CENTRAL BANK OF THE GAMBIA

ANNUAL REPORT

1973/74

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CONTENTS

I. Review of Developments in the International Economy
   Sterling Agreement .................................................. 1

II. Review of Developments in The Gambian Economy .................. 3
   Production .......................................................... 4
   Tourism .............................................................. 5
   Employment, Wages and Prices .................................... 6
   Money and Credit .................................................... 7
   Trade and the Balance of Payments ............................... 8
   Public Finance ....................................................... 9

III. Operations and Administration of the Bank ......................... 10
   Currency Developments ............................................ 10
   Deposits .................................................................. 10
   External Reserves .................................................... 11
   Discounts and Advances ............................................ 11
   Gambia Government Securities ..................................... 12
   Banking Legislation .................................................. 12
   Profits and their Appropriation .................................... 13
   Auditors .................................................................. 14
   Exchange Control ..................................................... 14
   Economic Research ................................................... 14
   International Conferences and Seminars ......................... 14
   Administration ....................................................... 15
   Board of Directors ................................................... 15
   Appreciation .......................................................... 15

ANNEXES

1. Report of the Auditors .................................................. 16
2. Balance Sheet as at 30th June, 1974 ............................... 17
3. Profit and Loss Account for the Period 1st July, 1973 to 30th June, 1974 18
BOARD OF DIRECTORS
30TH JUNE, 1974.

S. S. Sisay: Governor
Alhaji Sir Farimang Singhateh, G.C.M.G., J.P.
Alhaji A. J. Senghore, O.B.E., J.P.
J. L. Mahoney, Barrister-at-Law
D. A. N'Dow, Permanent Secretary, Ministry of Finance.
J. W. Davies, Secretary
OFFICERS OF THE BANK
30TH JUNE, 1974.

N. D. Nangia  Adviser to the Governor and General Manager
A. A. Faal    Chief Accountant
G. H. Bossy   Chief Economist
O. B. Y. Dibba Senior Economist
J. W. Davies  Executive/Currency Officer
M. B. M. Sisohore Accountant
C. M. J. Edwards Exchange Control Officer
S. T. Sanyang  Statistical Officer
L. M. Jarra   Treasurer
ANNUAL REPORT—1973/74

PART 1

REVIEW OF DEVELOPMENTS IN THE INTERNATIONAL ECONOMY.

1. The international economic scene during the year under review was dominated by inflation, and, in particular, by an unprecedented oil crisis. Between October 1973 and January 1974, oil prices quadrupled, upsetting the financial markets and aggravating the already serious world-wide inflationary situation. Many countries were thus plunged into serious balance of payments difficulties. The crisis also caused a tremendous setback to what little progress was achieved in the reform of the international monetary system.

2. The oil crisis came on top of already strained world supply situation with demand rising much faster than the supply of many raw materials and commodities. Uncertainties and shortages mounted, causing accelerated flight out of money as its purchasing power dwindled down by about 10 per cent a year or more. There were widespread fears among business communities that the oil producers may have set an example of cartelization that other developing countries producing vital raw materials would be anxious to follow.

3. The impact of increases in prices and of commodity shortages was felt unevenly throughout the world. For the industrialised countries, the increases in oil prices had an adverse effect on the balance of payments leading to the adoption of restrictive measures to alleviate the situation. Several countries adopted anti-inflationary measures whilst some resorted to revaluation. In addition, there were heavy borrowings in international financial markets by the U.K., France, Japan and Italy to strengthen their balance of payments position as well as attempts to attract investments from oil-producing countries. Most of the industrialised countries, heavily dependent on imported oil, undertook a number of measures designed to conserve domestic utilization of energy, on the one hand, and to develop alternative sources of power, on the other.

4. The oil crisis has an uneven impact on the developing countries. Among these three distinct groups began to emerge. The first group comprised those countries which, while facing sharply rising oil bills, did benefit from the concurrent increases in the world prices of their primary export commodities. For several countries in this group the balance of payments position actually improved although the disquieting prospect remain that the surge in oil prices will outlast those of their primary exports.

5. The second group of developing countries comprised those who were also substantial exporters of oil. While, as a group, they were the beneficiaries of the higher oil prices, their import-absorptive capacity varied greatly from country to country. Those among them with low national incomes per head and ambitious development plans found that the rapidly increasing oil export revenues could easily be absorbed by imports of goods and services. Others, either because of high per capita incomes or because of the lack of infrastructure and ancillary facilities in place, had no choice but to accumulate large foreign exchange balances abroad.
6. The last group of developing countries included those without oil resources of their own with an ever growing import bill which they were unable to meet. This group of countries came to be known as the “most seriously affected countries”.

7. In the case of The Gambia, the increase in fuel prices was accompanied by a substantial increase in the world market price for their exports leading to increased foreign exchange earnings. For Gambian groundnuts, average price surged from D491 per ton in 1972/73 to D747 per ton in 1973/74. Total exports rose from D30.5 million in 1972/73 to D63 million in 1973/74, groundnuts accounting for 96 per cent of the higher amount.

8. Even so, The Gambia’s fuel bill (including petroleum and petroleum products) rose from D2.5 million in 1972/73 to D3.4 million in 1973/74 representing an increase of 36 per cent, even though quantitative increase was much less. It would have been substantially more if adequate stocks were not kept prior to the increase. The crisis also caused considerable increase in freight costs, by 53 per cent, from D4.9 million to D7.4 million.

