The Gambia and the IMF

Press Release:
IMF Executive Board Completes Seventh Review Under The Gambia's Extended Credit Facility Arrangement and Approves US$3.56 Million Disbursement
January 7, 2011

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The Gambia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

December 18, 2010

LETTER OF INTENT

Banjul, The Gambia
December 18, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 40431

Dear Mr. Strauss-Kahn:

1. The policies implemented by the Government of The Gambia in recent years have been successful in maintaining macroeconomic stability, delivering strong growth, and improving the wellbeing of the Gambian population. These policies have been supported by the IMF through a three-year arrangement under the Extended Credit Facility (ECF) and the one-year extension of the ECF arrangement approved by the IMF Board in February 2007 and February 2010, respectively.

2. All quantitative performance criteria for the end of March 2010 were observed, except for the floors on the cumulative basic fiscal balance and net useable international reserves. While the floor on international reserves was missed by a very small margin, the fiscal slippages required significant corrective actions, especially given the large shortfalls in government revenues that persisted through 2010:Q2. As discussed in the attached Memorandum of Economic and Financial Policies (MEFP), in June, the Government of The Gambia initiated measures to shore up tax revenues. At the same time, expenditures were further restrained, so that small surpluses in the quarterly basic fiscal balances could be achieved over the remainder of the year, despite the Government's smaller resource envelope. The goal of these measures is to curb the Government's domestic financing needs, which will help to reduce its debt burden and ease pressure on inflation, interest rates, and the exchange rate. Building upon our progress in recent months, the budget for 2011 also aims to curb domestic financing. Regarding the small slippage on international reserves, the Central Bank of The Gambia will continue to ensure an ample stock of reserves is maintained.

3. Throughout 2010, the Government of The Gambia has continued to make good progress on our structural agenda, as discussed in the MEFP.

4. On the basis of the corrective actions on the basic fiscal balance and the minor nature of the slippage on net useable international reserves, the Government of The Gambia requests waivers for the nonobservance of the two performance criteria noted above. With these waivers, the Government also requests the completion of the 7th review of the ECF arrangement and the 8th disbursement under the arrangement of SDR 2,332,500 (7.5 percent of quota).

5. The Government of The Gambia requests a rephasing of the performance criteria for the 8th review of the ECF arrangement. That is, we seek the IMF Board's approval of the proposed performance criteria for the end of December 2010, as presented in the MEFP. The proposed performance criteria are in line with the adjusted fiscal path, monetary policy that seeks to maintain low inflation, and maintenance of a comfortable level of international reserves.

6. To accommodate the rephasing, the Government also requests a short extension of the current ECF arrangement to the end of March 2011. This would allow sufficient time to permit verification and the reporting to the IMF's Board of the implementation of the re-phased performance criteria. We would foresee that the eighth review of the ECF take place by March 1, 2011.

7. Looking forward, our policies will aim to consolidate macroeconomic stability anchored upon a prudent fiscal policy that aims to reduce the country's heavy debt burden. We will continue to pursue high growth and low inflation, reduce poverty through greater employment opportunities, and modernize our economy. To this end, the Government is preparing the Programme for Accelerated Growth and Employment, which will succeed the current Poverty Reduction Strategy Paper II beginning in 2012.

8. In the context of the ECF framework, the Government of The Gambia will regularly update the IMF on developments in its economic and financial policies, and provide the data needed for the monitoring of the programme. The Government will also consult regularly with the Fund on any relevant developments at the initiative of the Government, or the IMF.

9. The government intends to make available to the public this letter, the IMF staff's report, and all other documents related to this review. Therefore we authorize the IMF to arrange for these documents to be posted on the IMF website following the IMF Board's conclusion of the review.

Sincerely yours,

/s/	/s/
Abdou Kolley	Amadou Colley
Minister Ministry of Finance	Governor Central Bank of The Gambia

Attachments: - Memorandum on Economic and Financial Policies (MEFP)
- Technical Memorandum of Understanding (TMU)

ATTACHMENT I

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES
DECEMBER 18, 2010

I. INTRODUCTION

1. This memorandum reports on the performance under the program supported by an arrangement with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) and provides an update of the economic and financial policies of the Government of The Gambia. The ECF arrangement, which was approved by the Executive Board of the IMF in February 2007, aims at consolidating macroeconomic stability, fostering the conditions for sustaining strong economic growth, and reducing poverty. The sixth review under the arrangement was completed on February 19, 2010, at which time the arrangement was extended until February 20, 2011.

II. RECENT ECONOMIC DEVELOPMENTS

2. Real GDP growth has averaged 5.9 percent a year since 2007, including estimated growth of 5.7 percent in 2010. Despite the negative impact of the global economic crisis on tourism receipts, remittances, and foreign investment, strong increases in agricultural production helped to boost overall growth. The strong performance in agriculture also cushioned the adverse effects of the crisis on the rural poor. The Government's support to farmers—such as the program to expand upland rice production—together with generally good weather conditions, helped to sustain the strong growth in agricultural production. Throughout this period, inflation was held to single digits. After decelerating to 2.3 percent in October 2009, headline inflation accelerated during 2010, reaching 6.1 percent in August 2010, which prompted the Central Bank of the Gambia to raise the rediscount rate by 100 basis points (to 15 percent) in early September. As of October, inflation stood at 6.2 percent.

3. Throughout much of 2009 and early 2010, the Gambian Dalasi remained stable against the U.S. dollar—trading within a narrow range of 26-27 Dalasi/dollar with almost no interventions in the interbank foreign exchange market by the Central Bank of The Gambia (CBG). However, faced with a sharp increase in the demand for foreign exchange during May-June, notably because of the rising cost of fuel imports, the CBG intervened and sold dollars in the foreign exchange market amounting to USD 6 million.[1] After the interventions ceased, the Dalasi depreciated moderately against the dollar, reaching 29.3 Dalasi/dollar on the interbank market as of end-September, before firming up to 29.1 Dalasi/dollar as of end-October.

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[1] In June, the Government introduced an administrative measure that temporarily required banks to seek prior approval before shipping U.S. dollars, but this administrative measure was removed shortly afterwards.

