

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



THE GAMBIA

**2002-2004 COUNTRY STRATEGY PAPER
UPDATE**

**REGIONAL DEPARTMENT
WEST 2 (ORWB)**

OCTOBER 2006

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AIDS	Acquired Immune Deficiency Syndrome
BADEA	Arab Bank for Economic Development in Africa
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSO	Civil Society Organization
DFID	Department for International Development (UK)
DOSFEA	Department of State for Finance and Economic Affairs
GDP	Gross Domestic Product
GTTI	Gambia Technical Training Institute
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IDB	Islamic Development Bank
MDG	Millennium Development Goal
NAWEC	National Water and Electricity Company
NGO	Non-government Organization
NPV	Net Present Value
ODA	Official Development Assistance
PAR	Projects at Risk
PER	Public Expenditure Review
PHC	Primary Health Care
PIU	Project Implementation Unit
Pro PAG	Pro Poor Advocacy Group
PRSP	Poverty Reduction Strategy Paper
PSC	Project Steering Committee
SNFO	Senegal Field Office
SPA	Strategy for Poverty Alleviation
SPACO	Strategy for Poverty Alleviation Coordination Office
SSA	Sub-Saharan Africa
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WAEMU	West Africa Economic and Monetary Union

CURRENCY EQUIVALENTS

(October 2006)

Effective Exchange Rates
Currency Unit: Gambia Dalasi (GMD)

1UA = 41.5920 GMD
1 UA = 1 SDR
1 UA = USD 1.48004
1 UA= EURO 1.16575
1 UA = GBP 0.779502

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

1 January – 31 December

1. INTRODUCTION

1.1 The Boards of Directors approved the last Country Strategy Paper for the Gambia covering the period 2002-2004 in July 2003 (Document ADB/BD/WP/2003/57-ADF/BD/WP/2003/53). The 2002-2004 CSP assessed the Gambia's development challenges and the prospects for sustained growth and poverty reduction. Based on that assessment, the CSP proposed that the Bank's medium-term strategy (2002-2004) be geared towards the following: (i) improving the fragile macroeconomic environment through policy-based operations; (ii) supporting increased agricultural productivity and incomes through projects that promote food self-sufficiency; (iii) improving access to quality education and skills development, particularly for girls and pupils in the poorest areas of the country; and (iv) strengthening capacity in the public sector, especially for the Departments and key Institutions involved in the implementation of the poverty reduction program.

1.2 By the end of 2004, the Bank Group's medium-term strategy that was articulated in the CSP had been fully implemented. The Country's base case scenario during ADF-IX involved a lending program of UA 8.79 million, which included a grant element of UA 2.0 million. In addition, an amount of UA 4.39 million, equivalent to 50% of the country's base case scenario, was set aside for a PBL operation. In 2005, the Bank Group started preparing a new CSP (2005-2009) but it was never finalized on account of the delay in preparing the country's new PRSP which is still under preparation to replace the previous PRSP which came to an end in 2005.

1.3 The finalization of the PRSP is taking longer than expected as it is yet to be endorsed by the international community probably not before the second quarter of 2007. Accordingly, the Bank Group has opted to prepare a CSP update to inform the Boards about the recent developments in the Gambia and to provide some guidance for the interventions in the ADF-X lending program for 2006 and 2007 noting that the revised allocation of UA 9.29 million is still untouched. The update has been undertaken based on the presumption that the Bank Group does not expect a drastic departure from the previous CSP and also based on the fact that the CSP is aligned to the Government's PRSP, whose present draft (2007-2011) is a continuation of PRSP I (2003-2005). The ADF-X lending program for 2006-2007 will consider 2 projects as follows: (i) Entrepreneurship Promotion and Microfinance Development Project (UA 8 million), and (ii) Institutional Support Project for Economic Management (UA 1.29 million).

1.4 Thus, pending the finalization of the PRSP II (2007-2011), which has already been approved by the Gambian Government but not yet endorsed by the international community, this CSP update reviews the recent political, economic, and social developments including an assessment of the government's PRSP. The update draws on information collected in recent Bank Missions, Government documents, and recent studies by the World Bank and the IMF.

II. RECENT DEVELOPMENTS

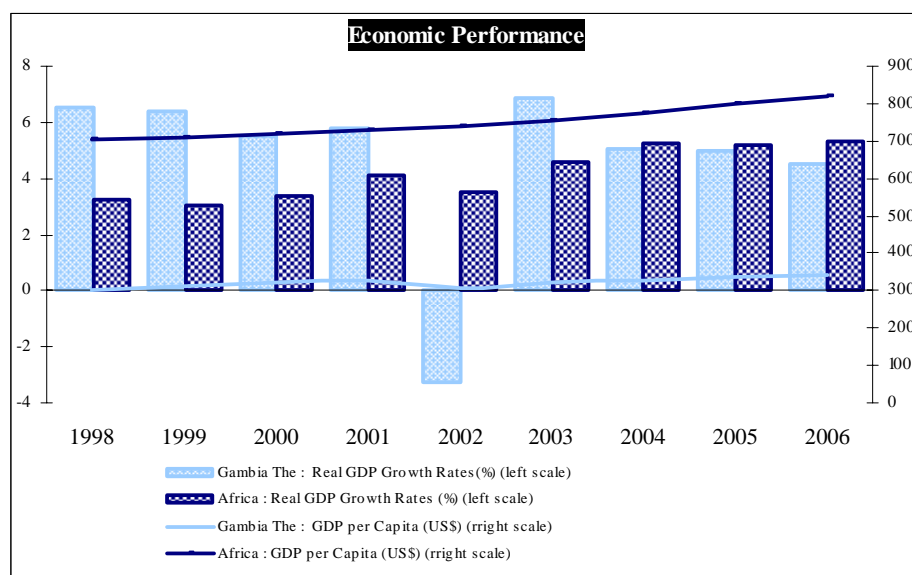
2.1 Political Changes

The Gambia, with an area of 11,300 square km and an estimated current population of 1.6 million, gained political independence from British rule in 1965 and adopted a multi-party system until 1994 when a coup brought the current government into the political scene. The first elections were in 1996 while the second Presidential Elections were held in October 2001, and saw the re-election of the incumbent President for a second term. The presidential elections were followed by National Assembly elections in January 2002. The main opposition group, the United Democratic Party (UDP), boycotted the legislative elections. As a result, the ruling Alliance for Patriotic Reorientation and Construction (APRC) ran largely unopposed, winning all but three seats in Parliament. The elections were held against the backdrop of worsening governance situation in the Gambia, which over the past five years has continued to attract the attention of the international donor community. The third general elections took place on 22 September 2006 and again saw the reelection of President Yahya Jammeh by 67% of the votes while the opposition runner-up scored 26% of the vote. Reports about the election are mixed. According to some observers, the elections were tainted but to most observers they were fair and transparent albeit with a low turnout. The number of votes cast was 392,685 which represents 58.6% of the registered votes. The National Assembly elections are planned for January 2007

2.2 Macroeconomic Developments

2.2.1 Economic Growth: The Gambian economy has been performing relatively well in recent years following the economic downturn of 2002 when GDP dropped by 3.2%. Recently published official estimates suggest that real GDP grew at an average of almost 7 percent per annum during 2003-2005, with agriculture and services leading the way. Estimated growth rates of 6.6 percent in 2004 and 6.9 percent in 2005, appear to be on the high side but they nevertheless emphasize the point that the economy has been performing well.

