly, there is no provision for taxation in these financial statements.

1.6) Cost of printing new currency

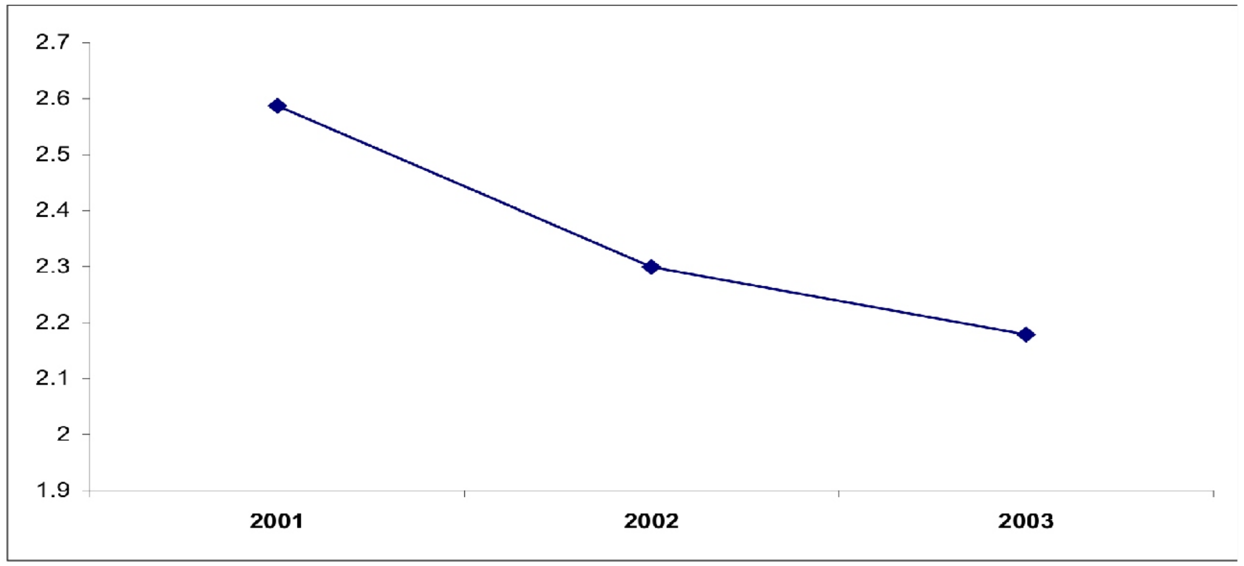
The cost of printing new currency is recognised when the stock is received and put into circulation.

1.7) Pension and retirement funds

The expected costs of post-retirement benefits under the defined benefit schemes are charged to income over the expected service lives of the employees entitled to these benefits according to the projected unit benefit method.

Velocity, defined as the ratio of national income (GDP) to the money stock, though broadly stable decreased from 2.3 in 2002 to 2.2 in 2003. In the financial programming framework, velocity is assumed to be generally constant. However, in many countries it has increased with rising inflation and interest rates and also to be slightly sensitive to changes in income.

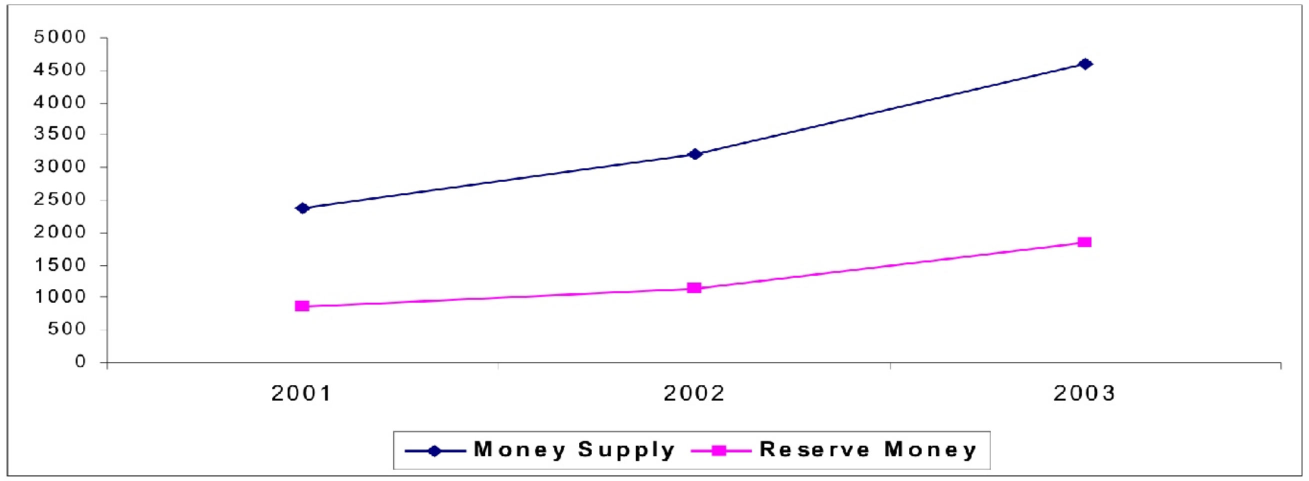
Figure 19: Velocity



(5.4) Money Supply

Money supply grew by 43.4 per cent compared to 34.1 per cent in 2002. Narrow money (M1), that is, currency outside banks and demand deposits, associated with spending in the domestic economy grew by 63.5 per cent against 56.1 per cent in 2002. Currency outside banks and demand deposits increased by 48.3 per cent and 76.2 per cent respectively. Narrow money accounted for 62.6 per cent of money supply compared to 54.8 per cent in 2002.

Figure 20: Money Supply and Reserve Money



The rapid expansion of narrow money is largely due to the fact that variable and unanticipated inflation causes portfolio shifts from long-term to short-term instruments. As the liquidity premium rises, the movement towards short-dated instruments intensifies.

Table 4: Components of Money Supply

	1998	1999	2000	2001	2002	2003
Narrow Money (M1)	**626.57**	**717.75**	**983.53**	**1125.41**	**1756.77**	**2873.03**
Currency outside banks	*347.55*	*379.72*	*540.26*	*600.75*	*797.37*	*1182.89*
Demand deposits	*279.02*	*338.03*	*443.27*	*524.66*	*959.40*	*1690.14*
Quasi-Money	**684.99**	**753.28**	**998.82**	**1241.90**	**1445.75**	**1720.00**
Savings deposits	*462.31*	*556.09*	*705.49*	*831.91*	*1084.19*	*1374.60*
Time deposits	*222.68*	*197.19*	*293.33*	*409.99*	*361.56*	*345.40*
Broad Money (M2)	**1311.56**	**1471.03**	**1982.35**	**2367.31**	**3202.52**	**4593.03**

(5.4.1) Components of Money Supply

Quasi-money, or savings plus time deposits, grew at more subdued pace of 18.9 per cent compared to 16.4 per cent in 2002. Savings deposits increased by 26.8 per cent relative to 30.3 per cent in 2002. Time deposits, in contrast, contracted by 4.5 per cent compared to 11.8 per cent decline in 2002. Consequently, quasi money as percentage of money supply fell to 37.4 per cent compared to 45.2 per cent in the previous year.

(5.4.2) Determinants of Changes in Money Supply

The rapid growth of money supply was as a result of marked increase in both the NFA and NDA of the banking system.

Table 5: Determinants of Money Supply

	2000	2001	2002	2003
NET FOREIGN ASSETS	**1290.29**	**453.34**	**1144.86**	**1879.49**
Monetary Authorities (net)	**1284.96**	**501.14**	**1002.89**	**865.61**
Foreign Assets	1596.98	1066.55	1530.04	1934.63
Foreign Liabilities	312.02	565.41	527.15	1069.02
Commercial Banks	5.33	-47.80	141.97	1013.87
NET DOMESTIC ASSETS	**692.06**	**1913.97**	**2057.66**	**2933.85**
Domestic credit	**770.12**	**2020.48**	**2664.80**	**3708.59**
Claims on Govt. (net)	83.37	1071.86	1097.47	1494.45
Claims on Public Entities	11.86	75.79	74.69	342.78
Claims on Private Sector	674.89	872.83	1492.64	1871.36
Other items, net	**-78.06**	**-106.51**	**-607.13**	**-995.02**
O/w: Revaluation account	*130.29*	*105.22*	*-389.11*	*-536.26*
SDR allocation	*-83.22-*	*-98.78*	*-113.74*	*-173.63*
MONEY SUPPLY (M2)	**1982.35**	**2367.31**	**3202.52**	**4593.04**
Narrow Money (M1)	983.53	1125.41	1756.77	2873.03
Quasi-Money	998.82	1241.90	1445.75	1720.00

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NOTES - forming part of the financial statements

1. ACCOUNTING POLICIES

The bank adopted the following accounting policies which have been consistently applied during the year, and which are consistent in all material respects to those applied in the previous year, in accounting for items that are considered material in relation to the financial statements.

1.1) Basis of presentation

The financial statements have been prepared in accordance with generally accepted accounting principles using an accruals basis of accounting based on historical cost in compliance with accounting provisions outlined in the Central Bank Act 1992. Except where stated the financial report does not take into account changing money values or current valuations of non current assets. Cost is based on the value of the fair value of the consideration given in exchange for assets plus the cost of bringing assets to their present condition and location.

1.2) Financial instruments

Financial assets and financial liabilities are recognised on the Bank's balance sheet when the Bank has become a party to contractual provisions of the instrument.

a) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

b) Investments

Investments are accounted for at cost less provision for impairment in value, where it is considered to be permanent in nature. Investments held in foreign currency are translated to Dalasi at year-end.

US Treasury Bills are accounted for at cost. The difference between the cost price and the anticipated face value of the bills is recognised as income over the life of the instrument.

Non interest bearing notes are accounted for at the Originated cost.

c) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The interest expense on the liability component is calculated by applying the interest rate as agreed upon.

Deposits are shown in the books of the bank at cost being the proceeds received.

d) Trade payables

Trade and other payables are stated at their nominal value.

e) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

The notes on pages 13 to 23 form an integral part of these financial statements.

Central Bank of The Gambia

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CASH FLOW STATEMENT

As at 31 December 2003

	Notes	31-Dec-03 D'000	31-Dec-02 D'000
Cash (outflow)/inflow from operating activities			
Cash generated from operations	18.	**(373,143)**	89,037
Cash (outflow)/ inflow from investing activities			
Acquisition of property and equipment		**(6,067)**	(2,042)
Proceeds from the disposal of fixed assets		**93**	-
Net Increase in Government Securities		**(8,403)**	(170,707)
Net decrease/(increase) in foreign securities		**170,189**	(12,687)
Net increase in other investments		**(82,851)**	(13,746)
Cash outflow from investing activities		**(300,182)**	(110,145)
Cash inflow from financing activities			
Net increase in long term liabilities		**264,558**	180,782
Net increase in currency in circulation		**401,608**	193,436
Increase in cash and cash equivalent		**365,984**	264,073
Cash and cash equivalents at the beginning of the year		**963,597**	699,524
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER 2003		**1,329,581**	963,597
REPRESENTED BY:			
Cash holdings		**15,911**	34,673
Nostros		**1,313,670**	928,924
	7.	**1,329,581**	963,597

(i) Net Foreign Assets

The NFA of the banking system rose by 64.2 per cent compared to 152.5 per cent in 2002. While the NFA of the Central Bank declined by 13.7 per cent to D865.6 million, the NFA of deposit money banks increased substantially by 614.2 per cent to D1.0 billion. The assets (reserves) of the Central Bank and its foreign liabilities rose by 26.4 per cent and 102.8 per cent respectively from the previous year.

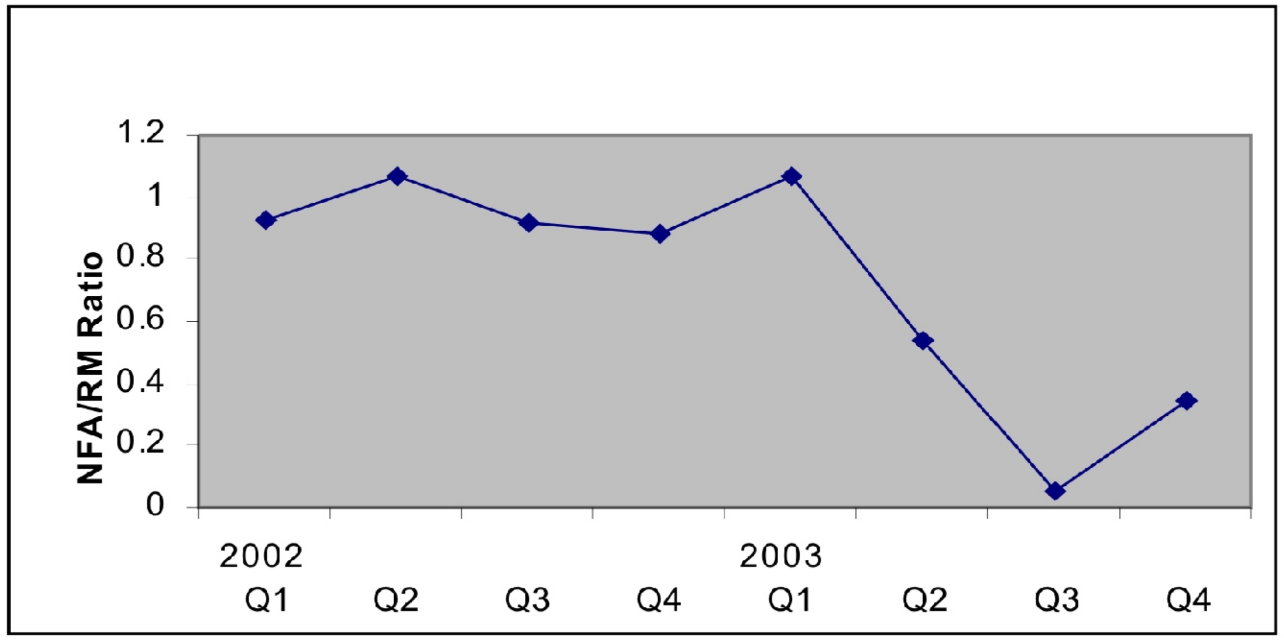
(ii) Net Domestic Assets

The NDA of the banking system rose to D2.7 billion, or 31.9 per cent principally owing to the 39.2 per cent increase in domestic credit. Claims on Government (net) rose by 36.2 per cent to D1.5 billion primarily as a result of increased gross claims on Government by the Central Bank (33.1 per cent) and decreased government deposits (46.1 per cent). Claims on public entities and the private sector also rose by a staggering 358.9 per cent and 25.4 per cent to D342.8 million and D1.9 billion respectively.

Other items (net), on the other hand, moved from negative D606.8 million in 2002 to negative D995.0 million in 2003 thanks largely to the change in the balance of the revaluation from negative D389.1 million in 2002 to negative D536.3 million in 2003. The marked movement in the revaluation account reflects the substantial depreciation of the Dalasis during the year under review.

The ratio of the Central Banks' NFA and reserve money is an important lead indicator of possible pressures on the exchange rate. A fall in the ratio could be due to excessive liquidity that could, in turn, give rise to rapid domestic credit expansion and because of the economy's high import propensity, to a net outflow of external reserves.

Figure 21: Quarterly CBG NFA/Reserve Money



The chart above shows that the ratio initially increased to 1.1 in the first quarter of 2003 from 0.9 in the fourth quarter of 2002. The ratio then declined precipitously to 0.5 and 0.1 in the second and third quarter of 2003 before increasing to 0.5 in the fourth quarter.

6. FOREIGN EXCHANGE DEVELOPMENTS

The Gambia continues to manage its exchange rate flexibly with a view to strengthening the balance of payments position as well as ensure efficient allocation of resources. Central Bank purchases and sales are carried out in the inter-bank comprising commercial banks, numerous foreign exchange bureaux and the Central Bank.

