

UNCLASSIFIED

**PROGRAM ASSISTANCE APPROVAL
DOCUMENT
FOR THE
FINANCIAL AND PRIVATE ENTERPRISE DEVELOPMENT PROGRAM
(NUMBER 635 - 0232)
AND THE
FINANCIAL AND PRIVATE ENTERPRISE DEVELOPMENT SUPPORT
PROJECT
(NUMBER 635 - 0237)**

PREPARED BY USAID/BANJUL

MAY 2, 1991

Banjul, The Gambia

UNCLASSIFIED

2. COUNTRY/ENTITY
 The Gambia

3. PROJECT NUMBER
635-0237

4. BUREAU/OFFICE

5. PROJECT TITLE (maximum 40 characters)
Financial And Private Enter. Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
 MM DD YY
06 30 96

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B' below, enter 1, 2, 3, or 4)
 A. Initial FY **91** B. Quarter **4** C. Final FY **95**

8. COSTS (\$000 OR EQUIVALENT \$1 =

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2,635		2,635	8,350		8,350
(Grant)	(1,985)	()	(2,635)	(8,350)	()	(8,350)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS						

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) AGB	PSD					3,000		3,000	
(2) MPR	SPR					2,350		2,350	
(3) PSD	SPR					3,000		3,000	
(4)									
TOTALS				1,985		2,635			8,350

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 PEBD PEFM PEPZ

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
 A. Code
 B. Amount

13. PROJECT PURPOSE (maximum 480 characters)
 To enhance the enabling environment for increased private investment and growth of private enterprises.

14. SCHEDULED EVALUATIONS
 Interim MM YY Final MM YY
 1 0 9 3 1 2 9 5

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) **935**

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY
 Signature: 
 Title: **J.M. Stone**
AID Representative
 Date Signed MM DD YY
04 05 91

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

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ADB	African Development Bank
AGE	Association of Gambian Entrepreneurs
EEC	European Economic Community
EEZ	Extended Economic Zone
EFPA	Economic and Financial Policy Analyses Project
EIB	European Investment Bank
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility
FAO	Food and Agriculture Organization
FAPE	Financial and Private Enterprise Development Program
FSRP	Financial Sector Reform Program
GCCI	Gambia Chamber of Commerce and Industry
GCDB	Gambia Commercial and Development Bank
GCU	Gambia Co-operative Union
GHA	Gambia Hotel Association
GHPEA	Gambia Horticultural Producers Exporters Association
GHS	Gambia Hotel School
GOTG	Government of The Gambia
GPMB	Gambia Produce Marketing Board
GRTC	Gambia River Transport Corporation
GTTI	Gambia Technical Training Institute
GTZ	German Technical Assistance Agency
GUC	Gambia Utilities Corporation
GWFC	Gambia Womens Finance Corporation
HIID	Harvard Institute for International Development
HRDA	Human Resources Development Assistance Project
IBAS	Indigenous Business Advisory Service
IBRD	International Bank for Reconstruction and Development
IESC	International Executive Service Corps
IFC	International Finance Corporation
IMF	International Monetary Fund
LMB	Livestock Marketing Board
MDI	Management Development Institute
MFEA	Ministry of Finance and Economic Affairs
MOJ	Ministry of Justice
MPAU	Ministry Policy Analysis Unit
NGO	Non-governmental Organization
NIB	National Investment Board
NPA	Non-project Assistance
NPE	National Partnership Enterprise
ODA	Overseas Development Administration
PFP	Policy Framework Paper
PSD	Program for Sustained Development
RLA	Regional Legal Advisor
RLDC	Relative Least Developed Country
SAL	Structural Adjustment Loan
SME	Small and Medium Size Enterprise
SOE	State Owned Enterprise
UNDP	United Nations Development Program
WB	World Bank (IBRD)

The Gambia: Financial and Private Enterprise Development Program

Part 1: Executive Summary and Background

I. Summary and Recommendations

A. Recommendation

USAID/Banjul recommends authorization of a grant of \$17.35 million over five years from the Development Fund for Africa to promote financial and private enterprise development in The Gambia. Of the total amount obligated, \$9.0 million will be for a non-project assistance grant entitled Financial and Private Enterprise (FAPE) Program and \$8.35 million will be for associated projectized assistance, entitled FAPE Support Project, to provide long term advisory services, short term consultancies, technical assistance, training, equipment, and other material support necessary for effective implementation of the reform program and achievement of the program goal and purpose. The support project will run from FY 1991 through FY 1995. The \$9.0 million non-project assistance grant will be disbursed in three tranches over five years. The Mission has requested AA/AFR approval of a waiver of the requirement under Section 110 of the Foreign Assistance Act of 1961, as amended, that the host country contribute at least 25 percent of the cost of the program on the grounds that The Gambia is a Relatively Least Developed Country" (RLDC).

B. Background

Between the years 1985 and 1990 the Government of The Gambia successfully implemented an ambitious program of economic reform and structural adjustment to bring an end to nearly a decade of severe economic deterioration. The program, entitled the Economic Recovery Program (ERP), sought primarily to open the economy to competitive market forces while emphasizing improved management of the national economy through a reduction and redefinition of the role of the public sector. By the end of the five-year ERP, most of the gross macroeconomic imbalances that had distorted the Gambian economy and stifled economic activity had been eliminated and conditions conducive to sustainable growth largely restored. Among the most notable accomplishments of the ERP period were: a fully liberalized foreign exchange regime, five consecutive years of annual GDP growth of between 5 and 5.5%, elimination of all external debt service arrears in July 1990, increases in private savings and investment, and significant reductions in the fiscal deficit and the rate of inflation.

The accomplishments of the recovery program notwithstanding, The Gambia is still a resource-poor African economy with a tiny domestic market and a host of problems related to general underdevelopment. While economic expansion has occurred over the past five years, the pace of per capita income growth has been modest both in relative and absolute terms, and tangible improvements in the living standards of the majority of average Gambians have been slow to materialize. With an average annual per capita income of approximately \$250, The Gambia is among the very

poorest and least developed countries in the world.

Even were GDP growth to continue unabated at its current pace, doubling of real per capita income to an unimpressive \$500 per annum could not be achieved until the year 2025. For palpable improvements in the lives of ordinary Gambians to materialize, the pace of economic growth must be substantially accelerated. Furthermore, for such growth to be sustainable and equitable it will need to be based on renewable resources and economic activities suitable to broad-based participation of the majority of ordinary Gambians. At present Gambian livelihoods are largely agriculturally based, but urban populations are growing twice as fast as the national average.

C. Development Problem to be Addressed

As is the case for a number of other African countries, The Gambia in 1991 is at a pivotal stage in its national development as it attempts to shift from a program of crisis-driven structural adjustment to one of steady, sustainable growth aimed at improving the basic living standards of the majority of the population. To guide the process of transition, the GOTG has introduced a multi-year Program for Sustained Development (PSD) in which it reconfirms its commitment to a liberal market-based economy and underlines the paramount role of the private sector as the most appropriate engine of economic growth. At the core of the PSD is a recognition that accelerated economic growth will require increased private investment from both domestic and foreign sources for which the competition among developed and developing nations is already fierce. In addition to new investment, sustained growth will also require successful incorporation of new technologies to increase productivity particularly among agriculturally-based enterprises.

For the PSD to succeed, The Gambia will need to accomplish two complementary tasks. Most importantly, GOTG policy makers must consolidate and deepen the liberal economic policy framework established under the ERP. Strict adherence to the reform program is essential for inspiring an adequate level of confidence both in the stability of the economy and in the will of the Government to sustain a market-based policy framework necessary to justify longer term private risk taking in resource-based enterprises. Secondly, The Gambia must continue to improve its capacity to compete for private capital by way of creating an effective enabling environment to encourage increased private investment from domestic and foreign sources and to foster rapid development of viable privately owned enterprises.

D. Program Description: Goal and Purpose

The goal of the FAPE program is increased private investment in the Gambian economy. To accomplish the goal, the program's purpose is to enhance the enabling environment to induce sustainable increases of private investment and growth of private enterprises. While increased private investment is needed in all

sectors of the economy, FAPE investment promotion efforts will be geared primarily towards export-oriented, resource-based private enterprises suitable for participation of average Gambians especially from the lower income strata. Areas of particular interest to FAPE include: commercial production and processing of oilseeds and other grain crops; production and marketing of specialized horticultural products, capture and culture fisheries and processing, and tourism.

Successful implementation of the FAPE program will be indicated by the following end of program conditions:

- Improvement of the Gambia's international credit standing;
- Satisfactory implementation of the Public Investment Program and continued reduction of the role of the public sector in the production and marketing of goods and services;
- Full participation of the private sector in the oilseeds industry and increased responsiveness of agricultural producers to world market signals;
- A sustained and deepened macroeconomic policy framework conducive to private investment and growth of private enterprises;
- Increased competitiveness of The Gambia's business and investment climate, and
- Increased aggregate earnings from and employment in resource-based private enterprises.

Specific outputs of the non-project assistance component will include: full privatization of the Gambia Produce Marketing Board and its subsidiaries; adherence by the GOTG to the criteria established under the Public Investment Program; implementation of a tax reform program in favor of increased private investment and expansion of resource-based private enterprises; a more effective investment incentives policy; and modernization of the statutory regime affecting financial transactions and formation and operations of private enterprises including financial institutions.

The non-project assistance component will be complemented by a substantial support project comprising three principal activities.

- At the Ministry of Finance and Economic Affairs (MFEA), the FAPE support project will provide technical assistance, advisory services, training, and ancillary equipment and supplies to strengthen GOTG capacity to analyze macroeconomic trends and formulate appropriate macroeconomic policies to sustain and deepen the process of economic reform and

sustain and deepen the process of economic reform and structural adjustment.

--At the Ministry of Justice the FAPE support project will provide technical assistance, advisory services, training, and ancillary equipment and supplies to enable staff of the Attorney General and Registrar General to revise existing legislation and draft and implement new legislation and codes to modernize and amplify the statutory regime affecting the operations of private enterprises in The Gambia, including financial institutions.

--In the private sector the FAPE support project will provide industry, firm, and institutional level support to eliminate priority constraints to accelerated growth of resource based enterprises. Industry level advisory services will devise solutions to critical sector-wide constraints. Firm level assistance, including training and advisory services for existing firms as well as enterprise development and expansion assistance, will improve management, increase access to new technologies, and strengthen the capacity of small and medium sized Gambian entrepreneurs to identify, develop, and implement viable resource-based enterprises. Support to public and private investment promotion agencies and business associations will strengthen their capacity to promote investment projects and serve better the advocacy and information needs of private enterprises.

FAPE project outputs and policy reforms will be reinforced and complemented by interventions included under the Mission's Financial Sector Restructuring Program (FSRP) which is aimed at increasing competition within the commercial banking sector.

E. Donor Coordination

Relations among the various bilateral and multilateral donors and development agencies operating in The Gambia are characterized by a high level of consultation and cooperation. Effective coordination of technical, material, and financial resources was a critical element in the successful implementation of the ERP. Coordination among the donors remains strong, particularly in the area of economic policy and planning where a strong consensus exists regarding the need to sustain and consolidate the market oriented liberalization policies implemented under the ERP. A Policy Framework Paper (PFP) is produced annually by the GOTG in consultation with the IMF and World Bank, and the document serves as a fundamental basis for coordinating various donor activities in a commonly shared framework. USAID-financed technical advisors from the Harvard Institute for International Development (HIID) to the Ministry of Finance and Economic Affairs (MFEA) have since 1985 played a key role in assisting the Government to articulate and implement the central policies of the liberalization program. The HIID advisors have developed an unusually close working relationship with GOTG policy makers and have played a key role in

benchmarks under both the IMF and the World Bank structural adjustment programs. The proposed FAPE program includes funding for a follow-on technical assistance project within the MFEA upon completion of the EFPA in August 1992.

USAID/Banjul maintains close ties with representatives of the IBRD, the IMF, UNDP, the EEC, the U.K. and others to ensure that all project and non-project assistance programs are properly coordinated both to avoid duplication of effort and to maximize impact through mutually reinforcing elements. Close cooperation among the donors, notably between USAID and IBRD, has on several occasions been especially effective in overcoming difficult impasses that might otherwise have threatened the course of the ongoing adjustment program. Most recently, USAID and IBRD have coordinated efforts on privatization of the Gambia Produce Marketing Board and the Gambia Commercial and Development Bank. The FAPE has been designed with reference to the medium and long term objectives articulated in the PFP and takes into account the current and planned activities of other donors in The Gambia. Other donor activities of particular importance to the proposed FAPE program are the IMF's three year enhanced structural adjustment facility (ESAF), the World Bank's second and possibly third structural adjustment loan programs (SAL II/III), and the UNDP's Africa Capacity Building Initiative. The progress of these and other donor initiatives will be monitored closely and will significantly affect the success of both the proposed FAPE and the ongoing USAID Financial Sector Restructuring Program (FSRP).

F. Implementation

GOTG capacity to sustain and consolidate the liberal, market-oriented economic policy framework established under the ERP is of prime importance to achievement of the proposed program's goal to increase private investment in the economy and promote accelerated expansion of private enterprises. Keeping the structural adjustment program on track will require continued close cooperation among MFEA officials, other GOTG representatives, and the major external donors. USAID/Banjul's principal contributions to sustaining the adjustment program will be conditioned cash grants under both the proposed FAPE program and the FSRP and continued provision of technical advisory services to the MFEA under the EFPA and the FAPE support project. In order to ensure uninterrupted provision of advisory services at the MFEA and permit adequate time for competitive bidding of a new contract for a follow on project, the EFPA Project will be extended through August 1992. Execution of the contract for the follow-on project under FAPE is scheduled for the last quarter of FY '92. Disbursement of the non-project assistance grant will be undertaken in three tranches with the first disbursement expected in late CY 1992.

Implementation of the policy, regulatory, legal, and institutional reforms necessary to improve the existing business and investment climate in The Gambia will principally involve the MFEA, the Ministry of Justice (MOJ), the Ministry of Trade,

Industry and Employment, and the National Investment Board (NIB). Under the proposed program, funds have been budgeted for provision of technical and material assistance necessary to effect mandated privatizations; modernize and strengthen the statutory regime affecting business operations; streamline investment approval processes; and reform tax policy and improve administration. Implementation of these reforms will begin immediately upon finalization of the program agreement. Implementation of major reforms including privatization of the Gambia Produce Marketing Board, adjustment of the tax system, and modernization of legal and regulatory environment affecting private investment and private enterprise will be the subject of specific conditions precedent to disbursement identifying the timing and sequencing of recommended measures. Other less specific reforms measures will be undertaken through policy dialogue based on covenants included in the program agreement regarding the overall intent and anticipated outcome of the recommended package of legal, regulatory, and administrative reforms.

Implementation of industry, firm, and institutional level assistance to the private sector will principally involve representatives of the National Investment Board, the Mission Program Manager, and the contracted Private Sector Advisor. Allocation of assistance provided under this component of the program will require that Mission personnel maintain close working relations with a range of representatives of the Gambian business community.

G. Impact and Beneficiaries

Effective implementation of the proposed program will lead to increased earnings and more equitable participation of ordinary Gambians in the economic development of The Gambia. A significant increase of private investment in resource based sectors of the Gambian economy will result in accelerated growth of private enterprises and creation of jobs and increased income opportunities for individuals across a range of socioeconomic strata. The principal growth sectors at which the proposed program is aimed--commercial agriculture, horticulture, fisheries, and tourism--are each labor-intensive, export-oriented activities well suited to broad-based participation of lower income groups, particularly women. Additionally, each of these sectors has a demonstrated capacity to earn badly needed foreign exchange necessary to close the balance of payments gap and finance reinvestment and imports essential for sustainable growth.

While many of the proposed reforms aimed at enhancing the extant business and investment climate are likely first to affect urban populations concentrated in and around Banjul, other elements of the program, particularly privatization of the GPMB and efforts to attract foreign partners to expand and diversify agricultural production are expected from the outset to benefit rural populations.

Privatization of the poorly managed and perennially loss-making GPMB will yield immediate efficiency gains in transport, processing and marketing of groundnut products, encourage competitive new initiatives by small and medium-scale entrepreneurs, and increase responsiveness of Gambian agricultural producers to world market signals. The combination of increased competition, enhanced efficiency, and improved information flows among oilseed processors, exporters, and producers will enable farmers to receive a greater share of the market value of their production and to increase earning through expanded and/or diversified production.

Immediate beneficiaries of a more competitive and efficient business and investment climate in The Gambia will be small to medium scale Gambian and other entrepreneurs who are enabled through the package of legal, regulatory, and policy reforms proposed under the program to start up new or expand existing enterprises in growth sectors of the economy. Entry of new Gambian entrepreneurs into the economy will be supported by the firm, industry, and institutional level assistance components of the FAPE Support Project. Other direct beneficiaries of the program will be Gambian workers who are afforded new employment and income earning opportunities as a result of increased private investment, expanded private sector activities, and introduction of new crops and technologies by private investors.

H. Non-Project Assistance and Program Conditionality

Non-project assistance will be provided under the FAPE program in the form of a \$9.0 million conditioned foreign exchange grant. The grant will be disbursed in three equal tranches of \$3.0 million over the five year life of the program. The overall aims of conditions precedent to disbursement of the NPA grant are threefold: to ensure efficient allocation of public and private investment capital; to continue to liberalize markets in The Gambia; and to create new opportunities for individual initiatives that can generate significant employment and income enhancing opportunities for the majority of average Gambians.

A condition precedent to disbursement of each tranche of the NPA cash grant will stipulate that the GOTG maintain and adhere to the criteria established in collaboration with the World Bank for projects to be included under the Public Investment Program (PIP). The PIP is the primary vehicle for ensuring efficient allocation and usage of public investment funds. Projects included under the PIP must meet certain requirements regarding feasibility studies, economic rates of return, compatibility of recurrent costs with established budget targets, and least cost alternatives. Of particular importance to FAPE is the GOTG commitment under the PIP to discourage public sector investment in economic activities of potential interest to private investors.

Additional conditions precedent to disbursement of the first tranche will be that the GOTG complete the process of privatizing

the Gambia Produce Marketing Board and that the GOTG undertake and review with AID a comprehensive analysis of the tax system as it affects private investment decisions in The Gambia. The aim of the tax analysis will be to identify specific reform measures (such as across the board cuts in the companies tax, accelerated depreciation schedules, longer loss carryovers, and rationalization of duties on capital equipment and intermediary inputs) that are needed to enhance the international competitiveness of The Gambia's business and investment climate.

Additional conditions precedent to disbursement of the second tranche include implementation of the agreed reform measures identified during the tax system analysis; completion of a multi-year divestiture plan for state owned enterprises; and development of an action plan to guide the process of modernization and amplification of the existing legal and regulatory system as it affects the gamut of business operations and adjudication of financial transactions. Specific legislation to be drafted or revised has already been discussed and agreed in principle with the Ministry of Justice.

Additional conditions precedent to the disbursement of the third and final tranche will be: completion of the tax reform program including any phased-in reduction of the companies or other tax; satisfactory progress on full implementation of the GOTG's divestiture plan including actual privatization of at least one state owned enterprise other than GPMB or GCD9, and satisfactory progress in completing the program of legal and regulatory reform including submission of new and revised legislation to Parliament for enactment.

Program covenants will cover a range of completed policy reform measures that are essential to maintaining a conducive business and investment climate in The Gambia and to discourage public sector involvement in economic activities of potential or actual interest to the private sector.

II. Problem Identification and Background

A. Background

Following nearly a decade of severe economic deterioration, The Government of The Gambia (GOTG) in 1985 undertook implementation of an ambitious program of structural adjustment entitled the Economic Recovery Program (ERP). At the core of the ERP was a recognition that pervasive state control of the economy had failed to deliver real growth or to improve the standard of living of the majority of ordinary Gambians. During the previous decade, a combination of adverse external conditions and ill-advised centrally controlled economic policies worked to push the Gambian economy to the brink of disaster. By 1984, The Gambia found itself confronted with the familiar litany of economic maladies associated with command economies: accelerating inflation, ballooning fiscal deficits, excessive import dependence, declining export earnings, severe shortage of foreign exchange, unmanageable balance of payments shortfalls, rising debt service arrears, and declining per capita income. Amidst an atmosphere of extreme crisis, the GOTG acknowledged in 1985 that the situation had become untenable and set up a task force of Gambians to draw up an emergency stabilization program. AID and the World Bank each supplied short term technical advisors to work with the task force and assist in implementation of a package of drastic remedial reform measures necessary to resuscitate the paralyzed Gambian economy.

Implementation of reforms presented to the international community in September 1985 as the Economic Recovery Program (ERP) eliminated simultaneously a number of gross macroeconomic imbalances that had severely distorted the economy and stifled economic activity. ERP reforms abolished price controls, rationalized the foreign exchange regime, and generally opened the factor markets to the discipline of market forces. Under the ERP, the GOTG made important strides in reducing the role of Government and the public sector in the allocation of resources and in the production and supply of goods and services. By 1989, the economy had been stabilized. A review of the standard macroeconomic indicators (see Part 2: Section II) demonstrates that macroeconomic stability has been restored. For many, the simple fact that foreign exchange is again available to small and medium scale enterprises to allow them to procure basic imports such as foodstuffs, petroleum products, and spare parts essential to the functioning of the economy is the most significant tangible indication that the country is better off for having implemented the ERP.

Despite the accomplishments of the ERP in stabilizing the economy at the macro level, optimism at the close of the program is tempered by two significant considerations. The first is that successful implementation of the stabilization program and continued progress in meeting program targets have been the result of a happy confluence of luck (i.e. good weather, good production

and buoyant world market prices for groundnuts), donor willingness to contribute exceptional levels of official assistance to support the reform program, and continued restrictive trade policies of other countries in the region that allow the GOTG to collect significant tax revenues from The Gambia's regional entrepot trade. As each of these factors is highly vulnerable to exogenous influences outside the power of GOTG policy makers to control, none can reasonably be relied upon as a satisfactory engine of long-term sustainable growth to lead The Gambia into the twenty-first century.

The second consideration mitigating post-ERP optimism is that while economic expansion occurred under the ERP, growth of real per capita income over the past five years has been modest (about two percent per year), and tangible benefits, particularly among the lower income strata, have been slow to materialize. With an annual per capita income of approximately \$250, a life expectancy at birth of 43 years, and a literacy rate of 32%, The Gambia remains among the poorest and least developed countries in the world. Even if growth were to continue unabated at its current pace, doubling of annual per capita income to an unimpressive \$500 would not be achieved until the year 2025. In brief, The Gambia has yet to achieve the level of sustainable growth necessary to insulate the economy from external shocks and to generate capital for new investments in productive sectors of the economy.

B. Development Problem to be Addressed

Palpable improvements in the lives of ordinary Gambians can only be achieved through a substantial acceleration of the current pace of economic growth. For growth to be sustainable and equitable it must be rooted in renewable resources and economic activities suitable to participation of ordinary Gambians. Furthermore, to avoid the familiar traps of command economies and state-owned enterprises, growth in The Gambia must be driven by private enterprises operating within a market based economy.

As is the case for a number of other African countries, The Gambia in 1991 is at the crucial juncture of shifting from a program of crisis-driven structural adjustment to one of steady, sustainable growth. To sustain growth, the economy must be able to ride out contractionary impacts arising from any or all of three likely external shocks: reduction in overall official development assistance levels, a significant reduction in the current volume of unofficial trade between The Gambia and its regional trading partners, or a significant decline in the value of Gambian oilseed exports. World groundnut prices and weather patterns in the Sahel are volatile, and regional trade relations are equally unpredictable. Furthermore, while there is little likelihood of the international donor community abandoning its assistance efforts in sub-saharan Africa, there is growing impatience among international donors to see evidence that assistance funds can yield tangible progress towards sustainable growth and creation of viable indigenous private enterprises under circumstances presaging

the eventual closeout of regular economic assistance and incremental replacement of such assistance by mutually beneficial international trade relations.

A second major issue facing Gambian policy makers is how to diversify the economy and provide substantial new employment and income generating opportunities for ordinary Gambians.

Sustained action on these two central issues will require that The Gambia successfully mobilize substantial increases in private capital flows from domestic and foreign sources, that it improve productivity through introduction of new technologies, and that it expand the productive base of the economy through intensive development of appropriate resource based sectors in which the country has a clear comparative advantage.

C. The Program for Sustained Development

To guide the process of transition from structural adjustment to sustainable growth, the GOTG has introduced a medium term follow-on program to the ERP entitled the Program for Sustained Development (PSD). At the core of the PSD are a reconfirmation of the government's commitment to sustain the liberal market-based economic policy framework established under the ERP and a reiteration of the GOTG's belief that the private sector is the most appropriate and reliable source of productive investment and commercial development in The Gambia. In this regard, the official policy paper in which the PSD was presented to a roundtable donors conference in December 1990 states that,

A fundamental tenet of the new Program is that the proper role of the public sector is not to try to supplant the efforts of the private sector in areas such as marketing, banking, and provision of commercial goods and services, but to provide an orderly framework within which private agents can raise the productivity and living standards of our population by using their skills, enterprise, and financial resources to the best advantage.

The policy paper goes on to add:

While progressively relinquishing to the private sector many areas of the economy where it was previously involved, the government will devote itself wholeheartedly to the creation of an enabling environment to foster economic development.

Such an enabling environment will create conditions under which both the rate and quality of private investment in The Gambia can be increased. Under the PSD, the GOTG acknowledges the need to compete actively for private investment and to increase access to export markets and new technologies.

Impediments to increased private investment and expansion of resource based enterprises in The Gambia are manifold. At the level of the national economy basic infrastructure is inadequate, the domestic market is extremely small, per capita purchasing power is weak, and a number of critical industries are still controlled by inefficient parastatal organizations. In the capital market, limited competition in the commercial banking sector, and conspicuous lack of differentiation to serve the medium and longer term credit needs of resource based enterprises have combined with continued high levels of GOTG domestic borrowing to create high real interest rates that effectively limit access to loan funds to a small, well-established cadre of import-export traders. At the firm and industry levels, access to technology and information is extremely limited, marketing networks for inputs and outputs are poorly developed, the population is largely uneducated, human resources to support cost-effective private enterprise growth are underdeveloped, and labor productivity is low. All of these factors have raised the cost of doing business in The Gambia.

On the other hand, The Gambia has a number of positive features that have enabled the country to compete successfully for private investment. Positive factors include: an open economy with a fully liberalized foreign exchange regime and few import restrictions; a reasonably stable currency; a liberal investment code which permits free flow of capital into and out of the country including the right of full repatriation of profits and which places no restrictions on foreign equity participation; a tropical coast location in reasonable proximity to European export markets, an agreeable climate, an adequate harbor, sufficient groundwater, and plentiful pelagic and demersal fish resources. The combination of positive factors and conditions in The Gambia has created profitable and viable investment opportunities in regional trade, horticulture, commercial fisheries, tourism, and commercial agriculture as evidenced by notable pioneering private investments in each of these sectors over the past five years.

Part 2: FAPE Program Identification

I. Private Enterprise Development Policy

USAID/Banjul's approach to private sector development is best summarized in the following quote from AID Program Evaluation Report No. 14 entitled, "A review of AID's Experience in Private Sector Development."

The objective of private sector development is declared to be two-pronged, intended both to promote the development of individual enterprises and a viable competitive market environment in which they can efficiently operate. Recognition of the essential complementarity of these two objectives is important in that equitable development is only likely to be realized when both a market-oriented environment AND viable private enterprises are present. Under such conditions private sector investments can meet developmental as well as business objectives, and the enhanced efficiency and accelerated growth resulting from decentralized private decision making can indeed serve as the basis for meeting basic human needs.

From this perspective, development of a private enterprise expansion program in The Gambia must be based on analyses of three interrelated issues. The first is an analysis of the extent to which economic conditions in The Gambia meet the "market-oriented environment" prerequisite for growth of private enterprises. The second issue is to assess to what extent there exist in The Gambia viable opportunities for resource-based private sector expansion in areas suitable to broad based participation of ordinary Gambians. The third issue is to identify priority constraints to rapid development of enterprise opportunities in The Gambia and devise a strategy for elimination of those constraints within the limited resources of the proposed program.

II. Assessment of Market Oriented Environment

A. Economic Recovery Program 1985 - 1991

The Economic Recovery Program (ERP) was a package of interlocking reforms designed and implemented by the GOTG with assistance from the major donors. The program successfully ended nearly a decade of severe economic decline. Its dual purpose was to reverse economic decay and to demonstrate Government commitment to reform (in order to induce a resumption of donor assistance). Between the years 1975 and 1985, real per capita income had declined by 16 percent, annual inflation had accelerated from 5 percent to 22 percent, the budget deficit had increased from 5 percent of GDP to 17 percent, the current account had deteriorated from a deficit of less than 1 percent of GDP to a deficit of 21 percent, and external debt had ballooned from 10 percent of GDP to 110 percent.

The reforms contained in the ERP contributed greatly to establishing a market oriented environment conducive to economic development and growth.

Prices - Except for Government setting the pump price of petroleum products and participating in the setting of GPMB buying prices for groundnuts and cotton, all prices in The Gambia are market determined.

Interest Rates - Except for the minimum rate on three-month time deposits, which is set five percentage points below the treasury bill rate, all other deposit and lending rates are market determined. The treasury bill rate is determined at bi-weekly auctions. High interest rates, both nominal and real, exist in The Gambia and are a major deterrent to private investment. The Mission will address the issue of high interest rates in its Financial Sector Restructuring Program (FSRP).

Foreign Exchange Rates - The Gambia has a fluctuating exchange rate system with rates determined on a daily basis by competition between four commercial banks and three foreign exchange bureaus. There are no restrictions on profit remittances nor on payments for current and capital international transactions. Between June 1986 and December 1990, the dalasi depreciated by only three percent against the dollar.

Credit Controls - Credit ceilings for banks were eliminated in 1991 so that there are no credit controls.

Tariffs - The Gambia has relatively low overall duties on commodities, primarily to keep the country competitive in the re-export trade.

Fiscal Deficits - Excluding special provisions to wipe out certain debts of GCDB, GCU and GPMB, the budget deficit for 1989/90, excluding grants, was equivalent to 4.6 percent of GDP. Including grants, the budget had a surplus of 3.8 percent. The IMF projects similar results for 1990/91.

Inflation - The annual rate of inflation for the year ending December 1990 was 10.4 percent. The IMF projects inflation to fall to an annual rate of 5 percent by the end of 1992. Monetary growth for the calendar year 1990 was a moderate 12 percent for M1 and 7.4 percent for M2.

Balance of Payments - Excluding official transfers, the current account for FY 1989/90 showed a deficit of 21.1 percent. Including transfers, the deficit was only one percent. Since 1985, The Gambia has built up its international reserves from 1.4 million SDRs to 25.4 million (about 2.4 months of imports).

National Savings and Investment - Since the start of the ERP, national savings have increased from 15 percent of GDP to 21 percent and gross investment has increased from 15.8 percent to 22

percent. Private investment has increased the most, from an average of 5.7 percent of GDP at the start of the ERP to 12.4 percent in 1989/90.

Per Capita Income - Since the ERP began, real per capita income has increased at an annual rate of approximately two percent.

B. GOTG Program for Sustained Development 1990-95

The ERP ended officially in June 1990 and was succeeded by a medium-term Program for Sustained Development (PSD) designed to make the transition from a program of economic recovery to one of broad-based sustainable growth based on private enterprise. Under the PSD, the GOTG will take steps to encourage private investment in the Gambian economy. These measures will include consolidation of the macro-economic reforms; continued reduction of the size and scope of the public sector through privatization of SOE's; improved administration of government and provision of social services; and increased capital investment in infrastructure.

Under the PSD, the Government has set a goal for real growth of GDP of at least 5 percent per year. The GOTG will continue its conservative monetary policies established under the ERP. The rate of expansion of the net domestic assets of the banking system will continue to be limited to what is compatible with the accumulation of foreign exchange reserves until they reach a level of 5 months of import requirements.

The GOTG will also maintain its commitment to market-determined interest rates, and will refrain from subsidizing credit except in cases where on-lending at concessionary rates is an intrinsic part of a well-defined aid package. The GOTG will reduce the public sector deficit to no more than 5 percent of the GDP, with the goal of reducing the public sector's use of credit, thus reducing the real rate of interest in the banking system, and freeing up more domestic savings for private investment.

C. Conclusion

The economic and financial liberalization of the ERP have created an economic environment conducive to private investment, and the private sector has responded accordingly with increased investment. However, further increases in private investment from both foreign and domestic sources will be required to achieve the GOTG's economic growth objectives, maintain a healthy balance of payments, and improve living standards of average Gambians. The basic macroeconomic conditions are already in place to support a private sector development program aimed at increasing private investment.

Within this macroeconomic context, the Mission's overall program goal is to increase the current growth rate of real per capita GDP to at least three percent a year. With a population

growth rate of 3.4 percent, real GDP must grow by at least 6.4 percent a year. To achieve that growth rate, investment as a percent of GDP must reach at least 23 percent (using data since the start of the ERP which shows that the incremental capital output ratio is 3.6). Public investment was averaging 13 percent of GDP but for the last two years has fallen to about 10 percent. That means that private investment will have to average between 10 and 13 percent of GDP in order for the Mission's program goal to be achieved. This is an ambitious goal, but it is one which the Mission believes is attainable as long as the momentum in liberalization of the economy continues.

III. Assessment of Private Enterprise Investment Opportunities

A. Background

1. Overview of the Economy

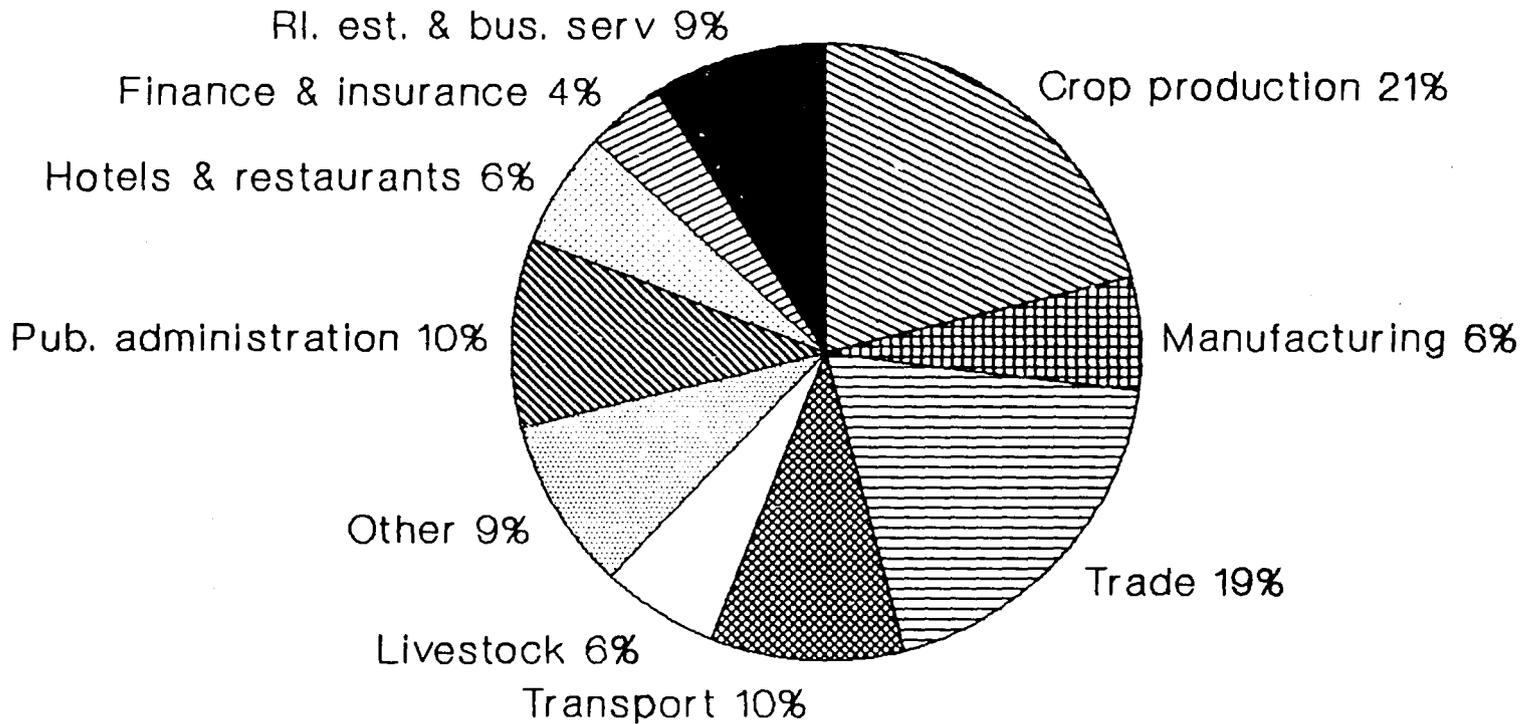
The Gambian economy is characterized by traditional subsistence agriculture, historic reliance on one crop -- groundnuts -- for export earnings, and a re-export trade built up around The Gambia's port. Three sectors of the economy, horticulture, fisheries, and tourism, have experienced significant growth during recent years, and are expected to be the focus of export-oriented investment in the 1990's.

a. GDP and Employment

Exhibit 1 presents a breakdown of the economy of the Gambia by sector in 1985/86 and 1989/90. As the exhibit shows, groundnut production has maintained a consistent share of GDP of approximately 20 percent. The other major contributors to GDP are trade with 12 percent of GDP in 1989, down from 19 percent in 1985, livestock with 11 percent in 1989, up from 6 percent in 1985, transport and public administration with 9 percent each, and finance and insurance with 8 percent in 1989, up from 4 percent in 1985). Manufacturing, hotels and restaurants, and real estate and business services each contributed an approximate 6 percent share of GDP in 1989.

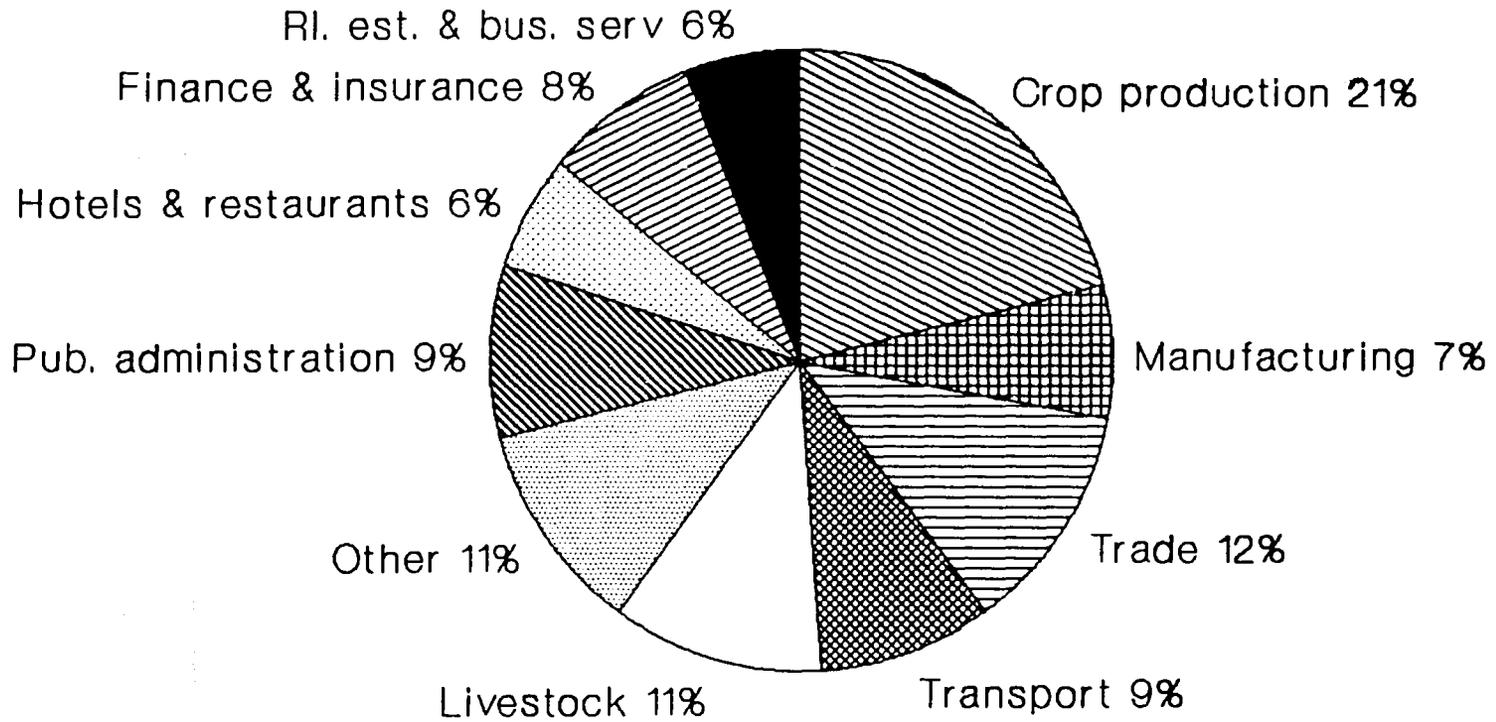
Most of the labor force in The Gambia is employed in traditional agriculture. The growth trend in formal sector employment (which excludes traditional agriculture) is shown in Exhibit 2. It is encouraging to note that in the aftermath of the ERP, growth in formal sector employment has been concentrated in the private sector. Distribution of formal private sector employment by activity is shown in Exhibit 3. The largest formal employers are distributive trades; hotels and restaurants; community and social services; and manufacturing. It should be noted that formal employment in every major industry with the exception of construction has at least doubled since 1985.

Exhibit 1: Share of Gross Domestic Product By Economic Activity 1985/86



Source: Central Statistics Dept.