Figure 1



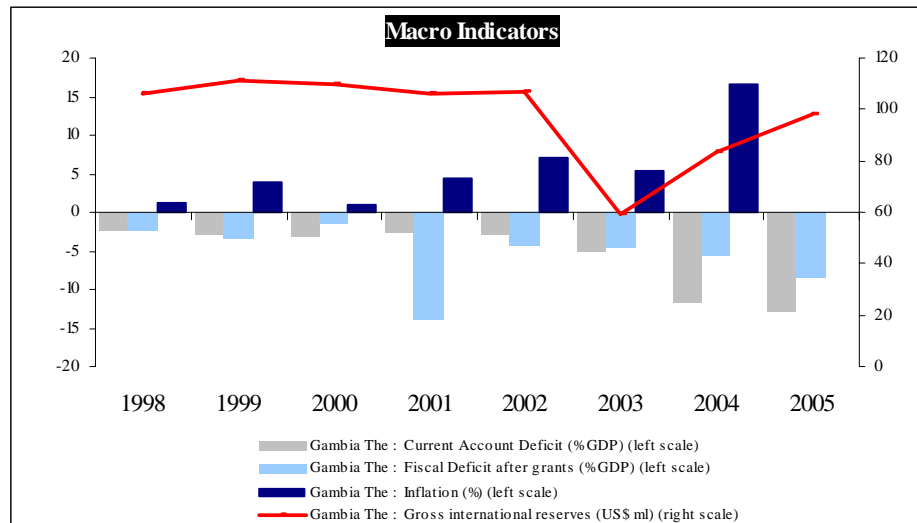
Source: ADB Statistics.

2.2.2 Inflation: Inflation has remained at low single-digit levels for over a year, primarily due to a deceleration in the growth of broad money and a slightly appreciating dalasi. Year-on-year inflation as measured by the consumer price index fell from 8 percent in December 2004 to 1.8 percent in December 2005, and has remained below 2 percent in the first five months of 2006. Year-on-year growth in broad money decelerated from 18 percent at end-December 2004 to 13 percent at end-December 2005, to 10 percent at end-March 2006. The dalasi appreciated against the US dollar—the main currency traded on the inter-bank foreign exchange market—by about 6 percent between December 2004 and April 2006.

2.2.3 Interest Rates: Key interest rates have fallen in nominal terms but remain very high in real terms. The CBG lowered its rediscount rate gradually from 33 percent at the end of 2004 to 15 percent in May 2006. The average yield on treasury bills across maturities fell from 30 percent in December 2004 to 16 percent in December 2005 and has fluctuated in the range of 14-16 percent in the first five months of 2006. Commercial banks' prime lending rates have fallen from 21 percent to 19 percent in recent months. With inflation at less than 2 percent per year, all the above nominal rates translate into double-digit rates in real terms.

2.2.4 Fiscal performance: The overall fiscal deficit widened from 5.7 percent of GDP in 2004 to 8.6 percent of GDP in 2005, reflecting a significant decline in grants and more financing through the central bank. Lower international trade tax revenue, largely explain the lower revenue performance. On the expenditure side, higher domestic interest payments and extra budgetary spending were the main problem areas. The extra budgetary spending amounted to 1 percent of GDP. The size of domestic interest payments, at nearly 7 percent of GDP or 37 percent of current spending in 2005, poses a great risk to fiscal sustainability.

Figure 2



Source: ADB Statistics.

2.2.5 External Sector: As for the External Sector, the external current account deficit (including official transfers) widened from nearly 12 percent of GDP in 2004 to 14.5 percent of GDP in 2005, and was financed by increased private capital inflows. The trade deficit grew substantially, largely because of a marked increase in imports—including an increase in imports for re-export as well as a higher oil import bill. In addition, in spite of a big increase in groundnut production in the 2004/05 crop season, the export of groundnuts and groundnut products dropped in 2005 on account of a failure in marketing arrangements. Gross International Reserves are satisfactory covering four months of imports.

2.2.6 External Debt: Total external debt disbursed and outstanding as at May 2006 stands at US\$600 million, equivalent to 133.3% of GDP and with a Net Present Value (NPV) of \$83.7. Servicing of foreign debt accounted for 10.3% of exports of goods and services in 2004 and 14% in 2005. The country reached the enhanced HIPC decision point in December 2000, at which point the debt relief at the completion point would have amounted to US\$66.6 million in net present value (NPV) terms. Interim relief had been provided by the IMF, the African Development Bank, the European Investment Bank, and the OPEC Fund. The Paris Club in 2003 also provided debt relief in the form of a flow rescheduling on Cologne terms. However, following the suspension of the PRGF in 2003 in response to misreporting of foreign exchange data by the Central Bank of the Gambia, the HIPC relief was suspended as of January 2004 and the Paris Club informed the Gambian authorities that the second tranche of the rescheduling covering the period July 2003-July 2004 would not be forthcoming. The foreign debt burden of the Gambia is unsustainable. Debt sustainability analysis indicates that even with debt relief and the continued pursuit of appropriate policies and prudent debt management, the NPV of debt-to-export ratio would amount to 148% in 2007, assuming increase in exports volume at 5.75 percent beyond 2005. The government is not expecting any exceptional financing for the rest of 2006 and the country is expected to be current on its debt service payments.

2.2.7 Domestic Debt: Domestic public debt is one of the most critical policy issues in the country. It reached 35.5 percent of GDP at the end of 2005. By contrast, the average stock of domestic debt in 27 non-CFA SSA countries is 15 percent of GDP, while the median is only 10 percent, according to the World Bank. The most important economic effects of this excessive government borrowing are: (i) high interest rates, and (ii) crowding out of private investment and government poverty-reducing expenditure.

2.3 Poverty Trends

2.3.1 Income Poverty: In terms of human development index, the UNDP 2004 *Human Resources Development Report* ranks The Gambia as the 155th country among a list of 177 countries and the 81st poorest country among a list of 95 developing countries. According to the 2003 poverty survey, there are variations in poverty levels by household size with steep increases in poverty levels for households with 5 or more persons. The overall poverty head count ratio is currently 61% and the distribution of poverty by area shows that poverty averaged 57.2% in urban areas and 63.3% in rural areas with a head count ratio ranging from a low of 10.6% for the capital Banjul to a high of 92.3% for Kuntaur local government area. There is a clear gender dimension to poverty as female-headed households are poorer than male-headed households. The poverty head count ratio for female-headed households is 63% while it is 48.2% for male-headed households. The severity of poverty has been observed to be greater for female-headed households. There are also indications that overall inequality has increased over the years. The Gini coefficient at the household level increased from 0.466 in 1998 to 0.484 in 2003.