(6.1) Volume of Transactions

The volume of transactions (purchases and sales) in the inter-bank foreign exchange market was significantly higher than in 2002 attributed to increased inflows from tourism, re-exports and remittances. Trading volumes increased to D12.1 billion, or 7.4 from the previous year. While total purchases declined by 3.5 percent, sales rose by 20.8 per cent to D6.0 billion and D6.1 billion respectively.

In US Dollar terms, purchase declined by 26.8 per cent and sales (8.4 per cent). Central Bank net purchases totaled D292.7 million (US$9.4) compared to net sales of D54.4 million (US$2.3 million) in 2002.

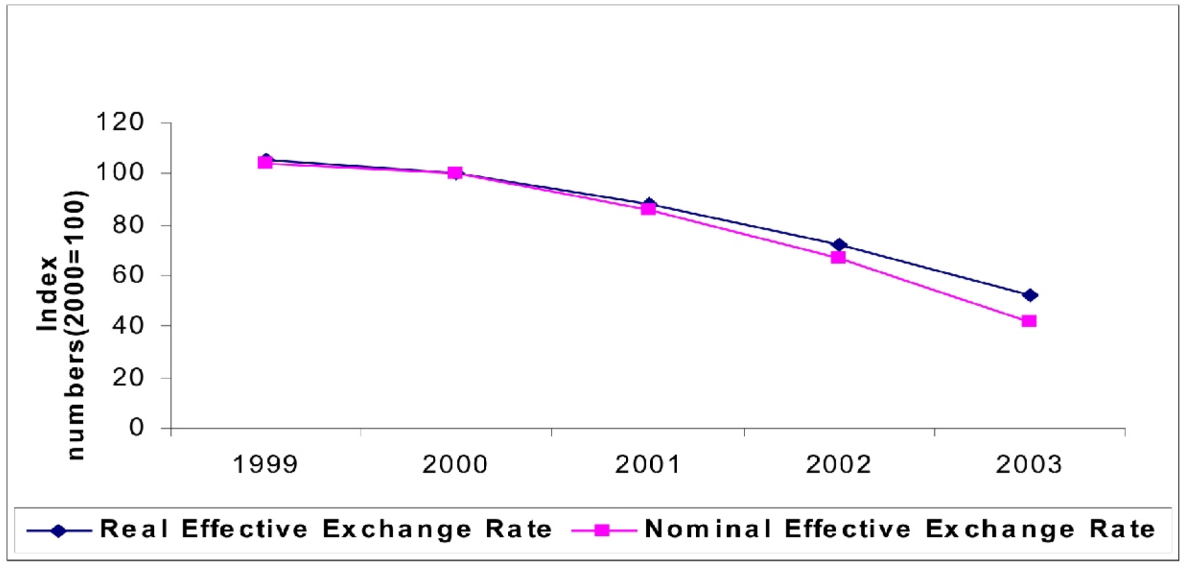
(6.2) Market Share of Currencies

The US Dollar continued to be dominant currency, accounting for 56.6 per cent of the volume of transactions in the inter-bank foreign exchange market. This was higher than the market share of 54.3 per cent in 2002. Transactions in Pound Sterling rose from a market share of 17.5 per cent in 2002 to 21.2 percent in 2003. The market share of the Euro decreased to 16.3 per cent relative to 17.3 per cent in the previous year while the Swedish Kroner, the CFA Franc and other unclassified currencies recorded market shares of 1.2 per cent, 1.0 per cent and 3.4 per cent compared to 1.3 per cent, 0.9 per cent and 8.7 per cent respectively in 2002.

(6.3) Exchange Rate Movements

The uncertain and volatile conditions observed in the foreign exchange market in 2002 continued during the first nine months of 2003. During the last quarter, however, the Dalasi stabilized and even appreciated slightly against the US Dollar.

Figure 22: **Nominal and Real Effective Exchange Rates**



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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share capital	Statutory Reserves	Revaluation Reserves	Other' Reserve	Accumulated Profit	Total
	D000.	D'000.	D'000.	D'000.	D'000.	D'000.
At 1 January 2002	1,000	3,000	133,966	4,314	(116,554)	25,726
Loss for the year	-	-		-	(93,444)	(93,444)
Transfers	-	-	288,329	-	-	288,329
At 1 January 2003	1,000	3,000	422,295	4,314	(209,998)	220,611
Loss for the year					(125,447)	(125,447)
Transfers			180,144		(53,523)	126,621
At 31 December 2003	**1,000**	**3,000**	**602,439**	**4,314**	**(388,968)**	**221,785**

The notes on pages 13 to 23 form an integral part of these financial statements.

Central Bank of The Gambia

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BALANCE SHEET

As at 31December 2003

	NOTES	31-Dec-03 D'000	3l-Dec-02 D'000
ASSETS			
Cash and bank balances	7.	1,329,581	963,597
Government securities	8.	660,185	651,782
Foreign securities	9.	179,215	349,404
Other investments	11.	125,883	43,032
Loans and advances	12.	1,080,602	860,696
Other assets	0	99,414	28,813
Property, Plant and Equipment	13.	24,028	22,834
TOTAL ASSETS		3,498,905	2,920,158

LIABILITIES			
Deposits	]4 .	986,394	1,092,979
Other liabilities	]5.	44,460	26,468
Long-term liabilities	]6 .	995,413	730,855
Currency in circulation		1,250,853	849,245
		3,277,120	2,699,547
EQUITY			
Share capital	]7.	1,000	1,000
Statutory reserves	17.	3,000	3,000
Revaluation reserves	17.	602,439	422,295
Other reserves	]7.	4,314	4,314
Accumulated loss		(388,968)	(209,998)
TOTAL EQUITY AND LIABILITIES		3,498,905	2,920,158

These financial statements were approved by the Board of Directors on ......13.....July.......................2005, and were signed on their behalf by:

.... ***Governor***

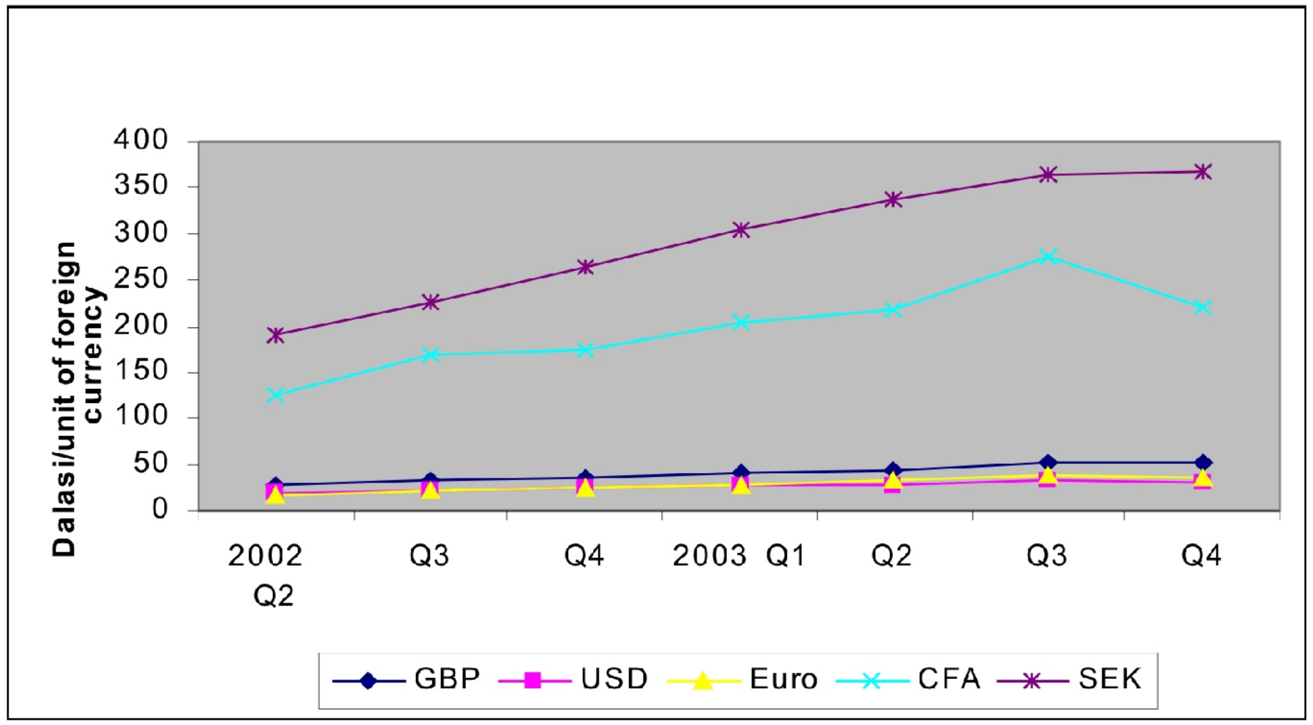
.... ***General Manager***

.... ***Director***

The notes on pages] 3 to 23 form an integral part of these financial statements.

Against individual currencies, the Dalasi weakened by 46.3 per cent, 32.3 per cent, 39.7 per cent, 26.2 per cent and 51.8 per cent against the Pound Sterling, US Dollar, and Swedish Kroner (100) and the Euro respectively year-on-year.

Figure 23: Currency movement vis-a-vis in Dalasi



The decline in the value of the Dalasi is attributed largely to expansionary monetary and fiscal policies, which caused increased import demand. This was exacerbated by speculative activities betting on no change in policy stance and continuing depreciation of the Dalasi.

(7) DEVELOPMENTS IN THE FINANCIAL SECTOR

The financial system in The Gambia comprised the Central Bank, 6 deposit money banks, 11 insurance companies, 35 foreign exchange bureaux, 62 village savings and credit association (VISACAs), 3 credit companies, 1 post office savings “bank” and numerous savings and credit groups, including credit union.

(7.1) Banking Sector

The banking industry consists of six (6) banks, (5) of which are engaged in commercial banking and one (1) in Islamic banking. The industry is solely private owned with both foreign and local shareholding. The industry continues to dominate the financial systems with two banks accounting for 77.5 per cent of total assets.

(7.1.1) Deposit Money Banks' Income Statement

Deposit money banks (DMB) obtained their revenue from interest and non-interest sources. Interest income comprised interest from loans and investments in Government paper and Central Bank bills. Net interest income is the difference between income earned and interest paid to depositors. Non-interest income is revenue derived from the fee-earning services, including commission on turnover and purchase and sale of foreign currency.

Deposit money banks interest income rose to D502.3 million, or 54.2 per cent from 2002. Interest expenses totaled D136.8 million, representing an increase of 58.1 per cent. Net interest income therefore rose by 52.8 per cent to D365.5 million. Other income totaled D460.5 million, 67.5 per cent higher than in the previous year. Correspondingly, gross income increased to D962.8 million, or 86.3 per cent. Net interest income and other income as a percentage of gross income were 38.0 per cent and 47.0 per cent compared to 46.3 per cent and 53.2 per cent respectively in 2002.

Deposit money banks total expenditure was D552.5 million compared to D349.8 million in 2002. Salaries and compensation rose to D186.4 million, or 162.0 per cent. Premises, equipment and depreciation expenses also increased, albeit slightly to D38.6 million compared to D37.9 million in 2002. Other expenses totaled D120.3 million, or an increase of 6.7 per cent while provision for loan losses rose precipitously to D65.1 million compared to D19.8 million in 2002.

Aggregate profit before tax totaled D415.2 million, considerably higher than D295.1 million in 2003.

(7.1.2) Deposit Money Banks' Assets and Liabilities

(I) Assets

The total assets of deposit money banks rose to D5.5 billion, or 23.8 per cent from 2002. All components of assets with the exception of investments and acceptance, endorsement and guarantees increased.

Loans and advances accounting for 31.7 per cent of total assets, increased to D1.8 billion, or 38.7 per cent from the previous year. This high growth rate was, however, lower than in 2002 when private sector credit rose by a staggering 68.8 per cent.

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INCOME STATEMENT

For the year ended 31 *December 2003*	*Notes*	31-Dec-03 D'000	31-Dec-02 D'000
Interest income Interest expense	2. 3.	118,028	50,449
Net interest income		(41,119)	(14,613)
		- -	
Other income	4	76,909	35,836
		1,202	1,991
Total operating revenue less interest expense		- -	
		78,111	37,827
Personnel costs	5.	(17,662)	(16,739)
General and administration cost		(55,764)	(68,803)
Depreciation and amortisation	13.	(3,949)	(3,063)
		(77,375)	(88,605)
Profit/Loss) on ordinary activities		-	
		736	(50,778)
Provisions for credit losses			
		(126,183)	(42,666)
Loss for the financial year		(125,447)	(93,444)

The notes on pages 13 *to* 23 *form an integral part of these financial statements.*

Central Bank of The Gambia
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D Included within loans and advances in note 11 are amounts granted to Government departments and foreign exchange bureaus amounting to D 1.25 billion which exceed 50% of the bank's average demand liabilities representing a violation of section 51 of the Central Bank Act 1992;

D Included within liabilities in the balance sheet is an amount of D31 million and D24 million relating to Central Bank bills issued to the public and payment orders respectively. We were unable to inspect accounting records to enable us carry out necessary audit procedures to determine the completeness and accuracy of these liabilities;

Any adjustment to these figures would have a consequential significant effect on the loss for the year and the bank's financial position at 31 December 2003.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the possible effect of non compliance with the Central Bank of The Gambia Act 1992.

Qualified opinion: Limitation in scope

Except for the possible effect of the limitation in evidence available to us discussed in the preceding paragraph, in our opinion the financial statements give a true and fair view of the state of the bank's affairs as at 31 December 2003 and of its loss for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with generally accepted accounting principles and the requirements of the Central Bank of The Gambia Act 1992. In respect alone to the limitation on our work relating to cash, foreign reserves, advances to Government, other assets and liabilities:

D We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

D We are unable to determine whether proper accounting records had been maintained.

Deloitte + Touche

Deloitte & Touche

Chartered Accountants
Registered Auditors

Date: 3 October *2005*

Balances held with banks' abroad constituting 15.2 per cent of total assets, amounted to D844.0 million, reflecting an increase of 54.4 per cent. Total foreign currency holdings also rose, albeit by a significant 893.4 per cent, reflecting in part, increased foreign currency deposits and in part, the clap down on parallel market foreign exchange operators, which caused a surge in transactions through the banking system.

Balances held with Central Bank totaled D518.3 million, or an increase of 64.2 per cent mainly reflecting the increase in the reserve requirement from 14.0 per cent to 18.0 per cent of deposit liabilities in 2003. After increasing by 531.4 per cent in 2002 following a contraction of 48.2 per cent in 2001, Bills purchased rose markedly by 490.9 per cent to D59.9 million. Fixed assets and other assets grew by 4.6 per cent and 55.4 per cent to D234.8 million and D350.2 million respectively.

Investments contracted by 30.9 per cent to D684.1 million reflecting decreased holdings of Treasury and Central Bank bills. Acceptance, endorsement and guarantees grew significantly by 125.5 per cent in 2002. In 2003, it contracted, albeit by a minuscule 1.7 per cent to D797.0 million.

(II) Liabilities

Mirroring gross assets, the liabilities of deposit money banks totaled D5.5 billion, an increase of 23.8 per cent over the preceding year.

Capital and reserves continued to grow at a rapid pace. It increased by a robust 22.9 per cent to D604.3 million, attributed mainly to the transfer of profits to general reserves.

Deposit liabilities increased to D3.4 billion, 41.8 per cent. While demand and savings deposits rose by 76.2 per cent and 30.4 percent, time deposits decreased by 4.5 per cent.

Balances due to other banks and acceptance, endorsements and guarantees contracted by 21.2 per cent and 1.7 percent to D40.4 million and D797.0 million respectively. Other liabilities, in contrast, rose markedly by 102.3 per cent to D674.6.

