



**The World Bank**

The Gambia Boosting Resilience and Unlocking Productive Potential DPF1 with Cat DDO (P177748)

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# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 03-May-2023 | Report No: PIDC33811

**BASIC INFORMATION****A. Basic Project Data**

Country Gambia, The	Project ID P177748	Project Name Gambia Boosting Resilience and Unlocking Productive Potential DPF1 with Cat DDO (P177748)	Parent Project ID (if any)
Region WESTERN AND CENTRAL AFRICA	Estimated Board Date Oct 31, 2023	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Republic of The Gambia	Implementing Agency Ministry of Finance and Economic Affairs		

**Proposed Development Objective(s)**

Support The Gambia's efforts to (i) unlock its productive potential (ii) strengthen macro-fiscal stability and governance; and (iii) strengthen adaptation and resilience to climate change.

**Financing (in US\$, Millions)****SUMMARY**

<b>Total Financing</b>	40.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	40.00
World Bank Lending	40.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

## Country Context

**1. The proposed Development Policy Operation (DPO) with a Catastrophe Deferred Drawdown Option**



**(Cat DDO) aims to support The Gambia's resilience and recovery in a context of overlapping crises.** It is the first of two single-tranche DPOs in a programmatic series. It's combines (i) International Development Association (IDA) grant amounts to SDR XX million (US\$20 million equivalent) and (ii) IDA grant SDR XX million (US\$20 equivalent) Cat DDO available for full or partial disbursement in the event of a natural catastrophe or sanitary crisis. The Program Development Objective (PDO) is to support The Gambia's efforts to (i) unlock its productive potential (ii) strengthen macro-fiscal stability and governance; and (iii) strengthen adaptation and resilience to climate change.

**2. The Gambia has made important progress in transitioning out of fragility, but significant structural constraints remain.** The 2016 presidential election led to a major regime change, as the country entered a period of peaceful transition, with profound legal and political changes. The economy still relies heavily on rain-fed agriculture and seasonal tourism, while the unique country context, largely driven by structural deficiencies and a legacy of institutional fragility, contributes to volatile and uneven growth. The Government of The Gambia (GoG) has taken important steps to rebuild institutions, diversify the economy, and improve the living conditions of Gambians following several decades of mismanagement. Still, these efforts are impaired by persistent structural constraints. Low revenue collection hinders the provision of public goods and fiscal and debt sustainability. A weak business environment, inadequate governance, and institutional challenges limit private sector development, hindering investment growth and job creation. An overreliance on agriculture (which suffers from declining productivity) and increased environmental degradation and climate vulnerability contribute to food insecurity. The financial sector is small, dominated by banks, and characterized by low financial intermediation, underdeveloped digital payments, and other digital financial services compared to peer countries. These issues are compounded by limited infrastructure and human capital development, all of which impede productivity growth, limit the economy's structural transformation, and hinder poverty reduction. As a result, between 2010 and 2019, real GDP growth averaged a mere 3 percent, among the lowest rates in Sub-Saharan Africa (SSA) and below the SSA average of 3.4 percent.

**3. Overlapping crises emphasize the urgent need to address structural bottlenecks to boost a green and inclusive recovery (GIR).** Hit by the COVID-19 pandemic, the Gambia's economy grew by only 0.6 percent in 2020 (a contraction of 2.7 percent in real GDP per capita), down from 6.2 percent in 2019, pushing additional people into extreme poverty. Economic growth recovered strongly in 2021 (4.3 percent) and remained unchanged in 2022, affected by the spillovers from Russia's invasion of Ukraine and existing vulnerabilities. Fiscal vulnerabilities have worsened since the onset of the COVID-19 crisis, aggravated by the impact of Russia's invasion of Ukraine. The fiscal deficit (including grants) almost doubled over 3 years, from 2.6 to 4.8 percent of GDP between 2019 and 2022, due to additional expenditures through the implementation of price caps and subsidies. Domestic revenue mobilization efforts have remained below expectations. Public debt continues to decline but less rapidly than planned due to new concessional borrowing to cushion the impacts of overlapping crises. High commodity prices, supply disruptions, and currency depreciation drove a sharp increase in food prices, which averaged 14.5 percent, y-o-y, and spikes in inflation, which averaged 11.6 percent in 2022—reaching double digits for the first time in three decades. Rising domestic borrowing costs create short-term liquidity pressures, underlining the importance of concessional International Development Association (IDA) resources for budget support. For the Gambia to sustain its economic recovery and improve living conditions, the authorities need to pursue bold and transformational reforms to build fiscal space and strengthen social and climate resilience.

