



CENTRAL BANK OF THE GAMBIA



**STRATEGIC PLAN
2006-2010**

Board of Directors of the Central Bank of The Gambia



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CHAPTER 1: INTRODUCTION

The Central Bank of The Gambia (CBG) was established in 1971 when it took over the assets of the then Gambia Currency Board.

This document sets out the five-year strategic plan of the Central Bank. It deals with the Central Bank's roles in the domestic economy as well as its role in the West African economic Integration process.

The legal mandate of the Central bank is derived from the CBG Act 2005. According to the Act, the primary objects of the Central Bank are to:

- **Achieve and maintain price stability.**
- **Promote and maintain the stability of the currency of The Gambia**
- **Direct and regulate the financial, insurance, banking and currency system in the interest of the economic development of The Gambia.**
- **Encourage and promote sustainable economic development and the efficient utilization of the resources of The Gambia through the effective and efficient operation of a financial system.**

In trying to achieve these objectives, the Central Bank should perform the following functions:

- Formulate and implement monetary policy;
- Promote the stabilization of the value of the currency;
- Institute measures that will have a positive effect on the balance of payments, public finances and the general development of the economy;
- Licence, regulate and supervise the financial system;
- Promote, regulate and supervise payment and settlement systems;
- Issue and redeem the currency notes and coins of The Gambia
- Maintain and manage The Gambia's external reserves;
- Licence, regulate and supervise non-banking financial institutions;
- Act as banker and financial adviser to government and guarantee government loans;
- Promote and maintain relations with international financial institutions;
- Own, hold and manage official international reserves;
- Promote safe and sound development of the financial system; and
- Collect, analyze and publish statistical data.

In addition to our domestic responsibilities, we also have responsibilities related to the ongoing efforts to integrate the economies of West Africa. The Gambia is one of fifteen

(now fourteen) countries that formed the Economic Community of West African States (ECOWAS) in 1975. In 1987, the ECOWAS Monetary Cooperation Programme (EMCP) was adopted envisaging, amongst other things, the eventual establishment of a single currency with a common central bank. The limited success of this initiative led to the adoption of the “Accra Declaration” by six countries including The Gambia on 20 April 2000 for the creation of a Second Monetary Zone. This initiative was eventually dubbed West African Monetary Zone (WAMZ). The six countries committed themselves to the establishment of a common central bank and the introduction of a single currency with the eventual aim of merging with the other ECOWAS monetary zone (UEMOA) to establish a single currency for the ECOWAS region. The West African Monetary Institute (WAMI) has been set up to guide and monitor progress towards convergence of the economies. The CBG works with WAMI and other national central banks in ensuring that the integration process is on track.

In addition, the CBG also collaborates with the International Monetary Fund (IMF) to formulate key economic and financial policies that will support The Gambia’s poverty reduction strategies.

Additional background information on the work of the Central Bank and the challenges we face is provided in Chapter 2. Our Mission, Values and Vision are contained in Chapter 3. The primary objectives of the bank and our strategies for achieving them are contained in Chapter 4.

This plan will serve as the roadmap of the CBG’s agenda for the next five years. It would be subject to regular review in light of changing circumstances to keep it relevant.

We recognize that the dedication and support of our staff has been important in our past successes and their continued dedication is essential to allow the Bank to meet the challenges of the future. We also acknowledge the invaluable guidance of the Board of Directors in steering the CBG to successfully discharge its mandate.



Famara L. Jatta
Governor

CHAPTER 2: BACKGROUND AND CHALLENGES

2.1 Background

The Central Bank of The Gambia was founded in 1971 to replace the Gambia Currency Board which was formed on 01 October 1964.

In 2005, the Central Bank law was reviewed to make it conform to current best practice in modern central banking law. This current trend focuses on protecting the central bank from the government's short-term influence on monetary policy whilst at the same time ensuring that the central bank is more accountable for its conduct of monetary policy and the use of its resources.

The Central Bank carries out its functions independently. However, it carries out those functions under the overall supervision of the Secretary of State for Finance and Economic Affairs. The Central Bank also has responsibilities within the framework of the ongoing economic integration processes in ECOWAS. In addition, the Central Bank has responsibility to carry out economic and financial policies that have been agreed between the Gambian authorities and the IMF.

2.2 Challenges

This section discusses the environment within which the Bank operates and the significant challenges it faces.

2.2.1 Domestic Policy Environment

Domestic policy formulation is significantly influenced by the Central Bank's collaboration with the IMF. The Gambian authorities and the IMF have agreed a Staff Monitored Program (SMP) framework for the period 01 October 2005 to end March 2006. This would be updated in the context of subsequent negotiations for a Poverty Reduction and Growth Facility (PRGF). The following broad macro economic objectives were set for 2005-08:

Medium Term Macroeconomic Framework

1. Real GDP growth of 4.5-5% per annum;
2. Inflation in the range of 3-5% per annum;
3. Reduction in the external current account deficit (including official transfers) from 13.1% of GDP in 2005 to 6.7% in 2008;
4. Increase in gross international reserves from 4.4. months of import cover in 2005 to 4.7 months in 2008;and
5. Reduction in the stock of domestic public debt from a projected 34.6% of GDP at end-2005 to 27.1% at end-2008

Monetary Policy

Monetary policy is designed to keep inflation in the low single digits. The Central Bank uses a monetary targeting framework. It sets an intermediate target for growth in broad money (as nominal anchor) and uses reserve money as its operating target. The CBG issues Treasury bills as the main instrument for managing reserve money growth. The Central Bank also uses a Monetary Policy Committee (MPC) framework to conduct policy. The MPC, comprising senior officials of the Central Bank and Department of State for Finance and Economic Affairs (DOSFEA), meet every two months and sets the rediscount rate which signals its policy stance.