9. Initially, the oil-importing African countries sought to obtain price concessions from the leading oil exporters, notably those with whom they maintained long-standing cultural, religious and political ties. For a variety of reasons, including the difficulties of controlling resale of concessionary oil imports elsewhere, the efforts to obtain oil below the world posted prices did not meet with success. However, the leading oil exporters did respond to plea for assistance by providing grants and loans to a number of African countries, including The Gambia which has received, in the period under review, bilateral aid from a number of Arab oil exporting countries, notably Libya.

10. Particularly serious was the impact of the crisis on agricultural production. The increase in the cost of fertilizers will have a devastating effect on food production, particularly in the drought-stricken Sahelian countries. Fertilizer imports in The Gambia rose by 204 per cent in 1973/74 from D0.2 million in 1972/73 to D0.7 million even though quantity rose by only 128 per cent.

11. Fortunately for The Gambia, because of the substantial increases in foreign exchange earnings from enhanced exports and tourism receipts, the increases on import cost will not have a very serious impact on the current account of the balance of payments for the period under review. Also, because of the increased inflow of capital from abroad, the balance of payments is likely to be in surplus in 1973/74. However, the increase in prices meant that some funds set aside for development purposes would be spent on settlement of higher imports. Other developing countries were not as fortunate; shrinking reserves could not be supplemented with increased borrowings from international financial markets because of prohibitive interest rates, although some did borrow. The spread of balance of payments difficulties throughout the world gave rise to fears that exchange restrictions and constraints on free trade will intensify and multiply, thus cancelling much of the progress achieved in the previous decade. In order to allay these fears the International Monetary Fund set up a special oil facility, with funds obtained from the chief beneficiaries of higher oil prices to be made available to those countries most in need, on the condition that the latter will refrain from restrictive practices in their dealings with the rest of the world.
12. By the close of the period under review, only a modest total of SDR 2.8 billion was obtained from Saudi Arabia, Kuwait, Iran, Venezuela, Canada, Abu Dhabi and Oman. While, obviously, it is imperative to find ways of financing the most severe payments deficits arising from the oil crisis, the facility, by addressing itself only to short-term needs, neglects the basic long-term problems of the loss in real income faced by non-oil producing developing countries. This loss constitutes a severe burden and threatens to slow down economic growth considerably. This fact, while generally recognised does not appear to receive the attention or be treated with the urgency it deserves, although some steps in the right direction have been taken by the modest economic assistance given by the oil producers to developing countries less endowed with natural resources. The World Bank is also shifting emphasis further towards the least developed of the developing countries.

13. Although the oil crisis arrested the progress towards international monetary reform, some progress was made during the year under review. The attempts to alleviate balance of payments problems drew attention to the possibility that some variant of floating exchange rates may continue indefinitely. The IMF recognised this trend, and as a step towards a more orderly international economic situation, embarked upon plans to make floating operate more smoothly and stably, by setting guidelines for the management of floating rates.

14. The IMF Committee of 20 presented its draft Outline of Reform at the Annual Meetings in Nairobi in September 1973 outlining the various points on which there were general agreements as well as points on which there were differences. They also suggested interim measures. There was agreement that the SDR should be valued on the basis of a basket of major currencies rather than on the basis of the US dollar. Satisfactory compromise was similarly reached on the interest rates payable on the SDR.

15. Plans were also made to replace the Committee of 20 by a new “Interim Committee of the Board of Governors on the International Monetary Reform”, and various committees were formed to help towards progress in reform.

**Sterling Guarantee**

The Sterling Guarantee expired on 24th September, 1973 but as early as 11th September, the British Government had issued a declaration renewing the guarantee and extending it to 31st March, 1974. At the end of this period, the Guarantee was extended further to 31st December. Up to the end of the period under review, The Gambia had received only one compensation payment under the guarantee.
PART II

Reviewed of Developments in The Gambian Economy

Production

1. Despite the acute drought which prevailed in most of the Sahelian countries of West Africa, The Gambia was fortunate to have a record harvest of its main export crop—groundnuts. True, the rainfall was a mere 25 inches, barely three inches more than the 22 inches recorded in 1972. Nevertheless, it had the grace to distribute itself fairly evenly in space and time. By the end of the rainy season, there was therefore no doubt that The Gambia was in for another good year. Meanwhile, considerable effort was being made to increase groundnut production and a demonstration project involving 500 farmers each cultivating 2 acres with improved inputs and intensified extension services begun earlier, had started to show some promise the preliminary results had indicated that by the application of improved methods, yields could be increased by 70—80 per cent over traditional farm methods. Acreage under groundnut cultivation in 1973 had been estimated at between 200,000 and 250,000 acres and yields at 1,450 lbs of unshelled nuts per acre.

2. There is no doubt that expectations of annual increases in producer price play an important role in the willingness of farmers to increase production. Total deliveries by buying agents to The Gambia Produce Marketing Board in 1973/74 were 135,060 tons, an increase of 35 per cent over the preceding year’s 100,500 tons. With the producer price for 1973/74 15 per cent higher (at D230.40 per ton) for undecorticated nuts compared with D200.0 in the preceding year, the estimated farm incomes rose by more than 43 per cent in 1973/74 from its 1972/73 level of D20.1 million.