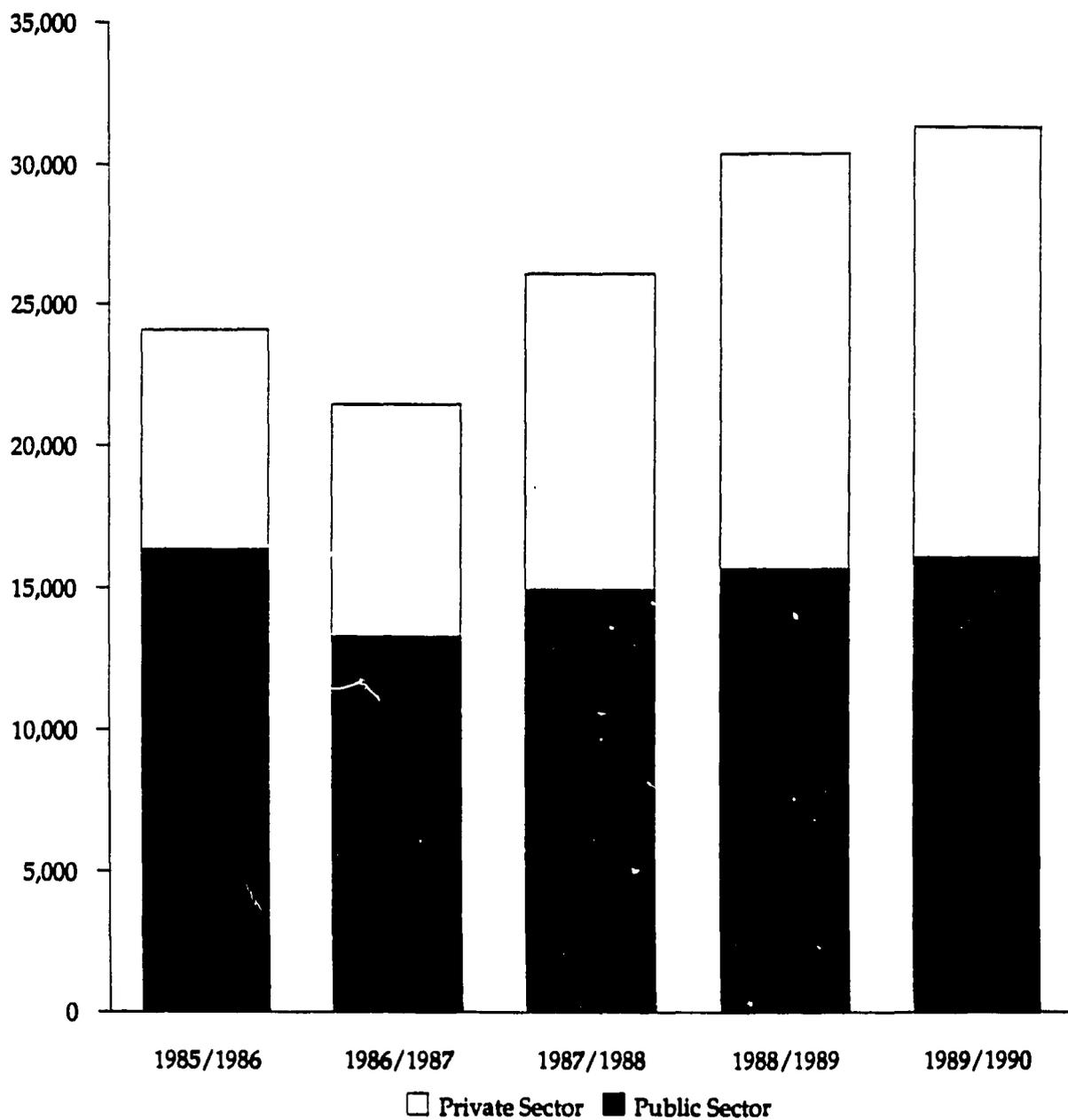
Exhibit 1: Share of Gross Domestic Product By Economic Activity 1989/90



Source: Central Statistics Dept.

Exhibit 2

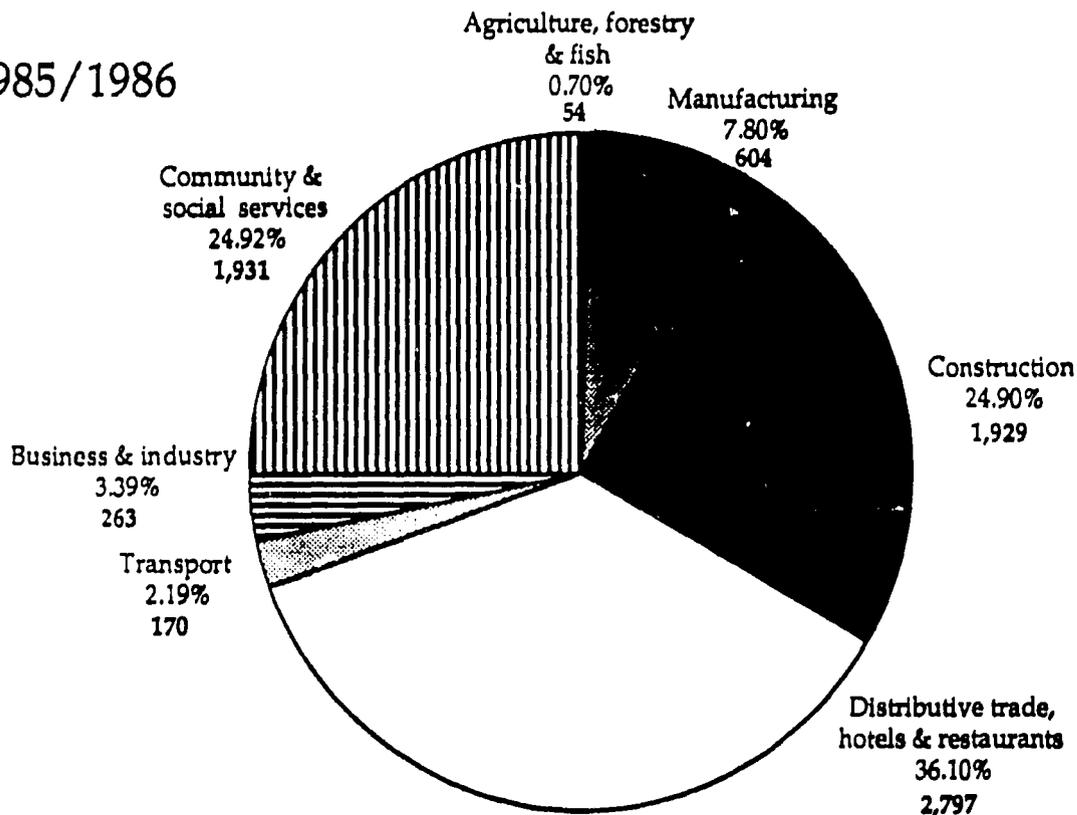
Employment in Public and Private Sectors in the Gambia 1985/1986 through 1989/1990



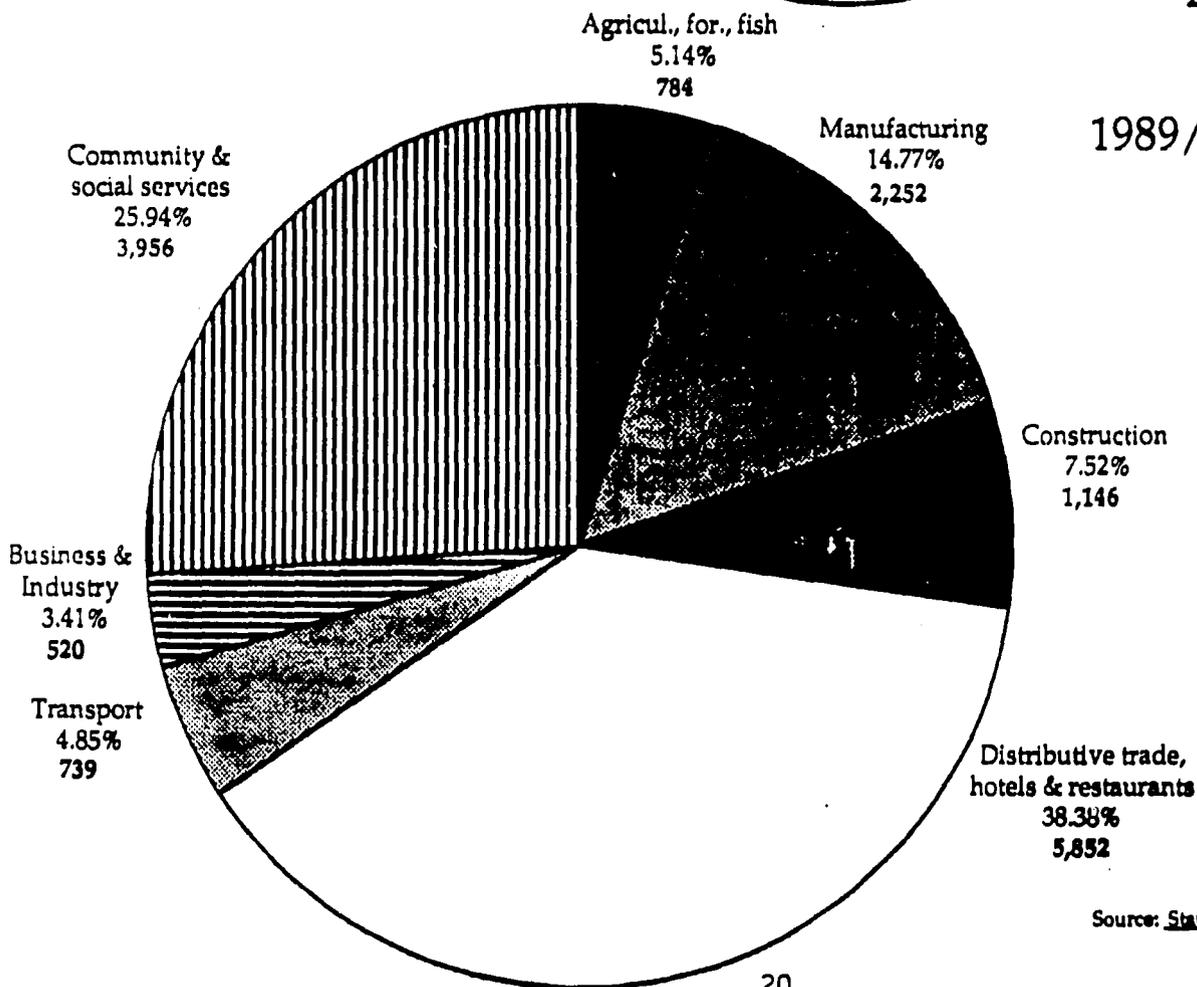
Source: Central Statistics Department, Ministry of Finance & Economic Affairs, Tables no. 10 & 11
Statistical Abstract of the Gambia, 1990.

Exhibit 3 Private Sector Employment in the Gambia

1985/1986



1989/1990



Source: Statistical Abstract of the Gambia,
Table no. 11

b. External Trade and Foreign Exchange Earners

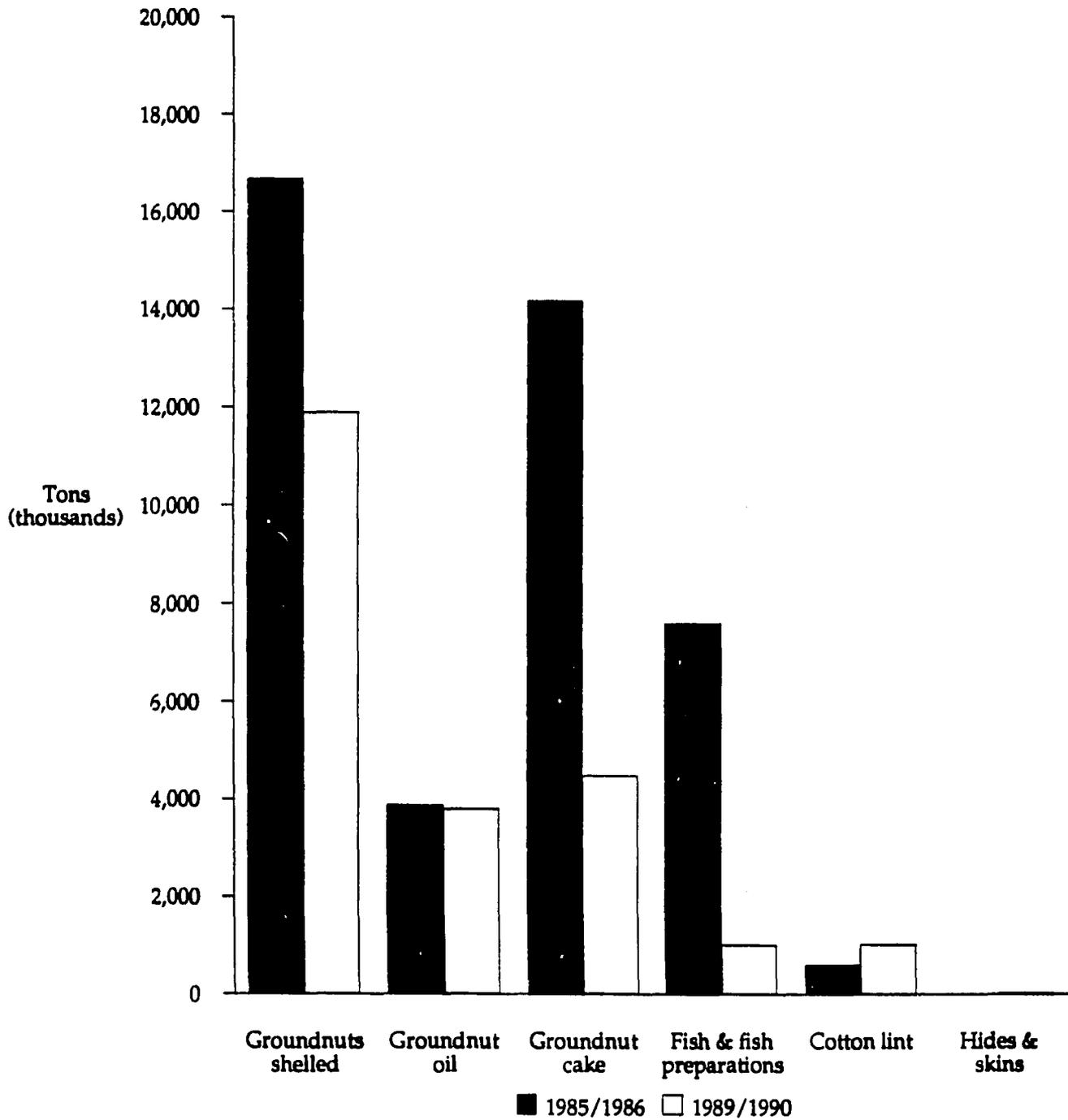
The dominance of groundnut exports is illustrated in Exhibits 4 and 5. Exhibit 4 indicates a decline in absolute volume of groundnut and fish exports between the years 1985 and 1989. Exhibit 5, however, indicates an increase in the total value of exports largely due to strong world market prices. The horticulture industry, introduced in The Gambia in 1985, currently accounts for approximately 5 percent of total exports. Horticulture exports are not reflected in either of the export exhibits due to lack of available data from the GOTG central statistics office. The GOTG is in the process of undertaking a thorough evaluation of horticultural activities and data should be available sometime later this year.

While exports and Official Donor Assistance are the major sources of foreign exchange in the economy, tourism has since the mid 1980's developed into an important tertiary source. As demonstrated in Exhibit 6, the total number of tourists arriving in The Gambia has grown steadily during the 1980's reaching a peak of 100,000 in 1988/89. While arrivals declined in 1989/90, the industry has rebounded well in the current year.

Most of The Gambia's imports come from Western Europe with the U.K. supplying the largest share. Other important trading partners are France, the Netherlands, and West Germany. Exhibit 7 shows imports to The Gambia by major commodity. It is interesting to note that total imports tripled in value from 1985 to 1989. While there was an increase in consumption and investment during this period, most of the increase in imports is indicative of robust growth in the re-export trade. Principal re-exports are food, manufactured goods, beverages, and tobacco.

Nine-tenths of The Gambia's non-entrepot exports flow to Europe and Japan (30% and 60% respectively) (Exhibit 8). Export trade with the U.S. is undeveloped and accounts for only 1%. Official trade with other West African countries accounts for 5%, with other Asian countries (3%), and other developing countries (1%) accounting for the remainder.

Exhibit 4 Quantity of Exports 1985/1986 and 1989/1990



Source: Statistical Abstract of the Gambia, Table no. 35

Exhibit 5

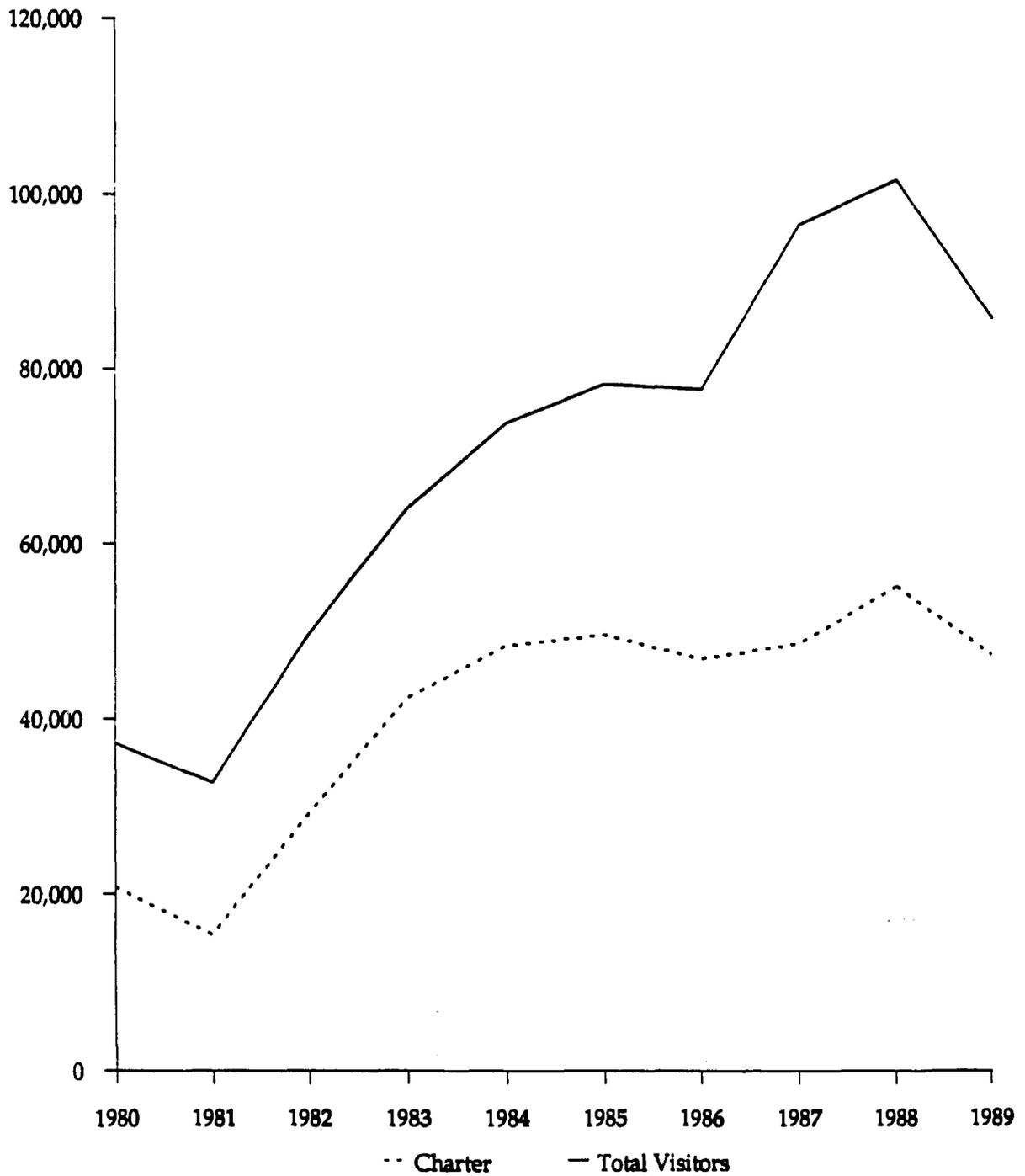
Quantity and Value of Exports

1985/1986 and 1989/1990

	1985/1986		1989/1990	
	('000s tons)	('000s Dalasis)	('000s tons)	('000s Dalasis)
Groundnuts shelled	16,671	37,365	11,880	53,744
Groundnut oil	3,871	15,132	3,799	29,762
Groundnut cake	14,160	5,361	4,478	7,522
Fruits & vegetables				10,532
Fish & fish preparations	7,598	6,776	1,025	23,709
Hides & skins		1,652	33	3,186
Cotton lint	611	3,888	1,036	5,010
Other exports		3,987		5,176
Re-export (goods)		64,478		63,195
Re-export(currency notes)				36,222
Total	42,911	138,639	22,251	238,058

Source: Statistical Abstract of the Gambia, Table no. 35

Exhibit 6 Number of Tourists to the Gambia 1980 to 1989

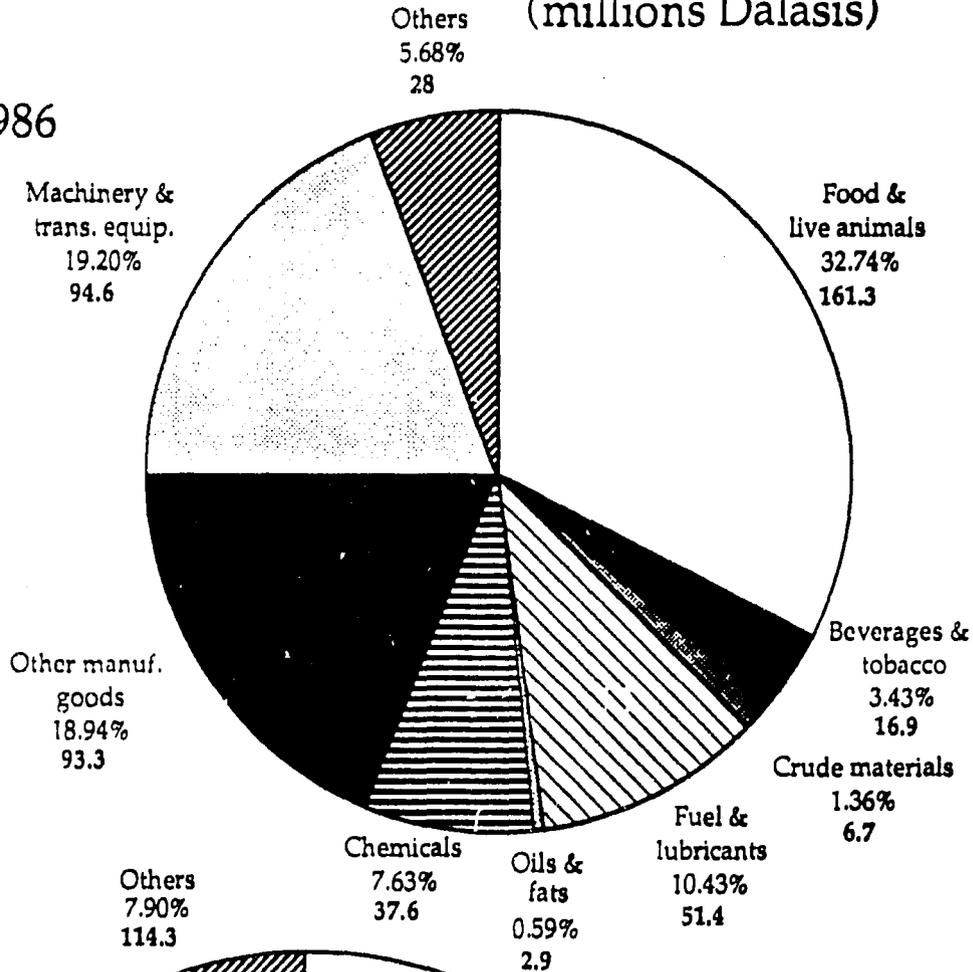


Source: Statistical Abstract of the Gambia, Table no. 29

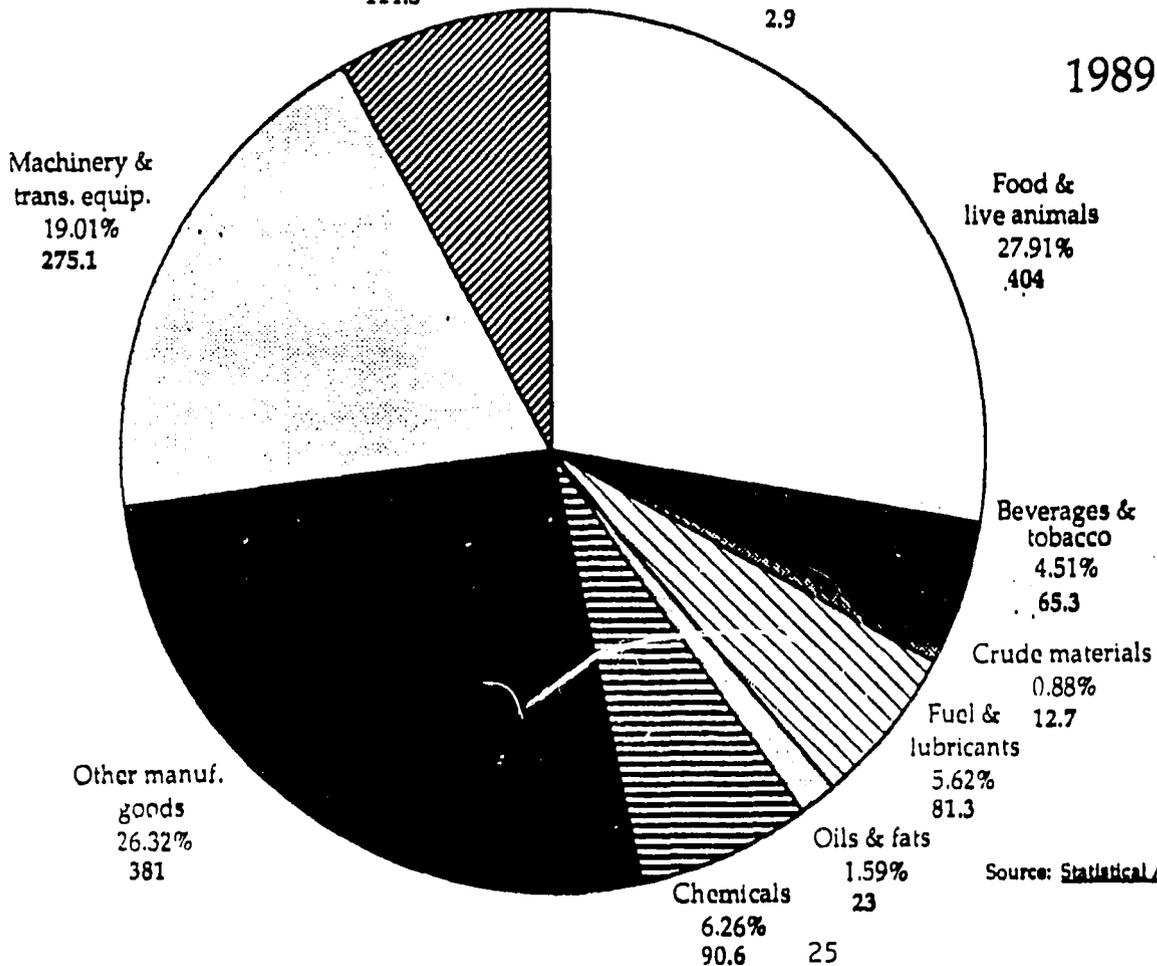
Exhibit 7

Imports by Major Commodity Sections (millions Dalasis)

1985/1986

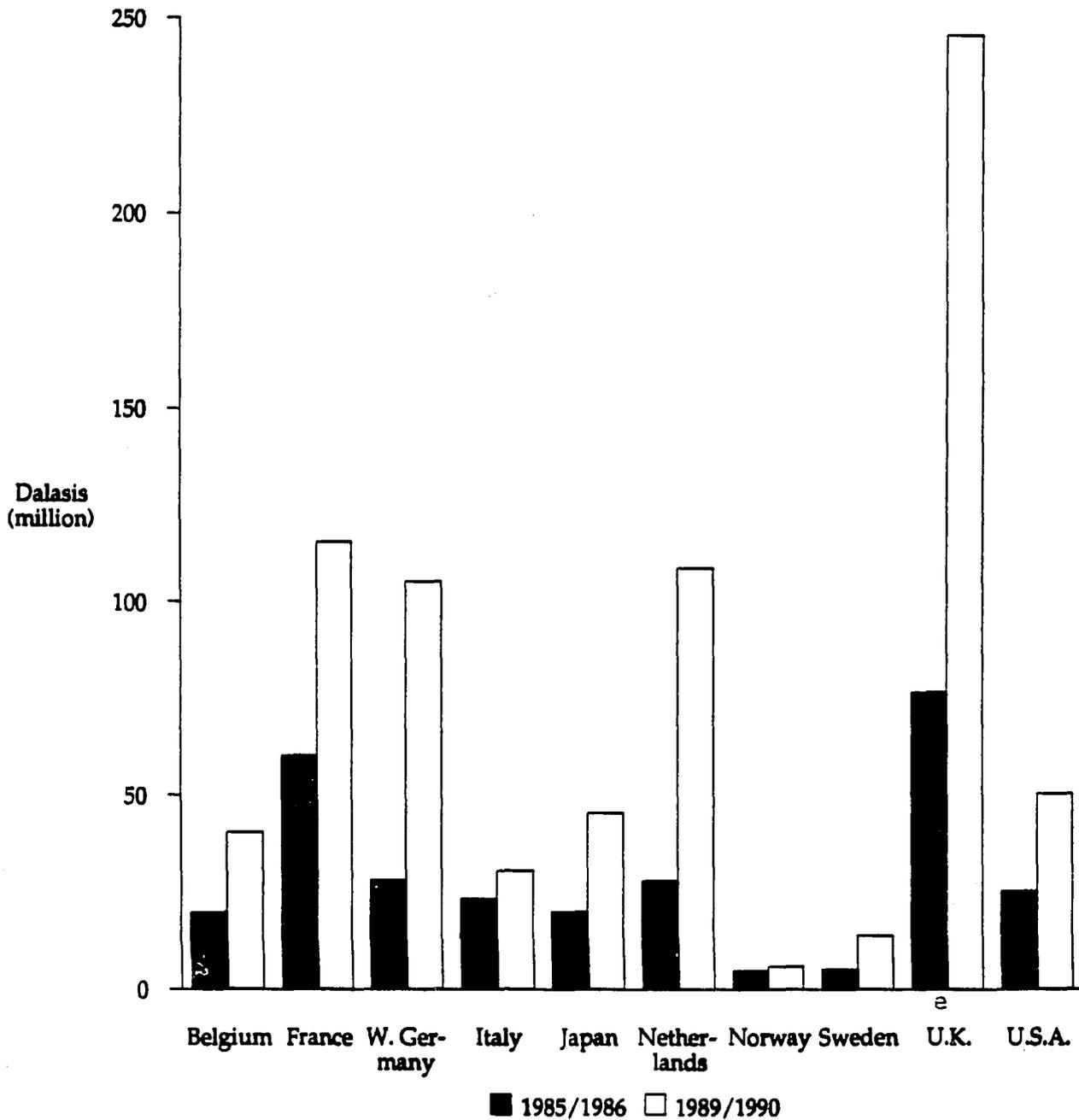


1989/1990



Source: Statistical Abstract of the Gambia, Table no. 36

Exhibit 8 Direction of Trade - Imports 1985/1986 and 1989/1990



Source: Statistical Abstract of the Gambia, Table no. 37

c. General Growth Indicators

Agriculture and distributive trade are the largest users of bank credit in The Gambia. As demonstrated in Exhibit 9, distribution of commercial bank credit by activity remained largely unchanged between 1985 and 1989. Substantial growth has occurred, however in tourism and "other" (e.g. consumer loans and advances) categories. Expansion in use of credit by the private sector has been dampened by restrictive monetary policies under the ERP.

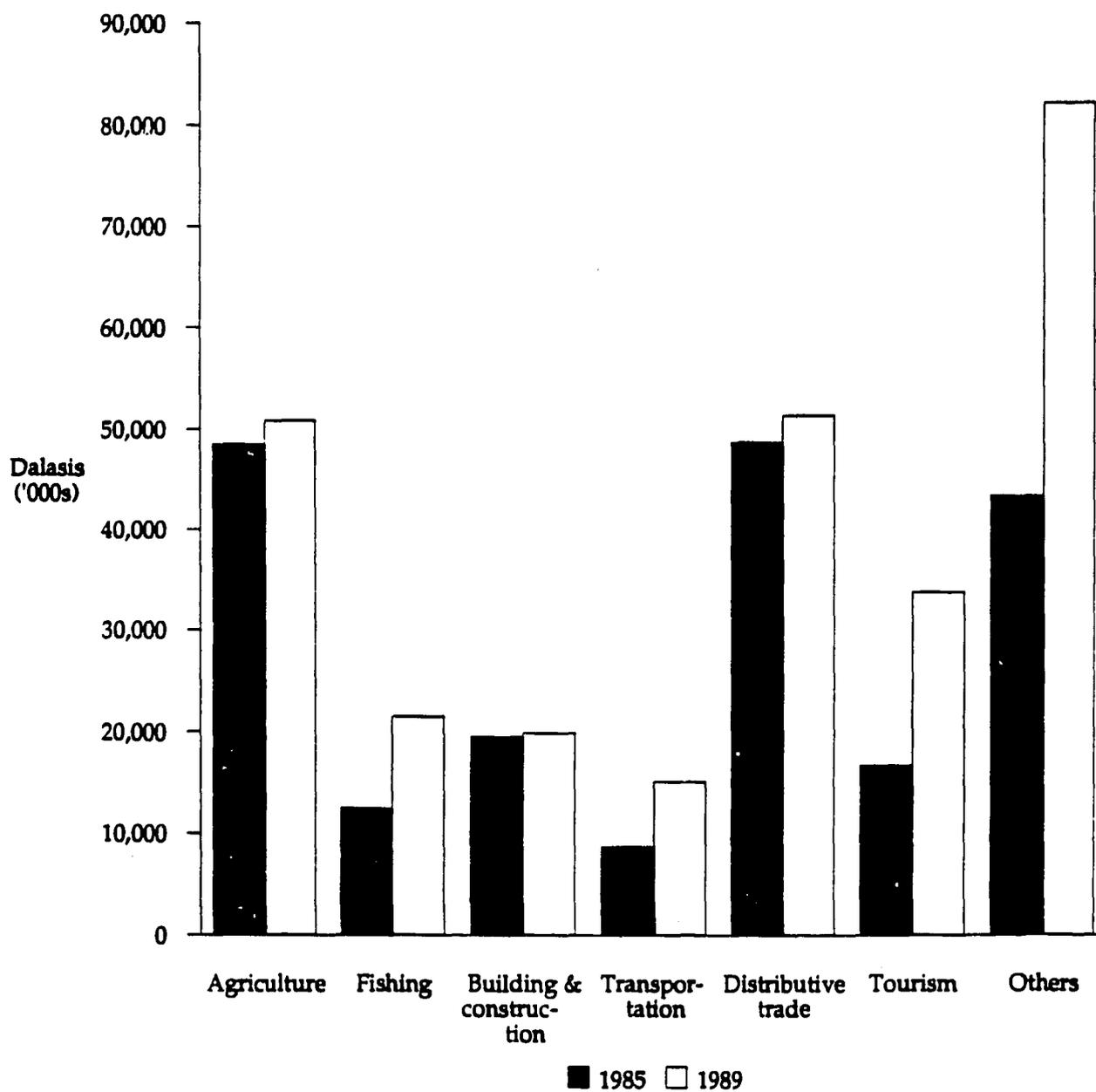
Other growth indicators, some of which are shown in Exhibit 10, indicate a more robust expansion of the private sector in The Gambia. For instance, electricity generation increased by more than 13 percent during the three-year period from 1985/86 to 1988/89. Similarly, the number of commercial vehicles registered and tonnage of cargo unloaded (imports) increased by approximately 50 percent each from 1985 to 1989. With installation of the new telephone system, the volume of telephone traffic increased by almost 700 percent from 1985 to 1989. Of the major indicators shown, only cargo loaded (export tonnage) declined during the period (by 28 percent).

d. The Role of Foreign Capital

Until the mid-1980s almost all of The Gambia's private sector-led economic diversification was initiated by foreign investors able to benefit both from management expertise and well-established export marketing arrangements. Local investment, prior to 1985, was largely confined to expansion of trading and re-export enterprises due to a general lack of capital and the reluctance of the Gambian private sector to compete with subsidized SOE's. Indigenous entrepreneurs have also been impeded by a lack of technical skills and specialized knowledge of new technologies and potential export markets.

During the ERP, Gambian participation in productive export-oriented businesses increased substantially. In horticulture seven of the ten export operations are joint ventures or are solely owned by Gambians while about half of all fish processing facilities are owned and operated by the local private sector. Three hotels that were originally built by foreign investors are now wholly or partially owned by Gambians.

Exhibit 9 Commercial Bank Loans and Advances by Sectors 1985 and 1989



Source: Statistical Abstract of the Gambia, Table no. 32

Exhibit 10 General Growth Indicators

	1985/1986	1988/1989	% change
Electricity generated (MWh)	47,718	53,990	13.14%
	1985	1989	% change
Telephone traffic ('000s minutes)			
International Telephone	325	1,355	316.92%
National Telephone	4,000	33,000	725.00%
No. of commercial vehicles registered	3,232	5,071	56.90%
Cargo Handled ('000 tons)			
Unloaded(imports)	269	405	50.56%
Loaded(exports)	53	38	(28.30%)

Source: Statistical Abstract of the Gambia, Tables no. 24, 26 & 27

2. Evaluation of the Investment Climate

a. Political Economy

In assessing the overall business and investment climate of The Gambia, it is important to recognize two realities. On the one hand, The Gambia offers a generally fair to good business and investment environment relative to conditions prevailing throughout nearly all of sub-Saharan Africa. On the other hand, in its effort to attract private investment capital and penetrate export markets, The Gambia is competing not only with other countries in Africa, but also with developed and developing countries in the world at large. In the larger arena, The Gambia's business and investment climate is probably no better than fair.

In general, the two most important factors distinguishing The Gambia's business and investment climate from that prevailing throughout most of sub-Saharan Africa are, 1) a history of political stability characterized by adherence to democratic principles and 2) a liberal market economy including a fully liberalized foreign exchange market. From a political perspective, President Dawda Jawara has been the Gambian head of state since the country gained independence from the U.K. in 1965. Presidential and parliamentary elections are held every five years, and opposition parties can and do compete for representation. In twenty-five years since independence, there has been only one attempt to seize power from the duly elected government, and it failed. On a continent characterized by political uncertainty, The Gambia's record of political stability is a positive exception. From an economic perspective, reforms implemented under the ERP have gone a long way toward eliminating structural imbalances and restoring confidence in the macroeconomic environment.

b. Priority Growth Sectors

The priority growth sectors in The Gambia are commercial agriculture, horticulture, commercial fishing, and tourism. Studies undertaken for USAID, the World Bank, and other international donor agencies have identified a number of potentially profitable investment opportunities in the areas of tourism, fishing and fish processing, shrimping and shrimp farming, agribusiness including horticulture and floriculture for export to specialty markets in Europe, livestock production for regional trade, and food processing for both the domestic and export markets.

c. Strong World Markets

Groundnut oil and fish exports are the two main exports to Japan. While recent world market prices for groundnut products have been favorable, future exports of oil and shelled groundnuts will remain subject to volatile commodity indexes. Japanese demand for fish products will readily absorb all of Gambia's existing and future export capacity. Furthermore, The Gambia's historical ties

and proximity to Europe will continue to favor current trends of selling high value horticulture, fisheries, and tourist packages to European markets. Strong buying power in Japan and in the Western European economies will also result in better negotiable prices for Gambian products.

Export demand for tropical fruits, vegetables and exotic plants and foods should increase in line with growth in consumption in the EEC countries. The Gambia is well positioned to benefit from the growth in trade that will be generating by a faster growing Europe. Groundnut oil prices have been projected by the World Bank to remain relatively stable. The increase in groundnut product prices in 1989/90 has been maintained thus far into the new season.

d. Employment and Foreign Exchange Generation

All of the priority growth sectors are export-oriented, and have demonstrated capacity to earn much-needed foreign exchange. While generating significant direct employment, growth industries will also create demand within the service sectors and thereby generate additional income and employment opportunities for Gambians. For example, agriculture and horticulture create demand for transportation and distribution networks of agricultural inputs and produce; fishing creates employment in processing and distribution, as well as in boat building and repair; tourism creates income opportunities in handicrafts, construction, and other service industries.

The challenge for The Gambia as it moves into the 1990's is to channel adequate investment and human resources into these productive sectors of the economy to enable them to realize their full potential to contribute to sustainable economic growth. Direct employment in these industries, as well as related indirect economic benefits through forward and backward linkages, are concentrated heavily among the lower income strata of the population including low income urban wage-earners, rural households, and women.

B. Analysis of Priority Growth Sectors

1. Commercial Agriculture

a. Description of Sector

Agriculture is the mainstay of the Gambian economy. About two-thirds of the population derives its livelihood from production of traditional crops. The principal product, groundnuts, accounts for approximately two thirds of the country's domestically produced exports and employs as much as 60% of the total work force. In the world market, The Gambia accounts for less than one percent of all groundnut exports. Groundnut processing and marketing account for a substantial share of the local manufacturing, trade, and transport sectors. The groundnut industry, including production, processing and trading, accounts for about 13.5 percent of GDP. Other subsistence crops include sesame, sorghum, millet, rice, and maize. Local production provides about three-quarters of the country's annual food consumption needs.

Although the commercial oilseeds industry continues to be dominated by the parastatal marketing board (GPMB), significant progress has been made over the past three years toward full liberalization of the trade through privatization of assets and elimination of exclusive marketing arrangements to permit increased private sector participation. Prior to the 1989/90 marketing season, the GOTG announced its decision to deregulate domestic purchasing and marketing of groundnuts to allow for full private sector participation in the domestic trade. This policy reform was followed in early 1990 by legislative action to eliminate GPMB's exclusive monopoly rights over export of groundnut products from The Gambia, thereby opening the way for the private sector to compete openly for export markets with the parastatal marketing board.

Although the initiative to liberalize and deregulate the export trade came too late to have an impact on the 1989/90 season, it had been expected that the private sector would move aggressively in 1990/91 to compete with GPMB. In the event, however, full private sector participation in the export side of the industry in the 1990/91 trading season has been thwarted by GPMB's continued possession and control of the only commercial processing facilities in the country. Despite a GOTG directive to GPMB management to open the facilities this year for use by the private sector on a toll basis, no private party has been willing to run the risk of moving produce through the notoriously inefficient GPMB facilities. Lack of confidence in the GPMB management's ability and willingness to deliver acceptable quality product on time to meet delivery schedules was consistently cited as an insurmountable risk by a number of private traders who had earlier expressed serious interest in direct exports. It is encouraging, nonetheless, to note that private sector interest in the trade is evident and growing and that private traders in the

domestic trade (i.e. buying from farmers and selling locally or to GPMB) were able this year to realize moderate profits. As a result of increased competition for available produce, cash paid this year to farmers increased faster this year over last than did world market prices.

b. Industry Trends

Management problems at GPMB have led to the severe deterioration of some of the company's major productive assets, including the decortication and oil milling facilities, and the river transport fleet operated by the now defunct Gambia River Transport Company (GRTC). Years of well documented management ineptitude at the GPMB have resulted in reduction of the industry's effective processing capacity and have led to a general decline in the volume of harvest handled annually by the GPMB despite buoyant world market prices and good rainfall.

