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IFAD

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REPUBLIC OF THE GAMBIA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

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CURRENCY EQUIVALENTS

Currency Unit	=	Dalasi (GMD)
USD 1.00	=	GMD 19
GMD 1.00	=	USD 0.053

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres (ac)

ABBREVIATIONS AND ACRONYMS

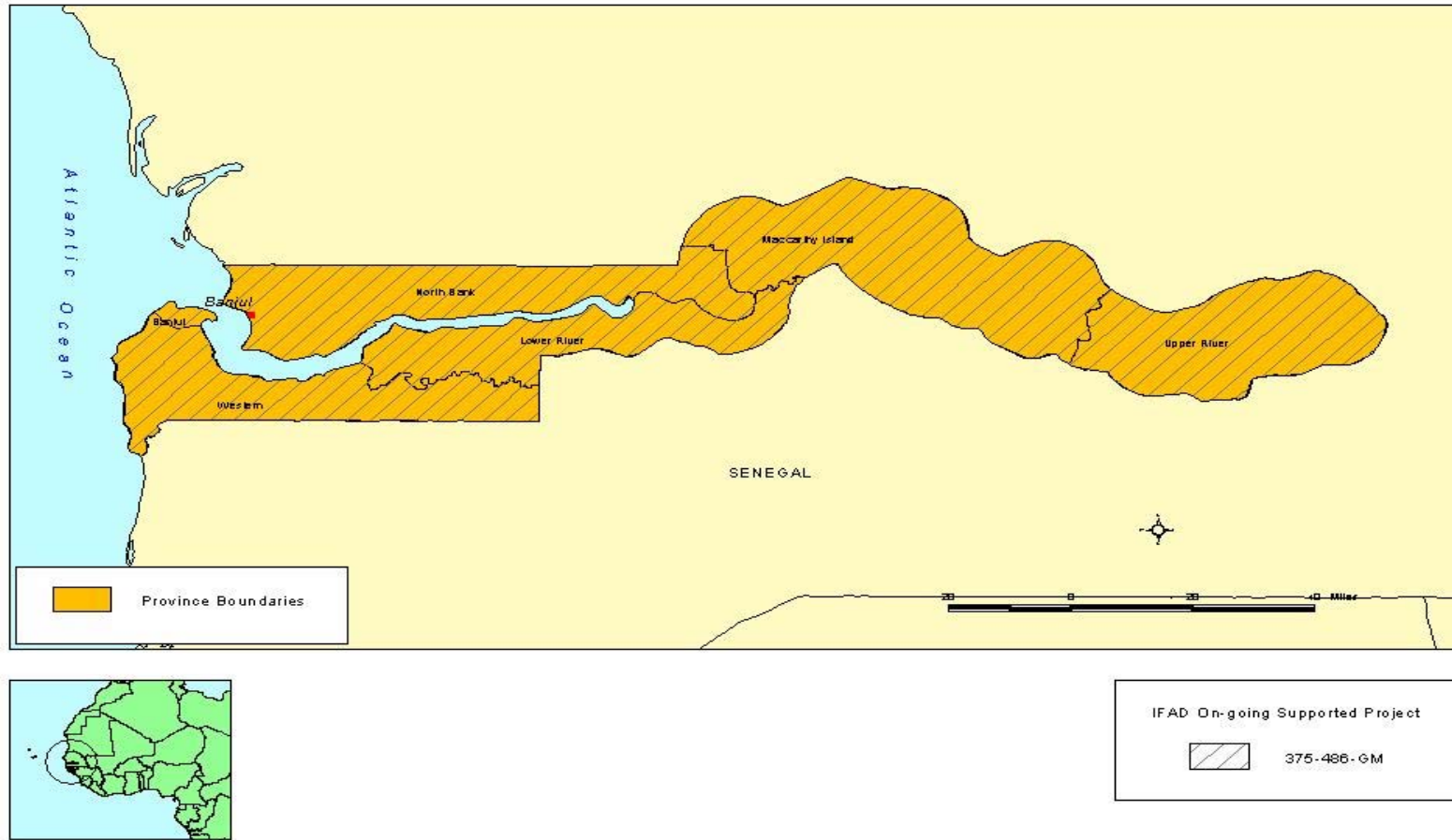
AfDB	African Development Bank
CBO	Community-Based Organization
COSOP	Country Strategic Opportunities Paper
DOSA	Department of State for Agriculture
EDF	European Development Fund
FAO	Food and Agriculture Organization of the United Nations
ITC	International Trypanotolerance Centre
JPSP	Jahaly and Pacharr Smallholder Project
LADEP	Lowlands Agricultural Development Programme
NGO	Non-Governmental Organization
PRSP	Poverty Reduction Strategy Paper
RFCIP	Rural Finance and Community Initiatives Project
SPA	Strategy for Poverty Alleviation
UNDP	United Nations Development Programme
VISACA	Village Savings and Credit Association

GOVERNMENT OF THE REPUBLIC OF THE GAMBIA**Fiscal Year**

1 January-31 December

COUNTRY MAP

GAMBIA



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Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD PORTFOLIO OVERVIEW

Loan No.	Project Title	Terms of Loan	Approved Loan/Grant Amount (SDR)	Approval Date	Loan Effectiveness	Closing Date	Cooperating Institution	Status
77	Jahaly and Pacharr Smallholder Project	HC	4 050 000	17 Dec 81	20 Oct 82	30 Jun 92	AfDB	Closed
144	Agricultural Development Project II	HC	4 750 000	04 Apr 84	06 Nov 84	30 Jun 93	World Bank	Closed
S-21	Small-Scale Water Control Project	HC	2 850 000	05 Dec 89	17 Dec 90	30 Jun 97	UNOPS	Closed
312	Agricultural Services Project	HC	2 550 000	02 Dec 92	02 Nov 93	30 Jun 99	World Bank	Closed
375	Lowlands Agricultural Development Programme (LADEP)	HC	3 400 000	12 Apr 95	27 May 97	30 Jun 04	AfDB	Ongoing
486	Rural Finance and Community Initiatives Project (RFCIP)	HC	6 600 000	02 Dec 98	14 July 99	31 Dec 05	IFAD	Ongoing
Total	Six projects							

Note: AfDB = African Development Bank. UNOPS = United Nations Office for Project Services. HC = highly concessional.

REPUBLIC OF THE GAMBIA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

EXECUTIVE SUMMARY

The Gambia is one of the poorest countries in the world, with a gross domestic product (GDP) per capita of about USD 320. The poverty situation deteriorated considerably during the nineties because of external economic shocks. At present, about 47% of the population are living below the national poverty line, and 30% are extremely poor or living below the food poverty line. Poverty remains a rural phenomenon, with 91% of the extremely poor and 72% of the poor working in agriculture. The causes of rural poverty are (a) low and degrading soil fertility, (b) low agricultural and labour productivity, (c) poor access to productive assets (land, water), (d) poorly functioning input and output markets, (e) low world market prices for outputs, particularly for groundnuts and Thai broken rice, (f) poorly functioning rural institutions (including credit) and lack of basic social services, and (g) crop yields that fluctuate as much as 40% depending on weather conditions. Poor farmers are caught in a vicious circle of poverty-related risk aversion, low use of inputs, low productivity and low income. Structural adjustment has introduced the problem of the high cost of farm inputs and uncertain output markets, which slow down the adoption of technological innovations at least temporarily. The rural poor are generally forced to produce for home consumption and sell any surpluses at disappointing prices.

During 2000-02, The Gambia prepared a second Strategy for Poverty Alleviation (SPA-II), which is also the country's Poverty Reduction Strategy Paper (PRSP). PRSP/SPA-II has a dual approach: (a) actions in three key sectors (agriculture, health and education) to reduce poverty and (b) macroeconomic growth in order to make these actions feasible. The current macroeconomic stability represents an opportunity for the Government to consolidate the achievements of successive growth programmes and embark on pro-poor growth. SPA-II is consistent with IFAD's poverty reduction strategy for the region. Future IFAD interventions will focus on components of the rural SPA-II, which intervenes at the grass-roots level, namely, assistance to the rural population and support for farmer-based organizations (including rural finance).

The diversification of agriculture away from groundnuts is a cornerstone of the rural SPA-II. The constraints on the diversification efforts of Gambian farmers are the volatile demand and the competitive food prices of food imports in the Greater Banjul Area, which is the dominant consumer market, but also a seaport with low import barriers. Lowland rice, small ruminants, poultry, cashews, vegetables, fruit and other niche markets (such as rabbits, beekeeping and peri-urban dairy products) are interesting options for the improvement of household food security and the reduction of poverty in the medium term.

IFAD has financed six projects in The Gambia since 1982, with a total loan commitment of USD 30.4 million. Two projects, namely, the Lowlands Agricultural Development Programme (LADEP) and the Rural Finance and Community Initiatives Project (RFCIP), are ongoing. The aim of LADEP aim is to develop lowland rice and extend appropriate low-input agronomic practices. LADEP, which is cofinanced with the African Development Bank (AfDB), complements interventions of other donors in rice cultivation. The objectives of RFCIP are: (a) to streamline and expand rural financial services and (b) to strengthen farmer groups so that they can undertake self-help activities. RFCIP is directly supervised by IFAD. Both projects are driven by demand and make use of participatory approaches in planning and implementation. Activities are implemented by service providers, including government institutions, the private sector and non-governmental organizations (NGOs), on a contractual basis.

