I. Country and Sector Background

1. The Gambia is still recovering from the negative effects of the severe Sahelian drought in 2011, and real GDP growth is estimated to have expanded by a relatively modest 3.9 percent in 2012. Prior to the drought that contributed to a 4.6 percent contraction in GDP in 2011, The Gambia had recorded an average real GDP growth rate of 6.2 percent during 2008-2010. While the global financial crisis in 2008 led to a decline in external demand, and in particular The Gambia’s tourism receipts, strong agricultural output more than compensated for the drag on growth. In more recent years, the tourism sector has posted healthy gains, which supported GDP growth. Overall poverty rates ($1.25 per day) declined from 58 percent in 2003 to 48.4 percent in 2010, and education coverage and quality improved. Recent data show modest developments in health, notably on HIV/AIDS prevalence (which remains stable) and maternal mortality (which declined considerably). Progress has been made in the areas of public sector, economic and fiscal management, civil service and justice reform, anti-corruption and public procurement reform. The Government is committed to consolidating these achievements, while creating space for continued funding of poverty reduction programs.

2. Public financial management and transparency have improved in recent years, and have been supported by the establishment of an IFMIS that provided for enhanced financial reporting. The GoTG started implementing IFMIS in early 2006 and it became operational at the central government level to support core budget preparation, execution and reporting functions since 2011. Progress is reflected in the findings of the 2010 Country Financial Accountability Assessment (CFAA) and in the 2011 Public Expenditure Review (PER) Update. There have been a number of benefits, including the following: (i) Implementation of IFMIS was aimed at addressing the GoTG’s perennial problem of managing all its financial transactions in a manual environment that had resulted in a ten-year backlog in the production of Government Accounts; (ii) This system has improved the timeliness of financial reporting by providing monthly and comprehensive within-year budget execution reports that facilitate the preparation of annual financial statements and subsequent budgets; (iii) The system has also supported a strengthening of sectoral allocation, planning, and analysis, along with greater effectiveness in Government expenditure programs by identifying cost-drivers in program activities; and (iv) An IFMIS
interface at the Central Bank has successfully been established, providing access to real-time information on budget shortfalls and on the timing of needed public domestic borrowing.

3. **The Gambia has reduced the backlog of audited Government financial statements that was also partly facilitated by IFMIS.** In 2012 outstanding audits for 2008 through 2011 were finalized and submitted to the National Audit Office. Further the internal audit function was strengthened (including a shift from pre-payment auditing to risk-based auditing, concentrating on systemic issues), which received renewed attention with the roll-out of IFMIS and the establishment of an improved accounting environment. The internal audit function had been missing for many years, until the establishment of the function was required as part of the institutional arrangements set out in the 2004 Gambia Budget Management and Accountability Act, and in the 2006 legal mandate for the internal audit function.

4. **Despite these improvements, there is significant scope to consolidate recent gains in public resource management, including through improved debt and cash balance management.** In particular, the IFMIS system is being upgraded to a web-based platform (under the restructuring of the original IFMIS), which will enable off-site users (e.g., 8 sub-treasury offices and embassies) to be integrated into the system. The upgrade and migration of the IFMIS system is from the current version (Epicore 7.5.3) to the web-based version (Epicore 9.0.5), which will enable support of other key objectives that will improve public financial management, such as incorporating donor-funded projects into IFMIS and linking to the debt management system.

5. **Additionally, the upgrade of IFMIS to the web-based platform will facilitate the establishment of a Treasury Single Account (TSA) that could generate significant savings.** This would provide for greater commitment control and more efficient cash management. The benefits of efficient cash balance management include: (i) minimization of idle balances and associated costs; (ii) reductions in liquidity impact from budget deficit/surpluses; and (iii) contributions to the development of money market. In order to achieve these, it is essential to have effective cash forecasts, accurate and efficient payment systems, integration of cash balance management with government debt management, and good information sharing and coordination with the central bank, as well as proper TSA infrastructure.