3. Considerable progress was made during the year under review, to promote the production of handpicked selected nuts (HPS) for the confectionary trade. The producer price at D276 per ton represented an increase of 27.8 per cent over the previous year’s D216 per ton. Total purchases in 1973/74 at 2,629 tons were more than double the 1972/73 figure of 1,050 tons.

4. Consequent upon the increase in total production and the marked increase in world market price for groundnuts and groundnut products which surged from an average of D491 in 1972/73 to D747 per ton of decorticated nuts in 1973/74, export earnings soared to D63m during the year under review, more than doubling the D30.5m earned in the preceding year. Groundnuts and related products accounted for 96 per cent of total exports as compared with their share of 95 per cent in the preceding year.

5. The increasing importance of the role of groundnuts in The Gambian economy necessitated some re-organisation in the operations of The Gambia Produce Marketing Board. During the period under review, the Board purchased, at a cost of D5.6 million, two groundnut oil processing mills at Denton Bridge, thus bringing a substantial portion of the Groundnut industry under single management.

6. Even though the performance of groundnuts, both in terms of domestic production and in the world market, has been excellent during the year under review, the Gambian authorities have been aware of the dangers in relying on a single cash crop. During the year under review, progress was made in the production of other cash crops, particularly cotton which is gaining increasing importance among Gambian agricultural exports. The 27 acres which were cultivated in 1969 in the eastern part
of the country and which in that year yielded 21,860 lbs, were added to during the 1973/74 so as to raise the number to 750 acres. Production since then has been increasing quite substantially; in 1972/73, 500 acres planted yielded 312,140 lbs and the 750 acres in 1973/74 yielded 600,000 lbs. Target acreage and production is 8,000 acres and 8 million lbs respectively, and to this end, assistance from the African Development Bank is being sought.

7. Other cash crops included palm kernels, the export of which in 1973/74 dropped to 1,361 tons from its 1972/73 level of 2,409 tons. However, the value increased from D509,434 to D609,030 in 1973/74, reflecting the upsurge in world market price for primary commodities in general. Lime production is also becoming increasingly important and so is market gardening for the urban and export markets. After the exports of onions fell from 394 tons (D66,332) in 1971/72 to 134 tons (D42,071) in 1972/73, exports further declined to 108 tons in 1973/74 although total earnings increased to D42,916.

8. Fish production has also been on the increase as indicated by the export figures. Exports increased from 2,135 tons in 1972/73 to 4,302 tons in 1974 i.e., by 101.5% per cent whilst the total value increased by 65.5 per cent; however, the share of fish in the total exports declined from 3.0 to 2.5 per cent.

9. Food crops suffered more than cash crops from the lack of rainfall despite increased efforts to maintain or raise production. There was also the added danger that the expected increases in the producer prices of cash crops, if far more attractive than the producer price for food crops, e.g. rice, would lead to increased concentration on the production of the former. Efforts to raise the level of rice production became much more urgent during the period under review because of the high costs of imports. In 1970/71, 7,500 tons (D1.5m) of rice were imported, in 1972/73, 13,602 tons (D3.34m), and in 1972/73, 25,450 tons (D9.59m) and despite the sharp drop of the volume of rice imports in 1973/74 to 12,963 tons (D7.73m) i.e., by 49.06 per cent, the total cost of imports of the commodity in 1973/74 was still 80.60 per cent higher than in 1972/73. The sharp drop in the volume of rice imports in 1973/74 was due to carry-over of stocks whose accumulation was made possible by the stringent measures taken by Government to reduce wastage in rice consumption by rationing.

10. At the end of the period under review, two rice projects were in process in the MacCarthy Island Division, one under Taiwanese supervision aimed primarily at increasing the acreage under cultivation by 500 acres per annum, and the other, an IDA project to develop 3,000 acres at a cost of US $1.5m to yield an average of 5,000 litres per acre. The 1973/74 acreage under Taiwanese supervision was 3,000 acres yielding between 4,000 and 5,000 lbs per acre. Efforts to increase production in traditional areas also continued.

11. Millets and sorghum, like other cash crops, suffered from the drought. However, new varieties with more resistance to disease were being introduced to raise production.

Tourism

In 1972/73, 15,580 air charter tourists and 5,065 cruise ship tourists visited The Gambia. The figures for 1973/74 were 20,028 and 3,113 respectively, although there were additional 2,209 visitors who came on business or as private tourists. As a result of the anticipated increase in the number of tourists during the year under review, the number of hotels was increased by 3 to 13 and hotel beds by 374 to 1,883. By the end of 1973 however, there were apprehensions that the number of tourists
would be reduced because of the increases in oil prices and the attendant increases in air fares. Economic difficulties in many of the Western European countries also suggested that probably fewer people would be able to afford holidays abroad. The 1973/74 total for air charter tourists was, however, barely short of the 40 per cent increase projected for the year. But the economic situation did affect the tourist industry. During the year under review, out-of-pocket expenses of tourists were lower, at D21.6 per diem, compared with D24.0 in the preceding year (in terms of 1972/73 prices, 1973/74 per diem expenditure was actually D19.8). The total expenditure, however, increased from D4.5 million to D5.2 million (but in terms of 1972/73 values, it actually decreased to D3.6 million). During the year under review, Government introduced a tax of D200 per annum on hotel beds.

Employment, Wages and Prices.