The lessons learned through IFAD action in The Gambia are as follows: (a) all IFAD projects have included innovative pilot operations with potential for scaling up; some of them were the basis for new projects after a testing phase; (b) lowland rice development, based on water management, tidal access and adapted extension, is successful; the demand of the target group for these interventions remains high; (c) the gradual improvement of traditional, extensive farming systems is effective and sustainable; (d) some problems in lowland development are related to the problems in adjacent upland development; (e) village savings and credit associations (VISACAs) are a vehicle through which rural financial services can be made available to small-scale farmers; (f) support for the more effective regulation of the microfinance sector has an impact on the sustainability of the sector; (g) a national microcredit policy document is needed; (h) RFCIP includes a small and relatively independent project support unit that operates as a facilitator and is responsible for contracting implementers; the first impressions are positive; and (i) competition among implementers is not apparent in a small country and should remain a point of attention; the cost and cost-effectiveness of service providers should be monitored.

The key thrust of future IFAD intervention will consist in: (a) the consolidation and continuation of successful IFAD initiatives (microcredit, community-initiated self-help groups, lowland rice development) through new loans, (b) the inclusion of innovative components tested during past pilot endeavours, (c) pilot projects to test new approaches (rural enterprise development, diversification and marketing) and (d) the strengthening of farmers organizations and community-based organizations (CBOs). These choices have been validated by a stakeholder workshop. IFAD will focus its efforts on activities with potential for scaling up and in which it can provide leadership. Strategic partnerships with other donors are part of this strategy.

The opportunities for innovation and project interventions are: (a) rural finance, where IFAD could offer nationwide support to accelerate the slow, organic growth of the VISACAs through a focus on capacity-building, the integration of VISACA networks, the formation of an apex body (a financial institution that provides banking services to other financial institutions), support for the regulatory effort of the Government and donor coordination; (b) integrated watershed management; this option implies the additional development of rice cultivation in the lowlands and the building up of complementary interventions around this main objective, including through the development of the adjacent upland and related on-farm diversification and community development; and (c) the testing of models of rural enterprise and rural marketing that can contribute to income diversification.

Future project implementation will rely heavily on NGOs, community groups and organizations, farmers associations, line agencies and financial institutions with experience and operations at village levels. Capacity-building and strengthening among implementers and CBOs will be required. Future operations should foster greater competition among service providers in the interest of cost-effectiveness, bearing in mind that the ultimate objective should be the empowerment of the rural poor to access efficient and affordable rural services rather than the strengthening of the service providers.

It is proposed that two projects be designed with an intervention period of 7-8 years, starting with a limited number of core activities that have proved ability to garner high demand: integrated watershed development, beginning with lowland development, microcredit, community development, rural services and diversification. The innovative project management structures of RFCIP have resulted in better project management. The concept will be maintained and improved in the future.

The country portfolio during the next ten years will consist of a maximum of two programmes on the national scale. These programmes would be the follow-up to LADEP and RFCIP. The first programme could include lowland management and the development of the adjacent uplands. The second programme could include rural finance (credit and savings), community-based initiatives and the diversification of on and off-farm activities. At present, the IFAD projects in The Gambia are absorbing USD 1.6 million per annum (only IFAD loans). The proposed medium-term strategy provides for the maintenance of the present lending amounts. This would imply financial assistance of USD 15 million over the next seven-eight years for the two projects.

Since 2000, IFAD has been discussing with the World Bank the possibility of cofinancing a community-driven rural development programme. The AfDB identified an integrated watershed management project in June 2002 that would complement LADEP. Future collaboration between IFAD, the AfDB and the World Bank should be taken into consideration in the development of the new programmes.

REPUBLIC OF THE GAMBIA

COUNTRY STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION

1. The present document represents the 2002 Country Strategic Opportunities Paper (COSOP) for IFAD in The Gambia. It provides IFAD with a platform for policy dialogue and donor coordination involving Government, development partners and beneficiaries, as well as a basis for the development of IFAD's plan of action in The Gambia over the next 10 to 15 years. In May 1997, IFAD, in close consultation with all stakeholders, prepared a first COSOP. In 2002, the preparation and validation by stakeholders of a new COSOP were timely, because the Government updated its Poverty Reduction Strategy Paper/Strategy for Poverty Alleviation (PRSP/SPA-II), including an 'Agriculture and Natural Resources Sector Policy (2001-2020)'. Furthermore, the two ongoing IFAD projects, the Lowlands Agricultural Development Programme (LADEP) and the Rural Finance and Community Initiatives Project (RFCIP), will come to an end in 2004 and 2005, respectively. A mid-term review was conducted for both projects in 2002.

2. During a first mission in July 2002, the Government, stakeholders, project staff and beneficiaries, the private sector and the donor community were consulted. A field visit was organized in all rural divisions of The Gambia. On the basis of these consultations, a draft COSOP was prepared and submitted for comments to all the parties involved. On 17-18 October 2002, a stakeholder workshop attended by farmers organizations, civil society, non-governmental organizations (NGOs) and Government representatives was organized in Banjul to review the draft COSOP. The workshop recommendations were integrated in the final version. The rural poverty context and poverty reduction strategy, as described in the COSOP, are based on the PRSP/SPA-II that was prepared by the Government using a long participatory process.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

3. The Gambia¹ is a small, flat country with an area of 10 689 km² situated on the Atlantic Coast of West Africa, bordered on three sides by the Republic of Senegal and stretching for about 375 km, at a width of 30 km on average, along the banks of the River Gambia. With a total population of 1 336 000 inhabitants² and 121 inhabitants/km², The Gambia is one of the most densely populated countries in Africa. It is also one of the poorest countries in the world. The 2001 Human Development Index of the United Nations Development Programme (UNDP) ranked The Gambia 149th among 161 countries, with an index of 0.396. The gross domestic product (GDP) amounts to USD 320 per capita. Between the 1983 and 1993 censuses, the population growth rate was 4.2% per annum. Natural growth was 2.9%, and inward migration 1.3%, resulting from an influx of refugees. At present, the population growth is estimated at between 3 and 4% per annum. The population is expected to double again over the next 15 years. Life expectancy at birth is 53 years, compared to 55 years for Africa on average. Malaria and the growing incidence of HIV/AIDS remain the biggest public health problems.

4. **The situation of women.** An analysis of the situation of women (UNDP, 2001) aged 18-49 years indicates: (a) inequalities exist in the participation of women in socio-economic life, (b) a literacy rate among women that is half that among men despite an increasing trend from 21% to 25%

¹ The Gambia is divided administratively into two municipalities – the capital, Banjul, and Kanifing Municipal Council – and five rural divisions: Western Division, Lower River Division, North Bank Division, Central River Division and Upper River Division. The divisions are subdivided into 35 districts and 1 870 villages.

² 1999 estimate. Most population statistics are based on the 1993 census. A new census will be organized in 2003.

during the period 1991 to 1998, (c) the maternal mortality rate is high, (d) women lack access to formal employment, and (e) the participation of women in political activities is low. Specific problems among rural women are: (a) the labour productivity of women is low in agriculture and horticulture, (b) women lack of access to credit for small income-generating activities, (c) women have no ownership or control over land, and (d) the labour burden of women is disproportionate in agricultural production.

5. **Macroeconomic policy.** Since the mid-eighties, The Gambia has been implementing economic policies that emphasize macroeconomic stability, liberalization and private-sector development. The Government implemented an ambitious economic recovery programme in 1985 with the objectives of reducing government expenditure, liberalizing trade, deregulating domestic prices and eliminating subsidies. The measures also led to a significant reduction in government expenditure on health and education, with serious consequences on vulnerable groups. In 1990, the Programme for Sustainable Development was launched in order to widen the gains and address the socio-economic effects of the economic recovery programme. In 1998, the Government adopted a long-term strategy for accelerated and sustainable development, 'The Gambia Incorporated Vision 2020' in order to transform The Gambia into a middle-income nation. The Gambia's medium-term strategy is presented in the PRSP/SPA-II. The PRSP sets out the poverty reduction strategy and implementation modalities for Vision 2020. In 2000, the primary macroeconomic convergence criteria for the Programme for Sustainable Development were met. Real GDP growth increased to 5.3% between 1998 and 2001. The inflation rate declined steadily from 4.8% in December 1998 to 0.8% at the end of 2000. The budget deficit, excluding grants, decreased to 3.6% in 2000. Gross reserves amounted to 6.8 months' worth of imports of goods and services. The exchange rate has been relatively stable.

6. Although macroeconomic stability has been achieved, poverty³ in The Gambia rose during the nineties due to economic shocks, including the coup of 1994, which adversely affected tourism and aid inflows, the devaluation of the CFA franc in Senegal and declining world market prices for groundnuts. In 1992, 34% of the population was classified as poor, and 18% as extremely poor. By 1998, the situation had deteriorated, and 47% and 30% of the population were poor and extremely poor, respectively. The PRSP/SPA-II states that "the emerging macroeconomic situation presents an opportunity to investigate ways in which government can consolidate the achievements of successive stabilization programs and embark on pro-poor growth." In order to reduce rural poverty, a comprehensive agenda in the agricultural, education and health sectors will be implemented.

7. **Debt relief.** The Gambia is classified as a heavily indebted poor country and, as such, is eligible for debt relief under the enhanced Heavily Indebted Poor Countries initiative, subject to the adoption of a PRSP and related sectoral public expenditure reviews. Under the debt relief initiative, funds that would have been used to service World Bank loans and credits can be used for poverty alleviation investments within the country. Agriculture, health and education have been identified as critical sectors where pro-poor priorities are to be determined. In June 2002, the International Monetary Fund approved a new three-year arrangement under the Poverty Reduction and Growth Facility. The Gambia has benefited from interim debt relief from the International Development Association, the African Development Bank (AfDB) and the International Monetary Fund.

