

PDBBS 113

AN EVALUATION

OF

THE GAMBIA'S
ECONOMIC AND FINANCIAL POLICY ANALYSES
PROJECT (635-0225)

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EFPA Evaluation Executive Summary

INTRODUCTION:

The Economic and Financial Policy Analyses (EFPA) project (635-0225) is a \$2.3m program aimed at promoting sound economic decisions by the Government of the Gambia (GOTG). Specifically, the project is designed to increase the ability of the Ministry of Finance and Trade (MOFT) to organize, conduct, and disseminate sound economic and financial analyses for consideration in national policy decisions. The project provides two long term economic advisors to MOFT and a series of short term consultants to several GOTG organizations on a variety of relevant economic topics. At the same time seven GOTG employees are receiving advanced training in economic analysis and related areas in the US and third countries. Others are receiving short term training in the US or on-the-job training in The Gambia. A new unit, the Statistics and Special Studies Unit, is being organized in the MOFT to produce the necessary economic and financial analysis. The EFPA therefore is designed to have both long- and short-term impact. In the short-term, the technical advisors provide the economic and financial analysis needed for the GOTG to make sound decisions on macroeconomic reform. In the long-term, the establishment of the new unit and the training of personnel will give the GOTG the ability to produce these kind of analyses with its own resources.

This evaluation attempts to (a) assess the progress up to February 1987; (b) to determine whether project objectives can be achieved or if they should be modified; (c) to recommend appropriate ways in which the project should be modified in the last eighteen months; and (d) to determine whether or not a follow-on or stage two project is needed. The evaluation team reviewed documentation associated with the project and the analytical papers produced. Individuals from the contractor, the GOTG, U.S.A.I.D, and the private sector were consulted.

Findings:

I. Project Inputs: The original estimate of the total cost of the project (\$2m from AID, \$310,000 from GOTG) has proven to be accurate. However, it is clear that these resources need to be redistributed. By the PACD at the end of September 1988, there will have been 16.3 years of long term training provided, twice the amount estimated in the project paper. Short term training is expected to exceed the 36 months originally estimated. Also, the addition of a second long term advisor to the one originally envisioned has stretched the number of months of long-term technical advice to 61 months from the planned 42. Fortunately some expenses, including per unit cost of training and inflation, have been lower than expected allowing these changes to take place without increasing the AID financial commitment.

II. Macroeconomic Reform: The senior long term technical advisor was instrumental in formulating and helping the GOTG to implement its Economic Recovery Program (ERP). Also, along with others, he recommended that the GOTG float the dalasi's foreign exchange rate. Since its implementation this policy has had a profound impact on the economy of The Gambia and, along with other ERP policies, forms the basis of the GOTG's economic recovery strategy. The senior technical advisor and short-term consultants have also advised the GOTG on a number of other issues of both long- and short-term importance. After a recommendation was made by a consultant, the GOTG introduced a tender of treasury bills to determine a target interest rate, unifying the financial market and rationalizing interest rates. The senior technical advisor, together with the Central Bank, has been developing the idea of a forward foreign currency market to spread the risk inherent in a floating currency system. To expand revenues, the technical advisor recommended the reform of the customs collection system. This resulted in greatly increased revenues in 1986 without tax increases. Consultants have assessed ways of reducing the GOTG's dependence on customs duties for revenues, in particular studying the viability of a sales tax. Consultants have also advised the GOTG on the reform of parastatal enterprises on which USAID's PL480 Title II Section 206 program is contingent.

The second long-term technical advisor was recruited to help the GOTG implement the IMF Stand-by Agreement, train MOFT employees on-the-job in computer techniques and economics, and help computerize debt tables so that the GOTG could negotiate more effectively on debt repayment. All of these functions have been fulfilled successfully.

In sum the advisors have provided analysis useful to policymakers in both immediate and longer term issues. The advice has been operationally oriented, and the advisors have resisted the temptation to be overly academic.

III. Institution Building: The organization of the Statistics and Special Studies Unit has progressed slowly. Problems with recruitment, pay scales etc., caused by the austerity program the Gambian civil service has recently undergone, have been difficult to overcome. Nevertheless the unit is scheduled to be staffed in the near future. In the interim, the training of personnel will enhance the MOFT's capacity for effective economic and financial analyses.

Conclusions and Recommendations

The evaluation team has a number of recommendations for the remaining eighteen months of this project and a follow-on project. For the existing project:

(1) The contract with HIID provided adequate resources for technical assistance but not enough for training and computers. It also precludes training in Europe which in some cases is more appropriate (e.g. customs training should be done in the UK where customs practices are the same as in The Gambia). The contract should be amended to reallocate resources as needed and to allow for the training of specific officials in Europe.

(2) The PACD should be extended to allow for the extra time long term trainees need in order to complete their work overseas.

(3) The services of the second long term technical advisor will be needed for the remainder of the project to perform roughly the same functions as are currently performed.

(4) The project has been successful in promoting long-term institutional development, but the environment in which it operates is not conducive to success. The Mission should continue to encourage the development and staffing of the unit. The GOTG should modify regulations which hinder the recruitment and staffing with qualified economists and other technicians. In addition, the MOFT should reconsider placing the unit directly under the Permanent Secretary, as this would be more attractive for individuals with the requisite expertise.

The following conclusions were reached without associated recommendations: (a) that administration of the project could be improved and (b) the Central Revenue Department of the MOFT needs assistance in drafting new tax legislation.

The evaluation team has a number of recommendations for a follow-on project. At least two years and possibly four years of additional technical assistance is needed to consolidate the gains of this project. The Project Paper should be amended to allow for this. The project should include, as a possible way to accelerate growth, consideration creating a free trade zone in The Gambia. Also noted by the team (without making a specific recommendation) is the need for training at the National Investment Board.