1. Employment in The Gambia, as a whole, is highly seasonal. In the monetized sector, the peak period is between December and March, the period coinciding with the tourist and groundnut trading seasons. Employment gradually tapers off, and by June, it reaches its lowest point. It is from this point, however, that the busy period in the rural areas starts, and continues up to about December. Hence, casual employees laid off by the monetary sector in June are available for work in the rural areas.

2. Total employment in both the private and public sectors grew steadily during the year under review. Employment in the Government and quasi-government sectors increased by 41.5 per cent to 17,848 in June 1974 from its level of 12,516 in June 1973. Total employment in the private sector in June 1974 was 4,047, slightly less than the 4,107 recorded in June 1973. Total number employed in June 1974 was 21,895 compared with 16,723 in June 1973, an increase of 30.9 per cent. Between March 1974 and June 1974, employment fell by 12.3 per cent.

3. Rapid increases in prices, both of domestically produced goods and imported goods were experienced during the year under review. To alleviate the situation Government increased the wages of lowest-paid workers by D0.30 per day and those of salary earners with annual earnings of D1,495 or less, by D84 per annum. These interim increases represented 17.16 per cent boost for the lowest paid workers and 5.6 per cent for lowest salary earners. Government also appointed a Salaries and Wages Commission to look into the whole question of earnings.

4. Although the retail price index for Banjul is far from perfect, it provides a rough guide to the trend of prices. The all-item index for low consumption wage earners in June (1961 = 100) rose to 141.7 compared with 134.1 in the corresponding month of the preceding year. On a year to year basis, household goods rose the most from 156.8 in June 1973 to 174.8 in June 1974. Domestic consumption has a high import content and inflation abroad has an effect also in the locally produced goods. Early in 1973, the Government had established a Price Control Unit under the Ministry of Finance to help stabilise prices and the Unit did succeed in some areas, but by the end of 1973, increases in the cost of imported goods and delays in receiving imports created shortages and disrupted the stability so that a further chain of price increases was put in train. The National Trading Corporation of The Gambia was established in 1973 to alleviate shortages and to reinforce the Price Control Unit’s efforts at stabilising prices.
Money and Credit

1. Money supply increased only slightly from its June 1973 position of D15.9 million to D16.6 million in July 1973. Thereafter, it fell gradually but then rose sharply in December 1973 to D31.98 million. By January 1974, money supply had surged to its highest ever at D35.1 million; a gradual decline followed and by the end of the year under review, it had reached some condition of normality at D18.5 million. This trend is in sharp contrast to the position in the previous year when the highest level reached was D22.9 million in December 1972. Money supply has a seasonal pattern of peaks in December or January and troughs in June. On a year to year basis, it increased by 67 per cent in December 1974, by 29 per cent in January 1974, and by 16 per cent in June 1974, from D22.93 million to D31.98 million, D27.21 to D35.08 million and D15.92 to D18.51 million respectively.

2. Within the components of money supply, currency outside banks represented by far the biggest, accounting for 78.9 per cent of total money supply in December 1973, at D25.22 million. By January 1974, it had reached its peak at D27.15 million when total money supply was D35.1 million; a gradual decline ensued thereafter, and by June it had declined to D10.07 million. Demand deposits, on the other hand, reached their peak in April at D10.02 million, about 48.5 per cent higher than the corresponding month in the preceding year and 27.8 per cent more than the highest figure recorded in the previous year (D7.88 million, in May). Demand deposits in April at D10.02 million included an increase of D1 million in the deposits of Government entities.

3. The increase in money supply, particularly in December and January, is a reflection of the seasonal requirement for cash purchases of the bumper groundnut crop, and consequently, the increase has been mainly in the form of currency outside banks.

4. Quasi-money, (time and savings deposits), also increased during the period under review, and there was a substantial increase in time deposits, from D2.92 million in June 1973 to D5.18 million, an increase of 77.4 per cent.

5. Like virtually everything else in The Gambia, credit too has a seasonal pattern, reaching its highest level between the months of December and March and its lowest in June. Commercial bank credit was exceptionally high in December 1973 at D33.13 million, representing more than double the December 1972 total at D16.2 million. By January 1973, total credit had reached D36.10 million 45.6 per cent more than the January 1973 total of D24.8 million. The large groundnut output during the year and the higher producer price necessitated a substantial increase in domestic credit. The delays experienced in receiving imports and the slow movement of crops did not permit the usual gradual liquidation of outstanding credits. By June however, total domestic credit had dwindled down to D12.7 million representing 38 per cent of its December 1973 position but an increase of 40 per cent over the D9.0 million in the corresponding month in the preceding year. The bulk of the credit was to agriculture (including purchase of groundnuts) which, in December 1973, was D24.8 million representing 74.9 per cent of total credit as compared to D9.37 million in the corresponding period of the preceding year which represented only 56.9 per cent of total credit of D16.47 million. By March, total credit had declined to D22.86 million and finally settled at D12.6 million in June 1974.
Trade and the Balance of Payments

1. Total exports for 1973/74 were D65.3 million, (more than double the 1972/73 figure of D32.1m). On the other hand, imports totalled D63.4 million (D54.4 million in 1972/73) leaving a trade surplus of D1.9 million compared with the D22.3 million deficit in 1972/73. Groundnuts and groundnut products accounted for 95.4 per cent (94.7 per cent in 1972/73) of total exports. Fish and fish products were the second largest export item, totalling D1.6 million during the year under review compared with D1.0 million in 1972/73. Hides and skins fetched D0.1 million (D0.4 million in 1972/73) and palm kernels D0.6 million (D0.5 million in 1972/73). There was a significant decline, by D266,000 in imports of capital goods, from D2,628,000 in 1972/73 to D2,362,000 in 1973/74 partly reflecting the lack of projects and delays in shipments. There were, however, increases in imports of building materials by 16 per cent from D4.8 million to D5.6 million in 1973/74 and in passenger motor cars by 19 per cent from D2.1 million in 1972/73 to D2.5 million in 1973/74. Rice imports increased by about 77% from D2.2 million in 1972/73 to D3.9 million in 1973/74.

