SUPPLEMENTAL CREDIT DOCUMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
PROPOSED SUPPLEMENTAL CREDIT OF SDR 2.7 MILLION
(US$4.0 MILLION EQUIVALENT)
TO THE REPUBLIC OF THE GAMBIA
FOR THE
POVERTY ALLEVIATION AND CAPACITY BUILDING PROJECT
May 20, 2005

Water and Urban 2
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate as of May 2, 2005)
Currency Unit = Gambian Dalasi (GMD)
GMD 28.5 = US$ 1
US$ 1 = GMD 28.5
SDR 1 = US$ 1.513

WEIGHTS AND MEASURES
Metric System

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB - African Development Bank
BCC - Banjul City Council
CAS - Country Assistance Strategy
DoSLGL - Department of State for Local Government and Lands
EU - European Union
GAMWORKS- - Gambian Agency for the Management of Public Works
HIPC - Heavily Indebted Poor Countries
IDA - International Development Association
KMC - Kanifing Municipal Council
LGA - Local Government Authority
MTR - Mid-term Review
NGO - Non-governmental Organization
NPV - Net Present Value
PACAB - Poverty Alleviation and Capacity Building Project
PCU - Project Coordination Unit
PDO - Project Development Objective
PRSP - Poverty Reduction Strategy Paper
SDR - Special Drawing Rights

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Task Team Leader : Christian Diou
THE REPUBLIC OF THE GAMBIA

POVERTY ALLEVIATION AND CAPACITY BUILDING PROJECT

PROPOSED SUPPLEMENTAL CREDIT AND PROJECT SUMMARY

Borrower: Republic of The Gambia

Implementing Agency: Project Coordination Unit of the Department of State for Local Government and Land; and GAMWORKS Agency

Beneficiaries: Population of urban and suburban areas

Amount: SDR 2.7 million (US$ 4.0 million equivalent)

Terms: Standard IDA terms with a 40-year maturity, including 10 years of grace

Financing Plan: (See Annex 1)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>IDA</td>
<td>US$ 4.00 million</td>
</tr>
<tr>
<td>Government, Local Govts &amp; NGOs</td>
<td>US$ 0.20 million</td>
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<tr>
<td>Total</td>
<td>US$ 4.20 million</td>
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Economic Rate of Return: Not applicable

Staff Appraisal Report: None

Project ID Number: P094281

Map: None

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A. Introduction

1. **Country Context.** The Gambia is one of the smallest countries on the African continent with 11,295 square kilometers and ranks 160th out of the 173 countries in the United Nations Human Development Index. The country consists of the two banks of the Gambia River, densely populated by about 1.3 million people. The Gambia's relationship with its closest neighbor, Senegal, is cordial. Europe is the country's largest trading partner. The Gambian Government will continue to consolidate its relationship with the UK, U.S., EU among others in order to benefit from trade and development assistance. The Gambia is a member of the Economic Community of West African States (ECOWAS) and West African Monetary Zone (WAMZ).

2. **Economic Development.** The Gambian economy suffered a serious setback after 1994 due to the imposition of sanctions by international donors, the decline in tourism, and the devaluation of the CFA franc which reduced the country's re-export trade. Economic growth slowed again in 1997 due to a very poor agricultural season when groundnut production fell by almost half. The economy recovered and the country enjoyed a steady growth from 1998 to 2002, when the economy shrank by 3.2 percent due to policy slippages and low rainfall. The economy recovered again in 2004, registering a real GDP growth rate of 8 percent as a result of strong performance in the agricultural sector, including crops other than groundnuts. However, the locust plague still has the potential to adversely impact the country. Fiscal performance was particularly strong in 2004, resulting in an overall balance (cash basis) of 3.5 percent and a primary surplus of 8.2 percent. Combined with the continued reduction in monetary expansion from 43.4 percent in 2003 to 20.3 percent in 2004, the inflation rate fell from 17.0 percent in 2003 to 14.8 percent in 2004 and the exchange rate has stabilized at approximately 30 Dalasis per US dollar. However, interest payments at 40 percent of recurrent expenditures remain a concern, and there is evidence that PRSP expenditures have not been fully implemented. In addition, inflationary fears cannot be dismissed with the present risk of continued high petroleum prices. In the long run, the country should reduce its vulnerability to adverse external and domestic shocks by diversifying its narrow economic base which largely depends on re-exports, groundnuts and tourism.

