



AFRICAN DEVELOPMENT FUND

**PROJECT: Institutional Support for Economic and Financial
Governance II Project
COUNTRY: The Gambia**

PROJECT APPRAISAL REPORT

Date: [12 July 2011]

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Currency Equivalents

As of 15 June 2011

UA 1	=	45.3553 Dalasi
UA 1	=	1.6007 US Dollar
UA 1	=	1.1128 European Euro

Fiscal Year

January – December

Acronyms and Abbreviations

ADF	African Development Fund
AfDB	African Development Bank
CFAA	Country Financial Accountability Assessment
CPI	Consumer Price Index
CPPR	Country Portfolio Performance Review
ECF	Extended Credit Facility
EU	European Union
FPAC	Finance and Public Accounts Committee
GDP	Gross Domestic Product
GOTG	Government of The Gambia
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IRM	Independent Review Mechanism
ISPEFG	Institutional Support Project for Economic and Financial Governance
IT	Information Technology
JAS	Joint Assistance Strategy
MDI	Management Development Institute
MOFEA	Ministry of Finance and Economic Affairs
MTR	Mid Term Review
NAO	National Audit Office
NGO	Nongovernmental Organisation
PAGE	Program for Accelerated Growth and Employment
PCR	Project Completion Report
PCU	Project Coordinating Unit
PER	Public Expenditure Review
PFM	Public Financial Management
PFMCC	Public Financial Management Coordination Committee
PRSP	Poverty Reduction Strategy Paper
PSC	Project Steering Committee
TA	Technical Assistance
UA	Unit of Account
UNDP	United Nations Development Program
VAT	Value Added Tax
VFM	Value for Money
WB	World Bank

Loan Information

Client's information

BORROWER/BENEFICIARY:

Government of the Gambia

EXECUTING AGENCY:

Ministry of Finance and Economic Affairs

Financing plan

Source	Amount (UA)	Instrument
ADF	2.0 million	Grant
Government	0.2 million	
TOTAL COST	2.2 million	Grant

Timeframe - Main Milestones (expected)

Preparation Mission	February 2011
Concept Note approval	May 2011
Appraisal	May 2011
Project approval	September 2011
Effectiveness	December 2011
Completion	December 31, 2014
Last Disbursement	June 30, 2015

Project Summary

Project Overview. The Institutional Support for Economic and Financial Governance II Project (ISEFG II project) falls within the Bank's framework of assistance to the Government of the Gambia (GOTG). The project cost is UA 2.0 million, plus an additional Government contribution of UA 0.2 million bringing the total to UA 2.2 million. The objective of this three year project (2012-2014) is to contribute to strengthening capacities in key public institutions engaged in economic management and governance. The direct beneficiaries are the Ministry of Finance and Economic Affairs (MOFEA), the National Audit Office (NAO) and the Finance and Public Accounts Committee (FPAC).

The project aims to address human and institutional capacity constraints and weaknesses in public financial management. The GOTG has made significant progress in many areas of PFM, including the implementation of an integrated financial management information system (IFMIS) and the clearance of a significant backlog of financial statements and corresponding audits. But significant challenges remain, including an increasing budget deficit (caused mainly by very high levels of debt and extra budgetary spending), and continued lack of human capacity in critical areas of PFM.

Needs Assessment. The most recent PEFA assessment (2008) notes critical weaknesses in the areas of internal and external audit and public scrutiny of budget and audit reports. The GOTG prepared a comprehensive PFM Reform Strategy to streamline public financial management reform activities and mobilize resources. This strategy has been costed at over US \$26 million. The project is needed at this point in time to consolidate the gains that have been attained in the previous project. The project will directly contribute to the objectives set out in the GOTG PFM Reform Strategy 2010-2014 by ensuring that policy and budget decisions are based on sound macroeconomic analysis, and that PFM outcomes are improved through more rigorous and transparent evaluation of PFM systems and actual PFM performance. More effective management of government funds should in turn lead to a more stable macroeconomic environment and improved well-being for the population.

Value Added for the Bank. The ISEFG II Project is in line with the Bank's "*Governance Strategic Directions and Action Plan (GAP 2008-2012)*", which prioritises support to strengthening economic and financial governance.

The Bank's comparative advantage and added value stems from the central role that the Bank has played in moving the PFM agenda forward in The Gambia. The development of the PFM Reform Strategy is a direct result of the technical contribution provided by the first ISPEFG. The Bank's previous successful engagements on PFM activities in The Gambia (both policy-based operation and institutional support project) have positioned the Bank as a main partner in this area, which now enjoys a strong relationship with the GOTG and other development partners. This project follows on directly from the ISPEFG and seeks to strengthen and deepen the impact and sustainability of earlier improvements in key areas of PFM.

Knowledge Management. Knowledge will be acquired through skills and knowledge transfer from long and short term advisors to local counterparts and institutions, supplemented by specialist training courses from a local training provider, regional courses and study visits, development of technical manuals and on the job support.

Results-based Logical Framework

Country and project name:		The Gambia's Institutional Support for Economic and Financial Governance II Project				
Purpose of the project :		To contribute to strengthening capacities in PFM institutions (i.e. macro and audit) engaged in economic management and governance.				
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Baseline	Target		
IMPACT	Impact: Efficient, effective and accountable use of public resources as a basis for a stable macroeconomic environment and improved well-being of Gambians	<ul style="list-style-type: none"> Percentage of government revenue actually spent on priority spending (i.e. agriculture, education, fisheries, health, tourism, trade and industry, water and sanitation) and supporting the achievement of stated policy and development objectives 	<ul style="list-style-type: none"> 25% (2008-11) 	<ul style="list-style-type: none"> 35% in 2015 	PAGE (2012-2015) MTEF GOTG Estimates GOTG accounts	Risk 1: Weakening commitment by Government to economic policy and governance reforms. Mitigation: The Gambia has engaged with the IMF since the mid-1980's and is currently designing its next Extended Credit Facility (ECF). The Fund provides macroeconomic policy advice and continued Fund engagement is critical. The current programme has lapsed due to some missed targets but a recent IMF mission made critical progress with the Government to address issues as a basis for the next ECF.
	Outcome 1: Improved macroeconomic policy analysis and debt management	<ul style="list-style-type: none"> Government revenue excluding grants as % of GDP Domestic debt to GDP ratio 	<ul style="list-style-type: none"> 13.5% (2009) 27 % (2010) 	<ul style="list-style-type: none"> 16% (projected 2014) 24 % (2014) 	IMF (2010 Article IV) GOTG Accounts	Risk 2: The global economic slowdown reduces the country's economic growth and government revenues. Mitigation: A credible and transparent macroeconomic management system and improved policy environment should strengthen GOTGs ability to respond to external shocks.
OUTCOMES	Outcome 2: Greater scrutiny, transparency and accountability for the use of public funds	<ul style="list-style-type: none"> Effectiveness of internal audit, including coverage and quality of internal audit function (PI-21) Timeliness of tabling of external audit reports by the Auditor General in the Legislature Scrutiny of audit reports completed by Legislature on a timely basis (PI-28) and reports driving improved PFM 	<ul style="list-style-type: none"> PI-21 – D (2008) 2006-2008 audits submitted in 2010 (up to 3 year delay) PI-28 – D (2008) – reports up to 2006, scrutinized by Legislature 	<ul style="list-style-type: none"> PI-21 – C (2014) Within 3 months of receipt from Treasury every year PI-28 – C : submission of reports that clearly specify audit recommendations and reforms by 2014 	Bank assessment of PEFA Internal Audit Strategy and Plan National Assembly records Published Audit & FPAC Reports NAO website	Risk 3: Due to capacity constraints and lack of funding, the GOTG fails to demonstrate progress on PFM reform and reducing the level of fiduciary risk. Mitigation: Donors are expected to confirm support to PFM reform and have built in complementary capacity building and technical assistance projects. For example, the EU (through the IMF), are engaging two long-term resident advisors to provide support for MTEF and program based budgeting and revenue reforms including VAT.
	Component 1: Enhancing macroeconomic policy analysis and debt management <u>Output 1.1</u> Fiscal and macroeconomic policy	<ul style="list-style-type: none"> Fiscal and macroeconomic analysis and recommendations are accurate and effectively support sound policy decisions 	<ul style="list-style-type: none"> Macro-economic model developed in 2010 	<ul style="list-style-type: none"> Realistic macroeconomic and fiscal framework produced annually Macroeconomic indicators produced quarterly 	IMF reports Macroeconomic forecast reports	Risk 4: Effective capacity building and positive development outcomes are dependent on institutional memory. Therefore it is important to ensure that the attrition rate of civil servants is reduced and that staff are kept in post for a reasonable amount of time to ensure that skills are institutionalized and mainstreamed. Mitigation: Government has incorporated signed bond agreements for those undertaking long term training to safe-

