

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



THE GAMBIA

**AFRICAN DEVELOPMENT BANK-WORLD BANK
JOINT ASSISTANCE STRATEGY
2008-2011**

COVER NOTE

REGIONAL DEPARTMENT WEST 2 (ORWB)

FEBRUARY 2008

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AATG	Action Aid the Gambia
ADF	African Development Fund
Add	African Development Bank
AIDS	Acquired Immuno-Deficiency Syndrome
APPR	Annual Portfolio Performance Report
APR	Annual Progress Report
APRC	Alliance for Patriotic Reorientation and Construction
BADEA	Arab Bank for Economic Development in Africa
CAR	Commitments at Risk
CFAA	Country Financial Accountability Assessment
CGP	Country Governance Profile
CPIA	Country Policy and Institutional Assessment
CPIP	Country Program Implementation Plan
CSP	Country Strategy Paper
DFID	Department for International Development (UK)
DOSA	Department of State for Agriculture
DOSFEA	Department of State for Finance and Economic Affairs
DOSTIE	Department of State for Trade, Investment, and Employment
DPL	Development Policy Lending
DTIS	Diagnostic Trade Integrated Study
ECOWAS	Economic Community for West African States
EEZ	Exclusive Economic Zone
EFA	Education for All
EPA	Environmental Protection Agency
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GBOS	Gambia Bureau of Statistics
GDA	Gambia Divestiture Agency
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
ICA	Investment Climate Assessment
IDA	International Development Association
IDB	Islamic Development Bank
IEF	Index of Economic Freedom
IFMIS	Integrated Financial Management Information System
IPP	Independent Power Producer
JAS	Joint Assistance Strategy
MCA	Millennium Challenge Account
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NAWEC	National Water and Electricity Company
NPC	National Planning Commission

OBA	Output-Based Aid
ODA	Official Development Assistance
OMVG	Gambia River Basin Development Organization
PAR	Project at Risk
PBL	Policy Based Lending
PFM	Public Financial Management
PPIAF	Public Private Infrastructure Advisory Facility
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSP	Poverty Reduction Strategy Paper
PURA	Public Utilities Regulatory Authority
SDR	Special Drawing Right
SNFO	Senegal Field Office (AfDB)
SPACO	Strategy for Poverty Alleviation Coordinating Office
UA	Unit of Account
UNDP	United Nations Development Program
VISACA	Village Savings and Credit Association
WAMZ	West African Monetary Zone
WAPP	West African Power Pool Project
WB	World Bank
WEF	World Economic Forum

CURRENCY EQUIVALENTS

As of 31 January 2008

1 UA=35.6179 GMD

1 UA = US\$1.59527

1 US \$ = 22.3272 GMD

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

01 January – 31 December

I. INTRODUCTION

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

1.2 By the end of 2004 (the last year of the CSP), the Bank Group's medium-term strategy that was articulated in the CSP had been fully implemented. The Country's base case scenario during ADF-IX involved a lending program of UA 8.79 million, which included a grant element of UA 2.0 million. In addition, an amount of UA 4.39 million, equivalent to 50% of the country's base case scenario, was set aside for a PBL operation which was never implemented due to the derailment of the IMF-supported PRGF in 2002. In 2005, the Bank Group started preparing a new CSP (2005-2009) but it was never finalized on account of the delay in preparing the country's new PRSP. As a mitigating measure, the Bank Group prepared a CSP update in November 2006 which informed the Boards of the developments in the country.

1.3 The new PRSP II (2007-2011) was approved by the Gambian Cabinet in November 2006 and presented to the Boards of the IMF and World Bank in July 2007. It was endorsed by the international community during the roundtable conference on The Gambia held in February 2008. PRSP I and PRSP II share the same pillars and they have both been formulated on sound analysis of the issues, strategies and policies, based on broad consultations with stakeholders, and background studies.

II. AID COORDINATION AND HARMONIZATION IN THE GAMBIA

2.1 The preparation of this joint strategy necessitates some discussion of the state of aid coordination and harmonization in The Gambia. Although The Gambia has signed the Paris Declaration, effective aid coordination and donor harmonization hardly exists in the country. With the exception of UN agencies which are coordinated by the Office of the President, aid coordination at the Government level is the responsibility of the Department of State for Finance and Economic Affairs (DOSFEA) which is beset with capacity and resource constraints. DOSFEA is putting in place a new Project Management and Aid Coordination Directorate whose establishment is one of the structural performance criteria of the IMF-supported Poverty Reduction Growth Facility (PRGF) covering 2007-2009. The Bank Group will support this new directorate in terms of capacity building and ICT equipment in the context of the Institutional Support Project for Economic and Financial Governance. Aid coordination is of strategic importance to The Gambia because donors have traditionally played an active role in the economic development of the country especially before the military coup of 1994 when annual ODA disbursements were as high as \$115 million. Even now, over 80% of Gambia's development budget is contributed by the international donor community. Major development partners include the EU, AfDB Group, the World Bank, IMF, DFID, OPEC, UNDP, Republic of China, and Japan. Cuba provides technical assistance especially in the health sector. The UNDP undertakes some donor coordination on an ad hoc basis.

2.2 The issue of aid harmonization is important in a small country like The Gambia. More than 15 donors are providing assistance, which is channeled through a broad variety of entities, both governmental and non-governmental. An overall framework for external partners' coordination is not yet in place, and different government agencies deal with different development assistance agencies. The Gambia has signed the Paris Declaration on Aid Effectiveness. However, discussions have not yet been launched on a mechanism to jointly monitor delivery of development assistance. [It is to help streamline coordination structures and track development assistance flows, that the government is creating the project management and aid coordination directorate]. The Directorate should be fully operational by early 2008 with AfDB support through its Institutional Support Project for Economic and Financial Governance.

2.3 Sectoral interventions will be coordinated by the newly established Project Management and Aid Coordination Directorate in collaboration with the sectors concerned. In some cases sectors deal directly with bilateral donors. Resources coming through NGOs are coordinated by the NGO Agency under the Department of State for Local Government and Lands. As indicated in its Act, the newly established National Planning Commission is to play some role in overall aid coordination but it is unclear how that will be synchronized with the role played by the new directorate in DOSFEA. In the context of the Institutional Support Project for Economic and Financial Governance recently approved by the Bank Group, the Gambian authorities will carry out a study on aid coordination and its institutional set-up in The Gambia

2.4 This joint assistance strategy represents the first step in The Gambia for aligning strategies and harmonization. It is hoped that this will encourage other development partners to take similar steps in the future. At the moment, development partners are aligning their strategies with national priorities but they are preparing separate strategies. Building on some emerging partnerships around project implementation, development partners have started some missions and analytical work jointly. However, as in many other harmonization efforts, the challenge is to overcome differences of institutional cultures and procedures to reach a consensus around common procedures rooted in country systems.

III. DEVELOPMENT ACHIEVEMENTS

3.1 **Economic Growth:** The Joint Assistance Strategy (JAS) Document offers a concise overview of The Gambia's recent economic developments. Real GDP growth averaged 5.4 percent for the period 1998-2001. Fiscal slippages and questionable foreign exchange transactions led to a burst of inflation in 2001-2003, and the resulting instability and a drought contributed to a drop in output of 3.2 percent in 2002. However, GDP growth bounced back to an average annual rate of 6 percent during 2003-2006, a respectable rate similar to that of the best performers of the region, mainly driven by strong performance in the tourism, construction and telecommunications sectors.

3.2 The Gambian authorities have maintained a focus on restoring macroeconomic stability especially over the last three years. The fundamental macroeconomic indicators are generally acceptable reflecting prudent policy. There is notable progress in controlling the fiscal deficit, curtailing money growth and inflation, and improving transparency of fiscal and monetary accounts. The IMF has approved a new Poverty Reduction and Growth Facility (PRGF) and successfully completed the first and second reviews under the program in August and December 2007, respectively. They concluded that the conditions that derailed the previous PRGF in 2002 have largely been addressed. The country also reached the HIPC completion point in December 2007.

3.3 A lot needs to be done, however, to reduce the level and incidence of poverty. As indicated in the JAS Document, the latest household survey (2003) indicates that the overall poverty headcount ratio is 58 percent, and that there are wide regional variations, ranging from 8 percent for the capital Banjul to 95 percent for the Kuntaur local government area. The poverty gap (which measures the share of national income that would need to be reallocated to eliminate poverty) is 26 percent, whilst the poverty severity (a measure of how far the poor are below the poverty line) is at 14 percent. Poverty studies in 1998 and 2003 indicate that poverty has been on the rise in urban and rural areas except for the capital Banjul and that inequality has also increased. The Gini coefficient at the household level increased from 0.466 in 1998 to 0.484 in 2003. Relatively stagnant agricultural production culminating in the drought-induced 2002 drop in GDP is responsible for the increase in poverty and to some extent the rise in inequality between 1998 and 2003. The rise in inequality also reflects the weak redistributive role of the tax and expenditure systems. Productivity in agriculture which is the mainstay activity of the majority of the poor, needs to be improved if the trend is to be reversed. Also, the tax structure and pro-poor spending have to be overhauled so that growth is translated into poverty reduction and equitable access to basic services.

3.4 **Progress towards MDG targets:** As detailed in the JAS Document, the country is making progress towards achieving the MDG targets in a manner consistent with targets articulated in PRSP II. In view of the mixed results of implementing the first PRSP, considerable effort needs to be exerted if MDG targets are to be met. The country has not reached any target yet but depending on the resources available, and the efforts exerted, it may achieve Goal 2 (universal primary education), and Goal 3 (gender equality in primary education). The poverty target of 40% by 2011 is not likely to be met and neither are the targets for under-five mortality, infant mortality, and maternal mortality.

IV. CHALLENGES AND CONSTRAINTS

4.1 In spite of the recent macroeconomic achievements, the JAS recognizes that The Gambia faces some development challenges and constraints. One major challenge is governance. Governance problems have caused unnecessary setbacks for The Gambia. Problems in governance were responsible for the derailment of the PRGF in 2002 and the consequent failure to reach the HIPC completion point even though the country had reached the decision point in December 2000. Governance issues were also behind the suspension of The Gambia's eligibility for assistance from the Millennium Challenge Corporation in 2006. Governance indicators paint a mixed picture. The World Bank Institute's indicators measure six categories of governance. Since 1996, the beginning of the period covered, three have shown progress: voice and accountability, political stability, and regulatory quality while three have shown declines: namely, government effectiveness, rule of law and control of corruption. There are signs, however, that the government is now more committed to governance reforms. The Country Governance Profile recently prepared by the Bank Group was well received and the government is enthusiastic about civil service reform. Governance issues constitute the central theme in the preparation for the roundtable conference which was held in February 2008.

4.2 Financial accountability has made progress with support from technical assistance by development partners. The Government has successfully introduced a number of significant reforms in public financial management. These reforms have improved the transparency and accountability in the use of public resources, and reduced the opportunities for corruption¹.

¹ These reforms include (i) Budget Management and Accountability Act (2004), (ii) Central Bank reforms, (iii) public procurement reforms, the establishment of the semiautonomous Gambia Revenue Authority (GRA), the establishment of an Integrated Financial Management Information System (IFMIS), and the preparation of public accounts, which have been updated to 2006 due to considerable efforts to reduce the backlog.

Progress has been made in terms of reporting: the authorities have consistently produced annual public reports on budget execution, as well as reports on the utilization of poverty reducing expenditures. The budgets include data on actual public expenditures with a two-year lag. Anti-corruption measures need to continue to be strengthened. The Gambia is ranked 121 among 163 countries by Transparency International.

4.3 Another challenge is capacity constraint which is a real bottleneck in The Gambia. The delivery of public services suffers from a shortage of skilled personnel, a limited institutional capacity at various levels of government, including high attrition rates and frequent turnover of senior government officials in various line departments, leading to many unfilled positions. There is a need to strengthen civil service capacity to plan and implement policies and programs. A comprehensive civil service reform strategy is expected to emerge from a study currently under preparation by the World Bank, AfDB, and DFID. The study is based on analysis of the major constraints in the public sector that hinder effective public service delivery. The strategy will examine: (i) the fiscal impact of the civil service, including the wage bill and the incorporation of non-wage benefits and allowances; (ii) the reform of pay and career structures; (iii) performance management; (iv) pension reform; (v) capacity strengthening, including training; and (vi) improving governance. The Bank Group and other development partners will support the Government in implementing the strategy once it is in place.

4.4 A third challenge is maintaining macroeconomic stability. Earlier slippages in macroeconomic policies have been corrected and the external debt position will improve following HIPC and MDRI debt relief. Sustained macroeconomic stability and strengthened public financial management provide the foundations for sustained growth and poverty reduction. For this to continue, The Gambia will need to continue to adopt prudent policies and maintain the commitment to policy reforms.

V. BANK GROUP ASSISTANCE STRATEGY

5.1 Bank Group Portfolio

5.1.1 Size and Distribution of the Portfolio: As of 31 December 2007, the Bank Group had approved 54 operations with total commitments, net of cancellations of UA 205.8 million in the following sectors: transport (25 percent); agriculture (21.7 percent); social (24.6 percent); public utilities (12.1 percent); multi-sectoral (8.8 percent); environment (5.8 percent); and industry (2.0 percent). About 84.7 percent of the Bank Group's net commitments were made from the resources of the African Development Fund (ADF), 8.6 percent from the ADB non-concessional window, and 6.7 percent from the Nigeria Trust Fund (NTF). As of 31 December, 2007, 38 operations had been completed, 2 were cancelled at the government's request, and 14 others are in various stages of implementation, including 3 multinational projects, all in agriculture. As at 31 December 2007, the total amount disbursed was UA 178.4 million, representing 87.3% of cumulative net commitments. The disbursements on the on-going operations amounted to UA 29.4 million, representing 50.4% of the net commitments.

5.1.2 The on-going Portfolio: The on-going portfolio consists of thirteen projects and one study as of 31 December 2007. Seven of the on-going projects are in agriculture including three multinational projects and accounting for 38% of the on-going portfolio commitments. The social sector has four projects accounting for 53% of the on-going commitments. Public utilities account for 7% while multi-sector represents 2% of the commitments. Excluding the multi-national projects, the overall average project age for the on-going portfolio is 4.8 years as of 31 December 2007. The average for agriculture is 4.6 years while for the social sector it

is 6.1 years. The study and two projects are in the process of financial closure following completion of physical implementation.

5.2 Portfolio Management and Lessons from the Previous CSP

5.2.1 Implementation Performance: The Bank Group finalized a Country Portfolio Review for The Gambia in June 2006. The Review shows that while the portfolio performance has been satisfactory in general, implementation of Bank Group financed projects in the country has been slow. The common problems affecting portfolio performance include delays in fulfillment of conditions for loan effectiveness and in procurement and disbursement. Some of the implementation problems reflect weak capacity to administer Bank Group funded projects at the country level. Another problem is delays in submission of progress and audit reports. The Bank and the Government have agreed on measures contained in the Country Portfolio Improvement Plan to improve portfolio management, including a greater emphasis on the part of the Bank Group on capacity building in key areas such as procurement and financial management, better coordination between sector implementing Departments of State and the Department of State for Finance and Economic Affairs as well as faster processing of disbursement requests and procurement documents. In this regard, the Bank Group provided training to Gambian officials on project management, procurement, and disbursement procedures in October-November 2006. Other measures taken by the government to improve portfolio performance include a recent arrangement according to which all AfDB projects will be given to a single auditor. This is intended to circumvent the protracted delays caused by the cumbersome vetting procedures followed in The Gambia for the assignment of auditors. Another welcome step by the government is the establishment in September 2007 of a Project Implementation and Management Unit in the Department of State for Agriculture to coordinate donor-funded projects in the sector. Implementation of the Central Project Management and Aid Coordination Directorate in DOSFEA will further assist in improving portfolio management across all sectors of the economy. On the Bank's side, more proactive engagement by SNFO will improve portfolio performance.

5.2.2 The portfolio was found to have an overall performance rate of 2.01² with implementation progress of 2.01 and impact on development of 2.02. There were no Problem Projects but due to the presence of four potential problem projects the projects-at-risk (PAR) rate was 33% which is well below the Bank-wide average of 43% for 2004 as indicated in the 2004 APPR Report. The commitments-at-risk (CAR) rate was 37% which was roughly equal to the Bank-wide average. One of the four potential problem projects was over-age, one co-financed project had a financing shortfall, one suffered from weak disbursement and one project suffered from delays in fulfilling conditions of effective disbursement. In comparison to the rating of the previous portfolio review carried out in 1996, the overall performance rating has not changed dramatically, but the number of eight problem projects has changed to just four potential problem projects. There have been improvements in Implementation Progress (from 1.67 to 2.01) and Development Objectives ratings (from 1.97 to 2.02) due to improved project design and supervision frequency. The situation has improved since the last portfolio review as two potentially problematic projects have been completed and the problems facing one have been addressed. Appendix 1 of the Cover Note gives a summary of portfolio performance as of 31 December 2007 based on the latest supervision data. The summary excludes multinational projects and studies. The relatively weak disbursement rates for most projects reflect slippages in fulfilling the conditions of effective disbursement, a problem that has affected most projects in the portfolio.

5.2.3 The Bank appointed a Resident Representative for the Senegal Field Office (SNFO) in Dakar in September 2004. The office was inaugurated in July 2006 and has been operational and playing a notable role in enhancing dialogue and communication between the Bank and the

² The scale ranges from 0 "highly unsatisfactory" to 3 "highly satisfactory"

Gambian Government. Project implementation is likely to improve if SNFO plays a more proactive role in portfolio management and increases its presence on the ground.

5.3 Country Context and Strategic Selectivity

5.3.1 The Bank Group will align and harmonize its strategy with the World Bank as well as the other development partners and the overall Government's objective of promoting broad-based economic growth and poverty reduction in The Gambia. Towards this end, the selection of the Bank Group's interventions will be guided by two criteria, namely: (i) alignment with the country's medium term strategy as set out in the PRSP II, and (ii) complementarities with the World Bank interventions in the context of partnership with other development partners.

5.3.2 Alignment with the country's medium term strategy: The Gambia's PRSP II is based upon five pillars, namely: (i) improving the enabling policy environment to promote growth and poverty reduction; (ii) enhancing the capacity and output of productive sectors, namely: agriculture, fisheries, industry, trade, tourism, and infrastructure, with emphasis on productive capacities of the poor and vulnerable; (iii) improving coverage of the basic social services and social protection needs of the poor and vulnerable; (iv) enhancing decentralized 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 issues like gender, youth, population, HIV/AIDS, environment, and nutrition into the development process. The Bank Group cannot intervene in all the PRSP II pillars and priority areas, notwithstanding the fact that development needs are immense and diverse. It is important to target areas that maximize development impact and to the extent possible, utilize the Bank's comparative advantage. It is therefore proposed that Bank Group assistance in the medium term continues to support the first 3 pillars through its on-going portfolio with new planned interventions under Pillars 1 and 2: creating the enabling policy environment, and enhancing the output and capacity of productive sectors. The Bank Group will continue to support Pillar 3 through the on-going portfolio in Health and education.

5.3.3 The first pillar includes all aspects relating to economic management including macroeconomic stability, public finance management, public debt management, divestiture, and civil service reform. The second pillar includes private investment particularly addressing constraints to investment in the production of goods and services. It will focus mainly on agriculture, fisheries, and tourism. Under the first pillar, the Bank group will support economic management and governance through an institutional support project approved in November 2007. For the second pillar, the Bank Group will Support the agriculture sector as a growth pole.

5.4 Bank Group's Assistance and Results Framework

Bank Group assistance will be in the context of the joint strategy with the World Bank which is aligned to PRSP II. The proposed JAS for 2008-2011 is based on two main pillars: (i) Strengthening the institutional framework for economic management and public service delivery, and (ii) Enhancing productive capacity and accelerating growth and competitiveness. The Joint Results Framework is presented in Annex 1 of the JAS Document.

5.5 Bank Group Assistance in 2008-2011

5.5.1 Performance-Based Resource Allocation: The Bank Group's resource allocation is based on a country's rating under the annual Country Policy and Institutional Assessment (CPIA). Based on the 2006 CPIA scores, The Gambia was placed in the second quintile group of countries with an overall score of 3.22. The country's allocation under ADF 10 was UA 11.15 million for 2007. The CPIA assessment indicated some areas where dialogue with the

Government would be necessary such as the property rights and rule-based governance, transparency, accountability, and corruption in the public sector. The future rating will be influenced by the country's ability to improve on the areas where weaknesses were noted, and will determine the size of its allocation under ADF 11.

5.5.2 Lending Operations in 2006-2007: The Bank Group approved the Entrepreneurship Promotion and Microfinance Development Project in November 2006. The project's objective is to support diversification of rural income generation sources and to increase access of the poor to financial services. The Bank Group, in November 2007, approved the Institutional Support Project for Economic and Financial Governance which aims at strengthening institutions engaged in economic management and financial governance. The status of the Bank Group's Lending Program under ADF 10 is summarized in Table 1.

Table 1: Status of Bank Group's Lending Program under ADF 10

Name of Project	Amount (UA million)	Status
1. Entrepreneurship Promotion and Microfinance Development Project	8.00	Approved on 15 November 2006
2. Institutional Support Project for Economic and Financial Governance	1.40	Approved on 21 November 2007
GRAND TOTAL	9.40	

5.2.3 Lending in 2008-2011: The Gambia's allocation of ADF resources for the period 2008–2010 has not yet been determined. However, the Bank Group will remain committed to the implementation of PRSP II, and will seek to ensure that its assistance remains aligned to the country's broad development outcomes and the harmonization agenda. In this regard, the Lending Pipeline presented in Table 2 is tentative. The sectors of intervention for the concessional window will comprise (i) multi sector budget support, (ii) agriculture, and (iii) water supply and sanitation if additional resources are available or under ADF 12. The private sector arm of the ADB will support small and medium enterprises. In addition, the Bank is engaged in leveraging resources to co finance multinational projects that include The Gambia. With respect to infrastructure, plans to construct the Gambia Bridge have been revived and efforts are currently underway to revise the costing of the project. Energy is a critical priority, but has not been identified here as an area of intervention because the government intends to prepare an Energy Master Plan with support from the World Bank within the context of the JAS to define modalities of engagement in the sector by the various development partners. Accordingly, engagement in the energy sector is best contemplated after the master plan has been prepared and, the Bank Group will liaise with the World Bank while preparing the Energy Master Plan. In addition, it will support the multinational OMVG energy program through the private sector window as indicated in 5.5.8 below.

Table 2: Indicative Bank Group's Lending Pipeline under ADF 11³

Sector/ Operation	Amount (UA)	Other Donors	Date
Agriculture 1. Livestock and Horticulture Development	6.7	World Bank	2008
Multi-Sector 2. Budget Support	3.3	World Bank, EU	2009
Public Utilities 3. Water Supply and Sanitation Project (under ADF 12 if additional resources are not available under ADF 11)	TBD	World Bank	TBD
The Private Sector 4. Line of Credit for SMEs	TBD	World Bank	TBD

5.5.4 The Case for Intervention in Agriculture and Rural Development: As stated in sub-section 3.3, increases in poverty in The Gambia over the last decade have been associated with weak performance of the agricultural sector where over 70% of the population earn their livelihoods. According to the latest figures available⁴, the poverty headcount ratio is 76.4% for those engaged in agriculture. This is way above the national average of 58%. It seems logical to argue that poverty can be reduced appreciably by intervening successfully in agriculture and rural development.⁵ According to the WDR 2008, agriculture can offer pathways out of poverty if efforts are made to increase productivity in the staple foods sector, and to connect smallholders to rapidly expanding high-value horticulture, poultry and dairy markets. In the specific case of The Gambia, PRSP II maintains that the agricultural sector has the potential to become a pathway to poverty reduction. The proposed intervention in this joint assistance strategy is a livestock and horticulture development project. The Bank group, with 22% of its cumulative commitments in agriculture in The Gambia, has built up significant experience, expertise, and capabilities in the sector. Also, the proposed intervention will be the second phase of the Peri-Urban Smallholder Improvement Project (PSIP) which is one of the well performing projects in the on-going portfolio (see Appendix 1). The proposed project has been requested by the government to build upon the achievements of PSIP which has been successful in the production of vegetables, cassava, and sweet potatoes and in the development of poultry and small ruminants. The project completion report planned for early 2008 will document the achievements of PSIP in a detailed way but according to the midterm assessment in March 2007, PSIP will by the end of 2007 have increased average vegetable yield by 20% in the vegetable irrigated gardens. The target number of 25 irrigated gardens at appraisal increased to 67 at midterm review due to high demand from beneficiaries leading to an increase in the area under crops by 280%. The corresponding increase in new cassava and sweet potato yield, which benefited from improved seeds, is 50%. Commercial poultry production exceeded the target level at midterm by 150%. In short, project statistics indicate that there has been a big increase in agricultural productivity due to the implementation of the project. In terms of capacity building, some 200 groups have been trained in horticultural production and livestock development in addition to 53 farmers trained as trainers. The credit sub-component has been operational with a recovery rate of 90%. About 90% of the beneficiaries of PSIP under both the livestock and horticulture components are women who, compared to men, are relatively more affected by poverty in

³ Allocation amounts include MDRI relief. These are notional figures and there are already indications that the ADF 11 allocation for the Gambia will be higher allowing these numbers to be adjusted upwards. Actual figures will depend upon the ADF 11 replenishment and country performance.