8. **Decentralization.** The conduct of presidential (October 2001), national assembly (January 2002) and local government (April 2002) elections has contributed to strengthened democracy and improved donor relations. The Government took steps to advance the decentralization process with donor assistance in order to extend the process of democratization to the local level and to promote a community-based development approach. The decentralization of central functions to divisional levels and to autonomous, elected local governments is a key part of SPA-II. The Local Government Reform Act was adopted by parliament.

³ Data are based on the 1992 and 1998 National Household Poverty Surveys.

B. The Agricultural Sector and Rural Development: Opportunities and Constraints

9. The agriculture sector is characterized by the production of rainfed subsistence crops (coarse grains, rice, cassava and so on), traditional livestock rearing, semi-commercial groundnut and horticultural production and a small cotton and a large traditional fisheries subsector. The livestock sector contributes 24% to agricultural GDP, groundnuts 23%, other crops 43%, fisheries 3% and forestry 3%. The agricultural sector provides employment to 68% of the labour force and is the sole means of income generation for the majority of rural households below the poverty line.

10. The Gambia has 69 100 farm holdings.⁴ Cultivated land represents 305 000 ha, or 55% of the total arable land area of 558 000 ha. The most widely grown crop in 2001/02 continued to be groundnuts, with 45.5% of the total acreage, followed by early millet (26.7%), sorghum (8.6%), maize (5.6%), late millet (5.3%), upland rice (2.9%), sesame (2.3%), swamp rice (2.3%) and *findo*, a coarse grain (0.1%). Women grow rice in the lowlands and care for the small stock and the vegetable gardens, while men grow coarse grains and groundnuts in the uplands. During recent decades, output growth was mainly due to the expansion of the area under cultivation, while yields stagnated. The growth of smallholder farm size is limited by the capacity of manual labour. The need for the mechanization of field labour and post-harvest and processing activities is high. The natural resource base of The Gambia is limited and has deteriorated considerably during recent decades. Erosion and soil degradation are caused by declining rainfall, over-farming without the use of vital inputs and nutrients, overstocking, the increased demand for firewood and inappropriate tillage methods. The problem of soil fertility is likely to worsen as population pressure leads to the cultivation of more marginal lands and the shortening of the fallow period. Land is predominantly communally owned and is mostly controlled by men, which is not considered an encouragement for agricultural productivity.

11. **Groundnuts.** Groundnuts are the main cash and export crop, but they are also consumed by households. Groundnut production, estimated at 151 000 t in 2000/01, declined 2% per year during the period 1980-98. The production consists mainly of oil nuts, which have a very volatile price. There was no new equilibrium in the groundnut sector after liberalization during the nineties because of low world market prices, the slow emergence of liberalized input and output markets and the uncompleted divestiture process. In relative terms, farmers shifted production to coarse grains (early and late millet, maize, sorghum and *findo*), which recorded an increase in production from 24 000 t in 1980 to 142 000 t in 2000, of which 79 000 t were early millet. Cereal yields are higher in The Gambia than in neighbouring countries. The area under cultivation expanded on average by 4.5% per year in the nineties, mainly due to the expansion of the area planted in early millet. Coarse grains will remain important for subsistence needs.

12. **Rice.** The Gambia has a comparative advantage in the cultivation of lowland rice, but not in that of upland rice. The domestic resource costs at the farm level are 0.35 for tidal improved manual and tidal irrigated rice cultivation, 0.77 for tidal traditional swamp rice cultivation and 1.14 for upland improved manual rice cultivation. Total paddy production amounted to 35 900 t in 2001/02, of which 11 600 t of upland rice, 10 900 t of swamp rice and 13 400 t of irrigated rice. The slowly depreciating currency makes local rice competitive.

13. Improved tidal rice appears to generate substantial positive returns to farmers and provide high returns on family labour. The returns on labour of improved tidal rice cultivation vary between 36 and 39 dalasis (GMD) per labour-day, compared to GMD 13-17 per labour-day for coarse grains and maize and GMD 16-21 per labour-day for groundnuts. The yields of pump-irrigated rice oscillate around 4 t, those of improved rainfed rice around 3 t and those of traditional rainfed rice around 1.5 t. About 6 500 ha of irrigated rice have been developed. Irrigation using pumping systems is expensive to operate and maintain and scarcely profitable given the prevailing low rice yields. The recent trend is to develop the cultivation of tidal swamp rice that is managed at low cost and is affordable to small

⁴ Agricultural census 2001/02. There are about 21 400 farmholders in Brinkama, 13 700 in Kerawan, 8 200 in Basse, 7 500 in Janjanbureh, 7 100 in Mansakonko, 6 850 in Kuntaur and 4 500 in Kanifing.

rice producers. LADEP intends to develop 5 600 ha of lowland rice and to improve access to 2 375 ha of tidal swamp on the basis of community participation.

14. Lowland rice offers interesting opportunities to the rural poor: (a) rice is a staple food and farm households only eat their own local rice (“a household without local rice is a poor household”); (b) lowland rice is less vulnerable to soil fertility problems than are upland crops; lowland rice is less vulnerable to adverse weather conditions than are corn and coarse grains; (c) lowland rice offers labour and revenues for an important share of the women in rural areas; and (d) a real potential exists for the development of cottage industries for most post-harvest activities related to rice cultivation. As a result of these advantages, rice could help diversify agricultural production. However, the Government needs to put in place the enabling environment to improve the competitiveness of local rice.

15. **Horticulture.** On the basis of its natural endowments, The Gambia has a comparative advantage in horticultural production for the regional and international export markets. At the national level, about 60% of farmers are cultivating tomato, peppers and okra, mainly for home consumption. More specialized horticulture is concentrated in peri-urban areas. Two types of horticultural enterprises exist. The first category consists of commercial horticultural farms that produce for hotels and for export markets. Some of these farms rely on women’s groups as out-growers. The main constraints on this category are the high air-cargo tariffs and the limited airfreight capacity to the European market compared to other African countries. The second category consists of women’s groups in lower lying areas with heavy soils and access to groundwater (open wells or tube wells). These groups cultivate a range of vegetables on very small plots for home consumption and off-farm sale. Some groups around the Greater Banjul Area receive assistance from NGOs and extension services. The major constraints on this category are the limited local and regional market opportunities, which prevent them from increasing marketable surpluses significantly. The international market and local tourist sector impose rigid sanitary and quality requirements. The informal home market is volatile and controlled by middlemen. Furthermore, women’s groups generally produce one vegetable as a group and then harvest the crop at the same time, so that markets are immediately saturated. The prospects for the expansion of horticulture supply at the level of poor farmers depend on: (a) the availability of suitable land and water, (b) correct crop husbandry, (c) the diversification of supply and off-season cultivation, (d) contract production, and (e) quality control. Poor farmers can only have access to more stable outlets if they are organized in associations that match supply and demand and that arrange access to input.

16. **Livestock.** The Gambia has 323 000 head of cattle,⁵ 129 000 sheep, 228 000 goats and 586 000 poultry. The strategy of the Government is to promote private-sector participation in livestock production and marketing in order to resume exports to the subregion. Farmers perceive the prices for cattle, sheep and goats as attractive. Cattle are kept mostly for the prestige of ownership, while small ruminants and poultry are part of the family savings and income-generating strategies. Over 90% of farmholders have sheep and goats, and virtually all of them have poultry. Livestock management still follows the traditional practice of uncontrolled grazing, which has contributed to the degradation of vegetation. The productivity of livestock is small. The Gambian livestock sector is constrained by: (a) the frequent outbreak of disease, (b) poor and inadequate husbandry practices, and (c) the scarcity of feed, fodder and drinking water. The lack of a nutritious feed supply (including cheap maize) is a binding constraint on the expansion of the livestock population, as the carrying capacity of the country is limited. The vaccination campaigns organized through RFCIP seem to be successful and have had an immediate impact on household food security. The success and impact of the intensive feed gardens organized by the International Trypanotolerance Centre (ITC) are still unclear. The goal of the ITC, a regional research centre based in Banjul, is to contribute to efforts to increase livestock productivity and utilization in the West African region through the optimal exploitation of the genetic resistance of indigenous breeds. The centre develops integrated approaches so as to alleviate the constraints on the raising of small ruminants and smallholder dairy production.

⁵ Agricultural census 2001/02.

17. Dairy farming in peri-urban areas is financially attractive to smallholders, but poor farmers generally cannot afford dairy cows. Dairy marketing is typically informal. The formal market is dominated by imported dairy products. Poultry, rabbits and other short-cycle species for home consumption and rural markets are attractive options for the improvement of household food security.

18. **Consumer demand and marketing.** The Gambia has only one major urban consumer market, namely, the Greater Banjul Area, which is also a seaport for the importation of rice, wheat, sugar, poultry, vegetable oil and dairy products. Unlike farmers in other, larger and more landlocked countries, the farmers in The Gambia compete at close to world market prices in their principal urban market. Merely on the basis of comparative advantage, the opportunities are therefore numerous in the rural areas of The Gambia, but the comparative advantage often disappears or decreases when crops are transported to the Greater Banjul Area. Experience has shown that farmers are often unable to sell incremental production from supply-driven project interventions at remunerating prices. The absorption capacity of the markets to which the rural poor have access is limited, and the market power of the poor is weak. It can be concluded that: (a) careful project interventions in niche markets are required because markets become rapidly saturated, and (b) farmers organizations should be involved in planning interventions in production and marketing (negotiations with input suppliers and output buyers, production schemes, contract production, adapted extension, quality control and so on). A flexible demand-driven approach should be preferred for operations in most niche markets. The market channels for the main food crops (rice, coarse grains and maize) and for cashews and small ruminants allow broader interventions without the risk of market distortion.