Relationship to CPF



**4.** The DPF series is aligned with the priorities of the CPF and the SCD. The WBG CPF for FY2022-2026<sup>1</sup> reflects the priorities identified by the SCD 2020<sup>2</sup> and the RRA 2017.<sup>3</sup> Selected pillars supported by the DPF series are aligned with the SCD and CPF priorities, including macroeconomic and fiscal stability, SOEs reform, increased access to sustainable energy, increased support to poor and vulnerable households, and urban and coastal resilience and sustainability. The interventions under pillar 1 are aligned with the CPF second areas of focus aimed at enabling inclusive and resilient private sector-driven job creation, notably by increasing access to sustainable energy and transitioning from subsistence to commercial-oriented agriculture, as well as the third area of focus aimed at enhancing human capital investments to develop a productive workforce, including by upgrading the quality of education and technical and vocational skills. The interventions under pillar 2 of the DPF are aligned with the CPF first area focus aimed at strengthening transparency, accountability, and effectiveness in governance, thus supporting the Government in ensuring strong governance and macroeconomic performance essential to macroeconomic and fiscal sustainability and sustained economic growth. Enhancing the governance and transparency of SOEs, under pillar 1 of the DPF, will also contribute to improved fiscal and debt sustainability and improved quality in public service delivery. Diversifying the energy mix, strengthening the energy sector's financial viability, and improving adaptation and resilience to climate change, as envisaged under pillar 1 and 3 of the DPF, will address critical bottlenecks to green recovery and sustainable growth needs in the short, medium, and long terms. The DPF series is also aligned with the Next Generation Africa Climate Business Plan, supporting social and economic resilience, energy resilience, resilient cities green economic growth, and, more broadly, strengthening resilience to climate shocks.

### C. Proposed Development Objective(s)

**5. The proposed operation is organized around three pillars:** (i) unlocking The Gambia's productive potential; (ii) strengthening macro-fiscal stability and governance; and (iii) strengthening adaptation and resilience to climate change.

#### Key Results

**6. The proposed measures are expected to tackle structural issues in key enabling sectors significantly.** The envisaged reforms are expected to accelerate Gambia's efforts towards integrating variable renewable energy into its energy mix with tailor-made approaches for both on-grid and off-grid solutions. It is envisaged that the share of grid-connected renewable energy in the electricity mix will increase from 0 in 2022 to 10 percent in 2026. Strengthened food quality and safety framework will help build the foundations for enhanced agricultural and industrial practices. The Second Chance Initiative is expected to increase the chances of Gambian girls to complete TVET and accumulate relevant skills to take on better-quality jobs in the labor market. Research highlights numerous positive development impacts of both improving girls' access to education and vocational training for women. Educated mothers make better choices regarding the nutrition and health of their families, and the schooling of children<sup>4</sup> and women's education triggers improvements in reproductive health, a key driver to improving women's agency.<sup>5</sup> Women's participation in TVET can increase their

<sup>1</sup> Report No. 154485-GM.

<sup>2</sup> Report No. 148128-GM.

<sup>3</sup> Report No: 117432-GM.

<sup>4</sup> Breierova, L., and E. Duflo. 2004. "The Impact of Education on Fertility and Child Mortality: Do Fathers Really Matter Less Than Mothers?" NBER Working Paper 10513, National Bureau of Economic Research, Cambridge, MA;

Chou, S. Y., J. T. Liu, M. Grossman, and T. Joyce. 2010. "Parental Education and Child Health: Evidence from a Natural Experiment in Taiwan." *American Economic Journal: Applied Economics* 2 (1): 33–61;

<sup>5</sup> Kabeer, N., and L. Natali. 2013. "Gender Equality and Economic Growth: Is There a Win-Win?" IDS Working Paper 417, Institute of Development Studies;



earnings and business profits<sup>6</sup> and their chances to get paid employment positions. It can motivate women to open a bank account and accumulate savings.<sup>7</sup> In the financial sector, the envisaged reforms are expected to create a framework conducive to developing innovative, affordable, and responsible digital financial products and services harnessing the availability of digital technologies. It is expected that the reforms would translate into an increase in transactional accounts, including, as a subset, mobile account ownership from 4 percent in 2021 to 20 percent in 2026.