2. The United Kingdom (36.8 per cent), France (22.6 per cent) and Netherlands (16.9 per cent) dominated Gambia’s exports. A large portion of the imports came from the U.K. (24.4 per cent) and China (10.2 per cent). There was considerable change in the direction of trade since 1972/73.

3. Compilation of the balance of payments for 1973/74 has not yet been completed but indications are that there would be an overall surplus. With regard to merchandise account, the phenomenal increases in the world market price of groundnuts which a year ago was around £140—175 per ton (decorticated) and held close to £160 in October and November 1973, reached £250 by the end of the year, surged to £350 in January and then eased at around the £300 level. Groundnut oil and cake underwent roughly parallel rises thus leading to a substantial rise in the value of groundnut exports and groundnut products from D30.5 million in 1972/73 to D63 million in 1973/74. Despite the sharp increases in export earnings, only a modest surplus of D1.9 million is anticipated on merchandise account as a result of equally substantial increases in imports reflecting higher incomes, increased development expenditure, enhanced requirements by tourists as well as considerable increases in fuel imports due to sharp rises in prices. The anticipated surplus is, however, a substantial improvement over the 1972/73 deficit of D12.3 million in merchandise account. Freight costs are also likely to affect the services account adversely but the situation is likely to be bolstered by receipts from tourism, leading to a small surplus or at worst a small deficit in the services account.

4. The current account on the whole is likely to be in surplus.

5. A surplus on capital account is also to be expected since there have been large inflows of long-term private capital for direct investment projects as well as considerable inflows of bilateral and multilateral aid. Some outflow of commercial bank funds, in view of large increases in bank deposits due to this year’s exceptionally good groundnut trade and because of the attraction of the very high interest rates in the UK, is anticipated.

6. The underlying balance for 1973/74 will accordingly be in surplus. Already, the external reserves of the country are in the region of D50 million, or nine months of current import requirements.
Public Finance

1. Preliminary data from the Treasury indicate that total expenditure in 1973/74 amounted to D24.29 million, an increase of 16% over the 1972/73 total of D20.97 million. One of the main reasons for increased expenditure was the opening of missions abroad. Revenue, on the other hand, increased from D23.88 million in 1972/73 to D27.56 million in 1973/74, an increase of 15 per cent. Direct Taxes amounted to D3.46 million representing about 13 per cent of total revenue, and an increase of 25 per cent over the D2.76 million in 1972/73. As usual, indirect taxes represented the bulk of total revenue at D16.24 million, 59 per cent of the total, and an increase of 7 per cent over the D15.17 million of the preceding year. The surplus on the recurrent budget of D2.91 million in 1972/73 can be compared with D3.28 million surplus in 1973/74.

2. Data from the Treasury also show a sharp drop in development expenditure to D6.99 million from the revised estimated figure of D10.07 million, a drop of about 31 per cent. This was mainly due to failure in meeting the target expenditure on communications originally estimated at D5.84 million but which, according to preliminary figures, showed a total expenditure of only D2.85 million. There was also a huge decline from the revised estimated figure of D9.01 million on development receipts to D4.61 million, a decline of 49 per cent mainly due to the difference between what was estimated as receipts for communications (for the port of Banjul project from IDA—D3.77 million was estimated but only D1.65 million was received, for the Yundum Airport project, D750,000 was estimated but nothing was received) and the amount which according to preliminary information, was actually received. The difference between development expenditure and receipts thus led to a deficit of D2.38 million, and this was financed from the surplus in recurrent estimates, thus heading for an over-all (in both Recurrent and Development budget) surplus of D0.53 million.

3. The huge discrepancy in the development budget between estimated and actual receipts and expenditures is an indication of the delays in the execution of projects due, inter alia, to the problem of shipping and delays in the completion of formalities involved in the negotiation of loan agreements, as well as the slow absorptive capacity of the economy.
PART III

OPERATIONS AND ADMINISTRATION OF THE BANK

Currency Developments:

1. In the operational and administrative fields, the Bank continued further to consolidate its position. As mentioned in the previous report, the Bank issued a D10 Note on 12th July, 1973. During the year under review arrangements were finalised for the introduction of a 1 butut coin under the coin masspromotion plan of the Food and Agricultural Organisation of the United Nations. The coin, which is legal tender, was put into circulation on 16th December, 1974. The new coin retains the main features of the existing 1 butut coin, except that the Arabic text of 1 butut engraved on the coin has been replaced by the inscription “Food for Mankind.” The Bank has also arranged with the Royal Mint for the issue of proof sets of the new Gambian coinage. It is expected that the coins will be placed on the market in May, 1975.