3. The Gambia reached the HIPC Decision Point in December 2000. The total HIPC assistance amounts to US$66.6 million in NPV, of which IDA provides US$22.3 million. The triggers for the floating Completion Point focus on the macro economy, PRSP implementation, public expenditure management, government statistics, education and health, and private sector development, including the establishment of a functional multi-sector regulatory agency and move towards the sale of two major public groundnut processing plants. Some of the triggers have still not been met.
4. CAS. The Bank's FY03-05 CAS prepared in 2003 focuses on improving public expenditure management, enhancing the equity and quality of social service delivery, and promoting private sector led growth. The CAS is being implemented, albeit with delays. Currently there are six Bank projects in the areas of education, health, HIV/AIDS, economic/public expenditure management, urban infrastructure, and trade gateway. There are two projects currently under preparation, the second phase of the education project and a health/CDD combined project. The current lending scenario does not include any follow-up operation to the PACAB Project.

5. Urban sector. The last census was carried out in 2003 and is still to be published. However, the provisional figures available show a total population of 1.36 million inhabitants versus 1.038 million in 1993, a 31.4 percent increase in ten years. The urban population is now estimated to about 40 percent of the total population. The studies carried out under the Project confirm that the Greater Banjul Area experienced an explosive population growth over the past 20 years, especially in Kanifing and Brikama. Banjul and Kanifing Municipalities, entirely urbanized, are below the average Gambian level of poverty (71.3 percent and 72 percent respectively are Very Poor or Poor, according to the 2003 household survey) and Brikama is about average. In the regions, Farafenni, Basse and Soma have experienced robust population growth. These three towns are becoming true regional growth centers, thanks to specific locations within The Gambian urban armature. The decentralization framework is defined by the Local Government Act (2002) and the Finance and Audit Act (2004). The enabling environment needs to be further improved to allow for more autonomy of the Local Governments especially in terms of financial management.

B. Background

6. The original Credit in the amount of SDR10.7 million (about US$15 million equivalent) was approved on March 16, 1999 and became effective on September 30, 1999. As of May 1, 2005, about 92 percent of the Credit had been disbursed, with all remaining funds committed. The current level of disbursements is a direct reflection of the Government's commitment to achieving the PDOs after a severe management crisis at GAMWORKS in 2002 and 2003. The initial closing date was December 31, 2003. A first extension of 15 months until March 31, 2005 was approved on December 20, 2003 to take into account the successful strengthening of the executing agency. A second extension of the original closing date from March 31, 2005 to June 30, 2005 was granted on February 24, 2005 for completion of the remaining ongoing works. As will be noted below, a further extension is being sought to facilitate the implementation of the activities to be financed using the proceeds of the Supplemental Credit.

7. The initial specific PDOs as presented in the Project Appraisal Document were to: (i) reduce the backlog of public infrastructure and assets, and improve their maintenance; (ii) alleviate poverty through the creation of temporary jobs and improvements to the selection of small- to medium-size investments aimed at upgrading the living environment of the poor; and (iii) strengthen the technical and managerial capacity of local authorities (with an emphasis on their financial situation), local private firms (namely, consultants and contractors) and GAMWORKS (as the specialized agency to which beneficiaries will delegate the management of contracts entered into to improve their infrastructure, facilities or services).
8. During the Mid-Term Review (MTR), a review of the Project’s PDOs was carried out, and it was determined that the PDOs were not well defined and were unrealistic. The MTR noted that they were presented differently in various sections of the PAD and in the Development Credit Agreement (the DCA). A revision of the PDOs was proposed which was accepted by the Government, the Task Team and the Management of IDA as follows:

“to contribute to improved living conditions of the urban population, and the poor in particular through the: (i) provision of public infrastructure and services based on demand and on the fulfillment of clearly defined criteria; and: (ii) implementation of a capacity building program aimed at improving the LGAs’ resource mobilization and management.”

9. A set of readily measurable performance indicators was also determined to measure the results of the Project activities and their impact. The MTR also modified the target set for the number of subprojects to be implemented under the Project from 110 to 75 due to cost increases triggered by external factors, outside Government control. Following internal consultations, it was the opinion of the Project team that no formal amendment to the DCA was required, as the PDOs had not been drastically modified and the Project components remained unchanged.

10. A Quality Enhancement Review was carried out on March 16, 2005, which confirmed the validity of the changes to the PDOs made at the MTR. It also highlighted the need to formalize them, especially in view of the request for this Supplemental Credit. In addition, a results framework setting out Outcomes related to the PDOs and Performance Indicators for Outputs, with and without the Supplemental Credit was prepared during Appraisal which includes the baseline data and the targets for the activities financed under the Supplemental Credit. This will ensure that the sustainability of the Project over the long run can be strengthened and measured.