**7. The proposed measures are expected to strengthen macro-fiscal stability and governance significantly.**

The regulation of the Procurement Act will enable a profound change in the Gambia Procurement System by defining and introducing key principles that shall govern all public procurement processes. With the proposed reforms, single-sourcing contracts are expected to decline. As a result, the percentage of procurement tenders by value that are single sourced (percent) is expected to decline from 27 percent in 2022 to 20 percent in 2026. The SOE bill addresses a lack of transparency and accountability, a weak oversight and governance framework, and low returns in the public enterprise sector. Measures supported by the program will help establish an effective and functioning Centralized SOE Oversight Agency to exercise the State's ownership rights and avoid fragmentation of powers and responsibilities. The program is expected to increase the number of performance audit reports of SOE prepared by the National Audit Office, discussed with the Public Enterprises Committee of the National Assembly and published on the website of the MoFEA from 1 in 2022 to at least 5 in 2026. The proposed reforms will help safeguard tax revenue by reducing possibilities for corruption and undervaluation of excisable goods. Standardizing border clearance procedures and establishing a new risk management system at all Border and in-land control posts are set to facilitate trade by reducing clearance time, improve the efficiency of the customs administration, and enhance the reputation the eyes of the public and of the trade community. The electronic tax stamp traceability system on excisable goods is expected to improve the integrity of revenue collection on excisable goods, reduce smuggling and corruption. Overall, the proposed reforms are expected to tripled revenue collected at Border and in-land control posts by 2026, while excise duties on goods are expected to increase from D741 million in 2022 to D1.5billion in 2026.

**8. The proposed measures are expected to significantly strengthen adaptation, and resilience to climate change.**

The new framework programs implemented by NDMA will focus not only on emergency preparedness and response but also on risk mitigation and risk prevention. The new disaster risk management regulation will enable a more comprehensive approach to disaster risk management. The regulation will result in better coordination with key stakeholders both ex-ante and ex-post a disaster, and will be aligned with ongoing climate resilience programs to ensure that resources are optimized and utilized equitably, reaching the most vulnerable. This is expected to result in a functional and vibrant risk management system with increased programs implemented in favor of people vulnerable to climate risks increasing from 2 to 5. The disaster risk financing regulation will enhance the GoG's ability to (i) mobilize and optimize a pool of complementary financial instruments, (ii) respond to and mitigate the potential economic impact of natural disasters and climate change, and (iii) access risk information. This will be a critical input for decision-makers to manage the potential economic impact of disasters better. Under the proposed reforms, the number of people covered through the national financial protection mechanism (National insurance program) is expected to double from 158,000 in 2022 to 350,000 in 2026.

Klugman, J., L. Hanmer, S. Twigg, T. Hasan, J. Mcleary-Sills, and J. Santa Maria. 2014. *Voice and Agency: Empowering Women and Girls for Shared Prosperity*. Washington DC: World Bank;

<sup>6</sup>Bandiera, O., N. Buehren, R. Burgess, M. Goldstein, S. Gulesci, I. Rasul, and M. Sulaiman. 2020. "Women's Empowerment in Action: Evidence from a Randomized Control Trial in Africa." *American Economic Journal: Applied Economics* 12 (1): 210–59.

<sup>7</sup> Honorati, M. 2015. "The Impact of Private Sector Internship and Training on Urban Youth in Kenya." Policy Research Working Paper 7404, World Bank, Washington, DC.



### D. Concept Description

**9. The GIR DPF series aims to boost productive potential and improve Gambian living standards in the long term.** The areas supported by the program are high priorities in the NDP 2023–27, which emphasizes the need to: (i) build household and community resilience to address shocks and crises arising from climate change and economic volatility as well as to counter the effects of pandemics (Strategic Objective 1); (ii) consolidate gains and address critical development gaps in governance and in economic and social transformation (Strategic Objective 2); and (iii) strengthen accountability, build partnerships, and put in place robust and sustainable resource mobilization strategies for enhanced delivery and development outcomes (Strategic Objective 3). This would be achieved by improving resilience to crises and shocks; strengthening macroeconomic stability and growth; increasing empowerment and social inclusion; implementing governance reforms; accelerating human capital development; and strengthening environmental protection and resistance to climate change. The pillars of the DPO series are as follows:

