**Programme:** Economic and Financial Governance Operation – Phase 1  
**Country:** The Gambia  

**Appraisal Report** November 2012

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Box
Box : Prior actions
CURRENCY EQUIVALENTS
(As of October 2012)

<table>
<thead>
<tr>
<th>Currency Unit</th>
<th>Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 UA</td>
<td>GMD 49.86</td>
</tr>
<tr>
<td>1 USD</td>
<td>GMD 32.33</td>
</tr>
<tr>
<td>1 Pound Sterling</td>
<td>GMD 52.35</td>
</tr>
<tr>
<td>1 EUR</td>
<td>GMD 41.80</td>
</tr>
</tbody>
</table>

| 1 UA          | USD 1.54219 |
| 1 UA          | Pound Sterling 0.95250 |
| 1 UA          | EUR 1.19272  |

FISCAL YEAR

1 January to 31 December
ACRONYMS

AfDB  African Development Bank
ADF  African Development Fund
CBG  Central Bank of The Gambia
CFAA  Country Financial Accountability Assessment
CPIA  Country Policy and Institutional Assessment
CPPR  Country Portfolio Performance Review
CSP  Country Strategy Paper
DPs  Development partners
EC  European Commission
ECF  Extended Credit Facility
ECOWAS  Economic Community of West African States
EFIGO  Economic and Financial Governance Operation
EGRG  Economic Governance Reform Grant (World Bank)
EU  European Union
FDI  Foreign direct investment
GAP  Governance Strategic Directions and Action Plan
GDP  Gross Domestic Product
GMD  Gambian Dalasi
GPPA  Gambia Public Procurement Agency
IFMIS  Integrated Financial Management System
IMF  International Monetary Fund
ISEFGP  Institutional Support for the Economic and Financial Governance Programme
JAS  Joint Assistance Strategy
JBSG  Joint Budget Support Group
MDGs  Millennium Development Goals
MoFEA  Ministry of Finance and Economic Affairs
MTEF  Medium-Term Expenditure Framework
NAO  National Audit Office
PAF  Performance assessment framework
PAGE  Programme for Accelerated Growth and Employment
PAP  Priority Action Programme
PEFA  Public Expenditure and Financial Accountability
PFM  Public Finance Management
PCR  Project Completion Report
POs  Procurement Organisations
PPP  Public-private partnership
PRS  Poverty Reduction Strategy
SAD  Streamlined Appraisal Document
SNFO  Senegal Field Office
UA  Unit of Account
VAT  Value-added tax
GRANT INFORMATION

Client information

GRANT RECIPIENT: Republic of The Gambia

EXECUTING AGENCY: Ministry of Finance and Economic Affairs (MoFEA)

Financing Plan for 2012-2013

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (UA)</th>
<th>Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF-12</td>
<td>1.88 million</td>
<td>Grant</td>
</tr>
<tr>
<td>World Bank</td>
<td>3.94 million</td>
<td>Grant</td>
</tr>
</tbody>
</table>

Programme Timeframe - Main Milestones (expected)

- Concept Note Approval: May 2012
- Appraisal: May 2012
- Updated Appraisal: September 2012
- Board approval: November 2012
- Effectiveness: November 2012
- Disbursement: November 2012
- Completion: May 2013
**EXECUTIVE SUMMARY**

| Programme context | Real GDP growth has averaged 6.5% during 2008-2010, but large fiscal deficits have led to increases in domestic public debt, calculated at 30% of GDP in 2011 with external debt of the same magnitude. The Gambia is now considered to be at a high risk of debt distress. The Government is addressing the lack of fiscal sustainability through a combination of domestic resource mobilization (including through the introduction of the VAT) and enhanced fiscal discipline by implementing PFM reforms, especially in the areas of procurement, internal and external audit. Moreover, the Government is in the process of counteracting the weak capacity for undertaking reforms with stepped-up actions on medium-term budget planning and internal and external audit functions. |
| Programme overview | The Economic and Financial Governance Operation phase I (EFIGO-I) is a UA1.88 million general budget support grant to be disbursed in one tranche. It is supporting the implementation of a multi-year reform programme to fund The Gambia’s national budget of 2012. It will be followed by a new operation in 2013 to continue to support the multi-year reform program and fund the national budget of 2013. The operation benefits from parallel funding amounting to UA3.94 million from the World Bank. The program's overall goal is to contribute to the promotion of economic growth by enhancing efficiency in the management of Government resources. It also aims to respond rapidly to the Government's urgent need to mitigate the impact of the 2011 drought. The proposed programme has two components: (i) enhanced fiscal discipline through improved expenditure and debt management and increased resource mobilization; and (ii) strengthened transparency and accountability in PFM, in particular in the areas public procurement, external and internal audit processes. |
| Programme beneficiary | The entire population of The Gambia will indirectly benefit from the EFIGO. In a context where the Government has unanticipated financing needs because of the drought, the financial resources from the ADF grant would help in reducing the fiscal burden while safe-guarding pro-poor spending and improving budget transparency by facilitating the incorporation of additional spending into the budget. Further, the fiscal space generated through the accompanying improved expenditure control will allow for greater spending oriented towards achieving the MDGs, especially in health and education. In addition, the programme will positively affect The Gambia’s business climate which would benefit both foreign and Gambian investors. |
| Needs assessment | The Government continues to demonstrate commitment to its reform agenda and has been making good progress. However, given the historically high reliance on domestic borrowing, which is compounded by the 2011-2012 drought that has put an additional strain on the budget, the Government’s own resources will not be sufficient to finance the fiscal financing requirements. Thus, the EFIGO resources will, on average, cover 30% of the 2012 financing gap, respectively with residual gap covered by the World Bank. |
| Bank's value added | The Bank has gained vast experience in designing budget support operations. It can therefore draw on its experience in supporting economic and financial governance reforms by providing funding, policy advice, and operations using country systems, while applying the Paris Declaration, Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation. The Bank will use its field office in Senegal to actively support and maintain the momentum of the reforms. |
| Institutional devt and knowledge building | The Bank will gain further institutional knowledge from this operation that it can apply in assisting its member countries. In particular, initiatives to strengthen fiduciary institutions and carry through a wide-ranging PFM reform programme will be invaluable knowledge gained for the Bank. |
# RESULTS-BASED LOGICAL FRAMEWORK

**Country and project name:** The Gambia - ECONOMIC AND FINANCIAL GOVERNANCE OPERATION (EFIGO)

**Purpose of the programme:** Contribute to the promotion of economic growth by enhancing efficiency in the management of Government resources.

<table>
<thead>
<tr>
<th>RESULTS CHAIN</th>
<th>PERFORMANCE INDICATORS</th>
<th>MEANS OF VERIFICATION</th>
<th>RISKS/ MITIGATION MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help create conditions conducive to accelerating poor growth</td>
<td>a. Real Growth Rate b. Percentage of government budget spent on priority spending (i.e. agriculture, education, health, water and sanitation) and supports the achievement of stated development objectives</td>
<td>a. -4.3% (2011) b. 25% (2010) a. 10.7% (2013), 6.5% (2014) and 5.5% (2015) b. maintained at 35% (2014)</td>
<td>IMF ECF reviews PAGE progress reports</td>
</tr>
</tbody>
</table>

### IMPACT

- Help create conditions conducive to accelerating poor growth
  - a. Real Growth Rate
  - b. Percentage of government budget spent on priority spending (i.e. agriculture, education, health, water and sanitation) and supports the achievement of stated development objectives

### OUTCOMES

- Improved fiscal discipline and increased resource mobilization by strengthening transparency and accountability in public financial management
  - a. Domestic revenue increase
  - b. Reduce net domestic borrowing
  - c. Selected PEFA indicators
    - i. PI-1: variance of budget
    - ii. PI-19: procurement controls
    - iii. PI-21: internal controls
    - iv. PI-26: external controls

### OUTPUTS

- Output 1: Enhanced fiscal discipline through improved expenditure and debt management and increased resource mobilization
  - 1.1 Concept note for implementation of MTEF
  - 1.2 Budget framework paper submitted to Cabinet
  - 1.3 Updated medium-term debt management strategy approved by Cabinet

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1 The Results Based Logical Framework covers the multi-year reform programme and the Project Completion Report for the second operation will assess the achievements for the entire framework.
1.4 Debt management advisory committee established

1.4 Evidence of establishment and nomination of committee members

1.4 None

1.4 Debt Management Advisory Committee established (2013)
evidence provided by MoFEA Debt Management Unit IMF assessment

1.5 Introduce VAT

1.5 VAT effective

1.5 Legislation approved in 2012

1.5 VAT effective in 2013

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Output 2: Strengthened transparency and accountability in public financial management

2.1 Ex-post reviews conducted by GPPA

2.1 Report on ex-post reviews of procurement organizations (POs)

2.1 68 (2011)

2.1 At least 80 POs in 2012 and 100 POs in 2013 (based on activities in 2011 and 2012 resp.)

Annual GPPA report
Letter from MoFEA
Reports available on MoFEA website; Documentary evidence by MoFEA- Int. audit National Audits published on website
Letter from NAO
Evidence from NAO

2.2 Revised Gambia Public Procurement Audit (GPPA) Act

2.2 GPPA Submitted to National Assembly

2.2 Current Act

2.2 Revised Act submitted to National Assembly in 2013

2.3 Internal audit committee

2.3 Establishment of internal audit committee

2.3 None

2.3 Internal audit committee created (2012)

2.4 Internal audit quarterly reports produced

2.4 Number of internal audit quarterly reports produced

2.4 No quarterly audits produced

2.4 Two per year (starting with Q3 & Q4 in 2012)

2.5 Audited accounts submitted to the National Assembly (FPAC)

2.5 Audited accounts for 2008-2011 submitted to the National Assembly (FPAC)

2.5 Backlog cleared up to 2006 inclusive

2.5 Accounts up to 2011 submitted (2013)

2.6 MoFEA to implement a clear mechanism to follow up on the recommendations of FPAC

2.6 MoFEA agreed mechanism to follow up on the FPAC recommendations beginning with 2007 audit reports

2.6 No follow-up mechanism

2.6 MOFEA Report issued to task force as a result of follow-up mechanism in place (2013)

2.7 Performance Based Audit Unit

2.7 Existence of a Performance Based Audit (PBA) Unit in NAO

2.7 No unit in place

2.7 Existence of PBA Unit in NAO (2013)

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INPUTS

Budget support - ADF Grant = UA 2.98 million (UA 1.88 million in 2012 and UA 1.1 million in 2013); World Bank = USD 11 million (USD 6 million in 2012 and USD 5 million in 2013).
Missions: supervision and policy dialogue, including by SNFO; complementary capacity building project for PFM- AfDB: ISEFGP-II, EC: Procurement, MTEF; PEFA update.
REPORT AND RECOMMENDATION BY MANAGEMENT TO THE ADF BOARD OF DIRECTORS ON A PROPOSED GRANT TO THE GAMBIA TO FINANCE THE ECONOMIC AND FINANCIAL GOVERNANCE OPERATION I (EFIGO-I)

I. THE PROPOSAL

1.1 Management submits the following report and recommendation on a proposed grant to the Government of The Gambia for UA 1.88 million to finance the Economic and Financial Governance Operation phase I (EFIGO-I). The latter will be the Bank’s second general budget support operation and is designed a multi-year operation. It is supporting the implementation of a multi-year reform programme with one tranche, to fund The Gambia’s national budget of 2012. A subsequent operation will be presented to the Board in 2013, to continue supporting the reform program and fund the national budget of 2013. The operation is in response to a request from the Government, dated 31 January 2012, to support the economic reform program, consolidating the gains from the previous budget support operation, and to mitigate the impact of the country’s unanticipated drought-related 2012 fiscal crisis. It has also been designed in close collaboration with Development Partners (World Bank, IMF and European Union) and Government authorities (refer to Letter of Development Policy Annex 1).

1.2 The EFIGO’s development objective is to contribute to the promotion of economic growth by enhancing efficiency in the management of Government resources. It thereby aims to help the Government continue its efforts in lowering the fiscal deficit and reducing reliance on public debt. The operation focuses on limited but carefully chosen measures, given the relatively small amounts available for the program. The main expected outcome of the EFIGO is improved fiscal discipline and increased resource mobilization by strengthening transparency and accountability in public financial management (PFM). The latter areas will also indirectly contribute to an improved environment for private sector activities.

II. COUNTRY AND PROGRAMME CONTEXT

2.1 Government Overall Development Strategy and Medium-term Reform Priorities

2.1.1 The Government’s long-term development priorities are articulated in its Vision 2020. Its goal is to turn The Gambia into a diversified middle income economy with the private sector as “a serious partner in national development and the engine of growth.” The Government’s new development strategy – Programme for Accelerated Growth and Employment (PAGE) 2012-2015 – is the successor to the Poverty Reduction Strategy (PRS) II 2008-2011. The PAGE is supplemented by a fully costed programme matrix in the Priority Action Programme (PAP), with the overall objectives of accelerating pro-poor growth and generating significant employment. The PAGE comprises five pillars: (i) accelerate and sustain economic growth; (ii) improve and modernise infrastructure; (iii) strengthen human capital stock to enhance employment opportunities; (iv) improve governance and fight corruption; and (v) reinforce social cohesion and cross-cutting interventions.

2.1.2 The design of the PAGE draws on lessons learnt from the implementation of the PRS. The PRS was successful in attaining the target for economic growth; improving the productive capacities of the vulnerable population, particularly smallholder farmers; and raising the level of universal primary education, in the ratio of girls to boys in primary,

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2 The limited amount available under the EFIGO is due to the country’s small ADF allocation and represents all remaining funds available from ADF-12.

3 Mainly owing to reforms in the groundnuts sector and the introduction of an improved strain of rice (NERICA).
secondary, and tertiary education. However, high levels of poverty has been significantly reduced, it continues to be pervasive. More progress is required for reducing under-5 mortality rate, improving maternal health, and combating HIV/AIDS, malaria, and other diseases. Challenges also remain in the areas of fiscal deficit and mounting public debt. Finally, progress has been limited in building capacity in local communities and mainstreaming poverty related cross-cutting issues.

