

**Republic of The Gambia – European Community**

**Country Strategy Paper  
and  
National Indicative Programme**

**for the period 2008 - 2013**

The Government of the Republic of The Gambia and the European Commission hereby agree as follows:

- (1) The Government of the Republic of The Gambia (represented by Mr Mousa M. Bala Gaye, Secretary of State for Finance and Economic Affairs, and the European Commission (represented by Ms H  l  ne Cav  , Charg  e d'Affaires in the Republic of The Gambia), hereinafter referred to as the "parties", held discussions in Banjul from October 2006 to October 2007 with a view to determining the general approach to cooperation for the period 2008-2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid for the Republic of The Gambia were drawn up in accordance with Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, and revised in Luxemburg on 25 June 2005. These discussions complete the programming process in the Republic of The Gambia.

The Country Strategy Paper and the Indicative Programme are annexed to this document.
- (2) As regards the indicative programmable financial resources which the Community plans to make available to the Republic of The Gambia for the period 2008–2013, an amount of ** 76 million** is scheduled for the allocation referred to in Article 3.2(a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of ** 1.9 million** for the allocation referred to in Article 3.2(b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 refers to the A-allocation. It also takes into consideration financing from which the Republic of The Gambia benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B allocation is intended to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF multi-annual financial framework for the period 2008–2013 of the revised ACP-EC Partnership but not before 1<sup>st</sup> January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of The Gambia within the limits of the A and B allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations.

Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10<sup>th</sup> EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.  
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of prevailing needs and performance.  
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF multi-annual financial framework of for the period 2003-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Done at Lisbon on 9 December 2007

For the Government of  
the Republic of The Gambia

For the European Commission



**Yankuba TOURAY**  
Minister of Fisheries and Water Ressources



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## EXECUTIVE SUMMARY

The Gambia gained independence from Britain in 1965 and became a Republic in 1971; it was one of the very few multiparty democracies in Africa at the time. A military coup in 1994 briefly interrupted the country's democratic process, but democracy was restored in 1996 with the holding of Presidential elections followed by National Assembly elections in 1997, completing the return to civilian rule. On the path to a maturing democracy, the 1970 Constitution of the First Republic was replaced by the 1997 Constitution of the Second Republic through a referendum. The new Constitution ushered in a much-needed reform of the electoral system, established the Independent Electoral Commission (IEC) and the office of the Ombudsman, and paved the way for a new Local Government Act (2002).

The economy is primarily agrarian, with agriculture employing about 70% of the labour force and accounting for about 30% of GDP. The services sector accounts for over 50% of GDP, attributed to the re-export trade and tourism. Financial services and information and communication technologies (ICT) are also emerging and gaining importance. The manufacturing sector contributes 5% of GDP, reflecting a level of manufacturing activity well below the average for the ECOWAS region.

With an average GDP growth rate of 5%, the Gambia has one of the most liberalised and best performing economies in the West Africa sub-region. The country is well positioned as a trading hub for West Africa-Europe trade and transshipment. These notwithstanding, sustained economic growth has been constrained by the prevailing undiversified economic base, poor infrastructure, particularly road transport and energy, the slow pace of implementation of policies and reforms, low levels of human capital and a lack of a culture of public-private partnership.

The Gambia is among the poorest countries in the world, ranked 155 out of 177 in 2005. The population stood at 1.3 million in 2003 compared to 1.03 million in 1993. This represents a growth rate of 2.8% between 1993 and 2003. The population density grew from 97 to 128 persons per square kilometre over the same period, representing one of the highest in Africa. About 61.2% of the population, mainly rural, are considered poor, and high levels of unemployment in urban areas have contributed to increasing urban poverty. Significant gains have been made in gender parity, education, water and sanitation, and moderate gains in health services.

The main objective of The Gambia's strategy is to contribute to the attainment of the Poverty Reduction Strategy Paper (PRSPII) adopted by the Government of the Gambia as its medium-term strategy for implementing the country's long-term development framework – VISION 2020. The 10<sup>th</sup> EDF Country Strategy is consistent with PRSPII as both are aimed at reducing poverty in the context of sustainable socio-economic development of The Gambia. The strategy also embodies good governance, human rights and the rule of law as complementary objectives.

Poor infrastructure, primarily transport and energy, low levels of human capital and governance-related issues pose major obstacles for the development of The Gambia. For the 10<sup>th</sup> EDF the two focal sectors selected are "infrastructure and regional interconnectivity" and "governance". Budget support is also provided for. Non-focal sector interventions will concentrate on "capacity building", i.e. in support to initiatives by non-state actors, the technical cooperation facility, illegal migration and the integrated capacity building programme.

The 10<sup>th</sup> EDF indicative allocations in terms of programmable resources amounts to €76 million and the B Allocation, for contingencies, is €1.9.m (for the first two years), totalling €77.9 m for the period 2008–2013.

## **PART 1: STRATEGY PAPER**

### **I: Framework of relations between the EU and The Gambia**

#### **I.1.1. General Objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development cooperation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance together with the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action including the common foreign and security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

#### **I. 1.2. Strategic objectives of cooperation with The Gambia**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and The Gambia will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to eradicating poverty. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarities by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies should make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; and social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii) improving access to basic social services (health, education) and protection of the environment, to reach the MDGs 1-6 faster.

### **I.1.3 Main bilateral agreements**

The bilateral relationship with the European Union (EU) is broadly defined by the Cotonou Partnership Agreement and more specifically by the Gambia-EC Cooperation Agreement. The overall objective of the agreement is to foster political dialogue, economic and trade cooperation. There is no Fisheries Agreement between The Gambia and the EU. The possibilities of initiating dialogue on this issue need to be pursued. Economic Partnership Agreements (EPAs) are another area where The Gambia could be a potential signatory depending on the outcomes of the negotiations currently taking place between the EU and the Economic Community of West African States (ECOWAS) in close collaboration with the West African Economic and Monetary Union (WAEMU).

## **CHAPTER 2: Country diagnosis**

### **2.1 Analysis of the political, economic, social and environmental situation**

#### **2.1.1 Political and institutional situation**

The Gambia gained independence from Britain in 1965 and became a Republic in 1971; it was one of the few multiparty democracies in Africa at the time. Post-independence Gambia was dominated by the ruling People's Progressive Party (PPP), winning all the elections up to 1994. This was partly facilitated by the weakness and fragmentation of the opposition parties and the inherent Gambian attitude towards the maintenance of peace and stability.

The overriding success of the PPP regime was the Economic Recovery Programme (ERP) and its championing of human rights and the rule of law, which stabilised the economy after a decade of decline. Despite these successes, a combination of weak political and economic governance in latter years led to a climate of dissatisfaction and a desire for change in society. This change came unexpectedly in the form of a military coup in 1994, briefly interrupting the country's democratic process. The 1996 presidential elections, followed by parliamentary elections in 1997, completed a return to civilian rule. There was an attempted military coup on 21 March 2006 resulting in a treason trial involving 14 alleged plotters. The 10 tried in the military court have been convicted and the trial of the 4 civilians is ongoing in the High Court.

Presidential and legislative elections were again held in 2001 and 2002 respectively. Dr Yahya A.J.J. Jammeh, the leader of the 1994 political change, was re-elected President. The presidential elections held on 22 September 2006, and contested by three candidates, were won by the incumbent. The elections, which showed a low turn-out, were declared free and fair by both local and international observers. However, observers highlighted problems associated with the process leading to the elections (for instance unequal access to the media, list of voters, etc.). In the National Assembly elections held on 25 January 2007, the ruling party APRC won a majority with 42 seats, while 6 seats went to the opposition. Local government elections are scheduled for April 2008. A chronology of major events is provided in Annex 9.

On the path to a maturing democracy, the 1970 Constitution of the First Republic was replaced by the 1997 Constitution of the Second Republic through a referendum. The new Constitution ushered in a much-needed reform of the electoral system, established the Independent Electoral Commission (IEC) and the office of the Ombudsman, and paved the way for a new Local Government Act (2002). Although a term limit to the presidency was advocated, the 1997 Constitution failed to make provision for any such limit.

Issues of major concern to the international community, human rights organisations and a cross-section of Gambians on the state of political governance are: frequent arrests and detentions, perceived suppression of press freedom, interference with the judiciary, and slippages in economic governance. The Media Commission Act, which was adopted in August 2002 and perceived as draconian, was amended in September 2003 to abolish the judicial powers previously granted to the Commission. It was, in fact, never implemented and was eventually repealed by the National Assembly in November 2004. These issues have animated the dialogue between The Gambia and the international community such as the Commonwealth Secretariat. The Government is taking concrete steps to address these issues.



Overall, The Gambia continues to make gains in the promotion of freedom of association and worship, gender parity, and the protection of children's rights. The Government has established a Governance Commission, but a National Human Rights Commission does not exist. However, The Gambia hosts the Africa Commission on Human and Peoples' Rights (ACHPR) which provides analysis and reports on human rights issues in member states of the African Union (AU). Furthermore, two international human rights NGOs are headquartered in The Gambia, namely the African Centre for Democracy and Human Rights Studies (ACDHRS) and the Institute for Human Rights Development in Africa (IHRDA). The Gambia is among the countries which have adopted the Rome Statute setting up the International Criminal Court (ICC).

The Gambia is a multi-party democracy, with the constitution providing for the separation of executive, legislative, and judiciary powers. These institutions, responsible for upholding the tenets of the Constitution, are well established. However, the National Assembly and the judiciary face institutional and human resource weaknesses and require capacity-building.

Executive power is exercised either directly by the President, or indirectly through Cabinet. The Cabinet is appointed by the President, and consists of the Vice-President, who is also Secretary of State for Women's Affairs, and 14 other Secretaries of State. Of the 14 Secretaries of State, currently, four are female, including the Vice-President.

Legislative power is vested in a unicameral National Assembly, comprising 53 members. 48 are elected for a five-year term by direct universal suffrage and the President nominates five. The Speaker and Deputy Speaker of the National Assembly are elected from among its members. The National Assembly has the power to summon the President to answer to a vote of no confidence. Legislative power is exercised by Bills passed by the National Assembly and assented to by the President. However, the majority of the members have little legislative experience, so that the institution faces major challenges in executing its responsibilities to oversee the executive.

The Gambia's judicial system is based on a combination of English common law, and the rules of equity derived there from, Sharia law, as it relates specifically to marriage, inheritance and divorce, and treaties and international conventions. In 2000, with the assistance of the World Bank, the Government commissioned a legal-sector study which appraised all legal-sector institutions. Some of the major conclusions of the study are that: the over centralisation of the Courts in the Greater Banjul area limits access by a majority of Gambians living in rural areas; a weak human resources base coupled with poor conditions of service results in high attrition of Gambian judges and dependency on foreign technical assistance; judgment and enforcement is inefficient, case management is poor and there are huge backlogs of cases. Furthermore, the study brought out the fact that the judiciary has not been accorded the financial and administrative autonomy conferred by the 1997 Constitution. Consequent to this study the Government has put in place a Legal Sector Strategy and Action Plan (2005-2010) to reform and build institutional capacity among the judiciary and the legal sector in general. Consequently, an alternative dispute resolution (ADR) mechanism to assist in handling the backlog of cases has been established. There are plans to establish commercial courts outside the High Court. These two structures will reduce the backlog of cases. The absence of legal aid continues to hinder access to justice by the poor.

There is still public concern over the administration of justice, and a perception of low public and investor confidence in areas such as accessibility, affordability, and expediency in the dispensation of justice. The absence of aid in the judiciary further hinders access to justice by the poor. The Government, through its bilateral and multilateral agreements, is currently addressing these weaknesses with the support of its partners, including the Commonwealth Secretariat, United Nations Development Programme (UNDP), the United Kingdom Department for International Development (DfID), the World Bank (WB), Ghana, and the Republic of Nigeria.

Another area of public concern which requires the Government's attention and action is the slow pace of decentralisation, particularly the transfer of competences and financial resources from central to local government authorities and the frequent changes to the provisions of the Local Government Act (2002). A draft decentralisation policy prepared in 2006 has yet to be finalised for adoption by the government. The lack of a comprehensive decentralisation policy therefore continues to pose a major constraint in providing an environment conducive to implementing the Act. The necessary complementary policies and legislative frameworks have yet to be put in place. These include the Local Government Service Commission Regulations and Pensions Bill, and the Council Development Fund policy framework. Key challenges include the erosion of the expected high degree of Council autonomy, inadequate institutional and human resource capacity, and the low and narrow revenue base of rural councils. LGAs are overstaffed and the staffs continue to be part of the central government system.

All these have resulted in the LGAs not being able to transform themselves to be compliant with the new dispensation prescribed by the Act thereby hampering implementation of community development plans prepared by the community themselves, through their Village and Ward Development Committees.

The slow pace of the Divestiture Programme and the low institutional and human resource capacity of the public sector, especially the civil service, where performance and motivation are low and attrition rates very high have emerged as concerns. Furthermore, the lack of a clear definition of the role of the civil service in relation to the private sector and local government authorities constitutes a drawback in the efficient development and delivery of services to the public.

The over crowding of the private sector by the public sector, particularly in the economic and productive sectors, compounded by the low level of dialogue between government and the private sector all remain a key concern. Furthermore, allegations and instances of corruption have occurred, and were dealt with both through the Commission of Enquiry into the Assets and Activities of Public Officials and in the courts. In addition, the President's personal commitment to dealing with corruption through "Operation No Compromise" serves as a deterrent. The Gambia addresses anti-corruption practices through the Economic Crimes Decree as the main anti-corruption legislation administered through the courts.

Policy, legislative and regulatory frameworks are in place to facilitate and encourage increased participation by civil society in all its forms in policy dialogue, self-help initiatives, service delivery, and capacity-building, amongst other things. Contrary to expectations, traditional (community-based) civil society groupings tend to be much stronger than formal Civil Society Organisations (CSOs) in terms of representation, promotion of social cohesion and safety nets, conflict prevention, the maintenance of peace and stability and sustainability. Formal non-state actors (NSAs) suffer from a paucity of human resources and low managerial, technical and resource mobilisation skills. The majority of formal NSAs are service delivery non-governmental organisations (NGOs) and very few are engaged in policy related issues, effective advocacy, research or dialogue with government. Perceived concerns about formal NSAs include: partisan politics, poor governance, poor transparency and accountability, and poor communication and networking. Formal NSAs are perceived to be voiceless.

### **2.1.2 Economic and commercial situation**

**Economic situation, structure and performance.** The Gambia is the smallest country on the African continent with a total area of 11 300 sq km and a population of 1.3 million people with an annual growth rate of 2.8% (2003 census). It ranks 155 out of 177 countries (just before Senegal) on the 2006 UNDP Human Development Report with a Human Development Index of 0.479 and has a GDP per capita of US\$ 281 in 2004 (see Annex 1, country at a glance).

The economy is primarily agrarian, with agriculture employing about 70% of the (predominantly rural) labour force. The sector accounts for about 30% of GDP. Services account for over 50% of GDP, attributed to the re-export trade and tourism. Financial services and information and communication technologies (ICT) are also emerging and gaining importance. The manufacturing sector contributes 5% of GDP, reflecting the level of manufacturing activity, which is well below the average in the ECOWAS region.

The economic situation stabilised from 2004 with an overall GDP growth rate of 5.3%, lower than the 2003 growth rate of 6.0% but still improving compared with 2002, when the country experienced a 3% drop in economic growth due to a general crop failure as a result of the exceptionally low rainfall experienced in 2002. Growth picked up in 2005, initially projected at 5% whilst the actual recorded growth rate is put at 6.9% (according to latest official statistics). By the end of 2005, average annual inflation dropped from 8% in 2004 to 4% in 2005, while the Treasury bill rate dropped significantly by 12% from 27%.

Correspondingly, commercial bank lending rates dropped by about 10 percentage points from about 38%. This fall failed to attract private sector borrowings for investment in the productive sectors, as the rate is still perceived to be high. The commercial banks continued to invest in short-term lending (mainly favouring the re-export trade) because of the quick and risk-free returns. The absence of term lending in the commercial banking system is always lamented by the private sector; however, with the establishment of a number of new banks, it is hoped that the competition may compel the banks to develop more innovative products and services including long-term lending, which could potentially enhance the performance of the manufacturing and primary productive sectors, and employment.

Balance of payments (BOP) data indicate that the c.i.f. value of merchandise imports, including re-export was \$197 million in 2004 and the net foreign assets (NFA) of the monetary authorities exceeded the \$2 thousand million mark in 2005; hence usable foreign reserves were equivalent to 4.9 and 4.5 months of import cover in 2004 and 2005, respectively. The BOP is projected to record a surplus in 2006 of \$240 million while the gross external reserve is expected to rise from \$93.7 million in 2005 to \$99.2 million in 2006. Recently, the country witnessed a dramatic rise in private remittances from Gambians in the Diaspora, constituting a major source of foreign exchange (19.8% - IMF 2004).

The average growth rate achieved by The Gambia in the decade through 2004 was higher than that of sub-Saharan Africa (SSA), but lower than rates attained by the African HIPC completion-point countries. Over the decade, average inflation rate was lower than that of SSA and the African HIPC completion-point countries, despite the sharp rise in inflation since 2002 (see Annex 6, table of macroeconomic indicators). For the ECOWAS region, the average GDP growth rate of 5% recorded compares to that of the best performing economies. However, the relatively high population growth rate dampens the GDP growth rate.

***Structure and management of public finances.*** The Gambia's last PRGF (2002-2005) went off-track soon after approval in 2002, mainly due to exogenous shocks, weakness in public spending control mechanisms and irregularities at the Central Bank of The Gambia (CBG). To re-establish a track record of policy implementation with the IMF, the authorities undertook a Staff Monitored Programme (SMP) spanning October 2005 - March 2006. The near-term key objectives of the SMP were to help the authorities make progress toward fiscal sustainability, strengthen internal controls and the operational independence of the CBG and enhance public financial management and accountability. Overall performance under the programme was satisfactory. Subsequently, the Government of The Gambia concluded a new PRGF programme with the IMF in October 2006 and it was adopted by the Board in March 2007. It is expected to trigger the HIPC completion point by mid-2007. The areas of emphasis identified under the new PRGF-supported programme include strengthening public financial management and accountability, enhancing CBG operational independence and internal controls, better aligning PRSP priorities with budget execution, and tackling data deficiencies that currently hinder economic analysis, policy formulation, and performance monitoring.

The Act aimed at strengthening the operational independence of the CBG was put in place in January 2006.

***Assessment of the reform process.*** Reforms on the fiscal front, especially in revenue administration, strengthened revenue collection during 2004 to 2006. Better expenditure planning and the cash rationing mechanism introduced have restored fiscal discipline.

Despite the gains, some crucial factors that could be associated with fluctuations in economic performance include: inconsistencies (stop-go) in the implementation of macroeconomic and sectoral policy reforms; the slow pace of implementation and at times the rolling back of institutional reforms and the divestiture programme; the paucity and poor quality of human resources for economic management at all levels; lack of a culture of public-private partnership; poor infrastructure, especially energy; low quantities and qualities of domestically produced goods and the attendant lack of standards for quality and safety; the debt burden (domestic and external); low resource mobilisation capacity for public sector investment; inability to attract and sustain high investment and productivity levels; and some governance problems.

