

INTERNATIONAL MONETARY FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION

THE GAMBIA

**Poverty Reduction Strategy Paper
Joint Staff Assessment**

Prepared by the Staffs of the International Monetary Fund and
the International Development Association

Approved by Donal Donovan and Anne McGuirk (IMF) and
Callisto Madavo and Gobind Nankani (IDA)

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I. OVERVIEW

1. This document presents the joint assessment of the staffs of the Bank and the Fund of the government of The Gambia's second strategy for poverty alleviation (SPA II) also called the Poverty Reduction Strategy Paper (PRSP). **The PRSP evolved from the interim PRSP (I-PRSP) presented to the Boards of the IMF and IDA during December 2000¹.** The Gambia's original SPA I was launched in 1994 after two years of consultation with civil society (including the poor), and donors. **An even broader participatory process has informed the PRSP development.** The PRSP was approved by the high level economic committee (HILEC) a cabinet subcommittee that constitutes the highest policy body responsible for the SPA II (PRSP) preparation.

2. After successful economic adjustment and performance through the early 1990s, The Gambia suffered major shocks, including a substantial currency devaluation by neighboring countries and a military coup in 1994 leading to reductions in aid flows and tourist arrivals. These developments compromised the implementation of SPA I and the policy response was inadequate to arrest the resulting economic decline, which contributed to worsening poverty. In 1998, the elected government adopted a comprehensive economic program that was supported by the international community, and that with the benefit of good weather, contributed to a significant improvement in the macroeconomic situation and a strengthening of structural reforms. The conduct of presidential (October 2001), national assembly (January 2002) and local government (April 2002) elections has contributed not only to strengthened democracy but also to improved donor relations. However, the lengthy

¹ IDA / SecM2000-669 (11/30/2000) and EBD/00/99 (11/28/2000). We use the expression PRSP to maintain consistency with other countries.

electoral process played a key role in unsustainable fiscal policies, which need to be reversed. Thus, the launching of the PRSP comes at an auspicious time, while the growth-promoting strategies of the document has appropriately been based on the lessons of SPA I and subsequent events.

3. **The main objectives of the Gambian PRSP is to promote growth and employment, enhance the provision of social services and mainstream cross-cutting policies** for gender issues and the HIV/AIDS problem, and improve the environment as a means of accelerating poverty reduction. Overall, the PRSP is a consistent and realistic exercise, which should lead to practical measures for addressing poverty in The Gambia. The strong points of the PRSP are (a) the participatory process, which has exploited the long tradition in The Gambia of engaging civil society and donors in developing the poverty strategy; (b) a poverty analysis that has made good use of existing quantitative and qualitative data to cover multiple dimensions of poverty, including disaggregation by socio-economic groups, gender, and region; (c) the delineation of priority sectors in terms of their contribution to pro-poor growth and provision of public services; (d) an appropriate macroeconomic framework and financing plan; (e) an insightful analysis of the policy framework and processes, with an emphasis on promoting efficiency and transparency in public finances; and (f) identification of the need for technical assistance to strengthen institutional capacity.

4. **The PRSP has areas where work is still in progress or where additional work needs to be further developed** as the document moves into the implementation phase. These include further development and broadening of sector work to refine priorities, their costing and monitoring, and the development of a medium-term expenditure framework (MTEF). Additional work is needed to strengthen the links between the PRSP program expenditure and the national budget. More details should be forthcoming on the financing of the PRSP and the sources of accelerated economic growth and there is scope for a better integration of crosscutting issues such as population growth and the environment. Gender disparities in particular have proven resilient and will require a finer analysis, and a more active streamlining throughout policy initiatives, especially in rural areas. Moreover, on the basis of key lessons from the recent review of the PRSP process,² The Gambia is encouraged to request support from donors to enable the analysis of poverty and social impacts of major policy reforms so as to better inform the revision of the PRSP.