It is interesting to note, however, that much of the deterioration of the GPMB's processing facilities can, in fact, be reversed provided that competent technical and managerial resources are applied. On the recommendation of a USAID/Banjul funded study in late 1990 to assist in developing standard rules of access and a reasonable fee schedule to encourage use of GPMB processing facilities by the private sector, the GOTG in cooperation with the World Bank contracted for technical engineering assistance from Cargill Technical Services to oversee critical maintenance and repair of existing GPMB equipment. In the few months that the TA team has been in country, output yields and quality standards for the decortivating equipment both in Banjul and up-river in Kaur have improved dramatically with only minimal expenditure of funds. Other serviceable GPMB facilities of potential interest to a private sector buyer include a new groundnut oil refinery capable of producing refined oil for both the local market and the entrepot trade, and a powerful steam turbine and electrical generating equipment that could, if properly managed, sell excess electricity to the public utilities company. It is likely that the oil mill will need to be replaced by more modern, efficient equipment; however, analyses undertaken by Cargill in 1990 indicate that such a new facility could be profitable within a short period of time provided that managerial efficiencies were simultaneously eliminated.

Until the GPMB is privatized, the outlook for growth in the oilseeds industry will remain unfavorable, and the comparative advantages associated with groundnut or other oilseed production in The Gambia will remain unexploited. Given the industry's importance to the economic well being of The Gambia, full privatization of the GPMB is a critical component of the proposed program. Privatization of the GPMB is considered necessary as part of the overall process to enhance sustainability of growth by ensuring that limited capital and human resources in The Gambia are allocated to their most productive uses. In The Gambia, economic diversification implies that some capital and human resources will

shift out of groundnut production into more productive and profitable activities.

c. Key Success Factors and Constraints

Despite the volatility of world market prices for groundnuts, potential exists for increased profitability through more efficient production, improved processing, and enhanced marketing strategy. USAID/Banjul is working with AFR/MDI to encourage joint venture participation by a European or American confectionery company to improve information links with world markets and to provide access to new technology necessary to increase productivity and efficiency in production, processing, and marketing of Gambian groundnuts.

The main constraints to expansion of commercial agriculture are inefficiencies created by the dominance of state owned enterprises in input supply, crop procurement, processing and export marketing, the lack of a coherent strategy and financial commitment to facilitate crop diversification or to engender efficient private sector development of agricultural production and marketing, and low levels of soil fertility which inhibit increases in productivity and crop yields.

d. Investment Opportunities and Growth Prospects

The major investment opportunity in this sector is for recapitalization of the commercial capacity for processing of oilseeds. This will require rehabilitation or replacement of equipment at the processing facilities at Denton Bridge and Kaur, as well as replacement of the river transport fleet, and most importantly, a complete overhaul of management operations.

The key element for full privatization of the industry is to secure a strategic partner with access to markets, capital, and technology. By bringing an agribusiness firm into the privatization process at an early stage, the GOTG will cut time off the process and improve the likelihood of a successful outcome.

2. Horticulture

a. Description of the Sector

Outside of groundnut marketing, profitable investment opportunities for private sector participation in agriculture exist in the production of vegetables and tropical fruits for specialty markets in Europe and for provision of the tourist hotels. Export-quality mangos, papayas, avocados, green beans, eggplants, peppers, cauliflowers, and other fruits and vegetables are currently produced on an increasing number of privately owned farms.

In contrast to groundnuts, horticultural production and distribution is almost entirely under the control of the private sector. At least ten private companies are currently in operation, and the industry is fast becoming an important generator of foreign exchange and employment.

While demand for Gambian produce in external markets has shown consistent growth over the past several years, further expansion in this sector has been restricted by limited storage facilities and inadequate cargo space for shipment on commercial airlines. A number of private firms are currently undertaking feasibility studies of charter air cargo service for The Gambia and for cold storage facilities at the airport to respond to evident demand among the commercial farms. Foreign investment through joint venture arrangements between Gambian producers and foreign agribusiness enterprises could provide the necessary capital and technical services for the horticulture sector to expand rapidly in the 1990's.

b. Industry Trends

Almost all of the investment in commercial horticulture has occurred in the last five years. The initial success and profitability of this industry in The Gambia has led to increased investment. Exhibit 11 shows land area currently under commercial horticultural cultivation. Approximately 1000 hectares are currently in production.

The largest producer of vegetables and fruits is the Radville Farms/Agro Tech operation at Serrekunda, outside Banjul. The farm, with a combined productive area of approximately 250 hectares, produced and exported approximately 1000 metric tons of fruits and vegetables in the 12 month period ending in December 1990. Radville intends to increase weekly exports to 150 MT by engaging charter aircraft to alleviate transport constraints. Charter flights began in February 1991 and are proceeding well. Exported products include mangoes, limes, okra, eggplant, string beans, cantaloupe, persian melons, cherry tomatoes, kumquats, chilies, broccoli, sweet corn, and other vegetables. Crops are grown year round and production is staggered according to their growing seasons. Ninety-five percent of each harvest is exported; 2 percent goes to the local market (which is perceived as being too

small to absorb significant quantities); and 3 percent is wastage.

During peak production periods as many as 2,000 workers are employed by the farm. Additionally, Radville purchases produce from outgrowers on several smaller perimeters employing approximately 150 additional workers. Radville employees receive a daily rate ranging from 9 dalasi for semi-skilled labor to 40 dalasi for middle managers and supervisors. Wages are significantly above average, and turnover at the farm is low. Many employees have been with the farm since its inception. Training costs are correspondingly low, and most workers operate without much supervision. Approximately 60% of Radville workers are women.

EXHIBIT 11

Commercial Horticultural Farms:	Approximate Number of Hectares
Citroproducts	300 ha
Tangi Products	23 ha
Farato Farms	53 ha
Sinchu Farms	114 ha
Caraba Agro Products Ltd.	27 ha
Iams Agricultural Enterprises	240 ha -livestock 20 ha - vegetable
Sifoe Agricultural Farms	200 ha
Radville Farms	250 ha
Tesito Farms	30 ha
Women's Gardens	<u>10 ha</u>
TOTAL	1000 ha (approx.)

c. Key Success Factors and Constraints

The combination of adequate groundwater, good growing conditions and proximity to European markets has made export of high value horticultural products from The Gambia a highly profitable economic activity capable of providing substantial employment for Gambians. While the per ton value of export varies from crop to crop, participants in the industry estimate an average value of 500 Pounds Sterling. A medium to large scale operation working 200 hectares to produce 100 MT of exports per week is

capable of generating as much as \$5.0 million in gross annual revenue. Using a figure of 10-15 workers per hectare, such an operation would employ between 200 and 300 people.

The major constraints to growth of horticulture in The Gambia are related to transportation and marketing. Chief among these are the cost and dependability of air shipment, and the availability of cold storage while produce awaits shipment. Market knowledge of quality control standards and consumption patterns in the European and North American markets is lacking among the smaller firms. Contract farming between the smaller farms and the larger exporters could largely alleviate these constraints.

A number of larger Gambian agri-businesses are prepared to establish cold storage facilities at the airport and to charter cargo aircraft to increase export volume to Europe. Investment in cold storage has been impeded by bureaucratic delays-characteristic of the overall investment approval process in The Gambia and by unclear GOTG commitment to preclude any public sector involvement. Both of these problems will be addressed by FAPE program and project interventions

d. Investment Opportunities and Growth Prospects

The Radville Farm operation represents a model that could be replicated in The Gambia. It is important to note, however, that Radville and other successful operations constitute significant commitments of foreign capital and expertise on a scale well beyond the immediate reach of most Gambians. The most promising strategy for gaining access to the necessary capital and technical resources would be for Gambian producers to pursue joint ventures with foreign companies.

Opportunities for smaller scale production are also promising. Analyses indicate that a viable operation could be undertaken on a 5 to 10 hectare plot for an initial capital investment of approximately \$350,000 to \$500,000. Production of 10 MT per week could yield annual gross revenues of \$450,000 - \$550,000. Employment on such a plot would range from 50 to 150 people.

Re-investment of earnings would enable small scale owners to expand incrementally and achieve important economies of scale. FAPE firm and industry level support will be used to address constraints to growth of small to medium size operations with special focus on increasing the management role of women in the sector.

Exhibit 12 outlines growth prospects for horticulture and indicates a potential increase of land in production to 5000 hectares.

EXHIBIT 12

Vegetables Grown in Women's Gardens: Bakau, Sukuta, Lanun, Kafuta

<u>Vegetable</u>	<u>Area</u>	<u>Seasonality</u>	<u>Potential Expansion</u>	<u>Remarks</u>
Okra	1.0	June-October	Season can be extended	Rely on rainfall
Chilies	6.0	December-June	Area can be increased	Grown on contract to exporters
Beans	2.0	Nov - April	Area can be increased	Grown on contract to exporter
Aubergines	1.0	November-June	Area can be increased	Local & export mkt.
Melons	0.7	November-May	Year-round production is possible.	Local & export mkt.
Guar	2.6	Dec - April		On contract for exporters
C h e r r y Tomatoes	1.84	June-October	Area can be increased	Excellent crop
Pumpkin	0.5	October-April	Sufficient production within the country	
Capscums	0.08	Dec - April	Area can be increased	
Sweet corn		Nov - Aug (rainfed & irrigated)	Was tried and can be grown successfully	Does well, but is a minor crop
In 1989 - 90		Commercial farms produced		
Aubergines		658 tons (6 farms)		
Chilies	626	tons (6 farms)		
Okra		414 tons (4 farms)		

Vegetables for the
local market but with export potential

Sorrel
Broccoli
Cauliflower
Kidney beans
Lima beans
Sugar snaps
Amaranth
Sweet potatoes
Spring Onions
Courgette (Zucchini)
Butter Nut
Squash
Cassava

3. Fisheries

a. Description of the Sector

The Gambia has abundant ocean and river fish and shrimp resources that are currently harvested by a growing number of small and medium-sized private enterprises both for domestic consumption and for export to European and other markets.

Artisanal fishing is conducted along the length of the river and close to the shoreline, primarily by Gambian fisherman in small privately owned or leased canoes and boats. Commercial ocean fishing is practiced mostly by larger ocean-going trawlers of mixed Gambian, foreign, and joint ownership. Industrial fishing is conducted offshore, mostly by foreign vessels. Shrimp, squid, sole, and other varieties of whitefish are the principal export products. Total fish and shrimp catch since 1971 is outlined in Exhibit 13.

Offshore fishing takes place in the Gambian Exclusive Economic Zone (EEZ). In the EEZ, The Gambia has exclusive control over licensing of fishing rights as authorized by its ratification of the Law of the Sea Treaty in the mid-1980s. The width of the Gambian coastline, including the river mouth, is about 32 nautical miles, so that the area of ocean controlled by The Gambia is about 6,400 square nautical miles. This is about 14 percent of the combined Gambian/Senegalese shelf area. Most of the productive fishing, except that of tuna, is done within 30-40 miles of the coast.

Several commercial ocean going companies land their catch in The Gambia for processing prior to export. Nearly all of the fish processing facilities in The Gambia are privately owned. Twelve private companies operate processing facilities, with three large firms handling up to 80 percent of the landed catch. Most of the foreign vessels that fish offshore process their catch at sea and transport it directly to foreign markets.

The structure of fish marketing is closely related to processing conditions. In artisanal fishing, fish are either smoked and dried for export to neighboring countries and up-country consumption, or they are sold fresh, usually within 35 km from the landing site. The hotels show an increasing demand for fresh fish under the stimulus of the tourist trade. Some of the artisanal fishery's shrimp and sole fish are exported to Europe through marketing arrangements with larger commercial companies.

Four Gambian companies are responsible for most of the Gambia's fish exports. These include the Lyefish Company, Pelican Seafood, National Partnership Enterprises (NPE), and Seagull Cold Stores. The principal markets for Gambian fish and seafood are Europe and Japan.

EXHIBIT 13

Total Catch In Metric Tons, 1971-1988

Year	Marine Artisanal	Freshwater Estimate	Industrial	Total
1971	5,800	800	5,000	11,600
1972	6,000	800	5,200	12,000
1973	10,400	800	5,600	20,800
1974	10,795	800	9,995	21,590
1977	13,295	2,700	N.A.	N.A.
1978	11,999	2,700	273	14,972
1979	8,443	2,795	159	11,397
1980	10,565	3,489	310	14,364
1981	11,368	1,423	313	13,104
1982	6,512	3,508	316	10,336
1983	8,953	2,500	498	11,951
1984	9,182	3,500	N.A.	N.A.
1985	8,012	3,500	17,058	28,570
1986	9,906	3,500	16,861	30,267
1987	5,049	3,500	13,417	21,966
1988	7,224	3,500	11,834	22,558

Shrimp Production In Gambian Waters In Metric Tons

Year	Catch	Year	Catch	Year	Catch
1972	88	1979	-	1986	848
1973	260	1980	356	1987	350
1974	183	1981	275	1988	526
1975	183	1982	316		
1976	183	1983	312		
1977	-	1984	504		
1978	-	1985	615		

(Source: GOTG Fisheries Department)

b. Industry Trends

Two companies have recently made sizable investments in the fisheries sector in The Gambia, and are achieving success that can be replicated. NPE has expanded its cold storage and shrimp and fish processing facilities and is expanding its fleet with additional concessional financing arranged through the Danish government. An American fisheries company, Vinaport, has established a partnership with Pelican Seafood, one of the three major processing companies in The Gambia. Under an arrangement that includes IFC financing through a local bank, Vinaport has agreed to increase the company's ocean fishing capacity by providing three additional trawlers. Other available investment funds will be used to expand the company's storage and processing facilities. Approximately 200 workers, primarily urban based women, will benefit from the Vinaport/Pelican venture.

EXHIBIT 14 (Source: Fisheries Department, GOTG)

Total Number of Fishermen in Gambian Artisanal Fishery 1981-1988

Year	No. of Fishermen	Gambian	Foreign
1981	2,639	1,867	1,272
1982	No survey		
1983	3,190	1,896	1,294
1984	3,206	1,870	1,336
1985	2,716	1,804	912
1986	2,017	1,201	816
1987	1,250	684	566
1988	1,582	928	654

c. Key Success Factors and Constraints

Demand in export markets for Gambian flatfish and shrimp has consistently exceeded supply, and foreign and domestic investment in this sector has consequently increased steadily since the mid-1980's. There is a growing demand for the higher priced demersal fish in the local market and for export. Export demand for warm water species has always exceeded supply. The GOTG has actively encouraged the development of artisanal fisheries and shrimp farming in The Gambia. To facilitate growth, the GOTG has abolished supplementary licensing requirements for the fish processing industry.

Key industry constraints include the absence of an exclusive modern fishing harbor and marine facilities to provide efficient berthing, off-loading and maintenance services for both commercial and artisanal fishermen. The limited capacity of the Gambian Marine Unit to control illegal exploitation of Gambian waters by foreign industrial concerns constitutes another constraint to growth of the sector.

d. Growth Prospects and Investment Opportunities

Production and processing of fish and seafood is expected to demonstrate continued growth in the 1990's and the fisheries sector will afford increased opportunities for private investment and enterprise development. With an estimated maximum sustainable yield of 75,000 metric tons against a current offtake of about 29,000 tons there is ample scope for further private sector investment in capture fisheries. Increases in the landed catch could be achieved through private investment in off-loading

facilities and would create opportunities for expansion of processing facilities. Expansion of processing facilities and improvement of berthing facilities to enable artisanal fishermen to meet stringent quality control standards for export markets will create significant employment and increased off-farm income opportunities among lower income Gambians.

EXHIBIT 15

Export of Fisheries Products From The Gambia

Years	Products (In Tons)	Dalasi Value (X1000)
1974-75	12,767	2,564
1975-76	14,505	4,830
1976-77	20,411	7,622
1977-78	16,712	6,651
1978-79	13,039	3,651
1979-80	10,944	4,364
1980-81	7,943	6,359
1981-82	9,162	4,597
1982-83	5,006	3,191
1983-84	5,734	4,098
1984-85	5,741	5,039
1985-86	7,598	6,775
1986-87	5,304	6,543
1987-88	3,793	13,741

Source: Fisheries Department, GOTG

4. Tourism

a. Description of Sector

Tourism is an important growth sector of the Gambian economy. Between 1987 and 1989 the GDP contribution of tourism was about 10 percent. Contribution to Government revenues was approximately D250 million per year. Employment in tourism (direct and indirect) is about 7000; net foreign exchange earnings around \$25 million.

Since the 1970's The Gambia has benefitted from a tremendous boom in tourism with an increase in total tourist volume from 300 arrivals in 1965 to its current level of nearly 100,000 per year. Since the beginning of the boom, The Gambia has been quick to recognize its potential as a winter beach resort destination, and private investors have moved accordingly to expand the hotel capacity to accommodate foreign tourists in increasingly large numbers. The number of hotel beds has increased from 4000 in 1983-85 to 4800 in 1988/89.

The number of tourist arrivals increased at a steady pace through 1989. While there has been some drop-off in total volume since then due to adverse external factors, total earnings for the current year are expected to be at or near the 1987-89 levels.

b. Industry Trends

Gambia's 16 hotels operate at full capacity during the winter season. Therefore, future growth can only be sustained by increasing the number of guest rooms. Private investors have undertaken significant construction in anticipation of future business opportunities in this sector. Most recently construction has been completed of a 120 room five-star beach hotel.

Other noteworthy developments during this period have been: expansion of facilities, providing catering, entertainment and sight-seeing services; increase in Gambian participation in ownership and management of tourist hotels, and of the tourism-related services; and a promising beginning of construction of higher quality hotels and residential clubs, and high quality restaurants.

c. Key Success Factors and Constraints

Rapid growth has placed severe strains on the public sector's capacity to provide essential infrastructure to the industry. Water and power supplies have become increasingly unreliable. Hotels are dependent on standby facilities to guarantee continuous services. Furthermore, limited sewage disposal capacity in the major tourism center, Bakau, could become a key impediment to future growth. For The Gambia to derive maximum benefit from tourism in the 1990's, it will be necessary for leaders in the industry to move aggressively to make improvements to existing

infrastructure that will enable The Gambia to expand its market share.

Further development of the hotel industry will be partly dependent on GOTG progress with improvements to existing infrastructure. Some deficiencies (e.g. unreliable electric power supply) are less restricting to foreign developers because of their financial capability to construct all-inclusive operations and their technical capacity to manage autonomous on-site infrastructure. However, these deficiencies seriously inhibit domestic investment in smaller hotels. The water supply problem is a serious threat to all of the beach hotels. Investments in water, sewerage, and electricity infrastructure, as well as improvements to the airport, are needed.

d. Investment Opportunities and Growth Prospects

The Gambia's proximity to Europe and pleasant winter climate make it an ideal location for winter tourism, and this factor has been recognized by the tourism industry in Europe. For example, the National Investment Board has recently received applications from credible foreign investors to construct major new hotel and retirement facilities in the beach area.

Outside of a handful of beach hotels, the downstream industry is underdeveloped. Opportunities exist to develop other entertainment outlets, tourist handicraft markets, and eco-tourism up-country and regional travel. Expansion in this area will serve to increase The Gambia's attractiveness to foreign business and vacation travellers while generating income and employment opportunities for the resident population.

Linkages between tourism and other sectors of the economy can also be strengthened, particularly in areas where Gambian production can be profitably substituted for commodities currently imported by the hotels. As noted above (and discussed later in the constraints section), several constraints stand in the way of further development of the tourism industry. The public investment program of the GOTG will be the major vehicle for satisfying the infrastructure requirements of this industry as well as others. Additionally, public policy changes in the areas of investment processing and income taxation contemplated under the FAPE program will enhance the enabling environment for investors. As these needs are addressed, construction of new facilities as well as expansion and modernization of existing facilities will continue.

C. Production Potential and Estimated Employment Impacts

Exhibit 16 presents current and potential production in three of the priority growth sectors. The total value of production in agriculture, horticulture and fisheries could be increased by almost \$200 million annually.

Exhibit 16

Current And Potential Production In Priority Sectors

	Current Production			Potential Production		
	Hectares	Tons	Value	Hectares	Tons	Value
Groundnuts	120,000 @\$500/ton	60,000	\$30.0M	150,000 @\$700/ton	150,000	\$105.0M
Horticulture	1,000 @\$1000/ton	10,000	\$10.0M	4,000	80,000 @\$1500/ton	\$120.0M
Alternative Crops* *Sesame, Pulses @\$600/ton	700	350	\$ 0.2M	20,000	20,000	\$12.0M
Fisheries						
Pelican	NA	NA			200	\$2.0M
Vinaport	NA	NA			120	\$1.2M
ScanGambia	NA	160	\$ 1.0M		320	\$3.2M
NPE					200	\$.2M
Others					160	<u>\$1.6M</u>

Expansion in the priority growth sectors will have a broad-based impact through creation of new jobs and income earning opportunities for a wide range of Gambians. Among the principal direct beneficiaries will be small and medium scale Gambian entrepreneurs and business people who are able to start up new or expand existing enterprises. Other direct beneficiaries will include a wide range of Gambian wage and salary earners who find jobs in new or expanded private sector activities.

Exhibit 17 presents estimates of the increased employment associated with the potential production in Exhibit 16. The total increased employment potential is estimated at 230,000 jobs.

EXHIBIT 17
Potential Employment Impact

<u>Commodity</u>	<u>Current Employment</u>	<u>On-farm</u>	EOP	
			<u>Employment</u>	<u>Increment Processing/ mkt</u>
groundnuts	50,000	100,000		5,000
sesame	10,000	30,000		1,000
horticulture /fruit	5,000	75,000		2,000
fisheries	200			1,000
feeds	1,000	19,000		1,000
poultry, livestock fattening	<u>100</u>	<u>900</u>		<u>200</u>
	76,300	220,000		10,000
				230,000

IV. Assessment of Constraints to Growth of Resource-Based Private Enterprises

Private sector development can be viewed as an evolutionary process whereby individual firms are created, enter into production, expand, and diversify over time in response to market opportunities. This process can be constrained by a number of factors, including many outside the control of the firm. In general, constraints to growth of private enterprises can be broken down into three broad categories:

- constraints created by general economic conditions both international and domestic,
- constraints in the capital market, and
- constraints at the level of the firm or the local economy.

The effect of constraints in any or all three of these categories is either to limit profitable opportunities or to reduce the ability of entrepreneurs to respond effectively to profitable opportunities. In The Gambia, significant constraints exist in each of these three categories.

A. Constraints at the Level of the National Economy

1. **Infrastructure Deficiencies**

The Gambia's poor infrastructure is perceived by local entrepreneurs and foreign investors as an increasingly negative feature of an otherwise favorable investment climate. Electricity and water distribution in some areas are so unpredictable that many businesses have opted for self sufficiency in power and water supplies.

It is difficult to measure the impact of inadequate basic infrastructure on private investment decisions in The Gambia. However, it is clear that in any economy additional costs and inconveniences associated with infrastructural shortcomings can and will eventually swing the balance against new investment.

A brief assessment of Gambia's infrastructure facilities and services is provided below:

a. **Transportation**

Most roads in Banjul proper are unpaved or are in a state of advanced disrepair. Road conditions between the port in Banjul, the industrial park in Kanifing, the hotel sector in Kotu, and the airport at Yundum are fair. On the positive side, a major African Development Bank project (ADB) to resurface city streets is soon to be initiated, and installation of a modern sewerage and water

supply system will be completed in Banjul in 1992. Roads to the interior are rudimentary, but passable. There are no paved roads on the northern side of the Gambia river, other than the main commuter/trade link between Banjul and Dakar.

River transport, once a key feature of The Gambia's historical trading pattern with other West African states, has shown a steady downward trend over the past several years. In its heyday, the Gambia River Transport Company (GRTC) regularly conveyed 80 to 90 percent of the Gambian groundnut harvest along the river to the processing facilities. Traffic on the river today, however, is virtually moribund despite the fact that transport of bulk materials by river boat is still considered to be more efficient and cost effective than transport by truck. The demise of river transport in The Gambia can be directly attributed to poor GPMB management and short-sighted policies favoring public investment in SOE's over private investment. For years, GPMB refused to pay realistic transport rates to its wholly owned subsidiary, the GRTC, and, as a result, GRTC was unable to undertake routine maintenance and repair of its fleet of tug boats and barges. Years of decapitalization have rendered the GRTC fleet virtually valueless. In 1991 there remain only one functional tug boat and eleven marginally acceptable barges. Decades of SOE control and mismanagement of river transport have effectively blocked private investment in what is otherwise a potentially profitable concern. No large passenger or freight vessels operate scheduled river service. There is ferry transport of cars and trucks at five locations along the river.

Air passenger transport is marginal with only four scheduled flights from Europe per week. With the planned departure of British Airways in May 1991, service may be reduced to only two direct flights per week. Connecting flights to Europe and the United States are available through Dakar, and during the tourist season, there are frequent charter flights from northern Europe. Regular air cargo service is limited to space available on passenger flights. Lack of sufficient freight service has hindered expansion of the country's nascent horticultural export industry.

b. Port Facilities

The Banjul port is managed by the Gambia Ports Authority under a performance contract with the GOTG. Facilities require maintenance but are fairly efficient except for congestion in June caused by a combination of groundnut exports and the normal upsurge in imports which precedes the rainy season. Adequate container equipment is available but there are no arrangements for "roll-on/roll-off (Ro-Ro) vessels or cargo.

Airport facilities, once appropriate for regional commuter traffic, need to be upgraded to accommodate The Gambia's tourism growth. Cargo facilities, especially cool room space, are needed to alleviate the bottleneck in air cargo services.

c. Electricity and Water

The Gambia Utilities Company (GUC) has five generators with an aggregate productive capacity of 22 megawatts of electricity-- enough to provide continuous supply to the greater Banjul area including the capital, the industrial park, hotel resorts, urban localities, and the main commercial agricultural districts. Company operations have deteriorated considerably over the past several years, and in January 1991, only one of GUC's five generators was functional with the other four at various stages of repair or rehabilitation. As a result, load shedding and power interruptions are common and businesses and residences are dependent on stand-by generators. Further, the GUC has demonstrated a conspicuous inability to manage its finances. Billing is anywhere from three to six months late and the parastatal lost 40 million dalasis in FY '90.

The GOTG has sought technical assistance from European and Japanese donors to assist with equipment maintenance and financial management. EEC technical advisors are currently working to improve the billing system, and discussions are underway for a private lease arrangement that should be in place by mid-1992.

The water supply and distribution system, also managed by the GUC, is in a similar state of chaos. Inadequate supply from the central sources has forced many service sector businesses to overuse bore hole wells. The World Bank, the African Development Bank and the European Investment Bank (EIB) are involved in multi-faceted long term projects to increase water supplies and to establish a prudent GUC water management program.

d. Communications

The state-owned monopoly, GAMTEL, provides excellent international telecommunications services from Banjul. Major installation of new equipment was completed with assistance from France three years ago. While international connections are first rate, connections with the interior are unreliable or non-existent. GAMTEL is planning a major effort over the next several years to expand the telephone network to the interior. There are two private radio stations and one public AM station. None of the radio stations is powerful enough to be received throughout the country. There is no television station.

In summary, current infrastructure weaknesses will continue to have an adverse effect on private sector investment. While it will take some time before Gambia's infrastructure meets the needs of a modern well-functioning private sector, the extensive amount of donor assistance to the GOTG should produce positive results over the next 2-3 years.

2. Public Ownership of Critical Industries

Although the GOTG has made some progress in its efforts to reduce the role of the public sector in the economy through privatization and divestment of state-owned enterprises, public ownership of critical industries continues to be an important impediment to private investment in The Gambia for several reasons. First, despite marginal improvements in the performance of some SOE's now operating under performance contracts, on balance the remaining SOE's continue to drain public revenues that could otherwise be applied to needed public investments, such as infrastructure. Secondly, certain SOE's, notably the GUC and Public Works (road maintenance) provide poor infrastructural services, which add to the real cost of doing business in The Gambia and discourage private investment. Finally, and most important for FAPE, the groundnut sector--which constitutes the most important sector of the economy-- is still dependent on services historically provided by a monopsonistic state-owned industry. In particular, the GPMB and its subsidiary, the GRTC, have stifled the development of both commercial agriculture and river transport upon which development of the interior has long been dependent.

a. Gambia Produce Marketing Board (GPMB)

Historically, The Gambia's specialization in the production and export of groundnuts began in 1830 with the first shipments of Gambian groundnuts to Europe. Groundnut production for export was encouraged by the colonial government as an easily controlled source of tax revenue. By 1869 The Gambia was exporting 34,000 MT per year. Annual exports under colonial rule reached a peak of 96,000 MT in 1915. Available data for this early period make no distinction between decorticated (shelled) and un-decorticated nuts. Given that all nuts exported today from The Gambia to Europe are decorticated (a process that reduces weight by approximately 30 percent), it is difficult to compare total volume of exports in the early 1900's with total volume of exports in the 1990's. Nevertheless, a peak volume of 96,000 MT exported in 1919 is impressive given that annual GPMB exports over the past two decades have only averaged between 50,000 and 60,000 MT. Post-independence groundnut production in The Gambia reached a peak of 151,000 MT in 1982. Total groundnut production for 1990/91 is estimated at 75,000 MT, of which the GPMB expects to process approximately 28,000 MT's for export.

Until the second world war, private trading companies controlled Gambian groundnut exports. However, with the start of WW II, the British colonial administration established the West African Produce Control Board (WAPCB) and granted it a legal monopoly over the export of groundnuts, palm oil, cocoa, and other commodities to prevent their sale to the Axis powers. In 1948, the Gambia Oilseeds Marketing Board (GOMB) was set up to control groundnut exports from The Gambia. In 1973, GOMB was renamed the Gambia Produce Marketing Board (GPMB) and its powers were expanded

to include the marketing of cotton and rice. The Managing Director of GPMB is appointed by the President, on the recommendation of the Minister of Finance.

Groundnuts are still the most important crop in The Gambia and are produced on eighty-four percent of all farm units. Groundnuts account for 50 percent of farm income from agricultural products, and groundnut products account for over 60 percent of The Gambia's domestically produced exports. In the world market, The Gambia accounts for less than one percent of all groundnut exports. The groundnut industry, including production, processing and trading, accounts for about 13.5 percent of GDP in The Gambia.

Groundnut Production and GPMB Procurement

	1975/76	1980/81	1985/86	1986/87	1987/88	1988/89	1989/90
Production (MT)	141,100	60,200	75,800	110,300	120,000	98,400	129,900
G.P.M.B Purchases (MT)	133,541	44,854	49,094	67,879	63,320	27,770	49,406
Purchases as a percent of production	95	75	65	62	53	25	38
Producer Price as Percent of FOB Price	68	58	77	110	113	75	61
Gambian Price as Percent of Senegalese	106	133	108	88	71	67	84

As the data in the above table demonstrate, GPMB has become a smaller player in the market for farmers' production in recent years. A major reason for this is that groundnuts are easily moved in either direction across the Gambia/Senegal border depending on price and promptness of payment. In recent years Senegal has offered higher (subsidized) producer prices, and significant quantities of Gambian groundnuts have been sold across the border. Nevertheless, in 1990/91 there has been some reversal of this trend with Senegalese farmers opting to sell to private Gambian traders at a lower price in exchange for immediate cash on delivery.

Managerial inefficiencies and lack of effective financial controls within GPMB have resulted in sizable operating deficits, and have necessitated large subsidies from the GOTG to keep the parastatal operating. Government subsidies to GPMB have covered

both operational losses and debt arrears. Although GPMB recorded a small net profit for the 1989/90 season, this was exceptional and due largely to high world market prices. Even with the subsidies, GPMB has failed to maintain or replace worn out equipment, and, as discussed below, has allowed the effective national processing capacity to deteriorate significantly. Employment for both GPMB and its subsidiary, GRTC has been declining in recent years. Privatization is needed to turn GPMB into a profitable enterprise that will support and adequately remunerate groundnut producers. Under present management, inefficiencies and the withdrawal of GOTG subsidies--at the insistence of the IMF-- will result in even further divergence between the producer and world market prices.

GPMB, Profits, Subsidies and Employment
(Millions of Dalasis)

	1986/87	1987/88	1988/89	1989/90
Net Operating Profit	-82.6	-59.1	-27.2	7.7
Grants from GOTG	83.0	130.7	13.2	40.5
<u>Employment:</u> GPMB	1066	981	955	913
GRTC	111	88	82	90

It will not be easy to privatize GPMB as the facilities are old and poorly maintained. In addition, establishing an acceptable market valuation may be difficult. GPMB's major assets consist primarily of a decortication plant located in Kaur with a rated capacity of 650 tons per day (TPD), a second decortication facility at Denton Bridge in Banjul with a rated capacity of 400 TPD, and a crude oil mill also at Denton Bridge with a rated capacity of 240 TPD. The two decortication facilities together are more than adequate to decorticate all of Gambia's groundnut harvest. In addition, there are 7 buying and storage depots located along river. Whereas the GRTC river fleet once included 60 barges and 8 tugboats, there are now only 28 barges and 3 tugboats. The tugs are on average over 40 years old and only one is operative. Of the 28 barges, only 11 are in fair condition and 17 need major repairs before they can be used.

The majority of GPMB's processing assets are in excess of 20 years old. Consultant reports have shown that quality control is absent, nuts are pressed into oil and cake at a loss instead of being exported as whole nuts, and managerial inefficiencies keep the plants operating months longer than would be the case if efficient procedures were followed. One consulting company valued

the plants assets in the region of D31 million. The fixed assets are valued on the books of GPMB in excess of D180 million. The Company is saddled with debts of over D67 million. The Mission's privatization support activities will include valuation, preparation of prospectuses, and search for buyers.

3. Tax Structure and Investment Incentives Policy

a. The Development Act of 1988

Generally, private investors must submit to two approval processes before establishing new ventures in The Gambia: 1) application for tax concessions and other fiscal and non-fiscal incentives granted under the Development Act in the form of a Development Certificate, and 2) applications to meet normal business development requirements such as operating licenses, building permits, legal access to land, commercial registrations, and work permits for foreign professionals. While the whole process is purported by officials to require no more than 90 days, in actual fact, completion of the two processes can take anywhere up to two years. On average, investors need 180 work days to obtain normal business permits and a further 90 days to secure tax concessions under the Act. This extends the time between application and start-up of new ventures to 12 -14 months. The investment approval process is perceived as a major stumbling block to attracting foreign capital despite GOTG's strong commitment to encouraging foreign investments in The Gambia.

Delays are precipitated by a combination of factors including, numerous requests for project information and Ministry approvals as prerequisites for tax concessions under the Development Act, lengthy response times in the GOTG's legal, regulatory and approval systems in various Ministries and Departments, and an absence of a priority ranking system for processing investment project requests within the various Government entities or sensitization of public sector personnel to the urgency of such issues.

The NIB has made an effort to fine tune the existing system to reduce turnaround time. Subsequent enhancements, consisting of the introduction of standard application forms, simultaneous processing by Ministries and NIB's "One Stop Shop" liaison service, will produce some positive results but further fine tuning is unlikely to lead to discernable improvements in the process.

Since the Development Act was enacted in 1988, only ten firms have received Development Certificates. The existing system of preferential tax treatment should be replaced by a completely new tax structure that applies equally to all firms.

b. Tax Structure

Various features of the tax code taken together create biases against foreign investment in The Gambia, incorporation of local business enterprises, and retention and reinvestment of

corporate earnings, as well as against certain financial transactions, such as leasing of facilities and equipment, buying and trading of shares, and use of legal mortgages to secure loans. The code also contains biases in favor of repatriation of profits to foreign investors, and insuring Gambian assets with foreign insurers.

The Gambian company profits tax of 50% is considerably higher than that of many other countries with which The Gambia is competing for foreign investment. The company tax rate is also higher than the top individual tax rate in The Gambia (35%). In both cases, the differential discourages initiation and expansion of business enterprises in The Gambia. In addition, tax treaties with major developed countries that were inherited from the U.K. and discourage location of permanent establishments in The Gambia by foreign investors doing business in The Gambia (by not taxing business income where no permanent establishment exists), and encourage repatriation of profits from foreign-owned enterprises in The Gambia (by not withholding against repatriation of after tax corporate income).

Further, a number of taxes on financial transactions discourage equity investments and growth of non-bank financial institutions without raising substantial revenues. Examples of the latter include the capital gains tax on sale of securities (which, in some cases, can have an effective rate in excess of 100 percent), the stamp tax on legal and equitable mortgages, the sales tax on insurance premiums, the stamp tax on transfers of financial instruments, and the duty on industrial and commercial leases. In view of the unavailability of long-term debt financing from banking institutions, it is important to eliminate tax system constraints to direct investment and reinvestment, development of equity markets, and non-bank financial institutions.

Under an extension of the Mission's current Economic and Financial Policy Analysis Project (EFPA), funds will be provided to undertake a comprehensive review of the existing tax code and to identify priority reforms necessary to eliminate biases against or disincentives to increased private investment and/or expansion of private enterprise activity. Implementation of the findings and recommendations of the EFPA tax review will be undertaken under the proposed FAPE program.

4. Weak Statutory Regime Governing Transactions and Enterprise Operations

The legal system governing business activity in the Gambia suffers from substantial inconsistencies and major gaps in statutory law and regulations as a result of wholesale inheritance of certain British Parliamentary Acts, some of which were last revised in the 19th Century. The Gambia is also bound to international treaties of the U.K. entered into prior to independence and that have not been explicitly renounced or repealed.

The deficiencies in Gambian statutory law are hindering private investment and inhibiting development of financial instruments, transactions, and institutions that have been important vehicles of investment in other economies. Examples include: the lack of legislation to guide the development of a hire-purchase financing mechanism; seriously outmoded legislation (last revised in 1955) governing the issuance of corporate securities, shareholder and public disclosure provisions, and other corporate governance matters; outdated and inadequate legislation governing the licensing and regulation of financial institutions by the Central Bank; lack of legislative authority for deposit-taking non-bank institutions; and a complex and confusing system of land tenure, which has been under study and in the process of reform since 1987.

Virtually every type of equity or long-term debt finance technique currently in use or potentially suitable for use in The Gambia is affected in some way by the lack of a complete, consistent, and up-to-date legislative framework for business activity.

In addition, serious administrative deficiencies that deter private investment include a primitive registry system for both real and personal property, inadequate procedures and staff for the enforcement of claims, absence of staff to supervise the insurance industry, and a clogged court system due to inappropriate jurisdiction rules and inadequate levels of judicial personnel. In combination, the shortcomings of the legal, regulatory and administrative systems create a climate of uncertainty and conservatism that reinforce the short-term orientation of savers, investors and creditors in The Gambia.

The need for improvements in the legal structure is generally non-controversial within the GOTG, and the slow pace at which these problems have been addressed reflects a lack of sufficient technical expertise rather than failure to recognize the problem or resistance to change. The GOTG has recently completed a five-year effort to consolidate the statutory enactments of the Gambian Parliament and to update them technically. The President's annual budget address in November, 1990 committed the GOTG to publish a revised edition of the Laws of The Gambia and to maintain the Laws cumulatively.

The President also announced in his Budget Address that the GOTG will introduce a new State Lands Bill which will provide a unitary title system of land in the greater Banjul area, to be extended eventually to the entire country, under which 21-year leases will be converted to 99-year leases. Other new legislation to be developed will provide a unified legal basis for the control of land development, set standards for land survey work, review the laws and regulations governing financial institutions, amend the Companies Act to facilitate issuance of and trade in securities and further protect the rights of shareholders, enable the

establishment of hire/purchase transactions and institutions, and establish a statutory body to govern accounting practices and auditing procedures.

The Central Bank is currently drafting amendments to the Central Bank Act and the Financial Institutions Act, has issued new licensing procedures to shorten the processing period for financial institutions, and has decided to recruit an expatriate to serve as Insurance Commissioner and to rewrite the insurance regulations. The GOTG's legislative and regulatory revision program is an ambitious one, and one that will severely burden the already overworked cadre of educated civil servants who are responsible for the daily administration of government organizations. Realistically, concentrated technical assistance in researching and drafting new legislation and regulations will be required for the GOTG to accomplish its program within the time period contemplated.

B. Constraints in the Capital Market

The shallowness of the financial sector in The Gambia constitutes a major constraint to private sector investment from domestic sources. An entrepreneur seeking capital for a start-up or expansion of an existing business will be unlikely to obtain it through the formal financial system. Virtually all of the liquidity in the financial sector resides in two healthy commercial banks, one parastatal commercial and development bank (currently undergoing major restructuring), and the parastatal Social Security and Housing Finance Company. None of these organizations is actively engaged in development lending or term lending at more than a token level. A newly licensed bank has yet to begin lending operations.

The banks engage almost exclusively in foreign exchange transactions, and in highly profitable short-term lending to the government through purchase of mostly short-term debentures and to a small group of well-established commercial trade clients through overdraft facilities and financing of trade bills. The lack of competition in loan markets has led to persistently high lending spreads and very high real interest rates.

Further, there are no building societies, no market for new issues of stock, no venture capital funds, no credit unions or non-agricultural cooperatives, no leasing organizations, and no private pension funds. Insurance companies have not developed sufficient excess reserves to be able to make long-term investments. There are no secondary markets for financial instruments, stock exchanges, or private placement services for capital investment.

The need to promote increased competition among commercial banks is being addressed by the Mission's Financial Sector Restructuring Program (FSRP) in coordination with the World Bank and other donors. FAPE will complement and reinforce FSRP by seeking to expand the scope of operations for non-bank financial

institutions particularly in the areas of lease/purchase companies, private placement arrangements, equity markets, and share-trading facilities.

C. Constraints at the Level of the Firm or Local Economy

1. Weak Private Sector Training Institutions

The human resource potential of any country is tied directly to its educational system and its ability to develop the necessary knowledge and skills to meet current demands and projected shortfalls. The Gambia does not have a strong track record in basic education. While primary education is free, it is not compulsory. During the 1986/87 academic year only 62% of those children between 8-13 years of age were in school. Only 37% of students who complete primary school go on to secondary school. Only a quarter of Gambian young people between the ages of 14-18 receive any form of secondary education. Post-secondary educational opportunities in The Gambia are even more sparse. There is no university. A handful of technical and professional educational institutions are available. Of these, the Gambia College (teacher and nurse training), Gambia Technical Training Institute (GTTI) and the Management Development Institute (MDI) are the most prominent. GTTI caters largely to work place pre-entry skill building in the basic trades (e.g. carpentry, welding, masonry, auto mechanics) and MDI orients its efforts to in-service training of public and parastatal personnel.