	formulation capacity strengthened and debt management improved					guard against attrition of civil servants. For the longer term, the government's on-going civil service reform programme will help to address pay and retention issues.
OUTPUTS	<p>Component 2: Strengthening Executive and Legislative scrutiny, assessment, transparency and accountability in public financial management</p> <p><u>Output 2.1</u> Internal audit capacity and outputs strengthened</p> <p><u>Output 2.2</u> External audit capacity outputs and image strengthened</p> <p><u>Output 2.3</u> Proven and sustainable institutional capacity to manage, monitor and evaluate PFM reforms</p>	<p><u>Output 2.1</u></p> <ul style="list-style-type: none"> % of internal audit staff with basic internal audit skills Modern internal audit methods and risk based planning in use Production of regular audit reports <p><u>Output 2.2</u></p> <ul style="list-style-type: none"> Full programme of work being carried out using modern methods (NAO) Number of published reports % of external auditors trained/ showing competence in role (NAO) Strategic, costed and results based reports published on NAO reports (FPAC) % FPAC members trained on external scrutiny (FPAC) <p><u>Output 2.3</u></p> <ul style="list-style-type: none"> Results and performance based PFM strategy subject to regular review and reporting Timely proposals to address implementation problems 	<p><u>Output 2.1</u></p> <ul style="list-style-type: none"> 0% No guidelines or manuals exist 0 audit reports <p><u>Output 2.2</u></p> <ul style="list-style-type: none"> Financial audit only 0 reports 50% - financial audit only Reports issued with limited information 0% <p><u>Output 2.3</u></p> <ul style="list-style-type: none"> PFM strategy developed in 2010 	<p><u>Output 2.1</u></p> <ul style="list-style-type: none"> All 8 staff in IA unit by 2014 Risk based audit plan 4 annual internal audit reports per year <p><u>Output 2.2</u></p> <ul style="list-style-type: none"> Full audit coverage 5 reports per year by 2014 Trained 75% in financial audit and 25% in VFM (100% of female staff) Reports issued within 3 months of submission Training on external scrutiny (100% of women) <p><u>Output 2.3</u></p> <ul style="list-style-type: none"> Results based monitoring framework by end-2012 PFM progress report prepared every six months starting 2012 	<p>Internal Audit reports Manuals and guidelines</p> <p>Training records</p> <p>Audit reports</p> <p>Training records</p> <p>FPAC reports</p> <p>Results based PFM Action Plan PFM Progress Reports</p>	<p>Risk 5: Implementation capacity constraints resulting in diluted project benefits and reduced synergy with other donor-funded projects. Mitigation: The Project has established a Project Coordination Unit (PCU) with dedicated staff (Project Coordinator, and Accountant to ensure the smooth implementation of the project.</p> <p>Risk 6: Technical assistance does not deliver sustainable capacity improvement due to insufficient emphasis on skills transfer Mitigation: Terms of Reference for project advisors will contain specific requirements to transfer skills to local counterparts with measurable indicators of progress and success, which will be evaluated as part of project progress reviews.</p> <p>Risk 7: Project funds and resources will not be used for the purposes intended (project fiduciary risk) Mitigation: This risk will be managed through regular review Missions, standard Bank implementation procedures and scrutiny of project financial and progress reports.</p>
	<p>Component 3: Project Management</p> <p><u>Output 3.1</u> Timely implementation of project activities</p>	<ul style="list-style-type: none"> Progress reports and audits of projects produced in a timely manner 	<ul style="list-style-type: none"> Project Coordination Unit established in 2008 	<ul style="list-style-type: none"> Progress reports and financial statements submitted to the Bank on a quarterly basis 		
KEY ACTIVITIES	<p>COMPONENTS</p> <ul style="list-style-type: none"> Technical assistance in macroeconomic, debt management, external audit and scrutiny, internal audit, and PFM reform management, including workshops, on-the job training and support for pilot audits Short term local/regional training for counterparts & professional development programs for internal/ external auditors Establishment of partnership and service delivery arrangements with local training providers and regional institutions Purchase of IT equipment and specialist audit software & production of technical, guidance and training manuals 				<ul style="list-style-type: none"> ADF Grant = UA 2 million; Government = UA 0.2 million Other donors = EU 3 million Euro; IMF providing technical assistance through Extended Credit Facility; World Bank Missions: Appraisal, supervision, policy dialogue, MTR and donor coordination 5.2 million Capacity building by AfDB and other DPs (i.e. IMF, EU, UNDP, WB) 	

Project Timeframe

YEARS	2011	2012				2013				2014				2015	Action by
Quarter	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q2	
ACTVITIES															
Project life cycle															
Grant approval															AfDB
Fulfilment of conditions for disbursement															GOTG
Start of the project & workshop															AfDB & GOTG
Supervision and monitoring															AfDB
Mid-term review															AfDB
Disbursement of funds															AfDB
Submission of annual audit reports															GOTG
Government completion report															GOTG
AfDB Project completion report															AfDB
All Components															
General Procurement Notice published															GOTG
Recruitment of all contractors															GOTG
Recruitment of procurement expert															GOTG
Agree M&E framework for PFM RP															GOTG
Contract local partner training institute (supports all Components)															GOTG
Procurement of computer equipment															GOTG
Submission of progress reports from contractors															GOTG
Training and workshops															GOTG

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO THE GAMBIA FOR THE INSTITUTIONAL SUPPORT PROJECT FOR ECONOMIC AND FINANCIAL GOVERNANCE

Management submits the following Report and Recommendation on a proposed grant for UA 2.0 million on ADF grant to finance the Institutional Support for Economic and Financial Governance II Project in The Gambia.

I – STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

1.1.1 The Second Poverty Reduction and Strategy Paper (PRSP II) is the national strategy for growth and poverty reduction for the period 2007-11. The PRSP has five pillars: (i) creating an enabling policy environment to promote growth and poverty reduction; (ii) enhancing capacity and output of the productive sectors; (iii) improving coverage of the basic social services and social protection needs of the poor and vulnerable; (iv) enhancing governance systems and building the capacity of local communities and civil society organizations to play an active role in economic growth and poverty reduction; and (v) mainstreaming cross-cutting issues¹ into the development process. The PRSP priorities are articulated and implemented through sector plans, and financed through allocations from the annual budget, complemented by donor contributions. The Government is currently preparing a successor program, “*Program for Accelerated Growth and Employment (PAGE)*”, for the period 2012-2015, for Cabinet approval toward the end of the year. The PAGE will have a continued focus on governance but will also include greater focus on agriculture and infrastructure investments, to address the country’s severe shortcomings and to help create a more enabling environment.

1.1.2 The Joint African Development Bank /World Bank Assistance Strategy (JAS/2008-11) supports the implementation of the PRSP II and enables the two institutions to better align their development programs, avoid duplication of efforts, and combine their technical expertise more efficiently. The JAS is focused on two areas directly linked to the PRSP II: (i) strengthening economic management and public service delivery; and (ii) enhancing productive capacity and accelerating growth and competitiveness. The JAS ends in December 2011 and a joint AfDB/World Bank mission will be undertaken in the fourth quarter of 2011 to plan and conduct preliminary consultations for the second JAS. Preliminary discussions between the World Bank and the AfDB indicate that there will be continued focus in the areas of economic and financial governance.

1.1.3 This ISEFG II project is anchored in pillar I of the PRSP II and the JAS, and will directly contribute to achieving the objectives of the first pillar, namely improving the enabling policy environment to promote growth and poverty reduction and strengthening the institutional framework for economic management. The programme is in line with the JAS and the Bank’s “*Governance Strategic Directions and Action Plan (GAP 2008-2012)*”, which prioritises support to strengthening Public Financial Management (PFM). The programme complements interventions by other development partners in the area of PFM and focuses on

¹ Gender, youths, population, HIV/AIDS, nutrition and environment

capacity building, in line with the priorities and objectives outlined in the GOTG PFM Reform Strategy 2010-2014.

1.2. Rationale for Bank's involvement

1.2.1 **Macro and socio-economic conditions.** Living conditions for most Gambians are difficult with an average per capita GDP of US\$500 in 2010 and a 2010 Human Development Index ranking of 151th out of 169. The overall poverty headcount ratio is estimated at 58 percent, with large socioeconomic and regional variations.² Growth in the agriculture, finance and construction sectors, as well as good economic management have contributed to improved macroeconomic performance over 2005-2010, with an average real GDP growth over 5%. However, The Gambia continues to face a heavy debt burden where interest on debt consumes about 20% of government revenues with roughly 80% paid on domestic debt. This is leading to steady increases in the budget deficit. An additional challenge for The Gambia is to strengthen and diversify domestic production of goods and services and infrastructure investments to address the country's severe shortcomings and to help create a more enabling environment for private sector development.

1.2.2 **While the country continues to maintain a stable political environment**, there are concerns over political governance in the country, which has led to slow implementation and impact of policies and programs. The dominance of the ruling party over the legislature continues, and a true and genuine system of checks and balances needs to be enhanced, including building the capacity of key governance institutions (e.g. National Audit Office and Parliament) in order to deliver on their core functions of scrutiny, oversight and representation. Despite government's endeavours on the macroeconomic policy front, the GOTG continues to be beset with a combination of structural problems, most of which are attributable to shortcomings in policy reforms and institutional capacity and governance problems.

1.2.3 Notwithstanding the difficulties mentioned above, there have been **improvements in the quality of The Gambia's fiscal institutions and the GOTG has made steady progress in PFM reforms over the past few years** as attested by a series of analytical assessments³. The Bank's ISPEFG and Budget Support Operation have been instrumental in the development and contribution to the achievements to date. The reforms to date have resulted in advances in a number of areas including (i) the implementation of an integrated financial management information system (IFMIS); (ii) the clearance of a significant backlog of financial statements and corresponding audits; (iii) the strengthening of the independence and supervision and control function of the Central Bank; and (iv) improved information on public debt. Overall the key PFM reforms have helped to enhance accountability and transparency in the use and management of public resources.

1.2.4 **Key development issues.** While the GOTG has made progress in many areas of PFM, significant challenges remain, including an increasing budget deficit (caused mainly by very high levels of debt and extra budgetary spending), and continued lack of capacity in critical areas of PFM. The 2008 PEFA assessment gave low ratings (D scores) in the areas of fiscal planning, effectiveness of internal audit, external audit and effectiveness of legislative

² Poverty indicators are based on the 2003 household expenditure survey, the latest available.

³ 2010 Country Financial Accountability Assessment; 2010 Public Expenditure Review Update; IMF Reports – The Gambia: Ex-Post Assessment of Longer-Term Program Engagement An Update, and The Gambia: Strengthening Budgetary Management and Sequencing of Reforms; and PFM Reform Strategy (2008-2-12).

scrutiny. The Bank's Country Governance Profile⁴ also noted that key public institutions, such as the National Audit Office, the Internal Audit Unit and the Finance and Public Accounts Committee, responsible for scrutiny and oversight were characterized by serious resource and capacity constraints aggravated by excessive turnover of staff which poses a challenge to the delivery and implementation of the institutions' core functions. Development partners highlighted that macroeconomic policy development is weak due to inadequate analytical capacity and there is an urgent need for support in this area. Weaknesses in cash and treasury management lead to frequent recourse to short term borrowing at high rates of interest. The GOTG's macroeconomic policy in the short term will be based on a fiscal policy to reduce government domestic borrowing in order to ease pressure on inflation, interest rates and the exchange rate. However, the GOTG will need continued expert advice to implement, monitor and assess these policies effectively.

