Report Number : ICRR0021526

1. Project Data

Operation ID	Operation Name	
P163285	Gambia Emergency DPO	
Country	**Practice Area(Lead)**	
Gambia, The	Macroeconomics, Trade and Investment	

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-61230,IDA-D2220	31-Dec-2017	57,224,482.37
Bank Approval Date	**Closing Date (Actual)**	
30-Jun-2017	31-Dec-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	56,000,000.00	0.00
Revised Commitment	56,000,000.00	0.00
Actual	57,224,482.37	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Policy Areas

a. Objectives

The program development objective (PDO) of the Emergency Development Policy Financing (EDPF) was to support strengthening of the government's fiscal position while restoring provision of essential public services.

b. Pillars/Policy Areas

The operation had three pillars:

Pillar 1: Supporting fiscal stabilization measures, including revised budgeted expenditures and revenues for 2017 with due protection of social sectors; and eliminating irregularities in the payroll of the civil service and security forces.

Pillar 2: Addressing critical fiscal risks from state-owned enterprises (SOEs) by (i) assessing and enhancing transparency with regard to the financial situation of SOEs; and monitoring and limiting contingent liabilities; and (iii) laying the groundwork for reforms of the state electricity utility, National Water and Electricity Company (NAWEC) and the two national telecommunications companies Gambia Telecommunications Cellular Company (GAMCEL) and Gambia Telecommunications Company (GAMTEL).

Pillar 3: mitigating the social impact of the economic crisis in health centers by preventing disruptions in the supply of vital medicines to health facilities; and enhancing fiscal efficiency in the procurement of essential medicines.

c. Comments on Program Cost, Financing, and Dates

An IDA Credit of SDR 22.3 million (US$30.8 million equivalent) and a grant of SDR18.3 million (US$25.2 million equivalent) were approved on June 30, 2017, became effective on July 28, 2017, and closed on schedule on December 31, 2017. The full amounts were disbursed.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives were relevant to the country situation and to the World Bank Group's Country Engagement Note (CEN) for fiscal years 2018-2021, and to the government’s immediate priorities. However, following elections in December 2016, the winner, who had ruled The Gambia for close to 20 years, voluntarily resigned, leaving a new and relatively inexperienced government with an uncertain political outlook, and economically with large fiscal and external imbalances, a massive public debt stock and costly domestic debt-service obligations, and high contingent liabilities generated by several loss-making SOEs. The situation was aggravated by a weak agricultural season and political uncertainties arising from the change in government. The operation was intended to address The Gambia’s looming economic crisis by establishing a pathway to macroeconomic stability; protecting the poorest; and restoring sustainable growth. It was also fully consistent with the government’s immediate priorities as articulated in its Accelerated National Response Plan (ANRP), including the need to ensure a secure and cost-effective supply of drugs in public health facilities.

Rating
High

b. Relevance of Design

Program design was relevant to both objectives. It was expected to contribute significantly to achieving the first, and primary, objective - a stronger fiscal position. The choice of Development Policy Financing recognized the need for quick-response budget support, while the policy and results matrix focused on a narrow set of key issues in recognition of the weak institutional environment. Prior actions focused on stabilizing the fiscal and public debt situation, and consisted of a set of legal, regulatory, and administrative measures consistent with that focus: an affordable 2017 budget, better control over the public sector wage bill, and stricter financial oversight of SOEs. At the same time, the program design sought to protect budget allocations for health and education.

The results framework for the second objective applied a narrow interpretation to essential public services, focusing on one (albeit key) area of the public health system, i.e. ensuring the availability of affordable essential drugs in public health services by introducing international competitive bidding (ICB) for essential drugs.

The macroeconomic policy framework was deemed adequate for the operation despite significant signs of fragility and downside risks. A joint Bank-IMF debt sustainability analysis (DSA) prior to Board approval had concluded that the country was in external debt distress and that the public debt was not sustainable and required restructuring. Commitments and assurances about highly concessional support were received from bilateral creditors, as well as the Bank and the IMF, allowing the latter organizations to conclude that the public debt was sustainable in the medium term and that the operation could proceed.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
To support strengthening of the government's fiscal position

Rationale
The objective was to be achieved by a combination of medium-term fiscal consolidation; an audit of the public sector wage bill as a first step towards better control over the payroll; by special purpose audits of the

main SOEs as a first step towards tightening monitoring and oversight of SOEs; liberalizing fuel supply to reduce the cost of fuel supplies and improve NAWEC's financial position; and changing oversight authority of GAMTEL and its mobile subsidiary GAMCEL as a first step in a longer-term restructuring plan of the telecommunications companies.

Fiscal consolidation

The government approved a revised 2017 budget consistent with fiscal consolidation objectives and revised revenue forecasts as a prior action. As a result, the overall fiscal deficit was projected to narrow from 9.8 percent in 2016 to 2.5 percent (of GDP) in 2017. **This target was not met**, as the government did not introduce a number of intended consolidation measures (sale of land, presidential planes, etc.). Instead, the overall fiscal deficit narrowed to a still unsustainable 7.9 percent of GDP.