19. Senegal is an attractive market for the exports of coarse grains, small ruminants and groundnuts, but only during periods of shortage in the Senegalese market.

20. **Agricultural policy and institutions.** Complementary to SPA-II, a Rural Strategy for Poverty Alleviation is under preparation. The Government priorities in agriculture are as follows: (a) water control management, (b) soil fertility maintenance, (c) research and extension, and (d) rural finance and microfinance. The Government has also proposed a two-pronged approach: on the one hand, to ensure that poor farmers have access to inputs and markets and, on the other hand, to help farmers, particularly women, increase their incomes by providing them with information and advice. A draft concept paper for a rural-sector support programme was prepared in early 2001 by the Department of State for Agriculture (DOSA), in collaboration with the Food and Agriculture Organization of the United Nations (FAO). The following components were validated by the rural-sector support programme stakeholder workshop: (a) enhancement for the capacity of agricultural service providers, (b) assistance for rural society, (c) rural infrastructure development, and (d) support for DOSA.

21. A rural public expenditure review for agriculture and rural development, which highlights expenditure priorities, was prepared in 2002. Agriculture's share in recurrent budget expenditure has been falling consistently, from 15.2% in 1978/79 to 3.5% in 1994/95 and 3% in 2001/02. During 1995-2000, agriculture accounted for 23% of all development expenditure on average, although this expenditure came almost exclusively from external loans and grants.

22. The PRSP/SPA-II stresses the importance of making agricultural extension pro-poor and efficient and of making agricultural research client-driven and responsive. Extension services are acutely underfunded in relation to their putative work programmes. The subsidy from the Government recurrent budget for research is used almost exclusively to pay salaries. Research activities are mainly financed through international research programmes and through projects such as LADEP and RFCIP. Three ongoing changes in extension are: (a) the move towards unified extension services, (b) the devolution of responsibility for extension from the central authorities (DOSA) to the local divisional councils, and (c) the transformation into small-farmer extension services with local stakeholders. IFAD should identify a new approach for working with research and extension, as previous attempts have not produced the results expected.

C. The Rural Poverty Context: Opportunities and Constraints

23. In 1998, 47% of the population of The Gambia were living in poverty, and 30% in extreme poverty. Poverty is mainly a rural phenomenon: about 50% of the rural population is poor. About 35% of rural households fall below the food poverty line, compared with 15% in urban areas and 4% in Greater Banjul Area. Rapid urbanization implies that there is a danger of urban poverty. Women are generally less well off than men. People in rural areas see themselves as poorer during the rainy season. Hunger is particularly prevalent during the peak of the rainy season (July-September), when household food stocks are low and labour requirements high, and households must spend more money on health (because of the threat of malaria) and school fees. About 91% of the extremely poor and 72% of the poor work in agriculture. Therefore, agriculture is the prime sector for investment to improve food security and reduce poverty.

24. The causes of rural poverty are: (a) low and deteriorating soil fertility, (b) low agricultural and labour productivity, (c) poor access to productive assets (land, water), (d) poorly functioning input and output markets, (e) low world market prices for outputs, particularly groundnuts and Thai broken rice, (f) poorly functioning rural institutions (including credit institutions) and lack of basic social services, and (g) crop yields that fluctuate up to 40% depending on weather conditions. Poor farmers are caught in a vicious circle of poverty-related risk aversion, low use of inputs, low productivity and low income. Structural adjustment has introduced the problem of the high cost of farm inputs and uncertain output markets, which impede the adoption of technological innovations at least temporarily. The rural poor are generally forced to produce for home consumption and sell surpluses at disappointing prices. Groundnut farmers show by far the highest rate of poverty among all socio-economic groups (PRSP, 2002). The impact of efforts to diversify agricultural production is still limited.

25. The geographical distribution of poverty is uneven; the incidence of poverty is highest in the rural groundnut-producing areas. The North Bank, Upper River and Lower River divisions have a poverty incidence of around 65%. In the Western and Central River divisions, about 45-55% of the population is poor.

D. The National Strategy for Rural Poverty Reduction

26. The Government developed a first Strategy for Poverty Alleviation (SPA-I) during the period 1991-94 in response to the lack of improvement in living standards despite the growth achieved under the economic recovery programme and the programme for sustainable development. The four axes of SPA-I were: (a) enhancement of the productive capacity of the people, (b) improvement in the access to and the performance of social services, (c) building capacity at the local level, and (d) the promotion of participatory communication processes. An SPA coordination office was established to coordinate all interventions under the umbrella of the Department of State for Finance and Economic Affairs. The impact of SPA-I was limited because of external economic shocks and worsening relations with the international donor community.

27. The Government prepared a second SPA, which is also the PRSP, after a broadbased consultative process that started in October 2000. The final version of the SPA-II was presented to the Sixth Donor Roundtable Conference in Geneva, Switzerland, in September 2002. SPA-II involves a dual approach to reaching the long-term goal. On the one hand, specific actions will be carried out in three key sectors to reduce poverty. On the other hand, macroeconomic growth will provide income to make these actions feasible. The plan being implemented through SPA-II involves the empowerment of communities to respond to their own development needs, including through a social development fund. Priority areas for intervention are agriculture, education, health, selected infrastructure and small business promotion. Cross-cutting issues are: (a) the importance of empowering women and increasing their access to land in rural areas, (b) environmental degradation, and (c) HIV/AIDS. The approach is in line with IFAD's regional intervention strategy.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE GAMBIA

A. Ongoing and Past Projects

28. IFAD has financed six projects in The Gambia so far, of which four were initiated by IFAD and two by the World Bank/International Development Association. Five projects were cofinanced with other donors. Since 1982, the total commitments and disbursements of IFAD have amounted to USD 30.4 million, against a total project cost of USD 90 million. All projects have had an agricultural focus and pursued the overall goal of alleviating rural poverty by improving household food security, especially among small farmers and women.

29. The **Jahaly and Pacharr Smallholder Project (JPSP)** was initiated by IFAD and cofinanced by the AfDB. It was the first of three IFAD projects that dealt with the development of lowland rice (see also the Small-Scale Water Control Project and LADEP), which is traditionally a women's crop. The JPSP was successful in raising yields and aggregate output above appraisal estimates. The high level of mechanization employed in the JPSP proved unsustainable when the Government withdrew its subsidies for agricultural inputs during liberalization. Pilot village savings and credit operations like the village savings and credit associations (VISACAs), water user groups and functional literacy campaigns demonstrated their potential during the project.

30. The **Agricultural Development Project II** was initiated by the World Bank (USD 18.7 million) and cofinanced by IFAD (USD 5.0 million) for operations in the Central River Division. The aim was to: (a) reorganize the Ministry of Agriculture, (b) strengthen agricultural extension and research and seed multiplication, and (c) support the development of the Gambia Cooperative Union, which was involved in input supply and seasonal credit. The target group consisted of upland groundnut farmers.

31. The **Small-Scale Water Control Project**, which was initiated by IFAD (USD 3.6 million), incorporated lessons from previous projects. The benefits of the project included improved access roads, larger rice yields, increased food security and greater community participation. Women were the main recipients of the project services, though little was done to enhance their living standards through labour-saving equipment, income-generating activities, or credit.

32. The **Agricultural Services Project** was initiated by the World Bank/International Development Association (USD 17.1 million) and cofinanced by IFAD (USD 3.6 million). The project aimed to raise agricultural production and rural incomes by strengthening agricultural extension, adaptive research and educational services, and natural resource management. It also initiated the process of establishing viable rural financial services. The project was national in scope, while the IFAD funds were allocated for activities in the Central River Division at the grass-roots level. IFAD financed successful pilot activities, including functional literacy campaigns, the formation of water user associations, the introduction of labour-saving technologies in rice production, the training of village entrepreneurs, and support for development through the strengthening of six existing VISACAs and the promotion of 15 new VISACAs and a village development fund for community-initiated self-help and social development. It was found that the use of village groups (*kafos*) as entry points was more effective than working with individual farmers or *ad hoc* contact groups. The project did not succeed in strengthening agricultural support services and research, which continue to suffer from operational problems.

33. The **Lowlands Agricultural Development Programme (LADEP)**⁶ (USD 11.7 million) was initiated by IFAD and cofinanced by the AfDB. The first phase of this 20-year programme for the sustainable community-driven development of lowland areas using simple technology and self-help labour is to last eight years. The programme effectively started in May 1997. It is designed to help farming communities control saline water inundation or pond run-off water through the construction of dykes and spillways for rice production. In addition, the project improves access to tidal swamp

⁶ A mid-term review took place in July 2002.

areas through the building of bridges and causeways. The technologies adopted have been well tested during previous projects. The priority target groups are traditional swamp and tidal rice growers, mainly women. The project is demand driven. Activities are based on community participation, for which appropriate training is provided. The project's innovative approach to implementation involves the use of service providers (Government, the private sector, NGOs) on a contractual basis. A participatory impact assessment exercise, carried out in December 2000, and the mid-term review, carried out in July 2002, confirmed that LADEP is a sound and successful programme with good prospects for sustainability.

