THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND
INTERNATIONAL MONETARY FUND

THE GAMBIA

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Decision Point Document

Prepared by Staffs of IDA and the IMF[1]

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[1] Approved by Michael T. Hadjimichael and John Hicklin (IMF), and Callisto Madavo and Kemal Derviş (IDA).

Public Disclosure Authorized

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LIST OF ACRONYMS AND ABBREVIATIONS

Acronym/Abbreviation	
AfDB	African Development Bank
AGO	Accountant General's Office
CBG	Central Bank of The Gambia
CFAF	CFA Franc
DOSE	Department of State for Education
DSA	Debt Sustainability Analysis
GGC	The Gambia Groundnut Corporation
HILEC	High Level Economic Committee
HIPC	Heavily Indebted Poor Countries
IBAS	Indigenous Business Advisory Services
IEC	Information, Education and Communication
IFAD	International Fund for Agricultural Development
IDA	International Development Association
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
NPP	National Population Policy
NPV	Net Present Value
PPAs	Participatory Poverty Assessments
PHPNP	Participatory Health, Population and Nutrition Project
PER	Public Expenditure Review
PHC	Primary Health Care
PPA	Participatory Poverty Assessment
PRF	Poverty Reduction Fund
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights
STIs	Sexually Transmitted Infections
SPA	Strategy for Poverty Alleviation
SPA II	Interim Strategy for Poverty Alleviation II
TESP	Third Education Sector Program
UNDP	United Development Programme
WAEMU	West African Economic and Monetary Union

I. INTRODUCTION

1. This paper presents a decision point assessment of The Gambia's eligibility for assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The Executive Boards of the IDA and the IMF discussed the preliminary enhanced HIPC Initiative document (IDA/R2000-189 and EBS/00/208) for The Gambia on November 2 and 3, 2000, respectively, and agreed that the Gambia is eligible for assistance under the Initiative, in view of its unsustainable debt burden and its broadly satisfactory track record for macroeconomic management and structural reform under Fund- and IDA-supported programs. They agreed to consider The Gambia's decision point under the Initiative upon the approval of the third annual Poverty Reduction and Growth Facility (PRGF) arrangement, and the adoption by the authorities of a satisfactory Interim Poverty Reduction Strategy Paper (I-PRSP).

2. For the last several years, The Gambia has pursued economic reform programs supported by the IMF and IDA. The focus of policy reform in recent years has been to restore macroeconomic stability, and implement broad-based structural reforms in support of the country's Strategy for Poverty Alleviation (SPA). However, The Gambia remains one of the poorest countries in the world, with a per capita GDP of US$315 in 1999,[2] a life expectancy of 55 years in 1998 and an illiteracy rate of 64 percent in 1999. After the full application of traditional debt-relief mechanism (i.e., Naples stock-of-debt operation), the Net Present Value (NPV) of debt was US$245 million at end-1999, equivalent to 206 percent of exports of goods and nonfactor services. The debt sustainability analysis (DSA) prepared by the Gambian authorities with the staffs of the IMF and IDA indicates that The Gambia could qualify for assistance of about US$67 million in NPV terms, based on the export criterion under the Enhanced HIPC Initiative.

3. The paper is structured as follows: Section II assesses The Gambia's eligibility under the enhanced HIPC Initiative by presenting the country's macroeconomic and structural adjustment record and the strengths and weaknesses of the past adjustment efforts. Section III presents the poverty situation in The Gambia and outlines the existing framework to combat poverty. Section IV discusses the medium-term policy framework, and Section V presents the DSA. Section VI presents the floating completion point triggers, assistance under the enhanced HIPC Initiative, and the authorities' views. The last section concludes with the staff's recommendations and issues for discussion by the Executive Directors.

II. ASSESSMENT OF ELIGIBILITY

A. PRGF and IDA Status

4. The Gambia is currently a PRGF-eligible and IDA-only country, with a per capita GDP of about US$315 in 1999. It is one of the poorest countries in the world, ranking 161st (out of 174 countries) in terms of the United Nations Development Program's 2000 Human Development Index. On the basis of the 1998 household survey, 69 percent of the Gambian population lives in

[2] World Development Report, 2000/01, according to World Bank methodology.

poverty and 51 percent in extreme poverty.[3] Poverty is more prevalent in the rural areas and especially among groundnut growers. Women in The Gambia are a particularly vulnerable group.[4] Projections indicate that The Gambia's per capita GDP would increase to only about US$500 by 2019. Therefore, The Gambia will continue to need substantial international concessional assistance and is likely to remain a PRGF-eligible and IDA-only country in the foreseeable future.

B. Macroeconomic and Structural Adjustment Record

5. As indicated in Box 1, during the late 1980s the Gambian economy was beset by severe macroeconomic imbalances, which the authorities attempted to address with the Economic Recovery Program and its successor, the Program for Sustained Development, launched in 1990. The Fund, IDA, and other donors supported these programs with financial and technical assistance contributing to considerable improvement in the underlying macroeconomic situation through the early 1990s.

6. However, during 1993-97, the economy suffered from a series of adverse shocks, an unduly expansionary fiscal policy, increasing structural weaknesses, and weakened private sector confidence. Moreover, the military coup in July 1994 prompted the suspension of new project aid and the cancellation of budgetary assistance by most of The Gambia's traditional donors and creditors. Tourist arrivals declined sharply as a result of travel advisories, while trade was adversely affected by the large devaluation of the CFA franc by the neighboring countries. Real GDP fell by 4.1 percent in 1994/95 (fiscal year ending June) and, although the economy recovered in 1995/96, it did not maintain this momentum, with overall growth remaining low the following year.

Box 1. Selected Economic and Financial Indicators, 1985-2000
(In percent, period averages, unless otherwise indicated)

	1985-89	1990-93	1994-96	1997-99	2000 Est.
Real GDP growth	3.2	4.0	0.9	4.9	5.3
Inflation	22.9	7.8	3.8	2.3	2.5
M2 growth	23.8	15.2	5.4	15.1	17.3
In percent of GDP					
Budget balance, excluding grants	-11.3	-4.7	-6.9	-5.7	-3.5
External current account balance, excluding official transfers	-9.0	-11.5	-15.2	-11.2	-12.3
Gross official reserves, SDR millions (end of period)	10.3	62.3	67.7	74.4	81.5

Source: The Gambian authorities; and staff estimates.

7. To reverse the deterioration in economic conditions, the authorities formulated an adjustment program, which was supported by a three-year PRGF arrangement approved by the IMF Executive Board in June 1998. The objective of this program was to achieve macroeconomic stability and establish conditions for strong and durable growth. Under the three-year PRGF-supported program

[3] The definition of income poverty used in analyzing the results was US$392 per adult equivalent unit (AEU) per year, which represents the estimated cost of a minimum consumption basket, two-thirds of which is food. Adjustments were made for regional differences. The extremely poor are those who cannot afford the basic food basket costing US$254. For a more detailed explanation, see The Gambia's PRSP, Chapter 2.

[4] The Gambia is ranked 138th out of 146 countries included in UNDP's 1997 Gender Related Development Index, based on gender disparities in life expectancy, educational achievement, and income.

and other sector specific programs supported by IDA and other donors, The Gambia has made substantial progress in reducing macroeconomic imbalances (Appendix I), as well as in undertaking bold measures in implementing structural and institutional reforms (Appendix III). Fiscal policy was appreciably tightened; the overall deficit (excluding grants) was reduced from 7¾ percent of GDP in 1997 to 4¾ percent in 1999, although fiscal slippages continued to hamper the achievement of the program targets. The consumer price index remained below 2 percent during 1998-99, thanks to favorable weather and a tight monetary policy stance. Performance in the external sector was also favorable with some reduction in the average current external deficit and a build-up in gross official reserves.

8. The output response was positive, with GDP growth averaging about 5 percent during 1997-99[5] compared with an average of about 1 percent during 1993/94-1995/96. Favorable weather contributed to the rebound in agricultural growth, and tourist arrivals increased substantially, contributing to a significant growth in tourism and related services. Regarding structural reforms, the authorities further liberalized and reduced external tariffs, lowering the top rate from 90 percent in 1998 to 18 percent in 2000, while the tariff bands were also streamlined and reduced from over 30 to 3 during the same period. The authorities also implemented a number of measures to strengthen monetary policy operations and the supervision of financial institutions. Privatization and regulatory legislation was drafted and advanced toward submission to parliament, with a view to encouraging private sector growth. There were, however, some missteps, notably the January 1999 government's seizure of the property of The Gambia Groundnut Corporation (GGC)—a private marketing monopoly—and the flawed introduction of the preshipment import inspection scheme in October 1999.[6]

C. Strengths and Weaknesses of Past Adjustment Efforts

9. Since the mid-1980s, the adjustment record of The Gambia has been characterized by stop-go policies. Periods of successful adjustment have been interspersed with very expansionary fiscal policies and heavy-handed intervention by the government in economic affairs, which have hampered sustained consolidation of growth, expansion of private sector activity, and poverty reduction. It is nevertheless encouraging that there has been sustained per capita GDP growth, low inflation, and some reduction in the fiscal deficit from 1998 through the first half of 2000. There were also significant structural reforms, including progress in the privatization and reform of the financial sector, and a significant reduction and rationalization of the external tariff system, and, most recently, in the governance area. Moreover, the government has also made important strides toward addressing the risk of spreading AIDS and in implementing a policy shift that places significant emphasis on primary education. However, as mentioned above, policy slippages occurred in the fiscal area. Specifically, the first review under the first annual PRGF arrangement could not

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[5] In 1997, The Gambia shifted the fiscal year to the calendar year.

[6] A preshipment inspection scheme was introduced at the government's initiative on a six–months trial basis. In the event, the company in charge of the preshipment inspection introduced the scheme without adequate preparation, and administrative delays and high charges (1.4 percent of c.i.f. value or a minimum of US$250, without exemptions) adversely affected imports and reexports. For details, see SM/00/129; 7/7/00.

be completed partly because of fiscal slippages and more importantly because of the seizure of the GGC property. Moreover, because of fiscal slippages, three waivers were granted for quantitative performance criteria for end-March 2000 in order to complete the first review under the second annual PRGF arrangement. It is notable, though, that in both cases the authorities adopted corrective fiscal measures to remedy the situation. As a result, all quantitative performance criteria and most of the benchmarks through end-September 2000 were observed, and on this basis, the Fund staff is recommending the completion of the second review under the second annual PRGF arrangement. The authorities are now requesting a third annual PRGF arrangement. However, the economy remains highly vulnerable to adverse external shocks, such as erratic rainfall, declines in the terms of trade, and regional political instability.

10. The Gambian authorities' commitment to policy reform has facilitated program implementation. The reactivation of the High-Level Economic Committee in 1999 (consisting of secretaries of state for key economic ministries and chaired mostly by the Secretary of State for Finance and Economic Affairs)[7] has provided a forum to discuss and take decisions on important economic policy issues, with a focus on a broad-based poverty reduction strategy at the cabinet level. The authorities have also demonstrated willingness to pursue fiscal consolidation since 1997. The pursuit of prudent monetary policy during the period of weak fiscal discipline helped to moderate the negative spillover effects on domestic prices and the external sector.

11. The government has been taking steps to address a number of weaknesses in the area of governance and transparency. An agreement was reached in October 2000, through bilateral negotiations, to resolve the governance issue arising from its seizure of the assets of the GGC and should help restore investor confidence. Effective July 2000, the government has substantially scaled back the scope of the preshipment import inspection scheme. In addition, measures have been adopted with Fund and donor technical assistance to improve the reporting and control of public expenditures. The ongoing computerization of the Office of the Accountant General is of particular importance to efforts to expedite the preparation of audited fiscal accounts, including their reconciliation with the accounts of the central bank. Moreover, steps have been taken to resolve the delays in auditing public accounts (the latest audited accounts were for 1990/91).[8] Meanwhile the challenge of implementing the broad range of the program measures constitutes a major test for the limited economic management capacity of the country. In particular, the combined effects of lack of skills, low salaries, and high turnover among senior civil officials impede the effectiveness of public sector management and the pace of structural reforms.

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[7] The High-Level Economic Committee was established in 1994 to provide, inter alia, direction for the operationalization of the Strategy for Poverty Alleviation and its component programs under the National Poverty Alleviation Program.

[8] The loss of a number of public records for the period 1992-97 in the course of investigations by several commissions of inquiry has made it impossible for the Auditor General to audit government accounts for this period. A resolution to this impasse would allow government accounts for 1998 and onward to be closed and audited on a timely basis.

12. Overall, The Gambia has achieved satisfactory performance under the PRGF and IDA-supported programs since 1998, by boosting output growth, lowering inflation, and reducing the fiscal deficit, as well as by the authorities quick response in introducing appropriate corrective measures in case of slippages (including, in particular, the rescinding of the import preshipment scheme and the settlement with Alimenta). Therefore, the staffs believe that The Gambia has established a solid track record of 2½ years.

III. Developing a Poverty Reduction Strategy for the Gambia

A. Overview of the Poverty Situation[9]

13. **Context.** Poverty is widespread in The Gambia as defined by the income poverty line, and in terms of other dimensions, such as food security, access to basic services and assets, and powerlessness, as defined by the poor (see Box 2). The Gambia's high population growth, at 4.2 percent (in part due to a substantial inflow of refugees), and rapid urbanization are undermining rural development and contributing toward overcrowding in urban areas. Poor performance in the agricultural sector has adversely affected overall economic growth and encouraged rural-urban migration. The agricultural sector employs about 70 percent of the population (mainly in the groundnut sector), but contributes only 27 percent of GDP. Groundnut production declined from 145,000 tons in 1974 to 55,000 tons in 1992, as a result of erratic weather conditions, declining terms of trade, and the breakdown of the marketing, extension, and credit services to the sector over the years. For the period since 1993, the situation has been aggravated by the privatization of the public marketing monopoly without a regulatory agency or arrangements to provide extension and credit services to farmers. High population density on agricultural land, together with urban population growth, are also generating mounting concerns about environmental issues. Redundancies in the public sector and cuts in social spending in the mid-1990's, structural problems in key economic sectors, and weak institutions with limited accountability, have all impeded the poverty reduction efforts in The Gambia.

Box 2: Including the Poor in the Analysis of Poverty

In the past, policy analysis focused on household survey data which measured income and consumption levels, health status, and education levels. Participatory Poverty Assessments (PPAs) have consistently shown that in addition to income, health and education, poor people emphasize other dimensions of poverty such as vulnerability, physical and social isolation, lack of security and self-respect, a distrust of state institutions, and powerlessness. The Gambian government has recently completed two PPAs: one in the wet season of 1999 and the other in the dry season of 2000. The aim of the PPAs was to understand poverty from the perspective of the poor by focusing on their realities, needs, and priorities. The study will be repeated in the dry and wet seasons for the same households over a two-year period. To better diagnose the problem of poverty, the government intends to combine the data from the 1998 Household Survey with the PPA data. This integrated data will be used to design better policies by assessing the impact of macroeconomic policy and structural reforms on the poor.

[9] For a more detailed analysis of poverty in The Gambia, see Chapter 2 of the I-PRSP.

14. **Income poverty.** Two major household surveys (1992 and 1998) have been completed in The Gambia. Although they are not strictly comparable (as pointed out in the I-PRSP), they do suggest that extreme poverty may have sharply deteriorated between 1992 and 1998. The 1998 survey showed that there were significant geographic variations in poverty levels, with poverty increasing with distance from the Greater Banjul area. The incidence also varies between the rural and urban sectors; extreme poverty affects 70 percent of the population in rural areas, compared to 13 percent in Greater Banjul area and 28 percent in other urban areas. Inequality remains high, with households in the highest income quintile having incomes 13.8 times higher than those in the lowest income quintile.

15. Poverty also varies by socioeconomic group. In urban areas, households headed by workers in the informal sector are most likely to be poor. Public sector workers and households headed by employees in the urban formal sector (both public and private) are generally better off. In rural areas, poverty is especially extensive among groundnut growers, with more than 80 percent of households headed by groundnut farmers identified as poor, and 70 percent as extremely poor. The fall in the producer price of groundnuts by 2 percent a year between 1987 and 1997 and severe marketing constraints also contributed to this increase of poverty.

16. **Gender dimensions of poverty.** Gender disparities are common in The Gambia where women fare worse than men on most of the socio-economic indicators. Cultural and social traditions and religious practices mean that women continue to have a lower social status than men. In the agricultural sector, as many as 84 percent of women are subsistence farmers. In general, women work longer hours than men, fulfilling traditional household tasks as well as farming. The lack of basic services in rural areas—reliable water supplies, dependable health centers, stores, transport, mills—adds considerably to women's workload. In both rural and urban areas, women's poverty is a reflection of their status in the Gambian society. This translates into unequal access to education, health, agricultural equipment and the labor market, as well as less control over assets and decision making in general.

17. **Poverty and security.** The Gambia has a high dependency ratio, with almost two thirds of the population under the age of 20 or above that of 55, leaving households particularly vulnerable if they lose the main income earner. Households are more vulnerable if they have fewer assets, since a single shock may force them to sell assets, exacerbating long-term poverty. Further, men's dominance over household resources means that women and children are particularly vulnerable. The Gambia is also among the least food-secure countries in sub-Saharan Africa. In rural areas, food insecurity can be more severe, due to seasonal food shortage in the wet season. Traditional social ties and networks of support, which are still strong in The Gambia, have helped reduce household vulnerability.

18. **The poor's perceptions of poverty.** In order to include the poor in the participation process and in the analysis of poverty, the government is undertaking direct consultations with the poor through a series of PPA. The results from the first set of PPAs highlighted the fact that cash income is not the only indicator of wealth and that poverty is multidimensional and dynamic. For example, in addition to income, the poor are also concerned with food security, powerlessness in the decision-making process, the importance of being integrated into the extended family system, and access to

assets (such as land), credit, and basic services (such as health and education). In response to the increase in poverty, the PPA revealed that households have developed a variety of new coping strategies, including: selling assets such as livestock; begging; petty trading; reducing household meals; taking credit from neighbors and money lenders; and increasing the use of child labor.

Social Indicators

19. **Health.** Despite progress in some areas in the past two decades, some health indicators for The Gambia remain poor (see Box 3). Further, variations in health indicators are important within The Gambia. The maternal mortality rate is fairly high, being twice the level in neighboring Senegal. In 1998, at least 65 percent of girls and women in the rural areas had been subjected to the practice of female genital mutilation. Such practices have a negative impact on health, raise infant mortality rates, and increase the likelihood of HIV/AIDS transmission. The total fertility rate for The Gambia declined to 5.8 children per woman in 1998, from 6.0 in 1993, but is still higher than the average for sub-Saharan Africa. An increase in the infection rate of HIV has also been noted with a preliminary estimate for 2000 of at least 3 percent for HIV-1, the most virulent of the two forms of the virus. According to recent data, HIV-1 infections may have increased by more than 100 percent over the past five years. Further, malnutrition remains a major public health problem.