Furthermore, the impressive fiscal performance in 2004 was not sustained in 2005, as revenue receipts fell significantly below target due to the Gambia-Senegal border closure during the third quarter of 2005, which adversely affected the re-export trade as well as the populations of both countries in terms of shortages of basic goods and services traded across the border. The micro and small businesses in the vicinity of the cross-border areas had to shut down in most cases, thereby compounding the loss in income generation and employment.

The 2005 and 2006 groundnut marketing seasons, despite good harvests, suffered serious financial, logistical and marketing bottlenecks due to the low financial capacity and limited information and knowledge of the international market among local traders and operators. These resulted in significant delays in paying farmers for their marketed produce, and also shortfalls in exports and revenue from groundnuts – the country's main export commodity.

The medium-term macroeconomic objective is to make progress towards external sustainability, limit the government's domestic borrowing to ensure a downward trend on interest rates and create fiscal space for increased growth-promoting and poverty-reducing spending (see Annex 7 for details).

### ***Trade policy and external environment, in particular regional cooperation agreements and EPAs.***

The Gambian economy, despite being small and undiversified, continues to operate in an open liberalised trade regime; the 2004 World Bank Competitiveness Report ranked the Gambia as the 6<sup>th</sup> most competitive country in Africa (out of 25 countries). Government policy has in recent times been geared to reforming the trade regime to enhance export competitiveness (mainly by reducing and simplifying external tariffs). The maximum rate was reduced from 98 to 18 percent and the number of tariff bands from 30 to 6. Re-exports account for about 80 percent of exports.

Government revenue is very much dependent on international trade, including re-export trade as both are subject to tariffs. Forty percent of The Gambia's total revenue and 50 percent of tax revenues are derived from taxes on international trade. Statistics on the re-export trade may not be accurate as there are some informal activities that are not included. Concerns about the sustainability of the re-export trade are often raised, given the imminent possibility of neighbouring countries carrying out trade policy reforms. Even if these were to happen, The Gambia could still maintain its competitive advantage by building upon its efficient port service and customs clearance. The government needs to improve the infrastructure particularly by tackling situation at the Banjul port and the poor state of road and river transport facilities.

As noted in reports by the IMF (2004) and Enter plan (2005), data deficiencies hamper a comprehensive understanding and analysis of The Gambia's trade patterns. A breakdown of The Gambia's average foreign exchange earnings as reflected by the current account between 1997-2003 (IMF) shows that returns on services and remittances outweigh those from merchandise trade. This further confirms earlier statements about the low performance of the productive sector and its contribution to trade.

Trade inflows mainly comprise foodstuffs primarily sugar, tomato paste, Chinese green tea, rice, flour and vegetable oils, of which significant quantities are re-exported to neighbouring countries including Senegal. Other imported items include fuels, cement and manufactured goods, such as vehicles, textiles and chemicals. The outflow consists of primary and semi-processed products such as groundnut products, fish and fish preparations, horticultural products, and light manufacturing (candles, soap). Overall, the Gambia is a net importer with annual trade deficits averaging D2.5 million.

The EU is the most important trading partner for the Gambia, accounting for 65% of total imports and 67% of total exports in 2003. Other important trading partners are China, Japan, the USA and ECOWAS member states. Trade relations between the EU and The Gambia are typical of trade relations between developed and developing countries, with the EU having an overall trade surplus despite granting preferential market access. With the likelihood of a replacement of the non-reciprocal trading arrangement, granted under the Cotonou Agreement by an Economic Partnership Agreement (EPA), two impact assessments were carried out with the emphasis on investment, trade flows, and fiscal impacts. The Gambia, being a Least Developed Country, can benefit from the "Everything But Arms" initiative.

EPAs are reciprocal but asymmetric trade deals which will allow for long transition periods of up to 20 years for ACP countries and the outright exclusion of a number of products they consider too sensitive from liberalisation altogether.

Assuming complete tariff liberalisation vis-à-vis EU imports to The Gambia and using 2003 as the base year, total imports from the EU are expected to increase on average by 6.6 percent and trade creation would exceed trade diversion in absolute terms. The reasons for this relatively low trade effect are mainly the lower tariff rates for EU imports and the high import-duty collection-efficiency ratios. As there is little production in The Gambia for the majority of EU imports because of the marginal industrial base, the production effect is nearly zero for most of these. However, domestic production of poultry and soap could be threatened. Increased imports of cheap wheat could dampen the cultivation of local cereals and hence impact negatively on food security and the possible adoption of unsustainable consumption habits. The major challenges facing domestic production within an EPA context are supply-side constraints such as insufficient quantities of products, low levels of product quality and safety standards, low levels of professional and skilled labour force, inadequate infrastructure, and low levels of foreign direct investment.

Tariff reduction and reciprocal trade arrangements with the EU will lead to a decline in import duties of between GMD 233 million and GMD 249 million and, hence, total government revenue (Enter plan study, 2005). As import duties are the main sources of government revenue, this decline will affect the government's financial position and its ability to provide public goods and services.

Two EPA impact assessments conducted in 2004 and 2005 revealed that important economic governance changes will be needed if The Gambia is to benefit from the EPA. Both studies point out that when The Gambia signs up there will be a need for adjustment supports in the fiscal infrastructure, capacity building in institutional, human resources and sanitary and phytosanitary (SPS) measures. As a result, the CSP has infrastructure and regional interconnectivity as its main focal sector (48.7% of total NIP) and governance as second focal sector, including reforms specifically directed at the implementation of the EPA.

Also under the 10<sup>th</sup> EDF, there exists the Investment Facility managed by the EIB which is particularly suited to assist private sector upgrade its productive capacity.

The Gambia concluded the African Growth and Opportunity Act (AGOA) with the USA in 2002. It is a preferential agreement allowing unlimited tariff and quota-free market access for exports of manufactured goods from eligible countries. To date, Gambian exporters have not had access to the facility due to an inability to meet safety standards and procedural requirements.

A diagnostic assessment of The Gambia's investment climate, carried out in June 2004, indicates a possible doubling of Foreign Direct Investment (FDI) inflows. In terms of distribution, the FDI may likely target the financial sector, tourism and groundnut production and exports. Whereas the majority of FDI came from Europe, in recent years there has been diversification of originating countries that now include Kuwait, India, Libya and Malaysia.

The Department of Trade, Industry and Employment (DoSTIE) has primary responsibility for trade and industrial policies, although tariffs are set by the Department of State for Finance and Economic Affairs (DoSFEA). The agencies responsible for SPS, TBT and supply-side issues are numerous and not adequately interfaced. In recent times, DoSTIE has put in place mechanisms for enhanced coordination including a National Trade Steering Committee, a Technical Negotiation Committee and a Technical Committee for the groundnut sub-sector. Furthermore, in collaboration with the WTO, DoSTIE undertook a Trade Policy Review and a new Trade Policy will be prepared soon. An Intellectual Property Rights Law is in place. However a Competition and Consumer Protection Law still has to be drafted. The Gambia being an LDC, is eligible for the Integrated Framework for Trade-related Technical Assistance. A Diagnostic Trade Integration Study (DTIS) is currently being prepared by the World Bank.

**Analysis of key economic sectors.** Key among the sectors that have a great multiplier effect on economic growth and productivity are infrastructure (transport and energy) and agriculture. However, there remain major challenges for Gambia's socioeconomic development. The key over-arching challenge is the state of human capital. The Gambia is heavily dependent on its human capital for sustained economic growth and poverty reduction. Across all sectors of the economy, the lack of human capital both quantitatively and qualitatively continues to be a key constraint resulting in the erosion of socio-economic gains and diminishing qualities of service delivery. There is a general skills shortage in the country caused by the steady outflow of highly qualified and competent Gambians mainly to Europe, USA and the diaspora in search of better jobs and economic opportunities. The lack of these skills is very much felt in the civil service, where conditions do not help in retaining staff in middle and senior management. From this analysis it is evident that in the public, private and civil society sectors there is a need for urgent action to mainstream human resource development and retention strategies. Furthermore, strategies and efforts should be geared to interconnecting professional and skilled Gambians in the diaspora with institutions, organisations and communities in the country for effective knowledge and skills transfer.

**Transport.** The Gambia's transport system comprises networks of four main categories of roads; one main sea port (the Banjul port) and a barely active river port (Kaur); one international airport (Banjul International Airport) and river transport almost limited to ferry services at crossing points.

Road transport is the dominant mode for both in-country and cross-border transportation of passengers and goods. Overall, the current condition of the entire road network is poor owing the lack of a routine and periodic maintenance culture. However, there are ongoing reconstruction works on some of the stretches of the primary network, and plans for the reconstruction of 5 major regional roads are well advanced. The private sector is the dominant service provider in the road transport industry. The only public sector operator for road transport is the Gambia Public Transport Corporation (GPTC) which is slated for divestiture.

Its operations are restricted to passenger transport. 9<sup>th</sup> EDF support for The Gambia's National Transport Plan (€48.5 M in total) will greatly improve the road network in The Gambia.

River transport, which proved in the 1960s and 1970s to be a viable complement to road transport for the movement of passengers and goods, is now grossly underutilised. The river transport system is hampered by a lack of barging equipment, station, and the deterioration of docking facilities. The River Gambia runs right across the length of the country, dividing it into a north and south bank, giving rise to 9 ferry crossing points which facilitate connectivity. Some of the crossing points are serviced by ferries as a social service. All ferry services are exclusively operated by a public institution – the Gambia Ports Authority (GPA). An Act has however been passed, establishing the Gambia Maritime Administration to regulate the participation of operators (public and private) in the sub-sector.

The ferry crossing points are not only of national but of international importance, as they form part of the regional transport network. The limitations of the interface between road and river transport pose significant challenges to regional integration. The two most important crossing points with a regional dimension are Banjul-Barra and Farafenni (TransGambia). Due to high traffic flow and limited ferry capacity, these crossing points always have long queues of vehicles. The Government of The Gambia has recently renewed its commitment to having a bridge constructed at Farafenni. Dialogue with the Senegalese authorities on this issue has continuously taken place at the bilateral level. The issue is also on the agenda of both ECOWAS and OMVG. An update of an earlier feasibility study is ongoing. The position of the Government is that ownership will remain with The Gambia, funding should come from Regional Indicative Programme of ECOWAS and some added-value economic opportunities must be supported in the areas around the bridge. For the Banjul-Barra terminals and Landers, the feasibility study funded by the EC in 2001 needs to be updated.

In the maritime sub-sector, the GPA has run a number of projects to develop Banjul Port into a regional hub for the Europe-West Africa trade. These include improvements and expansion of port infrastructure, handling facilities and equipment. The GPA master plan has recently been updated.

Recently, crucial reforms have been introduced in the transport sector including the Act establishing the Gambia Roads and Technical Services Authority (GRTSA) and the Road Fund (RF). 9<sup>th</sup> EDF support for The Gambia's National Transport Plan stresses both the GRTSA and the RF. A concrete RF financing mechanism will have to be devised before the EC can continue supporting the road sector under the 10<sup>th</sup> EDF. The Act also provides for the transfer of road construction and maintenance works to the private sector. The Public Utility Regulatory Authority (PURA) enacted in 2004 has a mandate to regulate road and air transport, although it has yet to develop the regulatory framework and instruments. There is a need to update the Transport Plan, and to renew the Transport Policy from 2007.

The Gambian Government undertook a comprehensive transport sector study the main objectives of which was to prepare a blueprint of measures, with a timetable of actions and legislation, for the Authorities and donors to be implemented. This document is part of the information source on transport sector policy in The Gambia, including the maximum use of the river as a transport medium and that planning should take account of this element in the sustainability of transport system in The Gambia.

The major difficulties facing the transport sector policy in The Gambia are a serious lack of skills and financial resources to implement quite a good transport sector measures. The provision in the 10<sup>th</sup> EDF of a sector budget support for transport will seek to help putting in place an operational Roads Authority, responsible for road maintenance, and a separate Road Fund, which collects and distributes revenues from road users as complement of the Government financing part of the Road Fund.

**Agriculture.** The agriculture sector is primarily subsistence-based. Transforming the agricultural production base to provide better linkages with agribusiness and industry remains an unattainable objective. Despite employing about 70% of the labour force, the agriculture sector is still a generator of raw materials with little added value, thus contributing only 23% to GDP, and meeting about half the country's food security requirements. With all the efforts to diversify the sector, the only proven long-term results have been in groundnuts, horticulture and fisheries. However, groundnuts production remains the dominant sub-sector, and since 1998 has been plagued with serious marketing constraints resulting in groundnut farmers, who constitute 80% of the farming community, now being the poorest. This has prompted government, with the support of the EC, to commission a groundnut sub-sector study with emphasis on privatising groundnut industrial assets and further liberalising marketing. Cotton, sesame and poultry exhibited some productivity gains from the late 1970s to the early 1990s. However, these sub-sectors' contributions have significantly declined and they are facing major structural challenges including withdrawal of producers and operators, dwindling access to inputs, inadequate access to markets in food growing areas and farmlands (primarily due to poor access roads), declining production and productivity, lack of clarity in the definition of public and private sector roles, and the weak institutional and organisational capacity of producer support systems. The Government, in partnership with the Food and Agriculture Organisation (FAO), has prepared a new draft Agriculture and Natural Resource Framework Policy Document.

**Energy.** A review of Gambia's energy sector reveals that the energy resource base is limited and the supply is unreliable and unsustainable. The major sources of energy, according to the Energy Data (1990 – 2004), are fuel wood, from forests, petroleum products, electricity and renewable energy. Total energy consumed in 2004 was 467 000 Tonnes Oil Equivalent (TOE), of which fuel wood accounted for about 82%. Electricity services are available mostly in urban areas and the provincial centres of rural areas, with coverage of less than 25% (see Annex for further analysis).

### **2.1.3 Social situation, including decent work and employment**

The Gambia's population stood at 1.3 million in 2003 compared to 1.03 million in 1993. This represents a growth rate of 2.8% between 1993 and 2003 compared to a growth rate of 4.2% in the previous decade. This decline in growth is assumed to be associated with a number of factors amongst others: (i) the outward movement of refugees from neighbouring countries that have now attained peace and stability i.e. Sierra Leone, Liberia, Guinea Bissau and Casamance (Senegal); and (ii) the unfavourable economic climate in The Gambia resulting in the outward movement of economic migrants. Nonetheless, the population density continued to rise, from 97 in 1993 to 128 per square kilometre in 2003. This population density is one of the highest in Africa.

Overall, the population is predominantly young (51%), with a slightly higher proportion of females (50.7%). About 50.4% of the population lives in the urban and peri-urban areas, mainly in the Greater Banjul Area, including the Western Division. The high concentration of the population in the urban and peri-urban areas poses social and environmental problems, e.g. for housing, sanitation and social infrastructure. Housing security is greater in rural areas. People moving into the urban and peri-urban areas are often faced with insecure tenure as accommodation is usually rented, with attendant overcrowding and poor sanitary facilities.

Agriculture provides most employment (about 70% of the population). The sector is predominantly subsistent and lacks the necessary commercial attributes to generate significant disposable income. Such employment so far has not significantly contributed to the reduction of rural poverty. Groundnut farmers, who in the past were the wealthiest among the farming community, are now the poorest.



Unemployment has become a major issue and in recognition of this fact the Government drafted a National Employment Policy in 2001 to reverse these rising trends. Data from the last census confirms that the labour force, within the age brackets of 15 – 64 years, comprises 48% of the population. There is a dearth of reliable information on employment.

Migration is internal (rural – urban) and outward (mainly towards the sub-region and secondarily to Europe and the rest of the world to a lesser extent). There is also inward migration, mainly from Senegal and secondarily from ECOWAS member states. Inflow of refugees is mostly from conflict areas such as Sierra Leone, Liberia and Guinea Bissau. This trend has ceased since the resolution of these conflicts, although there are small number who have decided to stay in the country after losing their refugee status. As for Casamance, inflows of significant numbers of internally displaced persons periodically come into The Gambia during sporadic instances of unrest, but return to their respective villages as events calm down. As they do not stay for extended periods, they may be nominally referred to as refugees; however they are classified as internally displaced people (IDPs).

Refugee matters in the Gambia are handled by the UNHCR Liaison Office in collaboration with the Department of Immigration and a number of local NGOs.

The new and evolving phenomenon of illegal migration, particularly to Europe, has witnessed some Gambian young people taking up this adventure. The matter is of concern to both the Government and the people of The Gambia due to the inherent risk, including loss of life, and the precarious conditions faced during the course of the journey, at the transit and destination points. Hard statistics are currently difficult to obtain in terms of numbers and profiles, though it is assumed that the majority are unemployed young people from both urban and rural areas of the Gambia. Also there is evidence from the international media in particular that the migrants usually travel in groups made up of different nationalities from the sub-region. The Government, with support from the EC, plans to undertake an in-depth study to establish a migration profile for the Gambia (9<sup>th</sup> EDF TCF II).

As bilateral and multilateral consultations are taking place on the issue of illegal migration, it will be prudent to include possibilities for the EU and its respective member states to support the affected countries through both national and regional initiatives. Such initiatives should create economic opportunities that will offer meaningful employment and sustainable livelihoods for the young population in general and returnees in particular. Furthermore, Europe will need to dialogue with affected countries with a view to finding a mutually beneficial solution to the problem. On this front, The Gambia's government signed a memorandum of Understanding (MOU) with Spain in October 2006 to curb illegal migration to Spain.

The Gambia has a comprehensive policy framework for addressing development issues in the social sectors of health and education, among others. The PRSP II has special focus on increasing access to basic health and education services for the poor in the rural and depressed urban areas, particularly on improving the quality of such services.

Access to basic health services is generally good, although there are still some pockets in rural areas with poor access. Significant achievements have been registered with regard to immunisation services, with 90% coverage for childhood immunisation. Under-5 and infant mortality rates have also declined over the past 30 years from 320 and 217 per thousand live births respectively to the present levels estimated at 135 and 75 per 1000 live births respectively. The gains made in reducing infant mortality while increasing immunisation rates are attributed to expansion and improvement of primary health care and social services including the provision of safe drinking water. Despite these gains, the current trends may not permit attainment of the MGD targets for the under-5 mortality rate set at 45 per 1000 live births. The most common causes of child mortality are malaria, diarrhoeal diseases and active respiratory infection, all of which are influenced by malnutrition.

The maternal mortality rate ,averaging 730 per thousand remains high compared to other countries in the sub-region, yet the trends suggest the possibility of meeting the MDG targets by 2015. The prevalence rate for HIV/AIDS, specifically HIV-1, is relatively low but has manifested sharp increases in recent years from 0.6% in 1995 to 2.1% in 2004. Malaria continues to be a health challenge, and is the number one killer disease in the country. Annex 8 provides an assessment of the Gambia's MDG status.

Pursuant to the objectives of the Education Sector Policy, The Gambia has made significant strides in improving the literacy rate, which now stands at 65%. The country is on course to meet its national target of a 50% reduction in illiteracy rates by 2015. Current trends indicate The Gambia will attain primary school enrolment targets, although completion rates need to be increased. Primary enrolment between 1991 and 1996/7 increased by 8%, more than the target of 5%. Similarly, the net enrolment ratio in 1998 reached 63%. Gross enrolment ratios (GER) are even more impressive than the net enrolment ratios, given that GER reached 90% in 2003; up from 70% in 1996. The reasons for increases in enrolment, especially for girls, include scholarships for girls, interventions by NGOs and the fact that over 200 schools have been built around the country over the past 10 years.