4. Government's revenue outturn weakened during the first half of 2010, resulting in a higher than budgeted deficit in the basic fiscal balance (by GMD 147 million or ½ percent of GDP). Revenues from fuel and company income taxes were particularly hard hit. Rising import prices of fuel eroded revenues from the Flumara, which is calculated as a residual given fixed retail fuel prices, while slow growth in the non-agriculture sectors of the economy dampened the company income tax base.

5. In June, the Government initiated concerted actions to correct the fiscal imbalance. First, fuel prices were raised, which helped to partly restore revenues. To stabilize these revenues going forward, a new fuel pricing formula, which includes specific taxes and would allow a smooth pass-through of changes in import prices into domestic retail prices, was approved by Cabinet in November as part of the proposed Government budget for 2011.[2] Second, after re-estimating the Government's resource envelope, expenditures were tightly controlled to ensure that small surpluses in the basic fiscal balance would be achieved on a quarterly basis over the remainder of the year. Working with the line ministries, expenditures were prioritized according to a 3-tier system. Included in the highest priority expenditures were non-discretionary and most PRSP expenditures. The Government did not resort to accumulating domestic arrears.

6. Fiscal operations were further complicated by large shortfalls in expected disbursements of budget support by donors. To make up for the shortfall, the CBG provided an emergency line of credit of GMD 240 million. Having planned to sell the foreign exchange proceeds from the budget support to mop up liquidity generated by government spending, the CBG's sale of foreign exchange in the market helped drain liquidity in the economy. In addition, to avoid losses by the CBG and the weakening of its independence to conduct monetary policy, the Government agreed to a reconciliation of its net balance with the CBG. In early August 2010, Government's net obligations amounting to GMD 1825 million were converted into a 30-year bond with annual interest of 6½ percent and constant amortization payable semi-annually.

7. In 2009, Government's domestic borrowing led to a significant increase in the stock of debt, with T-bills and government bonds reaching GMD 5082 million at end-December and increasing pressure on T-bill yields. Interest costs totaled GMD 741 million (or 19.1 percent of government revenues), of which GMD 588 million (15.1 percent of government revenues) was interest on domestic debt. T-bill yields began to fall marginally in January and February 2010, as the government exercised fiscal restraint, but this was undone in March through May with another sudden surge in borrowing. With renewed expenditure restraint and the increase in domestic fuel prices that recouped some of the lost fuel tax revenues, interest rates have fallen since by about 1 percentage point across all maturities, reaching a weighted average of 11.5 percent in November 2010.

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[2] See paragraph 19 for details of the fuel pricing formula.

8. Monetary aggregates grew at a rapid pace in 2010. Reserve money and broad money growth reached 21 percent and 20 percent (y-o-y) in September 2010, overshooting the CBG's monetary targets. Time deposits alone increased by 42 percent in the 12 months ending in September 2010, thus accounting for half of the increase in broad money. A significant part of the increase was due to the portfolio reallocation decisions of the Social Security and Housing Finance Corporation. Overall credit to the private sector and public enterprises increased by 17 percent over the same period. This was partly financed by a rundown of net foreign assets (NFA) of commercial banks. Although the CBG has indicated a more restrained monetary policy stance by raising the rediscount rate, reserve money expanded by a further 5.7 percent in October, largely reflecting seasonal factors.

9. The Government's higher-than-expected recourse to central bank financing contributed to the rapid growth in reserve money. Since end-December 2009, the CBG's net claims on government increased by GMD 395 million.[3] At the same time, net foreign assets declined by USD 23.7 million, in part due to the interventions in the foreign exchange market in May-June.

10. Conditions in the Gambian banking sector remain challenging. Non-performing loans (NPLs), including restructured loans, have stabilized around 16 percent of total loans in the third quarter, while the net NPL ratio stood at only 8.8 percent. The minimum capital requirement has been raised by GMD 90 million to GMD 150 million, to be observed by end-2010. Seven banks representing about 80 percent of the banking sector assets met the requirement by end-October, and it is expected that all commercial banks will meet the requirement in full by the end-December deadline. The CBG's Financial Supervision Department hired 7 new full-time staff. The Non-Bank Financial Institutions (NBFIs) bill has been submitted to the Attorney General's Chambers for legislative drafting. Its passage will provide legal basis for supervision of NBFIs. Significant progress toward regional cooperation has been made with the establishment of the West African College of Bank Supervisors in August 2010.

11. The current account deficit (including official transfers) is estimated to have declined to 10 percent of GDP in 2010. This one-percentage point decrease largely reflects a pick-up in exports of man-made filaments, groundnuts, and cashew nuts. Better marketing strategies by the Gambia Groundnut Corporation, and the formation of the Gambia Transportation Association helped to increase exports of groundnuts and re-exports, respectively. Building on last year's good harvests, increased domestic production of food crops helped to curb food imports in 2010 but oil imports have increased slightly in line with the growth in the real sector. Travel income (in percent of GDP) rose by about 11 percent reflecting the

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[3] This number excludes the GMD 496 million stock of Negotiable Interest-Bearing Notes (NIBs), which were accumulated before 2010 and were recently converted into a 30-year bond as part of the August 2010 reconciliation of the government's accounts with the central bank.

rebound in the tourism sector while remittances increased by about 10 percent, having declined significantly in 2009. FDI declined by an estimated 14 percent in 2010 having witnessed high growth rates in the past two years with the more than doubling of the number of foreign commercials banks in the country. As of end-October, net international reserves stood at USD 121 million, down by USD 28.6 million since end-December 2009, while gross international reserves totaled USD 159 million (or 4.8 months of imports of goods and services).

III. Performance under the ECF-Supported Program

12. All performance criteria for the end of March 2010 were met, except for the basic fiscal balance and net international reserves targets (Table 1). The floor on the cumulative basic fiscal balance was missed by GMD 87.9 million (0.3 percent of GDP). Even though the Government succeeded to outperform the targeted basic balance for the first quarter by some GMD 57.3 million, the larger-than-expected overruns[4] in 2009:Q4 (GMD 145.2 million) meant that the cumulative basic balance target was still missed. The floor on cumulative net usable international reserves was missed by a narrow margin (about USD 82,000), mainly reflecting the unanticipated appreciation of the U.S. dollar against other reserve currencies. The ceiling on the cumulative net domestic assets of the CBG was met by a comfortable margin. No external arrears were incurred and all new debt contracted or guaranteed by the Government with an original maturity of more than one year had a grant element of at least 45 percent. The final payment for outstanding domestic arrears to the National Water and Electricity Company (indicative target) was executed in January.