⁴ 2007 DTIS

⁵ In fact, the World Development Report (WDR) 2008 concludes that agriculture has been neglected by most donors over the last two decades and calls for more investment in agriculture on the grounds that, for the poorest people, GDP growth originating in agriculture has been observed to be about four times more effective in reducing poverty than GDP growth originating outside the sector.

The Gambia. The proposed project will target women as well and will address the whole value chain in livestock and horticulture products including tourism and export markets.

5.5.5 Note on the Environment: It is important that intervention in agriculture and rural development complies with environmental criteria. The Gambia faces important environmental pressures, such as salinization of tidal lands far upriver and erosion. The scale of deforestation is also critical. WDI indicates that the annual deforestation rate is one percent. Population pressure on increasingly scarce land threatens the traditional land tenure system. Grazing and bush-burning are rapidly encroaching on the remaining forest lands.

5.5.6 The government is aware of these issues, and is currently addressing them through individual agencies, such as the forest and pasture land management overseen by the Department of State for Agriculture (DOSA), and coastal erosion and tidal salinization of marshland by the Environmental Protection Agency (EPA). The Government is contemplating an integrated policy based on a long-term, coordinated effort involving the DOSA and EPA. The existing Environmental Action Plan dates back to 1994. The institutional environment could benefit from further strengthening, particularly cross-sectoral coordination and public information and participation.

5.5.7 The Case for Proposed Budget Support: Financial accountability has shown some improvement over recent years with support from donors. Recent progress in a number of areas allows for cautious optimism on the use of budget support. First, there exists a well-designed PRSP with a clear and monitorable implementation mechanism, and a macroeconomic framework agreed with the IMF. This is a necessary condition for successful budget support as it implies that the country's pro-poor development strategies and action plans are properly prioritized and articulated. Secondly, a CFAA/PEFA is planned for the first half of 2008. This will provide an assessment for the country's public financial management system and will enable the Bank Group to identify risks in the use of Bank Group funds and also to collaborate with The Gambia in designing programs to improve financial accountability. Reforms in this area will be supported by the proposed budget support. A third factor that will work in favor of budget support is the recent introduction of IFMIS which is a comprehensive public expenditure management IT system for all stages of the budgeting and accounting process. Through IFMIS, government expenditures can be tracked, and it will be easier to know how budgetary resources are utilized. Fourthly, the implementation of the Central Project Management and Aid Coordination Directorate in DOSFEA with support from the ADF will assist in monitoring the use of budget support funds. Finally, the reforms that will result from the civil service reform program the government intends to put in place will support and will be reinforced by the proposed budget support.

5.5.8 Private-Sector Intervention: The Bank Group has not financed a private sector operation in The Gambia yet. The Gambian Government has indicated that a request will be submitted for a line of credit for commercial banks to on lend to SMEs. The Private Sector Window is also planning to finance through the Fund for African Private Sector Assistance (FAPA) an energy program for the Gambia River Basin Development Organization (OMVG) in the form of a public-private partnership that includes The Gambia. The OMVG Power Program consists of two dams with hydropower plants and 1700 km transmission line. The FAPA Technical Assistance co-financed with NEPAD to prepare for the project, has been approved and the grant agreement letter has been signed. Five different types of public-private partnerships (PPP) have been proposed by the PPP advisory mission (part of the TA) and are currently being examined.

5.5.9 The Government has undertaken various reforms recently to promote the private sector. In the Doing Business indicators (DB) for 2006, The Gambia is ranked 113th out of

175 countries, better than neighbors, notably Senegal, but below some better-performing countries in Africa, such as Ghana, Kenya and Uganda. The DB indicators show that for international trade, The Gambia is the third best in Sub-Saharan Africa. Customs administration and international trade procedures, in general, are not seen as key problems in The Gambia.

5.5.10 Non-Lending Activities: The Bank Group intends to undertake various non-lending activities in 2008-2011 aimed at widening its knowledge base. The non-lending program will aim at strengthening policy dialogue with the government and stakeholders and will focus on studies to improve governance, mainstream gender, and improve the understanding of different sectors of the economy. With regard to Economic and Sector Work, the Bank Group will collaborate with the World Bank and DFID in preparing the civil service reform study. It will collaborate with the World Bank and other development partners in undertaking the Public Expenditure and Financial Assessment (PEFA), which will allow detailed discussions among domestic stakeholders and development partners on the links between the Government's budget, outturn, and the underlying PRSP II and sector strategies. Additionally, a Diagnostic Study of the Re-export Sector is planned for 2008/2009. A Banjul port Detailed Design Study is planned for 2008 with support from the Korean and Finnish Trust Funds. A Gender Profile is planned for 2009 and a private sector profile for 2010. The non-lending program has been developed considering the analytical work of other development partners and knowledge gaps affecting the policy dialogue, or project preparation/ implementation. Table 3 below summarizes the planned non-lending activities.

Table 3: Non-lending Activities

Planned Activity	Date
1. Public Expenditure and Financial Assessment (PEFA)	2008
2. Civil Service Reform Study ⁶	2008
3. Banjul Port Design Study	2008
4. Diagnostic Study of Re-export Sector	2008/2009
5. Gender Profile	2009
6. Private-sector Profile	2010

VI. RESULTS-BASED MONITORING AND EVALUATION

6.1 Monitoring of Bank Group's Strategy Outcomes and Performance

The JAS document offers an assessment of The Gambia's monitoring and evaluation system. It is noted that the country has made considerable progress in developing its monitoring and evaluation systems and practices, providing a strong foundation for results-based management. The establishment of the National Planning Commission and the new aid coordination directorate in DOSFEA will strengthen the monitoring and evaluation system in The Gambia. The NPC will take a leadership role in preparing and implementing PRSP programs and integrating them with the budget. Also, the proactive engagement of Pro-PAG, an NGO, will bring a civil-society perspective to the monitoring and evaluation process.

6.2 Managing Risks

The JAS contends that the political risk to reform momentum in The Gambia is moderate even though one-party dominance limits public accountability and can therefore increase the

⁶ Underpins budget support

risk. Governance, in general, remains an important risk element. The Bank Group will liaise with the World Bank and other development partners and will continue to (i) engage in policy and institutional reform, (ii) carry out a systematic analysis of corruption risks in sectors of potential engagement, (iii) strengthen project and portfolio supervision efforts, (iv) pursue remedies when corruption is found, (v) enhance disclosure of information to facilitate oversight of project implementation by beneficiaries and civil society. The Institutional Support Project for Economic Management and Governance will address some of the above issues. The proposed re-engagement of the AfDB and World Bank in budget support operations is a sign of improvement of the country's own systems. In case of significant improvements or slippages in core governance areas, the program of activities financed under this JAS would be adjusted.

VII. CONCLUSION AND RECOMMENDATION

7.1 Conclusion

The Gambia's economic performance has been strong over recent years and government has shown commitment to further reforms as witnessed by resolving the issues that led to the derailment of the IMF-assisted PRGF in 2002. The projects financed within the strategic framework of the 2002-2004 CSP, have addressed some of the development challenges of the country. The Bank's intervention during 2008-2011 will be guided by the JAS which is aligned to PRSP II and will underscore the need for continued efforts to improve the effectiveness and efficiency in implementation of Bank Group financed projects in The Gambia.

7.2 Recommendation

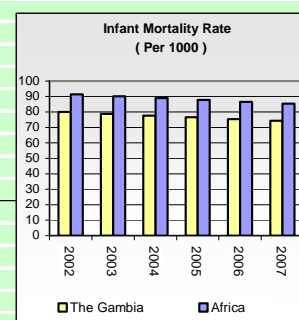
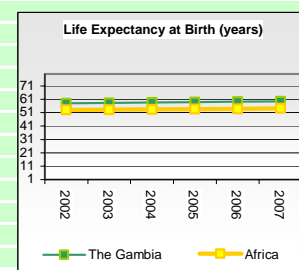
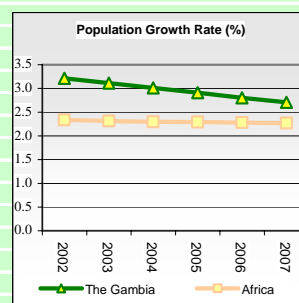
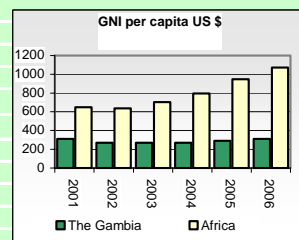
The Boards of Directors are invited to approve this Cover Note as well as the main JAS Document attached hereto as the Results-Based Country Strategy Paper for The Gambia for the period 2008-2011.

**Appendix 1: Active Projects at a Glance
As of 31 December 2007**

Project	Approval Date	Financing Source	Disbursement Rate(%)	Latest Supervision	Problem Project?	Aging Project?	Implementation Progress (IP) Rating	Likelihood of achieving Development Objectives (DO) Rating
Agriculture (excluding multinational projects)						Activities Completed On 31/12/07		
1. Peri-Urban Smallholder Improvement Project	27/10/99	ADF Loan	99.6	17/06/2007	No		Highly Satisfactory	Highly Satisfactory
2. Participatory Integrated Watershed Management Project.	09/06/04	NTF Loan	36.8	17/06/2007	No	No	Highly Satisfactory	Highly Satisfactory
3. Artisanal Fisheries Development	17/05/00	NTF Loan	50	7/12/2007	No	No	Highly Satisfactory	Highly Satisfactory
4. Farmer Managed Rice Irrigation Project	26/04/05	ADF Loan ADF Grant	14.1 26.4	17/06/2007	No	No	Highly Satisfactory	Satisfactory
Social Sector								
5. Basic Education III	11/09/02	ADF Loan	54.9	03/12/2007	No	No	Satisfactory	Satisfactory
6. Health Services Development Project	10/12/97	ADF Loan	90.8	24/06/2007	No	Yes	Satisfactory	Satisfactory
7. Community Skills Development Project	16/02/00	ADF Loan ADF Grant	61.6 46.1	18/11/2007	No	No	Highly Satisfactory	Highly Satisfactory
8. Entrepreneurship Promotion and Microfinance Development Project	15/11/06	ADF Grant	8.4	18/11/07	No	No	Satisfactory	Satisfactory
Multi-sector								
9. Institutional Support Project for Economic and Financial Governance	21/11/07	ADF Grant	0.0	Not yet supervised	n/a	n/a	n/a	n/a

Appendix 2 Socio-Economic Indicators

	Year	The Gambia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		11	30 307	80 976	54 658
Total Population (millions)	2007	1.7	963.7	5 448.2	1 223.0
Urban Population (% of Total)	2007	24.5	39.8	43.5	74.2
Population Density (per Km ²)	2007	151.3	31.8	65.7	23.0
GNI per Capita (US \$)	2006	310	1 071	2 000	36 487
Labor Force Participation - Total (%)	2005	50.4	42.3	45.6	54.6
Labor Force Participation - Female (%)	2005	45.3	41.1	39.7	44.9
Gender -Related Development Index Value	2005	0.496	0.486	0.694	0.911
Human Develop. Index (Rank among 177 cou	2005	155	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Populat	2003	57.9	34.3	...	...
Demographic Indicators					
Population Growth Rate - Total (%)	2007	2.7	2.3	1.4	0.3
Population Growth Rate - Urban (%)	2007	2.7	3.5	2.6	0.5
Population < 15 years (%)	2007	40.8	41.0	30.2	16.7
Population >= 65 years (%)	2007	4.3	3.5	5.6	16.4
Dependency Ratio (%)	2007	80.5	80.1	56.0	47.7
Sex Ratio (per 100 female)	2007	100.3	99.3	103.2	94.3
Female Population 15-49 years (% of total pop)	2007	23.6	24.2	24.5	31.4
Life Expectancy at Birth - Total (years)	2007	59.4	54.2	65.4	76.5
Life Expectancy at Birth - Female (years)	2007	60.3	55.3	67.2	80.2
Crude Birth Rate (per 1,000)	2007	34.9	36.1	22.4	11.1
Crude Death Rate (per 1,000)	2007	10.4	13.2	8.3	10.4
Infant Mortality Rate (per 1,000)	2007	74.2	85.3	57.3	7.4
Child Mortality Rate (per 1,000)	2007	128.1	130.2	80.8	8.9
Total Fertility Rate (per woman)	2007	4.7	4.7	2.8	1.6
Maternal Mortality Rate (per 100,000)	2005	690.0	723.6	450	8
Women Using Contraception (%)	2000	9.6	28.4	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2003	10.2	38.2	78.0	287.0
Nurses (per 100,000 people)	2003	112.8	110.7	98.0	782.0
Births attended by Trained Health Personnel (%)	2006	57.0	50.2	59.0	99.0
Access to Safe Water (% of Population)	2004	82.0	62.3	80.0	100.0
Access to Health Services (% of Population)	2004	93.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2004	53.0	45.4	50.0	100.0
Percent. of Adults (aged 15-49) Living with HIV	2005	2.4	4.7	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2005	242.4	300.7	275.0	18.0
Child Immunization Against Tuberculosis (%)	2006	99.0	83.7	85.0	93.0
Child Immunization Against Measles (%)	2006	95.0	75.4	78.0	93.2
Underweight Children (% of children under 5 y)	2006	20.0	28.6	27.0	0.1
Daily Calorie Supply per Capita	2004	2 178	2 434	2 675	3 285
Public Expenditure on Health (as % of GDP)	2004	1.8	2.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2007	77.0	96.4	91.0	102.3
Primary School - Female	2007	80.0	92.0	105.0	102.0
Secondary School - Total	2007	45.1	44.4	88.0	99.5
Secondary School - Female	2007	42.3	38.1	45.8	100.8
Primary School Female Teaching Staff (% of total)	2007	34.5	47.5	51.0	82.0
Adult Illiteracy Rate - Total (%)	2007	55.1	33.3	26.6	1.2
Adult Illiteracy Rate - Male (%)	2007	47.7	25.6	19.0	0.8
Adult Illiteracy Rate - Female (%)	2007	62.2	40.8	34.2	1.6
Percentage of GDP Spent on Education	2004	2.0	4.7	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-07	19.5	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2000-07	-1.0	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2000-07	...	10.9	...	...
Per Capita CO2 Emissions (metric tons)	2005-07	0.2	1.0	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : February 2008

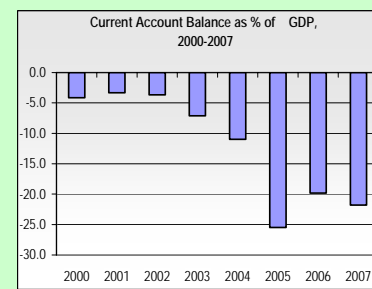
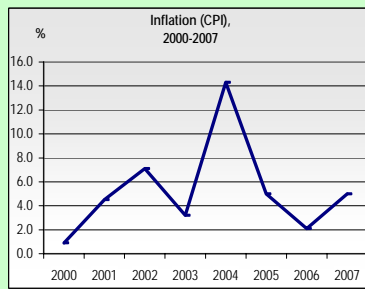
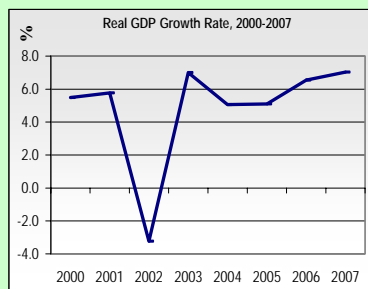
UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports

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

Appendix 3

Selected Macro-economic Indicators

Indicators	Unit	2000	2002	2003	2004	2005	2006	2007
National Accounts								
GNI at Current Prices	Million US \$	443	399	411	424	469	516	...
GNI per Capita	US\$	320	270	270	270	290	310	...
GDP at Current Prices	Million US \$	420.9	369.7	367.2	400.8	461.2	507.7	558.1
GDP at 2000 Constant prices	Million US \$	420.9	430.8	460.4	483.7	507.7	540.9	578.9
Real GDP Growth Rate	%	5.5	-3.2	7.0	5.1	5.1	6.5	7.0
Real per Capita GDP Growth Rate	%	2.1	-6.4	3.8	2.1	2.0	3.7	4.3
Gross Domestic Investment	% GDP	17.3	21.0	19.5	29.0	26.8	27.9	23.6
Public Investment	% GDP	4.3	7.3	5.6	13.0	11.1	10.6	10.6
Private Investment	% GDP	13.0	13.7	13.9	16.0	15.7	17.3	13.0
Gross National Savings	% GDP	13.4	17.3	12.1	16.5	0.5	6.2	6.2
Prices and Money								
Inflation (CPI)	%	0.9	7.1	3.2	14.3	5.0	2.1	5.0
Exchange Rate (Annual Average)	local currency/US\$	12.8	19.9	27.3	30.0	28.6	28.1	...
Exchange Rate (End of Period)	local currency/US\$	14.9	23.4	31.0	29.7	28.1	28.0	...
Monetary Growth (M2)	%	34.8	35.3	43.4	18.3	13.1	26.2	8.6
Money and Quasi Money as % of GDP	%	36.8	43.5	45.8	41.7	43.5	52.6	50.0
Government Finance								
Total Revenue and Grants	% GDP	20.8	20.8	18.2	25.4	21.4	22.9	28.4
Total Expenditure and Net Lending	% GDP	22.1	25.2	22.9	31.1	30.0	29.2	25.4
Overall Deficit (-) / Surplus (+)	% GDP	-1.4	-4.4	-4.7	-5.7	-8.6	-6.3	3.0
External Sector								
Exports Volume Growth (Goods)	%	34.8	6.2	-53.8	31.9	-6.4	6.5	-3.5
Imports Volume Growth (Goods)	%	-0.8	15.0	-21.2	30.7	3.0	-1.0	-0.3
Terms of Trade Growth	%	-10.0	2.8	68.3	-35.3	-16.6	-2.8	-7.7
Current Account Balance	Million US \$	-13.2	-10.4	-18.0	-29.6	-79.6	-68.4	-82.6
Current Account Balance	% GDP	-4.1	-3.6	-7.1	-11.0	-25.5	-19.8	-21.8
External Reserves	months of imports	5.9	6.4	3.6	3.6	3.8	4.7	...
Debt and Financial Flows								
Debt Service	% exports	27.6	37.9	25.6	32.2	32.3	34.7	31.4
External Debt	% GDP	162.4	194.0	227.3	218.4	198.7	187.6	81.6
Net Total Financial Flows	Million US \$	44.6	47.2	68.0	59.7	67.9	71.6	...
Net Official Development Assistance	Million US \$	49.0	60.5	62.7	55.3	61.3	74.1	...
Foreign Direct Investment Inflows	Million US \$	43.5	42.8	14.9	49.1	44.7	69.9	...



Source : ADB Statistics Department; IMF: World Economic Outlook, September 2007 and International Financial Statistics, October 2007; World Bank: Development Data Platform Database, September 2007. United Nations: OECD, Reporting System Division, January 2007.

Notes: ... Data Not Available

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WORLD BANK

AND

AFRICAN DEVELOPMENT BANK

JOINT ASSISTANCE STRATEGY

FOR

THE REPUBLIC OF THE GAMBIA

FOR FISCAL YEARS 2008-2011

January 2008

World Bank
Country Department AFCF1
Africa Region

African Development Bank
Regional Department, West 2, ORWB

The date of the last World Bank Country Assistance Strategy was March 2003

The date of the last African Development Bank Country Strategy Paper was July 2003

CURRENCY EQUIVALENTS

(As of 31 January 2008)

Currency Unit: Dalasi

1 US\$=22.3272 GMD

1 UA = US\$1.59527

1 SDR = US\$1.59527

BUDGET YEAR

January 1 – December 31

World Bank

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**REPUBLIC OF THE GAMBIA
JOINT ASSISTANCE STRATEGY**

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Executive Summary

This JAS was prepared jointly by the World Bank and the AfDB and represents the first step of an effort to harmonize donor assistance in The Gambia in line with the Paris Declaration on Aid Effectiveness.

(ii) The Gambia is a small state in continental Africa. It stretches 450 km along the Gambia River and is surrounded by Senegal, except for a 60 km Atlantic Ocean Front. The situation in The Gambia exemplifies challenges faced by small states. The country's economy is undiversified and limited by a tiny internal market. The Gambia also faces some of the problems confronting Sub-Saharan Africa: inadequate infrastructure, deficiencies in the business climate, and institutional capacity constraints. As a result, living conditions for most Gambians are difficult, with poverty estimated at 57.9 percent. The country is on target to reach the Millennium Development Goal (MDG) on primary school enrollment, but most other MDGs could be missed, unless major interventions are implemented.

(iii) Yet, The Gambia has strengths. For decades, relatively open trade policies and limited administrative barriers reinforced the country's position as a trading center. Tourism has been the most dynamic sector and is the country's most significant foreign exchange earner. Fishing, horticulture, sesame and cashew nuts are promising areas of export diversification. The challenge for The Gambia is to consolidate its position as a gateway to the region on a more sustainable basis, while strengthening and diversifying domestic production of goods and services. Attainment of a positive medium-term economic outlook will require the continued implementation of sound macro-economic policies, market-oriented structural reforms, and an efficient Government investment program.

(iv) The Gambia's second PRSP is based on five pillars: (a) improving the enabling policy environment to promote growth and poverty reduction; (b) enhancing the capacity and output of productive sectors; (c) improving coverage of the basic social services and social protection needs of the poor and vulnerable; (iv) enhancing governance systems; and (v) mainstreaming cross-cutting issues. The Government's overarching objective is to eradicate poverty. To achieve this goal, it is committed to continue macroeconomic reforms to facilitate private sector growth; to improve public sector management; and to increase priority for human development.

(v) This joint assistance strategy (JAS) has been prepared by the World Bank and the African Development Bank, as a result of consultations with the Government, as well as lessons learned from previous strategies prepared by both institutions, and consultations with the civil society and other partners. The approach emphasizes selectivity, taking into account the comparative advantage of each institution and other donors. The JAS strategic objectives are in line with the PRSP. The JAS focuses on: (i) strengthening economic management and public service delivery, and (ii) enhancing productive capacity and accelerating growth and competitiveness.

(vi) After netting out MDRI relief, the International Development Association's (IDA) indicative allocation during the JAS period is about US\$15 million, and that of the African Development Fund (ADF) is expected to be at least \$10 million under ADF 11. Collaboration with IFC on the World Bank Group side, and possible funding through the Private Sector Window on the AfDB side, will strengthen the impact on private sector development and support to MSMEs. The use of trust funds and other co-financing will be vigorously pursued. The Government has also applied for continued financing under the EFA Catalytic Fund in the education sector for the period 2008-2010. Finally, to the extent possible, the JAS will make

provisions for ensuring that conditions are put in place for financing regional programs under the next IDA and ADF financing cycle.

(vii) The results framework contained in Annex 1 shows the results chain for the JAS. Outcome indicators will be used for monitoring and evaluation of the implementation of the Joint Assistance Strategy, and both institutions will be held jointly accountable for these results. The newly established National Planning Commission (NPC) will strengthen the monitoring and evaluation system in The Gambia. Also, the active involvement of Pro-PAG, an NGO, in the monitoring and evaluation process, will bring in a civil-society dimension into the monitoring and evaluation process.

(viii) There are more than 15 donors in the country providing assistance through a variety of governmental and non-governmental entities. Donor coordination is weak, and while development partners align their strategies with PRSP II, they continue to prepare separate strategies. This JAS is an important step in the process of harmonization. This JAS supports the Government taking the lead in coordinating donor assistance, in particular through the newly established Central Project Management and Aid Coordination Directorate. Progress in terms of donor coordination will be measured at the time of the JAS Progress Report to see to what extent a further consolidation of strategic frameworks could be envisaged for the next cycle (2012-2015), notably with the UNDP and the EU.

(ix) This JAS carries significant risks. The country's macroeconomic stability can come under pressure from overly optimistic fiscal programs and continued high levels of domestic and external debt. The Gambia has a high risk of external economic and natural shocks. One-party dominance limits public accountability and could potentially increase political risks to the reform momentum. Governance remains an important factor, with possible increasing levels of corruption and inadequate fiduciary controls. The capacity of public institutions remains extremely weak and sustained support to public sector reforms is crucial. Among other measures, the AfDB and the World Bank will continue to engage in policy and institutional reform and will strengthen project and portfolio supervision efforts.

**THE GAMBIA
WORLD BANK AND AFRICAN DEVELOPMENT BANK
JOINT ASSISTANCE STRATEGY 2008-2011**

I - INTRODUCTION

1. **This Joint Assistance Strategy (JAS)** lays out how the World Bank and the African Development Bank intend to support the implementation of the Gambia's PRSP-II for the next four years (FY08-11). On the World Bank side, the JAS follows a Country Assistance Strategy (CAS) that was discussed by the Board of Executive Directors in March 2003, and on the AfDB side, a Country Strategy Paper discussed by the AfDB Boards in July 2003 (ADB/BD/WP/2003/57-ADF/BD/WP/2003/53).

2. **This JAS was prepared jointly by the World Bank and AfDB** and represents the first step of an effort to harmonize donor assistance in The Gambia in line with the Paris Declaration on Aid Effectiveness. It will allow the two institutions to align their development programs, avoid duplication of efforts, and combine their technical expertise. Under this joint strategy, the World Bank and the AfDB have developed shared objectives and a common platform for lending and non-lending services. These will include coordinated contributions to budget support, complementary investments in growth and competitiveness, and joint analytical work in the areas of public finance, civil service reform and governance.