Lessons Learned

This has been an unusually successful project both in providing timely analysis and in laying the foundation for the institutional structure in the GOTG to provide the analyses needed. There are two main reasons for this: firstly, the environment was very conducive to success. At the time the project began the economic situation in The Gambia had deteriorated to a point where the government realized that reform was essential. If the project had begun a year earlier, the results might have been quite different. Secondly, the project has a number of characteristics which are conducive to success:

(1) The analytic unit has a clear mandate of what to do. The technical advisors and consultants dealt with problems of immediate concern to policymakers, who can act on their recommendations.

(2) There has been an appropriate degree of flexibility in the project structure. Changes from the project paper (e.g. the addition of the second technical advisor, additional training and computers) resulted in a more efficient use of resources in achieving project goals.

(3) The quality of the technical advisors has been outstanding. This has been the single most important factor in the success of the project.

(4) The analytical methods introduced are straightforward and operationally useful. (e.g. word processing, Lotus 1-2-3).

(5) Training has focused on people who can bring about change. This makes organizational problems within the bureaucracy less damaging.

(6) Long and short-term training in the US and third countries has helped attract quality staff.

(7) Finally, local support for the project has been outstanding.

Clearly there are lessons here which should be kept in mind for other policy analyses projects. A conducive local environment, topical training and analyses and quality advisors or consultants greatly enhance the likelihood of such a project's success.

Comments on the Evaluation

The evaluation report is a well researched and thoughtful document. The mission accepts the report with few reservations. However, a few comments on the conclusions and recommendations are pertinent.

The mission concurs fully with the recommendations that the Project Paper be amended to reallocate resources within the program and to extend the position of the second technical advisor (project associate) for an additional 12 months. Action on these recommendations is underway. AID/Banjul is not empowered to authorize training in Europe, but understands the benefits such training offers and will seek waivers on a case-by-case basis. The mission is aware of the problem of long-term training overrunning the PACD, but the mission will not act to extend the PACD until a firm decision is made on a follow-on project. If no follow-on project is approved, the PACD will be extended.

The discussion of the problems the project has had in dealing with the GOTG bureaucracy while setting up the Statistics and Special Studies Unit have been carefully studied. In view of the fact that the civil service is undergoing a major retrenchment and reform program, and considering that progress is being made, however slowly, the mission believes that pressuring the GOTG on this matter could well be counterproductive and so we will postpone strong action on this recommendation for the time being.

The mission does have a few comments in regard to the conclusion that the administration of the project could be improved. Unfortunately, the evaluation team did not specify any particular problems or make any recommendations. However, during the operation of the project, two particular problems have been perceived. Firstly, the payment mechanism used in the project does not provide for AID review and concurrence on expenditures after they are made, and there is no mechanism for the mission to receive information on commitments made and accrued expenditures. To partially correct these difficulties, AID/Banjul has worked out with the contractor in Cambridge and with the Technical Advisor in Banjul to informally obtain information on commitments and accrued expenditures. This is working well enough for the mission to provide AID/SWA with these figures on a quarterly basis.

The second administrative problem encountered has been a lack of administrative support for the technical advisors in Banjul. As a result the Technical Advisor has had to handle mundane but important administrative matters, leaving less time for him to fulfill his substantive role. While the accuracy and substance of the regular reporting has remained high, timing has been a problem. When more urgent matters arise, the administrative chores are pushed aside.

At this point, the Technical Advisor is unwilling to increase the outlay for an administrative assistant and is, instead trying harder to meet deadlines and share the administrative duties with the Project Associate. These measure should improve matters.

Finally, the mission is in agreement with the evaluation team's recommendations about a follow-on project. Design of such a project is underway and should be completed by April 1988. Training for the National Investment Board may be provided for in this project or through the use of other mission training funds. The idea of a free trade zone and other ways of fostering economic growth in The Gambia are being analyzed by the GOTG and project personnel.

EPPA EVALUATION

Evaluation Abstract

I. Findings

(a) **Inputs:** The Project Paper underestimated the amount of long- and short-term training needed. The addition of a second long-term technical advisor increased the amount of long-term technical assistance provided by 50%. The project paper also underestimated the number of computers needed by the project. Fortunately, savings in other areas allow these additions without any increase in the total funding of the project.

(b) **Macroeconomic Reform:** The senior long-term advisor and short-term consultants have been successful in providing sound economic analysis on both short- and long-term macroeconomic issues, and in playing an important role in designing and helping to implement The Gambia's program of economic reform. The second technical advisor has played an important role in assisting the MOFT implement the IMF Stand-by Agreement, and has helped computerize debt tables. He has also given on-the-job training to Ministry of Finance and Trade (MOFT) employees in economics and computer skills.

(c) **Institution Building:** The Statistics and Special Studies Unit of the MOFT has been formed and has begun to perform the analytical functions assigned to it. Bureaucratic problems have delayed the formal transfer of personnel to the unit. Nevertheless, even if the institutional structure of the unit doesn't work as planned, the training of personnel has started to give the MOFT the analytical capacity envisioned in the Project Paper.

II. Recommendations:

(a) An amendment to the Project Paper is needed to shift resources to allow for additional training and technical advice. Training of some GOTG personnel in Europe should also be allowed.

(b) The PACD should be extended to June 1989 to allow personnel to complete their long-term training.

(c) Provision should be made for the second technical advisor to remain for the final year of the project.

(d) OAR/Banjul should urge the GOTG to act to facilitate the organization of the Statistics and Special Studies Unit, particularly to take action to allow the recruitment of qualified economists and other trained personnel. Th MOFT should also reconsider placing the unit directly under the Permanent Secretary to enhance its prestige and make it more attractive to qualified personnel.

(e) Administration of the project could be improved.

