



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-Mar-2020 | Report No: PIDA26424



BASIC INFORMATION

A. Basic Project Data

Country Gambia, The	Project ID P166695	Project Name GAMBIA FISCAL MANAGEMENT DEVELOPMENT PROJECT	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 10-Mar-2020	Estimated Board Date 30-Apr-2020	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economic Affairs	Implementing Agency Directorate of Public and Private Partnership and Public Enterprises - DPPP&PE	

Proposed Development Objective(s)

The Project Development Objective is to increase fiscal space and improve effectiveness of public resources management.

Components

- Component 1: Strengthening revenue collection and public procurement processes
- Component 2: Supporting Fiscal Management of State-Owned Enterprises and Restructuring Plans of Telecoms SOEs
- Component 3: Project Implementation Support and Coordination

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Development Association (IDA)	40.00
IDA Grant	40.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Three years into transition, the Government of The Gambia has taken important steps to set the country on a new development path.** Following the 2017 Parliamentary elections and local elections in April 2018, the Government of The Gambia (GoTG) started implementing reforms to respond to the citizens’ high expectations for quick improvements in service delivery and economic growth. The GoTG has allowed for a freer press, rejoined the Commonwealth, and rebuilt relations with Senegal, as well as with international financial institutions. The Cabinet endorsed findings and recommendations of the Janneh Commission of Inquiry formed to investigate the financial activities of public bodies, enterprises and offices connected to the former president Jammeh and issued the White Paper in October 2019. The nationwide consultative Truth, Reconciliation and Reparations Commissions has been conducting its public hearings in January 2019 and could provide a foundation for reconciliation in communities broken by atrocities of the last administration. Meanwhile, Government accountability continues to have room for improvement.

2. **The Gambia has witnessed a slight decline in poverty and scored on par with the regional average on Human Development Indicators.** Due to lack of growth in per capita income, the proportion of the population living in poverty—measured using the national poverty line—remained unchanged between 2010 and 2015, at about 48 percent. In absolute terms, however, the number of poor people grew from 0.79 million in 2010 to 0.93 million in 2015. The population, of which 60 percent is below 25 years of age, is concentrated around urban and peri-urban centers where poverty is lower due to higher economic activity from commerce, public administration, and services sectors and remittances. Economic volatility, drought, and unemployment drive the youth migration abroad. The Gambia scored 0.4 on the Human Capital Index, on par with the regional average.

3. **Economic activity accelerated in 2018 and 2019 supported by rebounding confidence and strong growth in the services sector.** Real Gross Domestic Product (GDP) growth accelerated to 6.5 percent in 2018, propelled by lower interest rates, an expansion in tourism, increased construction activity and better electricity provision. For 2019, GDP is estimated to grow by 6 percent despite two recent shocks. In agriculture, a rainfall deficit caused an estimated 10 percent drop relative to 2018, shaving 2 percentage points off growth. In tourism, despite the Thomas Cook UK bankruptcy at the start of the tourism season, leading indicators (booking and air traffic) point to a continued expansion. Inflation increased from 6.5 percent in 2018 to 7.1 percent in 2019, reflecting a reduction of the output gap and the impact of a one-off administrative price change.

Sectoral and Institutional Context

4. **Important progress has been made in restoring macroeconomic stability and reigniting growth.** Supported by strong inflows of external grants and the International Monetary Fund (IMF) Staff-Monitored Programs (SMP) in 2018-19, the fiscal deficit was reduced, domestic borrowing has been curtailed, international



reserves have been brought closer to prudential levels, and interest rates have eased in the context of a flexible exchange rate regime and stable inflation. Higher public investment in key infrastructure and service sectors (including energy and tourism) has attracted new private investment and supported a strong recovery in growth.

5. **Debt sustainability continues to pose a major challenge.** The 2019 World Bank- IMF Debt Sustainability Analysis (DSA) found that while The Gambia is under external debt distress, its public debt is deemed sustainable on a forward-looking basis. Public debt has declined from 86.6 percent of GDP in 2018 to 81.4 percent by end-2019. The restructuring of The Gambia's external debt is being finalized following commitments provided by participating creditors. These deferrals have markedly improved The Gambia's debt outlook and enabled it to exit from debt distress.