There are no institutions in The Gambia where private individuals can receive a basic curriculum in the skills that define competency in business ownership and management. Even the technical schools fall short of reasonable expectations. There are minimal efforts, such as the Gambia Hotel School (GHS), but they also remain inadequate to the tasks for which they were created. The GHS, which caters to one of the country's biggest industries, is an example of what can happen to donor assisted public sector investments in spite of their good intentions and direct relationship to private sector investment and employment. The GHS was established with World Bank funding in 1980. The facility was furnished and equipped by the West German government. The German Technical Organization, GTZ, provided five years of technical assistance, including long term training for the School's professional staff. Outside funding ceased in 1985, the year when the ERP began. It became readily apparent that the GOTG was not committed to sustaining the GHS. The School's reputation plummeted. The GHS currently graduates about 50 students every two years, has not offered any in-service training since 1987, experiences frequent equipment breakdowns and utility shortages, has not provided any development opportunities for its staff since GTZ pulled out over six years ago, and operates on a budget of about \$60,000/year. The budget allocation is expected to cover staff salaries, student allowances, materials and supplies, maintenance of plant and equipment and all other costs associated with the operation of a school of this kind. The School and its

graduates are not highly regarded within the industry although all students appear to be employed at the end of their training. The Private Sector Training Needs Assessment and FY89-92 Country Training Plan (conducted for USAID/Banjul in January, 1989 under the auspices of the Human Resource Development Assistance (HRDA) project) identifies the lack of qualified personnel as one of four key constraints to private sector development. This conclusion was reiterated repeatedly by those public and private sector officials and representatives who were interviewed during preparation of the FAPE Program. Public sector employment has been the employment of preferred choice in The Gambia, leaving a dearth of qualified persons to manage and operate private enterprises. Any concerted effort to strengthen private sector investment performance and increase employment opportunities through enterprise development must address the urgent need for qualified and competent managerial, professional and technical personnel. Broad strategies, such as policy reform, easier access to credit and foreign investments will not be successful if the private sector doesn't have the knowledge and skills to implement them.

There is no history of planned, organized and institutionalized effort to serve the overall human resource development (HRD) needs of the private sector in The Gambia. Those HRD efforts that have been undertaken were either initiated privately and motivated and supported out of self-interest or, were one of a number of public programs not designed to impact, in any significant way, private enterprise growth. Exceptions to this generalization may be found in a few donor programs targeted to sectoral projects (such as fisheries development) in particular regions of the country.

There have been intensive training programs for public sector institutions which might have a strong impact upon the private sector, so that long term, expatriate technical assistance is not needed in the institutions so trained. The National Investment Board (NIB), for example, has a strong formally educated and professionally trained staff. Two-thirds of the professional staff have graduate degrees from world class universities and collectively have attended the best post-graduate professional development training programs available. What NIB needs is not more formal education and training but rather a strategic action plan plus the leadership and will to put these unique resources to work. Only then will NIB achieve its institutional mandate and serve the developmental needs of the private sector and the nation.

To a lesser extent, the Ministry of Finance and Economic Affairs (MFEA) is well on its way to becoming a self-sufficient actor in its enabling role of fostering and supporting private sector development. The EFPA project has trained a strong cadre of macro-economists and policy analysts.

The GOTG could offer useful service to the private sector with a range of supportive and enabling policies and programs. Whether it will do so is, in large measure, dependent on the mobilization

and utilization of the indigenous knowledge and skills that already exist. The intermediate public sector institutions for sparking private sector development are largely in place, although there is no institution that can cater to advanced technical or artisan training needs in The Gambia. The public institutions which do exist need to be energized and managed.

Formal training institutions and private sector advocacy groups are not well equipped to contribute to private sector development -but the situation is not hopeless. Both MDI and GTTI have taken recent actions to position themselves for potentially significant contributions to the private sector. The advocacy organizations, such as the Gambia Chamber of Commerce and Industry (GCCCI), the Gambia Women's Finance Association (GWFA), and the Association of Gambian Entrepreneurs (AGE) are a mixed lot of largely unrealized potential. They represent only a small fraction of the potential membership in their respective spheres of influence and offer only sporadic programs and services to their current constituents.

The HRD challenge within the FAPE program will be twofold. First, it will be difficult, costly and time consuming to impact directly on the HRD requirements of the private sector. However, there is a national thrust to systematically support the development of first line supervisors and middle and upper management personnel for the private sector. Second, HRD interventions aimed at supporting public institutions for developing the private sector in The Gambia appear not to have been well planned or managed in terms of an overall, cohesive strategy. Future HRD investments, such as those envisioned under FAPE, will require that more rigorous attention be paid to targeting interventions for maximum return, within a broader strategic plan; and managing these investments to keep them on target. The Program will need to promote appropriate plans and strong management, in those institutions which perform enabling, service and advocacy roles for the private sector. Any HRD assistance to public institutions for private sector development will need to be designed with the objective of being sustainable without long term external technical and financial support.

2. Inadequate Business Advisory Services

A principal goal of The Gambia's new business organizations is to provide essential advisory services to small and medium size enterprise (SME) members. Two of the six groups, Indigenous Business Advisory Service (IBAS) and the Gambia Womens Finance Association (GWFA) offer basic services such as management training, business plan preparation and credit advice. IBAS is directed at rural projects but is understaffed and is less effective than the GWFA. Services are geared to the informal sector and therefore do not meet the business development needs of the formal or productive sectors. The NIB assists larger business in similar ways to IBAS and GWFA. Through its Investment Promotion

Unit it helps investors prepare feasibility studies and identifies business opportunities for the private sector.

Other important business support services such as new market profiles, technology information services, labor relations, and financial management and planning are difficult to obtain in the formal business community. This inhibits private sector development, especially in priority export sectors like horticulture and fisheries.

In addition, there is no functioning central information or documentation center where investors or local importers can obtain foreign trade and technology information. Despite the relative importance of re-export trade and export growth, reference materials (customs tariffs, regulations and statistics, importers and exporters directories, trade fair schedules, technical specifications and/or quality control standards for exportable goods) are still not easily accessible to the Gambian business community.

3. Limited Private Sector Advocacy

Private voluntary business organizations are natural focal points for enterprise development and for sensitizing the public sector to key issues or constraints which impede business growth. These entities help to foster special interest group participation in the formulation of national economic policies and programs. Consequently, private sector advocacy has become a principal cornerstone of democratic pluralism in emerging economies.

Private sector advocacy is both a factor and barometer of the institutional capabilities of business associations: organizations with strong management, participatory membership and beneficial business support services are effective private sector advocates. Prior to 1987, the Chamber of Commerce and Industry (GCCI), the conventional bastion of business interests, had made only marginal advances in promoting private sector involvement in economic decision-making due to weak organizational skills and traditional partisan perspectives. For example, GOTG economic liberalization policies such as privatization and foreign investment initiatives under the ERP, have been driven almost entirely by donor agency initiatives rather than by private sector foresight, lobbying or consultation. Lack of a strong and cohesive private sector presence at national fora also allows GOTG inaction on basic infrastructural needs.

Until recently the GCCI was the only private sector advocacy institution in the country. However, associations of hoteliers and horticultural exporters are showing signs of effective advocacy. During its earlier years, GCCI was an exclusive members' club whose key purpose was to protect its associates against taxes and tariffs. Prompted by the policies implemented under the ERP, The GCCI has improved its advocacy role over the last three years and has orchestrated consultations with the GOTG on economic

management issues including customs administration and investment promotion. In 1989, the GCCI began to strengthen its institutional capabilities with technical assistance from the ITC and International Executive Service Corps (IESC), the latter through USAID/Banjul. The GCCI has acted on some of the consultants' recommendations but lacks the resources and professional management to deal with its myriad other organizational and administrative weaknesses.

4. Weaknesses in Investment Promotion

The National Investment Board (NIB) was enacted by The Gambia National Board Act, 1977 and was established as a special government agency under the Office of the President. NIB fulfills its mandates of oversight of parastatals, advice on SOE divestment and promotion of private sector investment through three divisions: 1) Public Enterprises, 2) Human Resource Development and 3) Investment Promotion. NIB'S organizational structure includes a Board of Directors, a Chief Executive, a Deputy Chief Executive responsible for managing the Division of Investment Promotion and two Division heads for Public Enterprise and Human Resource Development.

The Division of Investment Promotion is responsible for stimulating enterprise development, marketing investment opportunities and for providing services under administrative units for i) Export Promotion and Joint Ventures, ii) Horticultural and Livestock Development, iii) Agro-based Industries and Industrial Estates, iv) Tourism and Fisheries Development, v) SME and Rural Enterprise Development and vi) Investor Advisory Services.

The Division promotes foreign investment by participating in trade fairs and by coordinating investment conferences and seminars in foreign markets and in The Gambia. The NIB's investment promotion work has been repeatedly compromised by a shortage of financial resources. NIB cannot develop strategic plans or schedule investment missions because the GOTG does not provide guaranteed subventions for investment promotion. Overseas promotion missions are therefore irregular, often targeted at too many sectors simultaneously and result in lower investment levels than would otherwise be attained if adequate resources were made available to the NIB.

Other constraints which weaken NIB's promotional mandate include the absence of legal authority over investment approvals, a lack of private sector background among professional staff, and an inadequate administrative system for tracking investment promotion activities.

The absence of legitimate decision-making powers dilutes NIB's role as an efficient facilitator of foreign investment. Since the Board has no ministerial or inter-agency status, other GOTG departments are slow to response to NIB requests for permits and licenses for investors. Also, investment promotion may be unintentionally compromised by the lack of private sector exposure among NIB staff responsible for expediting investment approvals.

PART 3: Strategy Identification

I. FAPE Program Strategy

A. FAPE Critical Sector Priorities

The Gambia is now poised to realize its comparative advantage in commercial agriculture including groundnut production and production of alternative oilseeds and pulses, horticulture production, fisheries, and tourism. Each of these sectors is export oriented and produces products for which there is evident international demand and which can be delivered efficiently to market via the river and port facilities.

At the core of FAPE is the contention that macro-economic reforms recently achieved must be consolidated and deepened through specific actions aimed at addressing the needs of private sector investors and entrepreneurs in order to achieve and sustain levels of investment needed for broad-based growth. In developing the FAPE strategy, close attention has been paid to the need to generate substantial positive impacts on lives and living standards among the poor majority of ordinary Gambians. FAPE strategy for meeting this mandate is to use project and non-project assistance to create conditions for expansion of employment and other income generating opportunities that will benefit ordinary Gambians.

The overall purpose of the Development Fund for Africa is to stimulate long-term development through economic growth which is equitable, participatory, environmentally sustainable, and self-reliant. DFA legislation explicitly encourages programs that support private sector development, promote individual initiatives, and seek to reduce the role of central government in economic activities that can be more effectively and efficiently financed and operated by private enterprise. FAPE is designed specifically to achieve these goals, giving special emphasis to the needs of The Gambia's basic industry--oilseeds-- which affects the lives of the great majority of Gambians.

The DFA designates critical sector priorities which must capture primary attention. Policy reforms must be linked to these sectors and must address the need to protect vulnerable group and maintain the natural resource base. In focusing NPA and project assistance on elimination of short term impediments to sustainable long term growth of commercial agriculture (including traditional and non-traditional crops), horticulture, and fisheries, FAPE has followed DFA guidelines to focus on the agricultural sector, and the most important groups within it. The Gambia has had a comparative advantage in groundnut production for decades. In the past several years notable opportunities to diversify into sesame and horticultural production have arisen. Both of these activities are largely dependent upon the skills of women farmers.

Events of the past several years have demonstrated, however, that production alone is not sufficient to ensure that the highest

returns for production are received by the producer. As stated in the DFA, the benefits to increased production must be protected by introducing proper incentives to improve the marketing function through more efficient transportation, improved allocation of credit and other resources, upgrading of storage and distribution networks, and increased access to information on foreign markets. Increasing revenue to the producer often requires that a product be transformed to insure that the optimum value is added to the product before it leaves the country.

Value-added processing functions are plagued with high risks and developmental costs; distortions abound in markets outside The Gambia. In order for producers in The Gambia to receive the full benefit of their comparative advantage in these commodities, developmental or start-up risks must be minimized. Experience with command economies and state owned enterprises has demonstrated that private companies are more efficient in carrying out extension, distribution, and marketing activities than are public agents. FAPE NPA will bring about privatization of the Gambia's major state owned marketing company; FAPE project assistance will be used to assist directly resource based industries, including horticultural farms, and firms initiating expanding, or diversifying operations in The Gambia.

FAPE, which includes firm-level support as a principal development tool, has precedent in three African projects. In Uganda, the Mission has completed a \$1.0 million Cooperative agreement for execution on condition that the grantee, a U.S. seed company, agrees to take a 20% equity share in the Uganda Seed Co. In Swaziland, the Commercial Agricultural Production and Marketing Project (CAPM) is redirecting its first phase to set-up, supply, manage, and market the output for a local marketing company, a radical change from its original mandate to establish a price information system, carry out marketing studies, and teach business courses. In Cameroon, the Mission has approved a lease of the USAID-built, government-owned seed plant to Pioneer Hybrid International for one (1) CFA Franc per year. In the PRE bureau there is much discussion about granting USAID funds to private firms to promote their establishment in the Philippines.

The FAPE strategy will encompass four basic elements to enhance the enabling environment for private investment and private enterprise:

Eliminating specific barriers to investment. These barriers include the tax rate for companies, state ownership of critical industries, and monopolistic behavior in their management.

Improving governance. Various Gambian laws and regulations, by design or through perverse application, create administrative barriers to investment, reduce transparency in Government's role, or complicate the adjudication of claims.

Strengthening private sector capacity to respond to investment opportunities. The response of investors, both foreign and domestic, to expanded opportunities for private investment will continue to be limited unless selected industries and individual firms within industries are assisted to identify technologies, markets, and sources of financing that make for success in a sound business environment. FAPE resources will selectively assist industries and to overcome critical obstacles to increased investment. Feasibility studies, marketing studies, and training will be included in FAPE's assistance to firms and industries. The private sector can also be strengthened through better organization of its interests and a more regular, broad-based, and informed dialogue with the GOTG.

Sustaining sound macroeconomic policies. Critical to the success of this Program will be further institutionalization and refinement of the substantial structural reforms now in place.

B. Rationale for Non-project Assistance

The proposed program is one of performance based non-project assistance complemented by a support project. Experience and analyses by USAID in The Gambia and other donors implementing programs with important policy reform components, indicate that permanent sectoral level change is most effectively accomplished through use of conditioned cash transfers supported by technical assistance and training. The GOTG has had ample experience with and has demonstrated a capacity for successful management and implementation of NPA programs under the World Bank's SAL I and SAL II programs and with USAID/Banjul's AEPRP and FSRP programs. The importance of policy reform in creating conditions necessary to support broad based, sustainable growth has been demonstrated in The Gambia throughout the process of structural adjustment. Macroeconomic reforms and restructuring of the financial sector were accomplished with significant NPA inputs and have successfully stabilized the economy and enabled private investors and entrepreneurs to respond more effectively to profitable opportunities. NPA provided under FAPE will be used for repayment of outstanding external debt.

C. Relation to Other Donors

The donor community in The Gambia is characterized by an unusual degree of donor coordination among the major multi-lateral and bilateral donors. This coordination has its genesis in the common recognition in the mid-80's of the need for fundamental changes in the Gambian economy. The Economic Reform Program of 1985-90 was directly supported by co-financing from the Netherlands, the United Kingdom, Switzerland, and the African Development Fund, as well as USAID/Banjul through the AEPRP. This commonality of donor viewpoints was reflected in the common observance of broad Bank and IMF-led conditionality, focussing on private sector solutions, administrative improvements specifically geared to the investor, and continued technical assistance to strengthen GOTG management in key areas.

The current multi-year Enhanced Structural Adjustment Facility ends in October 1991, although a one-year extension or a shadow program is possible. In October 1990 a Policy Framework Paper for the Gambian fiscal years 1990/91 - 1992/93 was drafted under the auspices of the World Bank and IMF. The FAPE Program is consistent with GOTG intentions under the PFP, which reflects GOTG policy under its Program for Sustainable Development. It is important to note that there are no Bank or IMF programs now in place specifically to support GOTG policies for the next five years, although the Bank may develop a third structural adjustment loan.

The following are some of the current and planned multilateral and bilateral donor activities that will contribute to the objectives of the FAPE Program:

Infrastructure. A World Bank-funded project to improve the water system and drainage in the Banjul area is nearing completion. Bank/EEC-funded road improvements in the area should begin within a year. The EEC is also working with the GUC electricity department to improve management and will be assisting the GOTG to institute a lease arrangement with a Western firm to operate the utility by mid 1992. This is expected to have a major beneficial effect on service. The EEC is also examining proposals to improve airport operations as well as docking facilities for fishing boats, using private sector arrangements.

Credit. The World Bank's Enterprise Development Fund has made USD 5.4 million available for term lending by commercial banks to local enterprises. This is accompanied by technical assistance to the NIB and the Management Development Institute. Oxfam USA is funding a pilot credit scheme for women-owned businesses through the Gambia Women's Finance Association. While neither of these interventions will tackle the underlying investment constraint of high interest rates and lack of term lending, these programs will expose more entrepreneurs to formal credit facilities.

Investment Promotion. The National Investment Board continues to receive assistance from the World Bank for staff development, particularly in the area of monitoring of SOE's. UNDP assistance in export promotion will end in September 1991.

Economic Management. In addition to the AID funded HIID contract, both ODA and UNDP continue to provide assistance in the areas of national accounting, tax and duty administration, and foreign trade.

Privatization. USAID/Banjul and the World Bank have provided assistance to the NIB to strengthen their role in guiding the process of privatization in The Gambia. Currently, the World Bank is financing technical assistance to the GPMB to sustain operations in preparation for its sale to private interests and is assisting in the dialogue to accelerate the pace of privatization of both the GCDB and the GPMB.

Agriculture Liberalization. To respond to the opportunities created by the elimination of government monopoly positions in

fertilizer sales, the FAO has set up a network of private distributors, through technical assistance and credit to retailers.

II. Mission Program Strategy

A. Mission Program Goal and Strategic Objectives

The Mission's program goal as established in the 1989 Country Development Strategy Statement (CDSS) and more recently updated in the 1991 Action Plan is to promote broad-based sustainable per annum growth in real per capita GDP of approximately 3.0 percent. In the Action Plan, the Mission identified two principal strategic objectives for achieving the goal: 1) increased private investment, and 2) increased rural incomes through sustainable increases in agricultural production. The proposed FAPE and its companion FSRP are the two principal vehicles for achieving the private investment objective. The Mission is in the process of designing a natural resource management program that will constitute the primary vehicle for accomplishment of the second strategic objective. Achievement of both objectives is contingent on continued support of The Gambia by other donors, effective implementation of other donors' programs and projects, and GOTG adherence to the market-oriented, free enterprise strategy outlined in the Policy Framework Paper.

The Mission's initial Assessment of Program Impact report of November 1990 set an indicative target under the private investment strategic objective of growth in aggregate annual private investment in the economy to 10% of GDP by 1994 and remaining at that level thereafter. This target figure is based on an annual population growth rate of 3.4%, an estimated incremental capital output ratio of 3.6 (based on an indirect calculation from historical data), and a desired annual per capita growth rate of 3.0%. It should be noted that historical data in The Gambia, is inherently weak and that attempts at building a quantitative model of growth in The Gambia are subject to a significant margin of error. The Mission is currently undertaking a baseline survey to develop a more reliable database for monitoring progress and assessing impact in both the financial and private sectors, relation of the proposed program to ongoing and complete USAID/Banjul programs.

B. USAID/Banjul Program and Project Interventions in Financial Sector Development and Promotion of Private Enterprises

The proposed program in financial and private enterprise development constitutes the logical next step in a sequence of USAID-financed programs and projects in The Gambia begun in the mid 1980's with the intention of creating the necessary and sufficient conditions for sustainable market-oriented economic growth. During this period, USAID/Gambia policy dialogue with GOTG representatives has stressed the principal that free markets are the most effective and efficient way of mobilizing human energies, assuring responsiveness to consumer demands, and allocating scarce financial and natural resources to their most productive and profitable uses.

Within this broad policy framework, the Mission, in coordination with other major donors in The Gambia, has further sought to encourage the GOTG to reduce the public sector role in the provision of goods and services within the economy and to look instead to the private sector as the most appropriate and reliable engine of sustainable growth. Consistent with Agency-wide policy on private enterprise development, USAID/Banjul's programs and projects through the last half of the 1980's were predicated on the notion that private enterprises operating in a competitive market environment will produce jobs, raise human capital levels, and contribute measurably to overall economic development. In The Gambia, where the domestic market is too small to support all but a few small productive enterprises, the Mission has encouraged the GOTG to focus on export-oriented private enterprises that can generate wealth and employment and thereby contribute directly the quality of life for the majority of ordinary Gambian citizens. While it is impossible to ensure fully equitable growth within any economy, in The Gambia significant equity objectives will be achieved if market forces can be stimulated to push the economy more towards full employment.

USAID/Banjul-supported efforts to promote private enterprise in The Gambia have followed a two-track approach aimed simultaneously at:

--maintaining and consolidating a viable internationally competitive market environment within which individual enterprises can operate without undue government or civil service interference and in which increased private investment in productive sectors of the economy can be effectively promoted, and

--promoting policies and financing activities to foster intensive development of economically viable, privately owned enterprises that can provide jobs for Gambians across all income strata and generate positive foreign exchange balances to finance continued re-investment necessary to sustain and enhance growth.

The following is a review of the sequence of ongoing and completed Mission supported projects and programs in the areas of economic policy reform and private enterprise development.

1. Economic and Financial Policy Analysis Project

Through a contract with the Harvard Institute for International Development (HIID) this project has since 1984 provided short and long term advisory services, training, and associated equipment and supplies to the former Ministry of Finance and Trade (now the Ministry of Finance and Economic Affairs). The project purpose of the EFPA is: "to strengthen The Gambia's economic policy framework on an ongoing basis in order to adapt to changing economic conditions and attract the productive investments necessary for sustained growth." The project is scheduled to end in August 1992.

Under the EFPA, a two-person team has been located full time at the MFEA to work directly with senior GOTG policy makers and to establish a Statistics and Special Studies Unit within the Ministry to collect and compile data to support in-depth, in-house macroeconomic policy analyses for consideration as national policy. The resident EFPA advisors are complemented by a core team of HIID specialists who visit The Gambia periodically to undertake short term studies of priority problems or issues for review by GOTG policy makers.

EFPA senior advisors played a key role in assisting with the design and implementation of the ERP and were instrumental in convincing the GOTG to undertake a number of difficult major policy reforms including the float of the Gambian dalasi, full liberalization of the foreign exchange market, improvement of the customs collection system, and enactment of a uniform sales tax. EFPA advisors assist MFEA staff to monitor overall performance of the economy and advise senior officials on policy adjustments necessary for meeting performance targets and benchmarks under IMF, World Bank, USAID, and other donors' structural adjustment programs. HIID advisors have developed a high level of trust and confidence among their counterparts at the MFEA and have been instrumental in sustaining and consolidating the economic reform program.

EFPA resources have also been used to provide over 525 person months of long and short term training to Ministry and other GOTG personnel to develop the indigenous economic and financial policy analysis capacity of The Gambia. In addition to those working within the MFEA, former EFPA trainees currently hold a number of key economic policy making positions in government ministries, government agencies, and public and private financial institutions. The most recent EFPA project evaluation, undertaken in June 1990 concluded that the training component of the project has had, "a profound impact on macro-economic policy reform" in The Gambia. Perhaps the most notable EFPA achievement in the training area is that nearly 100% of all its participant trainees have upon completion of training returned to work in The Gambia.

All of the pre-design analyses leading to development of the FAPE have emphasized the critical importance of sustained macroeconomic stability in The Gambia to the goal of increased private investment and expansion of private enterprises. While the current EFPA project has substantially strengthened the capacity of the MFEA to formulate and implement sound financial and economic policies, continued donor support will be required for several years before the requisite level of general expertise is achieved. In order to ensure uninterrupted provision of advisory services to the MFEA and to allow adequate time for full and open competition for a follow-on project, the current EFPA project will be extended for eleven months through August 1992. After August 1992, FAPE resources will be used to assist the GOTG both to sustain the established course of structural adjustment and to implement the new Program for Sustained Development through a revised and updated technical assistance program to succeed the current EFPA.

2. PL 480, Section 206

A PL 480 section 206 program valued at \$6.5 million was initiated in 1986, primarily to liberalize the agricultural commodity and input supply market and to begin the process of privatization of the Gambia Produce Marketing Board (GPMB). Under the terms of the transfer agreement, USAID provided 6,470 MT of rice to the GOTG for sale by auction to private sector traders. The GOTG for its part agreed to decontrol rice and fertilizer prices and to open both markets to the private sector. The GOTG further agreed to eliminate the groundnut export tax, raise producer prices to farmers, eliminate discriminatory buying margins, and to develop a plan and schedule for the eventual privatization of the GPMB's core facilities.

The PL 480 program ended in 1990. By the end of the program, policy reforms regarding rice and fertilizer markets had been completed as well as removal of the groundnut export tax. As regards GPMB, most of its peripheral assets have been put up for sale though a number remain unsold. In May 1989, the GOTG provided the Mission with the prescribed plan and schedule for privatization of all remaining GPMB assets by 1994. Full implementation of the divestment plan will be undertaken on an accelerated basis under the proposed FAPE program. The target date for full privatization of the GPMB is now set for September 1992.

3. Africa Economic Policy Reform Program (AEP RP)

The \$6.0 million Gambia AEP RP was implemented in 1987 to support and deepen the structural adjustment program through non-project assistance in the form of conditioned cash transfers. Under the terms of the program agreement, the GOTG agreed to undertake a number of major credit policy reforms including the strict application of market determined interest rates on all public and private sector borrowing from official sources, interdiction of preferential credit allocation from any public sector financial institution, agreement to finance from the national budget all subsidies of public enterprises; and a commitment to develop policies for term lending at market interest rates. The third and final \$2.0 million tranche was disbursed in August 1990.

4. Program Development and Support Project

Over \$1.0 million in Mission PD & S funds have been used to support a variety of activities in the areas of economic policy reform, privatization of state owned enterprises, and analysis of the business and investment climate to promote expansion of the private sector. Among the most significant reports that have provided the analytical underpinning of the proposed program are: several studies of groundnut production and marketing in The Gambia and the role of the GPMB, a financial sector assessment, a private sector assessment, an analysis of potential investment opportunities in The Gambia, an assessment of the legal and regulatory framework affecting financial transactions and business operations, a review of the investment approval process, and a

private sector human resources needs assessment. The Mission is currently funding a baseline survey that will form the basis for monitoring progress and evaluating the impact of the both the proposed FAPE program and the closely related Financial Sector Restructuring Program (described briefly below).

5. Human Resources Development Assistance (HRDA)

The Mission is currently using approximately fifty percent of its HRDA funds to support training activities for a range of private sector interests. The mission HRDO works closely with the National Investment Board, the Gambia Chamber of Commerce and Industry, and the Management Development Institute (MDI) to develop and implement local training programs and to match individuals with appropriate outside training opportunities. HRDA funds have been used to conduct a series of entrepreneur development seminars at MDI, to sponsor several individual Entrepreneurs International visits to the U.S., to fund attendance of Gambian export enterprise managers at seminars on international marketing and quality control, and to finance attendance of GCCI, NIB staff and others at regional and international trade fairs. Most of these activities will be continued and expanded under the proposed FAPE program.

6. AEPRP II - Financial Sector Restructuring Program

To consolidate and build upon the policy reforms implemented under AEPRP I, a three-year \$6.8 million non-project assistance program aimed at strengthening of the commercial banking sector through improved management and increased competition was authorized in March 1991. Major policy reform outputs of the program include the removal of administratively determined credit ceilings, introduction of a system of indirect liquidity control through adjustment of net domestic assets of the Central Bank, improvement of prudential supervision by the Central Bank, and privatization of the Gambia Commercial and Development Bank (GCDB). Given that a well functioning and adequately deep financial sector is one of several necessary conditions for growth of private enterprises in any economy, many of the targets of the FSRP such as improved savings mobilization, improved efficiency in allocation of domestic credit, increased availability of loan capital for private enterprises, and greater competition among the commercial banks are expected to have a direct, positive impact on the feasibility of the proposed FAPE program. The two programs have been designed to complement one another and the success of both are central to the achievement of the Mission's overall program goal.

PART 4: Program Description

I. Program Elements

A. Summary

The proposed Financial and Private Enterprise (FAPE) Program is a five year \$17.35 million activity that combines \$9.0 million of non-project assistance in the form of conditioned cash grants with \$8.35 million in complementary projectized assistance in the form of advisory services, technical assistance, support grants, training, and ancillary equipment and supplies necessary for effective implementation and support of the reform program and for achievement of the program goal and purpose.

B. Program Goal and Purpose

The overall goal of the FAPE Program is increased private investment in The Gambian economy from both foreign and domestic sources. To accomplish the goal, the Program's purpose is to enhance the enabling environment for increased private investment and growth of private enterprises. While substantial increases in private capital flows are needed in virtually all sectors of the economy, FAPE resources will be focused specifically on addressing priority constraints to increased investment in resource based, export oriented sectors suitable to broad-based participation of the majority of average Gambians. As approximately two-thirds of the population earn their livelihood from farming, highest priority will be given to creating new employment and enhanced income generating opportunities in agro-based enterprises including commercial production and processing of traditional and non-traditional oilseeds and grain crops, production and processing of high value horticulture products for export, and capture or culture and processing of salt-water fish and seafood. Other resource based, export oriented sectors of the economy, notably tourism, are expected to benefit from overall improvement of the business and investment climate and may receive some limited assistance under the Program.

Increased private investment in the economy is being pursued as a viable long term solution to the problem of achieving sustainable economic growth and improvement of the living standards of the poor majority of Gambians. Accelerated and equitable growth of per capita income to a level in excess of 3.0% per annum will therefore constitute the ultimate measure of goal achievement under the proposed program. Other measures of goal achievement under the program will be: increased private investment in the economy to at least 10 percent of GDP and expansion of the role of the private sector in the economy as measured by aggregate earnings and employment.

Important assumptions made in formulating the program include the non-recurrence of catastrophic drought conditions, continued domestic and regional political stability, limited repercussions of

any world economic recession, and willingness on the part of private investors to invest in The Gambia provided that certain macro- and micro-economic conditions are established. The aggregate investment target needed to achieve the anticipated growth rate of per capita income assumes an incremental capital output ratio (ICOR) of 3.6 based on analysis of recent data.

C. Conditions Indicative of Achievement of Program Purpose

Successful accomplishment of the FAPE program purpose to enhance the enabling environment for increased private investment and growth of private enterprises will be indicated by the following end of program conditions:

1. Improvement of The Gambia's international credit standing.

Conditioned cash grants under the non-project assistance component of the program are aimed at offsetting the social, economic, and political costs of major reforms. However, it is anticipated that actual foreign exchange transfers disbursed under the program will be used by the GOTG to repay \$9.0 million of outstanding public debt, most likely to the International Monetary Fund and the World Bank. Continued regular servicing of The Gambia's public foreign debt and other measures to enhance the country's international credit standing are crucial for establishing and maintaining international confidence in the Gambian economy, without which significant private investment is unlikely to occur. Secondly, quick disbursing, untied cash transfers will help to reduce the present balance of payments burden and thereby free up scarce foreign exchange assets for other productive investments.

2. Satisfactory implementation of the Public Investment Program and reduction of the role of the public sector in the production and marketing of goods and services.

Given the evident limitations of financial resources in The Gambia, it is essential that every effort be made to ensure maximum efficiency in the allocation and utilization of public investment funds both to improve economic infrastructure necessary for growth and to provide adequate social services to the population. Conditionality to ensure satisfactory implementation of the Public Investment Program (PIP) has been included under the FAPE program primarily to ensure that public funds are used to meet priority public needs in the most cost effective manner available and to preclude any recurrence of public sector investment in economic activities of potential interest to the private sector. The stated objective of the PIP is "to improve the economic infrastructure of The Gambia so that private investors will be encouraged to increase the level of sustainable employment and earn additional foreign exchange." Satisfactory implementation of the PIP should lead directly to improved basic infrastructure including electrical

power supply, water distribution, roads, and airport facilities necessary to support cost-effective expansion of private sector activities. Furthermore the proviso under the PIP to prevent the public sector from making new investments in areas of potential interest to the private sector will create increased opportunities for private initiatives, particularly in service-oriented enterprises necessary to support growth of resource-based sectors. Two such areas of immediate interest are provision of cold storage facilities at or near the airport to store high value horticultural products prior to air freighting and construction of a designated fishing pier for exclusive use by commercial and artisanal fishermen. Improved berthing facilities for commercial and artisanal fishermen will create opportunities for expanding processing facilities where substantial numbers of ordinary Gambians, and in particular women, are employed. Satisfactory implementation of the PIP assumes a continued high level of donor coordination and effective implementation of other donors' programs.

3. Full privatization of the groundnut industry and increased responsiveness of agricultural producers to market signals.

Approximately two thirds of The Gambian population derive all or most of their cash income from the production, processing, and marketing of groundnut products. As discussed in section V(B), USAID/Banjul programs have consistently sought to expand private sector opportunities in agriculture, including the marketing of agricultural inputs and products, through elimination of monopoly positions and other exclusive marketing advantages enjoyed by GPMB to the detriment of both farmers and would-be small and medium sized traders as well as the Gambian economy as a whole. FAPE will complete the process of fully opening the groundnut industry to the private sector.

Full privatization of the industry, and elimination of the highly inefficient GPMB will increase competition among buyers and traders for available production and should yield immediate efficiency gains in transport, processing, and marketing of groundnuts. Furthermore, privatization is a key step for increasing the responsiveness of processors and producers to world market prices for a variety of oilseeds suitable for production in The Gambia. It is anticipated that within the life of the proposed program, the combination of improved efficiency, increased competition, and greater responsiveness to world market signals will enable producers both to capture a greater share of the market value of their production and to increase earnings either through increased production of groundnuts--depending upon the relative buoyancy of groundnut prices--or through production of alternative oilseeds such as sesame. Privatization of the groundnut industry is a vital, market-based policy reform for improving the efficiency of resource allocation and utilization in The Gambia.

4. Sustained and deepened macroeconomic policy framework conducive to private investment and growth of private enterprises.

A sound and stable macroeconomic framework is the centerpiece of a sustainable development program. Consolidation of policy reforms undertaken during the ERP is a necessary--though not sufficient-- condition for increased private investment in the Gambian economy and for accelerated growth of private enterprises. Established macroeconomic policies of particular importance to the success of the FAPE program include the liberal foreign exchange regime, the floating exchange system, market determined interest rates, prudent monetary and fiscal policy, careful management of external debt, and the overall commitment of the GOTG to allow market forces to determine prices across all sectors of the economy.

In addition to sustaining reforms established under the ERP, deepening of the reform program will be necessary to induce increased private investment and expansion of private sector activities. New policy reform initiatives will be focused on tax and customs reform.

5. Increased competitiveness of The Gambia's investment climate.

Competition for private investment and for export markets is fierce throughout the world. For The Gambia to succeed in promoting export-led growth the GOTG must devote itself to eliminating disincentives and impediments to private investment and expansion of private enterprises. The key element of a competitive business and investment climate in The Gambia is an efficient legal, regulatory, and administrative framework for processing investment proposals, authorizing enterprise start-ups, and adjudicating financial transactions and contracts.

6. Increased aggregate earnings from and employment in resource-based private enterprises.

The most important indication of accomplishment of the program purpose will be the extent to which resource based, export oriented enterprises are able to contribute to GDP and to provide new jobs and increased earning opportunities for ordinary Gambians. A satisfactory enabling environment is only as good as it is effective. While private investment decisions are, on one level, guided by mathematical calculations of anticipated return and income flow, they are on another level influenced by a host of less quantifiable factors which constitute the extant enabling environment. To induce higher levels of private risk taking in the Gambian economy necessary for expansion of private sector activities, the GOTG must convince investors that the economic reform program is permanently installed and that the government is committed to promoting private business.

D. Program and Project Outputs

FAPE is an interrelated program of policy reforms and project interventions aimed at producing the necessary and sufficient conditions to induce increased private investment in the Gambian economy and at promoting growth of enterprises employing Gambian citizens. Achievement of the end of project conditions described above in section (C) should enable the program to meet its goal of increased private investment. In order to achieve the above listed end of program conditions, FAPE program and project resources will be used to produce the following outputs:

1. Partial payment of outstanding GOTG public debt.

The nine million dollar foreign exchange grant disbursed under the FAPE program will be used by the GOTG to repay an equal amount of outstanding public debt. Repayment will assist the GOTG to maintain a satisfactory international credit standing which in turn will enhance the overall business and investment climate.

2. GOTG adherence to criteria established for the Public Investment Program.

Conditions precedent to disbursement of the non-project assistance component of the program will stipulate that all PIP investments conform to criteria established under the PIP in collaboration with the World Bank.

A further stipulation of the PIP is a commitment by the GOTG that the public sector will not invest in economic activities which are of potential interest to the private sector. This provision is of particular importance to the FAPE program and to USAID/Banjul efforts to encourage the GOTG to reduce the role of the public sector in the direct provision of goods and services. The Program discourages investment of public funds in service industries such as cold storage facilities, baggage and cargo handling equipment, or commercial fishing facilities that can be more effectively and efficiently financed and owned by the private sector.

3. Elimination of all artificial barriers to entry of the private sector in transport, processing and marketing of oilseed products.

Full privatization of the GPMB including the subsidiary and now defunct Gambia River Transport Company under the FAPE program will complete the process of eliminating all artificial barriers to entry of the private sector in the transport, processing, and marketing of groundnuts and other oilseeds. A condition precedent to disbursement of the first tranche of program funds under FAPE will require that the GOTG complete actual transfer of majority

beneficial ownership of the assets of GPMB to the private sector. To ensure continued competition throughout the oilseed industry in The Gambia and more specifically to prevent the creation of a new private monopsony to replace GPMB, USAID/Banjul will assist the GOTG to devise a plan of action to dispose of GPMB and GRTC assets under conditions that will prevent creation of new artificial barriers to entry. To this end, FAPE will address itself to maintaining healthy competition in oilseed transport, processing, and marketing within the private sector.

USAID/Banjul will encourage participation of an American-based foreign partner to increase productivity in the oilseeds sector through an infusion of capital investment, transfer of appropriate technology, and international marketing expertise. GPMB's performance over the past several years has been well short of optimal in maximizing profits from the groundnut industry, to the detriment of both individual producers and the national economy. Private ownership of the processing facilities will lead to a more rational product mix between shelled groundnuts, crude oil, refined oil, and other high value products such as hand picked select nuts. While groundnuts are likely to remain the principal agricultural cash crop produced in The Gambia, diversification into other oilseeds including sesame could provide alternative and additional sources of employment for the majority of ordinary Gambians while generating additional foreign exchange.

4. Sustained capacity of the GOTG to formulate and implement sound economic policies and budgeting procedures.

FAPE project resources will be used to continue to strengthen the capacity of the Ministry of Finance and Economic Affairs (MFEA) to monitor change in the economy, analyze economic trends, and advise policy makers on available options, and necessary adjustment measures to sustain and deepen the process of economic reform and structural adjustment. To achieve this objective, the FAPE program will provide senior macroeconomic technical advisory services to assist top MFEA officials, as well as specialized expertise in tax reform and improvement of national budgeting procedures. A Statistics and Special Studies Unit (or a successor Macroeconomic Policy Analysis Unit) to collect data and complete important analyses of the economy will remain essential to successful macro economic management and will be supported throughout the life of the Program.

5. Continued reduction of the role of the public sector in production and marketing of goods and services.

FAPE project and program resources will be used to encourage the GOTG to sustain its privatization program. While the GOTG has made some limited progress to date on divestiture, SOE's still play

a significant role in the economy. The table below provides a list of remaining GOTG holdings in SOE's. Under FAPE the GOTG will develop and review with AID a multi-year plan for continued divestment of its holdings in remaining parastatals or other SOE's and will successfully transfer majority ownership of at least one additional parastatal other than GCDB or GPMB to the private sector.

Parastatals and other state owned enterprises that could be privatized include the Livestock Marketing Board, the Gambia Utilities Company, The Gambia Telecommunications Company, Gambia Airways, The Gambia Public Transport Company, the housing finance function of the Social Security and Housing Finance Company, and the Government Printing Press.

EXHIBIT 19
PUBLIC ENTERPRISES - 1989

ENTERPRISES	% OF GOVERNMENT HOLDINGS	NUMBER OF EMPLOYEES
1. Gambia Utilities	100%	898
2. Gambia Public Transport Corporation	100%	665
3. Gambia Airways	60%	182
4. Gambia Ports Authority	100%	675
5. GAMTEL*	99%	250
6. Gambia Produce Marketing Board	100%	648
7. National Trading Corporation (being sold)	51%	267
8. Livestock Marketing Board	100%	131
9. F P M C* (being privatized)	100%	n.a
10. Seagull Coldstores* (being privatized)	49%	148
11. Atlantic Hotel* (leased to a UK Hotels chain)	100%	362
12. Senegambia Beach Hotel* (now under Management Contract)	97%	n.a
13. Kombo Beach Hotel*	20%	383
14. Gambia Commercial & Development Bank (scheduled for privatization)	52%	210
15. Social Security & Housing Finance Corporation	100%	76
16. Gambia National Insurance Corporation (scheduled for 1991 privatization)	100%	100
17. Banjul Breweries Limited* (sale being negotiated)	20%	n.a
TOTAL		4258+

*Denotes limited liability company.

+Excludes employees of hotels which have been leased or given on management contracts.

6. Review and revision of the tax system in favor of increased private investment and expansion of private enterprises including financial institutions.

Analyses undertaken in anticipation of the FAPE program have indicated that a second round of comprehensive tax reform is needed to improve the relative competitiveness of The Gambia's business and investment climate. Tax reform under the FAPE will concentrate particularly on those aspects that tend to discourage longer term investments and financial sector deepening. Pre-design analyses have identified three priority targets: reduction of the companies tax and review of the turnover tax; elimination of certain financial transaction taxes; and continued rationalization of the duty and customs schedules.

As discussed above in Part 2, Section IV(C) the companies tax of 50 percent is high in comparison with that of other developed and developing nations and provides only a nominal percentage of government revenues. According to a recent USAID/Banjul-financed Financial Sector Assessment, the companies rate constitutes an "impediment to attracting investment capital from outside The Gambia" and tends to "impede future expansion of foreign controlled financial institutions and the growth of new financial institutions." From the FAPE program perspective, the corporate tax rate is a general disincentive to private investment and economic growth that can be eliminated without a significant long term impact on government revenue. A phased, incremental reduction of the rate to between 30 percent and 35 percent combined with assistance to improve overall tax administration and enforcement is recommended.

The Financial Sector Assessment also identified the current system of stamp and other taxes on financial transactions as a general deterrent to increased equity investments and growth of non-bank financial institutions. While compliance with the regulatory system associated with a variety of financial transactions can be a considerable nuisance to investors and would-be financial managers, taxes on transactions generate little in the way of government revenues and should be eliminated as part of the overall effort to encourage financial sector deepening. Among the types of taxes that will be reviewed under the FAPE program are: the capital gains tax on sale of securities, stamp taxes on legal and equitable mortgages, sales tax on insurance premiums, stamp tax on transfers of financial instruments, and the duty on industrial and commercial leases.

The third aspect of the tax system included under the FAPE tax reform effort will be a review of GOTG policy on granting of duty waivers and a continuous review of duties and customs rates particularly as they relate to importation of capital goods and intermediate inputs essential for growth of resource based enterprises. While concessions on duties and customs are

currently given to certain export-oriented enterprises under the Development Act, the process of qualifying for concessions is time-consuming and fraught with uncertainty.