34. The **Rural Finance and Community Initiatives Project (RFCIP)**⁷ is an innovative IFAD project with a budget of USD 10.6 million. It was undertaken in July 1999 and is to last for six years. The overall objective of the RFCIP is to improve the food security and incomes of rural farm households. The project is demand driven and uses the participatory approach in all preparatory activities and in implementation. Its aim is the establishment, through support for construction and credit, of some 80 VISACAs and a substantial incremental output of vegetables, cassava and cereals through extension and financial support for farmer groups. The principle behind the VISACA is the linkage of savings and credit services in a village-owned and managed bank. After being initiated through IFAD-funded projects, the VISACA concept is now also being promoted by other donors, leading to greater coverage throughout the country.

35. The mid-term review of the RFCIP, carried out in December 2002, concluded that: (a) the project had performed quite well, based on the fact that the majority of the physical targets had been achieved, (b) the policy and regulatory aspects of the development of microfinance were well established, with significant support through the project, and (c) the amounts disbursed and the recovery rate of rural credit schemes were quite satisfactory. Loan disbursement had reached almost 50% at the mid-point of the project life. The mission which carried out the mid-term review did not see the need for major changes in the project design or in the overall goals and objectives.

36. IFAD is financing a non-lending programme with the Gambia Women Farmers Association. The aim of the association is to promote the economic and social empowerment of women farmers.

B. Lessons Learned

37. A successful characteristic of all IFAD-assisted projects in The Gambia has been the inclusion of innovative pilot operations with potential for scaling up. In this way, IFAD has accumulated know-how and has reduced the risk of future project failure. In the past, outstanding pilot activities, for example the VISACA concept, tidal access and water management in swamps and lowland rice cultivation, and community-initiated self-help groups, were tested, adapted and became successful models that were implemented through new projects (such as LADEP and RFCIP). Preferably, the future introduction of new technologies and approaches should also occur through pilot-phase testing and adaptation.

38. Successive IFAD projects in The Gambia have become more demand driven and participatory with respect to planning and implementation, which has improved their efficiency, effectiveness and sustainability. The traditional village-wide *kafos* appear to be an effective entry-point, since they are cohesive and able to mobilize vulnerable elements in local populations.

39. Impact monitoring and assessment have been a weaker element in the IFAD project cycle in The Gambia. Output indicators are used, but operational outcome indicators are scarce. In the case of LADEP, this is partly due to the cooperating institution's tendency to emphasize input and output monitoring relative to impact assessment. There is an urgent need to strengthen data gathering on project outcomes as an input for the design of follow-on loans for the two ongoing projects.

40. In the past, the capital-intensive technologies used to target the poorest farmers were not sustainable after the project phase, partially because of the changing macro-environment stemming

⁷ A mid-term review took place in December 2002.

from structural adjustment and liberalization. A careful selection of technologies, equipment and implementation strategies is required since the macro-environment in which poor farmers are operating is more competitive and riskier now than it was 15 years ago. The gradual improvement of traditional extensive farming systems (for example rice farming) appears to be effective in the present context.

41. The village-run VISACAs, which were initiated by DOSA and IFAD through the JPSP, are a vehicle for the provision of rural financial services to small-scale farmers and rural entrepreneurs. The ongoing demand-led experiences are clearly more successful than the supply-led approaches.

42. The establishment of a microfinance department at the Central Bank to oversee the policy and regulatory aspects of microfinance in The Gambia was a major achievement. The regulation process of the microfinance sector should be encouraged. Furthermore, a national microcredit policy document is needed. The coordination at the national and donor levels in microfinance should be encouraged.

43. The project designers in both RFCIP and LADEP have opted for organizational innovation, with a small and relatively independent project support unit responsible for contracting implementers. The field representatives are equipped with small offices and transport equipment and undertake subcontract activities. The project support unit's role in implementation is that of a facilitator, providing the financial and technical resources necessary to complement the efforts and contributions of the target group. The first impression produced by this approach – to be confirmed by the mid-term review – is positive.

44. Important points for attention with respect to the contracting of service providers are: (a) The Gambia is a small country, so that competition among implementers on specific tasks is weak or non-existent, leading sometimes to less than optimal results; (b) the cost and cost-effectiveness of service providers should be monitored since these will be a key element in determining the financial and economic impact of microcredit activities; the cost of service providers remains high compared to the carrying capacity of the microfinance institutions; and (c) if possible, the service providers should not be identified during formulation in order not to interfere with the selection procedure (bidding) during the operational phase. With respect to the VISACAs, the microfinance department has established a VISACA performance assessment and ranking, leading to an improvement in the overall performance of the VISACAs. The experience with the contracting of service providers in microfinance is positive. The credit lines provided through RFCIP are being managed in an excellent way.

45. Although IFAD projects have been involved in agricultural extension and research for many years in The Gambia and have taken different approaches (funding, contracting and so on), an optimal model for the use of these services to assist target groups has not yet been identified. Further testing is required.

46. The Gambia's agricultural soils can be divided into two large categories: those in the uplands and those in the lowlands. In the past, LADEP has successfully taken the lead in lowland development. A weakness of the LADEP approach is the absence of interventions in the adjacent uplands, which cause soil erosion. The Government's strategy is to diversify agriculture away from groundnuts in the uplands. Although RFCIP has tested some interesting pilot activities (livestock vaccination, intensive feed gardens), the additional testing of options for diversification in adjacent uplands is required.

IV. THE STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

47. The four strategic objectives of an IFAD intervention, as described in the IFAD regional strategy for West-Africa, are: (a) strengthening the capacity of the rural poor and their organizations and improving the pro-poor focus of rural development policies and institutions; (b) raising agricultural and natural resource productivity and improving access to technology; (c) increasing rural incomes through improved access to financial capital and markets; and (d) reducing the vulnerability to major threats to rural livelihoods. IFAD's strategic niche is consistent with the Government's overall and rural poverty reduction strategy (PRSP/SPA-II). Future IFAD interventions will focus on those components of the rural SPA-II that intervene directly at the grass-roots level: (a) assistance for rural society, and (b) support for farmer-based organizations (including rural finance).

48. The three essential cross-cutting approaches applied in the design and implementation of IFAD interventions are: (a) resource management by women, (b) enhanced participation, and (c) building on indigenous knowledge. These elements are present in the ongoing interventions (LADEP, RFCIP) and will also be the basis for future interventions.

49. Given the above considerations, as well as the lessons learned from past and ongoing projects and opportunities, the key strategic thrust of IFAD's intervention in The Gambia will consist of: (a) the consolidation and continuation of successful IFAD activities (microcredit, community-initiated self-help, lowland rice development and so on) through new loans, (b) the inclusion of innovative components that have been successful during pilot testing, (c) the use of pilot activities to test new approaches that have potential for scaling up in The Gambia, and (d) the strengthening of farmers organizations and community-based organizations (CBOs).

50. Given the relatively small size of IFAD interventions compared to some of those of other donors and international finance institutions, IFAD will focus on activities with a potential for scaling up because the Fund can provide leadership and has the leverage to attract other donors. Strategic partnerships with other donors are part of this strategy.

B. The Main Opportunities for Innovations and Project Interventions

51. The causes of poverty that can be tackled through IFAD interventions are: (a) those related to land as a productive asset (yields, dependence on weather conditions, soil fertility, erosion, access) can be tackled through the development of agriculture in the fertile lowlands and the adjacent uplands; (b) those related to the low prices of outputs and failing output markets can be tackled through the diversification of on and off-farm income-generating activities; and (c) those related to 'un' developed rural institutions and services can be tackled through the development of communities and services (including credit).

52. **Integrated watershed management.** This option implies the development of rice cultivation in the lowlands and the building up of complementary interventions around this main objective, including the development of adjacent uplands, microfinance, diversification and community development.

53. The demand of the LADEP target group for the water control management and tidal access components remains high, and the efficiency and effectiveness of the approach are proven and the potential for expansion exists. The assistance through LADEP in the lowlands is highly complementary to that of other donors. The Kuwait Fund, the Taiwanese Fund, the AfDB and Indonesian and Chinese aid programmes are intervening in the tidal irrigable zone of the Gambia River. LADEP includes only a tidal access component in the tidal irrigable zone, but it is also assisting the population upstream through water management schemes and the population downstream through tidal access and water management schemes.

54. **Rural finance.** IFAD, together with DOSA, could continue to take the lead in rural and microfinance development, including regulation and policy issues, and donor coordination. As an exit strategy from the rural finance sector, further nationwide support to boost the slow, organic growth of the VISACAs could be offered through a focus on: (a) capacity-building and empowerment in management, (b) the integration of the five VISACA networks (linked to the five service providers), (c) the stepwise formation of an apex body, and (d) greater financial sustainability. Growth in the number and the rehabilitation of the VISACAs will be of secondary importance after the completion of the RFCIP, but these are not excluded. The demand for microfinance services in rural communities remains high, while the existing structures are still fragile and highly dependent on external service providers for management support and coaching.

55. **The diversification of on and off-farm sources of income.** The community-development component (farmer partnership fund, *kafo* capacity-building) represents an opportunity to test diversification, enterprise and marketing models on a pilot basis. These interventions are strongly recommended by stakeholders. The careful selection of a limited number of packages and interventions is required. On the one hand, support at the divisional level for niche markets has often led to oversupply and to a drop in prices, which should be avoided. On the other hand, in order to have a significant impact, an intervention should target only a limited number of high-potential subsectors. Cashews are, for example, an interesting option because: (a) 24% of the rural households are owners of cashew trees; (b) the international demand exists; and (c) marketing channels exist in The Gambia because traders from Guinea-Bissau are buying; meanwhile, a collapse in market prices because of national overproduction is not likely. Another option is the small-scale mechanization of paddy production and processing, which is mainly based on the labour of women.