Box 3. Social Development Indicators in The Gambia and Sub-Saharan Africa

	GNP / capita (US$) 1997	Life expectancy (1998)	Fertility rate (births / woman, 1998)	Infant mortality (per 1000 live births, 1995)	Gross primary school enrollment rate (percent of age group, 1995)		Illiteracy (percent of population age 15+, 1999)	Access to safe water (percent of population, 2000)
					Male	Female		
The Gambia	340	55	5.8	80	87	67	64	50
Sub-Saharan Africa	510	50	5.4	92	85	71	61	43

Sources: World Development Indicators and the Gambian Authorities; and staff estimates.

20. In participatory studies, poor people stated that they do not always use government health services because of limited free time due to extensive farm and household duties, especially for women; low quality of service; long waiting times; drug shortages; rudeness of health staff; and the fact that only one health problem is addressed per visit when people usually have multiple health problems. Further, health facilities are unevenly distributed in the rural areas, and appropriate care is affected by the lack of skilled personnel, equipment and materials.

21. **Education.** Generally, education indicators are lower than those of sub-Saharan Africa. In spite of high enrolment rates (77 percent in primary education, of which 67 percent were girls in 1995), the literacy rate for the populations of 15 years and above remains low at about 35 percent, with girls accounting for only one-third of this proportion. High drop-out rates, particularly among girls due to early marriage and pregnancy, have been one of the main causes of low literacy. Other factors include: regional disparities in the distribution of schools; long distances to school; major school expenses required for payment shortly after the pre-harvest season when incomes in rural households are at their lowest levels; untrained teachers; inadequate materials; skepticism of parents in rural areas about the value of western education; and the heavy workload of girls in the household.

B. The Approach for Preparing a Poverty Reduction Strategy[10]

22. As far back as 1992, the Gambian government took the initiative to develop a comprehensive Strategy for Poverty Alleviation (SPA-I), based on a participatory approach. The government has prepared an I-PRSP and the full PRSP (SPA-II) is expected by December 2001. It will review the objectives of the first SPA, link the new strategy to the budget-making process and the macroeconomic framework, and address new threats to development such as HIV/AIDS.

IV. The Medium-Term Policy Framework

23. Consistent with the I-PRSP, the government's economic strategy in the medium term is to consolidate the gains made so far, and address a number of structural and policy constraints to growth and poverty reduction. In this regard, policies will focus on achieving sustainable growth with macroeconomic stability; maintaining an appropriate, market-based incentive structure; and stimulating private sector activities. In particular, macroeconomic and structural policies will aim at (a) consolidating government finances; (b) expanding and deepening structural reforms tailored to encourage private sector development, attract foreign investment, and facilitate economic diversification; (c) strengthening the institutional capacity of the public administration, all in the context of a comprehensive poverty reduction strategy. The government will follow closely the reform and harmonization progress among the member countries of the West African Economic and Monetary Union (WAEMU), with a view to safeguarding The Gambia's external competitive position. In addition, the monitoring of economic developments and policy implementation will be strengthened through better access to essential technical assistance.

A. Macroeconomic Framework

24. The macroeconomic framework is based on the I-PRSP. The key objectives of the I-PRSP are to accelerate real GDP growth by focusing on developing the productive capacity of the poor and improving the targeting of social services. Consistent with this overall strategy, the main macroeconomic objectives for 2000-03 are set out in Box 4. Economic activity should be enhanced mainly by a further recovery in agriculture, made possible by the planned rehabilitation of the groundnut sector, increased tourism, and a continued revival of the reexport trade.

25. **Fiscal policy** aims at improving public sector resource management, reallocating expenditure with a greater emphasis on social objectives, while reducing the overall deficit (excluding grants) from 4¾ percent of GDP in 1999 to about 3 percent during 2000-03 and provide for a gradual repayment of domestic debt. The government revenue-to-GDP ratio is targeted to increase from 17¾ percent in 1999 to 20½ percent by 2003, while the ratio of total government expenditure to GDP would remain virtually constant at about 23 percent through 2003, but would include cuts in recurrent expenditure, while allowing for increases in capital expenditure.

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[10] See Chapter 5 on the Action Plan for the SPA II, in The Gambia's I-PRSP, for details of the SPA I and the proposed participation plan for SPA II.

Box 4. Macroeconomic Objectives and Selected Targets, 2000-03

	2000	2001	2002	2003
Macroeconomic objectives				
Real GDP (annual percentage change)	5.3	5.5	5.6	5.6
CPI Inflation (annual percentage change, end-period)	2.7	2.5	2.5	2.5
External Current Account Balance (in percent of GDP) 1/	-12.3	-11.9	-10.4	-10.0
Gross Official Reserves (in months of imports)	5.6	5.3	5.3	5.3
Related targets (in percent of GDP)				
Gross investment	19.1	20.2	21.4	21.5
Public	6.4	7.2	7.7	8.0
Private	12.7	13.0	13.7	13.5
Gross domestic savings	8.4	10.3	12.8	13.2
Public	3.2	4.3	5.1	5.8
Private	5.2	6.1	7.7	7.4

Sources: Data provided by Gambian authorities; and staff estimates.
1/ Excluding official transfers.

26. On the revenue side, the government will implement measures to strengthen the tax and customs administrations, including computerization and improved coordination among the tax departments. Specifically, customs administration is expected to improve with the full implementation of the automated system for customs data (ASYCUDA) before end-2000.

27. On the expenditure side, the authorities will continue to implement the recommendations of the 1999 IMF technical assistance mission to address the weaknesses in expenditure reporting and control, as well as to improve allocative efficiency and transparency. These measures entail the modernization of the computer system in the Accountant General's Office (AGO) to facilitate timely reconciliation of the general ledger with the government balances at the central bank; the implementation of a system to monitor the build-up in government domestic arrears; the preparation of government accounts by the AGO and their audit on a timely basis; and the establishment of a poverty reduction expenditure monitoring framework. The implementation of these reforms are to be supported by the IMF resident budget advisor who took up his post in August 2000. Moreover, IDA is preparing a Capacity Building for Economic Management Project to improve institutional capacity (including at the Central Statistics Department), efficiency, and transparency in the public sector and to develop a medium-term expenditure framework.

28. **The main objective of monetary policy** will continue to be the containment of annual inflation at about 2½ percent, while maintaining an adequate level of gross official reserves. The authorities will maintain the market-determined exchange rate system, and the Central Bank of The Gambia (CBG) will limit its interventions to smoothing out seasonal fluctuations and to meeting its external reserve objective. To this end, the CBG aims at keeping broad money growth in line with that of nominal GDP, while providing adequate credit to the private sector.

29. The monetary authorities will monitor closely the excess reserves of the banking system and continue to rely on indirect instruments, in particular auctions of treasury and CBG bills. More frequent auctions will be facilitated by the proposed introduction of a book-entry system and the licensing of brokers. To strengthen banking supervision and the regulatory framework—which is essential in improving the soundness of the financial institutions and enhancing financial sector

competition—the authorities have drafted legislation (Financial Institutions and Insurance Bills) for enactment by end-2000. Moreover, the appointment of new judges to the High Court, including the commercial chamber, should help to simplify and expedite bankruptcy and collateral liquidation procedures. Finally, the CBG will continue to develop and enforce a prudential regulatory framework for the insurance industry.

30. **Regarding external sector policies**, the authorities will continue their efforts to better integrate The Gambia into the world economy. Following the major reduction and restructuring of the import tariff structure in January 1999,[11] the government has reduced further the maximum external tariff rate from 20 percent to 18 percent with effect from August 2, 2000. The new tariff schedule comprises only three rates.

31. **The medium-term outlook for the balance of payments** is based on projections that the total volume of exports will continue growing beyond 2000, at about 8 percent per annum. The volume of groundnut exports is projected to grow by an annual average of 8 percent during 2001-03, reflecting improved production and marketing arrangements, including a higher volume of processed high-quality confectionery nuts. The volume of domestic imports is expected to grow by 13 percent in 2001 following the removal of preshipment import inspection scheme and a reduction in external tariff, and, at an annual average of 3 percent during 2002-03, in line with domestic demand, but also reflecting import substitution in the food sector. The terms of trade (excluding reexports) are projected to improve in 2001, reflecting projected lower world oil prices, and to continue to improve at a moderate rate in 2003, owing to the assumed improvement of primary product prices. Tourist arrivals are projected to grow by 5 percent a year during 2001-03, recovering from the 10 percent decline projected for 2000, with improving service and growing confidence among tourist operators. The targeted improvement in the external current account balance that can be financed by net inflows of concessional external financing and private capital should make it feasible to attain the gross official reserve target of about 5¼ months of import coverage. This level of reserves is critical to maintaining confidence in The Gambia's liberal exchange and trade system, by providing a cushion against potential adverse external shocks.

32. **With regard to promoting a conducive business environment to increase private sector activity,** the key elements of the government's strategy are to (i) maintain the liberal price system; (ii) improve the legal environment, including the adoption of the Companies Act, the Contract Act, the Partnership Act, and the Business Registration Act; (iii) strengthen the performance of the judicial system to enforce new corporate and commercial laws and facilitate access; (iv) improve the labor laws; and (v) streamline the procedures for the registration of businesses ("one-stop shop"), and create an export processing zones notably in the context of IDA's proposed trade gateway project. The government has also worked closely with IDA in drafting a Regulatory Agency Bill, which is expected to be enacted by early 2001. This omnibus bill will establish a regulatory agency

[11] At the beginning of the 1990's, the tariff structure consisted of 30 bands; tariff rates ranged from zero for raw materials, capital goods and government imports, to 90 percent for alcoholic beverages. In 1996, the unweighted average of statutory tariff rates was 13.7 percent, and the import-weighted average was 11.8 percent. For details of the reforms through 1999, see SM/99/123; 5/27/99.

and a legal framework to complement the proposed privatization of utilities and transport sectors. As an indication of the strategic importance of these reforms, the establishment of a regulatory agency, with its supporting legislation, is incorporated among the triggers for the Floating Completion Point (Box 7).

33. The government also plans to support micro and small enterprises by developing targeted financing schemes. It expects to restructure the Indigenous Business Advisory Services (IBAS), an agency set up to support micro-enterprise ventures. In parallel, the International Fund for Agricultural Development (IFAD) is implementing a six-year US$10 million project in the agricultural sector, to improve the productive capacity of the poor.

B. Sectoral and Social Policies

Health

34. The Gambia's "Health Policy 1994-2000" proposed to achieve improved access to, and quality of, health services by (i) integrating health delivery programs under the umbrella of family health (reproductive health, infant and child health, and nutrition); (ii) enhancing the control of endemic diseases; (iii) promoting health and controlling chronic diseases; and (iv) strengthening the primary, secondary and tertiary levels of the health care pyramid, and the links between them.

35. A PER was conducted in 1998, with IDA assistance, to operationalize the policy, but did not completely reflect the necessary costing of policies. This led to a limited implementation of the Health Policy. Also in 1998, with IDA assistance, the authorities launched the "Participatory Health, Population and Nutrition Project (PHPNP)." UN agencies and NGOs have also actively supported various elements of the policy. To help finance its objectives under the PHPNP, the government aims to increase the share of health sector expenditures in the recurrent budget "to reflect the 1998 PER recommendations on intersectoral allocations" from 6.6 percent in 1998. Other key objectives under the PHPNP include (i) increasing by at least 5 percent each year the number of births attended by a trained health provider; and (ii) increasing by 5 percent the annual per capita distribution of condoms in order to protect the population against the rapid spread in HIV/AIDS. Expected outcomes include reducing infant mortality from 80 per thousand live births in 1995 to 65 by 2003; reducing by 25 percent, over the same period, the prevalence of general malnutrition among children under 5; and reducing by 50 percent the prevalence of Sexually Transmitted Infections (STIs) in pregnant women. One of the indicators being monitored under PHPNP is reflected in the triggers for reaching the floating completion point (Box 7). Further, in the context of the PHPNP, a National Nutrition Agency has been established to address problems of malnutrition.

36. The high prevalence of STIs risks setting the stage for a rapid spread of HIV. In 1992, the government prepared a five-year AIDS control and prevention plan and held a resource mobilization meeting. Pledges were received from a number of donors, but the military coup in 1994 led to a general suspension of aid flows. Although not adequately financed, a number of activities have been promoted in the intervening years, principally by UN agencies and NGOs. These activities have included Information, Education and Communication (IEC) programs, condom promotion, dissemination of HIV test kits, and sentinel surveillance. The commitment of the government to

fighting AIDS has rapidly increased, as senior government officials have become aware of the dangers of the HIV/AIDS epidemic. It is in this context that The Gambia is expected to benefit from a US$15 million IDA credit, as part of the US$500 million Africa-wide Multi-Country HIV/AIDS Program Project (MAP).[12] With regard to malaria control, the government signed the Abuja Declaration in April 2000 to remove all sales tax and import tariffs on bed nets and the insecticide for dipping bed nets.

37. Overall, the results of the health policy have been mixed. On the positive side, in a number of health indicators (infant mortality and access to safe water), The Gambia has performed better than the average for Sub-Saharan Africa. A clear success of the Health Policy has been the participation of NGOs, facilitating their efforts to tailor their programs in terms of geographic coverage as well as the services on offer.

38. However, public recurrent expenditure in the sector has not kept pace with the rapid population growth in The Gambia. Regional disparities in resource allocations for health are high, translating into lower health indicators in regions with the lowest levels of per capita health expenditure. Furthermore, the government has embarked on an expensive expansion of the tertiary sector (hospitals), which commands a disproportionate share of the public health sector budget. Construction of the fifth referral hospital has begun, although the Interim-PRSP acknowledges a target of only three referral hospitals for 2003. The future recurrent costs will continue to divert resources from the primary health care (PHC) sector. The government remains committed to improving PHC, and has been made aware of the difficulties involved in promoting both tertiary health care and PHC with limited resources. The IDA will continue to engage the authorities in a dialogue that will help them assess the implications of their decisions on future recurrent budgets (a PER in the sector is being considered for next year). Against this background, a trigger for the floating completion point will reflect the need to improve PHC.

Education

39. The government has enacted the Revised National Education Policy 1998-2003, which focuses on (i) increasing the gross enrollment rate in grades 1-6 to 75 percent and the transition rate from grade 6 to grade 7 to 60 percent; (ii) developing a broad-based curriculum for basic education (grades 1-9); (iii) improving the quality of learning in the basic cycle by upgrading all unqualified teachers, and increasing expenditure on learning materials; (iv) increasing access to post-secondary vocational training and improve the coordination of its provision; and (v) promoting and coordinating functional literacy programs.

40. IDA supported a PER for the education sector in 1998, which was instrumental in successfully implementing the policy. Also in 1998, IDA supported the authorities' education policy through the "Third Education Sector Program (TESP)" credit, amounting to SDR15.1 million. UN

[12] The Gambia is expected to comply with the eligibility criteria for qualification under the MAP (Report No. 20727-AFR). Therefore, the trigger pertaining to HIV/AIDS proposed in the Preliminary Document for The Gambia has not been carried over to this document.

agencies (i.e. UNICEF) and NGOs have also actively supported various elements of the policy. An investment program backs the TESP with additional financing from UNICEF, EDF, and DFID, among others. Other ongoing projects are being financed by AfDB, IDB, and OPEC. The PER in education has been used as a model in developing unit-costing analysis. The Department of State for Education (DOSE) uses this method to assess the feasibility of new initiatives. The conclusions of the PER help determine the additional funding that may be needed to help enact the proposed program, through co-payments, for example. Therefore, the recommendations also allow to take equity into account, and to target programs for the poor.

41. Policy implementation has been broadly successful in the education sector. The basic education cycle has been lengthened from 6 to 9 years to develop the basic education program, and to reduce the attrition of the poor, especially girls. This is expected to raise the enrollment rate from 70 percent in 1996/97 to 90 percent by 2005, with an increase in the girls' share of the total enrolment rate. Until 1998, the poverty focus of public expenditure was similar to that found in other African countries—the poorest received the smallest share of education spending because : (a) the poorest send fewer children to school, particularly beyond grade 6; and (b) government subsidies increased with the level of education.

42. The implementation of the policy shift has been accompanied by a reallocation of resources to basic education, up from 40 percent in 1998 to 60 percent in 1999. Books are now made available to allow for a set of books for two pupils in grades 1 through 5, and one set per pupil from grades 6 to 9. In addition, training has been provided to 1,200 previously unqualified teachers. To consolidate this important policy shift, the government is working toward developing and implementing a policy to address gender education imbalance and has established a fund (not funded yet) to cover school fees for girls in two of the poorest regions in the country. It will also increase by at least 45 percent the number of trained teachers for lower basic education. These last two areas have been included among the triggers for reaching a floating completion point (Box 7).

43. Nonetheless, a number of outstanding constraints in the education sector will make further progress difficult. Inadequate classroom space limits the capacity to accommodate a doubling of the number of pupils by 2005, despite double-shifting. Although the EDF grant and IDA funding under the TESP credit supports classroom construction, work has fallen behind schedule. The government has responded by allocating additional funding to education through a supplementary budget for 2000 and has increased allocations to the local counterpart fund for 2001 by 25 percent. Moreover, additional resources from the enhanced HIPC Initiative debt relief will be targeted to education.

Population

44. The government revised its National Population Policy (NPP) in 1997. The NPP has three goals (i) to reduce the spread between the rates of population growth and economic growth; (ii) preserve and enhance the environment; and (iii) to facilitate its implementation at the national and local levels. The NPP goals, which are linked to the more comprehensive SPA-I and the PRSP process, will be achieved through accelerated growth, improved education for girls, and by targeting agriculture and rural development to stem rural to urban migration. However, high immigration may undermine the NPP.

Energy, Water, and Sanitation

45. Energy, water, and sanitation services are provided by NAWEC, a state-owned monopoly. It presently serves about 28,000 electricity customers (of which more than 95 percent in the Greater Banjul area - GBA), 20,000 water customers, and 3,000 sewerage customers, all in GBA. For lack of resources, however, NAWEC has been unable to meet a growing demand, particularly from a thriving tourism industry. Chronic capacity shortages, and the resulting unreliable standard of service have been caused by daily load shedding and network overloading. Technical losses are high, at about 40 percent. The average electricity tariff is high, at US$0.25 per kWh, with large consumers cross-subsidizing small customers. In 1993, the government decided to involve the private sector in the management of NAWEC through a leasing arrangement. Relations with the private partner soured rapidly, however, because of ill-defined contractual clauses regarding government obligations to finance or guarantee investments, and an inadequate regulatory framework.

46. The government strategy in the utility sector is to establish a long-term partnership with a reputable private company to improve the efficiency, availability and reliability of electricity, water and sewerage services. To this end, ESKOM (a South African utility company) and NAWEC agreed to create a 51/49 percent joint venture company in June 2000. A business plan has been approved, and the joint-venture agreement is expected to be signed shortly.

