

# memorandum

DATE: January 19, 1994  
 REPLY TO: Fred Witthans, Program Officer *FW*  
 ATTN OF:  
 SUBJECT: EFPA Project Assistance Completion Report: Economic and  
 Financial Policy Analyses, 635-0225

TO: To Files

Thru: Bonnie Pounds *BP* AID Rep.

## 1. INTRODUCTION

During the late 1970s the Gambian economy began to decline due to a combination of factors, most importantly of which were internal sources of disequilibrium. Large government investments failed to diversify the economy and generate growth. The Government of The Gambia (GOTG) invested heavily in urban-oriented infrastructure and in productive activities for which The Gambia had little comparative advantage. To operate and manage this investment the civil service doubled in size and more than ten new parastatal corporations were created. To finance these investments the GOTG borrowed heavily, depleting the reserves of the financial system and accumulating debts. Government pricing policies (an over-valued exchange rate, low producer prices, and subsidies on urban rice consumption) increased imports without encouraging exports. Consequently, by 1981 the GOTG had a severe fiscal imbalance, the nation had a structural trade deficit, and the economy was in decline.

Although the government attempted to address its macroeconomic problems with IMF assistance between 1981 and 1984, its reform efforts were unsuccessful because they focused on imposing credit and monetary ceilings without addressing the underlying structural disequilibrium. Unable to induce the major donors to support continued imbalances, pressure mounted for the government to act. In response the then Minister of Finance assembled a task force of economists from the major economic ministries who, with technical assistance from the World Bank and USAID, drafted a comprehensive program of policy measures to redress the economy's structural imbalances and to return the economy to a sustainable growth path.

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.

In June 1984, USAID authorized the Economic and Financial Analyses (EFPA) project to assist the GOTG in its understanding of its economic problems. The goal of the project was the promotion of sound macro-economic policy decisions, thereby enhancing the development of The Gambia. In order to achieve this, the project purpose was to increase the ability of staff of the Ministry of Finance and Trade to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation. In May 1985, USAID signed a contract with The Harvard Institute for International Development (HIID) to implement the project.

## 2. PROJECT STATUS

The project was extended two times and the HIID contract ended on August 31, 1992. All project activities were completed by the PACD of November 31, 1992. A final evaluation of the project, focusing on capacity building aspects, was carried out in December 1992.

## 3. SUMMARY OF CONTRIBUTIONS

USAID provided \$1.55 million in training, \$0.21 million in commodities and \$3.38 million in technical assistance for a total Life of Project Grant of \$5.14 million. The GOTG provided counterparts, office space and furniture, and training assistance for a total of \$1.1 million.

## 4. PROJECT ACHIEVEMENTS

Objective one: Functioning MFEA Macroeconomic and Financial Analysis Unit (MFAU) and, as required, special task forces.

The MFAU was established as a semi-autonomous unit reporting directly to the Permanent Secretary of MFEA. During the ERP and SAP implementation period, the MFAU was critical to monitoring IMF program targets. A data reporting system was computerized. However, during the life of the project, there was high staff turnover as many of the personnel trained, abroad and on-the-job, were recruited by other government agencies and the private sector. After the project ended, the unit was very understaffed.

Objective two: Trained MFEA staff to run and support special studies unit.

A total of 19 Gambians received long-term training in the U.S. Of these, 15 percent received BA degrees and 40 percent MA/MBAs. Only three people from the MFAU received long-term training and only one is a degree candidate. Of the long-term trainees, only 20 percent were from the MFEA.

A total of 56 Gambians received short-term training. Of these only 50 percent were from the MFEA. Project personnel conducted short-term courses for senior government officials on various topics of interest related to national economic and financial policy. Project personnel also conducted in-country computer programming and software application training for MFEA staff.

Despite the fact that all of the training participants have returned to The Gambia, the human resource capacity for the MFAU to carry out economic and policy analysis does not exist. This is indicative of the fact that the training component of the project was, in practice, not targeted to specifically develop macro-economic and financial policy analysis capacity within the Unit itself and within those organizations that closely worked with the Unit. The selection of training participants was rather arbitrary and irrelevant to the human resources development objective of the project. Furthermore, the project as designed, did not anticipate providing PhD level training to conduct research and policy analysis. As a result, the GOTG does not have either the capacity to formulate and implement sound economic policy nor to conduct policy dialogue with multilateral and bilateral donors on its own.

Seminars and workshops conducted for senior policy makers were, however, successful in raising the awareness and understanding of these officials in national economic and financial matters.

Objective three: Policy studies for consideration by decision-makers and use as models for further research.

The Acting Head of the MFAU participated actively in the technical and policy discussions with the staff of the Fund and the Bank during their visit to The Gambia. The head of the unit worked closely with the HIID advisors in these exercises.

The computer analyst and other members of the staff played a key role in the collection of fiscal data and the development of a basic framework for economic monitoring.

Twelve policy studies were conducted and prepared by the HIID advisors with some participation from staff economists of the Unit.

