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Report No: PGD361

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR

PROPOSED GRANTS

IN THE AMOUNT OF SDR 30.5 MILLION (EQUIVALENT TO US$40 MILLION)

AND A

CATASTROPHE DEFERRED DRAWDOWN OPTION
IN THE AMOUNT OF SDR 15.3 MILLION (EQUIVALENT TO US$20 MILLION)

TO

REPUBLIC OF THE GAMBIA

FOR

THE GAMBIA FIRST BOOSTING RESILIENCE AND UNLOCKING PRODUCTIVE POTENTIAL DEVELOPMENT POLICY FINANCING WITH A CATASTROPHE DEFERRED DRAWDOWN OPTION

October 24, 2023

Macroeconomics, Trade and Investment
Western And Central Africa

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Republic of The Gambia

GOVERNMENT FISCAL YEAR

July, 1 – June, 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2023)

Currency Unit : Gambian Dalasi (GMD)

US$1.00 = GMD 0.015

US$1.00 = SDR 0.76046

ABBREVIATIONS AND ACRONYMS

AM	Accountability Mechanism
BRUPP	Boosting Resilience and Unlocking Productive Potential
CAD	Current Account Deficit
Cat DDO	Catastrophe Deferred Drawdown Option
CBG	Central Bank of The Gambia
CPF	Country Partnership Framework
CSO	Civil society organization
DPF	Development Policy Financing
DRM	Disaster Risk Management
ECF	Extended Credit Facility
FSQA	Food Safety and Quality Authority
GamSR	Gambia Social Registry
GDP	Gross Domestic Product
GIRAV	Gambia Inclusive and Resilient Agricultural Value Chain
GoG	Government of The Gambia
GPPA	Gambia Public Procurement Authority
GRS	Grievance Redress Service
IDA	International Development Association
IMF	International Monetary Fund
IPF	Investment Project Financing
LTS	Long-Term Climate-Neutral Development Strategy
NAPA	National Adaptation Program of Action
NAWEC	National Water and Electricity Company
NDC	Nationally Determined Contribution
NDMA	National Disaster Management Agency
NDP	National Development Plan
NEA	National Environment Agency
NEMA	National Environment Management Act
OIC	Organisation of Islamic Cooperation
PA	Prior Action
PFM	Public Financial Management
PPA	Performance and Policy Action
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Financing Policy
SOE	State-owned Enterprise
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
WB	World Bank

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REPUBLIC OF THE GAMBIA

The Gambia First Boosting Resilience and Unlocking Productive Potential DPF1 with Cat DDO

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Operation ID	Programmatic	If programmatic, position in series
P177748	Yes	1st in a series of 2

Proposed Development Objective(s)

Support The Gambia's efforts to (i) unlock its productive potential; (ii) strengthen procurement, economic governance of SOEs, and domestic revenue mobilization; and (iii) strengthen climate and social resilience.

Organizations

Borrower:	Republic of The Gambia
Implementing Agency:	Ministry of Finance and Economic Affairs

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Financing	**60.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Grant	60.00

IDA Resources (US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Crisis Response Window (CRW)	0.00	25.00	0.00	0.00	25.00
National Performance-Based Allocations (PBA)	0.00	35.00	0.00	0.00	35.00
Total	**0.00**	**60.00**	**0.00**	**0.00**	**60.00**

PRACTICE AREA(S)

Practice Area (Lead)

Macroeconomics, Trade and Investment

Contributing Practice Areas

Urban, Resilience and Land

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

OVERALL RISK RATING

Overall Risk	Substantial

RESULTS

Indicator Name	Baseline (2022)	Target (2026)
Pillar I – Unlocking the productive potential		
Results Indicator 1. Grid connected renewable energy in the electricity mix (percent)	0	10
Results Indicator 2. Exports to destinations enforcing aflatoxin levels complying with the regulations (percent)	0	75
Results Indicator 3. Active customers of mobile money services (number)	112,153	300,000
Pillar II – Strengthening procurement, economic governance of SOEs and domestic revenue mobilization		
Results Indicator 4. Procurement tenders by value that are single sourced (percent)	27	15
Results Indicator 5. Performance audit reports of state-owned enterprises prepared by the National Audit Office and published on the website of the Ministry of Finance and Economic Affairs (number)	0	5
Results Indicator 6.1 Excise duties collected on goods (percent of GDP)	0.5	1.5
Results Indicator 6.2. Revenue collected at border and in-land control posts (percent of GDP)	0.4	1.2
Pillar III – Strengthening climate and social resilience		
Results Indicator 7.1. Beneficiaries of government cash assistance program to the most vulnerable (number)	600	15,000
Results Indicator 7.2 Women receiving government cash assistance after a disaster or climate shock (percent)	0	14
Results Indicator 8.1. People covered by the national financial protection mechanism (number)	158,000	350,000
Results Indicator 8.2. Women appointed in the executive body of local disaster risk reduction committees (percent)	0	25

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed Development Policy Financing (DPF) operation with a Catastrophe Deferred Drawdown Option (Cat DDO) aims to support The Gambia's resilience and recovery in a context of overlapping crises.** The Program Development Objective (PDO) is to support the Gambia's efforts to (i) unlock its productive potential; (ii) strengthen procurement, economic governance of SOEs and domestic revenue mobilization; and (iii) strengthen climate and social resilience. It is the first in a programmatic series of two DPF operations and includes: (i) an International Development Association (IDA) grant of SDR 30.5 million (US$40 million equivalent); and (ii) an IDA grant of SDR 15.3 million (US$20 million equivalent) Cat DDO available to be fully or partially disbursed in the event of a natural disaster, including a public health emergency.

2. **The Gambia has made progress in transitioning out of fragility, but significant structural constraints remain.** The 2016 presidential election led to a regime change, as the country entered a period of peaceful transition confirmed with the parliamentary and presidential elections in 2021 and 2022. The economy still relies heavily on rain-fed agriculture and seasonal tourism, while a legacy of institutional fragility contributes to volatile and uneven growth. The Government of The Gambia (GoG) has taken steps to rebuild institutions, diversify the economy, and improve living conditions. Still, these efforts are impaired by persistent structural constraints, such as low revenue collection, declining agricultural production and productivity, and underdeveloped digital payments and other digital financial services (relative to peers). These issues are compounded by limited infrastructure and human capital development, all of which impedes productivity growth, limits the economy's structural transformation, and hinders poverty reduction. As a result, between 2010 and 2019, gross domestic product (GDP) per capita growth averaged a mere 2.9 percent, among the lowest rates in Sub-Saharan Africa (SSA) and below the SSA average of 3.5 percent.

3. **Overlapping crises highlight the urgent need to address structural bottlenecks to boost the country's resilience and unlocking its productive potential.** Fiscal vulnerabilities have worsened since the COVID-19 crisis, aggravated by heightened global geopolitical tensions. The fiscal deficit (including grants) almost doubled over 3 years, from 2.6 to 5.6 percent of GDP between 2019 and 2022, largely due to additional expenditures to fund price caps and subsidies. While public debt continues to decline, it is decreasing less rapidly than planned due to new concessional borrowing to cushion the impacts of overlapping crises. High commodity prices, supply disruptions, and currency depreciation have been the main driver of a sharp increase in food prices, which averaged 24.7 percent, year-on-year (y-o-y), in August 2023 as inflation averaged 18.4 percent in the same period—its highest level in decades. Rising domestic borrowing costs create short-term liquidity pressures, underlining the importance of concessional resources for budget support. For The Gambia to sustain its economic recovery and improve living conditions, transformational reforms are needed to build fiscal space and strengthen social and climate resilience.

4. **The Gambia's geographic, climatic, and socioeconomic context makes it vulnerable to climate change and other environmental risks.** The country ranks 148th out of 181 countries on extreme climate vulnerability.[1] Rising temperatures and the increasing frequency of floods increase the spread of infectious diseases such as malaria. The Gambia River ecosystem is at risk of permanent flooding. Banjul City has an average elevation of only 80 cm above mean sea level, making it particularly vulnerable to flooding. Outside Banjul City, there are often no drainage infrastructure, and roads act as natural drains to divert water to the Gambia river and the sea. Sea level rise will impede gravity-based drainage systems, increasing the risk of flooding for the Greater Banjul Area due to its low altitude. Inadequate drainage and stormwater management systems, poor treatment of waste by businesses, and inadequate solid waste management in the context of uncontrolled urban sprawl also exacerbate flood risks. Importantly, climate change disproportionately affects poor households, with women and girls being especially impacted.

[1] 181th being the most vulnerable country – scores from the Notre DameGAIN – County index: https://gain.nd.edu/our-work/country-index/rankings/

5. **Against this backdrop, the Boosting Resilience and Unlocking Productive Potential (BRUPP) DPF series supports reforms aimed at building the foundation for a green, resilient, and inclusive post-pandemic recovery.** The reform program is based on three pillars:

- **Pillar 1** – Unlocking the productive potential. Reforms aim to tackle bottlenecks in key enabling sectors by supporting the diversification of the energy mix while creating the conditions for private sector participation in the energy sector, facilitating agri-food development and exports, fostering competition, and leveling the playing field in the groundnut sector. Reform measures will, for example, focus on creating the conditions for enabling the use of digital and electronic payments.
- **Pillar 2** – Strengthening procurement, economic governance of SOEs and domestic revenue mobilization. Reforms aim to build fiscal space and improve transparency and efficiency in the use of public resources and institutions by strengthening the efficiency of the procurement system, improving competitive neutrality, enhancing the governance, performance, and oversight of state-owned enterprises (SOEs), and boosting domestic revenue collection, with the aim to build the capacity of The Gambia to absorb shocks while improving debt sustainability.
- **Pillar 3** – Strengthening climate and social resilience. Reforms aim to strengthen The Gambia's adaptation and resilience to climate change. Reform efforts primarily focus on improving the disaster risk management (DRM) and financing framework and the adaptive social protection system, ensuring that the needs of especially women and girls are met.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

6. **Real GDP growth remained unchanged at 4.3 percent in 2022 (1.8 percent per capita)**. A deceleration of growth in industry and subdued growth in services explain The Gambia's modest growth rate. In 2022, growth was supported by improved agricultural production, which benefited from a relatively good rainy season. On the demand side, growth was driven by public consumption and investment spending on infrastructure projects related to the preparation of the Organisation of Islamic Cooperation (OIC) conference. However, the economic slowdown and rising cost of living in advanced economies eroded remittances, private consumption, and investment and hampered growth in the tourism sector. Moreover, growth in industry decelerated due to supply chain disruptions, which affected prices and the availability of manufacturing and construction inputs.

7. **Inflation has reached decades-high levels, eroding households' purchasing power and increasing poverty**. Headline inflation reached 18.4 percent (y-o-y) in August 2023—the highest level in decades and above the Central Bank of The Gambia's (CBG) medium-term target of 5 percent. It is fueled by food prices (which reached 24.7 percent in August 2023), utility tariffs, and currency depreciation. Headline inflation averaged 11.6 percent in 2022, which eroded households' purchasing power and increased the poverty rate from 18.4 percent in 2021 to 20.3 percent in 2022 (using the international poverty line of US$2.15 in 2017 purchasing power parity).[2]

8. **Significant headwinds in 2022 deepened external imbalances and deteriorated the current account deficit (CAD) for the second consecutive year.** The trade deficit widened from 29.9 percent of GDP in 2021 to 34.7 percent of GDP in 2022, due to a significant increase in global commodity prices, which drove up import payments. Merchandise exports decreased, owing to a suspension of timber and cashew exports (due to political and security concerns at The Gambia-Senegal border), while the services trade deficit deteriorated further, reflecting marginal growth in services exports. The CAD widened from 8.0 percent of GDP in 2021 to 14.7 percent of GDP in 2022, reflecting a deterioration of the trade balance and lower remittances (Table 1). It was financed by foreign direct investment, donor support, and external government borrowing. International reserves declined from 7 months of imports in 2021 to 5.1 months in 2022,

[2] Estimates are based on a new tool that accounts for the distributional impact of rising food prices.

along with a nominal exchange rate depreciation of 15.6 percent in 2022. Net financial inflows in the capital and financial accounts almost halved from 16.1 percent of GDP in 2021 to 8.5 percent of GDP in 2022, reflecting tightening global financing conditions.

Table 1. Selected Macroeconomic Indicators, 2020–26

	2020	2021	2022e	2023p	2024p	2025p	2026p
Output and prices				*(Annual percentage change)*			
Real GDP	0.6	4.3	4.3	4.8	5.3	5.5	5.6
Consumer prices (Annual average)	5.9	7.4	11.5	17.0	12.3	6.1	5.0
GDP deflator	3.3	6.7	9.3	16.0	6.2	5.1	4.0
Monetary sector							
Broad money (M2)	22.0	19.5	7.1	10.3	10.1	10.7	6.8
Credit to the private sector	0.8	20.7	25.0	20.8	16.0	23.2	28.1
Claims on the government (net)	6.5	19.2	15.4	11.1	4.6	4.2	2.2
Net foreign assets	45.0	19.0	-9.7	2.1	12.6	10.5	-1.6
Central government finance				*(In percent of GDP)*			
Total Revenue and Grants	22.7	18.5	18.9	22.7	22.1	22.5	22.5
Total Expenditure	24.9	24.2	24.5	26.8	25.1	24.9	23.5
Overall balance (incl grants, comm. basis)	-2.2	-5.7	-5.6	-4.2	-3.0	-2.4	-1.0
Overall balance (excl grants, comm. basis)	-10.5	-10.0	-12.7	-15.5	-12.3	-11.6	-10.4
Grants	8.4	4.3	7.0	11.3	9.4	9.1	9.4
Balance of payments				*In percent of GDP*			
Balance of goods and services	-29.0	-29.9	-34.7	-27.8	-24.7	-23.8	-24.5
Exports of goods and services	8.5	8.9	7.6	11.4	14.5	14.4	14.9
Imports of goods and services	37.5	38.8	42.3	39.3	39.2	38.2	39.4
Current account balance (incl. grants)	-3.7	-8.0	-14.7	-12.3	-9.7	-8.3	-7.3
Overall balance of payments balance	5.2	2.0	-6.2	-0.5	-0.6	1.2	0.5
Terms of trade (annual percent change)	-5.2	6.9	26.2	18.3	9.5	6.1	3.4
Debt				*In percent of GDP*			
Public and publically guatanteed debt	85.1	83.8	83.9	78.4	73.4	68.7	65.2
External debt	49.0	48.4	51.6	47.4	44.0	40.6	37.2
Memorandum items:							
Nominal GDP (LCU Billions)	94.3	104.9	119.6	145.3	162.5	180.5	188.6
Nominal GDP (US$ Millions)	1,832.5	2,003.0	2,158.7	2,660.8	2,907.5	3,154.6	3,305.4
Real GDP per capita (annual % change)	-2.0	1.7	1.8	2.2	2.7	3.1	3.4

Source: Gambian authorities and World Bank estimates and projections (October 2023).

9. The fiscal deficit remained high in 2022 due to lower domestic revenue collection and increased spending. The fiscal deficit remained elevated at 5.6 percent (commitment basis) in 2022, slightly down from 5.7 percent in 2021, owing to spending to cushion the effects of Russia's invasion of Ukraine, including wage increases[3] to help offset the erosion of purchasing power, removal of taxes on essential food products, and increased oil and fertilizer subsidies. Total revenue increased from 18.5 percent of GDP in 2021 to 18.9 percent of GDP in 2022, thanks to an increase in grants (2.8 percentage points [ppts]) that overcompensated for the decline in tax revenue.[4] Non-tax revenue remained below expectations at 2.3 percent of GDP in 2022, as one-off revenues expected from a dispute settlement in the petroleum sector and the proceeds from the privatization of Megabank did not materialize. The authorities also stepped up the collection of non-tax revenue, including bridge tolls, airport concession fees, and dividends from SOEs. Public expenditure increased to 24.5 percent of GDP in 2022, driven primarily by infrastructure projects related to the preparation of the OIC conference. Public debt remained relatively unchanged at 83.9 percent of GDP in 2022, with domestic borrowing accounting for the bulk of deficit financing.

[3] The increase in salaries has not resulted in net additional budgetary costs, as the government reallocated expenditures through cuts in most current spending categories.

[4] The apparent decline in tax revenue by 2 ppts in 2020–22 was due to a combination of factors. First, policy changes to import pricing and high telecom revenues created a low base effect, as the revision of reference prices of imports, combined with the adoption of transactional value-based customs and excise levies in early 2020, increased customs revenue, despite a decline in import volumes caused by the pandemic. Second, the lingering effects of the COVID-19 pandemic impacted domestic revenues and transaction tax revenues (customs and excise) by limiting the recovery in tourism in 2021 and led to a decline in merchandise trade and a rise in freight costs. In the context of poly-crisis (i.e., the combined effect of interdependent global risks), spillovers from Russia's invasion of Ukraine have prevented a strong rebound in the tourism sector and private consumption, impacting revenue collection on goods and services and international trade. This has been combined with significant price subsidies on essential goods and fuel—estimated at 2 percent of GDP—to cushion the impacts of shocks on household purchasing power. Finally, persistent high level of inflation in 2022 (and projected for 2023 and 2024) has also played a key role in the decline of the revenue-to-GDP ratio (high nominal GDP growth). The GoG has taken proactive steps to boost domestic revenue collection over the past years, including: (a) gradually allowed the pass-through of international fuel prices to the domestic market to avoid costly and regressive subsidies – a full pass-through was reached in May 2023; (b) rolling out Asycuda World and enforcing updated minimum valuation and original invoices to support international trade taxes; and (e) developing and using accurate tax ledgers for large tax payers.

10. The CBG tightened its monetary policy in response to inflationary pressures. The CBG focuses on preserving price stability by managing reserve money (operational target) and broad money (intermediate target). The level of reserve money is controlled through open market operations, which are the CBG's main tool to manage liquidity, along with engaging in foreign exchange market interventions, determining the statutory reserves requirement ratio, and setting an interest rate corridor. To curb inflation, the monetary authority continued the issuance of CBG bonds to reduce excess liquidity and raised the policy rate by 1 ppt to 17 percent in August 2023—the 6th increases since May 2022. The CBG kept the other policy instruments unchanged, maintaining the required reserve for commercial banks at 13 percent, the interest rate on standing deposit facility at 3 percent, and the standing lending facility at 18 percent (policy rate plus 1 ppt). However, the effect of monetary tightening seems limited, given that inflation is essentially imported.

11. The banking sector is well capitalized, with robust financial soundness indicators, but is highly exposed to government borrowing. As of June 2023, the capital adequacy ratio stood at 24.6 percent, well above the regulatory requirement of 10 percent. The liquidity ratio of 43.27 percent was also above the prudential requirement of 30 percent. Asset quality continued to improve, with non-performing loans falling from 4.6 percent of gross loans in December 2022 to 3.5 percent in June 2023. Still, the banking sector is significantly exposed to public domestic debt. As in previous years, almost two-thirds of domestic commercial bank credit was provided to the government. As a result, banks' assets are increasingly held in public debt, with claims on the government reaching 58.7 percent of banks' domestic assets as of June 2023, higher than 28.9 percent for claims on the private sector. Although private sector credit increased by 23 percent, y-o-y, in June 2023, it is crowded out by increased government borrowing.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

12. The Gambia's economic outlook remains favorable. Real GDP growth is projected to average 5.4 percent in 2023–26 (2.4 percent in per capita terms), driven by increased activity across sectors. Services and agriculture are expected to continue to grow, assuming higher tourist inflows as advanced economies recover and with favorable rainfall. A recovery in private consumption and investment, supported by more robust remittances and resilient investment, is likely to support growth in the industry sector. Growth projections are, however, below the pre-pandemic level of 6.2 percent in 2019, reflecting the lingering effects of overlapping crises.

13. Inflation is expected to ease gradually in the medium term. It is expected to average 17 percent in 2023, before easing to an average of 7.8 percent in 2024–26 as price pressures ease with the tightening of monetary policy, declining prices of imported goods, and increased forex reserves (thanks to expected higher remittances, tourism inflows, and donor support), which in turn is expected to support the domestic currency. Due to The Gambia having a small economy and being extremely vulnerable to external shocks, its inflation is mostly imported and exacerbated by the depreciation of the local currency. Inflationary pressures are expected to fade in the medium term as global economic conditions improve. The CBG is committed to tightening its monetary policy if needed.

14. The CAD is projected to remain high in 2023, before declining in the medium term. Pressures on the balance of payments are expected to ease slightly in 2023 as global and regional uncertainties linger. The CAD is set to remain high at 12.3 percent of GDP in 2023, before narrowing to an average of 8.4 percent in the medium term, supported by a decline in investment-related imports surrounding the OIC conference as well as increased remittances and exports of goods and services as the global economy gradually recovers (Table 2). The CAD will be financed primarily by official transfers, foreign investment, and public-sector debt financing.

Table 2. Balance of Payments Gross External Financing Needs, 2021–26 (% of GDP)

	2021	2022	2023p	2024p	2025p	2026p
Total Financing requirements	**8.8**	**15.9**	**13.5**	**11.1**	**10.5**	**9.6**
Current account deficit (excl. budget support)	8.0	14.7	12.3	9.7	8.3	7.3
Scheduled government debt amortization	0.8	1.2	1.2	1.4	2.3	2.3
Total financing sources	**8.8**	**15.9**	**13.5**	**11.6**	**10.5**	**9.6**
FDI inflows (net)	5.0	3.7	3.8	3.4	3.5	3.4
Government borrowing (gross)	1.3	2.0	2.2	2.3	2.2	2.0
Other net inflows	8.5	3.2	5.1	3.4	3.4	3.5
Budget support (multilateral)	0.7	1.9	1.8	2.0	1.3	0.7
IMF (net)	2.2	1.5	0.1	-0.2	-0.2	-0.4
Change in net foreign assets,CBG ("-" = increase)	-8.9	3.7	0.5	0.2	0.3	0.3

Source: Gambian authorities and World Bank staff estimates and projections (October 2023).