Tourism Sector

47. The number of tourist arrivals has increased steadily from 72,100 in 1996 to more than 95,000 in 1999. The Gambia's climate, and the construction of its airport and roads (especially between the airport and Banjul), allow for further improvements in its performance. The government recognizes the sector's potential, and therefore plans to adopt a 15-year master plan for tourism based on the forthcoming "Tourism Sector Study," which would be funded by AfDB. In parallel, the recurrent budget for the Department of State for Tourism and Culture has been increased by 26 percent from 1998 to 1999, albeit from a low base level. Part of the plan's focus will be to coordinate the services of various ministries to help facilitate administrative procedures for investors. In this regard, the government is contemplating the establishment of a tourism board as a "one-stop shop" for investors. Among other prerogatives, the board would deliver the necessary authorizations for the construction of up-market hotels.

Trade Sector

48. The private sector in The Gambia has a very narrow base of activities and, besides agriculture and tourism, it is generally limited to trade activities in the re-export sector. The re-export sector thrives on informal transactions with traders from neighboring countries. Therefore, in its trade policy The Gambia intends to focus on encouraging strong backward linkages with promising export-oriented sectors, and on promoting an efficient regulatory and physical environment that would facilitate transactions. In the context of its divestiture strategy, the government plans to invite the private sector to participate in airport management and port operations, particularly container handling operations and maintenance services. The Gambia Port Authority will assume a role of regulatory oversight for the participation of the private sector in infrastructure investments and in operations. The agenda under the proposed IDA-supported Trade Gateway Project provides for

building capacity in this regard. The Gambia's competitiveness would be enhanced by (i) separating commercial services from regulatory functions; (ii) opening cargo handling services to competition; (iii) contracting out warehousing and auxiliary activities such as security and maintenance to the private sector; and (iv) possibly concessioning airport management to the private sector. Complementary reforms in customs and excise department would jointly be undertaken, including: (i) reviewing current legislation to determine necessary amendments and revisions; (ii) developing information technology infrastructure and supporting facilities and equipment; and (iii) establishing a valuation database in compliance with WTO valuation code and risk management systems.

Rural/Agricultural Development

49. Rural development is key in supporting agricultural production, and stemming the important migration from the countryside to the cities. Plans to enhance communications networks, access to safe water, schools and basic health facilities, and electrification should help slow the rate of urban population growth from 6 percent a year in 2000 to 5.4 percent in 2004. Notable programs include the rural electrification project, encompassing 64 towns and villages, and the water supply and sanitation project.

50. Agriculture accounts for about 27 percent of GDP but provides employment for the majority of the rural population. The main cash crop has faced constraints on its marketing. Grain production—comprising maize, sorghum, millet and rice—meets only half of the country's food grain requirements, despite encouraging increases in yield for all crops—the production of maize, sorghum and millet grew by 32 percent in 1999. The rest of the grain requirements are met by commercial imports and food aid. To help reduce the income gap between farmers and the rest of the population, durably raise production levels, and provide a measure of protection against external shocks, the government has established specific objectives, such as: (i) an increase in overall agricultural output to generate gainful employment opportunities in the sector, and increase export earnings; (ii) an increase in domestic cereal production to substitute for imported rice; (iii) the diversification of the production base to reduce fluctuations in household incomes; and (iv) the sustainability of agriculture. Marketing arrangements for groundnuts are likely to improve following the settlement of the GGC property dispute. Two key groundnut processing plants will revert to government, creating an opportunity to prepare them for sale to competing firms; an action that forms a part of the floating completion point triggers in Box 7. In addition, the improved provision of extension and credit service should benefit rural development, especially women.

C. Other Structural Policies

Decentralization

51. The government intends to continue the process of decentralization to increase ownership in decision-making processes, and to fight poverty by empowering the local authorities. The new constitution of 1997 states that "The State shall be guided by the principles of decentralization and devolution of government functions and powers to the people at appropriate levels of control to facilitate democratic governance." Other policy documents further commit the government to pursue a political and administrative decentralization process, in the context of its fight against poverty and regional disparities. The Governance Policy Framework, adopted in 1999, offers a plan to achieve

stronger local governance, including (i) devolution of some central government functions to the divisional (i.e. local) level, such as regional health teams and regional education offices; and (ii) the transfer to democratically-elected local authorities of some devolved functions, with the associated resources. The authorities held a workshop on governance in March 2000 to discuss how to implement the national Governance Policy Framework. Key important issues will continue to be women's under-representation in institutions at the local and national level, and financial and technical assistance to strengthen the weak public resource management capacity of local governments.

Governance

52. The authorities have taken a number of steps to address other governance issues, mainly through the strengthening of the legal and institutional framework, as well as important efforts to address the seizure of the GGC property. In that regard, an out-of-court settlement was reached with Alimenta (the parent company of GGC) in October 2000, with the technical and financial support of the EU. This development, along with the expected sale of the two leading processing plants to competing private operators, should improve the overall investment climate and the confidence of farmers for future investments into groundnuts. In addition to the implementation of the governance policy, the government adopted a divestiture strategy, a procurement code and an interim investment code, all aimed at improving governance and transparency in public sector management. The government is also undertaking significant judicial reforms, to improve access to the courts with the creation of four regional courts and the appointment of new judges and support staff.

V. Debt Sustainability Analysis and HIPC Assistance

53. The DSA was based on a loan-by-loan approach (252 separate loan agreements), and shows that at end-1999, the total external public debt stock amounted to about US$452 million (Table 2). In NPV terms, total debt is estimated at about US$258 million, equivalent to 59 percent of 1999 GDP, 217 percent of exports of goods and nonfactor services (see Box 5), and 332 percent of government revenue (Table 3). Debt service payments due in 2000 are projected at US$19.9 million, or 16.4 percent of export earnings (Table 11). The Gambia's main creditors are multilateral, accounting for 70 percent of debt in NPV terms, with 32 percent owed to IDA, 22 percent to the AfDB and 3 percent to the IMF. Bilateral creditors account for the remaining 30 percent of its debt, of which one third is due to Paris Club and two thirds to non-Paris Club creditors.[13]

54. Under the enhanced HIPC initiative, the DSA is to be based on the country's stock of debt after the full application of traditional debt relief mechanisms at the decision point. In the case of The Gambia, this implies adjusting the 1999 NPV debt stock by (i) a stock-of-debt operation under Naples terms (67 percent NPV reduction on eligible debt) and a topping up of all previously

[13] The Gambia had one Paris club rescheduling in 1986 on nonconcessional terms. There is a small amount of pre-cutoff date non-ODA debt, for which a restructuring over 23 years, including 6 years of grace, was assumed to simulate a stock operation on Naples terms. Beyond 1999, new multilateral borrowing (excluding IMF) is assumed to be on IDA terms with a grant element of about 70 percent, while the grant element of bilateral borrowing is assumed to be 35 percent.

rescheduled loans; and (ii) a comparable treatment from non-Paris Club creditors. Under these assumptions, the NPV of the external debt as of end 1999 would be reduced by about 5 percent to US$245 million (Table 3).

Box 5. Revisions Made to the Export Data

The reexport trade through The Gambia to neighboring countries, especially to Senegal, constitutes a substantial part of The Gambia's export earnings. However, as reexport does not involve a change in ownership vis-à-vis residents of The Gambia, this trade should not in principle be recorded in balance of payments statistics, as set out in the *Balance of Payments Manual* (fifth ed.). In compiling the balance of payments data, The Gambian authorities have not been able to ascertain ownership, and record merchandise entering the country as transit goods on the basis of customs data.

In view of the above, for the purpose of assessing the eligibility of The Gambia under the enhanced HIPC Initiative, the authorities' estimate of transit trade is excluded from the export and import figures presented in the balance of payments. The service-related costs of the reexport trade–transportation and insurance–rendered by enterprises in The Gambia as well as their profit have been estimated at 21¾ percent of the value of excluded exports and, hence, are added to the trade in nonfactor service receipts.

The adjustments described above reduce the annual coverage of total exports of goods and nonfactor services by about 60 percent over the period 1998-2000. Thus, the ratio of external debt in NPV terms to exports of goods and nonfactor services was raised from 129 percent to 218 percent for 2000.

55. The debt burden of The Gambia is unsustainable according to the export criterion and it qualifies to seek enhanced HIPC assistance through the export window[14]. After the full use of traditional debt relief mechanisms, The Gambia's NPV of debt-to-export ratio would be 206 percent in 1999 and 207 percent in 2000, exceeding the enhanced HIPC target (the net present value of debt-to-export ratio) of 150 percent. Even with the continued pursuit of appropriate policies and prudent debt management, the NPV of debt-to-export ratio is only expected to reach a sustainable level of 148 percent in 2007. Without HIPC assistance, debt service would progressively grow from US$19.9 million in 2000, to US$27.6 million in 20 years, equivalent to a gradual decline of the debt service-to-exports ratio from 16.4 percent to 10.3 percent.

56. The DSA is based on macroeconomic assumptions described in Tables 5-6 and Box 6. The baseline scenario for the balance of payments and debt outlook assumes the continuation of sound economic and financial policies. Given the implementation of structural reforms in the agricultural and external sectors, the volume of export is projected to grow at 5¾ percent and import volumes at about 5½ percent beyond 2004, which would bring the external current account deficit (excluding official transfers) down from its present levels of 12 percent to about 9 percent by 2015. The capital account is expected to register surpluses with continued disbursement from multilateral and bilateral aid donors—all at concessional terms—and with private capital inflows composed mainly of FDI and suppliers credit.

[14] The Gambia does not qualify under the fiscal window because it does not meet the openness criterion as the level of exports of goods and nonfactor services (excluding reexports) at 28.3 percent of GDP, falls below the 30 percent threshold. However, if reexports were included in exports of goods and nonfactor services, the ratio to GDP would rise to 47.3 percent and assistance under the fiscal window would amount to US$56 million. Nonetheless, the assistance in this case would be less than the US$67 million under the export window.

Box 6: Main Assumptions for the DSA

Growth

- Real GDP is projected to accelerate to 5.6 percent initially boosted by continued strong performance in agriculture and recovery of reexport trade and tourism, and later by improvement in the investment climate.

Fiscal and monetary policies

- A prudent fiscal policy supports growth by reducing the budget deficit (excluding grants) from about 3½ percent of GDP in 2000 to about 2 percent (on average) for 2009-2019, while monetary policy would keep CPI inflation at about 2½ percent.

Balance of Payments

- The volumes of exports and imports will have fully recovered in 2002 and thereafter grow at a moderate rate of about 5¾ percent for exports at about 5½ percent for imports.
- The terms of trade (excluding reexports) are projected to improve in 2001, reflecting projected lower world oil prices, and remain stable for the entire projection period.
- Tourist arrivals are projected to recover by 2001 and grow at 4-5 percent a year until 2006, and about 4 percent a year from 2007 onward, benefiting from the planned construction of 3-4 additional hotels and the creation of an all-inclusive hotel area.
- The current account deficit (excluding official transfers) is projected to improve gradually, narrowing to below 9 percent of GDP by 2015 from the present level of about 12 percent.
- The reliance on official transfers will decline gradually from slightly less than 7 percent of GDP in 2001 to about 5 percent by the end of the projection period.
- The financing gaps will be ¾ of 1 percent of GDP on average in 2001-02; dropping to zero by 2002 and beyond.

VI. The Floating Completion Point, Assistance, and Authorities' Views

A. Floating Completion Point Conditions

57. The DSA indicates that The Gambia has an unsustainable level of debt and thus qualifies for assistance under the enhanced HIPC Initiative since it is a PRGF-eligible and IDA-only country. The triggers selected for the floating completion point reflect a limited, but important set of policy actions designed to stimulate higher, sustainable growth, and improve social conditions while reducing poverty. Specifically the objectives are to fill critical information gaps with enhanced data and financial monitoring and improve lagging health indicators. The importance of basic education to poverty reduction and efforts to reduce gender gaps have motivated the education triggers. In addition, two structural reforms were selected because of their large potential impact on the key groundnut sector and the role of private sector activities. These measures, which are listed in Box 7 below, would complement or reinforce reforms and policies included in the PRGF-supported program and IDA-supported operations. Finally, the successful implementation of the full PRSP for at least one year, evidenced in one comprehensive annual report endorsed by the Boards of IDA and the IMF, would provide crucial evidence on the sustainability of the comprehensive poverty strategy. The authorities estimate that The Gambia could fulfill all conditions for a floating completion point within two years from the decision point. In projecting the possible enhanced HIPC assistance it is thus assumed that The Gambia will reach completion point by end-2002.

B. Assistance Under the Enhanced HIPC Initiative

58. On the basis of the end-1999 data, the amount of assistance required to reach the NPV of debt-to-exports target of 150 percent would be US$66.6 million in NPV terms (Table 8). The common reduction factor would be about 27 percent. Based on proportional burden-sharing, multilateral creditors would provide most of the assistance (US$49.2 million in NPV terms, or 74 percent). The rest of the assistance would be from bilateral creditors (US$17.4 million in NPV terms, or 26 percent). In projecting the time profile of possible enhanced HIPC assistance the following assumptions were made:

- **Paris Club creditors.** There would be a flow rescheduling on Cologne terms (90 percent in NPV reduction) following the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation on Cologne terms. Remaining Paris Club debt after assistance under the HIPC Initiative is estimated at US$13 million in NPV terms, most of which could be forgiven as a result of bilateral pledges.

- At least comparable treatment to the Paris Club group of creditors would be provided by **non-Paris Club official bilateral creditors.**

- **IDA's** HIPC assistance to The Gambia would total US$22.3 million in NPV terms, equivalent to debt-service savings of US$32 million during 2001-2012. Immediately following the approval by the Boards of IDA and the Fund, IDA would begin providing interim assistance in the form of a 50 percent reduction of The Gambia's debt service to IDA, and continue providing debt service relief in the same manner after The Gambia reaches its completion point under the enhanced HIPC Initiative. IDA relief would thus start at the decision point and would become irrevocable at the completion point, subject to the confirmation of participation by other creditors. The assumed modalities would provide 16 percent of the required reduction in NPV of debt during the interim period, and the remaining portion after the completion point.

- **The African Development Bank (AfDB)** would deliver interim assistance from the decision point onward with a minimum debt service reduction factor of 80 percent up to a maximum of 40 percent of total assistance in NPV terms during the interim period. It is estimated that interim assistance would cover 23 percent of the AfDB's required reduction in the NPV of debt. Assistance from the AfDB is estimated at US$15.6 million in NPV terms and US$20.6 million in nominal terms.

- The total amount of **IMF** assistance would be US$2.3 million in NPV terms or about US$3.0 million in nominal terms. The IMF is expected to deliver interim assistance of US$0.1 million and assistance at the completion point of US$3.1 million in nominal terms. The profile of assistance is expected to reduce the debt service to the Fund by about US$0.4 million a year on average from the completion point in 2002 to 2010.

- All remaining multilateral and bilateral creditors would provide assistance from the completion point onward.

Box 7. Triggers for a Floating Completion Point

1. **Poverty Reduction**
   - A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the endorsement by the Boards of IDA and the IMF of the country's annual progress report.
   - Improvement of the poverty data base and monitoring capacity, as evidenced by progress in restructuring the Central Statistics Department or developing its capacity.
2. **Macroeconomic stability**

   Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.
3. **Governance**

   Progress in strengthening public expenditure management as evidenced by the issuance of annual public reports on the overall budget execution and semi-annual reports on the use of interim HIPC Initiative debt relief, the latter to be reviewed by the Task Force and HILEC.
4. **Social sector reforms**
   - Budgetary savings from the HIPC interim debt service will be used in accordance with the annual budgets approved by the Task Force and the HILEC.
   - Measures and targets regarding progress in implementing education and health reform programs include:
     - Increase by at least 45 percent (from 192 graduates in the base academic year 2000/01) the number of teachers for Lower Basic Education graduating from The Gambia College; this measure will help The Gambia raise the quality of teaching in the most important grades;
     - Ensure appropriate funding of a trust fund for girls' scholarships in the poorest regions and make progress in raising girls' enrollment rates by expanding this scholarship scheme to no less than 2000 girls annually in at least 3 regions;
     - Increase by at least 5 percent each year (from 44 percent in the base year of 1998) the number of births attended by a person trained in antenatal care. This should reduce the relatively high maternal rate; monitoring mechanisms for this indicator have also been defined in the PHPNP (see Chapter IV);
     - Increase the share of primary and secondary health care within the overall recurrent budget for health. The recurrent budget for primary and secondary health care is understood to comprise: health centers; dispensaries and subdispensaries; health promotion and protection; family health; disease control; and nurses' training. These are covered by budget lines 06 to 11 under heading 21 of the budget, to the exclusion of expenditures incurred directly or indirectly on: (i) foreign personnel; and (ii) all the referral hospitals. The base year for measurement is 1999.
5. **Structural reforms**

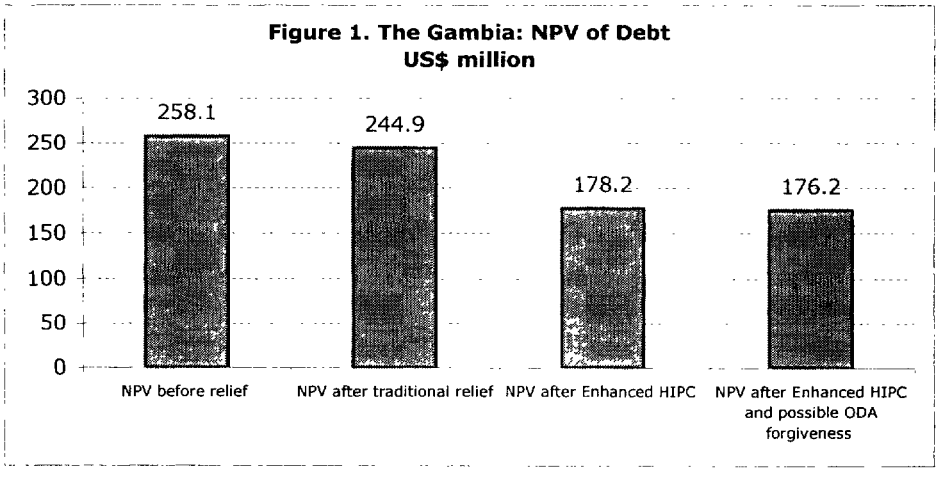
   Measures to promote private sector development include:
   - Establish a functional multi-sector regulatory agency; and
   - Bring to the point of sale the two major public groundnut processing plants in the country.

59. **Participation of external creditors.** Most of The Gambia's multilateral creditors, including IDA, IMF, AfDB, IFAD, OPEC Fund, IsDB, EU, and BADEA, have agreed to participate in the enhanced HIPC Initiative. Specific decisions on the delivery of assistance to The Gambia will be taken by the decision-making bodies of multilateral creditors once the Boards of the Bank and the Fund have discussed the decision point document. Along with Paris Club, which discussed The Gambia's situation in November, these creditors represent more than 80 percent of the debt relief to be provided to The Gambia.