2.1.3 The Gambia continues to implement its reform programmes in a satisfactory manner. In September 2012, the International Monetary Fund (IMF) undertook its first review of the newly approved three year Extended Credit Facility (ECF) (Appendix 3). The aim of the facility is to address the balance of payment deficit arising from the 2011 crop failure. Over the medium term, the ECF seeks to ease the Government’s heavy debt burden while implementing a strong economic reform agenda in support of the PAGE. The performance criteria set out in the ECF as of end-June 2012 have been fully met and the first review was completed successfully.

2.2 Recent Political and Socioeconomic Developments, Perspectives, and Challenges

2.2.1 Political environment. The Gambia is a presidential republic with a unicameral legislature. The country continues to benefit from a relatively stable political situation. The incumbent President Yahya A. J. J. Jammeh was re-elected for a fourth term on November 24, 2011, receiving 72 % of the popular vote. Parliament elections took place on March 29, 2012 with the President’s party (the Alliance for Patriotic Reorientation and Construction) maintaining its sizeable majority, with 43 seats in the 53-seat National Assembly. Most opposition parties boycotted the elections mainly due to what they perceived as absence of a level playing field for competition in the election process. Although, the African Union made several comments and issued a number of recommendations on how to improve the process, they came to the conclusion that the elections were conducted in accordance with the legal and constitutional framework of The Gambia and with the Durban Declaration on the Principles Governing Democratic Elections in Africa. The Authorities retain firm control over policy formulation and continue to demonstrate a strong commitment to governance reforms.

2.2.2 Economic Environment. The Gambian economy has performed well in recent years, despite the challenging global economic environment. Real GDP growth has averaged 6.5% during 2008-2010. Nevertheless, large fiscal deficits have led to increases in domestic debt, brought about by steadily falling tax revenues since 2007 and episodes of large overspending. Extra-budgetary expenditures, including realized contingent liabilities, were major factors behind the surge in government spending, particularly in 2009 and 2010. Expenditures (excluding donor-financed projects) rose from about 14.5% of GDP in 2007 to 18% of GDP in 2010. The fiscal deficits were financed mostly by costly domestic borrowing, with domestic public debt calculated at 30% of GDP in 2011. The Gambia is now considered to be at a high risk of debt distress, with external public debt estimated at 40% of GDP in 2011 compared to an external debt-distress threshold of 30%.4

4 IMF-World Bank Debt Sustainability Analysis, 2011. The low-income country debt sustainability framework (LIC-DSF) recognizes that better policies and institutions allow countries to manage higher levels of debt, and thus the threshold levels for debt indicators are policy dependent. In the LIC-DSF, the quality of a country’s policies and institutions is measured by the AfDB/World Bank Country Policy and Institutional Assessment (CPIA) indices, which consists of a set of 16 criteria grouped into four equally weighted clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions. Going forward, if progress on the reform agenda can be sustained, such as implementing more prudent macroeconomic and fiscal management policies, and the country’s CPIA score improves, higher indicative thresholds would apply, possibly leading to a revisiting of the debt-distress assessment.
2.2.3 Due to the 2011/12 drought, which stunted output in agriculture, the Gambian economy has sharply contracted and real GDP fell to -4.3% in 2011. In response to the drought, the government took quick action and bore much of the cost of relief efforts, notably imports of food, seeds and fertilizer. Despite this severe shock, the authorities have been able to maintain macroeconomic stability, thanks largely to an ample stock of official international reserves. Moreover, the Government has made significant progress in restoring fiscal discipline during this period by employing a strict cash budgeting approach to limit spending to available resources. The Government cleared its overdraft balance with the Central Bank of The Gambia (CBG) and refrained from new central bank financing of the deficit. This progress toward eliminating fiscal dominance and strengthening the independence of the CBG has allowed monetary policy to focus principally on maintaining low inflation. The improved fiscal discipline has contributed to a drop in T-bill yields in recent months, which could generate fiscal savings going forward. Year-on-year inflation at end-2011 was slightly below 5%, aided by an improved fiscal performance.

2.2.4 Economic activity remained weak for much of 2012, but is expected to pick up substantially in the final quarter, as the upcoming harvest points to a strong rebound in crops and growth in the tourism sector continues. The relief effort by the Government, international agencies, including the Bank, and bilateral partners appear to have helped to mitigate the impact of the drought on vulnerable families and provided critical support to farmers. For 2012 as a whole, real GDP growth is projected to be about 4%. The budget projections indicate that the fiscal deficit will decline from 4.3% of GDP in 2011 to 3.5% of GDP in 2012.

2.2.5 Prospects for the Gambian economy over the medium term are good. The Government’s macroeconomic policies are reflected in the IMF ECF programme. The targets under the programme are anchored to the monetary policies of the CBG, which are geared towards safeguarding an annual inflation rate of no more than 5%. Based on a projected further rebound in agriculture in 2013, which anticipates that crop production will have fully recovered to pre-drought levels, and barring further external shocks, real GDP growth could surge to about 10% in 2013, before returning to its longer-term trend of about 5.5% per year. This growth is also aided by a new agricultural policy that encourages farmers to switch to less rain-dependent crops, a gradual but sustained recovery in tourism, remittances, and construction, and a return to large on-going investments in telecommunications.

2.2.6 The inflation rate is expected to increase slightly from 4.4% at end-2011 to slightly above 5% in 2012-2013, driven by rises in food prices, before subsiding to 5% in 2014 and beyond. Under the baseline scenario (excluding implementation of the PAGE), real GDP is projected to grow at a robust pace (5.5% a year). This outlook is predicated on a gradual fiscal adjustment that would reduce net domestic borrowing from 2014 onward, as proposed by the Gambian authorities. The fiscal adjustment would help ensure the CBG’s independence to focus on maintaining annual inflation at 5%, while easing pressure on interest rates and helping “crowd in” the private sector. According to estimates from the IMF, the external current account deficit is expected to remain near 14% of GDP during 2012-2015, financed primarily by project grants, concessional loans, and foreign direct investment (FDI). The coverage of gross international reserves is projected to remain around 5 months of imports.

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5 Taking into consideration the investments and programmes planned in the PAGE, real GDP growth would average some 8.5%, although the financing prospects are still uncertain.

6 This presumes average FDI equivalent to 6.6% of GDP during the period. Nonetheless, The Gambia remains very vulnerable to external shocks.
2.2.7 Developments in Poverty and Social Indicators. Poverty remains a concern in The Gambia, with the Human Development Index at 0.420 in 2011, well below the sub-Saharan Africa average of 0.463. The Gambia’s population was estimated at 1.8 million in 2011, of which 60% of the population is under 25 years of age. The Gambia has made good strides in reducing the poverty headcount index from 58% in 2002 to 48.4% in 2010. An estimated 74% of the rural population is at or below the poverty level, with women constituting the majority of the poor. (Appendix 4).

2.2.8 There has been measurable progress made in the education sector, and gender parity at the primary level has almost been achieved. Despite progress in the Millennium Development Goals (MDG) (numbers 2, 7 and 8), for the most part The Gambia is unlikely to meet the MDG targets for 2015, with especially MDGs numbers 1, 5, and 6 lagging. (Annex 1, table 1) The Government recognizes the importance of meeting these goals and has prioritized investment in human capital stock and enhanced access to social services as part of the government’s development agenda.

2.2.9 Business Enabling Environment. The Government’s efforts toward creating an enabling business environment have been slow. The 2012 indicators show that The Gambia has fallen to 149th place (out of 183 countries), compared to 145th in 2011. The Gambia Investment and Export Promotion Agency (GIEPA) was reinvigorated in 2010 and is taking specific actions to help improve the Doing Business indicators (Annex 9, table D). During the appraisal mission private sector representatives pointed to the difficulty in obtaining credit, given the Government’s high domestic borrowing requirements, an inefficient judicial system, lack of reliable electricity, and a small market size that constrains returns on investment. They also raised the urgent need for a legal framework for PPPs. The Government acknowledges the need to improve the business climate and, through the PAGE, is engaging the private sector to contribute towards sustained economic growth.

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7 This is based on $1.25 per day. However, poverty may increase in 2012 due to the 2011-2012 crop failure.
8 In particular, paying taxes, getting credit, and protecting investors show rankings below the 150th position, although the best indicators (enforcing contracts, dealing with construction permits, and trading across borders) are all above the average (i.e., 92nd position). At the action-specific level, the time required for registering a business was 27 days, lower than the 37 days on average for sub-Saharan Africa, while the cost of business registration (206.1% of per capita income) by far exceeded that of sub-Saharan Africa (81.6%).
9 The first Joint Assistance Strategy (JAS) 2008-2011 had as one of its components 1 under pillar 2, “Promoting a Competitive Investment Climate/Growth and Competitiveness.” This component showed unsatisfactory performance, depressing the Doing Business indicators.
2.2.10 Developments in Governance and the Fiduciary Environment. The Government recognizes that strengthening public sector governance is crucial for boosting economic growth, improving the business environment, increasing employment, and reducing corruption. The Government has, since 2004, been pursuing reforms in PFM areas, supported by various DPs, including the AfDB and the World Bank (Annex 4, Table 2). In 2010, through the support of the Bank, the Government consolidated these reforms into a PFM Comprehensive Strategy 2010-2014. Its priorities focus on: budget formulation/planning; the integrated financial management system (IFMIS); procurement; internal audit; external audit; debt management; and revenue mobilization.

2.2.11 The Government has made good progress in key aspects of governance and the fiduciary environment, and is embarking on further actions to attain its PFM goals. The 2010 Country Financial Accountability Assessment (CFAA) concluded that financial transparency and accountability has improved with the reforms. Major achievements in this area include: (i) reforms in the legislative framework for budget management and public procurement; (ii) rolling out the Government's IFMIS in January 2011; and (iii) the eight-year (1999-2007) backlog of unaudited public accounts has been cleared. There has also been moderate progress in the civil service reform and in strengthening the national statistical system and the audit function. Going forward, the Government is committed to meeting its PFM goals and has targeted specific areas in the PAGE, emphasizing in particular procurement (revising the law and creating an independent commission to oversee its activities), internal audit, external audit, debt management, and revenue mobilization. The Government is encouraging private sector participation in new infrastructure investments and is working towards building an enabling environment to attract domestic and foreign investors.

2.2.12 Despite the Government’s success in PFM reforms, The Gambia’s overall ranking in governance indicators shows a mixed picture. On the positive side, the World Bank’s World Governance Indicators show good progress in the “economic” areas, namely government effectiveness, regulatory quality, and control of corruption, but slippages in the remaining “noneconomic” areas of rule of law, political stability, and voice and accountability (Annex 9, table A). As regards Transparency International, The Gambia’s ranking in the Corruption Perception Index improved significantly to 77th position (out of 183 countries) in 2011, compared to 91st (out of 178 countries) in 2010. The Index of Economic Freedom placed the country at 94 out of 179 countries, with a score of 58.8 in 2012. Its overall score is 1.4 points higher than in 2011, reflecting significant gains in investment freedom and freedom from corruption. Although The Gambia’s overall score is lower than the world average, its economy is one of the 15 most improved in the 2012 Index. On the less positive side, The Gambia’s AfDB CPIA indicators have fallen in 2011 to the lowest score since 2008, with the overall CPIA (excluding governance) reaching only 3.37, compared to 3.42 in 2010. This was due mainly to a fall in the “social inclusion” score, while its governance cluster has been stable at 2.80, ranking it 14th at the Bank. Finally, the Mo Ibrahim index showed a downward trend, placing The Gambia in 24th position among African countries in 2011, compared to 19th position in 2009.

2.2.13 Key Medium-Term Constraints and Challenges. The Gambia’s key challenges to economic growth are: (i) an undiversified economy and small internal market; (ii) a low skills base resulting in inadequate capacity to undertake reforms, especially in PFM; (iii) fiscal deficits that are covered by domestic debt, resulting from difficulties in resource mobilization, leading to increased burden on the budget and crowding out of private sector activities; (iv) increased debt distress; and (v) limited access to resources to accelerate growth. The Gambia has few natural resources and the agricultural sector employs 70% of the labour force accounting for 28% of GDP. Groundnuts account for over half of domestic exports, with
tourism also an important source of foreign exchange. The Government has elevated the private sector to a priority sector in order to increase its contribution to growth and employment, with an emphasis on the tourism sector.

2.2.14 In addressing the challenge of an undiversified economy and small internal market, the Government is putting in place specific actions and programmes to enhance regional integration. The Gambia ranks well in the trading across borders subcategory, with some of the world’s lowest per container costs. On the regional level, the membership of ECOWAS is positively affecting its re-exports and competitiveness as a result of the application of the ECOWAS common external tariff. On the sectorial level, the country participates in The Gambia River Basin Development Organization (OMVG) Energy Project (together with Guinea, Guinea-Bissau, and Senegal).

2.2.15 The Gambia faces development challenges, mostly related to weak institutional capacity. The Government is in the process of counteracting the low skills base and weak capacity for undertaking reforms with stepped-up actions on medium-term budget planning and internal and external audit functions. The lack of fiscal sustainability has implied that fiscal deficits be covered by domestic borrowing, thereby crowding out private sector activities. The authorities are aiming to address this challenge through a combination of domestic resource mobilization (such as the introduction of the value added tax (VAT) in 2013) and enhanced fiscal discipline by implementing the PFM reforms outlined in their PFM Strategy. Furthermore, the Government is preparing a comprehensive Civil Service Reform Strategy 2012-15, which seeks to attract and retain qualified staff in the public sector by reforming public sector pay, pensions, and carrying out human resource management reforms.