The challenge for the CBG is to improve liquidity management against a backdrop of government plans to reduce the stock of outstanding Treasury bills. Thus the CBG will have to develop new policy instruments to manage liquidity.

Financial System Soundness and Financial Stability

The CBG has implemented significant financial sector reforms since the mid-1980s geared towards financial liberalization, institutional development and enhancing the capacity of the financial sector. However, despite these reforms, the financial sector, though sound, remains small and underdeveloped. The CBG has taken on

board additional responsibilities in insurance supervision and micro finance.

The challenge for the CBG is to promote the development of a financial sector that contributes significantly to economic development of The Gambia. This will require the Central Bank to focus its efforts on financial sector broadening and deepening, to ensure that existing supervisory powers are reviewed and strengthened and to improve enforcement of current supervisory powers. The CBG will adopt a proactive supervisory regime that will result in prompt intervention in cases of weak and insolvent financial institutions and in imposing penalties for non-compliance with regulations.

Currency Issue

Being the sole issuer and redeemer of banknotes and coin, the main challenges for the Central Bank are:

- Minimize the risks of counterfeiting Gambian banknotes and coin to maintain public confidence in the currency;
- Provide enough banknotes and coins to meet the demand of the public and businesses.

Payment Systems

Safe and efficient payment systems are an important component of the financial infrastructure. Individuals, businesses and

government agencies rely upon an efficient payments system to pay for goods and services, receive payments and pay for investments. Safe and efficient payment systems allow transactions to be completed on time with minimum risk. This reduces transaction costs in the economy and contributes to economic performance. The CBG oversees payment systems to ensure that they:

- Operate with minimum risk;
- Are secure, reliable, rapid, cost effective and meet the needs of the Gambian economy; and
- Maintain confidence of members and end-users and ensure that all member banks have equal and equitable access to payment services.

The Central Bank is currently faced with the challenge of developing a Real Time Gross Settlement (RTGS) system along with other national central banks of the WAMZ. It is expected that by August 2007, a common platform RTGS system for WAMZ would be implemented.

2.2.2 International Cooperation

To successfully establish a monetary union and introduce a single currency in ECOWAS, member countries' economies have to achieve a high degree of convergence. The CBG works with other national central banks in ECOWAS to monitor convergence. The Central Bank also

cooperates with other development partners of The Gambia such as the IMF, World Bank and African Development Bank.

West African Monetary Zone (WAMZ)

The date for establishment of the monetary union is set at 01 December 2009. The Central Bank faces the challenges to contribute to The Gambia achieving the primary and secondary convergence criteria as follows:

WAMZ Primary Convergence Criteria

1. End period inflation of 5% or below
2. Fiscal deficit/surplus/GDP(%) excluding grants of 4%
3. Central bank financing of fiscal deficit as % of previous years tax revenue less than 10%
4. Gross external reserves of at least 3 months of import cover

WAMZ Secondary Convergence Criteria

1. Change in arrears = < 0
2. Tax revenue/GDP > 20%
3. Salary mass/Tax revenue = < 35%
4. Domestic financed investment /Revenue > 20%
5. Real Interest rate > 0
6. Exchange rate (annual change) +/- 15%

West African Monetary Agency

The West African Monetary Agency (WAMA) which is based in Freetown, Sierra Leone, is responsible for monitoring implementation of the EMCP. The Central Bank works with

WAMA and other ECOWAS central banks to ensure that implementation is on track.

Association of African Central Bank

This organization is responsible for monitoring the implementation of the African Monetary Cooperation Program (AMCP). The AMCP aims to establish a continental monetary union. The Central Bank works with other African central banks to ensure that the convergence process at the level of the Regional Economic Communities (REC) such as ECOWAS is in harmony with the AMCP.

International Monetary Fund

The Gambia currently is working towards negotiating a new PRGF arrangement with the IMF. Satisfactory performance under a PRGF-supported program is one of the conditions to reach completion point under the Heavily Indebted Poor Countries (HIPC) initiative. This would release significant financial resources in the form of debt relief for spending on poverty alleviation programs.

Thus the Central Bank will take all the necessary actions to ensure that its performance is on track as agreed with the IMF.

2.2.3 Internal Control

The Central Bank will endeavor to comply with best practice requirements related to a formalized risk management and internal

control framework. The Bank will work to minimize the risks associated with its operations.

2.2.4 Stakeholders

The Central Bank's major stakeholders are:

The Public

The Central Bank recognizes that as a public policy institution, it should serve the public interest. Thus it shall ensure that it is accountable to the public by ensuring transparency in its decision-making processes and provide regular information on economic developments to the public. The public is also concerned about the quality and cleanliness of their currency. Thus the Central Bank will be mindful of the public's requirements when carrying its functions as follows:

- Provide objective analysis of economic developments;
- Protecting the value of public savings by maintaining low inflation;
- Protecting the deposits of the public by ensuring soundness of the financial system;
- Ensuring there are enough banknotes and coins in the right denominations to meet public demand.
- Provide efficient banking services with the highest standards of customer service.