56. **Strengthening farmers organizations** is a necessity in a context of democratization, decentralization and liberalization. Farmers associations could play an active role in the structuring of production and of marketing channels (the organization of producer groups and extension, the matching of supply and demand, the identification of buyers, the monitoring of marketing contracts and so on). They should also be actively involved in the definition of extension and research requirements. Capacity-building is required. It depends functional literacy, adequate member education, regional study tours and so on. Attention should be given to the fact that the IFAD target group is often underrepresented in existing associations of farmers. Coordination among donors is required since direct support for farmers organizations is becoming a hot topic in the donor community. Most farmers organizations are young and have only limited financial absorption capacity.

57. **HIV/AIDS.** Small local surveys indicate an HIV prevalence in 1997 ranging between 1 and 4% compared to 0.1% in 1990. An AIDS-awareness campaign can be organized to target community groups involved in ongoing and future IFAD interventions. The implementation can be contracted out to local service providers.

58. Adaptive research is a tool and not an objective in the IFAD strategy. The component will be part of this strategy.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

59. Future project implementation will rely heavily on NGOs,⁸ community groups and organizations, farmers associations, line agencies and financial institutions with experience and operations at the village level. These partners will be selected on the basis of their specific expertise and capabilities and then contracted to implement project activities. If adequate curricula and training materials are not available, assistance for their preparation must be provided. However, the goal of IFAD is to empower the rural poor rather than to strengthen the capacity of NGOs. Also, farmers organizations can act as partners, as well as implementers, at the field level, thereby leading to an

⁸ About 60 NGOs belong to the Association of Non-Governmental Organizations, a voluntary umbrella organization created in 1983.

acceleration of the demand driven and participatory process. NGOs and CBOs have already shown they can quickly improve their capacity.

60. At the grass-roots level, The Gambia has a long-standing tradition of CBOs: the *kafos*. These multi-purpose organizations have structured leadership, membership rules and definite purposes. By relying on the *kafos*, a project can directly assist the rural poor in the implementation of a medium-term strategy based on the principles of participation, sustainability and cost effectiveness. On the basis of the RFCIP experience, recommendations concerning the future role of the *kafos* in IFAD interventions will be formulated.

61. A future collaboration with the National Women Farmers Association is recommended. The association includes 72 independent sesame growers associations throughout the country. The association's objectives are to: (a) increase the production of sesame and promote value-added processing, (b) strengthen the organization of self-help groups, (c) facilitate the access to reliable market outlets, and (d) mobilize savings and credit.

62. Also, the National Farmers' Platform, which is an umbrella organization of professional associations (rice growers, beekeepers, cashew growers, fishermen and so on), should be considered a partner.

63. IFAD is funding a technical assistance grant to the West Africa Rice Development Association for distribution of the New Rice for Africa (NERICA) varieties. The association is already collaborating with LADEP in this area. A technical assistance grant to ITC/International Livestock Research Institute is also under preparation to support the adaptive research in livestock. A close collaboration with these two institutions is recommended in the future.

D. Opportunities for Linkages with Other Donors and Institutions

64. Total external assistance to The Gambia in 1999 stood at USD 92.3 million, or USD 66.5 per capita, compared with USD 63.7 million in 1998. Multilateral partners provided USD 62.8 million, bilateral donors USD 16.2 million and NGOs USD 13.6 million. A total USD 9.9 million, or about 11% of external assistance, was deployed in the agriculture, forestry and fisheries sector. IFAD and the AfDB have become lead donors in The Gambia's agricultural sector and, more specifically, in rural finance and lowland agriculture.

65. **Arab donors and development banks** (the Organization of the Petroleum Exporting Countries, the Islamic Development Bank, the Kuwait Fund, the Arab Bank for the Economic Development of Africa, the Libyan Arab Jamahiriya) are active in the transport, human resource development and health sector.

66. The **European Union**, through the 8th European Development Fund (EDF), focused on decentralization (capacity-building, the division development fund, prioritization) and rural development, including the establishment of a microcredit policy, groundnut-sector reform, agricultural research (ITC) and extension, rural infrastructure and the rehabilitation of rural roads. The European Union has taken a leadership position in assisting the Government in the decentralization process. In 1998, the Agribusiness Service Plan Association was created in order to build up the capacity of local cooperative societies. The Autonomous Credit Project and the Seed Project were financed. The 9th EDF (approximately 47 million euros (EUR) for the period 2003-07) provides support for transport infrastructure, rural development (including decentralization) and the Gambian Tourism Authority. Budget support (EUR 14 million) for education will be given. The Support to Decentralized Rural Development Programme has been cofinancing the VISACA network since 1994 (7th and 8th EDF), but this is phasing out. There are no plans for a direct intervention in the microfinance sector in the future, as microcredit does not belong to the programme's core activities, but the programme might cofinance credit projects.

67. The **World Bank**, through the International Development Association, has been assisting The Gambia in the establishment of a sound macroeconomic and sectoral environment. The current portfolio consists of six projects, totalling USD 99 million: (a) Participatory Health, Population and Nutrition, (b) Third Education Sector, (c) Poverty Alleviation and Capacity-Building, (d) HIV/AIDS Rapid Response, (e) Capacity-Building for Economic Management, and (f) Gateway. IFAD and the World Bank have been historic partners in two rural service projects (the Agricultural Development Project II and the Agricultural Services Project) and have been assessing the need for a new rural development programme since 2000.

68. **FAO's** Special Programme for Food Security is active in the intensification and diversification of agriculture and water management. The aim is to increase food security through the production of short-cycle species of crops and livestock. FAO's Peri-Urban Horticulture and Livestock Development Project focuses on diversification (peri-urban dairy, horticulture). FAO supports the agricultural census and the formulation of a rural-sector support programme, an agricultural research strategy and a livestock master plan.

69. The **UNDP** funded the Household Food Security/Poverty Alleviation project. The resident United Nations agencies (UNDP, the United Nations Children's Fund, FAO, the United Nations Population Fund and the World Food Programme) will harmonize their programmes and make all poverty-related interventions consistent with the PRSP/SPA-II.

70. **AfDB's** assistance focuses on infrastructure, social services (mainly the access of vulnerable groups to health and education services), higher agricultural productivity, small-scale enterprise development and good governance. In the agricultural sector, the AfDB is cofinancing LADEP and has financed a livestock development study. It has also financed the Farmer-Managed Irrigated Rice Development Project, which aims to consolidate previous rice-development schemes of the Rice Development Project, the Small-Scale Water Control Project and the JPSP. An exploratory mission for an integrated watershed management project took place in June 2002. This project will constitute the first phase of a programme that will go on at least 15 years. Watersheds have been identified in the North Bank and Western divisions. The project will complement LADEP. Its cost is estimated at USD 11.6 million.

71. The **German Agency for Technical Cooperation** is funding the ITC, as well as sustainable management practices to improve the quality and productivity of the natural forests.

72. The **Department for International Development** (United Kingdom) will support the implementation of SPA-II with a specific interest in: (a) public expenditure reviews, (b) monitoring the PRSP/SPA-II, and (c) education (basic education for all, access, quality of teaching).

73. **The Irish League** is giving support to the credit unions.

74. The interventions of most donors complement those of IFAD. Therefore, a broad consultation and coordination is necessary on microfinance development (the Irish League, the AfDB, the European Union, NGOs and so on). The European Union is interested in cofinancing microcredit interventions. IFAD has a longstanding tradition of collaboration with the AfDB and the World Bank in The Gambia. The climate of collaboration with both partners has always been positive. At the moment, IFAD, the AfDB and the World Bank are exploring opportunities for a joint intervention in integrated watershed management and rural development. Complementarities between the European Union's rural infrastructure component and IFAD's lowland interventions should be explored since physical market access is a precondition for the success of an integrated watershed management intervention. The lessons learned from FAO's and the AfDB's livestock activities and diversification are of interest. IFAD's AIDS-awareness campaign at the grass-roots level will complement interventions of Joint United Nations Programme on HIV/AIDS and the World Bank.

E. Areas for Policy Dialogue

75. The potential for policy dialogue should be limited to those areas in which IFAD provides leadership:

- microfinance policy: the role of the Central Bank, including: (a) strengthening the microfinance unit of the Central Bank; this unit is auditing the VISACAs, but not other financial service providers; (b) the preparation of a national microcredit policy; more rigid regulation would contribute to the sustainability of all financial institutions; and (c) convincing the Government of the need to regulate supply-led initiatives in the sector more strictly;
- integrated watershed management and the implementation of the master plan for lowlands that will be developed by LADEP; also, related issues can be considered such as (a) land tenure, including the access of women to land rights; (b) rice marketing policy (import barriers, taxation); and (c) agricultural input policy; the role of the Government in the distribution of fertilizers (Japanese grant KR2), which might influence investment from the private sector. The adoption of the master plan should become the start of an intensive process of coordinated planning among donors, the users of the lowlands (farmers, tourism, ecologists) and the Government.

F. Action Areas for Improving Portfolio Management

76. The country portfolio during the next ten years will consist of a maximum of two projects built around different components.

77. The innovative project management structures of RFCIP and LADEP have resulted in better project management and will be maintained. Project management capacity should be strengthened through training. The subcontracting of activities is to be maintained, but cost-efficiency should be monitored closely.