#### **2.1.4 Environmental situation**

The Gambia has long been committed to environmental protection and bio-diversity conservation as demonstrated by the various policies, laws and institutions put in place for sustainable environmental management. Prominent among these instruments are the all-embracing Gambia Environmental Action Plan (GEAP), adopted in 1992 and the National Environmental Management Act (NEMA). Despite the great strides made in this sphere some problems still remain, particularly attitudes towards the protection of forest resources and their sound management, the proliferation of bush fires, and over grazing contributing to land degradation. Major challenges remain low human and institutional capacity at all levels, tremendously high levels of waste, particularly industrial effluent, and a lack of appropriate waste management systems, and also poor sanitation. Furthermore, poor access to scientific and technological information has been identified as a major constraint (see Annex 3, summary environmental profile). Based on the above analysis, The Gambia may not meet the MDG targets related to environmental sustainability.

Climate change is already having significant and serious impacts on developing countries as highlighted in the recent reports of the Intergovernmental Panel on Climate Change (IPPC). These impacts will increase over years and decades to come and are projected to include wide-scale flooding, increased risk of epidemics and famine due to water contamination and loss of arable land, massive population displacement, and an increase in extreme weather events such as cyclones and hurricanes. Projected sea level rise will affect coastal areas. This would cause serious problems to Banjul, The Gambia's capital city, the tourism infrastructure or the agriculture sector. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainable development.

#### **2.1.5 The Gambia in the international context**

The Gambia's physical geography and Government's economic policies plead for an open and dynamic economy. The Government supports African initiatives for development (NEPAD) and for peace. It has contributed or shown its willingness to participate in military peacekeeping forces where necessary in African countries.

The Gambia is a founding and active member of the African Union (AU), which succeeded the Organisation of African Unity (OAU) in 2001; its main aim is to promote integration and harmonisation within Africa. In July 2006, The Gambia successfully hosted the African Union (AU) Summit of Heads of State and Governments in Banjul. The AU Treaty provides for the creation of a Pan-African Economic and Monetary Union and a parliament.

It is also a member of Economic Community of West African States (ECOWAS), the main regional economic grouping of 15 countries established in 1975 for the creation of a free-trade area and an economic and monetary union. As a member of ECOWAS and of WAMZ (West African Monetary Zone), The Gambia actively participates in regional integration and economic development policies. It will play an important role in seeking closer regional economic and political relations and integration within the EPA framework.

As part of the ACP group of countries, The Gambia is a signatory to the ACP-EU Partnership Agreement signed in Cotonou in 2000, the aim of which is to reduce and eradicate poverty in ACP countries by supporting political dialogue, economic development and integration of their economies into the global economy.

The Gambia has been a Member of the WTO since 23 October 1996 and a contracting party to the GATT since 22 February 1965.

The Gambia readily signs up to most international conventions and has ratified the majority of them. It has always contributed troops to UN, AU and ECOWAS peace keeping initiatives. It also actively participates in conflict resolution at both sub-regional and regional levels.

## **2.2 Poverty reduction analysis**

The Gambia is among the poorest countries in the world (see II.1.2). Though the country has implemented programmes aimed at addressing poverty since 1994, with the launch of its First Strategy for Poverty Alleviation (SPA), poverty reduction continues to be elusive, with the proportion of people living in poverty being on the rise instead. Poverty studies conducted in 1998 and 2003 indicate that in addition the prevalence and severity of poverty increasing, inequality is also on the increase.

Using the upper poverty line, based on per capita consumption, the head count index (i.e. the percentage of poor people) is calculated at 61.2%. The poverty gap is calculated at 25.9% whilst severe poverty affects about 14.3%. Comparing this latest information on poverty with previous data, it is observed that poverty, which was in the past defined as a rural phenomenon, has recently increased in urban areas. Data obtained in 2003 indicate that overall poverty has been on the increase in both rural (from 61% in 1998 to 63% in 2003) and urban (from 48% to 57%) areas. The rise in rural poverty is partly associated with the poor performance of the agricultural sector, particularly as it relates to declining productivity and the inability of farmers to access markets and other social services mainly due to poor rural infrastructure. The rise in urban poverty is attributed to the lack of employment opportunities.

The food security situation, particularly at household level, is affected by the inability of farmers, who are predominantly subsistent, to produce surpluses to take them through the year, much less provide for the general population. This, coupled with the lack of proper post-harvest technologies and facilities, results in significant losses and wastage. Domestic production only satisfies 50% of the country's food needs, thus making The Gambia a net food importer in market conditions of rising food prices. This situation further erodes the capacity of both urban and rural poor to have equitable access to basic food items.

## **2.3 The Gambia's development strategy**

The Gambia's development strategy is based on two strategic documents, Vision 2020 and the Poverty Reduction Strategy Paper II (PRSPII). Vision 2020 is a long-term strategic plan, drafted in 1996, defining the development objectives to be attained by The Gambia by the year 2020. The PRSPII is a 5-year planning framework (2007-2011) to assist The Gambia in its efforts to achieve the Millennium Development Goals (MDGs) and the goals of Vision 2020.

The long term development objective is to eradicate poverty by significantly increasing national income through sustained economic growth and reducing income and non-income inequalities through specific poverty reduction interventions. However, in order to spur stable economic growth over and above the present target of 4.5%, important structural reforms need to be carried out during the first phase of implementation of the Poverty Reduction Strategy Paper (PRSP) II. The goal of Vision 2020 is to “transform The Gambia into a financial centre, a tourist paradise, a trading, export-oriented agricultural and manufacturing nation, thriving on free market policies and a vibrant private sector, sustained by a well-educated, skilled, healthy, self-reliant and enterprising population, and guaranteeing a well balanced ecosystem and a decent standard of living for one and all, under a system of government based on the consent of the citizenry by the year 2020”.

Considering the shortcomings in the implementation of PRSPI and the fact that the country’s socio-economic situation virtually the same, the objectives of PRSPII based on Vision 2020 are to:

- i. create an enabling policy environment to promote economic growth and poverty reduction;
- ii. enhance the capacity and output of productive sectors; agriculture, fisheries, industry, trade and tourism, with emphasis on the productive capacity of poor and vulnerable groups;
- iii. improve coverage of basic social services and the social protection needs of the poor and vulnerable;
- iv. enhance governance systems and build the capacity of local communities and civil society organisations to play an active role in economic growth and poverty reduction;
- v. mainstream poverty-related cross-cutting issues – gender, youth, HIV/AIDS, population, nutrition and environment – in poverty reduction.

#### **2.4 Analysis of the viability of current policies and the medium-term challenges**

The PRSPI, which was anchored on Vision 2020, exhibited some strength in that it introduced a participatory planning and formulation process. However, private sector and civil society were not adequately involved in implementation, which is indicative of the need for greater engagement by the Government of non-state actors in the development process.

There was rise in poverty and unemployment, and the macroeconomic targets were not met, leading to a failure to reach HIPC completion point. Consequently, the government could not mobilise enough resources to fund the PRSP, as donor commitments were not forthcoming.

Cognisant of the mixed results of PRSPI, the Government put in place a PRSPII as the only development framework, in which all policies and development assistance are incorporated. The PRSPII was drafted by the Government with the involvement of all key stakeholders, including its development partners. Furthermore, the paper was drafted taking into account the guidelines of the World Bank and IMF. Where PRSPI focused on poverty reduction strategy, PRSPII focuses both on poverty reduction and economic growth while ensuring active participation of non-state actors throughout the process including implementation. The PRSPII was approved by the Cabinet in December 2006, and is currently being disseminated to stakeholders and partners. There are plans to carry out awareness raising and to hold a Round-table Donor Conference in the last quarter of 2007 to agree on the priorities and to mobilise support and resources for the implementation of PRSPII.

The key medium-term challenges for the Government include:

- maintaining a sound macroeconomic framework for accelerated and sustained economic growth and employment;
- reducing the high rate of poverty (61.2%) and the poverty severity (14.3%);
- reducing both domestic and external debt, releasing resources for PRSPII programmes;
- promoting good governance at all levels of the public and private sectors and civil society;

- deepening and sustaining economic and public sector reforms including comprehensive civil service reform, decentralisation, local governance and development;
- securing the availability of national human resource capacity and sustaining it at all levels for effective and efficient implementation of the PRSP II;
- tackling rising unemployment, especially among the youth and women;
- developing and maintaining national infrastructure (transport, energy, water, ICT) to stimulate and sustain socioeconomic development and regional integration;
- revitalising the productive sectors, addressing supply side constraints including SPS, developing road maps for all export commodities and regaining competitiveness in exports to EU markets and maximising benefits from regional integration and EPAs;
- accelerating the implementation of the legal sector strategy.

Annex 5 highlights Government commitments on tackling the above challenges, among others. The medium-term challenges mentioned in the PRSP II and summarised above will be addressed in the 10<sup>th</sup> EDF NIP.

## **CHAPTER 3: Overview of past and present EC cooperation complementarity and consistency**

### **3.1.1 Focal sectors (and macroeconomic support)**

#### **8<sup>th</sup> EDF**

The 6<sup>th</sup> and 7<sup>th</sup> EDFs focused on rural development and micro-projects in rural areas. Under the 8<sup>th</sup> EDF, the two focal sectors were Rural Development and Education, with the former covered by a €16.5m programme to support decentralised rural development targeting drinking water supply, support to Local Area Councils, community-based projects, and support for decentralisation. €5.6m was devoted to the education programme for classroom construction and equipment, and technical assistance to the National Training Authority (NTA). The 8<sup>th</sup> EDF NIP also included a €4.255m Poverty Reduction Budget Support Programme devoted to public expenditure in education and health under the 2002 government budget. However, the funds were never disbursed as the country did not have a programme with the IMF.

The Financing Agreement for the Support to Decentralisation and Rural Development Programme (SDRD) expired in June 2004. The SDRD funding emphasised village water supply (8 ACPGM 06, 1999-2004 project) and set up 34 solar water supply systems, benefiting 70 000 rural people. The Village Water Supply (VWS) promoted a new decentralised approach, which has proved to be very successful, notably for planning purposes. One of the components of Support to the Education Sector under the 8<sup>th</sup> EDF also aimed at supplying water to schools built under the project. SDRD could not meet all its objectives as it was implemented without a proper national policy for decentralisation. The Local Government Act was only put in place in 2002 but the implementing measures are still not in place. One of the recommendations of the evaluation is that poverty reduction objectives should be separated from the objectives set for building the capacity of local government authorities to deliver services to their constituencies. The programme operated more as an integrated rural development programme than a decentralised rural development programme. As such, the 9<sup>th</sup> EDF rural development focal sector for water was implemented as a separate programme and support for community development related issues was put under the proposed programme of support to non-state actors. The finalisation of the SDRD evaluation was delayed, as the report by the first team of evaluators was found to be unsatisfactory and therefore not approved. The evaluation had to be redone and this affected the timing of preparation of the financing proposal for support to decentralisation and local development, which had to be aborted at the end-of-term review.

The Support to the Education Sector Programme, financed under the 8<sup>th</sup> EDF, experienced a number of implementation problems, namely the non-award of an important component of classroom construction and furniture supplies (this component represented 63% of the total budget of the programme). This led to a low global commitment rate of about 55%.

### **9<sup>th</sup> EDF**

The Country Strategy Paper (CSP) for the 9<sup>th</sup> EDF/NIP for 2002-2007, signed in 2003 and amended in 2005 at the mid-term review, refers to a total amount of €56.4m, of which €53.5m (including transfers from previous EDFs) is for the A allocation, and €2.9m for the B allocation (excluding the peace facility). The end-of-term review confirmed the strategy but reduced the A allocation by €4.4m. The CSP comprises two focal sectors (rural development and transport) and a non-focal sector (capacity building). Its implementation also includes previous financing from previous EDFs. The primary commitments are now satisfactory but the individual commitments have progressively fallen. Projects thus suffer from a very slow pace of implementation; however, at the end of 2006, secondary commitments became satisfactory with the signing of the contract for road works. Real progress on secondary commitments and disbursements is expected in 2007.

The slow implementation of the 9<sup>th</sup> EDF can mainly be attributed to the delay experienced in identifying and drafting programmes and projects after the signing of the CSP/NIP. This will be better anticipated in the 10<sup>th</sup> EDF.

The 9<sup>th</sup> EDF maintained rural development as a focal sector and was confirmed in the mid-term review (MTR) at the end of 2004. The total allocation for this sector is €11.2 million (€6.8 m for water supply and €4.4 m for the aborted support to local area councils). The Financing Agreement for rural water supply sector support (RWSSS) was signed in early 2006 and works are to start in 2007.

The process of implementation of RWSSS has been much delayed and the first programme estimate is expected to be signed in August 2007. The procurement of technical assistants and initial supplies is ongoing and these inputs will be in place at the end of 2007.

Lessons learned are that the design of this programme was very different from the design and dimension of all previous water projects funded by the EC in The Gambia. In this case an institutional assessment of all stakeholders institutions involved in the programme should have been carried out and a start-up programme estimate put in place to mobilise a programme management unit staff and technical assistants who would have taken responsibility for drafting the first programme estimates and the procurement processes, in the first six months of implementation.

The transport sector was one of the two focal sectors of the 9th EDF, with an initial allocation of €15m under the NIP. Two main areas of intervention were foreseen. The first one was the upgrading, rehabilitation and construction of five trunk roads (Barra-Amdallai; Mandinaba-Seleti; Soma-Basse; Basse-Sabi, and the Trans Gambia road at the level of Farafenni). The second intervention was the provision of technical assistance to the Gambia Roads and Technical Services Authority with the aim of establishing a Road Fund.

Due to the delay in the completion of the feasibility study, which started in 2002 (with 7<sup>th</sup> EDF financing) for the five road sections, it was extended in 2003 to cover the upgrading of the Banjul-Barra ferry terminal, plus the Sabi-Wellingara road in Senegal. The financial and economic components of the feasibility study had to be revised in December 2004, and the led to delay in implementing the programme, which is now on track.

At the same time, the 9th EDF mid-term review decision increased the original amount allocated to the project from €15m to € 36m from the NIP Gambia (including €8m from balances of previous EDFs, and a transfer of €8.5m from the B allocation). With an additional €3m from the Senegal NIP (for the road between Sabi and Wellingara), €3 million from the 8th EDF Regional Indicative Programme and €2 million from the 9th EDF RIP, the total funding allocated to the project comes to €44 million (€35.8 million for the roads, €2 m for supervision, €2 million for institutional support €0.2 million for audits and evaluation, and

€4m for contingencies). A rider (€4.5 million) has just been approved and the project under the NIP will amount to €40.5 million.

The experiences and lessons learned are that the NAO and the EC very promptly took cognisance of the institutional and human resources weaknesses of the Department of State for Works, Construction and Infrastructure to respond adequately in putting in place the framework for implementing the programme and therefore recruited a short-term technical assistant to support the establishment of the Gambia Roads and Technical Services Authority and drafting of the basic documents for the start-up of the programme. Another lesson for the Government is the need for commitment to a maintenance policy and funding mechanism for ensuring the durability of the roads to be rehabilitated. A well established and functioning Road Fund will be one of the conditions for the 10<sup>th</sup> EDF infrastructure focal sector. For a programme of this nature and dimension, a programme estimate should be foreseen to address some of the operational needs of the project; in this case a PE does not exist.

### **10<sup>th</sup> EDF**

Under the 10<sup>th</sup> EDF, the Government is committed to maintaining consistency and continuity with 9<sup>th</sup> EDF interventions, though in a slightly different context. One of the two traditional focal sectors (Infrastructure) has been kept, with continued emphasis on regional interconnectivity. The Rural Development Focal Sector, which concentrated on rural water supply and support to local government authorities, has now been replaced by a Governance Focal Sector, with Decentralisation and Local Development as a key programme area. The water supply component is being supported by 8<sup>th</sup> EDF RIP and 9<sup>th</sup> EDF NIP which expire at the end of 2008 and 2010 respectively. Support for the Education Sector will be continued under the Budget Support Programme, along with health. The programmes of the non-focal sector, principally Support to Non-State Actors, Capacity Building and TCF, have also been taken on board. Illegal migration may also benefit in the non-focal sector.

### **3.1.2 Projects and programmes outside focal sectors**

Programmes in the non-focal sector are dedicated to capacity building. The 9<sup>th</sup> EDF non-focal sector projects have a resource allocation of €8m and include institutional support to the NAO, a Technical Cooperation Facility and support to non-state actors.

### **3.1.3 Utilisation of the B allocation**

Besides the €0.8m contribution to the African Peace Initiative, only three transfers have so far been made. €1.8m was mobilised under the FLEX instrument and the resources were added to the 9<sup>th</sup> EDF RWSSS programme (9 ACP GM 06). €0.535m was given as an EC contribution to a multi-donor support programme for the Gambia's presidential and National Assembly elections. €8.5m was reallocated to the 9<sup>th</sup> EDF transport programme at the time of the MTR.

### **3.1.4 Other instruments**

The Gambia has benefited little from non-programmable resources, particularly budget lines. Both government institutions and non-state actors that tried to access budget lines expressed their concerns relating to the complexity of the documentation for the preparation of the proposals and also the high levels of counterpart funding. So far, Budget Line funding has benefited a local umbrella association of non-governmental organisations (TANGO) and only two international NGOs working with some local partners. The support project for TANGO ended in 2004, and focused mainly on building the capacity of the umbrella association and its network members. The two co-funded projects with NGOs focused on income generation for women and on farming system training, but came to an end in 2006 and 2003 respectively. The second phase of the Farming System Training Programme and another co-funded project, Fostering Agro-enterprises & Market development for Improved Livelihoods & Economic Security, are ongoing.

Thus, 9<sup>th</sup> EDF support to non-state actors aims to strengthen their management, advocacy, fundraising, networking, training, information access and dissemination capacities.

In the fisheries sector, The Gambia benefits from the national component of a project aiming to improve the sanitary conditions for fishery products in all ACP/OCT countries (the SFP project), thus facilitating access for local fishery products to the global market. The main activities are the training of the competent authority (the Department of Fisheries) and the private sector and the drafting of new draft fisheries and aquaculture legislation. The project ended in April 2007.

A Framework of Mutual Obligation (FMO) for €1.59m has been prepared using the STABEX balances targeting the improvement of the competitiveness and the quality of the groundnut sub-sector.

### **3.2 Information on the programmes of the Member States and other donors**

Much of the development cooperation between The Gambia and EU Member States has over the years been streamlined within the ACP-EU Partnership. However, DfID has a local presence, and is mainly involved in financial governance, the judiciary, and civil society capacity building. Other development partners include multilateral funding institutions like the World Bank, IMF, UN Agencies, the ADB/ADF, BADEA, the Kuwaiti Fund, the Saudi Fund, the Islamic Development Fund and the OPEC Fund (See Annex 2, donor matrix).