5. **The government has begun, in some cases with donor technical assistance, to address areas where the PRSP is incomplete.** Among these is the comprehensive program to strengthen revenue performance; improve budgeting and public expenditure management; strengthen the Central Statistics Department (CSD) and improve data; strengthen the central bank; and enhance the monitoring capability and the participatory process. The Bank is also preparing a Development Policy Review to deepen the analysis of key structural and social

² See SM/02/53 (2/15/02), SM/02/54 (2/15/02) and IDA/SecM2001-0682 (11/19/2001).

policy issues, and inform the dialogue with the authorities. To support capacity building among economic institutions, the government launched a Capacity Building Project with World Bank support and will shortly finalize a Technical Cooperation Action Plan (TCAP) with the IMF. The government is also preparing a comprehensive technical assistance program to support the PRSP that will be presented to donors during the planned September 2002 roundtable meeting. Progress on the ongoing and planned reforms will be reflected in the annual PRSP implementation reports.

II. GOVERNMENT COMMITMENT AND OWNERSHIP

6. **In The Gambia's PRSP, the government states its firm commitment to the reduction of poverty.** This is a long-standing commitment dating back to SPA I and was renewed with the 1998 launching of an economic recovery program and the 2000 I-PRSP. Moreover, President Yahya Jammeh launched the formal commencement of the dialogue process in November 2000 to mobilize public participation in the preparation of the PRSP. Vice President Isatou Njie-Saidy chaired the HILEC meeting that approved the PRSP. Government's ownership has also been affirmed through extensive participatory process as discussed below.

III. THE PARTICIPATORY PROCESS

7. **In the staffs' view, PRSP clearly lays out the participatory process and the views of the various stakeholders.** The concept of participation in The Gambia is well developed beyond just information gathering, and is seen as an instrument for accountability, empowerment and joint decision-making. The PRSP states that the main objectives of participation are to: promote consultation and debate; ensure transparency and accountability; promote decision-making linked to resource availability; help manage and sequence a fair and just process for policy considerations by Cabinet and National Assembly; and empower local communities to share control over priority setting in the poverty reduction process. In comparison with many other PRSP countries, this aspect is very advanced. Further, The Gambia has been able to ensure that the participatory process was not limited to the preparation of the PRSP document. As such, broad participation has been implemented into other stages of the PRSP process to include: poverty analysis; budget preparation; and monitoring and evaluation.

8. **Consultation activities for the formulation of PRSP included:** national workshops; smaller workshops with the private sector, Non-Governmental Organizations (NGOs), government and civil society; sector consultative workshops; a new round of division level workshops to assess the I- PRSP undertaken by The Association of NGOs; direct consultations with the poor through a second round of Participatory Poverty Assessments (PPAs); a trip to Uganda to discuss best practices; and, a donor roundtable. A final stakeholder workshop was held to validate the PRSP before submission to the Executive Boards of the IMF and the World Bank. The National Dialogue Process, established during SPA I, continued to be used as a process through which stakeholders discuss poverty. The

Dialogue included the PPAs and the strategic planning process (SPP) where communities prioritized poverty reduction actions and designed village and ward development plans.

9. **For the first time in The Gambia, the Department of State for Finance and Economic Affairs (DOSFEA) held pre-budget consultations** with civil society. The results of these consultations were used to establish ceilings for year 2002 sector resource envelopes. Local authorities facilitated the consultations at divisional, district and ward levels, and have been actively involved in discussions on viable alternatives to poverty reduction programs within their localities. The PRSP states that although there are still some sensitive good governance issues pending, this level of political commitment is an encouraging sign for poverty reduction.

10. **The SPA Coordinating Office (SPACO), established for the implementation of SPA I in 1994, continues to monitor poverty, coordinate policy initiatives** and act as secretariat for the National Task Force, a forum with broad participation under the chairmanship of the Permanent Secretary of the DOSFEA. The Secretary of State for Finance and Economic Affairs reports on progress made in the PRSP to cabinet through the HILEC.

