

PSBBJ 367

CLASSIFICATION: UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number 635-0228 635-K-601	
		2. Country The Gambia	
		3. Category Dollar Disbursement Program Grant	
		4. Date August 20, 1987	
5. To Charles L. Gladson Assistant Administrator for Africa		6. OYB Change Number N/A	
7. From Carol A. Peasley, Director Office of Project Development <i>CAF</i>		8. OYB Increase N/A To be taken from:	
9. Approval Requested for Commitment of \$ 6.0 million		10. Appropriation Budget Plan Code 72-117/81037 GES7-87-31635-KG31	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input checked="" type="checkbox"/> None	13. Estimated Delivery Period August 1987-August 1990	14. Transaction Eligibility Date upon authorization
15. Commodities Financed None			

16. Permitted Source		17. Estimated Source	
U.S. only		U.S.	
Limited F.W.		Industrialized Countries	
Free World		Local	
Cash	\$6,000,000	Other	\$6,000,000 (cash)

18. Summary Description

Program Overview: The African Economic Policy Reform Program for The Gambia consists of such needed balance of payments support (\$6 million), for which disbursements are timed in such a way as to allow the Government of The Gambia (GOTG) to progressively implement a financial sector policy reform program. Balance of payments assistance will pay certain of The Gambia's external debts, thereby contributing to stabilization of the country's external accounts. In this more stable economic environment, further reforms in the financial sector will be implemented, thereby expanding the scope of the Government's highly successful, on-going economic reform program. Specifically under this Program, the Government of The Gambia will (1) eliminate less-than-market rate interest on loans from official sources; (2) develop and implement policies for term lending at market interest rates, for agricultural credit and for development lending; (3) eliminate preferential access to official lines of credit; (4) remunerate all buyers of agricultural products without discrimination; and (5) finance from the national budget any subsidies to public enterprises deemed to be required in the national interest. In keeping with the overall approved strategy in The Gambia, the implementation of the reforms will impact most directly on agriculture related institutions, freeing markets to wider participation.

Policy Reform Conditionality: In addition to the standard conditions precedent (legal opinion, specimen signatures, designation of authorized representatives, and establishment of separate dollar account, the following conditions precedent will be included in substance in the Program Grant Agreement:

19. Clearances		20. Action	
AA/AFR:WBollinger <i>W.B.</i>	Date 9/1/87	<input checked="" type="checkbox"/> APPROVED	<input type="checkbox"/> DISAPPROVED
AA/AFR:ELSaiers <i>W.B.</i>	9/1/87		
C/AFR:PJohnson <i>PJ</i>	8/27/87	Authorized Signature <i>[Signature]</i>	
FR/DP:JWestly <i>JW</i>	8/26/87		
FR/SWA:PDichter <i>PD</i>	8/25/87	Date 9-1-87	
FR/CONT:RKing <i>RK</i>	9/24/87		
FR/PD/SWAP:BBurnett <i>BB</i>	8/25/87	Title Assistant Administrator for Africa	

1. Prior to any disbursement of the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement for the first tranche will be made, the grantee will furnish to A.I.D., except as the parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D.:

(a) written evidence of the grantee's agreement to develop, in consultation with A.I.D., (1) its policy options for (a) term lending at market interest rates, (b) agricultural credit, and (c) development lending; and (2) its semi-annual work plans which indicate the steps involved in developing these policy options;

(b) written evidence of the grantee's agreement that no public or private sector enterprise or individual will be permitted to borrow from official sources at less than market-determined interest rates;

(c) written evidence of the grantee's agreement that it will not request, instruct or permit The Gambia Commercial and Development Bank (GCDB) or any other public sector financial institution to grant preferential access to credit;

(d) written evidence of the grantee's agreement that in the matter of its agricultural marketing, in particular for produce buying, it shall ensure that the same levels of remuneration are provided to all buyers, public or private;

(e) written evidence that the grantee will define and identify all capital guarantees or operating subsidies being provided to public enterprises by the grantee, will determine their magnitude, and will identify those capital guarantees or operating subsidies which are in the "national interest;" and

(f) a comprehensive list of all eligible debts arranged in order of priority for which payment will be made from the proceeds of the first tranche.

2. Prior to the disbursement of the second tranche of the grant or to the issuance by A.I.D. of documentation pursuant to which the disbursement will be made, the grantee shall furnish to A.I.D., except as the parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D., the following:

(a) written evidence that it has decided upon its proposed policies for (1) term lending at market interest rates; (2) agricultural credit; and, (3) development lending; and (b) that it has composed its semi-annual work plans which indicate the steps involved in adopting procedures to implement these policies;

(b) written evidence of its agreement that any type of capital guarantee or operating subsidy being provided to public enterprises in the "national interest" will be fully calculated and the costs thereof provided for in a timely manner through budgetary allocations; and

(c) a comprehensive list of all eligible debts arranged in order of priority, for which payment will be made from the proceeds of the second tranche.

3. Prior to the disbursement of the third tranche of the grant or to the issuance of documentation pursuant to which disbursement will be made, the grantee shall furnish to A.I.D. except as the parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D., the following:

(a) written evidence that the grantee's policies for (1) term lending at market interest rates, (2) agricultural credit, and (3) development lending, are being implemented;

(b) written evidence which indicates that the full costs of capital guarantees or operating subsidies being provided to public enterprises in the "national interest" are being provided for at the appropriate time through budgetary allocations; and

(c) a comprehensive list of all eligible debts arranged in order of priority, for which payment will be made from the proceeds of the third tranche.

C. Covenants: The GOTG will covenant that:

1. only eligible debts will be serviced with funds made available under the Program. Eligible debts shall mean those debts which are: (a) owed to countries included in A.I.D. Geographic Code 899 or to registered financial institutions in those countries; (b) owed to multilateral institutions; (c) incurred prior to March 15, 1987; and (d) identified by the Ministry of Finance and Trade in official reports as in arrears or due for payment. Consistent with obligations incurred by the United States of America in agreements worked out in the "Paris Club," the use of U.S. dollars under this Program shall be subject to the following priorities: servicing of official debts outstanding to the United States of America shall take precedence over any other eligible debts. Second priority shall be given to multilateral debts of The Gambia (e.g., debts to the IMF, the IBRD, the African Development Bank, etc.). Third priority shall be given to other bilateral debt (e.g., debt to members of the Paris or London Clubs). Within the preceding categories, preference shall be placed on the payment of those debts incurred for developmental purposes.

2. payments for eligible debts will be made and confirmation of payment will have been provided to A.I.D. within ninety (90) days of disbursement of funds by A.I.D.

3. it will not reverse, undo, or change any of the actions taken in fulfillment of meeting the conditionality of the Program.

D. Local Currency Arrangements: The Program neither generates local currency nor requires a complementary local currency deposit.

E. Waivers. Cash transfer arrangements preclude need for waivers. Deviation from conditions precedent and special covenants will require AID/W concurrence.