13. As discussed above, government spending has adjusted to the smaller-than-budgeted resource envelope. By achieving a small surplus in the basic fiscal balance in 2010:Q3, the government has begun to curb its domestic financing needs to help ease the burden of domestic debt.

14. All but one of the structural benchmarks have been met (Table 2).

- The Internal Audit Unit in the Ministry of Finance has been established and core staff has been recruited. The Director of the Unit was hired in March 2010 and the unit became operational during the same month. Initially, the Unit will review entries into the IFMIS system to ensure accuracy and verify that expenditure receipts are consistent with the corresponding budget vote.

[4] As discussed in the MEFP for the 6th ECF review dated January 21, 2010, the main sources of spending overruns in Q4 were the US$5 million payment for the re-purchase of shares of GAMCELL, after a failed privatization effort, and US$1.5 million for the Gambia Radio and Television Service's (GRTS) satellite link. At that time, it was thought that other budgeted expenditures had been trimmed by an equivalent sum, but this turned out not to be the case.

- An amendment to the 2007 MOU between the CBG and the Ministry of Finance was signed in March 2010, which set out the terms of reference for the Interagency Committee to ensure the regular flow of government revenue and expenditure data. Although the restructuring of government ministries around that time disrupted the flow of information, the regular meetings of the Interagency Committee have been re-established.

- The quarterly balance of payments statistics for 2009:Q4 were published on time in March 2010.

- There have been some improvements in GDP estimates. However, further technical assistance is needed.

15. In addition, in line with a delayed structural benchmark from the sixth review of the program, the National Assembly approved the proposed adjustments to the end-2006 government balance sheet for the unresolved qualifications in the audited accounts during 1991-2006. The accounting adjustment allows for the possibility of an unqualified audit of the 2007 accounts, which were officially submitted to the National Audit Office (NAO) in May. The adjustment does not exonerate individuals who may be found responsible for improprieties. The responses by the Government to queries raised in the audit of the 2007 government accounts were submitted to the NAO in November. The NAO is required to submit the audited accounts to the National Assembly within three months. To expedite the subsequent audits of the 2008 and 2009 accounts, the NAO has begun preliminary reviews of government transactions during those years.

IV. Macroeconomic Policies for the Remainder of 2010

16. For the remainder of 2010, macroeconomic policies will aim to sustain the progress achieved since mid-year, when government adjusted to a more constrained resource envelope. In addition, the CBG will aim to curb inflation to 5½ percent by the end of the year, while restoring gross international reserves to 4.9 months of imports of goods and services.[5]

- The government has targeted a surplus in the basic fiscal balance of GMD 5 million during 2010:Q4;

- The CBG has targeted to reduce reserve money growth to 15 percent by end-year;

- Official net international reserves is targeted at USD 125 million as at end-December; and

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[5] The CBG will achieve its goal of 5 months of import coverage by the end of 2011:Q1.

- Net domestic assets of the CBG is targeted at no more than GMD 1,597 million as at end-December, using the TMU exchange rate of GMD 22 per USD.

V. Economic Outlook and Policy Agenda

17. The policy framework in 2011 aims to strengthen the macroeconomic foundation needed to further enhance the enabling environment for rapid and sustainable economic growth and poverty reduction. In this regard, real GDP is projected to grow by 5½ percent in 2011 and inflation to fall to 5 percent by the end of the year. The current account deficit is projected at 11.4 percent of GDP, reflecting the widening trade balance. Gross official reserves are projected at USD 178 million, equivalent to 5 months of imports of goods and services. A principal goal of the policy framework is to ease the domestic debt burden by minimizing the Government's domestic financing needs. This would ease pressure on interest rates and eventually generate savings that could be used for other priority expenditures. Lower interest rates would also make credit to the private sector more affordable and, with less crowding out by government borrowing, more accessible. Key to achieving these objectives will be continued fiscal restraint and greater predictability of government operations. The policy framework includes measures to further enhance the effectiveness and value-for-money of government programs, improve liquidity management, and strengthen the financial sector.

Fiscal policy in 2011

18. Fiscal policy for 2011 will be anchored on achieving a significant reduction in domestic debt relative to GDP by limiting net domestic financing to GMD 120 million (or 0.4 percent of GDP). Government revenues are projected to grow by 10.4 percent, roughly in line with nominal GDP growth, to GMD 4,590 million (or 14.9 percent of GDP), of which GMD 4,069 million would be collected from taxes. Project grants and loans are projected to amount to GMD 983 million and GMD 834 million, respectively, while amortization on external debt would be GMD 506 million. This yields a relatively tight budget constraint, where total government expenditures would be limited to GMD 6,119 million (or 19.9 percent of GDP).

19. To mobilize revenues, the Government has included the following measures in the budget proposal submitted to the National Assembly on November 29, 2010:

- The Government has proposed to reform the fuel price formula. This entailed:
    - replacing the Flumara by a specific excise tax of GMD 5.70 per liter on petrol, GMD 4.71 per liter on diesel and GMD -3.93 per liter on kerosene and pre-mix;
    - applying the general sales tax rate of 15 percent to all petroleum-based fuels;
    - adjusting retail prices on the 15th day of each month, beginning in January 2011, to the three-month moving average to allow a smooth pass-through of

changes in world fuel prices and the exchange rate. During the start-up phase of the formula, the monthly change in prices will be capped at 2 Dalasi/liter;

- integrating the processing fee and the ECOWAS levy (premix only) in the price formula and revise the base for calculating the sales tax to be consistent with the provisions of the 2004 Income Tax and Sales Tax Act.[6]

- The GRA will collect all excise taxes on domestically produced goods as stipulated in the May 2010 Customs and Excise Act. These collections were initiated December 1, 2010;