2.2.16 In order to continue to alleviate poverty the Government needs a longer term strategy to mobilize additional resources. The Government envisions the PAGE being financed evenly between the Government, DPs, and the private sector. Resources from the Government would be obtained through continued fiscal discipline and greater value for money on government expenditures; from DPs, through a round table pledging session in July 2012; and the private sector, through increased incentives in the form of a more rigorous procurement process, better access to credit, and the establishment of a public-private partnership (PPP) unit at the Ministry of Finance and Economic Affairs (MoFEA). In order for The Gambia to return to a sustainable and shared economic growth path, the country has to create fiscal space to reduce the need for domestic borrowing. Such a strategy would allow the private sector to become a driver of growth and employment, as intended by the Government by “crowding in” private sector investment through better access to credit.

2.3 Bank Group Portfolio Status

The Bank’s portfolio in The Gambia comprises 8 on-going operations totalling UA 26.57 million. There are four in agriculture and rural development, one in the social sector, two in water and sanitation, and one is a multi-sector project. The overall portfolio disbursement is 46.85% as at 23 June 2012. According to the 2011 joint portfolio review by the Government, AfDB, and World Bank, the overall performance was considered broadly satisfactory with a score of 2.50 (on a scale of 0-3 with 3 being highly satisfactory). There were no projects classified as at risk, compared to the 3 Potentially Problematic Projects reported in the 2009 review, out of the 9 projects then reviewed.

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10 Country Portfolio Performance Review (CPPR) - ADF/BD/WP/2012/40
III. RATIONALE, KEY DESIGN ELEMENTS, AND SUSTAINABILITY

3.1 **Link with the CSP, analytical works underpinnings, and country readiness assessment**

3.1.1 **Link with Bank Group Strategies.** The programme is fully consistent with key Bank strategic documents, including the Governance Strategic Directions and Action Plan (GAP) 2008-2012; the 2008-2012 Medium-Term Strategy; and the ADF-12 priorities. Additionally, it is also fully aligned with The Gambia’s long-term strategy, Vision 2020, PAGE 2012-2015 and the 2012 Partnership Framework Memorandum governing Budget Support for all Development Partners.\(^\text{11}\)

3.1.2 **Link with the CSP.** The proposed budget support operation is closely aligned with the country strategic framework, namely the joint AfDB/World Bank second Joint Assistance Strategy (JAS) 2012-2015. The EFIGO supports Pillar 1 “Strengthening the Institutional Capacity for Economic Governance and Public Service Delivery”, which aims to improve the transparency and accountability in the use of public resources. Furthermore, through actions targeting fiduciary institutions, the EFIGO will contribute to bring about improvements in the business environment, which is consistent with the second pillar “Strengthening Foundations of Economic Growth, including Agriculture, Infrastructure, and Private Sector Development”. These pillars aim for several outcomes, including: improving the business environment; increased agricultural productivity and food security; strengthened health systems; improved and equitable access to quality education; and skills development. More specifically, the focus of AfDB support in the second JAS is in the areas of governance and agriculture.

3.1.3 **Analytical Works Underpinnings.** The design of the budget support operation has taken into account various analytical diagnostic studies, including CFAA (2010), Public Expenditure and Financial Accountability (2008); Country Governance Profile (2008); and IMF reports, as well as consultations during the appraisal mission (Annex 8b). The analytical reports have helped sharpen the objective and focus of this programmatic operation and advanced alignment with national priorities. Important conclusions from this diagnostic work include: (i) urgent need for fiscal reforms, notably as regards resource mobilization and increased efficiency in the use of public resources; and (iii) need for greater focus on key critical PFM areas to address fiduciary risks, especially in the areas of internal and external audit and procurement.

3.1.4 **During the preparation of the operation, key stakeholders were consulted, notably** the Finance and Public Accounts Committee (FPAC) of the National Assembly; the MoFEA; the CBG; the National Audit Office (NAO); the Ministry of Agriculture; the GPPA; DPs; and representatives of civil society and the private sector. The DPs met covered the United Nations System (including the IMF and World Bank), and the representative of the European Commission (EC). Extensive dialogue with the Government and stakeholders’ explored key areas where country ownership was crucial, including debt management issues with a view to reduce the potential for debt distress and The Gambia’s implementation plans for the PAGE. The Government agreed on the need to strengthen coordination with DPs (see section 3.2) as well as to engage the private sector to deliver on the outcomes outlined in the PAGE.

\(^{11}\) The Memorandum, which contains a policy matrix to which the EFIGO and the EGRG are aligned, has been signed, as of September 2012, by the AfDB and the World Bank.
3.1.5 **Country Readiness Assessment.** The Gambia meets the pre-requisites of the Eligibility Requirements for General Budget Support (GBS) as indicated in the table below.

<table>
<thead>
<tr>
<th>Prerequisites</th>
<th>Comments on current situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government commitment to poverty reduction</td>
<td>The Government of The Gambia is committed to reducing poverty and improving the well-being of its population. This commitment is driven by the Government's long-term strategy, Vision 2020, which is being executed through a series of medium-term development plans since 1994. The Government recently launched its PAGE 2012-2015, which succeeds the PRSP II. A fully costed priority action plan has been developed for the PAGE, listing the programme and projects to be implemented. The PAGE and the action plan were developed through consultative process with all relevant stakeholders. It was presented to development partners in July 2012.</td>
</tr>
<tr>
<td>Macroeconomic stability</td>
<td>Since 2003, The Gambia followed prudent macroeconomic policies, resulting in stable inflation and average annual GDP growth rate between 5-6%. Despite the recent setback caused by the drought, which led to a contraction of 4.3% in 2011, GDP is expected to recover by 2012. In 2007, The Gambia reached its HIPC completion point, and obtained substantial debt relief. The country continues to implement policy and institutional reforms aimed at combating poverty and ensuring economic growth. The IMF concluded the negotiations for an ECF in April 2012 (Board approval in May 2012), with a viable macroeconomic and financial framework, as well as sustained growth, over the medium term. The first review of the ECF was successfully completed in September 2012.</td>
</tr>
<tr>
<td>Satisfactory fiduciary risk assessment</td>
<td>A fiduciary risk assessment for The Gambia was carried out during the EFIGO appraisal mission in May 2012. The assessment placed The Gambia at the “moderate” residual fiduciary risk after the mitigation measures were incorporated. It noted that The Gambia is a good candidate for programme-based operations (PBOs). The assessment confirmed significant improvements, especially in the areas of budgetary control, accounting, and reporting, but found that there was room for improvement in the oversight areas. The analysis suggests important weaknesses, many of which are being addressed through the on-going ISP as well as projects delivered by other development partners such as the World Bank and the European Commission.</td>
</tr>
<tr>
<td>Political stability</td>
<td>The country has been politically stable for over a decade. The 1997 Constitution provides for the separation of powers and provides for General and Legislative elections every four years. Yahya A.J.J. Jammeh was re-elected for a fourth term in November 2011. The Authorities retain firm control over policy formulation and continue to demonstrate a strong commitment to governance reforms.</td>
</tr>
<tr>
<td>Harmonisation</td>
<td>The UNDP currently leads on aid coordination and is trying to establish regular communication and information sharing events. Donor coordination is improving, demonstrated by the second AfDB/World Bank JAS and the harmonisation and coordination of AfDB, World Bank, and EU in supporting the PAGE and more specifically the PFM reform agenda. The AfDB and the World Bank are in the process of formulating their second joint strategy of intervention in the country and have jointly prepared the proposed PBO, including a joint policy matrix and a subsequent Memorandum of Understanding which governs how budget support donors should work together.</td>
</tr>
</tbody>
</table>

3.2 **Collaboration and Coordination with other DPs**

3.2.1 **Currently, the AfDB and World Bank are the only DPs providing budget support to The Gambia.** Budget support has been catalytic for donor harmonisation around key policy measures and reforms. The donors providing budget support coordinate their disbursements based on the joint Policy Matrix (Appendix 2) formalised through a Memorandum of Understanding. The Government, AfDB and the World Bank will conduct annual joint reviews of progress in implementing the reforms and measures outlined in the policy matrix, which will allow for consensus building and lower costs for the Government. The EFIGO has drawn disbursement triggers and benchmarks from this matrix.
3.2.2 There is also good coordination and harmonisation with other DPs in supporting the Government's PFM strategy. More specifically, the European Commission (EC), through the IMF, is providing technical assistance in areas related to budget programming, establishment of a medium-term expenditure framework (MTEF), and introduction, in January 2013, of a VAT. The Bank will work closely with other development partners, notably the EC and the World Bank on public procurement reform. (Annex 4, Table 2)

3.3 **Outcomes of Past and On-going Similar Operations and Lessons**

3.3.1 This is the second budget support operation for The Gambia. The first operation (Poverty Reduction Budget Support) totalled UA 4 million and was implemented in 2009. According to the Project Completion Report (PCR), support provided by the first operation contributed to strengthening the link between the budget and poverty related expenditures, particular in directing resources to poverty related priorities and improvements in the public expenditure management system particular in the area of external audit. (See Annex 8a for more details)

3.3.2 In addition, the budget support operation and along with the first institutional support project (ISEFG I, 2008-2011) have been instrumental in the development and contribution to PFM achievements to date. These reforms have resulted in advances in a number of areas including (i) the implementation of an integrated financial management information system; (ii) the clearance of a significant backlog of financial statements and corresponding audits; (iii) the strengthening of the independence, supervision and control function of the Central Bank; and (iv) improved information on public debt. Overall the key PFM reforms have helped to enhance accountability and transparency in the use and management of public resources.

3.3.3 **The design of this second budget support operation** of the Bank in The Gambia has taken into account lessons learned from the JAS midterm review and PCR; PCR of the Bank’s first budget support operation; on-going capacity building activities; and operations of other DPs. It has also benefited from lessons learnt from the implementation of the PFM Strategy 2010-2014 and the PRS 2008-2011. The key lessons learnt from the PRBSP implementation are:

<table>
<thead>
<tr>
<th>Key Lessons Learned</th>
<th>Key Design Principles in the EFIGO</th>
</tr>
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<tbody>
<tr>
<td>Close collaboration is needed between DPs at the design phase to help ensure complementarity and synergy of the respective operations.</td>
<td>The EFIGO incorporates this lesson by activating the MoU for the Joint budget support group.</td>
</tr>
<tr>
<td>Disbursement triggers should be aligned with an agreed upon Joint Policy Matrix for enhanced donor harmonization and reduced transaction costs.</td>
<td>The EFIGO includes a harmonized matrix of actions among those DPs providing budget support to the Government.</td>
</tr>
<tr>
<td>Areas of intervention need to be selective and focused based on the comparative advantage of each partner, given the weaknesses in financial and economic governance.</td>
<td>The EFIGO incorporate this lesson in that they are limited in scope and targeted to specific outcomes</td>
</tr>
<tr>
<td>Budget support funding resources should be complemented with capacity building activities.</td>
<td>The EFIGO takes place in the context of ISEFGP II project that supports the same components. Furthermore, both programs support the Government's PFM reform strategy</td>
</tr>
<tr>
<td>Budget support should be streamlined with IMF support to the country</td>
<td>One of the triggers of the EFIGO (introduction of the VAT) is identical to a major measure under the IMF’s ECF. It also relies on IMF assessment of several of the benchmarks in the joint budget support group policy matrix.</td>
</tr>
</tbody>
</table>
3.3.4 In line with lessons learnt and good practice principles on conditionality (sections 3.3 and 3.6), the design of the EFIGO has been drawn from the PAGE while the prior actions were drawn from a joint policy matrix covering the two years 2012-2013. These actions (¶4.2.13) are deemed critical for achieving the expected objectives of the EFIGO. The EFIGO is harmonized with the IMF’s new ECF, and it complements and strengthens the coordinated actions being carried out by the EC, World Bank, and other DPs. It is complemented in particular by the “Institutional Support for the Economic and Financial Governance Project” (ISEFGP-II) for 2012-2014, which addresses capacity building, the sustainability of the reform process, and fiduciary risks. The Government has agreed to undertake a PEFA in 2013, which will be used as a monitoring tool for assessing the PFM activities and monitor fiduciary risks.

3.4 **Relationship to On-going Bank Operations**

The proposed operation will enhance the synergies of other on-going and future Bank Group operations in The Gambia. In particular, EFIGO is complemented by the on-going ISEFGP II 2012-2014 and technical assistance operations which supports the Government’s policy and institutional governance reform agenda. The ISEFGP II was designed in anticipation of the budget support programme and covers similar areas. While the ISEFGP II has just recently started, results to date reveal the following achievements: an updated PFM Strategy that will be validated by Government in October 2012 and four (4) PFM training course modules prepared, to be delivered by a local training institution to ensure sustainability and continuity of capacity building efforts.

3.5 **Bank’s Comparative Advantages and Value Added**

3.5.1 The cumulative experience and achievements from previous operations has provided the Bank with invaluable experience in supporting economic and financial governance reforms. The Bank plays an instrumental role in promoting good governance and private sector development, which are also the areas of focus of the Government’s PAGE and PAP. Since adopting its GAP 2008-2012, the Bank has streamlined its approach to governance, focusing primarily on PFM. It has scaled up its resources and reoriented its policy and institutional actions towards its regional member countries so as to respond to their challenges in key PFM reform areas. It can therefore draw on this experience in providing funding, policy advice, and operations using country systems, while applying the Paris Declaration, Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation.

3.5.2 The EFIGO builds on the Bank’s experience and competence in promoting private sector development as well as transparency and accountability in the use of public resources. In that context, the programme will contribute towards enhanced accountability, better transparency in the budget process, and improved competitiveness that contribute to a more stable macroeconomic framework in support of sustained and shared economic growth. The Bank has also been involved in guiding The Gambia’s policy dialogue in PFM for some time, including with other DPs, notably by fielding supervision, appraisal, and enhanced dialogue missions, including from its Senegal Field Office (SNFO).
3.6 **Application of Good Practice Principles on Conditionality**

The programme, including the design of conditionality, applies the good practice principles on conditionality (Annex 11). To ensure better coordination and synergy, the AfDB has consulted closely with the IMF; it is engaged in the JAS 2012-2015 with the World Bank, who is also providing budget support.

