The Challenges of Building an Effective Public-Private Partnership
- The Gambia -

A COUNTRY PAPER
CONTRIBUTED BY
THE GAMBIAN STRATEGY TEAM
INTRODUCTION

The Government is committed to Private Sector Development (PSD) through capacity building (CB) and policy reforms. Of the two initiatives, clearly policy reforms are the more important. Without a conducive environment, the private sector will stagnate at best. In a fully functioning market economy, capacity building for PSD tends to be an intrinsic process that is engineered by the entrepreneur who has the drive to acquire the capacities needed to be competitive and seize economic opportunities. However, there is also the need to assist the public sector in building up capacity in specific areas that will produce tangible benefits for the private sector. There are also some strategic opportunities in the private sector in the Gambia, where specific interventions could make a critical difference by providing the missing link in the supply-demand chain.

BASIC COUNTRY DATA

The Basic Data below shows that, while growing substantially in recent years, the Gambian economy is very poor with virtually no industrial or manufacturing base. At the same time, its fast growing population places intense pressure on the economy to generate employment through growth. For this reason, it is imperative that the private sector is supported through pro-growth policies, and supportive and reliable public and private institutions.

Basic Data

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<table>
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<tbody>
<tr>
<td>Population:</td>
<td>1.4 million</td>
</tr>
<tr>
<td>% Population growth rate:</td>
<td>4.2</td>
</tr>
<tr>
<td>GNP per capita:</td>
<td>$350</td>
</tr>
<tr>
<td>% GDP growth rate:</td>
<td>2.8 (average 1989-99)</td>
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<td></td>
<td>4.9 (1998)</td>
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<tr>
<td></td>
<td>5.6 (1999)</td>
</tr>
<tr>
<td>% GDP: Agriculture</td>
<td>33.2</td>
</tr>
<tr>
<td>Industry</td>
<td>3.6</td>
</tr>
<tr>
<td>Services</td>
<td>56.3</td>
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<tr>
<td>HDI Index Ranking</td>
<td>154 (out of 175)</td>
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As a very small country, the Gambian development strategy must be outward oriented. The outward orientation needs to exploit Gambia’s resource endowment of access to the sea, the Gambia River and low wage labour, through encouragement of domestic and foreign investment. Gambia’s relatively urbanized population distribution is favourable to increasing industrial value added. If successful, this strategy should achieve growth and employment through development of tourism, fisheries, agricultural exports and light manufacturing. The tourism sector is already well-established accounting for 12 percent of GDP, or about US$50 million and offers prospects for stronger linkages to local production.

CHALLENGES AND OPPORTUNITIES

Challenges:

Economic Management. There are many challenges to public-private partnership in the Gambia. The government’s main role is to encourage economic growth by ensuring macroeconomic stability through sound monetary and fiscal policies. As part of this role, the capacity for medium-term planning that maximizes the efficiency of public investment to complement private sector investment is essential. The government must also provide dependable institutions, particularly a commercial legal framework backed up by enforcement.

Policy Reforms: The areas cited repeatedly by the private sector that inhibit competitiveness and growth are high energy costs, limited access to long-term capital, difficulty in acquiring land, and high taxation. Little if any progress has been made in these areas. The Government has proposed the idea of establishing an Investment Bank to develop a long-term capital market.
Private Sector Development: The private sector also needs a functioning financial sector and for that there must be competition in the financial sector as well as rules and regulations that fairly balance the rights of the creditors and the debtors. Increased competition would result in lower lending rates and longer term lending. The Gambia needs support in each of these financial areas if the private sector is to develop. The private sector also needs its own institutions and capacities to provide market information and effectively advocate business interests to government, which will help entrepreneurs, exploit market opportunities.

Opportunities

Economic Management

Capacity in Government institutions primarily responsible for Economic Management is being developed with substantial assistance from the lead donors, including the World Bank, the IMF, and others. Institutions that are adequately covered by capacity building funds include the Central Bank, Department of State for Finance and the Central Bureau of Statistics. Still, there are specific activities within the Department of State for Finance that require funding in the area of medium term planning, such as the Public Investment Plan (PIP) and the Poverty Reduction Strategy process (PRSP).