1.2.5 Rational for Bank involvement. The challenge is to continue with the on-going reforms so that they become entrenched and permanent. The Project Completion Report (PCR) in 2010 for the ISPEFG underscores that more needs to be done to meet the remaining institutional gaps summarized above and highlights the need for continued capacity building support and technical assistance (TA) to consolidate and sustain the achievements gained. Moreover, the donor community in The Gambia is small, and resources are constrained, and thus additional financing from the Bank is critical. A current PFM reform strategy exists and donor support has been based on comparative advantage and areas of expertise (cf Table 1.2). The Bank's intervention helps to consolidate the outputs of the previous project and will provide continued targeted support in the areas of macroeconomic and debt management policy, internal and external audit including public scrutiny of budget and audit reports and overall monitoring and evaluation of the PFM reform strategy. Other donors such as the EU, IMF and WB will complement the Bank's support by supporting the other key pillars of the PFM reform strategy including policy development, planning, budget process and execution, revenue administration, procurement and continued IFMIS rollout. The IFMIS system will play a key role in addressing expenditure management and commitment control issues which in turn, should address the cash management problems referred to above.

1.2.6 In addition to the supplementary funding that is provided, the Bank's long-standing involvement with the PFM reform agenda and the success of the ISPEFG support has given us a comparative advantage to continue working in this area (cf 2.7). Despite the fact that the Bank does not have field presence in The Gambia, the Bank is considered to be one of the principal contributors to PFM reform activities. In addition the Bank has the relevant expertise and experience from having engaged in similar public finance reform projects and programmes in several other member countries, including more recently Central African Republic (2010) – commended for high quality at entry, as well as Kenya and Togo (2006) – both commended for effective implementation and achievement of outcomes.

1.2.7 Complementarity with other donors will be achieved through regular joint reviews of progress towards improved PFM governance against the GOTG PFM Reform Strategy, joint budget support and appraisal missions and mechanisms as well as coordinated support for the key reform areas outlined in the PFM reform strategy.

⁴ ADF/BD/IF/2008/26

1.3. Donors coordination

Tables 1.1 & 1.2 below outline the development partners' activities in The Gambia.

TABLE 1.1: General Areas of Intervention	Beneficiary / Institutions	Development partners
Policy-based Operations (economic management, public service delivery and accelerating growth and competitiveness)	Government of The Gambia	AfDB, IMF, WB
Public Financial Management (institutional & technical support provided)	Ministry of Finance	AfDB, EU/IMF, UNDP, WB
	National Audit Office	AfDB
	Gambia Revenue Authority	IMF, EU
	National Assembly Gambia Bureau of Statistics	UNDP IMF, UNDP
Agriculture Sector	Ministry of Agriculture	AfDB, BADEA, EU, IFAD, FAO, WFP
Water and Sanitation Sector	Ministry of Water	AfDB, EU, IsDB, JICA, UNICEF, WB, WHO
Transport Sector	Ministry of Transport	AfDB, BADEA, EU, IsDB
Communications and IT	Ministry of Public Works	WB

TABLE 1.2: PFM Intervention in 2010-2014	Amount UA	Development partners	Instrument
Fiscal and macroeconomic management, debt management, internal and external audit including external scrutiny of audit reports, and monitoring and evaluation of PFM reforms	2.00 million	AfDB	Institutional Support Project
Revenue administration, budget formulation and planning, and public procurement	3.59 million	EU/IMF	IMF Resident Advisors and capacity building
Macroeconomic management to the Government	18.8 million	IMF	Extended Credit Facility
Statistics	2.2 million	UN umbrella	Technical Assistance
IFMIS	3.30 million	WB	Technical Assistance

Comments on Donor coordination:

1.3.1 Donor coordination in the Gambia has historically been ad-hoc and weak. As part of the ISPEFG, a study on donor coordination was undertaken and recommended the need for centralizing aid coordination in one institution. As a result, an aid coordination unit was established in the Ministry of Finance and the Government has created a Joint Aid Coordination Committee which is a good step towards both project management and donor coordination. However, there continues to be cases of duplication and overlap of donor support as a result of poor coordination. The main donors engaged in PFM support are now working together to encourage the GOTG to address these issues. These efforts could be further strengthened by supporting and development of aid policy implementation.

1.3.2 Donor intervention has generally been consistent with the objectives and priorities of the PRSP, however, donor strategy alignment is hardly existent and there is scope for considerable improvement to strengthen aid effectiveness. The UNDP currently leads on aid coordination and is trying to establish regular communication and information sharing events. There are also efforts by the Bank, World Bank and the EU for improved alignment, as demonstrated by the AfDB/WB Joint Assistance Strategy (JAS), Budget Support Operation and the subsequent Memorandum of Understanding signed by the three Budget Support

partners.⁵ Coordination and cooperation will be further be strengthened in the future through arrangements for joint missions for key negotiations with the authorities, such as the planned joint review and appraisal missions for the next budget support operation, and through joint analytical work such as the PEFA.

II – PROJECT DESCRIPTION

2.1. Project design and components

2.1.1 This institutional support project supports on-going PFM reforms and follows on directly from earlier support. To realize the gains that have occurred and to reduce overall fiduciary risk, the Gambian authorities, along with development partners, will need to intensify and sustain efforts in strategic areas of PFM reform. As noted in previous analytical reports, overall systemic fiduciary risks will remain high unless these issues are tackled in a sustained manner.

2.1.2 The overarching goal of the project is to establish efficient, effective and accountable use of public resources as a basis for a stable macroeconomic environment and improved well-being of Gambians. This will be achieved through strengthening the capacities in key public institutions engaged in economic management and governance. The project has two outcomes: (i) improved macroeconomic policy analysis and debt management and (ii) greater scrutiny, transparency and accountability for the use of public funds. The project activities will also contribute to improving forecasting of macro fiscal and debt projections and better management of public resources.

Table 2.1: Project components

Component name	Est. cost (in UA million)*	Component description
<u>Component 1:</u> Enhancing macroeconomic policy analysis and debt management	0,353	<ul style="list-style-type: none"> • Provision of short term technical assistance • Local and regional training courses • Communications material and publications • Procurement of IT equipment and materials
<u>Component 2:</u> Strengthening Executive and Legislative scrutiny, assessment, transparency and accountability in public financial management	1,493	<ul style="list-style-type: none"> • Provision of long term technical assistance • Local and regional training courses • Professional development programs (distance learning) • Study tours • Communications and public relations (profile building) • Procurement of IT equipment and professional and reference materials • Development of professional networks and peer group partnerships
<u>Component 3:</u> Project Management	0,354	<ul style="list-style-type: none"> • Operation (staff, financial and procurement management, monitoring and evaluation) • Training • Project audits
<u>Total cost of project</u>	2,200	

*All figures include price and physical contingencies

⁵ EU signed the MOU to the JAS but did not end up disbursing any budget support funds.

2.1.3 Given the limited size of the budget, the design of the project was based on the following principle: a simple but innovative project that ensures sustainability especially in the areas of capacity building and knowledge sharing. The ISPEFG focused on the provision of technical assistance, regional and long term, overseas training. Whilst this approach was of significant benefit to the small number of individuals trained, it has not resulted in widespread capacity improvements and the gains are vulnerable given the high staff attrition rates in the GOTG. Project appraisal also identified a wide ranging and consistent need for the enhancement of understanding and appreciation of the importance of sound public financial management, and the specific functions and contributions of the different PFM institutions.

2.1.4 The proposed project places a stronger emphasis on establishing sustainable partnerships and professional networks with relevant institutions (such as professional accountancy and internal audit bodies). In addition to the traditional approach to regional and long term training, the project also focuses on the development of sustainable local capacity for the design, delivery and evaluation of a range of essential basic PFM training courses to a broad range of civil servants engaged in PFM. The courses will initially be delivered through project support, but gradually handed over to the Gambia Management Development Institute (MDI)⁶ and the MOFEA. Project technical assistance will work closely with the MDI to develop high quality course content and ensure that the nominated course tutors have the capacity to deliver the programmes on a continuing basis.

2.1.5 This approach will provide the basis for delivery of essential basic training to a large number of staff in relevant PFM institutions on a sustainable basis. With a relatively modest financial investment (i.e. 6 percent of the budget), the project will provide 1000 training days translating to up to 12 courses for 150 civil servants⁷ in a variety of PFM and other general skills development subjects, enabling the project to give access to capacity building to a much wider range of civil servants. The project will also work with a local NGO (Pro-PAG) to develop and deliver support to the FPAC. This will provide further local capacity for continued delivery of support to the project beneficiaries.

2.1.6 This proposal has been discussed with a wide variety of stakeholders, including high level officials at MOFEA, who have been universally supportive of the idea. In particular, other development partners in the PFM area are considering whether there are options within their support to give their beneficiaries access to the MDI courses. For example, proposed EU support to PFM reform will focus on the budget, treasury and revenue administration functions. If they were to include staff from these organisations on the MDI programmes, this would significantly enhance the training programme and increase the chances of sustainability.

2.1.7 The main activities of the project are focused on capacity building and transfer of knowledge through (i) technical assistance to train staff in their respective areas with key

⁶ The MDI is recognised as the leading local provider of training to the public service. The Institute is now part of the University of The Gambia which provides access to significant additional capacity including Professors and more resource persons with Masters level education. They also have established partnerships with other public administration training institutes such as Ghana Institute of Public Administration (GIMPA), the University of Ghana, the Kenya Institute of Public Administration, and 10 other universities and tertiary institutions.