3.7 **Application of Bank Group Non-concessional Borrowing Policy**

The EFIGO fully complies with the principles of the Bank Group policy on non-concessional borrowing and debt accumulation. Specifically: (i) there is strong partnership and coordination with multilateral and bilateral DPs; (ii) measures are effective and implementable; (iii) only concessional financing is considered; and (iv) diversity in country circumstances has been taken into account.

IV. THE PROPOSED PROGRAMME AND EXPECTED RESULTS

4.1 **Programme Rationale, Goal, and Objectives**

4.1.1 The EFIGO is the Bank’s second budget support operation in The Gambia, aimed at assisting the Government in implementing priority reforms, as defined in the Letter of Development Policy (Appendix 1). The rationale for the ADF grant is to support the economic reform program, consolidate the gains from the previous budget support operation, and to mitigate the impact of the country’s unanticipated drought-related 2012 fiscal crisis. Continued support will be critical to consolidate the achievements to date and ensure that The Gambia remains on track in pursuing remaining critical public financial management reforms.

4.1.2 In the light of the foregoing, the EFIGO’s development goal is to contribute to the promotion of economic growth by enhancing efficiency in the management of Government resources. The expected impact of the EFIGO is to help create conditions conducive to accelerating pro-poor growth. The main expected outcome of the EFIGO is improved fiscal discipline and increased resource mobilization by strengthening transparency and accountability in PFM. To this end, the implementation of the proposed program will contribute
to increasing domestic revenue to 7.4% of GDP in 2013, reducing the net domestic borrowing to 0.5% of GDP in 2014 as identified by the IMF ECF program, and improving selected PEFA indicators in the areas of budget variance, procurement and internal and external controls from D+ to C in 2013.

### 4.2.3 The EFIGO is structured around two components:

(i) Enhanced fiscal discipline through improved expenditure and debt management and increased resource mobilization; and (ii) Strengthened transparency and accountability in PFM. The rationale for these components is that they are areas in which the Government needs to urgently accelerate the implementation of reforms in order to strengthen fiscal sustainability and to foster an enabling environment for private sector activities. Moreover, these components are directly supported by the Bank’s institutional support project (ISEFG II). Prudent fiscal management is particularly important given the country’s high public debt to GDP ratio (estimated at 71.1% of GDP in 2011).

#### Component 1. Enhanced fiscal discipline and increased resource mobilization

### 4.2.4 Context and Challenges:

The first component centres on: (i) improved expenditure management; (ii) improved debt management; and (iii) increased resource mobilization.

### 4.2.5 Expenditure management.

As progress has been made in enhancing budget execution and accounting, particularly through the introduction of IFMIS, attention is shifting to budget preparation. Budget credibility remains one of the main weaknesses in PFM in The Gambia, with insufficient linkages between policies and budgetary allocations. Predictability in resource allocation and conformity of actual expenditures with budget allocations require sound fiscal projections, especially revenue forecasts. To further enhance efficiency in the use of public resources in The Gambia, the budget needs to provide a multi-year perspective regarding on-going and/or new policies and programmes. In particular, considering the medium-term financing needs of the PAGE, the Government will, firstly, need to increase its own fiscal space and, secondly, invite DPs and the private sector to contribute. Based on recommendations by DPs, the Government is strengthening budget preparation, in particular through the introduction of an MTEF on a pilot basis in two by 2013. To further strengthen budget formulation, a budget framework paper has already been developed to assist MoFEA in linking government policies with proposed budget expenditures.

**EFIGO measures:** The expected outputs are: (i) an MTEF concept note to guide the implementation of the pilot MTEFs; and (ii) a comprehensive budget framework paper to guide the 2013 budget exercise (completed). Better planning tools should contribute to decreasing the variance between budgeted and actual expenditures from 0.3% of GDP to 0.1% of GDP in 2013.

### 4.2.6 Debt management.

Improvement of debt management is needed given the pressure on the fiscal position and the need for more efficient spending. Based on the most recent debt sustainability analysis, conducted jointly by IMF and World Bank staff in 2011, The Gambia’s public debt is on a sustainable path nonetheless the debt situation remains a concern. Prudent fiscal management is particularly important given the country’s high public debt to GDP ratio (estimated at 71.1% of GDP in 2011, with external debt at 43.7% of GDP and domestic debt 33.2% of GDP). The Government wishes to ensure that debt management moves closer to international sound practice, within a strong accountability framework. This will require some effort on the part of the Government to improve certain areas in debt

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12 Made in the context of prioritizing PFM reform areas during various missions.
management including, better coordination with monetary policy and clearer separation between the monetary policy operations and debt management transactions. The Government has updated its debt management strategy to streamline borrowing, for both domestic and external debt. To that end, an advisory body will be providing input into the decision-making process, coordinated between MoFEA and CBG. MoFEA will also analyse the costs and risks associated with different financing options and advise the Government on least-cost financing options when deciding how much to borrow on the domestic market.

**EFIGO measures:** The expected outputs are (i) an updated medium-term debt strategy consistent with reducing domestic borrowing (completed); and (ii) a debt management advisory committee made up of officials from the MoFEA and the CBG working together to strengthen the forecasting of the liquidity needs of the Government. This should help reduce net domestic borrowing to 0.5% of GDP in 2014 as agreed with the IMF.

4.2.7 Resource mobilization. Given the challenges in revenue administration, the Government needs to pursue policies to mobilize additional external resources. Additionally, in order to finance the PAGE 2012-2015, the Government must increase its fiscal space. An important and effective way of doing this is through the introduction of a 15% VAT in 2013. Introduction of this tax will also make the tax system more equitable and efficient, thereby helping to limit the amount of domestic borrowing. Furthermore, based on international experience, in those cases where the introduction of the VAT was adequately prepared by improving private sector accounting practices, VAT contributed to the increase in domestic collections.

**EFIGO measures:** To create fiscal space, the Government has begun to make tax collection and mobilization of domestic resources more efficient. Having relied up to now on the general sales tax, the introduction of the VAT will expedite this mobilization. The expected output in this area is the introduction of the VAT in 2013 with the expected aim for domestic revenue to increase from 5.9% of GDP in 2011 to 7.4% of GDP in 2013.

**Component 2. Strengthened transparency and accountability in public financial management**

4.2.8 Context and Challenges. The second component centres on two areas: (i) strengthened public procurement with the aim to increase private sector engagement and (ii) enhanced external and internal audit processes. Oversight and accountability functions in The Gambia have remained largely unchanged over the years, despite the significant issues and limitations reported in various PFM analyses dating back to 2003. In connection with its PFM reform strategy, the Government has now given renewed attention to this area.

4.2.9 Public procurement. The procurement process remains weak, even though the Gambia Public Procurement Authority (GPPA) was established in 2002. At present, the GPPA has the responsibility for both ex-ante and ex-post functions of procurement documents, ensuring their conformity to the requirements of the legislation. These overlapping responsibilities create a conflict of interest that undermines the transparency of the system. To realize this separation, the capacity of the GPPA and Public Procurement Organizations (PPOs) is currently being strengthened with the support of the EC and the World Bank. In 2011, the GPPA’s ex-post review of public procurement practices covered 68 procurement organisations (POs), approximately 50% of total POs, of which only 9% were compliant with the Government’s procurement rules. In order to strengthen the functions of the GPPA, the coverage of ex-post reviews of POs will be stepped up. Moreover, as the services of the GPPA are geared to the private sector, clear procurement policies and procedures, with timely payments, are essential elements in motivating the private sector to increase its contribution to the growth of a healthy economy.
**EFIGO measures**: The expected output in this area are: (i) at least 80 POs reviewed in 2012 (based on activities in 2011) and 100 POs in 2013 (based on activities in 2012); and (ii) the submission of a revised Public Procurement Act to the National Assembly formalizing this separation of responsibilities in 2013. It is expected that these measures will contribute to improving the PEFA PI-19 indicator from D+ in 2008 to C in 2013.

4.2.10 **Internal audit.** The *internal audit* unit was established in 2010, with the plan to conduct the first risk-based audits in 2012. However, the new unit is still understaffed, and the present personnel are in need of training. The full roll-out of IFMIS has improved the accounting environment and given impetus to the internal audit function and the importance of introducing modern risk based auditing. To improve the transparency and accountability of public funds, the proposed programme will continue to strengthen internal control measures, by establishing an internal audit committee and publishing quarterly internal audit reports. The internal audit committee is essential to improve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations, given that improvements in good governance are directly linked to a strong internal audit function.

4.2.11 **External audit.** *External audits* are not yet produced in a timely manner, and the NAO functions under serious capacity constraints. Meanwhile, accountability and compliance of the Executive agencies with audit recommendations are almost non-existent. Despite these constraints, much has been accomplished with regard to external scrutiny, including discussions and recommendations on the Government’s financial statements for the ten years ending in 2006 by the FPAC of the National Assembly. The 2007 government audited financial statements were tabled and discussed in detail by the FPAC at the beginning of October 2012. Moreover, the Government is committed to clearing the back-log of unaudited financial statements and as a first step the Treasury is committed to finalising the financial statements for 2008-2010 to be submitted to the NAO by the end of 2012.before promptly commencing on the 2011 financials which would bring the process up to date. Recommendations that will be issued by FPAC will be acted upon by the Executive through a high-level committee that issues instructions to a task force charged with implementing them. Preparations to strengthen the operational aspects of this task force are being made under the aegis of the Treasury. Until now, no such mechanism existed, diluting the follow up on corrective measures. Furthermore, the NAO will also be undertaking performance-based audits to further strengthen their supervisory role.

**EFIGO measures**: The outputs expected in this area are: (i) establish an internal audit committee (completed); (ii) publish quarterly internal audit reports; (iii) submit audited accounts for 2008-2010 to FPAC; (iii) agree on a mechanism to follow up on the recommendations of FPAC; and (iv) create a Performance Based Audit (PBA) Unit in NAO. It is expected that these measures will contribute to improving PI-21 and PI-26 indicators from D+ in 2008 to C in 2013.
The actions undertaken under the EFIGO will also have an **indirect impact on the private sector contribution to economic growth**. Government efforts to make public procurement more transparent will lower costs to the economy, by having more compliant procurement organizations. Furthermore, a successful implementation of the debt strategy will allow “crowding in” the private sector by providing better access to financing at a lower cost. This is important given the high contribution the private sector is expected to make toward implementing the PAGE. At the same time, given the relatively limited size of the private sector and the large projects in multiple sectors included in the PAGE, the Government must take into consideration the private sector’s financial confines in undertaking projects.

### Prior actions (Box 1):

The three prior actions to be fulfilled before Board presentation chosen for the proposed program is a result of extensive policy dialogue with Government. The prior actions are drawn from the joint Policy Matrix (Appendix II) and used by all budget support donors and are considered to be critical measures to reach the expected objectives of the EFIGO-I. Furthermore, these three areas are key areas of support under the ISEFG II. The Government is committed to reform and many of the 2012 policy measures identified in the Matrix are underway or already completed.

### Financing Needs and Arrangements

#### 4.3.1 Table 2 presents the Government’s financing needs for 2011-2014.

For 2012, total revenues and grants are projected at GMD 6,354 million, while total expenditure and net lending are projected at GMD 8,146 million. Revenues are projected to grow at above 10% per year, partly reflecting the introduction of the VAT in 2013. The growth in expenditures is mainly driven by the increase in capital outlays to address the structural weaknesses of the Gambian economy. The overall balance is projected to make a one-time downward adjustment in 2013 as a result of the VAT introduction, and thereafter remains at a lower level.

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<tbody>
<tr>
<td>A Total revenue and grants</td>
<td>5,619</td>
<td>6,354</td>
<td>7,510</td>
<td>8,700</td>
</tr>
<tr>
<td>Of which: grants (excl. budget support)</td>
<td>1,355</td>
<td>1,703</td>
<td>1,652</td>
<td>1,893</td>
</tr>
<tr>
<td>B Total expenditure and net lending</td>
<td>-6,871</td>
<td>-8,146</td>
<td>-8,528</td>
<td>-9,701</td>
</tr>
<tr>
<td>Of which: interest payments</td>
<td>-967</td>
<td>-1,098</td>
<td>-1,211</td>
<td>-1,216</td>
</tr>
<tr>
<td>Of which: capital expenditure</td>
<td>-2,292</td>
<td>-2,834</td>
<td>-3,427</td>
<td>-4,057</td>
</tr>
<tr>
<td>C Overall balance (cash basis) (A + B)</td>
<td>-1,252</td>
<td>-1,792</td>
<td>-1,018</td>
<td>-1,001</td>
</tr>
<tr>
<td>D Accumulation of arrears</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>E Overall balance (commitment basis) (-C + D)</td>
<td>1,252</td>
<td>1,792</td>
<td>1,018</td>
<td>1,001</td>
</tr>
<tr>
<td>F External financing (net)</td>
<td>224</td>
<td>464</td>
<td>508</td>
<td>619</td>
</tr>
<tr>
<td>G Domestic financing (net)</td>
<td>1,028</td>
<td>1,049</td>
<td>297</td>
<td>118</td>
</tr>
<tr>
<td>H Financing (F + G)</td>
<td>1,252</td>
<td>1,513</td>
<td>805</td>
<td>737</td>
</tr>
<tr>
<td>I Financing gap (-E - H), financed by:</td>
<td>0</td>
<td>279</td>
<td>213</td>
<td>264</td>
</tr>
<tr>
<td>J EFIGO 2012-2013</td>
<td>0</td>
<td>93</td>
<td>58</td>
<td>Not yet defined</td>
</tr>
<tr>
<td>K World Bank EGRG 2012-2013</td>
<td>0</td>
<td>186</td>
<td>155</td>
<td>Not yet defined</td>
</tr>
<tr>
<td>L Others</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>M Residual financing gap (I – J – K – L)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>264</td>
</tr>
</tbody>
</table>

Source: AfDB staff calculations.

#### 4.3.2 Given the near-distress levels of the Government’s domestic debt, urgent steps are needed to reduce it, especially in view of the financing needs for the PAGE. Under such a scenario, financing gaps of some GMD 300 million (US$ 10 million) emerge. In 2012-2013,
these gaps are significantly reduced through the budget support of the AfDB and World Bank. In the absence of budget support from the two aforementioned institutions, residual financing gaps of some GMD 300 million remain on average (US$ 10 million or 1% of GDP) for 2014-2015.