The Government

The responsibilities of the Bank in relation to the Government include:

- Coordinating policy with DOSFEA to achieve the objectives of government economic policy;
- Acting as adviser to government on fiscal matters

The Financial Institutions

The Central Bank will, in conducting public policy, be mindful of the needs of the financial institutions. These organizations are crucial in the monetary policy transmission mechanism. They also contribute to economic growth by providing intermediation services to economic entities with shortages and surpluses of capital. The CBG will work to ensure that:

- There is a level playing field for all financial institutions;
- There is just enough liquidity in the financial system to meet the needs of the economy.

Business Sector

The business sector relies on the Central Bank to provide the right liquidity and credit conditions for successful conduct of business. The CBG will work to ensure that businesses are able to operate in an environment of low inflation, exchange rate stability and with a financial system that meets their needs.

International Organizations

The Central Bank works closely with other national central banks and the BCEAO in ECOWAS and the IMF. In our contact with these organizations, our challenge is to improve and strengthen the relationships that have taken many years to build and to enhance the reputation of the Central bank as a good member of the international community.

2.2.5 Organizational issues

The passage of the CBG Act would result in a new organizational structure for the Central Bank. The functions currently carried out by the General Manager would be split between two Deputy Governors. This was necessitated by the increase in the volume and scope of work in the Bank. Over the years, new responsibilities in monetary operations and domestic debt management, internal audit, information systems, law, micro finance, insurance, payment systems and regional integration were assumed by the Bank. The appointment of two Deputy Governors would reduce the work overload at the top and enable the governors to devote attention to and build expertise in specific areas of the Bank's functions. It is envisaged that this focused approach would enable the Bank achieve its objects.

We will endeavor to ensure that we develop a strong organization.

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- We will develop a Delegation of Authority document that will give responsibilities to lower levels of management to reduce the paper work at the top.
 - We will develop new performance appraisal systems that will enable us to determine which staff are contributing most to the achievement of the Bank's objects and help identify successors to the current management.

CHAPTER 3: MISSION AND VALUES

3.1 Our Mission

Our mission is based on the provisions of the CBG Act 2005. We will therefore work to achieve and maintain price and exchange stability, promote a sound financial system and contribute to the achievement and maintenance of sustainable economic development.

- We perform our functions independently without fear, favor or prejudice
- We treat colleagues with respect
- We promote fairness and equity in employment practices
- We endeavor to be a good corporate citizen

These values will guide the way we carry out the mandate of the Central Bank.

Mission Statement

To achieve and maintain price and exchange stability underpinned by a sound and vibrant financial system to encourage and promote sustainable economic development.

3.2 Our Values

Our values are based on the following commitments of Board, management and staff:

- We work with honesty and integrity
- We ensure transparency in all we do
- We work efficiently and effectively
- We make the public interest our primary goal.
- We shall be accountable to our stakeholders

3.3 Our Vision

By 2010, we are committed to carrying out our mandate effectively and efficiently with the following results:

- Achieving the inflation targets as agreed within the framework of the PRGF and WAMZ.
- Contributing to the development of a strong and sound financial system that will contribute effectively to the economic development of The Gambia as envisaged in the



- country's Vision 2020 strategic framework.
 - Ensuring efficient payments systems and maintaining the stability of and confidence in the currency;
 - Strengthening internal controls in foreign currency operations and maximize the returns on the external reserves;
 - Contribute to sustainable development of the Gambian economy.
 - Achieve a strong reputation in The Gambia and abroad for sound financial management.
- Becoming a founding member central bank of the West African Central Bank (WACB).

This will require significant commitment by the staff. Thus the Central Bank will implement policies to make it a good place to work in by providing the technical capacity, training, remuneration and work processes that will attract and maintain the best qualified staff.



CHAPTER 4: OUR OBJECTIVES AND STRATEGIES

The Central Bank's strategic objectives are linked to its functional priorities. We have identified seven principal objectives which are derived from our mission and vision and reflect our desire to meet our mandate as required by law. During the next five years, we will work to achieve the objectives based on the strategies outlined below.

forward-looking policy framework. Because of the long lag between monetary policy actions and their impact on inflation, it is recognized that the policy making process should be forward looking. The Central Bank currently lacks a formal model for predicting the impact of policy actions on the economy. We will therefore work to develop an econometric model. This will explore the linkages between various macroeconomic variables and assist in understanding the transmission mechanism of monetary policy

Our primary objectives are to ensure:

1. Conduct of effective monetary policy;
2. Promote a sound and vibrant financial system;
3. Prudent exchange and reserve management;
4. Effective and sound payment systems and currency services;
5. Play an important role in the achievement of regional and sub-regional integration.
6. Effective collaboration with international partners
7. Sound management strategies to ensure resources are safeguarded and used effectively and attract and retain good staff

in The Gambia.

4.1 Conduct Effective Monetary Policy

Improve Forward Looking Policy Analysis

We will work on improving the conduct of business of the Monetary Policy Committee. The Central Bank will work to develop a

Improving the effectiveness of monetary Policy Implementation.