11. The IDA team’s assessment of whether the PDOs would be met based on the revised PDOs as of the MTR, outlined in paragraph 8 above, and assuming that the Project was to close as scheduled on June 30, 2005, is as follows:

(a) The first objective related to the provision of infrastructure and services is likely to be met. All operations are now back on track and the backlog created by the management crisis in 2002 and 2003 has now been eliminated; and

(b) The second objective related to the LGA capacity building program is likely to be met. The capacity building program gained momentum during the second half of 2004 and has already produced significant positive impact on local resource mobilization. Further impact on the revenue produced by property taxes is being ascertained, as the revised valuation rolls prepared under the Project and made available in January 2005 were used to launch the 2005 property tax campaign by the Government and the LGAs.
C. Project Implementation Experience

12. Project execution is coordinated by a Project Coordinating Unit (PCU) located within the Department of State for Local Government and Land (DoSLGL) which works together with local municipalities and associations to identify priority needs in poor communities. The studies, technical assistance activities and investment programs are implemented through GAMWORKS, the Gambian delegated contract management agency. The PCO also works with local partners (LGAs and NGOs) to ensure subsequent sustainability of the investments through better maintenance of public infrastructure and better delivery of services. Finally, the PCO is responsible for supporting the improvement of resources for the LGAs by assisting the valuation unit in DoSLGL update and complete valuation of properties.

13. The Project is currently rated satisfactory. It was in unsatisfactory status for approximately eighteen months, mainly due to a management crisis at GAMWORKS, the main implementing agency. Difficulties arose shortly after the mid-term review (November 2001) when the former Director General was removed and an Acting Director General who was not satisfactory to the Bank recruited. Several action plans were discussed with the Government and only partially implemented during 2002 and 2003. In October 2003, the Government embarked on a revamping of the management team at GAMWORKS and renewed discussions with the Bank on performance improvement. The changes in the management team and subsequent strengthening of GAMWORKS’ Board had an immediate positive impact on Project performance and led to an upgrade of the Project ratings in April and June 2004.

14. Implementation of subprojects. The Project is expected to fully finance a portfolio of 72 of the 75 subprojects identified at the MTR. As of April 28, 2005, 61 subprojects have been successfully implemented. The works are still ongoing for 11 subprojects which should be completed by end-June 2005. An ex-post social and economic impact assessment, underway at Appraisal, shows an important social impact of the Project, with at least one forth of the total Gambian population (or 60 percent of the urban population) benefiting from at least one subproject. The Project also facilitated the enrollment of 692 new pupils through creation of new classrooms, and an additional 4472 students benefited from improved classrooms and facilities. The works were carried out by small and medium size contractors using labor intensive methods except for road pavement which required specific equipment and foreign firms. The average labor costs amount to 24.1 percent of the contract amount versus a target of 20 percent. According to GAMWORKS’ estimated breakdown of labor costs, 60 percent was for unskilled labor and 40 percent for skilled labor (carpenters, masons, drivers, foremen, etc.). Based on actual unit labor costs (GMD 1,500 per month for unskilled labor and GMD 3,250 for skilled labor), this amount represents about 22,000 person-months of total employment for unskilled labor and 6,900 person-months for skilled labor (carpenters, masons, drivers, foremen, etc.).

15. Capacity building and Training. As planned, the Project has implemented a series of Training and Technical Assistance Programs for the DoSLGL, the LGAs, the Consulting and Contracting Firms and GAMWORKS. The bulk of the program targeted the LGAs, especially for technical assistance on resource mobilization and revenue management improvement as well as training in computer applications, financial management and operations and maintenance.
Important training activities, workshops and technical assistance programs were provided to the private contracting and consulting firms as well as the Gambian Association of Construction Contractors (GACCON) and the Gambian Association of Construction Consultants (GACSUL), their professional Associations. GAMWORKS’ staff also benefited from short-term training in their various fields, including procurement, project management and other technical areas, and a new computerized management system acceptable to the Bank has been put in place.

16. **Studies.** Finally, the Project carried out most of the studies identified during appraisal: physical, financial and management audits of Local Governments, mapping, street identification, property numbering and property valuation, and development of a solid waste management system. A pre-assessment of the existing Gambian decentralization system confirmed that the conditions were not met for the creation of a municipal development fund and led to the cancellation of this study. The Government also cancelled the detailed engineering study for the rehabilitation of the storm water drainage/flood control and sanitation system of Banjul as no adequate funding for the works was available or identified. The funds for these studies were reallocated to other project activities. The studies carried out had an important positive impact, especially when linked to the technical assistance programs. In particular, local resources are expected to significantly increase in 2005 as a direct result of the Project.

