

# Central Bank of the Gambia

## NEWS



November 2005

Second Edition

### Tête-à-tête with Momodou Bamba Saho, General Manager of the Central Bank of The Gambia



In this edition of the Newsletter, the editor sat face to face with the General Manager, Mr. Momodou Bamba Saho.

**The interview started with a question on the overview of current economic developments.**

He stated that 2005 was quite an eventful year as the Gambia successfully completed negotiations with the

IMF for a six-month Staff Monitored Programme (SMP). The SMP will run from October 2005 to March 2006.

Successful implementation of the SMP would lead to negotiations for a Poverty Reduction and Growth Facility (PRGF). A successful track record in the PRGF should result in The Gambia achieving Highly Indebted Poor Countries (HIPC) completion point sometime in early 2007. This will make significant financial resources available to the authorities in the form of debt relief.

**This is good news for the Bank and the country as a whole.**

**Now can you please dilate on the achievements of the Bank under the current management?**

Well, the Central Bank continues to implement prudent monetary policy. This is evident by the setting up of the Monetary Policy Committee, which meets bi-monthly to evaluate the economic situation in the country and set the policy rate. This, among other things has contributed to the current stable economic conditions backed by the stability of the Dalasi against all major trading currencies.

Furthermore, inflation has declined from 15.7% in July 2004 to 1.1% as at end August 2005.

### **How about meeting Corporate Governance requirements?**

The Bank has undertaken significant internal reforms over the past two years. Through the guidance of the Board of Directors, we have made significant progress in strengthening internal controls, formed an Audit Committee, a Financial Supervision Committee and implemented a new Foreign Exchange Reserves Management policy. These are all geared towards meeting Corporate Governance requirements. In addition, the new CBG Bill will be presented to the National Assembly in December. This will lead to significant changes in the organizational structure of the Bank. We will all need to work together to build on the success of the

past and come up with an efficient and effective structure that will help the Bank achieve its objective and meet the challenges of the future.

### **We have seen physical changes within and around the Bank's premises. What can you tell us on the bank's renovation and upgrading of the Information System?**

Phase I of the refurbishment of the building has been completed. The first stage covered structural extension, face lifting of the Bank and renovation of the toilets. Security conditions have also been improved for safer and conducive working environment. On a related but separate note, the Information System of the bank has also been upgraded with improved security features.

Now, we look forward to Phase II of the renovation. This Phase will deal with the refurbishment of the Bank's interior

with the aim of creating increased internal space thereby facilitating a conducive working environment. Phase II will commence in mid December.

### **Mr. Saho, you've given us some very good insights on the operations of the bank. However, as we don't plan to take anymore of your time, can you sum up the issues of staff welfare, I am sure the staff will be eager to learn about what lies ahead?**

The achievements of the Bank are due to the hard work and dedication of staff. Here in the Central Bank, we are lucky to have some of the best people in the Gambia working for us. The Bank's Board and Management are conscious of this and have thus endeavoured to devise a pay and fringe benefits package that will motivate and retain staff and help them balance their home life and work.

In addition, we continue to invest significant resources in strengthening human and technical capacity in the Bank. We hope this will

## Economic outlook

The strong economic expansion experienced over the past two years is expected to be maintained in 2005. Economic output is forecast to grow by at least 5.0 per cent underpinned by the robust increase in agricultural production, reflecting plentiful and well distributed rainfall, continuing rebound in tourism, strong recovery in re-exports following the re-opening of the border by the Senegalese Authorities and increased consumer spending and business investment evidenced by the rapid expansion in private sector credit. Credit to the private sector rose by 30.7 per cent in the year to end-September 2005.

Money and credit data can provide useful indications about current and future

make the Bank a good Place to build a career and motivate staff to do their best to improve the conduct of public policy for the benefit of the ultimate

spending in the economy and thus the degree of inflationary pressure. Growth in money supply accelerated to 20.1 per cent in the year to end-September 2005 compared to 16.5 per cent a year ago.

Reserve money, the Bank's operating target, increased by 24.1 per cent, higher than the growth rate of 17.3 per cent in the previous year. Reserve money, however, grew by 6.4 per cent from end-December 2004, lower than the end-September programmed target of 11.0 per cent.

Inflation, measured by the consumer price index (CPI), continues to decelerate. End-period headline inflation declined from 14.7 per cent in August 2004 to 1.1 per cent at end-August 2005.

target of policy – the Gambian people.

**Thank you, GM.**

Welcome.

Total revenue and grants is projected to decrease to D2.8 billion in 2005, or 5.7 per cent from 2004 and below the target of D3.0 billion owing primarily to the decline in grants, by an estimated D181.0 million.

Total expenditure and net lending, on the other hand, is expected to increase to D3.67 billion, or 3.2 per cent from 2004 but should be within its budgeted target of D3.68 billion primarily on account of reduced capital spending.

Market interest rates of Treasury bills continued to fall partly as a result of market participants interpreting the current economic data as evidence that monetary policy will continue to ease.