15. The fiscal deficit is expected to narrow in the medium term due to fiscal consolidation efforts. The fiscal deficit is projected to remain high at 4.2 percent of GDP in 2023, owing to increased investment spending to accelerate the completion of needed infrastructure in Banjul to host the OIC conference in December 2023, as well as to higher interest payments due to the tightening of financing conditions. It is projected to narrow to 2.1 percent of GDP in 2024–26, thanks to fiscal consolidation efforts that are expected to accelerate revenue collection, streamline current transfers and spending on goods and services, and improve the efficiency of public spending (Table 3). Revenue mobilization efforts intend to focus primarily on improving the performance of the tax administration by: (i) adopting ASYCUDA World and an integrated tax administration system; (ii) cleansing and maintaining accurate tax ledgers for large taxpayers; (iii) closing loopholes in revenue collection related to toll bridges; (iv) establishing a property tax unit; (v) pursuing measures supported under Prior Action (PA) #6 and Indictive Trigger (IT) #6; (vi) implementing tax policies through the planned revision of The Gambia Investment and Export Promotion Act; and (vii) streamlining tax expenditures. Spending measures include phasing out measures to cushion spillovers from Russia's invasion of Ukraine and the COVID-19 pandemic as well as replacing generalized subsidies with targeted support through measures supported under PA #7 and IT #7. Capital spending is expected to be contained with the completion of projects related to the OIC conference, but it should remain high as the GoG intends to implement projects related to the Recovery Focused National Development Plan (RF-NDP) 2023–2027.

16. Public debt remains sustainable despite a high risk of external and overall debt distress. The Gambia's public debt increased significantly over the past decade, reaching a peak of 87 percent in 2017. Nevertheless, it has since decreased and is projected to follow a downward trend over the medium term, mostly driven by the clearance of domestic arrears and the decline in external borrowing. According to the last joint World Bank-IMF Debt Sustainability Analysis (DSA) in June 2023, public debt remains sustainable despite a high risk of overall and external debt distress. The present value of the overall public debt-to-GDP ratio remains on a downward trend, indicating that the public debt outlook remains sustainable. Liquidity indicators (i.e., debt service-to-exports and debt service-to-revenue ratios) are projected to breach their indicative thresholds in 2023 as well as between 2025 and 2029 due to lower export growth in the near term and higher debt service commitments in the medium term (with the end of the debt deferral period in 2024).[5] Total public debt is projected to decline from 83.9 percent of GDP in 2022 to 65.2 percent of GDP by 2026, thanks to: (i) relatively strong growth performance in the medium term; (ii) fiscal consolidation efforts; (iii) heavy reliance on grants[6] and

[5] The Gambia was no longer under debt distress after it restructured its public debt, which involved external creditors granting debt service deferrals for 5 years beginning in 2020. The external debt service will return to its normal trajectory starting in 2025.

[6] Grants are projected to remain high in the medium term at 9 percent of GDP in 2024–26, reflecting development partners' support to the implementation of the RF-NDP 2023–2027. The African Development Bank and the European Union are preparing a new programmatic series—resuming their budget support programs. The United States is also preparing to support The Gambia's development agenda through the Millennium Challenge Corporation.

concessional loans (a commitment under the IDA SDFP[7]); and (iv) efforts to accelerate debt management and transparency.[8]

Table 3. Key Fiscal Indicators, 2020–2026 (% of GDP)

	2020	2021	2022e	2023p	2024p	2025p	2026p
Total Revenue and Grants	**22.7**	**18.5**	**18.9**	**22.7**	**22.1**	**22.5**	**22.5**
Revenue (excl. grants)	14.4	14.2	11.9	11.4	12.7	13.4	13.1
Tax Revenue	11.0	10.0	9.1	9.3	9.1	9.5	10.2
Direct and indirect taxes	8.2	6.7	6.5	7.0	7.0	7.2	7.9
Taxes on International Trade	2.7	3.3	2.5	2.3	2.2	2.2	2.3
Non-Tax Revenues	3.4	4.3	2.8	2.0	3.6	3.9	2.9
Grants	8.4	4.3	7.0	11.3	9.4	9.1	9.4
Total Expenditure	**24.9**	**24.2**	**24.5**	**26.8**	**25.1**	**24.9**	**23.5**
Current Expenditure	17.9	15.4	14.1	12.9	12.9	12.4	11.3
Wage bill	4.3	4.4	4.7	4.2	4.2	4.0	3.6
Current transfers	6.4	4.2	4.0	3.0	3.1	3.0	2.9
Expenditure on goods and services	4.1	3.8	3.4	2.5	2.3	2.2	2.0
Interest	3.1	3.0	2.0	3.2	3.4	3.3	2.8
Capital Expenditure	7.0	9.2	10.7	14.4	12.7	13.4	12.2
Overall Balance (commit. basis, incl. grants)	**-2.2**	**-5.7**	**-5.6**	**-4.2**	**-3.0**	**-2.4**	**-1.0**
Primary Balance	1.0	-2.7	-3.6	-1.0	0.4	1.1	1.8
Float	0.5	0.8	0.9	0.0	0.0	0.0	0.0
Government Financing	**1.7**	**4.9**	**4.7**	**4.1**	**3.0**	**2.4**	**1.0**
External (Net)	0.9	0.5	1.2	1.1	1.0	1.0	0.0
Domestic (Net)	0.8	4.3	3.5	3.0	2.0	1.4	1.0

Source: Gambian's authorities and World Bank staff estimates and projections (October 2023).

17. The outlook is subject to significant downside risks. Tightened financial and monetary conditions and protracted inflationary pressures could increase fiscal and debt vulnerability risks, as yields on government securities could increase further. With the end of debt service deferrals negotiated with some creditors in 2024, the resumption of external debt servicing obligations is expected to absorb significant resources from much-needed social and infrastructure investment, which could generate liquidity pressures and, subsequently, additional fiscal pressures. The country depends heavily on wheat imports from Ukraine,[9] fueling already high food inflation and worsening food insecurity as the non-renewal of the Black Sea Grain Initiative weighs on wheat prices and global food security. Slower-than-expected growth in advanced economies could undermine the recovery in the tourism sector and capital and remittance inflows. Persistent pressures on the balance of payments and foreign exchange reserves could trigger shortages of imports of essential goods (fuel, fertilizer, medicines, and priority food products) and exacerbate inflationary pressures.

18. The macroeconomic policy framework is adequate for the proposed operation. Economic growth is projected to remain above the regional average in the medium term, driven by private consumption, increased economic activity across sectors, and improving external demand. Planned revenue-based fiscal consolidation anchored in the medium-term fiscal framework and debt sustainability, the removal of exceptional subsidy measures, and more efficient spending should rebuild fiscal space. The deficit is expected to reach 4.2 percent of GDP in 2023, before narrowing to 0.5 percent by 2026. Public debt—which is expected to decline gradually and reach 65 percent of GDP in 2026—is sustainable, but the risk of overall and external debt distress is high. The end of the debt deferral in 2024 is expected to lead to a significant increase in debt service, which should remain within the sustainability range, although the capacity to absorb shocks will be very limited. The GoG has committed to zero non-concessional borrowing under the International Monetary Fund (IMF) Extended Credit Facility (ECF) program and the World Bank's Sustainable Development Financing Policy (SDFP), and fiscal policy is anchored to the GoG's medium-term fiscal framework. The authorities plan to continue to strengthen debt management and transparency through the proposed Performance and Policy Actions (PPAs) under the SDFP.

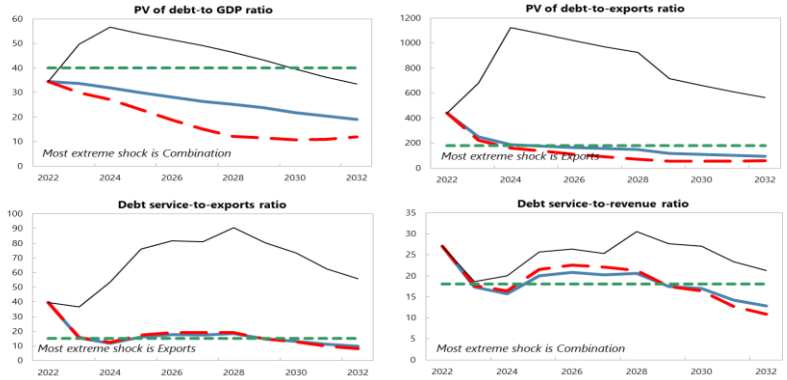
[7] As part of the SDPF, three Performance and Policy Actions (PPAs) on debt transparency, debt management, and fiscal sustainability were successfully completed in FY23. PPA 1 focused on improving debt transparency by having the Ministry of Finance and Economic Affairs (MOFEA) publish the annual public debt bulletin for 2022, including a table on government guarantees extended to all SOEs, on its website. PPA 2 aimed to improve fiscal and debt sustainability by having MOFEA publish the first Fiscal Risk Statement (FRS) on its website. Finally, PPA 3 aimed to improve debt sustainability by ensuring that the GoG does not enter into any contractual obligations for new external public and publicly guaranteed non-concessional debt in FY23.

[8] The Gambia has updated the medium-term debt management strategy (MTDS) for 2022–2026 and adopted a new debt management software, Meridian, in 2020 to: (i) improve the accuracy and timeliness of debt data; (ii) help ensure the timely payment of external debt service, including on-lent debt to SOEs; and (iii) avoid the build-up of arrears. The country has prepared and published on its website since 2019 an annual borrowing plan for 2023 that is consistent with the MTDS and quarterly reports on external debt commitments, agreements, and disbursements.

[9] Wheat imports from Ukraine represent 84 percent of The Gambia's total wheat imports between 2018 and 2020 (FAO).

Monetary and exchange rate policies—anchored to IMF ECF programs—are deemed appropriate, with proactive measures to alleviate imbalances in the foreign exchange market and curb persistent inflationary pressures. The GoG has also demonstrated a track record of prudent macroeconomic policy over the past six years, and it is committed to implementing reforms in public investment management, financial management, and domestic revenue mobilization.

Figure 1. Selected Public Debt Indicators under Baseline and Alternative Scenarios, 2022–2032



Source: Joint World Bank-IMF Pre-mission DSA June 2023.

2.3. IMF RELATIONS

19. On June 12, 2023, the IMF Executive Board approved the sixth and final review under the ECF program. The approval of the sixth review—which was part of a 39 month arrangement approved by the IMF Board on June 12, 2023—provided The Gambia immediate access to US$6.7 million to help meet the country's balance-of-payments and fiscal financing needs amid challenges related primarily to the context of poly-crisis. Despite multiple shocks that affected the economy, The Gambia's performance under the ECF has been broadly satisfactory. The program aimed to help The Gambia to be better prepared for external shocks, pursue high and inclusive growth, lessen debt vulnerabilities, strengthen public financial management (PFM), bolster domestic revenue mobilization, and catalyze much-needed donor funding (especially grants for budget support). Discussions on a new ECF program are ongoing, with an agreement and approval expected before end-2024Q1.

3. GOVERNMENT PROGRAM

20. The Gambia adopted its RF-NDP 2023–2027 in December 2022, which will be supported by this DPF series. This was a successor to the elapsed National Development Plan (NDP) 2018–2022. The RF-NDP 2023–2027 builds on the achievements of the previous plan, with the overall goal to consolidate gains in democratic governance, accelerate green economic and social transformation, and build resilience to shocks and crises through 3 strategic objectives[10] and 7 pillars. The pillars of the RF-NDP 2023–2027 are: (i) resilience to shocks and crises; (ii) governance reforms; (iii) macroeconomic stability and growth; (iv) human capital development; (v) agriculture, environment, natural resources, and climate change; (vi) empowerment, social inclusion, and leaving no one behind; and (vii) energy, infrastructure, and connectivity. The DPF series will fully support the RF-NDP 2023–2027 with the proposed reforms that encompass most of the NDP's pillars, including improving the country's productive potential, strengthening public procurement efficiency, enhancing the SOE governance framework, boosting tax revenue collection, accelerating the socioeconomic inclusion of vulnerable households, diversifying the energy mix, and promoting DRM.

[10] The strategic objectives of the RF-NDP are to: (a) build household and community resilience to address shocks and crises arising from climate change and economic volatility and counter the effects of pandemics; (b) consolidate gains and address critical gaps in governance and economic and social transformation; and (c) strengthen accountability, build partnerships, and put in place robust and sustainable resource mobilization strategies for enhanced delivery and development outcomes.

21. The government has demonstrated its commitment to adopting a comprehensive approach to reducing vulnerability and strengthening resilience to climate and disaster risk. The Gambia is a signatory to the 2015–2030 Sendai Framework for Disaster Risk Reduction, along with its implementation program. The country created the National Disaster Management Agency (NDMA) in 2008, and it has made significant progress on strengthening the DRM regulatory framework and related policies and strategies promoting an integrated DRM approach covering risk prevention, reduction, preparedness, and response. The Gambia has also adopted its Long-Term Climate-Neutral Development Strategy (LTS) 2050 focused on the country`s five key greenhouse gas emitting sectors: energy; agriculture; waste management; transport; land use, land use change, and forestry. The LTS includes both mitigation and adaptation measures for the country to reach net-zero emissions by 2050, in line with its commitments under the Paris Agreement. Finally, The Gambia adopted its National Adaptation Program of Action (NAPA) on climate change in 2007, National Climate Change Policy in 2016, and a strategic program for climate resilience in 2017 and has endorsed the World Health Organization's International Health Regulations.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

22. The proposed operation is the first in a programmatic series of two single-tranche DPF operations designed to boost The Gambia's resilience to shocks and unlock its productive potential in the medium term. The series selectively addresses three binding constraints to inclusive and sustainable growth identified in the 2020 Systematic Country Diagnostic (SCD):[11] (i) infrastructure constraints; (ii) scarcity and mismanagement of public resources; and (iii) high vulnerability to adverse weather conditions and climate change. The reform program is intended to promote inclusive growth and reduce poverty by supporting the development of commercial agriculture, increasing financial inclusion, and expanding access to affordable financial services. Improving the management of public resources is a prerequisite for increasing fiscal consolidation and improving the efficiency of public expenditure to support higher and sustainable growth. Strengthening the DRM framework would help ensure that climate-related threats and responses are well-integrated into public decision-making and planning. Together, these reforms seek to improve the potential to achieve higher, more resilient, and more inclusive growth, an objective that aligns with the RF-NDP 2023–2027.

23. The DPF series is consistent with The Gambia's climate change commitments and the goals of the Paris Agreement. The proposed program is in line with the country's second Nationally Determined Contribution (NDC) and aims to strengthen the country's adaptation and resilience to climate change through the following priority areas identified in the LTS: accelerating the adoption of renewable energy (PA #1); promoting climate-sensitive development in the agriculture sector (PA #2); and adopting integrated DRM, including measures to promote women's leadership and ability to voice their needs and interests in building resilience to shocks (PA #8). The LTS presents priority adaptation measures for each priority sector and envisions resilient and decarbonized economic development and growth by 2050. It highlights the need to build adaptive capacity and early warning systems and ensure that institutions, organizations, the private sector, and citizens adopt climate-sensitive approaches and behavior. Measures supported under Pillars 1 and 3 address areas universally aligned with the mitigation goals of the Paris Agreement and help The Gambia build climate resilience. PAs under Pillar 2 do not directly target adaptation or mitigation measures and are not expected to increase greenhouse gas emissions or reduce carbon sinks significantly. All proposed measures support a sustainable and inclusive development path.

24. The proposed operation provides a critical line of contingent financing (Cat DDO) and will support the GoG in being better financially prepared to respond to immediate needs following a natural catastrophe. Natural disasters, including public health-related emergencies, and climate risks could represent a contingent liability for the

[11] Report No: 148128-GM.

government that has not been explicitly considered in the past when managing the country's overall fiscal risks. To improve the management of contingent liabilities associated with natural disaster and climate-related risks, the government aims to increase the resilience of infrastructure and other assets and improve maintenance practices, which could potentially reduce recurrent costs for rehabilitation and reconstruction. The Cat DDO optimizes and complements financing instruments currently available to The Gambia (e.g., the National Emergency Fund), reducing the potential financing gap in the aftermath of a natural catastrophe.

25. The Cat DDO can be used as bridge financing while funds from other sources are being mobilized. It has a trigger: credit proceeds may be drawn in response to a declaration of a state of emergency by the GoG in accordance with national law. In addition to natural hazard risks, disasters may include public health-related emergencies such as the threat or outbreak of fatal or highly infectious diseases, including epidemics or pandemics. The GoG has chosen to fund 25 percent of the US$20 million equivalent credit (US$5 million equivalent) from its national IDA PBA envelope, matched equally by the IDA Crisis Response Window (CRW) (US$5 million equivalent) and twice by IDA's overall resources (US$10 million equivalent). The proposed Cat DDO drawdown trigger and renewal conditions include a:

- **Drawdown trigger**. Cat DDO proceeds may be drawn down after a 'natural disaster,' including a 'public health emergency' that results in a proclamation of declaration of a 'state of public emergency'[12] in accordance with the National Disaster Management Act Law (2008)[13] and when the IDA is satisfied, based on evidence satisfactory to it, that such a government proclamation has been issued.[14] A natural disaster does not include any emergency that is predominantly political, technological, security, military, or fiscal in nature.
- **Drawdown period and renewals.** The drawdown period for the Cat DDO component will be three years. The component may be renewed once for an additional three years at the government's request, if IDA is satisfied with the progress achieved by the GoG and the adequacy of the country's macroeconomic policy framework. Renewal needs to occur no earlier than one year and no later than six months before the closing date.

26. The design of this operation encompasses lessons learned from previous DPF series. The program was designed to leverage progress achieved in previous operations to maximize the impact and ensure continued progress. Lessons learned from the previous DPF series include the need to: (i) selectively identify reforms that minimize the administrative burden of the government, especially in the context of a fragile political environment and weak public sector capacity; (ii) focus on measures that will have an immediate positive impact on living conditions; (iii) support measures that demonstrate the government's commitment to reform and help rebuild trust in public institutions; (iv) enhance economic governance to promote the development of critical sectors; and (v) leverage Investment Project Financing (IPF) operations to accompany implementation efforts across pillars. These lessons were applied in the selection of the scope and content of the reform program supported by the DPF series. In addition, there is parallel technical assistance provided during the life of the Cat DDO to help achieve the reform program's targets while building local capacity. This will be useful to bolster reforms and enhance the sustainability and achievement of medium- and long-term goals and reforms, as well as to improve the ability to measure program outcomes. There is also complementarity with ongoing World Bank investment projects to ensure they can be leveraged to achieve development objectives.

[12] A State of Public Emergency (SoPE) was declared in 2010 due to flooding and in 2020 because of the COVID-19 pandemic.

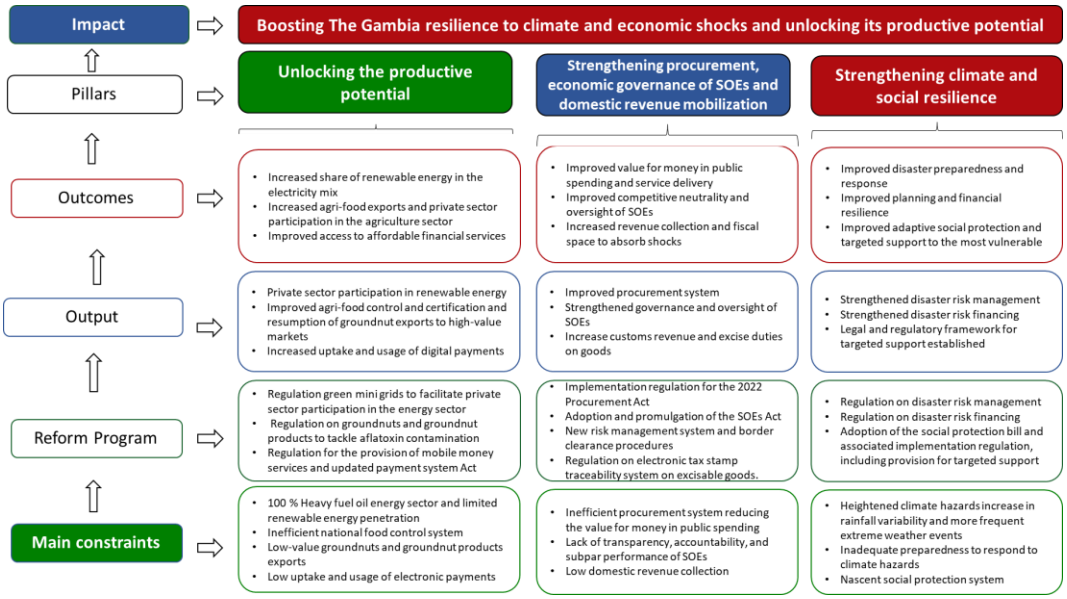
[13] The Government of The Gambia, National Disaster Management Act (2008), https://disasterlaw.ifrc.org/media/3023. Under this Act, 30. "If the President, on the advice of the Council, is satisfied that a disaster in any area (a) is of such a nature and extent that exceptional measures are necessary or that circumstances are likely to arise making it necessary to take those measures, to assist and protect the public of the area; (b) constitutes a significant and widespread danger to life or property in The Gambia; or (c) exceeds the affected community's capabilities to deal with that disaster; he or she may, in accordance with section 34 of the Constitution by proclamation, declare that a state of public emergency exists, in the whole, or a specified part or parts of The Gambia, in relation to that disaster."

[14] According to a complementary inter-ministerial arrete, the president (or a representative of the president) is the authority of the state of emergency. The length of a declaration of a state of emergency is maximum of one year. The extension of the state of emergency is based on a technical study presented by the Permanent Secretariat of the National Platform for Disaster Risk Reduction and Climate Change Adaptation.

4.2. PRIOR ACTIONS, RESULTS, AND ANALYTICAL UNDERPINNINGS

27. The BRUPP DPF series aims to boost The Gambia's productive potential and improve its living standards in the long term. The DPF series' three pillars, which are built on strong analytical underpinnings (Annex 6), aim to boost The Gambia's resilience to climate and economic shocks and unlock its productive potential, described in the theory of change detailed in Figure 2.

Figure 2. Theory of Change for The Gambia Boosting Resilience and Unlocking Productive Potential DPF Series



Source: World Bank staff.

PILLAR 1: Unlocking the Productive Potential

Diversifying the energy mix and increasing private sector participation in the energy sector

Prior Action #1*: To facilitate private sector in the energy sector and facilitate renewable energy penetration, the Recipient has issued the Gambia Green Mini-Grid Regulations, 2023 setting out rules and conditions for concession agreements, community contracts, generation and distribution licenses for green mini grids.*

Context and Rationale

28. Diversifying the energy mix is crucial to unlocking the productive potential of The Gambia and sustain inclusive growth in the medium term. The Gambia has laid out a bold vision for universal access to electricity in the medium term, but the energy sector has been severely weakened by the twin crisis of rising oil prices—100 percent heavy fuel oil-based utility company —and a depreciating dalasi. Despite improvements in reliability indicators such as system wide outages (average of 10 in June/July 2023, fewer than 19 over the same period in 2022), there are still reliability-related constraints that hamper private sector productivity. Additionally, the recent increase in electricity tariffs has exacerbated the cost challenges faced by the private sector, leading to heightened inflation across the economy. The energy sector is highly vulnerable to commodity price shocks, which makes it crucial to accelerate renewable energy penetration and increase private sector participation in the energy sector to improve access to reliable and affordable electricity. Increasing access to electricity could facilitate income generation activities and entrepreneurship while reducing a major obstacle to private sector growth.[15]

[15] Blimpo, M. and Cosgrove-Davies, M. 2019. Electricity Access in Sub-Saharan Africa: Uptake, Reliability, and Complementary Factors for Economic Impact. Africa Development Forum; © Washington, DC: World Bank.