(7.1.3) Deposit Money Banks Loans and Advances

Deposit money banks loans and advances totaled D1.9 billion, or an increase of 39.5 per cent from 2002. Loans to distributive trade accounting for the largest share of total credit (31.6 per cent) increased to D589.19 million, or 9.1 per cent.

Outstanding credit to the agricultural sector also grew by a significant 94.5 per cent to D139.4 million but accounted for only 7.5 per cent of total credit. Lending associated with the marketing of groundnuts accounted for the bulk of the credit to the sector.

Owing to the increased activity in the tourism sector, lending to the sector which had declined by 34.6 per cent in 2002, recorded the largest increase in credit (366.3 per cent) in 2003. Transportation, building and construction, and personal loans increased by 61.1 per cent, 21.2 per cent and 27.1 per cent to D150.8 million, D95.0 million and D399.5 million respectively. Credit to other sectors (unclassified) also rose markedly by 75.6 per cent to D372.3 million.

(7.1.4) Interest Rates

Reflecting the restrictive monetary policy stance and the concomitant increase in the policy rate, deposit money banks deposit and lending rates were also raised.

Interest rates on savings deposits increased from a range of 8.0-9.0 per cent in 2002 to 8.0 -17.0 per cent in 2003. The rate on time deposits also moved upwards, with interest rates on three (3), six (6), nine (9) and twelve (12) months ranging from 7.0 22.0 per cent compared to 6.0 -13.0 per cent in 2002.

Commercial banks lending rates ranging from 17.0 24.0 in 2002 were also revised upwards to a range of 21.0 - 36.6 per cent in 2003.

(7.1.5) Liquidity Position of Deposit Money Banks

In the normal course of business it is essential that banks are liquid to meet obligations to borrowers, provide credit and meet short-term commitments.

Liquid assets rose to D1.7 billion, or 75.6per cent from 2002 attributed to increased foreign bank balances and foreign cash holdings, which combined accounted for 22.5 per cent of liquid assets.

Foreign bank balances and foreign cash holdings increased by 166.3 per cent and 162.2 per cent to D218.3 million and D167.5 million respectively, owing mainly to increased foreign inflows, the bulk of which was channeled through the banking system.

Deposit money banks continued to maintain liquid assets well over the statutory requirement of 30.0 per cent of deposit liabilities. Excess liquidity amounted to D703.8 million, or 70.0 per cent above the requirement compared to 41.0 per cent in 2002. Banks' cash reserves also exceeded the requirement (D596.10 million) by D449.8 million, or 75.0 per cent compared to 74.0 per cent in the previous year.

(7.2) Insurance Industry

The insurance industry comprises eleven (11) registered insurance companies. Nine (9) of the companies underwrite only non-life insurance (general business). One (1) is a life underwriter and one (1) a composite insurer; that is, operates a general, life and long-term insurance business.

The industry is fragmented and most of the companies are operated or managed by their owners. This has caused to diseconomies of scale and less than desired operating performance.

As at end-2003, industry-wide paid-up capital amounted to D46 million, assets totaled D156 million, liabilities (D98 million) and net profit (D8 million).

To ensure a robust industry, Government enacted a new Insurance Act 2003. The pertinent tenets of the Act include:

- ❖ A new minimum capital requirement for insurance brokers, which is 300% more than the D25, 000 prescribed in the old Regulation;
- ❖ Failing insurance institutions to be put under prescription by the regulatory authorities;

AUDITOR'S REPORT

Deloitte
1 Paradise Beach Place
Bertil Harding Highway
P O Box 268, Banjul The Gambia

TO THE MEMBERS OF THE CENTRAL BANK OF THE GAMBIA

We have audited the financial statements on pages 9 to 23, which have been prepared under the historical cost convention and the accounting policies, set out on pages 13 to 15.

Respective responsibilities of directors and auditors

As described on page 5 the directors of the bank are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the bank's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

However, the evidence available to us was limited because of the circumstances outlined below for which there were no alternative procedures that we could adopt to provide us with sufficient and reliable evidence to support the amounts included in the financial statements:

C Included within cash and bank balances in note 7 of the financial statements is an amount of D15, 911,000 representing foreign currency cash balances. We did not observe the cash count as of 31 December 2003 since that date was prior to the time we were engaged as auditors of the bank. There were no cash count certificates which were witnessed by independent Government officials which we could rely on for the purposes of our audit;

c Advances amounting to D7l5 million as shown in note 11 were granted to the Government of The Gambia in contravention of sections 47 and 49 of the Central Bank Act 1992. Additionally, we have also not received independent confirmation from Gambia Government departments for balances amounting to D315 million which have remained overdrawn in excess of six months in violation of sections 47 and 49 of the Central Bank Act 1992;

Central Bank of The Gambia
Annual Report and Financial Statements
For the year ended 31 December 2003

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are as shown on page 4. The Central Bank Act requires non executive directors to serve a maximum term of 3 years so far as possible, that not more than one director's term of office shall expire in anyone year. An appointive director shall be eligible for reappointment.

AUDITORS
The auditors, Deloitte & Touche who were appointed by the National Audit Office will continue in office

By order of the Board of Directors

f Secretary

Date:......13 July......2005

- Registered insurers and insurance intermediaries to pay to the regulator an annual contribution in such sum to be determined, and to be paid into a fund to be known as Special Insurance Supervision Fund;
- Onsite examination to be carried out on any insurance company whenever deemed necessary;
- Specific penalty in case of non-compliance with the Act.

(7.3) MICRO-FINANCE SECTOR

As an important instrument in the quest to reduce poverty in The Gambia, microfinance institutions continue to receive considerable Government attention. This comes mainly in the form of promoting access to financial services to urban and rural communities that are not served by the conventional banking system.

The Microfinance Department of the Central Bank continues to regulate, supervise and coordinate the microfinance system. Credit unions are, however, not directly supervised by the Central Bank. An apex institution, National Association of Cooperative Credit Union of The Gambia (NACCUG) is responsible for the supervision and development of the myriad credit unions.

As at end-December 2003, sixty-one (61) Village Savings and Credit Institutions (VISACAs) have been established. Savings mobilized and credit disbursed by VISACAs totaled D7.0 million and D8.0 million compared to D5.4 million and D6.2 million respectively in 2002.

Credit unions numbered seventy (70) in 2003 compared to 57 in 2002. Overall membership increased to 16,768, or 7.9 per cent from 2002. Aggregate savings rose to D38.4 million, or 60 per cent from the previous year. Total loans amounted to D31.0 million relative to D26.0 million in 2002.

Only three (3) savings and credit companies (finance companies) were in operation in 2003, the same as in 2002, namely Gambia Women's Finance Association (GAWFA), Gambia Savings and Credit Company and NACCUG. Aggregate savings and loans of finance companies amounted to D13.0 million and D21.6 million compared to D10.0 million and D17.0 million respectively in 2002.

A number of institutions continued to support the development of the microfinance sector during the year under review. The Rural Finance and Community Initiatives Project (RFCIP) provided assistance in the area of capacity building and the provision of wholesale loans to qualified microfinance institutions.

The Microfinance Unit of the Social Development Fund (SDF) support to the sector came mainly in the form of technical assistance to strengthen the capacity of institutions to scale up their operations as well as providing wholesale loans to deserving institutions.

To evolve a better technical service provider, VISACA Promotion Centre was restructured and re-christened, Microfinance Promotion Centre. The Centre provided training to fifty-seven (57) beneficiaries, including animators, management committee members and cashiers.

Despite improved performance, rapid and sustained growth of the sector continues to be stymied by weak managerial capabilities, inability to attract and retain qualified personnel and weak linkages with the formal financial system. Besides, the paucity of viable micro enterprises has limited the capacity to absorb the loanable funds generated by the sector.

(8.0) BALANCE OF PAYMENTS (BOP) DEVELOPMENTS

Government's external sector policy in the medium to long-term is aimed at ensuring a sustainable BOP as well as to build reserves adequate to cushion the economy against external and internal shocks. Foreign currency reserves were programmed to cover at least five months of imports in 2003.

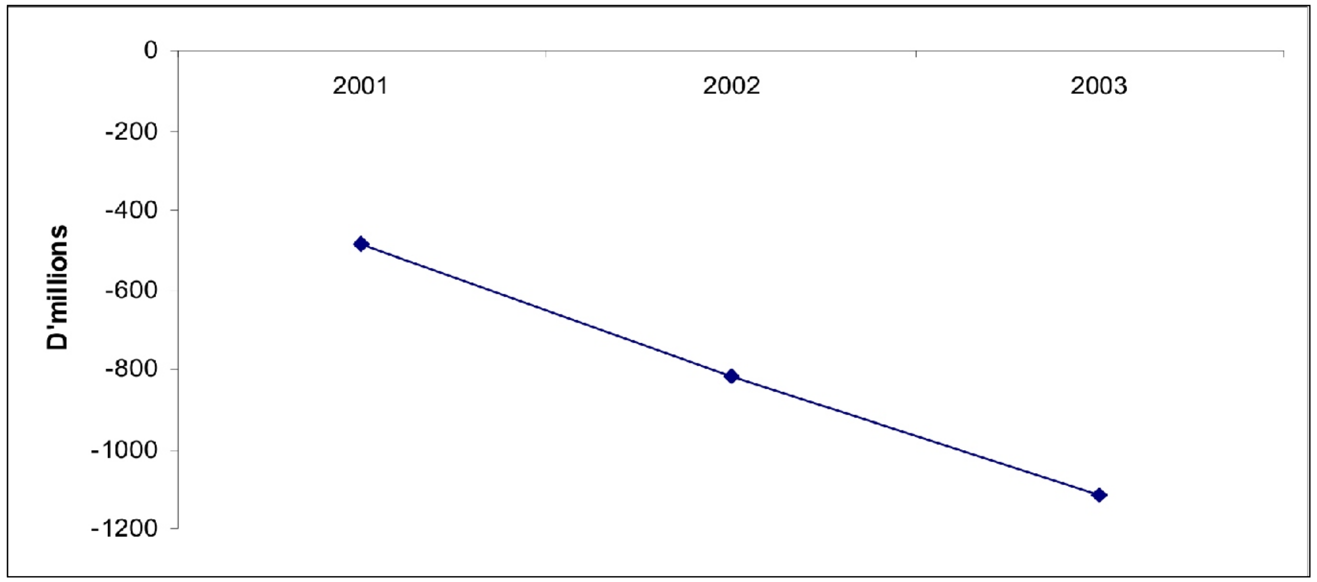
The balance of payments deteriorated relative to the previous year. The overall balance was a deficit of D164.6 million compared to a revised surplus of D2.9 million in 2002. The lower-than-expected outcome stemmed primarily from substantial deterioration in the current account balance.

(8.1) Current Account

The current account balance, including official transfers, was in a deficit of D478.8 million compared to D207.5 million in 2002, largely as a result of the worsening of the trade balance and factor services (net) balance. Excluding official transfers, the current account deficit widened to D1.3 billion compared to D987.3 million in 2002.

The merchandise trade balance recorded a deficit of D1.1 billion relative to D814.5 million in the previous year as imports continue to grow faster than exports. The total import bill amounted to D4.0 billion, or an increase of 33.7 per cent from 2002. In terms of value, capital equipment, heavy machinery and general goods form the bulk of imports. Exports, on the other hand, were valued at D2.9 billion compared to D2.2 billion in the preceding year. Exports of groundnuts and groundnut products were estimated at D299.4 million, down from D478.0 million a year earlier owing to the marked decline in groundnut output in 2002. Other domestic exports and re-exports grew by 73.0 percent and 50.2 percent to D244.5 million and D2.3 billion respectively.

Figure 24: Merchandise Trade Balance



PART IV

QUALIFIED REPORT OF THE INDEPENDENT AUDITORS
TO *THE MEMBERS OF THE CENTRAL BANK OF THE GAMBIA*

Central Bank of The Gambia
Annual Report and Financial Statements
For the year ended 31 *December 2003*

DIRECTORS' REPORT

The Directors present the audited financial statements and results of The Central Bank of the Gambia for the year ended 31st December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Central bank of The Gambia Act 1992 requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the bank and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the financial statements comply with the Central Bank of the Gambia Act 1992. They are responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES OF THE BANK

The principal activities of the bank are as follows:

- Regulate the issue, supply, availability and international exchange of money, promote monetary stability and sound financial structure, credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- Act as the banker for the Commercial Banks, Government Departments and Projects;
- Issuing of currency notes and coins;
- Managing the overall monetary and financial affairs of the country by being the banker, financial advisor and fiscal agent of the Government;

RESULTS
The results of the bank are as detailed in the accompanying financial statements.

EMPLOYEES
The number of employees and the costs associated with these employees is as detailed in note 5.

DONATIONS
During the year the bank made charitable donations amounting to D8l, 500.

(3.0) BANKING SERVICES DEPARTMENT

(i) Currency in Circulation

The Central Bank of The Gambia, as the sole currency issuing authority, continued to perform this function. Policy was directed at fulfilling public demand for currency, enhancing quality of the currency as well as adopting measures to prevent or at least limit counterfeiting.

Currency in circulation increased to D1.25 billion, or 39.8 percent from 2002. In fulfilling the currency needs of the public, the Bank took into account the seasonal demand for currency. Demand was strong in the first and fourth quarter when economic activity is usually higher.

The 100 dalasi note accounted for 43.4 percent of currency in circulation, D50 note (41.3 percent), D25 (11.1 percent) D10 note (3.7 percent) and D5 note (0.39 percent). Amongst the family of coins, the 1 Dalasi coin accounted for 61.7 percent of value of coins in circulation.

(ii) Commemorative Coins

The Central Bank of The Gambia continued to sell gold and silver commemorative coins during the year under review. The coins were issued to commemorate important events and to stimulate interest in The Gambia.

The Bank derives income from royalties on the sale of these coins worldwide. The coins are also sold locally to the general public and tourist. Other commemorative coins available for sale at the Bank are:

- Millennium Coin
- Save The Children
- The Gambia Silver Jubilee
- Papal Visit
- UN 50th Anniversary

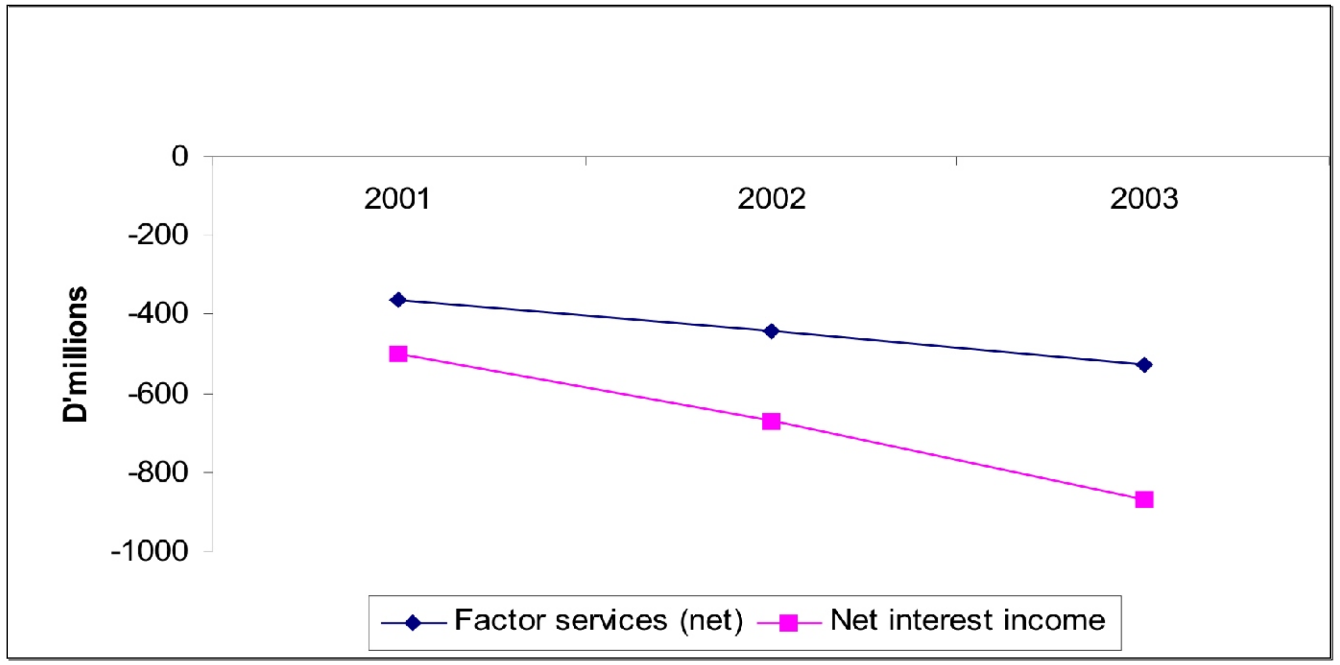
(iii) Deposits

The Central Bank in performing its role as depository and fiscal agent for government also provides banking services to other government agencies and deposit money banks.