Over the years, The Gambia has initiated and sustained bilateral cooperation arrangements geared towards facilitating trade, technical, educational and cultural agreements, notably with Senegal, Mauritania, Guinea Bissau, Mali, Nigeria, Cuba, Iran, Japan, the United States of America, the Republic of China (Taiwan), Italy, the Kingdom of Morocco, the Libyan Arab Jamahiriya, India, Pakistan, and recently Venezuela.

### **3.3 Other EC policies**

Regarding agriculture, although the 2003 Common Agricultural Policy reform abolished direct price support to EU farmers, the higher standards set for aflatoxin and other agricultural ACP products are a barrier to entry into the EU market. However the EC and West Africa region will seek to address sanitary and phytosanitary measures in the context of the Economic Partnership Agreement.

Regarding the fisheries sector, there is currently no fisheries agreement with the EU, although such agreements exist with neighbouring countries. Some member state fishing vessels are active in Gambian waters. The two projects under the 9<sup>th</sup> EDF RIP with the Commission Sous-Régionale des Pêches (CSRP), related to the fight against IUU fishing and also fisheries management in Western Africa (project AGPAO) should help The Gambia to better manage its fish stocks.

The EC has also been nominated a “facilitator” of the Integrated Framework for Trade-Related Technical Assistance.

The Gambia is participating in ongoing bilateral and multilateral consultations on illegal migration with the EU and some of its member states, in particular Spain.

In a break with the past, Government has now decided to align its macroeconomic and all sector policies with the PRSII. It is also expected that all development partners will do the same. Development partners have started the alignment process, including the EC in respect of the 10<sup>th</sup> EDF NIP.

### **3.4 Description of the political dialogue with The Gambia**

The cooperation situation between 2002 and 2006 in terms of political dialogue and EU aid disbursement rates was unsatisfactory compared to previous years. There are several reasons for the low levels of individual commitments despite the relatively good global commitments recorded in 2005:



- difficulties associated with the use of Budget Support, which therefore favoured the project support approach;
- difficulties and insufficient capacity at national level to cope with EDF procedures and regulations, together with lack of both expertise in procurement/contracting and technical competence in infrastructure at the EC Delegation in Banjul;
- frequent changes in key ministerial portfolios including DoSFEA;
- an inability to maintain the previously high level of dialogue between the authorities and the EC office in The Gambia;
- the low level of emphasis on the development of human resources, particularly training;
- failure to keep to stipulated timelines for the processing and approval of documents;
- the unexpectedly long time taken to recruit technical assistants and consultants using the Framework Contract procedure.

Under these conditions, it also proved difficult to maintain general and sector policy dialogue, which affected the efficiency of The Gambia-EC cooperation.

The lack of absorption capacity is an essential issue to be addressed if the Government and all other actors are to efficiently take advantage of development financing in the future. At the NAO staff level and in all line ministries, institutions and organisations involved in cooperation, there is an urgent need for continuous capacity building (training), stability and specialisation of personnel dealing with EDF or other donors' development financing programmes. As a first remedy, it has been agreed that the NAO and the EC should have regular meetings and address outstanding and critical issues regarding the implementation of EDF projects.

With the arrival of the new EC Chargé d'Affaires in the Gambia in October 2006, the level of political dialogue has been revived. The high-level EDF Steering Committee has been reconstituted and is expected to be more functional. Several dialogue platforms and fora at both strategic and operational levels are now functioning. All these are contributing to an atmosphere of better relations and trust between the EC and the national authorities.

The high levels of disbursement recorded prior to the second half of 2002 were eroded over the ensuing years. However, the joint resolve of the political leadership, NAO and EC Chargé d'Affaires has reversed the trend, resulting in absorption rates of over 80% by the end of December 2006 following the signing of the works contract for the 9<sup>th</sup> EDF transport programme.

### **3.5 State of the partnership and progress towards harmonisation**

The Government of The Gambia has in recent times made a commitment to take the lead in aid coordination, and has set up the Aid Coordination Unit in the DoSFEA, which is expected serve as the focal point for coordination of all development assistance. However, pending the full operationalisation of the Unit, different government agencies still deal directly with different development partners in-country. DoSFEA currently coordinates development assistance from multilateral development agencies (e.g. the EC, WB, ADB, and IDB). The Office of the President coordinates development assistance from the UNDP, while the Department of State for Foreign Affairs coordinates bilateral development assistance.

The major development partners of The Gambia are the WB, EC, ADB, IDB, and the Kuwaiti Fund (KF). The DfID and UNDP play a prominent role in development assistance to The Gambia. They are also aligning their strategies with PRSP II. As part of steps towards improving coordination and harmonisation of development assistance, the ADB, DfID, EC, and the IDB are supporting capacity-building for the education sector in response to the government's education policy. Similarly, the DfID, WB, IMF and UNDP are jointly supporting the national governance policy and programme.

## **CHAPTER 4: Response strategy**

### **4.1. Synthesis of cooperation strategy**

The EC response strategy to The Gambia's development and poverty reduction challenges is based on the Government's own development priorities, as outlined in the PRSP II (2006). The 10<sup>th</sup> EDF Country Strategy aims to support The Gambia's efforts to foster accelerated economic growth and to reduce poverty. By addressing key issues that are currently hampering economic and social development, the strategy draws on past experience of EC-Gambia cooperation and on existing EC comparative advantages, especially with regard to infrastructure. Referring to The Gambia's commitment to good governance and economic reform, the Government has submitted to the EC its list of prospective commitments. The commitments have been assessed by the EC and an incentive tranche of €12.7 million in order to improve governance has been decided and allocated to increase the initial indicative amount of €63.3 million to totalling €76 million. The government has reallocated this amount to the focal sectors of the NIP (except €1m for tackling illegal migration in the non-focal sector).

The overall analysis of the country situation shows a number of key areas that are relevant for The Gambia's development agenda and will be addressed under the 10<sup>th</sup> EDF CSP/NIP, namely:

- infrastructure and interconnectivity, particularly transport, as a precondition for economic and social development and for regional integration;
- economic and trade reforms, including measures related to the implementation of EPAs and improvement of SPS conditions ;
- overall weaknesses in governance and the slow pace of implementation of decentralisation;
- existing shortcomings in public service delivery and public/private partnerships;
- shortcomings in the judicial system for equitable access and timely dispensation of justice to the poor and economic operators;
- budget support in the medium term for appropriate and predictable funding of the country's PRSP II in order to achieve the relevant MDGs;
- the low impact and absorption rates of EC-funded programmes, and improving ownership and donor coordination;
- the need for capacity building of all actors at all levels in The Gambia-EC Cooperation Strategy.

### **4.2. Sectors of concentration**

#### **Focal sector 1: infrastructure and regional interconnectivity**

The transport infrastructure sector will continue to be a key development sector receiving EDF financing support. Energy could be supported through the Energy Facility or any appropriate grant instrument other than the EDF. Regarding transport, careful consideration will be given to establishing links between separate parts of the same transport mode and between different modes. Such links also include connectivity between the North and South Banks of the River Gambia (bridges) and cross-border transport networks with neighbouring countries. Interventions in the transport sector might be complemented by additional funding instruments such as the EIB Trust Fund for infrastructure, in particular as part of the European Initiatives for regional and continental economic integration of infrastructure in Africa.

The Gambia will reinforce its cooperation with Senegal to define and defend common transport programmes, notably the important crossing-point bridge investment at Farafenni, and other longitudinal roads along the common borders to facilitate trade, economic investment, rural development and communication between population groups on both sides of the River Gambia and with Senegal.

The “Farafenni bridge” will be considered under the 10<sup>th</sup> EDF RIP. The feasibility study for the construction of the bridge is being addressed by the OMVG (“Organisation de la Mise en Valeur du Fleuve Gambie”). Key among the crossing points requiring investments for better flow of traffic and trade is the Banjul-Barra crossing point, for which there exists a feasibility study that may need updating.

Given its particular geographic situation, the improvement of Gambian transport infrastructure will be highly consistent with the ECOWAS Transport Policy and Plan in terms of regional integration and the expected implementation of the West African EPA.

The main risk associated with this component is the mobilisation of adequate resources to sustain the Road Fund for maintenance.

## **Focal sector 2: Governance**

Governance is the second priority focal sector for the 10<sup>th</sup> EDF cooperation strategy. The improvement of economic and political governance is a determining factor for sustained growth and poverty reduction. EDF support in this area will target (a) decentralisation and local development, including the promotion of equitable access to justice by the poor and economic actors, and probably also the reform of the civil service, in collaboration with other donors; and (b) government efforts to implement economic and trade reforms in response to the realities of regional integration and the EPAs. Other donors supporting governance are the DfID and the World Bank in public financial management, and the UNDP in democracy, elections, and the National Assembly. A sector budget support will be directed to the judiciary sector.

The expected results of these efforts will positively impact on governance and service delivery at decentralised levels and the business environment. Measurable improvement of key indicators in governance is considered crucial for the efficiency of the PRSP II, sustained donor support and private investment.

This focal sector will finance the Support to Decentralisation & Local Development (SDLD) project. It was not financed under the 9<sup>th</sup> EDF, following a decision in the ETR. However, a readjustment of the project will be necessary. Actions in decentralisation policy will also take into account rural development needs, in particular as far as the groundnut sector reform is concerned. However, a real commitment from Government to the decentralisation process is a prerequisite.

The main risk associated with this component is the implementation of the Government’s commitments.

## **General Budget Support**

Given the need for supporting the PRSP II and in order to improve aid effectiveness, general budget support will be provided. In line with the PRSP II objectives and Government’s firm commitment to improving public finance management through effective reforms and capacity building, general budget support will be provided under the 10<sup>th</sup> EDF Strategy. However, budget support will be implemented only when general eligibility criteria are met.

EDF budget support will enhance the implementation of The Gambia’s PRSP II covering the period 2007-2011, with particular emphasis on government spending in the social sectors of education, health and road infrastructure (secondary and feeder roads). These should be monitored using an agreed set of indicators and targets for poverty reduction. It would also depend on a stable and sustained macro-economic environment and confident relations with the IMF. The disbursement of budget support will also be linked to EC requirements for this tool and continued improvement in public finance management including procurement.

A joint mechanism for annual review of progress in poverty reduction and adequate mechanisms for donor coordination and alignment will facilitate the implementation of EDF budget support.

The risks associated with implementation through budget support are the capacity to reach the target of the chosen indicators (which will be done in collaboration with other donors), continued maintenance of a programme with the IMF, improved management of public finance and the availability of reliable data. No other donors are committed yet in a General Budget Support (GBS) policy with The Gambia.

### **Support in non focal sectors – capacity building**

The lack of institutional and human resource capacity has been repeatedly emphasised throughout this document. Hence support in the non-focal sector will be dedicated to capacity building recognised as a cross-cutting issue and an accompanying measure for the effective implementation of the 10<sup>th</sup> EDF. In this respect, The Gambia's Human Development Report 2005 "Building Capacity for the attainment of the MDGs in The Gambia" represents a good basis for identifying the need for capacity building

This approach will complement the focal sectors and act as strategic support for the implementation of the PRSPII. Funding for the Technical Cooperation Facility (TCF), continued support for non-state actors, an integrated capacity building programme and support for activities addressing the issue of illegal migration have been selected in this sector. Support for activities addressing the issue of illegal migration could also be supported with funds allocated to the non-focal sector. National contribution to regional programmes and projects could also be financed.

The main risks associated with this component will be the availability of a broad-based civil society platform for structured dialogue and coordination, and difficulties of finding and keeping staff to implement the programmes and projects.

## PART 2: NATIONAL INDICATIVE PROGRAMME

### 2.1. Indicative Programme

#### 2.1.1. Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed timetable of activities for all listed programmes over a rolling three-year period. Annex 4 summarises the CSP drafting process, including the key stakeholders involved in the consultations.

Amounts referred to in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

#### 2.1.2 Financial instruments

The implementation of the EC's cooperation strategy with The Gambia will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

**2.1.2.1 10th EDF, A-allocation, €76 million.** This envelope will cover long-term programmable development operations under the strategy paper (CSP), and in particular:

Intervention sectors	Indicative allocation (m €)	As % of the total Allocation	Implementing Modality
<b>Focal Sector 1:</b> Infrastructure and regional interconnectivity	35	46.1	Project financing and sector budget support
<b>Focal Sector 2:</b> Governance	11	14.5	Project financing and sector budget support
<b>General budget support</b>	22	28.9	
<b>Non focal sectors</b>	8	10.5	Project financing (NSA, TCF, capacity building, etc)
<b>Total</b>	<b>76</b>	<b>100.0</b>	

**2.1.2.2 10th EDF, B allocation, €1.9 million.** This allocation will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

**2.1.2.3. Investment Facility.** In addition to the financial instruments mentioned above, of which the A allocation is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

**2.1.2.4. 10th EDF regional indicative programme** will cover long-term programmable development operations under the regional strategy for West Africa. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on The Gambia's participation in the programmes proposed under the regional framework.

#### **2.1.2.5 Other financial instruments**

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the development Cooperation Instrument such as the thematic programmes "Investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" as well as actions funded from other instruments such the stability instrument, the instrument for the promotion of human rights and democracy or the instrument of for humanitarian and emergency assistance.

#### **2.1.2.6. Monitoring and evaluation**

Monitoring of results and evaluation of impact of individual activities (programmes, projects, sectors) under the CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with The Gambia implemented through other external actions funded by the general budget of the European Community will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

### **2.1.3 Focal sectors**

#### **2.1.3.1 Infrastructure and regional interconnectivity**

The following specific objective will be pursued:

- To enhance socio-economic development and regional interconnectivity through improvement of transport infrastructure. To this end, to further contribute to the facilitation of regional integration by improving the connectivity, access and functioning of efficient and cost-effective transport networks.

As an indicative amount, approximately €35 million will be set aside for this sector, including possible sector budget support.

The main actions proposed are:

- Construction and maintenance of national roads forming part of the regional corridors;
- Construction and maintenance of bridges linking the North and South Banks of the River Gambia at targeted crossing points;
- Strengthening the capacities (training, technical assistance and logistics) of people and institutions with policy, planning, regulatory and supervision roles in the roads and maritime (river) sub-sectors (accompanying measures of top priority);
- Strengthening the capacities for public-private sector dialogue for improving the policy and institutional environment for private sector participation (accompanying measures of top priority).

The costs related to the construction/upgrading and/or maintenance of infrastructure still will have to be assessed in detail by the Government of The Gambia. An assessment of the associated costs and necessary feasibility studies could be financed under the 9<sup>th</sup> EDF Technical Cooperation Facility II. According to the results of the feasibility studies to be conducted, priority road stretches and bridges to be funded will be jointly determined within the available financial envelope, in line with the overall orientations and priorities defined in the CSP.

The main implementing instrument will be: project support, co-financing and sector budget support (depending on the eligibility of the sector).

The main sector policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are:

- updating of the National Transport Policy and Plan for the period 2007-2012 and harmonising it with the ECOWAS Regional Transport Policy and Plan;
- stabilising road sector funding by securing adequate and stable flow of funds;
- deepening and sustaining the ongoing institutional reforms in the transport sector;
- putting in place a comprehensive national transport safety legislation and regulatory framework;

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues are:

- continuously promote effective dialogue with national and regional stakeholders in the transport sector;
- ensure financial sustainability of an independent Road Fund;
- favour construction, maintenance and services by the private sector.

In line with standing standards and instructions, the appropriate type of environmental assessment (SEA or EIA) will be carried out as a part of project preparation.

### **2.1.3.2 Governance**

The following specific objective will be pursued:

- To contribute to the reinforcement of the National Governance Framework and Programme to facilitate sustainable economic, social, and human development and the improvement of governance in general.

As an indicative amount, approximately €11 million is foreseen for this field, including possible sector budget support (e.g. to the judiciary sector).

The main actions proposed are:

- supporting decentralisation and local development including the enhancement of equitable access to justice by the poor and by economic actors;
- supporting civil service reform;
- supporting the improvement of economic and trade reforms including the implementation of the EPAs through appropriate policy, legal, institutional and regulatory frameworks for private-sector-led development and competitiveness – particular emphasis to be given to improving standards and quality management and control infrastructure and systems (SPS & TBT) for enhanced domestic exports, trade statistics and economic data management;
- enhancing dialogue, consultations and partnerships between the public sector, private sector and civil society;
- developing and delivering a comprehensive training and technical assistance programme to enhance institutional and human resource capacities for effective implementation of the Governance Programme.

The main implementing instrument will be: project support and sector budget support (depending on the eligibility of the sector).

The main sector policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are:

- updating of the Governance Policy framework and Programme by 2007;
- introduction of performance-based contracting in the Local Government Authorities;
- institutional support and strengthening capacity building in the judiciary sector to comply with the 9<sup>th</sup> EDF Mid-term and End-of Term reviews.

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues are:

- revitalisation of the National Governance Commission and mainstreaming governance in development;
- upholding the provisions of the Constitution regarding political/democratic governance and the rule of law;
- maintenance of a culture of dialogue between Government, social and economic actors.

Where necessary, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

#### **2.1.4 General budget support**

The Community might support the Government's macroeconomic reform programme through general budget support. Special attention will be given to the objective of poverty reduction, particularly with a view to ensuring equitable access to social services. Budget support should be delivered in the form of three-year programmes. Funds should be disbursed on an annual basis.

If a disbursement is not made, the non-disbursed amount is de-committed, credited to the NIP, and may be reprogrammed either for budget support or one of the other cooperation programmes of the NIP. Such a decision can be taken in the context of annual review.

General budget support will depend on the fulfilment of general EC criteria for eligibility for this instrument and duly examined by the Commission before the conclusions of a Financing Agreement.



As an indicative amount, approximately €22 million will be set aside for this type of support.

Indicators will have to be agreed upon, annual targets will be defined within the context of PRSP II and updated as part of the respective Financing Agreement and wherever needed.

The major policy measures and commitments to be taken by Government as a contribution to the implementation of the response strategy in this sector are:

- The Government of The Gambia is committed to sound macroeconomic management and to maintaining a consistent policy dialogue and coordination mechanisms with the Breton Woods institutions and the European Community;
- The Government of The Gambia is committed to maintaining social sector expenditure consistent with the PRSP II whereby the main cross-cutting programming issues (gender, HIV/AIDS, human rights/children, good governance, etc.) are described;
- The Government of The Gambia is committed to the ongoing macroeconomic reforms and to sound and transparent management of public finance.

### **2.1.5 Other programmes (Non-Focal Sector – Capacity Building)**

An indicative amount of €8 million is set aside for the following actions:

- Institutional support for non-state actors, including identification of the types of non-state actors eligible for financing and types of activities (see Article 6 of the Cotonou Agreement and Article 4(1) of annex IV to the Cotonou Agreement);
- The Technical Cooperation Facility;
- Integrated Capacity Building Programme;
- Support to activities addressing the issue of legal and illegal migration;
- National contribution to regional programmes and projects;
- Reserve for insurance against possible claims and to cover cost increases and contingencies.

The envelopes indicated for each action listed below is purely indicative.