⁷ All staff of the direct beneficiary units will benefit from the training courses provided by MDI.

counterpart staff identified; (ii) on the job training; (iii) local, regional and limited overseas training focused on a few key areas which are essential for the development of high level technical qualifications and strong analytical skills; and (iii) professional development programs for internal and external auditors. Only a limited portion of the budget will be on the acquisition of goods as most goods and equipment were purchased during the previous project.

Component 1: Enhancing macroeconomic policy analysis management

2.1.8 This component responds to a call from the GOTG and donors to build policy analysis capacity in economic and debt management. It will continue to consolidate the results of support provided to the Macro Economic Policy and Analysis and Loans and Debt Management Directorates of the MOFEA. The expected outcome is to improve the capacity for macroeconomic policy analysis and debt management.

Sub-component 1.1: Strengthening fiscal and macroeconomic policy formulation and improving debt management.

Challenges and Constraints: The Bank provided technical assistance in the previous project in this area which has been critical in assisting the government in attaining the PRGF benchmarks (now ECF) and in preparing the way for further policy reforms. However, despite previous endeavours on the macroeconomic policy front, the Gambian government continues to be beset with a combination of structural problems, most of which are attributable to shortcomings in policy development, institutional capacity and governance problems. The Government recently missed key macroeconomic targets under the last IMF ECF (from 2007-10), resulting in the lapse of the ECF⁸. There is an urgent need to stabilise the macroeconomic situation, particularly with regard to domestic debt reduction and improving macroeconomic forecasting.

2.1.9 Project Activities: The project will help to: (i) build capacity in the area of macroeconomic policy analysis and debt management, including access to up to 12 local PFM related courses to all staff; (ii) further develop and maintain the macro fiscal forecasting model; and (iii) build capacity, through specialized TA, to prepare and implement comprehensive fiscal and debt management policies.

2.1.10 Expected output is strengthened capacity in fiscal and macroeconomic policy formulation and improved debt management. More specifically, this includes: (i) A comprehensive macroeconomic model for the Gambia and in-house capacity to continue to maintain and develop the model; (ii) improved and sustainable macroeconomic forecasting and analysis capacity, with 80% of targets and estimates in macro reports being met; (iii) capacity within the GOTG to prepare high quality, timely and accurate macroeconomic reports; and (iv) capacity to undertake regular debt sustainability analysis and apply this to updating and implementing the GOTG debt management policy and strategy. This will ultimately help the GOTG to reduce the current debt burden and improve macroeconomic stability in line with IMF targets.

⁸ A recent IMF mission (May 2011) came to the Gambia to discuss the next ECF.

Component 2: Strengthened scrutiny, transparency and accountability in PFM

2.1.11 This component is anchored in the PFM reform strategy, recommendations from the 2010 CFAA and the 2011 PER Update. The project will provide support to the following areas: (i) the recently created Internal Audit Unit (IAU); (ii) the National Audit Office (NAO); (iii) the members of the Finance and Public Accounts Committee (FPAC); and (iv) the PFM Unit. Further efforts to build capacity in the areas noted below will help to maintain the GOTG's ownership of the reform agenda. The expected outcome is greater scrutiny, transparency and accountability for the use of public funds.

Sub-component 2.1 Strengthening internal audit capacity and outputs

2.1.12 Challenges and Constraints: The lack of effective internal audit capacity has been an issue raised in PFM and governance assessment for a number of years. Moreover, very little progress has been made since the 2003 CFAA report in this area except for the creation of an internal audit unit with the MOFEA in February 2011, but the unit is not fully operational. The challenge is to support the unit to become fully operational and provide comprehensive internal audit coverage across the systems and processes of the GOTG. The need to build the capacity of the Unit is key, urgent and demanding, as well as sensitising other government institutions on the functions of internal audit.

2.1.13 Project Activities: All 8 staff of the IAU will benefit from the capacity building activities and professional development programs noted above as well as the development of a systematic training plan that reflects the organization training needs and priorities and provide needed IT software and hardware (i.e. computers, printers, scanners, etc).

2.1.14 Expected output is strengthened internal audit capacity and outputs. More specifically this includes: (i) strengthened internal audit capacity to meet international standards, including professionally qualified staff; (ii) development and use of good practice Audit methods (working papers, checklists etc), an Audit Charter, and a Strategic Internal Audit plan; (iii) development of sustainable local training capacity to ensure that the training of internal auditors will continue; and (iv) publication of at least 4 internal audit reports per year by 2014.

Sub-component 2.2 Strengthening external audit capacity and external oversight

2.1.15 Challenges and Constraints: The NAO has received significant levels of support, including from the ISPEFG, over the past few years which have enabled it to clear the backlog of Auditor General Reports. However, there is still a lack of capacity of the NAO to produce timely, high quality reports. Recent and planned government reforms including greater independence for the NAO, introduction of an IFMIS, development of a Medium Term Expenditure Framework approach and programme based budgeting, and introduction of performance audit will all have significant implications for the organisation, role, functions and activities of the NAO. The National Assembly, and in particular the Finance and Public Accounts Committee (FPAC), has been undergoing a process of reform to strengthen its capacity as the key external oversight governance institution. However, the FPAC also has significant capacity constraints in the areas of human resources, logistics and IT facilities which hamper the effective delivery of its core functions of PFM oversight, scrutiny and representation.

2.1.16 Project Activities: In addition to the capacity building activities and professional development programs noted above, the project will facilitate partnership arrangement with another supreme audit institution to benefit from short term twinning arrangements, help with public relations and communications to increase public access of government budgets, and acquire essential equipment and guidance materials for the NAO and FPAC.

2.1.17 Expected output is strengthened external audit capacity, outputs and impact. More specifically, this includes: (i) improved scope, nature and follow-up of external audit recommendations, with at least 5 published reports per year by 2014; (ii) 75% of staff fully competent in modern financial audit techniques and 25% of staff with performance audit skills; (iii) sustainable local training capacity to ensure that the training of external auditors and parliamentary committees will continue; and (iv) improved transparency and accountability through strengthening the role of parliament and follow up of the Auditor General's report and FPAC recommendations in the annual financial and performance audit reports.

Sub-component 2.3 Building proven and sustainable institutional capacity to manage PFM reforms

2.1.18 Challenges and Constraints: The PFM Unit was established in mid-2009. The Unit's core function is to coordinate the analysis, monitoring and evaluation of the implementation of the PFM reform strategy. As a result of the strong technical support it received under the previous project, the Unit is considered to be high performing and thus has been asked to take on additional work, including the monitoring and evaluation of the activities of all Public Enterprises. Currently, the PFM unit is understaffed but highly motivated. Without an adequately staffed and trained PFM unit, monitoring and evaluation of the PFM reform strategy will continue to lag.

2.1.19 Project Activities: In addition to the capacity building activities noted above, the project will provide (i) capacity building in the areas of monitoring and evaluation, report writing, project management and training in the general area of PFM and (ii) assistance to review and update the PFM Reform Strategy and develop a results-based monitoring framework to measure progress.

2.1.20 Expected output of this component is improved capacity to manage, monitor and evaluate PFM reforms. This will be demonstrated through the development of a PFM progress report.

Component 3: Project Management

2.1.21 The ISEFG II project will use the Project Coordination Unit (PCU) based in the MOFEA. The PCU has been instrumental in the successful implementation of the previous project and the government intends to centralize the implementation of all PFM institutional support projects through the project's PCU. The PCR for the previous ISPEFG recommended that day-to-day project management and implementation should continue to be undertaken by the PCU supervised by a Project Steering Committee.

2.1.22 To incentivize staff the project will fund the top ups for the PCU staff. This practice is harmonized with other donors and AfDB projects in the Gambia. The project will also cover some minimal operational costs of the Unit and organize training sessions and

workshops for the PCU staff so as to familiarize themselves with Bank Rules and Procedures in issues of procurement, tendering and disbursement applications. However, the GOTG will be supporting the majority of the operating and salary costs of the PCU through its counterpart funding.

2.1.23 The expected output will be the timely implementation of project activities. More specifically, this includes timely production and quality of financial and progress reports of the project. There will be a broader benefit in terms of institutional capacity to coordinate and implement reform projects.

2.2. Technical solution retained and other alternatives explored

2.2.1 During project preparation and appraisal, several options were explored regarding the areas of intervention, the number of institutions/beneficiaries to support and the scale of investments in each area and the modality of the capacity building to be provided; i.e. whether the training should be provided through regional/international training institutions or in-country through specifically designed, short-term training courses provided by domestic/regional experts or through domestic training institutions.

2.2.2 Taking into account these issues and the recommendations from various analytical work as well as the PCR for ISPEFG, it was agreed that in order to realize the gains that have occurred from the previous Bank projects, Bank intervention would need to continue along similar lines, through the provision of specialist technical assistance and other capacity building activities, however, with a greater focus on ensuring sustainability and coordination with other partners.

2.2.3 As to the modality of training to be provided the team opted to have most of it provided in country, using existing institutions, or regional or international experts. The use of local training institutions will provide access to up to 12 PFM related training courses for about 150 civil servants and 3 different budget scrutiny training sessions for all FPAC members on an annual basis.

2.3. Project type

2.3.1 This is an institutional support project. This type of operation was selected in order to continue providing much needed technical assistance to strengthen capacity in key PFM institutions and build on gains from earlier institutional development projects. The ISEFG II project is complementary to projects being implemented by other donors including on-going support for IFMIS and implementation of budget planning and execution. The ISEFG II project will deliver improved capacity and institutional development through a range of interventions including focussed skills transfer from technical advisors, delivery of a range of training and skills development courses and strengthening of local training capacity to ensure that technical training programmes continue.