**D. Rationale for the Supplemental Credit**

17. The proposed Supplemental Credit would help the Government to improve outcomes linked to the PDOs both in terms of direct impact on the ground through sustainable improvements in living conditions and employment generation, and long-term institutional development by increasing the capacity of the Government, municipalities and community groups.

18. As indicated above, the number of subprojects to be implemented under the Project was reduced at MTR from 110 to 75 due to unexpected cost increases. The subprojects proposed for financing under the Supplemental Credit are part of those previously identified to be implemented under the Credit. The specific additional portfolio to be implemented using the proposed US$4 million Supplemental Credit includes the upgrading of the Bakoteh dumpsite in the Greater Banjul Area (Kanifing), as well as the following six sub-projects:

- Upgrading of Kayupa Road in Serrekunda
- Brikama Carpark in Banjul
- Extension of water supply network in Kombo North
- Extension of water supply in Brikama
- Extension of water supply in Gambissara (Phase) II
- Construction of sheds for small-scale enterprises in Basse

19. The March 16, 2005 Quality Enhancement Review confirmed the findings of the Screening Committee Meeting held on February 24, 2005, and agreed that there is merit for requesting supplemental financing to enable the Project to more fully meet its objective of increasing access to urban/infrastructure services by implementing an additional six sub-projects and the upgrade of the Bakoteh dumpsite in Banjul, bringing the Project closer to meeting its
original targets. It was noted that in addition to the six subprojects, the completion of the Bakoteh dumpsite was critical to improving solid waste management and reducing significant negative environmental impacts. The Supplemental Credit would also finance training for local consultants and small-scale entrepreneurs in the construction sector and provide institutional strengthening to the LGAs as part of the capacity building efforts aimed at supporting the implementation of the subprojects. As demonstrated under similar projects implemented in West Africa, this will enhance the quality of studies and supervision in the sector and will enhance the quality of works. The Supplemental Credit meets the requirements of OP 13.20, as follows:

(a) The cost overrun is due to exceptional circumstances beyond the Borrower's control. The bulk of the cost overrun occurred before the MTR and the management crisis, and was acknowledged during the MTR when the target of 110 subprojects was decreased to 75 subprojects. The cost overrun is mainly due to unanticipated cost increases linked to: (i) the rising price of mostly imported building materials, as the exchange rate of the Dalasi versus the US$ increased from D10.95 at Appraisal to D17 at end-2001 and D30.70 in 2004; (ii) the adjustment of local prices by local firms during the period to take into consideration the depreciation of the local currency; (iii) the negative impact on available funds from the adjustment of the counterpart funding for subprojects from 20 percent to 10 percent for local expenditures on April 3, 2001; (iv) the increase of subproject costs between the initial proposal and final bid price due to weak technical capacity to adequately estimate costs by beneficiaries; (v) the unforeseen impact of the selection of international contractors for road works resulting in a higher foreign exchange component financed at 100 percent under the Credit, versus 90 percent for local expenditures; and (vi) an unforeseen and urgent need to reallocate Credit resources to finance the underestimated capacity building component and technical audits.

(b) The Credit is being implemented in compliance with the covenants. The project is in compliance with all the legal covenants. There are no outstanding audit reports and the 2003 audit report is unqualified. The interim audit report for the year 2004 was received by the Bank on April 18, 2005 and is also unqualified.

(c) It is impossible to reduce the scope of the project to fit the available resources without significantly impairing the project's economic viability or capacity to achieve its objectives. As noted above, the subproject pipeline to be implemented under the Project was reduced from 110 to 75 as at the MTR, and as of the Closing Date, only 72 subprojects will be implemented, all reductions prompted by the lack of sufficient funds under the Credit due to cost increases in materials. The reduction in the subproject pipeline impairs the ability of the Project to fulfill its objective of improving the living conditions of the urban population through improvements in access to public infrastructure and services. The proposed Supplemental Credit would enable the Project to fully implement the work program identified at the MTR and surpass it, bringing it closer to the original Project targets, and by extension, assist the Project to fulfill the said development objective. This is particularly important as the Project is specifically targeting the urban poor, and the proposed additional subprojects will benefit the poorest LGAs (Janjanburreh, Kerewan, Mansa Konko and Basse, as well as poverty pockets of Banjul, KMC and Brikama). These groups were most affected when the portfolio was downsized, as they had difficulties in raising counterpart financing, one of the eligibility criteria for participation in the Project. In addition, the Bakoteh
improved disposal site, one of the main subprojects that was deferred, is a direct follow-up of
the Solid Waste Strategy for the Greater Banjul Area, prepared under the Project. Therefore,
failure to carry out this activity would hamper the implementation of the Solid Waste
Strategy. A further benefit relates to the employment opportunities created under the
subprojects as 24 percent of the subproject cost is labor-related, which has a direct impact on
the living conditions of the urban population, and also creates additional demand for services.

