



CENTRAL BANK OF THE GAMBIA

OPENING SPEECH BY GOVERNOR FAMARA L. JATTA

(Read by Momodou Bamba Saho, General Manager)

On the Occasion of the Awareness Workshop of Private Capital Flows Capacity Building Programme

November 21, 2005

Your Excellencies the;

- **Honourable Secretary of State for Finance & Economic Affairs**
- **British High Commissioner**
- **Director, DFID Gambia**
- **Chief Executive/Directors from GIPFZA, GCCI, CSD and the Private Sector**
- **Workshop Participants and Facilitators**
- **Distinguished Guests**
- **Ladies and Gentlemen**

1. I am pleased to welcome you all to this Awareness and Sensitization Workshop on Private Capital Flows. The workshop is organized by the Balance of Payments Technical Committee (BOPTC) comprising the Department of State for Finance and Economic Affairs (DoSFEA), Department of State for Trade, Industry and Employment (DoSTIE), Central Bank of the Gambia (CBG), Gambia Investment, Promotion and Free Zones Agency (GIPFZA), Central Statistics Department (CSD), Gambia Chamber of Commerce and Industry (GCCCI), Gambia Divestiture Agency (GDA), the Registrar of Companies, Development Finance International (DFI) and the West African Institute for Financial and Economic Management (WAIFEM).

2. This workshop is an important activity under Phase 2 of the private capital flows project funded by the Department for International Development (DFID), the Central Bank of The Gambia and GIPFZA. I wish to express our sincere appreciation to the British Government for the financial assistance and to the British High Commissioner in particular for his unwavering support to the project.
3. I would also like to extend a special welcome to the international resource persons from DFI and WAIFEM. I am grateful that you have accepted to share your experiences with us during this four-day workshop.
4. Distinguished Ladies and Gentlemen, private capital flows mainly comprise of foreign direct investment (FDI), portfolio investment and private sector external debt. Africa has not done well in attracting FDI relative to other regions of the world and the facts are sobering. In 2000, global flows of FDI rose to a record US\$1.3 trillion, but declined by 43.0 per cent to US\$735.0 billion in 2001. During this period, FDI flows to Africa increased modestly from US\$9.0 billion in 2000 to US\$17.0 billion in 2001, but still accounted for less than 3.0 per cent of global flows.
5. The 2005 United Nations Conference on Trade and Development (UNCTAD) World Investment Report revealed that slowly and steadily, the direction of FDI is tilting towards the developing world. The report also noted that global FDI inflows were estimated at US\$648.0 billion in 2004, an increase of 2.0 per cent from 2003. FDI flows to Africa totaled US\$18.0 billion in 2004, the same as in 2003. Africa's share of world FDI was only 3.0 per cent in 2004. Over the past 10 years, this share has risen by only 1.0 percentage point. On a per capita basis, FDI inflows rose from US\$8.0 in

1995 to US\$20.0 in 2004. Compare this with China, where per capita FDI was US\$46.0 in 2004 and explains to a large extent why China's economy has been growing by almost 10.0 per cent annually over the past 10 years.

6. The flow of private capital to The Gambia has been on the increase in the recent past. The 2002 census results indicated that total private inflows was D127.0 million in 2000. Foreign direct investment was estimated to be the most important foreign inflow in The Gambia. The stock of private capital was D777.0 million (18.0 per cent of GDP) in 1999 with FDI accounting for 84.7 per cent of the stock. In 2000, the stock of private capital rose to D904.0 million (21.0 per cent of GDP), or an increase of 16.3 per cent from 1999. The share of FDI related liabilities was a robust 78.1 per cent.
7. Distinguished Ladies and Gentlemen, latest balance of payments data show that net FDI rose significantly to D1.5 billion in 2004 and projections are that it may decline slightly to D1.3 billion in 2005. Notwithstanding, The Gambia needs to dramatically increase investment capital to achieve sustained economic growth necessary for poverty reduction. A substantial body of research suggests that there is a correlation between private capital, particularly foreign direct investment (FDI) and economic growth. Private flows bring more than financial resources: they engender transfer of knowledge, create jobs, boost overall productivity and enhance competitiveness and entrepreneurship.
8. Given the competitive international investment environment, there is a growing awareness of the need for dialogue between business and Government to create an enabling investment policy framework necessary if The Gambia is to significantly scale up FDI. The need to make businesses and the public aware of the necessity to report

capital flows informed the decision to hold this workshop as a prelude to the country-wide private capital flows census to be carried out in mid-January 2006.

9. Better reporting and monitoring of capital flows would assist public policy makers to formulate appropriate policies to create the conditions conducive to attracting private capital and reducing the volatility of such international financial flows. The improvement in the quality of the data disseminated by public policy makers would also help businesses gain a better insight into their markets and allow them to target the most dynamic sources of investment.

10. Allow me, Mr. Chairman, to use this opportunity to reassure the private sector that though the Balance of Payments Technical Committee is mandated to collect such information, the data collected will be for statistical and policy purposes only and would only be disclosed in aggregate form. Besides, officials conducting the census are sworn to secrecy by the Statistics Act and risk disciplinary action for violation of the law.

- 11. Finally, Mr. Chairman, Distinguished Guests, Ladies and Gentlemen,** the Central Bank recognizes that ensuring long-run price stability is essential for increasing domestic and foreign investment and achieving sustainable growth. Accordingly, prudent monetary policies have been implemented over the past two years resulting in a significant decline in inflation. Headline end-period inflation decelerated to 1.1 per cent in August 2005 from 14.7 per cent a year ago and the exchange rate of the Dalasi has been quite stable. We resolve to continue to implement good policies in order to entrench macroeconomic stability.

12. On this note, Mr. Chairman, Your Excellencies, Ladies and Gentlemen, I have the honor and privilege to declare this workshop open.

13. I thank you for your kind attention.

FAMARA L JATTA
GOVERNOR
CENTRAL BANK OF THE GAMBIA
21 NOVEMBER 2005

**Press Release – Private Investment for Development
Awareness Workshop**

As discussed, please find attached a draft press release spelling out the raison d'etre of the Private Capital Flows project and announcing the date and venue for the Awareness Workshop for your consideration and approval.

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Basiru A.O. Njai
Director of Research
November 17, 2005

Awareness Workshop

Please find attached draft speech to be delivered by the Governor at the Awareness Workshop scheduled November 21, 2005 for your consideration and approval please.

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Basiru A. O. Njai
18/11/05

General Manager