In 2003, total Government deposits, comprising project funds, Government main Treasury Account and Treasury bills special deposit account was D750.8 million compared to D103.2 million in 2002. Commercial deposits increased markedly to D605.0 million, 107.8 per cent reflecting in large part the increase in the reserve requirement from 14.0 per cent of deposit liabilities in 2002 to 18.0 per cent in 2003.

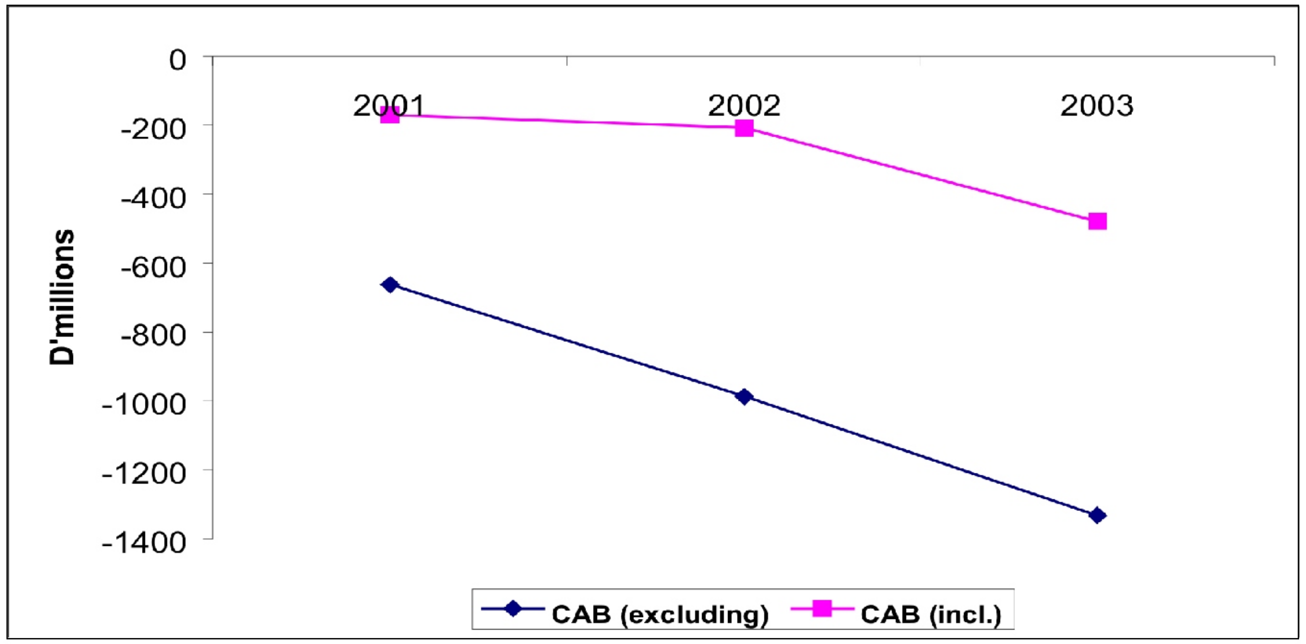
The deficit of factor services (net) widened to D525.6 million compared to D445.3 million in 2002. Net interest payment rose to D871.8 million, or 30.2 percent. Remittances, on the other hand, increased to D346.2 million from D224.0 million in 2002.

Figure 25: Factor Services (net) and Net Interest Income



The non-factor services balance improved slightly by 2.0 percent to D204.9 million. Travel income rose significantly to D1.4 billion, or 52.7 per cent due, in the main, to the rebound in tourist arrivals.

Figure 26: Current Account Balance

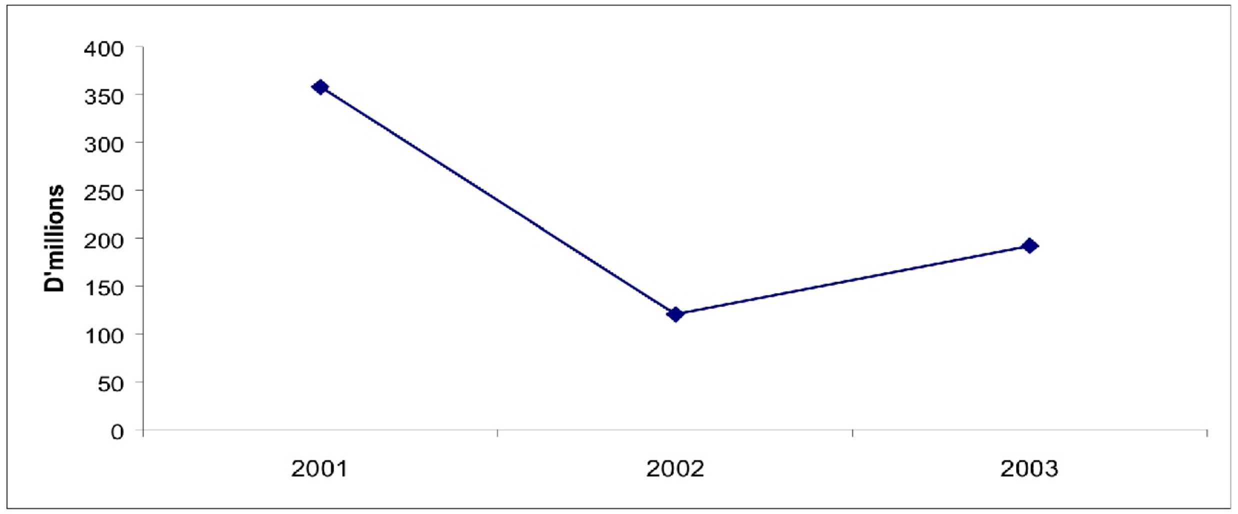


Reflecting partly the strong growth in imports, net outflows with respect to other transportation and insurance and freight cost increased by 52.7 percent and 33.7 percent to D418.7 million and D572.0 million respectively.

(8.2) Capital Account

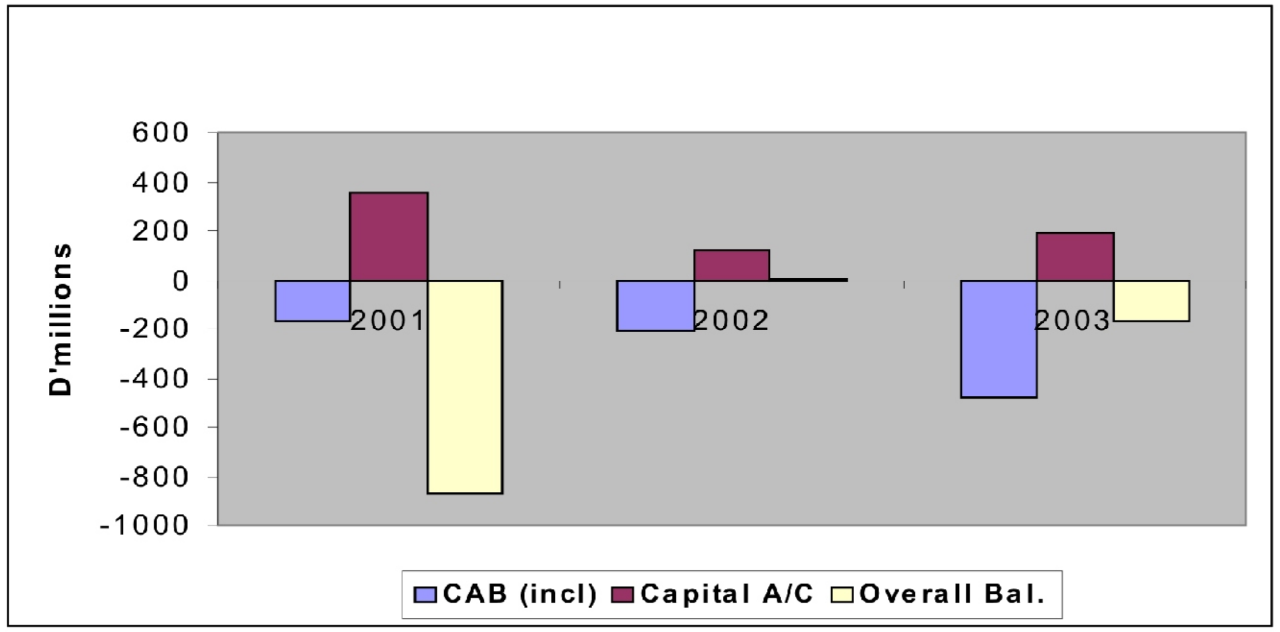
The capital account, including short-term capital and errors and omissions, which recorded a surplus of D357.8 million and D120.1 million in 2001 and 2002 respectively, was estimated at a surplus of D192.1 million in 2003. Foreign direct investment (net) increased to D360.7 million, up from D180.5 million in 2002, but there was net outflow of private capital to the tune of D266.0 million compared to D256.8 million in 2002.

Figure 27: Capital Account Balance



Reflecting these developments, the overall balance of payments recorded a deficit of D164.6 million compared to a surplus of D2.9 million in 2002. As a result, gross official reserves decreased by D139.4 million. Exceptional financing in the form of London and Paris Club loans amounted to D25.2 million, from D7.0 million in 2002.

Figure 28: The Gambia's Balance of Payments, 2001 - 2003



PART III

OPERATION AND ADMINISTRATION OF THE BANK

(1.0) Assets and Liabilities

Assets of the Central Bank totalled D3.50 billion compared to D2.92 billion in 2002. All components of assets increased, with the exception of foreign securities. Cash and bank balances, accounting for 40.0 per cent of total assets, rose to D1.33 billion, or 40.0 per cent. Holdings of Government securities also increased, albeit slightly to D660.2 million, or 1.3 per cent while investment in foreign securities fell to D179.2 million relative to D349.4 million in 2002. Other investments, comprising shareholdings in Africa Export/Import Bank, Africa Re-Insurance, etc. rose to D125.9 million, or 192.5 per cent. Loans and advances, accounting for 30.9 per cent of total assets, increased from D860.7 million in 2002 to D1.08 billion in 2003. Other assets and property, plant and equipment also rose to D99.4 million and D24.0 million, or 245.0 per cent and 5.2 per cent respectively over 2002.

On the liability side, currency in circulation, accounting for 64.2 per cent of total liabilities, increased to D1.25 billion compared to D849.2 million in 2002. Deposits, including Government and commercial banks' deposits, however, decreased to D986.4 million, or 9.8 per cent. Other liabilities, including accrued interest payable, payment orders and staff pension fund and long-term liabilities such as outstanding central bank bills, IMF poverty reduction growth facility, etc. increased to D44.5 million and D995.4 million, or 68.0 per cent and 36.2 per cent respectively relative to 2002.

The share capital, statutory reserves and other reserves were unchanged at D1.0 million, D3.0 million and D4.3 million respectively. However, reflecting marked depreciation of the Dalasi, the revaluation account balance rose to D602.4 million from D422.3 million in 2002. The revaluation reserves represent gains or losses arising from the revaluation of balances in foreign currency to the Gambian Dalasi at year-end.

(2.0) Income Statement

The Bank's operating loss increased to D125.4 million against a deficit of D93.4 million in 2002. Consequently, cumulative losses jumped to D389.0 million from D210.0 million in 2002.

Net interest income, that is, interest income less interest expense rose to D76.9 million, or 114.6 per cent but other income decreased to D1.2 million, or 39.6 per cent.

Net operating revenue was D78.1 million compared to D37.8 million in 2002. This was, however, offset by the marked increase in provisions for credit losses of D126.2 million from D42.7 million in 2002. Other expenditures (personnel costs, general and administration cost and depreciation and amortisation) decreased from D88.6 million in 2002 to D77.4 million in 2003.

(1.3) Consumer Prices

Concerns about inflation have heightened, reflecting robust economic growth, rising commodity prices, particularly oil prices and the accommodative stance of monetary policy in the US and to some extent Britain.

In the emerging economies of Asia, while inflation is still low, it is edging upward. And, in China, concerns about falling prices have given way to worries about overheating and the risk of inflationary pressures. In Africa, inflationary pressures are expected to abate somewhat, thanks to the implementation of prudent macroeconomic policies.

(1.4) Interest Rates

Global interest rates though low, a consensus is beginning to emerge that they will eventually have to rise substantially. In a low interest rate environment, there is a danger that asset prices, which have already rebounded substantially, may defy the fundamentals and continue to spiral upwards. However, future interest rates rise especially if abrupt or unexpected could lead to financial market volatility and possibly adversely affect the recovery. This is a particular concern for countries with buoyant property markets including the US, UK, Australia and New Zealand.

(8.3) Direction of Trade Imports and Exports

The European market continues to be the main source of imports for The Gambia, especially for capital equipment, heavy machinery and general goods. Imports from Europe accounted for 67.8 percent of total imports in 2003 and averaged 53.0 per cent over the last five years. Germany, United Kingdom, France and Netherlands accounted for 36.2 per cent, 10.4 per cent, 6.3 per cent and 2.8 per cent of total imports respectively.

Imports from ECOWAS member states, valued at D364.4 million, represented 8.4 per cent of total imports. Senegal and Cote D'Ivoire accounted for 55.2 per cent (4.6 per cent of total imports) and 37.3 per cent (3.1 per cent of total imports) of ECOWAS imports respectively. Trading among ECOWAS member states is limited by a number of factors, including border restrictions and currency inconvertibility. Europe serves as the main market for exports, accounting for over 70.0 percent of total exports, excluding re-exports.

(9.0) GOVERNMENT FINANCE

Prudent and sustainable fiscal position promotes economic growth in myriad ways. Sustainable fiscal balance means there is less need to create money to finance Government expenditure. The resulting low inflation enhances growth. Low fiscal deficits also increase the pool of savings for higher levels of investment, leading to higher economic growth.

(9.1) Fiscal Policy

Fiscal policy, the range of the Government's tax and spending decision, continued to support and reinforce the poverty reduction objective of Government.

The 2003 budget assumes 6.0 per cent growth in real GDP, inflation target of 7.0 per cent and a budget deficit (excluding grants) programmed at 4.3 per cent of GDP. The budget deficit including grants was projected to fall below 2.0 per cent of GDP while the budget deficit that accommodates poverty reduction expenditure from Highly Indebted Poor Countries (HIPC) Initiative debt relief was estimated at 5.0 per cent of GDP.

The budget also projects total consolidated revenue of D1.7 billion (22.8 per cent of GDP), or an increase of 21.0 per cent from 2002. Tax revenue was programmed at D1.2 billion (15.6 per cent of GDP) while non-tax revenue was estimated at D541.0 million.

