

COUNTRY REVIEW
THE GAMBIA-MID-TERM REVIEW 2004
DRAFT CONCLUSIONS

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1. EXECUTIVE SUMMARY

The relationship between the EC and The Gambia deteriorated at the end of 2001, resulting in the absence of the EC Chargé d'affaires until May 2002. Although this situation was satisfactorily resolved following the appointment of a new Head of Delegation Office and a DG DEV mission to The Gambia, it resulted in delays and problems in programme implementation and programming, which had an adverse impact on the EC-Gambia cooperation in 2003.

The dialogue at political level with the Head of State and the Government has been fully restored. However, numerous changes took place since the beginning of 2003 in a complete reshuffle of the Government. Eight new Secretaries of State out of fifteen were appointed, as well as a new NAO. These changes plus continued unpredictability in portfolios make political, dialogue more difficult and time consuming.

The economic situation deteriorated in 2003, the key macroeconomic targets in the PRSP were not attained, while the IMF's PRGF program has been off track since 2002. Laxity in fiscal and monetary policies and low agricultural production resulted in poor macroeconomic performance. Fiscal indiscipline combined with monetary slippages, led to high inflation, rapid depreciation of the dalasi and large increases in domestic debt.

The IMF relations with The Gambia deteriorated in 2002, leading to the PRGF suspension and a request to the Government to pay back the two disbursements made under the Programme. The government have since resumed relations with the IMF staff monitored programme was established in August 2004 for which the first review took place in October 2004.

As many other countries in the region, The Gambia is engaged in the decentralisation process, the basic legislation has been enacted (Local Government Act, Finance & Audit Act), although neither a clear strategy for operationalisation, nor all the necessary regulations have been put in place yet. The 9th EDF Country Strategy Paper and NIP was only signed in March 2003. It provided an overall allocation of 51.0 million euros for the 2002 – 2007 periods, with a 'A' envelope of 37 million euros and a 'B' envelope of 14 million euros.

There are two focal sectors under the 2002 – 2007 CSP: (i) Rural Development, and (ii) Transport, both absorbing 81% of the NIP, the remaining 19 % being devoted to the capacity building in the economy and administration sectors, and an additional 0.6 million euro to the education sector providing technical assistance and support to the authorities in implementation the technical and vocational policy under the previous support to the education sector programme financed under the 8th EDF.

As to the EU co-operation with The Gambia, the transport programme is considered by the Gambian government as their utmost priority. The preparation of the Financing Proposal and Tender Dossiers to launch the programme has suffered from delays due mainly to the 2003 bankruptcy of the firm in charge of feasibility study and tender dossier. The problem has now been overcome, but in the meantime, the total cost of the project has tremendously increased. .

Given the socio-economic importance of roads for the economy, and its geographical uniqueness with the population located along both sides of the River Gambia, it is proposed to reallocate to the road project some of the funds originally earmarked for rural development

It is also proposed to transfer 8.5 million euros from envelope B to A to be used for both the focal as well as non focal sectors projects.

2. THE POLICY AGENDA

Since 1996 the Government has made attempts to cope with stabilising the economy and restoring private sector confidence. A new long term strategy framework for the country called VISION 2020 was adopted in 1997, with the objective of transforming The Gambia into a middle income country through tourism and export-orientated agricultural and manufacturing industries.

A programme aimed at structural reforms in the areas of external tariff, the financial and public sectors, the legal and regulatory framework, financial resource management and good governance constitute the key measures necessary to implement Vision 2020.

The Gambia became eligible in 2002 for the enhanced HIPC initiative.

Recent economic performance of The Gambia has been below expectations and undermined efforts to implement the PRSP. The key macroeconomic targets in the PRSP were not attained, while the IMF's PRGF program has been off track since 2002. Laxity in fiscal and monetary policies and low agricultural production resulted in poor macroeconomic performance. Fiscal indiscipline combined with monetary slippages, led to high inflation, rapid depreciation of the dalasi and large increases in domestic debt.

In response the authorities initiated tighter fiscal and monetary policies which were successful in preventing further worsening of the recent economic deterioration. However, the impact of the past policy decisions continue to be felt today. The large domestic debt and the higher interest rates have substantially increased public debt service. The increased debt service has effectively crowded out other public spending including PRSP priority spending.

The main priorities for the period 2003-2005 are the co-ordination of the Social Sectors Investment Programme, enhancing coverage, efficiency and sustainability of basic social services, and improving the management of the Public Enterprise Sector for expansion of utility services to the poor. To this respect, the EC funded programme in Education (inherited from the 8th EDF), transport and rural development programmes (under the 9th EDF) are fully participatory to poverty reduction strategy.

Education Policy:

The operation and development of the education sector is guided by the 1997-2006 Education Masterplan. This is consistent with SPA II. The Education Policy for 2004-2015 is under development and was circulated to donors and other stakeholders in January 2004. It will continue to give priority to Basic Education, with an increase in the recurrent education budget to 55% by 2015 (currently 52%).

The Gambian Government has endeavoured to provide basic quality education for the majority of the school age population. However there have been many difficulties. Ninety percent of children who are out of school are from families in the two lowest income quintiles, and the majority of these were girls in 2001.

The major constraint persisting in the education system, in spite of progress being made, is an inadequate resource base (human, capital and material). Resource levels have had a serious negative impact on teacher morale and performance.

Despite the challenges, the country has achieved a Gross Enrolment Rate (GER) of 74 percent in 2000/2001 for lower basic. This is significant and ranks The Gambia above the sub-Saharan African average of 69 percent. In The Gambia, as in many other developing countries, girls have not had the same access to education as boys.

The policy priorities for the future as set out in the Education Policy 2004-2015 include, equitable access for all to education with specific emphasis on under-served regions, girls and other disadvantaged groups of the population; improved quality of education through a range of initiatives which include provision of trained teachers and relevant curriculum development; strengthening technical and vocational education and training (TVET) to meet the emerging needs of a growing labour market.

Decentralization Policy

The Local Government Act was passed by the National Assembly in 2002 but the Local Government Finance and Audit Act, was passed only in 2004 which created a confused institutional context between Central Government and the Councils. In addition the Local Government Act was reviewed without very little prior dialogue with the Divisions which created uncertainty at the Divisional level of the government's commitment to the decentralization process.

One of the bottlenecks in the decentralization process is the lack of capacity at local level. There is not any strategic document that leads the decentralization process and the financial manual has not yet been elaborated.

Conditionalities to be met: to pass the remaining legislation and to agree on both a short and long term strategy for decentralization.

Transport Policy

The operation and development of the transport sector is guided by the 1998-2006 National Transport Policy. The National Transport Plan, prepared in 1997, focuses on the maintenance and development of transport infrastructure in The Gambia. The re-organization of the Ministry of Works is key component for the implementation of the transport policy. Competing demands from all sectors of the economy have resulted in under funding of road maintenance in the country. In its policy the government has committed to prioritize maintenance of existing assets over investment of new infrastructure and equipment, to avoid escalation of costs in the future.

The Roads Authority Bill was passed by the National Assembly in September 2003. The Budget of the Gambia in 2004 includes provision for the Managing Director and Deputy Managing Director of the Gambia Roads Authority. The Ministry of Finance subvention of 8,000,000 Dalasi to the Road Fund (RF) is allocated in the National budget. The policy document states that the Road Fund will be secured directly from road user

charges, i.e. vehicle license fees, and road tax and will be answerable directly to The Gambia Roads Authority (GRA).

At present there is not a trucks overload control policy which contributes significantly to the deterioration of roads. This would require co-ordination between police, customs and the Ministry of Works.

The ADB has played an important role in the transport sector, in providing institutional support to the DoW, and defining transport policy and the legislation.

3. UPDATE OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

3.1. Political Situation – Background Information

The Gambia became an independent state in February 1965, then a republic after a referendum in 1970. The current President, Dr. Yahya A.J.J. Jammeh, came to power through a military coup d'Etat on July 22, 1994. Since then he has been re-elected, in 1996 (56% of the votes), and in 2001 (53.7% of the votes). A military decree, which excluded three former dominant parties to partaking in the elections, was abrogated prior to the last election (2001), which was deemed free and fair.

The next general elections, presidential and parliamentary are scheduled for 2006.

3.2. Political Situation – Recent developments

In 2003, numerous changes took place in the Government whereby eight new Secretaries of State (ministers) out of fifteen were appointed, notably the Finance and Economic Affairs, Justice, Works, Construction and Infrastructure, Interior and Religious Affairs. Other portfolio and managing positions of public enterprises including NAWEC, the Port Authority, Social Security and Housing Finance, and Immigration had also been replaced.

Such changes make political dialogue difficult and time consuming.

Some of these changes were decided within the framework of the so-called “**operation no compromise**” launched by the President for fighting corruption and mismanagement.

Relations with neighbouring Senegal improved at the beginning of 2003, with the visit the Prime Minister of Senegal. Problems relating to cross-border transport were resolved, and discussions took place on the future construction of a bridge over the river Gambia at the level of Farrafenni for which there is agreement at political level as well as on other regional infrastructure projects (river transport/railway).

Since then, progress at the technical level has been slow; hence both presidents have agreed to further discuss the issues in a meeting to be scheduled in 2004/2005.

Regarding the freedom of press, the Media Commission Act was adopted in August 2002 and seen by most journalists as restricting their freedom. However, it is admitted that the freedom of media and the functioning of democracy and political institutions are deemed satisfactory. In September 2003, the National Assembly decided to change the Presidential electioneering system of the country from two rounds of voting to simple majority.

3.3. Macro-economic and Structural Reform Performance

The Gambia is a small, open economy on the West coast of Africa. It extends inland for 288 km along both banks of the river Gambia, at widths varying from 24 km to 48 km. The population according to the latest census in 2003 is 1.4 million, with an average growth rate of 2.8 %¹. With a GDP per capita estimated at US\$350 in 2001 (compared to US\$ 510 for Sub-Saharan Africa), it ranked 151st out of 173 countries on the 2003 UNDP Human Development Index (HDI).

Under the PRGF arrangement until 2001, The Gambia registered significant gains on the macroeconomic and structural policy fronts although performance was somewhat uneven, more specifically towards the latter part of the period 1998-2001. There was considerable fiscal and external sector adjustment, and exports and imports recovered significantly, despite erratic broad money growth that partly reflected efforts to finance the marketing of groundnuts following the disruption occasioned by the seizure of the unique marketing company operating at the time in the country.

After steadily growing at an average rate of 5.7 percent from 1998 to 2001, the economy shrank by 3.2 percent in 2002 reflecting reduced agricultural output due to the low rainfall. The economy partially recovered in 2003 with an estimated growth rate of 8.8 percent, but the growth rate should be viewed in terms of the relatively low base in 2002. The partial recovery of the economy in 2003 was due to improved agricultural production which benefited from favorable weather. However, neither the volume of agricultural production nor the area under cultivation in 2003 reached the levels recorded for 2001, the year before the low rainfalls.

The authorities initiated several reforms towards the end of 2003 in an attempt to stop the slide of the dalasi. Only officially licensed establishments were allowed to trade foreign currencies, and the amount of foreign currency allowed by departing travelers was restricted. Furthermore, the authorities decreed that large private foreign currency holders deposit their holdings in foreign exchange bank accounts. Although these initiatives may have helped temporarily stabilize the dalasi, their exact impact is difficult to measure because at the same time the authorities pursued a tighter monetary policy in the form of higher interest rates. In addition, the dalasi is typically strengthened from January to April due to the foreign exchange earnings from tourism and groundnuts exports.

Faced with the prospect of rising debt service obligations and a continued decline in external financing, the government embarked on a series of remedial measures in the fourth quarter of 2003. These included management changes in the Customs & Excise Department; reinvigorated efforts to collect tax and duty arrears and to limit the granting of exemptions; increases in fuel prices and in processing and license fees; and the establishment of the Central Revenue Authority.

The IMF requested the government of The Gambia to pay back the two disbursements under the PRGF of US\$10.1 million plus accrued interest by the end of 2004 with the first payment made in April 2004. The fund also requested a special audit of foreign exchange transactions to determine the anomalies in the central bank during the period

¹ The IMF Staff Report for the 2003 Article IV Consultation, February 20 2004

2001-2003 which the authorities agreed to and began in July 2004. A staff monitored programme was put in place in August 04, of which the first review will take place in October 04.

If the review of the IMF staff monitoring mission is positive there may be a possibility of disbursing the budget support of 4.225 million euros before the expiry of the financing agreement on the 31st of December 2004.

3.4. Achievement in the social Sectors with a direct or enabling Impact on Poverty reduction

Recent economic developments have derailed progress on reducing poverty. Progress towards reaching the poverty targets under the PRSP and the Millennium Development Goals (MDGs) has been uneven.

Although reliable data is hard to obtain, basic social indicators show that poverty is pervasive and increasing. In 1992/93 a household economic survey estimated that 34% of the population were poor and that 18% were extremely poor. The latest household poverty survey (1998) now indicates that 69% of households are poor and 51% extremely poor, a significant increase.

Poverty is predominantly a rural phenomenon. Within the five rural Divisions, between 62%-73 % are described as 'very poor' (i.e. an income below 75 % of the food basket). In contrast, the same figure for the urban area is 19. However urban poverty is also on the rise.

In the **Health** sector progress towards goals is variable. The Gambia is on track in reducing maternal mortality, which has declined from 1050 per 100,000 in 1990 to 730 in 2002, but it is still double that of Senegal and one of the highest in the world. Infant and under-five mortality (85 and 135 per 1000) are the lowest in the sub-region next to Senegal (63 and 120 per 1000), which has a per capita income twice that of The Gambia. However, little improvement can be noted in the last decade. Life expectancy at 55 years is higher than the 50 years SSA average. The EC support to Water Supply sector has contributed to improve health and sanitation conditions in some rural areas in The Gambia.

As far as **Education** is concerned, improvements have been registered in the sector: The level of literacy at age 15 and above has increased from 26% in 1985 to 37.8% in 2001. However, the level is still low by regional standards, as is the level of attainment: Boys spend less than 6 years in school while Girls spend only four. Basic education received 56% of the education budget while secondary received 10%. In 2003 there have been improvements, with the rate of primary school enrolment now at 90% (85% in 2000) and secondary school enrolment reaching 37 % (20 % in 2000).

The first **Millennium Development Goals** Report for The Gambia was published in December 2003. It indicates that The Gambia is currently improving on four of the principal goals (hunger reduction, basic amenities (this goal includes the access to safe water), universal primary education and HIV/AIDS). The WDI (world development indicators database) of the World Bank in April 2004 is still not providing much information concerning The Gambia data. The few given confirm some progress in 2002 as compared to 2001, especially in the under five year old child mortality rate (per 1000): 126 ‰ in 2002 as against 128 ‰ in 2001 and 137 ‰ in 1995.

3.5. Regional integration Policy and Progress

The Gambia promotes regional co-operation and integration and is a member of the African Union (AU); the Economic Community for West African States (ECOWAS); the Committee for Control of Drought in the Sahel (CILSS); and the organisation for the development of the Gambia River basin (OMVG). The Gambia has further shown its regional commitments by sending troops on ECOMOG peacekeeping missions in Liberia and Sierra Leone.

Recent trade liberalization in the region, particularly as a result of West African Economic and Monetary Union (WAEMU) reforms, has significantly eroded the country's comparative advantage in terms of lower import duties.

The Gambia is a member of West Africa Monetary Zone which includes Nigeria, Sierra Leone, Ghana, Guinea Conakry and Gambia who intend to adopt a second common currency for West Africa.

3.6. Human Rights, Good Governance, Fight against Corruption

The 1996 Constitution contains all the elements for good governance: the Judicial, Legislative and Executive structures ensure a non-autocratic system where sovereignty lies with the people. Improvements have taken place in recent years to involve Civil Society in policy formulation and in particular in the budget process.

Also, attempts to stem corruption have been pursued by the government through 'operation no compromise' previously referred to in Section 3.2 as well as the recently established Paul Commission which requires all high ranking officials to declare their assets.

With regard to Civil and human rights, The Gambia is a relatively well-established democratic constitutional state with a political and administrative system and procedures to provide checks and balances on the exercise of power and rights of individuals.

3.7. Food Security

Agricultural production recovered in 2003 after the drought in 2002, owing to the heavy and sustained rains. According to the latest crop assessment by the FAO in October 2003, the food availability situation in 2003 was considered satisfactory; however food accessibility for imported products such as rice which is the staple food for Gambians was constrained by rising prices due to the depreciation of the dalasi.

3.8. Other cross-Cutting Issues

Across all sectors, **a lack of human capital** is constraining economic growth and the quality of service delivery. The skills shortage is being compounded by a steady flow of qualified emigrants to Europe and the USA. The impact is being felt more in state institutions, where salary erosion has diminished the attractiveness of middle-to-senior level government posts.

Statistics indicate **a very low prevalence of HIV/Aids** in general (between 1.4 % and 2 %), although it reaches 20 % among immigrant sex workers. The government is committed to the fight against HIV/Aids. The National AIDS Council chaired by the

President of the republic has been established and is supported by the National AIDS secretariat.

With regard to **the environment**, the declining rainfall, increased extraction upstream and higher run-off due to poor agriculture practices has led to a marked increase in salt intrusion up-stream in the River Gambia. This in turn impacts on agricultural production, particularly women's rice production in the low-lying tidal areas.

The EC interventions in the rural areas, mainly water supply, have a low environmental risk factor.

4. OVERVIEW OF PAST AND ONGOING CO-OPERATION

Both the 8th and 9th NIP were identified within the framework of national priorities and geared towards poverty alleviation and linked to the process of political and administrative decentralisation.

The two focal sectors under the 8th EDF were Education (with a 5.0 million euro Support to the Education Sector Programme, SESP) and rural development (with a 16.8 million euro support to the Decentralised Rural Development, SDRD). At the end of 2003 primary commitments were 77 percent before the transfers of balances to the 9th EDF. The disbursement rate was 78 percent of secondary commitments at the end of 2003, and reaching 81 percent by April 2004. The implementation rate of the 8th EDF was constrained in 2003 by the inability of the EC to disburse the macroeconomic support tranche of € 4.225 million due to the country's off track position with the IMF.

For the 9th EDF the 2 focal sectors are Rural Development (for which 15 million euro is earmarked) and Transport (for which 15 million euro is also earmarked) and projects and programmes in the non-focal sector should focus on capacity building and contribution to regional projects. At the end of 2003, commitments under the 9th EDF funds were still low given that the CSP was signed only in March. However, the two of the projects in the non-focal sector, the support to the NAO (2.0 million euros), and Technical Co-operation Facility (TCF, 2.0 million euros) were signed in April 2004. By July 2004, the commitments under the 9th EDF reached more than 10 % of the 'A' envelope allocation.

Despite the fact that the financial situation was not so positive at the end of 2003, it has improved in the first half of 2004. Should the current Financing Proposals be approved (see Section 8) 90 percent of the 9th EDF funds should be committed by mid 2005.

4.1. Focal sectors and macroeconomic support

The Support to **Education Sector Programme** (SESP) under 8th EDF has been designed as one component of the "Third Education Sector Programme 1998-2006 of the Government of The Gambia". The original purpose of SESP was to contribute to access to good quality upper and post-basic education to all Gambians by mid 2004. The education programme suffered delays due to problems in the tendering process which have now been resolved and the programme is fully back on track with almost 70 percent of the schools, staff quarters and science laboratories under construction. An extension of the project until December 2006 plus an additional € 0.6 million was approved in June 2004 for the provision of technical assistance to the newly formed National Training

Authority (NTA) in order to implement the technical and vocational training policy of the government.

The EC intervention is assisting The Gambia in achieving education for all through its school construction programme, improving quality by financing overseas studies for education officers in the standards and quality unit, and support for TVET technical vocational education training) through development of the vocational training policy and technical assistance to the National Training Authority as well as other support to the textbook printing unit of the DOSE.

Also, the EC includes monitoring indicators in both of the social sectors, education and health in its budget support programme.

Rural Development Sector

The 8th EDF Support to **Decentralized Rural Development** Programme ended in June 2004. The programme supported national strategies laid down in Government's National strategy for Poverty Alleviation (1994) and its vision 2020 (1996) to encourage through a participatory nation-wide approach a balanced economic growth in the country. It represented 60% of the 8th EDF NIP, and built on successive rural programmes financed under the 6th and 7th EDF. Its planning mechanisms were based on the principles of full beneficiary participation and the strengthening of local institutions

The main components of the Programme included support for village water supply; enhancing management and planning capacities of local institutions with a view to support sustainable rural development; implementation of community based projects aimed at upgrading rural production and social infrastructure, including the construction of feeder roads; diversified income generating activities of rural poor, specifically targeting women; reform of the legal and regulatory framework for agricultural producer organizations and policy and strategy of micro finance operations; strengthen agricultural research and extension linkages at national and community levels specifically addressing improved production techniques and environmental issues.

Although the achievements of the project can not be undermined in terms of improved community planning, community based projects and financial and technical support to area councils, the delays from government in putting in place the necessary legislation (done in April 2004) to undertake financial decentralisation and in putting in place the counterparts to the technical assistance at divisional level, made it difficult to implement some of the activities. Sustainability aspects of this project needs to be looked at more deeply.

The Water Supply Component performed comparatively better than the other components due, amongst others, to the fact that it was linked to a specific sector and was fully owned by the Department of Water Resources.

The **Transport sector** has been identified as one of the two focal sectors of the 9th EDF, with an indicative allocation of 15 million Euros.

Balances in 7th EDF Funds were used to finance the elaboration of a feasibility study and the tender documents for the rehabilitation and maintenance of five roads in The Gambia.

Some delays in implementation occurred due mainly to the fact that the company contracted to undertake the feasibility study went into liquidation, therefore the tender dossier documents were only received in May 2004. Because of the delays incurred the cost of the works for the roads rehabilitation has considerably increased. As of today an up-date economic and financial study of the project will be finalised by the end of November. The tender dossier is under review by the European Commission and the corresponding Financing Proposal should be finalised before the end of the year (see section 5).

4.2 The Financing Agreement on the Poverty reduction Budget Support Programme (PRBSP) signed in June 2002 covers a General Budgetary Support. The amount is 4 million euros to be disbursed through a single tranche, as well as 0.225 million euros earmarked for Technical Assistance and studies. The country's off-track position with the PRGF programme of the IMF impeded the release of the support tranche in 2003. In order to allow the government to implement the necessary reforms, the support was extended until the end of December 2004. The IMF will conduct a review of its Staff Monitoring Programme (SMP) in October 2004. A decision will have to be taken by headquarters to review whether or not the tranche can be disbursed before the end of December.

4.3 Projects and Programmes in Non-focal Sectors

The support to the **NAO** Financing Agreement under the 8th EDF expired in September 2003. A new Financing Agreement for the NAOSU under the 9th EDF was signed in April 2004. A 2 million euro Financing Agreement for TCF was also signed in April 2004.

4.4 STABEX

Stabilisation of Export (STABEX) funds was allocated to the Gambia to compensate for losses in Groundnuts, Cotton, Sesame and Prawns exports. The funds received from Stabex 1996 and 1997 have been/are used to support the Groundnut (€ 3 million) and the cotton sectors (€ 0.2 million).

Under the 1999 STABEX transfer an amount of € 0.9 million was allocated for export losses of cotton, groundnuts and sesame, for which an framework for mutual obligations (FMO) is being finalized.

4.5 Regional Co-operation and all ACP Co-operation.

The collaborative **Research and Development Programme** (Procordel) covers 13 countries in West Africa. A collaborative Research Programme on Trypanosomosis and Trypanotolerant Livestock in West Africa was carried out jointly by ITC, CIRDES and ILRI in collaboration with the West African NARS (EDF VII-REG 6061/002) between 1993 and 1999. This programme aimed at improving productivity of domestic ruminants while preserving the quality of the environment. The programme's results contributed significantly to the knowledge of constraints and opportunities including socio-economic aspects, for animal production¹.

¹ Collaborative Research Programme on Trypanosomosis and Trypanotolerant Livestock in West Africa. Joint report of accomplishments and results, 1993 – 1999, by ITC, CIRDES, ILRI, December 2000.

The **Pan African Control of Epizootic (PACE)** The Programme aims to reduce poverty among those involved in livestock farming by improving productivity and food security among the livestock owners by controlling epizootic diseases. 32 Sub-Saharan countries are involved in the PACE programme. In The Gambia the programme is overseen by a Coordination Unit which work in close collaboration with the Department of Livestock (DLS) extension Network. PACE Gambia was approved on the 25th April 2001 and a total of 230,769 Euro

The **Regional Solar Project Phase II (RSP II)** covers all nine CILSS countries: Gambia, Guinea Bissau, Senegal, Mauritania, Burkina Faso, Mali, Chad, Niger, Cape Verde. The Objectives of RSP-II is to: “Contribute to the improvement of living and health conditions of the rural populations in the region by providing them with sustainable water supply”.

The implementation of RSP II in The Gambia has complemented the implementation of the Water Supply component under the SDRD. The performance has been very positive being the first country in organising the supply and the installation of solar water supply systems. There is still some work to be done in achieving a sustainable maintenance and replacement policy of the systems in place.

ARIVA: The objective of this programme for **Regional Project to support the strengthening of vaccine independence for Africa** is to contribute to the fight against communicable diseases by improving the vaccination coverage of the priority diseases of the Expanded Programme Immunization (EPI) routine programme implementing the Integrated Diseases Surveillance and Response, implemented by the member States of the countries having strengthened their inter-agency collaboration with partners.

The **Promotion of Domestic & Alternative Energy in the Sahel and the utilisation of resources for non-state actors (NSA)** are to assist member countries in the design and implementation of household energy strategy, and to ensure a wider understanding of the Cotonou Agreement and to encourage the active participation of Non-State Actors.

4.6 Budget Lines:

The only budget line operating in The Gambia is B7-6000(co-financing with NGOs), with the exception of The West African Regional Training Programme financed by ECHO. Two projects are ongoing with VSO and Concern.

4.7 EIB

Under the 8th EDF the European Investment Bank made available € 4 million for the Gambia for investments in the energy, communications and agro-industry sectors. Owing to a lack of information in the private sector there were no applications, following which two seminars were held and a visit to the country by the EIB Loan Officer in 2001. The Gambia co-operation with the EIB has not resumed though both parties are seeking opportunities to restart possible activities, in particular as far as divestiture is concerned.

5. PROGRAMMING PERSPECTIVE FOR THE FUTURE

The EC-response to the development and poverty reduction challenges in The Gambia is designed on the basis of The Government's own development priorities as set out in the PRSP. Furthermore, the response strategy takes into account complementarities with

other donors, sectoral policies and financing requirements and lessons gained from the implementation of previous programmes in The Gambia. Based on the above, two focal sectors for EC support to The Gambia have been selected for the 9th EDF – Rural Development and Transport – on the grounds that there are few other major donors present in the country.

The choice of Rural Development as one focal sector is based on the fact that the rural population remains the worst affected by poverty and in the context of the PRSP, transport is recognised as crucial for the development of key sectors. In particular, it will reinforce rural development by improving access to social services and markets, and lowering transaction costs for cash crop producers and other economic actors.

There is a strong interaction between the two focal sectors programmes as defined in the CSP/NIP. A fully benefit by the remote population of the very successful rural development programme will depend on the realisation of the main trunk roads rehabilitation.

All Education/FTI

The Government continues to put emphasis on education programmes, and is looking forward to benefiting from the World Bank FTI programme for education for which The Gambia is entitled under the catalytic fund (\$4.0 m earmarked). No funds is still available for education in the A envelope. The government priority remains transport.

REGIONAL INTEGRATION AND EPA

The Gambia is committed in the regional integration in West Africa and participates in the negotiation of the Economic Partnership Agreement.

PROPOSAL FOR CSP REVIEW OR ADAPTATION

With regard to the above programme description and implementation exercise, a modification of the Community's intervention in the country's strategy would not be requested. The priority to i) rural development, ii) transport and iii) capacity building within the non-focal sectors programme take into account the main development demands facing The Gambia.

The Envelope B for The Gambia of € 14 million euros has been reduced by 0.8 m, being its contribution to Africa Peace Initiative. At the end of 2003, envelope B therefore consisted of 13.2 m euros. With a Flex allocation already decided of 1.8 m for 2003 exercise, it is suggested to transfer 8.5 million euros to envelope 'A' in order to finance projects under focal sectors as well as non focal sectors.

An amount of about 1.9 million euros remains available in the envelope B for unforeseeable events such as groundnuts export losses following the good 2003 output in this sector. The programming pipeline 2004 – 2007 which has been updated as part of the 2003 joint annual report and in the perspective of the MTR meeting provides clear information that a financing restructuring as suggested would enable the completion of the 9th EDF programme within the CSP period. STABEX: An amount of 0.9 m euros for 1999 Stabex was decided of which the FMO is under preparation.

6. PERFORMANCES APPRAISAL

Criterion 1: Country's Financial performance

EDF

The remaining balances of € 8.0 million have been transferred to the 9th EDF from the 6th, 7th and 8th EDF funds, adding to the 'A' envelope of the 2002-2007 NIP. Financing decisions (primary commitments at the end of 2003) under the 9th EDF reached 4.0 million euros, devoted to the support to the NAO services and the Technical Co-operation Facility (TCF) for which agreements were signed in April 2004..

With reference to historical performance (over the preceding 5-year period), the theoretical number of years to complete EDF commitments would be 6.5 years¹, the number of years to complete EDF assignments calculated as 7.7 years². However, with regards to the primary commitments pipeline at the beginning of 2004, financial performance of The Gambia is acceptable as compared to the contracts provisions until the end of 2005.