#### ***Support to the initiatives of non-state actors***

EC support shall contribute to the reinforcement of capacities of Non-State Actors (NSAs) for effective participation in the implementation of the PRSP II and the Gambia–EC Cooperation. This project will take into account recommendations of the evaluation of the NSAs project financed by the 9<sup>th</sup> EDF. As an indicative amount, approximately €2 million will be set aside for this field.

Aiming at a contribution to good governance and poverty reduction, funding of activities of non state actors shall cover projects and initiatives in priority areas such as democracy, human rights, gender, sustainable livelihoods, local development and migration.

#### ***The Technical Cooperation Facility;***

This support should facilitate the preparation and implementation of sound EDF programmes contributing to the realization of the PRSP II and also allow to conduct reviews, studies and evaluations that would inform the identification and formulation of EDF programmes and projects in support of implementation of the 10<sup>th</sup> NIP and post 10<sup>th</sup> NIP.

It will also contribute to improving awareness among key actors in the Gambia of general development, EPA, trade issues and key EU policies in these areas. This may also include assistance in statistics in close cooperation with the Gambia Bureau of Statistics (GBOS) and the relevant sector Departments of State. TCF funds should also be used to help The Gambia to update the National Adaptation Programme of Action (NAPA) in the context of the UN Convention on Climate Change. As an indicative amount, approximately €2 million will be set aside for this field.

### ***Integrated Capacity Building Programme***

This support should enable the enhancement of the knowledge and skills of personnel in leadership and strategic positions for effective implementation of the 10<sup>th</sup> EDF contributing to the realization of PRSP II. As an indicative amount, approximately €2 million will be set aside for this field.

An evaluation of the 9<sup>th</sup> EDF support to the National Authorizing Officer Support Unit will also have to be conducted prior to the elaboration of the integrated capacity building programme

### ***Support to activities addressing the issue of legal and illegal migration***

Support to activities addressing the issue of legal and illegal migration will also be funded from the non focal sector allocation. This support should contribute towards curbing the current spade of illegal migration with its attendant negative consequences and impacts. As an indicative amount, approximately € 1m will be set aside for this field.

### ***Support to regional programmes***

An indicative amount of € 1million is set aside for both the national contribution to regional programmes and projects and reserve for insurance against possible claims and to cover cost increases and contingencies.

## 2.1.6 Intervention framework & performance indicators (indicative)

### 2.1.6.1 First focal sector – Infrastructure and regional interconnectivity

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objectives</b>	To contribute to the achievement of equitable economic growth and poverty reduction within a sustained governance framework consistent with the country's PRSP/II.	<ul style="list-style-type: none"> <li>- Poverty head count index</li> <li>- Inflation rate</li> <li>- GDP</li> <li>- Human Development Index</li> </ul>	<ul style="list-style-type: none"> <li>- Integrated Household Survey (IHS)</li> <li>- National Accounts</li> <li>- UN Human Development Report</li> <li>- PRSP/II progress reports</li> </ul>	<ul style="list-style-type: none"> <li>- Peace and stability</li> <li>- GoG maintains sound macroeconomic policies, political, economic and judicial and administrative governance</li> </ul>
<b>Programme Purpose</b>	To enhance socio-economic development and regional integration through improvement of transport infrastructure. To this end, to further contribute to the facilitation of regional integration by improving the interconnectivity, access and functioning of efficient and cost-effective transport networks	<ul style="list-style-type: none"> <li>- Improved road conditions</li> <li>- Increased river transportation</li> <li>- Increased traffic flows</li> <li>- Reduced freight and passenger tariffs on specified stretches</li> <li>- Increased availability (reduced outage/down time)</li> <li>- Accessibility</li> <li>- Quality of supply</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Road Surveys</li> <li>- Project progress, monitoring and evaluation report</li> <li>- GPA Reports</li> <li>- GRTSA Reports</li> <li>- PURA reports</li> <li>- Survey/assessment reports</li> </ul>	<ul style="list-style-type: none"> <li>- Maintenance of peace and stability</li> <li>- Commitment to the national and regional plans</li> <li>- Constructive dialogue maintained between EC and the national authorities</li> <li>- Transport infrastructure will impact positively on employment generation and movement of good and services, particularly agricultural.</li> </ul>
<b>Results</b>	<ol style="list-style-type: none"> <li>1. Construction and maintenance of national roads forming part of the regional corridors (networks)</li> <li>2. Construction and maintenance of bridges linking the North and South banks of the river at targeted crossing points</li> <li>3. Strengthening the capacity (training, technical assistance and logistics) of people and institutions with policy, planning, regulatory and supervision roles in the roads, maritime (river) sub-sectors</li> <li>4. Strengthening the capacity for public-private sector dialogue to improve the policy and institutional environment for private sector participation</li> </ol>	<ul style="list-style-type: none"> <li>- New Transport Plan in place</li> <li>- Increased and improved stretches of targeted roads that form part of the regional corridors</li> <li>- Bridges in place</li> <li>- Increase in cross-border economic activities (e.g. flow of goods and services in rural areas)</li> <li>- Rise in employment opportunities</li> <li>- EDF RIP Financing plan (ECOWAS)</li> <li>- The GRTSA generates enough resources for allocation to the Road Fund</li> <li>- Dialogue fora established</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Road Surveys</li> <li>- Project progress, monitoring and evaluation report</li> <li>- GPA Reports</li> <li>- GRTSA Reports</li> <li>- Minutes of Meetings</li> <li>- Correspondences</li> <li>- Economic Surveys</li> <li>- PRSP/II Reports</li> <li>- Feasibility study</li> <li>- Contracts</li> <li>- Survey reports</li> </ul>	<ul style="list-style-type: none"> <li>- Commitment to the national and regional plans</li> <li>- Continuous involvement and consultation of beneficiaries in the formulation and implementation of national plans</li> <li>- Coherence of the Senegalese and Gambian Transport Plans</li> <li>- Feasibility study done to identify targeted roads and bridges</li> <li>- Skilled human resources available</li> <li>- Maintenance fund available</li> </ul>

### 2.1.6.2. Second focal sector – Governance

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	To contribute to the achievement of equitable economic growth and poverty reduction within a sustained governance framework consistent with the country's PRSPII.	<ul style="list-style-type: none"> <li>- Poverty head count index</li> <li>- Inflation rate</li> <li>- GDP</li> <li>- Human Development Index</li> </ul>	<ul style="list-style-type: none"> <li>- Integrated Household Survey</li> <li>- UN Human Development report</li> <li>- PRSPII progress reports</li> </ul>	<ul style="list-style-type: none"> <li>- Peace and stability</li> <li>- GoTG maintains sound macroeconomic policies, political, economic and judicial and administrative governance</li> </ul>
<b>Programme Purpose</b>	To contribute to the reinforcement of the National Governance Framework and Programme to facilitate sustainable economic, social and human development	<ul style="list-style-type: none"> <li>- National Governance Policy updated &amp; the programme implemented</li> <li>- National Governance Commission becomes more active</li> <li>- Decentralisation policy and programme implemented</li> <li>- National governance indicators developed and monitored as per the PRSPII Integrated M &amp; E Framework</li> </ul>	<ul style="list-style-type: none"> <li>- Updated Policy document</li> <li>- Commission reports</li> <li>- Human rights reports</li> <li>- Monitoring &amp; survey reports</li> <li>- Policy document</li> </ul>	<ul style="list-style-type: none"> <li>- Political will/commitment to good governance and decentralisation</li> <li>- Constructive dialogue maintained between EC and the National Authorities</li> <li>- ECOWAS and EC conclude an EPA agreement</li> </ul>
<b>Results</b>	<ol style="list-style-type: none"> <li>1. Coordinated and well structured decentralisation strategy and programme for enhanced local governance and development, including equitable access to justice for the poor</li> <li>2. Improved economic and trade governance with appropriate policy, legal, and regulatory framework for private-sector-led development.</li> <li>3. Enhanced dialogue and consultations between the public sector, private sector, local government authorities and civil society</li> <li>4. Human resource capacities enhanced and retained for effective implementation of the programme</li> </ol>	<ul style="list-style-type: none"> <li>- Perception levels of democratic processes, rule of law and human rights</li> <li>- Decentralised judicial infrastructure and support systems in place</li> <li>- Legal aid available to the poor and marginalised</li> <li>- Timely dispensation of justice for economic operators through the commercial courts</li> <li>- Increased public-private partnerships for improved service delivery</li> <li>- Increased levels of private investments, quality industrial &amp; trade outputs and exports</li> <li>- Timely and reliable statistics</li> <li>- Increased employment generated by the private sector</li> <li>- More accountable &amp; effective LGAs</li> <li>- Facilities &amp; work environment improved</li> <li>- Performance-based contracting &amp; reward system in LGAs</li> </ul>	<ul style="list-style-type: none"> <li>- PSC/PMO reports</li> <li>- Public sector reform reports</li> <li>- National Assembly reports</li> <li>- Surveys and reports from human rights organisations</li> <li>- Reports from Judiciary</li> <li>- National Economic Intelligence reports</li> <li>- LGA reports</li> <li>- GBOS reports</li> <li>- Minutes of dialogue &amp; consultative meetings</li> <li>- Financing Agreements</li> <li>- Feasibility study reports</li> </ul>	<ul style="list-style-type: none"> <li>Public sector supportive of the private sector.</li> <li>Fiscal decentralisation and transfer of competences effected</li> <li>Implementation of the ECOWAS (Non-UEMOA) and Mauritania quality programme</li> </ul>

### 2.1.6.3. General Budget Support

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objectives</b>	To contribute to the achievement of equitable economic growth and poverty reduction within a sustained governance framework consistent with the country's PRSPII.	<ul style="list-style-type: none"> <li>- Poverty head count index</li> <li>- Inflation rate</li> <li>- GDP</li> <li>- Human Development Index</li> </ul>	<ul style="list-style-type: none"> <li>- Integrated Household Survey (IHS)</li> <li>- National Accounts</li> <li>- UN Human Development Report</li> <li>- PRSPII progress reports</li> </ul>	<ul style="list-style-type: none"> <li>- Peace and stability</li> <li>- GoTG maintains sound macroeconomic policies, political, economic, judicial and administrative governance</li> <li>- GOTG maintains its programme with the IMF</li> </ul>
<b>Programme Purpose</b>	To support government spending in the social sectors of health, education and road infrastructure (secondary and feeder) in support of PRSPII implementation	<ul style="list-style-type: none"> <li>- Improvement in the macroeconomic indicators</li> <li>- PRSPII/MDG performance indicators in the social sectors improved</li> <li>- Proportion of pro-poor budget spending increased</li> <li>- Development budget spending on secondary and feeder roads increased</li> </ul>	<ul style="list-style-type: none"> <li>- PRSPII progress reports</li> <li>- IMF/WB reports</li> <li>- GoTG Budget</li> <li>- National accounts</li> </ul>	<ul style="list-style-type: none"> <li>- Political, economic stability and no external economic shocks</li> <li>- Improved governance and reforms implemented successfully</li> <li>- Debt relief obtained</li> <li>- Constructive dialogue maintained between EC and the national authorities</li> </ul>
<b>Results</b>	<ol style="list-style-type: none"> <li>1. PRSPII targets in the social sectors of health and education achieved</li> <li>2. Secondary and feeder road infrastructure improved.</li> </ol>	<ul style="list-style-type: none"> <li>- Poverty indicators improved</li> <li>- Increased rate of primary school enrolment</li> <li>- Increased attendance at primary health facilities</li> <li>- Increased availability of teachers, facilities and materials</li> <li>- Increased availability of health staff and drugs</li> <li>- Increased proportion of national budget allocated to social sectors of health and education and effectively disbursed</li> <li>- Increased connectivity between primary, secondary and feeder road networks</li> <li>- Road Fund financially sustainable</li> </ul>	<ul style="list-style-type: none"> <li>- IMF/WB progress reports</li> <li>- GoTG budget</li> <li>- PRSP implementation and assessment reports</li> <li>- GBOS survey reports</li> <li>- DOSE, DOSH &amp; GRTSA reports</li> </ul>	<ul style="list-style-type: none"> <li>- Government committed to effective and timely implementation of the PRSPII</li> <li>- Increased receptiveness by the public sector to private sector participation in the economy</li> <li>- Performance indicators in the social sector monitored</li> </ul>

## 2.1.7. Indicative timetable for commitments and disbursements

### 2.1.7.1. Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2→
<b>Focal sector 1: Infrastructure and regional interconnectivity<sup>1</sup></b>	<b>€35m</b>						
Sector budget support						3	
Project support						32	
<b>Focal sector 2: Governance</b>	<b>€11m</b>						
Sector budget support (e.g. judiciary)					3		
Project support <sup>2</sup>				8			
<b>General Budget support</b>	<b>€22m</b>			22			
<b>Non focal sectors</b>	<b>€8m</b>			2	2	4	
<b>Total commitments:</b>	<b>€76m</b>			32	5	39	
<b>Total cumulative commitments :</b>	<b>€76m</b>			32	37	76	

<sup>1</sup> It is still not decided if the SBS will be or not part of the same FA of the project itself. This will be decided after the feasibility studies conducted for the focal sector 1 and for the budget support.

<sup>2</sup> Most probably, two projects will be implemented, one related to economic governance and one to the political governance. This will be decided after the completion of the feasibility study.

2.1.7..2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010		2011		2012		2013	
		1	2	1	2	1	2	1	2	1	2	1	2
<b>Focal sector 1: Infrastructure</b>	<b>€35m</b>					5	7	5	5	5	3	3	2
<b>Focal sector 2: Governance</b>	<b>€11m</b>				1	2	2	2	2	1	1		
<b>General budget support</b>	<b>€22m</b>					8		7		7			
<b>Non-Focal Sectors– Capacity Building</b>	<b>€8m</b>				1	1	1	1	1	1	1	1	
<b>Total commitments :</b>	<b>€76m</b>				<b>2</b>	<b>16</b>	<b>10</b>	<b>15</b>	<b>8</b>	<b>14</b>	<b>5</b>	<b>4</b>	<b>2</b>
<b>Total cumulative commitments :</b>	<b>€76m</b>				<b>2</b>	<b>18</b>	<b>28</b>	<b>43</b>	<b>51</b>	<b>65</b>	<b>70</b>	<b>74</b>	<b>76</b>

## 2.1.8. Timetable of activities

Focal sector 1: Infrastructure and regional interconnectivity	Indicative Allocation	2007*		2008				2009				2010→			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	<b>€35m</b>														
Project / sector budget support						FS			FP				FD		
<b>Focal sector 2: Governance</b>	<b>€11m</b>														
Project support / sector budget support <sup>3</sup>					FS		FP	FD							
<b>General budget support</b>	<b>€22m</b>														
General Budget support						FS		FP		FD					
<b>Non focal sectors</b>	<b>€8m</b>														
Institutional support for non state actors								FS		FP		FD			
Technical cooperation facility							FP		FD						
Integrated Capacity Building Programme								FP		FD					
Support to activities addressing the issue of legal and illegal migration					FS		FP		FD						

FS : Feasibility Study ; FP : Financing proposal ; FD : Financing decision

\*: Based on EDF-9 experience and lessons learnt related to delays in programming, for the 10th EDF, existing

TCF resources will be used to fast-track the programming process immediately following signature of the CSP/NIP to ensure timely implementation of all programmes.

<sup>3</sup> As mentioned in Table 1.7.1, two FA may be necessary to implement the focal sector “Governance”

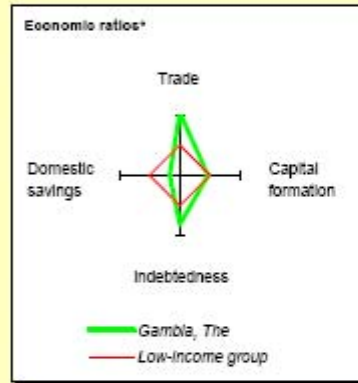
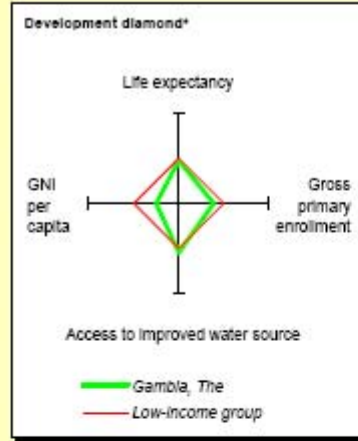


# ANNEX 1

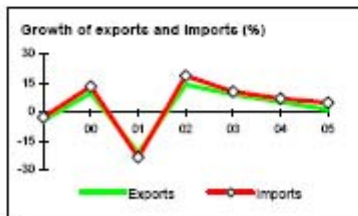
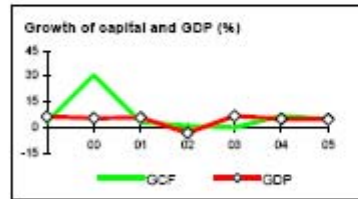
## The Gambia at a glance

8/13/06

POVERTY and SOCIAL	The Gambia	Sub-Saharan Africa	Low-income		
<b>2005</b>					
Population, mid-year (millions)	1.5	741	2,353		
GNI per capita (Atlas method, US\$)	290	745	580		
GNI (Atlas method, US\$ billions)	0.44	552	1,364		
<b>Average annual growth, 1999-05</b>					
Population (%)	2.9	2.3	1.9		
Labor force (%)	3.1	2.3	2.3		
<b>Most recent estimate (latest year available, 1999-05)</b>					
Poverty (% of population below national poverty line)	..	..	..		
Urban population (% of total population)	54	35	30		
Life expectancy at birth (years)	55	46	59		
Infant mortality (per 1,000 live births)	89	100	80		
Child malnutrition (% of children under 5)	17	29	39		
Access to an improved water source (% of population)	62	56	75		
Literacy (% of population age 15+)	..	..	62		
Gross primary enrollment (% of school-age population)	81	93	104		
Male	79	99	110		
Female	84	87	99		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	1985	1995	2004	2005	
GDP (US\$ billions)	0.23	0.38	0.40	0.46	
Gross capital formation/GDP	15.1	20.2	28.1	25.0	
Exports of goods and services/GDP	43.9	48.9	45.0	43.4	
Gross domestic savings/GDP	5.0	-3.9	10.5	8.1	
Gross national savings/GDP	..	6.0	16.3	11.9	
Current account balance/GDP	-15.7	-14.2	-11.8	-13.0	
Interest payments/GDP	0.2	1.4	2.0	..	
Total debt/GDP	108.6	111.6	168.1	..	
Total debt service/exports	10.8	13.3	16.6	..	
Present value of debt/GDP	..	..	97.5	..	
Present value of debt/exports	..	..	192.1	..	
	1985-95	1995-05	2004	2005	2005-09
<i>(average annual growth)</i>					
GDP	3.3	4.2	5.1	5.0	4.8
GDP per capita	-0.4	1.0	2.2	2.2	3.2
Exports of goods and services	2.7	2.5	5.4	1.5	3.2



STRUCTURE of the ECONOMY	1985	1995	2004	2005
<i>(% of GDP)</i>				
Agriculture	31.2	30.0	33.1	33.0
Industry	16.2	13.4	13.3	13.0
Manufacturing	7.9	6.1	5.3	5.1
Services	52.6	56.7	53.6	53.9
Household final consumption expenditure	79.0	90.2	78.5	..
General gov't final consumption expenditure	15.9	13.7	11.1	..
Imports of goods and services	53.9	73.0	63.7	60.3
	1985-95	1995-05	2004	2005
<i>(average annual growth)</i>				
Agriculture	-0.5	5.3	14.2	4.7
Industry	3.8	5.1	5.9	..
Manufacturing	3.0	2.6	4.7	..
Services	3.7	4.4	4.8	..
Household final consumption expenditure	6.4	3.1	6.4	..
General gov't final consumption expenditure	-5.5	6.5	1.2	..
Gross capital formation	6.4	2.8	6.9	5.0
Imports of goods and services	5.1	1.8	7.2	5.1

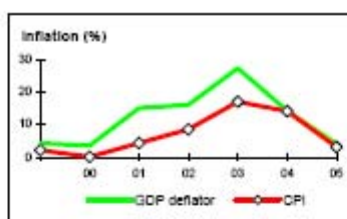


Note: 2005 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

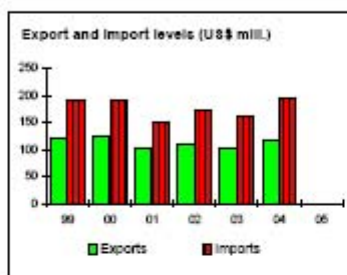
PRICES and GOVERNMENT FINANCE

	1985	1995	2004	2005
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	18.3	7.0	14.2	3.2
Implicit GDP deflator	39.4	4.0	14.3	4.3
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	25.5	18.4	25.5	22.0
Current budget balance	1.8	0.9	8.5	3.6
Overall surplus/deficit	-5.6	-8.7	-5.7	-6.1



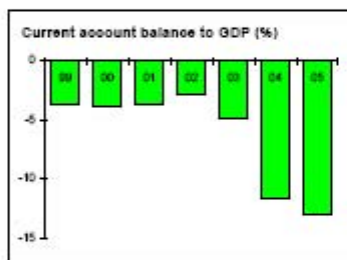
TRADE

	1985	1995	2004	2005
<i>(US\$ millions)</i>				
Total exports (fob)	63	121	118	..
Groundnuts	..	10	6	..
Fish	..	3	3	..
Manufactures	..	..	..	..
Total imports (cif)	77	209	197	..
Food	..	55	65	..
Fuel and energy	10	45	25	..
Capital goods	..	37	41	..
Export price index (2000=100)	..	124	121	..
Import price index (2000=100)	..	122	121	..
Terms of trade (2000=100)	..	102	100	..



