

PDBBma38

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET-SUPPLEMENT

1. TRANSACTION CODE

A = Add  
C = Change  
D = Delete

Amendment Number

1

DOCUMENT CODE

3

COUNTRY/ENTITY THE GAMBIA

3. PROJECT NUMBER  
635-0225

4. BUREAU OFFICE

Africa

06

5. PROJECT TITLE (maximum 40 characters)

Economic and Financial Policy Analyses

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
09/30/91

7. ESTIMATED DATE OF OBLIGATION  
(Under "B" below; enter 1, 2, 3, or 4)

A. Initial FY 814

B. Quarter 4

C. Final FY 819

8. COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. LIC	D. Total	E. FX	F. C	G. Total
AD Appropriated Total	1,817	183	2,000	4,113	387	4,500
Grant	1,817	183	2,000	4,113	387	4,500
Loan						
Other						
U.S.						
Host Country		440	440		880	880
Other Donors						
TOTALS	1,817	623	2,440	4,113	1,267	5,380

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION PURPOSE	B. PRIMARY TECH 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) SDP	660	710		2,000		2,500		4,500	
(2)									
(3)									
(4)									
TOTALS				2,000		2,500		4,500	

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

650 660 720

11. SECONDARY PURPOSE CODE

700

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase the ability of Ministry of Finance and Trade staff to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation.

14. SCHEDULED EVALUATIONS

Interim MM YY 07/89 08/91 Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

941  Local  Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 48 amendment)

17. APPROVED BY

Signature

Title

J.M. Stone  
AID Representative

Date Signed

MM DD YY  
06/29/88

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

MM DD YY

Project Paper  
Supplement to  
The Economic and Financial Policy Analyses Project  
635-0225

The following text describes changes in the project which will be implemented over a three-year extension period and that have been identified as necessary to achieve the original, unchanged goal and purpose of the project. The extended project will consolidate the gains already made to institutionalize the process of sound macroeconomic policy formulation among the staff of the Ministry of Finance and Trade (MOFT). Specifically, it will continue to pursue initiatives in local and overseas training, policy advice, and special studies so as to strengthen the capacity of the MOFT staff to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation. The intention is to provide the Government of The Gambia (GOTG) with an enhanced capacity to monitor the implementation of its Economic Recovery Program (ERP) and to formulate policies which promote economic growth.

Recent free elections in The Gambia have demonstrated the shift in the balance of political power away from urban areas into the rural areas. Democratic principles, free speech, and openness are accepted values in Gambian society. As can be seen from the experience of this project in its initial years, the process of economic reform can be highly successful in such a society.

### I. Background

The Gambia, a small country of approximately 785,000 people, is the smallest country in Africa but it has one of Africa's highest population densities. The country forms an enclave within Senegal extending about 350 kilometers up the Gambia River. The width of the country varies from 26 to 48 kilometers, making the river the most prominent geographical feature.

The economy of The Gambia is predominantly agricultural (58 percent of GDP) with groundnuts the major product comprising between 30 and 40 percent of GDP and providing 90 percent of the country's export earnings. Subsistence crops consist primarily of millet, sorghum, rice and maize. Local production provides only about 70 percent of the population's food requirements and about 50,000 tons of rice are imported commercially each year. Industrial activity is limited but tourism has emerged as a growing factor in the economy.

The Gambia depends heavily on trade and has an active commercial sector. All fuel and capital goods, most manufactured items and a significant amount of food must be imported. Because of its position astride the Gambia River and its open trade policy, The Gambia has served as a commercial entrepot for much of the region, importing goods for re-export to Senegal, Mali, Guinea-Bissau and Mauritania. Its small size, substantial trade openness and heavy dependence on a single export crop gives The Gambia an inherently vulnerable economy, highly sensitive to changes in terms of trade and to shortfalls in agricultural production.

During the late 1970s the Gambian economy began to decline because of a combination of internal and external factors. External sources of disruption were the Sahelian drought, the collapse of international groundnut prices, the rise in international real interest rates, the decline in foreign assistance, and escalating petroleum prices. More important, however, were the internal sources of disequilibrium. Large government investments failed to diversify the economy and generate growth. The Government overinvested in urban-oriented infrastructure and in productive activities for which The Gambia has no comparative advantage (e.g., cotton and irrigated rice production) to the detriment of traditional cash and food crop production (e.g. groundnuts and coarse grains). To operate and manage this investment program the Government dramatically increased public sector employment: the civil service doubled in size from 1977 to 1981, and more than ten new parastatal corporations were created. To finance these investments the Government 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. Imports also rose dramatically because of the high import consumption rate of the urban public sector wage earners and the high import component of the investment program. Consequently, by 1981 the Government had a chronic fiscal imbalance, the nation had a structural trade deficit, and the economy was in decline.

Although the Government tried 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. Therefore, the GOTG assembled a Task Force of high level government officials who, with technical assistance from the IBRD and USAID, drafted an action plan for economic realignment. The result of the Task Force's efforts is the Economic Recovery Program (ERP), a comprehensive and courageous program of policy measures to redress the economy's structural imbalances and to return the economy to a sustainable growth path. The ERP became the official government strategy when the Ministry of Finance and Trade began its implementation in June 1985. It was presented to the special Donor's Conference at London in September 1985, where it received widespread endorsement and support from the international community, including the IMF and IBRD.

#### A. The Gambia's Economic Recovery Program

The Economic Recovery Program has six elements, as follows:

1. Instituting exchange rate reform so that the gap between official and parallel market rates is eliminated;
2. Stimulating agricultural production through pricing policy incentives, removing subsidies, shifting of resources to increase the efficiency of agricultural extension services, and privatizing some services;

3. Expanding output and employment in other productive sectors such as fishing, light industry, and tourism through investment and price policies;
4. Reforming the public sector by reducing the budget deficit as a proportion of GDP, reducing and reorganizing the civil service in order to eliminate redundancy and increase efficiency, and reorganizing parastatals by regularizing their relations, divesting government interests in key areas, and privatizing select activities and operations;
5. Rationalizing the financial system by raising interest rates, reducing credit creation, collecting outstanding debts, limiting the money supply, and restructuring the tax system; and
6. Sharply reducing both the size and scope of the public investment program from 776 million Dalasis over 4 years to only 640 million Dalasis over 6 years.

Major initiatives have been taken in each area and progress has been substantial:

Monetary Measures: On January 20, 1986, a flexible exchange rate system based on an interbank market was introduced. The commercial banks soon began to compete aggressively for foreign exchange. As a result, the parallel market in foreign currency which had thrived since 1982 became moribund and the supply of foreign exchange available through official channels increased and the Dalasi stabilized. (The Dalasi, which moved from 3.5D to the US dollar in January 1986 to 7.5D to the US dollar in May, 1986, eventually stabilized at around 6.5D to the US dollar in late 1986 where it remains today.) The result has been to close the gap between the parallel and official exchange rate, and to increase the inflow of foreign exchange (primarily CFA francs) into official banking channels. Indeed, once the private sector had sufficient confidence in the new system, so many CFA francs were redeemed for Dalasis at the banks that the money supply ceilings mandated by the IMF Stand-by Arrangement were actually exceeded in March 1987. Subsequently, the money supply ceilings were met in June 1987, ensuring the continuation of the IMF Program. The flexible exchange rate system is now recognized as one of the Government's most courageous and effective policy reforms.

Agriculture Sector Measures: Significant increases in the production and marketing of groundnuts, rice, and coarse grains were realized as a result of higher official producer prices and more favorable rainfall distribution patterns during both the 1985/86 and 1986/87 seasons. Decontrolling retail rice prices has also helped to encourage domestic cereal production by making coarse grains more competitive in price with imported rice. Since June 1985 commercially imported rice is sold at market determined prices that are significantly above wholesale coarse grain prices. The Gambian Government has also privatized the commercial rice trade, eliminated fertilizer subsidies, and opened the fertilizer trade to private entrepreneurs in its efforts to increase the role of the private sector in agriculture.

Other Productive Sectors: Development of tourism and fisheries is being encouraged by divestment of government holdings and improved incentives for private investment through revisions of the Development Act which provides tax and other financial incentives.

Public Sector Measures: First, in June 1985 the GOTG froze all public sector wages and salaries, banned any increases for three years, and froze staff levels through 1990. Second, the GOTG began to reduce and reorganize the civil service. Immediate lay-offs of daily and temporary laborers (2300 people) and employees in established posts (460 persons) resulted in a 24 percent reduction by March 1986. Another 17 percent cut occurred in August 1986 through termination of 750 officials in established posts, lay-offs of 340 temporary and daily workers, and the closing out of 750 unfilled positions. Third, the Customs and Revenue Department was reformed, resulting in a net increase of 63 percent in customs revenues during FY 1986. Fourth, the Government instituted a ban on the creation of any new publicly-owned enterprises. And, finally, the GOTG commenced a program to rationalize and privatize existing parastatal corporations. Performance agreements are being negotiated between the Government and major public enterprises in order to rationalize their relations; and government shares and interests in other state-owned enterprises are being prepared for sale. The IBRD and USAID are providing technical assistance to the GOTG to facilitate this process.

Financial Sector Measures: There are strict controls over domestic liquidity, and interest rates are being determined largely through the market via a regular tender of Treasury Bills. Interest rate ceilings on loans and savings deposits have been abolished. An embargo on lending for non-productive purposes (consumer goods) has been implemented, and the Government has initiated studies of credit and taxes in preparation for reform of the credit system and tax laws. Moreover, the public investment program has been reduced and reoriented to focus on maintenance and rehabilitation activities as well as on priority projects, which are those with economic rates of return exceeding 15 percent. Finally, the GOTG has created a managed fund to eliminate the interlocking arrearages which had crippled its financial institutions.

Under the ERP considerable progress has been made towards complete structural reform, and the GOTG is committed to further reform measures during the next several. For the 1987/88 fiscal year, the GOTG has announced several new reforms, including the following:

1. Introduce income tax reform, by reducing the number of income tax brackets, reducing the percent of tax assessed on incomes, simplifying the list of eligible deductions, and taxing income-in-kind.
2. Introduce a general sales tax in order to raise government revenue while making the tax burden more equitable.

3. Further reduce the import duties on items important to the re-export trade, and reduce the duties on items necessary for rejuvenation of the transport sector (e.g., bicycles, trucks, buses, vans, and spare parts for autos and trucks).
4. Reduce the number of civil service grades and begin a general salary review in order to make pay grades and pay commensurate with duties and responsibilities under the restructured civil service system. (Note: wages and salaries are not scheduled to be changed in 1988.)
5. Further adjustments in the producer prices of agricultural commodities including a reduction in the price paid for groundnuts to reflect lower world market prices, a significant increase in the producer price of cotton and a slight reduction in the official producer price for rice paid by the Gambia Produce Marketing Board.

**B. History of the Project:**

In order to assist the GOTG in its understanding of the nature of its economic problems, an Economic and Financial Policy Analyses project was authorized in June 1984. In an open competitive bidding process, Harvard University was selected to implement the project under a direct contract with USAID (signed in May 1985). The Project Assistance Completion Date is September 30, 1988.

Formal work on the project began in May 1985 when the Project Director, Dr. Malcolm McPherson, made a short visit to The Gambia to work on IMF/World Bank stabilization issues and to arrange for five short-term trainees to attend the Harvard Institute for International Development (HIID) summer workshops. At the same time, another consultant to the project, Dr. Guillermo Perry, began work on indirect tax reform. His study "Taxes in The Gambia" was subsequently presented to the Government for consideration and action. The Project Director (McPherson) arrived in mid-September to take up full-time residence. Under his contract, the Director will remain until September 1988.

A second long-term advisor arrived a year later in September 1986. Numerous short term consulting services have been provided in areas of such as direct and indirect tax reform, agricultural pricing policy, debt management, budget reform and parastatal reorganization. The project is conducting long and short-term training in the U.S. and third countries as well as in-country, on-the-job training for counterparts, particularly computer training. In addition, the project has provided about a dozen personal computers to offices and appropriate individuals in the GOTG.

The project was budgeted at \$2.44 million, \$2 million of which is from USAID and \$440,000 represents the GOTG contribution, primarily for salaries and training support. As a result of excess funds in some project budget categories, particularly in "US inflation," a reallocation of funds within the project permitted a significant increase in the contribution of US advisory services without increasing overall costs.

### C. Results of the Mid-term Evaluation:

A project evaluation was carried out in February 1987. To assess progress during the first eighteen months of the project, to recommend ways in which the project might be modified in the last eighteen months of its existence, and to recommend whether or not a follow-on project or project extension would be required. The evaluation concluded that the project was "unusually successful" in addressing the immediate economic policy issues confronting the GOTG, and it endorsed the decision to add more long-term technical assistance and recommended an extension of the project to consolidate the gains already made and to establish firmly a permanent policy studies unit in the MOFT. This Project Paper Supplement reflects those evaluation recommendations.

## II. Project Description

### A. Goal and Purpose

The goal and purpose statement for this three-year extension remain unchanged from those in the original Project Paper. The sector goal to which this project contributes is the promotion of sound macroeconomic policy decisions. The project purpose is to increase the ability of the staff of the Ministry of Finance and Trade to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation. The conditions that will indicate that the purpose has been achieved (i.e. the End-of-Project status) are: (1) a statistics and special studies unit capable of conducting analytical studies, and (2) policy studies carried out and reviewed by decision-makers and incorporated into national policy. The sole assumption stated for achieving this purpose is that the MOFT will retain returned participants through adequate remuneration, professional responsibilities and bonding agreements.

The mid-term evaluation completed in February 1987 found that the project purpose was being achieved but that the institutional objective of organizing the Statistics and Special Studies Unit has progressed slowly. The hiring and promotion freeze and a large-scale retrenchment of the civil service accomplished under the GOTG ERP have made it difficult to staff adequately the Statistics and Special Studies Unit in the MOFT. Thus, additional time is needed to recruit and train staff so that they will constitute a viable policy unit in the MOFT when the EFPA project ends. Moreover, the ERP is scheduled to continue until at least June 1989; hence closure of the project at the current PACD of September 1988 would be premature. Although much has been achieved in the last two and a half years of the project, at present the institutional machinery is not sufficiently strong to continue the momentum built up under the project. Additional time is needed to consolidate the gains and to provide time for those who have already been trained, or who are currently in training overseas, to be fully integrated into the MOFT and its associated organizations.

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## B. Project Outputs

Project outputs will remain substantially as designed in the original project; i.e., (1) a functioning and effective Statistics and Special Studies Unit in the MOFT; (2) trained staff in the MOFT and associated organizations capable of providing economic and financial policy data to GOTG decision-makers; (3) 10 to 12 policy guidance studies for consideration by decision-makers and for use as models for further research; and (4) an enhanced computer-oriented data and information base on which to base rational and informed economic decisions. The last item is a new output which has arisen from the highly positive experience of the project in introducing personal computers to economic and financial decision-making in The Gambia.

A three-year extension of the project will allow the MOFT to move beyond the successful implementation of a stabilization phase of the ERP to one of sustainable economic growth for The Gambia. This need was not foreseen at the time of project design because of the uncertainties about the GOTG reform program. At that time it was not possible to anticipate the wide-ranging and comprehensive nature of the economic changes which were introduced, nor their impact. With the benefit of three years implementation experience, it is evident that there should be increased attention to a post-recovery phase in which institutionalization of the economic policy analysis capacity is effected.

## C. Project Inputs

Project inputs will consist of the following:

1. Technical Assistance: Under a direct USAID contract with an appropriate university or firm, three full-time technical assistants will furnish their expertise for 36 person-months each. The positions are: a Project Director, a Project Associate, and a locally-hired Administrative Assistant. The Project Director, as the Chief-of-Party, in consultation with the Permanent Secretary of the MOFT, will organize the work of the Statistics and Special Studies Unit to ensure that relevant policy issues are analyzed, data developed and findings presented to policy decision-makers in the MOFT and elsewhere. The Director, with the assistance of the Administrative Assistant, will administer the project, supervise the local and overseas training program, organize the short-term consultant program and fulfill reporting requirements of USAID and the GOTG in a timely manner.

The Project Associate will be responsible for working with members of the Statistics and Special Studies Unit to monitor the IMF/World Bank structural adjustment programme, to co-ordinate project-related on-the-job training within the MOFT, and to organize the computerization of the debt reporting systems and other important economic indicators. The Associate will also undertake specific policy studies as appropriate and contribute to the local training effort through the Management Development Institute.

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The Administrative Assistant will relieve the Project Director of the responsibility for many routine but necessary matters including organizing travel and stipends for trainees, travel clearances and accommodations for short-term consultants, appointments and schedules, and secretarial duties.

In addition, home office co-ordination will be required to administer the U.S. end of the training program, arrange for consultant visits to The Gambia, provide liaison with AID/W and support the permanent TA team in the field.

2. Commodity Procurement: A small quantity of commodities will be required including additional computers and software, power stabilizers, photocopying equipment and one replacement automobile.

3. Training: The project will provide 18 academic years of long-term (Master's degree) training and 36 person-months of short-term training in the United States and third countries. Short-term training will be furnished in public enterprise management, project appraisal and management, money and banking, and budget processes. Where possible, trainees will be sent for courses in other developing countries. The current EFPA project has sent two students to the East Africa Statistical Training Institute in Tanzania and other trainees will be sent there during the project extension.

Locally, the Project will continue to offer specialized computer, economics and statistics training within the Ministry as the need arises. Other courses will be taught by the project staff in conjunction with the programs of study at the Management Development Institute (MDI). Further material support in the form of books and study supplies will be provided to the MDI in consultation with the Permanent Secretary of the MOFT and the management of the MDI.

4. Other Costs: The U.S. Embassy/Banjul currently supplies duty-free petrol for project and contractor vehicles. The budget for the project extension thus includes funds for the contractor to pay for project-related fuel expenses as well as vehicle maintenance and repair.

During the life of the project, two evaluations will be conducted. The first will occur approximately midway through the project. This evaluation will replace the final evaluation that had been scheduled for the first phase of the project. A final evaluation of the project is also scheduled to take place near the end of the PACD. In addition, provision is made for an audit by an independent public accounting firm if judged necessary.

A contingency factor of 10 percent has been included to cover unexpected costs. Two and one-half percent has been added for inflation in the United States and 8 percent in The Gambia.

On January 27, 1988, the Deputy Assistant Administrator for Africa concluded that the determination set forth in Section 121 (D) of the FAA is not required as no funds from the Development Fund for Africa will be made available to the Government of The Gambia for this project.

### III. Revised Implementation Plan

#### A. Project Management:

USAID has contracted with Harvard University to provide these services during the first phase of project activities. USAID/Banjul requested and received a sole source procurement determination on April 20, 1988 from the Assistant Administrator for Africa in AID/W, based on the justification set forth in Annex 6 that compliance with full and open competitive procedures would impair US foreign assistance objectives, in accordance with AIDAR 706.302.70. This would allow Harvard University to continue to implement this project.

The contractor will be responsible for the full support of the long-term advisors (e.g., shipment of household effects and personal vehicles, international travel, housing, furniture and appliances, utilities, etc.) and all necessary support for the short-term consultants. The long-term advisors will be entitled to allowances in accordance with USAID regulations and the Standard Regulations (e.g., post differential, duty-free petrol, Embassy health services, educational allowances, R and R, home leave, etc.). The short-term consultants will be entitled to the prevailing per diem during international travel and while in The Gambia. All aspects of the placement, monitoring, support and return of the trainees will be the responsibility of the contractor in conjunction with the GOTG. AID/Banjul's Training Office (a part of the Program Office) can provide some limited assistance to the contractor.

The contractor will also be responsible for all commodity procurement except the project vehicle. Commodities will be purchased in the U.S. (e.g., personal computers, software and some of the training materials) or purchased "off-the-shelf" in The Gambia (e.g., office and other supplies). One replacement vehicle will be procured by AID/Banjul using a PIO/C with the appropriate waiver as required.

The AID/Banjul Program Office will be the responsible USAID representative for all aspects of the project. Any additional support not available within the Mission (e.g., legal and contracting services) will be requested from REDSO/WCA. Funds for vehicle procurement, evaluations, audit, contingencies and inflation will be outside the contract and managed by AID/Banjul together with the MOFT.

B. Revised Budget and Financial Plan:

The following table presents the additional funding needed for the three-year extension:

U.S.-Financed Project Costs  
(\$000)

<u>Input</u>	<u>Original Budget</u>	<u>Increase in LOP Required</u>	<u>Revised Total</u>
Technical Assistance	993.0	1248.0	2241.0
Training	420.0	734.0	1154.0
Commodities	65.0	103.5	168.5
Local Support	30.0	-	30.0
Other Costs	30.0	140.0	170.0
Subtotal	<u>1538.0</u>	<u>2225.5</u>	<u>3763.5</u>
Contingency	231.0	213.0	444.0
Inflation	231.0	61.5	292.5
Grand Total	<u>2000.0</u>	<u>2500.0</u>	<u>4500.0</u>

The table on the next page presents a detailed cost breakdown of the additional expenditures required to complete the project.

SUMMARY COST ESTIMATE  
(\$000)

<u>Inputs</u>	<u>AID</u>		<u>GOTG</u>	<u>TOTAL</u>	
	<u>FX</u>	<u>LC</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
<b>1. <u>Technical Assistance</u></b>					
2 long-term advisors 6 p.y. @ \$130/yr	780.0	-	-	780.0	-
Short-term consultants 36 p.m. @ \$13/mo	468.0	-	-	468.0	-
<b>2. <u>Training</u></b>					
Long-term (U.S.) 18 academic yrs @ \$28/yr	504.0	-	70.0	504.0	70.0
Short-term (U.S. & 3rd countries) 36 pm @ \$5/mo	180.0	-	15.0	180.0	15.0
In-country (Mgt Development Inst.)	-	50.0	15.0	-	65.0
<b>3. <u>Commodities</u></b>					
Microcomputers and software	31.0	-	20.0	31.0	20.0
Training materials/supplies	-	15.0	2.0	-	17.0
Photocopier and other office equipment/supplies	10.0	20.0	10.0	10.0	30.0
Power stabilizers	7.5	-	-	7.5	-
Vehicle (1)	20.0	-	-	20.0	-
<b>4. <u>Other Costs</u></b>					
Administrative assistant (3 yrs)	-	75.0	-	-	75.0
Vehicle fuel/maint/repair	-	20.0	-	-	20.0
GOTG staff salaries and in kind facilities	-	-	308.0	-	308.0
Evaluations	30.0	-	-	30.0	-
Audit	15.0	-	-	15.0	-
Contingency (10%)	200.0	13.0	-	200.0	13.0
Inflation (2.5% for U.S. 8% for The Gambia)	50.0	11.5	-	50.0	11.5
<b>Totals</b>	<u>2295.5</u>	<u>204.5</u>	<u>440.0</u>	<u>2295.5</u>	<u>644.5</u>

The table on the next page presents a summary of the methods of financing for the major project actions envisioned. The contractor will be responsible for all commodity procurement except for the purchase of a replacement project vehicle. A source/origin vehicle procurement waiver for this purchase was obtained (See Annex 5). All training will be the responsibility of the contractor. A waiver is being obtained for those trainees to receive training in Code 935 and other countries (Code 941). The Administrative Assistant will be obtained under a local PSC sub-contract with the university.

Evaluation and audit provisions have been made, as described in the Monitoring and Evaluation Plan. These actions will be executed through AID/Washington or REDSO/WCA IQC contracts and are thus USAID Direct Cost Reimbursement contracts. The audit, if required, would be at the direction of the Regional Inspector General (RIG) Office in Dakar. Evaluations will be directed by the AID/Banjul Program Office.

**C. Methods of Financing**

(\$000)

<u>Element</u>	<u>Contracting Method</u>	<u>Type of Contract</u>	<u>HC/Direct</u>	<u>Financing Method</u>	<u>Est. Value</u>
1. Technical Assistance	Sole Source	Cost Reimbursement	Direct	Letter of Commitment	1,248.0
2. Administrative Asst.	Negotiated	Personal Services	"	Direct Reimbursement	75.0
3. Commodities	Fixed Price	Cost Reimbursement	"	Letter of Commitment	83.5
4. Local Support	Fixed Price	Fixed Price	"	Direct Payment	20.0
5. Vehicle	Fixed Price	Fixed Price	"	Direct Payment	20.0
6. Training	Sole Source	Cost Reimbursement	"	Letter of Commitment	734.0
7. Eval/Audit	Competitive (IQC)	Cost Reimbursement	"	Direct Reimbursement	45.0
8. Contingency/Infation	-	-	-	-	<u>274.5</u>
				<b>TOTAL</b>	<b>2,500.0</b>

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**D. Revised Implementation Schedule:**

**Note:** This schedule assumes that competitive procurement procedures will be utilized. If sole source procurement can be justified, HIID will submit its proposal and a contract negotiated with HIID before the current PACD of September 30, 1988.

<u>Month</u>	<u>Activity</u>
0 (April 88)	Authorization of Project Supplement Signing of Project Grant Agreement
1	CBD Notice drafted and published CPs to disbursement satisfied
2	RFTP forwarded to educational institutions MOFT/university identifies additional candidates for long-term training
4	Closing for receipt of technical proposals
5	Evaluation of technical proposals
6 (Sept. 88)	Cost proposal requested from highest ranked university Departure of TA team from first phase of project
7	Contract negotiated and signed
8	Replacement long-term advisors arrive
9 (Dec. 88)	Administrative assistant hired
10	Participant placement and equipment procurement process begins
11	First consultant arrives to undertake study
12	Short-term trainees begin courses in U.S. or third countries; and equipment procured
13	First in-country course, workshop or seminar conducted
15 (June 89)	First group of long-term trainees begin 1 to 2 year MA/MBA programs
27 (June 90)	Mid-term evaluation conducted
27	Second group of long-term trainees begins studies First long-term trainee returns to MOFT

<u>Month</u>	<u>Activity</u>
39(June 91)	Remaining long-term trainees return to MOFT
40	Final project evaluation conducted
42(Sept 30, 91)	Long-term advisors depart PACD

The following occur throughout the life of the project:

1. Consultants arrive to conduct studies and in-country training programs;
2. Short-term trainees attend courses in the U.S. and third countries;
3. Courses, workshops and seminars held in The Gambia.

#### E. Coordination with Other Donors

The activities of the EFPA project are closely co-ordinated with the work of other donors in The Gambia. For example, the British through the provision of technical assistants and advisors are playing a key role in the reform of the Customs Administration, the Accountant General's Department and the Central Bank. The World Bank is supporting the reform of the Gambia Commercial and Development Bank, improving the capacity of the National Investment Board (which monitors the performance of the parastatals and oversees the Government's privatization program), and the Central Statistics Office of the Ministry of Economic Planning, as well as beginning the monitoring of the social effects of economic adjustment. The World Bank has also provided the President with an economic advisor. The International Monetary Fund has advisors in the Central Bank. The UNDP has two advisors in the Trade Division of the Ministry of Finance and Trade.

Donor-funded advisors contribute to the overall improvement of the administration and operations of the Government. With their support and expertise, the ERP has been transformed from an interesting list of policy actions to a viable, comprehensive and successful structural adjustment program. Much of the success that has come of the policies which the staff and the consultants of the EFPA project have developed in conjunction with Ministry of Finance and Trade staff, has been the result of the close cooperation among these advisors and consultants.

#### IV. Economic and Financial Justification

The purpose of this section is to establish that the project remains economically and financially justified, in spite of the higher funding level (more than doubling of the original cost of the project). By its

nature, the EFPA project does not lend itself to traditional cost/benefit analysis, and consequently this has not been attempted here. Nonetheless, a number of examples are available which give a reliable sense of the magnitude of economic and financial contributions that can be expected of the project.

The first phase of the project has clearly demonstrated that the magnitude of benefits which result from policy reforms promoted by the project far outweigh the project costs. This is true in both a financial sense (i.e., direct financial benefits to the GOTG from reforms such as major changes in tax and customs procedures) and in an economic sense (e.g., higher rates of economic growth and higher incomes for the rural population of The Gambia).

Demonstrating beneficial financial impact, one example alone is sufficient to make the point. Largely as a result of the efforts of project staff, a major improvement in customs collection procedures was implemented, resulting in a 63% increase in revenues in one year. This amounted to 93 million Dalasis, or over \$14 million at current exchange rates. In the area of taxation the project is expected to make an equally impressive contribution during its three year extension.

Regarding economic benefits to the society as a whole, the experience of the first phase of the project has also shown that the magnitude of benefits resulting from project sponsored reforms is likely to far outweigh costs. For example, it is evident that the combined effects of the macro-policy changes in agriculture have increased agricultural income and improved rural welfare. Provisional estimates show that while the proportion of GDP generated in agriculture increased marginally in 1985/86, in absolute terms agricultural income has increased by an estimated 8.9 percent. After allowing for the effects of population increase of 2.5 percent, this represents an increase in average per capita agricultural incomes of 6.4 percent.

These results indicate that the macroeconomic policies devised by this project and introduced under the ERP are leading to the expected changes in the behavior of agricultural producers. The total area cultivated and harvested has increased; crops with higher relative returns are receiving increased attention; livestock production is responding; and input use, particularly of labour, has increased. Agricultural producers have so far been rewarded for their efforts with higher real incomes. Some of the increased income has been used to improve rural welfare (as evident in the new construction and general compound and farm improvements). Given the erosion of real incomes in agriculture over the last decade, higher expenditure in these areas initially is understandable. Yet, if the measures taken under the ERP are to produce a lasting transformation of Gambian agriculture, higher levels of total factor productivity must be achieved and maintained. The macro-policy changes introduced under the ERP, by helping to revive agriculture, have provided agricultural producers with the resources to begin moving the sector in the appropriate direction. But for the improvements to become permanent features of agricultural development in The Gambia, both the macro-policy changes and the responses of agricultural producers will have to be sustained. To do this, policies

agriculture, have provided agricultural producers with the resources to begin moving the sector in the appropriate direction. But for the improvements to become permanent features of agricultural development in The Gambia, both the macro-policy changes and the responses of agricultural producers will have to be sustained. To do this, policies which move the economy beyond the ERP goals of stabilization and recovery to a sustainable growth path will have to be formulated and implemented on a continuing basis. The purpose of this project extension is to establish the institutional capacity needed to continue this process.

## V. Issues

### A. Ensuring Institutionalization

USAID has promoted a number of projects around the world which have attempted to develop and/or enhance policy analysis capacity in host country governments. While these projects have met with varying degrees of success, institutionalization of the capacity to analyze policy options and make sound recommendations to decision-makers has often proved difficult. Although the EFPA project has been unusually successful to date in influencing policy, it is beginning to encounter many of the same problems which similar projects in other countries have had, especially as it accelerates its efforts to permanently establish the Statistics and Special Studies Unit in the MOFT. Common difficulties experienced by similar projects include problems with retention of trained staff due to poor salaries and working conditions, lack of access to decision makers by host country staff, and inadequate budgets, training, staff and equipment for the data collection and analysis required to formulate policy options.

Three particular problems areas have been or may well be encountered by the EFPA project: (1) appointment of sufficient staff to the SSSU, (2) staff retention and motivation, and (3) access to high-level decision-makers by host country staff.

1. Staff Appointments to the SSSU: The 1988 GOTG budget shows 8 professional positions approved for the Statistical/Special Studies Unit. Only two of these, however, have been filled to date. At the time this PP supplement was written, the MOFT had just received authorization to hire three additional people for the unit. There are valid reasons why this staffing process has been slow (e.g. severe restrictions on new hiring is part of the GOTG agreement with the IMF), but adequate staff levels are essential to the institutionalization goals of the project. Hence, it will be a covenant of the new project agreement that the MOFT is authorized to hire the remaining professional staff for the unit by the end of the first year of the project extension.

2. Staff Retention and Motivation: Staff that have been trained by the project are likely to be increasingly in demand, particularly as the level of private sector activity in The Gambia increases. The better qualified individuals will probably be able to command higher

salaries and benefits outside the MOFT and the GOTG. To address this problem, the project implementors, including the GOTG, will need to give considerable attention to working conditions for host country staff, including not only financial incentives but also questions of prestige and professional satisfaction. A related point concerns bonding of participant trainees, that is the requirement that individuals sent for long term training be required to work in their home institution for at least two years after their return. This is a normal requirement of the Gambian Government, and needs to be fully enforced for people trained under this project. A covenant will require appropriate enforcement of this policy.

3. Access to Decision-Makers. In the final analysis, the degree of access to decision-makers by host country staff will depend largely upon the quality of the analysis produced, questions of trust and confidentiality, and to some extent, the personalities involved. Nonetheless, the position of the SSSU in the organization chart of the Ministry may be one way of improving access to decision-makers by host country staff. The SSSU currently occupies a fairly low level position in the organization chart, although it in fact exercises considerable influence. It is not clear, however, that it will continue to wield the same degree of influence when the present personalities are no longer in place. The February 1987 evaluation recommended that the unit be elevated and attached directly to the Office of the Permanent Secretary. The Project Director and the Mission do not believe that this is necessary at this time. In view of the fact that the MOFT is quite small and that contact between MOFT officials is informal and collegial the matter of the SSSU's position within the MOFT will be left to the Minister. However, there will be a covenant requiring a review of this issue.

#### B. Participant Training Selection

The possibility of training opportunities is one of the major incentives that the SSSU can offer to existing staff or to individuals the unit hopes to recruit. Who receives training, and consequently who does not, is an important consideration in African countries. To date, selection of participant trainees has been handled informally, with the Minister and the expatriate Project Director having the major voice in selection decisions, and Harvard campus officials having final veto authority in as much as participants must meet minimum academic qualifications. Although the flexibility inherent in such an informal process has some advantages, a more regularized approach that is understood by potential trainees will be put in place during this extension. A project training committee, consisting of the chief expatriate advisor and two or three host country officials will be established in the early stages of implementation and written criteria for the selection of trainees will be established.

### C. The Statistics and Special Studies Unit (SSSU)

There are three important functions which the SSSU performs. First, the SSSU is responsible for monitoring GOTG compliance with the IMF and IBRD Structural Adjustment Programs. This involves collecting and analyzing fiscal and monetary data on a monthly basis. It also involves monitoring the progress of the Economic Recovery Program, so that its quantitative and qualitative reform measures are in compliance with the targets set under the IMF and IBRD programs. Second, the SSSU monitors GOTG compliance with bilateral and other multilateral donor support programs. This involves monitoring programs such as the USAID PL 480 Title II Section 206 Program, the USAID AEPRP Grant, the UK fuel grant, the EEC Stabex Grant, and other balance of payments support programs. It also involves the computerization of information relevant to monitoring the economy and donor assistance. For example, last year a computerization exercise was done for the Customs Department so that all Customs records are permanently catalogued. At this time The Gambia's external debts are also being computerized by the SSSU so that they can be monitored and tracked more easily. Third, the SSSU conducts special studies of topics relevant to the ERP, as requested by the Minister of Finance & Trade. The SSSU publishes the results of these studies in an economic notes series. Some of these studies are conducted on an annual basis, such as the monitoring and analysis of groundnut marketing in The Gambia and the GPMB'S marketing performance, both operationally and financially. Other studies are conducted according to needs identified by the Minister of Finance & Trade. For example, a study of the informal credit market is being conducted in order to gather information that can help inform the MOFT as it tries to develop a more viable, efficient credit policy and credit delivery system.

During the first phase of this project the SSS Unit was established, positions were identified and included in the GOTG organizational chart. Two Gambians were selected to staff the Unit and each one was sent for long-term training. While the Gambian staff were in training, the HIID Project Advisor and Associate performed all monitoring tasks, while short-term consultants as well as the Project Director and Associate conducted the special studies. Recently the Gambian Economist and Computer Programmer completed their training and took up their positions in the SSSU. A secretary was also hired bringing the Gambian staff level up to three. Within the next several months the MOFT expects to hire another economist and a statistician for the Unit. During the Project extension's first year, an additional statistician and economist also should join the SSSU. These individuals will receive long-term training. Upon their return, all Gambian staff will also receive on-the-job training.

The Gambian Staff in the Unit are already participating in the performance of all three SSSU functions. During the project extension, as the SSSU reaches full staff level strength and the staff is trained, the Gambians will perform a proportionately greater share of all the monitoring and analyses done by the SSSU. By the end of the project extension the Gambian staff will be performing all monitoring and analyses of data relevant to the ERP, the IMF and IBRD programs, and other donor programs. Moreover, Gambian staff will conduct a progressively and proportionately greater amount of the special studies than that done by the HIID Advisors or consultants.

The benchmarks indicative of progress in institutionalizing these activities in the MOFT SSSU will be (a) the hiring, training and placement of staff in the SSSU itself; (b) by the end of the first year of the project extension, Gambian SSSU staff will be responsible for monitoring GOTG compliance with the IMF and IBRD structural adjustment programs; (c) by the end of the second year of the project extension, Gambian SSSU staff will be responsible for monitoring GOTG compliance with other multilateral and bilateral donor support programs; and (d) by the end of the third year of the project extension, Gambian SSSU staff will be conducting most of the special studies done at the Minister's request. However, it should be noted that even after this project ends there will still be certain special studies which will require technical expertise not available in The Gambia. For example, it may continue to be necessary to retain outside consultants to analyze the impact of GOTG monetary and fiscal policies on the banking sector and to recommend remedies to relieve constraints; or to analyze the impact of tax reform on incomes and economic activity.

The Project Director, in his semi-annual written reports, will report to the AID/Banjul Project Officer the plan and schedule for the selection, training and placement of Gambian staff for the SSSU, and progress being made in that regard.

#### VI. Monitoring and Evaluation Plan.

A complete Monitoring and Evaluation plan has purposely not been developed for this PP Supplement. This is because over the next few months, AID/Banjul intends to rethink its entire set of Monitoring and Evaluation activities at both the program and the project level, using the services of an IQC firm specializing in this area. The EFPA project will be included in this review, and is in fact in a good position to assist the Mission with impact monitoring at the program level. In light of the situation explained above, the following M & E plan is defined only in very general terms.

Monitoring of the extended project will be carried out at two levels. The first set of M & E activities will look at the development and institutionalization of a policy analysis capacity in the MOFT, which is the essence of the project outputs and purpose. The second set of monitoring activities will attempt to assess the broader impact of the project, by examining policy reforms that have been implemented and the effect they are having upon various sectors of the economy. In addition to regular monitoring, two evaluations are planned for the extended project.

A. Monitoring Project Outputs and Purpose

1. Policy Analysis Capacity:

The sources of information for this set of monitoring activities are contractor reports, MOFT reports, training records and reports, interviews and meetings, and whatever special reports may be required. In addition, policy studies produced, their quality, and the level of Gambian participation in the studies will be indicators of progress toward the overall project objective of institutionalizing a policy analysis capacity. Finally, the policies and budget allocations adopted by the GOTG will themselves be an indication of project success, when viewed at the broadest level.

2. Policy Guidance Studies:

The original project paper (Annex 1, pages 6-8) listed and described eleven research topics for the HIID advisors and consultants to investigate. Because the ERP was not envisioned at the time those topics were identified, the studies were modified during the project so as to provide advice and guidance to GOTG decision makers as they implemented the ERP. During the second phase of the EFPA Project, between 10 and 12 studies will be conducted to provide guidance to the GOTG, especially the MOFT, as it continues to implement the highly successful ERP. These topics are listed in Annex 3 of this Project Paper Supplement.

The Mission and HIID Advisors emphasize that these policy studies are done only at the MOFT's request, and in no way are they meant to influence GOTG policies. Indeed, it is not the purpose nor the goal of this project to influence GOTG economic and financial policies. Rather

it is the purpose of this project to increase the MOFT staff's ability to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation.

The Project Director reports quarterly to USAID on plans for consultant visits and special studies. The USAID Program Officer approves all travel by short-term consultants after reviewing the scope of work prepared for each respective consultant. Upon completion of each consultant's research, USAID is briefed on the substance of the study and its recommendations. The HIID Project Director, in his semi-annual reports, describes progress being made in those areas in which EFPA consultants have been analyzing. For example, several consultants have been analyzing the Gambia's tax structure during the first phase of the project. Based on their research and findings, several new tax proposals were recommended to the MOFT for consideration. The MOFT drew up a plan for income tax reform (reduce the number of tax brackets, reduce the percent of tax on incomes, simplify the list of eligible deductions, and tax income-in-kind) which was recently passed by Parliament and became law effective January 1, 1988. This process was monitored by the USAID Project Officer and reported on by the HIID Project Director. Similar procedures to monitor the results of policy studies will be followed during the project extension.

#### B. Monitoring Policy Impact

As policy reforms are implemented in The Gambia and other Third World countries, monitoring of the effects of those reforms becomes increasingly important. Economic restructuring, while creating setting the conditions for long-term growth, can nonetheless cause short-term economic and social disruption (e.g., higher food prices or increased unemployment). Both the positive and negative effects of policy changes need to be carefully monitored and analyzed. The SSSU will continue to monitor the macroeconomic impact of the policy reforms enacted by the GOTG during the ERP and thereafter. This will also include analysis of the impact of the policy reforms on particular sectors, such as agriculture, which hitherto has been done by the project consultants. The World Bank will complement the efforts of the EFPA project and the SSSU by providing its own technical assistance to the Ministry of Economic Planning & Industrial Development's Statistics Dept. The World Bank project will undertake microeconomic impact analyses, however, with social statistics and household surveys forming the basis of its efforts.

### C. Project Evaluations

Two evaluations will be carried out during the extended project. The first will occur around July, 1989, approximately 2 1/2 years after the last evaluation, and will review implementation under the new contract team that should be well established by that time. The final evaluation will be carried out near the end of the project in 1991. Provision is also made for an audit of the project, in the event that this is needed.

### VII. Conditions and Covenants

The conditions and covenants in the original project agreement will remain in effect during this extension. In addition, three covenants will be added to the new project agreement.

#### Covenants

1. The GOTG agrees that the MOFT will be authorized to hire and staff the Statistics and Special Studies Unit with qualified professional personnel as required to operate the Unit.
2. The GOTG will review the position of the SSSU in the organization chart of the MOFT and determine if it should be placed in the office of the Permanent Secretary.
3. The GOTG agrees to apply fully its rules requiring government service from the long-term participants trained under this project.

REVISED LOGICAL FRAMEWORK

Project Title & Number: Economic and Financial Policy Analyses (635-0225)

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
Program or Sector Goal:	Measures of Goal Achievements:		Assumptions for achieving goal targets:
The promotion of sound macroeconomic policy decisions, thereby enhancing the development of The Gambia	GOTG policy decision-makers consider the micro and macroeconomic implications of each course of action before making policy decisions.	- Stated policies - Economic policies implemented.	MOFT economic and financial analyses are utilized by GOTG decision-makers

NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE INDICATORS

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS

Project Purpose:

Conditions that will indicate purpose has been achieved: End-of-Project status.

Assumptions for achieving purpose:

To increase Ministry of Finance and Trade (MOFT) staff ability to organize conduct and disseminate sound economic and financial analyses for national policy consideration and implementation.

1. Special studies unit capable of conducting analytical studies.
2. Policy studies undertaken were reviewed by decision-makers and incorporated into national policy.

- MOFT staffing pattern
- MOFT budget allocations
- GOTG budget submissions
- Reports by Gambian analysts
- Cabinet decisions
- IMF reports and positions
- AID evaluations

MOFT will retain returned participants through adequate remuneration, professional responsibilities and bonding agreements.

NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE INDICATORS

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS

Project Outputs:

Magnitude of Outputs:

Assumptions for achieving Outputs:

- 1. Functioning MOFT special studies unit and, as required, special task forces.
- 2. Trained MOFT staff to run and support special studies unit.
- 3. Policy studies for consideration by decision-makers and use as models for further research.

- 1. Special studies unit staffed by returned participants.
- 2. (A) 13 MOFT staff trained at MA/ MBA level in U.S.
- (B) 35 to 40 MOFT and other GOTG staff receive short-term training in U.S., third countries or The Gambia.
- 3. 10 to 13 pre-identified policy studies conducted by short-term consultants in conjunction with MOFT staff.

- Training records
- MOFT staffing pattern
- Contractor semi-annual reports
- MOFT reports
- Interviews

- MOFT has sufficient numbers and adequately trained staff to receive further training.
- MOFT/GOTG commitment to human resource development

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NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE INDICATORS

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS

Project Inputs:

Implementation Target (Type & Quantity)

Assumptions for providing Inputs:

AID:            \$000

Approved project budget.

Project Grant Agreement - Congressional Notification signed.

accepted.

Technical asst. 2241.0

Training 1154.0

- FY 84 and FY 88 funds

Commodities 168.5

available.

Local support 30.0

Other costs 170.0

Contingency &

Inflation 736.5

4,500.0

GOTG

Training 200.0

Commodities 64.0

Local support 616.0

880.0

Total 5,380.00

THE REPUBLIC OF THE GAMBIA



Ministry of Finance  
and Trade,  
The Quadrangle,  
Banjul.  
March 24, 1988.

MF/1091/1(10)

Mr. Jimmie Stone,  
USAID Representative  
USAID  
Banjul.

Dear Mr. Stone:

**BEST AVAILABLE DOCUMENT**

DATE RECEIVED	03-04
ACTION TO:	Herley
DATE DUE:	03-10
ACTION TAKEN:	attach to PR
DATE OF ACTION:	3-4
BY:	Herley

Request for an Extension of the Economic and Financial Policy Analyses Project (635-0225).

This is to request formally that the US Agency for International Development grant an extension of the Economic and Financial Policy Analyses (EFFA) Project (635-0225) for three years. As indicated in my discussions with your Office and as stated in the Project Paper supplement, the EFFA project has provided critically important technical assistance and training to the Government of The Gambia. In particular, the EFFA project has played a key role in helping this Ministry design and implement our complex albeit successful Economic Recovery Programme.

Despite the success of the project to date in helping Government to promote sound macroeconomic policy analyses and decisions, more time is needed to consolidate the gains already made to establish firmly a permanent policy studies unit in this Ministry. The hiring and promotion freeze and large-scale retrenchment of the Civil Service have made it difficult to staff adequately the Statistics and Special Studies Unit. Additional time is needed to recruit and train an adequate professional staff that will constitute a viable institutionalized policy unit in this Ministry once the EFFA project ends. Moreover, our Economic Recovery Programme is scheduled to continue until at least June 1989; hence closure of the project at its current scheduled date of September 1988 would be premature. Although much has been achieved during the past two and a half years, the institutional machinery is not yet sufficiently strong to continue the momentum built up under the project. Additional time will help this Ministry consolidate the gains made to date and provide time for those who have already been trained or are currently in training to be integrated fully into the various services of the Government and its associated organizations.

We gratefully acknowledge your Government's continued support and encouragement of our efforts to promote economic reform and to return the economy to a path of sustainable long-term growth. Your assistance at this time is timely, highly appropriate and deeply appreciated.

Yours sincerely,  
*S. S. Sisay*  
Sheriff S. Sisay  
Ministry of Finance and Trade

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## ANNEX 3

### Illustrative List of Special Study Topics

1. Non-institutional forms of lending and saving and methods for integrating them with the formal credit system.
2. Methods of strengthening tax administration to improve the effectiveness, equity, and efficiency of the tax system/
3. Improved collection and monitoring of macro-economic data so that key economic data can be regularly updated and analyzed.
4. The role of Government in the promotion of structural adjustment and economic growth within the context of liberal economic reform.
5. Consultancy to review the operations and management of the Gambia Cooperatives Union.
6. Policies to strengthen the economic and financial linkages between the rural and urban areas.
7. The promotion of inter-regional trade.
8. Exchange rate, interest rate, and budget policy as positive elements in the maintenance of economic stability and the promotion of sustainable economic growth.
9. The administrative burden of structural reform.
10. The recurrent cost problem in the context of a three-year rolling plan.
11. The impacts of policy changes on production, income, and employment. (probably several studies).
12. Budgetary procedures and reform.
13. Financial control systems.

## MINISTRY OF FINANCE AND TRADE

Details of Establishment

Sub-Head	Numbers		Detail	Grade	1986/87	1987/88
	1986/87	1987/88			Approved	Estimate
02	STATISTICAL/SPECIAL STUDIES UNIT					
	Salaries (010)				D	D
(48)	1	1	Head of Unit	17	11,196	101
(49)	1	1	Principal Economist	16	10,092	101
(50)	1	1	Senior Economist	15	9,012	9,012
(51)	1	1	Senior Statisticians	15	9,012	9,012
(52)		2	Economists	13/14	-	14,760
(53)		1	Computer Analyst	13	-	7,380
(54)		1	Statistician	13	-	7,380
(55)	2	1	Typist	4,5/6	4,680	2,340
(56)	1	1	Messenger	3/4	3,960	1,980
	1		Principal Statsn.	16	10,092	-
	2		Assistant Statsrs.	9/10	9,240	-
	1		Typist	4,5/6	2,340	-
	1		Driver	5/6	2,712	-
	Allowances (020)					
(57)			Acting Allowance		1,000	1,000
(58)			Children's Allowance		500	500
(59)			Non-Pensionable Allowance to Drivers		120	-
(60)			Basic Car Allowance		6,000	4,800
(61)			Residential Allowance		8,400	7,200
	14	10	TOTAL-(4) STATISTICAL/SSD		99,190	65,380
	102	85	Total-02 CENTRAL REVENUE DEPARTMENT		585,280	540,100

ANNEX 5

Source/Origin Vehicle Procurement Waiver

Problem: A source/origin vehicle procurement waiver from AID Geographic Code 000 (U.S. only) to Geographic Code 935 (Special Free World) is required.

a) Cooperating Country:	The Gambia
b) Authorizing Document:	Project Grant Agreement
c) Project:	Economic and Financial Policy Analyses (635-0225)
d) Nature of Funding:	Grant
e) Description of Commodities:	One (1) 4-door sedan
f) Approximate Value:	\$20,000
g) Probable Origin:	France
h) Probable Source:	The Gambia

Discussion: Section 636(i) of the Foreign Assistance Act (FAA) states that motor vehicles must be of U.S. manufacture unless special circumstances exist which would permit procurement of non-U.S. manufactured vehicles. Also, AID Handbook 1B, Section 4C2d states that circumstances which may merit waiving the requirement include "present or projected lack of adequate service facilities and supply of spare parts for U.S. manufactured vehicles." This special circumstance exists in The Gambia. It is virtually impossible to obtain spare parts or service for U.S. manufactured vehicles.

The subject project will be providing two advisors for three years to the Ministry of Finance and Trade and the equivalent of three years of short-term consultants. The vehicle will be provided for the long-term advisors for project-related work and for use by the short-term consultants.

As documented in other vehicle waivers, there are no American vehicle dealerships in The Gambia nor any resident expertise to repair American vehicles. The one General Motors dealership in The Gambia has gone out of business.

Based on Handbook 1B, Section 5B4a(6) and on the current non-availability of spare parts and maintenance facilities for U.S. vehicles, it is felt that the objectives of the foreign assistance program would best be met by permitting the local procurement of non-U.S. vehicles. The necessary maintenance and repair facilities are available in Banjul for other foreign-made vehicles.

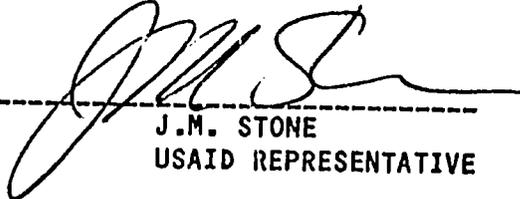
Recommendation: That the AID Representative:

1) approve a change in the authorized Geographic Code from Code 000 (U.S. only) to Code 935 (Special Free World) to permit the procurement of one 4-door sedan;

2) certify that exclusion of procurement from Free World countries other than the cooperating country and Code 941 countries would seriously impede attainment of U.S. foreign assistance program objectives ; and

3) certify that special circumstances exist to waive the requirement of Section 636(i) of the FAA to permit this procurement.