(f) The Central Revenue Department needs assistance in drafting new taxation legislation

(g) A follow-on project of a minimum 2 and preferably 4 years is needed to consolidate gains and insure the effective operation of the unit. This Project should include the study of a Free Trade Zone as a way to enhance economic growth, and include some training for the National Investment Board.

III. Actions Taken

(a) An amendment to the Project Paper to reallocate resources to pay for additional training and computer needs is in the process of being completed. Uncommitted project funds are also being programmed for the remainder of the project.

(b) A decision on the PACD will be delayed until a decision of a follow-on project is made. If there is no follow-on project then the PACD will be extended.

(c) The recommendation for an additional 12 months for the second long-term advisor has been accepted by both the mission and the contractor. The request has been forwarded to Washington to be processed.

(d) Assistance to the Central Revenue Department by consultants is ongoing. The new tax legislation is now in draft form.

(e) Design of a follow-on project is now underway and should be completed by April 1988.

IV. Evaluation Cost

One member of the evaluation team came from REDSO/WCA which paid his expenses. The other member of the team came from AID/W. While a final cost of his expenses is not yet available, \$3,300 has been obligated by the mission for this purpose.

Basic Project Identification Data

1. Country: The Gambia
2. Project Title: Economic and Financial Policy Analyses Project
3. Project No.: 635-0225
4. Project Dates:
 - (a) First Project Agreement: June 30, 1984
 - (b) Final Obligation Data: June 30, 1984
 - (c) Most Recent PACD: September 30, 1988
5. Project Funding:

USAID	\$2,000,000
<u>GOTG</u>	<u>\$ 310,000</u>
Total	\$2,310,000
6. Mode of Implementation:

AID direct contract with the Harvard Institute for International Development (HIID).
7. Project Designers: AID/Banjul
8. Responsible Mission Officials:
 - (a) Mission Director: Byron H. Bahl
 - (b) Project Officers: Stephen T. Norton (1984-1986)
Thomas R. Mahoney (1986-1987)
Thomas J. Herlehy (1987-)
9. Previous Evaluations: None

I. INTRODUCTION

A. Project Summary

The Economic and Financial Policy Analyses (EFPA) project (635-0225) was approved in June 1984. A contract was negotiated with the Harvard Institute for International Development (HIID) in May 1985, 11 months later. The first long-term technical advisor began working in The Gambia, full time, in September 1985. A second long-term technical advisor arrived a year later, in September 1986. The project and the contract with HIID run through September 1988.

The basic objective of the project is to promote sound macroeconomic policy decisions. To achieve this, the project is designed to increase the ability of the Ministry of Finance and Trade (MOFT) to organize, conduct and disseminate sound economic and financial analyses for national policy consideration and implementation. Thus, the project is a classic institution building activity that supports a program of staff training and technical assistance to build local capacity for policy analysis. While this capacity is being expanded, the project provides the expert assistance to do the analysis needed. AID's contribution to the project is \$2.0 million over four years; the government's contribution is \$310,000.

B. Purpose of the Evaluation

The purpose of the evaluation is four fold: (a) to assess progress to date (focusing on the 18 month period September 1985 through February 1987); (b) to confirm that project objectives can be achieved, or alternatively that they should be modified; (c) to recommend, as appropriate, ways in which the project should be modified during the last 18 months of activity (March 1987 through September 1988); and (d) to recommend whether or not a follow-on, or phase two, project is needed.

C. Evaluation Methodology

The methodology for achieving these four objectives was as follows: (a) review the documentation associated with the project and the analytical papers produced under the project; and (b) consult with those knowledgeable about the project. This group includes, inter alia, the contractor, HIID; officials of the Government of The Gambia (GOTG); officers of USAID; and representatives of the private sector. Annex A lists persons interviewed and Annex B lists documents consulted. An economist and a project development officer were in The Gambia for two weeks in February/March 1987 to undertake the evaluation.

D. Organization of the Report

Parts II and III of the evaluation report discuss progress to date; Part II focuses on the delivery of project inputs, while Part III

tries to assess the impact of these inputs in terms of (a) macroeconomic policy reform; and (b) institution building. Part IV provides conclusions and recommendations -- both for the current project and a possible follow on project.

II. PROJECT INPUTS

This section assesses progress to date in terms of the delivery of project inputs. These include technical assistance, training, and equipment.

A. Technical Assistance

The project, as designed, provides 1 long-term technical advisor to MOFT for 3.5 years and short-term consultants for the equivalent of 3 years.

1. Long Term Technical Advisor. To date (February 1987), the long-term technical advisor has been working in The Gambia under this project for 18 months (plus 2 months in May/June 1985 when he consulted in Banjul prior to arriving on long term assignment). He plans to stay until the end of the project (and the contract), 19 months from now, for a total of 37 months, which is slightly less than the 42 months planned.

In September 1986, a second long-term technical advisor was hired under the project for 1 year; it is likely that his services, or those of a replacement, will be required for a second year, for a total of 24 months. Under these circumstances, the project will require 5 years (actually 61 months) of long-term technical assistance compared to the 3.5 years originally envisioned.

2. Short-Term Consultants. To date, 9 different individuals have conducted 18 separate consultancies under the project. They have worked 12.8 months, compared to the 36 months envisioned at the beginning of the project; (this assumes 1.5 months for the two consultancies that have taken place so far in 1987). Table 1 summarizes the variety of policy oriented studies that have been supported under the project to date.