4.4 **Beneficiaries of the Programme**

The EFIGO is designed to assist Government in implementing PAGE, therefore the direct beneficiaries are Government departments, in which the technical and operational capacity of officials will be strengthened throughout the implementation of the reforms. However, the end or indirect beneficiary is the population of The Gambia. In a context where the Government has unanticipated financing needs because of the drought, the financial resources from the ADF grant would help in reducing the fiscal burden while safe-guarding pro-poor spending and improving budget transparency by facilitating the incorporation of additional spending into the budget. Further, the fiscal space generated through the accompanying improved expenditure control will allow for greater spending oriented towards achieving the MDGs, especially in health and education. The programme will also indirectly impact the private sector through actions taken to improve the procurement processes.

4.5 **Impact on Gender**

4.5.1 The EFIGO will have a positive impact on gender by providing resources to the national budget for the implementation of the PAGE including programmes promoting gender equality. The operation, by generally ensuring fiscal sustainability and enhancing public sector efficiency, will also contribute to improving women’s livelihoods by strengthening the numerous programmes directly supporting women. Moreover, by taking place in the context of the IMF’s ECF, the EFIGO supports protecting budgetary allocations to the pro-poor sectors (education, health, and social welfare programmes), thereby also impacting positively on women. It is to be noted that the on-going ISEFG includes gender disaggregated indicators that are being tracked.

4.5.2 As mentioned earlier (section 2.2), poverty in The Gambia has a gender dimension, as 60.5% of poor households are female-headed, and there is a wide gender gap in social services. The ratios of female enrolment in both primary and secondary schools are estimated to continue to increase beyond their current levels of 80% and 42.3%, respectively. The health standards for women are also anticipated to improve: the maternal mortality rate per 100,000 is anticipated to decline below the 690 attained in 2005. The impact of the programme through the World Bank’s operation will particularly have a positive impact on the producers of groundnuts, the majority of whom are women.

4.5.3 Gender-responsive policy development is on-going in The Gambia (Annex 6). A new National Gender Policy, formulated in 2010, identifies several priority sectors for gender equality and women’s empowerment, including agriculture, education, health, and tourism. The Women’s Act has combined Gambia’s international and national commitments within a comprehensive legal framework. Nonetheless, critical gaps still exist, including the lack of an unambiguous policy statement on women’s access to and control over land. Microfinance as an instrument for alleviating poverty, particularly as it regards women’s livelihoods, has not received adequate attention. Gender statistics remain a challenge, hampering evidence-based gender responsive policy making and programming. The 2013 population census will provide an opportunity to generate population-based data as input to policy making on gender equality.
4.6 Environmental Impact

The programme has been classified under category III. It is not expected to have any environmental impact, since it focuses on strengthening public finance management and improving the business climate. The proposed reforms supported by the Bank’s operation would not have negative impact on the environment. The main agencies responsible for environmental management are the National Environmental Protection Agency and the Ministry of Fisheries, Water, and National Assembly Matters. The Gambia Environmental Action Plan (GEAP) was adopted by the Cabinet in 1993, and was updated—GEAP Phase II 2009-2018—and validated by all key national stakeholders, including government, civil society and private sector, before being adopted by the Cabinet early in 2009. The Government has signed and ratified multilateral environmental agreements, demonstrating its engagement towards sustainable environment management. Furthermore it has prepared a National Adaptation Programme of Action (NAPA) to respond to issues related to climate change. For further details see Annex 7.

V. IMPLEMENTATION, MONITORING, AND EVALUATION

5.1 Implementation Arrangements

5.1.1 Implementation institutional framework: The Ministry of Finance and Economic Affairs (MoFEA) will be the recipient of the budget support and responsible for the overall implementation of the reform programme supported by the EFIGO. Through the capacity building projects supported by the Bank (ISEFGP II) and other DPs, the ministry is being strengthened to monitor implementation of the PAGE and PFM reforms.

5.1.2 Disbursement: The proceeds of the grant, of UA 1.88 million in a single tranche, are expected to be disbursed in Q4 of 2012. This disbursement is conditional on fulfilment of the disbursement conditions, as outlined in 6.2. Disbursement of the EFIGO proceeds will be through an account designated by the Government at the CBG that forms part of the country’s foreign exchange reserves. The equivalent amount in Gambian Dalasis will be immediately transferred to the relevant Consolidated Revenue Account of the National Treasury by the CBG, and the former will confirm receipt to the Bank.

5.1.3 Procurement and Audit: Consistent with the Bank’s commitments on harmonization and alignment under the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership for Effective Development Cooperation, the procurement arrangements for all activities implemented under the budget support programme will be undertaken using Government’s systems, and the programme will rely on national reporting of results. In accordance with the General Conditions, the audit of the requisite fund flows of the Programme through the special foreign currency account will be undertaken using an independent external audit firm, recruited on terms and conditions acceptable to the Fund. Certified copies of the audit report should be submitted to the Bank not later than six months after the financial year to which they relate. At the same time, the ISEFGP II will contribute towards strengthening the national systems and shall be monitoring progress.

5.2 Monitoring and Evaluation Arrangements

The existing institutional structure for the implementation of the PAGE process will be used to implement and monitor the policy reforms supported by the programme. The Cabinet subcommittee, the High Level Economic Committee (HILEC), will provide overall guidance for the budget support program, and MoFEA will assume overall
responsibility for coordinating the implementation, monitoring and evaluation of the Policy Matrix. It will be ultimately responsible for reporting progress and coordinating actions among other concerned ministries and agencies, as identified in the joint Policy Matrix. The Government and the development partners providing budget support will jointly conduct annual reviews of the implementation of the Policy Matrix. These reviews will be used to monitor reform actions, evaluate the impact of the reforms on the development objectives, and discuss strategic adjustments to the Policy Matrix taking into account the latest country developments, stakeholder support and alternative options for realising the intended development objectives. The reviews will be based on the reform measures and outcome indicators outlined in the Matrix. SNFO will actively engage in monitoring and dialogue. Non-state will be consulted during supervision meetings. IMF assessments, plans for PEFA, and any other relevant analytical work will also be used to analyse progress.

VI. LEGAL DOCUMENTATION AND AUTHORITY

6.1 Legal documentation

The financing instrument that will be used for this operation is an ADF Grant of UA 1.88 million. A Grant Protocol of Agreement will be signed between the African Development Fund and The Gambia. The Grant Agreement shall be governed by the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund (“General Conditions”), as amended.

6.2 Conditions Associated with Bank Group Intervention

6.2.1 Conditions Prior to ADF Board Presentation. Before the Grant proposal is presented to the ADF Board for approval, the Government shall provide evidence to the Fund that the following measures have been implemented:

- Appointment of the members of the Internal Audit Committee;
- Submission of a copy of the updated Debt Management strategy; and
- Submission of the 2008-2010 financial statements from the Treasury to NAO and the submission of management responses to the 2008 audit management letter by the Treasury to the NAO.

6.2.2 Entry into Force of the Grant Agreement. The Grant shall enter into force upon its signature by the Fund and the Republic of The Gambia.

6.2.3 Conditions Precedent to Disbursement of the Grant. The obligation of the Bank to disburse the Grant shall be conditional upon the entry into force of the Grant Agreement and the fulfillment of the following two conditions:

- Maintaining an appropriate macroeconomic framework as evidenced by IMF reports or assessments; and
- Submission of evidence as to the existence in the Central Bank of The Gambia of a special account for foreign currency into which the proceeds of the Grant shall be deposited

6.3 Compliance with Bank Group Policies This programme complies with all applicable Bank Group policies and guidelines. These include the: (i) Policy on Programme-Based Operations; and (ii) Governance Strategic Directions and Action Plan (GAP) for 2008-2012.
VII. RISK MANAGEMENT

The programme’s risks and mitigation measures presented below are also summarized in the logical framework. The following risks and mitigation measures have been identified:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk probability</th>
<th>Mitigation measures</th>
</tr>
</thead>
</table>
| Adverse macroeconomic impact due to exogenous shocks such as the drought or global crises more severe than anticipated | Low-to-Medium    | • The financial resources from the ADF grant, as well as from other DPs would help mitigate the fiscal burden and safeguard pro-poor spending  
  • The Government will further sensitize DPs, as well as the population, on the impact of the drought on fiscal policy. It expects to mobilize sufficient additional resources to pursue its monetary and fiscal reforms and the updated debt strategy.  
  • The Government’s new PAGE is focused on economic growth and employment. It is currently implementing fiscal and monetary policies aimed at achieving macroeconomic stability while implementing pro-poor programmes which target youth and the most disadvantaged social segments of the population. |
| Weak fiduciary environment                                           | Low-to-Medium    | • The underlying weaknesses have been gradually improved through implementing PFM reforms within the context of the PRS, PAGE, PAP, and the ECF, further supported by the activation of the JGBS policy matrix.                                                                                                                                                                                                                      |
| Weak institutional capacity for implementation and monitoring of reform progress including frequent reshuffling of cabinet positions and civil service | Low-to-Medium    | • The Government is preparing a comprehensive Civil Service Reform Strategy 2012-15, which seeks to attract and retain qualified staff in the public sector by reforming public sector pay, pensions, and carrying out human resource management reforms.  
  • Through the Bank’s ISEFG II project support is provided to strengthen capacities in key public institutions engaged in economic management and governance.  
  • Efforts are being stepped up to train local staff through the provision of DP technical assistance, including the Bank’s ISEFG II project. DPs, in turn, are sensitizing the Government to the need to tap into the diaspora, which will require both political and economic reforms.  
  • As regards procurement in particular, the procurement law is being revised and an independent commission will be created.  
  • The Bank will be increasing its collaboration with MoFEA and other DPs, including through policy dialogue in the context of the EFIGO. |
| Increased poverty related to intro of VAT                            | Low-to-Medium    | • The implementation of the VAT will be monitored closely to ensure that incidences of poverty do not increase  
  • The program’s target is to maintain at least 35% of budget on priority sectors                                                                                                                                                                                                                                                                                                                                                          |

VIII. RECOMMENDATION

Management recommends that the ADF Board of Directors approves the proposed grant of UA 1.88 million to the Republic of The Gambia for the purposes, and subject to the conditions, stipulated in this report.
APPENDICES

APPENDIX 1. THE GAMBIA: LETTER OF DEVELOPMENT POLICY

Dr. Donald Kaberuka
President
African Development Bank
Tunis
TUNISIA

Dear Dr. Kaberuka,

LETTER OF DEVELOPMENT POLICY

1. I am writing to request, on behalf of the Government of Republic of The Gambia, from the African Development Bank (ADB) to support the programs and policy measures outlined in The Gambia’s Programme for Accelerated Growth and Employment (PAGE). This letter sets out the actions that Government has already and will seek to undertake over the medium term to implement its development agenda.

2. The Gambia’s Programme for Accelerated Growth and Employment (PAGE) covers the period 2012 to 2015 and is organized around five pillars: (i) accelerating and sustaining economic growth; (ii) improving and modernising infrastructure; (iii) strengthening human capital stock and enhancing access to social services; (iv) improving governance and increasing economic competitiveness; and (v) reinforcing social cohesion. The PAGE focuses on stepping-up infrastructure investments to address the country’s shortcomings, strengthening the country’s public financial management, and helping to create a more enabling business environment.

3. The PAGE builds on the achievements recorded under the implementation of the second Poverty Reduction Strategy Paper (PRSP II) covering the period 2007-2011, with realizations ranging from higher real GDP growth rates to new infrastructure developments. During the implementation of the PRSP-II the country performed beyond the targets of 4.5 percent real GDP growth, reaching average real GDP growth rates of over 6.0 percent during the period 2007-2010.

4. While real GDP growth declined to 3.3 percent in 2011, this decline was due to the weather-related shock that lead to the 2011-12 crop failure. It is in this context that the request being presented in this letter is made even more important.

Macroeconomic Stability, Growth and Employment

5. The primary objective of our growth strategy is to maintain macroeconomic stability for sustained economic growth and employment. This overarching objective translates specifically into implementing structural reforms aimed at improving the country’s fiscal balance, pursuing sound monetary and exchange rate policies aimed at keeping inflation below 5 percent, strengthening the financial system and supporting sources of economic growth.

6. The PAGE notes the country’s strengthened public financial management, with an improvement in budget outcomes during 2011 and the establishment of the Integrated Financial Management Information System (IFMIS). The country generated a basic primary fiscal surplus estimated at 1.2 percent of GDP in 2011, up from a 0.4 percent deficit in 2010. Also, the operationalization of the IFMIS has allowed more frequent and accurate fiscal reporting, closer monitoring of poverty-reducing expenditures, and the upgrading of payroll management and control. In this context, the government has validated the HR records in the IFMIS payroll, regularizing the records of civil servants not identified during this validation exercise.

7. Actions have also been taken on four other fronts. First, the backlog in audited financial statements is being gradually reduced with the recent submission of the 2008, 2009 and 2010 accounts to the National Audit Office (NAO) and the expected submission of the 2011 accounts to NAO later this year. Second, the...
reconciliation and clearance of accounts between the Ministry of Finance and the Central Bank of The Gambia (CBG) has been accelerated by establishing the IFMIS interface at the Central Bank. This interface will contribute towards increasing predictability in public borrowing by providing the Ministry of Finance with real-time information on cash balances in government accounts at the CBG. Third, the internal audit function has been re-established at the Ministry of Finance thanks to the stronger accounting environment resulting from the operations of the IFMIS. More recently, letters were issued appointing the Internal Audit Committee members and their work would seek to ensure: (i) conformity of budget management to the Government’s strategy; (ii) effectiveness and efficiency of government operations; (iii) reliability of financial reporting; and (iv) compliance with applicable laws and regulations. Fourth, the government has authorized the publication of the IFMIS reports on the website of the Ministry of Finance and Economic Affairs, encouraging greater transparency and efficiency by allowing the public to monitor the use of public resources.

8. Looking forward the Government plans actions on two important fronts, namely to strengthen procurement and to add in the foreseeable future several new functionalities to the IFMIS. The strengthening of procurement will be realized through the planned revision of the 2004 Gambia Public Procurement Act to separate the regulatory and policy functions of the Gambia Public Procurement Authority and through the closer alignment of the procurement plans of line ministries and the budget’s annual Appropriation Act. The new IFMIS functionalities will include: (i) establishing and making operational the interface between the IFMIS and the Commonwealth Secretariat Debt Recording Management System (CSDRMS); (ii) completing the transition of the IFMIS to EPICOR 9 (the web-based IFMIS); and (iii) incorporating self-accounting projects with the Ministry of Finance and Economic Affairs, and with the Ministry of Information and Communication Infrastructure, into the IFMIS. These new functionalities will achieve several important objectives, such as: (i) strengthen the country’s debt management capacity; (ii) broadening the use of the IFMIS by making it accessible to government offices outside of the Banjul perimeter; and (iii) extending the reach of the IFMIS to projects that today account for a large share of government expenditures, making it possible to have improved budget reporting through the IFMIS. By increasing the coverage of the IFMIS to include self-accounting projects, the Gambian government will achieve two important goals: (i) broadening its within-year reporting of government expenditure; and (ii) improving overall government cash management.

9. The following sources of economic growth are identified in the PAGE: (i) agriculture and natural resources; (ii) tourism; (iii) telecommunications; and (iv) improvements in the business environment, such as reducing the cost of production (such as electricity and telecommunications), improving access to finance, ensuring access to land, reducing and simplifying tax systems, and facilitating business registration. Actions to support the several sources of growth and ensure sound macroeconomic policies are important because as global market conditions change the challenges to domestic macroeconomic management are bound to increase and this will make promoting macroeconomic stability and growth even more important. A more concrete action already taken was the establishment of the Tax Tribunal that seeks to provide an appropriate channel for tax payers to object to his/her tax liability if s/he is not in agreement with the tax assessed and believes that the tax and penalty (in case of late payment) needs to be reviewed.

10. The development of agriculture is central to implementing the objectives of the PAGE. The goal for the agriculture sector in the PAGE is to transform the country into a supplier of agricultural products to local and international markets. To achieve this goal, the agricultural sector would be transformed from traditional, subsistence farming into a modern, market-oriented, commercial sector. To realize this objective, the government’s actions are centered on two fronts. First, the government intends to gradually increase public investments in the sector from 3 percent of overall expenditures in 2009 to 6 percent in 2012 and at least 10 percent by the end of the PAGE period. These additional expenditures would center on irrigation, quality inputs, extension services, post-harvest management and marketing. Second, the government will seek to encourage the private sector’s contribution in the delivery of quality inputs and the provision of extension services, building on the successful partnership it has had with the Agribusiness Services and Producers Association (ASPA) in the groundnut sector.

Improving and Modernizing Infrastructure

11. The objective of the second pillar of the PAGE is to enhance conditions for economic growth through the provision of needed economic infrastructure, and the promotion of productive sectors with large impacts on employment creation and poverty reduction. The PAGE seeks to encourage the participation of the private sector in new infrastructure investment, and to focus public investment in key growth sectors, such as transport, energy and telecommunications. Specific PAGE proposals include the following:

- **Transport Infrastructure:** The road construction, renewal and maintenance programme will focus specifically on access to rural and remote areas. The government will invest and seek private sector participation in the maintenance and rehabilitation in areas with poor access to the trunk road network. Also, the government plans to put in place sustainable funding sources and at operationalizing the road fund to effectively carry out the required road construction works and other activities on the roads aimed at promoting, its economic growth, efficiency, and accessibility objectives.
Energy: The efforts of the government in the energy sector have focused initially on energy sector saving and the reduction in the public sector arrears to the National Water and Electricity Company (NAWEC) through three main measures: (i) upgrading the power transmission lines linking power generated at the station in Brikama and Kotu and distributed to sub-stations in the Greater Banjul Area and Brikama; (ii) prepaid arrangements for electricity bills by automatic deduction of the payment of these expenditures from the budget transfers to ministries, departments and agencies; (iii) introducing prepared meters in the government offices in the Greater Banjul Area. There are four initiatives outlined in the PAGE. First, raising the electrification rate by increasing electricity generation, as well as by encouraging more efficient uses of electricity, and by attracting, through appropriate and reasonable incentive and facilitation processes, the private sector investment in the sector. Second, promoting the use of renewable energy resources, such as wind and solar for electricity generation, particularly in the rural areas. The goal is to support fuel switching from fossil to renewable and thus reduce emissions of greenhouse gases. Third, enhancing the operational efficiency of the National Water and Electricity Company (NAWEC) through the reduction of public sector arrears to NAWEC, timely reviews of tariffs, updating, monitoring and implementing the regulations governing electricity production and distribution. Fourth, upgrading and replacing the aging transmission and distribution infrastructure to reduce the electricity losses.

Telecommunications: The activities of the Government will focus on: (i) providing high-capacity and reliable bandwidth the operationalization of the Gambia Submarine Cable Company, (ii) modernizing, expanding and ensuring open access to the national telecommunication backbone infrastructure, and (iii) strengthening the legal and regulatory framework for the ICT sector (e.g., PURA Act 2001, IC Act 2009).

Strengthening Human Capital Stock and Enhancing Access to Social Services

12. The PAGE highlights how investing in human capital stock is a priority in the national government’s development agenda. This priority is reflected in recent achievements, such as the rise in school enrolment where Gross Enrolment Rate (GER) at the lower-basic level reached almost 90 percent in the academic year 2009/10, up from around 70 percent in 2005/06. This expansion in school enrolment has been matched by continuously high completion rates (reaching 75 percent), a low average repetition rate (less than 5 percent), and improvements in school management. In this context, the Ministry of Basic and Secondary Education recently signed Service-Level Agreements (SLAs) between with its regional directorates and with the school-heads for basic and secondary public schools that seeks to provide the basis for continuing to monitor performance levels on both sides of the agreement.

13. To sustain the progress achieved over the last few years in the provision of education services, the PAGE outlines six proposals the Government intends to pursue. The Government plans to (i) establish new schools where the school-aged population is significantly high with a view to improve access to education where distance from schools is an issue and, in doing so, increase the enrolment rate, especially in the deprived regions; (ii) implement specific measures aimed at reducing gender inequality and regional disparities, especially in upper levels of education; (iii) continue to provide hardship allowances to teachers willing to serve in designated hardship areas; (iv) strengthen the training of Gambian secondary teachers in Maths and Sciences; (v) continue to subsidize schools and the official Madarassa institutions that complement the conventional schools on equal terms by providing quality inputs through school grants or other delivery mechanisms; and (vi) eliminate all unauthorized levies to strengthen equity in access to education and identify strategies to attract the last percentage of children out of school into schools.

14. The PAGE reports that health indicators have also improved, although infant and maternal mortality rates at 81/1000 and 400/100,000 live births, respectively, remain high. The PAGE acknowledges that improving health outcomes is contingent on the ability of the government to provide adequate recurrent resources to the health facilities, particularly for the recruitment and retention of health care professionals and for purchasing of drugs. Therefore, the government intends to maintain its current incentive programs for the placement of health care staff in rural areas.

15. To overcome problems in the delivery of health services, the PAGE outlines the seven efforts to be implemented over the next four-year period aiming at increasing accessibility and affordability of quality services at the point of demand, in particular for women and children. These interventions include: (i) improvement of antenatal and postnatal care; (ii) emergency obstetric care services; (iii) the provision of adequate and safe blood transfusion services; (iv) maintaining the increase in immunization rates; (v) promoting Insecticide Treated bed Nets (ITNs) utilization; (vi) the prevention and control of HIV, tuberculosis, and other communicable and non-communicable diseases; and (vii) the prevention and control of malnutrition.

16. To implement these strategic interventions, the government efforts during the implementation of the PAGE will be directed towards: (i) the preparation of adequately trained health personnel and their retention; (ii) the improvement of health-related data collection, analysis, planning, monitoring and evaluation; and (iii) modernization of health infrastructure. These interventions are important because there has been increased coverage of immunization and other basic health services, even though it covers only an estimated 32 percent of communities. Also, the National Nutrition Agency (NaNA) and a cross-sectoral national Nutrition Council are implementing the National Nutrition Policy, including through community
interventions based on nutrition education and provision of care to malnourished children at health facilities. The Primary Health Care programme and the community nutrition programme are complimentary and go hand in hand. Coverage of the community nutrition programme is still limited, however, reaching approximately 16 percent of the population. Also, the implementation of the PAGE gives particular attention to efforts aimed at increasing the coverage of basic health services to poorly served areas, including by: (i) expanding nutrition service delivery and the revitalization of the Primary Health Program; and (ii) ensuring that facilities are properly staffed and that drugs and equipment are adequately supplied.

17. The third and final heading under this third pillar of the PAGE outlines actions aimed at increasing the population’s access to safe drinking water with a view to reduce their susceptibility to water-borne diseases. This is an area where The Gambia has seen good progress. The proportion of the population with access to safe drinking water increased to 87 percent in 2009 from 69 percent in 1990, exceeding the MDG target of 84.5 percent by 2015. Water supply depends on available electricity, however, which creates problems for rural households, and rural health and education facilities. To mobilize the needed resources to implement these interventions, the PAGE outlines actions aimed at increasing the advocacy of this issue and at mobilizing additional financial resources by strengthening the management of available financial resources in the health sector, and by exploring other financing mechanisms such as, the possibility of introducing a national health insurance scheme. Finally, donor funding will be streamlined through a coordinated system using a Sector-Wide Approach (SWAp).

Improving Governance and Fighting Corruption

18. The Government’s effort to improve governance is, as outlined in the PAGE, focuses on five areas: (i) strengthening the governance of public services -- a centrepiece of the government’s strategy to boost economic performance; (ii) improving the business sector environment; (iii) increasing employment; (iv) eradicating poverty; and (v) reducing corruption. Effective public institutions and efficient service delivery are seen as vital for the achievement of these goals. The government has implemented several reforms to improve public services recently, and will address the remaining reforms during the PAGE implementation period.

19. Specific reforms being considered under this pillar include the implementation of a comprehensive Civil Service Reform Strategy 2012-15, which seeks to attract and retain qualified staff in the public sector by reforming public sector pay, pensions, job descriptions, and carrying out human resource management reforms. Also, the PAGE outlines civil service reforms that would strengthen the capacity within ministries and introduce results-based management aiming at improving service delivery. Finally, attention would be given to capacity and service delivery at the decentralized level of government.

20. Public Financial Management (PFM) reforms delineated in the PAGE include: introducing a Medium Term Expenditure Framework (MTEF) and a Programme Based Budgeting (PBB) system, as well as building on the recently established Integrated Financial Management Information System (IFMIS). Furthermore, six other priority issues are identified in the PAGE such as: (i) broadening budget coverage and documentation; (ii) consolidating aid coordination and addressing government’s debt position; (iii) timely preparation and submission of government financial statements for auditing, and submitting the audited reports and their recommendations to the Finance and Public Accounts Committee (FPAC) of the National Assembly; (iv) increasing the capacity of FPAC of the National Assembly to effectively scrutinize the budget and government financial statements; (v) improving the capacity in public procurement; and (vi) rolling out internal audit functions to all MDAs.

Reinforcing Social Cohesion and Cross-cutting Interventions

21. The fifth pillar of the PAGE emphasizes the importance of creating jobs, pursuing equity, reducing regional disparities, and paying attention to environmental sustainability and to climate change. Interventions aimed at improving food security capture the cross-cutting nature of the actions envisioned under this pillar, although most of the focus is placed on increasing agricultural production rather than nutrition security. As a result, actions aimed at attaining food security range from building farmers’ capacity to adopt best agricultural practices in environmentally sustainable farming to providing farmers with adequate storage facilities and assisting in maintaining soil fertility and conserving the soil. Boosting agricultural productivity alone does little to protect the population from staving off nutritional deficiencies and malnutrition, however. Attention to this issue is important because the Government intends to use nutrition indicators in the surveillance of food security. Achieving the objectives envisioned under the PAGE requires a broader range of actions therefore, ranging from reforming the land tenure system so that women can have equal access to farmland to efforts aimed at reducing individual and household risk to food insecurity and malnutrition.

22. While the PAGE places emphasis on climate change, with a focus on adaptation to climate change, it also outlines a biodiversity agenda for the country. Because of the time lag between causes and effects within global climate systems, the adverse impacts of environmental degradation are likely to persist for decades and generations, even after the global community succeeds in limiting greenhouse gas concentrations in the atmosphere. At the same time, conditions specific to The Gambia make it particularly imperative that
the government factor climate change into its development policies and programmes. Recognising this, the Government of The Gambia developed a National Adaptation Programme of Action on climate change in 2007 to stimulate a critical re-examination of the role of climate on societal and natural systems in the areas of agriculture, fisheries, wildlife, energy, water resources, and forests and woodlands.

23. The government’s projects under the National Adaptation Programme of Action will address urgent and significant climate change-related threats through actions that (i) deliver immediate adaptation benefits, (ii) help build local and national adaptive capacity, (iii) increase awareness, and (iv) build a foundation for maximising long-term adaptation benefits.

24. In the agriculture sector, the government will adopt and implement the following strategies: (i) optimisation of the use of natural resources, (ii) the increase and stabilisation of crop productivity, (iii) the stabilisation of the rural population, and (iv) the management of rangeland and the preservation of eco-assets.

25. Insofar as integrated energy planning in the energy sector is concerned, the government’s strategic decisions will pursue nine goals: (i) to reduce the pressure on natural forests; (ii) to provide access to reliable technologies and better or cheaper fuels; (iii) to limit damages to infrastructure; (iv) to improve energy efficiency, disaster planning, and the management of water resources; (v) to raise public awareness; (vi) to restore biodiversity and the health of ecosystems; (vii) to develop a less polluting public transport system; (viii) to promote clean technology; and (ix) to minimise the impact of flooding and saline intrusion in lowlands.

26. In other key sectors, the government will seek out sources of alternative and renewable energy (solar and liquefied petroleum gas) and technological innovation and diffusion. It will promote and strengthen integrated coastal zone management, e.g., by boosting the adaptive capacity of coastal communities and by encouraging the optimal use of marine resources.

27. Although small in size, The Gambia harbors a wealth of terrestrial, coastal, marine and wetland habitats, as well as species of local, national, regional and global significance. The coastal and marine environment is defined in the Gambian context as not only those areas that border the Atlantic but similarly for those with brackish water that border the River Gambia, extending 200km inland. Coastal and marine areas are nevertheless under increasing pressure. A large proportion of the country’s population resides in coastal areas and depends upon them for their livelihoods. Population growth and in-migration as a result of disrupted rainfall patterns and land degradation in the hinterland translates into growing pressure on coastal and marine resources. Biodiversity and climate change are two dimensions of the same agenda, and it’s imperative to have complementary environmental activities to address both the country’s adaptation needs while reinforcing the biodiversity conservation agenda.

Conclusion

28. The government is committed to implementing the programs and policies outlined in our Programme for Accelerated Growth and Employment (PAGE). While the government will necessarily use some of its own resources to implement the PAGE, substantial additional resources will be required, especially in light of the recent adverse developments resulting from the 2011-2012 crop failure. Continued support from our development partners is critical at this time, and I hope that ADB will provide the requested grant.

Yours Sincerely,
Hon. Abdou Kolley
Minister
## APPENDIX 2. THE GAMBIA: PROPOSED JOINT GENERAL BUDGET SUPPORT POLICY MATRIX (2012-2013)

<table>
<thead>
<tr>
<th>Medium Term Objectives</th>
<th>Baseline Situation October 2011</th>
<th>Policy Measures and Actions</th>
<th>Expected Outcome</th>
<th>Indicators</th>
<th>Responsible Agency(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PILLAR 4 of the PAGE: Improving Governance and Fighting Corruption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subcomponent: Public Financial Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. Improve Budget Formulation/Planning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The GBMA does not provide an adequate definition of government entities, complicating both fiscal oversight and reporting. Areas that need improvement include the coverage of Public Enterprises and IFMIS.</td>
<td>The Gambia Budget Management and Accountability Act to include Public Enterprises and IFMIS.</td>
<td>Gambia Budget Management and Accountability Act Revised.</td>
<td>Revised GBMA approved by the National Assembly.</td>
<td>MoFEA</td>
<td></td>
</tr>
<tr>
<td>MOFEA plans to introduce MTEF with pilots in several Ministries by 2013. This needs to be guided by an MTEF concept paper.</td>
<td>Cabinet approval of the concept paper for the implementation of MTEF.</td>
<td>Pilot MTEF in at least 2 Ministries.</td>
<td>Budget proposal for at least 2 Ministries incorporates MTEF.</td>
<td>MoFEA</td>
<td></td>
</tr>
<tr>
<td>The existence of a budget framework paper to assist MoFEA in linking policies with proposed expenditures.</td>
<td>Budget framework paper submitted to cabinet to inform 2013 budget</td>
<td>Budget framework paper submitted to Cabinet by June</td>
<td>Closer links between policies &amp; expenditures in budget.</td>
<td>MoFEA</td>
<td></td>
</tr>
<tr>
<td>IFMIS payroll records include only about 80 percent of the civil service.</td>
<td>Validate 85 percent of the payroll records in IFMIS</td>
<td>Validate 95 percent of the payroll records in IFMIS</td>
<td>IFMIS payroll records regularized and ghost workers removed.</td>
<td>MoFEA/PMO</td>
<td></td>
</tr>
<tr>
<td><strong>2. Improve Budget Execution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The PFM Action plan has been in place since 2010. It is timely to review progress and update the strategy and priorities actions going forward, to better cover areas such as procurement.</td>
<td>Report on the Review of the PFM Strategy and Monitoring and Evaluation Framework developed.</td>
<td>Revise PFM Action Plan.</td>
<td>PFM Action Plan Revised.</td>
<td>MoFEA</td>
<td></td>
</tr>
<tr>
<td>Medium Term Objectives</td>
<td>Baseline Situation October 2011</td>
<td>Policy Measures and Actions</td>
<td>Expected Outcome</td>
<td>Indicators</td>
<td>Responsible Agency(ies)</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>---------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>3. Strengthen public procurement system</td>
<td>In 2011, the GPPA ex-post–review of public procurement practices covered 68 procurement organizations (POs), which is approximately 50% of total POs.</td>
<td>Analysis in 2012 of the public procurement practices during 2011 of 80 procurement organizations</td>
<td>Increased percentage of Procurement Organizations compliant with the GPP Act.</td>
<td>Number of Procurement Organizations compliant with the GPP Act, as reflected in the GPPA annual report.</td>
<td>MoFEA &amp; GPPA</td>
</tr>
<tr>
<td></td>
<td>There is a conflict of interest for the GPPA to perform the regulatory and operational functions, so these functions in the GPPA are to be separated.</td>
<td>Analysis in 2013 of the public procurement practices during 2012 of 100 procurement organizations</td>
<td>Establishment of an Independent Complaint Review Board</td>
<td>A revised Gambia Public Procurement (GPP) Act submitted to the National Assembly that separates the policy and regulatory functions of GPPA.</td>
<td>MoFEA &amp; GPPA</td>
</tr>
<tr>
<td></td>
<td>Information on expenditures is currently not available to the public</td>
<td>Submission of 2011 government financial statements to NAO.</td>
<td>IFMIS budget execution reports available to the public.</td>
<td>Number of government offices outside of Banjul accessing and using IFMIS on EPICORE 9.</td>
<td>MoFEA/ DNT</td>
</tr>
<tr>
<td></td>
<td>Post IFMIS budget execution reports on MoFEA’s website.</td>
<td>Continue posting the IFMIS reports on the MoFEA’s website.</td>
<td>IFMIS budget execution reports posted MoFEA’s website.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complete the transition in IFMIS to EPICOR 9</td>
<td>Make IFMIS more user friendly and accessible to government offices outside of Banjul.</td>
<td>Make IFMIS more user friendly and accessible to government offices outside of Banjul.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Term Objectives</td>
<td>Baseline Situation October 2011</td>
<td>Policy Measures and Actions</td>
<td>Expected Outcome</td>
<td>Indicators</td>
<td>Responsible Agency(ies)</td>
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<tr>
<td>------------------------</td>
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</tr>
</tbody>
</table>
| 5. Strengthen Internal Auditing | Internal Audit Unit established in the Ministry of Finance and Economic Affairs | **Approve the Internal Audit Committee Charter and Appoint the Members of the Internal Audit Committee.**  
Preparation of quarterly audit reports commenced in 2012 | Internal Audit functions strengthened. | Number of Internal Audit reports finalized/increased. | MoFEA/ Internal Audit Unit |
| | | Quarterly audit reports submitted each quarter in 2013 | | | MoFEA/ Internal Audit Unit |
| | | **Improve Internal Audit functions in line Ministries Internal Audit Manual developed.** | | | MoFEA/ Internal Audit Unit |
| 6. Strengthen external audit | There is a backlog in the submission of audited accounts to the Finance and Public Accounts Committee (FPAC) of the National Assembly. | **Submission of management responses to the 2008 audit management letter by the Treasury to the NAO**  
Submit to the National Assembly audited accounts for 2008 to 2012 | Reduction in the backlog of audited accounts. | Backlog in audited accounts reduced to no more than 1 year. | MoFEA/ NAO |
| | | | | | |
| | At present, the MoFEA are not held accountable for implementing the audit recommendations | **Mechanism to follow-up on the recommendations to be made in the 2007-2010 audit reports**  
Report submitted to cabinet on the status of the implementation of recommendations made on the 2008-2012 audit reports | Ensure: (i) conformity to the Government’s strategy; (ii) effectiveness and efficiency of operations; (iii) reliability of financial reporting; and (iv) compliance with applicable laws and regulations. | Report by the NAO and DNT with follow up actions on the recommendations of the FPAC of the National Assembly. | MoFEA/ DNT  
NAO report to the FPAC of the National Assembly |
<table>
<thead>
<tr>
<th>Medium Term Objectives</th>
<th>Baseline Situation October 2011</th>
<th>Policy Measures and Actions 2012</th>
<th>Expected Outcome</th>
<th>Indicators</th>
<th>Responsibl e Agency(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Improve aid monitoring and coordination</td>
<td></td>
<td>One Performance Audit Report submitted to the National Assembly Establishment of the performance audit unit at the NAO, as envisioned already in the National Constitution</td>
<td>NAO annual report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MoFEA &amp; MoICI</td>
</tr>
</tbody>
</table>

PILLAR 1 of the PAGE: Accelerating and Sustaining Economic Growth
Subcomponent: Consolidating macroeconomic stability

8. Increased domestic resource mobilization

The sales tax currently in place is in need of upgrading in view of international experience

VAT legislation submitted to the National Assembly

VAT becomes effective

Increased revenue mobilization by substituting the sales tax with the VAT

Domestic resource taxes increase by 1.2% of GDP

MoFEA

8. Improved Debt Management

Domestic debt interest currently accounts for around 18.5% of government revenues.

Update the debt management strategy.

Establish and operationalize the IFMIS interface with the CSDRMS (debt management software).

Improved debt management capacity. Broadened Government's within year reporting of government expenditure and improved overall government cash management.

Reformed legal and inter-institutional framework for public debt management.

MoFEA

Debt management advisory committee established
<table>
<thead>
<tr>
<th>Medium Term Objectives</th>
<th>Baseline Situation October 2011</th>
<th>Policy Measures and Actions 2012</th>
<th>Expected Outcome</th>
<th>Indicators</th>
<th>Responsibl(e) Agency(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Situation October 2011</td>
<td>Consolidate the functions of the Loans and Debt Management Department of the Ministry of Finance and Economic Affairs.</td>
<td>Design and implement a strategy for development of the domestic market for government securities</td>
<td>2012</td>
<td>2013</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MoFEA</td>
</tr>
</tbody>
</table>

**Subcomponent: Strengthening Sources of Economic Growth**


<table>
<thead>
<tr>
<th>Action</th>
<th>Expected Outcome</th>
<th>Indicators</th>
<th>Responsible Agency(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrangements for PPPs are currently not available in The Gambia, creating problems for attracting investors and leading to contingent liabilities for the budget.</td>
<td>Establish PPP legislation.</td>
<td>Approved PPP legislation.</td>
<td>Number of PPP projects approved.</td>
</tr>
<tr>
<td>There is currently a monopoly for fuel procurement.</td>
<td>Develop and begin implementation of a national energy sector strategy.</td>
<td>National energy sector strategy developed.</td>
<td>National energy sector strategy implemented.</td>
</tr>
<tr>
<td>Lack of trained staff is a bottleneck for the expansion of the hospitality industry.</td>
<td>50 staff are trained for the hospitality industry.</td>
<td>Increased numbers of tourist arrivals in The Gambia.</td>
<td>Number of tourist arrivals in The Gambia.</td>
</tr>
</tbody>
</table>

1) Actions monitored in the proposed EFIGO are presented in italics and those that are triggers are presented in italics and bold. The remainder is supported under the World Bank’s EGRG I.
APPENDIX 3: THE GAMBIA: IMF COUNTRY RELATIONS NOTE

Statement by an IMF Mission to The Gambia: First Review of the ECF Arrangement


An IMF mission led by Mr. David Dunn visited The Gambia during September 5-18, 2012, to discuss performance under the authorities’ macroeconomic and financial program that is supported by the IMF under its Extended Credit Facility (ECF). The mission met with Minister of Finance and Economic Affairs Abdou Kolley, Governor of the Central Bank of The Gambia (CBG) Amadou Colley, and other senior officials. It also met with representatives of the private sector, civil society, and development partners.

At the conclusion of the visit, Mr. Dunn made the following statement in Banjul:

“Last year’s severe crop failure, caused by drought throughout the region, led to a sharp contraction in the Gambian economy. In 2011, The Gambia’s real gross domestic product (GDP) fell by about 5 percent. Economic activity remained weak for much of 2012, but is expected to pick up substantially in the final quarter, as the upcoming harvest points to a strong rebound in crops and growth in the tourism sector continues. The relief effort by the Government of The Gambia, international aid agencies, and bilateral donors appears to have helped to mitigate the impact of the drought on vulnerable families and provided critical support to farmers. For 2012 as a whole, real GDP is projected to be about 4 percent, while inflation has remained under control at about 4½ percent (year-on-year).

“Based on a projected further rebound in agriculture in 2013, which anticipates that crop production will have fully recovered to pre-drought levels, real GDP growth could surge to about 10 percent next year, before returning to its longer-term trend of about 5½ percent a year over the medium term. There are downside risks to this outlook, as well as greater upside potential. In particular, the possibility of prolonged weaknesses in the global economy or strong shocks to food and fuel prices could dampen growth in key sectors of the Gambian economy. At the same time, sound macroeconomic policies combined with a structural agenda that seeks to promote productive private sector investment in infrastructure—as envisaged in the authorities’ Programme for Accelerated Growth and Employment (PAGE)—could boost longer-term growth trends. Strengthening The Gambia’s relations with the regional and international communities would be important for building confidence in the economy and generating greater support from development partners for PAGE priorities.

“The Government has taken some initial steps toward addressing its heavy debt burden. During the first half of 2012, Government’s net domestic borrowing (NDB) was reduced to 1.2 percent of annual GDP, compared with 2.3 percent of annual real GDP during the same period in 2011. Moreover, the Government remains committed to ceilings on NDB of 2½ percent of GDP for 2012 as a whole and 1 percent of GDP in 2013. By easing pressure on the domestic financial market and T-bill yields, it is projected that Government’s interest payments on domestic debt relative to its revenues would fall from 18½ percent in 2011, to 18 percent in 2012, to just under 15½ percent in 2013. Updated external debt indicators also show progress has been made toward reducing The Gambia’s debt vulnerability.