11. **The PRSP rightly acknowledges that the following areas require strengthened participatory processes:** sector plans, especially PERs; public resource management at the national and divisional levels; increased coordination of government departments; and review of the legal and policy environment. Further, for the preparation of the PRSP, the public debate on policy alternatives and trade-offs could have been strengthened. Analyses of the poverty and social impacts of key policy reforms could have assisted the government to design more pro-poor economic policies, better define appropriate compensatory measures where appropriate, and support country ownership of reforms by promoting a public debate on trade-offs between policy choices.

IV. ASSESSMENT OF THE PRSP

A. Poverty diagnosis

12. **In the staffs' view, the PRSP presents a good quality analysis of poverty,** effectively using a diverse set of data sources (for example, two household surveys, various specialized health, nutrition and education surveys, two PPAs, qualitative consultations, and public expenditure reviews in health, education and agriculture). Several specific factors of the analysis are noteworthy: poverty is defined as having multiple dimensions; the poor were consulted directly through PPAs; empowerment of poor people and human rights are rightly referred to as poverty issues; the analysis is disaggregated by region and social groups, thereby providing clear policy messages; the gender dimension of poverty is clearly outlined; and reference is made to the Millennium Development Goals (MDGs).

13. The analysis could be built upon as the PRSP is implemented by providing more details of: the links between growth, inequality and poverty reduction; the role of women in the agriculture sector and how intrahousehold allocation of resources affects poverty, especially of women and children; links between corruption, weak institutions and poverty;

dynamics of urban poverty and the links between the rural and urban sectors; and livelihood analysis and vulnerability. Further, the I-PRSP stated that the poverty and social impacts of policies and reforms would be included in the PRSP. This has been included to some extent—the PRSP rightly outlines some of the weaknesses of past policies (for example, in the groundnut sector and in the delivery of services).

14. As The Gambia moves further in the direction of decentralized administration, more emphasis will need to be put on the regional dimensions of poverty. For example, insights into why poverty in the Central River District has increased more than elsewhere will be useful to determine the appropriate mix of national and local policies.

B. Targets, Indicators, and Monitoring

15. **In the staffs' view, the PRSP provides a clear set of indicators and targets for monitoring** and evaluating the implementation of the strategy in the health and education sectors. For the health and education sectors the indicators were based on the PER exercises, and are consistent with the MDGs. The PRSP could have benefited from providing time horizons for its indicators, and from expanding the use of similar indicators in other sectors, in particular agriculture; this is especially pertinent since some indicators have been already developed by the Department of State for Agriculture. It is recognized that more work is required for other sectors, such as water and sanitation and infrastructure. In light of the critical need to assess the impact of the PRSP from the outset, the staffs urge that a practical table of indicators and targets be broadened to other sectors, as part of the planned further public expenditure work.

16. **The PRSP presents an innovative approach to monitoring and evaluating** the implementation of the strategy. For example, the PRSP proposes to: integrate conventional quantitative approaches to monitoring with participatory methods (i.e. using PPAs and the SPP approach) to better understand the impacts of public actions; involve civil society groups in the budget process to increase transparency; implement a “report card” survey to better understand the quality of services provided; and include indicators on the new area of social capital along side the more traditional indicators of physical and human capital.

17. **The PRSP rightly states that poverty monitoring in The Gambia has been constrained by inadequate coordination.** In the staffs' view, the proposed institutional framework is realistic, with institutional roles clearly redefined. For example, SPACO's role as coordinator of poverty monitoring will be strengthened by directly reporting to a newly created inter-departmental Monitoring Committee comprising of Permanent Secretaries. In addition, the HLEC will provide guidance and political leadership and a Stakeholder Monitoring Group will be established. The PRSP also recognizes that the capacity of the CSD Data management and analysis is weak but notes that capacity will be strengthened with assistance under the Capacity Building for Economic Management Project (CBEMP), and the IMF and other donors have made resources available in the form of TA or credits.