- In preparation for the introduction of a VAT by 2013, a VAT Committee led by GRA has been tasked to analyze VAT structures and design an action plan, which will be broadly aligned with the recommendations provided by the April-May 2010 FAD TA mission. Key steps in the run-up to the introduction of the VAT include: submission to cabinet of the VAT design features (i.e., rate, exemptions, threshold); completion of a draft VAT Law; and submission of the VAT bill to the National Assembly for approval with sufficient lead time to ensure a smooth transition to the VAT;

- To improve compliance and widen the corporate tax net, the MoF will simplify the record-keeping obligations for small and medium size tax payers in 2011, while limiting the informal sector tax to very small businesses with an annual turnover below GMD 100,000 and review the sectoral/occupational lump sum rates. Businesses with an annual turnover above this threshold but below the intended VAT threshold of GMD 1.5-2 million will be taxed based on turnover, using simplified tax records (e.g. cash journals) and applying a set of predetermined profit to turnover ratios, while those above the VAT threshold will be taxed based on profit. Provided that compliance will consequently improve, the existing alternative turnover-based method of determining minimum income tax and capital gains tax will be eliminated altogether;

- With a view toward reducing the multiplicity of taxes and fostering compliance, the authorities will make an assessment of the efficiency of taxes that generate low revenues streams;

- Other measures include: collect withholding on interest; introduce import withholding tax; exploit full potential of property taxation to fund local government (to facilitate the elimination of nuisance taxes that are levied at a lower level of government); facilitate tax revenue collection through commercial banks; bring all

[6] Accordingly, the import value for sales tax purposes of petroleum fuels comprises their full landed costs, inclusive of import duty, processing fees, and excise tax. The dealer margin has been excluded. For premix, it now includes the ECOWAS levy.

types of capital income/gains in the tax net and consider revising the law to fully adopt a dual income tax system; assess revenue and distributional implications of alternative personal income tax schemes; etc.

20. The program of tax reform will be accompanied by improvements in tax payer services, including outreach activities and the establishment of a tax and customs tribunal by January 2011.

21. The 2011 budget envisages tight expenditure ceilings. This includes:

- The wage bill of GMD 1,672 million which accommodates amongst others new hiring in social sectors, of which 683 teachers and 249 health workers. However, the stepwise increase in civil servants' pay as part of the Civil Service Reform Program rise in wages has been postponed;

- The Government will continue to allocate at least 20 percent of the government's own revenues to priority sectors for fighting poverty that have been identified in PRSP II. At the same time, the Government is committed to step up expenditures on agriculture from 3 percent of the budget in 2010 to 6 percent of the budget in 2011. In addition, to satisfy the Education For All/Fast-Track Initiative criterion (EFA/FTI), current expenditures on education will account for nearly 20 percent of total current expenditures;

- A contingency of GMD 11.5 million for the possible movements of embassy staff.

22. The Gambia Radio and Television Service (GRTS) will cover its own current expenditures. With the completion of the infrastructure for the GRTS satellite link in 2010, any further capital expenditures for GRTS in 2011 will be matched by equivalent savings or additional revenues.

23. Given the tight spending room, it is critical that Government spending is highly effective and achieves value-for-money. The ongoing PFM reform, which was further elaborated in the comprehensive PFM reform strategy adopted by Government in February 2010, is expected to yield significant advances in this regard. Key areas of the PFM reform to be implemented in 2011 include:

- Toward full implementation of the Integrated Financial Management and Information System (IFMIS) by 2013, it will be fully rolled out to all 22 ministries and spending agencies by end-February 2011;

- To achieve the timely implementation of the IFMIS interface with the CBG by March 2012, which will ensure that government spending does not exceed available resources, the MoF and CBG will agree on the technical specifications for interfacing IFMIS with the national payments system by December 2010;

- An internal Medium-Term Expenditure Framework (MTEF) will be completed in 2011, followed by a pilot in at least 2 line ministries in preparation for the 2012 budget.

24. Although the Gambia is still classified as being at high risk of debt distress, the Government has made significant progress with its debt management capabilities, which is expected to eventually improve the country's risk rating. The Government will continue to seek grants and concessional loans to finance its infrastructure investment plans. It will also explore productive opportunities for public-private partnerships. The Government will continue to conduct regular debt sustainability analysis, in consultation with the IMF and World Bank, to ensure that all debt indicators will fall and remain below their corresponding thresholds.

Monetary policy

25. Monetary policy will continue to focus on containing annual inflation at or below 5 percent. To this end, the CBG will target broad money growth at about 13 percent during 2011 by limiting reserve money growth to 11 percent. The Government's reduced use of domestic financing, and consequent easing in T-bill yields, is expected to increase private sector credit growth. Credit to the private sector is projected to grow by about 25 percent in 2011. In light of the CBG's loss of gross international reserves in the course of 2010, the CBG will have to rebuild its reserves in early 2011 to ensure that the reserves are adequate to cover 5 months of imports of goods and services.

26. Improving the predictability of liquidity management will enable commercial banks and other investors in government securities to plan and manage better their portfolios. With the continued regular meetings of the Interagency Committee, liquidity forecasting should improve to the point where the CBG would be able to announce auction sizes one to two months in advance. The Interagency Committee will provide minutes of its meetings to the Minister of Finance and the Governor of the CBG. The establishment of the IFMIS interface at the CBG will further improve liquidity forecasting. During 2011, the CBG will develop instruments for daily liquidity management. Such innovations would help to increase competition in the auctions, which would help lower interest rates.

Financial sector supervision

27. In light of losses incurred in 2009 that eroded the capital of banks and a tightening of asset classification rules, the increase in the minimum capital requirement to GMD 150 million by end-December 2010 and GMD 200 million by end-December 2012 will help strengthen the banking system. The CBG will not grant requests for forbearance. Banks that do not meet the higher statutory capital requirement by end-December risk their license being revoked in accordance with the Banking Act 2009. To mitigate the systemic risks arising from revoking banks' licenses that may cause ripple effects in the Gambian banking sector, the CBG designed a strategy for closing banks in November 2010.

28. The Credit Reference Bureau (CRB) that became operational in August 2009 still faces some start-up problems. In this regard, the CBG plans to raise the frequency of borrower status updates to reflect accurately outstanding credit balances. Likewise, the Tax Identification Number (TIN) will be linked to borrowers' National IDs, which would reduce misreporting. The CBG is working to acquire the Electronic Financial Analysis and Surveillance (e-FASS) software. This will help facilitate accurate and timely submission of statutory returns electronically.