3. **The Gambian economy has been strong in recent years**, with an average annual real GDP growth rate of about 6 percent during 2003-2006. The beginning of a new presidential and legislative cycle, the completion of an MDG-based PRSP-II (2007-2011), the completion point under HIPC in December 2007 and resulting eligibility under MDRI, and indications of increased project aid from development partners provide an opportunity for the country to build on recent achievements and accelerate growth. The Government is committed to continuing economic improvements while creating space for funding of poverty reduction efforts.

Box 1: Country Profile

The Gambia is the smallest country in continental Africa. It stretches 450 km along the Gambia River with an area of 11,285 sq. kms. It is surrounded by Senegal, except for a 60 km Atlantic Ocean front. The current population of 1.6 million has been growing at a fairly high rate of 2.8 percent per year over 1993-2006. The population is concentrated around urban and peri-urban centers (57 percent). Sixty percent of the population is under 25 years of age.

The situation in The Gambia exemplifies challenges faced by small states. The country is faced with institutional capacity constraints. Due to a narrow resource base and small domestic market, its production base and exports are undiversified. Like other small states, it tends to rely heavily on external trade and foreign investment to overcome its scale and resource limitations. The Gambia also faces some of the problems confronting Sub-Saharan Africa: inadequate infrastructure (energy, transport, telecommunications), and deficiencies in the business climate. As a result, living conditions for most Gambians are difficult, with poverty estimated at 57.9 percent.

Yet, The Gambia has strengths. For decades, relatively open trade policies and limited administrative barriers reinforced the country's position as a trading center. Recently, however, this position has been challenged due to a combination of tensions with Senegal, and improved trade facilitation in neighboring countries. Tourism has been the most dynamic sector and is the country's most significant foreign exchange earner. Fishing, horticulture, sesame and cashew nuts are promising areas of export diversification. By improving its business climate and implementing sector-specific reforms, The Gambia can strengthen and diversify its domestic production.

II - COUNTRY CONTEXT AND DEVELOPMENT CHALLENGES

A - COUNTRY CONTEXT

Political Context

4. **The country benefits from a relatively stable political system.** For three decades following independence from the United Kingdom in 1965, The Gambia was led by President Dawda Jawara and evolved as a multi-party democracy led by the People's Progressive Party (PPP). A military coup in 1994 by Yahya Jammeh brought about the current regime. President Jammeh has since remained in power. In September 2006, he was reelected as the candidate of the ruling Alliance for Patriotic Reorientation and Construction (APRC) with 67 percent of the votes cast. International observers described the election as fair. Legislative elections in January 2007, which were marked by splits in the opposition, returned the APRC to power with 60 percent of the votes. With a strong mandate, the President retains firm control over government policy formulation.

5. **The country has made good progress in restoring its image of peace and stability in the last decade, but concerns about governance remain⁷.** Although the 1997 Constitution provides for separation of powers, the system of checks and balances on the executive could be strengthened. The President closely oversees the public administration, and the policy environment is characterized by frequent changes in Cabinet assignments and turnover of personnel in the Government and the civil service. The National Assembly is financially dependent on the Government and suffers from lack of resources, which limits its monitoring and accountability functions. International organizations have raised concerns about intervention of the executive in the judiciary. There is a perception of limited press freedom which undermines transparency of Government operations and has resulted in the country's ranking of 130 out of 169 countries in the Reporters Without Borders' 2007 World Press Freedom Index. In 2006, The Gambia's suspension from the United States Millennium Challenge Account (MCA) because of human rights, political repression, and worsening corruption, deprived the country of much needed aid (see Sections II-B and IV for more details on governance).

Economic Context

6. **The country's macroeconomic performance has passed through three phases in the last decade:**

- A period of economic growth with stability during **1998-2001**, reflecting strong agricultural sector performance;
- A period of fiscal slippages and monetary expansion during **2002-2003**, resulting in inflation reaching 17 percent in 2003, the dalasi depreciating sharply against the U.S. dollar, the IMF program being off-track soon after it was negotiated in 2002, and The Gambia being unable to reach HIPC completion point as originally envisaged; and
- A period of policy adjustment and macroeconomic stability restored during **2004-2007**, with the approval of a new PRGF program in February 2007 and progress in structural reforms.

7. The Gambia's PRSP stresses the Government's interest in sustaining the macroeconomic gains of the last few years. It is particularly interested in promoting a participatory

⁷ See governance issues in paras 23-27 and paras 77-91.

pro-poor growth strategy to foster economic growth and to reduce the level of poverty, which continues to be a major challenge for the country. This long-term goal is to be achieved by promoting a conducive environment for private sector growth, improved public sector management, and human development.

Poverty and Status on Achieving the MDGs

8. **The Gambia remains a poor country, with a GNI per capita of US\$290 in 2005.** The country ranks 155 out of 177 countries in the 2006 United Nations Human Development Index and 81 out of 95 developing countries. According to the 2003 National Integrated Household Survey (NIHS) the overall poverty rate, or headcount ratio, is 57.9 percent. The Gini coefficient of 0.484 is relatively high.

9. **There are large geographical variations to poverty.** Rising urbanization is causing stress on social services provided in urban areas with consequences of increasing urban poverty. The poverty rate is 39.6 percent in urban areas and 67.8 percent in rural areas. There are wide regional variations in the headcount ratio, ranging from 8 percent for the capital Banjul to 95 percent for the Kuntaur local government area (see Annex 3).

10. **There is a clear gender⁸ dimension to poverty** as female-headed households are significantly poorer than male-headed households. The poverty head count ratio for female-headed households is 60.5 percent while it is 40.7 percent for male-headed households. Also, the severity of poverty has been observed to be greater for female-headed households. Households that are larger and headed by individuals with no education are much poorer (see Annex 3).

11. **The Gambia is on target to reach some MDGs by 2015**, such as the goal to increase primary school enrollment. However, given current improvements, it is unlikely that health-related targets, such as reducing by two thirds the under-five mortality rate by 2015, could be reached. As part of PRSP-II, The Gambia has conducted an MDG Needs Assessment for 2007-2011 to assess requirements for keeping the country on track. The report notes that most MDGs could be missed, unless major interventions are implemented.

Table 1: PRSP Targets and Achievement of MDGs⁹

PRSP Goals (MDGs)	1990	2006	PRSP Target (2011)	MDG Target (2015)	Meet 2015 Target
Poverty (%)	64	57.9 1/	40	30	Unlikely
Net Primary Enrollment (%)	48	75 2/	80	100	Likely
Infant Mortality (per 1,000 live births)	84 3/	79 3/	58 5/	28	Possible
Under-Five Mortality (per 1,000 live births)	129 3/	99 3/	77 5/.	43	Possible
Malnutrition – Underweight prevalence (%)	26.2	19.9 4/		13.1	Unlikely
Maternal Mortality (per 100,000 live births)	1050	574	418 5/	150	Unlikely
Access to Water (%)	..	62	..	..	Unlikely

Source: 1/ 2003 Household Survey data

3/ Government MDGs Needs Assessment (November 2006)

5/ Update of MDG Assessment (January 2008)

2/ 2004 data ,World Bank

4/ 2006 Nutrition Survey (preliminary)

⁸ Gender issues are also addressed in para. 35.

⁹ It is difficult to compare poverty indicators from the 2003 Household Survey to previous surveys, given the difference in survey and estimation methodologies.

12. The Government has set a target poverty index of 40 percent for 2011 (from the current 58 percent - see Table 1 below) which does not seem attainable given the historical record. It should be noted that under-five mortality has declined from 129 per 1,000 in 1990 to 99 in 2006. The target for 2015 is 43 which can be achieved if the needed resources materialize and are used effectively. The target for infant mortality of 28 per 1,000 in 2015 seems very ambitious in view of the modest decline from 84 in 1990 to only 79 in 2006. The same argument holds for maternal mortality which declined from 1,050 per 100,000 in 1990 to 574 in 2006, with a target of 150 for 2015. However, there are hopeful signs given that the country was recently declared polio free and is getting technical support and health services from a number of bilateral donors.

Growth Dynamics

13. **Economic growth has been robust since 1998 with the exception of 2002.** Real growth averaged six percent during 1998-2001, driven by growth in the agricultural sector of approximately 10 percent thanks to favorable weather and improved services to the groundnut sector. In 2002, however, the impact of adverse weather on agriculture and poor macroeconomic management led to a 3 percent decline in real GDP. Since then, growth recovered to average approximately 6 percent, and is estimated to have reached 7 percent in 2007, reflecting a succession of good harvests. This success has contributed to a substantial inflow of foreign direct investment (FDI - 10 percent of GDP for 2003 to 2005) and vibrant economic activity, led by strong performance in the tourism, construction and telecommunications sectors.

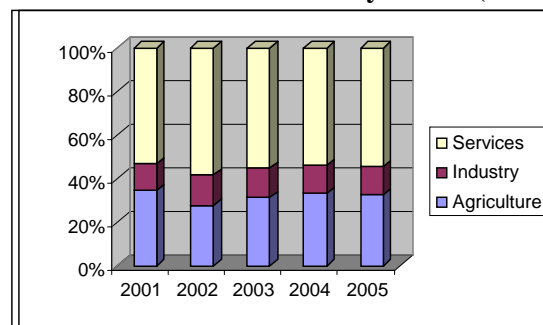
14. The Gambia being a small country cannot rely on its internal market to create growth and wealth. It must generate a large share of its GDP from external trade, and has therefore maintained a relatively open economy. Exports of goods and services from The Gambia are equivalent to roughly 30 percent of GDP. In this regard, although The Gambia compares favorably with countries in Sub-Saharan Africa, it compares less favorably with other small state comparator countries outside the Region (see Table 2). For decades, The Gambia has served as a regional entrepôt. Liberal trade policies and an efficient port infrastructure have allowed the country to act as a re-export hub. About 80 percent of Gambian merchandise exports consist of re-exports to the sub-region – goods imported into The Gambia and transported into Senegal and beyond. However, it should be emphasized that exports of domestically-produced goods are quite small, only three percent of GDP in 2006.

**Table 2: Exports/GDP
2004-5 (%)**

Barbados	58
Mauritius	57
Costa Rica	48
Côte d'Ivoire	44
Ghana	38
WAEMU	31
The Gambia	30
Senegal	28
Guinea	23

Source: DTIS

Figure 1: Contribution to GDP by Sector (2001-2005)



15. **Looking ahead,** it is expected that The Gambia will develop ways to establish a more sustainable foundation for the country's position as a gateway to the Region by

improving the transport system and reinforcing its efficient trade facilitation services. However, there are risks that re-exports may decline over time due to a number of factors, including harmonization of taxes in the Region, and improved port and customs operations in Senegal and other neighboring countries¹⁰.

16. There is good potential for sustained growth in other areas (see Table 3). Efforts are being made to strengthen and diversify domestic production of goods and services in the areas of tourism, groundnuts, other agriculture, and fishing, by improving the business climate as well as implementing sector-specific reforms. Significant investments are expected to continue in the tourist sector, which is the key driver of the economy and has become the country's most significant foreign exchange earner. In addition to tourism, sustained growth is expected to come from: (i) telecommunications, particularly the mobile phone market which has three competitors¹¹, (ii) construction, financed by FDI in the hotel sector and also remittances, which represent about 10 percent of GDP, and (iii) groundnuts and the rest of the agricultural sector. Groundnuts have been a traditional pillar of the economy, but the sector now confronts severe domestic and international challenges, and exports have dropped sharply in recent decades. The success of the pro-poor growth strategy in the Gambia will depend on reforming this sector because groundnut constitute the country's most important crop and groundnut farmers are the poorest. The Government has prepared a comprehensive groundnut reform roadmap. Fishing, horticulture, sesame and cashew nuts are promising areas of export diversification (see Annex 7 for more details). Progress in developing infrastructure is mixed, with the port and airport exhibiting good results, but with less momentum in the roads and energy sectors. However, large investments are expected from the EU and BADEA in the road sector, and progress has been made in the energy sector, with NAWEC now under private management, and with the commissioning of rural electrification projects funded by AfDB.

Table 3: Main Exports of The Gambia (US\$ million.)

Sector (years given)	Gross Foreign Exchange Earnings	Net Foreign Exchange Earnings
Tourism (2005)	100	50-55
Re-exports (2004-05)	137	20.0
Groundnut products (2004-06)	12.0	10.0
Cashews (2005/6)	1.9	1.7
Fruits and vegetables (2003-05)	0.9	0.8
Sesame (2005/6)	0.6	0.5
Fish products (2003-05)	0.5	0.4
Total	252.9	87-97

Source: ODI Tourism Study, and DTIS Estimates

Impact of Growth on Poverty Reduction

17. **The above growth dynamics has a direct impact on poverty.** A recent analysis¹² shows that poverty is substantially higher for households working in the agriculture and fishing industries, with 76.4 percent classified as poor compared to 46.2 percent for other households, and with over half of all those living in extreme poverty in The Gambia (see Table 4). It is lower among social and personal service workers, public and private financial

¹⁰ World Bank, "The Gambia, From Entrepot to Exporter and Eco-Tourism," Diagnostic Trade Integration Study (DTIS), July 2007

¹¹ A new competitor entered the mobile telephone market in 2007, increasing the total to three.

¹² A **Poverty Analysis** of the Integrated Household Survey was conducted in June 2006 (financed under World-Bank funded Capacity Building for Economic Management Project). The **National Integrated Household Survey** was done in 2003. Other surveys are also conducted, such as annual National Agricultural Sample Surveys (NASS), and qualitative surveys such as Participatory Poverty Assessments.

services, and trade, hotels, and restaurants. Therefore, it is critical that the agriculture sector be revitalized, including through the definition of an overall strategic direction.

Table 4: Poverty by Sector of Employment of Household Heads

Industry	% below poverty line
Agriculture and fishing	76.4
Manufacturing and energy	50.0
Construction	63.6
Trade, hotels and restaurants	48.8
Transport and communication	52.4
Private and public financial admin.	49.2
Social and personal services	45.4
Not stated	53.5
Overall Average	57.9

Source: 2003 Household Survey

18. Tourism plays a major role in poverty reduction in The Gambia, both indirectly through its contribution to growth, and directly through purchases of labor and goods from the poor¹³. The sector has attracted a lot of investment. Its estimated net revenues – which stay in the country – of about US\$50 million far exceed those of any other sector. Of this, it has been estimated that some US\$14 million goes directly to the poor, or rather the poor and some who would be poor if not for tourism¹⁴. This includes non-managerial hotel staff, local wholesale purchases of food, souvenirs and gifts purchased from the informal sector, informal sector excursions and local taxis. The US\$14 million going directly to the poor from tourism is roughly equal to the total net earnings from all agricultural and fish exports combined, of which not all accrues to the poor. The challenge is to exploit this opportunity in a sustainable manner, promoting even stronger linkages to poor communities.

19. Agriculture is a crucial sector for shared growth, improved food security and poverty reduction. In the last decade, the rise in rural poverty has been associated with poor performance of the agricultural sector and the inability of farmers to access markets and social services due to poor infrastructure. Revitalization of the groundnut sector has the greatest potential to alleviate poverty. The share of households engaged in groundnuts is variously estimated at between 63 and 80 percent of the 82,000 rural households¹⁵. Groundnut farmers are among the poorest members of Gambian society (76 percent are estimated to be poor, as compared to a national average of 58 percent). Groundnut exports can boost farmer incomes substantially, and the Government is committed to implement reforms in order to lift the sector from its current crisis.

20. Other areas offer interesting possibilities. Cashew, a smallholder crop, can have a positive effect on incomes in producing areas. Rough estimates suggest that feasible growth in cashew exports over the next ten years could offer income to some 30,000 households, generating annual revenues almost twice as high as for groundnut farmers. Horticulture can also contribute to poverty reduction through increased employment in rural areas. Livestock is an other possibility.

¹³ 2007 DTIS

¹⁴ Overseas Development Institute (ODI) report, *The Gambia Tourist Value Chain and Prospects for Pro-Poor Tourism*, 2006.

¹⁵ 2003 Household Survey gives the lower estimate.

Table 5: Additional Earnings from Potential Export Growth, 2005-2015

Area	Increase in Exports	Gross Earnings	Net Earnings	Households Benefiting	Yearly Earn/ Household
Tourism arrivals	100,000 arriv	\$100 million	\$50 million	10,000	GMD30,000
Groundnuts	50,000 mt	\$24 million	\$19 million	50,000	GMD5,000
Cashew nuts	26,000 mt	\$14 million	\$12 million	30,000	GMD7,500

Source: 2007 DTIS

B – DEVELOPMENT CHALLENGES

21. Reducing the levels of poverty continues to be a major challenge for The Gambia and the rate of progress will have to be stepped up. The country's development challenges can be grouped into the following areas:

Maintaining macroeconomic stability

22. Earlier slippages in macroeconomic policies have been corrected and the external debt position has improved following HIPC and MDRI debt relief¹⁶. Sustained macroeconomic stability and strengthened public financial management provide the foundations for sustained growth and poverty reduction. For this to continue, The Gambia will need to continue to adopt prudent policies.

Governance

23. Strengthening governance is considered one of the keys to improving public service delivery. Since 1996, three out of six measures of governance on The Gambia by the World Bank Institute have shown declines in government effectiveness, rule of law and control of corruption. Three have shown progress in voice and accountability, political stability, and regulatory quality (see Annex 6), although they remain low even by SSA standards.

24. In terms of *administrative accountability*, the capacity of the Gambian public sector to deliver quality public services has progressed, but remains limited, as executive interference undermines performance. Attrition rates are high and there is frequent turnover of senior government officials in central and line ministries, leading to many unfilled positions, which is compounded by the migration of skilled staff (see para. 32). This frequent reshuffling of high-level officials in government departments is likely to hamper the effectiveness of economic policy implementation.

25. An overall civil service reform strategy is being prepared based on an analysis of the major constraints in the public sector in effectively delivering public services. A governance profile has been prepared by AfDB and a joint analytical work on civil service reform is under way by the World Bank, AfDB and DFID. The strategy examines: (i) the fiscal impact of the civil service, including the wage bill and the incorporation of non-wage benefits and allowances; (ii) the reform of pay and career structures; (iii) performance management; (iv) pension reform; (v) capacity strengthening, including training; and (vi) improving governance. The exercise allows for engaging the authorities at the highest possible levels on issues related to governance and government commitment to the reform process.

26. *Financial accountability* has made progress due to technical assistance by development partners. The Government has successfully introduced a number of significant

¹⁶ HIPC Completion Point Board presentation took place on December 18, 2007.

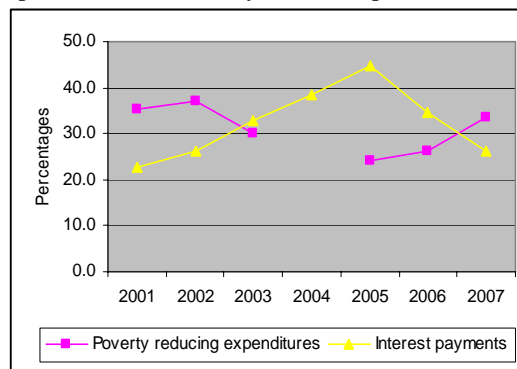
reforms in public financial management. These reforms have improved the transparency and accountability in the use of public resources, and reduced the opportunities for corruption. These reforms include (i) Budget Management and Accountability Act (2004), (ii) Central Bank reforms, (iii) public procurement reforms, (iv) the establishment of the semiautonomous Gambia Revenue Authority (GRA), (v) the establishment of an Integrated Financial Management Information System (IFMIS), and (vi) the preparation of public accounts, which have been updated to 2006, thanks to considerable efforts to reduce the backlog. Progress has been made in terms of reporting: the authorities have consistently produced annual public reports on budget execution, as well as reports on the utilization of poverty-reducing expenditures. However, the figures have been preliminary due to the large backlog in preparing the public accounts. With IFMIS, it is expected that the 2007 accounts will be prepared by end-March 2008, so that firm actual figures will be incorporated in the next year's budget. Anti-corruption measures need to continue to be strengthened. The Gambia is ranked 121 among 163 countries by Transparency International. Access to information and freedom of the press are limited.

27. On the *legal and judicial* front, challenges remain for the judiciary to exercise and uphold its independence (see Annex 6). The overall legal framework related to business operations is largely consistent with international best practices. It should be noted that poor functioning of the judiciary is not perceived by the business community as a major impediment to business, and the country is ranked relatively high in the Doing Business survey on enforcing contracts. The authorities enacted an Alternative Dispute Resolution Act in 2005, and they are piloting the system. In addition, the authorities have been planning to develop a Case Management Information System which should eventually expedite resolution of commercial disputes, but progress has been slow.

Public Spending and Efficiency

28. Since 2000, a series of annual Public Expenditures Reviews (PERs) have been jointly conducted by the authorities, IDA and other development partners. It should be noted that the share of poverty-reducing expenditures declined in the early 2000s because of efforts to restore fiscal and monetary discipline and rising domestic interest payments. It has increased since 2005 in response to the expanded fiscal space due to a decrease in the share of interest payments in total recurrent expenditures (see Figure 2 below).

Figure 2. Poverty-Reducing Expenditures and Interest Payments¹⁷
(percent of total locally funded expenditures)



29. An analysis of budget outturns shows that the Government allocates between one quarter and one third of total locally-funded expenditures¹⁸ to poverty-reducing spending. It

¹⁷ 2004 figure is missing because the data are unavailable.

goes up to approximately half of total expenditures when interest payments are excluded. As an indication of their prioritization, the Departments of State for Education and Health have large budgets.

Delivery of Social Services

30. ***Service Delivery in Education.*** Expansion of access to education is a high priority for the Government, particularly for girls. The Government has adopted a National Education Policy for the period 2006-2015, which focuses on expanding and improving the quality of education. Education benefits from (i) the largest government budget among most ministries; (ii) support from donors, including the IDA-financed second phase Education Project, and the PHRD co-financing grant from the Government of Japan administered by the World Bank; and (iii) funding from the EFA FTI Catalytic Grant.

31. The education sector has benefited from an extensive government program of expanding infrastructure, teacher training and school materials. Over 1,000 classrooms were built under the first phase of the IDA-financed project. The sector has seen some important gains over the past five years. The Gambia has made tremendous success in expanding access to education, across all levels of the school system, with a gross enrollment rate (GER) of 76 percent in 2006. Gender parity was attained at the basic cycle level. At the senior secondary level, the overall GER almost doubled, but the gender gap at that level is still significant. The Government has programs to recruit and retain qualified staff, including hardship allowances and improved working conditions for teachers assigned to rural areas. But education quality remains the biggest challenge. It is important to also consider the limitations in the skills development and education of the work force, which are seen as impediments for growth.

32. ***Service Delivery in Health.*** Provision of adequate, effective and affordable health care for all Gambians is important for poverty reduction and growth opportunities. Several key policies, including a National Health Policy, a National Drug Policy, and a National Nutrition Policy, have been either updated or designed. But the translation of these policies into actual implementation has been less than satisfactory. The major problems confronting the health sector include: shortage of motivated and qualified personnel; high attrition rates and departure of health personnel to the United Kingdom and other places; inequitable distribution and inefficient utilization of existing human resources; limited financial resources to provide essential drugs, medical supplies, equipment, transport and fuel; inadequate capacity in the sector, including managerial capacity to manage health delivery systems; high costs of meeting basic health care delivery services; and problems of transportation. Basic health services are managed in line with the Bamako Initiative. Health has the third largest budget among government ministries. The share of primary and secondary health care within the recurrent budget for health has increased¹⁹.

33. The overall life expectancy in the country, estimated at 53 years, is better than the Sub-Saharan Africa average. The Gambia has also performed relatively well on child health indicators. The under-5 mortality rate was estimated at 129 per thousand live births in 1990²⁰ and has declined very rapidly since 1960. However, the infant mortality rate, currently estimated at 75 per thousand live births as of 2007²¹, remains considerably higher than in

¹⁸ These expenditures are recurrent expenditures and parts of development expenditures that are directly funded by the Government's own resources.

¹⁹ It was 42 percent in 1999, the baseline year. From 2001 up to 2002, this share remained relatively stable, but subsequently, it increased to 50 percent in 2003 and has generally maintained this higher level.

²⁰ Government 2006 MDG Needs Assessment

²¹ Source: Population Reference Bureau

Senegal and Ghana, the best performers of West Africa. Moreover, there is some evidence of a possible decline in the rate of improvement in child health. The Maternal Mortality Ratio (MMR) is high, but has significantly improved over recent years.

34. The prevalence of malaria and diarrhea is estimated to be 15 percent and 22 percent, respectively. The annual incidence of tuberculosis is estimated at 118 per 100,000 persons, but more reliable data are needed. The latest sero-surveillance data (2005) indicate that HIV/AIDS prevalence has decreased to 1.1 percent for HIV-1, an indication that the education and prevention programs have had some effect²². However, the HIV prevalence may have increased in more recent years. Efforts will be needed to keep these levels low²³. The overall coordination of the fight against HIV/AIDS requires a national and effective institution that can muster the support from the highest level of leadership. Recent claims by the President of The Gambia of a cure for AIDS are alarming public health workers and the international donor community.