6. **There is also scope for greater enhanced public resource management through improvements in payroll management** Better and more frequent human resources planning for payroll management and control given the increase in the civil service over the last few years is under consideration. The validation of the Human Resource records in the IFMIS payroll module envisioned under the proposed grant would allow for the regularization of these records, with the removal of ghost workers and the elimination of vacant positions (system based controls, instead of manual verification of documents). This will, in effect, strengthen the base for a more judicious management of the personnel records, including the inclusion of new entrants into the payroll, under the auspices of the Personnel Management Office. These actions further safeguard the improved macroeconomic framework since 2011.

7. **The reliability of national statistics to inform timely and accurate development policy interventions is a key concern and provides significant scope for improvement as well.** The National Statistical Systems do not generate data in a regular or consistent way. Data collection has been mostly conducted on an ad hoc basis, with very limited scheduled statistical activities. Long time lags between surveys make it impossible to track progress for even basic indicators. The Gambia Bureau of Statistics (GBoS) was established in 2005 by the National Statistics Act with the mandate, among other functions, to coordinate the National Statistical System in order to ensure that quality statistics are produced and disseminated. Both national-level and lower-level data collection is produced by GBoS. However, GBoS is severely handicapped in many areas, including by a limited number of qualified personnel, and lack of
software and hardware systems that hamper the production of regular and reliable basic statistics in the country. More timely, accurate and transparent reporting of National Accounts would support improved macro-policy responsiveness and greater accountability.

8. **Another serious concern related to the public resource management arises in the energy sector, which is a major bottleneck for economic growth and business environment.** The energy sector of The Gambia faces a number of challenges ranging from structural and operational issues to the need for significant capital to upgrade and expand its generation, transmission and distribution capacity. The high cost and the lack of availability of electricity is a serious constraint to enterprise development and there is also concern that the sector amasses substantial contingent liabilities. The National Water and Electricity Company (NAWEC), a State owned company, is facing serious financial issues, and efforts are needed to improve its financial viability and operational performance not only to improve public sector management, but also to help attract private sector investment in the electricity sector.

II. **Objectives**

9. **The Project Development Objective (PDO) of the IFMIS AF remains the same; to increase the GoTG’s capacity in public resource management.**

III. **Rationale for Bank Involvement**

10. **Following successful implementation of the original IFMIS project, the Government of The Gambia has requested the Additional Financing to better achieve the project development objectives.** AF will enhance the Project’s impact by (i) expanding IFMIS functional capabilities and scope, (ii) building statistical capacity, and (iii) helping to prepare an energy sector strategy study. The impact of the Project can be enhanced by supporting integrated cash and debt management, TSA operations, commitment control, asset/inventory management, personnel management, pensions, payroll, and interfaces with other public finance systems, as well as the relevant change management and training activities to ensure the sustainability of enhanced systems. The impact of the project can be enhanced also by strengthening the institutional capacity and improving the timeliness and functionality of the NRS information storage and retrieval systems, activities that are currently conducted manually. More broadly, the impact of the Project can be enhanced through support of (i) statistical capacity development to facilitate improved policy responsiveness and public resource management, and (ii) a comprehensive national energy strategy to improve the sector’s policy framework.

IV. **Description**

11. **The proposed AF will help finance implementation of additional and expanded activities that have arisen during the implementation of the project.** In addition, the new funds would allow the implementation of modified activities as part of a Project restructuring that could not be fully covered with the original Project envelope. Specifically, the AF will contribute to the (i) Expansion of IFMIS capabilities and scope, and automation of the National Records Service, (ii) Support to National Statistical Capacity Building, and (iii) an Energy Strategy Study. The new activities are included as additional components to monitor relevant spending and results properly.

