

Country Development Strategy Statement

FY 1984



GAMBIA (REVISED)

AUGUST 1982

Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE

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1984

COUNTRY DEVELOPMENT STRATEGY STATEMENT

THE GAMBIA

**August 1982
Banjul, The Gambia**

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I. INTRODUCTION ^{1/}

A. PHYSICAL CHARACTERISTICS

The Gambia is a small country located on the western bulge of Africa. It is only 325 kilometers long and varies in width from 26 to 48 kilometers. The total area is 10,690 square kilometers of which nearly 20% is covered by the river and associated swamps and tributaries. The country is extremely flat with the highest elevation in the eastern end rising to between 40 and 50 meters. The river is tidal through its length in The Gambia. There is considerable intrusion of salt water ranging from 150 kilometers during the wet season to nearly 250 kilometers during the dry season. The variation in flow of the river ranges from 1 m³/s at the end of season to over 2,000 m³/s at the peak of the wet season. There are three distinct geographical areas: a belt of mangrove along both sides of the river for a distance of nearly 250 kilometers, a narrow strip of slightly higher ground running most of the length of the river in The Gambia which becomes swamp during the rainy season and then a band of upland sandstone which forms a plateau reaching to the border with Senegal. The climate is Sudanic-Guinea which comes under the influence of the inter-tropical convergence zone. On the average there is a seven month dry period and a five month rainy season, the latter running from June to November. Rainfall ranges from an annual mean of nearly 1,200 millimeters

^{1/} At a minimum reviewers should read "Five-Year Plan for Economic and Social Development: 1981/82-1985/86," IMF documents on The Gambia from May 26, 1981 to February 24, 1982, and Peter Stutley, et. al., The Gambia Food Strategy Report Parts I, II and III, March, 1981.

in the west to 854 millimeters at Sapu which is located in the north bulge at the mid-point of the country. However, rainfall can vary widely from year to year and the country is subjected to periodic droughts. Temperatures are fairly similar throughout The Gambia. Mean maximum temperature ranges between 45 and 41.6 degrees centigrade with mean minimum temperature of 9.4 degrees centigrade. Temperatures rise during the period January through May and then fall from June through August due to the cloud cover. A secondary peak in temperature occurs in November and then again declines. The range of temperature extremes is greater in the eastern part of the country as the diurnal variation in the western part is modified by the Atlantic Ocean. Daily temperatures are hottest in late afternoon and coolest around sunrise.

B. POPULATION

Total population of The Gambia is estimated to be 620,000 with an annual growth rate of 2.8%. Population estimates are not reliable. There is some evidence that the 1973 census undercounted the population as the number of people recorded in 30 villages in 1979 far exceeds the number that could be expected from any population growth rate. There is also uncertainty about the population growth rate. Of the 2.8% estimated growth rate, .8% is attributed to immigration, however, it appears that migration to The Gambia recently has fallen off, particularly in the rural areas. The Gambian population is around 70% rural and 30% urban with more than 60% of the urban population centered in the capital of Banjul and the nearby Kombo-St. Mary areas.

C. TRANSPORTATION

Transportation facilities within The Gambia are relatively good for a least developed country except for river crossings. There is no bridge across the Gambia River and all north/south ground traffic must cross the river by ferry. Barges provide for transport of bulk agricultural products for virtually the entire length of the country. There is a fair to good road system throughout the country. Banjul has an excellent natural harbor which serves not only The Gambia but to a limited extent, interior Senegal and other West African countries.

II. SOCIO-ECONOMIC ANALYSIS

A. ANALYTICAL DESCRIPTION OF THE POOR

1. Farming Responsibilities

There are two main factors within the traditional farming system which affect the distribution of income and other assets. Firstly, crops are divided into two categories: Those cultivated for consumption by the household and personal crops belonging to the cultivator to be used as he or she chooses. The second factor is the division of labor among the various crops. Generally, women are responsible for rice and vegetable cultivation, while men cultivate groundnuts and other cereal crops. This has distinct effects on income distribution. While the men do have the responsibility to provide enough groundnuts to meet the family needs, there is almost always a surplus to be sold for cash. Rice cultivation, on the other hand, is much more labor intensive and, as a result, women cannot grow a surplus for sale. Their cash income from their produce, therefore, is minimal.

2. Income Distribution

Per capita income in The Gambia is about 480 Dalasis or approximately \$2,00 at current exchange rates. Over the past six years, the extended period of the First Five-Year Development Plan (FFYDP), real per capita income declined by about 1.2% per annum with the result that the Gambian population is poorer now than it was in 1974/75.

Available data indicate that the urban population, particularly that portion in and around the capital, is better off than the rural population. Average urban income, which is estimated to be D580, is not evenly distributed among urban centers. For example, urbanites in the Banjul-Kombo St. Mary area have incomes estimated to average about D680, while urban dwellers in the provinces appear to have incomes which average about D405. Further, income within urban areas is by no means evenly distributed. About 80% of the wage and salary earners in provincial towns earn only 55% of total income and the remaining 20% earn 45%. The distribution in the Banjul-Kombo St. Mary area is a little less skewed with about 68% of the workers falling in the low income group of D1,250 or less. However, a much greater percentage of the population in Banjul received incomes over D5,000 than in the provincial towns. The data appear to indicate that about two-thirds of the population in the urban areas had incomes exceeding the average incomes of those living in rural areas and that less than 16% of urban dwellers have per capita incomes less than average farm per capita income. About two-thirds of those with per capita income less than the farm average are unemployed so that only about 5% of the urban employed earn less than the average per capita income of the farm population.

Average rural per capita income is estimated to be D210.^{2/} Thus most poverty in The Gambia is among the farm population, the population group which contributes most to the wealth of the nation. While there is a small group of urban employed and unemployed who are indeed among the poorest our attention primarily will be focused on the farming poor even though it is likely that the number of urban poor will increase over the period of the Second Five-Year Plan.

Within the farm community neither income nor assets are equitably distributed among or within farming units. In particular, the inequitable distribution of income and assets between men and women should be noted.

3. Asset Distribution

Access to four assets is highly important to the income earning capacity of farmers, male or female, in The Gambia. These assets are land, credit, labor and cattle.

Land tenure is based on the village. Land ownership is based on the use of land. Villages, compounds and individuals establish land ownership by clearing and cultivating land. There are four forms of ownership:

- (a) Individually owned land which may be given away or inherited by the owners' heirs. Sons inherit their fathers' private upland and irrigated rice land while daughters inherit their mothers' swamp and rainfed rice land providing it is not thereby alienated from the village.
- (b) Compound land which should not be alienated from the compound is controlled by the compound head with senior people having more or better land.

^{2/} It should be kept in mind that all of these figures are indicative as income and population data in The Gambia are shaky at best.

(c) Lineage land which is usually shared out between the various compounds within the lineage, although some is attached to the position of village head.

(d) Lease land which has been acquired from farmers in a few cases (with compensation) by the Government for public purpose.^{3/}

For the most part farm land is not rented except for new irrigated rice land and land provided to migratory farmers or others where rent is collected through a number of subterfuges. Access to land and therefore the revenue from it is determined in the following way. Within the village, land is allocated among competing lineages by the village head in consultation with the village elders. In this traditional system inferior lineage or castes, individuals and particularly females usually get smaller amounts and inferior quality land. Land is transferred by gift or inheritance within lineages and compounds so that initial inequitable allocations tend to persist.

Agricultural credit is made available to farmers mostly through the agriculture cooperatives although the Agriculture Department sometimes provides seed and fertilizer credit in kind and the Gambia Commercial and Development Bank (GCDB) provides a small amount of medium term credit. Cooperative credit is of three kinds: subsistence loans to farmers to tide them over periods of food shortages during the rainy season, seasonal crop production credit and medium term credit for the purchase of draft animals and farm equipment. Men have relatively equitable access to credit as a means of financing agricultural production. Women, however, can only obtain limited credit and are therefore generally excluded from access to this asset and its positive effect on farm income.

^{3/} The Gambia Food Strategy Report Parts II and III, Peter Stutley, et. al., 1981, Annex 3, pp. 1-2.

Cattle ownership is fairly widespread in The Gambia. One sample survey taken in 1974 showed that 41% of the compounds owned one or more head of cattle. Cattle are owned by individuals who may own from 1 to usually not more than 50 head. Cattle serve two major purposes: (1) They are a capital reserve that is prized because their value keeps up with inflation, they multiply and they can be drawn on as needed to finance production and consumption needs; (2) Cattle, chiefly oxen, serve as draft animals. A recent sample survey showed that in principle, a majority of people had access to oxen for farm operations either as owners, borrowers or rentees. In practice, farmers with higher income are more likely to buy or rent oxen and the necessary equipment. This is equally true for both men and women. However, because of the limited credit resources available to women, those who do not own their own cattle are less likely to afford the use of draft animals and implements.

Access to labor appears to be fairly equitably distributed among Gambian farmers where the production of crops for the compound is concerned. Traditional values dictate that all compound farmers give priority to fields planted for family food needs. For personal crops, the importance of hired labor in the Gambian agricultural system cannot be over-emphasized as it plays an important role in most farming operations. However, as is the case with cattle, the better-off farmers are more likely to have the necessary resources to pay for labor. Though the widespread practice of payment in kind or by providing land and shelter makes labor more available to the less well-off, access to cash offers a distinct advantage. Since women are generally responsible for the cultivation of subsistence crops and, therefore, do not earn cash from their produce, they are even less likely to afford payments for labor than men. On the positive side, women have long established

rights and duties for their crops and have been protected from having to provide free labor for their husbands. It is necessary for men to pay in some form, often in cash wages, for the labor of women, including their wives. Similarly, women must pay men, including husbands, for work done on their fields. There is some evidence, however, that women are paid less than men for similar work.

As the previous paragraphs indicate, there are disparities with respect to the distribution of assets and income among farmers, both men and women. It appears that about 20% of the farm population has greater accumulation of wealth and consequently, better access to the resources required to increase production and income. However, the major factor affecting the status of the rural poor in The Gambia is not the distribution of assets and income but a decline in agricultural production and yields. It is not likely that an alteration of the economic or social systems in the rural community could appreciably alter the current status of the rural poor. This can only be accomplished by significant advancements in technology, management, production, marketing, institutions and farming systems.