6. **The Gambia has built a positive track record of performance under the SMP and is requesting for an Extended Credit Facility (ECF) arrangement.** Quantitative targets under the one-year SMP (approved by the IMF Management on April 24, 2019), including on domestic borrowing by the government and on poverty-reducing spending, were met. With the anticipated debt relief, the prerequisites for The Gambia to enter into a financing arrangement with the IMF are largely in place. On February 11, 2020, IMF reached staff-level agreement with The Gambia on a three-year ECF program in the amount of SDR 35 million (or around US\$48 million). This arrangement will catalyze much needed resources from other international partners enabling The Gambia to fulfill its economic potential and address pressing social needs.

7. **The Gambia is a fragile state with weak Domestic Revenue Mobilization (DRM) and inefficient management of public resources and State-Owned Enterprises (SOEs) limiting the GoTG's capacity to provide citizen centered services.** Flawed tax policies and low capacity in tax administration limits fiscal space for public investment and services. An inefficient procurement system and lack of digitalization contributes to weaken the management of public resources limiting further the Government's capacity to provide basic public services. The performance of the SOE sector is seriously affected by weak corporate governance, limited oversight and low operational and financial performance. The SOEs are consequently a significant source of fiscal risk and their underperformance constrains growth. Continued state management and operation in the supply-side of the telecom sector limits its development and increases the fiscal risks.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to increase fiscal space and improve effectiveness of public resources management.

Key Results

8. The PDO-level results indicators are as follows:

- PDO Indicator 1: Value Added Tax (VAT) Gross Compliance ratio.
- PDO Indicator 2: Revenue per employee for GAMTEL
- PDO Indicator 3: Aggregate annual SOEs reports prepared and published by the centralized oversight agency.
- PDO Indicator 4: Share of competitive biddings in public procurement using electronic Government Procurement.

D. Project Description

9. **The proposed five-years operation, financed by IDA grant, seeks to improve Government effectiveness in fiscal management for better public service delivery.** This will be achieved by: (a) enhancing The Gambia Revenue Authority's (GRA) compliance management, revenue risk analysis, and enforcement capacity, for broadening the tax base and improving voluntary compliance; (b) introducing electronic Government



procurement (e-GP) and (c) improving financial and operational performance of State-Owned Enterprises (SOE) and reducing the telecom-related fiscal burden. The operation is built around two interlinked components that seek to address core challenges currently hampering fiscal management and service delivery. Component 1 aims at increasing fiscal space for public services and implementing reforms of The Gambia procurement system for a more efficient and better-quality procurement. Component 2 focuses on fiscal management of SOEs and restructuring plans of telecom SOEs and combines Results Based Financing (RBF), linking disbursements to the achievement of agreed upon performance indicators (DLIs) and TA. It aims to improve fiscal management of SOEs and support critical reforms in GAMTEL and GAMCEL that are fundamental to the strengthening of their financial viability and operational performance. Global experience in restructuring and repositioning telecom SOEs shows that it is good practice to resolve issues related to overstaffing and debt prior to seeking investor interest and options for divestiture. Hence, this component would support the Social Plan to address the overstaffing issue in parallel to the work of the Transaction Advisory team to sound private sector interest for GAMTEL and GAMCEL.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts

The social risk is substantial regarding to the retrenchment activities that the project will undertake as the final option for the restructuring of the SOEs approved by the Government.



E. Implementation

Institutional and Implementation Arrangements

10. **Steering Committee:** To ensure proper coordination and supervision of the project, a Project Steering Committee (PSC) will be established to provide strategic guidance and oversight. The PSC will approve the annual work plan and budget, review and approve the publication of annual progress reports and audited financial statements of the project within six months after the end of each fiscal year. It will also oversee project implementation, and review the project's progress, outputs and constraints. The PSC will be made up of representatives from all the stakeholder institutions involved in the implementation of the project.

11. **Project Coordination:** The Department of Public Private Partnerships and Public Enterprises (DPPP&PE) within MoFEA will be responsible for coordination among participating entities as well as day-to-day management of the project, including technical inputs, procurement and financial management, monitoring and evaluation and liaising with the World Bank. For this purpose, a core team fully dedicated to the implementation of the project will be set up, comprising of project manager, legal expert, also responsible for monitoring and reporting the implementation of the Grievance Redress Mechanism (GRM) and corporate governance specialist and a digital expert. To ensure compliance with the World Bank's fiduciary regulations, the team will be supported by a financial management officer, a procurement officer and a monitoring and evaluation officer. The other staff of the DPPP&PE may support the project implementation as needed. A network of designated counterparts in each MDA involved with the implementation of the project will be established to facilitate coordination.

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