2.3.2 Non-Income Poverty: The Gambian authorities indicate that The Country is likely to meet some individual millennium development goals (MDGs) such as those related to increasing primary school enrollment, improving maternal health, increasing access to safe drinking water, and curtailing the spread of HIV/AIDS. However, the country is unlikely to reach the target for reducing poverty. The authorities have noted that implementation of the first PRSP had been hampered by several factors, including: (i) capacity constraints; (ii) failure of donors to honor their commitments; (iii) a lack of clarity on output targets and indicators; and (iv) an inadequate system for monitoring and evaluation. It is hoped that

PRSP II (2007-2011), which includes costed interventions required to meet the MDGs, will receive more donor support than the first PRSP.

2.4 Sectoral Policy Developments

2.4.1 Agriculture: The authorities prepared a public expenditure review (PER) of the agriculture and natural resources sectors in 2001. The 2001 PER also presented a draft sector strategy and analyzed sector developments. The main issues in the agricultural sector in the medium-term will include the following: (i) over-dependency on rain-fed agriculture; (ii) dependency on low input production systems with declining soil fertility (iii) limited access to credit, (iv) market distortions in both input and output products (e.g. the groundnut market), (v) inadequate infrastructure to enhance transportation and improve market access, (vi) limited availability of processing facilities to enhance value added; and (vii) low human and social capital development as well as limited capacity and efficiency of extension service systems.

2.4.2 Tourism: Tourism is an important source of foreign exchange earnings and employment generation, particularly for the poor. The Gambia's comparative advantage is in eco tourism with its sea, river and bird life. The development of the sector is beset by several structural problems which include: (i) inadequate human resource development; (ii) inadequate market research and development within the sector; (iii) countering the negative social effects of tourism, especially in the urban areas, where the social impact is glaring especially among the youth, (iv) backwash effect on the rural areas as result of the attraction of youth to the urban tourism circuits, and (v) environmental degradation due to weak controls of tourist infrastructure especially on the coastline. The Tourism Master Plan, which is an ADF-financed study, is nearing completion and will help put together an overall plan for the sector.

2.4.3 Water: The major issue in water is the limited access especially of the urban population to potable water. It is estimated that about 65% of the rural population and 33% of the urban population have access to potable water. This reflects the fact that most of water activities and construction of water points especially by NGOs has traditionally targeted rural areas. A policy paper on the sector is currently being prepared and is anticipated to be completed by the end of 2006. A Country Assessment Report, financed by the ADF, is currently being finalized and NAWEC has received financial assistance from the ADF for a Water Supply and Sanitation Study, which will come up with an urban water program to improve urban access to potable water.

2.4.4 Transport: The country has a *National Transport Plan (NTP)* whose objectives include the development of the port and the big international transport corridors, such as the West-African Coastal Highway and the Trans-Gambia Highway. There is also need to improve accessibility between the main centers of economic activity within the country, improve regional trunk roads, effect more regular maintenance; and improve feeder roads. In recognition of the importance of feeder roads, the Government established the Gambia Roads and Technical Authority in 2004. The Government also attaches great importance to river transport as a means of internal and regional trade.

2.4.5 Education: Formal education is organized as lower basic (first six years), upper basic (years seven to nine) and senior secondary (years ten to twelve). Tertiary education is provided by the University of The Gambia, while teachers are trained at the School of Education at the Gambia College, and technical education takes place at the Gambia Technical Training Institute (GTTI) and other institutions. Early childhood education takes

place in private day care centers and nursery schools located mostly in the Greater Banjul area. Overall, in lower basic, girls constitute roughly 50% of enrolment, while in Madrassa (Islamic pre school), boys are 54% of the total. Gross Enrollment ratio in the 1990s grew by an average annual rate of 8% but from 1996 to 2003 it dropped to 4% per annum and then remained stagnant at 91% over 2003-2005, with the madrassa contributing about 15%. Skills training, provided mainly by private institutions, is available to students leaving schools at grades 6 and 9 in the urban and peri-urban areas. Technical and business education programs, are available at the GTTI to students who complete between 2 and 3 years of vocational training. A disturbing observation is that relative spending on education has declined in recent years. According to the 2003 Public Expenditure Review, relative share of expenditure on education has been declining since 2001. Public expenditure on education as a percentage of GDP has declined from 4.3% in 2001 to 2.6 in 2003 and as a percentage of government spending from 15.8 in 2001 to 9.7 in 2003.

2.4.6 Health: The Gambia health care system is provided through 10 hospitals, 3 of which are in the public sector, and 35 health centers, which provide community-based primary health care (PHC). The health policy in the last decade has focused on: (i) extending health service coverage to the entire Gambian population, (ii) ensuring equitable distribution of the limited health resources in the country, (iii) reducing the incidence and improving treatment of the main diseases affecting the population (malaria, HIV/AIDS), (iv) decentralizing management of health services to the divisional level, and (v) improving cost-recovery activity as well as financial management. Since Independence in 1965, there have been marked improvements in the health status of the population of the Gambia. These gains have been attributed to the implementation of a strong PHC program which has made it possible for approximately 90% of the population to live within 7.5 kilometers of a health facility and for about 80% of villages to have a PHC program. The implementation of the PHC program has also been accompanied by reductions in infant mortality to 84/1000 live births, 60% of which is attributed to malaria, diarrhea, and acute respiratory tract infection. The maternal mortality rate is currently estimated at 10.5/1000 live births, with a variation of 9/1000 live births in the urban areas and 16/1000 live births in the rural areas, the majority of which are due to malaria, sepsis, hemorrhage, and pre-eclampsia. An important observation about the health sector in the Gambia is that about 90% of the physicians are expatriates.

2.4.7 Transit Trade: The Gambia has a comparative advantage in transit trade as it liberalized its trade earlier than its neighbors and has developed relatively efficient port facilities. Transit trade in products such as textiles, vehicles, rice, tea and sugar accounts for about 15 percent of GDP, 20 percent of public revenues and 85 percent of exports. The recently introduced common external tariff reforms by the West Africa Economic and Monetary Union (WAEMU) and the tariff reforms introduced by the Gambia are anticipated to have a positive impact on the level of revenue receipts and the volume of trade. Transit trade over the medium-term will continue to be an important source of revenue and employment for the Gambia and its impact will be enhanced provided that the Government follows its current liberalized exchange-rate system, and invests in the improvement of infrastructure, to maintain its comparative advantage as a low-cost and efficient transit outlet. The Government also needs to revive and liberalize the river transport system to reduce the heavy burden placed on the road networks, enhance tourism up country and promote the movement of goods within the country.

III. IMPLEMENTATION OF THE GOVERNMENT PROGRAM

3.1 Key Elements of the Government Agenda

3.1.1 Gambia's PRSP II (2007-2011), is preceded by PRSP I also known as the *Strategy for Poverty Alleviation* (SPA II), which covered the period 2003-2005, and came in the wake of SPA I (2001-2002) and an Interim SPA (1994-98). PRSP I and PRSP II share the same pillars and they have both been formulated on sound analysis of the issues, strategies and policies, based on broad consultations with stakeholders, and background studies, which included a *Household Poverty Survey* (1998), and other regional studies, such as the poverty survey carried out by Action-Aid The Gambia (AATG) in 2003.