**TABLE 1--Summary of Consultancies under the EFPA Project,
June 1985 - February 1987**

<u>Subject of Consultancy</u>	<u>Consultant</u>	<u>Dates</u>
Indirect Taxation/Tax Reform	Guillermo Perry	June 1985
	Guillermo Perry	March 1986
	James Vincze	November 1986
Agricultural Pricing Policy	Tom Tomich	November 1985
	Christine Jones	November 1985
Macroeconomic Stabilization	Christine Jones	April 1986
	Clive Gray	May 1986
Direct Taxation	Clive Gray	October 1985
Debt Management/Tax Reform/ Project Training	Clive Gray	January 1986
	Steven Radelet	October 1986
Financial Reform	James Duesenberry	January 1986
	James Duesenberry	January 1987
Budget Reform	Lester Gordon	January 1986
	Lester Gordon	May 1986
	Lester Gordon	February 1987
Parastatal Reform	Richard Hook	November 1986
IMF/World Bank Monitoring	Richard Hook	February 1986
Presidential Advisor	Lester Gordon	March 1986

B. Training

The project provides long-term technical training for the equivalent of 8 academic years in the U.S. and short-term training for the equivalent of 3 years in the U.S. and third countries.

1. Long-Term Training. A total of 7 Gambians have received or are receiving long-term training in the U.S. or third countries (Tanzania), for a total of 12.3 years. This is expected to increase to 16.3 years by the end of the project, substantially more than the 8 years envisioned.

2. Short-Term Training. A total of 12 Gambians have received short-term training for a total of 22 months. The project estimated that 36 months would be required. However, this will probably be inadequate since there are two more summer training cycles (1987 and 1988) before the end of the project.

Fortunately, there are resources in the overall budget to support these additional trainees. These resources are available because (a) the unit cost of training was overestimated at the time of project design; (b) the resources required to support the technical advisor have been less than anticipated; and (c) the contingency fund has not yet been used. Also, inflation has been much less than anticipated.

Table 2 summarizes the training that has been provided under the project to date.

Table 2.--Summary of Training Provided under the EFPA Project Through February 1987

<u>Subject of Training</u>	<u>Ministry</u>	<u>University</u>
<u>Long-Term</u> (7 trainees in 1 subject each)		
Economic Development and Finance	MOFT	Vanderbilt Univ.
Trade and Finance	MOFT	Penn. Sta. Univ.
Insurance Management	Nat'l Insur.	N.Y. Col. of Insur.
Economic Statistics	MOFT	E.A. Sta. Tra. C
Banking and Rural Finance	MOFT	Ohio State Univ.
Taxation	MOFT	Harvard Law Sch.
Finance and Administration	GCDB	Harvard KEDY.Sch
<u>Short-Term</u> (10 trainees in 3 subjects each)		
Public Enterprise Management	HIID	
Project Appraisal	HIID	
Money and Banking	HIID	
<u>Local (on-the-job) Training</u> (5 trainees in 1 subject each)		
Computer Instruction (including word processing, Lotus 1-2-3, and MicroTSP)		

C. Equipment

To date, 9 personal computers have been provided under the project and 3 more have been requested. Most of these are with MOFT and are distributed as follows: 2 are in the Loans Division (the temporary home of the Statistics and Special Studies Unit), 1 of which will be soon be moved to the Trade Division; 2 will be in the new quarters currently being refurbished for the "unit"; 1 is in the office of the Permanent Secretary; 2 are in the technical advisor's office; 1 is in the Central Bank (that is, outside MOFT); 1 is at the home of the technical advisor; 1 is in the home of the second technical advisor; and 1 is a portable computer. The computers at the technical advisors' homes significantly enhance their productivity, allowing them to complete a large amount of work at home (often accompanied by MOFT associates and/or short term consultants) without the interruptions or occasional power outages at the Ministry.

III. IMPACT OF PROJECT INPUTS

Eighteen months is an extremely short period of time for any project to have had a measurable impact, especially in the area of institution building. Nevertheless, this section assesses the impact of the project in terms of both (a) macroeconomic policy reform, and (b) institution building.

A. Macroeconomic Policy Reform

The project has been unusually successful in addressing the immediate economic policy issues confronting the GOTG. Specifically, the technical advisor and the series of consultancies have been influential in the areas of (a) the overall economic recovery program, (b) foreign exchange rate reform; and (c) indirect taxation (customs duty). Substantial work has also been carried out in other areas of economic policy, as discussed below, but these three areas have, to date, been paramount.

1. Economic Recovery Program. The technical advisor was a member of a 12 person task force that drafted the Economic Recovery Program (ERP) which was approved by the Cabinet in July 1985. Several officials of MOFT, one of whom was trained under the project, were on the task force, as was the country economist of the World Bank. The ERP established the framework within which this project operates. Indeed, it has been the driving force behind many of the efforts undertaken by the technical advisor and the consultants during the first 18 months. This has had two implications. On the one hand, the project not only was instrumental in developing the program (since the technical advisor participated in the process from its inception), but also it has facilitated implementation of the program. On the other hand, because the ERP is relatively short-term (three years) and crisis-oriented, longer term economic policy analysis which would otherwise have taken place under the project was probably delayed.

2. Exchange Rate Reform. The technical advisor recommended a float of the dalasi; others, including the IMF, shared this view. The subsequent float resulted in a depreciation which has had a profound effect on the economy. This is manifested in part by the fact that there are more imported consumer goods on the shelves now than when the exchange rate was controlled. Anybody is now permitted to purchase and sell foreign exchange at the prevailing market rate and use the foreign exchange for whatever purpose they may choose. In this way, price, rather than exchange control regulations, determines who gets foreign exchange and for what purpose it is used.

A major potential problem with a floating exchange rate system is its impact on the interest rate. If the interest rate is too low, the demand for credit will increase. Because The Gambia has a very high propensity to import, a low interest rate can put undue pressure on the foreign exchange rate. On the other hand, if the interest rate is too high, this will dampen private investment. In view of this problem, one of the consultants under the project suggested that the government introduce a treasury bill tendering system as a vehicle for determining a target interest rate, thereby serving to unify the financial markets and bring about some rationalization of interest rates. This recommendation was implemented by the GOTG six months after the float was introduced.

There is some degree of risk associated with a floating exchange rate because it can fluctuate widely. For example, the rate may be higher at sometime in the future than it is at present, thereby requiring more dalasis to purchase the same amount of foreign exchange. In order to reduce this risk (which is incurred primarily by the private sector), the technical advisor, working with the Central Bank, helped develop the concept of a forward market in foreign exchange, which subsequently became one element of OAR/Banjul's AEPRP proposal for The Gambia. Partly to provide the analytical underpinning for the AEPRP proposal, the technical advisor developed an economic model of The Gambian economy.

3. Indirect Taxation. Customs duties are the source of about 82% of GOTG revenue. In 1985 collections fell dramatically to D45-50 million, implying that D35 million, or one-third of customs duties were not being collected. Since customs duties supply 82% of total government revenue, this meant that about 25% of government revenues were not being collected.

Rather than raise taxes, which is one approach to the problem, the technical advisor recommended that the GOTG try to improve collections. His efforts (and those of the Trade Division of MOFT) resulted in increased customs collections from D37 million during July-December 1985 to D100 million during July-December 1986 -- one year later. This represents an increase of about \$9 million, and provides one gross indication of the economic benefit of the project in only 18 months. After collections increased, it was then possible to reduce the duties on some imported items, and still maintain GOTG revenues.

The increased collections were due almost entirely to the development of new procedures for appraising and verifying importers valuation of their goods. These procedures, developed in part under the project, were designed to reduce the likelihood of undervaluation. In order to help assure that the procedures are continued, a British customs advisor has been hired (through ODA support) to work with the Customs and Excise Division of MOFT.

Overall, government revenues have increased from about D65 million in 1985 to D150 million in 1986. About 60% of the increase can be attributed to the depreciation which followed the float of the dalasi; the remaining 40%, to improved revenue collection, especially customs duties. In both cases, the technical advisor and the short-term consultants played an integral role.

4. Other Areas of Economic Policy Reform. Although the impact of the project to date has been most dramatic in the three areas discussed above, economic policy reform measures have also been undertaken in other areas during the past 18 months.

Parastatal Reform. One of the objectives of the ERP is the divestiture of certain parastatals and reform of others, and one of the consultants under this project has helped to implement this aspect of the ERP. This has involved working with the the National Investment Board (NIB) which is responsible for public investment and parastatal management in The Gambia. The impact of this consultancy has been decidedly positive. First, the consultant came to The Gambia at a critical time to help clarify the issues associated with parastatal reform; in this context, he served not only as advisor, but also played the role of a "moderator" between the various interest groups affected by this politically sensitive aspect of the ERP.

Second, the consultant was asked to advise on how the performance contract system, which was to be introduced on a trial basis for three parastatals, might best be implemented. The three parastatals were: the Gambia Produce Marketing Board (GPMB), the largest and most important parastatal in the country; the Gambia Utilities Corporation (GUC); and the Gambia Ports Authority (GPA). In the case of the GPMB, the performance contract is closely tied to the conditionality associated with OAR/Banjul's PL 480 Title II, Section 206 food aid program. That program requires divestiture of many of GPMB's activities as well as a plan to ultimately privatize the entire operation. Thus, the consultant provided under this project has assisted in an area that is especially important to both the ERP and the Section 206 program.

In general, this project does not work as closely with NIB as it does with MOFT and the Central Bank. At this juncture, it would be useful to consider working more closely with NIB. In addition to the on-going short term consultancy, this would probably involve training and may involve a medium term (say, 8 weeks) consultancy to help clarify the NIB's responsibilities regarding divestment, privatization and enforcement of performance contracts.

The Gambia Commercial and Development Bank: Another consultant under the project has advised the GOTG on reorganizing The Gambia Commercial and Development Bank (GCDB). This is a major objective of the ERP and supports that part of the project focusing on monetary policy. It is also likely to figure prominently in the proposed AEPRP program.

Taxation Reform: Attention has also been focused on tax reform and increased revenue collection. Two consultants under the project have assessed whether or not a sales tax would be an appropriate way of reducing The Gambia's dependence on customs duties for revenue.

5. Second Technical Advisor: The technical advisor provided under this project has, to his credit, dealt with a broad range of economic policy issues. However, this meant that some issues were not receiving adequate attention. This prompted a request to recruit a second technical advisor for one year to work in three areas: first, to help the Gambians implement the IMF Stand-By Agreement, something which was not anticipated when the project was designed; second, to conduct on-the-job training in computer techniques and economics in MOFT; and third, together with a consultant and MOFT staff, to computerize debt tables so The Gambia could participate more effectively at Paris Club meetings for rescheduling debt.

The computerized debt tables developed by the second technical advisor have already had a positive and operationally useful impact. For example, they demonstrate, immediately, what the repayment implications are of various interest rates and other loan terms, and they were used for this purpose at the Paris rescheduling meeting held at the time of this evaluation (February 1987). During these rescheduling meetings the second advisor (who accompanied the Gambian delegation) found that approximately \$2.0 million had been excluded from rescheduling, when in fact it should have been included. Whether or not this oversight would have been picked up by somebody else on the delegation is unclear.

There will continue to be a need for a second long term technical advisor (economist) during the final year of this project (September 1987 through September 1988). This reflects the clear possibility that a second Stand-By Agreement will be negotiated with the IMF and the fact that continued training in economics (though probably less in computer techniques) will be needed.

6. General Appraisal. The kinds of impacts summarized above suggest that the project has been successful in providing the substantive analyses needed to formulate policy recommendations on key issues that required immediate attention -- as well as in addressing longer term economic policy issues, such as drafting a more equitable tax structure and creating an economic and financial environment more favorable to private entrepreneurial activity.

The analytical work carried out by the long-term advisors and the short-term consultants under this project is prepared in such a way as to be understandable to decision makers who may not have formal economic training. The analyses in most cases identify various alternatives for achieving a particular policy objective and the pros and cons associated with each alternative. Examples of this analytically based approach that is comprehensible to the layman include the work done by Duesenberry (monetary policy), Gray (personal income tax), and Jones and Tomich (groundnut pricing policy). The policy-oriented studies have been operationally (as opposed to theoretically) oriented and hence germane to the economic problems The Gambia faces now and is likely to face in the future.

One implication of this is that the work has not been inordinately academic in spite of the natural proclivity a university might have to de-emphasize the operational aspects of economic policy. This is consistent with HIID's policy that when an advisor is in the field he is not to conduct research, but rather is to focus on real problems and how to solve them.

The two technical advisors, while they officially hold advisory positions, are effectively operating both as advisors and as line officers in MOFT. For example, the second technical advisor, recruited as advisor to the Statistics and Special Studies unit, which is nominally headed (until an appropriate individual can be found) by the Permanent Secretary, has become the operative director of the unit. Typically with this kind of a project, it is difficult to separate the operational functions from the advisory functions. On balance, though, it may not make much difference. What is important is that the technical advisors contribute to staff development. Whether this results from their acting in an operational or advisory capacity may be immaterial. The role advisors should avoid, however, is that of policy makers. That should be reserved for the government. These advisors have both contributed to staff development and wisely avoided a policymaking role.

In contrast to many projects of this nature, the senior technical advisor has maintained a high profile. This has not, however, hindered his effectiveness in dealing with sensitive policy issues. Why this is the case is unclear.

B. Institution Building

A major objective of this project is to create a capability within MOFT to carry out economic policy analysis. This has both organizational implications and staffing (training) implications.

1. Organizational Implications. The Statistics and Special Studies Unit of the MOFT was established in the 1984/85 budget. On December 16, 1986, MOFT formally requested the Public Service Commission to transfer personnel to the unit; approval is expected any time. The MOFT did not request formal transfer to the new "unit" earlier

because the government was undergoing a period of retrenchment, partly in response to the recommendations of a recently completed civil service audit. Initially, the request is for a unit comprising three people, but the intent is to staff the unit with all of the positions shown in Table 3.

TABLE 3.--Staffing Pattern for the
Statistics and Special Studies Unit (Planned)

<u>Position</u>	<u>Grade</u>	<u>Number Planned</u>	<u>Number Filled</u>
Head of Unit	17	1	0
Principal Economist	16	1	0
Senior Economist	15	1	0
Cadet Economist <u>a/</u>	12	2	1 (Fye)
Principal Statistician	14/15	1	0
Senior Statistician <u>b/</u>	15	1	1 (Sinyan)
Statistician <u>c/</u>	9/10	<u>2</u>	<u>0</u>
Professional Staff		9	2
Typists	4,5/6	2	0
Driver	5/6	1	0
Messengers	3/4	<u>2</u>	<u>0</u>
Support Staff		5	0
Total		14	3

a/ Incumbent is slated to become Senior Economist

b/ The title of this position will be changed from "senior statistician" to "computer specialist".

c/ A person has been identified at MEPID to fill one of these positions at grade 9.

To date, two of the professional staff positions have been filled with Gambians, and another person has been identified from the Ministry of Economic Planning and Industrial Development (MEPID) to fill a third position. The Permanent Secretary is acting as Head of the unit.

Although the unit will formally be located in the Central Revenue Department of MOFT, its members will have (and now do have) direct access to the Permanent Secretary. It is located in the revenue department partly because fiscal policy is currently MOFT's number one priority.

2. Training Implications. The project correctly views training as one of the key vehicles for creating and institutionalizing a policy analysis capability in MOFT. However, in spite of the sensible staffing pattern planned for the unit (Table 3) and what appears to be a needs-oriented training program (Table 2), rigidities in the Gambian personnel system and salary structure work against the successful creation of the Statistics and Special Studies Unit. These are the problems:

- a. There is a freeze on hiring into the civil service. Thus, it is impossible to go outside the government to attract the economists and statisticians needed to staff the unit.
- b. Even if it were possible to recruit from outside the government, government salaries are not competitive with the private sector and the parastatals. For example, the parastatals are able to attract and hire A level graduates while the government is only able to attract O level graduates. (However, if the parastatals are required to improve their performance and operating efficiency, which is likely to be the case, this situation may be neutralized as they introduce measures to cut costs.)
- c. The project does not want the MOFT to recruit qualified economists from other government ministries because this would jeopardize the functioning of those ministries. This, together with the fact that the civil service is undergoing a period of retrenchment, raises questions as how staff can be recruited and hired.
- d. The intent of the project was to hire economists at not less than grade 13 for which the salary is D7,380 per year, or about D600 (less than \$100) per month; take home pay is substantially less, about D400 per month. The salary of a cadet economist, grade 12, does not meet this minimum level.
- e. Those who are currently working in the unit include a computer specialist and a cadet economist. A cadet economist is perceived by some as an unqualified economist. Even if this is not in fact the case, because it is the perception, it may not be appropriate to recruit two cadet economists as originally planned because it would undermine their credibility and hence their effectiveness.
- f. Although two employees are currently working in the unit the personnel system has not formally transferred them from their current functional unit within the government to the new unit. This suggests that the personnel system may be reluctant to establish the new organizational unit. As noted above, though, this may be rectified soon.

At present, the second technical advisor is the only official employee of the unit. This situation will improve when the Public Service Commission formally transfers personnel to the new unit and

the three people, including the person from MEPID, are brought on. The situation may also improve dramatically in the Summer of 1987 when a large number of trainees are scheduled to return to The Gambia. Indeed, some officials are of the view that the "unit" will be fully staffed by December 1987, and this may well be true. But the obstacles noted above seem major and will be extremely difficult to overcome.

Even if they cannot be overcome, however, the training program will still provide GOTG officials with the technical ability to conduct economic policy analysis in a variety of areas, and this expertise can be used in formulating national economic policy. The fact that the unit may not be the institution from which the analyses emanate may be immaterial.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Current Project

1. Conclusion: The contract with HIID provides adequate resources for technical assistance but insufficient resources for the amount of training and computers currently envisioned. In addition, the contract precludes training in Europe.

Discussion: There has been greater demand for training and computers under this project than originally estimated. Part of this demand originates from outside MOFT, including for example, GCDB NIB, and MEPID for training, and the Central Bank for computers.

Although training of customs officers was envisioned in the project, it was not anticipated that they would need to be trained in the U.K. Because The Gambia follows the same customs procedures as does the U.K., and because these are quite different from those in the U.S., training in this area should be carried out in the U.K.

Similarly, the current contract did not anticipate that the technical advisors might need to attend Paris Club meetings and Consultative Group meetings in Paris, London, and other European cities.

Recommendation: The contract with HIID should be amended to increase the resources allocated to training and computers and to make other, no cost adjustments as appropriate. The contract amendment should also permit training in Europe and travel by the technical advisors to Europe to attend meetings.

2. Conclusion: All trainees to be trained under the project will not be able to return to The Gambia by the Project Assistance Completion Date (PACD).

Discussion: One person now in training in the U.S. is not expected to return to The Gambia until June 30, 1989, beyond the PACD (September 30, 1988). The same situation may emerge for other trainees who have not yet begun their training.

Recommendation: The PACD of the AID authorization should be extended to accommodate those trainees who will still be in training after September 1988.

3. Conclusion: The services of a second long term technical advisor will be needed during the final year of the project (September 1987 through September 1988).

Discussion: The Gambia may negotiate a second IMF Stand-By Agreement suggesting that there will be a continuing need to monitor the conditionality associated with it. But even if a second agreement is not forthcoming, it will still be necessary to monitor implementation of the ERP. In addition, there will be a continuing need for on-the-job economics training in The Gambia (though less training will be needed in computer techniques).

Recommendation: OAR/Banjul should maintain a second long term advisory position for the final year of the project. The person who fills that position should have qualifications similar to those of the incumbent; that is, he need not be a senior technical advisor from HIID, but could be an ABD economist (i.e. a graduate student who has fulfilled all the requirements for a Ph.D except for the dissertation.)

4. Conclusion: The project has been successful in promoting long-term institutional development, but the environment (the civil service) in which the project must operate is not conducive to its success.

Discussion: The Mission should recognize that existing government civil service regulations may not be modified (perhaps for good reason), and that the unit may not become institutionalized by the end of the project.

Organizationally, the unit is under the Central Revenue Department of MOFT, but in fact it appears to be a wing of the Finance Minister. Indeed, the Minister himself helped to start the unit.

Recommendation: The Mission should continue to encourage the development and staffing of the unit. Toward this end, the GOTG should modify existing regulations that hinder the recruitment and retention of qualified economists needed to staff the unit.

The MOFT should reconsider the option of including the unit directly under the Permanent Secretary. The objective would be to give the "unit" greater prestige and more direct access to policy makers, thereby making it more attractive to qualified expertise.

5. Conclusion: Project administration could be improved.

6. Conclusion: The Central Revenue Department needs assistance to draft new tax legislation.

B. Future Project

1. Conclusion: A follow on project is needed (a) to consolidate the gains made under the ERP and (b) to continue working with the unit.

Discussion: Institution building projects cannot, almost by definition, be successful in the absence of adequate time. Four years is not adequate time.

This evaluation has suggested that external factors beyond the control of the project may preclude the successful establishment of the unit envisioned for carrying out economic policy analysis. If so, this may mean that the institution building element of the project -- as defined by the establishment of this unit -- cannot be achieved. This needs to be recognized in the PP Amendment.

At least two years will be needed to establish a policy analysis capability in the MOFT -- in spite of where it might be located within the MOFT.

Recommendation: The Mission should amend the Project Paper for the current project to permit a follow-on project to operate for at least two years. Four years would be preferable.

2. Conclusion: There is a limited potential for economic growth in The Gambia.

Discussion: Export growth in The Gambia is in large part a function of groundnut production, re-exports, fish exports, and tourism. Groundnut production is dependent on the international market, which is currently depressed and is likely to remain so for the foreseeable future.

The creation of a free trade zone in The Gambia might be one way to boost production for export to a larger market than The Gambia can provide. The thinking underpinning this idea is that The Gambia may have a comparative advantage in producing various commodities in demand in neighboring countries (a market comprising 4-5 million people) because of cheaper labor and input costs.

If this idea has any merit, one would need to examine its pros and cons.

Recommendation: The pros and cons of establishing a free trade zone in The Gambia should be included as a new topic for special study under a possible follow-on project.

3. Conclusion: Training is needed at the National Investment Board.

ANNEX A

Persons Consulted

Government of The Gambia (GOTG)

Ministry of Finance and Trade (MOFT)

Sheriff Sisay, Minister
Mamour Jagne, Permanent Secretary (Acting)
Sarriang Ceesay, Under Secretary, Trade Division
S. Nicholas, UN Technical Advisor, Trade Division
Momodou Jagne, Director, Central Revenue Division
Mbanick Jobe, Controller of Customs, Customs and Excise Division
Bernard Homan, Customs Advisor, Customs and Excise Division
Alan Goodridge, Accountant General
Lucy Fye, Cadet Economist, Statistics and Special Studies
Division
Josephine Sinyan, Computer Specialist, Statistics and Special
Studies Division

National Investment Board

A. Janha, Director

Central Bank

Val Jenson, Economic Research Division
Ron Stuart, IMF Technical Advisor, Economic Research Division

President's Office

A. Langley, Secretary General

Management Development Institute

Private Sector

Pierre Couerbe, Managing Director, CFAO
Jean Eschenlohr, Managing Director, Maurel & Prom

Harvard Institute for International Development (HIID)

Dwight Perkins, Director
Lester Gordon, Project Backstop Officer
James Duesenberry, Consultant
Richard Hook, Consultant
Christine Jones, Consultant
Christopher Hale, Contracts Officer
Malcolm McPherson, Technical Advisor, MOFT
Steven Radelet, Associate Technical Advisor, MOFT

Donors

U.S.