Proposed Reforms

29. The program supports private sector participation in the energy sector to promote renewable energy penetration and diversify the energy mix. Through its Electricity Sector Road Map 2021–2040 and the National Electrification Policy, The Gambia intends to significantly scale up the penetration of variable renewable energy. Thermal generation is the sole means of generation from independent power producers and the National Water and Electricity Company (NAWEC). Anchored to the Renewable Energy Act, 2013, the green mini-grid regulations (PA #1) set out the regulatory framework for encouraging green mini-grids,[16] especially in communities too distant to be economically connected to the main grid in the near to medium term but densely populated enough to offer economies of scale in power delivery compared to individual home systems. The proposed reform establishes criteria for the operation of mini-grids, classification criteria, and tariff-setting rules, and it defines rules and conditions for concession agreements, community contracts, generation and distribution licenses, regulatory forbearance in specific circumstances, feasibility studies, applicable tariffs guidelines, and main grid interconnection. The reform will be completed with the adoption of a grid code detailing connection rules for on-grid facilities, including renewables energy and the feed-in-tariff rules and guidelines (IT #1). The grid code will specify rules for new connections and clarify options for private sector participation in the energy sector. The feed-in-tariff rules and guidelines are expected to establish the relevant conditions for small-scale developers to access the grid, metering rules, the monitoring framework, maximum system sizes, and price caps associated with onward sales to the utility.

Expected Results

30. The proposed measure is expected to diversify the energy mix and enable private sector participation in the energy sector. The envisaged reforms include tailormade approaches for both on-grid and off-grid solutions to accelerate The Gambia's efforts toward expanding energy access and integrating variable renewable energy into its energy mix. The proposed reforms should help the country address its energy needs to sustain private sector development while reducing its high vulnerability to commodity price shocks. With these reforms, the share of grid-connected renewable energy in the electricity mix is expected to increase from 0 in 2022 to 10 percent in 2026. Critically and beyond the timeframe for the evaluation of this DPF operation, the proposed reforms are expected to provide a clear regulatory framework to enable the diversification of the energy mix while creating the conditions for private sector participation in the energy sector.

Revitalizing commercial agriculture and improving food safety

Prior Action #2. *To revitalize commercial agriculture and food safety, the Recipient has issued the Groundnuts and Groundnut Products Regulations 2023, establishing rules and enforcement mechanisms for the maximum limits of aflatoxin levels, including the roles of food business operators in complying with the safety standards.*

Context and Rationale

31. The Gambia's capacity to revitalize the agriculture sector is constrained by a weak regulatory framework in the groundnuts sector, exposure to aflatoxin, and the lack of an integrated national food control and certification system. Around 80 percent of farm households are involved in groundnut farming, which accounts for 60–80 percent of their income, and groundnuts were until recently the country's main export products. Groundnut exports volumes fell from 18,000 tons in 2009 to 1,400 tons in 2018, resulting in a sharp decline in the value of exports from US$9.2 million to US$1.5 million[17] in the same period. The sharp decline in exports was mainly because of a ban on groundnut exports to European markets due to failure to comply with the requirement of maximum aflatoxin levels.[18] The high levels of aflatoxin in major Gambian cash crops such as peanuts represent an important trade barrier that has numerous negative effects on the socioeconomic development of the country's farmers. Aflatoxins, which contaminate

[16] A green mini grid (such as solar powered mini grid) is a set of small-scale electricity generators and possibly energy storage systems interconnected to a distribution network that supplies electricity to a small, localized group of customers and operates independently from the national transmission grid.

[17] FAO statistics.

[18] Aflatoxins are highly toxic and carcinogenic fungal metabolites that contaminate food and agricultural products, rendering them unsafe for human and animal consumption.

groundnuts mostly during post-harvest management, are a result of inadequate drying or poor storage conditions.

Proposed Reforms

32. Addressing issues facing the groundnuts sector while strengthening food control and certification is essential to revitalize the agriculture sector. One of the most effective ways to control the occurrence of aflatoxins in the value chains of groundnuts, maize, and rice and minimize human exposure is the establishment and enforcement of maximum limits that checks the levels of aflatoxin contaminant in different classes of food and agricultural products. The proposed reforms will support the creation of mechanisms to monitor aflatoxin throughout the value chains of groundnuts and groundnut products (PA #2) and cereals (IT #2) while improving the efficiency and operability of the food quality and certification system. The regulations on groundnuts and groundnut products (PA #2) will: (i) establish rules and enforcement mechanisms for the maximum limits of aflatoxin levels in groundnuts and groundnut products; (ii) clearly define the role of the Food Safety and Quality Authority (FSQA) in monitoring/ensuring compliance of food business operators; (iii) define the roles of food business operators in reducing contamination to aflatoxin and complying with existing standards, and (iv) promote climate-resilient and good agricultural practices in the groundnut sector. The proposed reforms should strengthen the role of FSQA in coordinating all relevant stakeholders and improve testing and certification mechanisms for laboratories while helping The Gambia meet sanitary and phytosanitary (SPS) standards.

Expected Results

33. The proposed reforms are expected to promote the development of inclusive, resilient, and competitive agricultural value chains. The establishment of maximum aflatoxin limits should ensure exports are tested before leaving the country, thereby enabling trade. As a result, the share of exports to destinations enforcing aflatoxin levels complying with the regulations is expected to increase from 0 to 75 percent. Together, the reforms aim to help the authorities build the foundation for enhanced agricultural and industrial practices and create an integrated national system for food control and certification for export and domestic markets in compliance with international SPS standards.

Increasing access to affordable financial services

***Prior Action #3**. To increase access to affordable financial services, the Recipient has issued the Provision of Retail Payment Services Regulations, 2023, to include the full scope of electronic payment services, as well as more innovative payment instruments.*

Context and Rationale

34. Despite high mobile phone penetration (roughly 93 percent), the uptake of electronic money remains low. Financial inclusion is very low in The Gambia, with only 19 percent of the population having an account with a formal financial institution, while another 12 percent use informal savings, leaving 69 percent completely excluded from formal and informal financial services, much higher than the SSA average of 45 percent.[19] This subpar performance is attributable to longstanding structural issues, mainly outdated legal and regulatory frameworks for electronic payments that have not supported the development of innovative digital financial services. Moreover, the obsolete framework of electronic payment services has not fostered the growth and development of digital financial services. These legal constraints, coupled with other structural limitations such as low levels of awareness and trust in financial services, high fee structures, an embryonic digital payments ecosystem, and an outdated underlying payments infrastructure, have undermined the adoption and use of digital financial services. The persistent gap in digital financial services limits economic activities, financial inclusion,[20] and economic digitization.

Proposed Reforms

35. There is an urgent need to tackle structural barriers that impede the development of efficient and innovative payment instruments and services. The new mobile money regulations (PA #3) intends to address gaps related

[19] Global Findex data 2021.

[20] The level of formal financial services in The Gambia continues to be among the lowest in SSA, with only 33 percent of adults having access to transactional accounts (mostly at financial institutions). Source: The Gambia Financial Sector Assessment (2022) and 3rd Economic Update (2023).

to the coverage of electronic payments; anti-money laundering and countering the financing of terrorism framework; governance, instruments and channels; clarity of licensing requirements; and consumer protection and data privacy for payment service users following international best practices. Updating regulations for the provision of mobile money services could help broaden access to affordable financial services. Similarly, the Payment Systems Act needs to be updated to boost the uptake and use of digital payments. The Act, which was adopted in 2016, ignores matters covering payment services and instruments as well as traditional and emerging concepts such as agent banking, access channels, account interoperability, and open banking, among others. Instead, it focuses on systems with no explicit reference to instruments, services, and providers. The program supports updating the Payment Systems Act (IT #3) to: (i) expand its scope to incorporate instruments, services, and providers; (ii) provide a solid legal basis for further regulatory actions by the central bank; (iii) facilitate the assessment of risks; and (iv) encourage the development of innovative products and services catered to the needs of the population and businesses. These interventions, which are aligned with the reform program, are designed to remove some of the structural barriers hampering the uptake of financial services, promote the development of digital financial services, shift the bulk of transactions from paper-based (cash and checks) to electronic transactions, and promote the development of a digital economy in The Gambia.

Expected Results

36. Accelerating financial inclusion will contribute to unleashing The Gambia's production potential. By tackling structural issues in one of the keys enabling sectors, the reforms aim to create a framework conducive to innovative, affordable, and responsible digital financial products and services, harnessing digital technologies. As a result, the number of active customers of mobile money services, is set to increase from 112,153 percent in 2022 to 300,000 percent in 2026. Beyond the timeframe for the evaluation of this DPF operation, improved access to affordable financial services could reduce transaction costs, reduce uncertainty, and provide a more level-playing field for the private sector.

PILLAR 2: Strengthening Procurement, Economic Governance of SOEs, and Domestic Revenue Mobilization

Enhancing the efficiency of public procurement

Prior Action #4*: To enhance the efficiency of public procurement, the Recipient, has issued the Gambia Public Procurement Regulations, 2023, defining the roles of all stakeholders, establishing transparency and oversight mechanisms, and clearly defining emergency and single source rules.*

Context and Rationale

37. The country's public procurement system is inefficient, which reduces the value for money in public spending. Public procurement is regulated by the Gambia Public Procurement Authority (GPPA), which ensures that public entities (central and local government authorities as well as SOEs) follow the procurement standards set by the Gambia Public Procurement Act 2022. Until October 2022, the procurement framework was relying on the 2014 Public Procurement Act, which included significant loopholes. Although the 2014 Public Procurement Act recognizes open tender as the preferred procurement method, most public procurements are done using alternative methods. In 2015-16, only 10–13 percent of tenders over GMD 1 million were done using the open tender procurement method, suggesting a contradiction between stated policy and its implementation. The number of single-source and restricted tenders was high at around 37 percent and 28 percent, respectively, in 2016 (latest data available). Limited transparency, proliferation of single-source tenders, and lack of compliance with procurement regulations hamper effective service delivery and suggest a missed opportunity to maximize value for money by promoting competition. Procurement authorities in The Gambia include 203 procuring organizations embedded in spending agencies, which are responsible for conducting public procurement, and the Complaints Review Board, a seven-member autonomous body responsible for promoting fairness in public procurement by managing complaints. However, there is no evidence to suggest the effective operationalization

of the Complaints Review Board. After thorough discussions, a new procurement act was adopted by Parliament in October 2022, paving the way for a strengthened procurement system.[21]

Proposed Reforms

38. The proposed reforms will lay the regulatory foundation for a profound change in The Gambia' procurement system. The new procurement act was adopted by Parliament in October 2022, making it possible to strengthen the procurement system. The 2022 Procurement Act seeks to address weaknesses in the 2014Public Procurement Act by: (i) enhancing the governance framework and providing a transparent, efficient, and economic procurement system; (ii) preventing corruption and fraudulent practices; and (iii) ensuring an accountable public procurement system that promotes social and economic capacity. It also introduced provisions on new concepts like e-procurement and sustainable procurement to improve the country's adaptation and resilience to climate shocks. The proposed regulations (PA #4) will enable the implementation of the 2022 Procurement Act while clearly defining the roles of all stakeholders, improving transparency and oversight mechanisms, establishing emergency and single-source procurement rules, laying the foundation for sustainable procurement, and integrating sustainable procurement requirements.[22] With the new procurement framework, The Gambia will have to update all bidding documents and reporting forms. The program will also support the adoption of the regulatory framework for e-procurement, with the main goal of tackling opportunities for corruption and inefficiencies in the system (IT #4).

Expected Results

39. The proposed reforms are expected to improve the efficiency of the procurement system. The regulations will enable a profound change in The Gambia's procurement system by defining and introducing the key principles that will govern all public procurement processes. With the proposed reforms, the use of single-source contracts is expected to decline, with the share of procurement tenders by value that are single sourced expected to decline from 27 percent in 2022 to 15 percent in 2026.

Improving the governance, performance, and oversight of SOEs

***Prior Action #5**: To improve governance, performance and oversight of SOEs, the Recipient has enacted the State-Owned Enterprises Act No.5 of 2023 establishing a framework to monitor and provide oversight of SOEs primary and performance objectives and mandating the publication of the audited annual financial statements of SOEs.*

Context and Rationale

40. SOEs in The Gambia have been plagued with a lack of transparency and accountability, a weak oversight and governance framework, and low returns, among other challenges. Underperforming SOEs have been a concern for the government since the 1980s, which has resulted in several reform attempts.[23] The GoG has been diverting SOE revenues and constraining some SOEs to deliver public services at below cost. Large SOEs have been particularly affected, including NAWEC, Gambia Telecommunication Company, Gambia Telecommunication Cellular Company, and the Gambia Ports Authority. Most SOEs have to some extent been affected by the accompanying breakdown in financial discipline and

[21] The improvements included: (i) making the GPPA no longer responsible for prior review during procedures – avoiding a conflict of interest with its audit responsibility; (ii) limiting the use of direct contracts (removing authorizations from government officials to not apply the Act, etc.); (iii) adopting e-procurement, with an e-portal to provide all procurement information and the mandatory use of e-procurement once the platform is operational; and (iv) clarifying provisions regarding fraud and corruption, the sanctions applicable for civil servants and private operators, and the need to adopt accountability measures within procuring entities.

[22] The implementation of the regulations is supported by Gambia Fiscal Management Development Project (P166695) through: (i) the preparation and revision of a set of standard procurement (bidding) documents consistent with the new act and regulations; (ii) the development of an e-procurement strategy and roadmap and an assessment of the technical requirements for the e-GP platform; and (iii) technical assistance to develop the public procurement institutional framework with a capacity building program for the certification and accreditation in collaboration with the Chartered Institute of Procurement & Supply United Kingdom. Sustainable procurement integrates environment and social criteria and performance factors into procurement process and sourcing decisions.

[23] Repeated attempts at reforming SOEs and measures to improve SOE performance have yielded results below expectations over the past decades. These measures included initiatives in the Economic Recovery Program of the 1980s, the Program for Sustained Development of the early 1990s, and the Enhanced Structural Adjustment Facility of the 1990s. During the early 2000s, The Gambia Divestiture Agency made progress in improving SOE oversight, monitoring, and evaluation, but its ambitious privatization plan was not achieved, and the agency was closed in 2009.

weaknesses in their governance structures. Building on the NDP 2018–22 objectives of improving good governance and accountability and stabilizing the economy, the GoG launched an ambitious reform agenda for SOEs in 2018 aimed at reducing the direct and implicit burden of SOEs on public finances and related fiscal risks. With support from development partners, the authorities have launched a series of measures to improve SOEs' operational and financial management and governance to reduce their fiscal burden and risks.[24] Despite these efforts, major challenges remain to achieve sound and financially sustainable SOEs. Recent audits of the country's main SOEs revealed several issues, ranging from insolvency, weak accounting systems, and overstatement of assets to conflicting commercial and socioeconomic objectives, corporate governance issues, and executive interference.[25]

Proposed Reforms

41. The new SOEs Act aims to improve competitive neutrality and enhance the governance, performance, and oversight of SOEs (PA #5). By ensuring sufficient monitoring and oversight of SOE activities, the SOEs Act includes provisions for establishing oversight and monitoring mechanisms, including: (i) monitoring and overseeing SOEs and ensuring their efficiency and profitability, independence, and ability to provide quality service delivery; (ii) receiving annual reports and accounts of SOEs and providing recommendations to the cabinet on the performance of SOEs; (iii) assisting in the vetting of applications of candidates for appointment as members of SOEs' boards of directors; and (iv) assessing projects carried out by SOEs and confirming the judicious use of funds. The new governance and oversight framework will require a newly established oversight authority to produce and publish an annual performance report of all SOEs, publish the appointment of members to SOEs' board of directors in the local newspaper, and publish the names of the chief executive officer or chief financial officer of SOEs who fail to comply with sound financial management rules. To improve transparency, the SOEs Act will (i) require SOEs to publish a summary report showing actual performance against targets set out in its statement of corporate intent, and (ii) set out mechanisms to hold both SOEs and their officers accountable for non-compliance with the provisions of the Act. The program will support the implementation of the SOEs Act through the adoption of the regulations establishing the quarterly performance monitoring framework with performance objectives to foster competitive neutrality, such as separating commercial and non-commercial activities of SOEs, achieving commercial rates of return, mandating the publication of the audited annual financial statements for all SOEs, and reporting all SOE debt and contingent liabilities (IT #5).

Expected Results

42. The proposed reforms are expected to address SOEs' lack of transparency and accountability, weak oversight and governance framework, and subpar performance. The adoption of the SOEs Act and associated implementing regulations will help establish an effective and functioning centralized SOE oversight function to exercise the state's ownership rights and avoid fragmentation of powers and responsibilities. As a result of these reforms, the number of performance audit reports of SOEs prepared by the National Audit Office, discussed with the Public Enterprises Committee of the National Assembly, and ultimately published is expected to increase from 0 in 2022 to at least 5 in 2026.

Boosting domestic revenue mobilization

Prior Action #6*: To boost tax revenue collection, the Recipient has: (i) issued the Petroleum (Marking and Quality Control Regulations, 2023 and the Excise Stamps Regulations, 2023, and (ii) issued a circular standardizing border clearance procedure and establishing a new risk management system at all border and in-land control posts.*

Context and Rationale

43. Domestic revenue remains low and is insufficient to meet the country's infrastructure and social needs. In 2017–2022, The Gambia's tax revenue-to-GDP ratio averaged 10.4 percent, lower than the lower-income country and

[24] These measures included the liberalization of NAWEC's fuel supply, a halt on government guarantees to SOEs (unless in full compliance with the provisions of the Public Finance Act), the development of a time-bound strategy for clearing verified arrears, the restructuration of 75 percent of NAWEC's debt, and the signing of performance contracts with the three majors SOEs.

[25] World Bank. 2022. The Gambia Integrated State-Owned Enterprises Framework (iSOEF) Assessment.

the Economic Community of West African States average of 18.2 percent of GDP. The country's low revenue performance is due to weak core tax administrative systems, lack of data-driven approaches, and a high level of informality, which significantly constrains the tax base. The Gambia faces a large tax gap averaging 6 percent of GDP, which represents a potential to increase tax revenue collection to adequately finance the country's immense development needs. Low tax revenue collection reduces the country's ability to absorb shocks and limits its capacity to finance ambitious multi-year public investment plans and invest in education, health, and social protection to support human capital accumulation and reinvigorate social service delivery. Ambitious reforms have been undertaken to digitalize customs, with the migration toward the Automated System for Customs Data (ASYCUDA World) to handle all transactions. Despite this progress, transactions at border and in-land control posts remain highly vulnerable to fraudulent activities due to the lack of a coherent risk management system and the high level of transactions left at the discretion of customs officers, which affect the capacity to collect tax revenues on international trade.

Proposed Reforms

44. The proposed program will support The Gambia in addressing longstanding challenges in the administration of taxes on excisable goods and fuel products while strengthening risk management in customs revenue collection (PA #6). The proposed reforms aim to reduce smuggling, close potential loopholes, prevent corruption, and minimize revenue losses by supporting the issuance of regulations on an electronic tax stamp traceability system related to excisable goods and petroleum products. They are expected to help: (i) safeguard GoG revenue by deterring counterfeiting and protect consumers by enabling the authentication of tax stamps using mobile phones; (ii) create a tax compliance mechanism covering all traders to enhance fair competition; and (iii) enable the tracking and tracing of goods from the production line and customs entry point to the final point of sale. Moreover, the proposed DPF operation will support trade facilitation and boost tax revenue collection by creating standardized border clearance procedures and establishing a new risk management system for all border and in-land control posts. This would enable the GoG to address longstanding challenges in customs and tax administration, including corruption, counterfeiting, and undervaluation of excisable goods. As follow-on steps, the program will support the issuance of a circular instructing the deployment of the excise tax stamp system in factories and for importers of excisable goods, as well as the adoption of regulations on an electronic tax traceability system for fuel products (IT #6).

Expected Results

45. The proposed reforms will help safeguard domestic revenue and help build fiscal space. Efforts to improve the risk management system for customs operations and the electronic tax stamp traceability system for excisable goods and petroleum products aim to enhance the transparency and efficiency of the tax and customs administration and improve revenue collection performance. The electronic tax stamp traceability system for excisable goods is expected to improve the integrity of revenue collection on excisable goods, reducing smuggling and corruption. 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 public reputation of the customs administration. The proposed reforms are expected to increase revenue collected at border and in-land control posts from 0.4 percent of GDP in 2022 to 1.2 percent in 2026, while excise duties on goods are expected to increase from 0.5 to 1.5 percent of GDP in the same period.

PILLAR 3: Strengthening climate and social resilience.

Strengthening social resilience

Prior Action #7*: To ensure a sustainable, adaptive, social protection system, the Recipient, has approved the National Social Protection Bill, establishing the institutional arrangements, mandate, scope and the principles for social assistance to the most vulnerable and submitted it to Parliament.*

Context and Rationale

46. Strengthening The Gambia's nascent social safety net system is paramount to building resilience in the

context of multiple shocks. Prudent macroeconomic management and steadfast implementation of key reforms over the years have allowed The Gambia to maintain an above regional average growth rate. Still, improvements in human and social outcomes have not met expectations, despite the GoG's stated ambitions following the major regime change in 2016 to improve the well-being of the population, especially the most vulnerable. The country's performance on the HCI means that children born today will only be 42 percent as productive as they could have been had they had access to full health and complete education. Importantly, significant gender gaps continue to persist, making women disproportionally vulnerable to external shocks. To strengthen social safety nets, The Gambia has adopted the National Social Protection Policy 2015–2025 and is developing a social registry—the Gambia Social Registry (GamSR).[26] Despite progress, social assistance schemes remain scant and are almost entirely financed by development partners. Moreover, the lack of a legal framework for the social protection sector hampers efforts to ensure its operability, adaptability, and sustainability.