3.1.2 Pillars: PRSP II (2007-2011) is a continuation of the first PRSP SPA II (2003-2005) and both share the same five pillars which are: (i) improve the enabling policy environment to promote economic growth and poverty reduction, (ii) enhance the capacity and output of productive sectors; agriculture, fisheries, industry, trade and tourism with emphasis on productive capacities of the poor and vulnerable, (iii) improve coverage of the basic social services needed by the poor and vulnerable, (iv) build capacity for local, people-centered development through decentralization, and (v) mainstream poverty-related cross-cutting issues into the PRSP process. The 2002-2004 CSP and this update emphasize the first and third pillars of the PRSP.

3.1.3 Macroeconomic Framework: The key macroeconomic objectives for the medium term according to PRSP II are (i) annual real GDP growth of 4.5%, (ii) an average fiscal deficit (including grants) of 3% of GDP, (iii) current account deficit (including transfers) of 6.7% of GDP, (iv) gross official reserves of 4.8 months of imports, (v) an average annual growth rate for broad money of 12.5%, (vi) annual inflation rate of 4.8%, and (vi) an average domestic debt of 22.2% of GDP. Given the benchmarks and current values as summarized in section 2.2, the macroeconomic framework seems achievable if the needed foreign resources are made available. The total cost of planned PRSP interventions is \$ 544 million, 70% of which the government hopes will be provided by the international donor community.

3.1.4 Monitoring and Evaluation of PRSP: A National Planning Commission (NPC) and secretariat is being set up to coordinate planning and implementation of PRSP II. It is planned that SPACO, which is the PRSP arm of DOSFEA, will be dissolved into the NPC. A pro poor advocacy group (Pro PAG) has also been established by CSOs to participate in the implementation and monitoring of the PRSP. The present mechanism of monitoring and evaluation is threatened by capacity and budgetary constraints. The process of monitoring and evaluation is supported, mainly by the UNDP, whose assistance is anticipated to come to an end soon. SPACO and the Gambia Bureau of Statistics, which are the main institutions involved in M&E, are severely constrained by the limited availability of trained human and budgetary resources¹. SPACO currently has three professional staff only. The Gambia Bureau of Statistics, is the key agency in the collection of demographic, economic, social and other statistics and again is compromised by human resource and budgetary constraints.

¹ The results of Household Budget Survey and the Population Census, both of which were conducted in 2003 are not released yet.

IV BANK GROUP ASSISTANCE

4.1 Access to Bank Group Resources

The Gambia is currently an ADF grants only recipient country. The initial allocation under ADF-X is UA 10.8 which has been revised to UA 9.29 million and remains untouched for lack of a CSP resulting from the delay in finalizing the PRSP. The resources available to the country are in line with its portfolio performance and with its Country Policy and Institutional Assessment (CPIA) which places the Gambia in the second quintile group countries.

4.2 Bank Group Portfolio

4.2.1 Size and Distribution of Portfolio: The Bank Group commenced operations in The Gambia in 1974 and to-date has approved 52 operations with total commitments, net of cancellations, amounting to UA 197.2 million. The 52 operations comprise 40 projects, 7 studies, 3 policy based operations, and 2 institutional support projects. The sector with the largest relative allocation of Bank Group commitments has been the transport sector, which accounted for about 26 percent, followed by the agricultural sector (22.6%), the social sector (21.5%), public utilities (12.6%) and multi-sector (9.1%). Intervention in support of the environment accounted for 6.1% of the net commitments, whereas the remaining 2.1% has gone to the industry sector. About 83.8% of the Bank Group's net commitments have been in ADF resources, 9.2% in ADB resources, whereas 7 % were in NTF resources. As at the end of August 2006, thirty-five (35) operations were completed, fourteen (14) are ongoing, while three (3) have been cancelled at the Government's request. The Bank to-date has not approved any private sector operation.

4.2.2 Disbursements: As at 31 August 2006, the total amount disbursed was UA 167.3 million, representing 84.9% of total commitments. The disbursements on the on-going operations amounted to UA 19.23 million, representing 37.8% of the net commitments of UA 50.88 million.

4.2.3 Implementation performance: The Bank Group undertook a Country Portfolio Performance Review (CPPR) for the Gambia in 2005. The review shows that the portfolio performance is satisfactory with an overall rating of 2.01 and a PAR rate of 33.3%. A number of generic problems, however, were found to impede the smooth performance of the portfolio. Those include: (i) delays in ratifying and fulfilling loan and grant conditions; (ii) non-adherence to the Bank Group's procedure for procurement and disbursements; (iii) delays in submitting regular audit and quarterly progress reports; and (iv) weak capacity of the PIU staff. The country portfolio improvement plan (CPIP) emphasizes –among other measures- project design and quality at entry, training of PIU staff in procurement and disbursement issues and in the rules and procedures for timely fulfillment of loan conditions. The CPIP also recommends a review of the government vetting procedures which are responsible for the long delays in preparing audit reports.

4.2.4 The Bank Group established the Senegal Regional Office in 2005 and officially inaugurated it as SNFO in July 2006. It is expected that, given its proximity to the field, SNFO will play an increasingly important role in the management of the portfolio in the Gambia. To that end, SNFO needs to be more mobile in the context of the on-going decentralization process.

V. RECENT DEVELOPMENTS IN AID COORDINATION

5.1 Aid coordination at the Government level is the responsibility of DOSFEA which is not capable of handling the task of aid coordination. Donors have traditionally played an active role in the economic development of the Gambia especially before 1994 when annual ODA disbursements were as high as \$115 million. Even now, over 80% of Gambia's development budget is contributed by the international donor community (see Box 1 below). Major donors include the ADB Group, the World Bank, IMF, EU, DFID, OPEC, UNDP and USAID (until 1994), Taiwan, and Japan. Cuba provides technical assistance especially in the health sector. The UNDP undertakes some donor coordination on an ad hoc basis. The idea of the Government to establish a new directorate in DOSFEA for Project Management and Aid Coordination seems quite fitting and is worthy of support from the Bank. Actually, such a directorate can be accommodated in the project: Institutional Support for Economic Management proposed in this update for 2007 and currently under preparation.