2.4. Project cost and financing arrangements

2.4.1 The estimated total cost of the project, net of taxes and duties, is UA 2,200,000. The Government will be providing UA 200,000 in counterpart funding to cover the salaries and most of the operating costs of the PCU. Price and physical contingencies of 5 and 3 percent

have been factored into the project cost. Tables 2.2 to 2.5 below present the estimated project cost by component and subcomponents, sources of finance, category of expenditure and year of expenditure and category. Details of the cost of human resources development, the TA and the IT inputs are presented in the Technical Annexes (Annex B2).

Table 2.2: Project cost estimates by component and subcomponent [amounts in millions UA equivalents]

Component	(GMD Million)			(Million UAC)			%	
	Loc.	For.	Total	Loc.	For.	Total	For.	Total
A. Enhancing Macroeconomic Policy Analysis and Management								
1. Macroeconomic Policy Analysis Unit (MPAU)	0,05	5,41	5,46	0,00	0,12	0,12	99%	5%
2. Debt and Loan Directorate	0,08	10,15	10,23	0,00	0,22	0,23	99%	10%
Subtotal Component A	0,13	15,57	15,69	0,00	0,34	0,35	99%	16%
B. Strengthened Scrutiny, Assessment, Transparency and Accountability in PFM								
1. PFM Unit	0,03	2,15	2,17	0,00	0,05	0,05	99%	2%
2. Internal Audit Unit (IAU)	5,82	12,10	17,92	0,13	0,27	0,39	68%	18%
3. National Audit Office (NAO) and FPAC	19,03	16,35	35,37	0,42	0,36	0,78	46%	35%
4. MDI	6,07	-	6,07	0,13	-	0,13	-	6%
Subtotal Component B	30,94	30,59	61,54	0,68	0,67	1,35	50%	62%
C. Project Management								
1. Project Coordination Unit	14,74	0,38	15,12	0,32	0,01	0,33	3%	15%
TOTAL BASELINE COSTS	45,81	46,54	92,35	1,01	1,02	2,03	50%	92%
Physical Contingencies	3,04	-	3,04	0,07	-	0,07	-	3%
Price Contingencies	3,26	1,25	4,51	0,07	0,03	0,10	28%	5%
TOTAL PROJECT COSTS	52,11	47,79	99,90	1,15	1,05	2,20	48%	100%

Note: Exchange Rates May 2011 1UA= 45, 4087 GMD

Table 2.3: Sources of financing [amounts in millions UA equivalents]

Sources of Financing	(UAC Million)				(GMD Million)			
	Foreign	Local	Total	Percent	Foreign	Local	Total	Percent
ADF Grant	1,05	0,95	2,00	90,0	47,79	43,03	90,82	90,0
The Government	-	0,20	0,20	10,0	-	9,08	9,08	10,0
Total	1,05	1,15	2,20	100,0	47,79	52,11	99,90	100,0

Table 2.4: Project cost by category of expenditure [amounts in millions UA equivalents]

Category of Expenditure	(GMD Million)			(UAC Million)			%	
	Local	For.	Total	Local	For.	Total	For.	Total
A. Goods								
Computer hardware and Software	2,23	-	2,23	0,05	-	0,05	-	2%
Furniture, Office Equipment and other Equipment	0,85	-	0,85	0,02	-	0,02	-	1%
Subtotal Goods	3,08	-	3,08	0,07	-	0,07	-	3%
B. Services								
Technical Assistance	-	40,52	40,52	-	0,89	0,89	100	41%
Training	26,02	5,64	31,67	0,57	0,12	0,70	18	32%
Audit	0,89	0,38	1,27	0,02	0,01	0,03	30	1%
Subtotal Services	26,91	46,54	73,45	0,59	1,02	1,62	63	74%
C. Operating Cost								
Other Operating Cost	9,28	-	9,28	0,20	-	0,20	-	9%
Salary and compensation	6,54	-	6,54	0,14	-	0,14	-	7%
Subtotal Operating Cost	15,81	-	15,81	0,34	-	0,34	-	16%
TOTAL BASELINE COSTS	45,81	46,54	92,35	1,01	1,02	2,03	50	92%
Physical Contingencies	3,04	-	3,04	0,07	-	0,07	-	3%
Price Contingencies	3,26	1,25	4,51	0,07	0,03	0,10	28	5%
TOTAL PROJECT COSTS	52,11	47,79	99,90	1,15	1,05	2,20	48	100%

*All figures includes price and physical contingencies

Table 2.5: Expenditure schedule by component per year [amounts in millions UA equivalents]

Components	(GMD Million)				(UAC Million)			
	2012	2013	2014	Total	2012	2013	2014	Total
A. Enhancing Macroeconomic Policy Analysis and Management								
1. Macroeconomic Policy Analysis Unit (MPAU)	3,91	1,42	0,29	5,62	0,09	0,03	0,01	0,12
2. Debt and Loan Directorate	9,93	0,17	0,31	10,41	0,22	0,00	0,01	0,23
Subtotal A	13,84	1,59	0,60	16,03	0,30	0,03	0,01	0,35
B. Strengthened Scrutiny, Assessment, Transparency and Accountability in PFM								
1. PFM Unit	1,08	1,15	0,01	2,24	0,02	0,03	0,00	0,05
2. Internal Audit Unit (IAU)	8,46	11,24	0,27	19,97	0,19	0,25	0,01	0,44
3. National Audit Office (NAO) and FPAC	15,46	18,02	5,66	39,14	0,34	0,40	0,12	0,86
4. MDI	2,73	2,44	1,28	6,46	0,06	0,05	0,03	0,14
Subtotal B	27,74	32,86	7,22	67,81	0,61	0,72	0,16	1,49
C. Project Management								
1. Project Coordination Unit	5,20	5,32	5,54	16,07	0,11	0,12	0,12	0,35
TOTAL PROJECT COSTS	46,77	39,77	13,36	99,90	1,03	0,88	0,29	2,20

*All figures includes price and physical contingencies

2.5. Project's target area and population

2.5.1 The direct beneficiaries of this project will be the Ministry of Finance and Economic Affairs, the National Audit Office, the Finance and Public Accounts Committee. Within the MOFEA, beneficiaries will include the Directorate of Loans and Debt Management, Directorate of Macro Economic and Policy Analysis, Internal Audit Unit, the PFM Reform Unit and the Project Coordination Unit. In order for the GOTG to fully benefit from the professional and academic training programs designed in the project, these training programs for all project beneficiaries will mainly target staff that are 35 years of age and younger. A recent survey by the GOTG noted that civil servants were not only motivated by salaries but by other potential compensation in the government such as access to further education and training, to health and pension benefits and loans. By targeting younger staff we will be assisting them with their career development in the civil service. The target of the project is to provide all female professional staff in the beneficiary organisations with the locally provided training and they will also be given primary consideration to regional and long term training.

2.5.2 The local partner training providers (MDI and Pro-PAG) will also be direct beneficiaries – obtaining capacity building support through working with project technical assistance for the design and delivery of training programmes. Indirect beneficiaries will include broader population of the Gambia through improved scrutiny of public expenditure which should help to ensure that public resources are allocated to, and used in the delivery of relevant, efficient and effective public services.

2.6. Participatory process for project identification, design and implementation

2.6.1 The one-week identification mission in February 2011 held discussions with high level officials and all potential beneficiaries. Discussions were also held with other key development partners to ensure consistency and coordination with other development initiatives. The two-week appraisal mission in May 2011 built on these discussions with extensive consultation with all the relevant stakeholders providing the chance to further

specify appropriate interventions and approaches. Discussions were also held with other development partners to ensure that a harmonized and collaborated approach was taken in support of the GOTG's PFM strategy. Furthermore, discussions were held with civil society private sector and tertiary education institutions to solicit their views on their engagement in the planning and budgeting process of the GOTG. They universally emphasised the need for greater communication and collaboration between the GOTG and the non-government organisations who actually deliver a significant amount of services to the public. It was also through these consultations that both MDI and the local NGO Pro-PAG were identified as suitable training providers.

2.6.2 Discussions on current capacity levels and lessons learned, helped to inform project design. The high attrition rates in the Gambia public service make sustainability of capacity building challenging, particularly if it is concentrated on a small number of people through high level overseas academic training. One of the other problems frequently mentioned was the lack of professional development for most staff. Project design has reflected these two factors by proposing to work with two local institutions to design and deliver local training programmes. This will provide access to training for a much larger number of the GOTG staff. The project, in particular the technical advisors, will work directly with them to build their capacity to offer PFM training on a sustainable basis.

2.6.3 During implementation, the institutional mechanisms and proposed project approach provide many opportunities to share project outputs (such as audit reports) with a wider audience and seek feedback on project results. For example, the project will support both the NAO and the FPAC to hold stakeholder and public dissemination events which also will address the request for better communication and to raise their public profiles. Training delivered by local institutions will significantly widen access to PFM capacity building through this project, and other development partners have already shown interest in supporting the programmes developed under this project for use by other parts of the GOTG.

2.6.4 The GOTG has demonstrated their high level of support for this project through their commitment to provide 10% of the project costs through counterpart funds. Given their challenging financial circumstances, this is a significant and very positive undertaking.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 **The Bank Group Portfolio** in The Gambia to date involves 63 approved operations with a total net commitment value of about UA 236.98 million. The on-going operations have a total commitment of UA 42.6 million (excluding multinationals) and a **disbursement ratio of 50.4%** as at 1st March 2011.

2.7.2 The Bank to-date has approved two institutional support projects in the area of governance. Both projects draw on the Government's Economic Management and Capacity Building Program (EMCBP / 1992), that was designed to reinforce and coordinate various donor efforts in capacity building. The objectives of the Bank's first project "*The Capacity Building Project (1998-2005)*" were to improve public resource management by strengthening management and operational capacity in the MOFEA to manage national debt, improve project management, monitoring and evaluation and to increase the proportion of female teachers for the Primary and Higher School levels. The project's sector goal has fallen short of being fully attained, mainly because the Government failed to implement certain critical policy and institutional reforms, particularly in the area of civil service and public

administration. As a result of non-implementation of the policy reforms, most of the development assistance pledged did not materialise.