The revenue targets were to be achieved through the broadening of the tax base, increase in customs duty on selected items and better tax administration, including the merging of Customs and Central Revenue Departments under the umbrella of a Revenue Authority.

Total expenditure and net lending was estimated at D2.2 billion. While recurrent expenditure was programmed to increase to D1.7 billion, or 37.4 per cent from 2002, development expenditure was projected at D1.2 billion, or 12.9 over the preceding year.

(9.2) Total Revenue and Grants

Revenue and grants increased significantly to D1.9 billion from 1.5 billion in 2002 but was below projection by D158.5 million. The shortfall was largely attributed to lower-than-projected external budgetary support of D340.0 million.

Domestic revenue amounted to D1.6 billion, or an increase of 30.8 per cent. Both tax and non-tax revenue increased.

Tax revenue rose substantially to D1.4 billion, or 32.7 per cent, but was below target by D31.8 million. Both direct and indirect taxes rose compared to the previous year.

Direct taxes increased to D441.1 million, or 38.7 per cent and accounted for 32.1 per cent of tax revenue, almost the same share as in the previous year. All components of direct taxes were higher than their projected levels, except payroll tax, which was below target by D1.3 million. Personal tax rose to D154.3 million, or 26.1 per cent while revenue from corporate tax increased by 50.3 per cent.

Revenue from indirect taxes rose to D938.6 million, or 30.0 per cent mainly due to improved performance of taxes on international trade. Revenue from international trade constituting 77.9 per cent of indirect taxes, increased markedly to D733.4 million compared to D597.3 million in 2002. Both duty and sales tax on imports rose by 13.0 per cent and 38.4 per cent to D415.7 million and D317.7 million respectively.

(1.1) Global Fiscal and Monetary Policies

(1.1.1) Fiscal Policy

The weakening of fiscal positions has in recent years become a near global trend, in many cases reversing progress made during much of the 1990s. The US government budget, which was in surplus to the equivalent of 1.5 percent of GDP in 2000, was in deficit of 5.0 percent of GDP in 2003, a position without precedent since the World War II. Deficits in some large economies in the Euro area are still above the ceiling set in the Stability and Growth Pact.

In the emerging economies, despite action to limit fiscal deficits, the level of public sector debt as a whole rose and now exceeds 50.0 percent of GDP.

(1.1.2) Monetary Policy

There is no immediate prospect of generalized inflation that would require a substantial tightening of policies. Comparatively high unemployment is limiting nominal wage increases and spare capacity in manufacturing worldwide which reinforces the competitive pressure on prices. Perhaps most important, clear policy commitments across the globe to contain inflation have been made credible by more than a decade of declining inflation rates. But there are signs that inflation is edging higher. Japan is slowly emerging from deflation. The pace of consumer price inflation in China has increased sharply in recent months, and there is evidence that prices are beginning to rise faster in some other Asian economies.

The rapid rise in commodity prices has created perhaps the most visible threat to global price stability. Oil prices rose to around 35 to 40 dollars a barrel, and futures markets indicate that prices are expected to remain high for some time. Non-oil commodity prices are also much higher. The price of virtually every major commodity has risen appreciably over the past two years.

(1.2) Commodity Prices

The global recovery, higher-than-expected economic activity in the U.S and continuing robust economic output in China, instability in Iraq, depreciation of the US Dollar, and speculative activities combined to cause oil prices to rise sharply. Spot prices rose from $26.50 a barrel in September 2003 to $32.50 in December 2003.

Non-fuel commodity prices also rallied, increasing by about 10 percent in SDR terms since mid 2003, with metals (traditionally the most cyclical commodity) and food and agricultural raw materials experiencing the largest gains. However, non-fuel prices are expected to moderate in the latter part of 2004 as agricultural supply shocks unwind.

PART II
DEVELOPMENTS IN THE INTERNATIONAL ECONOMY

(1.0) World Economic Outlook and External Sector Developments

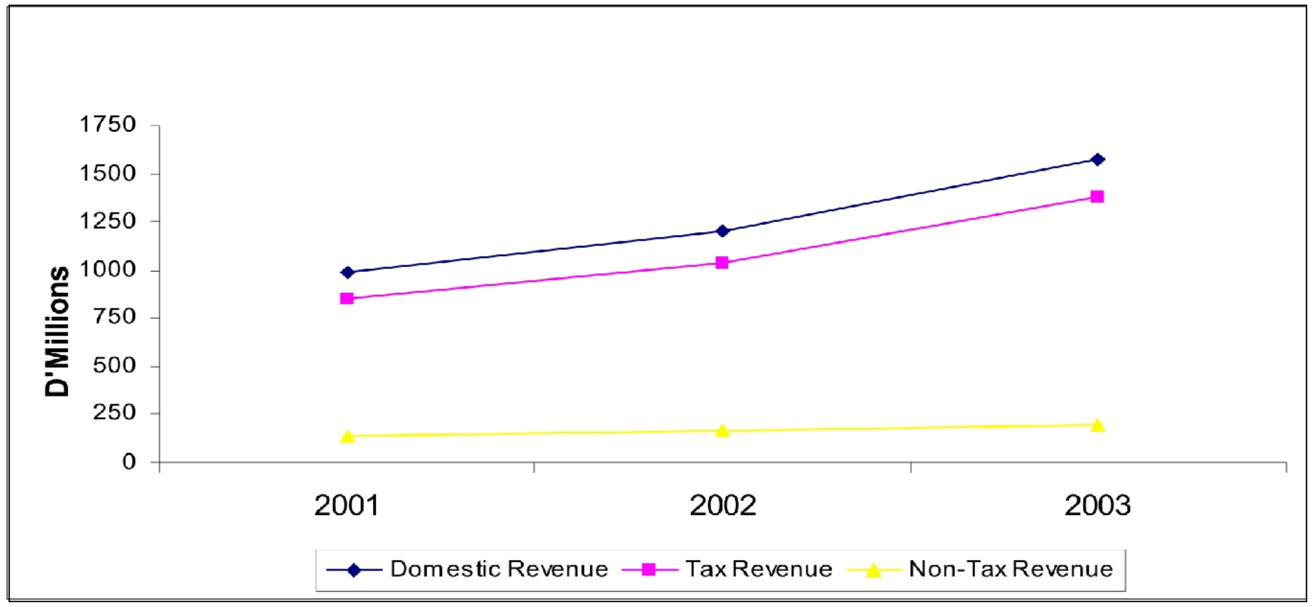
Since the beginning of 2003, global economic recovery has strengthened and broadened. Industrial production has picked up sharply, accompanied by a stronger rebound in global trade. Business confidence remains high and investment growth - essential to sustain the recovery- has turned solidly positive in almost all regions.

In the second half of 2003, global GDP averaged 6.0 per cent, the highest since late 1999. With global trade rising, financial markets buoyant, and the US economy rebounding, the balance of risks has significantly improved, although geopolitical risks, including terrorists' attacks and oil price hikes are a cause for concern.

Recovery in individual countries and regions vary considerably, reflecting differing degrees of policy stimulus; exchange rate developments; openness and the ability to benefit from rising global trade, especially in information technology (IT).

- The United States is projected to have the strongest recovery among industrial countries. The growth rate is projected at 4.6 percent in 2004, accompanied by continued strong productivity growth, which should put inflation at bay.
- In Japan, GDP growth has continued to exceed expectations, owing to strong external demand notably from China accompanied by rising investment and latterly a pickup in consumption. Looking forward, GDP growth is projected at 3.4 percent in 2004, the highest since 1996, mirroring the buoyant growth in China and the recovery in the IT sector.
- Among the poorest countries, GDP growth in sub-Saharan Africa (excluding South Africa) jumped to 4.4 percent in 2003, aided by surging oil production in Nigeria. GDP growth in the region is expected to strengthen further in 2004, reflecting a combination of improving macroeconomic fundamentals; higher commodity prices; better weather conditions and rising oil and gas production in several countries.
- In the Euro area, where external demand has been the main driving force, recovery has been subdued. Growth is projected to increase to 1.8 percent in 2004 and 2.2 percent in 2005, but with recent economic indicators failing to improve, the robustness of the recovery is uncertain. Across countries in the Euro area, growth divergence mainly reflects differences in domestic demand-weakest in Germany and strongest in Greece, Ireland and Spain.
- In contrast to the Euro area, macroeconomic performance in the UK remains strong and the main risk to the outlook is the possibility of an abrupt correction in the housing market. Strong performance is due not only to an appropriately counter cyclical monetary policy and an expansionary fiscal stance, but also to structural flexibility, reflecting the deep reforms of labour, product and financial markets over the past twenty years.
- Growth in Latin America has also picked up, partly thanks to stronger demand for primary commodities. Looking ahead, growth is expected to strengthen during 2004, although the outlook remains vulnerable to a deterioration in the global financial market environment or domestic policy slippages that undermine investor confidence.

Figure 29: Domestic Revenue

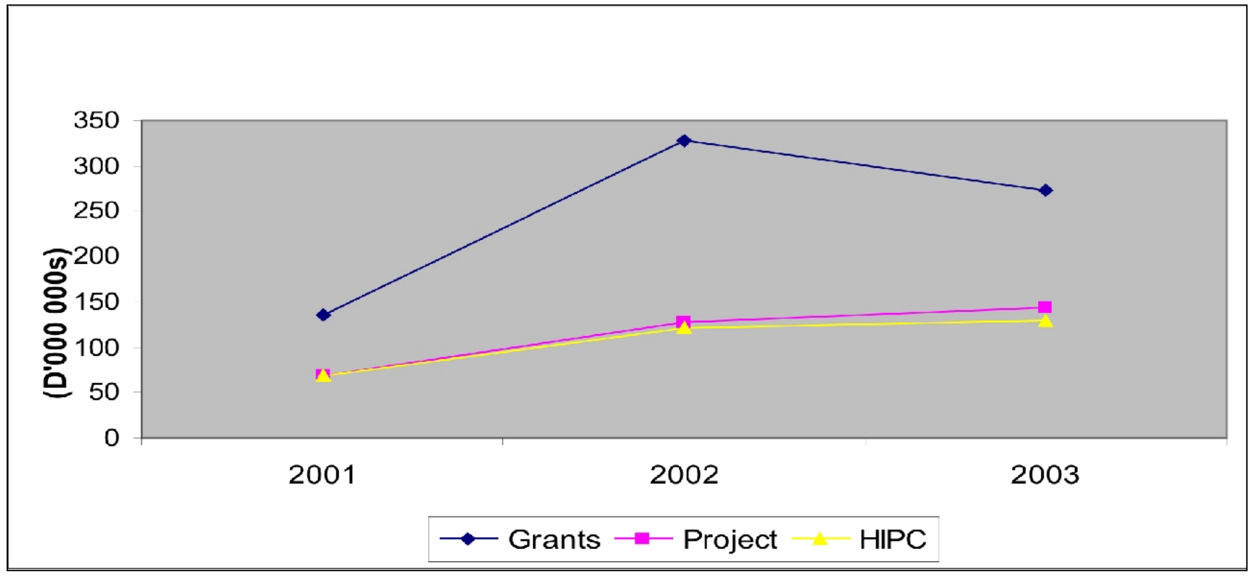


Domestic tax on goods and services also rose to D205.3 million, or 64.4 per cent owing primarily to 72.2 per cent increase in domestic sales tax. Excise duties also increased to D13.6 million, or 25.9 per cent, but revenue from stamp duty fell to D5.7 million, or 6.6 per cent.

Non-tax revenue, which includes government service charges, interest, dividends and property income and contribution to pension fund increased to D193.3 million, or 19.7 per cent. This was mainly on account of increased Government services and charges receipts, which exceeded the target by D26.9 million. Contribution to the pension fund also rose to D3.3 million, or 26.9 per cent while interests, dividends and property income declined to D23.1 million, or 4.1 per cent.

Total grants decreased to D273.3 million, or 16.5 per cent and was D94.4 million below the programmed target. Programme grants declined from D68.0 million in 2002 to zero in 2003. Although project and HIPC related grants increased by 13.4 per cent and 6.6 per cent to D143.8 million and D129.5 million respectively, they were insufficient to offset the marked fall in programme grants.

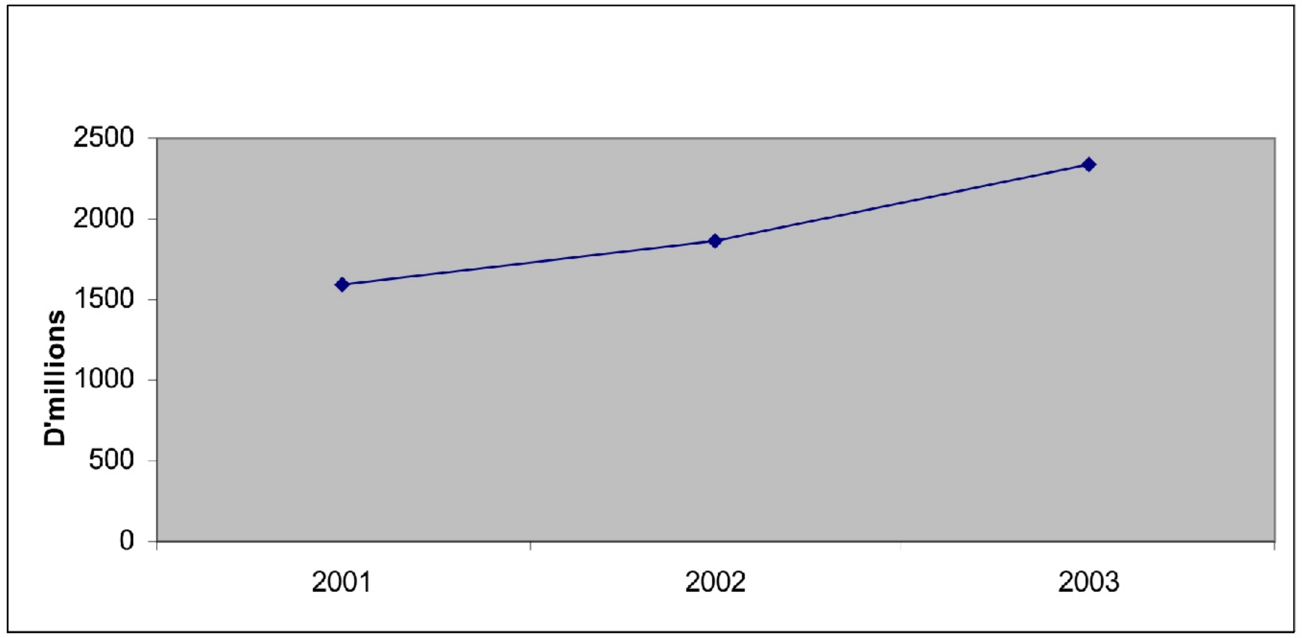
Figure 30: Total Grants: Project and HIPC Grants



(9.3) Expenditure and Net Lending

Total expenditure and net lending rose to D2.3 billion, or 24.8 per cent on account of increased current and capital expenditure. As a percentage of GDP, total expenditure and net lending increased slightly to 26.8 per cent from 26.3 per cent in 2002 but was substantially below target by D142.1 million. Although capital spending rose to D657.8 million, it was below target by D542.2 million. Capital expenditure was financed by external loans (51.7 per cent), external grants (41.6 per cent) and Gambia Local Fund (6.7 per cent).

Figure 31: Expenditure & Net Lending



Current expenditure, accounting for 72.8 per cent of total expenditure and net lending, increased to D1.7 billion against D1.3 billion in 2002. Interest payments on domestic and external debt at D607.5 million, accounted for the lion's share of current expenditure (37.2 per cent) compared to 28.1 per cent in 2002. Domestic interest payments amounted to D163.3 million, an increase of 94.0 percent while external interest payments rose by 55.0 per cent to D444.1 million.