7. Revision of GOTG private investment incentives policy to eliminate hidden costs, bureaucratic delays, redundant approval processes, and lack of transparency.

The GOTG's investment incentives policy is principally encompassed in the Development Act of 1988. Under the Act, a package of exceptional fiscal and non-fiscal benefits is offered through a Development Certificate to attract private investment capital in targeted export oriented sectors. The incentives package includes preferential access to land, partial or total exemption from payment of companies tax for a period of up to five years, partial or total exemption from payment of customs duties on capital goods and intermediate inputs, and special deduction provisions for training of local staff. To qualify for a Development Certificate, an enterprise must either export over 50% of its production or source 60% of its inputs from The Gambia.

As part of the pre-design work undertaken in anticipation of the FAPE program, USAID/Banjul financed in July 1990 a consultant study to assess the effectiveness of the Development Act and its implementation. The basic findings of the study were that the legislation itself was ambiguous and ill-defined and that implementation of the Act was being so poorly managed as to constitute an actual disincentive to invest. Despite the existence of a nominal "one-stop-shop" at the NIB to facilitate investment processing, the study found that potential investors applying for Development Certificates were still being subjected to an inordinate, protracted and diffuse bureaucratic process that could--including license applications, business registrations, tax clearance, land allocations--take up to two years to complete.

The conclusion of the study was that at the very least something should be done quickly to streamline the application process by making it more transparent and by delegating greater accountability for implementation to the NIB. Since the study was completed, USAID/Banjul has become increasingly skeptical about the utility of the whole Development Certificate process. An alternative approach to policy based investment promotion would be to focus attention on ways of eliminating as many as possible of the various uncertainties that affect all potential investors' decisions to invest. From this point of view an investment approval process that is characterized by certainty from the start is better than one offering possible incentives at a very uncertain time in the future.

Replacing the Development Certificate process with across-the-board adjustments in duties and tax rates would increase certainties in investment analyses and calculations of likely

returns on investment. An individual or firm will go into the process knowing that the investment will be "approved" upon completion of a number of straightforward, transparent, non-discretionary (e.g. business registration, tax clearances, etc) and that the applicable tax and duty rates will be known in advance for the length of the investment. Such an approach will encourage investors who are committed to the long haul. Under the scenario envisioned by FAPE, investors will be able to begin implementation of a project, including applying for necessary financing ,etc., in a matter of weeks rather than the year or more often consumed under the current scenario. Under FAPE, a comparative analysis of the alternative approaches to policy based investment promotion will be undertaken in conjunction with tax reform analysis to create a comprehensive and revenue-neutral package of adjustment to improve the private investment climate.

8. Modernization, revision, and amplification of the statutory regime affecting financial transactions and formation, operation, and closure of private enterprises including financial institutions.

Reform of the legal and regulatory framework within which growth of the financial sector and expansion of private enterprise is expected to occur is increasingly recognized as a fundamental component of the long term process of structural adjustment and economic recovery. As is the case throughout the developing world, there is a need in The Gambia to establish a comprehensive framework for adjudication of financial transactions and facilitation of efficient enterprise start-ups, expansions, and closures. To this end, USAID/Banjul financed in May 1990 a separate in-depth analysis of the legal and regulatory framework as it affects private investment, growth of private enterprises, and financial deepening in The Gambia. The purpose of the study was to identify specific legal and regulatory constraints to expansion of the financial sector, to assess the adequacy of the existing legal/regulatory framework to support modern financial processes, and to make specific policy recommendations regarding new or revised enactments necessary to consolidate and deepen the process of economic reform in The Gambia.

The legal and regulatory assessment identified six priority policy issues that can be addressed in varying degrees through reform of the legal and regulatory framework. The issues identified were: lack of long term debt financing instruments, capital markets development, competition in the banking sector, creditors' rights, the investment climate, and small business incentives. For each of these issues the assessment identified specific codes and legislation that should be redrafted, revised, or enacted in order to anticipate and facilitate broader and deeper economic growth.

USAID/Banjul has discussed the legal/regulatory assessment at

length with the Ministry of Justice and has collaboratively identified three priority activities for inclusion under FAPE:

- modernization of the statutory regime affecting key financial transactions and contracts to include redrafting of the Companies Act, the Business Registration Act, and the Partnership Act; preparation of a Commercial Code; and drafting of legislation to govern hire/purchase, bankruptcy, mortgage, Bills of exchange, and Bills of lading transactions; modernization of the business registration system;

- modernization of the business registration system and upgrading of staff within the Registrar General's Department; and

- assistance to the Judiciary to improve the efficiency of processing civil claims.

9. Strengthened capacity of Gambian entrepreneurs to start up new businesses, expand or diversify existing enterprises, or otherwise increase income and employment opportunities in, or in support of, resource-based industries.

FAPE is predicated on the fact that the basis of private sector development -- and therefore the basis for expansion of social and economic benefits to be derived from private sector development -- is growth and development of individual, private firms. Growth of individual private firms in any economy is dependent on two basic microeconomic conditions. First and foremost is the requirement that profitable opportunities exist to justify private risk taking and commitment of human, physical and financial resources. Secondly, there must exist an adequate capacity among entrepreneurs to identify profitable opportunities and bring them to fruition as actual investments.

Analyses undertaken in anticipation of development of the FAPE program include a private sector assessment, a financial sector assessment, a private sector human resources needs assessment, and an analysis of investment opportunities in The Gambia. All of these studies have, on the one hand, identified profitable opportunities for private enterprise expansion in commercial agriculture, horticulture, ocean and river fishing, aquaculture, and tourism. Studies have further identified a variety of potentially profitable opportunities in the service sector including river, air, and land transport, cargo handling, financial services, marketing services, repair facilities, and training facilities necessary to support growth.

On the other hand, pre-design analyses have also identified a broad range of firm level, industry level, and institutional level impediments that are currently restricting the ability of Gambian entrepreneurs to identify and bring to fruition profitable enterprise opportunities. Major industry and firm level

constraints to growth include limited access to information and technology, poorly developed marketing networks for outputs and inputs, critical shortages of qualified personnel ranging from top level management to technicians down to semi-skilled labor, limited access to affordable credit and equity financing, and poorly developed entrepreneurial and business management skills.

Firm and industry level constraints in addition to constraints at the level of the national economy and in the capital market have effectively increased the costs and associated risks of doing business in The Gambia. While a few pioneering individuals with access to foreign capital and technology have successfully surmounted these obstacles, the overall effect of the poor enabling environment for private investment and enterprise in The Gambia has severely limited the ability of would-be Gambian small and medium-size entrepreneurs to participate fully in economic growth in The Gambia.

Neither AID nor any other donor acting alone has adequate financial, managerial, or technical resources to undertake a broad frontal assault on the full range of constraints impeding private enterprise growth in The Gambia. However, experience has demonstrated that it is possible to use limited resources selectively to remove specific priority obstacles and provide the critical impetus needed to enable viable enterprises to develop.

FAPE support project resources will be used to provide industry and firm level assistance to eliminate specific, priority impediments and to stimulate growth of private firms in resource-based sectors of the economy. In accordance with guidance outlined in the AID Policy Paper on Private Enterprise Development, the primary purpose of FAPE-funded industry and firm level support will be to improve management, facilitate transfer of technology, and improve linkages to external markets and sources of financing through technical assistance, advisory services, and training.

At the industry level, FAPE resources will be used to undertake specific analyses and propose appropriate solutions to problems that have sectoral or sub-sectoral implications. This might include an analysis of coordination problems currently hindering charter air cargo flights to The Gambia to alleviate transport constraints in the horticulture subsector. It might also include funding of a feasibility study for development of a dedicated fishing pier and associated facilities to alleviate berthing and off-loading problems and enhance opportunities for processing enterprises where substantial numbers of Gambians could be employed. Industry level support might also be used to develop an efficient contract farming scheme to enable women horticulturalists to participate more fully in the benefits of export-led growth.

At the firm level, appropriate technical assistance and training will be provided under FAPE to facilitate start-up of new or diversification of existing firms, particularly in new ventures

or activities where strong potential can be demonstrated for significant impact on target beneficiary groups among the poorest income strata of the population. FAPE support to export oriented private enterprises may include funding to:

- undertake a pre-feasibility study or otherwise identify profitable enterprise opportunities;
- develop a business plan or bankable project document to obtain bank, equity, or other financing;
- analyze potential input and output markets, and efficiently assemble key factors of production including skilled and unskilled labor, necessary inputs, and technology;
- employ expatriate management or specialized technical assistance to assist temporarily to establish the viability of the venture, to improve productivity, or improve marketing and financial operation of the firm;
- purchase new technology for introduction on an experimental or pilot basis;
- attend training courses on quality control standards for key export markets, financial management, or technological innovation.

Under exceptional circumstances other assistance may be provided to partially offset extraordinary start-up costs associated with introducing new technologies, new services, or for reaching a specific target group. In accordance with the Policy Paper Guidance, extraordinary costs are defined as "costs which would not be incurred by subsequent investors who enter the market on the basis of the success of the initial enterprise."

Determination of the appropriateness of any concessional assistance provided to private firms under FAPE will, in accordance with the Policy Paper, be based "upon the unusual innovations or development risk assumed," and upon the "externalities of the project which go beyond the business itself." Examples of such externalities include development of new, easily replicable technologies, introduction and marketing of new services (including financial and social services), and capacity of an enterprise to provide significant employment or new income generating opportunities for Gambians.

10. Strengthened capacity of NIB and other public, private, or voluntary investment promotion and business associations to promote investment projects and serve better the advocacy and information needs of private enterprises.

In addition to direct firm and industry level assistance, FAPE resources will also be used to strengthen the institutional framework for investment promotion and business development. Technical assistance, training, and some limited office equipment and supplies will be provided to public and private investment agencies and business advisory services such as the National Investment Board and the Gambia Chamber of Commerce and Industry and to non-governmental organizations such as the Gambia Women's Finance Company or the Gambia Horticulture Exporter's association as warranted over the length and evolution of the Program. The overall aim of assistance under this component of FAPE is to strengthen market linkages and information interchanges between The Gambia and its external trade partners and to strengthen the capacity of business organizations to meet the informational and advocacy needs of their members.

Specifically, FAPE resources will be used to enhance the capacity of the National Investment Board to fulfill its role as a "one-stop-shop" investment facility. FAPE technical resources will assist NIB to establish a more effective investor tracking system to improve accountability, and reduce excessive bureaucratic delays in the processing of investment proposals. FAPE will further provide NIB the means to produce quality investment promotion literature on a regular basis for dissemination among potential joint venture partners or foreign direct investors. Similar assistance to improve the flow of information within the private sector may be provided to the Gambian Chamber of Commerce, the Gambian Horticultural Export Association, the Gambia Hotels Association or other business advisory groups as warranted to assist them to develop and maintain databases on investment opportunities and to develop and maintain appropriate market information for distribution among their members.

Other activities envisioned under the FAPE investment promotion component include:

- advisory services for partner searches to match investment opportunities in The Gambia with appropriate U.S. investors, sources of technology, and markets;
- assistance to U.S. firms considering investment in resource based sectors in The Gambia to contact potential local partners;
- support of appropriate local and international short-term training or sponsored attendance at trade shows or marketing conferences for public and private sector members of The Gambian business community.

E. Program And Project Inputs

1. Non-Project Assistance

Non project assistance will be provided under the FAPE program in the form of a \$9.0 million conditioned foreign exchange grant. The grant will be disbursed in three equal tranches of \$3.0 million over the life of the program. Each tranche will be disbursed by A.I.D. upon the GOTG's presentation of written evidence in form and substance satisfactory to AID that conditions precedent specified in Section F below have been met.

Non-project assistance will offset the financial, political, and social costs of GOTG commitments to sustain policies and implement policy reforms necessary to induce increased private investment. Conditions precedent and covenants will address key concerns in the areas of national economic policy; public investment management; privatization of state owned enterprises; tax and customs reform; and modernization of the legal, regulatory, and administrative framework affecting financial transactions and formation, operation, expansion, and closure of private enterprises.

2. Conditions Precedent and Covenants

GOTG adherence to the criteria established under the Public Investment Program will be a condition precedent to disbursement of each tranche. Additional conditions precedent for disbursement of the first tranche will be actual privatization of GPMB and completion of a comprehensive review of the tax system (to be funded under the EFPA project extension) as it affects private investment decisions and expansion or diversification of private enterprises including financial institutions.

Additional conditions precedent to disbursement of the second tranche will be implementation of a comprehensive tax reform program in favor of increased private investment and expansion of private enterprise; development of a multi-year plan for continued divestiture of remaining parastatals or other state owned enterprises; and development of an action plan to guide the process of revision, modernization, and amplification of the outdated statutory regime affecting private investment and functioning of private enterprises in The Gambia. Inclusion of a condition precedent on privatization is needed to maintain momentum established through completed privatization of GPMB and GCDB under the FSRP and FAPE programs. Policy dialogue with the Ministry of Justice and other GOTG officials has established the essential core of the requisite legal/regulatory reforms. As discussed below in the section describing proposed assistance to the MOJ, the particular laws that either need serious redrafting or which are altogether missing have already been identified. Neither the condition precedent on privatization nor the CP on legal/regulatory reform should be viewed as a rolling design process. The Mission and the host government have clear privatization objectives and

legal reform priorities all of which will be addressed in detail through an orderly, collaborative application of FAPE resources.

Additional conditions precedent to disbursement of the third tranche will be completion of the tax reform program including any phased-in reduction of the companies or other tax; satisfactory progress towards full implementation of the multi-year divestiture plan including but not limited to actual privatization of at least one additional SOE other than GPMB or GCDB; and satisfactory progress in completing the program of legal and regulatory reform including submission of the revised laws, codes, and regulations to the Parliament for enactment. Conditionality under the third tranche will require the Mission to continue to play an important policy dialogue role with the GOTG while at the same time seeing through to full completion the range of FAPE policy reforms.

3. Technical Services to Support GPMB Privatization

The FAPE support project will assist the GOTG to complete the complicated process of privatizing the Gambia Produce Marketing Board by providing short term technical assistance through a buy-in to the Privatization and Development Project. Short term consultancies will assist the GOTG to formulate an action plan, value assets, prepare a prospectus, review offers, and complete transfer of ownership of the GPMB to the private sector under conditions conducive to sustained private sector competition in the oilseeds industry.

4. Project Assistance to the Ministry of Finance and Economic Affairs

a. Overall Economic Management and Analysis

Advisory services to strengthen economic management and analysis will be provided to the MFEA through a direct AID contract. This component of FAPE will seek to build upon the success of the Economic and Financial Policy Analysis (EFPA) project implemented by the Harvard Institute for International Development (HIID). EFPA project evaluations have characterized the project as unusually successful and have strongly recommended that a follow-on project be undertaken to consolidate gains and institutionalize a macro-economic analytic capacity within the ministry. The FAPE support project will fund a follow-on to the EFPA when the project terminates in August 1992.

Under the FAPE Support project, two long term technical specialists will each furnish 36 person-months of advisory services to the Ministry. The positions funded will be a Chief of Party/Senior Economist and a Junior Economist/Statistician. The two resident advisors will assist senior MFEA staff and staff of the Ministry's Policy Analysis Unit (MPAU) to undertake macroeconomic analyses, monitor change in the economy, and formulate and implement sound policies and budgeting procedures necessary to sustain the process of adjustment. Additional funds

will be provided for up to 11 months of specialized short-term technical assistance to undertake in-depth analyses of priority reform and adjustment issues.

While the EFPA has made substantial progress in strengthening the capacity of the MFEA to formulate and implement sound macroeconomic policy, continued provision of specialized training is required. Two Masters level and two BA level degree programs in economics will be funded under the FAPE program. Additional funds will be provided for up to eight short-term participant training courses to upgrade specialized skills within the MFEA.

b. Tax Reform and Tax Administration

i) Policy Reform and Investment Incentives

Under the EFPA extension, Mission funds will be provided to procure up to seven (7) person months of tax reform advisory services for the MFEA. EFPA-funded tax reform specialists will assist the MFEA to undertake a comprehensive study of the existing tax and duty system as it affects private investment decisions in The Gambia. In addition to seeking ways of adjusting the tax structure to encourage private investment and growth of resource based enterprises, the study will examine the current investment incentives program as encompassed under the Development Act and recommend appropriate specific changes to reduce hidden costs, eliminate redundant approval processes, and increase transparency. Although the tax reform and incentives study is not being directly funded under FAPE, its findings and recommendations are essential components of the proposed program. Upon completion of the EFPA extension in August 1992, a FAPE-funded follow-on project at the MFEA will be initiated. FAPE-funded long and short-term technical advisors under the successor project will (in addition to providing more generalized economic advisory services) assist MFEA officials to finalize the tax reform study and develop a plan for full implementation. Completion of a comprehensive tax and investment incentives study and review of its findings and recommendations with AID are conditions precedent to disbursement of the first tranche of the FAPE NPA grant. Full implementation of the agreed program of tax reform is prescribed under the second and third tranches of the FAPE NPA grant.

ii) Customs and Tax Administration

Under a separate Participating Agency Services Agreement (PASA) between A.I.D. and the U.S. Department of Treasury, Internal Revenue Service Office of Tax Administration Advisory Services (IRA/TAAS), approximately 7 person months of technical assistance for in country training will be provided to the MFEA Central Revenue Department and the Customs Department. The purpose of this training will be to develop a management information system which will enable the Customs Department to share information with the tax department and the Registrar General's office on firm activity and taxes paid to ensure compliance with the tax codes.

In addition, a program will be undertaken to establish an institutional training capability. IRS technicians will train Gambian tax and customs staff to train others within the system to improve tax administration.

5. Technical Services for Multi-year Divestiture Program.

The FAPE Support Project will provide funds to undertake up to three studies to assist the GOTG to identify appropriate privatization targets, assess the feasibility of new privatization efforts, develop a multi-year divestiture plan, and begin implementation of the plan. Technical assistance will be provided through a buy-in to the APRE/EM Privatization and Development Project.

6. Project Assistance to the Ministry of Justice.

Assistance will be provided to the MOJ to strengthen the legal, regulatory, and administrative framework for adjudicating financial transactions and contracts affecting the gamut of business operations, including financial institutions. The following assistance will be provided to the three divisions of the Ministry of Justice.

a. Attorney General's Chambers

i. Technical Assistance: FAPE Support Project Funds will be used to procure 12 months of technical legal advisory services to assist with preparation of a Commercial Code, revision of the Companies and Business Registration Acts, and drafting of a new partnership law. The technical specialist must have demonstrated knowledge of and experience in working with Commonwealth Legal Systems.

FAPE will also provide funds to procure six (6) person months of short term legal advisory services to assist staff in the Attorney General's Office to prepare new legislation to fill statutory gaps for effective adjudication of hire/purchase, bankruptcy, mortgage, bills of exchange, and bills of lading, transactions and contracts. Short-term technical assistance will also be provided to assist MOJ staff to prepare replacement pages reflecting new or revised legislation for inclusion in updated version of the Revised Edition of the Laws of The Gambia.

ii. Training - FAPE project funds will be provided to fund attendance by staff of the Attorney General's Office at up to three short term external training programs or international business conferences. The aim of this training will be to strengthen knowledge of MOJ staff on the role of modern commercial law, including bankruptcy, mortgages, agency and partnership laws, in improving the enabling environment for increased private investment from domestic and foreign sources. Short-term training will also be provided for one legal draftsman from the Attorney

General's Chambers to assume responsibility for keeping the Revised Edition of the Laws of The Gambia current.

iii. Commodities - Appropriate office equipment including computer, printer, software, and duplicating machine will be furnished to the Attorney General's Office as needed to support the objectives of the technical assistance project.

b. Registrar General's Department

i. Up to twelve (12) person months of technical advisory services will be provided to the Registrar General's Department to assist Registry staff to update and improve the system of registering companies and interests in real and personal property. The advisor will have a demonstrated knowledge of and experience in establishing or working with Commonwealth Business Registration systems. He/she will be responsible for developing an appropriate Management Information System to computerize the current system of registration and for training Registry staff in use of the new system.

ii. Training - Funds will be provided to undertake up to two in-country training programs for strengthening the Registrar General's Department. The purpose of these training programs will be to develop and introduce a public education program to be run by the Registrar General's Office to familiarize members of the local business community with relevant laws, codes, and regulations affecting business organization and operations in The Gambia.

iii. Commodities - Funds will be provided for the Registry Office to procure appropriate computer, printer, software, and photocopy equipment necessary to improve functioning of the business registration system and to improve linkages with other appropriate branches of the government including the Tax and Customs departments.

c. Judiciary Department

i. Commodities: The Program will provide court reporting and ancillary equipment such as computer, photo copying machine and other duplicating equipment to the Judiciary Department to relieve excessive delays in the processing of civil claims and preparation of other court records. This equipment will also improve access to research materials and thus understanding of new developments in corporate-financial-commercial law.

ii. Training: FAPE will also provide funds for appropriate in-country and participant training of Judiciary staff in the use of new equipment provided.

7. Project Assistance to selected private enterprises, entrepreneurs, non-government organizations, and financial institutions.

a. Technical Assistance

i. Long Term Private Sector Advisor/Project Manager:

A long term resident private sector development specialist will provide forty-eight months of advisory services to assist the Mission and the National Investment Board to program, coordinate, and manage industry level, firm level, and institutional level assistance included under the support project. USAID/Banjul intends to contract for these services through an OYB transfer to the Private Enterprise Development Support (PEDS) Project currently being revised and extended in APRE/EM. The long term technical advisor will have extensive experience in working with a range of public and private investment promotion agencies and business advisory associations. Additionally the LTTA will have extensive private sector experience in Africa or other region of the developing world with an emphasis on agro-based, export-oriented enterprises.

ii. Short-term Industry Level TA: FAPE will provide funds to undertake over the life of the program up to four industry level analyses to develop solutions to priority constraints and problems that have sector or sub-sector wide implications. Technical assistance to undertake these analyses will be managed by the Mission program manager in consultation with long term private sector advisor. Services will be procured through the PEDS project.

iii. Firm Level Technical Assistance: FAPE will provide funding to procure short-term firm level technical assistance for up to ten firms over the life of the support project. The aim of firm level TA will be to induce accelerated growth of resource based enterprises. Firm level TA may be provided to: improve financial management, increase profitability, expand employment to reach specific AID target groups, introduce new products and new technologies, increase productivity, strengthen linkages to information networks, improve marketing, improve linkages to external financing, improve access to potential export markets, or to facilitate and promote joint ventures or direct foreign investment. Firm level TA will be programmed jointly by a project implementation committee comprising GOTG representation (NIB), the Mission Program manager, and the long term Private Sector Advisor.

iv. Short-term TA for Investment Promotion and Support to Business Advisory Associations: FAPE will provide up to six months of short-term technical assistance to the NIB, and GCCI, or other business and investment promotion organizations to improve the flow of information within the private sector. This will include assistance for production and distribution of promotional literature, develop and maintenance of databases on investment

opportunities and market information for distribution among their members. Investment promotion TA will be procured through a buy-in to an appropriate IQC-- most likely the same PEDS project through which the long term private sector advisor will be procured.

b. Enterprise Development and Expansion Assistance

FAPE will provide direct enterprise development and expansion assistance to enable up to eight new or diversifying enterprises to enter into new ventures that directly promote expansion of resource based activities and/or significant employment for AID beneficiary groups among the lower income strata of the population. Under this component, contracts may be used to finance pre-feasibility or marketing analyses or to procure new technologies for introduction on an experimental or pilot project basis. Under exceptional circumstances limited financing may be provided to partially offset extraordinary start-up costs associated with introducing new technologies, new services, or for reaching a specific AID target group.

The appropriateness of providing funds for such purposes and the specific mechanisms to be utilized will be determined by the Mission with the advice and concurrence of the Regional Legal Advisor and the Regional Contracting Officer. In accordance with the official Policy Paper on Private Enterprise Development, highest priority for all enterprise development and expansion assistance will be given to aiding the establishment of firms or other entities which will lead directly towards the development of competitive markets in The Gambia or which constitute demonstration projects that can readily attract private replication. In determining eligibility for such assistance the FAPE support project committee will be required to demonstrate that activities carried out to develop competitive markets and private entrepreneurship will directly benefit A.I.D.'s target group as defined in the FAA.

c. Training

i. Firm level Training: FAPE will provide funds to support up to ten in-country firm level training programs. Funds will also be provided to support up to 25 short-term participant training courses over the life of the program. The aim of firm level training will to increase productivity, enhance technology transfers, and improve linkages with external markets and sources of financing. Special emphasis will be given to support training programs that emphasize increased employment, particularly of lower income Gambians and not capital intensification. Examples of training programs that could be supported by FAPE are: on the job training of Gambian women to increase fish processing productivity and to meet quality control standards for export markets; on the job training of Gambians commercial fishermen to undertake work on commercial vessels using American or other equipment with which they are not familiar; on the job training of women horticultur-

alists to increase productivity and improve quality control standards; private extension programs to introduce and promote production of new crops or to increase productivity and improve post harvest handling of oil seeds. Firm level participant training will emphasize improved financial and general business management skills, enhanced export marketing strategies, incorporation of new technologies, and linkages with potential joint venture partners or other off-shore sources of equity or loan financing. FAPE funds will also be provided to continue community based business management and entrepreneur development courses and seminars at the Management Development Institute or other local training facilities currently funded under HRDA. Up to ten such programs will be undertaken over the life of the program.

ii. Investment Promotion Training: Up to ten (10) participant training programs on investment related issues will be funded under the program. Appropriate courses for funding would include privatization of state owned enterprises, negotiation of joint ventures, techniques of effective investment promotion, project identification and analysis, and regional and world trade, and strategic marketing approaches.

d. Commodities: FAPE will provide appropriate office equipment and supplies including computers, printers, software, communication equipment, and office supplies to support the work of the long term advisor, the program manager, and as appropriate to improve performance of the NIB, the GCCI, or others providing business advisory services. Appropriate equipment will be supplied to NIB to enable it to produce in-house quality promotional literature.

e. Other Investment Promotion: FAPE funds will support up to eight visits to The Gambia by potential U.S. investors or joint venture partners who are seriously considering investment in resource based sectors in The Gambia to facilitate linkages with local partners.

8. Program Manager:

FAPE support project funds will be used to partially fund four year's of Program Management services from a Personal Services Contractor to be employed in the Mission. The program manager will be responsible for the day-to-day administration of FAPE and for monitoring progress and assessing impact. The FAPE program manager will work under the overall supervision of the Mission's Program Economist. In addition to working with FAPE, the PSC program manager will have responsibility for assisting with management of the Mission's Financial Sector Restructuring Program and the AEPRP support project (both projects will provide partial funding for the PSC).

could be employed. Industry level support might also be used to develop an efficient contract farming scheme to enable women horticulturalists to participate more fully in the benefits of export-led growth.

At the firm level, appropriate technical assistance and training will be provided under FAPE to facilitate start-up of new and expansion or diversification of existing firms, particularly into new ventures or activities where strong potential can be demonstrated for significant impact on target beneficiary groups among the poorest income strata of the population. FAPE support to export oriented private enterprises may include funding to:

- undertake a pre-feasibility study or otherwise identify profitable enterprise opportunities;
- develop a business plan or bankable project document to obtain bank, equity, or other financing;
- analyze potential input and output markets, and efficiently assemble key factors of production including skilled and unskilled labor, necessary inputs, and technology;
- employ expatriate management or specialized technical assistance to assist temporarily to establish the viability of the venture, to improve productivity, or improve marketing and financial operation of the firm;
- to procure services to facilitate the transfer of new technology for introduction on an experimental or pilot basis;
- attend training courses on quality control standards for key export markets, financial management, or technological innovation.

Determination of the appropriateness of any assistance provided to private firms under FAPE will, in accordance with the Policy Paper on Private Enterprise Development, be based "upon the unusual innovations or development risk assumed," and upon the "externalities of the project which go beyond the business itself." Examples of such externalities include development of new, easily replicable technologies, introduction and marketing of new services (including financial and social services), and capacity of an enterprise to provide significant employment or new income generating opportunities for Gambians. More specific eligibility criteria and implementation arrangements are discussed below in section 4, Part IV(D)3 pp 121-123.

10. Strengthened capacity of NIB and other public, private, or voluntary investment promotion and business associations to promote investment projects and serve better the advocacy and information needs of private enterprises.

In addition to direct firm and industry level assistance, FAPE resources will also be used to strengthen the institutional framework for investment promotion and business development. Technical assistance, training, and some limited office equipment and supplies will be provided to public and private investment agencies and business advisory services such as the National Investment Board and the Gambia Chamber of Commerce and Industry and to non-governmental organizations such as the Gambia Women's Finance Company or the Gambia Horticulture Exporter's association as warranted over the length and evolution of the Program. The overall aim of assistance under this component of FAPE is to strengthen market linkages and information interchanges between The Gambia and its external trade partners and to strengthen the capacity of business organizations to meet the informational and advocacy needs of their members.

Specifically, FAPE resources will be used to enhance the capacity of the National Investment Board to fulfill its role as a "one-stop-shop" investment facility. FAPE technical resources will assist NIB to establish a more effective investor tracking system to improve accountability, and reduce excessive bureaucratic delays in the processing of investment proposals. FAPE will further provide NIB the means to produce quality investment promotion literature on a regular basis for dissemination among potential joint venture partners or foreign direct investors. Similar assistance to improve the flow of information within the private sector may be provided to the Gambian Chamber of Commerce, the Gambian Horticultural Export Association, the Gambia Hotels Association or other business advisory groups as warranted to assist them to develop and maintain databases on investment opportunities and to develop and maintain appropriate market information for distribution among their members.

Other activities envisioned under the FAPE investment promotion component include:

- advisory services for partner searches to match investment opportunities in The Gambia with appropriate U.S. investors, sources of technology, and markets;
- assistance to U.S. firms considering investment in resource based sectors in The Gambia to contact potential local partners;
- support of appropriate local and international short-term training or sponsored attendance at trade shows or

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marketing conferences for public and private sector members of The Gambian business community.

E. Program And Project Inputs

1. Non-Project Assistance

Non project assistance will be provided under the FAPE program in the form of a \$9.0 million conditioned foreign exchange grant. The grant will be disbursed in three equal tranches of \$3.0 million over the life of the program. Each tranche will be disbursed by A.I.D. upon the GOTG's presentation of written evidence in form and substance satisfactory to AID that conditions precedent specified in Section F below have been met.

Non-project assistance will offset the financial, political, and social costs of GOTG commitments to sustain policies and implement policy reforms necessary to induce increased private investment. Conditions precedent and covenants will address key concerns in the areas of national economic policy; public investment management; privatization of state owned enterprises; tax and customs reform; and modernization of the legal, regulatory, and administrative framework affecting financial transactions and formation, operation, expansion, and closure of private enterprises.

2. Conditions Precedent and Covenants

GOTG adherence to the criteria established under the Public Investment Program will be a condition precedent to disbursement of each tranche. Additional conditions precedent for disbursement of the first tranche will be actual privatization of GPMB and completion of a comprehensive review of the tax system (to be funded under the EFPA project extension) as it affects private investment decisions and expansion or diversification of private enterprises including financial institutions.

Additional conditions precedent to disbursement of the second tranche will be implementation of a comprehensive tax reform program in favor of increased private investment and expansion of private enterprise; development of a multi-year plan for continued divestiture of remaining parastatals or other state owned enterprises; and development of an action plan to guide the process of revision, modernization, and amplification of the outdated statutory regime affecting private investment and functioning of private enterprises in The Gambia. Inclusion of a condition precedent on privatization is needed to maintain momentum established through completed privatization of GPMB and GCDB under the FSRP and FAPE programs. Policy dialogue with the Ministry of Justice and other GOTG officials has established the essential core of the requisite legal/regulatory reforms. As discussed below in the section describing proposed assistance to the MOJ, the particular laws that either need serious redrafting

or which are altogether missing have already been identified. Neither the condition precedent on privatization nor the CP on legal/regulatory reform should be viewed as a rolling design process. The Mission and the host government have clear privatization objectives and legal reform priorities all of which will be addressed in detail through an orderly, collaborative application of FAPE resources.

Additional conditions precedent to disbursement of the third tranche will be completion of the tax reform program including any phased-in reduction of the companies or other tax; satisfactory progress towards full implementation of the multi-year divestiture plan including but not limited to actual privatization of at least one additional SOE other than GPMB or GCDB; and satisfactory progress in completing the program of legal and regulatory reform including submission of the revised laws, codes, and regulations to the Parliament for enactment. Conditionality under the third tranche will require the Mission to continue to play an important policy dialogue role with the GOTG while at the same time seeing through to full completion the range of FAPE policy reforms.

3. Technical Services to Support GPMB Privatization

The FAPE support project will assist the GOTG to complete the complicated process of privatizing the Gambia Produce Marketing Board by providing short term technical assistance through a buy-in to the Privatization and Development Project. Short term consultancies will assist the GOTG to formulate an action plan, value assets, prepare a prospectus, review offers, and complete transfer of ownership of the GPMB to the private sector under conditions conducive to sustained private sector competition in the oilseeds industry.

4. Project Assistance to the Ministry of Finance and Economic Affairs

a. Overall Economic Management and Analysis

Advisory services to strengthen economic management and analysis will be provided to the MFEA through a direct AID contract. This component of FAPE will seek to build upon the success of the Economic and Financial Policy Analysis (EFPA) project implemented by the Harvard Institute for International Development (HIID). EFPA project evaluations have characterized the project as unusually successful and have strongly recommended that a follow-on project be undertaken to consolidate gains and institutionalize a macro-economic analytic capacity within the ministry. The FAPE support project will fund a follow-on to the EFPA when the project terminates in August 1992.

Under the FAPE Support project, two long term technical specialists will each furnish 36 person-months of advisory services to the Ministry. The positions funded will be a Chief

of Party/Senior Economist and a Junior Economist/Statistician. The two resident advisors will assist senior MFEA staff and staff of the Ministry's Policy Analysis Unit (MPAU) to undertake macroeconomic analyses, monitor change in the economy, and formulate and implement sound policies and budgeting procedures necessary to sustain the process of adjustment. Additional funds will be provided for up to 11 months of specialized short-term technical assistance to undertake in-depth analyses of priority reform and adjustment issues.

While the EFPA has made substantial progress in strengthening the capacity of the MFEA to formulate and implement sound macroeconomic policy, continued provision of specialized training is required. Two Masters level and two BA level degree programs in economics will be funded under the FAPE program. Additional funds will be provided for up to eight short-term participant training courses to upgrade specialized skills within the MFEA.

b. Tax Reform and Tax Administration

i) Policy Reform and Investment Incentives

Under the EFPA extension, Mission funds will be provided to procure up to seven (7) person months of tax reform advisory services for the MFEA. EFPA-funded tax reform specialists will assist the MFEA to undertake a comprehensive study of the existing tax and duty system as it affects private investment decisions in The Gambia. In addition to seeking ways of adjusting the tax structure to encourage private investment and growth of resource based enterprises, the study will examine the current investment incentives program as encompassed under the Development Act and recommend appropriate specific changes to reduce hidden costs, eliminate redundant approval processes, and increase transparency. Although the tax reform and incentives study is not being directly funded under FAPE, its findings and recommendations are essential components of the proposed program. Upon completion of the EFPA extension in August 1992, a FAPE-funded follow-on project at the MFEA will be initiated. FAPE-funded long and short-term technical advisors under the successor project will (in addition to providing more generalized economic advisory services) assist MFEA officials to finalize the tax reform study and develop a plan for full implementation. Completion of a comprehensive tax and investment incentives study and review of its findings and recommendations with AID are conditions precedent to disbursement of the first tranche of the FAPE NPA grant. Full implementation of the agreed program of tax reform is prescribed under the second and third tranches of the FAPE NPA grant.

ii) Customs and Tax Administration

Under a separate Participating Agency Services Agreement (PASA) between A.I.D. and the U.S. Department of Treasury,

Internal Revenue Service Office of Tax Administration Advisory Services (IRA/TAAS), approximately 7 person months of technical assistance for in country training will be provided to the MFEA Central Revenue Department and the Customs Department. The purpose of this training will be to develop a management information system which will enable the Customs Department to share information with the tax department and the Registrar General's office on firm activity and taxes paid to ensure compliance with the tax codes. In addition, a program will be undertaken to establish an institutional training capability. IRS technicians will train Gambian tax and customs staff to train others within the system to improve tax administration.

5. Technical Services for Multi-year Divestiture Program.

The FAPE Support Project will provide funds to undertake up to three studies to assist the GOTG to identify appropriate privatization targets, assess the feasibility of new privatization efforts, develop a multi-year divestiture plan, and begin implementation of the plan. Technical assistance will be provided through a buy-in to the APRE/EM Privatization and Development Project.

6. Project Assistance to the Ministry of Justice.

Assistance will be provided to the MOJ to strengthen the legal, regulatory, and administrative framework for adjudicating financial transactions and contracts affecting the gamut of business operations, including financial institutions. The following assistance will be provided to the three divisions of the Ministry of Justice.

a. Attorney General's Chambers

i. Technical Assistance: FAPE Support Project Funds will be used to procure 12 months of technical legal advisory services to assist with preparation of a Commercial Code, revision of the Companies and Business Registration Acts, and drafting of a new partnership law. The technical specialist must have demonstrated knowledge of and experience in working with Commonwealth Legal Systems.

FAPE will also provide funds to procure six (6) person months of short term legal advisory services to assist staff in the Attorney General's Office to prepare new legislation to fill statutory gaps for effective adjudication of hire/purchase, bankruptcy, mortgage, bills of exchange, and bills of lading, transactions and contracts. Short-term technical assistance will also be provided to assist MOJ staff to prepare replacement pages reflecting new or revised legislation for inclusion in updated version of the Revised Edition of the Laws of The Gambia.

ii. Training - FAPE project funds will be provided to fund attendance by staff of the Attorney General's Office at up to three short term external training programs or international business conferences. The aim of this training will be to strengthen knowledge of MOJ staff on the role of modern commercial law, including bankruptcy, mortgages, agency and partnership laws, in improving the enabling environment for increased private investment from domestic and foreign sources. Short-term training will also be provided for one legal draftsman from the Attorney General's Chambers to assume responsibility for keeping the Revised Edition of the Laws of The Gambia current.

iii. Commodities - Appropriate office equipment including computer, printer, software, and duplicating machine will be furnished to the Attorney General's Office as needed to support the objectives of the technical assistance project.

b. Registrar General's Department

i. Up to twelve (12) person months of technical advisory services will be provided to the Registrar General's Department to assist Registry staff to update and improve the system of registering companies and interests in real and personal property. The advisor will have a demonstrated knowledge of and experience in establishing or working with Commonwealth Business Registration systems. He/she will be responsible for developing an appropriate Management Information System to computerize the current system of registration and for training Registry staff in use of the new system.

ii. Training - Funds will be provided to undertake up to two in-country training programs for strengthening the Registrar General's Department. The purpose of these training programs will be to develop and introduce a public education program to be run by the Registrar General's Office to familiarize members of the local business community with relevant laws, codes, and regulations affecting business organization and operations in The Gambia.

iii. Commodities - Funds will be provided for the Registry Office to procure appropriate computer, printer, software, and photocopy equipment necessary to improve functioning of the business registration system and to improve linkages with other appropriate branches of the government including the Tax and Customs departments.

c. Judiciary Department

i. Commodities: The Program will provide court reporting and ancillary equipment such as computer, photo copying machine and other duplicating equipment to the Judiciary Department to relieve excessive delays in the processing of civil claims and preparation of other court records. This equipment

will also improve access to research materials and thus understanding of new developments in corporate-financial-commercial law.

ii. Training: FAPE will also provide funds for appropriate in-country and participant training of Judiciary staff in the use of new equipment provided.

7. Project Assistance to entrepreneurs, private enterprises, non-government organizations, and business development associations.

a. Technical Assistance

i. Long Term Private Sector Advisor/Project Manager: A long-term resident private sector development specialist will provide forty-eight months of advisory services to assist the Mission and the National Investment Board to program, coordinate, and manage industry level, firm level, and institutional level assistance included under the support project. USAID/Banjul intends to contract for these services as appropriate either through an OYB transfer to the Private Enterprise Development Support (PEDS) Project currently being revised and extended in APRE/EM or through full and open competition with an appropriate firm. The long-term technical advisor will have extensive experience in working with a range of public and private investment promotion agencies and business advisory associations. Additionally the LTA will have extensive private sector experience in Africa or other region of the developing world with an emphasis on agro-based, export-oriented enterprises.

ii. Short-term Industry Level TA: FAPE will provide support project funds to undertake over the life of the program up to four industry level analyses to develop solutions to priority constraints and problems that have sector or sub-sector wide implications. Technical assistance to undertake these analyses will be managed by the Mission program manager in consultation with the long term private sector advisor. As appropriate, services will be procured through the PEDS or other centrally managed project, or through a direct contract with the provider of services.

iii. Firm Level Technical Assistance: FAPE will provide support project funding to procure short-term firm level technical assistance for up to ten firms over the life of the support project. The aim of firm level TA will be to induce accelerated expansion of employment in and output of resource-based enterprises. Firm level TA may be provided to: expand employment to reach specific AID target groups, increase profitability, improve financial management, introduce new products and new technologies, increase productivity, strengthen linkages to information networks, improve marketing, improve linkages to external financing, improve access to potential export markets, or to facilitate and promote joint ventures or direct foreign investment. Firm level TA and other support to the private sector will be programmed jointly by a project implementation committee comprising GOTG representation (NIB), the Mission Program manager, and the long term Private Sector Advisor. Details of implementation arrangements including eligibility requirements are discussed in the program implementation plan on pages 121-123.

iv. Short-term TA for Investment Promotion and Support to Business Advisory Associations: FAPE will provide up to six months of short-term technical assistance to the NIB, and GCCI, or other business and investment promotion organizations to improve the flow of information within the private sector. This will include assistance for production and distribution of promotional literature, develop and maintenance of databases on investment opportunities and market information for distribution among their members. Investment promotion TA will be procured through a buy-in to an appropriate IQC-- most likely the same PEDS project through which the long term private sector advisor will be procured.

b. Enterprise Development and Expansion Assistance

FAPE support project funds will also be used to provide direct enterprise development and expansion assistance over the life of the program to enable up to eight new or diversifying enterprises to enter into new ventures that directly promote expansion of resource-based activities and/or extend significant employment or income earning opportunities to specific AID beneficiary groups among the lower income strata of the population. Under this component, funds may for example be provided to finance pre-feasibility, feasibility, marketing or other analyses; to procure services to promote and encourage incorporation of new technologies through their introduction on an experimental or pilot project basis; or to procure services to facilitate the introduction of new services with direct employment or income enhancement potentialities among specific AID target groups.