47. Pre-existing gender gaps make Gambian women disproportionally vulnerable to climate shocks and limit their ability to mitigate negative impacts. In The Gambia, women are more likely than men to be illiterate (49 percent vs. 35 percent [WDI 2019]), limiting their ability to access knowledge on disaster preparedness and evacuation. They are also more likely than men to engage in vulnerable employment (81 percent vs. 67.2 percent of men [WDI 2021]) and work in climate-vulnerable sectors (e.g., agriculture), which means that they are less likely to have stable working conditions and more likely to lose their income or livelihood in the aftermath of a natural disaster.[27] Women's lower rates of landownership (8 percent vs. 30 percent for men [DHS 2019]) explains their lower adoption of climate smart agricultural practices, which in turn increases their vulnerability to climate shocks. Global evidence indicates that women experience an increase in domestic work after natural disasters and heightened risks of gender-based violence.[28] Finally, due to social norms and unequal distribution of resources within households, women are largely disadvantaged in their decision-making power, and they are more likely than men to adopt negative coping strategies following a shock (e.g., skipping meals).[29]

Proposed Reforms

48. The program supports laying the foundation of an adaptive social protection system. The proposed reforms consist of adopting: (a) the country's first-ever social protection bill to establish the institutional arrangements, mandate, scope and the principles for social assistance to the most vulnerable, including vulnerability to climate shocks (PA #7); and (b) the regulatory framework ensuring the operationalization of the GamSR (IT #7) and that it is used to target all social programming and emergency responses, including to climate shocks. The proposed reforms are also expected to improve the coverage of government cash assistance and benefits for women and female-headed households following a natural disaster or climate-related shock. Together, these reforms intend to establish a platform for improved coordination and reduced fragmentation among social programs, filling critical data gaps and ensuring the GoG has the necessary information to make informed decisions related to social sectors. With the legal backing of the Social Protection Act, the GamSR will serve as a key tool to increase the inclusion of poor and vulnerable households by determining their potential eligibility for social programs, including climate shocks, while enabling the coordination of social protection benefits.

Expected Results

49. The program is expected to significantly strengthen social resilience in the medium term. The proposed measures aim to improve access to social safety nets for the most vulnerable by offering adequate data to inform the planning and rollout of programs requiring the targeting of beneficiaries in key sectors such as social protection, health,

[26] The GamSR is a national social registry established to provide robust data on key household characteristics and serve as a common platform for eligibility determination for social programs. Initiated in 2020, data collection has been completed for 36 out of 43 districts, with data collection for 2 additional districts in urban areas currently underway. The GamSR is expected to cover all district by 2024.
[27] Erman, A, Tariverdi, M, Xiaomeng, M O, Rose, C, Vincent, C, Malgioglio, S, Rentschler, J, Hallegatte, S, and Yoshida, N. 2019. Wading Out the Storm the Role of Poverty in Exposure, Vulnerability and Resilience to Floods in Dar Es Salaam. World Bank: Washington, DC.
[28] World Bank. 2021. Gender Dimensions of Disaster Risk and Resilience. World Bank: Washington, DC.
[29] Escalante, L. E., & Maisonnave, H. (2022). Impacts of climate disasters on women and food security in Bolivia. Economic Modelling, 116, 106041.

education, and energy; ensure the sustainability of the GamSR by establishing its institutional anchor, mandate, and scope; define clear parameters for the operationalization and interoperability of the GamSR; and help The Gambia establish an adaptative social protection system, a critical step to address the increasingly common climate shocks such as flooding. As such, the number of beneficiaries of the government financed cash assistance program is expected to increase significantly from 600 in 2022 to 15,000 in 2026. Moreover, the share of women receiving government cash assistance after a climate disaster is expected to increase from 0 percent in 2022 to 14 percent in 2026. Focusing on improving the country's targeted social assistance schemes is crucial to address the social challenges of multiple shocks, including climate change, and build a social contract.

Strengthening adaptation and resilience to climate change

***Prior Action #8**: To streamline and strengthen disaster risk management (DRM) frameworks the Recipient has issued the National Disaster Management Prevention Regulations 2023 setting up the roles and responsibilities of stakeholders and coordination mechanisms in response to climate shocks, and detailing emergency prevention efforts at the community level and mandating women's representation in decision-making roles in local DRM committees.*

Context and Rationale

50. The Gambia is increasingly prone to coastal erosion, pluvial flooding, drought, and extreme heat. The country is subject to an observed and projected increase in rainfall variability and more frequent extreme weather events (floods and extreme heat). Climate shocks have both a direct impact (e.g., changes in agricultural output) and an indirect impact (e.g., changes in commodity prices, affecting household incomes and expenditures) on The Gambia.[30] In 2022, over 50,000 people—about 2 percent of the population—were affected by severe flooding,[31] with over US$80 million in estimated physical damages.[32] Global warming, along with the resulting rise in sea levels, is also a major risk for the country, especially in coastal areas, as it could: (i) exacerbate coastal erosion and increase the risk of submerging beaches that are critical to tourism; (ii) increase salt intrusion into mangroves and aquifers; (iii) increase the frequency of windstorms and extreme precipitation events; and (iv) negatively affect infrastructure throughout the Greater Banjul Area. There has been considerable degradation of beachfronts on the west coast, and beach widths in many locations have been reduced from 150 to just 16 meters, at a retreat rate of 1-2 meters per year. Erosion rates are projected to accelerate further with sea level rise. With more than half of the country's 2 million inhabitants living in urban areas and 80 percent of the urban population living within 20 km of the Atlantic coast, expected sea level rise is a major risk. Social and economic factors also increase vulnerability to disaster and climate-related events. Underlying risk drivers include the effects of poverty and inequality, climate change and variability, unplanned and rapid urbanization, poor land management practices, weak institutional arrangements, non-risk informed policies, lack of regulations and incentives for private disaster risk reduction investment, complex supply chains, limited availability of technology, unsustainable use of natural resources, declining ecosystems, and epidemics.

51. Gambian women are at a disadvantage in society because they lack economic and social decision-making power, resulting in their interests and needs not being adequately considered. They are severely constrained in expressing their voice in the household: 47 percent of women aged 15–49 do not participate in any major decisions in the household (DHS 2019). Moreover, women in The Gambia occupy only 8.6 percent of seats in Parliament, significantly below the SSA average of 24.9 percent in 2020. Traditional gender roles and social norms can partially explain the absence of women from decision-making bodies and weak support for their leadership. The limited leadership and participation of women in decision-making roles results in low gender responsiveness in DRM policies and a failure to account for gender-specific needs, concerns, and interests across sectors.

Proposed Reforms

[30] Climate shocks also have an impact on poverty through rising food prices—which disproportionately affect the poor, many of whom depend on agriculture for their livelihoods and whose share of food expenditures is larger than that of non-poor households—heightening food insecurity.

[31] Government of The Gambia. 2022. *The Gambia Floods: Rapid Needs Assessment Report and Response Recommendations 2022*.

[32] World Bank Group. 2022. *The Gambia: Greater Banjul Areas Flood Risk Remote Assessment.*

52. A DRM policy, along with related regulations, is urgently needed to better address climate hazards (PA #8). The challenges that faced the authorities' response to the July 2022 flooding highlighted the need to urgently develop DRM regulations that better address current and future expected climate-related events. The regulations should outline the roles and responsibilities of the NDMA, along with other agencies involved in emergency preparedness and response and set up coordination mechanisms. Moreover, the regulations should also (i) detail emergency prevention efforts at the community level and programs to increase the public awareness of emergency preparedness and climate resilience, and (ii) introduce a quota of at least 25 percent of women appointed to the executive body of disaster risk reduction committees to ensure women's roles, responsibilities, needs, interests, and capacities are considered in disaster risk reduction efforts. The proposed reform aims to support the GoG's efforts to mainstream hazard risk reduction in national development planning. There is a fragmented approach in handling natural disasters and weak ex-ante measures, both in PFM and disaster risk financing. The regulations on disaster risk financing (IT #8) should identify specific principles and a systematic approach to enable the authorities to: (a) minimize interruptions in development projects due to budgetary reallocation for emergency response efforts; (b) develop cost-effective and accessible financing mechanisms to create fiscal space in the short term for prioritized institutions and sectors; and (c) reduce the impact of natural disasters on households and businesses, specifically focusing on developing innovative disaster risk financing instruments to protect development gains and businesses in key sectors (e.g., agriculture and fisheries).

Expected Results

53. The proposed measures are expected to significantly strengthen The Gambia's adaptation, mitigation, and resilience to climate change. The new framework programs implemented by the NDMA will focus not only on emergency preparedness and response but also on risk mitigation and prevention. The new regulations will enable a more comprehensive approach to DRM, with the aim to improve coordination between key stakeholders (both ex-ante and ex-post a disaster). The proposed program will be aligned with ongoing climate resilience programs to ensure resources are optimized, are utilized equitably, and reach the most vulnerable. The new DRM regulatory framework 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; (iii) access risk information; and (iv) prepare gender-inclusive frameworks, plans, and strategies to ensure that women and men can adequately address their challenges in a timely manner during a crisis. The new DRM framework will be critical for decision-makers to better manage the potential economic impact of disasters on people and businesses. Under the proposed reforms, the number of people covered by the national financial protection mechanism is expected to double from 158,000 in 2022 to 350,000 in 2026. By addressing gender gaps in decision-making on DRM prevention and response, the program is set to increase the share of women appointed to the executive body of local disaster response committees from 0 percent in 2022 to 25 percent in 2026.

4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS, AND THE WORLD BANK STRATEGY

54. The DPF series is aligned with the priorities of the Country Partnership Framework (CPF) and the SCD. The World Bank CPF for FY2022–2026[33] reflects the priorities identified in the SCD 2020[34] and the Risk and Resilience Assessment 2017.[35] Selected pillars supported by the DPF series are aligned with SCD and CPF priorities, including achieving macroeconomic and fiscal stability, implementing SOE reforms, increasing access to sustainable energy, increasing support to poor and vulnerable households, and enhancing urban and coastal resilience and sustainability. The interventions under Pillar 1 are aligned with the CPF's second focus areas 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. Interventions under the DPF's Pillar 2 are aligned with the CPF's first focus area aimed at strengthening the transparency, accountability, and effectiveness of governance, thus supporting government efforts to ensure strong governance and macroeconomic performance, which is essential to macroeconomic and fiscal

[33] Report No. 154485-GM.
[34] Report No. 148128-GM.
[35] Report No: 117432-GM.

sustainability and sustained economic growth. Reforms under Pillar 3 support the CPF's third focus area and the selectivity filter on building climate resilience. The proposed reforms are also aligned with the Next Generation Africa Climate Business Plan supporting Sustainable Development Goal #7 and complements the SDFP's PPAs on fiscal sustainability by making customs revenue collection more efficient.

55. Several investment projects directly complement this operation and provide financial and institutional capacity building support in mutually reinforcing areas to ensure the sustainability of the reform agenda. Reforms related to the agriculture sector, supported by the BRUPP DPF series, complement activities financed under the Gambia Inclusive and Resilient Agricultural Value Chain (GIRAV) project (P173070), which aims to support the development of inclusive, resilient, and competitive agricultural value chains focusing on smallholder farmers and agribusinesses. Institutional reforms linked to adaption and resilience to climate change also support measures under the West Africa Coastal Areas Resilience Investment Project 2 (P175525). Moreover, there is strong synergy between reforms supported by the BRUPP DPF series to enable renewable energy penetration and private sector participation in the energy sector and the Gambia Electricity Restoration and Modernization Project Additional Financing (P173161). Similarly, the Gambia Fiscal Management Development Project (P166695) and the Public Administration Modernization Project for Citizen Centric Service Delivery (P176924) accompany reforms related to SOEs, public procurement, and the tax administration. Finally, the Western Africa Regional Digital Integration Project SOP1 (P176932) includes reforms to improve financial inclusion and digital financial services. All these projects are expected to provide technical assistance to support the implementation of the reform program.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

56. The proposed reforms have benefited from wide consultations within and between the government, the development partner community, civil society organizations (CSOs), and the private sector. During the preparation of this DPF series, there were consultations on climate change, social protection, and gender reforms across ministries (Agriculture, Environment, Land, Gender and Social Affairs, Primary Education, Higher Education), CSOs, and the NDMA. These discussions helped identify binding constraints and prioritize key reforms that have been part of the government's agenda but not fully implemented, including DRM reforms, procurement regulations, and the Social Protection Act. There were also wide-ranging consultations on unlocking the productive potential with key stakeholders within the government, CSOs, and the private sector, and there were extensive consultations on access to affordable financial services with the CBG and relevant stakeholders during the preparation of the FSAP and this DPF series. Moreover, there were consultations held as part of the GIRAV project to identify reforms that are in line with the government's priorities and ensure buy-in on the reform agenda. Finally, there were wide-ranging consultations with key stakeholders within the government (Directorate of SOEs, GPPA, and the Ministry of Finance and Economic Affairs), CSOs, and selected SOEs on Pillar 2. These discussions helped identify binding constraints and prioritize key reforms such as the SOEs bill, the regulations for the 2022 Procurement Act, and customs regulation for the tax stamp traceability system on excisable goods. The most recent Gambia Country Opinion Survey (FY2018) suggests that stakeholders have a positive view of the World Bank alignment with The Gambia's development priorities.

57. The proposed reforms have also been coordinated with other development partners. The reform program complements those supported by other development partners, including the French Development Agency, African Development Bank, United Nations Development Programme, and the European Union in areas such as energy and agriculture, social protection, public finance management, and adaptation and resilience to climate change. The program has also benefited from a close relationship with the IMF during the preparation of this DPF series, ensuring alignment between the World Bank and IMF on: (i) the macroeconomic framework underpinning it; (ii) the assessment of debt sustainability; (iii) the financing gaps that are due to recent shocks; and (iv) PFM and revenue mobilization reforms.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

58. The proposed policy reforms are expected to support long-term economic growth and positively impact poverty reduction, household living standards, social inclusion, gender equality, and climate and social resilience. The operation is unlikely to have significant adverse social effects. Mitigating mechanisms are in place thanks to supporting investment projects as well as technical assistance, when needed. This section presents a summary of the social impact assessment, and a detailed quantitative analysis is included in the Poverty and Social Impacts Assessment annex.

59. The PAs under Pillar 1, seeking to unlock the productive potential of The Gambia, are expected to have a positive impact on non-monetary welfare measures as well as to increase the income generation capacity of households. Beyond increasing access to electricity, the adoption of rules and regulations (PA #1) could lead to improvements in the quality and reliability of electricity services—which remains lower in The Gambia than in its peers. The adoption of regulations related to groundnuts (PA #2) is expected to strengthen the marketability of peanut products and create incentives for private sector investment in the groundnut value chain—the major source of livelihood for most poor households. The exports of groundnuts are hampered by the presence of aflatoxin, which prevents access to European markets where returns are higher. The proposed reform is expected to benefit poor households that depend on agricultural export markets. The promotion of electronic payment services (PA #3) is expected to increase access to financial services, which will especially benefit poorer households. While 33 percent of people aged 15 and above had a financial account in 2022, only 3.7 percent had a mobile account (4.3 and 3.3 percent of men and women, respectively). The promotion of electronic payment services is expected to improve entrepreneurs' digital presence and access to formal credit, which in turn could lead to higher profitability, employment, and labor incomes.

60. Reforms supported under Pillar 2 aimed at strengthening procurement, economic governance of SOEs and domestic revenue mobilization are expected to have positive poverty and social impacts over the medium to long term. Proposed reforms aim 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 (PA #4) and improving the performance, governance, and oversight of SOEs (PA #5) are expected to have an indirect positive effect on well-being by increasing transparency, generating savings, improving SOEs' service delivery and investor confidence, and reducing fiscal risks. Similarly, PA #6 is expected to mobilize domestic revenue and reduce corruption at the border. These PAs are expected to have positive poverty and social impacts in the medium to long term by creating fiscal space for priority social spending and enabling a better business environment and higher investment through enhanced transparency, potentially leading to better job opportunities. Increased fiscal space would complement the government's ongoing domestic resource mobilization efforts to finance infrastructural projects such as improving electricity access, road networks, and markets, which in turn would support efforts to strengthen the social contract and ensure a resilient and inclusive recovery.

61. A stronger social safety net and the creation of DRM framework are expected to increase the country's resilience and have a large positive long-term impact on well-being by improving the government's response and support to communities during a disaster. In The Gambia, poor households are 80 percent more likely than the average household to report experiencing weather-related shocks—which have increased in both frequency and severity. Most of these poor households have a low capacity to cope with and/or mitigate the impact of adverse events, exposing them to the risk of sliding back or falling deeper into poverty. In addition, women are particularly vulnerable to weather-related shocks due to pre-existing gender inequalities that often prevent them from accessing basic services, participating in quality employment, and owning and controlling land and assets. The adoption of the social protection bill and DRM regulations is expected to help mitigate the impacts of a natural disaster by clarifying the roles and responsibilities of line ministries in targeting support following a declaration of a natural disaster, potentially saving lives and providing timely and effective relief to the worst-affected households. Gender-specific measures under PA #7 and PA #8 will help to efficiently close some of the gender gaps and promote women's long-term resilience to external shocks.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

62. Several reforms supported by the proposed operation are expected to have long-term positive environmental effects. The reforms are not expected to have any significant negative impact on the environment, forests, and other natural resources. By supporting the adoption of regulations facilitating green mini grids, establishing a DRM framework, and strengthening adaptive social protection, the program is likely to improve the capacity to formulate and implement environmental policies and manage climate and disaster risks. All PAs supported by the operation are policy-oriented and do not directly finance environmentally impactful investments. Reforms designed to boost domestic revenue collection, procurement, and SOEs are environmentally neutral.

63. The Gambia has sound and comprehensive national environmental legislation to promote measures supported by this operation that increase sustainability and resilience. At the institutional level, the Ministry of Environment, Climate Change and Natural Resources remains the standard-bearer of environmental management policies and strategies and ensures that planned or ongoing programs and projects are carried out in accordance with current legislative and regulatory provisions. The legal framework for environmental management is anchored on the National Environment Management Act (NEMA) 1987, which provides the legal basis for the correct use and viable management of the environment to establish a sustainable development system in The Gambia. NEMA includes a provision to request an environmental and social assessment of investment projects before their implementation. Under NEMA, every Gambian has the right to take legal action through the Attorney General's Chamber to protect the environment. The National Environment Agency (NEA) is the principal body responsible for the management of the environment and coordinates all environment-related activities of the government. It also coordinates the Gambia Environmental Action Plan, which contains a national environment policy framework, environmental legislation, and an environmental strategy. While NEA is institutionally sound and adequately staffed, it lacks an adequate enforcement structure to help implement reforms and is therefore in need of support. Ongoing World Bank projects and technical assistance intends to strengthen NEA's capacity to manage environmental and social risks and impacts related to reforms supported under this DPF series.

5.3. PFM, DISBURSEMENT, AND AUDITING ASPECTS

64. The overall integrated fiduciary risk to this operation related to The Gambia's PFM is substantial. The rating is based on an assessment of the status of the country's PFM system and the CBG's safeguard framework, accounting systems, and auditing arrangements. Other shortcomings in PFM includes the lack of credible budget formulation, poor investment planning and management, and weaknesses in accounting, reporting, and auditing. The government's unreported extra-budgetary financing of SOEs greatly compromises budget credibility and reduces fiscal transparency. There are also concerns about the accuracy of information, which may not always be highlighted in the financial reports, but this does not fundamentally undermine their basic usefulness. While internal control rules are complied with in most transactions, extra budgetary expenditures and numerous single source contracts are still persistent areas of concern. Likewise, while internal audit systems and processes have been put in place, their limited capacity prevents them from being effective and adding value to overall PFM.

65. In line with international best practices, The Gambia has accelerated reforms that have helped to improve its PFM. The government's PFM strategy (2021–25) seeks to improve PFM through the strategic allocation of resources, aggregate fiscal discipline, and efficient service delivery. The 2022 Country Policy and Institutional Assessment, documents progress made regarding budgeting, accounting, financial reporting, and external audits, and several efforts to improve budgetary links with its policy priorities. The government has recently formulated the RF-NDP 2023–2027 as a successor to the elapsed RF-NDP 2018–2022. A medium-term economic and fiscal framework for 2023–2026 has also been introduced to strengthen the link between planning and budgeting practices and support the development of program-based budgeting. Like in previous years, the 2023 budget has been published and accessible to the public. To improve budget execution, the authorities have rolled out an integrated financial management information system to all local government authorities. Moreover, in-year fiscal reporting is prepared quarterly and issued within 8 weeks of the quarter's

end. Consolidated government financial statements are prepared annually, but delays persist in their production and preparation, and the annual audit reports released to the National Assembly include adequate but not complete information on revenue, expenditure, and financial assets/liabilities. The GoG intends to continue to strengthen multiple areas of public financial and budgetary management by having a new PFM bill approved by the Cabinet and adopting the SOEs Act (PA #5), both of which, along with ongoing technical assistance from the World Bank, IMF, and other development partners, are expected to mitigate the fiduciary risks to the development objectives of this operation.

66. Foreign exchange control environment. The CBG's foreign exchange control environment is adequate. Appropriate mitigation measures have been implemented to mitigate the risk related to foreign exchange shortage. The IMF carried out an on-site safeguard's assessment of the CBG in 2020. While the authorities still need to strengthen the oversight and capacity of the CBG's safeguards framework, progress has been made such as the recent adoption of amendments to the legal framework, the implementation of changes to modernize the internal audit function, and improvements in financial reporting. Most of the previous assessment's recommendations have been implemented, and the number of departures in the CBG's financial statements from International Financial Reporting Standards have decreased. Internal audits are also being aligned with international practices, with external auditors having expressed an unqualified opinion on the 2022 consolidated financial statements.

67. Disbursement Arrangements. Once the financing becomes effective and the Recipient complies with the withdrawal tranches release conditions,[36] the proceeds will be deposited by IDA into MOFEA's account at the CBG, which will form part of the country's foreign exchange reserves. The Recipient shall ensure that upon depositing the credit into the said account, an equivalent amount in local currency is credited to the Recipient's budget management system in a manner acceptable to IDA. The Recipient will report to IDA on the amounts deposited in the foreign currency account and credited in local currency to the budget management system within 30 days of deposit. The equivalent amount in Dalasi reported in the budget system will be based on the market rate at the date of the transfer. The grant proceeds will not be used to finance expenditures excluded under the Financing Agreement. If the grant proceeds are used for excluded expenditures, as defined in the Financing Agreement, IDA will require the Recipient to refund an amount equal to the said payment to IDA. Amounts refunded to IDA upon such a request shall be canceled. The disbursement of the CAT-DDO component will be triggered by the achievement of the condition specified in the Financing Agreement. If a natural disaster or public health emergency occur, MOFEA may submit a withdrawal application requesting the World Bank to deposit the proceeds of the grant into an account that forms part of the country's official foreign exchange reserves held at the CBG and acceptable to the World Bank. Disbursements will follow standard IDA procedures for DPF operations. Further information on the drawdown triggers, financial features, drawdown period, and renewals is detailed in the financing and loan agreements. The GoG will ensure that upon receipt of the grant proceeds, an equivalent amount will be credited in the GoG's budget management system to finance budgeted expenditures.