60. **Impact of enhanced HIPC debt relief.** The above enhanced HIPC assistance would enable The Gambia to maintain a sustainable external debt level and release resources for the social program. On the basis of the above assumptions, the total interim HIPC debt service relief would amount to an average of about US$4.4 million (about 4¾ percent of government revenue and 0.9 percent of GDP) a year for the next two years (Table 11). Compared with the recent past, when the external debt service ratio moderated from 13½ percent in 1997 to about 11½ percent in 1999 (reflecting the suspension of project financing by most donors following the coup in 1994) it is expected to decline even further to 9 percent in 2001 and 6 1/3 percent in 2010 with the enhanced HIPC Initiative debt relief. Part of the decline is attributable to the continued strengthening of the export sector. Beyond the assumed completion point, the HIPC debt service relief would amount to about US$9.2 million a year for the ten-year period beginning 2003 equivalent to an average reduction of 1.4 percent of GDP a year. The debt service ratio would be reduced on average by about 22 percentage points during the interim period and 40 percentage points during the ten-year period following the anticipated completion point.

61. After debt relief under the enhanced HIPC Initiative, The Gambia's external debt at end-1999 would be reduced from US$244.9 (after traditional debt relief) to US$178.2 million. The amount of assistance under the Initiative would amount to US$66.6 million equivalent to US$90 million in nominal terms. Several Paris Club creditors have indicated possible debt relief beyond their assistance under the HIPC Initiative, through forgiveness of ODA loans. This could amount to an additional US$2 million in NPV terms (see Figure 1).

62. **The downside scenario** in the context of enhanced HIPC assistance. The Gambia remains vulnerable to adverse shocks even with HIPC assistance; similar shocks as in sensitivity analysis were considered: lower reexport growth (0.5 percentage lower than under the baseline scenario) and lower tourist arrivals (½ of a percentage point lower than under the baseline scenario). The strongest impact would result from a lower growth rate in tourist arrivals in which case the NPV value of debt after HIPC assistance would not fall below 150 percent before 2011, while debt sustainability would be reached already in 2002 under the lower reexport growth scenario (Table 7).



C. Key Poverty Activities to Benefit from the Enhanced HIPC Assistance

63. Debt service savings arising from the enhanced HIPC assistance will be used to expand the economy's productive capacity in order to diversify the sources of income for the poor; improve the poor's access to social services; and strengthen institutional capacity to enable local communities to participate and influence developments affecting their environment. The government has identified a number of key sectors that would benefit from the enhanced HIPC assistance and be funded through a contingency budget for 2001 (see Table 12). Three sectors that would have the strongest impact on poverty (education, health, and rural development) would absorb over 60 percent of the enhanced HIPC assistance. The specific activities to be financed under each are as follows:

- in the education sector, activities identified under the TESP would be implemented including the funding of a girls' education trust fund, the construction of classrooms, and the training of teachers (see Box 7). These activities are expected to absorb 22 percent of the enhanced HIPC assistance;

- in the health sector, focus will be on the elements of primary health care that are the target of the PHPNP such as vaccines, drug supplies, and the upgrading of the ambulance fleet. This is expected to absorb 18 percent of the enhanced HIPC assistance; and

- rural development would benefit from initiatives in irrigation, research in crop diversification, inland fishing (a potential source of employment), well-drilling, and forest conservation and replenishment (a potential source of income for the poor). This sector would account for 20 percent of enhanced HIPC assistance.

To help in tracking poverty-related spending, the Gambian authorities have developed an accounting framework for the enhanced HIPC debt relief and other poverty reduction expenditure (see below). The authorities have provided justification for the various items in the contingency budget for 2001 in Appendix II.

64. **The debt relief would be tracked within a special poverty fund.** As indicated in the I-PRSP, The Gambia has established a Poverty Reduction Fund (PRF) to track funds from the enhanced HIPC debt relief and other expenditure targeted to poverty reduction. The PRF is an accounting framework that will aggregate expenditure within the overall annual budget to facilitate the monitoring of pro-poor spending. The PRF will include in its coverage the contingency budget for 2001 (providing for additional expenditure of about 1.5 percent of GDP), which will have to be approved by parliament as a supplement to the government's budget. The PRF, and in particular the annual budget component funded from the enhanced HIPC assistance, will be supervised by the HILEC, civil society, and donors. At the outset, the PRF should be adequate, as a fairly simple system, to monitor and track social expenditure but should in due course be developed as a part of a permanent upgrade of the budget formulation, monitoring and reporting system. The IMF resident budget advisor is assisting the authorities with establishing procedures that will promote transparency, accountability, and effective assessment of the overall budget operations (including the PRF) that will also cover the preparation of regular publicly issued reports on such operations and on the PRF. During the annual PER consultations, Bank staff will assist the authorities in

translating poverty reduction priorities into expenditure plans to be funded in part by the PRF. In the medium-term, the budget operations will be strengthened with IDA and other donor technical assistance through the preparation of PERs and the planned medium-term expenditure framework, as foreseen in the Capacity Building for Economic Management Project.

D. The Authorities' Views

65. The Gambian authorities welcome the contribution of resources from the enhanced HIPC Initiative in their ongoing efforts to alleviate poverty. In cooperation with international donors and financial institutions, the government has initiated a review of its previous Strategy for Poverty Alleviation (SPA), and intends to broaden the participation of all Gambians, and especially the poor, in formulating a consistent program of development policies aimed at reducing poverty. To this end, the government is determined to complete successfully the current economic and financial program supported by the PRGF arrangement from the IMF and other donors' programs. This will create a solid economic framework for further wide-reaching social policies in the health and education sectors and broad reforms to improve agriculture and infrastructure. These reforms will be defined in the context of the forthcoming Strategy for Poverty Alleviation (PRSP/SPA-II). The additional resources from debt relief under the enhanced HIPC Initiative will facilitate the government's efforts in these areas.

66. The government also notes that the review of external debt under the enhanced HIPC Initiative has provided an invaluable opportunity to improve the management and tracking of public sector external and domestic debt and to develop institutional reforms for the management of public sector resources toward poverty alleviation.

VII. Issues for Discussion

67. This paper presents a decision point assessment of The Gambia's eligibility for assistance under the Enhanced HIPC Initiative, and seeks endorsement of the assessment. Executive Directors' views are sought on the following:

68. **Decision Point**. The staff and management believe that The Gambia has established a track record of implementation of broad macroeconomic policies and structural reforms and recommend approval of a decision point, based on the consideration of the Fund and IDA Executive Boards and the agreement with the authorities on a program to be supported by the third annual arrangement under the PRGF. Do Directors agree that The Gambia has met the conditions for reaching its decision point under the enhanced HIPC Initiative?

69. **Amount and delivery of assistance.** Consistent with the reduction in The Gambia's NPV of debt-to-exports ratio, total assistance under the enhanced HIPC Initiative is estimated to be US$66.6 million in NPV terms. Of this amount US$22.3 million is to be provided by IDA and US$2.3 million by the IMF. The staff also recommends that IDA and the IMF provide interim assistance between the decision and completion points. Do Directors agree?

70. **Floating completion point**. Do Directors consider that the measures indicated in Box 7 are appropriate as triggers for the completion point under the enhanced HIPC Initiative?

: MAIN ECONOMIC OBJECTIVES AND OUTCOMES UNDER THE PRGF-SUPPORTED PROGRAM, 1998-2001

OBJECTIVES	OUTCOMES
Reestablish macroeconomic stability ➢ Achieve real GDP growth of 5 percent per year. ➢ Keep inflation below 3 percent. ➢ Reduce the current account deficit (excluding grants) to less than 10 percent of GDP by 2000. ➢ Raise domestic investment from 17¼ percent in 1997 to 21 percent of GDP by 2000. ➢ Keep gross official reserves above 5 months of import cover	**Real GDP:** over the 1993/94-1996/97 period, real GDP growth averaged 1½ percent per annum, and real per capita income declined by some 6 percent. However, during 1998 and 1999, led by the recovery in tourism and agricultural sectors, real GDP growth rebounded, reaching 3.5 percent and 6.4 percent, respectively. During 2000-01, real GDP growth is projected at about 5 percent. **Inflation** was contained below at 2 percent during 1998-99, thanks to the tight monetary policy and the good harvest, leading to low food prices, which constitute 60 percent of the CPI basket. Inflation is projected to remain subdued during the medium term at 2½ percent. In 1999, the **current account deficit** (excluding grants) remained virtually unchanged at 11½ percent of GDP from the previous year compared with about 20 percent in 1995/96. Domestic investment is projected to rise from 17¼ percent of GDP in 1997 to about 19 percent by 2000. Gross official reserves are projected at about 5½ months of import cover by end-2000.
Consolidate government finances by: ➢ Reducing the budget deficit to 4 percent of GDP in 1998, 3.1 percent in 1999 and 3½ percent in 2000; ➢ Improving the structure of revenues and expenditures; and ➢ Reducing and streamlining import tariffs.	**The budget deficit** (excluding grants) was reduced from 11½ percent of GDP in 1996/97 to 4¾ percent in 1999, while the basic primary surplus, averaged about 5 percent of GDP during 1998-99 compared with 3 percent in 1995/96. **Total expenditure and net lending** was reduced from 31 percent of GDP in 1996/97 to an average of 23 percent during 1998-99. Expenditure also shifted toward **capital expenditure.** Despite a reduction in the maximum tariff rate from 90 percent to 18 percent in August 2000, the **revenue-to-GDP ratio** is projected to increase to about 20 percent in 2000 from 18½ percent in 1998.

THE GAMBIA: JUSTIFICATION FOR EXPENDITURE IN THE CONTINGENCY BUDGET FOR 2001

- **Education:** expand basic education through (1) construction of classrooms, (2) provision of girls' scholarship in the high poverty level regions, (3) the strengthening of the linkages between formal and non-formal education, and (4) the hiring of sufficient number of qualified teachers.
- **Health:** strengthening child immunization program, including vaccine supplies and other consumables required to expand the program; targeting maternal and child health problems; provision of essential supplies of drugs and vaccines; and replacement of the ambulance fleet in the rural areas.
- **Agriculture:** since agriculture is the dominant economic activity in the rural areas, poverty reduction strategies must target the development of this sector through research and diversification, to reduce reliance on rain-fed-and subsistence farming.
- **Artisanal fishing:** Fisheries resources in the inland area are under-exploited and constitute a great potential for providing employment for the rural youths and enhance the income level of the rural poor.
- **Forestry:** activities entail nursery development, national tree planting and community forest management and protection. This is expected to encourage community ownership and management of forest resources, restoration of forest cover and provision of an alternative and additional source of income for the rural poor.
- **Water resources:** the construction of drilled and hand-dug wells: 30 hand-pump systems for drilled wells, 60 hand-pump systems for hand dug wells and 50 superstructures for the implementation of the project for construction of rural water supply facilities.

THE GAMBIA: PAST REFORMS AND FUTURE MILESTONES

1. **Agriculture**

   a. Reforms
   - Removal of all subsidies on fertilizers and other inputs (1992).
   - Privatization of the groundnut processing facilities(1993).
   - Disengagement of government from the producer price-setting mechanism for groundnuts (1999).

   b. Future Milestones
   - Complete cold storage facilities for fish at Tanji
   - Final settlement of the GGC expropriation dispute
   - Establishment of groundnut marketing arrangement.

2. **Energy, Water and Sanitation**

   a. Reforms
   - Development of a strategy for the energy sector.(2000)

   b. Future Milestones
   - Implement joint venture between ESKOM and NAWEC.
   - Eliminate monopolies or oligopolies in energy distribution (fuel and wood), and generation (electricity).
   - Rural electrification.

3. **Health**

   a. Reforms
   - Establishment of the National Nutrition Agency. (1999)

   b. Future Milestones
   - Develop a new health sector strategy.

4. **Education**

   a. Reforms
   - Implementation of the recommendations of the 1998 PER. (1998)

   b. Future Milestones
   - Maintain good performance in the education sector (i.e. increase pupil/teacher ratio to 1/45; increase the number of qualified teachers; increase female enrollment at the College of The Gambia to 40 percent; improve further classroom capacity; increase enrollment rate of girls)

5. **Private Sector / Trade / Financial Sector**

a. Reforms

- Streamlining the number of import tariff bands. (1999)
- Privatization of Atlantic Hotel and Trust Bank Building. (1999-2000)
- Elimination of interest rate controls. (1999)
- Reduction of non-performing loans as part of commercial banks' portfolios. (2000)
- Enacting an investment code. (2000)

b. Future Milestones

- Implement liquidity forecasting system
- Introduce reforms in the T-bill auction system with new book-entry system, including weekly auctions.
- Introduce foreign currency deposits at commercial banks
- Pass Divestiture Agency Bill and Regulatory Agency Bill
- Deregulate the telecommunications sector
- Establish a free trade zone at the port and the airport.

6. **Fiscal Reforms and Public Administration**

a. Reforms

- Settlement of all domestic arrears (2000).
- Strengthening expenditure controls and monitoring, including measures to streamline the use below-the-line accounts (1999 and 2000).
- Reconciliation of the Accountant General's balances from September 1997 to December 31, 1999 with those of the Central Bank (2000).
- Completion of a comprehensive survey of government arrears (1999).
- Establishment of a commercial chamber in the High Court, and increase the number of magistrates by 50 percent.
- Implementation of ASYCUDA customs data system.

b. Future Milestones

- Reduce the stock of domestic debt.
- Computerization of the Accountant General's Office.
- Timely preparation of government accounts for auditing.
- Audited government accounts to the most recent date; the audited accounts were for 1991/92.
- Establish a comprehensive accounting framework for tracking of public expenditure targeted at poverty reduction, including those funded under the Enhanced HIPC Initiative.
- Establish procedure for real-time reconciliation of government accounts with the accounts of the Central Bank.
- Computerization of tax administration.
- Strengthen human resources for fiscal management and tracking of poverty-related expenditures.

THE GAMBIA: DEBT MANAGEMENT ISSUES

Public external debt is managed by the Directorate of Loans and Debt Management (DLDM) of the Department of State for Finance and Economic Affairs (DOSFEA), using the debt recording and management system developed by the Commonwealth Secretariat, commonly known as CS-DRMS. A consultant from the World Bank was stationed in The Gambia for a year providing debt management assistance to DLDM. New computer equipment has been acquired and installed in late 1999, which allows effective utilization of CS-DRMS. As a result, DLDM now has the most current version of CS-DRMS running and two staff members have been trained in using it.

The DLDM database does not cover external debt of public enterprises (PEs). However, in terms of coverage of public external debt, the database is sufficiently comprehensive, except for a small number of loans, which were not yet entered into the system, mainly those without interest payments and still within their grace periods. DLDM expects to receive technical assistance from the Commonwealth Secretariat on how to treat these types of loans in the CS-DRMS.

In total, more than 90 percent of The Gambia's debt is considered to be reconciled with creditor data. DLDM was able to produce detailed information on loan-by-loan basis, including the terms of the loans (effective date, interest rates, maturity, etc.), the amount disbursed and arrears. It turned out, however, that some of the arrears were recorded improperly, and they indeed were discrepancies between CS-DRMS calculations and actual payments. This is another area, in which technical assistance from the Commonwealth Secretariat is required.

The DLDM staff has gone through various training courses, including regional workshops on debt management. However, more training is still needed, especially in view of the imminent Paris Club rescheduling, and the additional difficulties it might generate.

Staff recommendations: The authorities agreed to the staff suggestion to extend the mandate of the DLDM to include the compilation of publicly guaranteed external debt, the contingent liability of the government, and the government domestic debt as part of the PRGF-supported program. Other staff recommendations include: (i) additional training of staff in debt management techniques, including techniques of debt analysis; and (ii) work with the Commonwealth Secretariat on how to properly include remaining loans into the debt database, and on other outstanding issues.

Table 1. The Gambia: Selected Economic and Financial Indicators, 1997-2003

	1997	1998	1999		2000	2000	2001	2002	2003
						Rev.	Rev.	Rev.	Rev.
	Est.	Est.	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Proj.
	(Annual percentage changes, unless otherwise indicated)								
National income and prices									
GDP at constant prices	4.9	3.5	4.2	6.4	4.9	5.3	5.5	5.6	5.6
GDP deflator	2.6	2.5	2.3	4.4	3.5	3.4	2.7	2.5	2.5
Consumer price index (period average)	2.8	1.1	2.5	3.8	2.5	3.4	2.5	2.5	2.5
Consumer price index (end of period)	0.3	4.8	2.0	1.7	2.5	2.7	2.5	2.5	2.5
External sector									
Exports, f.o.b. (in SDRs)	-0.5	21.5	7.2	-8.3	12.7	8.3	18.0	6.2	5.2
Imports, f.o.b. (in SDRs)	-5.3	19.4	6.6	-7.4	8.1	5.7	14.3	3.4	4.7
Export volume (excluding reexports)	-26.2	55.5	10.0	-10.7	7.1	20.0	10.3	5.8	5.6
Import volume (excluding imports for reexport)	-7.6	18.7	2.8	-11.9	4.8	0.5	13.3	1.9	3.8
Terms of trade 1/	10.8	-0.1	-13.0	-19.8	-0.2	-1.1	5.7	2.7	1.0
Nominal effective exchange rate (period average)	3.0	-1.2	...	-5.0	...	...	...	...	...
Real effective exchange rate (period average)	4.7	-1.6	...	-2.3	...	...	...	...	...
Government budget									
Domestic revenue	11.1	4.0	11.1	5.7	20.7	22.2	9.5	8.7	8.2
Total expenditure and net lending	-6.3	-8.5	4.2	8.7	37.8	12.8	8.9	7.3	6.2
Current expenditure	15.8	0.7	4.0	10.9	-0.5	8.7	3.3	3.5	2.8
Development expenditure and net lending	-35.9	-30.5	5.2	1.1	35.4	28.5	27.2	17.3	14.0
Money and credit									
Net domestic assets 2/	15.9	-1.9	6.2	8.7	4.4	11.2	6.7	2.9	2.3
Credit to the government 2/	2.4	-1.7	0.7	5.4	-2.7	-2.7	-2.4	-0.8	-6.9
Credit to the private sector 2/3/	9.9	5.6	5.5	8.2	7.1	4.7	9.1	3.7	9.2
Broad money	22.3	10.2	14.0	12.1	12.3	17.3	8.4	8.3	8.3
Velocity (GDP relative to broad money)	3.5	3.4	3.2	3.3	3.3	3.1	3.1	3.1	3.1
Treasury bill rate (in percent; end of period)	16.0	14.0	...	12.5	...	...	...	...	...
	(In percent of GDP)								
Gross domestic investment and savings									
Gross investment	17.2	18.4	17.8	17.8	18.9	19.1	20.2	21.4	21.5
Government	8.4	5.9	5.7	5.3	6.6	6.4	7.2	7.7	8.0
Private 3/	8.8	12.5	12.1	12.5	12.3	12.7	13.0	13.7	13.5
Gross domestic savings	7.1	7.5	7.4	7.9	8.8	8.4	10.3	12.8	13.2
Gross national savings	13.5	14.5	14.0	13.5	17.7	16.0	15.2	17.8	18.2
Central government budget									
Surplus or deficit (-), excluding grants 4/	-7.8	-4.4	-3.1	-4.8	-2.6	-3.5	-3.4	-3.1	-2.7
Surplus or deficit (-), including grants 4/	-6.5	-2.4	-1.7	-3.5	-1.1	-1.1	-1.1	-0.9	-0.4
Basic primary balance	4.9	5.6	6.6	4.6	7.3	6.6	6.9	7.4	7.7
Current balance	0.1	0.7	2.0	-0.2	3.3	2.0	3.1	3.9	4.7
Revenue	19.1	18.8	19.6	17.8	19.7	20.0	20.3	20.3	20.3
Net foreign financing	4.1	1.2	0.9	0.6	2.0	2.0	1.9	2.1	2.6
Net domestic financing	1.5	1.8	0.6	3.3	-0.9	0.3	0.6	-0.9	-2.0
External sector									
Current account balance									
Excluding official transfers	-10.6	-11.6	-10.8	-11.5	-10.2	-12.3	-11.9	-10.4	-9.9
Including official transfers	-3.7	-3.0	-3.8	-4.3	-1.1	-4.0	-4.2	-3.6	-3.3
External debt outstanding, including Fund 5/	104.4	103.3	104.1	98.4	109.2	102.3	100.6	97.6	94.9
	(In millions of SDRs, unless otherwise indicated)								
Current account balance									
Excluding official transfers	-31.4	-35.6	-32.9	-36.4	-32.0	-38.5	-39.5	-36.2	-36.3
Including official transfers	-11.0	-9.3	-11.8	-13.5	-3.6	-12.7	-13.6	-12.5	-12.0
Overall balance of payments	4.7	7.1	6.6	2.3	1.8	-1.8	-8.3	1.5	3.3
Gross official reserves (end of period)	69.6	75.4	82.4	78.1	89.8	81.5	89.3	96.5	109.2
In months of imports, c.i.f.	5.6	5.1	5.3	5.8	6.0	5.6	5.4	5.6	6.1
Over the next 12 months	4.7	4.8	5.0	5.4	5.4	4.9	5.2	5.4	5.8
Plus all other services payments	3.9	3.9	4.2	4.5	4.5	4.1	4.4	4.5	4.9
As a share of short-term debt 6/	5.7	4.9	5.8	5.3	6.8	3.7	2.5	2.1	1.6