Also, reflecting the deceleration in inflationary pressures, there has been a marked portfolio shift from short to longer-dated bills. As at end-September 2005, 1-year bills accounted for 64.0 per cent of outstanding Treasury bills, 182-day bills (19.0 per cent) and 91-day bills (17.0 per cent).

Revised balance of payments (BOP) estimates indicate that the overall balance will be higher than earlier projected owing to better-than-expected private capital inflows and workers' remittances. The overall balance is projected at a surplus of US \$11.2 million in 2005 compared to the initial estimate of US \$0.9 million.

Gross official reserves is estimated at US \$93.7 million, adequate to cover 4.4 months of imports. As at end-September 2005, gross reserves totaled US \$93.5 million, equivalent to 4.4 months of import cover.

Total purchases and sales of foreign exchange in the inter-bank market decreased to D4.7 billion in September 2005, or 26.6 per cent from June 2005, but is expected to pick-up significantly in the fourth quarter reflecting the seasonal increase in inflows from tourism and re-exports.

Primarily reflecting confidence in the Gambian economy, coupled with continuing robust foreign inflows, the Dalasi appreciated against the US dollar, Euro and Pound Sterling by 6.1 per cent, 7.1 per cent and 5.5 per cent respectively from a year ago.

The average capital adequacy ratio of the banking sector increased from 81.4 per cent in June 2005 to 83.7 per cent in September 2005. The highest capital adequacy ratio was 463.6 per cent and the lowest 12.2 per cent. Thus, all the banks observed the minimum capital

adequacy requirement of 8.0 per cent.

Deposit money banks' total assets declined to D6.83 billion in September 2005 compared to D7.08 billion in June 2005, reflecting the decrease in Treasury bills holdings and balances held with foreign banks. Gross loans and advances increased to D1.81 billion in September 2005 from D1.77 billion in June 2005. Non-performing loans accounted for 12.1 per cent of total loans in September 2005 compared to 8.6 per cent in June 2005. Non-performing loans were adequately provisioned.

The forward looking business sentiment survey indicates subdued inflationary expectations, pointing to lower inflationary pressures in the quarter ahead. Firms expectations were consistent with the forecast of declining inflationary pressures.

## The Outlook for Inflation

The outlook for inflation is good. Reflecting the modest growth in the monetary aggregates, coupled with low inflationary expectations, stable exchange rate and the

prospects of increased agricultural production, inflation is forecast to remain subdued in the remainder of 2005. There are however risks to the outlook, primarily relating to the future path of oil prices and fiscal stance.

Taking the above-mentioned factors into consideration, including the risk to the inflation outlook, the MPC decided to reduce the Rediscount Rate, the Policy Rate, by 2.0 percentage points to 19.0 per cent.

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## Developments in the Financial Sector

### Financial Supervision Department (FSD)

Acting in accordance with the Financial Institutions Act (FIA) 2003, the Central Bank granted license for branch expansion to the following commercial banks: International Bank for Commerce (IBC), Guarantee Trust Bank (GTB), Trust Bank Limited (TBL) and First International Bank (FIB) at the following locations: Jeshwang, Churchills town, Latrikunda Sabiji and Brikama respectively.

The FSD coordinated a workshop on Corporate Governance and Electronic Banking held from the 26-28 April 2005 at the

Kairaba Beach Hotel. The workshop was jointly organized by the Committee of Bank Supervisors for West and Central Africa (CBSWCA), the Financial Stability Institute (FSI) and the Central Bank. The programme was attended by supervisors from west and central Africa and it dilated on the importance of corporate governance and E-banking in maintaining a sound and stable financial sector.

The FSD also hosted the National Seminar on Training and Capacity Building to Counter Money laundering and Terrorist Financing from 15-17 June 2005 at the Palm Beach Hotel. The seminar

was funded by Capacity Building for Economic Management Project (CBEMP) and the United Nations Office on Drugs and Crime. The seminar strengthened the capacity of Gambians in understanding money laundering and terrorism financing and equipped delegates with the required skills to combat these heinous crimes. The seminar was attended by forty-three participants from the financial sector and government departments.

## Foreign Department

Acting in accordance with the CBG Act 1992, the Central Bank issued a license to Gam Direct Forex Bureau Ltd to operate a foreign exchange bureau.

This brings the number of bureaus operating in the country to 38 in year 2005. The expansion in bureaus will further ease exchange rate pressures as the supply of foreign currencies will rise to meet demand.

## Microfinance Department

Acting in accordance with Section 35 of the Financial Institutions Act (FIA) 2003, the Central Bank issued a license in principle to Bayba Savings and Credit Company (BSCC). This new development brings the total number of Savings and Credit Institutions to four, a milestone in the Central Bank's efforts to provide banking services in those communities where

conventional banks do not operate.