5.4. MONITORING, EVALUATION, AND ACCOUNTABILITY

68. MOFEA leads the effort to coordinate the overall implementation of the DPF operation. It is the main government counterpart for monitoring program implementation. MOFEA has experience and is conversant with World Bank policies and procedures through project lending and technical assistance operations. Under BRUPP DPF1, MOFEA formed an inter-ministerial DPF committee to ensure the required coordination of the reform program, and this committee includes relevant stakeholders from MOFEA and other ministries pertaining to all three pillars of the operation. The World Bank and the government have agreed to a review process that includes quarterly review meetings, additional meetings on special subjects as needed, a mid-year progress review, individual sector reviews, and a joint donor-government review mission.

69. Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as PAs or tranche release conditions under a World Bank DPF operation may submit complaints

[36] IDA is satisfied with the program being carried out by the Recipient and the adequacy of the macroeconomic policy framework.

to the responsible country authorities, appropriate local/national grievance mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Project-affected communities and individuals may submit their complaint to the World Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention and its management has been given an opportunity to respond. For information on how to submit complaints to the GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank's AM, please visit https://accountability.worldbank.org.

6. SUMMARY OF RISKS AND MITIGATION

70. The overall risk associated with this operation is substantial. After considering mitigation factors, macroeconomic, sector strategies and policies, institutional capacity for implementation and sustainability, fiduciary, and other risks are deemed substantial. Nevertheless, technical design and stakeholder risks are moderate, as the reforms supported by the BRUPP DPF series reflect government priorities and are closely aligned with sectoral strategies. Moreover, environmental and social risks are low due to the positive impacts of reforms supported by the program and the existing institutional framework, which is reinforced by ongoing World Bank projects and technical assistance. Political and governance risks are also moderate, as presidential and parliamentary elections held in 2021 and 2022 gave the GoG a clear mandate to enact reforms.

71. Macroeconomic risks are assessed as substantial and could be aggravated by persistent global uncertainties and tightening financial conditions. The Gambia has made headway on fiscal and economic reforms but overlapping crises have dampened the short-term economic outlook and debt reduction efforts. As a result, the implementation of critical reforms to reduce fiscal risks, improve debt management and transparency, and strengthen public investment management has been slower than expected, as the government has mainly focused on crisis response efforts. With persistent macroeconomic imbalances, high debt levels, and a heavy reliance on donor support, the government is facing spending pressures to support vulnerable households facing high energy and food prices and agricultural input costs. Mitigating factors include the government's good record of macroeconomic management, with the completion of a 39 month ECF arrangement (2020–2023) in June 2023 and ongoing negotiations for a new ECF program, its commitment to fiscal and debt sustainability under the World Bank DPF series and the IDA SDFP's PPAs, and the implementation of critical reforms, such as the Procurement and SOEs Acts, and the new PFM bill.

72. Risks related to sector strategies and policies and institutional capacity are assessed as substantial. As a low-capacity country with a highly centralized governance structure, The Gambia faces major risks in implementing World Bank-supported programs, especially in a context of global and regional uncertainties, which put strain on public resources. Challenges related to weak institutional capacity, slow bureaucratic processes, and coordination issues within the government, as well as decision-making bottlenecks, have been amplified as the GoG has focused on managing its crisis response and diverted its attention from the implementation of sector strategies and policies. Moreover, several reforms supported by the program are a part of the GoG's relatively new reform agenda. For instance, diversifying the energy mix, implementing new procurement and SOE regulations, adopting the Social Protection Act and DRM regulations, and operationalizing the GamSR will require strong cross-sectoral engagement and coordination capacity. Since the democratic transition in 2017, the GoG has taken important steps toward rebuilding institutions and human resource capacity following decades of mismanagement. The authorities' policy efforts, the gradual internalization of the inter-institutional and multi sectoral approach led by MOEFA, and ongoing institutional reforms supported by development partners help to mitigate these risks.

Table 4. Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	
Overall	Substantial

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions and Triggers		Results		
Prior Actions under DPF 1	**Triggers for DPF 2**	**Indicator Name**	**Baseline (2022)**	**Target (2026)**
Pillar 1 – Unlocking the productive potential				
Prior Action #1. *To facilitate private sector in the energy sector and facilitate renewable energy penetration, the Recipient has issued the Gambia Green Mini-Grid Regulations, 2023 setting out rules and conditions for concession agreements, community contracts, generation and distribution licenses for green mini grids.*	**(Indicative) Trigger # 1**. *To facilitate private sector participation in the energy sector and facilitate renewable energy penetration, the Recipient has (i) published the Feed-in-Tariff Rules and Net Metering Guidelines, and (ii) adopted a grid code detailing connection rules for On-Grid facilities, including renewables energy.*	**Results Indicator #1**: Grid connected renewable energy in the electricity mix (percent)	0	10
Prior Action #2. *To revitalize commercial agriculture and food safety, the Recipient has issued the Groundnuts and Groundnut Products Regulations 2023, establishing rules and enforcement mechanisms for the maximum limits of aflatoxin levels, including the roles of food business operators in complying with the safety standards.*	**(Indicative) Trigger # 2**. *To revitalize commercial agriculture and food safety, the Recipient has issued the regulations on maize and rice value chains, establishing rules and enforcement mechanisms for the maximum limits of aflatoxin levels, including the roles of food business operators in complying with the safety standards.*	**Results Indicator #2**: Exports to destinations enforcing aflatoxin levels complying with the regulations (percent)	0	75
Prior Action #3. *To increase access to affordable financial services, the Recipient has issued the Provision of Retail Payment Services Regulations, 2023, to include the full scope of electronic payment services, as well as more innovative payment instruments.*	**(Indicative) Trigger #3**. *To promote the safety and integrity of the National Payments System the Recipient has updated the 2016 Payment Systems Act, to adjust it to best international practice, expand definitions and membership on payment system infrastructures, define the competences of the Central Bank, and introduce new concepts.*	**Results Indicator #3**: Active customers of mobile money services (number)	112,153	300,000
Pillar 2 – Strengthening procurement, economic governance of SOEs and domestic revenue mobilization				
Prior Action #4. *To enhance the efficiency of public procurement, the Recipient, has issued the Gambia Public Procurement Regulations, 2023, defining the roles of all stakeholders, establishing transparency and oversight mechanisms, and clearly defining emergency and single source rules.*	**(Indicative) Trigger # 4**. *To enhance the efficiency of public procurement, the Recipient has issued the regulations establishing the legal framework and rules for e-procurement.*	**Results Indicator #4**: Procurement tenders by value that are single sourced (percent)	27	15
Prior Action #5. *To improve governance, performance and oversight of SOEs, the Recipient has enacted the State-Owned Enterprises Act No.5 of 2023 establishing a framework to monitor and provide oversight of SOEs primary and performance objectives and mandating the publication of the audited annual financial statements of SOEs.*	**(Indicative) Trigger #5**. *To improve governance, performance and oversight of SOEs, the Recipient has issued the implementation regulations of the SOE Act establishing a performance monitoring framework.*	**Results Indicator #5**: Performance audit reports of SOEs prepared by the National Audit Office and published on the website of the MoFEA (number)	0	5

Prior actions and Triggers		Results		
Prior action #6. *To boost tax revenue collection, the Recipient has (i) issued the Petroleum (Marking and Quality Control Regulations, 2023 and the Excise Stamps Regulations, 2023, and (ii) issued a circular standardizing border clearance procedure and establishing a new risk management system at all border and in-land control posts.*	(Indicative) Trigger #6 *To facilitate trade and boost tax revenue collection, the Recipient has issued an administrative circular instructing the deployment of the excise tax stamp system in factories and for importers of excisable goods*	**Results Indicator #6.1**: Excise duties on goods (percent of GDP) **Results Indicator #6.2**: Revenue collected at border and in-land control posts (percent of GDP)	0.5 0.4	1.5 1.2
Pillar 3 – Strengthening climate and social resilience				
Prior Action #7. *To ensure a sustainable, adaptive, social protection system, the Recipient, has approved the National Social Protection Bill, establishing the institutional arrangements, mandate, scope and the principles for social assistance to the most vulnerable and submitted it to Parliament.*	**(Indicative) Trigger # 7**. *To ensure a sustainable, adaptive, social protection system, the Recipient has issued a regulations establishing the Gambia Social Registry (GamSR), including its scope, program coverage, and targeting, and mandating its use for targeting all social programming and emergency responses, including climate shocks.*	**Results Indicator #7.1**: Beneficiaries of government cash assistance program to the most vulnerable (number) **Results Indicator 7.2.** Women who receive government cash assistance after a disaster or climate shock (percent)	600 0	15,000 14
Prior Action #8. *To streamline and strengthen disaster risk management (DRM) frameworks the Recipient has issued the National Disaster Management Prevention Regulations 2023 setting up the roles and responsibilities of stakeholders and coordination mechanisms in response to climate shocks, and detailing emergency prevention efforts at the community level and mandating women's representation in decision-making roles in local DRM committees.*	**(Indicative) Trigger #8**. *To strengthen financial resilience for improved disaster risk management, the Recipient has issued the Disaster Risk Financing Regulations, providing a framework for using multiple instruments and programs to respond to a natural disaster.*	**Results Indicator #8.1**: People covered through national financial protection mechanism (number) **Results Indicator 8.2**: Women appointed in the executive body of local disaster risk reduction committees (percent)	158,000 0	350,000 25

RESULTS INDICATORS BY PILLAR

Baseline	Closing Period
Unlocking the productive potential	
Result Indicator 1. Grid connected renewable energy in the electricity mix (percent) (Percentage)	
Dec/2022	Dec/2026
0	10
Result Indicator 2. Exports to destinations enforcing aflatoxin levels complying with the regulations (percent) (Percentage)	
Dec/2022	Dec/2026
0	75
Result Indicator 3. Active customers of mobile money services (number) (Number)	
Dec/2022	Dec/2026
112153	300000
Strengthening economic governance of SOEs and revenue collection	
Result Indicator 4. Procurement tenders by value that are single sourced (percent) (Percentage)	
Dec/2022	Dec/2026
27	15
Result Indicator 5. Performance audit reports of state-owned enterprises prepared by the National Audit Office and published on the website of the Ministry of Finance and Economic Affairs (number) (Number)	
Dec/2022	Dec/2026
0	5
Result Indicator 6.1.Excise duties on goods (% of GDP) (Percentage)	
Dec/2022	Dec/2026
0.5	1.5
Result Indicator 6.2. Revenue collected Border and in-land control posts (percent of GDP) (Percentage)	
Dec/2022	Dec/2026
0.4	1.2
Strengthening climate and social resilience	
Result Indicator 7.1. Beneficiaries of government cash assistance program to the most vulnerable (number) (Number)	
Dec/2022	Dec/2026
600	15000
Result Indicator 7.2. Women receiving government cash assistance after a disaster or climate shock (percent) (Percentage)	
Dec/2022	Dec/2026
0	14
Result Indicator 8.1. People covered by the national financial protection mechanism (number) (Number)	

Dec/2022	Dec/2026
158000	350000
Result Indicator 8.2. People covered by the national financial protection mechanism (number) (Percentage)	
Dec/2022	Dec/2026
0	25

ANNEX 2: IMF RELATIONS ANNEX

PRESS RELEASE

PR23/206

IMF Executive Board Completes the Sixth and Final Review under the Extended Credit Facility Arrangement for The Gambia and Approves US$ 6.66 Million Disbursement

FOR IMMEDIATE RELEASE

- *The IMF Executive Board decision allows for an immediate disbursement of about US$ 6.66 million to the Gambia to help meet the country's financing needs, address the repercussions of the war in Ukraine, and support the post-pandemic recovery.*
- *The exogenous shocks continue to weigh on the country's socio-economic environment, impeding vigorous economic activity. Inflation pressures persist.*
- *The Gambian authorities are taking measures to address the exogenous shocks and remain committed to strong policies and reforms.*

Washington, DC – June 12, 2022: Today, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review under The Gambia's Extended Credit Facility (ECF) arrangement. The completion of the review enables the disbursement of SDR 5 million (about US$ 6.66 million) to help meet the country's balance-of-payments and fiscal financing needs amid challenges, related primarily to the war in Ukraine and the lingering impacts of the pandemic. This disbursement brings the total disbursements under the ECF arrangement to SDR 70.55 million (about US$ 94 million).

In completing the sixth review, the Executive Board also approved the authorities' request for a waiver for nonobservance of the continuous performance criterion on the accumulation of new external payment arrears by the central government, based on corrective actions taken by the authorities.

The ECF arrangement for the Gambia was approved by the IMF's Executive Board on March 23, 2020, with an initial total access of SDR 35 million (or 56.3 percent of quota). Access under the ECF arrangement was augmented twice, at the completion of the first ECF review in January 2021 and at the completion of the fifth ECF review in December 2022. The Gambia has also benefited from an IMF Rapid Credit Facility of SDR 15.55 million and received debt service relief from the IMF under the Catastrophe Containment and Relief Trust, totaling SDR 7.9 million.

The repercussions of the war in Ukraine and the lingering impacts of the COVID-19 pandemic are weighing on The Gambia's socio-economic environment. Inflation pressures persist and are intensifying. The Gambian authorities are taking measures to address the exogenous shocks and remain committed to strong policies and reforms. The severe foreign exchange shortages that the country experienced in late 2022 have somewhat eased.

Following the Executive Board discussion, Mr. Bo Li, Deputy Managing Director and Acting Chair, made the following statement:

"The Gambia's performance under the economic program supported by the Extended Credit Facility (ECF) has been broadly satisfactory despite challenges related to the war in Ukraine, the lingering impacts of the COVID-19 pandemic, a major flooding, and trade disruptions. These shocks have constrained economic activity and intensified inflationary pressures and are weighing on the country's socio-economic environment.

"Despite pressures, fiscal policy remains appropriately anchored on the approved 2023 budget. Given high debt vulnerabilities, efforts should continue to bolster domestic revenue mobilization and prioritize investment projects. In anticipation of the expiration of the debt rescheduling period and to keep public debt on a downward path, it will be paramount to strengthen fiscal and external buffers by containing domestic borrowing, focusing on grants and highly concessional loans, and implementing a strong medium-term fiscal framework. Strengthening social safety nets remains important.

"The Central Bank has appropriately tightened its monetary policy stance to help tame inflationary pressures. The foreign exchange pressures have eased following the high tourism season and the exchange rate movements. Going forward, the central bank is encouraged to make full use of its policy toolkit to fight inflation and to continue to ensure that the exchange rate reflects market forces. Deepening and strengthening the financial sector would also be important.

"The authorities made significant progress in their structural reform agenda, including in the areas of procurement and SOE institutional framework. They are encouraged to maintain this renewed reform momentum, including by preparing and enforcing the regulations of the newly approved laws, adopting the anti-corruption bill, implementing the recommendations from the recent IMF governance diagnostic mission, and improving financial inclusion and the business environment to support private sector-led growth and poverty reduction. The authorities' commitment to meet zero emission targets by 2050 is commendable

The Gambia: Selected Economic Indicators, 2021–2028

	2021	2022		2023		2024	2025	2026	2027	2028
	Prel.	Prog.	Prel.	Prog.	Proj.	Projections				
	(Percent change; unless otherwise indicated)									
National account and prices										
GDP at constant prices	4.3	4.5	4.4	6.0	5.6	6.3	5.8	5.0	5.0	5.0
GDP deflator	7.8	9.0	10.3	9.3	11.2	7.0	5.1	4.1	4.4	4.6
Consumer prices (average)	7.4	11.3	11.5	11.1	12.9	9.5	6.0	5.0	5.0	5.0
Consumer prices (end of period)	7.6	12.4	13.7	9.7	12.0	7.1	5.0	5.0	5.0	5.0
External sector										
Exports, f.o.b (US$ values)	6.2	-38.3	-38.6	151.1	151.2	27.4	6.9	5.7	5.7	5.8
Imports, f.o.b (US$ values)	6.9	26.2	22.9	18.3	21.4	10.1	6.1	3.4	5.4	4.7
Terms of trade (deterioration = -)	-7.5	-3.9	-2.2	-1.0	-1.2	-4.0	-1.8	-0.9	2.2	2.8
Real effective exchange rate (depreciation = -)	0.1	...	7.9	...	...	...	...	...	...	...
	(Contributions to broad money growth; percent)									
Money and credit										
Broad money	19.5	4.0	7.1	6.5	11.6	10.7	10.7	6.8	6.1	6.9
Net foreign assets	8.8	-10.7	-4.5	1.6	3.5	4.9	4.1	0.3	0.4	0.6
Net domestic assets	10.7	14.7	11.6	4.8	8.1	5.9	6.6	6.5	5.7	6.3
Of which:										
Credit to central government (net)	9.3	5.5	7.5	3.1	4.8	2.4	2.1	1.0	0.0	0.0
Credit to the private sector (net)	3.1	6.0	3.8	1.7	3.3	3.5	4.5	5.5	5.7	6.3
Velocity (GDP/broad money)	1.7	1.8	1.8	2.0	1.9	2.0	2.0	2.0	2.1	2.1
	(Percent of GDP; unless otherwise indicated)									
Central government finances										
Domestic revenue (taxes and other revenues)	14.3	11.9	12.0	12.5	12.1	12.7	13.5	14.1	14.5	14.8
Of which: Tax Revenue	10.3	9.3	9.2	9.8	9.5	10.0	10.7	11.2	11.6	11.9
Grants	2.5	5.9	5.6	6.6	6.7	6.1	6.3	5.4	5.1	4.8
Total expenditures	21.4	22.7	22.5	21.7	21.6	20.8	20.7	20.0	20.1	20.0
Of which: Interest (percent of government revenue)	21.2	21.4	18.0	16.9	17.6	24.0	18.8	15.3	12.5	11.0
Net lending (+)/borrowing (–)	-4.6	-4.8	-4.9	-2.7	-2.7	-2.0	-0.9	-0.5	-0.6	-0.4
Fiscal financing	4.7	4.8	4.8	2.7	2.7	2.0	0.9	0.5	0.6	0.4
Foreign	0.5	1.1	1.6	1.2	1.3	0.9	0.0	0.0	0.6	0.4
Domestic	4.2	3.8	3.2	1.5	1.4	1.1	0.9	0.5	0.0	0.0
Primary balance	-1.6	-2.3	-2.7	-0.6	-0.6	1.0	1.6	1.7	1.2	1.2
Public debt	83.5	80.8	83.9	75.4	72.8	69.0	64.0	59.8	55.6	51.7
Domestic public debt	35.1	32.4	32.2	29.5	27.3	27.0	25.3	23.6	21.6	19.7
External public debt	48.4	48.4	51.8	45.9	45.5	42.0	38.8	36.2	34.0	32.0
External public debt (millions of US$)	965.9	1003.7	1029.3	1038.2	1,032.2	1,052.1	1,047.1	1,036.3	1,036.3	1,039.0
External current account balance										
Excluding official transfers	-0.5	-16.8	-7.9	-14.6	-14.0	-11.0	-10.8	-9.3	-8.7	-8.1
Including official transfers	-0.1	-14.7	-6.0	-12.6	-11.9	-8.9	-9.5	-8.6	-8.0	-7.5
Gross official reserves (millions of US$)	530.4	424.6	454.7	416.4	471.5	469.7	466.3	452.9	453.5	458.1
(months of next year's imports of goods and services)	7.1	4.8	5.1	4.4	4.9	4.6	4.4	4.0	3.8	3.6
Savings and investment										
Gross investment	22.1	22.2	23.4	22.5	22.9	22.1	23.1	23.1	23.8	24.1
Of which: Central government	6.2	8.9	8.4	9.0	9.1	8.2	8.7	8.2	8.4	8.3
Gross savings	22.1	7.5	17.4	9.9	11.0	13.2	13.6	14.5	15.8	16.5
Memorandum items:										
Nominal GDP (billions of dalasi)	104.9	119.5	120.9	138.5	142.0	161.5	179.6	196.3	215.3	236.4
GDP per capita (US$)	816.4	845.2	830.8	881.7	870.1	932.7	977.2	1,006.5	1,039.6	1,075.4
Use of Fund resources (millions of SDRs)										
Disbursements	35.0	26.4	26.4	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Of which: ECF Augmentation	20.0	...	15.6	...	...	...	...	...	...	...
Repayments	-3.7	-2.0	-2.0	-4.1	-4.1	-3.9	-5.2	-9.5	-14.0	-16.8
CCRT debt relief[1]	4.0	0.8	0.8	...	...	...	...	...	...	...
PV of overall debt-to-GDP ratio	70.8	67.9	69.8	63.3	60.4	57.6	53.7	49.6	45.3	41.1

Sources: The Gambian authorities; and IMF staff estimates and projections.
[1] The grant for debt service falling due through April 13, 2022 is available under the CCRT.

ANNEX 3: LETTER OF DEVELOPMENT POLICY

REPUBLIC OF THE GAMBIA
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
THE QUADRANGLE, BANJUL
THE GAMBIA

MF/C/1351 (SKMK) 12th October 2023

Ajay BANGA
President
World Bank Group
Washington, D.C.
United States of America

GAMBIA FIRST BOOSTING RESILIENCE AND UNLOCKING PRODUCTIVE POTENTIAL DPF WITH CAT DDO
LETTER OF DEVELOPMENT POLICY

1. On behalf of the Government of The Gambia, I would like to express my appreciation for a timely support to our country to mitigate the impacts of the COVID-19 pandemic and the impacts of the ongoing war in Ukraine. At the outset, let me acknowledge the unprecedented level of goodwill brought about by the Board approval of the second World Bank Fiscal Management, Energy and Telecom Reform Development Policy Financing (DPF) in June 2022 and the second DPF Supplemental Financing in December 2022. This support helped preserve gains in reforms and in socio-economic development registered to date and build back better especially in post-COVID-19 pandemic recovery.