Gender

35. **The Government acknowledges that the realization of gender equality** requires empowerment of the most affected (women and girls) and mainstreaming of gender perspectives in all sectors by all actors in the development process²⁴. The country has been promoting equal access for men and women to human capital development opportunities. Important policies, including strengthened nutrition and antenatal care, have contributed to a lowering of the maternal mortality rate. Girls enrollment in education has increased significantly, including through a scholarship program for senior secondary students, and girl-focused initiatives for basic schools. Although there is no discrimination by law, traditional views continue to constrain access to productive resources and opportunities for women, particularly in rural areas where education is less readily available, especially in cycles beyond lower basic. Women have limited access to credit and land, and are generally poorer than men. Gender development is a key element of JAS support in The Gambia in various dimensions, including in education, health at local levels, promoting women-owned businesses, and identifying legal and regulatory obstacles. Furthermore, a Gender Profile will be prepared by the AfDB in 2009 to inform policy decisions related to gender.

36. **The Gambia is one of the 35 countries in the world where the total fertility rate is still above 5** (*it is estimated at 5.1 for 2007*). The onset of fertility decline in The Gambia in recent years is explained by an increasing age at marriage triggered by higher levels of female education. The Gambian population is projected by the United Nations to double by 2050. Rapid population growth presents a major challenge for The Gambia, namely the need to muster large amounts of public and private resources to finance human capital investments. An acceleration of the demographic transition in the country would mitigate the risk of The Gambia not achieving significant poverty reduction over time. This will require an array of sound multi-sectoral actions and public policies, particularly in the areas of health (supplying family planning services, and family planning demand-creation dimensions), education (targeting young girls more consistently, especially in completion rates for post-basic cycles), gender (providing more autonomy and economic opportunities to women), and the provision of infrastructure, notably in rural areas. This JAS focuses on these strategic directions,

²² However, the estimated prevalence rate is based on data collected at prenatal care clinics, and actual rates of the general population could be much higher. The decrease to 1.1 percent could also indicate that more patients have died over the past years.

²³ The World Bank supported the country's efforts to combat the epidemic through an HIV/AIDS project (Credit 3455-GM – closed in December 2006), in conjunction with additional funding from the Global Fund for AIDS, Tuberculosis and Malaria.

²⁴ For details, see PRSP-II.

notably in the education sector²⁵, in health at the community level²⁶, and in rural development²⁷.

Infrastructure Bottlenecks, and Regional Integration

37. **Transport** infrastructure is particularly important in the case of The Gambia, given its ambition to serve as a regional trading hub. Improving access to markets is a key objective.

38. The *Banjul Port* is efficient in terms of speed and cost of clearance of goods, although improvements could still be made. The AfDB is preparing a Banjul Port Detailed Design Study to that effect. The *River Gambia* was the initial basis of The Gambia's role as a regional hub, and the main mode of transporting groundnuts. However, river transport has shown a steady downward trend and is underutilized at present. Some rehabilitation work will be supported by the World Bank and the European Union (EU) in the context of the reform in the groundnut sector. The *airport* benefited from a major overhaul in 1997. It is performing well and has the capacity to expand flights considerably. *Roads* are the dominant mode of transport, accounting for more than 90 percent of the total motorized freight and passenger movement, and therefore being a key to trade and growth.

39. **Electricity.** The high cost and unreliability of electric power is one of the most severe problems confronting all industries in The Gambia according to the recent Enterprise Survey. Firms in the manufacturing and tourism sector seem to be the most affected²⁸. Reliability of supply improved in early 2007, but at the cost of a 30 percent increase in tariffs, making electricity far more expensive in The Gambia than in most other African countries. Electricity services are only available in urban and provincial centers²⁹. NAWEC inefficiency is reflected in system losses (35 to 45 percent), far above industry norms, leading to a severe strain on the utility's as well as the government's finances. Even with the new Independent Power producer (IPP) at Brikama, the power situation remains strained, with total available capacity of 60 MW against a suppressed peak power demand of perhaps 150 MW. Adding further generating capacity by itself will not accomplish much, given the overloaded transmission and distribution system, with a transmission capacity of about 50 MW³⁰. Also, the rural poor face access problems that hinder attainment of social objectives.

40. The Government has requested support for the preparation of a master plan to expand the generation, transmission and distribution of electricity to meet existing and projected energy demand. The 2004 Electricity Act liberalizes the sub-sector and opens it up for private sector investment, but it has only been partially implemented. NAWEC is slated for divestiture under the Track I privatization category. The Gambia Divestiture Agency (GDA) is currently assessing the possibility of divesting NAWEC through public/private partnerships. The Government signed a 5-year management contract with a private firm to assist in this task and to improve services (the selection process was not conducted through an open and competitive process). The JAS provides financing for the preparation of the master plan as a way to reengage in the sector and may opt to pursue policy dialogue under the Development Policy Lending. Investment lending is expected to be provided by other donors, including the European Union.

²⁵ Education III 2nd phase project (financed by IDA) and Japan Grant, and Basic Education by AfDB.

²⁶ Community-Driven Development Project (financed by IDA)

²⁷ Peri-Urban Agriculture Project (financed by ADF)

²⁸ Respectively 79 percent and 85 percent of the firms.

²⁹ Electricity is available mostly in the urban areas and provincial centers of rural areas with coverage of less than 25 percent, with electricity consumption representing some three percent of total energy consumed in the country.

³⁰ For more details, see DTIS, Excensia report (2006) and FIAS report (2004)

41. **Telecommunications.** The situation is far superior to electricity, although still in need of improvement. The proposed telecommunications bill further liberalizes the market. Recently, a private management contract was awarded for the public telecommunications enterprise, GAMTEL. It was done under suboptimal procedures and some concerns were raised about the transparency of the transaction.

42. **Regional Integration.** The Gambia's geography and overall policy environment stress the need for The Gambia to take advantage of the benefits of regional integration³¹ and make its relationship with its neighbor strategically important, for the re-export trade and for a variety of other economic issues of mutual concern. To this end, the one time Senegalo-Gambian Secretariat is being revived (an inter-ministerial committee headed by the two heads of government meets to reinforce bilateral issues). In the energy sector, the integration of energy systems under the umbrella of the West Africa Power Pool Project (WAPP) in general, and The Gambia River Basin Development Project (OMVG) in particular, would be critical for energy sector development in The Gambia. The OMVG Power Program consists of two dams with hydropower plants and 1700 km transmission line.

43. The capacity of The Gambia to serve neighboring countries beyond Senegal is constrained by two major hurdles beyond its control – the quality of Senegalese roads and the willingness of Senegalese authorities to facilitate transit trade. The regional dimension of trade and growth is to be highlighted. For example, an ECOWAS Regional Transport and Transit Facilitation Program is being implemented, with joint border control posts to be put in place, and the application of a single transit document under the Inter-State Road Transit (ISRT) convention, which should facilitate smooth road services to eastern Senegal, Mali and Guinea-Bissau. In the same vein, plans for a bridge over the River Gambia may be revived, with possible financing from the EU and AfDB, and the OMVG providing the administrative structure to manage the necessary external financing. A useful parallel development could be the setting up of a dry port up-country, to receive river-transported goods and dispatch them by road to Mali.

Investment Climate

44. International comparisons of development experiences suggest that countries with a better investment climate enjoy higher private investment rates and therefore reach higher growth rates³² (see Annex 7).

45. The Gambia is in the middle of the rankings vis-à-vis other African countries in widely-used indicators of the business climate and economic competitiveness³³. In the 2008 Doing Business indicators, The Gambia is ranked 113th out of 175 countries, better than neighbors, notably Senegal, but below some better-performing countries in Africa, such as Ghana, Kenya and Uganda. For international trade, the DB indicators show that The Gambia is the third best in Sub-Saharan Africa. Overall, these results are consistent with those of the ICA and WEF: customs administration and international trade procedures more generally are not seen as key problems in The Gambia. This explains in a large part the large inflows of FDI in recent years, due to positive returns in the construction area and tourism industry. The

³¹ The Gambia is a member of the Economic Community of West African States (ECOWAS), the West African Monetary Zone (WAMZ), and the African Union. It has bilateral cooperation arrangements with many countries.

³² 2005 World Development Report

³³ These include the World Bank's Investment Climate Assessment (ICA - July 2007), the World Bank's Doing Business indicators, and other cross-national measures of competitiveness such as the World Economic Forum's (WEF) Competitiveness Index and the Heritage Foundation's Index of Economic Freedom (IEF).

Gambia is ranked favorably in the areas of labor regulation, but poorly on investor protection, tax rates and procedures.

46. The recently completed World Bank *Enterprise Survey* for The Gambia shows that electricity is the most serious obstacle, followed by credit, land access and taxation. As noted above, electricity supply improved significantly in 2007, but costs remain high. The JAS will support the Government in the design of an energy master plan, while AfDB will provide assistance in rural electrification. Tax rates are cited as a major constraint by a third of formal sector firms surveyed³⁴. Taxes include those on profits, labor income taxes, withholding and levies. The JAS will support the Government in the areas of access to credit and to land by firms.

47. **Financial Services.** Long-term financing for productive investment is of course vital for economic development, but is largely unavailable in The Gambia, especially for small and medium enterprises (SMEs). The Government has attempted in the past to establish development banks, but this has proved unsuccessful, as the banks have suffered large losses from non-performing loans, due to poor management and political interference. Microfinance institutions have grown over the years, but are constrained by low capacity and inadequate resources. Currently, commercial bank lending to the private sector is mostly short term. There is limited competition in the financial sector, which is dominated by two banks. Finally, there is poor technical capacity for skills in the sector.

III – GOVERNMENT DEVELOPMENT PROGRAM

A – PRSP-II

48. **The Country's Vision.** The Gambia's longer term policy objectives are sketched in the ambitious Vision 2020 which seeks to transform The Gambia into a dynamic middle income country in six major activity areas relating to agriculture, industry, trade, tourism, financial services and human resource development.

49. **The country's leadership is well aware that it needs to achieve more to address the challenges in the next few years,** and thus accelerate growth and poverty reduction. Cognizant of the need for increased growth and improved competitiveness of its economy, its susceptibility to external shocks, and the lack of progress in social gains, The Gambia has set out an ambitious medium-term strategy derived from the country's Vision 2020. In November 2006, the Government finalized the second Poverty Reduction Strategy Paper (PRSP-II) for 2007-2011.

50. **The PRSP-II is based upon the same five pillars of PRSP-I:**

- (i) Improving the enabling policy environment to promote growth and poverty reduction;
- (ii) Enhancing the capacity and output of productive sectors, namely: agriculture, fisheries, industry, trade, tourism, and infrastructure, with emphasis on productive capacities of the poor and vulnerable;
- (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 issues like gender, youth, population, HIV/AIDS, environment, and nutrition into the development process.

³⁴ The tax burden of a firm in The Gambia is about six times higher than in comparator countries.

51. **The Government's overarching objective** is to eradicate poverty in the long run. To achieve this goal, it is committed to continue macroeconomic reforms to facilitate private sector growth; to improve public sector management; and to increase priority for human development. During the PRSP-II period, the Government is focused on sustaining the strong level of economic growth of the last few years, notably with a special focus on agriculture, tourism, trade, energy and infrastructure, including ICT and housing. To strengthen implementation of its poverty-reduction programs, the Government is putting in place policies aimed at removing inequities in access to sources of economic opportunities. It recognizes that the low rates of progress so far in attaining the MDGs signals the need to strengthen and expand MDG-related interventions.

52. **The PRSP-II includes an implementation action plan** that outlines costed priority activities, which should allow for improved monitoring and results orientation. In particular, the Government is taking action to prepare sector strategies to better guide and prioritize implementation. The newly created National Planning Commission is expected to take a leadership role in preparing and implementing PRSP programs and integrating them with the budget. Close collaboration with the Department of Finance and Economic Affairs and with all line ministries will be crucial. Involving local communities in implementation and building the capacity of civil society organizations to take part in the development process was a government objective under PRSP-I and will continue under PRSP-II. Community scorecards on service delivery monitoring were piloted in the health and education sectors in 2004, with assistance from the World Bank. Capacity building of stakeholders including local communities will be supported under the World Bank and AfDB projects during the JAS period.

B - MACROECONOMIC OUTLOOK

53. The country has enjoyed robust growth and low inflation over the last four years, thanks in large part to substantially improved macroeconomic policy implementation. Annual growth has averaged 6 percent, and inflation fell from 17.6 percent in 2003 to 1.4 percent in 2006. The basic primary balance averaged 9.1 percent of GDP and fiscal performance has been strong (see Annex 4).

Medium-Term Prospects

54. **The medium-term outlook is generally positive.** It is based on real GDP annual growth of about 6-7 percent. Inflation stabilized at 6 percent at end 2007 after accelerating markedly in the first half of the year when food prices surged as a result of increases in import costs (e.g., rice). The inflation rate is expected to remain in the 4-5 percent range in the medium term. The fiscal basic balance is expected to register a surplus of 3 percent of GDP a year to help bring down domestic public debt to a sustainable path. It is anticipated that domestic revenues will remain at around 21 percent of GDP, reflecting progress in tax administration reforms. Progress has been slow but the growth of domestic debt has been contained. The stock of gross domestic debt stood at 31.2 percent of GDP at end-2006 and has come down to 29.1 percent of GDP in 2007, reflecting sustained good fiscal performance. It is projected to fall to less than 21 percent by the end of 2009, to 13.7 percent of GDP in 2012, and to 8.4 percent of GDP in 2027. Over the longer term, lower debt service is expected to provide additional space for increased priority expenditures and to partially offset the downward trend in externally-funded projects.

55. The Gambia's economy remains vulnerable to exogenous shocks, including higher oil prices and droughts. Attainment of the positive outlook will require the continuous implementation of sound macroeconomic policies, market-oriented structural reforms, and an

efficient Government investment program. However, the economy is still expected to annually grow at approximately 6-7 percent, benefiting from recent high levels of foreign direct investment, a projected increase in official project aid, and continued opportunities in the services and industry sectors. Reflecting these trends, the external current account deficit (including official transfers) is expected to decline from 12 percent in 2008 to 9 percent of GDP in 2011, a sign of strong growth in tourism earnings and a slowdown of import growth. Continued fiscal discipline will be critical. The authorities have reiterated their resolve to contain the fiscal deficit, better align budget priorities with their poverty strategy, and improve the efficiency and transparency in the use of public resources.

Table 6: Projection of Key Macroeconomic Indicators – 2006-2011³⁵

	2006	2007	2008	2009	2010	2011
Real GDP Growth (% change)	6.5	7.0	6.5	6.5	6.0	6.0
Inflation (end of period)	1.4	5.0	5.0	5.0	5.0	5.0
Gross Domestic Investment	27.9	23.6	24.9	24.0	24.0	24.0
Gross Domestic Savings	16.4	12.8	12.8	13.2	12.0	12.0
Current Account (excluding official transfers)	-74.7	-104.1	-138.7	-146.3	-137.4	-136.4
Current Acct Balance (excl off.transf) % GDP	-14.7	-16.1	-17.5	-17.0	-14.8	-13.6

Source: IMF

C - DEBT SUSTAINABILITY AND MANAGEMENT

56. The Gambia recently became eligible for additional debt relief under the Multilateral Debt Relief Initiative (MDRI) upon reaching the Completion Point under the Enhanced HIPC Initiative³⁶. While full delivery of the above debt relief significantly reduces external public debt, there is a high risk that The Gambia will remain in debt distress, according to the LIC DSA³⁷. The large domestic debt stock further supports the assessment that the risk of debt distress remains high. Sensitivity analysis shows that the country's external public debt indicators would substantially worsen in the presence of large adverse shocks to export performance and increased external financing on less concessional terms. The risk of remaining in debt distress underscores the importance of continued fiscal prudence, policies to support broad-based growth and export diversification, sustained donor support and improved debt management.

57. The Government has initiated plans to strengthen debt sustainability. The second PRSP outlines a national development strategy that will encourage continued economic growth, particularly exports of goods and services, which will strengthen the country's capacity to service its debt. The PRSP also prioritizes prudent fiscal and debt management policies. The Government has increased the minimum grant element in new external borrowing to 45 percent, and it plans on limiting the volume of non-concessional borrowing for the foreseeable future. It will further prioritize PRSP initiatives in line with available funding. The Government has committed to developing a comprehensive debt management

³⁵ These IMF figures differ from those in the PRSP. Revised official data and recent economic developments suggest a significantly higher outlook for the GDP growth rate than originally anticipated. This largely explains the differences in projections. In their assessment of the PRSP, IMF and World Bank staff have recommended that the PRSP macroeconomic framework be updated with the latest available data. This can be done in the next Annual Progress Report (APR).

³⁶ See HIPC Report 41413-GM of November 28, 2007 (Board presentation on December 18, 2007).

³⁷ The updated Low Income Country (LIC) Debt Sustainability Analysis (DSA) shows that the NPV of debt-to-exports ratio falls to 108 percent after the full delivery of HIPC and MDRI assistance, which is above the policy dependent threshold of 100 percent.

strategy. Its debt management capacity was assessed by the World Bank in March 2007 based on the Government Debt Management Performance Management Framework (GDM-PMF). This assessment provides a basis for the refinement and finalization of the debt management strategy.

IV – WORLD BANK/AfDB STRATEGY FY08-11

A - LESSONS FROM PAST WORLD BANK/AFDB ASSISTANCE³⁸

58. Implementation of the 2003 World Bank CAS and the 2002-2004 AfDB CSP offer valuable lessons for the JAS. Some progress was made in achieving the objectives of the two strategies. Social indicators have improved. Macroeconomic management has improved, as has the fiscal situation. Over the past year, the Government has taken steps to improve the business environment. Progress has been made in sectors where there are clear strategies in place, such as education. Progress was also made where strategies took into account other donor programs to ensure complementarity.

59. With the benefit of hindsight, the strategic objectives were ambitious given country conditions at the time they were formulated following a period of economic difficulties and problems with economic management. Early in the period, the dialogue was not effective in rural development and energy. Economic reform could not be launched because the Government was not prepared to go forward, as policy frameworks were not in place.

60. The World Bank and AfDB adopted a more results-oriented approach, but the strategy documents did not offer fully developed indicators. Emphasis was gradually placed on increased focus on some critical indicators and key results in selected areas.

61. Some generic problems have adversely affected the quality of the portfolio of both institutions in the past³⁹: (i) weak co-ordination between the DOSFEA and the implementing agencies; (ii) delays in ratifying and fulfilling the conditions of financing agreements; (iii) inadequate timely availability of counterpart funding; (iv) episodes of non-adherence to procurement and disbursement procedures; (v) delays in submitting regular project audit reports and quarterly progress reports; (vi) ineffectiveness of project steering committees; and (vii) weak technical and administrative capacities of executing agencies. An important lesson is that project design should give more attention to managerial and technical capacity in light of critical shortage in capacity at all levels, including at local levels. On the World Bank side, the adoption of country financing parameters in 2005 has helped minimize the fiduciary risks. For both institutions, close supervision and a focus on simpler project design have mitigated the above risks.

62. Solid analytical and advisory activities (AAA) was prepared by the two institutions to ground policy dialogue, notably on public expenditure reform. An assessment of seven World Bank economic and sector work was recently completed⁴⁰ as part of the 2003 CAS review process by a panel. The Panel found that the AAA program was strategically relevant given clear linkages with the main CAS themes, the Bank's poverty alleviation goals, the PRSP, and other donors' programs.

³⁸ See Annex 13 (World Bank CAS FY03-07 Completion Report)

³⁹ Refer to Annex 9 for details of current IDA-funded portfolio and to Annex 10 for current AfDB-funded portfolio.

⁴⁰ AAA reports recently evaluated by the internal audit department at the World Bank, include the following: 2003 CFAA, 2005 CPIP, 2004 PER, 2005 PER, 2006 PER, 2003 PPIAF trust fund on PURA.

63. Based on the above lessons, there are some important implications for the new JAS:
- Because of capacity constraints, technical support under projects tends to require especially high staff supervision inputs;
 - As governance is central to a successful PRSP implementation, the new JAS should continue to place a strong emphasis on it. Achievements in investment climate reform and public expenditure management can be used as a proxy for economic management and thus governance.
 - Given constraints on IDA and ADF allocations, JAS continues to be leveraged with that of other donors. The JAS objectives take into account available resources.
 - The World Bank and AfDB intend to continue to coordinate closely on policy reform with the IMF and other donors, to strengthen the message and dialogue with Government.
 - Strong coordination is needed among donors on program implementation.
 - JAS is results-based: outcome indicators are clearly linked to interventions, the JAS shows a linkage between indicators and higher level objectives in the PRSP.

B - FRAMEWORK FOR WORLD BANK/AFDB ENGAGEMENT IN THE GAMBIA

JAS Framework

64. **This JAS is being prepared at a time** when the country has completed its MDG-based PRSP-II and the Government has just become eligible for debt relief under HIPC and MDRI. There are expectations of increased project aid from development partners, with a roundtable planned for February 2008.

65. As noted in the introduction, **this JAS was prepared jointly by the World Bank and AfDB** and represents the first step of an effort to harmonize donor assistance in The Gambia in line with the Paris Declaration on Aid Effectiveness. It will allow the two institutions to align their development programs, avoid duplication of efforts, and combine their technical expertise. Under this joint strategy, the World Bank and the AfDB have developed shared objectives and a common platform for lending and non-lending services. These will include coordinated contributions to budget support, complementary investments in growth and competitiveness, and joint analytical work in the areas of public finance, civil service reform and governance, as detailed in Annex 1.

JAS approach

66. **Closer alignment with national priorities.** The strategy is based on extensive discussions held with the Government, the development partners, and civil society (see Annex 12 on the consultation process). The JAS covers about the same period as the PRSP-II (2007-2011) and supports the achievement of PRSP-II results. This country-based model builds on the core principles of the Africa Action Plan⁴¹ (AAP). The JAS supports the aspects of the Government program where the two institutions have a comparative advantage and where the Government feels that such support is most needed.

⁴¹ Meeting the Challenge of Africa's Development: A World Bank Group Action Plan (SecM2005-0445), August 17, 2005. The JAS focuses on four of the AAP's flagships, namely those aimed to (i) strengthen the private sector, (ii) increase the economic empowerment of women, (iii) build skills for competitiveness in a global economy, and (iv) raise agricultural productivity.

67. **Strategic selectivity and donor coordination.** In order to achieve its objectives, the JAS will take into account lessons learned by both institutions in the implementation of their previous strategies, the performance and orientation of current portfolios, the role of other partners, and the experience in terms of public-private partnerships. The challenge is to respond within the constraints of IDA and ADF allocations⁴², as well as the constraints of the country's absorptive capacity and debt sustainability. This JAS will apply strategic selectivity by not allocating resources to some key aspects of the PRSP-II agenda, such as support to HIV/AIDS, nutrition, telecommunications, generation, transport, which will benefit from assistance by other donors during the JAS period. For example, support to infrastructure development and some productive sectors is provided by the European Union (transport, including feeder roads; electricity). This selectivity has been applied through a process of prioritization discussed jointly by the Government, AfDB and the World Bank. Given that the social sectors are covered under the current IDA and ADF portfolios during the 2008-2011 period, the Government has asked that the JAS be focused for the most part on the growth agenda. As a result of this process, only four new lending operations⁴³ are planned during the JAS period where the World Bank and the African Development Bank have comparative advantages: (i) a series of two budget support operations, (ii) a Growth and Competitiveness project, and (iii) a Livestock and Horticulture project (see Table 7).

68. **Additional funding options.** Given limited IDA and ADF resources, additional funding options will be explored. Collaboration with IFC (Global Trade Finance Program, technical assistance, access to e-markets, etc) on the World Bank Group side, and possibly through the Private Sector Window on the AfDB side, will strengthen PSD impact and provide support to MSMEs. Leveraging of funds for the growth agenda will be sought through the Enhanced Integrated Framework (EIF – see para. 106). The use of trust funds such as GPOBA (water and sanitation), PPIAF (energy and regulatory framework), Japan PHRD (support to communities and capacity building in education) will be vigorously pursued. The Government has also applied for financing under the EFA Catalytic Fund in the education sector for the period 2008-2010.. To the extent possible, the JAS will make provisions for ensuring that conditions are put in place for financing regional programs under the next IDA and ADF financing cycle. For example, in infrastructure, plans to construct the Gambia bridge have been revived and efforts are currently underway by AfDB to revise the costing of the project. AfDB will also support the regional OMVG energy program under its private sector window, through the Fund for African Private Sector Assistance (FAPA). The FAPA technical assistance co-financed with NEPAD to prepare the project has been approved and the grant agreement letter has been signed. Different types of public private partnerships have been proposed and will be examined.

69. **Integrated approach.** To deliver nationwide results in areas such as improved efficiency of public finance, or to achieve results in specific geographical areas or sectors (such as energy or groundnuts), the approach will combine various instruments (budget support for possible policy options, investment operations, community interventions for capacity building through NGOs). In the energy sector, for example, support will be channeled through technical assistance under PPIAF for the development of a master plan, while possible small-scale investment may be funded under a World Bank Growth and Competitiveness operation for the build-up of service platforms, or under the AfDB Rural Electrification Project for provision of electricity at local levels. In the groundnut sector,

⁴² The scope of new IDA and ADF financing during the JAS period is limited, as the country's forgone IDA and ADF debt service under the MDRI Initiative will be deducted from the country's allocations (see paras 114-115).