2.7.3 The second project “*Institutional Support Project for Economic and Financial Governance (ISPEFG / 2008-2011)*” addressed the institutional weaknesses in economic management and financial governance, including shortages in qualified and trained human resources and weaknesses in aid coordination. The project has been instrumental in the formulation of the macroeconomic model and the PFM Reform Strategy (2010-2014) which outlines the comprehensive, budgeted PFM needs of the country. The project has also enabled the MOFEA to produce timely fiscal reports, high quality annual policy reports and a debt management strategy that now needs to be operationalized.

2.7.4 According to the PCR prepared in December 2010⁹, the objective to enhance the operational efficiency of the key institutions involved in economic management and financial governance was met. Moreover, according to the 2009 Country Portfolio Performance Review¹⁰, the project has performed fully satisfactorily and was among the best performing projects with excellent implementation performance.

2.7.5 In spite of the achievements thus far, there are still PFM challenges that need to be addressed to meet the remaining institutional gaps (refer 1.2.5). The 2010 PCR notes the need to consolidate and sustain gains from ISPEFG through a continuation in policy and program design. However, as a result of lessons learned from the previous project, design of ISEFG II project has proposed a number of changes in approach to increase the chances of sustainability. These include the partnerships with local institutions to develop their capacity to deliver PFM courses on a sustainable basis, more focus on specific, technical short courses (rather than long term academic programmes), and finally, the introduction of a much stronger performance management framework for project technical assistants to define and monitor skills transfer progress.

2.7.6 The design of this proposed operation has benefitted from various analytical documents, previous budget support program, and on-going capacity support projects by other development partners. The lessons learned are as follows:

Lessons learned	Actions taken to integrate lessons
(i) Strong government ownership is required for sustainability. Capacity building and institutional support projects need to be firmly grounded within the Government’s overall policy reforms. Under the Capacity Building Project, the Bank continued implementing the project despite the lack of policy reforms by the Government. In contrast, project outcomes attained for ISPEFG have been attributed to strong government ownership of the PFM reforms and the endorsement of these reforms by all stakeholders.	The proposed project supports the Government-owned, donor-endorsed PFM reform strategy. The Government has also committed UA 0.2 million, or about 10% of the project cost. This counterpart funding will be a combination of in-kind contribution as well as parallel financing of some operating and running costs of the PCU.
(ii) Simple operations need to be designed given the generally limited institutional capacity within the public sector.	The proposed project is focused on a few selected areas in the PFM strategy in which the Bank has an added value.
(iii) Dedicated counterpart for technical assistance advisors is vital and training needs to be imparted and institutionalized	The roles of TAs, in particular the requirement for effective capacity building will be clearly

⁹ The PCR was prepared in anticipation of the end of the project in December 2010. However, the Government requested an extension after the PCR was completed. That is why there is a discrepancy in the dates for end of project and completion of PCR.

¹⁰ ADF/BD/WP/2009/152

Lessons learned	Actions taken to integrate lessons
through the transfer of knowledge via workshops and on the job training.	defined in their respective terms of reference and contracts.
(iv) The effectiveness of the project should be complemented with other Bank financed operations , particularly Budget Support Operation.	The proposed project will ensure that project components will also be supported by future budget support operations envisioned for 2012.
(v) To increase the possibility of program complementarity and to avoid overlaps, aid coordination among the development partners should be developed.	During appraisal, it was agreed that contributions in support of the PFM Strategy by the EU and the World Bank would complement AfDB's contributions. And where applicable joint missions would be undertaken.

2.8. Key performance indicators

2.8.1 The key performance indicators are set out in the Results based logframe. Progress will be measured on a regular basis through a variety of means including: regular Bank supervision missions, submission of Quarterly Progress Reports from technical advisors, review of specific outputs such as audit reports, and Minutes of meetings from the Public Financial Management Coordination Committee, which will also be an important vehicle for donor coordination across the whole PFM reform strategy. Objectively verifiable evidence of progress against meeting the higher level macroeconomic targets will be obtained from IMF Mission Reports. Local training sessions will also be assessed through questionnaires to verify quality and usefulness of courses and also to give an opportunity to improve upon the courses.

2.8.2 Collection and analysis of information to monitor performance will be the responsibility of the PCU and the PFM Reform Unit. The PCU is responsible for ensuring that information is collected to assess all targets and indicators against the project logframe and for preparing the comprehensive project performance reports. The PFM Unit will provide inputs to this process where targets are directly linked to the broader PFM reform strategy which they are responsible for monitoring.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 Since this an institutional capacity building project, analysis in terms of economic rate of return does not apply. However, the project has economic and social advantages which are indicated in Section 3.2 below.

3.2. Environmental and Social impacts

3.2.1 **Environment and climate change.** The project will not have a negative impact on the environment. The training provided in areas of policy analysis and project implementation will cover issues related to assessment of environmental impact. The proposed project is environmentally classified as Category 3 by ORQR.

3.2.2 **Gender.** The project will incorporate gender issues in capacity building. The ISEFG II project will ensure that the training programmes provided will be made available to all

middle to senior level women in beneficiary institutions. Training activities will potentially benefit about 150 persons, and all women in the beneficiary institutions will have access to the training. This is in line with the Gambia's National Gender and Women Empowerment Policy for 2010-2020, which highlights the need for a significant percentage of women to be trained and promoted. Furthermore, the project will support an upcoming Budget Support Operation that will mainstream gender equality into the operation.

3.2.3 **Social.** Through improving Governments managerial and technical capacity in macroeconomic management and contributing to enhanced transparency and accountability, the project is expected to have important social impacts. More effective debt management can release substantial funding for social sector spending, and help the Government achieve its target of allocating 35% of government revenues to priority spending areas critical for poverty reduction. Strengthening the Government audit functions, as well as parliament's oversight capacity, will enable closer monitoring of key reforms and programmes, and contribute to ensuring Government is held accountable for delivering on its commitments to poverty reduction.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 Implementation Arrangements: The executing agency will continue to be the Ministry of Finance and Economic Affairs. The day-to-day project management and implementation will continue to be undertaken by the PCU with staff seconded from the MOFEA supervised by a Project Steering Committee. The PCU is composed of a Project Coordinator, an accountant, secretary and several other support staff. A new Procurement Specialist will be recruited within three months of the first disbursement to coordinate all procurement of goods and services. All procurement, disbursement and project accounting will be in accordance with an agreed PCU Procedures Manual based on AfBD requirements. PCU staff will receive regular training and updates on project management, implementation and financial management arrangements. Audits of the project financial statements will be undertaken by an independent auditing firm.

4.1.2 Financial Management: The inherent risk of the PFM system in the Gambia is still high due to many issues that should be addressed in a sustained manner. However, the overall fiduciary risk rating is assessed as moderate once the mitigation measures (as outlined in the Technical Annexes B4) are implemented. As indicated previously (cf. 2.1.6; cf. 2.1.9) and through various analytical assessments, the GOTG systems are still developing in a number of important respects, and challenges remain in the areas of internal and external audit and procurement related to lack of resources and adequate capacity. However, a number of the project activities defined above, such as support for the internal and external audit functions and PFM Reform Unit, should help to address some of the existing limitations in country systems and help us move forward in using country systems. The project will not therefore be using country systems for financial management or procurement. This is common practice amongst development partners, however the GOTG is currently trying to limit the number of project implementation/coordination units (PIUs/PCUs) and therefore are instigating a central PCU for each Ministry, as is the case for the MOFEA. Currently both the AfDB and World Bank are using the same PCU in the MOFEA, and the EU is exploring the option of using the same PCU for their support to PFM activities if their own internal procedures allow them.

4.1.3 **Audit:** The accounts will be audited annually by an independent reputable firm and audit reports will be submitted to the Bank not later than six months after closure of the fiscal year. Detailed implementation arrangements, as well as financial management, disbursement and auditing arrangements are attached as Annexes B3 and B4 respectively.

4.1.4 **Procurement:** All procurement of goods and works and acquisition of consulting services financed by the Bank will be in accordance with the Bank's *Rules and Procedures for Procurement of Goods and Works* (May 2008 edition) or as appropriate, *Rules and Procedures for the Use of Consultants (as the case may be)*, using the relevant Bank Standard Bidding Documents. The **Project Coordination Unit** will be responsible for the procurement of goods, services, training and operating cost items. An assessment of the PCU to carry out procurement under the ADF financing was undertaken and it was concluded that the Unit will need further strengthening. To address this shortcoming, an experience Procurement Officer will be recruited through a competitive process with Terms of Reference acceptable to ADF to undertake all procurement related activities on behalf of the Unit. Technical Annex B5 provides details on the list of procurement items, procurement rules and procedures relating to goods, consulting services, and training, as well as the review procedures required by the Bank.

4.1.5 **Disbursement:** The ADF grant is anticipated to be disbursed over a period of 36 months, from January 2012 to December 2014. The government will be required to open a Special Account in a bank acceptable to the AfDB, for depositing the proceeds of the grant. The first disbursement of the Grant will be conditional upon effectiveness of the Grant Protocol of Agreement, and subject to fulfillment by Government of the conditions precedent to first disbursement as set out in section 5.2.1 and Grant Protocol of Agreement. Disbursement arrangements for the Bank's intervention will entail the use the two disbursement methods of Special Account (Revolving Fund) and Direct Payment as prescribed in the Bank's Disbursement Handbook. In addition, the Bank will issue a Disbursement Letter of which the content will be discussed and agreed during negotiations

4.2. Monitoring

4.2.1 The Bank will monitor ISEFG II project implementation and the use of project resources through joint supervision missions and mid-term review missions, to the extent possible with other institutions supporting PFM reforms such as the World Bank and the European Union. Under the supervision of the Steering Committee, the PCU is responsible for monitoring project implementation and for forwarding to the Bank quarterly reports on the status of the implementation of the project.