The first HIID advisor to the MFEA served on the task force drafting the ERP. Through his work and the work of short-term specialists brought in to advise on specific problems, the HIID advisers were extremely influential in developing the ERP and in implementing it. The final major study carried out by HIID researchers was a review of the overall tax system which is serving as the basis for a reform of the system including both administrative and policy reforms.

## 5. EXTENT TO WHICH THE PROJECT SOLVED THE ORIGINAL PROBLEM

In so far as institution building is concerned, the EFPA project has only been partially successful. After six years of operation, the MFAU effectively does not have any staff who benefitted from the EFPA project and is not able to provide the level of policy analysis that the short- and long-term technical advisors provided in the past. It does not have staff capability for organizing, conducting and disseminating sound macro-economic and financial analyses for national policy review and implementation. The preparation of the Program for Sustained Development (PSD), which highlighted for the Government the organizational and human resources needed to implement the overall program, made it abundantly clear that these resources and capacities were not in place.

The institutional capacity to continue producing economic and financial statistics in the absence of technical advisors is minimal. Overall, there was no detailed institution building program. The mandate of the MFAU was never clear, and thus, its function was not institutionalized. Neither the MFEA nor the HIID team developed a terms of reference for the Unit. The Unit was not operated as an integral part of the MFEA. The operational relationships, between the MFAU and other departments within the Ministry, were not clearly specified. As a result, established procedures were not followed. Rather, the Unit operated more as a special task force responsible only to the Permanent Secretary and the Minister. The respective roles of technical advice to the Minister and Permanent Secretary versus capacity building were not clearly delineated. Therefore, the degree to which the twin objectives of skills transfer and institution building have been attained have generally been very modest because of the ad-hoc and uncoordinated manner in which the technical assistance was implemented and the rigidity in the civil service system.

The EFPA project was highly visible and performed well in a crisis management mode in its early years, during the ERP era. Its success was partly due to the personalities and strong convictions of the Minister and Chief of Party at the time. However, the style of these individuals (and the pressures of crisis management) meant that few others were involved in the process and little capacity was built.

## 6. FINAL PROJECT ADJUSTMENTS

The Mission is continuing to provide technical assistance to the MFEA through a follow-on project. A major objective of the follow-on project is capacity building. To that end, the Mission is supporting a strategic management planning exercise at the Ministry to help the Ministry identify and clarify the Ministry's mission, objectives and current strategies. The function of each

unit in the Ministry will be identified and an action plan formulated on how to achieve the objectives for the units. Resource skills, staff training and needed support will be included.

7. APPROPRIATENESS OF REMAINING CONDITIONS AND COVENANTS

None

8. REMAINING REPORTING REQUIREMENTS

None

9. REVIEW OF DATA COLLECTION RESULTS AND EVALUATIONS

The project was evaluated in March 1987, June 1990 and December 1992. The findings have been incorporated in this report. All of the evaluations recognized the valuable contribution the EFPA project made to the formulation and implementation of the successful economic reform program carried out in The Gambia. The Mission recognizes the need for capacity building and the follow-on project will focus on that objective.

10. SUMMARY OF LESSONS LEARNED

Objective One: A functioning economic research and policy analysis unit cannot be institutionalized and sustained unless the following conditions are met.

A. The Unit is structured as an integral part of the MFEA with a clear mandate and terms of reference.

B. The Unit has quick access to data and information managed by organizations within the MFEA and other governmental entities through clearly established procedures for data transfer and sharing.

C. There is a commitment from the government to appropriately staff the Unit and the Unit has a clear mandate and authority to offer competitive remuneration vis-a-vis the private sector.

Objective Two: While there are various ways of upgrading staff skills, successful development of human resource capacity for sound macroeconomic and financial analysis and policy formulation requires:

A. Developing a master plan of essential skills required for operating a high caliber macroeconomic policy analysis unit.

B. For each employee in the Unit developing a long-term career path on the basis of the employees' demonstrated skills and career objectives.

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C. For each employee, based on the master plan of skills and the potentials of the employee, develop a detailed training program geared to his/her career path.

D. If skills are to be transferred from expatriate experts, the transfer of skills should be made an integral component of the expatriate's terms of reference.

E. In order to motivate and accelerate the acquisition of skills, job performance-standards and appropriate rewards and incentives should be established and implemented. Performance based rewards and promotions will enhance employee retention.

F. When the principal person is away for long-term training, the expatriate consultant should train a Gambian understudy to fill the void.

Objective Three: The capacity to conduct economic research and develop policy papers requires a lot of experience. This experience can be partially developed by:

A. Providing continued support and opportunity to Gambian researchers: (a) to present and review their studies and research results with peers and senior management; and, (b) to present the study results at regional and international conferences.

B. Requiring long-term expatriate consultants to collaborate and co-author research studies on topics relevant to The Gambia, with Gambian researchers. This process will accelerate the transfer of research know-how. This research collaboration should be a clear element of the consultants' terms of reference which should be monitored and measured.

C. Drawing Gambian policy analysts from the pool of senior civil service staff on a dual technical-management career track system in order to enhance the retention of skilled personnel.

D. Training a cadre of economists at the PhD level.

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