The principal instrument used by the Central Bank to keep reserve money growth within target is the issuance of Treasury Bills. However, Treasury bills are also used to finance the fiscal deficit. Indications are that as the fiscal position improves, Government

may wish to issue less Treasury bills. The Central Bank will therefore work to enhance the range of monetary policy instruments available to it and to more clearly separate monetary operations from financing of the fiscal deficit.

stakeholders. This also helps maintain Central Bank independence by insulating it from short-term political influence. It also sends clearer signals of the Central Bank's policy stance by making its monetary policy intentions clearer thereby enabling the private and public sectors to plan more

Monetary Policy

One of the main objectives of the Central Bank is to achieve and maintain price stability. Rising prices, also known as inflation, reduce the purchasing power of the currency. Monetary policy aims to achieve the price stability objective. The Central Bank conducts monetary policy through the issuance of Treasury bills. This acts to manage the amount of money available for spending in the economy. When the amount of money supply grows quicker than the volume of goods and services produced, inflation occurs. The Central Bank also sets the rediscount rate to signal its policy intentions. The Monetary Policy Committee (MPC) has responsibility for making the rediscount rate decision. The MPC is chaired by the Governor and includes the two deputy governors, three senior staff of the Central Bank and two members nominated by the Secretary of State for Finance and Economic Affairs.

The main reason for the focus on price stability is that it is a precondition for achieving the Government's aim of sustainable economic growth.

Thus the Central Bank will introduce the following new instruments.

- A 14 day instrument dedicated to monetary operations;
- Overnight lending/borrowing facilities for managing liquidity on a daily basis; and.
- Repurchase facilities to encourage banks to engage in interbank transactions.

An important component of an effective monetary policy regime is transparency. This requires that the Central Bank's conduct of policy and the rationale for the decisions it makes are explained to its

effectively. The Central Bank will maintain the transparent manner in which the MPC has been operating.

There is also a need for a public education campaign on economic policy issues. Therefore, in addition to participating in seminars and publishing research papers, the Central Bank will publish a series of pamphlets explaining important economic concepts in simple language for the layman.

The Bank also plans to conduct surveys in order to improve monetary and balance of payments (BOP) data and also facilitate the development of research papers.

As part of its monetary operations, the CBG is also responsible for managing the

domestic debt. The debt has now become very large. Without compromising on the objectives of monetary policy, the CBG will seek to minimize the long-term costs of issuing the debt. It will also work to improve efficiency of the market for government securities by implementing a fully computerized *Book Entry* system for managing the debt. A Primary Dealer framework would also be implemented whereby brokers are appointed to buy and sell securities for members of the public. This should further contribute to broadening the financial system.

Improve Research and Data Publication

The Central Bank's publications, the Annual Report, Quarterly Bulletins, MPC Press Release and MPC Minutes provide objective data and analysis of economic developments. The Central Bank will continue to work to improve the quality of these documents. The Central Bank plans to include detailed analysis of monetary policies pursued during the year and the factors affecting the outcome of monetary policy as well as future policy actions in our Annual Report.

The Central Bank will endeavor to improve the frequency and quality of its publications. It will also introduce working and occasional papers on policy relevant research topics and arrange seminars for the presentation of research papers.

Currently data collection from banks, government departments and Institutions is based on (non-survey methods. To improve data collection, the Central Bank shall conduct annual surveys and censuses. With regards to quality, we intend to train enumerators and build the technical capacity of survey designers. Also, the coverage of monetary and BOP statistics will be broadened.

To address the recommendations of the IMF Report on Standards and Codes (ROSC), a BOP Unit has been set up and plans are being implemented to strengthen the Unit with more staff, equipment, and training. Also, surveys and censuses of major components of the BOP will be an ongoing practice. The Central Bank also plans to introduce quarterly BOP data. Already firm arrangements have been made to migrate from BPM 4 to BPM 5.

For improved data processing, we will procure the necessary statistical software and train staff on the use of the software.

Policy Coordination With DOSFEA

The Central Bank will continue efforts to improve the level of coordination between monetary and fiscal policy. There will be regular exchange of relevant information between the two institutions. This will help each institution to discharge its responsibilities as efficiently and effectively

as possible. There will be several levels of coordination. The Secretary of State for Finance and Economic Affairs and the Governor of the Bank both sit at the High Level Economic Committee. The Secretary of State and the Governor will continue to make mutual consultations on important policy issues. In addition, DOSFEA is represented on the **MPC** and on the Central Bank's Treasury Bills Committee whilst the Central Bank is represented on DOSFEA's National Emergency Fiscal Committee (NEFCOM). Bank will continue to provide financial advice to Government whenever necessary as required by law.

4.2 Promote a Sound and Vibrant Financial System

4.2.1 Supervision and Regulation

In order to minimize the occurrence of banking crises, the CBG will implement a Prompt Corrective Action (PCA) framework whereby any violation of the following will trigger appropriate action as may be stipulated in the framework:

- Violations of the statutes (Central Bank, Financial Institutions, Money Laundering and, Insurance Acts)
- Violations of prudential and financial ratios
- Violations of Corporate governance standards.

The CBG will draft the PCA framework, outlining the appropriate sanctions in each

case. The CBG will also seek to strengthen supervisory capacity in insurance and micro finance.

4.2.2 Strengthen the Financial Sector

To strengthen the financial sector, the Central Bank will ensure compliance with the new minimum capital requirements for banks and insurance companies. The minimum capital of commercial banks and Insurance Companies has been increased to D60.0 million and D15.0 million respectively. The Central bank will also review the minimum capital requirements for other non-bank financial institutions such as Savings and Credits Companies.

Money Laundering

Pursuant to the Money Laundering Act 2003, a Financial Intelligence Unit (FIU) will be established and a customer due diligence process put in place by preparing a know your customer (KYC) document specifically for The Gambia. Also, as part of the implementation of the Money Laundering Act, commercial banks will be required to appoint compliance officers to act as focal points on money laundering issues.