Sources: The Gambian authorities; and staff estimates and projections.

1/ Fiscal and gross domestic investment and savings figures have been revise

2/ In percent of broad money at the beginning of the period.

3/ Includes public enterprises.

4/ On a commitment basis.

5/ Before traditional debt relief mechanisms and enhanced HIPC assistance.

6/ Only includes principal on public external debt.

Table 2. The Gambia: Net Present Value (NPV) of External Debt Outstanding at End-1999 and Enhanced HIPC Assistance by Creditor Group

	Debt before Rescheduling 1/				Debt after Rescheduling 2/		Enhanced HIPC
	Nominal Debt		NPV of Debt		NPV of Debt		Initiative Assistance
	US$ millions	Percent of total	US$ millions	Percent of total	US$ millions	Percent of total	NPV terms
Total	452.6	100.0	258.1	100.0	244.9	100.0	66.6
Multilaterals	356.2	78.7	180.9	70.1	180.8	73.8	49.2
African Development Bank	4.5	1.0	4.3	1.6	4.3	1.7	1.2
African Development Fund	117.9	26.0	53.6	20.8	53.6	21.9	14.6
BADEA	3.6	0.8	3.0	1.2	3.0	1.2	0.8
Economic Community of West African State	0.8	0.2	0.8	0.3	0.8	0.3	0.2
European Union/Commision	8.7	1.9	6.7	2.6	6.7	2.7	1.8
IDA	172.7	38.2	81.9	31.8	81.9	33.4	22.3
IMF	11.3	2.5	8.3	3.2	8.3	3.4	2.3
International Fund for Agricultural Development	18.0	4.0	9.2	3.6	9.2	3.8	2.5
Islamic Development Bank	14.7	3.2	9.9	3.8	9.9	4.1	2.7
Nigerian Trust Fund	0.3	0.1	0.3	0.1	0.3	0.1	0.1
OPEC Fund	3.7	0.8	2.9	1.1	2.9	1.2	0.8
Bilateral creditors	96.4	21.3	77.2	29.9	64.0	26.2	17.4
Paris Club	27.5	6.1	23.7	9.2	17.6	7.2	4.8
Post-cutoff date	17.8	3.9	14.2	5.5	14.2	5.8	3.9
of which: ODA	-	-	-	-	-	-	-
Pre-cutoff date	9.7	2.1	9.5	3.7	3.4	1.4	0.9
of which: ODA	1.3	0.3	1.0	0.4	0.6	0.3	0.2
Austria	10.9	2.4	7.9	3.1	7.9	3.2	2.2
France	6.9	1.5	5.9	2.3	5.5	2.2	1.5
Netherlands	1.3	0.3	1.4	0.5	1.4	0.6	0.4
Norway	8.3	1.8	8.4	3.3	2.8	1.1	0.8
Non-Paris Club	68.9	15.2	53.5	20.7	46.4	19.0	12.6
Post-cutoff date	56.1	12.4	43.1	16.7	43.1	17.6	11.7
of which: ODA	52.1	11.5	40.1	15.5	40.1	16.4	10.9
Pre-cutoff date	12.8	2.8	10.4	4.0	3.4	1.4	0.9
of which: ODA	12.8	2.8	10.4	4.0	3.4	1.4	0.9
China	17.7	3.9	13.0	5.1	8.3	3.4	2.3
Kuwaiti Fund for Development and Agriculture	6.9	1.5	5.8	2.2	4.3	1.7	1.2
Libya	4.5	1.0	3.2	1.2	3.2	1.3	0.9
Saudi Development Fund	4.7	1.0	3.2	1.2	2.4	1.0	0.6
Taiwan, Province of China	35.0	7.7	28.4	11.0	28.4	11.6	7.7

Sources: Gambian authorities; and staff estimates.

1/ Before full use of traditional debt relief mechanisms.
2/ After full use of traditional debt relief mechanisms and comparable treatment by Non-Paris Club official bilateral and commercial creditors.

Table 3. The Gambia: Net Present Value of External Debt Before and After Reschedulings, 1999-2019 1/

(In millions of U.S. dollars, unless otherwise indicated)

		Projected																				Average	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2000-09	2010-2019
Before debt relief																							
1. NPV of total debt (2+5)	258.0	264.6	270.6	272.3	276.0	279.7	283.8	287.3	289.5	291.9	294.9	299.1	306.1	315.3	324.5	333.8	343.1	354.9	366.9	379.1	391.4	281.1	341.4
2. NPV of existing debt (3+4)	258.0	252.8	245.2	237.9	231.6	224.3	216.5	208.8	201.0	192.8	184.6	177.0	169.9	162.9	155.6	147.8	139.7	133.8	127.7	121.4	114.9	219.6	145.1
3. Official bilateral	77.2	74.7	68.3	62.1	56.8	51.5	46.5	42.1	38.2	34.1	29.9	26.2	23.2	20.3	17.3	14.3	11.3	10.5	9.6	8.9	8.2	50.4	15.0
Paris Club	23.7	21.7	19.5	18.0	16.5	15.2	14.2	13.7	13.1	12.5	12.0	11.4	10.7	10.1	9.4	8.8	8.2	7.6	7.0	6.5	6.0	15.7	8.6
Other official bilateral creditors	53.5	53.0	48.8	44.1	40.3	36.3	32.3	28.4	25.1	21.6	17.9	14.9	12.5	10.2	7.9	5.5	3.1	2.9	2.7	2.5	2.2	34.8	6.4
4. Multilateral	180.8	178.1	176.9	175.8	174.8	172.8	169.9	166.7	162.8	158.7	154.7	150.8	146.7	142.6	138.2	133.5	128.4	123.4	118.0	112.5	106.7	169.1	130.1
5. NPV of new debt	0.0	11.7	25.5	34.4	44.4	55.4	67.4	78.5	88.5	99.1	110.3	122.1	136.1	152.4	169.0	186.0	203.3	221.1	239.2	257.7	276.6	61.5	196.3
					4.9	3.4	2.2	1.5	0.8	0.0	-0.8	-1.0	-1.2										
Memorandum items:																							
Exports of goods and nonfactor services 2/	118.0	121.6	142.4	152.6	161.7	171.5	181.9	192.7	206.7	220.2	232.2	245.0	258.5	272.9	288.4	304.7	322.1	340.5	360.0	380.7	402.6	178.3	317.5
Three-year export average 3/	118.8	122.4	127.3	138.9	152.2	161.9	171.7	182.0	193.8	206.5	219.7	232.5	245.2	258.8	273.3	288.7	305.1	322.5	340.9	360.4	381.1	167.6	300.8
Government revenues (excl. grants) 4/	77.8	85.2	91.2	96.8	102.8	108.2	113.9	118.6	125.5	132.5	140.0	147.0	154.1	162.3	171.2	180.1	189.9	200.4	211.5	223.3	235.7	111.5	187.6
NPV of total debt-to-exports ratio (in percent) 5/	217.1	216.1	212.6	196.1	181.3	172.8	165.3	157.8	149.4	141.3	134.2	128.7	124.8	121.8	118.8	115.6	112.5	110.1	107.6	105.2	102.7	172.7	114.8
NPV of existing debt-to-exports ratio (in percent) 5/	217.1	206.5	192.6	171.3	152.2	138.6	126.1	114.7	103.7	93.4	84.0	76.1	69.3	63.0	56.9	51.2	45.8	41.5	37.5	33.7	30.1	138.3	50.5
NPV of Pre-cut-off data ODA	14.1	11.9	9.8	7.7	6.6	5.5	4.5	3.8	3.1	0.4	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	0.1
NPV of total debt-to-revenues ratio (in percent)	331.7	310.5	296.8	281.3	268.5	258.5	249.1	242.3	230.7	220.3	210.7	203.5	198.6	194.2	189.6	185.4	180.6	177.1	173.5	169.8	166.1	256.9	183.8
After traditional debt relief mechanisms 6/																							
1. NPV of total debt (2+5) 7/	244.9	253.7	262.0	266.1	271.1	276.3	281.7	285.8	288.7	291.9	295.7	300.2	307.3	316.7	326.2	335.6	345.0	356.8	368.7	380.8	392.9	277.3	343.0
2. NPV of existing debt (3+4)	244.9	242.0	236.6	231.7	226.8	220.9	214.3	207.3	200.2	192.8	185.4	178.0	171.2	164.4	157.2	149.7	141.7	135.7	129.5	123.1	116.4	215.8	146.7
3. Official bilateral	64.0	63.8	59.7	55.9	51.9	48.1	44.4	40.6	37.4	34.1	30.7	27.2	24.5	21.8	19.0	16.2	13.2	12.4	11.4	10.6	9.7	46.7	16.6
4. Multilateral	180.8	178.1	176.9	175.8	174.8	172.8	169.9	166.7	162.8	158.7	154.7	150.8	146.7	142.6	138.2	133.5	128.4	123.4	118.0	112.5	106.7	169.1	130.1
5. NPV of new debt	0.0	11.7	25.5	34.4	44.4	55.4	67.4	78.5	88.5	99.1	110.3	122.1	136.1	152.4	169.0	186.0	203.3	221.1	239.2	257.7	276.6	61.5	196.3
Memorandum items:																							
NPV of total debt-to-exports ratio (in percent) 5/	206.1	207.2	205.8	191.6	178.1	170.6	164.1	157.0	149.0	141.3	134.6	129.1	125.3	122.4	119.4	116.3	113.1	110.7	108.2	105.7	103.1	169.9	115.3
NPV of existing debt-to-exports ratio (in percent) 5/	206.1	197.6	185.8	166.8	149.0	136.4	124.8	113.9	103.3	93.4	84.4	76.6	69.8	63.5	57.5	51.8	46.4	42.1	38.0	34.2	30.5	135.5	51.0
NPV of total debt revenues ratio (in percent)	314.9	297.7	287.3	274.8	263.8	255.3	247.2	241.0	230.1	220.3	211.2	204.2	199.4	195.1	190.6	186.4	181.6	178.0	174.3	170.6	166.7	252.9	184.7
NPV of existing debt-to-revenues ratio (in percent)	314.9	283.9	259.4	239.3	220.6	204.2	188.1	174.8	159.6	145.5	132.4	121.1	111.1	101.3	91.8	83.1	74.6	67.7	61.2	55.1	49.4	200.8	81.6
After enhanced HIPC Initiative assistance 8/																							
1. NPV of total debt (2+5)	244.9	246.2	257.7	201.8	214.6	228.0	241.7	254.5	266.2	278.1	290.4	301.4	314.3	329.2	341.1	352.7	364.2	375.8	387.3	398.6	409.8	247.9	357.4
2. NPV of existing debt (3+4)	244.9	234.4	232.2	167.4	170.3	172.6	174.3	176.0	177.7	179.0	180.1	179.3	178.2	176.9	172.1	166.7	160.9	154.7	148.1	141.0	133.2	186.4	161.1
3. Official bilateral	64.0	63.8	59.1	37.0	37.1	37.2	37.3	37.3	37.3	37.2	37.0	36.8	36.4	35.8	35.2	34.2	33.2	31.9	30.4	28.5	26.4	42.0	32.9
Paris Club	17.6	16.3	14.0	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.3	8.1	8.0	7.8	7.5	7.2	6.8	6.3	5.7	9.8	7.4
Other official bilateral creditors	46.4	47.6	45.1	28.6	28.7	28.8	28.8	28.8	28.8	28.7	28.6	28.4	28.1	27.7	27.2	26.5	25.7	24.7	23.6	22.2	20.7	32.3	25.5
4. Multilateral	180.8	170.6	173.1	130.4	133.1	135.4	137.0	138.7	140.4	141.8	143.1	142.5	141.8	141.0	137.0	132.5	127.7	122.8	117.7	112.4	106.8	144.4	128.2
5. NPV of new debt	0.0	11.7	25.5	34.4	44.4	55.4	67.4	78.5	88.5	99.1	110.3	122.1	136.1	152.4	169.0	186.0	203.3	221.1	239.2	257.7	276.6	61.5	196.3
Memorandum items:																							
NPV of total debt-to-exports ratio 5/	206.1	201.1	202.4	145.3	141.0	140.8	140.8	139.8	137.4	134.6	132.2	129.6	128.2	127.2	124.8	122.2	119.4	116.5	113.6	110.6	107.5	151.5	120.0
NPV of existing debt-to-exports ratio (in percent) 5/	206.1	191.5	182.4	120.5	111.9	106.6	101.5	96.7	91.7	86.7	82.0	77.1	72.7	68.3	63.0	57.8	52.7	48.0	43.4	39.1	35.0	117.1	55.7
NPV of total debt-to-revenues ratio (in percent)	314.9	297.7	287.3	274.8	263.8	255.3	247.2	241.0	230.1	220.3	211.2	204.2	199.4	195.1	190.6	186.4	181.6	178.0	174.3	170.6	166.7	252.9	184.7
NPV of existing debt-to-revenues ratio (in percent)	314.9	283.9	259.4	239.3	220.6	204.2	188.1	174.8	159.6	145.5	132.4	121.1	111.1	101.3	91.8	83.1	74.6	67.7	61.2	55.1	49.4	200.8	81.6
After enhanced HIPC Initiative (assumed committed unconditionaly) 9/																							
1. NPV of total debt (2+5)	178.2	184.8	197.1	201.8	214.6	228.0	241.7	254.5	266.2	278.1	290.4	301.4	314.3	329.2	341.1	352.7	364.2	375.8	387.3	398.6	409.8	235.7	357.4
2. NPV of existing debt (3+4)	178.2	173.1	171.7	167.4	170.3	172.6	174.3	176.0	177.7	179.0	180.1	179.3	178.2	176.9	172.1	166.7	160.9	154.7	148.1	141.0	133.2	174.2	161.1
3. Official bilateral	46.6	43.4	41.8	37.0	37.1	37.2	37.3	37.3	37.3	37.2	37.0	36.8	36.4	35.8	35.2	34.2	33.2	31.9	30.4	28.5	26.4	38.3	32.9
Paris Club	12.8	11.4	10.6	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.3	8.1	8.0	7.8	7.5	7.2	6.8	6.3	5.7	9.0	7.4
Other official bilateral creditors	33.8	32.0	31.2	28.6	28.7	28.8	28.8	28.8	28.8	28.7	28.6	28.4	28.1	27.7	27.2	26.5	25.7	24.7	23.6	22.2	20.7	29.3	25.5
4. Multilateral	131.6	129.7	129.9	130.4	133.1	135.4	137.0	138.7	140.4	141.8	143.1	142.5	141.8	141.0	137.0	132.5	127.7	122.8	117.7	112.4	106.8	135.9	128.2
5. NPV of new debt	0.0	11.7	25.5	34.4	44.4	55.4	67.4	78.5	88.5	99.1	110.3	122.1	136.1	152.4	169.0	186.0	203.3	221.1	239.2	257.7	276.6	61.5	196.3
Memorandum items:																							
NPV of total debt-to-exports ratio 5/	150.0	151.0	154.8	145.3	141.0	140.8	140.8	139.8	137.4	134.6	132.2	129.6	128.2	127.2	124.8	122.2	119.4	116.5	113.6	110.6	107.5	141.8	120.0
NPV of existing debt-to-exports ratio (in percent) 5/	150.0	191.5	182.4	120.5	111.9	106.6	101.5	96.7	91.7	86.7	82.0	77.1	72.7	68.3	63.0	57.8	52.7	48.0	43.4	39.1	35.0	117.1	55.7
NPV of total debt-to-revenues ratio (in percent)	314.9	288.9	282.6	208.4	208.8	210.7	212.1	214.6	212.1	209.9	207.5	205.0	204.0	202.8	199.3	195.9	191.8	187.5	183.1	178.6	173.8	225.6	192.2
NPV of existing debt-to-revenues ratio (in percent)	314.9	275.1	254.6	172.8	165.7	159.5	153.0	148.4	141.6	135.1	128.7	122.0	115.6	108.9	100.6	92.6	84.7	77.2	70.0	63.1	56.5	173.4	89.1

Sources: The Gambian authorities; and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only. Existing debt is as of December 31, 1999.

2/ As defined in IMF, *Balance of Payments Manual*(5th ed.), 1993.

