

PD-AR 11032
84915

CLASSIFICATION

AGENCY FOR INTERNATIONAL DEVELOPMENT

ADN : 635-0232

635-T-603A

PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)

The Gambia

Agency

Nonproject Sector Grant

5. To Bonnie Pounds USAID Representative		4. Date August 31, 1992
7. From Fred Witthans Program Officer		6. OYR Change Number
9. Approval Requested for Commitment of \$3,000,000		8. OYR Increase \$2,000,000
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input checked="" type="checkbox"/> None	10. Appropriation Budget Plan Code 72-112/31014 GSSA-92-21635-KC39; 281-61-635-00-53-21
15. Commodities Financed		13. Estimated Delivery Period Nov. 1992 - June 1995
		14. Transaction Eligibility Date Upon Authorization

16. Permitted Source U.S. only Limited F.W. Free World Cash 3,000,000	17. Estimated Source U.S. Industrialized Countries Local Other 3,000,000
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18. Summary Description

Program overview: The Financial and Private Enterprise Development Program disbursements are made in such a way as to allow the Government of The Gambia (GOTG) to progressively implement an economic reform program which will enhance the enabling environment to induce sustainable increases of private investment and growth of private enterprises. Under this program, the GOTG WILL: (1) privatize the Gambia Produce Marketing Board and its subsidiaries; (2) adhere to the criteria established under the Public Investment program; (3) implement a tax reform program in favor of increased private investment and expansion of resource-based private enterprises; (4) adopt a more effective investment incentives policy; (5) modernize the statutory regime affecting financial transactions and formation and operations of private enterprises including financial institutions; and (6) privatize at least one additional parastatal. Disbursements under the program will take place in three tranches over a period from Nov. 1992 to June 1995. In order to satisfy Section 575(b) of the FY 91 Foreign Operations, Export Financing and Related Program Appropriations Act which requires the placing of nonproject sector grants in a separate account, each tranche shall be placed in a separate account owned by the GOTG in the Federal Reserve Bank of New York or in a bank to be mutually agreed upon by OAR/Banjul and the GOTG and used to pay external debt.

The original PAAD authorized an amount of one million United States dollars (\$1,000,000 as the first increment of funding required for the program. This activity provides for an incremental grant of two million United States dollars (\$2,000,000) which supplements the previous authorization for a total amount authorized to date of three million United States dollars (\$3,000,000).

The conditions precedent contained in the PAAD and Grant Agreement have not been changed.

19. Clearances	Date	20. Action
REG DP CABLE REFERENCES		<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REG GC STATE 281231		
AA PPC ASIOJAN 02327		
M/EM		
SEN.COM		
SA PRE		
		Authorized Signature <i>Bonnie Pounds</i> Date Aug 31, 1992
		Title A.I.D. Representative

ACTION MEMORANDUM FOR THE A.I.D. REPRESENTATIVE, OAR/BANJUL

DATE: August 31, 1992

FROM: Fred W. Witthans, Program Officer *F*

SUBJECT: The Gambia Financial and Private Enterprise Development Program Grant (635-0232) and Support Project Grant (635-0237)

PROBLEM: Your approval is requested to authorize an increment of grant funding to the Nonproject Assistance component of the Financial and Private Enterprise Development Program (FAPE) (635-0232). The increment is two million United States dollars (\$2,000,000) which supplements the one million United States dollars (\$1,000,000) previously authorized, for a total amount authorized to date of three million United States dollars (\$3,000,000).

BACKGROUND: On September 27, 1992 AID/W approved a \$17.35 million grant from the Development Fund for Africa (DFA) appropriation for the Gambia Financial and Private Enterprise Development Program and Support Project (FAPE). The grant comprises: (a) \$9.0 million in nonproject assistance in the form of a conditioned cash grant to be disbursed in three tranches over the five-year life of the program as conditions precedent are met and (b) \$8.35 million in project training, program management, and ancillary equipment and supplies necessary for effective implementation of the reform program. The nonproject assistance component was initially authorized for \$1,000,000 and the Director, OAR/The Gambia, with concurrence from the Director, REDSO/WCA, was given the authority to authorize subsequent incremental funding to increase the authorization for the FAPE program (635-0232) to a sum not to exceed \$9,000,000.

DISCUSSION: For FY 1992, USAID/Banjul has programmed \$2,000,000 of its OYB for the FAPE program (635-0232). The conditions precedent contained in the PAAD and Grant Agreement have not been changed. The Government continues to make progress in meeting the conditionalities associated with the program and it is expected that all conditionalities will be met by December 1992. The incremental funding is needed so that we can disburse by the target date.

RECOMMENDATION: That you sign the attached Program Assistance Approval Document Facesheet authorizing an additional \$2,000,000 for the Financial and Private Enterprise Development Program (635-0232).

Approve:

J. F. [Signature]

Disapprove: _____

Date:

August 31, 1992

AMENDMENT NUMBER ONE
TO THE
PROGRAM GRANT AGREEMENT
FOR THE
FINANCIAL AND PRIVATE ENTERPRISE DEVELOPMENT PROGRAM
(635-0232)

Amendment Number One, dated August 31st, 1992, to the Program Grant Agreement between the Government of The Gambia (GOTG) and the United States of America, acting through the Agency for International Development ("A.I.D."):

WHEREAS, the GOTG and A.I.D. entered into the Financial and Private Enterprise Development Program Grant Agreement (the "Agreement") on September 30, 1991;

WHEREAS, the GOTG and A.I.D. desire to amend the Agreement to add an increment of grant funding to the Agreement.

NOW THEREFORE, the Parties hereby agree that the Agreement shall be amended to read as follows:

a. Section 3.1 of the Agreement is deleted in its entirety and the following is substituted in lieu thereof:

"To support and assist the Grantee in carrying out the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the term of this Agreement an amount not to exceed Two million United States dollars (\$2,000,000) which supplements the One Million United States dollars (\$1,000,000) previously obligated, for a total amount obligated to date of Three Million United States dollars (\$3,000,000) (The "Grant").

Except as expressly amended herein, all terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Government of The Gambia and the United States of America, each acting through its respective duly authorized representative, have caused this Amendment No. 1 to be signed in their names and delivered.

GOVERNMENT OF THE GAMBIA

Alieu Ngum
Permanent Secretary
Ministry of Finance and Economic Affairs

Alieu Ngum

UNITED STATES OF AMERICA

Bonnie Pounds
A.I.D. Representative

Bonnie Pounds

Date: August 31, 1992

Date: August 31, 1992

ACTION: AID-4 INFO COM

VZCZCJL0328BA0292

PP RUFHJL

DE RUEHC #1231 2420149

ZNR UUUUU 27H

F 290150Z AUG 92

FM SECSTATE WASHDC

TO RUFHJL/AMEMBASSY FANJUL PRIORITY 2473

INFO RUEHAB/AMEMBASSY ABIDJAN PRIORITY 2081

BT

UNCLAS STATE 281231

AIDAC

E.C. 12356: N/A

TAGS:

SUBJECT: GAMBIA FINANCIAL AND PRIVATE ENTERPRISE (635-0232): GREEN LIGHT TO AUTHORIZE AND OBLIGATE

REFS: (A) ABIDJAN 012327 (B) STATE 250286
(C) STATE 232414

1. WE ARE PLEASED TO ADVISE YOU THAT AA/OFS HAS APPROVED USE OF CASE TRANSFER FOR NPA COMPONENT OF FAPE (635-0232). SIGNED COPY OF ACTION MEMO WILL BE POUCHED TO MISSION.

2. ALL OTHER ITEMS INDICATED REFTEL A REQUIRING AID/W ACTION HAVE BEEN ACCOMPLISHED.

A. BUDGET ALLOWANCE FOR DOLS 2,000,000 AND PAAD NUMBER (635-T-603A) WERE PROVIDED REFTEL B.

PER REFTEL C, CN EXPIRED 7/14 WITHOUT OBJECTION.

MISSION MAY NOW PROCEED WITH PAAD AMENDMENT AUTHORIZATION AND OBLIGATION OF FUNDS. PER REFTEL B, PLEASE NOTIFY BY IMMEDIATE CABLE WHEN FUNDS ARE OBLIGATED. KANTER.

T
1231

NNN

LOC: 141 361
31 AUG 92 846
CN: 48245
CHRG: AID
DIST: AID

DATE RECEIVED: 8/31/92
ACTION TO: PRD4
DATE DUE: 9/27/92
ACTION TAKEN: [Signature]
DATE OF ACTION: 8/31/92

C

UNCLASSIFIED

STATE 281231

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

AUG 21 1992

ACTION MEMORANDUM FOR THE ASSOCIATE ADMINISTRATOR, OPERATIONS

THROUGH: AA/AFR, *Alison P. Rosenberg*
FROM: AFR/SWA, *J. W. Carline* Timothy Bork, Director
SUBJECT: Approval for Non-Project Assistance/Cash Transfer for
The Gambia Financial and Private Enterprise Development
Program (635-0232)

PROBLEM: Your approval is required to utilize a cash transfer mechanism in the on-going implementation of the Gambia Financial and Private Enterprise (FAPE) Program.

DISCUSSION: USAID/Banjul is currently implementing a program designed to stimulate private investment and the growth of private enterprises. The FAPE program includes both project assistance and non-project assistance (NPA) grants. In accordance with guidance conveyed in State 037533 dated February 6, 1992, the following information is submitted for your consideration of a cash transfer in the proposed sector support program:

1. The use of a cash transfer mechanism to implement a sector assistance program in The Gambia is recommended by the A.I.D. Representative, Ms. Bonnie A. Pounds.
2. Initiated in FY 91, the FAPE Program was authorized for \$17.35 million life-of-project funding, including \$9.0 million of NPA to be granted through a cash transfer and \$8.35 million of project assistance. The initial NPA obligation in FY 91 was \$1.0 million. USAID/Gambia plans to obligate an additional \$2.0 million of NPA in FY 92. The Government of the Gambia (GOTG) is making good progress in meeting the conditionalities associated with the program; it is expected that all conditions precedent to first disbursement will be satisfied by December 1992. The incremental funding is required to permit A.I.D. to disburse, in accordance with the terms of the Program Agreement, by the target date.
3. The amount is determined in part by the Mission's estimate of the costs to the Government of the Gambia (GOTG) of implementing the reforms contained in the program which will induce sustainable increases of private investment and growth of private enterprises. Some of the conditionality, such as tax reform,

privatization and investment incentives policy, will entail real costs or loss of income to the GOTG.

4. The dollars will be used for the payment of debts owed by the GOTG to multilateral financial institutions, such as the World Bank and the International Monetary Fund.

5. USAID/Banjul plans to track the dollars which will be disbursed under this program: The dollars will be deposited directly by the U.S. Treasury into an account held by the Central Bank of The Gambia in the Federal Reserve Bank of New York or into a bank mutually agreed upon by the Mission and the GOTG. Funds in this account will not be commingled with other funds, and the dollars will be tracked until they are used to pay eligible debts.

6. The cash transfer assistance mechanism is proposed in order to promote policy reforms by the GOTG that will lead to improved management of the economy and enhancement of the enabling environment for private investment and private enterprise growth. Under the program, the GOTG will:

- privatize the Gambia Produce Marketing Board (GPMB) and its subsidiaries and at least one other state-owned enterprise;
- implement a tax reform program favoring increased private investment and expansion of resource-based private enterprises;
- adopt a more effective investment incentives policy;
- revise the statutory regime affecting financial transactions and the formation and operation of private enterprises, including financial institutions; and
- adhere to the criteria under the Public Investment Program, particularly as it relates to private investment.

7. Specific performance standards have been established to determine progress toward and completion of the conditionality outlined above. Successful accomplishment of the FAPE program purpose to enhance the enabling environment for increased private investment and growth of private enterprises will be indicated by the following end-of-project conditions:

- increased aggregate earnings from and employment in resource-based private enterprises.
- enhanced efficiency and profitability of the groundnut industry and increased income opportunities for oilseed producers;

- sustained and deepened macroeconomic policy framework conducive to private investment and growth of private enterprises;
- satisfactory implementation of the Public Investment Program and reduction of the role of the public sector in the production and marketing of goods and services;
- increased competitiveness of The Gambia's investment climate; and
- improvement in The Gambia's international credit standing.