B. MACRO ECONOMIC SITUATION

1. Economic Performance

The macro economic situation in The Gambia is difficult. The government has entered into a standby arrangement with the International Monetary Fund (IMF) in an attempt to rectify the situation. The analysis in this paper will demonstrate that the assistance provided and reforms undertaken within the context of the current and probable future standby arrangements, while useful as a palliative, will not address and rectify the fundamental structural problems of The Gambia's economy.

Over the extended six year period of the FFYDP, GDP at constant market prices increased at a rate of 1.7% per annum while population increased at an annual of 2.8%. Per capita income thus decreased by about 1.1% per annum. The two major components of GDP are agricultural production, based on groundnuts, which provides between 30 and 40% of GDP and about 90% of exports, and entrepot trade. Imports and exports are usually equal to approximately 80% of GDP; trade contributes 15 to 20% of GDP. During the period 1974/75 to 1980/81, agriculture had a minus growth rate of 6% and trade a positive growth rate of 5%. The two components which contributed the most to the growth of GDP were construction, which increased by about 75% over the six year period, and government services, which increased by a little over 100%. In 1980/81 government services replaced trade as the second most important contributor to GDP.

This poor performance of the economy had deleterious effects on the balance of payments and the Government budget. During the period 1974/75-1980/81 the balance on current accounts steadily worsened moving from a positive balance of D13.6 million^{4/} in 1974/75 to a D105.7 million deficit in 1980/81. In three of the six years the overall balance was in surplus largely due to an inflow of long-term capital. During the six years of the extended FFYDP the balance of payments deficit totaled D81.4 million despite a total inflow of long-term capital during the same period of D265 million.

The situation with respect to government finances over the extended period of the FFYDP was not much better than was the case for the balance of payments. The budgetary overall balance -- recurrent and development

^{4/} Currently the Dalasi which is tied to the pound equals about \$.40. However, during most of the period under discussion the value of the Dalasi in dollar terms was considerably higher.

expenditure plus net lending minus current revenue and grants -- showed increasing negative balances over the entire plan period. The negative overall balance increased from D6.3 million in 1974/75 to D74.6 million, an increase of nearly twelvefold. Two recent developments make the situation appear even more bleak. In 1980/81 for the first time current expenditure exceeded current revenue giving a minus balance on current account. Secondly, during the FFYDP the deficit on the overall balance was held down by fairly large grants of funds to the Treasury by the Gambia Produce Marketing Board (GPMB). These funds were generated by the groundnut export trade. With the deterioration in the groundnut business, to be discussed in greater detail below, it will no longer be possible for GPMB to make transfers to the government budget.

Two other macro economic trends should be noted. The terms of trade deteriorated against The Gambia 45% during the period under discussion. On a more positive note the rate of inflation declined by almost 75% over the Plan period to 6.8%. This was principally due to appreciation of the Dalasi during most of the period, selected price controls, and stringent wage restraints.

2. Corrective Actions

In this deteriorating situation, The Gambia adopted a financial program under a standby agreement with the IMF for fiscal year 1979/80. Though The Gambia implemented all measures under the agreement, the situation continued to deteriorate. The deficit on current account in the balance of payments increased by 38%. When the situation continued to worsen in 1980/81 The Gambia authorities requested Extended Fund Facility (EFF) assistance from the IMF. The proposal was ready to be sent to the IMF Board of Directors

when the abortive coup began in July of 1981. As a result the EFF was not sent forward and in January 1982 a second standby was arranged for The Gambia. As of the end of May 1982, IMF staff have reported that The Gambia is meeting or exceeding all requirements under the standby.^{5/} The requirements of the standby for The Gambia are stringent indeed calling for, inter alia, reductions in current expenditures, strict limits on Government borrowing from the banking system and a substantial reduction in planned investments during the Second Five-Year Development Plan (SFYDP).

Government is holding expenditure on current account within agreed limits. There is a reasonable possibility that fiscal targets will be achieved although unexpected expenses resulting from the attempted coup last July may cause expenditures to exceed targets. Furthermore, a 10% shortfall in anticipated groundnut exports may result in a revenue shortfall. While there may be some improvement in the balance of payments situation, the shortfall in groundnut exports coupled with a rise in foreign debt repayments and a probable fall in STABEX receipts means that significant balance of payments deficits will persist. Additional deterioration in the terms of trade against The Gambia and a possible increase in the rate of inflation because of the continuing depreciation of the Dalasi will probably exacerbate the situation. It is a virtual certainty that additional assistance from the IMF will be needed. Use of the EFF would be preferable but because of an outstanding disagreement between the IMF and The Gambia on proposals for additional increases in import taxes and uncertainties about the eventual structure of Senegambian Confederation, it does not appear likely that The Gambia will receive EFF assistance in the near future.

^{5/} For details see The Gambia - Standby Arrangement, IMF, February 24, 1982.

3. The Development Plan

While IMF assistance will be helpful in meeting some of the short-term fiscal and balance of payments problems, from the development perspective it is necessary to consider the longer term. This will be done by first examining the SFYDP which was initiated in 1981/82.

As noted earlier, the SFYDP has been scaled back dramatically because of the balance of payments and fiscal crisis. The original version of the SFYDP called for expenditure of over D600 million at constant 1980/81 prices including the carryover from the first Plan but this figure more recently has been reduced to D476 million. In addition there will be an as yet undetermined investment in the regional Gambian River bridge/barrage project which is planned to start toward the end of the Plan period. Other development investments outside the Plan are estimated to be parastatals, D35 million; local governments, D4 million; and private enterprise, D160 million.

The Plan will rely heavily on external financing. It is anticipated that 83.2% of the financing will come from foreign sources (88.2% if STABEX payments are included). Forty percent of the external assistance is expected to be in the form of grants with the remainder being concessional loans. Because of the stringent financial situation, Government policy is to seek loans only with more than ten year maturity at or near IDA rates. The Plan has the following major objectives: (a) achieve an adequate economic growth rate of GDP substantially exceeding the population growth rate -- GDP is projected to grow at 5.1% in real terms, population growth rate is projected to grow at 2.6% giving a per capita GDP growth rate of 2.5%; (b) remove the balance of payments constraint by promoting exports, import substitution and, most importantly, reducing internal demand for imports; (c) strengthen Government finances by strictly limiting expenditures and

increasing tax revenues.

To achieve policy and production targets the plan emphasizes investment in the productive sectors. Thirty-four percent of planned Government investment will be in agriculture, industry, tourism and trade. To this should be added the anticipated parastatal and private sector investment cited above. The second highest investment will be in transport and communications with 30% of total investment. Investment in these two areas is primarily in infrastructure which will support production. No other sector receives as much as 10% of total investment.

With this investment plan the Gambian economy is projected to show a growth rate of 5.1%, increasing GDP from D476.6 million to D581.7 million in constant 1980/81 dalasis. The increase in GDP is heavily dependent on increased agricultural production which is expected to contribute 30% of the growth. Government services, exclusive of parastatals are expected to contribute 12% to the increase in GDP, transport and trade each 13% and industry 7%.

The planners are well aware that even if the Plan works out as expected that the country will still face difficult balance of payments and budgeting problems throughout the Plan period.

The following two quotes illustrate Government's concern:

However, the overall economic framework of the second Plan, presented below, indicates that the measures already taken may not be sufficient to remove balance of payments deficits and the government's financial difficulties completely. Government revenue may not grow fast enough to meet, in addition to current expenditures, the rapidly increasing debt service payments and the domestic resource needs for financing development expenditures. The underlying balance of payments position will remain quite difficult although an improving trend should emerge during the plan period. Balance of payments support will be needed,...

Recurrent expenditure requirements will increase over the second Plan period for two reasons. First, after completion of development projects,

expenditures are required for the operation of the services and for the maintenance and replacement of the capital assets. Second, debt service will increase rapidly as taxpayers start paying for investments during the first plan period. Debt service on government contracted loans alone will increase from an estimated D9 million in 1981/82 to D15 million by 1985/86. 6/

The Plan projects the following trends in the balance of payments and the budget over the Plan period: The deficit on the overall balance is expected to total D141 million and on current account is expected to be D268.9 million. Holding the balance of payments deficits to these levels is dependent on increasing receipts from groundnut exports by almost two-thirds while holding the increase in imports to 7% in constant 1980/81 prices over the Plan period. Recurrent expenditures at 1980/81 prices are scheduled to increase only 22.5%. Achievement of these objectives is, of course, dependent on reaching growth targets.

4. Growth Prospects

It is unlikely that the Plan will reach its target growth objectives. As noted above, almost 30% of the growth is scheduled to come from increased agricultural output. To achieve targeted agricultural production levels a 5% per annum increase in output is required over the period 1981/82-1985/86 starting from a base output in 1981/82 of 175.8 thousand tons. This increase in output would require an annual growth rate of 5.5% in groundnut production and an annual rate of growth of 4.6% in cereal production.

The likelihood of these agricultural growth targets being achieved is, at best, uncertain. During the six years of the first Plan agricultural production decreased at an annual rate of 6% per annum; groundnut production decreased at an annual rate of about 17% per annum. With respect to cereals, only irrigated rice and maize production increased during the first Plan

6/ Five-Year Plan for Economic and Social Development 1981/82-1985/86
Banjul, 1981, pp. 37 and 39.

period. Overall cereal production decreased marginally, about 3%, over the Plan period. The decrease in cereal production would have been substantially greater but irrigated rice production increased by about 10.5% per annum. Thus, based on recent historical achievements it does not appear reasonable to suppose that agriculture could achieve the growth targets established for it. For example, during the base year of 1981/82 groundnut purchases from farmers were projected to reach 93 thousand metric tons. However, actual purchases were only 84 thousand tons, almost 10% less than the amount projected. Thus the growth rate needed from groundnuts will have to be larger than planned to achieve output targets, an event which appears highly unlikely given the record during the FFYDP. If the shortfall in expected production is taken together with an estimated 16% decrease in groundnut prices during 1981/82, it is obvious that growth in GDP during the first year of the Plan period will be less than projected with consequent adverse effects on the balance of payments and Government revenues.