“In line with commitments to ECOWAS (Economic Community of West African States) The Government is committed to replacing the general sales tax with a value-added tax (VAT) on January 1, 2013, which is expected to lead to a boost in revenue collections. Beyond
the VAT, the Government seeks to pursue a comprehensive tax reform that broadens the tax base, simplifies procedures, and lowers tax rates, while preserving revenues. However, fuel subsidies continue to cut into potential tax revenues, as little progress has been achieved toward eliminating them, despite monthly price adjustments.

“Growth of credit to the private sector and deposits in commercial banks has slowed considerably in 2012. In May, with inflation pressures contained, the Central Bank of The Gambia (CBG) acted to ease its monetary policy stance by reducing the reserve requirement on deposits by two percentage point (to 10 percent). Also, the CBG continues to strengthen banking supervision. In preparation for the upcoming increase in the minimum capital requirement at the end of 2012, the CBG has reviewed banks’ plans for meeting the new requirement and stands ready to strictly enforce the new measure.

“Preliminary data indicate that all performance criteria for the first review of the new ECF-supported program were met. In addition, understandings were reached on several key policy issues. The mission will return to IMF Headquarters, but will remain in close contact with the Gambian authorities to conclude discussions as soon as possible.

“The mission thanks the authorities for candid and constructive policy discussions and expresses its appreciation for the excellent cooperation during its visit.”

Recent economic developments

The Gambian economy performed well during the previous ECF arrangement, which expired at the end of March 2011. During that period (2007–10), real GDP growth was robust and inflation was low-to-moderate, despite the global financial crisis and sharp food and fuel price shocks. Moreover, growth was inclusive and the incidence of poverty fell considerably. However, the fiscal deficit widened substantially in the latter years of the program, due to a steady erosion of revenues and large extra-budgetary spending, leading to a sharp increase in costly domestic debt.

In the 2011–12 agricultural season, a severe drought resulted in a major crop failure, putting about one-fourth of the population at risk. Initially, the government will bear much of the cost of relief efforts, notably imports of food, seeds, and fertilizer. Despite this severe shock, the authorities have been able to maintain macroeconomic stability, thanks largely to an ample stock of official international reserves.

The crop failure will affect economic growth over the near and medium term. Real GDP is projected to contract by almost 4 percent in 2011, reflecting effects of the crop failure. With a recovery in agriculture spread over 2–3 years, real GDP is projected to rebound to 3.9 percent in 2012 and about 8–10 percent a year in 2013–14, provided there is an effective response to the drought by the government, aid agencies, and development partners.

However, this outlook depends on sound macroeconomic policies and is subject to a number of downside risks, mainly the heavy debt burden, a potentially prolonged weakness in the global economy, particularly in Europe, and possible terms of trade shocks, especially on food and fuel prices, and weather-related shocks.
## APPENDIX 4. THE GAMBIA: DEVELOPMENT INDICATORS

### Development Indicators

<table>
<thead>
<tr>
<th></th>
<th>Gambia</th>
<th>Africa</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area (’000 Km²)</strong></td>
<td>30 323</td>
<td>98 461</td>
<td>98 461</td>
</tr>
<tr>
<td><strong>Total Population (millions)</strong></td>
<td>1,0</td>
<td>1,8</td>
<td>1,044,3</td>
</tr>
<tr>
<td><strong>Population growth (annual %)</strong></td>
<td>4,0</td>
<td>2,7</td>
<td>2,3</td>
</tr>
<tr>
<td><strong>Life expectancy at birth, total (years)</strong></td>
<td>53,1</td>
<td>58,5</td>
<td>57,7</td>
</tr>
<tr>
<td><strong>Mortality rate, infant (per 1,000 live births)</strong></td>
<td>96,4</td>
<td>68,6</td>
<td>76,0</td>
</tr>
<tr>
<td><strong>Physicians per 100,000 People</strong></td>
<td>...</td>
<td>3,8</td>
<td>57,8</td>
</tr>
<tr>
<td><strong>Births attended by skilled health staff (% of total)</strong></td>
<td>44,1</td>
<td>56,7</td>
<td>53,7</td>
</tr>
<tr>
<td><strong>Immunization, measles (% of children ages 12-23 months)</strong></td>
<td>86,0</td>
<td>97,0</td>
<td>78,5</td>
</tr>
<tr>
<td><strong>School enrollment, primary (% gross)</strong></td>
<td>53,2</td>
<td>82,6</td>
<td>101,4</td>
</tr>
<tr>
<td><strong>Ratio of girls to boys in primary education (%)</strong></td>
<td>...</td>
<td>102,3</td>
<td>88,6</td>
</tr>
<tr>
<td><strong>Literacy rate, adult total (% of people ages 15 and above)</strong></td>
<td>...</td>
<td>50,0</td>
<td>67,0</td>
</tr>
<tr>
<td><strong>Access to Safe Water (% of Population)</strong></td>
<td>74,0</td>
<td>89,0</td>
<td>65,7</td>
</tr>
<tr>
<td><strong>Access to Sanitation (% of Population)</strong></td>
<td>...</td>
<td>68,0</td>
<td>39,8</td>
</tr>
<tr>
<td><strong>Human Develop. (HDI) (0 to 1)</strong></td>
<td>...</td>
<td>0,4</td>
<td>0,5</td>
</tr>
<tr>
<td><strong>GNI per capita, Atlas method (current US$)</strong></td>
<td>330</td>
<td>440</td>
<td>450</td>
</tr>
<tr>
<td><strong>GDP (current Million US$)</strong></td>
<td>421</td>
<td>910</td>
<td>957</td>
</tr>
<tr>
<td><strong>GDP growth (annual %)</strong></td>
<td>5,5</td>
<td>5,6</td>
<td>6,3</td>
</tr>
<tr>
<td><strong>Per capita GDP growth (annual %)</strong></td>
<td>2,5</td>
<td>2,8</td>
<td>3,5</td>
</tr>
<tr>
<td><strong>Gross Domestic Investment (% of GDP)</strong></td>
<td>17,3</td>
<td>30,7</td>
<td>30,9</td>
</tr>
<tr>
<td><strong>Inflation (annual %)</strong></td>
<td>0,2</td>
<td>4,3</td>
<td>4,9</td>
</tr>
<tr>
<td><strong>Human Poverty Index (% of Population)</strong></td>
<td>...</td>
<td>40,9</td>
<td>33,9</td>
</tr>
<tr>
<td><strong>Export Growth, volume (%)</strong></td>
<td>34,8</td>
<td>9,9</td>
<td>9,9</td>
</tr>
<tr>
<td><strong>Import Growth, volume (%)</strong></td>
<td>-0,8</td>
<td>-1,1</td>
<td>-10,2</td>
</tr>
<tr>
<td><strong>Terms of Trade (% change from previous year)</strong></td>
<td>-10,0</td>
<td>1,4</td>
<td>-12,4</td>
</tr>
<tr>
<td><strong>Trade Balance ( mn US$)</strong></td>
<td>-36</td>
<td>-203</td>
<td>-215</td>
</tr>
<tr>
<td><strong>Trade balance (% of GDP)</strong></td>
<td>-8,6</td>
<td>-22,3</td>
<td>-22,5</td>
</tr>
<tr>
<td><strong>Current Account ( mn US$)</strong></td>
<td>-35</td>
<td>-97</td>
<td>-163</td>
</tr>
<tr>
<td><strong>Current Account (% of GDP)</strong></td>
<td>-8,2</td>
<td>-10,7</td>
<td>-17,0</td>
</tr>
<tr>
<td><strong>Net Total Inflows ( mn US$)</strong></td>
<td>45</td>
<td>148</td>
<td>121</td>
</tr>
<tr>
<td><strong>Net Total Official Development Assistance (mn US$)</strong></td>
<td>123,9</td>
<td>40,2</td>
<td>39,4</td>
</tr>
<tr>
<td><strong>Net Total Official Development Assistance (mn US$)</strong></td>
<td>44</td>
<td>47</td>
<td>37</td>
</tr>
<tr>
<td><strong>External reserves (in month of imports)</strong></td>
<td>4,5</td>
<td>4,6</td>
<td>4,2</td>
</tr>
<tr>
<td><strong>Time required to start a business (days)</strong></td>
<td>...</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td><strong>Investor Protection Index (0-10)</strong></td>
<td>...</td>
<td>2,7</td>
<td>2,7</td>
</tr>
<tr>
<td><strong>Main Telephone Lines (per 1000 people)</strong></td>
<td>25,7</td>
<td>28,8</td>
<td>28,2</td>
</tr>
<tr>
<td><strong>Mobile Cellular Subscribers (per 1000 people)</strong></td>
<td>4,3</td>
<td>780,7</td>
<td>855,3</td>
</tr>
<tr>
<td><strong>Internet users (000)</strong></td>
<td>9,3</td>
<td>77,4</td>
<td>93,2</td>
</tr>
<tr>
<td><strong>Roads, paved (% of total roads)</strong></td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><strong>Railways, goods transported (million ton-km)</strong></td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

Source: ADB Statistics Department, based on various national and international sources

* Most recent year

Last Update: May 2012
The Gambia Selected Economic Indicators

<table>
<thead>
<tr>
<th>National account and prices</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (millions of dalasis)</td>
<td>n.a.</td>
<td>26 662</td>
<td>26 465</td>
<td>29 435</td>
<td>28 800</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>11,1</td>
<td>-0.7</td>
<td>2.8</td>
<td>8.8</td>
<td>16.7</td>
</tr>
<tr>
<td>GDP at constant prices</td>
<td>6.5</td>
<td>-4.3</td>
<td>-1.7</td>
<td>3.9</td>
<td>10.7</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>550</td>
<td>502</td>
<td>508</td>
<td>497</td>
<td>534</td>
</tr>
<tr>
<td>GDP deflator</td>
<td>4.3</td>
<td>3.7</td>
<td>4.6</td>
<td>4.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Consumer prices (average)</td>
<td>5.0</td>
<td>4.8</td>
<td>4.7</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Consumer prices (end of period)</td>
<td>5.8</td>
<td>4.4</td>
<td>5.0</td>
<td>5.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

| External sector | | | | | |
| Exports, f.o.b. | 0.9 | 16.3 | -5.2 | -6.6 | 9.2 |
| Of which: domestic exports | 1.2 | 34.7 | -44.5 | -58.3 | 59.6 |
| Imports, f.o.b. | 5.3 | 7.1 | 10.0 | 8.3 | -0.1 |
| Terms of trade (deterioration) | -1.4 | 1.8 | 2.7 | 3.9 | 2.2 |
| NEER change (depreciation -1) | -1.2 | -6.5 | ... | -0.8 | ... |
| REER (depreciation -1) | 0.7 | -5.7 | ... | -0.7 | ... |

| Money and credit | | | | | |
| Broad money | 13.7 | 11.0 | 9.0 | 8.5 | 14.8 |
| Net foreign assets | 1.3 | 5.6 | 2.5 | 3.7 | 3.9 |
| Net domestic assets, of which: | 12.3 | 5.4 | 6.5 | 4.8 | 10.9 |
| Credit to the government | 16.8 | 8.2 | 6.6 | 4.0 | 1.5 |
| Credit to the private sector | 4.7 | 2.8 | 5.6 | 0.7 | 7.1 |
| Other items (net) | -10.1 | -5.2 | -6.7 | -0.9 | 1.4 |
| Velocity (level) | 2.0 | 1.8 | 1.8 | 1.8 | 1.8 |
| Average treasury bill rate (in percent) | n.a. | 11.3 | ... | 11.3 | ... |

| Central government budget | | | | | |
| Domestic revenue (taxes and other revenues) | 14.9 | 16.1 | 15.8 | 16.9 | 17.6 |
| Grants | 4.0 | 5.1 | 6.7 | 6.8 | 6.1 |
| Total expenditures and net acquisition of financial assets | 24.9 | 25.8 | 27.7 | 27.3 | 25.9 |
| Net incurrence of liabilities | 5.8 | 4.3 | 5.1 | 3.5 | 2.2 |
| Foreign | 1.5 | 0.8 | 1.6 | 1.2 | 1.4 |
| Domestic | 4.4 | 3.5 | 3.6 | 2.3 | 0.8 |
| Basic balance | -3.3 | -2.1 | -3.4 | -1.4 | 0.5 |
| Public debt | 69.6 | 76.8 | 77.3 | 78.0 | 70.0 |
| Domestic public debt* | 29.4 | 33.2 | 33.1 | 32.8 | 28.9 |
| External public debt | 40.2 | 43.7 | 44.2 | 45.2 | 41.0 |
| External public debt (millions of US$) | 377.1 | 382.0 | 400.8 | 393.2 | 407.2 |

| External sector | | | | | |
| Current account balance | Excluding budget support | -16.0 | -15.3 | -18.8 | -18.6 | -15.6 |
| Including budget support | -16.0 | -15.3 | -17.8 | -16.2 | -15.0 |
| Current account balance | Excluding budget support | -154.3 | -138.2 | -176.4 | -170.7 | -158.4 |
| Including budget support | -154.3 | -138.2 | -167.5 | -149.2 | -151.8 |
| Overall balance of payments | -23.8 | 8.4 | -7.3 | -4.2 | 7.8 |
| Gross official reserves | 157.6 | 169.7 | 191.6 | 181.8 | 192.8 |
| in months of next year’s imports of goods and services | 4.4 | 4.4 | 4.9 | 4.7 | 4.8 |

| Use of Fund resources | | | | | |
| Disbursements | 2.0 | 2.3 | 0.0 | 10.9 | 3.1 |
| Repayments | 0.0 | 0.0 | -0.2 | -0.2 | -1.0 |
| Financing gap (possible ECF financing) | 0.0 | 0.0 | 10.9 | 0.0 | 0.0 |

Sources: Gambian authorities and Fund staff estimates and projections.
1 Percentage change between December of the previous year and December of the current year (April for 2012).
2 Average for the month of December (May for 2012).
3 Defined as gross domestic interest bearing debt.