Basel II

The Central Bank has established a Basel II Gambian Committee to explore the feasibility of implementation of the new accord in the Gambia. A partial implementation of this accord is slated for 2010 in line with the recommendation of the Basel Committee for developing countries.

Credit Reference Bureau

Work has already commenced on drafting a position paper on a credit reference bureau. The paper will review the modalities for the implementation of such a bureau by the banks, under the guidance of the Central Bank. It is envisaged that the Central Bank will house the bureau whilst the Bankers Association will finance its operations.

Deposit Insurance

The FSD will conduct a study on the feasibility of establishment of a deposit insurance scheme in the Gambia. It is envisaged that the scheme should provide a safety net for small depositors. The study will consider among other things, the problem of moral hazard that may go with such schemes.

4.2.3 Broadening the Financial Sector

The CBG will build on current initiatives in micro finance to broaden access to financial resources for the poor.

The Central Bank will be exploring opportunities to take on a more developmental role to compliment its core regulation and supervision focus. It plans to act as a catalyst in institutionalizing donor-financed projects at the end of their life cycle.

The CBG will intensify efforts to promote linkage banking. This involves encouraging commercial banks to intermediate in micro

finance through refinancing and capacity building. This will further integrate the financial system. A key step would be to dialogue with the Banker's Association with a view to sensitizing them and enticing them into the micro finance sector as happened in some African countries. The Central bank will also champion public incentives for the commercial banks and other private sector entities to participate in micro finance.

The CBG will focus on strengthening and expanding the competitive landscape for micro finance especially Savings and Credit Companies (SCC) and the more advanced MISACIs by helping them build their capacities to upscale through active supervision and guidance with training and technical advisory services. The latter will include training on regulations and supervision, prudent banking norms, sensitization of the stakeholders of micro finance.

The Central Bank will take a more active and effective role in operationalizing the national coordination framework. As a preliminary measure, the Inter-Department of State Micro Finance Coordination Committee (IDMC) for which the CBG is the secretariat would be activated. The CBG would also hold the Micro finance Summit. Staff capacity would be strengthened to improve the national coordination effort.

The CBG will continue to improve the dissemination of information related to micro finance issues by including micro finance

data in its regular publications such as the Quarterly Bulletin. In addition, suitable software would be acquired for the rating of micro finance institutions.

Offshore Banking

The CBG will review the offshore banking legislation which is at an advanced stage of drafting with a view to ascertaining its relevance to the present circumstances.

Islamic Insurance

The CBG will continue efforts to develop a framework for the conduct of Islamic insurance (*Takafu*) in The Gambia. This will provide an alternative to those who wish to use insurance products that conform to the *Shariah*.

4.3 Prudent exchange and Reserve Management

External reserves have risen steadily in the past few years. The Board approved a new policy guideline for Foreign Exchange Reserves Management. The Central Bank will work to implement this policy which seeks a more active management of the reserves to maximize returns whilst keeping within the risk parameters set by the Board. The Policy also aims to ensure that external reserves are adequate vis-à-vis quarterly and or annual targets and are satisfactorily secured and easily accessible.

The above goals are expected to be effectively achieved by:

- Developing and expanding existing staff capacities in the area of portfolio management.
- Promoting and fostering timely access to international financial market information and settlements of international transactions. Arrangements are in place to build a new dealing room and connect to Bloomberg Financial Services during 2006.
- Increased monitoring of portfolio positions, currency and counterparty exposures and current and foreseeable political and economic events in lodgment countries.
- Increase frequency of reporting to Senior Management – weekly reporting where necessary.
- Increase monitoring of domestic market for developments that could adversely affect external reserves.

The Supervision of Foreign Exchange Bureau

The Forex Bureau forms an integral market for retail foreign exchange transactions and the following goals could be realized from their operations:

- To spread out the formal market beyond the Greater Banjul area in an endeavour to expand the database for economic and monetary policy design.

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- To ensure the illegal market operations are controlled and kept at insignificant levels.
 - To ensure the activity of the bureaus provide an effective and desirable competition in the foreign exchange market

This will be achieved by using the following approaches:

- Design of incentives for ensuring increased number of exchange bureaus and operating outlets particularly in the commercial towns of the provinces.
- To institute more frequent onsite visits to exchange bureau branches for monitoring compliance with operating requirements.
- To continue encouraging submission of daily data returns through electronic mechanisms.
- To continue to participate in a task force for facilitating the apprehension and prosecution of perpetrators of illegal foreign exchange operations.

4.4 Payment Systems and Currency

The Central bank is mandated to promote, regulate and supervise payment and settlement systems. The bank also is the sole issuer of banknotes and coin in The Gambia.

We aim to achieve these goals by:

Payment Systems

- Developing a Real Time Gross Settlement system (RTGS) in collaboration with the other countries of the WAMZ;
- Review the current clearing house rules and ensure that they conform to international best practice;
- Implement electronic clearing of cheques;
- Improve the efficiency of banking services provided to Government and the banks and promote a positive image for the CBG; and
- Oversight of the domestic payment system to minimize risk of failure.

Oversight of Payment Systems

A payment is a transfer of value. Payment methods include cash, cheques and electronic funds transfer. A payment system is an arrangement that makes the exchange of payments between its users possible. This arrangement consists of the rules and procedures, people, institutions and networks that allow users to transfer funds amongst themselves.

Settlement systems are those intra-day or end-of-day transfer of funds to settle transactions between the members of the payment system.

Well-managed payment and settlement systems contribute to the stability of the financial system.