- **Pillar 1. Unlocking the productive potential of The Gambia** by: (i) improving the country's renewable energy penetration by issuing regulation that facilitates green mini-grids and adopts a grid code detailing connection rules for on-grid facilities; (ii) issuing regulation on food safety and quality that can guide domestic producers and agribusinesses in adopting good agricultural and industrial practices; (iii) adopting the Second Chance initiative that allows and incentivizes out-of-school students at a higher secondary level or technical and vocational education and training (TVET) levels, especially girls who have interrupted their studies due to pregnancy or marriage, to return to school and repeat the year without any additional fees, as well as adopting the operational plan for the country's TVET Policy; (iv) updating regulation related to mobile money services to include the full scope of electronic payments and payment services as well as more innovative payment instruments.
- **Pillar 2. Strengthening macro-fiscal stability and governance** by: (i) issuing implementing regulation for the 2022 Procurement Act to improve the public procurement framework and enhance transparency and oversight as well as establishing emergency procurement and e-procurement rules; (ii) enacting the SOE Bill establishing the Regulatory Commission to monitor and oversee SOEs' primary objectives, statements of corporate intent, business plans, memorandums of understanding, performance contracts (including provisions related to public service obligations), and asset management plans; and (iii) issuing a circular standardizing border clearance procedures, establishing a new risk management system at all border and in-land control posts, and issuing regulation for an electronic tax stamp traceability system targeting excisable goods to boost tax revenue collection.
- **Pillar 3. Strengthening adaptation and resilience to climate change** by: (i) issuing regulation for disaster risk management that outlines the roles of responsibilities of the National Disaster Management Agency (NDMA) and other agencies involved in emergency preparedness and response including social protection agencies; and issuing regulation for disaster risk financing, providing a framework for using multiple instruments and programs such as the national insurance program.

### E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

#### Poverty and Social Impacts

**10. Reforms supported under Pillar 1 aimed at unlocking the productive potential are expected to have positive indirect social and poverty impacts by support the income generation capacity of households.** Despite the recent expansion in the provision of electricity in The Gambia, access to electricity among households at the bottom of the expenditure distribution and in rural areas has lagged. While almost 100 percent of households in the richest quintile



reported having access to electricity in 2019, just 10 percent of the poorest households had access. Between 2013 and 2019, improvements in access to electricity occurred mainly in the middle class, with little improvements for the poorest households. Beyond increasing access to electricity, the rules and regulations supported under this reform could lead to improvements in the quality and reliability of electricity services – which remains lower in The Gambia compared to its peers. The agricultural value chain remains the major source of livelihood for most of the poor. Low adherence to food safety and quality standards undermines the marketability of agricultural produce, affecting returns. Regulating food safety and quality can enhance the production of agricultural produce which meets international market standards, facilitating access to higher income markets and supporting income growth for poor agricultural households. Furthermore, food safety regulations supported by Prior Action 2 are expected to reduce foodborne diseases and benefit poor agricultural households that depend on agricultural export markets. Sub-Saharan Africa has the world's highest per capita incidence of foodborne illness, with the heaviest burden of disease falling on children (WHO, 2015).

**11. Reforms under Prior Action 3 and 4 aimed at (i) strengthening vocational training are expected to improve employability, raise productivity, and support higher earnings in labor markets, and (ii) increase access to financial services, benefiting poorer households.** In international comparisons, student performance in The Gambia remains among the lowest in the world, even within Sub-Saharan Africa, and has hardly increased over the past decade. Besides the weakness in core subjects, it is increasingly questioned whether appropriate professional skills are being taught in schools. Women face more acute challenges as The Gambia exhibits large gender gaps in employment: women lack access to paid work and face thick glass ceilings. Data from 2018 shows that three out of four working-age women had no access to their own earnings. Forty-eight percent of working-age males are in paid employment (wage employment or self-employment), compared to only 25.5 percent for females. Therefore, reforms supported under Prior Action 3 are expected to increase labor market opportunities for women – especially the most vulnerable such as girls who have interrupted their studies due to pregnancy or marriage. Despite having a high penetration of mobile cellular subscriptions—111 percent as of 2020—approximately 2.7 million subscribers over four Mobile Network Operators (MNOs), The Gambia has one of the lowest penetrations of mobile money in Sub-Saharan Africa. While 33 percent of individuals aged 15 or more had a financial account in 2022, only 3.7 percent had a mobile account (4.3 percent for men and 3.3 percent for women), lagging neighbors and the rest of the region. Policies that increase mobile money penetration, increase competition and lead to reductions in the cost of financial services are expected to promote internet penetration and mobile account ownership. Greater access to mobile financial accounts could improve entrepreneurs' digital presence and access to formal credit, which could lead to higher profitability, employment, and labor incomes.