The proposed Supplemental Credit would therefore enable the Project to:

- **Substantially increase performance indicators for the total number of subprojects and
  amounts disbursed.**

- **Strengthen the sustainability and impact of the capacity building program aimed at
  improving the LGAs' resource mobilization and management.** The Project has had a
  significant impact on the number of LGA/Consultants/Contractors participating in the
demand-driven program. The Project mobilized LGAs around a better definition of their
needs, an enhanced local resources mobilization program and the establishment of
Operation and Maintenance Funds. LGAs have cultivated a good maintenance culture
during the past two years. The proposed Supplemental Credit would help confirm the
impact of the Project at the LGA level, and the additional 18 months of the Supplemental
Credit would provide an opportunity to closely monitor these activities.

(d) **The Borrower is unable to finance the additional costs and to obtain additional funds
from other lenders on reasonable terms or in reasonable time.** The Government has explored
alternative sources of financing to pursue the above activities. National resources are
unavailable. The dialogue with the African Development Bank (AfDB) is encouraging,
which could lead to an AfDB-financed operation with a component implemented by
GAMWORKS. However, the timeframe for this potential funding is not compatible with the
current needs and the eligibility criteria may be different from the existing one, which may
not allow the Government and GAMWORKS to implement the remaining portfolio of
Subprojects.

(e) **The time available is too short to process a further freestanding Bank loan.** Project funds
under the original Credit will be fully disbursed by June 30, 2005. Therefore, rather than a
second stand alone Credit, a Supplemental Credit is proposed. Furthermore, the pending
subprojects are already identified, appraised, and have had technical studies prepared.
Preparing a new project would cause loss of momentum and data. The FY03-05 CAS is
being implemented, albeit with delays. The lending scenario does not include any follow-up
operation to the PACAB Project.

(f) **The Borrower is committed to the project and the implementing agencies have
demonstrated competence in carrying it out.** GAMWORKS and the Project were satisfactory
during the initial phase of implementation, but both suffered from the management crisis
during the 2002/2003 period. The Borrower’s commitment to the Project is very strong and
as noted above, the Project has now regained full momentum, as demonstrated by the request
for supplemental financing. PACAB and GAMWORKS have the experience and
implementation capacity to fully disburse the proposed Supplemental Credit within the eighteen month period proposed.

E. The Proposed Supplemental Credit

20. The proposed Supplemental Credit, in the amount of US$4.0 million, would retain the basic objectives and operating procedures. It would aim to complete the portfolio of unfunded sub-projects and consolidate the gains of GAMWORKS on employment generation. It would also allow for a close supervision of the actual impact of capacity building activities on local resource mobilization and the Local Governments’ budgets.

21. The proposed Supplemental IDA Credit would finance the following:

(a) **Investments** (US$3.25 million including contingencies). A portfolio of subprojects and associated supervision costs, and the Bakoteh Solid Waste component.

- **Sub-projects (US$1.15 million):** Six sub-projects have already been identified, appraised and have had technical specifications developed: upgrading of Kayupa Road in Serrekunda, Brikama Carpark in Banjul; extension of water supply network in Kombo North; extension of water supply in Brikama; extension of water supply in Gambissara (Phase II); and construction of sheds for small-scale enterprises in Basse to sustain the development of small-scale entrepreneurship.

- **Solid waste improvement component (US$2.1 million):** Works aimed at improving the Bakoteh disposal site, benefiting Banjul City Council, Kanifing Municipal Council and Brikama Area Council would be financed. This component had been deferred due to lack of adequate funds.

(b) **Capacity Building** (US$0.25 million). Training of small-scale entrepreneurs and consultants in the construction sector and to provide institutional strengthening to the LGAs and the PCU would continue.

(c) **Project Administration and Monitoring** (US$0.50 million). GAMWORKS operating fees related to the implementation of this portfolio for an estimated 7 percent of the program delegated to the Agency (US$0.25 million), the PCU operating costs (US$0.05 million), as well as the technical and financial audits and the final evaluation of the program (US$0.20 million) would be financed.