2. The breakdown of notes and coins issued as at 30th June, 1974 was as follows:

<table>
<thead>
<tr>
<th>Old Currency (£ s. d.)</th>
<th>New Currency (D. b.)</th>
<th>Total (D b.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (Dalasi equivalent)</td>
<td>Notes</td>
</tr>
<tr>
<td>£5</td>
<td>5,100</td>
<td>D25</td>
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<tr>
<td>£1</td>
<td>73,100</td>
<td>D10</td>
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<tr>
<td>10/-</td>
<td>15,428</td>
<td>D 5</td>
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<td>93,628</td>
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</tbody>
</table>

3. The Bank continued to redeem the old Gambian £sd currency and the total redemptions during the period amounted to D14,125.00. The total redemption is relatively small in relation to the amount of demonetised currency still in circulation, which stood at D291,716 on 30th June, 1974.

Deposits:

Deposits held by the Bank rose from D29.07 Million on 30th June, 1973 to D34.8 Million on 30th June, 1974. Deposits under all heads showed increases. G.P.M.B. special deposits held by the Bank remained to be the principal constituent of this item.
External Reserves:

1. The reserves held by the Bank rose from D37.14 Million on 30th June, 1973 to D44.68 Million on 30th June, 1974. The Bank's investment portfolio consisted of the British Government securities, Treasury bills and short term deposits held with the Crown Agents in the Joint Consolidated Fund. The holdings of Sterling securities were D16.4 million on 30th June, 1974 as against D17.8 Million on 30th June, 1973; those of Treasury bills amounted to D22.9 Million as compared with D6.7 Million. The rise of D16.2 Million in Treasury bills holdings was largely due to the deployment of part of the funds derived from the export proceeds of the G.P.M.B. into this investment.

2. The Special Drawing Rights component of external reserves which stood at SDR 2,176,850 (D4.5 Million) on 30th June, 1973 decline to SDR 2,098,217 (D4.3 Million) on 30th June, 1974. Of the difference, SDR's 75,685 were used to repurchase a further fifth of the Bank's subscription resulting from the quota increase of D2 Million set in December, 1970, and SDR 2,948 were transferred to the General Account of the I.M.F., in settlement of assessment and charges.

Discounts and Advances:

1. In pursuance of the provisions of Section 34 of the Central Bank Act, the Bank continued to provide the commercial banks with non-seasonal finance by way of secured advances for the financing of their credit operations other than seasonal crop loans. A combined limit of D5.3 Million was approved for the banks and the amount utilised was D4.0 Million.

2. The limit approved included a sum of D3 million advanced to The Gambia Commercial and Development Bank for relending to the Gambia Co-operative and Marketing Union Limited for the purpose of granting subsistence loans to farmers. All advances under this head were repaid within the prescribed period.

3. The ceiling approved by the Central Bank, and the level of utilisation by the commercial banks were higher than the 1972/73 figures.

4. The buying of the country's export crops by the Licensed Buying Agents was, as during the previous years, refinanced by the Central Bank. For this purpose, the Central Bank extended a credit limit of D32.00 Million as against D17.75 Million in 1972/73 to the commercial banks. The rise in the level of refinancing was accounted for mainly by a sharp increase in the tonnage of groundnuts purchased by the Licensed Buying Agents, as well as by the rise in the producer price of groundnuts from D200 per ton during 1972/73 to D230.40 per ton in 1973/74. The level of credit utilisation was D26.00 Million. All advances in respect of crop finance were fully repaid by 31st March, 1973.

5. Interest charged on both non-seasonal advances and crop finance advances to Commercial Banks was 6% per annum.

6. Ways and Means advances granted to the Government from time to time during the year, in accordance with Section 47(1) of the Central Bank Act totalled D4.00 Million. All advances were fully repaid by 30th June, 1974. Interest on such advances was charged at 2% below the Bank Rate (i.e. at 4% per annum.)
Gambia Government Securities:

The Gambia Government 6% Stock 1963/73 matured on 31st October, 1973. The stock was redeemed on the due date by the Government. On 25th April, 1974 the Gambia Government issued another loan, 7% Gambia Government Local Loan Stock 1979 for the purpose of financing part of its development programme. The amount on offer was D2 Million and was fully subscribed, with support from the Bank which took up D710,000 of the issue. The issue of the stock was handled by the Bank on behalf of Government, thus marking a beginning towards the issue and management of Government loans by the Bank, as provided for in the Central Bank.

Banking Legislation:

1. A Financial Institutions Bill was passed by the House of Representatives on 12th December, 1973. The bill received the assent of His Excellency the President, on 15th February, 1974, and by an order of the Minister of Finance, Commerce and Industry published in the Gazette (Legal Notice No. 16 of 1974) the Act came into operation on 1st May, 1974.

2. The purpose of the Act is to regulate all matters pertaining to the organisation, management, operations and liquidation of Financial Institutions with a view promoting a sound financial system in the country. A Financial Institution means any person doing banking business and for the purpose of the Act includes all offices and branches of a foreign Financial Institution in The Gambia.

3. Under the Act every Financial Institution incorporated locally requires a licence from the Central Bank in order to do banking business in, or outside The Gambia, and every Financial Institution incorporated abroad also requires a licence from the Central Bank in order to do banking business in The Gambia. The only exception is the Post Office Savings Bank. The Act makes provisions for the issue of provisional licence to all persons doing banking business in The Gambia upon the commencement of the Act for a term of two hundred and ten days, pending the granting of a licence by the Bank in consultation with the Minister.