⁴³ Additional financing in support of the Capacity Building for Economic Management project was approved in October 2007 (FY08)

some capacity building/technical assistance will be funded under the IDA and ADF funded operations, while the policy dialogue will be conducted under the proposed policy lending.

70. A major challenge for The Gambia is to **build public sector capacity** in order to ensure efficient government functions, support good governance and promote growth. In line with the Capacity Development Management Action Plan (CDMAP) prepared by the World Bank, this JAS will help build capacity across sectors, projects and analytical activities. This will be done at the level of ministries and the administration, as well as at the level of local communities and civil society organizations. Activities to be financed by the World Bank and/or AfDB will include:

- carrying out a civil service reform study and providing support to implement some of the study's recommendations,
- supporting reforms of public systems and the capacity of staff to run them (procurement, statistics, budget cycle),
- supporting capacity development of justice sector institutions,
- scaling up support to local governments and service delivery at decentralized levels,
- providing assistance in education at the primary, secondary and tertiary levels, as well as assistance in skills development,
- strengthening the monitoring of PRSP results, and
- ensuring donor coordination on capacity building activities.

71. **Managing the existing portfolio**⁴⁴. Successful implementation of the ongoing portfolios will be an important tool for achievement of the JAS outcomes, supported by new operations and analytical work under the new joint strategy. Efforts will focus on enhancing implementation quality in order to attain results. Effective portfolio management requires a strong presence in the field. On the World Bank side, the Liaison Office is playing a key role in this respect. The Country Director will continue to visit The Gambia on a regular basis and facilitate a quarterly portfolio review (mini-CPPR) process. There are also a number of Dakar-based project task team leaders. In addition, a Monitoring and Evaluation (M&E) specialist and an operations officer were decentralized to Dakar as of October 2007. On the AfDB side, support from SNFO and regular missions by Head quarters' staff will allow for close supervision of JAS implementation.

72. **This JAS will focus on results and outcomes**, and will help harmonize M&E requirements, including in areas such as budget support. The Results Matrix (Annex 1) summarizes (i) the PRSP-II objectives that the JAS seeks to support, (ii) the results that both institutions hope to achieve through their interventions and for which they will both be held accountable, and (iii) the instruments that both institutions will use to implement the program. Should changes occur during JAS implementation, whether in terms of resource availability or performance, IDA and ADF-funded activities would be adjusted accordingly. In addition, a mid-term JAS progress report is scheduled for early 2010, which will allow the AfDB and the World Bank to review and discuss necessary adjustments.

JAS Instruments

73. **Budget Support**. The JAS will be a platform for the two institutions, working in a complementary fashion, to re-engage the Government in policy lending⁴⁵. The Gambia is

⁴⁴ See Annexes 10 and 11.

⁴⁵ Development Policy Lending (DPL at the World Bank) is called Policy Based Lending (PBL) at the AfDB). The last IDA-funded adjustment operation closed in 1992 (2nd Structural Adjustment). On the AfDB side, the second Structural Adjustment loan (SAL II) was approved in January 1990 and became fully disbursed by July 1992.

ready to transition to budget support, given its good growth record and demonstrated continued commitment to improving its macroeconomic policy and fiduciary systems. Given the governance and institutional weaknesses noted earlier, appropriate measures will be incorporated in the design of the policy lending operations to mitigate these risks, including (a) incorporating recommendations of the Country Financial Analytical Assessment (CFAA)⁴⁶, (b) taking into account the institutional capacity for implementation, (c) incorporating work being carried out under ongoing donor support to improve public expenditure management systems⁴⁷.

74. Should the Government's reform program stall or macroeconomic conditions deteriorate significantly during the JAS period, IDA and ADF resources earmarked for budget support would be reallocated to less risky investments and poverty-targeting operations. On the other hand, if the gradual reform scenario continues, the World Bank and AfDB will focus on areas where further traction is likely and in sectors contributing to The Gambia's path to prosperity. In order to foster demand for good governance and strengthen social accountability, public sector management interventions will be supplemented with active engagement at the level of the domestic private sector and with support to institutions outside central government, such as civil society, local communities and NGOs.

75. During the JAS period, it is anticipated that up to a third of IDA and ADF financing to The Gambia will be provided through a series of two DPLs. Given the fact that the World Bank and the AfDB have not engaged in budget support in The Gambia for a long period of time, a programmatic approach is proposed in the form of a series of two operations, the first one to be financed by the World Bank in early FY09 (about US\$7 million), and the second one by the AfDB (about US\$3 million) with a time lag of nine to twelve months. Should additional IDA resources become available, notably as a result of gradual improvement in the country's performance, a co-financing by IDA of the AfDB-funded operation could be envisaged. The JAS will condition these two successive operations, to the greatest extent possible, on achievement of a set of indicators that will be agreed with Government and with other donors (budget support will also be provided by the EU, starting in late 2009). Monitoring will be done jointly through a Memorandum of Understanding and a joint results-matrix (World Bank, AfDB). With regard to the preparation of the policy matrix, and in an effort to coordinate the approach of various donors, the EU will be invited to provide input, given the expected future EU budget support (about Euro 20 million over the period CY10-13).

76. **Analytical work** will help lay the foundation for support to the JAS key objectives. Both institutions will ensure that, within their limited budget envelopes, sufficient resources are allocated for the preparation of new lending operations, including for upstream AAA. The AAA program has been developed taking into account the analytical work of other development partners and knowledge gaps affecting the policy dialogue, or project preparation implementation.

77. The core diagnostic tasks that were completed by the World Bank and AfDB in prior years have helped support the values element of the new JAS, in particular with regard to the governance agenda (CFAA, CPAR., PERs). Lessons have been learned from these activities, including the need for supporting continued capacity building, dissemination and knowledge sharing.

⁴⁶ Prepared in FY08 by a joint World Bank and AfDB team.

⁴⁷ IDA-funded Capacity Building for Economic Management Project, and AfDB-funded Institutional Support for Economic Management project.

C – PROPOSED WORLD BANK/AfDB PROGRAMS AND EXPECTED OUTCOMES

78. **The proposed JAS platform for 2008-2011 is based on two main pillars** (see Table 7 below: (i) Strengthening the institutional framework for economic management and public service delivery, and (ii) Enhancing productive capacity and accelerating growth and competitiveness. The JAS results matrix is presented in Annex 1. The matrix establishes the results chain for the JAS program and focuses on outputs and outcomes, linked to longer term country outcomes. Indicators have been identified to measure progress.

JAS Pillar 1* **Strengthening the Institutional Framework for Economic Management and Public Service Delivery*

79. This pillar is linked to the first, third and fourth pillars of PRSP II and will aim at (i) improving the enabling policy environment, (ii) improving coverage of the basic social services and social protection needs of the poor and vulnerable, and (iii) enhancing governance. The success and sustainability of the Government's efforts in promoting growth and reducing poverty will very much depend on macroeconomic stability and the pace of structural reforms aimed at increasing the availability of services and facilitating their access. Specifically, the World Bank and AfDB will seek to assist the Government in improving budgetary practices to increase the resource allocation and in supporting social programs in order to achieve better access to public services and outcomes in education and health, water and sanitation (see Annex 1 for contribution of Pillar 1 to PRSP-II objectives and for JAS outcomes/milestones and interventions by AfDB and the World Bank).

80. During the JAS implementation period, the strategy will focus on governance. In particular, it will address issues related to the efficiency of public resource management and the effectiveness of public service delivery in sectors such as education, health, water and rural electrification. It will support civil service reform to make civil servants more accountable and address issues of high turnover rates.

EXPECTED RESULTS - PILLAR ONE

(i) Improving the transparency and accountability in the use of public resources

81. Strengthening governance is crucial in improving economic management and public service delivery in The Gambia. By strengthening budgetary procedures, fiduciary reforms help improve the efficiency of expenditures. By encouraging the involvement of local governments and civil society, these reforms help optimize spending allocations.

82. The Government is committed to sustain ongoing public financial management reforms. The 2003 CFAA action plan prepared jointly by donors⁴⁸, as well as the recommendations emanating from the World Bank's FY04, FY05 and FY06 Public Expenditures Reviews helped to raise the awareness of the key challenges and necessary actions and to place the reforms on the agenda of both the Government and donors over the past few years.

⁴⁸ Including the World Bank and AfDB

Table 7
Ongoing and Proposed JAS Lending and Analytical Program (2008-2011)

World Bank	AfDB
PILLAR 1 -Strengthening Economic Management and Public Service Delivery	
Ongoing Portfolio Capac. Building for Econ. Management (CBEMP) (\$15.0 m) Supplemental CBEMP (\$3.0 m) ⁴⁹ Education Phase 2 (\$8.0 m) Community Driven Development (\$12.0 m) Regional Locust (\$1.9 m)	Ongoing Portfolio Institutional Support for Economic Management and Governance (UA1.4 m) Basic Education (UA10.0 m) Health Services Development (UA7.0 m)
Planned Lending Budget Support (1 st in series of 2)	Planned Lending Budget Support (2 nd in series of 2)
Ongoing AAA	Ongoing AAA Renewable Energy Study
Planned AAA Civil Service Study/Governance Profile Country Financial Accountability Assessment Poverty Assessment Public Expenditure Review (PER)	Planned AAA Civil Service Study/Governance Profile Country Financial Accountability Assessment Gender Profile Banjul Port Study
PILLAR 2 - Enhancing Productive Capacity and Accelerating Growth and Competitiveness	
Ongoing Portfolio Gateway (US16.0 m)	Ongoing Portfolio Farmer Managed Rice Irrigation (UA5.5 m) NERICA Dissemination (UA1.5 m) Peri Urban Agricultural Development (UA5.0 m) Artisanal Fisheries Development (UA2.9 m) Participatory Integrated Watershed (UA4.95m) Entrepreneurship Promotion & Microfinance (UA8.0 m) Community Skills Improvement (UA5.9 m)
Planned Lending Growth & Competitiveness Budget Support (1 st in series of 2)	Planned Lending Livestock and Horticulture Development Budget Support (2 nd in series of 2)
Ongoing AAA Multi-country PPIAF Multi Sect. Regul. Framework	Ongoing AAA
Planned AAA PPIAF Development of Energy Master Plan PPIAF Tariff Modeling	Planned AAA Diagnostic Re-export Trade Study Private Sector Profile

⁴⁹ was approved in October 2007 (FY08).

(a) Outcome: Strengthened public financial management

83. Progress was realized in the implementation of the Integrated Financial Management Information System (IFMIS), which is acknowledged by the Government as an integral part of its strategy to strengthen public expenditure management and monitor PRSP-related expenditures. The first phase of IFMIS was launched in January 2007.

84. **Further integrating PRSP priorities into the Government budget.** The PRSP emphasizes the adoption of a medium-term expenditure framework (MTEF) as a means to further deepen the integration of PRSP priorities with the budget. This will require improved reliability of future projections of sectoral resource allocations, and the preparation of costed sector strategies based on explicitly defined outcomes and outputs. During the JAS period, efforts in this direction may be initiated in the education sector.

85. In procurement, the World Bank has been providing extensive support in revising the legal framework and establishing the semi-autonomous Gambia Public Procurement Authority (GPPA). A CPIP was carried out in 2003. An action plan was prepared in 2005 to improve the national procurement system by (i) consolidating a comprehensive legal framework (regulations, bidding documents), (ii) setting up an institutional framework with clearly defined roles and accountabilities (policies, execution, internal and external controls and sanctions), and (iii) building capacities (in particular in decentralized areas). It is important that the plan be discussed so that these actions can be validated and prioritized. This would in turn facilitate the move toward the use of country systems by the donor community and support the dialogue with Government on ways to separate GPPA regulatory and control functions in line with the OECD/DAC recommendations on procurement.

Lending Instrument:

86. The World Bank will continue to support the ongoing reforms during the JAS period through the Capacity Building for Economic Management operation. Additional financing for that project was approved in October 2007 in order to (i) implement the second phase of IFMIS, (ii) complete the establishment of the Gambia Revenue Authority, and (iii) initiate the upgrading of ASYCUDA to version ++.

87. The AfDB will provide support under the Institutional Support for Economic and Financial Governance operation. The project will provide assistance in the strengthening of the internal audit function, with support to the National Audit Office. It will also provide support to SPACO (Strategy for Poverty Alleviation Coordinating Office) and DOSFEA (Department of State for Finance and Economic Affairs).

88. Both institutions will promote the implementation of public finance management reforms through budget support. As noted above, in designing the policy-based lending; considerations will be given to (i) the available analytical underpinning, (ii) the institutional capacity for implementation, (iii) the need to improve public expenditure management systems, and (iv) activities of other partners. In the context of the JAS, the budget support operation would mainly focus on public finance management and civil service reform.

Analytical work:

89. Coordination between the Government and donors was crucial and will continue to be a key factor with the preparation of a CFAA, to be carried out jointly by key donors in FY08, as analytical work in preparation of the first budget support operation. The CFAA will be conducted by applying the Public Expenditure Financial Accountability (PEFA) measurement framework. It will assess the fiduciary risk management in the country and will assist the Government in strengthening the national financial architecture. A full Public Expenditure Review will be prepared in FY09, as an input in the second budget support operation.

(b) Outcome: Strengthened national statistical system

90. The JAS will continue to support the Government in its efforts to improve data quality and availability so that monitoring of economic developments and poverty reduction can be strengthened.

Lending Instrument and analytical work:

91. The World Bank and the AfDB will actively support this agenda through the above-mentioned Economic Management support projects and the budget support operations. In addition, the World Bank will finance the preparation of a poverty assessment in FY08 with possible AfDB participation. A detailed implementation plan for the Gambia Bureau of Statistics (GBOS) is to be costed (with assistance provided under a World Bank Trust Fund) and discussed at the next donor roundtable.

(c) Outcome: Strengthened audit function

92. The PRSP emphasizes the need to improve transparency and accountability in planning, designing and implementing the PRSP program by facilitating citizen engagement in the process and public resource management. It also stresses the need to empower local communities to influence priority setting and resource allocation, and the need to ensure continued dialogue with civil society on the actions required to improve PRSP performance.

Lending Instrument:

93. During the JAS period, the World Bank and AfDB support will seek to strengthen the role of Parliament and civil society in overseeing and controlling the use of public resources. The ADF-financed Institutional Support for Economic Management and Governance Project will provide assistance to the National Audit Office, the new Directorate of Central Project Management and Aid Coordination, SPACO, and the Gambia Bureau of Statistics. The World Bank-financed Community-Driven Development project will support local governments in delivering a platform of basic social and infrastructure needs, and hence will increase public sector accountability by allowing beneficiaries to oversee the use of these funds.

(ii) Improving civil service***Outcome: Enhanced Human Resource management policy and tools are available and used in public administration***

94. The PRSP acknowledges that the civil service serves as a catalyst for economic development and growth. The effectiveness of the State to use public funds will largely depend on its capacity to manage its human resources. Constraints include insufficient political will on the part of the Government to institute wholesale reform, high attrition, poor remuneration, inability to motivate and retain skilled personnel to allow for career development and security of tenure, and ineffective utilization of expatriate staff to ensure skills transfer.

Analytical work:

95. A Governance Profile has been prepared by the AfDB and a civil service reform study is being conducted in FY08 jointly by the World Bank and AfDB to complement the above analysis. It will propose an action plan to be supported by both institutions, notably under the budget support operation. In particular, both institutions will support activities in the education sector to motivate key staffs to work in under-served regions.

96. Initiatives in the medium term include preparation of (i) a pay reform strategy to be funded under budget support, (ii) a pension reform strategy, (iii) employment and payroll management, and (iv) performance incentives to support results management.

(iii) Public service delivery in education, health, water and sanitation, and rural electrification

*(a) Education. Outcome 1: Gross primary enrollment rate reaches 100%
Outcome 2: Gross completion rate reaches 90%*

97. The PRSP identifies education as a key determinant of poverty reduction in The Gambia, which is part of the Education for All Initiative. The PRSP notes that the next challenge is to improve education outcomes and the quality of schooling. Primary completion is now at 62 percent and is expected to increase to 80 percent by 2010 and to 100 percent by 2015. During the JAS period, substantial attention is to be given to expanding access to quality education, especially for girls. The World Bank (Education Phase 2 APL) and AfDB (Basic Education Project) have had a long-term involvement in the sector. The two institutions will continue their support to the sector in the following areas (i) improving performance of students, teachers and schools, (ii) strengthening capacity building and performance management, and enhancing monitoring and evaluation, and (iii) continuing expansion of effective access to under-served communities.

(b) Health. Outcome 1: Increased number of households with access to basic health services

98. The PRSP notes that the challenge is to put greater emphasis on primary services and preventive care. The World Bank will continue to provide support to improving health services by expanding community-based services under the Community-Driven Development operation. The project allows rural communities, in partnership with Local Government Authorities to plan, implement and maintain their priority social and economic investments, including in health. The AfDB Health Services Development Project has been successful in increasing access to health services⁵⁰.

(c) Water and Sanitation. Outcome: Increased number of water and sanitation connections in Greater Banjul Area

99. The PRSP's objective is to provide access to safe water to 100 percent of the population in the Greater Banjul area and to 90 percent in peri-urban, growth centers and rural areas of the country. A Water and Sanitation study is being financed by AfDB. It will form the basis for a Water Supply and Sanitation Project to be financed by the AfDB if additional resources beyond the expected country allocation become available.

100. Support to the sector could be envisaged by the World Bank Group under a possible output-based aid (OBA) program. OBA is one method for improving the delivery of basic services when the inability of users to pay full cost would justify performance-based subsidies to complement or replace user fees. This financing could be made available in The Gambia for improving the delivery of water and sanitation. Support to the Government's program of small public infrastructure in urban areas⁵¹ was provided by the World Bank under the Poverty Alleviation and Capacity Building Project (including financing of pavements, markets, and schools). IDA funding of a follow-up project to PACAB could be

⁵⁰ Is being extended.

⁵¹ The PACAB project closed in December 2006 (US\$19 million)

envisaged in the next JAS cycle under IDA-16. Should additional resources become available under IDA-15, preparation could be moved forward (as a “standby” operation).

(d) Rural Electrification. Outcome: Increased number of households with access to electricity in targeted areas

101. The Rural Electrification Project financed by the ADF and BADEA is to provide continuous power supply to 46 towns and villages outside the Greater Banjul Area. It represents the initial stage of a national grid which will eventually be connected to the Greater Banjul System. The major challenge facing the energy sector is to increase the electricity access rate to 10 percent by 2011 and to provide sustainable alternative fuels for cooking since biomass based fuels are unsustainable. The other challenge is creating additional capacity to generate and transmit electricity and increasing the sector efficiency by reducing the system losses. To meet the energy needs of The Gambia in the future, the ADF funded a Renewable Energy Master Plan study, which made numerous recommendations in particular to use biogas, solar thermal, methane, and hybrid diesel-wind technologies to generate renewable energy. By investing in renewable energy technologies, The Gambia can gain by selling Carbon credits to the developed countries, thereby drawing benefits from Clean Development Mechanism (CDM) of Kyoto Protocol.

JAS Pillar 2 Enhancing Productive Capacity and Accelerating Growth and Competitiveness

102. This JAS pillar is in support of pillar 2 of PRSP II. The JAS will provide a framework for strategic investments and policy options to (i) support growth poles in The Gambia and (ii) address key barriers to investment. These poles could be centered around key sectors of the economy such as tourism and agricultural exports. In order to improve the productive capacity of the poor, the strategy will provide support to agriculture and livestock development, skills development for women, and microfinance.

103. The World Bank and the AfDB bring significant comparative advantage in terms of (i) supporting the multi-dimensionality of development of these growth poles, (ii) making an impact through complementarities of investments, and (iii) leveraging additional financing resources.

EXPECTED RESULTS – PILLAR TWO

(i) Promoting a competitive investment climate/Growth and Competitiveness

Outcome 1: Increased number of tourists

Outcome 2: Increased volume of agribusiness exports

Outcome 3: Improved credit to private sector

104. The Gambia’s business environment presents both challenges and opportunities. Foreign direct investment is high (over 10 percent of GDP), mostly to finance hotels for the tourism industry. IFC/FIAS will assist the authorities in addressing existing administrative barriers that firms face when they want to establish themselves and operate in the country. In particular, in the context of the World Bank-financed Gateway project, they will review new investment policies, notably the Investment Act, the Free Zone Act, investment incentives, their administration and impact. They will also review the simplification of customs and business registration procedures. Initiatives to support access to credit are described below. Finally, they will support capacity and skills building initiatives.

105. As noted in para 16, tourism is the dominant sector of the economy. Agricultural production and exports constitute another potential driver of growth. Current growth in The Gambia is, to a large extent, spurred by the private sector, but constraints remain in terms of poor infrastructure and the need to strengthen the business climate and policy environment. This context creates the justification for the concept of growth poles to help provide the adequate business environment to stimulate and lead economic growth in selected areas.

106. The support to “growth poles” in The Gambia, as well as initiatives aimed at addressing constraints to growth and competitiveness could be financed under a proposed Growth and Competitiveness operation. *Tourism and agricultural exports* could be envisaged as possible growth pole components of the project.

107. The project would rely on an infrastructure platform to help accelerate the growth of these sectors. This platform would be composed of main infrastructure upgrades in the energy, water and transport sectors to attract private sector investments. This infrastructure platform would be complemented by policy reform in the business environment (including in the financial sector), and some activities under the ongoing World Bank-financed Gateway project.

108. The World Bank is a core agency of the Enhanced Integrated Framework (EIF). A DTIS was carried out in 2007. The EIF will have some US\$3-4 million per country to support the implementation of the DTIS during the JAS period, with particular emphasis on the growth and competitiveness agenda.

(ii) Facilitating access to financial resources by micro, small and medium sized enterprises (MSMEs)

Outcome: Improved access to finance

109. The private sector in The Gambia consists mainly of MSMEs, which are constrained by limited access to finance and poor management and technical capacity. Based on previous poor performance of projects in The Gambia, IFC has chosen a selective approach by focusing on enhancing the capacity of local financial institutions to improve the access to finance of their existing and potential SME clients. Activities that IFC is currently looking to finance include: (i) improving access to finance through investment in local microfinance institutions and provision of facilities under the IFC Global Trade Finance Program to local commercial banks, (ii) strengthening enterprise skills (capacity building) and market linkages of these institutions through advisory services (through the PEP Africa and Africa MSME Programs), (iii) improving the business environment (reducing cost of compliance with business regulations for the formal sector). These activities would complement SME support to be provided by AfDB within the same strategic framework.

110. The ADF-funded Entrepreneurship Promotion and Microfinance Development Project is supporting the training of rural women, men, and youth in entrepreneurship and skills training to become economically empowered. The project also has a microfinance component for wholesaling to experienced and qualified non-banking institutions. In addition, the private sector arm of the AfDB will support SMEs in the context of this JAS.

(iii) Strengthening the agricultural sector*Outcome 1: Improved productivity of crops, livestock and forestry**Outcome 2: Improved prevention and locust early warning system*

111. The sector has been stagnant and lacks a coherent strategy. Agriculture-related activities will contribute to poverty reduction and improved foreign trade by sustaining the conditions for (i) improved efficiency of the groundnut sector, and (ii) the development of the potential of the Gambia's agricultural sector, beyond groundnuts. Activities which could be financed could include (i) rehabilitation of river transportation to alleviate current constraints to the evacuation of groundnut harvests, (ii) capacity building of the various stakeholders/information exchange (quality/food safety issues), (iii) research, and (iv) support to commercial environment.

112. The PRSP notes that most of the poor are farmers in rural areas, particularly groundnut farmers, and that agricultural productivity has stagnated in recent years. The assessment by World Bank and IMF staff of initiatives in the agricultural sector recommends that these initiatives be further focused on private sector promotion. Development of the sector will likely require a multi-sectoral approach which encompasses agricultural development, employment creation, and access to social basic services and infrastructure.

113. The World Bank is providing assistance to the rural poor through a Community-Driven Development operation, whereby rural communities plan, implement and maintain their priority social and economic investments. The Gateway project is providing some support to the groundnut sector in terms of limited rehabilitation of river barges for the 2007/8 harvest and technical assistance to kick start the implementation of the sector roadmap. As noted above, the proposed Growth and Competitiveness operation would help develop the potential of the Gambia's agricultural sector beyond groundnuts.

114. The AfDB has traditionally given special attention to the agricultural sector in The Gambia because it is the major occupation of close to 70 percent of the active workforce⁵². The on-going agricultural portfolio consists of seven projects including three multinational projects (see Annex 11). The proposed interventions will allow diversification of crop and animal production systems, efficient management of natural resources, and the development of rural financial services. The AfDB group, with 22 percent of its cumulative commitments to agriculture in The Gambia, has built up significant experience and expertise in the sector. The proposed Livestock and Horticulture operation, which is to be implemented nationwide, is country-driven and will build on the Peri-Urban Smallholder Improvement Project (PSIP). The latter is one of the best performing projects in the on-going portfolio. Ninety percent of PSIP beneficiaries are women and the proposed project will target rural women as well.