Along the same lines of development, six Savings and Credit Associations were upgraded to Micro-Savings and Credit Institutions (MISACIs) in January 2005. These MISACIs are domiciled in Sanyang, Faraba Banta, Diabugu, Fulladu Disilameh, Mamutfana and Sudumol.

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## Regional Integration

### Regional Workshop

The West African Institute for Financial and Economic Management (WEIFEM) organized

a regional workshop on the 'Negotiation of Financial Transactions held at Palm Beach Hotel. The workshop was

attended by participants from member countries of WAIFEM.

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## International Cooperation

### Africa RE (AGM)

The Gambia hosted the Annual General Meeting of Africa Re at the kairaba Beach Hotel from the 21-23 June 2005. The AGM

was attended by many delegates from member countries of the African Union (AU), the African Development Bank (ADB) and more than 100 Insurance/ Reinsurance

companies. The meeting centered on the financial statements and operations of the company for the year ended December 2004.

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## Staff News

### Welcome

The Central Bank welcomes all new staff members, who joined us recently and wish them a fruitful and productive future here. All members of staff are urged to give them all the necessary support to make them feel comfortable in our organization. The names of the new staff at Officer Level are: Halima Singateh, Bernard Mendy, Alasan Jabby, Lamin Lams Bojang, Malamin Janneh, Kemba Danso, Bumi Camara, Abdou H Ceesay and K Jarju. Marrie Jallow and Jerreh Jammeh are at junior level.

### Congratulations

Congratulations to Messrs Paul Mendy and Abdoulie Jallow, who have successfully completed MBA programme in International Banking and finance at the University of Birmingham in the United Kingdom. Messrs Mendy and Jallow have already resume duties at FSD.

### Fellowship Award

In a bid to strengthen human resources capacity, the Central Bank has recently sent five of its staff on long-term academic training. Mr Momodou B. Mboge is pursuing a professional law course, while Messrs PA Modou Sarr and Momodou Sabally are on postgraduate training. Mr. Eliman Mbenga and Mrs. Fatou Balajo–Touray are pursuing HND and undergraduate training respectively.

### Unit Transfers

The Security Unit, which used to be under the Hon. Governor's office, has now been transferred to AHRD.

Mr. B.A.O Jeng, Principal accountant at FSD, is now head of the Budget Unit, as the Verification Unit has been scrapped.

Mrs. Fatou Marenah-Drammeh has also been transferred from the Insurance Unit of the FSD to FSD.

### Audit

The external auditors, Deloitte & Touché,

have completed the audit on the Bank's financial statements for the fiscal year ended December 2004. The exercise focused, among other things, on the Bank's implementation of the internal control plan, foreign reserves and deposits with correspondence banks.

Further to the above developments, the Bank, in improving payments and delivery systems, has acquired a SWIFT machine for the FSD and is fully operational.

### Mums and Dads

Congratulations to the new mums and dads: Awa Jagne-Jarjusey, Ida Fye-Touray, Saffie Sanyang, Mariama Ceesay, Essah Drammeh and Yusupha Gye.

### Resignation

Who says it is only death that parts us? At times personal ambitions and the desire to change jobs do!

Hence, we could not but say adieu to our dear colleague Ms Ajie Mbengeh-Ndong, who left us for greener pastures. We will surely miss you dear.

#### Retirement

Mrs Marie Bruce-Oliver, Principal Private Secretary at the Hon. Governor's Office, who served the bank for over 32 years retired statutorily. Messrs Baboucarr Sanneh and Ousman Badjie, who served for 27 years and 18 years respectively also

retired from the Bank's services. They demonstrated dedication and loyalty to the Bank and will be surely missed.

#### In Memoriam

The Central Bank was hit by the shocking sudden demise of a dear colleague, Mr. Njagga Secka. This sad event took place on July 16<sup>th</sup>, 2005.

Mr. Secka is survived by two wives and many children. Mr. Secka joined the Bank on 28 January 2002 as a note counter. He

was described as hardworking, approachable and prayerful. May his soul rest in eternal bliss.

#### Football

The CBG staff association organized the Governor's trophy inter-bank football tournament in June/July 2005. The defending champions Standard Chartered Bank won the trophy for the second time, after defeating AGIB 1-0 in the finals.

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### Editorial with Jainaba Saidy, Secretary General, CBG Staff Association



This is the second quarterly edition of the Central Bank of the Gambia's newsletter, since the first was launched in January 2005.

The non-publication of subsequent issues was due solely to work over-load on the staff association on the one hand and the series of trainings and workshops both local and abroad that most members of the executive participated in during the first half of 2005.

In addition, management was also quite busy attending to regional and domestic issues, which affected the space and timely collating of necessary

information for the paper. This newsletter will cover developments in the bank from February to November 2005.

Thanks to the following people for their valuable contributions to the newsletter:

Momodou Njie (FSD), Ismaila Jarjue (ERD), Siaka Bah (MFD), Karafa Jobarteh (FD), Fatou Marenah-Drammeh (FISD), Bernard Mendy (FSD) and Lamin Badjie (AD).