Wages and salaries increased to D459.2 million, or 16.2 per cent and represented 27.0 per cent of GDP relative to 30.0 per cent in 2002. “Other charges” include expenditure on goods and services and subsidies and transfers rose by a modest 7.8 per cent to D552.2 million but was below the programmed target by D75.4 million.

Net lending, that is, gross on-lending less repayments totaled negative D22.6 million. There was zero on-lending while repayments totaled D22.6 million. In 2002, net lending amounted to negative D33.2 million.

(1.0) Exposure to Exchange Rate Risk

Foreign currency assets totaled D1.4 billion compared to D466.9 million in 2002. Foreign currency liabilities also increased to D1.3 billion, significantly higher-than D52.5 million in 2002.

The most common measure of foreign exchange exposure is the net open position. According to the Basel Committee on Banking Supervision, a bank's net open position in each currency should be calculated as the sum of the net spot position and net forward position, guarantees, net future income and expenses not yet accrued but already fully hedged and any other item representing a profit or loss in foreign currencies.

(4.1) Net Exposure (Assets Less Liabilities)/(as a % of Capital)

The net exposure measures deposit money banks' exchange rate risk exposures relative to capital. The higher the ratio, the greater the ability of capital to absorb losses from exchange rate movements.

The net exposure was 23.6 per cent in 2003 lower-than the 84.1 per cent in 2002. It was, however, slightly above the prudential limit of 25.0 per cent indicating deterioration in the ability of capital to absorb exchange losses consequent of adverse exchange rate movements.

Figure 44: Net Exposure / Capital Rattio

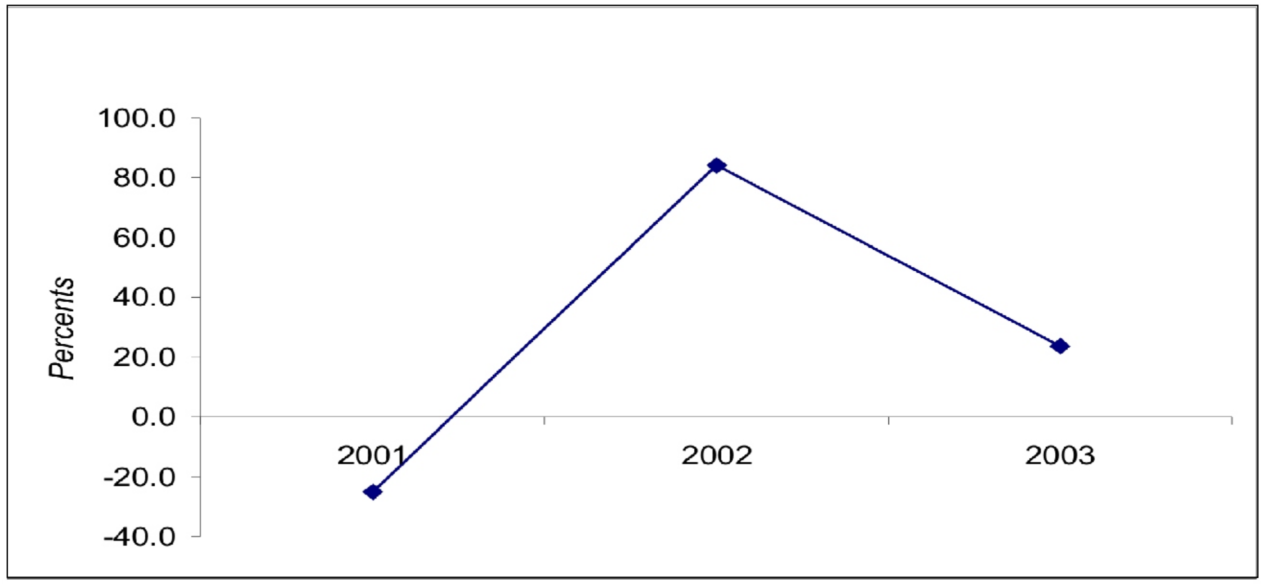
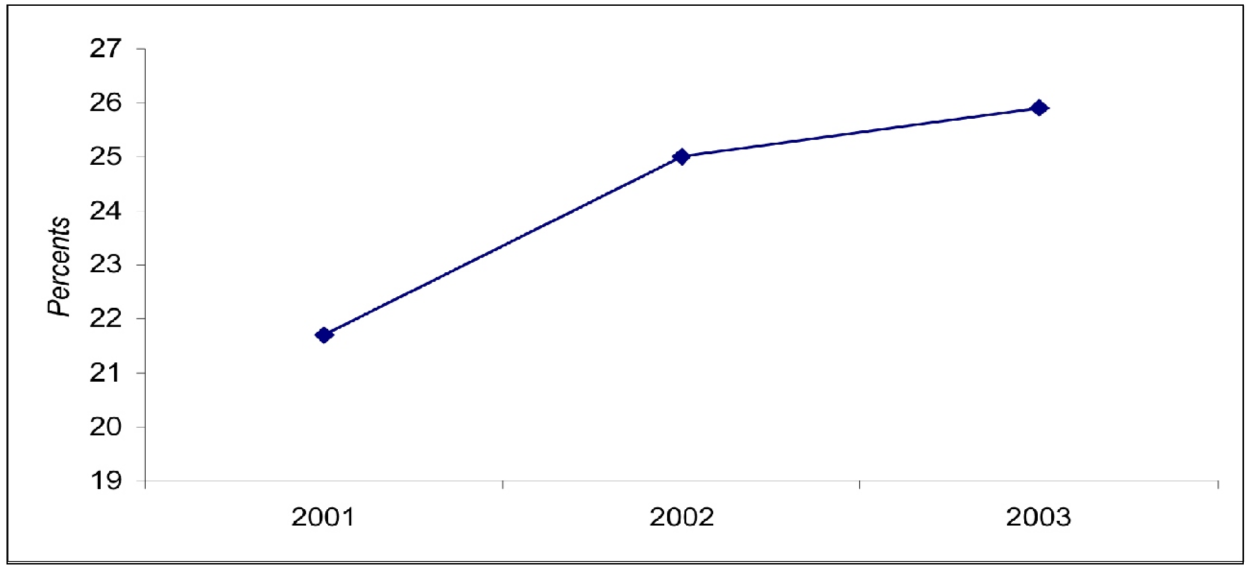


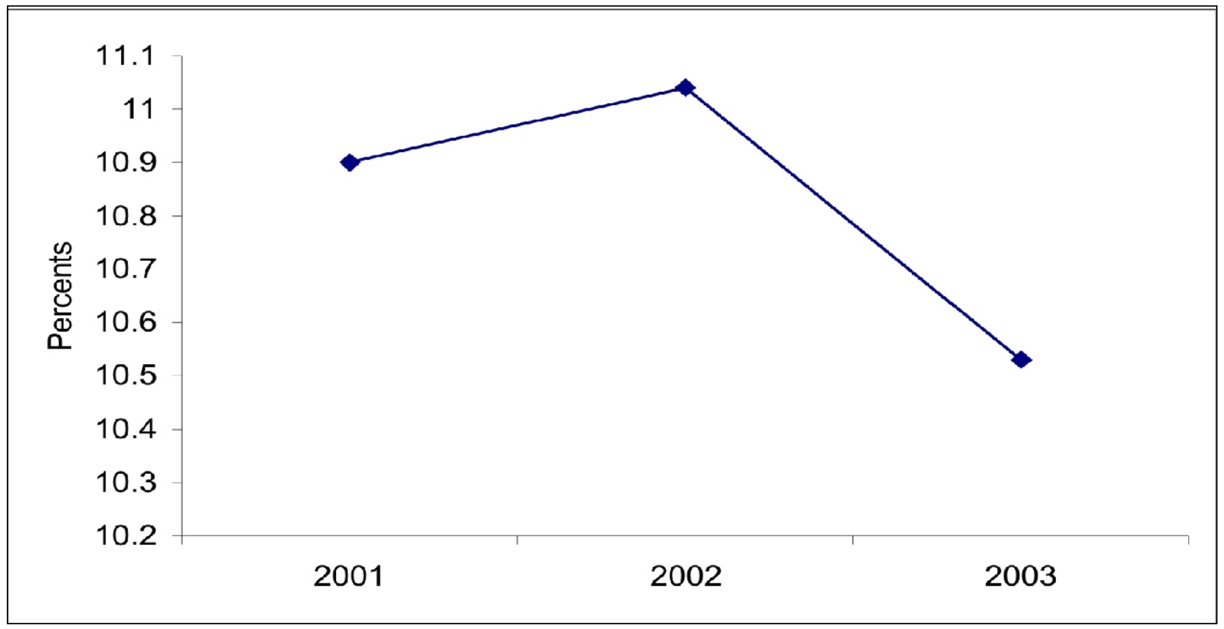
Figure 42: Risk-Weighted Capital Adequacy Ratio



(3.2) Total Capital/Total Assets

The capital to asset ratio provides an indication of financial leverage; that is, the extent to which assets are funded by own resources. After increasing slightly from 10.9 per cent in 2001 to 11.0 per cent in 2002, it decreased to 10.5 per cent in 2003. This implies that 89.5 per cent of the banking system assets were funded externally.

Figure 43: Total Capital to Total Assets

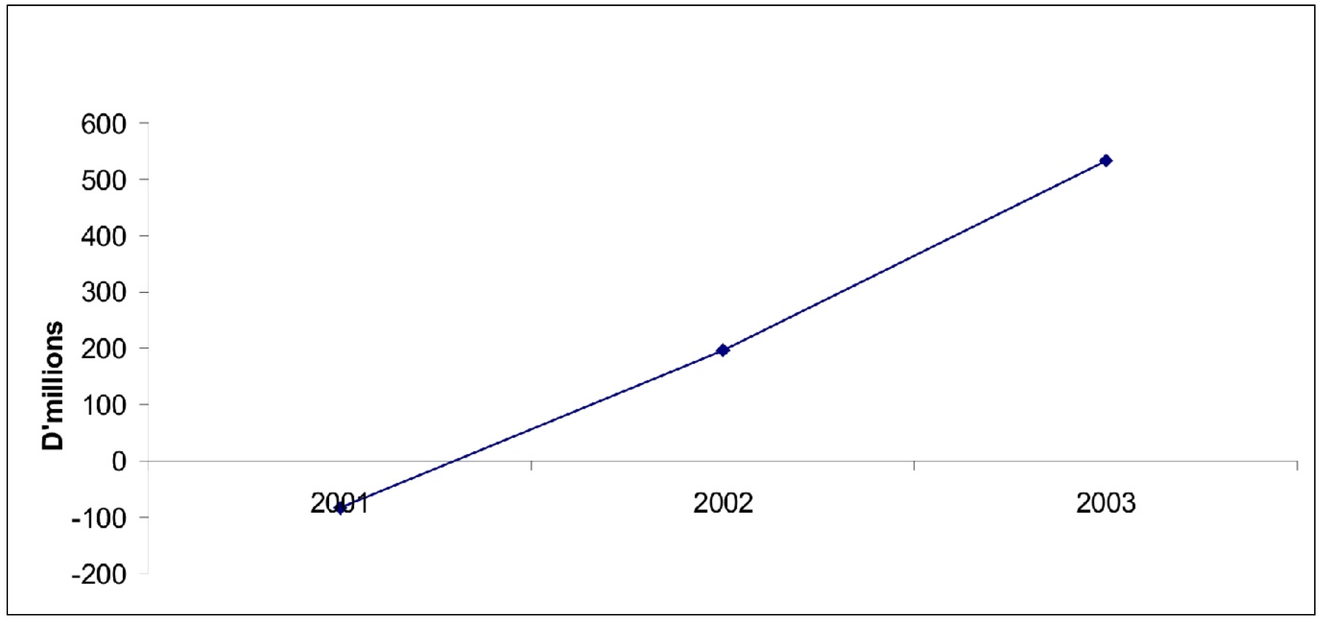


(9.4) Primary or Non-interest Balance

The primary or non-interest deficit accurately measures the effects of current discretionary budgetary policy by excluding interest payments from the conventional measure of the deficit. The balance indicates how recent fiscal actions of the Government affect the allocation of resources in the economy and Government debt.

The primary balance registered a surplus of D532.3 million (5.0 per cent of GDP) in 2003 compared to the programmed target of D179.6 million (2.1 per cent of GDP) and D196.8 million (2.7 per cent of GDP) in 2002. The improvement in domestic primary balance reflects Government's intention to put a damper on the public debt.

Figure 32: Primary Balance

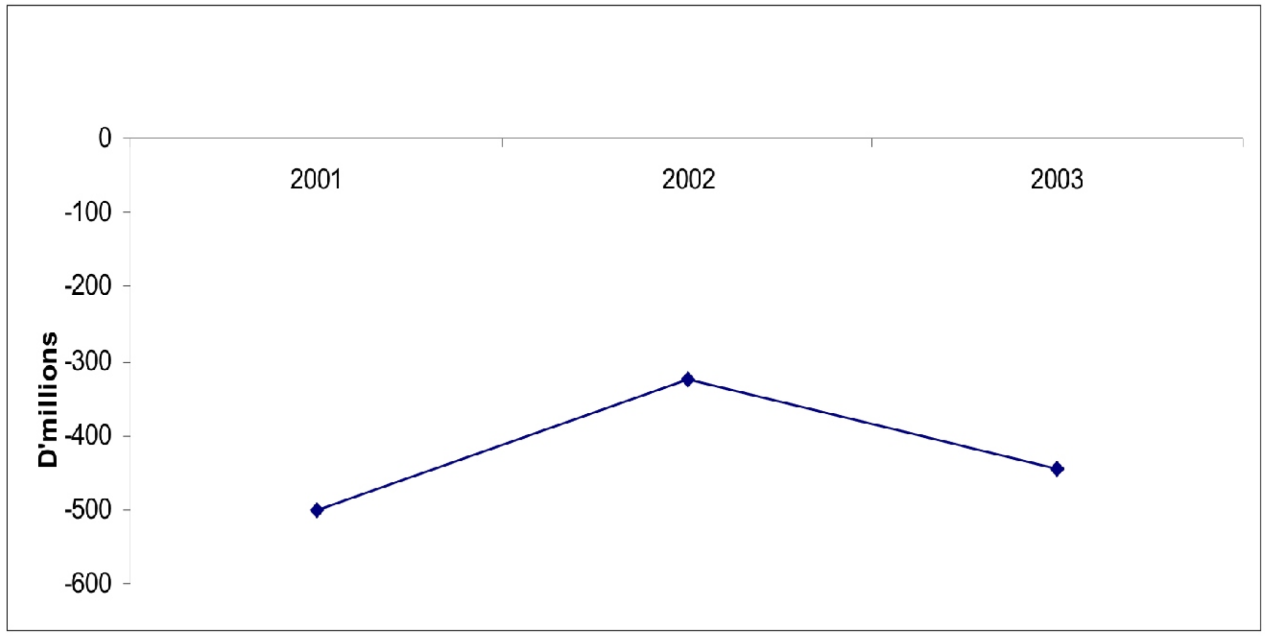


(9.5) Overall Fiscal Balance

The overall budget deficit (commitment basis) excluding grants and without HIPC assistance was D681.0 million (7.8 per cent of GDP) compared to a deficit of D596.6 million (8.1 per cent of GDP) in 2002. Excluding grants and with HIPC assistance, the budget deficit totaled D763.5 million relative to D668.9 million in 2002. Including grants, the budget deficit narrowed to D490.1 million against D342.0 million in 2002. Adjusted to cash basis, the overall fiscal balance including grants was estimated D446.3 million compared to D324.2 million in 2002.

The budget deficit on cash basis was financed from foreign sources (net) amounting to D60.8 million and domestic sources (D320.5 million). Domestic bank borrowing increased to D225.4 million, or 884.3 per cent while non-bank domestic borrowing fell to D95.1 million, or 51.7 per cent.