The Central Bank oversees the payments and settlement system. The Central Bank's main objective of oversight of payment systems is to minimize risks and ensure that they are secure, reliable, rapid, cost effective and meet the needs of the Gambian economy. The Bank will seek to maintain confidence of members and end-users in the payment system and ensure that all member banks have equal and equitable access to payment services.

Currency

The Central bank has responsibility to provide banknotes and coin to meet the needs of the Gambian public. An important component of maintaining confidence in the currency is to ensure that the risks of counterfeiting the currency are minimized. Thus the Bank shall

- Continue to issue high quality banknotes and coins by dealing with reputable manufacturers;
- Introduce new design banknotes with improved specifications and security in line with international best practice;



- Supply enough banknotes to meet the demand of the public;
- Improve the implementation of the Clean Note Policy to ensure that the notes in circulation are fit for use by the public and machines;
- Undertake a public education campaign to sensitize people on the right way to handle banknotes. This should improve the way the banknotes are handled and contribute to increasing circulation life.

4.5 Regional Integration

The central bank will continue to play an important role in the regional integration process. The conduct of policy would be improved to increase the chances of meeting the convergence criteria as contained in the AMCP, EMCP and WAMZ frameworks.

The Central Bank is committed to the attainment of full monetary union in the WAMZ by 01 December 2009. In addition, the CBG is committed to achieving the following, in collaboration with other WAMZ national central banks:

- Implement a WAMZ-wide common platform RTGS;
- Convertibility and trading among WAMZ currencies;
- Cross listing of stocks and securities in the WAMZ;

- Complete payment of contributions to the capital of the WACB and the Stabilisation and Compensation Fund;
- In relation to banking supervision, to harmonize prudential rules and ratios, accounting, reporting and disclosure formats, loan valuation rules, loan recovery procedures, policies and
- Procedures on problem banks and anti-money laundering legislation;
- Harmonize monetary policy instruments and procedures;
- Develop the reporting requirements of the WACB and the methodology for developing zone wide monetary aggregates; and
- Provide BOP, external reserves and other external sector data to WAMI and develop a framework, in collaboration with WAMI, of zone-wide aggregation of BOP and external reserves data by December 2008.

4.6 Effective Collaboration with International partners

Our collaboration with the IMF plays an important role in our conduct of economic policy and in the management of the internal affairs of the Central Bank. The CBG will seek, in collaboration with DOSFEA, to strengthen the relationship.

The CBG will continue to contribute to efforts to resume a new PRGF-supported program with the IMF. It is envisaged that after the end of the current SMP, the

Gambian authorities would negotiate a new PRGF-supported program with the IMF. Subsequently, a successful track record in the PRGF program should lead to The Gambia reaching completion point on the HIPC Initiative. This should release significant financial resources in the form of debt relief for poverty reduction expenditures.

In-house Financial Programs

The Central Bank will also work to develop

This allows us to promote international cooperation and benefit from a global network of expertise. We will continue to make effective use of these resources.

The Central Bank will also seek enhance its reputation as a well managed central bank and a reliable partner in the attempt to reduce poverty in The Gambia and make progress towards achieving the Millennium Development Goals.

4.7 Management Strategies

What is the PRGF-supported Program?

The Poverty Reduction and Growth Facility (PRGF), established in September 1999, is the IMF's low interest lending facility for low-income countries. The amount borrowed usually depends on a country's BOP needs and attracts interest at the rate of 0.50% per annum. A PRGF-supported program is a set of financial and economic policies agreed between the IMF and the recipient country that is supported by PRGF resources.

It is usually based on a country-owned Poverty Reduction Strategy Paper (PRSP) prepared through a broad public participatory process. The PRSP identifies the country's main poverty reduction and growth priorities. The PRGF-supported program attempts to ensure that budgetary resources are spent on those priorities. It also seeks to improve public resource management, and accountability and transparency in government by including provisions that strengthen governance.

its own financial programs which it will negotiate with the IMF. Currently, most of the work in formulating a financial program is done by IMF staff. The CBG plans to develop its own programs prior to negotiations with IMF staff for use as a basis for the negotiations.

The Central Bank receives technical and financial assistance from the IMF, World Bank, ADB, BIS, DFID, DRI and a large number of central banks around the world.

These strategies are complimentary to the strategies outlined above as they ensure that the necessary technical and human capacity is available to implement the plans effectively.

4.7.1 Financial Management and Internal Control

The Central Bank will endeavour to improve internal controls. An important part of this is to strengthen the internal audit function. Attracting and retaining auditors who have

the skills, knowledge and experience needed to carry out audits in the Bank will be given priority. The problem of recruitment of qualified internal auditors is to be resolved by training the audit staff. The CBG will also work to finalise the audit charter for the internal audit function. This should make clear the purpose of the Internal Audit function, specify the unrestricted scope of its work and clarify its authority and responsibilities among other matters. The Central Bank will also conduct bi-annual reviews of the internal audit function.

As part of reforms of its accounting systems, the CBG will move towards adopting aspects of International Financial Reporting Standards that are appropriate to the Central Bank.

4.7.2 Information Systems Modernization

The Central Bank has come to depend significantly on its IT resources as its data processing needs have grown. The Bank faces a constant challenge to keep the quality of its information systems abreast of its changing business needs. The project to modernise and secure the Bank's network is scheduled for completion in 2006.

The Central Bank will seek to improve IT support services, improve security and disaster recovery procedures. To this end, the CBG will build an off-site data recovery and business continuity center.