Public Sector Capacity Constraints to Private Sector Development

<table>
<thead>
<tr>
<th>Problem</th>
<th>GOG Solution</th>
<th>Status</th>
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<tbody>
<tr>
<td>Weak Medium-term planning capacity</td>
<td>Build Capacity of DOS for Finance, PAU, Central Bank</td>
<td>PIP, MTEF and PRSP support from UNDP, IMF, WB, DFID</td>
</tr>
<tr>
<td>Weak Legal System</td>
<td>Training of Judges, improved management of court records, etc.</td>
<td>WB-CBEMP</td>
</tr>
<tr>
<td>Lack of Statistical Information</td>
<td>CB at the Central Bureau of Statistics</td>
<td>WB-CBEMP</td>
</tr>
<tr>
<td>Difficulty in acquiring land for business uses</td>
<td>Industrial estates/free zones</td>
<td>GIPFZA established.</td>
</tr>
<tr>
<td>Weak Domestic Training Institutes</td>
<td>CB at national training institutes</td>
<td>WB-CBEMP for MDI, ACBP for GTTI</td>
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PRIVATE SECTOR DEVELOPMENT

Public Sector Support to the Private Sector: Many of the public institutions that have strong roles in supporting the private sector are being helped by other donors. Additional institutions where absorptive capacity has been largely filled include the Department of State for Justice, the Gambia Technical Training Institute (GTII), and the Management Development Institute (MDI). GTTI and MDI provide trained labour to the private sector. The strategy is to locate potentially high impact areas for intervention that are not already covered by other donors. Government departments that fit this strategy to support the private sector are the Department of State for Trade and Industry (DOSTIE), the Department of State for Agriculture (DOSA), and the Department of State for Tourism (DOST). The activities at DOSTIE include disseminating information on business opportunities, such as those afforded by the Gambia’s WTO membership, to foreign and domestic investors, and developing an information network for interface with the private sector.

Capacity Needs of the Private Sector: The capacity needs of the private sector are vast and deep. It is impossible to cover the needs and therefore support here has to be selective. Where capacity building is most likely to succeed is where it will help recipients take advantage of a concrete market opportunity. Specific areas where opportunities have been discovered are increasing fish supplies to Gambian processing plants, and horticulture and livestock development to improve supplies to the tourism sector and for export. There is also the need to attract more foreign partners who can provide market access and advise on the
technical process, quality assurance and control required to meet external and tourism market specifications. Either the Gambian Investment and Promotion Free Zones Agency (GIPFZA) or the Gambia Chamber of Commerce and Industry (GCCI) will eventually be able to broker such relationships. Larger enterprises would also benefit from training, specifically in the areas of corporate strategy dealing with post-privatization issues and governance.

GOVERNMENT OF GAMBIA DEVELOPMENT STRATEGY

The Government of Gambia’s Private Sector Development strategy is articulated in a number of documents including the Vision 2020 strategy, The Gambia Government Investment Policy, Technical Cooperation Programme (Projects for Donor Intervention) Sectoral Consultations on Trade, Investment and Private Sector Development, and more recently in the document on the Africa Capacity Building Project – the Gambia. The official Government Policy can best be described as outward looking, emphasizing divestiture, and privatization of state-owned enterprises, exports, tourism, and promotion of foreign investment. The recent Poverty Reduction Strategy summarizes the Private Sector Development strategy as follows: to ensure a stable macro-economic environment and address the institutional and legal impediments to Private Sector Development.

The Government’s two leading institutions in Private Sector Development are the Department of State for Trade, Industry and Employment (DOSTIE) and the Gambia Investment Promotion and Free Zone Agency (GIPFZA). The priorities at DOSTIE are to improve linkages and coordination within and between private sector organizations and umbrella associations, and between the private and public sectors. Additional priorities include improving infrastructure services and access to financial and technical resources.

POSSIBLE SOLUTIONS:

Economic Management and Capacity Building Project

Rationale and Strategy

In the short term in order to address the challenges posed in public-private partnership, the UNDP has signed with Government and implementing the Economic Management capacity Building Project.

The UNDP EMCP III is comprised of two major strategic components, Strengthening Economic Management and Support to Private Sector Development (PSD). The Economic Management component focuses on building capacity in medium-term planning and in supporting a forum for policy dialog between the public and private sectors that will lead to improving the environment for PSD. An effective medium-term planning capability is important to ensure that public sector investments complement private sector investments in order to ensure employment creation and growth. In PSD, UNDP will provide support in three areas: Capacity building in public sector departments that support the private sector, capacity building in private sector institutions, and interventions at key points in the economic chain in the private sector.

The strategy for UNDP assistance to private sector development is to focus on those private sector activities that could be jump started with a very specific intervention as opposed to starting entirely new enterprises from the ground up. These activities are ones that the private sector has carried out in the past or could carry out except for a particular missing link in the supply-demand chain. These activities include fish processing for export, horticultural supply to the tourist sector (hotels) and for export, and premium quality meat supply to the tourist sector. EMCP III will also support studies that target economic activities that will support exports and bolster investor confidence, specifically to increase the presence of commercial financial institutions in the Gambia.