Budget appropriations for health and education were to remain at the same level as in the original 2017 budget, while execution rates for health and education were to remain at 2016 levels. **This target was not met**, with execution rates falling below 2016 levels: 65 percent for basic and secondary education; 19 percent for tertiary education, and 43 percent for health expenditures.

Public sector wage bill

In order to reassert control over the payroll, the government undertook a nation-wide staff audit coupled with a payroll verification exercise for the civil service and the security forces (prior action). This supported the reduction of the wage bill equivalent to 0.30 percent of GDP in the old GDP series, and 0.20 percent of a rebased GDP. **This target was met**.

SOE monitoring and oversight

In-depth audits of the financial situation and financial controls of five SOEs were undertaken – NAWEC, the National Petroleum Company (GNPC), GAMTEL/GAMCEL, the Social Security and Housing Finance Corporation (SSHFC), and the Gambia Ports Authority (GPA) – as a prior action. The target of making public the audit findings **had not been met by closure**.

To improve financial transparency in the SOE sector as a whole, the government has published on its website the most recent audited financial statements (not Special Purpose Audits) of all thirteen SOEs (prior action) as a first step towards setting up a system of timely publication of SOEs' audited financial statements, and to improve monitoring and oversight over the medium term.

To limit contingent liabilities generated by SOE-related external borrowing and government guarantees to SOEs, the government issued a circular conditioning future borrowing on an inventory of current activities, and on prior oversight of SOE borrowing by the Ministry of Finance (prior action). The baseline for contingent liabilities, set in April 2017 was 10.7 percent of 2016 GDP, and the target to be achieved end-2017 was to remain at no more than 10.7 percent of 2017 GDP. However, subsequent SOE borrowing went against the prior action, and raised contingent liabilities to 11.2 percent of GDP in December, 2017. Moreover, no database on SOE-related government guarantees - a PDO indicator - was made public.

Improving the financial situation of the electricity utility NAWEC

To improve the financial situation of NAWEC, the government mandated an open and competitive procurement process for the importation of fuel oil (prior action). As a result, NAWEC was expected to achieve savings of some US$1.5 million in 2017. Actual savings as a result of these measures amounted to US$6.8 million.

Institutional framework of telecommunications companies

As a first step in restoring the financial viability of the telecommunications utility GAMTEL and its mobile subsidiary GAMCEL, the government took action to improve the institutional arrangements governing the companies by transferring the oversight function from the President's Office, where it had resided under the previous administration, to the Ministry of Information and Communications Infrastructure. No further action on telecommunications was contemplated under the operation. However, the Special-Purpose Audits of selected SOEs and conducted as part of this operation, are expected to help re-position the companies and begin to restore their financial viability.

Summary. The key objective of strengthening the government's fiscal position, which also was the main focus of the operation, and essential to sustaining essential public services, was not met. The deficit remained unsustainable, and social spending was flat in budgeted terms. Special purpose audits of key SOEs were undertaken but have not been made public, contrary to the prior actions; while contingent liabilities generated by SOEs exceeded targets.

Rating
Modest

Objective 2

Objective
To restore provision of essential public services

Rationale
The objective was to be achieved by mitigating the social impact of the economic crisis on health centers

While the objective talks of "essential public services", the operation is more narrowly focused on ensuring a steady and cost-effective supply of drugs in public health facilities. This was viewed as an urgent priority by the government. The government was to secure efficient and timely provision of drugs by shifting from single-source procurement to ICB, by introducing an essential drugs list, and by issuing a list of accredited local suppliers for emergency procurement of drugs by health facilities (prior action). The share of health facilities reporting no stock-outs of tracer items was applied as an indicator of success. The 2016 baseline was 37 percent, with a target of 60 percent for 2017. The actual number for 2017 was 54 percent. **While this was a notable improvement in availability of drugs, it did not meet the broader target of restoring essential public services**.

Rating
Modest

5. Outcome

Relevance of objectives is rated **high**, given relevance to country circumstances and to Bank and government strategies. Relevance of design is rated **substantial**, as the prior action could, for Objective 1, be expected to contribute significantly to attainment of the stated objectives, albeit against an uncertain macroeconomic background. In the case of the second objective, the prior actions were sufficient to attain the narrow goal of mitigating the impact of the crisis on health centers. However, this is a very partial dimension of the over-ambitious objective of restoring provision of essential public services. Efficacy for both sub-objectives is rated **modest -** in the case of the first sub-objective, the majority of targets were not met, the fiscal deficit and contingent liabilities are still at unsustainable levels, and social spending has remained flat. While efficacy for the second objective demonstrated a notable improvement in the availability of essential drugs, the broader target of restoring essential public services was not addressed. With significant shortcomings in efficacy, the outcome is assessed as **moderately unsatisfactory**.

a. Outcome Rating
Moderately Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

Political risk is still high in the aftermath of regime change and in the absence of a common vision in the government coalition; as is macroeconomic risk given the heavy dependence on donor support and the high degree of debt distress. While project design appears to have been well-calibrated to national capacity limitations, the uncertainties that came with the unexpected government changes points to high institutional risk.