(iv) Enabling the environment for development of the energy sector*Outcome 1: Secure funding for investments identified**In new electricity master plan**Outcome 2: PURA applies new regulatory tools*

115. During the JAS period, the World Bank Group will provide support to The Gambia's energy sector, including technical assistance for the development of an Energy Master Plan,

⁵² In addition to consistency with the country's development agenda, this is consistent with the AfDB Strategic Plan through 2007, which considers agriculture and rural development as an important priority area.

possibly through a Public-Private Infrastructure Advisory Facility (PPIAF) funding. The proposed funding could also cover regulatory aspects, energy access and prioritization of investments to support The Gambia's growth agenda. The AfDB is also providing support in the area of renewable energy through the commissioning of rural electrification projects. For example, under the Community Skills Improvement Project, 21 skills centers in rural areas are being equipped with solar panels.

116. If an understanding is reached on the sector framework, IDA funding of a small project at the national or regional level could be envisaged in the next JAS cycle under IDA-16, with preparation to start in 2011 as a "standby" operation. Preparation could be moved forward if additional resources become available under IDA-15. On the AfDB side, the "private sector window" plans to support an energy program for the Gambia River Basin Development Organization (OMVG) in the form of a public private partnership that includes The Gambia. Technical Assistance has been approved and coordination among the two institutions will be pursued.

D - ESTIMATED RESOURCE ENVELOPES

Table 8: World Bank and AfDB allocations (FY08-011)

	World Bank (US m)			African Development Bank (UA m)(US\$m)				
IDA-14	Additional Financing CBEMP	FY08	3.0					
IDA-15	Budget Support	FY09	7.0	ADF-11	Budget Support	CY09	2.0	3.0
	Growth & Competitiveness	FY10	8.0	ADF-11	Livestock and Horticulture	CY08	4.5	7.0
OBA	Water & Sanitation	TBD	TBD	ADF-11/12	Water and Sanitation	TBD	TBD	TBD
IFC	SME/Microfinance	TBD	TBD	Priv.Sect	Line of Credit to SMEs	TBD	TBD	TBD

World Bank

117. Actual allocations during the JAS period will be determined on an annual basis and will depend on (i) total IDA resources available, (ii) the country's performance rating⁵³, (iii) the performance of other IDA borrowers, (iv) the number of IDA-eligible countries; and (v) terms of financial assistance (grants or credits).

118. As presented in Table 8, the joint strategy has been prepared on the basis of an estimated \$18 million allocation over the period FY08-11. Supplemental financing of US\$3 million under the Capacity Building for Economic Management Project has been approved in FY08. The period FY09-11 will be covered under IDA-15. The envelope under IDA-15

⁵³ IDA country allocations are based on the country performance ratings (CPR), which is based on CPIA ratings, country portfolio ratings, and governance indicators.

takes into account the fact that debt relief under MDRI has been netted out of the IDA allocation⁵⁴. The IDA allocation to each project should be seen as indicative.

African Development Bank

119. Actual allocations during the JAS period will be determined under ADF-11 (2008-2010) and ADF-12 (2011). As for ADF11, MDRI debt relief is netted out of the IDA envelope⁵⁵. Given that ADF-11 resources are yet to be determined, it is assumed that the level of ADF resources will correspond to the level under ADF-X, minus MDRI: about US\$10 million, including about US\$3.0 million for budget support, assuming guidelines of ADF-X apply. Confirmation of whether they apply will be known after the ADF XI Replenishment Meetings in early 2008. Naturally, the ADF-XII allocation for 2011 is not yet determined.

V – RESULTS MONITORING AND EVALUATION

120. **A National Planning Commission (NPC) is being set up to coordinate planning and implementation of PRSP-II.** A pro-poor advocacy group (Pro-PAG) has also been established by Civil Society Organizations (CSOs) to participate in the monitoring of the PRSP. In terms of monitoring capacity, good progress has been made in restructuring the Central Statistics Department (CSD), transforming it into the semiautonomous Gambia Bureau of Statistics (GBOS), and providing training programs and new recruitment of its staff. A new Statistics Act was enacted in 2005, a Statistical Master Plan has been prepared, and a Statistics Council constituted. It is important that adequate resources be channeled to GBOS to ensure its semi-independence and hold it accountable for improved data quality and availability. The poverty database has been improved through the 2003 household Expenditure Survey, the 2003 population census and the 2005/06 economic census. The World Bank and AfDB are currently working with GBOS in preparing a Poverty Assessment and will be working with the Government on disseminating results within a few months of data collection.

121. **A JAS implementation monitoring system is in place.** To ensure adequate review of AfDB and World Bank contributions toward the development of The Gambia, related activities under the control of the two institutions are well defined in Annex 1. The JAS matrix includes a list of results and intermediate outcomes to be monitored during the period FY08-11 and for which the two institutions will be jointly held accountable. Project activities will be assessed on a regular basis, including during regular portfolio reviews. The overall JAS and portfolio M&E systems will contribute to increasing the country's capacity to monitor its PRSP program and strengthening the country's data capacity and external aid monitoring. The JAS implementation monitoring system will be linked to the Government's PRSP monitoring in different ways, including through (i) regular reporting on World Bank/AfDB projects and programs (review of key performance indicators, portfolio reviews, project completion reports), and (ii) a mid-term evaluation of the Joint Assistance Strategy.

⁵⁴ Debt cancellation under the MDRI from IDA would result in average annual debt service savings (net of HIPC assistance) for The Gambia of US\$4.6 million between 2008 and 2011 and US\$6.1 million over the next 30 years.

⁵⁵ MDRI relief from the AfDB will yield annual debt service savings (net of HIPC assistance) averaging US\$1.6 million over the next five years and US\$3.9 million over the following 39 years.

VI – PARTNERSHIPS and PARTICIPATION

122. The Gambia continues to be highly dependent on external development assistance. Over 80 percent of the country's development budget is contributed by the international donor community. Major donors include the AfDB, the World Bank, IMF, EU, DFID, OPEC, UNDP, the UN agencies, Taiwan RoC, and Japan (see a summary of donor interventions in Annex 8).

123. **External donor assistance** is expected to increase over the period 2007-2012. The Government is planning a donor conference in February 2008 to mobilize additional external aid for supporting the implementation of PRSP-II.

124. **The issue of aid harmonization is important in a small country like The Gambia.** More than 15 donors are providing assistance, which is channeled through a broad variety of entities, both governmental and non-governmental. An overall framework for external partners' coordination is not yet in place, and different government agencies deal with different development assistance agencies. The Gambia has signed the Paris Declaration on Aid Effectiveness, and most external partners are aligning external assistance with country objectives, but are preparing separate assistance strategies for the period 2007-2011, including UNDP and the EU. This JAS is an important step in the process of harmonization.

125. The preparation of this JAS was discussed with other partners. Joint analytical work is envisaged with a number of donors, including on fiduciary issues, such as the next Country Financial Accountability Assessment (CFAA). Joint project supervision will be sought, along the lines of what is already in place in the education sector⁵⁶. This JAS also supports the Government taking the lead in coordinating donor assistance, in particular through the newly established Central Project Management and Aid Coordination Directorate. Progress in terms of donor collaboration will be measured at the time of the JAS Progress Report to see to what extent a further consolidation of strategic frameworks could be envisaged for the next cycle (2012-2015), notably with the UNDP and the EU.

126. **Participation.** The JAS is based on in-depth discussions with the Government and consultations with donors and other stakeholders. First, a one-day workshop on "The Gambia Path to prosperity" was held in Washington DC in early March 2007 on "The Gambia with a Government high-level delegation led by the Vice President and attended by seven Secretaries of State, representatives of the private sector, and donors. The workshop discussed sources of growth, key development challenges and the country's priorities. The authorities expressed their views on the proposed support to be provided by the World Bank and the AfDB to the Government's development agenda. Additional insights came from follow-up consultations in The Gambia in April 2007 with Government. As progress was made on triggers to meet the HIPC Completion Point, and as it became clear that the IDA and ADF resource envelopes would be adjusted downward to take into account the MDRI debt relief, in-country consultations were held in October 2007 to revisit the scope of the strategy and to hold discussions with stakeholders and donors (see Annex 12 for more details).

VII - MANAGING RISKS

127. **There are two external factors which pose risks to the successful implementation of the proposed joint strategy.** First, the country remains vulnerable to drought. Weather-

⁵⁶ Government's Education Program is now supervised jointly under Government leadership by all donors involved.

related shocks have a spillover effect on critical sectors such as tourism, agriculture and infrastructure. This JAS strongly supports risk mitigation measures in rural areas and agricultural productivity.

128. Second, given the country's small domestic market and strong reliance on external trade and service industries, The Gambia is susceptible to an increase in oil prices, possible global recession, and related changes in the tourism sector. The emphasis in the joint strategy on supporting fiscal prudence and economic diversification through improving the business environment is essential to mitigate these risks.

129. **Risks to the reform momentum are moderate.** The finalization of a new PRSP, and indications of increased project aid from development partners provide the necessary space for the Government to generate a consensus on economic reform measures. However, the World Bank and AfDB programs are relatively small and may not have the necessary leverage. Donor coordination is therefore crucial to accompany the Government's reform program in a more meaningful and sustained way.

130. **The potential deterioration of the macro situation is a risk,** which could be potentially triggered in the event of any number of exogenous shocks, or in the case of policy slippages. The JAS program reflects the need for maintaining fiscal balances and reducing domestic borrowing. The high level of external debt is also a risk factor. The authorities intend to limit new debt accumulation and to keep borrowing on highly concessional terms. The country has requested assistance for the development and adoption of a new debt strategy by mid-2008 to ensure debt sustainability beyond the HIPC Completion Point.

131. **Governance remains a factor.** Inadequate fiduciary controls could result in increased corruption and could undermine investor and donor confidence. The Government is taking actions to improve governance in key areas. The World Bank and AfDB will continue to (i) engage in policy and institutional reform, (ii) carry out a systematic analysis of corruption risks in sectors of potential engagement, (iii) strengthen project and portfolio supervision efforts, (iv) pursue remedies when corruption is found, and (v) enhance disclosure of information to facilitate oversight of project implementation by beneficiaries and civil society. The proposed re-engagement of the two institutions in budget support operations is a sign of improvement of the country's own systems. In case of significant improvements or slippages in core governance areas, the program of activities financed under this JAS could be adjusted.

132. **Managing capacity shortage.** Capacities of public institutions in The Gambia are notably constrained by high staff turnover and unfilled positions. The two institutions will work closely with the Government to complete a civil service reform study and to provide the necessary support to put in place the proposed recommendations.

133. Finally, **at the level of project implementation,** the development effectiveness of portfolios financed by the AfDB and the World Bank are hampered by the weak capacity in project management. To mitigate this risk, the two institutions will work closely with Government and other development partners to increase support to public sector reform, including civil service reform, and to provide extensive capacity building at national and local levels in the context of projects and analytical work. The JAS program will be monitored on an annual basis and a formal JAS mid-term review will be conducted to assess progress and determine the need for any revisions to the scale and scope of the proposed programs.

VIII - CONCLUSION

134. Strong recent macro-economic progress and the expected HIPC Completion Point and MDRI debt relief in the coming months provide a good basis for renewed growth in the Gambia, to be guided by the Government's PRSP framework. To ensure that the poor have increased access to the benefits of accelerated growth, The Gambia will need to strengthen its institutions and public service delivery mechanisms as well as the productive capacity especially that of the poor. The World Bank and the AfDB will continue to provide full support to these efforts over the next four years as outlined in this document.

Annex 1: JAS Results Matrix for The Gambia

Country Goals PRSP/MDGs	Issues that Hinder Development of Desired Outcomes	Outcomes and Indicators the WB and AfDB expect to influence by June 2011	Milestones/Progress Indicators	WB Interventions	AfDB Interventions
JAS Pillar 1 – Strengthening the Institutional Framework for Economic Management and Public Service Delivery					
Improving the transparency and accountability in the use of public resources					
Improvement of revenue mobilization and tax administration	Tax administration is manual and lacks performance incentives.	Outcome : Strengthened public financial management		- CBEMP	- Institutional Support for Economic and Financial Governance
		1. Improved performance of public resource management	GRA's budget is linked with revenue collection by end-2010.	- Budget Support	
		GRA increases annual revenue collection by x		- CFAA	- Budget Support
		2. Improved efficiency of tax administration	A new tax administration IT system is fully developed and used for processing of all large taxpayers by end-2009.	- Poverty Assessment	- CFAA
		Tax administration system is fully operationalized and processing all taxpayers.		- PERs	
Greater efficiency and transparency in use of public resources	Budget process is annual and poorly linked with policies. Preparation and auditing of public accounts are delayed.	3. Improved budget preparation process	Customs Act revised and adopted by end-2009. Prepare a multi-year resource envelope based on macro framework by end-2009.		
		MTEF incorporates debt reduction plan & ensures adequate balance btw development and recurrent expenditures. The PRSP and budgeting processes integrated.	Budget outturns of development expenditures published by end- 2009.		

Increased Public Sector Accountability through better information and controls	Official statistics are neither reliable or widely available nor produced in a timely manner.	Outcome : Strengthened national statistical system			
	Backlog of auditing of public accounts undermines transparency and accountability of use of public resources.	Key findings from national surveys disseminated within x months of data collection. Outcome : Strengthened audit function Audit of public accounts produced a disseminated within x months of fiscal year.	National accounts data disseminated using new methodology by end-2009. Clear backlog of unaudited accounts by end-2010.		
Improving civil service					
Improved Human Resource Management	Civil service capacity is low and declining.	Outcome : Enhanced HR management policy and tools are used in public administration		Civil Service Study	Civil Service Study/Governance Profile
	Civil service compensation is poor even by sub-Saharan Africa standards. Effective HR management tools lacking.	HR and payroll information systems integrated and capable of conducting functional review of line ministries and linking PRSP priorities with MTEF by end-2010.	All key ministry staff are paid on time through new payroll system by end-2008.	Budget Support	Budget Support
Improving public service delivery in education, health, water and sanitation, and rural electrification					
MDG Universal primary enrollment achieved by 2015	- Education quality low. - Low enrollment in religious & traditional communities.	Outcome : Gross primary enrollment rate reaches 100% Outcome: Gross completion rate reaches 90%	- Reading skills among primary school students improves by x percent	Education Phase 2 \$8m, PHRD \$3m EFA \$4.5m Multi-grade reading initiative	Basic Education
Improved health of population at community level		Outcome : Increase number of household with access to basic health services by x	Construction/rehabilitation of health posts	World-Bank funded CDD	AfDB-financed Health Services Development Project

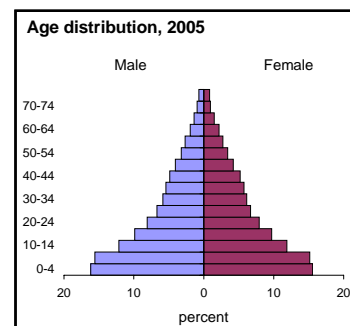
<p>Improved provision of basic infrastructure MDG: Improved coverage of households with access to clean water and sanitation Improved provision of electricity in rural areas</p>	<ul style="list-style-type: none"> - Lack of financing. - Poor management of the sector. - Inadequate investment by local governments. - limited reach of NAWEC grid in rural areas. - limited capacity of NAWEC to expand its grid: <ul style="list-style-type: none"> - absence of a program for alternative off-grid electrification. 	<p>Outcome : Increase number of water and sanitation connections by x in the greater Banjul area.</p> <p>Outcome : Increase number of households with access to electricity by xx in targeted areas</p>	<p>Specific targets to be achieved relating to delegated management control between NAWAC/Local Government authorities and GAMWORKS.</p> <p>[No milestone is defined given that lending will not be approved until JAS mid-term.]</p>	<p>OBA TA</p>	<p>Rural Electrification</p>
<p>JAS Pillar 2: Enhancing Growth and Competitiveness and the Productive Capacity of the Poor</p>					
<p>Promoting a Competitive Investment Climate/Growth and Competitiveness</p>					
<p>Improved Investment Climate Increased private sector growth in tourism and agribusiness</p>	<ul style="list-style-type: none"> - Inadequate infrastructure - Poor institutional capacity - Low private investment - Lack of access to finance - Long approval process for obtaining a lease or transfer of land for commercial purposes - Proliferation of local and sectoral taxes 	<p>Outcome: Increase number of tourists by x</p> <p>Outcome: Increase volume of agribusiness exports by x</p> <p>Outcome: Increase credit to private sector</p>	<ul style="list-style-type: none"> - number of tourists in targeted areas - volume of agribusiness exports by x commodity 	<p>Gateway</p> <p>ICA</p> <p>DTIS</p> <p>Growth and Competitiveness</p> <p>PPIAF TA (energy master plan)</p> <p>IFC support to MSMEs</p>	<p>Livestock and Horticulture</p>

Facilitating Access to Financial Resources by SMEs				
Improved access to finance by MSMEs	<ul style="list-style-type: none"> - MSMEs lack of financing access through commercial banks - Lack of MSMEs lending skills - Conservative commercial bank practices - Commercial banks are the only significant players in the financial market. 	<p>Outcome: Improved access to finance</p> <ul style="list-style-type: none"> - Number of loans disbursed for MSMEs No. of repeat customers with larger value loans increases. 	<p>IFC support to MSMEs</p> <p>No of additional institutions providing access to finance</p>	<p>Entrepreneurship Promotion</p> <p>Community Skills Improvement</p>
Strengthening the Agricultural Sector				
Increased agricultural and livestock production	<ul style="list-style-type: none"> - Weak infrastructure - Lack of crop diversification - Weak provision of agriculture services and extension - Lack of training - Soil erosion 	<p>Outcome: Improved productivity of crops, livestock and forestry</p> <p>Increase yields in targeted crops</p>	<p>Number of completed infrastructure (irrigation facilities, wells)</p>	<ul style="list-style-type: none"> - Rice Irrigation - NERICA - Peri Urban Ag - Watershed Irrig - Aquatic Weeds - OMVG - Livestock and Horticulture
Reduce the hardships imposed on people and the environment by current and future locust invasions	<ul style="list-style-type: none"> - Weak capacity to manage possible future infestations - Absence of strategy for prevention, early warning, reaction and mitigation 	<p>Outcome: Improved prevention and locust early warning reaction</p>	<p>- Pesticide storage in place (prevention)</p>	<p>Locust</p>
Enabling the Environment for Development of Energy Sector				
Expand the generation, transmission and distribution of electricity	<ul style="list-style-type: none"> - Electricity affordability - Absence of least-cost expansion mechanism - Inadequacy of NAWEC's network to satisfy growing demand - Low access rates beyond the Greater Banjul Area 	<p>Outcome: Secure funding for investments identified in new Electricity master plan</p> <p>Outcome: PURA applies new tariff</p>	<p>Electricity master plan prepared</p> <p>New regulatory tools developed</p>	<p>TA through PPIAF (Preparation master plan)</p> <p>TA through PPIAF (PURA regulation)</p>

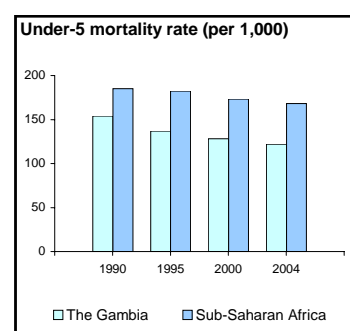
The Gambia at a glance

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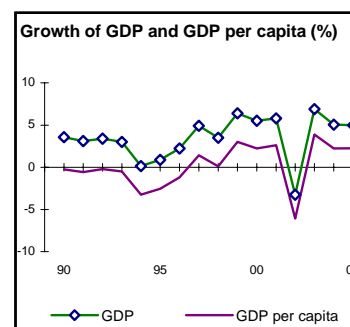
Key Development Indicators	The Gambia	Sub-Saharan Africa	Low income
(2005)			
Population, mid-year (millions)	1.5	741	2,353
Surface area (thousand sq. km)	11	24,265	29,265
Population growth (%)	2.6	2.1	1.8
Urban population (% of total population)	26	37	31
GNI (Atlas method, US\$ billions)	0.4	552	1,364
GNI per capita (Atlas method, US\$)	290	745	580
GNI per capita (PPP, international \$)	1,920	1,981	2,486
GDP growth (%)	6.5 (2006)	5.3	7.5
GDP per capita growth (%)	3.7 (2006)	3.1	5.6



(most recent estimate, 2000–2005)			
Poverty headcount ratio at \$1 a day (PPP, %)	59 ^a	44	..
Poverty headcount ratio at \$2 a day (PPP, %)	..	75	..
Life expectancy at birth (years)	56	46	59
Infant mortality (per 1,000 live births)	89	100	80
Child malnutrition (% of children under 5)	17	29	39
Adult literacy, male (% of ages 15 and older)	..	..	73
Adult literacy, female (% of ages 15 and older)	..	..	50
Gross primary enrollment, male (% of age group)	79	99	110
Gross primary enrollment, female (% of age group)	84	87	99
Access to an improved water source (% of population)	82	56	75
Access to improved sanitation facilities (% of population)	53	37	38



Net Aid Flows	1980	1990	2000	2005 ^b
<i>(US\$ millions)</i>				
Net ODA and official aid	55	99	49	63
<i>Top 3 donors (in 2004):</i>				
United States	4	12	3	3
Japan	0	6	3	3
Germany	5	4	3	2
Aid (% of GNI)	23.0	34.0	12.3	16.5
Aid per capita (US\$)	84	106	37	43



Long-Term Economic Trends	1980	1990	2000	2005
Consumer prices (annual % change)	6.8	12.2	0.2	3.2
GDP implicit deflator (annual % change)	-0.2	12.0	3.7	4.3
Exchange rate (annual average, local per US\$)	1.7	7.9	12.8	28.6
Terms of trade index (2000 = 100)	..	100	100	100
Population, mid-year (millions)	0.7	0.9	1.3	1.5
GDP (US\$ millions)	241	317	421	461
<i>(% of GDP)</i>				
Agriculture	30.8	29.0	35.8	33.0
Industry	14.9	13.1	13.1	13.0
Manufacturing	5.6	6.6	5.4	5.1
Services	54.3	57.9	51.1	53.9
Household final consumption expenditure	63.0	75.6	77.8	78.5
General gov't final consumption expenditure	31.2	13.7	13.7	11.1
Gross capital formation	26.7	22.3	17.4	25.0
Exports of goods and services	42.7	59.9	48.0	43.4
Imports of goods and services	63.6	71.6	56.8	60.3
Gross savings	..	5.3	13.6	11.9

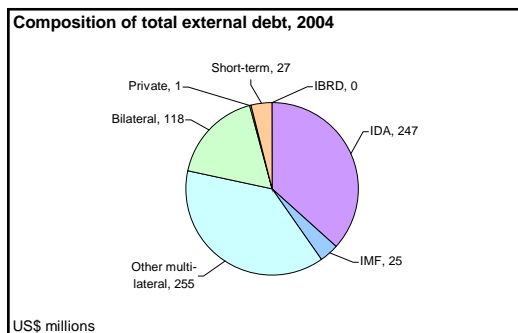
1980–90 1990–2000 2000–05
(average annual growth %)

Note: Figures in italics are for years other than those specified. 2005 data are preliminary estimates. .. indicates data are not available.
a. Country poverty estimate is for 1998. b. Aid data are for 2004.

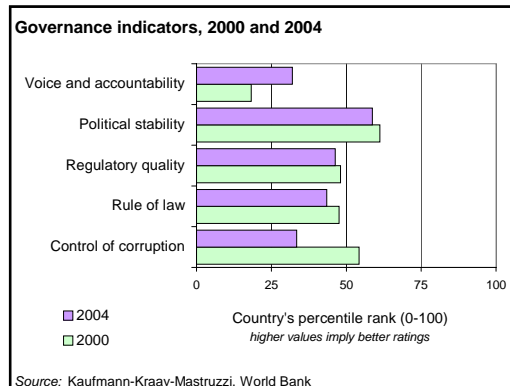
Balance of Payments and Trade	2000	2005
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	126	118
Total merchandise imports (cif)	193	197
Net trade in goods and services	-37	-78
Workers' remittances and compensation of employees (receipts)	14	8
Current account balance as a % of GDP	-16	-60
	-3.8	-13.0
Reserves, including gold	111	85
Central Government Finance		
<i>(% of GDP)</i>		
Revenue	18.5	19.8
Tax revenue	16.2	17.2
Expense	22.1	30.1
Cash surplus/deficit	-1.8	-9.2
Highest marginal tax rate (%)		
Individual	..	35
Corporate	..	35

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	483	674
Total debt service	22	34
HIPC and MDRI debt relief (expected; flow)	90	..
Total debt (% of GDP)	114.8	168.1
Total debt service (% of exports)	9.5	16.6
Foreign direct investment (net inflows)	44	60
Portfolio equity (net inflows)	0	0



Private Sector Development	2000	2005
Time required to start a business (days)	-	..
Cost to start a business (% of GNI per capita)	-	..
Time required to register property (days)	-	..
Ranked as a major constraint to business (% of managers surveyed who agreed)		
n.a.
n.a.
Stock market capitalization (% of GDP)
Bank branches (per 100,000 people)



Technology and Infrastructure	2000	2004
Paved roads (% of total)	35.4	19.3
Fixed line and mobile phone subscribers (per 1,000 people)	30	99
High technology exports (% of manufactured exports)	3.1	2.6

Environment

Agricultural land (% of land area)	75	78
Forest area (% of land area, 2000 and 2005)	46.1	47.1
Nationally protected areas (% of land area)	..	2.3
Freshwater resources per capita (cu. meters)	..	2,030
Freshwater withdrawal (% of internal resources)	..	1.0
CO2 emissions per capita (mt)	0.21	0.20
GDP per unit of energy use (2000 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2005
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	171	245
Disbursements	8	19
Total debt service	4	6
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	1	1
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified. 2005 data are preliminary estimates.
.. indicates data are not available. - indicates observation is not applicable.