Figure 33: Overall Deficit



(9.6) National Debt

That total national debt increased to D18.1 billion, or 33.1 per cent from 2002. The external debt accounted for 86.8 per cent of the debt stock and the domestic debt (13.2 per cent).

Figure 34: Total Domestic Debt

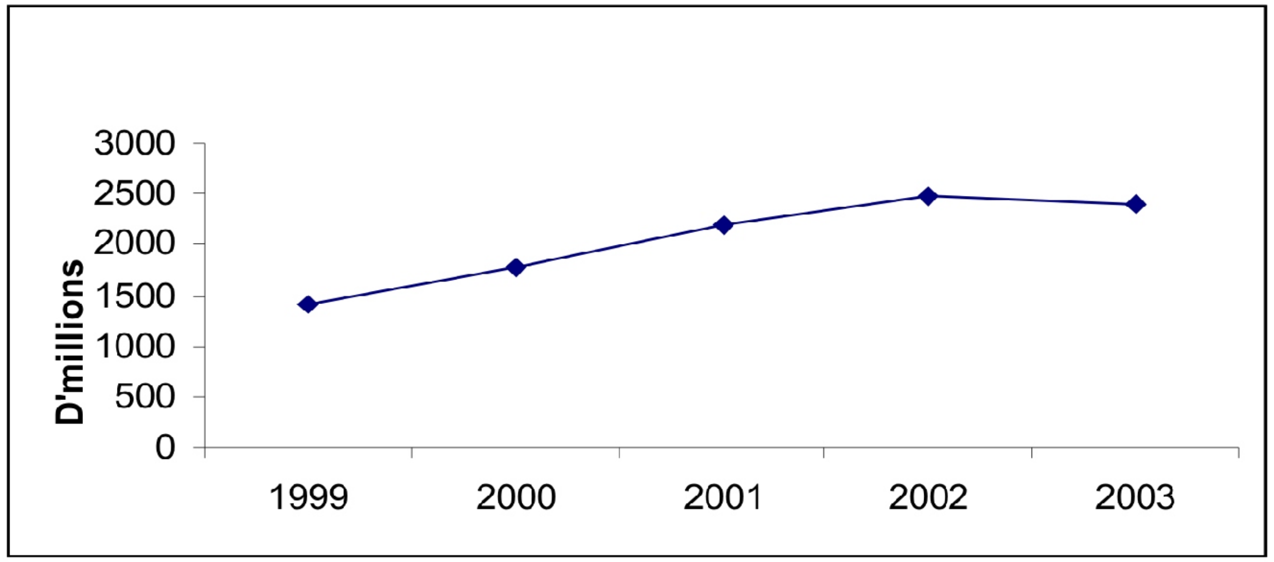
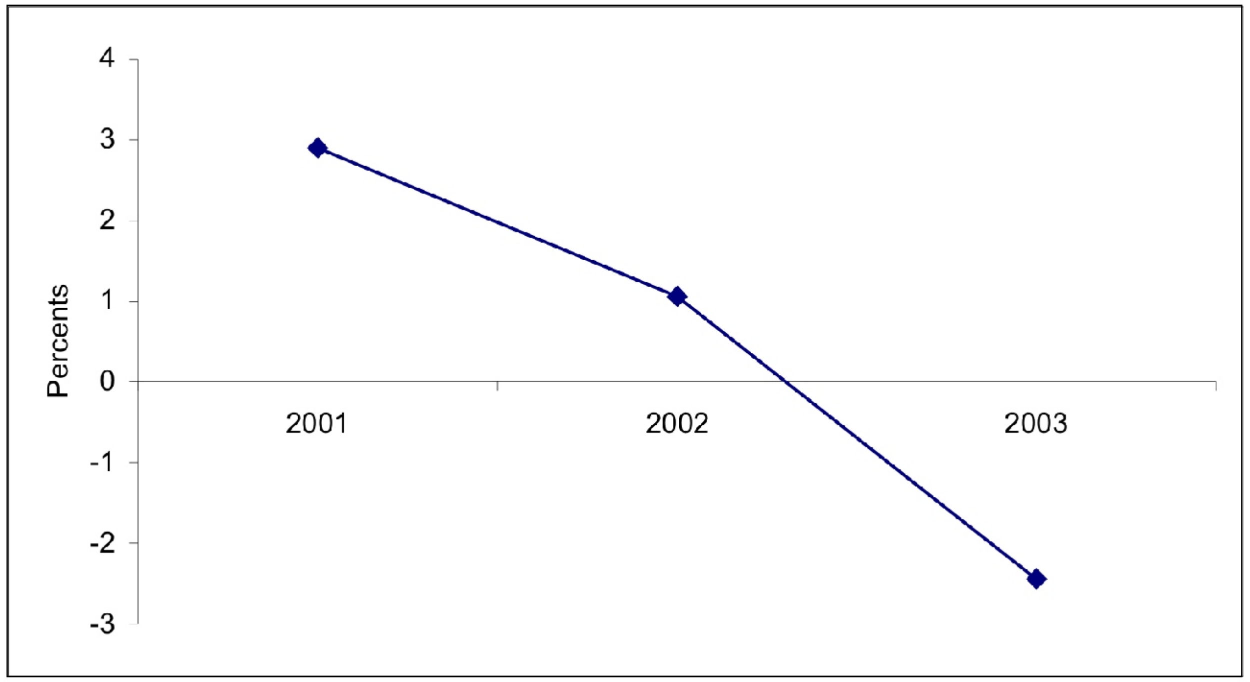


Figure 41: Average Return on Assets



Average return of equity (ROE) ratio is a frequently used proxy for commercial viability. The higher the ratio, the stronger the institution. After declining from 54.9 per cent in 2001 to 19.5 per cent in 2002, the ROE rose to 78.9 per cent in 2003 reflecting the marked increase in profitability of the deposit money banks.

(1.0) Capital Adequacy

Capital adequacy measures the capacity of the banking sector to absorb losses emanating from its operations. Aggregate risk-based capital ratios (the ratio of regulatory capital to risk-weighted assets) are the most common indicators of capital adequacy. An adverse trend in these ratios may signal increased risk exposure and possible capital adequacy problems.

(3.1) Risks-Weighted Capital Adequacy Ratio

The industry-wide capital adequacy ratio stood at 25.9 per cent compared to 25.0 per cent in the previous year but was significantly high-than the required minimum of 8.0 per cent.

(1.3) Problem Loans Net of Provisions to Capital

This ratio gives an indication of the capacity of bank capital to withstand non-performing loan losses. More specifically, it shows the impact of non-performing loans on capital. Therefore, the lower the ratio, the smaller the impact. The ratio declined slightly from 5.4 per cent in 2001 to 5.3 per cent in 2002. In 2003, the ratio decreased further to 30.0%. This trend indicates improved loan loss provisioning and the build-up of capital and reserves to provide sufficient cushion to absorb losses.

(1.4) Exposure to The Agricultural Sector as a Per Cent of Total Loans

Although agriculture is the dominant sector of the Gambian economy, it is mainly rain-fed and therefore at the mercy of the weather. High exposure to the agricultural sector could impair asset quality in the event of crop failure.

This ratio, estimated at 5.4 per cent in 2002 rose to 7.5 per cent in 2003. However, given that the bulk of the loans to agriculture went to the less risky groundnut marketing, the increased exposure should not be viewed with alarm.

(1.0) Portfolio Performance (Profitability)

A profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system.

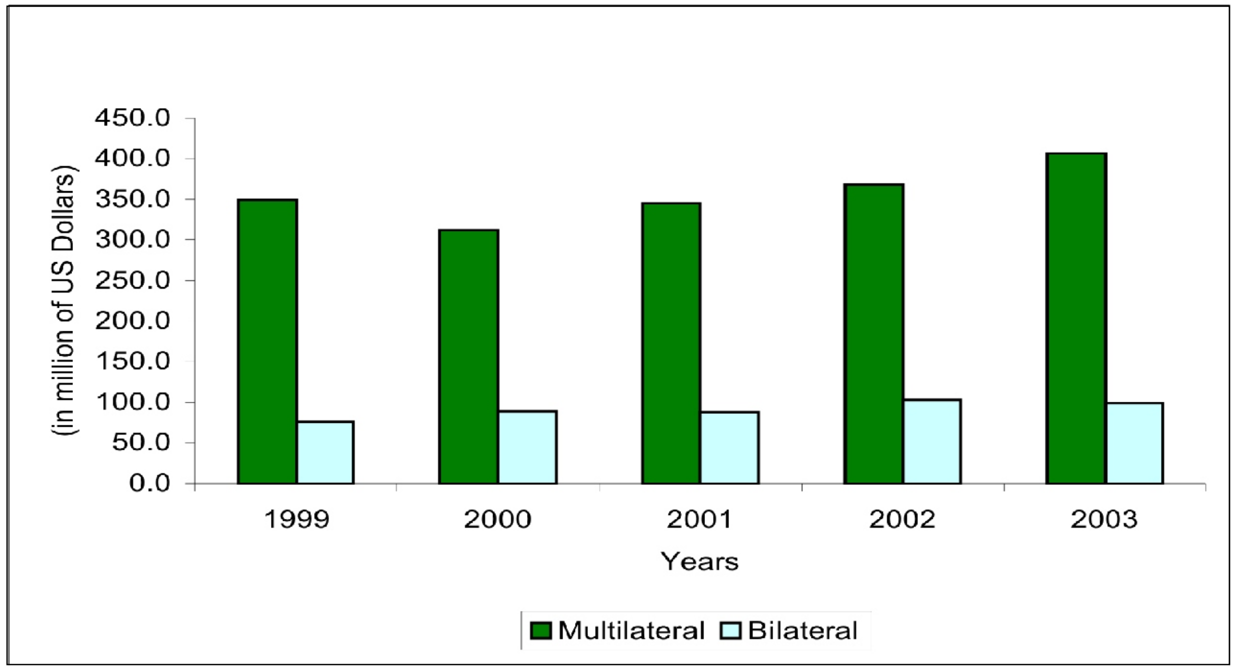
The banking sector gross profit increased to D962.0 million, or 86.4 per cent from 2002. Non interest income accounted for 51.0 per cent of gross profit, income from investment in securities (15.0 per cent) and interest income from loans and advances (34.0 per cent).

Average return on assets (ROA) ratio measures how well banks use their assets to generate returns. The ratio was negative 2.4 per cent compared to 1.1 per cent in 2002.

(9.6.1) External Debt

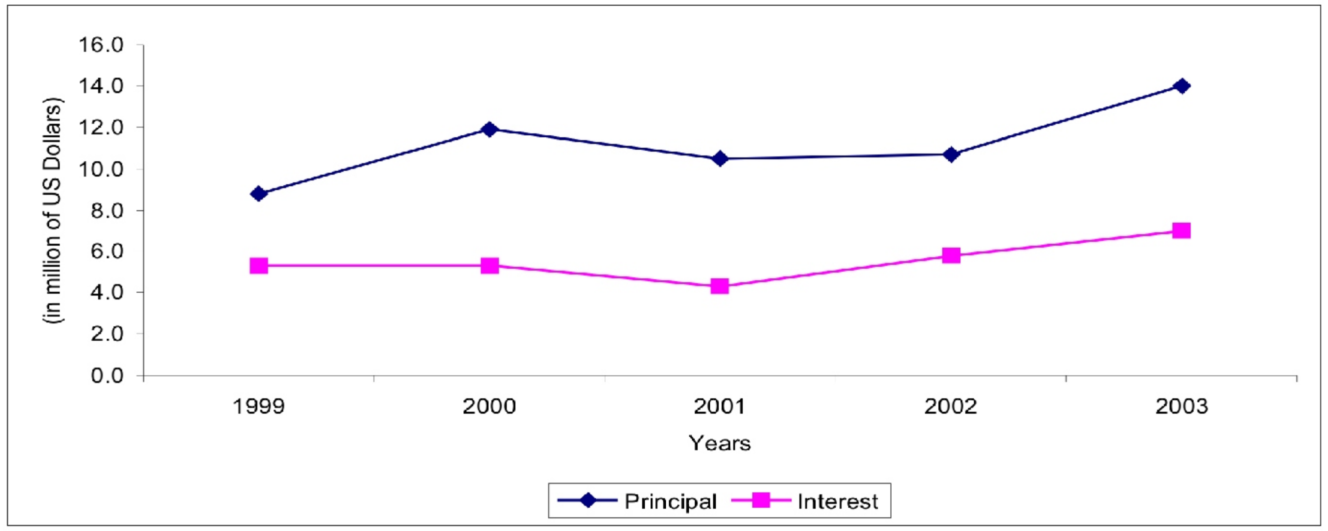
The external debt rose to D15.7 billion (US$505.9 million), or 7.5 per cent. About 80.4 per cent of the stock was owed to multilateral institutions and the remaining 19.6 per cent to bilateral creditors.

Figure 35: External Debt Outstanding



Total debt service payments increased to D658.4 million (US$21.2 million), or 28.5 per cent over 2002. Principal repayments accounted for 66.0 per cent of debt servicing and interest payment (34.0 per cent).

Figure 36: Debt Service Payments



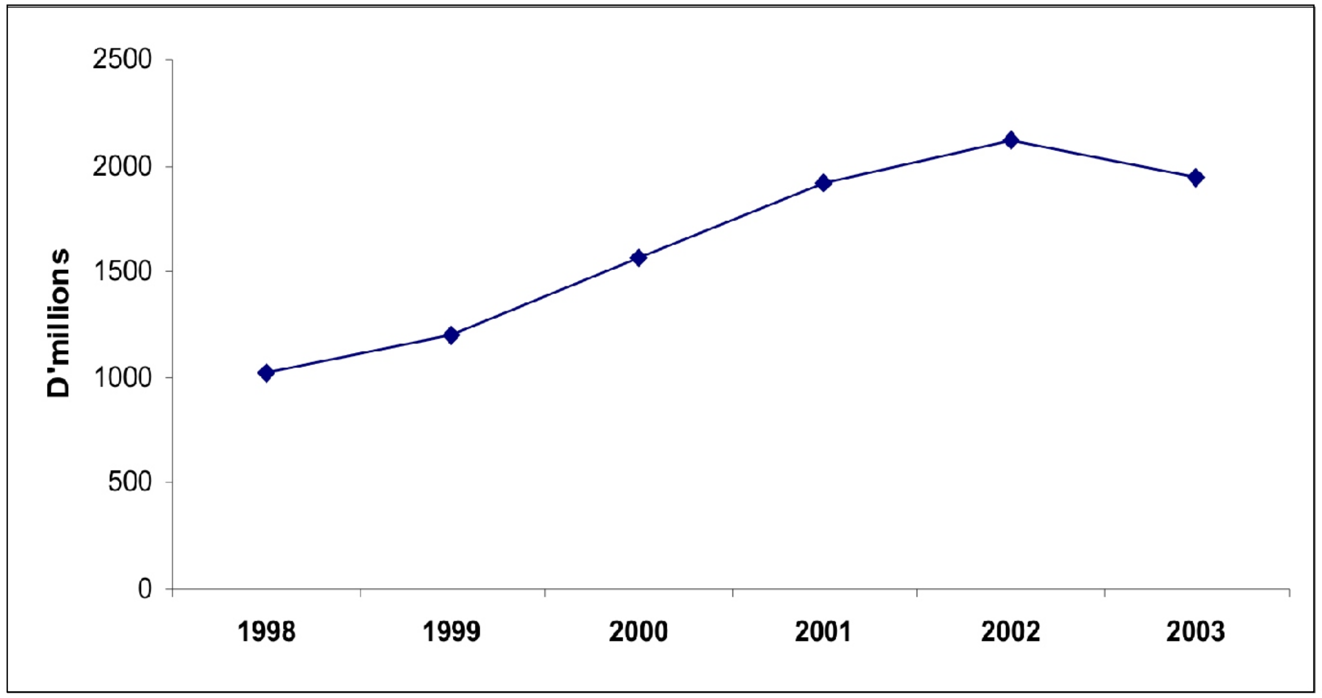
The external debt is projected to increase to D16.8 billion in 2004, or 7.0 per cent from 2003. Debt service is estimated at D785.8 million (US$25.3 million) of which D559.1 million (US$18.0 million) and D208.1 million (US$6.7 million) would constitute principal and interest payments respectively.