The appropriateness of providing assistance for enterprise creation and/or expansion and the specific financial mechanisms to be utilized (i.e. grant or contract) will be determined on a case-by-case basis by the Mission project implementation committee with the advice and concurrence of the Regional Legal Advisor and the Regional Contracting Officer. In accordance with the A.I.D. Policy Paper on Private Enterprise Development, highest priority for all enterprise development and expansion assistance will be given to support the establishment, expansion, or diversification of firms or other entities which will directly enhance the functioning of competitive markets in The Gambia and which can demonstrate significant potential for employment generation and increased income opportunities among A.I.D. target groups. In determining eligibility for such assistance the FAPE support project committee will be required to evaluate the degree to which proposed activities will benefit A.I.D.'s primary target groups as defined in the FAA and DFA legislation. Further details on criteria and implementation arrangements are contained in the program implementation plan (pp. 121-123).

c. Training

i. Firm level Training: FAPE will provide funds to support up to ten in-country firm level training programs. Funds will also be provided to support up to 25 short-term participant training courses over the life of the program. The aim of firm level training will to increase productivity, enhance technology transfers, and improve linkages with external markets and sources of financing. Special emphasis will be given to support training programs that emphasize increased employment-- particularly of lower income Gambians- over capital intensification. Examples of training programs that could be supported by FAPE are: on the job training of Gambian women to increase fish processing productivity and to meet quality control standards for export markets; on the job training of Gambians commercial fishermen to undertake work on commercial vessels using American or other equipment with which they are not familiar; on the job training of women horticultur- alists to increase productivity and improve quality control standards; private extension programs to introduce and promote production of new crops or to increase productivity and improve post harvest handling of oil seeds. Firm level participant training will emphasize improved financial management and general business administration skills, enhanced export marketing strategies, incorporation of new technologies, and linkages with potential joint venture partners or other off-shore sources of equity or loan financing. FAPE funds will also be provided to continue community based business management and entrepreneur development courses and seminars at the Management Development Institute or other local training facilities currently funded under HRDA. Up to ten such programs will be undertaken over the life of the program.

ii. Investment Promotion Training: Up to ten (10) participant training programs on investment related issues will be funded under the program. Appropriate courses for funding would include privatization of state owned enterprises, negotiation of joint ventures, techniques of effective investment promotion, project identification and analysis, and regional and world trade, and strategic marketing approaches.

d. Commodities: FAPE will provide appropriate office equipment and supplies including coeputers, printers, software, communication equipment, and office supplies to support the work of the long term advisor, the program manager, and as appropriate to improve performance of the NIB, the GCCI, or others providing business advisory services. Appropriate equipment will be supplied to NIB to enable it to produce in-house quality promotional literature.

e. Other Investment Promotion: FAPE funds will support up to eight visits to The Gambia by potential U.S.

investors or joint venture partners who are seriously considering investment in resource based sectors in The Gambia to facilitate linkages with local partners.

8. Program Manager:

FAPE support project funds will be used to partially fund four year's of Program Management services from a Personal Services Contractor to be employed in the Mission. The program manager will be responsible for the day-to-day administration of FAPE and for monitoring progress and assessing impact. The FAPE program manager will work under the overall supervision of the Mission's Program Economist. In addition to working with FAPE, the PSC program manager will have responsibility for assisting with management of the Mission's Financial Sector Restructuring Program and the AEPRP support project (both projects will provide partial funding for the PSC).

9. Impact Monitoring

The FAPE support project provides funds for periodic surveys to monitor and evaluate the impact of both the Program and Support Project.

10. Evaluations and Audit

The program provides for mid-term and terminal evaluations and a financial audit. Additional funding is provided to undertake an annual impact assessment. Evaluation activities will be used by the Mission as management tools for adapting the program to address changing economic or social circumstances.

II. Program Conditionality and Covenants

A. Conditions Precedent

1. Standard Conditions

Prior to any disbursement of The Gambia Financial and Private Enterprise Development Program Grant or to the issuance by AID of documentation pursuant to which disbursement will be made, the Government of The Gambia shall, except as the parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(a) An opinion of counsel that the Program Grant Agreement has been executed on behalf of and duly authorized by the Grantee, and that it constitutes a legal and binding agreement for the grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the Office of the Grantee as specified in the Program Grant Agreement and any additional representatives, together with a specimen signature of each person specified in such a statement, and;

(c) Written evidence that the Grantee has established the Separate Account for the Grant funds as described in the Program Grant Agreement, and a letter describing the requirements that must be met before funds will be disbursed from that account. The requirements shall include supporting documentation to permit monitoring of disbursements, requirements for maintaining funds in this account separate from other funds of the Grantee, and requirements for periodic reports to A.I.D. on disbursement from the separate account.

2. First Tranche (\$3.0 million)

Prior to any disbursement of the Program Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement for the first tranche of \$3.0 million will be made, the Grantee will furnish to A.I.D., except as the parties may otherwise agree in writing, in form and substance satisfactory to A.I.D., written evidence that:

(a) The GOTG has reviewed twice annually in April/May and November/December with AID all projects included or to be considered for inclusion in the Public Investment Program and that all proposed projects meet and adhere to the following mutually agreed criteria and priorities:

- i. Completion of adequate feasibility studies.
- ii. An economic rate of return (where calculable) of at least 15 (fifteen) percent and for projects in the social sectors where the economic rate of return is not calculable, projects must be least-

- cost alternatives to achieve project purposes.
- iii. Compatibility of the recurrent cost implications with future recurrent budgets.
 - iv. Among projects that meet these criteria priority will be given to projects that support human resources development and rehabilitation and maintenance of existing assets rather than expansion or creation of new assets.
 - v. The public sector will not engage in investments in sectors which are of potential interest to the private sector.

(b) The GOTG has sold or otherwise transferred permanent majority ownership and management of all assets of the Gambia Produce and Marketing Board and the assets of the former Gambia River Transport Company associated with transport, processing, and marketing of groundnuts and groundnut products, including but not limited to: oil mills, decortication facilities, power generating facilities, loading and off-loading facilities, depots, warehouses, seccos, tugboats, barges, lighters, and maintenance facilities under conditions of sale that ensure no artificial barriers to entry for the private sector in transport, processing, and marketing of oilseed products from The Gambia.

(c) The GOTG has undertaken and reviewed with AID a comprehensive study of the tax system as it affects private investment decisions and expansion or diversification of private enterprises, including financial institutions, in The Gambia. Specific issues to be addressed in the study will include but need not be limited to the following:

- i. An analysis of the revenue implications of tax, duty, and other incentives now offered to private investors in The Gambia;
- ii. An analysis of the administrative and other costs of managing the Development Certificate process and the revenue implications of that process;
- iii. An evaluation of the impact investment incentives have had to date on investment decisions and long term viability of enterprises in The Gambia;
- iv. A comparative cost/benefit analysis of the likely impact on private investment, growth of enterprises, and GOTG revenues of across-the-board reductions in effective rates of tax; rationalization or elimination of duties on capital goods and intermediate inputs; accelerated depreciation schedules; longer loss carryovers; and improved tax administration;

v. The feasibility of placing fuller authority and accountability for effective "one-stop-shop" investment promotion and processing at the National Investment Board;

vi. A cost/benefit analysis of the effect of eliminating stamp and other taxes on financial transactions.

3. Second Tranche \$3.0 million

Prior to disbursement of the second tranche or to the issuance by A.I.D. of documentation pursuant to which disbursement of the second tranche of \$3.0 million will be made, the Grantee will furnish to A.I.D., except as the parties may otherwise agree in writing, in form and substance satisfactory to A.I.D. written evidence that:

(a) The GOTG has reviewed twice annually in April/May and November/December with AID all projects included or to be considered for inclusion in the Public Investment Program and that all proposed projects meet and adhere to the following mutually agreed criteria and priorities:

- i. Completion of adequate feasibility studies.
- ii. An economic rate of return (where calculable) of at least 15 (fifteen) percent and for projects in the social sectors where the economic rate of return is not calculable, projects must be least-cost alternatives to achieve project purposes.
- iii. Compatibility of the recurrent cost implications with future recurrent budgets.
- iv. Among projects that meet these criteria priority will be given to projects that support human resources development and rehabilitation and maintenance of existing assets rather than expansion or creation of new assets.
- v. The public sector will not engage in investments in sectors which are of potential interest to the private sector.

(b) The GOTG has reviewed with AID the findings and recommendations of the tax reform study referred to above in section B(3), has developed an action plan in form and substance satisfactory to AID to implement agreed reforms, and begun implementation of the appropriate recommendations.

(c) The GOTG has developed and reviewed with AID a multi-year divestiture plan to transfer ownership to the private sector of state owned enterprises such as The Gambia Public Transport Company, The Gambia Utilities Company, The Gambia Telecommunications Company, Gambia Airways, the Government

Printing Press, or other publicly owned enterprises engaged in the direct production or marketing of goods or services of potential interest to the private sector.

(d) The GOTG (MOJ) has developed an action plan and detailed schedule for revision, modernization, and amplification of the statutory regime affecting private investment and operation of private enterprises in The Gambia including but not limited to: redrafting of the Companies Act, the Business Registration Act, and the Partnership Act; preparation of a Commercial Code; and drafting of legislation to govern hire/purchase, bankruptcy, mortgage, bills of exchange, and bills of lading transactions.

4. Third Tranche, \$3.0 million

Prior to disbursement of the third tranche or to the issuance by A.I.D. of documentation pursuant to which disbursement of the third tranche of \$3.0 million will be made, the Grantee will furnish to A.I.D., except as the parties may otherwise agree in writing, in form and substance satisfactory to A.F.D. written evidence that:

(a) The GOTG has reviewed twice annually in April/May and November/December with AID all projects included or to be considered for inclusion in the Public Investment Program and that all proposed projects meet and adhere to the following mutually agreed criteria and priorities:

- i. Completion of adequate feasibility studies.
- ii. An economic rate of return (where calculable) of at least 15 (fifteen) percent and for projects in the social sectors where the economic rate of return is not calculable, projects must be least-cost alternatives to achieve project purposes.
- iii. Compatibility of the recurrent cost implications with future recurrent budgets.
- iv. Among projects that meet these criteria priority will be given to projects that support human resources development and rehabilitation and maintenance of existing assets rather than expansion or creation of new assets.
- v. The public sector will not engage in investments in sectors which are of potential interest to the private sector.

(b) The GOTG has fully completed implementation of the tax reform and investment incentives recommendations agreed upon in section B(3) above.

(c) The GOTG is making satisfactory progress towards full implementation of the privatization plan described and

reviewed with AID in section C(3) above and has completed privatization of at least one additional parastatal other than GCDB or GPMB.

(d) The GOTG is undertaking in good faith and in expeditious manner all necessary actions to implement legislative and judicial reforms--including submission of revised legislation to Parliament for enactment--outlined in the section B(4) above.

B. Covenants

1. The GOTG agrees that it will not undertake any policy change or action which would have the effect of changing any of the policies or actions undertaken by the Government in fulfillment of the conditions precedent of this agreement except as the parties may otherwise agree in writing.

2. The GOTG agrees to maintain its credit policy that no public or private sector enterprise or individual will be permitted to borrow from official sources at less than market-determined interest rates and that no public or private individual or enterprise will be granted preferential access to credit from official sources.

3. The GOTG agrees to maintain its free market, liberal foreign exchange policy.

4. The GOTG agrees not to permit or undertake activities which would directly or indirectly discourage entry of the private sector in enterprises for importation, distribution, or production of agricultural inputs including but not limited to fertilizer, seeds, farm inputs, irrigation equipment, and pesticides.

5. The GOTG will discourage public sector entities from investing in economic activities in competition with the private sector and will seek actively to encourage existing public sector entities to disengage from economic activities of potential interest to the private sector.

6. In order to encourage maximum participation of the private sector in priority support sectors vital to the growth of resource based private enterprises in The Gambia the GOTG agrees that:

a. Prior to the full privatization of the GPMB, the GOTG will take all necessary steps to encourage and facilitate private sector use of all GPMB facilities related to the transport, processing and export of groundnut and groundnut products and to maintain the same facilities in good working order in preparation for their sale to the private sector.

b. It will take specific steps to encourage and facilitate private sector development and management of handling and cold storage facilities at Yundum International Airport. Steps may include, but need not be limited to: (i) making available for long term lease or sale to the private sector suitable land at or near the airport for establishment of facilities and (ii) granting of rights to the private investors to operate the facilities for profit.

c. It will take specific steps to encourage and facilitate private sector development and management of commercial fishing pier and related marine facilities at appropriate waterfront site(s) in or around Banjul. This may include, but need not be limited to, making available for long term lease or sale to the private sector suitable land on the waterfront and granting of rights to the private investors to construct and operate associated facilities for profit.

III. Program Monitoring, Impact Assessment, and Evaluation

A. Program Monitoring

1. The USAID/Banjul Monitoring and Evaluation System

The Mission Order on monitoring and evaluation (M&E), dated April 1, 1991, stipulates that the M&E system in each project or program must consist of the following recurrent elements:

- (a) Semi-annual reviews, held in conjunction with preparation of;
- (b) Project implementation reports (PIRs).
- (c) Annual reviews, held in conjunction with preparation of the Mission's Assessment of Program Impact (API).
- (d) Collaborative project reviews, held at regular intervals.

The Mission Evaluation Officer (MEO) monitors each project M&E system and prepares an annual, Mission-wide M&E report by November 15. As input to this report, to the annual review and to the API, each October, for each project or program, the relevant Project Officer summarizes annual M&E system findings, conclusions and recommendations. This permits all prior and current evaluation and study recommendations to be reviewed for follow-up and for use in preparing the Assessment of Program Impact report.

The Mission Order specifies that each M&E plan, "will ensure that appropriate baseline information is collected and sufficient project resources are allocated for the monitoring and evaluation function. Based on approved M&E plans, project evaluations will be scheduled to answer specific management questions. In addition to major project evaluations, and often to supplement such exercises, the Mission will use rapid, low-cost studies or assessments to answer specific management and/or technical questions as well as to provide a basis for critical implementation decisions."

Each element of the recurrent M&E system is elaborated upon in the following paragraphs. For further information, the Mission Order and its' bibliography are incorporated by reference into this document.

Semi-annual Project Reviews: Semi-annually, each Project Officer updates the status of major evaluation recommendations for inclusion in the PIRs, specifically noting those that have been implemented and those still pending. If an evaluation study has been performed during the preceding period, a summary of the findings, conclusions and recommendations should be included in Section III (Progress towards meeting EOPS) of the PIR. Also, evaluations should be used to update or improve basic project data and purpose level indicators as well as status of outputs and inputs for individual PIRs.

PIRs covering the first six months of the fiscal year are due on May 1 and PIRs covering the last six months of the fiscal year are due on November 1.

Annual Program Review: Each year, in conjunction with the preparation of the Assessment of Program Impact, the MEO will convene a meeting of key Mission personnel to: (1) review monitoring and evaluation information gathered from the past year's program, including lessons learned with specific reference to the previous year's Action Plan performance; and, (2) to identify any additional bench marks, basic revisions and/or necessary data collection exercises.

It is Mission policy that **Collaborative Project Reviews** be undertaken at regular intervals. These reviews include USAID/Banjul personnel, contractors and representatives from the relevant local organizations and counterpart agencies. In addition to looking at project progress and performance, these reviews include a discussion of the recommendations and implications of the most recent Annual Program Review, and a review of the current M&E plan. Each review follows an "early warning checklist," but may cover other matters as review personnel decide. The checklist follows:

- Documentation of Changes
- Conditions Precedent and Covenants
- Realistic Timing
- Provision of Inputs
- Coordination of Training and Technical Assistance
- Reporting
- Evaluations and Audits
- Administrative, Financial and Personnel Management
- Tracking Progress and Measuring Impact
 - Are performance indicators and bench marks allowing for tracking progress and measuring impact? Are routine tracking and measuring activities important parts of work plans?

2. Program Monitoring of FAPE

The reforms undertaken under this program overlap and reinforce the reforms contained in the EMP and other donor programs. Because of these interrelationships, it will be difficult to separate out the net impacts of any one program and growth of private enterprises. For this task, a number of performance indicators will be used. It is recognized that exogenous variables, like drought, world recession, or reduced donor commitment to The Gambia, can negate expected progress from the program.

There are two components to the monitoring and evaluation system planned for the FAPE program. The first component focuses on the conditionality governing disbursement under the program. For the most part, benchmarks which indicate the

achievement of the conditions are explicit and self evident in the conditions themselves. The GOTG is required to provide written evidence that it has achieved each condition and the Mission is responsible for ensuring that the evidence is sufficient for that purpose.

The second component focuses on measuring the indicators which will show achievement of project purpose. A summary of the indicators associated with each End of Program Status (EOPS) is given below.

End of Program Status

- (1) The Gambia's International Credit Standing Improved.

Indicator:

1. Outstanding Debt Arrears.

- (2) Public Investment Program Satisfactorily Implemented.

Indicator:

1. WB and USAID Review and Concur with PIP

- (3) Full Participation of the Private Sector in the Groundnut Industry and Increased Responsiveness of Agricultural Producers to World Market Signals.

Indicators:

1. GPMB (or successor company) Depot Price/World Price
2. Quantity Processed by GPMB/Total Production
3. Quantity Processed by Private Sector/Total Production
4. Profitability of GPMB
5. Taxes paid by GPMB

- (4) Macroeconomic Policy Framework Conducive to Private Investment and Growth of Private Enterprises Sustained and Deepened.

Indicators:

1. Budget Balance
2. Inflation
3. Current Account Balance
4. Level of International Reserves

- (5) International Competitiveness of The Gambia's Business and Investment Climate Improved.

Indicators:

1. Privatizations Underway or Completed
2. Tax Reform Adopted/Implemented
3. Legal and Regulatory Reforms Enacted

4. Number of Firms Assisted by NIB in Registering a Business
5. GUC Generation of Power

(6) Increased Aggregate Earnings From and Increased Employment In Private Enterprises.

Indicators:

1. Firm Registrations
2. Company Taxes Paid
3. Employment Levels in Private Sector
4. Exports

Program monitoring reports will be prepared every six months in connection with PIR preparation. Adjustments to the indicators may be made in November each year, following the annual program review, for inclusion in the API report. Collaborative program reviews will be held every 18 months, the first being penciled in for November 1992, in place of the annual program review.

B. Impact Assessments and Evaluations

Impact assessments will be prepared annually, for review in the annual program reviews. The assessments will be based upon the indicators, so that baseline update re-surveys will be conducted each October. The program budget for surveys and assessments is \$135,000, which should be sufficient given the rather small survey population. In accordance with Mission policy, rapid, low-cost studies or assessments will be carried out to gain insight both to special program impact (e.g., impact upon female school drop-outs) and to impact upon the program of unanticipated, non-recurrent events (e.g., impact of the unexpected passage of a major law affecting property rights).

Two evaluations are budgeted in the program (\$60,000). These will be conducted in FY1993 and FY1995. Both evaluations will seek to articulate program impact upon (a) the typical formal sector employee and, (b) the enabling environment for private investment. It is anticipated that the evaluations will be carried out by joint USAID/GOTG teams with assistance from one contracted specialist.

C. Audit

The nonproject assistance component of this program will be used to pay The Gambia's external debts. Funds are budgeted for nonfederal financial audits of the government's special bank account from which cash disbursements will be made. These audits will be monitored by RIG/A/Dakar.

Technical assistance under the complementary support project will

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be implemented mainly by U.S. institutions (PASA, profit making firms, and educational institutions). The audit requirements of nonprofit organizations are covered by OMB Circular A-133 and profit organizations are covered by DCAA and DHSS. There will be USAID direct procurement of commodities, training and personal service contracts in support of project activities. Since only a small percentage of project funds will be used for local costs associated with in-country support of long-term consultants and for USAID contracts with local firms for impact surveys, a nonfederal audit is not deemed necessary and no project funds are budgeted for that purpose.

IV. Management and Financial Plan

A. Mission Management

USAID/Banjul is currently organized with five direct hire positions: AID Representative, Program Officer, Program Economist, Agriculture Development Officer, and Controller. The Program Economist will have overall responsibility for management of the FAPE Program. Under him will be a project-funded PSC for day to day management and monitoring of program progress. The Agriculture Development Officer will provide technical support as needed related to the privatization of GPMB. The current PSC Human Resource Development Officer will support the training portion of the Support Project.

As with other programs in its portfolio, USAID/Banjul will rely on recurrent technical support from REDSO/WCA. The mission expects to draw periodically on the services of contracting specialist, and the private sector specialist to assist with implementation matters and to consult with the Mission on program progress. The REDSO/WCA contracting officer will handle major contractual matters and the Computer Specialist will assist with preparation of procurement documentation for computer equipment and related soft ware. Legal support will be provided by the RLA/Dakar.

The implementation of the FAPE Program will be closely coordinated with the FSRP program. To the extent feasible, the Mission will coordinate program fund disbursements to maximize the leverage of the Mission's overall development program.

B. Methods of Implementation and Financing

1. Dollar Disbursements (9.0 Million)

As The Gambia has a fully open foreign exchange system under which foreign exchange is allocated by market determined forces, a waiver of dollar tracking and separate account requirements will be requested for the NPA component of the program

2. Local Currency Programming and Tracking

The current economic situation in The Gambia justifies an exception to the A.I.D. policy of expecting host governments to make local currency available for joint programming in support of program objectives. The GOTG budget deficit is over five percent of GDP and is projected to stay at that level for the next several years. USAID/Banjul was advised by the IMF that the tight GOTG budgetary targets established with the IMF would not permit additional expenditure programs. As part of the World Bank's SAL II, the GOTG has committed itself to increasing public expenditures for health and education. Requiring additional new expenditure programs would only make the budget situation worse and result in deficits and potential inflationary financing which would exceed the IMF targets. In addition, local currency generated from the FAPE program is not needed to make the program work. Basically, the development impact of the program will result from increased employment, incomes and savings through investment in productive private sector enterprises. The Mission has negotiated a trust fund with the GOTG which will be funded from general tax revenues.

3. Dollar Expenditures Out Of Projectized Component

A separate project authorization and project paper (PP) face sheet has been prepared for the technical assistance, training and commodities component. These funds will be obligated under a Project Grant Agreement. Expenditures out of (0237) will be made by USAID/Banjul according to standard procedures.

C. Financial Plan

1. Summary Cost Estimate - Table 1 on the following page depicts the sources and application of all program and project resources.

TABLE 1
SUMMARY COST ESTIMATE
(US \$ 000)

Source	AID		Host Country		Total
	USE	FX	LC	FX	
1) Debt Repayment		9,000			9,000
2) Technical Assistance					
a) Long-Term					
MFEA Advisors		1,200			1,200
Private Sector Advisor		1,200			1,200
MOJ Advisor		250			250
Project Mgr. (PSC)		300			300
b) Short-Term					
MFEA Advisors (Macro/Bud)		330			330
MOJ Advisor (Att Gen)		180			180
MOJ Advisor (Rgstr Gen)		125			125
NIB Advisors (GPMB divest)		200			200
Inv. Promotion/Bus. Advisory		180			180
MTIE/NIB Advisors (privtze)		225			225
Industry Level TA		200			200
Firm Level TA		500			500
USAID/Banjul (Surveys/Impact)		125			125
3) Training					
MFEA Staff dev.(degree)		365			365
MFEA Staff participant		70			70
MFEA Tax (in country)		200			200
MOJ (Reg/Gen staff)		40			40
MOJ (Att Gen Staff)		40			40
MOJ (Court Recorders)		60			60
MOJ (in-country judiciary)		45			45
Inv. Promo (Partic.)		100			100
Firm level, industry spec.		300			300
Firm level ext. training		250			250
In-country bus. dev sem.		100			100
4) Commodities					
Court Reporting Equip.		40			40
Computers (incl modum/sw)		210			210
Copying/Dup/Comm. Equip.		175			175
Vehicles		50			50
Desk-top publishing		20			20
5) Other					
Investment Promotion Trips		50			50
Communications		50			50
Evaluations/Audit		75			75
Firm Level Devel. Grants		400			400
Invest./Mrkt dev. Lit		100			100
Un-earmarked contingency (3.4%)		595			595
Total		17,350			17,350

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2. Costing Of Project Outputs - Table two below is a test of the project's design. It also provides a basis for reviewing the cost estimates of the principal inputs. It demonstrates that inputs are proportionate to the expected outputs and the outputs are proportionate to the expected purpose. Inputs are presented in the left hand column and their costs apportioned to the project outputs listed in the Logical framework.

Table 2

Costing of Program and Project Outputs/Inputs
Financial and Private Enterprise Development Program
(In \$ 000)

Project inputs: #1 NPA; #2 CP's/Covenants; #3 TA for Privatization; #4 Advisory services training, commodities; #5 Studies, tax expertise, in-country training legal advisory services, commodities, PIET training; #6 advisory services, firm level TA, firm level training, firm level grants, participant training, investment promotion; #7 PSC project manager; #8 Periodic surveys, audits.

FAPE Outputs	FAPE Inputs								Total
	# 1	# 2	# 3	# 4	# 5	# 6	# 7	# 8	
1) Partial payment of outstanding GOTG public debt.	[9,000]	-	-	-	-	-	-	-	[9,000]
2) GOTG adherence to PIP criteria.	2,000	-	-	-	-	-	-	-	2,000
3) Full privatization of the oilseeds industry.	2,000	-	200	-	-	-	-	-	2,200
4) Sustained capacity for sound macroeconomic policies and budgeting.	-	-	-	2,350	-	-	-	-	2,350
5a) Continued reduction of public sector role in production and marketing.	1,500	-	-	-	225	-	-	-	1,725
5b) Reform of tax system in favor of private investment and enterprise expansion.	1,500	-	-	-	-	-	-	-	1,880
5bii) Revision of private investment incentives policy.	1,000	-	-	-	-	-	-	-	1,060

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(TABLE 2, continued;
FAPE Outputs

	FAPE Inputs								Total
	# 1	# 2	# 3	# 4	# 5	# 6	# 7	# 8	
5c) Legal/regulatory modernization	1,000	-	-	-	850	-	-	-	1,850
6a. Strengthened Capacity of Gambian entrepreneurs to start up/expand resource based enterprises.	-	-	-	-	-	2,115	-	-	2,115
6b) Strengthened public, private, and voluntary investment promotion or business advisory associations, and industry level support	-	-	-	-	-	1,515	-	-	1,515
7. Program management	-	-	-	-	-	-	300	-	300
8. Evaluation, monitoring, audits.	-	-	-	-	-	-	-	200	200
9. Un-earmarked contingency	-	-	-	-	-	-	-	-	595

*N.B. Breakdown of amounts listed above in column #1, NPA, is for indicative purposes only. Disbursement of the NPA cash grant is contingent on fulfillment of all conditions precedent and adherence to all program covenants.

3. Projection of Expenditures By Fiscal Years - Tables 3 and 3A, below, present the anticipated A.I.D. expenditures by fiscal years. Since the Program Grant and its Projectized companion are expected to be incrementally funded, they are separated and inputs are reflected by the monies which finance them. This will avoid shortages for critical inputs.

Table 3
Projection of Cash Grant Disbursement By Fiscal Years
(\$ 000)

Fiscal Year	A.I.D.	Host Country	Total
1991	-	-	-
1992	-	-	-
1993	3,000	-	3,000
1994	3,000	-	3,000
1995	3,000	-	3,000
1996	-	-	-
Total	9,000	-	9,000

Table 3A
 Projection of Project Expenditures By Fiscal Years
 (\$000)

Input	Fiscal Years					
	91	92	93	94	95	96
GPMB Privatization Support	100	100	0	0	0	0
MFEA Support Project	0	250	700	700	500	0
Tax Administration Training	0	100	100	0	0	0
MOJ Legal/Regulatory Support Project	0	450	400	0	0	0
Private Sector Assistance Project	0	900	1,000	1,000	955	0
Personal Services Contractor for program management.	50	60	60	60	60	10
Impact Monitoring	25	25	25	25	25	0
Evaluations and Audit	0	0	30	0	0	45
Unearmarked Contingency	0	0	0	200	250	145
Totals	175	1,875	2,305	1,975	1,780	195

4. Sources And Applications of Funds - Table 4, below, presents the sources and applications of funds for the FAPE cash grant and Support Project.

Table 4
 Sources And Applications of Funds
 (\$000)

Category	Amount (\$000)
1) Non-Project Assistance	9,000
2) MFEA Long and Short Technical Assistance	1,530
3) MFEA Training	435
4) Commodities for MFEA	185
5) In-country Tax Admin. Training	200
6) MOJ Long and Short Term Technical Assistance	600

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Category	Amount (\$000)
7) MOJ Training	140
8) MOJ Commodities	110
9) Long term private sector technical advisor	1,325
10) Firm Level Participant training	250
11) Firm Level in-country Training	300
12) Firm Level TA	500
13) Enterprise Development and Expansion Assistance	400
14) Industry Level Studies	200
15) Wid/Micro Enterprise Training (in-country)	100
16) Commodities for invest. promotion agencies, business assoc.s and NGO's.	125
17) TA for Investment Promo., Business Assoc.'s, and NGO	180
18) Promotional lit., News letters,	100
19) U.S. Investor Missions	50
20) Participant Training for Investment Promotion Agencies, Business Assoc.s, NGO	100
21) Privatization Studies	225
22) Project Manager	300
23) Evaluations/Audits	75
24) Impact Surveys	125
Total	17,350

5. Methods of Implementation and Financing of Technical Assistance, Training, Equipment and Other Costs - Table 5, below presents the methods of implementation and financing of technical assistance, training, equipment and other costs.

Table 5
Methods of Implementation and Financing of Technical Assistance, Training, Equipment and Other Costs

<u>Implementation Activity</u>	<u>Implementation Method</u>	<u>Financial Method</u>
1) Procurement of MFEA Long and Short Term Technical Assistance	AID/Direct Institutional Contractor	LOC/Direct Pay
2) MFEA Training	USAID Direct (PIO/P) L/T Institutional Contractor S/T	Direct pay
3) Procurement of Commodities for MFEA	AID/Direct Institutional Contractor	LOC/Direct pay LOC/Direct Pay
4) In-country Tax Admin. Training	PASA	Direct Pay
5) Procurement of Technical Assist., for MOJ	AID/Direct Profit Making Contractor	Direct Pay
6) Short term MOJ Training (part.)	AID Direct profit making Contractor	Direct Pay
7) Procurement of Commodities for MOJ	AID Direct profit making Contractor	Direct Pay
8) Procurement of Long Term Private Sector Technical Advisory Services	AID/Direct: profit making Contractor or OYB Transfer/Buy-in to PEDS Project (MS/OP/W)	Direct pay
9) Firm Level Participant Training	Direct Placement by S&T/IT	Direct Pay
10) Firm Level in-country Training	Profit making IQC	Direct Pay
11) Procurement of Firm Level TA	AID/Direct profit making IQC	Direct Pay
12) Industry Level Pay Studies	AID/Direct Profit making IQC	Direct

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<u>Implementation Activity</u>	<u>Implementation Method</u>	<u>Financial Method</u>
13) Wid/Micro Enterprise Training (in-country)	AID/Direct Profit making	Direct Pay
14) Procurement of Commodities for Investment Promotion Agencies, Business Assoc.s and NGO's	AID/Procurement Purchase Order	Direct Pay
15) Procurement of TA Invst. Promotion Agencies, Business Assoc.'s, and NGO's	AID/Direct: Profit Making IQC	Direct Pay
16) Procurement of supplies or services for production of promotional literature or informational newsletters	AID/Direct profit making IQC	Direct Pay
17) U.S. Investor Missions	USAID/Banjul Invitational Travel Orders	Direct Pay
18) Participant Training for Investment Promotion Agencies or Business Assoc.s.	Direct placement by S&T/IT	Direct Pay
19) Privatization Studies	AID/Direct Profit making IQC	Direct Pay
20) Procurement of Project Management Services	PSC	Direct Pay
21) Procurement of Evaluations/Audits	AID/Direct IQC/Local Firm	Direct Pay
22) Procurement of Impact Surveys	AID/Direct Local Firm	Direct Pay
23) Non-project Assistance	Tranche Release	Dollar Payment by EFT

D. Project Implementation and Procurement Plans

1. Implementation Plan

a) Cash Grant

The FAPE Program includes a \$9.0 million conditioned cash grant to be disbursed in three equal tranches of \$3.0 million each. Disbursement of each tranche of the cash grant is conditioned on submission by the GOTG of evidence in form and substance satisfactory to AID that it has met all of the agreed conditions precedent for each tranche disbursement and has adhered to all of the program covenants. Documentation should be submitted by the GOTG at least 60 days before the dates presented below to allow USAID/Banjul sufficient time to review evidence and make appropriate arrangements for the transfer of funds to the Government's bank account at the Federal Reserve Bank of New York or other bank which has been agreed to.

(1) First Disbursement - December, 1992

(2) Second Disbursement - June, 1994

(3) Third Disbursement - September, 1995

b) Support Project

Implementation Schedule

<u>Task</u>	<u>Responsibility</u>		<u>Completion Date</u>	
	<u>GOTG</u>	<u>A.I.D.</u>	<u>Month</u>	<u>Year</u>
- Recruit and hire program manager (Under project 635-0231)	X		May	1991
- Authorize FAPE	X		June	1991
- Execute FAPE Program Agreement	X X		July	1991
- Issue PIO/T for MFEA TA Project including Long and Short Term Technical Assistance, and training.	X X		July	1991
- Issue RFP for MFEA TA	X		June	1991

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<u>Task</u>		<u>Responsibility</u>		<u>Completion Date</u>	
		<u>GOTG</u>	<u>A.I.D.</u>	<u>Month</u>	<u>Year</u>
- Issue PIO/T for buy-in for technical assistance to privatize GPMB.	X	x		July	1991
- Review proposals/select contractor for MFEA TA Project.	X	X		August	1991
- Prepare and issue first annual plan for OYB transfer to PEDS Project for long term private sector advisor	X	X		September	1991
- Bring in TA team for valuation of GPMB assets	X	X		September	1991
- Form Project Committee for programming of firm and industry level assistance	X	X		October	1991
- Prepare and issue PIO/T for MOJ long and short term TA	X	X		November	1991
- Prepare sales documentation and solicitations for GPMB privatization	X	X		November	1991
- Undertake first annual periodic survey	X	X		November	1991
- Begin tax reform/investment incentives study	X	X		January	1992
- Field long term private sector advisor		X		January	1992
- Review and approve first annual work plan for private sector development project	X	X		February	1992
- Execute contract for MFEA TA project		X		September	1991
- Evaluate responses to GPMB solicitations	X	X		March	1992

<u>Task</u>		<u>Responsibility</u>		<u>Completion Date</u>	
		<u>GOTG</u>	<u>A.I.D</u>	<u>Month</u>	<u>Year</u>
- Prepare and issue PIO/T for US/IRS & Customs Department PASA for training in tax & customs administration	X	X	March	1992	
- Execute contract for MOJ Long and short Term TA		X	April	1992	
- Field long term advisor to the MOJ, begin drafting of commercial code		X	April	1992	
- Execute PASA agreement for IRS/Customs Department in country training for tax administration		X	June	1992	
- Transfer ownership of GPMB	X	X	August	1992	
- Tax reform study reviewed and final action plan completed	X	X	September	1992	
- Field technical assistant to the Registrar General's office	X		October	1992	
- Undertake second annual periodic impact survey	X	X	November	1992	
- Receive and review evidence submitted by GOTG for meeting first tranche CP's	X	X	December	1992	
- Field TA team to develop multi-year divestiture plan	X	X	January	1993	
- Review and approve second annual work plan for private sector development project	X	X	February	1992	
- Review and approve third annual work plan for private sector development project	X	X	February	1993	
- Undertake mid-term audit	X	X	September	1993	
- Undertake mid-term evaluation		X	October	1993	

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<u>Task</u>	<u>Responsibility</u>		<u>Completion Date</u>	
	<u>GOTG</u>	<u>A.I.D.</u>	<u>Month</u>	<u>Year</u>
- Undertake third annual periodic impact survey	X	X	November	1993
- Undertake privatization feasibility study for implementation of divestiture plan	X	X	January	1994
- Review and approve third annual work plan for private sector development project	X	X	February	1994
- Undertake fourth annual periodic impact survey	X	X	November	1994
- Undertake third privatization study	X	X	January	1995
- Undertake fifth annual periodic impact survey	X	X	November	1995
- Undertake terminal Evaluation	X	X	December	1995

2. Procurement Plan

(a) Technical Assistance

i. Ministry of Finance and Economic Affairs (MFEA) -

Type: Chief Economist - 36 person months
 Junior Economist - 36 months
 STTA and Tax Reform - 11 person months

Means: Full and open competition (unless a waiver is approved by the AA/AFR for HIID).

Estimated Cost: \$2,150,000

Chief Economist	3 X \$200,000 per annum
Junior Economist	3 X \$200,000 per annum
Short Term Technicians	11 X \$ 30,000 per month
Training	\$435,000
Commodities	\$185,000

Preparation of Technical Specifications: USAID/ Banjul Economist in collaboration with MFEA staff will prepare scope of work to be included in the PIO/T shortly after

execution of the Grant Agreement.

Delivery Schedule: Contractor will be responsible for providing all logistical support to long and short-term technicians, training and commodities. Contract is planned to begin during the second year of the program.

ii. Ministry of Justice (MOJ)

Type: Long-Term
Legal advisor - 12 person months
Short-term legal TA - 6 person months
Long-term computer TA - 12 person months

Means: Full and open competition

Estimated Cost: \$850,000

Long-term Advisor	1 X 250,000 per annum
Short-term legal TA	6 X 30,000 per month
Long-term computer TA	1 X 125,000 per annum
Training	185,000
Commodities	110,000

Preparation of Technical Specification: USAID/ Banjul Program Economist and Project Manager in collaboration with MOJ staff will prepare scope of work to be included in the PIO/T.

Delivery Schedule: Contractor will be responsible for providing all logistical support for long and short-term technicians, training, and commodities. Contract is planned to begin during the second year of the program.

iii. National Investment Board (NIB)

Type: Private Sector Advisor 48 person months
Short-term TA 12 person months

Means: Buy into PEDS project.

Estimated Cost:	\$1,825,000
Long-term advisor	4 X 300,000 per annum
Short-term TA	12 X 30,000 per month
Training	100,000
Commodities	125,000

Preparation of Technical Specification: USAID/ Banjul Program Economist and Project Manager in collaboration with NIB staff will prepare scope of work to be included in PIO/T shortly after execution of grant agreement.

Delivery Schedule: Contractor will be responsible for

providing all logistical support for long and short-term technicians, training, and commodities. Contract is planned to begin during first year of the program.

iv. Mission Project Management

Type: Long-term project manager - 48 person months

Means: Limited competition pursuant to
AIDR 706.302-70

Estimated cost: \$300,000

Preparation of Technical Specification: USAID/ Banjul Program Economist will prepare scope of work to be included in PIO/T.

Delivery Schedule: The manager selected will be funded from three programs (Financial Sector Restructuring Support, AEPRP Support and FAPE). He/she will have management responsibilities for these three projects and is expected to begin working in The Gambia before the start of FAPE.

v. Tax Administration

Type: Short-Term TA 7 person months

Means: PASA with IRS

Estimated cost: \$200,000

Preparation of Technical Specification: USAID/Banjul Program Economist and IRS in collaboration with MFEA will prepare scope of work to be included in PIO/T.

Delivery Schedule: IRS will be responsible for providing all logistical support for short-term trainers. Contract is planned to begin in third year of program.

6. Privatization of GPMB

Type: Short-Term TA 7 person months

Means: Delivery orders

Estimated Cost: \$200,000

Preparation of Technical Specification: USAID/Banjul Project Manager in collaboration with NIB staff will prepare scope of work to be included in PIO/T.

Delivery Schedule: Contractor will be responsible for providing all logistical support. Contract is planned to begin during first year of

program.

7. Monitoring/Evaluation/Audit

Type: Short-Term TA 7 person months

Means: Delivery Order

Estimated Cost: \$210,000

Preparation of Technical Specification: USAID/Banjul Project Manager will prepare scope of work to be included in PIO/T.

Delivery Schedule: Monitoring will take place over life of program, first evaluation will take place 2 years after start of program and final evaluation at completion.

(8) Training

Type: In-country U.S.

Means: PIO/P for third country or U.S. institute and PIO/T for procuring services for in-country training.

Estimated Cost: \$550,000

Preparation of Technical Specification: USAID/Banjul Project Manager and Training Officer will prepare PIO/P or PIO/T.

Delivery Schedule: To be determined.

(9) Commodities

Computer equipment, duplicating equipment, and training materials.

Means: PIO/C and Purchase Order to earmark and commit funds.

Estimated Cost: \$125,000.

Preparation of Technical Specification: USAID/Banjul Executive Officer will prepare PIO/C.

Delivery Schedule: To be determined.

3. Special Implementation Arrangements for Provision of Private Sector Business Development Assistance

Provision of assistance to the private sector will be primarily limited to training, technical assistance, and advisory, or other services as needed to promote development and expansion of enterprises which meet eligibility criteria delin-

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eated in part (b) below. Discussion of the rationale, overall aim, and specific nature of assistance to be funded by the FAPE support project is contained above in Part 4, sections I.D(9) and I.E(7) pp. 82-84 and pp.91-93.

a. Mechanism for determining Eligibility:

Specific eligibility for any assistance provided to private sector individuals or entities under the FAPE support project will be determined by a technical evaluation panel comprising a contracted, resident private sector advisor, the Chief Executive of the National Investment Board (or his designate), the Mission PSC project manager, and the Mission Direct Hire Project Officer. The AID Representative will reserve the right to exercise final authority on any and all such determinations.

Specific review schedules, approval guidelines and management responsibilities for acting on proposals and requests for assistance will be established by the Mission Project Officer with the approval of the AID representative. Review and approval procedures will seek appropriately to limit direct management burden on Mission personnel for implementation of this component of the program while at the same time establishing adequate controls to ensure objectivity, fairness, and conformity to DFI and other guidelines in awarding of assistance. It is expected that the contracted private sector advisor and his/her counterpart at the NIB will serve as the principal initial contacts for individuals or firms seeking assistance. The private sector advisor working, as appropriate, with the Mission PSC project manager and the Mission training officer, will screen proposals and short-list candidates based on criteria listed below. Awards of assistance will be made on a biannual or quarterly schedule as established in an annual work plan by the Mission Direct Hire Project Officer. The Mission may opt, where appropriate (e.g. for technical or other training), to limit its direct involvement to reviewing and concurring in decisions of a working committee established to evaluate proposals.

b. Eligibility Criteria

All assistance provided under this component of the program will be awarded on an open and competitive basis. While prior participation in the program by an individual, firm, or other entity will not exclude it from receiving additional assistance under the program, such requests will normally be limited to two assistance programs, unless exceptional circumstances are demonstrated in writing and approved by the AID Representative. All other things being equal, firms or individuals who have not previously participated in the program will receive preference over those who have.

The technical evaluation panel, with the approval of the AID representative and, as appropriate, assistance of the REDSO legal advisor and/or contracts officers, will establish an objective, quantitative rating system for determining relative ranking of

competing proposals or requests for assistance. The screening process will employ a two-tiered system of general and specific criteria. Primary responsibility for demonstrating qualifications for meeting criteria will rest with the applicant.