<u>Timeframe</u>	<u>Milestone</u>	<u>Monitoring process/ feedback loop</u>
September 2011	Board Approval	Board Resolution/ Letter to the GOTG
December 2011	Effectiveness	Bank
January 2012	Project start-up	Bank/GOTG
First Quarter 2012	General/specific procurement	UN Development Business Notices/ National Papers
First & Second Quarters 2012, 2013, 2014	Procurement of goods	GOTG
January 2012-December 2014	Training of staff	Bank/GOTG
End of each quarter starting March 2012 till December 2014	Quarterly progress reports	GOTG/Bank
Third Quarter 2013	Mid-term Review	Bank
December 2014	Project Completion Report	Bank

4.3. Governance

4.3.1 The risks to project governance arise in procurement decisions, use of project assets and selection of persons to attend overseas training and capacity building. Risks will be mitigated through the preparation of a detailed procurement plan, robust processes for contractors and participant selection and application of the Banks standard rules and guidelines. Further training will be provided to PCU staff to ensure that they are fully aware of all requirements and regulations. Compliance with these controls will be reviewed during supervision missions. An independent audit of project financial reports will be undertaken every year.

4.4. Sustainability

4.4.1 Sustainability has been an important consideration during appraisal and will be ensured through a number of factors included in project design and discussed with the relevant authorities during the Appraisal Mission. These include:

- Ensuring that GOTG counterparts are identified and assigned for all project activities;
- Putting in place performance management frameworks for all project advisors to measure progress in capacity building;
- Focussing on the production of high quality outputs forming the regular programme of work of the beneficiary organisations – such as internal and external audit reports and macroeconomic analysis reports and policy proposals;
- Developing tailor made manuals, working practices and tools for continued use;
- Development of technical training manuals and local capacity (at MDI) to continue to deliver the training;
- Development of partnership arrangements with relevant local and regional institutions, such as Pro-PAG, and public accounts committees.
- Ensuring financial sustainability by gradually decreasing support for some areas of project support over the lifetime of the project and on-going negotiations with the GOTG on funding for on-going recurrent costs. The GOTG have already demonstrated their commitment to financial support for these initiatives with the provision of 10% counterpart funding, which could be applied after the end of the project to funding recurrent costs.

4.5. Risk management

4.5.1 The first risk could be weakening commitment by Government to economic policy and governance reforms. This will be mitigated by the Gambia's on-going engagement with the IMF under an Extended Credit Facility (ECF). The last ECF arrangement expired at the end of March 2011 without completion of the final review due to some missed fiscal performance criterion (end-December 2010 test date). However, the Gambian authorities remain committed to improving their macro environment and have requested a new ECF arrangement. Discussions were held between the IMF and the Government on preconditions for a new program, including observance of a ceiling on government's net domestic borrowing in 2011 of GMD 815 million (2.5 percent of GDP). Once these conditions are met, the negotiations of the ECF which would cover 2012-2015 should be concluded in early

2012. The Fund provides macroeconomic policy advice to the Government and is pivotal in signalling risks to the donor community. External shocks, such as the global economic downturn and climate/weather issues, cannot be overemphasized and should be taken into account in the Gambia.

4.5.2 There is a risk arising from the prediction that the global economic slowdown will reduce the country's economic growth and government revenues. A credible and transparent macroeconomic management system and improved policy environment should strengthen GOTGs ability to respond to external shocks.

4.5.3 Capacity constraints may create the risk that the GOTG fails to make progress on PFM reform and reducing the level of fiduciary risk. This is mitigated through donors' confirmation of continued support to PFM reform, including complementary capacity building and technical assistance projects, such as EU support to engage long-term advisors to provide support for MTEF and program based budgeting, and implementation of VAT.

4.5.4 There is a risk that effective capacity building and positive development outcomes are dependent on institutional memory. The risk will be mitigated by safeguarding against the attrition of trained civil servants, by obtaining an undertaking by the GOTG that staff selected for professional training have signed bond agreements. Another mitigating factor for the longer term is the government's on-going civil service reform programme which will address pay and retention issues.

4.5.5 There is a risk that project funds and resources will not be used for the purposes intended (project fiduciary risk). This risk will be managed through our regular review missions, standard Bank implementation procedures and scrutiny of project financial and progress reports.

4.6. Knowledge building

4.6.1 The knowledge gained from the implementation of the ISEFG II project will strengthen PFM in a number of ways including: the capacity to prepare economic forecast and policy papers, internal audit knowledge and skills, the full range of external audit knowledge and skills and enhanced capacity within the FPAC to undertake effective external scrutiny of PFM performance.

4.6.2 Knowledge will be acquired through skills transfer from technical assistance, as well as through formal and informal training on the job, locally and regionally. In addition to the specific technical areas of the project stakeholders, project appraisal has identified needs across the beneficiaries for improved understanding of PFM in general. A broad based PFM training programme will be developed and delivered by a local training institute with the support of project advisers. This will ensure that broad coverage can be achieved, and knowledge building can be a continuing and sustained process.

4.6.3 Knowledge will also be built through direct hands on support from project advisors to enable beneficiaries to undertake their day to day work – such as the design, planning, preparation and publication of pilot internal audit and external studies, and the preparation of PFM performance reports. The project will also help to develop guidance manuals and various tools such as checklists and planning aids for the various organisations. Finally,

partnerships will be entered into with relevant institutions locally (MDI and Pro-PAG), and in the region, such as other PAC networks.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1 The funding instrument is a grant of UA 2.0 million to The Gambia. The Grant Protocol of Agreement between the Government of the Gambia and the African Development Fund will be signed by the parties concerned.

5.2. Conditions associated with Bank’s intervention

5.2.1 The Grant Protocol of Agreement will come into effect on the date of their signature by the Government of The Gambia and the African Development Fund. The first disbursement of grant resources will be contingent on the effectiveness of the Grant Agreements and subject to fulfilment by Government of the following conditions:

- The opening of a special account for foreign currency and a local currency account in the name of the Recipient at a bank acceptable to the Fund, to receive the Grant proceeds; and
- Provide evidence in form and substance acceptable to the Fund that the Project Coordinator and Accountant of the existing Project Coordination Unit, have received written confirmation that their terms of service have been renewed for a duration of 2 years with a further option to renew based on satisfactory performance.

5.3. Compliance with Bank Policies

5.3.1 This project complies with all applicable Bank policies.

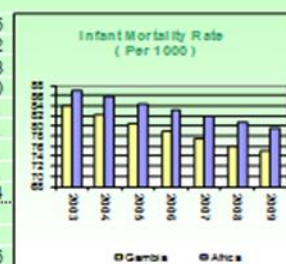
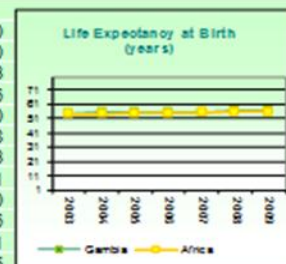
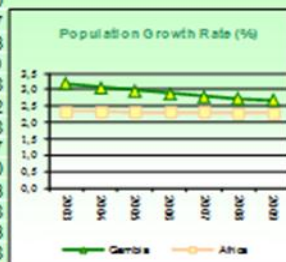
VI – RECOMMENDATION

Management recommends that the Board of Directors approves the proposed grant of UA 2 million to the Government of The Gambia for the purposes and subject to the conditions stipulated in this report.

The Gambia

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Gambia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		11	30 323	80 976	54 658
Total Population (millions)	2010	1.8	1 031.5	5 629	1 069
Urban Population (% of Total)	2010	58.1	40.0	44.8	77.7
Population Density (per Km ²)	2010	155.0	3.4	66.6	23.1
GNI per Capita (US \$)	2009	440	1 550	2 780	39 688
Labor Force Participation - Total (%)	2010	46.0	39.5	45.6	54.6
Labor Force Participation - Female (%)	2010	46.8	41.4	39.8	43.3
Gender-Related Development Index Value	2007	0.452	0.433	0.694	0.911
Human Develop. Index (Rank among 169 countries)	2010	151	n.a	n.a	n.a
Popul. Living Below \$ 1 a Day (% of Population)	2003	34.3	42.3	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2010	2.6	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2010	4.0	3.3	2.4	1.0
Population < 15 years (%)	2010	42.1	40.3	29.2	17.7
Population >= 65 years (%)	2010	3.0	3.8	6.0	15.3
Dependency Ratio (%)	2010	81.6	77.6	52.8	49.0
Sex Ratio (per 100 female)	2010	98.4	99.5	93.5	94.8
Female Population 15-49 years (% of total populati	2010	23.9	24.4	53.3	47.2
Life Expectancy at Birth - Total (years)	2010	56.6	56.0	66.9	79.8
Life Expectancy at Birth - Female (years)	2010	55.5	57.1	68.9	82.7
Crude Birth Rate (per 1,000)	2010	35.8	34.2	21.5	12.0
Crude Death Rate (per 1,000)	2010	10.9	12.6	8.2	8.3
Infant Mortality Rate (per 1,000)	2010	74.0	78.6	49.9	5.8
Child Mortality Rate (per 1,000)	2010	111.6	127.2	51.4	6.3
Total Fertility Rate (per woman)	2010	4.9	4.4	2.7	1.8
Maternal Mortality Rate (per 100,000)	2008	400.0	530.2	440.0	10.0
Women Using Contraception (%)	2005	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2003	10.2	42.9	78.0	287.0
Nurses (per 100,000 people)*	2003	112.8	116.6	98.0	782.0
Births attended by Trained Health Personnel (%)	2006	56.8	52.7	63.4	99.3
Access to Safe Water (% of Population)	2008	92.0	64.9	84.0	99.6
Access to Health Services (% of Population)	2005	...	65.4	80.0	100.0
Access to Sanitation (% of Population)	2008	67.0	41.0	54.6	99.8
Percent of Adults (aged 15-49) Living with HIV/AIDS	2007	0.9	4.6	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	258.0	315.2	161.9	14.1
Child Immunization Against Tuberculosis (%)	2009	92.0	81.8	89.0	99.0
Child Immunization Against Measles (%)	2009	88.0	81.0	81.7	92.6
Underweight Children (% of children under 5 years)	2006	20.0	30.9	27.0	0.1
Daily Calorie Supply per Capita	2007	2 385	2 462	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	2.8	2.4	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2008	86.2	102.8	106.8	101.5
Primary School - Female	2008	88.6	99.0	104.6	101.2
Secondary School - Total	2008	50.8	35.0	62.3	100.3
Secondary School - Female	2008	49.3	30.6	60.7	100.0
Primary School Female Teaching Staff (% of Total)	2008	33.4	38.1
Adult Literacy Rate - Total (%)	2008	45.3	64.8	81.0	...
Adult Literacy Rate - Male (%)	2008	56.7	74.0	86.6	...
Adult Literacy Rate - Female (%)	2008	34.3	55.9	75.6	...
Percentage of GDP Spent on Education	2004	2.0	4.6	...	5.4
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	39.0	7.8	9.9	11.6
Annual Rate of Deforestation (%)	2005	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2005	...	10.9
Per Capita CO2 Emissions (metric tons)	2008	0.2	1.2	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; last update : janvier 2011

UNAIDS; UNSD; WHO; UNICEF; WRI; UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available.