Box 1: Donor Intervention by Sector

Economic Management & Policy Reforms	<p>The World Bank through lending and non-lending operations is providing assistance in the areas of economic formulation and execution and public financial management. Its main on-going operation is “<i>Capacity Building for Economic Management</i>” (US\$ 15.0 m)</p> <p>The IMF is currently providing technical assistance in the areas of financial management, particularly in the areas of revenue administration reforms, including customs and the establishment of a central Revenue Authority. It has also provided assistance to the Statistics Department in up-dating the CPI data and improving the national accounts.</p> <p>The ADB Group through its “<i>Institutional Support for Capacity Building</i>” (UA 0.760 m) is assisting mainly in debt management.</p> <p>The EU is supporting policy reforms in local government and decentralization (US 10.0 million) and capacity building (US \$ 6 million).</p> <p>DFID is providing technical assistance in the areas of financial management and governance through “<i>Legal Capacity Building Program (PS 0.807 million)</i>”.</p> <p>UNDP is supporting governance reforms, and providing technical assistance through its “<i>Economic Management & Capacity Building Project</i>” and through its “<i>National Governance Program</i>”</p>
Poverty Reduction and PRSP	<p>The World Bank “<i>Poverty Alleviation and Capacity Building Project</i>” (US 15 m).</p> <p>The ADB through its “<i>Poverty Reduction Project</i>” (UA 3.2 m) is providing microfinance for vulnerable groups and through its “<i>Community Sills Development Project</i>” (Loan UA 4.4 m/Grant 1.45 m) provides support to community based organizations through the construction of multi-purpose skills centers and formalizing relationship between the Bank and micro-finance institutions.</p> <p>The EU is mainly involved in food security and income generation (US \$2 m).</p> <p>Other development partners: UNDP, EU, DFID and The UNDAF.</p>
Governance & Decentralization	<p>The UNDP (i) “<i>National Governance Program</i>”; (ii) <i>Fight Against Social and Economic Exclusion Program (FASE)</i>; and (iii) “<i>National Environmental Youth Corps</i>”.</p> <p>Other development partners include the EU and United Nations agencies.</p>
Health	<p>The AfDB Group supports basic health through its “<i>Heath Services Development Project II</i>” (UA 7.0m).</p> <p>The World Bank: “<i>HIV/AIDS Rapid Response</i>” (US\$ 15 m) and “<i>Participatory Health/Population/Nutrition</i>” (US\$ 18.0 million).</p> <p>Other Development Partners: IsDB and other UN agencies.</p>
Education	<p>The AfDB Group through its “<i>Basic Education III Project</i>” (UA 10.0 m) assists in improving the accessibility and quality of primary education through the expansion of classrooms, teachers training, and provision of learning materials.</p> <p>The World Bank: “<i>Third Education Project</i>” (US\$ 20 million).</p> <p>Other Development Partners: DFID, IsDB, OPEC, UNDP and other UN agencies.</p>
Infrastructure	<p>The AfDB Group: (i) “<i>Water Supply and Sanitation Study</i>” (Grant UA 1.2 m); (ii) “<i>Rural Electrification Project</i>” (UA 2.9 m); (iii) “<i>Renewable Energy Study</i>” (Grant UA 0.75 m)</p> <p>The EC “<i>Transport Program</i>” (US\$ 15 m).</p> <p>Other Development Partners: OPEC, IsDB, Kuwait Fund.</p>
Agriculture & Rural Develop.	<p>The AfDB Group: (i) “<i>Peri-Urban Agric Development Project</i>” (UA 5.07), (ii) “<i>Participatory Integrated Watershed Management</i>” (UA 4.95); (iii) “<i>Artisanal Fisheries Development Project</i>” (UA 2.9 million); (iv) <i>NERICA Rice Development (UA 1.56 million)</i>, (v) “<i>Farmer Managed Rice Irrigation Project</i>” (UA Loan 5.0 m/Grant UA 0.5 m).</p> <p>Other Development Partners: FAO, IFAD, Japan, Taiwan, BADEA, IsDB, DFID, GTZ.</p>
Private Sector	<p>The World Bank: <i>Gateway Project</i> (US\$ 16.0 m)</p> <p>The EU: Rural private sector development (US \$ 3.0 m)</p>

5.2 There are currently three projects which are co-financed with other development partners: the Artisanal Fisheries with BADEA, the PIWAMP with IFAD, and the Rural Electrification Project with BADEA and the IDB. BADEA was slow in implementing its component at first in the Artisanal Fisheries project but is beginning to catch up now. IFAD

collaborated closely with the Bank. The BADEA Package in the Rural Electrification Project has a shortfall of about Euro 850,000 caused by unfavorable exchange-rate movements following delays of the consultants coming on board. With an additional shortfall of Euro 430,000 from the ADF package, the total shortfall is over Euro 1 million. In a recent development, both the IDB and BADEA have agreed to step in for financing the shortfall.

VI. IMPLEMENTAION OF 2002-2004 BANK GROUP LENDING STRATEGY

6.1 Sectoral Priorities and Lending Program

The objective of the Bank Group's medium-term strategy is to promote accelerated economic growth and poverty reduction in the Gambia in line with the country's PRSP goals. Taking as pillars the first and third PRSP pillars, the Bank Group's CSP for 2002-2004 focused on the social sector, agriculture, and on complementing the efforts of other development partners in striving to stabilize the fragile macroeconomic environment and to address the desperate institutional and human resources constraints. Within the social sector, the Bank's objective was to improve the accessibility to quality education and skills development, particularly for girls and pupils in the poorest areas of the country. The Bank also emphasized enhancing the productive capacity of the poor especially in agriculture.

6.2 Assessment of Implementation

The Country Allocation for the Gambia during the 2002-2004 CSP was UA 8.79 million in addition to a potential 50% of the country allocation for a policy-based operation. The Bank actually committed an amount of UA 17.49 million out of the Country's ADF-IX allocation over the period 2002-2004, for financing an irrigated rice project (ADF Loan UA 5.0 million and ADF Grant UA 0.5 million), a basic education project (ADF UA 10.0 million) and two ADF grants (UA 1.92 million) for financing studies within the water and sanitation and power sectors. The policy-based operation did not materialize, because the country's PRGF with the IMF was suspended. The Bank, however, approved from the multinational ADF allocations an ADF loan of UA 1.56 million for financing the *NERICA Rice Dissemination Project* and an NTF loan of UA 4.95 million for financing *Participatory Integrated Watershed Management*. Also a Grant of UA 0.358 million out from the Bank's net earnings has been approved in 2003 to provide drought relief.

6.3 The Proposed Current Strategy

The proposed current Bank Strategy is basically a continuation of its strategy under ADF IX. The Bank will continue its efforts in enhancing capacity in the Gambia and improving the functioning of economic policy. The Bank will also continue its support for the productive capacity of the poor especially in agriculture. The two projects mentioned in 1.3 are consistent with the current Bank group strategy. The institutional support project for economic management addresses the capacity problems of DOSFEA, SPACO, and the Gambia Bureau of statistics which are the major players in economic policy formulation and implementation and monitoring. The entrepreneurship promotion and microfinance development project, on the other hand, targets the traditional sector which constitutes 60% of the Gambian economy and is mostly agriculture. This continuity in the Bank Group's strategy is matched by a strategic constancy in the government development agenda. As noted in 3.1.2, the Gambia's PRSP under preparation (PRSPII) is a continuation of the previous PRSP based on the same five pillars.