2. This Letter of Development Policy (LDP) describes: (i) the state of The Gambia's economy; (ii) the set of policies and actions that the Government of The Gambia is pursuing to stimulate the economy while ensuring that debt and public finance remain on a sustainable path; and (iii) the set of reforms supported by this DPF from the World Bank which has the objective of unlocking The Gambia's productive potential, strengthening macro-fiscal stability and governance as well as strengthening adaptation and resilience to climate change. These reforms are reflected in our Green Recovery Focused National Development Plan (GRF-NDP) 2023-2027. As we work to strengthen the foundation for sustainable economic growth and macroeconomic stability, the Gambia intends to continue to rely on the technical and financial support from its development partners, including the World Bank. This will allow the advancement of country's reform agenda and make progress towards meeting the socio-economic expectations of the Gambian people.

RECENT ECONOMIC DEVELOPMENTS AND THE MEDIUM OUTLOOK

3. The Gambia, like the rest of the world, faced significant challenges that threatened to slowdown the gradual recovery from the COVID-19 pandemic. The headwinds include the lingering effects of the COVID-19 pandemic, the spillover effects of the Russia-Ukraine War, and the growing impacts of climate change and adverse weather events. The combination of these multiple and overlapping exogenous shocks led to disruptions in global supply chains, high volatility in global financial markets, tightening of global financial conditions, increasing cost of capital and debt servicing, and high inflationary pressures fueled by rising food and energy prices.

4. The COVID-19 pandemic has had significant negative social, economic and financial impact on the Gambian economy. In the peak of the pandemic in 2020, economic growth decelerated sharply to 0.6% triggered by total business closure, and disruption in tourisms, trade, and other essential services. The tourism sector registered a decline in the number of tourist arrivals by 62% in 2020 (from its height in 2019 of 235,785) and an estimated US$110 million of forgone revenues to hotels, in addition to income and job losses for more than 200,000 Gambians directly and indirectly dependent on tourisms and allied sectors for their livelihood. This impact is worse than that experienced during the Ebola outbreak in 2014-2015 and reversed long periods of progress in the sector. The disruption in tourism and trade also shaved-off fiscal revenues in excess of US$54 million (equivalent to 2.7% of GDP).

5. Strong recovery in 2021 from the devastating impact of COVID-19 was disrupted by Russia's invasion of Ukraine in 2022. The Gambia's economy started to come back strongly in 2021, growing by 5.3% supported by modest return of tourism, sustained investment, both public and private, and a continuing strong performance for fisheries. Growth decelerated to 4.9% in 2022 due to the adverse effects of the war in Ukraine. Although, this growth rate is lower than the country's pre-pandemic level of 6.2 percent in 2019, it is stronger than the world average of 3.4 percent (as reported in the IMF's January 2023 World Economic Outlook) and surpassed regional performance of 3.6 percent in West Africa (as reported in the AfDB's 2023 Africa's Macroeconomic Performance and Outlook).

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Compared with regional countries, the Gambia's growth in 2022 was the second highest in West Africa, after Niger, underscoring the country's resilience despite the extraordinary challenges in navigating this difficult environment. These achievements were registered partly thanks to supports provided by the World Bank and other development partners towards the achievement of the Gambia's development priorities as enshrined in the country's development blueprint, the National Development Plan, NDP, 2018-2022.

6. **Inflation has reached decades-high levels, driven by global commodity price shocks.** Tighter global financial conditions and strong domestic demand combined with high food and energy prices fueled by the Russia-Ukraine War also added to strengthening of inflationary pressures in the country. Yearly inflation averaged 11.6 percent in 2022, reaching double digits for the first time in almost three decades and far above the CBG's medium-term target of 5 percent. Both food and nonfood inflation were high, averaging 14.5 percent and 8.6 percent, respectively. Headline inflation continued its upward trend in 2023, peaking at 18.4 percent (year-on-year) in July 2023, while food and non-food inflation reached 24.8 percent and 11.1 percent, respectively, in the same period. The increase in non-food inflation is primarily driven by the increase in utility tariffs, which are expected to continue exerting inflationary pressure on goods and services. Monetary policy in this context was geared toward tackling inflationary pressures, with the CBG further increasing its policy rate from 10 percent in May 2022 to 17 percent in August 2023.

7. **Beyond macroeconomic risks, the Russia-Ukraine War resulted to welfare losses and exacerbated the rise in COVID-19–induced extreme poverty**. The incidence of poverty increased drastically, reaching 53.8% in 2022, from 48.3% pre-pandemic and Russia-Ukraine War. Poorer households were the most vulnerable to higher food and energy prices, losing on average about 1.2 percent of real income per capita due to rising food prices and 0.9 percent due to increased energy costs. In addition, climate change and extreme weather events such as droughts, floods, and irregular rainfall have substantial impacts on socioeconomic outcomes and aggravate the poverty situation in the Gambia. This makes social protection programs essential to guard decades of gains made in the fight against extreme poverty in the Gambia. These social protection programs are also needed to improve the lives of all Africans, Gambians included, as enshrined in the African Development Banks's High-5 Agenda. The Government will continue to provide targeted support to vulnerable households nationwide. Though noble and beneficial, such an endeavour has fiscal cost that pushes the budget over and above the Government's resource envelope.

8. **The external position deteriorated due to global commodity market shocks.** The current account deficit widened from 8 percent of GDP in 2021 to 14.7 percent of GDP in 2022, due to rising import bills, slow recovery in tourism as the repercussions of the war in Ukraine led to high cost of living in partner countries and lower remittances as high inflation and economic slowdown in advanced economies affected the migrants' revenues. Official remittances recorded by the central bank (comprising both current transfers and investments) declined by 4.5 percentage points (ppts) to 34.2 percent of GDP in 2022. Moreover, tighter global financial conditions in response to multi-decade highs in global inflation rate is adversely affecting the Gambia's macroeconomic fundamentals, generating foreign exchange shortages, weighing on forex reserves, and exerting pressure on the Gambian Dalasi (GMD). Net financial inflows to the capital and financial accounts almost halved from 16.1 percent of GDP in 2021 to 8.4 percent of GDP in 2022.

9. **Fiscal policy management and consolidation efforts were even more difficult due to the harsh macroeconomic environment**. In 2022, the fiscal position deteriorated due to lower domestic revenue collection compared to increasing spending needs. Total revenue increased marginally by 0.4 ppts to 18.9 percent of GDP in 2022, driven by an increase in grants, which overcompensated the decrease in domestic revenue, driven by both tax and non-tax revenues. Tax revenue collection was constraint by increased subsidies (averaged 2.46 percent of GDP in 2022) implemented to lessen the impact of high global energy, agriculture inputs, and food prices – requiring substantial subsidies in fuel products, food and agriculture inputs to support vulnerable groups. On the expenditure side, total spending increased by 0.3 ppts to 24.5 percent of GDP in 2022 mainly driven by rising spending needs – especially in social and infrastructure investments. This has led to persistently worsening fiscal positions, with the fiscal deficit remaining high at 5.6 percent of GDP in 2022 from 5.7 percent in 2021. The debt-to-GDP ratio remained almost unchanged at 83.9 percent of GDP in 2022, from 83.8 percent of GDP in 2021. Sovereign debt levels remained at high risk of debt distress and continues to pose a challenge. The monetary policy tightening is likely to further exacerbate debt vulnerabilities, as debt service costs could escalate.

10. **In the 2023 budget, the fiscal deficit is estimated at 3.0% of GDP that is underpinned by rising spending needs in social sectors and very uncertain**

recovery path due to rising impact of the Russia-Ukraine War. The 2023 budget was prepared under very difficult circumstances – with increasing needs for social spending, infrastructure and worrisome debt levels. Therefore, the World Bank Budget Support at this point will be crucial to alleviate the socio-economic burden posed by the lingering effects of the COVID-19 pandemic, the spillover effects of the Russia-Ukraine War, tightening of global financial conditions and the growing impacts of climate change and adverse weather events. This support will enable the Government of The Gambia to continue deliver quality services, sustain economic growth and enhance shared prosperity for all Gambians. This financing, coupled with support from other development partners will allow us to further mitigate the negative impact of these multiple and overlapping crises and hence avoid the reversal of gains registered on both social protection programs and to main fiscal consolidation efforts.

11. The pursuit of sound economic policies underpins The Gambia's medium term macroeconomic outlook. Economic growth is projected to reach 4.8 percent in 2023 and average 5.4 percent in 2024-2025, as private consumption resumes with easing inflation, private investment increases supported by robust remittances, and public infrastructure projects are implemented. The services sector is expected to sustain growth driven by gradual recovery in tourism. Inflation is projected to decline steadily to the Central Bank of The Gambia's medium-term target of 5 percent by 2026 or earlier.

12. The import coverage of gross official reserves is expected to remain high premised on continued strong inflows of foreign exchange and budget support. Based on continued grant support from key international partners, we project gross official reserves to not fall below 4.5 months of next year's imports through 2023-2024. This reserve cover will help meet external debt service needs, which are expected to rise in 2–5 years as the debt service deferrals end. The Gambia is also exposed to a variety of shocks which call for the maintenance of a strong foreign exchange buffer.

13. Fiscal consolidation in the medium-term will ensure debt sustainability while protecting critical social and infrastructure needs. The 2023 budget aims to use the available fiscal space to stimulate economic recovery without compromising debt sustainability. The budget places greater emphasis on better revenue administration and improved collection process through the electronic payment gateway. We are rationalizing tax exemptions and duty waivers, which has already started yielding

positive results. Over the medium term, we aim to improve the primary balance to 1 percent of GDP by 2026. This fiscal profile features a gradual increase in domestic revenue, supported by growing taxable activity and strengthened revenue administration, and improved expenditure prioritization and public financial management, which will help contain the growth in spending on goods and services and transfers to subvented agencies, reduce subsidies to SOEs as they strengthen corporate governance and improve their balance sheets. The gains from these consolidation measures will be used to finance our flagship social initiatives, build buffers to accommodate fiscal shocks, and expand domestically financed capital expenditure without undermining debt sustainability.

14. We are mindful of the risks to the outlook. External risks stem from the depth and duration of the war in Ukraine, which will affect the path of economic growth in advanced economies and tourist flows to our country. Furthermore, given its fragile ecosystem, The Gambia is particularly exposed to the risks associated with climate change, which are already evident in the erratic rain pattern affecting agriculture. Domestic risks include increased volatility of the political situation and implementation challenges in the course of difficult reforms, which could affect fiscal discipline. However, there are upside risks stemming from the implementation of several strategic projects in energy and infrastructure and a potential discovery of economically viable oil reserves.

15. The Gambia has made significant progress under the IMF Extended Credit Facility (ECF) arrangement, which has helped consolidate gains. Strong performance under the IMF Staff Monitored Program paved the way for the three-year ECF approval in late March 2020. As highlighted in the sixth and final review, the program performance has been satisfactory. A new ECF is under preparation.

16. We agree with the June 2023 Joint IMF-World Bank Debt Sustainability Analysis (DSA) results. The DSA showed that The Gambia's public debt remains sustainable despite a high risk of overall and external debt distress. We recognize that strong commitment to our fiscal objectives in 2023 and beyond will help rebalance our economy and further enhance fiscal and debt sustainability. In this regard, building on the early gains, we (i) will put public finances on a sustainable path consistent with debt sustainability, as outlined in the 2023 budget, while raising additional revenue and allowing adequate spending on urgent infrastructure and poverty-reducing initiatives;

(ii) strengthen debt management through better project selection and debt negotiation processes; and (iii) address the governance issues of public agencies and institutions to strengthen accountability, fiscal transparency, and oversight, while tackling corruption to ensure a sound business environment for private sector development.

17. We are subject to the IDA's Sustainable Development Finance Policy (SDFP) and we will be committed to three Performance and Policy Actions (PPAs) for FY24. Our country satisfactorily implemented PPAs agreed with the World Bank during the last 3 fiscal years. We are appreciative to the positive discussions between the government teams and the World Bank teams to agree on FY24 PPAs, which are now under the process of approval.

GOVERNMENT PROGRAM

18. In December 2022, The Gambia adopted the GRF-NDP 2023-2027 as the reference framework for government action. The GRF-NDP 2023-2027 builds on the implementation of the NDP 2018-2022, which was formulated just after a historic change that ushered in a democratic dispensation after over two decades of autocratic regime. The overarching goal of the GRF-NDP 2023-2027 is to "consolidate gains in democratic governance, accelerate green economic and social transformation and build resilience to shocks and crisis." This goal is underpinned by three strategic objectives and pillars.

19. Much needs to be done for the country to fully realize its growth potential. We remain cognizant that, despite The Gambia's significant development needs, not everything can be achieved at once. Therefore, in the context of the requested World Bank DPF program, we intend to concentrate on priorities that are particularly pressing in the near term as well as those which will help alleviate critical impediments to sustainable, private sector-led growth and investment. These are reflected in the DPF's pillars of unlocking productive potential, strengthening macro-fiscal stability and governance, and strengthening climate and social resilience.

UNLOCKING PRODUCTIVE POTENTIAL

20. The government is committed to upgrading the infrastructure quality to promote private sector led-growth. To support the private sector development, the government has made concerted efforts in improving roads, energy, telecommunication and connectivity infrastructure. To improve energy connectivity, substantial investments and reforms are being carried out to diversify the energy mix and improve renewable energy penetration, in line with the Gambia's Strategic Roadmap 2021-2040: transforming the Gambia's Electricity Sector adopted in June 2021. Diversification of the energy mix will not only improve access for Gambians but also reduce the country's vulnerability to price volatility given its high dependence on heavy fuel oil (HFO) for electricity generation. As part of this effort, the Government has issued in September 2023, a regulation facilitating the development of green mini grids to facilitate private sector participation in efforts to expand energy access, diversify the energy mix and improve renewable energy penetration, the Recipient (Prior Action 1).

21. The government pursues reforms aimed at enhancing the financial viability and service delivery by the energy utility (NAWEC). This was reflected by the recent increase in utility tariffs, the adoption of a new financial policy to establish a treasury function, a regulatory affairs function, and an investment appraisal function. The Gambia will continue to harness the potential of the regional market particularly leveraging the OMVG interconnection to access low-cost energy from neighboring countries and the broader West African Power Pool (WAPP) market. To fulfill the conditions to access these imports, NAWEC will sign the OMVG transmission service agreement (TSA) and explore various guarantee options before the final commissioning of the last segments of the OMVG lines on the 22nd November 2023. This will allow NAWEC to meet the effectiveness conditions of the power purchase agreement signed with Electricite de Guinee (EDG) in December 2019.

22. The government is committed to pursuing reforms undertaken to enhance competition and service delivery in the telecom sector, including the ongoing privatization of GAMTEL/GAMCEL. In 2018, with the support of the World Bank, the Government undertook an assessment of the ICT sector with a view to identifying options to improve sector performance and reduce its fiscal burden to the government. This work included preparation of a baseline assessment, identification, and evaluation of options for the reform of GAMTEL, GAMCEL and other government telecom investments. A transaction advisory services for restructuring of GAMCEL/GAMTEL was contracted, including advice on the market structuring, as well as legal, technical, and financial aspects of the restructuring transactions. So far, due diligence has been carried out on the

technical, operational, organizational, commercial, legal and regulatory aspects of GAMTEL and GAMCEL. A valuation and marketing testing report has been submitted and accepted by the Government. The assessment covered (i) the network operability, functionality and coverage, workforce, subscribers, service offerings, sales, and marketing capabilities, (ii) financial position and capital structure of GAMTEL and GAMCEL, (iii) the status of management and operation of the wholesale fiber network (ECOWAN and NBN) and, (iv) the existing legal, regulatory, and corporate environment for the transactions. A market testing report has been submitted, addressing both foreign and local investors' interest in the telecommunications sector in The Gambia. The privatization of GAMCEL is ongoing. The Government has requested IFC to provide transaction support for the GAMCEL privatization and IFC is evaluating the feasibility of an advisory engagement. To promote competition and private investment in the telecom sector, the second operation under this DPF program will consider supporting the adoption of a regulation operationalizing the infrastructure sharing for telecommunication purposes and facilitate the participation of the private sector into the management and/ or ownership of the Special Purpose Vehicle.

23. Boosting groundnut exports is a key objective of the Gambia's agenda to attain a modern, sustainable and market-oriented agriculture. The Gambia has a small and undiversified export base. The groundnut sub-sector was the main export product until recently, but its exports have been declining over the past years. Around 80 percent of Gambian's farm households are involved in the groundnut sector, which accounts for 60-80 percent of their income. The groundnut sub-sector currently accounts for 5.3 percent of GDP, down from 6 percent two decades ago, reflecting its declining productivity. The reason for the decline in groundnuts is the high level of aflatoxin, resulting in a ban on exports to European markets. The aflatoxin contaminates groundnuts mostly during the post-harvest management as a result of inadequate drying or poor storage conditions. The government is engaged in reforms to revitalize the sub-sector, as reflected in the creation of the former GGC-Gambia Groundnut Corporation, now renamed – the National Food Security Processing and Marketing Corporation (NFMSPMC). Adopting a clear strategy to eliminate aflatoxin is key priority for the country to revitalize Gambian groundnut sub-sector and increasing rural household incomes. As part of it, the government has issued in September 2023, a regulation groundnuts and groundnut products (Prior Action 2).

24. Accelerating access to financial services is a key priority for the Government of The Gambia to unlock productive potential. The lack of development of the financial sector and its inefficiency in intermediating resources is a key barrier for growth, inclusion and poverty alleviation. Facilitating access to finance is part of the GRF-NDP 2023-2027and includes several areas of priority interventions (improve financial literacy, promote business regulation, develop credit reporting systems, enhance financial infrastructures, improve innovation funding, enhance the sectors capacity to assist new businesses, develop capital markets, and develop a diaspora bond). In parallel, the Central Bank has developed a National Financial Inclusion Strategy as part of efforts to accelerate financial inclusion. The CBG is committed to having updated regulations to facilitate access to digital financial services and compensate for the lack of physical infrastructure which hampers the deployment of financial institutions in certain areas. As part of this objective, the Central Bank has issued in September 2023 an updated regulation for the Provision of Mobile Money Services to include the full scope of electronic payment services (Prior Action 3).

STRENGTHENING PROCUREMENT, ECONOMIC GOVERNANCE OF SOES, AND DOMESTIC RESOURCE MOBILIZATION

25. In a bid to free up fiscal space and bolster growth, the government is undertaking a series of PFM reforms. These reforms will address fiscal risks emanating from underperforming State-Owned Enterprises (SOEs), and weaknesses in public procurement processes; and increase the strategic focus on domestic resource mobilization efforts. To this end, the Government has recently legislated a new Gambia Public Procurement Act that seeks to address the weaknesses in public procurement and strengthen regulatory and oversight functions of the Procurement Authority. A further forward step includes the adoptions in September 2023, of regulations to enforce the GPPA Act *(Prior Action 4)*. On the SOE reform agenda, the government will continue to roll-out performance contracts to SOEs under the supervision of the newly established Directorate of SOEs. Of the 13 SOEs, 4 have signed performance contracts with MoFEA and the remaining 9 to follow by 2024. Similarly, in ensuring that legal, financial and operational governance framework of SOEs respond to the requirements of modern-day SOE functions, a new SOE Act has been promulgated (Prior Action 5). On domestic resource mobilization, the Ministry has recently created a Directorate of Revenue and Tax Policy to provide more strategic focus on policy design, formulation and analysis of

revenue and tax policies that build resilience in our revenue mobilization drive. To boost revenue collections, the authorities have issued in April 2023 regulations on electronic tax stamp traceability system on excisable goods and fuel products. They also issued a circular standardizing border clearance procedure and establishing a new risk management system at all Border and in-land control post (Prior Action 6).

26. Domestic revenue mobilization (DRM) reforms have been supported by the Gambia Fiscal Management and Development Project (FMDP). Ongoing reforms include the development of (i) the DRM strategy and, (ii) the tax expenditure policy. The DRM strategy will be a critical instrument in centralizing all aspects of domestic resource mobilization into one strategic document with a well-coordinated reform plan to enhance the monitoring and evaluation of a system-wide reform agenda that consolidates all the necessary policy, structural and administrative adjustments required to narrow the revenue gap and ensure a sustainable financing framework. The DRM strategy will anchor a well-articulated financing framework for the GRF-NDP 2023-2027. This framework would be underpinned by an Integrated National Financing Framework (INFF) pulling all the DRM stakeholders' planning processes into one single strategy. This will help strengthen and consolidate the gains of the reform, especially given the base erosion occasioned by the AfCFTA on international trade taxes. It will further help to finance the GRF-NDP 2023-2027 and the Sustainable Development Goals (SDGs). The tender for the consultant recruitment should be launched soon. In addition, The Gambia seeks to implement and effective tax expenditure management through a policy that seeks to maximize the impact and minimize the costs of tax expenditures. The tax expenditure policy will guide the management and administration of tax expenditure by mainstreaming the design and introduction of tax expenditures in the annual budget preparation process. It will enable the Government to understand the implications of individual tax expenditures, including the associated costs and benefits, and to design appropriate mitigation strategies for any economic distortions. Importantly, the policy will foster transparency in administering, accountability and reporting this form of Government spending by introducing the mandatory reporting of tax expenditures. The draft tax policy has been completed and is currently under review.

27. Complementary domestic revenue mobilizations efforts include a duty waiver policy, a review of tax compliance on government contracts and concessions, and a review of the Gambia Investment and Exports Promotion Agency (GIEPA) 2015. The

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duty waiver policy has been completed and will guide the Administration of duty waiver to mitigate the growing losses on revenue whilst mainstreaming tax compliance management on beneficiaries of duty waivers, thus bridging the tax compliance gap. A comprehensive review of tax compliance on government major contractors and concession holders was completed in August 2023. The review revealed two major areas for improvement including (i) tax compliance on the timely filing of tax returns and payments, and (ii) the over-generous tax concession in these contracts. In addressing this, all contractors have been engaged individually to sensitize them on the requirement for timely tax filing of returns, and a holistic approach has been adopted to ensure that all provisions at odds with the condition of the tax laws contractors/concessionaires are compelled to assess, file returns, and pay tax liabilities associated with concession contracts. A holistic review of the GIEPA Act 2015 has been done to bring the package of incentives in line with the Domestic Resource Mobilization objectives. The review has touched on fundamental provisions of the incentive package but also advises on strengthening the structural issues surrounding the Administration of Special Investment Certificates/Export Processing Zone Licenses.

STRENGTHENING SOCIAL AND CLIMATE RESILIENCE

28. Our goal is to reduce the social and economic impact of increased vulnerability to natural hazard and climate change. The Gambia's geographic profile increases its vulnerability to natural hazards and the impacts of climate change. The Gambia's coastal zone, consisting of 80 km of open ocean coast and 200 km sheltered coast, is prone to flooding and erosion. The Gambia River divides the country into two banks and tidally inundated swamps cover 20 percent of the country; as such, the Gambia River ecosystem is at risk of permanent flooding by a projected sea level rise of 1 meter. Flooding (river, rain, coastal), water scarcity/drought and high heat are estimated to lead to an annual loss of 1 percent of GDP. Recent flooding in July-August 2022 affected about 2 percent of the population, with estimated direct damage to building, contents and agriculture of US$80 million. These impacts will worsen with climate change, where climate models predict longer periods of no rainfall, which could lead to drought, and shorter periods of intense heavy rainfall, which could lead to floods.