3/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).

4/ Revenues are defined as central government revenues, excluding grants.

5/ NPV of debt in percent of three-year average of exports of goods and services.

6/ Assumes full use of traditional debt-relief mechanisms, i.e., a Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-December 1999, and at least comparable action by other official bilateral and commercial creditors.

7/ Discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to end-December 1999. The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the December 1999 exchange rate.

8/ The completion point is assumed to be reached in December 2002; HIPC Initiative assistance is assumed to be committed and delivered unconditionally thereafter. The NPV of debt for 2000 and 2001 shows only the effect of interim assistance.

9/ The NPV of debt for 2000 and 2001 shows not only the impact of all interim relief, but also the impact of relief assumed to be delivered after the completion point (assumed to be in December 2002).

Table 4. The Gambia: Discount Rate and Exchange Rate Assumptions 1/

	Discount Rates 1/ 2/ (In percent per annum)	Exchange Rates 2/ (Currency per U.S. dollar)
Currency		
Belgian Franc	5.47	40.16
Canadian Dollar	6.67	1.44
CFA Franc 3/	5.47	652.95
Chinese Yuan	5.59	8.28
Danish Kroner	5.32	7.40
Deutsche Mark	5.47	1.95
Domestic Currency: Dalasi	5.59	13.00
Euro	5.47	1.00
Finnish Markaa	5.47	5.92
French Franc	5.47	6.53
Great Britain Sterling	6.70	0.62
Irish Punt	5.47	0.78
Italian Lira	5.47	1927.40
Japanese Yen	1.98	102.20
Kuwaiti Dinar	5.59	0.30
Libyan Dinar	5.59	0.46
Luxembourg Franc	5.47	40.16
Netherland Guilders	5.47	2.19
Norwegian Kroner	6.64	8.04
Portuguese Escudo	5.47	199.56
Saudi Arabia Ryal	5.59	3.75
Spanish Peseta	5.47	165.62
Special Drawing Rights	5.59	0.73
Swedish Kroner	5.80	8.53
Swiss Franc	4.27	1.60
United Arab Emirates Dhirams	5.59	3.67
United States Dollar	7.04	1.00
Memorandum Item:		
Paris Club cut-off date: July 1 1986		

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average Commercial Interest Reference Rates (CIRRs) for the respective currencies over the six-month period ending December 1999.
2/ For all currencies for which the CIRRs are not available - with the exception of the CFA Franc - the SDR discount rate is used as the proxy.
3/ For the CFA Franc, the French Franc CIRRs is used as a proxy.

Table 5. The Gambia: Main Assumptions of Macroeconomic Framework, 1997-2019
(In percent of GDP, unless otherwise indicated)

				Est.				Proj.				Average	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-2008	2009-2019
Economic growth and inflation													
Real GDP (percentage change)	4.9	3.5	6.4	5.3	5.5	5.6	5.6	5.7	5.7	5.7	5.7	5.5	5.7
Real GDP per capita (percentage change)	1.9	0.5	3.3	2.2	2.4	2.5	2.5	2.6	2.6	2.7	2.6	2.4	2.7
GDP deflator (percentage change)	2.5	2.1	4.6	3.4	2.7	2.5	2.5	2.1	1.7	1.7	1.7	2.4	1.7
National accounts													
Gross domestic investment	17.2	18.4	17.8	19.1	20.2	21.4	21.5	22.2	23.4	23.9	24.1	21.5	24.2
of which: private	8.8	12.5	12.5	12.7	13.0	13.7	13.5	14.1	15.0	15.5	15.5	14.0	17.5
Gross national savings	13.5	14.5	13.5	16.0	15.2	17.8	18.2	19.3	20.6	21.3	21.5	18.1	21.0
Government revenue	19.1	18.8	17.8	20.0	20.3	20.3	20.3	20.2	20.2	20.1	20.2	19.8	20.1
Government expenditures	26.9	23.2	22.6	23.5	23.7	23.5	23.0	22.7	22.7	22.6	22.7	23.0	22.2
Overall government balance 1/	-7.8	-4.4	-4.8	-3.5	-3.4	-3.1	-2.7	-2.5	-2.5	-2.5	-2.5	-3.1	-2.1
Balance of payments													
Exports of good and services	30.7	34.4	27.1	28.6	31.6	32.0	32.0	32.1	32.3	32.6	33.2	31.8	33.9
Imports of goods and services	-39.1	-39.4	-40.5	-36.3	-36.7	-39.7	-38.5	-38.2	-37.8	-37.7	-37.2	-38.2	-39.9
Current account balance, incl. off. trans.	-3.0	-3.8	-4.3	-4.0	-4.2	-3.6	-3.3	-2.7	-2.4	-2.0	-1.9	-3.1	-2.1
Current account balance, excl. off. trans.	-10.4	-11.0	-11.5	-12.3	-11.9	-10.4	-9.9	-9.1	-8.7	-8.2	-7.9	-9.9	-8.2
Gross official reserves (in months of imports) 2/	5.1	5.3	5.8	5.6	5.4	5.6	6.1	6.5	7.0	7.5	7.9	6.5	8.8
Exports volume growth (percentage change) 3/	-2.4	21.4	-9.0	8.8	14.8	5.1	4.8	4.6	4.7	5.1	5.4	6.5	5.8
Imports volume growth (percentage change) 3/	-4.5	21.1	-12.3	5.7	12.9	5.1	4.9	3.2	4.0	3.7	5.5	5.4	5.5
Terms of Trade (percentage change)	2.9	1.5	-4.6	-0.5	2.0	3.6	1.6	0.1	0.2	0.1	0.1	0.4	0.1

Sources: The Gambian authorities; and staff estimates and projections.

1/ Overall fiscal budget deficit, commitment basis, excluding grants.
2/ Imports of goods and nonfactor services (excluding remittances and other services).
3/ Total merchandise exports (imports).

Table 6. The Gambia: Balance of Payments, 1999-2019

(In millions of USDs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2014	2019	2000-09	2010-19
	Prel.							Proj.							Averages	
Trade balance	-73.9	-73.6	-79.7	-[illegible]8.8	-82.1	-83.6	-86.2	-87.4	-93.2	-98.4	-103.9	-109.8	-136.5	-178.7	-86.7	-141.9
Exports, f.o.b.	121.2	128.8	152.4	162.7	172.3	183.3	194.6	207.1	221.1	236.7	253.4	271.2	357.6	506.4	191.2	377.8
Groundnuts/groundnut products	10.0	12.9	15.7	7.0	17.4	18.1	18.8	19.4	20.5	21.4	22.4	23.4	28.9	38.5	18.4	30.2
Other domestic exports	6.0	6.7	7.3	8.0	8.7	9.4	10.2	11.1	11.9	12.9	13.9	15.0	20.4	29.9	10.0	21.7
Reexports	105.2	109.2	129.3	137.8	146.1	155.7	165.5	176.7	188.6	202.4	217.1	232.9	308.3	438.0	162.8	325.9
Imports, f.o.b	-195.1	-202.4	-232.1	-241.5	-254.4	-266.8	-280.8	-294.5	-314.3	-335.1	-357.3	-381.1	-494.1	-685.0	-277.9	-519.7
For domestic use	-126.7	-131.5	-150.2	-1[illegible]4.3	-161.9	-168.3	-176.0	-182.7	-194.9	-207.0	-219.9	-233.7	-299.0	-407.8	-174.7	-313.4
Of which: oil products	-16.0	-18.5	-17.7	-[illegible]6.4	-15.8	-16.7	-17.4	-18.0	-19.3	-20.7	-22.2	-23.8	-31.3	-44.0	-18.3	-33.0
For reexport	-68.4	-70.9	-81.9	-97.2	-92.5	-98.6	-104.7	-111.8	-119.4	-128.1	-137.4	-147.4	-195.1	-277.2	-103.2	-206.3
Factor service (net)	-6.9	-6.3	-7.5	7.1	-6.9	-6.4	-5.9	-5.4	-4.7	-4.0	-3.2	-2.1	1.9	3.2	-5.7	1.5
Nonfact. service balance	7.3	9.6	15.0	16.8	18.5	19.2	20.3	20.8	24.2	26.9	27.3	28.2	31.4	34.1	19.9	31.5
Of which: Travel income	64.3	60.9	72.4	77.6	82.7	88.2	94.0	100.1	108.3	115.9	121.5	127.4	154.1	195.7	92.2	159.3
Private unrequited transfers (net)	20.5	18.3	13.6	14.4	15.1	15.9	16.4	16.9	17.5	18.1	18.7	19.4	22.2	26.5	16.5	22.8
Official unrequited transfers (net)	31.5	35.0	25.7	23.6	24.3	24.9	25.6	26.3	27.0	27.7	35.5	36.2	39.5	44.2	27.6	40.1
Current account balance																
excluding official transfers	-50.2	-52.1	-53.7	-49.4	-49.8	-48.9	-49.1	-48.5	-49.4	-50.4	-53.9	-56.8	-72.4	-104.5	-50.5	-77.3
including official transfers	-18.7	-17.2	-18.8	-17.1	-16.5	-14.5	-13.6	-12.0	-12.0	-11.9	-4.7	-6.6	-17.6	-43.2	-13.8	-21.7
Capital account	21.9	14.7	6.2	19.1	21.0	21.1	25.4	29.5	33.0	33.9	34.3	35.5	39.9	46.6	23.8	41.2
Official loans (net)	4.3	5.2	-2.7	4.9	12.0	13.8	16.1	17.7	19.0	19.6	19.7	20.7	23.1	27.3	12.9	24.2
Project-related	13.8	16.9	21.7	23.3	27.2	29.2	30.8	32.4	33.4	34.4	35.4	36.5	41.0	47.6	28.7	41.8
Amortizations	-9.5	-11.7	-24.4	-18.4	-15.1	-15.5	-14.8	-14.7	-14.4	-14.8	-15.7	-15.8	-17.9	-20.3	-15.8	-17.6
Private Capital inflow	17.6	9.5	9.0	10.2	9.0	7.3	9.4	11.8	14.0	14.4	14.6	14.8	16.8	19.3	10.9	17.0
Foreign direct investment (net)	7.4	3.3	5.9	7.5	8.7	9.5	9.9	9.5	9.4	9.1	8.7	8.4	7.3	4.4	8.2	6.8
Commercial Loans (net)	-1.1	-1.2	-1.2	-1.9	-1.9	-1.9	-1.9	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	0.0
Short-term capital (net) 1/	0.1	1.8	-3.5	-1.7	-6.5	-9.3	-8.1	-6.0	-6.0	-6.1	-6.3	-6.5	-7.3	-8.4	-5.4	-7.4
Suppliers' Credits	11.2	5.7	7.9	8.2	8.6	9.1	9.5	10.0	10.7	11.4	12.1	12.9	16.8	23.2	9.3	17.6
Overall balance	3.2	-2.5	-12.6	2.0	4.5	6.6	11.8	17.5	21.0	22.0	29.6	29.0	22.2	3.3	10.0	19.5
Financing	-3.2	2.5	12.6	-2.0	-4.5	-6.6	-11.8	-17.5	-21.0	-22.0	-29.6	-29.0	-22.2	-3.3	-10.0	-19.5
Change in gross official reserves (increase = -)	-3.7	-4.6	-10.6	-1.8	-17.4	-18.4	-21.5	-24.5	-26.1	-26.5	-34.5	-32.1	-23.0	-0.4	-19.4	-19.9
Repurchases/repayments (IMF)	-4.2	-2.2	-0.8	-1.5	-0.1	-1.0	-2.5	-4.4	-5.8	-5.8	-4.8	-3.3	0.0	0.0	-2.8	-0.5
Purchases/loans (IMF)	4.7	9.3	9.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0
London Club	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Relief	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow savings from enhanced HIPC initiative	0.0	0.0	6.7	7.0	12.9	12.8	12.2	11.4	10.9	10.3	9.7	6.5	0.8	-2.9	9.4	0.9
Financing gap	0.0	0.0	8.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0
Memorandum items:																
Current account balance (in percent of GDP)																
Excluding official transfers	-11.5	-12.3	-11.9	-10.4	-9.9	-9.1	-8.7	-8.2	-7.9	-7.7	-7.8	-7.8	-8.1	-8.9	-9.4	-8.2
Including official transfers	-4.3	-4.0	-4.2	-3.6	-3.3	-2.7	-2.4	-2.0	-1.9	-1.8	-0.7	-0.9	-2.0	-3.7	-2.7	-2.2
Gross official reserves (end of period)																
In millions of USDs	107.7	110.3	121.2	13[illegible].8	149.9	169.1	191.5	216.0	242.1	268.6	303.1	335.2	447.8	501.9	190.4	442.4
In months of imports, cif	5.8	5.6	5.4	[illegible].6	6.1	6.5	7.0	7.5	7.9	8.2	8.7	9.0	9.3	7.5	6.9	8.9
In months of imports, cif																
Over the next 12 months	5.4	4.9	5.2	[illegible].4	5.8	6.2	6.7	7.1	7.4	7.7	8.2	8.5	8.7	7.1	6.5	8.3
Plus all other services payments	4.5	4.1	4.4	[illegible].5	4.9	5.2	5.6	5.9	6.2	6.5	6.9	7.2	7.5	6.2	5.4	7.2
Nominal GDP (in millions of USDs)	435.6	425.2	450.2	476.1	505.8	534.8	563.5	591.0	622.6	656.2	691.4	728.7	899.3	1170.5	551.7	934.0
Nominal GDP (in millions of dalasis)	4922.2	5357.8	5805.9	628[illegible].0	6804.2	7337.2	7884.6	8474.8	9107.7	9790.2	10522.3	11311.8	15110.5	21714.9	7737.0	16011.3
Exchange rate (dalasis per SDR)	15.58	...	...	..	...	.	..	..	...	...	..	...	...	..	...	...
Exchange rate (US$ per SDR)	1.379	1.353	1.357	1.365	1.373	1.38	1.387	1.387	1.387	1.387	1.387	1.387	1.387	1.387		

Sources: The Gambian authorities; and staff estimates and projections.

1/ Including errors and omissions.

Table 7. The Gambia: External Debt indicators and Sensitivity Analysis, 1999-2019 1/

(In millions of U.S. dollars, unless otherwise specified)

			Proj.										Average	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2010	2014	2019	2000-09	2010-19
Base line BOP														
Net present value (NPV) of debt 2/	258.0	264.6	270.6	272.3	276.0	279.7	283.8	287.3	289.5	299.1	333.8	391.4	281.1	341.4
NPV of debt-to-government revenues 3/	331.7	310.5	296.8	281.3	268.5	258.5	249.1	242.3	230.7	203.5	185.4	166.1	256.9	183.8
NPV of debt-to-exports ratio 4/	217.1	216.1	212.6	196.1	181.3	172.8	165.3	157.8	149.4	128.7	115.6	102.7	172.7	114.8
NPV of debt after traditional debt relief 5/	244.9	253.7	262.0	266.1	271.1	276.3	281.7	285.8	288.7	300.2	335.6	392.9	277.3	343.0
NPV of debt-to-government revenues 3/	314.9	297.7	287.3	274.8	263.8	255.3	247.2	241.0	230.1	204.2	186.4	166.7	252.9	184.7
NPV of debt-to-exports ratio 4/	206.1	207.2	205.8	191.6	178.1	170.6	164.1	157.0	149.0	129.1	116.3	103.1	169.9	115.3
NPV of debt after enchanced HIPC initiative assistance 6/	244.9	246.2	257.7	201.8	214.6	228.0	241.7	254.5	266.2	301.4	352.7	409.8	247.9	357.4
NPV of debt-to-government revenues 3/	314.9	297.7	287.3	208.4	208.8	210.7	212.1	214.6	212.1	205.0	195.9	173.8	226.9	192.2
NPV of debt-to-exports ratio 4/	206.1	201.1	202.4	145.3	141.0	140.8	140.8	139.8	137.4	129.6	122.2	107.5	151.5	120.0
Sensitivity analysis														
Downside scenario														
NPV of debt after enhanced HIPC assistance relative to exports in case of: 4/														
-lower reexports 7/	206.1	202.6	206.1	149.6	145.8	146.1	146.5	145.9	143.7	136.7	130.5	116.9	156.6	128.3
-lower tourist arrivals 8/	206.1	207.6	219.4	165.0	162.2	162.5	163.0	162.3	159.9	152.0	143.9	127.3	171.4	141.3
Debt service after enhanced HIPC assistance relative to exports in case of:														
-Baseline scenario	13.3	14.1	14.0	12.7	11.9	11.8	11.5	12.0	12.1	10.4	8.1	7.0	12.3	8.0
-lower reexports 7/	13.3	14.5	14.4	13.1	12.4	12.3	12.0	12.5	12.7	11.0	8.6	7.7	12.7	8.6
-lower tourist arrivals 8/	13.3	15.6	16.1	14.6	13.8	13.7	13.3	13.9	14.1	12.2	9.5	8.3	14.1	9.5

Sources: The Gambian authorities; and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed debt.
2/ Before rescheduling
3/ Revenues are defined as central government revenues, excluding grants.
4/ Three-year backward looking average of exports of goods and nonfactor services.
5/ After the application of a stock-of-debt operation under Naples terms achieving a reduction in NPV terms of 67%.
6/ The completion point is assumed to be reached in end-2003. HIPC Initiative assistance is assumed to be committed and deliverd unconditionally from then. The NPV of debt for 2000-2002 shows only the effect of interim assistance.
7/ Assumes 1.5 percentage point lower reexport growth compared to base line scenario starting in 2000.
8/ Assumes 0.5 percentage point lower tourist arrivals growth starting in 2000.

Table 8. The Gambia: Estimated Assistance Under the Enhanced HIPC Inititiative 1/

NPV of debt-to-exports-target (in percent)	Total Assistance 2/			Common Reduction Factor 4/ (In percent)
	Total	Bilateral 3/	Multilateral	
	(In millions of US dollar)			
150.0	66.[illegible]	17.4	49.2	27.2
Memorandum items:				
NPV of debt 5/	244.[illegible]	64.0	180.8	
Multilateral institutions	180.[illegible]			
Paris Club	17.[illegible]			
of which pre-cutoff debt non-ODA	2.8			
Non-Paris Club bilaterals	46.[illegible]			
of which pre-cutoff debt non-ODA	0.0			
3-year average of exports	118.[illegible]	...	...	
Current-year exports	118.[illegible]	...	...	
NPV of debt-to-exports ratio 6/	206.[illegible]	...	...	

Sources: Gambian authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, and IDA/SEC M 97-306, 7/7/97).

2/ Reflects the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment by other official bilateral creditors.

3/ Includes official bilateral creditors only since there is no commercial debt.

4/ Each creditors NPV reduction in percent of its exposure at the decision point.

5/ Based on 1999 data after full application of traditional debt-relief mechanisms.