The first tier, general criteria to be utilized for screening purposes in determining the appropriateness of providing assistance to an individual, firm, or other entity will include the following:

- long-term viability of the proposed activity or enterprise, including adequacy of financial plan, capabilities of management, proposed ownership structure, and marketing plan;

- level of applicant's commitment to the success of the activity as demonstrated by willingness of the applicant to share costs or otherwise contribute to the long-term viability of the enterprise or activity;

- technical qualifications of the applicant(s) to implement effectively the proposed activity or enterprise as measured by education, past working experience, and/or business track record;

- demonstrated financial or other need of the individual or entity to obtain training, technical assistance, or other services from the project that cannot be filled easily by another source, including the applicants' own resources.

For applicants who satisfactorily meet the general eligibility criteria for assistance, second tier specific evaluation criteria to be applied in ranking competing requests will include the following:

- capacity of the proposed activity or enterprise to benefit ultimately the poor majority of Gambians;

- employment generation or income enhancing potential of the proposed enterprise or activity, specifically among DFA mandated target groups within lower income strata of the population;

- degree to which the proposed enterprise or activity will promote the participation of women in the economy and improvement of women's status;

- potential of the proposed enterprise or activity to extend economic or other benefits to rural populations;

- potential of the proposed enterprise or activity to enhance productivity or increase GDP through introduction and incorporation of new technologies, including

new crops;

-potential of the proposed activity to promote U.S. private trade and investment and encourage private U.S. participation in the program;

-extent to which the proposed enterprise will enhance the functioning of competitive markets and promote competition within a given industry;

-potential of the proposed enterprise to increase domestically produced exports or otherwise generate foreign exchange; and

-extent to which the proposed activity or enterprise constitutes a resource-based enterprise (i.e. one that utilizes and adds value to Gambian products).

The Mission may include other criteria as appropriate to ensure that provision of assistance contributes directly to accomplishment of the program goal and purpose and conforms to DFA and other FAA legislation. The project committee will establish a list of activities that will not be eligible to receive assistance under the program. These may include but need not be limited to, producers of certain luxury goods, producers of firearms or other military equipment, and enterprises engaged in illegal activities.

c. Method of financing.

Provision of technical assistance, training, advisory, and other services to the private sector will be undertaken through a variety of financial instruments depending upon the nature of the activity. It is anticipated that most technical assistance, advisory services, and firm level training will be procured through a direct contract with the provider of services or, where appropriate, through a purchase order. Under certain circumstances the most appropriate financial instrument for procurement of such services may be through a direct grant agreement. The Mission may otherwise choose to procure services through a buy-in to existing centrally or regionally managed project or IQC.

On a schedule to be established between the Mission and REDSO, the regional legal, private sector, and/or contracting officers will be consulted to determine the most appropriate vehicle for procuring the desired services. External, short-term technical training will be undertaken in accordance with the Mission's established training order.

Part 5: Feasibility Analyses

I. Political Feasibility

The Gambia in 1991 is at a watershed point its economic development particularly as relates to the process of structural adjustment. As it began the Economic Recovery Program (ERP) in 1985, and through the next four years the GOTG demonstrated repeatedly its determination to carry out the ERP's agenda even when it meant the adoption of politically unpopular decisions such as reducing the number of civil service positions, floating the currency, and eliminating the subsidy on rice. All observers agree that without the full backing and public demonstration of support by the President of The Gambia, the ERP would not have been possible. The GOTG has been praised repeatedly and enthusiastically by the IMF for its performance under the Enhanced Structural Adjustment Facility (ESAF) and expects to be among the first ESAF graduates.

On November 21, 1990, in his annual speech at the opening of Parliament, the President of The Gambia described the new Program for Sustained Development (PSD) which was to succeed and be used to consolidate the reforms begun under the ERP. The PSD is intended to continue structural adjustment. It emphasizes private sector-led growth in the context of a liberalized market environment which is to be relied upon to generate sustained growth. Prominent among its objectives, the PSD seeks to create confidence in The Gambia as an attractive location for investment. The President pledged to avoid financial policies that would burden future generations with unproductive debt and to continue the flexible exchange rate system begun in 1986 by assuring that it is embedded in the law.

Notwithstanding clear policy statements to the contrary, during the transition from the ERP to the PSD and since the death of the author of the ERP (former Minister of Finance, Sheriff Sisay), there have been indications that the GOTG may be faltering in its determination to deepen and strengthen the reforms begun in 1985. An untimely Presidential appointment to the Gambia Commercial and Development Bank (GCDB) staff raised doubts on the part of USAID and the World Bank about the willingness of the Government to assure the eventual privatization of GCDB. These doubts interrupted program implementation for several months, while the matter was being resolved, eventually to the satisfaction of the donors. Nevertheless, the appointment focused donor concerns on the structural weaknesses of the GOTG with respect to management of the economy.

In addition to the World Bank and A.I.D., other donors were worried about the implementation of their programs. For example, the failure in early 1990 of the GOTG to insist on Gambia Utilities Corporation (GUC) deposits to a revolving fund from the sale of fuel and the apparent near collapse of water and power services being provided the greater Banjul area were worrisome to all

major donors. Likewise the inability of the GOTG to control the "other costs" element of its budget (part of which supports peace keeping efforts in Liberia) and its slowness in implementing social sector budgets was noted, as was the perceived GOTG urge to disregard the disciplines of the Public Investment Program in order to take advantage of donor financing being offered for highly visible but uneconomic projects.

One result of these and other concerns was the fact that the World Bank did not disburse the second tranche of its Structural Adjustment Loan II in June 1990. However, the Bank is still working intensively with the Government on several key performance indicators, hoping to effect a disbursement before June 30, 1991. Given the doubts about GOTG performance, several other donors are linking their disbursements to SAL II. Switzerland, the U.K., and Norway are notable among these donors. It must be said however, that not all donors have shared the negative views of GOTG's performance in full and equal measure. The IMF, for example, is still strong in its praise of GOTG performance overall. And to be fair, the World Bank's list of performance criteria reads something like a Chinese menu which perhaps could not be digested by very many developing countries.

Also in fairness to the GOTG, lapses in governance have been accompanied by some notable steps forward. With the blessings of the IMF but without specific conditions in donor programs, the GOTG moved from direct to indirect credit controls in its banking system. (This step is part of the conditionality of an A.I.D. program, the Financial Sector Restructuring Program (FSRP), the authorization of which was delayed by the doubts described above.) Another example: Since the beginning of the PSD, the Government has liberalized the groundnut trade by setting aside the monopoly powers in the market formerly held by the Gambia Produce Marketing Board (GPMB). Now firms or individuals may enter the groundnut trade on domestic or international markets. In fact, one trader is exporting containerized nuts in small quantities this season. The schedule for privatization was also put forward to provide for the sale of GPMB assets one year earlier than agreed with USAID in 1989. However, a major struggle is centered on the next step toward market liberalization which is to allow private groundnut traders to use GPMB's processing facilities. GPMB has resisted successfully. Nevertheless, major improvements have been made in the firm's processing capacity, making it more attractive to prospective buyers.

Also since the initiation of the PSD, the Gambia Cooperative Union (GCU), formerly a highly subsidized para-Governmental organization, has been made to perform as a private sector entity, without additional subsidization from the Government. Formerly it worked hand-in-hand with the GPMB. Now it is a major competitor. As one indicator of its private sector status, the GCU was forced to go to the commercial banks for credit in the last two groundnut marketing seasons and to fully mortgage its property to secure loans. Last year GCDB was induced to lend to

GCU but this year it lacked the deposit base to do so. The GOTG, committed under the conditionality of programs to assure that no individual or firm has preferential access to credit, did not intervene on the behalf of GCU as it would have done in former years.

Other indicators of GOTG resolve are that, despite the hiatus in World Bank and A.I.D. programming for GCDB, it made GCDB a limited liability company in preparation for its privatization, restructured the GCDB Board and, perhaps even more significantly, shelved the idea of establishing a development bank window in GCDB, recognizing the commitment to maintain market rates of interest without any subsidies. In addition the GOTG has solved the GUC revolving fund problem and is strongly committed to securing private sector management of the company by mid 1992. The EEC has provided the TA to implement the private management plan. Finally, the Gambian National Insurance Company was divested successfully.

From the foregoing it can be seen that, while there are significant institutional weaknesses and strong retrograde forces that tend to detract from the image of a government determined to sustain the process of reform, there are positive signs of continued reform and restructuring. It must be remembered that The Gambia is significantly deficient in trained human resources at every level, so that, with the best of intentions, there would be significant gaps in performance in any given undertaking. Moreover, in this tiny society where the important people of all walks of life know each other personally, virtually all Government decisions are seen as political and personal. For that reason, quick solutions to seemingly straightforward problems are often difficult to achieve.

On balance then, it would seem that the GOTG, having completed important macroeconomic and structural reforms between 1985 and 1989, has entered a new phase of the reform process that is inherently more difficult. But the political costs are higher, all the more so because the circumstances that led to reforms in the first place have been ameliorated after five years of steady growth. Stated quite simply, the urgency of reforms has been reduced while political costs have increased. Nevertheless, there is cause to believe that the reforms will continue, but perhaps with more hesitancy than in the past, as political solutions are sought. The donor role in this process is to help the GOTG sort out the costs and benefits of each individual reform and to help absorb some of the financial costs of selected reforms.

As the GOTG struggles with its performance in economic and institutional reform, USAID/Banjul is pursuing a strategy that will both reinforce the motivation for continued adjustment and maintain the momentum of reform to achieve a broad-based, sustainable per capita GDP growth and improve manifestly the lot of the majority of Gambians. The Mission's program is balanced

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between resource transfers and technical assistance to help meet the policy and institutional conditions for those transfers. Emphasis is on private sector investment, export-led growth, and sustainable increases in agricultural production. The balance between technical assistance and program aid allows for flexibility in the event the GOTG is unable or unwilling to improve or sustain its adjustment performance.

II. Financial Feasibility

The three NPA disbursements under FAPE will be linked to privatization of the GPMB, tax reform, and commitments by the GOTG to sustain and deepen the process of economic reform through modernization of the legal/regulatory environment affecting private enterprise programs and continued progress in reducing the size and scope of the public sector's role in the economy. The Program disbursements will be at least sufficient to offset the costs of associated reforms.

FAPE anticipates that the major cost associated with privatization of the GPMB will be in the financial difference between the value at which a buyer is likely to appraise GPMB assets and GPMB management's own valuation of those assets. In 1986/87, the GPMB undertook a revaluation of its fixed assets based on replacement costs that increased their nominal value by over 400%. According to GPMB, the present book value of GPMB's fixed assets is approximately \$23 million. That figure will undoubtedly be substantially reduced by the results of an early action scheduled under FAPE Program, an updated, rigorous valuation of the GPMB (financed via a buy-in to the Privatization and Development project). As the most recent evaluation of The Gambia's Title II, section 206 program points out, "it is clear that the physical assets and operating efficiency of the company have deteriorated as the result of public sector management, whose performance has worsened during the lengthy transition period between the announcement of the full privatization objective in 1986" and today. The \$3 million first NPA tranche, scheduled for shortly after full GPMB privatization in late FY92 or early FY93, is designed to facilitate GOTG acceptance of a realistic valuation of the GPMB, a step considered to be essential to successful privatization.

Furthermore, it is likely that GOTG decision makers will become persuaded that the chief benefit of privatizing the GPMB will be the increased efficiency that will be achieved through private operation. A private operator will repair the facilities, and operate them with the right mix of inputs (labor, materials, energy) to minimize production and transportation costs. The result will be a more competitive industry, increased exports, reduced waste, and higher levels of factor incomes going to producers and transporters of groundnuts. In this scenario, the GOTG will benefit by elimination of direct or indirect

Assume that a study is conducted in 1992 leading to a new tax that takes effect on January 1, 1993. The new law reduces the company tax rate to 45 percent in 1993, 40 percent in 1994, and 35 percent in 1995 and succeeding years. The new law also establishes an accelerated depreciation schedule for plant and equipment (e.g. 10-year, straight-line).

Assume further that the new tax structure induces additional private investment, and as a result, the company tax base grows by 5 percent annually (by 5 percent annually more than it would have under the current tax structure). Under these assumptions (as shown in the Table), over the period 1992-96 revenues from the company tax would be approximately \$2 million less than under current law. The second tranche NPA disbursement would be more than sufficient to cover such a short-run revenue loss, with a balance remaining to offset other such losses (e.g., from reducing or eliminating stamp taxes.)

III. Social Feasibility

A. Criteria for Public Investment Program (PIP)

In May/June of each year, the GOTG updates its three-year PIP which is one of the components of the country's Policy Framework Paper (PFP). Included in the PIP are all grant and loan financed projects which the GOTG and parastatals are partly or wholly implementing. The criteria that investments must satisfy to qualify for inclusion in the PIP were established under the ERP and are designed to ensure that priority and efficiency considerations are met. The World Bank and IMF review the projects with the GOTG as part of their monitoring responsibilities of the PFP. However, only the World Bank's Structural Adjustment Credit (SAL) program has tranche release tied to the PIP criteria.

Preparation of a PFP is a precondition for access by an eligible country to resources under the IMF's Enhanced Structural Adjustment Facility (ESAF). However, it is non-operational in the sense that it is not linked to any IMF lending. IMF performance criteria and benchmarks are established separately under an ESAF agreement and the criteria for the PIP are not included therein. The conditions for tranche release of funds under the World Bank's SAL II do include adherence to the criteria and the World Bank actively reviews them in its consultations with Government. However, SAL II is drawing to a close and there are no plans for a SAL III. Moreover, the IMF's ESAF program is drawing to a close. IMF representatives have indicated to USAID/Banjul that The Gambia is soon to graduate and that any follow-on program is likely to be a shadow program.

USAID/Banjul believes that adherence to the established criteria for the PIP is crucial for efficiently allocating Government resources. It is also crucial for ensuring that no new parastatals are created which undertake activities that are

subsidies to the industry, and collection of income taxes from the company and its employees. Further, some of the company's profits will be reinvested in upgrading of facilities.

It is possible to estimate an order of magnitude of the financial impact of adjustment of the company profits tax which constitutes a major second tranche reform. This tax currently generates about \$4 million per year in revenues. The Misison assumes that, in the long run, as a result of increased private investment induced by FAPE and continuing reforms, the revenue base for this tax will increase enough to offset revenues foregone due to a reduction of the company tax rate and accelerated depreciation schedule. For several years, however, while the base is growing, there will be some revenue lost, even if the rate reduction is phased in over a three-year period.

The Table below shows a rough estimate of the foregone revenues during the life of the Program.

FOREGONE REVENUE FROM REDUCTION OF
COMPANY TAX RATE
(\$ Millions)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Total</u>
<u>Baseline Scenario:</u>						
Company Taxable Income*	8	8	8	8	8	40.0
Revenue** (Rate=50%)	4.0	4.0	4.0	4.0	4.0	20.0
<u>Alternative Scenario:</u>						
Company Taxable Income	8	8.4	8.8	9.3	9.7	44.2
Revenue* Rate	50%	45%	40%	35%	35%	
Revenue	4.0	3.8	3.5	3.2	3.4	17.9
Revenue Loss	0	.2	.5	.8	.6	2.0

* Excludes turnover tax

** Assumes 5 percent annual growth in company taxable income as result of lower tax and accelerated depreciation.

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more efficiently carried out by the private sector. The criteria limit political considerations in determining PIP priorities. Adherence to the criteria will have no detrimental impact on equity. In fact one of the criteria gives priority to human resource development, an objective strongly supported by A.I.D. and one which will benefit rural as well as urban communities. Although the GOTG has committed itself to adhere to the criteria, there will be no IMF or World Bank sanctions if adherence is breached. Inclusion in FAPE will give the GOTG an additional incentive to continue adhering to the criteria. Efficiently allocating PIP expenditures will result in a larger and more productive economy and promote faster economic growth.

B. GPMB Privatization

Unlike private firms, parastatals operate under multiple but conflicting goals like profit maximization, employment maximization and selection of workers based on party affiliation rather than on qualifications and abilities. Privatization will improve a firm's efficiency through a smaller but better qualified workforce, better maintenance of equipment, and the introduction of new technologies, all activities connected with a firm's major objective of maximizing profits.

In privatizing GPMB, the improvement in efficiency should reduce the spread between the world market price for groundnuts and GPMB's ex-depot price, thereby benefiting farmers. Not all of the reduction in operating costs will show up as a price increase for the farmer as the firm will keep a portion as profits and pay another portion as tax to the GOTG. We can expect some benefit to be passed on to the farmer as GPMB is currently operating at less than a third of capacity and the firm will seek to attract a greater quantity of groundnuts, by paying a higher price, thereby spreading overhead over a greater quantity. One can also reasonably expect the new privatized firm to work to increase the productivity of farmers through the introduction of new seeds and inputs so as to reach capacity utilization of the plant facilities. Consequently, instead of being a drain on the GOTG's budget, because of subsidies, GPMB will become a tax payer, will pay a more attractive groundnut price to farmers, and will encourage farmers to increase their productivity. The elimination of subsidies and the need to borrow to keep the firm viable will free up more funds for private and public investment.

There is one important caveat. One needs to ensure that the privatized firm cannot act as a monopsonist in buying groundnuts from farmers. To that end, the Program contains a condition that ensures no artificial barriers to entry of the private sector in transport, processing, and marketing of oilseeds from The Gambia.

LIKELY PRICE IMPACTS OF PRIVATIZING GPMB

LEVEL	ACTIVITY	ACTION AGENTS	IMPACT OF PRIVATIZATION ON ACTIVITY	ISSUES
1	Farmgate Price	GCU, Private Traders and possibly GPMB this year	Increased because of 2	Best way to ensure that GPMB pays an attractive price is to encourage competition between buyers for groundnuts, and develop alternatives to groundnuts, like encouraging the development of sesame trade.
1A	Transportation & Handling Costs	GCU, Private Traders, possibly GPMB this year	None	
2	Ex. Depot Price	GPMB	Increased but not as much as benefits from 2A, 3A and 4A because of 3B, 3C, 4B, and 4C	
2A	Transportation & Handling Costs	GPMB	With restoration of barges, costs decline	River transport cheaper than road but most barges non operable
3	Procurement Cost	GPMB	Uncertain because of 2 and 2A	
3A	Decortication Costs	GPMB	Decreased	Efficiency should improve thereby reducing costs. Renovation to plant and equipment is needed.
3B	Profits	Residual	Increased but increase due to 2A and 3A will be offset in part by 3C and 2	

3C	Taxes	GOTG	Increased	In the past, an export tax was paid but it was discontinued as part of the ERP. GPMB is not subject to a profits tax but it is supposed to pay a turnover tax. There is no evidence in the company reports that the tax is paid. With privatization, the firm will become a tax payer, as long as it is profitable.
LEVEL	ACTIVITY	ACTION AGENTS	IMPACT OF PRIVATIZATION ON ACTIVITY	ISSUES
4	FOB Price Decorticated Groundnuts	World Market	No Change	
4A	Oil Pressing Costs	GPMB	Decreased	In the past, consultants indicated GPMB lost money by pressing. New technology and equipment needs to be introduced in order for it to be a viable operation
4B	Profits	Residual	Increased but not as much as benefit from 4A because of 4C	Assuming new technology, profits will be made
4C	Taxes	GOTG	Increased	Assuming new processing technology is introduced, pressing oil will be profitable and taxes will be paid
5	FOB Price for oil	World Market	No Change	

C. Tax Reform

The tax benefits associated with the Development Act of 1988 are limited to qualifying industries and are limited in duration. Non-qualifying firms can make a separate appeal to the Minister of Finance and Economic Affairs for a duty waiver on imported capital equipment or inputs. However, the process is not transparent and could be subject to abuse. To apply for a Development Certificate (DC) is a time consuming, bureaucratic process, often taking up to two years. Consequently, the economy is subjected to the opportunity cost of lost output that would have occurred if entrepreneurs has started their business earlier. The program is subject to abuse in the sense that some firms have closed down after their tax benefits expired and then reapplied and reopened under a different firm name. Surveys in the United States have shown that tax incentives offered by individual States have ranked very low in influencing firms to locate in their State.

If the existing tax schedules are so onerous that tax credits must be given in order to encourage investment, then the tax schedules should be revamped so that all industries can benefit over their entire life. That is one objective of the

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FAPE program - to revise the tax codes so that they raise sufficient revenue to finance Government operations but have a minimal impact on investment decisions. To achieve that, the entire tax system must be examined and revised.

There are a number of expected benefits. Delays associated with the DC application process will be eliminated. Firms will operate sooner and, thereby, contribute earlier to generating employment and output. The windfall that some firms are receiving because they would have established a business even without a DC will be eliminated. All firms and industries will be treated equally. Consequently, any uneconomic resource allocation effects will be eliminated because particular sectors will no longer be favored. The Government will save on the scarce financial, economic and analytical skills that must now be used in evaluating applications. Those skills can best be used elsewhere. Eliminating arbitrary granting of tax credits and waivers will make the whole tax system more transparent and eliminate the potential for abuse. Finally, a tax system that has been evaluated and established on the basis of overall considerations of generating adequate revenues while at the same time including efficiency and equity considerations will be more conducive to attracting investment and thereby generating jobs and output for the entire Gambian population.

D. Legal Reform

Many current laws and regulations are inconsistent with the reforms enacted with the ERP or with current business practices. In addition many business activities, like leasing, are not covered in existing legislation. Consequently, these inconsistencies and voids create uncertainty in the minds of potential investors and can result in some firms not taking advantage of potential profit making opportunities. Investors want to be protected by law. Without that protection, investment will be lower, making for fewer firms, fewer employment opportunities, and less aggregate output. Legal reform and enactment are needed to redress the problems.

IV. Institutional Feasibility

Privatizing GPMB is the key institutional change required by this program. GPMB has shown considerable ability to resist change by the use of delaying tactics and dissembling as it did in resisting the use of its facilities by the private sector in the 1990/91 crop year. Historically its power base has been its command of budgetary and Central Bank resources domestically, and its international marketing of The Gambia's major domestic export. It was viewed as the GOTG's major source of foreign exchange. However, the importance of GPMB in the Gambian economy has fallen in recent years.

The banking system is capturing convertible foreign currencies from the trading system and other exports have shown increasing strength as foreign exchange earners. Likewise tourism has grown steadily, and the proportion of foreign exchange from tourism accruing to the economy has increased. The overall effect of GPMB's inefficiency and the increasing strength of non-

groundnut exports, tourism and trade mean that GPMB is no longer critical as a source of foreign exchange. The new-found strength of the dalasi, its relative ease of conversion, increases in trade and tourism makes the GPMB a net liability, requiring significant Government resources to stay in operation. The GOTG now wishes to accelerate privatization.

The fact that the GPMB has grossly neglected to maintain its plant and equipment make its privatization a difficult task. What private sector company would consider buying its unprofitable, dilapidated plants and at what price? The answers to these questions are first that the GPMB is not inherently unprofitable. It appears to be unprofitable because it has been run less for the benefit of its shareholder, the GOTG and more for the benefit of its senior employees. There are significant unexplained losses of groundnuts from GPMB facilities every year and there are other indications that the Government is not realizing the level of income warranted by the size of the trade and GPMB's former monopoly position in the market. Private sector consultants now in charge of plant operation and responsible for the recent dramatic improvements in plant efficiency, privately indicate that they believe that the company could be profitable in very short order. In fact, even while offering an historically high price this season, the GPMB stands to make a 30% profit on every ton of groundnuts it can market internationally.

At what price and under what circumstances could GPMB be marketed? GPMB facilities are notoriously run down. The main oil plant at Denton Bridge even stands to have the ground washed from under it by encroaching ocean waves. Its plant presents a dismal picture of roofless buildings and crumbling walls. But it boasts a power plant which if linked to the grid could add 8% to The Gambia's electrical power supply, using groundnut shells as fuel. The replacement cost of GPMB's equipment is over \$3 million.

Two expatriate engineers working under significant handicaps have raised the efficiency rating of the plant from 70 - 75% and the quality of decorticated groundnuts produced is well above world market standards for Fair Average Quality. GPMB has several excellent engineers who know their jobs inside out. Adding these facilities to the upriver decortivating plants and depots could give GPMB a reasonably high market value perhaps as high as \$7-10 million. The FAPE program would dedicate resources to a more accurate valuation early in the program as well as for the final steps of privatization so that the GOTG does not have to rely entirely upon NIB's experience in this respect. Since the GOTG is fully committed to GPMB's privatization, it is the judgment of USAID/Banjul that it is feasible.

As of fiscal year 1990/91 the GOTG had privatized or closed some thirteen SOE's and at present stands committed to privatizing GCDB and GPMB, the largest and most obvious candidates. However, the FAPE program calls for additional privatization of

SOE's and requires the GOTG to develop and implement a multi-year divestment plan which would involve at least one additional privatization during the life of the project. There are several candidates for this additional privatization, e.g., the Livestock Marketing Board (LMB) and Gambia Airways. The GOTG has informally indicated its willingness to divest itself of the Livestock Marketing Board which has the monopoly on livestock slaughter in the capital area and on livestock exports. The institutional feasibility of privatizing these and other institutions will depend to some degree on the successful privatization of GPMB and GCDB. Once these institutions have been privatized the ability of others to resist the process would be greatly diminished. Again the program allocates resources for necessary preliminary studies and implementation of the privatization process.

The medium to long term success of the program depends to a significant degree on the program's ability to effect changes in the operations of the NIB by focussing its attention on systematic assistance to potential investors, using a case method approach and designing and implementing systems for the direct promotion of investments, joint ventures and privatizations. This would require its moving away from the responsibility for oversight of SOE's through the administration of the management contracts, an activity which has invested staff time without apparent benefit to the Gambian economy. Through the direct provision of technical assistance and by reducing the number of state-owned enterprises, the Mission believes that it is possible to focus NIB's strength on its main tasks, the promotion of investment and privatization.

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contracts, an activity which has invested staff time without apparent benefit to the Gambian economy. Through the direct provision of technical assistance and by reducing the number of state-owned enterprises, the Mission believes that it is possible to focus NIB's strength on its main tasks, the promotion of investment and privatization.

Making the NIB a true one-stop-shop, which it already claims to be, will depend on the program's success in instituting a case method of handling potential investors, and on success in shifting from the development certificate system approach to a more broad-base approach for investment incentives. Briefly, at present the Ministry of Trade is heavily involved in assessing potential investment, licensing and other functions. It also participates in the decision making process leading to the granting of development certificates. Even the Cabinet gets involved in the final decision on whether to grant tax holidays and other incentives. With the elimination of the development certificate and by relying on the elimination of tariffs on capital equipment and intermediate goods, the reduction of the company tax and the establishment of an accelerated depreciation schedule, all investors would be offered the same advantages with fewer steps and much less time required to begin operations. The NIB staff could easily handle each company's need for guidance in the licensing and registration process. The Mission does not foresee significant resistance to these changes and concludes that it is feasible to streamline NIB for greater effectiveness in investment promotion.

No fundamental institutional changes are required to effect the improvement of the statutory regime affecting financial transactions through technical assistance, consultancies, training and equipment for the Ministry of Justice. Although this program will provide the first opportunity for the USAID Mission to work directly with the Ministry, the nature of the changes are uncontroversial and revenue neutral.

V. Impact and Development Fund for Africa (DFA)

The FAPE program meets the Africa Bureau Guidance under the DFA legislation. By creating an enabling environment and increasing investment, the poor and disadvantaged will have the greatest opportunity for finding employment. The right enabling environment will also give equal opportunity for entrepreneurs to pursue profit making ventures. All components address either of the following two Critical Sectoral Priorities: Agricultural Production, including agricultural marketing activities or Income-Generating Opportunities. In addition the components meet the DFA purpose which is to "help the poor majority of men and women in sub-Saharan Africa to participate in a process of long-term development through economic growth that is equitable, participatory, environmentally sustainable, and self-reliant." The private sector emphasis of FAPE is consistent with the DFA purpose and assistance" will be used to promote sustained econom-

ic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector." A summary of major FAPE components and their correspondence to the above follows:

A. NPA Conditionality

1. PIP Criteria

In order to promote off-farm employment in micro- and small-scale enterprises, basic infrastructure and basic human skills must be in place. That is sorely lacking in The Gambia. The Government has assumed the responsibility for supplying the infrastructure and increasing basic skills. The means of implementing that responsibility is by allocating expenditures through the Public Investment Program.

Adherence to the PIP criteria effectively eliminates most political considerations in allocating public investment. Without the criteria, self-interest groups could be very effective in mobilizing Government resources in support of their activities even though more productive alternatives exist. It is seldom that the vulnerable groups, like the poor, have enough clout to influence Government decision makers. The most equitable and productive way to allocate public investment is to require that the investments meet the efficiency criteria. With the criteria, public investment is more likely to be directed at rehabilitating and expanding the country's infrastructure which will support expanded job opportunities for all Gambians and at supporting human resource development throughout the country. The established criteria also prevents the Government from undertaking investments of potential interest to the private sector, which is a component of the DFA.

2. Privatization of GPMB

Groundnut production is the most important source of cash income for the majority of Gambians. Unresponsive and inefficient management of GPMB has held back further development and growth in the groundnut sector. Marketing and production efficiencies must be undertaken to turn the firm around. The FAPE program will achieve that by privatizing the company and giving the incentive, through profits, to make the necessary changes. This will contribute towards two of the Critical Sectoral Priorities, agricultural production and income generating opportunities and at the same time meet the purpose of DFA.

3. Tax Reform

The tax system influences the incentives entrepreneurs receive and consequently the signals which guide their activities. In order to promote income-generating opportunities, it is essential

that an efficient, coherent, and equitable tax system be in place. By designing a tax system to raise adequate revenue to support essential Government services but not discourage nor misallocate investment, then the influence of the system on incentives will be minimal and more productive investment will take place. That offers the greatest opportunity for generating employment and output.

4. Legal Reform

The legal system must protect and support property rights and the rights of individuals, whether they be investors, borrowers, creditors or consumers, in order that all participants feel secure enough to risk their current savings and future earnings in taking advantage of income-generating opportunities. The FAPE program will support the reform of the legal system so that it does safe guard those rights.

B. Project Activities in Support of Firm and Industry Level Assistance

In allocating assistance in support of firms and industries, FAPE will target resource based, export oriented firms. Among these, priority will be given to women owned or managed enterprises, or enterprises which can demonstrate significant impact on A.I.D. target groups such as the urban poor. Support will be given to private and voluntary organizations in conformity with the DFA.

ANNEX A: REQUEST FOR ASSISTANCE

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THE REPUBLIC  OF THE GAMBIA

Ministry of Finance and Economic Affairs,
The Quadrangle,
Banjul,
The Gambia.

30 April 1991

Request for a Non-Project Assistance Grant for The Gambia

Dear Mr Stone,

As you are aware, the third and final tranche of the AEPRP grant was disbursed in the last quarter of 1990 and the Economic and Financial Policy Analyses Project (EFPA) will come to an end in September 1991. This assistance has enabled The Gambia to make very significant progress in the management of the economy and the creation of the preconditions for sustainable economic development. Much remains to be done, however, and the continued generous support of the United States will play an indispensable part in helping us to maintain the momentum for economic reform and to build on our achievements to date.

The Technical Assistance that has been provided under the EFPA Project has played a very important part in establishing fiscal controls and monitoring our progress towards the rehabilitation of the public finances. While substantial progress has been made in training Gambian staff to assume responsibility for these tasks, we still require continued technical assistance and further training in these areas.

The emphasis of the Programme for Sustained Development, launched last year, is on the private sector as the main engine of economic development in The Gambia. We recognise that further reforms will have to be implemented before we could be said to have created a truly facilitating environment for private sector investment. Reforms are needed particularly in the tax and legal systems, and in our investment promotion instruments. Moreover, major progress has been made in the Government's ambitious programme of divestiture of state enterprises. We are committed to the privatisation of the Gambia Produce Marketing Board by end-1992, a year ahead of the date proposed in the USAID-funded study. Further assistance is required in order to complete this programme on schedule.

Over the period of the last non-project grant, the financial situation in The Gambia improved markedly. In particular, the

inflow of external assistance was used to build up the country's external reserves to a level that provides some protection against the external shocks that could otherwise threaten the country's financial stability. Government has recorded a matching improvement in its credit position with the Central Bank. However, the servicing of external debt and the bunching of certain rescheduled debts early in the present decade will make heavy demands on the country's foreign exchange earnings.

My Government is committed to sustaining the efforts that have been made to stabilise the public finances, improve the effectiveness of public administration, raise the efficiency of the public investment programme and create an environment in which the private sector can make its full contribution to the development of the economy. However, further external support is required to supplement the limited resources that are available within the country. In particular, changes in the tax regime and the divestiture programme will involve substantial costs that could not be met from domestic resources. My Government is therefore requesting that USAID fund a new \$18 million grant to The Gambia in support of financial and private enterprise development.

We appreciate the generous assistance that your government has so helpfully provided to this country under previous programmes. We hope that you will be able to continue to support our programme for the development of the economy.

Yours sincerely,



Saihou S. Sabally
Minister of Finance and Economic Affairs

Mr J,M, Stone,
AID Representative,
USAID,
60 Lemn Street,
Banjul,
The Gambia.

ANNEX B: PROGRAM LOGICAL FRAMEWORK

ANNEX B
 LOGICAL FRAMEWORK
 THE GAMBIA
 FINANCIAL AND PRIVATE ENTERPRISE DEVELOPMENT PROGRAM
 (635-0232, 635-0237)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION:	IMPORTANT ASSUMPTIONS
GOAL:	MEASURES OF GOAL ACHIEVEMENT		
Increased private investment in the economy.	<p>1. Private investment in The Gambia reaches and remains at no less than 10 % of GDP by 1995 with demonstrable trend ultimately to exceed the level of public investment.</p> <p>2. Real Per Capita GDP grows in excess of 2.0% per annum.</p> <p>3. Private sector employment increases annually.</p> <p>4. Percentage of GDP generated by private enterprises increases annually.</p> <p>5. Export earnings from traditional and non-traditional export products increased.</p>	<p>1. GOTG Economic Data: National Income Accounts; IBRD/IMF data</p> <p>2. IMF/IBRD Economic Data</p> <p>3. Central Statistics Dept, Census Data.; USAID Monitoring and Evaluation (M & E) program.</p> <p>4. Ministry of Finance, Special Studies and Statistics Unit data.</p> <p>5. Ministry of trade data, national income accounts.</p>	<p>1. No catastrophic drought.</p> <p>2. Political stability maintained.</p> <p>3. Slowdown of world economic growth is short-lived and of limited magnitude.</p> <p>4. Incremental Capital Output Ratio for The Gambia is approximately 3.6 (based on historical data).</p> <p>5. Potential investors will respond positively to incremental changes in the investment climate in The Gambia.</p> <p>6. Public Investment remains constant at 13% of GDP</p>

ANNEX B: FAPE PROGRAM LOGFRAME

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION:	IMPORTANT ASSUMPTIONS
PROGRAM PURPOSE:	CONDITIONS THAT WILL INDICATE PURPOSE HAS BEEN ACHIEVED- END OF PROGRAM STATUS		
Enhance the enabling environment for increased private investment and growth of resource based private enterprises.	<ol style="list-style-type: none"> 1. Increased aggregate earnings from and increased employment in resource-based private enterprises. 2. Enhanced efficiency & profitability of the Gambian oilseeds industry and increased income opportunities for rural oilseed producers. 3. Macroeconomic policy framework conducive to private investment and growth of private enterprises sustained and deepened. 4. Public Investment Program satisfactorily implemented. 5. Enhanced international competitiveness of The Gambia's business and investment climate improved. 6. The Gambia's international credit standing improved. 	<ol style="list-style-type: none"> 1. National income accounts; employment figures; census data; 2. National Income Accounts, tax records, annual income statements of private enterprises in groundnut industry, GOTG agricultural production data. 3. GOTG, MFEA, IMF economic data on: inflation, exchange rates, savings and investment, fiscal deficit, balance of trade. 4. Review of annual budget. 5. Investment data and discussions with international finance agencies (e.g. OPIC, APDF, IFC), firmholders, investment partners, managers of financial institutions. 6. IMF/IBRD records. 	<ol style="list-style-type: none"> 1. GOTG fully committed to market determined PFP and implementation of the PSD. 2. World market prices continue to justify production of groundnuts or other oilseeds in The Gambia. 3. COTG implements FSRP and other program agreements effectively. 4. Continued donor support of The Gambia and effective project implementation. 5. Wage rates remain competitive internationally.

ANNEX B: FAPE PROGRAM LOGFAME

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
PROGRAM OUTPUTS	MAGNITUDE OF OUTPUTS		
1. Partial payment of GOTG foreign exchange obligations.	1. \$9.0 million of public foreign exchange obligations met.	1. Federal reserve bank records.	1. Program grants are used for debt service.
2. GOTG adherence to criteria established for the Public Investment Program.	2. PIP investments conform to criteria regarding source of financing, pre-feasibility analysis, calculation of internal rate of return, and recurrent costs; GOTG honors commitment not to invest in projects of potential interest to the private sector.	2. Six monthly review of GOTG budget documents and public investment records; GOTG submissions to satisfy NPA conditionality.	2. Commitment of GOTG to free enterprise remains strong. b. Effective coordination with other donors.
3. Elimination of all artificial barriers to entry of the private sector in transport, processing and marketing of groundnut products.	3. Majority, beneficial ownership of GPMB or assets transferred to the private sector; GRTC closed and assets liquidated. Conditions of sale ensure fully competitive environment in oilseed transport, processing and marketing.	3. Ownership records, legal gazette, Parliamentary record: GOTG submissions to satisfy NPA conditionality.	3a. Private Sector can absorb GPMB assets. b. Financial sector deepening under FSRP and IBRD programs continues.
4. Sustained capacity of the GOTG to formulate and implement sound economic policies and budgeting procedures.	4. Performance targets and benchmarks established under the Policy Framework Paper satisfactorily achieved. Structural adjustment program sustained and deepened.	4a. Macroeconomic performance indicators; status of IBRD, IMF and other donors programs; PIR's from TA team.	4. Close cooperative working relationship between TA and MFEA counterparts is sustained; no lapse of advisory services.
5a. Continued reduction of the role of the public sector in production and marketing of goods and services.	5a. Multi-year divestment plan and schedule developed and implemented and at least one additional parastatal other than GCDB or GPMB privatized.	5. GOTG submissions to meet NPA conditionality; Mission M & E program.	5. MOJ and MFEA can effectively implement legislative reforms and tax code revisions.
b(i). Review and revision of tax system in favor of increased private investment and expansion of private enterprises including financial institutions.	b(1). Corporate income and turnover tax rates reviewed and competitively adjusted; duties on capital equipment adjusted to promote private investment in resource based enterprises.	b. Tax commissioner records; official customs/duties schedule; government revenue record.	

ANNEX B: FAPE PROGRAM LOGFRAME

OUTPUTS (continued)	OBJECTIVELY VERIFIABLE INDICATORS MAGNITUDE OF OUTPUTS	VERIFICATION	ASSUMPTIONS
ii. Revision of GOTG private investment incentives policy to eliminate hidden costs, bureaucratic delays, redundant approval processes, and lack of transparency.	ii. Incentives granted under the Development Act replaced by across the board tax and duty adjustments and/or Development Certificate application process streamlined; NIB's "one-stop shop" facility empowered to expedite investment approval process.	ii. Discussions with private investors; MTIE records; legislative record, NIB reports.	
c. Modernization, revision, and amplification of statutory regime affecting financial transactions and formation, operation, and closure of private enterprises including financial institutions.	c. Companies Act, Business Registration Act, Development Act, Customs Act modernized; commercial code, accounting convention established; new legislation drafted to guide lease/purchase, bankruptcy, issuance and trade of securities, Good Government, and/or other initiatives as warranted; Registrar General's office computerized.	c. Project implementation reports; review of legislative record.	
6a. Strengthened capacity of Gambian entrepreneurs to start up new businesses, expand or diversify existing enterprises, or otherwise increase income and employment opportunities in or in support of resource-based industries.	6a(i) Solutions proposed to address priority constraints to growth of 4 resource based industries (e.g. commercial agric.; horticulture; fisheries, housing). (ii) Priority external training needs of 25 private sector individuals or firms identified and met; priority in-country firm level training needs of 10 firms identified and met; priority technical assistance needs of 10 firms identified and met; extraordinary development costs and/or risks mitigated for 8 new or expanded private firms in productive sectors.	6a. Mission and REDSO contract office records; Project Implementation Reports.	6. Assessments have accurately identified constraints to growth.
b. NIB and other public, private or voluntary investment promotion and business associations strengthened to promote investment projects and serve better the advocacy and information needs of private enterprises.	(b) Linkages to export markets, foreign investment partners, offshore financing, new technologies, and information markets more firmly established.	b.NIB annual reports, results of investment missions, Mission M & E program.	

ANNEX B: FAPE PROGRAM LOGFRAME

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
PROGRAM INPUTS	IMPLEMENTATION TARGET (TYPE AND QUANTITY)		
1. Non project assistance to the GOTG.	1. Conditioned foreign exchange grant of \$9.0 Million.	1. Records of the Central Bank of The Gambia.	1. Project is approved and GOTG meets CP's.
2. Conditions precedent and covenants.	2. Three tranches of \$3.0 million each disbursed over five years.	2. Program Agreement; GOTG submissions; RLA clearances.	
3. Technical Services to support GPMB privatization.	3. Short term consultancies to assist the GOTG to formulate an action plan, value assets, prepare prospectus, and complete transfer of ownership of the GPMB to the private sector under conditions conducive to sustained competition in the industry: up to 4 buy-ins to appropriate IQC.	3. Records of REDSO or AID/W contracts office.	
4. Project Assistance to the Ministry of Finance and Economic Affairs.	4. Long term advisory services: 6 py; short term advisory services and consultancies: 11 pm; short term participant MFEA training: 6 programs; long term MFEA training: 4 degree programs; vehicle, computers, supplies and other equipment in support of project purpose and goal: \$185,000.	4. USAID/Banjul records, contracts, Project Implementation reports.	4. RFP and negotiations with selected contractor in time to allow uninterrupted coverage.
5a. Technical services for medium-term privatization plan.	5a. Three studies undertaken to identify appropriate privatization targets, develop an action plan for transfer of ownership, and assist in implementation.	5. AID Records; GOTG submissions to meet NPA conditionality; Mission M & E Program; PIR's.	
b. Tax administration training.	b. IRS/PASA for in-country tax administration training: 1 py.		
c. Project Assistance to the Ministry of Justice.	c. Legal advisory services to Attorney General's office: 18 months; Technical assistance to Registrar General's office: 12 months; office equipment including computers, copy machines, court reporting equipment, and supplies for Registrar General and Attorney General's offices; training of staff in Registrar General's and Attorney General's Office: 4 participant training programs; 2 court reporter courses; 2 in-country staff training programs on revised legislation.		