12. **The proposed AF entails;** (a) the scaling up and expansion of scope of the project to include new components for greater development impact, (b) an extension of the closing date of the original IFMIS project by 5 years from the current closing date of December 31, 2013 to June 30, 2018, and (c) invoking the Country Financing Parameters for Gambia by allowing for a disbursement percentage of 100% for financing of IDA’s share of expenditures for all project components and sub-components.
Component 1 - Support for Integrated Financial Management Information System (IFMIS) Rollout, Interfaces and System Training: US$ 3.34 million

This component will finance the expansion of IFMIS capabilities and scope to improve core public resource management functions and strengthen institutional capacity in order to enhance overall public sector service delivery.

Components 2, 3 and 4 from the original Project are being completed by December 31, 2013. No activities under these components are being proposed with Additional Financing.

Component 5 - Project Implementation Support: US$ 0.46 million

This component will support the Project Coordination Unit for implementation of the project.

Component 6 - Support to National Statistical Capacity Building: US$ 0.7 million

This new component aims at supporting statistical capacity development for more reliable and timely macroeconomic reporting to help the Government monitor progress and improve macroeconomic-policy formulation for the achievement of growth and poverty reduction objectives.

Component 7 - Support for the Preparation of Energy Strategy Study: US$ 0.5 million

This new component aims at helping the Government with the development of a national energy strategy -- including an action plan and an assessment of the electric power utility’s finances and financial management system -- to help improve the policy framework for the sector and the utility's financial management for improved service delivery, which in turn should support the achievement of growth and poverty reduction objectives.

V. Financing

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VI. Implementation

13. The same implementation arrangements of the original IFMIS Project will be maintained under IFMIS AF. The existing arrangements provides for the Ministry of Finance and Economic Affairs (MoFEA) to be the responsible Ministry, as designated by the GoTG, and it will provide oversight and support for Project implementation. The Permanent Secretary (PS) of MoFEA also chairs the IFMIS Inter-Ministerial Steering Committee, which includes representatives from several ministries and agencies, such as the Gambia Revenue Authority and the National Audit Office. Also, a Project Implementing Committee (PIC) and a Project Coordination Unit (PCU) will be maintained within MoFEA, with responsibilities and procedures. Since both committees have been regularly meeting and well managing the project over the last 2 years to monitor the state of play of the Project, these coordination mechanisms will be maintained under the AF. The additional members will be included from the new beneficiaries of IFMIS AF in GBOS and Ministry of Energy.

VII. Sustainability

14. AF will stress the importance on development and implementation of change management plan for the new IFMIS platform, as well as training activities to improve the skills and raise awareness of all stakeholders to ensure the sustainability of new platform after the completion of the AF activities. The Project will provide necessary advisory support for a detailed assessment of the
PFM reform process, IT Audit, and gap analysis, and to identify necessary improvements before the expansion of IFMIS. Additional training and advisory support will be provided during IFMIS expansion.

15. The MoFEA has approved the transition plan for the transfer of know-how and skills from IFMIS consultants to a dedicated MoFEA/Treasury team on August 1, 2013. Some of the existing project consultants and new staff trained under the capacity building program of the current project are expected to start working as government officials from 2014. The MoFEA specialists are expected to complete this transition before the implementation of AF funded activities. Transfer of know-how and skills should be completed during the implementation of the AF to ensure the sustainability of new web-based platform.

VIII. Lessons Learned from Past Operations in the Country/Sector

16. The original Project has realized several tangible achievements to date. However, lessons learnt in other countries show general challenges in transfer of know-how and skills from consultants to the governmental structure, and IFMIS management for sustainability. Therefore, as indicated in the section VII, the transition plan developed by the MoFEA/Treasury Directorate to complete the transfer of know-how and skills from IFMIS consultants to a dedicated MoFEA/Treasury team should be initiated in 2013.

IX. Safeguard Policies (including public consultation)

17. No safeguards are triggered for the AF of the project.

X. List of Factual Technical Documents

18. None

XI. Contact point

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