6/ In percent, based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-199

Table 9. The Gambia: Delivery of IDA Assistance Under the Original and Enhanced HIPC Initiative, 1999-2009

(In millions of U.S. dollars, unless otherwise indicated)

	NPV relief required	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt service before HIPC Assistance		3.6	3.9	3.9	4.2	4.7	4.9	5.2	5.7	5.7	6.0	6.5	6.6	6.6	6.8	7.0	7.0	6.9	6.9	6.8	6.9	6.8
Debt Service after HIPC Assistance	22.3	3.6	1.9	2.0	2.1	2.4	2.5	2.6	2.8	2.9	3.0	3.2	3.3	3.5	6.8	7.0	7.0	6.9	6.9	6.8	6.9	6.8
Savings on debt service to IDA		0.0	1.9	2.0	2.1	2.4	2.5	2.6	2.8	2.9	3.0	3.2	3.3	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings as percent of debt service due		0	50	50	50	50	50	50	50	50	50	50	50	47.48	0	0	0	0	0	0	0	0

Sources: Staff estimates.

Table 10. Gambia: Delivery of IMF Assistance under the HIPC Initiative 1/

(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (in percent of total assistance)	0	1	0	0	5	15	25	25	25	4
Debt Service due on current IMF obligations 2/	0.49	0.55	0.30	0.30	1.24	2.17	2.16	2.15	2.14	1.20
Of which: Principal	0.47	0.25	0.00	0.00	0.94	1.89	1.89	1.89	1.89	0.94
Interest	0.03	0.30	0.30	0.30	0.29	0.29	0.28	0.27	0.26	0.25
IMF assistance--deposits into Gambia's account										
Interim assistance 3/	0.10	0.10								
Completion point assistance			2.07 /4							
IMF assistance under the HIPC Initiative--drawdown schedule 5/	0.00	0.02	0.08	0.09	0.32	0.45	0.67	0.64	0.62	0.11
Of which: IMF assistance without interest	0.00	0.02	0.00	0.00	0.11	0.34	0.57	0.57	0.57	0.09
Estimated interest earnings	0.00	0.00	0.08	0.09	0.20	0.11	0.10	0.08	0.05	0.02
Debt service due on current IMF obligations after IMF assistance 5/ 6/	0.49	0.53	0.22	0.20	0.92	1.72	1.49	1.51	1.53	1.08
Share of debt service due on current IMF obligations covered by IMF assistance (in percent) 5/	0.0	4.2	27.2	31.7	25.5	20.9	30.9	29.9	28.7	9.4
Memorandum items:										
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from the principal deposited in Gambia's account	0.0	9.0	0.0	0.0	12.0	18.0	30.0	30.0	30.0	9.6
Total debt service due 7/	19.7	22.0	21.1	19.7	20.3	20.4	19.8	19.4	19.3	18.9
Share of total debt service covered by IMF assistance (in percent) 5/	0.0	0.1	0.4	0.5	1.6	2.2	3.4	3.3	3.2	0.6
Debt service due on current IMF obligations after IMF assistance 5/ (in percent of exports)	0.4	0.4	0.1	0.1	0.5	0.9	0.8	0.7	0.7	0.5

1/ Total IMF assistance under the HIPC Initiative is US$ 2.3 million calculated on the basis of data available at the decision point, excluding interest earned on Gambia's account and on committed but undisbursed amounts as described in footnotes 4 and 5.

2/ As of December 31, 1999. For 2000, covers only the month of December. No principal debt service falling due in 2002-03.

3/ Interim assistance to be deposited into Gambia's account in December 2000 and December 2001, to cover obligations to the Fund falling due in each case for the coming 12 months.

4/ Remaining amount of assistance assumed to be disbursed into Gambia's account at the assumed completion point in December 2002, which is reflected in the calculation of interest.

5/ Includes estimated interest earnings on: (1) amounts held in Gambia's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year, except during years when no repayments fall due when it will be applied to interest and charges, and in the final year when it will be used toward payment of the final obligation(s) falling due. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point.

6/ Total obligations less HIPC Initiative assistance.

7/ After traditional debt relief mechanisms.

Table 11. The Gambia: External Debt Service Before and After Traditional Debt Relief, 2000-2019

(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2014	2019	2000-09	2010-19
							Proj.							Averages	
Total debt service before traditional debt relief mechanisms	19.9	22.5	21.8	20.7	21.6	22.0	23.5	25.4	25.7	25.9	25.2	24.2	27.6	22.9	24.6
Principal	13.7	16.6	16.2	15.1	16.1	16.6	18.1	19.9	20.2	20.3	19.5	18.0	20.3	17.3	18.2
Interest	6.2	5.9	5.7	5.5	5.4	5.3	5.4	5.4	5.5	5.6	5.7	6.2	7.3	5.6	6.4
Scheduled debt service on existing contracted debt	19.7	22.0	21.1	19.7	20.3	20.4	19.8	19.4	19.3	18.9	17.7	16.1	12.9	20.1	15.1
Principal	13.7	16.6	16.2	15.1	16.1	16.6	16.2	16.1	16.1	16.0	15.0	14.2	11.7	15.9	13.3
Medium and long term	13.7	16.6	16.2	15.1	16.1	16.6	16.2	16.1	16.1	16.0	15.0	14.2	11.7	15.9	13.3
Multilateral 1/	9.2	8.0	8.0	8.0	9.2	10.1	10.5	11.0	11.0	10.9	10.6	10.9	10.9	9.6	10.8
Official bilateral	4.4	8.5	8.2	7.1	7.0	6.5	5.8	5.1	5.1	5.1	4.4	3.4	0.8	6.3	2.5
Paris Club	2.2	2.5	1.8	1.8	1.6	1.3	0.8	0.8	0.8	0.8	0.8	0.8	0.5	1.4	0.7
Post-cutoff date	1.6	1.9	1.2	1.2	1.1	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.5	1.1	0.7
Pre-cutoff date	0.5	0.5	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.4	0.0
Other official bilateral	2.2	6.0	6.4	5.4	5.4	5.1	5.0	4.3	4.3	4.3	3.6	2.6	0.3	4.8	1.8
post-cutoff date	0.2	4.0	4.3	4.3	4.3	4.3	4.3	3.7	3.7	3.7	3.6	2.6	0.3	3.7	1.8
pre-cutoff date	2.0	2.0	2.0	1.0	1.0	0.8	0.6	0.6	0.6	0.6	0.0	0.0	0.0	1.1	0.0
Interest	6.0	5.5	5.0	4.6	4.2	3.8	3.6	3.3	3.1	2.9	2.7	1.9	1.2	4.2	1.9
Medium and long term	6.0	5.5	5.0	4.6	4.2	3.8	3.6	3.3	3.1	2.9	2.7	1.9	1.2	4.2	1.9
Multilateral	3.5	3.2	3.0	2.8	2.6	2.4	2.3	2.2	2.1	2.0	1.9	1.6	1.2	2.6	1.6
Official bilateral	2.5	2.3	2.0	1.8	1.6	1.4	1.2	1.1	1.0	0.9	0.8	0.3	0.0	1.6	0.3
Paris Club	0.8	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.4	0.1
Post-cutoff date	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.3	0.1
Pre-cutoff date	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other official bilateral	1.7	1.6	1.5	1.4	1.3	1.1	1.0	0.9	0.8	0.7	0.6	0.2	0.0	1.2	0.2
post-cutoff date	1.6	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.7	0.6	0.2	0.0	1.2	0.2
pre-cutoff date	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service after traditional debt relief mechanisms 2/	17.2	19.9	19.4	19.3	20.3	20.9	23.0	25.0	25.3	25.5	25.5	24.6	28.3	21.6	25.1
Principal	11.0	14.0	13.6	13.6	14.6	15.3	17.4	19.2	19.5	19.6	19.5	18.1	20.8	15.8	18.4
Interest	6.1	6.0	5.8	5.7	5.7	5.6	5.7	5.7	5.8	5.9	6.0	6.5	7.5	5.8	6.7
Scheduled debt service on existing contracted debt															
Principal	11.0	14.0	13.6	13.6	14.6	15.3	15.5	15.4	15.4	15.3	14.9	14.3	12.2	14.4	13.5
Multilateral 1/	9.2	8.0	8.0	8.0	9.2	10.1	10.5	11.0	11.0	10.9	10.6	10.9	10.9	9.6	10.8
Official bilateral	1.8	5.9	5.6	5.6	5.4	5.1	5.0	4.4	4.4	4.4	4.3	3.4	1.3	4.8	2.7
Interest	5.9	5.5	5.1	4.8	4.4	4.1	3.9	3.6	3.4	3.2	3.0	2.2	1.4	4.4	2.1
Multilateral 1/	3.5	3.2	3.0	2.8	2.6	2.4	2.3	2.2	2.1	2.0	1.9	1.6	1.2	2.6	1.6
Official bilateral	2.4	2.3	2.1	2.0	1.8	1.7	1.5	1.4	1.3	1.2	1.1	0.6	0.3	1.8	0.6
Total debt service after enhanced HIPC Initiative assistance	19.6	15.8	14.8	7.7	8.7	9.8	12.1	14.5	15.4	16.2	18.7	23.4	30.5	14.4	24.6
Principal	13.6	11.3	10.8	3.9	4.7	5.5	7.6	9.7	10.3	10.8	12.6	15.9	22.1	8.8	16.3
Interest	6.1	4.5	4.0	3.8	4.1	4.3	4.5	4.7	5.0	5.4	6.1	7.5	8.4	4.6	7.4
Scheduled debt service on existing contracted debt	19.4	15.3	14.1	6.8	7.5	8.2	8.4	8.5	8.9	9.2	11.2	15.3	15.9	11.6	15.1
Principal	13.6	11.3	10.8	3.9	4.7	5.5	5.7	5.9	6.3	6.5	8.1	12.2	13.5	7.4	11.3
Multilateral 1/	9.2	5.3	5.2	3.5	4.2	5.0	5.1	5.2	5.6	5.6	7.1	10.5	10.7	5.4	9.6
Official bilateral	4.4	5.9	5.6	0.4	0.5	0.5	0.6	0.7	0.7	0.8	0.9	1.6	2.8	2.0	1.8
Private creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	5.9	4.1	3.3	2.9	2.9	2.7	2.7	2.6	2.6	2.7	3.1	3.2	2.4	3.2	2.9
Multilateral	3.4	1.8	1.5	1.0	1.0	0.9	0.9	0.8	0.9	1.0	1.4	1.6	1.2	1.3	1.4
Official bilateral	2.4	2.3	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.2	1.9	1.5
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on new borrowing	0.2	0.5	0.7	0.9	1.2	1.5	3.7	6.0	6.5	7.0	7.5	8.1	14.7	2.8	9.5
Principal	0.0	0.0	0.0	0.0	0.0	0.0	1.9	3.9	4.1	4.3	4.5	3.8	8.6	1.4	5.0
Interest	0.2	0.5	0.7	0.9	1.2	1.5	1.8	2.1	2.4	2.7	3.0	4.3	6.0	1.4	4.5
Memorandum Items:															
Debt-service ratio before rescheduling 2/	16.4	15.8	14.3	12.8	12.6	12.1	12.2	12.3	11.7	11.1	10.3	7.9	6.9	13.1	7.9
Debt-service ratio after rescheduling 2/	14.1	14.0	12.7	11.9	11.8	11.5	12.0	12.1	11.5	11.0	10.4	8.1	7.0	12.3	8.0
Debt-service ratio after enhanced HIPC initiative	16.2	11.1	9.7	4.8	5.1	5.4	6.3	7.0	7.0	7.0	7.6	7.7	7.6	7.9	7.4
Total debt service savings	-2.5	4.2	4.5	11.6	11.5	11.1	11.0	10.5	10.0	9.3	6.7	1.2	-2.2	8.1	1.4

Sources: The Gambian authorities; and staff estimates and projections.

1/ Including IMF and nonguaranteed debt owed by public enterprises where the government is the majority shareholder.

2/ Assumes stock-of-debt operation on Naples terms at end-December 1999 and at least comparable treatment from other official bilateral creditors.

Table 12. The Gambia: Contigency Budget for 2001

Expected Enhanced HIPC Debt Relief (in million of U.S. dollars) 1/	**5.8**	
	(In millions of dalasis)	**(As percent of total)**
Health	14.8	18.2
Education	17.6	21.7
Rural development	16.5	20.3
of which: Agriculture	5.7	7.0
Artisanal fishing	1.0	1.2
Rural Water Supply	2.6	3.2
Rural Feeder Roads	6.0	7.4
Forestry	1.2	1.5
National Environment	1.0	1.2
Decentralization (local government)	0.5	0.6
Social Welfare	0.5	0.6
Judiciary	3.5	4.3
Public works	25.1	30.9
Central Statistics Department (poverty-related data)	1.7	2.1
Total	79.5	97.9
Memorandum item:		
Fiscal deficit (excluding grants) before enhanced HIPC debt relief	-198.7	-3.5
Fiscal deficit (excluding grants) after enhanced HIPC debt relief	-237.9	-4.1

Source: The Gambian authorities

1\ Exchange rate: D14 per US dollar.

Table 13. The Gambia: Central Government Social Expenditure and Social Indicators, 1997-2003

	1997 1/	1998	1999	2000 Proj.	2001 Proj.	2002 2/ Proj.	2003 2/ Proj.
				(In millions of dalasis)			
Total social expenditures (government contribution)	235.4	241.1	258.7	292.1	343.6	387.7	438.0
Total recurrent expenditures on social sectors	213.3	211.9	234.7	262.8	307.0	347.0	393.0
Education expenditure 3/	150.0	130.4	146.0	159.9	184.4	211.1	242.8
Health expenditure 3/	63.3	81.5	88.7	102.9	122.6	135.9	150.3
Total capital expenditure (Gambia Local Fund) 4/	22.1	29.2	24.0	29.3	36.6	40.7	45.0
Total capital expenditure (Gambia Local Fund)	36.8	48.7	40.1	48.8	61.0	67.9	75.0
New programs to be financed partly by							
HIPC assistance 5/	...	...	...	...	58.9	63.8	162.3
Debt service paid	154.9	150.2	186.1	...	...	...	...
Debt service due 6/	154.9	150.2	186.1	197.1	331.7	254.8	249.1
of which projected repayment to Alimenta				44.8	103.1		
Debt service after tradional debt mechanism	...	...	...	...	279.3	271.1	270.3
Debt service after HIPC assistance	...	...	...	...	220.4	207.4	107.9
				(In percent of recurrent expenditure)			
Total social expenditures (government contribution)	29.6	30.1	29.2	32.9	34.5	37.6	41.3
Total recurrent expenditures on social sectors	26.8	26.5	26.5	29.6	30.8	33.6	37.1
Education expenditure	18.9	16.3	16.5	18.0	18.5	20.5	22.9
Health expenditure	8.0	10.2	10.0	11.6	12.3	13.2	14.2
Total capital expenditure (GLF)							
New programs to be financed partly by							
HIPC assistance 4/	...	...	...	...	5.9	6.2	15.3
Debt service paid	19.5	18.8	21.0	...	...	...	...
Debt service due 5/	19.5	18.8	21.0	22.2	33.3	24.7	23.5
Debt service before debt relief 6/	...	...	...	...	28.0	26.3	25.5
Debt service after HIPC assistance	...	...	...	...	22.1	20.1	10.2
Debt service before HIPC assistance (in US$ mil.)	...	...	...	17.3	19.9	19.4	19.3
Total service after enhanced HIPC assistance (US$ mil)	...	...	...	19.9	15.7	14.8	7.7
Exchange rate (US$/dalasi rate)	...	...	...	12.60	14.00	14.00	14.00
Memorandum item:							
GDP (in millions of dalasis)	4178.8	4433.4	4922.2	5357.8	5805.9	6285.0	6804.2
Total recurrent expenditures	794.6	799.8	887.0	887.3	996.9	1031.8	1060.6
(as percent of GDP)	19.0	18.0	18.0	16.6	17.2	16.4	15.6
Total social expenditures (government contribution) as percent of GDP	5.6	5.4	5.3	5.5	5.9	6.2	6.4
Social expenditure financed by HIPC debt relief					1.0	1.0	2.4
Total social expenditure after HIPC					6.9	7.2	8.8

Sources: The Gambian authorities; and staff projections.

1/ The government incurred significant extrabudgetary expenditures during this period.
2/ Tentative projections which will need to be revised following the planned public expenditure reviews to establish the social sector expenditure priorities, including the level of total recurrent and development expenditure requirements.
3/ Excluding foreign-financed extrabudgetary expenditures and GLF contributions.
4/ It is estimated that about 60 percent of total GLF contribution is allocated to social expenditures.
5/ Derived as the difference between debt service after traditional debt relief mechanism and debt service after the delivery of enhanced HIPC Initiative assistance.
6/ Debt service of central government, excluding some of the publicly guaranteed debt of public enterprises; therefore, this does not correspond with the debt service due as shown in Table 11.

Table 14A. The Gambia: Central Government Financial Operations, 1999 - 2003

	1999 Prel.	2000 Rev. Est.	2001 Rev. Prog.	2002 Rev. Proj.	2003 Rev. Proj.
	(In millions of dalasis, unless otherwise indicated)				
Total revenue and grants	944.5	1205.0	1371.2	1485.0	1700.0
Domestic revenue	878.7	1073.7	1176.0	1278.3	1382.6
Total grants	65.8	131.3	195.2	206.8	317.3
Grants from fiscal table	65.8	131.3	136.3	143.0	155.0
HIPC debt relief	0.0	0.0	58.9	63.8	162.3
Expenditure and net lending	1118.2	1262.4	1374.8	1475.1	1566.0
Current expenditure	887.0	965.2	996.9	1031.8	1060.6
Wages and salaries	301.7	330.0	346.5	355.1	380.0
Other charges	336.9	383.9	410.7	433.1	446.9
Interest	248.3	251.4	239.7	243.7	233.7
External	60.9	60.1	67.7	73.7	73.7
(HIPC debt relief)	0.0	0.0	20.4	24.8	26.7
Capital expenditure and net lending	231.2	297.2	377.9	443.3	505.4
Capital expenditure	261.0	342.2	417.9	483.3	545.4
External	221.0	293.4	356.9	415.4	470.4
The Gambia Loan Fund	40.1	48.8	61.0	67.9	75.0
Net lending	-29.8	-45.0	-40.0	-40.0	-40.0
Overall balance (commitment basis)					
Excluding grants	-239.5	-188.7	-198.7	-196.8	-183.3
Including grants	-173.7	-57.4	-3.5	9.9	134.0
Adjustment to cash basis (float)	-34.5	0.0	17.0	-63.8	-162.3
Overall balance (cash basis)					
Including grants	-208.2	-57.4	13.5	-53.8	-28.3
Financing	208.2	57.4	-13.5	53.8	28.3
External (net)	30.0	40.2	-23.5	111.3	165.1
Borrowing	155.2	222.1	240.6	292.4	333.4
Amortization	-125.2	-137.0	-264.0	-181.1	-168.3
HIPC debt relief	0.0	0.0	38.5	38.9	135.7
Exceptional financing	0.0	0.0	0.0	0.0	0.0
of which: HIPC debt relief	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	178.2	17.2	10.0	-57.5	-136.8
Bank	71.2	-15.2	-40.1	-38.9	-67.7
Other	107.1	32.4	50.1	-18.6	-69.1
Financing gap	0.0	0.0	75.9	0.0	0.0
Memorandum items:					
Nominal GDP	4922.2	5357.8	5805.9	6285.0	6804.2
NPV of debt reduction	13.1	18.4	13.0	70.6	61.4
Total debt relief	0.0	0.0	58.9	63.8	162.3
Total HIPC debt relief (in percent of GDP)	0.0	0.0	1.0	1.0	2.4

Sources: The Gambian authorities; and staff estimates and projections.