Growth in the other productive sectors, industry and trade, also appears likely to fall short of planned growth rates, even though FFYDP growth rates for both industry and trade are comparable to those projected for the second Plan. First, because both trade and industry will be starting from higher output bases during the second Plan than they did during the first Plan, the magnitude of increases in output from trade and industry will have to be substantially larger than during the first Plan period. Secondly, expansion of trade and industry is partially dependent on agricultural growth which we have indicated will probably not be as great as expected. Finally, expansion of trade and industry depends on the expansion of markets. Expanding markets in the current Gambian context essentially means enlarging the market areas

beyond the boundaries of the country. At this time there is no certainty that the necessary reduction in customs duties among West Africa countries for the expansion of Gambia's market will occur in the near future.

On balance, it appears likely that growth achieved under the second Plan will fall short of planned objectives. How far short is difficult to project with accuracy but a conservative estimate would be that no more than 60% of the planned growth rate of 5.1% per annum is likely to be achieved. This, of course, has grave implications for two major problem areas in The Gambia: the balance of payments and the budget. The extremely tight situation projected in the SFYDP for these two elements is liable to be even more critical than anticipated. If so, this will in turn have adverse effects on the development budget and the Government services necessary to implement and maintain development investments. This will, of course, contribute to any shortfall in growth rates during the Plan period.

C. AGRICULTURE

1. Cropping

Agriculture is the most important sector of The Gambia in terms of its current contribution to GDP, employment, trade and revenue. As noted earlier it accounts for over 90% of export earnings and contributes through exports over 15% of Government revenues. During the extended period of the FFYDP, agriculture had a net negative growth rate of 6% per annum. Production of all major crops except irrigated rice and maize declined but the major decline was in groundnut production. This decline in production is usually attributed to drought, and undoubtedly drought had its effect. However, this does not explain why production of groundnuts in the dry years of the

late '70s and early '80s should have been substantially below groundnut production during the dry years in the late '60s. Neither does it explain why groundnut production was decreasing while maize production was increasing. It appears that there is a secular decline in groundnut production which can not be fully explained by the weather. The reasons for this decline are not known. What is known is that it has occurred despite a \$20 million Bank project largely focussed on groundnut production, a fivefold increase in the amount of fertilizer used on groundnuts over the past six years, a similar increase in the use of animal powered agriculture implements and 64% increase in the price paid to producers while the inflation rate in The Gambia was being substantially reduced. A number of possible reasons for this decline in groundnut production have been advanced but not yet confirmed. These include: adverse weather has led farmers to become more preoccupied with food security and they have switched from groundnut to coos (scrghum or millet) production; over the past few years, the number of migrant workers coming into The Gambia has declined and labor shortages have brought about a decline in production; groundnut seed has deteriorated and this has adversely affected production and; lastly, farmers find they can increase their income by switching to other crops.

In addition to problems with production, the price of groundnuts in international markets has been steadily declining. Over the past three years decreasing prices for groundnuts on the international markets, increased prices paid to producers and increased operating expenses for marketing groundnuts has led to a situation in which resources are being transferred from the rest of the economy to agriculture.

The situation in cereals is similar to that in groundnuts, except for irrigated rice and maize, though production has tended to be more stable.

At current prices paid for maize, returns to farmers are greater than for groundnuts. Farmers have responded in those areas where maize production is possible by switching from groundnut production. All maize entering the formal market is purchased by GPMB which this year initiated exports of maize to Nigeria.

The situation with respect to rice production is quite different. Rice is the main staple food consumed in The Gambia. Over the past six years approximately 60% of the rice sold in the market was imported. Most of the rice produced in The Gambia is consumed by the producer or traded at the village level. However, the portion of the crop marketed through the GPMB is increasing as irrigated rice production increases. In 1974/75 only 1.8% of rice production was moved through formal marketing channels; by 1979/80 this had increased to 10.2%. During the same period irrigated rice production increased from a low base of 4,600 tons to 9,100 tons. During this same period the output of non-irrigated traditional grain crops did not increase. The following factors explain most of the increase in irrigated rice. During this period the third phase of a major rice production project was being implemented with Chinese assistance. Improved high yielding varieties were introduced, cultivation was done with power equipment, fertilizer was applied and production practices including water application were closely supervised.

In sum, irrigated rice was produced with a well managed, high technology package. In addition, costs of production were heavily subsidized by the Government, up to 85% for such items as plowing, fertilizer and seed. No charge was made for water use. An additional de facto subsidy has been provided by the failure of farmers to repay over D3 million in loans. Finally, farmers are paid a generous price, about 47% above import parity.

The rice is also heavily subsidized at the consumer level. The producer subsidy per ton of paddy is estimated to be about D200 and the consumer subsidy to be about D203 per metric ton of milled rice. Clearly, the increase in irrigated rice production has been obtained only by transferring resources from the rest of the economy to rice producers. "But the policy on local rice has resulted in large losses per MT, Tables 4.1 - 4.4 (not included) show that to pay D463/MT for paddy and to sell the milled rice at D780 in Banjul involved a loss to the GPMB of D256/MT milled. With only about 4.5 thousand MT of paddy bought, this loss amounted in 1980/81 to about 'only' D668 thousand. In the future it is planned to increase the marketed surplus to many thousand MT. If so the subsidy losses will become very large."^{7/}

Given the financial condition of the Government and of GPMB which is currently operating at a loss it would be difficult indeed to sustain current levels of subsidy let alone pay the additional subsidies needed to increase rice production by the 93% projected during the second Plan period.

The problems related to rice production are particularly important because the Government plans over the long term to increase rice production substantially. The Organization Pour la Mise en Valeur du Fleuve Gambie (OMVG), whose members are Senegal, Guinea and The Gambia, is planning to construct a bridge/barrage at or near the place where the Trans-Gambia highway crosses the Gambia River as a part of a comprehensive Gambia River Basin development program. If the OMVG is successful in raising the necessary financing from donors (probably \$125 million or more), construction of the bridge/barrage is scheduled to begin in 1984/85. The barrage is

^{7/} Studies relating to marketing and pricing policies for agricultural produce and inputs in The Gambia, PPMU, Ministry of Agricultural, 1981, p. 34.

expected to provide irrigation for 24,000 hectares. Crop production from this irrigated scheme would not begin until after completion of the second five-year plan. The Gambia currently plans to produce rice on this 24,000 hectares. Such a plan would not be feasible at current levels of technology and management practices. The 24,000 hectares would enable The Gambia to produce a significant surplus of rice. However, unless The Gambia is successful in reducing per unit costs of rice production substantially through such activities as the current Johaly-Pachar rice project, either production would have to be subsidized at a high level or rice prices would have to rise. Either way it would entail a substantial drain on the treasury to pay the subsidy or to increase wages because of the increase in price of the wage good. There would be similar problems with rice exports. Because costs of production are high in The Gambia in comparison to other rice producing areas in the world, it is likely that The Gambia would have to sell on the world market at a loss. Neither alternative is acceptable from the balance of payments or budgetary perspective. On the technical level, rice is a prodigious consumer of water compared to other possible crops which on an opportunity cost basis may make rice even more uneconomic to produce.

Because rice prices, along with other grain prices, are expected to increase over the medium-term as world demand increases, it probably makes good economic sense for The Gambia to explore ways and means of reducing per unit costs of rice production so that Gambia rice is competitive on the world market. However, in order to assure that comparative advantage is maximized; taking into account food security, research on alternative cropping responsibilities is essential.

It is obvious that Gambian agriculture is plagued by both production and marketing problems. Some of the constraints to production can be

identified but further study and analysis is required to obtain a comprehensive understanding. The major constraints are technology, labor and management. The level of technology at which farmers operate is relatively low. Except for irrigated rice production there has been little in the way of introduction of technical packages which have had any discernable positive effect on either per hectare or per labor day of output. As indicated earlier, the situation with respect to groundnut production is negative. The available evidence is that there has been a secular decline in groundnut yields since 1974/75 so that in 1980/81 per hectare yields of groundnuts may have been only 50% of yields in 1974/75. One can only conclude from this that an appropriate technical package has not yet been developed.

That there is a labor constraint to production appears certain but is not quantifiable. A qualitative assessment indicates that labor constraints occur as would be expected at planting, weeding and harvesting. It has been demonstrated that using draft animals will lessen labor constraints at sowing and weeding times but not at harvesting. Determination of the magnitude and effect of labor constraints can only be determined through additional studies; however, it is possible to identify some of the reasons for labor shortages. There has been a decrease in the number and an increase in age of village farm workers. This has occurred because farm youth, particularly males, are moving from farm villages to urban areas. The annual rural to urban migration of adults is about 2.5% of the adult farm labor force. This group is largely made up of young males between 15 and 35. A decrease in migrant labor of various kinds has also reduced labor availability. Finally, health problems adversely affect labor utilization. Morbidity is highest during the growing and harvesting season. As agricultural activities increase with

the coming of the rains, the supply of food decreases and the incidence and severity of common diseases such as respiratory ailments, diarrhea and malaria increase substantially. The labor force is thus weakest at the time the greatest demands are placed on it.

The existing structure of the agricultural support services is another constraint to agricultural development. The leadership in the Ministry of Agriculture is aware of management and field level shortcomings and is in the process of developing a reorganization of the Ministry to cope with it. Included in the reorganization plan will be the development of training programs to increase both management and technical capability at the middle staff and field extension levels to strengthen the linkage between farmers and research.

Within the traditional system, farmers have proven to be very efficient in the management of their limited farm resources. However, without a change in available inputs and/or farming practices, the existing system offers very limited prospects for production increases. Farmers seem reluctant to absorb new methods and technologies, making it difficult to reach solid conclusions about the relative importance of labor or technologies on production. Apparent labor shortages or the failure of new technologies to bring about increases in output may in fact be due to a lack of farmers' understanding of the methods for utilizing new inputs. Again, this may be remedied by improving the farmer-research linkage. On the other hand, the objective to increase production outputs may in itself be in conflict with other objectives of the farming unit. Whatever the cause of the failure to maximize the use of available resources within the farming system, the impact on production is negative and is a factor which must be taken into account in developing programs to increase agricultural production and incomes.

