

IMF Executive Board Completes Third Review Under the Extended Credit Facility (ECF), Approves US\$6.97 Million Disbursement, and Concludes 2021 Article IV Consultation with The Gambia

November 24, 2021

- Economic activity shows signs of recovery, albeit fragile. The authorities are intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of activity, including tourism.
- The ECF arrangement helps address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms. The completion of the ECF review allows a disbursement of US\$6.97 million.
- The Gambian authorities recognize the need to foster sustainable development, address the infrastructure gap through improved spending efficiency and revenue mobilization, and maintain financial and external stability.

Washington, DC: On November 24, 2021, the Executive Board of the International Monetary Fund (IMF) completed the third review of the arrangement under the Extended Credit Facility (ECF).^[1] The completion of the review enables the release of SDR 5.0 million (about US\$6.97 million), bringing total disbursements under the arrangement to SDR 40.0 million (about US\$55.75 million). The Gambia's 39-month ECF arrangement for SDR 35.0 million (56.3 percent of quota) was approved by the Executive Board on March 20, 2020 (see [Press Release No. 20/99](#)) and augmented in the context of the first review to SDR 55.0 million (88.4 percent of quota) to help meet financing needs associated with the COVID-19 pandemic (see [Press Release No. 21/12](#)). The ECF-supported program aims to address the challenges from the pandemic, support inclusive growth, reduce debt vulnerabilities, and advance structural reforms, including on public financial management, domestic revenue mobilization, business environment, and SOEs. The authorities are delivering on their commitment to the transparency of COVID-19 spending; they published the list of the related procurement contracts and their beneficial owners.

Following the Executive Board discussion, Mr. Bo Li, Deputy Managing Director and Acting Chair, made the following statement:

"The Gambia's performance under their economic program supported by the Extended Credit Facility has been broadly satisfactory despite the challenging pandemic context. The economy is showing some signs of recovery but the third wave of the pandemic in mid-2021 has hampered a vigorous rebound.

"Fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. The authorities are making strong communication efforts on COVID-19 vaccination and are delivering on their commitments regarding the transparency of pandemic-related spending. In the context of a weak tax base and elevated spending needs, it would be paramount to

further streamline tax exemptions, rationalize subsidies to state-owned enterprises, and enhance the prioritization of public investment projects.

“While the accommodative monetary policy stance is warranted at this stage, it should be reassessed if inflation pressures resume. It is important for the central bank to continue strengthening its financial safeguards to bolster policy credibility and to step up bank supervision.

“In view of lingering vulnerabilities, maintaining exchange rate flexibility and adequate external buffers will be critical. The authorities’ decision to use part of the IMF’s recent general SDR allocation while saving the remainder is commendable. Adherence to the external borrowing plan under the program and seeking grants and concessional financing will help secure debt sustainability.

“The authorities should persevere in their ambitious structural reform agenda, especially in view of the upcoming election cycle, to fully reap the benefits from the country’s remarkable socio-political turnaround in recent years. Pursuing governance reforms, fighting corruption, improving public procurement processes, and enhancing the business environment are crucial for achieving inclusive and sustainable growth.”

The Executive Board also concluded the 2021 Article IV consultation^[2] with The Gambia.

Prior to the onset of the COVID-19 pandemic, The Gambia had shown strong macroeconomic performance during the few years following the political transition in 2016/17. Economic growth accelerated, debt vulnerabilities decreased, external stability strengthened, structural and legislative reforms advanced, and key social indicators improved. However, the COVID-19 pandemic has disrupted some of the hard-won progress and has heightened socio-economic fragility. The authorities promptly implemented strong policies starting early 2020 to contain the spread of COVID-19 and protect lives and livelihoods. They are currently intensifying COVID-19 vaccination campaign to fight the pandemic and allow full resumption of economic activity, including tourism.

Some signs of economic recovery have emerged, albeit fragile. Economic growth is projected to rebound from a contraction of 0.2 percent in 2020 to an expansion of 4.9 percent in 2021 and an annual average of 6 percent in the medium term. Inflation accelerated during the first half of 2021 but eased to about 7 percent in recent months and is expected to decline to the central bank’s target of 5 percent in the medium term. The fiscal policy remains prudent despite the pandemic-induced challenges. The monetary policy remains accommodative; credit to the private sector resumed and the banking system remains broadly liquid. Foreign exchange reserves exceed 5 months of imports, bolstered by the general SDR allocation, development partners’ disbursements, and record-high private remittances.

The overall macroeconomic outlook is turning somewhat positive, but risks are tilted to the downside, including the uncertainty about the pandemic at the global level and the upcoming presidential and parliamentary elections at the national level.

Executive Board Assessment [3]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' prompt and effective response to the COVID-19 pandemic, which has supported the economic recovery. They welcomed the authorities' satisfactory implementation of their ECF-supported program and their commitment to maintain macroeconomic stability and pursue reforms.

Directors noted that fiscal policy will need to continue to contain the spread of the pandemic and support economic recovery while reducing debt vulnerabilities. They welcomed the authorities' efforts to reinforce domestic revenue mobilization, further fiscal discipline, and improve public spending efficiency and transparency, including in pandemic-related spending. They recommended a further streamlining of tax exemptions, reduction of subsidies to state-owned enterprises, and prioritization of public investment projects. They also urged the authorities to adhere to the external borrowing plan and focus on seeking grants and concessional financing. They recommended addressing shortcomings in debt data.

Directors agreed that the accommodative monetary policy stance remains appropriate. They supported the central bank's intention to tighten the policy stance if inflation pressures resume. They underscored the need to continually strengthen financial supervision, sharpen macroprudential tools, step up preemptive crisis preparedness, and enhance the AML/CFT framework.

Directors stressed the importance of maintaining adequate external buffers. They welcomed the authorities' balanced approach in using part of the general SDR allocation to address immediate financing needs while saving the remainder to further strengthen external buffers. Maintaining exchange rate flexibility will also support external reserves.

Directors encouraged the authorities to press ahead with their comprehensive structural reform agenda, in particular in governance, public procurement, and the business environment. Policies related to access to finance, promoting digitalization, supporting women and youth, and adopting climate resilience and adaptation will also be important. Capacity development support for policy design and data provision is also needed.

It is expected that the next Article IV consultation with The Gambia will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.