C. Macroeconomic Framework

18. **The PRSP commits to prudent macroeconomic policies partly through a reversal of the recent expansionary fiscal policies** while sustaining the level of pro-poor expenditure for the key sectors. The staffs consider that a stable macroeconomic environment is critical to sustainable growth and poverty alleviation and robust private sector activities. The key macroeconomic objectives are to (a) maintain real GDP growth of about 6 percent during 2002-05; (b) limit inflation to below 4 percent per annum by 2004; (c) contain the external current account deficit (excluding official transfers) to around 10¼ percent of GDP by 2005; and maintain gross external reserves over the period at about 5¼ months of imports of goods and services. The fiscal deficit (excluding grants, enhanced HIPC Initiative related expenditure, and incremental PRSP related expenditure) would be reduced from 8.7 percent of GDP in 2001 to about 2 percent by 2005. This macroeconomic framework is broadly consistent with the PRGF objectives and targets agreed with the IMF.

19. **The long-term goal of the PRSP is to accelerate economic growth closer to 10 percent** in order to achieve the MDGs, while noting that given the existing absorption constraints, real GDP growth would be maintained at about 6 percent in the medium term. The staffs concur with the authorities' view that the desired long-term growth rate of 10 percent is unattainable. While the projected medium-term growth rate of 6 percent through 2005 may be achievable if prudent macroeconomic policies and key structural reforms are undertaken, the underlying sectoral basis of this growth is unclear from the PRSP. While the PRSP has identified the key sectors, namely agriculture, tourism, and re-export trade that will generate much of the growth, there is a need for more in-depth analysis regarding the policy and institutional reforms necessary to accelerate growth in each of these sectors. At the same time, the rapid rate of population growth (including immigration) and its adverse impact on per capita income growth and provision of social services has not been analyzed to indicate the implications for the attainment of the PRSP objectives. It would be desirable for the authorities to address these gaps with recourse to technical assistance as necessary.

20. Improvements in **tax administration** have also been flagged as a critical issue to improve resource mobilization. The staffs agree with this assessment, and encourage the authorities to secure available TA to strengthen revenue collection. Given its role as a regional transit trade center, The Gambia remains highly **vulnerable to external shocks**. The PRSP could have benefited from flagging this risk, and from introducing a stronger justification for export diversification and enhancing external competitiveness. The authorities are urged to develop contingency plans to protect the poor during such shocks or in the event the envisaged external resources do not materialize.

21. Debt-sustainability is mentioned only briefly in the PRSP (para. 4.17). In the staffs view, the authorities need to take concrete steps to strengthen the country's debt-management capacity, particularly the pursuit of prudent policies on new borrowing from both domestic and foreign sources.

22. **Further work to refine sector policies is a requisite to an improved macroeconomic framework with stronger linkages to poverty reduction.** The pending work on sector issues, including a need for updated studies to inform refinement of priorities, improved and expanded use of PERs and their costings are essential to developing a full fledged MTEF. The latter would inform the priorities in the national budget and enhance the macroeconomic policy linkages to poverty reduction.

D. Structural, sectoral and cross-cutting policies

23. **Structural reforms in the PRSP focus on the need to mobilize domestic revenue, strengthen private sector investment, the regulatory, and financial environment in addition to sector specific and cross-cutting reforms.** Tax reforms aim at improving efficiency and revenue collection together with reforms in public enterprises, inter alia, to reduce their tax and other arrears to government. These should contribute significantly to the projected reductions in the fiscal deficit, domestic net bank borrowing by the government, and the outstanding stock of government domestic debt. The resulting favorable impact on availability of private sector credit, lower interest rates, and moderation in inflation should be conducive to private sector investment, which would also be supported by the privatization program. The staffs welcome this approach to promoting private sector activity and urge the authorities to persevere with the implementation of these reforms.

24. **Financial sector reforms center on capacity building at the central bank** to strengthen the legal framework and subsequently the institutional capacity to regulate and supervise banking, insurance, and micro finance institutions. Some legislation has already been established and further legislation is pending to set up implementing institutions to enhance the regulation of, and competition among, private sector institutions. The staffs support the emphasis on strengthening the financial system partly through better linkages between the formal and informal sectors to support a widened scope of private economic activity and hence promote poverty reduction especially in rural sectors where access to credit is limited.