2. Marketing

The major marketing problem in The Gambia is with groundnuts. About 85% of the groundnuts produced are sold in the international market in which prices to The Gambia are perfectly elastic. Until the 1978/79 crop year the GPMB made a substantial profit on sales of groundnuts, accumulating excess profits which they invested in enterprises or transferred to the Government as a grant to the development budget. While groundnut prices paid to farmers were substantially below export prices minus marketing costs there is no evidence that groundnut prices were a disincentive to production. Certainly increased producer prices since 1974/75 have not had a positive effect on groundnut production.

In 1978/79 the profit of GPMB dropped sharply and moved to a deficit position in 1979/80 and 1981/82. The cause of this turn-around was increasing farmgate prices. From 1978/79 through 1981/82 the FOB price declined by 22%, marketing costs increased by 53% and prices paid to farmers increased by 19%. By 1981/82 the world price of groundnuts had decreased and the farmgate prices increased to levels which would have resulted in a deficit even if GPMB marketing costs had not increased after 1975/76.

The Gambia is clearly facing a crisis because of its dependence on groundnut exports. With decreasing output, increasing costs of production and declining world prices groundnuts can no longer provide the foreign exchange earnings necessary to sustain the high level of imports characteristic of an open economy like The Gambia. The situation is deteriorating to the point where the continued importation of rice which is the basic staple food may be in jeopardy. There does not appear to be any relief in sight. While World Bank commodity price projections indicate that groundnut prices may reach their nadir over the next two years and start to move upward

again, the price is not projected to increase sufficiently over the next few years to reverse the adverse terms of trade for groundnuts, including the groundnut/rice terms of trade. There appears to be little future in The Gambia continuing its almost total dependence on groundnut production. While, for a variety of reasons, it is essential for The Gambia to continue production of groundnuts at least over the short to medium term, it is equally essential for the Government to begin now to seek alternatives to dependence on the groundnut export trade.

Prices paid by GPMB for other agricultural products do not appear to be a problem except for rice where it is improbable to suppose that the Government can continue to maintain prices and subsidies at present levels. Prices paid for cotton and maize appear to provide adequate incentives to farmers.

3. Institutions

The institutions important to agricultural production and marketing are the GPMB, research, extension and cooperatives.

GPMB is a large parastatal originally developed during colonial times as a semi-autonomous agency to manage the export of groundnuts and the import of rice. In the middle 1970s it had a turnover of more than D150 million which was about twice as large as Government's current budget.^{8/} GPMB has a monopoly for the purchase, processing and exporting of groundnuts and two minor crops, cotton and palm kernel. It also imports and wholesales all rice brought into the country, buys, sells and processes domestically produced rice and maize, and imports and distributes fertilizers and seed.

^{8/} The Gambia Country Economic Memorandum, Vol. 1: The Main Report, World Bank, 1980, p.16.

The GPMB owns a river transport company, oil mills, a lime juice and oil plant, two groundnut processing plants, a rice mill, soap factory, and a poultry feed plant, and has investments in a hotel and the GCJB. The GPMB has also been a major contributor to the public sector, providing D58.9 million during the 1974/75 to 1978/79 period alone.

The largest and, until recently, by far the most profitable of its operations has been groundnuts. In recent years GPMB operating costs have been increasing at a rate which cannot be explained by inflation. The reasons for this apparent decline in efficiency are unclear but may be related to changes in volume of groundnuts processed or management problems associated with expansion into a wide variety of operations. What exactly the problems are can only be determined by a detailed examination of GPMB's operations by someone thoroughly familiar with British accounting practices.

The cooperative movement in The Gambia consists of the Department of Cooperation, the Gambia Cooperative Union (GCU) and 62 primary societies and 36 thrift and credit societies. Under a women's program, there are approximately 20 pre-cooperative associations at the village level which are treated as informal cooperative societies without legal status. The coops play an important role in groundnut marketing by purchasing from its members between 60 and 80% of the total crop for delivery to GPMB. In addition the coop sells fertilizers and farm equipment to farmers and is the major source of farm credit. There are three types of credit furnished by GCU: subsistence credit, input credit and production credit. The largest by far is subsistence credit, about 60% of the total, which is loaned to farmers for buying food during the "hungry season", the two to three months before harvest. In 1979/80 loans by the Cooperatives to farmers were D9.2 million for subsistence and input credit and D2.1 million for short-term

and medium-term loans under the World Bank-assisted Rural Development Project, for a total of D11.3 million.

The liquidity position of the GCU is precarious at best. As of January 1981 the GCU had failed to meet its obligations to the GCDB on an indebtedness of D25.0 million. This is due to failure of farmers to repay loans. There is little chance that the majority of the farmer loans will be paid off because in early 1982 the President announced that farmers' debts were cancelled.

Research in The Gambia is limited. There are two crop research stations, one at Yundum near the capital city and one at Sapu near the middle of the country. Research is mostly limited to variety trials on rice and maize. In carrying out the trials, the research stations have made adequate utilization of plant material from international research institutions and other sources. Some additional research is being done on cowpeas and forage under the AID financed Mixed Farming Project. Particularly with respect to rice, the research station at Sapu does a reasonable job in getting information to the extension service.

There appears to be very limited research underway in such fields as agronomy, entomology, social science, economics, engineering or livestock. Most importantly, there appears to be little research on groundnuts. Increased efforts in research on both irrigated and non-irrigated crops, livestock, integrated farm operation, alternative production possibilities, marketing, farm management, etc., is essential. While some of this research is being undertaken under the AID Mixed Farming and the World Bank ADP projects, more is considerably needed. Greater understanding of the function of farm societies is also necessary if research results are going to have any real impact on production and income. Increased integration of extension with

research is also necessary.

The Gambia has a large extension staff for a developing country with one extension worker for each 300 farming units. "However, it appears that, even on a subjective assessment, the benefits in agricultural production are at present outweighed by the costs of salaries and time involved."^{9/} As noted above, the Department of Agriculture is currently working on a plan for restructuring the extension service in a way which will increase management effectiveness. The service also needs to deal with such issues as the relationship with research, the quality of information to be extended, and the most effective method of establishing two-way communication between the service and farmers. The Extension Service also needs to improve substantially its coverage of female farmers.

4. Livestock

a. Livestock for Meat

Mature cattle are sold for market in urban areas. These herds roam the countryside in the dry season, seeking forage. The mature herds apparently form a communal herd that are the users of permanent grazing lands located some distance from crop lands. There is little or no management of permanent grazing lands for the most effective utilization of native forage and no effort to improve feed production on such grazing lands. Apparently, with the exception of draft animals, excess males are not castrated, and mating is rarely controlled. Thus, there is little selection for genetic improvement of the cattle. With better control of the cattle population, sustained selection of more vigorous animals should be feasible. At present, natural survival is a controlling force for the majority of the national herd.

^{9/} The Gambia Food Strategy Report Parts II & III, Peter Stutley et. al., 1981. p.102.

The small ruminants (goats and sheep) are of the size suitable for slaughter to supply local villages and compounds. The management of small ruminants is largely that of allowing free movement throughout the villages and arable land areas gleaning and scavenging for feed supplies.

There are opportunities (not exploited) for animal improvement by selection of superior animals and controlled mating. There are promising opportunities for providing adequate nutritious feeds for increased reproduction, for rapid growth, and better fleshed carcasses.

b. Livestock for Milk

Milk from cattle is a customary food for virtually all rural families. There is some sale of milk in nearby villages, but no commercial collection or processing of milk for market. Lactating females are herded during the day and are separated from their calves in order to permit the females to build up a milk reserve for evening milking and feeding. It is well known that milk flow from any cow is suppressed or terminated when feed quality and supply is inadequate, or when water supplies are deficient. Under present management practices, the milk flow must be limited. When lactating animals are being herded by a hired herder, who has the privilege of selling the milk to nearby villages, there is certain to be loss of calves that are deprived of adequate milk in the suckling stage.

The present system of managing milk production could be greatly improved. This would require segregation of the milk animals to give them the feed and water needed, and more reliable production of feedstuffs to sustain these animals during the long dry season. Careful allocation of daily milk is necessary to support the calf, while providing milk for human use.

c. Animal Power

Draft oxen are widely distributed, but not uniformly available to land users. They are used to draw ox carts, and for tillage of the soil. All of the oxen are in good flesh, and docile. It seems probable that they are given adequate feed and water. The N'Dama cattle make good draft animals. Their maintenance is provided by indigenous forage and entails no expense. The reproduction and sale of young oxen as well as the hiring out of draft teams during the planting season, may provide a supplementary source of income.

d. Forage

The harvest and storage of feeds from crop residues and by-products of volunteer forage are practiced on a moderate scale, e.g. groundnut hay are stored and fed to draft oxen and fattened sheep.

There is limited growth of soil-improving crops in rotation with cereal grains and groundnuts. Acceleration of this practice, combined with suitable soil treatments, should make possible sustained cropping on arable lands and eliminate the relatively useless "fallowing" that is now practiced. The forage grown on crop land will provide economic returns from livestock as well as serving as a soil-improving crop. The AID Mixed Farming project is addressing this issue in its forage and livestock components.

e. Land Tenure

The land tenure system, which has been described earlier, imposes some constraints to increased crop production to the extent that it does not provide security of tenure. Such security is provided on individually owned land but not on compound or lineage land. These two types of land are reallocated with the death of the lineage or compound head and so the

cultivator always has some uncertainty about whether he or she will be able to cultivate the land. As long-term exclusive use of arable lands is essential if such lands are to be improved in productivity by prudent management, the lack of secure tenure on compound and lineage land appears to be a disincentive to production.

There are definite land tenure problems with respect to livestock and forestry. Livestock in The Gambia are free to graze on any land not under cultivation or fenced. Land tenure arrangements do not govern the use of the land by livestock. Because forage is available to the first claimant, the landowner would be unable to plan on the utilization of forage on his land in an integrated crop/livestock farm operation. Security of tenure for the owner is essential for all potential uses of the land including livestock production if an efficient farming system is to be developed.