VII. CONCLUSION AND RECOMMENDATION

7.1 Conclusion

The Gambian economy has been performing relatively well after the economic downturn of 2002. A new PRGF with the IMF is expected to be negotiated in October 2006. Nevertheless, the Gambia faces serious challenges in the areas of institutional capacity, public sector efficiency, physical infrastructure, governance, and private sector development. The Gambian Cabinet has affirmed its commitment to Vision 2020 by approving PRSP II (2007-2011), which is yet to be endorsed by the international donor community. On the Bank's side, the projects financed in the context of the 2002-2004 CSP are addressing some of the basic challenges outlined. While this CSP update proposes no shift in the strategic focus of the Bank Group's 2002-2004 CSP, the full results-based CSP which will be prepared after the finalization of PRSP II, will define a new strategy and sectoral focus for 2008-2011 based on the country's PRSP and Bank Group strategy and selectivity criteria.

7.2 Recommendation

The Boards of Directors are requested to take note of the CSP update.

ANNEX I

The Gambia: Selected Economic and Financial Indicators, 2002-2009

Indicator (% unless otherwise indicated)	2002	2003	2004	2005	2006 Brief	2006 Proj.	2007 Proj.	2008 Proj.	2009 Proj.
Nominal GDP (in millions of Gambian Dalasis GMD)	7,364	10,026	12,037	13,180	14,333	14,333	15,613	16,924	18,301
Nominal GDP	12.3	36.1	20.1	9.5	8.7	8.7	8.9	8.4	8.1
GDP at Constant Prices	-3.2	6.9	5.1	5.0	4.5	4.5	5.0	5.0	5.0
GDP Deflator	16.1	27.4	14.3	4.3	4.0	4.0	3.8	3.2	3.0
Consumer Price Index (period average)	8.6	17.0	14.2	3.2	2.9	2.9	3.7	3.2	3.0
Broad Money (% of beginning of year)	35.3	43.4	18.3	13.1	8.7	13.0	10.0	10.0	10.0
Domestic Revenue (% of GDP)	16.3	15.7	20.9	19.8	21.6	21.5	21.3	21.2	21.1
Grants	4.4	2.5	4.5	1.7	1.5	1.3	7.0	6.2	5.8
Total Expenditure and net Lending	25.2	22.9	31.2	30.1	27.9	27.7	28.5	27.3	26.7
Balance (including grants)	-4.4	-4.7	-5.7	-8.6	-4.8	-4.8	-0.2	0.1	0.2
Export Growth (f.o.b.)	7.1	-7.6	25.8	13.7	22.3	17.1	5.6	5.6	3.3
Import growth (f.o.b.)	12.8	-6.2	46.2	18.8	8.9	9.6	4.3	5.4	2.4
Current Account Balance (\$ million)									
Excluding official transfers	-49.6	-48.0	-86.7	-95.9	-82.5	-89.1	-97.4	-107.8	-114.4
Including official transfers	-10.4	-18.0	-47.1	-66.8	-53.9	-60.3	-38.4	-50.2	-56.6

Source: IMF

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Sector name	Source of Finance	Project title	Approval date	Signature date	Amount Approved	Amount Signed	Amount Cancelled / Capital Increase	Net Amount Signed	Disbursements	Undisbursed Balance	Disbursement ratio
Agriculture	ADB	FISHERIES DEVELOPMENT	23-Aug-83	12-Sep-83	3,437,000.00	3,437,000.00	3,437,000.00	0.00	0.00	0.00	0.00%
	ADB Total				3,437,000.00	3,437,000.00	3,437,000.00	0.00	0.00	0.00	0.00%
Agriculture	ADF	COTTON PRODUCTION DEVELOPMENT	9-Oct-74	20-Nov-74	1,842,104.00	1,842,104.00	556,194.34	1,285,909.66	1,285,909.66	0.00	100.00%
Agriculture	ADF	FARMER MANAGED RICE IRRIGATION	27-Apr-05	19-May-05	5,500,000.00	5,500,000.00	0.00	5,500,000.00	341,657.23	5,158,342.77	6.21%
Agriculture	ADF	FISHING DEVELOPMENT PROJECT	25-Aug-83	6-Feb-84	7,318,679.00	7,318,679.00	5,598,121.53	1,720,557.47	1,720,557.47	0.00	100.00%
Agriculture	ADF	INVASIVE AQUATIC WEEDS – GAMBIA	22-Sep-04	9-Dec-04	310,000.00	310,000.00	0.00	310,000.00	0.00	310,000.00	0.00%
Agriculture	ADF	JAHALY PACHARR RICE	18-Mar-82	13-Aug-82	4,236,839.00	4,236,839.00	5,225.16	4,231,613.84	4,231,613.84	0.00	100.00%
Agriculture	ADF	LIVESTOCK DEVELOPMENT	27-Jan-83	7-Feb-83	8,593,415.00	8,593,415.00	24,719.56	8,568,695.44	8,568,695.44	0.00	100.00%
Agriculture	ADF	LIVESTOCK DEVELOPMENT STUDY	14-Jul-99	12-Oct-99	576,950.00	576,950.00	216,926.95	360,023.05	360,023.05	0.00	100.00%
Agriculture	ADF	NERICA DISSEMINATION PROJECT – GAMBIA	26-Sep-03	3-Nov-03	1,560,000.00	1,560,000.00	0.00	1,560,000.00	141,922.45	1,418,077.55	9.10%
Agriculture	ADF	PERI-URBAN AGRICULTURAL DEVELOPMENT PROJECT	27-Oct-99	8-Nov-99	5,070,000.00	5,070,000.00	0.00	5,070,000.00	3,926,531.18	1,143,468.82	77.45%
Agriculture	ADF	PROGRAMME D'AMENAGEMENT AGRICOLE DES BAS-FONDS	19-Nov-96	20-Dec-96	4,000,000.00	4,000,000.00	354.65	3,999,645.35	3,999,645.35	0.00	100.00%
Agriculture	ADF	RICE DEVELOPMENT PROJECT	23-Feb-88	29-Mar-88	4,798,681.00	4,798,681.00	58,950.49	4,739,730.51	4,739,730.51	0.00	100.00%
	ADF Total				43,806,668.00	43,806,668.00	6,460,492.68	37,346,175.32	29,316,286.18	8,029,889.14	78.50%
Agriculture	NTF	ARTISANAL FISHERIES DEVELOPMENT PROJECT	17-May-00	19-Jan-01	2,900,000.00	2,900,000.00	0.00	2,900,000.00	872,596.13	2,027,403.87	30.09%
Agriculture	NTF	Participatory Integrated Watershed Manag	9-Jun-04	9-Dec-04	4,950,000.00	4,950,000.00	0.00	4,950,000.00	347,133.03	4,602,866.97	7.01%
	NTF Total				7,850,000.00	7,850,000.00	0.00	7,850,000.00	1,219,729.16	6,630,270.84	15.54%
Agriculture Total					55,093,668.00	55,093,668.00	9,897,492.68	45,196,175.32	30,536,015.34	14,660,159.98	67.56%
Environment	ADF	COASTAL PROTECTION PROJECT	13-Sep-01	3-Oct-01	9,590,000.00	9,590,000.00	0.00	9,590,000.00	9,559,822.96	30,177.04	99.69%
Environment	ADF	COASTAL PROTECTION STUDY	4-Sep-97	13-Oct-97	830,000.00	830,000.00	159,481.20	670,518.80	670,518.80	0.00	100.00%
	ADF Total				10,420,000.00	10,420,000.00	159,481.20	10,260,518.80	10,230,341.76	30,177.04	99.71%

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Sector name	Source of Finance	Project title	Approval date	Signature date	Amount Approved	Amount Signed	Amount Cancelled / Capital Increase	Net Amount Signed	Disbursements	Undisbursed Balance	Disbursement ratio
Environment Total					10,420,000.00	10,420,000.00	159,481.20	10,260,518.80	10,230,341.76	30,177.04	99.71%
Ind/Mini/Quar	ADF	GROUNDNUT PROCESSING INDUSTRY (PHASE I)	29-Nov-79	3-Dec-79	4,605,260.00	4,605,260.00	1,150,828.63	3,454,431.37	3,454,431.37	0.00	100.00%
Ind/Mini/Quar	ADF	TOURISM MASTER PLAN STUDY	22-Nov-00	19-Jan-01	815,000.00	815,000.00	0.00	815,000.00	444,909.89	370,090.11	54.59%
	ADF Total				5,420,260.00	5,420,260.00	1,150,828.63	4,269,431.37	3,899,341.26	370,090.11	91.33%
Ind/Mini/Quar Total					5,420,260.00	5,420,260.00	1,150,828.63	4,269,431.37	3,899,341.26	370,090.11	91.33%
Multi-Sector	ADF	INSTITUTIONAL SUPPORT PROJECT FOR CAPACITY BUILDIN	28-Oct-98	22-Jan-99	760,500.00	760,500.00	121,368.17	639,131.83	639,131.83	0.00	100.00%
Multi-Sector	ADF	MULTI SECTORAL REHABILITATION	29-Oct-86	12-Dec-86	9,210,520.00	9,210,520.00	0.02	9,210,519.98	9,210,519.98	0.00	100.00%
Multi-Sector	ADF	SECOND STRUCTURAL ADJUSTMENT LOAN	16-Jan-90	25-Jan-90	6,447,364.00	6,447,364.00	248,557.67	6,198,806.33	6,198,806.33	0.00	100.00%
Multi-Sector	ADF	SOCIAL DIMENSION OF ADJUSTMENT	20-Sep-88	13-Feb-89	1,998,683.00	1,998,683.00	29,650.85	1,969,032.15	1,969,032.15	0.00	100.00%
	ADF Total				18,417,067.00	18,417,067.00	399,576.71	18,017,490.29	18,017,490.29	0.00	100.00%
Multi-Sector Total					18,417,067.00	18,417,067.00	399,576.71	18,017,490.29	18,017,490.29	0.00	100.00%
Power	ADB	ELECTRICITY DISTRIBUTION IN BANJUL	14-Oct-75	5-Jan-76	2,000,000.00	2,000,000.00	4,361.85	1,995,638.15	1,995,638.15	0.00	100.00%
Power	ADB	ELECTRICITY PROJECT (PHASE II)	23-Jan-79	21-Feb-79	5,000,000.00	5,000,000.00	20,471.76	4,979,528.24	4,979,528.24	0.00	100.00%
	ADB Total				7,000,000.00	7,000,000.00	24,833.61	6,975,166.39	6,975,166.39	0.00	100.00%
Power	ADF	ENGINEERING STUDY OF RURAL ELECTRIFICATION PROJECT	21-Oct-93	4-Jan-94	1,370,000.00	1,370,000.00	620,708.85	749,291.15	749,291.15	0.00	100.00%
Power	ADF	Renewable Energy Study	30-Oct-02	26-Nov-02	749,000.00	749,000.00	0.00	749,000.00	394,788.62	354,211.38	52.71%
Power	ADF	RURAL ELECTRIFICATION PROJECT	14-Dec-00	19-Jan-01	2,970,000.00	2,970,000.00	0.00	2,970,000.00	2,747,380.31	222,619.69	92.50%
	ADF Total				5,089,000.00	5,089,000.00	620,708.85	4,468,291.15	3,891,460.08	576,831.07	87.09%
Power Total					12,089,000.00	12,089,000.00	645,542.46	11,443,457.54	10,866,626.47	576,831.07	94.96%
Social	ADF	BASIC EDUCATION PROJECT (EDUCATHION III)	11-Sep-02	26-Nov-02	10,000,000.00	10,000,000.00	0.00	10,000,000.00	2,059,191.73	7,940,808.27	20.59%

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Sector name	Source of Finance	Project title	Approval date	Signature date	Amount Approved	Amount Signed	Amount Cancelled / Capital Increase	Net Amount Signed	Disbursements	Undisbursed Balance	Disbursement ratio
Social	ADF	COMMUNITY SKILLS IMPROVEMENT PROJECT (WID II)	16-Feb-00	24-Mar-00	5,850,000.00	5,850,000.00	-38,885.77	5,888,885.77	2,707,791.10	3,142,208.90	45.98%
Social	ADF	EDUCATION PROJECT II	24-Aug-92	12-Oct-92	4,973,681.00	4,973,681.00	1,036,087.54	3,937,593.46	3,937,593.46	0.00	100.00%
Social	ADF	FEASIBILITY STUDY OF EDUCATION PROJECT	23-Jun-83	15-Jul-83	635,526.00	635,526.00	247,336.06	388,189.94	388,189.94	0.00	100.00%
Social	ADF	HEALTH SECTOR STUDY	11-Sep-92	18-Oct-92	690,789.00	690,789.00	0.00	690,789.00	690,789.00	0.00	100.00%
Social	ADF	HEALTH SERVICES DEVELOPMENT PROJECT II	10-Dec-97	13-Mar-98	7,000,000.00	7,000,000.00	0.00	7,000,000.00	4,725,075.42	2,274,924.58	67.50%
Social	ADF	POVERTY REDUCTION PROJECT	10-Dec-97	13-Jan-98	3,210,000.00	3,210,000.00	27,769.91	3,182,230.09	3,182,230.09	0.00	100.00%
Social	ADF	PRIMARY EDUCATION IMPROVEMENT	27-Nov-86	12-Dec-86	4,144,734.00	4,144,734.00	0.04	4,144,733.96	4,144,733.96	0.00	100.00%
Social	ADF	REHABILITATION OF HEALTH TRAINING FACILITIES	27-Jan-92	23-Mar-92	7,092,100.00	7,092,100.00	1,622,717.23	5,469,382.77	5,469,382.77	0.00	100.00%
Social	ADF	WOMEN IN DEVELOPMENT PROJECT	14-Mar-90	27-Mar-90	460,526.00	460,526.00	261,349.11	199,176.89	199,176.89	0.00	100.00%
Social	ADF	WOMEN IN DEVELOPMENT PROJECT (GRANT)	14-Mar-90	27-Mar-90	1,943,420.00	1,943,420.00	1,544.03	1,941,875.97	1,941,875.97	0.00	100.00%
	ADF Total				46,000,776.00	46,000,776.00	3,157,918.15	42,842,857.85	29,446,030.33	13,357,941.75	68.73%
Social Total					46,000,776.00	46,000,776.00	3,157,918.15	42,842,857.85	29,446,030.33	13,357,941.75	68.73%
Transport	ADB	BANJUL SEA PORT	22-Jun-82	13-Aug-82	7,000,000.00	7,000,000.00	17,619.99	6,982,380.01	6,982,380.01	0.00	100.00%
Transport	ADB	BANJUL SERREKUNDA HIGHWAY PROJECT	29-Aug-79	3-Dec-79	3,900,000.00	3,900,000.00	0.00	3,900,000.00	3,900,000.00	0.00	100.00%
	ADB Total				10,900,000.00	10,900,000.00	17,619.99	10,882,380.01	10,882,380.01	0.00	100.00%
Transport	ADF	BANJUL PORT PROJECT II	14-Dec-93	4-Jan-94	16,000,000.00	16,000,000.00	473,294.56	15,526,705.44	15,526,705.44	0.00	100.00%
Transport	ADF	BANJUL-SERREKUNDA HIGHWAY (SUPPLEMENTARY)	22-May-89	28-May-89	2,109,209.00	2,109,209.00	4,366.75	2,104,842.25	2,104,842.25	0.00	100.00%
Transport	ADF	INSTITUTIONAL SUPPORT TO MWC - E.F ROAD (GRANT)	30-Oct-91	31-Jan-92	2,763,156.00	2,763,156.00	7,325.10	2,755,830.90	2,755,830.90	0.00	100.00%
Transport	ADF	LAMINKOTO-PASSIMUS ROAD	28-Aug-80	17-Sep-80	8,000,000.00	8,000,000.00	8,000,000.00	0.00	0.00	0.00	0.00%
Transport	ADF	ROAD REHABILITATION	22-Nov-89	4-Dec-89	14,506,569.00	14,506,569.00	28,781.95	14,477,787.05	14,477,787.05	0.00	100.00%
	ADB Total				43,378,934.00	43,378,934.00	8,513,768.36	34,865,165.64	34,865,165.64	0.00	100.00%

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Sector name	Source of Finance	Project title	Approval date	Signature date	Amount Approved	Amount Signed	Amount Cancelled / Capital Increase	Net Amount Signed	Disbursements	Undisbursed Balance	Disbursement ratio
Transport	NTF	YUDUM AIRPORT CONSTRUCTION(PHASE IV)	8-Jun-82	13-Aug-82	4,500,000.00	4,500,000.00	785,408.19	3,714,591.81	3,714,591.81	0.00	100.00%
	NTF Total				6,500,000.00	6,500,000.00	803,212.63	5,696,787.37	5,696,787.37	0.00	100.00%
Transport Total					60,778,934.00	60,778,934.00	9,334,600.98	51,444,333.02	51,444,333.02	0.00	100.00%
Water Sup/Sanit	ADF	BANJUL SEWERAGE AND DRAINAGE PROJECT	24-Apr-80	24-Jun-80	7,368,416.00	7,368,416.00	266,618.83	7,101,797.17	7,101,797.17	0.00	100.00%
Water Sup/Sanit	ADF	GREATER BANJUL WATER SUPPLY	25-Nov-87	20-Apr-88	5,618,417.00	5,618,417.00	221,868.53	5,396,548.47	5,396,548.47	0.00	100.00%
Water Sup/Sanit	ADF	WATER SUPPLY & SANITAT STUDY FOR PHASE	12-Jun-02	8-Aug-02	1,175,000.00	1,175,000.00	0.00	1,175,000.00	361,040.71	813,959.29	30.73%
	ADF Total				14,161,833.00	14,161,833.00	488,487.36	13,673,345.64	12,859,386.35	813,959.29	94.05%
Water Sup/Sanit Total					14,161,833.00	14,161,833.00	488,487.36	13,673,345.64	12,859,386.35	813,959.29	94.05%
Grand Total					222,381,538.0	222,381,538.0	25,233,928.2	197,147,609.8	167,299,564.8	29,809,159.2	84.86%

Measures to Improve the Portfolio

ANNEX III

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Issues	Actions to be taken by the Government	Actions to be taken by the Bank
Lack of PIU Forum and weak donor coordination	There is an urgent need to set up a directorate for project management and aid coordination within the DOSFEA. The current situation is that the DOSFEA does not have a database nor does it have the capacity to effectively monitor and supervise on-going Bank Group funded projects. This situation erodes the oversight responsibilities of the DOSFEA with respect to the management and monitoring the implementation of Bank Group operations. The issue was discussed extensively during the 2005 CPPR mission and a general understanding was reached of the need to develop capacity with respect to monitoring and supervision in the DOSFEA.	The Bank Group can assist in the matter by providing support that focuses on strengthening capacity for monitoring the implementation of donor-funded projects. The proposed institutional support project is included in the Draft CSP 2005-09.
Irregular Audit and Progress Reports, and the role of the Auditor General's Office. (AG) Delays in ratification and loan effectiveness and during implementation	The Government needs to review the vetting process of auditors with a view to putting in place an alternative mechanism that could be more efficient and which could speed up the process and improve on the quality of auditing that is undertaken on all on-going Bank Group's projects. Also the Auditor General's Office should be involved from the early stages of project design. Minimize the delays	The bank should continue to provide technical assistance (TA), training and capacity building, especially in the areas of economic policy management, project management, procurement, audit and project implementation, and general compliance with Bank Rules and procedures. Expedite process of granting no objections once loans are effective
Improved Project follow-up and implementation monitoring.	Establish strong working links between the departments (Line ministries) and the PIUs. - Conduct Quarterly portfolio reviews by the country.	Maintain the frequency of supervision and disbursement Missions at the required minimum in the future for each operation with an enhanced skill mix, and engage the regional office in Dakar in a more proactive way;

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Issues	Actions to be taken by the Government	Actions to be taken by the Bank
Inadequate internal control systems (accounting and audit) at State level	Improve internal control procedures, particularly on the State level, including the installation of adequate accounting systems and auditing mechanisms, and ensure timely availability of reliable information on project accounts	
Weak project appraisal/preparation and project design	Assess what has been done and what remains to be done about recommendations from previous CPPR missions and CPIPs.	Improve quality of project at entry point through more thorough analysis of the institutional and technical capabilities of EAs/PIUs; assessment of the adequacy of EA/PIU accounting systems for adequate monitoring and control as well as of the capacity of project staff to manage funds through special accounts; sensitize the Government/EAs to loan conditions already during preparation/appraisal missions.
Frequent changes of task managers		The Bank should continue its on-going efforts to revitalize and invigorate the Country Teams and the roles they should play in following up all portfolio-related issues, like identifying new projects and monitoring the on-going ones. The Bank should minimize to the extent possible frequent changes of task managers and give more responsibility to alternate task managers.
Inadequacy of counterpart funds	The government needs to put forth more counterpart funds for projects	The Bank may want to lower counterpart fund requirements at the project design stage
Lack of harmonization of Bank interventions and procedures with those of other donors		Harmonize Bank interventions and align procedures with those of other donors, including reporting requirements, in order to reduce the workload for EAs/PIUs