Table 14B. The Gambia: The Fiscal Impact of the HIPC Initiave, 1999 - 2003

	1999 Prel.	2000 Rev. Prog.	2001 Rev. Prog.	2002 Proj.	2003 Proj.
1. Relief given (in million dalasis)	0.0	0.0	58.9	63.8	162.3
A. Interest due before HIPC debt relief	68.7	86.7	83.6	81.0	80.2
B. Interest paid before HIPC debt relief	68.7	86.7	83.6	81.0	80.2
C. HIPC relief on interest	0.0	0.0	20.4	24.8	26.7
D. Interest due after HIPC debt relief	68.7	86.7	63.2	56.2	53.5
E. Amortization due before HIPC debt relief	109.1	192.5	195.7	190.1	190.1
F. Amortization paid before HIPC debt relief	109.1	192.5	195.7	190.1	190.1
G. HIPC relief on amortization	0.0	0.0	38.5	38.9	135.7
H. Amortization due after HIPC debt relief	109.1	192.5	157.2	151.2	54.4
I. HIPC relief provided as grants	0.0	0.0	0.0	0.0	0.0
J. HIPC relief provided as exceptional financing	0.0	0.0	0.0	0.0	0.0
Total HIPC debt relief (C+G+I+J)	0.0	0.0	58.9	63.8	162.3
Net cash flow to the budget from HIPC debt relief (B+F-(D+H-I-J)	0.0	0.0	58.9	63.8	162.3
Memorandum items:					
Other donor flows					
Total net external flows (net external financing less debt service)					
2. Functional and other poverty-reducing government expenditures (in percent of GDP)	5.3	5.5	5.9	6.2	6.4
Baseline pre-HIPC debt relief expenditure projections	5.3	5.5	5.9	6.2	6.4
Post-HIPC debt relief expenditure projections	0.0	0.0	6.9	7.2	8.8
Memorandum items:		(In percent of GDP)			
Tax revenues	15.7	17.1	17.8	17.9	18.0
Domestic debt	27.0	26.6	24.6	22.7	21.0
Overall fiscal balance (excluding grants) before HIPC debt relief	-4.8	-3.5	-3.4	-3.1	-2.7
Overall fiscal balance (excluding grants) after HIPC debt relief	-4.8	-3.5	-4.1	-4.7	-6.6

Sources: The Gambian authorities; and staff estimates and projections.

Table 15. HIPC Initiative: Status of Country Cases Considered Under the Initiative, as of November 27, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilat-eral	Multi-lateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460
Bolivia					1,302	426	875	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*158*	*290*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Guyana					585	220	365	74	68		1,030
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
enhanced framework	*Nov. 00*	*Floating*	*70*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**11,343**	**5,071**	**6,174**	**883 4/**	**2,927**		**20,020**
Preliminary HIPC document issued 5/											
Chad	...	...	150		157	34	123	15	65	27	250
Ethiopia	...	...	200		636	225	411	22	214	23	1,300
Gambia, The	...	...	150		72	20	52	2	24	29	102
Guinea	...	...	150		638	256	383	37	173	34	1,150
Guinea-Bissau	...	...	200		300	148	153	8	73	73	600
Madagascar	...	...	150		880	502	378	23	264	41	...
Malawi	...	...	150		629	163	466	29	323	43	1,100
Nicaragua	...	...	150		2,507	1,416	1,091	32	188	66	5,000
Niger	...	...	150		521	211	309	28	170	54	880
Rwanda	...	...	150		447	56	391	43	227	71	800
Zambia	...	...	150		2,468	1,121	1,326	600	491	62	4,500

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

4/ Equivalent to SDR 678.1 million at an SDR/USD exchange rate of 0.768.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Chad, The Gambia, Guinea, Madagascar, Malawi, Nicaragua, Rwanda, and Zambia, targets are based onthe enhanced framework and assistance levels are at the assumed decision point.

Table 16. The Gambia: Selected Poverty and Living Standard Indicators, 1993-99

(In percent, unless otherwise specified)

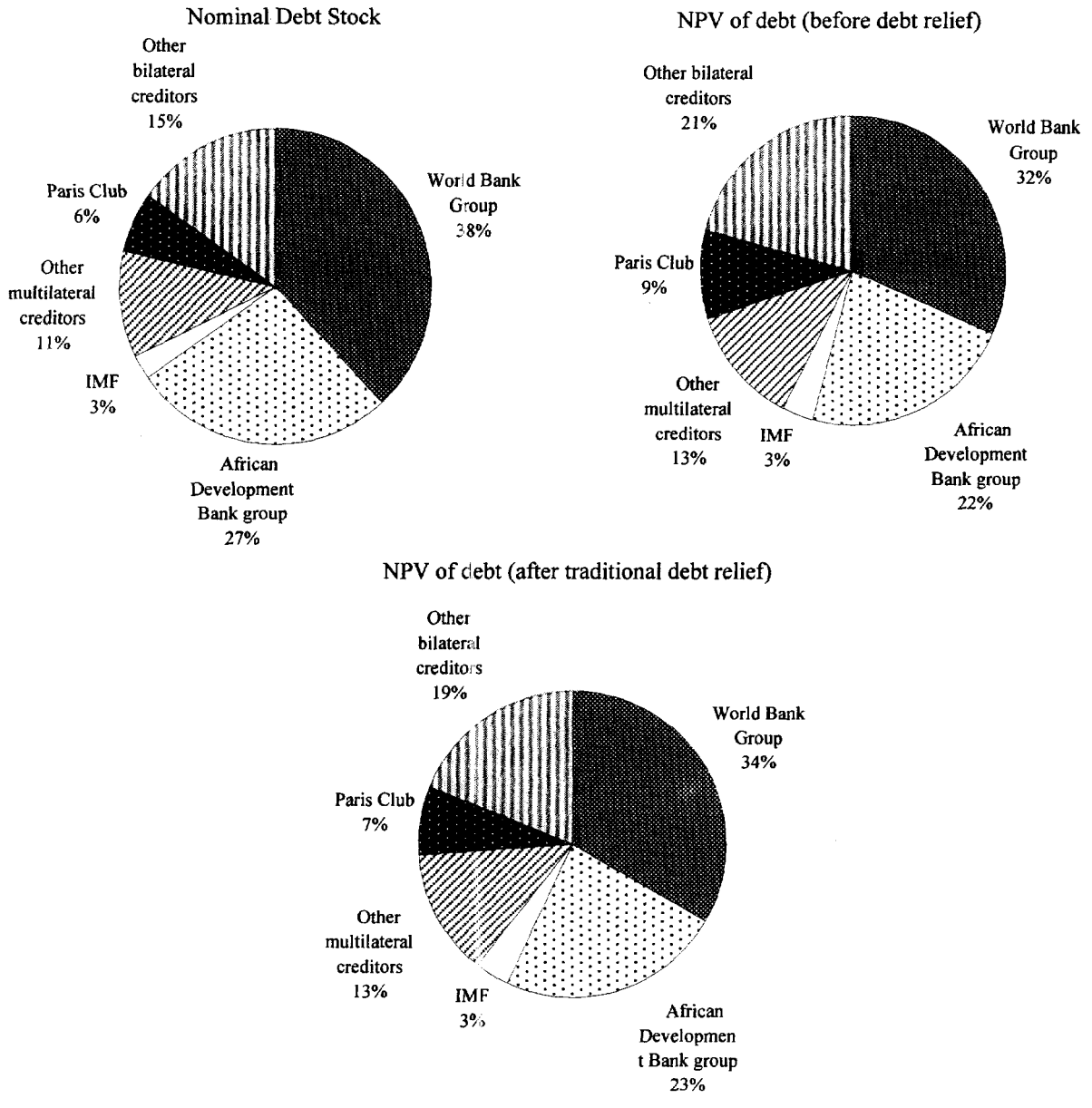
	The Gambia	Sub-Saharan Africa
	Latest single year (1993-1999)	
Population in millions (1998)	1.3	642
Urban population (1999), percent of total	32	34
Population growth (1999)	4.2	2.4
Fertility rate (1998)	5.8	5.4
GNP Per Capita in US$ (1999)	340	500
Low Birth Weight (% of births in rural areas, 1998)	25	...
Infant mortality rate (per thousand, 1995)	80	91.8
Under five mortality rate (per thousand,1995)	110	151
Maternal mortality (per 100,000/ live births,1993)	1050	...
Life Expectancy at birth (years, 1998)	55.3	50.4
Medical personnel (per 100,000, 1999)	27	91
HIV/AIDS prevalence (2000, estimate) 1/	>3	8
Access to safe water (2000, estimate)	50	43
Literacy rate (1999)	64	61
Gross primary school enrollment (1995)	77	78
Male	87	85
Female	67	71

Sources: "Participatory Health Population and Nutrition Project" PAD, World Bank, 1998; World Development Indicators (World Bank).

1/ Sub-Saharan data are from 1997-1998.

Figure 2. The Gambia: Composition of External Debt Outstanding, End-December 1999

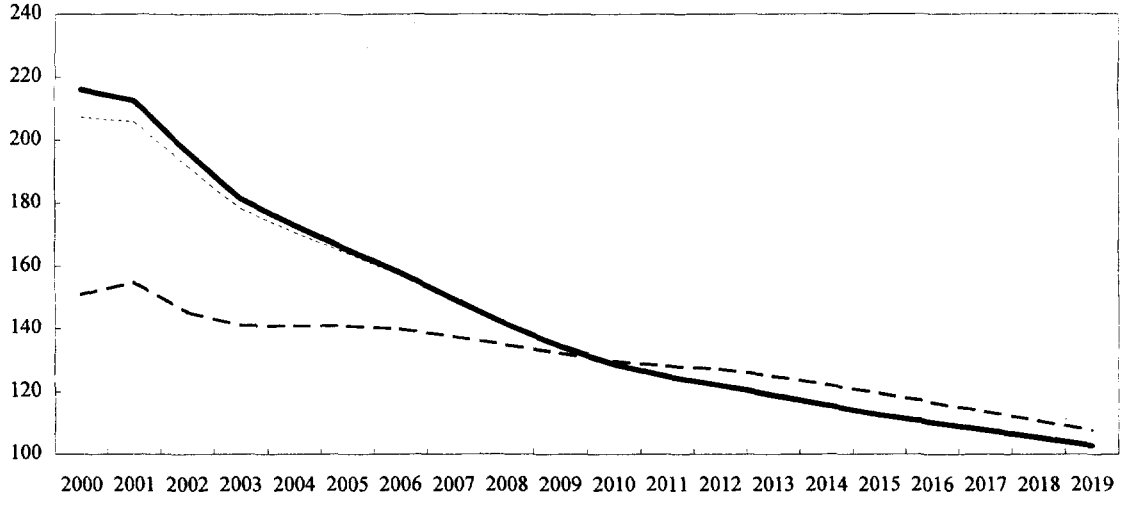
(In percent)



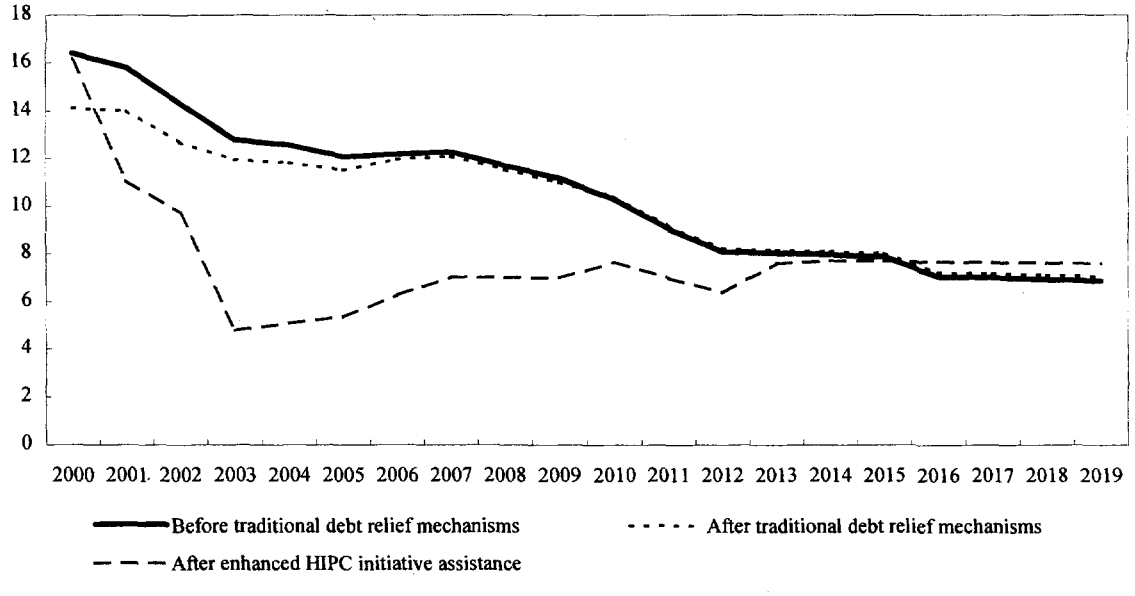
Sources: The Gambian authorities; and staff estimates.

Figure 3. The Gambia: External Debt Profile, 2000-2019
(In percent, unless otherwise noted)

Net Present Value of Debt-to-Exports Ratio



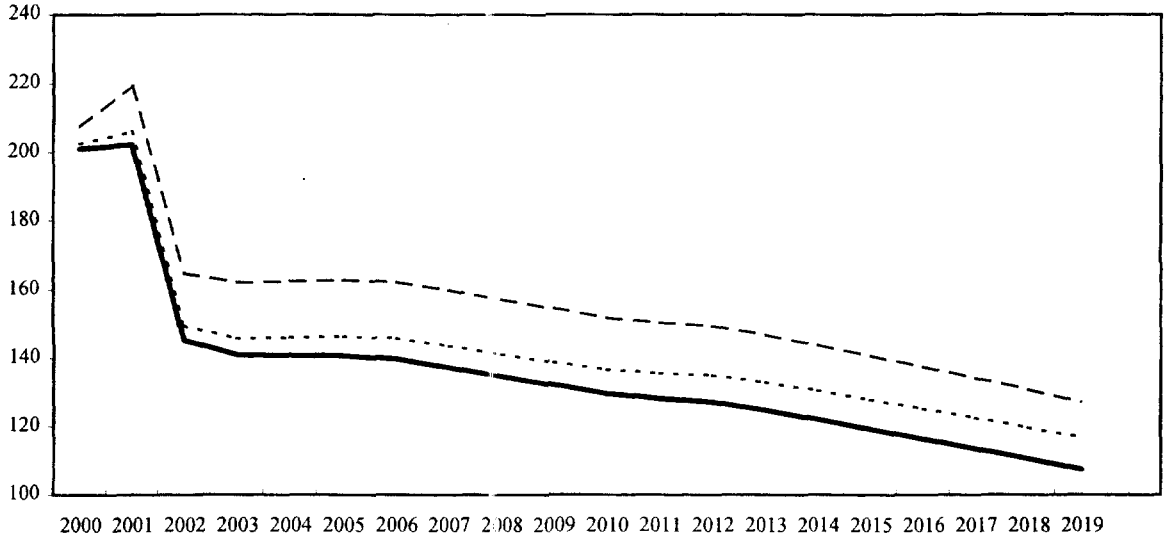
Debt Service-to-Exports Ratio



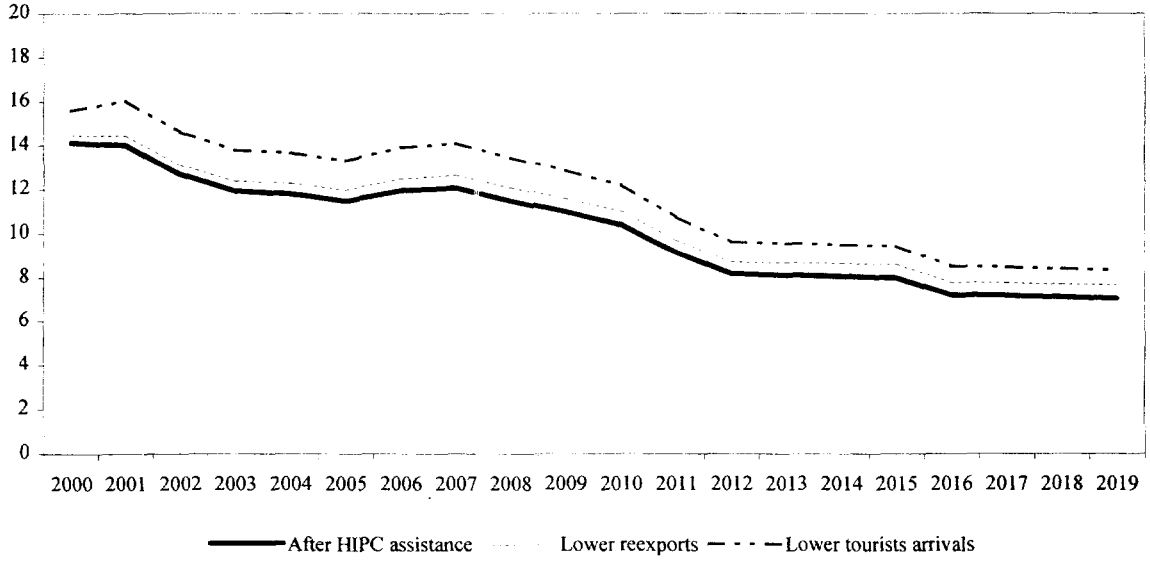
Source: Data provided by the Gambian authorities; and staff estimates.

Figure 4. The Gambia: Sensitivity Analysis: 2000-2019

Sensitivity Analysis: NPV of debt to exports 1/



Sensitivity Analysis: Debt service to exports 2/



Source: Data provided by the Gambian authorities; and staff estimates.

1/ Debt after Enhanced HIPC Initiative assistance. Export data refer to three year backward looking average.
2/ Debt service after Enhanced HIPC Initiative assistance. Exports refer to annual figures.