22. **Project Cost and Financing.** The total cost of the activities to be financed under the Supplemental Credit is estimated at US$4.2 million equivalent, of which an IDA financing of US$4.0 million equivalent is proposed. The original percentage of expenditures to be financed by IDA would remain as currently in operation. The Government, municipalities and NGOs contribution is estimated at US$0.20 million equivalent, representing five percent of the total cost. This US$0.20 million equivalent counterpart contribution was credited in a specific Project account during Project appraisal. The breakdown of the Project cost, Project financing plan and disbursement schedule are shown in Annexes 1 and 2.
23. **Implementation Arrangements and Procurement.** The proposed Supplemental Credit does not require additional implementation capacity beyond what is already in place in the Project. The Supplemental Credit will be subject to the same monitoring and reporting requirements of the original Credit, but utilizing the revised monitoring and evaluation framework set forth in Annex 5. Under the original credit, the Project had entered into a contract with GAMWORKS, a delegated contract management agency, for the execution of all construction activities and the implementation of civil works and studies in view of the capacity constraint identified at the LGA level at Project appraisal. To help GAMWORKS return to its full momentum and strength after the 2002-2003 management crisis, technical assistance programs were implemented for both the Technical and the Finance Departments. The impact of these programs is satisfactory to the Bank. An assessment of GAMWORKS capacity in procurement was carried out on March 15, 2005, and was found satisfactory by the Bank.

Prior review thresholds for civil works and for goods will be increased from the equivalent of US$200,000 and US$100,000, respectively, to the equivalent of US$250,000 and US$150,000, respectively, in line with the procurement capacity assessment. A summary of the procurement arrangements for the Supplemental Credit is attached in Annex 3 and a procurement plan has been prepared. It is expected that all bidding documents will be ready by effectiveness. A timetable of key Project processing events is shown in Annex 4.

24. **Accounting, Financial Reporting and Auditing Arrangements.** The PACAB has established an acceptable accounting and reporting system for the Project. An assessment of GAMWORKS capacity in financial management was carried out from April 11 to 15, 2005 and was found satisfactory by the Bank. The accounting and financial manual was updated recently as well as the accounting software. The auditor’s opinions of the financial statements for 2003 and 2004 are unqualified. An external auditor was appointed in 2004 for a three year period. It is agreed that this contract will allow for the audit of the Supplemental Credit. Project financial and management audit reports, including special accounts and statements of expenditures, will be submitted to IDA no later than six months after the end of the fiscal year. An independent technical auditor, satisfactory to the Bank, was recruited and will carry out the audit of GAMWORKS’ activities for the period ending June 30, 2005. A new selection process has been launched and a new technical auditor will be appointed with Bank approval to carry out the technical audits for the Supplemental Credit. Project technical audit reports will be submitted to IDA no later than six months after the end of the fiscal year. The format and the frequency of periodic reporting will be maintained as defined in the original Project documents and the GAMWORKS’ Manual of Procedures approved by the Bank.

25. **Performance Indicators.** As previously noted, the current indicators have been modified to reflect the revised targets. Outcome indicators for the updated PDOs have been introduced to reflect the impact of access to services and on the development of LGA’s resource mobilization. These indicators are presented in Annex 5.

26. **Closing Date.** As previously indicated, it is proposed to extend the Closing Date of the Project from June 30, 2005 to December 31, 2006 to facilitate the implementation of the activities to be financed using the Supplemental Credit. An Implementation Completion Report (ICR) will be prepared within six months after the Credit closes.
27. **Effectiveness Conditions.** The following effectiveness conditions must be met prior to the effectiveness of the Supplemental Credit: (a) an Agreement Amending the Project Agreement has been duly executed; and (b) satisfactory legal opinions have been provided by the Borrower and GAMWORKS, as the case may be, that the Agreement amending the Development Credit Agreement and the Agreement amending the Project Agreement have all been duly authorized or ratified.

28. **Economic Analysis.** Cost-benefit and cost-effectiveness methodologies were used to screen subproject proposals from an economic perspective. Because most of the subprojects do not have easily quantifiable revenues and benefits are measured in non-monetary units, the monitorable impacts will come mainly from: (i) the use of labor and the creation of jobs, even if temporary; and (ii) the improvement of local resource mobilization by LGAs. The road improvement project under the Supplemental Credit is typical of similar operations currently carried out under the Kuwait Fund for Arab Economic Development in the Greater Banjul Area, which has an Internal Rate of Return of at least 25 percent.

