Board Meeting of September 10, 1998
Statement by Jan Piercy

The Gambia - Country Assistance Strategy
The Gambia: Third Education Sector Project

The CAS as a Whole

1. I commend staff on an excellent Country Assistance Strategy. I believe it correctly identifies the main development objective in The Gambia as achieving a sustainable reduction in poverty, correctly commends the Government of The Gambia for instituting sound macroeconomic policies, and pays appropriate attention to the necessity of ensuring adequate allocation of resources to human capital development. The CAS clearly states priority areas for GOTG action and carries those priorities through in the lending and non-lending operations as well as training through EDI. The program, which is ambitious in and of itself, could yield huge results if implemented well.

2. I favorably note the Bank’s inclusion of the cross-cutting themes of gender, capacity building and environment, which we deem vital considerations in any development project for The Gambia. Since women are a significant driving force of the Gambian economy, I encourage the Bank and the Government to strengthen their efforts to improve the economic and social well-being of Gambian women, with direct benefit for families and society as a whole.

3. In this regard, I hope that the proposed Population LIL will address the problem of Female Genital Mutilation. I know that this issue is addressed in the on-going health project, but it seems to me that it should also be incorporated in the LIL. I would appreciate staff comment on this point.

4. I strongly concur with the Bank’s decision to involve itself selectively, leading donor efforts where it has significant expertise, following in areas where other donors are active, and eschewing activities better covered by other donors. I was particularly pleased with the discussion in the CAS on cooperation with donors and building on the Bank’s comparative advantage.

5. I note that the CAS identifies a “project-by-project approach followed by many donors, each donor with its own reporting and monitoring requirements” as having hindered implementation of the previous CAS. We applaud Bank efforts to counteract this unhelpful tendency.
6. I believe that the Government of the Gambia has made commendable progress in instituting streamlined regulatory procedures while minimizing factors that lead to petty corruption in the bureaucracy. This is an important step in creating an environment conducive to investment in the country. I would appreciate staff elaboration on the proposed non-lending activity aimed at fighting corruption.

7. The success of the CAS hinges on the equity, efficiency and effectiveness of public spending and accounting methods. The PERs in the education and health sectors and the resulting recommendations will partially address some of this, but it is unclear from the CAS what role the Bank, in collaboration with the IMF, will play in the larger PER process. I would appreciate staff comment on this point.

8. There is no analysis in the CAS of military expenditures which, in 1995, were the eighth highest in Africa. In this same year, The Gambia allocated more to the military than to health and education combined. With poverty indicators amongst the poorest in world, this is unacceptable. Paragraph 60 notes the inadequacy of the government audit function. Are government audits made publicly available? Are audits done of military expenditures and are they made public?

9. The CAS seems to have a dual economic focus: (1) macroeconomic consolidation and (2) creation of an export processing zone (EPZ).

10. We applaud continued macroeconomic reforms to consolidate the gains already made, but have some concerns.

- The CAS fails to address specifically The Gambia's role in relation to the increasing regional economic integration, particularly within WAEMU.
- Will the effort to improve the customs service include elimination of the significant customs exemptions, in coordination with the IMF reform strategy?
- What specifically is envisioned as "flexibility in the labor legislation"? I hope it does not entail compromises in worker safety, core labor standards, environmental protection, or protection for children.

**Export-oriented Strategy and Private Sector Role**

11. The government wants to make The Gambia an "export-oriented platform, based on world-class services, transport infrastructure, and light manufacturing" (ref. para. 11). This strategy has been highly successful elsewhere, but it also raises some questions.

- Will the EPZ create a niche for Gambia as the location where foreign investors wanting to export to WAEMU can set up their operations? Why would investors choose The Gambia over investing in a WAEMU country directly?
- Is the government planning to create an EPZ or wait for the export sector to reach some critical mass on its own?
- Does The Gambia have the requisite levels of social development, surplus labor, and political consensus to actively favor the export sector over the domestic sector?
- Will the private sector only be "involved" or will they be...
the main players once the government has created the EPZ environment?