Table of ADB's portfolio in the country

List of active projects (loans and grants) by Sector:

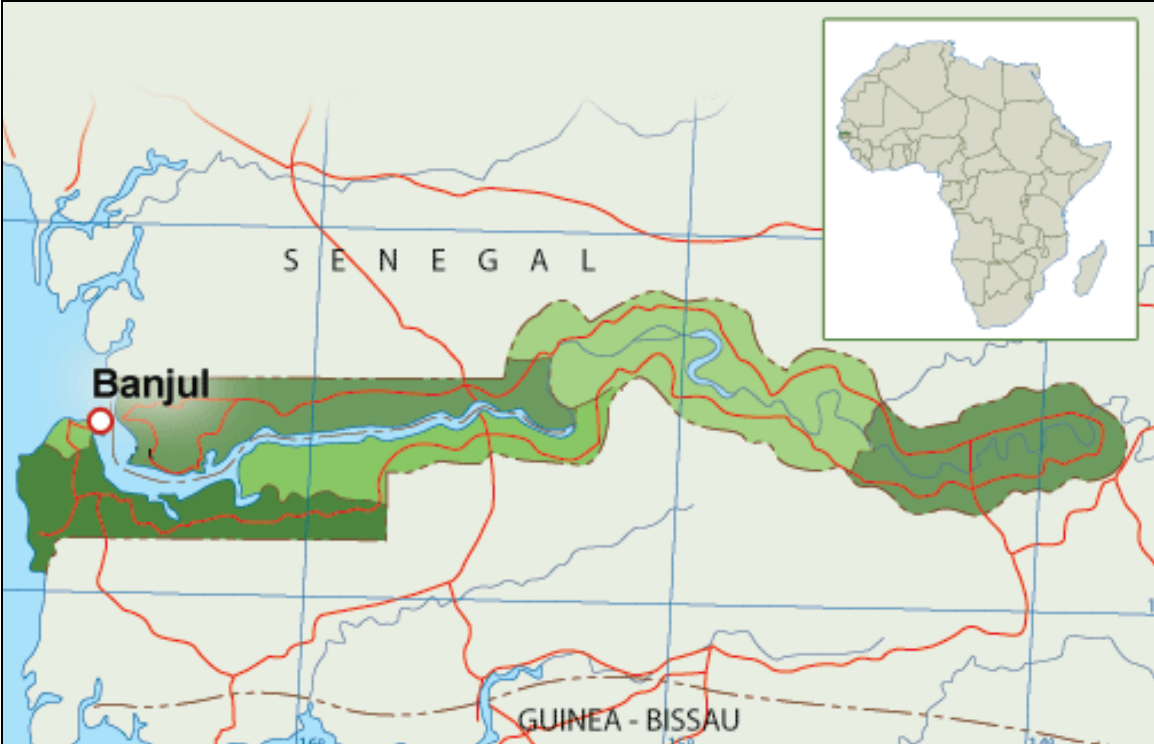
Status of Bank Portfolio in The Gambia as of March 31, 2011 (UA million)

Sector	Source of Finance	Operation	Approval Date	Signature Date	Closing Date	Amount Approved	Amount Disbursed	% Disbursed	Rating
Agriculture	NTF	Artisanal Fisheries Development	22/06/2009	13/07/2009	31/12/2011	5,00	0,76	15,20%	2,71
Agriculture	ADF Loan ADF Grant	Farmer Managed Rice Irrigation	26/04/2005	19/05/2005	30/04/2011	5,00 0,50	5,00 0,63	100,00% 87,30%	2,69
Agriculture	ADF Loan	NERICA Dissemination	26/09/2003	03/11/2003	30/12/2014	1,56	0,91	58,33%	2,11
Agriculture	ADF Grant	Livestock and Horticulture Development	26/12/2008	09/01/2009	31/12/2014	4,02	0,90	22,39%	2,42
Agriculture	AWTF	Support for National Water sector reform	07/04/2010	23/07/2010	30/10/2013	1,86	0,00	0,00%	<i>not rated</i>
Agriculture	ADF Loan	Sustainable Land Management	26/10/2010	<i>n.a</i>	30/06/2014	3,02	0,00	0,00%	<i>not rated</i>
Agriculture	NTF Loan	Participatory Integrated Watershed Mgt	09/06/2004	09/12/2004	31/12/2011	4,95	4,63	93,54%	2,44
Total Agriculture						25,91	12,83	49,52%	2,47
Social Sector	ADF Grant	Entrepreneurship Promotion & Microfinance Development	15/11/2006	20/12/2006	31/12/2012	8,00	2,22	27,75%	2,14
Total Social Sector						8,00	2,22	27,75%	2,14
Multi-sector	ADF Grant	Institutional Support & Capacity Building Project for Economic and Financial Governance	21/11/2007	07/01/2008	30/06/2011	1,40	1,40	100,00%	2,70
Total Multi-Sector						1,40	1,40	100,00%	2,70
GRAND TOTAL						35,31	16,45	46,59%	

Key related projects financed by the Bank and other development partners in the country

Areas of intervention	Amount	Development Partner	Instrument	Geographical scope	Link to ISP	GOTG PFM Reform Strategy Reference
Fiscal macroeconomic management, internal and external audit including external scrutiny of audit reports, and monitoring and evaluation of PFM reforms	2million UA	AfDB	Institutional Support Project	National	N/A	1.3.3, 1.3.4, 2.2.3, 3.4, 5.3, 5.5, 7.1, 7.2, 7.4, 7.5, 8.1
Revenue administration, budget formulation (including introduction of MTEF and PBB) and public procurement	3 million Euro	EU	IMF Resident Advisors and capacity building project	National	Revenue administration support should improve the accuracy of revenue forecasts and provide improved data for macro-economic forecasting. Introduction of MTEF and PBB will provide stronger foundations for performance audit and external scrutiny of PFM outcomes	2.1.3.3, 3.6.1, 4.1, 4.2, 4.3, 4.4,
Macroeconomic policy advice to the Government	TBC	IMF	Extended Credit Facility	National	Will be complementary to ISP support on economic management	1.3, 8.1
Integrated Financial Management Information System	\$5.2 million US	WB	Technical Assistance	Central government	Will further strengthen financial controls and allow NAO to move resources to performance audit	2.1.2, 2.4.4, 5.1
Support to Gambia Bureau of Statistics , namely human development statistics	\$2.97 million US	UN	Technical Assistance	National	Will complement ISP support by focussing on social statistics	3.4

Map of The Gambia



PEFA 2008

Public Expenditure and Financial Accountability (PEFA) Summary of PEFA – PFM Measurement Scores (2008)

A. PFM-OUT-TURNS: Credibility of the budget		Scores
PI-1	Aggregate expenditure out-turn compared to original approved budget	B
PI-2	Composition of expenditure out-turn compared to original approved budget	C
PI-3	Aggregate revenue out-turn compared to original approved budget	B
PI-4	Stock and monitoring of expenditure payment arrears	NS
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency		
PI-5	Classification of the budget	B
PI-6	Comprehensiveness of information included in budget documentation	B
PI-7	Extent of unreported government operations	D+
PI-8	Transparency of inter-governmental fiscal relations	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	D+
PI-10	Public access to key fiscal information	D
C. BUDGET CYCLE		
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the annual budget process	B
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	C
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C
PI-15	Effectiveness in collection of tax payments	NS
PI-16	Predictability in the availability of funds for commitment of expenditures	C
PI-17	Recording and management of cash balances, debt and guarantees	B
PI-18	Effectiveness of payroll controls	C+
PI-19	Competition, value for money and controls in procurement	NS
PI-20	Effectiveness of internal controls for non-salary expenditure	C+
PI-21	Effectiveness of internal audit	D
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	C
PI-23	Availability of information on resources received by service delivery units	D
PI-24	Quality and timeliness of in-year budget reports	B+
PI-25	Quality and timeliness of annual financial statements	D+
(iv) External Scrutiny and Audit		
PI-26	Scope, nature and follow-up of external audit	D+
PI-27	Legislative scrutiny of the annual budget law	C+
PI-28	Legislative scrutiny of external audit reports	D+
D. DONOR PRACTICES		
D-1	Predictability of Direct Budget Support	NS
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	NS
D-3	Proportion of aid that is managed by use of national procedures	NS

NS = Not Scored

OUTCOME OF NEGOTIATIONS

1. The delegations of the Republic of The Gambia and the African Development Bank have successfully completed the Negotiations which took place on 12th and 13th July 2011.

2. The two parties agreed on the project objectives, components, financing plan, disbursement conditions and terms of the ADF grant under the ADF XII allocation as stated in the Project Appraisal Report (PAR), draft Protocol of Agreement and Disbursement Letter.