Criterion 2: Country's Sector performance

The results achieved in focal as well as non-focal sectors (8th and 9th EDF) and macroeconomic support can be summarised as follows:

- Support to Decentralised Rural Development: The Water Supply Component received almost 30% of the total budget commitments under the 8th EDF SDRD focal sector programme, and most of the planned activities were implemented and targets met. Some constraints observed in other components were : lack of capacity at divisional level delays in appointment of local counterparts for the TA's, delays in approving the enabling legislation for decentralisation which impeded the institutional setup, extending the TAs contracts and the subsequent moratorium on approving new WP's for the Divisional components.
- Transport: The transport sector has been identified as one of the two focal sectors of the 9th EDF, with an indicative allocation of € 15 million, covering two main areas of intervention: the upgrading, rehabilitation and construction of five sections of trunk roads, and the provision of Technical Assistance to the Gambia Road Authority (GRA). .
- Sector policy commitments by the government made progress in amending the Local Government Act and enacting the Finance & Audit Bill in April 2004 in the framework of decentralization. With regard to the transport sector the government have established the Road Authority and have committed to start financing the road fund through allocations in the 2005 budget. Mechanisms for implementing the road fund have yet to be put in place. The technical assistance support to be provided under the 9th EDF should assist the government with this task.

¹ Calculated as: (Total EDF allocations incl. 9th EDF - current commitments) / average commitment for the last 5 years

² Calculated as: (Total EDF allocations incl. 9th EDF – current assigned funds) / average of assigned funds of the last 5 years

- Macro-economic support: In October 2000, a first tranche of a budget support programme (€ 5.0 million), together with the last tranche of a 7th EDF programme (€ 2.0 million) was used to settle the internal debt of the Gambia Government vis-à-vis the company ALIMENTA. A second tranche of € 3.7 million was released at the end of 2002 to refinance social sectors (health, education), as well as road maintenance budgetary expenditures incurred by the Government. A one single tranche of € 4.0 million PRBSP (poverty reduction budget support programme) financing agreement was signed in June 2002. The tranche was not disbursed in 2003 due to the country's off-track position vis-à-vis the IMF's PGRF programme, and was extended up to the end of December 2004. Macroeconomic management and structural reforms undertaken by the authorities being deemed positive by the IMF conclusion of the Article IV Consultation in May 2004. A Staff Monitored Programme (SMP) was put in place in August 2004 and will be reviewed by the IMF in October 2004.
- Non focal sectors: The support to the NAO Financing Agreement under the 8th EDF expired in September 2003. A new support to the NAO financed under the 9th EDF was signed in April 2004. Also a 2 million euro Financing Agreement for TCF (€ 2.0 million) signed in April 2004.

7. SPECIAL CONSIDERATION

As elaborated in preceding texts, some special considerations have to be taken into account in the context of The Gambia Mid Term Review:

- (i) The relationship between the EC and The Gambia deteriorated at the end of 2001, resulting in the absence of the EC Chargé d'affaires until May 2002. These difficulties resulted in delays in the implementation of the development projects and programmes.
- (ii) The CSP was signed at the end of March 2003.
- (iii) The Commission Delegation in the country did not have sufficient staff to manage and monitor programmes until the beginning of 2004. Lack of capacity in departments also impacts on the implementation of co-operation programmes.
- (iv) As mentioned previously, although the progress has been slow in the past years, there is a willingness by government to accelerate the reform process in the transport sector.

8. PROPOSAL

In regard to the EU/Gambia co-operation, Transport and Rural Development are key sectors identified in the PRSP.

The experience with previous the rural development programme funded under the 8th EDF has illustrated the difficulties in implementing multi-sectoral programmes in rural areas in The Gambia. Given the weak capacity of local government to operationalise the decentralization, it is advisable to continue the support to the local area councils but the type of support provided should be studied in more depth.

Taken into consideration the above, the joint Delegation/NAO proposal is that is to use part of funds previously earmarked for rural development for the rehabilitation of roads which will add significant value to the rural population and thus will create much needed economic development in rural areas.

Regarding the 'B' envelope, the Delegation and NAO jointly consider adequate to transfer 8.5 million euros to the 'A' envelope to secure the financing of the major focal sectors as well as non focal sectors projects.

Out of this € 8.5 million transfer, an amount of a minimum of 0.5 million euros would be made available for possible contribution to the forthcoming elections.

In the light of the above analysis and taking into account the special considerations, it is proposed to:

. Maintain the country strategy for The Gambia as contained in the CSP and NIP.

- . Increase the funds available under the envelope A by € 8.5 million euros, mainly in the focal sectors programmes, as well as in the non-focal sectors within the limits of the available resources.**
- . Decrease the funds available under the envelope B by € 8.5million euros.**
- . This proposal includes a transfer of € 8.5 million euros from envelope B to A.**