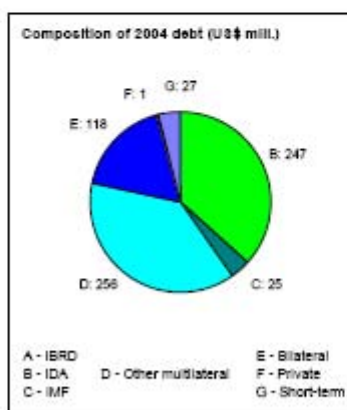
BALANCE of PAYMENTS

	1985	1995	2004	2005
<i>(US\$ millions)</i>				
Exports of goods and services	63	187	185	199
Imports of goods and services	101	279	255	277
Resource balance	-17	-92	-71	-78
Net Income	25	-5	-20	-16
Net current transfers	..	43	43	33
Current account balance	-35	-54	-47	-60
Financing items (net)	49	66	80	71
Changes in net reserves	-14	-11	-33	-11
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	..	78	85
Conversion rate (DEC, local/US\$)	3.9	9.5	30.0	26.6



EXTERNAL DEBT and RESOURCE FLOWS

	1985	1995	2004	2005
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	245	426	674	..
IBRD	0	0	0	0
IDA	35	162	247	245
Total debt service	9	28	34	..
IBRD	0	0	0	0
IDA	1	2	3	6
<b>Composition of net resource flows</b>				
Official grants	21	16	23	..
Official creditors	14	8	36	..
Private creditors	0	0	0	..
Foreign direct investment (net inflows)	0	8	60	..
Portfolio equity (net inflows)	0	0	0	..
<b>World Bank program</b>				
Commitments	0	0	0	..
Disbursements	4	12	21	19
Principal repayments	0	1	1	4
Net flows	4	11	19	15
Interest payments	0	1	2	2
Net transfers	4	10	18	13



<b>ANNEX 2. Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>1</b> Donor / Areas of Intervention	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>European Commission</b>	<p>Infrastructure development in transport sector (NIP) 9<sup>th</sup> EDF <b>EUR 44.0m (duration 2006-2011)</b></p> <p>9<sup>th</sup> EDF support to the NAO for capacity building and programming of EDF resources <b>EUR 2.0 million (duration 2004-2007)</b></p>	<p>- 8<sup>th</sup> EDF, SESP school building Project <b>EUR 5m (ended December 2007)</b></p> <p>- 9<sup>th</sup> EDF support to Technical &amp; Vocational Training <b>EUR 0.6 million (ended December 2007)</b></p> <p>- 9<sup>th</sup> EDF support to Decentralisation and Local Development <b>EUR 4.4m (to be funded under 10<sup>th</sup> EDF)</b></p> <p>- 8<sup>th</sup> EDF (RSP 2) Regional Solar water supply to larger villages. <b>EUR 3.9m (Duration 2003-2008)</b> -</p> <p>- 9<sup>th</sup> EDF Rural Water Sector Supply Sector Programme <b>EUR 6.8m (duration 2006-2010)</b></p>	<p><b>Stabex transfer-</b> Price stabilisation fund and development of Inter-Professional Agri-business Associations. <b>GMD 18.4 million (to begin soon)</b></p> <p>- <b>8<sup>th</sup> EDF</b> Regional Pan African Control of Epizootics (PACE) <b>EUR -0.6m (ended October 2006)</b></p> <p>STABEX Transfers 1999 Rehabilitation maintenance of selected feeder roads <b>EUR 1.2m (to begin soon)</b></p>	<p>- 9<sup>th</sup> EDF A.U peace initiative, <b>EUR 0.8m (ongoing)</b></p> <p>- <b>Civil society-</b> 9<sup>th</sup> EDF Support to Non-State Actors <b>EUR 2.5m (planned for 2007-2009)</b></p> <p>9<sup>th</sup> EDF Support to 2006 /2007 elections <b>EUR 0.5m (duration 2006-2007)</b></p> <p>- <b>9<sup>th</sup> EDF</b> unforeseen events – <b>EUR 2.9m (plans are being made to commit some funds to mitigate losses in export earnings). Flex application submitted</b></p> <p><b>9<sup>th</sup> EDF</b> Technical Cooperation Facility (TCF) <b>EUR 2.0m (duration 2004-2008)</b></p>

<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>2</b> Donor / Areas of Intervention	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>United Nations Development Programme (UNDP)</b>	<p>Economic Management Capacity Building programme (EMCBP) III <b>\$2 316 000</b> <b>Duration 2003-2006</b></p> <p>Capacity Building for National Execution Phase I <b>\$719 500.00</b> <b>Duration 1999-2006</b></p>	<p>Fight Against Social and Economic Exclusion FASE <b>\$225 000.00</b> <b>Duration 2004-2007</b></p> <p>Strengthening The Response to HIV/AIDS at the district level, with special emphasis on income generating activities <b>\$350 000</b> <b>Duration 2004-2007</b></p>		<p>The National Governance Project, <b>\$1 607 912</b> <b>Duration: 2000-2006</b></p> <p>The Gambia National Disaster Management Programme <b>\$187 500.00</b> <b>Duration Two (2) years</b></p> <p>Capacity Building for PRSP and MDGs Project <b>\$530 557.27</b> <b>Duration 2005-2007</b></p>

<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>3</b> Donor / Areas of Intervention	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>BADEA</b>	<p>Rural Electrification Project (BADEA) US \$ 6.750 m <b>Agreement Date: 03/05/2001</b> <b>Duration 21/10/2001 to 30/06/2007</b></p> <p>Mandinaba - Soma Road Project <b>(BADEA) US\$ 10 000 000</b> <b>Agreement Date: 04/04/2004</b></p>	<p>Third Education Project (BADEA) US\$ 4 750 000 <b>Agreement Date: 23/05/2002</b> <b>Duration 15/06/2003 to 30/06/2007</b></p>	<p>Traditional Fisheries Development Project (BADEA) US\$ 6 730 000 <b>Agreement Date: 06/11/2000</b> <b>Duration 18/07/2002 to 31/06/2007</b></p>	

	<p><b>Duration 30/09/2005 to 31/12/2008</b></p> <p>Farafenni - Laminkoto Road Project (BADEA)  <b>US\$ 10 000 000</b>  <b>Agreement Date: 24/05/2002</b>  <b>Duration 07/10/2002 to 30/06/2005</b></p>			
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<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>4 Donor / Areas of Intervention</b>	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>ADF</b>		<p>Community Skills Improvement Project <b>BUA 4 400 000</b>  <b>Agreement Date: 24/30/2000</b>  <b>Duration 15/12/2000 to 31/12/2007</b></p>	<p>Basic Education III Project  <b>BUA 1 560 000</b>  <b>Agreement Date: 26/11/2002</b>  <b>Duration 05/02/2005 to 31/12/2008</b></p> <p>Peri-Urban Smallholder Improvement Project (ADF)  <b>BUA 5 070 000</b>  <b>Agreement Date: 08/11/1999</b>  <b>Duration 18/12/2000 to 31/12/2006</b></p> <p>Nerica Rice Dissemination Project  <b>BUA 1 560 000</b></p>	<p>Natural Resources Development &amp; Mgt. Project (OMVG)<b>BUA 11 690 000</b>  <b>Agreement Date: 28/05/2002</b>  <b>Duration 04/03/2004 to 31/01/2007</b></p>

			<b>Agreement Date: 03/11/2003</b> <b>Duration 05/02/2005 to 31/12/2008</b>  Sustainable Management of Endemic Ruminants <b>BUA 2 710 000</b> <b>Agreement Date: 30/06/2006</b> <b>Duration to 31/12/2013</b>	

<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>5 Donor / Areas of Intervention</b>	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>IDA</b>	Capacity Building for Economic Management Project (IDA) <b>SDR 12 000 000</b> <b>Agreement Date: 02/08/2001</b> <b>Duration 03/01/2002 to 31/12/2006</b>  Gateway Project (IDA) <b>SDR 12 400 000</b> <b>Agreement Date: 21/12/2002</b> <b>Duration 01/12/2002 to 30/04/2007</b>	HIV/AIDS Rapid Response Project (IDA) <b>SDR 11 800 000</b> <b>Agreement Date: 02/20/2001</b> <b>Duration 30/09/2001 to 31/12/2006</b>  Basic Education III Project <b>BUA 1 560 000</b> <b>Duration 05/02/2005 to 31/12/2008</b>		Poverty Alleviation. & Capacity Building Support. (IDA) <b>SDR 2 700 000</b> <b>Agreement Date: 01/04/2005</b> <b>Duration 27/10/2005 to 31/12/2006</b>

<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>				
<b>6</b> Donor / Areas of Intervention	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>IDB</b>	<p>Rural Electrification Project <b>(IDB) ID 4 600 000</b> <b>Agreement Date:</b> <b>08/11/2000</b> <b>Duration 26/08/2001-</b></p> <p>Export Financing Agreement Rural Electrification Project <b>(IDB) ID 4 900 000</b> <b>Agreement Date:</b> <b>24/08/2004</b></p> <p>Brikama Power Station Project <b>(IDB) ID 4 320 000</b> <b>Agreement Date:</b> <b>28/02/2006</b></p>	<p>Provision of 100 Water Points in 4 Divisions <b>(IDB) ID 4 600 000</b></p> <p>Kotu Ring Rural Water Supply System <b>(IDB) ID 7 000 000</b> <b>Agreement Date: 14/08/2004</b></p>	<p>Lowland Development Project <b>(IDB) ID 6 300 000</b> <b>Agreement Date:</b> <b>17/09/2006</b></p>	

<b>Matrix of Donor intervention in Support of The Gambia's Poverty Reduction Strategy Paper (PRSP).</b>				
<b>7 Donor / Areas of Intervention</b>	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/ crosscutting issues</b>
<b>OPEC</b>	Serekunda Mandinaba Road Project <b>(OPEC) US\$ 2 750 000</b> <b>Agreement Date: 30/05/2006</b>  Mandinaba Soma Road Project <b>(OPEC) US\$ 3 000 000</b> <b>Agreement Date: 02/09/2004</b>			



<b>Matrix of donor intervention in support of The Gambia's Poverty Reduction Strategy Paper (PRSP)</b>					
<b>8</b>	<b>Donor / Areas of Intervention</b>	<b>Economic Development</b>	<b>Social Development</b>	<b>Productive Sector activity</b>	<b>Thematic/cross-cutting issues</b>
<b>9</b>	DfID	Gambia Financial Governance Programme £1.7m (duration 2006-2009).	Support to Pro-Poor Advocacy Group (ProPAG) Phase I £270 000 (3 yrs 2003-2006) Phase II £300 000 (3yrs 2006 – 2009)  Support to the Presidential, National Assembly & Local Government Elections £300 000 (2006-2008)		Legal Capacity Building Programme Phase I: £900 000 (2.5 yrs ending 3/2007) Phase II: £1.5m (3 yrs 2007-2010)

## ANNEX 3

### SUMMARY COUNTRY ENVIRONMENT PROFILE

#### **The Environmental Setting**

Actions to address environmental challenges within a coherent policy and institutional framework in The Gambia date back to the Banjul Declaration of 1977. This was followed by the creation of the Environment Unit within the Ministry of Health and Social Welfare in 1981, and the adoption of the Gambia Environmental Action Plan (GEAP) in 1992. In recognition of the cross-cutting and overarching nature of environment, the government established the National Environment Agency (NEA) in 1994 to coordinate the implementation of the GEAP. In addition, the National Environment Management Act (NEMA) was enacted, and latterly the Department of State for Environment, Forestry and Wildlife Management created.

Major environmental issues include:

- Rapid population growth
- Depletion of the natural resource base
- Coastal erosion
- Waste management
- Land degradation and loss of soil fertility
- Deforestation
- Loss of fish stocks
- Groundwater pollution

#### **Ensuring Environmental Sustainability**

The Gambia has taken significant strides towards the target of integrating the principles of sustainable development into national laws, policies and programmes in an attempt to reverse the loss of environmental resources.

The constraints toward further progress in sustainable environmental management and governance include weak implementation and enforcement capacity, inadequate support for decentralisation of environmental management to the district and divisional level and slow rate of incorporating environmental issues in policies. Limited renewable resources in disparity with the growing population and reduced financial and material support from donors also pose as structural constraints

With regards the target of reversing resource loss, the Gambia forest cover has been increased by 1% through participatory forest management, with in-built poverty reduction strategies such as the sale of forest products. The preservation of terrestrial biodiversity has improved from protection of 3.7% to 4.1% of total land area from 2000 to 2003, with plans to increase protected areas to 5% in the medium term. The country is also actively working with its neighbours to manage trans-frontier protected areas such as wetland, forests and water basins.

In the fisheries sub-sector, the pressure on the high value dermasal species is being addressed through enforcement measures such as control of fishing gear, surveillance of the economic zone, cooperation agreement with neighbouring countries and the licensing of commercial trawlers. Pelagic stock is currently not under threat; however vigilance is exerted in management of this stock due to its importance to the country's food security.

In the urban environment, significant amounts of waste are generated and its efficient management continues to pose challenges. The response strategies developed so far include measures such as waste compacting, monitoring methane gas production, landfill composition, and surface and ground water monitoring, as well as monthly community cleansing activities. Long term plans include development of regional landfills, transforming current dump sites into transfer stations and composting sites, and the establishment of a regional authority for the system.

The Gambia seems not to be performing remarkably well towards these targets meeting the MDG target for energy. The country relies almost entirely on biomass (fuel wood) and imported petroleum products to meet its energy requirements, and has very limited energy options. The Energy Balance also indicates trends of increasing consumption of petroleum products for energy generation and transport, an increase in fuel wood's share of total consumption by households, a huge increase in electricity demand, a gradual emergence of LPG as a substitute for fuel wood energy, and solar power systems in health centres, and veterinary clinics, schools, as well as telecommunications facilities in rural areas.

The challenges confronted by the energy sector range from lack of investments in new assets and inadequate maintenance of old facilities regarding the electricity sector; rapidly growing demand for all forms of energy, a weak institutional framework with a fragmented policy-making process, to an over-exploitation of forest resources for domestic fuel needs.

The target to halve, by 2015, the proportion of people without sustainable access to safe drinking water has almost been attained in the Gambia. In 1996, 69% of the population had access to safe-drinking water, which has currently increased to 80% nationally. Similarly, the figures have increased from 80% to 95% in urban areas and from 60% to 75% in the rural areas. From 2000 to date, wells and boreholes to serve about 160,000 people have been constructed with bilateral and multilateral assistance.

In addition, about 130,000 people in the rural and peri-urban areas will be provided with water supply made possible by donor support. The completion of these planned and ongoing interventions will most probably result in surpassing the MDG target for safe water supply. A draft Framework Water Resources Policy has been prepared with EC support and is expected to be adopted within 2007. A water Act, strategy and master plan is envisaged to be in place. There also will be a policy shift to include standardisation of regulations, facilities, and equipment; increasing beneficiary participation in financing operation and maintenance cost; privatisation of facilities and strengthening community sensitisation on sustainable management of water supply facilities

Progress towards the target of halving people without basic sanitation largely through the policy of an integrated approach to supplying clean water, improved waste disposal and proper management of agricultural chemicals coupled with sensitisation messages on health and sanitation has made significant in-roads towards this target.

### **Pollution**

The Gambia is still at a low level of industrial development and as a result pollution levels relating to industrial activity are yet 'minimal' but still significant. However, domestic waste problems are mounting particularly in the urban areas and provincial growth centres. In addition to collection problems, the dump sites in these areas are barely managed properly and have resulted to numerous problems notably littering of the general environment.

### **Climate change**

The impacts of climate change are not recorded but a comprehensive study was carried out in 1996 on the potential impacts of climate change on the Gambia's coastal environment with a 20year projection. The study realised that the coastal area is generally low-lying and in most places, particularly the capital city of Banjul, less than two meters above sea level. The study indicated that a one meter rise in sea level would lead to considerable land loss and inundation of vast coastal ecosystems and infrastructure damage.

### **Major Accomplishments in Environment Management**

One significant achievement in environment and natural resource management is the institutional framework put in place. As indicated earlier, in addition to the NEA, departments have been created to manage sectors of the environment backed by laws though the latter suffer implementation /enforcement problems at times. Furthermore, a strong collaboration among the institutions greatly contributes to enhanced coordination. These efforts could be greatly enhanced by broadening the collaboration to include civil society, private sector with the attendant decentralisation of environmental management and governance to the local levels.

## **Main Obstacles to environmental management**

Though achievements have been made in environment and natural resource management, there still remain challenges posed by poverty and the increasing population. The increasing poverty levels with the highly dense population are putting high pressure on the natural resource base thus weakening natural resource management efforts.