25. The poverty analysis in the PRSP highlights the following: groundnut farmers are the poorest; more emphasis is required on primary health as opposed to tertiary health; high fertility rates contribute towards poverty; women are discriminated against and do not have access to land in rural areas; and there is a strong regional dimension to poverty. These factors are significant for the identification of appropriately targeted sector policies and actions to reduce poverty. In the staffs view, some sectors are stronger than others in tackling these issues, notably, education, which has the most elaborate program supported by a good PER. On the other hand, agricultural policy, especially in the groundnut subsector (which played an important role in increased poverty in the 1990s), requires more details on measures to increase incomes through market-driven means, increase food security and promote diversification.

26. Regarding the **health sector**, the PRSP rightly identifies the importance of improved quality and countrywide access. It also provides a sound and in-depth analysis of the progress

and challenges in the sector, highlighting the slowing down of progress on under-5 mortality and remaining high health disparities between rural and urban areas as well as poor and rich households. However, more details would have been helpful on how the government intends to alleviate the problem of understaffing in rural health centers, and the consequent efficient referral of people upwards, as well as high fertility rates. It is not clear the extent to which resources will support the development of primary health care as oppose to tertiary health. Although the PRSP emphasizes the need to reinforce community-based services and target resources to poorer regions, there is no clear indication as to whether recurrent health expenditures will be increased for these regions. Moreover, the priority actions in health do not address with adequate detail the measures to curtail the important recurrent costs of the recent tertiary sector expansion. The PRSP would have benefited from better using the PER in assessing the trade-off between the goals of improving primary health care, and the effectiveness of the policy of maintaining five hospitals. Further clarifying the expenditure program in the health sector should be a priority for the annual progress report.

27. In the **education sector**, the poverty analysis identifies a gap in girls' education, particularly in the poorest households. As the PRSP highlights, progress has been made in the enrolment rate of girls – in fact they have largely achieved their targets in this area. The priority actions for education do address continuing improvement in access for girls, as well as stressing the importance of improving the quality of teaching. Although enrollment ratios have increased, major disparities still exist between urban and rural areas and between the rich and the poor. It is not clear how the strategy in the PRSP would encourage teachers to go to the rural areas. In addition, the poverty analysis states that school fees are demanded at the same time as the “hungry season”. However, the PRSP does not propose to change the timing of the payment of these fees.

28. In the **agricultural sector**, as mentioned above, the poverty analysis emphasizes the vulnerability of groundnut farmers. The PRSP acknowledges the importance of continued reform and privatization in the groundnut subsector, although it does not identify strategies for farmers to diversify from groundnut production. The PRSP also stresses the importance of making the extension service pro-poor and efficient, and making agricultural research client-driven and responsive. However, the strategies fall short of identifying specific actions and indicators. The government has prepared a PER that effectively highlights expenditure priorities and has contributed to the strategy and indicators. However, they have indicated that work is ongoing on refining indicators, which is why they are not clearly presented in the PRSP. This should be a target for the annual progress report.

29. In **infrastructure**, the PRSP discusses the role of adequate infrastructure in economic development and poverty reduction. However, the PRSP fails to present a clear strategy for infrastructure development, including in such key subsectors as energy and water. The costings of the PRSP, nonetheless, point to plans to commit approximately 13 percent of the 2004 budget to these two subsectors. The staffs urge the government to present a detailed spending plan, on the basis of a more developed strategy. Indicators for progress in infrastructure development also need to be developed.