There are two aspects of the land tenure system which adversely affect tree maintenance and growth. Because livestock are permitted to roam freely and use any land available without respect to tenure they are destructive of trees and tree growth in two ways. In open woodlands livestock will eat the seedlings and retard multiplication of trees. In closed forests cattle herders will want to open up the forest to encourage growth of forage grasses and bush and they will burn the forest to make this possible.

Secondly, because tenure arrangements only apply to cleared land, rural residents do not have a proprietary interest in protecting open woodlands or closed forests. Consequently, there is limited interest in preserving and fostering tree growth by preventing destructive practices. In addition, because land ownership can only be established by clearing land, people will burn and destroy forests and woodlands in order to establish use rights over the land.

While current land tenure arrangements probably do not seriously interfere with crop production increases at current levels of technology, it is apparent that they are not conducive to improving management and productive capability in livestock or forestry. Modification of tenure arrangements for land not in use for crop production could perform an important function in creating a framework in which livestock and forest improvement activities could be carried out at all levels.

D. PRIVATE ENTERPRISE

1. Introduction

There are six categories of productive activities in The Gambia which offer a potential for private enterprise development. These are agricultural marketing, trade, manufacturing, construction, services, and banking.

2. Agricultural Marketing

Agricultural production, which has been analyzed elsewhere in this paper, is wholly a private enterprise activity. On the other hand much of agricultural marketing and processing is carried out by the public sector. Despite the domination of certain segments of agricultural marketing by GPMB, there is substantial private marketing of agricultural products. The buying and selling of millet, sorghum, cassava, non-irrigated rice, horticultural products, most meat products, artisanal fish and fruit are in private hands. Most of these products are exchanged in domestic markets but there is a considerable export of fish, cassava and mangoes to other West African countries. Marketing these farm products domestically in towns and villages is a very small retail business. While both businesses and transactions are small, in total these retailers market a substantial quantity of agricultural products.

3 Trade

Trade, other than marketing of agricultural products, is the second most important productive activity in The Gambia. Trade includes both domestic and international markets. Development of the re-export trade has increased the contribution of trade to GDP far beyond what could normally be expected in a country the size of The Gambia. The basis for this trade has been comparative trade advantages, excellent harbour facilities, simple entry procedures and a relatively open border with Senegal. This extensive entrepot trade relation ranges from Sierra Leone in the south to Mauritania in the north to Mali in the east.

Current developments are inimicable to the continued flourishing of the re-export trade. Senegal which is a gross recipient of approximately 25% of The Gambia's entrepot trade and a net recipient of 15% is anxious to put a stop to the trade to protect its own markets and increase tax revenues. The creation of the Senegambia Confederation has provided Senegal with an opportunity to achieve its objective as harmonization of fiscal policy is a component of the Confederation. A second threat to the re-export trade comes from the current IMF staff level efforts to get The Gambia to increase tariffs to the point where the extra-legal re-export trade would be eliminated. Of course, legal trade would be eliminated at the same time with consequent impact on Government revenue, employment and economic growth.

4. Manufacturing

There are 40 medium and large scale manufacturing enterprises in The Gambia, most privately owned or with majority ownership by the private sector. Investment in manufacturing during the 1974/75 to 1978/81 period was D3.6 million for the public sector and D25.8 million for the private sector. Almost two-thirds of the amount invested in private enterprise

manufacturing was for food and beverages. Thirty new manufacturing plants were established and employment increased by 147% to 1161. Public sector employment in manufacturing during the same period declined by 20% to 2095.

The Government has encouraged private enterprise by providing incentives under the Development Act of 1973. Concessions include exemptions from import duties and income and corporate taxes for up to eight years plus the opportunity in certain cases for profits to be written off against previous losses for several years after the tax holiday. In another effort to boost private enterprise development, the government established the Indigenous Business Advisory Service (IBAS) with ILO assistance to provide management training and guarantee loans from GCDB. In four years, IBAS had assisted 87 enterprises and guaranteed 78 loans.

In addition to medium and large scale manufacturers there are numerous small artisanal enterprises producing a wide variety of consumer goods in the towns and basic farm tools in the villages. There is no data to show how many people are employed in these enterprises but the number is probably substantial.

Constraints to expansion of manufacturing over the next few years include a tightening of credit, foreign exchange scarcity and a limited market because of tariff barriers in other West African countries. While there is probably little that can be done over the next five years about the first two problems, progress in negotiations to lower intra-West African tariffs is a possibility.

5. Construction

Both the public and private sectors are involved in construction. There are 36 small to large private construction firms operating in The

Gambia of which four have the necessary skills and equipment to do relatively heavy construction, e.g. office building, warehouses, etc.

In addition there are a fairly large number of petty contractors and individual, skilled workers who engage in construction activities. While construction activity increased significantly during the first plan, the same kind of growth is not envisioned for the second Plan because infrastructure construction will be less important and the hotel industry which financed substantial construction activities during the first Plan is not expected to expand at all during the second Plan.

6. Services

The major service industry is largely the tourist business which is mostly owned and operated by private enterprise. The Government does have sole or majority interest in a tourist company and two hotels. The tourism business started in the early 1970s and expanded rapidly. During this period 17 tourist hotels were constructed providing employment in the hotels and associated industries to about 3,000 people. However, with the onset of a recession in Europe and the attempted revolution in July 1981, tourism has decreased substantially and it is expected that the next few years will be a period of consolidation.

7. Banking

The Gambia banking system consists of a central bank, four commercial banks, one of which also does development financing, an Agricultural Development Bank (ADB) and a postal savings bank. Three of the four commercial banks are substantially owned by foreign private investors. The largest bank is GCDB, which is 51% owned by the Government with the remaining shares held by the GPMB and GCU. Of the other three Commercial Banks, one is substantially owned by the British Standard Chartered Group, one by American,

Belgium, French and German banks and the third is privately owned by one Gambian and three Frenchmen.

8. Prospects

Investment opportunities in The Gambia are limited for reasons cited above. However, there are some areas where a fair amount of expansion may take place. Fisheries have an excellent opportunity with a bountiful supply of fish and seafood available for processing and marketing through West Africa and in the developed countries. Other significant opportunities exist for the development of businesses which supply produce, meat and poultry to the tourist industry. There may be a small but good market for agricultural equipment such as plows, seeders, carts, etc. There are also reasonable prospects for expanding a variety of service industries and a variety of manufacturing opportunities ranging from batteries to cement.

9. Foreign Investment Climate

According to Government officials and members of the business community the main constraints to significant foreign joint ventures have been the size of the Gambian market and the lack of Gambian equity partners. Official Government policies towards investment have not been constraints. There are at least 10 firms with significant direct foreign investment components outside the hotel industry. They range from a beer and softdrink plant to a modern concrete mixing operation. Most serve only local markets but at least two are clearly aimed at producing items for the export market which are now imported for re-export. There is also foreign participation in the Seagull Cold Stores, a fishing operation which is 51% owned by Ghanians. The major hotels also represent a sizeable foreign and local investment.

The formal investment climate as reflected in the Development Act is liberal. There are no specific regulations concerning minimum local equity

participation and there are instances of majority foreign ownership. Neither are there regulations concerning minimums of local manufacturing inputs although^{an} existing ECOWAS agreement specifies 35% local value added for a product to qualify for favorable tariff treatment in the zone.

Overall, The Gambia is open to free enterprise and relatively unencumbered by complicated investment, import, tax or labor regulations. Labor costs are low for the region, and the level of infrastructure in harbour facilities, road transport and air traffic is excellent. Problems do exist however: foreign exchange is always in short supply; public utilities are shaky, particularly the capacity of the electric-generation system; there also seem to be excessive bureaucratic delays confronting private entrepreneurs trying to launch enterprises. However, The Gambia's position as an entrepot trade center with extensive trade connections and its interesting resource base makes it a very natural prospect for development into an export oriented manufacturing economy.

E. FORESTRY

1. Forest Production

While there are approximately 480,000 hectares of natural forest cover in The Gambia and an additional 1,500 hectares of plantations, the actual known volume of projection is unavailable at this time. The Federal Republic of Germany is financing a production and species inventory of the forest through its technical assistance agency, Gesellschaft and fur Technische Zusammenarbeit (GTZ), but the results of this study are not expected to be completed until October, 1982.

2. Forest Product Use

a. Fuelwood

The use of fuelwood by households and small industries accounts for 85-90% of the wood harvest in The Gambia. Fuelwood supplies nearly 100% of domestic cooking and heating energy in the nation. At market prices, fuelwood consumption could account for 10-15% of 1981 urban incomes and 25-30% of rural incomes. This is skewed by the fact that the majority of market fuelwood is sold in urban areas where incomes are higher, while the bulk of rural fuelwood will be self-produced or bartered. Nonetheless, fuelwood represents an essential economic and social commodity in The Gambia.

All recent forecasts in the Sahel region predict a continuing reliance on fuelwood for household use. As incomes rise, per capita consumption may also rise, but will likely be constrained by scarcity prices (monetary or non-monetary).

Openshaw's Fuelwood Consumption Survey^{10/} estimated per capita consumption of 1.36 m³ per annum in The Gambia. The World Bank has recently estimated 0.66 m³/capita for The Gambia. The banning of charcoal production since the Openshaw survey would be expected to reduce fuelwood consumption to some degree. An intermediate estimate of 1.0 m³ per capita will be used in this analysis.

There are several qualitative consumer preferences in the use of fuelwood in the Sahel, and The Gambia is no exception. The denser species are preferred and will command a premium price. However, under Gambian economic conditions, these preferences can be expected to shift rapidly with increasing scarcity and rising prices for preferred species and forms of fuelwood. Almost any seasoned wood can be assumed useful for fuelwood

^{10/} Funded by ODA, July 1973.

together with some agriculture wastes (e.g. cotton-stalks), under conditions of relative scarcity.

b. Construction Materials and other Forest Products

The remaining 10-15% of forest products is used primarily in various forms of construction. One of the most valuable construction materials in The Gambia is the Rhun Palm. The wood of the male palm is termite-resistant, relatively easy to saw, and has excellent strength/weight proportions. It is usually split by small operators. Openshaw estimates annual consumption of rhun palm to be 3,000 cubic meters of roundwood-equivalent. Small poles are also manufactured from other species such as *Gmelina aborea*, *Cordyla pinnata* and *Daniella oliveri*. These poles are usually less than 15cm (6") but diameter and are used for many of the same construction applications as rhun palm (roof trusses, wall framing and fencing). In total, 34,000 m³ of small poles are used annually in The Gambia. In addition, about 8,000 m³ of bamboo is used in housing, fencing and utensils.