**12. Reforms supported under Pillar 2 aimed at strengthening macro-fiscal stability and governance are expected to have positive indirect social and poverty impacts.** Prior actions 5, 6, and 7 are expected to minimize leakages, improve spending efficiency, increase the tax base, generate the fiscal resources necessary to fund investments in social infrastructure and improve transparency and fiscal sustainability. Enhancing the efficiency of public procurement (Prior Action 5), and the performance, governance, and oversight of SOEs (Prior Action 6) are expected to have indirect positive effects on well-being by increasing transparency and investor confidence and reducing fiscal risks. Similarly, Prior Action 7 is expected to mobilize domestic revenue and reduce corruption at the border [we need more information on possible tariff increases]. These actions are expected to have positive poverty and social impacts in the medium to long term by opening fiscal space for priority social spending and enabling a better business environment and higher investment through enhanced transparency, potentially leading to better job opportunities. Freed fiscal space through these reforms will complement the government's ongoing domestic resource mobilization efforts to finance infrastructural projects such as improving electricity access, road networks and markets, thereby supporting efforts to strengthen the social contract and a resilient and inclusive recovery. It will also make available resources needed to address the effects of these external shocks on the livelihood of the most vulnerable households.



**13. Strengthened disaster risk management regulations and institutions (PA 8 and 9) can potentially reduce the negative poverty and social impacts of natural disasters.** In The Gambia, poor households are 80 percent more likely to report experiencing a weather shock – which has increased in frequency and severity recently. Most recently, in July 2022, the country recorded the heaviest rainfall in over thirty years affecting over 15,000 individuals and destroying infrastructure and food stock. Most of these households have a low capacity to cope and/or mitigate these events' effects, exposing them to the risk of sliding back or deeper into poverty. In addition, women are particularly vulnerable to weather shocks in The Gambia because they are more likely to engage in agriculture than men. The approved regulations and institutional guidelines will help mitigate the impacts of a natural disaster by providing clarity for line ministries on roles and responsibilities following the declaration of a natural disaster, potentially saving lives and providing relief to the worst-affected households in a timely and effective manner. Moreover, clarity on how the government procures insurance and risk transfer instruments for damage caused by natural phenomena could also ensure that the most affected and vulnerable populations have help when the crisis hits.

#### Environmental, Forests, and Other Natural Resource Aspects

**14. Environmental issues in The Gambia include widespread illegal logging, destruction of mangroves, illegal sand mining for construction, and water pollution.** The operation is not expected to have any significant direct negative impact on the environment related to the objectives of improving debt management, financial performance, transparency, and governance. Nonetheless, the grid code detailing connection rule for On-Grid facilities, including renewables energy and a regulation facilitating green mini grids would allow increasing renewable energy penetration and greater efficiency, which would have positive environmental impacts.

**15. The legal framework for environmental management is anchored in the National Environment Management Act (NEMA) 1987 (amended in 1994).** This provides the legal basis for the correct use and viable management of the environment and its components to establish a sustainable development system in The Gambia, including a request for conducting an environmental and social assessment of investment projects before their implementation. Under the NEMA, every Gambian has the right to take legal action through the Attorney General's Chamber to protect the environment. NEMA supersedes all other acts in The Gambia on environmental matters and provides the legal framework for the operations of the National Environment Agency (NEA). The NEA is the principal body responsible for the management of the environment and coordinates all environment-related activities of the government. The NEA also coordinates the Gambia Environmental Action Plan, which contains a National Environment Policy Framework, Environmental Legislation, and Environmental Strategy.

**16. While the NEA is institutionally sound and adequately staffed, it lacks an adequate enforcement structure to help implement these reforms and would need support.** Areas for capacity building (on technical and legal aspects) will be identified and translated into an action plan. The action plan will be implemented to enhance NEA skills in assessing and addressing environmental and social-related risks and impacts, including climate change and climate Co-Benefits, particularly related to project selection and evaluation procedures, procurement assessments, and investments and e-waste aspects of telecom operations. In addition, NEA will need technical support in providing the required monitoring equipment for assessing air, water, and soil quality, without which it is difficult to provide scientific data to guide decision-making on projects.

**17. In terms of capacity development for other stakeholders,** NEA plans to establish a training center to provide training to the Government and other partners on environmental monitoring, geographic information system (GIS) and Remote Sensing technologies, and Environmental Impact Assessments, among others, with the aim to build capacity of stakeholders in their various roles in environmental management. Capacity building is critical as it will



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help enforce environmental risks and impact management systems within PIUs. Therefore, the NEA will be supported through ongoing IPFs and TAs to strengthen its capacity to manage environmental and social risks and impacts related to reforms supported under the DPF series.

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### APPROVAL

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#### Approved By

Country Director:	Keiko Miwa	15-May-2023
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