29. In the face of capacity constraints resulting from the increase in the number of banks operating in The Gambia, the CBG is stepping up efforts to strengthen supervision.

- To strengthen its supervisory capacity, the CBG will explore additional hiring if the need arises;
- Subject to available funding, the CBG plans to introduce an IT platform automating the processing of regulatory returns and off-site supervisory analyses (e.g., financial ratio and peer group analyses), which would lower staff's workload by an estimated 10-20 percent;
- Going forward, the CBG intends to enhance its macro-prudential analysis capacity that will allow it to more accurately assess financial stability risks arising from the macroeconomic environment as well as from within the financial sector. Given capacity constraints, the CBG seeks IMF technical assistance on stress testing;
- The establishment of a more efficient payments system infrastructure, including a Real Time Gross Settlements System (RTGS), an automated cheque clearing system and a National Switch, is on track;
- Finally, in the medium term, the CBG intends to migrate from a hybrid (compliance and risk-based) to a fully risk-based supervisory framework that would help prioritize stretched supervisory resources to identified areas of concern. This, however, is not an immediate priority, as it risks draining much-needed resources at a time that the banking sector is facing headwinds.

Exchange rate policy

30. The CBG will continue to maintain a floating exchange rate policy, intervening in the market only to maintain orderly market conditions. If necessary, the CBG may purchase foreign exchange to meet its international reserves target. Allowing the Dalasi to reflect market conditions will continue to help the Gambian economy to adjust to external shocks that inevitably impact small open economies.

Accelerating Growth and Employment

31. The Government is committed to reducing poverty and lifting The Gambia up to the ranks of middle income countries. Under the broad strategy of *Vision 2020*, the Government has endeavored to implement its *Poverty Reduction Strategy Papers I and II* with some success, even though donor support has been limited. Earlier this year, the *Millennium Development Goals Report Card* published by the U.K. Overseas Development Institute placed The Gambia in the top five African countries making progress toward achieving the MDG targets. But even greater efforts are needed to reduce poverty and create opportunities for the Gambian people. In this context, the government has begun to prepare the *Program for Accelerated Growth and Employment (PAGE)*, which would succeed the current *PRSP II* beginning in 2012.

32. The *PAGE* will call for a stepping-up of infrastructure investment as part of the strategy to significantly increase economic growth rates in The Gambia. The Ministry of Economic Planning and Industrial Development (MEPID) has been tasked with the responsibility to assess the quality of the investment plans of line ministries and parastatals to ensure that these investment efforts yield dividends for the Gambian people. Although the Government is still in the early stages of preparing the *PAGE*, it is clear that substantial financial resources will be needed to implement its medium-term investment plans. Looking ahead, the Government seeks to generate such resources through a multi-pronged approach, including savings from reduced interest costs on domestic debt, increasing access to external financing with improved debt management and PFM reforms, and harnessing private sector participation in viable sectors. The Government will work closely with World Bank staff to ensure that efforts to engage the private sector in infrastructure development are transparent and productive.

33. As demonstrated in a number of countries, telecommunications is a key sector where private participation has succeeded to strengthen infrastructure. The rapid expansion of the mobile telephone companies in The Gambia is a prime example. As reported to IMF staff in December 2009, the Government will pursue further private participation in the telecom sector with the re-privatization of the government-owned mobile phone company (GAMCEL). In consultation with World Bank staff, the Government is looking into various options for private sector participation in the financing and operation of the ACE project

34. The Government will continue to explore other avenues for private participation in infrastructure development and will take steps to strengthen the relevant institutional frameworks and conduct sector strategy studies.

Economic statistics

35. Improving the quality of national statistics is a key component of the overall economic development program for The Gambia. To that effect, line ministries will contribute to the development of sectoral statistics. Policy and research units in the line ministries will cooperate closely with and submit all necessary data to the Gambia Bureau of Statistics (GBoS) in a timely manner. GBoS will set a schedule for publishing economic statistics and will aim to deliver timely information on economic performance for policy makers and the general public.

VI. Monitoring the ECF-Supported Program

36. The program will continue to be monitored based on agreed quantitative targets and performance criteria (see Table 1), structural benchmarks (Table 2), and program reviews. The quantitative financial targets for end-December 2010 are performance criteria. Definitions of all targeted variables and reporting requirements are contained in the attached technical memorandum of understanding (TMU). The only change relative to the sixth review's TMU is fixing the cross exchange rates at which foreign assets and liabilities will be converted into U.S. dollars for the calculation of the net usable international reserves of the CBG.

37. For Executive Directors' consideration in discussing the seventh review of the ECF, remedial actions have been taken to correct the fiscal slippage incurred at end-March 2010. Corrective actions include: (i) realization of a small surplus in the basic fiscal balance in the third quarter; (ii) implementation of a mechanism for regular (quarterly) fuel price adjustments that allow sufficient pass-through of world prices to stabilize tax revenues; and (iii) comprehensive coverage in the 2011 budget proposal, including priority expenditures and directives that have been responsible for past spending overruns.

38. To ensure effective monitoring of program implementation, the ECF Monitoring Committee, chaired by the Minister of Finance will continue to meet regularly to review performance under the program. It will also ensure that data are reported to the IMF as per the schedule agreed in the TMU and will provide any other information deemed necessary or requested by IMF staff in order to monitor the program. The committee will also take remedial actions if there are gaps or delays in reporting reliable statistics.