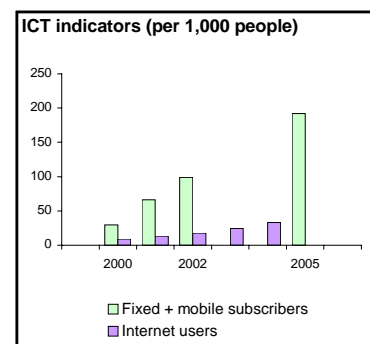
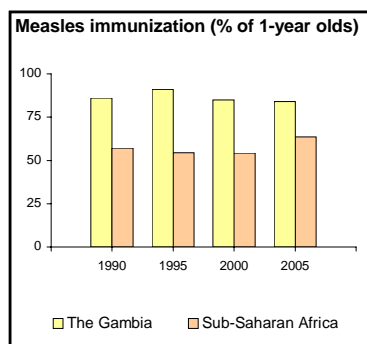
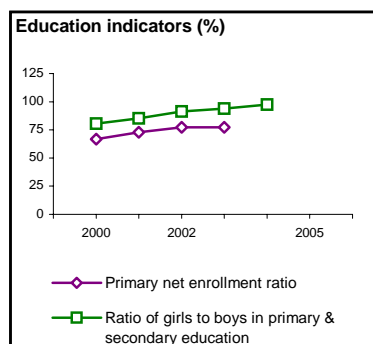
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Millennium Development Goals

The Gambia

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	The Gambia			
	1990	1995	2000	2005
Goal 1: halve the rates for \$1 a day poverty and malnutrition				
Poverty headcount ratio at \$1 a day (PPP, % of population)	..	..	59.3	..
Poverty headcount ratio at national poverty line (% of population)	64.0	..	57.6	..
Share of income or consumption to the poorest quintile (%)	..	..	4.8	..
Prevalence of malnutrition (% of children under 5)	..	26.2	17.2	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	48	..	67	77
Primary completion rate (% of relevant age group)	43	44	54	..
Secondary school enrollment (gross, %)	18	..	34	47
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	64	..	81	97
Women employed in the nonagricultural sector (% of nonagricultural employment)	21	..	..	..
Proportion of seats held by women in national parliament (%)	8	..	2	13
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	151	146	142	137
Infant mortality rate (per 1,000 live births)	103	101	99	97
Measles immunization (proportion of one-year olds immunized, %)	86	91	85	84
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	540	..
Births attended by skilled health staff (% of total)	44	..	55	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	2.4
Contraceptive prevalence (% of women ages 15-49)	..	..	18	..
Incidence of tuberculosis (per 100,000 people)	189	206	223	242
Tuberculosis cases detected under DOTS (%)	..	76	73	69
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	82	82	82
Access to improved sanitation facilities (% of population)	..	53	53	53
Forest area (% of total land area)	44.2	..	46.1	47.1
Nationally protected areas (% of total land area)	..	..	..	3.5
CO2 emissions (metric tons per capita)	0.2	0.2	0.2	0.2
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Fixed line and mobile phone subscribers (per 1,000 people)	7	19	30	192
Internet users (per 1,000 people)	0	0	9	33
Personal computers (per 1,000 people)	..	1	11	16
Youth unemployment (% of total labor force ages 15-24)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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Annex 3: The Gambia Poverty Indicators

Table A
Poverty Indicators by Local Government Area
 (percentage)

	Poverty Head Count (2003)	Poverty Gap (2003)	Poverty Severity (2003)
	%	%	%
Banjul	7.6	2.2	0.8
Kanifing	37.6	14.1	6.8
Brikama	56.7	24.2	13.7
Mansakonko	62.6	21.9	10.0
Kerewan	69.8	35.1	21.6
Kuntaur	94.9	50.9	30.5
Janjanbureh	75.7	29.0	14.4
Basse	67.9	28.4	15.0

Source: 2003 Household Survey

Table B
Poverty by Gender of the Household Head

Gender	Head Count	Poverty Gap	Poverty Severity	Mean/Capita Living Standard
	%	%	%	Dalasi
Male	48.2	17.2	8.5	14,312
Female	63.0	27.1	15.1	11,303

Source: 2003 Household Survey

Annex 4: Selected Economic and Financial Indicators, 2004-2009

	2004	2005	2006	2007		2008	2009
	Act.	Act.	Act.	1st rev.	Proj.	Proj.	Proj.
					2nd rev.	2nd rev.	2nd rev.
(Annual percentage changes, unless otherwise indicated)							
National income and prices							
Nominal GDP (millions of dalasis)	12,042	13,182	14,248	15,918	16,007	17,900	20,017
Nominal GDP	20.1	9.5	8.1	11.7	12.4	11.8	11.8
GDP at constant prices	7.0	5.1	6.5	7.0	7.0	6.5	6.5
Consumer price index (period average)	14.3	5.0	2.1	5.0	5.0	5.0	5.0
Consumer price index (end of period)	8.1	4.8	0.4	5.0	5.0	5.0	5.0
External sector							
Exports, f.o.b. ¹	10.5	-16.5	3.9	6.2	4.5	3.9	4.5
<i>Of which: domestic exports</i>	47.5	-72.4	143.7	10.8	17.7	3.5	4.7
Imports, f.o.b. ¹	46.2	10.2	-0.6	17.6	21.5	17.8	0.9
Terms of trade ²	-10.2	-13.8	-3.0	-0.6	-0.3	0.7	1.6
Nominal effective exchange rate (period average)	-11.3	4.2	3.0	...	...	...	...
Real effective exchange rate (period average)	-1.2	4.5	1.3	...	...	...	...
Money and credit							
(Percent change; in beginning-of-year broad money)							
Broad money	18.3	13.1	26.2	8.0	8.6	11.8	11.8
Net foreign assets	28.8	0.3	17.8	12.6	-3.6	4.1	3.9
Net domestic assets	-10.5	12.8	8.5	-4.6	12.2	7.7	7.9
Credit to the government (net) ³	-10.6	6.3	3.8	-1.6	-3.8	-2.1	-0.6
Credit to the private sector and public enterprises	-6.5	5.5	8.4	2.6	2.8	3.7	4.0
Claims on foreign exchange bureaus	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Other items net	7.7	1.0	-3.7	-5.6	13.2	6.1	4.5
Velocity (GDP/average broad money)	2.4	2.3	1.9	2.0	2.0	2.0	2.0
Yield on treasury bills (percent per year) ⁴	28.0	12.5	10.4	...	11.6	...	...
(Percent of GDP)							
Gross investment	29.0	26.8	27.9	27.7	23.6	24.9	24.0
Gross domestic savings	8.0	4.1	10.6	4.1	5.3	5.0	5.7
Gross national savings	22.8	11.7	16.4	13.3	12.8	12.8	13.2
Central government budget							
Domestic revenue	20.9	19.7	21.2	22.0	22.1	21.1	21.1
Grants	4.5	1.7	1.7	8.5	6.3	3.9	4.1
Total expenditure and net lending	31.1	30.0	29.2	29.1	25.4	29.1	29.6
Overall balance, including grants	-6.2	-9.2	-6.8	1.4	2.9	-4.1	-4.3
Basic balance ⁵	2.4	-0.1	1.5	4.3	4.1	1.4	1.6
Basic primary balance ⁶	9.6	8.5	8.4	9.2	9.0	4.9	4.7
Net foreign financing	5.7	5.5	5.2	3.2	0.8	4.6	5.0
Net domestic financing	0.5	3.7	1.6	-4.7	-3.3	-0.5	-0.7
Stock of domestic public debt	32.9	35.5	32.2	28.9	29.6	24.3	20.8
External sector							
Current account balance							
Excluding official transfers	-14.7	-20.2	-14.7	-19.4	-16.1	-17.5	-17.0
Including official transfers	-6.1	-15.1	-11.5	-12.9	-10.8	-12.2	-11.8
(Millions of U.S. dollars, unless otherwise indicated)							
Current account balance							
Excluding official transfers	-58.9	-93.4	-74.7	-111.1	-104.1	-138.7	-146.3
Including official transfers	-24.6	-69.6	-58.4	-73.8	-70.1	-96.7	-101.4
Overall balance of payments	31.3	13.0	24.4	10.8	10.4	-3.1	-2.1
Gross official reserves	84.0	96.6	118.6	120.2	120.0	130.0	140.0
In months of imports, c.i.f.	4.3	4.5	5.5	5.7	4.8	4.9	4.5
External public debt							
Stock ⁷	580.7	628.2	676.7	266.9	323.4	377.0	436.7
Stock (percent of GDP)	146.5	134.7	133.6	46.1	49.9	47.5	50.7
Net present value of debt (percent of exports) ⁸	...	215.4	101.9	114.0	106.8	118.5	130.6
External debt service (percent of exports) ⁸	17.7	17.7	16.5	13.1	18.5	7.0	7.0
Use of Fund resources							
(Millions of SDRs)							
Purchases/disbursements	0.0	0.0	0.0	4.0	4.0	4.0	4.0
Repurchases/repayments	-7.6	-1.4	-2.7	-2.8	-2.8	0.0	0.0
Credit outstanding	15.9	14.6	11.8	...	...	...	...

Sources: Gambian authorities; and IMF staff estimates and projections.

¹Computed based on values in U.S. dollars.²Excluding reexports and imports for reexport.³Including advances to the government in foreign currencies.⁴Weighted average for all maturities based on weekly auction data for the month of December for 2004-06, and for October for 2007.⁵Defined as domestic revenue minus expenditure and net lending, excluding externally financed capital expenditure.⁶Defined as domestic revenue minus expenditure and net lending, excluding interest payments and externally financed capital expenditure.⁷Assuming HIPC and MDRI debt relief is delivered at end-2007.⁸Exports of goods and nonfactor services (not including reexports).

Annex 5: Trade Indicators

Table A
Composition of Merchandise Exports (Millions of US dollars)

	1998	2004
Groundnuts	12.5	9.8
Fruits and Vegetables	3.5	3.0
Fish and fish products	3.1	0.3
Cotton	1.4	0.2
Other Domestic Products	2.3	3.1
Re-exports	109.3	101.1
Total	132.1	117.5

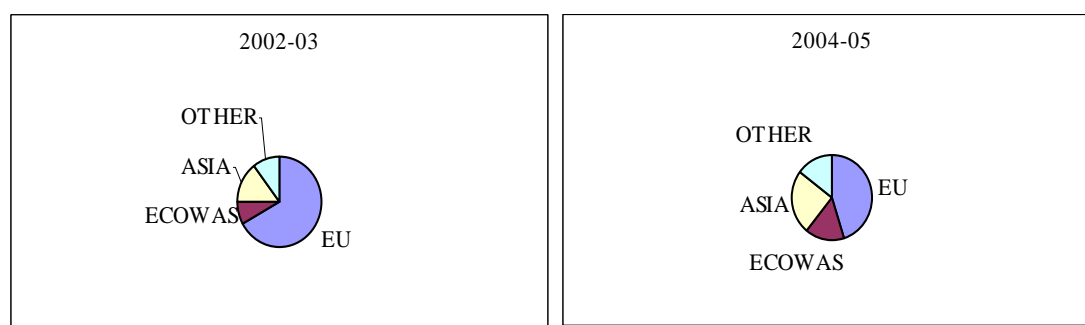
Source: IMF (2006b, Table 34); fruits and vegetables figures corrected using Comtrade data as reported in Chapter 10; 2004 groundnuts figure also corrected by authors.

Table B
The Gambia's Foreign Exchange Earnings by Category
1997-2003 Average (Percentage Share of Total)

Merchandise	17.3
Groundnuts	10.6
Fruits and vegetables	3.0
Fisheries	2.4
Other Merchandise	1.3
Services	62.8
Re-export trade, net	18.8
Transportation	10.8
Tourism	33.2
Remittances	19.8
Total	100

Source: IMF (2004, Table III.2, p. 39).

Figure A
Shares of Imports By Origin



Source: DOSTIE, Trade Review Table.

Annex 6: Governance**Governance Indicators for The Gambia
1996 to 2006**

	2006	2005	2004	2002	2000	1998	1996
Voice and Accountability	23.6	18.3	31.3	32.2	17.8	17.8	11.5
Political Stability	53.4	54.3	56.3	67.8	61.1	65.9	46.2
Government Effectiveness	26.1	28.9	37.0	25.6	37.4	29.4	40.3
Regulatory Quality	39.5	35.1	41.0	33.2	39.5	47.3	6.8
Rule of Law	47.6	45.7	46.2	46.2	49.0	56.7	63.3
Control of Corruption	30.6	29.6	32.0	38.3	42.2	36.4	65.0

Source: WBI Governance Indicators

Annex 7: Growth and Competitiveness

Sectoral Structure of the Economy and Investment Climate

Primary Sector

1. The primary sector is dominated by **agriculture**. About 91 percent of the extremely poor and 72 percent of the poor in The Gambia work in the agricultural sector. However, because of low productivity and value-added, the sector only contributes about a third of GDP. Given these percentages, agriculture is a crucial sector for shared growth, improved food security and poverty reduction. Increasing agricultural productivity and diversification, improving access to markets, and linking the agricultural sector to the growing tourist industry could provide good opportunities to achieve these goals.

2. **Groundnuts** remain the country's main cash crop engaging directly or indirectly over 80 percent of the population. As noted earlier in this report, the groundnut sub-sector continues to involve the largest number of the poor. Exports have declined drastically since the 1980s, hitting an all-time low in the 2006-2007 season. The current crisis is not related to the country's comparative advantage for groundnuts, the shortcomings of farmers, or international market conditions, but rather to a combination of low world prices, inconsistent sector management, and excessive government intervention.

3. The underlying problems in the groundnut sub-sector are numerous: The cooperative movement has consistently shown poor financial and operational management to the point where farmers have lost faith in their institutions; subsidized fertilizer application is value-subtracting; international standards for edible groundnuts and groundnut oil are not widely known or enforced; transport and storage are poor; the industrial processing facilities and river barges suffer from chronic lack of investment and maintenance; and prices do not reflect quality differences. Low quality, especially manifested by high levels of aflatoxin and pesticide residues, has excluded Gambian nuts from the lucrative European market in edibles, relegating them to the birdfeed market.

4. There is an urgent need to (i) reduce dependence on groundnuts by encouraging diversification, and (ii) restore sustained growth in the sector by increasing efficiency and competition at all levels of the value chain through new entries and private sector investments. With improved organization, and the return of experienced strategic investors, groundnut output could be restored to previous highs. With current prices rising, and the prospect of still better prices as quality improves, revenues to farmers could quadruple. The sub-sector needs gradual re-privatization of industrial assets, first through management contracts. This should be accompanied by complementary measures laid out in the Roadmap (recently approved) and policy statement now being finalized to include: a new pricing system, the reorganization of input supplies, crop finance, quality control, maintenance and investment of assets, research and marketing, a revitalized producer organization and a regulatory framework.

5. **Horticulture** seems a promising area of agricultural diversification that could reduce dependence on groundnuts. In the 20 years of its evolution, the Gambian horticultural export industry has made slow progress. A number of entrepreneurs have tried horticulture, and all but two have failed or withdrawn. However, there is room for growth in this sub-sector given the potential in the European and regional markets. With good management and minimal support from Government to provide a conducive business environment, horticultural firms

should be competitive. In addition, there is good potential for linking the agricultural sector to the hotel and tourist trade, and there is scope for processing of fruits and vegetables in connection with the newly created free zones. The sub-sector can contribute to poverty reduction through increased employment in rural areas.

6. **Cashew** is another promising area of diversification⁵⁷. There is significant opportunity for cashew in The Gambia given the intrinsic quality of the nut, the cost structure of collection and export, and the likely growth in the global market. It is critical that these advantages be maintained by providing the best environment in which the industry can develop without intervention. Cashew is an excellent smallholder crop and the impact of a successful development of cashew exports can have a positive effect on incomes in a producing area. Rough estimates suggest that feasible growth in cashew exports over the next ten years could offer income to some 30,000 households, generating annual revenues almost twice as high as for groundnut farmers. This would be more than all those engaged in tourism-related activities – and significantly more of the poor – even if tourism should double in size⁵⁸.

7. **Livestock** rearing in The Gambia is carried out for local consumption and is an important farming activity in The Gambia in fostering food security. However, there is scope for expanding supplies to the local tourist industry and for creating positive linkages with an impact on revenues.

8. The **fishery sector** in The Gambia is unique in its geographical configuration. Marine fisheries' processing and exports are intertwined with the situation in the Senegalese fishing sector, and the crisis there has contributed to a crisis in The Gambia. Exports have fallen from US\$40.0 million (1985) to US\$0.4 million⁵⁹. The number of licensed industrial vessels has dropped from 160 (1991) to 3, and current receipts by the Government are minimal. None of the industrial catch is being processed locally, which is where some of the potential lies for local value-added. Rebuilding a modest industrial fishery sub-sector and expansion of artisanal fisheries appear feasible. Key challenges include the situation of fish resources, international competitiveness, infrastructure, and sector policies.

Secondary Sector

9. The industrial sector, which remains small (at around 13 percent of GDP in 2005), consists mainly of construction and agro-processing activities. The manufacturing sector accounts for only five percent of GDP. However, two small factories are showing new initiative by pioneering a radically different form of export-oriented production, namely the production of garments for the EU market. Both have begun operations in the last two years.

Tertiary Sector

10. **Services, including trade, transport, communications, and tourism are key sub-sectors** and represent a large share of the economy – about 54 percent of GDP in 2005.

⁵⁷ 2007 DTIS

⁵⁸ 2007 DTIS

⁵⁹ This does not capture fish caught by industrial vessels in waters of The Gambia's Exclusive Economic Zone (EEZ) and landed directly abroad.

11. **Trade.** The Gambia has a highly open economy, with import and export ratios to GDP that are higher than most neighboring countries. The Gambia's **import** to GDP ratio averaged nearly 60 percent in the 1980s and 1990s, before dropping somewhat in the early 2000s, but remaining well above the regional average⁶⁰, due to the fact that many imports are re-exported.

12. The main domestically produced **exports** are groundnuts and tourism. Exports of goods and services from The Gambia are equivalent to about 45 percent of GDP⁶¹ (or 30 percent if re-exports are netted out). This is better than some West African countries, but less competitive than some of the best-performing small states in other parts of the world, such as Barbados and Mauritius. The Gambia needs to raise and diversify domestically-produced exports in order to raise the rate of economic growth, enlarge the available pie, and stimulate various demands for the goods and services offered by the poor.

13. Re-exports are one of the most important industries in The Gambia in terms of GDP and employment and play a dominant role as shown in Table 3 in this report. And yet, re-exports are largely ignored in the official documents on The Gambia. The re-export trade accounted for about 80 percent of total exports in 2006 and contributes significantly to government revenue as goods are subject to tariffs when imported even if intended for re-export; consequently 40 percent of The Gambia's total government revenues and 50 percent of tax revenues are from taxes on international trade, a very high dependence even by African standards. Re-exports fell about 10 percent in 2006, continuing the long-term decline since the mid 1990s.

14. A number of factors reduce the country's competitiveness: narrowing of the differential in favor of The Gambia with regard to trade taxes, port handling efficiency, etc. Indeed, the country is confronted with trade policy challenges to its role as a regional trading hub, including the ECOWAS common external tariff, which could have a negative impact on government revenues. Officials in The Gambia understandably express concerns about the sustainability of the re-export trade, as other countries reduce trade barriers and improve trade facilitation.

15. **Framework for trade.** The Gambia fares well in terms of regulations for international trade and for the labor market. In terms of the ease of dealing with licenses and permit requirements for ongoing businesses, the Doing Business (DB) indicators rank the country 73 out of 175 countries, a relatively high ranking. Customs clearance procedures work well by African standards. Like low tariffs, a relatively efficient customs service is a crucial ingredient in The Gambia's re-export trade (see Table G below). To maintain its comparative advantage, the application of procedures can be improved, and corruption needs to be carefully monitored. Although precise data are not available, duty waivers have been estimated to be as high as 16 percent of merchandise imports. The high value of waivers, lapses in recording procedures and discretionary granting of concessions potentially indicate problems with corruption. For the first time in history, Customs conducted a survey of taxpayers at the end of 2005 in order to identify ways to improve services and reduce corruption. This report should be publicized and measures based on its findings implemented

⁶⁰ About 52 percent in 2005

⁶¹ This figure for total exports is somewhat deceptive as it includes a lot of re-exports. To compare with other countries, it is necessary to correct for the disproportionate role of re-exports which are a rather uniquely Gambian phenomenon. Using the figure for net foreign exchange earnings (after accounting for imported inputs), the ratio of exports of goods and services to GDP would be closer to 30 percent.

in order to improve customs operations. The country operates ASYCUDA version 2.7 for which the core modules were recently upgraded and stabilized. This was a major achievement as it effectively computerizes customs administration. At present, the authorities are upgrading the system so that manifest information can be transmitted electronically, and import/export declarations can be inputted directly by the traders.

16. **Institutional Structure for Trade.** The successful formulation and implementation of trade policy and export development poses a major institutional challenge for the Government. It requires effective coordination across government agencies as well as with the private sector and civil society. Normally, this requires a clear strategy with broad ownership, political leadership at a high level, effective coordinating committees, and a secretariat to keep the process moving. None of these elements is in place at present. Some support is to be provided through the Trade Integrated Framework Initiative.

17. **Transport** infrastructure is particularly important in the case of The Gambia, given its ambition to serve as a regional trading hub. Improving access to markets is a key objective. In this regard, the port is the key node, and roads and river transport facilities linking the port to the rest of country and the Region. If Banjul is to compete with other larger ports, The country would therefore have to make numerous improvements to its entire transport network.

18. The *Banjul Port* is efficient in terms of speed and cost of clearance of goods, although improvements could still be made. The *River Gambia* was the initial basis of The Gambia's role as a regional hub, and the main mode of transporting groundnuts. However, river transport has shown a steady downward trend and is underutilized at present. The *airport* benefited from a major overhaul in 1997. It is performing well and also provides links to the above hub. It has the capacity to expand flights considerably. Recent developments in air safety and security warrant scrutiny on the part of the Government. *Roads* are the dominant mode of transport, accounting for more than 90 percent of the total motorized freight and passenger movement, and therefore being a key to trade and growth.

19. **Tourism** in The Gambia is relatively small but of considerable economic significance, and is a major contributor to employment and therefore poverty reduction. Tourism is the top net foreign exchange earner, generating as much as all other exports combined. Tourism constituted 16 percent of GDP in 2006 and contributed over 10,000 direct or indirect jobs, amounting to about 20 percent of all private sector formal jobs. A careful study of the sub-sector has estimated that the direct benefits accruing to the poor from tourism in 2005 were roughly US\$14 million which is more than total gross receipts from all commodity exports combined⁶². Total tourism revenues remaining in the country are closer to US\$50 million.

20. The tourism sector has been growing strongly. The Gambia offers a range of opportunities to broaden its appeal through natural, cultural and historical attractions. Although the tourism sector is thriving, a number of constraints handicap the long-run prospects for growth. Challenges are present in terms of the institutional environment, most notably the deficient supply and high cost of public services; the high cost of electricity; high taxation; high interest rates and lack of access to credit; inadequate marketing of The Gambia in foreign markets, and low capacity. The Government has developed a master plan for

⁶² Jonathan Mitchell and Jojoh Faal, *The Gambian Tourist Value Chain and Prospects for Pro-Poor Tourism*, ODI, December 2006.

tourism development with support from the African Development Fund. It recognizes the problems and recommends a strategy of upgrading tourism facilities, and diversifying its products, along with an enhanced marketing effort to raise The Gambia's profile. However, the Government has been slow to begin implementation.

Investment Climate

21. The recently completed World Bank Investment Climate Assessment for The Gambia shows that in addition to electricity, other obstacles include credit, land access and taxation.

22. **Land.** Most land in the Greater Banjul area is State land and approval from the Department of State for Local Government and Lands is needed for the leasing and mortgaging of land. The approval process for obtaining a lease or transfer of land for commercial purposes is seen as one of the main impediments to investment in The Gambia. Time to register property is 371 days in The Gambia as opposed to 109 for the Africa Region as a whole. The new business park close to the airport will provide areas for business and will help export-oriented firms avoid the land access issue. Also, it is to be noted that the land-tenure system in The Gambia is characterized by a dual ownership structure under the concept of freehold interest and under customary tenure controlled by headmen (Alkalos). As noted in Chapter II of this report, rural women have no rights to own land despite their high engagement in the agricultural sector. The insecurity of tenure among women becomes evident in times of death of spouses or divorce, as they can lose access to the land.

23. **Taxes.** A central issue concerns the proliferation of local and sectoral taxes, which together are oppressive to business⁶³. The Gambia is ranked 165th in 175 countries regarding the payment of taxes in DB indicators. In effect, the overall taxation rate of firms' profits is almost four times higher than the average for Sub-Saharan Africa (see Table G below). For example, the tourism industry faces a variety of special and uncoordinated taxes from both municipalities and the Tourism Authority. The cumulative level of these taxes is too high. Greater coordination of the various taxes is urgently needed. The possibility of substituting a value-added tax for the sales tax should be considered as a way of improving the equity and efficiency.