4. Before granting a licence, the Central Bank has to be satisfied with the financial status and history of the applicant, the character and experience of management, the adequacy of its capital structure, the convenience and needs of the community to be served, the earning prospects and its effects on the existing Financial Institutions.

5. A local Financial Institution operating as a bank shall be constituted either under the Companies Act or under the Act of Parliament. Without the approval of the Central Bank or except as provided by law, no one may acquire ownership in a local Financial Institution constituted under the Companies Act which gives him more than 20% of the total voting power. A local Financial Institution may not also enter into a merger or consolidation without the approval of the Central Bank which will consult the Minister before giving its approval.

6. The minimum paid-up capital is required by the statute as follows:

(a) In the case of a bank, D250,000 or 5% of its liabilities to the public in The Gambia, whichever is greater;
(b) In the case of a Credit Institution, D50,000 or an amount between five to twenty per cent of its liabilities to the public in The Gambia as may be prescribed by regulations, whichever is greater.

7. A local Financial Institution shall have its capital paid-up as above, by the shareholders and a foreign Financial Institution shall have assigned capital transferred to it by its Head office.

8. Every Financial Institution is required to maintain a Reserve Account to which shall be transferred annually not less than 25% of its net profits, whenever the balance in this account is less than the minimum required capital. No dividend shall be paid nor any other payment from profits made, if this would result in the impairment of the capital or of the minimum required balance in the Reserve Account.

9. All Financial Institutions are required to maintain, at all times, liquid assets amounting to not less than such percentage of its liabilities in The Gambia as may be fixed by the Central Bank. Such percentage is, however, not to exceed 40%.

10. The Act stipulates certain prohibitions and limitations on lending, the most important being that no bank (as defined in the Act) shall directly or indirectly, except with the approval of the Central Bank grant to any person any advance or credit facilities or make any guarantee so that the total value of such advances, credit, facilities or guarantees in respect of such person is, at any time, more than twenty-five per cent of the aggregate amount of the bank’s unimpaired capital and the unimpaired balance in its Reserve Account. The prohibition, however, does not apply to facilities granted certain types of securities specified in the Act.

11. The Bank is vested with powers to carry out detailed examination of the books and affairs of every Financial Institution with a view to ascertaining that the requirements of the Act are being complied with.

12. The other miscellaneous subjects covered by the Act include provisions for audit and inspection, direction and management, confidentiality of banking, declaration of bank holidays, reporting and disposal of unclaimed funds, and the making of regulations. The Act repeals the Currency Act (Cap 12).

**Profits and their Appropriation:**

The operating results of the Bank for the financial year 1st July, 1973 to 30th June, 1974 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>2,866,871-94</td>
</tr>
<tr>
<td>Operational Expenses (including depreciation of assets and contribution to staff and superannuation funds)</td>
<td>1,534,438-42</td>
</tr>
<tr>
<td>Net Profit</td>
<td>1,332,433-52</td>
</tr>
<tr>
<td>Appropriations:</td>
<td></td>
</tr>
<tr>
<td>Contribution to Government Revenue</td>
<td>1,300,000.00</td>
</tr>
<tr>
<td>Transfer to Reserve for Contingencies</td>
<td>32,433.52</td>
</tr>
<tr>
<td></td>
<td>1,332,433-52</td>
</tr>
</tbody>
</table>
Auditors:

With the approval of the Minister, the Board of Directors reappointed Peat, Marwick, Cassleton Elliott and Company, Chartered Accountants, as the Bank's Auditors for the year under review.

Exchange Control:

The exchange control policy of The Gambia remained unchanged, and The Gambia continued to maintain a liberal system of trade and payments. Its relationship with the former Scheduled Territories did not also undergo any change. The par value of the Dalasi continued unaltered at 0.426562 gram of fine gold or D1=SDR 0.48, and the pound sterling continued to be the Gambia's intervention currency; the exchange rate of Dalasi being kept at D4=£1.00 within margins of one per cent.

Economic Research:

1. The Economic Research Department continued its work on monitoring the international monetary situation and of the domestic economy. In addition, it began laying the foundations for in-depth studies of selected aspects of The Gambia's economy. In particular, it prepared preliminary drafts of studies dealing with the role of the GPMB in the monetary field and a discussion of the principles underlying the granting of non-seasonal accommodation to the commercial banks.

2. During the year under review, the ERD has been increasingly consulted by other government departments, notably the Ministry of Finance and Trade, on a variety of topics and issues ranging from The Gambia's participation in the proposed Economic Community of West African States to the changes in the structure of duty on groundnut exports. Toward the end of the period, a representative of the Department was appointed by H.E. the President to serve on the Advisory Committee of the Gambia Produce Marketing Board. The Department continued to play an active role in the progress towards the establishment of the West African Clearing House and participated in drafting its Draft Articles of Agreement.

3. In November, 1973, the Department benefited from a visit of an official of the IMF to improve its periodic procedures and to introduce new data and information into its Quarterly Bulletin.

4. During March of 1974, the Department played a major role in making arrangements for the Article XIV Consultations with the Fund.

International Conferences and Seminars:

1. The Bank was represented at several International Conferences, Overseas Courses and Seminars arranged during the period under review.