78. Through the decentralization process, the divisional administrations and councils will become more important partners in the medium term and should be involved in the planning and implementation stages. The legal framework for decentralization has been adopted, but the decentralized structure will not receive financial resources before the end of 2003. The community-strengthening activities of IFAD at the grass-roots level, allowing the communities to play their role fully, complement those of the European Union and the World Bank.

G. The Tentative Lending Framework and Rolling Programme of Work

79. The termination of RFCIP is set for 31 December 2005. Loan disbursement has reached 50% mid-way through the project's life. The termination for LADEP is set for 30 July 2004. Loan disbursement is slightly behind schedule.

80. Given the macroeconomic stability and growth in The Gambia, the adoption of PRSP/SPA-II by the Government and the ongoing decentralization and democratization process, the conditions are favourable for pursuing IFAD's intervention during the next decade. In order to reduce poverty in rural areas, adequate resources will be made available to strengthen people's capacities and improve the use of existing resources. Consolidation and a continuation of successful IFAD initiatives could be considered in: (a) microfinance, (b) lowland rice development, including the development of adjacent uplands, and (c) diversification of on and off-farm activities. Future project implementation will rely heavily on NGOs, CBOs and farmers associations, line agencies and financial institutions with experience and operations at the village level.

81. It is proposed that two projects should be designed, with an intervention period of seven-eight years, and started with a limited number of core activities that have proven ability to attract high demand: integrated watershed development, starting with lowland development, microcredit, community development, rural services and diversification. The innovative project management structures of RFCIP have resulted in better project management. The concept will be maintained and enhanced.

82. The country portfolio during the next ten years will consist of a maximum of two nationwide programmes. These programmes would be the follow-up to LADEP and RFCIP. The first programme could include lowland management and the development of the adjacent uplands. The second programme could include rural finance (credit and savings), community-based initiatives and the diversification of on and off-farm activities. At present, IFAD projects in The Gambia are absorbing USD 1.6 million per annum (the IFAD loans only). The proposed medium-term strategy provides for the maintenance of the present lending level. This would imply a financial assistance of USD 15.0 million over the next seven-eight years for two projects.

APPENDIX I

COUNTRY DATA

THE GAMBIA

Land area (km² thousand) 2001 1/	10	GNI per capita (USD) 2001 1/	320
Total population (million) 2001 1/	1.34	GDP per capita growth (annual %) 2000 1/	3
Population density (people per km²) 2001 1/	134	Inflation, consumer prices (annual %) 2001 1/	1 a/
Local currency	Dalasi (GMD)	Exchange rate: USD 1 =	GMD 0.053
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1995-2001 1/	3.1	GDP (USD million) 2001 1/	390
Crude birth rate (per thousand people) 2001 1/	38	Average annual rate of growth of GDP 2/ 1981-1991	3.6
Crude death rate (per thousand people) 2001 1/	14	1991-2001	3.5
Infant mortality rate (per thousand live births) 2001 1/	91	Sectoral distribution of GDP 2001 1/	
Life expectancy at birth (years) 2001 1/	53	% agriculture	40
Number of rural poor (million) (approximate) 1/	n/a	% industry	14
Poor as % of total rural population 1/	n/a	% manufacturing	5
Total labour force (million) 2001 1/	0.68	% services	46
Female labour force as % of total 2001 1/	45	Consumption 2001 1/	
Education		General government final consumption expenditure (as % of GDP)	15
School enrolment, primary (% gross) 2001 1/	82 a/	Household final consumption expenditure, etc. (as % of GDP)	84
Adult illiteracy rate (% age 15 and above) 2001 1/	62	Gross domestic savings (as % of GDP)	1
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1997 2/	2 614	Merchandise exports 2001 1/	9
Malnutrition prevalence, height for age (% of children under 5) 2001 3/	19 a/	Merchandise imports 2001 1/	200
Malnutrition prevalence, weight for age (% of children under 5) 2001 3/	17 a/	Balance of merchandise trade	-191
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2001 1/	4 a/	before official transfers 2001 1/	n/a
Physicians (per thousand people) 2001 1/	n/a	after official transfers 2001 1/	-53
Population using improved water sources (%) 2000 3/	62	Foreign direct investment, net 2001 1/	n/a
Population with access to essential drugs (%) 1999 3/	80-94	Government Finance	
Population using adequate sanitation facilities (%) 2000 3/	37	Overall budget deficit (including grants) (as % of GDP) 2001 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2001 1/	n/a
Food imports (% of merchandise imports) 2001 1/	35 a/	Total external debt (USD million) 2001 1/	489
Fertilizer consumption (hundreds of grams per ha of arable land) 2001 1/	35 a/	Present value of debt (as % of GNI) 2001 1/	69
Food production index (1989-91=100) 2001 1/	153	Total debt service (% of exports of goods and services) 2001 1/	4
Cereal yield (kg per ha) 2001 1/	1 286	Lending interest rate (%) 2001 1/	24
Land Use		Deposit interest rate (%) 2001 1/	13
Arable land as % of land area 2000 1/	23		
Forest area as % of total land area 2000 1/	48		
Irrigated land as % of cropland 2000 1/	1		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2003

2/ UNDP, *Human Development Report*, 2000

LOGICAL FRAMEWORK

Intervention Logic	Objectively Verifiable Indicators	Source of Verification	Assumptions
Goal: Reduce poverty and improve human welfare in rural areas	Percentage of rural population below poverty line Human Development Index indicators: Life expectancy at birth Enrolment rate in primary education GDP per capita	National Household Poverty Survey Demographic census Education statistics Specific surveys	Pre-conditions: Political stability is ensured Macroeconomic growth of at least 6%
Purpose 1: Strengthened capacity of the rural poor and their organizations	Rural community-based organizations have an improved capacity to identify their needs and to develop social and economic activities Growing role of associations in marketing inputs and outputs and in agricultural services supply Farmers associations impact agricultural policy	Mid-term review and evaluation of IFAD programmes Specific surveys	
Purpose 2: Improved level of agricultural income and food security in rural areas	Higher value of agricultural commodities produced and marketed Higher agricultural yields Higher daily intakes of calories and proteins Less households living below the poverty line	Agricultural production statistics Import statistics National Household Poverty Survey Specific surveys	Agriculture policy is implemented according to PRSP objectives (pro-poor and pro-rural focus of PRSP is respected) PRSP is financed and implemented according to plan
Purpose 3: Reduced vulnerability to major threats on rural livelihoods	Crop production depends less on weather Diversification of agriculture with development of new niche markets Creation of employment in agro-processing and income-generating activities	Mid-term review and evaluation of IFAD programmes Specific surveys	
Output 1: Rural poor have improved access to rural services offered by sustainable institutions	Growth of the VISACA network Policy changes	Report of the Central Bank of The Gambia	Stable currency
Output 2: More poor farmers are involved in profitable improved rice cultivation, combined with activities in adjacent uplands	Hectares of swamp rice developed Incremental production and yields	Agricultural statistics Mid-term review Impact surveys	No further decrease in the international price of rice
Output 3: Improved agricultural productivity	Yield increase	Agricultural statistics	
Output 4: More diversified agriculture and increased marketed share of production	Niche markets developed by poor farmers Growth of income-generating activities	Agricultural statistics Mid-term review Impact surveys	
Output 5: Empowered farmers organizations	Activities of farmers associations	Annual report of farmers associations	

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Institution	Strengths	Weaknesses	Opportunities	Threats
DOSA	DOSA determined to implement the agricultural component of PRSP Technical staff with a knowledge of the country, smallholders and sector needs Staff with experience in implementing projects dealing with smallholders and community-based associations	Research and extension are weak despite huge investments in the past Lack of physical resources prevents DOSA from fulfilling its role DOSAs share of the Government budget is low Weak research and extension services Ongoing decentralization process might reduce efficiency of administration during the transition period Agricultural component of PRSP has been not elaborated and adopted yet	DOSA is preparing a rural strategy paper Large consensus on the effectiveness of the LADEP and RFCIP approach	Move of the best human resources to the private sector, NGOs and other public administration departments or to emigration
Department of State for Finance and Economic Affairs	Determined to implement the SPA-II	Implementation of SPA-II depends partially on external financing	Heavily Indebted Poor Countries initiative, as well as the PRSP. create good conditions for a pro-poor development process Macroeconomic stability	Difficulty in retaining qualified staff
NGOs (national)	Rural NGOs have a good knowledge of needs of local communities Used to participative approaches Willingness to learn rapidly	Insufficient coverage of the territory by few reliable and strong NGOs Insufficient competition among NGOs	Decentralization offers opportunities to CBOs and NGOs Donors agree to use NGOs for project implementation	Creation of unsustainable systems following withdrawal
NGOs (international)	Technical and financial capacity and willingness to help the Government pursue its PRSP objectives	Few organizations oriented towards rural development	SPA-II presents a straightforward Government strategy to improve livelihoods of the poor that is in line with strategies of international NGOs	
Private sector (national)	Good knowledge of investment opportunities in the country	Limited economies of scale in agro-industry Limited protection against low international market prices (rice, poultry, eggs, dairy, etc.)	New economic environment conducive to assumption of a leading role in the economy New areas for investment in accordance with Government objectives of diversifying production	Lack of sufficient investment opportunities that favour the poor
Private sector (foreign investors)		Limited interest in agricultural subsectors that are of interest to the poor Limited economies of scale vis-à-vis neighbouring countries		The agricultural sector is not a priority

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

IFAD's Strategic Framework	Regional Strategy	The Gambia COSOP
<p><i>IFAD's strategic framework includes three strategic objectives:</i></p> <ul style="list-style-type: none"> ⇒ <i>Strengthening the capacity of the rural poor and their organizations</i> ⇒ <i>Increasing access to financial services and markets</i> ⇒ <i>Providing equitable access to productive natural resources and technology</i> 	<p><i>IFAD's regional strategy is comprised of four strategic objectives (SOs):</i></p> <ul style="list-style-type: none"> ⇒ <i>SO#1: Strengthen the capacity of the rural poor and their organizations and improve the pro-poor focus of rural development policies and institutions</i> ⇒ <i>SO#2: Raising agricultural and natural resource productivity and rural incomes</i> ⇒ <i>SO#3: Increase rural incomes through improved access to financial capital and markets</i> ⇒ <i>SO#4: Reduce vulnerability to major threats to rural livelihoods</i> <p><i>The regional strategy has three cross-cutting themes:</i></p> <ul style="list-style-type: none"> ⇒ <i>Investing in women</i> ⇒ <i>Enhanced participation</i> ⇒ <i>Building on indigenous knowledge</i> 	<p>Strategic Objectives</p> <p>SO#1: IFAD will support the strengthening and empowerment of farmers organizations and community-based self-help groups to plan and manage their lowlands and uplands, develop and run sustainable microfinance institutions and networks, improve their living conditions and work together.</p> <p>SO#2: IFAD will support growth in agricultural production through the promotion and dissemination of adapted technologies designed to increase rice productivity and the productivity of a variety of diversified crops selected on a market-driven basis.</p> <p>SO#3: IFAD will support the development and consolidation of rural microfinance institutions through the strengthening of the VISACA network. IFAD will also seek to improve marketing channels, market information and commodity-market organization.</p> <p>SO#4: IFAD will support the development of a community-based awareness campaign on HIV/AIDS.</p> <p>Cross-Cutting Themes</p> <p>⇒ Women: IFAD will ensure that its future programme will focus on a better understanding of the livelihood systems of men and women and design interventions that respond to people's varying needs, especially those of vulnerable women and youth.</p> <p>⇒ Participation: Community participation will be the core of IFAD's intervention strategy. Participatory rural appraisal exercises will occur at project design and in planning project activities during implementation. A participatory monitoring and evaluation system will be set up to involve beneficiaries in monitoring and the generation of feedback on the effectiveness and relevance of project interventions.</p>

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ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementary/Synergy Potential with IFAD
European Union	Support for the cotton subsector	Upper River, Lower River and Central River divisions	2001-02	
	Autonomous credit project	Nationwide	8th EDF, until 2002	Complementary
	Reform of the groundnut sector	Nationwide	8th and 9th EDF	Complementary
	Agricultural research (ITC) and extension			Complementary
	Rehabilitation of feeder roads		8th and 9th EDF	Pre-condition
	Decentralization process	Nationwide	8th and 9th EDF	Complementary
	Seed project		8th EDF	Complementary
World Bank	Heavily Indebted Poor Country initiative (agriculture, education, health)		Ongoing	Complementary
UNDP	Household Food Security/Poverty Alleviation Project	Nationwide	Completed	Basic information
Inter-American Development Bank	National Seed Development Project	Nationwide	In preparation	Strong
AfDB	Livestock development study	National	2000-01	Synergy
	Farmer-managed irrigated rice development project (to consolidate the previous rice-development schemes of the Rice Development Project, the Small-Scale Water Control Project and JPSP)	Central River Division, north and south	In preparation	Strong
	Integrated Watershed Management Project	Western, Lower River, North Bank divisions	In preparation	Strong
German Agency for Technical Cooperation	ITC (livestock)	Nationwide	Ongoing	Strong
	Natural forests		Ongoing	
IFAD	LADEP	Nationwide	Ongoing (1997-2004)	
	RFCIP	Nationwide (rural finance support) Lower River and Central River divisions (agricultural support and <i>kafo</i> capacity-building)	Ongoing (1999-2006)	
FAO, Commonwealth, Inter-American Development Bank, Italy	Special Programme for Food Security (intensification, diversification, water management)	National	1997-2004	Strong
FAO	Peri-Urban Horticulture and Livestock Development Project			Strong
	Agricultural census	Nationwide		Basic information
	Agricultural research strategy	Nationwide		Basic information
	Formulation of a rural-sector support programme	Nationwide	In preparation	Strong
Kuwait Fund	Rice Development Project for Central River Division-north (enhance rice production through tidal and pump irrigation)	Central River Division-north	2002-07	Strong

PROFILES OF PROJECT IDEAS

1. The key thrust of future IFAD interventions will consist in: (a) the consolidation and continuation of successful IFAD initiatives (microcredit, community-initiated self-help groups, lowland rice development) through new loans, (b) the inclusion of innovative components tested during previous pilot trials, (c) pilot trials to test new approaches (rural enterprise development, diversification and marketing) and (d) the strengthening of farmers organizations and CBOs. These choices have been validated by a stakeholder workshop. IFAD will focus its efforts on activities which show a potential for scaling up and in which IFAD can provide leadership. Strategic partnerships with other donors are part of this strategy.

2. There are opportunities for innovation and project intervention in: (a) rural finance, where IFAD could offer nationwide support to boost the slow, organic growth of the VISACAs, with a focus on capacity-building, the integration of VISACA networks, the formation of an apex body, support for the regulatory effort of the Government, and donor coordination; (b) integrated watershed management; this option implies the further development of rice cultivation in the lowlands and the building up of complementary interventions around this main objective, including the development of adjacent uplands and related on-farm diversification and community development and (c) the testing of models of rural enterprise and rural marketing that can contribute to income diversification.

3. It is proposed that two projects be designed with an intervention period of seven-eight years and starting with a limited number of core activities that have proven ability to generate high demand: integrated watershed development, beginning with lowland development, microcredit, community development, rural services and diversification.

Project Idea 1: Integrated Watershed Management

4. The overall objective is to reduce poverty and improve human welfare in rural areas of The Gambia. Specific objectives are to tackle the following causes of rural poverty: (a) yield fluctuation due to weather, (b) poor agricultural productivity and (c) poor access to productive assets (land, water) and poor and decreasing soil fertility (yields, erosion, poor crop husbandry and so on). The outputs required to reach these specific objectives are: (a) the expansion of lowland rice cultivation with a low-risk profile, combined with activities in the adjacent uplands, (b) enhanced agricultural productivity through the gradual improvement of traditional agricultural practices and (c) higher labour productivity during production and following harvests. LADEP has successfully intervened in the lowlands through water management, tidal-access and extension activities. One option would be to develop rice cultivation in the lowlands and to build the complementary interventions around this main objective, including through the development of the adjacent uplands, microfinance, diversification and community development. The target groups are rural households and communities affected by poverty. The lowland master plan to be developed by LADEP in coming years will be the basis for the identification of intervention areas in the lowlands. Rural finance activities will be organized at the national level.

Project Idea 2: Diversification and Rural Finance

5. The overall objective is to reduce poverty and improve human welfare in rural areas of The Gambia.

6. Specific objectives are: (a) an improvement in the level of agricultural incomes and food security in rural areas and (b) the strengthened capacity of the rural poor and their organizations. The outputs required to reach these specific objectives are: (a) enhanced rural microfinance services, (b) diversified agricultural production and increased marketed share, (c) the diversification of off-farm

APPENDIX VI

activities, (d) higher labour productivity in production and following harvest and (e) the empowerment of farmers organizations and rural communities. The activities required are organized into three components: (a) rural and microfinance development, (b) community-development and (c) the diversification of on and off-farm activities.

7. **Rural microcredit:** At the end of the RFCIP, the existing structure will still be fragile and dependent on external service providers for coaching and capacity-building. The stakeholder workshop formulated the future direction of the rural finance component as follows:

- (a) with respect to the VISACA network, a further consolidation of current activities: (a) coaching, capacity-building and the empowerment of management, (b) the integration of the five VISACA networks that have been created by the five service providers and of the linkages with other groups, (c) this integration should be combined with a stepwise process of the formation of an apex body, and (d) the rehabilitation of VISACAs and the creation of new VISACAs where necessary;
- (b) a strong need for short, medium and long-term credit schemes, which should foster rural enterprise development and income-generating activities; a pilot activity could be developed to test the effectiveness and sustainability of adapted financial products and services and
- (c) with respect to regulation: (a) continued support for the Central Bank of The Gambia, and (b) the preparation of a national microcredit policy document (if one is not available).

8. **Diversification on and off-farm and community development.** This component is a continuation of the *kafo* component within RFCIP and includes the preparation of new intervention packages in order to tackle problems in diversification, the development of marketing channels and niche markets, and the small-scale processing of crops. The demand-driven approach should guarantee that: (a) oversupply is avoided in specific marketing channels and (b) farmers can themselves identify opportunities and agree to share production and market risks.

9. Within this component, the strengthening of farmers associations should receive attention. The COSOP validation workshop participants identified the following roles for these associations: (a) a real ownership role through full participation in the design, implementation, monitoring and evaluation of activities, (b) an advocacy-promotion role through information, education and communication strategies and (c) a consultative and management role. Stakeholders identified the following activities for strengthening their associations: (a) functional literacy, (b) adequate member education and (c) study tours or exchange visits. An apex-formation of associations could be supported. The financial absorption capacity of these types of activities is limited unless capacity-building is included.

10. The role of farmers' organizations in the development of marketing channels, as seen by stakeholders, should be to: (a) develop a mechanism or device through which they can provide reliable information (local and international) on prices and markets; (b) provide specialized extension workers (to be trained); and (c) lobby for farmers' interests (product promotion and pricing).