Given the difficulties encountered in recruiting staff for the IT function, the CBG will outsource most of the key jobs for now until the current staff acquire the requisite training. The Central Bank will continue current efforts to build capacity in this area of operations.

4.7.3 Human Resource Development

The Central Bank will work to improve its ability to attract, retain and motivate employees. It will devise good recruitment processes, provide a good pay and benefits package, provide equitable training opportunities and implement effective performance evaluation and succession planning systems.

In order to relieve senior officials of routine matters which can be handled at lower levels of the Bank and give appropriate authority to staff commensurate with their responsibilities, the Central Bank will develop a Delegation of Authority document that will give more responsibility to heads of department. They will also be held responsible for the performance of their department.

4.6.5 Strengthen legal and Regulatory Framework

The Bank will review laws, regulations and guidelines to ensure that they are continuously relevant. The CBG will also introduce legislation for new areas of

operations such as electronic cheque clearing and offshore banking.

4.8 Implementing the Strategies

To successfully implement the strategic plan, we must get the following issues right:

Staff

The successful implementation of the strategic plan depends to a large extent on the commitment of our staff. The Central Bank staff have been responsible, over the years, the successful performance of the Bank. They will be crucial in helping us meet our objectives in the next five years.

Organizational structure

- Success also depends on the effectiveness of the new organizational structure. It is expected that there will be some teething problems at the beginning. The new structure should result in additional flexibility and the delegation of responsibility commensurate with authority of heads of departments.

Specific Departmental Plans

- Each department must also put in place specific detailed plans to achieve the objectives set out in this document.

High standards

- We must rise up to perform to the level of professionalism expected of a successful central bank. We will be guided by our values to deliver the best standard of service to our stakeholders.

APPENDIX 1: ACTION PLAN

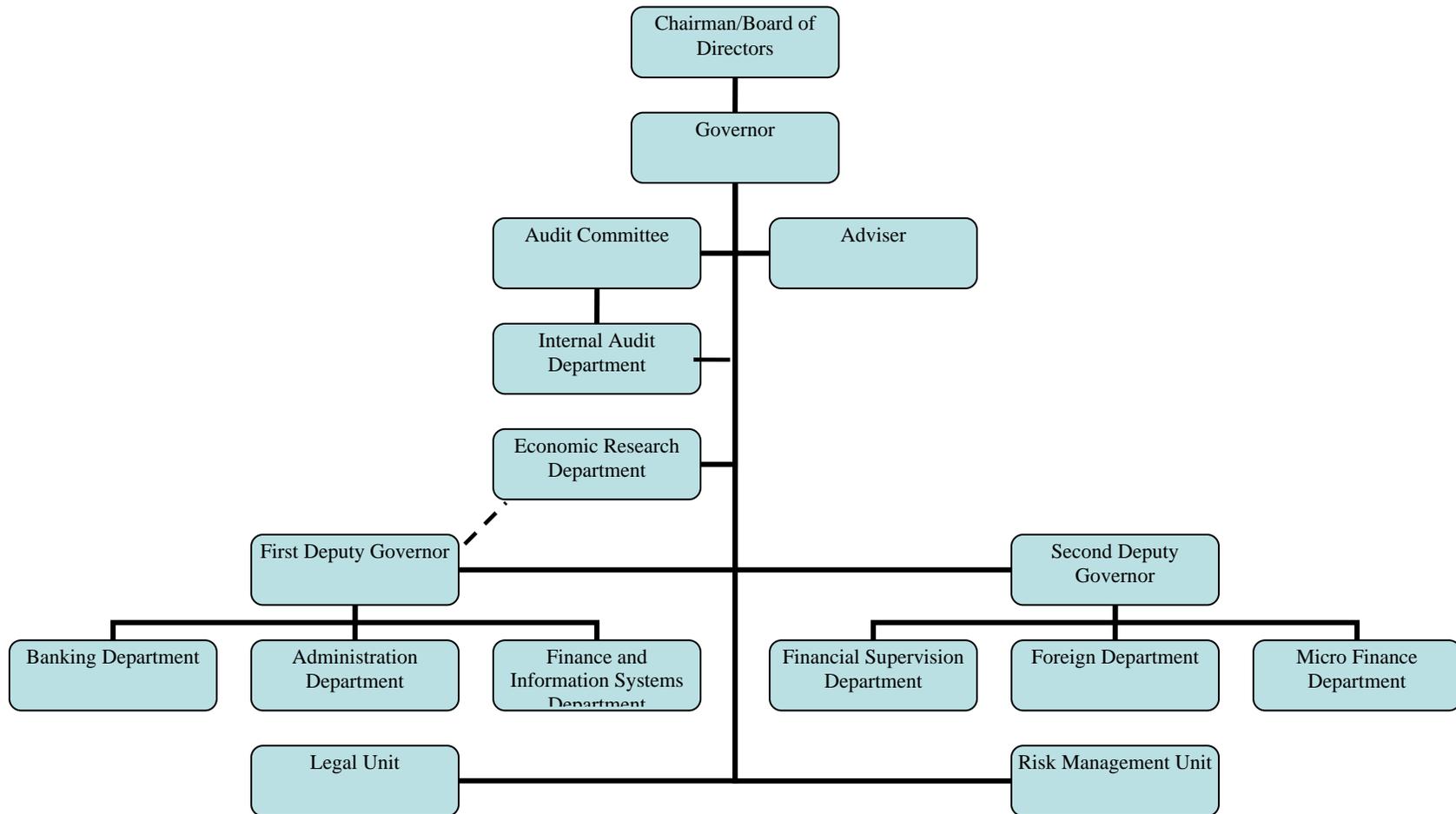
STRATEGY	ACTION	TARGET DATE
Develop forward looking policy framework	Develop econometric model	2007/08
	Widen coverage and scope of data..	Ongoing
	Improve the quality of analysis at the MPC	Ongoing
Improve implementation of monetary policy	Better liquidity management through introduction of short term instruments	2006
	Implement Primary Dealer System	2006
	Fully implement Book-Entry system	2006
	Develop repurchase facilities	2007
Improve research and data publication	Introduce working and occasional papers on policy relevant research	2006/07
	Conduct baseline private capital flows survey	2006
	Conduct annual surveys and censuses	2006/7/8
	Produce quarterly BOP data	2007
	Migrate to BMP5	2007
Improve Policy Coordination With DOSFEA	Give financial advise to government	ongoing
Effective Supervision and regulation of the financial sector	Establish the prompt corrective action framework	2006
	Strengthen on-site supervision	2006
	Transfer off-site monitoring to an electronic platform	2007
	Strengthen insurance and micro finance supervisory capabilities	2006 ongoing