29. The Gambia has engaged in reforms to achieve sustainable environmental and natural resources management, reduce disaster risk and minimize adverse effects

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of climate change. The Gambia has recently adopted its long-term climate-neutral development strategy, looking at mitigation and adaptation actions that could help the country reach net-zero emissions by 2050. The strategy focuses on the country's 5 key greenhouse gas emitting sectors: energy, agriculture, waste management, transport, land use, and forestry. The implementation of the strategy will strengthen adaptation, mitigation and resilience to climate change. As part of this objective, the Government has adopted, in September 2023, a Social Protection Bill to ensure a sustainable, adaptive, social protection system (Prior Action 7) and a Disaster Risk Management (DRM) regulation to strengthen DRM institutions, coordination frameworks, and partnerships and to improve disaster preparedness and response (Prior Action 8).

INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION OF THE PROGRAM

30. We are cognizant of the high expectations of the Gambian people for a higher standard of living and better quality of life. This alone justifies the very ambitious and difficult reforms to which we have committed. It also recognizes that the Government cannot achieve these objectives without the support of its development partners and understand that this will require the demonstration of strong political will to deliver results, which we are committed to doing. To facilitate the communication and coordination that will be needed to build and sustain support, we have established an Inter-ministerial DPF Committee under the stewardship of MOFEA. The Directorates of Aid Coordination, Economic Policy & Research, Loans & Debt Management, Public Private Partnership, State-Owned Enterprises and Public Finance Management under the MOFEA will also play a central role in the implementation and management of this DPF.

31. I look forward to continuing to build on our close engagement with the World Bank to further support policy implementation and guide medium-term reforms.
Please accept, the assurance of my highest consideration.

Honourable Seedy K.M. KEITA
Minister of Finance and Economic Affairs

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ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE AND PSIA

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Pillar 1: Unlocking the productive potential		
Prior action #1	Positive	Positive
Prior action #2	No impact	Positive in the medium to long-term
Prior action #3	No impact	Positive
Pillar 2: Strengthening governance and revenue collection		
Prior action #4	No impact	Neutral in the short-term, positive in the medium to long-term
Prior action #5	No impact	Neutral in the short-term, Positive in the medium to long-term
Prior action #6	No impact	Neutral in the short-term, Positive in the medium to long-term
Pillar 3: Strengthening climate and social resilience		
Prior action #7	No impact	Positive in the medium to long term when proposed reforms are implemented
Prior action #8	No impact	Positive in the medium to long-term

Detailed Poverty and Social Impact Assessment[37]

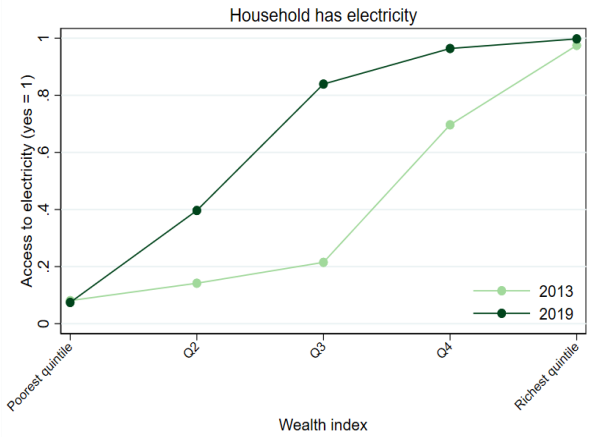
1. **This Poverty and Social Impact Assessment (PSIA) is developed according to World Bank guidelines and designed to provide an analysis of the potential poverty and social impacts of the policy actions outlined in the DPF.** The PSIA outlines the expected impacts from a gender-informed, social, and distributional perspective. The assessment is meant to analyze the policy actions with outcomes in the key objectives of this operation. Pursuant to the World Bank's policy on Development Policy Finance, this PSIA aims to: (a) identify whether the policies supported by the DPF are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups; (b) analyze relevant analytical knowledge of these effects and of the country's systems (including legal and institutional framework) for reducing significant adverse effects and enhancing positive effects associated with the policies being supported; and (c) identify the actions that government is undertaking or planning to undertake to address the identified gaps or shortcomings. Preliminary results of the PSIA indicate that this operation is not likely to have significant adverse social effects. A detailed assessment of each action is presented below.

[37] Pursuant to the World Bank's policy on Development Policy Finance, the PSIA aimed to: (a) identify whether the policies supported by the DPL are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups; (b) analyze relevant analytical knowledge of these effects and of the country's systems (including legal and institutional framework) for reducing significant adverse effects and enhancing positive effects associated with the policies being supported; and (c) identify the actions that the GoB is undertaking or planning to undertake to address the identified gaps and shortcomings.

Prior Action 1: *To facilitate private sector in the energy sector and facilitate renewable energy penetration, the Recipient has issued the Gambia Green Mini-Grid Regulations, 2023 setting out rules and conditions for concession agreements, community contracts, generation and distribution licenses for green mini grids.*

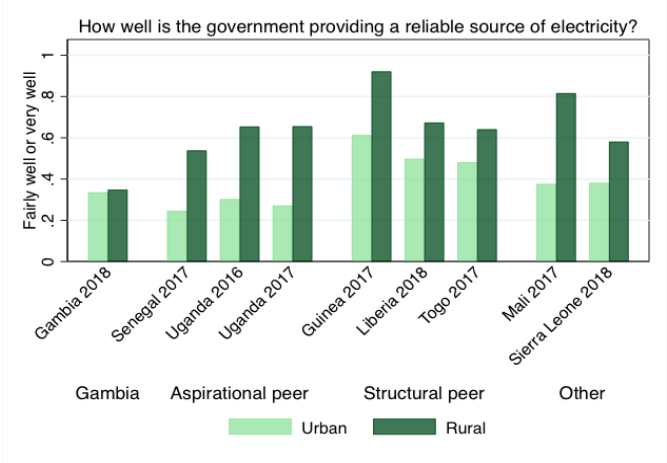
2. **Actions under Prior Action #1 promote higher access to electricity and are expected to have positive impacts in non-monetary welfare measures, as well as support the income generation capacity of households.** Access to infrastructure and effective consumption of electricity are key conditions for productive inclusion. 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 a protected water source and electricity in 2019, just 10 percent of the poorest households reported access to electricity (Figure A.). Meanwhile, access to electricity quadrupled for households in the middle quintile. However, it is worth noting that poorer households are substantially more likely to report receiving electricity from a solar source, while the richest are more likely to receive electricity from the grid. To the extent to which households' solar power is a small handheld unit for charging phones or batteries, then the overall access variable may be understating inequality in electricity access.

Figure A.1 Access to electricity



Source: DHS 2013 and 2019.

Figure A.2 Reliability of electricity



Source: Afrobarometer.

3. **Beyond increasing access to electricity, the regulations supported under this reform could lead to improvements in the quality and reliability of electricity services.** Rural households in The Gambia are less likely than their counterparts in peer countries to believe that the electricity supply is reliable (Figure A.). While urban areas are doing equally well as the average of peer countries, rural areas are doing decidedly worse. Rural households in the Gambia report the least satisfaction with the government in terms of electricity reliability compared to nine other countries in the region.

4. **Increasing electricity connections is expected to reduce multidimensional poverty.** Evidence from previous studies indicate that reforms to improve energy access are likely to improve household welfare through multiple channels[38]: (i) improved reliability of electricity support better health and education outcomes, and potentially have a positive impact on gender equality; (ii) better access to reliable electricity enables private sector growth and job creation through an improved business environment; (iii) improved financial viability allows for investments to

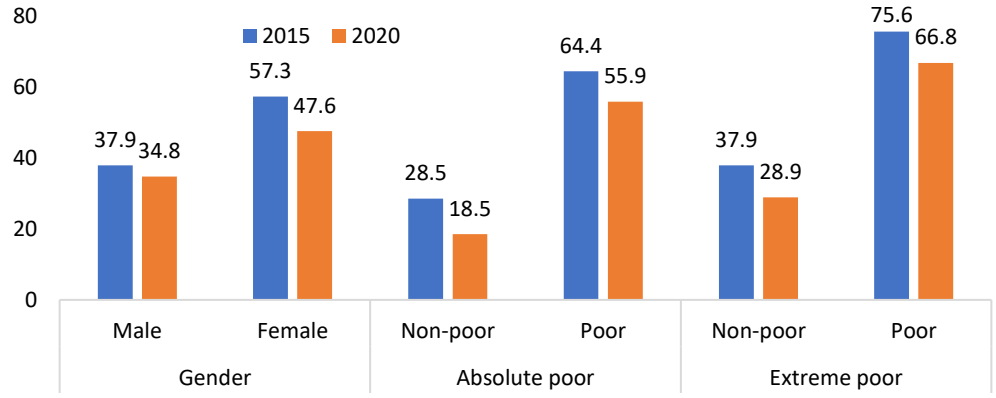
[38] See Blimpo et al (2018) Electricity access in Sub-Saharan Africa- Uptake, Reliability, and Complementary Factors for Economic Impact: https://openknowledge.worldbank.org/bitstream/handle/10986/31333/9781464813610.pdf?seq. Chapter 4 of the book examines the economic impact of (un)reliability of electricity through several channels.

expand access to electricity services in remote regions and among poor households; and (iv) better service provision strengthens the social contract between the government and its citizens.

Prior Action 2: *To revitalize commercial agriculture and food safety, the Recipient has issued the Groundnuts and Groundnut Products Regulations 2023, establishing rules and enforcement mechanisms for the maximum limits of aflatoxin levels, including the roles of food business operators in complying with the safety standards.*

5. **The agricultural sector remains the primary source of livelihood for 40 percent of working age Gambians as of 2020.**[39] The share of individuals who engage in agriculture as the primary occupation is significantly higher among poor households (Figure A.). Using the national poverty line, 64.4 percent of working age individuals in poor households consider agriculture their primary occupation compared to 28.5 percent of those from non-poor households. While this figure dropped for poor and non-poor households in 2020 to 55.9 and 18.5 percent, respectively, the gap has, rather, increased. The story is even more striking when we consider the national extreme poverty line. In 2020, 66.8 percent of the extreme poor engaged in agriculture as the primary occupation, which is more than twice higher than that of extreme non-poor at 28.9 percent.

Figure A.3 Profile of agricultural workers



Source: World Bank, 2023 based on IHS 2015, 2020.

6. **The regulations supported by Prior Action 2 are expected to benefit poor agricultural households that depend on agricultural export markets.** The reforms under this Prior Action are expected to strengthen the marketability of agricultural products and create incentives for private sector investment in agriculture. The agricultural value chain remains the major source of livelihood for most of the poor. Groundnuts, rice, and early millet remain the topmost crops in The Gambia. Export trade is heavily dependent on the capacity of The Gambia to meet high food safety standards. In Europe, the USA and other advanced markets, government food safety standards and verification requirements are high. Moreover, many of the companies involved in the global trade in food are large, branded retailers and manufacturers who have the financial means and incentives to impose their own strong purchase specifications for food safety.[40] To the extent that The Gambia has a long history of exporting raw agricultural commodities outside the continent, typically for further processing into specialty foods, it will need to improve its safety standards to continue to access international markets. Low adherence to food safety and quality standards undermines the marketability of agricultural produce affecting returns. More specifically, in the groundnut value chain, the presence of aflatoxin affects access to European markets where returns are higher[41]. Consequently, groundnut harvested can only be exported to lower income markets undermining farmers' income. Regulating food safety and

[39] Ibid.
[40] World Bank. 2022. Food Safety in Africa: Past Endeavors and Future Directions. © Washington, DC: World Bank. http://hdl.handle.net/10986/37438 License: CC BY 3.0 IGO.
[41] See recent article on the effect of aflatoxin on The Gambia's groundnut trade - https://allafrica.com/stories/202209050570.html

quality can enhance the production of agricultural produce which meets international market standards, thereby facilitating access to higher income markets and support income growth for poor agricultural households.

Prior Action 3: *To increase access to affordable financial services, the Recipient has issued the Provision of Retail Payment Services Regulations, 2023, to include the full scope of electronic payment services, as well as more innovative payment instruments.*

7. ***Prior Action 3*** **is expected to increase access to financial services, benefiting poorer households.** Supporting financial inclusion and the productive use of digital technologies such as mobile money, digital payments, and electronic commerce, can increase the delivery and affordability of financial services to populations not covered by the traditional financial system.[42] Enhanced access to mobile telecommunications can also improve individual welfare through better labor market outcomes, heightened financial inclusion, improved learning outcomes, and increased access to information.[43] Reforms such as the one described in Prior Action 3 that reduce barriers to financial inclusion are also critical to improving mobile internet uptake.

8. **The Gambia has one of the lowest penetrations of mobile money in Sub Saharan Africa.** The Gambia has a high penetration of mobile cellular subscriptions- 111% as of 2020- approximately 2.7 million subscribers over four Mobile Network Operators (MNOs). 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 (Figure A.). Up to 24 percent of individuals over age 15 report that they do not have a financial account because financial services were too expensive in 2022, while 19 percent report that they lack the necessary documentation (Findex, 2022). Therefore, the high penetration of mobile phone ownership can be leveraged to advance financial inclusion through mobile money. 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. Enhanced access to mobile telecommunications can also improve individual welfare through better labor market outcomes, heightened financial inclusion, improved learning outcomes, and increased access to information.[44]

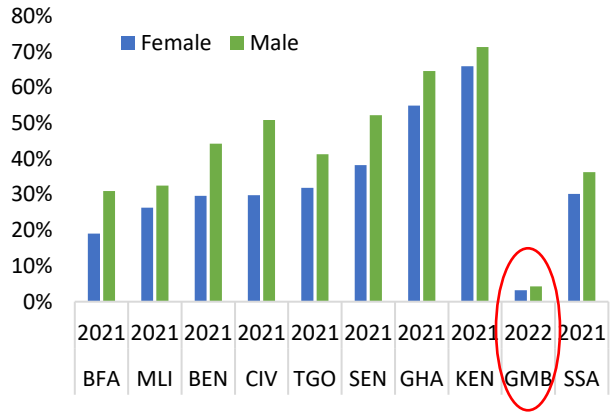
Figure A.4 Mobile money account ownership, The Gambia and regional LMICs

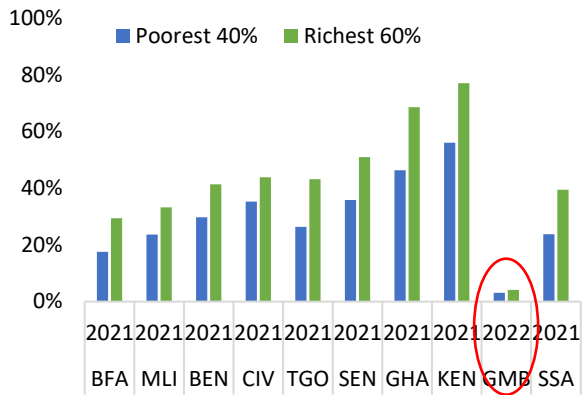
By Gender B. Top vs bottom of the distribution

[42] Cruz, M., M.A. Dutz, and C, Rodríguez-Castelán. 2022. *Digital Senegal for Inclusive Growth: Technological Transformation for Better and More Jobs.* International Development in Focus, Washington, DC: World Bank.
https://openknowledge.worldbank.org/handle/10986/36860 License: CC BY 3.0 IGO."

[43] Please see the following papers: Aker, J. C., and I. M. Mbiti. 2010. "Mobile Phones and Economic Development in Africa." *Journal of Economic Perspective* 24 (3): 207–32; Aker, J.C., C.K. Ksoll, and T.J. Lybbert. 2012. "Can Mobile Phones Improve Learning? Evidence from a Field Experiment in Niger." *American Economic Journal: Applied Economics* 4(4):94-120; Hasbi, M. & A. Dubus. 2020. "Determinants of mobile broadband use in developing economies: Evidence from Sub-Saharan Africa." *Telecommunications Policy* 44 (5): 101944; Granguillhome Ochoa, R., S. Lach, T. Masaki, and C. Rodríguez-Castelán. 2021. "Mobile Internet Adoption in West Africa." *Technology in Society* 68 (February): 101845.

[44] Please see the following papers: Aker, J. C., and I. M. Mbiti. 2010. "Mobile Phones and Economic Development in Africa." *Journal of Economic Perspective* 24 (3): 207–32; Aker, J.C., C.K. Ksoll, and T.J. Lybbert. 2012. "Can Mobile Phones Improve Learning? Evidence from a Field Experiment in Niger." *American Economic Journal: Applied Economics* 4(4):94-120; Hasbi, M. & A. Dubus. 2020. "Determinants of mobile broadband use in developing economies: Evidence from Sub-Saharan Africa." *Telecommunications Policy* 44 (5): 101944; Granguillhome Ochoa, R., S. Lach, T. Masaki, and C. Rodríguez-Castelán. 2021. "Mobile Internet Adoption in West Africa." *Technology in Society* 68 (February): 101845.





Source: FINDEX (2022).

9. **Greater access to electronic payment services could improve entrepreneur's digital presence and access to formal credit, which could lead to higher profitability, employment, and labor incomes.** The promotion of electronic payment services is expected to create incentives for businesses to invest in digital technologies to facilitate digital payments. During the COVID-19 pandemic, lockdowns and restrictions on mobility affected several businesses. Low penetration of digital wallets further resulted in large negative effects of the lockdowns on profitability. Higher adoption of electronic payment services is expected to support businesses reach a wider clientele and build resilience. The promotion of electronic payment services is also expected to support financial inclusion and improve access to credit, which could lead to higher profitability, employment, and labor incomes. Only 14 percent of rural dwellers had access to formal financial services compared to 26 percent of urban dwellers in 2019 (UNCDF survey, 2019). Moreover, merely 6.7 percent of all businesses received a loan/ credit during the past year. Among those who did, only one in four received it from a bank or financial institution. Instead, most Gambians rely on informal channels to access credit such as relatives and friends, rotating savings associations, or business partners. Informal channels play an important role in finance due to greater convenience and flexibility, but also due to physical distance and the lack of digital finance solutions (UNCDF, 2019). Women are at a substantial disadvantage. According to the 2019 UNCDF survey, only 15 percent of women had an account in a formal bank, while the rate was twice as high for men. In contrast, women were more likely to use microfinance institutions (MFIs). According to LFS 2018, when accessing credit for their businesses, women are much less likely to receive loans from relatives and friends, instead they borrow more from financial institutions (MFIs) and rotating communal savings associations (ossusu).

Prior Action 4: *To enhance the efficiency of public procurement, the Recipient, has issued the Gambia Public Procurement Regulations, 2023, defining the roles of all stakeholders, establishing transparency and oversight mechanisms, and clearly defining emergency and single source rules.*

10. **Reforms supported under Prior Action 4 aimed at improving the efficiency of the procurement system are not expected to have poverty and social impacts in the short run, but they could indirectly lead to welfare improvements in the medium to long-term**. Public procurement is at the center of an efficient public service delivery. However, to the extent that only a small share of open tenders follows the procurement standards for competitive bidding, there is likely room for increased public spending efficiency. The passage of the 2022 Procurement Act is expected to address these challenges, leading to a reduction in public spending which could make way for additional resources that could be redirected toward investments that could lead to poverty reduction in the medium to long-term. Moreover, even if the new regulations did not lead to fiscal spending, one would expect that enhanced transparency and competition in the public procurement system would lead to higher quality services being delivered by public contracts going forward. Therefore, implementation of the new public procurement regulations as envisaged

in Prior Action 4, is expected to have indirect positive effects on wellbeing in the medium to long run, by improving public service delivery, and potentially opening up fiscal space for increased social and poverty reducing spending.

Prior Action 5: *To improve governance, performance and oversight of SOEs, the Recipient has enacted the State-Owned Enterprises Act No.5 of 2023 establishing a framework to monitor and provide oversight of SOEs primary and performance objectives and mandating the publication of the audited annual financial statements of SOEs.*

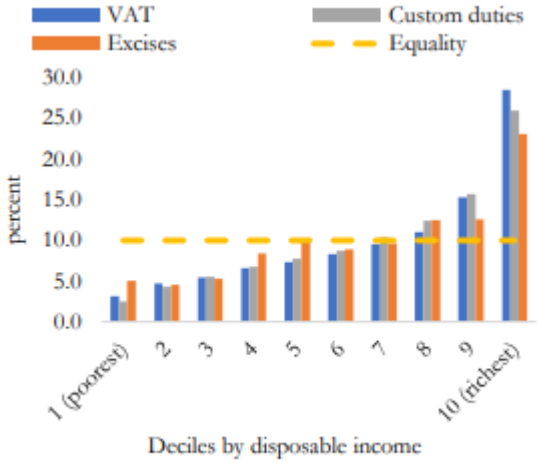
11. **Enhancing the performance, governance, and oversight of SOEs, Prior Action 5, is expected to have indirect positive effects on wellbeing in the medium to long run, by increasing investor confidence and reducing fiscal risks.** Past efforts at reform have made clear that poor SOE performance, where it occurs, is caused less by exogenous or sector-specific problems than by fundamental problems in their governance—that is, in the underlying rules, processes, and institutions that govern the relationship between SOE managers and their government owners.[45] Strengthening SOE governance will improve risk management, support efficient use of public funds, and maximize savings. In the medium term, these reforms are expected to improve operational efficiency of SOEs which can contribute to delivering services to households in areas where access remains low. For instance, greater oversight over SOE accounts, the judicial use of funds, and the ability of SOEs to provide quality service delivery could make a material difference in the telecommunications, water, and electricity sectors. In addition, such reforms can open fiscal space for priority spending, which could in turn promote poverty reduction and shared prosperity. For example, a recent study suggests that of the roughly US$93 billion annual infrastructure investment gap in SSA (equal to 15 percent of the region's GDP), nearly US$17 billion could come from savings produced by improving internal SOE efficiencies through better governance and other means (Foster and Briceño-Garmeñdia 2010).[46] Lastly, improved transparency can also enable a greater business environment, improving investor confidence, and attracting much needed foreign capital.[47] Full debt transparency has also been shown to promote lower borrowing costs, increasing countries' credit ratings.[48] These in turn could induce a reduction in inequality through economic growth, and allow for increases in public revenue and social spending.[49]

Prior Action 6: *To boost tax revenue collection, the Recipient has (i) issued the Petroleum (Marking and Quality Control Regulations, 2023 and the Excise Stamps Regulations, 2023, and (ii) issued a circular standardizing border clearance procedure and establishing a new risk management system at all border and in-land control posts.*

[45] World Bank. 2014. "Corporate Governance of State-Owned Enterprises. A Toolkit." Washington, D.C.
[46] Foster, Vivien, and Cecilia Briceno-Garmendia, eds. 2010. "Overview." In Africa's Infrastructure: A Time for Transformation. Washington, DC: World Bank.
[47] Gelos, R. G., and S.J. Wei. 2002. "Transparency and International Investor Behavior." *NBER Research*, Working Paper 9260.
[48] AFD. 2021. Debt Resolution and the Nexus Between Governance and Growth.
[49] Transparency International. 2014. The Impact of Corruption on Growth and inequality. Please also refer to Mthuli, Ncube, K. Soonawalla and K. Hausken. 2021. "The Links between Business Environment, Economic Growth and Social Equity: A Study of African Countries." Journal of African Business 22(1): 61-84.