(9.6.1) Domestic Debt

The securities market is an important investment avenue for banks and the non-bank as well as for meeting the public sector borrowing requirement (PSBR). The market via open market operations is also used in the conduct of monetary policy.

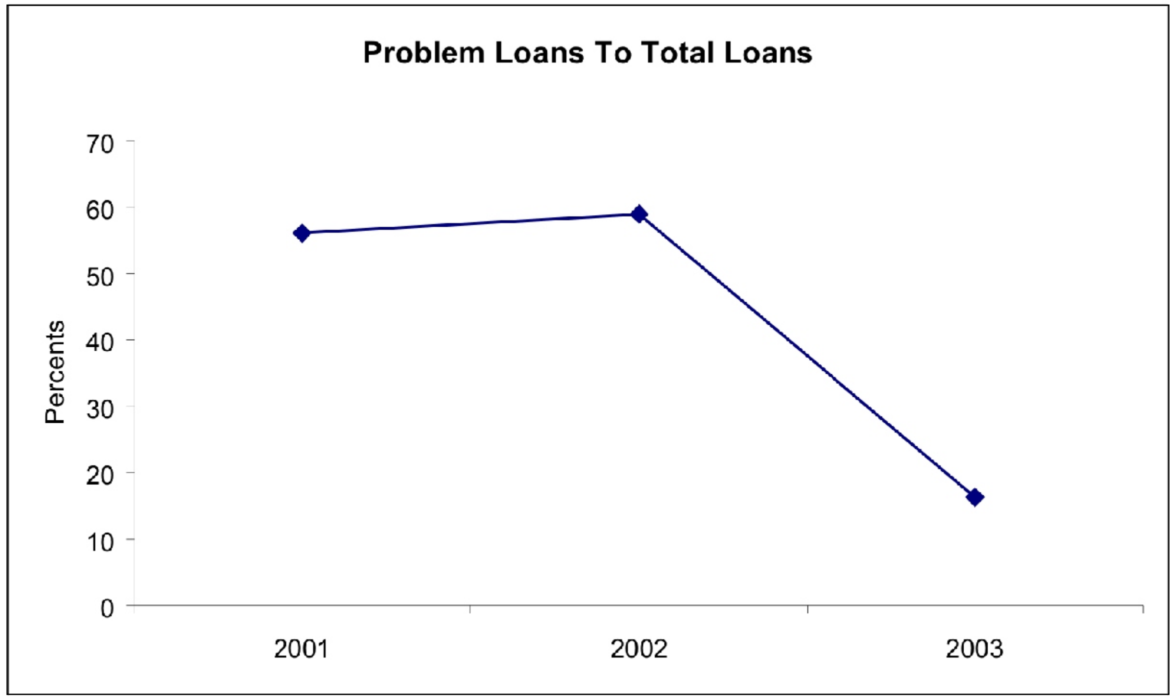
Total domestic debt (discounted value) stood at D2.1 billion, a decrease of 7.9 per cent from 2002. Of the components of domestic debt, outstanding Treasury bills and discount note series declined while the stock of development bonds was unchanged relative to 2002.

Figure 37: Treasury Bills Outstanding (Discounted Value)



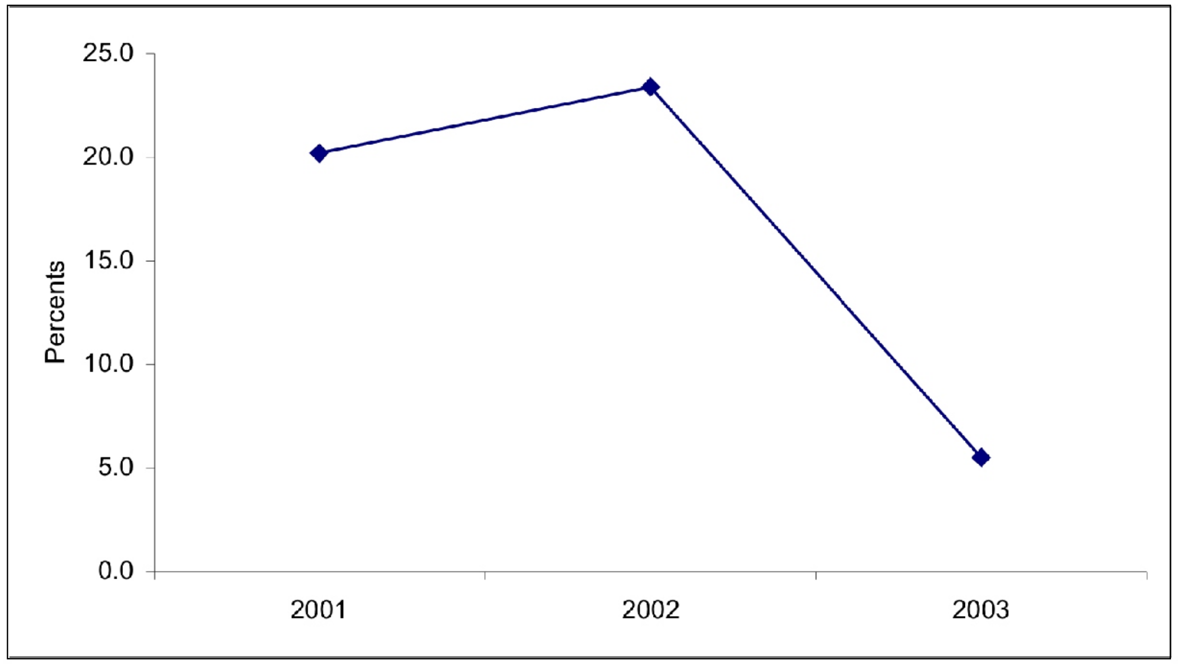
Treasury bills outstanding decreased to D1.9 billion, or 8.0 per cent reflecting solely the decline in deposit money bank holdings by 28.6 per cent. Non-bank holdings increased modestly by 9.4 per cent from 2002.

Figure 39: Problem Loans To total Loans



Problem loans to total assets also declined precipitously to 5.5 per cent compared to 23.4 per cent in 2002, further reinforcing the fact that asset quality improved in 2003 relative to 2002.

Figure 40: Problem Loans To total Assets



(1.0) Asset Quality

Risks to the solvency of financial institutions most often derive from impairment of assets. This indicator therefore looks at the credit portfolio of the banking system, including information on loan diversification, ratio of non-performing loans (NPLs) to total loans, problem loans to total assets and problem loans net of provisions to capital.

As at end-December 2003, total loans and advances increased to D1.9 billion, or 39.8 per cent from 2003. Private sector credit and loans to the public sector increased by 31.8 per cent and 175.8 per cent respectively. Capital and reserves also increased by a robust 17.7 per cent.

The sectoral distribution of credit shows a high concentration of lending, with distributive trade, agriculture and personal loans combined accounting for 60.9 per cent of total loans compared to 69.4 per cent in 2002.

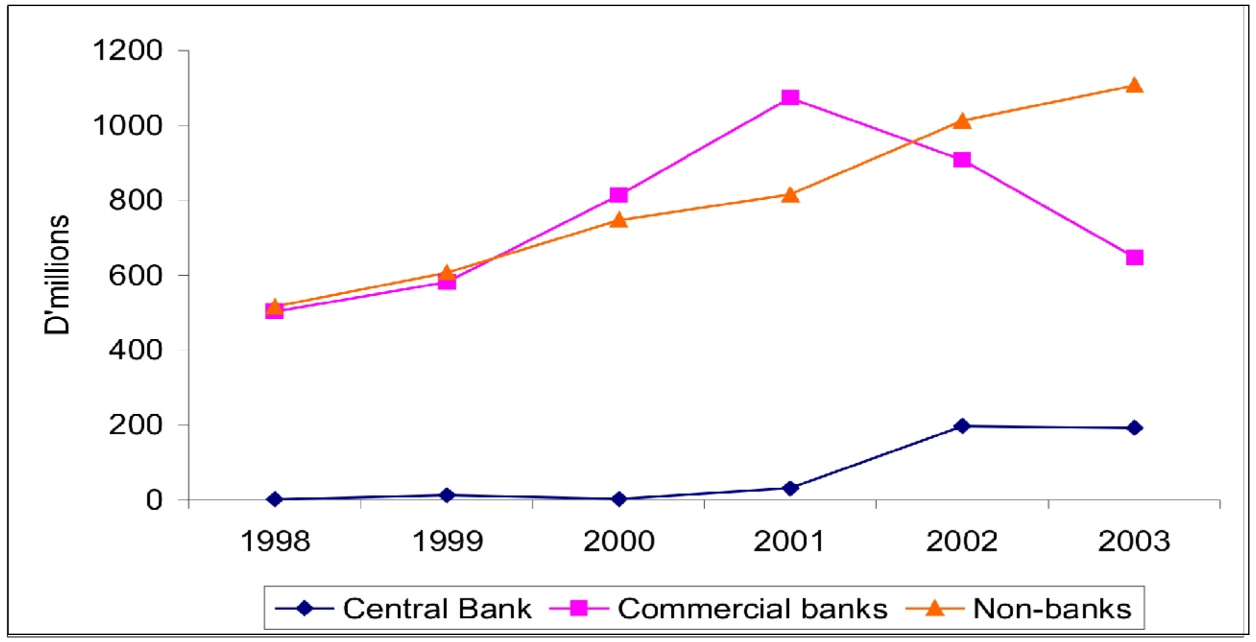
(1.1) Non-Performing Loans (NPLs) to Total Loans

Non-performing loans to total loans is an important proxy for asset quality. An increasing ratio may signal deterioration in the quality of credit portfolio. Loans are considered non-performing when principal or interest is due and unpaid for 90 days or more.

Gross problem loans totaled D302.8 million in 2003 compared to D88.9 million in 2002. Provision against problem loans and other provisions increased to D127.3 million and D1.3 million compared to D62.8 million and D45.3 million respectively in 2002.

The ratio of problem loans to total loans decreased from 58.9 per cent in 2002 to 16.2 per cent in 2003, indicating improved asset quality. This improvement is attributed to better credit policies and a rebound in economic output which may have enhanced the debt service capacity of borrowers.

Figure 38: Stock of Treasury Bills by Holder



The stock of development bonds totaling D23.2 million was the same as in 2002 while outstanding stock of discount note series decreased from D103.8 million in 2002 to D95.1 million in 2003.

10. REGULATIONS AND SUPERVISION OF BANKS POLICIES AND PROCEDURES

The Financial Supervision Department (FSD) is solely responsible for the regulatory and supervisory functions of the Central Bank. The Department carries out its functions through periodic on-site examinations and off-site surveillance of banks.

The Department uses a risk based supervisory approach in keeping with internationally accepted practices. The approach focuses on risks that are associated with banking operations such as capital risk, credit and operational risks. Increased emphasis is also placed on good internal governance, effective internal audit control procedures and more disclosure requirements.

Off-site surveillance entails the monitoring of financial conditions of banks using weekly and monthly statements of assets and liabilities, liquid assets and quarterly statements of capital adequacy, income and expenses and non-performing advances. Audited financial accounts are submitted annually.

The Department carried out 1 on-site examination on all the banks to complement off-site surveillance.

A. Regulatory Requirements

The FSD continued to monitor compliance with the regulatory requirements ensuring adherence to the capital adequacy ratio, minimum liquid assets ratio, borrower limits and adequacy of provisions for bad and doubtful debts.

B. Legal Reforms

The revised Financial Institutions Act was passed in August 2003. The revisions were geared towards improving the supervisory process in line with international best practices and standards.

The Act provides greater independence to the Central Bank in the discharge of its supervisory functions, particularly with regards to the licensing of banks, enhance collaboration and exchange of information between Gambian supervisors and their counterparts in other countries, grants immunity to supervisors for omissions or acts committed excluding acts done in bad faith in carrying out their supervisory functions and revising upwards the pecuniary penalty charges for contravention of the provisions of the Act in order to ensure compliance.

An Anti-money laundering and Insurance Act were also passed in 2003. The Anti-money laundering Act was The Gambia's response to the international money laundering and terrorist financing following the September 11, 2001 terrorist attack in the United States of America. In essence, the Act criminalizes money laundering and penalties include fines, imprisonment and confiscation. Important provisions in the Act include customer identification, record keeping and suspicious transaction reporting, which reflect several elements of the current international standard.

The Insurance Act provides the legal framework for the regulation and supervision of the insurance industry. Once the associated guidelines and instructions (regulations) are adopted, an environment would be created for a more effective and robust insurance supervisory and regulatory regime.

C) Disclosure Requirements and Transparency

A transparent financial reporting regime is a sine qua non for a strong and vibrant banking system. The Department continues to take steps to improve the disclosure regime. In addition to the requirement to timely publish audited annual financial statements, banks are required to individually disclose fees and other charges to the public on a quarterly basis.

D) Banking Expansion and Exit

In order to deepen and broaden the financial sector, the Regulatory Authorities continued to encourage the establishment of more banks and other financial institutions. The number of licensed banks, however, declined from 7 in 2002 to 6 in 2003 following the closure of Continent Bank (Gambia) limited, which was placed under compulsory liquidation in 2002. The liquidators are working with the Central Bank and the Fiscal authorities to ensure that depositors are fully settled.

Financial Stability

Box 3: Selected Financial Stability Indicators

Financial stability can be defined as the ability of the financial system to facilitate the efficient allocation of economic resources, to assess, price, allocate and manage financial risks and the ability to perform these key functions - even when affected by external shocks or by a build-up of imbalances - primarily through self-corrective mechanisms.

Macro-prudential analysis is a key tool that helps to quantify and qualify the soundness and vulnerabilities of financial systems. Financial soundness indicators (FSI's), a narrower definition of macro-prudential analysis, are used to analyzed the soundness of the financial system of The Gambia in 2003 compared to 2002.

Table 6: Consolidated Indicators Of The Banking System Financial Strength

	Dec 2001	Dec 2002	Dec 2003
Total Assets	D2902.98	D4466.17	D5508.98
Total Loans to Private Sector	743.53	1258.3	1658.06
Total Loans to Public Sector	75.80	74.70	205.94
Total capital and Reserves	315.06	492.92	580.19
Portfolio (Asset) Quality			
Problem Loans	84.60	88.92	302.85
Provision against Problem Loans	67.57	62.83	127.26
Other Provisions	5.49	45.30	1.32
Problem Loans / Total Loans	56.10%	58.92%	16.25%
Problem Loans / Total Assets	20.20%	23.39%	5.50%
Problem Loans net of provisions/Capital	5.40%	5.30%	30.26%
Exposure to the Agricultural Sector (as a % of total loans)	4.91%	2.23%	--
Portfolio Performance			
Average Return on Assets	2.90%	1.06%	-2.44%
Average Return on Equity	54.90%	19.50%	78.88%
Capital Adequacy			
Total Capital / Total Assets	10.90%	11.04%	10.53%
Risks-Weighted Capital Adequacy Ratio	21.70%	25.00%	25.90%
Exposure to Exchange Rate Risk			
Total Foreign Currency Assets	103.37	466.92	1448.56
Total Foreign Currency Liabilities	182.09	52.51	1311.62
Net Exposure (Assets-Liabilities) (as a % of Capital)	-25.00%	84.10%	23.60%