30. On **crosscutting issues**, the poverty analysis rightly stresses the importance of **empowering women** and increasing their access to land in rural areas. It would have been helpful if the PRSP had detailed how women's access to land could be increased. Regarding the **environment**, the PRSP outlines some policy initiatives regarding environmental degradation, such as coastal erosion, but is vague on salt contamination of arable lands. On HIV/AIDS, the PRSP rightly recognizes that although recorded rates are low there could be a problem in the future; however, the section on cross-cutting issues says that HIV/AIDS prevention will be mainstreamed through the social fund, which may conflict with existing institutional arrangements. The PRSP does not discuss the government's strategy for decentralization, though The Gambia has made a good start on effective decentralization with the recent adoption of the Local Government Reform Act. The PRSP proposes a demand-driven social fund, which would help channel funds directly to communities.

31. **Aid coordination** has been prominently featured in the section on "policy framework and budget process". The PRSP notes recent developments, and discusses "priority sectors in aid allocation". Staffs concur with the added emphasis on institutional arrangements to mobilize concessional aid for development programs. However, it will be essential to incorporate aid mobilization and monitoring in one comprehensive budgeting process under DOSFEA, and to avoid an approach whereby resources are not efficiently allocated. Consistent with the SWAP approach proposed for health, education, rural development and HIV/AIDS, the staffs also encourage the government to take a strong lead in donor coordination, including naming lead donors in priority sectors. To that end, the relevant Departments will need to take stock of existing programs and projects, and consolidate their objectives under the SWAP.

32. The section on **governance** rightly refers to its increased importance to civic society and its impact on service delivery and effective participation. The broad approach to governance adopted in the PRSP encompassing transparency in public finances, civil service reform, administrative reforms including in the judiciary, and restructuring of government that entails also the devolution of power to local government, is appropriate. The level of discussion is quite general though, except for the more concrete measures for public finance reforms. The staffs believe that polices in these areas would benefit from further articulation and the government should redouble its efforts to implement the governance program which was developed with the UNDP, inter alia, to strengthen the electoral system including enhancing civic education.

E. Public expenditure management and financing the PRSP

33. **The PRSP includes a projected resource envelope for 2002–05** amounting to domestic revenue averaging about 17: percent of GDP per year and foreign resources (grants, project, and loan financing) averaging about 42 percent of GDP annually. Although revenue are broadly in line with recent trends, grants are projected to be on the higher side taking into account the interim HIPC debt relief while project financing will also increase to reflect committed funding. Total expenditure (excluding PRSP-supported expenditure) would average about 22 percent per year for 2002-05 down from the unsustainable level of about

26 percent of GDP in 2001, and contributing to a decline in the overall deficit (excluding grants) from 8.7 percent of GDP in 2001 to about 2 percent in 2005. The staffs view these as realistic projections and welcome the trend toward a sustainable overall fiscal deficit. However, since the PRSP does not include contingency plans in the event that external resources do not materialize as envisaged, the staffs urge the authorities to develop appropriate contingency measures.

34. The projected **PRSP external financing requirement** is estimated at US\$67 million during 2003–05 (excluding possible HIPC irrevocable debt relief) averaging about 53 percent of GDP annually and would be incremental to already committed external aid resources. The staffs concur with the position taken by the PRSP that donor financing will be critical to a successful implementation of the poverty strategy, and are supportive of The Gambia's effort in this regard during the planned September 2002 roundtable meeting.

35. As indicated in the PRSP, **additional work will be undertaken to fully integrate the PRSP expenditure projections into the national budget** over the period 2003–05. The staffs consider this to be a critical requirement and urge the authorities to plan ahead to ensure that work on new sector PERs is initiated, while updates of current PERs are completed in time for the beginning of the budget cycle (in June). This would allow sector ministries to reflect their budget expenditure requests on a timely basis. The 2003 budget will be the first stage in this process and will thus require careful preparation. Further, the development of an MTEF for the 2004 budget cycle will facilitate the dialogue between sector Departments and DOSFEA by providing projections of resource availability.