Table 1. Quantitative Performance Criteria and Indicative Targets, End-December 2006 to End-December 2010

	2006	2007		2008		2009		2010						
	End-Dec.	End-Dec.[1]		End-Dec.		End-Dec.		End-Mar.		End-Jun.		End-Sep.		End-Dec.
	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Est.	Prog.
Performance criteria [2]	(Stock)	(Cumulative change from end-December 2006)												
		(Millions of dalasis)												
Net domestic assets of the central bank (ceiling)	38.7	504.5		-97.0		914.5		767.3		638.6		756.1		1,301.6
Adjusted for privatization proceeds and budget support[3]		262.5	-270.4	46.0	590.3	917.3	521.3	767.3	695.9	809.7	1255.0	1012.8	1167.0	
Basic balance (floor)[4]	...	659.4		859.3		685.6		204.6		288.6		266.8		2.1
Adjusted for budget support		659.4	613.6	859.3	480.4	685.6	23.6	204.6	116.2	288.6	-4.6	266.8	-2.9	
New external payments arrears of the central government (ceiling)[5]	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
		(Millions of U.S. dollars)												
Net usable international reserves (floor)	94.9	12.3		36.5		-13.7		50.7		53.5		47.3		41.8
Adjusted for privatization proceeds and budget support[6]		23.3	32.0	30.0	1.3	-13.6	54.8	50.7	50.6	45.7	33.5	35.6	32.0	
New nonconcessional debt contracted or guaranteed by the government with original maturity of more than one year (ceiling)[7]	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
Outstanding stock of external public debt with original maturity of one year or less (ceiling)[8]	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
Indicative targets		(Millions of dalasis)												
Domestic budgetary arrears[9]	561.5	-440.2	-369.5	-561.5	-561.5	-531.3	-531.3	-561.5	-561.5	-561.5	-561.5	-561.5	-561.5	-561.5
		(Millions of U.S. dollars)												
Net present value of new contracted external debt (cumulative ceiling)[10]		4.2	0.0	31.7	30.2	45.6		…		…		…		…
Memorandum item:														
Program exchange rate (D/$)		22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Privatization proceeds ($ millions)	…	17.5	28.5	35.0	28.5	29.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9
Privatization proceeds (D millions at program exchange rate)	…	385.0	627.0	770.0	627.0	657.8	634.7	634.7	634.7	634.7	634.7	634.7	634.7	634.7
Expenditure from privatization receipts (D millions)	…	70.0	158.6	612.0	612.0	657.8	634.7	634.7	634.7	634.7	634.7	634.7	634.7	634.7
Budget support grants ($ million)		0.0	0.0	0.0	0.0	11.5	11.5	11.5	11.5	19.3	11.5	23.2	11.5	23.2
Budget support grants (D millions at program exchange rate)		0.0	0.0	0.0	0.0	253.0	253.0	253.0	253.0	424.1	253.0	509.7	253.0	509.7
SDR allocation (SDR millions)						24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7
SDR allocation (dalasi at program exchange rate)						859.2	859.2	859.2	859.2	859.2	859.2	859.2	859.2	859.2

Source: Gambian authorities.

[1] MDRI debt relief took place in the fourth quarter of 2007.
[2] March 2010, September 2010, and December 2010 are performance criteria; December 2007, December 2008, December 2009, and June 2010 are indicative targets.
[3] Adjusted upward (downward) by the dalasi equivalent of the extent to which actual receipts fall short of (exceed) projected level of privatization receipts and budget support grants.
[4] Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.
Adjusted downward by the dalasi equivalent of the amount of external budget support in excess of the projected levels up to a cumulative maximum of US$10 million in 2009 and 2010.
[5] To be applied on a continuous basis.
[6] Adjusted upward (downward) by the extent to which actual receipts exceed (fall short of) projected level of privatization receipts and budget support grants.
[7] External debt contracted or guaranteed other than that with a grant element equivalent to 45 percent or more, calculated using a discount rate based on the Organization for Economic Corporation and Development (OECD) commercial interest reference rates (CIRRs). Excludes borrowing from the IMF.
[8] Excluding normal import-related credits.
[9] Actual domestic budgetary arrears have been revised upwards for December 2007 and March 2008 to exclude loans that were initially included in arrears.
Arrears for March 2009 were revised upwards to account for new arrears owed to the National Water and Electricity Corporation (NAWEC).
[10] Cumulative from October 1, 2007.

Table 2. The Gambia: Status of Structural Benchmarks, January-December 2010

Measure	Target date	Status
Public financial management and accountability		
1. Establish an internal audit unit at the Ministry of Finance and Economic Affairs and hire core staff.	End-June 2010	Met.
Monetary policy		
2. Adopt a MOU that ensures the regular flow of government revenue and expenditure data to the T-bill committee.	End-Mar 2010	Met.
Statistics		
3. Improve GDP estimates by developing better indicators of subcomponents (e.g. wholesale and retail trade).	End-Mar 2010	Partially met. Some improvements were completed, but a number of data quality and integrity issues remain unresolved.
4. Publish quarterly balance of payments statistics, with a one quarter lag	(i) End-March 2010 (2009 Q4 data)	Met.
	(ii) End-June 2010 (2010 Q1 data)	Met.
	(iii) End-Sept. 2010 (2010 Q2 data)	Met.
	(iv) End-Dec. 2010 (2010 Q3 data)	

Table 3. The Gambia: Structural Benchmarks

Measure	Target date
Tax reform	
1. Announce the revised fuel pricing formula in the 2011 budget speech to the National Assembly.	End-Dec. 2010
Public financial management and accountability	
2. Agree on the technical specifications for interfacing IFMIS with the national payments system.	End-Dec. 2010
Statistics	
3. Publish quarterly balance of payments statistics, with a one quarter lag.	End-Dec. 2010

ATTACHMENT II

THE GAMBIA

TECHNICAL MEMORANDUM OF UNDERSTANDING

I. Introduction

1. This memorandum sets out the understandings between the Gambian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of quantitative performance criteria, indicative targets, structural performance criteria, and structural benchmarks that will be used to monitor the Poverty Reduction and Growth Facility (ECF)-supported program covering the period of 2007–10. It also sets out the related reporting requirements and describes the adjusters that will be applied to certain quantitative performance criteria of the program.

II. Quantitative Performance Criteria

A. Net Domestic Assets of the Central Bank

2. **Definition:** The ***net domestic assets*** of the CBG are defined as the difference between reserve money and the net foreign assets of the CBG. Reserve money is defined as the sum of currency issued by the CBG (i.e., currency in circulation) and the deposits of commercial banks at the CBG. Net foreign assets are defined as foreign assets minus foreign liabilities. Foreign assets and foreign liabilities are defined as claims on nonresidents and liabilities to nonresidents, respectively.

3. For program monitoring purposes, in the calculation of the net domestic assets of the CBG, foreign assets and liabilities will be converted first into U.S. dollars at the prevailing cross-rates and then converted into dalasi using the program exchange rate of D22/US$. This is an accounting exchange rate only and should not be construed as a projection.

4. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual privatization receipts fall short of (exceed) the programmed levels specified in the budget.

5. **Adjuster:** The net domestic assets of the CBG will be adjusted upward (downward) by the dalasi equivalent of the extent to which actual budget support receipts fall short of (exceed) the programmed levels specified in the budget.

6. **Supporting material:** Net domestic assets of the central bank will be transmitted as part of the balance sheet of the CBG (compiled based on the TMU rate) on a monthly basis

within four weeks of the end of each month. For analytical purposes, the balance sheet of the CBG compiled on a current-rate basis will also be submitted.

7. **Supporting material:** The CBG will report data on privatization receipts in the currency it is received in as well as equivalent amounts in U.S. dollars and in dalasis on a monthly basis within two weeks of the end of the month. The Ministry of Finance and Economic Affairs (MOFEA) will report data on a monthly basis within two weeks of the end of the month on expenditures made from the privatization receipts.

B. Basic Balance of the Central Government

8. **Definition:** The basic balance of the central government is defined as revenue (tax and nontax) minus total expenditure and net lending, excluding externally financed capital expenditure. Central government excludes local and regional governments and public enterprises.

9. **Adjuster:** The basic balance will be adjusted downwards by the dalasi equivalent of the amount of external budget support in excess of the projected levels up to a cumulative maximum of US$10 million in 2009 and 2010.

10. **Supporting material:** Reporting on the basic balance will form part of the consolidated budget report described in paragraph 30 below.

C. New External Payments Arrears of the Central Government

11. **Definition:** External payments arrears are defined as the stock of external arrears on loans contracted or guaranteed by the central government, except on debts subject to rescheduling or a stock of debt operation. Debts subject to rescheduling include debts covered under traditional mechanisms (bilateral creditors, such as the Paris Club members) or HIPC. External payments arrears occur when undisputed interest and amortization payments on the above-referenced loans are not made within the terms of the debt contract or in conformity with the terms for interim relief provided under the enhanced HIPC Initiative. This performance criterion will be assessed on a continuous basis.

12. **Supporting material:** An accounting of nonreschedulable external arrears (if any) by creditor countries, with detailed explanations, will be transmitted on a monthly basis within four weeks of the end of each month. This accounting would include, separately, arrears owed by the central government and other public sector entities to Paris Club and non-Paris-Club creditors.

D. Net Usable International Reserves of the Central Bank of The Gambia

13. **Definition:** ***Net usable international reserves (NIR)*** of the CBG are defined as the difference between usable reserve assets and reserve liabilities. ***Usable reserve assets*** are

readily available claims on nonresidents denominated in foreign convertible currencies. They include the CBG holdings of SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals, assets in nonconvertible currencies, and illiquid assets (including capital shares in international organizations). ***Reserve liabilities*** are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF.

14. For program monitoring purposes, in the calculation of the net usable international reserves of the CBG, foreign assets and liabilities will be converted into U.S. dollars at the following exchange rates: 1.365 USD/EUR, 1.591 USD/GBP, 1.028 USD/CHF, 1.556 USD/SDR. Foreign assets and liabilities denominated in other currencies will be converted into U.S. dollars at the prevailing end-of-period market exchange rates for September 2010. These are accounting exchange rates only and should not be construed as projections.

15. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual privatization receipts exceed (fall short of) the programmed level specified in the budget.

16. **Adjuster:** Net usable international reserves of the CBG will be adjusted upward (downward) by the extent to which actual budget support receipts exceed (fall short of) the programmed level specified in the budget.

17. **Adjuster:** In case of an allocation of SDRs by the IMF, the net usable international reserves of the CBG will be adjusted upward by the amount of the SDR allocation.

18. **Supporting material:** End-month data on net usable international reserves of the CBG will be transmitted within seven days of the end of each month. The CBG will identify the U.S. dollar equivalent of privatization receipts within net usable international reserves as a memorandum item.

E. New Nonconcessional Debt Contracted or Guaranteed by the Central Government with Original Maturity of More Than one Year

19. **Definition:** This target refers to new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government. It applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 3, 1979 (Decision No. 6230–(79/140), as amended by Decision No. 14415–(09/91), but also to commitments contracted or guaranteed for which value has not been received. Excluded from

this target are loans or purchases from the IMF and debts with a grant element of at least 45 percent.[1]

20. **Supporting material:** A comprehensive record, including a loan-by-loan accounting of all new concessional and nonconcessional debt contracted or guaranteed by the central government with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter. Nonconcessional external debt over one year includes financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms.

F. Outstanding Stock of External Public Debt with Original Maturity of One Year or Less

21. **Definition**: This target refers to the stock of outstanding external public sector debt with original maturity of one year or less, owed or guaranteed by the central government.[2] Public sector consists of the central and regional governments and other public agencies, including the CBG. Excluded from this target are normal import-related credits.

22. **Supporting material:** A comprehensive record of all external debt with original maturity of less than one year owed or contracted by the public sector, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

III. Quantitative Indicative Targets

A. Domestic Budgetary Arrears

23. **Definition:** Domestic budgetary arrears are defined as the sum of all bills that have been received by a central government spending unit or line ministry under the recurrent expenditure budget (including rents and utilities) or the development expenditure budget, and for which payment has not been made within 30 days. Arrears can be cleared in cash or through debt swaps.

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[11] To be considered concessional in IMF arrangements, a loan should have a grant element of at least 35 percent, calculated on the basis of the commercial interest reference rates (CIRR) and following the methodology set out in the staff paper on Limits on External Debt or Borrowing in Fund Arrangements – Proposed Change in Implementation of the Revised Guidelines approved by the IMF Executive Board on April 15, 1996.

[2] The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the Executive Board of the IMF on August 3, 1979 (Decision No. 6230–(79/140), as amended by Decision No. 14415–(09/91).

24. **Supporting material:** A comprehensive record of all domestic budgetary arrears, with detailed explanations, will be transmitted on a quarterly basis within four weeks of the end of each quarter.