## **Assessment of International Agreements**

The Gambia is a signatory to most of the important international conventions and Agreements of relevance to environmental management generally and biodiversity conservation and sustainable use in particular. Implementation is ongoing in country.

## **International environment commitments**

The government of the Gambia has ratified numerous international conventions and is signatory to several more. Key among these include:

- The Convention to combat desertification
- The Convention on Biological diversity
- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- UN Framework Convention on Climate Change (UNFCCC)
- The Convention on the International Maritime Organisation
- International Plant Protection Convention (IPPC)
- The Convention on the Control of Trans-boundary Movements of Hazardous Waste and their Distribution (BaSEL Convention)
- The Montreal Protocol for the Protection of the Ozone Layer
- African Convention on the Conservation of Nature and Natural Resources
- Convention on the Protection of the World Cultural and Natural Heritage

## ANNEX 4

### CSP/NIP Drafting Process

<b>Date</b>	<b>Activity</b>	<b>Remarks</b>
5-7 March 2006	Two Gambian representatives attended the Regional Programming Seminar for 10 <sup>th</sup> EDF in Ouagadougou, Burkina-Faso	Broad areas of 10 <sup>th</sup> EDF supports defined
April 2006	Desk Office for Gambia in Brussels and EC Charge d'Affaires met with NAO and Secretary of State for Finance and Economic Affairs to exchange views and finalise the 10 <sup>th</sup> EDF Issues Paper & Programming Orientation Note	Focal and Non-focal sectors identified. National authorities took the decision to draft the CSP and NIP without the use of external consultants.
30 <sup>th</sup> June 2006	DG DEV Director met with SOS for Finance, NAO to discuss areas of 10 <sup>th</sup> EDF supports and initial allocations	
August 2006	10 <sup>th</sup> EDF National Programming Consultative Committee constituted and launched on August 24 <sup>th</sup>	Representative from public, Non-State and Local Government sectors
28 <sup>th</sup> Aug. 2006	10 <sup>th</sup> EDF CSP/NIP Drafting Committee established	Representative from public, Non-State and Local Government sectors. NAOSU took the lead in the drafting process
29 <sup>th</sup> Aug. 2006	Mailing list of the drafting Committee, other actors and potential beneficiaries established for exchange and dissemination of documents including 10 <sup>th</sup> EDF draft write-ups.	Drafting started immediately
30 <sup>th</sup> Aug. 2006	Sensitisation and consultative seminar on 10 <sup>th</sup> EDF Programming held with National Programming and Drafting Committees	
Aug – Oct. 2006	Several bilateral consultations and discussions held with different actors and institutions including UNDP, DfID, CSOs, private sector and sectoral ministries.	For exchange of views, obtaining inputs and ensuring coherence
15 <sup>th</sup> Sept. 2006	Sensitisation and consultative seminar on 10 <sup>th</sup> EDF Programming held with Non-State Actors and Local Government Authorities.	For wider participation, inputs and consensus building
10 <sup>th</sup> Oct. 2006	First draft of the 10 <sup>th</sup> EDF CSP/NIP submitted to the EC	
15 <sup>th</sup> Nov. 2006	Expanded meeting of the National Steering Committee on Decentralisation given feedback on the status of the 10 <sup>th</sup>	For wider participation, inputs and consensus building

	EDF programming and contents of the document.	
16 <sup>th</sup> Nov.2006	Feedback on the status of the 10 <sup>th</sup> EDF programming and contents of the document presented at a validation workshop of the 9 <sup>th</sup> EDF feasibility study and Financing Proposal reports on the supports to Non-State Actors	For wider participation, inputs and consensus building
18 <sup>th</sup> Nov. 2006	First comments on the Draft CSP/NIP received from the EC	
21 <sup>st</sup> Nov. 2006	A consultative meeting between the EC Delegation, Drafting Committee and representatives of sectors identified for support under the 10 <sup>th</sup> EDF held at the EC Delegation office to discuss the EC comments and formulate responses.	
7 <sup>th</sup> Dec. 2006	Country Team Meeting on 10 <sup>th</sup> EDF CSP/NIP for the Gambia held in Brussels	
19 <sup>th</sup> Dec. 2006	Feedback on Country Team Meeting and updated version of draft 10 <sup>th</sup> EDF CSP provided by EC Charge d' Affaires to National Authorities for further update and incorporation of comments of the Country Team Meeting and Quality Support Group.	For wider participation and consensus building
21 <sup>st</sup> Dec. 2006	The EC updated version disseminated to the National Programming Consultative and Drafting Committees members for their review and feedback to the NAOSU Core drafting team to finalise	
20 <sup>th</sup> Jan. 2007	NAOSU Core Team of Drafters resubmitted finalised second draft of 10 <sup>th</sup> EDF CSP/NIP to EC Charge d' Affaires and copied to the implicated stakeholders.	
22 <sup>nd</sup> Mar. 2007	Third draft CSP/NIP submitted to the EC Delegation & transmitted to Brussels	NAO services & ECD held close consultations
7 <sup>th</sup> Aug. 2007	Forth draft of CSP/NIP submitted to EC Delegation after incorporating comments form the IQSG.	NAO services & ECD held close consultations
Sept to date	Continuous briefing of the SOS for Finance and the NAO on the programming process	For information & decision making

**ANNEX 5 – LIST OF GOVERNMENT’S COMMITMENTS**

	<b>Governance area</b>	<b>Prospective commitments</b>
1.	<b>Political democratic governance</b>	<p>To put in place a new Framework Governance Policy and Action Plan (2008).</p> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Review of the current Governance Policy &amp; Action Plan through a study by 3<sup>rd</sup> quarter 2007</li> <li>- Adoption of policy by 4<sup>th</sup> quarter 2007</li> <li>- Policy implementation -2008 onwards</li> </ul>
	- Human rights	<ul style="list-style-type: none"> <li>➤ To continue hosting the African Commission for Human and Peoples’ Rights.</li> <li>➤ To continue upholding a conducive environment for Human Rights Organizations working in the Gambia.</li> <li>➤ To continue to uphold the constitutional provisions on human rights</li> <li>➤ To enact the Women’s Bill 2007. The Women’s Act is to incorporate and enforce certain aspects of the UN Convention on the Elimination of all Forms of Discrimination Against Women, The Protocol to the African Charter on Human and People’s Rights on the Rights of Women in Africa, the National Policy on Women and other matters connected therewith.</li> </ul> <p>Process:</p> <ul style="list-style-type: none"> <li>- Stakeholder consultations and public awareness campaigns on the proposed Bill (ongoing).</li> <li>- Passing of the Bill by the National Assembly (3<sup>rd</sup> quarter 2007)</li> <li>- Enactment of the Bill by the President (4<sup>th</sup> quarter 2007)</li> </ul>



<p>- Fundamental freedoms</p>	<ul style="list-style-type: none"> <li>➤ To continue to uphold the constitutional provisions.</li> <li>➤ To continue to uphold the independence of the Office of the Ombudsman</li> <li>➤ Enhance the regulatory environment for the media &amp; improve dialogue between government and the private media</li> <li>➤ To continue to enhance the policy and regulatory framework for Non-State Actors</li> </ul> <p>Processes: Periodic reviews, consultations and dialogue.</p>
<p>- Electoral process</p>	<ul style="list-style-type: none"> <li>➤ To maintain the independence and proper functioning of the IEC.</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Upholding the provisions of the Elections Act</li> <li>- Provision of funds in the National budget for the functioning of the IEC and the holding of regular statutory elections</li> </ul>
<p>- Principles of constitutional democracy</p>	<ul style="list-style-type: none"> <li>➤ Maintain democratic pluralism &amp; the multiparty system.</li> <li>➤ Strengthen the application of the separation of powers and the capacity of the Legislature.</li> <li>➤ Ensure civilian supervision over the security system.</li> </ul> <p>Process:</p> <ul style="list-style-type: none"> <li>- maintain the prevailing structure of the National Security Council which is headed by a political civilian authority (the Vice President)</li> <li>➤ Build capacities of the security forces on human rights, fundamental freedoms &amp; the rule of law.</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Carry out capacity needs assessment of the security units responsible by 3<sup>rd</sup> quarter 2007</li> <li>- Develop capacity building programmes by 4<sup>th</sup> quarter 2007</li> <li>- Seek funding for the implementation of the programme (mix of government &amp; donor funding) by 2008 to coincide with implementation of the governance framework policy</li> </ul>

<p><b>2.</b></p>	<p><b>Political governance - rule of law</b> - Judicial and law enforcement system</p>	<ul style="list-style-type: none"> <li>➤ To support capacity building of the Judiciary based on already identified capacity gaps.</li> </ul> <p>Process:</p> <ul style="list-style-type: none"> <li>- Government continues to mobilise donor supports (ongoing)</li> </ul> <ul style="list-style-type: none"> <li>➤ Implementation of the legal strategy which among other things takes into consideration: <ul style="list-style-type: none"> <li>- a Legal Aid framework for the poor</li> <li>- deconcentration of the judicial system to the Administrative Regions</li> <li>- Wider use of the Alternative Dispute Resolution (ADR) mechanism within the courts system.</li> </ul> </li> </ul> <p>Processes: Continue to mobilise donor funding to support implementation of the Legal Strategy</p>
<p><b>3.</b></p>	<p><b>Control of corruption</b></p>	<ul style="list-style-type: none"> <li>➤ To enforce the existing economic crimes, money laundering and anti-corruption legislations.</li> <li>➤ All public institutions continue to respect the provisions of the Public Procurement Act and regulations.</li> </ul> <p>Process: Public institutions continue to use the procedures established by the Gambia Public Procurement Authority.</p>

<p><b>4. Government effectiveness</b></p>	
<p>- Institutional capacity</p>	<ul style="list-style-type: none"> <li>➤ To carry out Civil Service reforms for a better definition of its core functions for enhanced public service delivery.</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Prepare a conceptual framework on the need for the civil service reforms by 2<sup>nd</sup> quarter 2007</li> <li>- Carry out a sensitization campaign targeting public servants, donors and the Gambian public at large on the issue. (from 3<sup>rd</sup> quarter onwards)</li> <li>- Mobilise donor supports to carry out the studies and consultations in civil service reforms by 2<sup>nd</sup> and 3<sup>rd</sup> quarters 2007</li> <li>- Elaborate a long-term action plan to implement the reforms and institutional and human resources capacity building consistent with the finding &amp; recommendations of the studies. (by 1<sup>st</sup> quarter 2008)</li> </ul> <ul style="list-style-type: none"> <li>➤ To divest the industrial assets of the Gambia Groundnut Corporation (GGC)</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Carry out assessment studies of the state of the groundnut sub-sector by 1<sup>st</sup> quarter 2007</li> <li>- Elaborate a road map and milestones for the divestiture of GGC by 2<sup>nd</sup> quarter 2007</li> <li>- Prepare term of reference for the consultancy to carry out the divestiture process by 2<sup>nd</sup> quarter 2007</li> <li>- Carry out the divestiture transactions up to the point of sale by 4<sup>th</sup> quarter 2007</li> <li>- Cabinet decision by 2<sup>nd</sup> quarter 2008.</li> </ul> <ul style="list-style-type: none"> <li>➤ To put in place a National Policy for Decentralization and Local Development.</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Consultancy to elaborate draft policy (done in 3<sup>rd</sup> quarter 2006)</li> <li>- Submit policy paper to cabinet for adoption by 2<sup>nd</sup> quarter 2007</li> </ul>

	<p>- Public finance management</p>	<p>➤ Expand the implementation of the IFMIS in the public sector with donor support.</p> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Mobilise extra donor supports to expand and consolidate the ongoing pilot (by 1<sup>st</sup> quarter 2007)</li> </ul> <p>➤ Secure and sustain Pro-poor budgeting through the continuous involvement of Non-State Actors in the budgetary process.(ongoing)</p> <p>➤ Reinforce capacities of institutions and personnel responsible for public finance management.</p> <p>Processes:</p> <ul style="list-style-type: none"> <li>- To continue to support capacity building in public finance management based on already identified capacity gaps. (ongoing)</li> </ul>
<p><b>5.</b></p>	<p><b>Economic governance</b></p>	
	<p>- Private sector/market friendly policies</p>	<p>➤ To rationalise the multiplicity of taxes and levies.</p> <p>Processes:</p> <ul style="list-style-type: none"> <li>- carry out a study to assess the tax environment (3<sup>rd</sup> quarter 2007)</li> <li>- Rationalise the tax system based on the findings and recommendations of the study (by 1<sup>st</sup> quarter 2008)</li> </ul> <p>➤ To review and update the Investment Code 2000.</p> <p>Process:</p> <ul style="list-style-type: none"> <li>- Carry out a study by 3<sup>rd</sup> quarter 2007</li> <li>- Cabinet to adopt a new Investment Code by 4<sup>th</sup> quarter 2007</li> </ul> <p>➤ To enhance public-private sector dialogue and partnerships.</p> <p>Process: Continue to hold the annual Economic Summit (GOTG – GCCI)</p>
	<p>- Management of natural resources</p>	<p>➤ To update the State of the Environment Report for The Gambia.</p> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Prepare TOR for study (in place since 2<sup>nd</sup> quarter 2006)</li> <li>- Mobilise donor supports to carry out the update by 2<sup>nd</sup> quarter 2007</li> <li>- Country environment profile available since December 2006.</li> </ul>

<b>6.</b>	<b>Internal and external security</b>	
	- Internal stability / conflict	<ul style="list-style-type: none"> <li>➤ To maintain internal security.</li> <li>➤ To continue the de-concentration of the police force to cover the national territory.</li> </ul>
	- External threats and global security	<ul style="list-style-type: none"> <li>➤ To continue to contribute to regional and UN initiatives.</li> </ul>
<b>7.</b>	<b>Social governance</b>	<ul style="list-style-type: none"> <li>➤ To develop a gender profile for the Gambia</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Develop TOR for study by 2<sup>nd</sup> quarter 2007)</li> <li>- Prepare gender profile by 3<sup>rd</sup> quarter 2007</li> <li>- Formulate a Gender Policy by 4<sup>th</sup> quarter 2007 (a Women's Policy is in place)</li> </ul> <ul style="list-style-type: none"> <li>➤ To improve gender parity by mainstreaming gender in policy development and the national budgeting process</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Formulate and implement procedures for gender mainstreaming.</li> </ul> <ul style="list-style-type: none"> <li>➤ To improve opportunities available to the disabled and therefore disadvantaged persons.</li> <li>➤ To improve rural infrastructure and services.</li> <li>➤ To improve decent and gainful employment opportunities for the vulnerable particularly youth and women.</li> <li>➤ To develop and maintain a poverty profile.</li> </ul>

<b>8.</b>	<b>International and regional context</b>	
	- Regional integration	<ul style="list-style-type: none"> <li>➤ To continue to subscribe to the AU position on integration and harmonization.</li> <li>➤ To continue the engagement vis-à-vis ECOWAS and the EPAs.</li> <li>➤ To update the National Transport Master Plan and harmonise with the ECOWAS Master Plan.</li> </ul>
	- Involvement in regional peer review mechanisms (e.g. APRM)	To keep it under consideration
	- Migration	<ul style="list-style-type: none"> <li>➤ To develop and maintain a migration profile.</li> </ul> <p>Processes:</p> <ul style="list-style-type: none"> <li>- Develop TOR for short-term technical assistance to support the following institutions in the development of a migration information system. (by 2<sup>nd</sup> quarter 2007)</li> <li>- Recruitment and placement of short term TA. By 3<sup>rd</sup> quarter 2007</li> <li>- Capacity assessment by TA</li> <li>- Training by TA</li> <li>- Logistical supports (donor funding)</li> </ul> <p><i>Beneficiary institutions: Gambia Immigration Department, Gambia Bureau of Statistics, Population Secretariat, Gambia Tourism Authority.</i></p> <ul style="list-style-type: none"> <li>➤ To subscribe to the ongoing dialogue between the EU and the AU, and to open up to more bilateral arrangements in this area</li> <li>➤ To mobilise donor funding to support income generating activities for youth and returning migrants</li> </ul> <p>Process:</p> <ul style="list-style-type: none"> <li>- Government and Non-State Actors to elaborate project proposals in 2007 onwards</li> </ul>

<b>9</b>	<b>Quality of partnership</b>	
	-Political dialogue	<ul style="list-style-type: none"> <li>➤ To elevate the cooperation from the technical to the political level and enhance dialogue.</li> </ul> <p>Process: Ensure the functioning of the already established EDF Steering Committee by 1<sup>st</sup> quarter 2007</p>
	-Programming dialogue	<ul style="list-style-type: none"> <li>➤ To further enhance programming dialogue with increased and diverse participation (ongoing)</li> </ul>
	-Non state actors	<ul style="list-style-type: none"> <li>➤ To further enhance the environment for effective Non state actor participation in the partnership. (ongoing)</li> </ul>

## ANNEX 6

### Table of macroeconomic indicators

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Basic data</b>								
1	Population (in 1000)	494	688	1,038	1,384	1,400		
	(1973)	(1983)	(1993)					
	- annual change in %	3.4	3.4	4.2	3.5			
2a	Nominal GDP (in millions GMD)	5391	6556	7364	10023	12472	13180	14320
2b	Nominal GDP per capita (in millions GMD)							
2c	- annual change in %			12.3	36.1	20.1	9.5	
3	Real GDP (annual change in %)	5.5	5.8	-3.2	6.9	5.1	5.0	4.5
4	Gross fixed capital formation (in % of GDP)							5.0
<b>International transactions</b>								
5	Exports of goods and services (in % of GDP)	-8.9	-2.7	5.4	-7.0	21.0	0.6	18.6
	- of which the most important: ... (in % of GDP)							
6	Trade balance (in % of GDP)	9.7	6.2	9.3	10.6	20.0	22.0	19.7
7	Current account balance (in % of GDP)	-12.1	-14.9	-13.4	-13.6	-21.6	-20.8	-17.6
8	Net inflows of foreign direct investment (in % of GDP)	-1.8	-3.1	-2.1	-3.6	-12.4	-10.1	-8.7
9	External debt (in % of GDP)	92	101.3	130.1	144.9	144.9	136.3	125.3
10	Service of external debt (in % of exports of goods and non-factor services)	20.8	17.1	24.3	12.7	23.9	21.2	18.7
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	5.8	2.9	4.7	4.6	4.3	4.2	4.5
<b>Government</b>								
12	Revenues (in % of GDP)	20.7	17.3	20.7	18.2	25.5	21.4	23.0
	- of which: grants (in % of GDP)	2.2	1.1	4.4	2.5	4.5	1.7	1.5
13	Expenditure (in % of GDP)	22.1	26.0	25.4	22.9	31.2	30.1	27.7
	- of which: capital expenditure (in % of GDP)				6.1	14.4	11.0	8.6
14a	Deficit (in % of GDP) including grants	-1.4	-7.6	-4.4	-4.7	-5.7	-8.6	-4.8
14b	Deficit (in % of GDP) excluding grants	-3.6	-8.7	-9.1	-7.2	-10.2	-10.3	-6.3
15	Debt (in % of GDP)	123.4	139.9	161.1	173.7	172.7	168.8	157.6
	- of which: external (in % of total public debt)	74.5	72.4	77.0	84.1	81.6	78.3	78.0
<b>Other</b>								
16	Consumer price inflation (annual average change in %)	0.9	4.5	8.6	17.6	14.2	3.2	2.9
17	Interest rate (for money, annual rate in %)							
18	Exchange rate (annual average of national currency per 1 €)	11.97	13.93	18.01	30.51	36.49	35.38	34.90
19	Unemployment (in % of labour force, ILO definition)							
20	Employment in agriculture (in % of total employment)							



## ANNEX 7.

### THE GAMBIA: JOINT FUND-WORLD BANK DEBT SUSTAINABILITY ANALYSIS

1. This debt sustainability analysis (DSA), prepared jointly by the staffs of the International Monetary Fund and the World Bank, uses the standard Debt Sustainability Framework (DSF) for low-income countries.<sup>1</sup> The external and domestic debt data underlying this DSA are from the authorities. A full reconciliation of external debt will be conducted before The Gambia reaches the Heavily Indebted Poor Country (HIPC) completion point, expected to occur in 2007, an assumption that is factored into the DSA baseline scenario. The analysis also assesses the impact of the Multilateral Debt Relief Initiative (MDRI), which would likely be delivered within three months of the completion point.