36. **The government has prepared a comprehensive work program to improve public expenditure management.** The program calls for improved capacity to track overall expenditure including poverty-reducing outlays. The envisaged reforms will strengthen the accounting system, improve reporting and control of expenditure, as well as expedite the reconciliation, closing, and auditing of public accounts. They will also facilitate the evolution toward program budgeting and improvement in budget classification to reflect PRSP priorities. Moreover, the authorities intend to refine the sector priorities, and their costings and expand the coverage of PERs as part of the development of an MTEF. The staffs consider these reforms to be adequately comprehensive and ambitious and urge the authorities to implement the reforms rigorously, utilizing the TA that has been committed in this area.

37. **The staffs believe that the authorities have made a good start to cost the PRSP** priorities in a way that is broadly consistent with available resources. The costing of the priority actions has been undertaken for the agriculture, education and health sectors using a bottom-up approach. These costings are based on estimates derived from either (i) comparisons of costs for comparable services in the local market, (ii) international benchmarks if available, or (iii) input costs and thus provide realistic estimates. However, the limited sector coverage of costing make it difficult to assess the trade-offs with other important sectors that remain to be costed, such as infrastructure. While good progress has been made in costing the strategy, these approaches still represent an early stage in costings,

which must be followed through with significant improvement in the PER exercise and its broadening to other sectors. The expenditure estimates would need to be broken down into recurrent and capital expenditure; there is also a need to provide downstream recurrent expenditure implications from the stream of projected capital expenditure. These improvements would work in conjunction with other planned reforms to better orient the national budget toward poverty reduction.

V. RISKS TO THE STRATEGY

38. The PRSP would have benefited from a more detailed section on risks to the poverty reducing strategy. **The staffs believe that the PRSP is vulnerable to five distinct types of risks.** First, there is a risk of reoccurrence of security tensions in the sub-region. If tensions were to intensify, The Gambia would probably have to bear the costs associated with refugees and security issues, and cope with potential adverse effects on the promising tourism industry. The second risk stems from the possible persistence of governance issues, which are also a concern for civic society and could adversely affect investor confidence. At issue is the threat that political inertia or considerations could disrupt the work of civil servants or result in delayed decisions. These in turn could slow or derail reforms. Such a developments would significantly undermine the coordination and implementation of the PRSP and could contribute to delays in disbursing donor assistance. The third risk relates to the limited institutional capacity, which was rightly identified in the I-PRSP. While efforts have been made to mobilize technical assistance to mitigate this problem, any delays in accessing the appropriate TA or its effective application would adversely impact the implementation of the PRSP and supporting donor programs. The fourth risk relates to the possibility that the envisaged external resources do not materialize, especially absent a contingency plan for such an outcome.

39. Finally, as a small open economy, with limited diversification, The Gambia is highly vulnerable to adverse shocks, such as weather conditions and trends in terms of trade. These could result in pressure on resources with a potential to aggravate poverty and slow progress in implementing the PRSP.

VI. CONCLUSION

40. **The PRSP presents an important step forward in the fight against poverty**, and a genuine attempt at bridging the gap between policy statements and practical actions. Moreover, broad participation has ensured significant levels of ownership among different stakeholders, and has set high expectations for Government performance.

41. **The annual PRSP implementation progress reports** should provide a means to monitor the various PRSP policies and actions. The staffs believe that some key issues whose further development is critical to the overall poverty strategy should be highlighted in these reports including developments in (a) the analysis of poverty and social impacts of key reforms; (b) further elaboration of prioritization of policies and programs, including in the agricultural sector, where there is a need to focus on the diversification of the groundnut

sector; (c) cross cutting issues on gender, environment, and population growth; (d) measures to address interregional poverty issues; (e) key poverty-related indicators and targets, especially for 2004 and beyond, including in sectors other than agriculture, education and health; (f) the medium-term macroeconomic framework; (g) a timetable of policy actions; and (h) the bi-annual reports on poverty-reducing expenditure tracking , including outlays funded under the enhanced HIPC Initiative.

42. **The staffs at the IMF and World Bank consider that the PRSP presents a credible poverty reduction strategy** and provides a sound basis for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusions.