

PDBB5369

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
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COUNTRY/ENTITY THE GAMBIA	3. PROJECT NUMBER 635-0231
BUREAU/OFFICE AFR	5. PROJECT TITLE (maximum 40 characters) Economic Policy Reform Support

PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 1 23 1990	7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 87 B. Quarter 4 C. Final FY 89
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8. COSTS (\$000 OR EQUIVALENT \$1 = D 7.34)

A. FUNDING SOURCE	FIRST FY 87			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(276)	()	(276)	(850)	()	(850)
(Loan)	()	()	()	()	()	()
Other						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	276		276	850		850

9. SCHEDULE OF AID FUNDING (\$000)

APPROPRIATION	B. PRIMARY PURPOSE 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
SDP	910	930				850		850	
TOTALS						850		850	

SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 891

11. SECONDARY PURPOSE CODE

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

A. Code _____
 B. Amount _____

PROJECT PURPOSE (maximum 480 characters)

To provide technical assistance complementary to The Gambia's economic policy reform efforts in the financial sector, contributing to the overall purpose of creating a financial and institutional environment which promotes greater market access for private entrepreneurs.

SCHEDULED EVALUATIONS

Interim	MM YY	MM YY	Final	MM YY
	01 89			03 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) _____

AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

APPROVED BY	Signature: <i>Carol Peasley</i> Title: Carol A. Peasley Director, Office of Project Development	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 08 21 87
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AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

SEP 1 1981

PROJECT AUTHORIZATION

Name of Country: The Gambia
Name of Project: Economic Policy Reform Support
Number of Project: 635-0231

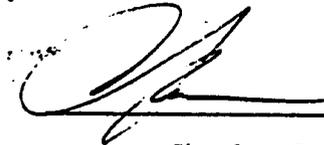
1. Pursuant to Section 121 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Economic Policy Reform Support Project for The Gambia ("Cooperating Country"), involving planned obligations of not to exceed Eight Hundred Fifty Thousand United States Dollars (US \$850,000) in grant funds ("Grant") over a three-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 40 months from the date of initial obligation.

2. The project ("Project") consists of technical assistance activities required to implement and support the Economic Policy Reform Program for the Gambia. It, therefore, contributes to the overall purpose of creating a financial and institutional environment which encourages and promotes greater and more equitable access to markets for private entrepreneurs.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate..

Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in the Cooperating Country or in countries which are included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country and countries which are included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.



Charles L. Gladson
Assistant Administrator
Bureau for Africa

9-1-87

Date

Clearances:

As Shown on Action Memorandum

GC/AFR, PGJohnson/tim:647-9218:17Aug87:2292H

SEP 1 1981

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA (AA/AFR)

FROM: Carol A. Peasley, Director, AFR/PD *C Peasley*

SUBJECT: African Economic Policy Reform Program for The Gambia

635028 and 635802

PROBLEM: To authorize a three year African Economic Policy Reform Program (AEPRP) for The Gambia with total funding of \$6.85 million.

BACKGROUND: The purpose of this Program is to create a financial policy and institutional environment which encourages and promotes greater and more equitable access to markets for private entrepreneurs. The program reinforces and expands upon GOTG policy reforms aimed at recovery of the financial sector, thereby contributing to an overall goal of creating a more stable and equitable financial system.

To accomplish this purpose, the Program will provide much needed balance of payments support to the Gambian economy, thereby relieving the GOTG and the Gambian financial system from the destabilizing effects of foreign exchange shortages while policy reforms are enacted. OAR/Banjul will disburse \$6.0 million of ESF funds in three equal tranches over a three year period on a cash transfer basis. The disbursement of each tranche of balance of payments support will be predicated upon completion of specific steps aimed at:

- (1) the elimination of less than market interest rates and the development of policies for term lending, agricultural credit, and development lending;
- (2) the development and introduction of a procedure for reducing public subsidies and concessions and assuring budgetary allocations for those that remain; and,
- (3) an end to administrative practices which discriminate against the private sector in the areas of credit allocation and agricultural marketing.

The package of economic policy reforms enacted pursuant to the Program will remove many of the current inequitable practices found in The Gambian financial system. It should result in a significant increase in resources available to the private sector, and a less dramatic, but important increase in total resources available in formal sector financial markets. In sum, the Program is expected to result in more financial resources being made available to the private sector because funds will be free to move to the most efficient users of those resources and because the total amount of funds available will increase.

Prior to each disbursement of funds, the GOTG will provide a prioritized listing of debt payments eligible for payment with ESF dollars for A.I.D. review and approval. Upon disbursement of funds by A.I.D., ESF dollars will be deposited into a separate GOTG bank account established for this purpose. Dollars will subsequently finance specific external debt payments of the GOTG previously approved by OAR/Banjul. Once these payments are made, the GOTG will provide evidence to OAR/Banjul that withdrawals were made from the separate account for specific debt payments listed on the approved list and that payments were received by approved creditors.

The GOTG Ministry of Finance and Trade (MOFT) will be the principal implementing agency for this Program. A Program Management Committee will be created to provide overall guidance for its implementation. This Committee will include both GOTG and OAR/Banjul representatives.

Requested funding for the proposed Program totals \$6.85 million. ESF will finance three annual cash transfer tranches of \$2 million, a total of \$6 million over the three year Program. An additional \$850,000 of SDP funds will finance technical assistance required to implement, monitor, and evaluate the policy reform aspects of the Program. Funds will be obligated in two separate grant agreements. The entire \$6.0 million of ESF will be obligated in FY 1987. An initial obligation of \$276,000 of SDP funds will be made in FY 1987, with incremental obligations totalling \$574,000 to be made from future year funds from the Mission's OYB.

DISCUSSION: The ECPR for the subject Program was held on May 27, 1987, and was chaired by Ms. Lois Richards, AFR/DAA/CWA. The ECPR found that the macroeconomic justification for The Gambia AEPRP was satisfactory. The proposed reform program was determined to be sound and appropriate.

As a result of the ECPR, several modifications to the PAAD were made. These include the following:

(1) The overall objectives of the Program were clarified to place primary importance on the stabilization and equity of the financial system. The Program's direct impact on growth has been deemphasized, and the analysis of the policy reforms to be completed during implementation has been revised to focus on the expected direct, rather than indirect, impacts of the program. Measurable benchmarks related to financial stabilization and the strengthening of sectoral institutions have been added.

(2) A proposed condition requiring auctioning of donor-provided equipment was deleted because it had little relationship to reform of the financial sector.

5

(3) A substantive mid-term evaluation to be conducted between the twelfth and eighteenth months of implementation was added. In both mid-term and final evaluations, the effects of the financial reform process on financial institutions, especially agriculture related institutions, will be assessed. In this same regard, the effect on rural women will be specifically addressed.

(4) A description of the dollar disbursement and tracking procedures has been included.

The PAAD, as originally presented, contained a Forward Foreign Exchange Facility (the "Facility") activity. A.I.D. funds would have been used to make certain debt payments which would, in turn, have freed up an equivalent amount of foreign exchange. In this way, the foreign exchange to establish the Facility would have been provided indirectly by the Program. A proposed condition requiring establishment of the Facility would have made the link between the Facility and the Program even more direct. At the ECPR, it was decided that prior to Program authorization, a letter from relevant IMF staff stating that that institution had no formal objections to the establishment of the Facility should be received. OAR/Banjul was later informed that such a letter would not be forthcoming because the IMF does, in fact, have technical objections to the Facility. Because of this situation, the PAAD was revised to delink the A.I.D. African Economic Policy Reform Program in The Gambia from the proposed Forward Foreign Exchange Facility, and the suggested condition was dropped. The Program will finance pre-approved debt payments. No local currency will be generated. (See attached AFR/PD memorandum for the Deputy Assistant Administrator dated 6/2/87).

At the ECPR, concern was raised that the complementary technical assistance component appeared to be underfunded. As a result, the PAAD was modified to include a more detailed description of that activity and a more detailed budget for its financing (Annex D). The estimated cost of the revised technical assistance activity is \$850,000. After extensive discussion, the ECPR determined that the total cost of the technical assistance component was to be financed with ESF. However, after the ECPR and because of lingering concerns related to the decision, the issue of the funding source for the complementary technical assistance was raised once again to the Deputy Assistant Administrator. The ECPR decision was then reversed. Funding in the amount of \$276,000 resulting from Mission deobligations will be reobligated to this purpose in FY 1987. The remaining \$574,000 will be incrementally obligated from the Mission's OYB. (See attached AFR/PD Action Memorandum for the Deputy Assistant Administrator signed July 20, 1987).

An Initial Environmental Examination (IEE) recommending a categorical exclusion based on sections 216.2(c) (1) (i) and 216.2(c) (2) (vi) was concurred with by the Bureau Environmental Officer on April 29, 1987.

A Congressional Notification (CN) for \$6.0 million of ESF and \$.85 million of SDP funds was forwarded to Congress on July 30, 1987, and the waiting period expired on August 13, 1987.

RECOMMENDATION:

(A) That you sign the attached PAAD facesheet, thereby authorizing ESF program financing of up to \$6.0 million for an African Economic Policy Reform Program for The Gambia (635-0228) to be provided as non-project assistance; and

(B) That you sign the attached Project Authorization, thereby authorizing SDP funding of up to \$850,000 for a technical assistance grant project complementary to the African Economic Policy Reform Program for The Gambia (635-0231).

Clearances:

DAA/AFR:WBollinger	<u>WVW</u>	date	<u>9/1/87</u>
DAA/AFR:ELSaier	<u>WVW</u>	date	<u>8/1/87</u>
GC/AFR:PJohnson	<u>WVW</u>	date	<u>8/27/87</u>
AFR/CONT:RKing	<u>WVW</u>	date	<u>8/26/87</u>
AFR/PD/SWAP:BBurnett	<u>WVW</u>	date	<u>8/25/87</u>
AFR/PD:CPeasley	<u>WVW</u>	date	<u>8/28</u>
AFR/SWA:PDichter	<u>WVW</u>	date	<u>8/25/87</u>
AFR/DP/PAR:JWolgin	<u>WVW</u>	date	<u>8/25/87</u>
AFR/DP/PAB:HMerrill	<u>WVW</u>	date	<u>8/26/87</u>
PPC/PB:RMaushammer	<u>WVW</u>	date	<u>8/26/87</u>
PPC/EA:ABatchelder	<u>WVW</u>	date	<u>8/26/87</u>
M/FM/PAD:EOWens	<u>WVW</u>	date	<u>9/29/87</u>
State/AF/EPs:JFergin	<u>WVW</u>	date	<u>8/29/87</u>

drafted by: AFR/PD/SWAP:CG [Signature] : x77886:6/10/87:cfg:4094M