12. EPZ schemes often rely on economic distortions like tax holidays in order to attract investment. They can also create opposition among domestic producers by favoring the export sector, and they usually require a high level of social development -- health and education -- and a large body of surplus labor to succeed. Can Gambia handle these concerns? If not, an EPZ can do more harm to an economy than good. There have been plenty of studies of the EPZ model in Asia, and some of the experience in Mauritius, which can probably help The Gambia chart this course more carefully. I would appreciate staff comment on a potential non-lending activity to study successful EPZ experiences in Africa (eg. Mauritius) and elsewhere (eg. Singapore)?

13. I note that the main area of difference between the Bank and the Government is the role of the state and the relative roles of the public and private sectors. The Bank recommends the privatization of public utilities, while the Government is reluctant to move forward based on past experience. It seems to me that this is an area where non-lending services can be used to demonstrate the benefits of an appropriately sequenced and designed privatization effort. It can also help to build Government commitment for the process. Will this type of analysis be conducted during the preparation of the Gateway Project? How will “lessons learned” from previous efforts be built into the process?

14. The Gambia is one of the countries in IFC’s Extending the Reach Initiative. Yet IFC’s portfolio consists of only three projects. The performance of these projects has been mixed, and the IFC is about to restructure two of the three projects. I would appreciate staff comment on the reasons for this mixed performance. What is IFC specifically doing in the way of advisory services? Does IFC expect to significantly increase the size of the portfolio in the near future? If not, why not?

**Third Education Sector Project**

15. With regard to the Third Education Sector APL, I am encouraged by the Gambia’s achievements in meeting its targets in the education sector over the last decade. I fully support the nation’s goal of increasing the gross enrollment ratio in basic education to 90 percent by 2005. However, this goal is very ambitious as the number to be enrolled is double the number currently enrolled.

16. The Bank’s analysis of the recurrent budget implication of this program stresses that certain budget cuts are required to finance the program as envisioned. In the medium term, measures are needed immediately to achieve a reduction in the number of teachers employed to meet projected recurrent expenditures of the program. Without such a reduction in the recruitment of teachers and a rationalization of their use, enrollment expansion will not be possible in the medium-term. As stated in the project document, “Immediate action to reduce excess personnel is a necessary condition for the affordability of the program.”

17. Moreover, other cuts will be needed to ensure sustainability of the program: a) freeze expenditures on school lunches, b) eliminate
school bus services, c) freeze the expenditure on examinations, and d) rationalize grant aid to mission schools on a per student basis.

18. It seems to me that these cuts should have been included in the covenants of the loan in order to ensure program sustainability. It is especially important that the proposed subsidies for girls and the poor are funded, and that poorly-targeted subsidies at the basic education level are eliminated. I would appreciate staff comment on this point.

**Overriding Reservations**

19. While noting the Gambia’s progress and the strengths of the CAS as a whole, we must conclude by expressing an emphatic caution.

20. I am concerned that this CAS pays insufficient attention to some larger issues of transparency and good governance that are equally if not more important in creating the appropriate environment for the increased foreign direct assistance that the Bank correctly identifies as a necessary element of the Gambia’s economic strategy. While the Bank identifies “slowdown or even backtracking in implementing reforms” as a possible risk facing the country strategy, the CAS is insufficiently specific regarding the sources of risk.

21. For example, there are indications that financing from what the Bank terms “non-traditional donors,” including Taiwan, Libya and Nigeria, has been used for the completion of large projects without the sources and amounts of that financing being fully disclosed. A policy of full transparency, as well as full accountability, is a prerequisite to attracting foreign direct investment and should also be a prerequisite to any Bank lending.

22. We also are seriously concerned about public statements made by President Jammeh in which he has threatened to summarily dispose of anyone deemed to be destabilizing to the government, without benefit of legal process. It is clear that disrespect for the rule of law, particularly by high-ranking officials of government, is inconsistent with legitimate governance. It constitutes a severe barrier to investment and, consequently, to economic progress. In this regard, the Government’s human rights record is highly troubling.

23. I regret ending on this negative note but, unless improved, disrespect for international human rights norms will reduce the Gambia’s economic prospects and overall outlook.