24. Indirect taxes, consisting of customs and sales tax, account for approximately 75 percent of tax revenue. Revenue collection relies heavily on indirect taxes, but this is not atypical for a small, export-oriented country. The newly established Gambia Revenue Authority (GRA) has as one of its objectives the broadening and diversification the tax base in the country, notably by taxing the informal sector, but this is not easy to accomplish. It could even discourage the entry of informal companies into the modern economy.

25. **Financial Services.** Large domestic borrowing by the Government has contributed towards high interest rates, thus crowding out access to credit by the private sector. In 2006, credit to the private sector and public enterprises was about 13 percent of GDP, which is small compared to most countries in Africa. The agricultural sector received 15.0 percent of loans from commercial banks in 2005⁶⁴. This low level is the result of the restructuring of non-performing loans for groundnut marketing in previous years, which has directed funds away from loans to productive activities. Commercial bank lending rates were around 20-25

⁶³ For more details, see 2004 FIAS report and 2007 DTIS.

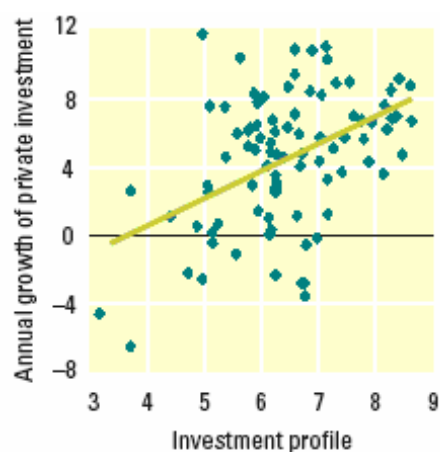
⁶⁴ compared with 24 percent for re-exports and 45 percent for others, including fishing and personal loans

percent, despite the relatively low T-bill rates (11 percent). There are several reasons for inadequate supply and high cost of loans to the private sector: bank inefficiency, the mix of monetary and fiscal policies, the short-term nature of deposits, the lack of an organization to disseminate information on credit risk, and deficiencies in the legal environment. The share of fixed investments financed with bank funds is low in The Gambia, less than five percent compared to almost 18 percent in Senegal.

ANNEX 7 (tables)

Table A

Private investment has grown faster in countries with a better investment climate.



Note: Data presented are averages for 1994–2000. ICRG's index of "investment profile" is based on measures of contract enforceability, expropriation, profit repatriation, and payment delays. Higher numbers are associated with less risk and stronger investment climates.

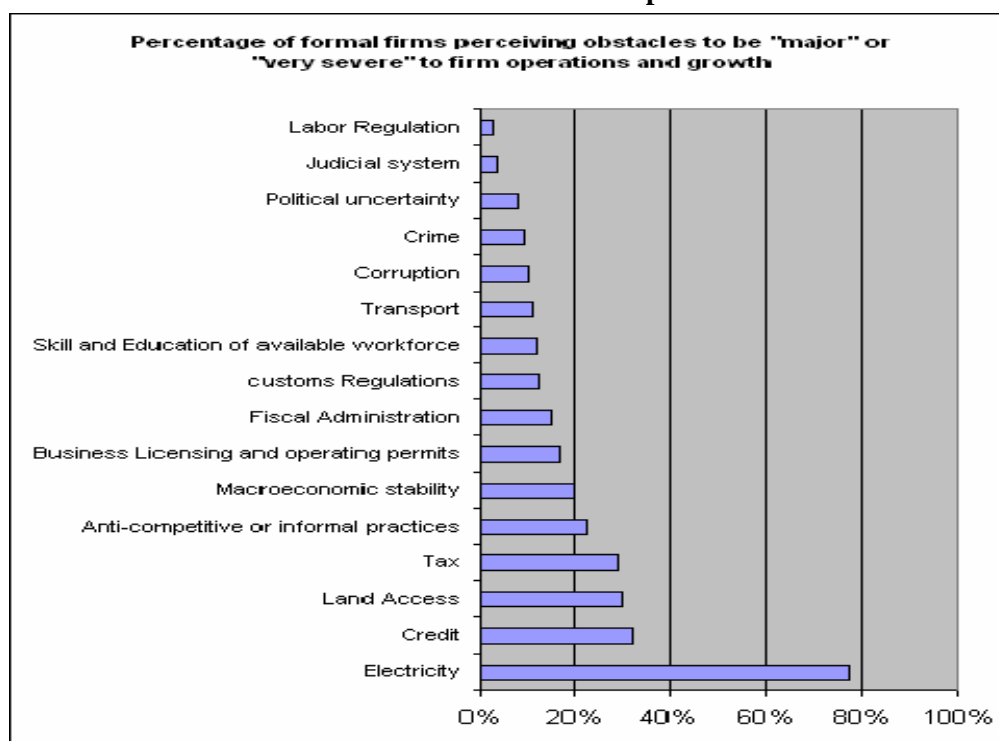
Source: World Bank and International Country Risk Guide.

Table B

2006 Selected Competitiveness Indicators

	Doing Business	World Economic Forum	Heritage Foundation
The Gambia	113	102	123
Benin	137	105	117
Ghana	94	NA	105
Guinea	157	NA	126
Guinea-Bissau	173	NA	131
Kenya	83	94	95
Mali	155	118	88
Nigeria	108	101	146
Senegal	146	NA	83
Tanzania	142	104	94
Uganda	107	113	66
Number of countries	175	125	157

Source: World Bank, World Economic Forum, Heritage Foundation.

Table C**The Gambia - Constraints to Firm Operations and Growth**

Source: Report 2007 Investment climate Assessment

Table D**2006 Doing Business Indicators by Issue, Selected Countries (By ranking)**

	The Gambia	Ghana	Mali	Senegal
Ease of Doing Business Composite	113	94	155	146
Starting a Business	124	145	163	150
Dealing with Licenses	73	83	122	66
Employing Workers	25	120	131	152
Registering Property	130	113	93	151
Getting Credit	143	117	143	143
Protecting Investors	162	33	99	135
Paying Taxes	165	77	141	159
Trading Across Borders	24	61	167	94
Enforcing Contracts	53	50	140	138
Closing a Business	76	94	99	74

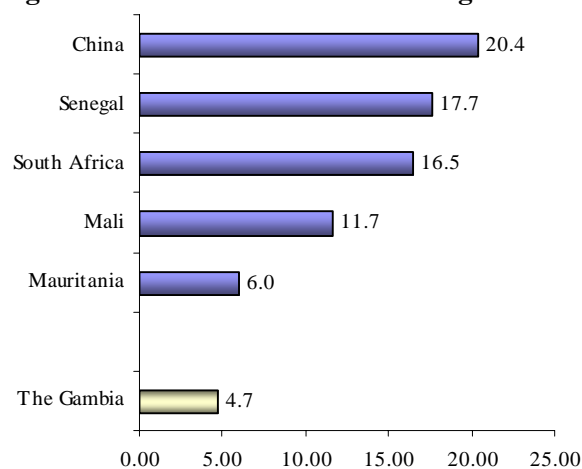
Source: World Bank Doing Business Indicators, online.

Table E
Comparative Cost Structure – Electricity and Telecommunications

	The Gambia	Ghana	Uganda	Mauritius	Senegal
Electricity rates \$ per kWh	US\$0.18 cents up to 130 kWh	US\$0.06	US\$0.03	US\$0.07	US\$0.08
Telephone charges to Europe per minute	US\$0.70	US\$0.50	US\$3.0	US\$1.40	US\$0.50

Source: Sahel Invest

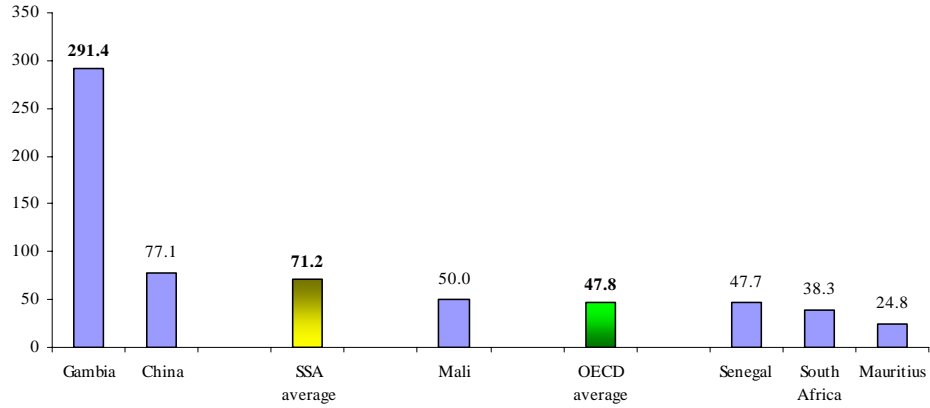
Table F
Percentage of Fixed Assets Financed Through Bank Credit.



Note. Unweighted sample data.

Source. World Bank (2007). *The Gambia: An Assessment of the Investment Climate*

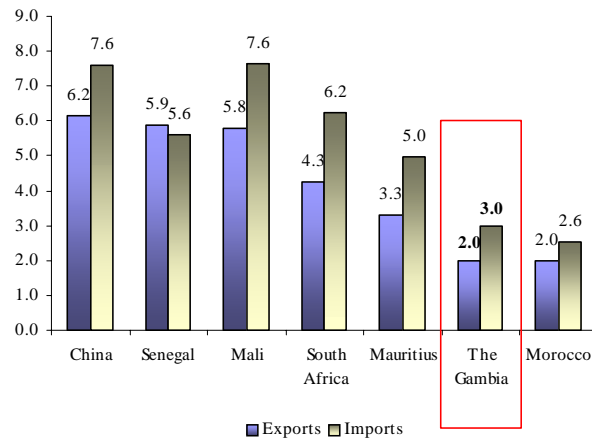
Table G
Taxation of firms in selected countries.



Note.

This indicator considers the total amount of taxes and mandatory contributions payable by a business.
Source. *Doing business 2007*.

Table H
Average time to clear goods at customs (days).



Source. *Enterprise surveys*.

Annex 8: Donor Interventions

Economic Management and Policy Reforms	<p>The World Bank through lending and non-lending operations is providing assistance in the areas of economic formulation and execution and public financial management. Its main on-going operation is “<i>Capacity Building for Economic Management</i>” (US\$ 18.0 m)</p> <p>The IMF is currently providing technical assistance in the areas of financial management, particularly in the areas of revenue administration reforms, including customs and the establishment of a central Revenue Authority. It has also provided assistance to the Statistics Department in updating the CPI data and improving the national accounts.</p> <p>The AfDB Group through its “<i>Institutional Support for Economic Management and Governance</i>” (UA 1.4 m) is assisting mainly in economic and financial governance.</p> <p>The EU (Euro 18 million) for proposed budget support</p> <p>DFID is providing technical assistance in the areas of financial management and governance through “<i>Gambia Financial Governance Program P.S. 2 m</i>” and the old “<i>Legal Capacity Building Program (PS 0.807 m</i>”, <i>Gambia debt Project P.S. .3 m</i>”.</p> <p>UNDP is supporting governance reforms, and providing technical assistance through its “<i>Economic Management & Capacity Building Project</i>” and through its “<i>National Governance Program</i>”</p>
Poverty Reduction and PRSP	<p>The AfDB through its “<i>Entrepreneurship Promotion and Microfinance Development Project</i>” (UA 8 m) is providing microfinance for vulnerable groups and through its “<i>Community Skills Development Project</i>” (Loan UA 4.4 m/Grant 1.45 m) provides support to community based organizations through the construction of multi-purpose skills centers and formalizing relationships between the Bank and micro-finance institutions.</p> <p>The EU is mainly involved in food security and income generation (US \$2 m).</p> <p>Other development partners: UNDP, EU, DFID and The UNDAF.</p>
Governance & Decentralization	<p>The UNDP (i) Proposed “<i>National Governance Program</i>”; and (ii) “<i>National Environmental Youth Corps</i>”.</p> <p>EU: (Euro 8 m): to support public sector and civil service reforms, support to strengthening of legislative and judicial processes, support to improvement of trade reforms</p> <p>Other Development Partners: United Nations agencies.</p>
Health	<p>The AfDB Group supports basic health through its “<i>Health Services Development Project II</i>” (UA 7.0m) (the project is being extended).</p> <p>The World Bank: “<i>HIV/AIDS Rapid Response</i>” (US\$ 15 m – closed in December 2006) and “<i>Participatory Health/Population/Nutrition</i>” (US\$18.0 m - closed in June 2005).</p> <p>Other Development Partners: IsDB and other UN agencies.</p>
Education	<p>The AfDB Group through its “<i>Basic Education III Project</i>” (UA 10.0 m) assists in improving the accessibility and quality of primary education through the expansion of classrooms, teachers training, and provision of learning materials.</p> <p>The World Bank: “<i>Third Education Project Phase II</i>” (US\$ 15 m).</p> <p>UNDP: “<i>Formal and Vocational Training, \$2 m</i>”</p> <p>Other Development Partners: DFID, IsDB, OPEC, UNDP and other UN agencies.</p>
Infrastructure	<p>The AfDB Group: (i) “<i>Water Supply and Sanitation Study</i>” (Grant UA 1.2 m); (ii) “<i>Rural Electrification Project</i>” (UA 2.9 m); (iii) “<i>Renewable Energy Study</i>” (Grant UA 0.75 m)</p> <p>IsDB “<i>Westfield Road</i>” US\$6 m.</p> <p>The EU Proposed “<i>Transport Program</i>” (Euro 20 m)., RWSS (Euro 6.8 m): (national roads, bridges linking north and south banks, upgrade of ferry terminals, capacity building)</p> <p>“<i>Energy Program</i>” (Euro 10 million): upgrade and maintenance of electricity transmission and distribution, capacity building.</p> <p>Other Development Partners: OPEC, BADEA, IsDB, Kuwait Fund, the Netherlands.</p>

Agriculture and Rural Develop.	<p>The AfDB Group: (i) “<i>Peri-Urban Agricultural Development Project</i>” (UA 5.07 m), (ii) “<i>Participatory Integrated Watershed Management</i>” (UA 4.95 m); (iii) “<i>Artisanal Fisheries Development Project</i>” (UA 2.9 m); (iv) <i>NERICA Rice Development (UA 1.56 m)</i>, (v) “<i>Farmer Managed Rice Irrigation Project</i>” (UA Loan 5.0 m/Grant UA 0.5 m). EU: <i>STABEX Project, Euro .65 m, Groundnuts Price Fund Euro .6 m.</i> Other Development Partners: FAO, IFAD, Japan, Taiwan, BADEA, IsDB, GTZ.</p>
Private Sector	<p>The World Bank: <i>Gateway Project (US\$ 16.0 m)</i> The EU: Rural private sector development (US \$ 3.0 m “ 10th EDF”), Support to non-state actors, Euro 2.5 m.</p>

**Annex 9: IDA Portfolio –
January 28, 2008
(data as at January 14, 2008)**

Active Projects: 5

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>				
		Supervision Rating			IBRD	IDA	GRANT	Cancel.	Undisb.
		<u>Development Objectives</u>	<u>Implementation Progress</u>						
P082969	CDDP SIL (FY06)	MS	MS	2007		12.0			12.3
P057995	Econ Mgmt Cap Bldg (FY02)	MS	MS	2002		15.0			0.3
P057995	Econ Mgmt Cap Bldg Suppl (FY08)			2008		3.0			3.1
P077903	Education 3 Phase 2 APL (FY06)	S	S	2006		8.0			5.8
P057394	Gateway (FY02)	MU	MU	2002		16.0			5.7
P092473	Africa Emergency Locust	MS	MS	2005		1.9			1.3
Overall Result						55.9			28.7

Annex 10: ADF Ongoing Portfolio (UA million)
(Data as of December 31, 2007)

Sector/Project	Approval Date	Completion Date	Remarks	Financing Source	Amount Approved UA	Disbursements UA	%
Agriculture							
1. Peri-Urban Agric. Develop Project*	27/10/99	31/12/07	Activities completed	ADF Loan	5.07	5.05	99.6
2. Participatory. Integrated Watershed Management.	09/06/04	31/12/11		NTF Loan	4.95	1.82	36.8
3. Artisanal Fisheries Development	17/05/00	30/06/09		NTF Loan	2.90	1.45	50
4. NERICA Rice Dissemination	26/09/03	31/12/10		ADF Loan	1.56	0.31	20
5. Farmer Managed Rice Irrigation Project	26/04/05	30/04/11		ADF Loan ADF Grant	5.00 0.50	.404 .132	14.1 26.4
6. Invasive Aquatic Weeds-Gambia	22/09/04	31/12/11		ADF Loan	0.31	.092	29.6
7. OMVG Gestion Ressources N Gambia	14/06/01	31/12/09		ADF Loan	2.03	0.75	37
Total Agriculture					22.32	10.01	44.8
Public Utilities							
8. Rural Electrification Project*	14/12/00	31/03/07	Activities completed	ADF Loan	2.97	2.84	95.6
9. Renewable Energy Study*	30/10/02	31/12/07	Activities completed	ADF Grant	0.75	0.61	80.8
Total Public Utilities					3.72	3.45	92.8
Social Sector							
10. Basic Education III	11/09/02	30/06/08		ADF Loan	10.00	5.49	54.9
11. Health Services Development Project	10/12/97	31/12/08		ADF Loan	7.00	6.36	90.8
12. Community Skills Development Project	16/02/00	31/12/08		ADF Loan ADF Grant	4.44 1.45	2.74 .67	61.6 46.1
13. Entrepreneurship Promotion and Microfinance Development Project	15/11/06	31/12/12		ADF Grant	8.0	0.67	8.4
Total Social Sector					30.89	15.93	51.6
Multi-sector							
14. Institutional Support Project for Economic and Financial Governance	21/11/07	31/12/2010		ADF Grant	1.4	0.0	0.0
Total Multi-sector					1.4	0.0	0.0
Total On-Going Portfolio					58.33	29.39	50.4

Sector	Net Amount Approved (UA Million)	Percentage Share (%)
Agriculture	22.320	38.2
Public Utilities	3.720	6.4
Social Sector	30.89	53.0
Multi-sector	1.400	2.4
Total	58.33	100%

Annex 11 – Ongoing ADB Rural Development Projects

- **Farmer Managed Rice Irrigation:** The project is developing tidal irrigation areas for rice production. It also has a rural credit support to farmers via Village Savings and Credit Associations (VISACAs) and training and capacity building for farmers and DOSA staff. The main objective of the project is to increase the rice production and incomes of smallholder rice farmers.

- **NERICA dissemination:** the multinational project aims at enhancing rice production and import substitution. The project effects technology transfer through production of foundation and certified seed and through provision of field equipment to selected groups of seed producers for demonstration purposes. Farmer groups are also provided with training in land management.

- **Peri Urban Agricultural Development:** the project focuses on the development of livestock by promoting small-scale livestock enterprises such as poultry and small ruminant breeding plus support to the horticulture sub-sector. Training for farmer groups has been provided in the thematic areas of livestock development and horticulture husbandry. According to the mid-term review report conducted in March 2007, implementation was highly satisfactory in the horticulture development and capacity building components. Except for the construction of slaughter houses and wells, the implementation was quite satisfactory for the livestock development component.

- **Artisanal Fisheries Development Project:** This project aims at increasing fish production and the cash income of fisherfolk. The project contributes to resolving the problem of protein deficiency in rural areas through increasing inland fish production and consumption. The project creates employment for the fishing communities at large at for women who are the main target of the credit program which is a component of the project.

- **Participatory Integrated Watershed management:** This project aims at increasing land productivity and reducing soil erosion on a sustainable basis. The project is designed to empower communities at the grass-root level through the transfer of control of efficient land use management from the Government to local people.

- The proposed **Livestock and Horticulture Development Project:** This proposed investment operation would build on the Peri Urban Project and aims at raising the productivity and quality standards of the livestock and horticulture sectors. It would address issues related to the whole value chain, including productivity, farm-gate disposal, live animal marketing, marketing to the local tourism industry, product processing, and export. The strategic objectives of the operation would therefore be linked to those of the Growth and Competitiveness project with regard to enhancing the productive capacity of the poor. Backward linkages with the tourism industry would be forged. The operation would also include capacity building activities.

Annex 12 – Consultation Process

The JAS is based on in-depth discussions with the Government and consultations with donors and other stakeholders. First, a one-day workshop on “The Gambia Path to prosperity” was held in Washington DC in early March 2007 on with a Government high-level delegation led by the Vice President and attended by seven Secretaries of State, representatives of the private sector, and donors. The workshop discussed sources of growth, key development challenges and the country’s priorities.

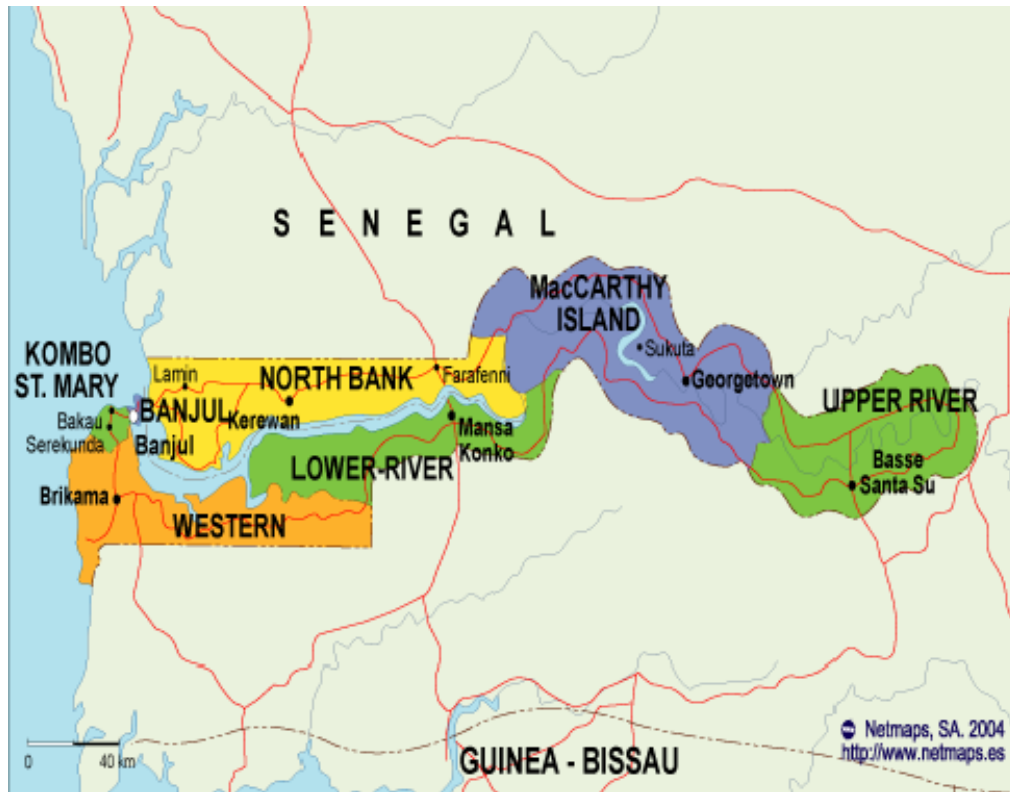
The authorities expressed their views on the proposed support to be provided by the World Bank and the AfDB to the Government’s development agenda. Additional insights came from follow-up consultations in The Gambia in April 2007 with Government.

As progress was made on triggers to meet the HIPC Completion Point, and as it became clear that the IDA and ADF resource envelopes would be adjusted downward to take into account the MDRI debt relief, in-country consultations were held in October 2007 to revisit the scope of the strategy and to hold discussions with stakeholders and donors

Parliamentarians noted the importance for the World Bank and African Development Bank to engage with their group on development issues for a number of reasons. First, they are strong advocates for development, as they debate and approve budgets, review policies and promote coherence across policy areas. Second, they promote the rule of law and exercise oversight. And finally, the projects submitted by the two Banks are subject to their approval, either directly through ratification, or also indirectly through the budget process. They noted their appreciation for the closer consultation with their group, which they viewed as a change in the way development assistance is carried out.

Consultations were held with civil society, including representatives of NGOs, trade unions, and the media. The group noted the increased and transformed role of civil society in general, which has now joined governments around the globe as agenda setters, decision makers and providers of community services. The group stressed that experience has shown that policies to reduce poverty are most effective when priorities are set by the countries receiving aid. In their view, collaboration with civil society and the private sector can enhance efforts to promote growth. They also emphasized the role that civil society can play, including (i) ensuring that the voice of the poor is heard, (ii) building common ground through participatory approaches, and (iii) offering solutions to local problems. On the World Bank side, participation of civil society is sought in the implementation of the community-driven development project and the Gateway project. On the AfDB side, it is sought in the implementation of most rural development projects. The group of NGOs stressed the need to consolidate their relationship with Government and other stakeholders in order to (i) better link NGOs to development actors and better match donor and NGO programs, and (ii) strengthen civil society participation in PRSP-II implementation.

Annex 13 GAMBIA : Political Map



STATE NAME

□ National Capital

• Regional Capital

• Other City or Town

----- International Boundary

----- Regional Boundary

This map has been drawn by the African Development Bank Group for the exclusive use of the readers of this report in which it is attached. The names used and the borders shown do not imply, on the part of the bank and its members any judgement concerning the legal status of the territory nor any approval or acceptance of these borders.