Strengthen the financial sector	Enforce implementation of minimum capital for banks and Insurance companies	2006/07
	Establish Financial Intelligence Unit	2006/7
	Review of deposit insurance	2006/7
	Support banks to set up a Credit Bureau	2006/7
	Implement relevant aspects of Basel II	2010
Broaden the financial sector	Promote linkage banking	2006 ongoing
	Operationalise the National Coordinating Framework for micro finance	2006
	Review offshore banking legislation	2006/7
	Pass Amendment for implementation of Islamic Insurance	2006/7
Management of external reserves	Implement the separation of duties between front, middle and back offices	2006
	Build new electronic dealing room	2006
	Establish and staff the Risk Management Unit	2006
	Strengthen supervision of foreign exchange bureaus	2006 ongoing
	Develop a forward market in forex	2008
	Set the Gambian Foreign Exchange Committee to determine a set of common rules that would apply to interbank market making.	2006
	Develop staff capacity to analyze FX issues	2006 ongoing

Efficient payment and currency systems	Implement RTGS	2007
	Integrate RTGS with WAMZ countries	2007
	Introduce electronic cheque clearing system	2010
	Implement Clean Note Policy	2006 ongoing
	Improve operational efficiency of banking services to reduce wait times	2006 ongoing
	Improve currency management – planning/sorting/destruction processes	2006
	Upgrade design and security features of banknotes	Ongoing
	Public education campaign	2006 ongoing
Regional Integration	Implement a WAMZ-wide common platform RTGS;	2007
	Convertibility and trading among WAMZ currencies;	2008
	Cross listing of stocks and securities in the WAMZ;	2006
	Complete payment of contributions to the capital of the WACB and the Stabilization and Compensation Fund;	2008
	In relation to banking supervision, to harmonize prudential rules and ratios, accounting, reporting and disclosure formats, loan valuation rules, loan recovery procedures, policies and	2008
	Procedures on problem banks and anti-money laundering legislation;	2008
	The CBG will also work to harmonize monetary policy instruments and procedures;	2009
	Develop the reporting requirements of the WACB and the methodology for developing zone wide monetary aggregates; and	2008

Regional Integration (cont.)	Provide BOP, external reserves and other external sector data to WAMI and develop a framework, in collaboration with WAMI, of zone-wide aggregation of BOP and external reserves data by December 2008.	2008
Effective Collaboration With International Partners	Meet the targets of the SMP	2006
Financial management and internal control	Develop in-house financial programs	2008
	Complete update of all procedure manuals	2006
	Implement recommendations of auditors to strengthen internal controls	2006
	Adopt aspects on IFRS	2008
Information technology modernization	Enhance IT capacity skill base	2006/07
	Finalize the implementation of the IT Project	2006
	Provide a modern It infrastructure that meets the requirements of the CBG	2006 ongoing
	Improve IT security	2006 ongoing
	Improve IT support services	2006 ongoing
	Build off-site business recovery centre	2007
Human resources management	Improve employee attraction and retention	2006 ongoing
	Institutionalize appropriate performance evaluation	2006 ongoing
	Delegate responsibility to heads of department	2006
Communications	Improve communications with stakeholders	Ongoing
Strengthen legal framework	Keep all laws, regulations, rules and guidelines under review and amend as necessary	ongoing

APPENDIX 2: ORGANISATIONAL CHART



APPENDIX 3: LIST OF ACRONYMS

ADB	African Development Bank
AMCP	African Monetary Cooperation Program
BIS	Bank for International Settlements
BPM	Balance of Payments Manual
BOP	Balance of Payments
CBG	Central Bank of The Gambia
DFID	Department for International Development
DOSFEA	Department of State for Finance and Economic Affairs
DRI	Debt Relief International
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary Cooperation Program
FIU	Financial Intelligence Unit
IDMC	Inter-Department of State Micro Finance Coordination Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
KYC	Know Your Customer
MISACI	Micro Savings and Credit Institutions
MPC	Monetary Policy Committee
NEFCOM	National Emergency Fiscal Committee
PCA	Prompt Corrective Action
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
ROSC	Report on Standards and Codes
RTGS	Real Time Gross Settlement System
SCC	Savings and Credit Company
SMP	Staff Monitored program
UEMOA	Union Economique et Monétaire Ouest Africaine
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone



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