Approved: \_\_\_\_\_



J.M. STONE  
USAID REPRESENTATIVE

Disapproved: \_\_\_\_\_

J.M. STONE  
USAID REPRESENTATIVE

Date: \_\_\_\_\_

6-29-88

**JUSTIFICATION FOR SOLE SOURCE PROCUREMENT  
TO HARVARD INSTITUTE FOR INTERNATIONAL DEVELOPMENT  
FOR THE GAMBIA'S ECONOMIC AND FINANCIAL POLICY  
ANALYSES PROJECT (635-0225) EXTENSION**

**SUMMARY:** Harvard University's Institute for International Development (HIID) has been the contractor for the Economic and Financial Policy Analyses (EFPA) project (635-0225) since May 1985. During that time HIID has provided two long-term advisors and seven short-term consultants to the Government of The Gambia (GOTG) Ministry of Finance and Trade (MOFT), where the project is based. These advisors and consultants have played a critical role in the development of the highly successful, market-oriented Economic Recovery Program (ERP) of The Gambia. Indeed, the EFPA project is the cornerstone upon which US government relations with the GOTG rest. The EFPA project has been the primary source of studies which have formed the basis for our policy dialogue with the GOTG. And HIID consultants and advisors have played a key role in facilitating this policy dialogue. Moreover, work done by HIID has helped lay the foundation for our highly successful PL 480 Title II Section 206 Program and our nascent African Economic Policy Reform Program. HIID's record of exemplary accomplishments to date under the EFPA project are attributable to: (1) the predominant expertise of its consultants in certain fields, (2) the long-standing, substantial and intimate involvement it has had in The Gambia since 1983 (two full years before the EFPA project commenced), (3) the specialized knowledge HIID has acquired during this time, and, most importantly, (4) the high degree of trust and confidence which HIID has built up among MOFT and other GOTG officials, including the President himself. These factors make it vital to the success of the EFPA project, and ultimately, to the success of the ERP itself, that HIID continue to conduct this project. End Summary.

1. HIID has prior experience of a highly specialized nature in The Gambia which is vital to the success of the EFPA project and to the ultimate success of the market-oriented ERP. HIID has had staff members working with the MOFT on a regular basis since 1983, fully two years before this project began. Indeed, the initial work done by these consultants on special topics (e.g. financial and budget reform, credit, tax reform, and parastatal enterprises) laid the groundwork for the design of the bold and comprehensive ERP. The cumulative experience gained by HIID staff, and their intimate knowledge of the process of reform in The Gambia, makes it vital to the success of the EFPA project and to the economic recovery process itself that HIID continue to operate the project. With the ERP scheduled to continue until at least June 1989, any interruption or discontinuation of HIID's work would adversely affect the ultimate success of the project and the ERP.

2. It would impair US foreign assistance objectives in The Gambia, and adversely affect other USAID projects in The Gambia, if full and open competition had to be used for this project extension. The EFPA project is the cornerstone upon which US government relations with the GOTG rest. Studies done by HIID staff have formed the basis for our policy dialogue with the GOTG. And HIID staff have played a key role in facilitating this policy dialogue, precisely because they have had such extensive and specialized knowledge and experience in Gambian affairs. Indeed, the familiarity of HIID technicians with the personalities and dynamics at work on all sides on the sensitive issues of policy reform has been of critical help to the US Government in mutually successful negotiations with the GOTG. HIID staff, collectively and individually, have comprehensive knowledge of GOTG relations and negotiations with the IMF, the World Bank, and other donors which no other institution has or could duplicate in a short time. HIID staff also have unique knowledge of the complex social, political and cultural issues at stake as The Gambia implements its comprehensive restructuring program. USAID benefitted from this knowledge and experience in the design of our innovative PL 480 Title II Section 206 program, which has introduced market reforms to promote private business along with divestment and privatization of the dominant parastatal enterprise. We benefitted likewise from HIID's intimate knowledge in the design of our African Economic Policy Reform Program. If HIID were not to continue on the EFPA project that institutional memory of The Gambia would be lost, and this would cripple the EFPA project and hamper other USAID assistance efforts.

In a very real sense it is important for US foreign policy objectives that the success of the Gambia's ERP continue. The promotion of free market principles and private enterprise and the reform of the public sector, notably through privatization of parastatals, are cornerstones of the End Hunger Initiative and are critical for African development. HIID's unparalleled success in assisting The Gambia to implement these ideas, and making them work, has demonstrated the merits of recovery and restructuring programs to other nations. However the ultimate success of the ERP would be threatened by HIID's departure from the scene. To promote US foreign policy objectives, we must ensure that one of our foremost institutions continues its critical role in The Gambia.

3. HIID has personnel who are predominant experts in their particular fields. James Duesenberry, former chairman of Pres. Johnson's Council of Economic Advisors and ex-chairman of the Federal Reserve Bank of Boston, is the author of the definitive textbook on banking and finances which is used in graduate schools throughout the US. He has been advising the GOTG on these matters and he has made key suggestions which assisted in the refinement of our AEPRP which is promoting financial reform in The Gambia. Without the continuation of financial and banking reform, it is doubtful that The Gambia will ever have the institutional strength to finance or attract the investment needed to sustain economic growth. Duesenberry's role in this field has been and will continue to be critical to its success. Similarly James Vincze, an internationally recognized tax specialist, has particular experience

with income taxes and duties. He has been working with the MOFT in this area for about two years and thus has developed unique knowledge of the Gambian system. The results of his work are coming to fruition; hence to lose his expertise at a time when the GOTG is implementing radical changes in its tax structure would be detrimental to the pace, credibility and sustainability of this reform effort. Finally, Lester Gordon has worked in several African countries on the process of budget reform and he has written several seminal papers and a textbook on this subject. He has played a strategic role over the last four years in shaping the GOTG's attitude towards budget reform. Now that he has earned the respect and confidence of Gambian officials, it would have an adverse affect on the budget reform process if his assistance through HIID were to stop.

4. Indeed, one of the most critical factors arguing for sole source procurement from HIID is that HIID has made a significant and substantial investment in personnel, time and effort in developing close working relationships with officials in the GOTG. These relationships are all important in a developing country like The Gambia and they would take several years to duplicate, if they could ever be duplicated. These relationships are especially important because of the highly sensitive issues with which HIID staff deal in tandem with MOFT staff. Among other things, HIID staff played a key role in uncovering customs duty fraud on the part of private businessmen and worked in confidence with MOFT officials to resolve the situation. Matters pertaining to tax reform, budget reform, and other financial transactions require deep trust and confidence in consultants on the part of the GOTG. GOTG officials trust HIID staff with confidential matters and HIID staff have demonstrated that they will not divulge the cause or result of these delicate matters until the GOTG decision-making apparatus reaches and announces its decisions. This kind of trust and these kind of close working relationship are not transferable to a new team. At least two years of the project extension would be substantially wasted unless HIID continued as the contractor. Any other contractor would have to invest the time necessary to recreate these relationships, which would be to duplicate, at US Government expense, what HIID has already established.

5. Finally, The Gambia is a unique country in Africa. It is the smallest country in continental Africa and it virtually bisects Senegal into two separate parts. The Gambia is one of the few countries in Africa engaged in a Confederal relationship and it is one of the last truly multi-party democratic parliamentary systems functioning in Africa. Its government has embarked on the most comprehensive and bold reform program in Africa and given the results of the recent (February 1987) elections, this program has wide support, especially in rural farming communities. Having worked in The Gambia since 1983, HIID staff have a detailed familiarity with and are uniquely knowledgeable about the development and current status of the recovery program in The Gambia. There is no other group, firm or university with prior experience of the nature HIID has had in The Gambia. This, too, supports continuation of HIID as the contractor of the EFPA project.

PROJECT PAPER SUPPLEMENT

FOR THE

ECONOMIC AND FINANCIAL POLICY ANALYSES PROJECT

(635-0225)

OAR/BANJUL

JUNE 29, 1988

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**Project Paper Supplement**

**For**

**The Economic And Financial Policy Analyses Project  
635-0225**

**Project Data Sheet**

**Project Authorization Supplement**

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