2. Without the full delivery of both HIPC and MDRI debt relief, The Gambia is deemed to be in debt distress. The baseline framework, which assumes delivery of HIPC completion point relief, indicates a significant and sustained breach of the relevant policy-dependent thresholds.<sup>2</sup> Only with the assumed delivery of MDRI relief do the debt indicators fall below the relevant thresholds. However, these thresholds are again breached under stress testing, indicating that the risk of debt distress remains moderate even after the delivery of MDRI relief.

	External Debt Indicators	
	Indicative Threshold 1/	2005
NPV of debt in percent of		
GDP	30	83.7
Exports	100	312.3
<b>Debt service ratio</b>	<b>15</b>	<b>21.1</b>

1/Policy indicative thresholds for a poor policy performer in the joint IMF-World Bank low-income country DSA

#### I. EVOLUTION OF THE GAMBIA'S PUBLIC DEBT SINCE THE HIPC DECISION POINT

3. The Gambia reached the Decision Point under the Enhanced HIPC Initiative in December 2000. Based on external debt data at the end of 1999, the Boards of the International Development Association (IDA) and the IMF approved debt relief worth US\$66.6 million in NPV terms assuming the participation of all creditors. Interim relief in

<sup>1</sup> The last DSA was prepared solely by Fund staff in the context of the 2005 Article IV consultation.

<sup>2</sup> According to the latest World Bank's Country Policy and Institutional Assessment, which summarizes the quality of a country's policies, The Gambia is a "poor performer." The relevant indicative thresholds for the category are 30 percent for the net present value (NPV) of the debt-to-GDP ratio, 100 percent for the NPV of debt-to-exports ratio, 200 percent for the NPV of debt-to-revenues ratio, 15 percent for the debt service-to-exports ratio, and 25 percent for the debt service-to-revenues ratio. These ratios are applicable to public and publicly guaranteed external debt.

the form of debt service reductions was provided by IDA,<sup>3</sup> the IMF,<sup>4</sup> and the African Development Bank (AfDB). Reaching the HIPC completion point, originally expected at around the end of 2002, was delayed by serious policy slippages, which derailed the program supported by the IMF's Poverty Reduction and Growth Facility (PRGF).

4. At the end of 2005, the latest date for which comprehensive data are available, the stock of external public debt stood at US\$628 million (136 percent of GDP), with an NPV of US\$385.7 million. Four-fifths of this debt was owed to multilateral creditors, and the remainder to bilateral creditors. The total external debt stock has increased 36 percent since the end of 1999, the base year of the HIPC decision point, through 2005. Most of this increase can be attributed to new disbursements, estimated at about US\$217 million, from the World Bank, AfDB, the Islamic Development Bank, and other multilateral donors.

The Gambia: Debt Outstanding at End-2005

Creditor	US\$ Million	Percent
<b>Multilateral, of which:</b>	<b>525.2</b>	<b>83.6</b>
IDA	254.9	40.5
AfDB	168.4	26.8
IMF	14.6	2.3
<b>Bilateral</b>	<b>103.1</b>	<b>16.4</b>
<b>Commercial</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>628.2</b>	<b>100.0</b>

Sources: Gambian authorities and IMF staff estimates.

5. The stock of gross domestic debt stood at 35.5 percent of GDP at the end of 2005, up 8.5 percentage points from its level at the end of 1999. Large extrabudgetary spending was responsible for raising domestic debt from 31.5 percent of GDP in 2000 to just over 38 percent in 2001. After declining to 27.5 percent of GDP in 2003, owing to an inflation-driven spike in nominal GDP, the stock of domestic debt grew more than 7 percentage points

<sup>3</sup> IDA interim relief in the amount US\$31.8 million was delivered through a 50 percent reduction on debt service obligations until the one-third prescribed limit was reached. The IDA guidelines on interim relief stipulate that "cumulative interim relief in net present value terms should not exceed one-third of the total NPV debt relief committed by IDA" (*Enhanced HIPC Initiative: Provision of Interim HIPC Debt Relief on IBRD Loans and IDA Credits*, August 25, 2004).

<sup>4</sup> The Fund's interim assistance amounted to SDR 0.8 million, covering 9.6 percent of each repayment obligation falling due until 31 December 2001 (IMF Country Report No. 04/42, February 2004).

between 2003 and 2005, largely on account of the central bank's sale of government debt to sterilize the impact of capital inflows.

## II. METHODOLOGY AND KEY ASSUMPTIONS

6. **The baseline DSA assumes that The Gambia will reach the HIPC completion point in mid-2007.** The DSA incorporates a simulation of debt relief consistent with the formulations agreed to in the HIPC decision point document. The impact of the delivery of stock debt relief under the MDRI is also estimated<sup>5</sup>. These estimates are provided for illustrative purposes only and are subject to changes to the assumed completion point timing and/or exchange rate assumptions and revisions pending full reconciliation of the debt data.

7. **The key macroeconomic assumptions in the DSA are presented in Box 1.** For the reasons given in the decision point document for The Gambia,<sup>6</sup> reexports are excluded from the export and import projections. The service-related costs of the reexport trade (i.e., transportation and insurance rendered by enterprises in The Gambia) as well as traders' estimated profit margins are included in nonfactor services receipts.<sup>7</sup>

Key Macroeconomic Assumptions (Percent, unless otherwise stated)			
Period averages	2001–05	2006–10	2011–26
Real GDP growth	4.3	4.9	5.0
Inflation	9.5	3.2	3.0
Growth in exports of goods and services	3.5	9.3	8.2
Current account deficit (in percent of GDP) <sup>1</sup>	6.2	9.2	4.5
Overall fiscal balance (in percent of GDP) <sup>1</sup>	-6.5	-1.0	-1.5

<sup>1</sup>Including official transfers and grants.

## III. EXTERNAL DEBT SUSTAINABILITY

8. **The Gambia's NPV of debt-to-exports ratio, estimated at 312 percent in 2005, is well above the relevant policy-based indicative threshold of 100 percent.** Under the baseline projections (Tables 1 and 2 and Figure 1), which assumes that HIPC completion point relief is secured in mid-2007, this ratio declines steadily to 184.7 percent by 2011, and

<sup>5</sup> The relevant cut-off dates are end-2003 for IDA and end-2004 for AfDB debt.

<sup>6</sup> See Box 5, page 21, "The Gambia: Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Decision Point Document," November 28, 2000.

<sup>7</sup> The current account data used in the DSA differ from those presented in the 2006 Article IV staff report; trade data in the latter include reexports.

falls below the indicative threshold by 2021. The NPV of debt-to-GDP is estimated at 83.7 percent in 2005 and is expected to continue to breach the indicative threshold (30 percent) for most of the projection period. The debt service-to-export ratio, estimated at 21.2 percent in 2005, falls below the threshold (15 percent) in 2011. Thus The Gambia would remain in debt distress even after the delivery of HIPC debt relief at completion point.

9. **Only the delivery of MDRI relief from IDA and the AfDB would substantially improve The Gambia's debt sustainability outlook.** Under the MDRI scenario, which assumes delivery of MDRI relief within three months of the HIPC completion point, the NPV of the debt to exports ratio would plummet to 93 percent in 2007 (Table 3 and Figure 2), below the 100 percent threshold. The NPV of debt to GDP would also fall below the 30 percent threshold, reaching 27 percent in 2007. The application of stress tests, however, once again pushes the debt indicators above the thresholds, indicating that the risk of debt distress would remain moderate.

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### Box 1: Macroeconomic Assumptions 2006–26

*The medium-term assumptions in the baseline scenario for 2006–26 are consistent with the framework presented in the IMF staff report on the 2006 Article IV consultation. Key macroeconomic assumptions include the maintenance of sustained real GDP growth and a stable macroeconomic environment.*

- **Real GDP growth is projected to average 5 percent per year**, with business climate improvements and foreign direct investment (FDI) inflows further boosting agricultural-related production and tourism activity. Nonetheless, the economy remains vulnerable to weather shocks. Under the fiscal and monetary policy assumptions, annual inflation would stay at about 3 percent, and the real exchange rate would remain stable.
  - **Exports of goods and services are projected to recover, growing by an average of close to 8 percent a year.** The projections are relatively optimistic compared to previous years, based on the assumption that the authorities will continue to implement market reforms in support of private sector development. In addition, the higher growth reflects a recovery following relatively poor performance in recent years, including a slump in tourism activity in 2001 and declines in groundnut exports both in 2003 (owing to a drought) and in 2005 (owing to marketing problems). While clearly subject to risk, including the effect of severe weather, the projections assume that the groundnut sector resolves its problems, prompting an initial export rebound in 2006, followed by modest production increases (3 percent per year). Growth in exports is supported by increased export diversification, including through agribusiness development, and a projected decline in the reexport trade as a share of total exports. After growing a robust 22 percent in 2005, growth in tourist arrivals moderates to an average of about 5–6 percent a year over the medium term, supported by further tourism investments and improved services.
  - **After deteriorating in 2006, owing to higher oil prices and lower groundnut prices, the terms of trade are projected to improve steadily.** The current account deficit (including transfers) is assumed to remain relatively high in the first few years, reflecting strong FDI-financed imports, before declining to less than 5 percent of GDP. Reserves are projected to stay at 4.0–5.5 months of import cover.
  - **External support is projected to rise moderately following the completion point**, as donors step in to support both the Poverty Reduction Strategy Paper (PRSP) and progress toward the Millennium Development Goals. Efforts to enhance the investment climate and boost external competitiveness are expected to yield sustained FDI inflows. While strong, current inflows mainly support tourism and agricultural projects.
  - **Reflecting new measures implemented in the 2006 budget, revenues are expected to increase from roughly 20.0 percent of GDP in 2005 to 21.5 percent of GDP in 2006, though they decline slightly over the projection period.** Average interest rates on government debt are projected to decline steadily, from 16 percent in 2006 to about 10 percent in 2010 and 9.5 percent in 2026.
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10. **Stress tests indicate that even with MDRI relief, The Gambia's debt sustainability is highly sensitive to (i) export growth assumptions, (ii) projections of nondebt-creating inflows,<sup>8</sup> and (iii) the terms of new borrowing.** Under these stress tests, the DSA results exceed the relevant indicative debt thresholds. Moreover, the baseline and MDRI scenarios hinge on the avoidance of the types of policy mistakes that weakened macroeconomic performances in recent years. Indeed, under a "historical scenario" that assumes similar policy missteps, the path of the debt indicators deteriorates markedly (Alternative scenario A1, Table 3).

#### IV. PUBLIC DEBT SUSTAINABILITY

11. **The outcome of the public debt analysis is driven principally by the external debt assumptions, as external debt accounts for the major share of total public debt.** Under the baseline scenario (Tables 4 and 5 and Figure 3), the primary balance is projected to increase from near-balance in 2005 to a surplus of 1.9 percent of GDP in 2006, reflecting enhanced revenues, and a surplus of 5.4 percent in 2007, reflecting a marked shift in the composition of external financing from loans to grants (assumes grants from AfDB and other donors, and HIPC relief from multilateral creditors at completion point). The primary balance surplus is then projected to shrink steadily to about 1 percent of GDP in 2014, and to stay near that level through 2026. The decline in the primary balance mainly stems from a steady increase in noninterest domestic spending, which partly offsets somewhat lower external financing inflows (and is partly offset by a decrease in interest payments). Accordingly, the overall position (including grants) is projected to be fairly stable from 2007 to 2026, ranging from near-balance to a deficit of 2 percent of GDP.

12. **The NPV of public debt is projected to decline from about 120 percent of GDP in 2005 to close to 77 percent of GDP in 2011 and to 46 percent of GDP in 2026, mostly reflecting the decline in external debt (Table 4).** As a ratio of domestic revenues, the NPV of public debt is projected to fall from about 564 percent in 2005 to just over 206 percent at the end of the projection period.

13. **Under the MDRI scenario (Table 6 and Figure 4), all additional relief after the first three years would be spent on poverty-reduction; in the first three years, a small fraction of the relief would be used to pay down domestic debt more quickly.** Thus, from 2010 on, the stock of domestic debt matches that in the baseline scenario, so that the difference between the stock of debt in the two scenarios stems solely from differences in

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<sup>8</sup> Such inflows comprise official and private transfers and foreign direct investment.

external debt. Thus, the NPV of the public debt-to-GDP ratio drops sharply, to about 74 percent of GDP in 2007 and to 38 percent in 2026. In terms of public revenue, the NPV of public debt is projected to decline to 170 percent at the end of the projection period.

## V. CONCLUSION

14. **As shown by the DSA results, without the delivery of HIPC and MDRI debt relief—supported by grant financing and a reduction in the level of domestic debt—The Gambia will remain in debt distress.** After the delivery of MDRI relief, a shift in the composition of external financing from concessional loans to grants, combined with lower domestic debt, is necessary to keep debt to sustainable levels and provide room for poverty-reducing development expenditures. Given the continuing risks, development of a comprehensive public debt management strategy that includes public enterprise and contingent liabilities should be a priority.





Goal 5: Improve Maternal Health	Target 6: Reduce by three – quarters, between 1990 and 2015, maternal mortality ration	Maternal Mortality (per 100,000 births)	1	1	3	3	3	3	3
		Proportion of birth attended by skilled health personnel	1	2	3	4	5	7	6
Goal 6: Combat HIV/AIDS Malaria, and other Diseases <sup>1</sup>	Target 8: have halted by 2015 and begun to revise the incidence of malaria and other major Diseases	Tuberculosis cases per 100,000	7	6	4	3	1	2	5
Goal 7: Ensure Environmental Sustainability <sup>2</sup>	Target 10: halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	Proportion (%) of population with access to unsafe water source	1	2	6	4	3	5	7
		Proportion (%) of population with unsanitary waste disposal	2	1	3	5	4	7	6
	Target 11: by 2020 to have achieved a significant improvement in the life of at least 100 million slum dwellers	Proportion (%) of households with access to secure tenure	7	6	5	3	2	1	4

**Key:** BCC = Banjul City Council, KMC = Kanifing Municipal Council, WD = Western Division, NBD = North Bank Division, LRD = Lower River Division, CRD = Central River Division, URD = Upper River Division  
 Colour- Coded Raking of Progress towards Achieving MDG Target

COLOUR/ RANK	NAME	SIGNIFICANCE
1	Green	Most progress toward LGA MDG target for year for the year in question
2	Light Green	
3	Yellow	
4	Dark Yellow	
5	Gold	
6	Light Orange	
7	Red	

<sup>1</sup> Data for Target 7 are not available by LGA

<sup>2</sup> Data for Target 9 are not available by LGA

Source: UNDP/PAU, The Gambia

## ANNEX 9

### CHRONOLOGY OF MAJOR EVENTS IN THE GAMBIA

- Late 1880s to post independence mid 1900s era: The Gambia witnessed the emergence of civil society organisations such as, co-operatives (1880s), the Gambia Labour Union (1929).
- 1960s Saw political unity around independence movement. The Peoples Protectorate Party established 1959. The Democratic Party merged with the Muslim Congress to form the Democratic Alliance Congress before elections in 1960.
- 1960 saw a crack down on the Workers Union resulting in riots.
- 1963 Internal Self-Government was granted.
- 1964 The Constitutional Conference on Independence was held.
- The Gambia became an independent state on 18<sup>th</sup> February 1965.
- The Gambia declared itself a republic in 1970 after a referendum on April 24<sup>th</sup>.
- 1981 attempted Coup de Etat was put down with Senegalese assistance
- Sene-Gambia Confederation set up in December 29<sup>th</sup> 1981 partly as a result of the Coup and need for cooperation on security. Confederation abandoned in 1987.
- 1980s era of structural adjustment programmes with social implications.
- 1992 Supreme Islamic Council formed.
- PPP government overthrown by military Coup on 22<sup>nd</sup> July 1994.
- 1994-1996 Transition period under Armed Forces Provisional Ruling Council (APRC) led by Yahya A.J.J. Jammeh. Donors suspend new aid. Commissions of enquiry instituted.
- Military decrees established: no. 45 Setting up the NIA; no. 70,71 & 72 restricting media and no. 89 Banning former politicians of PPP, NCP and GPP.
- 1996 restoration of democracy with presidential elections in October, won by the former military leader Colonel (Rtd) Yahya Jammeh, with 56% of the vote.
- 1997 National Assembly Elections Parliamentary elections in January. The Alliance for Patriotic Reconciliation and Construction (APRC) won majority of seats in National Assembly.
- 1997 new constitution adopted
- In the context of resuming full Gambia/EC cooperation, the 8<sup>th</sup> EDF NIP is signed on 20<sup>th</sup> July 1998.
- 1999 January. The Government takes over the Gambia Groundnut Cooperation.
- 2000 January. An attempted coup is put down.
- 2000 Students demonstrations on 10/11 April .
- Amendment to indemnity Act (retrospective to Jan 2000) allows President to pardon security forces.
- July 2001, Decree 89 is abrogated allowing former PPP, NCP and GPP to parties to compete in elections.
- October 18, 2001, presidential elections held and incumbent President re-elected.

- January 2002, National Assembly held and won by the APRC (the major opposition party – UDP boycotted)
- 25<sup>th</sup> April 2002, Local Government elections held
- April 2002, 9<sup>th</sup> EDF CSP & NIP for the Gambia signed
- 1<sup>st</sup> June 2002, Ex-President Jawara returns home
- 9<sup>th</sup> January 2003, Gambia became eligible for the African Growth and Opportunity Act (AGOA)
- 7<sup>th</sup> April 2004, President Jammeh launched “Operation Clean the Nation”.
- 2004, Gambia rated 6<sup>th</sup> Most Competitive African Economy
- 1<sup>st</sup> July 2004, Paul Commission of Enquiry into affairs of Public Officials sworn-in.
- 21<sup>st</sup> March 2006, Attempted coup foiled
- April 2006, First Female Speaker of the National Assembly elected
- 1<sup>st</sup> -3<sup>rd</sup> July 2006, AU Banjul Summit held
- September 2006, Presidential Elections held, and won by incumbent President
- 25<sup>th</sup> January 2007, National Assembly elections held.