8. The use of cash transfer was selected as the preferred financing mechanism over a Commodity Import Program (CIP) for several reasons.

- (a) The GOTG also maintains an open and transparent foreign-exchange system. The exchange rate is market-determined, and the introduction of foreign exchange bureaus in mid-1990 has contributed to the disappearance of a parallel market. Foreign exchange is not allocated within this liberalized system. Because a CIP would effectively allocate reserves, it would introduce undesirable distortions in the monetary system.
- (b) Experience has shown that effective implementation of a CIP usually requires additional and specialized management capacity. USAID/Banjul is a small, highly efficient program. However, its staff does not have such a capacity nor does the GOTG have experience with a U.S. commodity import program. Given the small size of this NPA and the disadvantages of a CIP outlined above, it would seem an inefficient allocation of scarce personnel resources for such a program.
- (c) It is necessary to use a quick disbursement mechanism to effectively assist the GOTG implement its economic stabilization program by financing requirements for meeting some current external debt obligations.

Prevailing NPA guidance indicates that where recipient country debts service is a significant barrier to growth and development, cash grant assistance may be used to effect debt service payments. These circumstances exist in the Gambia. The cash grants will be used to meet external debt obligations.

No local currency will be generated. The GOTG has agreed with the World Bank and IMF to reduce further its budget deficit and reallocate resources for the social sectors. Thus, the generation and programming of local currency would undermine these fiscal reform efforts and would likely be inflationary.

Furthermore, the limited USAID/Banjul staffing level (4 USDH) is insufficient for programming and monitoring of local currency financed-activities. Consequently, it was considered to be inappropriate to pursue an approach that would generate local currency resources.

The sector cash grant is not proposed in lieu of projectized assistance but rather to complement the Financial and Private Enterprise Support Project activities (including technical assistance, commodity aid and training) that will be implemented concurrently with the NPA program.

9. USAID/Banjul is working closely with the GOTG Ministries of Finance and Economic Affairs, Justice, and Trade and Industry, as well as the National Investment Board in the implementation of this program. The policy reforms identified for the Program have been negotiated with the Ministry of Finance and Economic Affairs.

The USAID/Banjul's program goal is to accelerate the rate of real growth in per capita income in the Gambia. The proposed Program is the principal implementing vehicle for the achievement of one of the Mission's three strategic objectives, "increase private sector investment." This will contribute towards broad and sustainable attainment of the program sub-goal of increasing formal sector wages. The proposed NPA program will assist the GOTG to achieve its objectives under the Sustained Program for Development.

RECOMMENDATION: That you sign this Action Memorandum, thereby approving the use of a cash transfer mechanism for the continued implementation of Gambia's Financial and Private Enterprise Program.

Approved: James M. Payne

Disapproved: _____

Date: 8/28/92

Clearances: AFR/SWA:TBork (draft)
AFR/DP/PPD: BAnderson (subs)
AFR/DP: JGovan (draft)
GC/AFR: ESpriggs (draft)
DAA/AFR: RCobb date 9/2/92

AFR/SWA: DDay: 7/24/92: 7-6035: U: \SWAPUB\DOCS\GAMBIA\FAPEOPS.MEM

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GOVERNMENT OF THE GAMBIA

Aliou Ngum
Permanent Secretary
Ministry of Finance and Economic Affairs

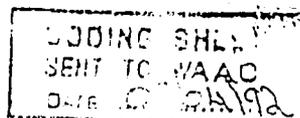
Aliou Ngum

UNITED STATES OF AMERICA

Bonnie Pounds
Bonnie Pounds
A.I.D. Representative

Date: August 31, 1992

Date: August 31, 1992



FUNDING CITATIONS

Appropriation: 72-112/31014
Budget Plan Code: GSSA-92-21635-KG39
Budget Allowance: 281-61-635-00-53-21
PAAD No: 635-T-603A