29. **Environmental and Social Aspects.** Environmental issues have been taken into consideration in the design of the relevant components of the Supplemental Credit. The project does not involve involuntary resettlement or taking of land. On the environment side, the six sub-projects have been screened by GAMWORKS, the Implementing Agency, and the absence of negative environmental impact is one of the eligibility criteria. During their implementation, the subprojects under the original credit were assessed according to the recommended environmental assessment guidelines developed by the Bank (Simplified Environmental Assessment) for small works carried out by Agetips and in accordance with the new Manual of Procedures, which was approved by the Bank in 2000. No substantive changes have been made to this Manual. The six new subprojects will be implemented in accordance with the same Manual of Procedures. The recommendations from the Environmental Mitigation Plans currently underway will be included in the final bidding documents, which will be reviewed according to the provisions made in the DCA. They do not pose any significant environmental or social risk. In addition, a Guide for the Environment Assessment of Simple Projects is being finalized on the basis of an Ex-Post Environmental Audit of the sub-projects under the original Credit and will be used for future subprojects. The preliminary and detailed study for the improvement of the Bakoteh dump site includes a specific Environmental Impact Assessment and a Mitigation Plan which was reviewed at a stakeholder meeting held in Banjul on July 20, 2004. The Bank appraisal mission reviewed the above report and minor revisions have been made. The report is acceptable to the Bank and will replace the existing draft at the World Bank Infoshop in Washington, as well as in The Gambia. Additionally, the report was shared at a Stakeholders Forum that was held on April 26, 2005 in Banjul. The mission confirmed that implementation of the Supplemental Credit will not trigger the Involuntary Resettlement Policy.

30. **Sustainability.** As previously indicated in paragraph 11, results of Project implementation obtained to date indicate that the PDOs are likely to be reached and sustained. Sustainability was the key feature in the design of the original Project and was supported by specific mechanisms through which Local Government Authorities could ensure operation and maintenance of their public investments including: (a) budgeting for operation and maintenance fund in each Local Government; (b) preparation and implementation of Revenue Improvement Action Plans, to increase the Local Government’s own source of revenues to ensure adequate
revenue streams that can be directed toward operation and maintenance; and (c) computerization and implementation, in 2005, of a revised property valuation roll based on the mapping, street identification and property numbering exercise, to increase revenue from property tax.

31. Project Risks. Out of the critical risks identified at Appraisal of the Project, only one risk materialized since implementation, as counterpart funding for subprojects was not provided on a timely basis by the Local Governments. This risk was addressed before MTR by an adjustment of the level of counterpart funding needed from the Local Governments and a closer management of these funds at subproject levels by GAMWORKS. Upfront payment of the counterpart funds needed for the smooth implementation of the Supplemental Credit was made before appraisal and is already available in the Project Account. The management crisis that occurred at GAMWORKS during 2002 and 2003 was not linked to an identified risk during Project preparation. A repetition of such a crisis is unlikely during the implementation of the Supplemental Credit. No other significant risk is foreseen. Government is strongly committed to the Project and all activities are well defined. The physical, technical and price contingencies risks are maintained at similar level as under the original Credit. Given the state of preparedness of the works and the short execution period, no further overrun of the implementation costs is expected.
# REPUBLIC OF THE GAMBIA
## SUPPLEMENTAL CREDIT FOR
### THE POVERTY ALLEVIATION AND CAPACITY BUILDING PROJECT

## Estimated Costs and Financing Plan
(in US$ million)

### Estimated Costs:

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<th>COMPONENTS</th>
<th>LOCAL</th>
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</tr>
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<td>- Bakotah</td>
<td>0.40</td>
<td>1.50</td>
<td>1.90</td>
</tr>
<tr>
<td>2. Capacity Building</td>
<td>0.25</td>
<td>0.00</td>
<td>0.25</td>
</tr>
<tr>
<td>3. Project administration and monitoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- GAMWORKS fees (7%)</td>
<td>0.25</td>
<td>0.00</td>
<td>0.25</td>
</tr>
<tr>
<td>- PCU operation costs</td>
<td>0.05</td>
<td>0.00</td>
<td>0.05</td>
</tr>
<tr>
<td>- Audits</td>
<td>0.00</td>
<td>0.15</td>
<td>0.15</td>
</tr>
<tr>
<td>- Final impact evaluation</td>
<td>0.05</td>
<td>0.00</td>
<td>0.05</td>
</tr>
<tr>
<td><strong>Total Base Costs</strong></td>
<td>1.20</td>
<td>2.55</td>
<td>3.75</td>
</tr>
<tr>
<td><strong>Physical and price contingencies (12%)</strong></td>
<td>0.15</td>
<td>0.30</td>
<td>0.45</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td>1.35</td>
<td>2.85</td>
<td>4.20</td>
</tr>
</tbody>
</table>

### Financing Plan:

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>LOCAL</th>
<th>FOREIGN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOTG, Municipalities and NGOs</td>
<td>0.20</td>
<td>0.00</td>
<td>0.20</td>
</tr>
<tr>
<td>IDA</td>
<td>1.15</td>
<td>2.85</td>
<td>4.00</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td>1.35</td>
<td>2.85</td>
<td>4.20</td>
</tr>
</tbody>
</table>
Republic of the Gambia
Supplemental Credit for
The Poverty Alleviation and Capacity Building Project