Byron Bahl, OAR Representative
Thomas Mahoney, Program Officer
Thomas Herlehy, Program Analyst

U.K.

John Garner, High Commissioner

ANNEX B

Documents Consulted (partial)

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_____. "A Summary of Two Recent Analyses of AID-sponsored Agricultural Planning and Policy Analysis Projects," November 11, 1985.

HIID. Consultancy Reports, June 1985 - February 1987. (22)

_____. Project reporting documents prepared by the Technical Advisor, December 1986. (6)

UNDP, "Interim Summary Report on the Evaluation Study of UNDP-financed Technical Cooperation in Development Planning," April 1978.

ANNEX C

Policy Analysis Projects: Why They Succeed

This project has been unusually successful in its first 18 months of operation. There are two reasons for this.

First, the environment in which the project has operated has been conducive to success. This environment can be defined, most simply, as one in which the economy was in fundamental disequilibrium. Domestic budget deficits and deficits in the balance of payments seriously constrained any real growth. The ERP and the IMF programs were needed to turn the economy around. If the project had been initiated one year earlier, before economic policy reform was recognized as an absolute necessity, the outcome of this evaluation may well have been quite different.

Second, the project incorporates the factors that tend to contribute to successful policy analysis projects. The key elements that contribute to the success of any policy analysis project, and this one in particular, are summarized below.

1. Often, analytical units have no clear mandate as to what they are supposed to do, and as a consequence, they operate in a vacuum. In this project, major issues of concern to decision makers have been identified and addressed. There is real contact between the analysts trained under the project and the decision makers in MOFT. When a study is completed by a consultant, the findings are considered and, as appropriate, acted upon by the decision makers, thereby insuring their involvement.
2. The policy analysis and analytical studies supported under this project have focused on problem-oriented issues. Although there is a role for long-term developmental efforts, policy analysis projects should try to produce findings on a periodic basis that are based on short-term analytical efforts. This project has.
3. The project has maintained an appropriate degree of flexibility. For example, the second advisory position was approved when it became apparent that this was needed, as were the additional training requirements and requirements for computers.
4. The quality of the technical advisors and short-term consultants has been critical to the success of the project. For most projects of this nature (indeed, for most activities of any nature), this is the single most important element of success. (Although the success of a technical advisor is normally enhanced by a low-key approach, this has not proved to be case in this project, at least for the senior technical advisor, thereby proving the exception to the rule.)

5. The technical advisor does perform routine administrative and reporting tasks, but there is no evidence that these are unduly burdensome. To the extent these tasks ever begin to intrude on his time, action would need to be taken to redress this.
6. The analytical methods that are being introduced under the project are relatively straight-forward and operationally useful. Lotus 1-2-3 and word processing are among the techniques introduced.
7. The training element of the project has focused on people in MOFT (and other entities) who can bring about change. Generally speaking, the actual location of people within an organization tends to be less important than the clout of the manager of the unit, the analytical capability of staff in the unit, and the level of interaction with decision makers. The principles guiding the creation of the Statistics and Special Studies Unit under this project are quite clearly consistent with this generalization.
8. Most countries have problems in attracting and retaining qualified people. The Gambia is no exception, as discussed above. However, this project has tried to overcome these problems by supporting long-term overseas training which is an effective incentive to attract qualified candidates. Other incentives to retain qualified staff are also recognized under this project, including improvements in office space, the provision of computers and other equipment, and short term training courses and seminars. A small number of well-trained and dynamic staff is usually sufficient to make an effective policy analysis unit.
9. The level of host country support often determines the outcome of a policy analysis project, and in the case of this project the support has been superb.

Policy analysis projects typically can have four different kinds of impacts, and this project has had all four.

1. Building Capacity. Projects of this nature often try to build institutional capacity to conduct policy analysis and to provide inputs to policy making in an effective way. When successful, it is usually the result of the formation of a new policy analysis unit, the addition of new qualified staff to an existing unit, or the upgrading of staff in an existing unit through long term training. This project is establishing the Statistics and Special Studies Unit in MOFT as the principle mechanism for building capacity.

2. Creating Inter-institutional Links. These projects often try to create links between policy analysis units and other public and private institutions. They typically involve improved coordination between economic policy analysts and their counterparts in other public sector agencies or private sector organizations. The vehicle for achieving this has often been the establishment of an inter-agency board or commission, which by its nature, improves institutional coordination. This project has begun to forge effective links among MOFT, the Central Bank and NIB, partly by establishing committees, including the Tax Reform Committee.
3. Serving Decision Makers. When decision makers increase their demand for information and policy analysis, this represents a significant impact of a policy analysis project. This project has excelled in this respect, but this was due in large part, at least initially, to the demand for information generated by the IMF.
4. Promoting Policy/Program Change. Actual changes in policy and program decisions may include changes in commodity pricing policies, credit policies, marketing policies, legislation, and investment policies. Again, this project has excelled in this respect.

A recent (November 1985) study of 61 policy analysis projects in agriculture supported by AID drew the following conclusions: 95% of the projects had an impact on capacity building; 64%, on forging inter-institutional links; 39%, on meeting the needs of decision makers; and 33%, on actual policy and program change. It is fair to conclude that after only 18 months this project has had an impact in all four areas in The Gambia.