12. **The new border clearance procedures and risk management system supported by Prior Action 6 are expected to have positive medium to long term impacts on welfare.** The reforms are expected to minimize revenue losses and reduce corruption at the border thus opening fiscal space. While in the short run this could increase the price of excisable imported goods, currently being smuggled in, this effect is not expected to have substantial impacts on the poor and vulnerable. For instance, recent evidence on the incidence of excise and customs duties finds that over 50 percent of these taxes are paid by the richest 30 percent of the distribution (Figure A.5).[50] Moreover, the enhanced revenue mobilization generated, could potentially be redirected towards priority social spending in the medium to long term. Freed fiscal space through this reform will complement government's ongoing domestic resource mobilization efforts to finance infrastructure projects such as improving electricity access, road networks and markets; thereby supporting efforts to strengthen the social contract and a resilient and inclusive recovery.

Figure A.5 Taxes paid by decile, as a share of Total Taxes



Source: Carrasco et al, 2022 based on IHS 2015/16.

Prior Action 7: *To ensure a sustainable, adaptive, social protection system, the Recipient, has approved the National Social Protection Bill, establishing the institutional arrangements, mandate, scope and the principles for social assistance to the most vulnerable and submitted it to Parliament.*

13. **The proposed reforms of the Social Protection Bill when implemented have the potential to strengthen resilience and reduce the poverty and social impacts of natural disasters.** The submitted Social Protection Bill when approved and implemented will help to establish an adaptive social protection system, which is a critical step in building resilience by helping poor and vulnerable households prepare for, cope with, and adapt to climate and other shocks. The reforms will facilitate coordination among stakeholders and provide the framework to reduce fragmentation among programs and provide the information base that will allow the government to take decisions. For instance, the reforms will help mitigate the impacts of a natural disaster by providing clarity for various stakeholders on roles and responsibilities following the declaration of a natural disaster, ensure the availability of needed data to inform disaster response - potentially saving lives, and providing relief to the worst affected households in a timely and effective manner. The component on the operationalization of the Social Registry data is particularly important to bridge critical data gaps.

14. **Moreover, actions supported in Prior Action 7 are expected to have large positive long-term impacts on wellbeing and gender equality.** There is a substantial literature documenting the importance of a speedy response when disaster hits. In particular, studies of previous disasters show that household consumption and thus nutrition outcomes quickly worsen in the aftermath of a disaster, particularly affecting poor households.[51] For instance,

[50] Carrasco Nunez, Haydeeliz; Jawara, Hamidou; Meyer, Moritz. 2022. The Effects of Fiscal Policy on Inequality and Poverty in The Gambia. © World Bank, Washington, DC. http://hdl.handle.net/10986/37187 License: CC BY 3.0 IGO.
[51] Hill, Ruth; Skoufias, Emmanuel; Maher, Barry. 2019. The Chronology of a Disaster: A Review and Assessment of the Value of Acting Early on Household Welfare. © World Bank, Washington, DC. http://hdl.handle.net/10986/31721 License: CC BY 3.0 IGO.

estimates suggest that the cost of not getting a response in place in time to meet the consumption needs of those suffering from drought is 3.9 percent lower income (GDP) per capita in the long run, as there is irreversible damage to human capital caused by stunting that can deeply scar children. In contrast, the gain from an emergency response that is one month quicker is 0.8 percent of income per capita in the long run. In this context, once the social safety net framework is in place, the government aims to increase the coverage of the government-financed cash assistance program to the most vulnerable households affected by shocks over the medium term. The goal to increase the number of beneficiary households from 600 to 15,000 over the next three years is expected to have a positive long-term impact on welfare. Finally, global evidence shows that social protection programs support economic empowerment of women by helping them to start/ expand their income-generating activities, increase use and control of assets and livestock, access formal and informal credit schemes, and increase expenditures on children's nutrition and education.[52]

Prior Action 8: *To streamline and strengthen disaster risk management (DRM) frameworks the Recipient has issued the National Disaster Management Prevention Regulations 2023 setting up the roles and responsibilities of stakeholders and coordination mechanisms in response to climate shocks, and detailing emergency prevention efforts at the community level and mandating women's representation in decision-making roles in local DRM committees.*

15. **Natural disasters can push people into poverty in the short term and limit long-term poverty reduction.** Natural disasters have consistently been a key factor responsible for pushing vulnerable households into poverty and keeping households poor.[53] Just as importantly, the exposure to natural hazards may reduce incentives to invest and save, since the possibility of losing a home due to a flood or livestock and crops due to a drought makes these investments less attractive.[54] Poor people are more vulnerable to disaster events.[55] In addition to losing more, poor households have a relatively lower capacity to deal with shocks than non-poor households due to lower access to savings, borrowing, or social protection.[56] As a result, poor populations could end up using their few assets which could plunge them further into persistent deprivation. The vulnerability of poor people to natural disaster risk is particularly worrying in the context of climate change, which may increase the frequency, intensity, and spatial distribution of heavy precipitation, floods, and droughts. Various measures of climate conditions including rainfall, soil moisture and drought conditions exhibit high volatility in the Gambia. Reports of natural disasters increased from 6.3 percent in 2015 to 11.8 percent in 2020. The main climate shocks experienced by households are rainstorms and floods. Most recently, in July 2022, the country recorded the heaviest rainfall in over thirty years affecting over 15,000 individuals and destroyed infrastructure and food stock. Most of these households have low capacity to cope and/or mitigate the effects of these events, leaving them exposed to the risk of sliding back or deeper into poverty.

16. **Poor households are disproportionately affected by climate-related shocks.** Poor households are 80 percent more likely to report experiencing a weather shock.[57] Poor households face higher vulnerability to shocks such as natural disasters due to their risk of being more likely to live high risk areas and the precarious nature of their

[52] FAO (2015). The impact of cash transfers on the economic advancement and decision-making capacity of rural women. FAO.
[53] Krishna, A. 2006. "Pathways out of and into Poverty in 36 Villages of Andhra Pradesh, India." World Development 34 (2): 271–288; Sen, B. 2003. "Drivers of Escape and Descent: Changing Household Fortunes in Rural Bangladesh." World Development 31 (3): 513–534.
[54] Cole, S., X. Gine, J. Tobacman, P. Topalova, R. Townsend, and J. Vickery. 2013. "Barriers to Household Risk Management: Evidence from India." *American Economic Journal: Applied Economics* 5 (1): 104–135; Elbers, C., J. W. Gunning, and B. Kinsey. 2007. "Growth and Risk: Methodology and Micro Evidence." *World Bank Economic Review* 21 (1): 1–20.
[55] Carter, M. R., P. D. Little, T. Mogues, and W. Negatu. 2007. "Poverty Traps and Natural Disasters in Ethiopia and Honduras." World Development 35 (5): 835–856. doi:10.1016/j.worlddev.2006.09.010.
Patankar, A., and A. Patwardhan. 2016. "Estimating the Uninsured Losses due to Extreme Weather Events and Implications for Informal Sector Vulnerability: A Case Study of Mumbai, India." Natural Hazards 80 (1): 285–310. doi:http://dx.doi.org/10.1007/s11069-015-1968-3.
[56] Highfield, W. E., W. G. Peacock, and S. Van Zandt. 2014. "Mitigation Planning: Why Hazard Exposure, Structural Vulnerability, and Social Vulnerability Matter." J. Plan. Educ. Res. 34 (3): 287–300. doi:10.1177/0739456X14531828.
Masozera, M., M. Bailey, and C. Kerchner. 2007. "Distribution of Impacts of Natural Disasters across Income Groups: A Case Study of New Orleans." Ecol. Econ. 63 (2–3): 299–306. doi:10.1016/j.ecolecon.2006.06.013.
[57] World Bank Poverty Assessment. 2023.

dwellings. Moreover, poor, agricultural, and less educated households are more likely to report experiencing natural disaster events. Poverty status is an important correlate of climate shock exposure. In 2020, 16 percent of poor households experienced a natural disaster, while the corresponding figure for non-poor households is 9 percent. Poor households are twice more likely to experience rainstorms and windstorms and three times more likely to experience drought. This gap between the poor and non-poor, in terms of the likelihood of reporting a shock, varies by LGA and is greatest in Banjul (10.3 vs 2.9 percent), Kanifing (17.7 vs 7.3 percent) and Basse (22.4 vs 16 percent). High incidence of shocks among the poor may in part be explained by their higher likelihood of living in precarious dwellings which makes them vulnerable to natural disasters; and/or having low capacity to cope with shocks when they occur. In the absence of social safety net programs, high exposure of the poor to shocks leaves them vulnerable to poverty traps.

17. **Climate shocks affect women and men differently – therefore the response framework would need to consider these different vulnerabilities**. Due to gendered norms around mobility, skills and other factors, women and men's mortality rates during extreme events differ globally. In addition, women are particularly vulnerable to weather shocks in The Gambia because they are more likely to engage in agriculture compared to men. Moreover, women tend to adopt negative coping strategies during such shocks (e.g., reducing their own food intake during food shortage periods) due to prevailing gender norms and the gender division of labor around household reproductive and care activities.

18. **The proposed actions to streamline and strengthen DRM institutions are expected to have positive medium to long term impacts on wellbeing.** The proposed reforms seek to improve coordination between key stakeholders are expected to minimize interruptions of development plans, obtain viable financing mechanisms to obtain resources when disasters hit, and reduce the impact of disasters on the country's most vulnerable people, and businesses in key sectors (e.g., agriculture and fisheries). The approved regulations 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. Under the proposed reforms, the number of people covered by the national financial protection mechanism (national insurance program) is expected to double from 158,000 in 2022 to 350,000 in 2026, which is expected to lead to a substantial improvement in wellbeing over the medium to long run.

19. **Strengthening women's leadership in DRM through the introduction of gender quotas (PA #8) is likely to result in more and better DRM policies.** Promoting women's leadership in DRM and engaging women in all its stages is likely to positively affect overall women's decision-making power in the household and in the community. Global evidence also indicates that women's leadership in climate and DRM action leads to better and more stringent climate change policies.[58] Increased women's climate leadership is positively associated with improved disaster responses, environmental governance, and reduced carbon emissions.[59] Diversifying corporate boardrooms leads to more and better climate-friendly policies with the potential to strengthen overall resilience to future shocks.

[58] Mavisakalyan, A. & Tarverdi, Y. 2019. "Gender and climate change: Do female parliamentarians make difference?" European Journal of Political Economy, 2019, vol. 56, issue C, 151-164.
[59] Foa, Roberto. 2009. 'Social and Governance Dimensions of Climate Change: Implications for Policy. A background paper for the World Development Report 2010 on 'Development and Climate Change.' Social Development Papers. Social Dimension of Climate Change. No. 115. Washington, DC: The World Bank.

ANNEX 5: SUMMARY OF THE PARIS ALIGNMENT ASSESSMENT

PDOs: support The Gambia's efforts to: (i) unlock its productive potential; (ii) strengthen procurement, economic governance of SOEs and domestic revenue mobilization; and (iii) strengthen climate and social resilience.	
Step 1: Taking into account our climate analysis (e.g., Country Climate and Development Reports or CCDRs), is the operation consistent with the country climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?	**Answer** Yes. **Explanation**: The reform program is consistent with and supportive of the implementation of the country's climate strategies presented in the 2021 NDC and the 2022 LTS. The NDC explicitly identifies the priority areas supported by this DPF series and considered most vulnerable to climate change, namely: energy (PA #1); (ii) agriculture (PA #2); and (iii) integrated natural DRM (PA #8). Moreover, the program is aligned with the NAPA priority adaptation measures for each target sector and The Gambia LTS objective achieving resilient and net-zero emissions by 2050. The program is also consistent with the country's Strategic Program for Climate Resilience and its National Climate Change Policy.
Mitigation goals: assessing and reducing the risks	
Pillar Objective: Unlocking the productive potential	
Prior Actions 1-3: (i) Diversify the energy mix and improve renewable energy penetration, (ii) revitalize commercial agriculture and food safety and (iii) increase access to affordable financial services.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: The regulations on grid code detailing connection rules for On-Grid facilities, including renewable energy, is not expected to promote carbon lock-in or increased GHG emissions. On the contrary, it will establish the conditions for the development of renewable energy. Similarly, the regulations on groundnuts/groundnut products and retail payment services are not expected to promote carbon lock-in nor have a negative impact on The Gambia's low-GHG emission development pathway. The proposed reforms are expected to support the commitments in The Gambia's NDC and transition toward a low-GHG development pathway.
Conclusion for Prior Actions 1-3:	
These Prior Actions are aligned for mitigation goals, as they meet the criteria for Step 2. Further consideration of Step 3 is not necessary.	
Pillar Objective: Strengthen governance and revenue collection.	
Prior Actions 4-6: (i) Implementation of regulations of the procurement Act; (ii) enhanced oversight and governance of SOEs (iii) strengthened risk management system for improved customs revenue collection and regulations on excisable goods.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: Policy actions supported under Pillar 2 are unlikely to cause a significant increase in emissions, as they deal primarily with revenue collection, regulations on public procurement, and SOEs governance and oversight.
Conclusion for Prior Actions 4-6:	
These Prior Actions are aligned for mitigation goals, as they meet the criteria for Step 2. Further consideration of Step 3 is not necessary.	
Pillar Objective: Strengthen climate and social resilience.	
Prior Action 7-8: (i) Laying out the foundations for social assistance program for the most vulnerable; (ii) strengthening DRM framework	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer** No. **Explanation**: Measures supported under this pillar are explicitly aligned with The Gambia's NDC commitments, and not expected to cause a significant increase in GHG emissions. Activities related to social protection and DRM are on the list of universally aligned activities.
Conclusion for Prior Actions 7-8:	
These Prior Actions are aligned for mitigation goals, as they meet the criteria for Step 2. Further consideration of Step 3 is not necessary.	
Mitigation goals: The operation is aligned with the mitigation goals of the Paris Agreement	

Adaptation and resilience goals: assessing and managing the risks	
Prior Actions 1-8: (i) Unlock its productive potential (ii) strengthen governance and revenue collection; and (iii) strengthen climate and social resilience, (iv) implementation of regulations of the procurement Act; (v) enhanced oversight and governance of SOEs (vi) strengthened risk management system for improved customs revenue collection and regulations on excisable goods, (vii) strengthened social safety nets, and (viii) improved climate resilience.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior actions' contribution to the Development Objective(s)?	**Answer** No. **Explanation**: Climate hazards are not likely to impact prior actions' contributions to the development objectives. Climate hazards could exacerbate challenges arising from climate change on urban planning, coastal erosion, and DRM framework. The proposed measure on DRM is explicitly designed to minimize risks from climate hazards and help The Gambia transition from a disaster-focused response to a more proactive, holistic, and inclusive approach to DRM and preparedness, while reducing risks from climate hazards.
Conclusion for Prior Action 1-8: These Prior Actions are aligned for adaptation and resilience goals. Step A2 requirements are met, so further analysis is not required.	
Adaptation and resilience: The operation is aligned with the adaptation and resilience goals of the Paris Agreement	
OVERALL CONCLUSION OF PARIS ALIGNMENT ASSESSEMENT: The operation is aligned with the goals of the Paris Agreement on both mitigation and adaptation.	

ANNEX 6: ANALYTICAL UNDERPINNINGS

Table A6.1. DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Pillar 1: Unlocking the Productive Potential	
Prior action #1 Prior action #2 Prior action #3 (indicative) Trigger #1 (indicative) Trigger #2 (indicative) Trigger #3	Energy • Universal Access by 2025 and Transforming the Gambia's Electricity Sector: Strategic Roadmap 2021-2040. Ministry of Petroleum and Energy and NAWEC, June 2021. • Republic of The Gambia. Ministry of Finance and Economic Affairs. The Gambia National Development Plan 2023-2027. Consolidate Gains in Democratic Governance, Accelerate Green Economic and Social Transformation and Build Resilience to Shocks and Crises Private sector development and agri-food exports • Republic of The Gambia. Ministry of Finance and Economic Affairs. The Gambia NDP 2023-2027. Consolidate Gains in Democratic Governance, Accelerate Green Economic and Social Transformation and Build Resilience to Shocks and Crises. • Gambia Inclusive and Resilient Agricultural Value Chain Development Project (GIRAV). Financial inclusion - Third Gambia Economic Update. Driving Financial Inclusion in The Gambia: constraints and opportunities of digitization, April 2023. World Bank. - The Gambia Financial Sector Assessment Program (FSAP), June 2022, World Bank. - The Gambia Digital Economy Diagnostic, 2022, World Bank. *<u>Key findings:</u> These studies and reports highlight the need for the Gambia to diversify its energy mix, both to reduce its exposure to international price shocks for the generation of its electricity and to satisfy the demand for electricity. Through the electricity sector roadmap 2021-40 and the RF-NDP 2023-27, the GoG seeks to increase the share of renewable energy in the electricity generation mix, which will require the private sector participation in the restructuring and promotion of the electricity sector in various forms. As for the agriculture, while the sector plays a key role in the economy in terms of its share of overall output and the large proportion of the population involved, its contribution to GDP is continuously decreasing, which reflects its declining productivity due to several constraints. The reports point out the need to move from subsistence to commercial oriented agriculture, notably through the development of value chains. Strengthening quality and SPS control systems and mobilizing productive private investments are part of key activities supported by the GIRAV project to develop competitive agricultural value chains focusing on small farmers and agribusiness. Regarding financial inclusion, several constraints stemming from supply and demand factors have hampered access to and usage of financial services, including the legal/regulatory gaps, high fees, weak underlying payments infrastructures, low levels of financial literacy. The lack of access to appropriate financial services impedes economic growth, employment, and poverty reduction. The FSAP and the economic update call for updated regulations for mobile money provision and payment systems as part of key policy recommendations to accelerate digital payments and financial inclusion.*
Pillar 2: Strengthening Procurement, Economic Governance of SOEs, and Domestic Resource Mobilization	
Prior action #4 Prior action #5 Prior action #6 (indicative) Trigger #4 (indicative) Trigger #5 (indicative) Trigger #6	Procurement • Governance Diagnostic for The Gambia, January 2023, IMF • The Gambia Public Procurement Act 2022 SOEs • Governance Diagnostic for The Gambia, January 2023, IMF. • The Gambia Integrated State-Owned Enter-prises Framework (iSOEF) Assessment, June 2021, World

	Bank. • First Review under the ECF Arrangement, January 2021, IMF. • The Gambia 2023 SOEs Act. Fiscal • The Gambia: selected Issues 2021 (IMF Country Report No. 21/266) • The Gambia Debt Sustainability Analysis, June 2023 • Oxford Economics, 2022. Proposed improvements to The Gambia's tax expenditure policy. Policy Document. • World Bank. 2020. The Gambia Public Expenditure Review: Creating Fiscal Space. Washington, DC: World Bank. *Key findings: These reports and studies highlight the lack of compliance and excessive use of single-source contracts in the public procurement system, signaling a lack of value for money and transparency. With the recently adopted 2022 Public Procurement Act, it is now crucial for the Gambia to implement this Act so that it can benefit from improved procurement practices, transparency, and efficiency in the use of public resources. Regarding the SOEs, while they are a core element of the Gambian economy, they are faced with several issues, including weak corporate governance and internal controls, inadequate accounting practices and financial procedures, leading to ineffective and inefficient use of public resources, an inadequate provision of public goods and services, and fiscal risks arising from the inability to meet their short-term liabilities and service their debt obligations. The iSOEF report points to strengthening SOE transparency, reporting and disclosure as part of key recommendations to improve their governance and performance while limiting their fiscal costs and risks. It is thus crucial to enact the SOE bill passed on by the Parliament in March 2023 establishing the governance, performance and oversight frameworks for all SOEs. On the fiscal reforms, current levels of domestic revenue mobilization are low due to several weaknesses in tax policy and tax administration. The reports point to increased customs efficiency and improved automation as key selected policy options to increase revenue mobilization and facilitate trade.*
Pillar 3: Strengthen Climate and Social Resilience	
Prior action #7 Prior action #8 (indicative) Trigger #7 (indicative) Trigger #8	*Climate change, DRM, Disaster Risk Financing* • West Africa Coastal Areas Resilience Investment Project 2, November 2022, World Bank (WACA Project). • Tourism recovery, diversification, and resilience in The Gambia, June 2022, World Bank. • Republic of The Gambia. Ministry of Environment, Climate Change and Natural Resources. The Gambia`s long-term climate-neutral development strategy 2050, 2022, Banjul. • Republic of The Gambia. Ministry of Finance and Economic Affairs. The Gambia NDP 2023-2027. Consolidate Gains in Democratic Governance, Accelerate Green Economic and Social Transformation and Build Resilience to Shocks and Crises. *Key findings: These studies and reports highlight the vulnerabilities to climate change faced in The Gambia given both the prevalence of climate-related risks (in particular coastal erosion and flooding) and the country's geographic profile which increases its vulnerability to natural hazards and the impacts of climate change. Increase in temperature and decrease in rainfall affect the country's key economic sector, such as agriculture, which is dominated by extensive rain-fed irrigation, as well as the tourism sector, in a context of widespread poverty and limited adaptive capacity to deal with the effects of changes. The RF-NDP 2023-2027 highlighted the Disaster Risk Reduction as one of the program priorities to manage environmental problems and for enhanced economic growth. While both the tourism project and the WACA project have coastal areas management as one of their components, the WACA project includes, in addition, improving DRM structures in the beneficiary countries as part of policy and institutional strengthening to develop the policy frameworks necessary to implement integrated coastal areas management plans and strategies.*