Allocation and Disbursement of IDA Supplemental Credit
(in US$ million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under part A.1 of the Project</td>
<td>1.1</td>
<td>100% of foreign expenditures and</td>
</tr>
<tr>
<td>(b) Under Part A.2 of the Project</td>
<td>1.9</td>
<td>90% of local expenditures</td>
</tr>
<tr>
<td>3. Consultants' Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Part B.1 of the Project</td>
<td>0.1</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Under Part A.2, B.2 and B.3 of the Project</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>4. Operating Costs, incl. audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for PCU</td>
<td>0.05</td>
<td>95%</td>
</tr>
<tr>
<td>(b) for GAMWORKS</td>
<td>0.4</td>
<td>85%</td>
</tr>
<tr>
<td>6. Unallocated</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

Note: The disbursement categories and percentages will remain unchanged for the Supplemental Credit. There are no expenditures foreseen under Category 2 ‘Goods’.

Estimated Disbursement Schedule
(in US$ million)

<table>
<thead>
<tr>
<th></th>
<th>FY06</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Cumulative</td>
<td>3.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>
THE REPUBLIC OF THE GAMBIA
SUPPLEMENTAL CREDIT FOR
THE POVERTY ALLEVIATION AND CAPACITY BUILDING PROJECT

Summary of Proposed Procurement Arrangements
(US$ million)

<table>
<thead>
<tr>
<th>Project Element</th>
<th>Procurement Method</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ICB</td>
<td>NCB</td>
</tr>
<tr>
<td>Civil Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under part A.1 of the Project</td>
<td>0.45 (0.45)</td>
<td>0.70 (0.65)</td>
</tr>
<tr>
<td>(b) Under Part A.2 of the Project</td>
<td>2.00 (1.90)</td>
<td>-</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating costs</td>
<td></td>
<td>0.50 (0.45)</td>
</tr>
<tr>
<td>Unallocated</td>
<td></td>
<td>0.25 (0.25)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2.45 (2.35)</strong></td>
<td><strong>0.70 (0.65)</strong></td>
</tr>
</tbody>
</table>

IDA amounts are in parenthesis.
THE REPUBLIC OF THE GAMBIA
SUPPLEMENTAL CREDIT FOR
THE POVERTY ALLEVIATION AND CAPACITY BUILDING PROJECT

Timetable of Key Project Processing Events

(a) Time taken to prepare:  Four months
(b) Prepared by:  Government with IDA assistance
(c) Appraisal/Negotiations:  April 25-29/May 3, 2005
(d) Planned Date of Effectiveness:  September 30, 2005
(e) Completion:  June 30, 2006
(f) Closing Date:  December 31, 2006
# Republic of the Gambia
## Supplemental Credit for the Poverty Alleviation and Capacity Building Project

### Results Framework

<table>
<thead>
<tr>
<th>Project Development Objectives</th>
<th>Project Outcome Indicators</th>
<th>Target</th>
<th>Without supplemental</th>
<th>With supplemental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to improved living conditions of the urban population, and the poor in particular:</td>
<td>Access to services: Number of persons benefiting of at least one subproject</td>
<td>300,000 persons</td>
<td>60,000 additional persons</td>
<td></td>
</tr>
<tr>
<td>- Provision of public infrastructure and services based on demand and on fulfillment of clearly defined criteria</td>
<td>Level of resource mobilization (percentage of revenue increase in LGA’s account). Base: 2000 Actual revenues</td>
<td>5% increase of Actual revenues per year in real terms</td>
<td>5% increase of Actual revenues per year in real terms until 2004 and +6% increase per year in real terms in 2005 and 2006</td>
<td></td>
</tr>
</tbody>
</table>

### Outputs

<table>
<thead>
<tr>
<th>Project Outputs Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of local authorities', consultants' and contractors' capacities (financial and other) to efficiently provide public infrastructure and services</td>
</tr>
<tr>
<td>- Number of persons satisfied by the training</td>
</tr>
<tr>
<td>- Number of LGA/Consultants/Contractors entering in the request-driven program</td>
</tr>
<tr>
<td>- Number of LGAs entering in a self assessment program</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Provision or rehabilitation of essential public infrastructure and services</td>
</tr>
<tr>
<td>- Amount disbursed</td>
</tr>
<tr>
<td>- % of project in poor areas</td>
</tr>
<tr>
<td>Job creation and poverty alleviation</td>
</tr>
<tr>
<td>- Amount of salaries paid</td>
</tr>
</tbody>
</table>