For the Public Sector CB component, EMCP III will support the DOSTIE, the DOS for Tourism and the DOSA. As an institution, the DOSTIE is trying to become a better partner to the private sector by providing much needed market information to the business community. Private Sector CB will benefit the Gambia Chamber of Commerce and Industry (GCCI) and producer marketing organizations.
EMCBP III COMPONENTS

Economic Management

Department of State for Finance and Economic Affairs: UNDP will support capacity building in medium term planning through training and other technical assistance required to develop, among other things, the national Public Investment Plan (PIP). This support will complement World Bank support in developing the Medium-Term Expenditure Framework (MTEF).

PRSP: UNDP will support the PRSP process by giving support for overall management including further development of strategy through sector working groups, development of a training needs matrix, and implementation of the participation action plan. Support to the PRSP process by giving support for overall management including further development of strategy through sector working groups, and implementation of the participation action plan.

Public Sector Capacity Building

The UNDP support is more effective if focused on selected and few agencies. It is easier to monitor and, more importantly, more likely to have a significant positive impact on growth. Capacity building in the public sector for Private Sector Development will focus on DOSTIE, Department of State for Agriculture (DOSA), and the Department of State for Tourism (DOST).

DOSTIE: This component aims to strengthen DOSTIE and DOST and create links between tourism and the local economy, fish processing and exports. For DOSTIE, there is an allocation to develop an information network that will collect data and provide reports to the local business community and foreign investors. It will be linked to the efforts to develop the capacity of the Central Statistics Department under the World Bank Capacity Building for Economic Management Project (CBEMP). Gambia is an outward looking economy and is eager to benefit from membership to the WTO. Businesses need an information source that actively seeks to inform businesses of WTO benefits, as well as the benefits of the U.S. Growth and Opportunities Act for Africa (AGOA), and how to access those opportunities.

DOST: The DOS for Tourism will be supported through the newly established Gambia Tourism Authority (GTA) by strengthening capacity to market Gambia as a tourist destination in international markets, particularly in Europe, with the idea that the Gambia tourism sector would not have to rely exclusively on tour operators. The UNDP program will also provide support to the GTA to enable it to support linkages between local production and the tourism sector.

Department of Fisheries: EMCBP III will support the Fisheries Department in ensuring that a greater percentage of the fish catch in Gambia waters reach local fish processing plants and are exported from the Gambia. The EMCBP III will assist in developing an action plan (including required legal framework, if necessary) and support capacity building at the Fisheries Department as well as analysis of capacity needs at other agencies such as the Customs Department.

DOSA: Training at the DOSA in livestock and horticulture marketing will be targeted to support specific market-making activities and will be particularly geared to assisting and monitoring grass roots marketing and information organizations that ensure that local producers will be able to deliver products of specified quantities and quality, reliably to the tourism and export sectors. Private Sector Capacity Building and Market-Making Initiatives

GCC: The GCCI is already in line to receive substantial funds from the African Capacity Building Fund (ACBF), a regional World Bank supported fund to build capacity in African institutions. This amount is probably at the limit of the absorptive capacity of the GCCI, but there are two specific areas not covered that are priorities for the GCCI to be a meaningful and relevant institution for the private sector. The first is to support a real effort to build membership.
Support to Grassroots Marketing Organizations: To forge links between producers and markets, particularly the tourism and export markets, EMCBP III will support the development of grassroots marketing organizations. CB – training and set-up. The second type of training is selected marketing training to producers in horticulture, including dry season vegetables and off season fruit, livestock, and fishing through a subcontract arrangement. The purpose of this training to help producers meet the specific quantity and quality requirements of already established markets. These activities are important to poverty alleviation because they generate cash for school fees and diversified nutritional food for family consumption.

Training: EMCBP III would also provide private sector training. Sector training includes a Corporate Governance and Strategy curriculum for larger enterprises, which would cover post-privatization issues, corporate governance systems, and best practices in government PSD policies. This curriculum has been developed by the World Bank Institute and would require a facilitator.

Market Oriented Studies: The EMCBP III will also fund specific studies to support marketing to foreign investors. In addition to the study for the Fisheries Department, the market-oriented studies will investigate the possibilities of and incentives for increasing international bank presence in the Gambia.

Expected Impact of EMCBP III

In the Economic Management component, an improved medium term planning capacity will be achieved which will result in a Public Investment Program that is strategic, supports the private sector and is backed by a Medium-term Expenditure Framework. If successful, the private sector will have increased confidence in the public sector’s ability to plan strategically and to implement the plan. These signalling effects will reduce investor uncertainty, which is essential for increasing long-term investment.

For PSD support, the expected outcome in addition to general capacity building is a breakthrough in one or more of the three market making initiatives: Fish processing, horticultural supply to tourism and export sectors, and livestock (quality meat) supply to tourism sector. Such a breakthrough would result in higher Gambian employment, higher income, foreign exchange earnings and tax revenue.