Other sawnwood is also used for framing, and in furniture, sash and door materials, carts and boats, and many other local applications. Openshaw estimated that about 14,000 m³ of roundwood is sawn in The Gambia each year. There is only one sawmill, fifteen miles from Banjul, and a few recognized pit-sawing operations.

The estimated annual consumption of domestic forest products in The Gambia in 1981 are as follows:

<u>Product</u>	<u>Consumption (Thousand m³)</u>
Fuelwood	600
Poles	34
Bamboo	8
Sawnwood	14
Rhun Palm	<u>34</u>
TOTAL	687

In addition, a host of minor forest products is collected or manufactured in the country. Important examples include vines, herbs and medicines, palm fronds for roofing, bark for tanning and resins for incense.

In sum, the (renewable) products of the native forest of The Gambia provide the bulk of home energy requirements, critical components of most houses, industrial and farm buildings, widespread components of transportation, most home furnishings, most domestic, industrial and agricultural fencing, and many minor products of importance to rural villages. However, according to preliminary production estimates from the GTZ inventory overall wood supply/demand does not appear to be in serious imbalance in The Gambia.

3. Conservation of The Gambian Environment

Forests have always played an important role in the general ambience of the Gambian countryside and have performed important functions in soil and water conservation. These functions lead to a marked enhancement of agricultural productivity, over the long term. Finely structured local soils are stabilized against erosive action of wind and water. Nutrients are recycled from deep beneath the surface layers to soils which are often depleted. Some trees add nitrogen to the soil. Soil-water relationships are normally enhanced by the actions of shading, improvements of soil structure, deeper circulation, and a general improvement in ambient moisture content and precipitation in the long-run.

Along the riverbanks, which form a productive frontier over 1,000 km long in The Gambia, mangroves and other trees stabilize the banks and provide^a protective habitat for fishes, mollusks, and productive organisms.

Forest provides the main shelter for the varieties of famous Gambian bird-life and for the heavily degraded remnants of mammalian wildlife.

Around each village, and in the agricultural areas, trees provide a crucial component of community environment quality and aesthetics. In addition, tree-crops provide important vitamins, nutrients, and diversification to local diets. Trees and woody shrubs can provide shade, soil enhancement and fodder for livestock.

4. Forest Resources - Status and Trends

Before commercial agriculture, The Gambia was probably 90% forest and tree savanna. The natural grasslands and swamps, and the tiny fields and early agriculture would have been small openings in the native cover. One major ecosystem division occurred at the high water mark, with mangroves and riverine species below and a wide range of uplands having densely closed forests. Most of this transition area (from the rainforest to the Sahel) was a relatively open, two-storied tree canopy with tall grasses underneath. Over a century of population and agricultural expansion has radically changed The Gambia landscape. The mangroves are relatively intact, although currently showing signs of some environmental or evolutionary stress. Even though only 5 to 18% of the land in The Gambia is cultivated in a year, most of the forest has been affected by agricultural fire and wood cutting.

The trend in the country is that of protecting the entire forest estate and in establishing tree plantations and village woodlots in order to help supplement future demands on the forest resource. The approach of protecting the forest on a national basis is being accomplished with improved forestry extension work. A high priority with the GOTG is in controlling and hopefully eliminating bush and forest fires. For example, an upcoming UNSO project will supply firefighting equipment and introduce appropriate firefighting techniques. The incorporation of land use planning in rural

and urban schemes is also being given high priority.

F. MANAGEMENT AND TECHNICAL SKILLS

The Gambia faces a severe problem with respect to capital utilization. While there is no data which can be cited in support, there is ample qualitative evidence that capital is under-utilized and wasted. The apparent causes of this are lack of adequate management skills and technical knowledge.

Capital in The Gambia is under-utilized in three ways. It is almost never used at or near operational capacity. It is more normal for plant and equipment to operate at levels far below capacity. Illustrative of this is the rice mill which is reported to operate at less than fifty percent of capacity. Secondly, capital is under-utilized because of a lack of adequate maintenance. Equipment and machines are irreparably damaged and effectively liquidated within periods of time much shorter than the design lifespan of the item. A third type of under-utilization of capital occurs because of mis-allocation of resources. Because either labor or materials critical to maintenance of capital equipment is not allocated, the investment is destroyed. Illustrative of this is the recent destruction of 500 acres of newly planted tree plantation by fire because fuel had not been allocated for firefighting equipment. This is, of course, a special type of management problem.

In a country which suffers severe financial constraints as reflected in current balance of payments and budgetary problems, such capital wastage is a major constraint to economic development. The opportunity cost of expenditure for early replacement of machinery equipment or fixed capital is the products foregone from new investments.

The primary cause of capital destruction and under-utilization is lack of workforce with adequate technical and management training. In The Gambia this is particularly noticeable at the middle management and higher skill level which includes mechanics, machine operators, etc. While it cannot at this time be quantified, a much more effective use of resources, domestic and foreign, could be achieved by reducing capital wastage. To do so requires immediate attention to training the necessary workforce.

G. OTHER AREAS OF INTEREST

1. Health

Patterns of disease are shaped by multiple factors. In LDCs the prevalence of communicable diseases and maternal and child health problems dominate the list of maladies occurring in inordinate numbers. Factors of income, diet, access to clean water and standards of environmental sanitation all play significant roles in determining ultimate health status.

In The Gambia those persons most at risk are infants, young children and women of childbearing age. While the majority of rural women breastfeed infants up to 24 months, mothers are often forced to leave children behind during the day under inadequate care while they work in the fields. During the time of greatest expenditure of calories (planting season during the annual rains), the phenomenon of the "hungry season" occurs when stores from previous harvests have run low. This combination of events results in a significant increase in incidence of disease particularly for women and children who according to national studies consistently consume less than adequate daily food requirements. Compounding the physical stress placed upon the mother by strenuous and long work hours are high birth rates which average over 5 children per women under the age of 40

according to national records.

The Gambia Primary Health Care (PHC) program is an integral component of the SFYDP. Its goal is to obtain a level of health for all Gambian citizens by the year 2000 which will permit them to lead socially and economically productive lives. PHC is a comprehensive health care delivery system with an emphasis on community based and community-supported village health services aimed at extending services to underserved communities and addressing the main disease problems. The PHC infrastructure will be utilized by Government as a starting point for the development of other supporting health programs, e.g. malaria control, diarrheal disease control, village sanitation, nutrition, maternal and childcare and family planning.

2. Population

Based on U.N. statistics the population of The Gambia is projected to increase at a rate of 2.6% per year over the period of the SFYDP. This represents a .2% reduction from the 2.8% per year rate of increase during most of the FFYDP. The projected rate of population growth assumes a slight growth in the rate of natural increase from 2.5% to 2.6% and a drop in net immigration from .3% to zero. As the total population data for The Gambia is uncertain so is the estimated population increase rate of 2.8%. For example, FAO estimates the rate of population increase at 3.4%. Certainly many of the people working on health problems in The Gambia believe the rate of population increase is greater than the official estimate indicates. Probably 2.8% should be taken as the minimum rate of increase.

On May 22, 1979, the Cabinet approved a population policy for The Gambia. While the policy did not state objectives on population growth it did recognize fertility, mortality and migration rates were high. The

objective to be pursued under this policy is to concurrently reduce the mortality and fertility rate and reduce the net immigration rate.

Government will actively support family planning and the Gambia Family Planning Association as a means of obtaining fertility objectives. The strategy for reducing family size and the dependency ratio is to provide information to parents about the relation between family life and the quality of life and to provide the means for parents to select the number of children they wish to have and the spacing between births.

H. OTHER DONORS

As has generally been the case in The Gambia, information on other donor activities is difficult to obtain. Although relations among donor representatives are very good and informal contacts are fairly frequent, there has never been a formal mechanism established for information exchange and coordination. There is no central repository within the Government of The Gambia (GOTG) for donor information and while some of the donors have permanent representatives, others operate on a regional basis which essentially leaves contacts among some donors to chance.

OAR/Banjul has recently undertaken a study of other donor activities and now has what must be the most comprehensive document on this subject in the country. Despite this effort, there are still gaps in the information and further verification is needed in some cases. The GOTG and the other donors are aware of our endeavor and are looking forward eagerly to receiving the information. In fact, it appears that the document may form the focal point for a UNDP-led donor consultative group which, pending GOTG concurrence, will likely be formed shortly.

As might be expected, more information is available on past and

current donor activities than on future plans. One fairly clear pattern emerging from the information, however, is that more funds are currently being spent on or planned for the transportation/infrastructure sector than directly on the productive sector. For example, one of the largest on-going development projects at some \$20 million is the improvement of the Banjul Port which is being jointly funded by the World Bank (IDA), the Federal Republic of Germany (FRG), the African Development Bank (AFDB), and the United Kingdom (ODA). The ODA will also initiate a \$7.1 million project in early 1983 to replace Oyster Creek bridge in conjunction with an \$18 million effort to begin in late 1982 by the AFDB and the Saudi Development Fund to build an 11 kilometer dual carriageway between Banjul and Serrekunda. The bridge and highway are Banjul's only road link with the rest of the country. AFDB has in addition combined with the EEC and FRG in a \$16.7 million project to improve Banjul's sewerage and drainage system. Another on-going, large infrastructure project is the Kuwait-funded, \$18.5 million effort to build/improve wharves along the Gambian river. Other notable road projects include those in rural areas by AFDB at \$9.3 million (1980-84) and IDA at \$8 million (1983-85). The Peoples Republic of China is constructing a \$15.1 million sports stadium which is scheduled for completion in 1983. While not strictly infrastructure, the project is worth noting because of its size.