ANNEX B: FAPE PROGRAM LOGFRAME

INPUTS (continued)	IMPLEMENTATION TARGET (TYPE AND QUANTITY)	VERIFICATION	ASSUMPTIONS
6. Project Assistance to selected private enterprises, entrepreneurs, non-government organizations, and financial institutions.	6. Long term technical advisory services and support: 4 py; industry level support analyses: 4 studies; firm level technical training: 10 grants; firm level/individual participant training: 25 programs; in country business development and management training: 4 programs; firm level technical assistance: 10 grants; firm level enterprise creation/ expansion assistance: 8 contracts or grants.	6. Contracts; procurement records; PIR's; grant agreements	
b. Project Assistance to public and private investment promotion, non-governmental organizations, and private and voluntary business development associations.	b. Computers, office equipment, communications, supplies, and services to public and/or private business associations: \$125,000; services and supplies for development of promotional literature: \$100,000; U.S. Investors promotion missions; 8 visits; short-term participant investment promotion related training: 10 programs.		
7. Program Manager	7. Personal Services Contract for Program Management.	7. AID records	
8. Impact Monitoring	8. Five periodic surveys for impact monitoring.		
9. Evaluations and Audit	9. Two evaluations and one Audit		

ANNEX C: FAPE SUPPORT PROJECT ESTIMATED BUDGET

ANNEX C

FINANCIAL AND PRIVATE ENTERPRISE SUPPORT PROJECT BUDGET

TOTAL LOP FUNDING: (SUPPORT PROJECT): 8,350,000

PART 1: SUMMARY BUDGET: 8,350,000

I. MISSION PROJECT MANAGEMENT	500,000
II. BUY-INS FOR GPMB PRIVATIZATION	200,000
III. SUPPORT TO MINISTRY OF FINANCE	2,350,000
IV. SUPPORT TO MINISTRY OF JUSTICE	850,000
V. PRIVATE SECTOR ASSISTANCE	3,855,000
VI. CONTINGENCY	595,000

PART 2: DETAILED BUDGET:

I. MISSION PROJECT MANAGEMENT	500,000
A. PSC PROJECT ADMINISTRATOR	300,000
B. EVALUATIONS	60,000
C. AUDIT	15,000
D. SURVEYS/IMPACT MONITORING	125,000
II. BUY-INS FOR GPMB PRIVATIZATION	200,000
III. SUPPORT TO THE MFEA	2,350,000
A. LONG TERM TECHNICAL ADVISORS (2 PEOPLE @ \$200,000/py x 3 YRS)	1,200,000
B. SHORT TERM TA (11 PERSON MONTHS @ \$30,000/PM)	330,000
D. TRAINING OF MFEA STAFF	435,000
E. TRAINING OF TAX ADMINISTRATORS	200,000
F. COMMODITIES	185,000
IV. MINISTRY OF JUSTICE	850,000
A. ATTORNEY GENERAL'S CHAMBERS	505,000
1. Long term legal advisor (1 person year @ \$250,000/yr)	250,000
2. Short term legal draftspeople (6 person months @ \$30,000/pm)	180,000
3. External Training in commercial/international law (4 participant programs @ \$10,000/program)	40,000
4. Computers/Office Equipment	35,000

B. REGISTRAR GENERALS OFFICE	200,000		
1. Office equipment		35,000	
2. Technical assistance (up to 12 person months @ \$125,000/ py)		125,000	
3. Staff training (4 program @ \$10,000/program)		40,000	
C. JUDICIARY DEPARTMENT	145,000		
1. Court reporting equipment		40,000	
2. Training for court reporters		60,000	
3. In-country staff training		45,000	
V. PRIVATE SECTOR ASSISTANCE	3,855,000		
A. LONG TERM TECHNICAL ADVISOR	1,325,000		
1. SALARY/BENEFITS/COMPANY OVERHEAD (4 YEARS \$300,000/YR)		1,200,000	
2. SUPPORT		125,000	
a. Computer/software/printer			15,000
b. Office Equipment			35,000
c. Communications			50,000
d. Project Vehicle			25,000
B. FIRM LEVEL SUPPORT	1,450,000		
1. FIRM LEVEL TRAINING		550,000	
a. In-country/Industry specific (10 GRANTS @ \$30,000/GRANT)			300,000
b. Short term technical participant (25 participants/year @ \$10,000/p)			250,000
2. FIRM LEVEL TECHNICAL ASSISTANCE (10 GRANTS @ \$50,000/GRANT)		500,000	
3. FINANCIAL SUPPORT START-UP/EXPANSION (8 GRANTS @ \$50,000/GRANT)		400,000	
C. INDUSTRY LEVEL SUPPORT	300,000		
1. INDUSTRY LEVEL STUDIES (4 STUDIES @ 50,000/STUDY)		200,000	
2. MID/MICRO ENTERPRISE LOCAL TRAINING (10 LOCAL PROGRAMS @ \$10,000/PRG)		100,000	
D. INVESTMENT PROMOTION ACTIVITIES	780,000		
1. OFFICE EQUIPMENT, SUPPLIES, SERVICES (NIB; CHAMBER; BUSINESS ASSOC.'S; NGO'S)		125,000	
2. SHORT TERM TECHNICAL ASSISTANCE (6 PERSON MONTHS @ \$30,000/PM)		180,000	
3. PRODUCTION OF PROMOTIONAL LITERATURE (\$25,000/YR x 4 YRS)		100,000	
4. U.S. INVESTOR PROMOTION TRAVEL (2 U.S. INVESTORS/YR @ \$6,250/I x 4 YRS)		50,000	
5. PIET TRAINING (10 PARTICIPANTS @ \$10,000/P)		100,000	
6. PRIVATIZATION STUDY FUND (3 STUDIES @ \$75,000/STUDY)		225,000	
VI. CONTINGENCY	595,000		

ANNEX D: INITIAL ENVIRONMENTAL EVALUATION

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ANNEX D

INITIAL ENVIRONMENTAL EXAMINATION

CATEGORICAL EXCLUSION

PROJECT COUNTRY: The Gambia

PROJECT TITLE: The Gambia Financial and Private Enterprise Program (635-0232)
The Gambia Financial and Private Enterprise Support Project (635-0237)

FUNDING: FY(s) 91-95 U.S.\$ 17.35 million

IEE PREPARED BY: Idrissa Samba
Regional Environmental Advisor
REDSO/WCA

ENVIRONMENTAL ACTION RECOMMENDED:

Positive Determination	_____
Negative Determination	_____
Categorical Exclusion	_____ <u>XXX</u> _____
Deferral	_____

SUMMARY OF FINDINGS:

The components of the 5-year program and project are eligible for categorical exclusion as follows: the technical assistance and training components under 22-CFR-216.2 (C) (2) ~~(1)~~; the conditioned cash grant under 22-CFR-216.2 (C) (2) ~~(1)~~; and the associated commodities component to enhance the enabling environment for increased private investment and growth of private enterprises in The Gambia also under 22-CFR-216.2 (C) ~~(1)~~.

CLEARANCE:

AID Representative: *[Signature]* DATE: 6/3/91

CONCURRENCE:

Bureau Environmental Officer: APPROVED: *[Signature]* ✓
DISAPPROVED: _____
DATE: 5/30/91

CLEARANCE:

GC/Africa: *[Signature]* DATE: 9/24/95

ACTION: AID-4 INFO: COM

VZCZCJL0749FFV268
RR RUFHJL
DE RUEHAR #7464 2261243
ZNR UUUUU ZZP
R 141243Z AUG 90
FM AMEMBASSY ABIDJAN
TO RUEHC/SECSTATE WASHDC 0586
RUFHJL/AMEMBASSY BANJUL 3269
BT
UNCLAS ABIDJAN 17464

06116
N.O.
08/23

LOC: 161 392
14 AUG 90 174E
CN: 32104
CHRG: AID
DIST: AID

AIDAC

SECSTATE FOR AFR/PD/SWAP

F.O. 12356: N/A
SUBJECT: GAMBIA FINANCIAL AND PRIVATE ENTERPRISE
DEVELOPMENT PROGRAM (635-0232) - IEE

SINCE REVISED PAIP DID NOT INCLUDE IEE WHICH WE POUCHED
TO BANJUL SEVERAL WEEKS AGO, WE ASSUME IT WAS NEVER
RECEIVED OR IT DID NOT ARRIVE IN TIME. IN ORDER TO
EXPEDITE REVIEW PROCESS, PLEASE FIND HEREUNDER TEXT OF
IEE TO BE INCORPORATED IN PAIP. ORIGINAL HAS BEEN
POUCHED TO BANJUL. PLEASE NOTE THAT THIS NEW IEE
DIFFERS FROM THE EARLIER ONE POUCHED TO BANJUL WHICH IS
NOW OBSOLETE.

QUOTE

- INITIAL ENVIRONMENTAL EXAMINATION
- OR
- CATEGORICAL EXCLUSION

PROJECT COUNTRY: THE GAMBIA

PROJECT TITLE: GAMBIA FINANCIAL AND PRIVATE
ENTERPRISE DEVELOPMENT
PROGRAM (635-0232)

FUNDING: FY(S) 91/95 US\$ 13,000,000

IEE PREPARED BY: IDRISSE SAMBA
REGIONAL ENVIRONMENTAL ADVISOR
REDSO/WCA

ENVIRONMENT ACTION RECOMMENDED:

- POSITIVE DETERMINATION:
- NEGATIVE DETERMINATION:
- CATEGORICAL EXCLUSION: XXXX
- DEFERRAL:

SUMMARY OF FINDINGS:

THE COMPONENTS OF THE 5-YEAR PROGRAM OF THIS PROJECT ARE

BEST AVAILABLE DOCUMENT

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ELIGIBLE FOR CATEGORICAL EXCLUSION: THE TECHNICAL ASSISTANCE AND TRAINING COMPONENTS UNDER 22-CFR-216 216.2 (C)(2)(I), THE CONDITIONAL CASH TRANSFERS COMPONENT UNDER 22-CFR-216 216.2 (C)(2)(X), AND THE ASSOCIATED COMMODITIES COMPONENT TO PROMOTE INCREASED PRIVATE INVESTMENT AND EMPLOYMENT IN IMPORT-EXPORT PRIVATE ENTERPRISES IN THE GAMBIA UNDER 22-CFR-216 216.2 (C)(2)(XIV).

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CLEARANCE:

- MISSION DIRECTOR: DATE:

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CONCURRENCE:

- BUREAU ENVIRONMENTAL OFFICER: APPROVED:
- DISAPPROVED:
- DATE:

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CLEARANCE:

- GC/AFRICA: DATE:.....

UNQUOTE

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HAMILTON

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BEST AVAILABLE DOCUMENT

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ANNEX E: PROGRAM ASSISTANCE INITIAL PROPOSAL (PAIP)
APPROVAL CABLES

SUS DUPE B/R

ACTION: AID-3 INFO: COM DCM

VZC7CJL0185BA0683
 OO RUEHJL
 DE RUEHC #5789/01 3630331
 ZNR UUUUU ZZH
 P 290332Z DEC 90 ZDK CTG RUEHJL0088 0021405
 FM SECSTATE WASHDC
 TO RUEHJL/AMEMBASSY BANJUL PRIORITY 8135
 INFO RUEHDK/AMEMBASSY DAKAR PRIORITY 6741
 RUEHAP/AMEMBASSY ABIDJAN PRIORITY 2493
 RT
 UNCLAS SECTION 01 OF 02 STATE 435789

LOC: 247 126
 03 JAN 91 1811
 CN: 0002R
 CTRG: AID
 DIST: AID

AIDAC DAKAR FOR RLA ADAMS

F.O. 12356: N/A

TAGS:

SUBJECT: GAMBIA FINANCIAL AND PRIVATE ENTERPRISE DEVELOPMENT PROGRAM (FAPE), 635-0232

RECEIVED	01/03
ACTION TO:	Prog
TO DATE:	01/10/91
ON TAKEN:	01/06
DR OF ACTION:	1/4
BY:	JFB
	PIE

1. SUMMARY: ECPR MET ON DEC. 10, 1990 TO REVIEW THE FAPE PAIP. ECPR WAS CHAIRED BY E.L. SAIFRS, DAA/AFR. OFFICES REPRESENTED AT THE MEETING INCLUDED AFR/PD, AFR/DP, AFR/SWA, AFR/MDI, AFR/TR, AND CC/AFR. AID REP J. STONE AND PSC P. RILEY REPRESENTED OAP/BANJUL. THE PAIP WAS APPROVED AND THE MISSION AUTHORIZED TO PROCEED WITH PAAD DESIGN, SUBJECT TO THE GUIDANCE OUTLINED HEREIN. THE ECPR DECIDED THAT THE PAAD WILL BE REVIEWED IN AID/W UPON COMPLETION. END SUMMARY.

2. THE ECPR MET ON 12/10 AND APPROVED THE FAPE PAIP. THE MISSION IS AUTHORIZED TO PROCEED WITH PAAD DESIGN. GUIDANCE FOR PAAD DEVELOPMENT IS PROVIDED IN THE FOLLOWING PARAGRAPHS.

3. PROGRAM GOAL AND PURPOSE. THE FAPE GOAL AS STATED IN THE PAIP IS TO CONTRIBUTE TO BROAD-BASED, SUSTAINABLE GROWTH IN PER CAPITA GDP. ECPR QUESTIONED WHETHER THE GOAL SHOULD NOT BE NARROWED IN ORDER THAT IT CAN BE MORE EASILY MEASURED, BETTER RELATED TO USAID ASSISTANCE, AND ASSOCIATED WITH IMPACT ON PEOPLE. MISSION SHOULD CONSIDER A GOAL SIMILAR TO WHAT IS NOW PROPOSED AS THE PURPOSE: THAT IS, TO ACCELERATE THE GDP GROWTH RATE THROUGH INCREASED INVESTMENT IN EMPLOYMENT-GENERATING, EXPORT-ORIENTED ENTERPRISES. WITH THIS AS THE GOAL, THE MISSION SHOULD DEVELOP A PURPOSE MORE CLOSELY RELATED TO THE ACTUAL MEASURABLE OUTPUTS OF THIS PROGRAM. IF THE PROGRAM HAS A COHESIVE AND HIGHLY INTER-RELATED SET OF CONDITIONALITY, WHICH IS COMPLEMENTED BY TECHNICAL ASSISTANCE AND TRAINING, THE PURPOSE COULD BE ONE OF CREATING A POLICY AND REGULATORY ENVIRONMENT CONDUCIVE TO ACHIEVING THIS PROGRAM GOAL. THE PURPOSE WILL HAVE BEEN ACHIEVED IF, FOR EXAMPLE, AT PACT THE COST, TIME, RENT-SEEKING, ETC. ASSOCIATED WITH ESTABLISHING OR EXPANDING EMPLOYMENT-GENERATING, EXPORT-ORIENTED ENTERPRISES IS REDUCED. (THE NOMINAL CHANGES IN COTE

POLICIES, REGULATIONS, AND ADMINISTRATION WOULD BE PROGRAM OUTPUTS).

4. SHOULD THE PROGRAM INCLUDE NON-PROJECT ASSISTANCE (NPA)? THE ECPR WAS CONVINCED THAT THE MISSION HAS IDENTIFIED A SERIES OF POLICY, REGULATORY, AND ADMINISTRATIVE CHANGES THAT ARE CRITICAL FOR INCREASING EXPORT-ORIENTED, EMPLOYMENT-GENERATING INVESTMENT. IT IS NOT CLEAR FROM THE PAIP, HOWEVER, THAT (1) THE REQUISITE ANALYSIS HAS BEEN DONE TO ESTABLISH A PRIORITY LIST OF SUCH REFORMS, OR (2) THE GOTG IS SUFFICIENTLY COMMITTED TO THE PROPOSED REFORM AGENDA SO THAT SUCH REFORMS COULD BE EFFECTED WITH THE MODEST NPA OF \$6 MILLION PROPOSED. THE ALTERNATIVE WOULD BE A SERIES OF PROJECT INTERVENTIONS AT THIS STAGE, WITH NPA DELAYED UNTIL A NEXT GENERATION OF REFORMS CAN BE DEVELOPED THROUGH A CONSULTATIVE PROCESS SUPPORTED THROUGH FURTHER STUDIES, ANALYSES, AND RELATED TECHNICAL ASSISTANCE. DURING PAAD DESIGN, THE MISSION SHOULD CAREFULLY CONSIDER THE OPTIONS OF INCLUDING NPA AND NOT INCLUDING NPA. TO PROCEED WITH NPA, THE FOLLOWING ISSUES/CONCERNS SHOULD BE ADDRESSED AS PART OF PAAD PREPARATION:

A. END RESULT OF NPA. THE PAAD SHOULD SPELL OUT THE SPECIFIC REFORMS THAT THE NPA WILL ACHIEVE BY THE PACD AND THEIR EXPECTED IMPACT ON PEOPLE. THE ECPR QUESTIONED WHETHER THE NPA PROGRAM SHOULD BE AS BROAD AS IS PROPOSED IN THE PAIP. PAIP LISTS CONDITIONALITY IN FOUR DISCRETE AREAS: LEGAL AND REGULATORY ENVIRONMENT, TAX SYSTEM, FINANCIAL AND CAPITAL MARKETS LEGISLATION, AND PRIVATIZATION. IT WAS NOTED AT THE ECPR THAT

SEVERAL PRIVATE SECTOR NPAS HAVE CONCERNED THEMSELVES WITH ONLY ONE OF THESE AREAS. AID REP. STONE OPINED THAT IN THE GAMBIA, DUE TO THE SIZE OF THE COUNTRY, GOTG CONSENSUS ON NEEDED REFORMS, AND DONOR RELATIONS WITH THE GOVERNMENT, IT MAY BE FEASIBLE TO INCORPORATE UNDER ONE NPA A BROADER ARRAY OF REFORM AREAS THAN WOULD BE POSSIBLE IN MOST OTHER AFRICAN COUNTRIES. IF FURTHER ANALYSIS CONCLUDES THAT THE BROAD APPROACH PROPOSED IN THE PAAD IS FEASIBLE, PAAD SHOULD PRESENT A DETAILED ARGUMENT TO THIS EFFECT.

FOR EACH AREA OF CONDITIONALITY, THE SPECIFIC CHANGE TO BE ACHIEVED BY THE PACD AND A TIME-PHASED IMPLEMENTATION PLAN SHOULD BE PRESENTED IN THE PAAD. FOR EXAMPLE, IN THE AREA OF PRIVATIZATION, THE SPECIFIC PARASTATALS THAT PAIP IS COMMITTED TO DIVEST FROM PUBLIC OWNERSHIP WOULD BE LISTED, ALONG WITH TARGET DATES FOR DIVESTMENT AND FOR INTERMEDIATE STEPS TOWARD DIVESTMENT.

B. JUSTIFICATION FOR POLICY/REGULATORY REFORMS. IF THE MISSION IS TO PROPOSE AN NPA, EACH AREA OF POLICY/REGULATORY REFORM WOULD NEED TO BE JUSTIFIED: (1) IT CAN BE DEMONSTRATED, WITH EMPIRICAL EVIDENCE OR OTHER APPROPRIATE ANALYSIS, THAT THE REFORM IS SUFFICIENTLY LINKED TO ACHIEVEMENT OF THE PROGRAM PURPOSE, (2) EVIDENCE OF GOVERNMENT INTENT TO UNDERTAKE THE REFORM, AND (3) BEYOND GOVERNMENT INTENT, A POLITICAL AND INSTITUTIONAL ANALYSIS DEMONSTRATING THAT IT IS REASONABLE TO EXPECT THAT THE REFORM CAN BE ACHIEVED.

C. DISBURSEMENT BASED ON ACTION. THE ECPD WAS CONCERNED WITH THE APPARENT INTENT TO DEFINE MUCH OF THE SPECIFIC CONDITIONALITY FOR THE CASH DISBURSEMENTS SUBSEQUENT TO PAAD PREPARATION AND OBLIGATION OF FUNDS. THERE IS NO HARD AND FAST RULE ON THE DEGREE TO WHICH A DISBURSEMENT CAN BE BASED ON GOVERNMENT INTENT OR INTEREST (AS EVIDENCED MOST OFTEN BY UNDERTAKING A STUDY) VS. DISBURSEMENT BASED ON GOVERNMENT ACTION. FOR SOME MULTI-DIMENSIONAL ISSUES, SUCH AS TAXATION, MORE ITERATIVE PROCESS OF ANALYSIS AND DIALOGUE WITH THE GOVT MAY BE THE ONLY WAY TO PROCEED. HOWEVER, THE MISSION IS CAUTIONED TO MINIMIZE THE EXTENT TO WHICH DISBURSEMENTS ARE BASED ON INTENT AND STUDIES, RATHER THAN CONCRETE REFORM ACTIONS, AND SHOULD ASSURE THAT ENOUGH DETAIL OF SPECIFICS IS PROVIDED TO COMPLY WITH THE REQUIREMENTS OF FAA SEC. 611.

D. SUPPORT OF OTHER DONORS. THE ECPD WAS SERIOUSLY CONCERNED THAT THE PROGRAM IS TOO AMBITIOUS IN RELATION TO THE SIZE OF THE \$6 MILLION SECTOR GRANT AND THE SIZE OF THE MISSION STAFF. RECOGNIZING THAT SEVERAL OTHER DONORS HAVE AN INTEREST IN PRIVATE SECTOR DEVELOPMENT IN THE GAMBIA, DURING PAAD DESIGN MISSION SHOULD EXPLORE ANY POSSIBLE FURTHER STEPS TO ALIGN DONOR PROGRAMS IN SUPPORT OF PAAD PURPOSE. THE INCENTIVES FOR POLICY REFORM WOULD LIKELY BE ENHANCED BY SUCH A STRATEGY, AND THE MANAGEMENT BURDEN ON OAR/RANJUL MIGHT BE REDUCED.

E. PROGRAM MONITORING. THE PC WAS PARTICULARLY INTERESTED IN THE PROSPECTIVE IMPACT OF THE PROGRAM. GIVEN THE SIZE OF THE GAMBIA AND USAID/G'S PRIVATE SECTOR-FOCUSSED PORTFOLIO, IT WOULD APPEAR THAT THIS PROGRAM OFFERS A REAL POSSIBILITY TO MONITOR IMPACT ON PEOPLE IN TERMS OF JOBS CREATED, FORMAL SECTOR WAGES, ETC. BEFORE FINALIZING PAAD, MISSION SHOULD COMPLETE BASELINE ANALYSES REFERRED TO IN THE PAIP, AND INDICATE HOW THESE DATA WILL BE INCORPORATED INTO THE MONITORING SYSTEM FOR THE PROGRAM.

F. THE RESULTS OF PRIOR MACRO REFORM PROGRAMS. THE GAMBIA HAS BEEN EARNESTLY ENGAGED IN A REFORM PROGRAM SINCE 1985. THE PAIP PRESENTS SOME EVIDENCE ON THE EFFECTS OF THIS PROGRAM AT THE MACRO-LEVEL. THE PAAD SHOULD GO BEYOND THE MACRO LEVEL TO INDICATE HOW THE REFORM PROGRAM HAS AFFECTED THE PROPENSITY OF THE PRIVATE SECTOR TO INVEST, EXPORT GOODS, AND GENERATE EMPLOYMENT. (WE UNDERSTAND THAT SEVERAL STUDIES HAVE ALREADY BEEN COMPLETED AND COULD BE USED FOR THIS PURPOSE).

7. TRAINING COMPONENT. THE PROJECT COMMITTEE HAD SEVERAL CONCERNS REGARDING THE TRAINING COMPONENT OF THE PROGRAM, WHICH SHOULD BE TAKEN INTO ACCOUNT DURING PAAD PREPARATION. FIRST, HOW MUCH PRIVATE SECTOR TRAINING WILL CONTINUE UNDER HRDA, OR WILL ALL SUCH TRAINING NOW BE FUNDED UNDER PAAD? ARE THERE WAYS TO STRETCH THE IMPACT OF AID TRAINING THROUGH A COST-SHARING ARRANGEMENT WITH A LOCAL INSTITUTION OR THE PRIVATE SECTOR? HOW CAN THE TRAINING EFFORTS FUNDED UNDER PAAD BE MADE SUSTAINABLE BY DEVELOPING THE LOCAL INSTITUTIONAL CAPACITY TO MANAGE ENTREPRENEURIAL TRAINING, AND HOW CAN THIS SORT OF TRAINING BE FUNDED AFTER THE FACT?

8. REGIONAL IMPLICATIONS. AN EXPECTED RESULT OF THIS PROGRAM IS A REDUCED PROPORTIONAL DEPENDENCE ON RE-EXPORT TRADE FOR EARNING FOREIGN EXCHANGE. NONETHELESS RE-EXPORTS WILL CONTINUE TO BE AN IMPORTANT PART OF THE GAMBIA ECONOMY AND IN MANY INSTANCES THIS TRADE WOULD BE SUPPORTED BY CONDITIONALITY

CONTAINED IN PAAD. THE PAAD DESIGN TEAM SHOULD CONDUCT SOME SENSITIVITY ANALYSIS OF FACTORS ASSOCIATED WITH REGIONAL TRADE -- BOTH THOSE OVER WHICH THE GAMBIA HAS CONTROL (E.G. TARIFF REGIME) AND EXTERNAL FACTORS (E.G. CFA EXCHANGE RATE).

9. LAND TENURE. IS THE ABILITY TO COLLATERALIZE LAND DUE TO INSUFFICIENT LAND TENURE OR LAND REGISTRATION A CONSTRAINT TO LENDING IN THE GAMBIA? ANNEX F NOTES THAT THE MISSION WILL ENCOURAGE THE GOVT TO MOVE QUICKLY ON LAND REFORM, BUT PROVIDE NO ANALYSIS OF THE LIKELY EFFECTS OF SUCH REFORM. THE PAAD SHOULD THEREFORE CONTAIN SOME ANALYSIS OF LAND TENURE ISSUES.

10. IEE. THE IEE SUBMITTED AS ANNEX D OF THE PAAD INDICATING A CATEGORICAL EXCLUSION IS BEING CIRCULATED FOR CLEARANCE. WE WILL ADVISE WHEN ACTION IS TAKEN.

11. PAAD REVIEW VENUE. IT WAS DECIDED AT THE ECOP THAT THE PAAD WILL BE REVIEWED IN AID/W UPON COMPLETION. PARHOLOMTV
RT

#5789

NNNN

ACTION: AID-4 INFO: COM

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VZCZCJL0677EHU686
 RR RUEFJI
 DE RUEFAR #7414 2260970
 ZNR UUUUU ZZI
 R 140939Z AUG 90
 FM AMEMBASSY ABIDJAN
 TO RUFHJL/AMEMBASSY BANJUL 3266
 RUEHDK/AMEMBASSY DAKAR 5526
 BT
 UNCLAS ABIDJAN 17414

LOC: 160 779
 14 AUG 90 1137
 CN: 02032
 CHRG: AID
 DIST: AID

00

AIDAC

0000

BANJUL, FOR AID REP, JIMMY STONE
 DAKAR, FOR RLA ANNETTE ADAMS

F.O. 12356: N/A

SUBJECT: REDSO/WCA CONCURRENCE IN SUBMISSION OF PAIP
 FOR THE GAMBIA FINANCIAL AND PRIVATE ENTERPRISE
 DEVELOPMENT PROGRAM (FAPE) (635-0232).

REF: BANJUL 1962

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1. PURSUANT TO SECTION 4(B)(2) OF DELEGATION OF
 AUTHORITY (DOA) 551, REVISED, THE ACTING DIRECTOR,
 REDSO/WCOM IS PLEASED TO CONCUR IN THE SUBMISSION OF THE
 PAIP TO AID/W FOR REVIEW AND RECOMMENDS AID/W APPROVAL.
 CONCURRENCE IS CONTINGENT ON CONCURRENCE BY RLA/DAKAR.

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2. WE APPRECIATE MISSION'S RESPONSIVENESS TO REDSO
 COMMENTS. REDSO STAFF LOOKS FORWARD TO PARTICIPATING IN
 PAAD DESIGN. WE BELIEVE THE TWO CRITICAL TASKS OF THE
 PAAD DESIGN TEAM WILL BE TO NARROW AND MORE SHARPLY
 FOCUS PROGRAM CONDITIONALITY AND TO DEMONSTRATE POSITIVE
 PLI'S. MISSION EFFORTS TO OBTAIN BASELINE DATA AND
 PROVIDE APPROPRIATE STAFFING FOR PAAD DESIGN TEAM PER
 REYTEL AND REVISED PAIP WILL FACILITATE DESIGN TEAM
 EFFORTS.

3. REVISED PAIP DID NOT INCLUDE IEE WHICH WE POUCHED TO
 BANJUL SEVERAL WEEKS AGO. WE ASSUME IT EITHER DID NOT
 ARRIVE AT ALL OR DID NOT ARRIVE IN TIME. TO EXPEDITE
 PROCESSING OF PAIP, WE WILL RETRANSMIT IEE TO MISSION
 AND AID/W BY CABLE. HAMILTON

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ANNEX F: STATUTORY CHECKLIST

Summary of Critical Analyses1. Legal/Regulatory ReformRationale:

The legal/regulatory environment in which private enterprises, including financial institutions, must operate is central to efficient business development and economic growth. In this regard the AID Private Enterprise Development Policy Paper states on page 12:

"The expansion and efficiency of the private sector depends upon a supportive legal structure and a positive regulatory environment. The existence of an adequate structure of property rights--including patent and copyright law, contract law, and judicial arrangements are essential."

The policy guidance goes on to add:

"It may be that individual country circumstances will require a significant institutional development effort to build appropriate legal and regulatory institutions conducive to private enterprise. Specific projects or sub-project activities which provide assistance for studies or advisory services to review or reform legal and regulatory barriers are encouraged."

The AID Policy Paper on Financial Markets Development contains similar guidance on the essential need to examine the adequacy of the legal/regulatory framework to support modern financial transactions. Specific language on this can be found on page 8 of the policy paper.

Gambia Specific Analyses:

In anticipation of the design of the proposed program the Gambia Mission financed several studies that included assessments of the legal/regulatory framework affecting businesses and financial institutions. These included:

An Assessment of the Legal and Regulatory Environment Affecting The Gambian Financial Sector: Ms. Rosemary McCarney, Cosult International, May 1990

An Assessment of the Financial Sector in The Gambia: Deloitte & Touche, March 1990

The Gambia: Stock Market Feasibility Study: James Ladd, Price Waterhouse, February 1989

Private Sector Assessment and Strategy Guide on The Gambia, James Pugh, December 1989

The consensus conclusion of these studies was that the existing framework of commercial law in The Gambia is in need of significant modernization and revision to enable financial sector deepening necessary for support of private sector expansion.

The McCarney study provided the primary basis for the Mission's identification of timing and sequencing of priority legal and regulatory reforms. McCarney analyzed 25 commercial statutes and conducted extensive interviews with the Attorney General and Ministry of Justice staff. McCarney's institutional analysis of the Ministry of Justice concluded that the requisite technical expertise for undertaking the recommended reforms/revisions was not available in-country and would need to be procured externally. Short term technical training of MOJ staff and in-country training on implementation were further identified as essential ancillary inputs.

PAAD References:

Constraints Analysis: pp 55-57
End of Project Status Goal: p. 75
Project Specific Outputs: pp 81-82
Proposed Inputs: p. 89-90
Related Conditionality: pp 97-98
Social Feasibility: p. 130
Institutional Feasibility: p. 132

2. Investment incentives policy/ tax reform

Rationale:

Numerous non-country-specific analyses on constraints to foreign private investment in Africa have identified dysfunctional bureaucracies and poorly conceived investment promotion policies as priority disincentives to foreign investment in Africa. Two studies available from AFR/MDI are especially pertinent: "Revising Corporate Strategies in Africa," by Business International; and "Constraints to U.S. Investment in Africa," financed by the Rockefeller Foundation and undertaken by a U.S. Consulting Group.

The AID Policy Paper on Private Enterprise Development (pp 5-6) identifies "Market entry restrictions"; "Investment Promotion Programs"; and "Taxation and User Charges" as three important areas of government policy that can constitute significant constraints to growth of private enterprises in LDC's.

Gambia Specific Analyses:

All of the studies listed in Part 3 above included evaluations of the extent to which government policies and administrative procedures affect private investment decisions in The Gambia. The consensus conclusions of the studies were that bureaucratic red-tape was a significant problem in The Gambia and that corporate tax rates were high in comparison with those of other developing countries.

The D & T Financial Sector Assessment further identified a number of specific "nuisance" taxes that are impeding financial transactions and hindering financial sector deepening. Further analyses of these "nuisance" taxes indicated that they could be eliminated with no significant revenue impact. The McCarney study advised revision of the Development Act and redirection of the mandate of the National Investment Board away from regulation towards active promotion.

Additionally, the Mission financed a study by Nathan Associates in July 1990 to analyze the effectiveness of the GOTG's investment promotion policy as embodied in Development Act of 1988 and to assess the role of the National Investment Board as the nominal implementing agency. This report, entitled "Investment Approval Processes in The Gambia" concluded that the Development Act had not worked as an effective investment promotion tool and that the NIB had no real authority under the act as written to enable it to serve as an effective one-stop shop for private investors. The Nathan study also described the existing company tax rate of 50% as uncompetitive with that of other developing countries.

Mission analyses, in collaboration with the World Bank and other donors, concluded that the best approach to incentive based promotion is one that emphasizes maximum certainty and minimum delay in investment application processing. Over the long run, a developing country will be better served by a stable macroeconomy, an efficient legal/regulatory system, a favorable and competitive tax code, a low general tariff schedule, and minimal bureaucratic red tape for business registration and start-up than by a complicated, discretion-based incentives policy.

PAAD References to investment incentives/tax reform:

Constraints Analysis:	pp 54-55
End of Project Status Goal:	p. 75
Program Specific Outputs:	pp 79-81
Proposed Inputs:	pp 88-89
Related Conditionality:	p. 96
Financial Feasibility:	pp 124-125
Social Feasibility:	p. 129

3. Strengthening of Ministry of Finance Capacity to Formulate and implement sound macroeconomic policy

Rationale

It is impossible to overemphasize the importance of macroeconomic stability to sustainable development and more specifically to private sector led growth in Africa. Explicit agency policy is to encourage Governments to open all factor markets to competitive market forces.

Gambia Specific Analyses

Since 1985, AID has financed short and long term advisors to the Gambian Ministry of Finance to assist in implementation of an effective structural adjustment and economic reform program. Periodic Agency project evaluations of the EFPA project have consistently identified the project as a notable success and have advised continuation of the project until adequate in-house capacity is developed to obviate ongoing need for external assistance. While The Gambia has made notable progress since the mid 1980's, the economy remains fragile and high level technical assistance continues to be crucial.

PAAD References

Macroeconomic Assessment: pp 13-16
Review of EFPA project: pp 68-69
End of Project Status Goal: p. 75
Program Specific Outputs: pp 77
Proposed Inputs: pp 87-88
Indicators: p. 103
Political Feasibility: pp 121-124

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. **Negative certification** (FY 1991 Appropriations Act Sec. 559(b)): Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

b. **Positive certification** (FAA Sec. 481(h)). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct

N/A

source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

c. **Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)).** (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress

N/A

listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by

No

the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5. Mob Action (FAA Sec. 620(j)):
Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC? No

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? - No

8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? No

9. Military Equipment (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

N/A

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

As of March 1991, The Gambia is \$158,000 in arrears to the U.N. This amount constitutes approximately 1.5 years of The Gambia's annual assessed contribution. Yes, arrearages were taken into account by the Administrator at the time of approval of agency OYB.

12. International Terrorism

a. Sanctuary and support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

A.- No
B. - No

b. **Airport Security** (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No

13. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No

14. **Nuclear Technology** (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

No. No. No.

15. **Algiers Meeting** (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

Yes, taken into account at time of approval of Agency OYB.

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16. **Military Coup** (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No

17. **Refugee Cooperation** (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

18. **Exploitation of Children** (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? No

B. **COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

1. **Human Rights Violations** (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? No

2. **Abortions** (FY 1991 Appropriations Act Sec. 535): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary No

sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:

- (a) increase the flow of international trade;
- (b) foster private initiative and competition;
- (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
- (d) discourage monopolistic practices;
- (e) improve technical efficiency of industry, agriculture, and commerce; and
- (f) strengthen free labor unions.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

A. Investment promotion activities and assistance to productive private enterprises will lead to increased international trade flows; b)

Privatizations, tax reform, and assistance to entrepreneurs will encourage new private initiatives and enhance competition; c) N/A; d) privatization of grain marketing boards will eliminate largest national monopoly and encourage competition; e) technical assistance, improved information flows and support for introducing new technologies will improve technical efficiency of industry, agriculture, and commerce; f) N/A

Investment promotion activities will encourage direct foreign investment and joint ventures with American firms. Technical assistance and training for the private sector will be provided by an appropriate American firm.

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3. Congressional Notification

a. **General requirement** (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)? Yes

b. **Notice of new account obligation** (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

c. **Cash transfers and nonproject sector assistance** (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? These procedures will be followed in any year of NPA Obligation.

4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) Yes
(b) Yes

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action The GOTG has requested assistance to redraft antiquated commercial legislation as part of its ongoing economic reform program. Statutes scheduled for revision are non-controversial and have been discussed thoroughly and agreed upon in policy dialogue during program design period.

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

Yes

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Investment promotion activities and assistance to productive private enterprises will lead to increased international trade flows; b) privatizations, tax reform, and assistance to entrepreneurs will encourage new private initiatives and enhance competition; c) N/A; d) privatization of grain marketing board will eliminate largest national monopoly and encourage competition; e) technical assistance, improved information flows and support for introducing new technologies will improve technical efficiency of industry, agriculture, and commerce; f) N/A.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Investment promotion activities will encourage direct foreign investment and joint ventures with American firms. Technical assistance and training for the private sector will be provided by an appropriate American firm.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Dollars will be used to retire Government public sector debt. No local currency will be made available.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. **Separate Account** (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. Trade Restrictions

a. **Surplus Commodities** (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. **Textiles (Lautenberg Amendment)** (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

No

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. **PVO Assistance**

a. **Auditing and registration** (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. **Funding sources** (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been punched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

These procedures will be followed.

16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):

Yes. Yes. Yes.

Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

The program will seek especially to encourage increased private investment in productive sectors where significant numbers of women are employed. To the maximum extent possible, assistance will be programmed to increase the role of women at all levels of the development process.

18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

NO.

19. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

b. Will any funds be used to lobby for abortion? No

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? N/A

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

22. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes

c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

N/A

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

N/A

f. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

N/A

g. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the

Yes. Yes.

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. U.S. air carriers

(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

i. Termination for convenience

of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Such provisions will be included in the standard provisions of any such contract.

j. Consulting services

(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k. Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

Yes. Yes. Yes.

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c. Large projects, Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

24. U.S. Audit Rights (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

25. Communist Assistance (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.

26. Narcotics

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

27. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A

28. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes

30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

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31. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes

32. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes

33. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes

34. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes

35. **Repression of Population** (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes

36. **Publicity or Propoganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress? No

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37. **Marine Insurance** (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

38. **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

B. **CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY**

1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

No. No.

2. **Tied Aid Credits** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No.

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Assistance to the Ministries of Finance and Justice will strengthen indigenous analytic capacity and enhance the enabling environment for increased investment, accelerated growth, and job creation. Assistance to the private sector will strengthen indigenous entrepreneurs' ability to identify and respond to profitable, productive opportunities. Support to business associations will improve their capacity to meet local information and advocacy needs.

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes.

6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries

Privatization of GPMB will increase competition and create increased income opportunities for producers in rural areas. Investments in other growth sectors of the economy will create jobs and enhance earning potential of rural producers and urban poor; b) support of local business associations will encourage growth of democratic institutions; c) the program's emphasis on private sector-led growth within a free market economic framework will promote The Gambia's self help efforts to achieve sustainable, equitable economic growth; d) technical assistance and training is targeted at sectors employing women and will seek to promote private initiatives by women entrepreneurs e) N/A.

and the improvement of women's status; and
(e) utilize and encourage regional
cooperation by developing countries.

7. Recipient Country Contribution
(FAA Secs. 110, 124(d)): Will the
recipient country provide at least 25
percent of the costs of the program,
project, or activity with respect to which
the assistance is to be furnished (or is
the latter cost-sharing requirement being
waived for a "relatively least developed"
country)?

A waiver will be sought to exempt
recipient country from cost shari
requirement under the relatively
least developed nation provision.

8. Benefit to Poor Majority (FAA
Sec. 128(b)): If the activity attempts to
increase the institutional capabilities of
private organizations or the government of
the country, or if it attempts to
stimulate scientific and technological
research, has it been designed and will it
be monitored to ensure that the ultimate
beneficiaries are the poor majority?

Yes

9. Abortions (FAA Sec. 104(f); FY
1991 Appropriations Act, Title II, under
heading "Population, DA," and Sec. 535):

a. Are any of the funds to be
used for the performance of abortions as a
method of family planning or to motivate
or coerce any person to practice
abortions?

No

b. Are any of the funds to be
used to pay for the performance of
involuntary sterilization as a method of
family planning or to coerce or provide
any financial incentive to any person to
undergo sterilizations?

No

c. Are any of the funds to be
made available to any organization or
program which, as determined by the
President, supports or participates in the
management of a program of coercive
abortion or involuntary sterilization?

No

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

10. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

11. **Disadvantaged Enterprises** (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

The technical assistance component of this project will be fully competed and socially disadvantaged enterprises will be encouraged to submit proposals. According to AID policy, contracts for \$500,000 or more will contain a provision requiring at least 10% of the dollar value of the contract be sub-contracted with a disadvantaged enterprise.

12. **Biological Diversity** (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

- a) N/A
- b) N/A
- c) N/A
- d) No

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burr agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions

N/A

which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

- (1) No.
- (2) No.
- (3) No.
- (4) No.
- (5) No.
- (6) No.

forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage

(a) Yes.

(b) Yes

private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

- (c) Yes
- (d) Yes
- (e) Yes
- (f) Yes

16. **Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. Deobligation/Reobligation
(FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

N/A

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

a)

Privatization of GPMB will increase competition and create increased income opportunities for producer in rural areas. Investments in other growth sectors of the economy will create jobs and enhance earning potential of rural producers and urban poor; b) support of local business associations will encourage growth of democratic institutions; c) the program's emphasis on private sector-led growth within a free market economic framework will promote The
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cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

Gambia's self help efforts to achieve sustainable, equitable economic growth; d) technical assistance and training is targeted at sectors employing women and will seek to promote private initiatives by women entrepreneurs e) N/A.

Privatization of marketing board will increase competition and yield efficiency gains in transport, processing, and export of agricultural commodities. Technical assistance will improve responsiveness to world market signals and provide access to productivity enhancing technologies.

N/A

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

22. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability** (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? N/A

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? N/A

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) N/A

5. **Cash Transfer Requirements** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)). If assistance is in the form of a cash transfer: N/A

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

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b. Local currencies: Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. U.S. Government use of local currencies: Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

d. Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?