a. Risk to Development Outcome Rating

High

7. Assessment of Bank Performance

a. Quality-at-Entry

The proposed operation was relevant to the prevailing fiscal-financial situation although some of the objectives were overly ambitious. Its emphasis on budget support recognized the urgent need to intervene in a fragile economic environment under high debt distress. Operational design was preceded by a fragility assessment, and took into account capacity constraints in the administration, focusing on straightforward, short-term actions as a springboard for developing longer-term policies. The operation drew on and complemented ongoing other Bank operations in the country. Collaboration with other external partners contributed to containing the debt situation and helped clear the way for the operation. The team undertook a risk assessment prior to the project, with a high risk rating driven by an uncertain political and macroeconomic situations, and by weak institutional capacity in government. However, targets may still have been set too high, since, in many instances, the program fell short of its intentions. In addition to institutional weakness, the political situation would prove to be uncertain in the absence of a common vision on policy in the new government coalition (ICR, Section 2.2), as the country went through fundamental political transition towards democracy and greater openness to regional neighbors and the international community. Strong initial commitment to fiscal reform by the new government was not sustained, and ambitious targets for fiscal consolidation were not met (see also Sections 4 and 9).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The emergency nature of the operation and the limited institutional capacity of the client would seem to have required extensive hands-on supervision. Instead, a relatively small supervision team was mobilized, combining its work with that of other operations taking place at the same time. This raises the question as to whether more could have been done with a more intense supervision effort when faced with a client that had significant institutional and capacity weaknesses. For example, supervision relating to NAWEC and the SOEs, while active, may have been insufficient - in one case the target was met, in the other not. More generally, this operation may have suffered from the tendency to design development policy operations with little emphasis on supervision, relying instead, as in this case, on support through other operations.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance
Government commitment to improving the fiscal and debt situation initially appears to have been strong at the outset despite a weak institutional environment. However, commitment unraveled as differences appeared in the government coalition. As a consequence, many of the operation's targets were not met.

Government Performance Rating
Moderately Unsatisfactory

b. Implementing Agency Performance
Not assessed

Implementing Agency Performance Rating
Not Rated

Overall Borrower Performance Rating
Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The outcome indicators were broadly appropriate - most had a baseline and measurable targets (for instance, a revised budget for 2017 was to show a deficit of not more than 0.7 percent of GDP) - although targets would prove to be unattainable during the course of the operation. Monitoring was the responsibility of the Ministry of Finance charged with day-to-day coordination and verifying implementation of the prior actions. It did not, however, have the necessary resources to adequately supervise implementation, especially since monitoring capacity in other participating agencies and ministries also was low.

b. M&E Implementation
M&E implementation was carried out through dialogue between the Bank team and the government as part of the preparation of a follow-up programmatic series, and relying on the IMFs macro-fiscal monitoring efforts in the context of its staff-monitored program supporting a Rapid Credit Facility. Relevant investment

projects, such as the Financial Management MIS project, and related procurement of technical assistance, also provided support for monitoring of the operation.

c. M&E Utilization

The operation introduced the use of M&E in the management of public employment, including personnel audits. Likewise, the regular publication of audited financial information on key SOEs was initiated; as was the use of monitoring instruments for debt management.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

No safeguards policies were triggered by the operation, and the ICR does not discuss any possible environmental impact. No negative social effects were identified and some of the measures may have a positive effect.

b. Fiduciary Compliance

The ICR does not identify any fiduciary issues.

c. Unintended impacts (Positive or Negative)

None

d. Other

None

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment

Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	High	High	---
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	The quality of supervision is rated moderately unsatisfactory, since insufficient support was given to the Authorities in their attempts to meet program targets
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The first two lessons are drawn from the ICR, and IEG adds the third.

Operations in fragile countries need to be selective. The team focused on a few policy interventions that could be put into place in the short term, to be subsequently built upon. While the needs are great in fragile environments, programs need to be selective and carefully assess the risks inherent in each policy action.

Expectations from a reform program are best tailored to a realistic assessment of implementation capacity. In this case, outcome targets were over-ambitious for a politically and institutionally fragile environment, and proved, in many instances, to be out of reach. Insufficient attention to political and institutional risk can critically affect program outcomes.

An emergency DPO in a fragile environment is likely to require more rigorous supervision than is often allocated to policy operations. Insufficient attention to program implementation, especially in an environment of limited capacity, can critically affect outcomes. Although, in this case, supervision was leveraged through collaboration with other external partners and through drawing on the resources of ongoing Bank operations, a more intensive and direct Bank effort during implementation may have enabled the Authorities to attain more of their targets.

A regime change creates both political and institutional uncertainties. While a program may be fully aligned with government's priorities and programs in the early stages of regime change, insufficient attention to changing political priorities as the new government gains footing can adversely influence project success. In the Gambia project, early post-election enthusiasm gradually gave way to weakening reform momentum and reversal of some policy actions.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

For the most part, the ICR provided sufficient information and a solid enough analysis to evaluate the operation and complete the ICRR. However, a broader discussion of the causes of non-achievement of many of the objectives would have been useful. The ICR was consistent with the guidelines.

a. Quality of ICR Rating
Substantial