

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



THE GAMBIA

**COUNTRY STRATEGY PAPER
2002-2004**

NB : This document contains errata or corrigenda (see Annexes)

COUNTRY OPERATIONS DEPARTMENT, WEST REGION

MAY 2003

TABLE OF CONTENTS

CURRENCY EQUIVALENTS, WEIGHTS AND MEASURES, LIST OF TABLES, LIST OF ANNEXES, LIST OF ABBREVIATIONS AND EXECUTIVE SUMMARY

	Page
I. INTRODUCTION	1
II. RECENT POLITICAL AND ECONOMIC DEVELOPMENTS	2
2.1 Political Developments	2
2.2 Macroeconomic and Social Developments	2
2.3 Sector Developments	3
2.4 Private Sector Business Climate	5
2.5 Evolution of Poverty	6
2.6 Cross Cutting Themes	6
2.7 Major Constraints to Sustainable Growth and Poverty Reduction	9
2.8 Potential for Growth and Poverty Reduction	11
III. GOVERNMENT'S POVERTY REDUCTION PROGRAMME	12
3.1 Key Elements of the Poverty Reduction Programme	12
3.2 Assessment of the Government Poverty Reduction Strategy	13
3.3 Challenges and Risks	13
3.4 Strategic Partnership	14
IV. BANK GROUP STRATEGY	15
4.1 Assessment of the Previous Strategy	15
4.2 Bank Group Medium Term Strategy	16
4.3 Risks Associated With the Implementation of the Bank Group Strategy	18
V. BANK GROUP ASSISTANCE PROGRAMME	18
5.1 Bank Group Portfolio and Portfolio Management	18
5.2 Lending Activities	18
5.3 Non-lending Activities	19
5.4 Co-financing and Catalyzing External Resources	20
5.5 Millennium Development Goals (MDGs)	20
5.6 Monitoring Outcomes	20
5.7 Issues Requiring Dialogue	21
VI. CONCLUSIONS AND RECOMMENDATIONS	22

BOXES

1. The Gambia: Country Snapshot
2. The Gambia: Aid Co-ordination Mechanisms
3. Participatory Approach in the Preparation of CSP
4. Scenarios and Triggers for Bank Group Funding

ANNEXES

- (i) The Gambia: CSP Policy Matrix
- (ii) The Gambia: Selected Macroeconomic Indicators
- (iii) The Gambia: Table 1 - Selected Economic and Financial Indicators, 2002-2004
The Gambia: Table 2 - GDP by Sector at Constant Prices, 1997-2000
The Gambia: Table 3 - GDP by Sector at Current Market Prices, 1997-2000
The Gambia: Table 4 - Central Government Financial Operations, 2002-2004
The Gambia: Table 5 - Balance of Payments, 2002-2004
The Gambia: Table 6 - Estimated Financial Requirements, 2002-2004
The Gambia: Table 7 - Balance of Payments Projections, 2002-2007
The Gambia: Table 8 - Monetary Survey, December 2000-December 2004
- (iv) The Gambia: Summary of Bank Group Operations

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ADF	African Development Fund
AGOA	Africa Growth and Opportunity Act
APPR	Annual Portfolio Performance Review
APRC	Alliance for Patriotic Reorientation and Construction
CBG	Central Bank of Gambia
CBEMP	Capacity Building for Economic Management Project
CBOs	Community Based Organizations
CFAA	Country Financial Accountability Assessment
CSD	Central Statistics Department
CPIA	Country Policy and Institutional Assessment
D	Dalasi (Gambian national currency)
DSFEA	Department of State for Finance and Economic Affairs
DFID	Department of International Development
ECOWAS	Economic Community of West African States
EPZ	Export Processing Zone
ERP	Economic Reform Programme
EU	European Union
GAMTEL	Gambia Telecommunications Company
GDA	Gambia Divestiture Agency
GCU	Gambia Cooperative Union
GDP	Gross Domestic Product
GEAP	Gambia Environmental Action Plan
GPA	Gambia Ports Authority
HIPC	Highly Indebted Poor Countries Initiative
HDI	Human Development Index
IDA	International Development Association
IMF	International Monetary Fund
ILO	International Labour Organization
MDG	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NAWEC	National Water and Electricity Company
NFA	Net Foreign Assets
NIP	National Industrial Policy
ODA	Official Development Assistance
ODA	Overseas Development Administration (United Kingdom)
PE	Public Enterprises
PER	Public Expenditure Review
PMS	Poverty Monitoring System
PPA	Participatory Poverty Assessment
PIP	Public Investment Programme
PIU	Project Implementation Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Programme for Sustained Development
SDA	Social Dimension of Adjustment
SDR	Special Drawing Right
SPA	Strategy for Poverty Alleviation
TDA	Tourism Development Area
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WB	World Bank

CURRENCY EQUIVALENTS (END APRIL 2003)

Currency Unit:

1 UA = D 22.2186

1 UA = US\$ 1.3839

WEIGHTS & MEASURES

Metric System

GOVERNMENT FINANCIAL YEAR

January 1 – December 31

EXECUTIVE SUMMARY

PREFACE

The Boards of Directors approved the last Country Strategy Paper (CSP) for The Gambia, covering the period 1999-2001, on November 1999. The paper was prepared against the uncertain background of a country that was transiting from a military Government, following the 1994 coup d'état. At that time, the performance of the economy was constrained by a series of economic and political shocks, which brought about, with the exception of the United Nations system, the withdrawal of donor support to the country.

During the consideration of the 1999-2001 CSP, the Boards expressed concern about the high interest rates in The Gambia, which had the potential to slow down investment and economic growth over the medium term. The cause of the high interest rates was excessive Government borrowing from the domestic money market. The problem still persists and the stock of domestic debt has now risen to the unsustainable level of 33 percent of GDP by September 2002. As the stock of domestic debt grows, so has the interest rate on the T-Bills. The high interest rates are harming the development of the private sector, which must compete with Government for domestic credit. Moreover, the huge resources annually budgeted to finance the domestic debt are squeezing out expenditures for poverty-related programmes.

This 2002-2004 CSP assesses the Gambia's current medium term economic challenges, growth prospects, and resource requirements. Based on the assessment, a medium term strategy is developed, which will guide the Bank Group operations during the ADF-IX lending cycle. The CSP draws heavily from the Gambia's full Poverty Reduction Strategy Paper or what is termed the Strategy for Poverty Alleviation (SPA-II) that was launched by the Government and endorsed by the donor community in May 2002. In SPA-II, the Government acknowledges the widespread poverty in The Gambia, and provides an informative analysis of poverty upon which the Government could base its poverty reduction strategies.

RECENT POLITICAL AND ECONOMIC DEVELOPMENTS

Political Developments: Presidential elections were held in October 2001, and saw the re-election of the incumbent President for a second term. The Presidential Elections, which were widely endorsed by the international community, were followed by National Assembly elections in January 2002. The legislative elections, like the subsequent local elections in April 2002, were boycotted by the main opposition United Democratic Party. As a result, the ruling Alliance for Patriotic Reorientation and Construction (APRC) ran largely unopposed, winning all but three seats in Parliament.

Economic Developments: Economic growth was unsatisfactory in 2002, with the real Gross Domestic Product (GDP) estimated to have expanded by around 4.0 percent compared with 5.4 percent and 6.0 percent in 2000 and 2001, respectively. The decline in economic performance in 2002 is attributed to a combination of factors, which include the dry spell that adversely affected agricultural production, the persistence of high interest rates that continues to crowd-out private sector activities, unstable exchange rates, and the slow growth in trade and tourism sectors. Inflation edged up to 7.0 percent in 2002 compared with 4.5 percent in 2001, while the overall fiscal deficit, excluding grant, is projected to have moderated from 8.7 percent of GDP in 2001 to around 7.6 percent in 2002. The large fiscal deficit is attributed to shortfalls in

customs duty receipts, and the rise in recurrent spending. The deficit was mainly financed by borrowing from the domestic money market, thus causing the stock of domestic debt to increase to 33 percent of GDP or Dalasis 2.9 billion by September 2002 from Dalasis 2.6 billion at December 2001. The balance of payments continues to remain weak.

Important gains were made in implementing key structural reforms such as: (i) those focusing on improving efficiency in the production and marketing of main agricultural crops, providing better extension services, essential inputs and credit; (ii) promoting competitiveness by reducing external tariffs; (iii) modernizing business-related legislations and regulations, creation of a divestiture agency; and (iv) developing an assessment and action plan to strengthen the capacity for tracking poverty-related expenditures financed through the enhanced HIPC initiative. Based on information contained in the World Bank document entitled “Can Africa Reach the International Targets for Human Development”, and also from SPA-II, The Gambia is on-track in attainment some of the Millennium Development Goals (MDGs), such as universal primary education by 2015, halving the 1990 illiteracy rates by 2005, achieving gender equity in primary and secondary education, and reducing infant and child mortality rates by two-third by 2015, and attaining the target on access to clean drinking water.

Governance: Poor Governance has been identified as a crucial factor that could adversely affect investor confidence, strain relationship with donors and hamper the Government’s effort to promote sustainable growth. During the implementation of ADF-VIII, the ADB and other development partners, made representations to the Government of The Gambia on some of the poor governance issues in the country, especially those concerning the spate of suspension or dismissal of key public officials, attempts to amend the constitution, political interference in the legal, judicial, and electoral process, lack of transparency and accountability in public sector resource management, as well as attempts to stifle public debates through the introduction of a new Media Commission Bill. These issues were compounded by the property dispute between the Government and Alimenta, which has since been settled. The representations have significantly helped to increase the sensitivity and awareness of the Government on issues relating to good governance. Under ADF-IX, the ADB will enhance dialogue on poor governance issues in The Gambia through the preparation of a Governance Profile, which will detail the weak areas that require the Bank Group’s attention. The profile will be prepared in consultation with the UNDP, and other development partners.

BANK GROUP MEDIUM TERM STRATEGY

Thrust of Strategy: The thrust of the medium term Bank Group Strategy is premised on the need to assist The Gambia meet the Millennium Development Goals (MDGs) and to improve the institutional and human capacity constraints. The strategy endeavors to complement and consolidate that of ADF-VIII and is guided by the Vision of the Bank, the Bank Group Strategic plan, and the ADF-IX operational orientation. In addition, the strategy is enriched by extensive consultations with Government officials, Civil Society Groups, private sector representatives, NGOs and women organizations. The strategy will be implemented, within the framework of SPA-II, focusing only on the social sector. It will endeavor to complement the efforts of other development partners in striving to stabilize the fragile macroeconomic environment and to address the desperate institutional and human resource constraints that continue to hamper economic growth in The Gambia.

The non-lending component will focus on strengthening policy dialogue with the Government and other stakeholders, especially on improving governance, mainstream gender, fight HIV/AIDS and communicable diseases, and improve energy supply. The Bank will continue to contribute to the HIPC debt relief programme, and through the Special Relief Fund (SRF), has already approved an emergency grant of US\$500,000 to assist farmers, following the poor harvest experienced in 2002/2003 due to irregular rainfall.

Potential for Growth & Constraints: The strategy recognizes that The Gambia is a small open economy, which is highly vulnerable to external shocks, and has the potential to achieve and sustain much higher rates of economic growth than has been the case over the past two decades. The country will need to do this in order to make headway in reducing the pervasive poverty and to uplift the living standards of the population. However, severe constraints to economic development continue to hamper the country's ability to attain high growth. The most critical of these constraints include: (i) unstable macroeconomic environment and the high debt burden; (ii) low domestic resource mobilization and investment; (iv) high incidence of diseases such as malaria and the looming HIV/AIDS epidemic; and (v) poor physical infrastructure.

FUNDING THE STRATEGY

Scenarios: The strategy will be funded through a base case scenario that is determined by the CPIA exercise, whose ADF-IX allocation for The Gambia was UA 8.79 million. In addition, The Gambia will benefit from a policy-based operation, which will have resources equivalent to 50 percent of the indicative allocation or UA 4.39 million. If the current policy and institutional framework for The Gambia improves, as proxied by all the four triggers discussed below, the country will move to a higher CPIA quintile and the base case allocation of UA 8.71 million will increase by 50 percent (or UA 4.38 million) to UA 13.17 million. Conversely, the low case scenario will apply if there is a deterioration in the current policy and institutional framework, in which case The Gambia will qualify for only 20 percent of its basic allocation or UA 1.74 million. Under this scenario, no PBL will be granted.

Triggers: Some selected outcome indicators will be used as triggers to proxy the required improvement. These include the performance under the PRGF, reaching the completion point of the HIPC programme in 2003, strengthening public expenditure management, and improving the soundness of the Bank Group Portfolio, which will be monitored through the usual performance rating and by the rate of disbursements for the 18 on-going operations. The triggers selected reflect a limited, but important set of policy actions designed to stimulate higher sustainable growth, improve the social conditions of the people and contribute to reducing poverty.

Non-Lending Component: Intervention through the non-lending component will focus on strengthening policy dialogue with the Government and stakeholders and will mainly be executed through studies to improve governance, mainstream gender, fight HIV/AIDS and communicable diseases, and improve energy supply. Resources from the Dutch Trust Fund will be used to improve capacity of the Social Development Fund, which is expected to play a greater role during the implementation of the SPA-II. The Bank will continue to contribute to the HIPC debt relief programme. Through the Special Relief Fund (SRF), the Bank Group will provide assistance to cushion farmers against crop failure and food shortage in 2002/03, following the irregular rainfall and prolonged dry spells.

Annex

THE GAMBIA: COUNTRY STRATEGY PAPER (CSP) 2002-2004

ADDENDUM

I. Introduction

The objective of this addendum is to provide the Boards with additional information on specific issues that have emerged since the preparation of the CSP and following consultations with the Government of The Gambia during the CSP Dialogue Mission.

II. Recent Political & Economic Developments in 2003

2.1 Political Developments: The trade relationship between The Gambia and Senegal have been deteriorating, with frequent incidences of closing the borders, the most recent closure occurring during the CSP Dialogue Mission held in Mid-June 2003. The cumulative effect of such incidences is to reduce re-export trade between the two countries, which accounts for nearly 10 percent of the total GDP in The Gambia.

2.2 Economic Growth: The outlook for economic performance in 2003 remains bleak on account of the poor agricultural output caused by the intermittent rains experienced in 2002/03. The adverse impact of this development on the growth rate of real GDP is further compounded by the slow growth in re-export trade due to emerging border problems with Senegal during 2003. In addition, the expansionary fiscal policies pursued since 2001 have continued to influence the depreciation of the exchange rate, fuel inflation and increase interest rates. On account of these factors, the growth rate of real GDP is expected to slowdown to around 4.0 percent in 2003 from 4.6 percent in 2002. Assuming that agricultural production is revived, following normal rains in 2003 season, the growth rate of real GDP is expected to improve to around 4.5 percent in 2004, which is however still well below the annual target of 6 percent contained in the full PRSP.

2.3 Revised Fiscal Budget: Total government revenues are expected to reach Dalasis 1.73 bn or US\$ 103.5 million in 2003, an increase of 21.8 percent from Dalasis 1.42 bn or US\$ 83.8million in 2002. Expenditures, including net lending, are programmed at a ceiling of Dalasis 2.2bn, or US\$ 131.6 million, of which debt service obligations account for dalasis 360 million or 20.8 percent (nearly a quarter) of government total revenue. Total development expenditures are programmed at Dalasis 1.22bn or US\$ 73.0 million in 2003 financed by external loans (63.2%), grants (25%), government's transfers for development (5.5%) and funds released by debt relief (6%). Clearly, fiscal policy is still expansionary and discipline is required in executing the budget for 2003.

2.4 Outlook for the Balance of Payments: The balance of payments is expected to remain weak in 2003, on account of the sharp drop in agricultural output owing to the poor rainfall experienced in 2002. The exports of groundnuts and related products are projected to drop by US\$14 million in 2003. The export of fish products are expected to increase following the expansion in processing capacity, while receipts from tourism are expected to increase steadily following peaceful elections, upgraded hotels and coastal roads, the promotion efforts of the

private sector-directed Tourism Promotion Agency and the depreciation of the dalasis. Imports are expected to decline, owing to the depreciation of the dalasis, and the border problems with Senegal, which will reduce re-export trade.

III. **Structural Reforms & Governance**

3.1 **Structural Reforms:** The implementation of the privatization programme remains slow, despite the endorsement of the overall privatization strategy by the Government in 2001. The Government has failed to meet its target of privatizing at least ten (10) Track I public enterprises by mid 2003. Moreover, studies have still not been prepared relating to the envisaged privatization of Track II public enterprises, which are mainly utility enterprises that require the establishment of regulatory authorities. Given the slow pace of implementation of the privatization programme, it will be included as an aspect for dialogue with the Government, in addition to the other dialogue issues relating to improving governance and monitoring the implementation of the full PRSP, which are already identified in the CSP. Other structural reforms envisaged for 2003 include updating of the Consumer Price Index (CPI) and national accounts by 2004. These will be based on the results of the on-going household survey and the housing and population census planned for the second half of 2003, which will also provide more comprehensive data for poverty analysis in the country.

3.2 **Overall Governance Situation:** The Government is committed to improving the governance environment in The Gambia. The Government has prepared and is implementing a comprehensive National Governance Programme, which is derived from and fully consistent with the Constitution. Specific success stories in the implementation of this programme include the establishment and operationalization of the National Governance Secretariat, which is under the purview of the Office of the President. A Governance Task Force has also been established, and mandated with (i) preparing a time-bound governance programme of action and identifying the required capacity for the successive implementation of the governance programme; and (ii) facilitating inter-institutional collaboration and co-ordination. In addition, the National Council for Civic Education has been established, and has conducted over 120 workshops on civic and human rights throughout the country. The focus of these workshops was to educate the people about their constitutional and civic rights, and the roles and responsibilities associated with good citizenry.

3.3 **Money Laundering and Anti-Terrorist Conventions:** The Gambia has also drafted a comprehensive anti-money laundering bill, entitled Money Laundering Bill, 2003, which is scheduled for discussion by Parliament on 29 June 2003. The country has ratified nine of the twelve international anti-terrorism conventions and has issued the necessary blocking orders.

3.4 **Public Expenditure Management:** On financial accountability and transparency, the Public Accounts Committee of Parliament was strengthened in early 2003, and mandated with the responsibility of overseeing the allocation of financial resources, especially in the context of implementing the Government's poverty programme. The Government has also established an independent National Audit Office (NAO), and plans are underway to grant the NAO full autonomous status in order to create the enabling environment within which government accounts could be audited and reports issued in a transparent manner.

3.5 NAO is at the moment working to clear the backlog of un-audited Government Accounts for the period 1991 to 31 December 2002. Work commenced in April 2003, and an ambitious target has been set for finalizing all the un-audited government accounts by December 2003. In partnership with the ADB, the World Bank, and DFID, the Government is preparing the Country Financial Accountability Assessment, which will detail the weaknesses and make recommendations for strengthening the current public expenditure management system in The Gambia.

IV. The Lending Triggers

Consultations with the Government and development partners resulted in the consensus that the timeframe for achieving the trigger on the completion point of the Highly Indebted Poor Countries Initiatives (HIPCs) be shifted from June 2003 to December 2003. The trigger requiring increased disbursement of the Bank Group Portfolio, from 30 percent of total commitment in December 2002 to over 60 percent, is reduced to at least 50 percent disbursement by December 2003. The timeframe for achieving the on-going reforms that focus on strengthening public expenditure management, including the implementation of the medium term expenditure framework, has been brought forward to June 2004 rather than in December 2004. The revised Table 5.1 is now as indicated below:

Revised Table 5.1: Scenarios and Triggers of Bank Group Funding

Triggers	Lower case	Base Case	Upper Case
Implementation of the IMF's PRGF (see BOX 2)	<ul style="list-style-type: none"> ▪ Failure to comply with the targets of the PRGF, leading to the suspension of programme 	<ul style="list-style-type: none"> ▪ Compliance with the PRGF, performance on track. 	<ul style="list-style-type: none"> - Compliance with the macroeconomic targets of the PRGF, and substantially reducing the domestic debt from 33% of GDP in September 2002 to below 25 percent by December 2003
HIPC Programme (Para. 2.2.4)	<ul style="list-style-type: none"> ▪ Failing to attain the completion points of HIPC 	<ul style="list-style-type: none"> ▪ Remaining on track in attaining the requirements for the completion point of HIPC by December 2003 	<ul style="list-style-type: none"> - Reach the completion point of HIPC by Fulfilling all the required conditions by December 2003.
Strengthen Public Expenditure Management by introducing the MTEF and programme based budgeting (Para. 2.2.2 and 4.2)	<ul style="list-style-type: none"> ▪ Failure to implement programme-based budgeting by December 2004 	<ul style="list-style-type: none"> ▪ Undertaken Public Expenditure Reviews in Education, Health, and Agriculture, which will be extended to other Ministries ▪ Preparing Country Financial Accountability and Assessment (CFAA) by December 2003 	<ul style="list-style-type: none"> - Implemented MTEF and programme-based budgeting by June 2004. - Implemented the finding of CFAA by December 2004
Bank Group Portfolio (Para. 5.1.3)	<ul style="list-style-type: none"> - Lower performance rating of < 2.0 - Disbursement falls to below 30 percent of total commitment. 	<ul style="list-style-type: none"> - Performance rating at 2.3 - Disbursement at below 30 percent of total commitment 	<ul style="list-style-type: none"> - Strong performance rating >2.5 - Accelerating disbursements for the 18 active operations to over 50 percent of total commitment by December 2003
Indicative Allocation	Funding < 20% of Baseline or <u>UA 1.74million</u>	<u>UA 8.71million</u>	Additional funds up to 50% of Baseline allocation or <u>UA 13.17 million</u>

V. Justification for Choice of Sector

As indicated in Para. 4.2.2, the proposed Bank Group strategy focuses on assisting The Gambia to meet the Millennium Development Goals, particularly in education and to develop human and institutional capacity. The component of the strategy focusing on increasing access to quality education and skills development, particularly for girls and pupils in remote areas of the country is formulated within the context of the Government's Education Master Plan. The strategy acknowledges the rapidly expanding demand for education in The Gambia, as evident from the rapidly rising Gross Enrolment Rates (GER), which increased from 65 percent in 1996 to 74 percent in 2001. The rising trends, particularly in primary level education, are expected to continue in the years ahead, hence the need to expand education facilities, increase the training of teachers, and improve on the provision of text books and other essential supplies. The strategy will further consolidate the achievements made by the Bank Group under ADF-VIII. The second component of the strategy focuses on strengthening the weak productive capacity in the public sector and is derived from the full PRSP (see 8.1 and 8.2 below). The strategy also proposes a Policy Based Operation (PBL), which will compliment the efforts of other donors in consolidating the fragile macroeconomic environment and assist in widening the scope of macroeconomic reforms programme that the ADB and other donors have been pursuing since the early 1990s. The component of the strategy is derived from the first pillar of the PRSP.

VI. Utilization of Grant Resources Under ADF-IX

6.1 The grant element of UA 2.0 million allocated for The Gambia under ADF-IX will be used to support and complement the initiatives of the Government and other donors in strengthening the institutional capacity of key public sector Departments and Institutions that are heavily involved in the fight against corruption and in promoting fiscal integrity. The orientation in improving financial sector management is fully consistent with the Bank's Good Governance Policy. The resources will be used to finance one stand-alone capacity building project. Some of the selected institutions that will benefit from the grant, under the project, will include the National Audit Office (NAO), Department of Justice and Attorney General's Office, Parliament (Public Accounts Committee), and the Department of State for Finance and Economic Affairs.

6.2 Improving the institutional capacity of the NAO will enable it to perform its constitutional responsibilities more efficiently and to clear the backlog of un-audited Government Accounts for the period 1991–31 December 2002. Capacity in the Department of Justice and Attorney General's office will be strengthened in order to deal with the backlog of pending cases. Grant resources will also be used to provide additional outlays and upgrade existing information technology in the Department of Justice. This is crucial in ensuring that judges and legal practitioners will no longer be severely handicapped by the lack of law reports, journals and other reference materials since these will be readily accessible via the Internet. By strengthening the rule of law, the grant resources will assist in creating an enabling environment, which is crucial for promoting private sector activities.

VII Relationship With the Breton Woods Institutions

7.1 **World Bank:** The World Bank Board approved the Country Assistance Strategy (CAS) for The Gambia in March 2003, which has a base case allocation of SDR 19 million or approximately US\$25 million, of which US\$ 10 million will be provided in the form of IDA grant. The CAS focuses on improving service delivery and promoting private sector-led growth, and has planned operations in health, education, and agriculture. Two additional operations, in energy and a balance of payment support, are planned if The Gambia moves to the high case scenario. In collaboration with UNDP, the ADB, and DfID, the World Bank will also examine the issue of governance, in the context of decentralizing local government administration and the civil service reform programme. The World Bank CAS was prepared in close consultation with the ADB Country Team preparing the 2002-2004 CSP.

7.2 **International Monetary Fund (IMF):** The IMF Board approved a Poverty Reduction and Growth Facility (PRGF-II) in July 2002, amounting to SDR 20.22 million or US\$ 27 million. The first review under this programme was undertaken in October 2002, but could not be concluded because the Government had failed to meet some of the agreed quantitative benchmarks, particularly those relating to reducing the overall deficit, excluding grants to below 5 percent of GDP and the net Central Bank credit to government, which was exceeded by a substantial margin. Overall, the review noted that the macroeconomic situation was worsening on account of the risks arising from external shocks, especially the effect and impact of the on-going drought on agricultural exports, which together with the expansionary fiscal policy and an accommodating monetary stance have contributed to the rapidly rising inflation and the recent sharp depreciation of the Dalais.

7.3 An IMF/World Bank Mission is currently in Banjul consulting with the Government on the quantitative targets of the PRGF set for end-June 2003, as well as assessing the impact and effect of the on-going drought on agricultural exports and the balance of payments in 2003/04. The findings of the Mission will be communicated to the Bank by early July 2003. We are in constant with the Mission and both the IMF and the World Bank teams have agreed to provide us with a copy of the Aide Memoire, which will be concluded with the Government.