B. Net Present Value of New Contracted External Debt

25. **Definition:** The net present value (NPV) of new external debt contracted or guaranteed by the government from October 2007 onward is calculated by discounting the future stream of payments of debt service due by the country-specific commercial interest reference rates (CIRRs) as published by the Organization for Economic Cooperation and Development (OECD). The new external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted (ratified by parliament). Disbursed debt will be converted to U.S. dollars, based on prevailing WEO test date exchange rates; for loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with the Fund staff.

26. **Supporting material:**. Data on the NPV of the stock of outstanding external debt contracted or guaranteed by the government since October 2007 will be provided on a monthly basis within five weeks of the end of each month.

IV. Structural Performance Criteria and Benchmarks

A. Pro-Forma Financial Statements

27. The CBG shall prepare pro-forma financial statements based on the International Financial Reporting Standards (IFRS) for the 2008 financial year by end-June 2009. The pro-forma financial statement shall include IFRS-required disclosures and balances valued in accordance with the IFRS and reviewed by external auditors.

B. Credit Reference Bureau

28. The Bureau is deemed operational when it is staffed, begins compiling a database on commercial bank customers, and commercial banks are able to share information from the database. The legal basis for sharing such information should be formalized by amending Section 60 of the Financial Institutions Act (2003).

C. Quarterly Balance of Payments Statistics

29. **Supporting material**: Quarterly balance of payments data transmitted to the IMF with a one quarter lag.

V. OTHER DATA REQUIREMENTS AND REPORTING STANDARDS

30. In addition to providing the data needed to monitor program implementation in relation to the program's performance criteria, indicative targets, and benchmarks, as set out above, the authorities will transmit the following data within the time frame specified below:

A. Prices

31. The monthly disaggregated consumer price index, including weights for each major category, with August 2004 = 100, will be transmitted within four weeks of the end of each month.

B. Government Accounts Data

32. A monthly consolidated central government budget report (i.e., the analytical table) on budget execution during the month and cumulatively from the beginning of the year, will be transmitted to the IMF within four weeks of the end of the month. The report will comprise: (i) revenue data by major item, including tax (direct tax, taxes on domestic goods and services, and taxes on international trade) and nontax; (ii) external grants by type (e.g., project, program); (iii) details of recurrent expenditure (including data on wages and salaries, interest payments, and other charges); (iv) details of capital expenditure and net lending (including data on externally financed capital expenditure, expenditures from the Gambia Local Fund, and net lending); (v) the overall balance and the basic balance (defined in paragraph 7); and (vi) details of budget financing (including net domestic borrowing and its gross components, external grants, net external borrowing and its gross components, utilization of privatization proceeds, and arrears).

33. Net domestic borrowing by the central government over a given period is defined as the difference between the net domestic debt at the end of the period and the net domestic debt at the beginning of the period. The central government's net domestic debt is defined as: claims on the central government by the banking system minus deposits of the central government with the banking system plus claims by the nonbanking sector, including public enterprises. Central government excludes local and regional governments and public enterprises. The banking system comprises the CBG and commercial banks.

C. Poverty Reducing Expenditures

34. A monthly report on poverty-reducing expenditures, by functional and economic classifications, will be transmitted within four weeks of the end of each month. Poverty-reducing expenditures comprise line items in the budget that have been specifically tagged as PRSP-related. For 2007, they include expenditure on the construction of trunk roads.

D. Monetary Sector Data

35. The balance sheets of the CBG, prepared on the basis of current and program exchange rates, will be transmitted on a monthly basis to the IMF within four weeks of the end of each month. The balance sheet should explicitly identify all claims on, and liabilities to, the government. Claims include overdrafts, holdings of treasury bills, interest and noninterest-bearing government bonds, advances to the government in foreign currency, and other claims. Liabilities include balances in the treasury main, treasury expenditure, consolidated revenue fund and other revenue accounts, treasury bill special deposit, privatization, special projects, foreign projects, and other deposit accounts.

36. The consolidated balance sheet of the commercial banks and a monetary survey (i.e., consolidation of the accounts of the CBG and the commercial banks), including foreign currency deposits held by residents of The Gambia with commercial banks, will be transmitted within four weeks of the end of each month.

37. The CBG will also forward, within four weeks of the end of each month, data on banks' reserves held at the CBG to meet statutory reserve requirements during the last week of each month (broken down by total reserves, and excess reserves or deficits). Data will be provided for each commercial bank as well as for the industry as a whole.

38. The CBG will also forward within four weeks of the end of each month, data on government borrowing from the CBG as defined in the CBG Act 2005. The data shall indicate the limit on government borrowing from the CBG based on the government's tax revenues in the preceding year.

39. The CBG will also forward within four weeks of the end of each month, data on transactions in official reserves, including daily data on foreign exchange intervention. Further, the CBG will forward the foreign exchange liquidity forecast following each meeting of the Foreign Reserves Management Committee.

E. Treasury Bills

40. Weekly data on the amount offered, issued, net issuance, over/under subscription, and yields (interest rates) of the various instruments will be transmitted on a monthly basis within seven days of the end of the month. Data on treasury bills outstanding (including information on the distribution by bank and nonbank holders) will be transmitted on a monthly basis within six weeks of the end of each month. The weekly Short-Term Liquidity Forecast will be transmitted following each meeting of the Treasury Bills Committee. The monthly Liquidity Management Report, reflecting the data as of the last working day of the month, will be transmitted within seven days after the end of each month.

F. External Sector Data

41. The following standards will be adhered to in reporting data on exchange rates: (i) the interbank market exchange rates, defined as the simple average of the weekly weighted average buying and selling rates, will be transmitted on a weekly basis within five business days of the end of the week; and (ii) the CBG's published monthly average and end-month exchange rates, including those for all currencies in which foreign assets and liabilities are denominated, will be transmitted within two weeks of the end of the month.

42. The CBG will also forward monthly data on volume of transactions (purchases, sales, and total) in the foreign exchange market by each major group of participants (CBG, commercial banks, and foreign exchange bureaus) in dalasis within two weeks of the end of the month.

G. CBG Report on Monetary Program Data

43. The CBG shall forward a report prepared by the Internal Audit Department verifying the accuracy of monetary data submitted to the IMF. The report shall be submitted within one quarter after each test date. The first test date for which the report to be prepared is September 2008.