The above projects are largely reflective of unanticipated emphasis that the transport/infrastructure took on in the FFYDP. In the SFYDP, the two largest projects proposed are in the productive sector: Industrial fisheries at approximately \$26 million and the Agricultural Development Project (ADP) at approximately \$21 million. For the former, it is unclear beyond Norway as to what donors might be involved. IDA and ODA have

expressed interest in the latter and will finalize their plans later this year with the arrival of a formal appraisal team. OAR/Banjul will be represented on the team, though there are no plans to participate in the project. The third largest of the production activities is the \$13.5 million Jahally-Pacharr project which emphasizes irrigated rice production. FRG, the Netherlands and AFDB are financing the project. Beyond these projects, the other donors are supporting a variety of activities across the development spectrum with no donor focussing exclusively on or dominating a particular sector. Listed below are major donors and their larger current or planned activities for which we have information:

<u>Donor</u>	<u>Activity</u>	<u>Timing</u>	<u>(\$ 000) Amount</u>
AFDB	Rural Roads	1980-84	9,311
	Banjul Sewerage	1980-85	8,576
	Banjul Port	1982-86	5,000
	Jahally Pacharr Rice	1982-87	4,600
	Dual Carriageway	1982-83	4,540
	N'Dama Cattle Multiplication	1983-88	2,500
Denmark	Industrial Fisheries	1979-85	2,375
EEC	Banjul Sewerage	1980-86	3,903
	Rural Roads	1980-86	3,839
	Artisanal Fisheries	1979-83	1,660
FAO	N'Dama Cattle Multiplication	1982-87	3,500
	Development Planning T.A.	Unknown	3,324
FRG	Jahally Pacharr Rice	1982-87	2,600
	Banjul Port	1982-86	Unknown
	Forestry	1980-83	2,050
IDA	ADP	1983-88	Unknown
	Rural Roads	1983-85	8,000
	Multi-Purpose Education	1978-83	5,500
	Banjul Master Plan (with FRG & EEC)	Unknown	3,037
Kuwait	River Wharves	1979-83	18,480
Norway	Industrial Fisheries	1982-85	9,500
Netherlands	Jahally Pacharr	1982-87	2,500
PRC	Sports Stadium	1980-83	15,150
Saudi Dev. Fund	Dual Carriageway	1982-86	13,250

<u>Donor</u>	<u>Activity</u>	<u>Timing</u>	<u>(\$ 000)</u> <u>Amount</u>
ODA	General Grant Agreement	1979-84	20,000
	Oyster Creek Bridge		4,175
	ADP		Unknown
	Primary Health Care		Unknown
	General T.A.		1,700
UNDP	Feeder Roads	1978-82	4,822
	Rural Water	1974-83	915
	Coops (ILO)	1980-83	547
	Private Enterprise	1975-84	505

III. AID ASSISTANCE STRATEGY

A. INTRODUCTION

The strategy set forth below has been discussed at the Permanent Secretary level in the Ministry of Economic Planning and Industrial Development (MEPID) and in part at the Ministerial level in the Ministries of Finance and Agriculture. Each item was discussed in detail at MEPID and carefully reviewed to assure that the programs of other donors were taken into account and that the activities were consistent with Government plans and objectives. At all three Ministries, the proposed AID strategy was endorsed, the basic thrust of which is to institute change through agriculture policy reforms. These reforms would contribute toward the goal of gradual elimination of agricultural subsidies, the restructuring of agriculture marketing practices away from government control and towards the private sector, the diversification of agriculture production, and the removal of bottlenecks to private sector growth in general.

There are socio-economic and political risks involved in these reforms, but the GOTG has indicated its willingness to begin. It is indeed heartening that the government recognizes the need for fundamental change and has the fortitude to take the necessary steps. In particular, the Minister of

Finance as well as the Permanent Secretary of MEPID welcomed the U.S. interest in private enterprise, an area in which other donors have so far offered very little assistance. The GOTG apparently is looking to the U.S. as the major source of assistance and advice in private enterprise development.

B. BACKGROUND

Prior to 1975, U.S. assistance to The Gambia totalled \$8.4 million consisting primarily of food aid and Peace Corps. However, beginning with the internationally recognized drought of 1973-74, The Gambia, as a member of the Permanent Interstate Committee for Drought Control in the Sahel (CILSS), began to receive increased attention from the U.S. as its crop production trailed off and environmental degradation continued unabated. An AID officer was assigned in 1975 to begin the task of developing a cohesive program under the Sahel Development Fund. By late 1979, the first major bilateral projects were initiated and are by now well underway. These activities consist primarily of efforts designed to: (1) improve the coordination of crop and livestock husbandry to make the best possible use of the limited resource base; (2) prevent further degradation of the rural area through better soil and water management practices and (3) improve the forestry base through a variety of tree production, training and technical assistance activities. A major Rural Roads Maintenance project was also launched to assist in building an effective rural roads maintenance capability to support rural sector infrastructure development. Through a range of regionally and centrally funded activities, AID also has been active in supporting the GOTG primary health care program, including MCH. Such major regional activities were also launched in The Gambia during this period as the Gambia River Basin Development Program (OMVG), Sahel Water Data Management project (Agrhymet) and the Regional Food Crop Protection project (RFCP).

Altogether, some nineteen activities were started, six of which are or were managed by PVOs. The annual program level has reached approximately \$5 million in bilateral projects and a nearly equal amount in regional and centrally funded AID activities. To manage this expanding portfolio, the Mission staff has grown from the one officer in 1975 to the Office of the AID Representative (OAR/Banjul) with a current staff of seven USDH, 3 U.S. PSCs, 1 TCN and 8 FSN professional and secretarial employees. The strategy framework for carrying out this plethora of activities was laid out in January, 1980 in the FY 1982 CDSS. Its broad objectives, which have governed the program till this day, are to enhance economic growth and the well being of the people of The Gambia by helping to: (1) strengthen food and agricultural production and productivity; (2) improve health and nutrition of the poor majority; (3) expand training and education in selected sectors; (4) conserve and rebuild renewable energy resources; and (5) supply food assistance to alleviate hunger and malnutrition when food shortages exist. With the experience we have gained in the country, the staff resources we have available to us and the recent release of the GOTG SFYDP, we are now in a good position to take a hard look at what we are doing and to propose any necessary strategic adjustments.

We believe that the current program strategy is valid in the context of the essentially micro-project environment in which it was formulated four to five years ago. Existing projects are sound and should be completed on schedule or revised as necessary to accomplish their original objectives. It is, however, time for a new CDSS to reflect the current GOTG and AID environment. As indicated in Part II, the GOTG's economic situation has deteriorated during this period and the country is in need of an favorable toward receiving macro-level economic assistance. At the same time, AID's new

policy themes which direct overseas Missions to strive to obtain more substantive impact on the policies of recipient countries, lend themselves well to the current Gambian scene.

C. HIGHLIGHTS

In essence, the proposed new strategy which OAR/Banjul has developed over the past two months, based upon the analysis in the preceding section and the background described immediately above, essentially is directed toward achieving the following objectives:

- . Devising new programs that will assist GOTG ameliorate its serious balance of payments and budget situation.
- . Concentrating bilateral focus on the productive aspects of the agricultural and environmental (viz forestry) sectors and, within these sectors reducing the number of discrete activities from the current nineteen to no more than ten.
- . Pursuing private sector activities, particularly related to development of indigenous agricultural or agribusiness ventures.
- . Providing for long term viability of the above efforts through effective institution building, training and technical assistance.

We also are introducing a major improvement in our operating procedures, which should be in full effect during the period covered by the CDSS: In the future, we will coordinate all our activities with MEPID which has agreed to take on this responsibility which is unique in a government not particularly known for lateral coordination. MEPID will be involved at all stages of program and project development from the CDSS to the Grant Agreement and P10 stage. The Ministry of Finance will also sign off on financial documents. In the absence of a GOTG policy or pattern regarding donor-GOTG

project agreements, we have dealt almost exclusively up to now with the respective substantive ministries, e.g. Agriculture, Works & Communications, Health, etc., which has on occasion led to problems concerning the relationship of the projects to the Development Plan, as well as the substantive ministries' ability to fulfill its financial and other commitments to us when challenged by MEPID and Finance-imposed budget stringencies. With the latter two central ministries involved, we are bound to have greater program impact and effectiveness.

D. STRATEGY COMPONENTS

1. First Priority

In preparing a strategy for assistance to The Gambia, major attention must be focused on the balance of payments and budgetary constraints to development. Responsible officials involved in preparing and carrying out the plan are clearly apprehensive about the situation. They believe it is quite possible that balance of payments and/or budgetary restraints may make it necessary to reduce development and recurrent budgets substantially below levels now planned. They are particularly concerned about pressures that may be placed on the balance of payments or the budget by the necessity to allocate resources to sustain completed development projects. In addition, they believe that the budget structure inherited from the colonial period actually classifies a variety of expenditures as recurrent expenditures when they should more properly be in the development budget; a good example is agricultural research. Because these items are misplaced in the recurrent budget they are normally not perceived by donors as being eligible for development assistance. MEPID currently has the situation under review as a

preliminary step for proposing changes in the budget structure. Meanwhile the Ministry believes donor assistance for these development-related items in the recurrent budget is essential if the fiscal integrity of the budget is to be maintained.

The analysis of the economic situation and the SFYDP presented earlier in this document concludes that, despite the high quality professionalism evident in the plan, achievement of growth targets does not appear likely because of both internal and external constraints. Failure to achieve intermediate targets will have adverse consequences for the balance of payments and budget. This will in turn begin a circular reaction between growth on the one hand and the balance of payments and the budget on the other which will further constrain growth. Consequently, relief from balance of payments and budgetary constraints then becomes essential if the negative per capita growth rate of the first plan period is to be replaced by a positive rate in the second plan period.

The first priority in the AID strategy for The Gambia is to offer assistance which will provide relief to the balance of payments and the budget and to assure that during the plan period AID financed projects will minimize if not totally eliminate the need for GOTG financing from either the recurrent or the development budget. The major means selected to deal with this priority is to provide program assistance in the form of PL-480, Title II, Section 206 over a three to five year period. The Gambia currently imports between 30 to 35 thousand tons of rice per year which account for nearly 15% of the total value of imports. The proposed Section 206 program would be planned to import 10 thousand tons of rice annually. Proceeds would be used /to finance items in either the recurrent or development budget that support other elements of the AID assistance strategy with particular emphasis on

activities that are generators of foreign exchange necessary for the GOTG to resume rice imports once the PL-480 program comes to an end.

We will be careful to insure that activities generated either under the Section 206 program or under newly designed bilateral projects do not add to the foreign exchange or budgetary burden of the GOTG. It is proposed that each new project will contain a provision terminating local currency financing for the current budget at the end of the SFYDP in 1985/86 unless an evaluation at the time shows that additional AID financing of recurrent costs is warranted. In this connection, OAR/Banjul is confident it will meet the criteria set forth for such financing in State 157945.

Preliminary discussions with officials of The Gambia have indicated areas in which activities carried out under the proposed Section 206 program can assist in bringing about significant policy changes. These include: (a) reduction and over-time elimination of the rice and fertilizer subsidies; (b) beginning a shift from GPMB involvement in the domestic marketing of agriculture products by eliminating current government allocations of rice to retailers and transferring responsibility for rice importing and wholesaling to the private sector; (c) initiating a policy of restructuring the production and marketing systems in agriculture with the help of assistance donors, including AID, and (d) removing the bottlenecks to private sector expansion in general. Over time OAR/Banjul will continue to work with government officials to determine other possible areas of policy changes.

2. Second Priority

The second priority in the AID strategy for The Gambia is to assist the GOTG in initiating and carrying out a program to restructure and diversify the existing agricultural system. As described in the analysis, The Gambia's

over-dependence on groundnut exports for foreign exchange coupled with the deterioration in the terms of trade of groundnuts to rice suggest an urgent need to diversify agricultural production.

AID proposes to design a new bilateral project which will support structural changes in agricultural production and marketing in both dry land and irrigated agriculture. Initially such support will be in the area of research to determine feasible alternatives to groundnuts and how to improve the existing farming systems. It would not be the objective of this effort to completely replace groundnuts or irrigated rice production; rather, the intent would be to diversify farm production and to integrate crop and livestock production and forestry management. Research on groundnut and rice production during the SFYDP will be financed by the World Bank, while groundnut and irrigated rice projects will be financed by the Bank and a consortium of donors. AID intends to contribute to research on marketing systems for existing agricultural crops as well as in studies to determine potential alternative markets. While it is premature to predict the most promising products, the climate and soil ecology of The Gambia would appear to lend itself well to the development of a wide range of horticultural crops such as vegetables, casava, citrus, etc.

During the initial research period, AID will also provide training for professional, managerial and field-level staff who work for the research establishment and other institutions which will carry out agricultural restructuring.

As progress is made in research, AID will begin to broaden its assistance activities. This will include institutional development, production projects at the farming village level, and research in the technology required to produce and process existing and newly identified crops.

3. Third Priority

The analyses in the CDSS point toward a number of constraints to economic growth in The Gambia: uneconomic operations in the groundnut industry, a crippled and vulnerable trade sector, and an inability to respond to promising commercial opportunities in agriculture. The analyses indicates that government commercial operations and policies will have to be brought under close scrutiny to help minimize balance of payments problems and restore fiscal health to GPMB, the single largest influence on commercial agriculture as it now exists. To prevent further weakening of the commercial sector which earns foreign exchange and offers The Gambia a potential outlet for future exports, the government and the private sector will have to move expeditiously to reach a well thought out accommodation with Senegal and other trading partners concerning tariffs. Finally, the government, the financial community and Gambian and external investors will need to work in specific areas to remove a series of constraints to development of private enterprise in general and specifically to diversification in commercial agriculture and the growth of agro-industry. These constraints presently serve to make The Gambia vulnerable to the declining world groundnut market and unable to diversify into other commercial crops for more reliable food supplies and levels of income. Until this structural diversification is underway, prospects for real growth and generating an economic impetus to simulate private enterprise on a firm basis are limited.

The private sector will be affected by these adjustments and play a large part in their implementation. AID strategy to assist the private sector is still being developed. It is intended that all new projects, whether in agriculture, forestry or other sectors, will utilize private sector support wherever possible and thus promotion of the private sector

will be a thread running through the entire future program. The extent to which OAR/Banjul should develop discrete private sector development projects in the future is a matter that is presently being explored. At the national level, OAR/Banjul can provide some very selective assistance to private sector activities in agricultural production and agro-industry. OAR/Banjul should recommend to the GOTG tighter coordination among credit, business advisory and technical assistance sources. MEPID's central advisory role should be articulated more clearly and it should act as a point from which funds for feasibility studies are found. The Ministry should also play a more active role along with the Chamber of Commerce, in finding and preparing solid bankable investment projects for the private sector.

OAR/Banjul's basic private sector activities **will** be highly focused on the agricultural and agro-industry areas including fisheries; it will try to find channels to identify and prepare bankable, well-designed business activities having solid marketing studies behind them. Existing institutions doing such feasibility studies and business should be supported by AID only insofar as they focus on this part of the private sector economy. Finally, AID will study the feasibility of complementing these individual business plans with assistance in finding U.S. investors through PRE, TDP, OPIC and Department of Commerce and by providing capital for the existing loan funds for private enterprise in GCDB, IBAS and ADB. In probing most effective AID interventions in this sector, we will consider dealing directly with private Gambian and U.S. entrepreneurs in need of technical and other forms of assistance, cooperatives, corporations and other non-governmental institutions in search of diversification and growth.

4. Fourth Priority

We believe our current forestry activities are sound and should continue as planned. We further believe that future bilateral interventions in this sector are in order in accordance with the analysis. The thrust of our future forestry strategy will be to assist The Gambia to prevent destruction of existing forests and woodlands, to build a reserve against contingencies and to improve management and utilization of wood resources with emphasis on integration within the farming system. Additionally, AID will assist The Gambia in undertaking research necessary to deal with particular causes of forest or woodland destruction such as the apparent mangrove dieback problem.

Destruction of existing tree cover is largely caused by two agents, fire and livestock. Losses from these destructive agents occur because under present conditions villagers do not perceive the preservation of trees as being in their interest. They may, in fact, believe just the opposite; customary land tenure and livestock management methods encourage people to destroy the forest and woodlands. A change in this can only be brought out by developing in the villages a method of preventing and controlling fire and giving the villagers a proprietary interest in the trees. Thus, AID will undertake to assist the government by building on existing programs or designing new ones to develop at the village level systems for fire and livestock control. This effort will include integrating forestry into agricultural research and development activities.

AID will also plan on continuing current assistance in the development of tree farming (plantations) to provide a reserve supply of forests to insure against unanticipated losses of wood supplies and to provide an additional source of firewood and sawn timber. The potential role for

private enterprise involvement will be explored. The direction and magnitude of such an effort would be determined by experience gained from the current AID forestry project and the results of species trials be undertaken by the Federal Republic of Germany. Finally, AID assistance to mangrove harvesting, a study on which has been completed in the current project, would be provided only after pilot trials to determine its feasibility are conducted and the prospects for completing the bridge/barrage are clarified.

5. Fifth Priority

The analysis section indicated sufficient numbers of trained middle level managers and technical personnel were not available to maintain capital investments. To help The Gambia rectify this situation AID will support management and technical training institutions. It is anticipated that most of the AID assistance to these institutions will be in the form of budget support from Section 206 generated local currency and such regional projects as the Sahel Manpower Development and Sahel Financial Management. We do not propose a new bilateral project in this sector. MEPID is requesting support for foreign exchange costs, particularly expatriate staff, from several donors including AID. AID will consider providing some foreign exchange assistance only if Government is unable to obtain the needed level of assistance from other donors.

6. Other Areas of Interest

a. Health

During mid-CY 1981, OAR/Banjul submitted a draft PHC strategy to AID/W recommending a bilateral health project. Based upon examination of the efforts by the GOTG to establish a national health care delivery system, it

recommended that AID provide assistance to the development of the mid-level institutions which had responsibility for support of village level services and functioned as an intermediary between the villages and central planning. This plan called for U.S. involvement in technical assistance, manpower development, construction and renovation, transportation and communication and research and evaluation. While OAR/Banjul was not to be the sole supporter of these components, it was felt that AID could concentrate its efforts in the areas which other donor agencies had been unable adequately to assist and would otherwise cause constraints in the extension of the PHC system. However, it was decided by AID/W that any additional bilateral intervention by AID into the health sector in The Gambia was inappropriate in light of the priority in food production. At this point OAR/Banjul does not intend to pursue any major efforts in the health sector. However, for reasons of continuity and protecting investments in future agricultural productivity, AID will continue to support health through regional and centrally funded programs such as INTRAH, Mass Media, etc.

b. Population

During the SFYDP Government will attempt to influence a reduction in the population growth rate by integrating family planning into maternal child health, having various government agencies support family planning education and supporting the activities of the GFPA. OAR/Banjul believes that the population policies and program of The Gambia merit support from the donor community. While no direct bilateral assistance is being planned, it would appear prudent to support the GOTG's enlightened population policies by continuing to provide technical and maternal assistance to population activities of the government from regionally and centrally funded projects.

With respect to both health and population, regional and centrally funded assistance will be provided within the framework of the proposed new AID strategy: it must be structured in such a way as to entail minimal local currency financing or the expenditure of foreign exchange by The Gambia and interventions should be focus^{ed} on the rural farming population whose health and welfare are not only important in themselves but essential to the achievement of our agricultural sector goals.

GLOSSARY

ADB	Agricultural Development Bank (Gambian)
ADP	Agricultural Development Project
AFDB	African Development Bank
CILSS	Permanent Interstate Committee for Drought Control in the Sahel
EFF	Extended Fund Facility
FFYDP	First Five-Year Development Plan
GCDB	Gambia Commercial and Development Bank
GPU	Gambia Cooperative Union
GOTG	Government of The Gambia
GPMB	Gambia Produce Marketing Board
IBAS	Indigenous Business Advisory Service
MEPID	Ministry of Economic Planning and Industrial Development
OMVG	Gambia River Basin Development Organization
PHC	Primary Health Care
SFYDP	Second Five-Year Development Plan