2. Mr. S. S. Sisay, Governor of the Bank accompanied by Mr. G. H. Bossy, Chief Economist, attended the 3rd Annual Meeting of the Association of African Central Banks held in Lagos from the 18th—26th August, 1973.

3. The Governor and the Chief Economist also accompanied the Minister of Finance to the Meeting of Commonwealth Finance Ministers held in Dar-es-Salaam from the 19th—20th September, 1973 and then proceeded to Nairobi where they attended the IMF/World Bank Annual Meeting from the 24th to 28th September 1973.
4. In September, 1973, the Governor, Mr. S. S. Sisay, accompanied by Mr. J. W. Davies, Secretary to the Board, attended the inauguration of the Central Bank of Mauritania in Nouakchot.


6. Mr. J. W. Davies attended the 1974 Central Bank Course organised by the State Bank of Pakistan, which took place from the 15th January—15th April, 1974.

7. Mr. S. S. Sisay, the Governor, accompanied by Dr. G. H. Bossy attended the fourth annual meeting of the West African Sub-Regional Committee of the Association of African Central Banks held in Accra, Ghana from the 1st—7th May, 1974.

Administration:


2. The Bank’s establishment during the year was augmented by the addition of one Statistical Officer and two clerks. As on 30th June, 1974 it comprised 10 officers and 28 other staff. The Central Banking Services of the I.M.F. continued to provide the Bank with the services of a General Manager-cum-Adviser, and a Chief Economist.

Board of Directors:

1. During the year under review, there was no change in the composition of the Directors of the Bank. Alhaji Sir Farimang Singhateh, whose tenure of office expired on 28th February, 1974, was re-appointed as director for a further term of three years with effect from 1st March, 1974. The re-appointment was made in accordance with Section 12(1) of the Central Bank Act.

2. The Board held nine meetings during the year; and committees constituted by the Board met on two occasions.

Appreciation:

The Board of Directors is again pleased to place on record its appreciation of the continued loyalty and co-operation it received from the staff during the year under review.
ANNEXES

I

CENTRAL BANK OF THE GAMBIA

REPORT OF THE AUDITORS

We have examined the attached Balance Sheet and Profit and Loss Account and
have received all the information and explanations we considered necessary.

In our opinion, the attached Balance Sheet and Profit and Loss Account toge-
ther with the Note show the state of the Bank at 30th June, 1974 and the net profit
for the year ended on that date in accordance with the requirements of the Central

Sign: Peat Marwick, Cassleton Elliott & Co.
Chartered Accountants

FREETOWN,
22nd August, 1974.
## CENTRAL BANK OF THE GAMBIA

### BALANCE SHEET AS AT 30TH JUNE, 1974

<table>
<thead>
<tr>
<th>1973</th>
<th>Liabilities</th>
<th>1973</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td><strong>CAPITAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>500,000</td>
<td>Authorised</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>250,000</td>
<td>Paid-up</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>1,000,000</td>
<td>General Reserve</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>PROFIT AND LOSS ACCOUNT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,300,000</td>
<td>Profit, year to 30th June, 1974</td>
<td></td>
<td></td>
</tr>
<tr>
<td>320,000</td>
<td>Transferred to Government June, 1974</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000,000</td>
<td>Balance available for transfer</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENCY IN CIRCULATION</strong></td>
<td>8,814,527</td>
<td>10,953,208</td>
<td></td>
</tr>
<tr>
<td><strong>DEPOSITS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,146,424</td>
<td>Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,960,710</td>
<td>Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34,753,198</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,850,242</td>
<td>Allocation of Special Drawing Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,265,071</td>
<td>Other Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXTERNAL RESERVE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32,609,589</td>
<td>Foreign Exchange</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,535,105</td>
<td>Holdings of Special Drawing Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ADVANCES</strong></td>
<td></td>
<td></td>
<td>44,679,815</td>
</tr>
<tr>
<td>200,000</td>
<td>Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>320,000</td>
<td>Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>213,785</td>
<td>Gambia Government Securities</td>
<td></td>
<td>710,000</td>
</tr>
<tr>
<td>50,000</td>
<td>Other Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,937,904</td>
<td>Other Assets (Includes an amount of £7,181,262 for which the Bank holds non-negotiable, non-interest bearing securities under Section 32(2) of the Central Bank of The Gambia Act, 1971).</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>45,641,943</td>
<td>45,641,943</td>
<td>53,377,719</td>
</tr>
</tbody>
</table>

**Note:** At 30th June, 1974 the Bank had an outstanding claim against the Government of the United Kingdom under the Sterling Guarantee Scheme. The amount of this claim has not yet been ascertained and it is not included in these accounts.

_Sgd._

S. S. SISSAY,
Governor

N. D. NANGIA,
General Manager

A. A. FAAL,
Chief Accountant
### CENTRAL BANK OF THE GAMBIA

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1974

<table>
<thead>
<tr>
<th>1973</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td><strong>Transferred to Gambia Government</strong></td>
<td><strong>1,300,000</strong></td>
</tr>
<tr>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

In accordance with Section 8(2) (b) of the Central Bank of The Gambia Act 97.

**Balance Carried Forward**

| Available for transfer as above | 300,000 |

---

D 100,000

---

Net Profit for the Year

| 1,300,000 |

After allowing for Operational Expenses including Provision for depreciation of Assets, Contribution to Staff Funds and Superannuation Funds and Provision for Contingencies.

---

D 1,000,000

---

1,300,000